BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Financial Information required by the
Superintendency General of Financial Entities

Consolidated Financial Statements

As of March 31, 2024
(With corresponding figures for 2023)

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

	Note	March 2024	December 2023	March 2023
ASSETS				
Cash and due from banks	**9**	**1,448,405,151,226**	**1,429,362,414,317**	**1,398,646,693,202**
Cash		96,295,866,916	102,718,169,600	119,058,469,926
BCCR		928,175,247,150	926,640,987,647	868,517,037,434
Local financial entities		604,652,040	786,731,635	1,185,267,835
Foreign financial entities		283,559,941,843	258,384,327,377	279,671,537,093
Notes payable on demand		6,295,610,792	7,794,869,384	9,624,545,515
Restricted cash and due from banks		133,473,832,485	133,037,328,674	120,589,835,399
Investments in financial instruments	**10**	**1,598,964,791,342**	**1,389,619,789,751**	**1,558,956,538,933**
At fair value through profit or loss (FVTPL)		25,059,753,722	23,521,412,984	15,875,707,776
At fair value through other comprehensive income (FVOCI)		658,489,995,721	614,745,008,391	601,293,113,736
At amortized cost		895,742,846,704	730,519,651,897	930,306,049,972
Derivative financial instruments	11	243,551,509	364,305,137	125,364,113
Accrued interest receivable		20,977,811,810	21,887,088,090	13,941,541,704
(Allowance for impairment of investments in financial instruments)		(1,549,168,124)	(1,417,676,748)	(2,585,238,368)
Loan portfolio	**12**	**4,887,140,059,701**	**4,877,622,526,140**	**4,599,208,402,078**
Current		4,641,787,831,458	4,662,670,755,200	4,416,649,133,724
Past due		252,203,779,584	218,111,190,606	172,255,186,030
In legal collection		80,966,557,954	77,537,248,628	86,112,926,979
Direct incremental costs related to loans		6,528,640,296	6,360,771,801	5,889,421,640
(Deferred income on loan portfolio)		(48,698,075,137)	(48,113,222,075)	(42,986,604,925)
Accrued interest receivable		93,508,218,547	90,753,414,848	100,787,575,029
(Allowance for loan losses)		(139,156,893,001)	(129,697,632,868)	(139,499,236,399)
Accounts and fees and commissions receivable	**13**	**15,170,635,915**	**5,488,163,215**	**7,398,319,775**
Fees and commissions receivable		2,060,343,692	2,200,365,080	1,814,394,829
Accounts receivable for transactions with related parties		48,835,964	22,176,642	21,022,827
Deferred tax and income tax receivable		12,188,488,369	2,660,122,574	5,108,095,251
Other receivables		8,452,274,105	8,216,956,498	4,782,856,465
Accrued interest receivable		2,421,946	2,012,794	771,102
(Allowance for impairment of accounts and fees and commissions receivable)		(7,581,728,161)	(7,613,470,373)	(4,328,820,699)
Assets held for sale	**14**	**43,485,645,901**	**36,457,157,242**	**38,867,364,910**
Assets and securities acquired in lieu of payment		101,248,105,084	98,643,910,547	97,057,395,852
Other assets held for sale		-	-	55,884,628
(Allowance for impairment of assets held for sale and per legal requirements)		(57,762,459,183)	(62,186,753,305)	(58,245,915,570)
Investments in other companies	**15**	**66,702,510,547**	**68,426,438,887**	**67,334,240,649**
Property, furniture, equipment and right-of-use assets, net	**16**	**234,275,385,853**	**238,627,811,109**	**203,321,698,861**
Other assets	**17**	**37,952,916,533**	**61,387,895,555**	**45,519,507,057**
Deferred charges		19,102,836	22,377,026	10,740,346,694
Intangible assets		4,818,538,331	5,627,898,600	7,572,085,452
Other assets		33,115,275,366	55,737,619,929	27,207,074,911
TOTAL ASSETS		**8,332,097,097,018**	**8,106,992,196,216**	**7,919,252,765,465**

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

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

LIABILITIES AND EQUITY	Note	March 2024	December 2023	March 2023
LIABILITIES				
Obligations with the public	18	**6,721,856,123,677**	**6,450,404,259,373**	**6,188,922,117,614**
Demand obligations		4,619,395,567,039	4,437,525,057,675	4,185,759,284,746
Term obligations		2,045,519,889,914	1,954,394,980,375	1,960,166,494,925
Finance charges payable		56,940,666,724	58,484,221,323	42,996,337,943
Obligations with BCCR	19	**143,548,092,852**	**147,587,061,477**	**161,225,681,554**
Term obligations		140,244,809,791	144,471,880,512	158,738,238,810
Finance charges payable		3,303,283,061	3,115,180,965	2,487,442,744
Obligations with financial entities	20	**444,760,140,873**	**454,234,706,977**	**616,661,761,194**
Demand obligations		62,289,624,988	60,292,899,127	67,975,669,500
Term obligations		380,376,893,745	391,797,263,728	542,918,729,697
Finance charges payable		2,093,622,140	2,144,544,122	5,767,361,997
Accounts payable and provisions		**137,560,130,331**	**171,258,829,113**	**120,740,751,868**
Provisions	22	27,154,988,353	23,286,568,787	15,302,556,424
Accounts payable for brokerage services		550,710,370	483,204,964	2,494,021,812
Deferred tax	21-b	19,131,895,723	17,823,955,778	14,276,491,959
Other sundry accounts payable	23	90,722,535,885	129,665,099,584	88,667,681,673
Other liabilities	24	**21,202,290,471**	**33,111,379,327**	**22,946,854,594**
Deferred income		87,194,310	88,687,508	81,458,934
Other liabilities		21,115,096,161	33,022,691,819	22,865,395,660
Subordinated obligations	25	**55,346,587,639**	**59,065,779,037**	**60,947,973,703**
Subordinated obligations		54,332,850,000	56,903,040,000	60,190,987,500
Finance charges payable		1,013,737,639	2,162,739,037	756,986,203
TOTAL LIABILITIES		**7,524,273,365,843**	**7,315,662,015,304**	**7,171,445,140,527**
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		**77,460,270,237**	**80,711,724,550**	**63,735,077,143**
Reserves	26-b	**462,907,700,768**	**422,198,198,610**	**422,699,142,585**
Prior-period retained earnings		**22,968,807,781**	**33,835,547,527**	**32,713,238,870**
Income for the period		**16,490,308,938**	**33,723,084,897**	**7,798,541,012**
Capital contributions or special funds	26-c	**55,759,613,349**	**48,624,595,226**	**48,624,595,226**
TOTAL EQUITY		**807,823,731,175**	**791,330,180,912**	**747,807,624,938**
TOTAL LIABILITIES AND EQUITY		**8,332,097,097,018**	**8,106,992,196,216**	**7,919,252,765,465**
DEBIT MEMORANDA ACCOUNTS	27	**408,914,219,840**	**411,531,590,103**	**419,110,383,999**
TRUST ASSETS	28	**2,947,393,923,327**	**2,842,910,508,528**	**2,934,314,307,820**
TRUST LIABILITIES		**60,140,869,506**	**64,250,521,545**	**67,287,482,690**
TRUST EQUITY		**2,887,253,053,821**	**2,778,659,986,983**	**2,867,026,825,130**
TRUST MEMORANDA ACCOUNTS		**6,683,468,220**	**7,438,086,100**	**7,217,151,889**
OTHER DEBIT MEMORANDA ACCOUNTS	29	**36,605,585,220,205**	**35,447,674,483,367**	**31,364,259,669,605**
Own debit memoranda accounts		13,106,692,039,587	12,546,160,266,211	9,921,071,553,733
Third-party debit memoranda accounts		5,103,134,130,645	4,956,547,223,229	4,653,626,886,604
Own debit memoranda accounts for custodial activities		640,538,095,977	640,304,967,101	534,905,678,501
Third-party debit memoranda accounts for custodial activities		17,755,220,953,996	17,304,662,026,826	16,254,655,550,767

JAIME MURILLO VIQUEZ (FIRMA)
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Jaime Murillo Víquez
General Manager a.i.

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

RICARDO ALONSO ARAYA JIMENEZ (FIRMA)
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Ricardo Araya Jiménez
General Auditor

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BANCO NACIONAL DE COSTA RICA
Atención: SUGEF
Registro Profesional: 21119
Contador: MORALES CENTENO ALEJANDRA
Estado de Situación Financiera
2024-05-23 12:28:31 -0600

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

COLEGIO DE CONTADORES PRIVADOS DE COSTA RICA
TIMBRE ₡300

TIMBRE 300.0 COLONES

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

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(In colones)

	Note	March 2024	March 2023
Finance income			
Cash and due from banks	**33**	3,886,714,243	3,563,330,339
Investments in financial instruments	**33**	24,352,270,595	19,237,257,683
Loan portfolio	**34**	115,749,498,419	117,487,359,249
Gain on financial instruments at FVTPL		597,289,058	152,711,616
Gain on financial instruments at FVOCI		2,398,299,711	199,590,324
Gain on derivative financial instruments, net	**11**	27,726,103	118,972,679
Other finance income	**35**	945,225,422	835,608,115
Total finance income		**147,957,023,551**	**141,594,830,005**
Finance costs			
Obligations with the public	**36**	56,162,652,458	55,309,756,291
Obligations with BCCR		287,984,245	337,796,379
Obligations with financial and non-financial entities	**37**	5,391,931,709	8,604,119,764
Subordinated, convertible and preferred obligations		1,589,385,303	1,634,160,239
Loss on foreign exchange differences and DU, net	**6-d**	260,446,294	1,842,645,616
Loss on financial instruments at FVTPL		373,509,490	1,003,971,268
Loss on financial instruments at FVOCI		103,102,588	413,229,965
Other finance costs	**38**	154,038,816	1,911,895,771
Total finance costs		**64,323,050,903**	**71,057,575,293**
Allowance for impairment of assets	**39**	17,253,246,087	12,014,034,743
Recovery of assets and decrease in allowances	**40**	3,921,891,000	5,169,654,701
FINANCE INCOME		**70,302,617,561**	**63,692,874,670**
Other operating income			
Service fees and commissions	**41**	42,541,872,280	43,343,153,305
Assets held for sale		4,808,483,036	2,771,081,910
Gain on investments in other companies	**8**	889,274,865	803,831,182
Foreign currency exchange and arbitrage		8,141,181,372	9,064,208,826
Other income from related parties		48,378,397	6,661,696
Other operating income	**42**	2,974,099,106	2,026,716,004
Total other operating income		**59,403,289,056**	**58,015,652,923**

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

Continued…

BANCO NACIONAL DE COSTA RICA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(In colones)

	Note	March 2024	March 2023
Other operating expenses			
Service fees and commissions		10,373,142,569	11,198,732,674
Assets held for sale	**43**	2,335,025,441	2,853,505,823
Provisions	**44**	6,041,337,630	5,710,369,181
Bonuses on fees and commissions of voluntary pension funds		67,313,760	43,192,906
Foreign currency exchange and arbitrage		12,935	5,530,802
Other operating expenses	**45**	19,884,683,149	16,589,742,305
Total other operating expenses		**38,701,515,484**	**36,401,073,691**
GROSS OPERATING INCOME		**91,004,391,133**	**85,307,453,902**
Administrative expenses			
Personnel expenses	**46**	41,567,892,977	40,065,213,723
Other administrative expenses	**47**	19,952,555,314	17,900,144,850
Total administrative expenses		**61,520,448,291**	**57,965,358,573**
NET OPERATING INCOME BEFORE TAXES AND STATUTORY ALLOCATIONS		**29,483,942,842**	**27,342,095,329**
Income tax	**21-a**	3,971,207,642	7,874,997,116
Prior-period income tax	**21-a**	277,934	3,569,810,057
Deferred tax	**21-a**	372,895,504	859,260,081
Decrease in prior-period income tax	**21-a**	-	22,678
Deferred tax income	**21-a**	116,844,213	385,354,053
Statutory allocations	**48**	8,766,097,037	7,624,863,794
INCOME FOR THE PERIOD		**16,490,308,938**	**7,798,541,012**
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Items that will not be reclassified to profit or loss			
Surplus from revaluation of property		83,852,496	57,763,628
Other adjustments		(4,016,365,686)	(6,370,298,669)
Items that are or may be reclassified to profit or loss			
Adjustment for valuation of investments at FVOCI		1,092,168,333	5,148,571,444
Adjustment for valuation of restricted financial instruments		(8,777)	-
Surplus from revaluation of other assets		2,401,799	(212,605)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**(2,837,951,835)**	**(1,164,176,202)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**13,652,357,103**	**6,634,364,810**

JAIME MURILLO VIQUEZ (FIRMA)
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Jaime Murillo Víquez
General Manager a.i.

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Alejandra Morales Centeno
General Accountant
CPI 21119

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Ricardo Araya Jiménez
General Auditor

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

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, NET
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(In colones)

	Note	Share capital	Equity adjustments - Other comprehensive income	Reserves	Capital contributions in special funds	Prior-period retained earnings	TOTAL
Balance at December 31, 2022		**172,237,030,102**	**65,091,090,087**	**387,165,279,581**	**44,436,595,670**	**71,035,884,962**	**739,965,880,402**
Adjustment to statutory allocations from prior periods		-	-	-	-	1,207,379,725	1,207,379,725
Balance at January 1, 2023		**172,237,030,102**	**65,091,090,087**	**387,165,279,581**	**44,436,595,670**	**72,243,264,687**	**741,173,260,127**
Transactions with owners booked directly in equity:							
Legal reserves		-	-	37,365,747,265	-	(37,365,747,265)	-
Other statutory reserves		-	-	(1,831,884,261)	-	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 period		-	-	-	-	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 FVOCI	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**

JAIME MURILLO VIQUEZ (FIRMA) Firmado digitalmente por JAIME MURILLO VIQUEZ (FIRMA) Fecha: 2024.05.27 17:23:17 -06'00'
Jaime Murillo Víquez
General Manager a.i.

ALEJANDRA MORALES CENTENO (FIRMA) Firmado digitalmente por ALEJANDRA MORALES CENTENO (FIRMA) Fecha: 2024.05.27 12:41:17 -06'00'
Alejandra Morales Centeno
General Accountant
CPI 21119

RICARDO ALONSO ARAYA JIMENEZ (FIRMA) Digitally signed by RICARDO ALONSO ARAYA JIMENEZ (FIRMA) Date: 2024.05.27 14:36:13 -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
2024-05-23 12:28:32 -0600

CONTADOR PRIVADO INCORPORADO COSTA RICA

TIMBRE 300.0 COLONES

VERIFICACIÓN: dYJoAryq
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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, NET
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(In colones)

	Note	Share capital	Equity adjustments - Other comprehensive income	Reserves	Capital contributions in special funds	Prior-period retained earnings	TOTAL
Balance at December 31, 2023		**172,237,030,102**	**80,711,724,550**	**422,198,198,610**	**48,624,595,226**	**67,558,632,424**	**791,330,180,912**
Adjustment to statutory allocations from prior periods		-	-	-	-	**2,841,193,160**	2,841,193,160
Balance at January 1, 2024		**172,237,030,102**	**80,711,724,550**	**422,198,198,610**	**48,624,595,226**	**70,399,825,584**	**794,171,374,072**
Transactions with owners booked directly in equity:							
Legal reserves		-	-	39,024,687,745	-	(39,024,687,745)	-
Other statutory reserves		-	-	1,684,814,413	-	(1,684,814,413)	-
Capital contributions in special funds		-	-	-	7,135,018,123	(7,135,018,123)	-
Total transactions with owners booked directly in equity		**-**	**-**	**40,709,502,158**	**7,135,018,123**	**(47,844,520,281)**	**-**
Comprehensive income for the period:							
Income for the period		-	-	-	-	16,490,308,938	16,490,308,938
Surplus from revaluation of property		-	83,852,496	-	-	-	83,852,496
Adjustment for valuation of investments at FVOCI	**10**	-	1,092,168,333	-	-	-	1,092,168,333
Adjustment from valuation of restricted financial instruments		-	(8,777)	-	-	-	(8,777)
Surplus from revaluation of other assets		-	2,401,799	-	-	-	2,401,799
Other adjustments		-	(4,016,365,686)	-	-	-	(4,016,365,686)
Realization of surplus from revaluation of property		-	(413,502,478)	-	-	413,502,478	-
Total comprehensive income for the period		**-**	**(3,251,454,313)**	**-**	**-**	**16,903,811,416**	**13,652,357,103**
Balance at March 31, 2024	**26**	**172,237,030,102**	**77,460,270,237**	**462,907,700,768**	**55,759,613,349**	**39,459,116,719**	**807,823,731,175**

JAIME MURILLO VIQUEZ (FIRMA)
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Jaime Murillo Víquez
General Manager a.i.

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

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Date: 2024.05.27 14:36:39 -06'00'

Ricardo Araya Jiménez
General Auditor

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

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BANCO NACIONAL DE COSTA RICA
Atención: SUGEF
Registro Profesional: 21119
Contador: MORALES CENTENO ALEJANDRA
Estado de Cambios en el Patrimonio
2024-05-23 12:28:32 -0600

CONTADOR PRIVADO INCORPORADO
COSTA RICA

TIMBRE 300.0 COLONES

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(In colones)

	Note	March 2024	March 2023
Cash flows from operating activities			
Income for the period		16,490,308,938	7,798,541,012
Items not requiring cash			
Depreciation and amortization		6,384,528,099	5,846,090,924
(Gain) on foreign exchange differences and DU, net		(26,055,832,877)	(63,908,857,487)
Loss on sale of non-financial assets		718,829,935	1,682,328,486
Finance income		(140,101,769,014)	(136,724,616,932)
Finance costs		35,755,576,291	38,610,652,042
Allowance for investments, net		(39,095,697)	(65,213,672)
Allowance for loan losses, net		16,256,935,891	11,245,212,208
Allowance for other accounts receivable, net		189,544,042	155,315,538
(Gain) on allowance for assets held for sale, net		(4,424,294,122)	(2,440,997,599)
Severance provision		13,810,492	6,524,582
Other provisions		5,329,699,798	(4,429,931,662)
Share of net profit of foreign associate		(889,274,874)	(803,831,200)
Statutory allocations, net		8,766,097,037	7,624,863,794
Income tax expense, net	**21-a**	3,971,485,576	11,444,784,495
Deferred tax	**21-a**	256,051,291	473,906,028
		(77,377,399,194)	**(123,485,229,443)**
Cash flows from operating activities			
Loan portfolio		(80,027,028,650)	(103,353,702,569)
Accounts and fees and commissions receivable		(11,986,798,139)	(2,428,365,259)
Assets held for sale		4,923,412,012	10,135,821,948
Other assets		21,669,729,143	19,893,552,455
Obligations with the public		359,480,976,631	280,397,680,164
Obligations with BCCR and other entities		(7,832,292,773)	(50,093,111,213)
Obligations for accounts payable, fees and commissions payable and provisions		15,340,596,341	20,689,921,991
Other liabilities		(12,834,136,542)	(8,399,546,484)
		288,734,458,023	**166,842,251,033**
Income tax paid		(18,748,902,669)	(29,393,208,602)
Interest received on loan portfolio and investments		138,256,241,595	144,036,354,321
Interest paid on term obligations with the public and financial entities		(37,161,950,776)	(29,085,990,153)
Statutory allocations paid		(26,721,013,239)	(23,464,949,153)
Net cash from operating activities		**266,981,433,740**	**105,449,228,003**
Cash flows from investing activities			
Increase in financial instruments		(471,136,979,343)	(255,292,346,271)
Decrease in financial instruments		282,140,504,364	288,409,026,403
Acquisition of property and equipment		(17,045,530,066)	(14,768,546,878)
Sale of property and equipment		139,858,489	37,326,031
Acquisition of intangible assets		(299,859,271)	(134,718,013)
Net cash (used in) from investing activities		**(206,202,005,827)**	**18,250,741,272**
Cash flows from financing activities			
Settlement of financial obligations		(5,028,395,257)	(6,601,135,472)
Payment of lease liabilities		(790,026,812)	(502,159,634)
Net cash used in financing activities		**(5,818,422,069)**	**(7,103,295,106)**
Net increase in cash and cash equivalents Cash		**54,961,005,844**	**116,596,674,169**
and cash equivalents at beginning of year Cash		**1,648,529,317,528**	**1,578,737,708,410**
and cash equivalents at end of year	9	**1,703,490,323,372**	**1,695,334,382,579**

JAIME MURILLO VIQUEZ (FIRMA)
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Jaime Murillo Víquez
General Manager a.i.

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

RICARDO ALONSO ARAYA JIMENEZ (FIRMA)
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Ricardo Araya Jiménez
General Auditor

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

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BANCO NACIONAL DE COSTA RICA
Atención: SUGEF
Registro Profesional: 21119
Contador: MORALES CENTENO ALEJANDRA
Estado de Flujos de Efectivo
2024-05-23 12:28:32 -0600

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

TIMBRE 300.0 COLONES

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

(1) Reporting entity

Banco Nacional de Costa Rica (the Bank) is an autonomous, independently managed, public law institution. As a State-owned bank, it is regulated by the Internal Regulations of the National Banking System (IRNBS), the Internal Regulations of the Central Bank of Costa Rica and the Political Constitution of the Republic of Costa Rica. It is also subject to oversight by the General Superintendency of Financial Entities (SUGEF) and the Comptroller General of the Republic (CGR). Its registered office is located in San José, Costa Rica.

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

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

Currently, due to innovations in information technology and telecommunications and especially because of the competition in the national and international financial sectors, the Bank has become a universal bank that offers services in all sectors of the Costa Rican market. Those services include personal, business, corporate and institutional banking, stock market, pension fund management, investment funds, insurance brokerage, international banking services and electronic banking services. It seeks to become the most digitalized, leading financial conglomerate in Costa Rica by offering the best customer experience, obtaining sufficient profitability levels to grow and support the country’s development, and ensuring excellent organizational health.

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As of March 31, 2024, the Bank has 153 offices, 461 ATMs and along with its subsidiaries a total of 5,731 employees (2023: 153 offices, 452 ATMs and along with its subsidiaries a total of 5,737 employees). Employees are distributed as follows: Banco Nacional de Costa Rica – 5,266 employees (2023: 5,270); BN Valores Puesto de Bolsa, S.A. - 73 employees (2023: 72); BN Vital Operadora de Planes de Pensiones Complementarias, S.A. - 193 employees (2023: 193); BN Sociedad Administradora de Fondos de Inversión, S.A. - 95 employees (2023: 95); and BN Sociedad Corredora de Seguros, S.A. - 104 employees (2023: 107). The Bank's website is www.bncr.fi.cr.

The following subsidiaries are wholly owned by the Bank:

BN Valores Puesto de Bolsa, S.A. (the Brokerage Firm) was organized as a corporation in 1998 under the laws of the Republic of Costa Rica. Its main activity is performing securities transactions in the Costa Rican National Stock Exchange (Bolsa Nacional de Valores, S.A.) on behalf of third parties. Such transactions are regulated by the Costa Rican National Stock Exchange, the regulations and provisions issued by the Superintendency General of Securities (SUGEVAL) and the *Securities Market Regulatory Law*.

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

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

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

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

As of March 31, 2024, BN Centro de Procesos S.A. has not begun operations until the Office of the Comptroller General of the Republic authorizes the corresponding budget.

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

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

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

		March 2024				
		BN Valores Puesto de Bolsa, S.A.	BN Sociedad Administradora de Fondos de Inversión, S.A.	BN Vital Operadora de Planes de Pensiones Complementarias, S.A.	BN Sociedad Corredora de Seguros, S.A.	BICSA
Assets	¢	66,984,109,918	13,872,146,332	17,881,317,581	10,120,561,021	496,844,443,455
Liabilities	¢	50,889,946,407	1,367,827,660	3,921,052,853	1,368,668,096	431,242,556,216
Equity	¢	16,094,163,511	12,504,318,671	13,960,264,728	8,751,892,925	65,601,887,239
Income for the period	¢	370,022,846	760,484,990	828,864,428	1,229,983,787	889,274,865
Memoranda accounts	¢	1,086,041,215,451	722,145,526,189	2,626,088,936,339	-	-

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

		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	-	-

(Continued)

(2) Basis of accounting

(a) Basis of accounting

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

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

(b) Basis of measurement

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

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

(3) Functional and presentation currency

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

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(4) Use of estimates and judgments

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

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

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

a- Judgments

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

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

b- Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment for the period ended March 31, 2024, is related to the impairment of financial instruments.

(i) Fair value measurement

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

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(5) Material accounting policies

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

(a) Basis of consolidation

i. Subsidiaries

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

ii. Non-controlling interests

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. As of March 31, 2024, the Bank holds 49% ownership interest in Banco Internacional de Costa Rica, S.A. and Subsidiary (BICSA), a Panamanian entity.

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

iii. Loss of control

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

iv. Interests in equity-accounted investees

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

v. Transactions eliminated on consolidation

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

(b) Foreign currency

i. Foreign currency transactions

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

ii. Monetary unit and foreign exchange regulations

The parity of the colón with the US dollar is determined in a free exchange market, under the supervision of the Central Bank of Costa Rica (BCCR) through a managed float regime. Under the managed float regime, the exchange rate is determined by the market, but BCCR still reserves the right to intervene in the foreign currency market to moderate significant fluctuations in the exchange rate and prevent deviations from the behavior of the variables that explain its medium- and long-term trends, using the reference selling rate published by BCCR.

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

As of March 31, 2024, assets and liabilities in US dollars are valued at the exchange rate of ¢506.60 to US$1.00 (December and March 2023: ¢526.88 and ¢545.95 to US$1.00), which is the reference selling rate established by BCCR.

As of March 31, 2024, assets and liabilities denominated in euro are valued at the exchange rate of ¢548.04 to €1.00 (December and March 2023: ¢582.31 and ¢594.76 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, 2024, assets and liabilities denominated in Development Units (DU) were valued at the exchange rate of ¢1,012.48 to DU1.00 (December and March 2023: ¢1,013.32 and ¢1,026.41 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 FVTPL, transactions costs that are directly attributable to its acquisition or issue.

(ii) Classification and subsequent measurement

Financial assets

Classification

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

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

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

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

(Continued)

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

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

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

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

Business model assessment

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

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

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

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

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

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

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

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

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

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

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

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

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

Subsequent measurement and gains and losses

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

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

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

Financial liabilities

Classification

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

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

Subsequent measurement and gains and losses

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

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

(iii) Impairment of financial assets

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

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

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

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

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

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

Measurement of ECL

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

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

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

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

(Continued)

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

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

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

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

Forward-looking information

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

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

(Continued)

Impairment of non-financial assets

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

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

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

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

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

(iv) *Derecognition*

Financial assets

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

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

Financial liabilities

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

(v) *Offsetting*

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

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

(d) Derivative financial instruments

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

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

(e) Embedded derivatives

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

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

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

The Conglomerate currently has the following derivative financial instruments:

i. *Derivatives held for risk management*

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

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

ii. *Derivatives other than hedges*

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

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

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

(f) Cash and cash equivalents

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

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

(g) Property, furniture, equipment and leasehold improvements

(i) Recognition and measurement

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

(ii) Subsequent costs

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

(iii) Depreciation and amortization

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

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

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

(h) Intangible assets

(i) Recognition and measurement

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

(ii) Amortization

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

(iii) Subsequent costs

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

(Continued)

(i) <u>Leases</u>

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

(i) *<u>As a lessee</u>*

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

(j) Loan portfolio

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

The loan portfolio is presented at the amount of outstanding principal. Interest is calculated based on the value of outstanding principal and the contractual interest rates and is accounted for as income using the accrual method of accounting.

The Conglomerate follows the policy of suspending interest accruals on loans when principal or interest payments are more than 180 days past due. The recovery or collection of that interest is recognized as income when collected.

(k) Allowance for loan losses

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

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

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

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

The provisions of Article 22 of SUGEF Directive 9-20 *Regulations to Authorize and Execute Operations with Foreign Exchange Derivatives* are applied by the Conglomerate in calculating the allowance for clearing price risk in respect of each customer or counterparty. For such purposes, the capital requirement adjusted for clearing price risk (as defined in Article 28 of SUGEF Directive 3-06 *Regulations on Capital Adequacy of Financial Entities*) must be multiplied by the respective allowance percentage corresponding to the borrower rating, in conformity with the applicable prudential regulation on loss allowances.

(m) Other receivables

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

Notwithstanding the results of the assessment, if an account is not recovered within 120 days from the due date, an allowance is established for an amount equivalent to 100% of the balance receivable. Accounts with no specified due date are considered payable immediately.

(n) Assets held for sale

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

(Continued)

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

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

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

i. Reverse against income the regulatory allowance booked in subaccount 159.10.

ii. Record an expense to recognize the allowance in the subaccount 139.02.M.04 (General component for the loan portfolio – Transitory). The expense amount should match the amount of the reversal in income.

iii. The balance that remains in subaccount 139.02.M.04 after the movements indicated above must be used solely to cover the future requirements of counter-cyclical allowances.

(o) Accounts payable and other liabilities

Accounts payable and other liabilities are carried at amortized cost.

(p) Provisions

A provision is recognized in the consolidated statement of financial position if, as a result of a past event, the Conglomerate has a present legal or constructive obligation and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision made approximates settlement value; however, final amounts may vary.

The estimated value of provisions is adjusted at the date of the consolidated statement of financial position, directly affecting the consolidated statement of comprehensive income.

(q) Employee benefits

(i) Short-term employee benefits

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

(ii) Statutory Christmas bonus

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

(iii) Vacation

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

(Continued)

(iv) Incentives plan

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

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

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

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

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

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

(v) Annuities

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

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

(vi) Defined contribution plans

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

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

(vii) Defined benefit plans

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

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

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

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

(viii) Termination benefits

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

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

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

(Continued)

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

(ix) Employee Protection and Retirement Fund

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

- items established by the laws and regulations related to the Fund;
- contributions made by the Bank equivalent to 10% of total wages;
- contributions made by employees equivalent to 5% (March 2023: 5%) of total wages to strengthen the Fund; and
- income from investments made by the Fund and other potential income.

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

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

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

(Continued)

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

(r) Deferred income

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

(s) Legal reserve

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

Other statutory reserves

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

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

(Continued)

(t) Revaluation surplus

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

(u) Income tax

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

i. Current tax

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

ii. Deferred tax

Deferred tax is recognized using the liability method in the consolidated statement of financial position in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are identified as either taxable temporary differences (which result in future taxable amounts) or deductible temporary differences (which result in future deductible amounts). A deferred tax liability represents a taxable temporary difference and a deferred tax asset represents a deductible temporary difference.

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

iii. Tax benefits - FOCREDE

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

(v) Segment reporting

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

(w) Financial statements of the different departments

The consolidated financial statements include the financial statements of the Commercial Banking, Mortgage Banking and Rural Credit Banking departments, which were combined to determine the financial and economic position of the legal entity (the Bank), since those departments are dedicated to banking activities and are directly subordinated to the Bank’s General Board of Directors.

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

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

(x) Recognition of income and expenses

i. Interest income and interest expense

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

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

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

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

a) The principal of the unpaid installments is prorated among the remaining installments of the payment plan, to be paid within the remaining term of the operation.

b) Interest corresponding to the restructured installments shall be payable at the end of the term of the operation, or it can be settled previously by the customer if they wish to do so.

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

Regarding accrual on the loan portfolio over 180 days, official letter CNS-1698/08 indicates that the Bank must have an allowance, which as of March 31, 2024, amounts to ¢12,487 million. According to the plan for accrued interest receivable, the allowance to be booked amounts to ¢22,396 million. This plan must be carried out during the next 36 months, with bi-annual cutoffs. However, the balance must be updated at the beginning of each semester, considering the payments made, refinancing, default and other effects.

(Continued)

Semester	Minimum allowance percentage of the balance of accrued interest receivable over 180 days	Minimum allowance required
2024-06	56%	12,542
2024-12	70%	15,677
2025-06	85%	19,036
2025-12	100%	22,396

ii. Fee and commission income

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

iii. Income from foreign currency exchange and arbitrage

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

iv. Operating lease expenses

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

(y) Statutory allocations

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

Under Article 12 of IRNBS, the net earnings of commercial State-owned banks are allocated as follows: 50% to a legal reserve; 10% to increase the capital of INFOCOOP; and the remainder to increase the Bank's capital, pursuant to Article 178 of the *Cooperative Associations Law* (Law No. 4179).

(Continued)

Pursuant to paragraph a) of Article 20 of the *Law to Create the National Commission for Education (CONAPE)* (Law No. 6041), the Bank is required to make statutory allocations equivalent to 5% of earnings before taxes and statutory allocations to CONAPE.

In accordance with Article 46 of the *National Emergency and Risk Prevention Act* (Law No. 8488), all institutions of the central administration and decentralized public administration, as well as State-owned entities, must contribute three percent (3%) of their reported earnings before taxes and statutory allocations and of their accumulated budget surplus to CNE. Such funds are deposited in the National Emergency Fund to finance the National Risk Management System.

Article 78 of the *Employee Protection Law* (Law No. 7983) establishes a contribution of up to 15% of the earnings of State-owned public companies, with the purpose of strengthening the funding base for the RIVM of CCSS and to provide universal CCSS coverage for impoverished non-salaried workers.

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

(z) Development Financing Fund (FOFIDE)

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

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

(aa) Development Credit Fund (FOCREDE)

The Development Credit Fund (FOCREDE) is comprised of the funds prescribed in Article 59 of IRNBS (Law No. 1644), FOCREDE will be managed by State-owned banks, Accordingly, in compliance with the *Repeal of Transition Provision VII of Law No. 8634* (Law No. 9094) and Article 36 of the *Development Banking System Act* (Law No. 8634), in meeting No. 119 of January 16, 2013, through agreement No. AG-1015-119-2013, Banco de Costa Rica and Banco Nacional de Costa Rica are appointed managers for five years from the date of signing of the respective management agreements, renewable for equal periods. Each bank is awarded the management of fifty percent (50%) of such fund.

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

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

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

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

c. The term of the agreement is five years, renewable for equal and successive periods, unless a written order by the Governing Board provides otherwise and is notified at least three months in advance. If a lack of capacity and competence is proven by the Managing Banks, this agreement may be terminated under paragraph j) Article 14 of Law No. 8634 and amendments thereto.

(bb) Trust operations

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

(6) Risk management

The Conglomerate has exposure to the following risks:

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

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

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

(Continued)

The Conglomerate manages the above risks as follows:

a) *Credit risk*

i. *Banco Nacional de Costa Rica*

This is the risk that the borrower or issuer of a financial asset fails to meet its contractual obligations, fully and on time, in accordance with the terms and conditions agreed upon at the time the financial asset was acquired. Credit risk is mainly related to the loan portfolio and investment securities. The exposure to credit risk on those assets is represented by the carrying amount of the assets in the consolidated statement of financial position. The Bank also has exposure to credit risk for off-balance sheet credits, such as commitments, letters of credit, sureties and guarantees.

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

The Bank has established the following credit risk management procedures:

- The Bank has defined procedures for the monitoring, application of controls and loan processing. The functions, tasks and procedures performed by the Credit Risk Division have been documented with the support of the Quality Management Division. Consequently, the Bank has been able to optimize and standardize the process.

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

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

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

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

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

Based on the above, the presentation is for comparative purposes, except for items where the information is presented according to SUGEF Directive 1-05 for data with cutoff as of March 31, 2023, and in conformity with CONASSIF Directive 14-21, for data with cutoff as of March 31, 2024.

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

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

		Direct loan portfolio		Stand-by credits	
		March 2024	March 2023	March 2024	March 2023
Loan portfolio					
Principal	¢	4,974,958,168,996	4,675,017,246,733	349,101,583,232	320,564,909,752
Accounts and accrued interest receivable		93,508,218,547	100,787,575,029	-	-
Gross carrying amount		5,068,466,387,543	4,775,804,821,762	349,101,583,232	320,564,909,752
Incremental direct costs related to loans		6,528,640,296	5,889,421,640	-	-
Deferred income from loan portfolio		(48,698,075,137)	(42,986,604,925)	-	-
Allowance for loan losses (accounting records)		(139,156,893,001)	(137,544,640,215)	(171,139,882)	(1,109,775,772)
Net carrying amount	¢	4,887,140,059,701	4,601,162,998,262	348,930,443,350	319,455,133,980

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

		Direct loan portfolio	Stand-by credits
		March 2024	March 2024
Loan portfolio			
Total balances:			
1	¢	4,061,243,167,323	324,966,828,733
2		555,178,321,135	20,593,393,090
3		78,779,318,430	572,605,535
4		113,613,187,043	2,797,910,406
5		82,324,228,742	157,269,598
6		15,078,204,077	1,748,893
7		17,789,866,623	1,210,299
8		144,460,094,170	10,616,678
		5,068,466,387,543	349,101,583,232
Structural allowance (subledger – database)		(105,275,181,687)	(171,139,882)
Net carrying amount	¢	4,963,191,205,856	348,930,443,350
Individually assessed loans with allowance:			
1	¢	3,921,443,732,970	313,591,949,353
2		555,178,321,135	9,281,830,625
3		78,779,318,430	572,605,301
4		113,613,187,043	2,466,338,425
5		82,324,228,742	154,769,597
6		15,078,204,077	1,748,893
7		17,789,866,623	1,210,299
8		144,460,094,170	10,616,678
		4,928,666,953,190	326,081,069,171
Structural allowance (subledger – database)		(105,275,181,687)	(171,139,882)
Net carrying amount	¢	4,823,391,771,503	325,909,929,289

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		Direct loan portfolio	Stand-by credits
		March 2024	March 2024
Current loan portfolio, without allowance:			
1	¢	137,258,457,586	11,374,879,303
2		-	11,311,562,542
3		-	234
4		-	331,571,981
5		-	2,500,001
6		-	-
7		-	-
8		-	-
Carrying amount	¢	137,258,457,586	23,020,514,061
Past due loan portfolio, without allowance:			
1		2,540,976,767	-
2		-	-
3		-	-
4		-	-
5		-	-
6		-	-
7		-	-
8		-	-
Carrying amount		2,540,976,767	-
Gross carrying amount	¢	5,068,466,387,543	349,101,583,232
Allowance for loan losses (database)		(105,275,181,687)	(171,139,882)
Allowances for other statutory requirements		(33,881,711,314)	-
Incremental direct costs related to loans		6,528,640,296	-
Deferred income from loan portfolio		(48,698,075,137)	-
Net carrying amount	¢	4,887,140,059,701	348,930,443,350
Restructured loans	¢	1,179,222,047	-

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

		Direct loan portfolio	Stand-by credits
		March 2023	March 2023
Loan portfolio			
Total balances:			
0	¢	40,943,768,087	-
A1		3,716,871,801,016	298,913,635,945
A2		60,844,675,335	1,209,759,733
B1		471,596,094,459	4,481,331,449
B2		26,984,069,377	106,363,823
C1		103,737,585,836	1,137,611,265
C2		9,617,213,078	40,716,074
D		174,896,729,028	13,594,205,260
E		170,312,885,546	1,081,286,203
		4,775,804,821,762	320,564,909,752
Structural allowance (subledger – database)		(91,217,419,212)	(101,448,917)
Net carrying amount	¢	4,684,587,402,550	320,463,460,835
Individually assessed loans with allowance:			
0	¢	38,966,648,221	-
A1		3,713,421,823,237	16,683,284,488
A2		60,844,675,335	72,467,077
B1		471,596,094,459	1,643,861,222
B2		26,984,069,377	-
C1		103,737,585,836	23,617,248
C2		9,617,213,078	-
D		174,896,729,028	12,989,074,229
E		170,312,885,546	47,954,125
		4,770,377,724,117	31,460,258,389
Structural allowance (subledger – database)		(91,217,419,212)	(101,448,917)
Net carrying amount	¢	4,679,160,304,905	31,358,809,472

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		Direct loan portfolio	Stand-by credits
		March 2023	March 2023
Current loan portfolio, without allowance:			
0	¢	1,977,119,866	-
A1		3,449,977,779	282,230,351,458
A2		-	1,137,292,656
B1		-	2,837,470,227
B2		-	106,363,823
C1		-	1,113,994,017
C2		-	40,716,074
D		-	605,131,030
E		-	1,033,332,078
Carrying amount	¢	5,427,097,645	289,104,651,363
Gross carrying amount	¢	4,775,804,821,762	320,564,909,752
Allowance for loan losses (database)		(91,217,419,212)	(101,448,917)
Allowances for other statutory requirements		(46,327,221,003)	(1,008,326,855)
Incremental direct costs related to loans		5,889,421,640	-
Deferred income from loan portfolio		(42,986,604,925)	-
Net carrying amount	¢	4,601,162,998,262	319,455,133,980
Restructured loans	¢	26,883,460,327	-

(Continued)

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 (March 2023 cutoff), CONASSIF Directive 14-21 (March 2024 cutoff) and SUGEF Directive 15-16 *Regulations on credit risk management and evaluation for the Development Banking System*:

		March 2024	
		Loans to customers	
		Gross	Net
1	¢	4,061,243,167,323	4,049,287,148,519
2		555,178,321,135	516,572,545,693
3		78,779,318,430	76,309,333,554
4		113,613,187,043	107,915,079,149
5		82,324,228,742	77,345,903,368
6		15,078,204,077	9,010,059,863
7		17,789,866,623	12,282,718,766
8		144,460,094,170	80,586,705,630
	¢	5,068,466,387,543	4,929,309,494,542

According to CONASSIF Directive 14-21, as observed in the table above, the gross portfolio as of March 31, 2024, amounts to ¢5,074 billion, of which the risk categories “1+2” represent 96.51% and categories “3+4+5+6+7+8” represent 3.49%.

		March 2023	
		Loans to customers	
		Gross	Net
0	¢	40,943,768,127	39,975,939,826
A1		3,716,871,800,976	3,649,335,186,647
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

According to SUGEF Directive 1-05, the gross portfolio as of March 31, 2023, amounted to ¢4,776 billion, of which the risk ratings “A+B” represent 90.70% and risk ratings “C+D+E” represent 9.60%.

Individually assessed loans with allowance:

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

Pursuant to SUGEF Directive 1-05, for 2023, a risk rating is assigned to all borrowers. Applicable allowance percentages are determined based on that risk rating. Individually assessed loans with allowance are loan operations for which, after considering the guarantee for the loan, there is still a balance to which the applicable allowance percentage will be applied, according to the risk level assigned by the Bank.

Past due loans without allowance:

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

Restructured loans:

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

a. Extended loan: Loan operation in which at least one full or partial payment of principal or interest due under the current contractual terms has been postponed, in order to prevent default.
b. Modified loan: Loan operation in which at least one of the current contractual repayment terms has been modified, in order to prevent default, except for modification due to extension.

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

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

Classification due to Special Loan Operations

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

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

Criteria to no longer qualify as a special operation

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

a) When it is verified that the borrower with a special loan operation complies with the classification criteria corresponding to the lower risk categories established in these Regulations.

b) When the borrower has demonstrated, with regard to the new loan payment schedule, the payment of at least four (4) consecutive installments. Payment will be understood as compliance with the obligation established in the contract.

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

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

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

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

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

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

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

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

Loan write-off policy:

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

(Continued)

Portfolio segmentation (previously borrower classification):

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

Regarding segmentation, the portfolio must be classified into:

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

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

Portfolio segmentation		Direct loan portfolio March 2024	Stand-by credits March 2024
Consumer	¢	384,111,182,386	1,516,849,089
Business 1		1,943,641,471,637	22,473,219,470
Business 2		118,256,923,192	4,138,654,780
Business 3		577,396,398,996	21,999,098,498
Revolving		116,783,089,931	298,940,774,424
SBD		191,838,693,953	32,986,971
Car		228,136,085,142	-
Mortgage		1,508,302,542,306	-
	¢	5,068,466,387,543	349,101,583,232

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

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

Borrower classification		Direct	Stand-by
		March 2023	March 2023
Group 1	¢	2,521,372,345,150	37,432,042,354
Group 2		2,254,432,476,612	283,132,867,398
	¢	4,775,804,821,762	320,564,909,752

Risk rating categories:

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

- Stage 1: Operations with normal risk, includes ratings 1 and 2; there is no evidence of a significant increase in credit risk since initial recognition.

- Stage 2: Operations under special monitoring, includes ratings 3 and 4; there is an observable significant increase in credit risk since initial recognition.

- Stage 3: Operations of doubtful recovery (credit-impaired), includes ratings 5, 6, 7 and 8. Includes past due loans and loans with a high probability of default.

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

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

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

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

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

(Continued)

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

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

(Continued)

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

a) Operations with balances for which reimbursement has been legally requested through the execution of the collateral, even if they are secured, as well as operations in which the borrower has initiated a lawsuit and the outcome thereof determines the payment.

b) Operations in which the process for execution of the collateral has begun, including finance leases in which the entity has decided to rescind the contract to recover ownership of the asset.

c) Operations of owners who have declared bankruptcy, or it has been verified that they will declare bankruptcy, without a request for liquidation.

d) Operations secured by collaterals granted or sureties declared in a bankruptcy, for which it has been verified that liquidation has been declared or will be declared, and there is a significant and unrecoverable decrease in their solvency, even if the beneficiary of the surety has not claimed payment.

In 2023 the Bank individually classifies its borrowers in one of eight risk ratings, identified as A1, A2, B1, B2, C1, C2, D and E, with rating A1 as the lowest credit risk and rating E as the highest credit risk.

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

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

- Group 2

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 microcredit, 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%

(Continued)

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

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

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

Analysis of creditworthiness

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

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

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

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

According to SUGEF Directive 1-05, the Bank must define effective mechanisms to determine the creditworthiness of borrowers in Group 1. Based on whether the borrowers are individuals or legal entities, those mechanisms should permit an assessment of: the financial position and expected cash flows, experience in the line of business and quality of management, business environment, vulnerability to changes in interest rates and foreign exchange rates and other factors.

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

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

Analysis of historical payment behavior

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

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

Structural allowance for loan losses

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

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

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

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

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

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

A summary of the allowance booked as of March 31, 2024, in conformity with CONASSIF Directive 14-21 is presented below:

		March 2024		
		Allowance booked	Structural allowance	Difference in allowance
Allowance for direct loans	¢	105,275,181,689	(105,275,181,687)	-
Allowance for stand-by credits		171,139,882	(171,139,882)	-
Allowance plan per CNS-1698		12,486,495,842	(12,486,495,842)	-
Borrowers with risk exposure		1,651,476,218	(1,651,476,218)	-
		119,584,293,631	(119,584,293,629)	-
Counter-cyclical allowance per SUGEF Directive 19-16		19,572,599,370	(19,572,599,370)	-
	¢	139,156,893,001	(139,156,892,999)	-

(Continued)

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

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

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

As an exception in the case of risk rating E, the minimum specific allowance for borrowers whose historical payment behavior is classified 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	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

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

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

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

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

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

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	Difference in allowance
Allowance for direct loans	¢	125,687,927,335	(91,217,419,212)	34,470,508,119
Allowance for stand-by credits		1,109,775,772	(101,448,917)	1,008,326,855
Allowance plan per CNS-1698		10,746,937,108	(10,746,937,108)	-
		137,544,640,215	(102,065,805,241)	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

Counter-cyclical allowance

According to communication CNS 1811-04 1810-07 dated August 25, 2023, Transition Provision VI indicates that starting as of January 31, 2024, the entity must reclassify the balance of the general component to the counter-cyclical component. This accounting movement will be for the total balance of the counter-cyclical component account, until reaching the Pccit amount.

Entities that complete the Pccit amount shall continue to register the counter-cyclical allowance as established in Article 5 of SUGEF Directive 19-16 *Regulations to determine and book counter-cyclical allowances*.

The balance remaining in the counter-cyclical component account after performing the previous movements must be solely used to cover future counter-cyclical requirements.

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
June 2023	¢	179,992,374,256	47,755,022,148	12,498	7,211
September 2023	¢	180,733,037,486	47,660,010,940	14,005	7,882

Credit equivalent

According to Article 17 of CONASSIF Directive 14-21, the following stand-by credit operations must be converted to credit equivalents based on the credit risk they represent. The credit equivalent is obtained by multiplying the balance of the stand-by principal by the corresponding credit equivalent conversion factor, as follows:

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

According to SUGEF Directive 1-05, the following stand-by credit operations must be converted to credit equivalents based on the credit risk they represent. The credit equivalent is obtained by multiplying the balance of the stand-by principal by the corresponding credit equivalent conversion factor, as follows:

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.

(Continued)

Allowance for other assets

Allowances should be established for the following assets:

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

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

As of March 31, 2024, the carrying amount of the allowance for impairment of assets held for sale and per legal requirements amounts to ¢57,762,459,183 (2023: ¢58,245,915,570).

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

		Direct		Stand-by	
Sector		March 2024	March 2023	March 2024	March 2023
Trade	¢	395,025,346,169	388,970,225,325	-	-
Services		1,198,019,353,405	1,073,897,508,735	34,614,183,435	40,866,645,858
Financial services		76,597,542,937	112,795,014,505	-	-
Mining		438,029,999	399,016,604	-	-
Manufacturing and quarrying		172,424,831,421	175,734,514,780	-	-
Construction		63,891,459,221	64,535,090,192	-	-
Agriculture and forestry		108,158,092,815	106,917,514,981	-	-
Livestock, hunting and fishing		77,502,292,213	76,308,030,689	-	-
Electricity, water, sanitation and other related sectors		407,504,346,404	410,455,420,279	-	-
Transportation and telecommunications		39,617,637,712	42,937,374,281	-	-
Housing		1,524,618,864,657	1,471,724,157,853	-	-
Personal or consumer		741,405,090,477	595,521,190,217	314,372,166,449	279,579,830,546
Tourism		263,263,500,113	255,609,763,321	115,233,348	118,433,348
	¢	5,068,466,387,543	4,775,804,821,762	349,101,583,232	320,564,909,752

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

	Direct		Stand-by	
	March 2024	March 2023	March 2024	March 2023
Central America	¢ 5,068,466,387,543	4,775,804,821,762	349,101,583,232	320,564,909,752

The loan portfolio by type of guarantee is as follows:

	Direct		Stand-by	
Type of guarantee	March 2024	March 2023	March 2024	March 2023
Security	¢ 20,762,503,940	18,342,076,440	129,265,415	134,315,253
Mortgage bond	41,082,218,823	54,855,649	-	-
Assignment of loans	628,262,713,088	418,818,718,331	5,066,000	-
Mortgage	1,714,348,472,428	1,706,526,919,887	110,474,272	144,420,994
Surety	822,131,641,827	838,691,178,395	-	12,970,574,229
Trust	566,046,053,036	495,262,762,818	7,020,000	32,729,587
Securities	57,908,924,815	63,301,208,253	19,860,995	-
Chattel mortgage	313,909,260,659	282,177,545,352	-	-
Other	904,014,598,927	952,629,556,637	348,829,896,550	307,282,869,689
	¢ 5,068,466,387,543	4,775,804,821,762	349,101,583,232	320,564,909,752

Guarantees:

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

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

The Bank conducts strict credit analyses before granting loans and requires guarantees from its borrowers before disbursing loans. As of March 31, 2024, 59.71% of the loan portfolio is secured by collateral guarantees (2023: 60.97%).

(Continued)

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

Loan portfolio concentration		Direct		Stand-by	
		March 2024	March 2023	March 2024	March 2023
¢1 to ¢3,000,000	¢	166,826,924,305	143,180,983,299	130,711,901,463	109,139,953,707
¢3,000,001 to ¢15,000,000		657,343,800,163	568,614,640,994	184,371,995,656	171,020,127,424
¢15,000,001 to ¢30,000,000		551,053,332,202	488,843,927,896	4,692,521,828	5,588,308,373
¢30,000,001 to ¢50,000,000		497,922,493,345	492,611,028,107	2,141,838,269	1,796,955,598
¢50,000,001 to ¢75,000,000		501,524,737,154	474,500,705,602	1,669,490,874	2,400,142,881
¢75,000,001 to ¢100,000,000		300,626,749,441	278,571,581,412	1,617,728,148	2,001,560,585
¢100,000,001 to ¢200,000,000		273,273,271,493	258,650,518,307	3,515,935,718	4,778,934,118
More than ¢200,000,000		2,119,895,079,440	2,070,831,436,145	20,380,171,276	23,838,927,066
	¢	5,068,466,387,543	4,775,804,821,762	349,101,583,232	320,564,909,752

As of March 31, 2024 and 2023, the direct and stand-by loans of the portion of the loan portfolio corresponding to economic interest groups amount to ¢670,955,652,207 and ¢606,325,059,594, respectively, equivalent to 13,22% and 12.69% of the loan portfolio, respectively.

For credit risk management purposes, the Bank applies an internal model to estimate the loan portfolio’s expected credit losses (ECL) and value at risk (VaR) over a one-year holding period using the “Monte Carlo simulations” approach. Loan portfolio risks are assessed, controlled and monitored on a monthly basis based on one-year projections (maximum loss with a confidence level of 99% over one year).

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

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

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

The year-on-year increase observed in the ECL of the entire loan portfolio was from 2.51% in March 2023 to 2.72% in March 2024.

Compared to the results from March 2023, the behavior of ECL for economic activities showed a mixed result (increases and decreases), but with a predominant upward trend. The activities with the largest decreases are Transport, Livestock and Commerce, with decreases exceeding 50 basis points (bp), while the activity with the largest increase is Construction, with a variation of 2.72 percentage points.

For the result of the VaR of the loan portfolio, there was a year-on-year increase from 7.18% to 7.92%, which is an expected behavior given the variations in the portfolio balance by type of sector.

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

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

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

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

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

- formulation of credit policies
- definition of concentration and exposure limits, which are included in the risk management and investment policy; and
- policy compliance reviews through analyses of the composition of the investment portfolio.

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

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

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

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

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

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

Portfolio		March 2024	March 2023
Investments in financial instruments at FVOCI	¢	26,915,833	68,316,123

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.

(Continued)

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

For the March 2024 close, the accounting records showed investments in colones and in US dollars issued by local issuers in colones and issued by foreign issuers in US dollars. The Brokerage Firm holds no investments in DU. By currency, the largest portion continues to be concentrated in the portfolio in colones with 88.38% and 11.62% in US dollars.

With respect to the consolidated portfolio, investments in instruments issued by the Government of Costa Rica correspond to 88.36% and BNCR 0.02%. The sum of these issuers represents 88.38% of the consolidated portfolio in colones. The portfolio in US dollars is represented by G issues 11.48% and BNSFI 0.14%, for a total of 11.62%.

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

Portfolio		March 2024	March 2023
Investments measured at FVOCI	¢	9,197,415	23,160,508
Investments measured at amortized cost	¢	177,518,822	316,794,559

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.

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

		March 2024	March 2023
Investments measured at FVOCI	¢	34,623,689	43,036,535
Investments measured at amortized cost		8,358,915	-

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

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

Credit risk management

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

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

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

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

Portfolio		March 2024	March 2023
Amortized cost	¢	7,946,898	18,125,354

Investments in financial instruments

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

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

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

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

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

(Continued)

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

		March 2024		
Month		Model 1 Amortized cost	Model 2 FVOCI	Total estimated losses
January	¢	1,363,994,003	1,245,885,616	2,609,879,619
February		1,464,273,505	1,288,877,192	2,753,150,697
March	¢	1,547,950,366	1,243,685,945	2,791,636,312

		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

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

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

	12-month PD ranges		March 2024	
			Stage 1	Total
Investments at amortized cost *(1)*	0.60% to 1.46%	¢	952,883,023,460	952,883,023,460
Loss allowance			(1,547,950,367)	(1,547,950,367)
		¢	951,335,073,093	951,335,073,093

	12-month PD ranges		December 2023 Stage 1	Total
Investments at amortized cost *(1)*	0.21% to 1.75%	¢	787,920,956,099	787,920,956,099
Loss allowance			(1,416,262,629)	(1,416,262,629)
		¢	786,504,693,470	786,504,693,470

	12-month PD ranges		March 2023 Stage 1	Total
Investments at amortized cost *(1)*	0.34% to 3.21%	¢	982,556,227,912	982,556,227,912
Loss allowance			(2,583,218,359)	(2,583,218,359)
		¢	979,973,009,553	979,973,009,553

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

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

	12-month PD ranges		March 2024 Stage 1	Total
Investments at FVOCI *(1)*	0.19% to 1.75%	¢	601,207,612,144	601,207,612,144
Loss allowance			(1,243,685,945)	(1,243,685,945)
		¢	599,963,926,199	599,963,926,199

	12-month PD ranges		December 2023 Stage 1	Total
Investments at FVOCI *(1)*	0.19% to 1.75%	¢	557,199,687,781	557,199,687,781
Loss allowance			(1,409,951,768)	(1,409,951,768)
		¢	555,789,736,013	555,789,736,013

	12-month PD ranges		March 2023 Stage 1	Total
Investments at FVOCI *(1)*	0.24% to 3.37	¢	549,328,242,491	549,328,242,491
Loss allowance			(2,961,243,082)	(2,961,243,082)
		¢	546,366,999,409	546,366,999,409

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

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

		March 2024 Stage 1	Total
Investments in financial instruments at FVTPL	¢	4,615,806,967	4,615,806,967
	¢	4,615,806,967	4,615,806,967

		December 2023 Stage 1	Total
Investments in financial instruments at FVTPL	¢	4,479,693,009	4,479,693,009
	¢	4,479,693,009	4,479,693,009

		March 2023	
		Stage 1	Total
Investments in financial instruments at FVTPL	¢	5,667,775,323	5,667,775,323
	¢	5,667,775,323	5,667,775,323

Expected credit losses, by currency, are as follows:

		March 2024	
		Absolute	Relative
Colones	¢	2,702,838,403	50.27%
US dollars		163,476,564	9.83%
	¢	2,866,314,967	60.08%

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

		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%

Investments by geographic location are as follows:

		March 2024		
Country		Principal	Interest	Total
Costa Rica		1,270,364,983,436	17,985,269,967	1,288,350,253,403
Panama		4,052,800,000	165,421,785	4,218,221,785
Caribbean		707,150,695	5,650,647	712,801,342
United States		279,859,770,720	2,550,304,549	282,410,075,269
Canada		2,697,080,516	27,088,211	2,724,168,727
Europe		20,404,663,920	239,689,968	20,644,353,888
Asia		923,292,173	3,739,362	927,031,535
New Zealand		282,854,684	647,323	283,502,008
	¢	1,579,292,596,144	20,977,811,812	1,600,270,407,957

		December 2023		
País		Principal	Interest	Total
Costa Rica		1,008,798,073,937	19,805,674,719	1,028,603,748,656
Panama		4,215,040,000	105,984,841	4,321,024,841
Caribbean		528,127,520	5,708,745	533,836,265
United States		322,488,920,995	1,679,404,373	324,168,325,367
Canada		3,329,886,142	37,270,859	3,367,157,001
Europe		28,298,404,924	246,262,295	28,544,667,219
Asia		834,016,872	4,594,241	838,611,113
New Zealand		293,546,882	2,188,017	295,734,899
	¢	1,368,786,017,272	21,887,088,090	1,390,673,105,362

(Continued)

	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

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 CONASSIF Directive 14-21.

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

- Equivalence of local ratings (Ceiling test)

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

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

Amounts arising from expected credit losses

- *Significant increase in credit risk*

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

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

Criteria for significant increase in credit risk (Stage 2)

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

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

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

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

Criteria for objective impairment (Stage 3)

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

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

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

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

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

This analysis is performed in a differentiated manner:

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

Probability of Default (PD)

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

Segmentation

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

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

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

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

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

- *ECL (expected credit losses)*

As of March 31, 2024, the reconciliation of the opening balance and closing balance of the ECL by type of instrument is as follows:

		Stage 1	Total
Investments at amortized cost			
Balance as of January 1, 2024	¢	1,416,262,629	1,416,262,629
Update of the allowance		(23,491)	(23,491)
Allowance for new investments		194,241,597	194,241,597
Decrease in allowance		(62,530,368)	(62,530,368)
Balance as of March 31, 2024	¢	1,547,950,367	1,547,950,367
Investments at FVOCI			
Balance as of January 1, 2024	¢	1,409,951,769	1,409,951,769
Update of the allowance		(5,958,462)	(5,958,462)
Allowance for new investments		154,365,231	154,365,231
Decrease in allowance		(314,672,594)	(314,672,594)
Balance as of March 31, 2024	¢	1,243,685,944	1,243,685,944
Total loss allowance	¢	2,791,636,311	2,791,636,311

As of March 31, 2023, 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
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
Total loss allowance	¢	5,544,461,442	5,544,461,442

b) Liquidity risk

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

i. Banco Nacional de Costa Rica

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

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

Year on year, the LCR indicator in colones closed at 195.5% as of the March 2024 close, which is 0.5% higher than the previous year, related to a 21% increase of in the stock of liquid assets (HQLA) (¢263,700 million, mainly in government instruments, which was offset by the 21% increase in net cash outflows (¢133,200 million, mainly in wholesale commitments). The LCR indicator remains considerably below the appetite level at 130%, equivalent to ¢507,600 million.

As of March 31, 2024, the LCR indicator in US dollars closed at 235%, showing a significant increase of 24% with regard to the previous year. This was due to a 22% decrease in HQLA (-US$389 million, mainly in Government instruments and Level 1A investments), which had a greater impact than the 15% decrease in net outflows (-US$97 million, mainly due to less wholesale commitments with financial entities). The LCR indicator is considerably above the appetite level of 130%, equivalent to US$600 million.

The LCR indicator by currency is as follows:

Indicator	March 2024	March 2023	Variation	Level
LCR colones	195%	195%	0%	Appetite
LCR US dollars	235%	259%	(24%)	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, 2024, the terms of the Conglomerate's assets and liabilities denominated in local currency are matched as follows:

		Days								
		Past due	Demand	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	More than 365	Total
Cash and due from banks	¢	-	175,502,571,134	-	-	-	-	-	-	175,502,571,134
Minimum legal deposit in BCCR		-	394,908,681,913	34,715,930,389	28,373,080,022	17,115,195,172	44,957,711,445	74,796,743,638	31,899,706,161	626,767,048,740
Investments		-	4,189,410,914	190,534,757,065	1,801,143,859	24,388,820,073	31,135,361,132	118,960,168,645	895,450,055,213	1,266,459,716,901
Loan portfolio		242,144,785,625	-	53,168,333,224	45,989,908,349	56,113,316,906	99,278,499,202	147,022,615,061	3,124,852,017,539	3,768,569,475,906
Recovery of assets	¢	242,144,785,625	574,600,663,961	278,419,020,678	76,164,132,230	97,617,332,151	175,371,571,779	340,779,527,344	4,052,201,778,913	5,837,298,812,681
Obligations with the public	¢	-	3,193,766,082,516	174,609,047,263	111,594,709,117	115,013,621,789	264,632,616,848	634,611,145,448	205,952,412,380	4,700,179,635,361
Obligations with BCCR		-	-	-	-	-	-	140,119,165,379	125,644,412	140,244,809,791
Obligations with financial entities		-	94,397,282,799	83,010,077,390	6,006,700,000	3,502,472,884	26,478,837,705	19,635,843,326	39,299,979,501	272,331,193,605
Charges payable		-	22,516,674,617	10,172,778,664	4,043,719,481	2,226,595,924	4,235,704,156	5,576,496,936	1,000,217,623	49,772,187,401
Maturity of liabilities	¢	-	3,310,680,039,932	267,791,903,317	121,645,128,598	120,742,690,597	295,347,158,709	799,942,651,089	246,378,253,916	5,162,527,826,158
Difference	¢	242,144,785,625	(2,736,079,375,971)	10,627,117,361	(45,480,996,368)	(23,125,358,446)	(119,975,586,930)	(459,163,123,745)	3,805,823,524,997	674,770,986,523

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

		Days								
		Past due	Demand	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	More than 365	Total
Cash and due from banks	¢	-	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

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of March 31, 2024, the terms of the Conglomerate'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	¢	-	344,415,520,808	-	-	-	-	-	311,812,134	344,727,332,942
Minimum legal deposit in BCCR		-	216,677,379,255	8,583,468,632	8,180,559,825	8,712,750,148	22,122,263,152	19,991,103,440	17,140,673,959	301,408,198,411
Investments		-	87,031,636	46,543,491,846	11,929,336,823	5,062,448,623	13,900,471,799	12,203,672,187	244,327,789,651	334,054,242,565
Loan portfolio		54,294,420,608	-	23,079,027,116	21,332,269,837	30,865,358,212	59,715,165,038	80,619,087,285	987,822,148,698	1,257,727,476,794
Recovery of assets	¢	54,294,420,608	561,179,931,699	78,205,987,594	41,442,166,485	44,640,556,983	95,737,899,989	112,813,862,912	1,249,602,424,442	2,237,917,250,712
Obligations with the public	¢	-	1,425,629,484,523	54,277,684,528	60,934,685,645	55,711,324,595	130,849,599,305	128,195,047,668	109,336,951,028	1,964,934,777,292
Obligations with financial entities		-	9,298,597,947	72,658,064,876	392,881,472	4,565,175,240	2,198,936,171	184,909,000	81,036,760,423	170,335,325,129
Charges payable		-	5,707,969,297	1,159,318,857	903,859,529	1,829,591,295	1,442,015,045	953,051,331	569,579,170	12,565,384,524
Maturity of liabilities		-	1,440,636,051,767	128,095,068,261	62,231,426,646	62,106,091,130	134,490,550,521	129,333,007,999	190,943,290,621	2,147,835,486,945
Difference	¢	54,294,420,608	(879,456,120,068)	(49,889,080,667)	(20,789,260,161)	(17,465,534,147)	(38,752,650,532)	(16,519,145,087)	1,058,659,133,821	90,081,763,767

As of March 31, 2023, the terms of the Conglomerate'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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ii. *BN Sociedad Administradora de Fondos de Inversión, S.A.*

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

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

Liquidity risk management

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

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

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

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

Management of liquidity risk

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

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

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

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

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

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

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

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

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

Liquidity risk management

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

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

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

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

v. <u>BN Corredora de Seguros, S.A.</u>

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.

<u>Liquidity risk management</u>

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) <u>Market risk</u>

i. <u>Banco Nacional de Costa Rica</u>

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	2.80%	Appetite
Currency risk	3.00%	Appetite
Interest rate risk – colones	1.20%	Appetite
Interest rate risk – foreign currency	1.00%	Appetite

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

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

The portfolios by currency are as follows:

	Face value of investments by currency		
Currency	March 2024	March 2023	Variation
Colones	1,124,640,468,091	800,742,050,000	323,898,418,091
US dollars - local issuers	26,301,526	260,697,366	(234,395,840)
US dollars - international issuers	621,125,000	946,704,000	(325,579,000)

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

Currency	March 2024	March 2023	Variation
Colones	1.44	1.22	0.23
US dollars - local issuers	0.15	1.09	(0.95)
US dollars - international issuers	1.32	1.24	0.09

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

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

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

Market risk management

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

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

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

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

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

Market risk exposure – trading portfolio:

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

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

	March 2024	March 2023
VaR indicator (99%)	0.36%	0.58%

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

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

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

Market risk management

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

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

Market risk exposure

The Brokerage Firm mainly measures and controls market risk exposure using VaR, which estimates possible losses in a portfolio over a predetermined time period (holding period). Because the portfolio may be affected by adverse changes in the market, a specific probability is quantified and used as the confidence level applied in the VaR calculation. Price risk exposure is 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. This methodology uses a two-factor rate model (G2++ model), which involves decomposing the short rate into two processes and a deterministic function to be selected.

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

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

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

Market risk management

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

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

- *Market risk of investments*

i. *Banco Nacional de Costa Rica*

The Bank's consolidated VaR of the market value of investments had a mixed behavior during the last year. For the last twelve months until March 2024, this indicator continued to have mixed behavior, with an upward trend until October 2023, and higher volatility towards the end of 2023 and beginning of 2024, with an annual average VAR of 0.55%. A number of factors explain the behavior of the VaR during the last year, including higher volatility in the prices of instruments in the investment portfolio and greater exposure to instruments by the Government of Costa Rica.

Type of risk	March 2024	March 2023	Variation
Consolidated VaR	0.39	0.31%	0.07%

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

Currency	March 2024	March 2023	Variation
Colones	0.41%	0.37	0.04%
US dollars - local	0.42%	0.19	0.23%
US dollars - international	0.65%	0.45	0.20%

- *Interest rate risk*

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

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

Type of risk	March 2024	March 2023	Variation	Level
Interest rate risk in colones	0.17%	0.13%	0.04%	Normal
Interest rate risk in foreign currency	0.06%	1.53%	(0.47%)	Normal

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

The increase in the interest rate risk indicator in colones is mainly due to the increase in the average duration of equity in colones and a higher expected variation of the base deposit rate. In US dollars, the decrease is mainly due to a lower expected variation in the 3-month LIBOR rate.

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of March 31, 2024, the interest rate terms for the Bank and its Subsidiaries’ assets and liabilities are matched as follows (differences between the recovery of assets and the maturity of liabilities):

		Demand	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 to 720 days	More than 720 days	Total
Local currency (LC)									
Investments	¢	4,189,410,914	188,464,257,075	25,470,574,908	30,491,651,464	122,021,278,871	410,983,535,153	483,773,217,700	1,265,393,926,085
Loan portfolio		-	3,171,431,362,778	127,594,184,722	121,702,182,965	17,285,641,696	18,062,956,396	118,590,165,871	3,574,666,494,428
Recovery of rate-sensitive assets LC (A)	¢	4,189,410,914	3,359,895,619,853	153,064,759,630	152,193,834,429	139,306,920,567	429,046,491,549	602,363,383,571	4,840,060,420,513
Obligations with the public	¢	-	287,617,286,147	230,462,991,065	296,672,397,053	646,449,231,899	126,011,587,312	94,959,900,697	1,682,173,394,173
Obligations with BCCR		-	40,796,000,000	-	-	143,422,448,440	-	125,644,412	184,344,092,852
Obligations with financial entities LC		-	117,684,340	-	-	-	-	27,345,412,429	27,463,096,769
Maturity of rate-sensitive liabilities LC (B)	¢	-	328,530,970,487	230,462,991,065	296,672,397,053	789,871,680,339	126,011,587,312	122,430,957,538	1,893,980,583,794
Difference in LC, recovery of assets less maturity of liabilities (A - B)	¢	4,189,410,914	3,031,364,649,366	(77,398,231,435)	(144,478,562,624)	(650,564,759,772)	303,034,904,237	479,932,426,033	2,946,079,836,719
Foreign currency (FC)									
Investments	¢	-	46,557,290,143	16,991,785,437	13,900,471,802	12,053,111,724	150,003,855,268	94,396,300,599	333,902,814,973
Loan portfolio		-	1,080,027,322,509	40,223,458,251	23,525,280,770	2,586,361,788	21,609,182,414	61,636,970,578	1,229,608,576,310
Recovery of rate-sensitive assets FC (C)	¢	-	1,126,584,612,652	57,215,243,688	37,425,752,572	14,639,473,512	171,613,037,682	156,033,271,177	1,563,511,391,283
Obligations with the public	¢	-	136,520,717,049	116,938,001,300	133,927,510,043	126,446,325,878	45,362,356,375	106,030,807,486	665,225,718,131
Obligations with BCCR		-	7,521,490,200	-	-	-	-	-	7,521,490,200
Obligations with entities		-	-	915,583,656	-	-	-	40,528,000,000	41,443,583,656
Maturity of rate-sensitive liabilities FC (D)	¢	-	144,042,207,249	117,853,584,956	133,927,510,043	126,446,325,878	45,362,356,375	146,558,807,486	714,190,791,987
Difference in FC, recovery of assets less maturity of liabilities (C - D)	¢	-	982,542,405,403	(60,638,341,268)	(96,501,757,471)	(111,806,852,366)	126,250,681,307	9,474,463,691	849,320,599,296
Recovery of rate-sensitive assets 1/ (A + C)	¢	4,189,410,914	4,486,480,232,505	210,280,003,318	189,619,587,001	153,946,394,079	600,659,529,231	758,396,654,748	6,403,571,811,796
Maturity of rate-sensitive liabilities 2/ (B + D)	¢	-	472,573,177,736	348,316,576,021	430,599,907,096	916,318,006,217	171,373,943,687	268,989,765,024	2,608,171,375,781
Difference in LC + FC, recovery of assets less maturity of liabilities (item 1 - item 2)	¢	4,189,410,914	4,013,907,054,769	(138,036,572,703)	(240,980,320,095)	(762,371,612,138)	429,285,585,544	489,406,889,724	3,795,400,436,015

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of March 31, 2023, the interest rate terms for the Bank and its Subsidiaries' assets and liabilities are matched as follows (differences between the recovery of assets and the maturity of liabilities):

		Demand	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 to 720 days	More than 720 days	Total
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	103,167,970,105
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	17,655,609,377	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)

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 total VaR of price and rates of the Pension Fund Manager’s own funds has an increasing trend, with a maximum of 2.70% and a minimum of 0.61% for an average of 1.68%, equivalent to ¢233.34 million. As of March 31, 2024, the indicator closed at 0.65% (2023: 2.08%), showing an increase due to the higher volatility observed in the prices of the instruments in the investments portfolio.

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

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

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

(Continued)

d) *Currency risk*

Pursuant to SUGEF Directive 2-10 *Regulation on comprehensive risk management* an entity faces currency risk when the value of its assets and liabilities in foreign currency is affected by exchange rate variations and the amounts of the corresponding assets and liabilities are mismatched.

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

The Bank calculates the SUGEF currency risk indicator on a monthly basis, which remains at the appetite level as of March 2024; prior to that date it was always in the appetite threshold. The indicator decreased significantly during the last quarter, which is an expected behavior due to the lower exchange rate (appreciation of the colón in relation to the US dollar) during the first quarter of 2024.

Type of risk	March 2024	March 2023	Variation	Level
Currency risk	1.67%	4.22%	(2.55%)	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 5th or 95th percentiles of the distribution of projected variations in exchange rates taken from an exchange rate model.

As of March 31, with the calibrated model and through Montecarlo simulations, exchange rate forecasts are created for different periods. The 5th or 95th percentiles of the distribution of those forecasts are used as the percentage variation of the exchange rate in order to calculate the indicator of the VaR of exchange rate. The result is as follows:

Internal currency risk	March 2024	March 2023	Nivel
5th percentile	0.09%	0.20%	Normal
95th percentile	0.16%	0.34%	Normal

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

		US dollars	
		March 2024	March 2023
Assets:			
Cash and due from banks	US$	1,221,988,134	1,134,004,037
Investments in financial instruments		641,726,903	1,202,769,309
Loan portfolio		2,430,932,327	2,081,652,608
Accounts and accrued interest receivable		883,348	528,509
Investments in other companies		129,494,448	123,241,354
Property, furniture and equipment		-	1,583,550
Other assets		2,600,021	-
	US$	4,427,625,181	4,543,779,367
Liabilities:			
Obligations with the public	US$	3,850,681,047	3,616,162,104
Obligations with entities		332,796,489	648,803,602
Subordinated obligations		109,251,061	111,636,549
Accounts payable and provisions		14,166,099	15,242,216
Other liabilities		6,124,570	6,201,619
	US$	4,313,019,266	4,398,046,090
Excess of assets over liabilities in US dollars	US$	114,605,915	145,733,277

		Euro	
		March 2024	March 2023
Assets:			
Cash and due from banks	€	46,763,577	49,780,452
Other assets		-	125,697
	€	46,763,577	49,906,149
Liabilities:			
Obligations with the public	€	46,991,861	48,254,855
Obligations with entities		1,384,478	1,805,207
Accounts payable and provisions		26,403	98,123
Other liabilities		9,000	-
	€	48,411,742	50,158,185
Deficit of assets over liabilities in euro	€	(1,648,165)	(252,036)

		DU	
		March 2024	March 2023
Assets:			
Loan portfolio		393,583	(95,767)
	UD	393,583	(95,767)
Liabilities:			
Accounts payable and provisions	UD	13,816	23,446
	UD	13,816	23,446
(Excess) deficit of assets over liabilities in DU	UD	379,767	(119,213)

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 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 2024	March 2023
Gain on foreign exchange differences	¢	91,435,324,301	316,239,250,676
Loss on foreign exchange differences		(91,695,770,595)	(318,081,896,292)
Net loss	¢	(260,446,294)	(1,842,645,616)

(Continued)

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 2024	March 2023
Gain on net valuation of other assets (Note 42)	¢	154,112,611	482,508,587
Loss on net valuation of other liabilities		(71,028,700)	(132,601,966)
Net (loss) gain	¢	83,083,911	349,906,621

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 remains at an acceptable level by holding sufficient assets in US dollars to be able to settle its liabilities in that currency.

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

As of March 31, 2024, the Pension Fund Manager’s exposure to currency risk, considering its net assets in US dollars, was 12.49% (¢1,744.19 million) of total net assets, representing an increase in comparison to March 31, 2023, where it closed at 11.64% (¢1,445.68 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, 2024			
1%	2%	(1)%	(2)%
-	-	-	-

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)

As of March 31, 2024, an increase of 5% in the exchange rate of the functional currency with respect to the US dollar would generate a loss of ¢87.21 million (2023: ¢72.28 million). A decrease of 5% would generate the opposite effect.

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

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

e) *Operational risk*

i. *Banco Nacional de Costa Rica*

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

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

That policy is implemented through a management framework that includes:

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

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

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

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

For litigation risk, the Conglomerate applies a model that permits estimating the expected losses and VaR of lawsuits, considering the expert opinion of the legal counsel, the subject matter of the cases when calculating the probability of an unfavorable ruling and a continuous model for the duration of the lawsuits. This model provides a direct estimate of the duration of each lawsuit in the corresponding court and the possible outcomes.

In addition, there is another model to calculate litigation provisions based on historical probability, by lawyer and by subject matter, which allows addressing potential unfavorable rulings.

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

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

Management of this risk is the responsibility of all business units within the Brokerage Firm and the following aspects are considered which allow the Brokerage Firm to manage and control the exposure to these risks:

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

Fair value of financial instruments

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

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

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

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

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.

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

Capital risk management

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

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

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

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

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

Regulatory compliance risk: This risk refers to the scope and adoption of regulations in effect of the Pension Fund Manager; for such purposes, a Compliance Area is in charge of reviewing in a systematic and comprehensive manner any departure from regulations.

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

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As of March 31, 2024, the results of the VaR by legal risk for the Pension Fund Manager correspond to an estimate of the provision for pending litigation in the amount of ¢42,390,973 (2023: ¢31,146,248) that covers the lawsuits against the Pension Fund Manager, out of four pending lawsuits.

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

Operational risk is the risk of possible direct or indirect loss arising from operating processes, personnel, technology and infrastructure, in addition to external factors other than credit, market and liquidity risks. Operational risk is an inherent risk for the sector in which the Insurance Brokerage Firm operates and for all of its main activities. It manifests as failures, errors, business interruptions or inappropriate employee behavior and may cause financial loss, penalties from regulatory authorities or reputational damages.

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

- appropriate segregation of duties, including the independent authorization of transactions
- requirements for effective reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- communication and application of conduct guidelines or ethical standards
- monitoring of risks using measurement tools
- reporting of operational losses and proposed remedial action
- comprehensive planning for resuming activities, including plans to restore key operations and internal and external support to ensure services are not interrupted
- personnel training.

At the conglomerate level, the Risk Management Area provides necessary operational risk results. Compliance with the standards established by the Bank at the financial conglomerate level is supported by a program of periodic reviews undertaken by Internal Audit. The results of such reviews are discussed with the personnel of the Insurance Brokerage Firm.

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

Capital risk management

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

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

Exposure to capital risk

The Insurance Brokerage Firm's regulatory capital consists of:

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

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

Legal risk management covers three types of events:

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

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

Capital management:

Regulatory capital

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

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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 (Law No. 7558), CONASSIF will establish limits for credit operations, whether direct or stand-by, that financial entities regulated by SUGEF may enter into with individuals or legal entities under the modalities offered by regulated entities.

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

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

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

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

(Continued)

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

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

Internal limits on capital adequacy ratio as per SUGEF Directive 3-06

Indicator	Appetite	Tolerance	Capacity
CAR	$x \geq 12\%$	$11\% \leq x \leq 12\%$	$x \leq 11\%$

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

As of March 31, 2024 and 2023, the Conglomerate's CAR is above the minimum level required by applicable regulations, which indicates that capital levels are above the minimum required by laws and regulations.

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

(7) Collateralized or restricted assets

Collateralized or restricted assets are as follows:

Restricted asset	Cause of restriction		March 2024	December 2023	March 2023
Cash and due from banks:					
Checking account - colones (Note 9)	Minimum legal deposit	¢	724,844,860,520	674,624,219,747	639,919,061,851
Checking account - US dollars (Note 9)	Minimum legal deposit		300,770,562,908	310,665,848,876	311,251,493,419
Checking account - euro (Note 9)	Minimum legal deposit		3,883,103,781	3,780,738,253	4,376,868,542
Other cash and due from banks (Note 9)	Margin calls – derivative financial instruments		9,948,033	-	-
Other cash and due from banks (Note 9)	Contingent guarantee of the deposit guarantee fund (FGD)		133,152,072,307	132,853,293,782	120,375,879,599
Other cash and due from banks (Note 9)	FOGABONA		311,812,145	184,034,892	213,955,800
		¢	1,162,972,359,694	1,122,108,135,550	1,076,137,259,211
Investments in financial instruments					
Investments in financial instruments	Liquidity market operations	¢	62,298,883,578	62,550,320,611	57,171,915,941
Securities issued by BCCR and the Government	Investments securing repurchase agreements		2,487,566,496	2,922,590,178	2,609,797,677
Sovereign bond in USD	BofA-Swaps		-	-	1,078,087,064
Sovereign bond in USD	Nomura Bank guarantee		45,750,406,074	47,437,394,548	79,193,271,506
Sovereign bond in USD	BNY Mellon guarantee		-	42,196,961,996	3,083,632,019
Sovereign bond in USD	JP-SWAPS		-	-	401,962,256
Sovereign bond in USD	SINPE guarantee		95,366,385,012	23,610,825,591	169,898,332,352
Sovereign bond in USD	JPMIM-ASSET		17,531,251	-	-
TP CRC	SINPE guarantee		49,543,492,265	-	-
BEM CRC	SINPE guarantee		35,900,935,196	-	-
		¢	291,365,199,872	178,718,092,924	313,436,998,815
Other assets					
Other assets (Note 17)	Security deposits	¢	1,187,804,415	970,273,927	573,499,389

As of March 31, 2024, the Brokerage Firm has restricted assets in the amount of ¢62,298,883,578 (December and March 2023: ¢62,550,320,611 and ¢57,171,915,941, 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, 2024, the Pension Fund Manager has restricted assets in the amount of ¢2,487,566,496 (December and March 2023: ¢2,922,590,178 and ¢2,609,797,677, 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:

		March 2024	December 2023	March 2023
Assets:				
Checking accounts in foreign financial entities *(1)* (Note 9)	¢	33,227,737,314	35,092,573,776	38,222,112,797
Investments in financial instruments and accrued interest receivable *(2)*		5,283,117,427	3,650,528,982	6,303,766,661
Accounts receivable		11,860,961	-	-
Investments in other companies *(2)*		64,501,263,947	66,225,192,279	67,232,994,041
	¢	103,023,979,649	104,968,295,037	111,758,873,499
Liabilities:				
Demand obligations with entities *(3)*		12,089,319	14,005,187	7,279,790
Accounts due to related parties *(4)*		21,196,380	21,841,512	4,108,956
	¢	33,285,699	35,846,699	11,388,746
Income:				
Operating income		48,378,397	-	-
Gain on investments in other foreign companies		889,274,865	3,298,387,922	803,831,182
		937,653,262	3,298,387,922	803,831,182
Expenses:				
Operating expenses *(5)*		66,064,763	211,152,634	166,600,411
	¢	66,064,763	211,152,634	166,600,411

The aforementioned balances and transactions with related parties correspond to:

(1) Balances in foreign checking accounts with Banco Internacional de Costa Rica, S.A., which bear interest at 2.25% per annum for both years

(2) Investments in the share capital of entities over which the Bank exercises control or significant influence

(3) Movements in transit of the subsidiaries' checking accounts with the Bank
(4) Balance of the subsidiaries' term certificates of deposit with the Bank
(5) Services of the Bank's procedures and self-issue insurance unit (*Unidad de Trámites y Autoexpedibles*) and custody rental system.

a) Compensation to key personnel

Compensation to key personnel is as follows:

		March 2024	December 2023	March 2023
Short-term benefits	¢	572,741,166	2,427,733,371	580,326,873
Long-term benefits		74,456,352	315,605,338	75,442,493
Per diem – Board of directors		36,053,780	124,301,695	50,097,985
	¢	683,251,298	2,867,640,404	705,867,351

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

(9) Cash and cash equivalents

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

		March 2024	December 2023	March2023
Cash and due from banks	¢	1,448,405,151,226	1,429,362,414,317	1,398,646,693,202
Investments with maturities of less than two months		255,085,172,146	219,166,903,211	296,687,689,377
	¢	1,703,490,323,372	1,648,529,317,528	1,695,334,382,579

Cash and due from banks is as follows:

		March 2024	December 2023	March 2023
Cash on hand and in vaults	¢	74,613,089,366	82,485,478,747	64,192,584,712
Cash in transit		21,682,777,550	20,232,690,853	54,865,885,214
Checking account in BCCR *(1)*		46,149,787,275	48,415,632,964	53,280,940,766
Minimum legal deposits in BCCR *(2)*		882,025,459,875	878,225,354,683	815,236,096,668
Checking accounts and demand deposits in State-owned commercial banks and banks created under special laws		196,025,444	208,831,452	255,076,550
Checking accounts and other demand accounts in private financial entities		408,626,596	577,900,183	930,191,285
Checking accounts in foreign financial entities		247,612,474,410	222,086,875,167	237,470,584,522
Deposits and other demand accounts in foreign financial entities		845,540,774	17,081,237	994,246,860
Checking accounts and demand deposits in related parties (Note 8)		33,227,737,314	35,092,573,776	38,222,112,797
Overnight deposits in foreign financial entities		1,874,189,345	1,187,797,197	2,984,592,914
Transfers through the Interbank Electronic Payment System (SINPE)		1,017,433,335	1,358,743,570	3,416,219,093
Local notes receivable		3,830,981,915	4,748,056,421	4,794,920,378
Foreign notes receivable		1,447,195,542	1,688,069,394	1,413,406,044
Margin calls – derivative financial instruments (Note 7)		9,948,033	-	-
Fondo de Garantía de la Bolsa Nacional de Valores (FOGABONA)		311,812,146	184,034,892	213,955,800
Contingent guarantee of the deposit guarantee fund (Fondo de Garantía de Depósitos, FGD)		133,152,072,306	132,853,293,781	120,375,879,599
	¢	1,448,405,151,226	1,429,362,414,317	1,398,646,693,202

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

(10) Investments in financial instruments

Investments in financial instruments are as follows:

		March 2024	December 2023	March 2023
Investments at FVTPL	¢	25,059,753,722	23,521,412,984	15,875,707,776
Investments at FVOCI		658,489,995,721	614,745,008,391	601,293,113,736
Investments at amortized cost		895,742,846,704	730,519,651,898	930,306,049,972
	¢	1,579,292,596,147	1,368,786,073,273	1,547,474,871,484
Interest rate futures – Hedges		-	81,481,170	35,537,938
Sale of FX futures - Other than hedges		243,551,509	282,823,967	89,826,175
Allowance for impairment of investments		(1,547,950,366)	(1,416,262,629)	(2,583,218,360)
Allowance for operations with derivatives other than hedges		(1,217,758)	(1,414,120)	(2,020,008)
Accrued interest receivable on investments		20,977,811,810	21,887,088,090	13,941,541,704
	¢	1,598,964,791,342	1,389,619,789,751	1,558,956,538,933

a) Investments at FVTPL

Investments at FVTPL are as follows:

		March 2024	December 2023	March 2023
Local issuers				
BCCR		302,071,943	970,850,737	-
Private issuers		24,757,681,779	22,550,562,247	14,337,176,998
	¢	25,059,753,722	23,521,412,984	14,337,176,998

		March 2024	December 2023	March 2023
Foreign issuers				
Private issuers		-	-	1,538,530,778
		-	-	1,538,530,778
	¢	25,059,753,722	23,521,412,984	15,875,707,776

b) Investments at FVOCI

Investments at FVOCI are as follows:

		March 2024	December 2023	March 2023
Local issuers				
Government of Costa Rica	¢	430,488,087,158	428,835,070,195	444,699,569,838
BCCR		114,559,153,576	83,911,118,412	29,923,289,506
State-owned banks		-	-	1,373,608
Private banks		2,487,566,496	2,922,590,178	2,609,797,677
	¢	547,534,807,230	515,668,778,785	477,234,030,629

		March 2024	December 2023	March 2023
Foreign issuers				
Governments	¢	51,429,333,689	38,225,271,615	25,290,470,617
Private issuers		26,934,973,923	33,254,466,882	48,867,814,155
Private banks		32,590,880,879	27,596,491,109	49,900,798,335
		110,955,188,491	99,076,229,606	124,059,083,107
	¢	658,489,995,721	614,745,008,391	601,293,113,736

(Continued)

c) ***Investments at amortized cost***

Investments at amortized cost are as follows:

		March 2024	December 2023	March 2023
Local issuers				
Government of Costa Rica	¢	363,703,050,961	348,755,364,004	250,288,290,490
BCCR		330,859,612,134	119,790,981,728	283,072,036,398
State-owned banks		24,500,000	24,500,000	-
Private banks		-	-	6,496,805,000
Private issuers		3,183,259,821	1,037,092,659	3,900,439,182
	¢	697,770,422,916	469,607,938,391	543,757,571,070
Foreign issuers				
Governments	¢	191,355,455,122	250,382,013,856	361,629,515,446
Private issuers		132,488,666	8,947,102,750	2,772,059,836
Private banks		6,484,480,000	1,582,596,900	22,146,903,620
		197,972,423,788	260,911,713,506	386,548,478,902
	¢	895,742,846,704	730,519,651,897	930,306,049,972

As of March 31, 2024, the valuation of investments in financial instruments, including restricted financial instruments, gave rise to unrealized gains, net of deferred tax, in the amount of ¢1,092,159,556 (December and March 2023: unrealized gains, net of deferred tax, in the amount of ¢13,142,311,960 and ¢5,148,571,444). The cumulative balance of equity adjustments arising from the valuation of those investments is equivalent to unrealized gains of ¢3,630,927,342 (December and March 2023: unrealized gains of ¢3,630,927,342 and unrealized losses of (¢4,362,813,174), respectively).

The following table shows the rating of investments by classification:

		March 2024	December 2023	March 2023
BCCR				
AA+	¢			-
B		2,684,709,041	2,148,226,594	657,149,172
B+		-	170,524,723,874	101,692,478,741
BB-		240,958,938,976	-	-
F1+		21,743,701,301	-	-
State-owned banks		-	-	
F1+		-	-	1,637,850,000
Foreign private banks				
A		1,745,123,826	1,505,691,104	10,371,403,142
A2		4,052,800,000	4,215,040,000	6,988,160,000
A-		7,961,894,115	11,783,156,069	13,136,911,185
A+		7,632,143,905	6,082,132,506	4,887,287,921
AA-		1,892,199,264	201,895,906	3,436,719,414
AAA		-	4,696,480,315	4,716,984,857
BBB		274,134,979	289,679,736	2,293,414,733
BBB-		-	-	3,318,833,440
BBB+		6,954,032,940	8,635,696,153	7,693,527,318
P1		-	-	2,680,469,479
Foreign private issuers				
A		3,239,081,987	198,491,750	3,728,936,635
A-		4,174,190,453	4,956,240,279	12,149,384,935
A+		819,015,534	245,702,590	2,055,877,173
AA			279,089,010	2,439,187,423
AA-		398,586,411	298,548,670	6,868,911,963
AA+		-	-	-
AAA		-	-	-
BB		-	-	-
B+		-	3,380,204,694	-
BBB		16,719,636,354	18,309,659,426	25,360,289,990
BBB-		5,416,682,360	7,660,298,178	5,821,364,679
BBB+		5,110,114,368	6,976,021,044	15,731,674,764
Local private issuers				
B+		4,189,417,628	-	7,864,291,050
BB		16,741,308,650	15,263,063,032	6,342,388,089
BB-		3,702,638,080	3,778,656,909	-
Government of Costa Rica				
B		64,162,195,610	64,662,547,828	62,045,308,367
B2		-	11,148,610,067	11,858,130,989
B+		-	692,053,538,986	619,024,291,756
BB		12,210,676,858	-	-
BB-		711,084,114,494	-	-
Foreign governments		-	-	-
A		397,779,939	565,327,472	565,431,041
AA+		224,024,146,077	280,937,982,309	354,701,819,489
A1+		18,116,049,957	2,150,810,816	
P1		-	-	21,660,972,328
Unrated				
N/A		192,887,283,037	45,838,557,958	225,745,421,402
	¢	1,579, 292,596,145	1,368,786,073,274	1,547,474,871,475

(Continued)

(11) Derivative financial instruments

The Conglomerate holds the following types of derivative financial instruments:

i. *Derivatives as risk hedging instruments*

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

Derivative financial instruments are as follows:

		March 2024			
Issuing bank		Notional amount		Valuation	Purpose
Chicago Board of Trade	US$	15,200,000	US$	(22,250)	Standardized futures contracts (maturing in 2024)
Amount in colones	¢	7,700,320,000	¢	(11,271,850)	

		December 2023			
Issuing bank		Notional amount		Valuation	Purpose
Chicago Board of Trade	US$	21,100,000	US$	39,672	Standardized futures contracts (maturing in 2024)
Amount in colones	¢	11,117,168,000	¢	20,902,320	

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

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

(Continued)

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

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

- a 10-year or 5-year LIBOR rate at the issue of the bond
- discount rates from Bloomberg
- zero rates corresponding to the swap curve as of March 31, 2024 and 2023
- only a portion of the bond cash flows is hedged (corresponding to the 5-year and 10-year LIBOR rate in effect at the issue of the bond) rather than the total interest rate
- accrued and earned interest were segregated from the instruments to obtain variations in clean prices
- forward rate to calculate variable interest
- the linear regression methodology is taken into account to measure the effectiveness of the derivative financial instrument.

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

	March 2024	
	US dollars	Colones
Notional amount	15,200,000	7,700,320,000
Valuation		
Negative valuation	(22,250)	(11,271,850)
Net valuation	(22,250)	(11,271,850)

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

	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

As of March 31, 2024, the Conglomerate has no swaps, as they matured in November 2023.

As of March 31, 2023, the total notional amount of swaps and its valuation is as follows:

	March 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)

iii. Derivatives other than hedges

Currency forwards:

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

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

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

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

		March 2024		December 2023		March 2023	
		US dollars	Colones	US dollars	Colones	US dollars	Colones
Total notional amount	¢	9,015,347	4,567,174,912	13,530,694	7,129,052,308	4,150,000	2,265,692,500
Valuation							
Positive valuation		-	243,551,509	-	282,823,967	-	89,826,175
Negative valuation		-	(187,683,850)	-	(101,908,050)	-	-
Net valuation	¢	-	55,867,659	-	180,915,917	-	89,826,175

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

		March 2024	December 2023	March 2023
Total notional amount	¢	12,267,494,912	18,246,220,308	103,083,003,300
Positive valuation				
Standardized futures contracts		-	81,481,170	35,537,938
Forwards		243,551,509	282,823,967	89,826,175
		243,551,509	364,305,137	125,364,113
Negative valuation				
Swaps		-	-	(2,265,227,247)
Standardized futures contracts		(11,271,850)	(60,578,850)	(13,550,648)
Forwards		(187,683,850)	(101,908,050)	-
		(198,955,700)	(162,486,900)	(2,278,777,895)
Net valuation	¢	44,595,809	201,818,237	(2,153,413,782)

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

		March 2024	December 2023	March 2023
Gain on derivative financial instruments	¢	1,660,171,593	5,087,635,474	1,135,834,265
Loss on derivative financial instruments		(1,632,445,490)	(5,115,197,936)	(1,016,861,586)
Net gains (losses)	¢	27,726,103	(27,562,462)	118,972,679

(12) Loan portfolio

(a) Loan portfolio by sector

The loan portfolio by sector is as follows:

		March 2024	December 2023	March 2023
Trade	¢	387,805,746,583	371,781,559,841	380,345,106,931
Services *(1)*		1,179,622,263,886	1,194,584,316,434	1,053,206,653,789
Financial services *(1)*		76,221,331,685	81,391,063,023	112,235,297,515
Mining		428,826,199	350,175,300	389,612,659
Manufacturing and quarrying		170,160,335,037	162,916,740,222	173,143,409,896
Construction		63,066,944,631	59,369,407,971	63,823,789,780
Agriculture and forestry		105,655,232,716	111,481,852,965	104,269,633,553
Livestock, hunting and fishing		75,259,969,847	75,217,860,111	73,866,358,206
Electricity, water, sanitation and other related sectors		402,266,903,354	408,149,689,347	404,538,153,265
Transportation and telecommunications		38,454,504,342	38,350,015,905	41,170,840,526
Housing		1,490,825,255,456	1,488,855,876,419	1,437,096,604,006
Personal or consumer loans		727,816,462,011	698,675,675,272	582,246,876,218
Tourism		257,374,393,249	267,194,961,624	248,684,910,389
Total direct loans		4,974,958,168,996	4,958,319,194,434	4,675,017,246,733
Incremental direct costs related to loans		6,528,640,296	6,360,771,801	5,889,421,640
(Deferred income from loan portfolio)		(48,698,075,137)	(48,113,222,075)	(42,986,604,925)
Accrued interest receivable		93,508,218,547	90,753,414,848	100,787,575,029
Allowance for loan losses		(139,156,893,001)	(129,697,632,868)	(139,499,236,399)
Loan portfolio	¢	4,887,140,059,701	4,877,622,526,140	4,599,208,402,078

(1) As of March 31, 2024, the portfolio purchased by the Bank in November 2021 amounts to ¢79,067,387,329, distributed among the services and financial services sectors.

Annual interest rates on loans receivable are as follows:

	March 2024		December 2023		March 2023	
Currency	Rates	Average *(1)*	Rates	Average *(1)*	Rates	Average *(1)*
Colones	0.55% to 45%	13.64%	0.55% to 45.00%	13.93%	0.55% to 45.00%	14.04%
US dollars	1.45% to 30.53%	11.48%	1.45% to 28.00%	11.53%	1.45% to 28.71%	11.10%
UDES	3.85% to 6.91%	4.72%	3.85% to 6.91%	4.72%	3.85% to 9.91%	4.74%

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

(b) *Loan portfolio by arrears*

The loan portfolio by arrears is as follows:

		March 2024	December 2023	March 2023
Current	¢	4,641,845,364,489	4,662,741,006,200	4,416,740,656,927
1 to 30 days		102,272,318,039	71,108,212,985	61,781,688,447
31 to 60 days		95,183,079,735	70,798,742,194	84,186,571,496
61 to 90 days		14,685,371,638	30,738,298,218	11,864,272,798
91 to 120 days		8,887,231,602	15,698,248,759	5,000,370,029
121 to 180 days		12,309,268,565	22,961,539,684	10,303,461,414
More than 180 days		99,775,534,928	84,273,146,394	85,140,225,622
		4,974,958,168,996	4,958,319,194,434	4,675,017,246,733
Incremental direct costs related to loans		6,528,640,296	6,360,771,801	5,889,421,640
(Deferred income from loan portfolio)		(48,698,075,137)	(48,113,222,075)	(42,986,604,925)
Accrued interest receivable		93,508,218,547	90,753,414,848	100,787,575,029
Allowance for loan losses		(139,156,893,001)	(129,697,632,868)	(139,499,236,399)
	¢	4,887,140,059,701	4,877,622,526,140	4,599,208,402,078

(c) *Allowance for loan losses*

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

		March 2024	March 2023
Opening balance	¢	129,697,632,868	139,365,727,145
Allowance expense for the period (Note 39)		16,256,935,891	11,245,212,208
Write-offs		(5,851,016,640)	(7,097,267,768)
Adjustments due to reclassification of allowance		103,418,159	-
Foreign exchange differences		(1,050,077,277)	(4,014,435,185)
Closing balance	¢	139,156,893,001	139,499,236,399

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

(d) *Allowance for impairment of stand-by credits*

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

		March 2024	March 2023
Opening balance	¢	1,084,106,020	1,186,743,415
Allowance expense for the period (Note 36)		661,057	-
Foreign exchange differences		(913,627,195)	(76,967,643)
Closing balance	¢	171,139,882	1,109,775,772

(13) Accounts and fees and commissions receivable

Accounts and fees and commissions receivable are as follows:

		March 2024	December 2023	March 2023
Fees and commissions	¢	2,060,343,692	2,200,365,080	1,814,394,829
Accounts due from employees		48,835,964	22,176,642	21,022,827
Deferred tax (Note 21-b)		2,304,325,440	2,245,759,834	4,997,655,980
Income tax receivable *(1)*		9,870,442,900	378,114,928	95,484,620
Value added tax		13,720,029	36,247,812	14,954,651
Sundry accounts receivable related to credit cards		375,746,392	359,743,781	398,744,123
Other expenses receivable		22,080,351	22,226,905	22,364,714
Credit fraud		362,797,508	362,797,508	742,752,108
Other accounts receivable		2,346,805,749	2,713,995,107	1,707,875,188
Items receivable or applicable to third parties		243,938,601	-	232,717,326
Cash collectors		344,214,307	-	216,908,645
Misappropriation and theft		4,756,691,197	4,758,193,197	1,461,494,361
Accrued interest receivable on other sundry accounts receivable		2,421,946	2,012,794	771,102
Allowance for impairment of accounts receivable		(7,581,728,161)	(7,613,470,373)	(4,328,820,699)
	¢	15,170,635,915	5,488,163,215	7,398,319,775

(1) As of March 31, income tax receivable, by entity, is as follows:

		March 2024	December 2023	March 2023
Banco Nacional de Costa Rica	¢	9,810,940,070	133,040,592	30,497,211
BN Sociedad Corredora de Seguros, S.A.		59,502,830	245,074,336	64,987,409
	¢	9,870,442,900	378,114,928	95,484,620

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

		March 2024	December 2023	March 2023
Opening balance	¢	7,613,470,373	4,329,683,075	4,329,683,075
Allowance expense (Note 39)		646,290,272	4,673,937,125	319,972,962
Decrease in allowance (Note 40)		(451,902,001)	(280,020,795)	(163,433,566)
Write-offs		(164,171,986)	(1,049,359,965)	(117,168,036)
Foreign exchange differences		(61,958,497)	(60,769,067)	(40,233,736)
Closing balance	¢	7,581,728,161	7,613,470,373	4,328,820,699

(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 2024	December 2023	March 2023
Assets acquired in lieu of payment	¢	101,248,105,084	98,643,910,547	97,057,395,852
Idle property, furniture and equipment		-	-	55,884,628
Allowance for impairment of assets held for sale and per legal requirements		(57,762,459,183)	(62,186,753,305)	(58,245,915,570)
	¢	43,485,645,901	36,457,157,242	38,867,364,910

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

		March 2024	December 2023	March 2023
Opening balance	¢	62,186,753,305	60,686,913,169	60,686,913,169
Allowance expense (Note 43)		1,399,793	5,570,428,707	5,307,861
Disposal of assets held for sale		-	(55,884,627)	-
Decrease in allowance		(4,425,693,915)	(4,014,703,944)	(2,446,305,460)
Closing balance	¢	57,762,459,183	62,186,753,305	58,245,915,570

(15) Investments in other companies

Investments in other companies are as follows:

		March 2024	December 2023	March 2023
Investment in other financial and non-financial entities *(1)*	¢	1,100,623,300	1,100,623,300	50,623,300
Banco Internacional de Costa Rica, S.A. and Subsidiary (BICSA) *(2)*		65,601,887,250	67,325,815,587	67,283,617,247
	¢	66,702,510,547	68,426,438,887	67,334,240,649

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

		March 2024	December 2023	March 2023	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 (Golfito Duty Free Shopping Center) per Article 24 of Law No. 7131		5,200,000	5,200,000	5,200,000	Golfito Duty Free Shopping Center
Other financial entities (cooperatives)		423,300	423,300	423,300	Investments in various cooperatives
Shares in BN Centro de Procesos S.A.		1,050,000,000	1,050,000,000	-	BN Centro de Procesos S.A.
	¢	1,100,623,300	1,100,623,300	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.

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

a) Historical cost and depreciation

Property, furniture and equipment is as follows:

		March 2024					
		Land	Buildings	Furniture and equipment	Computer hardware	Vehicles	Total
Cost:							
Historical cost at beginning of period	¢	4,303,234,680	70,579,059,825	81,664,855,237	52,265,835,824	273,115,097	209,086,100,663
Revalued cost at beginning of period		54,245,913,475	75,367,357,290	(7,666,877)	(32,078,911)	-	129,573,524,977
Additions		-	-	73,811,112	834,834,554	-	908,645,666
Disposals		-	-	(2,670,005,931)	(1,167,628,408)	-	(3,837,634,339)
Adjustments		-	-	-	(563,659)	-	(563,659)
Balance at end of period		58,549,148,155	145,946,417,115	79,060,993,541	51,900,399,400	273,115,097	335,730,073,308
Accumulated depreciation:							
Balance at beginning of period		-	57,735,668,583	50,311,723,730	41,777,736,197	170,465,414	149,995,593,924
Depreciation expense on historical cost		-	398,767,377	2,073,307,432	1,047,357,313	3,838,276	3,523,270,398
Depreciation expense on revalued cost		-	289,916,115	-	-	-	289,916,115
Disposals		-	-	(2,640,955,689)	(1,069,184,638)	-	(3,710,140,327)
Balance at end of period		-	58,424,352,075	49,744,075,473	41,755,908,872	174,303,690	150,098,640,110
Net balance at end of period	¢	58,549,148,155	87,522,065,040	29,316,918,068	10,144,490,528	98,811,407	185,631,433,198

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		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)
Balance at end of period		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:							
Balance at beginning of period		-	53,833,621,251	47,672,251,728	42,640,291,354	164,152,940	144,310,317,273
Depreciation expense on historical cost		-	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)
Balance at end of period	¢	-	54,415,697,643	49,239,876,593	41,964,896,716	168,214,258	145,788,685,210
Net balance at end of period	¢	53,948,907,136	84,405,362,540	27,800,360,009	9,626,164,514	114,902,627	175,895,696,826

(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*

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

		March 2024	
		Right-of-use of building	Total
Cost:			
Opening balance	¢	65,146,900,992	65,146,900,992
Disposals		(12,364,477)	(12,364,477)
Adjustments		(169,033,287)	(169,033,287)
Closing balance		64,965,503,228	64,965,503,228
Accumulated depreciation:			
Opening balance		15,183,121,600	15,183,121,600
Depreciation expense		1,145,832,892	1,145,832,892
Adjustments		(7,403,919)	(7,403,919)
Closing balance		16,321,550,573	16,321,550,573
Net closing balance	¢	48,643,952,655	48,643,952,655

		December 2023		
		Right-of-use of building	Right-of-use of vehicles	Total
Cost:				
Opening balance	¢	38,679,978,342	142,975,127	38,822,953,469
Additions		25,698,198,598	-	25,698,198,598
Disposals		(34,400,827)	(142,975,127)	(177,375,954)
Adjustments		803,124,880	-	803,124,880
Closing balance		65,146,900,993	-	65,146,900,993
Accumulated depreciation:				
Opening balance		10,915,631,416	119,411,840	11,035,043,256
Depreciation expense		4,297,564,813	23,563,285	4,321,128,098
Disposals		(35,192,849)	(142,975,124)	(178,167,973)
Adjustments		5,118,219	-	5,118,219
Closing balance		15,183,121,599	-	15,183,121,600
Net closing balance	¢	49,963,779,394	-	49,963,779,393

		March 2023		
		Right-of-use of building	Right-of-use of vehicles	Total
Cost:				
Opening balance	¢	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		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

(Continued)

Lease liabilities

i. Amounts recognized in profit or loss

The amounts recognized in profit or loss are as follows:

		March 2024	December 2023	March 2023
Interest on lease liabilities	¢	1,106,027,457	4,131,919,195	770,390,687
Expenses for leases of low-value assets, excluding short-term assets	¢	79,428,046	337,499,414	178,824,549

ii. Amounts recognized in the statement of cash flows

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

		March 2024	December 2023	March 2023
Cash outflows for leases	¢	(790,026,812)	(2,982,590,930)	(502,159,634)

(17) Other assets

Other assets are as follows:

		March 2024	December 2023	March 2023
Deferred charges:				
Leasehold improvements *(1)*	¢	304,682	806,930	3,896,206
Cost of issue of financial instruments, net *(2)*		-	-	65,478,490
Cost of subordinated debt project		16,636,552	18,687,959	23,999,810
Other deferred charges		2,161,602	2,882,137	10,646,972,188
		19,102,836	22,377,026	10,740,346,694
Intangible assets:				
Software *(3)*		4,809,224,941	5,618,585,210	7,563,253,969
Other intangible assets *(3)*		9,313,390	9,313,390	8,831,483
		4,818,538,331	5,627,898,600	7,572,085,452
Other assets:				
Prepaid taxes		7,854,662,410	33,951,805,282	5,736,030,783
Prepaid insurance policy		865,942,427	245,656,900	338,949,562
Other prepaid expenses		9,831,838,241	7,076,154,757	6,993,011,386
Stationery, office supplies and other materials		710,173,800	857,105,884	859,843,970
Leased assets		128,368,810	128,583,896	118,363,741
Library and artwork		404,667,948	404,667,948	404,704,948
Construction work in progress		269,399,646	214,941,893	237,781,136
Automated applications under development		132,498,126	132,498,126	143,126,460
Payments to welfare and trade associations		350,000	350,000	350,000
Other sundry assets		153,486,106	153,486,106	153,486,106
Operations pending settlement		11,338,011,838	11,514,246,773	11,452,805,442
Other operations pending application		238,071,597	87,848,438	195,121,988
Security deposits (Note 7)		796,594,083	686,148,648	359,727,804
Legal and administrative deposits (Note 7)		391,210,334	284,125,278	213,771,585
		33,115,275,366	55,737,619,929	27,207,074,911
	¢	37,952,916,533	61,387,895,555	45,519,507,057

(1) As of March 31, 2024, the amortization expense for leasehold improvements amounts to ¢502,249 (December and March 2023: ¢4,119,034 and ¢1,029,759, respectively).

(Continued)

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

		March 2024		
		5-year issue (maturing in 2021)	10-year issue (maturing in 2023)	Total
Commission - structuring banks	¢	253,300,000	253,300,000	506,600,000
Commission - Moody's Investors Service		126,650,000	126,650,000	253,300,000
Commission - Société de la Bourse de Luxembourg S.A.		6,191,159	6,191,158	12,382,317
RR Donelley		5,545,750	5,545,750	11,091,500
BNY Mellon		2,002,590	2,002,590	4,005,180
Moody's issuer rating		16,768,460	16,768,460	33,536,920
Fitch Ratings		126,650,000	126,650,000	253,300,000
Milbank		74,551,256	74,551,256	149,102,512
Shearman & Sterling		74,648,016	74,648,017	149,296,033
External audit		96,254,000	96,254,000	192,508,000
		782,561,231	782,561,231	1,565,122,462
Amortization		(782,561,231)	(782,561,231)	(1,565,122,462)
	¢	-	-	-

		December 2023		
		5-year issue (maturing in 2021)	10-year issue (maturing in 2023)	Total
Commission - structuring banks	¢	263,440,000	263,440,000	526,880,000
Commission - Moody's Investors Service		131,720,000	131,720,000	263,440,000
Commission - Société de la Bourse de Luxembourg S.A.		6,439,000	6,439,000	12,878,000
RR Donelley		5,767,755	5,767,755	11,535,510
BNY Mellon		2,082,757	2,082,757	4,165,514
Moody's issuer rating		17,439,728	17,439,728	34,879,456
Fitch Ratings		131,720,000	131,720,000	263,440,000
Milbank		77,535,661	77,535,661	155,071,322
Shearman & Sterling		77,636,295	77,636,295	155,272,590
External audit		100,107,200	100,107,200	200,214,400
		813,888,396	813,888,396	1,627,776,792
Amortization		(813,888,396)	(813,888,396)	(1,627,776,792)
	¢	-	-	-

(Continued)

		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 Donelley		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

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

		March 2024		
		Software	Other intangible assets	Total
Cost:				
Opening balance	¢	36,398,003,910	9,313,390	36,407,317,300
Additions		290,545,881	9,313,390	299,859,271
Disposals		(35,598,970)	-	(35,598,970)
Adjustments		-	(9,313,390)	(9,313,390)
Closing balance		36,652,950,821	9,313,390	36,662,264,211
Accumulated amortization:				
Opening balance		30,779,418,697	-	30,779,418,697
Expense for the year		1,067,612,105	9,313,390	1,076,925,495
Adjustments		(3,304,922)	(9,313,390)	(12,618,312)
Closing balance		31,843,725,880	-	31,843,725,880
Net closing balance	¢	4,809,224,941	9,313,390	4,818,538,331

		December 2023		
		Software	Other intangible assets	Total
Cost:				
Opening balance	¢	39,900,777,778	8,831,483	39,909,609,261
Additions		2,205,747,714	37,735,467	2,243,483,181
Disposals		(5,708,521,584)	-	(5,708,521,584)
Adjustments		-	(37,253,560)	(37,253,560)
Closing balance		36,398,003,908	9,313,390	36,407,317,298
Accumulated amortization:				
Opening balance		30,931,932,440	-	30,931,932,440
Expense for the year		5,411,170,267	37,253,560	5,448,423,827
Disposals		(5,477,014,407)	-	(5,477,014,407)
Adjustments		(86,669,602)	(37,253,560)	(123,923,162)
Closing balance		30,779,418,698	-	30,779,418,698
Net closing balance	¢	5,618,585,210	9,313,390	5,627,898,600

		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 year		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

(Continued)

(18) Obligations with the public

Obligations with the public by cumulative amount are as follows:

		March 2024	December 2023	March 2023
Demand deposits:				
Checking accounts	¢	2,254,037,357,534	2,067,740,723,971	1,947,601,716,410
Certified checks		3,622,540	40,454,579	945,121,807
Savings deposits		2,333,064,381,687	2,335,834,266,373	2,207,276,564,736
Matured term deposits		15,512,232,013	18,980,585,108	13,745,085,823
Other demand deposits		119,690,459	102,743,561	97,940,478
Drafts and transfers payable		42,908,203	50,888,624	53,112,560
Cashier’s checks		4,701,581,616	2,921,088,857	4,483,519,346
Advance collections from customers for credit cards		11,886,115,884	11,842,530,241	11,521,331,025
Trust fund obligations		27,677,103	11,776,361	34,892,561
		4,619,395,567,039	4,437,525,057,675	4,185,759,284,746
Term deposits:				
Deposits from the public		1,956,610,245,435	1,865,534,883,102	1,862,695,369,221
Other term deposits		88,909,644,479	88,860,097,273	97,471,125,704
		2,045,519,889,914	1,954,394,980,375	1,960,166,494,925
Other obligations with the public:				
Finance charges payable		56,940,666,724	58,484,221,323	42,996,337,943
	¢	6,721,856,123,677	6,450,404,259,373	6,188,922,117,614

As of March 31, 2024, deposits in checking accounts in colones bear interest at a maximum rate of 3.05% per annum on full balances and at a minimum rate of 0% per annum on balances greater than or equal to ¢500,001 (December and March 2023: interest at 3.05% and 0% per annum, respectively). Deposits in checking accounts in US dollars bear interest at a maximum rate of 0.20% per annum on full balances and at a minimum rate of 0% per annum on balances greater than or equal to US$1,000 (December and March 2023: interest at 0.20% and 0% per annum, respectively).

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

Currency	March 2024	December 2023	March 2023
Colones	3.48% to 6.54%	4.07% to 6.66%	4.76% to 9.77%
US dollars	1.24% to 4.89%	1.24% to 4.89%	1.36% to 4.72%

The Conglomerate has term certificates of deposit that are restricted to secure certain loan operations. As of March 31, 2024, the balance of those term certificates of deposit is ¢77,701,734,603 (December and March 2023: ¢79,378,893,158 and ¢78,036,722,845). 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 2024	December 2023	March 2023
Financing of loans using internal funds - BCCR *(i)*		140,119,165,379	144,346,236,100	158,612,594,399
Financing of loans using external funds *(ii)*	¢	125,644,412	125,644,412	125,644,411
Finance charges payable		3,303,283,061	3,115,180,965	2,487,442,744
	¢	143,548,092,852	147,587,061,477	161,225,681,554

i. Corresponds to the partial redemption of deferred term obligations (ODP).

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

(20) Obligations with financial entities

Obligations with financial entities are as follows:

		March 2024	December 2023	March 2023
Demand:				
Checking accounts with local financial entities	¢	60,648,742,722	59,476,704,619	64,675,748,888
Savings deposits with local financial entities		50,673,285	42,687,081	31,792,747
Outstanding checks		1,465,898,652	704,527,230	3,249,560,920
Matured term deposits		112,221,010	54,975,010	11,287,155
Checking accounts and obligations with related parties (Note 8)		12,089,319	14,005,187	7,279,790
		62,289,624,988	60,292,899,127	67,975,669,500
Term:				
Lease liabilities *(1)*		50,209,849,144	52,434,361,272	29,869,796,817
Term obligations with foreign financial entities *(2)*		-	-	95,795,095,513
Term obligations with financial entities *(3)(4)*		27,345,412,431	28,146,736,965	30,434,850,432
Loans from foreign financial entities *(4)*		40,528,000,000	42,150,400,000	101,184,844,340
Term deposits with local financial entities		81,017,355,902	85,404,630,023	85,555,082,821
Obligations with funds from the liquidity market		42,600,002,600	43,310,478,402	42,847,350,000
Obligations with funds from the Development Credit Fund		138,676,273,668	140,350,657,066	157,231,709,774
		380,376,893,745	391,797,263,728	542,918,729,697
Charges payable for term deposits with foreign financial entities *(2)*		-	-	2,480,432,880
Charges payable for loans with local financial entities *(3)*		58,329,783	64,154,159	86,699,052
Charges payable for loans with foreign financial entities		842,222,348	211,684,857	1,908,744,090
Charges payable for other demand and term obligations with financial entities – foreign currency		115,477,450	45,747,568	123,637,115
Charges payable for other demand and term obligations with financial entities – local currency		1,077,592,559	1,822,957,538	1,167,848,860
		2,093,622,140	2,144,544,122	5,767,361,997
	¢	444,760,140,873	454,234,706,977	616,661,761,194

(Continued)

(1) *Lease liabilities*

As of March 31, 2024, long-term lease liabilities and their current portion amount to ¢8,829,453,057 and US$79,973,026, for a total in colones of ¢49,343,788,164, using an exchange rate of ¢506.60 (December 2023: ¢8,130,593,259 and US$82,317,598, for a total in colones of ¢51,502,089,230, using an exchange rate of ¢526.88; March 2023: ¢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).

Lease operations are as follows:

	March 2024			March 2023		
	No. of operations	Interest rates	Maturity	No. of operations	Interest Rates	Maturity
In colones	21	5.56 % and 15.00% per annum	2024 and 2048	19	5.56 % and 15.00% per annum	2023 and 2047
In US dollars	52	3.57% and 8.85% per annum	2024 and 2048	54	3.57% and 8.85% per annum	2023 and 2041
	73			73		

Future minimum lease payments are as follows:

		March 2024		
		Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	¢	6,622,523,330	4,110,739,554	2,511,785,661
Between one and five years		32,338,273,861	16,693,276,535	15,645,006,747
More than five years		44,858,750,574	12,805,715,304	32,053,056,735
	¢	83,819,547,765	33,609,731,392	50,209,849,158

		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

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

		March 2024	December 2023	March 2023
Opening balance	¢	52,434,361,467	32,276,066,066	32,276,066,066
New financial obligations		-	25,687,018,581	-
Adjustments		(649,707,997)	1,338,717,228	356,340,623
Payment of obligations		(790,026,812)	(2,982,590,929)	(502,159,639)
Foreign exchange differences		(784,777,514)	(3,884,849,672)	(2,260,450,231)
Closing balance	¢	50,209,849,144	52,434,361,272	29,869,796,817

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

Date of issue	Fair value	Characteristics
12/03/2007	US$75	Traded amount: 100% Term: 22 years Interest rate: 6.65 per coupon
12/14/2022	US$5.0	Traded amount: 100% Term: 9 years Interest rate: 10.43 per coupon

As of March 31, 2024, the following operations were settled:

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

Obligations with international issuers

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

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

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

		March 2024		
		Local	Foreign	Total
One to two years	¢			
Three to five years		2,231,744,940	-	2,231,744,940
More than five years		25,171,997,270	41,443,583,808	66,615,581,078
	¢	27,403,742,210	41,443,583,808	68,847,326,021

		December 2023		
		Local	Foreign	Total
One to two years	¢	1,714,219,091	-	1,714,219,091
Three to five years		727,828,554	-	727,828,554
More than five years		25,768,843,478	42,368,951,842	68,137,795,320
	¢	28,210,891,124	42,368,951,842	70,579,842,966

		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	44,635,332,606	72,089,192,640
	¢	30,521,549,484	103,167,970,208	133,689,519,692

(4) As of March 31, 2024, loans due to financial entities abroad bear interest at rates ranging from 6.65% and 10.43% per annum (December and March 2023: 6.65% and 10.43% and 3.32% and 9.90% per annum, respectively).

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

		March 2024	December 2023	March 2023
Opening balance	¢	70,297,136,965	142,752,227,398	142,752,227,398
Settlement of financial obligations		(801,324,536)	(59,467,572,285)	(746,235,938)
Foreign exchange differences		(1,622,400,000)	(12,987,518,148)	(10,386,296,688)
Cash flows from financing activities		(2,423,724,536)	(72,455,090,433)	(11,132,532,626)
Closing balance	¢	67,873,412,429	70,297,136,965	131,619,694,772

(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 2024	March 2023
Current tax:			
Current tax expense for the period	¢	3,971,207,642	7,874,997,116
Prior-period income tax expense		277,934	3,569,810,057
Decrease in prior-period income tax		-	(22,678)
		3,971,485,576	11,444,784,495
Deferred tax:			
Deferred tax expense		372,895,504	859,260,081
Deferred tax income		(116,844,213)	(385,354,053)
Deferred tax expense, net		256,051,291	473,906,028
Tax expense, net	¢	4,227,536,867	11,918,690,523

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 2024		March 2023	
Income before income tax	¢	29,483,942,842		27,342,095,329	
Plus (less) tax effect of:					
Non-deductible expenses		102,013,370,170	771%	326,121,853,970	1242%
Deductible expenses		(5,132,309,524)	39%	(6,142,447,900)	23%
Non-taxable income		(113,127,644,680)	855%	(321,106,059,881)	1223%
Taxable income		-	0%	34,548,853	0%
Tax base		13,237,358,808		26,249,990,371	
Tax rate		30%		30%	
Income tax expense		3,971,207,642	30%	7,874,997,116	30%
Prior-period income tax expense		277,934		3,569,810,057	
Decrease in prior-period income tax		-		(22,678)	
Deferred tax expense		372,895,504		859,260,081	
Deferred tax income		(116,844,213)		(385,354,053)	
Deferred tax expense, net		256,051,291		473,906,028	
Income tax expense, net	¢	4,227,536,868	14%	11,918,690,523	44%

Deferred tax

Deferred tax assets and liabilities are as follows:

		March 2024		
		Assets	Liabilities	Net
Unrealized losses on valuation of investments	¢	1,944,452,921	-	1,944,452,921
Provisions		(100,179,537)	-	(100,179,537)
Right-of-use assets *(1)*		460,052,056	-	460,052,056
Unrealized gains on valuation of investments		-	(3,191,893,899)	(3,191,893,899)
Revaluation of property		-	(11,193,233,262)	(11,193,233,262)
Tax base of property and equipment		-	(4,746,768,562)	(4,746,768,562)
	¢	2,304,325,440	(19,131,895,723)	(16,827,570,283)

		December 2023		
		Assets	Liabilities	Net
Unrealized losses on valuation of investments	¢	1,499,279,119	-	1,499,279,119
Provisions		17,544,151	-	17,544,151
Right-of-use assets *(1)*		728,936,564	-	728,936,564
Unrealized gains on valuation of investments		-	(1,861,606,167)	(1,861,606,167)
Revaluation of property		-	(11,279,487,556)	(11,279,487,556)
Tax base of property and equipment		-	(4,682,862,055)	(4,682,862,055)
	¢	2,245,759,834	(17,823,955,778)	(15,578,195,944)

(Continued)

		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 *(1)*		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)

(1) As of March 31, 2024, deferred income tax, net, arises from the right-of-use assets and lease liabilities in the amount of: ¢14,803,136,449 and ¢14,343,084,395, respectively.

Deferred tax assets and liabilities are as follows:

		December 2023	Included in the income statement	Included in equity	March 2024
Unrealized losses on valuation of investments	¢	1,499,279,119	-	445,173,802	1,944,452,921
Provisions		17,544,151	(117,723,688)	-	(100,179,537)
Right-of-use assets		728,936,564	(268,884,508)	-	460,052,056
Unrealized gains on valuation of investments		(1,861,606,167)	14,155,755	(1,344,443,487)	(3,191,893,899)
Revaluation of property		(11,279,487,556)	-	86,254,294	(11,193,233,262)
Tax base of property and equipment		(4,682,862,055)	(63,906,507)	-	(4,746,768,562)
	¢	(15,578,195,944)	(436,358,948)	(813,015,391)	(16,827,570,283)

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

		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)

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

As of March 31, 2024, the Bank has not recognized a deferred tax liability in the amount of ¢7,330,367,522 (December and March 2023: ¢4,194,660,781 and ¢6,817,750,349), given that it controls the moment when the subsidiaries pay dividends.

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

(22) Provisions

Provisions are as follows:

		March 2024	December 2023	March 2023
Severance benefits	¢	334,814,617	323,861,303	319,972,404
Litigation		8,340,830,010	7,914,742,118	5,488,377,262
Inactive checking and savings accounts liquidated		595,496,011	620,538,390	649,705,230
Variation in RIVM methodology		490,003,103	490,003,103	490,003,103
Notice of deficiency		16,601,157,130	13,208,825,814	7,625,772,778
Deposit guarantee fund		373,955,470	359,766,964	368,556,784
Other		418,732,012	368,831,095	360,168,863
	¢	27,154,988,353	23,286,568,787	15,302,556,424

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Movement in provisions is as follows:

		March 2024			
		Severance benefits	Litigation	Other	Total
Balance as of December 31, 2023	¢	323,861,303	7,914,742,118	15,047,965,366	23,286,568,787
Increase in provision		13,810,493	1,337,780,611	4,689,746,526	6,041,337,630
Used		(2,857,179)	(214,065,863)	(1,258,167,682)	(1,475,090,724)
Decrease in provision		-	(697,626,856)	(200,484)	(697,827,340)
Balance as of March 31, 2024	¢	334,814,617	8,340,830,010	18,479,343,726	27,154,988,353

		December 2023			
		Severance benefits	Litigation	Other	Total
Balance as of December 31, 2022	¢	312,966,075	3,980,700,568	6,553,483,755	10,847,150,398
Increase in provision		57,993,579	6,852,663,570	16,424,657,761	23,335,314,910
Used		6,348,095	(2,699,125,206)	(4,777,241,510)	(7,470,018,621)
Decrease in provision		(53,446,446)	(219,496,814)	(3,152,934,640)	(3,425,877,900)
Balance as of December 31, 2023	¢	323,861,303	7,914,742,118	15,047,965,366	23,286,568,787

		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

(Continued)

The Conglomerate is a defendant in pending lawsuits, for which the potential outflow of economic benefits is considered. As of March 31, the Conglomerate has estimated future outflows and made the following provisions:

	Claimed amount			Provision		
Type	March 2024	December 2023	March 2023	March 2024	December 2023	March 2023
Ordinary - in colones	8,163,097,074	9,163,884,654	15,452,779,983	4,774,553,030	4,621,167,575	1,389,027,867
Ordinary - in US dollars	45,597,944,532	50,905,903,822	78,944,492,713	726,494,725	493,184,731	3,190,673,212
Criminal - in colones	1,081,199,813	1,081,199,813	1,084,799,813	-	-	-
Labor - in colones	247,499,820	688,472,273	709,050,501	2,839,782,255	2,800,389,812	908,676,183
	55,089,741,239	61,839,460,562	96,191,123,010	8,340,830,010	7,914,742,118	5,488,377,262

(23) Other sundry accounts payable

Other sundry accounts payable are as follows:

		March 2024	December 2023	March 2023
Professional fees	¢	14,371,559	10,256,779	22,366,811
Creditors - goods and services		8,469,757,622	8,873,685,625	6,181,668,527
Income tax payable		3,971,207,642	18,379,918,877	7,874,997,116
Value added tax		246,259,761	368,983,792	224,308,385
Employer contributions		11,626,358,473	14,692,110,139	11,159,274,714
Court-ordered withholdings		4,505,116,164	3,768,539,376	3,998,415,406
Tax withholdings		2,108,631,117	2,488,430,837	2,322,848,047
Employee withholdings		949,529,401	959,705,730	944,806,160
Other third-party withholdings		127,624,691	9,663,712	132,174,578
Compensation		17,901,371,027	26,037,915,147	17,553,642,067
Statutory allocations		15,954,475,201	33,851,893,738	14,755,744,313
Clearing house operations		30,947,871	29,509,914	-
Accrued vacation		6,403,654,351	6,265,582,809	6,219,915,850
Accrued statutory Christmas bonus		4,668,449,762	2,770,781,999	4,586,252,286
Accounts payable – assets held for sale		53,653,874	74,718,277	40,082,821
Provisional deposits for the payment of premiums		2,273,414,568	1,738,380,030	2,261,736,299
SICOP guarantees		1,153,196,650	1,191,484,721	1,208,923,657
Property		609,417,432	499,480,720	686,412,028
Amounts received for partial sales of assets held for sale		880,400,820	741,645,816	987,876,911
Master Card and Visa payments		2,319,866,009	2,318,945,542	1,845,524,838
Other various creditors		6,255,876,190	4,430,979,104	3,381,932,964
Interest rate futures - Hedges (Note 9)		11,271,850	60,578,850	2,278,777,895
Purchase of FX futures		187,683,850	101,908,050	-
	¢	90,722,535,885	129,665,099,584	88,667,681,673

(24) Other liabilities

Other liabilities are as follows:

		March 2024	December 2023	March 2023
Deferred income:				
Deferred fees and commissions for trust management	¢	87,194,310	88,687,508	81,458,934
		87,194,310	88,687,508	81,458,934
Operations pending application:				
Operations pending settlement		3,858,615,100	16,556,080,166	3,517,729,684
Other operations pending settlement		17,256,481,061	16,466,611,653	19,347,665,976
		21,115,096,161	33,022,691,819	22,865,395,660
	¢	21,202,290,471	33,111,379,327	22,946,854,594

(25) Subordinated obligations

The Conglomerate's subordinated obligations are as follows:

Entity	Interest rate per annum	Term	Maturity		March 2024	December 2023	March 2023
IDB	6-month LIBOR + 6.30% in the first 5 years and 6-month LIBOR + 6.80% thereafter	10	18/02/2032		45,000,000	45,000,000	45,000,000
CABEI	6-month LIBOR + 5.25% in the first 5 years and 6-month LIBOR + 5.75% thereafter	15	23/10/2029		17,250,000	18,000,000	20,250,000
AFD	Fixed rate at 8.28% over the entire term *(1)*	10	29/09/2031		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	18/02/2032		30,000,000	30,000,000	30,000,000
				US$	107,250,000	108,000,000	110,250,000
			Total equivalent in colones	¢	54,332,850,000	56,903,040,000	60,190,987,500
			Finance charges payable		1,013,737,639	2,162,739,037	756,986,203
				¢	55,346,587,639	59,065,779,037	60,947,973,703

(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.

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

In accordance with IRNBS (Law No. 1644), the debt of State-owned commercial banks will be secured with guarantees issued by the Government and all its divisions and institutions. Government guarantees provided for in the aforementioned regulations apply to subordinated loans subscribed by State-owned commercial banks or rights and obligations derived therefrom. Subordinated financial instruments or loans (and the rights and obligations derived therefrom) may only be subscribed by multilateral development banks or bilateral development organizations.

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

(26) Equity

(a) Share capital

The Conglomerate's share capital is as follows:

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

(b) Capital reserves

Capital reserves are as follows:

		March 2024	December 2023	March 2023
Legal reserve	¢	442,629,403,747	403,604,716,089	403,604,716,090
Statutory reserve for assets held for sale		5,469,928,781	5,469,216,249	4,244,304,312
Excess of statutory reserve for loans		5,336,896,705	3,474,656,733	5,465,499,499
Statutory dynamic provision		9,471,471,535	9,649,609,539	9,384,622,684
	¢	462,907,700,768	422,198,198,610	422,699,142,585

(c) Equity of the Development Financing Fund

As of March 31, 2024, the allocation of the Bank's earnings for the creation of the Development Financing Fund (FOFIDE) amounts to ¢55,759,613,349 (December and March 2023: ¢48,624,595,226 and ¢48,624,595,226, respectively).

(27) Memoranda accounts

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

		March 2024	December 2023	March 2023
Sureties	¢	1,562,307	1,562,307	-
Performance bonds		31,812,526,955	34,129,139,530	36,037,492,990
Bid bonds		983,294,552	971,873,015	3,284,544,267
Other guarantees		670,785,889	607,314,326	462,928,376
Letters of credit		1,146,013,732	1,249,911,325	1,081,680,225
Credits pending disbursement		115,233,348	115,233,348	118,433,348
		34,729,416,783	37,075,033,851	40,985,079,206
Pre-approved lines of credit		314,372,166,449	305,513,773,333	279,579,830,546
Other contingencies not related to credits		6,583,686	6,583,686	83,658,101
Other contingencies - Pending litigation and lawsuits (Note 51)		55,238,878,010	61,807,146,925	96,196,123,646
		369,617,628,145	367,327,503,944	375,859,612,293
Sale of FX futures – Other than hedges		4,567,174,912	7,129,052,308	2,265,692,500
	¢	408,914,219,840	411,531,590,103	419,110,383,999

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.

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

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

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As of March 31, 2024, trust capital is invested in the following assets:

Nature of trust	Cash or property management	Portfolio management	Guaranty	Testamentary	Custody of stock	Guaranties and cash management	Management, custody and guaranty	Public works	Custody of stock and cash management	Trusts with public funds	Guaranty and custody of stock	Rentier management and investment	Premium protection	Equity planning	Total
Trust assets															
Cash and due from banks	¢ 20,251,711	30,710,138	1,013,200	429,944	-	-	-	-	7,790,634	120,245,767	-	31,903,783	286,288,394	-	498,633,571
Investments in financial instruments	1,623,856,828	196,265,514	2,561,670,964,236	2,705,066,689	1,931,216	819,157	-	-	12,021,614,694	15,481,872,499	-	548,429,462	2,323,716,115	65,687,403	2,596,640,223,813
Loan portfolio	-	-	-	-	-	-	-	-	-	5,251,022,087	-	-	-	-	5,251,022,087
Accounts and accrued interest receivable	38,108,009	-	93,115,362	9,068,528	-	-	209,602,482	-	55,380,279,385	91,105,668,299	251,234	5,309,305	-	466,191	146,841,868,795
Assets held for sale	-	-	-	-	-	-	-	-	-	50,920,687	-	-	-	-	50,920,687
Investments in other companies	-	-	4,903,010,000	11,140,660	25,160,000	-	-	-	-	-	-	-	-	13,175,660	4,952,486,320
Property, furniture and equipment	7,175,334,166	-	119,694,271,647	1,069,780,959	-	-	1,544,041,161	-	30,445,404,958	462,896,493	283,559,514	-	-	337,565,998	161,012,854,896
Other assets	82,835,678	-	2,970,940,818	5,298,863	-	-	-	5,036,929,479	22,536,727,180	1,513,151,413	-	-	-	29,727	32,145,913,158
	¢ 8,940,386,392	226,975,652	2,689,333,315,263	3,800,785,643	27,091,216	819,157	1,753,643,643	5,036,929,479	120,391,816,851	113,985,777,245	283,810,748	585,642,550	2,610,004,509	416,924,979	2,947,393,923,327

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

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

(Continued)

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

Nature of trust		Cash or property management	Portfolio management	Guaranty	Testamentary	Custody of stock	Guaranties and cash management	Management, custody and guaranty	Public works	Custody of stock and cash management	Trusts with public funds	Guaranty and custody of stock	Rentier management and investment	Premium protection	Equity planning	Total
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, furniture 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

(Continued)

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.

(29) Other debit memoranda accounts

Other debit memoranda accounts are as follows:

		March 2024	December 2023	March 2023
Pension Fund Manager's own investments in custody – Face value of principal	¢	13,261,520,397	12,570,995,357	10,883,846,997
Pension Fund Manager's own investments in custody – Coupons		3,195,254,996	7,144,123,377	6,621,832,135
Pension Fund Manager's own investments in custody – Number of shares		23	23	23
Guarantees received in the Bank's custody		20,946,406,979	4,624,785,721	1,669,543,210
Guarantees on financial instruments		776,458,115	1,022,606,729	282,605,012
Other guarantees received in the Bank's custody		10,593,267,987,577	9,907,734,566,392	8,441,528,808,732
Lines of credit granted but unused		417,564,527,931	431,997,000,239	323,246,855,799
Loans pending disbursement		143,118,472,070	145,801,796,899	151,564,572,740
Unused overdrafts		54,987,121	55,000,000	51,202,741
Loans settled		454,683,383,901	457,744,467,939	442,891,323,642
Other accounts receivable settled		25,751,418,193	25,037,420,793	24,065,099,818
Accrued interest receivable settled		44,117,984,207	44,134,262,935	41,394,188,527
Interest income on non-accrual loans of loan portfolio		38,080,281,170	37,569,403,174	36,653,519,137
Supporting documentation received in the Bank's custody		6,069	5,102	9,003,662
Securities issued pending placement		69,037,000,000	69,037,000,000	97,233,000,000
Lines of credit or overdrafts obtained but unused		1,881,512,402	1,954,724,798	5,841,664,998
Notified letters of credit		1,400,749,000	2,909,592,202	5,915,012,616
Notional value subject to interest rate futures (Note 11)		7,700,320,000	11,117,168,000	100,817,310,800
Reversals made to income accounts for the period		6,504,134,957	32,235,526,621	4,193,472,740
Reversals made to expense accounts for the period		47,204,202,531	156,620,327,279	8,405,952,931
Non-deductible expenses		531,225,826,310	531,225,826,310	40,867,557,589
Non-taxable income		542,329,450,425	542,004,604,878	45,834,899,311
Other memoranda accounts		144,590,155,213	123,619,061,443	131,100,280,573
		13,106,692,039,587	12,546,160,266,211	9,921,071,553,733
Third-party debit memoranda accounts *(1)*		5,103,134,130,645	4,956,547,223,229	4,653,626,886,604
Own debit memoranda accounts for custodial activities		640,538,095,977	640,304,967,101	534,905,678,501
Third-party debit memoranda accounts for custodial activities		17,755,220,953,996	17,304,662,026,826	16,254,655,550,767
		23,498,893,180,618	22,901,514,217,156	21,443,188,115,872
	¢	36,605,585,220,205	35,447,674,483,367	31,364,259,669,605

(Continued)

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

		March 2024	December 2023	March 2023
Management of banking mandates	¢	1,694,152,877,648	1,668,740,260,281	1,711,956,222,863
"TUDES" securities received in custody from affiliates under Article 75 of Law No. 7531		1,048,286,774	974,083,918	932,266,894
Pension funds (Note 32)		2,608,534,969,222	2,526,046,391,386	2,234,968,313,152
Investment funds (Note 31)		722,059,052,178	682,616,250,291	621,349,154,599
Portfolio management		77,338,944,823	78,170,237,353	84,420,929,096
Management of banking mandates	¢	5,103,134,130,645	4,956,547,223,229	4,653,626,886,604

Other memoranda accounts by entity are as follows:

		March 2024	December 2023	March 2023
Banco Nacional de Costa Rica	¢	32,171,309,542,226	31,107,077,262,393	27,379,856,985,108
BN Valores Puesto de Bolsa, S.A. (Note 30)		1,086,041,215,451	1,111,429,293,218	1,109,514,014,201
BN Sociedad Administradora de Fondos de Inversión, S.A. (Note 31)		722,145,526,189	682,701,900,813	621,410,210,431
BN Vital Operadora de Planes de Pensiones Complementarias, S.A. (Note 32)		2,626,088,936,339	2,546,790,872,490	2,253,478,459,865
	¢	36,605,585,220,205	35,447,999,328,914	31,364,259,669,605

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

Memoranda accounts for brokerage operations are summarized below:

		March 2024	December 2023	March 2023
Own				
Futures contracts pending settlement		48,538,640,435	49,518,947,553	45,526,281,234
Own trading securities (Note 30-a)		7,401,288,242	7,629,635,176	4,535,691,822
Other own memoranda accounts		1,903,710,162	1,977,791,713	5,870,284,588
		57,843,638,839	59,126,374,442	55,932,257,644
Third party				
Trading securities received as guarantees		21,815,654,542	30,550,174,834	41,362,614,743
Trading securities pending receipt		-	261,634,400	5,460,428,145
Signed contracts pending settlement		-	378,001,029	6,767,161,205
Futures contracts pending settlement		34,983,406,746	48,864,525,218	76,207,937,622
Third-party trading securities (Note 30-a)		893,508,860,283	893,595,141,141	836,868,664,116
Cash and accounts receivable		550,710,219	483,204,800	2,494,021,630
Portfolio management		77,338,944,823	78,170,237,353	84,420,929,096
		1,028,197,576,613	1,052,302,918,775	1,053,581,756,557
Memoranda accounts (Note 29)	¢	1,086,041,215,452	1,111,429,293,217	1,109,514,014,201

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

Securities that back repurchase agreements are held in the custody of Central de Valores de la Bolsa Nacional de Valores, S.A. (CEVAL) or in foreign entities with which CEVAL has custody agreements.

(Continued)

a) Securities held in custody are as follows:

Location	Type of custody		March 2024	December 2023	March 2023
Own custodial activities					
Local	International custody - Vault		7,386,288,241	7,614,635,176	4,520,691,820
Local	Vault		15,000,001	15,000,000	15,000,002
			7,401,288,242	7,629,635,176	4,535,691,822
Custodial activities on behalf of third parties					
Local	CEVAL - private		98,852,010,769	109,235,460,511	154,326,253,665
Foreign	CEVAL - private		168,984,792,053	119,005,700,111	72,648,489,852
Local	CEVAL - public		529,326,932,994	560,872,842,433	544,187,365,969
Foreign	International custody		96,142,525,361	104,287,043,655	65,566,670,519
Local	Vault		8,161,754	8,161,731	8,024,829
Local - Foreign	Securities that are doubtful, in arrears or in litigation		194,437,352	185,932,700	131,859,282
			893,508,860,283	893,595,141,141	836,868,664,116
		¢	900,910,148,525	901,224,776,317	841,404,355,938

(Continued)

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

	March 2024							
	Term buyer				Term seller			
	Colones	US dollars	US dollars expressed in colones	Total	Colones	US dollars	US dollars expressed in colones	Total
Own	40,989,479,115	14,901,621	7,549,161,320	48,538,640,435	-	-	-	-
Third parties	2,146,043,801	33,202,049	16,820,158,059	18,966,201,860	1,276,783,171	29,096,766	14,740,421,715	16,017,204,886
	43,135,522,916	48,103,670	24,369,319,379	67,504,842,295	1,276,783,171	29,096,766	14,740,421,715	16,017,204,886

	December 2023							
	Term buyer				Term seller			
	Colones	US dollars	US dollars expressed in colones	Total	Colones	US dollars	US dollars expressed in colones	Total
Own	41,864,356,853	14,528,148	7,654,590,700	49,518,947,553	-	-	-	-
Third parties	3,379,991,642	41,115,994	21,663,194,792	25,043,186,434	5,172,135,629	35,395,542	18,649,203,155	23,821,338,784
	45,244,348,495	55,644,142	29,317,785,492	74,562,133,987	5,172,135,629	35,395,542	18,649,203,155	23,821,338,784

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	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

As of March 31, 2024, term buyer and seller positions in tri-party repurchase agreements in US dollars were valued at the exchange rate of ¢506.60 to US$1.00 (December and March 2023: ¢526.88 to US$1.00 and ¢545.95 to U$1.00, respectively).

(Continued)

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

	March 2024				
	Term buyer		Term seller		
		Colones	US dollars	Colones	US dollars
Own					
1 to 30 days	¢	34,913,929,490	3,576,417	-	-
31 to 60 days		6,075,549,625	11,325,204	-	-
		40,989,479,115	14,901,621	-	-
Third parties					
1 to 30 days		-	1,029,364	-	-
31 to 60 days		869,260,628	11,034,689	-	9,453,723
61 to 90 days		362,681,562	18,495,823	362,681,562	17,000,870
More than 91 days		914,101,611	2,642,173	914,101,609	2,642,173
		2,146,043,801	33,202,049	1,276,783,171	29,096,766
	¢	43,135,522,916	48,103,670	1,276,783,171	29,096,766

	December 2023				
	Term buyer		Term seller		
		Colones	US dollars	Colones	US dollars
Own					
1 to 30 days	¢	41,864,356,853	14,528,148	-	-
		41,864,356,853	14,528,148	-	-
Third parties					
1 to 30 days		-	1,770,175	1,491,288,548	1,770,175
31 to 60 days		413,352,535	13,794,990	299,400,000	15,627,485
61 to 90 days		1,067,747,531	22,085,851	1,482,555,505	14,532,905
More than 91 days		1,898,891,576	3,464,978	1,898,891,576	3,464,977
		3,379,991,642	41,115,994	5,172,135,629	35,395,542
	¢	45,244,348,495	55,644,142	5,172,135,629	35,395,542

	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 parties				
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

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 2024		
Fund		Net value	Shares	Value per share
Funds in colones:				
Súper Fondo colones	¢	227,911,334,657	47,027,207,101	4.85
Fon Depósito colones		59,660,918,652	34,330,848,770	1.74
Creci Fondo colones		5,564,959,635	758,565,994	7.34
Redi Fondo colones		19,739,714,232	3,755,786,325	5.26
Diner Fondo colones		76,900,824,595	23,815,578,318	3.23
	¢	389,777,751,771	109,687,986,508	
Funds in US dollars:				
Creci Fondo *US dollars*		17,131,425	7,126,848	2.40
Redi Fondo *US dollars*		33,823,652	17,312,568	1.95
Diner Fondo *US dollars*		120,564,829	84,598,101	1.43
Fon Depósito *US dollars*		41,061,790	34,875,979	1.18
Súper Fondo Plus *US dollars*		353,242,366	295,127,438	1.20
Fondo Internacional liquidez		32,613,085	21,750	1,499.45
BN internacional Valor		634,962	632,398	1.00
BN internacional Suma		3,652,950	3,423,565	1.07
BN internacional Crece		4,133,483	3,735,555	1.11
BN Infraestructura Pública -1		23,060,674	21,758,024	1.06
FI Desarrollo de Proyecto BN I		25,985,443	19,795	1,312.73
	US$	655,904,659	468,632,021	
	¢	332,281,300,407	237,408,981,839	
Assets of managed funds	¢	722,059,052,178	347,096,968,347	
Guarantees:				
Performance bonds		84,498,707		
Outstanding checks		1,975,304		
		86,474,011		
Memoranda accounts (Note 29)	¢	722,145,526,189		

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

(Continued)

		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 dollars*		122,369,882	88,465,196	1.38
Fon Depósito *US dollars*		50,710,995	43,871,984	1.16
Súper Fondo Plus *US dollars*		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		

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.

- *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.
- *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.
- *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 2024	December 2023	March 2023
Mandatory Pension Fund (ROP)	¢	2,195,284,550,324	2,117,961,892,314	1,868,966,878,934
Mandatory Retirement Savings Account (FCL)		109,374,963,551	107,180,546,084	96,581,309,412
Voluntary Pension Fund in Colones A (FPC A)		104,300,194,440	101,692,891,275	89,446,045,400
Voluntary Pension Fund in Colones B (FPC B)		47,368,471,366	52,134,023,208	37,135,932,873
Employee Protection and Retirement Fund		108,757,364,041	104,168,518,592	101,715,018,024
Voluntary Pension Fund in US dollars A (FPD A) *(i)*		22,905,980,916	22,385,160,495	20,559,971,680
Voluntary Pension Fund in US dollars B (FPD B) *(ii)*		14,786,398,544	14,129,942,815	14,187,514,506
ICT employee pension fund		5,757,046,040	6,393,416,603	6,375,642,323
Assets of managed funds (Note 29)		2,608,534,969,222	2,526,046,391,386	2,234,968,313,152
Securities and assets in own custody		16,456,775,416	19,715,118,757	17,505,679,156
Bid and performance bonds – colones		22,368,799	18,539,072	18,482,940
Bid and performance bonds – US dollars (*iii*)		26,536,128	36,739,357	53,717,724
Securities in DU		1,048,286,773	974,083,917	932,266,893
Memoranda accounts (Note 29)	¢	2,626,088,936,338	2,546,790,872,489	2,253,478,459,865

i. As of March 31, 2024, this fund amounts to US$45,215,122 (December and March 2023: US$42,486,260 and US$37,659,074, respectively) and is valued at the exchange rate of ¢516.34 to US$1.00 (December and March 2023: ¢526.88 and ¢545.95 to US$1.00, respectively).

ii. As of March 31, 2024, this fund amounts to US$29,187,522 (December and March 2023: US$26,818,142 and US$25,986,839, respectively) and is valued at the exchange rate of ¢516.34 to US$1.00 (December and March 2023: ¢526.88 and ¢545.95 to US$1.00, respectively).

iii. As of March 31, 2024, this fund amounts to US$52,381 (December and March 2023: US$69,730 and US$98,393, respectively) and is valued at the exchange rate of ¢516.34 to US$1.00 (December and March 2023: ¢526.88 and ¢545.95 to US$1.00, respectively).

(33) Income from financial instruments

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

		March 2024	March 2023
Cash and due from banks:			
Deposits in BCCR	¢	32,077,652	28,280,677
Checking accounts and demand deposits in local entities		20,998,523	24,388,477
Checking accounts and demand deposits in foreign entities		3,833,638,068	3,510,661,185
		3,886,714,243	3,563,330,339
Investments in financial instruments:			
Investments at FVTPL		90,494,856	84,742,876
Investments FVOCI		9,897,284,864	7,978,395,062
Investments at amortized cost		12,443,789,765	10,505,035,635
Investments in past due and restricted securities		1,920,701,110	669,084,110
		24,352,270,595	19,237,257,683
	¢	28,238,984,838	22,800,588,022

(34) Income from loan portfolio

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

		March 2024	March 2023
Current loans:			
Individuals	¢	52,919,068,575	48,015,574,398
Development Banking System		2,455,067,047	2,067,175,254
Business		21,563,460,393	19,000,326,886
Corporate		24,520,461,936	25,812,837,378
Public sector		3,657,176,993	3,955,021,893
Financial sector		1,153,506,661	1,878,827,411
		106,268,741,605	100,729,763,220
Past due loans and loans in legal collection:			
Individuals		5,596,794,680	7,765,711,250
Development Banking System		119,164,045	230,315,264
Business		1,802,297,651	4,611,007,674
Corporate		404,087,151	1,677,168,528
Public sector		13,824,877	56,920,835
Financial sector		-	845,482
In legal collection		1,316,406,942	2,193,599,631
Amortization of net commission of incremental direct costs related to credits		228,181,468	222,027,365
		9,480,756,814	16,757,596,029
	¢	115,749,498,419	117,487,359,249

(35) Other finance income

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

		March 2024	March 2023
Fees and commissions on letters of credit	¢	4,408,093	4,036,463
Fees and commissions on guarantees granted		72,086,329	139,826,494
Other sundry finance income		108,375,598	116,342,938
Charges for overdue operations		350,180,413	367,573,137
Sundry finance income from late fees		410,174,989	207,829,083
	¢	945,225,422	835,608,115

(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 2024	March 2023
Demand deposits	¢	24,996,481,314	24,344,494,907
Term deposits		31,166,171,144	30,965,261,384
	¢	56,162,652,458	55,309,756,291

(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 2024	March 2023
Demand obligations	¢	1,090,510,806	1,296,525,485
Term obligations		4,301,420,903	7,307,594,279
	¢	5,391,931,709	8,604,119,764

(38) Other finance costs

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

		March 2024	March 2023
Fees and commissions on letters of credit obtained	¢	58,185,220	63,990,481
Loss on hedged item measured at cost from fair value hedge on interest rate risk		-	1,752,622,721
Other sundry finance costs		95,853,596	95,282,569
	¢	154,038,816	1,911,895,771

(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 2024	March 2023
Allowance for loan losses (Note 12)	¢	11,857,075,746	9,282,257,686
Allowance for impairment of other accounts receivable (Note 13)		646,290,272	319,972,962
Allowance for stand-by credit losses (Note 24)		661,057	-
General and counter-cyclical allowance for loan portfolio (Note 12)		4,399,199,088	1,962,954,522
Allowance for impairment of investments at FVOCI		149,924,921	426,703,858
Allowance for impairment of financial instruments at amortized cost		199,579,420	7,899,588
Allowance for impairment of operations with derivative financial instruments (Note 10)		515,583	14,246,127
	¢	17,253,246,087	12,014,034,743

(Continued)

(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 2024	March 2023
Recovery of loan write-offs	¢	3,076,029,148	4,490,934,031
Recovery of accounts receivable write-offs		4,844,229	1,223,858
Decrease in allowance for loan losses (Note 6)		-	-
Decrease in allowance for impairment of other accounts receivable (Note 13)		451,902,001	163,433,566
Decrease in allowance for impairment of investments in financial instruments (Note 10)		389,115,622	514,063,246
	¢	3,921,891,000	5,169,654,701

(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 2024	March 2023
Drafts and transfers	¢	2,855,497,942	3,002,522,768
Certified checks		229,358	547,484
Trusts		427,390,261	466,145,566
Custodial services		578,347,269	601,390,526
Banking mandates		-	67,336
Collections		3,081,012	5,318,113
Credit cards		16,504,678,174	17,849,441,515
Management services		653,754,141	903,861,954
Management of investment funds		2,061,461,587	1,635,403,012
Management of pension funds		2,980,364,382	2,526,511,072
Insurance underwriting		2,463,166,757	2,600,324,749
Brokerage operations (third parties in local market)		557,695,991	666,906,604
Brokerage operations (third parties in other markets)		266,862,864	139,637,207
Transactions with related parties		59,801,344	19,795,920
Commissions charged to other affiliates due to covenants		3,465,628,882	3,514,071,862
Servibanca local interchange		6,016,849,573	6,551,230,677
Other service fees and commissions		3,647,062,743	2,859,976,940
	¢	42,541,872,280	43,343,153,305

(42) Other operating income

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

		March 2024	March 2023
Recovery of expenses *(1)*	¢	948,681,433	764,484,606
Net valuation of other assets (Note 6)		154,112,611	482,508,587
Other income from accounts receivable		713,664	269,906
Savings accounts liquidation		46,873,474	43,848,485
Administrative charges - PMEP		71,837,797	57,217,572
Liquidation of term certificate of deposit not claimed		292,149,047	108,927,646
Liquidation of checks		39,572,083	26,472,113
Fines applied to vendors		100,785,416	61,414,760
Excess cash from human teller		49,706,356	47,843,216
Commission due to markup of BN cards		270,699,231	236,433,283
Other operating income		301,140,654	190,145,744
Decrease in provisions *(2)*		697,827,340	7,150,086
	¢	2,974,099,106	2,026,716,004

(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.

(Continued)

(43) Expenses for assets held for sale

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

		March 2024	March 2023
Loss on sale of assets awarded in judicial auctions		718,829,934	1,682,328,487
Management of assets received in lieu of payment		1,075,120	1,616,642
Management of assets awarded in judicial auctions		1,607,004,623	1,160,830,444
Loss due to impairment of assets held for sale and per legal requirement (Note 14)		1,399,793	5,307,861
Other expenses for assets held for sale		6,715,971	3,422,389
	¢	2,335,025,441	2,853,505,823

(44) Provision expenses

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

		March 2024	March 2023
Severance benefits	¢	13,810,492	7,017,770
Pending litigation		1,337,780,611	1,544,376,127
"BN Premios" points program		920,289,403	873,604,785
Notice of deficiency		3,392,331,316	2,911,425,096
Deposit Guarantee Fund		377,125,808	373,945,403
	¢	6,041,337,630	5,710,369,181

(Continued)

(45) Other operating expenses

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

		March 2024	March 2023
Penalties for noncompliance with regulatory legal provisions	¢	4,620	18,483
Net valuation of other liabilities (Note 6)		71,028,700	132,601,966
Value-added tax		347,728,235	282,869,729
Income tax on foreign remittances		1,577,242	1,729,716
8% and 15% tax on income from interest on investments in financial instruments		37,562,245	121,722,093
Property tax		76,671,051	75,326,405
Patents		353,461,077	139,916,878
Other local taxes		28,056,010	32,680,627
Other foreign taxes		7,007	6,841
Transfer to FINADE		1,219,490,336	1,102,221,313
Costs of microfinance insurance policies		1,132,612,436	1,012,799,096
Customer remittances		440,000,000	430,000,000
Amortization of deferred direct costs related to loans		153,950,307	137,736,960
Authorization abroad		811,744,466	831,584,169
Base I and II fund disbursements		6,444,187,277	5,658,258,649
Life insurance unpaid balance		3,440,301,085	3,121,432,081
Software maintenance and licenses		3,616,254,118	2,069,583,779
Sundry operating expenses		1,710,046,937	1,439,253,520
	¢	19,884,683,149	16,589,742,305

(46) Personnel expenses

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

		March 2024	March 2023
Salaries and bonuses, permanent staff	¢	19,623,168,199	19,698,581,175
Salaries and bonuses, contractors		584,975,112	494,135,834
Compensation for directors and statutory examiners		48,211,450	49,049,911
Overtime		246,189,288	153,406,424
Travel expenses		94,688,751	84,518,866
Statutory Christmas bonus		2,262,574,773	2,195,177,828
Vacation		2,039,634,640	1,982,507,730
Incentives		1,550,017,146	1,032,964,044
Other compensation		1,915,335,965	1,585,582,565
Severance benefits		1,337,686,235	1,281,431,996
Employer social security taxes		9,109,390,394	8,768,736,572
Refreshments		12,083,377	19,301,028
Uniforms		2,066,375	3,293,910
Training		41,118,848	43,315,463
Employee insurance		74,722,865	69,192,522
Back-to-school bonus		2,066,323,479	2,045,305,026
Mandatory retirement savings account		443,138,790	429,033,798
Other personnel expenses		116,567,290	129,679,031
	¢	41,567,892,977	40,065,213,723

(47) Other administrative expenses

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

		March 2024	March 2023
Outsourcing	¢	6,798,091,090	6,557,858,276
Transportation and communications		1,092,074,455	876,031,118
Infrastructure		7,629,396,408	6,112,248,466
Overhead		4,432,993,361	4,354,006,990
	¢	19,952,555,314	17,900,144,850

(48) Statutory allocations

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

		March 2024	March 2023
CONAPE - 5%	¢	1,333,598,453	1,292,893,967
CNE - 3%		874,772,919	820,262,860
INFOCOOP - 10%		2,255,196,119	1,710,392,084
Public capital pension operators		828,864,428	246,552,503
RIVM - 15%		3,473,665,118	3,554,762,380
	¢	8,766,097,037	7,624,863,794

(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 2024			
		Carrying amount	Level	Fair value	Level
Financial assets:					
Cash and due from banks	¢	1,448,405,151,226		1,448,405,151,226	
Investments at amortized cost		895,742,846,704		899,642,308,041	
Loan portfolio		5,026,296,952,702	(3)	4,967,712,034,938	(3)
	¢	7,370,444,950,632		7,315,759,494,205	
Financial liabilities:					
Demand deposits from the public and financial entities	¢	4,721,967,575,946	(3)	4,721,967,575,946	(3)
Other demand obligations with the public		16,658,282,805		16,658,282,805	
Term deposits from the public and financial entities		2,569,444,876,511	(3)	2,544,623,341,759	(3)
	¢	7,308,070,735,262		7,283,249,200,510	

(Continued)

		December 2023			
		Carrying amount	Level	Fair value	Level
Financial assets:					
Cash and due from banks	¢	1,429,362,414,317		1,429,362,414,317	
Investments at amortized cost		730,519,651,897		730,631,631,884	
Loan portfolio		5,007,320,159,008	(3)	5,078,215,432,860	(3)
	¢	7,167,202,225,222		7,238,209,479,061	
Financial liabilities:					
Demand deposits from the public and financial entities	¢	4,541,475,894,042	(3)	4,541,475,894,042	(3)
Other demand obligations with the public		14,826,284,083		14,826,284,083	
Term deposits from the public and financial entities		2,493,784,423,797	(3)	2,469,749,126,024	(3)
	¢	7,050,086,601,922		7,026,051,304,149	

		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	
Investments at 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	

(Continued)

Fair value estimates

i. *Valuation techniques and significant unobservable inputs*

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

(a) Cash and due from banks, accrued interest receivable, demand deposits from the public and accrued interest payable.

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

(b) Loan portfolio

The fair value of loans is calculated by discounting future cash flows expected for principal and interest. Loan payments are assumed to be made on the contractually agreed payment date. Future expected cash flows for loans are discounted at the interest rates offered for similar loans to new borrowers as of March 31, 2024 and 2023.

(c) Term deposits

The fair value of term deposits is calculated by discounting cash flows at the interest rates offered for term deposits with similar maturities.

(d) Obligations with entities

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

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

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

		March 2024			
		Level 1	Level 2	Level 3	Total
FVPTL	¢	87,031,637	21,232,798,244	3,739,923,840	25,059,753,721
FVOCI		658,489,995,959	-	-	658,489,995,959

		December 2023			
		Level 1	Level 2	Level 3	Total
FVPTL	¢	1,061,437,041	18,643,267,761	3,816,708,183	23,521,412,985
FVOCI		614,745,008,541	-	-	614,745,008,541
Derivative financial instruments		-	-	102,383,490	102,383,490

		March 2023			
		Level 1	Level 2	Level 3	Total
FVPTL	¢	1,630,102,420	10,341,134,741	3,904,470,615	15,875,707,776
FVOCI		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

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 2024			March 2023		
		FVTPL	Derivative financial instruments	Term obligations with foreign financial entities	FVTPL	Derivative financial instruments	Term obligations with foreign financial entities
Opening balance	¢	3,816,708,183	102,383,490	-	4,305,251,883		103,761,660,525
Valuation		71,017,000	(20,097,774)	-	2,520,380	21,987,454	1,767,083,219
Amortizations		-	-	-	-	-	(47,415,884)
Foreign exchange differences		(147,801,343)	(82,285,716)	-	(403,301,648)	35,537,774	(9,686,232,347)
Closing balance	¢	3,739,923,840	-	-	3,904,470,615	57,525,228	95,795,095,513

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(50) Segments

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

		As of March 31, 2024							
		Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations and reclassifications	Consolidated
ASSETS									
Cash and due from banks	¢	1,445,877,396,970	2,150,895,107	314,376,788	455,993,401	145,658,371	1,448,944,320,637	539,169,400	1,448,405,151,237
Investments in financial instruments		1,500,809,141,934	63,099,473,612	12,335,005,208	14,042,685,933	8,713,796,654	1,599,000,103,341	35,312,000	1,598,964,791,341
Loan portfolio, net		4,892,857,547,300	-	-	-	-	4,892,857,547,300	5,717,487,600	4,887,140,059,700
Accounts and fees and commissions receivable, net		11,617,738,403	222,854,249	207,015,766	2,529,419,900	656,547,327	15,233,575,645	62,939,732	15,170,635,913
Fees and commissions receivable		468,181,141	29,627,468	132,809,411	921,012,166	568,057,168	2,119,687,354	59,343,663	2,060,343,691
Accounts due from related parties		36,234,234	15,445,837	-	-	751,962	52,432,033	3,596,069	48,835,964
Deferred tax and income tax receivable		10,276,836,248	175,983,014	55,637,811	1,605,572,053	74,459,242	12,188,488,368	-	12,188,488,368
Other accounts receivable		8,348,366,300	1,797,929	23,196,535	65,634,387	13,278,955	8,452,274,106	-	8,452,274,106
Accrued interest receivable		2,421,946	-	-	-	-	2,421,946	-	2,421,946
Allowance for impairment		(7,514,301,465)	-	(4,627,991)	(62,798,707)	-	(7,581,728,163)	-	(7,581,728,163)
Assets held for sale, net		43,485,645,901	-	-	-	-	43,485,645,901	-	43,485,645,901
Investments in other companies		117,983,150,374	30,000,000	-	-	-	118,013,150,374	51,310,639,835	66,702,510,539
Property, furniture and equipment, net		232,634,961,695	331,671,663	487,238,043	473,095,882	348,418,571	234,275,385,854	-	234,275,385,854
Other assets		35,638,928,147	1,149,215,288	528,510,526	380,122,464	256,140,108	37,952,916,533	-	37,952,916,533
TOTAL ASSETS	¢	8,280,904,510,724	66,984,109,919	13,872,146,331	17,881,317,580	10,120,561,031	8,389,762,645,585	57,665,548,567	8,332,097,097,018
LIABILITIES AND EQUITY									
LIABILITIES									
Obligations with the public	¢	6,721,856,123,676	-	-	-	-	6,721,856,123,676	-	6,721,856,123,676
Obligations with BCCR		143,548,092,851	-	-	-	-	143,548,092,851	-	143,548,092,851
Obligations with entities		401,702,078,502	48,603,805,441	331,976,667	86,823,155	311,689,311	451,036,373,076	6,276,232,202	444,760,140,874
Accounts payable and provisions		129,409,869,614	2,286,140,966	1,035,850,994	3,834,229,698	1,056,978,785	137,623,070,057	62,939,725	137,560,130,332
Other liabilities		21,218,027,269	-	-	-	-	21,218,027,269	15,736,798	21,202,290,471
Subordinated obligations		55,346,587,639	-	-	-	-	55,346,587,639	-	55,346,587,639
TOTAL LIABILITIES	¢	7,473,080,779,551	50,889,946,407	1,367,827,661	3,921,052,853	1,368,668,096	7,530,628,274,568	6,354,908,725	7,524,273,365,843

(Continued)

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Notes to the Consolidated Financial Statements

As of March 31, 2024

		Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations and reclassifications	Consolidated
EQUITY									
Share capital	¢	172,237,030,107	6,600,000,000	5,000,000,000	7,734,179,804	369,700,000	191,940,909,911	19,703,879,804	172,237,030,107
Non-capitalized capital contributions		-	-	-	1,160,745,204	-	1,160,745,204	1,160,745,204	-
Equity adjustments		77,460,270,237	853,076	94,011,882	33,295,409	-	77,588,430,604	128,160,367	77,460,270,237
Capital reserves		462,907,700,768	1,320,000,000	1,000,000,000	300,000,000	73,940,000	465,601,640,768	2,693,940,000	462,907,700,768
Prior period retained earnings		22,968,807,781	7,803,287,589	5,649,821,799	3,903,179,881	7,078,269,141	47,403,366,191	24,434,558,407	22,968,807,784
Income for the period		16,490,308,936	370,022,847	760,484,991	828,864,428	1,229,983,787	19,679,664,989	3,189,356,059	16,490,308,930
FOFIDE		55,759,613,349	-	-	-	-	55,759,613,349	-	55,759,613,349
TOTAL EQUITY	¢	807,823,731,178	16,094,163,512	12,504,318,672	13,960,264,726	8,751,892,928	859,134,371,016	51,310,639,841	807,823,731,175
TOTAL LIABILITIES AND EQUITY	¢	8,280,904,510,729	66,984,109,919	13,872,146,333	17,881,317,579	10,120,561,024	8,389,762,645,584	57,665,548,566	8,332,097,097,018
Debit memoranda accounts	¢	408,487,225,219	205,272,236	-	221,722,385	-	408,914,219,840	-	408,914,219,840
Income from cash and due from banks and financial instruments	¢	2,947,382,417,415	11,505,912	-	-	-	2,947,393,923,327	-	2,947,393,923,327
Trust liabilities	¢	60,131,961,790	8,907,716	-	-	-	60,140,869,506	-	60,140,869,506
Trust equity	¢	2,887,250,455,624	2,598,197	-	-	-	2,887,253,053,821	-	2,887,253,053,821
Other debit memoranda accounts	¢	32,171,309,542,226	1,086,041,215,451	722,145,526,189	2,626,088,936,339	-	36,605,585,220,205	-	36,605,585,220,205

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		As of March 31, 2024							
		Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations and reclassifications	Consolidated
Finance income	¢	144,671,372,138	1,352,812,574	256,970,423	1,554,016,705	124,985,581	147,960,157,421	3,133,870	147,957,023,551
Finance costs		63,425,626,108	747,947,320	58,441,467	75,852,495	18,317,383	64,326,184,773	3,133,870	64,323,050,903
Allowance expense		17,226,647,378	-	5,805,948	18,019,000	2,773,761	17,253,246,087	-	17,253,246,087
Income from recovery of assets		3,895,951,149	1,812,466	8,415,937	14,099,093	1,612,355	3,921,891,000	-	3,921,891,000
FINANCE INCOME		67,915,049,801	606,677,720	201,138,945	1,474,244,303	105,506,792	70,302,617,561	-	70,302,617,561
Other operating income		54,204,975,758	1,271,332,136	2,063,124,758	3,058,868,553	2,574,012,000	63,172,313,205	3,769,024,149	59,403,289,056
Other operating expenses		38,161,687,777	336,163,138	177,730,267	539,993,704	40,375,534	39,255,950,420	554,434,936	38,701,515,484
GROSS OPERATING INCOME		83,958,337,782	1,541,846,718	2,086,533,436	3,993,119,152	2,639,143,258	94,218,980,346	3,214,589,213	91,004,391,133
Personnel expenses		37,963,503,361	834,831,849	769,076,275	1,289,454,314	711,027,178	41,567,892,977	-	41,567,892,977
Other administrative expenses		19,322,865,362	141,935,835	175,570,184	251,270,379	86,146,707	19,977,788,467	25,233,153	19,952,555,314
Total administrative expenses		57,286,368,723	976,767,684	944,646,459	1,540,724,693	797,173,885	61,545,681,444	25,233,153	61,520,448,291
NET OPERATING INCOME BEFORE STATUTORY ALLOCATIONS AND TAXES		26,671,969,059	565,079,034	1,141,886,977	2,452,394,459	1,841,969,373	32,673,298,902	3,189,356,060	29,483,942,842
Income tax		2,424,467,408	231,648,446	362,746,646	760,855,989	564,662,591	4,344,381,080	-	4,344,381,080
Decrease in income tax		-	53,544,637	15,601,268	39,762,220	7,936,089	116,844,214	-	116,844,214
Statutory allocations		7,757,192,713	16,952,371	34,256,610	902,436,262	55,259,081	8,766,097,037	-	8,766,097,037
INCOME FOR THE PERIOD	¢	16,490,308,938	370,022,854	760,484,989	828,864,428	1,229,983,790	19,679,664,999	3,189,356,060	16,490,308,938

(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 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
Accounts and fees and commissions receivable, net		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
Fees and 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 receivable		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 and reclassifications	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 period 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 PERIOD	¢	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)

(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 2024	March 2023			March 2024	March 2023
Banco Nacional de Costa Rica	241	292	First instance	¢	46,035,415,658	56,392,649,544
	23	13	Second instance		100,215,700	23,687,146,747
	53	60	Appeal		8,676,252,031	16,054,002,511
	317	365			54,811,883,389	96,133,798,802
BN Vital	3	7	First instance		221,722,385	36,146,884
	-	2	Appeal		-	-
BN Valores	1	1	First instance		205,272,236	22,677,960
BN Corredora	-	1	First instance		-	3,500,000
	321	376	(Note 27)	¢	55,238,878,010	96,196,123,646

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

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

Number of cases		Stage		Total estimated amount	
March 2024	March 2023			March 2024	March 2023
226	287	First instance	¢	80,509,337,725	72,439,423,165
1	1	Second instance		33,449,683	375,839,600
1	2	Appeal		12,770,124,232	2,844,233,566
228	290		¢	93,312,911,640	75,659,496,331

Additionally, the Bank was a defendant in one lawsuit related to the payment of SEDI. The file for such proceedings is File No. 5-008666-1027-CA of the Administrative Court, dated November 20, 2015, received on December 15, 2015. As of March 31, 2024, the Bank settled the provision since the sentence for that lawsuit was in favor of the Bank.

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

The following lawsuits are also worth noting:

- *File No.: 08-000232-0419-AG.*

    - ✓ Statement of the facts: These proceedings were filed by the Bank against Surcoop, R.L., seeking to nullify the auction, awarding and registration of lots processed through file No. 97-010656-1701 AG of the Agrarian Court of Corredores.

    - ✓ Current status: The judgment was in favor of the Bank.

    - ✓ Latest activity: Through Vote No. 1859-F-S1-2021, the First Chamber confirmed the appealed ruling. The proceedings are currently in the execution of judgment stage.

- *File No.: 11-001042-0612-PE.*

    - ✓ Court: Office of Economic, Tax, and Customs Crimes

    - ✓ Statement of the facts: Irregularities were reported regarding Zion company and the process to grant credits to that company, misuse of resources, presentation of fake documents to the Bank to obtain credit approval, and the alleged participation of some of the employees of the Bank in the facts.

- ✓ Latest activity: The order of November 2, 2021, at 15:01, set the date for the preliminary hearing from September 2 to November 29, 2024.

- ✓ Current status: The Bank filed a complaint and a civil lawsuit.

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

  - ✓ Statement of the facts: The plaintiffs seek the payment of damages by the Bank to all plaintiffs and compensation for pain and suffering caused due to the inability to acquire decent housing, as a result of apparent anomalies regarding the management of credits for Grupo Zion, S.A. to build the Bariloche Real condominium. Additionally, it has had media coverage.

  - ✓ On November 15, 2021, a hearing for the correction of procedural errors was held, in which the Court made a series of findings and reviewed the new evidence filed by the plaintiff. The Court decided to suspend the hearing and return the proceedings to the processing stage so that the corresponding corrections can be made and to include the legal entity PROSUM. The payment of fees to the expert witness was processed, but it is premature due to the status of the proceedings.

  - ✓ Current status: The proceedings have been returned to the preliminary hearing phase.

- *File No.: 15-010837-1027-CA (joined with 13-003698-1027-CA)*

  - ✓ Court: Contentious Administrative Court.

  - ✓ Statement of the facts: Caja Costarricense del Seguro Social (CCSS, Costa Rican Social Security) made an administrative charge to the Bank based on Article 78 of the *Employee Protection Law* and Executive Decree No. 37127-MTSS. However, it used as taxable base for the parafiscal contribution the gross profit of the Bank and its consolidated financial statements, not the individual financial statements, ignoring the statutory allocation established in the Internal Regulations of the National Banking System (IRNBS).

- ✓ Latest activity: An extraordinary appeal for review by a higher court was filed in due time and form. A resolution by the First Chamber of the Supreme Court of Justice is pending.

- ✓ Current status: Through judgment No. 80-2022-VIII of Contentious Administrative Court of the Second Judicial Circuit of San José, at 13:20 of August 30, 2022, the complaint was partially admitted, ordering CCSS to return the excess amounts related to Article 78 of the *Employee Protection Law*, corresponding to the difference between the calculation made based on the consolidated financial statements of the State-owned commercial banks and the individual financial statements thereof, along with the legal interest derived from the reimbursement under protest, to be calculated from the date when this ruling becomes final to the date when the payment is made. Notwithstanding the foregoing, the Court set the taxable base as the net profit before income tax and statutory allocations, which were sufficient grounds to file an extraordinary appeal for review by a higher court to take up the matter of the taxable base for the calculation, since it considered that the Court made a mistake in this regard.

- *File No.: 18-011428-1027-CA*

  - ✓ Court: Contentious Administrative Court

  - ✓ Statement of the facts: The Bank filed ordinary administrative proceedings against ICE for the termination of the contract for the construction of Capulín San Pablo Hydroelectric Project, in which the Bank is a creditor of the developer, Hidrotárcoles S.A. The Bank claims that due to the termination of the contract with the company, ICE must recognize the contractor’s debt with the Bank.

  - ✓ Latest activity: Awaiting the oral public trial, set for May 8 and 9, 2024.

  - ✓ Current status: The preliminary hearing was held, in which documentary and testimonial evidence submitted by the parties was admitted. The trial was set for May 8 and 9, 2024.

- *File No.: 19-007376-1027-CA*

  ✓ Court: First Associate Civil Court of San José

  ✓ Statement of the facts: The Bank filed a lawsuit against Oceánica de Seguros S.A. for the unjustified non-payment of US$15,500,000.00 corresponding to the surety bonds that secured the contributions made by the contractor Hidrotárcoles S.A. for the construction of the dam and production of the electromechanic equipment of the Capulín San Pablo Hydroelectric Project.

  ✓ Latest activity: A motion for reconsideration was filed against the resolution that rejected the defense of failure to join. That motion is currently pending resolution. If rejected, the proceedings would go to a preliminary hearing.

  ✓ Current status: The First Chamber of the Supreme Court of Justice resolved the lack of jurisdiction declared ex officio by the Administrative Court and forwarded the matter to the First Associate Civil Court of San José. The latter has not yet served the lawsuit to the defendant.

- *File No.: 23-000226-1027-CA*

  ✓ Court: Administrative Court

  ✓ Statement of the facts: The plaintiff claims damages and administrative liability of the Bank for remitting its operation to legal collection without accepting the proposed payment in kind and omitting the insurance policy for disability, old age and death.

  ✓ Latest activity: The answer to the complaint was filed in due time and form.

  ✓ Current status: Awaiting the preliminary hearing to be set.

(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 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, 2024, the loan portfolio that required at least one modification to the originally agreed conditions amounts to ¢1,260,647,082,285 representing 25.31% of the total loan portfolio (2023: ¢1,490,187,758,468 representing 31.86% of the total loan portfolio).

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

		March 2024	December 2023	March 2023
Agriculture and forestry	¢	26,520,308,660	27,930,051,024	35,100,257,655
Trade		96,775,033,576	101,587,782,118	128,067,246,323
Construction		23,119,473,903	23,746,122,736	31,997,510,300
Consumer or personal loans		72,905,685,705	78,475,192,293	97,280,823,720
Electricity, water, sanitation and other related sectors		139,825,560,864	140,834,903,322	147,294,287,434
Mining		256,622,067	262,574,377	277,941,203
Livestock, hunting and fishing		18,490,204,391	19,365,099,282	23,313,459,768
Industry		40,680,479,093	42,531,009,820	50,486,775,041
Services		328,556,792,535	345,622,322,816	399,835,681,129
Financial services		22,054,904,433	23,249,333,712	25,227,749,104
Transportation, communication and storage		14,870,261,266	15,643,776,134	21,484,272,819
Tourism		76,838,746,912	82,556,612,628	90,289,195,233
Housing		399,753,008,880	410,888,073,838	439,532,558,739
Subtotal		1,260,647,082,285	1,312,692,854,100	1,490,187,758,468
Accounts and accrued interest receivable		2,362,573,460	2,359,575,276	2,417,335,549
Loans restructured due to COVID-19		1,263,009,655,745	1,315,052,429,376	1,492,605,094,017
Allowance for doubtful accounts		(51,532,375,700)	(37,413,455,849)	(39,295,101,685)
Total loan portfolio, net	¢	1,211,477,280,045	1,277,638,973,527	1,453,309,992,332

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

		March 2024	December 2023	March 2023
Current	¢	1,098,990,137,331	1,160,232,297,800	1,355,260,464,517
1 to 30 days		48,618,108,738	38,977,129,524	38,081,504,256
31 to 60 days		54,787,954,232	45,737,237,629	54,326,462,424
61 to 90 days		6,820,794,088	14,669,105,915	6,055,433,413
91 to 120 days		3,324,090,632	5,263,928,539	2,475,809,313
121 to 150 days		2,496,297,890	2,593,238,158	2,806,142,024
In legal collection		45,609,699,374	45,219,916,535	31,181,942,521
		1,260,647,082,285	1,312,692,854,100	1,490,187,758,468
Accounts and accrued interest receivable		2,362,573,460	2,359,575,276	2,417,335,549
Loans restructured due to COVID-19		1,263,009,655,745	1,315,052,429,376	1,492,605,094,017
Allowance for loan losses		(51,532,375,700)	(37,413,455,849)	(39,295,101,685)
Loan portfolio, net	¢	1,211,477,280,045	1,277,638,973,527	1,453,309,992,332

(Continued)

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

		March 2024	December 2023	March 2023
Collateral	¢	18,118,235,895	21,052,318,468	31,349,008,478
Surety		8,882,785,812	9,655,517,340	13,835,023,431
Assignment of loans		37,066,557,130	39,010,985,819	46,676,648,481
Back-to-back		1,785,319,903	1,915,900,090	2,373,971,192
Mortgage		573,109,694,625	593,164,016,788	654,056,924,889
Trust		97,888,488,182	102,101,169,773	126,698,691,733
Surety - Mortgage		118,595,244,874	124,090,497,068	144,538,275,053
Surety - Trust		133,676,108,167	143,549,822,378	166,435,128,016
Other		222,703,912,388	227,438,307,702	247,842,730,869
Not assigned		2,266,534,850	2,349,998,065	2,724,006,033
Surety - Collateral		2,159,985,629	2,478,302,178	4,859,686,943
Collateral - Mortgage		559,035,064	608,650,253	697,938,416
Collateral - Securities		-	-	7,610,171
Surety - Collateral - Mortgage		1,944,069,238	2,042,793,834	2,233,269,439
Securities		20,346,661,748	21,413,418,170	23,151,439,977
Mortgage - Trust		90,347,473	90,917,308	92,469,116
Surety - Securities		24,738,458	25,399,658	28,104,490
Collateral - Trust		21,429,362,849	21,704,839,208	22,586,831,741
		1,260,647,082,285	1,312,692,854,100	1,490,187,758,468
Accounts and accrued interest receivable		2,362,573,460	2,359,575,276	2,417,335,549
Loans restructured due to COVID-19		1,263,009,655,745	1,315,052,429,376	1,492,605,094,017
Allowance for loan losses		(51,532,375,700)	(37,413,455,849)	(39,295,101,685)
Loan portfolio, net	¢	1,211,477,280,045	1,277,638,973,527	1,453,309,992,332

As of March 31, 2024, the amount of ¢1,260,647,082,285 maintains temporary credit conditions, which represents 25.31% of the total loan portfolio (December and March 2023: ¢1,312,692,854,100 and ¢1,490,187,758,468, representing 26.44% and 31.86% of the loan portfolio, respectively).

(Continued)

a) Operating measures

- The Bank constantly encourages customers to use digital channels: BN MOVIL, SINPE MOVIL, webpage and Contact Center.
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- As of the date of this report, the Bank has 3,430 employees working from home, representing 59% 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, 2024, 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.

a) <u>Liquidity measures</u>

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.

b) <u>Measures in the portfolio of investments at amortized cost</u>

Due to the COVID-19 pandemic, the Bank has directly followed up on the corporate bond 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, 2024, recurring to the sale of securities measured at amortized cost is not considered necessary and is not expected in the short term.

(53) <u>Relevant events</u>

a) <u>*Tax audit process – Costa Rican Tax Administration Fiscal Year 2017*</u>

As of December 31, 2021, the Bank went through a verification and investigation process by the National Large Taxpayer Audit Area of the Costa Rican Tax Administration, in order to perform a review of the income tax for fiscal year 2017.

This tax audit was notified through document DGCN-SF-PD-25-2021 on March 31, 2021 and is currently in a review process by the Tax Administration.

On December 31, 2022, the Bank received a notice from the tax auditors to attend the final hearing to deliver results through the document DGCN-SF-PD-25-2021-26-331-03. It took place on October 10, 2022.

Through Official Letter DGCN-SF-PD-25-2021-07-41-03, on October 28, 2022, a notice of deficiency and observations is communicated, which was challenged by the Bank on November 11, 2022. Through Official Letter DCGN-SF-PS-25-2021-24-5138-03, on November 24, 2022, a sanctioning notice of deficiency is communicated due to Article 81 of the Tax Code of Standards and Procedures, which was challenged by the Bank on December 7, 2022.

On December 21, 2022, through Official Letter DGCN-373-DF-DT-UT-2022, the Tax Administration communicates the determination resolution for the 2017 fiscal period. The Tax Administration was aware of the challenge filed by the Bank; therefore, the Bank has 30 business days to file the motion for reconsideration before the Tax Administration and 30 days after that, before the Tax Court.

On February 1, 2023, through Official Communication GG-063-23, the Bank filed a motion for reconsideration against resolution DGCN-373-DF-DT-UT-2022. A response was received on July 3, 2023, from the Ministry of Finance through communication MH-DGT-DGCN-DF-REV-0175-2023, indicating that the Bank has 30 business days as of that date to file the appeal before the Tax Court.

Through resolution no. MH-DGT-DGCN-DF-REV-0175-2023, notified on July 3, 2023, the Tax Administration heard the motion for reconsideration of resolution DGCN-373-DF-DT-UT-2022; it rejected the remedy filed.

On August 11, 2023, resolution MH-DGT-DGCN-DF-REV-0175-2023 was appealed before the Tax Court.

Through Resolution MH-DGT-DGCN-DF-APD-AUTO-0081-2023 dated August 23, 2023, the Tax Administration admitted the appeal and summoned the Bank before the Tax Court to present its damages regarding the appeal filed. Consequently, on October 3, 2023, the writ with the response was submitted before said court.

Dated March 22, 2024, Resolution TFA No.111-P-2024 was notified, dismissing the appeal and exhausting the administrative venue.

b) *Deferred term operations*

Due to the COVID-19 national emergency, the board of directors of BCCR approved the creation of a medium-term special credit facility for SUGEF-regulated financial intermediaries.

As of March 31, 2024, 2,810 loan operations were placed under this modality, applying a discount to the interest rate on the loans in colones in the amount of ¢138,786,596,333, reaching an average rate of the operations already processed of 6.00%. The remaining average maturity term is 10.66 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 8 of the *Regulation of the management of the Deposit Guarantee Fund and other guarantee funds*, entities that contribute to the DGF shall make an annual contribution that may not exceed 0.15% of the deposits guaranteed by the entity.

d) *Treatment of foreign exchange differences as per ruling DGT-R-09-2022*

The Bank filed a consultation before the Costa Rican Tax Administration pursuant to Article 119 of the Tax Code of Standards and Procedures, in relation to the treatment of the exchange differences provided through Ruling DGT-R-09-2022. That consultation was served and communicated via e-mail according to Official Letter MH-DGT-OF-119-0001-2023, dated January 31, 2023. The answer reads as follows:

In accordance with the above, considering that the consulting party is an entity regulated by the Superintendency General of Financial Entities (SUGEF), for purposes of calculation of exchange differences, the calculation is made according to the regulation on the position in foreign currency of foreign exchange intermediaries set forth in Article 4 of the Cash Operations Regulations, issued by the Board of Directors of the Central Bank of Costa Rica and Number 4 of Ruling DGT-R-009-2022…Take into account that such ruling is applicable to the 2022 fiscal period, in accordance with Number 5 of the mentioned ruling.

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.

(54) Reclassification of the loan portfolio in legal collection

As of the March 2024 close, there were reclassifications of the loan portfolio in legal collection to the past due loans account, in conformity with the chart of accounts of CONASSIF Directive 06-18, which reads as follows:

Loans must be transferred to this account when the entity has complied with its administrative collection proceedings and has filed the lawsuit that begins judicial collection.

In compliance with the foregoing, as of March 31, 2024, the amount of ¢68,313,565 was reclassified (2023: ¢3,678,114,187).

(55) Transition to International Financial Reporting Standards (IFRS)

On September 11, 2018, CONASSIF issued SUGEF Directive 30-18 *Regulation on Financial Information* (RFI), which seeks to regulate the application of IFRS and its interpretations (SIC and IFRIC) issued by the International Accounting Standards (IASB), considering prudential or regulatory accounting treatments, as well as the definition of a specific treatment or methodology when IFRS suggest two or more alternatives for application. Moreover, RFI establishes the content, preparation, referral, presentation, and publication of the financial statements of individual financial entities, groups and conglomerates regulated by the four superintendencies. RFI is effective from January 1, 2020, with some exceptions.

The Conglomerate's management does not determine the financial measurement of the existing differences since it considers that due to the accounting basis used, described in Note 2, which is different from IFRS, makes this determination impractical.

A summary of some of the main differences between the accounting regulations issued by CONASSIF and IFRS, as well as IFRS or Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) yet to be adopted, is presented below:

a) IFRS 12: Income Taxes

Article 10 of IAS 12 *Income Taxes* and IFRIC 23 *Uncertainty over Income Tax Treatments*:

i. The provisions of Article 10 of IAS 12 *Income Taxes* and IFRIC 23 *Uncertainty over Income Tax Treatments* became effective from January 1, 2019. On initial application of IFRIC 23, entities had to apply the transition established in item (b) of paragraph B2 of that Interpretation.

ii. The amount of the provision for the tax treatments in dispute notified before December 31, 2018, corresponding to tax periods 2017 and previous periods, was booked at the greater of the best estimate of the amount payable to the Tax Authorities regarding the notice of deficiency (principal, interest, and fines), according to IAS 12, and 50% of the principal from the correction of the self-assessment of the tax obligation.

(Continued)

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.

c. If the provision amount were greater than the opening balance of prior-period retained earnings, the adjustment would be attributed first to the opening balance of prior-period retained earnings, and for complementing, the indications of item a. will be followed.

On January 31, 2019 at the latest, the entity, with tax treatments in dispute for the years indicated in this provision, had to report with the respective superintendency the method (a), (b) or (c) above, based on SUGEF Directive 30-18, that would be used until the resolution or settlement of the tax obligation.

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

CONASSIF requires that the financial statements of regulated entities be presented in Costa Rican colones as the functional currency.

Additionally, regulated entities must use the reference sell exchange rate set by BCCR that prevails at the time that the operation to record the translation of the foreign currency into the official currency, 'the Costa Rican colon,' is made.

At each monthly close, the corresponding reference exchange rate will be used as indicated in the paragraph above, effective at the last day of each month, for the recognition of the adjustment due to foreign exchange differences in the monetary items in foreign currency.

According to this Standard, in preparing the financial statements, each entity will determine its functional currency. The entity will translate the items in foreign currency into the functional currency and will report on the effects of this translation. As indicated above, CONASSIF determined that both the presentation of financial information and the accounting records of foreign currency transactions should be translated into colones, irrespective of the functional currency.

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

This Standard establishes that entities shall measure non-current assets (or disposal groups) classified as held for sale at the lower of the carrying amount and fair value less cost to sell.

To close the gaps with IFRS, through Minutes of Meeting No. 1836-2023, held on November 27, 2023, CONASSIF modified Article 16 of CONASSIF Directive 6-18 *Regulation on Financial Information* (RFI), eliminating allowance requirements and determining which will be reclassified to account 188 "Other assets held for sale outside the scope of IFRS 5". This change is applicable from January 1, 2024, according to Transition Provision XX of RFI, which allows a gradual period ending December 31, 2024. The effects of this change will be applied prospectively.

d) IFRS 9: Financial Instruments

a) For the application of IFRS 9, specifically the measurement of ECL, the prudential regulation issued by CONASSIF continues to be used, applicable to the loan portfolio, accounts receivable and stand-by credits granted, until the standard is modified.

b) For the measurement of ECL on money market investment funds, for the portion of the portfolio of financial instruments classified as at amortized cost, CONASSIF established a threshold that determines whether those ECL should be recorded, as provided by Article 36 BIS and Transition Provision XV of the *General Regulation of Corporations and Investment Funds,* which includes a graduality table that establishes the percentages of deviation of the value of the investment portfolio. IFRS 9 does not indicate the possibility of establishing thresholds or minimum allowances for financial instruments.

c) Regulated entities should have policies and procedures in place to determine the amount of the suspension of the booking of the accrual of commissions and interest on loan operations. However, the term of the suspension of the accrual should not exceed 180 days.

e) IAS 38: Intangible assets

The commercial banks listed in Article 1 of IRNBS (Law No. 1644) may present organization and installation expenses as an asset in the statement of financial position. However, those expenses must be fully amortized using the straight-line method over a maximum of five years. This is not in accordance with IAS 38.

f) Revised Conceptual Framework

IASB published a revised version of the Conceptual Framework for Financial Reporting with a balance between high-level concepts and details provided that make it a practical tool for the development of new standards, to ensure that the standards to be issued are conceptually consistent and that similar transactions are treated in the same way. The content of the revised Conceptual Framework includes better definitions, guidance on the scope of the elements of the financial statements, measurement, among others. The new version contains eight chapters and a glossary and restates that the framework is not a standard. It is effective starting January 2020. This Conceptual Framework has not been considered by CONASSIF.

g) Sustainability standards:

The IFRS Foundation comprises the IASB, which issues the International Financial Reporting Standards (IFRS Accounting), as indicated above, and the International Sustainability Standards Board (ISSB), which develops the standards for reporting on the impact of climate change and sustainability.

These ISSB standards are designed to ensure that companies provide comprehensive sustainability information along with the financial statements issued during their regular reporting periods. On June 26, 2023, ISSB issued the two first standards that will be effective internationally from January 1, 2024.

The first standard of IFRS Sustainability Disclosure Standards (IFRS S1) sets out the *General Requirements for Disclosure of Sustainability-related Financial Information*.

The second standard of the IFRS Sustainability Disclosure Standards (IFRS S2) is about *Climate-related Disclosures*.

IFRS S1 and S2 were adopted by the Costa Rican Institute of Public Accountants as of January 1, 2024. Their application is voluntary as of January 1, 2024 and they will be mandatory as follows:

- Companies with a public obligation of accountability that are supervised and regulated by CONASSIF, will report in 2026 the information on the fiscal year ended December 31, 2025.
- Companies categorized as large taxpayers before the Tax Administration that are not part of subsection a), will report in 2027 the information on tax year ended December 31, 2026.
- Other entities outside of the categories mentioned in subsections a) and b) that apply IFRS can adopt IFRS S1 AND S2 during the period that the entity considers convenient.

- For entities that apply IFRS for SMEs, it will not be mandatory until it is required by the standard.

Entities usually prepare non-financial reports on their sustainability programs, which will be substituted by the entrance into effect of this regulation once it is adopted by CONASSIF.

(56) Disclosure of economic impact of departure from IFRS

Since the basis of accounting used by the Bank's management described in Note 2 differs from IFRS, discrepancies may arise related to certain account balances.

The Bank's management has chosen not to determine the economic impact of those differences since it considers such determination impractical.