

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Financial Information required by the
Superintendency General of Financial Entities

Consolidated Financial Statements

As of September 30, 2022
(With corresponding figures for 2021)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2022 AND 2021 AND DECEMBER 31, 2021
(In colones)

	Note	September 2022	December 2021	September 2021
ASSETS				
Cash and due from banks	9	1,465,499,712,405	1,355,841,181,326	1,273,634,653,388
Cash		119,607,550,059	153,022,359,822	129,031,074,444
BCCR		858,371,242,863	748,869,850,603	705,307,979,246
Local financial entities		1,320,049,674	1,270,630,547	1,496,596,047
Foreign financial entities		355,796,056,702	323,019,677,543	306,136,031,238
Notes payable on demand		7,275,525,421	7,097,413,624	11,844,806,151
Restricted cash and due from banks		123,129,287,686	122,561,249,187	119,818,166,262
Investments in financial instruments	10	1,609,323,648,318	1,789,748,289,965	1,699,247,757,103
At fair value through profit or loss		27,043,332,506	40,139,798,613	37,416,639,368
At fair value through other comprehensive income		644,433,515,301	807,216,667,803	794,647,891,601
At amortized cost		927,102,440,644	917,505,890,841	843,817,682,453
Derivative financial instruments	10	79,318,470	7,723,704,438	11,774,873,989
Accrued interest receivable		13,479,042,574	19,963,735,244	14,278,658,692
(Allowance for impairment of investments in financial instruments)		(2,814,001,177)	(2,801,506,974)	(2,687,989,001)
Loan portfolio	12	4,573,308,990,926	4,477,434,448,101	4,274,007,727,172
Current		4,361,142,651,174	4,282,160,940,971	4,031,437,579,819
Past due		178,391,763,066	128,283,491,897	156,486,320,241
In legal collection		107,569,107,085	123,886,157,797	143,937,090,806
Direct incremental costs related to loans		5,565,119,085	3,675,079,715	3,490,573,408
(Deferred income on loan portfolio)		(40,341,717,781)	(35,117,407,652)	(33,947,580,223)
Accrued interest receivable		107,657,139,670	110,377,468,668	125,814,169,894
(Allowance for loan losses)		(146,675,071,373)	(135,831,283,295)	(153,210,426,773)
Accounts and fees and commissions receivable	13	12,035,423,137	5,047,950,602	4,723,868,563
Commissions receivable		2,437,661,382	1,956,296,857	1,709,566,299
Accounts receivable for brokerage operations		130,512,093	-	-
Accounts receivable for transactions with related parties		21,077,941	16,309,408	21,490,250
Deferred tax and income tax receivable		9,256,530,695	2,964,965,080	2,858,499,359
Other receivables		4,605,644,520	4,181,997,820	4,322,716,025
Accrued interest receivable		1,947,371	1,923,294	3,088,317
(Allowance for impairment of accounts and fees and commissions receivable)		(4,417,950,865)	(4,073,541,857)	(4,191,491,687)
Assets held for sale	14	38,682,611,322	35,788,800,197	31,255,661,448
Assets and securities acquired in lieu of payment		100,763,648,934	94,628,393,958	91,982,358,414
Other assets held for sale		55,884,629	55,884,629	55,884,629
(Allowance for impairment of assets held for sale and per legal requirements)		(62,136,922,241)	(58,895,478,390)	(60,782,581,595)
Investments in other companies	15	76,411,893,665	76,812,766,045	74,590,042,540
Property, furniture, equipment and right-of-use assets, net	16	205,278,128,332	209,184,043,954	206,144,946,716
Other assets	17	67,618,412,283	75,462,269,988	76,611,166,922
Deferred charges		17,919,186,714	28,728,197,092	32,375,702,204
Intangible assets		6,987,375,290	9,171,952,640	9,291,351,322
Other assets		42,711,850,279	37,562,120,256	34,944,113,396
TOTAL ASSETS		8,048,158,820,388	8,025,319,750,178	7,640,215,823,852

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

Continued...

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2022 AND 2021 AND DECEMBER 31, 2021
(In colones)

LIABILITIES AND EQUITY	Note	September 2022	December 2021	September 2021
LIABILITIES				
Obligations with the public	18	6,257,090,068,934	6,097,748,047,773	5,776,391,123,136
Demand obligations		4,394,322,696,819	4,369,258,152,185	3,840,031,192,060
Term obligations		1,832,533,313,824	1,701,120,048,148	1,908,011,075,105
Finance charges payable		30,234,058,291	27,369,847,440	28,348,855,971
Obligations with BCCR	19	166,625,500,558	168,243,245,539	169,034,639,545
Term obligations		164,696,408,078	167,292,072,120	168,418,644,412
Finance charges payable		1,929,092,480	951,173,419	615,995,133
Obligations with entities	20	642,182,389,072	808,501,740,570	758,736,774,133
Demand obligations		51,153,976,935	113,563,426,122	70,159,469,648
Term obligations		585,198,346,744	691,810,646,497	680,751,940,435
Other obligations with entities		(56,034,847)	(51,811,794)	(55,768,264)
Finance charges payable		5,886,100,240	3,179,479,745	7,881,132,314
Accounts payable and provisions		154,559,323,806	133,970,062,332	128,073,976,537
Provisions	22	19,173,656,682	21,510,154,585	21,182,625,428
Accounts payable for brokerage services		3,402,263,339	975,639,293	2,239,971,683
Deferred tax	21-b	14,714,815,536	17,389,485,477	18,237,045,033
Other sundry accounts payable	23	117,268,588,249	94,094,782,977	86,414,334,393
Other liabilities	24	26,823,111,844	26,972,290,867	29,975,922,836
Deferred income		92,595,845	88,200,061	67,448,131
Other liabilities		26,730,515,999	26,884,090,806	29,908,474,705
Subordinated obligations	25	71,502,770,427	58,367,371,894	47,457,204,527
Subordinated obligations		70,706,460,000	57,427,250,000	47,070,822,500
Finance charges payable		796,310,427	940,121,894	386,382,027
TOTAL LIABILITIES		7,318,783,164,641	7,293,802,758,975	6,909,669,640,714
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		65,989,994,282	93,316,808,915	96,861,384,734
Reserves	26-b	386,130,513,869	364,737,238,098	365,144,722,092
Prior-period retained earnings		34,447,976,901	40,386,334,461	39,801,486,842
Income for the period		26,133,544,923	19,152,075,605	14,814,055,345
Capital contributions or special funds	26-c	44,436,595,670	41,687,504,022	41,687,504,022
TOTAL EQUITY		729,375,655,747	731,516,991,203	730,546,183,137
TOTAL LIABILITIES AND EQUITY		8,048,158,820,388	8,025,319,750,178	7,640,215,823,851
DEBIT MEMORANDA ACCOUNTS	27	515,785,475,723	499,244,466,091	500,609,506,107
TRUST ASSETS	28	3,417,126,814,336	2,996,260,410,061	2,763,361,986,291
TRUST LIABILITIES		88,636,855,832	125,312,125,616	124,549,632,134
TRUST EQUITY		3,328,489,958,504	2,870,948,284,445	2,638,812,354,157
TRUST MEMORANDA ACCOUNTS		223,077,057,232	213,915,088,460	197,179,215,738
OTHER DEBIT MEMORANDA ACCOUNTS	29	39,882,874,613,158	31,077,261,703,346	30,225,283,412,234
Own debit memoranda accounts		18,336,955,255,146	9,181,234,407,438	8,672,200,663,049
Third-party debit memoranda accounts		4,803,573,087,121	4,897,730,289,330	4,745,402,776,819
Own debit memoranda accounts for custodial activities		584,143,060,063	672,053,399,643	683,956,706,733
Third-party debit memoranda accounts for custodial activities		16,158,203,210,828	16,326,243,606,935	16,123,723,265,633

Bernardo Alfaro Araya
General Manager

Alejandra Morales Centeno
General Accountant
CPI 21119

Juan Jose Rivera Coto
Sub Auditor

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

Céd. 4000001021

BANCO NACIONAL DE COSTA RICA

Atención: SUGEF

Registro Profesional: 21119

Contador: MORALES CENTENO
ALEJANDRA

Estado de Situación Financiera

2022-10-31 14:40:07 -0600



VERIFICACIÓN: D330LFla
<https://timbres.contador.co.cr>

TIMBRE 300.0 COLONES

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS AND THE THREE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(In colones)

	Note	For the nine months ended September 30,		For the three months ended September 30,	
		2022	2021	2022	2021
Finance income					
Cash and due from banks	33	3,071,245,890	823,164,890	2,120,290,052	236,173,435
Investments in financial instruments	33	38,418,779,358	46,356,891,473	13,888,888,120	14,849,703,593
Loan portfolio	34	285,059,008,669	267,339,445,937	102,485,630,876	88,366,105,847
Gain on foreign exchange differences and DU, net	6-d	30,306,985	-	(215,669,983)	-
Gain on financial instruments at fair value through profit or loss		183,907,333	179,144,763	90,230,800	61,657,903
Gain on financial instruments at fair value through other comprehensive income		2,628,700,950	12,015,773,196	95,168,709	4,161,304,427
Other finance income	35	11,449,756,122	7,359,535,269	1,757,929,095	2,464,789,872
Total finance income		340,841,705,307	334,073,955,528	120,222,467,669	110,139,735,077
Finance costs					
Obligations with the public	36	83,573,087,663	92,212,064,648	34,858,470,449	28,032,907,816
Obligations with BCCR		1,129,830,166	617,607,008	408,904,985	344,065,689
Obligations with financial and non-financial entities	37	24,605,841,390	26,316,559,732	8,593,390,022	7,394,247,568
Subordinated, convertible and preferred obligations		4,106,531,814	2,234,568,822	1,598,805,644	718,461,341
Loss on foreign exchange differences and DU, net	6-d	-	66,153,291	-	53,533,112
Loss on financial instruments at fair value through profit or loss		108,036,200	3,158,703	1,713,534	972,352
Loss on financial instruments at fair value through other comprehensive income		2,636,183,341	88,666,502	827,026,827	13,517,812
Loss on derivative financial instruments, net	11	6,377,557,262	395,132,997	849,843,785	283,059,512
Other finance costs	38	6,804,693,417	1,504,848,216	728,796,008	256,197,340
Total finance costs		129,341,761,253	123,438,759,919	47,866,951,254	37,096,962,542
Allowance for impairment of assets	39	42,068,141,761	75,204,192,603	9,757,183,720	28,027,568,424
Recovery of assets and decrease in allowances	40	18,613,951,482	11,406,094,105	4,674,235,568	4,578,432,523
FINANCE INCOME		188,045,753,775	146,837,097,111	67,272,568,263	49,593,636,634
Other operating income					
Service fees and commissions	41	124,134,652,032	108,921,663,876	41,427,251,111	37,487,057,431
Assets held for sale		2,959,370,344	7,661,352,579	293,631,251	1,201,457,337
Gain on investments in other companies	8	1,468,437,168	733,304,503	519,705,390	274,268,491
Foreign currency exchange and arbitrage		20,254,461,040	16,441,632,895	6,477,031,554	5,758,998,341
Other income from related parties		-	2,063,325	-	-
Other operating income	42	5,578,877,833	5,133,838,381	1,549,426,587	1,459,373,262
Total other operating income		154,395,798,417	138,893,855,559	50,267,045,893	46,181,154,862

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

Continued...

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS AND THE THREE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(In colones)

		For the nine months ended September 30,		For the three months ended September 30,	
	Note	2022	2021	2022	2021
Other operating expenses					
Service fees and commissions		30,852,806,515	25,474,358,028	10,195,544,755	8,642,005,452
Assets held for sale	43	12,854,089,983	9,021,362,832	3,123,166,762	2,767,262,941
Provisions	44	4,289,835,302	5,090,044,134	1,639,787,384	1,785,655,886
Bonuses on fees and commissions of voluntary pension funds		154,023,218	408,803,213	34,771,006	144,289,164
Foreign currency exchange and arbitrage		18,957,155	6,596,768	11,060,868	5,969,275
Other expenses with related parties		28,812,864	13,961,813	16,762,162	5,844,767
Other operating expenses	45	48,345,359,325	39,535,316,818	17,809,653,276	13,001,330,735
Total other operating expenses		96,543,884,362	79,550,443,606	32,830,746,213	26,352,358,220
GROSS OPERATING INCOME		245,897,667,830	206,180,509,064	84,708,867,943	69,422,433,276
Administrative expenses					
Personnel expenses	46	112,540,607,113	103,273,452,420	39,883,741,505	35,034,193,332
Other administrative expenses	47	58,260,774,902	51,710,563,838	20,637,879,846	17,680,706,703
Total administrative expenses		170,801,382,015	154,984,016,258	60,521,621,351	52,714,900,035
NET OPERATING INCOME BEFORE TAXES AND STATUTORY ALLOCATIONS		75,096,285,815	51,196,492,806	24,187,246,592	16,707,533,241
Current tax	21-a	21,467,458,480	14,733,229,565	6,872,652,933	4,976,407,374
Prior period income tax	21-a	10,641,928,449	10,641,928,449	3,547,309,483	3,547,309,483
Deferred tax	21-a	1,498,864,171	926,455,118	1,165,233,836	87,490,774
Decrease in income tax	21-a	50,507,323	-	50,507,323	-
Deferred tax income	21-a	1,450,866,403	1,162,612,311	413,876,659	244,632,198
Statutory allocations	48	16,880,782,038	11,243,436,640	5,304,742,749	3,649,495,264
Decrease in statutory allocations	48	24,918,520	-	24,918,520	-
INCOME FOR THE PERIOD		26,133,544,923	14,814,055,345	7,786,610,093	4,691,462,544
OTHER COMPREHENSIVE INCOME, NET OF TAX					
Items that will not be reclassified to profit or loss					
Surplus from revaluation of property		(1,170,772)	8,640,544,865	59,871,475	8,543,518,476
Other adjustments		(4,860,898,938)	4,089,183,011	(8,039,231,547)	2,219,454,504
Items that are or may be reclassified to profit or loss					
Adjustment for valuation of investments at fair value through other comprehensive income		(23,404,037,421)	5,219,509,264	(5,731,808,241)	1,973,319,426
Adjustment for valuation of restricted financial instruments		-	(2,869,322)	-	-
Surplus from revaluation of other assets		(8,773,248)	-	(8,773,248)	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		(28,274,880,379)	17,946,367,818	(13,719,941,561)	12,736,292,406
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(2,141,335,456)	32,760,423,163	(5,933,331,468)	17,427,754,950

Bernardo Alfaro Araya
General Manager

Alejandra Morales Centeno
General Accountant
CPI 21119

Juan Jose Rivera Coto
Sub Auditor

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

Céd. 4000001021

BANCO NACIONAL DE COSTA RICA

Atención: SUGEF

Registro Profesional: 21119

Contador: MORALES CENTENO
ALEJANDRA

Estado de Resultados Integral

2022-10-31 14:40:24 -0600



VERIFICACIÓN: D330LFia
<https://timbres.contador.co.cr>

TIMBRE 300.0 COLONES

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(In colones)

		Equity adjustments - Other comprehensive income	Capital contributions in special funds	Prior-period retained earnings			
Note	Share capital	Reserves			TOTAL		
Balance at December 31, 2020	172,237,030,102	79,402,840,338	381,362,590,326	39,043,365,123	25,739,934,089	697,785,759,978	
Transactions with owners booked directly in equity:							
Legal reserves	-	-	(16,062,790,042)	-	16,062,790,042	-	
Other statutory reserves	-	-	(155,078,192)	-	155,078,192	-	
Capital contributions in special funds	-	-	-	2,644,138,899	(2,644,138,899)	-	
Total transactions with owners booked directly in equity	-	-	(16,217,868,234)	2,644,138,899	13,573,729,335	-	
Comprehensive income for the period:							
Income for the period	-	-	-	-	14,814,055,345	14,814,055,345	
Surplus from revaluation of property	-	8,640,544,865	-	-	-	8,640,544,865	
Adjustment for valuation of investments at fair value through other comprehensive income	10	5,219,509,264	-	-	-	5,219,509,264	
Adjustment for valuation of restricted financial instruments	-	(2,869,322)	-	-	-	(2,869,322)	
Other adjustments	-	4,089,183,007	-	-	-	4,089,183,007	
Realization of surplus from revaluation of property	-	(487,823,418)	-	-	487,823,418	-	
Total comprehensive income for the period	-	17,458,544,396	-	-	15,301,878,763	32,760,423,159	
Balance at September 30, 2021	26	172,237,030,102	96,861,384,734	365,144,722,092	41,687,504,022	54,615,542,187	730,546,183,137

Bernardo Alfaro Araya
General Manager

Alejandra Morales Centeno
General Accountant
CPI 21119

Juan Jose Rivera Coto
Sub 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

2022-10-31 14:40:46 -0600



VERIFICACIÓN: D330LFia
<https://timbres.contador.co.cr>

TIMBRE 300.0 COLONES

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(In colones)

		Equity adjustments -		Capital contributions	Prior-period	
Note	Share capital	Other comprehensive income	Reserves	in special funds	retained earnings	TOTAL
Balance at December 31, 2021	172,237,030,102	93,316,808,915	364,737,238,098	41,687,504,022	59,538,410,066	731,516,991,203
Transactions with owners booked directly in equity:						
Legal reserves	-	-	23,111,648,796	-	(23,111,648,796)	-
Other statutory reserves	-	-	(1,718,373,025)	-	1,718,373,025	-
Capital contributions in special funds	-	-	-	2,749,091,648	(2,749,091,648)	-
Total transactions with owners booked directly in equity	-	-	21,393,275,771	2,749,091,648	(24,142,367,419)	-
Comprehensive income for the period:						
Income for the period	-	-	-	-	26,133,544,923	26,133,544,923
Surplus from revaluation of property	-	(1,170,772)	-	-	-	(1,170,772)
Adjustment for valuation of investments at fair value through other comprehensive income	10	(23,404,037,421)	-	-	-	(23,404,037,421)
Surplus from revaluation of other assets	-	(8,773,248)	-	-	-	(8,773,248)
Other adjustments	-	(4,860,898,938)	-	-	-	(4,860,898,938)
Realization of surplus from revaluation of property	-	948,065,746	-	-	(948,065,746)	-
Total comprehensive income for the period	-	(27,326,814,633)	-	-	25,185,479,177	(2,141,335,456)
Balance at September 30, 2022	26	172,237,030,102	65,989,994,282	44,436,595,670	60,581,521,824	729,375,655,747

Bernardo Alfaro Araya
General Manager

Alejandra Morales Centeno
General Accountant
CPI 21119

Juan Jose Rivera Coto
Sub 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

2022-10-31 14:40:46 -0600



VERIFICACIÓN: D330LFla
<https://timbres.contador.co.cr>

TIMBRE 300.0 COLONES

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2022
(In colones)

	Note	September 2022	September 2021
Cash flows from operating activities			
Income for the period		26,133,544,923	14,814,055,345
Items not requiring cash			
Depreciation and amortization		16,961,424,403	16,301,920,481
Gain (loss) on foreign exchange differences and DU, net		(17,109,946,046)	10,653,823,239
Loss on sale of non-financial assets		4,042,916,176	5,398,111,569
Finance income		(323,477,788,027)	(313,696,337,410)
Finance costs		70,685,393,922	89,232,477,719
Allowance for investments, net		(827,748,631)	2,720,438,195
Allowance for loan losses (direct loans and stand-by credits), net		39,627,434,497	69,504,941,186
Allowance for other accounts receivable, net		1,098,420,928	240,427,166
Loss (gain) on allowance for assets held for sale, net		3,241,443,851	(5,751,931,492)
Severance provision		(7,144,253)	(99,259)
Other provisions		2,932,401,154	7,973,450,638
Share of profit of foreign associate, net		(1,468,437,182)	(733,304,503)
Statutory allocations, net		16,855,863,518	11,243,436,640
Income tax expense, net	21 -a	32,058,879,606	25,375,158,014
Deferred tax, net	21 -a	47,997,768	(236,157,193)
		(129,205,343,393)	(66,959,589,665)
Cash flows from operating activities			
Loan portfolio		(181,050,887,514)	(34,574,744,230)
Accounts and fees and commissions receivable		(15,973,186,687)	(3,779,087,904)
Assets held for sale		12,736,040,738	14,971,689,611
Other assets		4,164,242,965	27,129,025,440
Obligations with the public		223,470,086,176	90,812,504,496
Obligations with BCCR and other entities		(165,301,285,579)	(145,994,901,575)
Obligations for accounts payable, fees and commissions payable and provisions		27,571,778,485	8,466,367,460
Other liabilities		(456,097,243)	828,001,870
		(94,839,308,659)	(42,141,144,832)
Income tax paid		(28,883,539,158)	(25,191,856,830)
Interest received on loan portfolio and investments		332,682,809,695	315,994,229,765
Interest paid on term obligations with the public and financial entities		(64,136,643,515)	(94,139,512,581)
Statutory allocations paid		(14,965,512,391)	(12,320,255,489)
Net cash from operating activities		652,462,579	75,241,870,368
Cash flows from investing activities			
Increase in financial instruments		(1,053,049,623,397)	(997,063,840,069)
Decrease in financial instruments		1,084,885,961,275	752,710,603,306
Acquisition of property and equipment		(23,508,214,985)	(19,477,690,996)
Sale of property and equipment		580,293,736	652,385,304
Acquisition of intangible assets		(1,744,491,444)	(7,287,932,963)
Net cash from (used in) investing activities		7,163,925,185	(270,466,475,418)
Cash flows from financing activities			
Settlement of financial obligations		(4,440,527,260)	(58,064,203,048)
New financial obligations		-	200,485,000,000
Payment of lease liabilities		(1,879,823,188)	(1,388,776,630)
Net cash (used in) from financing activities		(6,320,350,448)	141,032,020,322
Net increase (decrease) in cash and cash equivalents		1,496,037,316	(54,192,584,728)
Cash and cash equivalents at beginning of period		1,611,376,144,164	1,483,188,630,362
Cash and cash equivalents at end of period	9	1,612,872,181,480	1,428,996,045,634

Bernardo Alfaro Araya
General Manager

Alejandra Morales Centeno
General Accountant
CPI 21119

Juan Jose Rivera Coto
Sub Auditor

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

Céd. 4000001021
BANCO NACIONAL DE COSTA RICA
Atención: SUGEF
Registro Profesional: 21119
Contador: MORALES CENTENO
ALEJANDRA
Estado de Flujos de Efectivo
2022-10-31 14:40:49 -0600



VERIFICACIÓN: D330LFia
<https://timbres.contador.co.cr>

TIMBRE 300.0 COLONES

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(1) Reporting entity

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

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

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

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

As of September 30, 2022, the Bank has 154 offices, 467 ATMs and along with its subsidiaries a total of 5,624 employees (2021: 156 offices, 460 ATMs and along with its subsidiaries a total of 5,446 employees). Employees are distributed as follows: Banco Nacional de Costa Rica – 5,158 employees (2021: 4,994); BN Valores Puesto de Bolsa, S.A. - 71 employees (2021: 72); BN Vital Operadora de Planes de Pensiones Complementarias, S.A. - 198 employees (2021: 191); BN Sociedad Administradora de Fondos de Inversión, S.A. - 90 employees (2021: 89); and BN Sociedad Corredora de Seguros, S.A. - 107 employees (2021: 100). The Bank's website is www.bncr.fi.cr.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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).

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

		September 2022			
		BN Valores Puesto de Bolsa, S.A.	BN Sociedad Administradora de Fondos de Inversión, S.A.	BN Vital Operadora de Planes de Pensiones Complementarias S.A.	BN Sociedad Corredora de Seguros, S.A. BICSA
Assets	¢	57,552,872,349	12,734,565,927	15,331,654,556	7,908,195,762 571,332,211,048
Liabilities		42,684,126,134	1,705,342,446	3,821,819,127	2,025,748,694 494,970,940,677
Equity		14,868,746,215	11,029,223,481	11,509,835,429	5,882,447,068 76,361,270,371
Income for the period		720,787,771	2,111,495,748	1,181,634,998	3,041,845,303 1,463,467,276
Memoranda accounts		1,143,444,488,786	653,228,583,213	2,204,653,028,061	- -

		December 2021			
		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	¢	39,254,438,467	12,914,187,525	16,214,635,072	6,863,970,667 569,124,143,476
Liabilities		22,096,638,301	1,389,352,389	3,226,920,461	847,368,902 492,363,082,655
Equity		17,157,800,166	11,524,835,136	12,987,714,611	6,016,601,765 76,761,060,821
Income for the period		2,747,706,893	3,279,222,899	1,833,170,370	3,614,043,094 1,167,991,445
Memoranda accounts		981,903,518,963	772,762,829,391	2,299,915,233,156	- -

		September 2021			
		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	¢	36,665,323,046	13,032,854,759	17,064,880,006	9,713,327,460 537,886,203,774
Liabilities		19,918,541,820	2,249,804,131	4,048,679,222	1,692,523,725 463,346,784,511
Equity		16,746,781,226	10,783,050,628	13,016,200,784	8,020,803,735 74,539,419,263
Income for the period		2,315,094,202	2,468,933,853	1,436,304,647	2,618,245,064 729,256,389
Memoranda accounts		1,186,429,394,724	762,311,943,599	2,231,664,088,445	- -

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(2) Basis of accounting

(a) Basis of accounting

The consolidated financial statements 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 SUGEF Directive 30-18 *Regulation on Financial Information* (RFI), the regulatory basis of accounting is updated in order to make progress in the adoption of International Financial Reporting Standards (IFRS). It also includes a single body of regulations, provisions regarding the remission, presentation and publication of financial statements, providing more uniformity in the actions of the superintendencies, as well as preventing duplications.

(b) Basis of measurement

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

The Bank initially recognizes loans, accounts receivable and deposits on the date on which they are originated. All other financial assets (including assets at fair value through profit or loss) are initially recognized on the transaction date, the date on which the Conglomerate commits to purchase or sell an instrument.

(3) Functional and presentation currency

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(4) Use of estimates and judgments

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

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

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

a- Judgments

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

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

b- Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment for the years ended September 30, 2022, is related to the impairment of financial instruments.

(i) Fair value measurement

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(5) Significant accounting policies

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

(a) Basis of consolidation

i. *Subsidiaries*

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

ii. *Non-controlling interests*

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. As of September 30, 2022, the Bank has 49% ownership interest in Banco Internacional de Costa Rica, S.A. and Subsidiary (BICSA), a Panamanian entity.

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

iii. *Loss of control*

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

iv. *Interests in equity-accounted investees*

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

As of September 30, 2022, assets and liabilities in US dollars are valued at the exchange rate of ¢632.72 to US\$1.00 (December and September 2021: ¢645.25 and ¢629.71 to US\$1.00, respectively), which is the reference selling rate established by BCCR.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of September 30, 2022, assets and liabilities denominated in euro are valued at the exchange rate of ¢618.55 to €1.00 (2021: ¢732.17 and ¢729.14 to €1.00), 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 September 30, 2022, assets and liabilities denominated in Development Units (DU) were valued at the exchange rate of ¢1,042.79 to DU1.00 (2021: ¢948.36 and ¢931.79 to DU1.00). 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 period.

(c) Financial instrumentsRecognition and initial measurement

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Classification and subsequent measurement

Financial assets

Classification

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income, or fair value through profit or loss, according to the business model under which it is managed as well as the characteristics of the contractual cash flows.

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

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

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

On initial recognition, the Conglomerate may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Conglomerate's senior management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reason for such sales and its expectations about future sales activity.

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

Financial assets held for trading or managed whose performance is assessed on a fair value basis are measured at fair value through profit or loss.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features;
- terms that limit the Conglomerate's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Subsequent measurement and gains and losses

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

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

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

Financial liabilities

Classification

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

A financial liability is classified as at fair value through profit or loss if it is classified as held for trading or it is designated as such on initial recognition.

Subsequent measurement and gains and losses

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Impairment of financial assets

The Conglomerate recognizes expected credit losses on the following assets that are not measured at fair value through profit or loss:

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

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

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

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

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

Measurement of ECL

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

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

Forward-looking information

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(d) Impairment of non-financial assets

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

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

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

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

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

(iv) Derecognition

Financial assets

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the 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 Standards, or for gains and losses arising from a group of similar transactions, such as gains or losses on financial assets measured at fair value through profit or loss.

(e) Derivative financial instruments

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(f) Embedded derivatives

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

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

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

The Conglomerate currently has the following derivative financial instruments:

✓ Derivatives held for risk management

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

LIBOR will cease to be published in 2021; however, the 3-month and 6-month settings will continue to be published until 2023. Therefore, information will still be reflected with the LIBOR rate until new rates are negotiated for contracts effective as of that date.

✓ Derivatives other than hedges

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(g) Cash and cash equivalents

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

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

(h) Property, furniture, equipment and leasehold improvements

(i) Recognition and measurement

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

(ii) Subsequent costs

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) *Depreciation and amortization*

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

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

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

(i) Intangible assets

(i) Recognition and measurement

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

(ii) Amortization

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

(iii) Subsequent costs

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(j) Leases

At inception of a contract, the Conglomerate assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

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

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

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 Bank is reasonably certain not to terminate early.

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

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

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

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

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

(k) Loan portfolio

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(l) Allowance for loan losses

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

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

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

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

As of September 30, 2022, increases in the allowance for loan losses are included in the accounting records in accordance with Article 10 of IRNBS.

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

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

(n) Other receivables

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(o) Assets held for sale

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

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

From May 7, 2020, through notes No. 1573-09 and No. 1574-10, CONASSIF communicated by means of Article 72 of IRNBS (Law No. 1644) the extension of the term from 24 months to 48 months, whereby the total (100%) allowance for impairment of assets held for sale must be applied. However, if it has not been sold within 24 months from the date of the award or receipt of the asset, the entity must request from the Superintendency an extension for an equal term for sale of the asset. The extension request may be denied by the Superintendency, providing adequate grounds for its decision, in which case it will require the creation of an allowance for 100% of the carrying amount. If the entity does not request an extension, it will also be required to create an allowance.

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

(p) Accounts payable and other liabilities

Accounts payable and other liabilities are carried at amortized cost.

(q) Provisions

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(r) Employee benefits

(i) Short-term employee benefits

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

Statutory Christmas bonus

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

Vacation

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

Incentives plan

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 the 2020 and 2021 periods.

Annuities

Since 2018, Article 37 of the Collective Bargaining Agreement relating to annuities was under an appeal claiming violation of constitutional rights. Through Vote No. 2021025969, the Constitutional Chamber indicated that Article 37 of the VII Collective Bargaining was not unconstitutional, for which it is maintained in the term of validity of the VII Collective Bargaining. However, this article was affected by the regulations of Law No. 96351 effective from December 4, 2018, and which modified the *Law on Public Administration Salaries*.

Based on the foregoing, the Bank is in a process of analysis through the Risk Division to consider the related provision calculations.

(ii) Defined contribution plans

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Defined benefit plans

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

The calculation of the defined benefit obligation is made annually by a qualified actuary using the projected unit credit method. When the calculation results in a possible asset for the Bank, the recognized asset is limited to the present value of the economic benefits available in the form of future reimbursements of the plan or reductions in future contributions to the plan. To calculate the present value of the economic benefits, any minimum financing requirement must be considered.

Remeasurements of the net defined benefit liability, which includes actuarial gains and losses, 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) for 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 benefit liability (asset), net defined benefits, considering any change in the liability (asset) for net defined benefits during the period as a result of contributions and benefit payments. The net interest expense and other expenses related to the defined benefit plans are recognized within the expenses for employees in results.

When a change or reduction in plan benefits occurs, the resulting change in benefit that relates to past service or the gain or loss on the reduction is immediately recognized in income. The Conglomerate recognizes gains and losses on the liquidation of a defined benefit plan when it occurs.

(iv) Termination benefits

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

(v) *Employee Protection and Retirement Fund*

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

- items established by the laws and regulations related to the Fund
- contributions made by the Bank equivalent to 10% of total wages
- contributions made by employees equivalent to 5.00% (September 2021: 5.75%) 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.

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

(s) Deferred income

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

(t) Legal reserve

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

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
	Agreement No. 007-2000 and
Country risk reserve	Agreement No. 001-2001

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(u) Revaluation surplus

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

(v) Income tax

Income tax is determined pursuant to the provisions of the *Income Tax Law*, which require that the Bank file its income tax returns for the 12 months ending December 31 of each year. Any resulting tax is recognized in profit or loss for the period and credited to a liability account in the consolidated statement of financial position.

i. Current tax

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

ii. Deferred tax

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

iii. *Tax benefits FOCREDE*

Regarding the tax benefits applied to the Development Credit Fund (FOCREDE), the Development Financing Fund (FOFIDE) and the National Development Trust (FINADE) as part of the resources of the Development Banking System managed by the Bank, as established in Article 15 of the *Comprehensive Amendment to Law No. 8634, Development Banking System Act and Amendment to Other Laws* (Law No. 9274), effective from November 27, 2014, that fund is exempt from income tax and from any other type of tax.

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

(w) Segment reporting

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

(x) Financial statements of the different departments

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(y) Recognition of income and expenses

i. *Interest income and interest expense*

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

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

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

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

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

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

Regarding accrual on the loan portfolio over 180 days, official letter CNS-1698/08 indicates that an allowance must be created with cutoff date as of October 2021. Of the balance booked in accrued interest receivable on the loan portfolio, the Bank must record ¢34,868 million, corresponding to accrued interest over 180 days. Allowances in the amount of ¢5,054 million have already been booked; therefore, the base balance to be recorded in the allowance plan is ¢28,080 million. The allowance plan must be carried out during the next 48 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)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

<u>Semester</u>	<u>Minimum allowance percentage of the balance of accrued interest receivable over 180 days</u>	<u>Minimum allowance required</u>
2022-06	9%	-
2022-12	18%	5,054
2023-06	30%	8,424
2023-12	42%	11,794
2024-06	56%	15,725
2024-12	70%	19,656
2025-06	85%	23,868
2025-12	100%	28,080

ii. Fee and commission income

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

iii. Income from foreign currency exchange and arbitrage

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

iv. Operating lease expenses

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

(z) Statutory allocations

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Under Article 12 of IRNBS, the net earnings of commercial State-owned banks are allocated as follows: 50% to a legal reserve; 10% to increase the capital of INFOCOOP; and the remainder to increase the Bank's capital, pursuant to Article 20 of Law No. 6074.

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

In accordance with Article 46 of the *National Emergency and Risk Prevention Act*, all institutions of the central administration and decentralized public administration, as well as State-owned entities, must contribute three percent (3%) of their reported earnings before taxes and statutory allocations and of their accumulated budget surplus to CNE. Such funds are deposited in the National Emergency Fund to finance the National Risk Management System.

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

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

(aa) Development Financing Fund (FOFIDE)

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(bb) Development Credit Fund (FOCREDE)

The Development Credit Fund (FOCREDE) is comprised of the funds prescribed in Article 59 of IRNBS (Law No. 1644), FOCREDE will be managed by State-owned banks, Accordingly, in compliance with the *Repeal of Transition Provision VII of Law No. 8634* (Law No. 9094) and Article 35 of the *Development Banking System Act* (Law No. 8634), in meeting No. 119 of January 16, 2013, through agreement No. AG-1015-119-2013, Banco de Costa Rica and Banco Nacional de Costa Rica are appointed managers for five years from the date of signing of the respective management agreements, renewable for equal periods. Each bank is awarded the management of fifty percent (50%) of such fund.

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

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

- a. Pursuant to Article 6 of Law No. 8634, the Managing Banks may offer first-tier banking services to the beneficiaries of the Development Banking System.
- b. Pursuant to Article 35 of Law No. 8634, the Managing Banks may offer second-tier banking services with FOCREDE funds for financial entities other than private banks, provided that the purposes and obligations established in Law No. 8634 are met and such entities are duly authorized by the Governing Board.
- c. Pursuant to Article 35 of Law No. 8634, the Managing Banks may channel FOCREDE funds through placements to: associations, cooperatives, foundations, non-governmental organizations, producer organizations, or other formal entities, provided that they perform loan operations through development financing programs that meet the objectives established in Law No. 8634 and are duly authorized by the Governing Board.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(cc) Trust operations

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

(6) Risk management

The Conglomerate has exposure to the following risks:

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Conglomerate manages the above risks as follows:

a) Credit risk

i. Banco Nacional de Costa Rica

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

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

The Bank has established the following credit risk management procedures:

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 loans		Stand-by credits	
	September 2022	September 2021	September 2022	September 2021
<i>Loan portfolio</i>				
Principal	¢ 4,647,103,521,325	4,331,860,990,866	355,136,415,374	342,482,165,624
Accounts and accrued interest receivable	107,657,139,670	125,814,169,894	-	-
Gross carrying amount	4,754,760,660,995	4,457,675,160,760	355,136,415,374	342,482,165,624
Incremental direct costs related to loans	5,565,119,085	3,490,573,408	-	-
Deferred income from loan portfolio	(40,341,717,781)	(33,947,580,223)	-	-
Allowance for loan losses (accounting records)	(146,675,071,373)	(153,210,087,129)	(1,224,954,519)	(848,524,934)
Net carrying amount	¢ 4,573,308,990,926	4,274,008,066,816	353,911,460,855	341,633,640,690
	Direct loans		Stand-by credits	
	September 2022	September 2021	September 2022	September 2021
Loan portfolio				
Total balances:				
0	¢ 36,463,582,790	38,878,614,907	-	-
A1	3,645,560,349,355	3,405,184,884,863	323,987,228,733	318,897,100,635
A2	67,193,052,652	74,424,611,643	1,375,729,195	1,377,329,791
B1	481,992,402,405	425,225,614,020	25,551,021,820	18,108,221,433
B2	12,217,658,586	15,471,050,094	78,976,653	54,481,647
C1	137,421,686,154	146,264,770,144	1,742,261,998	1,305,421,747
C2	18,073,383,803	8,594,007,520	120,003,870	51,279,549
D	176,504,391,806	141,697,157,792	1,045,310,004	1,188,998,224
E	179,334,153,444	201,934,449,777	1,235,883,101	1,499,332,598
	4,754,760,660,995	4,457,675,160,760	355,136,415,374	342,482,165,624
Structural allowance (subledger – database)	(98,357,551,322)	(97,912,127,645)	(114,551,664)	(116,851,174)
Net carrying amount	¢ 4,656,403,109,673	4,359,763,033,115	355,021,863,710	342,365,314,450
Individually assessed loans with allowance:				
0	¢ 36,035,173,189	38,508,681,190	-	-
A1	3,643,166,585,169	3,404,081,024,869	21,105,510,238	318,897,100,635
A2	67,193,052,652	74,424,611,643	28,530,000	1,377,329,791
B1	481,910,364,652	425,225,614,020	16,556,804,807	18,108,221,433
B2	12,217,658,586	15,471,050,094	9,692,856	54,481,647
C1	137,421,686,154	146,034,563,168	11,990,800	1,305,421,747
C2	18,073,383,803	8,594,007,520	1,555,624	51,279,549
D	176,504,391,806	141,697,157,792	26,185,368	1,188,998,224
E	179,334,153,444	201,934,449,777	43,679,022	1,499,332,598
	4,751,856,449,455	4,455,971,160,073	37,783,948,715	342,482,165,624
Structural allowance (subledger – database)	(98,357,551,322)	(97,912,127,645)	(114,551,664)	(116,851,174)
Net carrying amount	¢ 4,653,498,898,133	4,358,059,032,428	37,669,397,051	342,365,314,450

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Direct loans		Stand-by credits	
	September 2022	September 2021	September 2022	September 2021
Current loan portfolio, without allowance:				
0	428,409,601	369,933,717	-	-
A1	2,393,764,186	1,103,859,994	302,881,718,495	-
A2		-	1,347,199,195	-
B1	82,037,753	-	8,994,217,013	-
B2	-	-	69,283,797	-
C1	-	230,206,976	1,730,271,198	-
C2	-	-	118,448,246	-
D	-	-	1,019,124,636	-
E	-	-	1,192,204,079	-
Carrying amount	2,904,211,540	1,704,000,687	317,352,466,659	-
Gross carrying amount	¢ 4,754,760,660,995	4,457,675,160,760	355,136,415,374	342,482,165,624
Allowance for loan losses (database)	(98,472,102,986)	(97,912,127,645)	-	(116,851,174)
Excess of allowance over structural allowance	(48,202,968,387)	(55,297,959,484)	(1,224,954,519)	(731,673,760)
Incremental direct costs related to loans	5,565,119,085	3,490,573,408	-	-
Deferred income from loan portfolio	(40,341,717,781)	(33,947,580,223)	-	-
Net carrying amount	¢ 4,573,308,990,926	4,274,008,066,816	353,911,460,855	341,633,640,690
Restructured loans	¢ 25,651,555,556	28,726,771,237	-	-

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

		September 2022	
		Loans to customers	
		Gross	Net
0	¢	36,463,582,790	35,612,308,145
A1		3,645,560,349,355	3,624,736,122,680
A2		67,193,052,652	66,841,624,302
B1		481,992,402,405	477,257,076,772
B2		12,217,658,586	11,998,290,552
C1		137,421,686,154	132,351,740,193
C2		18,073,383,803	16,514,108,628
D		176,504,391,806	159,718,999,026
E		179,334,153,444	131,258,287,711
	¢	4,754,760,660,995	4,656,288,558,009

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		September 2021	
		Loans to customers	
		Gross	Net
0	¢	38,878,614,907	37,885,267,252
A1		3,405,184,884,863	3,331,890,843,879
A2		74,424,611,643	74,043,590,341
B1		425,225,614,020	421,090,172,304
B2		15,471,050,094	15,258,117,755
C1		146,264,770,144	142,108,023,292
C2		8,594,007,520	7,711,342,879
D		141,697,157,792	126,986,491,264
E		201,934,449,777	147,491,224,665
	¢	<u>4,457,675,160,760</u>	<u>4,304,465,073,631</u>

As shown above, as of September 30, 2022, the gross portfolio amounts to ¢4,755 billion. Of that amount, 89.25% is classified in risk ratings “A+B” and 10.75% in risk ratings “C+D+E” (2021: ¢4,458 billion, of which 88.82% is classified in risk ratings “A+B” and 11.18% in risk ratings “C+D+E”).

Through Letter SGF-0506 dated March 11, 2022, SUGEF communicates the new calculation of loan allowances, during the transition up to the effectiveness of the new methodology from October 1, 2024.

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

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

Individually assessed loans with allowance:

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Past due loans without allowance:

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

Restructured loans:

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

- a. Extended loan: Loan operation in which at least one full or partial payment of principal or interest due under the current contractual terms has been postponed.
- b. Modified loan: Loan operation in which at least one of the current contractual repayment terms has been modified, excluding extensions, additional payments not included in the loan repayment schedule, additional payments to reduce the amount of installments and a change in the currency used while respecting the original loan maturity date.
- c. Refinanced loan: Loan operation in which at least one payment of principal or interest is made fully or partially with another loan operation extended to the borrower or to an individual from its economic interest group by the same financial intermediary or any other company of the same financial group or conglomerate. In the event of full settlement of the loan, the new loan operation is considered to be refinanced. In the event of partial settlement, both the new and existing loan operations are considered to be refinanced.

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)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Borrower classification

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

The loan portfolio by borrower classification is as follows:

Borrower classification	Direct loans		Stand-by credits	
	September 2022	September 2021	September 2022	September 2021
Group 1	¢ 2,511,678,413,575	2,341,513,925,904	46,076,290,695	48,921,681,807
Group 2	2,243,082,247,420	2,116,161,234,856	309,060,124,679	293,560,483,817
	¢ 4,754,760,660,995	4,457,675,160,760	355,136,415,374	342,482,165,624

Risk ratings

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

For purposes of the analysis of creditworthiness, pursuant to SUGEF Directive 1-05, borrowers in Group 1 are classified based on arrears, historical payment behavior and creditworthiness; whereas, pursuant to the Bank's internal policies and based on the credit web, borrowers in Group 2 are classified based on arrears and historical payment behavior:

<u>Risk rating</u>	<u>Arrears</u>	<u>Historical payment behavior</u>	<u>Creditworthiness</u>
A1	30 days or less	Level 1	Level 1
A2	30 days or less	Level 2	Level 1
B1	60 days or less	Level 1	Level 1 or Level 2
B2	60 days or less	Level 2	Level 1 or Level 2
C1	90 days or less	Level 1	Level 1 or Level 2 or Level 3
C2	90 days or less	Level 1 or 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
E	More than 121 days	Level 1 or Level 2	Level 1 or Level 2 or Level 3 or Level 4

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Through that set forth in SUGEF Directive 15-16 to calculate specific allowances, risk ratings 2 to 6 for the microfinance, development and second-tier banking portfolios are subject to specific allowances according to the percentages in the following table:

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

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

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

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

Analysis of creditworthiness

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

- a. *Financial position and expected cash flows:* Analysis of the stability and continuity of main sources of income. The effectiveness of the analysis depends on the quality and timeliness of information.
- b. *Experience in the line of business and quality of management:* Analysis of the capacity of management to lead the business with appropriate controls and adequate support from the owners.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Analysis of historical payment behavior

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

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

Structural allowance for loan losses

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

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

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

Weightings lower than 100% apply for all guarantees except for the guarantees mentioned in subsections d through r, of Article 14 of SUGEF Directive 1-05. Weightings mentioned in subsection s, apply for trust assets whose nature corresponds to that of the assets mentioned in subsections a through c, of Article 14 of SUGEF Directive 1-05.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

<u>Risk rating</u>	<u>Specific allowance percentage - Uncovered portion</u>	<u>Specific allowance percentage - Covered portion</u>
A1	0%	0.00%
A2	0%	0.00%
B1	5%	0.50%
B2	10%	0.50%
C1	25%	0.50%
C2	50%	0.50%
D	75%	0.50%
E	100%	0.50%

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

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

Once Article 12 of these Regulations enters into effect and until December 31, 2022, the balance of the allowances recorded for borrowers in risk rating E whose historical payment behavior is classified in level 3 cannot be decreased due to this amendment. Decreased amounts may only be reassigned to increases in specific allowances for borrowers reclassified to risk ratings C1, C2, D and E, in conformity with Articles 10 and 11 of SUGEF Directive 1-05.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 for loan operations rated A1 and A2, without reducing the effect of guarantees. The provisions of Article 13 of the aforementioned Directive are to be applied to stand-by credits.

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

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

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

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

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

	<u>September 2022</u>		
	<u>Allowance booked</u>	<u>Structural allowance</u>	<u>Excess of allowance</u>
Allowance for direct loans	¢ 140,395,777,210	(98,357,551,322)	42,038,225,888
Allowance for stand-by credits	1,224,954,519	(114,551,664)	1,110,402,855
CNS 1698 allowance plan	5,054,000,000	(5,054,000,000)	-
	146,674,731,729	(103,526,102,986)	43,148,628,743
Counter-cyclical allowance (per SUGEF Directive 19-16)	339,644	(339,644)	-
	¢ 146,675,071,373	(103,526,442,630)	43,148,628,743

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	September 2021		
	Allowance booked	Structural allowance	Excess of allowance
Allowance for direct loans	¢ 152,361,562,195	(97,912,127,645)	54,449,434,550
Allowance for stand-by credits	848,524,934	(116,851,174)	731,673,760
	153,210,087,129	(98,028,978,819)	55,181,108,310
Counter-cyclical allowance (per SUGEF Directive 19-16)	339,644	(339,644)	-
	¢ 153,210,426,773	(98,029,318,463)	55,181,108,310

Counter-cyclical allowance

The counter-cyclical allowance is valued pursuant to the provisions set forth in SUGEF Directive 19-16 *Regulations to Determine and Book Counter-cyclical Allowances*.

The percentage to be applied to the counter-cyclical allowance will increase gradually, as follows:

Date of application	Percentage
Starting from the effective date	5.00%
From June 1, 2019	6.00%
From June 1, 2020	7.00%

Through Note No. SGF-0902-2020 dated March 16, 2020, SUGEF communicated the decrease in the percentage (over monthly income) used to determine the counter-cyclical allowance to 0.00%.

Through Agreement No. CNS 1617-2020 dated November 2, 2020, SUGEF suspended the application of the counter-cyclical regulation until December 31, 2021.

Moreover, according to Agreement No. CNS 1697-09 dated November 4, 2021, from January 1, 2022 to December 31, 2022, the accrual of counter-cyclical allowances was suspended and the balance accumulated in counter-cyclical allowances may only be reclassified 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 and categories 4, 5 and 6 according to Section 2 of Appendix 3 “Standard Methodology” of SUGEF Directive 15-16.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Period		Principal	Estimate	Number of operations	Number of customers
December 2021	¢	192,868,048,902	48,171,191,799	11,149	6,209
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

On November 4, 2021, through transition provision III of CNS 1697-09, CONASSIF extended the suspension until December 31, 2022, as follows:

- i. Extend the application of these regulatory measures until December 31, 2022:
- ii. Transition Provision III, which suspended the accrual of counter-cyclical allowances and accepted that the balance accumulated in counter-cyclical allowances may be reclassified 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 and categories 4, 5 and 6 according to Section 2 of Appendix 3 “Standard Methodology” of SUGEF Directive 15-16.”

Credit equivalent

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Allowance for other assets

Allowances should be established for the following assets:

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 September 30, 2022, the carrying amount of the allowance for impairment of assets held for sale and per legal requirements amounts to ¢62,136,922,241 (2021: ¢60,782,581,595).

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

Sector	Direct loans		Stand-by credits	
	September 2022	September 2021	September 2022	September 2021
Trade	¢ 366,315,940,009	343,797,678,025	-	3,317,622
Services	1,074,480,318,396	932,082,803,472	48,391,829,248	53,138,980,654
Financial services	93,414,839,611	69,804,302,637	-	-
Mining	416,875,019	546,478,300	-	-
Manufacturing and quarrying	169,969,744,972	152,869,531,403	-	-
Construction	67,814,006,105	95,503,905,243	-	-
Agriculture and forestry	110,448,791,356	120,494,075,183	-	-
Livestock, hunting and fishing	75,537,527,560	75,684,763,557	-	-
Electricity, water, sanitation and other related sectors	433,306,833,965	470,585,921,919	-	-
Transportation and telecommunications	44,438,840,097	47,334,679,623	-	-
Housing	1,477,596,690,513	1,360,837,237,050	-	2,886,909
Personal or consumer	555,193,151,976	516,927,894,960	306,619,752,778	289,208,949,460
Tourism	285,827,101,416	271,205,889,388	124,833,348	128,030,979
	¢ <u>4,754,760,660,995</u>	<u>4,457,675,160,760</u>	<u>355,136,415,374</u>	<u>342,482,165,624</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

		Direct loans		Stand-by credits	
		September 2022	September 2021	September 2022	September 2021
Central America	¢	<u>4,754,760,660,995</u>	<u>4,457,675,160,760</u>	<u>355,136,415,374</u>	<u>342,482,165,624</u>

The loan portfolio by type of guarantee is as follows:

Type of guarantee		Direct loans		Stand-by credits	
		September 2022	September 2021	September 2022	September 2021
Back-to-back	¢	45,791,764,932	45,026,455,374	39,309,151	40,287,410
Mortgage bond		56,911,107	-	-	-
Assignment of loans		370,257,273,670	75,940,340	-	-
Mortgage		1,745,076,709,511	2,075,094,733,922	90,834,827	98,434,206
Surety		856,430,678,314	411,046,582,895	15,032,039,063	3,197,631
Trust		508,507,031,480	514,202,220,014	-	14,960,528,067
Securities		28,298,757,055	637,970,793	-	-
Chattel mortgage		242,049,992,327	668,413,614,807	-	-
Other		958,291,542,599	743,177,642,615	339,974,232,333	327,379,718,310
	¢	<u>4,754,760,660,995</u>	<u>4,457,675,160,760</u>	<u>355,136,415,374</u>	<u>342,482,165,624</u>

Guarantees:

- Collateral:** The Conglomerate accepts collateral guarantees - usually mortgages, chattel mortgages or securities - to secure its loans. The value of those guarantees is determined based on their fair value in the case of securities or, for mortgages and chattel mortgages, based on an appraisal made by an independent appraiser who determines the estimated fair value of land and buildings using comparable market offerings and prior appraisals.
- Personal:** The Conglomerate also accepts sureties from individuals or legal entities. The Conglomerate evaluates the guarantor's ability to honor the debt obligations on the borrower's behalf, as well as the integrity of the guarantor's credit history.

The Bank conducts strict credit analyses before granting loans and requires guarantees from its borrowers before disbursing loans. As of September 30, 2022, 71.16% of the loan portfolio is secured by collateral guarantees (2021: 46.56%).

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Loan portfolio concentration	Direct loans		Stand-by credits	
	September 2022	September 2021	September 2022	September 2021
¢1 to ¢3,000,000	¢ 139,236,498,455	135,681,840,923	95,488,638,604	91,355,383,176
¢3,000,001 to ¢15,000,000	550,693,339,969	549,095,667,619	205,998,863,753	192,955,807,406
¢15,000,001 to ¢30,000,000	469,276,521,137	446,832,884,130	9,355,365,788	9,383,753,795
¢30,000,001 to ¢50,000,000	493,302,391,588	478,331,789,501	3,297,826,822	3,473,177,474
¢50,000,001 to ¢75,000,000	478,630,768,302	433,829,950,401	2,619,811,134	2,748,618,562
¢75,000,001 to ¢100,000,000	270,886,947,853	216,280,727,681	1,015,861,569	1,019,836,873
¢100,000,001 to ¢200,000,000	251,707,358,500	236,713,189,283	2,963,493,241	3,284,295,971
More than ¢200,000,000	2,101,026,835,191	1,960,909,111,222	34,396,554,463	38,261,292,367
	<u>¢ 4,754,760,660,995</u>	<u>4,457,675,160,760</u>	<u>355,136,415,374</u>	<u>342,482,165,624</u>

As of September 30, 2022, the portion of the loan portfolio (direct and stand-by loans) corresponding to economic interest groups amounts to ¢675,224,600,000, equivalent to 14.20% of the loan portfolio (2021: ¢667,538,909,373, equivalent to 16.52% of the loan portfolio).

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

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

The Bank's loan portfolio is composed 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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 Bank has developed specialized internal methodologies to model credit risk that quantify risk indicators and potential impacts on institutional development.

The year-on-year decrease observed in the EL of the entire loan portfolio (from 2.83% in September to 2.66% in September 2022) is mainly explained by a reduction in the arrears indicators. Arrears more than 90 days decreased from 3.42% in September 2021 to 2.55% in September 2022.

Compared to the results from September 2021, the behavior of EL for economic activities showed a mixed result (increases and decreases). The activities with a greater decrease are consume, construction and mining, with decreases that exceed three percentage points, while the activities with greater increases are services and trade, with increases that exceed two percentage points.

For the result of the VaR of the loan portfolio, a year-on-year decrease from 8.02% to 7.46% was booked, which is an expected behavior given the EL evolution and the decrease in arrears indicators.

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

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 SUGEF Directive 30-18 *Regulation on Financial Information* (RFI), regulated entities are required to calculate estimated credit losses for their investment portfolios.

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

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

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

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

Portfolio	September 2022	September 2021
Investments in financial instruments at FVOCI	¢ 72,221,206	70,881,793

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- investment grade corporate bonds and fixed income securities issued by supranational entities.
- structured notes issued by investment grade banks, provided that the underlying instrument is not related to commodities, stock indexes or shares; has a risk rating that is not below the risk rating assigned to Costa Rica; and is available for public offering on a national or international stock exchange, subject to prior approval of General Management.

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

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

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

For the September 2022 close, the accounting records showed investments in colones, investments in instruments issued by local issuers in US dollars (\$CR) and investments issued by foreign issuers in US dollars (\$USA). The Brokerage Firm holds no investments in DU. By currency, the largest portion continues to be concentrated in the portfolio in colones with 90.22% and 9.78% in US dollars.

With respect to the consolidated portfolio, investments in instruments issued by the Government of Costa Rica correspond to 89.36%; BCCR 0.83% and BNCR 0.03%. The sum of these issuers represents 90.22% of the consolidated portfolio in colones. The portfolio in US dollars is represented by SDHA issues 5.61%, IHYA 3.93% and BNSFI 0.25%, for a total of 9.78%.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Portfolio		September 2022	September 2021
Investments measured at FVOCI	¢	34,187,676	168,274,117
Amortized cost	¢	248,987,311	-

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

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

Credit risk management

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

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

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

		Allowance for expected credit losses	
Fund		September 2022	September 2021
Investments measured at FVOCI	¢	116,317,523	78,470,635

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

Credit risk management

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

- Pursuant to the requirements set out in the investment policy, the Insurance Brokerage Firm takes into consideration the ratings granted by rating agencies to local or international issues, in compliance with the provisions of current regulations.
- The Insurance Brokerage Firm assesses the marketability of the instruments based on internally calculated indicators. In the case of investments in the local market, the Insurance Brokerage Firm considers those registered with the National Registry of Securities and Brokers, while for investments in international markets, the Insurance Brokerage Firm considers instruments that may be sold at any point in time.

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

Portfolio	September 2022	September 2021
Amortized cost	¢ 13,703,133	7,278,193

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Investments in financial instruments

With the entrance into effect of SUGEF Directive 30-18 *Regulation on Financial Information* (RFI), Article 18 requires regulated entities to calculate estimated credit losses for their investment portfolios. This calculation has been performed monthly since January 2020 for the Conglomerate's investments.

The Conglomerate has a classification of its instruments aligned with the three business models defined and updated as of the first quarter of 2021. The calculation of ECL applies only to instruments measured at amortized cost and instruments measured at fair value through other comprehensive income (FVOCI). For instruments measured at fair value through profit or loss, expected credit losses are not calculated for impairment of the issuer's credit.

Instruments classified under model 1 (measured at amortized cost) are held to collect contractual cash flows and give rise to cash flows that are solely payments of principal and interest.

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

Instruments classified under model 3 (other assets) are held to obtain income from cash flows generated by trading the assets and are recorded at fair value through profit or loss.

The estimation of instruments by model is as follows:

Month	September 2022		
	Model 1 Amortized cost	Model 2 FVOCI	Total estimated losses
January	7,573,424,497	3,435,687,361	6,464,063,397
February	7,499,112,619	3,386,947,129	6,347,020,433
March	6,435,002,890	3,338,514,680	6,242,391,720
April	6,347,031,538	3,257,783,936	6,082,794,667
May	6,589,172,399	3,162,922,451	6,053,423,858
June	6,447,019,259	3,057,752,055	6,000,064,916
July	6,381,200,586	3,019,586,043	5,994,681,671
August	6,803,983,018	3,071,222,670	5,955,742,738
September	6,937,201,609	2,900,940,134	5,702,576,313

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Month	September 2021		
	Model 1 Amortized cost	Model 2 FVOCI	Total estimated losses
January	5,707,886,149	907,120,180	6,615,006,329
February	5,771,486,817	1,716,961,888	7,488,448,705
March	5,860,177,013	1,912,333,323	7,772,510,336
April	5,838,269,399	1,949,143,279	7,787,412,678
May	5,921,652,314	1,891,224,378	7,812,876,692
June	7,987,154,446	3,469,879,404	11,457,033,850
July	7,785,330,700	3,527,314,024	11,312,644,724
August	8,209,891,213	3,614,244,123	11,824,135,336
September	8,078,216,328	3,730,823,727	11,809,040,055

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.

September 2022		
	Stage 1	Total
Investments at amortized cost	¢ 960,872,601,986	960,872,601,986
Allowance	(2,787,933,045)	(2,787,933,045)
	¢ 958,084,668,941	958,084,668,941

December 2021		
	Stage	Total
Investments at amortized cost	¢ 917,505,890,841	917,505,890,841
Allowance	(2,801,506,974)	(2,801,506,974)
	¢ 914,704,383,867	914,704,383,867

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	September 2021	
	Stage 1	Total
Investments at amortized cost	¢ 843,817,682,453	843,817,682,453
Allowance	(2,687,989,001)	(2,687,989,001)
	¢ <u>841,129,693,452</u>	<u>841,129,693,452</u>

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

	September 2022	
	Stage 1	Total
Investments at FVOCI	¢ 610,404,855,317	610,404,855,317
Allowance	(2,900,940,129)	(2,900,940,129)
	¢ <u>607,503,915,188</u>	<u>607,503,915,188</u>

	December 2021	
	Stage 1	Total
Investments at FVOCI	¢ 807,216,667,803	807,216,667,803
Allowance	(3,587,340,131)	(3,587,340,131)
	¢ <u>803,629,327,672</u>	<u>803,629,327,672</u>

	September 2021	
	Stage 1	Total
Investments at FVOCI	¢ 794,647,891,601	794,647,891,601
Allowance	(3,730,823,727)	(3,730,823,727)
	¢ <u>790,917,067,874</u>	<u>790,917,067,874</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

		September 2022	
		Stage 1	Total
Investments in financial instruments	¢	4,141,955,619	4,141,955,619
	¢	4,141,955,619	4,141,955,619
		December 2021	
		Stage 1	Total
Investments in financial instruments	¢	40,139,798,613	40,139,798,613
	¢	40,139,798,613	40,139,798,613
		September 2021	
		Stage 1	Total
Investments in financial instruments	¢	2,349,301,235	2,349,301,235
	¢	2,349,301,235	2,349,301,235

Expected losses by currency are as follows:

		September 2022	
		Absolute	Relative
Colones	¢	5,159,877,794	38.64%
US dollars		542,698,519	1.82%
	¢	5,702,576,313	40.40%
		December 2021	
		Absolute	Relative
Colones	¢	6,060,429,297	0.62%
US dollars		481,963,107	0.07%
	¢	6,542,392,404	0.40%

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		September 2021	
		Absolute	Relative
Colones	¢	5,964,960,250	0.62%
US dollars		453,852,478	0.07%
	¢	6,418,812,728	0.40%

Investments by geographic location are as follows:

		September 2022		
Country		Principal	Interest	Total
Costa Rica	¢	968,842,984,891	11,310,232,423	980,153,217,315
Panama		10,629,696,000	73,607,064	10,703,303,064
Rest of the Caribbean		193,873,349	959,052	194,832,400
United States		529,387,156,627	1,619,274,860	531,006,431,487
Canada		16,664,848,665	67,796,081	16,732,644,745
Venezuela		10,828,992,120	100,196,495	10,929,188,615
Europe		51,249,303,333	253,770,699	51,503,074,031
Asia		3,970,073,298	10,503,335	3,980,576,634
Australia		6,616,019,508	41,894,100	6,657,913,608
New Zealand		339,523,879	808,470	340,332,349
	¢	1,598,722,471,670	13,479,042,579	1,612,201,514,248

		December 2021		
Country		Principal	Interest	Total
Costa Rica	¢	1,154,985,043,482	17,570,340,520	1,172,555,384,003
Panama		4,516,750,000	8,224,247	4,524,974,247
United States		478,179,153,517	1,470,989,911	479,650,143,427
Canada		16,317,609,479	87,800,652	16,405,410,131
Venezuela		17,955,177,801	103,166,061	18,058,343,862
Europe		68,649,367,384	541,221,995	69,190,589,379
Asia		14,534,459,413	95,667,972	14,630,127,385
Australia		7,302,819,989	83,644,306	7,386,464,295
New Zealand		378,324,103	2,679,581	381,003,684
	¢	1,762,818,705,168	19,963,735,245	1,782,782,440,413

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Country	September 2021		
	Principal	Interest	Total
Costa Rica	¢ 1,081,811,157,218	12,089,616,119	1,093,900,773,337
Panama	7,554,965,278	1,605,238	7,556,570,515
United States	475,203,963,967	1,575,438,849	476,779,402,816
Mexico	192,894,826	1,229,899	194,124,726
Canada	12,477,574,774	65,266,047	12,542,840,821
Venezuela	15,662,188,637	147,560,952	15,809,749,589
Europe	59,659,797,786	306,919,476	59,966,717,262
Asia	14,294,769,316	48,036,886	14,342,806,202
Australia	6,967,552,117	42,180,595	7,009,702,713
New Zealand	373,157,695	804,631	373,962,326
	¢ 1,674,197,991,614	14,278,658,692	1,688,476,650,307

Amounts arising from expected credit losses

- *Significant increase in credit risk*

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition, the Bank shall consider reasonable and supportable information that is relevant and available without undue cost or effort, which is indicative of significant increases in credit risk since initial recognition. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

Using Moody's international ratings as reference, the Conglomerate uses the following table to determine whether there has been a significant increase in credit risk:

Instrument rating at the time of purchase	Instrument rating when analyzing whether there has been a significant increase in credit risk
Aaa	A3
Aa1	A3
Aa2	Baa1
Aa3	Baa2
A1	Baa3
A2	Ba1
A3	Ba2
Baa1	Ba2
Baa2	Ba3
Baa3	B1
Ba1	B1
Ba2	B1
Ba3	B1
B1	B3
B2	B3
B3	B3

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For issuers that only have a local rating, an equalization methodology is applied, according to the regulatory equivalence tables as per SUGEF 1-05, for both short- and long-term ratings. It is considered that the maximum rating of the local investments of the Bank's portfolio do not exceed the country risk rating.

- Definition of default

The Conglomerate considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing security (if any is held); or
- the borrower is more than 90 days past due on any material credit obligation to the Bank.

In assessing whether a borrower is in default, the Bank considers indicators that are mainly quantitative (e.g. overdue status and non-payment on another obligation with the Bank) and qualitative.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

- Incorporation of forward-looking information

The Bank 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 and 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 Bank for other purposes such as strategic planning and budgeting. The other scenarios are one upside scenario and one downside scenario. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios.

- Measurement of expected credit losses

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The key inputs used into the measurement of ECL are the term structure of the following variables:

- probability of default (PD)
- loss given default (LGD)
- exposure at default (EAD).

The Conglomerate defines these parameters using statistical models developed internally, using historical data and business-based assumptions, which are adjusted to reflect projected information, as described below:

Probability of default (PD): This is the probability that, given a risk profile, an operation will enter default over a particular time horizon, PD estimates are performed as of a certain date; the Bank calculates them through an analysis of historical information and using statistical models.

Loss given default (LGD): This is the magnitude of the likely loss if there is default. The Bank estimates LGD parameters based on a historical analysis of the recovery rates of operations that have entered into default. The model developed to calculate LGD considers the structure, collateral and recovery cost. It is calculated on a discounted cash flow basis, using the original effective interest rate of the loans as the discounting factor. The LGD may differ from the figures used for regulatory purposes, mainly due to the elimination of regulatory provisions, calibration assumptions, inclusion of forward-looking information and the discount rate used.

Exposure at default (EAD): This measures the current and future exposure to default over the life of the loan. The Bank derives EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortization. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EAD considers the potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above and subject to using a maximum of 12-month PD for financial assets for which credit risk has not increased significantly, the Bank measures ECL considering the risk of default over the maximum contractual period (including any extension option for the borrower) over which it is exposed to credit risk, even when, for credit risk management purposes, the Bank considers a longer period.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- Expected credit losses

The reconciliation of the opening balance and closing balance of expected credit losses by type of instrument is as follows:

	Stage 1	Total
<i><u>Investments in financial instruments</u></i>		
Balance as of January 1, 2022	¢ 2,976,501,745	2,976,501,745
Update of allowance	(3,385,046)	(3,385,046)
Allowance for new investments	549,815,863	549,815,863
Decrease in allowance	(708,931,384)	(708,931,384)
Balance as of September 30, 2022	¢ <u>2,814,001,178</u>	<u>2,814,001,178</u>

	Stage 1	Total
<i><u>Investments in financial instruments</u></i>		
Balance as of December 31, 2020	¢ 2,672,040,269	2,672,040,269
Update of allowance	1,786,369	1,786,369
Allowance for new investments	1,950,363,835	1,950,363,835
Decrease in allowance	(1,647,688,729)	(1,647,688,729)
Balance as of December 31, 2021	¢ <u>2,976,501,744</u>	<u>2,976,501,744</u>

	Stage 1	Total
<i><u>Investment securities</u></i>		
Balance as of January 1, 2021	¢ 3,725,042,715	3,725,042,715
Update of allowance	1,786,369	1,786,369
Allowance for new investments	5,005,531,524	5,005,531,524
Decrease in allowance	(2,314,109,451)	(2,314,109,451)
Balance as of September 30, 2021	¢ <u>6,418,251,157</u>	<u>6,418,251,157</u>

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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 125% for the LCR in colones and in US dollars. Below is the LCR indicator at the September 2022 and 2021 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 reached 192% as of September 2022, which is 26% lower compared to the previous year; this is related to an increase in net cash outflows of 16.5% (¢91,000 million, especially wholesale commitments, which had greater impact than the increase in highly liquid assets (HQLA) of 2.3% (¢28,600 million, mainly recovery of the minimum legal deposit (EML)). The indicator is considerably above the risk appetite level, at 125%, equivalent to ¢429,500 million.

As of September 30, 2022, the LCR indicator in US dollars was 252%, showing a year-on-year drop of 49% as a result of the increase in HQLA of 9.7% (-US\$122 million, mainly in level 1A instruments), together with an increase in net outflows of 13.7% (US\$66 million, mainly due to the increase in wholesale and retail commitments). The LCR indicator is considerably below the appetite level at 125%, equivalent to US\$696 million.

The LCR's percentage indicator by currency is as follows:

<u>Indicator</u>	<u>September 2022</u>	<u>September 2021</u>	<u>Variation</u>	<u>Level</u>
LCR - colones	192%	218%	(26%)	Appetite
LCR - US dollars	252%	261%	(9%)	Appetite

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of September 30, 2022, the terms of the Bank and its Subsidiaries' assets and liabilities denominated in local currency are matched as follows:

		Days								
		Past due	Demand	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	More than 365	Total
Cash and due from banks	¢	-	185,195,360,309	-	-	-	-	-	-	185,195,360,309
Minimum legal deposit in BCCR		-	337,716,687,412	20,844,032,620	14,020,409,355	22,378,072,336	51,752,670,758	52,551,962,492	26,352,487,572	525,616,322,545
Investments		-	1,392,628,653	97,670,513,045	327,701,120	19,919,301,027	114,609,652,163	188,646,981,480	472,286,443,408	894,853,220,896
Loan portfolio		171,759,757,666	-	75,942,781,677	57,554,615,218	40,582,196,654	104,485,092,497	135,732,347,132	2,845,607,115,388	3,431,663,906,232
Recovery of assets	¢	171,759,757,666	524,304,676,374	194,457,327,342	71,902,725,693	82,879,570,017	270,847,415,418	376,931,291,104	3,344,246,046,368	5,037,328,809,982
Obligations with the public	¢	-	2,796,924,335,901	92,088,948,605	152,212,607,590	144,005,877,135	307,844,403,810	318,953,224,678	193,768,130,859	4,005,797,528,578
Obligations with BCCR		-	-	-	-	-	-	-	164,696,408,078	164,696,408,078
Obligations with financial entities		-	41,304,569,427	99,033,643,746	1,904,888,425	1,215,178,143	35,888,064,876	19,099,599,645	41,025,123,236	239,471,067,498
Charges payable		-	9,486,092,320	3,791,824,118	3,412,118,631	1,183,719,662	3,099,299,586	1,597,440,281	3,272,525,176	25,843,019,774
Maturity of liabilities	¢	-	2,847,714,997,648	194,914,416,469	157,529,614,646	146,404,774,940	346,831,768,272	339,650,264,604	402,762,187,349	4,435,808,023,928
Difference	¢	171,759,757,666	(2,323,410,321,274)	(457,089,127)	(85,626,888,953)	(63,525,204,923)	(75,984,352,854)	37,281,026,500	2,941,483,859,019	601,520,786,054

As of September 30, 2021, the terms of the Bank and its Subsidiaries' assets and liabilities denominated in local currency are matched as follows:

		Days								
		Past due	Demand	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	More than 365	Total
Cash and due from banks	¢	-	177,606,164,306	-	-	-	-	-	-	177,606,164,306
Minimum legal deposit in BCCR		-	247,519,124,290	17,345,204,569	16,456,518,751	22,459,911,135	57,338,512,297	29,271,669,640	23,316,040,299	413,706,980,981
Investments		-	2,304,402,912	132,932,593,356	6,337,145,306	5,661,298,279	21,571,215,006	33,133,391,733	843,886,881,906	1,045,826,928,498
Loan portfolio		219,482,491,081	-	74,415,549,195	46,533,780,400	37,394,145,953	88,061,788,614	130,148,041,977	2,564,434,266,533	3,160,470,063,753
Recovery of assets	¢	219,482,491,081	427,429,691,508	224,693,347,120	69,327,444,457	65,515,355,367	166,971,515,917	192,553,103,350	3,431,637,188,738	4,797,610,137,538
Obligations with the public	¢	-	2,460,226,124,679	139,022,511,247	183,766,844,665	195,250,397,581	348,517,183,147	248,987,824,829	159,710,095,716	3,735,480,981,864
Obligations with BCCR		-	-	-	-	-	-	-	168,418,644,412	168,418,644,412
Obligations with financial entities		-	53,599,176,006	99,644,330,600	7,811,792,471	4,638,192,047	23,846,045,058	37,283,189,141	43,107,970,981	269,930,696,304
Charges payable		-	8,600,026,873	2,812,130,993	2,239,301,307	1,767,374,998	2,742,327,820	1,384,316,667	2,132,963,873	21,678,442,531
Maturity of liabilities		-	2,522,425,327,558	241,478,972,840	193,817,938,443	201,655,964,626	375,105,556,025	287,655,330,637	373,369,674,982	4,195,508,765,111
Difference	¢	219,482,491,081	(2,094,995,636,050)	(16,785,625,720)	(124,490,493,986)	(136,140,609,259)	(208,134,040,108)	(95,102,227,287)	3,058,267,513,756	602,101,372,427

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of September 30, 2022, the terms of the Bank's assets and liabilities denominated in foreign currency, expressed in local currency, are matched as follows:

		Days							Total
		Past due	Demand	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	
Cash and due from banks	¢	-	421,779,584,367	-	-	-	-	-	421,933,109,234
Minimum legal deposit in BCCR		-	231,733,802,851	9,208,661,956	7,372,614,673	11,159,417,907	24,473,371,502	25,921,783,931	332,754,920,318
Investments		-	4,141,955,619	34,167,699,035	9,671,971,602	8,643,548,231	42,531,918,630	219,161,332,733	717,284,428,599
Loan portfolio		83,603,751,083	-	33,936,422,211	21,512,037,430	18,260,002,497	56,749,184,222	93,830,452,985	1,288,320,156,068
Recovery of assets	¢	83,603,751,083	657,655,342,837	77,312,783,202	38,556,623,705	38,062,968,635	123,754,474,354	338,913,569,649	2,760,292,614,219
Obligations with the public	¢	-	1,597,398,360,918	50,769,813,571	76,616,481,712	72,382,312,185	139,853,180,040	162,159,495,215	2,222,836,637,580
Obligations with financial entities		-	10,176,365,039	132,177,414,836	6,327,200	-	3,445,871,223	584,843,856	396,881,256,181
Charges payable		-	2,629,924,410	626,683,598	3,915,554,838	2,250,112,936	1,129,971,851	877,838,018	12,206,231,237
Maturity of liabilities	¢	-	1,610,204,650,367	183,573,912,005	80,538,363,750	74,632,425,121	144,429,023,114	163,622,177,089	2,631,924,124,998
Difference	¢	83,603,751,083	(952,549,307,530)	(106,261,128,803)	(41,981,740,045)	(36,569,456,486)	(20,674,548,760)	1,027,509,527,202	128,368,489,221

As of September 30, 2021, the terms of the Bank's assets and liabilities denominated in foreign currency, expressed in local currency, are matched as follows:

		Days							Total
		Past due	Demand	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	
Cash and due from banks	¢	-	390,521,518,873	-	-	-	-	-	390,720,509,836
Minimum legal deposit in BCCR		-	194,105,611,851	9,399,299,188	8,332,351,900	9,907,114,184	21,500,351,924	23,689,211,706	291,600,998,265
Investments		-	-	7,681,512,724	6,105,737,947	3,449,110,526	53,722,316,141	58,735,588,059	656,108,817,605
Loan portfolio		129,367,082,429	-	31,614,957,662	10,898,263,751	9,630,911,937	31,145,309,374	51,919,360,508	1,266,748,090,191
Recovery of assets	¢	129,367,082,429	584,627,130,724	48,695,769,574	25,336,353,598	22,987,136,647	106,367,977,439	134,344,160,273	2,605,178,415,897
Obligations with the public	¢	-	1,379,805,067,381	64,174,013,993	70,030,886,063	63,451,532,542	148,737,896,400	159,629,182,389	2,012,564,114,142
Obligations with financial entities		-	17,446,951,211	99,981,243,206	6,297,100	-	250,060,360	5,535,151,857	480,980,713,780
Charges payable		-	2,821,339,858	768,940,099	6,300,047,118	2,455,227,647	923,837,957	1,137,680,552	15,167,540,886
Maturity of liabilities	¢	-	1,400,073,358,450	164,924,197,298	76,337,230,281	65,906,760,189	149,911,794,717	166,302,014,798	2,508,712,368,808
Difference	¢	129,367,082,429	(815,446,227,726)	(116,228,427,724)	(51,000,876,683)	(42,919,623,542)	(43,543,817,278)	(31,957,854,525)	96,466,047,089

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

Management of liquidity risk

The board of directors sets the Investment Fund Manager's strategy for managing liquidity risk and oversight of the implementation is administered by the General Risk 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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Management of liquidity risk

The liquidity level of the Pension Fund Manager corresponds to the nature of its operations.

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

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

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

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

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

Management of liquidity risk

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

c) Market risk

i. Banco Nacional de Costa Rica

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

<u>Indicator</u>	<u>Limit</u>	<u>Level</u>
Consolidated VaR	2.00%	Appetite
Currency risk	3.50%	Appetite
Interest rate risk – colones	2.00%	Appetite
Interest rate risk – foreign currency	2.00%	Appetite

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

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

The portfolios by currency are as follows:

<u>Currency</u>	<u>Face value of investments by currency</u>		
	<u>September 2022</u>	<u>September 2021</u>	<u>Variation</u>
Colones	811,767,950,000	918 426 450 000	(106,658,500,000)
US dollars - local issuers	117,183,805	75,980,973	41,202,832
US dollars - international issuers	1,001,808,000	924,367,000	77,440,000

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

<u>Currency</u>	<u>September 2022</u>	<u>September 2021</u>	<u>Variation</u>
Colones	0.78	1.28	(0.57)
US dollars - local issuers	1.38	1.29	0.09
US dollars - international issuers	1.02	1.59	(0.54)

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

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

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

Management of market risks

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

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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:

	<u>September 2022</u>	<u>December 2021</u>	<u>September 2021</u>
VaR indicator (99%)	1.87	0.96%	0.89%

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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 regarding the market value of investments increased during the last year. During the last 12 months until September 2022, this indicator continued to present a behavior with an upward trend, with an average VAR value of 0.52%, due to a higher volatility observed in the prices of the instruments in the investment portfolio.

<u>Type of risk</u>	<u>September 2022</u>	<u>September 2021</u>	<u>Variation</u>
Consolidated VaR	0.71%	0.46%	0.25%

Additionally, the Bank includes the results of the individual VaR by currency (in relation to the market value) at the September 2022 close and the variation with respect to the same period of the previous year:

<u>Currency</u>	<u>VaR by currency</u>		<u>Variation</u>
	<u>September 2022</u>	<u>September 2021</u>	
Colones	1.04	0.65	0.38
US dollars - local	0.56	0.77	(0.21)
US dollars - international	0.65	0.28	0.37

- Interest rate risk

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Market Risk Division monitors this risk regularly through the indicators established by SUGEF Directive 24-00 *Regulations for Determining the Economic and Financial Position of Regulated Entities* and reports monthly on its performance to the Bank's Corporate Risk Committee. A detail is presented below:

<u>Type of risk</u>	<u>September 2022</u>	<u>September 2021</u>	<u>Variation</u>	<u>Level</u>
Interest rate risk - In colones	0.26%	0.21%	0.05%	Normal
Interest rate risk - In foreign currency	0.71%	0.002%	0.70%	Normal

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

The interest rate risk indicator in colones increased mainly due to the increase in the expected maximum variation of the base deposit rate, given the steady increase of the base deposit rate from the beginning of 2022. In US dollars, the increase is also due to the increase in the expected variation of the 3-month LIBOR rate from the second quarter of the current year.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of September 30, 2022, the interest rate terms for the Bank's assets and liabilities are matched as follows (differences between the recovery of assets and the maturity of liabilities):

		Demand	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 to 720 days	More than 720 days	Total
<i>Local currency (LC)</i>									
Investments	¢	1,392,628,653	97,641,453,483	20,200,308,209	114,547,090,211	145,115,186,153	268,869,014,003	246,542,398,105	894,308,078,817
Loan portfolio		-	2,928,288,840,584	117,816,245,723	112,378,123,751	15,977,066,387	16,701,630,966	99,242,268,827	3,290,404,176,238
Recovery of rate-sensitive assets LC (A)	¢	1,392,628,653	3,025,930,294,067	138,016,553,932	226,925,213,962	161,092,252,540	285,570,644,969	345,784,666,932	4,184,712,255,055
Obligations with the public	¢	-	173,263,429,459	302,628,216,673	346,831,768,272	336,022,289,524	93,293,412,753	115,137,717,022	1,367,176,833,703
Obligations with BCCR		-	22,212,000,000	1,550,000,000	-	-	-	166,625,500,558	190,387,500,558
Obligations with financial entities LC		-	126,670,179	-	-	-	-	31,937,156,874	32,063,827,053
Maturity of rate-sensitive liabilities LC (B)	¢	-	195,602,099,638	304,178,216,673	346,831,768,272	336,022,289,524	93,293,412,753	313,700,374,454	1,589,628,161,314
Difference in LC, recovery of assets less maturity of liabilities (A - B)	¢	1,392,628,653	2,830,328,194,429	(166,161,662,741)	(119,906,554,310)	(174,930,036,984)	192,277,232,216	32,084,292,478	2,595,084,093,741
<i>Foreign currency (FC)</i>									
Investments	¢	-	16,001,398,239	40,600,763,295	42,503,068,357	215,473,823,881	309,696,005,973	92,743,650,112	717,018,709,857
Loan portfolio		-	1,093,692,529,021	40,732,391,546	23,822,937,888	2,619,086,116	21,882,595,812	61,695,488,556	1,244,445,028,939
Recovery of rate-sensitive assets FC (C)	¢	-	1,109,693,927,260	81,333,154,841	66,326,006,245	218,092,909,997	331,578,601,785	154,439,138,668	1,961,463,738,796
Obligations with the public	¢	-	170,298,910,884	152,658,371,026	144,386,512,891	160,085,705,904	171,654,272,458	89,321,498,426	888,405,271,589
Obligations with BCCR		-	13,786,968,800	-	-	-	-	-	13,786,968,800
Obligations with entities		-	-	2,238,710,872	42,510,223	-	68,337,429,776	47,454,000,000	118,072,650,871
Maturity of rate-sensitive liabilities FC (D)	¢	-	184,085,879,684	154,897,081,898	144,429,023,114	160,085,705,904	239,991,702,234	136,775,498,426	1,020,264,891,260
Difference in FC, recovery of assets less maturity of liabilities (C - D)	¢	-	925,608,047,576	(73,563,927,057)	(78,103,016,869)	58,007,204,093	91,586,899,551	17,663,640,242	941,198,847,536
Recovery of rate-sensitive assets 1/ (A + C)	¢	1,392,628,653	4,135,624,221,327	219,349,708,773	293,251,220,207	379,185,162,537	617,149,246,754	500,223,805,600	6,146,175,993,851
Maturity of rate-sensitive liabilities 2/ (B + D)	¢	-	379,687,979,322	459,075,298,571	491,260,791,386	496,107,995,428	333,285,114,987	450,475,872,880	2,609,893,052,574
Difference in LC + FC, recovery of assets less maturity of liabilities (item 1 - item 2)	¢	1,392,628,653	3,755,936,242,005	(239,725,589,798)	(198,009,571,179)	(116,922,832,891)	283,864,131,767	49,747,932,720	3536,282,941,277

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2021, the interest rate terms for the Bank's assets and liabilities are matched as follows (differences between the recovery of assets and the maturity of liabilities):

		Demand	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 to 720 days	More than 720 days	Total
<i>Local currency (LC)</i>									
Investments	¢	2,227,391,213	194,693,571,177	11,953,832,056	14,636,012,871	63,084,490,979	375,815,643,901	423,533,360,685	1,085,944,302,882
Loan portfolio		-	2,705,191,227,790	108,854,598,187	103,821,839,006	14,774,010,382	46,553,810,482	96,246,511,122	3,075,441,996,969
Recovery of rate-sensitive assets LC (A)	¢	2,227,391,213	2,899,884,798,967	120,808,430,243	118,457,851,877	77,858,501,361	422,369,454,383	519,779,871,807	4,161,386,299,851
Obligations with the public	¢	-	275,310,206,765	244,169,508,245	230,441,311,183	273,233,954,212	104,814,761,226	88,505,568,024	1,216,475,309,655
Obligations with BCCR		-	14,174,000,000	500,000,000	-	-	-	168,243,245,538	182,917,245,538
Obligations with financial entities LC		-	67,003,848	-	-	-	-	34,352,702,356	34,419,706,204
Maturity of rate-sensitive liabilities LC (B)	¢	-	289,551,210,613	244,669,508,245	230,441,311,183	273,233,954,212	104,814,761,226	291,101,515,918	1,433,812,261,397
Difference in LC, recovery of assets less maturity of liabilities (A - B)	¢	2,227,391,213	2,610,333,588,354	(123,861,078,002)	(111,983,459,306)	(195,375,452,851)	317,554,693,157	228,678,355,889	2,727,574,038,454
<i>Foreign currency (FC)</i>									
Investments	¢	-	12,115,557,349	51,872,813,974	17,100,363,502	72,914,654,087	335,186,210,074	177,834,310,040	667,023,909,026
Loan portfolio		-	1,204,199,665,568	44,848,008,902	26,230,017,191	2,883,719,639	24,093,622,164	67,952,603,036	1,370,207,636,500
Recovery of rate-sensitive assets FC (C)	¢	-	1,216,315,222,917	96,720,822,876	43,330,380,693	75,798,373,726	359,279,832,238	245,786,913,076	2,037,231,545,526
Obligations with the public	¢	-	172,491,092,816	139,557,064,120	160,676,665,595	176,753,860,348	273,343,894,813	100,157,006,766	1,022,979,584,458
Obligations with BCCR		-	5,226,525,000	-	-	-	-	-	5,226,525,000
Obligations with entities		-	-	-	517,224,380	635,197	64,525,000,000	55,281,406,600	120,324,266,177
Maturity of rate-sensitive liabilities FC (D)	¢	-	177,717,617,816	139,557,064,120	161,193,889,975	176,754,495,545	337,868,894,813	155,438,413,366	1,148,530,375,635
Difference in FC, recovery of assets less maturity of liabilities (C - D)	¢	-	1,038,597,605,101	(42,836,241,244)	(117,863,509,282)	(100,956,121,819)	21,410,937,425	90,348,499,710	888,701,169,891
Recovery of rate-sensitive assets 1/ (A + C)	¢	2,227,391,213	4,116,200,021,884	217,529,253,119	161,788,232,570	153,656,875,087	781,649,286,621	765,566,784,883	6,198,617,845,377
Maturity of rate-sensitive liabilities 2/ (B + D)	¢	-	467,268,828,429	384,226,572,365	391,635,201,158	449,988,449,757	442,683,656,039	446,539,929,284	2,582,342,637,032
Difference in LC + FC, recovery of assets less maturity of liabilities (item 1 - item 2)	¢	2,227,391,213	3,648,931,193,455	(166,697,319,246)	(229,846,968,588)	(296,331,574,670)	338,965,630,582	319,026,855,599	3,616,275,208,345

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of September 30, 2021, the interest rate terms for the Bank's assets and liabilities are matched as follows (differences between the recovery of assets and the maturity of liabilities):

		Demand	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 to 720 days	More than 720 days	Total
<i>Local currency (LC)</i>									
Investments	¢	2,304,402,912	132,763,899,263	11,920,083,832	21,512,973,088	33,133,391,733	328,155,757,126	516,029,075,812	1,045,819,583,766
Loan portfolio		-	2,685,249,702,213	108,044,445,608	103,061,015,418	14,676,793,810	15,351,813,963	92,503,547,524	3,018,887,318,536
Recovery of rate-sensitive assets LC (A)	¢	2,304,402,912	2,818,013,601,476	119,964,529,440	124,573,988,506	47,810,185,543	343,507,571,089	608,532,623,336	4,064,706,902,302
Obligations with the public	¢	-	227,781,120,207	395,722,642,309	375,105,556,025	286,533,975,111	103,811,882,810	67,539,261,935	1,456,494,438,397
Obligations with BCCR		-	14,350,000,000	-	-	-	-	169,034,639,545	183,384,639,545
Obligations with financial entities LC		-	119,280,016	-	-	-	-	35,149,399,507	35,268,679,523
Maturity of rate-sensitive liabilities LC (B)	¢	-	242,250,400,223	395,722,642,309	375,105,556,025	286,533,975,111	103,811,882,810	271,723,300,987	1,675,147,757,465
Difference in LC, recovery of assets less maturity of liabilities (A - B)	¢	2,304,402,912	2,575,763,201,253	(275,758,112,869)	(250,531,567,519)	(238,723,789,568)	239,695,688,279	336,809,322,349	2,389,559,144,837
<i>Foreign currency (FC)</i>									
Investments	¢	-	7,287,564,965	9,427,343,161	53,722,304,062	55,178,714,825	229,984,872,874	288,733,534,358	644,334,334,245
Loan portfolio		-	1,060,622,643,661	39,500,769,785	23,102,605,799	2,539,893,038	21,220,933,676	59,896,297,429	1,206,883,143,388
Recovery of rate-sensitive assets FC (C)	¢	-	1,067,910,208,626	48,928,112,946	76,824,909,861	57,718,607,863	251,205,806,550	348,629,831,787	1,851,217,477,633
Obligations with the public	¢	-	154,544,824,151	140,227,000,084	149,841,281,415	164,208,876,869	59,069,935,196	309,501,881,234	977,393,798,949
Obligations with BCCR		-	629,710,000	-	-	-	-	-	629,710,000
Obligations with entities		-	10,549,138,867	2,014,161,546	70,513,301	-	-	118,601,470,530	131,235,284,244
Maturity of rate-sensitive liabilities FC (D)	¢	-	165,723,673,018	142,241,161,630	149,911,794,716	164,208,876,869	59,069,935,196	428,103,351,764	1,109,258,793,193
Difference in FC, recovery of assets less maturity of liabilities (C - D)	¢	-	902,186,535,608	(93,313,048,684)	(73,086,884,855)	(106,490,269,006)	192,135,871,354	(79,473,519,977)	741,958,684,440
Recovery of rate-sensitive assets 1/ (A + C)	¢	2,304,402,912	3,885,923,810,102	168,892,642,386	201,398,898,367	105,528,793,406	594,713,377,639	957,162,455,123	5,915,924,379,935
Maturity of rate-sensitive liabilities 2/ (B + D)	¢	-	407,974,073,241	537,963,803,939	525,017,350,741	450,742,851,980	162,881,818,006	699,826,652,751	2,784,406,550,658
Difference in LC + FC, recovery of assets less maturity of liabilities (item 1 - item 2)	¢	2,304,402,912	3,477,949,736,861	(369,071,161,553)	(323,618,452,374)	(345,214,058,574)	431,831,559,633	257,335,802,372	3,131,517,829,277

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

The consolidated VaR of the Pension Fund Manager's own funds has a slight decreasing trend, with a maximum of 2.32% and a minimum of 0.39% for an average of 1.19%, equivalent to ₡139.25 million. As of September 30, 2022, the indicator closed at 1.45% (2021: 2.14%), showing an increase due to the portfolio's portion of fixed-rate investments, because the indicator shows the portfolio volatility with respect to market interest rates.

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

d) Currency risk

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

On July 31, 2019, the Corporate Risk approved to lengthen the foreign currency position. This decision was ratified by the General Board of Directors on August 20, 2019, for which this position is monitored daily by the Market Risk Division.

i. Banco Nacional de Costa Rica

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

The Bank calculates the SUGEF currency risk indicator on a monthly basis, which remains at the appetite level from September 2018 until now. The indicator has increased, which is an expected behavior due to an increase in the exchange rate from the second quarter of 2022.

<u>Type of risk</u>	<u>September 2022</u>	<u>September 2021</u>	<u>Variation</u>	<u>Level</u>
Currency risk	1.30%	0.62%	0.68%	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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

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

<u>Internal currency risk</u>	<u>September 2022</u>	<u>September 2021</u>	<u>Level</u>
5 th percentile	0.06%	0.14%	Normal
95 th percentile	0.17%	0.20%	Normal

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Assets and liabilities denominated in foreign currency are as follows:

		US dollars	
		September 2022	September 2021
<i><u>Assets:</u></i>			
Cash and due from banks	US\$	1,141,494,365	1,028,976,641
Investments in financial instruments		1,133,652,214	1,040,136,534
Loan portfolio		1,961,253,918	1,938,749,912
Accounts and accrued interest receivable		907,271	570,475
Investments in other companies		120,687,303	118,371,027
Property, furniture and equipment		485,905	-
Other assets		1,274,734	5,157,256
	US\$	<u>4,359,755,710</u>	<u>4,131,961,845</u>
<i><u>Liabilities:</u></i>			
Obligations with the public	US\$	3,470,819,811	3,158,555,395
Obligations with entities		634,191,270	773,272,934
Subordinated obligations		113,008,551	11,645,938
Accounts payable and provisions		19,208,583	3,424,147
Other liabilities		2,290,908	75,363,587
	US\$	<u>4,239,519,123</u>	<u>4,022,262,001</u>
Excess of assets over liabilities in US dollars	US\$	<u>120,236,587</u>	<u>109,699,844</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		Euro	
		September 2022	September 2021
<u>Assets:</u>			
Cash and due from banks	€	52,448,008	43,320,336
		<u>52,448,008</u>	<u>43,320,336</u>
<u>Liabilities:</u>			
Obligations with the public	€	51,765,271	42,981,267
Obligations with entities		1,209,143	815,490
Accounts payable and provisions		3,242	486,884
Other liabilities		101,514	-
	€	<u>53,079,170</u>	<u>44,283,641</u>
Deficit of assets over liabilities in euro	€	(631,162)	(963,305)
		DU	
		September 2022	September 2021
<u>Assets:</u>			
Loan portfolio		126,871	1,290,266
	UD	<u>126,871</u>	<u>1,290,266</u>
<u>Liabilities:</u>			
Accounts payable and provisions	UD	34,177	131,362
	UD	<u>34,177</u>	<u>131,362</u>
Excess of assets over liabilities in DU	UD	<u>92,694</u>	<u>1,158,904</u>

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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The valuation in colones of monetary assets and liabilities in foreign currency gave rise to foreign exchange gains and losses, as follows:

	September 2022	September 2021
Gain on foreign exchange differences	¢ 486,910,109,335	66,908,218,367
Loss on foreign exchange differences	(486,879,802,350)	(66,974,371,658)
Net gain (loss)	¢ 30,306,985	(66,153,291)

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

	September 2022	September 2021
Gain on net valuation of other assets (Note 42)	¢ 403,451,802	61,663,409
Loss on net valuation of other liabilities	(241,151,408)	(80,217,505)
Net gain (loss)	¢ 162,300,394	(18,554,096)

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%.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

i. 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.

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

As of September 30, 2022, 9.49% of the Pension Fund Manager's portfolio of own funds is represented by investments in US dollars. By adding cash and due from banks denominated in foreign currency, the percentage increases to 11.28% (¢1,406.39 million) compared to September 30, 2021, where it closed at 8.61%.

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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 September 30, 2022			
1%	2%	(1)%	(2)%
62,500,000	125,000,000	(62,500,500)	(125,000,000)

As of September 30, 2022, an increase of 5% in the exchange rate of the functional currency with respect to the US dollar would generate a loss of ¢69.81 million. A decrease of 5% would generate the opposite effect.

iii. 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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 by the Bank stipulates that all of the Bank's employees are responsible for managing operational risk. The Bank's 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 Bank's 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 Bank's fundamental principles for operational risk management is transparency, which means that all risk events should be identified, documented and reported in order to allow the Bank 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:

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements



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

For legal risk, the Bank applies a model that permits estimating the expected losses and VaR of lawsuits, considering the expert opinion of the legal counsel, the subject matter of the cases when calculating the probability of an unfavorable ruling and a continuous model for the duration of the lawsuits. This model provides a direct estimate of the duration of each lawsuit in the corresponding court and the possible outcomes. The results obtained are used to contemplate possible losses from 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 Bank's upper management through a periodic information system that determines risk exposure.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

- Identification: Tools have been developed to accurately identify the different risks associated with each of the Investment Fund Manager's fundamental processes. Each process was analyzed together with any related processes to formulate a risk portfolio for the entire company. As a first step, the risks included in that portfolio were grouped by type and by class.
- Analysis: Using tools defined by international methods, the Investment Fund Manager analyzed the risks identified for each business unit and determined the degree of impact, the probability of occurrence and the origin of each risk. In addition to this analysis, the Investment Fund Manager assesses aspects of the business that can affect risk such as its image, operations, income, human resources, etc.
- Measurement: Similar to the analysis mentioned above, each risk identified was assessed from two perspectives (its probability of occurrence and its potential impact) in order to determine which risks require the most attention and the formulation of action plans to be carried out in the event that the risk materializes. Such information is included in the Business Continuity Plan (BCP).
- Follow-up: Periodic assessments are made of the institutional risk map to identify changes that could increase or decrease the probability that risk events will occur in order to adapt the Investment Fund Manager's strategies to address areas in which risk exposures are considered unacceptable.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Fair value of financial instruments

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

- (a) The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short-term nature of these instruments.
- (b) Available-for-sale investments are booked at fair value. The fair values are based on quoted market prices or prices quoted by brokers. The fair values of held-to-maturity investments are estimated using discounted cash flow techniques.

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

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

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

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

Additionally, the General Risk Division of the Bank's Financial Conglomerate furnishes necessary operational risk results. Compliance with the standards established by the Bank at the financial conglomerate level is supported by a program of periodic reviews undertaken by General and Internal Audit, the results of such reviews are discussed with the personnel of the Pension Fund Manager.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

As of September 30, 2022, 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 ₡35,344,315 that covers the lawsuits against the Pension Fund Manager, out of seven 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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Capital risk: This is the risk that the Insurance Brokerage Firm will not have sufficient capital to meet the minimum regulatory requirements in all jurisdictions where regulated activities are performed, so as to support its credit rating and its strategic and growth options. The Insurance Brokerage Firm is regulated by the Superintendency General of Insurance (SUGESE), which establishes the capital requirements.

Capital risk management

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

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

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

Legal risk management covers three types of events:

- Contract risk: to the extent that the clauses included in the contracts adhere to the regulations in effect and guarantee compliance by the parties. Legal actions are coordinated and support is obtained from the Bank so that, from a legal perspective, all documents subscribed with third parties are reasonably secure.
- Risk of regulatory compliance: regarding the scope and the adoption of regulations in effect on the Insurance Brokerage Firm's operations, there is a Regulatory Compliance area. Its main functions include a systematic and comprehensive review of the elements of specific regulations in the event of a deviation.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 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 litigation against the entity, which is in first instance and is estimated in the amount of ¢3,500,000 (2021: ¢2,840,000).

Capital management:

Regulatory capital

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

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

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

In accordance with Article 135 of the Internal Regulations of the Central Bank of Costa Rica, CONASSIF will establish limits for credit operations, whether direct or stand-by, that financial entities regulated by SUGEF may enter into with individuals or legal entities under the modalities offered by regulated entities.

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

From January 1, 2007, in order to comply with the disclosure of objectives, policies and procedures for managing capital and quantitative information. The Bank and its subsidiaries adhere to SUGEF's Chart of Accounts, Articles 10, 11 and 12 of IRNBS, Decision AGB 8-86, *Regulations for Authorizing the Organization, Opening and Operation of Private Banks* and SUGEF official communication 043-2005.

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

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

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

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of September 30, 2022 and 2021, the Bank's CAR is above the minimum level required by applicable regulations, which indicates that capital levels are above the minimum required by laws and regulations.

Moreover, in applying Law No. 8627, *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 (account No. 311) (see Note 26).

COVID 19 implications for the Conglomerate

According to the most recent statistics on infection and deaths due to the COVID 19 pandemic (declared as such by the World Health Organization at the beginning of 2020), there are over 623 million people infected and 6.56 million deaths. By mid-2021, the government reduced social isolation measures in order to gradually resume the different economic activities. However, in many countries, to avoid another wave of infection due to the appearance of new strains of the virus, confinement measures we applied once again, affecting different economic activities.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Economic outlook

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

Indicator	Values
Unemployment	11.8%
Monthly index of economic activity (IMAE) year-on-year	3.3%
Financial deficit	1% of GDP
Primary deficit	1.3% of GDP
Trade balance (cumulative)	US\$(2,6)M
Central government debt	US\$41,797M
	(0.95)% per month
CPI September	10.37% year-on-year

International context:

Inflation rates continue to be high. In the United States, the year-on-year inflation was 8.2% in September, increased to 8.3% in August, lower than the rate in June and July (9.1% and 8.5% respectively). However, the rate continues to be high. In the eurozone, inflation increased to 9.9% in September, 9.1% in August (8.9% in July), where the underlying component increased from 4.0% in July to 4.3% in August. With these rates, the central banks in advanced economies tighten their monetary political stance.

The short-term indicators suggest that the economic slowdown will remain in the third quarter of the current year. The confidence indicators for the member countries of the Organization for Economic Cooperation and Development (OECD) show an impairment in the confidence of both consumers and businessmen.

The World Bank foresees a low growth for Latin America in 2023. The economic recovery that the Latin American region has experienced during this 2022 after the COVID-19 crisis is noticeable. The World Bank has foreseen a growth of 3.3% of the Gross Domestic Product (GDP) in Latin America for the year-end. However, it is forecasted that the regional growth will drop to 1.6% in 2023 and 2.3% in 2024 as a result of the increase in raw material prices, high interest rates and the global uncertainty generated by the conflict between Russia and Ukraine, aside from the Chinese recession, which will decrease exports significantly.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

National context:

The economic activity continues to decelerate although at a slower pace. This trend is observed from the second semester of 2021. The cycle trend of the Monthly Economic Activity Index (IMAE) showed a year-on-year variation, as of July, of 3.3%, decreasing by 9.8% percentage points with respect to the one registered one year ago and decreasing by 0.7% as of the prior month.

At the September close, the consumer price index (CPI) was 10.37%. The monthly CPI variation is negative (-0.95) for the first time in the current year. Thus, the upward trend is broken. According to the press release of the National Institute of Census and Statistics (INEC), of the 289 goods and services that comprise the CPI, 32% decreased the price, 55% increased the price, and 13% did not show variations.

The decreased in CPI during September is mainly due to reductions that were effective for fuel prices during the month and to the decrease in the exchange rate of the US dollar. This is because there are several goods and services within the CPI whose prices are collected in US dollars.

Monetary policy: In line with the monetary policies of the main world economies, last September 14, 2022, the board of directors of BCCR agreed to increase the Monetary Policy Rate by 100 base points (b.p.), locating at 8.7%. With this increase, the Monetary Policy Rate shows an increase of 775 b.p. since December 15, 2021.

As per fiscal matters, the Ministry of the Treasury pointed out that the fiscal income surpassed the goal agreed with the International Monetary Fund (IMF). As of the first quarter of 2022, the public finances showed a greater primary surplus equivalent to 1.3% of the GDP and a lower financial deficit (1.0% of the GDP) with respect to the same term one year ago (0.4% and -1.9%, respectively). This behavior is due to the improvement in tax collection and a drop in the primary expense as a result of the fiscal rule. Nevertheless, interest payment is around 2.3% of the GDP, associated with internal debt payment.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The IMF considers the easing of the fiscal rule to be risky. According to Manuela Goretti, in-charge of the IMF's technical team that attended the third review of the economic reform supported by Extended Fund Facility (EFF), there are some risky details regarding the easing taken by the State. The main concern detected by the team is due to the exclusion of expenses for capital and interest on the application of the fiscal rule. The observation is that highly indebted countries such as Costa Rica should take into account all of the elements that have a considerable impact on the public debt. Nogui Acosta, Ministry of the Treasury justified the proposal as a way to be able to operate with greater scope of action amidst the high levels of national indebtedness.

Actions taken by the Conglomerate (CFBNCR)

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

- *Credit risk*

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

- i. Implementation of a plan to monitor repayment capacity (creditworthiness) from a quantitative point of view and with a greater qualitative focus,
- ii. Development of the "Juntos al Amanecer" program to provide affected customers with working capital,
- iii. Program to restructure principal and interest payments, for terms of three to nine months,
- iv. Restructuring strategy by profiles.

The following continue in progress:

- Ongoing monitoring of high-risk customers,
- Improvements in collection strategies and plans,
- Creation of an allowance "cushion" amounting to ₡46,149 million as of September.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- *Interest rate risk (balance)*
 - Ongoing monitoring of interest rate indicators.
 - Promote the use of the interbank rate (TRI) as reference for loans since it best reflects market conditions.
 - Perform stress testing on interest rates.
- *Liquidity risk*
 - The liquidity coverage ratio for 5 and 10 days is sent weekly as part of the information requested by the Central Bank for analysis of the last-minute loan requests.
 - Daily monitoring of the main liquidity indicators.
 - Bi-weekly stress testing of liquidity indicators reported to the board of directors.
 - Lines of credit with foreign entities are requested.
- *Price risk*
 - Ongoing monitoring of concentration of instruments in the investment portfolio by currency, sector, rating and other.
 - Monitoring of prices and ratings of local and international securities.
 - Constant monitoring of the main price risk indicators, including internal VaR and SUGEF VaR, as well as stress testing to determine possible impacts on solvency ratios.
- *Currency risk*
 - Periodic monitoring of systemic indicators to analyze the exchange rate. It is presented to the board of directors weekly.

These measures are continuously reviewed so as to adapt to changing market conditions and foresee risks.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(7) Collateralized or restricted assets

Collateralized or restricted assets are as follows:

Restricted asset	Cause of restriction	September 2022	December 2021	September 2021
<u>Cash and due from banks:</u>				
Checking account – colones (Note 9)	Minimum legal deposit	¢ 617,269,386,106	486,421,991,516	464,500,805,775
Checking account – US dollars (Note 9)	Minimum legal deposit	342,667,674,703	333,197,818,556	306,507,898,918
Checking account – euro (Note 9)	Minimum legal deposit	4,825,928,752	4,919,236,524	4,715,867,302
Other cash and due from banks (Note 9)	Margin calls – derivative financial instruments	91,133,933	17,705,021	-
Other cash and due from banks (Note 9)	Contingent guarantee of the deposit guarantee fund (FGD)	122,884,628,876	122,256,193,104	119,336,027,871
Other cash and due from banks (Note 9)	Contribution to FOGABONA	153,524,877	287,351,062	482,138,390
		¢ <u>1,087,892,277,247</u>	<u>947,100,295,783</u>	<u>895,542,738,256</u>
<u>Investments in financial instruments:</u>				
Investments in financial instruments	Liquidity market operations	¢ 46,261,969,742	31,296,977,125	28,535,439,191
Securities issued by BCCR and the Government	Investments securing repurchase agreements	2,302,062,456	2,685,689,808	2,766,000,000
Sovereign bond in USD	BNY MELON	765,774,590	-	-
Sovereign bond in USD	BOFA - SWAPS	1,541,162,430	-	-
External debt bonds	Nomura Bank guarantee	91,270,062,646	68,236,937,961	60,185,010,042
External debt bonds	SINPE guarantee	210,328,222,060	215,666,380,475	210,860,291,691
Term Certificate of Deposit	Nomura Bank guarantee	-	25,810,000,000	25,188,400,000
Sovereign bond in USD	JP - SWAPS	765,774,590	-	-
		¢ <u>353,235,028,514</u>	<u>343,695,985,369</u>	<u>327,535,140,924</u>
<u>Other assets</u>				
Other assets (see Note 17)	Security deposits	¢ <u>549,571,538</u>	<u>1,023,835,140</u>	<u>716,577,654</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of September 30, 2022, the Brokerage Firm has restricted assets in the amount of ¢46,261,969,742 (December and September 2021: ¢31,311,875,880 and ¢28,549,995,535, 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 September 30, 2022, the Pension Fund Manager has restricted assets in the amount of ¢2,302,062,456 corresponding to investments pledged to secure repurchase agreements.

(8) Balances and transactions with related parties

Balances and transactions with related parties are as follows:

	September 2022	December 2021	September 2021
<u>Assets:</u>			
Checking accounts in foreign financial entities (1) (Note 9)	¢ 49,299,217,812	21,945,597,789	27,554,033,660
Investments in financial instruments and accrued interest receivable (2)	21,463,635,300	32,238,842,735	29,087,096,282
Accounts receivable	-	228,512	-
Investments in other companies (2)	76,310,647,057	76,711,519,445	74,488,795,940
	¢ <u>147,073,500,169</u>	<u>130,896,188,481</u>	<u>131,129,925,882</u>
<u>Liabilities:</u>			
Demand obligations with entities (3)	24,250,655	107,286,096	17,107,829
Accounts due to related parties (4)	1,589,249	1,741,064	4,383,294
	¢ <u>25,839,904</u>	<u>109,027,160</u>	<u>21,491,123</u>
<u>Income:</u>			
Gain on investments in other foreign companies	1,468,437,168	1,172,039,559	733,304,503
	<u>1,468,437,168</u>	<u>1,172,039,559</u>	<u>733,304,503</u>
<u>Expenses:</u>			
Operating expenses (5)	29,117,199	47,464,807	13,961,813
	¢ <u>29,117,199</u>	<u>47,464,807</u>	<u>13,961,813</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The aforementioned balances and transactions with related parties correspond to:

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

a) Compensation to key personnel

Compensation to key personnel is as follows:

		September 2022	December 2021	September 2021
Short-term benefits	¢	1,667,667,522	2,112,224,059	1,584,591,202
Long-term benefits		216,796,778	274,589,128	205,996,856
Per diem – Board of directors		90,763,295	204,479,433	151,048,569
	¢	<u>1,975,227,595</u>	<u>2,591,292,620</u>	<u>1,941,636,627</u>

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(9) Cash and cash equivalents

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

	September 2022	December 2021	September 2021
Cash and due from banks	¢ 1,465,499,712,405	1,355,841,181,326	1,273,634,653,388
Investments with maturities of less than two months	147,372,469,074	255,534,962,838	155,361,392,246
	¢ 1,612,872,181,479	1,611,376,144,164	1,428,996,045,634

Cash and due from banks is as follows:

	September 2022	December 2021	September 2021
Cash on hand and in vaults	¢ 59,954,034,022	94,766,425,499	78,822,869,049
Cash in transit	59,653,516,037	58,255,934,323	50,208,205,395
Checking account in BCCR (1)	52,591,712,895	65,849,314,821	45,171,667,286
Minimum legal deposits in BCCR (2)	805,779,529,968	683,020,535,782	660,136,311,960
Checking accounts and demand deposits in State-owned commercial banks and banks created under special laws	555,037,424	278,613,154	196,909,240
Checking accounts and other demand accounts in private financial entities	765,012,250	992,017,393	899,686,807
Overnight deposits in local financial entities	-	-	400,000,000
Checking accounts in foreign financial entities	300,485,177,092	300,162,110,106	276,495,289,352
Deposits and other demand accounts in foreign financial entities	2,496,820,786	33,536,854	1,196,305,780
Checking accounts and demand deposits in related parties (Note 9)	49,299,217,812	21,945,597,789	27,554,033,660
Overnight deposits in foreign financial entities	3,514,841,012	878,432,794	890,402,446
Transfers through the Interbank Electronic Payment System (SINPE)	2,854,966,672	1,360,638,705	8,154,395,051
Local notes receivable	3,660,667,584	4,373,095,594	3,117,773,790
Foreign notes receivable	759,891,165	1,363,679,325	572,637,310
Margin calls – derivative financial instruments (Note 11)	91,133,933	17,705,021	-
Fondo de Garantía de la Bolsa Nacional de Valores (FOGABONA)	153,524,877	287,351,062	482,138,389
Contingent guarantee of the deposit guarantee fund (Fondo de Garantía de Depósitos, FGD)	122,884,628,876	122,256,193,104	119,336,027,872
	¢ 1,465,499,712,405	1,355,841,181,326	1,273,634,653,388

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

Minimum legal deposit rates

15%

(10) Investments in financial instruments

Investments in financial instruments are as follows:

	September 2022	December 2021	September 2021
Investments at FVTPL	¢ 27,043,332,506	40,139,798,613	37,416,639,367
Investments at FVOCI	644,433,515,301	807,216,667,803	794,647,891,595
Investments at amortized cost	927,102,440,644	917,505,890,841	843,817,682,453
	¢ 1,598,579,288,451	1,764,862,357,257	1,675,882,213,415
Interest rate futures – Hedges	51,863,280	7,723,704,438	11,774,483,357
Sale of FX futures - Other than hedges	27,455,190	-	390,632
Allowance for impairment of investments	(2,801,636,179)	(2,801,506,974)	(2,687,988,994)
Allowance for impairment of derivative instruments other than hedges	(12,364,998)	-	-
Accrued interest receivable on investments	13,479,042,574	19,963,735,244	14,278,658,692
	¢ 1,609,323,648,318	1,789,748,289,965	1,699,247,757,102

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

	September 2022	December 2021	September 2021
<u>Local issuers</u>			
Private banks	-	33,238,828,201	-
Private issuers	23,005,317,739	2,382,923,616	37,416,639,368
¢	<u>23,005,317,739</u>	<u>35,621,751,817</u>	<u>37,416,639,368</u>
	September 2022	December 2021	September 2021
<u>Foreign issuers</u>			
Private issuers	4,038,014,767	4,518,046,796	-
	<u>4,038,014,767</u>	<u>4,518,046,796</u>	<u>-</u>
¢	<u>27,043,332,506</u>	<u>40,139,798,613</u>	<u>37,416,639,368</u>

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

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

	September 2022	December 2021	September 2021
<u>Local issuers</u>			
Government of Costa Rica	¢ 431,050,775,058	521,907,049,285	509,163,321,637
BCCR	29,581,877,591	36,858,432,072	39,147,647,907
State-owned banks	(284,500,000)	3,632,560,534	7,336,324,107
Private banks	-	645,545,744	631,335,905
Private issuers	5,805,562,456	2,685,689,808	2,766,000,000
¢	<u>466,153,715,105</u>	<u>565,729,277,443</u>	<u>559,044,629,556</u>
	September 2022	December 2021	September 2021
<u>Foreign issuers</u>			
Governments	¢ 38,133,486,608	53,201,249,628	50,158,433,596
Private issuers	81,122,291,812	82,109,125,018	89,137,392,407
Private banks	59,024,021,776	106,177,015,714	96,307,436,042
	<u>178,279,800,196</u>	<u>241,487,390,360</u>	<u>235,603,262,045</u>
¢	<u>644,433,515,301</u>	<u>807,216,667,803</u>	<u>794,647,891,601</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

c) Investments at amortized cost

Investments at amortized cost are as follows:

		<u>September</u>	<u>December 2021</u>	<u>September 2021</u>
<u>Local issuers</u>				
Government of Costa Rica	¢	307,371,342,347	261,424,353,274	257,844,635,493
BCCR		153,657,413,930	284,729,758,820	217,755,290,754
Private banks		14,362,744,000	5,807,250,000	3,778,260,000
Private issuers		4,149,268,564	3,716,304,135	7,655,923,834
	¢	<u>479,540,768,841</u>	<u>555,677,666,229</u>	<u>487,034,110,081</u>
<u>Foreign issuers</u>				
Governments	¢	421,924,757,862	320,363,678,407	313,119,724,908
Private issuers		3,249,424,599	6,264,129,696	6,152,363,009
Private banks		22,387,489,342	35,200,416,509	37,511,484,455
		<u>447,561,671,803</u>	<u>361,828,224,612</u>	<u>356,783,572,372</u>
	¢	<u>927,102,440,644</u>	<u>917,505,890,841</u>	<u>843,817,682,453</u>

As of September 30, 2022, the valuation of investments in financial instruments and restricted financial instruments gave rise to unrealized losses, net of deferred tax, in the amount of ¢23,404,037,422 (December and September 2021: unrealized gains in the amount of ¢432,598,599 and ¢5,216,639,943, respectively). The cumulative balance of equity adjustments arising from the valuation of those investments is equivalent to unrealized losses of ¢12,342,614,120 (December and September 2021: unrealized gains in the amount of ¢11,061,423,302 and ¢15,753,567,121, respectively).

(11) Derivative financial instruments

The Conglomerate holds the following types of derivative financial instruments:

✓ Derivatives as risk hedging instruments

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Derivative financial instruments are as follows:

		September 2022		
Issuing bank		Notional amount	Valuation	Purpose
JP Morgan	US\$	45,833,000	US\$ (675,203)	Swaps to hedge 10-year issues (maturing in 2023)
Bank of America		128,631,000	(1,894,968)	
	US\$	174,464,000	US\$ (2,570,171)	
Amount in colones	¢	110,386,862,080	¢ (1,626,198,709)	
Chicago Board of Trade	US\$	12,100,000	US\$ (158,196)	Standardized futures contracts (maturing in 2022)
Amount in colones	¢	7,655,912,000	¢ (100,093,526)	
		December 2021		
Issuing bank		Notional amount	Valuation	Purpose
CitiBank	US\$	100,000,000	US\$ 3,739,241	Swaps to hedge 10-year issues (maturing in 2023)
JP Morgan		46,533,000	1,739,981	
Bank of America		173,588,000	6,490,874	
	US\$	320,121,000	US\$ 11,970,096	
Amount in colones	¢	206,558,075,250	¢ 7,723,704,438	
Chicago Board of Trade	US\$	15,300,000	US\$ (21,984)	Standardized futures contracts (maturing in 2022)
Amount in colones	¢	9,872,325,000	¢ (14,185,350)	

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Issuing bank	September 2021		Purpose
	Notional amount	Valuation	
CitiBank	US\$ 100,000,000	US\$ 5,827,024	Swaps to hedge 10-year issues (maturing in 2023)
JP Morgan	46,533,000	2,711,489	
Bank of America	173,588,000	10,115,015	
	US\$ 320,121,000	US\$ 18,653,529	Standardized futures contracts (maturing in 2022)
Amount in colones	¢ 201,583,394,910	¢ 11,746,313,671	
Chicago Board of Trade	US\$ 10,400,000	US\$ 40,242	
Amount in colones	¢ 6,548,984,000	¢ 25,340,846	

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

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

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

	Rate of effectiveness		
	September 2022	December 2021	September 2021
10-year issue (maturing in 2023)	137.66%	109.11%	95.66%

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 September 30, 2022
- only a portion of the bond cash flows is hedged (corresponding to the 5-year and 10-year LIBOR rate in effect at the issue of the bond) rather than the total interest rate
- accrued and earned interest were segregated from the instruments to obtain variations in clean prices
- forward rate to calculate variable interest.

Standardized futures contracts were negotiated as part of the management of the financial derivatives portfolio, according to the following detail:

	September 2022	
	US dollars	Colones
Notional amount	12,100,000	7,655,912,000
<u>Valuation</u>		
Positive valuation	81,969	51,863,280
Negative valuation	(240,164)	(151,956,807)
Net valuation	(158,196)	(100,093,526)

	December 2021	
	US dollars	Colones
Notional amount	15,300,000	9,872,325,000
<u>Valuation</u>		
Negative valuation	(21,984)	(14,185,350)
Net valuation	(21,984)	(14,185,350)

	September 2021	
	US dollars	Colones
Notional amount	10,400,000	6,548,984,000
<u>Valuation</u>		
Positive valuation	44,734	28,169,686
Negative valuation	(4,492)	(2,828,840)
Net valuation	40,242	25,340,846

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

		September 2022	December 2021	September 2021
Total notional amount	¢	118,042,774,080	216,430,400,250	208,132,378,910
<u>Positive valuation</u>				
Swaps		-	7,723,704,438	11,746,313,671
Standardized futures contracts		51,863,280	-	28,169,686
		<u>51,863,280</u>	<u>7,723,704,438</u>	<u>11,774,483,357</u>
<u>Positive valuation</u>				
Swaps		(1,626,198,709)	-	-
Standardized futures contracts		(151,956,807)	(14,185,350)	(2,828,840)
		<u>(1,778,155,516)</u>	<u>(14,185,350)</u>	<u>(2,828,840)</u>
Net valuation	¢	<u>(1,726,292,236)</u>	<u>7,709,519,088</u>	<u>11,771,654,517</u>

✓ Derivatives other than hedges

Currency forwards:

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The total notional amount and its valuation is as follows:

	US dollars	Colones
Total notional amount	525,000	332,178,000
<u>Valuation</u>		
Positive valuation	¢ -	27,455,190
Net valuation	¢ -	27,455,190

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

	September 2022	December 2021	September 2021
Total notional amount	¢ 118,374,952,080	216,430,400,250	208,422,045,510
<u>Positive valuation</u>			
Swaps	-	7,723,704,438	11,746,313,671
Standardized futures contracts	51,863,280	-	28,169,686
Forwards contracts	27,455,190	-	390,632
	79,318,470	7,723,704,438	11,774,873,989
<u>Negative valuation</u>			
Swaps	(1,626,198,709)	-	-
Standardized futures contracts	(151,956,807)	(14,185,350)	(2,828,840)
Negative valuation	(1,778,155,516)	(14,185,350)	(2,828,840)
Net valuation	¢ (1,698,837,045)	7,709,519,088	11,772,045,149

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

	September 2022	December 2021	September 2021
Gains on derivative financial instruments	¢ 4,851,733,427	7,266,821,001	5,654,827,206
Losses on derivative financial instruments	(11,229,290,689)	(9,275,414,200)	(6,049,960,203)
(Net losses)	¢ (6,377,557,262)	(2,008,593,199)	(395,132,997)

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(12) Loan portfolio

(a) Loan portfolio by sector

The loan portfolio by sector is as follows:

	September 2022	December 2021	September 2021
Trade	356,927,538,572	330,171,594,062	331,760,331,755
Services (1)	1,051,906,525,293	1,043,436,571,257	907,957,470,744
Financial services (1)	92,884,384,860	91,266,302,711	69,371,635,342
Mining	407,615,965	455,324,660	525,430,053
Manufacturing and quarrying	167,151,803,645	158,415,565,843	148,943,351,322
Construction	66,335,670,091	93,491,037,959	93,518,833,495
Agriculture and forestry	107,425,528,856	116,562,814,807	116,577,206,512
Livestock, hunting and fishing	73,208,482,813	72,831,830,903	73,101,111,104
Electricity, water, sanitation and other related sectors	429,259,949,526	465,323,785,148	466,415,691,578
Transportation and telecommunications	41,880,026,832	43,598,161,061	44,239,205,962
Housing	1,442,160,924,599	1,347,158,225,840	1,322,297,997,088
Personal or consumer loans	541,208,194,863	503,511,429,681	499,831,963,949
Tourism	276,346,875,410	268,107,946,733	257,320,761,962
Total direct loans	4,647,103,521,325	4,534,330,590,665	4,331,860,990,866
Incremental direct costs related to loans	5,565,119,085	3,675,079,715	3,490,573,408
(Deferred income from loan portfolio)	(40,341,717,781)	(35,117,407,652)	(33,947,580,223)
Accrued interest receivable	107,657,139,670	110,377,468,668	125,814,169,894
Allowance for loan losses	(146,675,071,373)	(135,831,283,295)	(153,210,426,773)
Loan portfolio	4,573,308,990,926	4,477,434,448,101	4,274,007,727,172

(1) The loan portfolio purchased by the Conglomerate on December 31, 2021, has a principal balance as of September 30, 2022, in the amount of ¢120,579,506,835, distributed among the Services and Financial Services sectors.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Annual interest rates on loans receivable are as follows:

Currency	September 2022		December 2021		September 2021	
	Rates	Average (1)	Rates	Average (1)	Rates	Average (1)
Colones	0.55% to 45.00%	10.84%	0.55% to 45.00%	12.09%	0.55% to 45.00%	12.42%
US dollars	1.71% to 29.00%	8.25%	0.35% to 29.00%	7.55%	0.15% to 29.00%	7.52%
DU	3.85% to 10.00%	5.67%	3.85% to 10.00%	5.86%	3.85% to 10.00%	5.68%

(1) Simple average of the minimum and maximum values of the portfolio as of September 30, 2022 and 2021.

(b) Loan portfolio by arrears

The loan portfolio by arrears is as follows:

	September 2022	December 2021	September 2021
Current	¢ 4,361,323,793,994	4,282,530,208,271	4,031,996,652,463
1 to 30 days	100,952,709,653	53,971,542,316	98,943,118,782
31 to 60 days	41,047,909,603	53,341,812,649	30,889,988,406
61 to 90 days	25,816,589,205	20,491,714,014	25,891,686,212
91 to 120 days	9,528,745,453	10,017,004,923	14,523,688,509
121 to 180 days	8,287,010,187	11,376,887,610	10,311,527,802
More than 180 days	100,146,763,230	102,601,420,882	119,304,328,692
	4,647,103,521,325	4,534,330,590,665	4,331,860,990,866
Incremental direct costs related to loans	5,565,119,085	3,675,079,715	3,490,573,408
(Deferred income from loan portfolio)	(40,341,717,781)	(35,117,407,652)	(33,947,580,223)
Accrued interest receivable	107,657,139,670	110,377,468,668	125,814,169,894
Allowance for loan losses	(146,675,071,373)	(135,831,283,295)	(153,210,426,773)
	¢ 4,573,308,990,926	4,477,434,448,101	4,274,007,727,172

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Allowance for loan losses

Movement in the allowance for loan losses is as follows:

	September 2022	December 2021	September 2021
Opening balance	¢ 135,831,283,295	155,527,961,609	155,527,961,608
Allowance expense for the period (Note 39)	39,627,515,925	78,587,703,721	69,504,941,187
Write-offs	(27,955,380,228)	(100,201,837,988)	(72,646,108,732)
Decrease in allowance	(81,428)	-	-
Foreign exchange differences	(828,266,191)	1,917,455,953	823,632,710
Closing balance	¢ 146,675,071,373	135,831,283,295	153,210,426,773

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

(d) Allowance for stand-by credits

The allowance for stand-by credits is as follows:

	September 2022	December 2021	September 2021
Opening balance	¢ 862,169,136	717,444,504	717,444,504
Allowance expense for the year (Note 39)	380,000,000	120,000,000	120,000,001
Foreign exchange differences	(17,214,617)	24,724,632	11,080,429
Closing balance	¢ 1,224,954,519	862,169,136	848,524,934

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Accounts and fees and commissions receivable

Accounts and fees and commissions receivable are as follows:

	September 2022	December 2021	September 2021
Fees and commissions	¢ 2,437,661,382	1,956,296,857	1,709,566,299
Accounts receivable for brokerage operations	130,512,093	-	-
Accounts due from employees	21,077,941	16,309,408	21,490,250
Deferred tax (Note 21-b)	8,985,714,152	2,590,931,185	2,595,468,258
Income tax receivable (1)	260,833,814	354,997,957	233,155,984
Value added tax	9,982,729	19,035,938	29,875,117
Sundry accounts receivable related to credit cards	314,978,315	339,109,267	363,279,886
Other expenses receivable	22,991,757	23,082,305	22,970,006
Credit fraud	742,752,108	742,752,108	748,936,955
Other accounts receivable	2,020,526,180	1,553,072,175	1,568,128,700
Misappropriation and theft	1,504,396,160	1,523,981,965	1,619,400,478
Accrued interest receivable on other sundry accounts receivable	1,947,371	1,923,294	3,088,317
Allowance for impairment of accounts receivable	(4,417,950,865)	(4,073,541,857)	(4,191,491,687)
	¢ 12,035,423,137	5,047,950,602	4,723,868,563

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

	September 2022	December 2021	September 2021
Banco Nacional de Costa Rica	¢ 105,310,423	141,325,587	96,224,993
BN Vital Operadora de Planes de Pensiones Complementarias, S.A.	20,521	68,075	50,968
BN Sociedad Corredora de Seguros, S.A.	155,502,870	-	136,880,023
	¢ 260,833,814	141,393,662	233,155,984

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	September 2022	December 2021	September 2021
Opening balance	¢ 4,073,541,909	4,217,937,702	4,217,937,701
Allowance expense (Note 39)	1,682,972,742	879,441,298	670,623,773
Decrease in allowance (Note 40)	(579,691,757)	(521,599,531)	(426,607,080)
Write-offs	(741,199,299)	(516,463,912)	(276,210,927)
Foreign exchange differences	(17,672,730)	14,226,300	5,748,220
Closing balance	¢ 4,417,950,865	4,073,541,857	4,191,491,687

(14) Assets held for sale

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

	September 2022	December 2021	September 2021
Assets acquired in lieu of payment	¢ 100,763,648,934	94,628,393,958	91,982,358,414
Idle property, furniture and equipment	55,884,629	55,884,629	55,884,629
Allowance for impairment of assets held for sale and per legal requirements	(62,136,922,241)	(58,895,478,390)	(60,782,581,595)
	¢ 38,682,611,322	35,788,800,197	31,255,661,448

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

	September 2022	December 2021	September 2021
Opening balance	¢ 58,895,478,390	66,534,513,087	66,534,513,087
Allowance expense (Note 43)	5,341,439,851	1,732,758,628	795,212,761
Decrease in allowance	(2,099,996,000)	(9,371,793,325)	(6,547,144,253)
Closing balance	¢ 62,136,922,241	58,895,478,390	60,782,581,595

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(15) Investments in other companies

Investments in other companies are as follows:

		<u>September 2022</u>	<u>December 2021</u>	<u>September 2021</u>
Investment in other financial and non-financial entities (1)	¢	50,623,294	50,623,300	50,623,300
Banco Internacional de Costa Rica, S.A. and Subsidiary (BICSA) (2)		<u>76,361,270,371</u>	<u>76,762,142,745</u>	<u>74,539,419,240</u>
	¢	<u>76,411,893,665</u>	<u>76,812,766,045</u>	<u>74,590,042,540</u>

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

		<u>September 2022</u>	<u>December 2021</u>	<u>September 2021</u>	<u>Concept</u>
Bolsa Nacional de Valores	¢	15,000,000	15,000,000	15,000,000	To operate in the electronic custody of securities
Central de Valores de la Bolsa Nacional de Valores, S.A.		15,000,000	15,000,000	15,000,000	To operate in the electronic custody of securities
Interclear Central de Valores		15,000,000	15,000,000	15,000,000	To operate in the electronic custody of securities
Depósito Libre Comercial Golfito Art 24 Ley 7131		5,200,000	5,200,000	5,200,000	Golfito Duty Free Shopping Center
Other financial entities (cooperatives)		<u>423,294</u>	<u>423,300</u>	<u>423,300</u>	Investments in various cooperatives
	¢	<u>50,623,294</u>	<u>50,623,300</u>	<u>50,623,300</u>	

(2) The Bank holds 49% ownership interest in BICSA, which for 2022 and 2021 is represented by 6,506,563 ordinary shares with a par value of US\$10.

(Continued)

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:

		September 2022				
		Land	Buildings	Furniture and equipment	Computer hardware	Vehicles
						Total
<u>Cost:</u>						
Historical cost at beginning of period	¢	4,281,149,677	72,438,846,477	72,850,199,952	52,323,902,443	405,181,156
Revalued cost at beginning of period		49,374,508,221	65,580,690,063	(10,462,254)	(34,287,876)	-
Additions		-	697,138,146	5,768,664,768	2,299,103,593	-
Revaluation		293,249,237	-	-	(1,453,995)	-
Disposals		-	-	(3,435,305,110)	(1,686,504,782)	-
Sales		-	-	-	-	(123,564,271)
Adjustments		-	-	2,732,676	-	-
Reclassifications		-	-	251,051	(251,051)	-
Closing balance		53,948,907,136	138,716,674,686	75,176,081,083	52,900,508,332	281,616,885
<u>Accumulated depreciation:</u>						
Opening balance		-	51,251,241,262	44,854,279,721	41,725,835,190	271,403,052
Depreciation expense on historical cost		-	1,213,204,675	5,496,088,352	3,081,095,953	12,195,288
Depreciation expense on revalued cost		-	665,154,799	-	-	-
Disposals		-	-	(3,376,650,578)	(1,682,447,927)	-
Sales		-	-	-	-	(123,564,272)
Reclassifications		-	-	251,051	(251,051)	-
Closing balance	¢	-	53,129,600,736	46,973,968,546	43,124,232,165	160,034,068
Net closing balance	¢	53,948,907,136	85,587,073,950	28,202,112,537	9,776,276,167	121,582,817

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		December 2021					
		Land	Buildings	Furniture and equipment	Computer hardware	Vehicles	Total
<i>Cost:</i>							
Historical cost at beginning of period	¢	4,281,149,677	70,673,112,451	65,964,459,511	52,338,212,534	341,154,043	193,598,088,216
Revalued cost at beginning of period		49,374,508,221	65,580,690,063	(10,298,846)	(34,287,877)	-	114,910,611,561
Additions		-	1,765,734,026	8,851,496,957	3,410,652,640	64,027,113	14,091,910,736
Disposals		-	-	(1,978,526,222)	(3,218,631,088)	-	(5,197,157,310)
Sales		-	-	-	(193,561,935)	-	(193,561,935)
Adjustments		-	-	(163,408)	-	-	(163,408)
Reclassifications		-	-	12,769,707	(12,769,707)	-	-
Closing balance		53,655,657,898	138,019,536,540	72,839,737,699	52,289,614,567	405,181,156	317,209,727,860
<i>Accumulated depreciation:</i>							
Opening balance		-	48,747,685,316	39,861,872,242	40,281,237,135	252,905,265	129,143,699,958
Depreciation expense on historical cost		-	1,614,246,417	6,831,299,464	4,612,916,437	18,497,787	13,076,960,105
Depreciation expense on revalued cost		-	889,309,530	-	-	-	889,309,530
Disposals		-	-	(1,850,645,372)	(3,173,947,476)	-	(5,024,592,848)
Sales		-	-	-	(36,429,793)	-	(36,429,793)
Adjustments		-	-	477,965	53,334,307	-	53,812,272
Reclassifications		-	-	11,275,421	(11,275,421)	-	-
Closing balance	¢	-	51,251,241,263	44,854,279,720	41,725,835,189	271,403,052	138,102,759,224
Net closing balance	¢	53,655,657,898	86,768,295,277	27,985,457,979	10,563,779,378	133,778,104	179,106,968,636

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	September 2021					
	Land	Buildings	Furniture and equipment	Computer hardware	Vehicles	Total
<i>Cost</i>						
Historical cost at beginning of period	¢ 4,281,149,677	70,673,112,451	65,964,459,511	52,338,212,534	341,154,043	193,598,088,216
Revalued cost at beginning of period	49,374,508,221	65,580,690,063	(10,298,846)	(34,287,875)	-	114,910,611,563
Additions	-	535,657,471	4,776,563,247	1,437,769,115	64,027,113	6,814,016,946
Disposals	-	-	(1,272,917,258)	(3,111,511,600)	-	(4,384,428,858)
Reclassifications	-	-	12,769,707	(12,769,707)	-	-
Closing balance	53,655,657,898	136,789,459,985	69,470,576,361	50,617,412,467	405,181,156	310,938,287,867
<i>Accumulated depreciation:</i>						
Opening balance	-	48,747,685,316	39,861,872,242	40,281,237,135	252,905,265	129,143,699,958
Depreciation expense on historical cost	-	1,203,643,294	5,085,372,268	3,465,106,007	14,391,416	9,768,512,985
Depreciation expense on revalued cost	-	665,154,799	-	-	-	665,154,799
Disposals	-	-	(1,170,021,206)	(3,013,735,354)	-	(4,183,756,560)
Reclassifications	-	-	11,275,421	(11,275,421)	-	-
Closing balance	¢ -	50,616,483,409	43,788,682,534	40,721,332,367	267,296,681	135,393,794,991
Net closing balance	¢ 53,655,657,898	86,172,976,576	25,681,893,827	9,896,080,100	137,884,475	175,544,492,876

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

b) Right-of-use assets

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

		September 2022		
		Right-of-use of building	Right-of-use of vehicles	Total
<u>Cost:</u>				
Historical cost at beginning of period	¢	38,662,163,871	107,630,182	38,769,794,053
Additions		7,382,887	-	7,382,887
Disposals		(764,307,629)	-	(764,307,629)
Adjustments		170,764,467	-	170,764,467
Reclassifications		(219,446,129)	-	(219,446,129)
Closing balance		37,856,557,467	107,630,182	37,964,187,649
<u>Accumulated depreciation:</u>				
Opening balance		8,604,657,643	88,061,098	8,692,718,741
Depreciation expense on historical cost		2,142,636,991	19,569,084	2,162,206,124
Disposals		(246,725,278)	-	(246,725,278)
Adjustments		(84,868,622)	-	(84,868,622)
Reclassifications		(201,319,041)	-	(201,319,041)
Closing balance		10,214,381,693	107,630,182	10,322,011,875
Net closing balance	¢	27,642,175,774	-	27,642,175,774

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		December 2021		
		Right-of-use of building	Right-of-use of vehicles	Total
<u>Cost:</u>				
Historical cost at beginning of period	¢	39,546,388,715	277,254,296	39,823,643,011
Additions		184,964,460	-	184,964,460
Disposals		(506,189,721)	(160,028,888)	(666,218,609)
Adjustments		(562,999,580)	(9,595,226)	(572,594,806)
Closing balance		38,662,163,874	107,630,182	38,769,794,056
<u>Accumulated depreciation:</u>				
Opening balance		5,776,635,561	192,006,032	5,968,641,593
Depreciation expense on historical cost		2,898,066,477	58,198,550	2,956,265,027
Disposals		(58,829,132)	(160,028,892)	(218,858,024)
Adjustments		(11,215,260)	(2,114,598)	(13,329,858)
Closing balance		8,604,657,646	88,061,092	8,692,718,738
Net closing balance	¢	30,057,506,228	19,569,090	30,077,075,318

		September 2021			
		Right-of-use of land	Right-of-use of building	Right-of-use of vehicles	Total
<u>Cost:</u>					
Historical cost at beginning of period	¢	5,571,583	39,540,817,132	277,254,296	39,823,643,011
Additions		-	43,766,790	-	43,766,790
Disposals		-	(506,189,721)	(160,028,888)	(666,218,609)
Adjustments		(5,571,583)	(628,364,116)	(9,595,210)	(643,530,909)
Closing balance		-	38,450,030,085	107,630,198	38,557,660,283
<u>Accumulated depreciation:</u>					
Opening balance		-	5,776,635,561	192,006,037	5,968,641,598
Depreciation expense on historical cost		-	2,173,459,058	50,860,126	2,224,319,184
Disposals		-	(62,395,599)	(160,028,892)	(222,424,491)
Adjustments		-	(11,215,236)	(2,114,610)	(13,329,846)
Closing balance	¢	-	7,876,483,784	80,722,661	7,957,206,445
Net closing balance		-	30,573,546,301	26,907,537	30,600,453,838

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

c) *Lease liabilities*

i. *Amounts recognized in profit or loss*

The amounts recognized in profit or loss are as follows:

	September 2022	December 2021	September 2021
Interest on lease liability	¢ <u>2,763,114,476</u>	<u>3,428,502,639</u>	<u>2,580,940,477</u>
Expenses for leases of low-value assets, excluding short-term assets	¢ <u>503,009,196</u>	<u>628,823,481</u>	<u>412,429,987</u>

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

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

	September 2022	December 2021	September 2021
Cash outflows for leases	¢ <u>(1,879,823,188)</u>	<u>(1,875,696,459)</u>	<u>(812,446,294)</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(17) Other assets

Other assets are as follows:

	September 2022	December 2021	September 2021
<i><u>Deferred charges:</u></i>			
Leasehold improvements (1)	¢ 5,955,723	9,757,224	20,650,401
Cost of issue of financial instruments, net (2)	138,581,447	233,534,136	256,843,582
Cost of subordinated debt project	31,617,322	97,783,459	163,055,931
Other deferred charges	17,743,032,222	28,387,122,273	31,935,152,290
	<u>17,919,186,714</u>	<u>28,728,197,092</u>	<u>32,375,702,204</u>
<i><u>Intangible assets:</u></i>			
Software (3)	6,978,543,807	9,163,553,845	9,282,952,527
Other intangible assets (3)	8,831,483	8,398,795	8,398,795
	<u>6,987,375,290</u>	<u>9,171,952,640</u>	<u>9,291,351,322</u>
<i><u>Other assets:</u></i>			
Prepaid taxes	18,810,609,838	22,494,965,119	17,505,906,503
Prepaid insurance policy	358,879,772	210,452,219	209,455,200
Other prepaid expenses	7,739,331,997	4,778,647,637	3,569,050,189
Stationery, office supplies and other materials	1,111,125,495	701,386,078	537,878,840
Leased assets	119,061,188	120,107,359	120,459,914
Library and artwork	404,704,948	404,704,948	404,704,948
Construction work in progress	214,941,893	1,380,986,124	1,994,027,919
Automated applications under development	184,027,326	170,702,974	154,567,859
Payments to welfare and trade associations	350,000	350,000	350,000
Other sundry assets	153,486,106	158,557,669	158,557,669
Operations pending settlement	12,769,394,740	6,036,577,570	9,468,029,279
Other operations pending application	296,365,438	80,847,419	104,547,422
Security deposits (Note 7)	352,451,336	823,104,907	533,217,403
Legal and administrative deposits (Note 7)	197,120,202	200,730,233	183,360,251
	<u>42,711,850,279</u>	<u>37,562,120,256</u>	<u>34,944,113,396</u>
¢	<u>67,618,412,283</u>	<u>75,462,269,988</u>	<u>76,611,166,922</u>

- (1) As of September 30, 2022, the amortization expense for leasehold improvements amounts to ¢3,801,501 (December and September 2021: ¢77,644,222 and ¢88,379,468, respectively).

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	September 2022		
	5-year issue (maturing in 2021)	10-year issue (maturing in 2023)	Total
Commission - structuring banks	316,360,000	316,360,000	632,720,000
Commission - Moody's Investors Service	158,180,000	158,180,000	316,360,000
Commission - Société de la Bourse de Luxembourg S.A.	7,732,471	7,732,471	15,464,942
RR Donnelley	6,926,386	6,926,361	13,852,746
BNY Mellon	2,501,142	2,501,142	5,002,284
Moody's issuer rating	20,943,032	20,943,032	41,886,064
Fitch Ratings	158,180,000	158,180,000	316,360,000
Milbank	93,111,075	93,111,075	186,222,150
Shearman & Sterling	93,231,925	93,231,925	186,463,849
External audit	120,216,800	120,216,800	240,433,600
	977,382,831	977,382,806	1,954,765,637
Amortization	(977,382,831)	(838,801,358)	(1,816,184,189)
	-	138,581,447	138,581,447

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 2021				
	5-year issue (maturing in 2018)	10-year issue (maturing in 2023)	5-year issue (maturing in 2021)	Total
Commission - structuring banks	¢ 322,625,000	322,625,000	548,462,500	1,193,712,500
Commission - Moody's Investors Service	161,312,500	161,312,500	-	322,625,000
Commission - Société de la Bourse de Luxembourg S.A.	7,885,600	7,885,600	-	15,771,200
RR Donnelley	7,063,552	7,063,526	4,228,501	18,355,579
BNY Mellon	2,550,673	2,550,673	3,721,157	8,822,503
Moody's issuer rating	21,357,775	21,357,775	161,312,500	204,028,050
Fitch Ratings	161,312,500	161,312,500	161,312,500	483,937,500
Milbank	94,954,990	94,954,990	127,127,549	317,037,529
Shearman & Sterling	95,078,233	95,078,233	141,434,993	331,591,459
External audit	122,597,500	122,597,500	149,698,000	394,893,000
Perkins Cole (Broker)	-	-	8,463,777	8,463,777
Printing of documents	-	-	10,204,603	10,204,603
	<u>996,738,323.00</u>	<u>996,738,297.00</u>	<u>1,315,966,080.00</u>	<u>3,309,442,700.00</u>
Amortization	<u>(996,738,323.00)</u>	<u>(763,204,161.00)</u>	<u>(1,315,966,080.00)</u>	<u>(3,075,908,564.00)</u>
¢	<u>-</u>	<u>233,534,136.00</u>	<u>-</u>	<u>233,534,136.00</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		September 2021			
		5-year issue (maturing in 2018)	10-year issue (maturing in 2023)	5-year issue (maturing in 2021)	Total
Commission - structuring banks	¢	314,855,000	314,855,000	535,253,500	1,164,963,500
Commission - Moody's Investors Service		157,427,500	157,427,500	-	314,855,000
Commission - Société de la Bourse de Luxembourg S.A.		7,695,686	7,695,686	-	15,391,372
RR Donnelley		6,893,435	6,893,410	4,126,663	17,913,508
BNY Mellon		2,489,244	2,489,244	3,631,538	8,610,026
Moody's issuer rating		20,843,401	20,843,401	157,427,500	199,114,302
Fitch Ratings		157,427,500	157,427,500	157,427,500	472,282,500
Milbank		92,668,124	92,668,124	124,065,848	309,402,096
Shearman & Sterling		92,788,398	92,788,398	138,028,717	323,605,513
External audit		119,644,900	119,644,911	146,092,720	385,382,520
Perkins Cole (Broker)		-	-	8,259,938	8,259,938
Printing of documents		-	-	9,958,842	9,958,852
		<u>972,733,188</u>	<u>972,733,174</u>	<u>1,284,272,765</u>	<u>3,229,739,127</u>
Amortization		<u>(972,733,188)</u>	<u>(715,889,592)</u>	<u>(1,284,272,765)</u>	<u>(2,972,895,545)</u>
	¢	<u>-</u>	<u>256,843,582</u>	<u>-</u>	<u>256,843,582</u>

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

		September 2022		
		Software	Other intangible assets	Total
<u>Cost:</u>				
Opening balance	¢	35,209,164,295	50,494,354	35,259,658,649
Additions		1,717,489,972	27,001,472	1,744,491,444
Disposals		(29,193,648)	-	(29,193,648)
Reclassifications		(15,535,239)	(26,568,784)	(42,104,023)
Closing balance		<u>36,881,925,380</u>	<u>50,927,042</u>	<u>36,932,852,422</u>
<u>Accumulated amortization:</u>				
Opening balance		26,045,610,451	42,095,559	26,087,706,010
Expense for the period		3,870,800,146	26,568,786	3,897,368,932
Reclassifications		(13,029,023)	(26,568,787)	(39,597,810)
Closing balance		<u>29,903,381,574</u>	<u>42,095,558</u>	<u>29,945,477,132</u>
Net closing balance	¢	<u>6,978,543,806</u>	<u>8,831,484</u>	<u>6,987,375,290</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 2021			
	Software	Other intangible assets	Total
<i><u>Cost:</u></i>			
Opening balance	¢ 34,140,956,405	46,969,683	34,187,926,088
Additions	8,537,149,482	29,723,089	8,566,872,571
Disposals	(7,352,458,311)	-	(7,352,458,311)
Reclassifications	-	(26,198,417)	(26,198,417)
Adjustments	(116,483,280)	-	(116,483,280)
Closing balance	35,209,164,296	50,494,355	35,259,658,651
<i><u>Accumulated amortization:</u></i>			
Opening balance	28,845,429,057	42,095,559	28,887,524,616
Expense for the period	4,474,766,686	34,597,216	4,509,363,902
Disposals	(7,201,216,192)	-	(7,201,216,192)
Reclassifications	(72,685,752)	(34,597,216)	(107,282,968)
Adjustments	(683,347)	-	(683,347)
Closing balance	26,045,610,452	42,095,559	26,087,706,011
Net closing balance	¢ 9,163,553,844	8,398,796	9,171,952,640
September 2021			
	Software	Other intangible assets	Total
<i><u>Cost:</u></i>			
Opening balance	¢ 34,140,956,406	46,969,683	34,187,926,089
Additions	7,258,209,874	29,723,089	7,287,932,963
Disposals	(1,718,589,281)	-	(1,718,589,281)
Reclassifications	-	(26,198,418)	(26,198,418)
Adjustments	(116,483,281)	-	(116,483,281)
Closing balance	39,564,093,718	50,494,354	39,614,588,072
<i><u>Accumulated amortization:</u></i>			
Opening balance	28,845,429,058	42,095,559	28,887,524,617
Expense for the period	3,114,397,224	26,198,418	3,140,595,642
Disposals	(1,628,049,576)	-	(1,628,049,576)
Reclassifications	(49,952,167)	(26,198,418)	(76,150,585)
Adjustments	(683,348)	-	(683,348)
Closing balance	30,281,141,191	42,095,559	30,323,236,750
Net closing balance	¢ 9,282,952,527	8,398,795	9,291,351,322

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(18) Obligations with the public

Obligations with the public by cumulative amount are as follows:

	<u>September 2022</u>	<u>December 2021</u>	<u>September 2021</u>
<i><u>Demand deposits:</u></i>			
Checking accounts	¢ 2,251,234,443,240	2,280,685,115,875	1,956,396,678,830
Certified checks	41,064,677	81,126,362	94,912,314
Savings deposits	2,105,823,900,919	2,049,250,666,697	1,849,586,607,285
Matured term deposits	20,145,386,533	23,072,595,759	18,982,568,755
Other demand deposits	127,788,657	122,843,952	123,317,943
Drafts and transfers payable	62,435,984	194,665,191	168,503,999
Cashier's checks	5,749,160,428	4,616,672,412	3,650,468,686
Advance collections from customers for credit cards	11,108,146,174	11,196,281,538	11,004,371,669
Trust fund obligation	30,370,207	38,184,399	23,762,579
	<u>4,394,322,696,819</u>	<u>4,369,258,152,185</u>	<u>3,840,031,192,060</u>
<i><u>Term deposits:</u></i>			
Deposits from the public	1,735,154,248,345	1,635,557,973,096	1,864,259,058,363
Other term deposits	97,379,065,479	65,562,075,052	43,752,016,742
	<u>1,832,533,313,824</u>	<u>1,701,120,048,148</u>	<u>1,908,011,075,105</u>
<i><u>Other obligations with the public:</u></i>			
Finance charges payable	30,234,058,291	27,369,847,440	28,348,855,971
	<u>¢ 6,257,090,068,934</u>	<u>6,097,748,047,773</u>	<u>5,776,391,123,136</u>

As of September 30, 2022, deposits in checking accounts in colones bear interest at a maximum rate of 3.05% per annum on full balances (both December and September 2021: 1.15% per annum) and at a minimum rate of 0.00% per annum on balances greater than or equal to ¢500,001 (both December and September 2021: 0.00% per annum). Deposits in checking accounts in US dollars bear interest at a maximum rate of 0.20% per annum on full balances (both December and September 2021: 0.20% per annum) and at a minimum rate of 0.00% per annum on balances greater than or equal to US\$1,000 (both December and September 2021: 0.00% per annum).

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Term deposits correspond to term certificates of deposit in colones, US dollars and euro. As of September 30, term certificates bear annual interest rates between the following ranges:

Currency	September	December 2021	September 2021
Colones	4.30% to 9.54%	0.77% to 5.95%	0.77% to 5.95%
US dollars	0.10% to 3.80%	0.10% to 3.80%	0.10% to 3.80%

The Conglomerate has term certificates of deposit that are restricted to secure certain loan operations. As of September 30, 2022, the balance of those term certificates of deposit is ¢82,014,228,524 (December and September 2021: ¢80,694,825,700 and ¢83,983,727,268, respectively). As of that date, the Conglomerate has no inactive deposits with State-owned entities or other banks.

(19) Obligations with BCCR

Obligations with BCCR are as follows:

	September 2022	December 2021	September 2021
Financing of loans using internal funds - BCCR (i)	¢ 164,570,763,666	167,166,427,708	168,293,000,000
Financing of loans using external funds (ii)	125,644,412	125,644,412	125,644,412
Finance charges payable	1,929,092,480	951,173,419	615,995,133
	¢ <u>166,625,500,558</u>	<u>168,243,245,539</u>	<u>169,034,639,545</u>

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(20) Obligations with financial entities

Obligations with financial entities are as follows:

	September 2022	December 2021	September 2021
<i><u>Demand:</u></i>			
Checking accounts with local financial entities	¢ 47,931,141,212	112,128,062,548	65,932,881,955
Savings deposits with local financial entities	23,977,928	46,270,767	59,119,955
Outstanding checks	2,940,741,494	1,278,976,636	4,105,509,910
Matured term deposits	233,865,646	2,830,075	44,849,999
Checking accounts and obligations with related parties (Note 8)	24,250,655	107,286,096	17,107,829
	<u>51,153,976,935</u>	<u>113,563,426,122</u>	<u>70,159,469,648</u>
<i><u>Term:</u></i>			
Term deposits with local financial entities	72,258,922,246	82,937,788,340	86,121,576,741
Term obligations with foreign financial entities (2)	108,888,176,236	212,580,207,605	210,402,473,945
Obligations for funds from the liquidity market	37,548,968,801	19,900,525,001	14,979,709,999
Loans from foreign financial entities (3) (4)	115,791,429,776	119,806,406,600	129,096,637,199
Lease liabilities (1)	33,171,213,428	35,470,104,910	35,071,592,750
Obligations with funds from the Development Credit Fund	185,602,479,383	186,762,911,685	169,930,550,294
Debt payable for financing with BNCR	31,937,156,874	34,352,702,356	35,149,399,507
	<u>585,198,346,744</u>	<u>691,810,646,497</u>	<u>680,751,940,435</u>
(Deferred fees and commissions on own loan portfolio)	<u>(56,034,847)</u>	<u>(51,811,794)</u>	<u>(55,768,264)</u>
	<u>(56,034,847)</u>	<u>(51,811,794)</u>	<u>(55,768,264)</u>
Charges payable for other demand and term obligations with financial entities – foreign currency	21,612,797	46,267,755	27,035,409
Charges payable for other demand and term obligations with financial entities – local currency	636,138,842	421,507,265	421,715,294
Charges payable for loans with foreign financial entities (3)(4)	2,281,221,216	517,859,705	2,138,647,171
Charges payable for loans with local financial entities (3)	72,469,463	42,198,364	44,166,823
Charges payable for term deposits with foreign financial entities (2)	2,874,657,922	2,151,646,656	5,249,567,617
	<u>5,886,100,240</u>	<u>3,179,479,745</u>	<u>7,881,132,314</u>
¢	<u><u>642,182,389,072</u></u>	<u><u>808,501,740,570</u></u>	<u><u>758,736,774,133</u></u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(1) Lease liabilities

As of September 30, 2022, long-term lease liabilities and their current portion amount to ¢7,069,713,543 and US\$40,705,267, for a total in colones of ¢32,824,749,790, using an exchange rate of ¢632.72 (December 2021: ¢6,112,557,693 and US\$45,497,942, for a total in colones of ¢35,470,104,910, using an exchange rate of ¢645.25; September 2021: ¢6,012,213,503 and US\$46,303,847, for a total in colones of ¢34,526,585,610.28, using an exchange rate of ¢615.81).

Lease operations are as follows:

	September 2022			September 2021		
	No. of operations	Interest rates	Maturity dates	No. of operations	Interest rates	Maturity dates
In colones	18	5.56% and 15.00% per annum	2022 and 2041	16	11.80% and 13.63% per annum	2022 and 2041
In US dollars	54	3.57% and 8.85% per annum	2022 and 2041	58	8.80% and 8.85% per annum	2022 and 2041
	72			74		

Future minimum lease payments are as follows:

	September 2022		
	<u>Future minimum lease payments</u>	<u>Interest</u>	<u>Present value of minimum lease payments</u>
Less than one year	¢ 5,079,171,486	3,080,728,604	1,998,445,235
Between one and five years	23,824,495,603	12,350,156,854	11,474,350,518
More than five years	27,879,077,307	8,180,671,919	19,698,435,727
	¢ 56,782,744,397	23,611,557,378	33,171,231,480

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 2021			
	<u>Future minimum</u>		<u>Present value of</u>
	<u>lease payments</u>	<u>Interest</u>	<u>minimum lease payments</u>
Less than one year	¢ 5,428,099,149	3,331,645,084	2,096,458,402
Between one and five years	24,938,808,081	13,407,018,018	11,531,790,063
More than five years	31,295,162,764	9,453,301,983	21,841,860,781
	<u>¢ 61,662,069,994</u>	<u>26,191,965,084</u>	<u>35,470,104,910</u>

September 2021			
	<u>Future minimum</u>		<u>Present value of</u>
	<u>lease payments</u>	<u>Interest</u>	<u>minimum lease payments</u>
Less than one year	¢ 5,309,043,788	3,293,584,826	2,015,463,192
Between one and five years	24,413,490,612	13,329,593,799	11,083,917,987
More than five years	31,698,902,666	9,743,981,389	21,954,956,987
	<u>¢ 61,421,437,066</u>	<u>26,367,160,013</u>	<u>35,054,338,166</u>

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

	<u>September 2022</u>	<u>December 2021</u>	<u>September 2021</u>
Opening balance	¢ 35,470,104,910	37,044,902,529	37,044,902,531
New financial obligations	-	187,604,732	60,214,472
Settlements or withdrawals	(662,645,977)	(467,870,645)	(467,870,644)
Adjustments	401,645,315	(556,573,858)	(650,511,961)
Payment of obligations	(1,610,816,333)	(2,005,812,157)	(1,483,464,467)
Foreign exchange differences	(427,074,488)	1,267,854,309	568,322,818
Closing balance	<u>¢ 33,171,213,428</u>	<u>35,470,104,910</u>	<u>35,071,592,749</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

<u>Date of issue</u>	<u>Face value</u>	<u>Characteristics</u>
10/19/2007	US\$20	Traded amount: 100% Term: 16 years Interest rate: 6.20 per coupon
09/04/2007	US\$20	Traded amount: 100% Term: 16 years Interest rate: 6.20 per coupon
05/07/2007	US\$10	Traded amount: 100% Term: 17 years Interest rate: 6.20 per coupon
12/03/2007	US\$75	Traded amount: 100% Term: 22 years Interest rate: 6.65 per coupon
11/24/2020	US\$10	Traded amount: 100% Term: 3 years Interest rate: 4.66 per coupon
01/05/2021	US\$40	Traded amount: 100% Term: 3 years Interest rate: 4.66 per coupon
07/21/2016	US\$8.1	Traded amount: 100% Term: 7 years Interest rate: 3.32 per coupon
04/27/2016	US\$1.6	Traded amount: 100% Term: 8 years Interest rate: 3.32 per coupon
04/27/2016	US\$15.8	Traded amount: 100% Term: 8 years Interest rate: 3.32 per coupon
11/30/2015	US\$2.8	Traded amount: 100% Term: 8 years Interest rate: 3.32 per coupon
05/13/2015	US\$5.4	Traded amount: 100% Term: 9 years Interest rate: 3.32 per coupon
02/09/2015	US\$2.8	Traded amount: 100% Term: 9 years Interest rate: 3.32 per coupon
01/30/2015	US\$3.1	Traded amount: 100% Term: 9 years Interest rate: 3.32 per coupon

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Obligations with international issuers

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

September 2022		
	10-year issue (maturing in 2023)	Total
Issue	¢ 109,362,472,000	109,362,472,000
Adjustment to fair value of hedged item measured at cost of international issues	(1,346,608,024)	(1,346,608,024)
Amortization of discount in traded amount of issues	872,312,260	872,312,260
	108,888,176,236	108,888,176,236
Finance charges payable	2,874,657,922	2,874,657,922
	¢ 111,762,834,158	111,762,834,158
December 2021		
	10-year issue (maturing in 2023)	Total
Issue	¢ 204,641,216,311	204,641,216,311
Adjustment to fair value of hedged item measured at cost of international issues	6,491,805,120	6,491,805,120
Amortization of discount in traded amount of issues	1,447,186,174	1,447,186,174
	212,580,207,605	212,580,207,605
Finance charges payable	2,151,646,656	2,151,646,656
	¢ 214,731,854,261	214,731,854,261
September 2021		
	10-year issue (maturing in 2023)	Total
Issue	¢ 199,712,701,005	199,712,701,005
Adjustment to fair value of hedged item measured at cost of international issues	9,325,004,491	9,325,004,491
Amortization of discount in traded amount of issues	1,364,768,449	1,364,768,449
	210,402,473,945	210,402,473,945
Finance charges payable	5,249,567,617	5,249,567,617
	¢ 215,652,041,562	215,652,041,562

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

		September 2022		
		Local	Foreign	Total
One to two years	¢	72,469,463	69,566,753,992	69,639,223,455
Three to five years		3,375,073,760	-	3,375,073,760
More than five years		28,562,083,114	48,505,897,000	77,067,980,114
	¢	<u>32,009,626,337</u>	<u>118,072,650,992</u>	<u>150,082,277,329</u>
		December 2021		
		Local	Foreign	Total
One to two years	¢	42,198,364	71,930,516,305	71,972,714,669
Three to five years		2,815,619,439	-	2,815,619,439
More than five years		31,537,082,917	48,393,750,000	79,930,832,917
	¢	<u>34,394,900,720</u>	<u>120,324,266,305</u>	<u>154,719,167,025</u>
		September 2021		
		Local	Foreign	Total
One to two years	¢	-	10,549,138,993	10,549,138,993
Three to five years		2,958,785,717	72,411,002,502	75,369,788,219
More than five years		32,360,425,025	48,275,142,875	80,635,567,900
	¢	<u>35,319,210,742</u>	<u>131,235,284,370</u>	<u>166,554,495,112</u>

(4) As of September 30, 2022, loans due to foreign financial entities bear interest at rates ranging from 3.32% to 6.20% per annum (2021: from 2.60% to 6.65% per annum).

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

	September 2022	December 2021	September 2021
Opening balance	¢ 119,806,406,600	144,435,457,141	144,435,457,141
New financial obligations	-	32,192,000,006	32,192,000,000
Settlement of financial obligations	(1,840,640,164)	(62,240,257,851)	(50,058,002,256)
Foreign exchange differences	<u>(2,174,336,660)</u>	<u>5,419,207,304</u>	<u>2,527,182,314</u>
Cash flows from financing activities	<u>(4,014,976,824)</u>	<u>(24,629,050,541)</u>	<u>(15,338,819,942)</u>
Closing balance	¢ <u>115,791,429,776</u>	<u>119,806,406,600</u>	<u>129,096,637,199</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(21) Income tax

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

a) Income tax for the year

For the nine months ended September 30, the income tax expense is as follows:

	September		Quarter from July 1 to September 30	
	2022	2021	2022	2021
<u>Income tax</u>				
Current tax expense for the period	¢ 21,467,458,480	14,733,229,565	14,241,565,514	4,976,407,374
Prior-period income tax expense	10,641,928,449	10,641,928,449	7,094,618,966	3,547,309,483
	32,109,386,929	25,375,158,014	21,336,184,480	8,523,716,857
<u>Current tax:</u>				
Current tax expense for the period	21,467,458,480	14,733,229,565	14,241,565,514	9,756,822,191
Income tax decrease for the period	(50,507,323)	-	(50,507,323)	-
	21,416,951,157	14,733,229,565	14,191,058,191	9,756,822,191
<u>Prior-period income tax</u>				
Prior-period income tax expense	10,641,928,449	10,641,928,449	7,094,618,966	7,094,618,966
	10,641,928,449	10,641,928,449	7,094,618,966	7,094,618,966
	32,058,879,606	25,375,158,014	21,285,677,157	16,851,441,157
<u>Deferred tax:</u>				
Deferred tax expense	1,498,864,171	926,455,118	1,447,405,708	87,490,774
Deferred tax income	(1,450,866,403)	(1,162,612,311)	(983,281,051)	(244,632,198)
Deferred tax, net	47,997,768	(236,157,193)	464,124,657	(157,141,424)
Income tax, net	¢ 32,106,877,374	25,139,000,821	21,749,801,814	8,366,575,433

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	September 2022		September 2021	
Profit before tax	¢ 75,096,285,815		51,196,492,806	
<i>Plus (less) tax effect of:</i>				
Non-deductible expenses	36,025,358,047	50%	21,845,189,772	25%
Deductible expenses	(9,422,923,759)	13%	(10,562,907,387)	18%
Non-taxable income	(30,488,390,726)	43%	(13,366,352,822)	13%
Taxable income	179,507,814		-	
Tax base	71,389,837,191		49,112,422,369	
Tax rate	30%		30%	
Income tax expense	21,416,951,157		14,733,229,565	
Prior-period income tax expense	10,641,928,449		10,641,928,449	
Deferred tax expense	1,498,864,171		926,455,118	
Deferred tax income	(1,450,866,403)		(1,162,612,311)	
Deferred tax, net	47,997,768		(236,157,193)	
Income tax, net	¢ 32,106,877,374		25,139,000,821	

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

b) Deferred tax

Deferred tax assets and liabilities are as follows:

		September 2022		
		Assets	Liabilities	Net
Unrealized losses on valuation of investments	¢	7,448,988,221	-	7,448,988,221
Provisions		(110,278,369)	-	(110,278,369)
Right-of-use assets		1,647,004,300	-	1,647,004,300
Unrealized gains on valuation of investments		-	(756,963,169)	(756,963,169)
Revaluation of property		-	(9,134,684,716)	(9,134,684,716)
Tax base of property and equipment		-	(4,823,167,651)	(4,823,167,651)
	¢	<u>8,985,714,152</u>	<u>(14,714,815,536)</u>	<u>(5,729,101,384)</u>
		December 2021		
		Assets	Liabilities	Net
Unrealized losses on valuation of investments	¢	1,085,414,530	-	1,085,414,530
Provisions		(102,817,740)	-	(102,817,740)
Right-of-use assets		1,608,334,393	-	1,608,334,393
Unrealized gains on valuation of investments		-	(3,814,233,918)	(3,814,233,918)
Revaluation of property		-	(8,836,563,020)	(8,836,563,020)
Tax base of property and equipment		-	(4,738,688,539)	(4,738,688,539)
	¢	<u>2,590,931,183</u>	<u>(17,389,485,477)</u>	<u>(14,798,554,294)</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		September 2021		
		Assets	Liabilities	Net
Unrealized losses on valuation of investments	¢	898,845,238	-	898,845,238
Provisions		363,493,704	-	363,493,704
Right-of-use assets		1,333,129,316	-	1,333,129,316
Unrealized gains on valuation of investments		-	(5,399,727,645)	(5,399,727,645)
Revaluation of property		-	(8,889,772,108)	(8,889,772,108)
Tax base of property and equipment		-	(3,947,545,280)	(3,947,545,280)
	¢	<u>2,595,468,258</u>	<u>(18,237,045,033)</u>	<u>(15,641,576,775)</u>

Deferred tax assets and liabilities are as follows:

		December 2021	Included in the income statement	Included in equity	September 2022
Unrealized losses on valuation of investments	¢	1,085,414,530	-	6,363,573,691	7,448,988,221
Provisions		(102,817,740)	(7,460,629)	-	(110,278,369)
Right-of-use assets		1,608,334,393	(869,360,704)	908,030,610	1,647,004,299
Unrealized gains on valuation of investments		(3,814,233,918)	899,443	3,056,371,307	(756,963,168)
Revaluation of property		(8,836,563,020)	-	(298,121,696)	(9,134,684,716)
Tax base of property and equipment		(4,738,688,539)	(592,772,871)	508,293,759	(4,823,167,651)
	¢	<u>(14,798,554,294)</u>	<u>(1,468,694,761)</u>	<u>10,538,147,671</u>	<u>(5,729,101,384)</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		December 2020	Included in the income statement	Included in equity	December 2021
Unrealized losses on					
valuation of investments	¢	446,733,973	(84,763,319)	723,443,876	1,085,414,530
Provisions		287,529,817	(390,347,557)	-	(102,817,740)
Right-of-use assets		951,800,756	-	656,533,637	1,608,334,393
Unrealized gains on					
valuation of investments		(3,006,120,072)	547,627,514	(1,355,741,360)	(3,814,233,918)
Revaluation of property		(17,530,316,973)		8,693,753,953	(8,836,563,020)
Tax base of property and equipment		<u>(3,739,156,241)</u>	<u>(345,275,292)</u>	<u>(654,257,006)</u>	<u>(4,738,688,539)</u>
	¢	<u>(22,589,528,740)</u>	<u>(272,758,654)</u>	<u>8,063,733,100</u>	<u>(14,798,554,294)</u>
			Included in the income statement	Included in equity	September 2021
Unrealized losses on					
valuation of investments	¢	446,733,973	(84,763,319)	536,874,584	898,845,238
Provisions		287,529,817	75,963,887	-	363,493,704
Right-of-use assets		951,800,756	-	381,328,560	1,333,129,316
Unrealized gains on					
valuation of investments		(3,006,120,072)	76,824,627	(2,470,432,200)	(5,399,727,645)
Revaluation of property		(17,530,316,973)	-	8,640,544,865	(8,889,772,108)
Tax base of property and equipment		<u>(3,739,156,241)</u>	<u>(345,275,292)</u>	<u>136,886,253</u>	<u>(3,947,545,280)</u>
	¢	<u>(22,589,528,740)</u>	<u>(277,250,097)</u>	<u>7,225,202,062</u>	<u>(15,641,576,775)</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

As of September 30, 2022, the Bank has not recognized a deferred tax liability in the amount of ¢4,079,928,406 (2021: ¢4,576,273,002), given that it controls the moment when the subsidiaries pay dividends.

Tax returns filed by the Conglomerate for the years ended December 31, 2021, and the tax return that will be filed for the year ended December 31, 2022, are open to review by the Tax Authorities.

(22) Provisions

Provisions are as follows:

	<u>September 2022</u>	<u>December 2021</u>	<u>September 2021</u>
Severance benefits	¢ 366,535,608	371,601,957	330,708,145
Litigation	6,925,528,072	8,034,225,228	7,799,377,900
Inactive checking and savings accounts liquidated	753,736,246	777,866,680	763,349,531
Manager commissions	5,279,882,283	6,428,676,967	6,548,600,398
Variation in RIVM methodology	490,003,103	490,003,103	490,003,103
Notice of deficiency	4,714,347,682	4,714,347,682	4,714,347,682
Other	643,623,688	693,432,968	536,238,669
	<u>¢ 19,173,656,682</u>	<u>21,510,154,585</u>	<u>21,182,625,428</u>

Movement in provisions is as follows:

	<u>September 2022</u>			
	<u>Severance benefits</u>	<u>Litigation</u>	<u>Other</u>	<u>Total</u>
Balance as of December 31, 2021	¢ 314,133,990	6,952,427,372	21,375,324,034	28,641,885,396
Increase in provision	82,855,184	414,784,604	3,792,195,514	4,289,835,302
Used	59,545,870	990,198,141	(13,213,249,823)	(12,163,505,812)
Decrease in provision	(89,999,436)	(1,431,882,045)	(72,676,723)	(1,594,558,204)
Balance as of September 30, 2022	<u>¢ 366,535,608</u>	<u>6,925,528,072</u>	<u>11,881,593,002</u>	<u>19,173,656,682</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 2021				
	Severance benefits	Litigation	Other	Total
Balance as of December 31, 2020	¢ 314,133,990	6,952,427,372	21,375,324,033	28,641,885,395
Increase in provision	132,108,604	1,374,172,666	5,092,180,705	6,598,461,975
Used	17,540,254	(283,107,925)	(13,310,198,017)	(13,575,765,688)
Decrease in provision	(92,180,891)	(9,266,885)	(52,979,321)	(154,427,097)
Balance as of December 31, 2021	¢ 371,601,957	8,034,225,228	13,104,327,400	21,510,154,585

September 2021				
	Severance benefits	Litigation	Other	Total
Balance as of December 31, 2020	¢ 314,133,990	6,952,427,372	21,375,324,034	28,641,885,396
Increase in provision	89,664,529	1,114,763,532	3,885,616,073	5,090,044,134
Used	16,673,415	(258,727,688)	(12,169,176,968)	(12,411,231,241)
Decrease in provision	(89,763,789)	(9,085,316)	(39,223,756)	(138,072,861)
Balance as of September 30, 2021	¢ 330,708,145	7,799,377,900	13,052,539,383	21,182,625,428

The Bank and its subsidiaries are defendants in pending lawsuits, for which the potential outflow of economic benefits is considered. As of September 30, the Bank has estimated future outflows and made the following provisions:

Type	Claimed amount			Provision		
	September 2022	December 2021	September 2021	September 2022	December 2021	September 2021
Ordinary - in colones	18,615,532,435	18,689,257,903	18,678,548,922	3,605,399,918	4,454,089,608	4,498,187,797
Ordinary - in US dollars	139,647,317,914	135,030,173,609	137,178,872,865	3,107,615,088	2,920,760,287	2,681,314,640
Criminal - in colones	1,020,877,223	1,020,877,223	1,020,877,223	-	-	-
Labor - in colones	948,689,105	955,498,846	879,064,572	212,513,066	659,375,333	619,875,463
	<u>160,232,416,677</u>	<u>155,695,807,581</u>	<u>157,757,363,582</u>	<u>6,925,528,072</u>	<u>8,034,225,228</u>	<u>7,799,377,900</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(23) Other sundry accounts payable

Other sundry accounts payable are as follows:

	September 2022	December 2021	September 2021
Professional fees	¢ 15,602,782	8,845,876	5,790,125
Creditors - goods and services	5,800,566,929	5,677,747,171	4,856,911,085
Income tax	21,416,951,157	18,567,386,331	14,733,229,565
Value added tax	249,220,784	339,302,747	234,741,321
Employer contributions	11,208,370,315	10,271,862,174	8,194,630,200
Court-ordered withholdings	4,262,581,628	3,863,355,272	3,910,298,658
Tax withholdings	1,728,301,072	2,281,670,067	1,828,334,306
Employee withholdings	901,534,415	812,634,933	763,897,226
Other third-party withholdings	392,697,276	9,747,627	351,036,542
Compensation	18,173,199,493	16,341,390,269	11,418,084,347
Statutory allocations	23,986,744,020	18,174,951,496	14,452,875,745
Obligations on loans with related parties	93,064	-	1,156,586
Clearing house operations	721,378,490	339,051,671	317,874,618
Accrued vacation	5,888,935,120	5,159,944,007	5,203,757,884
Accrued statutory Christmas bonus	7,976,973,860	1,906,421,522	7,031,394,655
Contribution to the superintendencies' budget	-	6,111,241	6,111,241
Assets held for sale	134,888,658	142,060,903	126,481,661
Provisional deposits for the payment of premiums	2,650,718,809	2,106,711,540	2,782,006,888
Property	-	433,710,054	1,305,574,061
Direct contracts with the Government Purchases department - various	-	669,279,588	-
Accounts due to customers (1)	-	21,165,923	-
SICOP guarantees	1,309,989,701	1,598,166,821	1,572,814,810
International organizations	1,575,675,000	-	1,351,500,000
Amounts received for partial sales of assets held for sale	-	525,977,790	-
Master Card and Visa payments	1,751,963,812	1,706,268,154	1,390,897,764
Allocation for petty cash differences	-	574,083,215	-
Various creditors	5,344,046,348	2,542,751,235	4,572,106,265
Interest rate futures - Hedges (Note 10)	1,778,155,516	14,185,350	2,828,840
	¢ <u>117,268,588,249</u>	<u>94,094,782,977</u>	<u>86,414,334,393</u>

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

(24) Other liabilities

Other liabilities are as follows:

	September 2022	December 2021	September 2021
<u>Deferred income:</u>			
Deferred fees and commissions for trust management	¢ 92,595,845	88,200,061	67,448,131
	<u>92,595,845</u>	<u>88,200,061</u>	<u>67,448,131</u>
<u>Operations pending application:</u>			
Operations pending settlement	3,363,840,719	16,748,386,396	3,519,167,932
Other operations pending application	23,366,675,280	10,135,704,410	26,389,306,773
	<u>26,730,515,999</u>	<u>26,884,090,806</u>	<u>29,908,474,705</u>
¢	<u>26,823,111,844</u>	<u>26,972,290,867</u>	<u>29,975,922,836</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(25) Subordinated obligations

The Conglomerate's subordinated obligations are as follows:

Entity	Annual interest rate	Term	Maturity		September 2022	December 2021	September 2021
	6-month LIBOR + 4.50% in the first 5 years and 6-month LIBOR + 5.00% thereafter	10	27/05/2024	US\$	-	50,000,000	50,000,000
IDB							
	6-month LIBOR + 6.30% in the first 5 years and 6-month LIBOR + 6.80% thereafter	10	18/02/2022		21,750,000	-	-
IBD							
	6-month LIBOR + 5.25% in the first 5 years and 6-month LIBOR + 5.75% thereafter	15	23/10/2029		45,000,000	24,000,000	24,750,000
BCIE							
	Fixed rate at 8.28% the entire period (1)	10	29/09/2031		15,000,000	15,000,000	-
AFD							
	6-month LIBOR + 6.30% in the first 5 years and 6-month LIBOR + 6.80% thereafter	10	18/02/2032		30,000,000	-	-
FINDEV							
				US\$	111,750,000	89,000,000	74,750,000
			Equivalent in colones	¢	77,878,125,000	57,427,250,000	70,706,460,000
			Finance charges payable		1,800,466,483	940,121,894	796,310,427
				¢	71,502,770,427	58,367,371,894	47,457,204,527

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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:

		<u>September 2022</u>	<u>December 2021</u>	<u>September 2021</u>
Capital under Law No. 1644	¢	144,618,072,265	144,618,072,265	144,618,072,265
Bank capitalization bonds		27,618,957,837	27,618,957,837	27,618,957,837
	¢	<u>172,237,030,102</u>	<u>172,237,030,102</u>	<u>172,237,030,102</u>

(b) Capital reserves

Capital reserves are as follows:

		<u>September 2022</u>	<u>December 2021</u>	<u>September 2021</u>
Legal reserve	¢	366,285,473,745	343,173,824,949	343,172,682,759
Statutory reserve for assets held for sale		3,953,574,667	3,248,004,049	3,136,477,786
Excess of statutory reserve for loans		5,011,482,101	7,124,739,246	7,230,030,900
Statutory dynamic provision		10,879,983,356	11,190,669,854	11,605,530,647
	¢	<u>386,130,513,869</u>	<u>364,737,238,098</u>	<u>365,144,722,092</u>

(c) Equity of the Development Financing Fund

As of September 30, 2022, the allocation of the Bank's earnings for the creation of the Development Financing Fund (FOFIDE) amounts to ¢44,436,595,670 (December and September 2021: ¢41,687,504,022).

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(27) Commitments and contingencies

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

	September 2022	December 2021	September 2021
Performance bonds	¢ 42,584,292,736	42,618,377,673	45,966,717,457
Bid bonds	1,551,150,222	2,180,865,597	2,529,443,662
Other guarantees	-	445,367,225	434,641,140
Letters of credit	4,256,386,491	4,124,817,367	4,208,178,042
Credits pending disbursement	124,833,348	124,833,348	134,235,863
	<u>48,516,662,797</u>	<u>49,494,261,210</u>	<u>53,273,216,164</u>
Pre-approved lines of credit	306,619,752,577	293,974,025,045	289,208,949,460
Other contingencies not related to credits	83,658,103	83,658,102	83,658,102
Other contingencies - Pending litigation and lawsuits (Note 51)	160,233,224,246	155,692,521,734	157,754,015,781
	<u>466,936,634,926</u>	<u>449,750,204,881</u>	<u>447,046,623,343</u>
Sale of FX futures - Other than hedges (Note 11)	332,178,000	-	289,666,600
¢	<u><u>515,785,475,723</u></u>	<u><u>499,244,466,091</u></u>	<u><u>500,609,506,107</u></u>

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

(28) Trust assets

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

The types of trusts managed are as follows:

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of September 30, 2022, trust capital is invested in the following assets:

Nature of trust	Cash or property management	Securitization	Portfolio management	Guaranty	Testamentary	Custody of stock with testamentary clause	Custody of stock and cash management	Guaranties and cash management	Custody of stock	Management, custody and guaranty	Rentier management and investment	Premium protection	Guaranty and custody of stock	Total
<i>Trust assets</i>														
Cash and due from banks	€ 971,739,606	7,088,822	12,584,706	-	6,359	-	-	16,313	-	19,548,239,482	-	3,163,600	5,593	20,542,844,481
Investments in financial instruments	170,421,572,517	8,348,802,148	420,138,960	2,828,002,388,610	3,765,137,615	-	2,556,934	64,927,588	-	38,295,400	37,970,141	-	647,823	3,011,102,437,736
Loan portfolio	3,861,620,594	-	1,027,242,527	-	-	-	-	-	-	-	-	-	-	4,888,863,121
Accounts and accrued interest receivable	148,019,094,092	29,544,193,829	2,050,145,723	82,385,699	9,257,136	-	-	269,168,359	-	-	-	-	238,578	179,974,483,416
Assets held for sale	64,582,195	-	4,112,596	-	-	-	-	-	-	-	-	-	-	68,694,791
Investments in other companies	-	-	-	4,595,000,000	24,305,272	164,000	-	-	25,206,000	578,017,515	-	-	2,740,000	5,225,432,787
Property and equipment	723,045,454	29,684,984,269	-	121,051,595,564	1,069,780,959	-	-	8,719,375,327	-	-	-	-	1,549,346,718	162,798,128,291
Other assets	25,018,106,557	2,196,239,826	1,262	-	2,757,342	-	-	728,546	-	5,308,095,586	-	-	594	32,525,929,713
€	349,079,761,015	69,781,308,894	3,514,225,774	2,953,731,369,873	4,871,244,683	164,000	2,556,934	9,054,216,133	25,206,000	25,472,647,983	37,970,141	3,163,600	1,552,979,306	3,417,126,814,336

As of December 31, 2021, trust capital is invested in the following assets:

Nature of trust	Cash or property management	Securitization	Portfolio management	Guaranty	Testamentary	Custody of stock with testamentary clause	Custody of stock and cash management	Guaranties and cash management	Custody of stock	Management, custody and guaranty	Pre-sale management	Guaranty and custody of stock	Total
<i>Trust assets</i>													
Cash and due from banks	€ 180,811,647	9,725,684	13,547,026	-	18,544	-	-	758,785	-	20,022,675,423	1,290,500	5,593	20,228,833,202
Investments in financial instruments	248,428,363,414	8,574,990,950	1,490,971,747	2,328,906,164,576	4,005,247,820	-	2,520,765	104,641,328	-	245,395,006	-	657,852	2,591,758,953,458
Loan portfolio	3,376,455,012	-	1,102,694,752	-	-	-	-	-	-	-	-	-	4,479,149,764
Accounts and accrued interest receivable	149,198,351,969	29,135,410,270	1,978,836,411	67,511,266	183,780	-	-	176,186,093	-	-	-	241,116	180,556,720,905
Assets held for sale	115,090,752	-	6,779,434	-	-	-	-	-	-	-	-	-	121,870,186
Investments in other companies	-	-	-	4,595,000,000	24,306,525	164,000	-	-	25,206,000	589,464,221	-	4,740,000	5,238,880,746
Property and equipment	752,822,519	27,113,866,007	-	122,026,030,187	662,837,677	-	-	8,719,375,327	-	-	-	3,004,248,009	162,279,179,726
<i>Trust assets</i>	22,370,111,737	2,796,050,506	1,262	235,000,000	6,847,664	-	-	799,362	-	4,513,506,224	-	1,674,505,319	31,596,822,074
€	424,422,007,050	67,630,043,417	4,592,830,632	2,455,829,706,029	4,699,442,010	164,000	2,520,765	9,001,760,895	25,206,000	25,371,040,874	1,290,500	4,684,397,889	2,996,260,410,061

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of September 30, 2021, trust capital is invested in the following assets:

Nature of trust	Cash or property management	Securitization	Portfolio management	Guaranty	Testamentary	Custody of stock with testamentary clause	Custody of stock and cash management	Guaranties and cash management	Custody of stock	Management, custody and guaranty	Guaranty and custody of stock	Total
<i>Trust assets</i>												
Cash and due from banks	¢ 139,906,590	9,714,761	12,818,269	-	61,821	-	-	1,259,958	-	19,540,348,608	5,593	19,704,115,600
Investments in financial instruments	252,484,024,827	7,309,949,673	1,259,071,371	2,129,816,442,423	3,990,370,472	-	2,511,054	101,985,275	-	503,095,848	640,818	2,395,468,091,761
Loan portfolio	3,442,460,925	-	1,271,775,490	-	-	-	-	-	-	-	-	4,714,236,415
Accounts and accrued interest receivable	121,391,976,683	28,997,997,305	1,936,945,715	65,487,619	36,693	-	-	167,174,077	-	-	235,444	152,559,853,536
Assets held for sale	138,458,640	-	7,678,148	-	-	-	-	-	-	-	-	146,136,788
Investments in other companies	-	-	-	4,595,000,000	24,304,971	164,000	-	-	25,206,000	575,267,748	4,740,000	5,224,682,719
Property and equipment	778,173,377	27,216,019,345	-	118,672,542,185	662,837,677	-	-	8,719,375,327	-	-	3,004,248,009	159,053,195,920
Other assets	19,101,217,411	2,487,164,802	1,262	235,000,000	6,749,786	-	-	799,362	-	2,986,235,610	1,674,505,319	26,491,673,552
	¢ 397,476,218,453	66,020,845,886	4,488,290,255	2,253,384,472,227	4,684,361,420	164,000	2,511,054	8,990,593,999	25,206,000	23,604,947,814	4,684,375,183	2,763,361,986,291

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

a) Housing mortgage

These trusts are exclusively dedicated to managing housing loan portfolios.

b) Cash or property management

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

c) Securitization

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

d) Portfolio management

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

e) Special accounts

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

f) Guaranty

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

g) Testamentary

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(29) Other debit memoranda accounts

Other debit memoranda accounts are as follows:

	September 2022	December 2021	September 2021
Pension Fund Manager's own investments in custody – Face value of principal (unaudited) ¢	11,763,587,197	11,256,590,000	11,232,347,600
Pension Fund Manager's own investments in custody – Coupons (unaudited)	3,341,473,151	4,837,091,300	4,966,478,932
Pension Fund Manager's own investments in custody – Number of shares (unaudited)	23	23	23
Guarantees received in the Bank's custody	1,526,649,028	943,997,162	743,054,745
Other guarantees received in the Bank's custody	16,591,011,310,855	7,425,266,129,616	7,070,426,701,608
Lines of credit granted but unused	388,273,114,840	397,631,709,645	400,893,590,297
Loans pending disbursement	146,032,484,119	147,964,508,341	144,146,812,855
Unused overdrafts	55,000,000	60,701,458	57,994,676
Loans settled	458,859,576,767	415,127,217,926	395,175,750,391
Other accounts receivable settled	23,116,297,505	20,675,349,825	19,299,125,772
Accrued interest receivable settled	41,616,482,099	38,305,871,616	36,122,072,769
Interest income on non-accrual loans of loan portfolio	36,451,652,996	35,790,789,103	26,947,682,794
Supporting documentation received in the Bank's custody	9,003,455	9,004,104	9,003,761
Securities issued pending placement	103,481,000,000	34,444,000,000	6,248,000,000
Lines of credit or overdrafts obtained but unused	6,327,200,001	6,452,500,001	6,297,100,000
Notified letters of credit	5,383,504,347	5,257,203,839	5,082,149,987
Notional value subject to interest rate futures (Note 11)	118,042,774,080	216,430,400,250	208,132,378,910
Reversals made to income accounts for the period	27,200,712,615	50,805,600,120	35,770,083,813
Reversals made to expense accounts for the period	83,930,816,921	89,622,428,300	59,001,309,316
Non-deductible expenses	23,231,315,038	23,231,315,038	12,389,918,809
Non-taxable income	28,031,902,872	28,031,902,872	13,624,603,217
Other memoranda accounts	239,269,397,237	229,090,096,899	215,634,502,774
	<u>18,336,955,255,146</u>	<u>9,181,234,407,438</u>	<u>8,672,200,663,049</u>
Third-party debit memoranda accounts (1)	4,803,573,087,121	4,897,730,289,330	4,745,402,776,819
Own debit memoranda accounts for custodial activities	584,143,060,063	672,053,399,643	683,956,706,733
Third-party debit memoranda accounts for custodial activities	16,158,203,210,828	16,326,243,606,935	16,123,723,265,633
	<u>21,545,919,358,012</u>	<u>21,896,027,295,908</u>	<u>21,553,082,749,185</u>
¢	<u>39,882,874,613,158</u>	<u>31,077,261,703,346</u>	<u>30,225,283,412,234</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	September 2022	December 2021	September 2021
Management of banking mandates	¢ 1,871,332,563,647	1,742,711,823,628	1,674,340,241,658
“TUDES” securities received in custody from affiliates under Article 75 of Law No. 7531	842,194,531	617,389,318	625,125,379
Pension funds (Note 32)	2,188,605,765,035	2,283,096,382,911	2,214,700,900,852
Investment funds (Note 31)	653,149,891,710	772,762,830,934	762,266,098,249
Portfolio management	89,642,672,198	98,541,862,539	93,470,410,681
	¢ <u>4,803,573,087,121</u>	<u>4,897,730,289,330</u>	<u>4,745,402,776,819</u>

Other memoranda accounts by entity are as follows:

	September 2022	December 2021	September 2021
Banco Nacional de Costa Rica	¢ 35,881,548,513,098	26,924,093,940,397	26,044,877,985,466
BN Valores Puesto de Bolsa, S.A. (Note 30)	1,143,444,488,786	1,080,445,381,521	1,186,429,394,725
BN Sociedad Administradora de Fondos de Inversión, S.A. (Note 31)	653,228,583,213	772,807,168,583	762,311,943,598
BN Vital Operadora de Planes de Pensiones Complementarias, S.A. (Note 32)	2,204,653,028,061	2,299,915,212,845	2,231,664,088,445
	¢ <u>39,882,874,613,158</u>	<u>31,077,261,703,346</u>	<u>30,225,283,412,234</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Memoranda accounts for brokerage operations are summarized below:

	September 2022	December 2021	September 2021
<i>Own</i>			
Futures contracts pending settlement	38,122,335,716	19,922,658,293	16,381,240,510
Own trading securities (Note 30-a)	4,053,014,768	4,543,858,793	896,232,002
Other own memoranda accounts	6,360,412,738	6,484,248,455	6,319,389,188
	<u>48,535,763,222</u>	<u>30,950,765,541</u>	<u>23,596,861,700</u>
<i>Third party</i>			
Trading securities received as guarantees	52,111,274,938	42,697,285,222	34,014,887,827
Trading securities pending receipt	3,431,821,426	-	2,219,676,832
Signed contracts pending settlement	5,553,540,025	-	3,427,023,958
Futures contracts pending settlement	87,254,966,521	93,572,152,796	81,864,775,310
Third-party trading securities (Note 30-a)	853,381,675,319	813,707,676,314	945,595,786,915
Cash and accounts receivable	3,532,775,137	975,639,109	2,239,971,502
Portfolio management	89,642,672,198	98,541,862,539	93,470,410,681
	<u>1,094,908,725,564</u>	<u>1,049,494,615,980</u>	<u>1,162,832,533,025</u>
Memoranda accounts (Note 29)	¢ <u>1,143,444,488,786</u>	<u>1,080,445,381,521</u>	<u>1,186,429,394,725</u>

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

a) Securities held in custody are as follows:

<u>Location</u>	<u>Type of custody</u>	<u>September 2022</u>	<u>December 2021</u>	<u>September 2021</u>
<u>Own custodial activities</u>				
Local	International custody - Vault	4,038,014,766	4,518,046,793	-
Local	CEVAL - Public	-	-	870,420,000
Local	Vault	15,000,002	25,812,000	25,812,002
		<u>4,053,014,768</u>	<u>4,543,858,793</u>	<u>896,232,002</u>
<u>Custodial activities on behalf of third parties</u>				
Local	CEVAL - private	143,619,257,453	125,354,746,394	126,121,550,468
Foreign	CEVAL - private	120,242,097,000	42,765,105,609	48,232,587,851
Local	CEVAL - public	530,278,206,770	603,913,323,634	735,370,769,051
Foreign	International custody	59,080,725,628	41,486,925,664	34,971,265,630
Local	Vault	8,024,829	8,024,829	8,024,829
Local - foreign	Securities that are doubtful, in arrears or in litigation	153,363,639	179,550,184	891,589,086
		<u>853,381,675,319</u>	<u>813,707,676,314</u>	<u>945,595,786,915</u>
	¢	<u>857,434,690,087</u>	<u>818,251,535,107</u>	<u>946,492,018,917</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

September 2022								
Term buyer					Term seller			
	Colones	US dollars	US dollars expressed in colones	Total	Colones	US dollars	US dollars expressed in colones	Total
Own	23,953,992,853	21,839,229	13,818,116,821	37,772,109,674	350,226,042	-	-	350,226,042
Third								
parties	8,595,097,849	61,475,126	38,896,541,785	47,491,639,634	10,988,806,068	45,477,495	28,774,520,819	39,763,326,887
	<u>32,549,090,702</u>	<u>83,314,355</u>	<u>52,714,658,606</u>	<u>85,263,749,308</u>	<u>11,339,032,110</u>	<u>45,477,495</u>	<u>28,774,520,819</u>	<u>40,113,552,929</u>
December 2021								
Term buyer					Term seller			
	Colones	US dollars	US dollars expressed in colones	Total	Colones	US dollars	US dollars expressed in colones	Total
Own	14,691,214,333	8,107,623	5,231,443,960	19,922,658,293	-	-	-	-
Third								
parties	7,030,887,273	82,703,050	53,364,143,009	60,395,030,282	3,834,102,065	45,475,429	29,343,020,449	33,177,122,514
	<u>21,722,101,606</u>	<u>90,810,673</u>	<u>58,595,586,969</u>	<u>80,317,688,575</u>	<u>3,834,102,065</u>	<u>45,475,429</u>	<u>29,343,020,449</u>	<u>33,177,122,514</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 2021								
Term buyer					Term seller			
	Colones	US dollars	US dollars expressed in colones	Total	Colones	US dollars	US dollars expressed in colones	Total
Own	14,361,011,389	1,000,778	630,199,776	14,991,211,165	1,390,029,345	-	-	1,390,029,345
Third								
parties	7,995,853,490	77,479,992	48,789,925,679	56,785,779,169	6,787,809,364	29,047,001	18,291,186,777	25,078,996,141
	<u>22,356,864,879</u>	<u>78,480,770</u>	<u>49,420,125,455</u>	<u>71,776,990,334</u>	<u>8,177,838,709</u>	<u>29,047,001</u>	<u>18,291,186,777</u>	<u>26,469,025,486</u>

As of September 30, 2022, term buyer and seller positions in tri-party repurchase agreements in US dollars were valued at the exchange rate of ¢632.72 to US\$1.00 (2021: ¢629.71 to US\$1.00).

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

		September 2022			
		Term buyer		Term seller	
		Colones	US dollars	Colones	US dollars
<u>Own</u>					
1 to 30 days	¢	9,857,366,353	20,736,861	350,226,042	-
31 to 60 days		12,383,273,028	1,102,368	-	-
61 to 90 days		1,713,353,472	-	-	-
		23,953,992,853	21,839,229	350,226,042	-
<u>Third-party</u>					
1 to 30 days		966,453,510	1,676,861	559,123,373	2,045,219
31 to 60 days		3,620,224,819	36,040,348	4,542,758,562	20,737,724
61 to 90 days		1,187,405,574	18,911,541	2,556,352,183	17,848,176
More than 91 days		2,821,013,946	4,846,376	3,330,571,950	4,846,376
		8,595,097,849	61,475,126	10,988,806,068	45,477,495
	¢	32,549,090,702	83,314,355	11,339,032,110	45,477,495
		December 2021			
		Term buyer		Term seller	
		Colones	US dollars	Colones	US dollars
<u>Own</u>					
1 to 30 days	¢	3,852,958,333	2,001,445	-	-
31 to 60 days		10,838,256,000	6,106,178	-	-
		14,691,214,333	8,107,623	-	-
<u>Third-party</u>					
1 to 30 days		200,256,438	726,503	200,256,438	926,717
31 to 60 days		3,345,275,971	4,990,524	825,216,687	4,712,084
61 to 90 days		2,255,254,698	73,831,858	1,180,928,776	36,682,462
More than 91 days		1,230,100,166	3,154,165	1,627,700,164	3,154,166
		7,030,887,273	82,703,050	3,834,102,065	45,475,429
	¢	21,722,101,606	90,810,673	3,834,102,065	45,475,429

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		September 2021			
		Term buyer		Term seller	
		Colones	US dollars	Colones	US dollars
<u>Own</u>					
1 to 30 days	¢	14,361,011,389	1,000,779	1,390,029,344	-
		14,361,011,389	1,000,779	1,390,029,344	-
<u>Third-party</u>					
1 to 30 days		193,353,968	6,999,103	-	-
31 to 60 days		2,127,066,061	24,548,237	2,422,366,641	9,252,384
61 to 90 days		4,426,491,525	43,050,365	2,655,494,765	16,912,331
More than 91 days		1,248,941,936	2,882,286	1,709,947,959	2,882,286
		7,995,853,490	77,479,991	6,787,809,365	29,047,001
	¢	22,356,864,879	78,480,770	8,177,838,709	29,047,001

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(31) Investment fund management agreements

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

	September 2022		
Fund	Net value	Shares	Value per share
<i>Funds in colones:</i>			
Súper Fondo colones	¢ 151,703,210,672	33,686,836,542	4.50
Fon Depósito colones	55,239,649,762	34,049,073,679	1.62
Creci Fondo colones	9,381,138,790	1,409,173,620	6.66
Redi Fondo colones	27,564,339,163	5,848,060,187	4.71
Diner Fondo colones	55,287,753,223	18,373,547,743	3.01
	¢ <u>299,176,091,610</u>	<u>93,366,691,771</u>	
<i>Funds in US dollars:</i>			
Creci Fondo <i>US dollars</i>	21,939,719	9,756,096	2.25
Redi Fondo <i>US dollars</i>	37,349,242	20,366,149	1.83
Diner Fondo <i>US dollars</i>	117,838,574	85,957,034	1.37
Fon Depósito <i>US dollars</i>	53,605,676	46,526,831	1.15
Súper Fondo Plus <i>US dollars</i>	267,062,865	233,768,359	1.14
Fondo Internacional - liquidity	33,249,860	21,750	1.528.73
BN internacional Valor	337,705	351,731	0.96
BN internacional Suma	3,471,181	3,730,053	0.93
BN internacional Crece	2,831,157	3,116,675	0.91
BN Infraestructura Pública -1	1,968,637	1,957,784	1.01
FI Desarrollo de Proyecto BN I	19,793,166	19,795	999.91
	US\$ <u>559,447,782</u>	<u>405,572,257</u>	
	¢ <u>353,973,800,100</u>	<u>256,613,678,449</u>	
Assets of managed funds	¢ <u>653,149,891,710</u>	<u>349,980,370,220</u>	
<i>Guarantees:</i>			
Performance bonds	76,716,199		
Outstanding checks	1,975,304		
	<u>78,691,503</u>		
Memoranda accounts (Note 29)	¢ <u>653,228,583,213</u>		

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 2021		
Fund	Net value	Shares	Value per share
<i>Funds in colones:</i>			
Súper Fondo colones	¢ 155,840,578,411	34,978,944,271	4.45
Fon Depósito colones	65,876,006,462	40,971,564,113	1.61
Creci Fondo colones	18,097,863,673	2,690,093,423	6.72
Redi Fondo colones	58,406,812,071	12,380,554,666	4.70
Diner Fondo colones	89,060,189,790	29,889,525,599	2.98
	¢ <u>387,281,450,407</u>	<u>120,910,682,072</u>	
<i>Funds in US dollars:</i>			
Creci Fondo <i>US dollars</i>	24,919,805	11,122,701	0.00
Redi Fondo <i>US dollars</i>	57,218,500	31,325,053	2.21
Diner Fondo <i>US dollars</i>	168,031,240	123,135,967	1.81
Fon Depósito <i>US dollars</i>	62,616,598	54,447,099	1.36
Súper Fondo Plus <i>US dollars</i>	244,162,299	214,866,302	1.15
Fondo Hipotecario <i>US dollars</i>	31,000,837	21,750	1,417.38
Fondo Internacional Liquidez	323,143	325,732	1.00
BN internacional Valor	3,515,217	3,429,494	1.00
BN internacional Suma	2,580,115	2,452,183	1.01
BN internacional Crece	3,046,241	3,043,150	1.00
BN Infraestructura Pública -1	US\$ 597,413,995	444,169,431	
	¢ <u>385,481,380,528</u>	<u>286,600,325,353</u>	
	¢ <u>772,762,830,934</u>	<u>407,511,007,425</u>	
Assets of managed funds			
<i>Guarantees:</i>	42,362,347		
Performance bonds	<u>1,975,305</u>		
	<u>44,337,651</u>		
Memoranda accounts (Note 29)	¢ 772,807,168,586		

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Fund	September 2021		
	Net value	Shares	Value per share
<i>Funds in colones:</i>			
Súper Fondo colones	¢ 155,840,578,411	34,978,944,271	4.45
Fon Depósito colones	65,876,006,462	40,971,564,113	1.61
Creci Fondo colones	18,097,863,673	2,690,093,423	6.72
Redi Fondo colones	58,406,812,071	12,380,554,666	4.70
Diner Fondo colones	89,060,189,790	29,889,525,599	2.98
	¢ <u>387,281,450,407</u>	<u>120,910,682,072</u>	
<i>Funds in US dollars:</i>			
Creci Fondo US dollars	US\$ 24,919,805	11,122,701	0.00
Redi Fondo US dollars	57,218,500	31,325,053	2.21
Diner Fondo US dollars	168,031,240	123,135,967	1.81
Fon Depósito US dollars	62,616,598	54,447,099	1.36
Súper Fondo Plus US dollars	244,162,299	214,866,302	1.15
Fondo Hipotecario US dollars	31,000,837	21,750	1,417.38
Fondo Internacional Liquidez	323,143	325,732	1.00
BN internacional Valor	3,515,217	3,429,494	1.00
BN internacional Suma	2,580,115	2,452,183	1.01
BN internacional Crece	3,046,241	3,043,150	1.00
BN Infraestructura Pública -1	US\$ <u>597,413,995</u>	<u>444,169,431</u>	
	¢ <u>385,481,380,528</u>	<u>286,600,325,353</u>	
	¢ <u>772,762,830,934</u>	<u>407,511,007,425</u>	
Assets of managed funds			
<i>Guarantees:</i>			
Performance bonds	42,362,347		
	<u>1,975,305</u>		
	<u>44,337,651</u>		
Memoranda accounts (Note 29)	¢ <u>772,807,168,586</u>		

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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- *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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- *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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(32) Pension fund management agreements

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

	September 2022	December 2022	September 2021
Mandatory Pension Fund (ROP) ¢	1,803,874,072,171	1,937,484,746,302	1,887,484,728,620
Mandatory Retirement Savings Account (FCL)	93,613,662,821	96,494,039,246	93,417,093,668
Employee Protection and Retirement Fund	91,742,159,564	-	-
Voluntary Pension Fund in Colones A (FPC A)	114,370,555,754	149,725,096,177	144,224,088,428
Voluntary Pension Fund in Colones B (FPC B)	39,306,966,322	44,590,216,879	41,252,249,612
Voluntary Pension Fund in US dollars A (FPD A) (i)	23,768,403,267	27,355,613,131	25,276,679,870
Voluntary Pension Fund in US dollars B (FPD B) (ii)	15,362,400,929	20,918,277,764	16,645,722,812
ICT employee pension fund	6,567,544,207	6,528,393,412	6,400,337,842
Assets of managed funds (Note 29)	2,188,605,765,035	2,283,096,382,911	2,214,700,900,852
Securities and assets in own custody	15,105,060,372	16,093,681,323	16,198,826,555
Bid and performance bonds – colones	33,129,606	26,556,671	33,408,778
Bid and performance bonds – US dollars (iii)	66,878,517	81,202,623	105,826,881
Securities in DU	842,194,531	617,389,317	625,125,379
Memoranda accounts (Note 29) ¢	2,204,653,028,061	2,299,915,212,845	2,231,664,088,445

- i. As of September 30, 2022, this fund amounts to US\$37,565,437 (2021: US\$40,140,191) and is valued at the exchange rate of ¢632.72 to US\$1.00 (2021: ¢629.71 to US\$1.00).
- ii. As of September 30, 2022, this fund amounts to US\$24,279,936 (2021: US\$26,433,950) and is valued at the exchange rate of ¢632.72 to US\$1.00 (2021: ¢629.71 to US\$1.00).
- iii. As of September 30, 2022, this fund amounts to US\$105,700 (2021: US\$168,057) and is valued at the exchange rate of ¢632.72 to US\$1.00 (2021: ¢629.71 to US\$1.00).

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(33) Income from financial instruments

For the nine months ended September 30, income from financial instruments is as follows:

	September		Quarter from July 1 to September 30	
	2022	2021	2022	2021
<u>Cash and due from banks:</u>				
Deposits in BCCR	¢ 27,281,547	4,996,753	17,913,026	1,191,728
Checking accounts and demand deposits in local entities	27,789,980	21,739,787	11,769,439	6,081,434
Checking accounts and demand deposits in foreign entities	3,016,174,363	796,428,350	2,090,607,587	228,900,273
	<u>3,071,245,890</u>	<u>823,164,890</u>	<u>2,120,290,052</u>	<u>236,173,435</u>
<u>Financial instruments:</u>				
Investments at fair value through profit or loss	168,609,517	169,135,831	63,188,460	48,843,517
Investments at fair value through other comprehensive income	20,732,018,587	27,737,743,840	6,903,590,644	8,485,941,595
Investments at amortized cost	15,886,294,752	17,904,254,547	6,090,918,527	6,109,847,096
Investments in past due and restricted securities	1,631,856,502	545,757,255	831,190,489	205,071,385
	<u>38,418,779,358</u>	<u>46,356,891,473</u>	<u>13,888,888,120</u>	<u>14,849,703,593</u>
¢	<u>41,490,025,248</u>	<u>47,180,056,363</u>	<u>16,009,178,172</u>	<u>15,085,877,027</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(34) Income from loan portfolio

For the nine months ended September 30, finance income from the loan portfolio is as follows:

	September		Quarter from July 1 to September 30	
	2022	2021	2022	2021
<i><u>Current loans:</u></i>				
Individuals	¢ 102,409,559,739	115,271,354,905	38,939,806,049	38,510,857,179
Development Banking System	2,879,829,694	3,812,662,271	1,137,514,349	1,250,833,627
Business	31,937,480,101	46,618,918,628	12,477,042,524	15,574,344,651
Corporate	56,280,216,230	53,505,776,636	20,648,344,794	17,800,708,838
Public sector	9,640,177,542	6,817,916,674	3,493,411,912	2,223,193,265
Financial sector	2,670,576,439	3,981,829,456	869,694,999	1,234,870,437
	<u>205,817,839,745</u>	<u>230,008,458,570</u>	<u>77,565,814,627</u>	<u>76,594,807,997</u>
<i><u>Past due loans and loans in legal collection:</u></i>				
Individuals	8,507,342,812	17,465,786,168	3,075,552,677	5,536,621,671
Development Banking System	138,670,874	440,617,176	37,559,181	145,263,302
Business	2,243,402,051	9,267,891,402	909,264,850	2,605,261,412
Corporate	2,288,520,337	1,863,863,055	935,724,933	739,238,839
Public sector	25,250,394	89,748,052	7,281,291	18,865,405
Financial sector	1,065,779	6,086,210	563,248	-
In legal collection	65,287,412,080	7,206,107,925	19,719,858,004	2,405,839,946
Amortization of net commission of incremental direct costs related to credits	749,504,597	990,887,379	234,012,065	320,207,275
	<u>79,241,168,924</u>	<u>37,330,987,367</u>	<u>24,919,816,249</u>	<u>11,771,297,850</u>
¢	<u><u>285,059,008,669</u></u>	<u><u>267,339,445,937</u></u>	<u><u>102,485,630,876</u></u>	<u><u>88,366,105,847</u></u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(35) Other finance income

For the nine months ended September 30, other finance income is as follows:

	September		Quarter from July 1 to September 30	
	2022	2021	2022	2021
Fees and commissions on letters of credit	¢ 10,429,866	10,265,306	2,486,131	3,782,779
Fees and commissions on guarantees granted	268,136,799	393,949,426	85,493,777	121,450,676
Gain on sale of financial instruments	193,437,178	707,526,145	-	489,880,902
Fees and commissions on lines of credit	2,188	-	-	-
Gain on fair value hedge for item measured at cost	8,911,381,334	4,126,232,201	970,788,537	1,159,013,503
Other sundry finance income	291,663,313	2,121,562,191	97,556,362	690,662,012
Late fees	405,128,537	-	143,736,903	-
Sundry finance income from late fees	1,369,576,907	-	457,867,385	-
	¢ <u>11,449,756,122</u>	<u>7,359,535,269</u>	<u>1,757,929,095</u>	<u>2,464,789,872</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(36) Finance costs for obligations with the public

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

		September		Quarter from July 1 to September 30	
		2022	2021	2022	2021
Demand deposits	¢	36,943,809,405	28,820,866,064	17,323,215,404	9,367,578,120
Term deposits		46,629,278,258	63,375,904,658	17,535,255,045	18,665,329,696
Tri-party repurchase agreements and security agreements		-	15,293,926	-	-
	¢	<u>83,573,087,663</u>	<u>92,212,064,648</u>	<u>34,858,470,449</u>	<u>28,032,907,816</u>

(37) Finance costs for obligations with financial entities

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

		September		Quarter from July 1 to September 30	
		2022	2021	2022	2021
Demand obligations	¢	1,679,555,891	1,077,593,679	809,512,168	357,078,534
Term obligations		22,926,285,499	25,238,966,053	7,783,877,854	7,037,169,034
	¢	<u>24,605,841,390</u>	<u>26,316,559,732</u>	<u>8,593,390,022</u>	<u>7,394,247,568</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(38) Other finance costs

For the nine months ended September 30, other finance costs are as follows:

	September		Quarter from July 1 to September 30	
	2022	2021	2022	2021
Fees and commissions on letters of credit obtained	¢ 213,825,867	164,660,889	59,664,971	73,603,121
Loss on financial instruments measured at amortized cost	59,890	-	-	-
Loss on hedged item measured at cost from fair value hedge on interest rate risk	5,747,840,135	943,588,321	167,304,171	99,673,066
Other sundry finance costs	842,967,525	396,599,006	501,826,866	82,921,153
	¢ <u>6,804,693,417</u>	<u>1,504,848,216</u>	<u>728,796,008</u>	<u>256,197,340</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(39) Expenses for allowance for impairment of assets

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

	September		Quarter from July 1 to September 30	
	2022	2021	2022	2021
Allowance for loan losses (Note 12)	¢ 33,527,515,925	66,814,941,186	6,787,265,561	26,343,787,508
Allowance for impairment of other accounts receivable (Note 13)	1,682,972,742	670,623,773	462,049,003	206,966,748
Allowance for stand-by credit losses (Note 24)	360,000,000	-	-	-
General and counter-cyclical allowance for loan losses (Note 12)	5,720,000,000	2,570,000,000	2,300,000,000	650,000,000
General and counter-cyclical allowance for stand-by credits (Notes 12 and 24)	20,000,000	120,000,001	20,000,000	-
Allowance for impairment of investments at fair value through other comprehensive income (FVOCI)	242,563,791	3,049,567,521	98,897,661	376,241,682
Allowance for impairment of financial instruments at amortized cost	406,512,382	1,971,931,480	49,253,261	445,552,041
Allowance for impairment of operations with derivative financial instruments	108,576,921	7,090,165	39,718,234	5,020,445
Allowance for impairment of mature and restricted financial instruments	-	38,477	-	-
	¢ <u>42,068,141,761</u>	<u>75,204,192,603</u>	<u>9,757,183,720</u>	<u>28,027,568,424</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

	September		Quarter from July 1 to September 30	
	2022	2021	2022	2021
Recovery of loan write-offs	¢ 16,443,916,516	8,667,708,050	4,148,960,194	4,025,730,684
Recovery of accounts receivable write-offs	4,860,056	3,589,526	3,109,199	1,214,332
Decrease in allowance for loan losses (Note 6)	81,428	-	-	-
Decrease in allowance for impairment of other accounts receivable (Note 13)	579,691,757	426,607,080	49,094,205	103,059,096
Decrease in allowance for impairment of investments in financial instruments (Note 10)	1,585,401,725	2,308,189,449	473,071,970	448,428,411
	<u>¢ 18,613,951,482</u>	<u>11,406,094,105</u>	<u>4,674,235,568</u>	<u>4,578,432,523</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(41) Income from service fees and commissions

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

		September		Quarter from July 1 to September 30	
		2022	2021	2022	2021
Drafts and transfers	¢	8,625,261,050	7,298,387,808	2,914,004,298	2,527,232,192
Certified checks		1,374,655	2,116,974	409,077	639,904
Trusts		1,778,548,190	1,396,132,965	596,785,640	492,826,895
Custodial services		1,753,382,938	1,504,884,846	605,476,022	492,686,878
Banking mandates		392,302	135,487	185,932	43,263
Collections		15,265,980	16,745,373	4,816,469	6,430,147
Credit cards		49,341,326,712	39,486,429,732	16,372,189,577	13,784,057,796
Management services		3,520,859,120	3,101,500,086	1,077,124,802	986,277,665
Management of investment funds		5,465,379,242	5,811,555,338	1,748,442,618	2,027,860,708
Management of pension funds		7,804,817,519	8,822,579,880	2,508,411,764	3,153,798,842
Insurance underwriting		6,783,184,612	5,845,240,594	2,475,621,670	1,935,721,491
Brokerage operations (third parties in local market)		1,533,081,729	3,595,639,736	544,792,852	1,260,668,959
Brokerage operations (third parties in other markets)		535,472,741	165,901,042	241,100,636	45,701,478
Transactions with related parties		57,957,786	40,719,802	18,653,543	13,989,734
Commissions charged to other affiliates due to covenants		9,552,547,332	9,047,062,240	3,171,466,886	2,963,749,816
Servibanca local interchange		18,533,944,889	15,678,002,770	6,168,935,364	5,348,703,950
Other service fees and commissions		8,831,855,235	7,108,629,203	2,978,833,961	2,446,667,713
	¢	<u>124,134,652,032</u>	<u>108,921,663,876</u>	<u>41,427,251,111</u>	<u>37,487,057,431</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(42) Other operating income

For the nine months ended September 30, other operating income is as follows:

		September		Quarter from July 1 to September 30	
		2022	2021	2022	2021
Recovery of expenses (1)	¢	870,505,389	2,322,569,967	197,708,105	608,557,428
Net valuation of other assets (Note 6)		403,451,802	61,663,409	255,245,202	26,710,705
Other income from accounts receivable		997,055	1,058,962	443,505	351,224
Liquidation of savings accounts		131,304,072	-	41,945,193	-
PMEP administrative charges		178,268,856	603,294,281	64,307,068	81,699,032
Liquidation of term certificate of deposit not claimed		375,499,290	544,112,331	87,400,960	113,960,792
Fines applied to vendors		246,235,760	-	63,767,416	-
Excess cash from human teller		154,980,197	-	51,250,034	-
Commission due to markup of BN cards		541,427,315	-	231,837,820	-
Other operating income		1,081,649,892	1,463,066,570	315,513,897	593,870,177
Decrease in provisions (2)		1,594,558,205	138,072,861	240,007,387	34,223,904
	¢	<u>5,578,877,833</u>	<u>5,133,838,381</u>	<u>1,549,426,587</u>	<u>1,459,373,262</u>

- (1) When the *Law of Public Administration's Salaries* (Law No. 9908) became effective, the provision for the payment of employee annuities was reversed.
- (2) During April 2022, the Bank liquidated the provision related to the payment of SEDI, which was processed under file number 15-008666-1027-CA of the Administrative Court, given that the ruling was in favor of the Bank.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(43) Expenses for assets held for sale

For the nine months ended September 30, expenses for assets held for sale are as follows:

		September		Quarter from July 1 to September 30,	
		2022	2021	2022	2021
Property and other assets acquired in lieu of payment	¢	130,276,692	219,295,167	122,780,367	-
Loss on sale of assets awarded in judicial auctions		3,912,639,484	5,178,816,402	503,124,981	1,369,436,130
Management of assets received in lieu of payment		34,998,586	19,059,613	11,137,893	3,724,190
Management of assets awarded in judicial auctions		3,427,506,465	2,784,094,184	1,067,861,709	965,665,392
Loss on impairment of assets held for sale (Note 14)		26,670,454	58,307,080	20,345,192	31,509,821
Loss on allowance for impairment of assets held for sale and per legal requirement (Note 14)		5,314,769,397	736,905,681	1,395,774,289	381,933,558
Other expenses for assets held for sale		7,228,905	24,884,704	2,142,331	14,993,850
	¢	<u>12,854,089,983</u>	<u>9,021,362,831</u>	<u>3,123,166,762</u>	<u>2,767,262,941</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(44) Provision expenses

For the nine months ended September 30, provision expenses are as follows:

	September		Quarter from July 1 to September 30	
	2022	2021	2022	2021
Severance benefits	¢ 82,855,184	89,664,528	48,096,832	27,712,948
Pending litigation	414,784,604	1,114,763,533	94,587,829	536,835,672
“BN Premios” points program	2,720,698,999	1,661,768,378	1,153,915,867	659,882,905
Case of the manager commissions with CCSS	-	912,158,736	-	228,039,684
Notice of deficiency	-	977,802,317	-	-
Other provision	1,071,496,515	333,886,642	343,186,856	333,184,677
	¢ <u>4,289,835,302</u>	<u>5,090,044,134</u>	<u>1,639,787,384</u>	<u>1,785,655,886</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(45) Other operating expenses

For the nine months ended September 30, other operating expenses are as follows:

	September		Quarter from July 1 to September 30	
	2022	2021	2022	2021
Penalties for noncompliance with regulatory legal provisions	¢ 594,181	1,718,644	-	596,535
Net valuation of other liabilities (Note 6)	241,151,408	80,217,505	89,667,753	22,486,872
Value-added tax expense	953,888,185	797,381,957	301,830,446	269,647,296
Income tax on foreign remittances	5,897,924	5,648,238	1,960,197	1,895,093
Income tax (8% and 15%) on interest from investments in financial instruments	379,818,050	16,316,880	128,861,236	16,316,880
Property tax	193,133,350	195,348,555	63,780,360	65,846,762
Patents	455,286,612	663,729,784	159,485,563	244,382,769
Other local taxes	29,720,797	65,517,707	11,884,744	16,613,197
Other foreign taxes	20,636	17,752	5,255	6,220
Transfer to FINADE	913,408,295	1,545,417,257	682,485,891	456,007,091
Costs of microfinance insurance policies	2,745,613,370	-	942,307,440	-
Amortization of deferred direct costs related to loans	321,381,245	272,216,932	121,168,795	102,473,512
Authorization abroad	2,225,570,779	-	745,935,778	-
Base I and II fund disbursements	17,043,026,153	12,453,436,065	5,505,980,169	4,262,143,123
Life insurance policy – debit balance	8,804,892,649	6,353,732,934	3,134,774,366	-
Software maintenance and licenses	7,753,662,052	8,531,554,516	2,875,951,260	2,460,527,975
Sundry operating expenses	5,434,696,101	8,552,902,629	2,199,976,485	5,082,387,410
Other expenses for sundry assets	843,597,538	159,463	843,597,538	-
	<u>¢ 48,345,359,325</u>	<u>39,535,316,818</u>	<u>17,809,653,276</u>	<u>13,001,330,735</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(46) Personnel expenses

For the nine months ended September 30, personnel expenses are as follows:

	September		Quarter from July 1 to September 30,	
	2022	2021	2022	2021
Salaries and bonuses, permanent staff	¢ 56,034,797,029	52,605,102,684	19,796,865,487	17,888,994,508
Salaries and bonuses, contractors	723,937,624	581,685,972	297,160,048	195,702,723
Compensation for directors and statutory examiners	125,978,618	182,490,819	37,730,703	59,111,430
Overtime	394,197,302	349,566,035	144,662,033	124,817,097
Travel expenses	201,700,829	128,715,471	80,257,159	45,524,473
Statutory Christmas bonus	6,174,070,554	5,651,640,958	2,192,842,383	1,930,925,953
Vacation	4,863,345,086	4,501,238,683	1,754,349,538	1,505,987,492
Incentives	3,418,577,062	2,463,020,377	1,102,758,692	796,121,383
Other compensation	4,850,117,794	4,152,583,416	1,698,126,065	1,404,744,892
Severance benefits	3,601,903,571	3,232,818,761	1,264,214,766	1,103,772,247
Employer social security taxes	24,429,567,849	22,464,951,503	8,664,401,364	7,635,598,241
Refreshments	46,917,751	30,325,016	16,990,550	10,435,195
Uniforms	320,000	24,958,621	260,000	6,824,101
Training	468,178,772	249,036,280	236,013,287	108,040,612
Employee insurance	200,115,759	180,768,607	65,700,660	61,561,343
Back-to-school bonus	5,342,575,289	4,772,921,962	1,992,419,156	1,640,419,945
Mandatory retirement savings account	1,201,768,868	1,106,807,717	426,736,819	372,681,856
Other personnel expenses	462,537,356	594,819,538	112,252,795	142,929,841
¢	<u>112,540,607,113</u>	<u>103,273,452,420</u>	<u>39,883,741,505</u>	<u>35,034,193,332</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(47) Other administrative expenses

For the nine months ended September 30, other administrative expenses are as follows:

		September		Quarter from July 1 to September 30	
		2022	2021	2022	2021
Outsourcing	¢	21,584,361,288	17,765,149,977	7,509,223,853	5,938,919,064
Transportation and communications		2,956,546,808	2,452,536,193	992,864,437	857,095,131
Infrastructure		19,898,421,983	19,132,042,032	7,233,665,895	6,305,056,117
Overhead		13,821,444,823	12,360,835,636	4,902,125,661	4,579,636,391
	¢	<u>58,260,774,902</u>	<u>51,710,563,838</u>	<u>20,637,879,846</u>	<u>17,680,706,703</u>

(48) Statutory allocations

For the nine months ended September 30, statutory allocations are as follows:

		September		Quarter from July 1 to September 30	
		2022	2021	2022	2021
CONAPE - 5%	¢	3,493,710,096	2,237,604,865	1,143,467,335	729,807,224
CNE - 3%		2,255,734,350	1,535,894,784	728,463,173	501,218,622
INFOCOOP - 10%		4,674,891,243	3,131,667,662	1,540,610,891	1,008,941,717
Public capital pension operators		1,203,707,743	1,436,304,647	155,430,504	466,099,162
RIVM - 15%		5,252,738,606	2,901,964,682	1,736,770,846	943,428,539
	¢	<u>16,880,782,038</u>	<u>11,243,436,640</u>	<u>5,304,742,749</u>	<u>3,649,495,264</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the nine months ended September 30, decreases in statutory allocations are as follows:

		September		Quarter from July 1 to September 30	
		2022	2021	2022	2021
CNE - 3%	¢	2,845,775	-	2,845,775	-
Public capital pension operators		22,072,745	-	22,072,745	-
	¢	24,918,520	-	24,918,520	-

(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:

	September 2022			
	Carrying amount	Level	Fair value	Level
<u>Financial assets:</u>				
Cash and due from banks	¢ 1,465,499,712,405		1,465,499,712,405	
Loan portfolio	4,719,984,062,299	(3)	4,575,196,032,161	(3)
	¢ <u>6,185,483,774,704</u>		<u>6,040,695,744,566</u>	
<u>Financial liabilities:</u>				
Demand deposits from the public and financial entities	¢ 4,458,760,619,253	(3)	4,458,760,619,253	(3)
Other demand obligations with the public	16,950,112,792		16,950,112,792	
Term deposits from the public and financial entities	2,584,357,161,126	(3)	2,528,195,665,922	(3)
	¢ <u>7,060,067,893,171</u>		<u>7,003,906,397,967</u>	

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		December 2021			
		Carrying amount	Level	Fair value	Level
<i><u>Financial assets:</u></i>					
Cash and due from banks	¢	1,355,841,181,326		1,355,841,181,326	
Loan portfolio		4,613,265,731,396	(3)	4,313,851,040,344	(3)
	¢	<u>5,969,106,912,722</u>		<u>5,669,692,221,670</u>	
<i><u>Financial liabilities:</u></i>					
Demand deposits from the public and financial entities	¢	4,494,145,622,206	(3)	4,494,145,622,206	(3)
Other demand obligations with the public		16,045,803,541		16,045,803,541	
Term deposits from the public and financial entities		2,561,173,940,184	(3)	2,527,806,130,895	(3)
	¢	<u>7,071,365,365,931</u>		<u>7,037,997,556,642</u>	
		September 2021			
		Carrying amount		Fair value	
<i><u>Financial assets:</u></i>					
Cash and due from banks	¢	1,273,634,653,388		1,273,634,653,388	
Loan portfolio		4,427,218,153,945		4,138,830,370,937	
	¢	<u>5,700,852,807,333</u>		<u>5,412,465,024,325</u>	
<i><u>Financial liabilities:</u></i>					
Demand deposits from the public and financial entities	¢	3,923,692,410,745		3,923,692,410,745	
Other demand obligations with the public		14,847,106,934		14,847,106,934	
Term deposits from the public and financial entities		2,757,797,655,085		2,729,398,263,018	
	¢	<u>6,696,337,172,764</u>		<u>6,667,937,780,697</u>	

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Fair value estimates

i. Valuation techniques and significant unobservable inputs

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

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

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

- (b) *Loan portfolio*

The fair value of loans is calculated by discounting future cash flows expected for principal and interest. Loan payments are assumed to be made on the contractually agreed payment date. Future expected cash flows for loans are discounted at the interest rates offered for similar loans to new borrowers as of September 30, 2022 and 2021.

- (c) *Term deposits*

The fair value of term deposits is calculated by discounting cash flows at the interest rates offered for term deposits with similar maturities.

- (d) *Obligations with entities*

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

Fair value estimates are made at a specific date, based on relevant market information and information concerning the financial instruments. These estimates do not reflect any premium or discount that could result from offering for sale a particular financial instrument at a given point in time. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with accuracy. Estimates could vary significantly if changes are made to those assumptions.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

		September 2022			
		Nivel 1	Nivel 2	Nivel 3	Total
Fair value through profit or loss	¢	4,141,955,617	18,376,353,265	4,525,023,624	27,043,332,506
Fair value through other comprehensive income		644,433,515,301	-	-	644,433,515,301
Amortized cost		910,778,264,644	16,324,176,000	-	927,102,440,644
Term obligations with foreign financial entities	¢	-	-	108,888,176,236	108,888,176,236
		December 2022			
		Level 1	Level 2	Level 3	Total
Fair value through profit or loss	¢	4,627,572,873	30,897,591,315	4,614,634,425	40,139,798,613
Fair value through other comprehensive income		803,324,087,665	3,892,580,138	-	807,216,667,803
Amortized cost		917,505,890,841	-	-	917,505,890,841
Derivative financial instruments		-	-	7,723,704,438	7,723,704,438
Term obligations with foreign financial entities	¢	-	-	212,580,207,607	212,580,207,607
		September 2021			
		Level 1	Level 2	Level 3	Total
Fair value through other comprehensive income	¢	787,322,340,780	7,325,550,821	-	794,647,891,601
Amortized cost		841,559,264,140	2,258,418,313	-	843,817,682,453
Fair value through profit or loss		-	32,913,142,361	4,503,497,007	37,416,639,368
Derivative financial instruments		-	-	11,772,045,150	11,772,045,150
Term obligations with foreign financial entities	¢	-	-	210,402,474,091	210,402,474,091

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

ii. *Recurring level 3 fair values*

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

	September 2022			September 2021		
	Fair value through profit or loss	Derivative financial instruments	Term obligations with foreign financial entities	Fair value through profit or loss	Derivative financial instruments	Term obligations with foreign financial entities
Opening balance	¢ 4,614,634,425	7,723,704,438	212,580,207,606	4,414,744,410	-	-
Valuation	563,532	(7,573,719,135)	(7,838,413,144)	1,595,100,103	11,771,654,518	9,325,004,345
Amortizations	-	-	(574,873,914)	-	-	1,364,768,595
Exchange differences	(90,174,333)	(149,985,303)	(95,278,744,312)	(1,506,347,506)	390,632	199,712,701,005
Closing balance	¢ 4,525,023,624	-	108,888,176,236	4,503,497,007	11,772,045,150	210,402,473,945

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(50) Segments

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

As of September 30, 2022								
	Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations and reclassifications	Consolidated
ASSETS								
Cash and due from banks	¢ 1,460,303,376,537	4,483,762,423	214,662,343	798,637,778	26,329,750	1,465,826,768,831	327,056,432	1,465,499,712,399
Investments in financial instruments	1,530,064,093,674	51,175,778,208	11,003,510,986	11,828,587,478	5,546,989,972	1,609,618,960,318	295,312,000	1,609,323,648,318
Loan portfolio, net	4,573,308,990,927	-	-	-	-	4,573,308,990,927	-	4,573,308,990,927
Fees and commissions receivable	774,362,881	28,769,558	34,578,064	733,337,703	920,809,665	2,491,857,871	54,196,491	2,437,661,380
Accounts receivable for brokerage operations	-	130,512,093	-	-	-	-	-	130,512,093
Accounts due from related parties	19,618,470	3,854,194	-	428,225	420,707	24,321,596	3,243,656	21,077,940
Deferred tax and income tax receivable	8,189,812,397	140,229,465	146,773,293	598,771,004	180,944,536	9,256,530,695	-	9,256,530,695
Other accounts receivable	4,428,805,456	66,753,056	6,635,661	71,790,927	31,659,420	4,605,644,520	-	4,605,644,520
Accrued interest receivable	1,947,372	-	-	-	-	1,947,372	-	1,947,372
Allowance for impairment	(4,351,787,295)	-	(6,469,307)	(59,694,264)	-	(4,417,950,866)	-	(4,417,950,866)
Assets held for sale, net	38,682,611,322	-	-	-	-	38,682,611,322	-	38,682,611,322
Investments in other companies	119,672,145,863	30,000,000	-	-	-	119,702,145,863	43,290,252,192	76,411,893,671
Property, furniture and equipment, net	204,161,969,686	473,633,297	202,419,451	326,991,504	113,114,396	205,278,128,334	-	205,278,128,334
Other assets	63,345,645,281	1,019,580,054	1,132,455,438	1,032,804,201	1,087,927,309	67,618,412,283	-	67,618,412,283
TOTAL ASSETS	¢ 7,998,601,592,571	57,552,872,348	12,734,565,929	15,331,654,556	7,908,195,755	8,092,128,881,159	43,970,060,771	8,048,158,820,388
LIABILITIES AND EQUITY								
LIABILITIES								
Obligations with the public	¢ 6,257,090,068,935	-	-	-	-	6,257,090,068,935	-	6,257,090,068,935
Obligations with BCCR	166,625,500,558	-	-	-	-	166,625,500,558	-	166,625,500,558
Obligations with entities	604,813,652,599	37,991,006,005	-	-	-	642,804,658,604	622,269,533	642,182,389,071
Accounts payable and provisions	142,370,733,561	4,693,120,129	1,705,342,446	3,821,819,127	2,025,748,694	154,616,763,957	57,440,151	154,559,323,806
Other liabilities	26,823,210,744	-	-	-	-	26,823,210,744	98,900	26,823,111,844
Subordinated obligations	71,502,770,427	-	-	-	-	71,502,770,427	-	71,502,770,427
TOTAL LIABILITIES	¢ 7,269,225,936,824	42,684,126,134	1,705,342,446	3,821,819,127	2,025,748,694	7,319,462,973,225	679,808,584	7,318,783,164,641

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of September 30, 2022

	Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations	Consolidated
EQUITY								
Share capital	172,237,030,102	6,600,000,000	5,000,000,000	6,970,642,819	369,700,000	191,177,372,921	18,940,342,819	172,237,030,102
Non-capitalized capital contributions	-	-	-	1,924,282,190	-	1,924,282,190	1,924,282,190	-
Equity adjustments	65,989,994,282	(3,030,517)	(120,190,856)	(564,653,473)	-	65,302,119,436	(687,874,846)	65,989,994,282
Capital reserves	386,130,513,869	1,320,000,000	764,036,859	300,000,000	73,940,000	388,588,490,728	2,457,976,868	386,130,513,860
Prior year retained earnings	34,447,976,901	6,230,988,961	3,273,881,730	1,697,928,896	2,396,961,765	48,047,738,253	13,599,761,351	34,447,976,902
Income for the period	26,133,544,925	720,787,771	2,111,495,748	1,181,634,998	3,041,845,303	33,189,308,745	7,055,763,814	26,133,544,931
FOFIDE	44,436,595,670	-	-	-	-	44,436,595,670	-	44,436,595,670
TOTAL EQUITY	729,375,655,749	14,868,746,215	11,029,223,481	11,509,835,430	5,882,447,068	772,665,907,943	43,290,252,196	729,375,655,747
TOTAL LIABILITIES AND EQUITY	7,998,601,592,573	57,552,872,349	12,734,565,927	15,331,654,557	7,908,195,762	8,092,128,881,168	43,970,060,780	8,048,158,820,388
Debit memoranda accounts	515,646,012,277	99,816,563	-	36,146,883	3,500,000	515,785,475,723	-	515,785,475,723
Income from cash and due from banks and financial instruments	3,416,691,351,158	435,463,178	-	-	-	3,417,126,814,336	-	3,417,126,814,336
Trust liabilities	88,627,161,640	9,694,192	-	-	-	88,636,855,832	-	88,636,855,832
Trust equity	3,328,064,189,518	425,768,986	-	-	-	3,328,489,958,504	-	3,328,489,958,504
Other debit memoranda accounts	35,881,548,513,098	1,143,444,488,786	653,228,583,213	2,204,653,028,061	-	39,882,874,613,158	-	39,882,874,613,158

As of September 30, 2022

	Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations and reclassifications	Consolidated
Finance income	336,858,888,116	1,553,024,286	755,737,295	1,641,322,386	101,305,812	340,910,277,895	68,572,588	340,841,705,307
Finance costs	128,417,593,001	855,774,783	91,049,857	41,229,795	4,686,407	129,410,333,843	68,572,590	129,341,761,253
Allowance expense	42,649,887,575	96,205,688	11,870,518	145,312,230	8,463,288	42,911,739,299	843,597,538	42,068,141,761
Income from recovery of assets	18,452,201,500	25,032,616	16,719,500	107,604,569	12,393,297	18,613,951,482	-	18,613,951,482
FINANCE INCOME	184,243,609,040	626,076,431	669,536,420	1,562,384,930	100,549,414	187,202,156,235	(843,597,540)	188,045,753,775
Other operating income	139,659,772,683	3,740,073,136	5,478,017,069	7,831,540,888	6,907,220,653	163,616,624,429	9,220,826,012	154,395,798,417
Other operating expenses	94,842,767,963	661,362,465	583,734,934	1,524,865,625	145,959,700	97,758,690,687	1,214,806,325	96,543,884,362
GROSS OPERATING INCOME	229,060,613,760	3,704,787,102	5,563,818,555	7,869,060,193	6,861,810,367	253,060,089,977	7,162,422,147	245,897,667,830
Personnel expenses	102,589,539,734	2,320,108,493	1,993,150,666	3,618,482,576	2,019,325,644	112,540,607,113	-	112,540,607,113
Other administrative expenses	56,596,872,101	339,550,831	417,454,588	732,255,488	281,300,220	58,367,433,228	106,658,326	58,260,774,902
Total administrative expenses	159,186,411,835	2,659,659,324	2,410,605,254	4,350,738,064	2,300,625,864	170,908,040,341	106,658,326	170,801,382,015
NET OPERATING INCOME BEFORE STATUTORY ALLOCATIONS AND TAXES	69,874,201,923	1,045,127,776	3,153,213,302	3,518,322,130	4,561,184,505	82,152,049,636	7,055,763,820	75,096,285,815
Income tax	29,718,719,785	348,287,380	986,762,522	1,150,034,446	1,404,446,968	33,608,251,101	-	33,608,251,100
Decrease in income tax	1,283,955,874	55,301,208	39,641,367	100,531,976	21,943,301	1,501,373,726	-	1,501,373,726
Statutory allocations	15,305,893,089	31,353,833	94,596,399	1,312,103,182	136,835,535	16,880,782,038	-	16,880,782,038
INCOME FOR THE YEAR	26,133,544,923	720,787,771	2,111,495,748	1,181,634,998	3,041,845,303	33,189,308,743	7,055,763,820	26,133,544,923

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of September 30, 2021								
	Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations and reclassifications	Consolidated
ASSETS								
Cash and due from banks	¢ 1,268,894,904,406	4,109,344,178	440,235,972	1,015,689,741	63,340,644	1,274,523,514,941	888,861,553	1,273,634,653,388
Investments in financial instruments	1,636,500,190,696	30,793,000,860	11,153,523,864	13,320,359,525	7,877,894,156	1,699,644,969,101	397,212,000	1,699,247,757,101
Loan portfolio, net	4,274,007,727,172	-	-	-	-	4,274,007,727,172	-	4,274,007,727,172
Fees and commissions receivable, net	2,268,963,657	142,422,234	129,496,367	1,651,835,976	610,389,971	4,803,108,205	79,239,641	4,723,868,564
Fees and commissions receivable	518,155,991	36,971,489	28,417,414	754,543,829	446,584,960	1,784,673,683	75,107,383	1,709,566,300
Accounts receivable for brokerage operations	-	-	-	-	-	-	-	-
Accounts due from related parties	18,852,772	4,603,984	-	2,165,753	-	25,622,509	4,132,258	21,490,251
Deferred tax and income tax receivable	1,607,362,428	100,846,743	100,134,328	888,164,272	161,991,589	2,858,499,360	-	2,858,499,360
Other accounts receivable	4,246,448,839	18	7,832,760	66,620,985	1,813,422	4,322,716,024	-	4,322,716,024
Accrued interest	3,088,317	-	-	-	-	3,088,317	-	3,088,317
Allowance for impairment	(4,124,944,689)	-	(6,888,135)	(59,658,863)	-	(4,191,491,687)	-	(4,191,491,687)
Assets held for sale, net	31,255,661,448	-	-	-	-	31,255,661,448	-	31,255,661,448
Investments in other companies	123,126,878,938	30,000,000	-	-	-	123,156,878,938	48,566,836,400	74,590,042,538
Property, furniture and equipment, net	204,873,773,987	609,508,454	293,153,002	283,118,409	85,392,866	206,144,946,718	-	206,144,946,718
Other assets	72,743,487,869	981,047,320	1,016,445,554	793,876,356	1,076,309,823	76,611,166,922	-	76,611,166,922
TOTAL ASSETS	¢ 7,613,671,588,173	36,665,323,046	13,032,854,759	17,064,880,007	9,713,327,460	7,690,147,973,445	49,932,149,594	7,640,215,823,851
LIABILITIES AND EQUITY								
LIABILITIES								
Obligations with the public	¢ 5,776,391,123,136	-	-	-	-	5,776,391,123,136	-	5,776,391,123,136
Obligations with BCCR	169,034,639,545	-	-	-	-	169,034,639,545	-	169,034,639,545
Obligations with entities	744,593,492,188	15,427,151,514	-	-	-	760,020,643,702	1,283,869,568	758,736,774,134
Demand	71,046,127,216	-	-	-	-	71,046,127,216	886,657,568	70,159,469,648
Term	665,728,096,339	15,421,056,096	-	-	-	681,149,152,435	397,212,000	680,751,940,435
(Deferred expenses for own portfolio)	(55,768,264)	-	-	-	-	(55,768,264)	-	(55,768,264)
Finance charges payable	7,875,036,896	6,095,418	-	-	-	7,881,132,314	-	7,881,132,314
Accounts payable and provisions	115,670,818,817	4,491,390,304	2,249,804,131	4,048,679,223	1,692,523,725	128,153,216,200	79,239,664	128,073,976,536
Other liabilities	29,978,126,821	-	-	-	-	29,978,126,821	2,203,985	29,975,922,836
Subordinated obligations	47,457,204,527	-	-	-	-	47,457,204,527	-	47,457,204,527
TOTAL LIABILITIES	¢ 6,883,125,405,034	19,918,541,818	2,249,804,131	4,048,679,223	1,692,523,725	6,911,034,953,931	1,365,313,217	6,909,669,640,714

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of September 30, 2021

	Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations	Consolidated
EQUITY								
Share capital	¢ 172,237,030,102	6,600,000,000	5,000,000,000	7,035,880,659	369,700,000	191,242,610,761	19,005,580,659	172,237,030,102
Non-capitalized capital contributions	-	-	-	359,044,350	-	359,044,350	359,044,350	-
Equity adjustments	96,861,384,734	322,326,299	547,935,379	1,945,188,582	-	99,676,834,994	2,815,450,259	96,861,384,735
Capital reserves	365,144,722,092	1,320,000,000	600,000,000	300,000,000	73,940,000	367,438,662,092	2,293,940,000	365,144,722,092
Prior year retained earnings	39,801,486,842	6,189,360,724	2,166,181,397	1,939,782,548	4,958,918,671	55,055,730,182	15,254,243,340	39,801,486,842
Income for the period	14,814,055,348	2,315,094,203	2,468,933,853	1,436,304,647	2,618,245,038	23,652,633,089	8,838,577,745	14,814,055,344
FOFIDE	41,687,504,022	-	-	-	-	41,687,504,022	-	41,687,504,022
TOTAL EQUITY	¢ 730,546,183,140	16,746,781,226	10,783,050,629	13,016,200,786	8,020,803,709	779,113,019,490	48,566,836,353	730,546,183,137
TOTAL LIABILITIES AND EQUITY	¢ 7,613,671,588,174	36,665,323,044	13,032,854,760	17,064,880,009	9,713,327,434	7,690,147,973,421	49,932,149,570	7,640,215,823,851
Debit memoranda accounts	¢ 500,485,450,197	89,197,449	100,000	31,918,461	2,840,000	500,609,506,107	-	500,609,506,107
Income from cash and due from banks and financial instruments	¢ 2,762,086,902,339	1,275,083,952	-	-	-	2,763,361,986,291	-	2,763,361,986,291
Trust liabilities	¢ 124,549,240,769	391,366	-	-	-	124,549,632,135	-	124,549,632,135
Trust equity	¢ 2,637,537,661,571	1,274,692,586	-	-	-	2,638,812,354,157	-	2,638,812,354,157
Other debit memoranda accounts	¢ 26,044,877,985,466	1,186,429,394,725	762,311,943,599	2,231,664,088,444	-	30,225,283,412,234	-	30,225,283,412,234

As of September 30, 2021

	Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations and reclassifications	Consolidated
Finance income	¢ 329,996,757,462	2,223,407,037	772,526,938	950,689,105	164,216,854	334,107,597,396	33,641,868	334,073,955,528
Finance costs	123,185,597,101	214,395,102	69,195,674	2,868,376	345,534	123,472,401,787	33,641,868	123,438,759,919
Allowance expense	75,056,788,782	7,077,623	60,407,621	67,768,610	12,309,430	75,204,352,066	-	75,204,352,066
Income from recovery of assets	11,305,832,390	31,801,544	32,060,791	28,458,630	7,940,750	11,406,094,104	-	11,406,094,104
FINANCE INCOME	143,060,203,969	2,033,735,856	674,984,434	908,510,749	159,502,640	146,836,937,648	-	146,836,937,648
Other operating income	123,667,660,024	5,351,621,362	5,818,151,607	8,856,994,290	5,752,832,603	149,447,259,886	10,553,404,327	138,893,855,559
Other operating expenses	78,497,307,113	682,469,691	563,134,565	1,359,838,375	95,692,187	81,198,441,931	1,648,157,788	79,550,284,143
GROSS OPERATING INCOME	188,230,556,880	6,702,887,527	5,930,001,476	8,405,666,664	5,816,643,056	215,085,755,603	8,905,246,539	206,180,509,064
Personnel expenses	93,490,907,179	2,929,939,837	1,797,639,990	3,375,824,112	1,679,141,301	103,273,452,419	-	103,273,452,419
Other administrative expenses	49,987,552,392	373,866,489	450,500,437	736,307,977	229,005,334	51,777,232,629	66,668,790	51,710,563,839
Total administrative expenses	143,478,459,571	3,303,806,326	2,248,140,427	4,112,132,089	1,908,146,635	155,050,685,048	66,668,790	154,984,016,258
NET OPERATING INCOME BEFORE STATUTORY ALLOCATIONS AND TAXES	44,752,097,308	3,399,081,201	3,681,861,049	4,293,534,575	3,908,496,421	60,035,070,555	8,838,577,749	51,196,492,806
Income tax	21,539,761,951	1,063,459,600	1,154,953,616	1,349,174,656	1,194,263,309	26,301,613,132	-	26,301,613,132
Decrease in income tax	950,362,788	81,445,037	52,482,251	57,055,413	21,266,823	1,162,612,315	-	1,162,612,315
Statutory allocations	9,348,642,796	101,972,436	110,455,831	1,565,110,684	117,254,893	11,243,436,640	-	11,243,436,640
INCOME FOR THE PERIOD	¢ 14,814,055,349	2,315,094,202	2,468,933,853	1,436,304,648	2,618,245,042	23,652,633,098	8,838,577,753	14,814,055,345

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(51) Contingencies

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

	Number of cases		Stage		Total estimated amount	
	September 2022	September 2021			September 2022	September 2021
Banco Nacional de Costa Rica	316	385	First instance	¢	79,578,788,428	130,477,072,078
	18	15	Second instance		31,245,842,897	20,600,271,730
	58	15	Appeal		49,269,129,475	6,552,616,063
	<u>392</u>	<u>415</u>			<u>160,093,760,800</u>	<u>157,629,959,871</u>
BN Vital	7	7	First instance		36,146,833	31,918,461
	2	0	Appeal		-	-
	<u>9</u>	<u>7</u>			<u>36,146,833</u>	<u>31,918,461</u>
BN Valores	1	1	First instance		99,816,563	89,197,449
BN SAFI	0	1			-	100,000
BN Corredora	1	1			3,500,000	2,840,000
	<u>403</u>	<u>425</u>	(Note 22)	¢	<u>160,233,224,246</u>	<u>157,754,015,781</u>

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

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

Number of cases		Stage		Total estimated amount	
September 2022	September 2021			September 2022	September 2021
296	329	First instance	¢	75,027,097,732	79,622,884,550
1	1	Second instance		375,839,600	375,839,600
2	1	Appeal		2,844,233,566	281,909,729
<u>299</u>	<u>331</u>		¢	<u>78,247,170,898</u>	<u>80,280,633,879</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Additionally, the Bank was a defendant in one lawsuit related to the payment of SEDI, the file for such proceedings is File No. 15-008666-1027-CA of the Administrative Court of November 20, 2015, received on December 15, 2015. As of September 30, 2022, the Bank settled the provision since the sentence for that lawsuit was in favor of the Bank.

The following lawsuits are also worth noting:

- *File No. 14-003379-1027-CA*
 - ✓ Statement of facts: The plaintiffs seek the payment of damages by the Bank to all the plaintiffs as well as compensation for pain and suffering caused due to the inability to acquire decent housing, as a result of apparent anomalies regarding the management of credits for Grupo Zion, S.A. to build the Bariloche Real condominium, Additionally, it has had media coverage.
 - ✓ Current status: On November 15, 2021, a hearing for the correction of procedural errors was held, in which the Court made a series of findings and reviewed the new evidence filed by the plaintiff. The Court decided to return the proceedings to the processing stage so that the corresponding corrections can be made and to include the legal entity PROSUM.
- *File No. 08-000232-0419-AG*
 - ✓ Court: Agrarian Court of Corredores
 - ✓ Statement of facts: This process was filed by Banco Nacional de Costa Rica against Surcoop R.L. It seeks to nullify the auction, awarding and registration of lots of the Agrarian Court of Corredores processed through file No. 97-010656-1701 AG.
 - ✓ Current status: Through Vote 1859-F-S1-2021, the First Chamber confirmed the resolution challenged.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- File No. 11-001042-0612-PE
 - ✓ Court: Office of Economic, Tax and Customs Crimes
 - ✓ Statement of facts: Irregularities were reported with respect to the company Zion and the process to grant credits to that company, misuse of resources, presentation of fake documents to Banco Nacional de Costa Rica to obtain credit approval and the apparent participation of some of the employees of Banco Nacional de Costa Rica.
 - ✓ Current status: Through resolution of February 23, 2021, at 07:30, the Criminal Court of Grecia declared its lack of jurisdiction and forwarded the case to the Criminal Court of Finance. Through ruling dated November 2, 2021, at 16:11 hours, the Criminal Court of Finance provided the date for the preliminary hearing, from April 5 to June 30, 2022, from 8:30 hours to 16:30 hours.
- File No. 14-008626-1027-CA
 - ✓ Statement of facts: The plaintiffs seek Banco Nacional de Costa Rica to be declared liable for the payment of damages to all investors of the “Management Trust for the Real Estate Development and Private issue of Securities of Playa Coyote Project” (Fideicomiso de Administración de Desarrollo Inmobiliario y de Emisión Privada de Valores Proyecto Playa Coyote).
 - ✓ Current status: In light of new errors in the calculation of the indemnification in favor of the trust’s title holders, a new appeal was filed, whose admissibility is being studied in the First Chamber.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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 September 30, 2022, the loan portfolio that required at least one modification to the originally agreed conditions amounts to ¢1,702,304,383,116, representing 36.63% of the total loan portfolio (2021: ¢1,854,213,643,248, representing 42.80%).

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	September 2022	December 2021	September 2021
Agriculture and forestry	¢ 40,681,929,113	50,679,602,088	50,507,584,680
Trade	148,362,683,488	177,668,570,650	190,162,592,081
Construction	42,594,590,092	57,079,493,093	57,705,816,520
Consumer or personal loans	113,011,466,764	140,315,345,556	150,806,296,369
Electricity, water, sanitation and other related sectors	151,444,788,642	170,683,996,232	156,550,994,088
Mining	280,875,579	315,774,759	326,102,495
Livestock, hunting and fishing	26,545,267,784	33,336,273,387	33,398,759,808
Industry	63,442,840,489	87,566,129,712	88,921,345,941
Services	462,422,899,091	528,078,318,447	400,449,006,597
Financial services	29,759,419,694	31,625,084,816	2,109,452,412
Transportation, communication and storage	34,704,193,495	38,823,600,256	39,637,828,435
Tourism	120,030,203,523	163,210,454,349	168,327,866,731
Housing	469,023,225,362	505,469,909,927	515,309,997,085
Sub-total	1,702,304,383,116	1,984,852,553,272	1,854,213,643,242
Accounts and accrued interest receivable	2,639,069,138	2,176,885,953	2,792,514,885
Loans restructured due to COVID-19	1,704,943,452,254	1,987,029,439,225	1,857,006,158,127
Allowance for doubtful accounts	(47,047,440,716)	(48,608,619,661)	(48,433,199,902)
	¢ <u>1,657,896,011,538</u>	<u>1,938,420,819,564</u>	<u>1,808,572,958,225</u>

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

	September 2022	December 2021	September 2021
Current	¢ 1,539,381,498,150	1,846,458,129,874	1,689,874,100,079
1 to 30 days	63,274,678,721	34,458,315,104	69,914,912,387
31 to 60 days	32,512,577,462	39,761,510,557	22,729,690,954
61 to 90 days	17,955,356,813	15,106,421,740	19,815,660,143
91 to 120 days	5,795,542,801	7,235,778,972	10,853,252,741
121 to 150 days	2,578,443,053	4,449,181,727	3,610,105,732
In legal collection	40,806,286,116	37,383,215,298	37,415,921,206
	1,702,304,383,116	1,984,852,553,272	1,854,213,643,242
Accounts and accrued interest receivable	2,639,069,138	2,176,885,953	2,792,514,885
Total loans restructured due to COVID-19	1,704,943,452,254	1,987,029,439,225	1,857,006,158,127
Allowance for loan losses	(47,047,440,716)	(48,608,619,661)	(48,433,199,902)
Loan portfolio, net	¢ <u>1,657,896,011,538</u>	<u>1,938,420,819,564</u>	<u>1,808,572,958,225</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	September 2022	December 2021	September 2021
Collateral	¢ 40,975,668,451	58,294,189,127	66,187,598,160
Surety	16,412,860,885	20,670,755,440	24,823,838,401
Assignment of loans	57,949,872,276	87,299,935,436	60,042,741,798
Back-to-back	2,791,658,712	3,884,342,685	4,164,949,509
Mortgage	709,908,190,145	794,772,089,972	810,808,245,256
Trust	165,058,724,922	190,541,750,232	177,805,347,932
Surety - Mortgage	164,464,169,440	189,921,758,678	195,312,179,307
Surety - Trust	210,359,590,253	278,784,020,584	281,787,178,581
Other	269,490,012,386	290,166,392,276	191,005,112,447
Not assigned	2,825,308,383	3,212,232,131	3,160,946,668
Surety - Collateral	7,311,176,140	9,249,816,018	9,626,265,132
Collateral - Mortgage	1,000,524,036	1,153,368,479	1,177,497,341
Collateral - Securities	8,786,469	16,574,399	21,571,160
Surety - Collateral - Mortgage	2,941,114,816	3,634,064,223	3,641,249,766
Securities	27,543,669,049	29,191,295,063	187,190,995
Mortgage - Trust	177,592,244	199,507,307	222,185,775
Collateral - Back-to-back	-	8,753,998	9,418,805
Surety - Securities	57,364,285	73,099,529	139,785,153
Bond guaranteed by mortgage	-	8,973,296	9,262,682
Collateral - Trust	23,028,100,224	23,769,634,399	24,081,078,374
	<u>1,702,304,383,116</u>	<u>1,984,852,553,272</u>	<u>1,854,213,643,242</u>
Accounts and accrued interest receivable	<u>2,639,069,138</u>	<u>2,176,885,953</u>	<u>2,792,514,885</u>
Loans restructured due to COVID-19	1,704,943,452,254	1,987,029,439,225	1,857,006,158,127
Allowance for loan losses	<u>(47,047,440,716)</u>	<u>(48,608,619,661)</u>	<u>(48,433,199,902)</u>
Loan portfolio, net	<u>¢ 1,657,896,011,538</u>	<u>1,938,420,819,564</u>	<u>1,808,572,958,232</u>

As of September 30, 2022, an amount of ¢1,702,304,383,117 maintains temporary credit conditions, which represents 36.63% of the total loan portfolio (December 2021: ¢1,984,852,271, representing 42.73% of the total loan portfolio, September 2021: ¢1,854,213,643,249, representing 3.86% of the total loan portfolio).

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

a) Operating measures

- The Bank constantly encourages customers to use digital channels: BN MOVIL, SINPE MOVIL, webpage and Contact Center.
- As of the date of this report, the Bank has 3,328 employees working from home, representing 57% of total employees. All positions that permit work from home have been implemented.
- Some of the autobanks that were not in operation were reopened.
- 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

On March 20, 2020, the Bank announced a program to support customers in different credit segments in order to help mitigate the negative effects caused by the COVID-19 pandemic. These segments are as follows:

- Individuals with housing, consumption or vehicle loans: Non-salaried, physical borrowers may dispense with loan installments for the next three months, with those installments being transferred to the final loan installment. As in the small- and medium-sized enterprise program, this adjustment is automatic, the customers that do not wish to take the benefit can continue to pay their installments normally by informing so through enabled channels.
- Credit card customers: Starting April 2020, non-salaried credit card borrowers will have the minimum payments of their installments for the following three months transferred to monthly installments payable after the fourth month.
- Small- and medium-sized enterprise: All borrowers (irrespective of the sector) with variable payments, may dispense with loan instalments for the next four months, with the installments being transferred to the final loan installment. The measure is automatic, so no further step will be required by the customer. The customers that do not wish to take the benefit can continue to pay their installments normally by informing so by telephone or through our website chat enabled for such purposes.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- Corporate banking (large enterprises) and medium enterprises: Only customers from trade and tourist activities, with variable payments, may dispense with loan installments for a term between three and nine months, with installments being transferred to the final loan installment to provide those entities with a financial relief. The adjustment is not automatic or the same in all cases but analyzed individually. The Bank has assigned executive to contact customers qualifying for this benefit. For customers from other previously identified vulnerable economic sectors, the Bank has also assigned a team of executives to contact customers and look for alternatives to make their operations sustainable.

In all cases, to be eligible for the benefit, customers should not have two or more readjustments made in the last 24 months. Additionally, customers are required to not exceed arrears of more than 60 days.

Moreover, we are complying with Official Letter SGF-1190-2020 dated April 1, 2020, which establishes that:

The accounting recognition of income earned has its origin in the payment obligation underlying in the contractual relationship between the borrower and the regulated entity, even if the parties agree to modify the contractual relationship, the obligation does not extinguish, interest continue to be earned, irrespectively of the date they are earned. For recording, regulated entities must apply what is provided in the International Financial Reporting Standards (IFRS).

c) Liquidity measures

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

d) Measures in the portfolio of investments at amortized cost

Due to the COVID-19 pandemic, the Bank has directly followed up on the corporate bonds portfolio, which has been affected by the crisis, making timely and proactive decisions according to the different perspectives and analysis of international specialists. Locally, quotes and negotiations of securities in the primary and secondary market are monitored daily, by participating in real time in the brokerage sessions of the National Stock Exchange. As of December 30, 2021, recurring to the sale of securities measured at amortized cost is not considered necessary and is not expected in the short term.

(53) Relevant events

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

As of December 31, 2021, Banco Nacional de Costa Rica is in a verification and investigation process by the National Large Taxpayer Audit Area of the Costa Rican Tax Administration, in order to perform a review of the income tax for fiscal year 2017.

This tax audit was notified through document DGCN-SF-PD-25-2021 on March 31, 2021, and is currently in a review process by the Tax Administration.

On September 30, 2022, a note was received from the tax reviewers summoning to a final hearing to deliver the results by means of document No. DGCN-SF-PD-25-2021-26-331-03, programmed for October 7, 2022.

b) Deferred term operations

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

As of September 30, 2022, a total of 2015 loan operations were placed under this modality, applying a discount to the interest rate on the loans in colones in the amount of ₡166,107,522,757, reaching an average rate of the operations already processed of 6.04%. The remaining average maturity term is 12.88 years.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

From the publication of the Regulation of the management of the Deposit Guarantee Fund and other guarantee funds on Wednesday, February 3, 2021, and its entrance into effect three months later, SUGEF-regulated financial intermediaries should contribute no more than 15% of the deposits guaranteed by the entity. That is an annual contribution that will be paid quarterly within ten business days after the end of each quarter.

(54) Reclassification of the loan portfolio in legal collection

As of the end of 2021, a portion of the loan portfolio in legal collection was reclassified to the past due loans account, in conformity with the chart of accounts of SUGEF Directive 30-18, 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 December 31, 2021, the amount of ¢81,671,053,225 was reclassified (2020: ¢84,108,448,022).

(55) Transition to International Financial Reporting Standards (IFRS)

On December 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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

A summary of some of the main differences between the accounting regulations issued by CONASSIF and IFRS, as well as IFRS or Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) yet to be adopted, is presented below:

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

CONASSIF requires that the financial statements of regulated entities be presented in Costa Rican colones as the functional currency.

Additionally, regulated entities must use the reference sell exchange rate set by BCCR that prevails at the time that the operation to record the translation of the foreign currency into the official currency, the Costa Rican colon, is made.

At each month close, the corresponding reference exchange rate will be used as indicated in the paragraph above, effective at the last day of each month, for the recognition of the adjustment due to foreign exchange differences in the monetary items in foreign currency.

According to this Standard, in preparing the financial statements, each entity will determine its functional currency. The entity will translate the items in foreign currency into the functional currency and will report on the effects of this translation, As indicated above, CONASSIF determined that both the presentation of financial information and the accounting records of foreign currency transactions should be translated into colones, irrespective of the functional currency.

b) IAS 38: Intangible assets

The commercial banks listed in Article 1 of IRNBS (Law No. 1644) may present organization and installation expenses as an asset in the statement of financial position, However, those expenses must be fully amortized using the straight-line method over a maximum of five years, Also, under SUGEF regulations, intangible assets must be amortized over five years. This is not in accordance with IAS 38.

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

This Standard establishes that entities shall measure non-current assets (or disposal groups) classified as held for sale at the lower of the carrying amount and fair value less cost to sell.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

d) IFRS 9: Financial Instruments

- a) For application of IFRS 9, particularly the measurement of ECL, the prudential regulations issued by CONASSIF will be maintained for the loan portfolio, accounts receivable and stand-by credits granted, until this Standard is modified.
- b) The application of the measurement of ECL on investment funds of the money market category, as provided under IFRS 9, required by Articles 3 and 18 of the RFI, will be effective on January 1, 2022.
- 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 accrual suspension term should not exceed 180 days.

e) IFRS 37: Provisions, Contingent Liabilities and Contingent Assets

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* will be effective beginning January 1, 2019, on initial application of IFRIC 23, entities must 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, will be 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)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The booking of the provision for tax treatments in dispute for the periods indicated in the paragraph above may 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 is greater than the opening balance of prior-period retained earnings, the adjustment will 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, should report with the respective superintendency the method (a), (b) or (c) above, based on SUGEF Directive 30-18, that will be used until the resolution or settlement of the tax obligation.

(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.