

**BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES**

Financial Information required by the  
Superintendency General of Financial Entities

Consolidated Financial Statements

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

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

	Note	September 2024	December 2023	September 2023
<b>ASSETS</b>				
<b>Cash and due from banks</b>	<b>9</b>	<b>1,448,965,863,477</b>	<b>1,429,362,414,317</b>	<b>1,461,741,211,689</b>
Cash		78,535,085,123	102,718,169,600	118,550,158,307
BCCR		984,120,112,347	926,640,987,647	982,659,956,359
Local financial entities		1,466,043,707	786,731,635	780,865,895
Foreign financial entities		228,781,541,832	258,384,327,377	221,389,877,736
Notes payable on demand		13,559,198,565	7,794,869,384	6,147,823,596
Restricted cash and due from banks		142,503,881,903	133,037,328,674	132,212,529,796
<b>Investments in financial instruments</b>	<b>10</b>	<b>1,697,214,849,105</b>	<b>1,389,619,789,751</b>	<b>1,661,795,750,559</b>
At fair value through profit or loss (FVTPL)		10,655,285,447	23,521,412,984	15,782,130,364
At fair value through other comprehensive income (FVOCI)		736,433,039,022	614,745,008,391	699,764,397,217
At amortized cost		932,323,238,229	730,519,651,897	931,147,926,017
Derivative financial instruments	<b>11</b>	22,556,936	364,305,137	88,383,101
Accrued interest receivable		19,266,835,440	21,887,088,090	17,997,275,417
(Allowance for impairment of investments in financial instruments)		(1,486,105,969)	(1,417,676,748)	(2,984,361,557)
<b>Loan portfolio</b>	<b>12</b>	<b>5,120,338,506,373</b>	<b>4,877,622,526,140</b>	<b>4,871,080,243,342</b>
Current		4,929,286,122,957	4,662,670,755,200	4,630,967,626,398
Past due		211,057,150,871	218,111,190,606	234,531,100,537
In legal collection		88,475,418,759	77,537,248,628	78,250,215,703
Incremental direct costs related to loans		7,199,958,564	6,360,771,801	6,153,560,008
(Deferred income on loan portfolio)		(53,183,788,352)	(48,113,222,075)	(46,460,289,872)
Accrued interest receivable		89,274,594,072	90,753,414,848	97,656,025,911
(Allowance for loan losses)		(151,770,950,498)	(129,697,632,868)	(130,017,995,343)
<b>Accounts and fees and commissions receivable</b>	<b>13</b>	<b>7,637,157,456</b>	<b>5,488,163,215</b>	<b>5,304,027,289</b>
Fees and commissions		2,111,928,324	2,200,365,080	1,959,125,613
Accounts receivable for brokerage operations		-	-	11,000,000
Accounts receivable for transactions with related parties		49,042,493	22,176,642	33,263,210
Deferred tax and income tax receivable		3,499,862,962	2,660,122,574	2,721,815,394
Other accounts receivable		9,560,060,749	8,216,956,498	4,666,339,396
Accrued interest receivable		1,374,178	2,012,794	1,464,034
(Allowance for impairment of accounts and fees and commissions receivable)		(7,585,111,250)	(7,613,470,373)	(4,088,980,358)
<b>Assets held for sale</b>	<b>14</b>	<b>48,220,137,011</b>	<b>36,457,157,242</b>	<b>37,649,089,247</b>
Assets and securities acquired in lieu of payment		99,445,829,482	98,643,910,547	99,832,085,156
(Allowance for impairment of assets held for sale and per legal requirement)		(51,225,692,471)	(62,186,753,305)	(62,182,995,909)
<b>Investments in other companies</b>	<b>15</b>	<b>69,910,566,266</b>	<b>68,426,438,887</b>	<b>68,476,470,067</b>
<b>Property, furniture and equipment, net</b>	<b>16</b>	<b>229,861,108,398</b>	<b>238,627,811,109</b>	<b>226,248,994,301</b>
<b>Other assets</b>	<b>17</b>	<b>77,005,510,317</b>	<b>61,387,895,555</b>	<b>56,640,548,321</b>
Deferred charges		414,410,097	22,377,026	3,583,044,210
Intangible assets		3,780,022,624	5,627,898,600	5,111,653,229
Other assets		72,811,077,596	55,737,619,929	47,945,850,882
<b>TOTAL ASSETS</b>		<b>8,699,153,698,403</b>	<b>8,106,992,196,216</b>	<b>8,388,936,334,815</b>

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

<b>LIABILITIES AND EQUITY</b>	<b>Note</b>	<b>September 2024</b>	<b>December 2023</b>	<b>September 2023</b>
<b>LIABILITIES</b>				
<b>Obligations with the public</b>	<b>18</b>	<b>7,020,152,190,233</b>	<b>6,450,404,259,373</b>	<b>6,580,303,918,724</b>
Demand deposits		4,560,781,388,046	4,437,525,057,675	4,515,713,905,842
Term deposits		2,402,464,239,927	1,954,394,980,375	2,005,263,247,066
Finance charges payable		56,906,562,260	58,484,221,323	59,326,765,816
<b>Obligations with BCCR</b>	<b>19</b>	<b>134,694,734,124</b>	<b>147,587,061,477</b>	<b>153,165,121,868</b>
Term obligations		131,083,840,425	144,471,880,512	150,220,610,244
Finance charges payable		3,610,893,699	3,115,180,965	2,944,511,624
<b>Obligations with entities</b>	<b>20</b>	<b>424,008,891,942</b>	<b>454,234,706,977</b>	<b>634,531,674,298</b>
Demand obligations		66,641,824,483	60,292,899,127	59,273,418,134
Term obligations		355,613,269,694	391,797,263,728	568,651,111,231
Finance charges payable		1,753,797,765	2,144,544,122	6,607,144,933
<b>Accounts payable and provisions</b>		<b>168,776,585,210</b>	<b>171,258,829,113</b>	<b>165,768,186,442</b>
Provisions	<b>22</b>	14,251,298,785	23,286,568,787	18,427,191,627
Accounts payable for brokerage services		1,174,011,625	483,204,964	1,210,008,893
Deferred tax	<b>21-b</b>	19,394,013,104	17,823,955,778	14,536,509,639
Other sundry accounts payable	<b>23</b>	133,957,261,696	129,665,099,584	131,594,476,283
<b>Other liabilities</b>	<b>24</b>	<b>32,991,144,274</b>	<b>33,111,379,327</b>	<b>26,395,418,784</b>
Deferred income		72,808,884	88,687,508	77,521,399
Other liabilities		32,918,335,390	33,022,691,819	26,317,897,385
<b>Subordinated obligations</b>	<b>25</b>	<b>82,415,263,266</b>	<b>59,065,779,037</b>	<b>59,801,509,375</b>
Subordinated obligations		81,437,002,500	56,903,040,000	58,980,562,500
Finance charges payable		978,260,766	2,162,739,037	820,946,875
<b>TOTAL LIABILITIES</b>		<b>7,863,038,809,049</b>	<b>7,315,662,015,304</b>	<b>7,619,965,829,491</b>
<b>EQUITY</b>				
<b>Share capital</b>		<b>172,237,030,102</b>	<b>172,237,030,102</b>	<b>172,237,030,102</b>
Paid-in capital	<b>26-a</b>	172,237,030,102	172,237,030,102	172,237,030,102
<b>Equity adjustments - Other comprehensive income</b>		<b>80,343,513,633</b>	<b>80,711,724,550</b>	<b>72,965,092,990</b>
Reserves	<b>26-b</b>	465,966,999,536	422,198,198,610	422,588,684,812
Prior-period retained earnings		20,504,012,848	33,835,547,527	33,213,764,688
Income for the period		41,303,719,886	33,723,084,897	19,341,337,506
Capital contributions in special funds	<b>26-c</b>	55,759,613,349	48,624,595,226	48,624,595,226
<b>TOTAL EQUITY</b>		<b>836,114,889,354</b>	<b>791,330,180,912</b>	<b>768,970,505,324</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>8,699,153,698,403</b>	<b>8,106,992,196,216</b>	<b>8,388,936,334,815</b>
<b>DEBIT MEMORANDA ACCOUNTS</b>	<b>27</b>	<b>441,129,869,696</b>	<b>411,531,590,103</b>	<b>438,188,126,669</b>
<b>TRUST ASSETS</b>	<b>28</b>	<b>2,782,897,483,944</b>	<b>2,842,910,508,528</b>	<b>2,865,539,295,629</b>
<b>TRUST LIABILITIES</b>		<b>59,624,363,401</b>	<b>64,250,521,545</b>	<b>65,648,180,980</b>
<b>TRUST EQUITY</b>		<b>2,723,273,120,543</b>	<b>2,778,659,986,983</b>	<b>2,799,891,114,649</b>
<b>TRUST MEMORANDA ACCOUNTS</b>		<b>8,852,133,692</b>	<b>7,438,086,100</b>	<b>7,010,598,990</b>
<b>OTHER DEBIT MEMORANDA ACCOUNTS</b>	<b>29</b>	<b>40,297,563,425,963</b>	<b>35,447,674,483,367</b>	<b>34,172,168,900,235</b>
Own debit memoranda accounts		15,399,885,530,409	12,546,160,266,211	11,282,870,747,578
Third-party debit memoranda accounts		5,368,805,065,272	4,956,547,223,229	4,910,066,253,572
Own debit memoranda accounts for custodial activities		707,725,650,340	640,304,967,101	834,934,193,211
Third-party debit memoranda accounts for custodial activities		18,821,147,179,942	17,304,662,026,826	17,144,297,705,874

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General Manager

Alejandra Morales Centeno  
General Accountant  
CPI 21119

Ricardo Araya Jiménez  
General Auditor

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Atención: SUGEF  
Registro Profesional: 2119  
Contador: MORALES CENTENO  
ALEJANDRA  
Estado de Situación Financiera  
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**BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE NINE MONTHS AND THREE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023**  
(In colones)

		Nine months ended		Three months ended	
	Note	September 2024	September 2023	September 2024	September 2023
<b>Finance income</b>					
Cash and due from banks	33	12,627,981,407	10,881,127,960	4,278,540,049	3,683,182,644
Investments in financial instruments	33	74,884,981,365	65,636,667,207	25,905,591,875	23,752,899,112
Loan portfolio	34	352,140,631,107	358,592,931,640	119,190,927,976	120,948,795,292
Gain on financial instruments at FVTPL		781,585,408	301,905,525	49,417,825	115,408,929
Gain on financial instruments at FVOCI		7,883,069,902	5,264,719,188	1,424,118,560	1,183,552,868
Gain on derivative financial instruments, net	11	-	-	(42,729,792)	-
Other finance income	35	2,608,276,094	4,156,785,642	942,215,643	732,090,341
<b>Total finance income</b>		<b>450,926,525,283</b>	<b>444,834,137,162</b>	<b>151,748,082,136</b>	<b>150,415,929,186</b>
<b>Finance costs</b>					
Obligations with the public	36	161,518,604,278	182,731,386,092	52,854,774,285	64,304,511,908
Obligations with BCCR		841,853,611	984,300,757	270,872,783	316,536,841
Obligations with financial and non-financial entities	37	14,964,575,110	27,253,618,881	4,586,814,268	9,233,382,624
Subordinated, convertible and preferred obligations		5,123,217,155	4,994,029,136	1,999,490,501	1,697,693,029
Loss on foreign exchange differences and DU, net	6-d	159,549,014	1,948,668,909	18,336,161	208,740,234
Loss on financial instruments at FVTPL		377,323,610	1,040,280,278	1,553,643	34,847,695
Loss on financial instruments at FVOCI		408,411,315	2,035,159,850	154,943,944	1,181,861,384
Loss on derivative financial instruments, net	11	6,090,003	147,572,642	6,090,003	32,191,603
Other finance costs	38	470,896,364	5,324,119,815	168,708,616	2,145,025,099
<b>Total finance costs</b>		<b>183,870,520,460</b>	<b>226,459,136,360</b>	<b>60,061,584,204</b>	<b>79,154,790,417</b>
Allowance for impairment of assets	39	53,180,873,505	29,196,067,206	13,290,351,209	7,490,297,344
Recovery of assets and decrease in allowances	40	11,026,992,801	13,950,837,166	3,288,532,020	4,783,989,667
<b>FINANCE INCOME</b>		<b>224,902,124,119</b>	<b>203,129,770,762</b>	<b>81,684,678,743</b>	<b>68,554,831,092</b>
<b>Other operating income</b>					
Service fees and commissions	41	127,193,249,391	124,565,555,157	42,719,556,824	40,432,892,545
Assets held for sale		12,294,963,641	4,045,882,304	2,058,880,730	439,844,045
Gain on investments in other companies	8	3,046,708,665	2,437,345,903	1,035,776,136	797,784,618
Foreign currency exchange and arbitrage		24,256,561,365	25,107,219,020	7,902,930,653	7,776,275,047
Other income from related parties		105,108,689	21,712,693	36,329,223	8,188,224
Other operating income	42	6,483,868,825	7,797,169,183	1,523,355,386	1,009,160,929
<b>Total other operating income</b>		<b>173,380,460,576</b>	<b>163,974,884,260</b>	<b>55,276,828,952</b>	<b>50,464,145,408</b>

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

	Note	Nine months ended		Three months ended	
		September 2024	September 2023	September 2024	September 2023
<b>Other operating expenses</b>					
Service fees and commissions		28,629,070,828	31,048,118,895	9,094,318,899	9,496,466,605
Assets held for sale	43	7,297,726,491	11,879,807,220	1,888,605,988	4,279,964,119
Provisions	44	19,134,847,361	17,050,656,905	6,001,852,965	6,069,790,409
Bonuses on fees and commissions of voluntary pension funds		252,639,145	249,915,015	73,772,070	56,905,666
Foreign currency exchange and arbitrage		6,904,521	11,736,717	4,503,096	4,763,297
Other expenses with related parties		14,715,885	-	14,715,885	-
Other operating expenses	45	60,238,752,496	53,358,662,100	20,263,399,221	18,984,454,357
<b>Total other operating expenses</b>		<b>115,574,656,727</b>	<b>113,598,896,852</b>	<b>37,341,168,124</b>	<b>38,892,344,453</b>
<b>GROSS OPERATING INCOME</b>		<b>282,707,927,968</b>	<b>253,505,758,170</b>	<b>99,620,339,571</b>	<b>80,126,632,047</b>
<b>Administrative expenses</b>					
Personnel expenses	46	124,570,863,225	120,135,792,570	42,449,163,263	39,754,538,975
Other administrative expenses	47	69,082,661,458	60,252,669,458	25,688,255,244	21,695,957,526
<b>Total administrative expenses</b>		<b>193,653,524,683</b>	<b>180,388,462,028</b>	<b>68,137,418,507</b>	<b>61,450,496,501</b>
<b>NET OPERATING INCOME BEFORE TAXES AND STATUTORY ALLOCATIONS</b>		<b>89,054,403,285</b>	<b>73,117,296,142</b>	<b>31,482,921,064</b>	<b>18,676,135,546</b>
Income tax	21-a	23,136,147,303	22,613,788,656	7,441,104,302	6,271,230,799
Prior-period income tax	21-a	277,934	10,664,429,022	-	3,547,309,482
Deferred tax	21-a	619,317,967	1,647,762,932	187,722,290	247,353,571
Decrease in prior-period income tax	21-a	-	22,678	-	-
Deferred tax income	21-a	1,088,114,637	1,234,952,647	178,952,356	226,448,177
Statutory allocations	48	25,083,054,832	20,084,953,351	8,928,803,144	4,965,917,595
<b>INCOME FOR THE PERIOD</b>		<b>41,303,719,886</b>	<b>19,341,337,506</b>	<b>15,104,243,684</b>	<b>3,870,772,276</b>
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Surplus from revaluation of property		592,139,467	175,216,337	421,205,934	59,047,263
Other adjustments		(1,625,251,379)	(5,174,349,259)	(818,900,887)	(341,101,367)
<b>Items that are or may be reclassified to profit or loss</b>					
Adjustment for valuation of investments at FVOCI		1,670,650,957	13,455,682,092	2,463,877,567	2,497,634,731
Adjustment for valuation of restricted financial instruments		18,840	3,421	(114,202,796)	(17,732)
Surplus from revaluation of other assets		2,237,512	(644,902)	(82,593)	(217,330)
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>639,795,397</b>	<b>8,455,907,689</b>	<b>1,951,897,225</b>	<b>2,215,345,565</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>41,943,515,283</b>	<b>27,797,245,195</b>	<b>17,056,140,909</b>	<b>6,086,117,841</b>

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

Note	Share capital	Equity adjustments - Other comprehensive income	Reserves	Capital contributions in special funds	Prior-period retained earnings	Total
<b>Balance at December 31, 2022</b>	172,237,030,102	65,091,090,087	387,165,279,581	44,436,595,670	71,035,884,962	739,965,880,402
Adjustment to statutory allocations from prior periods	-	-	-	-	1,207,379,725	1,207,379,725
<b>Balance at January 1, 2023</b>	172,237,030,102	65,091,090,087	387,165,279,581	44,436,595,670	72,243,264,687	741,173,260,127
<i>Transactions with owners booked directly in equity:</i>						
Legal reserves	-	-	37,365,747,265	-	(37,365,747,265)	-
Other statutory reserves	-	-	(1,942,342,034)	-	1,942,342,034	-
Capital contributions in special funds	-	-	-	4,187,999,556	(4,187,999,556)	-
Total transactions with owners booked directly in equity	-	-	35,423,405,231	4,187,999,556	(39,611,404,787)	-
<b>Comprehensive income for the period:</b>						
Income for the period	-	-	-	-	19,341,337,507	19,341,337,507
Surplus from revaluation of property	-	175,216,337	-	-	-	175,216,337
Adjustment for valuation of investments at FVOCI	10	13,455,682,092	-	-	-	13,455,682,092
Adjustment for valuation of restricted financial instruments	10	3,421	-	-	-	3,421
Surplus from revaluation of other assets	-	(644,902)	-	-	-	(644,902)
Other adjustments	-	(5,174,349,259)	-	-	-	(5,174,349,259)
Realization of surplus from revaluation of property	-	(581,904,787)	-	-	581,904,787	-
<b>Total comprehensive income for the period</b>	-	7,874,002,902	-	-	19,923,242,294	27,797,245,196
<b>Balance at September 30, 2023</b>	26	72,965,092,990	422,588,684,812	48,624,595,226	52,555,102,194	768,970,505,324

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

Note	Share capital	Equity adjustments - Other comprehensive income	Reserves	Capital contributions in special funds	Prior-period retained earnings	Total
<b>Balance at December 31, 2023</b>	172,237,030,102	80,711,724,550	422,198,198,610	48,624,595,226	67,558,632,424	791,330,180,912
Adjustment to statutory allocations from prior periods	-	-	-	-	2,841,193,160	2,841,193,160
<b>Balance at January 1, 2024</b>	172,237,030,102	80,711,724,550	422,198,198,610	48,624,595,226	70,399,825,584	794,171,374,072
<i>Transactions with owners booked directly in equity:</i>						
Legal reserves	-	-	39,024,687,745	-	(39,024,687,745)	-
Other statutory reserves	-	-	4,744,113,181	-	(4,744,113,181)	-
Capital contributions in special funds	-	-	-	7,135,018,123	(7,135,018,123)	-
Total transactions with owners booked directly in equity	-	-	43,768,800,926	7,135,018,123	(50,903,819,049)	-
<b>Comprehensive income for the period:</b>						
Income for the period	-	-	-	-	41,303,719,886	41,303,719,886
Surplus from revaluation of property	-	592,139,467	-	-	-	592,139,467
Adjustment for valuation of investments at FVOCI	10	1,670,650,957	-	-	-	1,670,650,957
Adjustment for valuation of restricted financial instruments	10	18,840	-	-	-	18,840
Surplus from revaluation of other assets	-	2,237,512	-	-	-	2,237,512
Other adjustments	-	(1,625,251,380)	-	-	-	(1,625,251,380)
Realization of surplus from revaluation of property	-	(1,008,006,313)	-	-	1,008,006,313	-
<b>Total comprehensive income for the period</b>	-	(368,210,917)	-	-	42,311,726,199	41,943,515,282
<b>Balance at September 30, 2024</b>	26	172,237,030,102	80,343,513,633	465,966,999,536	55,759,613,349	61,807,732,734
						836,114,889,354

Rosaysella Ulloa Villalobos  
General Manager

Alejandra Morales Centeno  
General Accountant  
CPI 21119

Ricardo Araya Jiménez  
General Auditor

Céd. 4000001021

BANCO NACIONAL DE COSTA RICA

Atención: SUGEF

Registro Profesional: 21119

Contador: MORALES CENTENO  
ALEJANDRA

Estado de Cambios en el Patrimonio

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

	Note	September 2024	September 2023
<b>Cash flows from operating activities</b>			
Income for the period		41,303,719,886	19,341,337,506
<b>Items not requiring cash</b>			
Depreciation and amortization		18,519,035,233	18,201,377,500
Gain on foreign exchange differences and DU, net		(3,059,921,894)	(68,731,174,693)
Loss on sale of non-financial assets		2,469,063,146	3,321,788,316
Finance income		(427,025,612,472)	(424,229,598,847)
Finance costs		105,065,467,000	128,892,721,932
Allowance for investments, net		80,289,134	998,993,536
Allowance for loan losses and stand-by credits, net		50,861,457,239	25,153,633,437
Allowance for other accounts receivable, net		672,326,452	684,030,780
(Gain) loss on allowance for assets held for sale, net		(10,961,060,835)	1,551,967,367
Severance provision		10,127,693	22,352,662
Other provisions		18,388,791,625	(7,490,974,731)
Share of profit of foreign associate, net		(3,046,708,679)	(2,437,345,928)
Statutory allocations, net		25,083,054,832	20,084,953,351
Income tax expense, net	21-a	23,136,425,237	33,278,195,000
Deferred tax	21-a	(468,796,670)	412,810,285
		<b>(158,972,343,073)</b>	<b>(250,944,932,527)</b>
<b>Cash flows from operating activities</b>			
Loan portfolio		(319,570,179,609)	(413,677,170,591)
Accounts and fees and commissions receivable		(5,350,331,849)	2,223,704,808
Assets held for sale		13,658,905,161	18,130,486,473
Other assets		(18,186,240,001)	5,683,805,333
Obligations with the public		610,579,565,213	671,573,094,323
Obligations with BCCR and other entities		(25,494,970,693)	(29,030,938,516)
Obligations for accounts payable, fees and commissions payable and provisions		11,181,181,916	48,876,513,452
Other liabilities		(1,141,129,905)	(4,765,909,321)
		<b>265,676,800,233</b>	<b>299,013,585,961</b>
Income tax paid		(30,081,207,953)	(43,433,393,272)
Interest received on loan portfolio and investments		431,124,685,898	430,617,151,641
Interest paid on term obligations with the public and financial entities		(106,538,159,686)	(101,740,780,354)
Statutory allocations paid		(26,721,013,239)	(23,464,949,153)
<b>Net cash from operating activities</b>		<b>374,488,762,180</b>	<b>310,046,682,296</b>
<b>Cash flows from investing activities</b>			
Increase in financial instruments		(1,371,118,560,953)	(991,875,069,855)
Decrease in financial instruments		1,080,789,782,884	981,636,744,526
Acquisition of property, furniture and equipment		(22,662,853,569)	(47,346,789,654)
Sale of property, furniture and equipment		327,683,554	80,017,916
Acquisition of intangible assets		(1,274,195,525)	(553,353,946)
<b>Net cash used in investment activities</b>		<b>(313,938,143,609)</b>	<b>(58,058,451,013)</b>
<b>Cash flows from financing activities</b>			
Settlement of financial obligations		(15,840,197,360)	(18,080,806,169)
Payment of lease liabilities		(1,887,940,710)	(1,572,160,030)
<b>Net cash used in financing activities</b>		<b>(17,728,138,070)</b>	<b>(19,652,966,199)</b>
<b>Net increase in cash and cash equivalents</b>		<b>42,822,480,501</b>	<b>232,335,265,084</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>1,648,529,317,528</b>	<b>1,578,737,708,410</b>
<b>Cash and cash equivalents at end of period</b>	9	<b>1,691,351,798,029</b>	<b>1,811,072,973,494</b>

Rosaysella Ulloa Villalobos  
General Manager

Alejandra Morales Centeno  
General Accountant  
CPI 21119

Ricardo Araya Jiménez  
General Auditor

Céd. 4000001021  
BANCO NACIONAL DE COSTA RICA  
Atención: SUGEf  
Registro Profesional: 21119  
Contador: MORALES CENTENO  
ALEJANDRA  
Estado de Págs de Efectivo  
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# BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

### (1) Reporting entity

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

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

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

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

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of September 30, 2024, the Bank has 153 offices, 461 ATMs and along with its subsidiaries a total of 5,872 employees (2023: 153 offices, 464 ATMs and along with its subsidiaries a total of 5,729 employees). Employees are distributed as follows: Banco Nacional de Costa Rica – 5,370 employees (2023: 5,268); BN Valores Puesto de Bolsa, S.A. - 78 employees (2023: 72); BN Vital Operadora de Planes de Pensiones Complementarias, S.A. - 211 employees (2023: 191); BN Sociedad Administradora de Fondos de Inversión, S.A. - 102 employees (2023: 93); and BN Sociedad Corredora de Seguros, S.A. - 111 employees (2023: 105). The Bank's website is [www.bncr.fi.cr](http://www.bncr.fi.cr).

The following subsidiaries are wholly owned by the Bank:

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

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

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

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

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

(Continued)

# BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

September 2024						
	BN Valores Puesto de Bolsa, S.A.	BN Sociedad Administradora de Fondos de Inversión, S.A.	BN Vital Operadora de Planes de Pensiones Complementarias S.A.	BN Sociedad Corredora de Seguros, S.A.	BN Centro de Procesos	BICSA
Assets	¢ 67,172,879,349	14,691,633,177	20,565,519,548	10,244,490,057	956,578,481	507,635,598,177
Liabilities	¢ 51,809,094,057	2,441,038,861	6,193,232,240	2,886,074,755	-	437,775,655,223
Equity	¢ 15,363,785,292	12,250,594,316	14,372,287,308	7,358,415,302	956,578,481	69,859,942,954
Income for the period	¢ 1,237,618,174	2,396,775,470	1,736,651,559	3,920,506,164	-	2,966,463,338
Memoranda accounts	¢ 1,179,527,831,232	773,293,470,040	2,837,617,160,460	-	-	-

  

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

  

September 2023					
	BN Valores Puesto de Bolsa, S.A.	BN Sociedad Administradora de Fondos de Inversión, S.A.	BN Vital Operadora de Planes de Pensiones Complementarias S.A.	BN Sociedad Corredora de Seguros, S.A.	BICSA
Assets	¢ 68,907,835,581	12,942,682,212	17,912,323,870	9,628,375,273	502,220,600,188
Liabilities	¢ 52,412,325,993	1,959,680,401	3,697,771,075	2,518,874,968	433,794,753,436
Equity	¢ 16,495,509,588	10,983,001,811	14,214,552,795	7,109,500,305	68,425,846,752
Income for the period	¢ 1,324,613,914	1,732,212,534	1,105,475,769	3,405,943,763	2,436,788,844
Memoranda accounts	¢ 1,160,452,093,650	649,414,515,318	2,459,263,281,960	-	-

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(2) Basis of accounting

(a) Basis of accounting

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

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

(b) Basis of measurement

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

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

(3) Functional and presentation currency

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

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (4) Use of judgments and estimates

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

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

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

##### *a- Judgments*

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

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

##### *b- Assumptions and estimation uncertainties*

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

##### *(i) Fair value measurement*

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

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(5) Material accounting policies

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

(a) Basis of consolidation

*i. Subsidiaries*

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

*ii. Non-controlling interests*

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

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

*iii. Loss of control*

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

iv. *Interests in equity-accounted investees*

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

v. *Transactions eliminated on consolidation*

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

(b) Foreign currency

i. *Foreign currency transactions*

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

ii. *Monetary unit and foreign exchange regulations*

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

(Continued)



## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

As of September 30, 2024, assets and liabilities in US dollars are valued at the exchange rate of ¢522.87 to US\$1.00 (December and September 2023: ¢526.88 and ¢542.35 to US\$1.00), which is the reference selling rate established by BCCR.

As of September 30, 2024, assets and liabilities denominated in euro are valued at the exchange rate of ¢584.05 to €1.00 (December and September 2023: ¢582.31 and ¢573.91 to €1.00, respectively), which is obtained by multiplying the international Reuters exchange rate by the reference rate set by BCCR for the sale of US dollars on the last business day of the month.

As of September 30, 2024, assets and liabilities denominated in Development Units (DU) were valued at the exchange rate of ¢1,014.25 to DU1.00 (December and September 2023: ¢1,013.32 and ¢1,012.09 to DU1.00, respectively). This exchange rate is based on the DU value tables published by SUGEVAL.

*iv. Foreign operations*

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

- Monetary assets and liabilities denominated in US dollars have been translated at the closing exchange rate
- Non-monetary assets and liabilities have been translated at the exchange rate in effect on the transaction date (historical rate)
- Equity balances, except profit or loss for the period, have been translated at the exchange rate in effect on the date of the transaction (historical rate)
- Income and expenses have been translated at average exchange rates in effect for the year.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Financial instruments

(i) Recognition and initial measurement

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

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

(ii) Classification and subsequent measurement

Financial assets

*Classification*

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

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

*Business model assessment*

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

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

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

*Subsequent measurement and gains and losses*

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

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

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

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

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Financial liabilities

*Classification*

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

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

*Subsequent measurement and gains and losses*

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

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

(iii) Impairment of financial assets

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

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

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

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

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

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

#### *Measurement of ECL*

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

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

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

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

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

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

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

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

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

*Forward-looking information*

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

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

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Impairment of non-financial assets

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

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

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

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

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

(iv) Derecognition

Financial assets

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

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Financial liabilities

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

(v) Offsetting

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

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

(d) Derivative financial instruments

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

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

(e) Embedded derivatives

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

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

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

The Conglomerate currently has the following derivative financial instruments:

*i. Derivatives held for risk management*

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

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

*ii. Derivatives other than hedges*

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

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

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Notes to the Consolidated Financial Statements

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

(f) Cash and cash equivalents

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

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

(g) Property, furniture, equipment and leasehold improvements

(i) Recognition and measurement

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

(ii) Subsequent costs

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

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(iii) Depreciation and amortization

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

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

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

(h) Intangible assets

(i) Recognition and measurement

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

(ii) Amortization

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

(iii) Subsequent costs

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

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Leases

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

(i) As a lessee

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

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

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

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

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Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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Notes to the Consolidated Financial Statements

(j) Loan portfolio

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

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

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

(k) Allowance for loan losses

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

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

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

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

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

(m) Other receivables

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

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

(n) Assets held for sale

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

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

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

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

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

(o) Accounts payable and other liabilities

Accounts payable and other liabilities are carried at amortized cost.

(p) Provisions

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

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

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

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(q) Employee benefits

(i) *Short-term employee benefits*

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

(ii) *Statutory Christmas bonus*

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

(iii) *Vacation*

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

(iv) *Incentives plan*

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

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

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

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

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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.

(v) *Annuities*

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

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

(vi) *Defined contribution plans*

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

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

(vii) *Defined benefit plans*

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

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

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

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

(viii) *Termination benefits*

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

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

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

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

#### (ix) *Employee Protection and Retirement Fund*

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

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

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

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

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## Notes to the Consolidated Financial Statements

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

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

### (r) Deferred income

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

### (s) Legal reserve

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

### Other statutory reserves

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(t) Revaluation surplus

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

(u) Income tax

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

i. *Current tax*

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

ii. *Deferred tax*

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

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

(Continued)



BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

*iii. Tax benefits - FOCREDE*

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

(v) Segment reporting

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

(w) Financial statements of the different departments

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

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

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

(x) Recognition of income and expenses

*i. Interest income and interest expense*

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

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

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

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

Regarding accrual on the loan portfolio over 180 days, official letter CNS-1698/08 indicates that the Bank must have an allowance, which as of September 30, 2024, amounts to ¢15,608 million. According to the plan for accrued interest receivable, the allowance to be booked amounts to ¢21,398 million. This plan must be carried out during the next 36 months, with bi-annual cutoffs. However, the balance must be updated at the beginning of each semester, considering the payments made, refinancing, default and other effects.

(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</u>	<u>Minimum allowance required</u>
	<u>over 180 days</u>	
2024-06	56%	12,542
2024-12	70%	14,979
2025-06	85%	18,188
2025-12	100%	21,398

ii. *Fee and commission income*

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

iii. *Income from foreign currency exchange and arbitrage*

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

iv. *Operating lease expenses*

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

(y) Statutory allocations

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

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

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

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

(z)     Development Financing Fund (FOFIDE)

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

(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.

(aa) Development Credit Fund (FOCREDE)

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

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(bb) Trust operations

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

(6) Risk management

The Conglomerate has exposure to the following risks:

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

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

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

(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.

(Continued)

# BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

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

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

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

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

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

	Direct loan portfolio		Stand-by credits	
	September 2024	September 2023	September 2024	September 2023
<i>Loan portfolio</i>				
Principal	¢ 5,228,818,692,587	4,943,748,942,638	382,577,466,075	349,638,253,110
Accounts and accrued interest receivable	89,274,594,072	97,656,025,911	-	-
Gross carrying amount	5,318,093,286,659	5,041,404,968,549	382,577,466,075	349,638,253,110
Incremental direct costs related to loans	7,199,958,564	6,153,560,008	-	-
Deferred income from loan portfolio	(53,183,788,352)	(46,460,289,872)	-	-
Allowance for loan losses (accounting records)	(151,770,950,498)	(130,017,995,343)	(179,158,892)	(1,253,059,841)
Net carrying amount	¢ <u>5,120,338,506,373</u>	<u>4,871,080,243,342</u>	<u>382,398,307,183</u>	<u>348,385,193,269</u>

(Continued)



BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

		Direct loan portfolio	Stand-by credits
		September 2024	September 2024
Loan portfolio			
Total balances:			
1	¢	4,314,061,982,921	361,776,354,304
2		599,894,781,674	17,532,418,933
3		26,063,131,418	708,097,917
4		114,995,912,353	2,165,698,723
5		81,671,569,630	313,658,014
6		16,661,718,023	50,796,212
7		16,680,851,964	4,865,858
8		148,063,338,676	25,576,114
		5,318,093,286,659	382,577,466,075
Structural allowance (subledger – database)		(108,085,648,768)	(179,158,892)
Net carrying amount		¢ 5,210,007,637,891	382,398,307,183
Individually assessed loans with allowance:			
1	¢	4,313,423,492,698	347,282,417,758
2		599,894,781,674	7,504,872,700
3		26,063,131,418	708,097,663
4		114,995,912,353	2,081,816,341
5		81,671,569,630	313,658,011
6		16,661,718,023	50,796,211
7		16,680,851,964	4,865,858
8		148,063,338,676	25,576,114
		5,317,454,796,436	357,972,100,656
Structural allowance (subledger – database)		(108,085,648,768)	(179,158,892)
Net carrying amount		¢ 5,209,369,147,668	357,792,941,764

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		Direct loan portfolio	Stand-by credits
		September 2024	September 2024
Current loan portfolio, without allowance:			
1	¢	638,490,223	14,493,936,719
2		-	10,027,546,317
3		-	-
4		-	83,882,383
5		-	
6		-	
7		-	
8		-	
Carrying amount	¢	638,490,223	24,605,365,419
Gross carrying amount	¢	5,318,093,286,659	382,577,466,075
Allowance for loan losses (database)		(108,085,648,768)	(179,158,892)
Allowances for other statutory requirements		(43,685,301,730)	-
Incremental direct costs related to loans		7,199,958,564	-
Deferred income from loan portfolio		(53,183,788,352)	-
Net carrying amount	¢	5,120,338,506,373	382,398,307,183
Restructured loans	¢	17,487,073,938	-

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

		Direct loan portfolio	Stand-by credits
		September 2023	September 2023
Loan portfolio			
Total balances:			
0	¢	45,667,599,345	-
A1		3,958,027,956,991	329,767,882,801
A2		15,995,409,743	392,761,601
B1		531,778,008,379	3,250,241,701
B2		6,478,785,312	27,375,492
C1		167,701,992,509	2,005,809,238
C2		7,326,567,070	18,451,216
D		183,605,671,602	13,496,550,417
E		124,822,977,598	679,180,644
		5,041,404,968,549	349,638,253,110
Structural allowance (subledger – database)		(92,531,438,004)	(79,282,839)
Net carrying amount	¢	4,948,873,530,545	349,558,970,271
Individually assessed loans with allowance:			
0	¢	45,667,599,345	-
A1		3,958,027,956,991	18,411,545,353
A2		15,995,409,743	40,000,000
B1		531,778,008,379	692,657,719
B2		6,478,785,312	-
C1		167,701,992,509	25,943,551
C2		7,326,567,070	-
D		183,605,671,602	12,885,046,127
E		124,822,977,598	-
		5,041,404,968,549	32,055,192,750
Structural allowance (subledger – database)		(92,531,438,004)	(79,282,839)
Net carrying amount	¢	4,948,873,530,545	31,975,909,911

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		Direct loan portfolio September 2023	Stand-by credits September 2023
Current loan portfolio, without allowance:			
0	¢	-	-
A1		-	311,356,337,449
A2		-	352,761,601
B1		-	2,557,583,982
B2		-	27,375,492
C1		-	1,979,865,687
C2		-	18,451,216
D		-	611,504,289
E		-	679,180,644
Carrying amount	¢	-	317,583,060,360
Gross carrying amount	¢	5,041,404,968,549	349,638,253,110
Allowance for loan losses (database)		(92,531,438,004)	(79,282,839)
Allowances for other statutory requirements		(30,395,360,256)	(1,173,777,002)
Incremental direct costs related to loans		6,153,560,008	-
Deferred income from loan portfolio		(46,460,289,872)	-
Net carrying amount	¢	4,878,171,440,425	348,385,193,269
Restructured loans	¢	60,047,392,284	-

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

		September 2024	
		Loans to customers	
		Gross	Net
1	¢	4,314,061,982,921	4,300,354,027,554
2		599,894,781,674	552,323,619,332
3		26,063,131,418	24,769,091,552
4		114,995,912,353	108,989,928,853
5		81,671,569,630	75,570,754,953
6		16,661,718,023	9,269,481,092
7		16,680,851,964	12,209,447,372
8		148,063,338,676	82,835,985,453
	¢	5,318,093,286,659	5,166,322,336,161

According to CONASSIF Directive 14-21, as observed in the table above, the gross portfolio as of September 30, 2024, amounts to ¢5,318 billion, of which the risk categories "1+2" represent 96.59% and categories "3+4+5+6+7+8" represent 3.41%.

		September 2023	
		Loans to customers	
		Gross	Net
0	¢	45,667,599,345	44,490,058,556
A1		3,958,027,956,991	3,905,822,204,529
A2		15,995,409,743	15,794,105,911
B1		531,778,008,379	524,534,403,291
B2		6,478,785,312	6,365,880,970
C1		167,701,992,509	162,643,471,556
C2		7,326,567,070	6,715,962,252
D		183,605,671,602	165,420,875,912
E		124,822,977,598	86,691,207,312
	¢	5,041,404,968,549	4,918,478,170,289

According to SUGEF Directive 1-05, the gross portfolio as of September 30, 2023, amounted to ¢5,041 billion, of which the risk ratings "A+B" represent 90.41% and risk ratings "C+D+E" represent 9.59%.

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## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### Individually assessed loans with allowance:

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

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

#### Past due loans without allowance:

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

#### Restructured loans:

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

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

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

#### Classification due to Special Loan Operations

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

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

#### Criteria to no longer qualify as a special operation

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

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

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

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## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

#### Loan write-off policy:

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

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Portfolio segmentation (previously borrower classification):

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

Regarding segmentation, the portfolio must be classified into:

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

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

Portfolio segmentation	Direct loan portfolio September 2024	Stand-by credits September 2024
Consumer ¢	431,287,736,254	1,481,684,185
Business 1	2,050,715,081,025	18,402,931,431
Business 2	113,034,263,834	5,074,648,669
Business 3	576,420,700,528	23,467,569,907
Revolving	139,151,009,245	334,123,406,384
SBD	213,731,252,969	27,225,499
Car	248,820,674,089	-
Mortgage	1,544,932,568,715	-
¢	<u>5,318,093,286,659</u>	<u>382,577,466,075</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

Borrower classification	Direct		Stand-by	
	September 2023		September 2023	
Group 1	₡	2,646,384,444,602		37,667,263,754
Group 2		2,395,020,523,947		311,970,989,356
	₡	5,041,404,968,549		349,638,253,110

Risk rating categories:

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

(Continued)

# BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

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

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- Group 1

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

- Group 2

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

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

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

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

#### Analysis of creditworthiness

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

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

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

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

(Continued)



## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

#### Analysis of historical payment behavior

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

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

#### Structural allowance for loan losses

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

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

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

		September 2024		
		Allowance booked	Structural allowance	Difference in allowance
Allowance for direct loans	¢	108,085,648,768	(108,085,648,768)	-
Allowance for stand-by credits		179,158,892	(179,158,892)	-
Allowance plan per CNS-1698		15,608,119,802	(15,608,119,802)	-
Borrowers with risk exposure		1,651,476,218	(1,651,476,218)	-
		125,524,403,680	(125,524,403,680)	-
Counter-cyclical allowance per SUGEF Directive 19-16		26,246,546,818	(26,246,546,818)	-
	¢	<u>151,770,950,498</u>	<u>(151,770,950,498)</u>	<u>-</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

		September 2023		
		<u>Allowance booked</u>	<u>Structural allowance</u>	<u>Difference in allowance</u>
Allowance for direct loans	¢	111,308,218,196	(92,531,438,004)	18,776,780,192
Allowance for stand-by credits		1,253,059,841	(79,282,839)	1,173,777,002
Allowance plan per CNS-1698		10,365,520,223	(10,365,520,223)	-
		122,926,798,260	(102,976,241,066)	19,950,557,194
Counter-cyclical allowance per SUGEF Directive 19-16		7,091,197,083	(7,091,197,083)	-
	¢	<u>130,017,995,343</u>	<u>(110,067,438,149)</u>	<u>19,950,557,194</u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

*Counter-cyclical allowance*

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

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

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

Credit equivalent

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

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

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

Allowance for other assets

Allowances should be established for the following assets:

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

<u>Arrears</u>	<u>Allowance percentage</u>
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, 2024, the carrying amount of the allowance for impairment of assets held for sale and per legal requirements amounts to ¢51,225,692,471 (2023: ¢62,182,995,909).

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Sector	Direct		Stand-by	
	September 2024	September 2023	September 2024	September 2023
Trade	¢ 400,629,031,886	390,798,016,899	-	-
Services	1,295,768,121,463	1,227,669,901,260	31,034,610,046	43,725,730,392
Financial services	82,156,504,647	97,255,645,716	-	-
Mining	441,585,004	371,966,916	-	-
Manufacturing and quarrying	153,021,587,576	157,274,112,142	-	-
Construction	69,310,890,864	61,704,083,601	-	-
Agriculture and forestry	111,785,773,580	114,268,090,802	-	-
Livestock, hunting and fishing	77,153,348,043	77,082,095,147	-	-
Electricity, water, sanitation and other related sectors	403,180,793,866	417,499,437,675	-	-
Transportation and telecommunications	45,821,923,122	40,450,246,041	-	-
Housing	1,560,490,159,268	1,510,748,735,544	-	-
Personal or consumer	830,842,983,704	667,503,093,448	351,427,622,703	305,797,289,370
Tourism	287,490,583,636	278,779,543,358	115,233,326	115,233,348
	¢ <u>5,318,093,286,659</u>	<u>5,041,404,968,549</u>	<u>382,577,466,075</u>	<u>349,638,253,110</u>

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

	Direct		Stand-by	
	September 2024	September 2023	September 2024	September 2023
Central America	¢ <u>5,318,093,286,659</u>	<u>5,041,404,968,549</u>	<u>382,577,466,075</u>	<u>349,638,253,110</u>

The loan portfolio by type of guarantee is as follows:

Type of guarantee	Direct		Stand-by	
	September 2024	September 2023	September 2024	September 2023
Security	¢ 51,948,728,113	52,953,144,261	69,593,527	158,512,095
Mortgage bond	41,818,282,843	44,563,590,630	-	-
Assignment of loans	685,579,672,024	519,977,646,576	5,228,700	-
Mortgage	1,755,224,836,066	1,714,431,071,009	12,020,221	5,423,500
Surety	817,106,794,046	839,528,080,604	-	23,655,302
Trust	639,984,226,211	588,905,026,516	14,174,000	12,885,046,127
Securities	26,973,498,579	29,489,254,552	-	8,115,466
Chattel mortgage	330,997,862,901	305,290,595,109	-	5,243,833
Other	968,459,385,876	946,266,559,292	382,476,449,627	336,552,256,787
	¢ <u>5,318,093,286,659</u>	<u>5,041,404,968,549</u>	<u>382,577,466,075</u>	<u>349,638,253,110</u>

(Continued)



BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Guarantees:

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

The Bank conducts strict credit analyses before granting loans and requires guarantees from its borrowers before disbursing loans. As of September 30, 2024, 59.63% of the loan portfolio is secured by collateral guarantees (2023: 60.43%).

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

Loan portfolio concentration	Direct		Stand-by	
	September 2024	September 2023	September 2024	September 2023
¢1 to ¢3,000,000	¢ 183,517,161,344	153,524,446,037	144,229,478,223	122,243,989,683
¢3,000,001 to ¢15,000,000	720,726,416,023	607,771,096,708	207,497,212,150	183,684,988,765
¢15,000,001 to ¢30,000,000	574,626,251,000	521,787,743,927	4,829,926,167	5,176,824,094
¢30,000,001 to ¢50,000,000	499,219,293,618	496,036,471,522	2,048,258,869	2,046,743,012
¢50,000,001 to ¢75,000,000	513,316,315,670	493,476,617,320	1,746,569,336	2,212,739,802
¢75,000,001 to ¢100,000,000	309,327,276,477	293,589,722,955	2,187,302,620	2,178,912,738
¢100,000,001 to ¢200,000,000	292,386,910,297	269,096,412,613	2,222,584,417	3,166,973,495
More than ¢200,000,000	2,224,973,662,230	2,206,122,457,467	17,816,134,293	28,927,081,521
	¢ 5,318,093,286,659	5,041,404,968,549	382,577,466,075	349,638,253,110

As of September 30, 2024 and 2023, the direct and stand-by loans of the portion of the loan portfolio corresponding to economic interest groups amount to ¢759,021,429,634 and ¢707,432,544,219, respectively, equivalent to 14.26% and 14.02% of the loan portfolio, respectively.

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

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

The year-on-year decrease observed in the ECL of the entire loan portfolio decreased from 2.60% in September 2023 to 2.59% in September 2024. This is mainly due to a decline in the arrears indicators. Arrears over 90 days decreased from 2.30% in September 2023 to 2.29% in September 2024.

Compared to the results from September 2023, the behavior of ECL for economic activities showed a mixed result (increases and decreases), but with a predominant downward trend. The activities with the largest decreases are Construction, Transport and Livestock, with decreases exceeding 212 basis points (bp), while the activity with the largest increase is Industry, with a variation of 49 bp.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the result of the VaR of the loan portfolio, there was a year-on-year decrease from 7.92% to 7.89%, which is an expected behavior given the variations in the portfolio balance by type of sector.

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

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

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

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

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

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

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

(Continued)

# BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

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

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

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

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

Portfolio	September 2024	September 2023
Investments in financial instruments at FVOCI	¢ 28,560,927	53,213,952

### 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.

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

The Brokerage Firm may acquire the following instruments:

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

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

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

(Continued)

# BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

For the September 2024 close, the accounting records showed investments in colones and in US dollars issued by local issuers in colones and issued by foreign issuers in US dollars. The Brokerage Firm holds no investments in DU. By currency, the largest portion continues to be concentrated in the portfolio in colones with 88.33% and 11.67% in US dollars.

With respect to the consolidated portfolio, investments in instruments issued by the Government of Costa Rica correspond to 88.30% and BNCR 0.03%. The sum of these issuers represents 88.33% of the consolidated portfolio in colones. The portfolio in US dollars is represented by G issues 11.53% and BNSFI 0.14%, for a total of 11.67%.

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

Portfolio	September 2024	September 2023
Investments measured at FVOCI	¢ 9,194,966	23,191,967
Investments measured at amortized cost	¢ 179,204,067	396,385,261

### 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.

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

		<u>September 2024</u>	<u>September 2023</u>
Investments measured at FVOCI	¢	6,924,856	6,903,671
Investments measured at amortized cost	¢	37,875,215	54,536,274

v. BN Corredora de Seguros, S.A.

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

#### Credit risk management

To mitigate credit risk, the Insurance Brokerage Firm's investment 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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Portfolio		September 2024	September 2023
Amortized cost	¢	13,833,943	19,256,127

Investments in financial instruments

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

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

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

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

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

(Continued)



BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

		September 2024		
Month		Model 1 Amortized cost	Model 2 FVOCI	Total estimated losses
January	¢	1,363,994,003	1,245,885,616	2,609,879,619
February		1,464,273,505	1,288,877,192	2,753,150,697
March		1,547,950,366	1,243,685,945	2,791,636,312
April		1,632,041,207	1,345,470,285	2,977,511,492
May		1,636,344,414	1,239,401,134	2,875,745,548
June		1,721,723,615	969,921,302	2,691,644,917
July		1,600,331,336	1,459,291,995	3,059,623,331
August		1,531,873,467	1,377,975,382	2,909,848,850
September		1,486,105,969	1,420,317,786	2,906,423,756

  

		September 2023		
Month		Model 1 Amortized cost	Model 2 FVOCI	Total estimated losses
January	¢	2,841,757,301	2,760,888,014	5,602,645,315
February		2,600,821,134	2,725,373,887	5,326,195,021
March		2,583,218,359	2,961,243,082	5,544,461,441
April		2,553,631,109	3,687,351,413	6,240,982,522
May		2,314,094,884	4,328,699,921	6,642,794,805
June		2,394,295,085	3,899,757,092	6,294,052,177
July		2,615,773,114	3,995,474,713	6,611,247,827
August		2,560,393,715	3,551,187,195	6,111,580,910
September		2,984,079,155	3,630,489,940	6,614,569,095

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

(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 amortized cost. Unless specifically indicated, for financial assets the amounts in the table represent gross carrying amounts.

		September 2024	
	12-month PD ranges	Stage 1	Total
Investments at amortized cost (1)	0.21% to		
Loss allowance	0.74%	¢ 991,429,209,009	991,429,209,009
		(1,486,105,969)	(1,486,105,969)
		¢ 989,943,103,040	989,943,103,040
		December 2023	
	12-month PD ranges	Stage 1	Total
Investments at amortized cost (1)	0.21% to		
Loss allowance	2.36%	¢ 787,920,956,099	787,920,956,099
		(1,416,262,629)	(1,416,262,629)
		¢ 786,504,693,470	786,504,693,470
		September 2023	
	12-month PD ranges	Stage 1	Total
Investments at amortized cost	0.38% to		
Loss allowance	2.66%	¢ 1,001,191,508,377	1,001,191,508,377
		(2,984,079,155)	(2,984,079,155)
		¢ 998,207,429,222	998,207,429,222

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

(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 FVOCI. Unless specifically indicated, for financial assets the amounts in the table represent gross carrying amounts.

		September 2024	
	12-month PD ranges	Stage 1	Total
Investments at FVOCI (1)	0.19% to		
Loss allowance	1.46%	¢ 678,917,895,322	678,917,895,322
		(1,420,317,786)	(1,420,317,786)
		¢ 677,497,577,536	677,497,577,536
		December 2023	
	12-month PD ranges	Stage 1	Total
Investments at FVOCI (1)	0.19% to		
Loss allowance	1.75%	¢ 557,199,687,781	557,199,687,781
		(1,409,951,768)	(1,409,951,768)
		¢ 555,789,736,013	555,789,736,013
		September 2023	
	12-month PD ranges	Stage 1	Total
Investments at FVOCI	0.24% to		
Loss allowance	3.37	¢ 629,360,773,197	629,360,773,197
		(3,630,489,940)	(3,630,489,940)
		¢ 625,730,283,257	625,730,283,257

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

(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 FVTPL. Unless specifically indicated, for financial assets the amounts in the table represent gross carrying amounts.

		September 2024	
		Stage 1	Total
Investments in financial instruments at FVTPL	¢	<u>647,652,587</u>	<u>647,652,587</u>
	¢	<u>647,652,587</u>	<u>647,652,587</u>
		December 2023	
		Stage 1	Total
Investments in financial instruments at FVTPL	¢	<u>4,479,693,009</u>	<u>4,479,693,009</u>
	¢	<u>4,479,693,009</u>	<u>4,479,693,009</u>
		September 2023	
		Stage 1	Total
Investments in financial instruments at FVTPL	¢	<u>4,051,736,772</u>	<u>4,051,736,772</u>
	¢	<u>4,051,736,772</u>	<u>4,051,736,772</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Expected credit losses, by currency, are as follows:

		September 2024	
		Absolute	Relative
Colones	¢	2,645,653,050	49.67%
US dollars		312,674,627	10.43%
	¢	<u>2,958,327,677</u>	<u>60.08%</u>
		December 2023	
		Absolute	Relative
Colones	¢	2,666,224,011	51.30%
US dollars		475,433,574	8.88%
	¢	<u>3,141,657,585</u>	<u>60.15%</u>
		September 2023	
		Absolute	Relative
Colones	¢	5,920,963,836	52.50%
US dollars		868,269,399	7.74%
	¢	<u>6,789,233,235</u>	<u>60.19%</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Investments by geographic location are as follows:

Country		September 2024		
		Principal	Interest	Total
Costa Rica	¢	1,319,135,128,668	15,651,808,492	1,334,786,937,161
Panama		4,182,960,000	36,227,921	4,219,187,921
Caribbean		706,144,217	7,089,845	713,234,063
United States		313,419,496,934	3,164,529,179	316,584,026,113
Canada		2,588,790,886	33,640,614	2,622,431,500
Europe		37,472,272,896	360,685,467	37,832,958,363
Asia		1,692,016,474	10,093,582	1,702,110,054
Australia		214,752,623	2,760,341	217,512,963
	¢	<u>1,679,411,562,698</u>	<u>19,266,835,441</u>	<u>1,698,678,398,138</u>

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

Country		September 2023		
		Principal	Interest	Total
Costa Rica	¢	1,144,156,339,846	15,559,361,050	1,159,715,700,895
Panama		27,855,096,000	570,269,093	28,425,365,093
Caribbean		427,372,559	1,481,554	428,854,113
United States		401,261,794,932	1,494,562,773	402,756,357,705
Canada		3,215,593,432	32,240,093	3,247,833,525
Venezuela		8,227,713,104	37,819,877	8,265,532,981
Europe		36,142,379,656	180,538,417	36,322,918,073
Asia		3,046,392,459	22,368,179	3,068,760,638
Australia		344,020,507	734,179	344,754,686
New Zealand		296,310,743	693,005	297,003,748
Rest of South America		16,270,500,000	97,207,197	16,367,707,197
	¢	<u>1,641,243,513,238</u>	<u>17,997,275,417</u>	<u>1,659,240,788,654</u>

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### Key inputs for the measurement of ECL under IFRS 9

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

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

#### Definition of ratings

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

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

- Equivalence of international ratings:

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

(Continued)



# BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

- Equivalence of local ratings (Ceiling test)

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

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

### Amounts arising from expected credit losses

- *Significant increase in credit risk*

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

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

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### Criteria for significant increase in credit risk (Stage 2)

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

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

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

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

#### Criteria for objective impairment (Stage 3)

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

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

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

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

This analysis is performed in a differentiated manner:

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

#### Probability of Default (PD)

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

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

(Continued)

# BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### Segmentation

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

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

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

• *ECL (expected credit losses)*

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

	Stage 1	Total
<i><u>Investments at amortized cost</u></i>		
Balance as of January 1, 2024	¢ 1,416,262,629	1,416,262,629
Update of the allowance	(3,600,946)	(3,600,946)
Allowance for new investments	384,245,843	384,245,843
Decrease in allowance	(310,801,556)	(310,801,556)
Balance as of September 30, 2024	¢ <u>1,486,105,970</u>	<u>1,486,105,970</u>
<i><u>Investments at FVOCI</u></i>		
Balance as of January 1, 2024	¢ 1,409,951,769	1,409,951,769
Update of the allowance	(5,954,220)	(5,954,220)
Allowance for new investments	731,841,637	731,841,637
Decrease in allowance	(715,521,400)	(715,521,400)
Balance as of September 30, 2024	¢ <u>1,420,317,786</u>	<u>1,420,317,786</u>
Total loss allowance	¢ <u>2,906,423,755</u>	<u>2,906,423,755</u>

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

	Stage 1	Total
<i><u>Investments at amortized cost</u></i>		
Balance as of January 1, 2023	¢ 2,930,192,806	2,930,192,806
Update of the allowance	9,228,959	9,228,959
Allowance for new investments	684,814,720	684,814,720
Decrease in allowance	(640,157,331)	(640,157,331)
Balance as of September 30, 2023	¢ <u>2,984,079,154</u>	<u>2,984,079,154</u>
<i><u>Investments at FVOCI</u></i>		
Balance as of January 1, 2023	¢ 2,670,857,408	2,670,857,408
Update of the allowance	(18,613,786)	(18,613,786)
Allowance for new investments	1,922,709,685	1,922,709,685
Decrease in allowance	(944,463,367)	(944,463,367)
Balance as of September 30, 2023	¢ <u>3,630,489,940</u>	<u>3,630,489,940</u>
Total loss allowance	¢ <u>6,614,569,094</u>	<u>6,614,569,094</u>

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### *b) Liquidity risk*

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

#### *i. Banco Nacional de Costa Rica*

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

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

Year on year, the LCR indicator in colones closed at 213.3% as of the September 2024 close, which is 4.3% lower than the previous year, related to a 7.7% increase in the stock of liquid assets (HQLA) (¢131,000 million, mainly from the recovery of the minimum legal deposit, which was exceeded by the 9.4% increase in net cash outflows (¢71,200 million, mainly in retail and wholesale commitments). The LCR indicator has ample leeway regarding the appetite level of 130%, equivalent to ¢655,100 million.

As of September 30, 2024, the LCR indicator in US dollars closed at 216.5%, showing a decrease of 60% with regard to the previous year. This was due to a 9% decrease in HQLA (-US\$121.5 million, mainly in Level 1A investments and Government instruments) and a 14.6% increase in net outflows (US\$91.3 million, mainly due to retail and wholesale commitments). The LCR indicator has ample leeway regarding the appetite level of 130%, equivalent to US\$541 million.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The LCR indicator by currency is as follows:

<u>Indicator</u>	<u>September 2024</u>	<u>September 2023</u>	<u>Variation</u>	<u>Level</u>
LCR colones	213%	217%	(4.3%)	Appetite
LCR US dollars	216%	276%	(60%)	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, 2024, the terms of the Conglomerate's assets and liabilities denominated in local currency are matched as follows:

		Days							Total
		Past due	Demand	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	
Cash and due from banks	¢	-	173,287,877,937	-	-	-	-	-	173,287,877,937
Minimum legal deposit in BCCR		-	385,097,486,403	18,088,536,417	25,509,914,759	62,023,496,612	70,393,934,447	86,014,883,320	672,121,948,766
Investments		-	209,773,828	230,622,455,350	424,440,553	3,029,462,320	139,634,379,849	58,342,269,157	1,324,922,206,334
Loan portfolio		181,719,307,147	-	51,048,051,669	61,934,029,545	52,374,673,239	106,185,644,189	168,981,338,387	3,886,530,149,076
Recovery of assets	¢	181,719,307,147	558,595,138,168	299,759,043,436	87,868,384,857	117,427,632,171	316,213,958,485	313,338,490,864	6,056,862,182,113
Obligations with the public	¢	-	3,038,674,414,476	172,185,744,965	412,497,584,227	160,808,946,535	470,358,533,055	480,907,640,111	4,891,669,930,662
Obligations with BCCR		-	-	-	-	-	130,958,196,014	-	131,083,840,426
Obligations with financial entities		-	62,272,605,652	114,131,750,692	6,337,008,446	12,561,221,173	18,262,862,831	8,883,660,696	259,808,106,954
Charges payable		-	23,059,042,909	6,791,213,127	5,992,533,715	2,780,927,126	8,413,512,612	1,637,448,889	49,795,250,024
Maturity of liabilities	¢	-	3,124,006,063,037	293,108,708,784	424,827,126,388	176,151,094,834	627,993,104,512	491,428,749,696	5,332,357,128,066
Difference	¢	181,719,307,147	(2,565,410,924,869)	6,650,334,652	(336,958,741,531)	(58,723,462,663)	(311,779,146,027)	(178,090,258,832)	724,505,054,047

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

		Days							Total
		Past due	Demand	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	
Cash and due from banks	¢	-	188,150,917,684	-	-	-	-	-	188,150,917,684
Minimum legal deposit in BCCR		-	419,631,921,746	19,365,518,595	25,801,704,410	28,108,153,530	66,022,425,379	51,835,426,887	646,422,709,464
Investments		-	2,969,318,089	176,904,236,637	1,843,884,713	2,506,628,294	49,556,796,680	86,799,304,995	1,097,711,718,680
Loan portfolio		191,315,346,240	-	54,431,580,886	37,005,729,124	60,358,324,864	109,344,046,497	143,609,407,817	3,666,805,994,532
Recovery of assets	¢	191,315,346,240	610,752,157,519	250,701,336,118	64,651,318,247	90,973,106,688	224,923,268,556	282,244,139,699	5,599,091,340,360
Obligations with the public	¢	-	3,051,302,869,344	165,810,901,777	189,655,981,890	178,316,660,845	331,001,488,931	306,455,411,468	4,467,213,673,046
Obligations with BCCR		-	-	-	-	-	-	-	150,220,610,244
Obligations with financial entities		-	49,056,287,855	107,688,895,045	636,226,831	15,194,840,570	38,182,724,952	32,157,187,875	281,888,332,200
Charges payable		-	24,600,506,548	9,288,204,251	5,295,464,255	2,350,380,389	5,005,345,905	3,308,682,996	53,762,498,053
Maturity of liabilities	¢	-	3,124,959,663,747	282,788,001,073	195,587,672,976	195,861,881,804	374,189,559,788	341,921,282,339	4,953,085,113,543
Difference	¢	191,315,346,240	(2,514,207,506,228)	(32,086,664,955)	(130,936,354,729)	(104,888,775,116)	(149,266,291,232)	(59,677,142,640)	646,006,226,817

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

		Days							Total
		Past due	Demand	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	
Cash and due from banks	¢	-	291,316,725,473	-	-	-	-	-	291,557,873,193
Minimum legal deposit in BCCR		-	230,429,121,114	8,816,396,520	6,264,878,237	7,577,127,384	18,996,499,211	20,072,980,262	311,998,163,581
Investments		-	92,920,289	5,563,585,738	5,472,758,791	4,599,202,585	5,275,493,001	56,818,814,689	373,778,748,740
Loan portfolio		49,505,155,771	-	12,103,864,355	15,593,988,483	15,667,486,504	45,949,645,394	66,662,788,871	1,385,579,307,796
Recovery of assets	¢	49,505,155,771	521,838,766,876	26,483,846,613	27,331,625,511	27,843,816,473	70,221,637,606	143,554,583,822	2,362,914,093,310
Obligations with the public	¢	-	1,522,106,973,570	51,011,036,308	53,894,380,772	55,257,315,683	119,156,287,343	135,664,507,935	2,071,577,588,631
Obligations with financial entities		-	4,889,429,939	66,405,851,451	5,228,700	143,789,250	31,372,200	159,125,153	162,446,987,223
Charges payable		-	6,120,640,384	978,426,605	676,355,409	1,669,151,898	1,315,274,931	1,026,885,418	12,476,003,700
Maturity of liabilities		-	1,533,117,043,893	118,395,314,364	54,575,964,881	57,070,256,831	120,502,934,474	136,850,518,506	2,246,500,579,554
Difference	¢	49,505,155,771	(1,011,278,277,017)	(91,911,467,751)	(27,244,339,370)	(29,226,440,358)	(50,281,296,868)	6,704,065,316	116,413,513,756

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

		Days							Total
		Past due	Demand	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	
Cash and due from banks	¢	-	290,744,928,284	-	-	-	-	-	290,930,337,645
Minimum legal deposit in BCCR		-	244,469,273,133	8,144,279,892	7,777,573,705	11,925,237,431	20,299,097,651	27,529,737,955	336,237,246,895
Investments		-	91,933,510	126,625,756,015	40,896,632,838	35,231,035,974	167,054,929,816	74,296,324,635	567,068,393,438
Loan portfolio		64,841,389,233	-	17,163,254,235	19,064,895,725	19,116,895,347	58,831,001,639	82,453,029,569	1,334,292,244,153
Recovery of assets	¢	64,841,389,233	535,306,134,927	151,933,290,142	67,739,102,268	66,273,168,752	246,185,029,106	184,279,092,159	2,528,528,222,131
Obligations with the public	¢	-	1,464,411,036,499	54,542,187,176	58,337,737,201	57,673,323,030	133,673,464,195	176,898,496,752	2,055,150,690,905
Obligations with financial entities		-	10,648,703,651	84,618,161,680	123,776,457,103	28,591,932,710	32,541,000	7,666,715,316	346,036,197,165
Charges payable		-	4,582,377,771	939,459,693	3,834,274,254	2,146,823,559	1,478,717,606	1,578,524,405	15,115,924,320
Maturity of liabilities		-	1,479,642,117,921	140,099,808,549	185,948,468,558	88,412,079,299	135,184,722,801	186,143,736,473	2,416,302,812,390
Difference	¢	64,841,389,233	(944,335,982,994)	11,833,481,593	(118,209,366,290)	(22,138,910,547)	111,000,306,305	(1,864,644,314)	112,225,409,741

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

Liquidity risk management

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

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.

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

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## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

#### Liquidity risk management

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

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

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

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

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

v. BN Corredora de Seguros, S.A.

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

Liquidity risk management

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

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

c) Market risk

i. Banco Nacional de Costa Rica

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

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

The portfolios by currency are as follows:

<u>Currency</u>	<u>Face value of investments by currency</u>		
	<u>September 2024</u>	<u>September 2023</u>	<u>Variation</u>
Colones	1,177,818,050,000	975,765,431,253	202,052,618,747
US dollars - local issuers	49,189,074	106,847,870	(57,658,796)
US dollars - international issuers	646,270,000	927,592,000	281,322,000

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

<u>Currency</u>	<u>September 2024</u>	<u>September 2023</u>	<u>Variation</u>
Colones	1.75	1.33	0.42
US dollars - local issuers	2.08	1.13	0.95
US dollars - international issuers	1.55	0.57	0.98

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.

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

#### Market risk management

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

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

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

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

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

#### Market risk exposure – trading portfolio:

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

(Continued)

# BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

	September 2024	September 2023
VaR indicator (99%)	0.40%	0.87%

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

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

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

### Market risk management

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

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

### Market risk exposure

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

(Continued)



## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

#### Market risk management

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

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

Market risks are calculated since the end of 2003. A database is in place to determine the corresponding limits. The potential loss is calculated daily in view of the changes in risk factors that affect the valuation of positions, such as interest rate changes. For such purposes, the RiMeR methodology is used, which was internally developed by the Mathematical Modeling and Market Risk Divisions of the Bank.

This methodology permits calculating the VaR of portfolios comprised of fixed income instruments. The model considers yield curves, rate model parameter estimation, scenario simulations and calculation of VaR. This methodology uses a two-factor rate model (G2++ model), which involves decomposing the short rate into two processes and a deterministic function to be selected.

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

v. BN Corredora de Seguros, S.A.

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

Market risk management

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

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

• Market risk of investments

i. Banco Nacional de Costa Rica

The Bank's consolidated VaR of the market value of investments had a mixed behavior during the last year. For the last 12 months until September 2024, this indicator continued to have a downward trend, with an annual average VAR of 0.46%. A number of factors explain the behavior of the VaR during the last year, including mainly lower volatility in the prices of instruments in the investment portfolio.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

<u>Type of risk</u>	<u>September 2024</u>	<u>September 2023</u>	<u>Variation</u>
Consolidated VaR	0.74%	0.73%	(0.37%)

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

<u>Currency</u>	<u>September 2024</u>	<u>September 2023</u>	<u>Variation</u>
Colones	0.37%	0.98%	(0.61%)
US dollars - local	0.74%	0.49%	0.25%
US dollars - international	0.69%	0.66%	0.03%

- Interest rate risk

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

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

<u>Type of risk</u>	<u>September 2024</u>	<u>September 2023</u>	<u>Variation</u>	<u>Level</u>
Interest rate risk in colones	0.18%	0.38%	(0.20%)	Normal
Interest rate risk in foreign currency	0.22%	0.02%	0.20%	Normal

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

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

(Continued)

# BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

		Demand	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 to 720 days	More than 720 days	Total
<i>Local currency (LC)</i>									
Investments	¢	209,773,829	230,585,100,428	3,426,114,703	139,576,759,370	58,342,116,420	257,819,421,335	634,193,747,152	1,324,153,033,237
Loan portfolio		-	3,314,681,279,294	133,356,686,542	127,198,153,610	18,063,360,321	18,874,530,436	130,769,920,620	3,742,943,930,823
Recovery of rate-sensitive assets LC (A)	¢	209,773,829	3,545,266,379,722	136,782,801,245	266,774,912,980	76,405,476,741	276,693,951,771	764,963,667,772	5,067,096,964,060
Obligations with the public	¢	-	253,039,020,479	600,977,764,316	493,423,329,438	478,616,488,194	86,584,564,859	95,078,729,416	2,007,719,896,702
Obligations with BCCR		-	40,950,000,000	-	134,569,089,713	-	-	125,644,412	175,644,734,125
Obligations with financial entities LC		-	119,071,092	-	-	-	1,193,254,947	24,501,324,742	25,813,650,781
Maturity of rate-sensitive liabilities LC (B)	¢	-	294,108,091,571	600,977,764,316	627,992,419,151	478,616,488,194	87,777,819,806	119,705,698,570	2,209,178,281,608
Difference in LC, recovery of assets less maturity of liabilities (A - B)	¢	209,773,829	3,251,158,288,151	(464,194,963,071)	(361,217,506,171)	(402,211,011,453)	188,916,131,965	645,257,969,202	2,857,918,682,452
<i>Foreign currency (FC)</i>									
Investments	¢	-	864,595,427	14,841,315,043	5,275,468,525	56,818,839,162	154,846,792,776	140,952,890,021	373,599,900,954
Loan portfolio		-	1,189,014,124,606	44,282,453,790	25,899,243,971	2,847,354,538	23,789,789,921	68,239,390,735	1,354,072,357,561
Recovery of rate-sensitive assets FC (C)	¢	-	1,189,878,720,033	59,123,768,833	31,174,712,496	59,666,193,700	178,636,582,697	209,192,280,756	1,727,672,258,515
Obligations with the public	¢	-	125,106,533,378	110,706,779,239	120,502,934,473	136,141,839,754	87,198,968,437	89,992,826,725	669,649,882,006
Obligations with BCCR		-	7,733,770,170	-	-	-	-	-	7,733,770,170
Obligations with entities		-	-	945,260,496	-	-	-	41,829,600,000	42,774,860,496
Maturity of rate-sensitive liabilities FC (D)	¢	-	132,840,303,548	111,652,039,735	120,502,934,473	136,141,839,754	87,198,968,437	131,822,426,725	720,158,512,672
Difference in FC, recovery of assets less maturity of liabilities (C - D)	¢	-	1,057,038,416,485	(52,528,270,902)	(89,328,221,977)	(76,475,646,054)	91,437,614,260	77,369,854,031	1,007,513,745,843
Recovery of rate-sensitive assets 1/ (A + C)	¢	209,773,829	4,735,145,099,755	195,906,570,078	297,949,625,476	136,071,670,441	455,330,534,468	974,155,948,528	6,794,769,222,575
Maturity of rate-sensitive liabilities 2/ (B + D)	¢	-	426,948,395,119	712,629,804,051	748,495,353,624	614,758,327,948	174,976,788,243	251,528,125,295	2,929,336,794,280
Difference in LC + FC, recovery of assets less maturity of liabilities (item 1 - item 2)	¢	209,773,829	4,308,196,704,636	(516,723,233,973)	(450,545,728,148)	(478,686,657,507)	280,353,746,225	722,627,823,233	3,865,432,428,295

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

		Demand	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 to 720 days	More than 720 days	Total
<i>Local currency (LC)</i>									
Investments	¢	2,969,318,089	175,341,437,096	4,002,144,104	49,754,677,162	88,325,499,696	238,188,052,546	537,782,205,778	1,096,363,334,471
Loan portfolio		-	3,131,326,033,517	125,980,458,970	120,162,868,219	17,066,294,173	17,833,468,213	111,916,103,541	3,524,285,226,633
Recovery of rate-sensitive assets LC (A)	¢	2,969,318,089	3,306,667,470,613	129,982,603,074	169,917,545,381	105,391,793,869	256,021,520,759	649,698,309,319	4,620,648,561,104
Obligations with the public	¢	-	251,198,530,852	382,297,749,580	374,189,559,788	340,223,043,827	148,833,481,583	108,732,883,585	1,605,475,249,215
Obligations with BCCR		-	41,452,000,000	-	-	-	153,039,477,456	125,644,412	194,617,121,868
Obligations with financial entities LC		-	122,116,685	-	-	-	-	28,931,731,920	29,053,848,605
Maturity of rate-sensitive liabilities LC (B)	¢	-	292,772,647,537	382,297,749,580	374,189,559,788	340,223,043,827	301,872,959,039	137,790,259,917	1,829,146,219,688
Difference in LC, recovery of assets less maturity of liabilities (A - B)	¢	2,969,318,089	3,013,894,823,076	(252,315,146,506)	(204,272,014,407)	(234,831,249,958)	(45,851,438,280)	511,908,049,402	2,791,502,341,416
<i>Foreign currency (FC)</i>									
Investments	¢	-	56,157,701,379	146,655,213,415	167,054,929,813	74,304,680,214	54,335,691,495	68,283,668,397	566,791,884,713
Loan portfolio		-	1,148,874,640,871	42,787,538,972	25,024,921,067	2,751,231,759	22,986,679,288	65,539,928,003	1,307,964,939,960
Recovery of rate-sensitive assets FC (C)	¢	-	1,205,032,342,250	189,442,752,387	192,079,850,880	77,055,911,973	77,322,370,783	133,823,596,400	1,874,756,824,673
Obligations with the public	¢	-	142,474,139,068	211,469,150,796	135,172,576,715	185,472,887,650	46,720,210,999	111,570,309,553	832,879,274,781
Obligations with BCCR		-	7,845,635,100	-	-	-	-	-	7,845,635,100
Obligations with entities		-	-	56,540,146,436	1,459,461,144	-	-	43,388,000,000	101,387,607,580
Maturity of rate-sensitive liabilities FC (D)	¢	-	150,319,774,168	268,009,297,232	136,632,037,859	185,472,887,650	46,720,210,999	154,958,309,553	942,112,517,461
Difference in FC, recovery of assets less maturity of liabilities (C - D)	¢	-	1,054,712,568,082	(78,566,544,845)	55,447,813,021	(108,416,975,677)	30,602,159,784	(21,134,713,153)	932,644,307,212
Recovery of rate-sensitive assets 1/ (A + C)	¢	2,969,318,089	4,511,699,812,863	319,425,355,461	361,997,396,261	182,447,705,842	333,343,891,542	783,521,905,719	6,495,405,385,777
Maturity of rate-sensitive liabilities 2/ (B + D)	¢	-	443,092,421,705	650,307,046,812	510,821,597,647	525,695,931,477	348,593,170,038	292,748,569,470	2,771,258,737,149
Difference in LC + FC, recovery of assets less maturity of liabilities (item 1 - item 2)	¢	2,969,318,089	4,068,607,391,158	(330,881,691,351)	(148,824,201,386)	(343,248,225,635)	(15,249,278,496)	490,773,336,249	3,724,146,648,628

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

The total VaR of price and rates of the Pension Fund Manager's own funds has an increasing trend, with a maximum of 2.04% and a minimum of 0.37% for an average of 0.82%, equivalent to ₡122.36 million. As of September 30, 2024, the indicator closed at 0.47% (September 2023: 1.98%), showing an increase due to the higher volatility observed in the prices of the instruments in the investments portfolio

iv. BN Corredora de Seguros, S.A.

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

The Insurance Brokerage Firm has investments in open investment funds managed by BN Sociedad Administradora de Fondos de Inversiones S.A. which are financial assets measured at FVTPL and subject to interest rate changes due to fluctuations in the stock market since short-term positions are constituted to meet investor's liquidity needs. The remainder of the investment portfolio is kept in financial instruments measured at amortized cost, whose market interest rate variations are monitored on an ongoing basis by Corporate Risk Management, 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 2-10 *Regulation on comprehensive risk management*, an entity faces currency risk when the value of its assets and liabilities in foreign currency is affected by exchange rate variations and the amounts of the corresponding assets and liabilities are mismatched.

i. Banco Nacional de Costa Rica

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

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

<u>Type of risk</u>	<u>September 2024</u>	<u>September 2023</u>	<u>Variation</u>	<u>Level</u>
Currency risk	1.15%	2.63%	(1.48%)	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 currency risk indicator is created based on the exposure level and foreign exchange rate stress scenarios.

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

Inputs used to measure the currency risk indicator 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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

As of September 30, with the calibrated model and through Montecarlo simulations, exchange rate forecasts are created for different periods. The 5<sup>th</sup> or 95<sup>th</sup> 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 2024</u>	<u>September 2023</u>	<u>Level</u>
5 <sup>th</sup> percentile	0.18%	0.37%	Normal
95 <sup>th</sup> percentile	0.25%	0.51%	Normal

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

		<u>US dollars</u>	
		<u>September 2024</u>	<u>September 2023</u>
<u>Assets:</u>			
Cash and due from banks	US\$	1,099,899,100	1,100,543,308
Investments in financial instruments		714,859,810	1,045,576,461
Loan portfolio		2,603,479,490	2,401,416,083
Accounts and accrued interest receivable		1,725,556	796,935
Investments in other companies		133,608,627	126,165,478
Property, furniture and equipment		185,166	359,848
Other assets		3,873,561	2,406,021
	US\$	<u>4,557,631,310</u>	<u>4,677,264,134</u>
<u>Liabilities:</u>			
Obligations with the public	US\$	3,934,559,822	3,752,877,014
Obligations with entities		310,791,657	645,687,828
Subordinated obligations		157,620,945	110,263,685
Accounts payable and provisions		17,762,288	16,558,625
Other liabilities		4,526,356	4,804,658
	US\$	<u>4,425,261,068</u>	<u>4,530,191,810</u>
Excess of assets over liabilities in US dollars	US\$	<u>132,370,242</u>	<u>147,072,324</u>

(Continued)



BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		Euro	
		September 2024	September 2023
<u>Assets:</u>			
Cash and due from banks	€	48,714,655	52,774,688
	€	48,714,655	52,774,688
<u>Liabilities:</u>			
Obligations with the public	€	44,197,123	50,040,355
Obligations with entities		1,572,521	1,200,409
Accounts payable and provisions		710	19,170
Other liabilities		478,974	157,062
	€	46,249,328	51,416,996
Excess of assets over liabilities in euro	€	2,465,327	1,357,692
		DU	
		September 2024	September 2023
<u>Assets:</u>			
Loan portfolio		363,785	(168,769)
	UD	363,785	(168,769)
<u>Liabilities:</u>			
Accounts payable and provisions	UD	7,539	18,439
	UD	7,539	18,439
Excess (deficit) of assets over liabilities in DU	UD	356,246	(187,208)

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

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

		September 2024	September 2023
Gain on foreign exchange differences	¢	249,457,674,597	424,065,457,928
Loss on foreign exchange differences		(249,617,223,611)	(426,014,126,837)
Net loss	¢	(159,549,014)	(1,948,668,909)

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Additionally, the valuation of other assets and other liabilities for the 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 2024	September 2023
Gain on net valuation of other assets (Note 42) ¢	342,641,528	573,623,813
Loss on net valuation of other liabilities	(275,305,667)	(244,101,741)
Net gain	¢ 67,335,861	329,522,072

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

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

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

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

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

As of September 30, 2024, the Pension Fund Manager's exposure to currency risk, considering its net assets in US dollars closed at 10.07% (¢2,073.11 million) of total net assets, representing an increase in comparison to September 30, 2024, where it closed at 11.19% (¢1,591.31 million).

Sensitivity analysis

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

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of September 30, 2024, an increase of 5% in the exchange rate of the functional currency with respect to the US dollar would generate a loss of ¢103.66 million (2023: ¢79.57 million). A decrease of 5% would generate the opposite effect.

v. BN Corredora de Seguros, S.A.

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

e) Operational risk

i. Banco Nacional de Costa Rica

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

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

That policy is implemented through a management framework that includes:

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

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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 adequately measure risk events and carry out any necessary corrective, preventive or mitigation measures in a timely manner, including insurance claims where applicable.

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



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

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

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

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

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

- Identification: Tools have been developed to accurately identify the different risks associated with each of the Investment Fund Manager's fundamental processes. Each process was analyzed together with any related processes to formulate a risk portfolio for the entire company. As a first step, the risks included in that portfolio were grouped by type and by class.
- Analysis: Using tools defined by international methods, the Investment Fund Manager analyzed the risks identified for each business unit and determined the degree of impact, the probability of occurrence and the origin of each risk. In addition to this analysis, the Investment Fund Manager assesses aspects of the business that can affect risk such as its image, operations, income, human resources, etc.

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- **Measurement:** Similar to the analysis mentioned above, each risk identified was assessed from two perspectives (its probability of occurrence and its potential impact) in order to determine which risks require the most attention and the formulation of action plans to be carried out in the event that the risk materializes. Such information is included in the Business Continuity Plan (BCP).
- **Follow-up:** Periodic assessments are made of the institutional risk map to identify changes that could increase or decrease the probability that risk events will occur in order to adapt the Investment Fund Manager's strategies to address areas in which risk exposures are considered unacceptable.
- **Control:** The Investment Fund Manager's strategies to control and mitigate the potential impact of different operational risks include contingent computer hardware, a redundant power infrastructure, personnel turnover, documentation of the activities performed by each position, specialized training, varied and continually open channels of communication, development of a general culture focused on operational controls, etc.
- **Communication:** Senior management informs employees of risk management trends and strategies as well the results of assessments through meetings with employees or announcements.

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

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

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

#### Fair value of financial instruments

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

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

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

(Continued)



BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

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

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

#### Capital risk management

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

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

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

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

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

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

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

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of September 30, 2024, the results of the VaR by legal risk for the Pension Fund Manager correspond to an estimate of the provision for pending litigation in the amount of ¢168,593,525 (2023: ¢34,473,917) that covers the lawsuits against the Pension Fund Manager, out of four pending lawsuits.

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

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

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

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

At the conglomerate level, the Risk Management Area provides necessary operational risk results. Compliance with the standards established by the Conglomerate 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.

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

#### Capital risk management

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

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

#### Exposure to capital risk

The Insurance Brokerage Firm's regulatory capital consists of:

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

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

Legal risk management covers three types of events:

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

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

#### Capital management:

##### Regulatory capital

The Conglomerate'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 Conglomerate's base capital by total risk-weighted exposures. Management periodically monitors these requirements and reports to the board of directors on compliance.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

(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 2024	December 2023	September 2023
<u>Cash and due from banks:</u>					
Checking account - colones (Note 9)	Minimum legal deposit	¢	752,704,396,424	674,624,219,747	692,161,105,181
Checking account - US dollars (Note 9)	Minimum legal deposit		319,232,201,088	310,665,848,876	318,253,515,530
Checking account - euro (Note 9)	Minimum legal deposit		3,907,819,526	3,780,738,253	4,330,555,889
Other cash and due from banks (Note 9)	Margin calls – derivative financial instruments		-	-	13,806,317
Other cash and due from banks (Note 9)	Contingent guarantee of the deposit guarantee fund (FGD)		142,262,734,173	132,853,293,782	132,013,314,126
Other cash and due from banks (Note 9)	FOGABONA		241,147,730	184,034,892	185,409,353
		¢	<u>1,218,348,298,941</u>	<u>1,122,108,135,550</u>	<u>1,146,957,706,396</u>
<u>Investments in financial instruments:</u>					
Investments in financial instruments	Liquidity market operations	¢	62,558,043,699	62,550,320,611	63,750,513,730
Securities issued by BCCR and the Government	Investments securing repurchase agreements		2,335,358,490	2,922,590,178	2,729,167,960
Sovereign bond in USD	BofA-Swaps		-	-	1,082,155,478
Sovereign bond in USD	Nomura Bank guarantee		47,310,004,103	47,437,394,548	78,274,680,163
Sovereign bond in USD	BNY Mellon guarantee		-	42,196,961,996	55,391,110,433
Sovereign bond in USD	JP-SWAPS		-	-	404,905,824
Sovereign bond in USD	JPMIM-PLEDGED ASSET		-	-	83,398,420
Sovereign bond in USD	JPMIM-ASSET-		77,784,113	-	-
TP CRC	SINPE guarantee		32,682,505,281	-	-
BEM CRC	SINPE guarantee		31,893,519,817	-	-
Sovereign bond in USD	SINPE guarantee		100,248,226,484	23,610,825,591	62,379,698,919
		¢	<u>277,105,441,987</u>	<u>178,718,092,924</u>	<u>264,095,630,927</u>
Other assets					
Other assets (Note 17)	Security deposits	¢	<u>1,142,933,643</u>	<u>970,273,927</u>	<u>1,012,909,732</u>

As of September 30, 2024, the Brokerage Firm has restricted assets in the amount of ¢62,558,043,699 (December and September 2023: ¢62,550,320,611 and ¢63,750,513,731, respectively), corresponding to guarantees for tri-party repurchase agreements, operations in the liquidity market and contributions to the liquidation and compensation risk management fund.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of September 30, 2024, the Pension Fund Manager has restricted assets in the amount of ¢2,335,358,490 (December and September 2023: ¢2,922,590,178 and ¢2,729,167,960, respectively) corresponding to investments pledged to secure repurchase agreements.

(8) Balances and transactions with related parties

Balances and transactions with related parties are as follows:

	<u>September 2024</u>	<u>December 2023</u>	<u>September 2023</u>
<u>Assets:</u>			
Checking accounts in foreign financial entities (1) (Note 9)	¢ 33,977,955,607	35,092,573,776	36,867,158,478
Investments in financial instruments and accrued interest receivable (2)	3,341,728,203	3,650,528,982	1,342,273,925
Investments in other companies (2)	68,852,741,185	66,225,192,279	68,375,223,459
	¢ <u>106,172,424,995</u>	<u>104,968,295,037</u>	<u>106,584,655,862</u>
<u>Liabilities:</u>			
Demand obligations with entities (3)	17,574,330	14,005,187	93,430,365
Accounts due to related parties (4)	23,508,592	21,841,512	20,796,170
	¢ <u>41,082,922</u>	<u>35,846,699</u>	<u>114,226,535</u>
<u>Income:</u>			
Operating income	105,108,689	-	-
Gain on investments in other foreign companies	3,046,708,665	3,298,387,922	2,437,345,903
	<u>3,151,817,354</u>	<u>3,298,387,922</u>	<u>2,437,345,903</u>
<u>Expenses:</u>			
Operating expenses (5)	214,637,986	211,152,634	5,773,138,291
	¢ <u>214,637,986</u>	<u>211,152,634</u>	<u>5,773,138,291</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:

		<u>September 2024</u>	<u>December 2023</u>	<u>September 2023</u>
Short-term benefits	¢	1,671,690,796	2,427,733,371	1,830,954,301
Long-term benefits		217,319,803	315,605,338	238,024,059
Per diem – Board of directors		109,433,449	124,301,695	89,295,990
	¢	<u>1,998,444,048</u>	<u>2,867,640,404</u>	<u>2,158,274,350</u>

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

(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 2024	December 2023	September 2023
Cash and due from banks	¢ 1,448,965,863,477	1,429,362,414,317	1,461,741,211,689
Investments with maturities of less than two months	242,385,934,552	219,166,903,211	349,331,761,805
	¢ 1,691,351,798,029	1,648,529,317,528	1,811,072,973,494

Cash and due from banks is as follows:

	September 2024	December 2023	September 2023
Cash on hand and in vaults	¢ 70,421,417,899	82,485,478,747	77,325,028,952
Cash in transit	8,113,667,224	20,232,690,853	41,225,129,355
Checking account in BCCR (1)	50,404,641,747	48,415,632,964	123,969,073,175
Minimum legal deposits in BCCR (2)	933,715,470,600	878,225,354,683	858,690,883,184
Checking accounts and demand deposits in State-owned commercial banks and banks created under special laws	270,362,394	208,831,452	260,626,305
Checking accounts and other demand accounts in private financial entities	1,195,681,313	577,900,183	520,239,590
Checking accounts in foreign financial entities	192,411,032,959	222,086,875,167	181,566,002,129
Deposits and other demand accounts in foreign financial entities	691,970,298	17,081,237	539,343,314
Checking accounts and demand deposits in related parties (Note 8)	33,977,955,607	35,092,573,776	36,867,158,478
Overnight deposits in foreign financial entities	1,700,582,968	1,187,797,197	2,417,373,815
Transfers through the Interbank Electronic Payment System (SINPE)	1,065,351,742	1,358,743,570	1,657,662,010
Local notes receivable	11,163,139,154	4,748,056,420	3,790,824,766
Foreign notes receivable	1,330,707,669	1,688,069,394	699,336,820
Margin calls – derivative financial instruments (Note 7)	-	-	13,806,317
Fondo de Garantía de la Bolsa Nacional de Valores (FOGABONA)	241,147,730	184,034,893	185,409,353
Contingent guarantee of the deposit guarantee fund (Fondo de Garantía de Depósitos, FGD)	142,262,734,173	132,853,293,781	132,013,314,126
	¢ 1,448,965,863,477	1,429,362,414,317	1,461,741,211,689

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(10) Investments in financial instruments

Investments in financial instruments are as follows:

	September 2024	December 2023	September 2023
Investments at FVTPL	¢ 10,655,285,447	23,521,412,984	15,782,130,364
Investments at FVOCI	736,433,039,022	614,745,008,392	699,764,397,217
Investments at amortized cost	932,323,238,229	730,519,651,897	931,147,926,017
	¢ 1,679,411,562,698	1,368,786,073,273	1,646,694,453,598
Interest rate futures – Hedges	22,556,936	81,481,170	24,087,965
Purchase of FX futures – Other than hedges	-	-	7,814,500
Sale of FX futures – Other than hedges	-	282,823,967	56,480,636
Allowance for impairment of investments	(1,486,105,969)	(1,416,262,629)	(2,984,079,154)
Allowance for operations with derivatives other than hedges	-	(1,414,120)	(282,403)
Accrued interest receivable on investments	19,266,835,440	21,887,088,090	17,997,275,417
	¢ 1,697,214,849,105	1,389,619,789,751	1,661,795,750,559

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

a) Investments at FVTPL

Investments at FVTPL are as follows:

	September 2024	December 2023	September 2023
<u>Local issuers</u>			
Government of Costa Rica	306,475,237	-	-
BCCR	-	970,850,737	951,316,657
Private issuers	10,348,810,210	22,550,562,247	14,830,813,707
¢	<u>10,655,285,447</u>	<u>23,521,412,984</u>	<u>15,782,130,364</u>

b) Investments at FVOCI

Investments at FVOCI are as follows:

	September 2024	December 2023	September 2023
<u>Local issuers</u>			
Government of Costa Rica	¢ 476,102,912,429	428,835,070,195	538,852,804,869
BCCR	99,309,787,729	83,911,118,412	59,583,584,015
Private issuers	2,335,358,490	2,922,590,178	2,729,167,960
¢	<u>577,748,058,648</u>	<u>515,668,778,785</u>	<u>601,165,556,844</u>
	September 2024	December 2023	September 2023
<u>Foreign issuers</u>			
Governments	¢ 42,545,472,076	38,225,271,615	22,305,791,081
Private issuers	52,258,393,508	33,254,466,882	36,775,584,409
Private banks	63,881,114,790	27,596,491,109	39,517,464,883
	<u>158,684,980,374</u>	<u>99,076,229,606</u>	<u>98,598,840,373</u>
¢	<u>736,433,039,022</u>	<u>614,745,008,391</u>	<u>699,764,397,217</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:

	September 2024	December 2023	September 2023
<u>Local issuers</u>			
Government of Costa Rica	¢ 390,205,499,260	348,755,364,004	315,797,374,865
BCCR	340,477,285,312	119,790,981,728	215,249,873,580
State-owned banks	49,000,000	24,500,000	24,500,000
Private banks	-	-	542,350,000
Private issuers	-	1,037,092,659	1,045,494,962
	¢ 730,731,784,572	469,607,938,391	532,659,593,407
<u>Foreign issuers</u>			
Governments	¢ 172,408,493,657	250,382,013,856	312,341,324,830
Private issuers		8,947,102,750	26,354,950,905
Private banks	29,182,960,000	1,582,596,900	59,792,056,875
	201,591,453,657	260,911,713,506	398,488,332,610
	¢ 932,323,238,229	730,519,651,897	931,147,926,017

As of September 30, 2024, the valuation of investments in financial instruments, including restricted financial instruments, gave rise to unrealized gains, net of deferred tax, in the amount of ¢1,670,669,797 (December and September 2023: unrealized gains, net of deferred tax, in the amount of ¢13,142,311,960 and ¢13,455,685,513, respectively). The cumulative balance of equity adjustments arising from the valuation of those investments is equivalent to unrealized gains of ¢5,301,597,139 (December and September 2023: unrealized gains of ¢3,630,927,342 and ¢3,944,300,895, respectively).

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The following table shows the rating of investments by classification:

		September 2024	December 2023	September 2023
<u>BCCR</u>				
	B	-	2,148,226,594	2,124,461,580
	B+	-	170,524,723,874	143,209,146,637
	BB-	205,387,995,660	-	-
	F1+	21,764,331,207	-	-
<u>Foreign private banks</u>				
	A	2,834,652,532	1,505,691,104	5,196,100,845
	A2	-	4,215,040,000	44,056,723,673
	A-	9,342,182,112	11,783,156,069	13,349,138,927
	A+	16,742,757,907	6,082,132,506	6,669,261,479
	A2	4,182,960,000	-	-
	AA-	4,251,205,735	201,895,906	204,668,404
	AAA	2,693,795,391	4,696,480,315	4,773,945,839
	BBB	289,672,051	289,679,736	283,776,535
	BBB+	12,258,445,213	8,635,696,153	8,709,811,620
	P1	25,000,000,000	-	8,189,889,311
<u>Foreign private issuers</u>				
	A	5,884,969,734	198,491,750	2,454,437,271
	A-	7,937,068,567	4,956,240,279	6,371,446,231
	A+	7,006,898,288	245,702,590	1,330,592,509
	AA	-	279,089,010	-
	AA-	369,962,049	298,548,670	3,125,577,753
	B+	-	3,380,204,694	-
	BB+	-	-	2,969,318,089
	BBB	24,900,423,194	18,309,659,426	23,092,375,547
	BBB-	8,031,688,686	7,660,298,178	6,816,114,830
	BBB+	13,595,786,842	6,976,021,044	10,894,887,260
	F3	-	-	24,782,667,999
	P1	-	-	5,400,022,417
<u>Local private issuers</u>				
	AA+	209,773,828	-	-
	BB	6,186,080,590	15,263,063,032	7,840,789,555
	BB+	-	3,778,656,909	-
	BB-	3,821,552,256	-	3,889,604,036
<u>Government of Costa Rica</u>				
	B	-	64,662,547,828	65,857,043,800
	B2	-	11,148,610,067	10,835,315,656
	B+	-	692,053,538,986	768,557,300,524
	BB-	855,917,035,567	-	-
<u>Foreign governments</u>				
	A	105,769,626	565,327,472	561,415,284
	AA+	206,449,224,439	280,937,982,309	310,185,953,782
	A1+	8,398,971,664	2,150,810,816	10,638,365,429
<u>Unrated</u>				
	N/A	225,848,359,561	45,838,557,956	144,324,300,776
	¢	<u>1,679,411,562,698</u>	<u>1,368,786,073,273</u>	<u>1,646,694,453,597</u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(11) Derivative financial instruments

The Conglomerate holds the following types of derivative financial instruments:

*i. Derivatives as risk hedging instruments*

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

Derivative financial instruments are as follows:

September 2024				Purpose
Issuing bank		Notional amount	Valuation	
Chicago Board of Trade	US\$	17,500,000	US\$ 39,523	Standardized futures contracts (maturing in 2024)
Amount in colones	¢	9,150,225,000	¢ 20,665,616	
December 2023				Purpose
Issuing bank		Notional amount	Valuation	
Chicago Board of Trade	US\$	21,100,000	US\$ 39,672	Standardized futures contracts (maturing in 2024)
Amount in colones	¢	11,117,168,000	¢ 20,902,320	
September 2023				Purpose
Issuing bank		Notional amount	Valuation	
JP Morgan	US\$	45,833,000	US\$ (626,842)	Swaps to hedge 10-year issues (maturing in 2023)
Bank of America		128,631,000	(1,759,243)	
	US\$	174,464,000	US\$ (2,386,085)	
Amount in colones	¢	94,620,550,400	¢ (1,294,093,183)	
Chicago Board of Trade	US\$	20,100,000	US\$ (28,398)	Standardized futures contracts (maturing in 2023)
Amount in colones	¢	10,901,235,000	¢ (15,401,895)	

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

- a 10-year or 5-year LIBOR rate at the issue of the bond
- discount rates from Bloomberg
- zero rates corresponding to the swap curve as of September 30, 2024 and 2023
- only a portion of the bond cash flows is hedged (corresponding to the 5-year and 10-year LIBOR rate in effect at the issue of the bond) rather than the total interest rate
- accrued and earned interest were segregated from the instruments to obtain variations in clean prices
- forward rate to calculate variable interest
- the linear regression methodology is taken into account to measure the effectiveness of the derivative financial instrument.

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

	September 2024	
	US dollars	Colones
Notional amount	17,500,000	9,150,225,000
<u>Valuation</u>		
Positive valuation	43,141	22,556,936
Negative valuation	(3,617)	(1,891,320)
Net valuation	39,523	20,665,616

(Continued)



BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

  

	September 2023	
	US dollars	Colones
Notional amount	20,100,000	10,901,235,000
<u>Valuation</u>		
Positive valuation	44,414	24,087,965
Negative valuation	(72,813)	(39,489,860)
Net valuation	(28,398)	(15,401,895)

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

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

	September 2023	
	US dollars	Colones
Notional amount	174,464,000	94,620,550,400
<u>Valuation</u>		
Negative valuation	(2,386,085)	(1,294,093,183)
Net valuation	(2,386,085)	(1,294,093,183)

iii. Derivatives other than hedges

Currency forwards:

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

		December 2023		September 2023	
		US dollars	Colones	US dollars	Colones
Total notional amount	¢	13,530,694	7,129,052,308	8,930,000	4,843,185,500
<u>Valuation</u>					
Positive valuation		-	282,823,967	-	64,295,136
Negative valuation		-	(101,908,050)	-	(53,628,000)
Net valuation	¢	-	180,915,917	-	10,667,136

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

		September 2024	December 2023	September 2023
Total notional amount	¢	9,150,225,000	18,246,220,308	110,364,970,900
<u>Positive valuation</u>				
Standardized futures contracts		22,556,936	81,481,170	24,087,965
Forwards		-	282,823,967	64,295,136
		22,556,936	364,305,137	88,383,101
<u>Negative valuation</u>				
Swaps		-	-	(1,294,093,183)
Standardized futures contracts		(1,891,320)	(60,578,850)	(39,489,859)
Forwards		-	(101,908,050)	(53,628,000)
		(1,891,320)	(162,486,900)	(1,387,211,043)
Net valuation	¢	20,665,616	201,818,237	(1,298,827,941)

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	September 2024	December 2023	September 2023
Gain on derivative financial instruments	¢ 3,039,167,655	5,087,635,474	3,603,453,741
Loss on derivative financial instruments	(3,045,257,658)	(5,115,197,936)	(3,751,026,383)
Net losses	¢ (6,090,003)	(27,562,462)	(147,572,642)

(12) Loan portfolio

(a) Loan portfolio by sector

The loan portfolio by sector is as follows:

	September 2024	December 2023	September 2023
Trade	¢ 393,688,107,041	371,781,559,841	383,202,847,870
Services (1)	1,278,381,598,031	1,194,584,316,434	1,207,857,755,416
Financial services (1)	81,788,217,274	81,391,063,023	96,759,632,859
Mining	430,981,654	350,175,300	362,703,892
Manufacturing and quarrying	150,696,040,957	162,916,740,222	154,971,092,908
Construction	69,087,534,243	59,369,407,971	60,904,042,449
Agriculture and forestry	109,343,756,489	111,481,852,965	111,387,413,327
Livestock, hunting and fishing	74,962,550,720	75,217,860,111	74,667,890,125
Electricity, water, sanitation and other related sectors	398,457,526,110	408,149,689,347	411,395,141,664
Transportation and telecommunications	44,754,799,806	38,350,015,905	39,137,500,775
Housing	1,527,815,771,880	1,488,855,876,419	1,476,335,007,656
Personal or consumer loans	817,320,578,522	698,675,675,272	654,520,047,559
Tourism	282,091,229,860	267,194,961,624	272,247,866,138
Total direct loans	5,228,818,692,587	4,958,319,194,434	4,943,748,942,638
Incremental direct costs related to loans	7,199,958,564	6,360,771,801	6,153,560,008
(Deferred income from loan portfolio)	(53,183,788,352)	(48,113,222,075)	(46,460,289,872)
Accrued interest receivable	89,274,594,072	90,753,414,848	97,656,025,911
Allowance for loan losses	(151,770,950,498)	(129,697,632,868)	(130,017,995,343)
Loan portfolio (2)	¢ 5,120,338,506,373	4,877,622,526,140	4,871,080,243,342

(1) As of September 30, 2024, the portfolio purchased by the Bank in November 2021 amounts to ¢75,593,949,445 distributed among the services and financial services sectors.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(2) BN Valores Puesto de Bolsa S.A acquired a revolving line of credit in the amount of US\$15,000,000 for a term of 8 years and maturing on November 1, 2030.

Annual interest rates on loans receivable are as follows:

Currency	September 2024		December 2023		September 2023	
	Rates	Average (1)	Rates	Average (1)	Rates	Average (1)
Colones	1% to 47.5%	13.29%	0.55% to 45.00%	13.93%	0.55% to 45%	13.85%
US dollars	1% to 30.36%	11.29%	1.45% to 28.00%	11.53%	1.45% to 28%	11.62%
DU	3.85% to 6.91%	4.68%	3.85% to 6.91%	4.72%	3.85% to 6.91%	4.72%

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

(b) Loan portfolio by arrears

The loan portfolio by arrears is as follows:

	September 2024	December 2023	September 2023
Current	¢ 4,929,349,247,726	4,662,741,006,200	4,631,110,810,496
1 to 30 days	114,888,461,870	71,108,212,985	135,345,835,595
31 to 60 days	29,250,693,638	70,798,742,194	31,733,617,556
61 to 90 days	35,422,868,894	30,738,298,218	40,980,027,572
91 to 120 days	12,568,965,415	15,698,248,759	9,242,438,945
121 to 180 days	14,516,874,466	22,961,539,684	9,722,690,639
More than 180 days	92,821,580,578	84,273,146,394	85,613,521,835
	5,228,818,692,587	4,958,319,194,434	4,943,748,942,638
Incremental direct costs related to loans	7,199,958,564	6,360,771,801	6,153,560,008
(Deferred income from loan portfolio)	(53,183,788,352)	(48,113,222,075)	(46,460,289,872)
Accrued interest receivable	89,274,594,072	90,753,414,848	97,656,025,911
Allowance for loan losses	(151,770,950,498)	(129,697,632,868)	(130,017,995,343)
	¢ 5,120,338,506,373	4,877,622,526,140	4,871,080,243,342

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Allowance for loan losses

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

	<u>September 2024</u>	<u>September 2023</u>
Opening balance	¢ 129,697,632,868	139,365,727,145
Allowance expense for the period (Note 39)	50,861,457,240	25,535,050,322
Write-offs	(28,706,973,304)	(30,252,202,857)
Decrease in allowance	-	(381,416,885)
Adjustments	103,418,158	-
Foreign exchange differences	<u>(184,584,464)</u>	<u>(4,249,162,382)</u>
Closing balance	¢ <u>151,770,950,498</u>	<u>130,017,995,343</u>

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

(d) Allowance for impairment of stand-by credits

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

	<u>September 2024</u>	<u>September 2023</u>
Opening balance	¢ 1,084,106,020	1,186,743,415
Allowance expense for the period (Note 36)	11,489,856	150,000,000
Foreign exchange differences	<u>(916,436,984)</u>	<u>(83,683,574)</u>
Closing balance	¢ <u>179,158,892</u>	<u>1,253,059,841</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Accounts and fees and commissions receivable

Accounts and fees and commissions receivable are as follows:

	September 2024	December 2023	September 2023
Fees and commissions	¢ 2,111,928,324	2,200,365,080	1,959,125,613
Brokerage transactions	-	-	11,000,000
Accounts due from employees	49,042,493	22,176,642	33,263,210
Deferred tax (Note 21-b)	3,201,337,608	2,245,759,834	2,439,878,399
Income tax receivable (1)	283,165,563	378,114,928	271,869,681
Value added tax	15,359,791	36,247,812	10,067,314
Sundry accounts receivable related to credit cards	362,623,683	359,743,781	429,862,389
Other expenses receivable	22,423,926	22,226,905	22,338,699
Credit fraud	362,797,508	362,797,508	362,797,508
Other accounts receivable	3,320,787,006	2,713,995,107	2,385,824,037
Misappropriation and theft	5,491,428,626	4,758,193,197	1,465,516,763
Accrued interest receivable on other sundry accounts receivable	1,374,178	2,012,794	1,464,034
Allowance for impairment of accounts receivable	(7,585,111,250)	(7,613,470,373)	(4,088,980,358)
	¢ <u>7,637,157,456</u>	<u>5,488,163,215</u>	<u>5,304,027,289</u>

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

	September 2024	December 2023	September 2023
Banco Nacional de Costa Rica	¢ 95,619,603	133,040,592	92,710,230
BN Sociedad Corredora de Seguros, S.A.	187,545,960	245,074,336	179,159,451
	¢ <u>283,165,563</u>	<u>378,114,928</u>	<u>271,869,681</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	September 2024	December 2023	September 2023
Opening balance	¢ 7,613,470,373	4,329,683,075	4,329,683,075
Allowance expense (Note 39)	1,203,520,958	4,673,937,125	920,171,553
Decrease in allowance (Note 40)	(494,159,419)	(280,020,795)	(231,228,283)
Write-offs	(686,166,854)	(1,049,359,965)	(884,337,541)
Foreign exchange differences	(51,553,808)	(60,769,067)	(45,308,446)
Closing balance	¢ 7,585,111,250	7,613,470,373	4,088,980,358

(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 2024	December 2023	September 2023
Assets acquired in lieu of payment	¢ 99,445,829,482	98,643,910,547	99,832,085,156
Allowance for impairment of assets held for sale and per legal requirements	(51,225,692,471)	(62,186,753,305)	(62,182,995,909)
	¢ 48,220,137,011	36,457,157,242	37,649,089,247

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

	September 2024	December 2023	September 2023
Opening balance	¢ 62,186,753,305	60,686,913,169	60,686,913,169
Allowance expense (Note 43)	68,709,515	5,570,428,707	4,441,736,013
Disposal of assets held for sale	-	(55,884,627)	(55,884,627)
Decrease in allowance	(11,029,770,349)	(4,014,703,944)	(2,889,768,646)
Closing balance	¢ 51,225,692,471	62,186,753,305	62,182,995,909

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(15) Investments in other companies

Investments in other companies are as follows:

		<u>September 2024</u>	<u>December 2023</u>	<u>September 2023</u>
Investment in other financial and non-financial entities (1)	¢	50,623,300	1,100,623,300	50,623,300
Banco Internacional de Costa Rica, S.A. and Subsidiary (BICSA) (2)		<u>69,859,942,966</u>	<u>67,325,815,587</u>	<u>68,425,846,767</u>
	¢	<u>69,910,566,266</u>	<u>68,426,438,887</u>	<u>68,476,470,067</u>

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

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

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

(Continued)



BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(16) Property, furniture and equipment, net

a) Historical cost and depreciation

Property, furniture and equipment is as follows:

	September 2024					
	Land	Buildings	Furniture and equipment	Computer hardware	Vehicles	Total
<u>Cost:</u>						
Historical cost at beginning of period	¢ 4,303,234,680	70,579,059,825	81,664,855,239	52,265,835,821	273,115,097	209,086,100,662
Revalued cost at beginning of period	54,245,913,475	75,367,357,290	(7,666,877)	(32,078,911)	-	129,573,524,977
Additions	-	-	4,380,814,967	1,714,322,381	-	6,095,137,348
Revaluation of assets	-	658,568,754	-	-	-	658,568,754
Disposals	-	-	(5,594,030,398)	(2,452,294,421)	-	(8,046,324,819)
Adjustments	-	(471,102,191)	1,956,546	52,643,526	-	(416,502,119)
Balance at end of period	58,549,148,155	146,133,883,678	80,445,929,477	51,548,428,396	273,115,097	336,950,504,803
<u>Accumulated depreciation:</u>						
Balance at beginning of period	-	57,735,668,583	50,311,723,730	41,777,736,196	170,465,414	149,995,593,923
Depreciation expense on historical cost	-	1,200,684,189	6,160,627,570	3,186,800,231	11,555,992	10,559,667,982
Depreciation expense on revalued cost	-	884,255,664	-	-	-	884,255,664
Disposals	-	-	(5,466,859,956)	(2,290,989,859)	-	(7,757,849,815)
Adjustments	-	187,466,563	-	-	-	187,466,563
Balance at end of period	-	60,008,074,999	51,005,491,344	42,673,546,568	182,021,406	153,869,134,317
Net balance at end of period	¢ 58,549,148,155	86,125,808,679	29,440,438,133	8,874,881,828	91,093,691	183,081,370,486

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		September 2023					
		Land	Buildings	Furniture and equipment	Computer hardware	Vehicles	Total
<i>Cost:</i>							
Historical cost at beginning of period	¢	4,281,149,678	73,195,840,170	77,142,375,450	52,779,484,355	283,116,885	207,681,966,538
Revalued cost at beginning of period		49,667,757,458	65,580,690,062	(7,662,255)	(32,078,911)	-	115,208,706,354
Additions		-	64,189,113	5,300,180,082	1,379,603,149	-	6,743,972,344
Disposals		-	-	(3,073,319,365)	(4,799,574,911)	(10,001,802)	(7,882,896,078)
Adjustments		-	-	14,765	70,214	-	84,979
Reclassifications		-	-	10,929,127	(10,929,127)	-	-
Balance at end of period		53,948,907,136	138,840,719,345	79,372,517,804	49,316,574,769	273,115,083	321,751,834,137
<i>Accumulated depreciation:</i>							
Balance at beginning of period		-	53,833,621,251	47,672,251,728	42,640,291,354	164,152,940	144,310,317,273
Depreciation expense on historical cost		-	1,205,278,426	5,779,704,768	2,910,750,609	12,101,694	9,907,835,497
Depreciation expense on revalued cost		-	581,259,886	-	-	-	581,259,886
Disposals		-	-	(3,007,046,078)	(4,751,704,230)	(9,726,995)	(7,768,477,303)
Adjustments		-	-	-	(645,727)	-	(645,727)
Reclassifications		-	-	7,130,368	(7,130,368)	-	-
Balance at end of period		-	55,620,159,563	50,452,040,786	40,791,561,638	166,527,639	147,030,289,626
Net balance at end of period	¢	53,948,907,136	83,220,559,782	28,920,477,018	8,525,013,131	106,587,444	174,721,544,511

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

b) Right-of-use assets

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

	September 2024	
	Right-of-use of building	Total
<u>Cost:</u>		
Opening balance	¢ 65,146,900,992	65,146,900,992
Additions	47,492,490	47,492,490
Disposals	(45,502,635)	(45,502,635)
Adjustments	241,420,238	241,420,238
Closing balance	65,390,311,085	65,390,311,085
<u>Accumulated depreciation:</u>		
Opening balance	15,183,121,600	15,183,121,600
Depreciation expense	3,434,098,331	3,434,098,331
Disposals	(6,294,085)	(6,294,085)
Adjustments	(352,673)	(352,673)
Closing balance	18,610,573,173	18,610,573,173
Net closing balance	¢ 46,779,737,912	46,779,737,912

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

September 2023			
	Right-of-use of building	Right-of-use of vehicles	Total
<i><u>Cost:</u></i>			
Historical cost at beginning of period	¢ 38,679,978,342	142,975,125	38,822,953,467
Additions	878,880,681	-	878,880,681
Adjustments	25,727,638,706	-	25,727,638,706
Balance at end of period	65,286,497,729	142,975,125	65,429,472,854
<i><u>Accumulated depreciation:</u></i>			
Balance at beginning of period	10,915,631,416	119,411,840	11,035,043,256
Depreciation expense	2,874,760,525	23,563,285	2,898,323,810
Disposals	(34,400,845)	-	(34,400,845)
Adjustments	3,056,843	-	3,056,843
Closing balance	13,759,047,939	142,975,125	13,902,023,064
Balance at end of period	¢ 51,527,449,790	-	51,527,449,790

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Lease liabilities

i. *Amounts recognized in profit or loss*

The amounts recognized in profit or loss are as follows:

		September 2024	December 2023	September 2023
Interest on lease liabilities	¢	<u>3,282,928,861</u>	<u>4,131,919,195</u>	<u>2,986,617,879</u>
Expenses for leases of low-value assets, excluding short-term assets	¢	<u>241,528,860</u>	<u>337,499,414</u>	<u>256,778,472</u>

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

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

		September 2024	December 2023	September 2023
Cash outflows for leases	¢	<u>(1,887,940,710)</u>	<u>(2,982,590,930)</u>	<u>(1,572,160,030)</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(17) Other assets

Other assets are as follows:

	<u>September 2024</u>	<u>December 2023</u>	<u>September 2023</u>
<i><u>Deferred charges:</u></i>			
Leasehold improvements (1)	¢ -	806,930	1,836,689
Cost of issue of financial instruments, net (2)	-	-	9,547,226
Cost of subordinated debt project	413,689,563	18,687,959	20,748,142
Other deferred charges	720,534	2,882,137	3,550,912,153
	<u>414,410,097</u>	<u>22,377,026</u>	<u>3,583,044,210</u>
<i><u>Intangible assets:</u></i>			
Software (3)	3,769,746,358	5,618,585,210	5,102,339,839
Other intangible assets (3)	10,276,266	9,313,390	9,313,390
	<u>3,780,022,624</u>	<u>5,627,898,600</u>	<u>5,111,653,229</u>
<i><u>Other assets:</u></i>			
Prepaid taxes	40,754,921,402	33,951,805,282	24,329,141,522
Prepaid insurance policy	555,785,894	245,656,900	361,629,778
Other prepaid expenses	8,960,216,330	7,076,154,757	6,624,123,286
Stationery, office supplies and other materials	1,035,320,498	857,105,884	691,641,478
Leased assets	127,936,276	128,583,896	117,662,462
Library and artwork	402,524,870	404,667,948	404,704,948
Construction work in progress	634,143,769	214,941,893	214,941,893
Automated applications under development	-	132,498,126	132,498,126
Payments to welfare and trade associations	350,000	350,000	350,000
Other sundry assets	153,486,106	153,486,106	153,486,106
Operations pending settlement	18,896,981,672	11,514,246,773	13,578,159,295
Other operations pending application	146,477,137	87,848,438	324,602,255
Security deposits (Note 7)	638,069,459	686,148,648	759,678,983
Legal and administrative deposits (Note 7)	504,864,183	284,125,278	253,230,750
	<u>72,811,077,596</u>	<u>55,737,619,929</u>	<u>47,945,850,882</u>
¢	<u>77,005,510,317</u>	<u>61,387,895,555</u>	<u>56,640,548,321</u>

(1) As of September 30, 2024, the amortization expense for leasehold improvements amounts to ¢806,930 (December and September 2023: ¢4,119,034 and ¢3,089,276, respectively).

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(2) The cost of issue of financial instruments matured during 2023.

	September 2023		
	5-year issue (maturing in 2021)	10-year issue (maturing in 2023)	Total
Commission - structuring banks	¢ 271,175,000	271,175,000	542,350,000
Commission - Moody's Investors Service	135,587,500	135,587,500	271,175,000
Commission - Société de la Bourse de Luxembourg S.A.	6,628,059	6,628,059	13,256,118
RR Donelley	5,937,105	5,937,084	11,874,189
BNY Mellon	2,143,910	2,143,910	4,287,820
Moody's issuer rating	17,951,785	17,951,785	35,903,570
Fitch Ratings	135,587,500	135,587,500	271,175,000
Milbank	79,812,226	79,812,226	159,624,452
Shearman & Sterling	79,915,815	79,916,075	159,831,890
External audit	103,046,500	103,046,500	206,093,000
	837,785,400	837,785,639	1,675,571,039
Amortization	(837,785,400)	(828,238,413)	(1,666,023,813)
	¢ -	9,547,226	9,547,226

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

	September 2024		
	Software	Other intangible assets	Total
<u>Cost:</u>			
Opening balance	¢ 36,398,003,918	9,313,390	36,407,317,308
Additions	1,242,403,851	31,791,674	1,274,195,525
Disposals	(1,035,331,616)	-	(1,035,331,616)
Adjustments	(48,399,542)	(30,828,798)	(79,228,340)
Closing balance	36,556,676,611	10,276,266	36,566,952,877
<u>Accumulated amortization:</u>			
Opening balance	30,779,418,709	-	30,779,418,709
Expense for the period	2,970,845,349	30,828,798	3,001,674,147
Disposals	(973,180,591)	-	(973,180,591)
Adjustments	9,846,786	(30,828,798)	(20,982,012)
Closing balance	32,786,930,253	-	32,786,930,253
Net closing balance	¢ 3,769,746,358	10,276,266	3,780,022,624

(Continued)



BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		December 2023		
		Software	Other intangible assets	Total
<u>Cost:</u>				
Opening balance	¢	39,900,777,778	8,831,483	39,909,609,261
Additions		2,205,747,714	37,735,467	2,243,483,181
Disposals		(5,708,521,584)	-	(5,708,521,584)
Adjustments		-	(37,253,560)	(37,253,560)
Closing balance		<u>36,398,003,908</u>	<u>9,313,390</u>	<u>36,407,317,298</u>
<u>Accumulated amortization:</u>				
Opening balance		30,931,932,440	-	30,931,932,440
Expense for the year		5,411,170,267	37,253,560	5,448,423,827
Disposals		(5,477,014,407)	-	(5,477,014,407)
Adjustments		(86,669,602)	(37,253,560)	(123,923,162)
Closing balance		<u>30,779,418,698</u>	<u>-</u>	<u>30,779,418,698</u>
Net closing balance	¢	<u>5,618,585,210</u>	<u>9,313,390</u>	<u>5,627,898,600</u>
		September 2023		
		Software	Other intangible assets	Total
<u>Cost:</u>				
Opening balance	¢	39,900,777,789	8,831,483	39,909,609,272
Additions		524,931,869	28,422,077	553,353,946
Disposals		(4,672,450,867)	-	(4,672,450,867)
Adjustments		-	(27,940,170)	(27,940,170)
Closing balance		<u>35,753,258,791</u>	<u>9,313,390</u>	<u>35,762,572,181</u>
<u>Accumulated amortization:</u>				
Opening balance		30,931,932,440	-	30,931,932,440
Expense for the period		4,295,855,015	27,940,170	4,323,795,185
Disposals		(4,551,308,045)	-	(4,551,308,045)
Adjustments		(25,560,458)	(27,940,170)	(53,500,628)
Closing balance		<u>30,650,918,952</u>	<u>-</u>	<u>30,650,918,952</u>
Net closing balance	¢	<u>5,102,339,839</u>	<u>9,313,390</u>	<u>5,111,653,229</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(18) Obligations with the public

Obligations with the public by cumulative amount are as follows:

	September 2024	December 2023	September 2023
<i><u>Demand deposits:</u></i>			
Checking accounts	¢ 2,213,172,060,306	2,067,740,723,971	2,257,183,194,701
Certified checks	23,448,375	40,454,579	76,807,896
Savings deposits	2,314,737,907,597	2,335,834,266,373	2,227,655,778,242
Matured term deposits	15,971,795,544	18,980,585,108	13,931,107,442
Other demand deposits	114,887,986	102,743,561	102,086,354
Drafts and transfers payable	47,469,074	50,888,624	36,871,095
Cashier's checks	4,828,708,138	2,921,088,857	5,195,753,254
Advance collections from customers for credit cards	11,870,771,184	11,842,530,241	11,508,173,681
Trust fund obligations	14,339,842	11,776,361	24,133,177
	<u>4,560,781,388,046</u>	<u>4,437,525,057,675</u>	<u>4,515,713,905,842</u>
<i><u>Term deposits:</u></i>			
Deposits from the public	2,323,374,209,704	1,865,534,883,102	1,916,450,610,572
Other term deposits	79,090,030,223	88,860,097,273	88,812,636,494
	<u>2,402,464,239,927</u>	<u>1,954,394,980,375</u>	<u>2,005,263,247,066</u>
<i><u>Other obligations with the public:</u></i>			
Finance charges payable	56,906,562,260	58,484,221,323	59,326,765,816
	<u>¢ 7,020,152,190,233</u>	<u>6,450,404,259,373</u>	<u>6,580,303,918,724</u>

As of September 30, 2024, deposits in checking accounts in colones bear interest at a maximum rate of 1.80% per annum on full balances and at a minimum rate of 0% per annum on balances greater than or equal to ¢500,001 (December and September 2023: interest at 3.05% and 3.05% per annum, respectively). Deposits in checking accounts in US dollars bear interest at a maximum rate of 0.20% per annum on full balances and at a minimum rate of 0% per annum on balances greater than or equal to US\$1,000 (December and September 2023: interest at 0.20% and 0.20% per annum, respectively).

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

<u>Currency</u>	<u>September 2024</u>	<u>December 2023</u>	<u>September 2023</u>
Colones	3.01% to 6.07%	4.07% to 6.66%	4.31% to 6.95%
US dollars	1.24% to 4.89%	1.24% to 4.89%	1.83% to 4.95%

The Conglomerate has term certificates of deposit that are restricted to secure certain loan operations. As of September 30, 2024, the balance of those term certificates of deposit is ¢84,343,828,171 (December and September 2023: ¢79,378,893,158 and ¢80,904,576,069). 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:

	<u>September 2024</u>	<u>December 2023</u>	<u>September 2023</u>
Financing of loans using internal funds - BCCR (i)	130,958,196,014	144,346,236,100	150,094,965,832
Financing of loans using external funds (ii)	¢ 125,644,411	125,644,412	125,644,412
Finance charges payable	3,610,893,699	3,115,180,965	2,944,511,624
	¢ <u>134,694,734,124</u>	<u>147,587,061,477</u>	<u>153,165,121,868</u>

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

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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 2024	December 2023	September 2023
<i><u>Demand:</u></i>			
Checking accounts with local financial entities	¢ 64,137,186,177	59,476,704,619	55,993,465,674
Savings deposits with local financial entities	36,307,771	42,687,081	31,482,231
Outstanding checks	2,267,968,706	704,527,230	3,060,790,864
Matured term deposits	182,787,500	54,975,010	94,249,000
Checking accounts and obligations with related parties (Note 8)	17,574,329	14,005,187	93,430,365
	<u>66,641,824,483</u>	<u>60,292,899,127</u>	<u>59,273,418,134</u>
<i><u>Term:</u></i>			
Lease liabilities (1)	50,663,235,309	52,434,361,272	54,751,765,056
Term obligations with foreign financial entities (2)	-	-	96,585,739,853
Term obligations with financial entities (3)(4)	25,694,579,690	28,146,736,965	28,931,731,921
Loans from foreign financial entities (4)	41,829,600,000	42,150,400,000	99,070,315,210
Term deposits with local financial entities	58,034,868,237	85,404,630,023	102,796,545,271
Obligations with funds from the liquidity market	42,786,857,810	43,310,478,402	43,172,334,198
Obligations with funds from the Development Credit Fund	136,604,128,648	140,350,657,066	143,342,679,722
	<u>355,613,269,694</u>	<u>391,797,263,728</u>	<u>568,651,111,231</u>
Charges payable for term deposits with foreign financial entities (2)	-	-	2,464,076,880
Charges payable for loans with local financial entities (3)	47,152,146	64,154,159	71,076,149
Charges payable for loans with foreign financial entities	869,271,218	211,684,857	2,238,633,646
Charges payable for other demand and term obligations with financial entities – foreign currency	82,127,051	45,747,568	117,190,170
Charges payable for other demand and term obligations with financial entities – local currency	755,247,350	1,822,957,538	1,716,168,088
	<u>1,753,797,765</u>	<u>2,144,544,122</u>	<u>6,607,144,933</u>
¢	<u>424,008,891,942</u>	<u>454,234,706,977</u>	<u>634,531,674,298</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(1) Lease liabilities

As of September 30, 2024, long-term lease liabilities and their current portion amount to ¢8,610,264,251 and US\$78,996,560 (December 2023: ¢8,130,593,259 and US\$82,317,598; September 2023: ¢8,064,177,063 and US\$84,517,169, respectively) for a total in colones of ¢49,915,195,578 (December and September 2023: ¢51,502,089,230 and ¢53,902,063,587, respectively) using an exchange rate of ¢522.87 (December and September 2023: ¢526.88 and ¢549.48, respectively).

Lease operations are as follows:

	September 2024			September 2023		
	No. of operations	Interest rates	Maturity	No. of operations	Interest rates	Maturity
In colones	21	6.49% and 15% per annum	2026 and 2049	20	5.56 % and 15% per annum	2023 and 2048
In US dollars	52	3.57% and 8.85% per annum	2024 and 2048	54	3.57% and 8.85% per annum	2023 and 2048
	73			74		

Future minimum lease payments are as follows:

	September 2024		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	¢ 6,739,109,904	4,121,157,341	2,617,953,651
Between one and five years	33,096,174,840	16,509,374,073	16,586,809,365
More than five years	43,530,979,677	12,072,528,568	31,458,472,291
	¢ 83,366,264,422	32,703,059,982	50,663,235,309

  

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	September 2023		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	¢ 6,720,655,001	4,342,997,632	2,377,659,386
Between one and five years	34,580,659,336	18,528,864,037	16,051,805,385
More than five years	51,447,113,333	15,124,836,832	36,322,300,490
	¢ 92,748,427,670	37,996,698,501	54,751,765,056

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

	September 2024	December 2023	September 2023
Opening balance	¢ 52,434,361,467	32,276,066,066	32,276,066,066
New financial obligations	46,650,173	25,687,018,581	25,209,443,178
Settlements	(31,743,845)	-	-
Adjustments	452,533,925	1,338,717,228	1,432,517,180
Payment of obligations	(1,887,940,710)	(2,982,590,929)	(1,572,160,038)
Foreign exchange differences	(350,625,700)	(3,884,849,672)	(2,594,101,330)
Closing balance	¢ 50,663,235,309	52,434,361,272	54,751,765,054

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

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

*Obligations with international issuers*

As of September 30, 2024, there are no balances according to the term of the obligations.

As of September 30, 2023, the balances according to the term of the obligations are as follows:

		September 2023	
		10-year issue (maturing in 2023)	Total
Issue	¢	93,742,471,692	93,742,471,692
Adjustment to fair value of hedged item measured at cost of international issues		1,981,488,835	1,981,488,835
Amortization of discount in traded amount of issues		861,779,326	861,779,326
		96,585,739,853	96,585,739,853
Finance charges payable		2,464,076,880	2,464,076,880
	¢	99,049,816,733	99,049,816,733

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

		September 2024		
		Local	Foreign	Total
One to two years		1,240,407,090	-	1,240,407,090
Three to five years		566,102,932	-	566,102,932
More than five years		23,935,221,813	42,774,860,652	66,710,082,465
	¢	25,741,731,835	42,774,860,652	68,516,592,487

  

		December 2023		
		Local	Foreign	Total
One to two years	¢	1,714,219,091	-	1,714,219,091
Three to five years		727,828,554	-	727,828,554
More than five years		25,768,843,478	42,368,951,842	68,137,795,320
	¢	28,210,891,123	42,368,951,842	70,579,842,965

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		September 2023		
		Local	Foreign	Total
Less than one year	¢	-	57,034,319,756	57,034,319,756
One to two years		1,870,839,240	-	1,870,839,240
Three to five years		780,934,502	-	780,934,502
More than five years		26,351,034,328	44,353,288,089	70,704,322,417
	¢	<u>29,002,808,070</u>	<u>101,387,607,845</u>	<u>130,390,415,915</u>

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

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

		September 2024	December 2023	September 2023
Opening balance	¢	70,297,136,965	142,752,227,398	142,752,227,398
Settlement of financial obligations		(2,452,157,275)	(59,467,572,285)	(3,708,278,069)
Foreign exchange differences		(320,800,000)	(12,987,518,148)	(11,041,902,198)
Cash flows from financing activities		(2,772,957,275)	(72,455,090,433)	(14,750,180,267)
Closing balance	¢	<u>67,524,179,690</u>	<u>70,297,136,965</u>	<u>128,002,047,131</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	
	2024	2023	2024	2023
<u>Current tax:</u>				
Current tax expense for the period	¢ 23,136,147,303	22,613,788,656	7,441,104,302	6,271,230,799
Prior-period income tax expense	277,934	10,664,429,022	-	3,547,309,482
Decrease in prior-period income tax	-	(22,678)	-	-
	23,136,425,237	33,278,195,000	7,441,104,302	9,818,540,281
<u>Deferred tax:</u>				
Deferred tax expense	619,317,967	1,647,762,932	187,722,290	247,353,571
Deferred tax income	(1,088,114,637)	(1,234,952,647)	(178,952,356)	(226,448,177)
Deferred tax expense, net	(468,796,670)	412,810,285	8,769,934	20,905,395
Tax expense, net	¢ 22,667,628,567	33,691,005,285	7,449,874,236	9,839,445,676

(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 2024		September 2023	
Income before income tax	¢ 89,054,403,285		73,117,296,142	
<i>Plus (less) tax effect of:</i>				
Non-deductible expenses	282,694,991,068	367%	454,413,397,641	603%
Deductible expenses	(11,767,392,896)	15%	(12,776,259,018)	17%
Non-taxable income	(286,724,383,926)	372%	(439,476,693,943)	583%
Taxable income	3,862,873,479	5%	101,554,690	0%
Tax base	77,120,491,010		75,379,295,512	
Tax rate	30%		30%	
Income tax expense	23,136,147,303	30%	22,613,788,656	30%
Prior-period income tax expense	277,934		10,664,429,022	
Decrease in prior-period income tax	-		(22,678)	
Deferred tax expense	619,317,967		1,647,762,932	
Deferred tax income	(1,088,114,637)		(1,234,952,647)	
Deferred tax expense, net	(468,796,669)		412,810,285	
Income tax expense, net	¢ 22,667,628,567	26%	33,691,005,285	45%

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Deferred tax

Deferred tax assets and liabilities are as follows:

	September 2024		
	Assets	Liabilities	Net
Unrealized losses on valuation of investments	¢ 2,006,621,380	-	2,006,621,380
Provisions	40,303,245	-	40,303,245
Right-of-use assets (1)	1,154,412,983	-	1,154,412,983
Unrealized gains on valuation of investments	-	(3,368,497,051)	(3,368,497,051)
Revaluation of property	-	(11,156,212,768)	(11,156,212,768)
Tax base of property and equipment	-	(4,869,303,285)	(4,869,303,285)
	¢ <u>3,201,337,608</u>	<u>(19,394,013,104)</u>	<u>(16,192,675,496)</u>
	December 2023		
	Assets	Liabilities	Net
Unrealized losses on valuation of investments	¢ 1,499,279,119	-	1,499,279,119
Provisions	17,544,151	-	17,544,151
Right-of-use assets (1)	728,936,564	-	728,936,564
Unrealized gains on valuation of investments	-	(1,861,606,167)	(1,861,606,167)
Revaluation of property	-	(11,279,487,556)	(11,279,487,556)
Tax base of property and equipment	-	(4,682,862,055)	(4,682,862,055)
	¢ <u>2,245,759,834</u>	<u>(17,823,955,778)</u>	<u>(15,578,195,944)</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	September 2023		
	Assets	Liabilities	Net
Unrealized losses on valuation of investments	¢ 1,465,924,570	-	1,465,924,570
Provisions	15,970,893	-	15,970,893
Right-of-use assets (1)	957,982,936	-	957,982,936
Unrealized gains on valuation of investments	-	(1,050,093,076)	(1,050,093,076)
Revaluation of property	-	(8,868,340,295)	(8,868,340,295)
Tax base of property and equipment	-	(4,618,076,268)	(4,618,076,268)
	¢ <u>2,439,878,399</u>	<u>(14,536,509,639)</u>	<u>(12,096,631,240)</u>

(1) As of September 30, 2024, deferred income tax, net, arises from the right-of-use assets and lease liabilities in the amount of ¢14,973,707,453 and ¢13,819,294,470, respectively.

Deferred tax assets and liabilities are as follows:

	December 2023	Included in the income statement	Included in equity	September 2024
Unrealized losses on valuation of investments	¢ 1,499,279,119	-	507,342,262	2,006,621,381
Provisions	17,544,151	22,759,094	-	40,303,245
Right-of-use assets	728,936,564	425,476,418	-	1,154,412,982
Unrealized gains on valuation of investments	(1,861,606,167)	26,695,779	(1,533,586,663)	(3,368,497,051)
Revaluation of property	(11,279,487,556)	-	123,274,788	(11,156,212,768)
Tax base of property and equipment	(4,682,862,055)	(186,441,230)	-	(4,869,303,285)
	¢ <u>(15,578,195,944)</u>	<u>288,490,061</u>	<u>(902,969,613)</u>	<u>(16,192,675,496)</u>

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 2022	Included in the income statement	Included in equity	September 2023
Unrealized losses on valuation of investments	¢ 6,272,437,619	-	(4,806,513,049)	1,465,924,570
Provisions	(80,540,126)	96,511,019	-	15,970,893
Right-of-use assets	1,333,033,888	(375,050,952)	-	957,982,936
Unrealized gains on valuation of investments	(758,036,573)	(239,608,585)	(52,447,918)	(1,050,093,076)
Revaluation of property	(9,042,911,732)	-	174,571,437	(8,868,340,295)
Tax base of property and equipment	(4,562,681,241)	(55,395,027)	-	(4,618,076,268)
	¢ <u>(6,838,698,165)</u>	<u>(573,543,545)</u>	<u>(4,684,389,530)</u>	<u>(12,096,631,240)</u>

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

As of September 30, 2024, the Bank has not recognized a deferred tax liability in the amount of ¢4,846,967,522 (December and September 2023: ¢4,194,660,781 and ¢4,892,984,279, respectively), given that it controls the moment when the subsidiaries pay dividends.

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

(22) Provisions

Provisions are as follows:

	September 2024	December 2023	September 2023
Severance benefits	¢ 319,005,525	323,861,303	341,666,833
Litigation	11,986,478,922	7,914,742,118	5,885,023,250
Inactive checking and savings accounts liquidated	608,844,830	620,538,390	640,388,042
Variation in RIVM methodology	490,003,103	490,003,103	490,003,103
Notice of deficiency	-	13,208,825,814	10,297,400,719
Deposit guarantee fund	366,846,678	359,766,964	358,541,093
Other	480,119,727	368,831,095	414,168,587
	¢ <u>14,251,298,785</u>	<u>23,286,568,787</u>	<u>18,427,191,627</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Movement in provisions is as follows:

September 2024				
	Severance benefits	Litigation	Other	Total
Balance as of December 31, 2023	¢ 323,861,303	7,914,742,118	15,047,965,366	23,286,568,787
Increase in provision	40,069,504	5,241,869,977	13,852,907,880	19,134,847,361
Used	(14,983,471)	(472,506,317)	(26,946,699,532)	(27,434,189,320)
Decrease in provision	(29,941,811)	(697,626,856)	(8,359,376)	(735,928,043)
Balance as of September 30, 2024	¢ <u>319,005,525</u>	<u>11,986,478,922</u>	<u>1,945,814,338</u>	<u>14,251,298,785</u>
December 2023				
	Severance benefits	Litigation	Other	Total
Balance as of December 31, 2022	¢ 312,966,075	3,980,700,568	6,553,483,755	10,847,150,398
Increase in provision	57,993,579	6,852,663,570	16,424,657,761	23,335,314,910
Used	6,348,095	(2,699,125,206)	(4,777,241,510)	(7,470,018,621)
Decrease in provision	(53,446,446)	(219,496,814)	(3,152,934,640)	(3,425,877,900)
Balance as of December 31, 2023	¢ <u>323,861,303</u>	<u>7,914,742,118</u>	<u>15,047,965,366</u>	<u>23,286,568,787</u>
September 2023				
	Severance benefits	Litigation	Other	Total
Balance as of December 31, 2022	¢ 312,966,075	3,980,700,568	6,553,483,755	10,847,150,398
Increase in provision	51,655,361	4,617,044,356	12,381,957,188	17,050,656,905
Used	6,348,097	(2,493,224,860)	(3,582,048,618)	(6,068,925,381)
Decrease in provision	(29,302,700)	(219,496,814)	(3,152,890,781)	(3,401,690,295)
Balance as of September 30, 2023	¢ <u>341,666,833</u>	<u>5,885,023,250</u>	<u>12,200,501,544</u>	<u>18,427,191,627</u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Type	Claimed amount			Provision		
	September 2024	December 2023	September 2023	September 2024	December 2023	September 2023
Ordinary - in colones	11,080,708,947	9,163,884,654	9,388,760,559	7,464,078,957	4,621,167,575	3,567,478,859
Ordinary - in US dollars	45,603,748,707	50,905,903,822	72,508,175,581	1,081,986,039	493,184,731	313,030,677
Criminal - in colones	1,081,199,813	1,081,199,813	1,084,799,813	122,885,146	-	-
Labor - in colones	320,996,052	688,472,273	639,621,036	3,317,528,780	2,800,389,812	2,004,513,714
	<u>58,086,653,519</u>	<u>61,839,460,562</u>	<u>83,621,356,989</u>	<u>11,986,478,922</u>	<u>7,914,742,118</u>	<u>5,885,023,250</u>

(23) Other sundry accounts payable

Other sundry accounts payable are as follows:

	September 2024	December 2023	September 2023
Professional fees	¢ 14,571,431	10,256,779	19,764,796
Creditors - goods and services	10,559,073,497	8,873,685,625	8,749,635,452
Income tax payable	23,136,147,303	18,379,918,877	22,613,788,656
Value added tax	310,966,280	368,983,792	219,626,511
Employer contributions	13,879,759,530	14,692,110,139	13,203,636,564
Court-ordered withholdings	4,643,727,878	3,768,539,376	3,919,364,577
Tax withholdings	2,652,950,412	2,488,430,837	2,463,836,373
Employee withholdings	855,867,260	959,705,730	940,890,334
Other third-party withholdings	400,105,517	9,663,712	359,633,341
Compensation	23,992,368,145	26,037,915,147	22,578,304,847
Statutory allocations	25,140,552,506	33,851,893,738	27,215,833,862
Clearing house operations	54,908,471	29,509,914	131,921,683
Accrued vacation	6,786,517,714	6,265,582,809	6,450,415,786
Accrued statutory Christmas bonus	9,131,290,190	2,770,781,999	8,842,695,619
Accounts payable – assets held for sale	37,206,244	74,718,277	255,655,627
Provisional deposits for the payment of premiums	2,298,400,850	1,738,380,030	2,371,221,651
SICOP guarantees	815,404,966	1,191,484,721	1,196,266,498
Property	422,678,319	499,480,720	-
Fee from international organizations	1,531,050,000	-	1,531,500,000
Amounts received for partial sales of assets held for sale	1,271,935,749	741,645,816	757,148,912
Master Card and Visa payments	2,720,981,771	2,318,945,542	2,074,906,962
Other various creditors	3,298,906,343	4,430,979,104	4,311,217,189
Interest rate futures - Hedges (Note 9)	1,891,320	60,578,850	1,333,583,043
Purchase of FX futures	-	101,908,050	53,628,000
	<u>¢ 133,957,261,696</u>	<u>129,665,099,584</u>	<u>131,594,476,283</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(24) Other liabilities

Other liabilities are as follows:

		September 2024	December 2023	September 2023
<u>Deferred income:</u>				
Deferred fees and commissions for trust management	¢	72,808,884	88,687,508	77,521,399
		<u>72,808,884</u>	<u>88,687,508</u>	<u>77,521,399</u>
<u>Operations pending application:</u>				
Operations pending settlement		1,456,208,399	16,556,080,166	2,552,063,897
Other operations pending settlement		31,462,126,991	16,466,611,653	23,765,833,488
		<u>32,918,335,390</u>	<u>33,022,691,819</u>	<u>26,317,897,385</u>
	¢	<u>32,991,144,274</u>	<u>33,111,379,327</u>	<u>26,395,418,784</u>

(25) Subordinated obligations

The Conglomerate's subordinated obligations are as follows:

Entity	Interest rate per annum	Term	Maturity	September 2024	December 2023	September 2023
IDB	6-month LIBOR + 6.30% in the first 5 years and 6-month LIBOR + 6.80% thereafter	10	02/18/2032	45,000,000	45,000,000	45,000,000
CABEI	6-month LIBOR + 5.25% in the first 5 years and 6-month LIBOR + 5.75% thereafter	15	10/23/2029	15,750,000	18,000,000	18,750,000
AFD	Fixed rate at 8.28% over the entire term (1)	10	09/29/2031	15,000,000	15,000,000	15,000,000
FINDEV	6-month LIBOR + 6.30% in the first 5 years and 6-month LIBOR + 6.80% thereafter	10	02/18/2032	30,000,000	30,000,000	30,000,000
IDB	SOFR+4.50% in the first 5 years and 4.75% thereafter (2)	10	08/22/2034	25,000,000	-	-
BLUEBO	SOFR+4.50% in the first 5 years and 4.75% thereafter (2)	10	08/22/2034	5,000,000	-	-
ND	SOFR+4.50% in the first 5 years and 4.75% thereafter (2)	10	08/22/2034	20,000,000	-	-
FINANCE				<u>155,750,000</u>	<u>108,000,000</u>	<u>108,750,000</u>
BLUE				¢ 56,488,665,000	56,903,040,000	81,437,002,500
BOND				2,038,925,663	2,162,739,037	978,260,766
FINDEV				¢ 82,415,263,266	59,065,779,037	59,801,509,375
BLUE						
BOND						
Total equivalent in colones				US\$		
Finance charges payable				¢		

(Continued)



# BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

- (1) facility agreement CCR1006 02 subscribed by Banco Nacional de Costa Rica and the French Development Agency, authorized by SUGEF on December 23, 2021.
- (2) On August 22, 2024, the negotiation related to the subordinated debt in the amount of US\$50,000,000, maturing in 10 years, was conducted between IDB, Finance in Motion Germany and FINDEV Canada.

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

In accordance with Article 4 of IRNBS (Law No. 1644), the debt of State-owned commercial banks will be secured with guarantees issued by the Government and all its divisions and institutions. Government guarantees provided for in the aforementioned article are not applicable to subordinated loans subscribed by State-owned commercial banks or rights and obligations derived therefrom. Subordinated financial instruments or loans (and the rights and obligations derived therefrom) may only be subscribed by multilateral development banks or bilateral development organizations.

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

### (26) Equity

#### (a) Share capital

The Conglomerate's share capital is as follows:

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Capital reserves

Capital reserves are as follows:

	<u>September 2024</u>	<u>December 2023</u>	<u>September 2023</u>
Legal reserve	¢ 443,839,119,945	403,604,716,089	403,604,716,091
Statutory reserve for assets held for sale	5,538,679,466	5,469,216,249	4,404,130,573
Excess of statutory reserve for loans	16,026,089,643	3,474,656,733	4,994,348,196
Statutory dynamic provision	563,110,482	9,649,609,539	9,585,489,952
	<u>¢ 465,966,999,536</u>	<u>422,198,198,610</u>	<u>422,588,684,812</u>

(c) Equity of the Development Financing Fund

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(27) Memoranda accounts

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

	September 2024	December 2023	September 2023
Sureties	¢ -	1,562,307	1,506,357
Performance bonds	27,309,828,379	34,129,139,530	40,424,410,353
Bid bonds	1,502,359,901	971,873,015	1,165,040,523
Other guarantees	1,047,988,482	607,314,326	595,560,510
Letters of credit	1,174,433,262	1,249,911,325	1,539,212,649
Credits pending disbursement	115,233,348	115,233,348	115,233,348
	<u>31,149,843,372</u>	<u>37,075,033,851</u>	<u>43,840,963,740</u>
Pre-approved lines of credit	351,427,622,703	305,513,773,333	305,797,289,370
Other contingencies not related to credits	6,583,688	6,583,686	83,658,102
Other contingencies - Pending litigation and lawsuits (Note 51)	58,545,819,933	61,807,146,925	83,623,029,957
	<u>409,980,026,324</u>	<u>367,327,503,944</u>	<u>389,503,977,429</u>
Sale of FX futures – Other than hedges	-	7,129,052,308	4,843,185,500
¢	<u>441,129,869,696</u>	<u>411,531,590,103</u>	<u>438,188,126,669</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, 2024, trust capital is invested in the following assets:

Nature of trust	Cash or property management	Management and Investment	Guaranty	Testamentary	Custody of stock	Custody of stock and cash management	Guaranties and cash management	Management, custody and guaranty	Public works	Trusts with public funds	Guaranty and custody of stock	Rentier management and investment	Premium protection	Equity planning	Total
<i>Trust assets</i>															
Cash and due from banks	₡ 338,319	31,869,071	1,045,750	443,742	-	-	-	-	940,830	157,445,200	-	46,666	212,516,868	-	404,646,446
Investments in financial instruments	1,725,908,706	196,054,511	2,440,815,835,790	2,805,584,831	1,964,379	833,224	-	-	2,394,182,513	16,354,121,886	-	412,463,942	2,644,652,909	51,649,424	2,467,403,252,115
Loan portfolio	-	-	-	-	-	-	-	-	-	5,357,045,158	-	-	-	-	5,357,045,158
Accounts and accrued interest receivable	21,469,058	-	99,170,431	5,660,340	-	-	220,827,439	-	51,084,707,970	92,929,416,007	753,703	-	-	-	144,362,004,948
Assets held for sale	-	-	-	-	-	-	-	-	-	44,516,426	-	-	-	-	44,516,426
Investments in other companies	-	-	4,848,010,000	14,142,287	25,160,000	-	-	-	-	-	-	-	-	13,584,037	4,900,896,324
Property, furniture and equipment	7,175,334,166	-	120,900,381,713	1,069,780,959	-	-	1,544,041,161	-	-	433,943,833	283,559,514	-	-	-	131,407,041,346
Other assets	82,077,067	-	2,613,004,357	3,366,874	-	-	-	5,099,181,952	19,828,556,178	1,391,865,026	-	-	-	29,727	29,018,081,181
	₡ 9,005,127,316	227,923,582	2,569,277,448,041	3,898,979,033	27,124,379	833,224	1,764,868,600	5,099,181,952	73,308,387,491	116,668,353,536	284,313,217	412,510,608	2,857,169,777	65,263,188	2,782,897,483,944

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

Nature of trust	Cash or property management	Management and Investment	Guaranty	Testamentary	Custody of stock	Guaranties and cash management	Management, custody and guaranty	Public works	Custody of stock and cash management	Trusts with public funds	Guaranty and custody of stock	Rentier management and investment	Premium protection	Equity planning	Total
<i>Trust assets</i>															
Cash and due from banks	₡ 81,692,425	30,786,916	1,053,760	451,296	-	-	-	6,875,417	-	127,540,443	-	263,108	265,357,798	-	514,021,163
Investments in financial instruments	1,789,411,491	194,555,114	2,455,475,514,901	2,782,697,883	1,910,879	-	-	13,592,157,660	810,531	16,200,900,322	-	744,174,713	2,277,188,737	75,180,552	2,493,134,502,783
Loan portfolio	-	-	-	-	-	-	-	-	-	5,251,717,346	-	-	-	-	5,251,717,346
Accounts and accrued interest receivable	23,552,039	-	89,910,406	7,530,828	-	206,022,430	-	60,612,840,304	-	87,735,074,689	746,690	-	-	306,279	148,675,983,665
Assets held for sale	-	-	-	-	-	-	-	-	-	59,775,957	-	-	-	-	59,775,957
Investments in other companies	-	-	4,902,010,000	11,142,688	25,160,000	-	-	-	-	-	-	-	-	460,000	4,938,772,688
Property, furniture and equipment	7,175,334,166	-	118,367,261,922	1,069,780,959	-	1,544,041,161	-	30,421,442,290	-	436,468,877	283,559,514	-	-	337,565,998	159,635,454,887
Other assets	83,107,486	-	3,087,897,448	3,107,427	-	-	5,106,159,561	20,896,629,206	-	1,523,349,187	-	-	-	29,724	30,700,280,039
	₡ 9,153,097,607	225,342,030	2,581,923,648,437	3,874,711,081	27,070,879	1,750,063,591	5,106,159,561	125,529,944,877	810,531	111,334,826,821	284,306,204	744,437,821	2,542,546,535	413,542,553	2,842,910,508,528

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Nature of trust	Cash or property management	Securitizations	Portfolio management	Guaranty	Testamentary	Custody of stock and cash management	Cash or property management	Custody of stock	Management, custody and guaranty	Guaranty and custody of stock	Rentier management and investment	Premium protection	Equity planning	Public works	Trusts with public funds	Total
<i>Trust assets</i>																
Cash and due from banks	14,803,454	30,786,916	13,989,444	1,084,700	464,316	-	-	-	-	-	166,317	228,245,792	-	6,644,926	115,503,290	411,689,155
Investments in financial instruments	1,722,845,658	192,722,078	647,164,022	2,476,628,490,595	2,850,764,897	802,686	-	1,892,382	-	-	871,729,211	2,335,745,251	90,955,868	10,859,767,046	15,501,891,002	2,511,704,770,696
Loan portfolio	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,066,896,424	5,066,896,424
Accounts and accrued interest receivable	486,382,651	-	21,836,986	78,815,251	9,209,886	-	197,887,490	-	-	495,456	-	-	306,279	67,864,474,048	90,573,031,730	159,232,439,777
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	69,153,673	69,153,673
Investments in other companies	-	-	-	4,595,000,000	24,036,235	-	-	25,170,000	-	-	-	-	460,000	-	-	4,644,666,235
Property, furniture and equipment	7,175,334,166	-	-	118,911,905,010	1,069,780,959	-	1,544,041,161	-	-	283,559,514	-	-	337,565,998	30,333,798,222	401,589,644	160,057,574,674
Other assets	83,153,896	-	-	2,054,819,568	3,343,867	-	-	-	4,993,265,900	-	-	-	29,015	16,106,423,566	1,111,069,183	24,352,104,995
	9,482,519,825	223,508,994	682,990,452	2,602,270,115,124	3,957,600,160	802,686	1,741,928,651	27,062,382	4,993,265,900	284,054,970	871,895,528	2,563,991,043	429,317,160	125,171,107,808	112,839,134,946	2,865,539,295,629

(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 2024	December 2023	September 2023
Pension Fund Manager's own investments in custody – Face value of principal	¢ 14,006,416,077	12,570,995,357	12,612,717,947
Pension Fund Manager's own investments in custody – Coupons	3,599,148,063	7,144,123,377	7,511,205,556
Pension Fund Manager's own investments in custody – Number of shares	23	23	23
Guarantees received in the Bank's custody	106,654,882,759	4,624,785,721	1,658,794,484
Guarantees on financial instruments	-	1,022,606,729	493,742,424
Other guarantees received in the Bank's custody	12,699,326,235,999	9,907,734,566,392	9,573,319,921,123
Lines of credit granted but unused	450,973,642,403	431,997,000,239	417,260,476,069
Loans pending disbursement	144,416,093,524	145,801,796,899	141,198,523,014
Unused overdrafts	5,000,000	55,000,000	55,000,000
Loans settled	475,635,627,844	457,744,467,939	457,368,670,906
Other accounts receivable settled	26,930,221,162	25,037,420,793	24,991,896,671
Accrued interest receivable settled	46,174,127,026	44,134,262,935	43,084,212,873
Interest income on non-accrual loans of loan portfolio	39,562,049,402	37,569,403,174	37,679,778,707
Supporting documentation received in the Bank's custody	3,504	5,102	4,840
Securities issued pending placement	11,043,000,000	69,037,000,000	97,233,000,000
Lines of credit or overdrafts obtained but unused	1,946,122,140	1,954,724,798	2,009,949,100
Notified letters of credit	1,864,031,550	2,909,592,202	5,252,625,420
Notional value subject to interest rate futures (Note 11)	9,150,225,000	11,117,168,000	105,521,785,400
Reversals made to income accounts for the period	20,673,048,851	32,235,526,621	23,108,862,420
Reversals made to expense accounts for the period	129,581,652,154	156,620,327,279	101,585,479,735
Non-deductible expenses	531,225,826,310	531,225,826,310	40,867,557,589
Non-taxable income	542,329,450,425	542,004,604,878	45,834,899,311
Other memoranda accounts	144,788,726,193	123,619,061,443	144,221,643,966
	<u>15,399,885,530,409</u>	<u>12,546,160,266,211</u>	<u>11,282,870,747,578</u>
Third-party debit memoranda accounts (1)	5,368,805,065,272	4,956,547,223,229	4,910,066,253,572
Own debit memoranda accounts for custodial activities	707,725,650,340	640,304,967,101	834,934,193,211
Third-party debit memoranda accounts for custodial activities	18,821,147,179,942	17,304,662,026,826	17,144,297,705,874
	<u>24,897,677,895,554</u>	<u>22,901,514,217,156</u>	<u>22,889,298,152,657</u>
¢	<u>40,297,563,425,963</u>	<u>35,447,674,483,367</u>	<u>34,172,168,900,235</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 2024	December 2023	September 2023
Management of banking mandates	¢ 1,684,998,669,033	1,668,740,260,281	1,743,779,347,612
“TUDES” securities received in custody from affiliates under Article 75 of Law No. 7531	1,092,320,973	974,083,918	943,468,734
Pension funds (Note 32)	2,818,877,120,156	2,526,046,391,386	2,438,137,949,390
Investment funds (Note 31)	773,231,549,124	682,616,250,291	649,339,517,155
Portfolio management	90,605,405,986	78,170,237,353	77,865,970,681
	¢ <u>5,368,805,065,272</u>	<u>4,956,547,223,229</u>	<u>4,910,066,253,572</u>

Other memoranda accounts by entity are as follows:

	September 2024	December 2023	September 2023
Banco Nacional de Costa Rica	¢ 35,507,124,964,231	31,107,077,262,393	29,903,039,009,307
BN Valores Puesto de Bolsa, S.A. (Note 30)	1,179,527,831,232	1,111,429,293,218	1,160,452,093,649
BN Sociedad Administradora de Fondos de Inversión, S.A. (Note 31)	773,293,470,040	682,701,900,813	649,414,515,319
BN Vital Operadora de Planes de Pensiones Complementarias, S.A. (Note 32)	2,837,617,160,460	2,546,790,872,490	2,459,263,281,960
	¢ <u>40,297,563,425,963</u>	<u>35,447,999,328,914</u>	<u>34,172,168,900,235</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 2024	December 2023	September 2023
<u>Own</u>			
Futures contracts pending settlement	48,858,956,522	49,518,947,553	49,545,101,072
Own trading securities (Note 30-a)	8,239,251,831	7,629,635,176	7,774,138,415
Other own memoranda accounts	1,974,843,969	1,977,791,713	2,031,077,382
	<u>59,073,052,322</u>	<u>59,126,374,442</u>	<u>59,350,316,869</u>
<u>Third party</u>			
Trading securities received as guarantees	25,496,583,603	30,550,174,834	31,748,107,985
Trading securities pending receipt	1,443,596,096	261,634,400	2,545,274,598
Signed contracts pending settlement	2,152,788,646	378,001,029	3,763,206,572
Futures contracts pending settlement	40,905,895,846	48,864,525,218	56,665,452,589
Third-party trading securities (Note 30-a)	958,676,492,027	893,595,141,141	927,292,755,629
Cash and accounts receivable	1,174,016,706	483,204,800	1,221,008,725
Portfolio management	90,605,405,986	78,170,237,353	77,865,970,682
	<u>1,120,454,778,910</u>	<u>1,052,302,918,775</u>	<u>1,101,101,776,780</u>
Memoranda accounts (Note 29)	¢ <u>1,179,527,831,232</u>	<u>1,111,429,293,217</u>	<u>1,160,452,093,649</u>

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

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

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

a) Securities held in custody are as follows:

Location	Type of custody	September 2024	December 2023	September 2023
<u>Own custodial activities</u>				
Local	International custody - Vault	8,224,251,829	7,614,635,176	7,759,138,414
Local	Vault	15,000,002	15,000,000	15,000,001
		<u>8,239,251,831</u>	<u>7,629,635,176</u>	<u>7,774,138,415</u>
<u>Custodial activities on behalf of third parties</u>				
Local	CEVAL - private	116,648,372,110	109,235,460,511	124,904,316,671
Foreign	CEVAL - private	200,248,362,660	119,005,700,111	129,517,490,075
Local	CEVAL - public	542,989,465,675	560,872,842,433	557,407,557,316
Foreign	International custody	98,578,610,380	104,287,043,655	115,315,960,473
Local	Vault	8,110,801	8,161,731	8,161,723
Local - Foreign	Securities that are doubtful, in arrears or in litigation	<u>203,570,401</u>	<u>185,932,700</u>	<u>139,269,371</u>
		<u>958,676,492,027</u>	<u>893,595,141,141</u>	<u>927,292,755,629</u>
		¢ <u><u>966,915,743,858</u></u>	<u><u>901,224,776,317</u></u>	<u><u>935,066,894,044</u></u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

September 2024								
Term buyer					Term seller			
	Colones	US dollars	US dollars expressed in colones	Total	Colones	US dollars	US dollars expressed in colones	Total
Own	41,096,008,000	14,846,804	7,762,948,522	48,858,956,522	-	-	-	-
Third								
parties	2,257,246,157	39,195,299	20,494,046,024	22,751,292,181	2,056,371,151	30,788,212	16,098,232,515	18,154,603,666
	<u>43,353,254,157</u>	<u>54,042,103</u>	<u>28,256,994,546</u>	<u>71,610,248,703</u>	<u>2,056,371,151</u>	<u>30,788,212</u>	<u>16,098,232,515</u>	<u>18,154,603,666</u>
December 2023								
Term buyer					Term seller			
	Colones	US dollars	US dollars expressed in colones	Total	Colones	US dollars	US dollars expressed in colones	Total
Own	41,864,356,853	14,528,148	7,654,590,700	49,518,947,553	-	-	-	-
Third								
parties	3,379,991,642	41,115,994	21,663,194,792	25,043,186,434	5,172,135,629	35,395,542	18,649,203,155	23,821,338,784
	<u>45,244,348,495</u>	<u>55,644,142</u>	<u>29,317,785,492</u>	<u>74,562,133,987</u>	<u>5,172,135,629</u>	<u>35,395,542</u>	<u>18,649,203,155</u>	<u>23,821,338,784</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 2023								
Term buyer					Term seller			
	Colones	US dollars	US dollars expressed in colones	Total	Colones	US dollars	US dollars expressed in colones	Total
Own	41,670,079,217	14,520,184	7,875,021,855	49,545,101,072	-	-	-	-
Third								
parties	5,395,994,517	48,567,000	26,340,312,428	31,736,306,945	6,025,673,467	34,854,747	18,903,472,177	24,929,145,644
	<u>47,066,073,734</u>	<u>63,087,184</u>	<u>34,215,334,283</u>	<u>81,281,408,017</u>	<u>6,025,673,467</u>	<u>34,854,747</u>	<u>18,903,472,177</u>	<u>24,929,145,644</u>

As of September 30, 2024, term buyer and seller positions in tri-party repurchase agreements in US dollars were valued at the exchange rate of ₡522.87 to US\$1.00 (December and September 2023: ₡526.88 to US\$1.00 and ₡542.35 to US\$1.00, respectively).

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

September 2024				
	Term buyer		Term seller	
	Colones	US dollars	Colones	US dollars
<u>Own</u>				
1 to 30 days	¢ 41,096,008,000	14,846,804	-	-
	<u>41,096,008,000</u>	<u>14,846,804</u>	<u>-</u>	<u>-</u>
<u>Third parties</u>				
1 to 30 days	-	1,638,589	-	323,376
31 to 60 days	836,835,230	15,893,493	635,960,226	10,362,196
61 to 90 days	683,580,086	19,874,450	683,580,086	18,313,874
More than 91 days	736,830,841	1,788,767	736,830,839	1,788,766
	<u>2,257,246,157</u>	<u>39,195,299</u>	<u>2,056,371,151</u>	<u>30,788,212</u>
	¢ <u>43,353,254,157</u>	<u>54,042,103</u>	<u>2,056,371,151</u>	<u>30,788,212</u>
December 2023				
	Term buyer		Term seller	
	Colones	US dollars	Colones	US dollars
<u>Own</u>				
1 to 30 days	¢ 41,864,356,853	14,528,148	-	-
	<u>41,864,356,853</u>	<u>14,528,148</u>	<u>-</u>	<u>-</u>
<u>Third parties</u>				
1 to 30 days	-	1,770,175	1,491,288,548	1,770,175
31 to 60 days	413,352,535	13,794,990	299,400,000	15,627,485
61 to 90 days	1,067,747,531	22,085,851	1,482,555,505	14,532,905
More than 91 days	1,898,891,576	3,464,978	1,898,891,576	3,464,977
	<u>3,379,991,642</u>	<u>41,115,994</u>	<u>5,172,135,629</u>	<u>35,395,542</u>
	¢ <u>45,244,348,495</u>	<u>55,644,142</u>	<u>5,172,135,629</u>	<u>35,395,542</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		September 2023			
		Term buyer		Term seller	
		Colones	US dollars	Colones	US dollars
<u>Own</u>					
1 to 30 days	¢	41,670,079,217	14,520,184	-	-
		41,670,079,217	14,520,184	-	-
<u>Third parties</u>					
1 to 30 days		383,214,491	3,806,961	277,587,349	996,580
31 to 60 days		660,418,214	22,772,522	404,539,180	11,854,221
61 to 90 days		3,248,513,182	19,092,831	3,128,126,920	19,109,261
More than 91 days		1,103,848,630	2,894,686	2,215,420,018	2,894,685
		5,395,994,517	48,567,000	6,025,673,467	34,854,747
	¢	47,066,073,734	63,087,184	6,025,673,467	34,854,747

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:

Fund	September 2024		
	Net value	Shares	Value per share
<i>Funds in colones:</i>			
Súper Fondo colones	¢ 235,708,428,879	47,928,086,223	4.92
Fon Depósito colones	63,811,377,991	36,227,631,312	1.76
Creci Fondo colones	6,069,733,819	808,127,057	7.51
Redi Fondo colones	25,052,075,338	4,657,311,443	5.38
Diner Fondo colones	76,349,830,852	23,313,636,384	3.27
	¢ <u>406,991,446,879</u>	<u>112,934,792,419</u>	
<i>Funds in US dollars:</i>			
Creci Fondo US dollars	19,496,598	7,904,049	2.47
Redi Fondo US dollars	40,623,370	20,306,408	2.00
Diner Fondo US dollars	122,123,333	84,329,180	1.45
Fon Depósito US dollars	47,055,206	39,578,884	1.19
Súper Fondo Plus US dollars	357,306,717	293,251,508	1.22
Fondo Internacional liquidez	44,598,325	41,242,446	1.08
BN internacional Valor	1,197,487	1,152,947	1.04
BN internacional Suma	4,310,295	3,849,238	1.12
BN internacional Crece	5,117,007	4,363,016	1.17
BN Infraestructura Pública -1	34,505,116	21,750	1,586.44
FI Desarrollo de Proyecto BN I	24,108,533	19,795	1,217.91
	US\$ <u>700,441,987</u>	<u>496,019,221</u>	
	¢ <u>366,240,102,245</u>	<u>259,353,570,084</u>	
Assets of managed funds	¢ <u>773,231,549,124</u>	<u>372,288,362,503</u>	
<i>Guarantees:</i>			
Performance bonds	59,945,612		
Outstanding checks	1,975,304		
	<u>61,920,916</u>		
Memoranda accounts (Note 29)	¢ <u>773,293,470,040</u>		

(Continued)



BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	September 2023		
Fund	Net value	Shares	Value per share
<i>Funds in colones:</i>			
Súper Fondo colones	¢ 181,409,743,467	38,226,190,807	4.75
Fon Depósito colones	60,617,440,333	35,492,216,480	1.71
Creci Fondo colones	5,729,773,145	804,494,207	7.12
Redi Fondo colones	17,255,854,624	3,388,088,578	5.09
Diner Fondo colones	92,316,525,125	29,135,347,745	3.17
	¢ <u>357,329,336,694</u>	<u>107,046,337,817</u>	
<i>Funds in US dollars:</i>			
Creci Fondo US dollars	15,740,301	6,721,209	2.34
Redi Fondo US dollars	31,578,072	16,552,121	1.91
Diner Fondo US dollars	92,707,658	66,125,778	1.40
Fon Depósito US dollars	45,379,226	38,907,201	1.17
Súper Fondo Plus US dollars	276,692,566	235,728,739	1.17
Fondo Internacional liquidez	10,749,872	10,354,777	1.04
BN internacional Valor	349,161	352,441	0.99
BN internacional Suma	3,572,547	3,558,697	1.00
BN internacional Crece	3,353,427	3,333,124	1.01
BN Infraestructura Pública -I	32,194,239	21,750	1,480.19
FI Desarrollo de Proyecto BN I	26,099,416	19,795	1,318.49
	US\$ <u>538,416,485</u>	<u>381,675,632</u>	
	¢ <u>292,010,180,461</u>	<u>207,001,779,015</u>	
Assets of managed funds	¢ <u>649,339,517,155</u>	<u>314,048,116,832</u>	
<i>Guarantees:</i>			
Performance bonds	73,022,860		
Outstanding checks	<u>1,975,304</u>		
	<u>74,998,164</u>		
Memoranda accounts (Note 29)	¢ <u>649,414,515,319</u>		

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

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- *BN SuperFondo dólares Diversificado* (diversified - US dollars): This is an open-end (floating number of outstanding shares) money market fund with a variable income portfolio. Returns on the investment portfolio are not distributed until the customer requests partial or full redemption of shares.
- *BN CreciFondo dólares No Diversificado* (non-diversified - US dollars): This is an open-end (floating number of outstanding shares) growth fund with a variable income portfolio. Returns on the investment portfolio are not distributed until the customer requests partial or full redemption of shares.
- *BN RediFondo Trimestral - US dólares No Diversificado (quarterly, non-diversified - US dollars)*: This is an open-end (floating number of outstanding shares) income fund with a fixed income portfolio. Returns on the investment portfolio are not distributed until the customer requests partial or full redemption of shares.
- *BN DinerFondo dólares No Diversificado* (non-diversified - US dollars): This is an open-end (floating number of outstanding shares) money market fund with a fixed income portfolio. Returns on the investment portfolio are not distributed until the customer requests partial or full redemption of shares.
- *BN FonDepósito dólares No Diversificado* (non-diversified - US dollars): This is an open-end (floating number of outstanding shares) money market fund with a fixed income portfolio. Returns on the investment portfolio are not distributed until the customer requests partial or full redemption of shares.
- *BN SuperFondo Dólares Plus No Diversificado (US dólares)* (non-diversified - US dollars): This fund is aimed at conservative investors looking for short-term investments and who are to manage capital or funds in transit, with a minimum recommended period of 5 days. The funds can be requested at any time and are deposited on the next day, complying with the cutoff time and generating no withdrawal commissions. Benefits are calculated and applied on a daily basis but are effective when a partial or total withdrawal of the investment takes place. The fund has monthly statements of account.
- *Fondo de Inversión de Desarrollo Inmobiliario BN-I*: (real estate development): This fund invests in the development and subsequent operation of buildings, to be leased by Banco Nacional de Costa Rica for a definite term.

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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# BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

### (32) Pension fund management agreements

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

	September 2024	December 2023	September 2023
Mandatory Pension Fund (ROP) ¢	2,379,524,807,114	2,117,961,892,314	2,035,070,079,134
Mandatory Retirement Savings Account (FCL)	115,449,574,248	107,180,546,084	104,507,311,266
Voluntary Pension Fund in Colones A (FPC A)	113,632,335,876	101,692,891,275	99,268,466,501
Voluntary Pension Fund in Colones B (FPC B)	46,014,970,501	52,134,023,208	45,542,947,634
BNCR Employee Protection and Retirement Fund	115,634,506,448	104,168,518,592	110,139,603,117
Voluntary Pension Fund in US dollars A (FPD A) (i)	25,887,477,578	22,385,160,495	22,331,611,445
Voluntary Pension Fund in US dollars B (FPD B) (ii)	16,561,006,057	14,129,942,815	14,966,123,964
ICT employee pension fund	6,172,442,334	6,393,416,603	6,311,806,329
Assets of managed funds (Note 29)	2,818,877,120,156	2,526,046,391,386	2,438,137,949,390
Securities and assets in own custody	17,605,564,164	19,715,118,757	20,123,923,526
Bid and performance bonds – colones	24,000,218	18,539,072	19,583,941
Bid and performance bonds – US dollars (iii)	18,154,950	36,739,357	38,356,369
Securities in DU	1,092,320,972	974,083,917	943,468,733
Memoranda accounts (Note 29) ¢	2,837,617,160,460	2,546,790,872,489	2,459,263,281,959

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- i. As of September 30, 2024, this fund amounts to US\$49,510,352 (December and September 2023: US\$42,486,260 and US\$41,175,646, respectively) and is valued at the exchange rate of ¢522.87 to US\$1.00 (December and September 2023: ¢526.88 and ¢542.35 to US\$1.00, respectively).
- ii. As of September 30, 2024, this fund amounts to US\$31,673,276 (December and September 2023: US\$26,818,142 and US\$27,594,955, respectively) and is valued at the exchange rate of ¢522.87 to US\$1.00 (December and September 2023: ¢526.88 and ¢542.35 to US\$1.00, respectively).
- iii. As of September 30, 2024, this fund amounts to US\$34,722 (December and September 2023: US\$69,730 and US\$70,723, respectively) and is valued at the exchange rate of ¢522.87 to US\$1.00 (December and September 2023: ¢526.88 and ¢542.35 to US\$1.00, respectively).

(33) Income from financial instruments

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

	September		Quarter from	
	2024	2023	July 1 to September 30	
	2024	2023	2024	2023
<u>Cash and due from banks:</u>				
Deposits in BCCR	¢ 90,723,111	103,022,390	30,369,570	36,616,022
Checking accounts and demand deposits in local entities	48,578,176	56,078,109	14,209,364	16,347,922
Checking accounts and demand deposits in foreign entities	12,488,680,120	10,722,027,461	4,233,961,115	3,630,218,700
	<u>12,627,981,407</u>	<u>10,881,127,960</u>	<u>4,278,540,049</u>	<u>3,683,182,644</u>
<u>Financial instruments:</u>				
Investments at FVTPL	251,618,743	235,488,239	74,498,208	66,370,220
Investments FVOCI	29,810,969,539	30,793,204,545	10,298,972,323	11,588,437,853
Investments at amortized cost	37,124,446,397	32,333,917,666	12,724,331,043	11,223,450,650
Investments in past due and restricted securities	7,697,946,686	2,274,056,757	2,807,790,301	874,640,389
	<u>74,884,981,365</u>	<u>65,636,667,207</u>	<u>25,905,591,875</u>	<u>23,752,899,112</u>
¢	<u>87,512,962,772</u>	<u>76,517,795,167</u>	<u>30,184,131,924</u>	<u>27,436,081,756</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, income from the loan portfolio is as follows:

	September		Quarter from July 1 to September 30	
	2024	2023	2024	2023
<u><i>Current loans:</i></u>				
Individuals	¢ 161,807,031,032	150,776,654,010	55,392,002,323	52,827,231,356
Development Banking System	7,295,906,290	6,896,061,716	2,438,826,299	2,507,788,532
Business	61,409,756,207	61,356,533,451	19,577,722,250	21,181,477,194
Corporate	75,424,468,598	80,617,734,116	26,008,587,694	29,208,385,347
Public sector	12,970,521,868	12,114,623,071	4,568,147,394	4,124,106,009
Financial sector	3,400,611,081	5,758,737,599	970,163,489	1,777,280,356
	<u>322,308,295,076</u>	<u>317,520,343,963</u>	<u>108,955,449,449</u>	<u>111,626,268,794</u>
<u><i>Past due loans and loans in legal collection:</i></u>				
Individuals	17,404,597,095	20,109,334,466	5,958,956,656	5,096,918,039
Development Banking System	375,634,779	564,033,757	119,729,205	119,575,284
Business	5,402,015,180	9,970,022,445	1,893,302,488	1,663,377,307
Corporate	2,185,162,827	4,334,059,460	639,834,754	1,013,427,333
Public sector	34,176,186	120,210,943	13,620,156	16,240,422
Financial sector	112,387	3,153,608	112,387	5,154
In legal collection	3,487,006,970	5,143,042,562	1,212,528,391	1,112,892,779
Amortization of net commission of incremental direct costs related to credits	943,630,607	828,730,436	397,394,490	300,090,180
	<u>29,832,336,031</u>	<u>41,072,587,677</u>	<u>10,235,478,527</u>	<u>9,322,526,498</u>
¢	<u><u>352,140,631,107</u></u>	<u><u>358,592,931,640</u></u>	<u><u>119,190,927,976</u></u>	<u><u>120,948,795,292</u></u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(35) Other finance income

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

	September		Quarter from July 1 to September 30	
	2024	2023	2024	2023
Fees and commissions on letters of credit	¢ 10,986,229	11,272,626	3,157,736	3,512,009
Fees and commissions on guarantees granted	343,255,594	326,674,210	193,335,436	76,064,399
Gain on negotiation of financial instruments	90,493,872	12,972,768	90,030,693	334,628
Gain on hedged item measured at cost from fair value hedge	-	1,747,111,890	-	-
Other sundry finance income	367,722,933	391,065,234	138,397,968	104,830,628
Charges for overdue operations	1,094,944,189	1,081,244,743	378,257,434	358,792,616
Sundry finance income from late fees	700,873,277	586,444,171	139,036,376	188,556,061
	¢ <u>2,608,276,094</u>	<u>4,156,785,642</u>	<u>942,215,643</u>	<u>732,090,341</u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(36) Finance costs for obligations with the public

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

		September		Quarter from July 1 to September 30	
		2024	2023	2024	2023
Demand deposits	¢	69,191,830,411	78,290,878,214	21,327,991,081	27,379,152,635
Term deposits		92,326,773,867	104,440,507,878	31,526,783,204	36,925,359,273
	¢	<u>161,518,604,278</u>	<u>182,731,386,092</u>	<u>52,854,774,285</u>	<u>64,304,511,908</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	
		2024	2023	2024	2023
Demand obligations	¢	3,067,735,587	3,785,705,584	975,948,269	1,194,611,938
Term obligations		11,896,839,523	23,467,913,297	3,610,865,999	8,038,770,686
	¢	<u>14,964,575,110</u>	<u>27,253,618,881</u>	<u>4,586,814,268</u>	<u>9,233,382,624</u>

(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	
		2024	2023	2024	2023
Fees and commissions on letters of credit obtained	¢	174,426,112	185,832,120	58,805,785	60,839,331
Loss on financial instruments measured at amortized cost		30,993,239	-	30,993,239	-
Loss on hedged item measured at cost from fair value hedge on interest rate risk		-	4,861,720,580	-	1,994,046,393
Other sundry finance costs		265,477,013	276,567,115	78,909,592	90,139,375
	¢	<u>470,896,364</u>	<u>5,324,119,815</u>	<u>168,708,616</u>	<u>2,145,025,099</u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(39) Expenses for allowance for impairment of assets

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

	September		Quarter from July 1 to September 30	
	2024	2023	2024	2023
Allowance for loan losses (Note 12)	¢ 39,567,175,695	19,933,770,784	10,709,409,633	4,457,658,132
Allowance for impairment of other accounts receivable (Note 13)	1,203,520,958	920,171,553	262,051,213	332,453,284
Allowance for stand-by credit losses (Note 24)	11,468,516	150,000,000	-	150,000,000
General and counter-cyclical allowance for loan portfolio (Note 12)	11,282,791,689	5,451,279,538	1,770,744,129	1,574,001,092
General and counter-cyclical allowance for stand-by loans	21,340	-	-	-
Allowance for impairment of investments at FVOCI	730,957,001	1,932,293,853	540,891,055	303,897,793
Allowance for impairment of financial instruments at amortized cost	384,216,159	713,692,585	7,139,811	630,419,407
Allowance for impairment of operations with derivative financial instruments (Note 10)	722,147	94,858,893	115,368	41,867,636
	¢ <u>53,180,873,505</u>	<u>29,196,067,206</u>	<u>13,290,351,209</u>	<u>7,490,297,344</u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

For the 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	
	2024	2023	2024	2023
Recovery of loan write-offs	¢ 9,460,192,121	11,591,427,712	2,928,398,171	3,697,366,131
Recovery of accounts receivable write-offs	37,035,087	4,912,490	3,809,027	1,647,023
Decrease in allowance for loan losses (Note 6)	-	381,416,885	-	381,416,885
Decrease in allowance for impairment of other accounts receivable (Note 13)	494,159,419	231,228,283	23,566,279	37,115,155
Decrease in allowance for impairment of investments in financial instruments (Note 10)	1,035,606,174	1,741,851,796	332,758,543	666,444,473
	<u>¢ 11,026,992,801</u>	<u>13,950,837,166</u>	<u>3,288,532,020</u>	<u>4,783,989,667</u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(41) Income from service fees and commissions

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

	September		Quarter from July 1 to September 30	
	2024	2023	2024	2023
Drafts and transfers	¢ 8,962,346,261	9,119,382,343	3,176,808,334	2,981,103,990
Certified checks	516,864	1,115,650	169,374	250,701
Trusts	1,286,752,284	1,348,679,709	432,845,208	436,128,309
Custodial services	1,840,799,017	1,731,085,440	621,737,007	554,102,396
Banking mandates	-	105,129	-	-
Collections	7,928,254	12,395,729	2,494,664	3,161,426
Credit cards	47,643,423,748	48,481,295,979	15,699,289,203	15,040,489,497
Management services	2,165,035,493	2,562,594,066	797,498,394	804,124,037
Management of investment funds	6,571,322,001	5,129,473,313	2,322,400,295	1,799,415,926
Management of pension funds	9,513,724,963	8,619,554,586	3,200,784,061	2,808,062,240
Insurance underwriting	7,915,128,056	7,438,166,974	2,625,736,897	2,377,089,840
Brokerage operations (third parties in local market)	1,653,118,941	1,827,031,284	618,817,334	515,565,708
Brokerage operations (third parties in other markets)	940,613,003	572,123,817	384,937,708	266,887,801
Transactions with related parties	116,693,524	71,624,669	29,995,843	27,732,552
Commissions charged to other affiliates due to covenants	10,164,408,766	10,084,203,005	3,346,667,459	3,257,705,972
Servibanca local interchange	17,335,109,285	18,343,293,056	5,728,848,090	5,882,986,221
Other service fees and commissions	11,076,328,931	9,223,430,408	3,730,526,953	3,678,085,929
	¢ <u>127,193,249,391</u>	<u>124,565,555,157</u>	<u>42,719,556,824</u>	<u>40,432,892,545</u>

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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	
		2024	2023	2024	2023
Recovery of expenses (1)	¢	2,197,343,754	1,151,953,687	389,854,670	143,105,474
Net valuation of other assets (Note 6)		342,641,528	573,623,813	66,250,810	64,398,444
Other income from accounts receivable		1,354,916	1,473,140	368,851	713,456
Liquidation of check - own accounts		144,131,692	358,325,952	31,352,351	47,096,020
Savings accounts liquidation		136,083,498	125,135,565	46,337,520	41,266,729
Administrative charges - PMEP		235,492,520	178,000,366	83,541,599	62,440,436
Liquidation of term certificate of deposit not claimed		643,177,723	303,591,826	219,508,695	71,301,317
Withholdings applied to vendors		357,238,284	173,285,075	136,659,339	66,989,773
Commission due to markup of BN cards		816,791,979	732,181,396	286,048,287	254,121,097
Excess cash from human teller		131,689,161	132,440,258	39,238,748	40,982,827
Other operating income		741,995,727	665,467,811	191,691,313	191,423,422
Decrease in provisions (2)		735,928,043	3,401,690,294	32,503,203	25,321,934
	¢	<u>6,483,868,825</u>	<u>7,797,169,183</u>	<u>1,523,355,386</u>	<u>1,009,160,929</u>

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

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

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(43) Expenses for assets held for sale

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

	September		Quarter from July 1 to September 30	
	2024	2023	2024	2023
Loss on sale of assets awarded in judicial auctions	¢ 2,469,063,146	3,321,788,317	262,454,720	376,814,145
Management of assets received in lieu of payment	2,816,021	4,127,028	878,782	586,131
Management of assets awarded in judicial auctions	4,742,462,015	4,102,857,246	1,620,684,955	1,304,620,209
Loss due to impairment of assets held for sale (Note 14)	68,709,514	186,985,589	3,021,060	177,322,222
Loss on allowance for impairment and legal disposal of assets held for sale (Note 14)	-	4,254,750,424	-	2,417,443,647
Other expenses for assets held for sale	14,675,795	9,298,616	1,566,471	3,177,765
	¢ <u>7,297,726,491</u>	<u>11,879,807,220</u>	<u>1,888,605,988</u>	<u>4,279,964,119</u>

(44) Provision expenses

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

	September		Quarter from July 1 to September 30	
	2024	2023	2024	2023
Severance benefits	¢ 40,069,504	51,655,361	10,479,578	33,148,590
Pending litigation	5,241,869,977	4,617,044,356	1,421,483,499	2,251,714,065
“BN Premios” points program	2,808,356,786	2,544,850,685	1,006,628,643	513,521,503
Notice of deficiency	9,914,953,405	8,734,275,287	3,195,800,909	2,911,425,096
Deposit Guarantee Fund	1,129,597,689	1,102,831,216	367,460,336	359,981,155
	¢ <u>19,134,847,361</u>	<u>17,050,656,905</u>	<u>6,001,852,965</u>	<u>6,069,790,409</u>

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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	
	2024	2023	2024	2023
Penalties for noncompliance with regulatory legal provisions	¢ 20,015,086	25,412	-	4,620
Net valuation of other liabilities (Note 6)	275,305,667	244,101,741	39,430,120	48,707,065
Value-added tax	1,074,986,701	876,783,980	339,033,472	328,837,955
Income tax on foreign remittances	4,748,938	4,957,340	1,626,019	1,616,827
8% and 15% tax on income from interest on investments in financial instruments	51,110,689	286,999,496	-	107,892,864
Property tax	228,856,124	212,400,978	88,404,823	71,120,914
Patents	1,134,842,192	1,006,331,037	449,179,154	340,861,342
Other local taxes	82,886,772	62,805,697	27,905,259	14,756,615
Other foreign taxes	18,627	28,728	6,528	16,022
Transfer to FINADE	1,800,359,846	2,373,275,596	-	491,566,443
Costs of microfinance insurance policies	3,453,933,898	3,191,195,085	1,199,355,252	1,097,426,129
Amortization of deferred direct costs related to loans	469,517,187	452,500,073	162,262,996	162,372,693
Customer remittances	1,245,000,000	1,320,000,000	490,000,000	430,000,000
Authorization abroad	2,275,237,951	2,199,817,320	754,678,351	677,910,195
Base I and II fund disbursements	19,849,045,883	16,722,319,970	6,796,484,889	5,636,101,972
Life insurance unpaid balance	10,669,683,030	9,455,798,647	3,707,504,629	3,242,390,879
Software maintenance and licenses	12,475,697,641	10,445,931,044	4,506,002,462	4,933,265,591
Sundry operating expenses	5,127,506,264	4,503,389,956	1,701,525,267	1,399,606,231
	¢ 60,238,752,496	53,358,662,100	20,263,399,221	18,984,454,357

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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	
		2024	2023	2024	2023
Salaries and bonuses, permanent staff	¢	59,737,114,583	59,424,114,158	20,237,582,432	19,860,878,239
Salaries and bonuses, contractors		1,885,795,337	1,578,853,554	698,955,736	381,630,188
Compensation for directors and statutory examiners		148,421,839	128,074,768	48,435,484	33,119,171
Overtime		680,374,159	476,474,340	224,172,208	164,320,947
Travel expenses		386,256,460	308,248,782	146,380,213	105,734,675
Statutory Christmas bonus		6,829,346,984	6,596,703,537	2,342,393,037	2,197,094,005
Vacation		5,409,600,950	5,224,233,495	1,775,137,383	1,659,117,979
Incentives		3,789,887,943	2,736,024,632	1,357,505,659	689,397,435
Other compensation		6,140,024,566	5,101,539,746	2,117,012,379	1,824,829,202
Severance benefits		3,954,789,367	3,840,076,648	1,334,035,358	1,260,372,119
Employer social security taxes		27,197,630,157	26,254,378,310	9,249,156,086	8,644,180,148
Refreshments		67,564,481	43,868,005	14,153,014	14,051,265
Uniforms		9,166,103	50,069,499	2,102,191	46,680,040
Training		332,467,724	396,004,094	167,920,502	168,031,808
Employee insurance		225,033,738	218,771,689	74,763,217	74,239,234
Back-to-school bonus		6,113,933,495	6,043,882,600	2,088,767,966	2,058,995,834
Mandatory retirement savings account		1,330,928,136	1,281,471,099	454,103,844	424,451,870
Other personnel expenses		332,527,203	433,003,614	116,586,554	147,414,816
	¢	<u>124,570,863,225</u>	<u>120,135,792,570</u>	<u>42,449,163,263</u>	<u>39,754,538,975</u>

(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	
		2024	2023	2024	2023
Outsourcing	¢	25,589,535,919	23,076,078,340	9,805,625,584	8,416,808,314
Transportation and communications		3,199,794,182	2,752,813,140	1,019,967,766	1,007,802,307
Infrastructure		24,055,360,648	20,259,903,982	8,929,995,527	7,351,751,131
Overhead		16,237,970,709	14,163,873,996	5,932,666,367	4,919,595,774
	¢	<u>69,082,661,458</u>	<u>60,252,669,458</u>	<u>25,688,255,244</u>	<u>21,695,957,526</u>

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(48) Statutory allocations

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

		September		Quarter from July 1 to September 30	
		2024	2023	2024	2023
CONAPE - 5%	¢	4,090,270,758	3,384,930,977	1,471,414,735	842,510,067
CNE - 3%		2,661,886,732	2,193,518,885	944,487,632	560,284,067
INFOCOOP - 10%		5,765,893,048	4,381,471,689	2,130,479,579	1,070,946,346
Public capital pension operators		1,736,651,559	1,105,475,769	399,565,678	358,426,810
RIVM - 15%		10,828,352,735	9,019,556,031	3,982,855,520	2,133,750,305
	¢	<u>25,083,054,832</u>	<u>20,084,953,351</u>	<u>8,928,803,144</u>	<u>4,965,917,595</u>

(49) Fair value of financial instruments

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

	September 2024			
	Carrying amount	Level	Fair value	Level
<i><u>Financial assets:</u></i>				
Cash and due from banks	¢ 1,448,965,863,477		1,448,965,863,477	
Investments at amortized cost	932,323,238,229		940,485,747,386	
Loan portfolio	<u>5,272,109,456,871</u>	(3)	<u>4,343,461,413,665</u>	(3)
	¢ <u>7,653,398,558,577</u>		<u>6,732,913,024,528</u>	
<i><u>Financial liabilities:</u></i>				
Demand deposits from the public and financial entities	¢ 4,667,568,486,552	(3)	4,667,568,486,552	(3)
Other demand obligations with the public	16,761,288,237		16,761,288,237	
Term deposits from the public and financial entities	<u>2,892,772,243,745</u>	(3)	<u>2,862,755,424,651</u>	(3)
	¢ <u>7,577,102,018,534</u>		<u>7,547,085,199,440</u>	

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 2023				
	Carrying amount	Level	Fair value	Level
<i><u>Financial assets:</u></i>				
Cash and due from banks	¢ 1,429,362,414,317		1,429,362,414,317	
Investments at amortized cost	730,519,651,897		730,631,631,884	
Loan portfolio	5,007,320,159,008	(3)	5,078,215,432,860	(3)
	¢ <u>7,167,202,225,222</u>		<u>7,238,209,479,061</u>	
<i><u>Financial liabilities:</u></i>				
Demand deposits from the public and financial entities	¢ 4,541,475,894,042	(3)	4,541,475,894,042	(3)
Other demand obligations with the public	14,826,284,083		14,826,284,083	
Term deposits from the public and financial entities	2,493,784,423,797	(3)	2,469,749,126,024	(3)
	¢ <u>7,050,086,601,922</u>		<u>7,026,051,304,149</u>	
September 2023				
	Carrying amount	Level	Fair value	Level
<i><u>Financial assets:</u></i>				
Cash and due from banks	¢ 1,461,741,211,689		1,461,741,211,689	
Investments at amortized cost	931,147,926,017		927,072,499,124	
Loan portfolio	5,001,098,238,685	(3)	4,684,742,377,946	(3)
	¢ <u>7,393,987,376,391</u>		<u>7,073,556,088,759</u>	
<i><u>Financial liabilities:</u></i>				
Demand deposits from the public and financial entities	¢ 4,617,549,158,586	(3)	4,617,549,158,586	(3)
Other demand obligations with the public	16,764,931,206		16,764,931,206	
Term deposits from the public and financial entities	2,727,079,480,165	(3)	2,702,299,768,673	(3)
	¢ <u>7,361,393,569,957</u>		<u>7,336,613,858,465</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 balance sheet:

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

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

- (b) Loan portfolio

The fair value of loans is calculated by discounting future cash flows expected for principal and interest. Loan payments are assumed to be made on the contractually agreed payment date. Future expected cash flows for loans are discounted at the interest rates offered for similar loans to new borrowers as of September 30, 2024 and 2023.

- (c) Term deposits

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

- (d) Obligations with entities

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

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

(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 2024				
	Level 1	Level 2	Level 3	Total
FVPTL	¢ 92,920,289	6,702,329,671	3,860,035,488	10,655,285,448
FVOCI	736,433,039,428	-	-	736,433,039,428
Derivative financial instruments	-	-	43,222,552	43,222,552
December 2023				
	Level 1	Level 2	Level 3	Total
FVPTL	¢ 1,061,437,041	18,643,267,761	3,816,708,183	23,521,412,985
FVOCI	614,745,008,541	-	-	614,745,008,541
Derivative financial instruments	-	-	102,383,490	102,383,490
September 2023				
	Level 1	Level 2	Level 3	Total
FVPTL	¢ 1,043,250,165	10,810,107,646	3,928,772,553	15,782,130,364
FVOCI	699,764,397,218	-	-	699,764,397,218
Derivative financial instruments	-	-	24,087,965	24,087,965
Term obligations with foreign financial entities	¢ -	-	96,585,739,855	96,585,739,855

(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 2024			September 2023		
	FVTPL	Derivative financial instruments	Term obligations with foreign financial entities	FVTPL	Derivative financial instruments	Term obligations with foreign financial entities
Opening balance	¢ 3,816,708,183	102,383,490	-	4,305,251,883	-	103,761,660,525
Valuation	72,552,325	(77,620)	-	52,730,347	-	3,127,381,619
Amortizations	-	-	-	-	-	5,171,963
Foreign exchange differences	(29,225,020)	(59,083,318)	-	(429,209,677)	24,087,965	(10,308,474,254)
Closing balance	¢ 3,860,035,488	43,222,552	-	3,928,772,553	24,087,965	96,585,739,853

(Continued)

# BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### (50) Segments

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

As of September 30, 2024									
	Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	BN Centro Procesos	Total	Eliminations and reclassifications	Consolidated
<i>ASSETS</i>									
Cash and due from banks	¢ 1,445,981,395,865	1,790,799,160	256,427,826	1,259,539,566	208,171,179	956,578,481	1,450,452,912,077	1,487,048,590	1,448,965,863,487
Investments in financial instruments	1,598,708,218,174	63,367,181,496	12,591,839,564	15,027,621,649	7,589,800,222	-	1,697,284,661,105	69,812,000	1,697,214,849,105
Loan portfolio, net	5,126,235,434,232	-	-	-	-	-	5,126,235,434,232	5,896,927,859	5,120,338,506,373
Accounts and fees and commissions receivable, net	3,680,467,544	240,077,479	111,815,315	2,804,168,547	876,936,537	-	7,713,465,422	76,307,966	7,637,157,456
Fees and commissions receivable	451,695,152	32,983,640	29,710,501	1,049,496,013	619,949,596	-	2,183,834,902	71,906,578	2,111,928,324
Accounts due from related parties	39,718,252	4,389,020	-	3,873,725	5,462,884	-	53,443,881	4,401,388	49,042,493
Deferred tax and income tax receivable	1,250,032,587	197,411,291	80,043,062	1,747,990,304	224,385,720	-	3,499,862,964	-	3,499,862,964
Other accounts receivable	9,452,372,530	5,293,527	7,611,767	67,644,588	27,138,338	-	9,560,060,750	-	9,560,060,750
Accrued interest receivable	1,374,178	-	-	-	-	-	1,374,178	-	1,374,178
Allowance for impairment	(7,514,725,156)	-	(5,550,013)	(64,836,083)	-	-	(7,585,111,252)	-	(7,585,111,252)
Assets held for sale, net	48,220,137,012	-	-	-	-	-	48,220,137,012	-	48,220,137,012
Investments in other companies	120,182,226,954	30,000,000	-	-	-	-	120,212,226,954	50,301,660,700	69,910,566,254
Property, furniture and equipment, net	228,398,871,538	246,231,271	536,574,799	357,375,958	322,054,833	-	229,861,108,399	-	229,861,108,399
Other assets	71,947,603,576	1,498,589,946	1,194,975,673	1,116,813,826	1,247,527,296	-	77,005,510,317	-	77,005,510,317
<b>TOTAL ASSETS</b>	¢ 8,643,354,354,895	67,172,879,352	14,691,633,177	20,565,519,546	10,244,490,067	956,578,481	8,756,985,455,518	57,831,757,115	8,699,153,698,403
<i>LIABILITIES AND EQUITY</i>									
<i>LIABILITIES</i>									
Obligations with the public	¢ 7,020,152,190,233	-	-	-	-	-	7,020,152,190,233	-	7,020,152,190,233
Obligations with BCCR	134,694,734,125	-	-	-	-	-	134,694,734,125	-	134,694,734,125
Obligations with entities	380,940,822,841	48,880,884,483	330,409,020	16,761,822	310,202,919	-	430,479,081,085	6,470,189,144	424,008,891,941
Accounts payable and provisions	155,061,711,496	2,928,209,574	2,110,629,841	6,176,470,418	2,575,871,834	-	168,852,893,163	76,307,954	168,776,585,209
Other liabilities	33,974,743,579	-	-	-	-	-	33,974,743,579	983,599,304	32,991,144,275
Subordinated obligations	82,415,263,266	-	-	-	-	-	82,415,263,266	-	82,415,263,266
<b>TOTAL LIABILITIES</b>	¢ 7,807,239,465,540	51,809,094,057	2,441,038,861	6,193,232,240	2,886,074,753	-	7,870,568,905,451	7,530,096,402	7,863,038,809,049

(Continued)



BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of September 30, 2024									
	Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	BN Centro Procesos	Total	Eliminations and reclassifications	Consolidated
<i>EQUITY</i>									
Share capital	¢ 172,237,030,102	6,600,000,000	5,000,000,000	8,241,803,835	369,700,000	956,578,481	193,405,112,418	21,168,082,316	172,237,030,102
Non-capitalized capital contributions	-	-	-	653,121,174	-	-	653,121,174	653,121,174	-
Equity adjustments	80,343,513,633	2,879,531	97,997,047	237,530,859	-	-	80,681,921,070	338,407,436	80,343,513,634
Capital reserves	465,966,999,536	1,320,000,000	1,000,000,000	300,000,000	73,940,000	-	468,660,939,536	2,693,940,000	465,966,999,536
Prior period retained earnings	20,504,012,848	6,203,287,589	3,755,821,799	3,203,179,881	2,994,269,149	-	36,660,571,266	16,156,558,407	20,504,012,859
Income for the period	41,303,719,886	1,237,618,174	2,396,775,470	1,736,651,559	3,920,506,164	-	50,595,271,253	9,291,551,379	41,303,719,874
FOFIDE	55,759,613,349	-	-	-	-	-	55,759,613,349	-	55,759,613,349
TOTAL EQUITY	¢ 836,114,889,354	15,363,785,294	12,250,594,316	14,372,287,308	7,358,415,313	956,578,481	886,416,550,066	50,301,660,712	836,114,889,354
TOTAL LIABILITIES AND EQUITY	¢ 8,643,354,354,894	67,172,879,351	14,691,633,177	20,565,519,548	10,244,490,066	956,578,481	8,756,985,455,517	57,831,757,114	8,699,153,698,403
Debit memoranda accounts	¢ 440,188,970,910	285,794,104	-	655,104,682	-	-	441,129,869,696	-	441,129,869,696
Income from cash and due from banks and financial instruments	¢ 2,782,885,969,044	11,514,900	-	-	-	-	2,782,897,483,944	-	2,782,897,483,944
Trust liabilities	¢ 59,615,455,685	8,907,716	-	-	-	-	59,624,363,401	-	59,624,363,401
Trust equity	¢ 2,723,270,513,359	2,607,184	-	-	-	-	2,723,273,120,543	-	2,723,273,120,543
Other debit memoranda accounts	¢ 35,507,124,964,231	1,179,527,831,232	773,293,470,040	2,837,617,160,460	-	-	40,297,563,425,963	-	40,297,563,425,963

(Continued)

# BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

As of September 30, 2024									
	Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	BN Centro Procesos	Total	Eliminations and reclassifications	Consolidated
Finance income	443,641,721,757	4,002,950,708	836,707,345	2,099,891,302	353,545,006	-	450,934,816,118	8,290,835	450,926,525,283
Finance costs	181,619,985,834	2,023,430,181	169,244,451	20,874,648	45,276,181	-	183,878,811,295	8,290,835	183,870,520,460
Allowance expense	53,116,864,952	2,453,701	19,448,846	31,552,476	10,553,530	-	53,180,873,505	-	53,180,873,505
Income from recovery of assets	10,977,442,508	2,584,421	19,491,718	23,969,078	3,505,076	-	11,026,992,801	-	11,026,992,801
FINANCE INCOME	219,882,313,479	1,979,651,247	667,505,766	2,071,433,256	301,220,371	-	224,902,124,119	-	224,902,124,119
Other operating income	155,998,305,401	4,113,042,012	6,572,992,871	9,633,435,640	8,264,171,421	-	184,581,947,345	11,201,486,769	173,380,460,576
Other operating expenses	113,800,021,911	1,067,218,522	571,110,541	1,803,622,610	142,690,684	-	117,384,664,268	1,810,007,541	115,574,656,727
GROSS OPERATING INCOME	262,080,596,969	5,025,474,737	6,669,388,096	9,901,246,286	8,422,701,108	-	292,099,407,196	9,391,479,228	282,707,927,968
Personnel expenses	113,285,152,020	2,656,117,481	2,425,480,504	3,988,325,913	2,215,787,307	-	124,570,863,225	-	124,570,863,225
Other administrative expenses	66,990,029,794	459,610,035	638,025,331	747,243,104	347,681,042	-	69,182,589,306	99,927,848	69,082,661,458
Total administrative expenses	180,275,181,814	3,115,727,516	3,063,505,835	4,735,569,017	2,563,468,349	-	193,753,452,531	99,927,848	193,653,524,683
NET OPERATING INCOME BEFORE STATUTORY ALLOCATIONS AND TAXES	81,805,415,155	1,909,747,221	3,605,882,261	5,165,677,269	5,859,232,759	-	98,345,954,665	9,291,551,380	89,054,403,285
Income tax	18,455,018,561	701,652,702	1,148,231,476	1,658,071,416	1,792,769,048	-	23,755,743,203	-	23,755,743,203
Decrease in income tax	803,510,381	86,816,084	47,301,151	120,667,584	29,819,437	-	1,088,114,637	-	1,088,114,637
Statutory allocations	22,850,187,087	57,292,416	108,176,468	1,891,621,877	175,776,984	-	25,083,054,832	-	25,083,054,832
INCOME FOR THE PERIOD	41,303,719,886	1,237,618,187	2,396,775,468	1,736,651,560	3,920,506,168	-	50,595,271,267	9,291,551,380	41,303,719,886

As of September 30, 2023								
	Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations and reclassifications	Consolidated
<i>ASSETS</i>								
Cash and due from banks	€ 1,459,145,775,862	2,084,320,555	266,554,265	567,082,192	109,052,181	1,462,172,785,055	431,573,377	1,461,741,211,678
Investments in financial instruments	1,565,294,132,611	64,494,892,043	10,946,574,365	13,943,357,761	7,152,105,780	1,661,831,062,560	35,312,000	1,661,795,750,560
Loan portfolio, net	4,877,205,544,242	-	-	-	-	4,877,205,544,242	6,125,300,900	4,871,080,243,342
Accounts and fees and commissions receivable, net	502,165,506	39,791,781	45,846,198	807,667,023	614,660,684	2,010,131,192	51,005,579	1,959,125,613
Fees and commissions receivable	-	11,000,000	-	-	-	11,000,000	-	11,000,000
Accounts receivable – brokerage services	28,520,869	4,074,927	-	1,252,272	3,381,818	37,229,886	3,966,676	33,263,210
Accounts due from related parties	1,089,929,391	244,423,099	82,506,494	1,094,952,998	210,003,413	2,721,815,395	-	2,721,815,395
Deferred tax and income tax receivable	4,494,767,273	1,003,313	36,966,074	125,086,763	8,515,973	4,666,339,396	-	4,666,339,396
Other accounts receivable	1,464,034	-	-	-	-	1,464,034	-	1,464,034
Accrued interest receivable	502,165,506	39,791,781	45,846,198	807,667,023	614,660,684	2,010,131,192	51,005,549	1,959,125,643
Allowance for impairment	(3,980,144,008)	-	(5,386,658)	(103,449,692)	-	(4,088,980,358)	-	(4,088,980,358)
Assets held for sale, net	37,649,089,247	-	-	-	-	37,649,089,247	-	37,649,089,247
Investments in other companies	117,249,034,550	30,000,000	-	-	-	117,279,034,550	48,802,564,498	68,476,470,052
Property, furniture and equipment, net	224,587,827,596	373,645,265	449,931,865	466,448,399	371,141,177	226,248,994,302	-	226,248,994,302
Other assets	51,726,733,722	1,624,684,601	1,119,689,608	1,009,926,153	1,159,514,236	56,640,548,320	-	56,640,548,320
TOTAL ASSETS	€ 8,334,994,840,895	68,907,835,584	12,942,682,211	17,912,323,869	9,628,375,262	8,444,386,057,821	55,449,723,006	8,388,936,334,815
<i>LIABILITIES AND EQUITY</i>								
<i>LIABILITIES</i>								
Obligations with the public	€ 6,580,303,918,726	-	-	-	-	6,580,303,918,726	-	6,580,303,918,726
Obligations with BCCR	153,165,121,868	-	-	-	-	153,165,121,868	-	153,165,121,868
Obligations with entities	590,838,666,199	49,638,623,076	333,476,210	-	313,095,085	641,123,860,570	6,592,186,271	634,531,674,299
Accounts payable and provisions	155,519,700,617	2,773,702,917	1,626,204,191	3,697,771,075	2,205,779,883	165,823,158,683	54,972,244	165,768,186,439
Other liabilities	26,395,418,790	-	-	-	-	26,395,418,790	-	26,395,418,790
Subordinated obligations	59,801,509,375	-	-	-	-	59,801,509,375	-	59,801,509,375
TOTAL LIABILITIES	€ 7,566,024,335,575	52,412,325,993	1,959,680,401	3,697,771,075	2,518,874,968	7,626,612,988,012	6,647,158,521	7,619,965,829,491

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of September 30, 2023

	Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations and reclassifications	Consolidated
<b>EQUITY</b>								
Share capital	¢ 172,237,030,102	6,600,000,000	5,000,000,000	7,303,344,756	369,700,000	191,510,074,858	19,273,044,756	172,237,030,102
Non-capitalized capital contributions	-	-	-	1,591,580,252	-	1,591,580,252	1,591,580,252	-
Equity adjustments	72,965,092,990	953,583	85,033,038	1,381,190,552	-	74,432,270,163	1,467,177,172	72,965,092,991
Capital reserves	422,588,684,812	1,320,000,000	898,628,741	300,000,000	73,940,000	425,181,253,553	2,592,568,732	422,588,684,821
Prior period retained earnings	33,213,764,688	7,249,942,091	3,267,127,498	2,532,961,465	3,259,916,545	49,523,712,287	16,309,947,596	33,213,764,691
Income for the period	19,341,337,506	1,324,613,913	1,732,212,534	1,105,475,769	3,405,943,763	26,909,583,485	7,568,245,992	19,341,337,493
FOFIDE	48,624,595,226	-	-	-	-	48,624,595,226	-	48,624,595,226
<b>TOTAL EQUITY</b>	¢ 768,970,505,324	16,495,509,587	10,983,001,811	14,214,552,794	7,109,500,308	817,773,069,824	48,802,564,500	768,970,505,324
<b>TOTAL LIABILITIES AND EQUITY</b>	¢ 8,334,994,840,899	68,907,835,580	12,942,682,212	17,912,323,869	9,628,375,276	8,444,386,057,836	55,449,723,021	8,388,936,334,815
<b>Debit memoranda accounts</b>	¢ 438,051,791,691	100,188,094	-	36,146,884	-	438,188,126,669	-	438,188,126,669
Income from cash and due from banks and financial instruments	¢ 2,864,870,294,621	669,001,008	-	-	-	2,865,539,295,629	-	2,865,539,295,629
Trust liabilities	¢ 65,638,936,192	9,244,788	-	-	-	65,648,180,980	-	65,648,180,980
Trust equity	¢ 2,799,231,358,429	659,756,220	-	-	-	2,799,891,114,649	-	2,799,891,114,649
Other debit memoranda accounts	¢ 29,903,039,009,307	1,160,452,093,649	649,414,515,319	2,459,263,281,960	-	34,172,168,900,235	-	34,172,168,900,235

As of September 30, 2023

	Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations and reclassifications	Consolidated
<b>Finance income</b>	¢ 438,269,201,809	4,491,635,037	842,839,204	825,795,042	414,585,856	444,844,056,948	9,919,786	444,834,137,162
<b>Finance costs</b>	223,431,598,089	2,713,005,242	126,547,529	159,472,811	38,432,475	226,469,056,146	9,919,786	226,459,136,360
<b>Allowance expense</b>	29,012,165,403	91,936,387	9,682,760	68,852,321	13,430,335	29,196,067,206	-	29,196,067,206
<b>Income from recovery of assets</b>	13,894,835,325	2,110,720	28,355,568	17,470,935	8,064,618	13,950,837,166	-	13,950,837,166
<b>FINANCE INCOME</b>	199,720,273,642	1,688,804,128	734,964,483	614,940,845	370,787,664	203,129,770,762	-	203,129,770,762
<b>Other operating income</b>	148,330,201,610	3,931,903,148	5,143,304,126	8,663,109,827	7,288,995,128	173,357,513,839	9,382,629,579	163,974,884,260
<b>Other operating expenses</b>	112,320,201,884	779,945,895	452,702,875	1,644,299,878	117,035,484	115,314,186,016	1,715,289,164	113,598,896,852
<b>GROSS OPERATING INCOME</b>	235,730,273,368	4,840,761,381	5,425,565,734	7,633,750,794	7,542,747,308	261,173,098,585	7,667,340,415	253,505,758,170
<b>Personnel expenses</b>	109,560,448,607	2,527,804,299	2,201,839,482	3,704,884,159	2,140,816,023	120,135,792,570	-	120,135,792,570
<b>Other administrative expenses</b>	58,471,205,225	349,365,914	591,635,364	626,711,575	312,845,802	60,351,763,880	99,094,422	60,252,669,458
<b>Total administrative expenses</b>	168,031,653,832	2,877,170,213	2,793,474,846	4,331,595,734	2,453,661,825	180,487,556,450	99,094,422	180,388,462,028
<b>NET OPERATING INCOME BEFORE STATUTORY ALLOCATIONS AND TAXES</b>	67,698,619,535	1,963,591,167	2,632,090,889	3,302,155,060	5,089,085,484	80,685,542,135	7,568,245,993	73,117,296,142
<b>Income tax</b>	30,793,521,606	680,485,692	864,769,213	1,033,069,316	1,554,134,783	34,925,980,610	-	34,925,980,610
<b>Decrease in income tax</b>	1,026,109,490	100,416,174	43,853,585	40,930,447	23,665,629	1,234,975,325	-	1,234,975,325
<b>Statutory allocations</b>	18,589,869,913	58,907,735	78,962,727	1,204,540,421	152,672,555	20,084,953,351	-	20,084,953,351
<b>INCOME FOR THE PERIOD</b>	¢ 19,341,337,506	1,324,613,914	1,732,212,534	1,105,475,770	3,405,943,775	26,909,583,499	7,568,245,993	19,341,337,506

(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), and BN Valores Puesto de Bolsa, S.A. (the Brokerage Firm) are defendants in ordinary, labor and criminal lawsuits, as follows:

	Number of cases		Stage		Total estimated amount	
	September 2024	September 2023			September 2024	September 2023
Banco Nacional de Costa Rica	147	253	First instance	¢	47,257,087,232	49,922,528,089
	66	21	Second instance		2,670,607,384	18,565,962,000
	58	56	Appeal		7,677,226,532	14,998,204,890
	<u>271</u>	<u>330</u>			<u>57,604,921,148</u>	<u>83,486,694,979</u>
BN Vital	3	7	First instance		655,104,681	36,146,884
		2	Appeal			-
	<u>3</u>	<u>9</u>			<u>655,104,681</u>	<u>36,146,884</u>
BN Valores	1	1	First instance		285,794,104	100,188,094
	<u>275</u>	<u>340</u>	(Note 27)	¢	<u>58,545,819,933</u>	<u>83,623,029,957</u>

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

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

Number of cases		Stage		Total estimated amount	
September 2024	September 2023			September 2024	September 2023
214	267	First instance	¢	55,551,889,408	71,575,756,220
-	1	Second instance		-	375,839,600
1	2	Appeal		15,255,204,109	2,844,233,566
<u>215</u>	<u>270</u>		¢	<u>70,807,093,517</u>	<u>74,795,829,386</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. 5-008666-1027-CA of the Administrative Court, dated November 20, 2015, received on December 15, 2015. As of September 30, 2024, this provision has been settled since the sentence for that lawsuit was in favor of the Bank.

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

The following lawsuits are also worth noting:

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

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

(Continued)

## BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(Continued)



BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(52) Emergency caused by COVID-19

As part of the measures adopted to contain the crisis caused by the pandemic, the Bank evaluated the loans of borrowers who requested it since their payment capacity was affected, providing a temporary modification to help them face the COVID-19 crisis.

As a result, as of September 30, 2024, the loan portfolio that required at least one modification to the originally agreed conditions amounts to ₡1,168,458,250,757 representing 22.32% of the total loan portfolio (September 30, 2023: ₡1,377,042,576,021 representing 27.82% of the total loan portfolio).

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

	September 2024	December 2023	September 2023
Agriculture and forestry	₡ 20,584,568,850	27,930,051,024	30,326,059,893
Trade	81,831,973,239	101,587,782,118	107,917,327,701
Construction	21,100,953,465	23,746,122,736	26,803,441,311
Consumer or personal loans	62,575,676,947	78,475,192,293	84,474,107,759
Electricity, water, sanitation and other related sectors	137,622,156,776	140,834,903,322	142,524,842,937
Mining	242,525,872	262,574,377	266,906,634
Livestock, hunting and fishing	16,689,441,572	19,365,099,282	20,997,375,114
Industry	36,738,948,471	42,531,009,820	45,161,942,350
Services	302,015,809,124	345,622,322,816	370,094,929,215
Financial services	21,786,031,813	23,249,333,712	24,266,426,263
Transportation, communication and storage	13,432,102,475	15,643,776,134	17,070,888,717
Tourism	72,867,889,207	82,556,612,628	86,363,406,371
Housing	380,970,172,946	410,888,073,838	420,774,921,756
Subtotal	1,168,458,250,757	1,312,692,854,100	1,377,042,576,021
Accounts and accrued interest receivable	2,434,227,642	2,359,575,276	2,363,887,390
Loans restructured due to COVID-19	1,170,892,478,399	1,315,052,429,376	1,379,406,463,411
Allowance for doubtful accounts	(40,071,838,172)	(37,413,455,849)	(37,589,815,598)
Total loan portfolio, net	₡ 1,130,820,640,227	1,277,638,973,527	1,341,816,647,813

(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 arrears, is as follows:

	September 2024	December 2023	September 2023
Current	¢ 1,040,503,391,123	1,160,232,297,800	1,212,906,083,316
1 to 30 days	54,837,873,965	38,977,129,524	75,690,447,047
31 to 60 days	13,050,699,132	45,737,237,629	19,494,189,469
61 to 90 days	21,073,745,679	14,669,105,915	29,597,377,631
91 to 120 days	4,084,725,574	5,263,928,539	4,269,091,639
121 to 150 days	1,248,204,552	2,593,238,158	2,306,577,334
In legal collection	33,659,610,732	45,219,916,535	32,778,809,585
	1,168,458,250,757	1,312,692,854,100	1,377,042,576,021
Accounts and accrued interest receivable	2,434,227,642	2,359,575,276	2,363,887,390
Loans restructured due to COVID-19	1,170,892,478,399	1,315,052,429,376	1,379,406,463,411
Allowance for loan losses	(40,071,838,172)	(37,413,455,849)	(37,589,815,598)
Loan portfolio, net	¢ 1,130,820,640,227	1,277,638,973,527	1,341,816,647,813

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

	September 2024	December 2023	September 2023
Collateral	¢ 13,027,890,596	21,052,318,468	24,293,996,227
Surety	5,062,963,307	9,655,517,340	10,556,918,075
Assignment of loans	33,732,414,669	39,010,985,819	41,261,310,845
Back-to-back	1,535,882,421	1,915,900,090	2,164,037,282
Mortgage	538,140,415,264	593,164,016,788	614,545,377,857
Trust	92,670,646,051	102,101,169,773	110,462,635,361
Surety - Mortgage	107,874,522,792	124,090,497,068	131,656,505,472
Surety - Trust	118,269,003,617	143,549,822,378	151,241,492,740
Other	211,058,375,921	227,438,307,702	238,453,048,746
Not assigned	2,134,889,871	2,349,998,065	2,415,187,707
Surety - Collateral	1,613,408,968	2,478,302,178	2,819,553,004
Collateral - Mortgage	550,333,765	608,650,253	644,568,888
Surety - Collateral - Mortgage	1,281,280,880	2,042,793,834	2,134,061,536
Securities	20,383,509,595	21,413,418,170	22,362,736,255
Mortgage - Trust	89,184,412	90,917,308	91,476,042
Surety - Securities	22,525,500	25,399,658	26,497,091
Collateral - Trust	21,011,003,128	21,704,839,208	21,913,172,893
	1,168,458,250,757	1,312,692,854,100	1,377,042,576,021
Accounts and accrued interest receivable	2,434,227,642	2,359,575,276	2,363,887,390
Loans restructured due to COVID-19	1,170,892,478,399	1,315,052,429,376	1,379,406,463,411
Allowance for loan losses	(40,071,838,172)	(37,413,455,849)	(37,589,815,598)
Loan portfolio, net	¢ 1,130,820,640,227	1,277,638,973,527	1,341,816,647,813

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of September 30, 2024, the amount of ₡1,168,458,250,757 maintains temporary credit conditions, which represents 22.32% of the total loan portfolio (December and September 2023: ₡1,312,692,854,100 and ₡1,377,042,576,021, representing 26.44% and 27.82% of the loan portfolio, respectively).

(53) Relevant events

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

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

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

On December 31, 2022, the Bank received a notice from the tax auditors to attend the final hearing to deliver results through the document DGCN-SF-PD-25-2021-26-331-03. It took place on October 10, 2022.

Through Official Letter DGCN-SF-PD-25-2021-07-41-03, on October 28, 2022, a notice of deficiency and observations is communicated, which was challenged by the Bank on November 11, 2022. Through Official Letter DCGN-SF-PS-25-2021-24-5138-03, on November 24, 2022, a sanctioning notice of deficiency is communicated due to Article 81 of the Tax Code of Standards and Procedures, which was challenged by the Bank on December 7, 2022.

On December 21, 2022, through Official Letter DGCN-373-DF-DT-UT-2022, the Tax Administration communicates the determination resolution for the 2017 fiscal period. The Tax Administration was aware of the challenge filed by the Bank; therefore, the Bank has 30 business days to file the motion for reconsideration before the Tax Administration and 30 days after that, before the Tax Court.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

On February 1, 2023, through Official Communication GG-063-23, the Bank filed a motion for reconsideration against resolution DGCN-373-DF-DT-UT-2022. A response was received on July 3, 2023, from the Ministry of Finance through communication MH-DGT-DGCN-DF-REV-0175-2023, indicating that the Bank has 30 business days as of that date to file the appeal before the Tax Court.

Through resolution no. MH-DGT-DGCN-DF-REV-0175-2023, notified on July 3, 2023, the Tax Administration heard the motion for reconsideration of resolution DGCN-373-DF-DT-UT-2022; it rejected the remedy filed.

On August 11, 2023, resolution MH-DGT-DGCN-DF-REV-0175-2023 was appealed before the Tax Court.

Through Resolution MH-DGT-DGCN-DF-APD-AUTO-0081-2023 dated August 23, 2023, the Tax Administration admitted the appeal and summoned the Bank before the Tax Court to present its damages regarding the appeal filed. Consequently, on October 3, 2023, the writ with the response was submitted before said court.

On March 22, 2024, Resolution TFA No.111-P-2024 was notified, dismissing the appeal and exhausting the administrative venue. Subsequently, on May 31, 2024, payment requirement No. 1911002477255 was received from the Tax Administration, granting the Bank a term of 15 business days to pay the amount of the notice of deficiency and interest.

On June 21, 2024, the Bank paid under protest the notice of deficiency, interest and penalty for a total of ¢39,102,783,764 and it prepared a claim to initiate legal proceedings. The claim was filed on August 5, 2024, before the Contentious Administrative Court.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

b) Deferred term operations

Due to the COVID-19 national emergency, the board of directors of BCCR approved the creation of a medium-term special credit facility for SUGEF-regulated financial intermediaries.

As of September 30, 2024, 2,726 loan operations were placed under this modality, applying a discount to the interest rate on the loans in colones in the amount of ¢127,913,775,160, reaching an average rate of the operations already processed of 6.00%. The remaining average maturity term is 10.25 years.

c) Law for Creation of the Deposit Guarantee Fund and of the Resolution Mechanisms of Financial Intermediaries

According to the *Law for Creation of the Deposit Guarantee Fund and of the Resolution Mechanisms of Financial Intermediaries* (Law No. 9816), a deposit guarantee fund is created to strengthen the financial safety network of the national financial system through the creation of the Deposit Guarantee Fund and Resolution Mechanisms of Regulated Financial Intermediaries.

Pursuant to Article 17 Contributions of the *Regulation of the management of the Deposit Guarantee Fund and other guarantee funds*, entities that contribute to the DGF shall make an annual contribution that may not exceed 0.15% of the deposits guaranteed by the entity.

d) Treatment of foreign exchange differences as per ruling DGT-R-09-2022

The Bank filed a consultation before the Costa Rican Tax Administration pursuant to Article 119 of the Tax Code of Standards and Procedures, in relation to the treatment of the exchange differences provided through Ruling DGT-R-09-2022. That consultation was served and communicated via e-mail according to Official Letter MH-DGT-OF-119-0001-2023, dated January 31, 2023. The answer reads as follows:

*In accordance with the above, considering that the consulting party is an entity regulated by the Superintendency General of Financial Entities (SUGEF), for purposes of calculation of exchange differences, the calculation is made according to the regulation on the position in foreign currency of foreign exchange intermediaries set forth in Article 4 of the Cash Operations Regulations, issued by the Board of Directors of the Central Bank of Costa Rica and Number 4 of Ruling DGT-R-009-2022...Take into account that such ruling is applicable to the 2022 fiscal period, in accordance with Number 5 of the mentioned ruling.*

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(54) Reclassification of the loan portfolio in legal collection

As of the September 2024 close, there were reclassifications of the loan portfolio in legal collection to the past due loans account, in conformity with the chart of accounts of CONASSIF Directive 06-18, which reads as follows:

*Loans must be transferred to this account when the entity has complied with its administrative collection proceedings and has filed the lawsuit that begins judicial collection.*

In compliance with the foregoing, as of September 30, 2024, the amount of ₡2,016,644,344 was reclassified (2023: ₡2,892,418,493).

(55) Transition to International Financial Reporting Standards (IFRS)

On September 11, 2018, CONASSIF issued SUGEF Directive 30-18 *Regulation on Financial Information* (RFI), which seeks to regulate the application of IFRS and its interpretations (SIC and IFRIC) issued by the International Accounting Standards (IASB), considering prudential or regulatory accounting treatments, as well as the definition of a specific treatment or methodology when IFRS suggest two or more alternatives for application. Moreover, RFI establishes the content, preparation, referral, presentation, and publication of the financial statements of individual financial entities, groups and conglomerates regulated by the four superintendencies. RFI is effective from January 1, 2020, with some exceptions.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Conglomerate's management does not determine the financial measurement of the existing differences since it considers that due to the accounting basis used, described in Note 2, which is different from IFRS, makes this determination impractical.

A summary of some of the main differences between the accounting regulations issued by CONASSIF and IFRS, as well as IFRS or Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) yet to be adopted, is presented below:

a) IFRS 12: Income Taxes

Article 10 of IAS 12 *Income Taxes* and IFRIC 23 *Uncertainty over Income Tax Treatments*:

- i. The provisions of Article 10 of IAS 12 *Income Taxes* and IFRIC 23 *Uncertainty over Income Tax Treatments* became effective from January 1, 2019. On initial application of IFRIC 23, entities had to apply the transition established in item (b) of paragraph B2 of that Interpretation.
- ii. The amount of the provision for the tax treatments in dispute notified before December 31, 2018, corresponding to tax periods 2017 and previous periods, was booked at the greater of the best estimate of the amount payable to the Tax Authorities regarding the notice of deficiency (principal, interest, and fines), according to IAS 12, and 50% of the principal from the correction of the self-assessment of the tax obligation.

The booking of the provision for tax treatments in dispute for the periods indicated in the paragraph above could be accounted for in any of the following ways:

- a. Booking against profit or loss for the year, in monthly installments, using the straight-line method, no later than December 31, 2021, or
- b. Booking a single adjustment to the opening balance of prior period retained earnings until reaching the provision amount. Adjustments derived from subsequent evaluations of the amounts in dispute will be treated as adjustments to allowances, for which IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* will be applied.

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- c. If the provision amount were greater than the opening balance of prior-period retained earnings, the adjustment would be attributed first to the opening balance of prior-period retained earnings, and for complementing, the indications of item a. will be followed.

On January 31, 2019 at the latest, the entity, with tax treatments in dispute for the years indicated in this provision, had to report with the respective superintendency the method (a), (b) or (c) above, based on SUGEF Directive 30-18, that would be used until the resolution or settlement of the tax obligation.

Aligned with the above, the new CONASSIF Directive 6-18, which replaces SUGEF Directive 30-18 as of January 1, 2020, establishes in its first provision *Entrance into Force* that what was mentioned above concerning IAS 12 and IFRIC 23 will remain in effect until the resolution and will be evaluated according to the aforementioned framework, i.e. SUGEF 30-18.

b) IAS 21: The Effects of Changes in Foreign Exchange Rates

CONASSIF requires that the financial statements of regulated entities be presented in Costa Rican colones as the functional currency.

Additionally, regulated entities must use the reference sell exchange rate set by BCCR that prevails at the time that the operation to record the translation of the foreign currency into the official currency, 'the Costa Rican colon,' is made.

At each monthly close, the corresponding reference exchange rate will be used as indicated in the paragraph above, effective at the last day of each month, for the recognition of the adjustment due to foreign exchange differences in the monetary items in foreign currency.

According to this Standard, in preparing the financial statements, each entity will determine its functional currency. The entity will translate the items in foreign currency into the functional currency and will report on the effects of this translation. As indicated above, CONASSIF determined that both the presentation of financial information and the accounting records of foreign currency transactions should be translated into colones, irrespective of the functional currency.

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c) IFRS 5: Non-current Assets Held for Sale and Discontinued Operations

This Standard establishes that entities shall measure non-current assets (or disposal groups) classified as held for sale at the lower of the carrying amount and fair value less cost to sell.

To close the gaps with IFRS, through Minutes of Meeting No. 1836-2023, held on November 27, 2023, CONASSIF modified Article 16 of CONASSIF Directive 6-18 *Regulation on Financial Information* (RFI), eliminating allowance requirements and determining which will be reclassified to account 188 “Other assets held for sale outside the scope of IFRS 5”. This change is applicable from January 1, 2024, according to Transition Provision XX of RFI, which allows a gradual period ending December 31, 2024. The effects of this change will be applied prospectively.

d) IFRS 9: Financial Instruments

- a) For the application of IFRS 9, specifically the measurement of ECL, the prudential regulation issued by CONASSIF continues to be used, applicable to the loan portfolio, accounts receivable and stand-by credits granted, until the standard is modified.
- b) For the measurement of ECL on money market investment funds, for the portion of the portfolio of financial instruments classified as at amortized cost, CONASSIF established a threshold that determines whether those ECL should be recorded, as provided by Article 36 BIS and Transition Provision XV of the *General Regulation of Corporations and Investment Funds*, which includes a graduality table that establishes the percentages of deviation of the value of the investment portfolio. IFRS 9 does not indicate the possibility of establishing thresholds or minimum allowances for financial instruments.
- c) Regulated entities should have policies and procedures in place to determine the amount of the suspension of the booking of the accrual of commissions and interest on loan operations. However, the term of the suspension of the accrual should not exceed 180 days.

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e) IAS 38: Intangible assets

The commercial banks listed in Article 1 of IRNBS (Law No. 1644) may present organization and installation expenses as an asset in the statement of financial position. However, those expenses must be fully amortized using the straight-line method over a maximum of five years. This is not in accordance with IAS 38.

f) Revised Conceptual Framework

IASB published a revised version of the Conceptual Framework for Financial Reporting with a balance between high-level concepts and details provided that make it a practical tool for the development of new standards, to ensure that the standards to be issued are conceptually consistent and that similar transactions are treated in the same way. The content of the revised Conceptual Framework includes better definitions, guidance on the scope of the elements of the financial statements, measurement, among others. The new version contains eight chapters and a glossary and restates that the framework is not a standard. It is effective starting January 2020. This Conceptual Framework has not been considered by CONASSIF.

g) Sustainability standards:

The IFRS Foundation comprises the IASB, which issues the International Financial Reporting Standards (IFRS Accounting), as indicated above, and the International Sustainability Standards Board (ISSB), which develops the standards for reporting on the impact of climate change and sustainability.

These ISSB standards are designed to ensure that companies provide comprehensive sustainability information along with the financial statements issued during their regular reporting periods. On September 26, 2023, ISSB issued the two first standards that will be effective internationally from January 1, 2024.

The first standard of IFRS Sustainability Disclosure Standards (IFRS S1) sets out the *General Requirements for Disclosure of Sustainability-related Financial Information*.

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The second standard of the IFRS Sustainability Disclosure Standards (IFRS S2) is about *Climate-related Disclosures*.

IFRS S1 and S2 were adopted by the Costa Rican Institute of Public Accountants as of January 1, 2024. Their application is voluntary as of January 1, 2024 and they will be mandatory as follows:

- Companies with a public obligation of accountability that are supervised and regulated by CONASSIF, will report in 2026 the information on the fiscal year ended December 31, 2025.
- Companies categorized as large taxpayers before the Tax Administration that are not part of subsection a), will report in 2027 the information on tax year ended December 31, 2026.
- Other entities outside of the categories mentioned in subsections a) and b) that apply IFRS can adopt IFRS S1 AND S2 during the period that the entity considers convenient.

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- For entities that apply IFRS for SMEs, it will not be mandatory until it is required by the standard.

Entities usually prepare non-financial reports on their sustainability programs, which will be substituted by the entrance into effect of this regulation once it is adopted by CONASSIF.

(56) Disclosure of economic impact of departure from IFRS

Since the basis of accounting used by the Bank's management described in Note 2 differs from IFRS, discrepancies may arise related to certain account balances.

The Bank's management has chosen not to determine the economic impact of those differences since it considers such determination impractical.