BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Financial Information required by the
Superintendency General of Financial Entities

Consolidated Financial Statements

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

(With the Independent Auditors' Report thereon)

(Translation into English of the original
Independent Auditors' Report issued in Spanish)

KPMG S.A.
Edificio KPMG
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Independent Auditors' Report

To the Board of Directors of Banco Nacional de Costa Rica

Opinion
We have audited the consolidated financial statements of Banco Nacional de Costa Rica and Subsidiaries (the Conglomerate), which comprise the consolidated statement of financial position as of December 31, 2023, the consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as of December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the financial reporting provisions of the accounting regulations issued by the National Financial System Oversight Board (CONASSIF), the Superintendency General of Financial Entities (SUGEF), the National Securities Commission (SUGEVAL), the Pensions Superintendency (SUPEN), and the Superintendency General of Insurance (SUGESE).

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Conglomerate in accordance with the Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants (the IESBA Code), along with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Costa Rica, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting
We draw your attention to note 2-a to the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements have been prepared in accordance with the financial reporting provisions of the accounting regulations issued by CONASSIF, SUGEF, SUGEVAL, SUPEN, and SUGESE. Therefore, the consolidated financial statements may not be suitable for another purpose. Our opinion has not been modified in this regard.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter	How the matter was addressed in our audit
1. Compliance with the regulation to determine the allowance for loan losses	
We have established compliance with SUGEF Directive 1-05, Regulations for Borrower Classification, which provides guidelines to determine the allowance for loan losses, as a key audit matter (see Note 6). According to this regulation, the allowance for loan losses is determined through the application of pre-established percentages to each borrower, according to their risk rating, which considers the days of arrears, creditworthiness, and historical payment behavior. The elements to be considered as basis for the allowance are: the balance of the loan for each borrower, current interest, and stand-by credits. The allowance percentage is applied to the net balance not covered by collaterals eligible for risk mitigation, in conformity with the mitigation percentages established in the aforementioned regulation.	Our procedures in this area included: • assessing the design and operating efficiency of IT controls on the information systems used by the Bank's management to calculate arrears in the loan portfolio; performing detailed testing of the entire loan portfolio to confirm the days of arrears; • testing the transfer of data between the interfaces of the loan information systems and the systems used by the Bank to determine the borrower classification and to calculate the allowance for loan losses; • recalculating the minimum allowance for loan losses on direct loans and stand-by credits, based on the information furnished by the Bank's management; testing the integrity of data for this information; • performing detailed testing of a sample of borrowers, to confirm whether the Bank's management complied with the analysis of creditworthiness required by the regulation, as well as the assessment of the collaterals that can be used to mitigate credit risk. This procedure included an assessment of the work performed by external experts on the valuation of collaterals;

	• comparing the level of historical payment behavior used by the Bank's management with the information provided by SUGEF's Credit Information Center. • recalculating and comparing the risk rating assigned by the Bank's management (recorded in the credit subledger) to KPMG's recalculation.

Responsibilities of Management and those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the financial reporting provisions of the accounting regulations issued by CONASSIF, SUGEF, SUGEVAL, SUPEN, and SUGESE, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Conglomerate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Conglomerate or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Conglomerate's consolidated financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Conglomerate's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Conglomerate's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Conglomerate to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Conglomerate to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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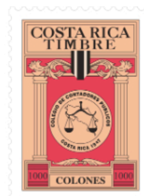
KPMG

Nombre del CPA: MYNOR PACHECO SOLANO
Carné: 4596
Cédula: 108980067
Nombre del Cliente: BNCR
Identificación del cliente: 4000001021
Dirigido a: Bernardo Alfaro Araya
Fecha: 01-08-2024 09:17:42 AM
Tipo de trabajo: Informe de Auditoría

Timbre de ¢1000 de la Ley 6663 adherido y cancelado en el original.

MYNOR PACHECO SOLANO
Contador Público Autorizado No. 4596
COSTA RICA



Código de Timbre: CPA-1000-14512

San José, Costa Rica
Member No. 4596
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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023
(With corresponding figures for 2022)
(In U.S. dollars)

	Note	2023	2022
ASSETS			
Cash and due from banks	**9**	**2,712,880,378**	**2,443,354,017**
Cash		194,955,530	200,910,966
BCCR		1,758,732,515	1,455,228,081
Local financial entities		1,493,189	1,170,847
Foreign financial entities		490,404,508	564,058,442
Notes payable on demand		14,794,392	12,370,444
Restricted cash and due from banks		252,500,244	209,615,237
Investments in financial instruments	**10**	**2,637,450,254**	**2,438,155,407**
At fair value through profit or loss (FVTPL)		44,642,828	40,588,477
At fair value through other comprehensive income (FVOCI)		1,166,764,744	972,946,543
At amortized cost		1,386,501,010	1,396,458,022
Derivative financial instruments	**11**	691,439	27,266
Accrued interest receivable		41,540,934	33,002,610
(Allowance for impairment of investments in financial instruments)		(2,690,701)	(4,867,511)
Loan portfolio	**12**	**9,257,362,414**	**7,694,966,193**
Current		8,849,587,677	7,345,881,039
Past due		413,967,489	381,101,054
In legal collection		147,163,014	89,852,157
Direct incremental costs related to loans		12,072,525	9,561,452
(Deferred income on loan portfolio)		(91,317,230)	(69,647,563)
Accrued interest receivable		172,246,840	169,726,430
(Allowance for loan losses)		(246,357,901)	(231,508,376)
Accounts and fees and commissions receivable	**13**	**6,598,443**	**4,160,936**
Fees and commissions receivable		4,176,217	2,962,775
Accounts receivable for transactions with related parties		42,090	52,595
Deferred tax and income tax receivable		1,230,920	721,663
Other receivables		15,595,499	7,614,981
Accrued interest receivable		3,820	1,206
(Allowance for impairment of accounts and fees and commissions receivable)		(14,450,103)	(7,192,284)
Assets held for sale	**14**	**69,194,422**	**62,285,848**
Assets and securities acquired in lieu of payment		187,222,727	163,003,515
Other assets held for sale		-	92,833
(Allowance for impairment of assets held for sale and per legal requirements)		(118,028,305)	(100,810,500)
Investments in other companies	**15**	**129,871,012**	**121,873,618**
Property, furniture, equipment and right-of-use assets, net	**16**	**452,907,324**	**342,810,123**
Other assets	**17**	**80,180,036**	**90,891,090**
Deferred charges		42,471	23,805,189
Intangible assets		10,681,557	14,913,332
Other assets		69,456,008	52,172,569
TOTAL ASSETS		**15,346,444,283**	**13,198,497,232**

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

Continued…

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023
(With corresponding figures for 2022)
(In U.S. dollars)

LIABILITIES AND EQUITY	Note	2023	2022
LIABILITIES			
Obligations with the public	**18**	**12,242,643,978**	**10,202,920,250**
Demand obligations		8,422,268,937	7,167,423,639
Term obligations		3,709,374,014	2,974,578,968
Finance charges payable		111,001,027	60,917,643
Obligations with BCCR	**19**	**280,115,134**	**277,350,050**
Term obligations		274,202,628	273,586,618
Finance charges payable		5,912,506	3,763,432
Obligations with entities	**20**	**862,131,463**	**1,104,539,539**
Demand obligations		114,433,835	75,191,674
Term obligations		743,627,357	1,024,886,244
Other obligations with entities		-	(171,547)
Finance charges payable		4,070,271	4,633,168
Accounts payable and provisions		**279,294,877**	**219,347,303**
Provisions	**22**	44,197,101	17,980,270
Accounts payable for brokerage services		917,106	1,293,298
Deferred tax	**21-b**	30,818,712	11,787,589
Other sundry accounts payable	**23**	203,361,958	188,286,146
Other liabilities	**24**	**62,844,252**	**50,660,108**
Deferred income		168,326	167,687
Other liabilities		62,675,926	50,492,421
Subordinated obligations	**25**	**112,104,804**	**114,467,301**
Subordinated obligations		108,000,000	111,000,000
Finance charges payable		4,104,804	3,467,301
TOTAL LIABILITIES		**13,839,134,508**	**11,969,284,551**
EQUITY			
Share capital		**329,078,821**	**329,078,821**
Paid-in capital	**26-a**	329,078,821	329,078,821
Equity adjustments - Other comprehensive income		**129,791,427**	**101,247,033**
Reserves	**26-b**	**788,738,196**	**724,720,728**
Prior-period retained earnings		**55,065,632**	**67,916,888**
Income for the year		**69,022,107**	**57,333,155**
Capital contributions or special funds	**26-c**	**76,484,194**	**68,831,245**
Effect of translation of financial statements		**59,129,398**	**(119,915,189)**
TOTAL EQUITY		**1,507,309,775**	**1,229,212,681**
TOTAL LIABILITIES AND EQUITY		**15,346,444,283**	**13,198,497,232**
DEBIT MEMORANDA ACCOUNTS	**27**	**781,072,711**	**737,138,035**
TRUST ASSETS	**28**	**5,395,745,727**	**5,498,942,391**
TRUST LIABILITIES		**121,945,266**	**138,388,084**
TRUST EQUITY		**5,273,800,461**	**5,360,554,307**
TRUST MEMORANDA ACCOUNTS		**14,117,230**	**370,485,072**
OTHER DEBIT MEMORANDA ACCOUNTS	**29**	**67,279,075,557**	**52,282,661,856**
Own debit memoranda accounts		23,812,794,397	16,843,701,396
Third-party debit memoranda accounts		9,407,355,040	7,844,002,262
Own debit memoranda accounts for custodial activities		1,215,276,661	876,866,459
Third-party debit memoranda accounts for custodial activities		32,843,649,459	26,718,091,739

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Rosaysella Ulloa Villalobos
General Manager a.i.

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

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Ricardo Araya Jiménez
General Auditor

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

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BANCO NACIONAL DE COSTA RICA
Atención: Administración de la entidad
Registro Profesional: 21119
Contador: MORALES CENTENO ALEJANDRA
Estado de Situación Financiera
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TIMBRE 300.0 COLONES

VERIFICACIÓN: HJYf1huC
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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023
(With corresponding figures for 2022)
(In U.S. dollars)

	Note	2023	2022
Finance income			
Cash and due from banks	**33**	27,193,594	9,406,191
Investments in financial instruments	**33**	164,291,741	85,517,156
Loan portfolio	**34**	872,265,589	613,295,715
Gain on financial instruments at FVTPL		793,793	423,920
Gain on financial instruments at FVOCI		11,581,423	4,109,359
Other finance income	**35**	13,636,691	20,890,904
Total finance income		**1,089,762,831**	**733,643,245**
Finance costs			
Obligations with the public	**36**	446,433,961	200,789,851
Obligations with BCCR		2,363,179	2,257,431
Obligations with financial and non-financial entities	**37**	63,513,604	50,581,182
Subordinated, convertible and preferred obligations		12,214,810	8,892,692
Loss on foreign exchange differences and DU, net	**6-d**	2,270,714	942,171
Loss on financial instruments at FVTPL		2,145,824	709,066
Loss on financial instruments at FVOCI		5,042,698	6,348,545
Loss on derivative financial instruments, net	**11**	50,366	10,747,830
Other finance costs	**38**	11,087,363	12,845,345
Total finance costs		**545,122,519**	**294,114,113**
Allowance for impairment of assets	**39**	77,032,975	77,648,078
Recovery of assets and decrease in allowances	**40**	40,690,225	36,343,834
FINANCE INCOME		**508,297,562**	**398,224,888**
Other operating income			
Service fees and commissions	**41**	310,352,368	260,583,068
Assets held for sale		10,056,677	11,288,979
Gain on investments in other companies	**8**	6,027,315	3,001,122
Foreign currency exchange and arbitrage		61,085,465	43,888,562
Other income from related parties		661,787	-
Other operating income	**42**	19,452,672	14,901,791
Total other operating income		**407,636,284**	**333,663,522**

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

Continued…

BANCO NACIONAL DE COSTA RICA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023
(With corresponding figures for 2022)
(In U.S. dollars)

	Note	2023	2022
Other operating expenses			
Service fees and commissions		76,013,540	64,970,092
Assets held for sale	**43**	29,379,564	32,127,960
Provisions	**44**	42,641,830	8,594,651
Bonuses on fees and commissions of voluntary pension funds		655,128	329,654
Foreign currency exchange and arbitrage		27,656	66,333
Other expenses with related parties		-	90,490
Other operating expenses	**45**	135,085,045	103,616,786
Total other operating expenses		**283,802,763**	**209,795,966**
GROSS OPERATING INCOME		**632,131,083**	**522,092,444**
Administrative expenses			
Personnel expenses	**46**	283,998,629	234,459,122
Other administrative expenses	**47**	164,394,218	127,623,118
Total administrative expenses		**448,392,847**	**362,082,240**
NET OPERATING INCOME BEFORE TAXES AND STATUTORY ALLOCATIONS		**183,738,236**	**160,010,204**
Income tax	**21-a**	36,851,752	44,791,796
Prior year income tax	**21-a**	25,928,729	21,804,438
Deferred tax	**21-a**	3,451,363	2,686,456
Decrease in prior-period income tax	**21-a**	2,206,349	-
Deferred tax income	**21-a**	1,834,669	2,663,957
Statutory allocations	**48**	52,525,303	36,058,316
INCOME FOR THE YEAR		**69,022,107**	**57,333,155**
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Items that will not be reclassified to profit or loss			
Surplus from revaluation of property		19,459,349	139,561
Other adjustments		(13,378,082)	(12,872,679)
Items that are or may be reclassified to profit or loss			
Adjustment for valuation of investments at FVOCI		24,015,627	(31,613,996)
Surplus from revaluation of other assets		(66,494)	(13,816)
Effect of translation of financial statements		179,044,587	82,521,640
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**209,074,987**	**38,160,710**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**278,097,094**	**95,493,865**

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Rosaysella Ulloa Villalobos
General Manager a.i.

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Alejandra Morales Centeno
General Accountant
CPI 21119

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Ricardo Araya Jiménez
General Auditor

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

Céd. 4000001021

BANCO NACIONAL DE COSTA RICA
Atención: Administración de la entidad

Registro Profesional: 21119
Contador: MORALES CENTENO ALEJANDRA

Estado de Resultados Integral

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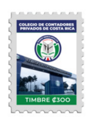
CONTADOR PRIVADO INCORPORADO
MORALES CENTENO ALEJANDRA
CPI No. 21119
COSTA RICA



TIMBRE 300.0 COLONES

VERIFICACIÓN: HJYf1huC
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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, NET
FOR THE YEAR ENDED DECEMBER 31, 2023
(With corresponding figures for 2022)
(In U.S. dollars)

	Note	Share capital	Equity adjustments - Other comprehensive income	Effect of translation of financial statements	Reserves	Capital contributions in special funds	Prior-year retained earnings	Total
Balance at December 31, 2021		**329,078,821**	**144,621,168**	**(202,436,829)**	**690,255,816**	**64,606,748**	**107,593,091**	**1,133,718,815**
Transactions with owners booked directly in equity:								
Legal reserves		-	-	-	35,443,940	-	(35,443,940)	-
Other statutory reserves		-	-	-	(979,028)	-	979,028	-
Capital contributions in special funds		-	-	-	-	4,224,497	(4,224,497)	-
Total transactions with owners booked directly in equity		-	-	-	**34,464,912**	**4,224,497**	**(38,689,409)**	-
Comprehensive income for the year:								
Income for the year		-	-	-	-	-	57,333,155	57,333,155
Surplus from revaluation of property		-	139,562	-	-	-		139,562
Adjustment for valuation of investments at FVOCI	**10**	-	(31,613,996)	-	-	-		(31,613,996)
Surplus from revaluation of other assets		-	(13,816)	-	-	-		(13,816)
Other adjustments		-	(12,872,679)	-	-	-		(12,872,679)
Realization of surplus from revaluation of property		-	986,794	-	-	-	(986,794)	-
Effect of translation of financial statements		-	-	82,521,640	-	-	-	82,521,640
Total comprehensive income for the year		-	**(43,374,135)**	**82,521,640**	-	-	**56,346,361**	**95,493,866**
Balance at December 31, 2022	**26**	**329,078,821**	**101,247,033**	**(119,915,189)**	**724,720,728**	**68,831,245**	**125,250,043**	**1,229,212,681**

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Rosaysella Ulloa Villalobos
General Manager a.i.

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Alejandra Morales Centeno
General Accountant
CPI 21119

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Ricardo Araya Jiménez
General Auditor

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

Céd. 4000001021
BANCO NACIONAL DE COSTA RICA
Atención: Administración de la entidad
Registro Profesional: 21119
Contador: MORALES CENTENO ALEJANDRA
Estado de Cambios en el Patrimonio
2024-08-01 16:17:10 -0600

CONTADOR PRIVADO INCORPORADO COSTA RICA

TIMBRE 300.0 COLONES

VERIFICACIÓN: HJYf1huC
https://timbres.contador.co.cr

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, NET
FOR THE YEAR ENDED DECEMBER 31, 2023
(With corresponding figures for 2022)
(In colones)

	Note	Share capital	Equity adjustments - Other comprehensive income	Effect of translation of financial statements	Reserves	Capital contributions in special funds	Prior-year retained earnings	Total
Balance at December 31, 2022		**329,078,821**	**101,247,033**	**(119,915,189)**	**724,720,728**	**68,831,245**	**125,250,043**	**1,229,212,681**
Transactions with owners booked directly in equity:								
Legal reserves		-	-	-	68,280,366	-	(68,280,366)	-
Other statutory reserves		-	-	-	(4,262,898)	-	4,262,898	-
Capital contributions in special funds		-	-	-	-	7,652,949	(7,652,949)	-
Total transactions with owners booked directly in equity		**-**	**-**	**-**	**64,017,468**	**7,652,949**	**(71,670,417)**	**-**
Comprehensive income for the year:								
Income for the year		-	-	-	-	-	69,022,107	69,022,107
Surplus from revaluation of property		-	19,459,349	-	-	-		19,459,349
Adjustment for valuation of investments at FVOCI	**10**	-	24,015,627	-	-	-		24,015,627
Surplus from revaluation of other assets		-	(66,494)	-	-	-		(66,494)
Other adjustments		-	(13,378,082)	-	-	-		(13,378,082)
Realization of surplus from revaluation of property		-	(1,486,006)	-	-	-	1,486,006	-
Effect of translation of financial statements		-	-	179,044,587	-	-	-	179,044,587
Total comprehensive income for the year		**-**	**28,544,394**	**179,044,587**	**-**	**-**	**70,508,113**	**278,097,094**
Balance at December 31, 2023	**26**	**329,078,821**	**129,791,427**	**59,129,398**	**788,738,196**	**76,484,194**	**124,087,739**	**1,507,309,775**

ROSAYSELLA ULLOA VILLALOBOS (FIRMA)
Firmado digitalmente por ROSAYSELLA ULLOA VILLALOBOS (FIRMA)
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Rosaysella Ulloa Villalobos
General Manager a.i.

ALEJANDRA MORALES CENTENO (FIRMA)
Firmado digitalmente por ALEJANDRA MORALES CENTENO (FIRMA)
Fecha: 2024.08.05 19:51:18 -06'00'

Alejandra Morales Centeno
General Accountant
CPI 21119

RICARDO ALONSO ARAYA JIMENEZ (FIRMA)
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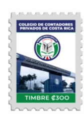
Date: 2024.08.07 09:54:17 -06'00'

Ricardo Araya Jiménez
General Auditor

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

Céd. 4000001021
BANCO NACIONAL DE COSTA RICA
Atención: Administración de la entidad
Registro Profesional: 21119
Contador: MORALES CENTENO ALEJANDRA
Estado de Cambios en el Patrimonio
2024-08-01 16:17:10 -0600

CONTADOR PRIVADO INCORPORADO
COSTA RICA



TIMBRE 300.0 COLONES

VERIFICACIÓN: HJYf1huC
https://timbres.contador.co.cr

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
(With corresponding figures for 2022)
(In U.S. dollars)

	Note	2023	2022
Cash flows from operating activities			
Income for the year		69,022,107	57,333,155
Items not requiring cash			
Depreciation and amortization		44,713,868	35,780,373
(Gain) on foreign exchange differences and DU, net		195,491,140	76,267,671
Loss on sale of non-financial assets		9,069,570	12,733,991
Finance income		(1,036,557,330)	(698,812,872)
Finance costs		312,341,904	156,242,693
Allowance for investments, net		(5,271,275)	(1,157,511)
Allowance for loan losses, net		62,257,059	72,148,345
Allowance for other accounts receivable, net		8,017,248	1,940,622
Loss on allowance for assets held for sale, net		2,842,856	2,752,877
Severance provision		8,309	(89,947)
Other provisions		36,373,236	17,612,000
Share of net profit of foreign associate		(6,027,315)	(3,001,122)
Statutory allocations, net		52,525,303	36,058,316
Income tax expense, net	21-a	60,574,132	66,596,234
Deferred tax, net	21-a	1,616,694	22,500
		(193,002,494)	**(167,572,675)**
Cash flows from operating activities			
Loan portfolio		(908,223,307)	(525,196,666)
Accounts and fees and commissions receivable		8,057,362	(8,275,590)
Assets held for sale		44,834,503	26,061,575
Other assets		29,132,812	29,477,813
Obligations with the public		1,153,909,307	377,665,488
Obligations with BCCR and other entities		(328,308,344)	(228,231,059)
Obligations for accounts payable, fees and commissions payable and provisions		4,025,779	(26,840,758)
Other liabilities		1,882,123	7,950,347
		5,310,235	**(347,388,850)**
Income tax paid		(95,758,969)	(56,266,656)
Interest received on loan portfolio and investments		1,094,454,115	769,203,518
Interest paid on term obligations with the public and financial entities		(282,623,212)	(151,911,082)
Statutory allocations paid		(44,535,661)	(24,860,068)
Net cash from operating activities		**483,844,014**	**21,204,187**
Cash flows from investing activities			
Increase in financial instruments		(2,454,913,103)	(2,222,458,528)
Decrease in financial instruments		2,693,593,464	2,396,477,758
Acquisition of property and equipment		(55,534,723)	(46,485,300)
Sale of property and equipment		306,222	(302,385)
Acquisition of intangible assets		(4,258,053)	(9,252,709)
Net cash from investing activities		**179,193,807**	**117,978,836**
Cash flows from financing activities			
Settlement of financial obligations		(151,056,844)	(15,395,888)
New financial obligations		-	5,007,226
Payment of lease liabilities	16-c	(5,660,854)	(3,552,556)
Net cash used in financing activities		**(156,717,698)**	**(13,941,218)**
Net increase in cash and cash equivalents		**506,320,123**	**125,241,805**
Cash and cash equivalents at beginning of year		**2,622,531,451**	**2,497,289,646**
Cash and cash equivalents at end of year	9	**3,128,851,574**	**2,622,531,451**

ROSAYSELLA ULLOA VILLALOBOS (FIRMA) Firmado digitalmente por ROSAYSELLA ULLOA VILLALOBOS (FIRMA) Fecha: 2024.08.08 18:19:07 -06'00'

Rosaysella Ulloa Villalobos
General Manager a.i.

ALEJANDRA MORALES CENTENO (FIRMA) Firmado digitalmente por ALEJANDRA MORALES CENTENO (FIRMA) Fecha: 2024.08.05 19:51:54 -06'00'

Alejandra Morales Centeno
General Accountant
CPI 21119

RICARDO ALONSO ARAYA JIMENEZ (FIRMA) Digitally signed by RICARDO ALONSO ARAYA JIMENEZ (FIRMA) Date: 2024.08.07 09:54:50 -06'00'

Ricardo Araya Jiménez
General Auditor

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

TIMBRE 300.0 COLONES

VERIFICACIÓN: HJYf1huC
https://timbres.contador.co.cr

(1) Reporting entity

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

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

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

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

As of December 31, 2023, the Bank has 153 offices, 465 ATMs and along with its subsidiaries a total of 5,748 employees (2022: 153 offices, 468 ATMs and along with its subsidiaries a total of 5,700 employees). Employees are distributed as follows: Banco Nacional de Costa Rica – 5,276 employees (2022: 5,232); BN Valores Puesto de Bolsa, S.A. - 72 employees (2022: 73); BN Vital Operadora de Planes de Pensiones Complementarias, S.A. - 196 employees (2022: 199); BN Sociedad Administradora de Fondos de Inversión, S.A. - 98 employees (2022: 90); and BN Sociedad Corredora de Seguros, S.A. - 106 employees (2022: 106). The Bank's website is www.bncr.fi.cr.

The following subsidiaries are wholly owned by the Bank:

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

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

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

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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2023, BN Centro de Procesos, S.A. has not begun operations until the Office of the Comptroller General of the Republic authorizes the corresponding budget.

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

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

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

		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	US$	126,081,639	24,459,065	32,284,594	16,887,325	971,320,650
Liabilities	US$	96,253,697	2,255,276	4,596,963	2,611,002	843,538,582
Equity	US$	28,718,198	21,377,699	26,657,515	13,745,174	123,027,950
Adjustment for conversion of financial statements	US$	1,109,745	826,089	1,030,115	531,149	4,754,117
Income for the year	US$	2,981,042	4,539,262	2,960,243	8,804,825	6,026,297
Memoranda accounts	US$	2,109,454,322	1,295,744,573	4,833,720,909	-	-

		2022				
		BN Valores Puesto de Bolsa, S.A.	BN Sociedad Administradora de Fondos de Inversión, S.A.	BN Vital Operadora de Planes de Pensiones Complementarias, S.A.	BN Sociedad Corredora de Seguros, S.A.	BICSA
Assets	US$	88,997,449	21,058,141	23,293,721	13,891,079	978,295,192
Liabilities	US$	63,802,279	1,834,358	3,682,812	2,323,517	856,507,116
Equity	US$	23,307,324	17,783,366	18,141,485	10,700,817	112,662,626
Adjustment for conversion of financial statements	US$	1,887,847	1,440,417	1,469,424	866,745	9,125,450
Income for the year	US$	1,551,100	4,136,516	2,192,731	6,335,697	2,993,485
Memoranda accounts	US$	1,757,805,103	1,010,788,088	3,720,121,115	-	-

(Continued)

(2) Basis of accounting

(a) Basis of accounting

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

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

(b) Basis of measurement

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

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

(3) Functional and presentation currency

The consolidated financial statements and notes are expressed in US dollars (US$), which is the presentation currency. Such consolidated financial statements and accompanying notes were translated into that currency based on the consolidated financial statements expressed in colones (¢), monetary unit of the Republic of Costa Rica and the Bank's functional currency established by the regulator.

(4) Use of estimates and judgments

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

(Continued)

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

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

a- *Judgments*

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

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

b- *Assumptions and estimation uncertainties*

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment for the years ended December 31, 2023, is related to the impairment of financial instruments.

(i) *Fair value measurement*

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

(5) 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 December 31, 2023, the Bank holds 49% ownership interest in Banco Internacional de Costa Rica, S.A. and Subsidiary (BICSA), a Panamanian entity.

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

iii. Loss of control

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

iv. Interests in equity-accounted investees

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

v. Transactions eliminated on consolidation

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

(b) Foreign currency

i. Foreign currency transactions

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

ii. Monetary unit and foreign exchange regulations

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

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

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

As of December 31, 2023, assets and liabilities in US dollars are valued at the exchange rate of ¢526.88 to US$1.00 (2022: ¢601.99 to US$1.00), which is the reference selling rate established by BCCR.

As of December 31, 2023, assets and liabilities denominated in euro are valued at the exchange rate of ¢582.31 to €1.00 (2022: ¢642.38 to €1.00), which is obtained by multiplying the international Reuters exchange rate by the reference rate set by BCCR for the sale of US dollars on the last business day of the month.

As of December 31, 2023, assets and liabilities denominated in Development Units (DU) were valued at the exchange rate of ¢1,013.32 to DU1.00 (2022: ¢1,028.84 to DU1.00). This exchange rate is based on the DU value tables published by SUGEVAL.

(Continued)

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 year, have been translated at the exchange rate in effect on the date of the transaction (historical rate)
- Income and expenses have been translated at average exchange rates in effect for the year.

(c) Translation of consolidated financial statements into US dollars

As of December 31, 2023 and 2022, the consolidated financial statements of Banco Nacional de Costa Rica were translated into US dollars using the consolidated financial statements expressed in the entitys' functional currency (Costa Rican colones):

a. Assets and liabilities at the closing exchange rate
b. Equity was translated at the exchange rate in effect on the transaction date (historical rates)
c. Related income and expenses at the average exchange rate for the year
d. Foreign currency translation differences arising from translation are recognized in other comprehensive income and accumulated in a separate equity component in the consolidated statement of financial position, in a reserve account denominated "Effect of translation of financial statements". When the companies are disposed of, fully or partially, the amount corresponding to the effect of the translation reserve is transferred to profit or loss for the year.

As of December 31, 2023, this reserve amounts to US$ 59,129,398 (2022: US$ (119,915,189)).

The translation of the aforementioned consolidated financial statements into US dollars should not be construed as an assertion that amounts expressed in US dollars may be freely converted to the local currency by applying the exchange rates used in translation.

(Continued)

(d) Financial instruments

(i) Recognition and 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 and 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.

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

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

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

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

Business model assessment

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

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

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

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

(Continued)

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

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

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

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

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

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

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

(Continued)

Subsequent measurement and gains and losses

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

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

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

Financial liabilities

Classification

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

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

Subsequent measurement and gains and losses

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

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

(iii) Impairment of financial assets

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

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

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

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

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

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

Measurement of ECL

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

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

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

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

(Continued)

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

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

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

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

Forward-looking information

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

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

<u>Impairment of non-financial assets</u>

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

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

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

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

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

(iv) *Derecognition*

Financial assets

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

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

Financial liabilities

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

(v) *Offsetting*

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

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

(e) Derivative financial instruments

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

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

(f) Embedded derivatives

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

- the host contract is not itself carried at 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.

(Continued)

The Conglomerate currently has the following derivative financial instruments:

i. *Derivatives held for risk management*

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

LIBOR ceased to be applied in the market; however, the 3-month and 6-month settings will continue to be published until 2023. On November 1, 2023, this issue matured, in conformity with that set forth in the contract; therefore, the issue, interest, valuation and other corresponding items were settled, thus complying with the established maturity of the bond and corresponding hedging instruments.

ii. *Derivatives other than hedges*

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

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

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

(g) 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.

(h) Property, furniture, equipment and leasehold improvements

(i) Recognition and measurement

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

(ii) Subsequent costs

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

(iii) Depreciation and amortization

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

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

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

(i) Intangible assets

(i) Recognition and measurement

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

(ii) Amortization

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

(iii) Subsequent costs

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

(j) Leases

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

(i) As a lessee

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

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

(Continued)

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

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

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

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

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

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

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

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

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

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

(k) Loan portfolio

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

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

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

(l) Allowance for loan losses

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

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

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

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

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

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

The provisions of Article 22 of SUGEF Directive 9-20 *Regulations to Authorize and Execute Operations with Foreign Exchange Derivatives* are to be applied in calculating the allowance for clearing price risk in respect of each customer or counterparty. For such purposes, the capital requirement adjusted for clearing price risk (as defined in Article 28 of SUGEF Directive 3-06 *Regulations on Capital Adequacy of Financial Entities*) must be multiplied by the respective allowance percentage corresponding to the borrower rating included in SUGEF Directive 1-05.

(n) Other receivables

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

(o) Assets held for sale

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

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

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

If an asset booked under assets held for sale is used by the Conglomerate, it should be reclassified to the appropriate account.

Through Article 16 of CONASSIF Directive 06-18 and Article 72 of IRNBS (Law No. 1644), the extension of the term from 24 months to 48 months is established, whereby the total (100%) allowance for impairment of assets held for sale must be applied. However, if it has not been sold within 24 months from the date of the award or receipt of the asset, the entity must request from the Superintendency an extension for an equal term for sale of the asset. The extension request may be denied by the Superintendency, providing adequate grounds for its decision, in which case it will require the creation of an allowance for 100% of the carrying amount. If the entity does not request an extension, it will also be required to create an allowance.

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

(p) Accounts payable and other liabilities

Accounts payable and other liabilities are carried at amortized cost.

(q) Provisions

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

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

(r) Employee benefits

(i) Short-term employee benefits

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

(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.

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

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

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

(v) *Annuities*

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

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

(vi) *Defined contribution plans*

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

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

(vii) Defined benefit plans

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

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

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

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

(viii) Termination benefits

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

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

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

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% (2022: 5%) of total wages to strengthen the Fund; and
- income from investments made by the Fund and other potential income.

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

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

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

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).

(s) 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.

(t) Legal reserve

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

Other statutory reserves

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

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

(u) Revaluation surplus

Revaluation surplus included in the consolidated statement of changes in equity may be transferred directly to prior 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).

(v) Income tax

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

i. Current tax

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

ii. Deferred tax

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

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

iii. Tax benefits - FOCREDE

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

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

(w) Segment reporting

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

(x) Financial statements of the different departments

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

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

(y) Recognition of income and expenses

i. Interest income and interest expense

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

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

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

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

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

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

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

Regarding accrual on the loan portfolio over 180 days, official letter CNS-1698/08 indicates that an allowance must be created with cutoff date as of October 2021. Of the balance booked in accrued interest receivable on the loan portfolio, the Bank must record US$54 million, corresponding to accrued interest over 180 days. Allowances in the amount of US$3 million have already been booked.

As of December 31, 2023, allowances booked amount to US$19 million. According to the plan for accrued interest receivable, the allowance to be booked amounts to US$42 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.

Semester	Minimum allowance percentage of the balance of accrued interest receivable over 180 days	Minimum allowance required
2024-06	56%	US$ 23,803,386
2024-12	70%	US$ 29,754,233
2025-06	85%	US$ 36,130,140
2025-12	100%	US$ 42,506,047

ii. Fee and commission income

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

iii. Income from foreign currency exchange and arbitrage

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

iv. Operating lease expenses

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

(z) Statutory allocations

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

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

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.

(aa) Development Financing Fund (FOFIDE)

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

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

(bb) Development Credit Fund (FOCREDE)

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

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

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

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

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

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

(cc) Trust operations

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

(6) Risk management

The Conglomerate has exposure to the following risks:

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

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

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

The Conglomerate manages the above risks as follows:

a) *Credit risk*

i. *Banco Nacional de Costa Rica*

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

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

The Bank has established the following credit risk management procedures:

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

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

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

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

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

(Continued)

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

		Direct loan portfolio		Stand-by credits	
		2023	2022	2023	2022
Loan portfolio					
Principal	US$	9,410,718,180	7,816,834,251	650,221,696	569,460,181
Accounts and accrued interest receivable		172,246,840	169,726,430	-	-
Gross carrying amount		9,582,965,019	7,986,560,681	650,221,696	569,460,181
Incremental direct costs related to loans		12,072,525	9,561,452	-	-
Deferred income from loan portfolio		(91,317,230)	(69,647,563)	-	-
Allowance for loan losses (accounting records)		(246,357,901)	(231,508,376)	(2,057,596)	(1,971,367)
Net carrying amount	US$	9,257,362,413	7,694,966,194	648,164,100	567,488,814

		Direct loan portfolio		Stand-by credits	
		2023	2022	2023	2022
Loan portfolio					
Total balances:					
0	US$	93,119,191	62,858,198	-	-
A1		7,524,681,033	6,140,061,280	634,836,905	-
A2		28,260,902	97,476,717	638,921	2,206,483
B1		1,103,284,426	806,090,765	7,386,142	9,153,475
B2		14,261,555	28,557,241	43,411	150,214
C1		244,274,972	215,631,588	5,100,007	2,788,324
C2		15,473,979	30,562,886	32,847	131,324
D		304,798,658	293,720,007	983,347	1,389,753
E		254,810,303	311,601,998	1,200,115	25,729,455
		9,582,965,019	7,986,560,681	650,221,696	569,460,181
Structural allowance (subledger – database)		(181,099,788)	(165,483,453)	(69,935)	(533,292)
Net carrying amount	US$	9,401,865,231	7,821,077,228	650,151,761	568,926,889
Individually assessed loans with allowance:					
0	US$	91,566,372	61,181,468	-	-
A1		7,524,482,341	6,137,357,141	23,049,639	38,366,751
A2		28,260,902	97,476,717	-	46,002
B1		1,103,284,426	805,606,919	1,941,530	1,523,401
B2		14,261,555	28,557,241	-	-
C1		244,274,972	215,631,588	42,286	48,799
C2		15,473,979	30,562,886	-	2,584
D		304,798,658	293,720,007	50,000	-
E		254,810,303	311,601,998	75,919	23,840,501
		9,581,213,508	7,981,695,965	25,159,374	63,828,038
Structural allowance (subledger – database)		(181,099,788)	(165,483,453)	(69,935)	(533,292)
Net carrying amount	US$	9,400,113,720	7,816,212,512	25,089,439	63,294,746

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Notes to the Consolidated Financial Statements

		Direct loan portfolio		Stand-by credits	
		2023	2022	2023	2022
Current loan portfolio, without allowance:					
0		1,552,819	1,676,730	-	-
A1		198,692	2,704,139	611,787,265	489,544,402
A2		-	-	638,921	2,160,481
B1		-	483,846	5,444,612	7,630,074
B2		-	-	43,411	150,214
C1		-	-	5,057,721	2,739,525
C2		-	-	32,847	128,740
D		-	-	933,347	1,389,753
E		-	-	1,124,196	1,888,954
Carrying amount		1,751,511	4,864,716	625,062,322	505,632,143
Gross carrying amount	US$	9,582,965,019	7,986,560,681	650,221,696	569,460,181
Allowance for loan losses (database)		(181,099,788)	(165,483,453)	(69,935)	(533,292)
Allowances for other statutory requirements		(65,258,113)	(66,024,923)	(1,987,661)	(1,438,075)
Incremental direct costs related to loans		12,072,525	9,561,452	-	-
Deferred income from loan portfolio		(91,317,230)	(69,647,563)	-	-
Net carrying amount	US$	9,257,362,413	7,694,966,194	648,164,100	567,488,814
Restructured loans	US$	117,577,814	64,812,145	-	-

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

		2023	
		Loans to customers	
		Gross	Net
0	US$	93,119,191	90,687,860
A1		7,524,681,033	7,417,549,999
A2		28,260,902	28,009,146
B1		1,103,284,426	1,088,923,951
B2		14,261,555	14,008,271
C1		244,274,972	233,673,014
C2		15,473,979	14,253,285
D		304,798,658	272,015,866
E		254,810,303	177,485,725
	US$	9,582,965,019	9,336,607,118

(Continued)

		2022	
		Loans to customers	
		Gross	Net
0	US$	62,858,198	61,391,870
A1		6,140,061,280	6,105,432,952
A2		97,476,717	96,961,272
B1		806,090,765	798,059,375
B2		28,557,241	28,146,403
C1		215,631,588	207,863,911
C2		30,562,886	28,175,941
D		293,720,007	263,632,106
E		311,601,998	231,413,397
	US$	7,986,560,681	7,821,077,228

As shown above, as of December 31, 2023, the gross portfolio amounts to US$9,582 million. Of that amount, 91.45% is classified in risk ratings "A+B" and 8.55% in risk ratings "C+D+E" (2022: US$7,987 million, of which 89.34% is classified in risk ratings "A+B" and 10.66% in risk ratings "C+D+E").

Through Letter SGF-0506 dated March 11, 2022, SUGEF communicated the new CONASSIF Directive 14-21 *Regulation on the calculation of the allowance for loan losses* applicable during the transition to the new methodology effective as of January 1, 2024.

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

Year	Cut-off dates
2022	September 30, 2022
	December 31, 2022
2023	March 31, 2023
	June 30, 2023
	September 30, 2023
	December 31, 2023

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

Individually assessed loans with allowance:

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

Past due loans without allowance:

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

Restructured loans:

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

a. Extended loan: Loan operation in which at least one full or partial payment of principal or interest due under the current contractual terms has been postponed.

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

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

In Article 9 of Minutes of Meeting No. 1697-2021, held on November 1, 2021, CONASSIF unanimously established the following final decision: (i) to dismiss Transition Provisions XV), XVI), XVIII) and XIX) starting January 1, 2022; (ii) to extend the application of Transition Provisions XX and XXII until December 31, 2022; and (iii) to add Transition Provision XXIII effective January 1, 2022. These measures are effective from January 1, 2022. This decision was published in Official Gazette No. 225 dated November 22, 2021.

Transition Provision XXIII of SUGEF Directive 1-05 *Regulation for Borrower Classification.*

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

a. The number of modifications will begin to be calculated from zero starting January 1, 2022.

b. The term of 24 months will begin as of January 1, 2022, for all borrowers of the entity’s loan portfolio as of December 31, 2021.

Subsequently, for the aforementioned borrowers and for new borrowers as of January 1, 2022, the term of 24 months will continue to be calculated in conformity with the provisions of the regulations, according to the specific situation of each borrower.

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

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

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

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

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

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

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

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

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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.

Transition provision XXVIII of SUGEF Directive 1-05 *Regulations for borrower classification*

Starting January 1, 2023, and until December 31, 2023, the specific allowances released due to the modifications approved in this SUGEF directive cannot be reversed through profit or loss; rather, such amounts may only be assigned to increases in specific allowances for borrowers reclassified to risk ratings C1, C2, D and E pursuant to Articles 10 and 11 of SUGEF Directive 1-05. From July 1, 2023, allowances released due to the modification set forth in Resolution SGF-2660-2022 dated December 23, 2022, cannot be reversed through profit or loss for the period.

With cutoff as of August 31, 2023, the allowances booked in excess of the minimum allowance amount, solely related to the modification to Resolution SGF-2660-2022 dated December 23, 2022, must be reclassified in full to the analytical account 139.02.M.04 "Componente Genérico para Cartera de Créditos – Transitorio" (Generic Component for the Loan Portfolio –Transition Provision).

Loan write-off policy:

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

Borrower classification

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

As of December 31, the loan portfolio by borrower classification is as follows:

Borrower classification		Direct 2023	Direct 2022	Stand-by 2023	Stand-by 2022
Group 1	US$	4,990,301,738	4,207,500,742	42,773,309	76,443,672
Group 2		4,592,663,281	3,779,059,939	607,448,387	493,016,509
	US$	9,582,965,019	7,986,560,681	650,221,696	569,460,181

Risk ratings

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

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

- Group 1

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

- Group 2

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

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

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

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

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

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

Analysis of creditworthiness

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

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

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

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

Analysis of historical payment behavior

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

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

Structural allowance for loan losses

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

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

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

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

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

Risk rating	Specific allowance percentage - Uncovered portion	Specific allowance percentage - Covered portion
A1	0%	0%
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%

(Continued)

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

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

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

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

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

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

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

(Continued)

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

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

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

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

As of December 31, pursuant to the provisions of SUGEF Directive 1-05, the Bank must maintain a structural allowance, as follows:

		2023		
		Allowance booked	Structural allowance	Difference in allowance
Allowance for direct loans	US$	208,455,008	(181,099,788)	27,355,220
Allowance for stand-by credits		2,057,596	(69,935)	1,987,661
Allowance plan per CNS-1698		19,673,399	(19,673,399)	-
		230,186,002	(200,843,122)	29,342,881
Counter-cyclical allowance per SUGEF Directive 19-16		16,171,899	(16,171,899)	-
	US$	246,357,901	(217,015,021)	29,342,881

		2022		
		Allowance booked	Structural allowance	Difference in allowance
Allowance for direct loans	US$	221,140,956	(165,483,453)	55,657,503
Allowance for stand-by credits		1,971,367	(533,292)	1,438,075
Allowance plan per CNS-1698		8,395,488	(8,395,488)	-
		231,507,812	(174,412,233)	57,095,578
Counter-cyclical allowance per SUGEF Directive 19-16		564	(564)	-
	US$	231,508,376	(174,412,7979	57,095,578

Counter-cyclical allowance

According to communication CNS 1811-04 1810-07 dated August 25, 2023, Transition Provision V indicates that:

Starting January 1, 2023, and until December 31, 2023, each month entities must book the expense for the counter-cyclical component for a minimum of 7% of the positive result of the difference between the balance of the accounts 500 “Income” minus 400 “Expenses” plus 450 “Taxes and statutory allocations for each month.” This will be done until the balance of the analytical account “139.02.M.02 (Counter-cyclical component)” reaches the amount corresponding to Pccit, as per Article 4 of these regulations.

With cutoff as of August 31, 2023, the entity must reclassify the balance of the account 139.02.M.04 (Generic Component for Loan Portfolio – Transition Provision) to account 139.02.M.02 (Counter-cyclical component). This will be for a total of account 139.02.M.04 or until necessary to complete the Pccit amount.

Entities that complete the Pccit amount shall continue to register the counter-cyclical allowance as established in Article 5 of these regulations.

The balance remaining in account 139.02.M.04 after performing the previous movements must be solely used to cover future counter-cyclical requirements.

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

Year		Principal	Allowance	Number of operations	Number of customers
March 2022	US$	293,760,292	85,142,980	9,018	6,083
June 2022	US$	331,159,825	102,108,168	11,299	7,756
September 2022	US$	297,726,995	93,100,636	13,223	7,900
December 2022	US$	305,510,823	94,387,450	12,991	7,568
March 2023	US$	297,258,023	88,245,709	10,195	6,114
June 2023	US$	341,619,295	90,637,379	12,498	7,211
September 2023	US$	343,025,048	90,457,051	14,005	7,882

The Conglomerate no longer calculates data for uncollectible loans, given that SUGEF eliminated external communications SGF-2584-2020, SGF-3019-2020 and SGF-1939-2022 dated August 4, 2020, September 1, 2020 and September 26, 2022, respectively, in which it requested financial intermediaries to submit to SUGEF a plan for management of the loan portfolio and quarterly reports on the progress of that plan.

Credit equivalent

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

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

Allowance for other assets

Allowances should be established for the following assets:

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

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

As of December 31, 2023, the carrying amount of the allowance for impairment of assets held for sale and per legal requirements amounts to US$118,028,305 (2022: US$115,181,660).

As of December 31, the concentration of the loan portfolio by sector is as follows:

		Direct		Stand-by	
Sector		2023	2022	2023	2022
Trade	US$	719,760,821	584,575,457	-	-
Services		2,301,001,416	1,854,078,154	70,148,423	81,591,533
Financial services		155,234,159	183,252,072	-	-
Mining		682,167	677,407	-	-
Manufacturing and quarrying		313,506,153	301,872,395	-	-
Construction		114,485,791	105,537,336	-	-
Agriculture and forestry		216,963,448	177,230,246	-	-
Livestock, hunting and fishing		147,193,020	126,593,068	-	-
Electricity, water, sanitation and other related sectors		778,953,403	700,283,536	-	-
Transportation and telecommunications		75,000,809	70,649,198	-	-
Housing		2,890,645,596	2,458,304,955	-	-
Personal or consumer		1,350,542,328	962,970,467	579,854,564	487,671,912
Tourism		518,995,907	460,536,389	218,709	196,736
	US$	9,582,965,019	7,986,560,681	650,221,696	569,460,181

As of December 31, the concentration of financial assets by geographic location is as follows:

		Direct		Stand-by	
		2023	2022	2023	2022
Central America	US$	9,582,965,019	7,986,560,681	650,221,696	569,460,181

As of December 31, the loan portfolio by type of guarantee is as follows:

		Direct		Stand-by	
Type of guarantee		2023	2022	2023	2022
Security	US$	40,676,347	90,502,048	295,298	74,244
Mortgage bond		81,621,672	93,329	-	-
Assignment of loans		1,135,402,871	661,869,976	10,000	-
Mortgage		3,257,592,666	2,876,154,215	43,102	265,046
Surety		1,584,766,421	1,433,303,206	-	23,757,806
Trust		1,093,823,964	892,247,380	87,198	59,878
Securities		111,809,390	44,104,245	6,175	-
Chattel mortgage		555,451,303	400,030,740	-	-
Other		1,721,820,384	1,588,255,541	649,779,924	545,303,208
		9,582,965,019	7,986,560,681	650,221,696	569,460,181

(Continued)

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 December 31, 2023, 59.82% of the loan portfolio is secured by collateral guarantees (2022: 61.11%).

As of December 31, the concentration of the loan portfolio by individual borrower is as follows:

		Direct		Stand-by	
Loan portfolio concentration		2023	2022	2023	2022
¢1 to ¢3,000,000	US$	309,361,513	241,055,582	237,450,197	164,321,397
¢3,000,001 to ¢15,000,000		1,200,670,337	928,388,284	343,656,972	320,817,317
¢15,000,001 to ¢30,000,000		1,028,189,788	797,365,079	9,108,245	10,807,456
¢30,000,001 to ¢50,000,000		945,468,880	822,151,660	4,128,098	4,857,542
¢50,000,001 to ¢75,000,000		946,304,807	791,610,179	3,643,289	4,701,379
¢75,000,001 to ¢100,000,000		566,893,351	460,369,341	3,793,411	1,870,383
¢100,000,001 to ¢200,000,000		520,771,971	424,139,596	6,023,767	8,643,411
More than ¢200,000,000		4,065,304,372	3,521,480,960	42,417,717	53,441,297
	US$	9,582,965,019	7,986,560,681	650,221,696	569,460,181

As of December 31, 2023 and 2022, the direct and stand-by loans of the portion of the loan portfolio corresponding to economic interest groups amount to US$1,249,259,871 and US$1,001,068,746 respectively, equivalent to 13.02% and 12.53% of the loan portfolio, respectively.

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

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

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

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

The year-on-year decrease observed in the ECL of the entire loan portfolio was from 2.66% in December 2022 to 2.59% in December 2023.

Compared to the results from December 2022, 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 Transport, Construction and Agriculture, with decreases exceeding 73 basis points (bps), while the activity with the largest increase is Mining, with a variation of 68 bps.

For the result of the VaR of the loan portfolio, there was a year-on-year increase from 7.41% to 7.97%, which is an expected behavior given the variations in the portfolio balance by type of sector.

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

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

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

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

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

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

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

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

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

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

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

(Continued)

As of December 31, an allowance for ECL is booked for the managed portfolio, as follows:

Portfolio		2023	2022
Investments in financial instruments at FVOCI	US$	54,895	117,874

iii. *<u>BN Valores Puesto de Bolsa, S.A.</u>*

Credit risk is the risk of potential losses resulting from an issuer's failure to pay or from deterioration in the credit rating of the security or issuer.

To manage credit risk, the Brokerage Firm has identified risk factors, i.e. variables for which changes could affect the equity of the Brokerage Firm.

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

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

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

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

The Brokerage Firm may acquire the following instruments:

- fixed income external debt securities issued by the Government of Costa Rica, BCCR and other Costa Rican public institutions.
- fixed income securities issued by the government or the central bank of countries that have been assigned an investment grade rating.
- investment grade corporate bonds and fixed income securities issued by supranational entities.

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

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

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

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

For the December 2023 close, the accounting records showed investments in colones and in US dollars issued by local issuers in colones and issued by foreign issuers in US dollars. The Brokerage Firm holds no investments in DU. By currency, the largest portion continues to be concentrated in the portfolio in colones with 88.38% and 11.62% in US dollars.

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

As of December 31, an allowance for ECL was booked for the managed portfolio, as follows:

Portfolio		2023	2022
Investments measured at FVOCI	US$	17,460	54,085
Investments measured at amortized cost	US$	340,359	510,195

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

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

Credit risk management

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

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

As of December 31, an allowance for ECL was booked for the managed portfolio, as follows:

		2023	2022
Investments measured at FVOCI	US$	68,957	141,243
Investments measured at amortized cost	US$	5,183	-

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

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

Credit risk management

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

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

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

As of December 31, an allowance for ECL was booked for the managed portfolio, as follows:

Portfolio		2023	2022
Investments measured at amortized cost	US$	12,879	23,074

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 third quarter of 2023. 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.

As of December 31, the estimation of instruments by model is as follows:

		2023		
Month		Model 1 Amortized cost	Model 2 FVOCI	Total estimated losses
January	US$	5,393,557	5,240,070	10,633,627
February	US$	4,936,268	5,172,665	10,108,934
March	US$	4,902,859	5,620,337	10,523,196
April	US$	4,846,703	6,998,465	11,845,169
May	US$	4,392,072	8,215,723	12,607,795
June	US$	4,544,289	7,401,604	11,945,893
July	US$	4,964,647	7,583,273	12,547,920
August	US$	4,859,539	6,740,030	11,599,569
September	US$	5,663,679	6,890,544	12,554,223
October	US$	4,393,868	5,631,488	10,025,357
November	US$	2,390,522	3,036,773	5,427,295
December	US$	2,688,017	2,676,040	5,364,057

		2022		
Month		Model 1 Amortized cost	Model 2 FVOCI	Total estimated losses
January	US$	5,030,609	5,707,217	10,737,825
February	US$	4,917,157	5,626,251	10,543,409
March	US$	4,823,796	5,545,798	10,369,594
April	US$	4,692,787	5,411,691	10,104,478
May	US$	4,801,577	5,254,111	10,055,688
June	US$	4,887,644	5,079,407	9,967,051
July	US$	4,942,222	5,016,007	9,958,229
August	US$	4,792,006	5,101,784	9,893,790
September	US$	14,641,441	4,818,917	19,460,359
October	US$	4,516,592	4,514,424	9,031,016
November	US$	5,016,060	5,093,337	10,109,397
December	US$	4,867,511	4,436,714	9,304,225

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

The following table sets out information about the credit quality of financial assets measured at amortized cost as of December 31. Unless specifically indicated, for financial assets the amounts in the table represent gross carrying amounts.

	12-month PD ranges		2023 Stage 1	2023 Total
	0.21% to 1.75%			
Investments at amortized cost *(1)*		US$	1,495,446,698	1,495,446,698
Allowance			(2,688,017)	(2,688,017)
		US$	1,492,758,680	1,492,758,680

	12-month PD ranges		2022 Stage 1	2022 Total
Investments at amortized cost	0.34% to 3.21%	US$	1,456,304,438	1,456,304,438
Allowance			(4,867,511)	(4,867,511)
		US$	1,451,436,928	1,451,436,928

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

The following table sets out information about the credit quality of financial assets measured at FVOCI as of December 31. Unless specifically indicated, for financial assets the amounts in the table represent gross carrying amounts.

	12-month PD ranges		2023 Stage 1	2023 Total
Investments at FVOCI *(1)*	0.19% to 1.75%	US$	1,057,545,718	1,057,545,718
Allowance			(2,676,040)	(2,676,040)
		US$	1,054,869,678	1,054,869,678

(Continued)

	12-month PD ranges		2022 Stage 1	2022 Total
Investments at FVOCI *(1)*	0.24% to 3.37	US$	918,404,630	918,404,630
Allowance			(4,436,714)	(4,436,714)
		US$	913,967,916	913,967,916

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

The following table sets out information about the credit quality of financial assets measured at FVTPL as of December 31. Unless specifically indicated, for financial assets the amounts in the table represent gross carrying amounts.

		2023 Stage 1	2023 Total
Investments in financial instruments at FVTPL	US$	8,502,302	8,502,302
	US$	8,502,302	8,502,302

		2022 Stage 1	2022 Total
Investments in financial instruments at FVTPL	US$	6,739,965	6,739,965
	US$	6,739,965	6,739,965

As of December 31, expected credit losses, by currency, are as follows:

		2023 Absolute	2023 Relative
Colones equivalent	US$	5,060,401	51.30%
US dollars		902,356	8.88%
	US$	5,962,757	60.15%

		2022	
		Absolute	Relative
Colones equivalent	US$	6,747,155	34.57%
US dollars		2,814,153	5.84%
	US$	9,561,307	40.41%

As of December 31, investments by geographic location are as follows:

		2023		
Country		Principal	Interest	Total
Costa Rica	US$	1,914,663,821	37,590,485	1,952,254,306
Panama		8,000,000	201,156	8,201,156
Caribbean		1,002,368	10,835	1,013,203
United States		612,072,808	3,187,451	615,260,259
Canada		6,320,009	70,739	6,390,747
Europe		53,709,393	467,397	54,176,790
Asia		1,582,935	8,720	1,591,655
New Zealand		557,142	4,153	561,295
	US$	2,597,908,475	41,540,935	2,639,449,410

		2022		
Country		Principal	Interest	Total
Costa Rica	US$	1,414,837,234	29,161,574	1,443,998,809
Panama		16,800,000	281,623	17,081,623
Caribbean		313,694	4,481	318,175
United States		844,393,746	2,534,688	846,928,434
Canada		21,547,660	156,503	21,704,162
Venezuela		17,149,894	140,577	17,290,471
Europe		78,709,514	558,774	79,268,287
Asia		6,208,278	36,991	6,245,269
Australia		9,572,908	123,247	9,696,154
New Zealand		538,724	4,153	542,877
	US$	2,410,071,652	33,002,609	2,443,074,261

Key inputs for the measurement of ECL under IFRS 9

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

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

Definition of ratings

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

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

- Equivalence of international ratings:

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

The following table shows the equivalence of ratings of the different international risk rating agencies where, for instance, the equivalent for Moody’s Baa1 would be Fitch’s BBB+, according to SUGEF Directive 1-05.

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

- Equivalence of local ratings (Ceiling test)

In addition to the aforementioned equivalence of ratings, a Ceiling Test process is implemented. It assigns a rating, which is accepted as internationally valid, to those ratings issued by local or regional risk rating agencies, such as SCR and PCR, so that each risk rating does not exceed the country risk. The following table shows the equivalence of the national ratings used by the Conglomerate in accordance with the methodology to determine the equivalents of national risk rating scales of SUGEF Directive 1-05.

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

Amounts arising from expected credit losses

- *Significant increase in credit risk*

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

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

Criteria for significant increase in credit risk (Stage 2)

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

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

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

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

Criteria for objective impairment (Stage 3)

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

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

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

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

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

This analysis is performed in a differentiated manner:

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

Probability of Default (PD)

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

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

Segmentation

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

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

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

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

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

- *Allowance for expected credit losses*

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

		Stage 1	Total
Investments at amortized cost			
Balance as of December 31, 2022	US$	4,867,511	4,867,511
Update of the allowance		22,883	22,883
Allowance for new investments		1,719,638	1,719,638
Decrease in allowance		(4,615,908)	(4,615,908)
Adjustment for conversion of financial statements		693,894	693,894
Balance as of December 31, 2023	US$	2,688,017	2,688,017

		Stage 1	Total
Investments at FVOCI			
Balance as of December 31, 2022	US$	4,436,714	4,436,714
Update of the allowance		(159,962)	(159,962)
Allowance for new investments		4,096,511	4,096,511
Decrease in allowance		(6,329,704)	(6,329,704)
Adjustment for conversion of financial statements		632,481	632,481
Balance as of December 31, 2023	US$	2,676,040	2,676,040

(Continued)

As of December 31, the reconciliation of the opening balance and closing balance of expected credit losses by type of instrument is as follows:

		Stage 1	Total
Investments at amortized cost			
Balance as of December 31, 2021	US$	4,341,739	4,341,739
Update of the allowance		(28,297)	(28,297)
Allowance for new investments		1,227,708	1,227,708
Decrease in allowance		(985,644)	(985,644)
Adjustment for conversion of financial statements		312,005	312,005
Balance as of December 31, 2022	US$	4,867,511	4,867,511

		Stage 1	Total
Investments at FVOCI			
Balance as of December 31, 2022	US$	5,526,371	5,526,371
Update of the allowance		(9,994)	(9,994)
Allowance for new investments		842,562	842,562
Decrease in allowance		(2,319,359)	(2,319,359)
Adjustment for conversion of financial statements		397,134	397,134
Balance as of December 31, 2022	US$	4,436,714	4,436,714

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.

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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 December 2022 and 2023 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 181% as of the December 2023 close, which is 4% higher than the previous year, related to a 15% increase of in the stock of liquid assets (HQLA) (US$367 million, mainly in government instruments, which was offset by the 17% increase in net cash outflows (US$229 million, mainly in wholesale commitments). The LCR indicator remains considerably below the appetite level at 130%, equivalent to US$697 million.

As of December 31, 2023, the LCR indicator in US dollars closed at 229%, showing a significant increase of 36% with regard to the previous year (2022: 265%). This was due to a 24% decrease in HQLA (-US$319 million, mainly in Level 1A cash and due from banks abroad and Level 2A investments), which had a greater impact than the 7% decrease in net outflows (-US$42 million, mainly due to less wholesale and retail commitments). The LCR indicator is considerably above the appetite level of 130%, equivalent to US$570 million.

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

LCR indicator	2023	2022	Variation	Level
In colones	181%	185%	-4%	Appetite
In US dollars	229%	265%	-36%	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.

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

		Days								
		Past due	Demand	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	More than 365	Total
Cash and due from banks	US$	-	359,747,034	-	-	-	-	-	-	359,747,034
Minimum legal deposit in BCCR		-	750,658,165	84,531,752	41,795,861	45,930,489	103,773,418	99,312,034	68,743,556	1,194,745,275
Investments		-	6,415,511	141,246,439	20,513,612	5,812,114	48,911,063	91,859,813	1,512,893,778	1,827,652,331
Loan portfolio		417,800,679	-	98,079,167	72,039,610	95,698,379	191,934,727	280,750,577	5,907,206,202	7,063,509,340
Recovery of assets	US$	417,800,679	1,116,820,711	323,857,358	134,349,082	147,440,981	344,619,208	471,922,424	7,488,843,536	10,445,653,980
Obligations with the public	US$	-	5,644,049,602	268,876,772	295,194,994	391,761,582	633,888,812	598,823,716	452,183,767	8,284,779,246
Obligations with BCCR		-	-	-	-	-	-	-	274,202,628	274,202,628
Obligations with financial entities		-	95,501,540	222,010,855	39,666,225	19,997,119	48,553,014	19,642,555	73,799,046	519,170,355
Charges payable		-	46,429,695	12,525,431	9,569,269	4,631,121	12,654,732	3,237,918	8,204,138	97,252,304
Maturity of liabilities	US$	-	5,785,980,838	503,413,058	344,430,487	416,389,822	695,096,559	621,704,189	808,389,579	9,175,404,532
Difference	US$	417,800,679	(4,669,160,126)	(179,555,700)	(210,081,405)	(268,948,841)	(350,477,351)	(149,781,764)	6,680,453,957	1,270,249,448

As of December 31, 2022, the terms of the Conglomerate's assets and liabilities denominated in local currency are matched as follows:

		Days								
		Past due	Demand	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	More than 365	Total
Cash and due from banks	US$	-	316,196,351	-	-	-	-	-	-	316,196,351
Minimum legal deposit in BCCR		-	603,445,624	38,554,584	30,004,819	32,091,616	77,287,806	88,445,783	49,391,717	919,221,950
Investments		-	4,197,791	6,628,029	88,669,452	97,745,665	112,983,021	168,551,264	731,400,409	1,210,175,631
Loan portfolio		331,494,175	-	95,959,631	70,866,441	68,828,246	168,747,652	230,173,172	4,861,711,072	5,827,780,390
Recovery of assets	US$	331,494,175	923,839,767	141,142,244	189,540,712	198,665,527	359,018,480	487,170,219	5,642,503,198	8,273,374,322
Obligations with the public	US$	-	4,494,806,170	205,851,394	202,649,334	205,355,320	487,788,154	562,226,182	345,104,891	6,503,781,445
Obligations with BCCR		-	-	-	-	-	-	-	273,586,618	273,586,618
Obligations with financial entities		-	54,537,626	221,967,722	18,748,949	40,672,694	36,591,483	16,883,747	68,011,791	457,414,013
Charges payable		-	21,053,823	9,014,441	7,597,966	3,543,450	4,531,808	3,323,043	6,123,463	55,187,995
Maturity of liabilities	US$	-	4,570,397,620	436,833,557	228,996,250	249,571,464	528,911,446	582,432,972	692,826,762	7,289,970,071
Difference	US$	331,494,175	(93,646,557,853)	(295,691,314)	(39,455,537)	(50,905,937)	(169,892,966)	(95,262,753)	4,949,676,436	983,404,251

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

		Days								
		Past due	Demand	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	More than 365	Total
Cash and due from banks	US$	-	594,051,538	-	-	-	-	-	349,292	594,400,830
Minimum legal deposit in BCCR		-	396,321,014	20,503,427	16,701,859	15,688,969	38,010,931	45,066,555	31,694,485	563,987,240
Investments		-	171,930	120,884,823	126,738,880	64,236,918	131,132,039	15,419,728	353,904,308	812,488,624
Loan portfolio		148,294,590	-	22,545,691	23,047,867	24,802,241	134,590,758	153,976,413	1,932,953,414	2,440,210,974
Recovery of assets	US$	148,294,590	990,544,481	163,933,941	166,488,606	104,728,127	303,733,728	214,462,695	2,318,901,500	4,411,087,669
Obligations with the public	US$	-	2,778,219,335	127,342,064	116,521,429	89,730,464	260,443,845	261,536,213	213,378,749	3,847,172,100
Obligations with financial entities		-	19,805,762	142,210,896	21,200	30,000	9,805,526	4,635,577	162,372,163	338,881,123
Charges payable		-	11,131,658	2,617,432	1,601,121	1,534,331	3,464,731	2,250,232	1,131,994	23,731,500
Maturity of liabilities	US$	-	2,809,156,755	272,170,392	118,143,750	91,294,795	273,714,102	268,422,023	376,882,906	4,209,784,723
Difference	US$	148,294,590	(1,818,612,274)	(108,236,451)	48,344,856	13,433,332	30,019,626	(53,959,327)	1,942,018,593	201,302,945

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

		Days								
		Past due	Demand	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	More than 365	Total
Cash and due from banks	US$	-	671,653,541	-	-	-	-	-	276,044	671,929,585
Minimum legal deposit in BCCR		-	382,391,764	18,220,394	13,830,882	15,364,654	32,306,922	37,672,434	36,219,082	536,006,131
Investments		-	6,739,965	52,921,548	20,020,649	67,249,130	132,276,912	380,881,362	572,757,721	1,232,847,287
Loan portfolio		143,452,642	-	32,462,081	21,567,876	27,596,198	108,322,065	150,553,931	1,614,739,386	2,098,694,180
Recovery of assets	US$	143,452,642	1,060,785,269	103,604,024	55,419,407	110,209,982	272,905,898	569,107,727	2,223,992,233	4,539,477,183
Obligations with the public	US$	-	2,672,617,469	107,785,953	106,579,706	85,797,349	231,476,140	242,386,010	195,776,779	3,642,419,406
Obligations with financial entities		-	21,619,351	203,388,074	3,020,000	2,080,951	791,379	289,649,311	122,114,840	642,663,905
Charges payable		-	4,037,567	1,425,993	1,261,369	681,037	4,318,498	1,113,906	1,287,877	14,126,248
Maturity of liabilities		-	2,698,274,386	312,600,020	110,861,075	88,559,338	236,586,017	533,149,227	319,179,496	4,299,209,559
Difference	US$	143,452,642	(1,637,489,117)	(208,995,996)	(55,441,668)	21,650,644	36,319,880	35,958,500	1,904,812,737	240,267,624

(Continued)

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

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

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

Liquidity risk management

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

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

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

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

Management of liquidity risk

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

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

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

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

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

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

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

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

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

Liquidity risk management

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

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

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

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

v. *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 meets its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. A key element of the Insurance Brokerage Firm's liquidity strategy is to carry a portfolio of highly liquid assets that match the maturities of the main liabilities.

c) *Market risk*

i. *Banco Nacional de Costa Rica*

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

Indicator	Limit	Level
Consolidated VaR	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.

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

	Face value of investments by currency		
Currency	2023	2022	Variation
Colones equivalent to US$	1,851,969,009	1,067,438,864	784,530,144
US dollars - local issuers	107,801,526	215,789,246	107,801,526
US dollars - international issuers	691,667,000	1,000,615,000	691,667,000

As of December 31, the duration by currency has presented variations according to strategic portfolio management, with an increase in the duration of the international portfolios in colones and in US dollars.

Currency	2023	2022	Variation
Colones equivalent to US$	1.39	0.70	0.69
US dollars - local issuers	0.92	1.30	0.39
US dollars - international issuers	0.88	0.89	(0.01)

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

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

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

Market risk management

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

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

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

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

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

Market risk exposure – trading portfolio:

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

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

	2023	2022
VaR indicator (99%)	0.36	0.99%

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

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

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

Market risk management

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

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

Market risk exposure

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

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

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

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

Market risk management

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

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

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

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

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*

As of December 31, the Bank's consolidated VaR of the market value of investments increased during the last year. For the last twelve months until December 2023, this indicator continued to have mixed behavior with an upward trend during the first half of the year, remained relatively stable until the end of September and started having higher volatility towards the end of the year, with an annual average VAR of 0.55%. A number of factors explain the behavior of the VaR during the last year, including higher volatility in the prices of instruments in the investment portfolio and greater exposure to instruments by the Government of Costa Rica.

Type of risk	2023	2022	Variation
Consolidated VaR	0.36%	0.43%	(0.07%)

As of December 31, the results of the individual VaR by currency of the market value at the December 2023 close and the variation with respect to the same period of the previous year are as follows:

Currency	2023	2022	Variation
Colones	0.44%	0.58%	(0.14%)
US dollars - local	0.54%	0.29%	0.25%
US dollars - international	0.31%	0.55%	(0.24%)

- *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. As of December 31, interest rate risk is as follows:

Type of risk	2023	2022	Variation	Level
Interest rate risk in colones	0.27%	0.12%	0.15%	Normal
Interest rate risk in foreign currency	0.01%	1.51%	(1.50%)	Normal

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

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

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

		Demand	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 to 720 days	More than 720 days	Total
Local currency (LC)									
Investments	US$	6,415,511	141,089,791	25,784,958	48,892,002	91,552,194	584,005,877	926,879,909	1,824,620,242
Loan portfolio		-	5,975,618,402	240,413,718	229,312,225	32,571,429	34,036,780	220,409,463	6,732,362,018
Recovery of rate-sensitive assets LC (A)	US$	6,415,511	6,116,708,193	266,198,676	278,204,227	124,123,623	618,042,657	1,147,289,372	8,556,982,260
Obligations with the public	US$	-	442,201,235	745,491,497	695,096,559	619,319,954	292,434,384	183,844,147	2,978,387,775
Obligations with BCCR		-	79,021,789	-	-	-	279,876,665	238,469	359,136,922
Obligations with financial entities LC		-	230,614	-	-	-	-	53,421,532	53,652,146
Maturity of rate-sensitive liabilities LC (B)	US$	-	521,453,637	745,491,497	695,096,559	619,319,954	572,311,048	237,504,148	3,391,176,843
Difference in LC, recovery of assets less maturity of liabilities (A - B)	US$	6,415,511	5,595,254,556	(479,292,821)	(416,892,332)	(495,196,330)	45,731,609	909,785,224	5,165,805,417
Foreign currency (FC)									
Investments	US$	-	108,082,447	203,525,716	131,401,777	15,419,728	218,833,706	134,981,430	812,244,804
Loan portfolio		-	2,072,352,155	77,180,613	45,140,216	4,962,701	41,463,614	117,999,134	2,359,098,432
Recovery of rate-sensitive assets FC (C)	US$	-	2,180,434,602	280,706,329	176,541,993	20,382,428	260,297,320	252,980,564	3,171,343,236
Obligations with the public	US$	-	275,763,444	204,143,242	273,299,298	267,708,926	92,334,634	205,716,815	1,318,966,360
Obligations with BCCR		-	14,470,000	-	-	-	-	-	14,470,000
Obligations with entities		-	-	-	414,804	-	-	80,000,000	80,414,804
Maturity of rate-sensitive liabilities FC (D)	US$	-	290,233,444	204,143,242	273,714,102	267,708,926	92,334,634	285,716,815	1,413,851,163
Difference in FC, recovery of assets less maturity of liabilities (C - D)	US$	-	1,890,201,158	76,563,087	(97,172,109)	(247,326,498)	167,962,686	(32,736,251)	1,757,492,073
Recovery of rate-sensitive assets 1/ (A + C)	US$	6,415,511	8,297,142,795	546,905,005	454,746,220	144,506,051	878,339,977	1,400,269,936	11,728,325,496
Maturity of rate-sensitive liabilities 2/ (B + D)	US$	-	811,687,082	949,634,738	968,810,661	887,028,880	664,645,682	523,220,964	4,805,028,006
Difference in LC + FC, recovery of assets less maturity of liabilities (item 1 - item 2)	US$	6,415,511	7,485,455,714	(402,729,734)	(514,064,441)	(742,522,829)	213,694,295	877,048,973	6,923,297,490

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BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2022, the interest rate terms for the Bank and its Subsidiaries' assets and liabilities are matched as follows (differences between the recovery of assets and the maturity of liabilities):

		Demand	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 to 720 days	More than 720 days	Total
Local currency (LC)									
Investments	US$	4,197,791	6,459,472	186,132,639	112,963,559	169,074,224	294,815,955	434,227,017	1,207,870,656
Loan portfolio		-	4,925,552,230	198,171,184	189,022,629	26,864,202	28,078,789	177,912,316	5,545,601,350
Recovery of rate-sensitive assets LC (A)	US$	4,197,791	4,932,011,702	384,303,823	301,986,188	195,938,425	322,894,744	612,139,333	6,753,472,006
Obligations with the public	US$	-	343,095,582	478,567,714	528,911,446	577,169,180	164,610,319	204,312,662	2,296,666,902
Obligations with BCCR		-	39,924,251	-	-	-	-	277,350,050	317,274,301
Obligations with financial entities LC		-	55,021,060	-	-	-	-	51,796,685	106,817,745
Maturity of rate-sensitive liabilities LC (B)	US$	-	438,040,893	478,567,714	528,911,446	577,169,180	164,610,319	533,459,396	2,720,758,948
Difference in LC, recovery of assets less maturity of liabilities (A - B)	US$	4,197,791	4,493,970,809	(94,263,891)	(226,925,258)	(381,230,754)	158,284,424	78,679,936	4,032,713,058
Foreign currency (FC)									
Investments	US$	-	53,047,343	91,409,215	123,481,813	392,144,242	420,699,151	151,806,676	1,232,588,440
Loan portfolio		-	1,773,024,907	66,032,768	38,620,235	4,245,896	35,474,675	100,073,661	2,017,472,142
Recovery of rate-sensitive assets FC (C)	US$	-	1,826,072,250	157,441,983	162,102,047	396,390,138	456,173,826	251,880,337	3,250,060,582
Obligations with the public	US$	-	292,142,507	199,423,063	234,065,157	422,269,774	100,857,535	140,967,418	1,389,725,454
Obligations with BCCR		-	21,000,000	-	-	-	-	-	21,000,000
Obligations with entities		-	-	-	871,125	100,000,492	5,337,200	80,000,000	186,208,817
Maturity of rate-sensitive liabilities FC (D)	US$	-	313,142,507	199,423,063	234,936,282	522,270,266	106,194,735	220,967,418	1,596,934,271
Difference in FC, recovery of assets less maturity of liabilities (C - D)	US$	-	1,512,929,743	(41,981,080)	(72,834,235)	(125,880,127)	349,979,091	30,912,919	1,653,126,311
Recovery of rate-sensitive assets 1/ (A + C)	US$	4,197,791	6,758,083,952	541,745,806	464,088,235	592,328,564	779,068,570	864,019,670	10,003,532,588
Maturity of rate-sensitive liabilities 2/ (B + D)	US$	-	751,183,401	677,990,777	763,847,728	1,099,439,445	270,805,054	754,426,814	4,317,693,219
Difference in LC + FC, recovery of assets less maturity of liabilities (item 1 - item 2)	US$	4,197,791	6,006,900,551	(136,244,971)	(299,759,492)	(507,110,882)	508,263,516	109,592,856	5,685,839,369

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

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

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

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

The total VaR of price and rates of the Pension Fund Manager's own funds has an increasing trend, with a maximum of 4.91% and a minimum of 0.69% for an average of 2.25%, equivalent to ¢311.16 million. As of December 31, 2023, the indicator closed at 0.88% (2022: 4.93%), showing an increase due to the higher volatility observed in the prices of the instruments in the investments portfolio.

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

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

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

d) *Currency risk*

Pursuant to SUGEF Directive 24-22, an entity faces currency risk when the value of its assets and liabilities in foreign currency is affected by exchange rate variations and the amounts of the corresponding assets and liabilities are mismatched.

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

i. *Banco Nacional de Costa Rica*

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

As of December 31, the Bank calculates the SUGEF currency risk indicator on a monthly basis, which remains at the appetite level as of December 2023; prior to that date it was always in the appetite threshold. The indicator has decreased significantly, which is an expected behavior due to the lower exchange rate (appreciation of the colon in relation to the US dollar) during the fourth quarter of 2023.

Type of risk	2023	2022	Variation	Level
Currency risk	1.28%	2.74%	-1.46%	Normal

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

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

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

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

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

Internal currency risk	2023	2022	Level
5th percentile	0.06%	0.34%	Normal
95th percentile	0.16%	0.49%	Normal

As of December 31, the Bank's assets and liabilities denominated in foreign currency are as follows:

		US dollars	
		2023	2022
Assets:			
VCash and due from banks	US$	1,106,303,037	1,148,562,027
Investments in financial instruments		795,569,363	1,232,847,287
Loan portfolio		2,384,908,929	2,025,597,121
Accounts and accrued interest receivable		507,324	481,986
Investments in other companies		127,782,067	121,789,525
Property, furniture and equipment		-	443,031
Other assets		2,547,290	1,955,077
	US$	4,417,618,010	4,531,676,054
Liabilities:			
Obligations with the public	US$	3,822,760,371	3,591,546,305
Obligations with entities		334,512,307	643,881,571
Subordinated obligations		112,104,804	114,467,301
Accounts payable and provisions		11,487,835	15,496,818
Other liabilities		15,182,060	18,780,287
	US$	4,296,047,377	4,384,172,282
Excess of assets over liabilities in US dollars	US$	121,570,633	147,503,772

		Euro	
		2023	2022
Assets:			
Cash and due from banks	€	46,019,914	55,640,536
	€	46,019,914	55,640,536
Liabilities:			
Obligations with the public	€	42,971,342	54,312,812
Obligations with entities		1,221,293	1,363,523
Accounts payable and provisions		14,141	3,017
Other liabilities		1,284,388	9,000
	€	45,491,164	55,688,352
Excess (deficit) of assets over liabilities in euro	€	528,750	(47,816)

		DU	
		2023	2022
Assets:			
Loan portfolio		(181,648)	39,256
	UD	(181,648)	39,256
Liabilities:			
Accounts payable and provisions	UD	15,341	24,450
	UD	15,341	24,450
Deficit (excess) of assets over liabilities in DU	UD	(196,989)	14,806

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.

As of December 31, the valuation in colones of monetary assets and liabilities in foreign currency gave rise to foreign exchange gains and losses, as follows:

		2023	2022
Gain on foreign exchange differences	US$	901,022,766	958,507,371
Loss on foreign exchange differences		(898,752,053)	(959,449,542)
Net gain	US$	2,270,714	(942,171)

Additionally, the valuation of other assets and other liabilities as of December 31 gave rise to gains and losses, which are booked in “Other operating income” and “Other operating expenses”, respectively, as follows:

		2023	2022
Gain on net valuation of other assets (Note 42)	US$	1,277,238	887,821
Loss on net valuation of other liabilities		(2,330,001)	(433,527)
Net (loss) gain	US$	(1,052,762)	454,294

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

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

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

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

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

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

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

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

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

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

As of December 31, 2023, the Pension Fund Manager's exposure to currency risk, considering its net assets in US dollars, was 11.98% (US$3.29 million) of total net assets, representing an increase in comparison to December 31, 2022, where it closed at 9.76% (US$1.91million).

Sensitivity analysis

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

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

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

Impact on profit or loss as of December 31, 2023			
1%	2%	(1)%	(2)%
4,568	9,137	(4,568)	(9,137)

Impact on profit or loss as of December 31, 2022			
1%	2%	(1)%	(2)%
3,842	7,683	(3,842)	(7,683)

As of December 31, 2023, an increase of 5% in the exchange rate of the functional currency with respect to the US dollar would generate a loss of US$159 thousand (2022: US$89 thousand). A decrease of 5% would generate the opposite effect.

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

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

e) *Operational risk*

i. *Banco Nacional de Costa Rica*

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

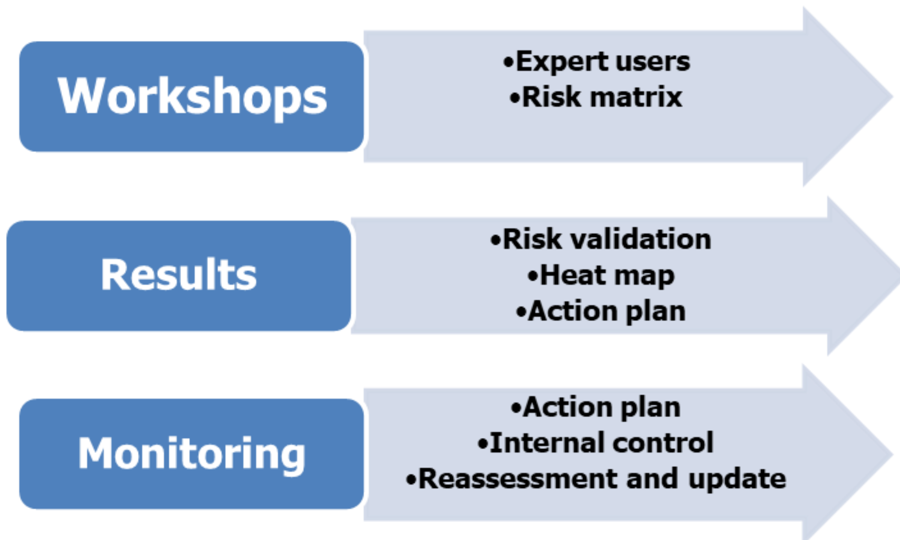
The policy adopted stipulates that all of the Conglomerate's employees are responsible for managing operational risk. Employees are also required to comply with the policies, regulations, procedures and controls applicable to their positions at all times and to ensure that the institutional values, code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

That policy is implemented through a management framework that includes:

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

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

Fair value of financial instruments

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

(Continued)

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

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

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

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

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

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

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

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

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

Capital risk management

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

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

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

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

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

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

(Continued)

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

As of December 31, 2023, the results of the VaR by legal risk for the Pension Fund Manager correspond to an estimate of the provision for pending litigation in the amount of US$68,537 that covers the lawsuits against the Pension Fund Manager, out of four pending lawsuits.

v. BN Corredora de Seguros, S.A.

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

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

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

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

(Continued)

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

Capital risk management

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

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

Exposure to capital risk

The Insurance Brokerage Firm’s regulatory capital consists of:

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

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

Legal risk management covers three types of events:

- Contract risk: to the extent that the clauses included in the contracts adhere to the regulations in effect and guarantee compliance by the parties. Legal actions are coordinated and support is obtained from the Bank so that, from a legal perspective, all documents subscribed with third parties are reasonably secure.

- Risk of regulatory compliance: regarding the scope and the adoption of regulations in effect on the Insurance Brokerage Firm's operations, there is a Regulatory Compliance area. Its main functions include a systematic and comprehensive review of the elements of specific regulations in the event of a deviation.
- Litigation risk: UAIR follows up monthly on the lawsuits in which the Insurance Brokerage Firm is involved. These are duly communicated and registered by management in the database of the Bank's Legal Department. Mathematical models are applied to calculate the amounts of expected losses and value at risk.

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

Capital management:

Regulatory capital

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

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

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

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

(Continued)

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

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

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

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

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

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

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

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

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

As of December 31, 2023 and 2022, the Conglomerate's CAR is above the minimum level required by applicable regulations, which indicates that capital levels are above the minimum required by laws and regulations.

Moreover, in applying Law No. 8627, *Law on the Ordinary and Extraordinary Budget of the Republic for Tax Year 2008*, published in the Official Gazette on December 23, 2008, effective immediately, the Government of Costa Rica capitalized State-owned banks. As part of that capitalization, the Bank received Central Bank bonds in DU for a total of DU42,165,060, equivalent to US$52,419,826, which was credited against the "Paid-in capital" account No. 311 (see Note 26).

(7) Collateralized or restricted assets

As of December 31, collateralized or restricted assets are as follows:

Restricted asset	Cause of restriction		2023	2022
Cash and due from banks:				
Checking account - colones (Note 9)	Minimum legal deposit	US$	1,280,413,414	1,001,635,794
Checking account - US dollars (Note 9)	Minimum legal deposit		589,633,026	562,486,613
Checking account - euro (Note 9)	Minimum legal deposit		7,175,710	8,755,143
Other cash and due from banks (Note 9)	Margin calls – derivative financial instruments		-	37,225
Other cash and due from banks (Note 9)	Contingent guarantee of the deposit guarantee fund (FGD)		252,150,952	209,301,967
Other cash and due from banks (Note 9)	FOGABONA		349,292	276,044
		US$	2,129,722,395	1,782,492,787
Investments in financial instruments:				
Investments in financial instruments	Liquidity market operations	US$	118,718,343	76,201,754
Securities issued by BCCR and the Government	Investments securing repurchase agreements		5,546,975	3,831,439
Sovereign bond in USD	Bofa Swaps		-	1,963,271
Sovereign bond in USD	Nomura Bank guarantee		90,034,533	144,860,138
Sovereign bond in USD	BNY Mellon guarantee		80,088,373	-
Sovereign bond in USD	SINPE guarantee		44,812,530	365,432,875
Sovereign bond in USD Local	SINPE guarantee		-	4,633,000
TP USD	SINPE guarantee		-	24,789,245
		US$	339,200,753	621,711,721
Other assets			-	-
Other assets (Note 17)	Security deposits	US$	1,841,546	885,200

As of December 31, 2023, the Brokerage Firm has restricted assets in the amount of US$118,718,343 (2022: US$76,052,250), corresponding to guarantees for tri-party repurchase agreements, operations in the liquidity market and contributions to the liquidation and compensation risk management fund.

As of December 31, 2023, the Pension Fund Manager has restricted assets in the amount of US$5,546,975 (2022: US$3,831,439) corresponding to investments pledged to secure repurchase agreements.

(8) Balances and transactions with related parties

As of December 31, balances and transactions with related parties are as follows:

		2023	2022
Assets:			
Checking accounts in foreign financial entities *(1)* (Note 9)	US$	66,604,490	76,462,905
Investments in financial instruments and accrued interest receivable *(2)*		6,928,578	12,959,019
Investments in other companies *(2)*		125,693,122	121,705,432
	US$	199,226,190	211,127,356
Liabilities:			
Demand obligations with entities *(3)*	US$	26,581	73,553
Accounts due to related parties *(4)*		41,454	1,607
	US$	68,036	75,160
Income:			
Gain on investments in other foreign companies	US$	6,027,315	3,001,122
Expenses:			
Operating expenses *(5)*	US$	385,850	67,877

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.

(Continued)

a) Compensation to key personnel

As of December 31, compensation to key personnel is as follows:

		2023	2022
Short-term benefits	US$	4,436,323	3,403,376
Long-term benefits		576,722	442,439
Per diem – Board of directors		227,143	194,556
	US$	5,240,188	4,040,371

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

(9) Cash and cash equivalents

For purposes of reconciliation with the consolidated statement of cash flows, cash and cash equivalents as of December 31, are as follows:

		2023	2022
Cash and due from banks	US$	2,712,880,378	2,443,354,017
Investments with maturities of less than two months		415,971,196	179,177,434
	US$	3,128,851,574	2,622,531,451

As of December 31, cash and due from banks is as follows:

		2023	2022
Cash on hand and in vaults	US$	156,554,583	118,069,457
Cash in transit		38,400,945	82,841,509
Checking account in BCCR *(1)*		91,891,195	79,154,136
Minimum legal deposits in BCCR *(2)*		1,666,841,320	1,376,073,946
Checking accounts and demand deposits in State-owned commercial banks and banks created under special laws		396,355	360,120
Checking accounts and other demand accounts in private financial entities		1,096,835	810,727
Checking accounts in foreign financial entities		421,513,201	483,500,491
Deposits and other demand accounts in foreign financial entities		32,420	7,978
Checking accounts and demand deposits in related parties (Note 8)		66,604,490	76,462,905
Overnight deposits in foreign financial entities		2,254,398	4,087,068
Transfers through the Interbank Electronic Payment System (SINPE)		2,578,848	2,451,981
Local notes receivable		9,011,647	7,665,730
Foreign notes receivable		3,203,897	2,252,733
Margin calls – derivative financial instruments (Note 7)		-	37,225
Fondo de Garantía de la Bolsa Nacional de Valores (FOGABONA)		349,292	276,044
Contingent guarantee of the deposit guarantee fund (Fondo de Garantía de Depósitos, FGD)		252,150,952	209,301,967
	US$	2,712,880,378	2,443,354,017

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

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

As per note BCCR JD-6066/08 dated June 17, 2022, for December 2023 the percentage for the minimum legal deposit in colones will be applied as follows:

Minimum legal deposit rates
15%

(10) Investments in financial instruments

As of December 31, investments in financial instruments are as follows:

		2023	2022
Investments at FVTPL	US$	44,642,828	40,588,477
Investments at FVOCI		1,166,764,744	972,946,543
Investments at amortized cost		1,386,501,010	1,396,458,022
	US$	2,597,908,581	2,409,993,043
Interest rate futures – Hedges	US$	154,648	6,953
Sale of FX futures - Other than hedges		536,790	20,312
Allowance for impairment of investments		(2,688,017)	(4,867,511)
Allowance for operations with derivatives other than hedges		(2,684)	-
Accrued interest receivable on investments		41,540,935	33,002,609
	US$	2,637,450,254	2,438,155,407

a) Investments at fair value through profit or loss

As of December 31, investments at FVTPL are as follows:

		2023	2022
Local issuers			
Private issuers		42,800,186	34,015,034
BCCR		1,842,641	-
	US$	44,642,828	34,015,034

		2023	2022
Foreign issuers			
Private issuers		-	6,573,443
		-	6,573,443
	US$	44,642,828	40,588,477

(Continued)

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

As of December 31, investments at FVOCI are as follows:

		2023	2022
Local issuers			
Government of Costa Rica	US$	813,914,117	672,179,191
BCCR		159,260,398	22,015,147
Private issuers		5,546,975	3,831,439
	US$	978,721,490	698,025,777

		2023	2022
Foreign issuers			
Governments	US$	72,550,242	62,315,824
Private issuers		63,115,827	84,835,174
Private banks		52,377,185	127,769,768
		188,043,254	274,920,767
	US$	1,166,764,744	972,946,543

c) *Investments at amortized cost*

As of December 31, investments at amortized cost are as follows:

		2023	2022
Local issuers			
Government of Costa Rica	US$	661,925,607	532,243,601
BCCR		227,359,136	122,589,108
State-owned banks		46,500	-
Private banks		-	20,700,000
Private issuers		1,968,366	7,185,105
	US$	891,299,610	682,717,815
Foreign issuers			
Governments	US$	475,216,394	668,159,355
Private issuers		16,981,291	5,106,622
Private banks		3,003,714	40,474,231
		495,201,400	713,740,208
	US$	1,386,501,010	1,396,458,022

As of December 31, 2023, the valuation of investments in financial instruments, including restricted financial instruments, gave rise to unrealized gains, net of deferred tax, in the amount of US$24,015,627 (2022: unrealized losses, net of deferred tax, in the amount of US$31,613,996). The cumulative balance of equity adjustments arising from the valuation of those investments is equivalent to unrealized losses of US$6,634,982 (2022: unrealized losses of US$14,616,035.

As of December 31, the following table shows the rating of investments by classification:

		2023	2022
BCCR			
B		4,077,260	145,684,916
B+		323,650,023	-
State-owned banks			-
F1+		-	6,000,000
Foreign private banks			
A		2,857,750	26,491,188
A2		8,000,000	-
A-		22,364,022	31,289,317
A+		11,543,677	14,537,354
AA-		383,191	9,000,868
AAA		8,913,757	15,508,543
BBB		549,802	5,129,578
BBB-		-	7,317,428
BBB+		16,390,252	13,722,302
F3		-	12,800,000
P1		-	4,859,365
Foreign private issuers			
A		376,730	8,961,568
A-		9,406,772	19,594,216
A+		466,335	21,311,127
AA		529,701	4,670,730
AA-		566,635	2,954,647
AAA		-	1,991,650
BB+		6,415,511	292,252
BBB		34,751,100	44,438,929
BBB-		14,538,981	12,693,245
BBB+		13,240,246	26,794,492
Local private issuers			-
B+		-	11,278,191
BB		28,968,765	22,499,022
BB-		7,171,760	-
Government of Costa Rica			-
B		122,727,277	1,183,379,595
B2		21,159,676	18,536,935
B+		1,313,493,659	-
Foreign governments			
A		1,072,972	1,205,448
AA+		533,210,565	663,746,559
A1+		4,082,164	-
P1		-	39,350,170
Unrated			
N/A		86,999,996	33,953,410
	US$	2,597,908,581	2,409,993,043

(11) Derivative financial instruments

The Conglomerate holds the following types of derivative financial instruments:

iii. *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.

As of December 31, derivative financial instruments are as follows:

Issuing bank		2023 Notional amount		Valuation	Purpose
Chicago Board of Trade	US$	21,100,000	US$	39,672	Standardized futures contracts (maturing in 2024)

Issuing bank		2022 Notional amount		Valuation	Purpose
JP Morgan	US$	45,833,000	US$	(1,099,733)	Swaps to hedge 10-year issues (maturing in 2023)
Bank of America		128,631,000		(3,086,417)	
	US$	174,464,000	US$	(4,186,150)	
Chicago Board of Trade	US$	8,900,000	US$	(5,141)	Standardized futures contracts (maturing in 2023)

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

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 December 31, 2023 and 2022
- only a portion of the bond cash flows is hedged (corresponding to the 5-year and 10-year LIBOR rate in effect at the issue of the bond) rather than the total interest rate
- accrued and earned interest were segregated from the instruments to obtain variations in clean prices
- forward rate to calculate variable interest
- the linear regression methodology is taken into account to measure the effectiveness of the derivative financial instrument.

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

	2023
	US dollars
Notional amount	21,100,000
Valuation	
Positive valuation	154,648
Negative valuation	(114,977)
Net valuation	39,672

	2022
	US dollars
Notional amount	8,900,000
Valuation	
Positive valuation	6,953
Negative valuation	(12,094)
Net valuation	(5,141)

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

As of December 31, 2022, the total notional amount of swaps and its valuation is as follows:

	2022
	US dollars
Notional amount	174,464,000
Valuation	
Negative valuation	(4,186,150)
Net valuation	(4,186,150)

iv. *Derivatives other than hedges*

Currency forwards:

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

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

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

As of December 31, the total notional amount and valuation of forwards contracts is as follows:

	2023	2022
	US dollars	US dollars
Total notional amount	13,530,694	250,000
Valuation		
Positive valuation	-	-
Negative valuation	-	-
Net valuation	-	-

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

		2023	2022
Total notional amount	US$	34,630,694	183,614,000
Positive valuation			
Standardized futures contracts		154,648	6,953
Forwards contracts		536,790	20,312
		691,439	27,266
Negative valuation			
Swaps		-	(4,186,150)
Standardized futures contracts		(114,977)	(12,094)
Forward contracts		(193,418)	-
		(308,395)	(4,198,244)
Net valuation	US$	383,044	(4,170,978)

As of December 31, the effect of derivative financial instruments on profit or loss is as follows:

		2023	2022
Gain on derivative financial instruments	US$	9,296,900	9,197,308
Loss on derivative financial instruments		(9,347,266)	(19,945,138)
Net losses	US$	(50,366)	(10,747,830)

(Continued)

(12) Loan portfolio

(a) Loan portfolio by sector

As of December 31, the loan portfolio by sector is as follows:

		2023	2022
Trade	US$	705,628,530	569,725,640
Services *(1)*		2,267,279,677	1,819,065,843
Financial services *(1)*		154,477,420	182,263,609
Mining		664,621	661,851
Manufacturing and quarrying		309,210,333	297,337,615
Construction		112,681,081	102,590,779
Agriculture and forestry		211,588,698	172,283,500
Livestock, hunting and fishing		142,760,895	122,547,114
Electricity, water, sanitation and other related sectors		774,653,981	695,969,511
Transportation and telecommunications		72,787,003	67,022,594
Housing		2,825,796,911	2,399,605,864
Personal or consumer loans		1,326,062,244	940,347,037
Tourism		507,126,787	447,413,293
Total direct loans		9,410,718,180	7,816,834,251
Incremental direct costs related to loans		12,072,525	9,561,452
(Deferred income from loan portfolio)		(91,317,230)	(69,647,564)
Accrued interest receivable		172,246,840	169,726,430
Allowance for loan losses		(246,357,901)	(231,508,376)
Loan portfolio	US$	9,257,362,414	7,694,966,193

(1) As of December 31, 2023, the portfolio purchased by the Bank amounts to US$156,637,090 (2022: US$179,636,197), distributed among the services and financial services sectors.

As of December 31, annual interest rates on loans receivable are as follows:

	2023		2022	
Currency	Rates	Average *(1)*	Rates	Average *(1)*
Colones	0.55% to 45.00%	13.93%	0.55% to 45%	20.08%
US dollars	1.45% to 28.00%	11.53%	1.45% to 28%	5.11%
UDES	3.85% to 6.91%	4.72%	3.85% to 10%	4.26%

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

(b) *Loan portfolio by arrears*

As of December 31, the loan portfolio by arrears is as follows:

		2023	2022
Current	US$	8,849,721,011	7,346,141,329
1 to 30 days		134,960,927	104,805,253
31 to 60 days		134,373,562	113,072,855
61 to 90 days		58,340,226	48,035,682
91 to 120 days		29,794,733	12,035,600
121 to 180 days		43,580,207	38,161,186
More than 180 days		159,947,514	154,582,347
		9,410,718,180	7,816,834,251
Incremental direct costs related to loans		12,072,525	9,561,452
(Deferred income from loan portfolio)		(91,317,230)	(69,647,564)
Accrued interest receivable		172,246,840	169,726,430
Allowance for loan losses		(246,357,901)	(231,508,376)
	US$	9,257,362,414	7,694,966,193

(Continued)

(c) *Allowance for loan losses*

As of December 31, movement in the allowance for loan losses is as follows:

		2023	2022
Opening balance	US$	231,508,376	210,509,544
Allowance expense for the year (Note 39)		63,143,023	72,148,471
Write-offs		(73,269,552)	(66,946,379)
Decrease in allowance		(723,916)	(135)
Foreign exchange differences		(9,380,501)	(4,786,847)
Adjustment for conversion of financial statements		35,080,472	20,583,723
Closing balance	US$	246,357,901	231,508,376

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*

As of December 31, movement the allowance for stand-by credits is as follows:

		2023	2022
Opening balance	US$	1,971,367	1,336,178
Allowance expense for the year (Note 36)		6,940	590,088
Foreign exchange differences		(194,494)	(91,319)
Adjustment for conversion of financial statements		273,783	136,419
Closing balance	US$	2,057,596	1,971,367

(13) Accounts and fees and commissions receivable

As of December 31, accounts and fees and commissions receivable are as follows:

		2023	2022
Fees and commissions	US$	4,176,217	2,962,775
Accounts due from employees		42,090	52,595
Deferred tax (Note 16-b)		909,616	446,303
Income tax receivable *(1)*		252,506	241,862
Value added tax		68,797	39,298
Sundry accounts receivable related to credit cards		682,781	769,845
Other expenses receivable		42,186	37,824
Credit fraud		688,577	1,233,828
Other accounts receivable		5,151,069	3,134,111
Misappropriation and theft		9,030,886	2,433,573
Accrued interest receivable on other sundry accounts receivable		3,820	1,206
Allowance for impairment of accounts receivable		(14,450,103)	(7,192,284)
	US$	6,598,443	4,160,936

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

		2023	2022
Banco Nacional de Costa Rica	US$	252,506	241,828
BN Vital Operadora de Planes de Pensiones Complementarias, S.A.		-	34
	US$	252,506	241,862

As of December 31, movement in the allowance for impairment of other accounts receivable is as follows:

		2023	2022
Opening balance	US$	7,192,284	6,313,122
Allowance expense (Note 39)		8,540,927	3,173,136
Decrease in allowance (Note 40)		(511,697)	(1,208,700)
Write-offs		(1,991,649)	(1,623,231)
Foreign exchange differences		(111,046)	(69,223)
Adjustment for conversion of financial statements		1,331,284	607,180
Closing balance	US$	14,450,103	7,192,284

(Continued)

(14) Assets held for sale

As of December 31, assets held for sale are presented net of the allowance for impairment and per legal requirements are as follows:

		2023	2022
Assets acquired in lieu of payment	US$	187,222,727	163,003,515
Idle property, furniture and equipment		-	92,833
Allowance for impairment of assets held for sale and per legal requirements		(118,028,305)	(100,810,500)
	US$	69,194,422	62,285,848

As of December 31, movement in the allowance for impairment of assets held for sale and per legal requirements is as follows:

		2023	2022
Opening balance	US$	100,810,500	91,275,441
Allowance expense (Note 43)		10,179,133	12,078,806
Disposal of assets held for sale		(106,067)	-
Decrease in allowance		(7,336,276)	(9,325,929)
Adjustment for conversion of financial statements		14,481,015	6,782,182
Closing balance	US$	118,028,305	100,810,500

(15) Investments in other companies

As of December 31, investments in other companies are as follows:

		2023	2022
Investment in other financial and non-financial entities *(1)*	US$	2,088,945	84,093
Banco Internacional de Costa Rica, S.A. and Subsidiary (BICSA) *(2)*		127,782,067	121,789,525
	US$	129,871,012	121,873,618

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

		2023	2022	Concept
Bolsa Nacional de Valores	US$	28,469	24,917	To operate in the electronic custody of securities
Central de Valores de la Bolsa Nacional de Valores, S.A.		28,469	24,917	To operate in the electronic custody of securities
Interclear Central de Valores		28,469	24,917	To operate in the electronic custody of securities
Depósito Libre Comercial Golfito (Golfito Duty Free Shopping Center) per Article 24 of Law No. 7131		9,869	8,638	Golfito Duty Free Shopping Center
Other financial entities (cooperatives)		803	703	Investments in various cooperatives
Shares in BN Centro de Procesos S.A.		1,992,864	-	BN Centro de Procesos S.A.
	US$	2,088,945	84,093	

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

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

a) Historical cost and depreciation

As of December 31, property, furniture and equipment is as follows:

		2023					
		Land	Buildings	Furniture and equipment	Computer hardware	Vehicles	Total
Cost:							
Historical cost at beginning of year	US$	7,111,662	121,589,794	128,145,609	87,675,018	470,302	344,992,386
Revalued cost at beginning of year		82,505,951	108,939,833	(12,728)	(53,288)	-	191,379,768
Additions		-	121,829	18,665,846	7,901,258	-	26,688,933
Disposals		-	-	(10,110,272)	(9,225,311)	(18,983)	(19,354,566)
Revaluation		8,689,182	18,574,756	-	-	-	27,263,937
Adjustments		41,917	(5,088,387)	7,184	369,909	-	(4,669,377)
Reclassifications		-	-	20,743	(20,743)	-	-
Adjustment for conversion of financial statements		12,775,545	32,863,423	18,266,134	12,491,019	67,044	76,463,165
Closing balance		111,124,256	277,001,247	154,982,517	99,137,862	518,363	642,764,245
Accumulated depreciation:							
Opening balance		-	89,426,106	79,191,102	70,832,225	272,684	239,722,117
Depreciation expense on historical cost		-	3,054,837	14,890,167	7,511,964	30,442	25,487,410
Depreciation expense on revalued cost		-	1,537,164	-	-	-	1,537,164
Disposals		-	-	(9,893,925)	(9,134,454)	(18,461)	(19,046,841)
Adjustments		-	2,813,950	(149)	(1,077)	-	2,812,724
Reclassifications		-	-	13,533	(13,533)	-	-
Adjustment for conversion of financial statements		-	12,748,244	11,289,181	10,097,571	38,873	34,173,869
Balance at end of year		-	109,580,300	95,489,910	79,292,697	323,537	284,686,445
Net balance at end of year	US$	111,124,256	167,420,947	59,492,607	19,845,165	194,826	358,077,801

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		2022					
		Land	Buildings	Furniture and equipment	Computer hardware	Vehicles	Total
Cost:							
Historical cost at beginning of year	US$	6,634,870	112,264,776	112,902,286	81,090,899	627,944	313,520,774
Revalued cost at beginning of year		76,519,966	101,636,095	(16,214)	(53,139)	-	178,086,708
Additions		-	1,257,485	14,917,420	6,233,849	2,492	22,411,246
Revaluation		487,133	-	-	-	-	487,133
Disposals		-	-	(7,787,660)	(5,476,638)	-	(13,264,298)
Sales		-	-	-	-	(205,260)	(205,260)
Adjustments		-	-	4,452	3,669	-	8,121
Reclassifications		-	-	417	(417)	-	-
Adjustment for conversion of financial statements		5,975,644	15,371,271	8,112,180	5,823,508	45,125	35,327,729
Balance at end of year		89,617,613	230,529,627	128,132,881	87,621,730	470,302	536,372,154
Accumulated depreciation:							
Balance at beginning of year		-	79,428,503	69,514,575	64,666,153	420,617	214,029,848
Depreciation expense on historical cost		-	2,677,009	12,294,044	6,889,640	27,100	21,887,794
Depreciation expense on revalued cost		-	1,612,730	-	-	-	1,612,730
Disposals		-	-	(7,613,367)	(5,370,168)	-	(12,983,535)
Sales		-	-	-	-	(205,260)	(205,260
Reclassifications		-	-	417	(417)	-	-
Adjustment for conversion of financial statements		-	5,707,864	4,995,433	4,647,017	30,226	15,380,540
Balance at end of year	US$	-	89,426,106	79,191,102	70,832,225	272,684	239,722,117
Net balance at end of year	US$	89,617,613	141,103,522	48,941,779	16,789,505	197,618	296,650,037

(Continued)

The Conglomerate's land and buildings were appraised 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*

As of December 31, the right-of-use assets comprise the lease of building and vehicles, as follows:

		2023		
		Right-of-use of building	Right-of-use of vehicles	Total
Cost:				
Opening balance	US$	64,253,523	237,504	64,491,027
Additions		48,774,291	-	48,774,291
Disposals		(65,2929)	(271,362)	(336,653)
Adjustments		1,524,303	-	1,524,303
Adjustment for conversion of financial statements		9,159,737	33,858	9,193,594
Closing balance		123,646,563	-	123,646,563
Accumulated depreciation:				
Opening balance		18,132,579	198,362	18,330,941
Depreciation expense		8,156,629	44,722	8,201,352
Disposals		(66,795)	(271,362)	(338,157)
Adjustments		9,714	-	9,714
Adjustment for conversion of financial statements		2,584,911	28,278	2,613,189
Closing balance		28,817,038	-	28,817,039
Net closing balance	US$	94,829,525	-	94,829,524

		2022		
		Right-of-use of building	Right-of-use of vehicles	Total
Cost:				
Opening balance	US$	59,918,115	166,804	60,084,919
Additions		1,190,755	-	1,190,755
Revaluation		(61,620)	-	(61,620)
Disposals		(1,604,058)	-	(1,604,058)
Adjustments		504,515	58,714	563,228
Adjustment for conversion of financial statements		4,305,815	11,987	4,317,802
Closing balance		64,253,523	237,504	64,491,027
Accumulated depreciation:				
Opening balance		13,335,386	136,476	13,471,862
Depreciation expense		4,742,176	52,079	4,794,255
Disposals		(762,3069)	-	(762,306)
Adjustments		(140,9809)	-	(140,980)
Adjustment for conversion of financial statements		958,303	9,807	968,110
Closing balance		18,132,579	198,362	18,330,941
Net closing balance	US$	46,120,944	39,142	46,160,086

c) *Lease liabilities*

i. *Amounts recognized in profit or loss*

As of December 31, the amounts recognized in profit or loss are as follows:

		2023	2022
Interest on lease liability	US$	7,550,470	5,533,693
Expenses for leases of low-value assets, excluding short-term assets	US$	616,730	1,106,383

ii. Amounts recognized in the statement of cash flows

As of December 31, amounts recognized in the statement of cash flows are as follows:

		2023	2022
Cash outflows for leases	US$	(5,660,854)	(3,552,556)

(17) Other assets

As of December 31, other assets are as follows:

		2023	2022
Deferred charges:			
Leasehold improvements *(1)*	US$	1,532	8,183
Cost of issue of financial instruments, net *(2)*		-	170,012
Cost of subordinated debt project		35,469	46,865
Other deferred charges		5,470	23,580,130
		42,471	23,805,189
Intangible assets:			
Software *(3)*		10,663,880	14,898,662
Other intangible assets *(3)*		17,678	14,670
		10,681,558	14,913,332
Other assets:			
Prepaid taxes		28,107,286	18,513,314
Prepaid insurance policy		466,248	379,458
Other prepaid expenses		13,430,297	8,886,810
Stationery, office supplies and other materials		1,626,757	1,684,090
Leased assets		244,048	197,194
Library and artwork		768,046	672,279
Construction work in progress		407,952	357,052
Automated applications under development		251,477	237,756
Payments to welfare and trade associations		664	581
Other sundry assets		291,311	254,965
Operations pending settlement		21,853,642	19,915,129
Other operations pending application		166,733	188,741
Security deposits (Note 7)		1,302,286	532,280
Legal and administrative deposits (Note 7)		539,260	352,921
		69,456,008	52,172,569
	US$	80,180,036	90,891,090

(Continued)

(1) As of December 31, 2023, the amortization expense for leasehold improvements amounts to US$7,527 (2022: US$7,424).

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

		2023		
		5-year issue (maturing in 2021)	10-year issue (maturing in 2023)	Total
Commission - structuring banks	US$	500,000	500,000	1,000,000
Commission - Moody’s Investors Service		250,000	250,000	500,000
Commission - Société de la Bourse de Luxembourg S.A.		12,221	12,221	24,442
RR Donelley		10,947	10,947	21,894
BNY Mellon		3,953	3,953	7,906
Moody’s issuer rating		33,100	33,100	66,200
Fitch Ratings		250,000	250,000	500,000
Milbank		147,160	147,160	294,320
Shearman & Sterling		147,351	147,351	294,702
External audit		190,000	190,000	380,000
		1,544,732	1,544,732	3,089,464
Amortization		(1,544,732)	(1,544,732)	(3,089,464)
	US$	-	-	-

		2022		
		5-year issue (maturing in 2021)	10-year issue (maturing in 2023)	Total
Commission - structuring banks	US$	500,000	500,000	1,000,000
Commission - Moody’s Investors Service		250,000	250,000	500,000
Commission - Société de la Bourse de Luxembourg S.A.		12,221	12,221	24,442
RR Donelley		10,947	10,947	21,894
BNY Mellon		3,953	3,953	7,906
Moody’s issuer rating		33,100	33,100	66,200
Fitch Ratings		250,000	250,000	500,000
Milbank		147,160	147,160	294,320
Shearman & Sterling		147,351	147,351	294,702
External audit		190,000	190,000	380,000
		1,544,732	1,544,732	3,089,464
Amortization		(1,544,732)	(1,374,720)	(2,919,452)
	US$	-	170,012	170,012

(Continued)

(3) As of December 31, intangible assets, net, are as follows:

		2023		
		Software	Other intangible assets	Total
Cost:				
Opening balance	US$	66,281,463	14,670	66,296,133
Additions		4,186,433	71,621	4,258,053
Disposals		(10,834,576)	-	(10,834,576)
Adjustments		-	(70,706)	(70,706)
Adjustment for conversion of financial statements		9,448,832	2,091	9,450,923
Closing balance		69,082,151	17,676	69,099,828
Accumulated amortization:				
Opening balance		51,382,801	-	51,382,801
Expense for the year		10,270,214	70,706	10,340,920
Disposals		(10,395,184)	-	(10,395,184)
Adjustments		(164,496)	(70,706)	(235,202)
Adjustment for conversion of financial statements		7,324,936	-	7,324,936
Closing balance		58,418,271	-	58,418,271
Net closing balance	US$	10,663,880	17,676	10,681,557

		2022		
		Software	Other intangible assets	Total
Cost:				
Opening balance	US$	54,566,702	78,255	54,644,957
Additions		9,193,185	59,524	9,252,709
Disposals		(1,322,474)	(69,927)	(1,392,402)
Adjustments		(77,203)	(58,805)	(136,008)
Adjustment for conversion of financial statements		3,921,254	5,624	3,926,877
Closing balance		66,281,463	14,670	66,296,133
Accumulated amortization:				
Opening balance		40,365,146	65,239	40,430,385
Expense for the year		9,307,949	58,682	9,366,631
Disposals		(1,108,641)	(69,927)	(1,178,569)
Adjustments		(82,359)	(58,682)	(141,041)
Adjustment for conversion of financial statements		2,900,706	4,688	2,905,395
Closing balance		51,382,801	-	51,382,801
Net closing balance	US$	14,898,662	14,670	14,913,332

(Continued)

(18) Obligations with the public

As of December 31, obligations with the public by cumulative amount are as follows:

		2023	2022
Demand deposits:			
Checking accounts	US$	3,924,500,311	3,394,248,231
Certified checks		76,781	137,719
Savings deposits		4,433,332,574	3,713,154,845
Matured term deposits		36,024,493	32,674,910
Other demand deposits		195,004	176,847
Drafts and transfers payable		96,585	67,145
Cashier's checks		5,544,126	7,527,170
Advance collections from customers for credit cards		22,476,712	19,374,918
Trust fund obligations		22,351	61,854
		8,422,268,937	7,167,423,639
Term deposits:			
Deposits from the public		3,540,720,625	2,812,742,626
Other term deposits		168,653,388	161,836,343
		3,709,374,014	2,974,578,968
Other obligations with the public:			
Finance charges payable		111,001,027	60,917,643
	US$	12,242,643,978	10,202,920,250

As of December 31, 2023, deposits in checking accounts in colones bear interest at a maximum rate of 3.05% per annum on full balances and at a minimum rate of 0% per annum on balances greater than or equal to ¢500,001 (2022: interest at 3.05% and 0% per annum, respectively). Deposits in checking accounts in US dollars bear interest at a maximum rate of 0.20% per annum on full balances and at a minimum rate of 0% per annum on balances greater than or equal to US$1,000 (2022: interest at 0.20% and 0% per annum, respectively).

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

Currency	2023	2022
Colones	4.07% to 6.66%	4.30% to 9.54%
US dollars	1.24% to 4.89%	0.10% to 3.80%

The Conglomerate has term certificates of deposit that are restricted to secure certain loan operations. As of December 31, 2023, the balance of those term certificates of deposit is US$150,658,391 (2022: US$137,253,713). As of that date, the Conglomerate has no inactive deposits with State-owned entities or other banks.

(19) Obligations with BCCR

As of December 31, obligations with BCCR are as follows:

		2023	2022
Financing of loans using internal funds - BCCR *(i)*		273,964,159	273,377,903
Financing of loans using external funds *(ii)*	US$	238,469	208,715
Finance charges payable		5,912,506	3,763,432
	US$	280,115,134	277,350,050

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

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

(Continued)

(20) Obligations with financial entities

As of December 31, obligations with financial entities are as follows:

		2023	2022
Demand:			
Checking accounts with local financial entities	US$	112,884,726	72,952,271
Savings deposits with local financial entities		81,019	57,574
Outstanding checks		1,337,168	2,006,915
Matured term deposits		104,341	101,362
Checking accounts and obligations with related parties (Note 8)		26,581	73,553
		114,433,835	75,191,674
Term:			
Lease liabilities *(1)*		99,528,317	53,615,618
Term obligations with foreign financial entities *(2)*		-	172,364,426
Term obligations with financial entities *(3)(4)*		53,421,532	51,796,685
Loans from foreign financial entities *(4)*		80,000,000	185,337,200
Obligations for deferred liquidity operations		-	54,818,186
Term deposits with local financial entities		162,095,031	145,586,932
Obligations with funds from the liquidity market		82,201,789	60,924,251
Obligations with funds from the Development Credit Fund		266,380,688	300,442,945
		743,627,357	1,024,886,244
(Deferred fees and commissions on own loan portfolio)		-	(171,547)
Charges payable for term deposits with foreign financial entities *(2)*		-	1,817,333
Charges payable for loans with local financial entities *(3)*		121,762	135,745
Charges payable for loans with foreign financial entities		401,771	846,815
Charges payable for other demand and term obligations with financial entities – foreign currency		86,827	129,265
Charges payable for other demand and term obligations with financial entities – local currency		3,459,910	1,704,010
		4,070,271	4,633,168
	US$	862,131,463	1,104,539,539

(1) Lease liabilities

As of December 31, 2023, long-term lease liabilities and their current portion amount to ¢8,130,593,259 (equivalent to US$15,431,585) and US$82,317,598, for a total in US$ of US$97,749,183; using an exchange rate of ¢526.88 (2022: ¢7,148,807,318 equivalent to US$11,875,292 and USD$40,175,051, for a total in US$ of US$52,050,343, using an exchange rate of ¢601.99).

As of December 31, lease operations are as follows:

	2023			2022		
	No. of operations	Interest rates	Maturity	No. of operations	Interest rates	Maturity
In colones	20	5.56% and 15% per annum	2023 and 2048	19	5.56% and 15% per annum	2022 and 2047
In US dollars	53	3.57% and 8.85% per annum	2024 and 2048	54	3.57% and 8.85 per annum	2022 and 2041
	73			73		

As of December 31, future minimum lease payments are as follows:

		2023		
		Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	US$	13,018,682	8,157,135	4,861,551
Between one and five years		63,548,152	33,371,996	30,176,174
More than five years		90,823,321	26,332,773	64,490,592
	US$	167,390,155	67,861,904	99,528,317

		2022		
		Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	US$	8,251,402	5,014,295	3,237,111
Between one and five years		38,858,305	19,993,920	18,864,404
More than five years		45,422,158	13,908,100	31,514,105
	US$	92,531,865	38,916,314	53,615,620

As of December 31, the reconciliation of the lease liabilities with cash flows from financing activities is as follows:

		2023	2022
Opening balance	US$	53,615,618	55,472,461
New financial obligations		48,753,072	653,370
Settlements or withdrawals		-	(1,100,759)
Adjustments		2,540,839	957,701
Payment of obligations		(5,651,140)	(3,552,556)
Foreign exchange differences		(7,098,987)	(2,591,069)
Adjustment for conversion of financial statements		7,643,238	3,986,343
Closing balance	US$	99,528,317	53,615,620

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

Date of issue	Face value	Characteristics
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: 9 years Interest rate: 10.43 per coupon

As of December 31, 2023, the following operations were settled:

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

Obligations with international issuers

As of December 31, the balances according to the term of the obligations are as follows:

		2022	
		10-year issue (maturing in 2023)	Total
Issue	US$	172,844,974	172,844,974
Adjustment to fair value of hedged item measured at cost of international issues		(1,903,508)	(1,903,508)
Amortization of discount in traded amount of issues		1,422,959	1,422,959
		172,364,426	172,364,426
Finance charges payable		1,817,333	1,817,333
	US$	174,181,759	174,181,759

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

(3) As of December 31, the maturity of loans, term obligations and charges due to financial entities is as follows:

		2023		
		Local	Foreign	Total
One to two years	US$	3,253,528	-	3,253,528
Three to five years		1,381,393	-	1,381,393
More than five years		48,908,373	80,414,804	129,323,177
	US$	53,543,295	80,414,804	133,958,099

		2022		
		Local	Foreign	Total
Less than one year	US$	-	175,846,323	175,846,323
One to two years		135,745	5,337,692	5,473,438
Three to five years		5,280,391	-	5,280,391
More than five years		46,516,294	5,024,803	51,541,096
	US$	51,932,430	186,208,817	238,141,248

(4) As of December 31, 2023, loans due to financial entities abroad bear interest at rates ranging from 6.65% to 10.43% per annum (2022: from 3.32% to 6.92% per annum).

(Continued)

As of December 31, the reconciliation of notes payable with cash flows from financing activities, as required by IAS 7, is as follows:

		2023	2022
Balance at beginning of year	US$	237,133,885	238,913,768
New financial obligations		-	5,007,226
Settlement of financial obligations		(112,867,393)	(10,998,602)
Foreign exchange differences		(24,649,860)	(12,957,247)
Adjustment for conversion of financial statements		33,804,901	17,168,740
Cash flows from financing activities		(137,517,253)	(18,948,623)
Balance at end of year	US$	133,421,532	237,133,885

(21) Income tax

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

a) Income tax for the year

For the year ended December 31, the income tax expense is as follows:

		2023	2022
Current tax:			
Current tax expense for the year	US$	36,851,752	44,791,796
Prior-period income tax expense		25,928,729	21,804,438
Decrease in prior-period income tax		(2,206,349)	-
		60,574,132	66,596,233
Deferred tax:			
Deferred tax expense		3,451,363	2,686,456
Deferred tax income		(1,834,669)	(2,663,957)
Deferred tax expense, net		1,616,694	22,500
Tax expense, net	US$	62,190,826	66,618,733

As of December 31, 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:

		2023		2022	
Income before income tax	US$	183,738,236		160,010,204	
Plus (less) tax effect of:					
Non-deductible expenses		979,401,196	792%	72,195,784	48%
Deductible expenses		(59,908,467)	48%	(19,288,113)	13%
Non-taxable income		(980,391,792)	792%	(63,941,741)	43%
Taxable income		-	0%	329,851	0%
Tax base		122,839,173		149,305,985	
Tax rate					
Income tax expense		36,851,752	30%	44,791,796	30%
Prior-period income tax expense		25,928,729		21,804,438	
Decrease in prior-period income tax		(2,206,349)		-	
Deferred tax expense		3,451,363		2,686,456	
Deferred tax income		(1,834,669)		(2,663,957)	
Deferred tax expense, net		1,616,694		22,500	
Income tax expense, net	US$	62,190,826	34%	66,618,733	42%

b) *Deferred tax*

As of December 31, deferred tax assets and liabilities are as follows:

		2023		
		Assets	Liabilities	Net
Unrealized losses on valuation of investments	US$	51,697	-	51,697
Provisions		28,808	-	28,808
Right-of-use assets *(1)*		1,572,953	-	1,572,953
Allowance for impairment of accounts receivable		2,978	-	2,978
Lease liabilities		-	(181,028)	(181,028)
Unrealized gains on valuation of investments		-	(1,874,527)	(1,874,527)
Revaluation of property		-	(21,408,077)	(21,408,077)
Tax base of property and equipment		-	(9,011,516)	(9,011,516)
	US$	4,262,374	(32,475,148)	(30,818,712)

(Continued)

		2022		
		Assets	Liabilities	Net
Unrealized losses on valuation of investments	US$	10,210,621	-	10,210,621
Provisions		(214,486)	-	(214,486)
Right-of-use assets *(1)*		2,232,496	-	2,232,496
Impairment of investments		21,074	-	21,074
Depreciation of assets		20,559	-	20,559
Lease liabilities		-	(2,030)	(2,030)
Unrealized gains on valuation of investments		-	(1,090,567)	(1,090,567)
Revaluation of property		-	(15,538,296)	(15,538,296)
Tax base of property and equipment		-	(7,426,960)	(7,426,960)
	US$	12,270,263	(24,057,852)	(11,787,589)

As of December 31, 2023, the deferred income tax, net, arises from the right-of-use assets and lease liabilities in the amount of US$29,247,300 and US$27,863,804, respectively (2022: US$15,615,102 and US$13,400,724; respectively).

As of December 31, deferred tax assets and liabilities are as follows:

		December 2022	Included in the income statement	Included in equity	December 2023
Unrealized losses on valuation of investments	US$	8,849,837	-	(10,059,740)	51,697
Provisions		81,358	(64,149)	-	28,808
Right-of-use assets		2,375,172	(1,140,815)	-	1,572,953
Impairment of investments		3,147	(617)	-	2,978
Lease liabilities		(159,066)	714	-	(181,028)
Unrealized gains on valuation of investments		(14,547)	-	(1,857,906)	(1,874,527)
Revaluation of property		(15,021,698)	-	(4,244,943)	(21,408,077)
Tax base of property and equipment		(7,677,858)	(239,132)	-	(9,011,516)
	US$	(11,563,654)	(1,443,999)	(16,162,589)	(30,818,712)

		December 2021	Included in the income statement	Included in equity	December 2022
Unrealized losses on valuation of investments	US$	1,716,542	-	8,370,726	10,210,621
Provisions		(234,632)	37,007	-	(214,486)
Right-of-use assets		2,509,478	(457,317)	-	2,232,496
Impairment of investments		19,661	-	-	21,074
Depreciation of assets		19,181	-	-	20,559
Lease liabilities		(1,894)	-	-	(2,030)
Unrealized gains on valuation of investments		(5,753,906)	2,753	5,074,071	(1,090,567)
Revaluation of property		(13,713,434)	-	(839,392)	(15,538,296)
Tax base of property and equipment		(7,480,764)	441,880	149,504	(7,725,968)
	US$	(22,919,767)	24,322	12,952,515	(11,787,589)

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

As of December 31, 2023, the Bank has not recognized a deferred tax liability in the amount of US$7,961,321 (2022: US$6,777,402), given that it controls the moment when the subsidiaries pay dividends.

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

(22) Provisions

As of December 31, provisions are as follows:

		2023	2022
Severance benefits	US$	614,678	519,886
Litigation		15,021,907	6,612,569
Inactive checking and savings accounts liquidated		1,177,760	1,189,119
Variation in RIVM methodology		930,009	813,972
Notice of deficiency		25,069,894	7,831,272
Other		1,382,854	1,013,451
	US$	44,197,101	17,980,270

As of December 31, movement in provisions is as follows:

		2023			
		Severance benefits	Litigation	Other	Total
Balance at beginning of year	US$	519,886	6,612,569	10,886,366	18,018,822
Increase in provision		110,070	13,006,118	31,173,432	44,289,620
Used		12,048	(5,122,846)	(9,067,039)	(14,177,837)
Decrease in provision		(101,440)	(416,597)	(5,984,161)	(6,502,198)
Adjustment for conversion of financial statements		74,113	942,663	1,551,919	2,568,694
Balance at end of year	US$	614,678	15,021,907	28,560,517	44,197,101

		2022			
		Severance benefits	Litigation	Other	Total
Balance at beginning of year	US$	575,904	12,451,337	20,308,915	33,336,156
Increase in provision		158,565	731,288	8,362,396	9,252,249
Used		(170)	(435,472)	(19,161,008)	(19,596,650)
Decrease in provision		(255,798)	(7,029,357)	(121,921)	(7,407,076)
Adjustment for conversion of financial statements		41,385	894,774	1,459,432	2,395,591
Balance at end of year	US$	519,886	6,612,569	10,847,815	17,980,270

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

		Claimed amount		Provision	
Type		2023	2022	2023	2022
Ordinary - in colones equivalent to US$	US$	17,392,736	27,968,128	8,770,816	996,198
Ordinary - in US dollars		96,617,643	136,186,176	936,048	5,405,790
Criminal - in colones equivalent to US$		2,052,080	1,695,838	-	-
Labor - in colones equivalent to US$		1,306,697	1,438,716	5,315,043	210,581
	US$	117,369,155	167,288,857	15,021,907	6,612,569

(23) Other sundry accounts payable

As of December 31, other sundry accounts payable are as follows:

		2023	2022
Professional fees	US$	19,467	3,528
Creditors - goods and services		16,841,948	10,705,639
Current tax		1,435,885	23,886,050
Value added tax		700,318	468,632
Employer contributions		24,614,881	20,944,798
Court-ordered withholdings		7,152,557	7,046,745
Tax withholdings		4,722,956	3,598,458
Employee withholdings		1,821,488	1,525,158
Other third-party withholdings		18,341	15,772
Compensation		40,796,052	35,307,579
Statutory allocations		68,089,180	50,824,482
Clearing house operations		56,009	177,040
Accrued vacation		11,288,776	9,628,815
Accrued statutory Christmas bonus		4,626,372	3,991,149
Accounts payable – assets held for sale		141,813	135,205
Provisional deposits for the payment of premiums		3,299,385	2,865,109
Property		947,997	1,499,910
SICOP guarantees		2,261,397	2,088,353
Amounts received for partial sales of assets held for sale		1,407,618	1,344,402
Master Card and Visa payments		4,401,278	3,172,036
Other various creditors		8,409,845	4,859,043
Interest rate futures - Hedges (Note 9)		114,977	4,198,244
Purchase of FX futures		193,418	-
	US$	203,361,958	188,286,146

(24) Other liabilities

As of December 31, other liabilities are as follows:

		2023	2022
Deferred income:			
Deferred fees and commissions for trust management	US$	168,326	167,689
		168,326	167,689
Operations pending application:			
Operations pending settlement		31,422,867	23,442,338
Other operations pending settlement		31,253,059	27,050,082
		62,675,926	50,492,420
	US$	62,844,252	50,660,108

(25) Subordinated obligations

As of December 31, the Conglomerate's subordinated obligations are as follows:

Entity	Interest rate per annum	Term	Maturity		2023	2022
IDB	6-month LIBOR + 6.30% in the first 5 years and 6-month LIBOR + 6.80% thereafter	10	18/02/2032	US$	45,000,000	45,000,000
CABEI	6-month LIBOR + 5.25% in the first 5 years and 6-month LIBOR + 5.75% thereafter	15	23/10/2029		18,000,000	21,000,000
AFD	Fixed rate at 8.28% over the entire term *(1)*	10	29/09/2031		15,000,000	15,000,000
FINDEV	6-month LIBOR + 6.30% in the first 5 years and 6-month LIBOR + 6.80% thereafter	10	18/02/2032		30,000,000	30,000,000
				US$	108,000,000	111,000,000
		Finance charges payable			4,104,804	3,467,301
				US$	112,104,804	114,467,301

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

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

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

(Continued)

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

As of December 31, the Conglomerate's share capital is as follows:

		2023	2022
Capital under Law No. 1644	US$	264,268,095	222,232,919
Bank capitalization bonds		50,469,552	42,441,733
Adjustment for conversion of financial statements		14,341,174	64,404,169
	US$	329,078,821	329,078,821

(b) Capital reserves

As of December 31, capital reserves are as follows:

		2023	2022
Legal reserve	US$	737,527,805	562,795,188
Statutory reserve for assets held for sale		9,994,182	6,965,530
Excess of statutory reserve for loans		6,349,420	9,327,267
Statutory dynamic provision		17,633,231	15,864,422
Adjustment for conversion of financial statements		17,233,557	129,768,320
	US$	788,738,196	724,720,728

(c) Equity of the Development Financing Fund

As of December 31, 2023, the allocation of the Bank's earnings for the creation of the Development Financing Fund (FOFIDE) amounts to US$76,484,194 (2022: US$68,831,245).

(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. As of December 31, the notional amounts of foreign exchange derivatives are as follows:

		2023	2022
Sureties	US$	2,965	-
Performance bonds		64,775,925	69,085,022
Bid bonds		1,844,581	6,016,198
Other guarantees		1,152,662	213,351
Letters of credit		2,372,288	6,276,962
Credits pending disbursement		218,709	196,736
		70,367,131	81,788,269
Pre-approved lines of credit		579,854,565	487,671,912
Other contingencies not related to credits		12,496	138,969
Other contingencies - Pending litigation and lawsuits (Note 51)		117,307,825	167,288,885
		697,174,886	655,099,766
Sale of FX futures – Other than hedges		13,530,694	250,000
	US$	781,072,711	737,138,035

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

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

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

(28) Trust assets

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

The types of trusts managed are as follows:

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

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

Nature of trust		Cash or property management	Portfolio management	Guaranty	Testamentary	Custody of stock	Guaranties and cash management	Management, custody and guaranty	Public works	Custody of stock and cash management	Trusts with public funds	Guaranty and custody of stock	Rentier management and investment	Premium protection	Equity planning	Total
Trust assets																
Cash and due from banks	US$	155,049	58,433	2,000	857	-	-	-	13,049	-	242,067	-	499	503,640	-	975,594
Investments in financial instruments		3,396,241	369,259	4,660,407,521	5,281,464	3,627	-	-	25,797,445	1,538	30,748,748	-	1,412,418	4,322,025	142,690	4,731,882,977
Loan portfolio		-	-	-	-	-	-	-	-	-	9,967,578	-	-	-	-	9,967,578
Accounts and accrued interest receivable		44,701	-	170,647	14,293	-	391,023	-	115,041,073	-	166,518,134	1,417	-	-	581	282,181,870
Assets held for sale		-	-	-	-	-	-	-	-	-	113,453	-	-	-	-	113,453
Investments in other companies		-	-	9,303,845	21,148	47,753	-	-	-	-	-	-	-	-	873	9,373,620
Property, furniture and equipment		13,618,536	-	224,656,965	2,030,407	-	2,930,537	-	57,738,844	-	828,403	538,186	-	-	640,689	302,982,567
Other assets		157,735	-	5,860,722	5,898	-	-	9,691,314	39,661,079	-	2,891,264	-	-	-	56	58,268,069
	US$	17,372,262	427,691	4,900,401,701	7,354,067	51,380	3,321,560	9,691,314	238,251,490	1,538	211,309,647	539,603	1,412,917	4,825,665	784,889	5,395,745,727

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

Nature of trust		Cash or property management	Securitization	Portfolio management	Guaranty	Testamentary	Custody of stock with testamentary clause	Custody of stock and cash management	Guaranties and cash management	Custody of stock	Management, custody and guaranty	Guaranty and custody of stock	Rentier management and investment	Premium protection	Equity planning	Total
Trust assets																
Cash and due from banks	US$	759,843	11,638	29,621	2,000	15	-	-	63	-	44,839	9	-	10,000	-	858,029
Investments in financial instruments		272,866,844	16,653,329	968,763	4,565,124,374	5,974,943	-	4,300	103,159	-	58,285	1,030	180,566	45,195	1,005	4,861,981,792
Loan portfolio		6,474,606	-	1,627,790	-	-	-	-	-	-	-	-	-	-	-	8,102,396
Accounts and accrued interest receivable		240,383,047	48,408,523	3,479,441	134,991	15,748	-	-	344,271	-	-	406	-	-	-	292,766,426
Assets held for sale		81,265	-	5,339	-	-	-	-	-	-	-	-	-	-	-	86,604
Investments in other companies		-	-	-	7,633,017	40,370	272	-	-	41,871	-	4,552	-	-	-	7,720,082
Property, furniture and equipment		1,184,326	49,127,652	2,501	204,108,540	1,777,074	-	-	14,484,253	-	-	2,573,708	-	-	-	273,258,054
Other assets		39,671,633	5,843,386	556	-	7,611	-	-	-	-	8,645,822	-	-	-	-	54,169,007
	US$	561,421,564	120,044,528	6,114,010	4,777,002,923	7,815,760	272	4,300	14,931,746	41,871	8,748,946	2,579,705	180,566	55,195	1,005	5,498,942,391

(Continued)

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

a) Housing mortgage

These trusts are exclusively dedicated to managing housing loan portfolios.

b) Cash or property management

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

c) Securitization

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

d) Portfolio management

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

e) Special accounts

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

f) Guaranty

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

g) Testamentary

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

(29) Other debit memoranda accounts

As of December 31, other debit memoranda accounts are as follows:

		2023	2022
Pension Fund Manager's own investments in custody – Face value of principal	US$	23,859,314	19,783,555
Pension Fund Manager's own investments in custody – Coupons		13,559,299	13,719,093
Guarantees received in the Bank's custody		8,777,683	2,554,458
Guarantees on financial instruments		1,940,872	14,408
Other guarantees received in the Bank's custody		18,804,537,212	13,707,120,192
Lines of credit granted but unused		819,915,351	640,751,611
Loans pending disbursement		276,726,763	265,914,837
Unused overdrafts		104,388	89,668
Loans settled		868,783,154	759,239,505
Other accounts receivable settled		47,520,158	39,886,112
Accrued interest receivable settled		83,765,303	69,627,492
Interest income on non-accrual loans of loan portfolio		71,305,427	62,071,158
Supporting documentation received in the Bank's custody		10	14,956
Securities issued pending placement		131,029,836	161,519,294
Lines of credit or overdrafts obtained but unused		3,710,000	10,000,000
Notified letters of credit		5,522,305	9,479,029
Notional value subject to interest rate futures (Note 11)		21,100,000	183,364,000
Reversals made to income accounts for the year		61,181,914	66,145,386
Reversals made to expense accounts for the year		297,259,959	318,199,523
Non-deductible expenses		1,008,248,228	67,887,436
Non-taxable income		1,029,322,522	76,138,971
Other memoranda accounts		234,624,699	370,180,710
		23,812,794,397	16,843,701,396
Third-party debit memoranda accounts *(1)*		9,407,355,040	7,844,002,262
Own debit memoranda accounts for custodial activities		1,215,276,661	876,866,459
Third-party debit memoranda accounts for custodial activities		32,843,649,459	26,718,091,740
		43,466,281,160	35,438,960,460
	US$	67,279,075,557	52,282,661,856

(1) As of December 31, third-party debit memoranda accounts are as follows:

		2023	2022
Management of banking mandates	US$	3,167,211,244	3,009,760,661
"TUDES" securities received in custody from affiliates under Article 75 of Law No. 7531		1,848,778	1,384,075
Pension funds (Note 32)		4,794,348,602	3,685,085,882
Investment funds (Note 31)		1,295,582,012	1,010,788,087
Portfolio management		148,364,404	136,983,557
	US$	9,407,355,040	7,844,002,262

(Continued)

As of December 31, other memoranda accounts by entity are as follows:

		2023	2022
Banco Nacional de Costa Rica	US$	59,040,155,752	45,656,855,763
BN Valores Puesto de Bolsa, S.A. (Note 30)		2,109,454,322	1,894,788,660
BN Sociedad Administradora de Fondos de Inversión, S.A. (Note 31)		1,295,744,573	1,010,896,318
BN Vital Operadora de Planes de Pensiones Complementarias, S.A. (Note 32)		4,833,720,909	3,720,121,115
	US$	67,279,075,556	52,282,661,856

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

As of December 31, memoranda accounts for brokerage operations are summarized below:

		2023	2022
Own			
Futures contracts pending settlement		93,985,248	61,400,590
Own trading securities (Note 30-a)		14,480,783	6,598,361
Other own memoranda accounts		3,753,780	10,057,173
		112,219,812	78,056,123
Third party			
Trading securities received as guarantees		57,983,174	81,466,401
Trading securities pending receipt		496,573	-
Signed contracts pending settlement		717,433	7,148
Futures contracts pending settlement		92,743,177	131,357,428
Third-party trading securities (Note 30-a)		1,696,012,643	1,465,624,736
Cash and accounts receivable		917,106	1,293,266
Portfolio management		148,364,404	136,983,557
		1,997,234,510	1,816,732,537
Memoranda accounts (Note 29)	US$	2,109,454,322	1,894,788,660

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

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

a) As of December 31, securities held in custody are as follows:

Location	Type of custody		2023	2022
Own custodial activities				
	International custody			
Local	- vault		14,452,314	6,573,443
Local	Vault		28,469	24,917
			14,480,783	6,598,361
Custodial activities on behalf of third parties				
Local	CEVAL - private		207,325,122	243,378,304
Foreign	CEVAL - private		225,868,699	199,203,838
Local	CEVAL - public		1,064,517,238	925,805,745
Foreign	International custody		197,933,199	96,982,501
Local	Vault		15,491	13,331
Local and foreign	Securities that are doubtful, in arrears or in litigation		352,894	241,018
			1,696,012,643	1,465,624,736
		US$	1,710,493,426	1,472,223,097

b) As of December 31, term buyer and seller positions in tri-party repurchase agreements involving the Brokerage Firm are as follows:

	2023					
	Term buyer			Term seller		
	Colones expressed in US dollars	US dollars	Total	Colones expressed in US dollars	US dollars	Total
Own	79,457,100	14,528,148	93,985,248	-	-	-
Third parties	6,415,107	41,115,994	47,531,101	9,816,534	35,395,542	45,212,076
	85,872,207	55,644,142	141,516,349	9,816,534	35,395,542	45,212,076

	2022					
	Term buyer			Term seller		
	Colones expressed in US dollars	US dollars	Total	Colones expressed in US dollars	US dollars	Total
Own	40,299,241	21,101,349	61,400,590	-	-	-
Third parties	10,093,615	59,010,598	69,104,214	17,344,140	44,909,075	62,253,215
	50,392,856	80,111,947	130,504,803	17,344,140	44,909,075	62,253,215

As of December 31, 2023, term buyer and seller positions in tri-party repurchase agreements in US dollars were valued at the exchange rate of ¢526.88 to US$1.00 (2022: ¢601.99 to US$1.00).

As of December 31, the maturity structure of term buyer and seller positions in tri-party repurchase agreements involving the Brokerage Firm is as follows:

		2023			
		Term buyer		Term seller	
		Colones expressed in US$	US dollars	Colones expressed in US$	US dollars
Own					
1 to 30 days	US$	79,457,100	14,528,148	-	-
		79,457,100	14,528,148	-	-
Third-party					
1 to 30 days		-	1,770,175	2,830,414	1,770,175
31 to 60 days		784,529	13,794,990	568,251	15,627,485
61 to 90 days		2,026,548	22,085,851	2,813,839	14,532,905
More than 91 days		3,604,030	3,464,978	3,604,030	3,464,977
		6,415,107	41,115,994	9,816,534	35,395,542
	US$	85,872,207	55,644,142	9,816,534	35,395,542

		2022			
		Term buyer		Term seller	
		Colones expressed in US$	US dollars	Colones expressed in US$	US dollars
Own					
1 to 30 days	US$	3,574,633	2,007,423	-	-
31 to 60 days		36,724,608	19,093,926	-	-
		40,299,241	21,101,349	-	-
Third-party					
1 to 30 days		308,740	3,067,189	1,022,917	2,516,090
31 to 60 days		4,347,337	18,784,558	6,884,723	16,743,872
61 to 90 days		803,518	32,997,292	4,802,479	21,331,803
More than 91 days		4,634,021	4,161,559	4,634,021	4,317,310
		10,093,615	59,010,598	17,344,140	44,909,075
	US$	50,392,856	80,111,947	17,344,140	44,909,075

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

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

(31) Investment fund management agreements

As of December 31, the Investment Fund Manager’s memoranda accounts are as follows:

		2023		
Fund		Net value	Shares	Value per share
Funds in colones:				
Súper Fondo colones expressed in US dollars	US$	391,378,911	81,548,827	4.80
Fon Depósito colones expressed in US dollars		111,389,336	64,606,506	1.72
Creci Fondo colones expressed in US dollars		10,690,928	1,481,620	7.22
Redi Fondo colones expressed in US dollars		34,053,628	6,592,801	5.17
Diner Fondo colones expressed in US dollars		157,338,290	49,154,797	3.20
	US$	704,851,093	203,384,552	
Funds in US dollars:				
Creci Fondo US dollars		15,983,196	6,721,022	2.38
Redi Fondo US dollars		30,529,769	15,777,944	1.93
Diner Fondo US dollars		110,330,417	78,029,364	1.41
Fon Depósito US dollars		42,694,518	36,414,868	1.17
Súper Fondo Plus US dollars		306,978,897	258,816,637	1.19
Fondo Internacional - liquidity		32,439,369	21,750	1,491.47
BN internacional Valor		238,464	237,316	1.00
BN internacional Suma		3,592,019	3,444,693	1.04
BN internacional Crece		3,723,952	3,499,702	1.06
BN Infraestructura Pública -1		18,205,292	17,348,285	1.05
FI Desarrollo de Proyecto BN I		26,015,026	19,795	1,314.22
	US$	590,730,919	420,331,376	
Assets of managed funds	US$	1,295,582,012	623,715,928	
Guarantees:				
Performance bonds		158,813		
Outstanding checks		3,749		
		162,562		
Memoranda accounts (Note 29)	US$	1,295,744,573		

Fund		2022 Net value	Shares	Value per share
Funds in colones:				
Súper Fondo colones expressed in US dollars	US$	242,011,905	53,132,295	4.55
Fon Depósito colones expressed in US dollars		97,103,874	59,239,757	1.64
Creci Fondo colones expressed in US dollars		11,960,942	1,773,970	6.74
Redi Fondo colones expressed in US dollars		34,149,218	7,142,831	4.78
Diner Fondo colones expressed in US dollars		92,440,279	30,398,220	3.04
	US$	477,666,217	151,687,073	
Funds in US dollars:				
Creci Fondo US dollars		18,196,408	8,071,753	2.25
Redi Fondo US dollars		33,010,042	17,932,685	1.84
Diner Fondo US dollars		109,729,968	79,751,404	1.38
Fon Depósito US dollars		50,049,398	43,397,524	1.15
Súper Fondo Plus US dollars		258,807,536	225,370,381	1.15
Fondo Internacional - liquidity		33,388,446	21,750	1,535.10
BN internacional Valor		335,391	344,617	0.97
BN internacional Suma		3,528,587	3,691,934	0.96
BN internacional Crece		2,900,771	3,082,536	0.94
BN Infraestructura Pública -1		3,477,300	3,434,918	1.01
FI Desarrollo de Proyecto BN I		19,698,023	19,795	995.10
	US$	533,121,870	385,119,297	
Assets of managed funds	US$	1,010,788,087	536,806,370	
Guarantees:				
Performance bonds		104,950		
Outstanding checks		3,281		
		108,232		
Memoranda accounts (Note 29)	US$	1,010,896,318		

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

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

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

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

- *BN FonDepósito dólares No Diversificado* (non-diversified - US dollars): This is an open-end (floating number of outstanding shares) money market fund with a fixed income portfolio. Returns on the investment portfolio are not distributed until the customer requests partial or full redemption of shares.
- *BN SuperFondo Dólares Plus No Diversificado (US dólares)* (non-diversified - US dollars): This fund is aimed at conservative investors looking for short-term investments and who are to manage capital or funds in transit, with a minimum recommended period of 5 days. The funds can be requested at any time and are deposited on the next day, complying with the cutoff time and generating no withdrawal commissions. Benefits are calculated and applied on a daily basis but are effective when a partial or total withdrawal of the investment takes place. The fund has monthly statements of account.
- *Fondo de Inversión de Desarrollo Inmobiliario BN-1*: (real estate development): This fund invests in the development and subsequent operation of buildings, to be leased by Banco Nacional de Costa Rica for a definite term.
- *Fondo de Inversión de Desarrollo Inmobiliario de Infraestructura Pública – 1*: (real estate development - US dollars): This fund will invest in the construction of buildings to be occupied by the Maximum Deconcentration Organizations and other entities of BCCR. Once the works are completed, the buildings will be leased with a purchase option to BCCR or sold to BCCR or to a real estate fund managed by BN Fondos and investors thus realize their potential gains. If the buildings are sold to a real estate fund, such fund will lease the buildings to BCCR.
- *BN Internacional Valor No Diversificado (non-diversified - US dollars):* This is an international, mixed portfolio investment fund, ideal for conservative customers who primarily seek to maintain their capital, even if it entails obtaining returns much lower than those of the market. It is addressed to the investor that would like to invest in a portfolio comprised of debt securities issued by the public or private sector and investment funds.
- *BN Internacional Suma No Diversificado (non-diversified - US dollars):* This is an international, mixed portfolio investment fund, addressed to investors with a balanced-risk profile, that is, willing to assume losses in the short- and mid-term to obtain returns higher than those of the market in the mid- and long-term. It is addressed to the investor that would like to invest in a portfolio comprised of debt securities issued by the public or private sector and in variable-return instruments and investment funds.

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

- *BN Internacional Crece (US dollars):* This is a long term, international, mixed portfolio investment fund addressed to investors with an aggressive-risk profile, i.e. willing to assume significant losses while aiming to obtain returns higher than those of the market. It is addressed to the investor that would like to invest in a portfolio comprised of debt securities issued by the public or private sector and in variable-return instruments and investment funds.
- *BN Fondo de Inversión de Desarrollo de Proyectos BN I:* (real estate development): This fund invests in the development and operation of several buildings that will be leased for a definite term. It is addressed to both local and foreign investors who wish to participate in a project development investment fund dedicated to the construction of eight buildings on land owned by the Bank. For the development of this project, the land was assigned to the fund through the assignment of usufruct rights, for subsequent leasing to the Bank or to third parties and, ultimately, sale of the buildings. Information on the main conditions of the agreement of assignment of usufruct rights and lease agreements, which were signed as of August 2018, is included in the prospectus. Furthermore, information is provided on the situations in which the usufruct rights may be revoked; conditions for use of the assets and limitations on their use, asset restrictions or commitments, administrative contract and appeals regimes applicable to the fund.

(32) Pension fund management agreements

As of December 31, the Pension Fund Manager's memoranda accounts are as follows:

		2023	2022
Mandatory Pension Fund (ROP)	US$	4,019,818,350	3,068,068,525
Mandatory Retirement Savings Account (FCL)		203,424,966	157,925,053
Employee Protection and Retirement Fund		197,708,242	163,608,102
Voluntary Pension Fund in Colones A (FPC A)		193,009,587	63,324,509
Voluntary Pension Fund in Colones B (FPC B)		98,948,571	159,443,635
Voluntary Pension Fund in US dollars A (FPD A) *(i)*		42,486,260	36,991,258
Voluntary Pension Fund in US dollars B (FPD B) *(ii)*		26,818,142	24,876,492
ICT employee pension fund		12,134,483	10,848,308
Assets of managed funds (Note 29)		4,794,348,602	3,685,085,882
Securities and assets in own custody		37,418,613	33,502,648
Bid and performance bonds – colones		35,187	47,479
Bid and performance bonds – US dollars (*iii*)		69,730	101,031
Securities in DU		1,848,778	1,384,075
Memoranda accounts (Note 29)	US$	4,833,720,909	3,720,121,115

i. As of December 31, 2023, this fund amounts to US$42,486,260 (2022: US$36,991,258) and is valued at the exchange rate of ¢526.88 to US$1.00 (2022: ¢601.99 to US$1.00).

ii. As of December 31, 2023, this fund amounts to US$26,818,142 (2022: US$24,876,492) and is valued at the exchange rate of ¢526.88 to US$1.00 (2022: ¢601.99 to US$1.00).

iii. As of December 31, 2023, this fund amounts to US$69,730 (2022: US$101,031) and is valued at the exchange rate of ¢526.88 to US$1.00 (2022: ¢601.99 to US$1.00).

(33) Income from financial instruments

For the year ended December 31, income from financial instruments is as follows:

		2023	2022
Cash and due from banks:			
Deposits in BCCR	US$	245,145	67,417
Checking accounts and demand deposits in local entities		136,070	83,453
Checking accounts and demand deposits in foreign entities		26,812,379	9,255,321
		27,193,594	9,406,191
Financial instruments:			
Investments at fair value through profit or loss		599,594	360,802
Investments at fair value through other comprehensive income		77,121,747	43,825,819
Investments at amortized cost		80,733,836	37,745,833
Investments in past due and restricted securities		5,836,564	3,584,702
		164,291,741	85,517,156
	US$	191,485,335	94,923,348

(34) Income from loan portfolio

For the year ended December 31, income from the loan portfolio is as follows:

		2023	2022
Current loans:			
Individuals	US$	373,110,826	223,894,366
Development Banking System		16,959,072	6,698,749
Business		150,025,501	79,185,905
Corporate		197,567,291	115,760,206
Public sector		28,662,944	19,178,284
Financial sector		13,017,980	6,237,922
		779,343,614	450,955,431
Past due loans and loans in legal collection:			
Individuals		46,460,267	19,938,604
Development Banking System		1,251,427	357,290
Business		22,136,534	6,934,348
Corporate		8,990,018	5,571,510
Public sector		229,401	51,050
Financial sector		5,763	1,767
In legal collection		11,823,694	127,902,770
Amortization of net commission of incremental direct costs related to credits		2,024,872	1,582,945
		92,921,975	162,340,284
	US$	872,265,589	613,295,715

(35) Other finance income

For the year ended December 31, other finance income is as follows:

		2023	2022
Fees and commissions on letters of credit	US$	26,502	20,842
Fees and commissions on guarantees granted		675,857	562,347
Gain on sale of financial instruments		90,491	297,253
Gain on fair value hedge for item measured at cost		7,853,955	15,682,067
Other sundry finance income		281,308	670,313
Charges for overdue operations		1,357,689	866,549
Sundry finance income from late fees		3,350,890	2,791,534
	US$	13,636,691	20,890,904

(Continued)

(36) Finance costs for obligations with the public

For the year ended December 31, finance costs for obligations with the public are as follows:

		2023	2022
Demand deposits	US$	190,933,802	93,119,636
Term deposits		255,500,159	107,670,215
	US$	446,433,961	200,789,851

(37) Finance costs for obligations with financial entities

For the year ended December 31, finance costs for obligations with financial entities are as follows:

		2023	2022
Demand obligations	US$	9,035,038	4,266,135
Term obligations		54,478,566	46,315,047
	US$	63,513,604	50,581,182

(38) Other finance costs

For the year ended December 31, other finance costs are as follows:

		2023	2022
Fees and commissions on letters of credit obtained	US$	449,029	412,866
Loss on financial instruments measured at amortized cost		-	92
Loss on hedged item measured at cost from fair value hedge on interest rate risk		9,972,056	10,967,783
Other sundry finance costs		666,278	1,464,603
	US$	11,087,363	12,845,345

(Continued)

(39) Expenses for allowance for impairment of assets

For the year ended December 31, expenses for allowance for impairment of assets are as follows:

		2023	2022
Allowance for loan losses (Note 12)	US$	50,394,910	62,322,885
Allowance for impairment of other accounts receivable (Note 13)		8,540,927	3,173,136
Allowance for stand-by credit losses (Note 24)		6,940	553,208
General and counter-cyclical allowance for loan portfolio (Note 12)		12,741,173	9,235,498
General and counter-cyclical allowance for stand-by credit losses (Note 12 and 24)		-	36,881
Allowance for impairment of investments at fair value through other comprehensive income		3,561,691	955,148
Allowance for impairment of financial instruments at amortized cost		1,611,672	1,107,992
Allowance for impairment of operations with derivative financial instruments (Note 10)		175,661	263,332
	US$	77,032,975	77,648,078

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

For the year ended December 31, income from recovery of assets and decreases in allowances and provisions is as follows:

		2023	2022
Recovery of loan write-offs	US$	28,849,264	31,627,211
Recovery of accounts receivable write-offs		11,982	23,814
Decrease in allowance for loan losses (Note 6)		696,983	125
Decrease in allowance for impairment of other accounts receivable (Note 13)		511,697	1,208,700
Decrease in allowance for impairment of investments in financial instruments (Note 10)		10,620,300	3,483,983
	US$	40,690,225	36,343,834

(Continued)

(41) Income from service fees and commissions

For the year ended December 31, operating income from service fees and commissions is as follows:

		2023	2022
Drafts and transfers	US$	22,147,878	18,077,529
Certified checks		2,470	2,982
Trusts		3,257,727	3,537,111
Custodial services		4,208,589	3,582,707
Banking mandates		192	625
Collections		28,451	31,948
Credit cards		119,625,167	104,012,629
Management services		6,309,679	7,095,769
Management of investment funds		12,840,258	11,011,808
Management of pension funds		21,590,203	16,016,779
Insurance underwriting		18,755,294	13,988,202
Brokerage operations (third parties in local market)		4,045,567	3,021,183
Brokerage operations (third parties in other markets)		1,504,735	1,092,468
Transactions with related parties		186,661	121,550
Commissions charged to other affiliates due to covenants		25,912,229	21,043,841
Servibanca local interchange		45,978,153	39,623,851
Other service fees and commissions		23,959,116	18,322,087
	US$	310,352,368	260,583,068

(42) Other operating income

For the year ended December 31, other operating income is as follows:

		2023	2022
Recovery of expenses *(1)*	US$	5,261,488	1,642,901
Net valuation of other assets (Note 6)		1,277,238	887,821
Other income from accounts receivable		4,104	2,022
Savings accounts liquidation		319,835	269,999
Administrative charges - PMEP		449,158	375,497
Liquidation of term certificate of deposit not claimed		866,192	824,869
Liquidation of checks		731,030	172,746
Fines applied to vendors		487,471	460,370
Excess cash from human teller		340,523	313,434
Commission due to markup of BN cards		1,863,372	1,204,370
Other operating income		1,591,978	1,895,690
Decrease in provisions *(2)*		6,260,284	6,852,072
	US$	19,452,672	14,901,791

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

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

(Continued)

(43) Expenses for assets held for sale

For the year ended December 31, expenses for assets held for sale are as follows:

		2023	2022
Property and other assets acquired in lieu of payment	US$	-	508,509
Loss on sale of assets awarded in judicial auctions		9,069,570	12,225,482
Management of assets received in lieu of payment		15,396	58,819
Management of assets awarded in judicial auctions		10,096,114	7,242,254
Property and other assets acquired in lieu of payment (Note 14)		349,173	86,787
Loss on allowance for impairment of assets held for sale and per legal requirement (Note 14)		9,829,960	11,992,020
Other expenses for assets held for sale		19,351	14,089
	US$	29,379,564	32,127,960

(44) Provision expenses

For the year ended December 31, provision expenses are as follows:

		2023	2022
Severance benefits	US$	105,975	146,684
Pending litigation		12,522,227	676,493
"BN Premios" points program		6,056,158	5,446,480
Case of the manager commissions with CCSS		-	131,019
Notice of deficiency		21,280,792	-
Deposit Guarantee Fund		2,676,678	2,189,056
Other provisions		-	4,918
	US$	42,641,830	8,594,651

(Continued)

(45) Other operating expenses

For the year ended December 31, other operating expenses are as follows:

		2023	2022
Penalties for noncompliance with regulatory legal provisions	US$	46	1,625
Net valuation of other liabilities (Note 6)		2,330,001	433,527
Value-added tax		2,196,219	1,945,577
Income tax on foreign remittances		11,956	11,872
8% and 15% tax on income from interest on investments in financial instruments		637,194	795,795
Property tax		549,479	397,337
Patents		2,323,881	867,621
Other local taxes		145,928	63,991
Other foreign taxes		66	38
Transfer to FINADE		5,471,782	2,772,248
Costs of microfinance insurance policies		6,155,374	6,785,231
Customer remittances		1,601,541	1,570,829
Amortization of deferred direct costs related to loans		1,060,048	678,237
Authorization abroad		3,994,900	4,575,767
Base I and II fund disbursements		31,621,906	34,614,254
Life insurance unpaid balance		15,804,360	16,611,921
Software maintenance and licenses		21,634,078	19,636,700
Sundry operating expenses		39,546,287	10,557,871
Other expenses for sundry assets		-	1,296,347
	US$	135,085,045	103,616,786

(Continued)

(46) Personnel expenses

For the year ended December 31, personnel expenses are as follows:

		2023	2022
Salaries and bonuses, permanent staff	US$	143,186,408	115,973,173
Salaries and bonuses, contractors		4,401,569	1,605,791
Compensation for directors and statutory examiners		321,754	257,046
Overtime		1,311,507	865,912
Travel expenses		866,920	460,574
Statutory Christmas bonus		15,589,904	12,908,366
Vacation		12,338,988	9,851,926
Incentives		34,331	7,223,778
Other compensation		13,072,794	10,191,891
Severance benefits		9,000,803	7,496,701
Employer social security taxes		62,144,718	50,747,358
Refreshments		161,691	98,176
Uniforms		976,946	588,739
Training		1,594,103	1,216,378
Employee insurance		532,294	408,268
Back-to-school bonus		14,402,276	11,181,533
Mandatory retirement savings account		3,026,549	2,494,399
Other personnel expenses		1,035,072	889,112
	US$	283,998,629	234,459,122

(47) Other administrative expenses

For the year ended December 31, other administrative expenses are as follows:

		2023	2022
Outsourcing	US$	57,902,212	46,979,826
Transportation and communications		6,890,822	6,140,358
Infrastructure		59,152,888	41,630,674
Overhead		40,448,296	32,872,259
	US$	164,394,218	127,623,118

(Continued)

(48) Statutory allocations

For the year ended December 31, statutory allocations are as follows:

		2023	2022
CONAPE - 5%	US$	8,468,861	7,490,989
CNE - 3%		5,672,203	4,801,001
INFOCOOP - 10%		12,963,424	10,087,486
Public capital pension operators		2,817,996	2,192,731
RIVM - 15%		22,602,819	11,486,110
	US$	52,525,303	36,058,316

(49) Fair value of financial instruments

As of December 31, 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:

		2023			
		Carrying amount	Level	Carrying amount	Level
Financial assets:					
Cash and due from banks	US$	2,712,880,379		2,712,880,379	
Investments at amortized cost		1,386,501,010		1,386,713,544	
Loan portfolio		9,503,720,314	(3)	9,638,277,089	(3)
	US$	13,603,101,703		13,737,871,012	
Financial liabilities:					
Demand deposits from the public and financial entities	US$	8,619,564,026	(3)	8,619,564,026	(3)
Other demand obligations with the public		28,139,774		28,139,774	
Term deposits from the public and financial entities		4,733,116,504	(3)	4,687,498,341	(3)
	US$	13,380,820,304		13,335,202,141	

(Continued)

		2022			
		Carrying amount	Level	Carrying amount	Level
Financial assets:					
Cash and due from banks	US$	2,443,354,017		2,443,354,017	
Investments at amortized cost		1,396,458,022		1,362,307,090	
Loan portfolio		7,926,474,570	(3)	8,218,274,270	(3)
	US$	11,766,286,609		12,023,935,377	
Financial liabilities:					
Demand deposits from the public and financial entities	US$	7,276,501,869	(3)	7,276,501,869	(3)
Other demand obligations with the public		27,031,087		27,031,087	
Term deposits from the public and financial entities		4,276,815,262	(3)	4,180,105,006	(3)
	US$	11,580,348,218		11,483,637,961	

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 December 31, 2023 and 2022.

(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.

As of December 31, financial instruments measured at fair value by level in the fair value hierarchy are as follows:

		2023			
		Level 1	Level 2	Level 3	Total
FVPTL	US$	2,014,571	35,384,277	7,243,980	44,642,828
FVOCI		1,166,764,744	-	-	1,166,764,744
Derivative financial instruments		-	-	194,320	194,320

		2022			
		Level 1	Level 2	Level 3	Total
FVPTL	US$	6,739,965	26,696,813	7,151,700	40,588,477
FVOCI		972,946,543	-	-	972,946,543
Derivative financial instruments		-	-	27,266	27,266
Term obligations with foreign financial entities	US$	-	-	172,364,426	172,364,426

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*

As of December 31, financial instruments categorized as Level 3 in the fair value hierarchy are measured as follows:

		2023			2022		
		FVTPL	Derivative financial instruments	Term obligations with foreign financial entities	FVTPL	Derivative financial instruments	Term obligations with foreign financial entities
Opening balance	US$	8,171,219	-	196,936,040	7,151,700	11,970,096	329,454,022
Valuation		98,691	39,672	2,174,865	3,232	(11,970,096)	(12,687,417)
Amortizations		-	-	(1,625,811)	-	-	(981,044)
Exchange differences		(987,761)	148,895	(190,137,684)	(78,414)	(770,515)	(154,575,905)
Adjustment for conversion of financial statements		981,761	5,754	17,224,204	475,182	797,781	11,154,770
Closing balance	US$	7,243,980	194,320	-	7,151,700	27,266	172,364,426

(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 December 31, 2023							
		Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations and reclassifications	Consolidated
ASSETS									
Cash and due from banks	US$	2,709,304,489	2,487,525	518,813	1,145,778	90,896	2,713,547,500	667,120	2,712,880,379
Investments in financial instruments		2,453,721,907	120,729,481	21,634,059	26,957,574	14,474,253	2,637,517,275	67,021	2,637,450,254
Loan portfolio, net		9,268,652,413	-	-	-	-	9,268,652,413	11,290,000	9,257,362,413
Accounts and fees and commissions receivable, net		2,200,942	310,368	220,405	2,742,551	1,239,503	6,713,770	115,327	6,598,443
Fees and commissions receivable		841,757	45,808	149,345	2,022,006	1,226,076	4,284,993	108,776	4,176,217
Accounts due from related parties		42,063	6,475	-	-	103	48,641	6,551	42,090
Deferred tax and income tax receivable		252,506	214,656	68,797	2,243,597	13,324	2,792,881	-	2,792,881
Other accounts receivable		15,294,887	43,429	12,191	(1,316,969)	-	14,033,538	-	14,033,538
Accrued interest receivable		3,820	-	-	-	-	3,820	-	3,820
Allowance for impairment		(14,234,092)	-	(9,928)	(206,083)	-	(14,450,103)	-	(14,450,103)
Assets held for sale, net		69,194,422	-	-	-	-	69,194,422	-	69,194,422
Investments in other companies		223,809,758	56,939	-	-	-	223,866,697	93,995,684	129,871,012
Property, furniture and equipment, net		449,569,364	671,134	962,535	1,016,239	688,053	452,907,324	-	452,907,324
Other assets		76,413,518	1,826,192	1,123,252	422,452	394,620	80,180,035	-	80,180,035
TOTAL ASSETS	US$	15,252,866,813	126,081,639	24,459,065	32,284,594	16,887,325	15,452,579,436	106,135,153	15,346,444,283
LIABILITIES AND EQUITY									
LIABILITIES									
Obligations with the public	US$	12,242,643,978	-	-	-	-	12,242,643,978	-	12,242,643,978
Obligations with BCCR		280,115,133	-	-	-	-	280,115,133	-	280,115,133
Obligations with entities		778,543,677	94,159,154	631,523	217,336	592,926	874,144,615	12,013,152	862,131,463
Accounts payable and provisions		269,294,205	2,094,542	1,623,754	4,379,628	2,018,076	279,410,205	115,327	279,294,878
Other liabilities		62,855,241	-	-	-	-	62,855,241	10,989	62,844,252
Subordinated obligations		112,104,804	-	-	-	-	112,104,804	-	112,104,804
TOTAL LIABILITIES	US$	13,745,557,038	96,253,697	2,255,276	4,596,963	2,611,002	13,851,273,976	12,139,468	13,839,134,508

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		As of December 31, 2023							
		Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations and reclassifications	Consolidated
EQUITY									
Share capital	US$	329,078,021	12,060,522	9,136,759	13,774,285	675,572	364,725,159	35,647,138	314,737,647
Non-capitalized capital contributions		-	-	-	2,479,873	-	2,479,873	2,479,873	-
Equity adjustments		129,791,427	-13,780	89,376	2,722,670	-	132,589,693	2,798,266	147,488,715
Capital reserves		788,738,196	2,412,104	1,642,111	548,206	135,114	793,475,731	4,552,294	771,689,880
Prior year retained earnings		55,065,632	11,278,310	5,970,191	4,172,240	4,129,663	80,616,035	25,735,644	59,437,900
Income for the year		69,022,107	2,981,042	4,539,262	2,960,243	8,804,825	88,307,479	19,285,372	69,022,107
FOFIDE		76,484,194	-	-	-	-	76,484,194	-	88,854,242
Adjustment for conversion of financial statements		59,129,398	1,108,945	825,289	1,029,315	530,349	62,626,496	3,496,298	59,129,398
TOTAL EQUITY	US$	1,507,309,775	29,827,943	22,203,788	27,687,630	14,276,323	1,601,305,459	93,995,684	1,507,309,775
TOTAL LIABILITIES AND EQUITY	US$	15,252,866,813	126,081,639	24,459,064	32,284,594	16,887,325	15,452,579,436	106,135,152	15,346,444,283
Debit memoranda accounts	US$	780,721,519	282,587	-	68,606	-	781,072,711	-	781,072,711
Income from cash and due from banks and financial instruments	US$	5,394,491,908	1,253,818	-	-	-	5,395,745,727	-	5,395,745,727
Trust liabilities	US$	121,927,738	17,528	-	-	-	121,945,266	-	121,945,266
Trust equity	US$	5,272,564,171	1,236,290	-	-	-	5,273,800,461	-	5,273,800,461
Other debit memoranda accounts	US$	59,040,155,752	2,109,454,322	1,295,744,573	4,833,720,909	-	67,279,075,556	-	67,279,075,556

		As of December 31, 2023							
		Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage	Total	Eliminations and reclassifications	Consolidated
Finance income	US$	1,073,784,568	10,914,284	2,048,697	2,051,913	987,134	1,089,786,596	23,763	1,089,762,833
Finance costs		537,840,167	6,480,592	321,794	405,427	98,302	545,146,282	23,763	545,122,519
Allowance expense		76,673,802	168,062	29,458	137,112	24,542	77,032,976	-	77,032,976
Income from recovery of assets		39,971,228	437,085	108,252	136,134	37,525	40,690,224	-	40,690,224
FINANCE INCOME		499,241,827	4,702,715	1,805,697	1,645,508	901,815	508,297,562	-	508,297,562
Other operating income		369,349,423	9,141,810	12,865,680	21,671,073	18,368,996	431,396,982	23,760,699	407,636,283
Other operating expenses		280,191,500	2,342,325	1,124,219	4,049,014	296,565	288,003,623	4,200,860	283,802,763
GROSS OPERATING INCOME		588,399,750	11,502,200	13,547,158	19,267,567	18,974,246	651,690,921	19,559,839	632,131,082
Personnel expenses		259,467,010	5,819,062	5,121,047	8,605,391	4,986,119	283,998,629	-	283,998,629
Other administrative expenses		159,555,514	908,501	1,537,633	1,828,031	839,006	164,668,685	274,467	164,394,218
Total administrative expenses		419,022,524	6,727,563	6,658,680	10,433,422	5,825,125	448,667,314	274,467	448,392,847
NET OPERATING INCOME BEFORE STATUTORY ALLOCATIONS AND TAXES		169,377,226	4,774,637	6,888,478	8,834,145	13,149,121	203,023,607	19,285,372	183,738,235
Income tax		55,880,821	1,650,356	2,142,562	2,648,635	3,949,822	66,272,196	-	66,272,196
Decrease in income tax		4,081,371	-	-	-	-	4,081,371	-	4,081,371
Statutory allocations		48,555,669	143,239	206,654	3,225,267	394,474	52,525,303	-	52,525,303
INCOME FOR THE YEAR	US$	69,022,107	2,981,042	4,539,262	2,960,243	8,804,825	88,307,479	19,285,372	69,022,107

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		As of December 31, 2022							
		Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations and reclassifications	Consolidated
ASSETS									
Cash and due from banks	US$	2,440,554,921	2,033,112	116,335	934,097	168,324	2,443,806,788	452,771	2,443,354,017
Investments in financial instruments		2,303,719,748	84,067,557	18,980,809	19,885,604	11,560,349	2,438,214,066	58,659	2,438,155,407
Loan portfolio, net		7,694,966,194	-	-	-	-	7,694,966,194	-	7,694,966,194
Fees and commissions receivable		678,170	19,816	71,648	1,282,004	939,466	2,991,103	28,328	2,962,775
Accounts due from related parties		23,515	34,283	-	530	-	58,328	5,733	52,595
Deferred tax and income tax receivable		241,828	233,387	150,159	34	62,757	688,165	-33,498	721,663
Other accounts receivable		7,453,739	3,206	50,020	109,713	37,601	7,654,279	39,298	7,614,981
Accrued interest receivable		1,206	-	-	-	-	1,206	-	1,206
Allowance for impairment		(7,074,850)	-	(10,490)	(106,944)	-	(7,192,284)	-	(7,192,284)
Assets held for sale, net		62,285,848	-	-	-	-	62,285,848	-	62,285,848
Investments in other companies		197,402,342	49,835	-	-	-	197,452,177	75,578,558	121,873,618
Property, furniture and equipment, net		339,562,234	824,076	906,241	834,079	683,493	342,810,123	-	342,810,123
Other assets		87,571,797	1,732,179	793,420	354,605	439,090	90,891,090	-	90,891,090
TOTAL ASSETS	US$	13,127,386,691	88,997,449	21,058,141	23,293,721	13,891,079	13,274,627,081	76,129,849	13,198,497,232
LIABILITIES AND EQUITY									
LIABILITIES									
Obligations with the public	US$	10,202,920,250	-	-	-	-	10,202,920,250	-	10,202,920,250
Obligations with BCCR		277,350,050	-	-	-	-	277,350,050	-	277,350,050
Obligations with entities		1,042,269,650	61,698,514	535,979	-	523,379	1,105,027,522	487,983	1,104,539,539
Accounts payable and provisions		210,496,263	2,103,765	1,298,379	3,682,812	1,800,138	219,381,357	34,054	219,347,303
Other liabilities		50,683,556	-	-	-	-	50,683,556	23,447	50,660,109
Subordinated obligations		114,467,301	-	-	-	-	114,467,301	-	114,467,301
TOTAL LIABILITIES	US$	11,898,187,069	63,802,279	1,834,358	3,682,812	2,323,517	11,969,830,035	545,483	11,969,284,551

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2022

		Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations and reclassifications	Consolidated
EQUITY									
Share capital	US$	329,078,821	10,142,144	7,683,442	10,433,618	568,114	293,501,970	28,827,318	264,674,652
Non-capitalized capital contributions		-	-	-	3,235,110	-	3,235,110	3,235,110	-
Equity adjustments		101,247,033	(4,151)	(241,615)	(790,169)	-	98,988,791	(1,035,935)	100,024,725
Capital reserves		724,720,728	2,028,429	1,380,912	461,007	113,623	598,936,379	3,983,970	594,952,408
Prior year retained earnings		67,939,508	9,589,802	4,824,110	2,609,188	3,683,383	72,522,267	20,683,318	51,838,948
Income for the year		57,344,239	1,551,100	4,136,516	2,192,731	6,335,697	71,560,283	14,227,128	57,333,155
FOFIDE		68,831,245	-	-	-	-	68,285,203	-	68,285,203
Adjustment for conversion of financial statements		(119,961,953)	1,887,847	1,440,417	1,469,424	866,745	(114,297,519)	5,663,455	(119,915,189)
TOTAL EQUITY	US$	1,229,199,622	25,195,171	19,223,783	19,610,909	11,567,562	1,304,797,047	75,584,365	1,229,212,681
TOTAL LIABILITIES AND EQUITY	US$	13,127,386,691	88,997,449	21,058,141	23,293,721	13,891,079	13,274,627,081	76,129,849	13,198,497,233
Debit memoranda accounts	US$	737,039,418	32,758	-	60,046	5,814	737,138,035	-	737,138,035
Income from cash and due from banks and financial instruments	US$	5,497,947,448	994,944	-	-	-	5,498,942,391	-	5,498,942,391
Trust liabilities	US$	138,372,666	15,419	-	-	-	138,388,084	-	138,388,084
Trust equity	US$	5,359,574,782	979,525	-	-	-	5,360,554,307	-	5,360,554,307
Other debit memoranda accounts	US$	45,656,855,763	1,894,788,660	1,010,896,318	3,720,121,115	-	52,282,661,856	-	52,282,661,856

As of December 31, 2022

		Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations and reclassifications	Consolidated
Finance income	US$	724,617,985	4,249,427	1,579,408	2,896,199	321,174	733,664,193	20,948	733,643,245
Finance costs		291,323,781	2,405,448	212,523	168,939	24,367	294,135,059	20,948	294,114,111
Allowance expense		77,049,777	244,322	23,064	309,815	21,101	77,648,078	-	77,648,078
Income from recovery of assets		35,943,986	55,896	32,693	292,199	26,853	36,351,626	7,792	36,343,834
FINANCE INCOME		392,188,413	1,655,553	1,376,514	2,709,644	302,558	398,232,682	7,792	398,224,889
Other operating income		303,519,420	7,392,364	11,032,316	16,059,501	14,278,258	352,281,860	18,618,338	333,663,522
Other operating expenses		207,889,531	1,414,640	1,134,136	3,213,519	296,671	213,948,496	4,152,529	209,795,967
GROSS OPERATING INCOME		487,818,302	5,977,724	9,898,180	15,555,626	9,170,271	528,420,103	14,450,436	522,092,444
Personnel expenses		213,977,714	4,674,594	4,116,237	7,510,762	4,179,816	234,459,122	-	234,459,122
Other administrative expenses		124,020,811	718,743	976,229	1,512,966	631,501	127,860,250	237,132	127,623,118
Total administrative expenses		337,998,525	5,393,337	5,092,465	9,023,729	4,811,317	362,319,372	237,132	362,082,240
NET OPERATING INCOME BEFORE STATUTORY ALLOCATIONS AND TAXES		149,819,777	2,239,940	6,182,229	6,531,898	9,472,829	174,246,673	14,213,304	160,010,204
Income tax		61,908,170	652,268	1,882,300	1,950,480	2,852,947	69,246,164	(36,525)	69,282,689
Decrease in income tax		2,565,410	(30,627)	22,053	-	-	2,556,836	(107,120)	2,663,957
Statutory allocations		33,132,779	67,198	185,467	2,388,688	284,185	36,058,316	(255,766)	36,058,316
INCOME FOR THE YEAR	US$	57,344,239	1,551,100	4,136,516	2,192,731	6,335,697	71,560,283	14,398,475	57,333,155

(Continued)

(51) Contingencies

As of December 31, Banco Nacional de Costa Rica (the Bank), BN Vital Operadora de Planes de Pensiones Complementarias, S.A. (the Pension Fund Manager), BN Valores Puesto de Bolsa, S.A. (the Brokerage Firm) and BN Sociedad Administradora de Fondos de Inversión, S.A. (the Investment Fund Manager) are defendants in ordinary, labor and criminal lawsuits, as follows:

	Number of cases		Stage		Total estimated amount	
	2023	2022			2023	2022
Banco Nacional de Costa Rica	273	311	First instance	US$	92,188,090	96,640,562
	18	15	Second instance		241,194	43,039,514
	43	58	Appeal		24,527,348	27,510,191
	334	384			116,956,633	167,190,267
	7	7	First instance		68,606	60,046
BN Vital	2	2	Appeal		-	-
	9	9			68,606	60,046
BN Valores	1	1	First instance		282,587	32,758
BN SAFI	0	0	First instance		-	-
BN Corredora	0	1	First instance		-	5,814
	344	395	(Note 22)	US$	117,307,825	167,288,885

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

As of December 31, 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	
2023	2022			2023	2022
227	293	First instance	US$	155,850,391	123,531,245
1	1	Second instance		63,486	624,329
1	2	Appeal		24,237,254	4,724,719
229	296		US$	180,151,131	128,880,292

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 December 31, 2023, the Bank settled the provision since the sentence for that lawsuit was in favor of the Bank.

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

The following lawsuits are also worth noting:

- *File No.: 08-000232-0419-AG.*

  ✓ Statement of the facts: These proceedings were filed by the Bank against Surcoop, R.L., seeking to nullify the auction, awarding and registration of lots processed through file No. 97-010656-1701 AG of the Agrarian Court of Corredores.

  ✓ Current status: The judgment was in favor of the Bank.

  ✓ Latest activity: Through Vote No. 1859-F-S1-2021, the First Chamber confirmed the appealed ruling. The proceedings are currently in the execution of judgment stage.

- *File No.: 11-001042-0612-PE.*

  ✓ Court: Office of Economic, Tax, and Customs Crimes

  ✓ Statement of the facts: Irregularities were reported regarding Zion company and the process to grant credits to that company, misuse of resources, presentation of fake documents to the Bank to obtain credit approval, and the alleged participation of some of the employees of the Bank in the facts.

- ✓ Latest activity: The order of November 2, 2021, at 15:01, set the date for the preliminary hearing from September 2 to November 29, 2024.

- ✓ Current status: A “request for accusation and order to proceed to trial” was filed in this case. The Bank filed a complaint and a civil lawsuit. Civil lawsuits have been filed against the Bank.

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

  - ✓ Statement of the facts: The plaintiffs seek the payment of damages by the Bank to all plaintiffs and compensation for pain and suffering caused due to the inability to acquire decent housing, as a result of apparent anomalies regarding the management of credits for Grupo Zion, S.A. to build the Bariloche Real condominium. Additionally, it has had media coverage.

  - ✓ On November 15, 2021, a hearing for the correction of procedural errors was held, in which the Court made a series of findings and reviewed the new evidence filed by the plaintiff. The Court decided to suspend the hearing and return the proceedings to the processing stage so that the corresponding corrections can be made and to include the legal entity PROSUM. The payment of fees to the expert witness was processed, but it is premature due to the status of the proceedings.

  - ✓ Current status: The proceedings have been returned to the preliminary hearing phase.

- *File No.: 15-010837-1027-CA (joined with 13-003698-1027-CA)*

  - ✓ Court: Contentious Administrative Court.

  - ✓ Statement of the facts: Caja Costarricense del Seguro Social (CCSS, Costa Rican Social Security) made an administrative charge to the Bank based on Article 78 of the *Employee Protection Law* and Executive Decree No. 37127-MTSS. However, it used as taxable base for the parafiscal contribution the gross profit of the Bank and its consolidated financial statements, not the individual financial statements, ignoring the statutory allocation established in the Internal Regulations of the National Banking System (IRNBS).

- ✓ Latest activity: An extraordinary appeal for review by a higher court was filed in due time and form. A resolution by the First Chamber of the Supreme Court of Justice is pending.

- ✓ Current status: Through judgment No. 80-2022-VIII of Contentious Administrative Court of the Second Judicial Circuit of San José, at 13:20 of August 30, 2022, the complaint was partially admitted, ordering CCSS to return the excess amounts related to Article 78 of the *Employee Protection Law*, corresponding to the difference between the calculation made based on the consolidated financial statements of the State-owned commercial banks and the individual financial statements thereof, along with the legal interest derived from the reimbursement under protest, to be calculated from the date when this ruling becomes final to the date when the payment is made. Notwithstanding the foregoing, the Court set the taxable base as the net profit before income tax and statutory allocations, which were sufficient grounds to file an extraordinary appeal for review by a higher court to take up the matter of the taxable base for the calculation, since it considered that the Court made a mistake in this regard.

- *File No.: 18-011428-1027-CA*

  - ✓ Court: Contentious Administrative Court

  - ✓ Statement of the facts: The Bank filed ordinary administrative proceedings against ICE for the termination of the contract for the construction of Capulín San Pablo Hydroelectric Project, in which the Bank is a creditor of the developer, Hidrotárcoles S.A. The Bank claims that due to the termination of the contract with the company, ICE must recognize the contractor's debt with the Bank.

  - ✓ Latest activity: Awaiting the oral public trial, set for May 8 and 9, 2024.

  - ✓ Current status: The preliminary hearing was held, in which documentary and testimonial evidence submitted by the parties was admitted. The trial was set for May 8 and 9, 2024.

- *File No.: 19-007376-1027-CA*

  - ✓ Court: First Associate Civil Court of San José

  - ✓ Statement of the facts: The Bank filed a lawsuit against Oceánica de Seguros S.A. for the unjustified non-payment of US$15,500,000.00 corresponding to the surety bonds that secured the contributions made by the contractor Hidrotárcoles S.A. for the construction of the dam and production of the electromechanic equipment of the Capulín San Pablo Hydroelectric Project.

  - ✓ Latest activity: 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.

  - ✓ 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. Awaiting the preliminary hearing to be set.

  - ✓ Current status: The answer to the complaint was filed in due time and form. Awaiting the preliminary hearing to be set.

(52) Emergency caused by COVID-19

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

The Bank's management will continue to monitor and modify its operating and financial strategies to mitigate the potential risks to our business.

As part of the measures adopted to contain the crisis caused by the pandemic, the Bank evaluated the loans of borrowers who requested it since their payment capacity was affected, providing a temporary modification to help them face the COVID-19 crisis.

As a result, as of December 31, 2023, the loan portfolio that required at least one modification to the originally agreed conditions amounts to US$2,491,445,593 representing 26.44% of the total loan portfolio (2022: US$2,654,772,342 representing 33.96% of the total loan portfolio).

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

		2023	2022
Agriculture and forestry	US$	53,010,270	63,196,738
Trade		192,810,094	232,407,325
Construction		45,069,319	64,925,828
Consumer or personal loans		148,943,198	174,039,791
Electricity, water, sanitation and other related sectors		267,299,771	41,253,213
Mining		498,357	93,987,413
Livestock, hunting and fishing		36,754,288	712,244,753
Industry		80,722,384	46,529,804
Services		655,979,204	50,982,230
Financial services		44,126,431	171,381,032
Transportation, communication and storage		29,691,346	755,386,410
Tourism		156,689,593	247,974,144
Housing		779,851,340	463,661
		2,491,445,593	2,654,772,342
Accounts and accrued interest receivable		4,478,392	4,041,743
Loans restructured due to COVID-19		2,495,923,985	2,658,814,085
Allowance for doubtful accounts		(71,009,444)	(76,896,793)
	US$	2,424,914,541	2,581,917,292

(Continued)

As of December 31, the loan portfolio, restructured at least once due to COVID-19, by arrears, is as follows:

		2023	2022
Current	US$	2,202,080,735	2,393,597,322
1 to 30 days		73,977,242	59,098,032
31 to 60 days		86,807,694	74,772,082
61 to 90 days		27,841,455	34,180,500
91 to 120 days		9,990,754	5,295,787
121 to 150 days		4,921,876	27,004,294
In legal collection		85,825,836	60,824,324
		2,491,445,593	2,654,772,342
Accounts and accrued interest receivable		4,478,392	4,041,743
Loans restructured due to COVID-19		2,495,923,985	2,658,814,085
Allowance for loan losses		(71,009,444)	(76,896,793)
Loan portfolio, net	US$	2,424,914,541	2,581,917,292

As of December 31, the loan portfolio, restructured at least once due to COVID-19, by guarantee, is as follows:

		2023	2022
Collateral	¢	39,956,572	59,281,364
Surety		18,325,838	25,166,349
Assignment of loans		74,041,501	82,924,882
Back-to-back		3,636,312	4,426,741
Mortgage		1,125,804,769	1,133,240,652
Trust		193,784,486	243,717,212
Surety - Mortgage		235,519,468	257,456,778
Surety - Trust		272,452,593	328,434,403
Other		431,670,034	419,941,117
Not assigned		4,460,215	4,666,682
Surety - Collateral		4,703,732	8,949,101
Collateral - Mortgage		1,155,197	1,425,663
Collateral - Securities		-	13,634
Surety - Collateral - Mortgage		3,877,152	4,008,317
Securities		40,641,926	42,972,349
Mortgage - Trust		172,558	154,510
Surety - Securities		48,208	80,444
Collateral - Trust		41,195,033	37,912,142
		2,491,445,593	2,654,772,342
Accounts and accrued interest receivable		4,478,392	4,041,743
Loans restructured due to COVID-19		2,495,923,985	2,658,814,085
Allowance for loan losses		(71,009,444)	(76,896,793)
Loan portfolio, net	¢	2,424,914,541	2,581,917,292

As of December 31, 2023, the amount of US$2,491,445,593 maintains temporary credit conditions, which represents 26.44% of the total loan portfolio (2022: US$2,654,772,342, representing 33.96% of the loan portfolio).

a) Operating measures

- The Bank constantly encourages customers to use digital channels: BN MOVIL, SINPE MOVIL, webpage and Contact Center.

- As of the date of this report, the Bank has 3,441 employees working from home, representing 59% of total employees. All positions that permit work from home have been implemented.

- Some of the auto banks that were not in operation were activated once again.

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

b) Measures to support customers with credits

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

As of December 31, 2023, there are no active extensions as a result of loan restructuring due to COVID-19.

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

- Maintaining the plan to restructure the portfolio of repeat customers due to changes in market conditions.
- Recovering the extended balances of principal and interest or balances of unpaid operations, through a medium-term plan.
- Maintaining a more personalized attention through the archetypes and segments so as to provide customers with better advisory if needed.

c) Liquidity measures

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

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

d) Measures in the portfolio of investments at amortized cost

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

(53) Relevant events

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

As of December 31, 2021, 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 30, 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.

(Continued)

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 DGCN-373-DF-DT-UT-2022, issued at 8:55 of December 15, 2022, the National Large Taxpayer Division 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.

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 December 31, 2023, 2,842 loan operations were placed under this modality, applying a discount to the interest rate on the loans in colones in the amount of US$270,881,415, reaching an average rate of the operations already processed of 6.00%. The remaining average maturity term is 10.83 years.

c) Law for Creation of the Deposit Guarantee Fund and of the Resolution Mechanisms of Financial Intermediaries

According to the *Law for Creation of the Deposit Guarantee Fund and of the Resolution Mechanisms of Financial Intermediaries* (Law No. 9816), a deposit guarantee fund is created to strengthen the financial safety network of the national financial system through the creation of the Deposit Guarantee Fund and Resolution Mechanisms of Regulated Financial Intermediaries.

Pursuant to Article 8 of the *Regulation of the management of the Deposit Guarantee Fund and other guarantee funds*, entities that contribute to the DGF shall make an annual contribution that may not exceed 0.15% of the deposits guaranteed by the entity.

d) *Treatment of foreign exchange differences as per ruling DGT-R-09-2022*

The Bank filed a consultation before the Costa Rican Tax Administration pursuant to Article 119 of the Tax Code of Standards and Procedures, in relation to the treatment of the exchange differences provided through Ruling DGT-R-09-2022. That consultation was served and communicated via e-mail according to Official Letter MH-DGT-OF-119-0001-2023, dated January 31, 2023. The answer reads as follows:

In accordance with the above, considering that the consulting party is an entity regulated by the Superintendency General of Financial Entities (SUGEF), for purposes of calculation of exchange differences, the calculation is made according to the regulation on the position in foreign currency of foreign exchange intermediaries set forth in Article 4 of the Cash Operations Regulations, issued by the Board of Directors of the Central Bank of Costa Rica and Number 4 of Ruling DGT-R-009-2022…Take into account that such ruling is applicable to the 2022 fiscal period, in accordance with Number 5 of the mentioned ruling.

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

(54) Reclassification of the loan portfolio in legal collection

As of the December 31, 2023 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 December 31, 2023, the amount of US$58,931 was reclassified (2022: US$6,109,926).

(55) Transition to International Financial Reporting Standards (IFRS)

On September 11, 2018, CONASSIF issued SUGEF Directive 30-18 *Regulation on Financial Information* (RFI), which seeks to regulate the application of IFRS and its interpretations (SIC and IFRIC) issued by the International Accounting Standards (IASB), considering prudential or regulatory accounting treatments, as well as the definition of a specific treatment or methodology when IFRS suggest two or more alternatives for application. Moreover, RFI establishes the content, preparation, referral, presentation, and publication of the financial statements of individual financial entities, groups and conglomerates regulated by the four superintendencies. RFI is effective from January 1, 2020, with some exceptions.

The Conglomerate's management does not determine the financial measurement of the existing differences since it considers that due to the accounting basis used, described in Note 2, which is different from IFRS, makes this determination impractical.

A summary of some of the main differences between the accounting regulations issued by CONASSIF and IFRS, as well as IFRS or Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) yet to be adopted, is presented below:

a) IFRS 12: Income Taxes

Article 10 of IAS 12 *Income Taxes* and IFRIC 23 *Uncertainty over Income Tax Treatments*:

i. The provisions of Article 10 of IAS 12 *Income Taxes* and IFRIC 23 *Uncertainty over Income Tax Treatments* became effective from January 1, 2019. On initial application of IFRIC 23, entities had to apply the transition established in item (b) of paragraph B2 of that Interpretation.

ii. The amount of the provision for the tax treatments in dispute notified before December 31, 2018, corresponding to tax periods 2017 and previous periods, was booked at the greater of the best estimate of the amount payable to the Tax Authorities regarding the notice of deficiency (principal, interest, and fines), according to IAS 12, and 50% of the principal from the correction of the self-assessment of the tax obligation.

The booking of the provision for tax treatments in dispute for the periods indicated in the paragraph above could be accounted for in any of the following ways:

a. Booking against profit or loss for the year, in monthly installments, using the straight-line method, no later than December 31, 2021, or

b. Booking a single adjustment to the opening balance of prior period retained earnings until reaching the provision amount. Adjustments derived from subsequent evaluations of the amounts in dispute will be treated as adjustments to allowances, for which IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* will be applied.

c. If the provision amount were greater than the opening balance of prior-period retained earnings, the adjustment would be attributed first to the opening balance of prior-period retained earnings, and for complementing, the indications of item a. will be followed.

On January 31, 2019 at the latest, the entity, with tax treatments in dispute for the years indicated in this provision, had to report with the respective superintendency the method (a), (b) or (c) above, based on SUGEF Directive 30-18, that would be used until the resolution or settlement of the tax obligation.

b) <u>IAS 21: The Effects of Changes in Foreign Exchange Rates</u>

CONASSIF requires that the financial statements of regulated entities be presented in Costa Rican colones as the functional currency.

Additionally, regulated entities must use the reference sell exchange rate set by BCCR that prevails at the time that the operation to record the translation of the foreign currency into the official currency, 'the Costa Rican colon,' is made.

At each monthly close, the corresponding reference exchange rate will be used as indicated in the paragraph above, effective at the last day of each month, for the recognition of the adjustment due to foreign exchange differences in the monetary items in foreign currency.

According to this Standard, in preparing the financial statements, each entity will determine its functional currency. The entity will translate the items in foreign currency into the functional currency and will report on the effects of this translation. As indicated above, CONASSIF determined that both the presentation of financial information and the accounting records of foreign currency transactions should be translated into colones, irrespective of the functional currency.

c) IFRS 5: Non-current Assets Held for Sale and Discontinued Operations

This Standard establishes that entities shall measure non-current assets (or disposal groups) classified as held for sale at the lower of the carrying amount and fair value less cost to sell.

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

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

d) IFRS 9: Financial Instruments

a) For the application of IFRS 9, specifically the measurement of ECL, the prudential regulation issued by CONASSIF continues to be used, applicable to the loan portfolio, accounts receivable and stand-by credits granted, until the standard is modified.

b) For the measurement of ECL on money market investment funds, for the portion of the portfolio of financial instruments classified as at amortized cost, CONASSIF established a threshold that determines whether those ECL should be recorded, as provided by Article 36 BIS and Transition Provision XV of the *General Regulation of Corporations and Investment Funds*, which includes a graduality table that establishes the percentages of deviation of the value of the investment portfolio. IFRS 9 does not indicate the possibility of establishing thresholds or minimum allowances for financial instruments. .

c) Regulated entities should have policies and procedures in place to determine the amount of the suspension of the booking of the accrual of commissions and interest on loan operations. However, the term of the suspension of the accrual should not exceed 180 days.

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e) IAS 38: Intangible assets

The commercial banks listed in Article 1 of IRNBS (Law No. 1644) may present organization and installation expenses as an asset in the statement of financial position. However, those expenses must be fully amortized using the straight-line method over a maximum of five years. This is not in accordance with IAS 38.

f) Revised Conceptual Framework

IASB published a revised version of the Conceptual Framework for Financial Reporting with a balance between high-level concepts and details provided that make it a practical tool for the development of new standards, to ensure that the standards to be issued are conceptually consistent and that similar transactions are treated in the same way. The content of the revised Conceptual Framework includes better definitions, guidance on the scope of the elements of the financial statements, measurement, among others. The new version contains eight chapters and a glossary and restates that the framework is not a standard. It is effective starting January 2020. This Conceptual Framework has not been considered by CONASSIF.

g) Sustainability standards:

The IFRS Foundation comprises the IASB, which issues the International Financial Reporting Standards (IFRS Accounting), as indicated above, and the International Sustainability Standards Board (ISSB), which develops the standards for reporting on the impact of climate change and sustainability.

These ISSB standards are designed to ensure that companies provide comprehensive sustainability information along with the financial statements issued during their regular reporting periods. On June 26, 2023, ISSB issued the two first standards that will be effective internationally from January 1, 2024.

The first standard of IFRS Sustainability Disclosure Standards (IFRS S1) sets out the *General Requirements for Disclosure of Sustainability-related Financial Information*.

The second standard of the IFRS Sustainability Disclosure Standards (IFRS S2) is about *Climate-related Disclosures*.

IFRS S1 and S2 were adopted by the Costa Rican Institute of Public Accountants as of January 1, 2024. Their application is voluntary as of January 1, 2024 and they will be mandatory as follows:

- Companies with a public obligation of accountability that are supervised and regulated by CONASSIF, will report in 2026 the information on the fiscal year ended December 31, 2025.
- Companies categorized as large taxpayers before the Tax Administration that are not part of subsection a), will report in 2027 the information on tax year ended December 31, 2026.
- Other entities outside of the categories mentioned in subsections a) and b) that apply IFRS can adopt IFRS S1 AND S2 during the period that the entity considers convenient.
- For entities that apply IFRS for SMEs, it will not be mandatory until it is required by the standard.

Entities usually prepare non-financial reports on their sustainability programs, which will be substituted by the entrance into effect of this regulation once it is adopted by CONASSIF.

(56) Disclosure of economic impact of departure from IFRS

Since the basis of accounting used by the Bank’s management described in Note 2 differs from IFRS, discrepancies may arise related to certain account balances.

The Bank’s management has chosen not to determine the economic impact of those differences since it considers such determination impractical.