

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Financial Information required by the
Superintendency General of Financial Entities

Consolidated Financial Statements

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

(With the Independent Auditors' Report thereon)

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



KPMG S.A.
Edificio KPMG
San Rafael de Escazú
Costa Rica
+506 2201 4100

Independent Auditors' Report

To the Board of Directors of Banco Nacional de Costa Rica and Subsidiaries

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, 2024, 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 Conglomerate as of December 31, 2024, 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 Code of Ethics for Professional Accountants (including International Standards on Independence), issued by the International Ethics Standards Board for Accountants (the IESBA Code of Ethics), 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

Compliance with the regulation to determine the allowance for loan losses

We have established compliance with CONASSIF Directive 14-21 *Regulations on the Calculation of the Allowance for Loan Losses*, which provides the methodology to measure the credit risk of loan operations or of borrowers and the creation of the corresponding allowances, as a key audit matter (see Note 6).

According to this regulation, the allowance for loan losses for each loan operation is determined by multiplying the regulatory exposure at default (R-EAD) by the regulatory loss given default (R-LGD) and by the regulatory Default Rate (R-DR), by segment and risk rating, which consider days of arrears on loans, creditworthiness, and historical payment behavior.

EAD for direct loans is equivalent to the total outstanding balance of the operation, which is the sum of the principal, interest, other accrued interest and accounts receivable related to a direct loan operation.

How the matter was addressed in our audit

Our procedures in this area included:

- recalculating the allowance for loan losses on direct and stand-by credits, and recalculating the risk rating assigned to each borrower, based on the information provided by management; and testing the integrity and accuracy of data as detailed in the following procedures:
- assessing the design and operating efficiency of IT controls on the information systems used by the Conglomerate'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 Conglomerate to determine the borrower classification and to calculate the allowance for loan losses;

<u>The key audit matter</u>	<u>How the matter was addressed in our audit</u>
The collaterals should be considered for the calculation of allowances in determining R-LGD.	<ul style="list-style-type: none">• performing detailed testing of a sample of borrowers, to confirm whether the Conglomerate'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 Conglomerate's management with the information provided by SUGEF's Credit Information Center.• recalculating and comparing the risk rating assigned by the Conglomerate'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.

- Plan and perform the audit of the Conglomerate to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Conglomerate as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.



March 26, 2025



Nombre del CPA: MYNOR
PACHECO SOLANO
Carné: 4596
Cédula: 108880067
Nombre del Cliente:
BNCI CONSOLIDADO
Identificación del cliente:
400001021
Dirigido a:
Rosayella Ulloa Vilalobos,
Gerente General
Fecha:
12-03-2025 09:02:11 PM
Tipo de trabajo:
Informe de Auditoría
Timbre de €1000 de la Ley
6663 adherido y cancelado en
el original.



Código de Timbre: CPA-1000-18719

San José, Costa Rica

Mynor Pacheco Solano

Member No. 4596

Policy No. 0116FID000711013

Expires 09/30/2025

€1,000 tax stamp paid pursuant to Law No. 6663
and digitally affixed to the original document



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

	Note	2024	2023
ASSETS			
Cash and due from banks	9	1,435,121,111,635	1,429,362,414,317
Cash		117,155,596,609	102,718,169,600
BCCR		974,471,321,175	926,640,987,647
Local financial entities		1,400,553,918	786,731,635
Foreign financial entities		191,857,205,418	258,384,327,377
Notes payable on demand		8,161,712,036	7,794,869,384
Restricted cash and due from banks		142,074,722,479	133,037,328,674
Investments in financial instruments	10	1,614,871,056,888	1,389,619,789,751
At fair value through profit or loss (FVTPL)		16,389,239,296	23,521,412,984
At fair value through other comprehensive income (FVOCI)		803,741,742,215	614,745,008,391
At amortized cost		772,025,699,213	730,519,651,897
Derivative financial instruments	11	26,553,805	364,305,137
Accrued interest receivable		23,987,099,425	21,887,088,090
(Allowance for impairment of investments in financial instruments)		(1,299,277,066)	(1,417,676,748)
Loan portfolio	12	5,135,611,541,842	4,877,519,107,981
Current		4,984,966,020,798	4,662,670,755,200
Past due		209,395,868,820	218,111,190,606
In legal collection		86,701,198,060	77,537,248,628
Direct incremental costs related to loans		7,553,712,190	6,360,771,801
(Deferred income on loan portfolio)		(53,664,504,660)	(48,113,222,075)
Accrued interest receivable		83,019,726,234	90,753,414,848
(Allowance for loan losses)		(182,360,479,600)	(129,801,051,027)
Accounts and fees and commissions receivable	13	3,544,715,830	3,476,587,534
Fees and commissions receivable		1,919,512,029	2,200,365,080
Accounts receivable for transactions with related parties		39,768,494	22,176,642
Deferred tax and income tax receivable		583,924,518	648,546,893
Other receivables		8,775,694,419	8,216,956,498
Accrued interest receivable		1,424,857	2,012,794
(Allowance for impairment of accounts and fees and commissions receivable)		(7,775,608,487)	(7,613,470,373)
Assets held for sale	14	24,364,121,088	36,457,157,242
Assets and securities acquired in lieu of payment		29,008,040,263	98,643,910,547
(Allowance for impairment and per legal requirements)		(4,643,919,175)	(62,186,753,305)
Investments in other companies	15	69,612,967,523	68,426,438,887
Property and equipment, net	16	231,749,759,650	238,627,811,109
Other assets	17	99,892,279,977	42,245,257,014
Deferred charges		382,557,046	22,377,026
Intangible assets		3,733,328,969	5,627,898,600
Other assets held for sale outside of the scope of IFRS 5		54,998,463,236	-
Other assets		40,777,930,726	36,594,981,388
TOTAL ASSETS		8,614,767,554,433	8,085,734,563,835

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, 2024
(With corresponding figures for 2023)
(In colones)

LIABILITIES AND EQUITY	Note	2024	2023
LIABILITIES			
Obligations with the public	18	6,992,950,317,591	6,450,404,259,373
Demand obligations		4,893,625,587,944	4,437,525,057,675
Term obligations		2,045,589,887,830	1,954,394,980,375
Finance charges payable		53,734,841,817	58,484,221,323
Obligations with BCCR	19	128,716,569,121	147,587,061,477
Term obligations		125,023,780,503	144,471,880,512
Finance charges payable		3,692,788,618	3,115,180,965
Obligations with entities	20	407,517,132,756	454,239,825,194
Demand obligations		38,377,425,138	60,292,899,127
Term obligations		368,033,968,855	391,802,381,945
Finance charges payable		1,105,738,763	2,144,544,122
Accounts payable and provisions		146,040,868,053	147,154,885,352
Provisions	22	13,128,479,709	23,286,568,787
Accounts payable for brokerage services		542,290,227	483,204,962
Deferred tax	21-b	16,509,093,731	16,237,762,955
Other sundry accounts payable	23	115,861,004,386	107,147,348,648
Other liabilities	24	19,735,261,492	33,111,379,327
Deferred income		73,712,721	88,687,508
Other liabilities		19,661,548,771	33,022,691,819
Subordinated obligations	25	74,436,676,956	59,065,779,037
Subordinated obligations		71,782,200,000	56,903,040,000
Finance charges payable		2,654,476,956	2,162,739,037
TOTAL LIABILITIES		7,769,396,825,969	7,291,563,189,760
EQUITY			
Share capital		172,237,030,102	172,237,030,102
Paid-in capital	26-a	172,237,030,102	172,237,030,102
Equity adjustments - Other comprehensive income		78,746,330,713	80,711,724,550
Reserves	26-b	466,006,343,889	422,198,198,610
Prior-period retained earnings		20,857,140,250	32,628,167,802
Income for the year		51,764,270,161	37,771,657,785
Capital contributions or special funds	26-c	55,759,613,349	48,624,595,226
TOTAL EQUITY		845,370,728,464	794,171,374,075
TOTAL LIABILITIES AND EQUITY		8,614,767,554,433	8,085,734,563,835
DEBIT MEMORANDA ACCOUNTS	27	443,143,194,671	411,531,590,103
TRUST ASSETS	28	2,846,634,786,694	2,842,910,508,528
TRUST LIABILITIES		59,705,843,186	64,250,521,545
TRUST EQUITY		2,786,928,943,508	2,778,659,986,983
TRUST MEMORANDA ACCOUNTS		9,931,830,546	7,438,086,100
OTHER DEBIT MEMORANDA ACCOUNTS	29	40,268,170,903,593	35,447,999,328,914
Own debit memoranda accounts		15,238,494,506,133	12,546,485,111,758
Third-party debit memoranda accounts		5,431,073,856,883	4,956,547,223,229
Own debit memoranda accounts for custodial activities		768,925,241,788	640,304,967,101
Third-party debit memoranda accounts for custodial activities		18,829,677,298,789	17,304,662,026,826

Rosaysella Ulloa Villalobos
General Manager

Alejandra Morales Centeno
General Accountant
CPI 21119

Ricardo Araya Jiménez
General Auditor

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

Céd. 4000001021
BANCO NACIONAL DE COSTA RICA
Atención: SUGEF
Registro Profesional: 21119
Contador: MORALES CENTENO ALEJANDRA
Estado de Situación Financiera
2025-04-22 09:47:18 -0600



TIMBRE 300.0 COLONES

VERIFICACIÓN: tJOK0A0E
<https://timbres.contador.co.cr>

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2024
(With corresponding figures for 2023)
(In colones)

	Note	2024	2023
Finance income			
Cash and due from banks	33	16,042,982,862	14,881,422,198
Investments in financial instruments	33	100,183,940,906	89,907,012,327
Loan portfolio	34	470,433,083,874	477,338,620,776
Gain on financial instruments at FVTPL		829,764,253	434,395,306
Gain on financial instruments at FVOCI		8,348,274,469	6,337,817,834
Gain on derivative financial instruments, net	11	63,093,418	-
Other finance income	35	3,659,201,274	7,462,542,945
Total finance income		599,560,341,056	596,361,811,386
Finance costs			
Obligations with the public	36	211,662,092,112	244,306,520,722
Obligations with BCCR		1,103,000,009	1,293,225,824
Obligations with financial and non-financial entities	37	19,443,838,241	34,757,184,618
Subordinated, convertible and preferred obligations		7,625,280,760	6,684,432,671
Loss on foreign exchange differences and DU, net	6-d	272,456,463	1,242,625,293
Loss on financial instruments at FVTPL		378,288,068	1,174,280,486
Loss on financial instruments at FVOCI		448,902,676	2,759,566,376
Loss on derivative financial instruments, net	11	-	27,562,462
Other finance costs	38	660,721,666	6,067,448,794
Total finance costs		241,594,579,995	298,312,847,246
Allowance for impairment of assets	39	103,877,201,084	42,155,525,286
Recovery of assets and decrease in allowances	40	15,102,083,295	22,267,318,833
FINANCE INCOME		269,190,643,272	278,160,757,687
Other operating income			
Service fees and commissions	41	172,361,648,589	169,837,229,643
Assets held for sale		44,406,215,915	5,503,416,095
Gain on investments in other companies	8	4,136,246,570	3,298,387,922
Foreign currency exchange and arbitrage		32,794,444,201	33,428,409,741
Other assets held for sale outside of the scope of IFRS 5		1,212,979	-
Other income from related parties		110,438,846	362,156,433
Other operating income	42	7,856,422,164	10,645,280,398
Total other operating income		261,666,629,264	223,074,880,232

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, 2024
(With corresponding figures for 2023)
(In colones)

	Note	2024	2023
Other operating expenses			
Service fees and commissions		38,283,438,934	41,597,649,785
Assets held for sale	43	9,390,500,643	16,077,672,391
Other assets held for sale outside of the scope of IFRS 5	43	70,225,468	-
Provisions	44	25,832,136,024	23,335,314,909
Bonuses on fees and commissions of voluntary pension funds		285,534,369	358,512,402
Foreign currency exchange and arbitrage		14,595,258	15,134,696
Other operating expenses	45	81,708,166,700	73,923,940,168
Total other operating expenses		155,584,597,396	155,308,224,351
GROSS OPERATING INCOME		375,272,675,140	345,927,413,568
Administrative expenses			
Personnel expenses	46	167,166,896,737	155,415,409,504
Other administrative expenses	47	99,683,003,776	89,963,091,691
Total administrative expenses		266,849,900,513	245,378,501,195
NET OPERATING INCOME BEFORE TAXES AND STATUTORY ALLOCATIONS		108,422,774,627	100,548,912,373
Income tax	21-a	26,578,538,370	20,166,752,706
Prior year income tax	21-a	277,934	14,189,237,931
Deferred tax	21-a	786,221,838	1,888,723,862
Decrease in prior-period income tax	21-a	-	1,207,402,404
Deferred tax income	21-a	1,172,331,786	1,004,004,343
Statutory allocations	48	30,465,798,110	28,743,946,836
INCOME FOR THE YEAR		51,764,270,161	37,771,657,785
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Items that will not be reclassified to profit or loss			
Surplus from revaluation of property		709,963,584	10,648,933,893
Other adjustments		(2,955,485,343)	(7,321,021,762)
Items that are or may be reclassified to profit or loss			
Adjustment for valuation of investments at FVOCI		1,678,444,014	13,142,311,960
Adjustment for valuation of restricted financial instruments		7,053	-
Surplus from revaluation of other assets		2,154,920	(36,388,203)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		(564,915,772)	16,433,835,888
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		51,199,354,389	54,205,493,673

Rosaysella Ulloa Villalobos
General Manager

Alejandra Morales Centeno
General Accountant
CPI 21119

Ricardo Araya Jiménez
General Auditor

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

Céd. 4000001021
BANCO NACIONAL DE COSTA RICA
Atención: SUGEF
Registro Profesional: 21119
Contador: MORALES CENTENO
ALEJANDRA
Estado de Resultados Integral
2025-04-22 00:47:18 -0000



TIMBRE 300.0 COLONES

VERIFICACIÓN: tJ0K0A0E
<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, 2024
(With corresponding figures for 2023)
(In colones)

		Equity adjustments - Other comprehensive income	Reserves	Capital contributions in special funds	Prior-year retained earnings	Total
Note	Share capital					
Balance at January 1, 2023	172,237,030,102	65,091,090,087	387,165,279,581	44,436,595,670	71,035,884,962	739,965,880,402
<i>Transactions with owners booked directly in equity:</i>						
Legal reserves	-	-	37,365,747,265	-	(37,365,747,265)	-
Other statutory reserves	-	-	(2,332,828,236)	-	2,332,828,236	-
Capital contributions in special funds	-	-	-	4,187,999,556	(4,187,999,556)	-
Total transactions with owners booked directly in equity	-	-	35,032,919,029	4,187,999,556	(39,220,918,585)	-
Comprehensive income for the year:						
Income for the year	-	-	-	-	37,771,657,785	37,771,657,785
Surplus from revaluation of property	-	10,648,933,893	-	-	-	10,648,933,893
Adjustment for valuation of investments at FVOCI	10	13,142,311,960	-	-	-	13,142,311,960
Surplus from revaluation of other assets	-	(36,388,203)	-	-	-	(36,388,203)
Other adjustments	-	(7,321,021,762)	-	-	-	(7,321,021,762)
Realization of surplus from revaluation of property	-	(813,201,425)	-	-	813,201,425	-
Total comprehensive income for the year	-	15,620,634,463	-	-	38,584,859,210	54,205,493,673
Balance as of December 31, 2023	172,237,030,102	80,711,724,550	422,198,198,610	48,624,595,226	70,399,825,587	794,171,374,075
<i>Transactions with owners booked directly in equity:</i>						
Legal reserves	-	-	39,024,687,745	-	(39,024,687,745)	-
Other statutory reserves	-	-	4,783,457,534	-	(4,783,457,534)	-
Capital contributions in special funds	-	-	-	7,135,018,123	(7,135,018,123)	-
Total transactions with owners booked directly in equity	-	-	43,808,145,279	7,135,018,123	(50,943,163,402)	-
Comprehensive income for the year:						
Income for the year	-	-	-	-	51,764,270,161	51,764,270,161
Surplus from revaluation of property	-	709,963,584	-	-	-	709,963,584
Adjustment for valuation of investments at FVOCI	10	1,678,444,014	-	-	-	1,678,444,014
Adjustment for valuation of restricted financial instruments	10	7,053	-	-	-	7,053
Surplus from revaluation of other assets	-	2,154,920	-	-	-	2,154,920
Other adjustments	-	(2,955,485,343)	-	-	-	(2,955,485,343)
Realization of surplus from revaluation of property	-	(1,400,478,065)	-	-	1,400,478,065	-
Total comprehensive income for the year	-	(1,965,393,837)	-	-	53,164,748,226	51,199,354,389
Balance at December 31, 2024	172,237,030,102	78,746,330,713	466,006,343,889	55,759,613,349	72,621,410,411	845,370,728,464

Rosaysella Ulloa Villalobos
General Manager

Alejandra Morales Centeno
General Accountant
CPI 21119

Ricardo Araya Jiménez
General Auditor

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

Céd. 4000001021

BANCO NACIONAL DE COSTA RICA

Atención: SUGEF

Registro Profesional: 21119

Contador: MORALES CENTENO
ALEJANDRA

Estado de Cambios en el Patrimonio

3005-04-22 08:47:19 -0000



TIMBRE 300.0 COLONES

VERIFICACIÓN: LJ0K0A0E
<https://timbres.contador.co.cr>

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024 AND 2023
(With corresponding figures for 2023)
(In colones)

	Note	2024	2023
Cash flows from operating activities			
Income for the year		51,764,270,161	37,771,657,785
Items not requiring cash			
Depreciation and amortization		24,477,390,499	24,469,217,066
(Gain) on foreign exchange differences and DU, net		(17,119,755,153)	(86,068,235,213)
Loss on sale of non-financial assets		2,923,517,464	4,963,231,382
Finance income		(570,617,024,780)	(567,245,633,103)
Finance costs		138,478,380,900	170,925,983,486
Allowance for investments, net		97,250,732	(2,884,652,315)
Allowance for direct loans and stand-by credits, net		100,896,753,323	34,069,552,708
Allowance for other accounts receivable, net		1,034,998,106	4,387,359,067
(Gain) loss on allowance for assets held for sale, net		(42,674,312,197)	1,555,724,764
Severance provision		20,271,382	4,547,132
Other provisions		25,074,260,024	19,904,889,878
Share of net profit of foreign associate		(4,136,246,602)	(3,298,387,929)
Statutory allocations, net		30,465,798,110	28,743,946,836
Income tax expense, net	21-a	26,578,816,304	33,148,588,233
Deferred tax, net	21-a	(386,109,948)	884,719,519
		(233,121,741,675)	(298,667,490,704)
Cash flows from operating activities			
Loan portfolio		(421,859,429,051)	(478,524,696,008)
Accounts and fees and commissions receivable		343,668,295	4,245,263,128
Assets held for sale		73,254,389,492	23,622,402,924
Other assets		(41,796,906,113)	15,349,496,236
Obligations with the public		624,403,240,040	607,971,735,859
Obligations with BCCR and other entities		(66,359,060,695)	(172,984,218,243)
Obligations for accounts payable, fees and commissions payable and provisions		(23,061,426,796)	2,121,102,294
Other liabilities		(12,566,191,539)	991,652,931
		132,358,283,633	2,792,739,121
Income tax paid		(35,747,360,595)	(50,453,485,607)
Interest received on loan portfolio and investments		576,250,702,059	576,645,984,287
Interest paid on term obligations with the public and financial entities		(143,688,958,112)	(148,908,517,871)
Statutory allocations paid		(26,721,013,239)	(23,464,949,153)
Net cash from operating activities		269,329,912,071	57,944,280,073
Cash flows from investing activities			
Increase in financial instruments		(1,623,766,798,363)	(1,293,444,616,614)
Decrease in financial instruments		1,391,122,549,144	1,419,200,524,141
Acquisition of property and equipment		(29,970,682,881)	(29,260,134,921)
Sale of property and equipment		523,073,007	161,342,449
Acquisition of intangible assets		(1,932,905,787)	(2,243,483,181)
Net cash (used in) from investing activities		(264,024,764,880)	94,413,631,874
Cash flows from financing activities			
Settlement of financial obligations		(22,970,080,321)	(79,588,830,117)
New financial obligations		26,769,300,000	-
Payment of lease liabilities		(2,567,027,854)	(2,977,472,712)
Net cash from (used in) financing activities		1,232,191,825	(82,566,302,829)
Net increase in cash and cash equivalents		6,537,339,016	69,791,609,118
Cash and cash equivalents at beginning of year		1,648,529,317,528	1,578,737,708,410
Cash and cash equivalents at end of year	9	1,655,066,656,544	1,648,529,317,528

Rosaysella Ulloa Villalobos
General Manager

Alejandra Morales Centeno
General Accountant
CPI 21119

Ricardo Araya Jiménez
General Auditor

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

Céd. 4000001021

BANCO NACIONAL DE COSTA RICA

Atención: SUGEF

Registro Profesional: 2119
CONTADOR MORALES CENTENO
ALEJANDRA

Estado de Pagos de Efectos

2024-04-22 08:41:19 -0500



TIMBRE 300.0 COLONES

VERIFICACION: LK0KA0E
<https://timbres.contador.co.cr>

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(1) Reporting entity

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

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

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

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

As of December 31, 2024, the Bank has 153 offices, 457 ATMs and along with its subsidiaries a total of 5,924 employees (2023: 153 offices, 465 ATMs and along with its subsidiaries a total of 5,748 employees). Employees are distributed as follows: Banco Nacional de Costa Rica – 5,420 employees (2023: 5,275); BN Valores Puesto de Bolsa, S.A. - 77 employees (2023: 72); BN Vital Operadora de Planes de Pensiones Complementarias, S.A. - 208 employees (2023: 196); BN Sociedad Administradora de Fondos de Inversión, S.A. - 103 employees (2023: 98); and BN Sociedad Corredora de Seguros, S.A. - 116 employees (2023: 106). The Bank's website is www.bncr.fi.cr.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The following subsidiaries are wholly owned by the Bank:

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

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

	2024					
	BN Valores Puesto de Bolsa, S.A.	BN Sociedad Administradora de Fondos de Inversión, S.A.	BN Vital Operadora de Planes de Pensiones Complementarias, S.A.	BN Sociedad Corredora de Seguros, S.A.	BN Centro de Procesos	Banco Internacional de Costa Rica, S.A.
Assets	¢ 68,146,287,649	14,885,662,658	18,494,677,543	9,305,677,536	951,400,991	522,371,358,636
Liabilities	¢ 52,458,873,456	1,782,930,224	4,064,818,411	1,685,360,617	62,885	452,809,014,442
Equity	¢ 15,687,414,193	13,102,732,434	14,429,859,132	7,620,316,919	951,338,106	69,562,344,194
Income for the year	¢ 1,557,644,958	3,238,019,429	2,091,816,960	5,382,407,781	(5,240,375)	4,056,001,242
Memoranda accounts	¢ 1,159,613,060,718	849,023,353,951	2,871,938,781,015	-	-	-

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.	Banco Internacional de Costa Rica, S.A.
Assets	¢ 66,429,894,166	12,886,992,058	17,010,106,698	8,897,593,858	511,769,423,869
Liabilities	¢ 50,714,147,662	1,188,260,059	2,422,048,113	1,375,684,720	444,443,608,280
Equity	¢ 15,715,746,504	11,698,731,999	14,588,058,585	7,521,909,138	67,325,815,589
Income for the year	¢ 1,631,345,498	2,484,065,557	1,619,963,414	4,818,352,596	3,297,830,863
Memoranda accounts	¢ 1,111,429,293,217	682,701,900,813	2,546,790,872,491	-	-

(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.

These provisions are contained in CONASSIF Directive 6-18 *Regulation on Financial Information* (RFI), which regulates the adoption of International Financial Reporting Standards (IFRS) and their interpretation and establishes that these regulations must be applied in full, except for the prudential or regulatory treatments indicated therein.

The consolidated financial statements were approved for issue by the board of directors on March 18, 2025.

(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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(3) Functional and presentation currency

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

(4) Use of estimates and judgments

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

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

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

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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

b- Assumptions and estimation uncertainties

Estimates and assumptions are reviewed periodically. The review of accounting estimates is recognized in profit or loss for the year. The following notes describe information concerning significant areas of estimation uncertainty and judgments adopted in the application of accounting policies that have a direct impact on the financial statements:

- material accounting policies
- risk management.

c- 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, see Note 49 “Fair value of financial instruments.”

(5) Material accounting policies

The Conglomerate has consistently applied the following accounting policies to all 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, 2024, the Bank holds 49% ownership interest in Banco Internacional de Costa Rica, S.A. and Subsidiary (BICSA), a Panamanian entity.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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, using the reference selling rate published by BCCR.

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

As of December 31, 2024, assets and liabilities in US dollars were valued at the exchange rate of ₡512.73 to US\$1.00 (2023: ₡526.88 to US\$1.00), which is the reference selling rate established by BCCR.

As of December 31, 2024, assets and liabilities denominated in euro were valued at the exchange rate of ₡532.88 to €1,00 (2023: ₡582.31 to €1.00), which is obtained by multiplying the international Reuter 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, 2024, assets and liabilities denominated in Development Units (DU) were valued at the exchange rate of ₡1,009.97 to DU1.00 (2023: ₡1,013.32 to DU1.00). This exchange rate is based on the DU value tables published by SUGEVAL.

iv. Foreign operations

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

- Monetary assets and liabilities denominated in US dollars have been translated at the closing exchange rate
- Non-monetary assets and liabilities have been translated at the exchange rate in effect on the transaction date (historical rate)

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- Equity balances, except profit or loss for the period, have been translated at the exchange rate in effect on the date of the transaction (historical rate)
- Income and expenses have been translated at average exchange rates in effect for the period.

(c) Financial instruments

(i) Recognition and initial measurement

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

A financial asset or financial liability is measured initially at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities (other than financial assets at FVTPL) are added to or subtracted from the fair value of financial assets or liabilities, as applicable, on initial recognition. Transactions costs directly attributable to the acquisition of financial assets or liabilities at FVTPL are recognized directly in profit or loss.

(ii) Classification and subsequent measurement

Financial assets

Classification

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 SPPI on the principal amount outstanding.

A financial asset is measured at FVOCI only 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 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 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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

In assessing whether the contractual cash flows are 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 this 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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Subsequent measurement and gains and losses

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

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

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

Financial liabilities

Classification

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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'.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

Impairment of non-financial assets

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(d) Derivative financial instruments

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

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

(e) Embedded derivatives

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Conglomerate currently has the following derivative financial instruments:

i. Derivatives held for risk management

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

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

ii. Derivatives other than hedges

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

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

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

(f) Cash and cash equivalents

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(g) Property, furniture, equipment and leasehold improvements

(i) Recognition and measurement

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

(ii) Subsequent costs

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

(i) 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:

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(h) Intangible assets

(i) Recognition and measurement

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

(ii) Amortization

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

(iii) Subsequent costs

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

(i) Leases

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

(i) As a lessee

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

(ii) Right-of-use assets

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)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

(iii) Lease liabilities

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.
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the start date.
- amounts expected to be paid under a residual value guarantee.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

(iv) 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.

(j) Loan portfolio

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(k) Allowance for loan losses

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

As of January 1, 2024, the comprehensive analysis of the loan portfolio is based on CONASSIF Directive 14-21 *Regulation on the Calculation of the Allowance for Loan Losses*. This assessment includes parameters such as: borrower's payment history, creditworthiness (payment capacity), quality of guarantees and delinquency. The analysis of the portfolio of the Development Banking System is based on SUGEF Directive 15-16 *Regulations on Credit Risk Management and Evaluation for the Development Banking System*. As of December 31, 2023, the assessment considered the provisions set forth by CONASSIF as per SUGEF Directive 1-05 *Regulations for Borrower Classification*.

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

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

As of December 31, 2024, increases in the allowance for loan losses are included in the accounting records in accordance with Article 10 of IRNBS.

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

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

(m) Other receivables

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(n) Assets held for sale

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

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

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

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

- i. Reverse against income the regulatory allowance booked in subaccount 159.10.
- ii. Record an expense to recognize the allowance in the subaccount 139.02.M.04 (General component for the loan portfolio – Transitory). The expense amount should match the amount of the reversal in income.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(o) Accounts payable and other liabilities

Accounts payable and other liabilities are carried at amortized cost.

(p) Provisions

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

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

(q) Employee benefits

(i) Short-term employee benefits

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

- *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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- *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.

- *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.

- *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*.

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

(ii) Defined contribution plans

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

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

(iii) Defined benefit plans

The Bank's net obligation 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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(iv) Termination benefits

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

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

The Conglomerate follows the 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.

(v) Employee Protection and Retirement Fund

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 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% (2023: 5%) of total wages to strengthen the Fund; and
- income from investments made by the Fund and other potential income.

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

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

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

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

(r) Deferred income

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(s) Legal reserve

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

(i) *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. 003-2023
	Agreement No. 012-2019

(t) Revaluation surplus

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

(u) Income tax

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 of the Development Banking System

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

(v) Segment reporting

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(w) Financial statements of the different departments

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

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

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

(x) Recognition of income and expenses

i. Interest income and interest expense

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

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

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

Regarding accrual on the loan portfolio over 180 days, official letter CNS-1698/08 indicates that the Bank must have an allowance, which as of December 31, 2024, amounts to ₡15,608 million (2023: ₡10,365 million). According to the plan for accrued interest receivable, the allowance to be booked amounts to ₡20,142 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.

<u>Semester</u>	<u>Minimum allowance percentage of the balance of accrued interest receivable</u>	<u>Minimum allowance required</u>
2024-12	over 180 days 70%	14,979
2025-06	85%	17,120
2025-12	100%	20,142

ii. *Fee and commission income*

Fee and commission income arises on services provided by the Bank 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 separate statement of comprehensive income on a monthly basis.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

iv. *Operating lease expenses*

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

(y) Statutory allocations

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

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

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 *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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(z) Development Financing Fund (FOFIDE)

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

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

(aa) Development Credit Fund (FOCREDE)

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

(bb) Trust operations

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

(6) Risk management

Financial risk management is key for the Conglomerate. It has a comprehensive risk management infrastructure to ensure responsible and sustainable growth over time, maintaining the trust of its interest groups and ensuring with reasonable certainty compliance with short-, medium- and long-term goals, by balancing compliance with objectives and its risk appetite, aligned with the corporate strategy.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

The Bank has established the following credit risk management procedures:

- The Bank has defined procedures for the monitoring, application of controls and loan processing. The functions, tasks and procedures performed by the Credit Risk Division have been documented with the support of the Quality Management Division. Consequently, the Bank has been able to optimize and standardize the process.
- The Bank has performed and reviewed the administrative loan follow-up procedures for branches and regional offices.
- The Bank is performing a comprehensive assessment of the credit granting process and the procedures performed in offices, shared service centers, commercial areas and corporate center.
- The work plan for loan follow-up includes an evaluation of main borrowers (higher balances in the loan portfolio), which involves continuous monitoring and visits to regional offices.

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

	Direct loan portfolio		Stand-by credits	
	2024	2023	2024	2023
<i>Loan portfolio</i>				
Principal	¢ 5,281,063,087,678	4,958,319,194,434	385,845,652,805	342,588,807,184
Accounts and accrued interest receivable	83,019,726,234	90,753,414,848	-	-
Gross carrying amount	5,364,082,813,912	5,049,072,609,282	385,845,652,805	342,588,807,184
Incremental direct costs related to loans	7,553,712,190	6,360,771,801	-	-
(Deferred income from loan portfolio)	(53,664,504,660)	(48,113,222,075)	-	-
Allowance for loan losses (accounting records)	(182,360,479,600)	(129,801,051,027)	(183,928,720)	(1,084,106,020)
Net carrying amount	¢ <u>5,135,611,541,842</u>	<u>4,877,519,107,981</u>	<u>385,661,724,085</u>	<u>341,504,701,164</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024, according to CONASSIF Directive 14-21, the Bank's financial instruments with exposure to credit risk are as follows:

		<u>Direct loan portfolio</u>	<u>Stand-by credits</u>
		<u>2024</u>	<u>2024</u>
Loan portfolio			
Total balances:			
1	¢	4,374,419,830,095	363,679,302,378
2		568,160,011,780	18,917,225,744
3		58,858,543,746	871,290,528
4		100,107,852,847	1,754,086,744
5		81,111,626,435	278,914,209
6		16,436,333,470	144,049,525
7		17,131,735,299	5,583,486
8		147,856,880,240	195,200,191
		<u>5,364,082,813,912</u>	<u>385,845,652,805</u>
Structural allowance (subledger - database)		<u>(107,301,354,510)</u>	<u>(183,928,720)</u>
Net carrying amount	¢	<u>5,256,781,459,402</u>	<u>385,661,724,085</u>
Individually assessed loans with allowance:			
1	¢	4,374,228,218,628	350,813,158,895
2		568,160,011,780	7,388,907,410
3		58,858,543,746	871,290,439
4		100,107,852,847	1,577,432,653
5		81,111,626,435	278,914,208
6		16,436,333,470	144,049,523
7		17,131,735,299	5,583,486
8		147,856,880,240	195,200,191
		<u>5,363,891,202,445</u>	<u>361,274,536,805</u>
Structural allowance (subledger – database)		<u>(107,301,354,510)</u>	<u>(183,928,720)</u>
Net carrying amount	¢	<u>5,256,589,847,935</u>	<u>361,090,608,085</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		<u>Direct loan portfolio</u>	<u>Stand-by credits</u>
		<u>2024</u>	<u>2024</u>
Current loan portfolio, without allowance:			
1	¢	191,611,467	12,866,143,474
2		-	11,528,318,435
3		-	-
4		-	176,654,091
Carrying amount	¢	<u>191,611,467</u>	<u>24,571,116,000</u>
Gross carrying amount	¢	5,364,082,813,912	385,845,652,805
Allowance for loan losses (database)		(107,301,354,510)	(183,928,720)
Allowances for other statutory requirements		(75,059,125,090)	-
Incremental direct costs related to loans		7,553,712,190	-
(Deferred income from loan portfolio)		(53,664,504,660)	-
Net carrying amount	¢	<u>5,135,611,541,842</u>	<u>385,661,724,085</u>
Restructured loans	¢	<u>21,865,220,722</u>	<u>-</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2023, according to SUGEF Directive 1-05, risk exposure is as follows:

		Direct loan portfolio	Stand-by credits
		2023	2023
Loan portfolio			
Total balances:			
0	¢	49,062,639,515	-
A1		3,964,603,942,758	334,482,868,294
A2		14,890,104,071	336,634,950
B1		581,298,498,367	3,891,610,736
B2		7,514,128,128	22,872,611
C1		128,703,597,019	2,687,091,740
C2		8,152,930,274	17,306,451
D		160,592,316,671	518,105,813
E		134,254,452,479	632,316,589
		5,049,072,609,282	342,588,807,184
Structural allowance (subledger – database)		(95,417,856,415)	(36,847,389)
Net carrying amount	¢	4,953,654,752,867	342,551,959,795
Individually assessed loans with allowance:			
0	¢	48,244,490,219	-
A1		3,964,499,255,843	12,144,393,910
A2		14,890,104,071	-
B1		581,298,498,367	1,022,953,423
B2		7,514,128,128	-
C1		128,703,597,019	22,279,450
C2		8,152,930,274	-
D		160,592,316,671	26,344,000
E		134,254,452,479	40,000,000
		5,048,149,773,071	13,255,970,783
Structural allowance (subledger – database)		(95,417,856,415)	(36,847,389)
Net carrying amount	¢	4,952,731,916,656	13,219,123,394

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		Direct loan portfolio	Stand-by credits
		2023	2023
Current loan portfolio, without allowance:			
0	¢	818,149,296	-
A1		104,686,915	322,338,474,383
A2		-	336,634,950
B1		-	2,868,657,314
B2		-	22,872,611
C1		-	2,664,812,290
C2		-	17,306,451
D		-	491,761,813
E		-	592,316,589
Carrying amount	¢	922,836,211	329,332,836,401
Gross carrying amount	¢	5,049,072,609,282	342,588,807,184
Allowance for loan losses (database)		(95,417,856,415)	(36,847,389)
Allowances for other statutory requirements		(34,383,194,612)	(1,047,258,631)
Incremental direct costs related to loans		6,360,771,801	-
(Deferred income from loan portfolio)		(48,113,222,075)	-
Net carrying amount	¢	4,877,519,107,981	341,504,701,164
Restructured loans	¢	61,949,398,743	-

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Set out below is an analysis of the Bank's loan portfolio balances as of December 31, gross and net of the allowance for loan losses, by risk rating according to SUGEF Directive 1-05 (December 2023 cutoff), CONASSIF Directive 14-21 (December 2024 cutoff) and SUGEF Directive 15-16 *Regulations on Credit Risk Management and Evaluation for the Development Banking System*:

		2024	
		Loans to customers	
		Gross	Net
1	¢	4,374,419,830,095	4,359,942,762,356
2		568,160,011,780	489,820,346,300
3		58,858,543,746	56,688,762,376
4		100,107,852,847	94,618,916,958
5		81,111,626,435	74,933,991,045
6		16,436,333,470	8,722,087,850
7		17,131,735,299	12,606,746,005
8		147,856,880,240	84,388,721,422
	¢	5,364,082,813,912	5,181,722,334,312

According to CONASSIF Directive 14-21, as observed in the table above, the gross portfolio as of December 31, 2024, amounts to ¢5,364 billion, of which the risk categories "1+2" represent 96.62% and categories "3+4+5+6+7+8" represent 3.38%.

		2023	
		Loans to customers	
		Gross	Net
0	¢	49,062,639,515	47,781,619,497
A1		3,964,603,942,758	3,908,158,743,722
A2		14,890,104,071	14,757,458,652
B1		581,298,498,367	573,732,251,442
B2		7,514,128,128	7,380,677,571
C1		128,703,597,019	123,117,637,837
C2		8,152,930,274	7,509,770,903
D		160,592,316,671	143,319,719,708
E		134,254,452,479	93,513,678,923
	¢	5,049,072,609,282	4,919,271,558,255

According to SUGEF Directive 1-05, the gross portfolio as of December 31, 2023, amounted to ¢5,049 billion, of which the risk ratings "A+B" represent 91.45% and risk ratings "C+D+E" represent 8.55%.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Individually assessed loans with allowance:

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

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

Past due loans without allowance:

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

Restructured loans:

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Classification due to Special Loan Operations

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

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

Criteria to no longer qualify as a special operation

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

If, before having a special loan operation, the borrower was classified in risk rating C2 or D, the borrower must be classified in risk rating C2 or D, respectively, or a higher risk rating, for at least 180 days. If, before having a special loan operation, the borrower was classified in risk rating E, that risk rating must be maintained for at least 180 days. When applying the previous paragraphs, it is worth noting that: a) the period during which the borrower's risk rating cannot be improved will begin after the grace period ends, if there is one, for the principal granted in the special loan operation; b) the 90-day or 180-day periods indicated will only be valid when the special loan operation stipulates monthly payments or payments with shorter frequency (bi-weekly, weekly, etc.).

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

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

Loan write-off policy:

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Portfolio segmentation (previously borrower classification):

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

Regarding segmentation, the portfolio must be classified into:

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

For the year ended December 31, 2024, the amount of the portfolio by segment is as follows:

Portfolio segmentation		Direct loan portfolio	Stand-by credits
		2024	2024
Consumer	¢	442,651,606,515	1,460,638,211
Business 1		2,060,114,373,854	20,531,695,872
Business 2		106,241,970,924	3,883,375,627
Business 3		579,254,370,624	23,341,715,381
Revolving		154,585,589,384	336,487,789,207
SBD		212,744,737,647	140,438,507
Car		247,084,694,175	-
Home		1,561,405,470,789	-
	¢	<u>5,364,082,813,912</u>	<u>385,845,652,805</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

For the year ended December 31, 2023, the loan portfolio by borrower classification is as follows:

Borrower classification		Direct loans	Stand-by credits
		2023	2023
Group 1	¢	2,629,290,179,664	22,536,400,901
Group 2		2,419,782,429,618	320,052,406,283
	¢	5,049,072,609,282	342,588,807,184

Risk rating categories:

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- Group 1

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

- Group 2

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

Analysis of creditworthiness

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

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

Analysis of historical payment behavior

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

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

Structural allowance for loan losses

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

Below is a summary of the booking of the allowance as of December 31, 2024, in conformity with CONASSIF Directive 14-21 and SUGEF Directive 19-16 *Regulations to Determine and Book Counter-cyclical Allowances*:

Counter-cyclical allowance

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The counter-cyclical allowance booked by the entity as of December 31, 2024, for the corresponding period (*Pccit*), in conformity with Article 5 of SUGEF Directive 19-16 *Regulations to Determine and Book Counter-cyclical Allowances*, is presented below:

	2024		
	Allowance booked	Structural allowance	Difference in allowance
Allowance for direct loans	¢ 107,301,354,510	(107,301,354,510)	-
Allowance for stand-by credits	183,928,720	(183,928,720)	-
Allowance plan per CNS-1698	15,608,119,802	(15,608,119,802)	-
Borrowers with risk exposure	1,651,476,218	(1,651,476,218)	-
Differences due to transition	1,195,937,698	(1,195,937,698)	-
	125,940,816,948	(125,940,816,948)	-
Counter-cyclical allowance per SUGEF Directive 19-16	56,419,662,652	(56,419,662,652)	-
	¢ 182,360,479,600	(182,360,479,600)	-

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

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

	2023		
	<u>Allowance booked</u>	<u>Structural allowance</u>	<u>Excess of allowance</u>
Allowance for direct loans	¢ 109,830,774,732	(95,417,856,415)	14,412,918,317
Allowance for stand-by credits	1,084,106,020	(36,847,389)	1,047,258,631
Allowance plan per CNS-1698	10,365,520,223	(10,365,520,223)	-
	121,280,400,975	(105,820,224,027)	15,460,176,948
Counter-cyclical allowance per SUGEF Directive 19-16	8,520,650,052	(8,520,650,052)	-
	¢ 129,801,051,027	(114,340,874,079)	15,460,176,948

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Credit equivalent

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

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

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

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

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%

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024, the carrying amount of the allowance for impairment and legal disposal of assets held for sale and per legal requirements amounts to ₡4,643,919,175 (2023: ₡62,186,753,305).

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

Sector	Direct loans		Stand-by credits	
	2024	2023	2024	2023
Trade	₡ 414,299,101,358	379,227,581,567	-	-
Services	1,278,035,445,681	1,212,351,625,867	353,434,430,754	36,959,801,066
Financial services	69,852,655,768	81,789,773,732	-	-
Mining	431,248,694	359,420,175	-	-
Manufacturing and quarrying	175,776,596,706	165,180,121,959	-	-
Construction	72,060,262,384	60,320,273,818	-	-
Agriculture and forestry	118,552,198,250	114,313,701,230	113,383,348	-
Livestock, hunting and fishing	76,688,984,266	77,553,058,506	-	-
Electricity, water, sanitation and other related sectors	393,692,887,409	410,414,969,219	-	-
Transportation and telecommunications	45,847,199,845	39,516,426,282	-	-
Housing	1,577,184,417,093	1,523,023,351,385	-	-
Personal or consumer	856,697,322,244	711,573,741,970	-	305,513,772,783
Tourism	284,964,494,214	273,448,563,572	32,297,838,703	115,233,348
	<u>₡ 5,364,082,813,912</u>	<u>5,049,072,609,282</u>	<u>385,845,652,805</u>	<u>342,588,807,197</u>

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

	Direct loans		Stand-by credits	
	2024	2023	2024	2023
Central America	₡ <u>5,364,082,813,912</u>	<u>5,049,072,609,282</u>	<u>385,845,652,818</u>	<u>342,588,807,197</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, the direct loans and stand-by credits portfolio by type of guarantee is as follows:

Type of guarantee	Direct loans		Stand-by credits	
	2024	2023	2024	2023
Security	¢ 51,341,115,102	21,431,553,921	56,939,749	155,586,365
Mortgage bond	40,696,126,722	43,004,826,705	-	-
Assignment of loans	714,163,856,603	598,221,064,546	5,127,300	5,268,800
Mortgage	1,764,575,782,271	1,716,360,423,987	263,531,617	22,709,715
Surety	833,787,608,700	834,981,732,077	-	-
Trust	634,098,393,758	576,313,970,110	102,546,000	45,942,630
Securities	26,935,935,414	58,910,131,362	-	3,253,315
Chattel mortgage	299,172,598,139	292,656,182,632	-	-
Other	999,311,397,203	907,192,723,942	385,417,508,139	342,356,046,372
	¢ 5,364,082,813,912	5,049,072,609,282	385,845,652,805	342,588,807,197

Guarantees:

- 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.
- 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, 2024, 58.60% of the loan portfolio is secured by collateral guarantees (2023: 59.82%).

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Loan portfolio concentration	Direct loans		Stand-by credits	
	2024	2023	2024	2023
¢1 to ¢3,000,000	¢ 193,781,612,454	162,996,393,710	146,643,798,099	125,107,759,607
¢3,000,001 to ¢15,000,000	739,011,682,713	632,609,187,194	207,651,076,823	181,065,985,271
¢15,000,001 to ¢30,000,000	577,540,558,914	541,732,635,608	4,749,417,597	4,798,952,099
¢30,000,001 to ¢50,000,000	502,340,408,325	498,148,643,726	2,207,845,191	2,175,012,247
¢50,000,001 to ¢75,000,000	519,100,208,298	498,589,076,699	1,601,804,529	1,919,576,362
¢75,000,001 to ¢100,000,000	316,493,555,467	298,684,768,711	2,207,989,687	1,998,672,293
¢100,000,001 to ¢200,000,000	295,521,008,888	274,384,336,070	3,514,974,058	3,173,802,375
More than ¢200,000,000	2,220,293,778,853	2,141,927,567,564	17,268,746,821	22,349,046,943
	¢ 5,364,082,813,912	5,049,072,609,282	385,845,652,805	342,588,807,197

As of December 31, 2024 and 2023, the direct and stand-by loans of the portion of the loan portfolio corresponding to economic interest groups amount to ¢788,407,972,445 and ¢658,210,040,686, respectively, equivalent to 14.91% and 13.02% 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 credit loss (ECL) analysis is applied by currency. Also, the methodological change of the VaR is made, aligned to the ECL methodology according to the segments defined in the Bottom-Up Stress Test (BUST), which is calculated in a consolidated manner and by segment, according to the BUST classification.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

The year-on-year increase observed in the ECL of the entire loan portfolio was from 2.59% in December 2023 to 2.60% in December 2024. This is mainly due to an increase in the arrears indicators of the Industry sector, which for arrears over 90 days went from 2.25% in December 2023 to 2.99% in December 2024. Arrears over 90 days in the total portfolio went from 2.48% in December 2023 to 2.37% in December 2024.

Compared to the results from December 2023, the behavior of ECL for economic activities showed a mixed result (increases and decreases), but with a predominant downward trend. The activities with the largest decreases are Construction, Transport and Livestock, with decreases exceeding 140 basis points (bp), while the activity with the largest increase is Industry, with a variation of 74 bp.

For the result of the VaR of the loan portfolio, there was a year-on-year decrease from 7.97% to 7.70%, 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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Portfolio		2024	2023
Investments in financial instruments at FVOCI	¢	29,898,000	28,922,885

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

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

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

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 2024 close, the accounting records showed investments in colones and in US dollars issued by local issuers in colones and issued by foreign issuers in US dollars. The Brokerage Firm holds no investments in DU. By currency, the largest portion continues to be concentrated in the portfolio in colones with 88.92% and 11.08% in US dollars.

With respect to the consolidated portfolio, investments in instruments issued by the Government of Costa Rica correspond to 88.89% and BNCR 0.03%. The sum of these issuers represents 88.92% of the consolidated portfolio in colones. The portfolio in US dollars is represented by G issues 10.95% and BNSFI 0.13%, for a total of 11.08%.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Portfolio		2024	2023
Investments measured at FVOCI	¢	12,483,493	9,199,430
Investments measured at amortized cost	¢	178,463,205	179,328,410

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:

		2024	2023
Investments measured at FVOCI	¢	38,178,177	36,332,070
Investments measured at amortized cost	¢	6,924,856	2,730,629

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 investments 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		2024	2023
Amortized cost	¢	8,762,369	6,785,490

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 on a monthly basis.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

Month		2024		
		Model 1	Model 2	Total estimated
		Amortized cost	Comprehensive income	losses
January	¢	1,363,994,003	1,245,885,616	2,609,879,619
February	¢	1,464,273,505	1,288,877,192	2,753,150,697
March	¢	1,547,950,366	1,243,685,945	2,791,636,312
April	¢	1,632,041,207	1,345,470,285	2,977,511,492
May	¢	1,636,344,414	1,239,401,134	2,875,745,548
June	¢	1,721,723,615	969,921,302	2,691,644,917
July	¢	1,600,331,336	1,459,291,995	3,059,623,331
August	¢	1,531,873,467	1,377,975,382	2,909,848,850
September	¢	1,486,105,969	1,420,317,786	2,906,423,756
October	¢	1,424,393,518	1,533,547,383	2,957,940,902
November	¢	1,368,686,472	1,712,439,678	3,081,126,150
December	¢	1,299,277,064	1,618,071,475	2,917,348,539

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Month		2023		
		Model 1 Amortized cost	Model 2 FVOCI	Total estimated losses
January	¢	2,841,757,301	2,760,888,014	5,602,645,315
February	¢	2,600,821,134	2,725,373,887	5,326,195,021
March	¢	2,583,218,359	2,961,243,082	5,544,461,441
April	¢	2,553,631,109	3,687,351,413	6,240,982,522
May	¢	2,314,094,884	4,328,699,921	6,642,794,805
June	¢	2,394,295,085	3,899,757,092	6,294,052,177
July	¢	2,615,773,114	3,995,474,713	6,611,247,827
August	¢	2,560,393,715	3,551,187,195	6,111,580,910
September	¢	2,984,079,155	3,630,489,940	6,614,569,095
October	¢	2,315,041,364	2,967,118,625	5,282,159,990
November	¢	1,259,518,242	1,600,015,146	2,859,533,387
December	¢	1,416,262,629	1,409,951,769	2,826,214,397

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.

		2024	
	12-month PD ranges	Stage 1	Total
Investments at amortized cost (1) Allowance	0.07% to 0.60%	₱ 829,385,967,085	829,385,967,085
		(1,299,277,066)	(1,299,277,066)
		₱ 828,086,690,019	828,086,690,019

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		2023	
	12-month PD ranges	Stage 1	Total
Investments at amortized cost (1)	0.21% to 1.75%	¢ 787,920,956,099	787,920,956,099
Allowance		<u>(1,416,262,629)</u>	<u>(1,416,262,629)</u>
		¢ <u>786,504,693,470</u>	<u>786,504,693,470</u>

(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.

		2024	
	12-month PD ranges	Stage 1	Total
Investments at FVOCI (1)	0.01% to 1.46%	¢ 746,326,018,435	746,326,018,435
Allowance		<u>(1,618,071,475)</u>	<u>(1,618,071,475)</u>
		¢ <u>744,707,946,960</u>	<u>744,707,946,960</u>

		2023	
	12-month PD ranges	Stage 1	Total
Investments at FVOCI (1)	0.19% to 1.75%	¢ 557,199,687,781	557,199,687,781
Allowance		<u>(1,409,951,768)</u>	<u>(1,409,951,768)</u>
		¢ <u>555,789,736,013</u>	<u>555,789,736,013</u>

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

		2024	
		Stage 1	Total
Investments in financial instruments at FVTPL			
	¢	2,635,287,926	2,635,287,926
	¢	<u>2,635,287,926</u>	<u>2,635,287,926</u>
		2023	
		Stage 1	Total
Investments in financial instruments at FVTPL			
	¢	4,479,693,009	4,479,693,009
	¢	<u>4,479,693,009</u>	<u>4,479,693,009</u>

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

		2024	
		Absolute	Relative
Colones	¢	2,695,234,042	41.53%
US dollars		308,024,238	9.71%
	¢	<u>3,003,258,280</u>	<u>40.08%</u>
		2023	
		Absolute	Relative
Colones	¢	2,666,224,011	51.30%
US dollars		475,433,574	8.88%
	¢	<u>3,141,657,585</u>	<u>60.15%</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Country	2024		
	Principal	Interest	Total
Costa Rica	¢ 1,242,145,460,232	19,989,756,171	1,262,135,216,404
Panama	4,101,840,000	92,864,519	4,194,704,519
Caribbean	894,956,623	7,250,469	902,207,091
United States	305,889,698,371	3,229,823,938	309,119,522,309
Canada	2,278,359,547	30,771,881	2,309,131,428
Europe	35,098,890,978	615,751,161	35,714,642,139
Asia	1,536,546,868	18,390,303	1,554,937,170
Australia	210,928,105	2,490,983	213,419,089
	¢ 1,592,156,680,724	23,987,099,425	1,616,143,780,149

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

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).

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Definition of ratings

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

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

- Equivalence of international ratings:

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- Equivalence of local ratings (Ceiling test)

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

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

Amounts arising from expected credit losses

- *Significant increase in credit risk*

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Criteria for significant increase in credit risk (Stage 2)

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

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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 there are two types of PD:

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Segmentation

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

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

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

i. *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:

	2024	
	Stage 1	Total
<u><i>Investments at amortized cost</i></u>		
Balance as of January 1, 2024	¢ 1,416,262,629	1,416,262,629
Update of the allowance	(9,967,997)	(9,967,997)
Allowance for new investments	381,685,213	381,685,213
Decrease in allowance	(488,702,779)	(488,702,779)
Balance as of December 31, 2024	¢ <u>1,299,277,066</u>	<u>1,299,277,066</u>
<u><i>Investments at FVOCI</i></u>		
Balance as of January 1, 2024	¢ 1,409,951,769	1,409,951,769
Update of the allowance	(6,554,673)	(6,554,673)
Allowance for new investments	947,469,422	947,469,422
Decrease in allowance	(732,795,043)	(732,795,043)
Balance as of December 31, 2024	¢ <u>1,618,071,475</u>	<u>1,618,071,475</u>
Total allowance	¢ <u>2,917,348,540</u>	<u>2,917,348,540</u>
	2023	
	Stage 1	Total
<u><i>Investments at amortized cost</i></u>		
Balance as of January 1, 2023	¢ 2,930,192,806	2,930,192,806
Update of the allowance	12,056,684	12,056,684
Allowance for new investments	906,042,655	906,042,655
Decrease in allowance	(2,432,029,516)	(2,432,029,516)
Balance as of December 31, 2023	¢ <u>1,416,262,629</u>	<u>1,416,262,629</u>
<u><i>Investments at FVOCI</i></u>		
Balance as of January 1, 2023	¢ 2,670,857,408	2,670,857,408
Update of the allowance	(84,280,932)	(84,280,932)
Allowance for new investments	2,158,369,841	2,158,369,841
Decrease in allowance	(3,334,994,548)	(3,334,994,548)
Balance as of December 31, 2023	¢ <u>1,409,951,769</u>	<u>1,409,951,769</u>
Total allowance	¢ <u>2,826,214,398</u>	<u>2,826,214,398</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

b) Liquidity risk

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

i. Banco Nacional de Costa Rica

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

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

Year on year, the LCR indicator in colones closed at 216% as of the December 2024 close, which is 35% higher than the previous year, related to a 19.7% increase in the stock of liquid assets (HQLA) (¢319,900 million, mainly due to the recovery of the minimum legal deposit, which was exceeded by the 4.3% increase in net cash outflows (¢32,100 million, mainly in retail and wholesale commitments). The LCR indicator remains considerably below the appetite level at 130%, equivalent to ¢753,200 million.

As of December 31, 2024, the LCR indicator in US dollars closed at 195%, showing a decrease of 33.7% with regard to the previous year. This was due to a 12.3% decrease in HQLA (-US\$149.2 million, mainly in Level 1 investments and cash and due from banks, with an increase of 4% in net cash outflows (US\$24.8 million, mainly due to retail and wholesale commitments). The LCR indicator is considerably above the appetite level of 130%, equivalent to US\$405 million.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

<u>Indicator</u>	<u>2024</u>	<u>2023</u>	<u>Variation</u>	<u>Level</u>
LCR - colones	216%	181%	35%	Appetite
LCR - US dollars	195%	229%	(33.7%)	Appetite

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

		2024								
		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	¢	-	205,215,663,973	-	-	-	-	-	-	205,215,663,973
Minimum legal deposit in BCCR		-	432,934,485,918	24,808,812,639	25,712,027,114	32,101,252,782	69,488,223,152	55,976,325,462	24,245,526,902	665,266,653,969
Investments		-	2,197,467,744	174,661,866,625	33,502,292,603	6,219,039,029	20,691,558,651	51,734,712,975	961,911,980,172	1,250,918,917,799
Loan portfolio		208,758,836,169	-	53,149,097,620	51,075,863,165	41,329,785,635	106,042,212,591	164,033,444,361	3,308,187,920,469	3,932,577,160,010
Recovery of assets	¢	208,758,836,169	640,347,617,635	252,619,776,884	110,290,182,882	79,650,077,446	196,221,994,394	271,744,482,798	4,294,345,427,543	6,053,978,395,751
Obligations with the public	¢	-	3,407,174,040,414	159,490,469,496	198,728,055,130	237,903,949,059	438,111,787,233	323,723,521,791	160,797,202,464	4,925,929,025,587
Obligations with BCCR		-	-	124,898,136,092	-	-	-	-	125,644,412	125,023,780,504
Obligations with financial entities		-	34,676,162,053	118,026,088,022	6,392,672,174	4,926,494,472	17,480,210,631	3,759,332,338	38,323,341,544	223,584,301,234
Charges payable		-	22,940,829,622	8,545,068,125	5,333,659,844	3,686,888,396	3,273,808,880	1,364,417,313	1,316,874,152	46,461,546,332
Maturity of liabilities	¢	-	3,464,791,032,089	410,959,761,735	210,454,387,148	246,517,331,927	458,865,806,744	328,847,271,442	200,563,062,572	5,320,998,653,657
Difference	¢	208,758,836,169	(2,824,443,414,454)	(158,339,984,851)	(100,164,204,266)	(166,867,254,481)	(262,643,812,350)	(57,102,788,644)	4,093,782,364,971	732,979,742,094
		2023								
		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	¢	-	189,543,517,472	-	-	-	-	-	-	189,543,517,472
Minimum legal deposit in BCCR		-	395,506,774,234	44,538,089,460	22,021,403,049	24,199,855,941	54,676,138,709	52,325,524,542	36,219,604,657	629,487,390,592
Investments		-	3,380,204,694	74,419,923,890	10,808,211,785	3,062,286,482	25,770,260,909	48,399,098,407	797,113,473,917	962,953,460,084
Loan portfolio		220,130,821,795	-	51,675,951,465	37,956,229,675	50,421,561,665	101,126,568,738	147,921,863,938	3,112,388,803,543	3,721,621,800,819
Recovery of assets	¢	220,130,821,795	588,430,496,400	170,633,964,815	70,785,844,509	77,683,704,088	181,572,968,356	248,646,486,887	3,945,721,882,117	5,503,606,168,967
Obligations with the public	¢	-	2,973,736,854,474	141,665,793,831	155,532,338,241	206,411,342,420	333,983,337,344	315,508,239,485	238,246,583,194	4,365,084,488,989
Obligations with BCCR		-	-	-	-	-	-	-	144,471,880,512	144,471,880,512
Obligations with financial entities		-	50,317,851,595	116,973,079,334	20,899,340,647	10,536,082,019	25,581,612,150	10,349,269,404	38,883,241,359	273,540,476,508
Charges payable		-	24,462,877,737	6,599,398,896	5,041,856,231	2,440,045,206	6,667,525,382	1,705,994,026	4,322,596,212	51,240,293,690
Maturity of liabilities	¢	-	3,048,517,583,806	265,238,272,061	181,473,535,119	219,387,469,645	366,232,474,876	327,563,502,915	425,924,301,277	4,834,337,139,699
Difference	¢	220,130,821,795	(2,460,087,087,406)	(94,604,307,246)	(110,687,690,610)	(141,703,765,557)	(184,659,506,520)	(78,917,016,028)	3,519,797,580,840	669,269,029,268

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

		2024							
		Days							Total
		Past due	Demand	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	
Cash and due from banks	¢	-	255,274,664,485	-	-	-	-	159,462,002	255,434,126,487
Minimum legal deposit in BCCR		-	229,602,323,702	8,795,151,174	8,163,296,236	8,010,295,572	15,430,006,064	19,354,123,150	309,204,667,206
Investments		-	89,100,984	5,611,561,313	3,883,255,638	5,298,025,328	12,930,096,481	106,496,704,121	365,251,416,154
Loan portfolio		58,351,051,476	-	12,852,033,635	12,030,060,856	26,513,239,659	57,318,403,550	63,522,382,825	1,385,394,861,431
Recovery of assets	¢	58,351,051,476	484,966,089,171	27,258,746,122	24,076,612,730	39,821,560,559	85,678,506,095	189,373,210,096	2,315,285,071,278
Obligations with the public	¢	-	1,486,451,547,530	61,291,933,178	54,898,560,081	44,643,119,833	118,887,919,459	114,228,433,929	2,013,288,372,924
Obligations with financial entities		-	5,457,054,909	65,645,667,435	10,254,600	15,381,900	98,878,468	59,394,997	182,827,092,760
Charges payable		-	6,451,858,233	1,034,016,079	825,630,092	649,619,260	1,519,365,010	854,596,071	12,071,822,866
Maturity of liabilities		-	1,498,360,460,672	127,971,616,692	55,734,444,773	45,308,120,993	120,506,162,937	115,142,424,997	2,208,187,288,550
Difference	¢	58,351,051,476	(1,013,394,371,501)	(100,712,870,570)	(31,657,832,043)	(5,486,560,434)	(34,827,656,842)	74,230,785,099	107,097,782,728

		2023							
		Days							Total
		Past due	Demand	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	
Cash and due from banks	¢	-	312,993,874,315	-	-	-	-	184,034,882	313,177,909,197
Minimum legal deposit in BCCR		-	208,813,615,736	10,802,845,764	8,799,875,689	8,266,203,790	20,027,199,420	23,744,666,295	297,153,597,055
Investments		-	90,586,305	63,691,795,436	66,776,181,098	33,845,147,112	69,090,848,490	8,124,346,052	428,084,006,416
Loan portfolio		78,133,453,640	-	11,878,873,691	12,143,459,939	13,067,804,804	70,913,178,596	81,127,092,515	1,285,698,358,189
Recovery of assets	¢	78,133,453,640	521,898,076,356	86,373,514,891	87,719,516,726	55,179,155,706	160,031,226,506	112,996,104,862	2,324,113,870,857
Obligations with the public	¢	-	1,463,788,203,201	67,093,986,641	61,392,810,726	47,277,187,022	137,222,653,073	137,798,200,135	2,026,998,035,960
Obligations with financial entities		-	10,435,259,867	74,928,076,637	11,169,856	15,806,400	5,166,335,539	2,442,392,668	178,549,686,347
Charges payable		-	5,865,048,108	1,379,072,783	843,598,406	808,408,317	1,825,497,422	1,185,602,463	12,503,652,720
Maturity of liabilities		-	1,480,088,511,176	143,401,136,061	62,247,578,988	48,101,401,739	144,214,486,034	141,426,195,266	2,218,051,375,027
Difference	¢	78,133,453,640	(958,190,434,820)	(57,027,621,170)	25,471,937,738	7,077,753,967	15,816,740,472	(28,430,090,404)	106,062,495,830

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

Liquidity risk management

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

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

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

Management of liquidity risk

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Liquidity risk management

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

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

c) Market risks

i. Banco Nacional de Costa Rica

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

<u>Indicator</u>	<u>Limit</u>	<u>Level</u>
Consolidated VaR	2.80%	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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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:

<u>Currency</u>	<u>Face value of investments by currency</u>		
	<u>2024</u>	<u>2023</u>	<u>Variation</u>
Colones	1,094,860,709,031	838,068,381,253	256,792,327,777
US dollars - local issuers	53,274,009	107,801,526	(54,527,517)
US dollars - international issuers	641,471,000	691,667,000	(50,196,000)

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.

<u>Currency</u>	<u>2024</u>	<u>2023</u>	<u>Variation</u>
Colones	1.91	1.39	0.52
US dollars - local issuers	1.88	0.92	0.96
US dollars - international issuers	1.35	0.88	0.47

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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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:

	2024	2023
VaR indicator (99%)	0.30%	0.36%

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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

For the Pension Fund Manager, 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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 regarding the market value of investments had a mixed behavior. Over the last 12 months until December 2024, this indicator continued to have a downward trend, with an annual average VAR of 0.38%. A number of factors explain the behavior of the VaR during the last year, mainly lower volatility in the prices of instruments in the investment portfolio.

<u>Type of risk</u>	<u>2024</u>	<u>2023</u>	<u>Variation</u>
Consolidated VaR	0.38%	0.36%	0.02%

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, the results of the individual VaR by currency of the market value at the December 2024 close and the variation with respect to the same period of the previous year are as follows:

<u>Currency</u>	<u>2024</u>	<u>2023</u>	<u>Variation</u>
Colones	0.31%	0.44%	(0.13%)
US dollars - local	0.36%	0.54%	(0.18%)
US dollars - international	0.63%	0.31%	0.32%

- 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:

<u>Type of risk</u>	<u>2024</u>	<u>2023</u>	<u>Variation</u>	<u>Level</u>
Interest rate risk in colones	0.20%	0.27%	(0.07%)	Normal
Interest rate risk in foreign currency	0.11%	0.01%	0.10%	Normal

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024, the interest rate terms for the Conglomerate's assets and liabilities are matched as follows (differences between the recovery of assets and the maturity of liabilities):

		Demand	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 to 720 days	More than 720 days	Total
<i>Local currency (LC)</i>									
Investments	¢	2,197,467,744	174,599,789,714	39,523,347,424	20,670,668,733	51,734,066,899	313,374,740,016	647,589,988,216	1,249,690,068,746
Loan portfolio		-	3,323,275,132,003	133,702,024,072	127,527,315,430	18,108,583,835	18,921,195,965	140,934,084,641	3,762,468,335,946
Recovery of rate-sensitive assets LC (A)	¢	2,197,467,744	3,497,874,921,717	173,225,371,496	148,197,984,163	69,842,650,734	332,295,935,981	788,524,072,857	5,012,158,404,692
Obligations with the public	¢	-	240,189,617,157	456,971,262,167	458,865,121,383	325,306,990,501	75,098,128,711	101,209,518,738	1,657,640,638,657
Obligations with BCCR		-	171,862,924,710	-	-	-	-	125,644,412	171,988,569,122
Obligations with financial entities LC		-	125,629,509	-	-	-	1,038,443,519	27,519,005,989	28,683,079,017
Maturity of rate-sensitive liabilities LC (B)	¢	-	412,178,171,376	456,971,262,167	458,865,121,383	325,306,990,501	76,136,572,230	128,854,169,139	1,858,312,286,796
Difference in LC, recovery of assets less maturity of liabilities (A - B)	¢	2,197,467,744	3,085,696,750,341	(283,745,890,671)	(310,667,137,220)	(255,464,339,767)	256,159,363,751	659,669,903,718	3,153,846,117,896
<i>Foreign currency (FC)</i>									
Investments	¢	-	5,700,662,297	9,154,727,160	12,930,096,475	106,119,045,615	95,461,346,106	135,813,263,495	365,179,141,148
Loan portfolio		-	1,181,103,910,000	43,987,853,663	25,726,942,757	2,828,411,798	23,631,522,378	68,037,747,218	1,345,316,387,814
Recovery of rate-sensitive assets FC (C)	¢	-	1,186,804,572,297	53,142,580,823	38,657,039,232	108,947,457,413	119,092,868,484	203,851,010,713	1,710,495,528,962
Obligations with the public	¢	-	134,615,647,927	101,048,202,863	120,201,028,752	113,932,830,379	85,041,960,152	89,941,547,340	644,781,217,413
Obligations with entities		-	-	-	305,134,345	-	-	63,908,131,982	64,213,266,327
Maturity of rate-sensitive liabilities FC (D)	¢	-	134,615,647,927	101,048,202,863	120,506,163,097	113,932,830,379	85,041,960,152	153,849,679,322	708,994,483,740
Difference in FC, recovery of assets less maturity of liabilities (C - D)	¢	-	1,052,188,924,370	(47,905,622,040)	(81,849,123,865)	(4,985,372,966)	34,050,908,332	50,001,331,391	1,001,501,045,222
Recovery of rate-sensitive assets 1/ (A + C)	¢	2,197,467,744	4,684,679,494,014	226,367,952,319	186,855,023,395	178,790,108,147	451,388,804,465	992,375,083,570	6,722,653,933,654
Maturity of rate-sensitive liabilities 2/ (B + D)	¢	-	546,793,819,303	558,019,465,030	579,371,284,480	439,239,820,880	161,178,532,382	282,703,848,461	2,567,306,770,536
Difference in LC + FC, recovery of assets less maturity of liabilities (item 1 - item 2)	¢	2,197,467,744	4,137,885,674,711	(331,651,512,711)	(392,516,261,085)	(260,449,712,733)	290,210,272,083	709,671,235,109	4,155,347,163,118

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

		Demand	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 to 720 days	More than 720 days	Total
<i>Local currency (LC)</i>									
Investments	¢	3,380,204,694	74,337,389,081	13,585,578,791	25,760,217,777	48,237,019,900	307,701,016,542	488,354,486,559	961,355,913,344
Loan portfolio		-	3,148,433,823,869	126,669,179,583	120,820,025,358	17,161,234,664	17,933,298,676	116,129,337,773	3,547,146,899,923
Recovery of rate-sensitive assets LC (A)	¢	3,380,204,694	3,222,771,212,950	140,254,758,374	146,580,243,135	65,398,254,564	325,634,315,218	604,483,824,332	4,508,502,813,267
Obligations with the public	¢	-	232,986,986,565	392,784,559,742	366,232,474,877	326,307,297,119	154,077,828,137	96,863,804,221	1,569,252,950,661
Obligations with BCCR		-	41,635,000,000	-	-	-	147,461,417,065	125,644,412	189,222,061,477
Obligations with financial entities LC		-	121,505,894	-	-	-	-	28,146,736,964	28,268,242,858
Maturity of rate-sensitive liabilities LC (B)	¢	-	274,743,492,459	392,784,559,742	366,232,474,877	326,307,297,119	301,539,245,202	125,136,185,597	1,786,743,254,996
Difference in LC, recovery of assets less maturity of liabilities (A - B)	¢	3,380,204,694	2,948,027,720,491	(252,529,801,368)	(219,652,231,742)	(260,909,042,555)	24,095,070,016	479,347,638,735	2,721,759,558,271
<i>Foreign currency (FC)</i>									
Investments	¢	-	56,946,479,746	107,233,629,278	69,232,968,250	8,124,346,043	115,299,103,131	71,119,015,816	427,955,542,264
Loan portfolio		-	1,091,880,903,388	40,664,921,171	23,783,476,848	2,614,747,782	21,846,348,813	62,171,383,829	1,242,961,781,831
Recovery of rate-sensitive assets FC (C)	¢	-	1,148,827,383,134	147,898,550,449	93,016,445,098	10,739,093,825	137,145,451,944	133,290,399,645	1,670,917,324,095
Obligations with the public	¢	-	145,294,243,469	107,558,991,136	143,995,934,350	141,050,479,192	48,649,271,767	108,388,075,682	694,936,995,596
Obligations with BCCR		-	7,623,953,600	-	-	-	-	-	7,623,953,600
Obligations with entities		-	-	-	218,551,684	-	-	42,150,400,000	42,368,951,684
Maturity of rate-sensitive liabilities FC (D)	¢	-	152,918,197,069	107,558,991,136	144,214,486,034	141,050,479,192	48,649,271,767	150,538,475,682	744,929,900,880
Difference in FC, recovery of assets less maturity of liabilities (C - D)	¢	-	995,909,186,065	40,339,559,313	(51,198,040,936)	(130,311,385,367)	88,496,180,177	(17,248,076,037)	925,987,423,215
Recovery of rate-sensitive assets 1/ (A + C)	¢	3,380,204,694	4,371,598,596,084	288,153,308,823	239,596,688,233	76,137,348,389	462,779,767,162	737,774,223,977	6,179,420,137,362
Maturity of rate-sensitive liabilities 2/ (B + D)	¢	-	427,661,689,528	500,343,550,878	510,446,960,911	467,357,776,311	350,188,516,969	275,674,661,279	2,531,673,155,876
Difference in LC + FC, recovery of assets less maturity of liabilities (item 1 - item 2)	¢	3,380,204,694	3,943,936,906,556	(212,190,242,055)	(270,850,272,678)	(391,220,427,922)	112,591,250,193	462,099,562,698	3,647,746,981,486

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

The total VaR of price and rates of the Pension Fund Manager's own funds has an increasing trend, with a maximum of 8.42% and a minimum of 0.32% for an average of 0.7%, equivalent to €104.42 million. As of December 31, 2024, the indicator closed at 0.39% (2023: 0.88%), showing an increase due to the higher volatility observed in the prices of the instruments in the investments portfolio.

iv. BN Corredora de Seguros, S.A.

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

d) Currency risk

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

i. Banco Nacional de Costa Rica

The Bank is exposed to currency risk when the value of its assets and liabilities in US dollars is affected by variations in the exchange rate, which is recognized in the separate 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 2024. The indicator has decreased significantly during the last quarter, which is an expected behavior due to the downward trend of the exchange rate (appreciation of the colon in relation to the US dollar) during the last quarter of 2024.

<u>Type of risk</u>	<u>2024</u>	<u>2023</u>	<u>Variation</u>	<u>Level</u>
Currency risk	0.61%	1.28%	(0.67%)	Normal

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

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

Inputs used to measure the currency risk indicator include the exchange rate at a specific time and time horizon ("t" periods) and the base capital.

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 currency risk indicator. The result is as follows:

<u>Internal currency risk</u>	<u>2024</u>	<u>2023</u>	<u>Level</u>
5 th percentile	0.20%	0.06%	Normal
95 th percentile	0.24%	0.16%	Normal

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

		<u>US dollars</u>	
		<u>2024</u>	<u>2023</u>
<u>Assets:</u>			
Cash and due from banks	US\$	1,041,671,142	1,106,303,037
Investments in financial instruments		712,365,994	795,569,363
Loan portfolio		2,655,131,771	2,384,908,929
Accounts and accrued interest receivable		842,814	507,324
Investments in other companies		135,670,517	127,782,067
Property, plant and equipment		114,833	-
Other assets		2,824,297	2,547,290
	US\$	<u>4,548,621,368</u>	<u>4,417,618,010</u>
<u>Liabilities:</u>			
Obligations with the public	US\$	3,892,327,667	3,822,760,371
Obligations with entities		355,952,171	334,512,307
Subordinated obligations		145,177,144	112,104,804
Accounts payable and provisions		15,779,766	11,487,835
Other liabilities		2,469,302	15,182,060
	US\$	<u>4,411,706,050</u>	<u>4,296,047,377</u>
Excess of assets over liabilities in			
US dollars	US\$	<u>136,915,318</u>	<u>121,570,633</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		Euro	
		2024	2023
<u>Assets:</u>			
Cash and due from banks	€	57,316,374	46,019,914
Other assets		145,579	-
	€	57,461,953	46,019,914
<u>Liabilities:</u>			
Obligations with the public	€	55,000,013	42,971,342
Obligations with entities		1,231,868	1,221,293
Accounts payable and provisions		469	14,141
Other liabilities		-	1,284,388
	€	56,232,350	45,491,164
Excess of assets over liabilities in euro	€	1,229,603	528,750
		DU	
		2024	2023
<u>Assets:</u>			
Loan portfolio		299,459	(181,648)
	DU	299,459	(181,648)
<u>Liabilities:</u>			
Accounts payable and provisions	DU	5,934	15,341
	DU	5,934	15,341
Excess (deficit) of assets over liabilities in DU	DU	293,525	(196,989)

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:

	2024	2023
Foreign exchange gains	¢ 306,996,243,188	493,075,698,609
Foreign exchange losses	(307,268,699,651)	(491,833,073,316)
Net losses	¢ (272,456,463)	(1,242,625,293)

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The valuation of other assets and other liabilities gives rise to gains and losses, which are booked in “Other operating income” and “Other operating expenses,” respectively, as follows:

	2024	2023
Gains on valuation of other assets, net (Note 42)	¢ 386,690,647	698,955,881
Losses on valuation of other liabilities, net	(308,781,157)	(1,275,069,483)
Net gains (losses)	¢ <u>77,909,490</u>	<u>(576,113,602)</u>

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

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

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

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

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

As of December 31, 2024, the Pension Fund Manager's exposure to currency risk, considering its net assets in US dollars, was 10.16% (¢1,879.79 million) of total net assets, representing an increase in comparison to December 31, 2023, where it closed at 11.98% (¢1,737.74 million).

Sensitivity analysis

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

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

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

Impact on profit or loss as of December 31, 2024			
1%	2%	(1)%	(2)%
-	-	-	-

Impact on profit or loss as of December 31, 2023			
1%	2%	(1)%	(2)%
2,500,000	5,000,000	(2,500,000)	(5,000,000)

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024, an increase of 5% in the exchange rate of the functional currency with respect to the US dollar would generate a loss of ¢93.99 million (2023: ¢86.99 million). A decrease of 5% would generate the opposite effect.

v. BN Corredora de Seguros, S.A.

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

e) Operational risk

i. Banco Nacional de Costa Rica

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

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

That policy is implemented through a management framework that includes:

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Fair value of financial instruments

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

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

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

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

As of December 31, 2024, the results of the VaR by legal risk for the Pension Fund Manager correspond to an estimate of the provision for pending litigation in the amount of ¢271,166,761 (2023: ¢36,110,512) that covers the lawsuits against the Pension Fund Manager, out of four pending lawsuits.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 at the financial conglomerate level is supported by a program of periodic reviews undertaken by Internal Audit. The results of such reviews are discussed with the personnel of the Insurance Brokerage Firm.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Capital risk management

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

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

Exposure to capital risk

The Insurance Brokerage Firm's regulatory capital consists of:

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

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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Legal risk management covers three types of events:

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

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

Capital management:

Regulatory capital

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

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:

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

(7) Collateralized or restricted assets

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

Restricted asset	Cause of restriction	2024	2023
<u>Cash and due from banks:</u>			
Checking account - colones (Note 9)	Minimum legal deposit	¢ 751,324,654,939	674,624,219,747
Checking account - US dollars (Note 9)	Minimum legal deposit	313,230,845,360	310,665,848,876
Checking account - euro (Note 9)	Minimum legal deposit	4,408,611,700	3,780,738,253
Other cash and due from banks (Note 9)	Contingent guarantee of the deposit guarantee fund (FGD)	141,915,260,473	132,853,293,782
Other cash and due from banks (Note 9)	FOGABONA	159,462,006	184,034,892
		¢ <u>1,211,038,834,478</u>	<u>1,122,108,135,550</u>
<u>Investments in financial instruments:</u>			
Investments in financial instruments	Liquidity market operations	¢ 62,433,873,777	62,550,320,611
Securities issued by BCCR and the Government	Investments securing repurchase agreements	2,342,799,503	2,922,590,178
Sovereign bond in USD	Nomura Bank guarantee	46,519,710,361	47,437,394,548
Sovereign bond in USD	BNY Mellon guarantee	-	42,196,961,996
Sovereign bond in USD	SINPE guarantee	98,782,335,933	23,610,825,591
Sovereign bond in USD Local	JPMIM-ASSET-COMMITTED	76,277,530	-
TP USD	SINPE guarantee	29,036,064,266	-
BEM CRC	SINPE guarantee	28,519,341,381	-
		¢ <u>267,710,402,751</u>	<u>178,718,092,924</u>
Other assets			
Other assets (see Note 17)	Security deposits	¢ <u>899,374,570</u>	<u>970,273,927</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024, the Brokerage Firm has restricted assets in the amount of ¢62,433,873,777 (2023: ¢62,550,320,611), 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, 2024, the Pension Fund Manager has restricted assets in the amount of ¢2,342,799,503 (2023: ¢2,922,590,178) 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:

	2024	2023
<u>Assets:</u>		
Checking accounts in foreign financial entities (1) (Note 9)	¢ 33,600,771,714	35,092,573,776
Investments in financial instruments and accrued interest receivable (2)	4,701,252,703	3,650,528,982
Investments in other companies (2)	68,560,382,816	66,225,192,279
	¢ <u>106,862,407,233</u>	<u>104,968,295,037</u>
<u>Liabilities:</u>		
Demand obligations with entities (3)	¢ 13,992,980	14,005,187
Accounts due to related parties (4)	19,675,755	21,841,512
	¢ <u>33,668,735</u>	<u>35,846,699</u>
<u>Income:</u>		
Operating income	¢ 122,300,671	-
Gain on investments in other foreign companies	4,136,246,570	3,298,387,922
	¢ <u>4,258,547,241</u>	<u>3,298,387,922</u>
<u>Expenses:</u>		
Operating expenses (5)	¢ 267,316,749	211,152,634
	¢ <u>267,316,749</u>	<u>211,152,634</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The aforementioned balances and transactions with related parties correspond to:

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

a) *Compensation to key personnel*

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

		2024	2023
Short-term benefits	¢	2,174,152,057	2,427,733,371
Long-term benefits		282,639,767	315,605,338
Per diem – Board of directors		140,666,084	124,301,695
	¢	<u>2,597,457,908</u>	<u>2,867,640,404</u>

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(9) Cash and cash equivalents

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

	2024	2023
Cash and due from banks	¢ 1,435,121,111,635	1,429,362,414,317
Investments with maturities of less than two months	219,945,544,909	219,166,903,211
	¢ 1,655,066,656,544	1,648,529,317,528

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

	2024	2023
Cash on hand and in vaults	¢ 109,108,434,624	82,485,478,747
Cash in transit	8,047,161,985	20,232,690,853
Checking account in BCCR (1)	41,365,290,103	48,415,632,964
Minimum legal deposits in BCCR (2)	933,106,031,072	878,225,354,683
Checking accounts and demand deposits in State-owned commercial banks and banks created under special laws	191,171,489	208,831,452
Checking accounts and other demand accounts in private financial entities	1,209,382,429	577,900,183
Checking accounts in foreign financial entities	156,817,329,704	222,086,875,167
Deposits and other demand accounts in foreign financial entities	8,432,702	17,081,237
Checking accounts and demand deposits in related parties (Note 8)	33,600,771,714	35,092,573,776
Overnight deposits in foreign financial entities	1,430,671,298	1,187,797,197
Transfers through the Interbank Electronic Payment System (SINPE)	580,990,764	1,358,743,570
Local notes receivable	5,701,625,927	4,748,056,421
Foreign notes receivable	1,879,095,345	1,688,069,394
Fondo de Garantía de la Bolsa Nacional de Valores (FOGABONA)	159,462,006	184,034,892
Contingent guarantee of the deposit guarantee fund (Fondo de Garantía de Depósitos, FGD)	141,915,260,473	132,853,293,781
	¢ 1,435,121,111,635	1,429,362,414,317

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (1) Checking accounts and demand deposits in BCCR include the balances of the minimum legal deposits required for each period, 2024 and 2023 (see Note 7).
- (2) As per note BCCR JD-6066/08 dated June 17, 2022, for December 2023 the percentage for the minimum legal deposit in colones is 15%.

(10) Investments in financial instruments

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

	2024	2023
Investments at FVTPL	16,389,239,296	23,521,412,984
Investments at FVOCI	803,741,742,215	614,745,008,391
Investments at amortized cost	772,025,699,213	730,519,651,898
	<u>1,592,156,680,724</u>	<u>1,368,786,073,273</u>
Interest rate futures – Hedges	26,553,805	81,481,170
Sale of FX futures - Other than hedges	-	282,823,967
Allowance for impairment of investments	(1,299,277,066)	(1,416,262,629)
Allowance for operations with derivatives other than hedges	-	(1,414,120)
Accrued interest receivable on investments	23,987,099,425	21,887,088,090
	<u>1,614,871,056,888</u>	<u>1,389,619,789,751</u>

As of December 31, investments in financial instruments bear the following minimum and maximum rates of return:

Currency	2024	2023
Colones	3.23% to 10.94%	3.23% to 10.94%
US dollars	0.25% to 9.20%	0.12% to 9.20%

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

a) Investments at FVTPL

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

		2024	2023
<u>Local issuers</u>			
Government of Costa Rica	¢	310,982,270	-
Private issuers		16,078,257,026	22,550,562,247
BCCR		-	970,850,737
	¢	<u>16,389,239,296</u>	<u>23,521,412,984</u>

b) Investments at FVOCI

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

		2024	2023
<u>Local issuers</u>			
Government of Costa Rica	¢	531,610,363,361	428,835,070,195
BCCR		118,594,283,613	83,911,118,412
Private issuers		2,342,799,503	2,922,590,178
	¢	<u>652,547,446,477</u>	<u>515,668,778,785</u>
		2024	2023
<u>Foreign issuers</u>			
Governments	¢	41,506,134,082	38,225,271,615
Private issuers		49,207,107,126	33,254,466,882
Private banks		60,481,054,530	27,596,491,109
		<u>151,194,295,738</u>	<u>99,076,229,606</u>
	¢	<u>803,741,742,215</u>	<u>614,745,008,391</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

c) Investments at amortized cost

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

		2024	2023
<u>Local issuers</u>			
Government of Costa Rica	¢	319,256,206,332	348,755,364,004
BCCR		109,120,068,183	119,790,981,728
State-owned banks		24,500,000	24,500,000
Private banks		144,808,000,000	-
Private issuers		-	1,037,092,659
	¢	<u>573,208,774,515</u>	<u>469,607,938,391</u>
<u>Foreign issuers</u>			
Governments	¢	169,715,084,698	250,382,013,856
Private issuers		-	8,947,102,750
Private banks		29,101,840,000	1,582,596,900
		<u>198,816,924,698</u>	<u>260,911,713,506</u>
	¢	<u>772,025,699,213</u>	<u>730,519,651,897</u>

As of December 31, 2024, the valuation of investments held for sale and restricted financial instruments gives rise to unrealized gains, net of deferred tax, in the amount of ¢1,678,451,067 (2023: unrealized gain, net of deferred tax, in the amount of ¢13,142,311,960). The cumulative balance of equity adjustments arising from the valuation of those investments is equivalent to unrealized gains amounting to ¢5,309,378,409 (2023: unrealized gains amounting to ¢3,630,927,342).

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

		2024	2023
<u>BCCR</u>			
	B	¢ -	2,148,226,594
	B+	-	170,524,723,874
	BB-	204,433,239,827	-
	F1+	21,774,850,128	-
<u>Foreign private banks</u>			
	A	4,847,762,901	1,505,691,104
	A2	4,101,840,000	4,215,040,000
	A-	9,162,675,733	11,783,156,069
	A+	18,153,910,843	6,082,132,506
	AA-	1,285,064,044	201,895,906
	AAA	2,551,423,876	4,696,480,315
	BBB	277,143,219	289,679,736
	BBB+	11,413,166,913	8,635,696,153
	P1	25,000,000,000	-
<u>Foreign private issuers</u>			
	A	3,093,369,360	198,491,750
	A-	7,500,255,576	4,956,240,279
	A+	6,346,974,177	245,702,590
	AA	-	279,089,010
	AA-	439,254,576	298,548,670
	BB+	-	3,380,204,694
	BBB	22,960,823,797	18,309,659,426
	BBB-	7,625,233,555	7,660,298,178
	BBB+	14,031,103,119	6,976,021,044
<u>Local private issuers</u>			
	AA+	2,197,467,744	-
	BB	10,006,510,321	15,263,063,032
	BB-	3,747,441,024	3,778,656,909
<u>Government of Costa Rica</u>			
	B	-	64,662,547,828
	B2	-	11,148,610,067
	B+	-	692,053,538,986
	BB-	840,298,535,711	-
<u>Foreign governments</u>			
	A	100,552,203	565,327,472
	AA+	197,543,525,064	280,937,982,309
	A1+	11,722,478,694	2,150,810,813
	P1	1,854,662,845	-
<u>Unrated</u>			
	N/A	159,687,415,474	45,838,557,958
	¢	<u>1,592,156,680,724</u>	<u>1,368,786,073,272</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(11) Derivative financial instruments

The Conglomerate holds the following types of derivative financial instruments:

i. Derivatives as risk hedging instruments

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

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

		2024		Purpose
Issuing bank		Notional	Valuation	
Chicago Board of Trade	US\$	17,500,000	US\$ 48,039	Standardized futures contracts (maturing in 2025)
Amount in colones	¢	8,972,775,000	¢ 24,631,067	
		2023		Purpose
Issuing bank		Notional	Valuation	
Chicago Board of Trade	US\$	21,100,000	US\$ 39,672	Standardized futures contracts (maturing in 2024)
Amount in colones	¢	11,117,168,000	¢ 20,902,320	

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 US\$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 US\$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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

	2024	
	US dollars	Colones
Notional amount	17,500,000	8,972,775,000
<u>Valuation</u>		
Positive valuation	51,789	26,553,805
Negative valuation	(3,750)	(1,922,738)
Net valuation	48,039	24,631,067

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

As of December 31, 2024, the Conglomerate does not have swaps since they matured in November 2023.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

ii. 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, 2024, there is no inventory of forward contracts. The total amount as of 2023 is as follows:

	2023	
	US dollars	Colones
Total notional amount	¢ 13,530,694	7,129,052,308
<u>Valuation</u>		
Positive valuation	-	282,823,967
Negative valuation	-	(101,908,050)
Net valuation	¢ -	180,915,917

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	2024	2023
Total notional amount	¢ 8,972,775,000	18,246,220,308
<u>Positive valuation</u>		
Standardized futures	26,553,805	81,481,170
Forwards	-	282,823,967
	26,553,805	364,305,137
<u>Negative valuation</u>		
Standardized futures	(1,922,738)	(60,578,850)
Forwards	-	(101,908,050)
	(1,922,738)	(162,486,900)
Net valuation	¢ 24,631,067	201,818,237

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

	2024	2023
Gains on derivative financial instruments	¢ 3,485,051,228	5,087,635,474
Losses on derivative financial instruments	(3,421,957,810)	(5,115,197,936)
Net gain (loss)	¢ 63,093,418	(27,562,462)

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(12) Loan portfolio

(a) Loan portfolio by sector

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

	2024	2023
Trade	407,437,309,424	371,781,559,841
Services (1)	1,262,632,584,656	1,194,584,316,434
Financial services (1)	69,513,846,488	81,391,063,023
Mining	422,160,729	350,175,300
Manufacturing and quarrying	173,475,469,960	162,916,740,222
Construction	71,730,360,067	59,369,407,971
Agriculture and forestry	116,106,911,727	111,481,852,965
Livestock, hunting and fishing	74,516,591,453	75,217,860,111
Electricity, water, sanitation and other related sectors	391,820,635,791	408,149,689,347
Transportation and telecommunications	44,790,309,993	38,350,015,905
Housing	1,544,742,737,310	1,488,855,876,419
Personal or consumer loans	844,145,237,998	698,675,675,272
Tourism	279,728,932,082	267,194,961,624
Total direct loans	5,281,063,087,678	4,958,319,194,434
Incremental direct costs related to loans	7,553,712,190	6,360,771,801
(Deferred income from loan portfolio)	(53,664,504,660)	(48,113,222,075)
Accrued interest receivable	83,019,726,234	90,753,414,848
Allowance for loan losses	(182,360,479,600)	(129,801,051,027)
Loan portfolio	5,135,611,541,842	4,877,519,107,981

(1) As of December 31, 2024, the portfolio purchased by the Bank in November 2021 amounts to ₡68,520,203,203, distributed among the services and financial services sectors.

BN Valores Puesto de Bolsa S.A. obtained a revolving line of credit for US\$15,000,000 for a term of eight years, maturing on November 1, 2030.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Currency	2024		2023	
	Rates	Average(1)	Rates	Average(1)
Colones	1% to 47.5%	13.29%	0.55% to 45.00%	13.93%
US dollars	1% to 30.36%	10.97%	1.45% to 28.00%	11.53%
DU	3.85% to 6.91%	4.68%	3.85% to 6.91%	4.72%

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

(b) Loan portfolio by arrears

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

	2024	2023
Current	¢ 4,984,997,580,099	4,662,741,006,200
1 to 30 days	74,086,597,431	71,108,212,985
31 to 60 days	70,995,698,750	70,798,742,194
61 to 90 days	26,126,800,167	30,738,298,218
91 to 120 days	11,687,776,474	15,698,248,759
121 to 180 days	20,611,584,814	22,961,539,684
More than 180 days	92,557,049,943	84,273,146,394
	5,281,063,087,678	4,958,319,194,434
Incremental direct costs related to loans	7,553,712,190	6,360,771,801
(Deferred income from loan portfolio)	(53,664,504,660)	(48,113,222,075)
Accrued interest receivable	83,019,726,234	90,753,414,848
Allowance for loan losses	(182,360,479,600)	(129,801,051,027)
	¢ 5,135,611,541,842	4,877,519,107,981

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Allowance for loan losses

For the year ended December 31, movement in the allowance for loan losses is as follows:

	2024	2023
Balance at beginning of year	¢ 129,697,632,868	139,365,727,145
Allowance expense for the year (Note 39)	100,896,753,324	34,554,387,752
Write-offs	(47,682,686,831)	(38,604,261,492)
Decrease in allowance	-	(381,416,885)
Adjustments for reclassification of allowance	103,418,159	-
Foreign exchange differences	(654,637,920)	(5,133,385,493)
Balance at end of year	¢ <u>182,360,479,600</u>	<u>129,801,051,027</u>

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

(d) Allowance for impairment of stand-by credits

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

	2024	2023
Balance at beginning of year	¢ 1,084,106,020	1,186,743,415
Allowance expense for the year (Note 36)	19,418,780	3,797,574
Foreign exchange differences	(919,596,080)	(106,434,969)
Balance at end of year	¢ <u>183,928,720</u>	<u>1,084,106,020</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Accounts and fees and commissions receivable

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

	2024	2023
Fees and commissions	1,919,512,029	2,200,365,080
Accounts due from employees	39,768,494	22,176,642
Deferred tax (Note 21-b)	427,322,116	479,258,489
Income tax receivable (1)	128,982,918	133,040,592
Value added tax	27,619,484	36,247,812
Sundry accounts receivable related to credit cards	245,506,259	359,743,781
Other expenses receivable	22,350,650	22,226,905
Credit fraud	362,797,508	362,797,508
Other accounts receivable	2,622,765,044	2,713,995,107
Misappropriation and theft 004	5,522,274,958	4,758,193,197
Accrued interest receivable on other sundry accounts receivable	1,424,857	2,012,794
Allowance for impairment of accounts receivable	(7,775,608,487)	(7,613,470,373)
	<u>3,544,715,830</u>	<u>3,476,587,534</u>

(1) Income tax receivable corresponds to Banco Nacional de Costa Rica, S.A.

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

	2024	2023
Opening balance	7,613,470,373	4,329,683,075
Allowance expense (Note 39)	1,639,991,196	4,673,937,125
Decrease in allowance (Note 40)	(564,643,261)	(280,020,795)
Write-offs	(855,151,656)	(1,049,359,965)
Foreign exchange differences	(58,058,165)	(60,769,067)
Closing balance	<u>7,775,608,487</u>	<u>7,613,470,373</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(14) Assets held for sale

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

	2024	2023
Assets acquired in lieu of payment	¢ 29,008,040,263	98,643,910,547
Allowance for impairment of assets held for sale and per legal requirement	(4,643,919,175)	(62,186,753,305)
	<u>¢ 24,364,121,088</u>	<u>36,457,157,242</u>

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

	2024	2023
Opening balance	¢ 62,186,753,305	60,686,913,169
Allowance expense (Note 43)	77,205,462	5,570,428,707
Disposal of assets held for sale	-	(55,884,627)
Decrease in allowance	(42,620,648,832)	(4,014,703,944)
Decrease in impairment	(130,868,827)	-
Initial recognition of impairment of assets not held for sale	(15,069,762,195)	-
Reclassification of assets not held for sale	201,240,262	-
Closing balance	<u>¢ 4,643,919,175</u>	<u>62,186,753,305</u>

(15) Investments in other companies

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

	2024	2023
Investment in other financial and non-financial entities (1)	¢ 50,623,300	1,100,623,300
Banco Internacional de Costa Rica, S.A. (BICSA) and Subsidiary (2)	69,562,344,223	67,325,815,587
	<u>¢ 69,612,967,523</u>	<u>68,426,438,887</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

a) Historical cost and depreciation

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

		2024					
		Land	Buildings	Furniture and equipment	Computer hardware	Vehicles	Total
<u>Cost:</u>							
Historical cost at beginning of year	¢	4,303,234,680	70,579,059,825	81,664,855,238	52,265,835,822	273,115,097	209,086,100,662
Revalued cost at beginning of year		54,245,913,475	75,367,357,290	(7,666,877)	(32,078,911)	-	129,573,524,977
Additions		-	-	8,658,755,784	4,413,331,261	1,795,000	13,073,882,045
Disposals		-	493,768,543	-	-	-	493,768,543
Revaluation		-	(216,388,346)	(6,296,617,321)	(3,576,135,979)	-	(10,089,141,646)
Adjustments		-	(471,102,191)	6,531,711	79,710,480	-	(384,860,000)
Reclassifications		58,549,148,155	145,752,695,121	84,025,858,535	53,150,662,673	274,910,097	341,753,274,581
<u>Accumulated depreciation:</u>							
Opening balance		-	57,735,668,583	50,311,723,730	41,777,736,196	170,465,414	149,995,593,923
Depreciation expense on historical cost		-	1,603,041,730	8,272,440,050	4,268,544,140	15,435,431	14,159,461,351
Depreciation expense on revalued cost		-	1,180,430,308	-	-	-	1,180,430,308
Disposals		-	(163,654,102)	(6,110,369,784)	(3,331,253,303)	-	(9,605,277,189)
Adjustments		-	187,466,563	-	-	-	187,466,563
Reclassifications		-	60,542,953,082	52,473,793,996	42,715,027,033	185,900,845	155,917,674,956
Balance at end of year	¢	58,549,148,155	85,209,742,039	31,552,064,539	10,435,635,640	89,009,252	185,835,599,625

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

b) Right-of-use assets

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

		2024	
		Right of use - buildings	Total
<u>Cost:</u>			
Balance at beginning of year	¢	65,146,900,992	65,146,900,992
Additions		127,047,370	127,047,370
Disposals		(45,502,635)	(45,502,635)
Adjustments		453,724,773	453,724,773
Balance at end of year		65,682,170,500	65,682,170,500
<u>Accumulated depreciation:</u>			
Balance at beginning of year		15,183,121,600	15,183,121,600
Depreciation expense		4,573,446,978	4,573,446,978
Disposals		(6,294,085)	(6,294,085)
Adjustments		17,735,982	17,735,982
Balance at end of year		19,768,010,475	19,768,010,475
Net balance at end of year	¢	45,914,160,025	45,914,160,025

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(17) Other assets

As of December 31, other assets are as follows:

	2024	2023
<u>Deferred charges:</u>		
Leasehold improvements (1)	-	806,930
Cost of subordinated debt project	382,557,046	18,687,959
Other deferred charges	-	2,882,137
	<u>382,557,046</u>	<u>22,377,026</u>
<u>Intangible assets:</u>		
Software (2)	3,723,052,703	5,618,585,210
Other intangible assets (2)	10,276,266	9,313,390
	<u>3,733,328,969</u>	<u>5,627,898,600</u>
<u>Other assets held for sale outside the scope of IFRS 5</u>		
(3)		
Assets received in lieu of payment	69,866,985,170	-
Allowance for impairment of other assets held for sale outside the scope of IFRS 5	(14,868,521,934)	-
	<u>54,998,463,236</u>	<u>-</u>
<u>Other assets:</u>		
Prepaid taxes	21,683,343,679	14,809,166,741
Prepaid insurance policy	294,080,108	245,656,900
Other prepaid expenses	8,747,629,970	7,076,154,757
Stationery, office supplies and other materials	983,481,854	857,105,884
Leased assets	127,718,827	128,583,896
Library and artwork	394,465,249	404,667,948
Construction work-in-progress	1,893,491,859	214,941,893
Automated applications in development	-	132,498,126
Payments to welfare and trade associations	350,000	350,000
Other sundry assets	-	153,486,106
Operations pending settlement	5,706,614,293	11,514,246,773
Other operations pending application	47,380,318	87,848,438
Security deposits (Note 7)	405,311,576	686,148,648
Legal and administrative deposits (Note 7)	494,062,993	284,125,278
	<u>40,777,930,726</u>	<u>36,594,981,388</u>
¢	<u>99,892,279,977</u>	<u>42,245,257,014</u>

(1) As of December 31, 2024, the amortization expense for leasehold improvements amounts to ¢806,930 (2023: ¢4,119,034).

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

		2024		
		Software	Other intangible assets	Total
<u>Cost:</u>				
Balance at beginning of year	¢	36,398,003,918	9,313,390	36,407,317,308
Additions		1,890,837,847	42,067,940	1,932,905,787
Disposals		(1,125,309,455)	-	(1,125,309,455)
Adjustments		(32,233,258)	(41,105,064)	(73,338,322)
Balance at end of year		<u>37,131,299,052</u>	<u>10,276,266</u>	<u>37,141,575,318</u>
<u>Accumulated amortization:</u>				
Balance at beginning of year		30,779,418,709	-	30,779,418,709
Expense for the year		3,618,680,951	41,105,064	3,659,786,015
Disposals		(973,180,591)	-	(973,180,591)
Adjustments		(16,672,720)	(41,105,064)	(57,777,784)
Balance at end of year		<u>33,408,246,349</u>	<u>-</u>	<u>33,408,246,349</u>
Net balance at end of year	¢	<u>3,723,052,703</u>	<u>10,276,266</u>	<u>3,733,328,969</u>
		2023		
		Software	Other intangible assets	Total
<u>Cost:</u>				
Balance at beginning of year	¢	39,900,777,778	8,831,483	39,909,609,261
Additions		2,205,747,714	37,735,467	2,243,483,181
Disposals		(5,708,521,584)	-	(5,708,521,584)
Adjustments		-	(37,253,560)	(37,253,560)
Balance at end of year		<u>36,398,003,908</u>	<u>9,313,390</u>	<u>36,407,317,298</u>
<u>Accumulated amortization:</u>				
Balance at beginning of year		30,931,932,440	-	30,931,932,440
Expense for the year		5,411,170,267	37,253,560	5,448,423,827
Disposals		(5,477,014,407)	-	(5,477,014,407)
Adjustments		(86,669,602)	(37,253,560)	(123,923,162)
Balance at end of year		<u>30,779,418,698</u>	<u>-</u>	<u>30,779,418,698</u>
Net balance at end of year	¢	<u>5,618,585,210</u>	<u>9,313,390</u>	<u>5,627,898,600</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(3) Other assets held for sale, net of the allowance for impairment, are as follows:

	2024	2023
Vehicles	¢ 1,206,341,965	-
Property - Less than 1 year	17,838,270,549	-
Property - More than 1 year	50,815,410,855	-
Other	6,961,801	-
Other assets held for sale, gross	69,866,985,170	-
Allowance for impairment	(14,868,521,934)	-
Other assets held for sale, net	¢ 54,998,463,236	-

As of December 31, 2024, a total of ¢1,436,995,730, corresponding to 44 assets, was reclassified from “Other assets held for sale” to “Assets held for sale”.

(18) Obligations with the public

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

	2024	2023
<u>Demand deposits:</u>		
Checking accounts	¢ 2,419,062,042,399	2,067,740,723,971
Certified checks	28,463,099	40,454,579
Savings deposits	2,443,165,716,646	2,335,834,266,373
Matured term deposits	15,570,279,668	18,980,585,108
Other demand deposits	116,179,324	102,743,561
Drafts and transfers payable	25,489,942	50,888,624
Cashier's checks	3,394,821,977	2,921,088,857
Advance collections from customers for credit cards	12,236,999,677	11,842,530,241
Trust fund obligations	25,595,212	11,776,361
	4,893,625,587,944	4,437,525,057,675
<u>Term deposits:</u>		
Deposits from the public	1,966,477,797,388	1,865,534,883,102
Other term deposits	79,112,090,442	88,860,097,273
	2,045,589,887,830	1,954,394,980,375
<u>Other obligations with the public:</u>		
Finance charges payable	53,734,841,817	58,484,221,323
	¢ 6,992,950,317,591	6,450,404,259,373

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024, deposits in checking accounts in colones bear interest at a maximum rate of 1.80% per annum (2023: at 3.05% per annum) on full balances and at a minimum rate of 0% per annum (2023: at 0% per annum) on balances greater than or equal to ₡500,001, while deposits in checking accounts in US dollars bear interest at a maximum rate of 0.20% per annum (2023: at 0.20% per annum) on full balances and at a minimum rate of 0.00% per annum (2023: at 0% per annum) on balances greater than or equal to US\$1,000.

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

Currency	2024	2023
Colones	2.89% to 5.95%	4.07% to 6.66%
US dollars	1.24% to 4.89%	1.24% to 4.89%

The Bank has term certificates of deposit that are restricted to secure certain loan operations. As of December 31, 2024, the balance of those term certificates of deposit is ₡85,101,944,485 (2023: ₡79,378,893,158). As of that date, the Bank 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:

	2024	2023
Financing of loans using internal funds - BCCR (i)	₡ 124,898,136,092	144,346,236,100
Financing of loans using external funds (ii)	125,644,411	125,644,412
Finance charges payable	3,692,788,618	3,115,180,965
	₡ <u>128,716,569,121</u>	<u>147,587,061,477</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(20) Obligations with financial entities

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

	2024	2023
<u>Demand:</u>		
Checking accounts with local financial entities	¢ 37,359,155,131	59,476,704,619
Savings deposits with local financial entities	52,228,088	42,687,081
Outstanding checks	787,488,484	704,527,230
Matured term deposits	164,560,456	54,975,010
Checking accounts and obligations with related parties (Note 8)	13,992,979	14,005,187
	<u>38,377,425,138</u>	<u>60,292,899,127</u>
<u>Term:</u>		
Lease liabilities – leased assets received (1)	49,511,226,817	52,439,479,489
Notes payable for BNCR financing (3)(4)	28,557,449,509	28,146,736,965
Loans from foreign financial entities (2)(4)	63,908,132,141	42,150,400,000
Term deposits with local financial entities	42,686,863,997	85,404,630,023
Obligations with related financial entities	45,158,846,398	43,310,478,402
Obligations with funds from the Development Credit Fund	138,211,449,993	140,350,657,066
	<u>368,033,968,855</u>	<u>391,802,381,945</u>
Charges payable for loans with local financial entities (3)	49,283,577	64,154,159
Charges payable for other demand and term obligations with financial entities – foreign currency	205,999,804	211,684,857
Charges payable for other demand and term obligations with financial entities – local currency	107,112,985	45,747,568
Charges payable for loans with foreign financial entities	743,342,397	1,822,957,538
	<u>1,105,738,763</u>	<u>2,144,544,122</u>
	<u>¢ 407,517,132,756</u>	<u>454,239,825,194</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(1) Lease liabilities

As of December 31, long-term lease liabilities and their current portion are as follows:

	2024	2023
In colones	8,594,039,065	8,130,593,259
In US dollars	78,278,516	82,317,598
	<u>48,729,782,574</u>	<u>51,502,089,293</u>

As of December 31, 2024, the exchange rate used is ₡522.87 (2023: ₡526.88).

As of December 31, lease operations are as follows:

	2024			2023		
	No. of operations	Interest rates	Maturity	No. of operations	Interest rates	Maturity
In colones	21	6.49% and 15.00% per annum	2026 and 2049	20	5.56% and 15% per annum	2023 and 2048
In US dollars	52	4.00% and 8.85% per annum	2025 and 2048	53	3.57% and 8.85% per annum	2024 and 2048
	<u>73</u>			<u>73</u>		

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

	2024		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	₡ 6,707,973,930	4,027,696,726	2,680,279,112
Between one and five years	32,640,997,306	15,985,172,326	16,655,834,515
More than five years	<u>41,528,171,097</u>	<u>11,353,078,205</u>	<u>30,175,113,186</u>
	<u>₡ 80,877,142,333</u>	<u>31,365,947,257</u>	<u>49,511,226,815</u>
	2023		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	₡ 6,859,282,981	4,297,831,186	2,561,453,949
Between one and five years	33,482,250,458	17,583,037,242	15,899,222,627
More than five years	<u>47,852,991,404</u>	<u>13,874,211,304</u>	<u>33,978,802,915</u>
	<u>₡ 88,194,524,843</u>	<u>35,755,079,732</u>	<u>52,439,479,491</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	2024	2023
Interest on lease liabilities	¢ 4,353,367,748	4,131,919,195
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	¢ 322,374,404	337,499,414

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

	2024	2023
Cash flows for leases	¢ (2,567,027,854)	(2,977,472,712)

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

	2024	2023
Balance at beginning of year	¢ 52,434,361,271	32,276,066,066
<i><u>Changes due to cash flows from financing activities:</u></i>		
New financial obligations	46,650,173	25,687,018,581
Settlement of financial obligations	(2,567,027,854)	(2,977,472,712)
Total changes due to cash flows from financing activities	49,913,983,590	54,985,611,935
<i><u>Other changes</u></i>		
Adjustments	746,852,399	1,338,717,227
Foreign exchange differences	(1,149,609,175)	(3,884,849,671)
Balance at end of year	¢ 49,511,226,815	52,439,479,491

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

<u>Date of issue</u>	<u>Face value (in millions)</u>	<u>Characteristics</u>
12/03/2007	US\$75	Traded amount: 100% Term: 22 years Interest rate: 6.65 per coupon
12/14/2022	US\$5.0	Traded amount: 100% Term: 8.5 years Interest rate: 9.46 per coupon
12/11/2024	US\$45	Traded amount: 100% Term: 6.5 years Interest rate: 7.29 per coupon

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

		2024		
		Local	Foreign	Total
One to two years	¢	1,599,108,810	-	1,599,108,810
Three to five years		-	38,660,749,799	38,660,749,799
More than five years		27,007,624,276	25,552,516,528	52,560,140,804
	¢	<u>28,606,733,086</u>	<u>64,213,266,327</u>	<u>92,819,999,413</u>
		2023		
		Local	Foreign	Total
One to two years	¢	1,714,219,091	-	1,714,219,091
Three to five years		727,828,554	-	727,828,554
More than five years		25,768,843,479	42,368,951,842	68,137,795,320
	¢	<u>28,210,891,124</u>	<u>42,368,951,842</u>	<u>70,579,842,965</u>

As of December 31, 2024, loans due to financial entities abroad bear interest at rates ranging from 6.65% to 9.46% per annum (2023: from 6.65% to 10.43% per annum).

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	2024	2023
Balance at beginning of year	¢ 70,297,136,965	142,752,227,398
<u>Changes due to cash flows from financing activities</u>		
New financial obligations	26,769,300,000	-
Settlement of financial obligations	(3,521,980,314)	(59,467,572,285)
Changes due to cash flows from financing activities	23,247,319,686	(59,467,572,285)
<u>Other changes:</u>		
Foreign exchange differences	(1,078,875,000)	(12,987,518,148)
Balance at end of year	¢ 92,465,581,651	70,297,136,965

(21) Income tax

Pursuant to the Costa Rican *Income Tax Law*, the Bank 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:

	2024	2023
<u>Current tax:</u>		
Current tax expense for the year	¢ 26,578,538,370	20,166,752,706
Prior-period income tax expense	277,934	14,189,237,931
Decrease in prior-period income tax	-	(1,207,402,404)
	26,578,816,304	33,148,588,233
<u>Deferred tax:</u>		
Deferred tax expense	786,221,838	1,888,723,862
Deferred tax income	(1,172,331,786)	(1,004,004,343)
Total deferred tax expense, net	(386,109,948)	884,719,519
Tax expense, net	¢ 26,192,706,356	34,033,307,754

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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:

	2024		2023	
Income before income tax	¢ 108,422,774,627		100,548,912,373	
<i>Plus (less) tax effect of:</i>				
Non-deductible expenses	349,397,304,463	394%	535,967,510,522	792%
Deductible expenses	(15,201,919,091)	17%	(32,784,309,724)	48%
Non-taxable income	(356,953,494,703)	402%	(536,509,604,152)	792%
Taxable income	2,930,462,604	3%	-	0%
Tax base	88,595,127,900		67,222,509,020	
Tax rate	30%		30%	
Income tax expense	26,578,538,370	30%	20,166,752,706	30%
Prior-period income tax expense	277,934		14,189,237,931	
Decrease in prior-period income tax	-		(1,207,402,404)	
Deferred tax expense	786,221,838		1,888,723,862	
Deferred tax income	(1,172,331,786)		(1,004,004,343)	
Deferred tax, net	(386,109,948)		884,719,520	
Income tax, net	¢ 26,192,706,356	24%	34,033,307,752	34%

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Deferred tax

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

	2024		
	Assets	Liabilities	Net
Unrealized losses on valuation of investments	¢ 2,034,766,682	-	2,034,766,682
Provisions	(1,498,477,913)	-	(1,498,477,913)
Right-of-use assets (1)	1,063,490,321	-	1,063,490,321
Unrealized gains on valuation of investments	-	(552,126,580)	(552,126,580)
Revaluation of property	-	(11,038,471,243)	(11,038,471,243)
Tax base of property and equipment	-	(4,918,495,908)	(4,918,495,908)
	¢ <u>1,599,779,090</u>	<u>(16,509,093,731)</u>	<u>(14,909,314,641)</u>
	2023		
	Assets	Liabilities	Net
Unrealized losses on valuation of investments	¢ 27,237,925	-	27,237,925
Provisions	15,178,106	-	15,178,106
Right-of-use assets (1)	828,757,545	-	828,757,545
Allowance for impairment of accounts receivable	1,569,279	-	1,569,279
Lease liabilities	-	(95,380,146)	(95,380,146)
Unrealized gains on valuation of investments	-	(987,650,563)	(987,650,563)
Revaluation of property	-	(11,279,487,556)	(11,279,487,556)
Tax base of property and equipment	-	(4,747,987,545)	(4,747,987,545)
	¢ <u>2,245,759,834</u>	<u>(17,110,505,810)</u>	<u>(16,237,762,955)</u>

(1) As of December 31, 2024, the deferred income tax, net, arises from the right-of-use assets and lease liabilities in the amount of ¢14,618,934,772 and ¢13,555,444,451, respectively (2023: ¢15,409,817,680 and ¢14,680,881,116, respectively).

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Deferred tax assets and liabilities are as follows:

		2024		
	December 2023	Included in the income statement	Included in equity	December 2024
Unrealized losses on valuation of investments	¢ 1,499,279,119	-	535,487,563	2,034,766,682
Provisions	17,544,151	(1,516,022,064)	-	(1,498,477,913)
Right-of-use assets	728,936,564	334,553,758	-	1,063,490,321
Unrealized gains on valuation of investments	(1,861,606,167)	2,784,355,934	(1,474,876,347)	(552,126,580)
Revaluation of property	(11,279,487,556)	-	241,016,313	(11,038,471,243)
Tax base of property and equipment	(4,682,862,055)	(235,633,853)	-	(4,918,495,908)
	¢ <u>(15,578,195,944)</u>	<u>1,367,253,775</u>	<u>(698,372,471)</u>	<u>(14,909,314,641)</u>
		2023		
	December 2022	Included in the income statement	Included in equity	December 2023
Unrealized losses on valuation of investments	¢ 5,327,513,659	-	(5,300,275,733)	27,237,926
Provisions	48,976,754	(33,798,647)	-	15,178,107
Right-of-use assets	1,429,830,091	(601,072,546)	-	828,757,545
Impairment of investments	1,894,419	(325,140)	-	1,569,279
Lease liabilities	(95,756,252)	376,105	-	(95,380,147)
Unrealized gains on valuation of investments	(8,757,156)	-	(978,893,408)	(987,650,564)
Revaluation of property	(9,042,911,732)	-	(2,236,575,824)	(11,279,487,556)
Tax base of property and equipment	(4,621,993,726)	(125,993,819)	-	(4,747,987,545)
	¢ <u>(6,961,203,943)</u>	<u>(760,814,047)</u>	<u>(8,515,744,965)</u>	<u>(16,237,762,955)</u>

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

As of December 31, 2024, the Bank has not recognized a deferred tax liability in the amount of ¢4,221,941,066 (2023: ¢4,194,660,781), given that it controls the moment when the subsidiaries pay dividends.

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(22) Provisions

As of December 31, provisions are as follows:

		2024	2023
Severance benefits	¢	329,065,865	323,861,303
Litigation		10,981,566,452	7,914,742,118
Inactive checking and savings accounts liquidated		595,320,728	620,538,390
Variation in RIVM methodology		490,003,103	490,003,103
Notice of deficiency		-	13,208,825,814
Deposit Guarantee Fund		330,892,330	359,766,964
Other		401,631,231	368,831,095
	¢	<u>13,128,479,709</u>	<u>23,286,568,787</u>

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

		2024			
		Severance benefits	Litigation	Other	Total
Balance as of December 31, 2023	¢	323,861,303	7,914,742,118	15,047,965,366	23,286,568,787
Increase in provision		50,213,193	7,295,727,949	18,486,194,881	25,832,136,023
Used		(15,066,819)	(3,531,276,759)	(31,706,276,903)	(35,252,620,481)
Decrease in provision		(29,941,812)	(697,626,856)	(10,035,952)	(737,604,620)
Balance as of December 31, 2024	¢	<u>329,065,865</u>	<u>10,981,566,452</u>	<u>1,817,847,392</u>	<u>13,128,479,709</u>

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Type	Claimed amount		Provision	
	2024	2023	2024	2023
Ordinary - in colones	11,122,219,538	9,163,884,654	5,962,793,945	4,621,167,575
Ordinary - in US dollars	-	50,905,903,822	1,274,588,112	493,184,731
Criminal - in colones	1,081,199,813	1,081,199,813	32,119,186	-
Labor - in colones	344,752,886	688,472,273	3,712,065,209	2,800,389,812
	¢ 12,548,172,237	61,839,460,562	10,981,566,452	7,914,742,118

(23) Other sundry accounts payable

As of December 31, other sundry accounts payable are as follows:

	2024	2023
Professional fees	¢ 4,183,570	10,256,779
Creditors - goods and services	13,884,487,724	8,873,685,625
Current tax	1,809,288,769	756,539,254
Value added tax	315,981,463	368,983,792
Employer contributions	15,172,637,883	12,969,088,385
Court-ordered withholdings	4,449,971,286	3,768,539,376
Tax withholdings	2,191,603,169	2,488,430,837
Employee withholdings	893,346,473	959,705,730
Other third-party withholdings	66,134,294	9,663,712
Compensation	26,795,163,721	21,494,623,754
Statutory allocations	30,523,295,784	35,874,827,336
Clearing house operations	17,927,419	29,509,914
Accrued vacation	6,632,252,192	5,947,830,287
Accrued statutory Christmas bonus	2,772,020,661	2,437,542,757
Accounts payable – assets held for sale	121,845,725	74,718,277
Provisional deposits for the payment of premiums	50,838,842	-
Property	1,566,756,051	1,738,380,030
SICOP guarantees	458,809,401	499,480,720
Professional fees	839,003,676	1,191,484,721
Amounts received for partial sales of assets held for sale	1,276,339,792	741,645,816
Master Card and Visa payments	2,524,732,701	2,318,945,542
Other various creditors	3,492,461,052	4,430,979,104
Interest rate futures - Hedges (Note 9)	1,922,738	60,578,850
Purchase of FX futures	-	101,908,050
	¢ 115,861,004,386	107,147,348,648

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(24) Other liabilities

As of December 31, other liabilities are as follows:

		2024	2023
<u>Deferred income:</u>			
Deferred fees and commissions for trust management	¢	73,712,721	88,687,508
		<u>73,712,721</u>	<u>88,687,508</u>
<u>Operations pending application:</u>			
Operations pending settlement		7,801,043,289	16,556,080,166
Other operations pending settlement		11,860,505,482	16,466,611,653
		<u>19,661,548,771</u>	<u>33,022,691,819</u>
	¢	<u>19,735,261,492</u>	<u>33,111,379,327</u>

(25) Subordinated obligations

As of December 31, the Conglomerate's subordinated obligations are as follows:

Entity	Interest rate per annum	Term	Maturity	2024	2023
IDB	6-month LIBOR + 6.30% in the first 5 years and 6-month LIBOR + 6.80% thereafter	10	18/02/2032	45,000,000	45,000,000
CABEI	6-month LIBOR + 5.25% in the first 5 years and 6-month LIBOR + 5.75% thereafter (3)	15	23/10/2029	-	18,000,000
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
IDB BLUE BOND	Term SOFR + relevant differential (2)	10	22/08/2034	25,000,000	-
BLUE BOND (LAGreen Fund – BLUE BOND)	Term SOFR + relevant differential. Relevant differential: 4.50% per annum in the first 5 years and 4.75% per annum thereafter (2)	10	22/08/2024	5,000,000	-
FINDEV BLUE BOND	Term SOFR + relevant differential. Relevant differential: 4.50% per annum in the first 5 years and 4.75% per annum thereafter (2)	10	22/08/2024	20,000,000	-
				US\$ 140,000,000	108,000,000
			Equivalent in colones	¢ 71.782.200.000	56.903.040.000
			Finance charges payable	¢ 2.654.476.956	2.162.739.037
				<u>¢ 74,436,676,956</u>	<u>59,065,779,037</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (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.
- (2) On August 22, 2024, the subordinated debt was negotiated in the amount of US\$50,000,000, with a maturity of 10 years, between the Interamerican Development Bank (IDB), Finance in Motion Germany and FINDEV Canada.
- (3) On October 18, 2024, the Bank paid in advance the obligation with CABEI in the total amount owed at the cutoff date.

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 the Central American Bank for Economic Integration (CABEI) and Banco Nacional de Costa Rica.

In accordance with Article 4, 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 this article do not apply to subordinated loans subscribed by State-owned commercial banks or rights and obligations derived therefrom. Subordinated financial instruments or loans (and the rights and obligations derived therefrom) may only be subscribed by multilateral development banks or bilateral development organizations.

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

(26) Equity

(a) Share capital

As of December 31, the Bank's share capital is as follows:

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Capital reserves

As of December 31, capital reserves are as follows:

	2024	2023
Legal reserve	¢ 442,629,403,835	403,604,716,089
Statutory reserve for assets held for sale	5,939,120,794	5,469,216,249
Excess of statutory reserve for loans	7,014,303,085	3,474,656,733
Statutory dynamic provision	10,423,516,175	9,649,609,539
	¢ 466,006,343,889	422,198,198,610

(c) Equity of the Development Financing Fund

As of December 31, 2024, the allocation of the Bank's earnings for the creation of the Development Financing Fund (FOFIDE) amounts to ¢55,759,613,350 (2023: ¢48,624,595,226).

(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:

	2024	2023
Sureties	¢ 1,389,700	1,562,307
Performance bonds	27,390,378,717	34,129,139,530
Bid bonds	2,389,378,924	971,873,015
Other guarantees	924,452,598	607,314,326
Letters of credit	1,592,238,778	1,249,911,325
Credits pending disbursement	113,383,348	115,233,348
	32,411,222,065	37,075,033,851
Pre-approved lines of credit	353,434,430,740	305,513,773,333
Other contingencies not related to credits	6,583,685	6,583,686
Other contingencies - Pending litigation and lawsuits (Note 51)	57,290,958,181	61,807,146,925
	410,731,972,606	367,327,503,944
Sale of FX futures – Other than hedges	-	7,129,052,308
	¢ 443,143,194,671	411,531,590,103

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023, trust capital is invested in the following assets:

Nature of trust	2024														
	Cash or property management	Management and investment	Guaranty	Testamentary	Custody of stock	Custody of stock and cash management	Guaranties and cash management	Management, custody and guaranty	Trusts with public funds	Guaranty and custody of stock	Rentier management and investment	Premium protection	Equity planning	Trusts with public funds	Total
<i>Trust assets</i>															
Cash and due from banks	€ 149,760,326	30,816,508	1,025,470	435,897	-	-	-	-	3,848,860	186,858,258	-	1,346,285	325,725,348	2,475,409	702,292,361
Investments in financial instruments	1,759,860,838	215,515,828	2,535,974,595,282	2,780,080,647	1,980,230	839,947	-	-	-	15,963,116,045	-	327,666,558	2,249,586,142	-	2,559,273,241,517
Loan portfolio	-	-	-	-	-	-	-	-	-	5,495,274,577	-	-	-	-	5,495,274,577
Accounts and accrued interest receivable	906,338,485	-	97,394,436	3,797,791	-	-	225,026,040	-	52,766,954,389	64,600,826,506	1,004,937	-	-	-	118,601,342,584
Assets held for sale	-	-	-	-	-	-	-	-	-	33,725,272	-	-	-	-	33,725,272
Investments in other companies	-	-	4,848,010,000	14,141,273	25,160,000	-	-	-	-	-	-	-	-	460,000	4,887,771,273
Property and equipment	7,175,334,166	-	117,801,446,361	1,069,780,959	-	-	1,544,041,161	-	-	466,705,442	283,559,514	-	-	-	128,340,867,603
Other assets	81,681,906	-	4,380,293,474	4,764,277	-	-	-	4,921,751,133	19,797,921,759	113,858,958	-	-	-	-	29,300,271,507
	€ 10,072,975,721	246,332,336	2,663,102,765,023	3,873,000,844	27,140,230	839,947	1,769,067,201	4,921,751,133	72,568,725,008	86,860,365,058	284,564,451	329,012,843	2,575,311,490	2,935,409	2,846,634,786,694
2023															
Nature of trust	Cash or property management	Management and investment	Guaranty	Testamentary	Custody of stock	Custody of stock and cash management	Guaranties and cash management	Management, custody and guaranty	Trusts with public funds	Guaranty and custody of stock	Rentier management and investment	Premium protection	Equity planning	Trusts with public funds	Total
<i>Trust assets</i>															
Cash and due from banks	€ 81,692,425	30,786,916	1,053,760	451,296	-	-	-	6,875,417	-	127,540,443	-	263,108	265,357,798	-	514,021,163
Investments in financial instruments	1,789,411,491	194,555,114	2,455,475,514,901	2,782,697,883	1,910,879	-	-	13,592,157,660	810,531	16,200,900,322	-	744,174,713	2,277,188,737	75,180,552	2,493,134,502,783
Loan portfolio	-	-	-	-	-	-	-	-	-	5,251,717,346	-	-	-	-	5,251,717,346
Accounts and accrued interest receivable	23,552,039	-	89,910,406	7,530,828	-	206,022,430	-	60,612,840,304	-	87,735,074,689	746,690	-	-	306,279	148,675,983,665
Assets held for sale	-	-	-	-	-	-	-	-	-	59,775,957	-	-	-	-	59,775,957
Investments in other companies	-	-	4,902,010,000	11,142,688	25,160,000	-	-	-	-	-	-	-	-	460,000	4,938,772,688
Property and equipment	7,175,334,166	-	118,367,261,922	1,069,780,959	-	1,544,041,161	-	30,421,442,290	-	436,468,877	283,559,514	-	-	337,565,998	159,635,454,887
Other assets	83,107,486	-	3,087,897,448	3,107,427	-	-	5,106,159,561	20,896,629,206	-	1,523,349,187	-	-	-	29,727	30,700,280,039
	€ 9,153,097,607	225,342,030	2,581,923,648,437	3,874,711,081	27,070,879	1,750,063,591	5,106,159,561	125,529,944,877	810,531	111,334,826,821	284,306,204	744,437,821	2,542,546,535	413,542,556	2,842,910,508,528

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

a) Housing mortgage

These trusts are exclusively dedicated to managing housing loan portfolios.

b) Cash or property management

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

c) Securitization

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

d) Portfolio management

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

e) Special accounts

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

f) Guaranty

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

g) Testamentary

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(29) Other debit memoranda accounts

As of December 31, other debit memoranda accounts are as follows:

	2024	2023
Pension Fund Manager's own investments in custody – Face value of principal	14,016,220,017	12,570,995,357
Pension Fund Manager's own investments in custody – Coupons	3,732,629,484	7,144,123,377
Pension Fund Manager's own investments in custody – Number of shares	23	23
Guarantees received in the Bank's custody	110,573,426,326	4,624,785,721
Guarantees on financial instruments	-	1,022,606,729
Other guarantees received in the Bank's custody	12,865,099,952,289	9,907,734,566,392
Lines of credit granted but unused	442,261,335,382	431,997,000,239
Loans pending disbursement	127,849,201,928	145,801,796,899
Unused overdrafts	55,000,000	55,000,000
Loans settled	486,895,459,320	457,744,467,939
Other accounts receivable settled	27,940,398,021	25,037,420,793
Accrued interest receivable settled	47,462,709,684	44,134,262,935
Interest income on non-accrual loans of loan portfolio	40,271,515,783	37,569,403,174
Supporting documentation received in the Bank's custody	401,402	5,102
Securities issued pending placement	-	69,037,000,000
Lines of credit or overdrafts obtained but unused	1,910,431,979	1,954,724,798
Notified letters of credit	880,885,522	2,909,592,202
Notional value subject to interest rate futures (Note 11)	8,972,775,000	11,117,168,000
Reversals made to income accounts for the year	29,358,998,302	32,235,526,621
Reversals made to expense accounts for the year	193,612,694,125	156,620,327,279
Non-deductible expenses	339,523,553,377	531,225,826,310
Non-taxable income	361,120,553,252	542,329,450,425
Other memoranda accounts	136,956,364,917	123,619,061,443
	<u>15,238,494,506,133</u>	<u>12,546,485,111,758</u>
Third-party debit memoranda accounts (1)	5,431,073,856,883	4,956,547,223,229
Own debit memoranda accounts for custodial activities	768,925,241,788	640,304,967,101
Third-party debit memoranda accounts for custodial activities	<u>18,829,677,298,789</u>	<u>17,304,662,026,826</u>
	<u>25,029,676,397,460</u>	<u>22,901,514,217,156</u>
¢	<u>40,268,170,903,593</u>	<u>35,447,999,328,914</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(1) As of December 31, third-party debit memoranda accounts are as follows:

	2024	2023
Management of banking mandates	¢ 1,637,710,425,088	1,668,740,260,281
“TUDES” securities received in custody from affiliates under Article 75 of Law No. 7531	1,127,442,773	974,083,918
Pension funds (Note 32)	2,853,024,898,122	2,526,046,391,386
Investment funds (Note 31)	849,023,354,087	682,616,250,291
Portfolio management	90,187,736,813	78,170,237,353
	¢ <u>5,431,073,856,883</u>	<u>4,956,547,223,229</u>

As of December 31, other memoranda accounts by entity are as follows:

	2024	2023
Banco Nacional de Costa Rica	¢ 35,387,547,559,275	31,107,077,262,393
BN Valores Puesto de Bolsa, S.A. (Note 30)	1,159,613,060,720	1,111,429,293,218
BN Sociedad Administradora de Fondos de Inversión, S.A. (Note 31)	849,071,502,579	682,701,900,813
BN Vital Operadora de Planes de Pensiones Complementarias, S.A. (Note 32)	2,871,938,781,019	2,546,790,872,490
	¢ <u>40,268,170,903,593</u>	<u>35,447,999,328,914</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

As of December 31, memoranda accounts for brokerage operations are summarized below:

		<u>2024</u>	<u>2023</u>
<u>Own</u>			
Futures contracts pending settlement	¢	51,106,225,156	49,518,947,553
Own trading securities (Note 30-a)		9,320,579,456	7,629,635,176
Other own memoranda accounts		1,944,223,611	1,977,791,713
		<u>62,371,028,223</u>	<u>59,126,374,442</u>
<u>Third party</u>			
Trading securities received as guarantees		24,875,567,744	30,550,174,834
Trading securities pending receipt		990,279,942	261,634,400
Signed contracts pending settlement		1,008,603,905	378,001,029
Futures contracts pending settlement		42,871,310,848	48,864,525,218
Third-party trading securities (Note 30-a)		936,766,243,163	893,595,141,141
Cash and accounts receivable		542,290,082	483,204,800
Portfolio management		90,187,736,813	78,170,237,353
		<u>1,097,242,032,497</u>	<u>1,052,302,918,775</u>
Memoranda accounts (Note 29)	¢	<u>1,159,613,060,720</u>	<u>1,111,429,293,217</u>

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

a) As of December 31, securities held in custody are as follows:

<u>Location</u>	<u>Type of custody</u>	<u>2024</u>	<u>2023</u>
<u><i>Own custodial activities</i></u>			
Local	CEVAL - public	¢ 1,778,228,651	-
	International custody -		
Local	vault	7,527,350,803	7,614,635,176
Local	Vault	15,000,002	15,000,000
		<u>9,320,579,456</u>	<u>7,629,635,176</u>
<u><i>Custodial activities on behalf of third parties</i></u>			
Local	CEVAL - private	129,567,352,519	109,235,460,511
Foreign	CEVAL - private	205,155,319,087	119,005,700,111
Local	CEVAL - public	514,639,413,025	560,872,842,433
Foreign	International custody	87,202,962,363	104,287,043,655
Local	Vault	8,112,341	8,161,731
	Securities that are		
	doubtful, in arrears		
Local and foreign	or in litigation	193,083,828	185,932,700
		<u>936,766,243,163</u>	<u>893,595,141,141</u>
		¢ <u>946,086,822,619</u>	<u>901,224,776,317</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- b) As of December 31, term buyer and seller positions in tri-party repurchase agreements involving the Brokerage Firm are as follows:

2024								
Term buyer					Term seller			
	Colones	US dollars	US dollars expressed in colones	Total	Colones	US dollars	US dollars expressed in colones	Total
Own	43,410,097,479	15,010,098	7,696,127,678	51,106,225,157	-	-	-	-
Third parties	2,480,938,421	44,117,682	22,620,459,205	25,101,397,626	2,211,307,462	30,344,637	15,558,605,761	17,769,913,223
	<u>45,891,035,900</u>	<u>59,127,780</u>	<u>30,316,586,883</u>	<u>76,207,622,783</u>	<u>2,211,307,462</u>	<u>30,344,637</u>	<u>15,558,605,761</u>	<u>17,769,913,223</u>
2023								
Term buyer					Term seller			
	Colones	US dollars	US dollars expressed in colones	Total	Colones	US dollars	US dollars expressed in colones	Total
Own	41,864,356,853	14,528,148	7,654,590,700	49,518,947,553	-	-	-	-
Third parties	3,379,991,642	41,115,994	21,663,194,792	25,043,186,434	5,172,135,629	35,395,542	18,649,203,155	23,821,338,784
	<u>45,244,348,495</u>	<u>55,644,142</u>	<u>29,317,785,492</u>	<u>74,562,133,987</u>	<u>5,172,135,629</u>	<u>35,395,542</u>	<u>18,649,203,155</u>	<u>23,821,338,784</u>

As of December 31, 2024, term buyer and seller positions in tri-party repurchase agreements in US dollars were valued at the exchange rate of ¢512.73 to US\$1.00 (2023: ¢526.88 to US\$1.00).

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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:

2024				
	Term buyer		Term seller	
	Colones	US dollars	Colones	US dollars
<i>Own</i>				
1 to 30 days	¢ 38,859,288,361	3,694,733	-	-
31 to 60 days	4,550,809,118	11,315,365	-	-
	<u>43,410,097,479</u>	<u>15,010,098</u>	<u>-</u>	<u>-</u>
<i>Third-party</i>				
1 to 30 days	504,478,413	419,470	504,478,413	1,063,375
31 to 60 days	176,545,864	10,655,788	176,545,864	4,679,259
61 to 90 days	1,137,077,907	26,568,829	867,446,950	18,437,657
More than 91 days	662,836,237	6,473,595	662,836,235	6,164,346
	<u>2,480,938,421</u>	<u>44,117,682</u>	<u>2,211,307,462</u>	<u>30,344,637</u>
	¢ <u>45,891,035,900</u>	<u>59,127,780</u>	<u>2,211,307,462</u>	<u>30,344,637</u>
2023				
	Term buyer		Term seller	
	Colones	US dollars	Colones	US dollars
<i>Own</i>				
1 to 30 days	¢ 41,864,356,853	14,528,148	-	-
	<u>41,864,356,853</u>	<u>14,528,148</u>	<u>-</u>	<u>-</u>
<i>Third-party</i>				
1 to 30 days	-	1,770,175	1,491,288,548	1,770,175
31 to 60 days	413,352,535	13,794,990	299,400,000	15,627,485
61 to 90 days	1,067,747,531	22,085,851	1,482,555,505	14,532,905
More than 91 days	1,898,891,576	3,464,978	1,898,891,576	3,464,977
	<u>3,379,991,642</u>	<u>41,115,994</u>	<u>5,172,135,629</u>	<u>35,395,542</u>
	¢ <u>45,244,348,495</u>	<u>55,644,142</u>	<u>5,172,135,629</u>	<u>35,395,542</u>

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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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:

	2024		
Fund	Net value	Shares	Value per share
<i>Funds in colones:</i>			
Súper Fondo colones	¢ 261,034,752,627	52,780,534,538	4.95
Fon Depósito colones	66,490,369,051	37,529,755,881	1.77
Creci Fondo colones	6,414,730,825	844,171,451	7.60
Redi Fondo colones	25,406,059,912	4,673,751,397	5.44
Diner Fondo colones	115,024,495,865	34,932,377,749	3.29
	¢ 474,370,408,280	130,760,591,016	
<i>Funds in US dollars:</i>			
Creci Fondo US dollars	20,537,773	8,237,351	2.49
Redi Fondo US dollars	46,437,084	22,972,733	2.02
Diner Fondo US dollars	125,364,054	85,941,243	1.46
Fon Depósito US dollars	43,587,905	36,479,875	1.19
Súper Fondo Plus US dollars	373,209,580	303,777,867	1.23
Fondo Internacional - liquidity	50,314,792	46,099,931	1.09
BN internacional Valor	1,640,668	1,615,407	1.02
BN internacional Suma	4,446,476	3,957,318	1.12
BN internacional Crece	6,101,464	5,131,493	1.19
BN Infraestructura Pública -1	34,702,570	21,750	1.595.52
FI Desarrollo de Proyecto BN I	24,359,847	19,795	1.230.61
	US\$ 730,702,213	514,254,763	
	¢ 374,652,945,807	263,673,844,633	
Assets of managed funds	¢ 849,023,354,087	394,434,435,649	
<i>Guarantees:</i>			
Performance bonds	46,173,188		
Outstanding checks	1,975,304		
	48,148,492		
Memoranda accounts (Note 29)	¢ 849,071,502,579		

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

- *BN SuperFondo colones no diversificado* (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 CreciFondo US 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 mensual US dólares no diversificado* (monthly, 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 US dólares no diversificado* (non-diversified - US dollars): This is an open-end (floating number of outstanding shares) money market fund with a fixed income portfolio. Returns on the investment portfolio are not distributed until the customer requests partial or full redemption of shares.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- *BN FonDepósito US 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 US dólares plus no diversificado* (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 de Proyectos de Infraestructura Pública-I* (real estate development - US dollars): This fund will invest in the construction of buildings to be occupied by the Maximum Deconcentration Organizations and other entities of BCCR. Once the works are completed, the buildings will be leased with a purchase option to BCCR or sold to BCCR or to a real estate fund managed by BN Fondos and investors thus realize their potential gains. If the buildings are sold to a real estate fund, such fund will lease the buildings to BCCR.
- *BN Internacional Valor no diversificado* (non-diversified - US dollars): This is an international, mixed portfolio investment fund, ideal for conservative customers who primarily seek to maintain their capital, even if it entails obtaining returns much lower than those of the market. It is addressed to the investor that would like to invest in a portfolio comprised of debt securities issued by the public or private sector and investment funds.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(32) Pension fund management agreements

As of December 31, the Pension Fund Manager's memoranda accounts are as follows:

	2024	2023
Mandatory Pension Fund (ROP)	¢ 2,407,378,028,592	2,117,961,892,314
Mandatory Retirement Savings Account (FCL)	116,568,044,619	107,180,546,084
Employee Protection and Retirement Fund	115,082,030,672	104,168,518,592
Voluntary Pension Fund in Colones A (FPC A)	47,417,040,890	101,692,891,275
Voluntary Pension Fund in Colones B (FPC B)	117,920,411,963	52,134,023,208
Voluntary Pension Fund in US dollars A (FPD A) (i)	26,010,889,837	22,385,160,495
Voluntary Pension Fund in US dollars B (FPD B) (ii)	16,329,537,389	14,129,942,815
ICT employee pension fund	6,318,914,160	6,393,416,603
Assets of managed funds (Note 29)	<u>2,853,024,898,122</u>	<u>2,526,046,391,386</u>
Securities and assets in own custody	17,748,849,524	19,715,118,757
Bid and performance bonds – colones	23,700,218	18,539,072
Bid and performance bonds – US dollars (iii)	13,890,383	36,739,357
Securities in DU	<u>1,127,442,772</u>	<u>974,083,917</u>
Memoranda accounts (Note 29)	¢ <u>2,871,938,781,019</u>	<u>2,546,790,872,489</u>

- i.* As of December 31, 2024, this fund amounts to US\$50,730,189 (2023: US\$42,486,260) and is valued at the exchange rate of ¢512.73 to US\$1.00 (2023: ¢526.88 to US\$1.00).
- ii.* As of December 31, 2024, this fund amounts to US\$31,848,219 (2023: US\$26,818,142) and is valued at the exchange rate of ¢512.73 to US\$1.00 (2023: ¢526.88 to US\$1.00).
- iii.* As of December 31, 2024, this fund amounts to US\$27,091 (2023: US\$69,730) and is valued at the exchange rate of ¢512.73 to US\$1.00 (2023: ¢526.88 to US\$1.00).

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(33) Income from financial instruments

For the year ended December 31, income from financial instruments is as follows:

	2024	2023
<u><i>Cash and due from banks:</i></u>		
Deposits in BCCR	111,709,821	134,152,920
Checking accounts and demand deposits in local entities	63,879,834	74,463,137
Checking accounts and demand deposits in foreign entities	15,867,393,207	14,672,806,141
	<u>16,042,982,862</u>	<u>14,881,422,198</u>
<u><i>Financial instruments:</i></u>		
Investments at FVTPL	312,401,097	328,121,567
Investments at FVOCI	41,431,953,373	42,204,104,740
Investments at amortized cost	47,978,346,188	44,180,784,551
Investments in past due and restricted securities	10,461,240,248	3,194,001,469
	<u>100,183,940,906</u>	<u>89,907,012,327</u>
¢	<u>116,226,923,768</u>	<u>104,788,434,525</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(34) Income from loan portfolio

For the year ended December 31, income from the loan portfolio is as follows:

	2024	2023
<i><u>Current loans:</u></i>		
Individuals	¢ 217,824,743,724	204,181,168,237
Development Banking System	9,617,625,244	9,280,682,329
Business	80,669,997,735	82,099,955,024
Corporate	101,027,830,583	108,116,724,527
Public sector	17,188,239,855	15,685,509,713
Financial sector	4,250,999,643	7,123,959,308
	<u>430,579,436,784</u>	<u>426,487,999,138</u>
<i><u>Past due loans and loans in legal collection:</u></i>		
Individuals	23,432,116,498	25,424,916,463
Development Banking System	508,739,049	684,831,170
Business	7,379,251,908	12,113,996,689
Corporate	2,673,213,847	4,919,697,376
Public sector	75,429,392	125,537,296
Financial sector	139,717	3,153,608
In legal collection	4,431,333,426	6,470,398,232
Amortization of net commission of incremental direct costs related to credits	1,353,423,253	1,108,090,804
	<u>39,853,647,090</u>	<u>50,850,621,638</u>
	<u>¢ 470,433,083,874</u>	<u>477,338,620,776</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(35) Other finance income

For the year ended December 31, other finance income is as follows:

		2024	2023
Fees and commissions on letters of credit	¢	12,485,805	14,502,775
Fees and commissions on guarantees granted		417,661,006	369,856,085
Gain on sale of financial instruments		367,407,827	49,520,084
Gain on fair value hedge for item measured at cost		-	4,297,998,430
Other sundry finance income		87,892,546	153,943,096
Charges for overdue operations		1,888,069,046	1,833,740,810
Sundry finance income from late fees		885,685,044	742,981,665
	¢	<u>3,659,201,274</u>	<u>7,462,542,945</u>

(36) Finance costs for obligations with the public

For the year ended December 31, finance costs for obligations with the public are as follows:

		2024	2023
Demand deposits	¢	89,766,327,562	104,486,613,574
Term deposits		121,895,764,550	139,819,907,148
	¢	<u>211,662,092,112</u>	<u>244,306,520,722</u>

(37) Finance costs for obligations with financial entities

For the year ended December 31, finance costs for obligations with financial entities are as follows:

		2024	2023
Demand obligations	¢	3,964,221,900	4,944,334,104
Term obligations		15,479,616,341	29,812,850,514
	¢	<u>19,443,838,241</u>	<u>34,757,184,618</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(38) Other finance costs

For the year ended December 31, other finance costs are as follows:

	2024	2023
Fees and commissions on letters of credit obtained	¢ 232,127,761	245,726,614
Loss on financial instruments measured at amortized cost	34,201,175	-
Loss on hedged item measured at cost from fair value hedge on interest rate risk	-	5,457,107,985
Other sundry finance costs	394,392,730	364,614,195
	¢ 660,721,666	6,067,448,794

(39) Expenses for allowance for impairment of assets

For the year ended December 31, expenses for allowance for impairment of assets are as follows:

	2024	2023
Allowance for loan losses (Note 12)	¢ 58,090,874,911	27,578,110,407
Allowance for impairment of other accounts receivable (Note 13)	1,639,991,196	4,673,937,125
Allowance for stand-by credit losses (Note 12)	19,339,500	3,797,574
General and counter-cyclical allowance for loan portfolio (Note 12)	42,786,459,633	6,972,479,772
General and counter-cyclical allowance for stand-by credits (Note 12)	79,280	-
Allowance for impairment of investments at fair value through other comprehensive income	950,709,255	1,949,099,934
Allowance for impairment of financial instruments at amortized cost	389,025,162	881,971,629
Allowance for impairment of operations with derivative financial instruments	722,147	96,128,845
	¢ 103,877,201,084	42,155,525,286

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

For the year ended December 31, income from recovery of assets and decreases in allowances and provisions is as follows:

	2024	2023
Recovery of loan write-offs	¢ 13,253,884,372	15,787,471,167
Recovery of accounts receivable write-offs	40,349,829	6,557,263
Decrease in allowance for loan losses (Note 6)	-	381,416,885
Decrease in allowance for impairment of other accounts receivable (Note 13)	564,643,261	280,020,795
Decrease in allowance for impairment of investments in financial instruments (Note 10)	1,243,205,833	5,811,852,723
	¢ 15,102,083,295	22,267,318,833

(41) Income from service fees and commissions

For the year ended December 31, operating income from service fees and commissions is as follows:

	2024	2023
Drafts and transfers	¢ 12,145,743,618	12,120,204,586
Certified checks	682,399	1,351,880
Trusts	1,729,264,136	1,782,758,371
Custodial services	2,462,198,229	2,303,108,348
Banking mandates	-	105,129
Collections	9,651,915	15,569,268
Credit cards	64,439,309,853	65,463,676,280
Management services	2,954,692,752	3,452,908,639
Management of investment funds	8,955,890,622	7,026,703,005
Management of pension funds	12,521,330,093	11,815,022,619
Insurance underwriting	10,941,730,202	10,263,647,124
Brokerage operations (third parties in local market)	2,089,793,720	2,213,896,010
Brokerage operations (third parties in other markets)	1,229,580,775	823,450,975
Transactions with related parties	101,360,722	102,148,406
Commissions charged to other affiliates	14,283,321,572	14,180,208,049
Servibanca local interchange	23,525,143,515	25,161,084,350
Other service fees and commissions	14,971,954,466	13,111,386,604
	¢ 172,361,648,589	169,837,229,643

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(42) Other operating income

For the year ended December 31, other operating income is as follows:

	2024	2023
Recovery of expenses (1)	¢ 2,445,974,138	2,879,296,658
Net valuation of other assets (Note 6)	386,690,647	698,955,881
Other income from accounts receivable	1,693,541	2,245,790
Liquidation of check – own accounts	195,383,320	400,048,789
Savings accounts liquidation	186,417,026	175,026,318
Administrative charges - PMEP	345,697,986	245,796,988
Liquidation of term certificate of deposit not claimed	848,507,096	474,014,971
Fines applied to vendors	452,866,551	266,763,525
Excess cash from human teller	169,312,558	186,347,808
Commission due to markup of BN cards	1,105,799,092	1,019,711,835
Other operating income	980,475,591	871,193,936
Decrease in provisions	737,604,618	3,425,877,899
	¢ <u>7,856,422,164</u>	<u>10,645,280,398</u>

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

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(43) Expenses for assets held for sale and assets held for sale outside the scope of IFRS 5

For the year ended December 31, expenses for assets held for sale and assets held for sale outside the scope of IFRS 5 are as follows:

	2024	2023
<u>Expenses for assets held for sale</u>		
Loss on sale of assets awarded in judicial auctions	¢ 2,923,517,464	4,963,231,383
Management of assets received in lieu of payment	3,837,020	8,425,067
Management of assets awarded in judicial auctions	6,370,849,636	5,524,997,488
Loss on impairment of assets held for sale (Note 14)	77,205,462	191,081,290
Loss on allowance for impairment of assets held for sale and per legal requirement (Note 14)	-	5,379,347,417
Other expenses for assets held for sale	15,091,061	10,589,746
	¢ 9,390,500,643	16,077,672,391
<u>Assets held for sale outside the scope of IFRS 5</u>		
Expense for management of assets received in lieu of payment	70,225,468	-
	¢ 70,225,468	-
	¢ 9,460,726,111	16,077,672,391

(44) Provision expenses

For the year ended December 31, provision expenses are as follows:

	2024	2023
Severance benefits	¢ 50,213,194	57,993,578
Pending litigation	7,295,727,949	6,852,663,570
“BN Premios” points program	3,914,262,114	3,314,172,009
Notice of deficiency (Note 53)	13,110,754,314	11,645,700,382
Deposit Guarantee Fund	1,461,178,453	1,464,785,370
	¢ 25,832,136,024	23,335,314,909

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(45) Other operating expenses

For the year ended December 31, other operating expenses are as follows:

	2024	2023
Penalties for noncompliance with regulatory legal provisions	20,015,085	25,414
Net valuation of other liabilities (Note 6)	308,781,157	1,275,069,483
Value-added tax expense	1,455,444,322	1,201,858,991
Income tax on foreign remittances	6,358,514	6,542,854
8% and 15% tax on income from interest on investments in financial instruments	51,110,689	348,697,943
Property tax	299,598,626	300,697,092
Patents	1,331,319,158	1,271,720,663
Other local taxes	118,900,915	79,857,498
Other foreign taxes	23,126	35,889
Transfer to FINADE	1,937,287,671	2,994,377,819
Costs of microfinance insurance policies	4,627,519,808	3,368,466,623
Customer remittances	1,784,994,023	876,427,206
Amortization of deferred direct costs related to loans	628,735,230	580,100,897
Authorization abroad	3,093,310,851	2,186,169,100
Life insurance unpaid balance	14,355,889,934	8,648,777,832
Software maintenance and licenses	18,088,195,923	11,839,032,850
Cost of quarterly processing of credit cards	26,297,198,663	17,304,771,980
Sundry operating expenses	7,303,483,005	21,641,310,034
	¢ 81,708,166,700	73,923,940,168

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(46) Personnel expenses

For the year ended December 31, personnel expenses are as follows:

	2024	2023
Salaries and bonuses, permanent staff	¢ 79,849,767,711	78,357,330,002
Salaries and bonuses, contractors	2,618,773,546	2,408,714,837
Compensation for directors and statutory examiners	196,004,444	176,076,603
Overtime	926,058,580	717,709,006
Travel expenses	528,484,959	474,413,515
Statutory Christmas bonus	9,143,642,069	8,531,418,976
Vacation	7,025,435,878	6,752,387,675
Incentives	4,728,301,351	18,787,472
Other compensation	8,319,114,409	7,153,956,052
Severance benefits	5,265,718,644	4,925,599,360
Employer social security taxes	36,317,153,303	34,008,075,459
Refreshments	212,583,140	88,483,994
Uniforms	526,440,685	534,624,035
Training	807,050,688	872,356,726
Employee insurance	299,121,434	291,292,830
Back-to-school bonus	8,151,852,064	7,881,501,321
Mandatory retirement savings account	1,783,981,814	1,656,248,672
Other personnel expenses	467,412,018	566,432,969
	¢ <u>167,166,896,737</u>	<u>155,415,409,504</u>

(47) Other administrative expenses

For the year ended December 31, other administrative expenses are as follows:

	2024	2023
Outsourcing	¢ 37,396,848,192	31,686,406,567
Transportation and communications	4,267,166,149	3,770,933,489
Infrastructure	33,277,693,170	32,370,826,302
Overhead	24,741,296,265	22,134,925,333
	¢ <u>99,683,003,776</u>	<u>89,963,091,691</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(48) Statutory allocations

For the year ended December 31, statutory allocations are as follows:

	2024	2023
CONAPE - 5%	¢ 4,958,572,255	4,634,499,667
CNE - 3%	3,268,190,754	3,104,056,219
INFOCOOP - 10%	7,181,256,839	7,094,104,250
Public capital pension operators	2,066,721,291	1,542,119,927
RIVM - 15%	12,991,056,971	12,369,166,773
	¢ 30,465,798,110	28,743,946,836

(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:

	2024	
	Carrying amount	Fair value
<u>Financial assets:</u>		
Cash and due from banks	¢ 1,435,121,111,635	1,435,121,111,635
Investments at amortized cost	772,025,699,213	779,285,604,661
Loan portfolio	5,317,972,021,442	5,293,848,770,968
	¢ 7,525,118,832,290	7,508,255,487,264
<u>Financial liabilities:</u>		
Demand deposits from the public and financial entities	¢ 4,970,054,948,092	4,970,054,948,092
Other demand obligations with the public	15,682,906,807	15,682,906,807
Term deposits from the public and financial entities	2,542,340,425,806	2,515,448,715,981
	¢ 7,528,078,280,705	7,501,186,570,880

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	2023	
	Carrying amount	Fair value
<i><u>Financial assets:</u></i>		
Cash and due from banks	¢ 1,429,362,414,317	1,429,362,414,317
Investments at amortized cost	730,519,651,897	730,631,631,884
Loan portfolio	<u>5,007,320,159,008</u>	<u>5,078,215,432,860</u>
	<u>¢ 7,167,202,225,222</u>	<u>7,238,209,479,061</u>
<i><u>Financial liabilities:</u></i>		
Demand deposits from the public and financial entities	¢ 4,541,475,894,042	4,541,475,894,042
Other demand obligations with the public	14,826,284,083	14,826,284,083
Term deposits from the public and financial entities	<u>2,493,784,423,797</u>	<u>2,469,749,126,024</u>
	<u>¢ 7,050,086,601,922</u>	<u>7,026,051,304,149</u>

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, 2024 and 2023.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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:

		2024			
		Level 1	Level 2	Level 3	Total
FVPTL	¢	89,100,983	12,514,960,361	3,785,177,952	16,389,239,296
FVOCI	¢	803,741,742,215	-	-	803,741,742,215
Derivative financial instruments	¢	-	-	51,184,872	51,184,872
		2023			
		Level 1	Level 2	Level 3	Total
FVPTL	¢	1,061,437,040	18,643,267,761	3,816,708,183	23,521,412,984
FVOCI	¢	614,745,008,391	-	-	614,745,008,391
Derivative financial instruments	¢	-	-	102,383,490	102,383,490

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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 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).

i. Recurring Level 3 fair values

As of December 31, financial instruments categorized as Level 3 in the fair value hierarchy are measured as follows:

	2024		2023		
	FVTPL	Derivative financial instruments	FVTPL	Derivative financial instruments	Term obligations with foreign financial entities
Opening balance	¢ 3,816,708,183	102,383,490	4,305,251,883	-	103,761,660,525
Valuation	71,595,459	4,290,104	51,998,534	20,902,320	1,145,892,786
Amortizations	-	-	-	-	(856,607,365)
Exchange differences	(103,125,690)	(55,488,722)	(540,542,234)	81,481,170	(104,050,945,946)
Closing balance	¢ 3,785,177,952	51,184,872	3,816,708,183	102,383,490	-

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(50) Segments

The Conglomerate has defined its business segments based on the administrative and reporting structure and the services provided by the Bank, the Brokerage Firm, the Investment Fund Manager, the Pension Fund Manager and the Insurance Brokerage Firm. Profit or loss, assets and liabilities of each segment are as follows:

As of December 31, 2024									
	Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	BN Centro Procesos	Total	Eliminations and reclassifications	Consolidated
<i>ASSETS</i>									
Cash and due from banks	€ 1,432,349,067,459	1,579,025,085	483,960,819	1,377,055,047	67,338,787	951,400,991	1,436,807,848,188	1,686,736,526	1,435,121,111,662
Investments in financial instruments	1,513,088,155,771	65,184,332,077	13,225,517,465	15,139,278,903	8,279,084,672	-	1,614,916,368,888	45,312,000	1,614,871,056,888
Loan portfolio, net	5,141,392,059,861	-	-	-	-	-	5,141,392,059,861	5,780,518,020	5,135,611,541,841
Accounts and fees and commissions receivable, net	1,566,502,066	246,438,150	64,717,796	1,192,918,786	504,144,582	-	3,574,721,380	30,005,550	3,544,715,830
Fees and commissions receivable	455,501,721	50,748,170	36,148,550	969,059,267	433,561,410	-	1,945,019,118	25,507,088	1,919,512,030
Accounts due from related parties	37,419,583	4,498,462	-	2,172,460	176,451	-	44,266,956	4,498,462	39,768,494
Deferred tax and income tax receivable	128,982,918	163,725,184	27,619,485	221,211,828	42,385,104	-	583,924,519	-	583,924,519
Other accounts receivable	8,648,815,784	27,466,334	6,198,659	65,192,026	28,021,617	-	8,775,694,420	-	8,775,694,420
Accrued interest receivable	1,424,857	-	-	-	-	-	1,424,857	-	1,424,857
Allowance for impairment	(7,705,642,797)	-	(5,248,896)	(64,716,795)	-	-	(7,775,608,488)	-	(7,775,608,488)
Assets held for sale, net	24,364,121,088	-	-	-	-	-	24,364,121,088	-	24,364,121,088
Investments in other companies	121,349,532,600	30,000,000	-	-	-	-	121,379,532,600	51,766,565,107	69,612,967,493
Property, furniture and equipment, net	230,338,882,269	192,708,826	513,644,720	394,410,390	310,113,447	-	231,749,759,652	-	231,749,759,652
Other assets	97,844,659,597	913,783,515	597,821,852	391,018,941	144,996,074	-	99,892,279,979	-	99,892,279,979
TOTAL ASSETS	€ 8,562,292,980,711	68,146,287,653	14,885,662,652	18,494,682,067	9,305,677,562	951,400,991	8,674,076,691,636	59,309,137,203	8,614,767,554,433
<i>LIABILITIES AND EQUITY</i>									
<i>LIABILITIES</i>									
Obligations with the public	€ 6,992,950,317,591	-	-	-	-	-	6,992,950,317,591	-	6,992,950,317,591
Obligations with BCCR	128,716,569,121	-	-	-	-	-	128,716,569,121	-	128,716,569,121
Obligations with entities	363,192,350,793	51,108,295,964	329,569,148	79,554,881	309,428,933	-	415,019,199,719	7,502,066,963	407,517,132,756
Accounts payable and provisions	137,905,672,382	1,350,577,497	1,453,361,072	3,985,268,055	1,375,931,684	62,885	146,070,873,575	30,005,526	146,040,868,049
Other liabilities	19,745,761,079	-	-	-	-	-	19,745,761,079	10,499,583	19,735,261,495
Subordinated obligations	74,436,676,956	-	-	-	-	-	74,436,676,956	-	74,436,676,956
TOTAL LIABILITIES	€ 7,716,947,347,922	52,458,873,461	1,782,930,220	4,064,822,936	1,685,360,617	62,885	7,776,939,398,041	7,542,572,069	7,769,396,825,969

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024									
	Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	BN Centro Procesos	Total	Eliminations and reclassifications	Consolidated
EQUITY									
Share capital	€ 172,237,030,102	6,600,000,000	5,000,000,000	8,321,092,337	1,869,700,000	956,578,481	194,984,400,920	22,747,370,817	172,237,030,103
Non-capitalized capital contributions	-	-	-	573,832,672	-	-	573,832,672	573,832,672	-
Equity adjustments	78,746,330,713	6,481,643	108,891,229	279,937,280	-	-	79,141,640,865	395,310,150	78,746,330,715
Capital reserves	466,006,343,889	1,320,000,000	1,000,000,000	300,000,000	73,940,000	-	468,700,283,889	2,693,940,000	466,006,343,889
Prior year retained earnings	20,857,140,246	6,203,287,589	3,755,821,799	2,863,179,881	294,269,167	-	33,973,698,682	13,116,558,407	20,857,140,275
Income for the year	51,739,174,491	1,557,644,958	3,238,019,403	2,091,816,961	5,382,407,781	(5,240,375)	64,003,823,219	12,239,553,086	51,764,270,133
FOFIDE	55,759,613,349	-	-	-	-	-	55,759,613,349	-	55,759,613,349
TOTAL EQUITY	€ 845,345,632,790	15,687,414,190	13,102,732,431	14,429,859,131	7,620,316,948	951,338,106	897,137,293,596	51,766,565,132	845,370,728,464
TOTAL LIABILITIES AND EQUITY	€ 8,562,292,980,712	68,146,287,651	14,885,662,650	18,494,682,067	9,305,677,565	951,400,991	8,674,076,691,636	59,309,137,203	8,614,767,554,433
Debit memoranda accounts									
Debit memoranda accounts	€ 442,216,548,674	271,927,453	1,741,655	652,976,889	-	-	443,143,194,671	-	443,143,194,671
Income from cash and due from banks and financial instruments	€ 2,846,623,277,395	11,509,299	-	-	-	-	2,846,634,786,694	-	2,846,634,786,694
Trust liabilities	€ 59,696,935,470	8,907,716	-	-	-	-	59,705,843,186	-	59,705,843,186
Trust equity	€ 2,786,926,341,925	2,601,583	-	-	-	-	2,786,928,943,508	-	2,786,928,943,508
Other debit memoranda accounts	€ 35,387,547,559,275	1,159,613,060,720	849,071,502,579	2,871,938,781,019	-	-	40,268,170,903,593	-	40,268,170,903,593
As of December 31, 2024									
	Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	BN Centro Procesos	Total	Eliminations and reclassifications	Consolidated
Finance income	€ 590,346,870,642	5,262,855,430	1,115,001,656	2,385,488,469	460,647,067	-	599,570,863,264	10,522,208	599,560,341,056
Finance costs	238,628,733,663	2,612,209,010	238,406,739	63,427,694	62,325,097	-	241,605,102,203	10,522,208	241,594,579,995
Allowance expense	103,803,719,043	7,260,619	22,194,548	33,471,260	10,555,614	-	103,877,201,084	-	103,877,201,084
Income from recovery of assets	15,043,283,922	3,434,303	21,201,465	25,584,869	8,578,736	-	15,102,083,295	-	15,102,083,295
FINANCE INCOME	262,957,701,858	2,646,820,104	875,601,834	2,314,174,384	396,345,092	-	269,190,643,272	-	269,190,643,272
Other operating income	238,248,246,082	5,294,082,246	8,957,561,518	12,644,737,073	11,420,303,599	-	276,564,930,518	14,898,301,254	261,666,629,264
Other operating expenses	153,355,784,498	1,304,890,872	781,530,949	2,447,630,722	202,177,901	3,563,455	158,095,578,397	2,510,981,001	155,584,597,396
GROSS OPERATING INCOME	347,850,163,442	6,636,011,478	9,051,632,403	12,511,280,735	11,614,470,790	(3,563,455)	387,659,995,393	12,387,320,253	375,272,675,140
Personnel expenses	152,049,733,787	3,531,286,859	3,233,827,866	5,303,306,227	3,047,065,078	1,676,920	167,166,896,737	-	167,166,896,737
Other administrative expenses	96,628,984,553	674,705,722	926,762,345	1,073,819,088	526,499,234	-	99,830,770,942	147,767,166	99,683,003,776
Total administrative expenses	248,678,718,340	4,205,992,581	4,160,590,211	6,377,125,315	3,573,564,312	1,676,920	266,997,667,679	147,767,166	266,849,900,513
NET OPERATING INCOME BEFORE STATUTORY ALLOCATIONS AND TAXES	99,171,445,102	2,430,018,897	4,891,042,192	6,134,155,420	8,040,906,478	(5,240,375)	120,662,327,714	12,239,553,087	108,422,774,627
Income tax	20,584,678,977	856,115,168	1,550,571,715	1,911,438,828	2,462,233,453	-	27,365,038,141	-	27,365,038,141
Decrease in income tax	881,505,825	56,641,823	44,280,192	144,941,993	44,961,953	-	1,172,331,786	-	1,172,331,786
Statutory allocations	27,729,097,459	72,900,566	146,731,267	2,275,841,624	241,227,194	-	30,465,798,110	-	30,465,798,110
INCOME FOR THE YEAR	€ 51,739,174,491	1,557,644,986	3,238,019,402	2,091,816,961	5,382,407,784	(5,240,375)	64,003,823,249	12,239,553,088	51,764,270,161

(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
<i>ASSETS</i>								
Cash and due from banks	¢ 1,427,478,348,976	1,310,627,112	273,352,269	603,687,293	47,891,047	1,429,713,906,697	351,492,391	1,429,362,414,306
Investments in financial instruments	1,292,816,998,324	63,609,949,013	11,398,553,200	14,203,406,561	7,626,194,654	1,389,655,101,752	35,312,000	1,389,619,789,752
Loan portfolio, net	4,883,467,583,178	-	-	-	-	4,883,467,583,178	5,948,475,198	4,877,519,107,980
Accounts and fees and commissions receivable, net	1,159,632,280	163,526,824	116,127,164	1,444,995,345	653,069,266	3,537,350,879	60,763,339	3,476,587,540
Fees and commissions receivable	443,505,049	24,135,386	78,687,109	1,065,354,605	645,994,893	2,257,677,042	57,311,962	2,200,365,080
Accounts due from related parties	22,162,363	3,411,610	-	-	54,050	25,628,023	3,451,381	22,176,642
Deferred tax and income tax receivable	133,040,592	113,097,858	36,247,812	1,182,106,328	7,020,323	1,471,512,913	-	1,471,512,913
Other accounts receivable	8,058,570,058	22,881,969	6,423,172	(693,884,721)	-	7,393,990,478	-	7,393,990,478
Accrued interest receivable	2,012,794	-	-	-	-	2,012,794	-	2,012,794
Allowance for impairment	(7,499,658,577)	-	(5,230,928)	(108,580,869)	-	(7,613,470,374)	-	(7,613,470,374)
Assets held for sale, net	36,457,157,242	-	-	-	-	36,457,157,242	-	36,457,157,242
Investments in other companies	117,920,885,136	30,000,000	-	-	-	117,950,885,136	49,524,446,248	68,426,438,889
Property, furniture and equipment, net	236,869,106,481	353,606,989	507,140,214	535,436,073	362,521,354	238,627,811,111	-	238,627,811,111
Other assets	40,260,754,603	962,184,229	591,819,229	222,581,426	207,917,528	42,245,257,015	-	42,245,257,015
TOTAL ASSETS	¢ 8,036,430,466,220	66,429,894,167	12,886,992,076	17,010,106,698	8,897,593,849	8,141,655,053,010	55,920,489,176	8,085,734,563,835
<i>LIABILITIES AND EQUITY</i>								
<i>LIABILITIES</i>								
Obligations with the public	¢ 6,450,404,259,373	-	-	-	-	6,450,404,259,373	-	6,450,404,259,373
Obligations with BCCR	147,587,061,477	-	-	-	-	147,587,061,477	-	147,587,061,477
Obligations with entities	410,199,092,561	49,610,575,303	332,736,607	114,509,786	312,400,684	460,569,314,941	6,329,489,747	454,239,825,194
Accounts payable and provisions	141,885,730,532	1,103,572,359	855,523,447	2,307,538,327	1,063,284,036	147,215,648,701	60,763,348	147,154,885,353
Other liabilities	33,117,169,170	-	-	-	-	33,117,169,170	5,789,843	33,111,379,327
Subordinated obligations	59,065,779,037	-	-	-	-	59,065,779,037	-	59,065,779,037
TOTAL LIABILITIES	¢ 7,242,259,092,150	50,714,147,662	1,188,260,054	2,422,048,113	1,375,684,720	7,297,959,232,699	6,396,042,938	7,291,563,189,760

(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	172,237,030,102	6,600,000,000	5,000,000,000	7,537,839,547	369,700,000	191,744,569,649	19,507,539,547	172,237,030,102
Non-capitalized capital contributions	-	-	-	1,357,085,462	-	1,357,085,462	1,357,085,462	-
Equity adjustments	80,711,724,550	(7,541,086)	48,910,223	1,489,953,692	-	82,243,047,379	1,531,322,829	80,711,724,550
Capital reserves	422,198,198,610	1,320,000,000	898,628,741	300,000,000	73,940,000	424,790,767,351	2,491,197,486	422,299,569,865
Prior year retained earnings	32,628,167,802	6,171,942,091	3,267,127,498	2,283,216,471	2,259,916,545	46,610,370,410	14,083,573,861	32,526,796,549
Income for the year	37,771,657,780	1,631,345,498	2,484,065,560	1,619,963,412	4,818,352,596	48,325,384,846	10,553,727,064	37,771,657,782
FOFIDE	48,624,595,226	-	-	-	-	48,624,595,226	-	48,624,595,226
TOTAL EQUITY	794,171,374,070	15,715,746,506	11,698,732,022	14,588,058,584	7,521,909,141	843,695,820,323	49,524,446,249	794,171,374,075
TOTAL LIABILITIES AND EQUITY	8,036,430,466,220	66,429,894,168	12,886,992,076	17,010,106,697	8,897,593,861	8,141,655,053,022	55,920,489,187	8,085,734,563,835
Debit memoranda accounts								
Income from cash and due from banks and financial instruments	2,842,249,896,680	660,611,848	-	-	-	2,842,910,508,528	-	2,842,910,508,528
Trust liabilities	64,241,286,375	9,235,170	-	-	-	64,250,521,545	-	64,250,521,545
Trust equity	2,778,008,610,305	651,376,678	-	-	-	2,778,659,986,983	-	2,778,659,986,983
Other debit memoranda accounts	31,107,077,262,393	1,111,429,293,218	682,701,900,813	2,546,790,872,490	-	35,447,999,328,914	-	35,447,999,328,914
As of December 31, 2023								
	Bank	Brokerage Firm	Investment Fund Manager	Pension Fund Manager	Insurance Brokerage Firm	Total	Eliminations and reclassifications	Consolidated
Finance income	587,617,867,328	5,972,731,947	1,121,128,629	1,122,888,326	540,199,104	596,374,815,334	13,003,947	596,361,811,386
Finance costs	294,327,653,183	3,546,438,950	176,098,522	221,865,718	53,794,818	298,325,851,191	13,003,947	298,312,847,246
Allowance expense	41,958,971,581	91,970,074	16,120,348	75,032,948	13,430,334	42,155,525,285	-	42,155,525,286
Income from recovery of assets	21,873,854,809	239,190,594	59,239,952	74,498,222	20,535,255	22,267,318,832	-	22,267,318,833
FINANCE INCOME	273,205,097,373	2,573,513,517	988,149,711	900,487,882	493,509,207	278,160,757,690	-	278,160,757,687
Other operating income	202,122,778,117	5,002,764,072	7,040,614,822	11,859,278,262	10,052,249,597	236,077,684,870	13,002,804,638	223,074,880,232
Other operating expenses	153,331,996,340	1,281,813,933	615,217,548	2,215,782,682	162,292,345	157,607,102,848	2,298,878,497	155,308,224,351
GROSS OPERATING INCOME	321,995,879,150	6,294,463,656	7,413,546,985	10,543,983,462	10,383,466,459	356,631,339,712	10,703,926,141	345,927,413,568
Personnel expenses	141,990,726,492	3,184,423,201	2,802,441,818	4,709,213,924	2,728,604,068	155,415,409,503	-	155,415,409,504
Other administrative expenses	87,315,159,315	497,168,202	841,454,028	1,000,371,707	459,137,516	90,113,290,768	150,199,077	89,963,091,691
Total administrative expenses	229,305,885,807	3,681,591,403	3,643,895,846	5,709,585,631	3,187,741,584	245,528,700,271	150,199,077	245,378,501,195
NET OPERATING INCOME BEFORE STATUTORY ALLOCATIONS AND TAXES	92,689,993,342	2,612,872,255	3,769,651,140	4,834,397,831	7,195,724,868	111,102,639,436	10,553,727,064	100,548,912,373
Income tax	30,580,220,731	903,140,590	1,172,496,047	1,449,439,072	2,161,500,526	36,266,796,966	-	36,266,796,966
Decrease in income tax	2,233,489,214	-	-	-	-	2,233,489,214	-	2,233,489,214
Statutory allocations	26,571,604,042	78,386,168	113,089,534	1,764,995,346	215,871,746	28,743,946,836	-	28,743,946,836
INCOME FOR THE YEAR	37,771,657,785	1,631,345,497	2,484,065,559	1,619,963,413	4,818,352,596	48,325,384,850	10,553,727,064	37,771,657,785

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(51) Contingencies

As of December 31, the Conglomerate is a defendant in ordinary, labor and criminal lawsuits as follows:

	Number of cases		Stage	Total estimated amount	
	2024	2023		2024	2023
Banco Nacional de Costa Rica	198	273	First instance	¢ 48,228,484,383	48,572,060,843
	17	18	Second instance	945,229,815	127,080,500
	58	43	Appeal	7,190,597,986	12,922,969,377
	273	334		56,364,312,184	61,622,110,720
BN Vital	3	7	First instance	652,976,889	36,146,883
	-	2	Appeal	-	-
	3	9		652,976,889	36,146,883
BN Valores	1	1	First instance	271,927,453	148,889,322
BN SAFI	1	-	First instance	1,741,655	-
	278	344	(Note 22)	¢ 57,290,958,181	61,807,146,925

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 as defendant		Stage	Total estimated amount	
2024	2023		2024	2023
214	227	First instance	¢ 54,784,285,529	82,114,453,888
-	1	Second instance	-	33,449,683
1	1	Appeal	15,255,204,109	12,770,124,232
215	229		¢ 70,039,489,638	94,918,027,803

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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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, and a payment was approved recently.
- 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: Resolution dated November 16, 2022 set the date for the preliminary hearing from September 2 to November 29, 2024. However, the hearing will take place from October 21 to 26 and from November 25 to 29, 2024 solely to hear previous aspects, as indicated by the resolution.
 - ✓ Current status: A complaint and a civil lawsuit were filed.
- 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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- ✓ Latest activity: On August 30, 2024, Judgment No. 2024005604 of first instance dismissed the claim filed by the group of buyers from the Bariloche Real condominium.
- ✓ Current status: An appeal for nullification with a higher court was filed, dated October 10, 2024, and is under study by the First Chamber of the Supreme Court of Justice.
- *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 N°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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 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: The wait of the oral public trial, set for May 8 and 9, 2024, was suspended as an attempt to reach an out-of-court settlement.
 - ✓ Current status: Through resolution dated August 20, 2024, the Court extended the suspension of the proceedings for a term of three months so that the parties continue to negotiate an out-of-court settlement.
- 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: Through Resolution No. 2024000526, dated August 28, 2024, the First Associate Civil Court of San José rejected a defense of another action pending (*lis pendens*), which was filed by the defendant. The defendant filed a motion for reconsideration with an appeal to a higher court on September 2, 2024.
 - ✓ Current status: The motions are pending resolution. If they are rejected, the proceedings will continue with a preliminary hearing.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 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: waiting for the trial to be scheduled.

(52) Emergency caused by COVID-19

As part of the measures adopted to contain the crisis caused by the pandemic, the Bank evaluated the loans of borrowers who requested it since their payment capacity was affected, providing a temporary modification to help them face the COVID-19 crisis.

As a result, as of December 31, 2024, the loan portfolio that required at least one modification to the originally agreed conditions amounts to ₡1,121,879,572,935 representing 21.22% of the total loan portfolio (2023: ₡1,312,692,854,100 representing 26.44% of the total loan portfolio).

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	2024	2023
Agriculture and forestry	19,753,247,988	27,930,051,024
Trade	77,561,578,814	101,587,782,118
Construction	20,862,988,840	23,746,122,736
Consumer or personal loans	57,778,733,427	78,475,192,293
Electricity, water, sanitation and other related sectors	135,103,825,012	140,834,903,322
Mining	236,081,858	262,574,377
Livestock, hunting and fishing	15,673,411,741	19,365,099,282
Industry	35,372,665,788	42,531,009,820
Services	283,340,934,800	345,622,322,816
Financial services	21,007,257,145	23,249,333,712
Transportation, communication and storage	12,763,579,198	15,643,776,134
Tourism	70,318,201,539	82,556,612,628
Housing	372,107,066,785	410,888,073,838
	<u>1,121,879,572,935</u>	<u>1,312,692,854,100</u>
Accounts and accrued interest receivable	2,247,410,744	2,359,575,276
Loans restructured due to COVID-19	1,124,126,983,679	1,315,052,429,376
Allowance for doubtful accounts	(38,956,563,748)	(37,413,455,849)
	<u>1,085,170,419,931</u>	<u>1,277,638,973,527</u>

As of December 31, the loan portfolio, restructured at least once due to COVID-19, by arrears, is as follows:

	2024	2023
Current	1,000,199,005,379	1,160,232,297,800
1 to 30 days	34,837,481,099	38,977,129,524
31 to 60 days	30,405,931,522	45,737,237,629
61 to 90 days	11,841,346,068	14,669,105,915
91 to 120 days	3,485,693,889	5,263,928,539
121 to 150 days	1,092,883,033	2,593,238,158
In legal collection	40,017,231,945	45,219,916,535
	<u>1,121,879,572,935</u>	<u>1,312,692,854,100</u>
Accounts and accrued interest receivable	2,247,410,744	2,359,575,276
Total loans restructured due to COVID-19	1,124,126,983,679	1,315,052,429,376
Allowance for loan losses	(38,956,563,748)	(37,413,455,849)
Loan portfolio, net	<u>1,085,170,419,931</u>	<u>1,277,638,973,527</u>

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, the loan portfolio, restructured at least once due to COVID-19, by guarantee, is as follows:

	2024	2023
Collateral	¢ 10,319,634,419	21,052,318,468
Surety	4,463,690,657	9,655,517,340
Assignment of loans	32,198,005,454	39,010,985,819
Back-to-back	1,466,811,375	1,915,900,090
Mortgage	520,403,023,534	593,164,016,788
Trust	89,627,429,280	102,101,169,773
Surety - Mortgage	103,202,638,747	124,090,497,068
Surety - Trust	118,775,571,315	143,549,822,378
Other	195,720,056,925	227,438,307,702
Not assigned	2,086,673,285	2,349,998,065
Surety - Collateral	1,261,893,363	2,478,302,178
Collateral - Mortgage	527,206,977	608,650,253
Surety - Collateral - Mortgage	1,201,774,128	2,042,793,834
Securities	19,677,940,402	21,413,418,170
Mortgage - Trust	88,547,552	90,917,308
Surety - Securities	21,262,172	25,399,658
Mortgage - BTB	43,431,398	-
Collateral - Trust	20,793,981,952	21,704,839,208
	1,121,879,572,935	1,312,692,854,100
Accounts and accrued interest receivable	2,247,410,744	2,359,575,276
Loans restructured due to COVID-19	1,124,126,983,679	1,315,052,429,376
Allowance for loan losses	(38,956,563,748)	(37,413,455,849)
Loan portfolio, net	¢ 1,085,170,419,931	1,277,638,973,527

(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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

On December 31, 2022, the Bank received a notice from the tax auditors to attend the final hearing to deliver results through the document DGCN-SF-PD-25-2021-26-331-03. It took place on October 10, 2022.

Through Official Letter DGCN-SF-PD-25-2021-07-41-03, on October 28, 2022, a notice of deficiency and observations is communicated, which was challenged by the Bank on November 11, 2022. Through Official Letter DCGN-SF-PS-25-2021-24-5138-03, on November 24, 2022, a sanctioning notice of deficiency is communicated due to Article 81 of the Tax Code of Standards and Procedures, which was challenged by the Bank on December 7, 2022.

On December 21, 2022, through Official Letter DGCN-373-DF-DT-UT-2022, the Tax Administration communicates the determination resolution for the 2017 fiscal period. The Tax Administration was aware of the challenge filed by the Bank; therefore, the Bank has 30 business days to file the motion for reconsideration before the Tax Administration and 30 days after that, before the Tax Court.

On February 1, 2023, through Official Communication GG-063-23, the Bank filed a motion for reconsideration against resolution DGCN-373-DF-DT-UT-2022. A response was received on July 3, 2023, from the Ministry of Finance through communication MH-DGT-DGCN-DF-REV-0175-2023, indicating that the Bank has 30 business days as of that date to file the appeal before the Tax Court.

Through resolution no. MH-DGT-DGCN-DF-REV-0175-2023, notified on July 3, 2023, the Tax Administration heard the motion for reconsideration of resolution DGCN-373-DF-DT-UT-2022; it rejected the remedy filed.

On August 11, 2023, resolution MH-DGT-DGCN-DF-REV-0175-2023 was appealed before the Tax Court.

Through Resolution No. MH-DGT-DGCN-DF-APD-AUTO-0081-2023 dated August 23, 2023, the Administration admitted the appeal and summoned the Bank before the Tax Court to present its damages regarding the appeal filed. Consequently, on October 3, 2023, the writ with the response was submitted before said court.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

On March 22, 2024, Resolution TFA No.111-P-2024 was notified, dismissing the appeal and exhausting the administrative venue. Subsequently, on May 31, 2024, payment requirement No. 1911002477255 was received from the Tax Administration, granting the Bank a term of 15 business days to pay the amount of the notice of deficiency and interest.

On June 21, 2024, the Bank paid under protest the notice of deficiency, interest and penalty for a total of ¢39,102,783,764, and it prepared a claim to initiate legal proceedings. The claim was filed on August 5, 2024, before the Administrative Court.

On November 20, 2024, a preliminary hearing was conducted virtually, and the disputed facts and the admission of documentary and testimonial evidence were discussed. The public oral proceedings were summoned to be held on April 22, 2025.

b) Deferred term operations

Due to the COVID-19 national emergency, the board of directors of BCCR, in Article 5 of Minutes of Meeting No. 5955-2020, held on September 2, 2020, approved the creation of a medium-term special credit facility for SUGEF-regulated financial intermediaries.

As of December 31, 2024, 2,552 loan operations were placed under this modality, applying a discount to the interest rate on the loans in colones in the amount of ¢120,764,583,575, reaching an average rate of the operations already processed of 6.00%. The remaining average maturity term is 9.11 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), published in Alcance 19 of the Official Gazette dated February 12, 2020, 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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Pursuant to Article 17 *Contributions* of the *Regulation of the management of the Deposit Guarantee Fund and other guarantee funds*, entities that contribute to the DGF shall make an annual contribution that may not exceed 0.15% of the deposits guaranteed by the entity.

d) *Treatment of foreign exchange differences as per ruling DGT-R-09-2022*

The Bank filed a consultation before the Costa Rican Tax Administration pursuant to Article 119 of the Tax Code of Standards and Procedures, in relation to the treatment of the exchange differences provided through Ruling DGT-R-09-2022. That consultation was served and communicated via e-mail according to Official Letter MH-DGT-OF-119-0001-2023, dated January 31, 2023. The answer reads as follows:

In accordance with the above, considering that the consulting party is an entity regulated by the Superintendency General of Financial Entities (SUGEF), for purposes of calculation of exchange differences, the calculation is made according to the regulation on the position in foreign currency of foreign exchange intermediaries set forth in Article 4 of the Cash Operations Regulations, issued by the Board of Directors of the Central Bank of Costa Rica and Number 4 of Ruling DGT-R-009-2022...Take into account that such ruling is applicable to the 2022 fiscal period, in accordance with Number 5 of the mentioned ruling.

(54) 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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Bank'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) IAS 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, for the tax period 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 may be accounted for in any of the following ways:

- a. Booking against profit or loss for the year, in monthly installments, using the straight-line method, no later than December 31, 2021.
- 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.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- c. If the provision amount is greater than the opening balance of prior period retained earnings, the adjustment will be first applied to prior retained earnings and, for the remainder, the provisions of item a. above will be followed.

On January 31, 2019 at the latest, the entity, which had tax treatments in dispute for the years indicated in this provision, had to report to the respective superintendency the method (a), (b) or (c) above, based on SUGEF Directive 30-18), that would be used until the resolution or settlement of the tax obligation.

Aligned with the above, the new CONASSIF Directive 6-18, which replaces SUGEF Directive 30-18 as of January 1, 2020, establishes in its first provision *Entrance into Force* that what was mentioned above concerning IAS 12 and IFRIC 23 will remain in effect until the resolution and will be evaluated according to the aforementioned framework, i.e., SUGEF 30-18.

b) IAS 21: The Effects of Changes in Foreign Exchange Rates

CONASSIF requires that the financial statements of regulated entities be presented in Costa Rican colones as the functional currency.

Additionally, regulated entities must use the reference sell exchange rate set by BCCR that prevails at the time that the operation to record the translation of the foreign currency into the official currency, 'the Costa Rican colon,' is made.

At each monthly close, the corresponding reference exchange rate will be used as indicated in the paragraph above, effective at the last day of each month, for the recognition of the adjustment due to foreign exchange differences in the monetary items in foreign currency.

According to this Standard, in preparing the financial statements, each entity will determine its functional currency. The entity will translate the items in foreign currency into the functional currency and will report on the effects of this translation. As indicated above, CONASSIF determined that both the presentation of financial information and the accounting records of foreign currency transactions should be translated into colones, irrespective of the functional currency.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

c) IFRS 5: Non-current Assets Held for Sale and Discontinued Operations

This Standard establishes that entities shall measure non-current assets (or disposal groups) classified as held for sale at the lower of the carrying amount and fair value less cost to sell.

To close the gaps with IFRS, through Minutes of Meeting No. 1836-2023, held on November 27, 2023, CONASSIF modified Article 16 of CONASSIF Directive 6-18 *Regulation on Financial Information* (RFI), eliminating allowance requirements and determining which will be reclassified to account 188 “Other assets held for sale outside the scope of IFRS 5”. This change is applicable as of January 1, 2024, following that set forth in Transition Provision XX of RFI, which admits a gradual period ending on December 31, 2024. The impacts of this change will be applied prospectively.

d) IFRS 9: Financial Instruments

- a) For the application of IFRS 9, specifically the measurement of ECL, the prudential regulation issued by CONASSIF continues to be used, applicable to the loan portfolio, accounts receivable and stand-by credits granted, until the standard is modified.
- b) For the measurement of ECL on money market investment funds, for the portion of the portfolio of financial instruments classified as at amortized cost, CONASSIF established a threshold that determines whether those ECL should be recorded, as provided by Article 36 BIS and Transition Provision XV of the *General Regulation of Corporations and Investment Funds*, which includes a graduality table that establishes the percentages of deviation of the value of the investment portfolio. IFRS 9 does not indicate the possibility of establishing thresholds or minimum allowances for financial instruments.
- c) Regulated entities should have policies and procedures in place to determine the amount of the suspension of the booking of the accrual of commissions and interest on loan operations. However, the term of the suspension of the accrual should not exceed 180 days.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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*.

(Continued)

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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, which 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.

(55) 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 will not determine the economic impact of those differences since it considers such determination impractical.