BANCO NACIONAL DE COSTA RICA

Financial Information Required by the
Superintendency General of Financial Entities

Unconsolidated Financial Statements

December 31, 2015
(With corresponding figures for 2014)

(With Independent Auditor's Report Thereon)

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

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Independent Auditors' Report

The Superintendency General of Financial Entities (SUGEF)
and the Board of Directors of Banco Nacional de Costa Rica

We have audited the accompanying unconsolidated financial statements of Banco Nacional de Costa Rica, which comprise the unconsolidated balance sheet as of December 31, 2015, and the unconsolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The unconsolidated financial statements have been prepared by management based on the financial reporting provisions of the accounting regulations issued by the National Financial System Oversight Board (CONASSIF) and the Superintendency General of Financial Entities (SUGEF).

Management's responsibility for the unconsolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these unconsolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the unconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the unconsolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the unconsolidated financial statements.

KPMG, S.A., a Costa Rican corporation, is a member firm
of KPMG International Cooperative, a Swiss cooperative.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of Banco Nacional de Costa, as of December 31, 2015, and of its unconsolidated financial performance and cash flows for the year then ended in accordance with the financial reporting provisions of the accounting regulations issued by CONASSIF and SUGEF.

Basis of accounting
Without modifying our opinion, we draw attention to note 1-b to the unconsolidated financial statements, which describes the basis of accounting. The unconsolidated financial statements have been prepared in accordance with the financial reporting provisions issued by CONASSIF and SUGEF. The Bank issues consolidated financial statements, which are its main financial statements. The unconsolidated financial statements, with investments in subsidiaries presented using the equity method, have been prepared per SUGEF's requirement. The unconsolidated financial statements of the Bank should be read in conjunction with the consolidated financial statements. As a result, the financial statements may not be suitable for another purpose.

KPMG

January 31, 2016

San José, Costa Rica
Eric Alfaro V.
Member No. 1547
Policy No. 0116 FIG 7
Expires 9/30/2016

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

BANCO NACIONAL DE COSTA RICA
UNCONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2015
(With corresponding figures for 2014)
(In colones)

	Note	2015	2014 Restated
ASSETS			
Cash and due from banks	**4**	**845,089,095,231**	**827,582,424,992**
Cash		79,927,683,485	69,181,993,057
Demand deposits in BCCR		640,298,337,809	576,097,940,840
Demand deposits in local financial entities		16,415,516,733	12,862,465,611
Demand deposits in foreign financial entities		103,225,443,701	163,827,512,489
Other cash and due from banks		5,222,073,230	5,612,512,995
Accrued interest receivable		40,273	-
Investments in financial instruments	**5**	**1,071,837,259,198**	**1,045,040,209,859**
Available for sale		1,022,651,635,280	997,505,123,388
Held to maturity		27,030,439,007	27,328,967,634
Derivative financial instruments		13,103,031,815	11,281,570,780
Accrued interest receivable		9,186,793,757	8,985,047,615
(Allowance for impairment of investments in financial instruments)		(134,640,661)	(60,499,558)
Loan portfolio	**6**	**3,663,687,932,586**	**3,303,451,574,458**
Current		3,490,768,356,493	3,142,775,035,799
Past due		124,446,457,751	116,679,181,039
Legal collection		86,287,327,716	72,120,002,831
Accrued interest receivable		25,154,673,605	21,715,928,888
(Allowance for loan losses)	6-f	(62,968,882,979)	(49,838,574,099)
Accounts and fees and commissions receivable	**7**	**1,005,600,006**	**1,956,793,547**
Fees and commissions receivable		103,040,206	211,673,506
Accounts receivable for operations with related parties		179,094,344	26,735,434
Deferred tax and income tax receivable		3,081,707,872	3,985,280,760
Other receivables		3,502,176,241	3,091,890,476
Accrued interest receivable		1,990,138	2,572,781
(Allowance for impairment of accounts and fees and commissions receivable)		(5,862,408,795)	(5,361,359,410)
Foreclosed assets	**8**	**17,416,744,581**	**19,355,058,030**
Assets and securities acquired in lieu of payment		78,575,996,987	76,541,792,707
Other foreclosed assets		1,770,509	1,756,777
(Allowance for impairment of foreclosed assets and per legal requirements)		(61,161,022,915)	(57,188,491,454)
Investments in other companies	**9**	**85,284,978,077**	**76,183,109,543**
Property and equipment, net	**10**	**176,855,805,996**	**166,387,915,819**
Other assets	**11**	**26,122,989,140**	**50,455,015,839**
Deferred charges		12,588,815,622	21,568,465,566
Intangible assets		3,755,368,332	4,277,632,565
Other assets		9,778,805,186	24,608,917,708
TOTAL ASSETS		**5,887,300,404,815**	**5,490,412,102,087**

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

(Continued)

BANCO NACIONAL DE COSTA RICA
UNCONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2015
(With corresponding figures for 2014)
(In colones)

LIABILITIES AND EQUITY	Note	2015	2014 Restated
LIABILITIES			
Obligations with the public	**12**	**3,933,670,589,846**	**3,679,636,119,142**
Demand obligations		2,476,060,368,987	2,272,307,002,207
Term obligations		1,437,288,142,195	1,388,070,829,970
Finance charges payable		20,322,078,664	19,258,286,965
Obligations with BCCR	**13**	**125,644,412**	**182,746,931**
Term obligations		125,644,412	182,452,312
Finance charges payable		-	294,619
Obligations with entities	**14-a**	**1,198,911,894,975**	**1,089,004,307,672**
Demand obligations		274,253,607,972	286,570,716,555
Term obligations		917,636,049,359	795,909,817,482
Finance charges payable		7,022,237,644	6,523,773,635
Accounts payable and provisions		**102,941,187,796**	**120,990,943,909**
Deferred tax	**15-b**	14,747,940,634	14,138,778,864
Provisions	**16**	34,638,216,985	38,697,849,103
Other sundry accounts payable	**17**	53,555,030,177	68,154,315,942
Other liabilities	**18**	**42,411,442,867**	**34,084,373,087**
Deferred income		14,717,958,057	9,003,262,472
Allowance for stand-by credit losses		1,545,597,997	1,319,693,076
Other liabilities		26,147,886,813	23,761,417,539
Subordinated obligations	**14-b**	**70,347,385,713**	**70,358,271,862**
Subordinated obligations		69,152,200,000	69,330,300,000
Finance charges payable		1,195,185,713	1,027,971,862
TOTAL LIABILITIES		**5,348,408,145,609**	**4,994,256,762,603**
EQUITY			
Share capital		**118,130,303,482**	**118,130,303,482**
Paid-in capital	**19-a**	118,130,303,482	118,130,303,482
Equity adjustments		**73,595,044,363**	**66,252,321,126**
Surplus from revaluation of property and equipment	**19-b**	63,572,929,305	63,639,596,055
Adjustment for valuation of available-for-sale investments	**19-c**	3,303,224,869	(1,746,379,939)
Adjustment for valuation of restricted financial instruments	**19-c**	(435,415,249)	(2,041,047,936)
Surplus from revaluation of other assets		69,678,787	70,246,625
Adjustment for valuation of investments in other companies	**19-d**	7,084,626,651	6,329,906,321
Equity reserves	**19-e**	**247,784,553,250**	**216,895,556,917**
Prior period retained earnings		**44,435,719,699**	**40,731,042,810**
Income for the year		**36,801,775,377**	**39,597,941,323**
Equity of the Development Financing Fund	**19-f**	**18,144,863,035**	**14,548,173,826**
TOTAL EQUITY		**538,892,259,206**	**496,155,339,484**
TOTAL LIABILITIES AND EQUITY		**5,887,300,404,815**	**5,490,412,102,087**
DEBIT MEMORANDA ACCOUNTS	**20**	**518,562,240,674**	**510,980,047,903**
TRUST ASSETS	**21**	**986,665,957,160**	**904,374,430,249**
TRUST LIABILITIES		**47,652,828,395**	**76,808,439,940**
TRUST EQUITY		**939,013,128,765**	**827,565,990,309**
TRUST MEMORANDA ACCOUNTS		**20,702,411,738**	**13,092,078,570**
OTHER DEBIT MEMORANDA ACCOUNTS	**22**	**15,700,203,531,691**	**15,664,502,469,840**
Own debit memoranda accounts		6,976,071,794,263	7,545,877,074,861
Third-party debit memoranda accounts		670,787,193,541	923,639,626,583
Own debit memoranda accounts for custodial activities		309,366,155,191	263,853,004,270
Third-party debit memoranda accounts for custodial activities		7,743,978,388,696	6,931,132,764,126

Juan Carlos Corrales Salas
General Manager

Gerardo Gómez Solís
General Accountant

Ricardo Araya Jiménez
General Auditor

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

BANCO NACIONAL DE COSTA RICA
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015
(With corresponding figures for 2014)
(In colones)

	Note	2015	2014 Restated
Finance income			
Cash and due from banks	23	217,971,906	206,134,989
Investments in financial instruments	23	43,147,487,874	37,221,558,846
Loan portfolio	24	331,611,391,114	304,492,853,084
Gain on foreign exchange differences and development units, net	38-c	-	266,829,014
Gain on available-for-sale financial instruments		940,223,185	1,680,198,856
Gain on derivative financial instruments	5-b	10,724,032,941	21,614,976,680
Other finance income	25	28,091,512,413	15,758,746,182
Total finance income		**414,732,619,433**	**381,241,297,651**
Finance costs			
Obligations with the public	26	108,441,755,773	102,102,958,348
Obligations with BCCR		556,658	1,302,337
Obligations with financial entities		46,261,829,956	37,407,696,742
Other sundry accounts payable		-	90,992
Subordinated, convertible, and preferred obligations		3,673,084,364	1,626,258,416
Loss on foreign exchange differences and development units, net	38-c	469,403,916	-
Loss on available-for-sale financial instruments		79,181,795	578,583,205
Other finance costs	14	27,035,436,416	32,361,388,023
Total finance costs		**185,961,248,878**	**174,078,278,063**
Allowance for impairment of assets	27	32,624,982,718	31,923,597,752
Recovery of assets and decrease in allowances	28	11,897,152,398	17,572,702,878
FINANCE INCOME		**208,043,540,235**	**192,812,124,714**
Other operating income			
Service fees and commissions	29	94,938,065,962	88,369,906,187
Foreclosed assets		2,281,309,882	7,501,408,492
Gain on investments in other foreign companies	3	4,410,917,651	5,225,407,598
Gain on investments in SUGEVAL-regulated entities	3	4,036,054,819	1,485,663,180
Gain on investments in SUPEN-regulated entities	3	938,518,217	722,992,469
Gain on investments in SUGESE-regulated entities	3	763,959,084	532,235,392
Foreign currency exchange and arbitrage		23,556,111,037	24,391,547,759
Other income - Related parties		309,751,688	347,576,960
Other operating income	30	15,892,731,200	20,388,079,647
Total other operating income		**147,127,419,540**	**148,964,817,684**

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

(Continued)

BANCO NACIONAL DE COSTA RICA
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015
(With corresponding figures for 2014)
(In colones)

	Note	2015	2014 Restated
Other operating expenses			
Service fees and commissions		5,293,350,439	5,475,433,359
Foreclosed assets	31	20,719,730,283	26,732,070,254
Sundry assets		1,272,030,080	511,385,175
Provisions	32	24,320,811,364	18,372,337,520
Foreign currency exchange and arbitrage		1,413,939	1,832,495
Other expenses - Related parties		350,451,427	256,693,266
Other operating expenses	33	56,387,687,109	52,333,721,557
Amortization of deferred direct costs related to credits		7,749,520,906	2,541,395,912
Total other operating expenses		**116,094,995,547**	**106,224,869,538**
GROSS OPERATING INCOME		**239,075,964,228**	**235,552,072,860**
Administrative expenses			
Personnel expenses	34	123,782,027,967	113,258,446,407
Other administrative expenses	35	60,409,584,674	59,647,513,906
Total administrative expenses		**184,191,612,641**	**172,905,960,313**
NET OPERATING INCOME BEFORE TAXES AND STATUTORY ALLOCATIONS		**54,884,351,587**	**62,646,112,547**
Income tax	15-a	8,494,098,130	11,763,485,626
Decrease in income tax for the year	15-a	1,248,768,679	202,760,722
Statutory allocations	36	11,207,194,617	11,491,410,897
Decrease in statutory allocations	36	369,947,858	3,964,577
INCOME FOR THE YEAR		**36,801,775,377**	**39,597,941,323**
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Surplus from revaluation of property		(1,093,409,868)	-
Adjustment for valuation of available-for-sale investments, net of income tax		5,049,604,808	(86,587,829)
Adjustment for valuation of restricted financial instruments, net of income tax		1,605,632,687	704,762,922
Surplus from revaluation of other assets		(567,838)	-
Adjustment for valuation of investments in other companies		754,720,330	3,012,627,801
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**6,315,980,119**	**3,630,802,894**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**43,117,755,496**	**43,228,744,217**

Juan Carlos Corrales Salas
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BANCO NACIONAL DE COSTA RICA
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015
(With corresponding figures for 2014)
(In colones)

	Note	Share capital	Equity adjustments: Surplus from revaluation of property	Equity adjustments: Adjustment for valuation of available-for-sale investments and restricted financial instruments	Equity adjustments: Surplus from revaluation of other assets	Equity adjustments: Adjustment for valuation of investments in other companies	Total equity adjustments	Equity reserves	Retained earnings	Equity of the Development Financing Fund	Total
Balance at January 1, 2014 (previously reported)		118,130,303,482	63,639,596,055	(4,405,602,968)	70,246,625	3,317,278,520	62,621,518,232	196,909,225,981	64,525,416,596	12,243,803,201	454,430,267,492
Correction of errors from prior periods	44	-	-	-	-	-	-	-	(578,044,762)	-	(578,044,762)
Balance at January 1, 2014 (restated)		118,130,303,482	63,639,596,055	(4,405,602,968)	70,246,625	3,317,278,520	62,621,518,232	196,909,225,981	63,947,371,834	12,243,803,201	453,852,222,730
Transactions with owners of the Bank booked directly in equity:											
Legal reserves		-	-	-	-	-	-	12,148,897,524	(12,148,897,524)	-	-
Other statutory reserves								7,837,433,412	(7,837,433,412)		
Adjustment for changes in equity of BN Vital		-	-	-	-	-	-	-	32,495,651	-	32,495,651
Statutory allocations - Mandatory pension funds, Employee Protection Law No. 7983		-	-	-	-	-	-	-	(958,123,114)	-	(958,123,114)
Equity of the Development Financing Fund		-	-	-	-	-	-	-	(2,304,370,625)	2,304,370,625	-
Total transactions with owners of the Bank booked directly in equity		-	-	-	-	-	-	19,986,330,936	(23,216,329,024)	2,304,370,625	(925,627,463)
Comprehensive income for the year:											
Income for the year		-	-	-	-	-	-	-	39,597,941,323	-	39,597,941,323
Adjustment for valuation of available-for-sale investments, net of income tax	5-a	-	-	(86,587,829)	-	-	(86,587,829)	-	-	-	(86,587,829)
Adjustment for valuation of restricted financial instruments, net of income tax	5-a	-	-	704,762,922	-	-	704,762,922	-	-	-	704,762,922
Adjustment for revaluation of investments in other companies		-	-	-	-	3,012,627,801	3,012,627,801	-	-	-	3,012,627,801
Total comprehensive income for the year		-	-	618,175,093	-	3,012,627,801	3,630,802,894	-	39,597,941,323	-	43,228,744,217
Balance at December 31, 2014 (restated)	19	118,130,303,482	63,639,596,055	(3,787,427,875)	70,246,625	6,329,906,321	66,252,321,126	216,895,556,917	80,328,984,133	14,548,173,826	496,155,339,484
Transactions with owners of the Bank booked directly in equity:											
Legal reserves		-	-	-	-	-	-	28,851,029,773	(28,851,029,773)	-	-
Other statutory reserves		-	-	-	-	-	-	2,037,966,560	(2,037,966,560)	-	-
Statutory allocations - Mandatory pension funds, Employee Protection Law No. 7983		-	-	-	-	-	-	-	(380,835,774)	-	(380,835,774)
Equity of the Development Financing Fund		-	-	-	-	-	-	-	(3,596,689,209)	3,596,689,209	-
Total transactions with owners of the Bank booked directly in equity		-	-	-	-	-	-	30,888,996,333	(34,866,521,316)	3,596,689,209	(380,835,774)
Comprehensive income for the year:											
Income for the year		-	-	-	-	-	-	-	36,801,775,377	-	36,801,775,377
Adjustment for valuation of available-for-sale investments, net of income tax	5-a	-	-	5,049,604,808	-	-	5,049,604,808	-	-	-	5,049,604,808
Adjustment for valuation of restricted financial instruments, net of income tax	5-a	-	-	1,605,632,687	-	-	1,605,632,687	-	-	-	1,605,632,687
Adjustment for valuation of investments in other companies		-	-	-	-	754,720,330	754,720,330	-	-	-	754,720,330
Surplus from revaluation of property		-	(66,666,750)	-	-	-	(66,666,750)	-	(1,026,743,118)	-	(1,093,409,868)
Realization of surplus from revaluation of other assets		-	-	-	(567,838)	-	(567,838)	-	-	-	(567,838)
Total comprehensive income for the year		-	(66,666,750)	6,655,237,495	(567,838)	754,720,330	7,342,723,237	-	35,775,032,259	-	43,117,755,496
Balances at December 31, 2015	19	118,130,303,482	63,572,929,305	2,867,809,620	69,678,787	7,084,626,651	73,595,044,363	247,784,553,250	81,237,495,076	18,144,863,035	538,892,259,206

Juan Carlos Corrales Salas
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BANCO NACIONAL DE COSTA RICA
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(With corresponding figures for 2014)
(In colones)

	Note	2015	2014 Restated
Cash flows from operating activities			
Income for the year		36,801,775,377	39,597,941,323
Items not requiring cash			
Gain on sale of idle property and equipment		(796)	(67,140)
(Gain) loss on foreign exchange differences and development units, net		(1,748,759,230)	31,816,509,522
Loss on allowance for loan losses, net		19,450,010,909	10,808,070,399
Expense for allowance for impairment of investments, net		74,289,638	2,678,088
Loss on allowances for foreclosed assets and other receivables, net		5,176,061,234	27,720,284,206
Loss on sale of foreclosed assets		6,873,267,222	8,505,552,245
Provision expense, net of payments		23,339,300,805	28,012,902,662
Depreciation and amortization		14,549,010,236	13,882,208,768
Share in net profit of subsidiaries		(5,738,532,120)	(2,740,891,041)
Share in net profit of foreign associate		(4,410,917,651)	(5,225,407,598)
Statutory allocations		10,837,246,759	11,487,446,320
Current tax expense	15-a	7,245,329,451	11,560,724,904
Finance income on loan portfolio and investments		(374,758,878,988)	(341,714,411,930)
Finance costs on term obligations with the public and financial entities		119,284,976,406	103,798,040,574
		(143,025,820,748)	**(62,488,418,698)**
Net (increase) decrease in assets			
Credits and cash advances		(404,610,960,480)	(232,491,110,577)
Foreclosed assets		17,105,534,747	(31,334,448,470)
Accrued interest receivable on other receivables		582,643	(964,697)
Other assets		20,679,667,285	(24,240,908,594)
		(509,850,996,553)	**(350,555,851,036)**
Net increase (decrease) in liabilities			
Demand and term obligations		294,146,235,844	242,765,975,241
Other accounts payable and provisions		(41,997,673,214)	(49,966,970,835)
Other liabilities		8,502,560,752	5,933,173,854
		(249,199,873,171)	**(151,823,672,776)**
Interest received on loan portfolio and investments		371,118,388,129	342,295,618,106
Income tax paid		(18,062,332,244)	(874,940,590)
Interest paid on term obligations with the public and financial entities		(117,723,015,317)	(103,945,619,881)
Net cash (used in) from operating activities		**(13,866,832,603)**	**85,651,384,859**
Net cash flows from investing activities			
Increase in financial instruments		(10,518,730,089,254)	(2,487,546,758,290)
Decrease in financial instruments		10,472,151,665,746	2,513,924,980,192
Acquisition of property and equipment		(25,784,373,203)	(13,716,363,996)
Sale of property and equipment		390,814,806	444,775,670
Cash investments in other companies		465,793	32,495,651
Net cash (used in) from investing activities		**(71,971,516,112)**	**13,139,129,227**
Net cash flows from financing activities			
Other new financial obligations		89,266,456,826	3,042,916,505
New subordinated obligations		-	69,330,300,000
Settlement of obligations		(11,757,999,044)	(78,492,814,886)
Dividends received		1,421,000,000	5,583,000,000
Net cash from (used in) financing activities		**78,929,457,782**	**(536,598,381)**
Net (decrease) increase in cash and cash equivalents		**(6,908,890,933)**	**98,253,915,705**
Cash and cash equivalents at beginning of year		**1,002,120,094,155**	**903,866,178,449**
Cash and cash equivalents at end of year	4	**995,211,203,222**	**1,002,120,094,154**

Juan Carlos Corrales Salas
General Manager

Gerardo Gómez Solís
General Accountant

Ricardo Araya Jiménez
General Auditor

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

(1) Summary of operations and significant accounting policies

(a) Operations

Banco Nacional de Costa Rica (the Bank) is an autonomous, independently managed, public law institution. As a State-owned bank, it is regulated by the Internal Regulations of the National Banking System (IRNBS), the Internal Regulations of the Central Bank of Costa Rica, and the Political Constitution of the Republic of Costa Rica. It is also subject to oversight by the General Superintendency of Financial Entities (SUGEF) and the Comptroller General of the Republic (CGR). 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 should 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 should 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 major 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 trading, pension fund management, investment funds, insurance brokerage, international banking services, and electronic banking services. The Bank aims to improve the quality of life of the largest possible number of people by offering premium financial services that promote the sustainable creation of wealth.

As of December 31, 2015 and 2014, the Bank has 183 offices (2014: 183 offices), 472 automated teller machines (2014: 465 automated teller machines), and a total of 5,502 employees (2014: 5,476 employees). The Bank's website is www.bncr.fi.cr.

(Continued)

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 to operate as a brokerage firm and carry out the brokerage activities permitted under the Securities Market Regulatory Law and the general regulations and provisions issued by the Costa Rican National Securities Commission (SUGEVAL). Its main activity is executing securities transactions on 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 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 managing investment funds on behalf of third parties and managing 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. In January 1993, the Pension Fund Manager acted as a voluntary pension "trust" called BN Vital. 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 Law No. 7523 of the Private Supplemental Pension Fund System 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 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). This entity began operations in March 2010.

(Continued)

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. The Bank holds 49% ownership interest in BICSA. Banco de Costa Rica owns the remaining 51% of shares.

(b) Basis of preparation of the financial statements

- Statement of compliance

The unconsolidated financial statements have been prepared in accordance with the accounting regulations issued by the National Financial System Oversight Board (CONASSIF) and SUGEF.

- Basis of measurement applied to assets and liabilities

The unconsolidated financial statements have been prepared on a fair value basis for available-for-sale assets and derivative instruments. Other financial assets and liabilities are stated at amortized cost. The accounting policies have been consistently applied.

(c) Foreign currency

i. Foreign currency transactions

Assets and liabilities held in foreign currency are translated into colones at the foreign exchange rate ruling at the balance sheet date, except for transactions that have a contractually agreed exchange rate. Transactions in foreign currency during the year are translated at the exchange rates ruling on the dates of the transactions. Foreign exchange gains and losses arising on translation are recognized in the accounts corresponding to gains or losses on foreign exchange and development units (DU), as appropriate.

ii. Monetary unit and foreign exchange regulations

The financial statements and notes thereto are expressed in colones (¢), currency of the Republic of Costa Rica.

On October 17, 2006, the Central Bank of Costa Rica (BCCR) revised the country's foreign exchange system, replacing mini-devaluations with an adjustable band regime. Under the new system, the Board of Directors of BCCR agreed to establish a rate floor and ceiling, which will be adjusted based on the country's financial and macroeconomic conditions. The adjustable band regime was in effect during all of 2014.

As of February 2, 2015, as part of the transition towards an inflation targeting monetary scheme that requires greater exchange rate flexibility, the Board of Directors of BCCR, in Article 5 of Session No. 5677-2015 of January 30, 2015, declared the migration from the adjustable band regime to a managed float regime. Under the managed float regime, the exchange rate is determined by the market, but BCCR still reserves the right to intervene in the foreign currency market to moderate significant fluctuations in the exchange rate and prevent deviations from the behavior of the variables that explain its medium- and long-term trends.

In accordance with the Chart of Accounts, assets and liabilities denominated in foreign currency should be expressed in colones using the reference buy rate published by BCCR. As of December 31, 2015, the exchange rate was established at ¢531.94 and ¢544.87 (2014: ¢533.31 and ¢545.53) to US$1.00 for the purchase and sale of U.S. dollars, respectively.

As of December 31, 2015, the exchange rate for the purchase and sale of euros was established at ¢574.15 and ¢597.12 (2014: ¢638.12 and ¢672.28) to €1.00, respectively.

iii. Valuation method for assets and liabilities denominated in foreign currency

As of December 31, 2015, assets and liabilities denominated in U.S. dollars were valued at the exchange rate of ¢531.94 to US$1.00 (2014: ¢533.31 to US$1.00), which is the reference buy rate published by BCCR for that date.

As of December 31, 2015, assets and liabilities denominated in euros were valued at the exchange rate of ¢581.68 to €1.00 (2014: ¢648.98 to €1.00). This exchange rate was calculated by multiplying the international exchange rate published by Reuters by the reference buy rate for U.S. dollars published by BCCR on the last business day of the month.

As of December 31, 2015, assets and liabilities denominated in DU were valued at the exchange rate of ¢854.75 to DU1.00 (2014: ¢864.19 to DU1.00). This exchange rate is based on the DU value tables published by SUGEVAL.

(Continued)

(d) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments include primary instruments, i.e. loan portfolio, investments in financial instruments, other accounts receivable, obligations with the public, financial obligations, and accounts payable.

i. Classification

Investments in financial instruments are recognized using settlement date accounting in accordance with the Accounting Regulations Applicable to Entities Regulated by SUGEF, SUGEVAL, SUPEN, and SUGESE and to Non-financial Issuers effective as of January 1, 2008. Those investments are classified as follows:

- Investments in financial instruments of regulated entities are to be classified as available-for-sale.
- Own investments in open investment funds are to be classified as held-for-trading financial assets.
- Own investments in closed investment funds are to be classified as available-for-sale.
- Entities regulated by SUGEVAL and SUGEF may classify other investments in financial instruments as trading instruments, provided there is an express statement of intent to trade them within 90 days from the acquisition date.

The SUGEF Chart of Accounts for Financial Entities does not allow investments in financial instruments to be classified as held to maturity, except for the securities denominated in DU.

As of December 31, 2015, the Bank no longer classifies financial instruments as held-to-maturity, except for the securities denominated in DU received from the Central Government to capitalize the Bank. Those securities were authorized by the Executive Branch of the Government of Costa Rica as a capital contribution and are funded under Law No. 8703 “Amendment to Law No. 8627 on the Ordinary and Extraordinary Budget of the Republic for Tax Year 2008.”

(Continued)

Held-for-trading securities

Held-for-trading securities are stated at fair value and have been acquired for the purpose of short-term profit-taking based on price variations. Variations in the fair value of these securities are recognized in net profit or loss for the year.

Available-for-sale securities

Available-for-sale securities are financial assets that are not held for trading purposes or originated by the Bank. Available-for-sale instruments include money market placements and certain debt investments. Available-for-sale securities are stated at fair value and interest earned and amortization of premiums and discounts are recognized as income or expenses, as appropriate.

Any changes in the fair value of available-for-sale securities are recognized directly in equity until the securities are sold or considered to be impaired, at which time the accumulated gain or loss previously recognized in equity is transferred to the income statement.

Derivative financial instruments

Derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value using the fair value method. The Bank does not hold derivative financial instruments for trading purposes.

Derivative instruments hedge exposure to changes in the fair value of a financial liability recognized in the balance sheet. Any valuation gains or losses are recorded in the income statement.

The valuation methodology applied to derivative financial instruments varies depending on the type of product to be valued. In the case of foreign exchange forward contracts (FX forwards), with short credit positions and maturities generally not exceeding one year, valuation involves comparing the present value of the negotiated forward exchange rate and the current foreign exchange rate. The present value of the negotiated forward exchange rate is calculated by using the difference between the zero coupon rates. In the case of swaps (FX swap or currency swap), valuation involves two steps. In the first step, future cash flows are estimated based on current market prices. The estimation of fixed-rate cash flows does not require assumptions but variable-rate cash flows are estimated based on the rates in effect. Calculating the present value of each type of cash flows requires a valuation rate for each cash flow, which is equivalent to the base rate plus a credit spread.

(Continued)

For fixed-rate cash flows, the base rate is the zero coupon rate. For variable-rate cash flows, the base rate is the benchmark rate plus the spread applicable to the term of the cash flow. The spread is applicable to the Bank's cash flows receivable or payable and depends on the credit rating of the counterparty and the instruments' maturity.

Originated loans and other receivables

Originated loans and other receivables are loans and receivables originated by the Bank providing money to a debtor other than those created with the intention of short-term profit taking. Originated loans and other receivables comprise loans and advances to banks and customers other than loans and bonds purchased from the original issuer.

ii. Recognition

The Bank recognizes available-for-sale assets using settlement date accounting. From this date, any gains or losses arising from changes in the fair value of the assets are recognized in equity, except for gains and losses arising from changes in the fair value of investments in open investment funds, which are recorded in profit or loss.

Originated loans and other receivables are recognized on the date they are transferred to the Bank.

iii. Measurement

Financial instruments are measured initially at fair value, including transaction costs.

Subsequent to initial recognition, all trading and available-for-sale investments and derivative instruments are measured at fair value, except for any investment or instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured, which is stated at cost, including transaction costs, less impairment losses. As of December 31, 2015 and 2014, the market price valuation methodology established by VALMER Costa Rica, S.A. is used. This methodology has been duly approved by SUGEVAL.

For securities issued by foreign entities and listed in open systems such as Bloomberg, the permanent quotes published in these primary sources should be used. Given that the information in open systems is obtained from financial systems all over the world, the last price listed is used as the price of the security. As an exception applicable to all currencies, when it is not possible to obtain a quote from open systems, the security is valued at an amount equivalent to its purchase price.

Internal debt Central Bank bonds received for the capitalization of State-owned banks are classified as held-to-maturity investments, as set forth in Law No. 8703 of December 23, 2008, which reads as follows: "These securities shall be delivered directly to State-owned banks and held to maturity and, therefore, they are not available for sale. Accordingly, these securities shall not be subject to market price valuation." Consequently, the classification applied to these securities is justified by the fact that it is prescribed by law. These securities are recognized at amortized cost and are zero-coupon securities.

The effect of the valuation of trading investments at market price is booked directly in profit or loss.

All non-trading financial assets and liabilities, originated loans and other receivables, and held-to-maturity investments are measured at amortized cost, including transaction costs, less impairment losses. Any premium or discount is included in the carrying amount of the underlying instrument and amortized to finance income or finance cost using the effective interest method.

iv. *Fair value measurement principles*

The fair value of financial instruments is based on their quoted market price at the unconsolidated balance sheet date without any deduction for transaction costs.

v. *Gains and losses on subsequent measurement*

Gains and losses arising from changes in the fair value of available-for-sale assets are recognized directly in equity until an investment is considered to be impaired, at which time the loss is recognized in the income statement. When the financial assets are sold, collected, or otherwise disposed of, the accumulated gain or loss recognized in equity is transferred to the unconsolidated income statement.

(Continued)

vi. Derecognition

A financial asset is derecognized when the Bank loses control over the contractual rights that comprise the asset. This occurs when the rights are realized, expire, or are surrendered to a third party.

Available-for-sale investments that are sold are derecognized and the corresponding account due from the purchaser is recognized on the date the Bank sells the assets.

A financial liability is derecognized when the specific contractual obligation has been paid or settled, or when the obligation has expired.

vii. Offsetting

Financial assets and liabilities are offset and the net amount presented in the unconsolidated financial statements when the Bank has a legal right to set off the recognized amounts and it intends to settle them on a net basis.

viii. Impairment of financial assets

The carrying amount of an asset is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the income statement for assets carried at cost and treated as a decrease in unrealized gains for assets carried at fair value.

The recoverable amount of an asset is the greater of its net selling price and its value in use. The net selling price is equivalent to the value obtained in an arm's length transaction. Value in use is the present value of future cash flows and disbursements expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the income statement or the statement of changes in equity, as appropriate.

(Continued)

ix. *Specific instruments*

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash deposited in BCCR, deposits in other banks, and highly-liquid short-term investments with original maturities of two months or less.

Demand deposits – overnight

Demand deposits that are classified as overnight deposits at the end of the business day are included in the "Cash and due from banks" account under "Foreign financial entities."

Investments in financial instruments

Investments that the Bank holds for the purpose of short-term profit-taking are classified as trading instruments. Other investments are classified as available-for-sale assets.

The effect of market price valuation of available-for-sale investments is included in the equity account under "Adjustment for valuation of available-for-sale investments" until those investments are realized or sold.

Regular purchases or sales of financial assets are recognized using settlement date accounting, i.e. they are booked on the date the entity's financial asset was exchanged.

Investments in repurchase agreements (term seller positions) and securities with original maturities of less than 180 days are not valued at market prices and are stated at the value of the original agreement.

When a financial asset is acquired with accrued interest, such interest is booked in a separate account as accrued interest receivable.

An allowance is established for the entire value of securities that may not be traded in an active financial or stock market due to the legal form of the issuer and the transfer method of the security and for which interest payable is past due.

(Continued)

Loans and advances to banks and customers

Loans originated by the Bank are classified as loan portfolio.

Loans and advances are presented net of allowances to reflect the estimated recoverable amounts.

Securities sold under repurchase agreements

The Bank sells securities under agreements to repurchase them on a certain date in the future at a fixed price. The obligation to repurchase securities sold is reflected as a liability in the balance sheet and stated at the value of the original agreement. The underlying securities are booked in asset accounts. Interest is presented as finance costs in the income statement and accrued interest payable is recognized in the balance sheet.

Securities purchased under reverse repurchase agreements

The Bank purchases securities under agreements to sell them on a certain date in the future at a fixed price. The obligation to sell securities purchased is reflected as an asset in the balance sheet and stated at the value of the original agreement. The underlying securities are booked in asset accounts. Interest earned is presented as finance income in the income statement and accrued interest receivable is recognized in the balance sheet.

(e) 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 Bank 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)

(f) Allowance for loan losses

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

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

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, 2015 and 2014, increases in the allowance for loan losses are included in the accounting records in accordance with article 10 of IRNBS.

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

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

(h) Other receivables

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

(Continued)

(i) Property and equipment

i. Own assets

Property and equipment is stated at cost, net of accumulated depreciation. Significant improvements are capitalized, while minor repairs and maintenance that do not extend the useful life or improve the asset are directly expensed when incurred.

Pursuant to requirements established by regulatory authorities, the Bank must have its real property appraised by an independent appraiser at least once every five years, in order to determine its net realizable value. If the realizable value is less than the carrying amount, the carrying amount must be adjusted to the appraisal value.

ii. Leased assets

Leases in terms of which the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases.

Property and equipment acquired under finance leases is measured at the lower of its fair value and the present value of minimum payments at the date of inception of the lease, less accumulated depreciation and amortization and impairment losses.

iii. Subsequent expenditure

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and renovation costs, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognized in the income statement as an expense when incurred.

(Continued)

iv. Depreciation and amortization

Depreciation and amortization are charged to the income statement on a straight-line basis over the estimated useful lives of the assets, as follows:

Type of asset	Estimated useful life
Buildings	Based on appraisals
Vehicles	10 years
Furniture and equipment	10 years
Computer hardware	5 years
Portable computers	3 years
Leasehold improvements	To be determined or established in lease terms

(j) Intangible assets

i. Other intangible assets

Other intangible assets acquired by the Bank are stated at cost less accumulated amortization and impairment losses.

ii. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits. All other expenditure is recognized in the income statement when incurred.

iii. Amortization

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of the assets. Computer software and software licenses have an estimated useful life of three years and one year, respectively.

(k) Lease operations

Finance lease receivables are presented net of unearned interest pending collection. Interest on finance leases is recognized as income over the term of the finance lease agreement using the effective interest method. The difference between lease payments receivable and the cost of the leased asset is recorded as unearned interest and amortized to income accounts over the term of the lease. As of December 31, 2015 and 2014, the Bank has no finance leases.

(Continued)

The Bank's operating leases are mainly for vehicles and equipment. As of December 31, 2015 and 2014, vehicle lease agreements have expired and are settled through a purchase order.

(l) Foreclosed assets

Foreclosed assets are assets owned by the Bank for realization or sale, i.e. assets acquired in lieu of payment, assets awarded in judicial auctions, assets purchased to be leased under finance and operating leases, goods produced for sale, idle property and equipment, and other foreclosed assets.

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

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

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

SUGEF Directive 34-02 requires that the allowance for impairment of foreclosed assets acquired or produced after May 2010 be established gradually by booking one-twenty-fourth of the value of such assets each month during two years until the allowance is equivalent to 100% of the assets' carrying amount.

(Continued)

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

(m) Investments in other companies

Investments in the share capital of entities over which the Bank exercises control or significant influence are accounted for using the equity method. The following entities are wholly owned by the Bank and are measured by the equity method: BN Valores Puesto de Bolsa, S.A.; BN Vital Operadora de Planes de Pensiones Complementarias, S.A.; BN Sociedad Administradora de Fondos de Inversión, S.A.; and BN Corredora de Seguros, S.A. The Bank's 49% ownership interest in BICSA is also measured by the equity method. Under the equity method, investments are initially recognized at acquisition cost. Subsequently, the carrying amounts of the investments are increased or decreased in order to recognize the Bank's proportional share in the profits or losses of the issuer of the capital assets.

The operations of subsidiaries that affect the Bank's equity but have no effect on the results of its operations are also included in the Bank's accounting records.

As of December 31, 2015 and 2014, the Bank has no full or partial share or influence over the management of other companies, in accordance with article 73 of IRNBS and article 146 of the Internal Regulations of the Central Bank of Costa Rica.

(n) Impairment of non-financial assets

The carrying amount of an asset is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the income statement for assets carried at cost and treated as a revaluation decrease for assets carried at revalued amounts.

The recoverable amount of an asset is the greater of its net selling price and its value in use. The net selling price is equivalent to the value obtained in an arm's length transaction. Value in use is the present value of future cash flows and disbursements expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the income statement or statement of changes in equity, as appropriate.

(o) Provisions

A provision is recognized in the balance sheet if, as a result of a past event, the Bank 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 balance sheet date, directly affecting the income statement.

The provision for legal risks is calculated using a mathematical-statistical model developed by the Bank's Corporate Risk Division based on data provided by the File Master system, which is used by the Bank's Legal Department to manage legal actions as of a given date. This system is comprised of modules that provide data to construct statistical series and analyze the status of settled and in-process legal actions.

This system includes the legal proceedings initiated against the Bank in connection with the Employee Protection and Retirement Fund and the Trust 897 arbitration case.

Administrative claims filed for phishing (a form of Internet fraud) are also included.

The data obtained from the modules are reviewed on a monthly basis by the Operational Risk Division in order to update the likelihood of favorable rulings and the percentages to be provisioned and to adjust the provision amount projected by the model and the amounts booked each month until the proposed limit has been reached.

(p) Severance benefits

Costa Rican legislation requires the payment of severance benefits to employees in the event of retirement, invalidity, death, or dismissal without just cause, equivalent to 20 days' salary for each year of continuous service, up to a maximum of eight years. In the specific case of the Bank, that limit is 17 years for employees with more than 25 years of service. The Bank follows the policy of booking a provision to cover future disbursements related therewith for employees with more than 20 years of service, in compliance with article 34 of the Collective Bargaining Agreement. As of December 31, 2015 and 2014, severance is included in the provisions account (see note 16), which meets the legal provisioning requirements in effect as of those dates.

The Employee Association of Banco Nacional de Costa Rica (ASEBANACIO) was created in 2012. Accordingly, the Bank currently follows the practice of making monthly transfers of severance benefits to the Employee Association, equivalent to 5.33% of member employees' monthly salaries, for management and custody. Those funds are paid out to employees upon termination of employment. Severance payments are expensed when the funds are transferred.

In February 2000, the Employee Protection Law was enacted and published. Such law modifies the existing severance benefit system and establishes a compulsory supplemental pension system, thereby amending several provisions of the Labor Code.

Pursuant to the Employee Protection Law, all public and private 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.

(q) Employee benefits

Employee Protection and Retirement Fund

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

- items established by the laws and regulations related to the Fund
- contributions made by the Bank equivalent to 10% of total wages
- contributions made by employees equivalent to 5% of total wages to strengthen the Fund
- 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.

(Continued)

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 and the Fund's accounting records are kept separately. The Fund operates based on the principle of solidarity.

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

Vacation, back-to-school bonus, and incentive plans

The Bank books accruals for vacation, back-to-school bonus, and incentive plans. Incentives to employees are calculated using the Incentives and Performance Assessment System (SEDI).

SEDI is an economic incentive that is granted provided that the following two conditions are met:

- The Bank reports profits in its audited financial statements for the corresponding period; and
- The employee eligible for the SEDI incentive has worked for at least six months for the Bank during the period and has obtained the required minimum score in the assessed areas.

The incentive aims to promote effective achievement of institutional objectives and goals, which requires continuous efforts by the Bank to coordinate and consolidate its work force, increase its productivity, and ensure its compensation is market-competitive.

The method applied considers the above conditions and income after income tax and statutory allocations. The incentive to be granted to each employee is determined based on salaries earned during the year and the score obtained by the employee. Incentives are paid to employees in a lump sum. Expenses are booked against a provision account on a monthly basis and, in the following year that account is cleared upon payment of incentives to employees that met the aforementioned conditions.

(r) Accounts payable and other liabilities

Accounts payable and other liabilities are carried at cost.

(Continued)

(s) Deferred income

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

(t) Legal reserve

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

Other statutory reserves

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

i. Statutory reserve for foreclosed assets:

The Superintendency of Banks of Panama established a term of five (5) years to dispose of real property acquired in lieu of payment, starting from the date of registration in the Public Registry. If after such period Panamanian banks have not sold such real property, an appraisal must be performed by an independent appraiser to determine if the value of that property has decreased; if so, the provisions of IFRSs must be applied.

Also, Panamanian banks must create a reserve under an equity account by appropriating funds first from retained earnings and second from profit for the year. The following portions of the value of the foreclosed assets are to be transferred to those accounts:

First year:	10%
Second year:	20%
Third year:	35%
Fourth year:	15%
Fifth year:	10%

These reserves must be recognized until the acquired assets are effectively transferred; also, they are not considered to be statutory reserves for purposes of equity ratio calculation.

ii. Excess of statutory reserve for loans:

General Decision No. SBP-GJD-003-2013 of the Board of Directors of the Superintendency of Banks of Panama dated July 9, 2013 establishes the accounting treatment for differences between the Prudential Standards issued by such Superintendency and IFRSs, as follows: 1) the accounting records are to be kept and the financial statements prepared in accordance with IFRSs, as required by Decision No. 006-2012 dated December 18, 2012; and 2) in the event that the amount calculated for a provision or reserve based on the Prudential Standards applicable to banks (which include specific accounting matters additional to those required by IFRSs) is higher than the amount determined in accordance with IFRSs, the excess of the provision or reserve calculated under the Prudential Standards is to be recognized under a statutory reserve in equity. This General Decision is effective for the accounting periods ending on or after December 31, 2015.

With prior approval of the Superintendency, the banks may reverse, partially or in full, the provision determined provided that a justification therefor is duly evidenced and presented to the aforementioned Superintendency.

iii. Statutory dynamic provision:

Decision No. 004-2013 of the Superintendency of Banks of Panama indicates that specific provisions arise from objective and concrete evidence of impairment. Such provisions must be created in respect of individual credit facilities or groups thereof classified under the following risk ratings: special mention, substandard, doubtful, and loss.

Starting December 31, 2013, Panamanian banks must calculate and maintain at all times, as minimum, the specific provisions determined using the methodology provided for in the aforementioned Decision, which considers the outstanding balance of each credit facility with the risk ratings mentioned above, the present value of each guarantee available (as established per guarantee type in the Decision), and a table with weighting factors applicable to the net balance exposed to losses.

(Continued)

In the event that the amount calculated for the specific provision in accordance with the aforementioned Decision is higher than the amount determined in accordance with IFRSs, the excess is to be booked under a statutory reserve in equity that increases or decreases with appropriations to or from retained earnings. Statutory reserves are not considered to be capital funds for purposes of calculation of certain prudential indexes or ratios mentioned in Decision No. 004-2013.

(u) Revaluation surplus

Revaluation surplus included in equity may be transferred directly to 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 retained earnings is not made through the income statement. The Bank follows the policy of capitalizing revaluation surplus directly to share capital as authorized by SUGEF.

In prior periods, the Bank has capitalized surplus from revaluation of property and equipment, in compliance with SUGEF regulations.

(v) Income tax

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

i. Current tax:

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

The Bank applies the AD-HOC methodology to calculate the percentage of nondeductible expenses by applying a proportional factor of annual average obligations with the public applied to the investment portfolio. The proportional factor of obligations is calculated by deducting from total obligations with the public (group of accounts 210, 230 and 260), the amount allocated to cash and due from banks (group of accounts 110) and the loan portfolio (group of accounts 130), divided by total obligations with the public. All data correspond to annual averages based on month-end balances.

The resulting proportional factor is applied to total finance costs for the year, net of the revaluation effect.

ii. *Deferred tax:*

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

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

(w) Combination of financial statements of departments

The financial statements of the Commercial Banking, Mortgage Banking, and Rural Credit Banking departments 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, which is responsible for making decisions related to those departments.

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

Pursuant to the provisions of IRNBS, the accounting records of each of the Bank's departments are kept separately.

(x) Use of estimates

Management has made a number of estimates and assumptions relating to the reporting of assets, liabilities, profit or loss, and the disclosure of contingent liabilities in preparing these unconsolidated financial statements. Actual results may differ from those estimates. Material estimates that are particularly susceptible to significant changes are related to the calculation of the allowance for loan losses.

(y) Recognition of income and expenses

i. Finance income

Finance income and finance costs are recognized in the income statement as they accrue. Finance income and finance costs include amortization of any premium or discount during the term of the instrument until maturity.

The Bank follows the policy of suspending interest accruals on loans when principal or interest payments are more than 180 days past due. Finance 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 income statement.

ii. Fee and commission income

Fees and commissions on the loan portfolio are recognized directly in profit or loss provided they are related to costs incurred in loan portfolio activities, as stipulated in the current Chart of Accounts.

Fee and commission income arises on services provided by the Bank. Fee and commission income is recognized when the service is provided, i.e. on an accrual basis. When fees and commissions are deferred, they are recognized over the term of the service.

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 income statement on a monthly basis.

iv. Operating lease expenses

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

(Continued)

(z) Statutory allocations

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 the National Institute for Cooperative Development (INFOCOOP); and the remainder to increase the Bank's capital, pursuant to article 20 of Law No. 6074.

In conformity with SUGEF's Chart of Accounts, statutory allocations on the year's net earnings payable to INFOCOOP, the National Emergency Commission (CNE), and the National Commission for Educational Loans (CONAPE) are presented as expenses in the income statement.

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

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

Article 78 of Law No. 7983 "Employee Protection Law" 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 Disability, Old Age, and Death Benefit System (RIVM) of CCSS and to provide universal CCSS coverage for impoverished non-salaried workers. Accordingly, through Executive Order No. 37127-MTSS, published in Official Gazette No. 103 dated May 29, 2012, this contribution is established gradually as follows:

- 5% starting 2013
- 7% starting 2015
- 15% starting 2017.

(aa) Development Financing Fund (FOFIDE)

In accordance with article 32 of the Development Banking System Act No. 8634, all State-owned banks, except Banco Hipotecario para la Vivienda (BANHVI), shall 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 shall transfer to their respective funds the amount corresponding to prior year earnings in the second quarter of each year. At that time, the development financing programs that have been approved by the Governing Board will start operations.

(bb) Development Credit Fund (FCD)

The Development Credit Fund (FCD) is comprised of the funds prescribed in article 59 of IRNBS. The FCD will be managed by State-owned banks. Accordingly, in compliance with Law No. 9094 "Repeal of Transition Provision VII of Law No. 8634", in agreement with article 35 of Law No. 8634 "Development Banking System Act", 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 as managers for five years from the date of signing of the respective management agreements. Each bank is awarded the management of fifty percent (50%) of such fund.

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

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

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

b. Under article 35 of Law No. 8634, the Managing Banks may offer second-tier banking services with FCD funds for financial entities other than private banks, provided that the purposes and obligations established in Law No. 8634 are met and such entities are duly authorized by the Governing Board.

(Continued)

c. Under article 35 of Law No. 8634, the Managing Banks may channel FCD funds through placements to: associations, cooperatives, foundations, non-governmental organizations, producer organizations, or other formal entities, provided that they perform loan operations through development financing programs that meet the objectives established in Law No. 8634 and are duly authorized by the Governing Board.

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

(2) Collateralized or restricted assets

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

Restricted asset	Cause of restriction		2015 Carrying amount	2014 Carrying amount
Cash and due from banks:				
Checking account – colones	Minimum cash reserve	¢	415,470,981,358	374,788,268,448
Checking account – euros	Minimum cash reserve		4,874,288,911	5,167,723,861
Checking account – U.S. dollars	Minimum cash reserve		189,644,176,846	168,808,424,441
		¢	609,989,447,115	548,764,416,720
Investments in financial instruments:				
External debt bonds	Guarantee for margin calls - term operations – Bank of America	¢	-	3,732,194,049
External debt bonds	Guarantee for margin calls - term operations – Citi Swap		-	2,130,530,785
External debt bonds	Guarantee for margin calls - term operations – JP Morgan Swap		-	2,131,736,481
Monetary stabilization bonds	Citibank guarantee		29,866,916,093	15,009,933,300
Central Bank bond (global bonds)	Citibank guarantee		115,181,185,610	127,659,542,800
External debt bonds	Barclays guarantee		72,471,607,603	75,765,386,092
External debt bonds	Credit Suisse guarantee		66,482,575,651	70,493,844,179
		¢	284,002,284,957	296,923,167,686
Other assets:				
Other assets (note 11)	Guarantee deposits	¢	491,314,408	316,541,740

(Continued)

As of December 31, 2015 and 2014, the applicable percentage for the minimum cash reserve is 15%. The corresponding amount must be deposited in cash in BCCR pursuant to current banking legislation. The reserve is calculated as a percentage of third-party deposits, which varies based on the term and form of deposit-taking used by the Bank.

(3) Balances and transactions with related parties

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

		2015	2014
Assets:			
Checking accounts and demand deposits (note 4)	¢	10,601,795,993	7,799,157,076
Accounts receivable (note 7)		29,269	728,637
Investments in other companies (note 9)		85,284,978,077	76,183,109,543
	¢	95,886,803,339	83,982,995,256
Liabilities:			
Demand deposits	¢	1,705,071,380	2,450,288,584
Term deposits		1,610,357,080	11,300,000
Charges payable for obligations with the public		-	261,978
	¢	3,315,428,460	2,461,850,562
Income:			
Finance	¢	53,077,769	625,369,041
Operating		514,185,822	508,100,492
Gain on investments in other foreign entities		4,410,917,651	5,225,407,598
Gain on investments in SUGEVAL-regulated entities		4,036,054,819	1,485,663,180
Gain on investments in SUPEN-regulated entities		938,518,217	722,992,469
Gain on investments in SUGESE-regulated entities		763,959,084	532,235,392
	¢	10,716,713,362	9,099,768,172
Expenses:			
Finance	¢	33,446,527	27,560,968
Operating		391,074,715	279,175,262
	¢	424,521,242	306,736,230

For the years ended December 31, compensation paid to key personnel is as follows:

		2015	2014
Short-term benefits	¢	873,095,958	1,026,125,434
Long-term benefits		113,502,474	133,396,306
Per diem – Board of Directors		126,683,366	112,752,728
	¢	1,113,281,798	1,272,274,468

(Continued)

(4) Cash and due from banks

As of December 31, cash and due from banks is as follows for purposes of reconciliation with the statement of cash flows:

		2015	2014
Cash and due from banks	¢	845,089,095,231	827,582,424,992
Investments with maturities of less than two months		150,122,107,991	174,537,669,162
Cash and due from banks and cash equivalents	¢	995,211,203,222	1,002,120,094,154

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

		2015	2014
Local currency:			
Cash	¢	39,934,017,396	39,060,679,718
Cash in transit		19,920,450,000	15,112,028,982
Checking accounts and demand deposits in BCCR (1)		430,132,085,225	393,234,842,023
Checking accounts and demand deposits in local financial entities		16,415,516,733	12,862,043,229
Outstanding checks and other		3,973,366,581	4,080,795,013
Foreign currency:			
Cash		18,725,202,055	13,408,625,012
Cash in transit		1,348,014,034	1,600,659,345
Checking accounts and demand deposits in BCCR (1)		210,166,252,584	182,863,098,817
Checking accounts and demand deposits in local financial entities		-	422,382
Foreign correspondent banks		82,042,623,264	151,045,102,800
Checking accounts and demand deposits with related parties (note 2)		10,601,795,993	7,799,157,076
Overnight deposits in foreign financial entities		10,581,024,444	4,983,252,613
Outstanding checks and securities receivable		1,248,706,649	1,531,717,982
Accrued interest receivable		40,273	-
	¢	845,089,095,231	827,582,424,992

(1) Checking accounts and demand deposits in BCCR include the balances of the minimum cash reserves required for each year (see note 2).

(Continued)

(5) Investments in financial instruments and derivative financial instruments

(a) Investments in financial instruments

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

		2015	2014
Available-for-sale:			
Local issuers:			
Government of Costa Rica	¢	444,633,899,606	378,671,225,449
BCCR		179,031,242,137	195,391,086,090
State-owned banks		175,390,259,449	90,363,300,015
Private banks		4,685,744,010	24,856,783,594
Private issuers		5,375,435,082	754,368,840
		809,116,580,284	690,036,763,988
Foreign issuers:			
Governments		34,585,082,985	86,334,217,941
Private issuers		71,604,777,235	72,306,895,820
Private banks		107,345,194,776	148,827,245,639
		213,535,054,996	307,468,359,400
		1,022,651,635,280	997,505,123,388
Held-to-maturity:			
Local issuers		27,030,439,007	27,328,967,634
		27,030,439,007	27,328,967,634
Derivative financial instruments:			
Interest rate futures - Hedges (note 5-b)		12,835,717,440	10,619,377,926
FX futures - Other than hedges (note 5-b)		267,314,375	662,192,854
		13,103,031,815	11,281,570,780
Allowance for impairment:			
Allowance for impairment of investments		(57,672,935)	(57,821,470)
Allowance for impairment of derivative instruments other than hedges		(76,967,726)	(2,678,088)
		(134,640,661)	(60,499,558)
Accrued interest receivable		9,186,793,757	8,985,047,615
	¢	1,071,837,259,198	1,045,040,209,859

As of December 31, movement in the allowance for impairment of financial instruments is as follows:

		2015	2014
Opening balance	¢	60,499,558	53,668,984
Allowance expense (note 27)		128,016,660	4,216,707
Decrease in allowance charged to profit or loss (note 28)		(53,727,022)	(1,538,619)
Foreign exchange differences		(148,535)	4,152,486
Closing balance	¢	134,640,661	60,499,558

(Continued)

As of December 31, 2015, the allowance for impairment of investments in non-derivative financial instruments amounts to ¢57,672,935 (2014: ¢57,821,470) and is booked for investments in Z Bonds related to the Mortgage Securitization Trust (impairment of 26% for both years).

As of December 31, 2015, the allowance for impairment of derivative instruments other than hedges amounts to ¢76,697,726 (2014: ¢2,678,088), and is booked for FX futures sales other than hedges in accordance with SUGEF Directive 09-08.

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

		2015	2014
Available-for-sale:			
Securities issued by BCCR	¢	78,972,686,001	112,820,754,496
Securities issued by local non-financial public sector		329,452,713,165	238,758,383,327
Securities issued by local financial entities		180,076,003,391	122,969,748,933
Securities issued by local non-financial private sector		3,224,157,216	18,862,014,392
Financial instruments issued by foreign financial entities		38,025,184,747	68,210,843,156
Financial instruments issued by foreign non-financial private sector – own resources		33,331,531,136	33,906,883,848
Financial instruments issued by foreign related parties			-
Liquidity market operations – own resources		70,191,640,000	99,666,550,000
Other available-for-sale financial instruments		5,375,434,667	5,386,777,550
Financial instruments restricted for margin calls on term operations		-	7,994,461,315
Financial instruments restricted for credit operations		284,002,284,957	288,928,706,371
		1,022,651,635,280	997,505,123,388
Held-to-maturity:			
Securities issued by local non-financial public sector		27,030,439,007	27,328,967,634
		27,030,439,007	27,328,967,634
Derivative financial instruments:			
Interest rate futures - Hedges (note 5-b)		12,835,717,440	10,619,377,926
FX futures - Other than hedges (note 5-b)		267,314,375	662,192,854
		13,103,031,815	11,281,570,780
Allowance for impairment			
Allowance for impairment of investments		(57,672,935)	(57,821,470)
Allowance for impairment of derivative instruments other than hedges		(76,967,726)	(2,678,088)
		(134,640,661)	(60,499,558)
Accrued interest receivable		9,186,793,757	8,985,047,615
	¢	1,071,837,259,198	1,045,040,209,859

(Continued)

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

Currency	2015	2014
Colones	1.25% to 11.04%	4.25% to 11.04%
U.S. dollars	0.25% to 7.63%	0.25% to 7.63%
Euros	0.18 % to 4.75%	0.25% to 4.25%
DU	0.67% to 0.74%	0.67% to 0.74%

As of December 31, 2015, valuation of available-for-sale investments and restricted financial instruments gave rise to an unrealized gain, net of deferred tax, in the amount of ¢6,655,237,495 (2014: unrealized gain of ¢618,175,093). Accordingly, as of December 31, 2015, the cumulative balance of equity adjustments arising from valuation of these investments is an unrealized loss of ¢2,867,809,620 (2014: unrealized loss of ¢3,787,427,875).

(b) Derivative financial instruments

In Notice J.D. 5566/06/02 dated October 29, 2012, SUGEF authorized the Bank to trade derivative financial instruments.

As of December 31, 2015 and 2014, the Bank holds the following types of derivative financial instruments:

✓ *Derivatives as risk hedging instruments:*

Interest rate swaps:

In 2013, five interest rate hedges were formalized to hedge exposure to the LIBOR rate related to international debt issues made in October 2013 in U.S. dollars at a fixed rate. The purpose of these financial instruments is to compensate for the changes in fair value attributable to fluctuations in such benchmark rate.

As of December 31, 2015, total notional amounts of US$750 million, equivalent to ¢398,955,000,000 (2014: ¢399,982,500,000), are booked under "Other debit memoranda accounts".

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

As of December 31, 2015, the Bank booked an increase in the fair value of these hedges in the amount of US$24,130,009, equivalent to ¢12,835,717,440 (see note 5-a).

Valuation of these financial instruments is as follows:

		December 31, 2015			
Issuing bank		Notional amount		Valuation	Purpose
Citibank	US$	100,000,000	US$	4,725,793	Swaps to hedge 10-year issues
JP Morgan		200,000,000		9,451,587	
Bank of America		200,000,000		9,451,587	
Subtotal		500,000,000		23,628,967	
Citibank		100,000,000		200,416	Swaps to hedge 5-year issues
JP Morgan		150,000,000		300,625	
Subtotal		250,000,000		501,042	
Total	US$	750,000,000	US$	24,130,009	
Amount in colones	¢	398,955,000,000	¢	12,835,717,440	

As of December 31, 2015 there were no decreases in the fair value of these hedges.

As of December 31, 2014, the Bank booked an increase in the fair value of these hedges in the amount of US$19,912,205, equivalent to ¢10,619,377,926 (see note 5-a).

		December 31, 2014			
Issuing bank		Notional amount		Valuation	Purpose
Citibank	US$	100,000,000	US$	3,982,441	Swaps to hedge 10-year issues
JP Morgan		200,000,000		7,964,882	
Bank of America		200,000,000		7,964,882	
Total	US$	500,000,000	US$	19,912,205	
Amount in colones	¢	266,655,000,000	¢	10,619,377,926	

As of December 31, 2014, the Bank booked a decrease in the fair value of these hedges in the amount of US$387,631, equivalent to ¢206,726,657, under “Other sundry accounts payable” (see note 17).

Issuing bank		Notional amount		Valuation	Purpose
Citibank	US$	100,000,000		(155,052)	Swaps to hedge 5-year issues
JP Morgan		150,000,000		(232,579)	
Total	US$	250,000,000		(387,631)	
Amount in colones	¢	133,327,500,000	¢	(206,726,657)	

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

As of December 31, the effectiveness of the valuation of derivative financial instruments is as follows:

	Effective rate	
	2015	2014
5-year issue	107.44%	97.50%
10-year issue	100.48%	112.41%

A valuation was performed as of December 31, 2015 and 2014 in order to calculate the change in the fair value of the primary and derivative instruments based on the following inputs:

- A 5- or 10-year LIBOR rate at the issue of the bond;
- Discount rates from Bloomberg;
- Zero rates corresponding to the swap curve as of December 31, 2015 and 2014;
- Only a portion of the bond cash flows is hedged (corresponding to the 5- 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.

✓ *Derivatives for trading purposes:*

Currency forwards:

In 2015, currency forwards were formalized with several clients. Under these derivative financial instruments, the Bank 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 instruments correspond to products that the Bank may offer to its customers as a result of the Central Bank's authorization granted to the Bank to act as an intermediary in the Foreign Exchange Derivatives Market.

As of December 31, 2015, total notional amounts of US$21,900,000, equivalent to ¢11,649,486,000 (2014: US$28,640,000, equivalent to ¢15,273,998,400, are booked under "Other debit memoranda accounts" (see note 20).

As of December 31, 2015, the Bank booked an increase in the fair value of these forwards of ¢267,314,375 (2014: ¢662,192,854) under an asset account (see note 5-a) and a decrease of ¢17,779,910 as of December 31, 2014 under "Other sundry accounts payable" (see note 17).

For long-term 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 the market interest rates in colones and U.S. dollars applicable to different terms.

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

		2015	2014
Gain on derivative financial instruments	¢	35,212,694,463	33,852,436,868
Loss on derivative financial instruments		(24,488,661,522)	(12,237,460,188)
Gain (loss), net	¢	10,724,032.941	21,614,976,680

(6) Loan portfolio

(a) Loan portfolio by sector

The loan portfolio by sector is as follows:

		2015	2014
Trade	¢	376,806,025,997	346,050,158,255
Services		796,162,829,760	664,830,572,542
Financial services		125,197,166,308	109,161,104,520
Mining		740,793,348	408,526,735
Manufacturing and quarrying		154,988,964,935	157,211,033,158
Construction		88,630,791,109	72,841,393,278
Agriculture and forestry		109,941,332,285	107,959,101,016
Livestock, hunting, and fishing		64,738,300,126	60,329,212,920
Electricity, water, sanitation, and other related sectors		347,407,634,466	269,517,208,860
Transportation and telecommunications		26,464,717,118	20,347,758,445
Housing		1,108,935,164,745	1,054,252,479,390
Personal or consumer loans		364,732,599,797	347,528,047,842
Tourism		136,755,821,966	121,137,622,708
Total direct loans		3,701,502,141,960	3,331,574,219,669
Accrued interest receivable		25,154,673,605	21,715,928,888
Allowance for loan losses		(62,968,882,979)	(49,838,574,099)
Total loan portfolio	¢	3,663,687,932,586	3,303,451,574,458

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

	2015		2014	
Currency	Rates	Average	Rates	Average
Colones	5.95% to 34.92%	14.32%	6.25% to 34.92%	15.20%
U.S. dollars	3.00% to 27.96%	8.38%	3.25% to 27.96%	8.35%
DU	3.85% to 11.00%	6.50%	3.85% to 10.00%	6.39%

Sold and securitized portfolio

On August 22, 2006, the Bank established the housing mortgage securitization structure for US$11,477,863 related to the BNCR $ 2006-1 Mortgage Securitization Trust, which is managed by Banco Improsa, S.A. The securitization structure was sold at par and gave rise to no gains or losses.

(Continued)

The Bank was the formal and final seller of the portfolio, which was duly assigned and transferred in the Property Registry. The Bank has no further obligations in respect of the borrower payment behavior for loans sold and all of the related risks, including default, prepayment, and foreclosure of property, were assumed by the investors who purchased the bonds issued.

As of December 31, 2015, the balance of the securitized portfolio is US$6,590,597 equivalent to ¢3,505,802,328 (2014: US$6,892,764, equivalent to 3,675,980,193).

Sale of portfolio

In 2015, the Bank did not perform portfolio sales. During 2014 the Bank partially assigned certain formalized loans to entities. The portfolio was sold at par; accordingly, no gains or losses were generated.

The Bank was the formal and final seller of the portfolio and will be unilaterally responsible for the management, follow-up, and control of the servicing of the loan.

As of December 31, 2014 the sales prices of the sold portfolio are as follows:

Purchaser		Sales price
Banco BICSA Panamá	US$	33,500,000
Asociación Solidarista de Empleados del BNCR		19,500,000
Bancrédito (BCAC)		15,000,000
Banco Davivienda		27,000,000
Global Bank de Panamá		19,550,000
	US$	114,550,000

(b) Loan portfolio by arrears

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

		2015	2014
Current	¢	3,491,758,501,550	3,143,210,637,508
1 to 30 days		54,239,972,503	56,467,793,117
31 to 60 days		51,342,045,126	42,853,384,472
61 to 90 days		18,171,340,010	17,939,113,286
91 to 120 days		10,014,328,343	11,214,144,396
121 to 180 days		13,749,242,525	11,470,895,350
More than 180 days		62,226,711,903	48,418,251,540
Total direct loans		3,701,502,141,960	3,331,574,219,669
Accrued interest receivable		25,154,673,605	21,715,928,888
Allowance for loan losses		(62,968,882,979)	(49,838,574,099)
Total loan portfolio	¢	3,663,687,932,586	3,303,451,574,458

(Continued)

(c) Loan portfolio by origin

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

		2015	2014
Loans originated by the Bank	¢	3,701,441,568,101	3,331,508,652,889
Loans purchased by the Bank		60,573,859	65,566,780
Total direct loans		3,701,502,141,960	3,331,574,219,669
Accrued interest receivable		25,154,673,605	21,715,928,888
Allowance for loan losses		(62,968,882,979)	(49,838,574,099)
Total loan portfolio	¢	3,663,687,932,586	3,303,451,574,458

As of December 31, 2015 and 2015, loans purchased by the Bank were purchased from BICSA.

(d) Past due loans

As of December 31, past due loans, including loans in accrual status (for which interest is recognized on a cash basis), and unearned interest on those loans, are as follows:

		2015	2014
Past due loans in accrual status: 20,442 loans (2014: 17,843 loans)	¢	148,279,853,379	115,703,988,334
Loans in legal collection: 6,590 loans, 2.33% of portfolio (2014: 6,025 loans, 2.16% of portfolio)	¢	86,287,327,716	72,120,002,831
Total unearned interest	¢	2,037,606,104	424,946,962

For the years ended December 31, 2015 and 2014, the Bank increased the "Finance income on non-accrual loans" account as a result of the recovery of loans receivable over 180 days past due by ¢2,037,606,104 and ¢424,946,962 respectively.

The Bank classifies loans as past due when no principal or interest payments have been made by one day after the due date.

(e) Accrued interest receivable on loan portfolio

As of December 31, accrued interest receivable is as follows:

		2015	2014
Current	¢	14,386,339,789	13,020,543,628
Past due		2,457,638,279	2,328,423,142
In legal collection		8,310,695,537	6,366,962,118
	¢	25,154,673,605	21,715,928,888

(f) Allowance for loan losses

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

		2015	2014
Opening balance	¢	49,838,574,099	45,646,182,874
Expense for the year (note 27)		30,936,117,232	26,164,806,164
Settlements		(17,763,386,035)	(21,708,233,163)
Decrease in allowance charged to profit or loss (note 28)		-	(1,200,000,000)
Foreign exchange differences		(42,422,317)	935,818,224
Closing balance	¢	62,968,882,979	49,838,574,099

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

(7) Other receivables

As of December 31, other receivables are as follows:

		2015	2014
Fees and commissions	¢	103,040,206	211,673,506
Transactions with related parties (note 3)		29,269	728,637
Transactions with related parties (officers, employees and related branches)		179,065,075	26,006,797
Deferred tax (note 15-b)		479,833,978	1,392,591,923
Income tax receivable		2,601,873,894	2,592,688,837
Other sundry accounts receivable		3,502,176,241	3,091,890,476
Accrued interest receivable on other sundry accounts receivable		1,990,138	2,572,781
Allowance for impairment of other accounts receivable		(5,862,408,795)	(5,361,359,410)
	¢	1,005,600,006	1,956,793,547

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

		2015	2014
Opening balance	¢	5,361,359,410	2,303,226,624
Allowance expense (note 27)		1,332,435,789	4,558,394,587
Decrease in allowance charged to profit or loss (note 28)		(128,906,016)	(1,014,031,493)
Items settled against allowance		(701,172,610)	(495,113,902)
Foreign exchange differences		(1,307,778)	8,883,594
Closing balance	¢	5,862,408,795	5,361,359,410

(8) Foreclosed assets

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

		2015	2014
Assets acquired in lieu of payment	¢	78,575,996,987	76,541,792,707
Idle property and equipment		1,770,509	1,756,777
Allowance for impairment and per legal requirements		(61,161,022,915)	(57,188,491,454)
	¢	17,416,744,581	19,355,058,030

For the years ended December 31, movement in the allowance for impairment of foreclosed assets and per legal requirements is as follows:

		2015	2014
Opening balance	¢	57,188,491,454	56,007,912,290
Allowance expense (note 31)		4,847,672,218	23,421,294,389
Liquidation of foreclosed assets		(83,315,000)	-
Decrease in allowance charged to profit or loss		(791,825,757)	(5.662.358.173)
Closing balance	¢	61,161,022,915	57,188,491,454

(9) Investments in other companies

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

		2015	2014
BN Valores Puesto de Bolsa, S.A.	¢	18,316,758,339	14,566,465,597
BN Sociedad Administradora de Fondos de Inversión, S.A.		5,384,597,996	4,436,442,377
BN Vital Operadora de Planes de Pensiones Complementarias, S.A.		6,784,875,822	6,048,713,091
BN Corredora de Seguros, S.A.		1,269,667,663	1,305,708,578
Banco Internacional de Costa Rica, S.A. and Subsidiary (BICSA)		53,508,454,957	49,805,156,510
Investments in other non-financial companies		20,623,300	20,623,300
	¢	85,284,978,077	76,183,109,453

The Bank holds 49% ownership interest in BICSA, which is represented in 2015 by 6,506,563 ordinary shares (2014: 6,506,563 ordinary shares) of US$10 par value each.

At a BICSA shareholders meeting held in April 2014, shareholders agreed to capitalize US$7 million, which was booked in 2014 and included in BICSA's financial statements. As a result of the capitalization, total share capital amounted to US$132.78 million, represented by 13,278,700 shares of US$10 par value each.

As of December 31, the Bank's investments in other non-financial entities are as follows:

		2015	2014	Concept
Interclear Central de Valores, S.A.	¢	15,000,000	15,000,000	Investment to operate as custodian of electronic securities
Depósito Libre Comercial de Golfito (Golfito Duty Free Shopping Center) per article 24 of Law No. 7131		5,200,000	5,200,000	Investment in the Golfito Duty Free Shopping Center
Other financial entities		423,300	423,300	Investments in various cooperatives
	¢	20,623,300	20,623,300	

(Continued)

(10) Property and equipment

As of December 31, 2015, property and equipment is as follows:

		Land	Buildings	Furniture and equipment	Computer hardware	Vehicles	Total
Cost:							
Opening balance	¢	43,172,317,837	110,297,273,275	53,654,914,209	50,648,940,385	428,362,124	258,201,807,830
Additions		-	15,381,426,392	5,565,204,761	4,840,047,721	-	25,786,678,874
Disposals		3,518,297,616	(5,692,905,154)	-	-	-	(2,174,607,538)
Revaluation of assets		-	-	(1,130,063,151)	(656,747,376)	-	(1,786,810,527)
Adjustments		(76,525,727)	(201,595,541)	2,099,955	(29,266,345)	-	(305,287,658)
Reclassifications		-	-	18,776,545	(18,837,465)	60,920	-
Closing balance		46,614,089,726	119,784,198,972	58,110,932,319	54,784,136,920	428,423,044	279,721,780,981
Accumulated depreciation:							
Opening balance		-	26,840,836,640	26,514,085,855	38,181,505,277	277,464,239	91,813,892,011
Depreciation expense on historical cost		-	1,132,988,745	4,733,679,289	4,669,480,441	30,603,646	10,566,752,121
Depreciation expense on revaluation		-	1,506,603,638	-	-	-	1,506,603,638
Disposals		-	-	(775,188,905)	(620,807,612)	-	(1,395,996,517)
Adjustments		-	224,400,190	74,796,656	75,526,886	-	374,723,732
Reclassifications		-	-	15,957,607	(15,987,884)	30,277	-
Closing balance		-	29,704,829,213	30,563,330,502	42,289,717,108	308,098,162	102,865,974,985
Net closing balance	¢	46,614,089,726	90,079,369,759	27,547,601,817	12,494,419,812	120,324,882	176,855,805,996

As of December 31, 2015, appraisals were made of the Bank's land and buildings by independent appraisers. The effect on the accounts is detailed above.

BANCO NACIONAL DE COSTA RICA

Notes to Unconsolidated Financial Statements

As of December 31, 2014, property and equipment is as follows:

		Land	Buildings	Furniture and equipment	Computer hardware	Vehicles	Total
Cost:							
Opening balance	¢	42,478,456,440	109,501,340,751	51,452,946,257	49,388,093,653	428,342,524	253,249,179,625
Additions		693,861,397	2,735,561,071	4,994,843,636	4,819,472,843	-	13,243,738,947
Disposals		-	-	(3,021,509,025)	(3,478,923,067)	-	(6,500,432,092)
Adjustments		-	(1,939,628,547)	148,792,275	138,022	19,600	(1,790,678,650)
Reclassifications		-	-	79,841,066	(79,841,066)	-	-
Closing balance		43,172,317,837	110,297,273,275	53,654,914,209	50,648,940,385	428,362,124	258,201,807,830
Accumulated depreciation:							
Opening balance		-	26,226,274,877	24,642,083,173	37,318,378,374	233,105,172	88,419,841,596
Depreciation expense on historical cost		-	1,586,922,291	4,315,624,331	4,303,749,437	44,339,467	10,250,635,526
Depreciation expense on revaluation		-	1,462,442,151	-	-	-	1,462,442,151
Disposals		-	-	(2,590,542,559)	(3,465,181,005)	-	(6,055,723,564)
Adjustments		-	(2,434,802,679)	74,981,344	96,498,037	19,600	(2,263,303,698)
Reclassifications		-	-	71,939,566	(71,939,566)	-	-
Closing balance		-	26,840,836,640	26,514,085,855	38,181,505,277	277,464,239	91,813,892,011
Net closing balance	¢	43,172,317,837	83,456,436,635	27,140,828,354	12,467,435,108	150,897,885	166,387,915,819

(Continued)

(11) Other assets

As of December 31, other assets are as follows:

		2015	2014
Deferred charges:			
Leasehold improvements	¢	1,136,869,469	742,371,266
Cost of issue of financial instruments (3)		1,175,391,199	1,401,680,466
Cost of subordinated debt project		546,893,248	615,917,148
Deferred direct costs related to loans		6,080,470,185	13,834,802,293
Other deferred charges		3,649,191,521	4,973,694,393
Subtotal		12,588,815,622	21,568,465,566
Intangible assets:			
Software (2)		3,755,368,332	4,277,632,565
Subtotal		3,755,368,332	4,277,632,565
Other assets:			
Prepaid interest and fees and commissions		217,253,376	218,164,300
Prepaid insurance policy		204,619,158	231,529,680
Other prepaid expenses		320,004,747	698,011,695
Stationery, office supplies, and other materials		366,758,220	346,464,331
Leased assets		102,151,718	149,956,917
Library and artwork		336,955,762	337,994,511
Construction work-in-progress		2,823,622,889	17,031,899,617
Rights in welfare and trade associations		350,000	350,000
Other sundry assets		2,434,869,115	1,646,564,772
Operations pending settlement		2,100,268,728	3,179,252,420
Other operations pending application		380,637,065	452,187,725
Guarantee deposits (1)		329,713,080	237,628,940
Legal and administrative deposits (1)		161,601,328	78,912,800
Subtotal		9,778,805,186	24,608,917,708
Total	¢	26,122,989,140	50,455,015,839

(1) As of December 31, 2015, guarantee deposits amount to ¢491,314,408 (2014: ¢316,541,740) (see note 2).

(Continued)

(2) As of December 31, 2015, intangible assets, net are as follows:

	Software	Other intangible assets	Total
Cost:			
Opening balance	¢ 18,614,268,416	94,029,559	18,708,297,975
Additions	1,509,396,164	-	1,509,396,164
Disposals	(5,284,489)	-	(5,284,489)
Adjustments	(14,893,435)	-	(14,893,435)
Closing balance	20,103,486,656	94,029,559	20,197,516,215
Accumulated amortization:			
Opening balance	14,336,635,851	94,029,559	14,430,665,410
Expense for the year	2,016,766,963	-	2,016,766,963
Disposals	(5,284,489)	-	(5,284,480)
Closing balance	16,348,118,325	94,029,559	16,442,147,884
Net closing balance	¢ 3,755,368,332	-	3,755,368,332

As of December 31, 2014, intangible assets, net are as follows:

	Software	Other intangible assets	Total
Cost			
Opening balance	¢ 15,337,187,059	94,029,559	15,431,216,618
Additions	3,313,112,545	-	3,313,112,545
Adjustments	(36,031,188)	-	(36,031,188)
Closing balance	18,614,268,416	94,029,559	18,708,297,975
Accumulated amortization:			
Opening balance	12,686,501,149	94,029,559	12,780,530,708
Expense for the year	1,650,134,702	-	1,650,134,702
Closing balance	14,336,635,851	94,029,559	14,430,665,410
Net closing balance	¢ 4,277,632,565	-	4,277,632,565

(Continued)

(3) As of December 31, 2015, costs related to the issue of financial instruments are as follows:

		5-year issue	10-year issue	Total
Commission - structuring banks	¢	265,970,000	265,970,000	531,940,000
Commission - Moody's Investors Service		132,985,000	132,985,000	265,970,000
Commission - Société de la Bourse de Luxembourg, S.A.		6,500,839	6,500,839	13,001,678
RR Donelley		5,823,147	5,823,126	11,646,273
BNY Mellon		2,102,759	2,102,759	4,205,518
Moody's - issuer rating		17,607,214	17,607,214	35,214,428
Fitch Ratings		132,985,000	132,985,000	265,970,000
Milbank		78,280,290	78,280,290	156,560,580
Shearman & Sterling		78,381,891	78,381,891	156,763,782
External audit		101,068,600	101,068,600	202,137,200
Subtotal		821,704,740	821,704,719	1,643,409,459
Deferral		(331,073,839)	(136,944,421)	(468,018,260)
Total	¢	490,630,901	684,760,298	1,175,391,199

As of December 31, 2014, costs related to the issue of financial instruments are as follows:

		5-year issue	10-year issue	Total
Commission - structuring banks	¢	266,655,000	266,655,000	533,310,000
Commission - Moody's Investors Service		133,327,500	133,327,500	266,655,000
Commission - Société de la Bourse de Luxembourg, S,A,		6,517,582	6,517,582	13,035,164
RR Donelley		5,838,145	5,838,123	11,676,268
BNY Mellon		2,108,174	2,108,174	4,216,348
Moody's - issuer rating		17,652,561	17,652,561	35,305,122
Fitch Ratings		133,327,500	133,327,500	266,655,000
Milbank		78,481,900	78,481,900	156,963,800
Shearman & Sterling		78,583,762	78,583,762	157,167,524
External audit		101,328,900	101,328,900	202,657,800
Subtotal		823,821,024	823,821,002	1,647,642,026
Deferral		(174,321,409)	(71,640,151)	(245,961,560)
Total	¢	649,499,615	752,180,851	1,401,680,466

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

(12) Obligations with the public

(a) By cumulative amount

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

		2015	2014
Demand obligations:			
Checking accounts	¢	1,286,985,762,872	1,198,704,476,197
Certified checks		95,816,002	103,521,169
Savings deposits		1,149,490,351,138	1,015,801,186,963
Matured term deposits		21,175,066,864	19,745,314,768
Other demand deposits		6,039,745,640	24,057,553,654
Drafts and transfers		208,837,724	198,809,563
Cashier's checks		4,722,486,424	6,126,485,979
Advance collections from customers for credit cards		7,322,184,118	7,450,712,822
Obligations for trust funds		20,118,205	118,941,092
Subtotal		2,476,060,368,987	2,272,307,002,207
Term obligations:			
Deposits from the public		1,353,535,924,183	1,308,851,407,479
Other term deposits		83,752,218,012	79,219,422,491
Subtotal		1,437,288,142,195	1,388,070,829,970
Charges payable for obligations with the public		20,322,078,664	19,258,286,965
Total	¢	3,933,670,589,846	3,679,636,119,142

As of December 31, 2015, deposits in checking accounts denominated in colones bear interest at a maximum rate of 1.5% per annum (2014: 2% per annum) on balances and at a minimum rate of 0.00% per annum (2014: 0.25% per annum) on balances greater than or equal to ¢500,001. Deposits in checking accounts denominated in U.S. dollars bear interest at a maximum rate of 0.05% per annum (2014: 0.05% per annum) on balances and at a minimum rate of 0.00% per annum (2014: 0.01% per annum) on balances greater than or equal to US$1,000.

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

Currency	2015	2014
Colones	1.15% to 7.60%	3.52% to 7.05%
U.S. dollars	0.10% to 5.00%	0.50% to 2.15%
Euros	0.01% to 0.05%	0.02% to 0.10%

The Bank has term certificates of deposit that are restricted to secure certain loan operations. As of December 31, 2015, those term certificates of deposit amount to ¢30,173,842,271 (2014: ¢23,805,901,801). As of that date, the Bank has no inactive deposits with State-owned entities or other banks.

(b) By number of customers

As of December 31, obligations with the public by number of customers are as follows:

	2015	2014
Obligations with the public:		
Demand	1,846,797	1,777,763
Term	65,282	64,441

(13) Obligations with BCCR

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

		2015	2014
Financing for loans using internal funds	¢	-	2,705,427
Financing for loans using external funds		125,644,412	179,746,885
Interest payable on obligations		-	294,619
	¢	125,644,412	182,746,931

(14) Obligations with entities and subordinated obligations

(a) Obligations with entities

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

		2015	2014
Demand:			
Checking accounts with local financial entities	¢	135,826,173,704	123,921,208,197
Savings deposits from local financial entities		40,013,665	38,289,746
FCD fund management		133,455,307,294	156,295,635,782
Outstanding checks		2,681,849,500	3,421,821,488
Checking accounts and obligations with related parties		1,705,071,380	-
Other demand obligations with financial entities		545,192,429	2,893,761,342
Subtotal		274,253,607,972	286,570,716,555
Term:			
Term deposits from local financial entities		46,549,514,521	6,135,267,119
Term deposits from foreign financial entities (3)		539,553,389,165	537,734,760,627
Loans from local financial entities		3,303,090,254	1,375,000,000
Loans from foreign financial entities (1)(2)		328,230,055,419	250,664,789,736
Subtotal		917,636,049,359	795,909,817,482
Charges payable for other demand and term obligations with financial entities –foreign currency		45,675,752	4,375,166
Charges payable for other demand and term obligations with financial entities –local currency		294,508,162	66,400,347
Charges payable for loans with foreign financial entities (1)		1,738,990,390	1,501,293,430
Charges payable for loans with local financial entities		11,536,232	7,476,563
Charges payable for term deposits from foreign financial entities (3)		4,931,527,108	4,944,228,129
Subtotal		7,022,237,644	6,523,773,635
Total	¢	1,198,911,894,975	1,089,004,307,672

(1) Loans from foreign financial entities are as follows:

Entity	Annual interest rate 2015	Annual interest rate 2014	Maturity 2015	Maturity 2014	Balance 2015	Balance 2014
CABEI	1.09% to 6.90%	4.55% to 8.00%	2016 to 2021	2015 to 2021	¢ 15,589,747,903	21,430,327,428
Barclays	2.03% to 3.15%	6.20% to 6.65%	2023 to 2029	2023 to 2029	66,839,055,216	67,011,197,761
Commerce, N.A. Miami	2.48%	-	2016	-	10,712,628,929	-
Deutsche Bank AG New York	4.54% to 4.55%	-	2016	-	8,788,913,600	-
Credit Suisse Bank	3.75%	3.58%	2017	2017	56,693,536,210	56,777,835,415
JP Morgan Chase Bank National	4.63% to 6.20%	-	2016	-	8,005,846,918	-
KFW- Kredintans Alt Fuer Wiederauf	3.32% to 6.20%	-	2023	-	7,640,853,871	-
WELLS FARGO BANK	3.32% to 6.65%	-	2016	-	28,229,138,633	-
Citibank	2.32% to 3.15%	2.99%	2016	2016 to 2017	127,469,324,529	106,946,722,562
					¢ 329,969,045,809	252,166,083,166

(Continued)

(2) Guarantees backing the above loans are detailed in note 2.

Loans due to foreign financial entities bear interest at rates ranging between 1.09% and 6.90% per annum (2014: between 2.99% and 8% per annum).

(3) On October 29, 2013, the Bank made two international issues with a face value of US$1 billion, equivalent to ¢527,692,459,100 in 2015 (2014: ¢529,051,519,650) and with the following characteristics:

a. 5-year issue:

- ✓ Face value: US$500 million
- ✓ Traded amount: 99.331%
- ✓ Term: 5 years
- ✓ Interest rate: 4.875% per coupon payment
- ✓ Maturity: November 1, 2018

b. 10-year issue:

- ✓ Face value: US$500 million
- ✓ Traded amount: 99.072%
- ✓ Term: 10 years
- ✓ Interest rate: 6.250% per coupon payment
- ✓ Maturity: November 1, 2023

As of December 31, the balances of those issues in the accounting records are as follows:

		2015	
	5-year issue	10-year issue	Total
Issue	¢ 265,291,954,796	272,403,786,799	537,695,741,595
Adjustment to fair value of hedged item measured at cost of international issues	(1,308,900,128)	2,038,284,564	729,384,436
Amortization of discount in traded amount of issues	716,915,358	411,347,776	1,128,263,134
Subtotal	264,699,970,026	274,853,419,139	539,553,389,165
Charges payable	2,161,006,250	2,770,520,858	4,931,527,108
Total	¢ 266,860,976,276	277,623,939,997	544,484,916,273

		2014	
	5-year issue	10-year issue	Total
Issue	¢ 264,871,078,050	264,180,441,600	529,051,519,650
Adjustment to fair value of hedged item measured at cost of international issues	(834,343,773)	8,924,915,278	8,090,571,505
Amortization of discount in traded amount of issues	377,479,815	215,189,657	592,669,472
Subtotal	264,414,214,092	273,320,546,535	537,734,760,627
Charges payable	2,166,571,875	2,777,656,254	4,944,228,129
Total	¢ 266,580,785,967	276,098,202,789	542,678,988,756

A valuation was performed as of December 31, 2015 and 2014 in order to calculate the change in the fair value of the primary instrument based on the following inputs:

- ✓ A 5- or 10-year LIBOR rate at the issue of the bond;
- ✓ Discount rates from Bloomberg;
- ✓ Zero rates corresponding to the swap curve as of December 31, 2015 and 2014;
- ✓ Only a portion of the bond cash flows is hedged (corresponding to the 5- 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.

For the year ended December 31, 2015, the Bank booked an increase in the fair value of these issues in the amount of ¢23,860,842,948 under "Other finance income" (2014: ¢11,354,254,000) (see note 25). For the year ended December 31, 2015, the Bank booked a decrease in the fair value of these issues in the amount of ¢26,560,630,673 under "Other finance costs" (2014: ¢31,798,043,109). The balance of this account amounts to a total of ¢27,035,436,416 (2014: ¢32,361,388,023).

Maturities of loans due to entities

As of December 31, loans due to entities mature as follows:

		2015		
		Local	Foreign	Total
Less than 1 year		-	183,472,534,284	183,472,534,284
Between 1 and 2 years		879,757,813	56,693,536,210	57,573,294,023
Between 3 and 5 years		125,644,412	4,794,632,376	4,920,276,788
More than 5 years		2,434,868,673	85,008,342,939	87,443,211,612
	¢	3,440,270,898	329,969,045,809	333,409,316,707

		2014		
		Local	Foreign	Total
Less than 1 year		-	584,686,485	584,686,485
Between 1 and 2 years		-	54,811,230,679	54,811,230,679
Between 3 and 5 years		1,436,872,528	117,193,596,699	118,630,469,227
More than 5 years		128,350,966	79,576,569,303	79,704,920,269
	¢	1,565,223,494	252,166,083,166	253,731,306,660

As of December 31, 2015 and 2014, loans due to local entities correspond to obligations with Banco Crédito Agrícola de Cartago and BCCR.

(b) Subordinated obligations

As of December 31, 2015, the Bank's subordinated obligations are as follows:

Entity	Annual interest rate	Term	Maturity		2015	2014
IDB	6-month LIBOR + 4.50% in the first 5 years and 6-month LIBOR + 5.00% thereafter	10 years	05/27/2024	US$	100,000,000	100,000,000
CABEI	6-month LIBOR + 5.25% in the first 5 years and 6-month LIBOR + 5.75% thereafter	15 years	10/23/2029		30,000,000	30,000,000
Total				US$	130,000,000	130,000,000
Total in colones				¢	69,152,200,000	69,330,300,000
Finance charges payable					1,195,185,713	1,027,971,862
				¢	70,347,385,713	70,358,271,862

(Continued)

For the year ended December 31, 2015, the Bank presents no instances of noncompliance with payments of principal or interest.

As of December 31, 2015, interest earned by subordinated liabilities amounts to US$2,246,843, equivalent to ¢1,195,185,713 (2014: US$1,927,532, equivalent to ¢1,027,971,862).

In accordance with IRNBS No. 1644, the debt of State-owned commercial banks will be secured with guarantees issued by the Government and all its divisions and institutions. Government guarantees provided for in the aforementioned regulations 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.

(15) Income tax

Pursuant to the Costa Rican Income Tax Law, the Bank is required to file annual income tax returns for the year ending December 31 of each year.

a) Current tax

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

		2015	2014
Current	¢	8,494,098,130	11,763,485,626
Decrease in income tax for the year		(1,248,768,679)	(202,760,722)
Total current tax expense, net	¢	7,245,329,451	11,560,724,904

For the years ended December 31, the difference between income tax expense and the amount that would result from applying the corresponding tax rate to pre-tax income (30%) is reconciled as follows:

		2015	2014
Income before income tax	¢	54,884,351,587	62,646,112,547
Plus (less):			
Non-deductible expenses		37,865,472,682	26,459,806,333
Deductible expenses		(3,194,018,023)	(3,502,064,193)
Non-taxable income		(65,404,708,081)	(47,068,105,007)
Tax base		24,151,098,165	38,535,749,680
Tax rate		30%	30%
Total income tax expense, net	¢	7,245,329,451	11,560,724,904

b) Deferred tax

As of December 31, deferred tax assets arise from temporary differences in the following financial statement items:

		2015	2014
Unrealized losses	¢	479,833,978	1,392,591,923

In 2015, movement in temporary differences that give rise to deferred tax assets is as follows:

		December 31, 2014	Included in income statement	Included in equity	December 31, 2015
Unrealized losses	¢	1,392,591,923	-	(912,757,945)	479,833,978
	¢	1,392,591,923	-	(912,757,945)	479,833,978

In 2014, movement in temporary differences that give rise to deferred tax assets is as follows:

		December 31, 2013	Included in income statement	Included in equity	December 31, 2014
Unrealized losses	¢	1.943.597.323	(365.229.456)	(185.775.944)	1.392.591.923
	¢	1.943.597.323	(365.229.456	(185.775.944)	1.392.591.923

As of December 31, deferred tax liabilities arise from temporary differences in the following financial statement items:

		2015	2014
Asset revaluation	¢	11,524,732,937	13,283,636,328
Unrealized gains		3,223,207,697	855,142,536
	¢	14,747,940,634	14,138,778,864

In 2015, movement in temporary differences that give rise to deferred tax liabilities is as follows:

		December 31, 2014	Included in income statement	Included in equity	December 31, 2015
Revaluation of assets	¢	13,283,636,328	-	(1,758,903,391)	11,524,732,937
Unrealized gains		855,142,536	-	2,368,065,161	3,223,207,697
	¢	14,138,778,864	-	609,161,770	14,747,940,634

In 2014, movement in temporary differences that give rise to deferred tax liabilities is as follows:

		December 31, 2013	Included in income statement	Included in equity	December 31, 2014
Revaluation of assets	¢	13,605,138,376	-	(321,502,048)	13,283,636,328
Unrealized gains		569,346,375	374,840,477	(89,044,316)	855,142,536
	¢	14,174,484,751	374,840,477	(410,546,364)	14,138,778,864

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

Tax returns filed by the Bank for the years ended December 31, 2011, 2012, 2013, and 2014 and the tax return that will be filed for the year ended December 31, 2015, are open to review by Tax Authorities.

(16) Provisions

As of December 31, provisions are as follows:

		2015	2014
Severance benefits	¢	19,345,442,018	28,421,229,753
Litigation		4,338,666,120	2,415,808,599
Other		10,954,108,847	7,860,810,751
	¢	34,638,216,985	38,697,849,103

Movement in provisions is as follows:

		Severance benefits	Litigation	Other	Total
Balance at December 31, 2013	¢	32,441,625,359	9,464,453,978	7,049,038,586	48,955,117,923
Provisioned		9,938,126,841	1,065,446,483	7,368,517,864	18,372,091,188
Used		(13,958,522,447)	(387,507,370)	(5,886,286,715)	(20,232,316,532)
Decrease in provisions charged to profit or loss		-	(7,726,584,492)	(670,458,984)	(8,397,043,476)
Balance at December 31, 2014		28,421,229,753	2,415,808,599	7,860,810,751	38,697,849,103
Provisioned		8,470,286,486	2,619,318,577	13,231,206,301	24,320,811,364
Used		(14,093,434,655)	(540,345,355)	(6,039,936,840)	(20,673,716,850)
Decrease in provisions charged to profit or loss		(3,452,639,566)	(156,115,701)	(4,097,971,365)	(7,706,726,632)
Balance at December 31, 2015	¢	19,345,442,018	4,338,666,120	10,954,108,847	34,638,216,985

As of December 31, the provision for litigation is as follows:

		2015	2014
Ordinary suits	¢	3,922,523,187	1,998,040,666
Phishing		416,142,933	417,767,933
	¢	4,338,666,120	2,415,808,599

As of December 31, 2015 and 2014, the Bank is a defendant in litigation and management considers that an outflow of economic benefits will be required to settle the corresponding obligations. The Bank has estimated future outflows and made the following provisions:

- Ordinary suits filed against the Bank have been estimated at ¢62,174,427,307 (2014: ¢65,961,788,888) and US$324,983,715 (2014: US$341,991,608). Management of the Bank has provisioned ¢3,922,523,187 (2014: ¢1,998,040,666) for ordinary and labor suits and judicial litigation.

(Continued)

- For criminal proceedings in which the Bank is the civil defendant, the total potential liability has been estimated at ¢398,430,775 (2014: ¢427,042,800). The amount provisioned by the Bank in connection therewith is included in the provision for ordinary suits.

- Labor suits by nature are difficult to estimate. However, they have been estimated at ¢1,486,333,665 (2014: ¢2,703,131,086). The amount provisioned by the Bank in connection therewith is included in the provision for ordinary suits.

- As of December 31, 2015, the Bank faces 514 administrative actions related to Internet fraud (phishing) for a total of ¢416,142,933 (2014: 514 administrative actions for ¢417,767,933). The Bank has provisioned 100% of that amount.

(17) Other sundry accounts payable

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

		2015	2014
Professional fees	¢	1,604,375	3,220,299
Creditors - goods and services		2,882,088,533	2,453,453,791
Employer contributions (1)		8,038,006,622	8,801,534,035
Current tax		743,722,112	10,685,784,314
Court-ordered withholdings		3,105,230,262	2,601,689,305
Tax withholdings		2,667,486,803	787,979,776
Employee withholdings		515,637,251	491,217,445
Other third-party withholdings		16,259,093	17,507,185
Compensation		6,697,069,229	6,925,778,129
Statutory allocations		10,895,480,959	11,487,446,318
Clearing house operations		513,780,850	4,414,157,187
Accrued vacation		6,283,025,378	6,068,518,906
Accrued statutory Christmas bonus		1,372,967,729	1,556,496,691
Foreclosed assets		117,483,268	502,916,892
Fees and commissions – Related parties		-	3,390,461
Various creditors - Local currency (2)		6,120,375,300	6,601,533,717
Various creditors - Foreign currency		3,584,812,413	4,527,184,924
Interest rate futures - Hedges (note 5-b)		-	206,726,657
FX futures - Other than hedges (note 5-b)		-	17,779,910
	¢	53,555,030,177	68,154,315,942

(1) The "Employer contributions" item mainly includes employer contributions due to CCSS, Banco Popular y de Desarrollo Comunal, National Learning Institute (INA), and Mixed Institute of Social Welfare (IMAS).

(2) As of December 31, 2015 and 2014, the "Various creditors" account includes ¢2,436.35 million and ¢956.3 million, respectively, for the operations of the Bank's Electronic Means of Payment Division (VISA). The remaining amount corresponds to normal operations of other divisions.

(18) Other liabilities

As of December 31, other liabilities are as follows:

		2015	2014
Deferred income:			
Deferred finance income	¢	14,699,323,266	8,985,345,777
Deferred fees and commissions for trust management		16,916,474	17,605,208
Other		1,718,317	311,487
Subtotal		14,717,958,057	9,003,262,472
Allowance for stand-by credit losses (1)		1,545,597,997	1,319,693,076
Operations pending application:			
Operations pending settlement		20,341,189,654	16,684,027,432
Other		5,806,697,159	7,077,390,107
Subtotal		26,147,886,813	23,761,417,539
Total	¢	42,411,442,867	34,084,373,087

(1) For the years ended December 31, movements in the allowance for stand-by credit losses are as follows:

		2015	2014
Opening balance	¢	1,319,693,076	138,964,729
Allowance expense charged to profit or loss (note 27)		228,413,037	1,196,180,294
Adjustment for foreign exchange differences		(2,508,116)	34,548,053
Decrease in allowance charged to profit or loss (note 28)		-	(50,000,000)
Closing balance	¢	1,545,597,997	1,319,693,076

(Continued)

(19) Equity

(a) Share capital

The Bank's share capital is as follows:

		2015	2014
Capital under Law No. 1644	¢	90,511,345,645	90,511,345,645
Bank capitalization bonds		27,618,957,837	27,618,957,837
	¢	118,130,303.482	118,130,303,482

On December 23, 2008, the Executive Branch of the Costa Rican Government authorized a capital contribution funded under Law No. 8703 "Amendment to Law No. 8627 on the Ordinary and Extraordinary Budget of the Republic for Tax Year 2008." Such law grants funds to capitalize three State-owned banks, including the Bank, in order to stimulate productive sectors, particularly small and medium-sized enterprises. For such purposes, the Bank received four securities for a total of US$50,000,000 (equivalent to ¢27,619,000,002) and denominated in DU maturing in 2013, 2017, 2018, and 2019 (No. 4183, No. 4184, No. 4185, and No. 4190 for DU10,541,265.09 each, at a reference exchange rate of ¢655.02 to DU1.00). As of December 31, 2015 and based on the exchange rate as of that date, the balance of those investments is ¢27,030,439,007 (2014: ¢27,328,967,634) (see note 5-a).

(b) Revaluation surplus

Revaluation surplus corresponds to the increase in fair value of property.

As of December 31, 2015, revaluation surplus amounts to ¢63,572,929,305 (2014: ¢63,639,596,055).

(c) Adjustment for valuation of available-for-sale investments and restricted financial instruments

This item corresponds to variations in the fair value of available-for-sale investments and restricted financial instruments.

(Continued)

As of December 31, 2015 and 2014, the adjustment for valuation of available-for-sale investments and restricted financial instruments amounts to ¢2,867,809,620 (unrealized gain) and ¢3,787,427,875 (unrealized loss), respectively.

(d) Adjustment for valuation of investments in other companies

As of December 31, 2015 and 2014, the adjustment for valuation of investments in foreign associates by the equity method amounts to ¢7,084,626,651 and ¢6,329,906,321, respectively. These investments correspond to the Bank's 49% ownership interest in BICSA.

(e) Equity reserves

As of December 31, equity reserves are as follows:

		2015	2014
Legal reserve	¢	237,909,153,277	209,058,123,505
Statutory reserve for foreclosed assets		110,915,646	85,097,647
Excess of statutory reserve for loans		4,456,681,706	2,574,576,547
Statutory dynamic provision		5,307,802,621	5,177,759,218
	¢	247,784,553,250	216,895,556,917

(f) Equity of the Development Financing Fund

As of December 31, 2015, the allocation of the Bank's earnings for the creation of the Development Financing Fund (FOFIDE) amounts to ¢18,144,863,035 (2014: ¢14,548,173,826).

(20) Commitments and contingencies

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

		2015	2014
Performance bonds	¢	29,834,393,474	37,617,018,016
Bid bonds		2,347,050,585	2,054,648,682
Other guarantees		3,759,924,499	2,423,528,942
Letters of credit		13,289,869,206	7,103,231,794
Credits pending disbursement		325,733,653	340,507,165
Subtotal		49,556,971,417	49,538,934,599
Pre-approved lines of credit		221,702,170,194	195,705,059,566
Other contingencies - Pending litigation and lawsuits (note 39)		235,016,875,208	250,210,718,116
Other contingencies not related to credits		636,737,855	251,337,222
Subtotal		457,355,783,257	446,167,114,904
FX futures - Other than hedges (note 5-b)		11,649,486,000	15,273,998,400
Total	¢	518,562,240,674	510,980,047,903

Letters of credit, guarantees, and sureties granted expose the Bank to credit loss in the event of noncompliance by the customer. The Bank'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. 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 balance sheet until the commitments are fulfilled or expire.

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

As of December the 31, off-balance sheet financial instruments with risk (no prior deposit) and without risk (prior deposit) are as follows:

		2015	2014
Contingencies without prior deposit:			
Letters of credit	¢	11,003,257,130	5,928,406,427
Guarantees and sureties granted		33,128,498,114	37,928,171,005
Subtotal		44,131,755,245	43,856,577,432
Contingencies with prior deposit:			
Letters of credit		2,286,612,076	1,174,825,367
Guarantees and sureties granted		2,812,870,444	4,167,024,634
Subtotal		5,099,482,520	5,341,850,001
Credits pending disbursement		325,733,653	340,507,166
Total	¢	49,556,971,417	49,538,934,599

(21) Trust assets

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

The types of trusts managed by the Bank 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

Notes to Unconsolidated Financial Statements

As of December 31, 2015, trust capital is invested in the following assets:

Nature of trust		Guaranty and cash management	Cash or property management	Securitization	Portfolio management	Guaranty	Testamentary	Custody of stock with testamentary clause	Custody and management of stock	Pre-sales management	Guaranty and custody of stock	Total
Trust assets												
Cash and due from banks	¢	-	148,894,085	4,389,161	1,480,868	5,439,696	-	-	8,523	53,195	-	160,265,528
Investment securities and term deposits		-	173,308,850,241	3,318,357,098	427,551,561	666,494,365,872	1,308,640,716	-	1,910,201	427,474,888	-	845,287,150,577
Loan portfolio		-	2,579,120,499	-	1,101,433,290	-	-	-	-	-	-	3,680,553,789
Accounts and accrued interest receivable		27,607,336	6,543,291,846	4,497,133	1,871,893,300	23,285,645	5,233	-	-	-	-	8,470,580,493
Foreclosed assets		-	33,272,382	-	2,667,915	-	-	-	-	-	-	35,940,297
Investments in other companies		-	1,209,954,431	-	-	-	2,332,000	2,396,000	-	-	851,104,000	2,065,786,431
Property and equipment		1,544,041,161	971,990,872	52,812,621,086	-	69,174,908,361	-	-	-	-	-	124,503,561,480
Other assets		-	636,702,993	-	22,428,776	1,795,655,250	1,739,949	-	-	5,591,597	-	2,462,118,565
Total	¢	1,571,648,497	185,432,077,349	56,139,864,478	3,427,455,710	737,493,654,824	1,312,717,898	2,396,000	1,918,724	433,119,680	851,104,000	986,665,957,160

As of December 31, 2014, trust capital is invested in the following assets:

Nature of trust		Guaranty and cash management	Cash or property management	Securitization	Portfolio management	Guaranty	Testamentary	Custody of stock with testamentary clause	Custody and management of stock	Pre-sales management	Guaranty and custody of stock	Total
Trust assets												
Cash and due from banks	¢	-	152,055,081	1,444,909,475	-	38,048,091	-	7,893	-	906,627	-	1,635,927,167
Investment securities and term deposits		-	169,300,276,073	11,293,419,379	57,052,732	557,922,577,913	1,406,393,738	-	1,770,343	492,421,042	-	740,473,911,220
Loan portfolio		-	2,057,997,821	-	431,092,077	-	-	-	-	-	-	2,489,089,898
Accounts and accrued interest receivable		-	8,195,592,156	228,611,087	2,420,262,751	-	-	-	-	-	-	10,844,465,994
Foreclosed assets		-	55,104,261	-	2,314,082,361	-	-	-	-	-	-	2,369,186,622
Investments in other companies		-	588,742,426	-	6,669,788	-	2,320,000	2,406,000	-	-	853,296,000	1,453,434,214
Property and equipment		1,544,041,161	2,886,418,207	69,055,290,625	-	68,202,416,097	-	-	-	-	-	141,688,166,090
Other assets		-	287,643,096	580,483,704	14,260,566	2,537,704,227	157,451	-	-	-	-	3,420,249,044
Total	¢	1,544,041,161	183,523,829,121	82,602,714,270	5,243,420,275	628,700,746,328	1,408,871,189	2,413,893	1,770,343	493,327,669	853,296,000	904,374,430,249

(Continued)

The types of trusts managed by the Bank 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 social and economic 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)

h) Custody of stock with testamentary clause

These trusts hold in custody capital stock, plus an added value based on the testamentary trust agreement. The purpose of these trusts is to manage the assets represented by the aforementioned stock on behalf of third parties.

(22) Other debit memoranda accounts

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

		2015	2014
Guarantees received in the Bank's custody	¢	5,296,310,978,645	6,084,249,794,139
Unused, authorized lines of credit		786,119,426,615	599,371,531,413
Write-offs		183,476,153,188	172,006,315,708
Finance income on non-accrual loans		8,751,605,238	6,713,999,134
Supporting documentation received in the Bank's custody		1,027	807
Nondeductible expenses		37,865,472,682	26,453,870,224
Nontaxable income		65,404,708,081	47,100,847,967
Other memoranda accounts		598,143,448,787	609,980,715,469
Subtotal		6,976,071,794,263	7,545,877,074,861
Third-party debit memoranda accounts (1)		670,787,193,541	923,639,626,583
Own debit memoranda accounts for custodial activities		309,366,155,191	263,853,004,270
Third-party debit memoranda accounts for custodial activities		7,743,978,388,696	6,931,132,764,126
Total	¢	15,700,203,531,691	15,664,502,469,840

(1) According to SUGEVAL Decision SGV-R-1706 of June 6, 2007, the Bank is registered with the National Registry of Securities and Brokers as a class C custodian, in conformity with current regulations.

As of December 31, banking mandates are as follows:

		2015	2014
Management of banking mandates	¢	670,786,800,640	923,639,233,682
Assets in custody on behalf of third parties		392,901	392,901
	¢	670,787,193,541	923,639,626,583

(23) Finance income on cash and due from banks and investments in financial instruments

For the years ended December 31, finance income on cash and due from banks and investments in financial instruments is as follows:

		2015	2014
Cash and due from banks:			
Checking accounts and demand deposits in foreign entities	¢	217,971,906	206,134,989
		217,971,906	206,134,989
Financial instruments:			
Investments in available-for-sale securities		34,140,683,610	27,672,483,561
Committed instruments		9,006,804,264	9,549,075,285
		43,147,487,874	37,221,558,846
	¢	43,365,459,780	37,427,693,835

(24) Finance income on loan portfolio

For the years ended December 31, finance income on the loan portfolio is as follows:

		2015	2014
Current loans:			
Checking account overdrafts	¢	87,028,132	87,270,200
Loans granted with funds from BCCR		1,395,745,717	1,731,667,201
Loans granted with other funds		264,625,978,009	238,342,578,523
Credit cards		19,697,806,993	18,810,360,626
Issued letters of credit		675,574	289,544
Loan portfolio sales		398,676	-
Loans to related parties		50,495,345	-
Other loans		4,268,496	3,422,364
Subtotal		285,862,396,942	258,975,588,458
Past due loans and loans in legal collection:			
Checking account overdrafts		4,016,284	8,003,532
Loans granted with funds from BCCR		303,785,105	282,861,654
Loans granted with other funds		42,727,840,496	42,224,160,118
Credit cards		2,712,515,053	2,999,303,515
Other loans		837,234	2,935,807
Subtotal		45,748,994,172	45,517,264,626
Total	¢	331,611,391,114	304,492,853,084

(25) Other finance income

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

		2015	2014
Fees and commissions on letters of credit	¢	60,400,734	66,386,792
Fees and commissions on guarantees granted		606,350,629	654,009,876
Fees and commissions on lines of credit		192,118,274	95,940,130
Gain on fair value hedge for item measured at cost		23,860,842,948	11,354,254,000
Other sundry finance income		3,371,799,828	3,588,155,384
	¢	28,091,512,413	15,758,746,182

(26) Expenses for obligations with the public

For the years ended December 31, expenses for obligations with the public are as follows:

		2015	2014
Demand deposits	¢	33,365,132,256	33,525,937,269
Term deposits		75,075,942,604	68,577,021,079
Other term obligations with the public		680,913	-
	¢	108,441,755,773	102,102,958,348

(27) Expenses for allowances for impairment of assets

For the years ended December 31, expenses for allowances for impairment of assets are as follows:

		2015	2014
Allowance for loan losses (note 6-f)	¢	28,082,167,240	25,946,790,270
General and counter-cyclical allowance for loan portfolio (note 6-f)		2,853,949,992	218,015,894
Allowance for impairment of other accounts receivable (note 7)		1,332,435,789	4,558,394,587
Allowance for stand-by credit losses (note 18)		159,000,008	1,125,231,628
General and counter-cyclical allowance for stand-by credit losses (note 18)		69,413,029	70,948,666
Allowance for impairment of derivative financial instruments (note 5-a)		128,016,660	4,216,707
	¢	32,624,982,718	31,923,597,752

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

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

		2015	2014
Recovery of loan write-offs	¢	11,713,714,441	15,294,525,461
Recovery of receivable write-offs		804,919	12,607,305
Decrease in allowance for loan losses (note 6-f)		-	1,200,000,000
Decrease in allowance for impairment of other accounts receivable (note 7)		128,906,016	1,014,031,493
Decrease in allowance for stand-by credit losses (note 18)		-	50,000,000
Decrease in allowance for investments in financial instruments (note 5-a)		53,727,022	1,538,619
	¢	11,897,152,398	17,572,702,878

(29) Operating income from service fees and commissions

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

		2015	2014
Drafts and transfers	¢	7,247,970,223	6,950,090,882
Certified checks		5,089,311	5,700,727
Trusts		785,111,590	858,618,520
Custodial services		1,184,289,990	1,021,430,837
Banking mandates		150,143	340,133
Collections		37,821,135	47,398,658
Credit cards		42,415,701,900	36,293,715,985
Management services		3,544,766,376	3,573,672,292
Insurance underwriting		1,160,875,383	1,021,318,384
Transactions with related parties		212,842,184	160,491,044
Other		38,343,447,727	38,437,128,725
	¢	94,938,065,962	88,369,906,187

(30) Other operating income

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

		2015	2014
Leasing of assets	¢	52,307,153	29,226,340
Recovery of expenses		3,501,318,599	4,629,504,490
Net valuation of other assets (note 38-c)		354,466,349	723,354,051
Other income from accounts receivable		2,084,587	2,289,995
Sundry operating income		4,275,827,879	6,606,661,295
Decrease in provisions		7,706,726,633	8,397,043,476
	¢	15,892,731,200	20,388,079,647

(31) Operating expenses for foreclosed assets

For the years ended December 31, operating expenses for foreclosed assets are as follows:

		2015	2014
Securities, property, and other assets acquired in lieu of payment	¢	333,525,533	7,429,509,342
Loss on sale of assets awarded in judicial auctions		6,539,741,687	3,053,419,204
Management of assets acquired in lieu of payment		-	980,821
Management of assets awarded in judicial auctions		8,885,686,053	8,650,596,828
Loss on impairment of foreclosed assets (note 8)		496,664,532	286,316,674
Loss on allowance for impairment and per legal requirements (note 8)		4,351,007,686	6,556,620,663
Other expenses		113,104,792	754,626,722
	¢	20,719,730,283	26,732,070,254

(32) Expenses for provisions

For the years ended December 31, expenses for provisions are as follows:

		2015	2014
Severance benefits	¢	8,470,286,485	9,938,126,841
Pending litigation		2,619,318,578	1,065,446,483
Other provisions		13,231,206,301	7,368,764,196
	¢	24,320,811,364	18,372,337,520

(Continued)

(33) Other operating expenses

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

		2015	2014
Penalties for noncompliance with regulatory provisions	¢	180,175,575	1,090,677,814
Net valuation of other liabilities (note 38-c)		348,421,059	1,210,441,092
Income tax (8%) on interest on investments in financial instruments		3,260,948,650	3,011,336,676
Income tax on foreign remittances		939,737,756	-
Property tax		154,450,874	153,818,785
Licenses		613,092,941	631,443,740
Other local taxes		288,293,425	838,060,712
Transfers to FINADE		3,141,546,478	2,189,343,489
Sundry operating expenses		47,461,020,351	43,208,599,249
	¢	56,387,687,109	52,333,721,557

(34) Personnel expenses

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

		2015	2014
Salaries and bonuses, permanent staff	¢	59,308,031,394	45,685,978,960
Salaries and bonuses, contractors		1,810,899,385	2,066,411,990
Compensation for directors and statutory examiners		126,683,366	112,752,728
Overtime		934,992,355	965,971,768
Travel expenses		747,438,203	909,741,826
Statutory Christmas bonus		6,840,898,246	6,782,277,552
Vacation		7,984,603,157	5,790,558,097
Other compensation		4,246,526,983	7,268,140,283
Severance benefits		4,104,097,698	4,245,501,662
Employer social security taxes		26,176,761,348	28,306,060,523
Refreshments		499,523,916	569,343,153
Uniforms		290,781,344	24,823,471
Training		901,433,230	891,819,794
Employee insurance		209,201,306	211,473,440
Back-to-school bonus		6,672,280,449	6,086,945,461
Mandatory retirement savings account		2,468,933,821	2,723,248,747
Other personnel expenses		458,941,766	617,396,952
	¢	123,782,027,967	113,258,446,407

(35) Other administrative expenses

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

		2015	2014
Outsourcing	¢	13,754,520,513	13,203,777,528
Transportation and communications		3,853,307,325	4,307,888,074
Infrastructure		30,755,879,596	30,767,476,796
Overhead		12,045,877,240	11,368,371,508
	¢	60,409,584,674	59,647,513,906

(36) Statutory allocations

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

		2015	2014
CONAPE (5%)	¢	2,844,261,407	3,134,239,581
CNE (3%)		1,552,126,884	1,797,299,782
INFOCOOP (10%)		4,399,474,172	4,619,267,048
RIVM (5%)		2,411,332,154	1,940,604,486
	¢	11,207,194,617	11,491,410,897

For the years ended December 31, the decrease in statutory allocations is as follows:

		2015	2014
CONAPE (5%)	¢	100,043,827	1,695,392
CNE (3%)		77,752,300	-
INFOCOOP (10%)		57,431,174	2,269,185
RIVM (5%)		77,542,314	-
FIDAGRO		57,178,243	-
	¢	369,947,858	3,964,577

(37) 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:

	2015	
	Carrying amount	Fair value
Financial assets:		
Cash and due from banks	¢ 845,089,095,231	845,089,095,231
Investments in financial instruments	1,071,837,259,198	1,071,837,259,198
Loan portfolio	3,726,656,815,565	3,549,296,496,223
	¢ 5,643,583,169,994	5,466,222,850,652
Financial liabilities:		
Demand deposits from the public and financial entities	¢ 2,758,362,429,152	2,758,362,429,152
Other demand obligations with the public	12,273,626,471	12,273,626,471
Term deposits from the public and financial entities	2,425,397,221,679	2,418,516,153,107
	¢ 5,196,033,277,302	5,189,152,208,730

	2014	
	Carrying amount	Fair value
Financial assets:		
Cash and due from banks	¢ 827,582,424,992	827,582,424,992
Investments in financial instruments	1,045,040,209,859	1,045,040,209,859
Loan portfolio	3,353,290,148,557	2,867,538,794,577
	¢ 5,225,912,783,408	4,740,161,429,428
Financial liabilities:		
Demand deposits from the public and financial entities	¢ 2,564,241,056,272	2,564,241,056,272
Other demand obligations with the public	13,894,949,455	13,894,949,455
Term deposits from the public and financial entities	2,254,521,371,626	2,256,516,669,695
	¢ 4,832,657,377,353	4,834,652,675,422

Fair value estimates

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, other receivables, demand deposits from the public, accrued interest payable, and other liabilities

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

b. Investments in financial instruments

The fair values of available-for-sale investments in financial instruments are based on quoted market prices, except for Auction Rate Securities (ARS), which fair values are determined using the valuation method developed by the Bank.

c. 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 dates. Future expected cash flows for loans are discounted at the interest rates offered for similar loans to new borrowers as of December 31, 2015 and 2014.

d. 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 as of December 31, 2015 and 2014.

e. Obligations with entities

The fair value of obligations with entities is calculated by discounting cash flows at the interest rates in effect as of December 31, 2015 and 2014.

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

(Continued)

As of December 31, 2015 and 2014, the following table analyzes financial instruments measured at fair value by the level in the fair value hierarchy:

		2015			
		Level 1	Level 2	Level 3	Total
Available-for-sale	¢	813,138,012,734	203,919,187,431	5,594,435,115	1,022,651,635,28
Held-to-maturity	¢	-	27,030,439,007	-	27,030,439,00

		2014			
		Level 1	Level 2	Level 3	Total
Available-for-sale	¢	844,081,853,154	147,817,199,895	5,606,070,339	997,505,123,38
Held-to-maturity	¢	-	27,328,967,634	-	27,328,967,63

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

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

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

		December 31,	
		2015	2014
Opening balance	¢	5,606,070,339	6,569,436,062
Valuation		270,992	(18,036,528)
Sales		-	(1,279,477,098)
Exchange differences		(11,906,216)	334,147,902
Closing balance	¢	5,594,435,115	5,606,070,339

(Continued)

(38) Risk management

The Bank has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risks:
  - 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 Bank 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. Brokerage Firm, Investment Fund Manager, Pension Fund Manager, and Insurance Brokerage Firm.

The Bank manages the above risks as follows:

a) Credit risk

This is the risk that the borrower or issuer of a financial asset will fail to discharge an obligation, fully and on time, in accordance with the terms and conditions agreed upon at the time the financial asset was acquired. Credit risk is mainly related to the loan portfolio and investments in financial instruments. The exposure to credit risk on those assets is represented by the carrying amount of the assets in the balance sheet. The Bank also has exposure to credit risk for off-balance sheet credits, such as commitments, letters of credit, sureties, and guarantees.

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

The Bank has established the following credit risk management procedures:

1. The Bank has defined procedures for loan follow-up and processing as well as for the application of loan controls. The functions, tasks, and procedures performed by the Credit Risk Division have been documented with the support of the Quality Management Division. As a result, the Bank has been able to unify, standardize, and improve the process.
2. The Bank has performed and reviewed the administrative loan follow-up procedures for branches and regional offices.
3. The Bank is comprehensively evaluating the Loan Process and, based on that evaluation, the procedures performed through offices, business development centers (BDCs), shared service centers, trade zones, and corporate centers in accordance with the organizational structure project named "Transformation."
4. The work plan for loan follow-up includes an evaluation of main borrowers (higher balances in the loan portfolio), which involves continuous monitoring and visits to regional offices.

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

(Continued)

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

	Note		Direct 2015	Direct 2014	Note	Stand-by 2015	Stand-by 2014
Loan portfolio							
Principal	6-a	¢	3,701,502,141,960	3,331,574,219,669	20	271,259,141,611	245,243,994,165
Accounts and accrued interest receivable			25,154,673,605	21,715,928,888		-	-
Carrying amount, gross			3,726,656,815,565	3,353,290,148,557		271,259,141,611	245,243,994,165
Allowance for loan losses (accounting records)			(62,968,882,979)	(49,838,574,099)		(1,545,597,997)	(1,319,693,076)
Carrying amount, net		¢	3,663,687,932,586	3,303,451,574,458		269,713,543,614	243,924,301,089

		Direct 2015	Direct 2014	Stand-by 2015	Stand-by 2014
Loan portfolio					
Total balances:					
A1	¢	3,048,708,961,115	2,635,882,550,621	262,042,586,492	235,908,076,162
A2		34,559,206,956	31,016,636,031	436,696,136	369,307,028
B1		285,932,296,978	331,137,184,935	2,210,869,884	4,092,087,569
B2		12,249,809,312	12,231,350,139	33,798,825	111,939,538
C1		90,256,753,384	82,120,885,538	3,989,227,505	2,638,515,447
C2		4,580,449,251	6,964,352,287	22,720,687	14,380,718
D		84,311,863,977	107,267,820,444	773,102,417	759,735,195
E		166,057,474,592	146,669,368,562	1,750,139,665	1,349,952,508
		3,726,656,815,565	3,353,290,148,557	271,259,141,611	245,243,994,165
Structural allowance (subledger – database)		(61,485,826,978)	(47,843,823,004)	(1,293,205,640)	(958,597,232)
Carrying amount, net	¢	3,665,170,988,587	3,305,446,325,553	269,965,935,971	244,285,396,933

		Direct 2015	Direct 2014	Stand-by 2015	Stand-by 2014
Individually assessed loans with allowance:					
A1	¢	3,048,708,961,115	2,635,882,550,621	257,013,873,399	230,676,152,592
A2		34,559,206,956	31,016,636,031	424,449,716	361,965,378
B1		285,932,296,978	331,137,184,935	2,187,022,116	3,993,781,504
B2		12,249,809,312	12,231,350,139	33,423,825	111,939,538
C1		90,256,753,384	82,120,885,538	3,974,913,505	2,638,515,447
C2		4,580,449,251	6,964,352,287	22,720,687	14,380,718
D		84,311,863,977	107,267,820,444	773,102,417	755,956,173
E		166,057,474,592	146,669,368,562	1,730,153,420	1,349,452,788
		3,726,656,815,565	3,353,290,148,557	266,159,659,085	239,902,144,139
Structural allowance (subledger – database)		(61,485,826,978)	(47.843.823.004)	(1,293,205,640)	(958,597,232)
Carrying amount, net	¢	3,665,170,988,587	3,305,446,325,553	264,866,453,445	238,943,546,907

			Direct		Stand-by	
			2015	2014	2015	2014
Current loans without allowance:						
A1		¢	-	-	5,028,713,093	5,231,923,569
A2			-	-	12,246,420	7,341,650
B1			-	-	23,847,768	98,306,065
B2			-	-	375,000	-
C1			-	-	14,314,000	-
C2			-	-	-	-
D			-	-	-	3,779,022
E			-	-	19,986,245	499,720
Carrying amount		¢	-	-	5,099,482,526	5,341,850,026
Carrying amount, gross			3,726,656,815,565	3,353,290,148,557	271,259,141,611	245,243,994,165
Allowance for loan losses (database)			(61,485,826,978)	(47,843,823,004)	(1,293,205,640)	(958,597,232)
(Excess) insufficiency of allowance over structural allowance			(1,483,056,001)	(1,994,751,095)	(252,392,357)	(361,095,844)
Carrying amount, net	6-a	¢	3,663,687,932,586	3,303,451,574,458	269,713,543,614	243,924,301,089
Restructured loans		¢	24,902,897,819	26,654,096,704	4,020,204	7,033,221

As of December 31, 2015, no information is available for past due and current loans without allowance because an allowance has been established for the whole loan portfolio pursuant to CONASSIF Directive No. 1058/07 dated August 21, 2013, which became effective on January 1, 2014.

Set out below is an analysis of the gross and net (of allowance for loan losses) amounts of loans by risk rating according to SUGEF Directive 1-05:

		2015	
		Loans to customers	
		Gross	Net
A1	¢	3,048,708,961,115	3,041,128,350,459
A2		34,559,206,956	34,490,057,990
B1		285,932,296,978	284,716,298,170
B2		12,249,809,312	12,151,397,996
C1		90,256,753,384	87,355,203,370
C2		4,580,449,251	4,339,948,543
D		84,311,863,977	78,856,093,224
E		166,057,474,592	120,650,582,834
	¢	3,726,656,815,565	3,663,687,932,586

		2014	
		Loans to customers	
		Gross	Net
A1	¢	2,635,882,550,621	2,631,781,130,666
A2		31,016,636,031	30,991,812,151
B1		331,137,184,935	329,622,045,129
B2		12,231,350,139	12,140,849,113
C1		82,120,885,538	80,518,142,385
C2		6,964,352,287	6,649,798,293
D		107,267,820,444	99,778,142,388
E		146,669,368,562	111,969,654,333
	¢	3,353,290,148,557	3,303,451,574,458

As shown above, as of December 31, 2015, the gross portfolio amounts to ¢3,726 billion. Of that amount, 90.74% is classified in risk ratings "A + B" and 9.26% in risk ratings "C + D + E" (2014: ¢3,353 billion, of which 89.77% is classified in risk ratings "A + B" and 10.23% in risk ratings "C + D + E").

Individually assessed loans with allowance:

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

Past due loans without allowance:

Past due loans without allowance correspond to loan operations with a guarantee for 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. Following are the various types of restructured loans.

(Continued)

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

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

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

Restructured loans are classified as follows:

		2015	2014	2015	2014
Restructured loans	¢	24,902,897,819	26,654,096,704	4,020,204	7,033,221

Loan charge-off policy:

The Bank charges 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, charge-offs are generally based on the level of arrears of the loan granted.

Risk ratings

The loan portfolio by borrower classification is as follows:

		Direct		Stand-by	
Borrower classification		2015	2014	2015	2014
Group 1	¢	2,214,688,539,514	1,877,182,676,257	54,140,753,444	52,615,109,977
Group 2		1,511,968,276,051	1,476,107,472,300	217,118,388,167	192,628,884,188
	¢	3,726,656,815,565	3,353,290,148,557	271,259,141,611	245,243,994,165

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.

Borrower classification

Analysis of creditworthiness

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

a. *Financial position and expected cash flows*: Analysis of the stability and continuity of main sources of income. The effectiveness of the analysis depends on the quality and timeliness of information.

b. *Experience in the line of business and quality of management*: Analysis of the capacity of management to lead the business with appropriate controls and adequate support from the owners.

c. *Business environment*: Analysis of the main sector variables that affect the borrower's creditworthiness.

d. *Vulnerability to changes in interest rates and foreign exchange rates*: Analysis of the borrower's ability to confront unexpected adverse changes in interest rates and foreign exchange rates.

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

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

(Continued)

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

Analysis of historical payment behavior

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

			Direct		Stand-by	
Risk rating	Arrears		2015	2014	2015	2014
A1	30 days or less	¢	3,048,708,961,115	2,635,882,550,621	262,042,586,492	235,908,076,162
A2	60 days or less		34,559,206,956	31,016,636,031	436,696,136	369,307,028
B1	60 days or less		285,932,296,978	331,137,184,935	2,210,869,884	4,092,087,569
B2	60 days or less		12,249,809,312	12,231,350,139	33,798,825	111,939,538
C1	90 days or less		90,256,753,384	82,120,885,538	3,989,227,505	2,638,515,447
C2	90 days or less		4,580,449,251	6,964,352,287	22,720,687	14,380,718
D	120 days or less		84,311,863,977	107,267,820,444	773,102,417	759,735,195
E	More than 120 days or other factors		166,057,474,592	146,669,368,562	1,750,139,665	1,349,952,508
		¢	3,726,656,815,565	3,353,290,148,557	271,259,141,611	245,243,994,165

Pursuant to SUGEF Directive 1-05, borrowers are classified in two groups: Group 1, borrowers whose total outstanding balance exceeds ¢65,000,000; and Group 2, borrowers whose total outstanding balance is less than ¢65,000,000.

<u>Borrower classification</u>

Starting January 1, 2014, for purposes of borrower classification, pursuant to SUGEF Directive 1-05, borrowers in Group 1 and Group 2 are classified based on arrears, historical payment behavior and creditworthiness.

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

(Continued)

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.

Structural allowance for loan losses

As of January 2014, the allowances for loan losses are calculated as follows:

- ✓ General allowance for total outstanding balances, not considering the corresponding guarantees
- ✓ Specific allowance for covered portion (with guarantees)
- ✓ Specific allowance for uncovered portion (with no guarantees).

The general allowance only applies to loan operations corresponding to borrowers rated A1 and A2. The specific allowances for covered and uncovered portions are applicable to all borrowers, except for those rated A1 and A2.

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 indicated below should be used.

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

Risk ratings are as follows:

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

Pursuant to articles 11 bis and 12 of SUGEF Directive 1-05, the calculations of the general allowance and the specific allowance for covered portion for loan operations must consider the provisions of Transition Provision XII of such Directive. Accordingly, as of December 31, 2015, the Bank applied an allowance percentage of 0.2%, which will gradually increase on a quarterly basis to 0.5%, pursuant to the aforementioned Transition Provision.

Allowance percentages based on borrower risk rating are as follows:

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

In accordance with article 11 bis, *General allowance*, of CONASSIF Directive 1058/07 dated August 21, 2013, at each month-end, entities must book the general allowance for a minimum of 0.5% of the total outstanding balance for loan portfolios rated A1 and A2, without considering the effect of guarantees. The provisions of article 13 of the aforementioned Directive are to be applied to stand-by credits.

Starting January 2014 and as an exception in the case of risk rating E, the minimum specific allowance for borrowers whose historical payment behavior is classified in level 3 should be calculated as follows:

Arrears	Specific allowance percentage - Uncovered portion	Specific allowance percentage - Covered portion	Creditworthiness (Group 1 borrowers)	Creditworthiness (Group 2 borrowers)
30 days or less	20%	0.50%	Level 1	Level 1
30 days or less	50%	0.50%	Level 2	Level 1
More than 60 days	100%	0.50%	Level 1, Level 2, Level 3, or Level 4	Level 1 or Level 2

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, as of December 31, the Bank must maintain a structural allowance:

		2015		
		Allowance booked	Structural allowance	Excess (insufficiency) of allowance
Direct	¢	62,968,882,979	(61,485,826,978)	1,483,056,001
Stand-by		1,545,597,997	(1,293,205,640)	252,392,357
	¢	64,514,480,976	(62,779,032,618)	1,735,448,358

		2014		
		Allowance booked	Structural allowance	Excess (insufficiency) of allowance
Direct	¢	49,838,574,099	(47,843,823,004)	1,994,751,095
Stand-by		1,319,693,076	(958,597,232)	361,095,844
	¢	51,158,267,175	(48,802,420,236)	2,355,846,939

As of December 31, 2015, the excess above the minimum allowance required by the current regulations in the amount of ¢1,735,448,358 (2014: ¢2,355,846,939) corresponds to an excess of ¢102,424,581 (2014: ¢1,296,492,530) arising from CONASSIF Directive 1058/07 (gradual general allowance) and an excess of ¢1,633,023,777 (2014: ¢1,059,354,409) in the specific allowance, which represents a 2.60% (2014: 2.17%) of the minimum allowance required by the current regulations.

SUGEF External Circular Letter 021-2009 dated May 30, 2009 indicates that the expense for the allowance for loan losses corresponds to the amount necessary to reach the required minimum allowance. Furthermore, there must be duly documented technical justification for any excess above the minimum required allowance, which is to be sent to SUGEF with the authorization request. The excess may not surpass 15% of the minimum required allowance for the loan portfolio. This notwithstanding, if any additional allowances are required above 15%, they must be taken from net earnings for the period pursuant to article 10 of IRNBS.

As of December 31, 2015, the balance of the Bank's allowance for loan losses (direct and stand-by), accrued interest receivable, and other receivables amounts to ¢70,376,889,771 (2014: ¢56,519,626,585).

Credit equivalent

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

a. bid bonds and export letters of credit without prior deposit: 0.05

b. other sureties and guarantees without prior deposit: 0.25

c. pre-approved lines of credit: 0.50.

Allowance for other assets

Allowances should be established for the following assets:

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

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

b. Foreclosed assets acquired prior to May 2010 that have not been sold or leased within two years from the date of their acquisition, an allowance equivalent to 100% of their value. The booking of the allowance shall begin at the end of the month in which the assets were i) acquired, ii) produced for sale or lease, or iii) retired from use. After May 2010, an allowance must be established gradually by booking one-twenty-fourth of the value of the assets each month until the allowance is equivalent to 100% of the assets' carrying amount. The booking of the allowance shall begin at month-end of the month in which the assets were acquired.

As of December 31, 2015, the carrying amount of the allowance for impairment of foreclosed assets and per legal requirements amounts to ¢61,161,022,915 (2014: ¢57,188,491,454).

(Continued)

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

		Direct		Stand-by	
Sector		2015	2014	2015	2014
Trade	¢	378,585,450,748	347,810,115,210	41,267,478	78,610,006
Services		798,910,680,575	667,098,619,477	49,264,750,760	49,236,960,752
Financial services		125,793,878,183	109,584,306,917	-	-
Mining		742,837,628	410,960,192	-	-
Manufacturing and quarrying		155,749,107,392	157,746,613,567	1,515,480	1,207,078
Construction		88,991,301,100	73,188,865,755	-	-
Agriculture and forestry		111,353,629,330	109,184,998,499	14,395,399	13,357,679
Livestock, hunting, and fishing		65,572,600,886	61,070,301,075	-	3,013,017
Electricity, water, sanitation, and other related sectors		349,000,829,890	270,714,594,381	-	-
Transportation and telecommunications		26,519,994,640	20,381,040,260	-	-
Housing		1,118,413,210,816	1,062,948,312,266	12,979,933	11,454,118
Personal or consumer		368,915,877,629	351,050,567,454	221,702,170,209	195,705,059,563
Tourism		138,107,416,748	122,100,853,504	222,062,352	194,331,952
	¢	3,726,656,815,565	3,353,290,148,557	271,259,141,611	245,243,994,165

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

		Direct		Stand-by	
		2015	2014	2015	2014
Central America	¢	3,726,656,815,565	3,353,290,148,557	271,259,141,611	245,243,994,165

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

		Direct		Stand-by	
Guarantee		2015	2014	2015	2014
Back to back	¢	11,105,340,994	8,349,482,793	6,476,263	18,600,000
Mortgage bond		9,841,189,843	10,491,930,530	-	-
Assignment of loans		410,178,773,376	338,007,471,020	212,776	-
Mortgage		1,628,313,969,658	1,571,558,153,121	285,123,547	488,137,360
Surety		699,814,858,417	605,188,481,637	25,708,571	88,600,623
Trust		331,158,834,472	244,750,948,840	131,286,925	105,152,706
Securities		1,150,398,488	1,239,767,595	-	-
Chattel mortgage		151,287,007,196	130,472,720,262	-	-
Other		483,806,443,121	443,231,192,759	270,810,333,530	244,543,503,476
	¢	3,726,656,815,565	3,353,290,148,557	271,259,141,612	245,243,994,165

(Continued)

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, 2015 and 2014, 48.35% and 46.87% of the loan portfolio is secured by collateral guarantees.

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

		Direct		Stand-by	
Loan portfolio concentration		2015	2014	2015	2014
¢1 to ¢3,000,000	¢	143,195,596,256	149,673,830,951	97,207,597,704	87,874,875,196
¢3,000,001 to ¢15,000,000		516,137,815,750	508,684,374,019	122,211,207,934	104,957,336,551
¢15,000,001 to ¢30,000,000		420,581,497,898	406,013,413,084	5,793,293,538	5,266,273,117
¢30,000,001 to ¢50,000,000		412,880,381,524	380,362,613,447	2,005,968,541	2,029,536,702
¢50,000,001 to ¢75,000,000		289,067,398,184	260,382,514,361	2,492,987,969	1,731,246,236
¢75,000,001 to ¢100,000,000		128,592,157,261	114,479,592,322	1,392,744,988	1,121,603,176
¢100,000,001 to ¢200,000,000		212,280,642,131	200,308,176,988	4,830,697,765	4,274,404,998
More than ¢200,000,000		1,603,921,326,561	1,333,385,633,385	35,324,643,172	37,988,718,189
	¢	3,726,656,815,565	3,353,290,148,557	271,259,141,611	245,243,994,165

As of December 31, 2015 and 2014, the portion of the loan portfolio (direct and stand-by loans) corresponding to economic interest groups amounts to ¢233,538,564,153 ¢235,469,707,428 respectively,

For credit risk management purposes, the Bank applies an internal model to estimate the loan portfolio's Expected Losses (EL) 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 (for comparison purposes, loan portfolio information is available for 2003 and thereafter).

The Bank's loan portfolio is comprised of operations in various currencies, i.e. the Costa Rican colon, the U.S. dollar, and DU. Consequently, the VaR analysis is performed separately for each currency. The data is then consolidated to determine a maximum loss for the entire portfolio, expressed in colones. VaR is also calculated for each of the Bank's 13 economic activities, its credit card accounts, and the BN-Desarrollo portfolio.

Various technical tools are used to provide other angles for the analysis. 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, 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 use of the above analyses has led to sound credit risk management practices that, along with tight control over loan collection, have helped to substantially improve the level of arrears in the loan portfolio.

With that purpose and to continually improve the calculation models, a recent adjustment in the parameters used for quantification of credit risk was performed to obtain more accurate credit risk estimates. Consequently, subsequent to the aforementioned adjustment, results obtained exceed prior results (specifically between March and June 2014). The Corporate Risk Committee and the Board of Directors approved the methodology.

As of the December 2015 close, the increase in arrears more than 90 days for loan operations both in colones and in U.S. dollars affected the behavior of the consolidated VaR, which increased by 0.05 pp (percentage points) in relation to the estimation for the previous month.

However, by currency, the VaR in U.S. dollars is not affected by the foregoing, given that it decreases due to a decrease in arrears.

(Continued)

Several activities show a decrease in the monthly VaR results due to the recovery of loans in legal collection, loans more than 90 days past due, or both. This is the case for Livestock, Industry, Commerce, and Transportation. The drop in Consumer is due to the decrease in the balance of loans 46-150 days past due.

Mining, Energy, and Financial Services are strongly influenced by the concentration of such portfolios, which causes the monthly and year-on-year variations. Additionally, Industry and Commerce are the only sectors with a monthly growth in VaR, in response to the impairment of loans over 90 days past due and in legal collection, respectively.

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.

To support liquidity risk management, the Market Risk Division monitors indicators such as liability structure, daily changes and trends in demand and term account balances, volatility of deposit-taking from the public (duration by liability and currency), VaR of liquidity, levels of concentration of the Bank's funding sources, liquidity coverage ratio, systemic liquidity indicators, and variables with the greatest impact on SUGEF's term matching indicators. All of this information is communicated to management in a monthly report that is reviewed by the Corporate Risk Committee and subsequently escalated to the Board of Directors.

BANCO NACIONAL DE COSTA RICA

Notes to Unconsolidated Financial Statements

As of December 31, 2015, the terms of the Bank's assets and liabilities denominated in local currency are matched as follows:

		Days								
		Past due	Demand	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	More than 365	Total
Cash and due from banks	¢	-	80,243,350,710	-	-	-	-	-	-	80,243,350,710
Minimum cash reserve in BCCR		-	274,020,938,752	23,241,036,224	26,138,188,851	16,956,621,334	47,384,005,071	31,965,585,591	10,425,709,402	430,132,085,225
Investments		-	-	74,361,728,632	2,265,464,686	34,624,627,094	55,331,296,013	144,568,734,391	233,728,963,342	544,880,814,158
Loan portfolio		121,010,298,395	-	34,607,182,818	33,919,539,160	46,480,461,433	70,677,230,865	91,351,268,980	1,875,105,365,061	2,273,151,346,712
Total recovery of assets	¢	121,010,298,395	354,264,289,462	132,209,947,674	62,323,192,697	98,061,709,861	173,392,531,949	267,885,588,962	2,119,260,037,805	3,328,407,596,805
Obligations with the public	¢	-	1,707,420,703,907	187,049,709,046	115,726,879,344	135,834,864,955	293,812,975,854	233,179,351,373	67,294,425,744	2,740,318,910,223
Obligations with BCCR		-	-	-	-	-	-	-	125,644,412	125,644,412
Obligations with financial entities		-	79,001,888,270	8,329,000,000	2,081,708,305	7,688,645,650	5,348,756,008	6,337,970,548	3,330,893,954	112,118,862,735
Charges payable		-	7,467,782,785	4,296,081,305	2,975,484,256	887,129,986	2,070,935,071	473,851,605	112,473,571	18,283,738,579
Total maturity of liabilities	¢	-	1,793,890,374,962	199,674,790,351	120,784,071,905	144,410,640,591	301,232,666,933	239,991,173,526	70,863,437,681	2,870,847,155,949
Difference	¢	121,010,298,395	(1,439,626,085,500)	(67,464,842,677)	(58,460,879,208)	(46,348,930,730)	(127,840,134,984)	27,894,415,436	2,048,396,600,124	457,560,440,856

(Continued)

BANCO NACIONAL DE COSTA RICA

Notes to Unconsolidated Financial Statements

As of December 31, 2014, the terms of the Bank's assets and liabilities denominated in local currency are matched as follows:

		Days								
		Past due	Demand	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	More than 365	Total
Cash and due from banks	¢	-	71,115,546,942	-	-	-	-	-	-	71,115,546,942
Minimum cash reserve in BCCR		-	393,234,842,023	-	-	-	-	-	-	393,234,842,023
Investments		-	-	112,011,472,882	17,247,146,907	28,619,899,983	23,759,838,654	68,552,486,380	210,455,068,253	460,645,913,059
Loan portfolio		98,006,859,466	6,704,614,514	32,579,495,429	24,516,087,088	23,085,763,294	77,631,034,875	82,953,595,483	1,732,987,257,288	2,078,464,707,437
Total recovery of assets	¢	98,006,859,466	471,055,003,479	144,590,968,311	41,763,233,995	51,705,663,277	101,390,873,529	151,506,081,863	1,943,442,325,541	3,003,461,009,461
Obligations with the public	¢	-	1,509,135,482,087	291,100,218,725	89,984,422,325	108,562,675,264	257,354,767,998	159,976,288,947	64,530,302,325	2,480,644,157,671
Obligations with BCCR		-	-	-	-	-	-	-	182,452,312	182,452,312
Obligations with financial entities		-	97,828,411,906	2,257,721,417	120,933,392	229,302,557	792,516,361	216,458,952	1,382,999,999	102,828,344,584
Charges payable		-	6,485,711,031	5,109,382,238	2,390,232,690	769,737,496	1,635,510,228	256,017,218	163,781,768	16,810,372,669
Total maturity of liabilities	¢	-	1,613,449,605,024	298,467,322,380	92,495,588,407	109,561,715,317	259,782,794,587	160,448,765,117	66,259,536,404	2,600,465,327,236
Difference	¢	98,006,859,466	(1,142,394,601,545)	(153,876,354,069)	(50,732,354,412)	(57,856,052,040)	(158,391,921,058)	(8,942,683,254)	1,877,182,789,137	402,995,682,225

(Continued)

BANCO NACIONAL DE COSTA RICA

Notes to Unconsolidated Financial Statements

As of December 31, 2015, the terms of the Bank's assets and liabilities denominated in foreign currency, expressed in local currency, are matched as follows:

		Days								
		Past due	Demand	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	More than 365	Total
Cash and due from banks	¢	-	124,547,406,712	-	-	-	-	-	-	124,547,406,712
Minimum cash reserve in BCCR		-	141,654,501,484	15,116,277,868	11,369,586,642	8,655,025,343	18,758,326,054	14,612,535,193	-	210,166,252,584
Investments		-	-	19,739,971,592	53,754,943,081	33,487,124,664	92,792,697,342	95,311,027,269	232,005,321,753	527,091,085,701
Loan portfolio		69,913,079,478	-	33,148,793,106	28,131,620,234	34,491,850,134	73,018,867,465	59,215,375,061	1,155,585,883,375	1,453,505,468,853
Total recovery of assets	¢	69,913,079,478	266,201,908,196	68,005,042,566	93,256,149,957	76,634,000,141	184,569,890,861	169,138,937,523	1,387,591,205,128	2,315,310,213,850
Obligations with the public	¢	-	768,639,665,080	77,255,681,614	54,736,320,959	40,443,356,703	151,578,721,847	68,124,180,758	12,251,673,998	1,173,029,600,959
Obligations with financial entities		-	195,251,719,702	13,835,759,400	47,368,193,120	281,928,200	53,204,638,800	85,032,470,790	684,796,084,584	1,079,770,794,596
Charges payable		-	772,852,890	629,624,109	1,594,803,517	162,671,485	5,649,097,034	229,986,489	21,542,205	9,060,577,729
Total maturity of liabilities	¢	-	964,664,237,672	91,721,065,123	103,699,317,596	40,887,956,388	210,432,457,681	153,386,638,037	697,069,300,787	2,261,860,973,284
Difference	¢	69,913,079,478	(698,462,329,476)	(23,716,022,557)	(10,443,167,639)	35,746,043,753	(25,862,566,820)	15,752,299,486	690,521,904,341	53,449,240,566

(Continued)

BANCO NACIONAL DE COSTA RICA

Notes to Unconsolidated Financial Statements

As of December 31, 2014, the terms of the Bank's assets and liabilities denominated in foreign currency, expressed in local currency, are matched as follows:

		Days								
		Past due	Demand	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	More than 365	Total
Cash and due from banks	¢	-	180,368,937,210	-	-	-	-	-	-	180,368,937,210
Minimum cash reserve in BCCR		-	182,863,098,817	-	-	-	-	-	-	182,863,098,817
Investments		-	-	11,758,808,854	33,520,240,520	11,873,439,534	45,630,198,796	149,158,027,331	332,514,081,323	584,454,796,358
Loan portfolio		41,739,245,478	15,420,979,266	21,706,768,889	27,184,507,678	35,566,067,013	77,384,944,376	69,730,721,324	986,092,207,096	1,274,825,441,120
Total recovery of assets	¢	41,739,245,478	378,653,015,293	33,465,577,743	60,704,748,198	47,439,506,547	123,015,143,172	218,888,748,655	1,318,606,288,419	2,222,512,273,505
Obligations with the public	¢	-	763,171,520,120	93,459,838,941	63,094,980,617	51,554,795,210	160,878,645,871	41,667,110,955	6,131,289,359	1,179,958,181,073
Obligations with financial entities		-	188,742,304,649	1,270,844,100	10,025,561	862,466,159	238,204,255	704,525,976	787,823,818,753	979,652,189,453
Charges payable		-	876,099,386	576,679,362	1,531,149,272	201,222,984	5,617,516,207	144,837,812	24,477,527	8,971,982,550
Total maturity of liabilities	¢	-	952,789,924,155	95,307,362,403	64,636,155,450	52,618,484,353	166,734,366,333	42,516,474,743	793,979,585,639	2,168,582,353,076
Difference	¢	41,739,245,478	(574,136,908,862)	(61,841,784,660)	(3,931,407,252)	(5,178,977,806)	(43,719,223,161)	176,372,273,912	524,626,702,780	53,929,920,429

(Continued)

c) *Market risks*

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 within acceptable parameters (risk limits approved by the Board of Directors), while optimizing the return.

The main indicator used is the VaR of the Bank's investments, which is determined for each currency in which the Bank holds positions. That indicator is complemented with the Risk-Adjusted Return on Capital (RAROC), which summarizes the Bank's risk-return profile derived from holding an investment portfolio.

Interest rate risk

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

The Bank is sensitive to this type of risk due to the mix of rates and terms for both assets and liabilities. Therefore, the Market Risk Division monitors this risk regularly and reports monthly on its performance to the Bank's Corporate Risk Committee.

At the December 2015 close, the interest rate risk indicator in local and foreign currency closed considerably below SUGEF's regulatory maximum limit of 5% at 1.86% (2014: 1.17%) and 0.76% (2014: 0.08%).

Fair value hedge

Fair value hedges are recognized as follows:

Gains or losses arising from valuation of the hedging instrument at fair value are recognized immediately in profit or loss for the period.

Gains or losses arising from valuation of the primary instrument that are attributable to the hedged risk are booked as an adjustment to the carrying amount of the instrument and recognized immediately in profit or loss for the period.

In 2013, five derivative instruments were formalized to hedge exposure to the LIBOR rate related to the issue of debt in U.S. dollars at a fixed rate, with the purpose of compensating for changes in fair value attributable to changes in such benchmark rate. Three of those instruments were formalized with the correspondent banks Bank of America, Citibank, and JP Morgan Chase, fully covering the 10-year issue for a total of US$500,000,000 and maturing on November 1, 2023. The remaining two derivatives were formalized with Citibank and JP Morgan Chase, partially covering the 5-year issue for a total of US$250,000,000 and maturing on November 1, 2018 (see note 5-b).

BANCO NACIONAL DE COSTA RICA

Notes to Unconsolidated Financial Statements

As of December 31, 2015, the interest rate terms for the Bank's assets and liabilities are matched as follows (differences between the recovery of assets and the maturity of liabilities):

		1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 to 720 days	More than 720 days	Total
Local currency (LC)								
Investments	¢	74,349,946,312	36,801,973,439	55,166,409,118	144,566,207,601	151,289,201,811	55,409,322,496	517,583,060,777
Loan portfolio		135,506,916,585	69,869,929,556	62,606,259,974	89,692,735,397	150,283,531,905	1,655,369,379,499	2,163,328,752,916
Total recovery of rate-sensitive assets LC (A)	¢	209,856,862,897	106,671,902,995	117,772,669,092	234,258,942,998	301,572,733,716	1,710,778,701,995	2,680,911,813,693
Obligations with the public	¢	200,857,543,276	264,365,693,022	300,225,214,035	240,092,040,537	53,010,821,774	16,289,339,414	1,074,840,652,058
Obligations with BCCR		-	-	-	-	-	125,644,412	125,644,412
Obligations with financial entities	¢	356,330,022	102,613,896	156,043,789	364,895,417	423,855,441	2,205,396,083	3,609,134,648
Total maturity of rate-sensitive liabilities LC (B)	¢	201,213,873,298	264,468,306,918	300,381,257,824	240,456,935,954	53,434,677,215	18,620,379,909	1,078,575,431,118
LC difference, recovery of assets less maturity of liabilities (A - B)	¢	8,642,989,599	(157,796,403,923)	(182,608,588,732)	(6,197,992,956)	248,138,056,501	1,692,158,322,086	1,602,336,382,575
Foreign currency (FC)								
Investments	¢	19,739,971,734	87,242,068,377	92,225,516,243	94,455,608,599	152,740,462,820	67,851,739,933	514,255,367,706
Loan portfolio		48,841,361,336	56,828,500,583	67,283,006,911	55,764,875,866	102,879,392,955	1,073,598,364,010	1,405,195,501,661
Total recovery of rate-sensitive assets FC (C)	¢	68,581,333,070	144,070,568,960	159,508,523,154	150,220,484,465	255,619,855,775	1,141,450,103,943	1,919,450,869,367
Obligations with the public	¢	86,566,223,297	103,687,558,826	156,830,886,487	68,586,421,743	11,520,047,193	540,441,220,251	967,632,357,797
Obligations with entities		7,150,686,379	40,660,646,693	57,186,130,952	84,068,270,170	60,298,083,770	80,650,903,596	330,014,721,560
Total maturity of rate-sensitive liabilities FC (D)	¢	93,716,909,676	144,348,205,519	214,017,017,439	152,654,691,913	71,818,130,963	621,092,123,847	1,297,647,079,357
FC difference, recovery of assets less maturity of liabilities (C - D)	¢	(25,135,576,606)	(277,636,559)	(54,508,494,285)	(2,434,207,448)	183,801,724,812	520,357,980,096	621,803,790,010
Total recovery of rate-sensitive assets 1/ (A + C)	¢	278,438,195,967	250,742,471,955	277,281,192,246	384,479,427,463	557,192,589,491	2,852,228,805,938	4,600,362,683,060
Total recovery of rate-sensitive liabilities 2/ (B + D)	¢	294,930,782,974	408,816,512,437	514,398,275,263	393,111,627,867	125,252,808,178	639,712,503,756	2,376,222,510,475
LC + FC difference, recovery of assets less maturity of liabilities (item 1 - item 2)	¢	(16,492,587,007)	(158,074,040,482)	(237,117,083,017)	(8,632,200,404)	431,939,781,313	2,212,516,302,182	2,224,140,172,585

(Continued)

BANCO NACIONAL DE COSTA RICA

Notes to Unconsolidated Financial Statements

As of December 31, 2014, the interest rate terms for the Bank's assets and liabilities are matched as follows (differences between the recovery of assets and the maturity of liabilities):

		1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 to 720 days	More than 720 days	Total
Local currency (LC)								
Investments	¢	111,961,068,510	45,596,209,851	23,715,047,486	68,256,326,106	114,747,081,757	68,379,018,861	432,654,752,571
Loan portfolio		136,412,783,044	37,419,815,500	70,090,495,000	80,753,840,600	138,112,228,730	1,524,866,110,338	1,987,655,273,212
Total recovery of rate-sensitive assets LC (A)	¢	248,373,851,554	83,016,025,351	93,805,542,486	149,010,166,706	252,859,310,487	1,593,245,129,199	2,420,310,025,783
Obligations with the public	¢	298,934,011,701	201,646,467,800	259,377,830,988	160,661,115,417	17,451,119,458	48,828,850,902	986,899,396,266
Obligations with BCCR		325,365	10,836,075	61,667	11,023,054	22,372,764	138,128,004	182,746,929
Obligations with financial entities	¢	115,384,257	84,306,047	128,352,335	308,537,037	559,824,037	252,473,195	1,448,876,908
Total maturity of rate-sensitive liabilities LC (B)	¢	299,049,721,323	201,741,609,922	259,506,244,990	160,980,675,508	18,033,316,259	49,219,452,101	988,531,020,103
LC difference, recovery of assets less maturity of liabilities (A - B)	¢	(50,675,869,769)	(118,725,584,571)	(165,700,702,504)	(11,970,508,802)	234,825,994,228	1,544,025,677,098	1,431,779,005,680
Foreign currency (FC)								
Investments	¢	11,758,807,208	45,393,680,360	45,232,012,496	148,552,522,113	117,600,736,578	205,297,659,458	573,835,418,213
Loan portfolio		33,739,469,567	52,348,099,340	63,075,545,785	56,361,052,853	88,478,637,173	939,555,491,406	1,233,558,296,124
Total recovery of rate-sensitive assets FC (C)	¢	45,498,276,775	97,741,779,700	108,307,558,281	204,913,574,966	206,079,373,751	1,144,853,150,864	1,807,393,714,337
Obligations with the public	¢	95,492,439,437	116,133,001,406	166,576,951,346	43,137,987,391	2,467,859,875	541,373,970,546	965,182,210,001
Obligations with entities		1,649,485,128	1,300,258,178	1,466,509,811	2,973,626,469	57,979,957,090	186,800,599,927	252,170,436,603
Total maturity of rate-sensitive liabilities FC (D)	¢	97,141,924,565	117,433,259,584	168,043,461,157	46,111,613,860	60,447,816,965	728,174,570,473	1,217,352,646,604
FC difference, recovery of assets less maturity of liabilities (C - D)	¢	(51,643,647,790)	(19,691,479,884)	(59,735,902,876)	158,801,961,106	145,631,556,786	416,678,580,391	590,041,067,733
Total recovery of rate-sensitive assets 1/ (A + C)	¢	293,872,128,329	180,757,805,051	202,113,100,767	353,923,741,672	458,938,684,238	2,738,098,280,063	4,227,703,740,120
Total recovery of rate-sensitive liabilities 2/ (B + D)	¢	396,191,645,888	319,174,869,506	427,549,706,147	207,092,289,368	78,481,133,224	777,394,022,574	2,205,883,666,707
LC + FC difference, recovery of assets less maturity of liabilities (item 1 - item 2)	¢	(102,319,517,559)	(138,417,064,455)	(225,436,605,380)	146,831,452,304	380,457,551,014	1,960,704,257,489	2,021,820,073,413

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

(Continued)

Currency risk

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

Starting May 2009, the Bank's Asset and Liability Committee (ALCO) decided to take a neutral foreign currency position with the purpose of protecting the Bank from any changes in the exchange rate, which has been ratified annually by the Bank's Corporate Risk Committee. The Bank's foreign currency position is monitored daily by the Market Risk Division. Additionally, the Bank calculates the SUGEF currency risk indicator on a monthly basis. As of December 2015, that indicator was quantified at 0.22%, which is slightly above the 0.18% calculated for December 2014 and considerably below the regulatory maximum limit of 5%.

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

Investments in Europe

- The Bank's Market Risk Division analyzes and follows-up on the investment portfolio on an ongoing basis through the Comprehensive Risk Assessment Report, which is submitted to the Corporate Risk Committee and the Board of Directors.

- For the portfolios denominated in international dollars and euros, the Bank periodically analyzes the portfolio's balance performance by currency, composition by issuer, term and yield, VaR, stress scenarios related to shifts in yield curves (sovereign yield curve in the euro area, sovereign yield curve in the U.S., and yield curve for the 6-month LIBOR rate), and accrued market valuation.

Investments in euros - Europe

- The investment portfolio denominated in euros amounts to €36 million as of December 2015 and represents 2% of the total investment portfolio, which is in line with the strategy for investment diversification and portfolio currency matching. This portfolio has remained relatively stable during the past year, ranging between €35 million and €43 million. The main issuers are Holland (47%), England (24%), France (15%), and Belgium (13%).

- Most issuers comprising this portfolio are sovereign issuers with very high credit ratings.

- VaR of fair value was 0.02% and duration locates at 0.71 year.

- Of the portfolio, 96% bears interest at a fixed rate, and 75% has a maturity of less than one year.

- As a result of the ongoing monitoring performed by the Market Risk Division regarding the situation in Europe, the strategy used to manage the portfolio is based on increased liquidity and reduced exposure of the most volatile instruments.

Investments in dollars - Europe

- As of December 31, 2015, the portfolio in international dollars includes a component of European instruments amounting to $100 million, equivalent to 13% of the face value of such portfolio. The total balance of the portfolio in international dollars is $748 million, excluding FOCREDE and deferred liquidity operations. However, if the note issued by Barclays with underlying bonds issued by the Government of Costa Rica is included, the share in the portfolio decreases to 7%.

- In this case, the portfolio concentrates in instruments issued by sovereign issuers that are considered to have very high credit ratings, including Germany, Belgium, France, Holland, and England.

(Continued)

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

		U.S. dollars	
		2015	2014
Assets:			
Cash and due from banks	US$	604,912,387	663,540,653
Investments in financial instruments		948,774,118	1,043,246,701
Loan portfolio		2,695,383,624	2,356,742,015
Accounts and accrued interest receivable		456,573	521,977
Investments in other companies		100,591,147	93,388,754
Other assets		6,518,432	5,956,474
Total assets	US$	4,356,636,281	4,163,396,574
Liabilities:			
Obligations with the public	US$	2,149,267,778	2,155,375,601
Obligations with entities		2,040,901,933	1,840,424,925
Subordinated obligations		132,246,843	131,927,532
Accounts payable and provisions		9,374,930	9,902,046
Other liabilities		22,798,132	26,602,531
Total liabilities	US$	4,354,589,616	4,164,232,635
(Deficit) Excess of assets over liabilities in U.S. dollars	US$	2,046,665	(836,061)

		Euros	
		2015	2014
Assets:			
Cash and due from banks	€	22,240,002	14,421,354
Investments in financial instruments		38,410,309	43,180,205
Total assets	€	60,650,311	57,601,559
Liabilities:			
Obligations with the public	€	55,172,059	50,525,715
Obligations with entities		1,460,620	7,065,040
Accounts payable and provisions		7,033	39,803
Other liabilities		526,664	101,829
Total liabilities	€	57,166,376	57,732,387
(Deficit) Excess of assets over liabilities in euros	€	3,483,935	(130,828)

(Continued)

		DU	
		2015	2014
Assets:			
Investments in financial instruments	DU	34,749,595	39,220,808
Loan portfolio		31,730,883	41,956,600
Total assets	DU	66,480,478	81,177,408
Liabilities:			
Accounts payable and provisions		893,511	1,046,672
Other liabilities		6,686	8,708
Total liabilities	DU	900,197	1,055,380
Excess of assets over liabilities in DU	DU	65,580,281	80,122,028

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

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

		2015	2014
Foreign exchange gain	¢	109,297,896,629	317,756,425,419
Foreign exchange loss		109,767,300,545	317,489,596,405
Net (loss) gain	¢	(469,403,916)	266,829,014

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

		2015	2014
Gain on net valuation of other assets (note 30)	¢	354,466,349	723,354,051
Loss on net valuation of other liabilities (note 33)		(348,421,059)	(1,210,441,092)
Net gain (loss)	¢	6,045,290	(487,087,041)

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

(Continued)

d) Operational risk

Operational risk is the risk of losses resulting from inadequate or failed internal processes, personnel, information systems, and controls or from external events. This definition includes legal risk but excludes strategic, business, or reputational risks.

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

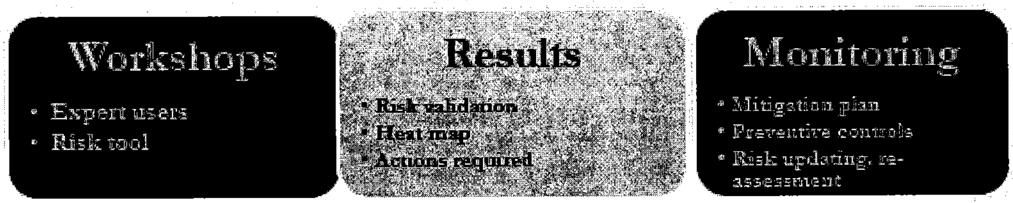
That policy is implemented through a comprehensive model with roles and responsibilities assigned to each level:

- Business areas with the primary functions of execution and supervision.
- Support areas that have functions including surveillance, internal guideline generation, monitoring and control of key indicators, and regulatory compliance.
- Independent audits, both internal and external, that perform control testing and validation in conformity with that set forth by upper management and the applicable regulations.

Furthermore, the Bank has defined operating policies related to the implementation of new products, services, and operations and to fraud management.

One of the Bank's fundamental operational risk management principles is transparency, defined as the identification, documentation, and reporting of risk events in order to allow the Bank to adequately measure risk events and carry out any necessary corrective, preventive, and mitigation measures in a timely manner, including insurance where this is effective.

Also, the main activity in operational risk management is the assessment 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. Risk management also entails a qualitative assessment through the calculation of indicators and specific risk models, which reflect behaviors and trends on a periodic basis that are used as inputs for decision-making.

For legal risk, the Bank applies a model to estimate the EL and VaR of legal actions, considering the subject matter of the cases when calculating the likelihood of loss and a continuous model for the duration of the legal actions. Such model provides a direct estimate of the duration of each legal action in the corresponding court and the possible outcomes. The results thereof are used to address possible losses from unfavorable rulings.

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

Capital management

Regulatory capital

The Bank's capital must always comply with the capital adequacy indicators established by SUGEF, which require that banks maintain a Capital Adequacy Ratio (CAR) of at least 10%. That ratio is calculated by dividing the Bank's base capital by total risk-weighted exposures.

Management periodically monitors these requirements and reports to the Board of Directors on compliance. As of December 31, 2015 and 2014, the Bank is above the minimum level required by applicable regulations.

As of December 31, the Bank's Tier I and Tier II capital (regulatory capital) is as follows:

		2015	2014
Tier I capital:			
Ordinary paid-in capital	¢	118,130,303,482	118,130,303,482
Legal reserve		247,796,675,302	216,895,556,917
		365,926,978,784	335,025,860,399
Tier II capital:			
Adjustment for revaluation of property and equipment		47,679,696,979	47,729,697,041
Adjustment for valuation of available-for-sale investments		-	(1,746,379,939)
Adjustment for valuation of restricted financial instruments		(435,415,249)	(2,041,047,936)
Adjustment for valuation of investments in other companies		7,084,626,651	6,329,906,321
Prior period retained earnings		44,419,476,822	40,731,042,810
Income for the year		36,801,775,377	39,610,786,377
Equity of FOFIDE		18,146,075,240	14,548,173,826
		153,696,235,820	145,162,178,500
Less: Deductions		(85,284,978,077)	(76,183,109,543)
Total regulatory capital	¢	434,338,236,527	404,004,929,356

The Bank's capital, including the capital of its statutorily-created departments, may be increased by law or by capitalization of earnings. In the latter case, the capitalization must be approved by the Board of Directors of BCCR based on an opinion issued by SUGEF.

(Continued)

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

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

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

IAS 1 was amended as of January 1, 2007 in order to comply with the disclosure of objectives, policies, and procedures for managing capital and of quantitative information. The Bank and its subsidiaries adhere to SUGEF's Chart of Accounts, articles 10, 11, and 12 of IRNBS, Decision AGB 8-86, "Regulations for Authorizing the Organization, Opening, and Operation of Private Banks", and SUGEF Circular Letter 043-2005.

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

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

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

(Continued)

Internally, as a prudential measure to protect capital, the General Board of Directors adopted a policy establishing a floor of 10.50%, which exceeds the regulation's requirements by 50 basis points. At the administrative level, in 2007 the floor and ceiling were set at 11.50% and 13.50%, respectively, to assess the actions of those with direct responsibility for monitoring the performance of the Bank's CAR for purposes of efficient capital management.

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: balance sheet, profit or loss for the period, CAMELS indicators, budget execution, and capital adequacy.

As of December 31, 2015 and 2014, the Bank's CAR is above the minimum level required by applicable regulations, which indicates that capital levels are above the minimum required by laws and regulations.

Moreover, in applying Law No. 8627 published in the Official Gazette on December 23, 2008, effective immediately, the Government of Costa Rica capitalized State-owned banks. As part of that capitalization, the Bank received Central Bank bonds in DU for a total of DU42,165,060, equivalent to ¢27,618,957,837, which was credited against the "Paid-in capital" account (account No. 311) (see note 19).

(39) Contingencies

As of December 31, 2015, the Bank is a defendant and a claimant in 237 and 132, respectively, ordinary, labor, and criminal lawsuits (2014: 247 and 52, respectively) estimated at ¢235,016,875,208 (2014: ¢250,210,718,116) and ¢707,668,143,041 (2014: ¢4,762,380,295), respectively. The legal actions filed against the Bank are as follows:

Number of cases			Total estimated amount	
2015	2014	Phase	2015	2014
212	227	First instance	¢ 202,930,479,423	233,079,736,602
22	14	Second instance	26,997,348,570	10,380,221,514
3	6	Appeal	5,089,047,215	6,750,760,000
237	247	Total (note 20)	¢ 235,016,875,208	250,210,718,116

As of December 31, 2015 and 2014, the legal actions filed against the Bank are booked in memoranda accounts under "Other contingencies - pending litigation and lawsuits".

As of December 31, 2015 and 2014, the Bank is a claimant in ordinary, labor, and criminal lawsuits, which outcome is uncertain and are not booked in the accounting records, as follows:

Number of cases				Total estimated amount	
2015	2014	Phase		2015	2014
134	51	First instance	¢	707,292,303,441	4,612,380,295
1	1	Second instance		375,839,600	150,000,000
135	52	Total	¢	707,668,143,041	4,762,380,295

(40) Significant events

a) Audit by Tax Authorities - 2010, 2011, 2012, and 2013 periods

On May 21, 2014, the Bank was informed that the Tax Authorities were to perform an audit in respect of the 2010, 2011, 2012, and 2013 periods. Through Notice No. 1-10-015-14-077-011-03 and Notice No. 1-10-015-14-078-111-03 issued by the Large Taxpayer Administration, the Bank received the "Notification of the Start of the Tax Audit and Initial Information Requirements" for the 2012 and 2013 periods, which involves confirming the veracity of the tax returns filed. Additionally, on June 27, 2014, the periods to be audited were extended to include 2010 and 2011 through the "Notification of the Extension to the Tax Audit and Initial Information Requirements" (Notice No. 1-10-015-14-025-012-03 and Notice No. 1-10-015-14-016-121-03).

On November 27, 2014, the Bank's management issued Document No. SGRF-397-2014 presenting management's technical and legal criteria that support its disagreement with the adjustments determined by the Large Taxpayer Administration, as a response to the "Provisional Regularization Proposal and Proposed Sanctioning Ruling Based on Article 81 of the Tax Code of Standards and Procedures (CNPT)".

On January 9, 2015, the National Large Taxpayer Audit Subdirection issued Document No. 1-10-015-14-091-341-03, "Regularization Proposal", detailing the required tax adjustments or corrections to the tax base included in the tax returns filed by the Bank for the 2010, 2011, 2012, and 2013 tax periods. The total tax liability, interest thereon, and the corresponding penalties amount to ¢29,089,100,723, ¢9,036,647,719, and ¢11,286,519,808, respectively.

On January 16, 2015, the Bank presented Official Letter SGR-012-2015 stating its disagreement with the "Regularization Proposal". Also, the Tax Authorities issued Notice No. 2-10-015-14-044-03 "Postponement of the Sanctioning Ruling", whereby the pronouncement of the sanctioning ruling is suspended until the Tax Authorities present the supporting jeopardy assessment of taxes. Additionally, Notice No. 1-10-015-14-038-03 "Postponement of the Jeopardy Assessment of Taxes" suspends the assessment process until the Constitutional Chamber issues a decision on the appeal claiming violation of constitutional rights against article 144 of CNPT (File No. 14-011798-0007-CO).

The National Large Taxpayer Audit Subdirection issued Document No. SFGCN-020-15 dated January 19, 2015 (notified to the Bank on January 21, 2015), whereby it maintains its decision and confirms the actions taken.

Notification No. D.J. 176-2015 ref. 365 of the Legal Department, dated February 3, 2015, reads as follows:

"Therefore, as a result of the consultations, no legally-binding tax liability has been established for the Bank. For such purposes, an administrative act must be issued in respect of the jeopardy assessment of taxes, which is subject to the decision of the Constitutional Chamber of the Supreme Court of Justice in respect of the appeal against article 144. If the appeal is dismissed by the Constitutional Chamber, the debt will become immediately applicable, final, and a present obligation, due to the issue of the jeopardy assessment of taxes".

b) Dividends paid to the Bank

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

  Under article No. 2 of meeting No. 12,007 held on July 13, 2015, the Board of Directors agreed to authorize the distribution of dividends from retained earnings in the amount of ¢800 million.

  Under article No. 2 of meeting No. 11.888 held on February 11, 2014, the Board of Directors agreed to authorize the distribution of dividends from retained earnings in accordance with Official letter SGRF-047-2014 dated February 6, 2014 in the amount of ¢250 million.

- *BN Sociedad Administradora de Fondo de Inversión, S.A. – BN SAFI, S.A.*

  Under article No. 3 of meeting No. 11,989 held on May 25, 2015, the Board of Directors agreed to authorize the distribution of dividends from retained earnings in the amount of ¢600 million.

  Under article No. 2 of meeting No. 11.887 held on February 11, 2014, the Board of Directors agreed to authorize the distribution of dividends from retained earnings in accordance with Official letter SGRF-047-2014 dated February 6, 2014 in the amount of ¢1 billion.

- *Puesto de Bolsa Sociedad Anónima - BN Valores, S.A.*

  Under article No. 2 of meeting No. 11.885 held on February 11, 2014, the Board of Directors agreed to authorize the distribution of dividends from retained earnings in accordance with Official letter SGRF-047-2014 dated February 6, 2014 in the amount of ¢4 billion.

- *Operadora de Planes de Pensiones Complementarias Sociedad Anónima – BN Vital, S.A.*

  Under article No. 3 of meeting No. 11,996 held on June 15, 2015, the Board of Directors agreed to authorize the distribution of dividends from retained earnings in accordance with Official letter SGRF-212-2015 in the amount of ¢21 million.

  Under article No. 2 of meeting No. 11,886 held on February 11, 2014, the Board of Directors agreed to authorize the distribution of dividends from retained earnings in accordance with Official letter SGRF-047-2014 dated February 6, 2014 in the amount of ¢333 million.

c) Amendments to accounting regulations

Through articles 8 and 5 of the minutes of meetings No. 1034-2013 and No. 1035-2013 held on April 2, 2013, CONASSIF upheld the amendments to SUGEF Directive 31-04 in respect of the financial statements and explanatory notes, SUGEF Directive 33-07 in respect of new accounts to be included in the financial reports, and SUGEF Directive 34-02 in respect of accounting regulations applicable to regulated entities. These amendments are effective starting January 1, 2014.

(Continued)

(41) Transition to International Financial Reporting Standards (IFRSs)

Through various resolutions, CONASSIF (the Board) agreed to partial adoption starting January 1, 2004 of IFRSs promulgated by the International Accounting Standards Board (IASB).

In order to regulate application of those Standards, the Board issued the *Terms of the Accounting Regulations Applicable to Entities Regulated by SUGEF, SUGEVAL, SUPEN, and SUGESE and to Non-financial Issuers* (the Regulations) and approved a comprehensive revision of those Regulations on December 17, 2007.

On May 11, 2010, the Board issued private letter ruling C.N.S. 413-10 to revise the Regulations, whereby regulated entities adopted IFRSs and the corresponding Interpretations issued by the IASB in effect as of January 1, 2008, except for the special treatment indicated in Chapter II of the Regulations.

Subsequently, through Circular Letter C.N.S. 1034-08 dated April 4, 2013, the Board published a number of amendments to SUGEF Directive 31-04 "*Regulations on the Financial Reporting of Financial Entities, Groups, and Conglomerates*" in respect of presentation of annual financial statements, unaudited interim consolidated and unconsolidated financial statements prepared by the entity, and audited consolidated and unconsolidated financial statements. Also, the Board amended SUGEF Directive 34-02 "*Accounting Regulations Applicable to Entities Regulated by SUGEF, SUGEVAL, SUPEN, and SUGESE*" to adopt IFRSs in effect as of January 1, 2011, except for the special treatments indicated in Chapter II of the Regulations. These amendments are effective for annual reporting periods beginning on or after January 1, 2014.

When the regulations issued by the Board differ from IFRSs, noncompliance with such IFRSs and the nature of the specific departure applicable to the entity must be disclosed for each reporting period.

Pursuant to the Regulations, adoption of new IFRSs or Interpretations issued by the IASB, as well as any other revisions of IFRSs adopted will require the prior authorization of the Board.

Following is a summary of some of the main differences between the accounting standards issued by the Board and IFRSs, as well as the IFRSs or Interpretations of the International Financial Reporting Interpretations Committee (IFRICs) yet to be adopted:

(Continued)

a) IAS 1: Presentation of Financial Statements

The presentation of financial statements required by the Board differs in some respects from presentation under this Standard. Following are some of the most significant differences:

SUGEF standards do not allow certain transactions, such as clearing house balances, gains or losses on the sale of financial instruments, income and expenses from foreign exchange differences, income taxes, etc. to be presented on a net basis. Given their nature, IFRSs require those balances to be presented net to prevent assets and liabilities or profit or loss from being overstated.

Also, interest receivable and payable is presented in the main asset or liability account rather than as other assets or other liabilities.

b) IAS 7: Statement of Cash Flows

The Board has only authorized preparation of the cash flow statement using the indirect method. The direct method is also acceptable under this Standard.

c) IAS 12: Income Taxes

SUGEF's Chart of Accounts presents deferred income tax assets, liabilities, income, and expenses separately. This Standard permits presenting assets and liabilities on a net basis if the taxes are levied on the same taxable entity. In accordance with this Standard, income or expenses must be presented on a net basis as part of total income tax.

d) IAS 16: Property. Plant and Equipment

The Standard issued by the Board requires the revaluation of property through appraisals made by independent appraisers at least once every five years, eliminating the option to carry these assets at cost or to revalue other types of assets.

Additionally, SUGEF has allowed certain regulated entities to convert (capitalize) revaluation surplus into share capital. This Standard only permits realization of revaluation surplus through the sale or depreciation of the asset. As a result of this treatment, regulated entities must recognize the effect of any impaired fixed assets in profit or loss, since the effect cannot be credited to equity. Under this Standard, impairment is charged to revaluation surplus and any difference is recognized in profit or loss. The amendments to SUGEF Directive 31-04 and SUGEF Directive 34-02 eliminate the option of capitalizing the surplus derived from revaluation of assets for financial statements as of December 31, 2014.

(Continued)

Moreover, under this Standard, depreciation continues on property, plant and equipment, even if the asset is idle. The Standard issued by the Board allows entities to suspend the depreciation of idle assets and reclassify them as foreclosed assets.

e) IAS 18: Revenue

The Board has allowed regulated financial entities to recognize loan fees and commissions collected prior to January 1, 2003 as revenue. Additionally, the Board has permitted the deferral of 25%, 50%, and 100% of loan fees and commissions for transactions completed in 2003, 2004, and 2005, respectively. This Standard prescribes deferral of 100% of those fees and commissions over the loan term.

Until December 31, 2013, the Board allowed deferral of the net excess of loan fee and commission income minus expenses incurred for activities such as assessment of the borrower's financial position, evaluation and recognition of guarantees, sureties, or other collateral instruments, negotiation of the terms of the instrument, preparation and processing of documents, and settlement of the operation. This Standard does not allow deferral on a net basis of such income. Instead, it prescribes deferral of 100% of loan fee and commission income and permits the deferral of only certain incremental transaction costs, rather than all direct costs.

Accordingly, loan fee and commission income originating prior to December 31, 2013 may not be deferred in full. This treatment does not conform to IAS 18 and IAS 39. With the amendments to SUGEF Directive 31-04 and SUGEF Directive 34-02, the Board adopted the accounting treatment prescribed by IAS 18 and IAS 39 for fees and commissions and transaction costs as of January 1, 2014. However, the following differences remain between the accounting standards issued by the Board and IAS 18 and IAS 39, as follows:

- The Board requires that fee and commission income be recognized as a liability and booked under "Deferred income" (liability) and incremental direct costs be amortized in "Deferred charges" (asset). Under IAS 39, fees and commissions and incremental costs are part of the amortized cost of financial instruments, rather than separate assets and liabilities.

- The Board requires that fee and commission income be deferred in "Other income" and costs be amortized in "Other expenses". Under IAS 18 and IAS 39, income and costs must be booked as part of "Finance income on financial instruments".

- The Board requires that the effective interest rate be calculated over the financial instrument's contractual life. Under IAS 39, the effective interest rate for financial instruments is calculated over their expected life (or over a shorter period, if appropriate).

- Under SUGEF regulations, in the event of issuance of a credit-related guarantee, deferred income and incremental costs pending deferral or amortization as of the issue date are not included in the instrument's amortized cost or the calculation of the foreclosed asset's carrying amount. As a result, upon issuance, fees and commissions pending deferral and costs pending amortization are booked in profit or loss for the period.

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

The Board requires that the financial statements of regulated entities be presented in colones as the functional currency.

g) IAS 27: Consolidated and Separate Financial Statements

The Board requires that the financial statements of a parent be presented separately, measuring its investments by the equity method. Under IAS 27, effective as of 2011 (replaced by IFRS 10, effective as of 2012), a parent is required to present consolidated financial statements. A parent need not present consolidated financial statements when the ultimate or any intermediate parent of the parent produces consolidated financial statements available for public use, provided certain other requirements are also met. However, IAS 27, effective as of 2011, requires that investments be accounted for at cost. With the amendments to IAS 27 effective starting 2014, in the preparation of separate financial statements investments in subsidiaries and associates can be measured at cost according to IFRS 9, or using the equity method described in IAS 28. However, the amendments to IAS 27 have not been adopted by the Board.

In the case of financial groups, the holding company must consolidate the financial statements of all of the companies of the group in which it holds an ownership interest of twenty-five percent (25%) or more, irrespective of control. For such purposes, proportionate consolidation should not be used, except in the consolidation of investments in joint arrangements.

(Continued)

Amended IAS 27 (2008) requires accounting for changes in ownership interests in a subsidiary, while maintaining control, to be recognized as an equity transaction. When an entity loses control of a subsidiary, any ownership interest retained in the former subsidiary is to be measured at fair value with the gain or loss recognized in profit or loss. This Standard became mandatory for 2010 financial statements. These amendments have not been adopted by the Board.

With the amendments to SUGEF Directive 31-04 and SUGEF Directive 34-02, savings and credit cooperatives and the Education Savings and Loan Association, as holding companies, are not required to consolidate the interim and annual audited financial statements of their investees, such as funeral homes and other entities not related to the financial and stock market sector, except for entities that own or manage the cooperatives' personal and real property, which must be consolidated.

h) IAS 28: Investments in Associates

The Board requires consolidation of investments in companies in which an entity holds twenty-five percent (25%) or more ownership interest, irrespective of any considerations of control. Such treatment does not conform to IAS 27 and IAS 28.

i) Revised IAS 32: Financial Instruments - Presentation

The revised Standard provides new guidelines clarifying the classification of financial instruments as liabilities or equity (e.g. preferred shares). SUGEVAL determines whether issues fulfill the requirements of share capital.

j) Amendments to IAS 32: Financial Instruments - Presentation and IAS 1: Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation

The amendments to the Standards require puttable instruments and instruments that impose on the entity an obligation to deliver to another party a *pro rata* share of the net assets of the entity only on liquidation to be classified as equity if certain conditions are met. These amendments have not been adopted by the Board.

k) IAS 37: Provisions. Contingent Liabilities and Contingent Assets

SUGEF prescribes recognition of a provision for possible losses on contingent assets. This type of provision is prohibited under this Standard.

(Continued)

l) 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 balance sheet. However, those expenses must be fully amortized on the straight-line method over a maximum of five years. Also, under SUGEF regulations, intangible assets must be amortized over five years. This is not in accordance with IAS 38.

m) IAS 39: Financial Instruments: Recognition and Measurement

The Board requires that the loan portfolio be classified pursuant to SUGEF Directive 1-05 and that the allowance for loan losses be determined based on that classification. It also allows excess allowances to be booked. This Standard requires that the allowance for loan losses be determined based on a financial analysis of actual losses. This Standard also prohibits the booking of provisions for contingent accounts. Any excess allowance must be reversed in the income statement.

The revised Standard introduced changes with respect to classification of financial instruments, which have not been adopted by the Board. Those changes include the following:

1 The option of classifying loans and receivables as available for sale was established.

2 Securities quoted in an active market may be classified as available for sale, held for trading, or held to maturity.

3 The "fair value option" was established to designate any financial instrument to be measured at fair value through profit or loss, provided a series of requirements are met (e.g. the instrument has been measured at fair value since the original acquisition date).

4 The category of loans and receivables was expanded to include purchased loans and receivables that are not quoted in an active market.

Regular purchases and sales of securities are to be recognized using settlement date accounting only.

(Continued)

Depending on the type of entity, financial assets are to be classified as follows:

a) Pooled portfolios

Investments in pooled investment funds, pension and mandatory retirement saving funds, similar trusts, and Demand Cash Management Accounts (OPABs) are to be classified as available for sale.

b) Own investments of regulated entities

Investments in financial instruments of regulated entities are to be classified as available for sale.

Own investments in open investment funds are to be classified as trading financial assets. Own investments in closed investment funds are to be classified as available for sale.

Entities regulated by SUGEVAL and SUGEF may classify other investments in financial instruments as trading financial assets, provided there is an express statement of intent to trade them within 90 days from the acquisition date.

Banks regulated by SUGEF may not classify investments in financial instruments as held to maturity.

The above classifications do not necessarily adhere to IAS 39.

The amendment to this Standard clarifies the existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amended Standard became mandatory for 2010 financial statements with retrospective application required. These amendments have not been adopted by the Board.

n) IAS 40: Investment Property

This Standard allows entities to choose between the fair value model and the cost model to measure their investment property. The Standard issued by the Board only allows entities to use the fair value model to measure this type of assets except in the cases for which no clear evidence is provided to determine their fair value.

o) Revised IFRS 3: Business Combinations

This Standard establishes that a business combination between jointly controlled entities can be performed at cost or at fair value. The Board only permits booking of these transactions measuring the assets and liabilities at fair value.

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

The Board requires booking an allowance of one-twenty-fourth of the value of non-current assets classified as available for sale each month, so that if they are not sold within two years from acquisition, an allowance is recognized equivalent to 100% of the assets' carrying amount. This Standard requires that these assets be recorded at the lower of the carrying amount or fair value less costs to sell, discounted to the present value of the assets that will be sold in periods greater than one year. Accordingly, assets could be understated, with excess allowances.

q) IFRS 9: Financial Instruments

IFRS 9 replaces IAS 39, "*Financial Instruments: Recognition and Measurement*". IFRS 9 amends the classification and measurement requirements for financial instruments, including a new financial instrument impairment model based on the premise of providing for expected credit losses and the new guidelines on hedge accounting. IFRS 9 does not change the principles for financial instrument recognition and derecognition provided for under IAS 39. The Standard is effective for annual periods beginning on or after January 1, 2018. Early application is permitted. This Standard has not been adopted by the Board.

r) IFRS 10: Consolidated Financial Statements

This Standard provides a revised control definition and application guidance therefor. This Standard supersedes IAS 27 (2008) and SIC 12, "*Consolidation - Special Purpose Entities*", and is applicable to all investees.

Early application is permitted. Entities that apply this Standard early must disclose that fact and simultaneously apply IFRS 11, IFRS 12, IAS 27 (as amended in 2011), and IAS 28 (as amended in 2011).

An entity is not required to make adjustments to the accounting for its involvement with an investee when entities that were previously consolidated or unconsolidated in accordance with IAS 27 (2008), SIC 12, and this Standard continue to be consolidated or continue not to be consolidated.

(Continued)

The Standard is effective for annual periods beginning on or after January 1, 2013. Early application is permitted. This Standard has not been adopted by the Board.

s) IFRS 11: Joint Arrangements

This Standard was issued in May 2011 with an effective date of January 1, 2013. The Standard addresses the inconsistencies in the accounting for joint arrangements and requires a single accounting treatment for interests in jointly controlled entities. This Standard has not been adopted by the Board.

t) IFRS 12: Disclosure of Interests in Other Entities

This Standard was issued in May 2011 with an effective date of January 1, 2013. This Standard requires an entity to disclose information that enables users of financial statements to evaluate the nature and financial effects of its ownership interests in other entities, including joint arrangements, associates, structured entities, and "off-balance-sheet" activities. This Standard has not been adopted by the Board.

u) IFRS 13: Fair Value Measurement

This Standard establishes a single procedure for measuring fair value and defines the measurements and applications required or permitted in IFRSs. This Standard is effective for annual periods beginning on or after January 1, 2013. Early application is permitted. This Standard has not been adopted by the Board.

v) IFRS 14: Regulatory Deferral Accounts

This Standard was approved by the Board in January 2014. It specifies the accounting policies for regulatory deferral account balances arising from a rate regulation. This Standard is effective for annual periods beginning on or after January 1, 2016. Early application is permitted. This Standard has not been adopted by the Board.

w) IFRS 15: Revenue from Contracts with Customers

This Standard was approved by the Board in May 2014. It provides a global framework for the recognition of revenue from contracts with customers and establishes the principles to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. This Standard replaces IAS 11, IAS 18, IFRS 13, IFRIC 13, IFRIC 15, IFRIC 18, and SIC 31. This Standard is effective for annual periods beginning on or after January 1, 2017. Early application is permitted. This Standard has not been adopted by the Board.

x) IFRIC 10: Interim Financial Reporting and Impairment

This Interpretation prohibits the reversal of an impairment loss recognized in a previous interim period in respect of goodwill. The Board permits the reversal thereof.

y) IFRIC 21: Levies

This Interpretation addresses the accounting of liabilities related to the payment of levies imposed by governments. This Interpretation is effective for annual periods beginning on or after January 1, 2014. Early application is permitted. This Interpretation has not been adopted by the Board.

(42) Disclosure of economic impact of departure from IFRSs

Since the basis of accounting used by the Bank's management described in note 1-b differs from IFRSs, discrepancies may arise related to certain account balances.

The Bank's management has chosen not to determine the economic impact of those differences since it considers such determination impractical.

(43) 2014 figures

Certain 2014 figures have been reclassified for purposes of comparison with the 2015 figures, as explained below:

- Pursuant to article 8 of the minutes of meeting No. 1171-2015 held on June 1, 2015, CONASSIF informed through Notice C.N.S. 1171-08 dated June 2, 2015 of the agreement reached to amend the example statement of comprehensive income included in SUGEF Directive 31-04 "Regulations on the Financial Reporting of Financial Entities, Groups, and Conglomerates," requiring the following amendments:

For the year ended December 31, 2015, gains and losses foreign exchange differences are presented on a net basis in the finance income section under "Gain on foreign exchange differences, net". In the 2014 audited financial statements, foreign exchange gains and losses were presented in the finance income and finance costs sections and amounted to ¢317,756,425,419 and ¢317,489,596,405, respectively.

- For the year ended December 31, 2015, the Bank changed the way in which it records the account "Loss on allowance for impairment of foreclosed assets and per legal requirements", arising from the comparison of the allowance requirement and the carrying amount of the account. During 2015, the allowance requirement is determined globally over the total assets, while during 2014 it was determined on an asset by asset basis. For the year ended December 31, 2014, income from the decrease in the allowance for impairment of foreclosed assets and per legal requirements and the loss on allowance for impairment of foreclosed assets and per legal requirements amount to ¢22,240,715,224 and ¢23,134,977,715, respectively.

(44) Restatement of financial statements

The Bank's unconsolidated financial statements as of and for the year ended December 31, 2014 were restated as a result of the restatement of the unconsolidated financial statements for the period then ended of the subsidiary BN Vital Operadora de Planes de Pensiones Complementarias, S.A. (the Pension Fund Manager).

As per management's assessment of SUPEN requirements through SP-1341-2015 dated December 4, 2015, the Pension Fund Manager decided to reimburse the funds corresponding to each of the affiliates affected by the differences in the calculation of the withholding on voluntary pension plans withdrawals due to the return of tax incentives to the Ministry of Finance.

Since December 2011, the Pension Fund Manager's management began a study to identify which requests for early withdrawal of voluntary pension plans processed between 2007 and 2011 showed differences in the calculation of the withheld amount. This type of differences on withholdings applied to affiliates ceased as of 2012 due to the improvements made in corresponding IT application.

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As a result of the study performed, the total amount to be reimbursed to affiliates was determined, corresponding to withholdings made in excess and foregone interest as of the date of withdrawal:

Reimbursement	Yield	Total
¢417,411,063	¢263,025,384	¢680,436,447

The accounting correction of the error in prior periods resulted in a decrease in investments in other companies amounting to ¢616,723,835 (principal to be reimbursed plus yield). The unconsolidated financial statements as of December 31, 2014 were restated to include the net effect of the correction of the error corresponding to the reimbursement of the tax incentives to affiliates plus the recognition of interest until December 31, 2014, as follows:

Financial statement	Account		Balance as of January 1, 2015, previously reported	Effect of the correction	Restated balance as of January 1, 2015
Balance sheet	Investments in other companies	¢	76,799,833,378	(616,723,835)	76,183,109,543
Balance sheet	Other sundry accounts payable	¢	68,157,224,563	(2,908,621)	68,154,315,942
Balance sheet	Prior period retained earnings	¢	41,309,087,572	(578,044,762)	40,731,042,810
Statement of comprehensive income	Gain on investments in other companies	¢	761,671,541	(38,679,072)	722,992,469
Statement of comprehensive income	Statutory allocations	¢	11,490,354,940	1,055,907	11,491,410,847
Statement of comprehensive income	Decrease in statutory allocations	¢	-	3,964,577	3,964,577