



Banco de Costa Rica and Subsidiaries

Unaudited Consolidated Financial Statements

September 30, 2021

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Consolidated Financial Statements

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BANCO DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the period ended September 30, 2021
(In colones without cents)

	Note	September 2021	December 2020	September 2020
ASSETS				
Availabilities	4	¢ 845,624,214,064	803,047,856,879	772,145,159,410
Cash		73,738,239,897	119,287,622,423	88,940,504,622
Central Bank of Costa Rica		623,358,943,667	557,130,153,527	557,524,913,251
Local financial entities		161,783,723	406,513,723	563,331,218
Foreign financial entities		128,441,255,748	124,787,806,670	122,043,519,607
Notes payable on demand		7,521,274,159	933,476,898	2,541,967,042
Restricted cash and cash equivalents		12,402,716,870	502,245,670	530,923,670
Accounts and interest receivable		0	37,968	0
Investment in financial instruments	5	1,986,125,242,082	1,422,225,936,729	1,410,518,247,852
At fair value through profit or loss		160,195,532,930	129,268,183,986	83,949,119,737
At fair value through other comprehensive income		1,608,001,297,006	1,158,570,957,948	1,062,165,546,671
At amortized cost		200,145,467,660	116,422,768,236	252,350,213,522
Interest receivable		17,783,947,867	17,964,479,288	12,053,470,588
(Allowance for impairment)		(1,003,381)	(452,729)	(102,666)
Loan portfolio	6.b	3,766,487,647,375	3,737,850,095,270	3,687,039,471,714
Current loans	6.c	3,605,527,464,466	3,611,713,806,444	3,430,992,961,082
Past due loans		257,042,287,654	191,127,466,768	295,063,675,273
Loans in legal collection	6.c	52,414,995,513	47,306,508,117	49,625,417,582
(Deferred income loan portfolio)		(18,742,051,059)	(17,174,110,485)	(16,707,775,563)
Interest receivable	6.f	24,484,101,468	39,101,667,115	38,953,765,737
(Allowance for impairment)	6.g	(154,239,150,667)	(134,225,242,689)	(110,888,572,397)
Accounts and commissions receivable		21,759,216,456	15,288,959,387	12,036,104,700
Commissions receivable		5,270,607,521	3,914,017,767	3,420,153,491
Accounts receivable from stock exchange operations		171,630,444	153,829,125	33,365,568
Accounts receivable for transactions with related parties		691,104,956	588,117,964	1,394,517,011
Deferred income tax and income tax receivable	15	10,253,849,577	3,089,935,829	3,772,444,561
Other accounts receivable		17,763,097,012	18,228,391,664	13,347,645,863
(Allowance for impairment)		(12,391,073,054)	(10,685,332,962)	(9,932,021,794)
Foreclosed assets	7	65,892,181,418	65,018,758,323	56,226,353,018
Assets and securities acquired as recovery of loans		144,928,830,477	153,175,635,799	152,056,599,119
Other foreclosed assets		3,303,196,333	3,135,050,908	2,836,613,270
(Allowance for impairment and per legal requirement)		(82,339,845,392)	(91,291,928,384)	(98,666,859,371)
Interest in other companies' capital, net	8	65,417,188	601,781,698	480,971,745
Property, furniture and equipment, net	9	142,024,945,753	145,466,631,990	142,073,199,731
Property investments		6,441,924,521	6,441,924,521	6,441,924,521
Other assets		92,061,572,863	103,914,142,815	105,329,884,282
Deferred charges	10.a	7,894,058,455	11,020,765,141	9,544,929,490
Intangible assets, net	10.b	16,544,551,860	16,550,642,887	13,399,606,146
Other assets	10.c	67,622,962,548	76,342,734,787	82,385,348,646
TOTAL ASSETS	¢	6,926,482,361,720	6,299,856,087,612	6,192,291,316,973

BANCO DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the period ended September 30, 2021
(In colones without cents)

<u>Note</u>	<u>September</u> <u>2021</u>	<u>December</u> <u>2020</u>	<u>September</u> <u>2020</u>
LIABILITIES AND EQUITY			
LIABILITIES			
Obligations with the public	€ 4,966,874,376,101	4,435,948,768,842	4,385,425,314,305
Demand obligations	11 3,148,936,747,043	2,631,125,295,136	2,532,470,135,598
Term obligations	12 1,793,166,323,284	1,765,488,529,808	1,821,835,770,865
Other obligations with the public	13 10,105,010,727	22,851,373,427	13,157,226,875
Financial charges payable	14,666,295,047	16,483,570,471	17,962,180,967
Obligations with the Central Bank of Costa Rica	14 139,691,676,617	2,500,208,320	0
Term obligations	139,320,785,417	2,500,208,320	0
Financial charges payable	370,891,200	0	0
Obligations with entities	14 828,159,880,339	996,185,319,919	934,817,780,062
Demand obligations	12 81,489,521,960	57,024,035,642	64,224,569,036
Term obligations	12 742,146,346,358	934,562,223,076	865,976,601,419
Financial charges payable	4,524,012,021	4,599,061,201	4,616,609,607
Accounts payable and provisions	212,337,221,506	161,122,349,138	172,806,622,589
Provisions	16 60,814,987,423	60,354,073,834	61,487,724,263
Accounts payable for stock transactions	337,469,861	125,916,857	83,393,956
Deferred income tax	15 37,473,440,402	8,261,935,568	8,379,962,437
Other sundry accounts payable	17 113,693,382,337	92,356,990,157	102,842,918,825
Financial charges payable	17,941,483	23,432,722	12,623,108
Other liabilities	19,379,535,670	38,146,815,175	33,390,150,857
Deferred income	1,179,761,561	1,248,422,950	1,080,048,363
Other liabilities	18,199,774,109	36,898,392,225	32,310,102,494
TOTAL LIABILITIES	€ 6,166,442,690,233	5,633,903,461,394	5,526,439,867,813
EQUITY			
Capital stock	18.a € 181,409,990,601	181,409,990,601	181,409,990,601
Paid-in- capital	181,409,990,601	181,409,990,601	181,409,990,601
Adjustments to equity - Other comprehensive income	111,631,070,494	55,958,372,952	59,213,823,321
Equity reserves	296,709,547,031	283,820,516,011	283,820,516,011
Accrued earnings from previous periods	23,286,282,979	13,464,953,148	13,464,953,148
Profit of current period	36,268,980,180	25,612,643,802	23,407,763,349
Equity of the Development Financing Fund	36,212,011,410	33,309,728,460	33,309,728,460
Minority interest	8 74,521,788,792	72,376,421,244	71,224,674,270
TOTAL EQUITY	760,039,671,487	665,952,626,218	665,851,449,160
TOTAL LIABILITIES AND EQUITY	€ 6,926,482,361,720	6,299,856,087,612	6,192,291,316,973
DEBIT CONTINGENT ACCOUNTS	19 € 444,624,124,714	435,596,846,933	429,776,297,900
TRUST ASSETS	20 986,322,328,810	972,668,061,666	913,351,152,904
TRUST LIABILITIES	356,451,529,182	379,680,643,674	372,016,190,461
TRUST EQUITY	629,870,799,629	592,987,417,992	541,334,962,443
OTHER DEBIT MEMORANDA ACCOUNTS	21 € 35,678,951,978,140	24,615,785,229,468	24,535,790,879,771
Own debit memoranda accounts	24,927,716,967,956	15,416,275,687,503	15,330,036,471,589
Third party debit memoranda accounts	2,569,711,928,493	2,351,292,555,491	2,346,473,573,503
Own debit memoranda accounts for custodial activities	1,175,314,482,861	753,477,291,918	820,198,925,335
Third party debit memoranda accounts for custodial activities	7,006,208,598,830	6,094,739,694,556	6,039,081,909,344

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

Douglas Soto L.
General Manager

Ana Lorena Brenes B.
Accountant

Rafael Mendoza.
General Auditor

BANCO DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended September 30, 2021
(In colones without cents)

	Note	September 2021	September 2020	Quarter from July 1 to September 30	
				2021	2020
Financial income					
For availabilities	€	81,345,029	433,670,218	23,213,905	166,178,360
For investments in financial instruments	26	64,781,866,445	45,809,953,953	22,780,421,254	16,662,246,810
For loan portfolio	27	210,576,423,692	222,907,522,472	72,225,513,889	70,057,241,176
For financial leases	27	1,747,686,174	1,552,434,953	584,170,138	531,207,433
For gain on exchange differences and Development Units	1-d.iii	2,110,283,165	5,955,868,309	1,577,927,136	4,437,608,757
For profit from financial instruments at fair value through profit or loss		602,371,558	2,839,635,559	205,686,635	269,116,299
For profit from financial instruments at fair value through other comprehensive income		8,606,725,730	8,043,241,866	5,973,425,630	3,825,553,755
For other financial income		3,570,058,318	3,315,853,963	1,111,930,843	1,554,123,219
Total financial income		292,076,760,111	290,858,181,293	104,482,289,430	97,503,275,809
Financial expenses					
For obligations with the public	28	85,998,112,530	108,884,979,620	29,032,631,464	34,284,543,730
For obligations with the Central Bank of Costa Rica		380,070,052	25,081,278	248,500,900	658,333
For obligations with financial and non-financial entities		17,413,401,089	21,613,042,690	4,605,231,813	6,806,976,688
For loss from financial instruments at fair value through profit or loss		135,407,746	5,103,367,833	6,921,510	12,386,089
For loss from financial instruments at fair value through other comprehensive income		22,908,216	66,160,425	12,352,462	37,065,207
For other financial expenses		46,931,081	39,984,782	11,939,269	14,271,875
Total financial expenses		103,996,830,714	135,732,616,628	33,917,577,418	41,155,901,922
Allowance for impairment of assets	29	30,922,288,961	29,681,501,473	13,109,210,638	3,870,177,650
For assets recovery and decrease in allowance and provisions	30	13,172,508,212	30,061,907,964	4,835,438,510	8,380,385,597
FINANCIAL INCOME		170,330,148,648	155,505,971,156	62,290,939,884	60,857,581,834
Other operating income					
For service fees	31	77,847,588,344	74,254,549,629	26,469,949,800	23,405,303,587
For foreclosed assets		23,618,388,391	17,877,458,686	8,580,557,001	7,088,581,480
For profit on capital investments in other companies	32	4,048,114	104,206,498	(241,921,662)	102,388,455
For foreign currency exchange and arbitrations		15,984,436,818	17,536,290,717	5,256,206,034	5,730,565,098
For other income from related parties		15,988,977	288,393,511	(101,639,479)	122,782,163
For other operating income		13,771,533,793	15,525,667,820	4,238,639,590	3,401,609,074
Total other operating income		131,241,984,437	125,586,566,861	44,201,791,284	39,851,229,857
Other operating expenses					
For service fees		20,251,009,441	17,534,387,147	6,831,396,435	5,340,075,519
For foreclosed assets		28,721,645,955	31,234,401,116	10,029,800,913	8,354,827,881
For loss on capital investments in other companies		0	119,534,816	0	0
For provisions		1,144,194,115	3,624,201,310	271,538,998	1,719,501,042
For exchange and arbitration, foreign currency		1,300,398,036	2,350,651,836	484,631,900	1,276,679,771
For other expenses with related parties		0	619,856,629	0	619,856,629
For other operating expenses		31,758,447,342	32,018,568,856	11,287,011,450	10,317,706,854
Total other operating expenses		83,175,694,889	87,501,601,710	28,904,379,696	27,628,647,696
GROSS OPERATING INCOME		218,396,438,196	193,590,936,307	77,588,351,472	73,080,163,995
Administrative expenses					
Personnel expenses		86,914,228,658	85,264,883,109	29,444,490,254	28,569,214,313
Other administrative expenses		55,917,193,909	55,014,000,944	19,082,092,556	18,691,160,445
Total administrative expenses	33	142,831,422,567	140,278,884,053	48,526,582,810	47,260,374,758
OPERATING INCOME, NET OF INCOME TAX AND STATUTORY ALLOCATIONS		75,565,015,629	53,312,052,254	29,061,768,662	25,819,789,237
Income tax	15	21,810,208,967	17,519,719,825	8,212,302,080	7,319,572,472
Deferred income tax	15	635,738,716	223,917,634	124,791,923	211,011,392
Decrease in income tax		1,653,216,627	201,732,067	7,456,590	91,981,904
Legal profit allocation	34	17,748,381,349	11,472,382,462	6,906,641,055	6,184,683,262
RESULT OF THE PERIOD		37,023,903,224	24,297,764,400	13,825,490,194	12,196,504,015
Attributed to non-controlling interests		754,923,044	890,001,051	294,046,576	125,596,781
RESULTS OF THE PERIOD ATTRIBUTED TO THE FINANCIAL CONGLOMERATE		36,268,980,180	23,407,763,349	13,531,443,618	12,070,907,234
OTHER COMPREHENSIVE INCOME OF THE PERIOD, NET OF TAX	35	57,063,142,046	12,168,916,708	19,008,996,187	7,627,208,723
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		94,087,045,270	36,466,681,108	32,834,486,381	19,823,712,738
Comprehensive income attributed to minority interest		2,145,367,548	5,085,616,790	1,178,662,441	2,793,160,788
COMPREHENSIVE INCOME ATTRIBUTED TO THE FINANCIAL CONGLOMERATE	€	91,941,677,722	31,381,064,318	31,655,823,940	17,030,551,950

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

Douglas Soto L.
General Manager

Ana Lorena Brenes B.
Accountant

Rafael Mendoza.
General Auditor

BANCO DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended September 30, 2021
(In colones without cents)

<u>Adjustments to equity</u>											
	Note	Capital Stock	Surplus for revaluation of property, furniture and equipment	Adjustment for valuation of investments at fair value through other comprehensive income	Adjustment for translation of financial statements	Total adjustments to equity	Equity reserves	Accrued earnings from previous periods	Equity of the Development Financing Fund	Minority interest	Total equity
Balance as of December 31, 2019		€ 181,409,990,601	37,774,830,067	(1,343,439,781)	14,809,132,066	51,240,522,352	264,398,962,426	38,043,832,889	29,753,932,255	66,139,057,480	630,986,298,003
Impairment recognition – Investments at fair value through other comprehensive income from previous periods		0	0	0	0	0	0	(1,601,529,951)	0	0	(1,601,529,951)
Allocation of legal reserve		0	0	0	0	0	19,421,553,585	(19,421,553,585)	0	0	0
Allocation of the Development Financing Fund		0	0	0	0	0	0	(3,555,796,205)	3,555,796,205	0	0
Balance as of September 30, 2020		<u>181,409,990,601</u>	<u>37,774,830,067</u>	<u>(1,343,439,781)</u>	<u>14,809,132,066</u>	<u>51,240,522,352</u>	<u>283,820,516,011</u>	<u>13,464,953,148</u>	<u>33,309,728,460</u>	<u>66,139,057,480</u>	<u>629,384,768,052</u>
Other comprehensive income											
Other total comprehensive income		0	0	3,257,886,284	4,715,414,685	7,973,300,969	0	23,407,763,349	0	5,085,616,790	36,466,681,108
Balance as of September 30, 2020		<u>181,409,990,601</u>	<u>37,774,830,067</u>	<u>1,914,446,503</u>	<u>19,524,546,751</u>	<u>59,213,823,321</u>	<u>283,820,516,011</u>	<u>36,872,716,497</u>	<u>33,309,728,460</u>	<u>71,224,674,270</u>	<u>665,851,449,160</u>
Attributed to minority interest		0	0	0	0	0	0	0	0	71,224,674,270	71,224,674,270
Attributed to the financial conglomerate		<u>181,409,990,601</u>	<u>37,774,830,067</u>	<u>1,914,446,503</u>	<u>19,524,546,751</u>	<u>59,213,823,321</u>	<u>283,820,516,011</u>	<u>36,872,716,497</u>	<u>33,309,728,460</u>	<u>0</u>	<u>594,626,774,890</u>
Balance as of January 1, 2021		<u>181,409,990,601</u>	<u>37,774,830,067</u>	<u>(2,718,583,704)</u>	<u>20,902,126,589</u>	<u>55,958,372,952</u>	<u>283,820,516,011</u>	<u>39,077,596,950</u>	<u>33,309,728,460</u>	<u>72,376,421,244</u>	<u>665,952,626,218</u>
Allocation of legal reserve		0	0	0	0	0	12,889,031,020	(12,889,031,020)	0	0	0
Allocation of the Development Financing Fund		0	0	0	0	0	0	(2,902,282,951)	2,902,282,950	0	(1)
Balance as of September 30, 2021		<u>181,409,990,601</u>	<u>37,774,830,067</u>	<u>(2,718,583,704)</u>	<u>20,902,126,589</u>	<u>55,958,372,952</u>	<u>296,709,547,031</u>	<u>23,286,282,979</u>	<u>36,212,011,410</u>	<u>72,376,421,244</u>	<u>665,952,626,217</u>
Other comprehensive income											
Other total comprehensive income		0	0	54,010,908,626	1,661,788,916	55,672,697,542	0	36,268,980,180	0	2,145,367,548	94,087,045,270
Balance as of September 30, 2021	18	<u>181,409,990,601</u>	<u>37,774,830,067</u>	<u>51,292,324,922</u>	<u>22,563,915,505</u>	<u>111,631,070,494</u>	<u>296,709,547,031</u>	<u>59,555,263,159</u>	<u>36,212,011,410</u>	<u>74,521,788,792</u>	<u>760,039,671,487</u>
Attributed to minority interest		0	0	0	0	0	0	0	0	74,521,788,792	74,521,788,792
Attributed to the financial conglomerate	€	<u>181,409,990,601</u>	<u>37,774,830,067</u>	<u>51,292,324,922</u>	<u>22,563,915,505</u>	<u>111,631,070,494</u>	<u>296,709,547,031</u>	<u>59,555,263,159</u>	<u>36,212,011,410</u>	<u>0</u>	<u>685,517,882,695</u>

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

Douglas Soto L.
General Manager

Ana Lorena Brenes B.
Accountant

Rafael Mendoza.
General Auditor

BANCO DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended September 30, 2021
(In colones without cents)

	Note	September 2021	September 2020
Cash flows from operating activities			
Income of the period	¢	36,268,980,180	23,407,763,349
Items applied to results not requiring cash outlays		(80,379,168,860)	(80,517,646,931)
Increase or (decrease) for			
Allowance for impairment or devaluation of financial instruments		2,022,615,605	5,051,988,547
Allowance for impairment of loan portfolio		26,389,226,825	21,250,782,101
Allowance for impairment and default of other accounts receivable		2,510,446,531	3,378,730,825
Allowance for impairment of assets in lieu of payment		14,388,741,696	19,924,419,613
Income from reversal of allowance for impairment or devaluation of investments		(713,281,031)	(3,908,304,377)
Income from reversal of allowance for impairment of loan portfolio		(2,378,091,815)	(24,144,937,678)
Income from reversal of allowance for impairment and default of accounts receivable		(778,304,822)	(2,008,665,910)
Income from reversal of allowance for impairment of assets in lieu of payment		(23,099,702,195)	(17,372,298,563)
Income or loss for sale of assets received in lieu of payment and of property, furniture and equipment		11,115,902,109	7,801,727,658
Interest in net profit of other companies		(4,048,114)	15,328,318
Depreciation		10,387,050,028	10,347,264,099
Amortization		12,226,336,767	10,174,379,017
Provision for social benefits		269,852,566	217,378,112
Provisions for pending lawsuits		874,341,549	3,366,295,414
Other provisions		4,185,278	389,339,615
Income from provisions		(372,871,121)	(2,587,485,202)
Income tax		21,810,208,967	17,519,719,825
Deferred income tax		635,738,716	22,185,567
Decrease in income tax		(1,497,931,964)	0
Decrease in income tax from previous periods		(155,284,663)	0
Profit sharing		17,748,381,349	11,472,382,462
Interest for obligations with the public		85,998,112,530	108,884,979,620
Interest for obligations with financial entities		17,793,471,141	21,638,123,968
Income from availabilities		(81,345,029)	(433,670,218)
Interest from investment in financial instruments		(64,781,866,445)	(45,809,953,953)
Income from loan portfolio		(210,576,423,692)	(222,907,522,472)
Net profit or loss from exchange differences and Development Units		(2,531,341,586)	(8,405,249,055)
Minority interest in net profit of subsidiaries		754,923,044	890,001,051
Adjustments for conversion of financial statements of the entity abroad		1,661,788,916	4,715,414,685
Cash flows from operating activities		(204,380,035,964)	470,322,477,490
Net variation in assets increase or (decrease)			
Increase in financial instruments - at fair value through profit or loss		(980,581,938,191)	(115,078,687,130)
Decrease in financial instruments - at fair value through profit or loss		948,345,805,325	151,002,075,794
Increase in financial instruments - at fair value through comprehensive income		(1,976,770,634,695)	(130,392,317,769)
Decrease in financial instruments - at fair value through comprehensive income		1,775,255,103,907	357,523,207,460
Loan portfolio		(57,177,733,305)	161,481,552,113
Accounts and commissions receivable		(8,702,092,100)	(3,040,925,894)
Available-for-sale assets		21,625,867,521	11,465,391,816
Interest receivable for financial instruments		17,964,479,288	10,025,019,727
Interest receivable for loan portfolio		42,076,447,779	21,180,574,255
Other assets		13,584,658,506	6,156,587,118
Net variations in liabilities, increase or (decrease)		401,661,975,375	(46,202,736,948)
Obligations with the public		495,250,464,404	121,575,715,702
Obligations with the Central Bank of Costa Rica and other entities		(44,642,443,509)	(92,323,575,395)
Obligations for accounts and commissions payable and provisions		(8,802,769,141)	(20,829,730,436)
Interest payable for obligations with the public		(16,483,570,471)	(22,171,424,029)
Interest payable for obligations with the BCCR and other entities		(4,599,061,201)	(8,208,082,238)
Interest payable for accounts and commissions payable and provisions		(23,432,722)	(14,488,317)
Other liabilities		(19,037,211,985)	(24,231,152,235)
Interests paid		(84,212,443,920)	(107,931,689,906)
Collected interest		230,196,805,167	220,864,984,919
Paid income tax		(9,364,527,697)	(17,434,516,870)
Net cash flows provided by operating activities		289,791,584,280	462,508,635,103
Cash flow from investment activities			
Increase in financial instruments at amortized cost		(14,257,940,119,493)	(12,069,333,830,545)
Decrease in financial instruments at amortized cost		14,174,217,420,069	11,859,740,367,023
Acquisition of property, furniture and equipment		(7,605,820,279)	(11,784,792,886)
Decrease for withdrawal and transfer of property, furniture and equipment		545,994,024	16,259,632,400
Acquisition of intangibles		(5,814,453,541)	(4,471,602,726)
Decrease for withdrawal and transfer of intangibles		(148,355,229)	(275,168,777)
Interest in other companies		540,412,624	(12,688,963)
Cash flows (used for) provided by investment activities		(96,204,921,825)	(209,878,084,474)
Net increase (decrease) in cash and cash equivalents		193,586,662,455	252,630,550,629
Cash and cash equivalents at the beginning of the year		940,600,959,363	858,178,114,618
Effect of changes in exchange rates on cash		7,899,783,324	21,688,162,058
Cash and cash equivalents at the end of the year	4 ¢	<u>1,142,087,405,142</u>	<u>1,132,496,827,305</u>

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

Douglas Soto L.
General Manager

Ana Lorena Brenes B.
Accountant

Rafael Mendoza.
General Auditor

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(1) Summary of operations and significant accounting policies

(a) Operations

Banco de Costa Rica (hereinafter, the Bank) is an autonomous, independently managed, public law institution organized in 1877. As a State-owned public 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 by the Political Constitution of the Republic of Costa Rica. It is also subject to oversight by the General Superintendence of Financial Entities (SUGEF) and the Comptroller General of the Republic (CGR). The Bank's registered office is located at Avenida Central and Avenida Segunda, Calle 4 and Calle 6, in San José, Costa Rica.

The Bank's website and its subsidiaries located in Costa Rica is www.bancobcr.com

The Bank is mainly dedicated to extending loans and granting bid and performance bonds; issuing deposit certificates; opening checking accounts in colones, U.S. dollars, and euros; issuing letters of credit; providing collection services; buying and selling foreign currency; managing trusts; providing custodial services for assets; and other banking operations. As of September, 2021, the Bank has a total 166 (169 and 171, for December and September 2020, respectively) branches distributed across the national territory, has in operation 619 (676 and 636, for December and September 2020, respectively) ATM's and has 3.652 (3.645 and 3.695, for December and September 2020, respectively) employees.

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

The Bank fully owns 100% of the following subsidiaries:

BCR Valores, S.A. - Puesto de Bolsa, was organized as a corporation in February 1999 under the laws of the Republic of Costa Rica. Its main activity is securities trading. The number of employees as of September 30, 2021, is of 70 (70 and 70 for December and September 2020, respectively) and is regulated by the General Superintendence of Securities (SUGEVAL).

BCR Sociedad Administradora de Fondos de Inversion, S.A. was organized as a corporation in July 1999 under the laws of the Republic of Costa Rica. Its main activity is investment fund management. The number of employees as of September 30, 2021, is of 104 (101 and 107 for December and September 2020, respectively) and is regulated by the General Superintendence of Securities (SUGEVAL).

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A. was organized as a corporation in September 1999 under the laws of the Republic of Costa Rica. Its main activity is managing supplemental pension plans and offering additional services related to disability and death plans to members. The number of employees as of September 30, 2021 is of 102 (97 and 103 for December and September 2020, respectively) and is regulated by the Superintendence of Pensions (SUPEN).

BCR Sociedad Corredora de Seguros, S.A. was organized as a corporation in February 2009 under the laws of the Republic of Costa Rica. Its main activity is insurance underwriting. The number of employees as of September 30, 2021 is of 88 (86 and 85 for December and September 2020, respectively) and it is regulated by the General Superintendence of Insurance (SUGESE).

Banprocesa, TI S.R.L. was organized as a corporation in August 2009 under the laws of the Republic of Costa Rica. Its main activity will be to provide IT processing services and technical support, purchase, lease, and maintain hardware and software, including software development, and address the Bank's IT needs. This entity has not started operations. As of September 30, 2021, the number of employees is 85 (67 and 55 for December and September 2020, respectively). As of July 29, 2021, CONASSIF sends communication CNS-1676/06 accepting its participation as part of the conglomerate.

Depósito Agrícola de Cartago, S.A. and subsidiary, was organized as a corporation in October 1934 under the laws of the Republic of Costa Rica. Its main activity is the custody and storage of personal property of national and foreign origin, with its own legal status and administratively independent. The company is regulated by the “Ley de Almacenes Generales”.

Depósito Agrícola de Cartago, S.A. has a wholly owned subsidiary named Almacén Fiscal Agrícola de Cartago, S.A., constituted in December 1991 under the laws of the Republic of Costa Rica. Its main activity is the custody and storage of merchandise on which no import taxes have been paid, regulated by the General Customs Law, and supervised by the General Customs Directorate of the Ministry of Finance. Both companies are subject to the oversight of the Comptroller General of the Republic. As of September 30, 2021 the number of employees is of 66 (36 and 36 for December and September 2020, respectively).

As of April 30, 2020, Bancrédito Sociedad Agencia de Seguros, S.A., organized in March 2009 under the laws of the Republic of Costa Rica, was settled. Its main activity was the insurance underwriting.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

The Bank also holds a 51% ownership interest in the following subsidiary:

Banco Internacional de Costa Rica, S.A. and subsidiary (BICSA) was organized as a bank under the laws of the Republic of Panama in 1976. It operates under a general license granted by the Superintendence of Banks of Panama to engage in banking transactions in Panama or abroad; its office is located in the city of Panama, Republic of Panama, BICSA Financial Center, 50th floor, Avenida Balboa and Calle Aquilino de la Guardia, and its subsidiary in Miami, Florida, United States of America. The remaining 49% of BICSA's shares are owned by Banco Nacional de Costa Rica. The number of employees as of September 30, 2021 is of 250 (241 and 239 for December and September 2020, respectively).

In the Republic of Panama, banks are regulated by the Superintendence of Banks of Panama through Executive Order No. 26 of February 26, 1998, and by the resolutions and directives issued by that entity. Among other aspects, that law regulates authorization of banking licenses, minimum capital and liquidity requirements, general oversight, and procedures for credit risk and market risk management, money laundering prevention, and bank takeover and liquidation. Banks are also subject to an audit at least every two (2) years by auditors from the Superintendence of Banks to verify compliance with Executive Order No. 9 and Law No. 42 on Money Laundering Prevention.

BICSA wholly owns subsidiaries Arrendadora Internacional, S.A. and Bicsa Capital S.A., engaged in providing funding through financial leases and purchase of invoices and brokerage services, respectively.

The Branch in Miami has been operating since September 1, 1983 under an international banking license granted by the office of the State Comptroller and Banking Commissioner of the State of Florida, United States of America.

Regulatory Matters of Banco Internacional de Costa Rica, S.A. and Subsidiary

Miami Branch

The Branch is subject to regulations and periodic oversight by certain federal and state agencies. For such purposes, the Branch has an agreement with federal and state regulatory authorities, which requires the Branch to continually maintain and report certain minimum capital ratios and maturity parameters, e.g. the Branch must maintain a minimum ratio of eligible assets to third party liabilities of 110%, on a daily basis.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

Panama Branch

Executive Order No. 9 of February 26, 1998 requires that banks operating under a general license maintain capital funds for an amount greater than or equal to 8% of risk-weighted assets, including off-balance sheet operations. This law also limits the amount that can be loaned to a single economic group to a maximum of 25% of capital funds. It also limits the amount that can be loaned to related parties to a maximum of 5% and 10% of capital funds, depending on the guarantee provided by the borrower, up to a cumulative maximum of 25% of BICSA's capital funds.

(b) Accounting policies for the preparation of consolidated financial statements

The financial statements have been prepared in accordance with the legal provisions, rules, and accounting regulations issued by the National Financial System Supervisory Board (CONASSIF), the General Superintendence of Financial Entities (SUGEF) and the Central Bank of Costa Rica (BCCR), and in those matters that are not covered by those entities, according to the International Financial Reporting Standards as of January 1, 2011 (IFRS).

Through communication C.N.S. 116-07 from December 18, 2007, the National Financial System Supervisory Board issued a reform to the regulations named "Accounting Standard Applicable to the Entities Supervised by SUGEF, SUGEVAL and SUPEN and to the non-financial issuers." The objective of such standard is to regulate the adoption and application of the International Financial Reporting Standards (IFRS) and the corresponding interpretations (SIC and IFRIC interpretations.)

Afterwards, through articles 8 and 5 of minutes corresponding to sessions 1034-2013 and 1035-2013, held on April 2, 2013, respectively, the National Financial System Supervisory Board made a change to the "Accounting standard applicable to the entities supervised by SUGEF, SUGEVAL and SUPEN and to the non-financial issuers."

According to such document, the IFRS and its interpretations must be mandatorily applied by the supervised entities, in accordance with the texts in force as of January 1, 2011. This is for the audits as of December 31, 2015, except for the special treatments applicable to the supervised entities and non-financial issuers. The anticipated adoption of standards is not allowed.

Issuing new IFRSs or interpretation issued by the IASB, as well as any amendment to the adopted IFRSs to be applied by the entities under supervision will require a prior authorization by the National Financial System Supervisory Board (CONASSIF).

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

The financial statements have been prepared based on historical costs as explained in the accounting policies below.

Historical costs are generally based on the fair value of the consideration for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date, regardless of whether price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability on the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for the stock-based payment transactions within the scope of IFRS 2, the lease transactions within the scope of IAS 17, and the measurements that have certain similarities with the fair value, but which are not fair value, such as the net realizable value in IAS 2 or the value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 - inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - unobservable inputs for asset or liability.

(c) Investment in other companies

Valuation of investments by the equity method

i. Subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. As prescribed by regulations, the financial statements must present investments in subsidiaries by the equity method rather than on a consolidated basis. Transactions that affect the equity of those companies, such as translation adjustments and unrealized gain or loss on valuation of investments, are recognized in the same manner in the Bank's equity, the effects are recorded in the account "Adjustment for valuation of investments in other companies".

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

The Bank and subsidiaries must analyze and assess the distribution of dividends in accordance with current internal and external regulations applicable to each entity. The distribution of dividends will be proposed by the Management of each entity; it will transmit the proposal to the Board of Directors and subsequently send to the shareholders 'meeting in the case of the subsidiaries. Once the amount to be distributed has been determined, the accumulated profits of previous periods and/or the capital stock will be reduced, if necessary.

The consolidated financial statements include the financial figures of the Bank and of the following subsidiaries:

Name	Ownership Percentage
BCR Valores, S.A. – Puesto de Bolsa	100%
BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A.	100%
BCR Sociedad Administradora de Fondos de Inversión, S.A.	100%
Banco Internacional de Costa Rica, S.A. and subsidiary (Arrendadora Internacional, S.A., which is 100% owned)	51%
BCR Sociedad Corredora de Seguros, S.A.	100%
Banprocesa S.R.L.	100%
Depósito Agrícola de Cartago, S.A. and subsidiary	100%

All significant intercompany balances and transactions have been eliminated on consolidation.

(d) Foreign currency

i. Foreign currency transactions

Assets and liabilities held in foreign currency are converted to colones at the exchange rate prevailing on the date of the consolidated statement of financial position. Transactions in foreign currency during the year are converted at the foreign exchange rate prevailing on the date of the transaction. Conversion gains or losses are presented in the consolidated income statement.

ii. Monetary unit and foreign exchange regulations

As of January 30, 2015, the Board of Directors of the Central Bank of Costa Rica, in article 5 of the minutes of session 5677-2015, established a managed floating exchange rate regime starting February 2, 2015, whose main aspects are detailed below:

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

- In this regime, the Central Bank of Costa Rica will allow the exchange rate to be freely determined by the foreign exchange market but may participate in the market in a discretionary manner, to meet its own requirements of currency and those of the non-banking Public Sector, to avoid sharp exchange fluctuations.
- The Central Bank of Costa Rica may carry out direct operations or use forex held-for-trading instruments it deems appropriate in accordance with the current regulations.
- In its stabilization transactions, the Central Bank of Costa Rica will continue to use in the Foreign Currency Market (MONEX), the rules of engagement with the amendments provided for in this agreement. The Financial Stability Committee must determine the intervention procedures consistent with the strategy approved by the Board.

As established in the Chart of Accounts, assets and liabilities held in foreign currency should be expressed in colones at the exchange rate disclosed by the Central Bank of Costa Rica. Thus, as of September 30, 2021, monetary assets and liabilities denominated in U.S. dollars were valued at the exchange rate of ₡629.71 (₡617.30 and ₡606.68 for December and September 2020, respectively) for US\$1,00.

Valuation in colones of monetary assets and liabilities in foreign currency for the period ended September 30, 2021 gave rise to foreign exchange losses of ₡410.684.950.305 (₡853.653.297.140 and ₡630.295.926.339 for December and September 2020, respectively), and gains of ₡412.779.482.955 (₡860.136.733.021 and ₡636.248.675.961, for December and September 2020, respectively), which are presented net in the consolidated income statement.

Additionally, valuation of other assets and other liabilities gave rise to gains and losses, respectively, which are booked in "Other operating income" and "Other operating expenses", respectively. For the period ended September 30, 2021, valuation of other assets gave rise to losses of ₡717.002.243 (₡1.099.588.980 and ₡1.379.432.969, for December and September 2020, respectively) and valuation of other liabilities gave rise to losses of ₡570.749.885 (₡1.474.999.372. and ₡1.126.393.363, for December and September 2020, respectively).

iii. Financial statements of foreign subsidiaries (BICSA)

The financial statements of BICSA are presented in U.S. dollars, which is its functional currency. The translation of the financial statements to colones was carried out as follows:

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

- Assets and liabilities have been converted at the closing exchange rate.
- Income and expenses have been converted at the average exchange rates in effect during each year.
- The equity is measured in terms of historical cost and has been converted using the exchange rate on the transaction date.

As result of the conversions for the period ended on September 30, 2021, losses for exchange differences arise for ¢1.661.788.916 (¢6.092.994.523 and ¢5.955.868.309 for December and September 2020, respectively) shown in the equity section, within "Currency translation adjustment of the financial statements".

(e) Basis for the recognition of the consolidated financial statements

The consolidated financial statements have been prepared based on fair value for assets through profit or loss and through other comprehensive income. Other financial and non-financial assets and liabilities are recorded at amortized or historical cost. The accounting policies have been consistently applied.

(f) 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. The Bank's financial instruments include primary instruments: cash and due from banks, investments in financial instruments, loan portfolio, other receivables, obligations with the public, obligations with entities, and payables.

(i) *Classification*

Financial instruments at fair value through profit or loss are those that the Bank keeps with the purpose of generating profits in the short term.

Originated instruments are loans and other accounts receivable created by the Bank providing money to a debtor rather than with the intention of short-term profit taking.

Assets at fair value through other comprehensive income are financial assets that are not held for trading purposes, originated by the Bank, or held to maturity. Assets at fair value through other comprehensive income include certain debt securities.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

In accordance with accounting standards issued by CONASSIF, as of January 1, 2008, investments in financial instruments made by regulated entities are to be classified as available-for-sale. Own investments in open investment funds are to be classified as held-for-training financial assets. Own investments in closed investment funds are to be classified as available-for-sale.

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

(ii) Recognition

The Bank recognizes assets at fair value through other comprehensive income on the date on which the Bank becomes a party to the contractual provisions of the instrument. From this date, any gains or losses arising from changes in the fair value of the assets are recognized in equity.

Held-to-maturity assets and originated loans and other accounts receivable are recognized using settlement date accounting, i.e. 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, financial instruments at fair value through other comprehensive income are measured at fair value, except for any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs less impairment losses.

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

Article 17 of the Accounting Regulations applicable to entities regulated by SUGEF, SUGEVAL, SUPEN and SUGESE and to Non-financial Issuers prescribes available-for-sale classification for investments in financial instruments by regulated entities.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(iv) Principles of measurement at fair value

The fair value of financial instruments is based on their quoted market price on the consolidated financial statement date without any deduction for transaction costs.

(v) Profits and losses on subsequent measurement

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

(vi) De-recognition

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. A financial liability is derecognized when it is extinguished.

IFRS 9 introduces the “business model” as one of the conditions for classifying financial assets; it recognizes that an entity may have more than one business model, and that financial assets are reclassified if the aforementioned model undergoes significant or exceptional changes.

According to the standard, the business model refers to the way in which a financial entity manages its financial assets to generate cash flows, which could be from:

1. Collect contractual cash flows
2. Sale of financial assets
3. A combination of both

Given the above, IFRS 9 introduces a new approach to classifying financial assets and requires that they be classified at the time of their initial recording (settlement date) into three valuation categories: (i) amortized cost, (ii) fair value through changes in other comprehensive income (equity) and (iii) fair value through changes in profit and loss.

Classification in these categories will depend on two aspects: the entity's business model (how an entity manages its financial instruments) and the existence or not of contractual cash flows of specifically defined financial assets.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

- If the objective of the model is to maintain a financial asset in order to collect contractual cash flows and, according to the conditions of the contract, cash flows are received on specific dates that exclusively constitute payments of principal plus interest, the asset will be valued at amortized cost.
- If the business model is aimed at both obtaining contractual cash flows and selling them to obtain liquidity and, according to the conditions of the contract, cash flows are received on specific dates that exclusively constitute payments of the principal plus interest, the financial asset will be valued at its fair value through changes in other comprehensive income (equity). Interest, impairment, and exchange differences are recorded in results as in the amortized cost model. The rest of changes in fair value are recorded in equity items and may be recycled to profit and loss on their sale.
- Beside these scenarios, the rest of the assets will be valued at fair value through profit and loss. As indicated in the Financial Reporting Regulations, investment funds in open funds must be registered in this category. Due to their characteristics, open investment funds are those that do not present restrictions for their trading, therefore, within this category, mutual funds and money market type investment funds of international markets are included, which can be settled without restriction.

If the objective of an entity's business model undergoes significant changes, the reclassification of the instrument will be mandatory. However, the standard provides that this circumstance occurs very rarely, and when it exists, its disclosure is required according to IFRS 7, Financial Instruments: Information to be disclosed.

(g) Cash and cash equivalents

The Bank considers cash and due from banks, demand and term deposits, and investment securities that the Bank has the intent to convert into cash within two months or less, except for BICSA whose period is ninety days or less.

(h) Investments in financial instruments

Investments in financial instruments that are classified at fair value through other comprehensive income are valued at market prices using the price vector provided by Proveedor Integral de Precios de Centroamérica, S.A. (PIPCA).

The effect of market price valuation of investments at fair value through other comprehensive income are included in the equity account with the caption "Adjustment for valuation of investments at fair value through other comprehensive income" until those investments are realized or sold.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

In accordance with article 18 of the Financial Reporting Regulation, called IFRS 9, Financial Instruments: Financial Assets, the following is defined:

1. The conventional purchase or sale of financial assets should be recorded applying the accounting on the settlement date.
2. Financial assets are divided into those that are measured at amortized cost and those that are measured at fair value.
3. Based on the business model for managing financial assets and the characteristics of the contractual cash flows of the financial asset, the entity must classify its own investments or joint portfolios in financial assets according to the following valuation categories:
 - a. Amortized cost. If an entity, according to its business model and current regulatory framework, classifies a part of its investment portfolio in this category, it will disclose:
 - i. The fair value of financial assets classified in this category, in the quarterly financial statements and in the audited annual financial statement.
 - ii. The profit or loss that should have been recognized in the result for the period, for the financial statements indicated in the previous section.
 - b. Fair value through other comprehensive income.
 - c. Fair value through profit or loss: Participations in open investment funds must be recorded in this category.

In accordance with the characteristics that the Bank's portfolio must meet, based both on the Investment Management Policy and the current investment strategy, the management of the Bank's investment portfolio meets the characteristics of a business model whose main characteristic responds to managing financial assets to obtain contractual cash flows, as well as the occasional sales to meet liquidity requirements or investment portfolio management objectives, within the framework of the approved Investment Policy. In accordance with the foregoing, the financial assets that make up the Bank's investment portfolio meet the conditions to be valued at fair value through changes in other comprehensive income (equity). For purposes of defining a business model, these correspond to the main business model that characterizes the management of the Bank's investment portfolio.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

However, it is required to determine the need of a “secondary” business model, whose characteristics of its comprising assets are determined by current regulations. Due to the need to manage liquidity in investment funds that the Bank currently keeps, these financial assets must be classified at fair value through changes in profit and loss, in accordance with the provisions of the Financial Reporting Regulations.

On the other hand, in accordance with the provisions of Law 9274, the Investment Management Policy of the Development Credit Fund, as well as the current Investment Strategy, management of the investment portfolio in the Development Credit Fund meets the characteristics of a business model whose main characteristic responds to managing financial assets to obtain contractual cash flows, as well as the occasional sales to meet liquidity requirements or investment portfolio management objectives, in the framework of the approved Investment Policy. In accordance with the foregoing, the financial assets that make up the investment portfolio of the Development Credit Fund meet the conditions to be valued at their fair value through other comprehensive income (equity). For purposes of defining a business model, these correspond to the main business model that characterizes the management of the Funds investment portfolio.

However, it is required to determine the need of a “secondary” business model, whose characteristics of the comprising assets are determined by the current regulation. Due to the need to manage liquidity in investment funds that the Development Credit Fund currently keeps, these financial assets must be classified at fair value through profit and loss, in accordance with the provisions of the Financial Reporting Regulation.

In compliance with the provisions of the Financial Reporting Regulation with respect to IFRS 9, at the meeting of the General Board of Directors of October 29, 2019, the business model for the classification and valuation of own investments in financial assets for the Bank is approved according to the following valuation categories, in accordance with the defined business model:

- Main business model

Fair value through other comprehensive income (equity): those investments that are part of the investment portfolio will be classified under this category, the objective of which is to obtain contractual cash flows such as their sale and, according to the conditions of the contract, cash flows are received on specific dates that exclusively constitute payments of the principal plus interest.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

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- Secondary business model

Fair value through profit or loss: we will classify under this category, those investments in financial assets that, due to their characteristics, do not represent the possibility of generating cash flows on specific dates from the payment of interest according to the financial contract.

In addition, and by the Financial Reporting Regulation, investments in open funds will be classified at fair value through profit or loss. Financial assets with these characteristics are the following:

- Local money market investment funds.
- International money market investment funds.
- International market mutual funds.

Investments in securities of BICSA

The fair value of BICSA's investment in securities that are quoted in active markets are based on recent purchase prices. If a security is not quoted in an active market, its fair value is determined by using a valuation technique, such as the use of recent transactions, the analysis of discounted cash flows, and other valuation techniques commonly used by market participants. Shares for which fair values cannot be reliably determined are measured at cost less impairment losses.

(i) Loans portfolio

Banco de Costa Rica - Loan portfolio

SUGEF defines credits as any operation formalized by a financial intermediary irrespective of the type of underlying instrument or document, whereby the intermediary assumes the risks of either directly providing funds or credit facilities or guaranteeing that their customer will honor its obligations with third parties. Credits include loans, factoring, purchase of securities, guarantees in general, advances, checking account overdrafts, bank acceptances, interest, open letters of credit, and preapproved lines of credit.

The loan portfolio is presented at the value of outstanding principal. Interest on loans is calculated based on the outstanding principal and contractual interest rates and is accounted for as income on the accrual basis of accounting. Further, the Bank follows the policy of suspending interest accruals on loans with principal or interest that are more than 180 days past due

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

BICSA -Loan portfolio

Loans receivable are non-derivate financial assets with fixed or determinable payments that are not quoted in an active market and usually originate in providing resources for a loan. Loans are reported at their outstanding principal pending collection, less not generated interest and commissions and allowance for loan losses. Not earned commissions and interest are recognized as income over the life of the loan using the effective interest method.

(j) Allowance for doubtful accounts

Banco de Costa Rica - Loan portfolio

The loan portfolio is valued in accordance with provisions established in SUGEF Directive 1-05 "Regulations for Borrower Classification", which was approved by CONASSIF on November 24, 2005, published in the Official Journal "La Gaceta" No. 238 on Friday, March 9, 2005, and effective as of October 9, 2006.

Loan operations approved for individuals or legal entities with a total outstanding balance exceeding ¢65.000.000 (Group 1 under SUGEF Directive 1-05) are classified by credit risk. From May 23, 2020, the amount of ¢100,000,000 or its equivalent in foreign currency according to the purchase rate set by the Central Bank of Costa Rica, is established as the limit of the total outstanding balances from the Credit operations of the debtors referred to in Article 4 of the Regulation for Qualifying Debtors, SUGEF Agreement 1-05. This classification considers following considerations:

- Creditworthiness, which includes an analysis of projected cash flows, an analysis of financial position, considers the experience in the line of business, quality of management, stress testing for critical variables, and an analysis of the creditworthiness of individuals, regulated financial intermediaries, and public institutions.
- Historical payment behavior, which is determined by the borrower's payment history over the previous 48 months, considering servicing of direct loans, both current and settled, in the National Financial System as a whole. SUGEF is responsible of calculating the historical payment behavior level for borrowers reported by entities during the previous month.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

- Arrears
- Pursuant to the Directive, collateral may be used to mitigate risk for purposes of calculating the allowance for loan impairment. The market value and its updates should be considered and adjusted at least once annually. Further, the percentage of acceptance of collateral is also a mitigating factor. Collateral must be depreciated six months after the most recent appraisal.

Risk categories are summarized as follows:

Risk Category	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 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

Borrowers are to be classified in risk category E if they fail to meet the conditions for classification in risk categories A through D mentioned above, are in bankruptcy, a meeting of creditors, court protected reorganization procedure, or takeover, or if the Bank considers classification in such category to be appropriate.

From June 2019, according to SUGEF Agreement 15-16, Regulation on Management and Assessment of Credit Risk for the Development Banking System, the its credit portfolio will be subject to risk classification based on the delinquency of the debtor and the number of restructuring that the debtor has been subject of, in any of its operations carried out within the framework of Law 9274, according to the following criteria:

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BANCO DE COSTA RICA AND SUBSIDIARIES

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<u>Risk Category</u>	<u>Classification Criteria</u>
1	a. Debtors up to date in their operations with the entity. b. Debtors with delinquency of up to 30 days with the entity
2	Debtors with delinquency of more than 30 days and up to 60 days with the entity. i. Debtors with delinquency of more than 30 days and up to 90 days with the entity.
3	i. Debtors with delinquency less than 60 days with the entity and have presented delinquency with the SBD greater than 90 days in the last 12 months. i. Debtors with delinquency less than 60 days with the entity, that have been subject to at least one restructuring in any operations with the entity during the last 12 months.
4	a. Debtors with delinquency of more than 90 days and up to 120 days with the entity. b. Debtors with delinquency less than 90 days and have presented delinquency with the SBD greater than 120 days in the last 12 months. c. Debtors with delinquency less than 90 days, that have been subject to at least two restructuring in any operation with the entity during the last 12 months.
5	Debtors with delinquency of more than 120 days and up to 180 days with the entity.
6	Debtors with delinquency of more than 180 days with the entity.

The delinquency to be used must correspond to the debtor's maximum delinquency at the end of each month, in any of its operations carried out within the framework of Law 9274, with the entity or with the SBD, as appropriate.

Pursuant to SUGEF Directive 1-05: "Regulation for Rating Debtors", as of January 1, 2014, the Bank must maintain a minimum amount of allowance resulting from the sum of generic and specific allowances, calculated in accordance with Transitory XII.

The generic allowance must be at least equal to 0.5% of the total due balance, corresponding to the loan portfolio classified in A1 and A2 risk categories, without reducing the effect of mitigators of loan operations which apply to contingent credits.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

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The specific allowance is calculated on the covered and uncovered portion of each loan. The allowance on the exposed portion is equal to the total outstanding balance of each loan transaction less the weighted adjusted value of the relevant security. The resulting amount is multiplied by the percentage that corresponds to the risk category. The allowance on the covered part of each credit operation is equal to the amount corresponding to the covered part of the operation, multiplied by the appropriate percentage.

From July 2016, in the case of the loan portfolio of individuals whose coverage ratio of debt service is above the reasonable indicator, an additional generic allowance of 1% should be applied on the indicated basis of calculation. In the case of individuals who have a mortgage or another type of loan (except consumer loans) or are transacting a new loan with the Bank, they will have a reasonable indicator of 35%, and for consumer loans of individuals not secured by mortgage, a reasonable indicator of 30%.

The bank must keep this indicator updated, semiannually. SUGEF will verify the compliance in their normal supervisory duties.

In the case of loans denominated in foreign currency debtors placed among borrowers that don't generate cash flows in foreign currency, an additional generic allowance of 1.5% must also be applied on the basis of calculation.

The indicated generic allowance will be applied cumulatively, so that in the case of borrowers that don't generate cash flows in foreign currency, with an indicator for service coverage greater than the reasonable indicator, the generic allowance applicable will be at least of 3% (0.5% + 1% + 1.5%).

Classification categories and specific allowance percentages for each risk category are as follows:

Risk category	Specific allowance percentage on the uncovered portion of the loan	Specific allowance percentage on the covered portion of the loan
A1	0%	0%
A2	0%	0%
B1	5%	0,5%
B2	10%	0,5%
C1	25%	0,5%
C2	50%	0,5%
D	75%	0,5%
E	100%	0,5%

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of January 1, 2014, as an exception in the case of risk category E, the minimum allowance for loans to a borrower whose historical payment behavior is rated as level 3 is to be calculated as follows:

Arrears	Specific allowance percentage on the uncovered portion of the loan	Specific allowance percentage on the covered portion of the loan	Credworthiness (Borrowers Group 1)	Credworthiness (Borrowers Group 2)
30 days or less	20%	0,5%	Level 1	Level 1
60 days or less	50%	0,5%	Level 2	Level 2
More than 61 days	100%	0,5%	Level 1, Level 2, Level 3 or Level 4	Level 1 or Level 2

As of December 1, 2020, as an exception for risk category E, allowance for loans of a debtor whose historical payment behavior is at Level 3, must be calculated as follows:

Delinquency at the end of the month	Specific allowance percentage on the uncovered portion of the loan	Specific allowance percentage on the covered portion of the loan	Credworthiness (Borrowers Group 1)	Credworthiness (Borrowers Group 2)
Up to date	5%	0,5%	Level 1	Level 1
30 days or less	10%	0,5%	Level 1	Level 1
60 days or less	25%	0,5%	Level 1 o Level 2	Level 1 o Level 2
90 days or less	50%	0,5%	Level 1 o Level 2 o Level 3 o Level 4	Level 1 o Level 2 o Level 3 o Level 4
More than 90 days	100%	0,5%	Level 1 o Level 2 o Level 3 o Level 4	Level 1 o Level 2 o Level 3 o Level 4

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

From July 2016, pursuant to SUGEF Directive 19-16, Agreement, "Regulation for the determination and recording of countercyclical allowance", a generic allowance is applied to that credit portfolio that shows no evidence of current impairment, as determined by the level of allowance expected in periods of economic recession and whose purpose is to mitigate the effects of the economic cycle on the financial results derived from the allowance for non-payment of loan portfolio. On a monthly basis, the Bank must record the expense per counter-cyclical component equivalent to a minimum of 7% of the positive result of the difference between income and expenses, before taxes and profit sharing of each month, until the balance of the account of the countercyclical component reaches the amount corresponding to the required balance of allowance for the entity. At the entry into force of this regulation, the required minimum percentage level of countercyclical allowance is 0.33%.

As of March 31, 2019, the entity reached the target level of contracyclical allowance and is under the regulation of the formula established in Article 4 of the "Calculation of the requirement of contracyclical allowance" of the Regulation to determine and record countercyclical allowances", SUGEF 19-16. The entity will continue to accumulate or disaccumulate, in accordance with the methodology established in the article and Article 5 "Accounting Registry" of that regulation.

The validity of the amendment to article 12 of this Regulation and until December 31, 2021, according to transitory XXII, the balance of allowance recorded for debtors in Risk Category E with CPH3 may not be reduced because of this modification. It is only allowed that the decrease amounts be reallocated to support increases in specific allowances for debtors reclassified to risk categories C1, C2, D and E according to articles 10 and 11 of SUGEF Agreement 1-05.

As of September 30, 2021, the total allowance of the loan portfolio reflected in the accounting records amounts to ¢137.088.062.449, (for December 2020 the allowance was of ¢119.006.689.665, of which ¢32.426.041.150 are additional recorded allowances, including ¢18,000,000,000 that correspond to renegotiated operations as a result of COVID -19; for June 2020 the allowance was of ¢94.460.876.541)

As of September 30, 2021, increases in the allowance for loan impairment resulting from the minimum allowance are included in the accounting records in compliance with article 17 of SUGEF Directive 1-05 "Regulation for Rating Debtors", prior authorization from SUGEF in compliance with article 10 of IRNBS.

As of September 30, 2021, management considers the allowance to be sufficient to absorb any potential losses that could be incurred on recovery of the portfolio.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

Accounts and interest receivable - Banco de Costa Rica

To qualify the risk of accounts and interest receivable unrelated to loan operations, the Bank considers the arrears based on ranges established for other assets in SUGEF Directive 1-05 "Regulations for Rating Debtors", approved by CONASSIF

<u>Arrears</u>	<u>Allowance</u>
30 days or les	2%
60 days or les	10%
90 days or les	50%
120 days or les	75%
More than 120 days	100%

Until IFRS 9, Financial Instruments, is implemented for the Credit Portfolio of Financial Intermediaries, the provisions established in the Debtor Rating Regulations to quantify the credit risk of debtors and constitute the corresponding estimates, will remain in force and the entities will continue calculating the estimates according to the methodology set forth in the Regulations.

BICSA- Allowance for loan impairment

BICSA assesses whether there is any objective evidence of impairment of a loan or loan portfolio. The number of losses on certain loans during the period is recognized as provision expense in the operational result and increases a provision account for loan losses. When a loan is determined to be uncollectible, the unrecoverable amount is reduced of that provision account. Subsequent recoveries of previously written-off loans increase the provision account.

Impairment losses are determined using two methods, which indicate whether there is objective evidence of impairment, i.e. individually for loans that are individually significant and collectively for loans that are not individually significant.

Impairment losses on individually assessed loans are determined based on an exposure assessment on a case-by-case basis. If it is determined that there is no objective evidence of impairment for an individually significant loan, this loan is included in a group of loans with similar characteristics and is collectively assessed for impairment. The impairment loss is calculated by comparing the present value of expected future cash flows, discounted at the loans current interest rate or the fair value of the loans collateral less the selling costs, to its current carrying value. The amount of any loss is recognized as a provision for losses in the consolidated income statement. The carrying value of impaired loans is reduced using an allowance account for losses on loans.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

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For the purposes of a collective assessment of impairment, BICSA uses statistical models of historical trends for probability of default, opportunity for recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that actual losses are higher or lower than those suggested by historical trends. Default and loss ratios as well as the expected term of future recoveries are regularly compared with actual outcomes to ensure they remain appropriate.

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 impairment loss was recognized, the impairment loss is reversed through an adjustment to the provision account. The amount of the reversal is recognized in the consolidated income statement.

Management considers the allowance for loan impairment to be sufficient. The regulatory authority periodically reviews the allowance for loan impairment as an integral part of its audits. The regulatory authority may require that additional allowances are recognized based on its evaluation of information available as of the date of the audits.

As of September 30, 2021, the allowance disclosed in the accounting records amounts to ₡154.239.150.667 (₡134.224.712.484 and ₡110.888.572.397 for December and September 2020, respectively).

BICSA -Accounts and interest receivable

To assess the allowance for accounts and interest receivable, BICSA applies the criteria mentioned in the section on the allowance for loan impairment.

(k) Securities sold under repurchase agreements

The Bank carries out transactions of securities sales under repurchase agreements at future dates and agreed prices. The obligation to repurchase sold securities is reflected as a liability in the consolidated balance sheet and disclosed at the value of the original agreement. The underlying securities are held in asset accounts. Finance expense recognized is calculated by the effective interest method. Interest is presented as finance expense in the consolidated income statement, and accrued interest payable in the consolidated balance sheet.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(l) Accounting for interest receivable

Interest receivable is accounted for on the accrual basis. Under current regulations, interest accrual is suspended on loan operations that are more than 180 days past due. Interest receivable on those loans is recorded when collected. BICSA does not suspend the recognition.

(m) Other receivables

The recoverability of these accounts is assessed by applying criteria like those established by SUGEF for the loan portfolio. If an account is not recovered within 120 days from the due date or from the date of its accounting record, an allowance is created for 100% of the outstanding balance. Items with no specified due date are considered enforceable immediately. BICSA applies the criteria mentioned in the section on the allowance for loan impairment.

(n) Held-for-sale assets

Held-for-sale assets are assets owned by the Bank for realization or sale. Included in this account are assets acquired as payment in kind, assets adjudicated in judicial auctions, assets acquired to be leased under finance and operating leases, goods produced for sale, idle property and equipment, and other held-for-sale assets.

Held-for-sale assets are valued at the lower of cost and fair value. If fair value is less than the cost recorded in the accounting records, an impairment allowance must be recorded for 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 recorded in local currency. The cost registered in the accounting records for a realizable 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 expenses related to held-for-sale assets are to be recognized in the period incurred.

The net realizable value of an asset should be used as its market value, which should be 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 resources invested and use them for its business activities. For all held-for-assets, the Bank should have reports from the appraisers which are to be updated at least annually. If an asset recorded in this group is used by the Bank, it should be reclassified to the appropriate account in the corresponding group.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

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The supervised entities must record an allowance equivalent to their carrying amount for assets withdrawn from use and for held-for-sale assets that were not sold or leased, either through operating or financial leases, within a two-year period, counted from the date of its acquisition or production.

Pursuant to article 20-b of SUGEF Directive 1-05, "Regulations for Rating Debtors", the Bank is required to record an allowance for disposed assets and for realizable assets that were not sold or leased under operating or finance leases within two years from the acquisition or production date, for an amount equivalent to the carrying amount of the assets. The allowance must be established gradually by recording one-forty-eighth of the value of such assets each month until the allowance is equivalent to 100% of the carrying amount, without exception. The recording of the allowance shall begin at closing date of the month in which the asset was i) acquired, ii) produced for sale or lease, or iii) disposed of.

Pursuant to SUGEF Directive 30-18, in its article 16, to determine the carrying amount of the assets awarded in judicial auctions or received in payment of obligations, the entity must record an estimate at the rate of one forty-eighth monthly until completing one hundred percent of the carrying amount of the asset. This accounting record will begin from the closing date of the month in which the asset was awarded or received in payment.

(o) Offsetting

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

(p) Property, furniture, and equipment

(i) *Own assets*

Property, furniture, and equipment are depreciated on the straight-line method over the estimated useful lives of the assets for both tax and financial purposes. Leasehold improvements are amortized straight line over a period of sixty months, starting the month after the deferred charge is recorded. Leasehold improvements are amortized solely at the end of the term of the lease agreement. When the lessor or the Bank notifies the other party that it does not intend to renew the lease at the end of the original lease term or extension, the remaining balance is amortized over the remainder of the lease term.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

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, 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 benefits of ownership are classified as leases with the right-to-use the asset.

In application of IFRS 16, entities that have lease contracts in which they are lessees must recognize a lease liability as of the entry into force of this regulation for leases previously classified as an operating lease under IAS 17. The lessee will measure that lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental loan rate on the date of initial application.

A right-of-use asset must be recognized as of the entry into force of this regulation for leases previously classified as an operating lease under IAS 17.

(iii) *Subsequent disbursements*

Costs incurred to replace a component of an item of property, furniture and equipment is capitalized and accounted for separately. Subsequent expenses are only capitalized when they increase the future economic benefits; otherwise, they will be recognized in the consolidated income statement when incurred.

(iv) *Depreciation and amortization*

Depreciation and amortization are charged to the operating results on the straight-line method, using the annual depreciation rates established for tax purposes. When appraisals made by independent appraisers determine that the technical useful life is less than the remaining useful life calculated using applicable rates for tax purposes, the technical useful life is to be used. Estimated useful lives are as follows:

Useful lives of assets owned by the Bank and subsidiaries, except for BICSA:

Building	50 years
Vehicles	10 years
Furniture and equipment	10 years
EDP equipment	5 years
Leasehold improvements	5 years

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

Useful lives of assets owned by BICSA:

Building	40-50 years
Building improvements	5-35 years
Furniture and equipment	3-5 years
Furniture and equipment	3-15 years

(v) Revaluation

At least every five years financial entities should assess the real estate by appraisals, stating the net realizable value of the property.

If the realizable value of the assets is different from the one disclosed in the accounting records, the Bank must adjust the Carrying amount to the resulting value of the appraisal.

These assets are depreciated by the straight-line method for financial and tax purposes, based on the expected life of the respective assets.

The last appraisal was made in 2015, and it was recorded on November 30, 2015.

(q) Deferred charges

Deferred charges are valued at cost and recorded in local currency. These charges are not subject to revaluations or adjustments.

(r) Intangible assets

Intangible assets acquired by the Bank are recorded at cost less accumulated amortization and impairment losses.

Amortization of IT systems is charged to operation results on a straight-line basis over the estimated useful lives of the related assets. The estimated useful life is of 5 years.

Subsequent expenditures or disbursements are capitalized only when they increase the future economic benefits; otherwise, they are recognized in the results as incurred.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

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(s) Impairment of assets

The carrying amount of an asset is reviewed on each consolidated balance sheet date, to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the consolidated income statement for assets carried at cost and treated as a decrease in revaluation surplus for assets recorded at revalued amounts, until the amount of the surplus of the specific asset is sufficient to absorb the impairment loss.

The recoverable amount of an asset is the greater of its net selling price and value in use. The net selling price is equal to the value obtained in free transaction between seller and buyer. Value in use is the present value of future cash flows and disbursements derived 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 impairment loss was determined, the loss is reversed in the consolidated income statement or consolidated statement of changes in equity, as appropriate.

The SUGEF establishes the following: regardless of the previously expressed, at least once every five years, financial institutions must have its property appraised by an independent appraiser, in order to determine the net realizable value of property and buildings, whose net book value exceeds 5% of the entity's equity. If the net realizable value of the assets appraised, taken as a whole, is less than the corresponding net carrying amount, the carrying amount is to be reduced to the appraisal value by adjusting assets that are significantly overstated. The decrease in the value of real property for use is recorded against account "331 - Adjustments for revaluation of assets.

In cases where an entity is aware of a significant overstatement in the carrying amount of one or more assets, regardless of the cause of the reduction in their value and/or the useful life originally assigned, the entity must hire an appraiser to perform a technical appraisal, immediately notify SUGEF of the results, and register the applicable adjustments in the accounting records.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(t) Obligations with the public

These are current obligations of the resources available to the Bank for the realization of its purposes provided by external sources, which are virtually inescapable and are reasonably identifiable and quantifiable.

(u) Accounts payable and other payables

Accounts payable and other payables are recognized at cost.

(v) Provisions

A provision is recognized in the consolidated statement of financial position 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 consolidated statement of financial position date, directly affecting the consolidated income statement.

Employees' legal benefits (severance pay)

Costa Rican legislation requires the Bank and its subsidiaries domiciled in Costa Rica to pay employees' legal benefits to employees dismissed without just cause, equivalent to a seven days' salary for employees with three to six months of service, 14 days salary for employees with six months to one year of service, and compensation in accordance with the Workers Protection Law for those with more than one year of service.

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

Pursuant to the Workers 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 the employee.

The Bank follows the practice of transferring to the Employee Association the severance benefits corresponding to each employee based on the employee's current salary.

The amounts of severance benefits not transferred to the Employee Association are provisioned as indicated in the Collective Labor Agreement is provisioned in accordance with the employer legal obligation.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

BICSA retirement savings plan for employees

BICSA offers its employees defined contribution pension plans in accordance with the conditions and practices in the jurisdictions where it operates. Under those plans, BICSA contributes specified amounts to a fund managed by a third party and is under no legal obligation to make additional contributions in the event the fund has insufficient assets to pay employees their benefits.

BICSA has adopted a voluntary retirement savings plan in which BICSA contributes twice the amount contributed by employees, up to a maximum of 10% of the monthly salaries. The contribution made by BICSA and subsidiary under this plan as of September 30, 2021 amounted to ¢373.485.948 (¢428.891.398 and ¢317.848.146 for December and September 2020, respectively), equivalent to US\$609.986 (US\$694.786 and US\$523.914 for December and September 2020, respectively).

BICSA -Seniority premium and indemnity for employees

Under Panamanian labor law, companies are required to establish a severance fund to guarantee payment of a seniority premium and indemnity to eligible employees upon resignation or dismissal without just cause. To create the fund, quarterly contributions of the relative portion to the employee seniority premium equivalent to 1.92% of salaries paid in the Republic of Panama are made to cover the seniority premium, while monthly contributions equivalent to 5% are made to cover the indemnity. Quarterly contributions are to be placed in a trust. As of September 30, 2021, the severance fund had a balance of ¢792.236.208 (¢636.010.980 and ¢317.848.146 for December and September 2020, respectively), equivalent to US\$1.258.351 (US\$1.030.311 and US\$523.914 for December and September 2020, respectively), which is disclosed in the consolidated financial statements as prepaid expenses.

(w) Legal reserve

According to Article 12 of the Organic Law of the National Banking System, the Bank yearly sets aside 50% of net earnings after income tax to increase its Legal Reserve. The Bank's subsidiaries, except for BICSA, allocate yearly 5% of their earnings after taxes to a legal reserve.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(x) Revaluation surplus

Revaluation surplus included in equity may be transferred directly to accrued earnings of prior periods when the surplus is realized. The whole surplus is realized upon disposal or use of the asset. The transfer of revaluation surplus to prior period retained earnings should not be made through the consolidated income statement. Further, the Bank was authorized by SUGEF to capitalize revaluation surplus by increasing the capital stock.

(y) Use of estimates

Management has made several estimates and assumptions related to the reporting of assets, liabilities, profit or loss, and the disclosure of contingent liabilities in preparing these consolidated financial statements. Actual results may differ from those estimates that are particularly susceptible to significant changes are related to the determination of the allowance for loan impairment.

(z) Recognition of main types of income and expenses

(i) Interest

Interest income and expense is recognized in the consolidated income statement on an accrual basis considering the effective yield or interest rate. Interest income and expense includes amortization of any premium or discount during the term of the instrument and until its maturity and is calculated on an effective interest basis.

(ii) Income from fees and commissions

When loan origination fees are generated, they are taken against effective yield, and they are deferred over the loan term. Other service fees and commissions are recognized when the services are rendered. In the case of storage services, insurance and inventory management they recorded by the accrual method.

(iii) Net income from held-for-trading securities

Net income on marketable securities includes gains and losses arising from sales and from changes in the fair value of held-for-trading assets and liabilities.

(iv) Operating lease expenses

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

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(aa) Income tax

Pursuant to the Income Tax Law, the Bank and its subsidiaries are required to file their income tax returns for the twelve months period ending December 31 of each year.

(i) Current:

Current tax is the expected tax payable on taxable income for the year, using tax rates valid on the consolidated balance sheet date, and any adjustment to tax payable with respect to previous years.

(ii) Deferred:

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial 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, while a deferred tax asset represents a deductible temporary difference. Deferred tax assets are recognized only to the extent there is a reasonable probability that they will be realized.

BICSA's Miami branch is subject to state and federal income taxes in the United States of America. Income tax expense is determined by using the separate currency pools method, as described in Section 1.882-5 of the U.S. Treasury Department Regulations.

(bb) BICSA - Financial leases

BICSA's financial lease operations mainly consist of leases for transportation, machinery, and equipment. Average lease terms are between 36 and 60 months.

Lease receivables represent the present value of future lease payments. The difference between the gross receivable and the present value of the receivable is presented as unearned income, which is recognized in profit or loss over the life of the lease.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(cc) Pension and retirement plans for employees of Banco de Costa Rica

A fund was created by Law No. 16 as of November 5, 1936, which has been amended on several occasions. The most recent amendment was included in Law No. 7107 dated October 26, 1988. Pursuant to this Law, the fund was established as a special wage protection and retirement system for the Bank's employees. The fund is comprised of allotments established by the related laws and regulations, and monthly contributions made by the Bank and employees equivalent to 10% and 0.5% of total wages and salaries, respectively. Starting October 1, 2007, this fund is managed by BCR Pension Operadora de Planes de Pensiones Complementarias, S.A. (subsidiary) under a comprehensive management agreement.

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

(dd) Legal 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. Transition provision III of Law No. 8634 "Development Banking System" establishes that for a five-year period starting in 2007, the contributions made by State-owned banks equivalent to 5% of their annual net earnings for the creation of the National Commission for Educational Loans (CONAPE) will be allocated as follows: two percent to CONAPE and three percent to the capital of the Development Financing Fund (FINADE). On January 2013 transitory III is removed and 5% will be allocated to CONAPE, in accordance with Law 9092, "Refund of Income of the National Commissions for Educational Loans."

In accordance with article 46 of the "National Emergency and Risk Prevention Law", all institutions of the central administration and decentralized public administration, as well as State-owned companies, must contribute three percent (3%) of their reported earnings before taxes and profits and of their accumulated budget surplus to the National Emergency Commission (CNE). Such funds are deposited in the National Emergency Fund to finance the National Risk Management System. The expenditure for CNE is calculated as 3% of income before taxes and profit sharing.

Pursuant to article 78 of the Employee Protection Law, State-owned public entities must contribute up to 15% of their earnings with the purpose of strengthening the funding base for the Disability, Old Age, and Death Benefit System of CCSS and to provide universal coverage for impoverished non-salaried workers. According to Executive Order number 37127-MTSS, starting in 2013 a progressive yearly contribution from net earnings must be set aside starting with 5% in 2013, up to 7% in 2015 and 15% as of 2017.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(ee) Development Financing Fund

As of 2008, in accordance with article 32 of Law No. 8634 "Development Banking System", all State-owned banks, except for Banco Hipotecario para la Vivienda (BANHVI), shall allocate each year at least five percent (5%) of their net earnings after income taxes to creating and strengthening its own development funds. The objective of that allocation is to provide financing to individuals and legal entities that present viable and feasible projects pursuant to the provisions of the Law (See note 40).

(ff) Development Credit Fund

The Development Credit Fund (DCF) comprised of the resources provided in Article 59 of the Organic Law of the National Banking System, No.1644, commonly called "Banking Toll," will be managed by the State Banks. In compliance with Law No. 9094 "Derogatory of Transitory VII-Law No. 8634," and in accordance with Article 35 of Law No. 8634 "Development Banking System", in meeting 119 of January 16, 2013, by agreement number AG 1015-119-2013, it is agreed to appoint Banco de Costa Rica and Banco Nacional de Costa Rica as managers for a five-year period from the signature of the respective management agreements. Each bank is responsible for managing fifty percent (50%) of the fund.

The Technical Secretariat of the Governing Board through written communication CR/SBD-014-2013 informed all private banks to open up checking accounts with each of the managing banks (Banco Nacional and Banco de Costa Rica), both in colones and foreign currency with the obligation to distribute fifty percent of the resources to each bank.

The powers granted by the Governing Board to the administrators are:

- a) Managing Banks can perform services with the beneficiaries of the Development Banking System as recognized by Article 6 of Law 8634.
- b) In accordance with Article 35 of the Law 8634 with funds from the Development Credit Fund, the Managing Banks can provide services to other financial entities, except for private banks, provided they meet the objectives and obligations under Law 8634 and that are duly approved by the Governing Board.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

- c) The Banks may allocate in accordance with Article 35, Law 8634 the resources of the Development Credit Fund through: associations, cooperatives, foundations, NGOs, producer organizations or other entities if they have credit operations in programs that meet the objectives established in the Law 8634 and are duly approved by the Governing Board.

The contract signed for a five-year term will be renewable for equal and successive periods unless otherwise decided by the Governing Board, notified in writing at least three months in advance. It may be terminated as provided for in Article 12 paragraph j) of Law 8634 and its executive regulations, if the managing banks demonstrate proven lack of capacity and expertise. (See note 41).

(gg) BICSA - Trusts

BICSA has a license to manage trusts in or from the Republic of Panama. Fee and commission income derived from trust management is recognized on an accrual basis. BICSA is required to manage trust funds in accordance with the contractual terms and independently of its own equity.

(hh) Fiscal year

The economic fiscal year corresponds to the period ended on December 31 of every year.

(2) Collateralized or restricted assets

Collateralized or restricted assets are as follows:

	<u>September 2021</u>	<u>December 2020</u>	<u>September 2020</u>
Cash and cash equivalents deposited in the Central Bank of Costa Rica (see note 4)	¢ 599.851.256.334	544.202.156.330	573.032.640.608
Restricted cash and cash equivalents (see note 4)	206.364.475	93.806.100	84.782.822
Total cash and cash equivalents	<u>600.057.620.809</u>	<u>544.295.962.430</u>	<u>573.117.423.430</u>
Past due and restricted financial instruments (see note 5)	215.850.458.087	48.403.442.246	33.956.516.695
Other assets	933.557.039	851.645.599	836.993.928
	<u>¢ 816.841.635.935</u>	<u>593.551.050.275</u>	<u>607.910.934.053</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(3) Balances and transactions with related parties

The consolidated financial statements include balances and transactions with related parties as follows:

	September 2021	December 2020	September 2020
Assets:			
Loan portfolio	¢ 1.142.881.206	1.000.452.626	1.173.465.273
Other accounts receivable	691.104.956	168.842.012	1.453.736.932
Interests in other entities	65.417.188	536.364.510	415.554.557
Total assets	¢ <u>1.899.403.350</u>	<u>1.705.659.148</u>	<u>3.042.756.762</u>
Liabilities:			
Other accounts payable and provisions	0	46.411.286	0
Total liabilities	¢ <u>0</u>	<u>46.411.286</u>	<u>0</u>
Income:			
Income from interest in entities	4.048.114	225.016.450	104.206.498
Sundry operating income	¢ 0	314.650.831	428.205.516
Total income	¢ <u>4.048.114</u>	<u>539.667.281</u>	<u>532.412.014</u>
Expenses:			
Expenses from investments in other companies	0	119.534.816	119.534.816
Sundry operating expenses	¢ 0	2.095.886.036	1.392.558.800
Total expenses	¢ <u>0</u>	<u>2.215.420.852</u>	<u>1.512.093.616</u>

The amount paid for the compensation for key staff is as follows:

	September 2021	December 2020	September 2020
Short-term benefits	¢ 3.083.273.684	3.997.828.497	2.924.101.336
Long-term benefits	110.114.144	130.965.257	24.151.268
Directors' seating fees	246.870.946	286.651.424	281.329.210
	¢ <u>3.440.258.774</u>	<u>4.415.445.178</u>	<u>3.229.581.814</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

BCR Pensiones pays compensation to key personnel according to the approved budget for the period, which does not include benefits, incentives, or salaries in-kind.

(4) Cash and cash equivalents

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

	<u>September 2021</u>	<u>December 2020</u>	<u>September 2020</u>
Cash	¢ 73.738.239.897	119.287.622.423	88.940.504.622
Demand deposits in BCCR	623.358.943.667	557.130.153.527	557.524.913.251
Checking accounts and demand deposits in local financial entities	161.783.723	406.513.723	563.331.218
Checking accounts and demand deposits in foreign financial entities	128.441.255.748	124.787.806.670	122.043.519.607
Notes payable on demand	7.521.274.159	933.476.898	2.541.967.042
Restricted cash and cash equivalents	12.402.716.870	502.245.670	530.923.670
Interest receivable	0	37.968	0
Total cash and cash equivalents	845.624.214.064	803.047.856.879	772.145.159.410
Investments in short-term financial instruments	296.463.191.078	137.553.102.484	360.351.667.895
Total cash and cash equivalents	¢ 1.142.087.405.142	940.600.959.363	1.132.496.827.305

As of September 30, 2021, demand deposits in BCCR are restricted as a minimum legal reserve in the amount of ¢599.821.042.371 (¢544.307.870.416 and ¢573.004.495.135 for December and September 2020, respectively).

As of September 30, 2021, BCR Pension's deposits in BCCR are restricted as a minimum legal reserve in the amount of ¢3.485.284.914 (¢3.744.956 and ¢2.986.450.562 for December and September 2020, respectively), for a total of ¢3.489.326.815 (¢3.048.836.070 for December 2020).

As of September 30, 2021, BCR Valores, S.A. - Puesto de Bolsa holds restricted deposits in the Central Bank of Costa Rica in the amount of ¢26.172.063 (¢27.219.750 and ¢27.166.999 for December and September 2020, respectively), for a total of ¢37.030.580.779 (¢28.775.581.282 and ¢573.032.640.608 for December and September 2020, respectively).

As of September 30, 2021, BCR Valores, S.A. - Puesto de Bolsa holds restricted assets as part of the guarantee fund in the amount of ¢36.798.044.241 (¢28.654.555.433 and ¢84.782.822 for December and September 2020, respectively). (See note 2).

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of September 30, 2021, the Bank has a liability for outstanding checks in the amount of ¢1.193.944.724 (¢1.185.956.937 and ¢1.467.209.640 for December and September 2020, respectively), which is offset by notes payable on demand cashed the next day once cleared by the clearing house.

(5) Investments in financial instruments

Investments in financial instruments are as follows:

	<u>September 2021</u>	<u>December 2020</u>	<u>September 2020</u>
At fair value through profit or loss	¢ 160.195.532.930	129.268.183.986	83.949.119.737
At fair value through other comprehensive income	1.608.001.297.006	1.158.570.957.948	1.062.165.546.671
At amortized cost	200.145.467.660	116.422.768.236	252.350.213.522
Interest receivable for investments at fair value through profit or loss	2.672.675.038	911.154.050	379.326.767
Interest receivable for investments at fair value through other comprehensive income	15.017.344.657	17.032.432.102	11.655.572.132
Interest receivable for investments classified at amortized cost	93.928.173	20.893.136	18.571.688
Allowance for impairment of financial instruments	(1.003.382)	(452.729)	(102.665)
	<u>¢ 1.986.125.242.082</u>	<u>1.422.225.936.729</u>	<u>1.410.518.247.852</u>
	<u>September 2021</u>	<u>December 2020</u>	<u>September 2020</u>
At fair value through profit or loss	<u>Fair value</u>	<u>Fair value</u>	<u>Fair value</u>
<u>Local issuers:</u>			
State-owned Banks	541.486.343	0	0
Other (Open Investment Funds)	¢ 111.699.479.192	71.241.983.986	83.949.119.737
	112.240.965.535	71.241.983.986	83.949.119.737
<u>Foreign issuers:</u>			
Private Banks	47.228.250.000	58.026.200.000	0
Private issuers	726.317.395	0	0
Other	0	0	0
	<u>¢ 160.195.532.930</u>	<u>129.268.183.986</u>	<u>83.949.119.737</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

	September 2021	December 2020	September 2020
Financial instruments at amortized cost issued by entities	Fair value	Fair value	Fair value
<u>Local issuers:</u>			
Government	¢ 163.024.253.962	100.852.372.058	235.970.854.690
State-owned Banks	28.022.095.000	3.086.500.000	3.954.594.900
Private Banks	3.148.550.000	12.483.896.178	12.424.763.932
Private issuers	5.950.568.698	0	0
Other	0	0	0
	<u>200.145.467.660</u>	<u>116.422.768.236</u>	<u>252.350.213.522</u>
	¢ 200.145.467.660	116.422.768.236	252.350.213.522
	September 2021	December 2020	September 2020
At fair value through other comprehensive income	Fair value	Fair value	Fair value
<u>Local issuers:</u>			
Government	¢ 1.402.088.852.210	925.005.764.942	857.806.081.580
State-owned Banks	151.863.303.900	178.355.116.103	176.702.222.831
Private Banks	27.338.904.274	34.376.187.824	6.797.560.907
Private issuers	11,315,951,272	10.798.808.074	10.900.534.972
Other	11.620.278.618	7.574.901.609	7.530.080.955
	<u>1.604.227.290.274</u>	<u>1.156.110.778.552</u>	<u>1.059.736.481.245</u>
<u>Foreign issuers:</u>			
Government	0	1.189.524.754	1.171.474.206
Private issuers	3.774.006.732	1.270.654.642	1.257.591.220
	¢ 1.608.001.297.006	1.158.570.957.948	1.062.165.546.671

As of September 30, 2021, the investment portfolio amounts to ¢161.915.591.401 (¢146.390.267.241 and ¢156.670.321.744 for December and September 2020, respectively) corresponding to the managed amounts of the Development Credit Fund (See note 40).

Maturities for investments in financial instruments are from July 01, 2021 to August 23, 2028.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

Purchased financial instruments earn annual yield rates as follows:

	September 2021	December 2020	September 2020
Colones	0,45000% to 11.50%	0,0099% to 9,5288%	0,0099% to 9,5288%
US Dollars	0,003062% to 9.20%	0,0099% to 9,5837%	0,0099% to 9,5837%

Investments have been pledged as follows:

	September 2021	December 2020	September 2020
Securities in guarantee, liquidity market	¢ 37.362.150.000	16.703.795.700	0
Manager. Operadora de Pensiones Complemetarias S.A.	3.485.284.914	3.045.091.114	2.986.450.562
Guarantee for obligations for securities repurchase agreements BCR Valores. S.A.	35.189.986.873	28.654.555.432	30.970.066.133
Guarantee for deferred term operations (MIL)	139.813.036.300	0	0
	¢ 215.850.458.087	48.403.442.246	33.956.516.695

In accordance with Article 37 of the Labor Protection Law, the Pension Fund Manager must hold a minimum operating capital equivalent to a percentage of the net assets of the managed funds that as of September 30, 2021 amount to ¢3.485.284.914 (¢3.045.091.114 and ¢2.986.450.562 for December and September 2020, respectively).

As of September 30, 2021 BCR Valores holds restricted investments in securities in the amount of ¢36.798.044.241 (¢28.654.555.433 and ¢30.970.066.134 for December and September 2020, respectively).

Repurchase Operations:

The Bank purchases financial instruments through agreements in which it binds to sell the financial instruments at future dates at previously agreed upon price and yield.

As of September 30, 2021, purchased financial instruments remain under resale agreements.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

<u>Issuer</u>	<u>Asset Balance</u>	<u>Fair Value of Collateral</u>	<u>Resale Date</u>	<u>Resale Price</u>
Local Government	¢ 16.106.094.009	16.106.094.009	01/10/2021 to 26/11/2021	100,00%
Others	39.069.781.285	49.318.186.128	01/10/2021 to 25/06/2024	100,00%
	¢ <u>55.175.875.295</u>	<u>65.424.280.136</u>		

As of December 31, 2020

<u>Issuer</u>	<u>Asset Balance</u>	<u>Fair Value of Collateral</u>	<u>Resale Date</u>	<u>Resale Price</u>
Local Government	¢ 38.533.178.993	38.533.178.993	01/01/2021 to 09/02/2021	100,00%
Others	¢ 1.148.034.976	1.150.598.484	01/01/2021 to 26/01/2021	100,00%
	¢ <u>39.681.213.969</u>	<u>39.683.777.477</u>		

As of September 30, 2020

<u>Issuer</u>	<u>Asset Balance</u>	<u>Fair Value of Collateral</u>	<u>Resale Date</u>	<u>Resale Price</u>
Local Government	30.669.749.982	36.656.282.280	20-08-2020 to 30-10-2020	100.00%
Others	921.194.899	1.000.000.000	23-10-2020 to 06-11-2020	100.00%
	¢ <u>31.590.944.881</u>	<u>37.656.282.280</u>		

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(6) Loan portfolio

The total loans receivable originated by the Bank by sector are as follows:

a) Loan portfolio by economic sector

	September 2021	December 2020	September 2020
Current loans			
Personal loans	1.252.667.576.295	1.172.342.559.479	1.083.019.024.624
Loans Development Banking System	47.050.623.127	52.169.272.262	44.993.843.369
Business loans	190.201.139.199	191.836.337.097	163.678.345.669
Loans - Corporate	1.902.626.864.536	1.953.660.584.223	1.883.103.243.349
Loans - Public sector	120.083.590.866	121.787.364.424	127.300.903.231
Loans - Financial sector	92.897.670.442	119.917.688.959	128.897.600.840
	<u>3.605.527.464.465</u>	<u>3.611.713.806.444</u>	<u>3.430.992.961.082</u>
Past due loans			
Personal loans	119.025.299.472	75.263.661.053	133.042.241.083
Loans Development Banking System	2,490,567,990	1.026.613.616	2.093.342.142
Business loans	14.656.780.848	15.542.334.755	20.678.178.252
Loans - Corporate	120.869.639.345	99.294.857.344	139.249.653.104
Loans - Public sector	0	0	260.693
	<u>257.042.287.655</u>	<u>191.127.466.768</u>	<u>295.063.675.273</u>
Judicial Collection			
Personal loans	30.682.327.307	35.271.822.067	37.742.992.680
Loans Development Banking System	53,376,648	96.844.502	195.860.386
Business loans	4.412.269.270	4.552.475.518	4.971.292.541
Loans - Corporate	17.267.022.288	7.385.366.030	6.715.271.975
	<u>52.414.995.513</u>	<u>47.306.508.117</u>	<u>49.625.417.582</u>
	<u>¢ 3.914.984.747.633</u>	<u>3.850.147.781.329</u>	<u>3.775.682.053.937</u>

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

b) Loan portfolio by activity

Activity	September 2021	December 2020	September 2020
Agriculture, livestock, hunting and service activities	¢ 175.989.031.746	193.594.861.611	185.795.541.473
Public administration	238.914.272.312	0	0
Fishing and aquaculture	41,532,983	11.172.166	0
Manufacturing	454.612.695.368	459.373.100.944	470.364.745.989
Telecommunications and public services	104,154,976,472	54,793,466,607	55.039.038.547
Mining and quarrying	37.002.763	41.301.001	40.481.134
Retail	483.332.749.512	275.150.270.515	257.131.668.501
Services	650.921.112.020	1.246.294.297.451	1.234.599.294.112
Transportation	52.052.832.161	55.192.075.081	49.325.404.755
Financial activities and stock exchange	3.815.783.428	4.064.820.107	4.136.656.952
A Real estate, business, and leasing Activities	37.733.934.955	8.666.712.945	3.799.076.434
Construction, purchase, and repair of real estate	1.304.194.822.809	1.145.267.404.096	1.107.382.181.960
Consumer	293.036.407.473	299.542.513.969	302.619.171.456
Hospitality	114,621,806,011	103.285.509.304	100.920.715.017
Education	829.091.167	3.431.935.531	3.051.917.116
Other activities from the non-financial private sector	696.696.453	1.438.340.001	1.476.160.491
	3.914.984.747.633	3.850.147.781.329	3.775.682.053.937
Plus interest receivable	24.484.101.468	39.101.667.115	38.953.765.737
Deferred income from loan portfolio	(18,742,051,059)	(17.174.110.485)	(16.707.775.563)
Less allowance for loan	(154.239.150.667)	(134.225.242.689)	(110.888.572.397)
	¢ <u>3.766.487.647.375</u>	<u>3.737.850.095.270</u>	<u>3.687.039.471.714</u>

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

c) Current loans

The total current loans originated by the bank are detailed as follows:

	September 2021	December 2020	September 2020
Current			
Personal	¢ 1.252.667.576.296	1.172.342.559.479	1.083.019.024.624
Development Banking System	47.050.623.127	52.169.272.262	44.993.843.369
Business	190.201.139.199	191.836.337.097	163.678.345.669
Corporate	1.902.626.864.536	1.953.660.584.223	1.883.103.243.349
Public sector	120.083.590.866	121.787.364.424	127.300.903.231
Financial sector	92.897.670.442	119.917.688.959	128.897.600.840
	¢ <u>3.605.527.464.466</u>	<u>3.611.713.806.444</u>	<u>3.430.992.961.082</u>

The total past due loans originated by the Bank are detailed as follows:

	September 2021	December 2020	September 2020
Past due			
Personal	¢ 119.025.299.471	75.263.661.053	133.042.241.081
Development Banking System	2,490,567,990	1.026.613.616	2.093.342.142
Business	14.656.780.848	15.542.334.755	20.678.178.252
Corporate	120.869.639.345	99.294.857.344	139.249.653.104
	¢ <u>257.042.287.654</u>	<u>191.127.466.768</u>	<u>295.063.675.273</u>

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

The total loans in judicial collection originated by the Bank are detailed as follows:

	September 2021	December 2020	September 2020
Judicial collection			
Personal	¢ 30.682.327.307	35.271.822.067	37.742.992.680
Development Banking System	53.376.648	96.844.502	195.860.386
Business	4.412.269.270	4.552.475.518	4.971.292.541
Corporate	<u>17.267.022.288</u>	<u>7.385.366.030</u>	<u>6.715.271.975</u>
	¢ <u>52.414.995.513</u>	<u>47.306.508.117</u>	<u>49.625.417.582</u>

BICSA - Financial lease receivables

The balance of financial lease receivables is as follows:

	September 2021	December 2020	September 2020
Total minimum payments	¢ 30.270.029.350	27.788.689.154	32.141.140.770
	¢ <u>30.270.029.350</u>	<u>27.788.689.154</u>	<u>32.141.140.770</u>

The maturities of the financial leases are as follows:

	September 2021	December 2020	September 2020
Less than a year	¢ 1.420.805.227	159.877.614	368.431.911
From 1 to 5 years	<u>28.849.224.123</u>	<u>27.628.811.540</u>	<u>31.772.708.859</u>
	¢ <u>30.270.029.350</u>	<u>27.788.689.154</u>	<u>32.141.140.770</u>

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

d) Loan portfolio by arrears

The loan portfolio by arrears is detailed as follows:

	September 2021	December 2020	September 2020
Current	¢ 3.605.527.464.466	3.611.713.806.444	3.430.992.961.082
1 to 30 days	137.337.133.621	102.179.456.193	153.740.097.646
31 to 60 days	41.256.276.989	26.203.564.057	54.454.858.894
61 to 90 days	20.695.659.822	15.362.107.871	17.006.427.925
91 to 120 days	3.439.427.908	9.410.529.852	12.351.278.917
121 to 180 days	4.899.772.063	3.885.327.917	10.748.221.964
More than 181 days	101.829.012.765	81.392.988.995	96.388.207.509
	¢ 3.914.984.747.634	3.850.147.781.329	3.775.682.053.937

Loans with contractual non-compliance in the payments of the principal or interest are classified as past due.

e) Past due loans

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

	September 2021	December 2020	September 2020
Number of operations	2,803	2,567	2,967
Past due loans in non-accrual status	¢ 101.829.012.764	81.392.988.995	96.388.207.510
Past due loans bearing interest	¢ 207.628.270.403	157.040.985.890	248,300,885,345
Total of unearned interest	¢ 16.706.039.894	17.735.939.374	13.887.439.469

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

Loans in legal collection as of September 30, 2021:

<u># operations</u>	<u>Percentage</u>	<u>Balance</u>
1,143	1,34%	¢ <u>52.414.995.513</u>

Loans in legal collection as of December 31, 2020:

<u># operations</u>	<u>Percentage</u>	<u>Balance</u>
1 306	1,23%	¢ <u>47.306.508.117</u>

Loans in legal collection as of September 30, 2020:

<u># operations</u>	<u>Percentage</u>	<u>Balance</u>
1.319	1,31%	¢ <u>49.625.417.582</u>

As of September 30, 2021, the average annual interest rate earned on loans is 8.15% (9.06% and 8.74% for December and September 2020, respectively) in colones and 6.40% (6.38% and 5.66% for December and September 2020, respectively) in US dollars. For Banco Internacional de Costa Rica, S.A., the annual rate for operations in US dollars is 5.84% (6.60% and 6.16% for December and September 2020, respectively).

f) Interest receivable on loan portfolio

Interest receivable is detailed as follows:

	<u>September 2021</u>	<u>December 2020</u>	<u>September 2020</u>
Personal	¢ 9.639.693.548	14.594.983.605	14.278.956.770
Development Banking System	149.737.891	262.038.379	244.117.880
Business	1.250.057.144	2.304.086.284	2.151.969.140
Corporate	12.372.457.110	20.895.091.642	20.978.943.568
Public sector	766.323.805	579.760.109	800.721.346
Financial sector	305.831.970	465.707.096	499.057.033
	¢ <u>24.484.101.468</u>	<u>39.101.667.115</u>	<u>38.953.765.737</u>

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

g) Allowance for loan impairment

Movement in the allowance for loan impairment is as follows:

2021 Opening Balance	¢ 134.225.242.689
Currency translation effect	<u>402.758.813</u>
Adjusted balance at the beginning of 2020	134.628.001.502
Plus:	
Allowance charged through profit or loss (see note 29)	26.389.226.826
Recoveries	46.245.902
Transfer of balances	28.164
Adjustments for exchange differences	1.093.204.736
Less:	
Adjustments for exchange differences	(97.104.735)
Transfer to unpaid balances	(5.442.366.849)
Reversal of allowance against income (see note 30)	<u>(2,378,084,879)</u>
Balance as of September 30, 2021	¢ <u>154.239.150.667</u>

As of December 31, 2021

2020 Opening Balance	¢ 97.730.957.808
Currency translation effect	<u>1.377.388.676</u>
Adjusted balance at the beginning of 2019	99.108.346.484
Plus:	
Allowance charged to profit and loss (See note 29)	48.916.849.795
Recoveries	(2.550.660.760)
Transfer of balances	254.854.533
Reversions	3.158.257.818
Less:	
Loan payments	(259.391.390)
Adjustments for exchange differences	(4.113.854.898)
Transfer to unpaid balances	<u>(10.289.158.893)</u>
Balance as of December 31, 2020	¢ <u>134.225.242.689</u>

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of September 30, 2020

2020 Opening Balance	¢	97.730.957.808
Currency translation effect		906.496.204
Adjusted balance at the beginning of 2020		98.637.454.012
Plus:		
Allowance charged to profit and loss (See note 29)		21.220.057.014
Recoveries		(737.116)
Transfer of balances		285.579.312
Adjustments for exchange differences		2.473.023.094
Less:		
Adjustments for exchange differences		(259.391.390)
Transfer to unpaid balances		(1.873.380.191)
Reversal of allowance against income (see note 30)		(9.594.032.338)
Balance as of September 30, 2020	¢	<u>110.888.572.397</u>

h) Syndicated loans

As of September 30, 2021, the syndicated loan portfolio is detailed as follows:

Banco de Costa Rica syndicated loan portfolio:

The Bank does not maintain a syndicated loan portfolio with other banks.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

BICSA - Syndicated loans:

<u>No.</u>	<u>Operations</u>	<u>Syndicated balances other banks</u>	<u>Syndicated balance BICSA</u>	<u>Total balance</u>
4	Global Bank	76.614.752.902	8.937.181.429 ¢	85.551.934.331
5	Banco Agromercantil de Guatemala, S.A.	339.814.846.787	9.044.493.213	348.859.340.000
1	Bladex	88.299.195.620	1.749.334.380	90.048.530.000
3	Bladex and Nomura Securities International	59.507.595.000	3.463.405.000	62.971.000.000
11	Credicorp Bank	4.594.278.211	2.024.500.994	6.618.779.205
2	Credit Suisse AG	67.284.513.500	1.983.586.500	69.268.100.000
1	MMG Bank	22.438.404.378	860.865.622	23.299.270.000
6	PRIVAL Bank	10.880.715.660	18.723.952.597	29.604.668.257
1	Citibank New York	41.964.156.346	4.176.136.344	46.140.292.690
2	Banistmo	43.641.592.945	5.257.574.279	48.899.167.224
7	BICSA, BANPRO, ST Georges Bank, Inversiones del Lago	24.278.749.605	7.521.605.395	31.800.355.000
6	BICSA/BANPRO/ST GEORGES BANK	12.448.390.221	1.090.374.779	13.538.765.000
1	The Bank of Nova Scotia (Scotiabank)	12.663.990.073	6.328.841.805	18.992.831.878
1	SCotiabank CR	249.365.160.000	6.297.100.000	255.662.260.000
51		1.053.796.341.248	77.458.952.337 ¢	1.131.255.293.585

As of December 30, 2020

<u>No.</u>	<u>Operations</u>	<u>Syndicated balances other banks</u>	<u>Syndicated balance BICSA</u>	<u>Total balance</u>
4	Global Bank	72.225.370.564 ¢	11.640.550.356 ¢	83.865.920.920
5	Banco Agromercantil De Guatemala, S.A.	332.795.998.181	9.188.201.819	341.984.200.000
2	Bladex	84.268.240.300	4.005.659.700	88.273.900.000
2	Bladex and Nomura Securities International	59.029.312.500	2.700.687.500	61.730.000.000
12	Credicorp Bank	3.969.184.375	2.519.155.342	6.488.339.717
2	Credit Suisse AG	65.125.150.000	2.777.850.000	67.903.000.000
1	Mmg Bank	21.996.199.874	843.900.126	22.840.100.000
5	Prival Bank	13.651.433.872	15.369.800.845	29.021.234.717
1	Citibank New York	40.370.798.107	4.860.185.485	45.230.983.592
1	Bicsa,Us Exim,Fmo,Bhd Int,Unibank, Banco Panama	63.007.116.550	4.369.558.038	67.376.674.588
1	Bicsa/Multibank	50.484.206.592	5.858.177.000	56.342.383.592
2	Banistmo	44.014.621.566	3.920.866.082	47.935.487.648
7	Bicsa,Banpro, St Georges Bank, Inversiones Del Lago	23.561.913.162	7.611.736.838	31.173.650.000
6	Bicsa/Banpro/St Georges Bank	12.185.836.799	1.086.113.201	13.271.950.000
1	Banco Latinoamericano de Comercio Exterior, S.A. (Bladex)	60.335.079.573	1.394.920.427	61.730.000.000
1	Citibank Na	74.196.990.800	2.965.509.200	77.162.500.000
1	The Bank of Nova Scotia (Scotiabank)	12.382.744.048	6.136.255.952	18.519.000.000
54		1.033.600.196.863 ¢	87.249.127.911 ¢	1.120.849.324.774

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of September 30, 2020

No. Operations		Syndicated balances other banks	Syndicated balance BICSA	Total Balance
6	Banco Agromercantil de Guatemala	321.486.708.850	14.614.011.150	336.100.720.000
2	Banistmo	43.676.922.957	3.433.884.829	47.110.807.786
7	BICSA, Banpro, St Georges Bank, Inversiones del Lago	22.922.292.550	7.715.047.450	30.637.340.000
1	BICSA, Us Exim, FMO, BHD Int, Banco Panamá	61.804.357.153	4.413.172.312	66.217.529.465
6	BICSA / Banpro /St Georges Bank	11.970.548.707	1.073.071.293	13.043.620.000
10	BICSA / Lafise	8.572.009.753	4.301.355.782	12.873.365.535
1	BICSA / Multibank	49.440.415.578	5.932.656.312	55.373.071.890
2	BLADEX	118.787.944.000	6.188.136.000	124.976.080.000
2	Bladex and Nomura Securities International	57.634.600.000	3.033.400.000	60.668.000.000
1	Citibank NY	39.676.260.806	4.776.571.084	44.452.831.890
10	Credicorp Bank	4.093.800.556	2.282.914.071	6.376.714.627
2	Credit Suisse AG	64.004.740.000	2.730.060.000	66.734.800.000
5	Global Bank	70.261.060.796	12.162.034.788	82.423.095.584
1	MMG Bank	21.617.778.292	829.381.708	22.447.160.000
4	Prival Bank	15.248.223.897	13.273.730.873	28.521.954.770
60		911.197.663.895	86.759.427.652	997.957.091.547

(7) Held-for-sale assets, net

Held-for-sale assets are presented net of the allowance for impairment and per legal requirement, as follows:

	September 2021	December 2020	September 2020
Financial instruments	¢ 144.216.029.643	152.481.663.041	151.316.903.108
Other assets	712.800.834	693.972.758	739.696.011
Purchased-for-sale	1.113.954.044	977.446.409	663.973.814
Idle real property, furniture, and equipment	2.189.242.289	2.157.604.499	2.172.639.457
	148.232.026.810	156.310.686.707	154.893.212.390
Allowance for impairment and per legal requirement	(82.339.845.392)	(91.291.928.384)	(98.666.859.372)
	¢ 65.892.181.418	65.018.758.323	56.226.353.018

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

Movement in the allowance for impairment of realizable assets is as follows:

	September	December	September
	2021	2020	2020
At the beginning of the year	¢ 156.310.686.707	144.375.955.540	144.375.955.540
Translation effect	375.731.072	776.138.934	602,252,589
Adjusted balance	156.686.417.779	145.152.094.474	144,978,208,129
Increase for awarded assets	24.904.232.227	45.589.449.907	30.482.868.667
Transfer to unused property, furniture, and equipment	331.256.354	81.847.646	51.471.091
Increase goods acquired for sale	2.383.666.313	3.096.128.083	1.805.774.399
Sales of goods	(35.773.927.299)	(36.256.614.785)	(21,118,302,791)
Withdrawal of unused property, furniture, and equipment	(299.618.564)	(1.352.218.618)	(1.306.807.106)
Balance at the end of the period	¢ <u>148.232.026.810</u>	<u>156.310.686.707</u>	<u>154.893.212.389</u>

Movement in the allowance for held-for-sale assets is as follows:

	September	December	September
	2021	2020	2020
Opening balance	¢ 91.293.299.040	96.813.230.661	96.813.230.661
Currency conversion effect	179.262	681.949	528,544
Adjusted Balance	91.293.478.302	96.813.912.610	96.813.759.205
Increase in the allowance	14.388.741.696	24.786.848.229	19.924.419.613
Reversal in the allowance	(23.099.702.195)	(29.609.811.572)	(17.372.298.563)
Transfer of balances	(242.672.411)	(689.329.993)	(689,329,993)
Adjustment of allowance for appraisal of assets	0	(9.690.890)	(9.690.890)
Closing balance	¢ <u>82.339.845.392</u>	<u>91.291.928.384</u>	<u>98.666.859.372</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(8) Interest in other companies' capital

Interest in other companies' capital is detailed as follows:

	<u>September 2021</u>	<u>December 2020</u>	<u>September 2020</u>
Capital interest in Bolsa Nacional de Valores, S.A.	29.057.201	29.057.201	29.057.201
Capital interest in Interclear Central de Valores, S.A.	36.359.987	36.359.987	36.359.987
Capital interest in Banprocesa. S. R. L.	0	536.364.510	415.554.557
	<u>¢ 65.417.188</u>	<u>601.781.698</u>	<u>480.971.745</u>

As of September 30, 2021, the interest in Bolsa Nacional de Valores, S.A., is of 1.514.974 common shares with a par value of ¢19,18 each, recorded at cost since these shares are not subject to public offering.

As of September 30, 2021, the interest in Interclear Central de Valores, S.A. is of 24.545.455 common shares with a par value of ¢1.4813 each, recorded at cost since these shares are not subject to public offering.

Interest in the equity of the financial conglomerate:

As of September 30, 2021, the capital stock of BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A., is represented by 1.279.450.000 common and registered shares, with a par value of ¢1 each, for a total of ¢1.279.450.000. The amount of ¢500,000,000 is in the process of being recorded as contribution to the Capital Stock, approved in the Extraordinary General Assembly, Session No. 04-2021 on September 21, 2021.

As of September 30, 2021, the capital stock of BCR Sociedad Administradora de Fondos de Inversión, S.A. is represented by 96.784 common and registered shares, with a par value of ¢50.000 each, for a total of ¢4.839.200.000.

As of September 30, 2021, the capital stock of BCR Valores, S.A. - Puesto de Bolsa, S.A., is represented by 12.626 common and registered shares, subscribed and paid in full, with a par value of ¢1.000.000 each, for a total of ¢12.626.000.000.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of September 30, 2021, the capital stock of BCR Sociedad Corredora de Seguros, S.A., is represented by 45,000 common and registered shares, subscribed and paid in full, and with a par value of ¢50,000 each, for a total of ¢2,250,000,000. At the extraordinary Shareholders' Meeting 04-19 of BCR Corredora de Seguros on December 4, 2019, an increase in the Company's share capital was authorized in the amount of 1,000,000,000, representing an increase of 20,000 shares with which the share capital reaches the amount of ¢2,250,000,000 comprised of 45,000 common and registered, authorized and issued shares with a par value of ¢50,000 each.

As of September 30, 2021, the capital stock of Depósito Agrícola de Cartago S. A., is represented by 972,647 common and registered shares, which are authorized and issued, with a par value of ¢314.44 each, for a total of ¢305,842,762.

As of September 30, 2021, the capital stock of Banprocesa, S.R.L., is represented by 100 common and registered shares, which are authorized and issued with a par value of ¢100,000, for a total of ¢10,000,000.

The Bank owns a 51% ownership interest in BICSA (domiciled in Panama). As of September 30, 2021, ownership interest is represented by 6,772,137 common shares of US\$10 par value each. The remaining 49% of shares is owned by Banco Nacional de Costa Rica.

The Bank's income statement for the period ended September 30, 2021 includes the amounts of ¢785,736,342 (¢864,341,486 and ¢890,000,648 for December and September 2020, respectively), corresponding to the net operating income of BICSA.

The Bank's statement of changes in equity for the period ended September 30, 2021 includes an equity decrease of ¢1,661,788,916 (¢6,092,994,523 and ¢4,715,414,685 for December and September 2020, respectively) corresponding to the changes resulting from the currency translation effect of BICSA's financial statement.

As of September 30, 2021, the accumulated balance of the minority interest of Banco Nacional de Costa Rica presented in the equity section of the consolidated balance sheet amounts to ¢74,521,788,779 (¢72,376,421,244 and ¢71,224,674,269 for December and September 2020, respectively) and the income of the period represents the minority interest in the consolidated income statement in the amount of ¢754,923,044 (¢830,445,741 and ¢890,001,051 for December and September 2020, respectively).

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

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As of September 15, 2021, the BCR grants Operadora de Planes de Pensiones Complementarias S.A. resources for ¢ 500,000,000, for the increase of the regulatory operating capital, through the approval in Minute 23-21.

The composition of BICSA's common shares is as follows:

	September 2021		December 2020		September 2020	
	Quantity	Amount in US Dollars	Quantity	Amount in US Dollars	Quantity	Amount in US Dollars
Balance at the beginning of the period	13.278.700	132.787.000	13.278.700	132.787.000	13.278.700	132.787.000
Balance at the end of the period	13.278.700	132.787.000	13.278.700	132.787.000	13.278.700	132.787.000

The Bank follows the policy of adjusting the value of its investment in BICSA's equity by the equity method. In applying this policy, the Bank considers the entity's operating results, as well as the variation in equity (in colones), as a result of the update of this equity, arising from adjustments by applying the year-end exchange rate, in addition to changes resulting from revaluations. Such variation results from the fact that BICSA's accounting records are kept in U.S. dollars

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(9) Property, furniture, and equipment

As of September 30, 2021, property, furniture, and equipment are detailed as follows:

	Property	Buildings	Furniture and equipment	Computer hardware	Vehicles	Assets for the right-of-use, buildings, and facilities	Total
Cost:							
Balance as of December 31, 2020	€ 35.574.974.547	80.508.103.008	36.223.723.801	48.365.138.743	5.623.133.404	27.032.342.385	233.327.415.888
Conversion effect	9.715.789	154.648.030	21.063.141	37.592.124	1.190.740	27.846.143	252,055,967
Adjusted balance	35.584.690.336	80.662.751.038	36.244.786.942	48.402.730.867	5.624.324.144	27.060.188.528	233.579.471.855
Additions	0	1.040.416.206	3.820.027.880	1.290.929.609	13.047.787	1.374.310.611	7.538.732.093
Withdrawals	0	0	(701.145.308)	(77.148.466)	0	0	(778.293.774)
Transfers	0	0	(307.621.452)	(132.015.139)	0	0	(439.636.591)
Revaluation	0	0	(505.027)	(27.524.624)	0	0	(28.029.651)
Balance as of September 30, 2021	35.584.690.336	81.703.167.244	39.055.543.035	49.456.972.247	5.637.371.931	28.434.499.139	239.872.243.932
<u>Accumulated depreciation and impairment:</u>							
Balance as of December 31, 2020	0	25.447.268.355	23.203.392.080	31.795.854.235	4.107.909.810	3.306.359.417	87.860.783.897
Conversion effect	0	27.368.912	20.046.481	36.100.730	1.187.519	9.640.190	94.343.832
Adjusted balance	0	25.474.637.267	23.223.438.561	31.831.954.965	4.109.097.329	3.315.999.607	87.955.127.729
Depreciation expenses	0	1.509.520.839	1.868.674.607	4.029.124.300	217.734.540	2.761.995.742	10.387.050.028
Adjustment for previous periods	0	0	0	(272.014)	(987.420)	63.853.734	62.594.300
Withdrawals	0	0	(445.432.080)	(103.007.501)	0	0	(548.439.581)
Transfers	0	0	(1.304.023)	(122.192.737)	0	114.462.464	(9.034.296)
Balance as of September 30, 2021	€ 0	26.984.158.106	24.645.377.065	35.635.607.013	4.325.844.449	6.256.311.547	97.847.298.180
Balances, net:							
September 30, 2021	€ 35.584.690.336	54.719.009.138	14.410.165.970	13.821.365.234	1.311.527.482	22.178.187.592	142.024.945.752

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

Transfers are assets that the entity is not actually using or has discontinued using, and whose value is transferred to another account.

Within the asset for the right of use of building and installation, the sublease to subsidiaries in Torre Cordillera.

As of December 31, 2020, property, furniture, and equipment are detailed as follows:

Cost:	Property	Buildings	Furniture and equipment	Computer hardware	Vehicles	Assets for the right-of-use	Total
Balance as of December 31, 2019	€ 34.887.514.810	77.294.922.807	36.661.824.105	44.829.365.447	5.495.590.362	1.706.871.694	200.876.089.225
Currency translation effect	36.960.687	588.308.124	79.791.319	143.530.044	4.858.053	141.348.578	994.796.805
Additions	650.499.050	2.624.872.077	1.922.730.772	5.913.545.899	159.695.490	40.629.687.225	51.901.030.513
Withdrawals	0	0	(1.515.562.796)	(2.079.149.086)	0	(10.750.281.179)	(14.344.993.061)
Transfers	0	0	(925.059.599)	(442.153.561)	(37.010.500)	(4.049.285.643)	(5.453.509.303)
Revaluation	0	0	0	0	0	(645.998.291)	(645.998.291)
Balance as of December 31, 2020	35.574.974.547	80.508.103.008	36.223.723.801	48.365.138.743	5.623.133.405	27.032.342.384	233.327.415.888
<u>Accumulated depreciation and impairment:</u>							
Balance as of December 31, 2019	0	23.422.095.753	23.119.456.851	29.205.986.903	3.833.880.855	444.489.481	80.025.909.843
Currency translation effect	0	93.943.430	75.186.146	133.809.856	4.173.138	36.809.452	343.922.022
Depreciation expenses	0	1.931.229.172	2.285.879.112	4.976.265.969	307.173.487	4.180.111.416	13.680.659.156
Withdrawals	0	0	(1.439.402.644)	(2.070.713.375)	0	(941.830.461)	(4.451.946.480)
Transfers	0	0	(837.715.250)	(449.481.988)	(37.010.501)	(413.220.471)	(1.737.428.210)
Reversion of ccumulated depreciation	0	0	(12.135)	(13.129)	(307.169)	0	(332.433)
Balance as of December 31, 2020	0	25.447.268.355	23.203.392.080	31.795.854.236	4.107.909.810	3.306.359.417	87.860.783.898
Net balance:							
December 31, 2020	€ 35.574.974.547	55.060.834.653	13.020.331.721	16.569.284.507	1.515.223.595	23.725.982.967	145.466.631.990

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of September 30, 2020, property, furniture, and equipment are detailed as follows:

	Property	Buildings	Furniture and equipment	Computer hardware	Vehicles	Assets by right of use buildings and facilities	Total
Cost:							
Balance as of December 31, 2019	¢ 34.887.514.810	77.294.922.807	36.661.824.105	44.829.365.447	5.495.590.362	1.706.871.694	200.876.089.225
Currency translation effect	28.646.292	455.966.834	61.842.075	111.242.623	3.839.064	109.551.883	771.088.771
Additions	650.499.047	1.772.267.165	1.253.205.990	2.576.790.333	159.695.490	40.898.688.013	47.311.146.038
Withdrawals	0	0	(1.031.019.717)	(1.729.195.336)	0	(9.849.903.837)	(12.610.118.890)
Transfers	0	0	(765.684.934)	(316.147.069)	(37.010.500)	(7.238.446.302)	(8.357.288.805)
Revaluation	0	0	0	0	0	(29.666.309)	(29.666.309)
Balance as of September 30, 2020	35.566.660.149	79.523.156.806	36.180.167.519	45.472.055.998	5.622.114.416	25.597.095.142	227.961.250.030
Accumulated depreciation and impairment							
Balance as of December 31, 2019	0	23.422.095.183	23.119.456.851	29.205.986.903	3.833.880.855	444.489.481	80.025.909.273
Currency translation effect	0	69.471.540	57.579.446	100.962.295	3.120.755	28.528.687	259.662.723
Depreciation expenses	0	1.440.221.265	1.703.720.291	3.748.572.956	231.729.925	3.223.019.662	10.347.264.099
Withdrawals	0	0	(995.830.820)	(1.721.575.472)	0	(460.532.145)	(3.177.938.437)
Transfers	0	0	(708.720.510)	(323.488.625)	0	(497.627.723)	(1.529.836.858)
	0	0	0	0	(37.010.501)	0	(37.010.501)
Balance as of September 30, 2020	¢ 0	24.931.787.988	23.176.205.258	31.010.458.057	4.031.721.034	2.737.877.962	85.888.050.299
Net balance:							
September 30, 2020	¢ 35.566.660.149	54.591.368.818	13.003.962.261	14.461.597.941	1.590.393.382	22.859.217.180	142.073.199.731

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(10) Other assets

(a) Other deferred charges

Other deferred charges are detailed as follows:

	September 2021	December 2020	September 2020
Improvement of properties in operating lease	¢ 1.255.816.240	934.883.929	1.046.029.870
Pre-issuance cost of financial instruments	348.980.661	548.927.366	614.180.297
Other deferred charges	<u>6.289.261.554</u>	<u>9.536.953.846</u>	<u>7.884.719.323</u>
	<u>¢ 7.894.058.455</u>	<u>11.020.765.141</u>	<u>9.544.929.490</u>

(b) Intangible assets

Net intangible assets correspond to computer systems. These assets are detailed as follows:

Cost:

Balance as of December 31, 2020	¢ 47.895.898.524
Currency translation effect	156.619.515
Adjusted balance	48,052,518,040
Additions to computer systems	5.776.969.290
Transfers	148,355,229
Withdrawals	<u>(86,491,181)</u>
Balance as of September 30, 2021	<u>53.891.351.378</u>

Accumulated depreciation and impairment:

Balance as of December 31, 2020	31.345.255.637
Currency translation effect	119.135.878
Adjusted balance	31,464,391,515
Amortization expense on computer systems	5.968.899.184
Withdrawals	<u>(86,491,181)</u>
Balance as of September 30, 2021	<u>37.346.799.518</u>
September 30, 2021	¢ <u>16.544.551.860</u>
December	2020

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

Cost:

Balance as of December 31, 2019	¢	49.285.029.618
Currency translation effect		540.412.616
Adjusted balance		49.825.442.234
Additions to computer systems		9.670.302.360
Transfers		(22.850.431)
Withdrawals		(11.576.995.639)
Balance as of December 31, 2020		<u>47.895.898.524</u>

Accumulated depreciation and impairment:

Balance as of December 31, 2019		36.709.871.974
Currency translation effect		402.604.129
Adjusted balance		37.112.476.103
Amortization expense on computer systems		5.501.715.386
Transfers		(22.850.431)
Withdrawals		(11.246.085.421)
Balance as of December 31, 2020		<u>31.345.255.637</u>
December 31, 2020	¢	<u>16.550.642.887</u>

Cost:

Balance as of December 31, 2019	¢	49.285.029.618
Currency translation effect		418.845.546
Additions to computer systems		4.345.738.906
Transfers		(18.379.324)
Withdrawals		(742.211.295)
Balance as of September 30, 2020		<u>53.289.023.451</u>

Accumulated depreciation and impairment:

Balance as of December 31, 2019		36.709.871.974
Currency translation effect		293.212.752
Amortization expense on computer systems		3.922.091.975
Transfers		(8.900.310)
Withdrawals		(1.026.859.086)
Balance as of September 30, 2020		<u>39.889.417.305</u>

Net Balance:

Balance as of September 30, 2020	¢	<u>13.399.606.146</u>
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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(c) Other assets

Other assets are detailed as follows:

	September 2021	December 2020	September 2020
Prepaid taxes	¢ 17.227.383.887	15.288.990.103	10.389.331.034
Other prepaid taxes	446.640.379	385.928.083	376.185.364
Prepaid leases	78.383	72.293	78.383
Prepaid insurance policy	353.708.357	193.709.427	224.053.447
Other prepaid expenses	900.728.624	829.899.298	914.799.336
Prepaid expenses	18.928.539.630	16.698.599.204	11.904.447.564
Stationery, supplies and other materials	176.115.006	129.109.947	147.406.895
Library and works of art	38.595.076	37.875.010	37.258.787
Construction in process	4.433.226.625	6.491.211.602	6.896.766.980
Automated applications under development	4.009.188.185	3.145.984.760	4.398.896.604
Membership in social and professional institutions	36,633,800	36.633.800	36.633.800
Other miscellaneous goods	19.152.691.237	15.184.447.576	22.596.848.623
Miscellaneous goods	27.846.449.929	25.025.262.695	34.113.811.689
Missing cash	38.825.597	78.186.600	66.961.143
Transactions to be settled	19.543.356.768	33.252.087.163	35.067.037.164
Other operations pending allocation	111,856,612	200.028.768	179.426.466
Operations pending allocation	19,694,038,977	33.530.302.531	35.313.424.773
Guarantee deposits	1.153.934.012	1.088.570.357	1.053.664.620
Restricted assests	1.153.934.012	1.088.570.357	1.053.664.620
	¢ 67.622.962.548	76.342.734.787	82.385.348.646

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(11) Demand obligations with the public

Demand obligations with the public are as follows:

	September 2021	December 2020	September 2020
Checking accounts	¢ 2.234.265.345.469	1.746.610.242.356	1.752.755.588.133
Cashier's checks	897.661.754	110.507.020	155.556.431
Demand savings deposits	886.813.262.641	870.299.919.141	761.231.085.682
Overdue term borrowings	2,847,123,935	3.282.393.546	4.812.802.463
Overnight deposits	4.993.600.300	4.768.642.500	5.372.151.400
Other demand borrowings	1.565.317.375	1.156.645.504	2.687.596.040
Other demand obligations with the public	17.554.435.569	4.896.945.069	5.455.355.449
	¢ 3.148.936.747.043	2.631.125.295.136	2.532.470.135.598

(12) Term and demand obligations with the public and entities

Term and demand obligations with the public and entities per number of customers and accumulated amount are detailed as follows:

	September 2021	December 2020	September 2020
<u>Obligations with the public</u>	Demand	Demand	Demand
Deposits from the public	¢ 3.131.382.311.474	2.626.228.350.066	2.527.014.780.149
Other obligations with the public	17.554.435.569	4.896.945.070	5.455.355.449
(See note 11)	3.148.936.747.043	2.631.125.295.136	2.532.470.135.598
 <u>Obligations with entities</u>			
Deposits from state-owned entities	7.607.503.434	5.719.231.057	14.329.026.243
Deposits from other Banks	8.172.274.695	7.422.983.997	9.147.644.252
Other obligations with entities	65.709.743.831	43.881.820.588	40.747.898.541
	81.489.521.960	57.024.035.642	64.224.569.036
	¢ 3.230.426.269.003	2.688.149.330.778	2.596.694.704.634

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

	September 2021	December 2020	September 2020
	Demand	Demand	Demand
<u>Obligations with the public</u>			
Deposits from the public	¢ 1.793.155.694.669	1.765.476.303.772	1.821.826.200.619
Other obligations with the public	10.628.615	12.226.036	9.570.246
	<u>1.793.166.323.284</u>	<u>1.765.488.529.808</u>	<u>1.821.835.770.865</u>
<u>Obligations with entities</u>			
Deposits from state-owned entities	81.775.859.874	56.827.897.834	45.708.112.000
Deposits from other Banks	10.483.043.794	6.302.842.901	6.241.591.532
Other obligations with entities	649.887.442.690	871.431.482.341	814.026.897.887
	742.146.346.358	934.562.223.076	865.976.601.419
	<u>¢ 2.535.312.669.642</u>	<u>2.700.050.752.884</u>	<u>2.687.812.372.284</u>

As of September 30, 2021, demand deposits with the public include court-ordered deposits for ¢236.748.341.340 (¢224.285.191.705 and ¢227.360.329.283 for December and September 2020, respectively), which are restricted because of their nature.

As of September 30, 2021, the Bank has a total of de 1.732.275 (1.979.536 and 1.965.282 for December and September 2020, respectively) employees with demand deposits and with term deposits 35.999 (35.689 and 37.130 for December and September 2020, respectively). The subsidiary BICSA has a total of 986 customers (1.057 and 1.063 for December and September 2020, respectively) with demand deposits and 1.159 (1.105 and 1.094 for December and September 2020, respectively) customers with demand deposits.

(13) Other obligations with the public

Other obligations with the public are as follows:

	September 2021	December 2020	September 2020
Obligations for confirmed letters of credit	¢ 8.640.574.940	2.760.818.741	1.942.158.368
Obligations for security tripartite agreements forward buyer	1.464.435.787	20.090.554.686	11.215.068.507
	<u>¢ 10.105.010.727</u>	<u>22.851.373.427</u>	<u>13.157.226.875</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

Repurchase agreements:

The Bank raises funds through the sale of financial instruments under agreements in which the Bank undertakes to repurchase them at future dates and at a predetermined price and yield.

As of September 30, 2021, the Bank's repurchase agreements are as follows:

	Fair value of the assets	Liability balance	Repurchase date	Repurchase price
Investments ¢	<u>33.946.349.595</u>	<u>1.464.435.787</u>	08/10/2021 to 31/10/2021	100%

As of December 31, 2020, the Bank's repurchase agreements are as follows:

	Fair value of the assets	Liability balance	Repurchase date	Repurchase price
Investments ¢	<u>28.654.555.433</u>	<u>20.090.554.686</u>	11/01/2021 to 10/02/2021	100%

As of September 30, 2020, the Bank's repurchase agreements are as follows:

	Fair value of the assets	Liability balance	Repurchase date	Repurchase price
Investments ¢	<u>30.970.066.134</u>	<u>11.215.068.507</u>	01/10/2020 to 09/11/2020	100%

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(14) Obligations with entities and the Central Bank of Costa Rica

Obligations with entities and with the Central Bank of Costa Rica are detailed as follows:

	September 2021	December 2020	September 2020
Term obligations with the Central Bank of Costa Rica	¢ 139.320.785.417	2.500.208.320	0
Charges payable for obligations with the Central Bank of Costa Rica	<u>370.891.200</u>	<u>0</u>	<u>0</u>
	139.691.676.617	2.500.208.320	0
Checking accounts of local financial entities	35.457.631.605	29.483.679.347	30.222.878.789
Checking accounts of foreign financial entities	3.677.888.634	4.169.254.694	5.332.097.173
Overdrafts on demand checking accounts of foreign financial entities	13.060.438.909	5.617.981.088	8.142.109.498
Obligations for check deposits	1.193.944.724	1.185.956.937	1.467.209.640
Overnight deposits	28.099.618.088	16.567.163.575	19.060.273.936
Term deposits from local financial entities	119.750.783.818	92.713.916.110	74.256.806.732
Term deposits from financial entities abroad	28.885.434.967	52.264.004.508	42.862.298.728
Loan from foreign financial entities (See note 14-a)	271.619.142.306	483.223.693.928	451.885.572.350
Obligations for financial leases (See note 14-a)	25.243.245.087	25.414.990.755	25.163.237.021
Obligations for resources taken from the liquidity market	31.511.521.768	6.666.813.998	17.793.000.000
Obligations with resources from the Development Credit Fund (DCF)	170.033.443.939	168.090.921.427	171.091.024.108
Charges payable for obligations with financial and non-financial entities	<u>4.524.012.024</u>	<u>4.599.061.202</u>	<u>4.616.609.608</u>
	733.057.105.869	889.997.437.569	851.893.117.583
Loans from local financial entities (See note 14-a)	89.174.492.517	93.572.803.199	82.924.662.479
Obligations for deferred liquidity operations (See note 14-a)	<u>5.928.281.954</u>	<u>12.615.079.151</u>	<u>0</u>
	<u>828.159.880.340</u>	<u>996.185.319.919</u>	<u>934.817.780.062</u>
	¢ <u>967.851.556.957</u>	<u>998.685.528.239</u>	<u>934.817.780.062</u>

The maturities of the term obligations with entities are from July 1, 2021 to February 03, 2025.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

Annual interest rates for the new obligations with entities are as follows:

	September 2021	December 2020	September 2020
Colones	0,3571 % to 1.50%	0,26 % to 3,750%	0,26 % to 3,750%
US dollars	0,009% to 0.42%	0,009% to 3,2753%	0,009% to 3,2753%

As of September 30, 2021, December and September 2020 there are no term obligations with foreign financial entities for the international issuance.

a) Maturities of loans payable

As of September 30, 2021, the maturities of loans payable are detailed as follows:

	Central Bank of Costa Rica	Local financial entities	Foreign financial entities	International organizations	Total
Less than one year	18.850.785.417	109.409.167.608	132.402.949.143	6.297.100.000	266.960.002.168
From one to two years	0	8.198.824.200	51.716.228.360	27.781.323.543	87.696.376.103
From three to five years	120.470.000.000	3.078.022.480	25.544.893.418	0	149.092.915.898
More than five years	0	0	27.876.647.842	0	27.876.647.842
Total	139.320.785.417	120.686.014.288	237.540.718.763	34.078.423.543	531.625.942.011

As of December 31, 2020, the maturities of loans payable are detailed as follows:

	Central Bank of Costa Rica	Local financial entities	Foreign financial entities	International organizations	Total
From one to five years	2.500.208.320	92.231.937.948	219.900.562.655	64.816.500.000	379.449.208.923
From one to two years	0	17.284.400.000	104.929.510.398	43.574.117.657	165.788.028.055
From three to five years	0	3.338.358.400	26.964.076.852	0	30.302.435.252
More than five years	0	0	23.038.926.366	0	23.038.926.366
Total	2.500.208.320	112.854.696.348	374.833.076.271	108.390.617.657	598.578.598.596

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of September 30, 2020, the maturities of loans payable are detailed as follows:

	Central Bank of Costa Rica	Local financial entities	Foreign financial entities	International organizations	Total
Less than one year	¢ 0	53.177.004.319	212.996.398.442	42.467.600.000	308.641.002.761
From one to two years	0	44.259.732.720	95.810.588.908	48.177.529.420	188.247.851.048
From three to five years	0	3.280.925.440	22.800.070.286	0	26.080.995.726
More than five years	0	0	29.633.385.294	0	29.633.385.294
Total	¢ 0	100.717.662.479	361.240.442.930	90.645.129.420	552.603.234.829

b) Lease obligations

As of September 30, 2021, there are obligations for the right of use – leased assets received.

	Fee	Interest	Maintenance	Amortization
Less than one year	¢ 3.880.561.095	1.439.806.138	0	2.440.754.957
From one to five years	28.193.996.335	5.672.028.731	0	22.521.967.604
	¢ 32.074.557.430	7.111.834.869	0	24.962.722.561

As of December 31, 2020, there are obligations for the right of use – leased assets received.

	Fee	Interest	Maintenance	Amortization
Less than one year	¢ 3.813.235.428	1.519.542.903	0	2.293.692.525
From one to five years	30.174.308.953	7.053.010.724	0	23.121.298.230
	¢ 33.987.544.381	8.572.553.626	0	25.414.990.755

As of September 30, 2020, there are obligations for the right of use – leased assets received.

	Fee	Interest	Maintenance	Amortization
Less than one year	¢ 7.614.126.376	1.529.908.377	0	6.084.217.999
From one to five years	26.193.290.126	7.114.271.104	0	19.079.019.022
	¢ 33.807.416.502	8.644.179.481	0	25.163.237.021

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of September 30, 2021, the allowance for future lease payments is as follows:

	<u>Colones</u>	<u>US\$ converted to colones</u>
1 year	272.589.416	2.658.026.308
2 years	384.162.126	3.328.243.788
3 years	386.474.767	3.048.553.047
4 years	456.604.765	3.335.142.944
5 years	374.863.656	2.840.167.706
More than 5 years	1.198.582.804	10.283.572.333
	<u>3.073.277.534</u>	<u>25.493.706.126</u>

As of December 31, 2020, the allowance for future lease payments is as follows:

	<u>Colones</u>	<u>US\$ converted to colones</u>
1 year	400.966.444	2.455.506.625
2 years	522.819.868	2.437.642.272
3 years	377.241.226	2.568.825.411
4 years	504.310.942	2.492.834.695
5 years	348.470.430	2.813.773.669
More than 5 years	1.465.547.531	12.409.113.727
	<u>3.619.356.441</u>	<u>25.177.696.399</u>

As of September 30, 2021, future payments of the lease liability are presented as follows:

	Year	Payments	Present value	Amortization	Interest	Balance of the agreement
1	30/9/2021	3.893.913.667	2.316.746.016	739.578.364	1.577.167.652	22.890.772.334
2	30/9/2022	3.893.913.667	2.603.877.622	1.313.841.577	1.290.036.045	20.286.894.712
3	30/9/2023	3.893.913.667	2.526.273.646	1.631.710.047	1.131.101.810	17.524.082.854
4	30/9/2024	3.893.913.667	3.168.010.449	1.969.030.809	962.441.429	14.592.610.616
5	30/9/2025	3.893.913.667	3.110.455.764	2.326.997.861	783.457.903	11.482.154.852
6	30/9/2026	3.893.913.667	3.300.396.175	2.706.878.682	593.517.493	8.181.758.677
7	30/9/2027	3.893.913.667	3.202.140.577	3.110.018.852	391.947.408	4.679.792.418
8	30/9/2028	3.893.913.667	4.015.705.947	3.537.846.861	178.033.403	963.912.153
9	30/9/2029	973.478.417	963.912.438	954.345.890	9.566.263	0
10	30/9/2030	0	0	0	0	0
	¢	<u>32.124.787.756</u>	<u>25.207.518.634</u>	<u>18.290.248.942</u>	<u>6.917.269.407</u>	

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of December 31, 2020, future payments of the lease liability are presented as follows:

	Year	Payments	Present value	Amortization	Interest	Balance of the agreement
1	31/12/2021	4.418.285.512	4.221.461.659	938.575.432	1.816.184.200	25.926.076.050
2	31/12/2022	4.183.740.429	4.065.342.025	1.352.004.839	1.452.936.069	23.195.271.690
3	31/12/2023	4.287.322.699	3.930.393.659	1.755.799.622	1.302.080.540	20.210.029.531
4	31/12/2024	4.287.322.699	3.699.506.780	2.098.116.710	1.118.262.739	17.040.971.422
5	31/12/2025	4.252.330.799	3.453.004.607	2.340.404.036	1.009.186.020	13.711.824.792
6	31/12/2026	3.951.328.915	3.182.919.391	2.500.680.422	726.415.524	10.486.905.401
7	31/12/2027	3.825.298.530	3.290.493.013	2.755.687.496	534.805.517	7.196.412.388
8	31/12/2028	3.825.298.530	3.491.529.804	3.157.761.079	333.768.726	3.704.882.583
9	31/12/2029	3.825.298.530	3.704.882.583	3.584.466.637	120.415.947	0
10	31/12/2030	0	0	0	0	0
		<u>36.856.226.643</u>	<u>33.039.533.522</u>	<u>20.483.496.272</u>	<u>8.414.055.282</u>	

(15) Income tax

Pursuant to the Costa Rican Income Tax Law, the Bank and its subsidiaries are required to file income tax returns for the twelve months period ending December 31 of each year.

As of September 30, 2021, the consolidated balance of income tax payable amounts to ¢21.981.618.787 (¢13.411.228.956 and ¢15.263.237.035 for December and September 2020, respectively) (see note 17) and the income tax advance payments amounted to ¢17.227.383.887 (¢15.288.990.103 and ¢10.389.331.034 for December and September 2020, respectively) (see note 10.b), recorded as other assets.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

Income tax expenses are detailed below:

	September 2021	December 2020	September 2020
Current income tax	¢ 21.810.208.967	18.927.088.406	17.517.621.415
Decrease in income tax	0	(913.333.140)	(2.459.693.707)
Increase in income tax	171.409.820	0	205.309.327
Adjustment to income tax from the previous period	0	(2.527.860.894)	0
Advances of settled income taxes	0	(2.074.665.416)	0
	<u>21.981.618.787</u>	<u>13.411.228.956</u>	<u>15,263,237,035</u>
<u>Expenses for income taxes:</u>			
Expense for current income tax of the period	21.810.208.967	16.399.227.512	0
Expense for income tax from previous period	0	2.527.174.078	0
Expense for deferred income tax	635.738.716	0	223.917.634
	<u>22.445.947.683</u>	<u>18.926.401.590</u>	<u>223,917,634</u>
Decrease in income tax	0	(913.333.140)	(2.459.693.707)
	<u>22.445.947.683</u>	<u>18.013.068.450</u>	<u>(2,235,776,073)</u>
<u>Income for income tax:</u>			
Deferred income tax	0	652.540.952	0
Income for deferred income tax	(1.497.931.964)	(189.236.236)	(201.732.067)
Decrease in the deferred income tax	(155.284.663)	0	0
Income tax	¢ <u>20.792.731.056</u>	<u>18.476.373.166</u>	<u>(2.437.508.140)</u>
Realization of deferred income tax	¢ <u>862.193.248</u>	<u>(463.304.716)</u>	<u>(22.185.567)</u>

BICSA is subject to tax legislation in the following jurisdictions.

Panamá

According to tax legislation in effect in Panama, BICSA is exempt from payment of income tax on foreign source income. BICSA is further exempt from payment of income tax on interest income earned on term deposits placed in local banks, on securities issued by the Panamanian and foreign governments and on investments in securities traded in the Panamanian Stock Exchange.

Miami

Income tax is not levied on any income that is unrelated to transactions or business dealings in the United States of America. Finance expense is calculated based on the cost of liabilities denominated in U.S. dollars.

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

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

Deferred tax assets and liabilities are attributed to the following:

As of September 30, 2021:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Valuation of investments	¢ 414.092.272	(25.469.204.736)	(25.055.112.464)
Revaluation of assets	0	(5.007.781.462)	(5.007.781.462)
Provisions	93.714.223	0	93.714.223
Financial leases	7.603.464.044	(6.996.454.204)	607.009.840
Losses and unused tax credits	734.685.676	0	734.685.676
Allowance for doubtful accounts	295.424.952	0	295.424.952
	<u>¢ 9.141.381.167</u>	<u>(37.473.440.402)</u>	<u>(28.332.059.235)</u>

As of December 31, 2020:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Valuation of investments	¢ 902.379.611	(3.137.280.827)	(2.234.901.216)
Revaluation of assets	0	(5.124.654.741)	(5.124.654.741)
Provisions	6.519.491	0	6.519.491
Losses and unused tax credits	764.086.532	0	764.086.532
Allowance for doubtful accounts	57.751.610	0	57.751.610
	<u>¢ 1.730.737.244</u>	<u>(8.261.935.568)</u>	<u>(6.531.198.324)</u>

As of September 30, 2020:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Valuation of investments	¢ 1.817.971.311	(3.217.201.916)	(1.399.230.605)
Revaluation of assets	0	(5.162.760.521)	(5.162.760.521)
Provisions	15.460	0	15.460
Losses and unused tax credits	1.266.444.499	0	1.266.444.499
Allowance for doubtful accounts	69.729.971	0	69.729.971
	<u>¢ 3.154.161.241</u>	<u>(8.379.962.437)</u>	<u>(5.225.801.196)</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

The movement of temporary differences is as follows:

As of September 30, 2021:

	December 31, 2020	Effects on income statement	Effects on equity	September 30, 2021
On liabilities account				
Valuation of investments	¢ (3.137.280.827)	(229.670.961)	(22.102.252.948)	(25.469.204.736)
Revaluation of assets	(5.124.654.741)	116.873.279	0	(5.007.781.462)
Financial leases	0	(6.996.454.204)	0	(6.996.454.204)
On assets account				
Valuation of investments	902.379.610	184.431.146	(672.718.484)	414.092.272
Financial leases	0	7.603.464.044	0	7.603.464.044
Losses and unused tax credits	764,086,532	(42.817.692)	13.416.836	734.685.676
Provisions	6.519.491	87.194.732	0	93.714.223
Allowance for doubtful accounts	57.751.610	139.172.904	98.500.438	295.424.952
	¢ <u>(6.531.198.325)</u>	<u>862.193.248</u>	<u>(22.663.054.158)</u>	<u>(28.332.059.235)</u>

As of December 31, 2020:

	December 31, 2019	Effects on income statement	Effects on equity	December 31, 2020
On liabilities account				
Valuation of investments	¢ (4.678.909.244)	0	1.541.628.417	(3.137.280.827)
Revaluation of assets	(5.277.080.116)	152.425.375	0	(5.124.654.741)
On assets account				
Valuation of investments	1.035.665.812	0	(133.286.201)	902.379.611
Losses and unused tax credits	1.207.769.870	(609.256.481)	165.573.143	764.086.532
Provisions	7.246.554	(999.357)	272.294	6.519.491
Allowance for doubtful accounts	63.225.862	(5.474.252)	0	57.751.610
	¢ <u>(7.642.081.262)</u>	<u>(463.304.715)</u>	<u>1.574.187.653</u>	<u>(6.531.198.324)</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of September 30, 2020:

	December 31, 2019	Effects on income statement	Effects on equity	September 30, 2020
On liabilities account				
Valuation of investments	¢ (4.678.909.244)	0	1.461.707.328	(3.217.201.916)
Revaluation of assets	(5.277.080.116)	114.319.595	0	(5.162.760.521)
On assets account				
Valuation of investments	1.035.665.794	0	782.305.517	1.817.971.311
Losses and unused tax credits	1.405.629.435	(135.778.158)	(3.406.778)	1.266.444.499
Provisions	7.246.573	(7.231.113)	0	15.460
Allowance for doubtful accounts	63.225.862	6.504.109	0	69.729.971
	<u>¢ (7.444.221.696)</u>	<u>(22.185.567)</u>	<u>2.240.606.067</u>	<u>(5.225.801.196)</u>

As of September 30, 2021, the consolidated group presents a balance for income tax receivable of ¢498.866.228 (¢91.649.266 and ¢92.963.084 for December and September 2020, respectively), in addition to supported value added tax for ¢578.240.302 (¢1.223.915.502 and ¢487.194.919, for December and September 2020, respectively) and deductible value added tax for ¢35.361.880 (¢43.630.817 and ¢38.125.317 for December and September 2020, respectively).

The balance of income tax receivable originated by an excess of advanced payments for the returns on investments of the Development Credit Fund which are exempt from the obligation and from income and value added tax advances.

In conducting the analysis of the deferred tax BICSA's management considers whether it is probable that some or all portion of the deferred tax asset is not realizable. Performing or not the deferred tax assets depend on the generation of future taxable income during the periods in which those temporary differences become deductible. BICSA's management considers the detail of reversals of deferred tax assets and liabilities. Project future taxable income and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable income for the periods in which the deferred tax assets will be deductible. BICSA's management considers it may be able to realize the benefits of this deductible temporary difference.

IFRIC-23 "Uncertainty against Income Tax Treatments" introduces the concept of uncertain tax treatment, after the tax administration initiates a process of transferring charges; from there the entity is already facing an uncertain tax treatment where the tax authority has already indicated that it does not accept the treatment provided, and therefore it is in dispute, in which case what proceeds is to reflect the uncertainty according to the method that better predicts its resolution and by registering the corresponding provision. Therefore, the provision data is detailed as follows:

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

	September 2021	December 2020	September 2020
Banco de Costa Rica	¢ 33.701.659.826	33.377.662.907	35.112.644.704
BCR Valores. S. A.- Puesto de Bolsa	900.141.980	900.141.980	1.106.966.622
BCR Sociedad Administradora de Fondos de inversión. S.A.	270.420.281	270.420.281	270.420.281
BCR Pensión Operadora de Planes de Pensiones Complementarias. S.A.	249.398.960	249.398.960	249.398.960
BCR Corredora de Seguros. S.A.	241.600.214	241.600.214	241.600.214
	<u>¢ 35.363.221.260</u>	<u>¢ 35.039.224.341</u>	<u>¢ 36.981.030.781</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(16) Provisions

The movement in provisions is detailed as follows:

	<u>Legal benefits</u>	<u>Lawsuits</u>	<u>Other</u>	<u>Total</u>
Balance as of December 31, 2020	¢ 9.569.600.725	15.745.248.767	35.039.224.342	60.354.073.834
Currency conversion effect	25.974.415	0	0	25.974.415
Adjusted balance	9.595.575.140	15.745.248.767	35.039.224.342	60.380.048.249
Provision made	463.443.022	874.341.549	323.996.918	1.661.781.489
Provision used	(377.394.659)	(697.113.116)	0	(1.074.507.775)
Adjustment for exchange rate differences	0	(8.489.173)	0	(8.489.173)
Provisions reversed	0	(143.845.367)	0	(143.845.367)
Balance as of September 30, 2021	¢ <u>9.681.623.503</u>	<u>15.770.142.660</u>	<u>35.363.221.260</u>	<u>60.814.987.423</u>

As of December 31, 2020:

	<u>Legal benefits</u>	<u>Lawsuits</u>	<u>Other</u>	<u>Total</u>
Balance as of December 31, 2019	¢ 9.630.769.477	16.399.929.029	37.269.529.821	63.300.228.327
Currency conversion effect	83.843.520	0	0	83.843.520
Adjusted balance	9.714.612.997	16.399.929.029	37.269.529.821	63.384.071.847
Provision made	375.162.854	4.207.994.950	40.527.781	4.623.685.585
Provision used	(489.873.938)	(2.494.060.685)	(206.824.642)	(3.190.759.265)
Adjustment for exchange rate differences	0	65.888.349	0	65.888.349
Provisions reversed	(30.301.187)	(2.434.502.876)	(2.064.008.619)	(4.528.812.682)
Balance as of December 31, 2020	¢ <u>9.569.600.726</u>	<u>15.745.248.767</u>	<u>35.039.224.341</u>	<u>60.354.073.834</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of September 30, 2020:

	<u>Legal benefits</u>	<u>Lawsuits</u>	<u>Other</u>	<u>Total</u>
Balance as of December 31, 2019	9.630.769.477	16.399.929.029	37.269.529.821	63.300.228.327
Currency translation effect	57.146.842	0	0	57.146.842
Provision made	306.013.612	3.366.295.414	40.527.784	3.712.836.810
Provision used	(397.341.649)	(2.442.020.659)	0	(2.839.362.308)
Adjustment for exchange rate differentials	0	49.324.091	0	49.324.091
Provisions reversed	<u>(30.301.187)</u>	<u>(2.433.121.488)</u>	<u>(329.026.824)</u>	<u>(2.792.449.499)</u>
Balance as of September 30, 2020	¢ <u>9.566.287.095</u>	<u>14.940.406.387</u>	<u>36.981.030.781</u>	<u>61.487.724.263</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of September 30, 2021, the Bank is a defendant in litigation, for which the following provisions have been recorded:

- Ordinary suits against the Bank have been estimated for ¢22.502.398.279 and US\$69.291.542 for which the Bank has provisions recorded in the amounts of ¢1.810.526.748 and US\$1.395.500, respectively.
- The criminal lawsuits against the Bank have been estimated in ¢1.777.679.429 and US\$5.857, for which the Bank has recorded a provision in the amount of ¢98.929.000.
- For their nature, labor suits are difficult to estimate, however they are estimated in ¢5.107.220.016 and \$825.001, for which the Bank has provisions recorded in the amount of ¢2.104.610.180, in the cases in which there is no firm condemnatory.
- There are administrative proceedings in different stages, estimated for ¢11.852.517 and US\$36.200, for which ¢10.816.004.251.
- In compliance with Law 9605 “Merger by absorption of Banco Crédito Agrícola de Cartago and Banco de Costa Rica” the amount of ¢801.701.887 was transferred for pending proceedings.
- A provision in the amount of ¢323,996,918 corresponding to the Deposit Guarantee Fund is created and recorded in "Others".

As of September 30, 2021, there are no provisions for litigation at BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A.

As of September 30, 2021, there are no provisions for litigation at BCR Sociedad Administradora de Fondos de Inversion S.A.

Execution process presented by a client, against BCR Valores S.A. file number 08-001181-1027-CA, sentence number 402-2019 at 14:00 hours of October 21, 2019 was issued, where the Administrative Contentious Court and Civil of Finance of the Second Judicial Circuit of San José, ordered: to declare without place in all its extremes the execution of the judgment formulated by the client, against the BCR Valores, S.A. An appeal was filed, of which resolution is expected. A provision of US\$202,736 was made for this litigation.

On January 25, 2021, the First Chamber of the Supreme Court of Justice by vote number 169-f-S1-2021 states: "The appeal is declared inadmissible ... its costs charged to who interposed the appeal." Consequently, the decision of the executing judge in judgment number 402-2019, exonerating BCR Valores S.A., is final.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

BCR Valores Puesto de Bolsa, S.A., has an established legal process of labor nature, file number 17-002581-1178-LA, for which a provision was made in the amount of ¢8,441,966.

As of September 30, 2021, BICSA there are no provision for litigation.

As of December 31, 2020, following provisions have been recorded:

- Ordinary suits against the Bank have been estimated for ¢28.756.508.316 and US\$69.193.922 for which the Bank has provisions recorded in the amounts of de ¢1.754.726.808 and US\$1.395.500, respectively.
- The criminal lawsuits against the Bank have been estimated in ¢2.416.905.449 and US\$10.077, for which the Bank has recorded a provision in the amount of ¢716.430.
- For their nature, labor suits are difficult to estimate, however they are estimated in ¢5.179.322.543 and \$825.001, for which the Bank has provisions recorded in the amount of ¢1.868.413.533, in the cases in which there is no firm condemnatory.
- There are administrative proceedings in different stages, estimated for ¢10.394.615.080 and US\$36.257, for which ¢10.389.621.563 and US\$34.057, respectively, have been provisioned.
- Reversal is made due to the 2015 prescription to IFRIC 23 (see note 38), recorded in other provisions.
- In compliance with Law 9605 “Merger by absorption of Banco Crédito Agrícola de Cartago and Banco de Costa Rica” the amount of ¢801.701.887 was transferred for pending proceedings.

As of December 31, 2020, there are no provisions for litigation at BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A.

As of December 31, 2020, there are no provisions for litigation at BCR Sociedad Administradora de Fondos de Inversion S.A.

As of December 31, 2020, BCR Valores Puesto de Bolsa, S.A. is a defendant in a lawsuit filed by a customer, under file number 08-001181-1027-CA. which was admitted during a vote of the First Chamber of the Supreme Court of Justice, and BCR Valores Puesto de Bolsa, S.A. was ordered to pay damages, which existence and estimate must be proven in the enforcement of the judgment.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

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The amount claimed by the customer is of US\$202.737. The Brokerage House has provisioned ¢125.149.550.

As of December 31, 2020, BCR Valores Puesto de Bolsa, S.A., has an established legal process of labor nature, file number 17-002581-1178-LA, for which a provision was made in the amount of ¢8,441,966.

As of December 31, 2020, BICSA there are no provision for litigation.

As of September 30, 2020, the Bank is a defendant in litigation, for which the following provisions have been recorded:

- Ordinary suits against the Bank have been estimated for ¢23.295.854.796 and US\$68.860.178, for which the Bank has provisions recorded in the amounts of ¢1.750.317.022 and US\$1.361.000, respectively
- The criminal lawsuits against the Bank have been estimated in ¢386.131.552 and US\$10.077, for which the Bank has recorded a provision in the amount of ¢89.000.000.
- For their nature, labor suits are difficult to estimate, however they are estimated in ¢5.137.726.379 and US\$825.001, for which the Bank has provisions recorded in the amount of ¢1.897.574.026.84, in the cases in which there is no firm condemnatory.
- There are administrative proceedings in different stages, estimated for ¢5.379.516.83 and US\$36.257, for which ¢386.00 and US\$34.057, respectively, have been provisioned.
- In compliance with Law 9605 “Merger by absorption of Banco Crédito Agrícola de Cartago and Banco de Costa Rica” the amount of ¢801.701.887 was transferred for pending proceedings.

As of September 30, 2020, there are no provisions for litigation at BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A.

As of September 30, 2020, there are no provisions for litigation at BCR Sociedad Administradora de Fondos de Inversion S.A.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

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As of September 30, 2020, BCR Valores Puesto de Bolsa, S.A. is a defendant in a lawsuit filed by a customer, under file number 08-001181-1027-CA. which was admitted during a vote of the First Chamber of the Supreme Court of Justice, and BCR Valores Puesto de Bolsa, S.A. was ordered to pay damages, which existence and estimate must be proven in the enforcement of the judgment. The amount claimed by the customer is of US\$202.737. The Brokerage House has provisioned ¢122.996.276.85.

As of September 30, 2020, BCR Valores Puesto de Bolsa, S.A., has an established legal process of labor nature, file number 17-002581-1178-LA, for which a provision was made in the amount of ¢8,441,966.

As of September 30, 2020, BICSA there are no provision for litigation.

(17) Other miscellaneous accounts payable

Other miscellaneous accounts payable are detailed as follows:

	September	December	September
	2021	2020	2020
Fees payable	¢ 304.562.643	41.113.008	73.864.325
Due for goods and services	656.700.630	834.557.500	828.501.015
Current income tax	21.981.618.787	13.411.228.956	15.263.237.035
Tax on DU propts	346.423.816	353.549.557	329.478.571
Value added tax	299.945.837	549.277.629	301.043.643
Other payable taxes	21.128.122	0	0
Employer contributions	9.563.236.351	6.022.929.931	4.113.802.395
Court-ordered withholdings	925.354.242	874.650.168	1.057.168.840
Tax withholdings payable	3.034.251.720	3.828.562.482	4.791.654.696
Withheld employer contributions payable	1.342.699.106	1.292.495.700	1.319.523.332
Other third-party withholdings payable	12.472.289.731	10.919.407.574	18.733.919.124
Compensations and salaries payable	5.876.550.914	7.779.788.215	5.904.852.931
Interests (distributions) payable on results of the period (see note 33)	17.748.381.350	10.819.260.713	11.472.382.462
Obligations payable on loans with related parties	11.780.579	15.779.227	16.406.586
Accrued vacations	7.341.479.938	6.336.565.846	6.456.938.342
Accrued statutory Christmas bonus	5.291.218.957	621.670.397	4.785.346.886
Commissions payable from insurance placement	57.777.605	51.938.166	64.680.308
Commissions payable with related parties	2.001.746	2.117.502.409	1.404.368.291
Contribution to the Superintendencia's budget	40.817.595	0	42.285.405
Miscellaneous creditors	26.375.162.669	26.486.712.679	25.883.464.638
	¢ 113.693.382.338	92.356.990.157	102.842.918.825

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(18) Equity

a) Capital Stock

The Bank's capital stock is as follows:

	September 2021	December 2020	September 2020
Capital under Law No. 1644	30.000.000	30.000.000	30.000.000
Bank capitalization bonds	1.288.059.486	1.288.059.486	1.288.059.486
Capital increase per Law No. 7107	118.737.742.219	118.737.742.219	118.737.742.219
Capital increase per Law No. 8703	27.619.000.002	27.619.000.002	27.619.000.002
Capital increase per Law No. 9605	18.907.432.694	18.907.432.694	18.907.432.694
Increase for revaluation of assets	14.130.125.230	14.130.125.230	14.130.125.230
Other	697.630.970	697.630.970	697.630.970
	¢ <u>181.409.990.601</u>	¢ <u>181.409.990.601</u>	¢ <u>181.409.990.601</u>

On December 23, 2008, the Executive Branch of the Costa Rican Government authorized a capital contribution funded under Law No. 8703 "Amendment to the Law on Ordinary and Extraordinary Budget of the Republic for Tax Year 2008 (Law No. 8627)." Such law grants funds to capitalize three State owned banks, including Banco de Costa Rica, in order to stimulate productive sectors and 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.

b) Surplus from revaluation of property, furniture and equipment

This includes the increase in fair value of real property (land and buildings) owned by the Bank.

As of September 30, 2021, the revaluation surplus amounts to ¢37.774.830.067 (¢37.774.830.067 and ¢37.774.830.067 for December and September 2020, respectively).

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

c) Adjustments for revaluation of investments at fair value with changes in other comprehensive income.

They include variations at the fair value with changes through comprehensive income.

As of September 30, 2021, the balance of the adjustment for valuation of investments at fair value with changes through other comprehensive income corresponds to unrealized net losses in the amount of ¢34.882.477.019 (¢2.718.583.704 and ¢1.914.446.503 for December and September 2020, respectively).

d) Adjustments for valuations of interest in other companies

This mainly corresponds to foreign exchange differences arising from translation of BICSA's consolidated financial statements and the unrealized gain or loss on valuation of investments in subsidiaries.

As of September 30, 2020, changes in equity include foreign exchange differences corresponding to investments in other companies in the amount of ¢22.563.915.505 (¢20.902.126.589 and ¢19.524.546.751 for December and September 2020, respectively).

e) Equity of the Development Financing Fund (FOFIDE)

As of September 30, 2021, the amount for the constitution of the equity of the Development Financing Fund is of ¢36.212.011.410 (¢33.309.728.460 and ¢33.309.728.460 as of December and September 2020, respectively). In compliance with Law 9605 "Merger by absorption of Banco Crédito Agrícola de Cartago and Banco de Costa Rica", the amount of ¢2,627,265,346 of the assets managed by the entity was transferred.

f) Special reserves of retained earnings from BICSA

As of September 30, 2021, from Banco de Costa Rica's retained earnings resulting from the investment in other companies, it should be considered for any purpose, that there are amounts related to special reserves applied to equity accounts of BICSA for US\$36.392.991 (51% for US\$71.358.805) (US\$33.061.387 equivalent to 51% for US\$64.826.249 for December 2020 and US\$33.061.387 equivalent to 51% in US\$64.826.249 for September 2020) due to changes made to policies concerning the subsidiary.

Laws and regulations applicable in the Republic of Panama establish that, for purposes of compliance with standards issued by the Superintendence of Banks of Panama, from the year 2014 on, an estimated of credits reserves should be prepared based on regulatory guidelines.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

The General Board of Directors resolution SBP-GJD-003-2013 dated July 9, 2013 establishes the accounting for the differences that may arise between the regulations issued by the Superintendence of Banks and the IFRS, so that: 1) the accounting records and the financial statements are prepared in accordance with IFRS as required by agreement No.006-2012 dated December 18, 2012; 2) according to standards applicable to banks and presenting additional specific accounting aspects than those required by IFRS, in the event that an estimate of provision or reserve is greater than the correspondent calculation under IFRS, the excess of provision or reserve will be recognized in the equity. This general resolution came into effect for the accounting periods ending on or after December 31, 2014. Subject to prior authorization of the Superintendence of Banks, banks can reverse the established provision, partially or totally, based on justification duly evidenced and presented to the Superintendence of Banks.

Agreement No.004-2013 indicates that specific provisions originate from concrete and objective evidence of impairment. These provisions should be constituted for credit facilities classified in the risk category known as special, subnormal, doubtful or irrecoverable, both for individual credit facilities or a group of them. At least from December 31, 2014, banks must calculate and always maintain the amount of specific provision determined by the methodology specified in this agreement, which considers the balance due from each credit facility in any of the categories subject to provision, the present value of each available collateral as mitigation of risk, as established by type of guarantee in this agreement, and a table of weightings applied to the net amount exposed to loss of such credit facilities.

In case of an excess of a specific provision calculated in accordance with this agreement over the estimate calculated in accordance with IFRS, this excess will be recorded as a regulatory reserve in the equity, that increases or decreases towards undistributed earnings. The balance of the regulatory reserves will not be considered as capital funds for purposes of calculating certain ratios or prudential ratios mentioned in the agreement. The Bank determines its country risk reserve in compliance with provisions established in general resolutions No.7-2000 and No.10 2001 issued by the Superintendence of Banks of Panama.

Agreement No.004-2013 indicates that the dynamic provision is a reserve constituted to meet possible future needs of specific provisions ruled by prudential banking regulations criteria. It is constituted with quarterly periodicity on credit facilities that do not have a specific provision assigned. i.e., credit facilities classified in normal category. This agreement regulates the methodology to calculate the amount of the dynamic provision, considering a minimum or maximum restriction applicable to the provision's amount determined on credit facilities classified in normal category. The dynamic provision is an equity account that increases or decreases with assignments to or from undistributed earnings. The credit balance of the dynamic provision is part of the regulatory capital but does not replace or compensates the net worth equity requirements set forth by the Superintendence.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

Regulatory capital

As of September 30, 2021, the net worth equity for the BCR Financial Conglomerate is detailed as follows:

Companies of the Financial Conglomerate	Capital base	Minimum individual capital requirement	Individual surplus or deficit	Non-transferable items	Transferable surplus and individual deficit
Parent Company					
Banco de Costa Rica	¢ 490.869.106.898	426.066.095.784	64.803.011.114	0	64.803.011.114
	490.869.106.898	426.066.095.784	64.803.011.114	0	64.803.011.114
Regulated entities					
Banco Internacional de Costa Rica, S. A and subsidiary	152.087.559.200	106.112.432.100	45.975.127.100	22.527.812.279	23.447.314.821
BCR Valores, S. A.- Puesto de Bolsa	21.486.260.830	5.410.219.374	16.076.041.456	0	16.076.041.456
BCR Sociedad Administradora de Fondos de inversión, S.A.	6.376.479.320	3.339.140.340	3.037.338.980	0	3.037.338.980
BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A.	3.512.408.141	3.485.284.914	27.123.226	0	27.123.226
	¢ 183.462.707.491	118.347.076.728	65.115.630.762	22.527.812.279	42.587.818.483
Non-regulated entities					
BCR Corredora de Seguros, S.A.	4.115.446.550	1.877.800.960	2.237.645.590	0	2.237.645.590
Banprocesa R.L.	951.603	359.749	591.854	0	591.854
Depósito Agrícola de Cartago S.A. and subsidiary	680.346.900	245.608.600	434.738.300	0	434.738.300
	¢ 4.796.745.053	2.123.769.309	2.672.975.744	0	2.672.975.744
Global surplus or deficit of the Financial Conglomerate					¢ 110.063.805.341

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of December 31, 2020, the net worth equity for the BCR Financial Conglomerate is detailed as follows:

	Capital base	Minimum individual capital requirement	Individual surplus or déficit	Non-transferable items	Transferable surplus and individual deficit
Companies of the Financial Conglomerate					
Parent Company					
Banco de Costa Rica	¢ 455.497.193.648	378.572.743.719	76.924.449.930	0	76.924.449.930
	455.497.193.648	378.572.743.719	76.924.449.930	0	76.924.449.930
Regulated entities					
Banco Internacional de Costa Rica, S.A. and subsidiary	147.708.196.486	110.394.574.092	37.313.622.394	18.283.674.973	19.029.947.421
BCR Valores, S. A.- Puesto de Bolsa	19.345.720.607	3.750.156.134	15.595.564.473	0	15.595.564.473
BCR Sociedad Administradora de Fondos de inversion, S.A.	7.748.149.840	3.623.087.270	4.125.062.570	0	4.125.062.570
BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A.	4.798.984.775	3.809.250.842	989.733.933	0	989.733.933
	¢ 179.601.051.708	121.577.068.338	58.023.983.370	18.283.674.973	39.740.308.397
Non-regulated entities					
BCR Corredora de Seguros, S.A.	4.651.471.820	2.102.117.390	2.549.354.430	0	2.549.354.430
Depósito Agrícola de Cartago S.A. and subsidiary	680.346.900	238.667.200	441.679.700	0	441.679.700
	¢ 5.331.818.720	2.340.784.590	2.991.034.130	0	2.991.034.130
Global surplus or déficit of the Financial Conglomerate					¢ 119.655.792.457

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of September 30, 2020, the net worth equity for the BCR Financial Conglomerate is detailed as follows:

	Capital base	Minimum individual capital requirement	Individual surplus or deficit	Non-transferable items	Transferable surplus and individual deficit
Companies of the Financial Conglomerate					
Parent Company					
Banco de Costa Rica	¢ 455.652.524.577	372.957.045.309	82.695.479.268	0	82.695.479.268
	455.652.524.577	372.957.045.309	82.695.479.268	0	82.695.479.268
Regulated entities					
Banco Internacional de Costa Rica, S.A. and subsidiary	145.356.476.591	106.262.998.947	39.093.477.644	19.155.804.046	19.937.673.598
BCR Valores, S. A.- Puesto de Bolsa	19.543.950.880	4.010.547.349	15.533.403.531	0	15.533.403.531
BCR Sociedad Administradora de Fondos de Inversión, S.A.	6.274.257.680	3.169.684.290	3.104.573.390	0	3.104.573.390
BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A.	5.394.915.831	3.722.152.928	1.672.762.902	0	1.672.762.902
	¢ 176.569.600.982	117.165.383.514	59.404.217.467	19.155.804.046	40.248.413.421
Non-regulated entities					
BCR Corredora de Seguros, S.A.	4.177.490.630	2.006.827.830	2.170.662.800	0	2.170.662.800
Depósito Agrícola de Cartago S.A. and subsidiary	680.346.900	239.800.900	440.546.000	0	440.546.000
	¢ 4.857.837.530	2.246.628.730	2.611.208.800	0	2.611.208.800
Global surplus or déficit of the Financial Conglomerate					¢ 125.555.101.489

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(19) Contingent accounts

The Bank has consolidated off balance sheet commitments and contingencies that arise in the ordinary course of business and involve elements of credit and liquidity risk.

Off balance financial instruments with risk are as follows:

	September 2021	December 2020	September 2020
Guarantees granted:			
Performance bonds	¢ 134.708.942.684	135.430.721.851	129.397.755.730
Bid bonds	900.839.335	898.266.860	2.594.532.765
Other guarantees	112.515.054.494	98.532.545.113	97.546.514.999
Issued non-negotiated letters of credit	9.545.001.696	4.904.268.841	3.698.929.367
Confirmed non-negotiated letters of credit	9.833.873.658	9.994.211.695	4.371.330.211
Credit lines to be used automatically	108.246.684.836	109.920.179.845	116.805.011.335
Other contingencies	68.685.509.717	74.386.976.782	73.861.253.297
Credits pending disbursement	188,218,294	1.529.675.946	1.500.970.196
	¢ 444.624.124.714	435.596.846.933	429.776.297.900

Off balance financial instruments involving risk by type of deposit are as follows:

	September 2021	December 2020	September 2020
With prior deposit	¢ 5.099.696.616	7.226.846.987	7.744.147.283
Without prior deposit	370.838.918.381	353.983.023.164	348.170.897.321
Pending lawsuits and claims	68.685.509.717	74.386.976.782	73.861.253.296
	¢ 444.624.124.714	435.596.846.933	429.776.297.900

These commitments and contingent liabilities expose the Bank to credit risk since commissions and losses are recognized in the consolidated balance sheet until the obligations are fulfilled or expire.

As of September 30, 2021, letters of credit are backed 100% by guarantee deposits or credit facilities.

As of September 30, 2021 floating guarantees in custody are for ¢207.088.264.815 (¢240.876.163.489 and ¢247.387.903.468 for December and September 2020, respectively).

The Bank has off balance financial instruments with risk that arise in the ordinary course of business to meet the financial needs of its customers. These financial instruments include letters of credit and guarantees that involve varying levels of credit risk.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

Other contingencies

As of September 30, 2021, the Bank's Legal Division reported the following contingencies and commitments:

- In contentious matters, there are active processes established against the Bank estimated in the amount of ¢20.691.871.531 and US\$67.896.042. In addition, other contentious processes are filed for preliminary injunction with no estimate.
- In labor matters there are active ordinary processes estimated in the amounts of ¢3.002.609.836 and US\$825.001.
- Criminal proceedings in which the Bank is a third-party defendant are estimated at ¢1.678.750.429 and US\$5.857
- Administrative proceedings against the Bank have been estimated in the amounts of ¢11.466.517 and US\$36.200.

As of September 30, 2021, there are legal claims filed against BICSA and its subsidiaries that, in the opinion of Management and external attorneys, are not expected to have a material adverse effect on the consolidated position, the consolidated performance or the entity's operations.

As of September 30, 2021, due to the merger between INS Pensiones Operadora de Pensiones Complementarias, S.A. and BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A., a series of contingencies arose that have been reasonably covered with pledged securities from the seller.

As of September 30, 2021, there is a process against BCR Valores in the amount of US\$175,000, processed under file 16-000207-1027-CA 8 of the Administrative and Civil Court of Finance of the II Judicial Circuit of San José. To date and in accordance with the criteria of the lawyers, an estimate of the eventual outcome is not feasible.

As of September 30, 2021, there is a process against BCR Valores in the amount of US\$465,000 processed under file 16-000208-1027-CA 2 of the Administrative and Civil Court of Finance of the II Judicial Circuit of San José. To date and in accordance with the criteria of the lawyers, an estimate of the eventual outcome is not feasible.

As of December 31, 2019, BCR Valores recognized a provision for tax contingencies of ¢1.301.647.081. The remaining ¢1.301.624 correspond to adjustments for exchange rate differences of the provisions in foreign currency.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

The provision recorded in BCR Valores affected the profit from previous periods for ¢978.296.974 million, corresponding to contingencies arising in 2015, 2016, 2017 and 2018 (¢194.676.459, ¢264.905.512, ¢206.824.643, and ¢311.890.361, correspondingly); The remaining ¢323.346.107 million, from the 2019 period, were recorded as an expense in 2019. The provision of 2015 for ¢194.676.459 was reversed at the closing of 2020; further, the 2017 provision for ¢206.824.512, was used in 2020 when the Tax authorities reviewed that period.

As of December 31, 2020, the Bank's Legal Division reported the following contingencies and commitments:

- In contentious matters, there are active processes established against the Bank estimated in the amount of ¢27.001.781.507 and US\$67.798.421. In addition, other contentious processes are filed for preliminary injunction with no estimate.
- In labor matters there are active ordinary processes estimated in the amounts of ¢3.310.909.009 and US\$825.001.
- Criminal proceedings in which the Bank is a third-party defendant are estimated at ¢1.700.475.429 and US\$10.077.
- Administrative proceedings against the Bank have been estimated in the amounts of ¢4.993.517 and US\$2.200.

As of December 31, 2020, there are legal claims filed against BICSA and its subsidiaries that, in the opinion of Management and external attorneys, are not expected to have a material adverse effect on the consolidated position, the consolidated performance or the entity's operations.

As of December 31, 2020, due to the merger between INS Pensiones Operadora de Pensiones Complementarias, S.A. and BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A., a series of contingencies arose that have been reasonably covered with pledged securities from the seller.

As of December 31, 2020, there is a process against BCR Valores in the amount of US\$175,000, processed under file 16-000207-1027-CA 8 of the Administrative and Civil Court of Finance of the II Judicial Circuit of San José.

As of December 31, 2019, BCR Valores recognized a provision for tax contingencies of ¢1.301.647.081. The remaining ¢1.301.624 correspond to adjustments for exchange rate differences of the provisions in foreign currency.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

The provision recorded in BCR Valores affected the profit from previous periods for ¢978.296.974 million, corresponding to contingencies arising in 2015, 2016, 2017 and 2018 (¢194.676.459, ¢264.905.512, ¢206.824.643 and ¢311.890.361, correspondingly); The remaining ¢323.346.107 million, from the 2019 period, were recorded as an expense in 2019.

As of September 30, 2020, the Bank's Legal Division reported the following contingencies and commitments:

- In contentious matters, there are active processes established against the Bank estimated in the amount of ¢27.066.946.687.43 and US\$67.832.921.66. In addition, other contentious processes are filed for preliminary injunction with no estimate.
- In labor matters there are active ordinary processes estimated in the amounts of ¢3.428.001.012.35 and US\$825.001.
- Criminal proceedings in which the Bank is a third-party defendant are estimated at ¢1.700.475.429 and US\$10.077.
- Administrative proceedings against the Bank have been estimated in the amounts of ¢4.993.517 and US\$2.200.

As of September 30, 2020, there are legal claims filed against BICSA and its subsidiaries that, in the opinion of Management and external attorneys, are not expected to have a material adverse effect on the consolidated position, the consolidated performance or the entity's operations.

As of September 30, 2020, due to the merger between INS Pensiones Operadora de Pensiones Complementarias, S.A. and BCR Pensión Operadora de Planes de Pensiones Complementarias. S.A., a series of contingencies arose that have been reasonably covered with pledged securities from the seller.

As of September 30, 2020, there is a process against BCR Valores in the amount of US\$175,000, processed under file 16-000207-1027-CA 8 of the Administrative and Civil Court of Finance of the II Judicial Circuit of San José. To date and in accordance with the criteria of the lawyers, an estimate of the eventual outcome is not feasible.

As of September 30, 2020, there is a process against BCR Valores in the amount of US\$465,000 processed under file 16-000208-1027-CA 2 of the Administrative and Civil Court of Finance of the II Judicial Circuit of San José. To date and in accordance with the criteria of the lawyers, an estimate of the eventual outcome is not feasible.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(20) Trusts

The Bank provides trust services, whereby it manages assets at the direction of the customer. The Bank receives a fee for giving those services. The underlying assets and liabilities are not recognized in the Bank's consolidated financial statements. The Bank is not exposed to any credit risk and does not guarantee these assets or liabilities.

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

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

The assets in which capital trust is invested are detailed as follows:

	September 2021	December 2020	September 2020
Cash and due from banks	¢ 67.386.278.797	92.575.854.311	84.726.550.527
Investments in financial instruments	101.992.059.849	82.123.315.821	76.952.053.933
Loan portfolio	50.386.238.237	50.726.165.899	50.795.019.807
Allowance for doubtful accounts	(8.541.535.637)	(9.162.850.564)	(9.483.249.800)
Realizable assets	53.861.020.587	56.521.168.659	38.062.970.497
Investments in other companies	42.833.785.778	35.077.180.689	30.000.012.240
Other accounts receivable	74.825.389.261	77.399.842.492	77.425.329.763
Property, furniture, and equipment	391.292.595.301	400.990.434.662	303.888.982.643
Other assets	212.209.816.637	186.416.949.697	260.983.483.294
Buildings	76.680.000	0	0
	¢ 986.322.328.810	972.668.061.666	913.351.152.904

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

Trust capital held by subsidiaries and invested in assets is detailed as follows:

	September 2021	December 2020	September 2020
Banco de Costa Rica	¢ 929.906.970.735	919.788.849.804	863.713.999.160
Banco Internacional de Costa Rica, S.A.	56.415.358.075	52.879.211.862	49.637.153.744
	¢ 986.322.328.810	972.668.061.666	913.351.152.904

(21) Other debit memoranda accounts

Other debit memoranda accounts are detailed as follows:

	September 2021	December 2020	September 2020
Own assets and securities held in			
Custody	¢ 7.767.485.741	7.598.327.512	7.558.029.999
Guarantees received and held in custody	5.770.522.595.645	750.386.201.942	738.438.327.763
Guarantees received and held by third parties	2.544.205.571	4.217.017.643	4.144.715.947
Granted and unused credit lines	428.804.896.101	529.147.832.613	502.448.051.335
Write-offs	243.962.991.304	240.294.571.030	235.926.783.878
Suspense interest receivable	26.154.992.817	27.094.306.127	24.194.328.711
Backup documentation	58.711.000	58.711.000	58.711.000
Other memoranda accounts	18.447.901.089.775	13.857.478.719.636	13.817.267.522.955
Assets and securities held in custody for third parties	91.386.079.327	93.391.517.891	77.237.805.889
Managed funds assets	2.343.298.692.064	2.138.256.394.888	2.153.085.877.549
Management of individual portfolios by the stock market	135.027.157.101	119.644.642.712	116.149.890.066
Held-for-trading securities received as guarantee (guarantee trust)	49.056.856.585	45.524.405.011	38.841.184.840
Own held-for-trading securities	1.126.257.626.276	707.952.886.907	781.357.740.496
Cash and accounts receivable for custodial activities	189.154.669.296	153.445.337.691	108.352.001.405
Held-for-trading securities held in custody for third parties as guarantee (guarantee trust)	24.630.805.146	46.853.797.504	81.007.403.053
Held-for-trading securities pending receipt	2.283.936.949	2.392.356.852	3.872.466.985
Confirmed spot agreements pending Settlement	0	4.717.185.876	4.589.450.652
Futures pending settlement	45.250.969.113	41.686.486.593	45.858.679.104
Third parties held-for-trading securities	6.744.888.218.329	5.845.644.530.040	5.795.401.908.144
	¢ 35.678.951.978.140	24.615.785.229.468	24.535.790.879.771

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BANCO DE COSTA RICA AND SUBSIDIARIES

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Other memoranda accounts by subsidiaries are detailed as follows:

	<u>September 2021</u>	<u>December 2020</u>	<u>September 2020</u>
Banco de Costa Rica	¢ 31.071.518.265.903	20.374.911.227.430	20.324.754.918.871
Banco Internacional de Costa Rica, S.A.	1.561.042.739.415	1.446.068.567.794	1.398.277.278.575
BCR Valores, S.A.- Puesto de Bolsa (See note 22)	689.879.250.012	645.908.328.812	648.656.651.890
BCR Sociedad Administradora de Fondos de Inversión, S.A. (véase nota 23)	765.693.369.619	757.469.661.204	797.598.041.230
BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A. (véase nota 24)	1.585.440.571.200	1.388.453.642.542	1.363.114.398.666
Depósito Agrícola de Cartago S. A.	5.377.781.991	2.973.801.686	3.389.590.539
	<u>¢ 35.678.951.978.140</u>	<u>24.615.785.229.468</u>	<u>24.535.790.879.771</u>

(22) Current and term brokerage operations and portfolio management operations

Memoranda accounts of BCR Valores. S.A. - Puesto de Bolsa are detailed as follows:

	<u>September 2021</u>	<u>December 2020</u>	<u>September 2020</u>
Other memoranda accounts	¢ 8.778.510.590	8.703.881.882	8,640,160,473
Total own other memoranda accounts	<u>¢ 8.778.510.590</u>	<u>8.703.881.882</u>	<u>8.640.160.473</u>
<u>Memoranda accounts for third parties</u>			
Portfolio management	¢ 135.027.157.101	119.644.642.712	116.149.890.066
Cash and accounts receivable by custodial activity	729.526.961	652.629.485	636.820.093
Held-for-trading pending receipt	2.283.936.949	2.392.356.852	3.872.466.985
Purchased securities receivable			
Purchased marketable securities pending receipt	7.194.867.614	1.970.301.754	4.315.201.289
Held-for-trading received s guarantee	0	4.717.185.876	4,589,450,652
Futures pending settlement-forward buyer (See note 22-a)	37.948.170.180	37.653.496.522	39.691.846.923
Futures pending settlement-forward seller (See note 22-a)	7.302.798.933	4.032.990.071	6.166.832.180
Central de Valores private (local custody)	139.405.940.427	173.384.595.513	171.903.470.760
Central de Valores private (international custody)	32.385.974.525	25.989.283.284	17.948.642.955
Central de Valores public (BCCR)	318.734.866.731	266.679.464.861	274.654.369.515
Vault	87.500.000	87.500.000	87,500,000
Total memoranda accounts for third parties	<u>681.100.739.421</u>	<u>637.204.446.931</u>	<u>640.016.491.418</u>
Total memoranda accounts (see note 21)	<u>689.879.250.011</u>	<u>645.908.328.813</u>	<u>648.656.651.891</u>
Total memoranda accounts and trusts	<u>¢ 689.879.250.011</u>	<u>645.908.328.813</u>	<u>648.656.651.891</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

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In repurchase and term operations, the BCR Valores is contingently liable for the short balance that arises when a security is settled for an amount that is less than the amount payable to the respective buyer. In accordance with the Regulations for Repurchase Operations and the Regulations for Term Operations, all such transactions have collaterals to cover those contingencies.

Securities backing repurchase agreements are held in custody at Central de Valores de la Bolsa Nacional de Valores. S.A. (CEVAL) or foreign depositories with which CEVAL has custody agreements.

a) Repurchase

BCR Valores subscribes agreements to buy or sell securities at certain future dates (repurchase agreements). Those agreements are comprised of securities that the parties undertake to sell or buy on an agreed upon date and at a stated price. The difference between the contractual value and the value of the security represents additional collateral for the operation and corresponds to a portion of the security held in custody.

As of September 30, 2021, forward buyer and seller positions in repurchase and reverse repurchase agreements in which BCR Valores, S.A. Puesto de Bolsa (Brokerage House) participates, are as follows:

	Forward buyer			Forward seller		
	Colones	US Dollars	Total	Colones	US Dollars	Total
Third parties						
1 to 30 days	¢ 4.525.053.865	23.178.251.186	27.703.305.051	2.200.871.565	2.492.116.191	4.692.987.755
31 to 60 days	1.449.170.400	8.684.526.702	10.133.697.102	984.926.895	1.513.716.255	2.498.643.151
61 to 90 days	0	65.743.059	65.743.059	0	65.743.059	65.743.059
More tan 91 days	0	45.424.968	45.424.968	0	45.424.968	45.424.968
Third parties total	¢ <u>5.974.224.265</u>	<u>31.973.945.915</u>	<u>37.948.170.180</u>	<u>3.185.798.460</u>	<u>4.117.000.473</u>	<u>7.302.798.933</u>
Total	¢ <u><u>5.974.224.265</u></u>	<u><u>31.973.945.915</u></u>	<u><u>37.948.170.180</u></u>	<u><u>3.185.798.460</u></u>	<u><u>4.117.000.473</u></u>	<u><u>7.302.798.933</u></u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

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As of December 31, 2020, forward buyer and seller positions in repurchase and reverse repurchase agreements in which BCR Valores, S.A. Puesto de Bolsa (Brokerage House) participates, are as follows:

	Forward buyer			Forward seller		
	Colones	US Dollars	Total	Colones	US Dollars	Total
Third parties						
1 to 30 days	¢ 3.527.806.909	27.581.692.013	31.109.498.921	0	2.492.375.498	2.492.375.498
31 to 60 days	253.012.131	6.093.587.244	6.346.599.375	0	1.484.159.353	1.484.159.353
61 to 90 days	0	197.398.225	197.398.225	0	56.455.221	56.455.221
Third parties total	¢ 3.780.819.040	33.872.677.482	37.653.496.522	0	4.032.990.071	4.032.990.071
Total	¢ 3.780.819.040	33.872.677.482	37.653.496.522	0	4.032.990.071	4.032.990.071

As of September 30, 2020, forward buyer and seller positions in repurchase and reverse repurchase agreements in which BCR Valores, S.A. Puesto de Bolsa (Brokerage House) participates, are as follows:

	Forward buyer			Forward seller		
	Colones	US Dollars	Total	Colones	US Dollars	Total
Third parties						
1 to 30 days	¢ 3.185.646.469	24.572.630.377	27.758.276.846	1.368.258.350	2.239.655.245	3.607.913.595
31 to 60 days	1.254.283.984	8.283.109.774	9.537.393.758	363.863.487	1.632.482.615	1.996.346.102
61 to 90 days	0	2.396.176.319	2.396.176.319	0	562.572.483	562.572.483
Total third parties	¢ 4.439.930.453	35.251.916.470	39.691.846.923	1.732.121.837	4.434.710.344	6.166.832.180
Total	¢ 4.439.930.453	35.251.916.470	39.691.846.923	1.732.121.837	4.434.710.344	6.166.832.180

b) Guarantees granted

To comply with Bolsa Nacional de Valores, S.A., requirement for a system of guarantees to secure operations executed by the Brokerage House on behalf of third parties, the Brokerage Firm may either hold a performance bond in colones issued by a private Costa Rican bank or make a contribution to the Guarantee Fund as described below.

To establish a risk management system, SUGEVAL set up a guarantee fund comprised of contributions from brokerage firms. Contributions are made proportionally based on the net buyer positions during the last six months. As of September 30, 2021, the Brokerage House had made contributions for a total of ¢196.361.275 (¢83.806.100 and ¢69.137.685 for December and September 2020, respectively). These contributions are registered in the subaccount "Guarantee fund - National Stock Exchange".

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

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c) Agreements entered with customers of BCR Valores, S.A. - Puesto de Bolsa

Starting 2012, a multiple agreement was implemented, which includes all the products offered by BCR Valores, except for individual portfolio management services. Accordingly, the BCR Valores has two types of agreements available:

- Commission agreement to perform brokerage operations, foreign exchange operations, and operations with foreign exchange and financial derivatives.
- Individual portfolio management agreement.

d) Customer securities and own securities in custody

As of September 30, 2021, BCR Valores, S.A. has following securities in custody:

Custody of third parties

<u>Place of Custody</u>	<u>Custody Type</u>	<u>Balance</u>
<i>Colones</i>		
Local	Custody free	¢ 176.250.875.949
Local	Repurchase operations	10.784.921.250
		¢ <u>187.035.797.199</u>
<i>US Dollars</i>		
Local	Custody free	¢ 230.232.156.459
Local	Repurchase operations	40.960.353.488
Foreign custodians	Available at face value	30.789.383.875
Foreign custodians	Shares at purchase value	1.431.414.267
		¢ <u>303.413.308.089</u>
<i>Canadian Dollars</i>		
International	Custody free	¢ 165.176.396
Total own custody, colones, US dollars and other currencies		¢ <u>490,614,281,683</u>
Total custody, third parties		
US Dollars and others		¢ <u><u>490.614.281.683</u></u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

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As of December 31, 2020, BCR Valores, S.A. has following securities in custody:

Custody of third parties

<u>Place of Custody</u>	<u>Custody Type</u>	<u>Balance</u>
<i>Colones</i>		
Local Custody free	Local	¢ 139.864.325.786
Local Repurchase operations	Local	¢ 6.518.826.114
		¢ <u>146.383.151.899</u>
<i>US Dollars</i>		
Local	Custody free	¢ 251.293.585.079
Local	Repurchase operations	¢ 42.474.823.396
Foreign custodians	Available at face value	¢ 25.483.839.390
Foreign custodians	Shares at purchase value	¢ 327.052.886
		¢ <u>319.579.300.751</u>
<i>Canadian Dollars</i>		
International	Custody free	¢ 178.391.008
And other third-party currencies		¢ <u>466.140.843.659</u>
Total custody of own colones, US Dollars and other currencies		¢ <u>466.140.843.659</u>

As of September 30, 2020, BCR Valores, S.A. has following securities in custody:

Custody of third parties

<u>Place of Custody</u>	<u>Custody Type</u>	<u>Balance</u>
<i>Colones</i>		
Local	Custody free	¢ 142.053.519.280
Local	Repurchase operations	¢ 5.102.376.470
		¢ <u>147.155.895.750</u>
<i>US Dollars</i>		
Local	Custody free	¢ 256.258.851.834
Local	Repurchase operations	¢ 43.230.592.690
Foreign custodians	Available at face value	¢ 17.213.591.056
Foreign custodians	Shares at purchase value	¢ 604.596.782
		¢ <u>317.307.632.362</u>
<i>Canadian Dollars</i>		
International	Custody free	¢ 130.455.117
Total custody of own colones, US dollars and other currencies		¢ <u>464.593.983.229</u>
Total custody of third parties colones, US Dollars and others		¢ <u>464.593.983.229</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

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(23) Investment fund management agreements

The value of net assets in each investment fund managed by the BCR Sociedad Administradora de Fondos de Inversion. S.A. (Investment Fund Manager) is as follows:

<u>Investment Fund</u>	<u>Type of fund</u>		<u>September</u> <u>2021</u>	<u>December</u> <u>2020</u>	<u>September</u> <u>2020</u>
<i>In Colones</i>					
BCR Short-term colones, undiversified	Financial, open	¢	53.436.831.995	95.685.666.591	126.390.189.103
BCR Short-term colones, undiversified	Financial, open, medium-term		930.742.977	225.001.176	222.195.558
BCR mixed colones, undiversified	Open, medium-term		36.204.084.698	63.595.881.750	74.834.919.502
BCR Portfolio Fund colones	Open, medium-term		56.770.396.294	46.517.784.998	59.999.852.670
BCR Real Estate, colones Undiversified	Closed, non-financial and mixed portfolio		17.035.179.515	17.463.063.043	17.389.056.171
		¢	<u>164.377.235.479</u>	<u>223.487.397.558</u>	<u>278.836.213.004</u>
<i>In US Dollars</i>					
Investment Funds in US Dollars, equivalent in colones (See note 21)		¢	<u>601.316.134.140</u>	<u>529.720.345.475</u>	<u>518.761.828.226</u>
		¢	<u>765.693.369.619</u>	<u>753.207.743.033</u>	<u>797.598.041.230</u>
<i>Investment Funds in US Dollars</i>					
BCR Liquidity Dollars, undiversified	Open	US\$	136.340.005	95.024.823	86.974.332
BCR Real Estate Dollars, undiversified	Real estate, closed, long-term		283.542.554	285.065.245	287.391.389
BCR Real Estate Trade and Industry, undiversified	Real estate, closed, long-term		208.996.561	208.433.419	208.186.510
BCR Liquidity Fund Dollars, international, undiversified	Open, money market		155.832.362	130.769.931	137.758.065
BCR Portfolio Fund Dollars	Open, medium-term		61.742.959	29.727.578	25.384.947
BCR Evolution	Open, medium-term		1.537.756	2.013.317	2.017.436
BCR Real Estate Progress Fund, undiversified	Real estate, closed		86.853.108	87.573.125	87.628.694
PEL Development Investment Fund	Real estate, closed		20.064.311	19.517.209	19.741.749
		US\$	<u>954.909.616</u>	<u>858.124.647</u>	<u>855.083.122</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

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(24) Pension fund management agreements

The value of assets for each investment fund managed by BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A. (Pension Fund Manager) is as follows:

	September 2021	December 2020	September 2020
Own assets and securities held in custody	¢ 7.767.485.741	7.598.327.512	7.558.029.999
Assets and securities held in custody by third parties	67.763.014	68.581.346	68.532.348
Mandatory pension fund	1.294.254.094.135	1.111.592.826.639	1.091.378.468.641
Voluntary pension fund	36.714.041.404	28.270.294.723	27.666.169.361
Labor capitalization fund	63.145.830.226	78.173.324.185	75.535.586.761
Supplementary pension funds created by special laws (See note 21)	183.491.356.680	162.750.288.137	160.907.611.556
	¢ <u>1.585.440.571.200</u>	<u>1.388.453.642.542</u>	<u>1.363.114.398.666</u>

The detail of assets for each pension fund in the separately issued reports is detailed as follows.

Funds received by the Pension Fund Manager are invested in the following securities and other investments:

	September 2021	December 2020	September 2020
Voluntary Pension Fund (colones)	¢ <u>28.988.682.310</u>	<u>21.468.227.897</u>	<u>20.254.589.342</u>
At fair value through other comprehensive income	28.539.328.128	21.368.5730.556	20.118.616.724
Entities from the public sector of the country	18.616.468.204	14.335.362.921	13.243.329.819
Treasury	13.402.635.503	11.473.455.060	10.081.009.635
Banco Central de Costa Rica	1.424.987.207	587.796.815	684.163.470
Other issuers from the public sector	3.788.845.494	2.274.111.046	2.478.156.714
Entities from the private sector of the country	9.922.859.924	7.033.210.635	6.875.286.905
Financial	7.482.474.114	5.820.586.875	6.052.694.137
Non-financial	2.440.385.810	1.212.623.760	822.592.768
At fair value with changes through profit or loss	449.354.182	99.654.341	135.972.618
Entities from the private sector of the country	449.354.182	99.654.341	135.972.618
Financial	449.354.182	99.654.341	135.972.618
Voluntary Pension Fund (US\$)	US\$ <u>4.275.558.089</u>	<u>5.779.376.581</u>	<u>5.301.052.296</u>
At fair value through other comprehensive income	4.155.663.637	5.723.164.669	5.230.772.256
Entities from the public sector of the country	2.435.498.857	2.855.360.676	2.976.596.613
Treasury	1.912.778.853	2.560.694.373	2.613.468.555
Other issuers from the public sector	522.720.004	294.666.303	363.128.058
Entities from the private sector of the country	1.720.164.780	2.867.803.993	2.254.175.643
Financial	1.471.202.288	2.524.763.105	2.045.698.103
Non-financial	248.962.492	343.040.888	208.477.540
At fair value through profit or loss	119.894.452	56.211.912	70.280.040
Entities from the private sector of the country	119.894.452	56.211.912	70.280.040
Financial	119.894.452	56.211.912	70.280.040

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	September 2021	December 2020	September 2020
Mandatory Regime of Supplementary Pensions (colones)	2.479.285.003	1.137.617.872.692	1.115.361.776.366
At fair value through other comprehensive income	2.420.613.199	1.039.828.938.848	1.035.048.953.592
Entities from the public sector of the country	1.511.000.102	805.837.874.744	796.469.005.627
Treasury	1.265.878.123	642.382.930.065	621.675.565.770
Banco Central de Costa Rica	0	54.964.311.993	58.480.248.425
Other issuers from the public sector	245.121.979	108.490.632.686	116.313.191.432
Entities from the private sector of the country	909.613.097	233.991.064.104	238.579.947.965
Financial	810.292.954	219.556.913.650	222.689.377.177
Non-financial	99.320.143	14.434.150.454	15.890.570.788
At fair value through profit or loss	58.671.804	97.788.933.844	80.312.822.774
Entities from the private sector of the country	58.671.804	30.709.750.162	35.237.480.678
Financial	58.671.804	30.709.750.162	35.237.480.678
Entities from the public sector of the country	0	67.079.183.682	45.075.342.096
Financial	0	67.079.183.682	45.075.342.096
Labor Capitalization Fund (colones)	61.219.964.520	157.839.957.095	85.428.213.617
At fair value through other comprehensive income	60.123.187.486	157.510.875.031	82.925.658.425
Entities from the public sector of the country	43.924.388.860	106.716.212.521	61.277.276.830
Treasury	35.801.535.453	83.441.019.730	45.558.389.498
Banco Central de Costa Rica	4.407.820.715	9.315.919.491	4.519.058.590
Other issuers from the public sector	3.715.032.692	13.959.273.300	11.199.828.742
Entities from the private sector of the country	16.198.798.626	50.794.662.510	21.648.381.595
Financial	15.103.731.865	47.354.824.164	20.285.420.120
No-financial	1.095.066.761	3.439.838.346	1.362.961.475
At fair value through profit or loss	1.096.777.034	329.082.064	2.502.555.192
Entities from the private sector of the country	1.096.777.034	329.082.064	2.502.555.192
Financial	1.096.777.034	329.082.064	2.502.555.192

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

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The agreements entered by the Pension Fund Manager are found in chapter II of the Labor Protection Law, articles 14, 15, and thereafter. The applicable agreement is known as "Voluntary Supplemental Pension Plan Affiliation Agreement."

Following is a general description of the nature of the agreements entered:

The Labor Protection Law seeks to establish mechanisms to expand coverage and strengthen the funding base for the Disability, Old Age, and Death System of the CCSS through supplemental pension funds. The Law establishes a voluntary personal savings system, whereby contributions are recorded and controlled by the Centralized Collection System of the CCSS, or directly by the pension fund operators. A close relationship exists between the funds, plans, and agreements, the latter being a formal requirement for eligibility to access pension funds. The agreements define and stipulate the rights and obligations of both parties.

The funds are separate equity funds administered by pension fund operators for a stated purpose, i.e. long-term savings to be used by the member as a supplemental pension fund. The funds are comprised of voluntary contributions from members and third-party contributors.

The plans are a set of complementary conditions and benefits offered to the plan's beneficiaries.

(25) Contract for custody and storage of goods and merchandise

As of September 30, 2021, December and September 2020, Depósito Agrícola de Cartago and its subsidiary have current contracts that are detailed below:

- (a) Logistics services provided to the duty-free shops of Instituto Mixto de Ayuda Social (IMAS), management of the General and Auxiliary Warehouses, transportation and distributions of goods.
- (b) Banking services provided to the duty-free shops of Instituto Mixto de Ayuda Social (IMAS), for collection of sales in the shops by human cashiers.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(26) Financial income on investments in financial instruments

Financial income on investments in financial instruments is as follows:

	September 2021	September 2020	Quarter from July 1 to September 30	
			2021	2020
Interest for investments in financial instruments at fair value through profit or loss	¢ 3.770.734	519.156.370	3.583.024	43.637.929
Interests for investments in financial instruments at fair value through comprehensive income	60.770.184.696	41.238.493.889	21.411.874.788	15.183.713.702
Interests for investments at amortized cost	1.680.826.389	1.697.560.214	593.116.906	730.761.766
Income from investments in due and restricted financial instruments	2.327.084.626	2.354.743.480	771.846.536	704.133.413
	¢ 64.781.866.445	45.809.953.953	22.780.421.254	16.662.246.810

(27) Financial income on loan portfolio and other financial interests

Financial income on loan portfolio and the financial interests is detailed as follows:

	September 2021	September 2020	Quarter from July 1 to September 30	
			2021	2020
Personal	¢ 84.949.134.480	87.826.923.900	31.628.742.515	28.115.132.821
Development Banking System	1.640.815.888	1.844.692.598	539.780.377	560.425.788
Business	11.912.527.756	12.154.319.401	3.972.226.720	3.785.157.588
Corporate	97.359.327.578	101.453.850.500	31.320.363.510	31.357.073.434
Public sector	6.439.850.230	7.055.634.973	2.095.778.081	2.315.642.508
Financial sector	6.305.070.244	10.429.741.972	1.828.636.484	3.126.615.129
Amortization of the net commission of the incremental direct costs associated with loans	2.720.735.874	2.809.467.349	1.016.060.033	1.050.446.148
Interest for accounts receivable related to loan portfolio and other financial instruments for other concepts not included in the previous subaccounts and analytical accounts	996.647.816	885.326.732	408.096.307	277.955.193
	¢ 212.324.109.866	224.459.957.425	72.809.684.027	70.588.448.609

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(28) Expenses from obligations with the public

Financial expenses from obligations with the public are as follows:

	September 2021	September 2020	Quarter from July 1 to September 30	
			2021	2020
Expenses from demand deposits	¢ 31.756.635.453	28.360.426.660	11.052.904.353	10.708.760.515
Expenses from term deposits	54.187.370.530	79.880.295.523	17.972.688.165	23.520.106.094
Expenses from securities in repurchase agreements	54.106.547	644.257.437	7.038.946	55.677.121
	<u>85.998.112.530</u>	<u>108.884.979.620</u>	<u>29.032.631.464</u>	<u>34.284.543.730</u>

(29) Expenses for allowance for impairment of the loan portfolio and accounts and commissions receivable

Expenses from allowances for impairment of loan portfolio are as follows:

	September 2021	September 2020	Quarter from July 1 to September 30	
			2021	2020
Decrease in specific allowance for loan portfolio (See note 6-f)	¢ 26.307.390.991	20.968.198.431	11.434.312.644	1.290.594.201
Expense for allowance for impairment and bad debts from other accounts receivable	2.510.446.531	3.378.730.825	624.223.594	1.449.442.572
Decrease in allowance for uncollectibility of contingent loans	0	30.724.437	0	0
Decrease in generic allowance and counter cycle for loan portfolio (See note 6-f)	81.395.835	251.859.151	21.745.986	31.229.901
Decrease in generic allowance and counter cycle for contingent loans	440.000	82	220.000	0
Expenses for allowance for impairment of investments at fair value through other comprehensive income	1.948.362.283	5.051.988.547	1.026.849.772	1.098.910.976
Expenses for allowance for impairment of financial instruments at amortized cost	2.903.392	0	935.594	0
Expenses for allowance for impairment of expired and restricted financial instruments	71.349.929	0	923.048	0
	<u>¢ 30.922.288.961</u>	<u>29.681.501.473</u>	<u>13.109.210.638</u>	<u>3.870.177.650</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

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

Income from recovery of assets and decreases in allowances and provisions is detailed as follows:

		September		Quarter from July 1 to September 30	
		2021	2020	2021	2020
Recovery of written-down loans	¢	9.302.830.544	14.464.502.537	4.552.902.796	2.864.195.588
Decrease in specific allowance for the loan portfolio (See note 6-f)		2.307.828.997	5.212.361.745	4.214	1.158.779.769
Decrease in allowance for uncollectibility of other receivables		778.304.822	2.008.665.910	136.311.416	1.115.537.630
Decrease in allowance for uncollectibility of contingent loans		0	44.335.220	0	0
Decrease in generic allowance and counter cycle for loan portfolio (See note 6-f)		70.255.882	4.381.670.593	2.542.031	13.563.717
Decrease in generic allowance and counter cycle for contingent loans		6.936	42.067.583	6.936	11.051
Decrease in allowance for non- collectibility of investment securities		713.281.031	3.908.304.376	143.671.117	3.228.297.842
	¢	<u>13.172.508.212</u>	<u>30.061.907.964</u>	<u>4.835.438.510</u>	<u>8.380.385.597</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(31) Income from service fees and commissions

Income from service fees and commissions is detailed as follows:

	Quarter from July 1 to September 30			
	September 2021	September 2020	2021	2020
Drafts and transfers	¢ 2.024.225.828	1.665.122.758	676.221.668	554.953.284
Foreign trade	566.043.087	488.984.669	209.135.422	150.512.105
Certified checks	3.375.585	3.032.537	1.016.449	1.068.942
Trust management	3.125.113.236	3.166.413.111	1.083.972.954	1.041.570.343
Custodial services	258.810.043	311.229.041	80.854.401	89.888.383
For mandates	659.464	0	166.970	0
Collections	393.680.014	342.144.045	113.828.408	106.182.752
Credit Cards	27.244.373.657	27.775.913.387	8.998.207.354	8.382.248.073
Investment Fund management	6.008.341.341	6.547.560.039	1.966.507.375	2.236.125.328
Pension Fund management	5.095.938.208	4.503.998.421	1.782.725.212	1.546.167.851
Insurance undewriting	4.733.462.845	4.515.295.028	1.506.981.652	1.435.057.393
Brokerage fees				
(by third parties in local market)	1.425.898.940	1.379.066.547	435.828.081	335.061.692
Brokerage fees				
(by third parties in other markets)	122.569.521	165.877.817	54.870.891	52.594.115
Commissions from operations with related parties	1.062.274.224	625.517.957	507.278.461	164.625.280
Commissions from operations with related parties	521.118.505	189.232.137	258.355.153	141.449.993
Commission from custodial services				
of authorized securities	503.736.336	348.462.059	198.382.299	116.681.377
Other commissions	24.757.967.510	22.226.700.076	8.595.617.050	7.051.116.676
	¢ <u>77.847.588.344</u>	<u>74.254.549.629</u>	<u>26.469.949.800</u>	<u>23.405.303.587</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(32) Income from interests in other companies

	September		Quarter from July 1 to September 30	
	2021	2020	2021	2020
<u>Local entities:</u>				
Interest in Bolsa Nacional de Valores, S.A.	¢ 4.048.114	0	0	0
Interest in Banprocesa SRL.	¢ 0	102.388.455	(241.921.662)	102.388.455
Interest in Bancrédito Agencia de seguro S.A.	0	1.818.043	0	0
	¢ <u>4.048.114</u>	<u>104.206.498</u>	<u>(241.921.662)</u>	<u>102.388.455</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(33) Administrative expenses

Administrative expenses are detailed as follows:

		Quarter from July 1 to September 30			
		September 2021	September 2020	2021	2020
Salaries and bonuses, permanent staff	¢	46.945.774.387	46.716.057.481	15.621.854.137	15.755.346.944
Salaries and bonuses, contractors		2.009.212.386	1.636.045.878	632.800.433	519.858.830
Compensation for directors and auditors		212.097.994	176.526.737	70.471.446	57.794.697
Overtime		457.346.084	588.300.264	189.520.530	151.257.340
Per diem		213.464.018	224.425.871	81.500.679	57.405.167
Statutory Christmas Bonus		4.326.478.947	4.189.258.150	1.459.453.239	1.366.528.014
Vacation		4.757.470.649	4.153.813.614	1.737.358.555	1.490.292.802
Incentives		4.185.278	1.892.692	1.464.861	263.221
Fixed representation expenses		701.322.907	642.285.700	236.482.660	217.235.153
Other compensation		1.560.089.621	1.062.069.398	694.961.772	319.053.146
Contribution to severance payment		2.102.638.423	1.986.080.309	706.097.097	665.431.938
Social security charges		16.685.547.190	15.514.501.618	5.666.252.904	5.197.806.237
Refreshments		12.751.907	48.185.631	4.376.006	2.696.427
Uniforms		7.063.795	11.324.249	6.105.106	0
Training		242.142.704	191.023.307	120.371.859	56.262.808
Employee insurance		421.905.826	453.107.364	127.032.697	158.042.366
Assets for personal use		154.462	678.440	136.246	66.219
School bonus		4.204.690.241	5.756.560.971	1.420.283.679	1.922.581.861
Labor Capitalization Fund		1.389.073.308	1.354.438.389	471.609.433	453.760.607
Other personnel expenses		660.818.533	558.307.045	196.356.917	177.530.534
Outsourcing expenses		13.997.843.056	13.170.350.444	4.935.752.803	4.456.251.324
Transportation and communication expenses		2.847.480.979	3.983.859.690	858.029.778	1.178.349.152
Property insurance		183.721.211	175.545.941	22.121.042	147.116.108
Property maintenance and repair		3.952.590.342	3.161.651.565	1.118.359.144	1.133.268.416
Public utilities		1.671.285.939	2.117.789.138	553.312.044	649.915.523
By right of use-properties		1.991.901.182	2.892.255.637	602.849.403	997.349.959
By right of use-furniture, equipment, and other assets		545.060.880	587.512.282	44.549.202	187.778.857
Depreciation of property, plant and equipment, except vehicles		7.992.878.225	7.231.165.313	2.614.676.369	2.431.784.635
Amortization of leasehold property		386.106.247	362.790.503	140.239.887	112.493.239
Other infrastructure expenses		2.873.698.709	3.525.354.027	945.575.919	944.554.095
Overhead		19.474.627.137	17.805.726.405	7.246.626.963	6.452.299.139
	¢	<u>142.831.422.567</u>	<u>140.278.884.053</u>	<u>48.526.582.810</u>	<u>47.260.374.758</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(34) Legal profit allocation

Legal profit allocation (statutory allocations) of the period is detailed as follows:

	Quarter from July 1 to September 30			
	September 2021	September 2020	2021	2020
Allocation for CONAPE	¢ 2.959.933.533	1.920.536.648	1.161.836.875	1.041.454.397
Allocation for Instituto Nacional de Fomento Cooperativo	2.879.452.745	1.633.895.529	1.130.151.579	1.010.917.611
Allocation for National Emergency Commission	2.195.262.409	1.528.207.860	849.611.122	756.648.801
Allocation for Public Pension Fund Operators	833.932.068	628.132.482	279.530.855	251.299.264
Allocation for Invalidity. Old Age. and Death Regime	8.879.800.594	5.761.609.943	3.485.510.624	3.124.363.189
	¢ <u>17.748.381.349</u>	<u>11.472.382.462</u>	<u>6.906.641.055</u>	<u>6.184.683.262</u>

As of September 30, 2021 and September 2020 there are not decreases in the legal allocations of the period's profits.

(35) Components of other comprehensive income

The components of other comprehensive income are detailed as follows:

	September 2021		
	Amount before taxes	Tax benefit (expense)	Net taxes
Adjustment for valuation of investments at fair value through other comprehensive income.	¢ 75.120.620.684	(22.663.054.158)	52.457.566.526
Impairment – Investments at fair value through other comprehensive income.	1.347.165.881	0	1.347.165.881
Exchange differences from conversion of financial statements of foreign entities.	3.258.409.639	0	3.258.409.639
	¢ <u>79.726.196.204</u>	<u>(22.663.054.158)</u>	<u>57.063.142.046</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

	December 2020		
	Amount before taxes	Tax benefit (expense)	Net taxes
Adjustment for valuation of investments at fair value through other comprehensive income	¢ (6.410.837.958)	1.574.187.653	(4.836.650.305)
Impairment – Investments at fair value through other comprehensive income	3.014.370.489	0	3.014.370.489
Exchange differences from conversion of financial statements of foreign entities	11.947.048.084	0	11.947.048.084
	¢ 8.550.580.615	1.574.187.653	10.124.768.268

	September 2020		
	Amount before taxes	Tax benefit (expense)	Net taxes
Adjustment for valuation of investments at fair value through other comprehensive income.	¢ (1.894.057.872)	2.240.606.067	346.548.195
Impairment – Investments at fair value through other comprehensive income.	2.576.457.366	0	2.576.457.366
Exchange differences from conversion of financial statements of foreign entities.	9.245.911.147	0	9.245.911.147
	¢ 9.928.310.641	2.240.606.067	12.168.916.708

(36) Operating leases

Lessee

Non-cancellable operating leases are payable as follows:

	September 2021	December 2020	September 2020
Less than one year	¢ 212.426.983	481.705.800	475.480.200
From one to five years	0	240.852.900	237.740.100
	¢ 212.426.983	722.558.700	713.220.300

These leases correspond to furniture and equipment.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(37) Fair value of financial instruments

The fair values of the Bank's main financial assets and liabilities are as follows:

	September 2021		December 2020		September 2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Cash and due from banks	¢ 845.624.214.065	845.624.214.065	803.047.856.879	803.047.856.879	772.145.159.411	772.145.159.411
Investments	1.986.126.245.463	1.968.342.297.596	1.422.226.389.458	1.404.261.910.170	1.410.518.350.518	1.398.464.879.930
Loan portfolio	<u>3.920.726.798.042</u>	<u>3.862.069.366.390</u>	<u>3.872.075.337.959</u>	<u>3.797.164.693.061</u>	<u>3.797.928.044.112</u>	<u>3.645.216.890.614</u>
	<u>6.752.477.257.570</u>	<u>6.676.035.878.051</u>	<u>6.097.349.584.296</u>	<u>6.004.474.460.110</u>	<u>5.980.591.554.041</u>	<u>5.815.826.929.955</u>
Demand deposits	3.173.708.052.817	3.173.708.052.817	2.670.460.239.035	2.670.460.239.035	2.563.589.543.439	2.563.589.543.440
Term deposits	1.793.166.323.284	1.783.881.802.473	1.765.488.529.810	1.756.778.173.323	1.821.835.770.866	1.807.889.963.744
Financial obligations	967.869.498.438	944.518.651.734	998.708.960.958	1.026.931.889.413	934.830.403.169	977.180.396.384
¢	<u>5.934.743.874.539</u>	<u>5.902.108.507.024</u>	<u>5.434.657.729.803</u>	<u>5.454.170.301.771</u>	<u>5.320.255.717.474</u>	<u>5.348.659.903.568</u>

As of September 2021, December and September 2020, there are no subordinated obligations.

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

- a) Cash and cash equivalents, interest receivable, other accounts receivable, demand deposits and customer savings deposits, interest payable, and other liabilities.

The carrying amounts approximate fair value because of the short maturity of these instruments.

- b) Investments in financial instruments

For financial instruments through other comprehensive income, the fair value is based on market price quotes or quotes from brokers.

- c) Securities sold under repurchase agreements

The carrying amount of funds owed under repurchase agreements maturing in one year or less approximates their fair value because of the short maturity of these instruments.

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BANCO DE COSTA RICA AND SUBSIDIARIES

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September 30, 2021

d) Loan portfolio

Management determined the fair value of the loan portfolio by the discounted cash flow method.

e) Term deposits and loans payable

Management determined the fair value of term deposits and loans payable by the discounted cash flow method.

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 of a particular financial instrument at a given date. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and. Therefore, cannot be determined with precision. Estimates could vary significantly if changes are made to those assumptions.

(38) Segments

The Bank has defined its business segments based on the administrative and reporting structure, and on the structure of banking, stock brokerage, investment and pension fund management, and insurance brokerage services it provides.

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BANCO DE COSTA RICA AND SUBSIDIARIES

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September 30, 2021

As of September 30, 2021, assets and liabilities for each segment are presented as follows:

	Bank	Pension Fund Operator	Investment Fund Manager	Brokerage House	Foreign Bank	Insurance Broker	Depósito Agrícola de Cartage	Banprocesa	Total	Eliminations	Consolidated
Assets											
Cash and due from banks	€ 761.246.224.718	479.547.005	1.883.040.076	710.334.031	113.525.771.789	616.528.757	63.787.379	33.350.033	878.525.233.755	(32.934.369.724)	845.590.864.031
Investment in financial instruments	1.840.646.178.197	7.068.089.763	6.811.068.170	58.503.719.422	66.087.789.946	8.079.807.819	756.040.193	711.985.707	1.987.952.693.510	(2.539.437.136)	1.985.413.256.374
Loan portfolio	2.906.203.019.292	0	0	0	860.284.628.083	0	0	0	3.766.487.647.375	0	3.766.487.647.375
Accounts and fees receivable	11.633.032.530	704.053.455	890.531.749	413.855.020	7.199.320.151	643.002.170	89.871.728	692.625.377	21.573.666.803	(507.075.724)	21.066.591.079
Foreclosed assets	45.297.555.501	0	0	0	20.594.625.878	0	39	0	65.892.181.418	0	65.892.181.418
Interest in other companies (net)	125.511.370.639	0	0	65.417.188	0	0	0	0	125.576.787.827	(125.511.370.639)	65.417.188
Property, furniture and equipment, Net	135.062.735.028	352.701.512	461.456.838	313.874.296	8.324.459.531	327.847.909	215.845.603	289.763.608	145.058.920.717	(3.323.738.572)	141.735.182.145
Properties investments	6.441.924.521	0	0	0	0	0	0	0	6.441.924.521	0	6.441.924.521
Other assets	64.337.097.708	1.014.126.319	857.298.873	1.271.094.101	23.402.067.009	1.006.371.589	102.498.087	71.019.178	91.990.553.686	0	91.990.553.686
Total assets	€ 5.896.379.138.134	9.618.518.054	10.903.395.706	61.278.294.058	1.099.418.662.387	10.673.558.244	1.228.043.029	1.798.743.903	7.089.499.609.612	(164.815.991.795)	6.924.683.617.817
Liabilities and Equity											
Liabilities											
Obligations with the public	€ 4.465.148.485.398	0	0	1.464.435.787	506.737.891.198	10.628.615	0	0	4.973.361.440.998	(6.487.064.897)	4.966.874.376.101
Obligations with the Central Bank of Costa Rica	139.691.676.616	0	0	0	0	0	0	0	139.691.676.616	2	139.691.676.618
Obligations with entities	402.601.298.819	383.895.634	535.888.128	31.852.037.025	424.229.840.595	376.144.646	193.492.300	297.763.726	860.172.597.147	(32.310.480.536)	827.862.116.611
Accounts payable and provisions	187.875.764.767	2.754.748.346	2.032.435.690	4.509.065.775	12.563.855.535	2.441.862.894	117.924.436	548.639.786	212.295.657.443	(507.075.725)	211.788.581.718
Other liabilities	15.544.029.838	0	0	0	0	3.801.791.002	32.045.924	737.302	19.378.798.370	3	19.378.798.373
Total liabilities	€ 5.210.861.255.438	3.138.643.980	2.568.323.818	37.825.538.587	947.333.378.330	2.860.682.079	312.348.342	847.140.814	6.204.900.170.574	(39.304.621.153)	6.165.595.549.421
Equity											
Capital	181.409.990.601	4.764.734.914	4.839.200.000	12.626.000.000	38.609.421.071	2.250.000.000	305.842.762	710.000.000	244.805.189.348	(64.105.198.748)	180.699.990.600
Unfunded capital contributions	0	527.123.226	0	0	0	0	0	0	527.123.226	(527.123.226)	0
Equity adjustments	111.631.070.495	98.193.867	52.297.212	2.807.942.903	59.617.003.016	92.463.647	570.095	0	174.299.541.235	(62.668.470.740)	111.631.070.495
Capital reserves	296.709.547.031	255.890.001	967.840.000	1.467.308.772	35.117.969.817	450.000.000	34.330.621	5.908.530	335.002.886.242	(38.299.247.740)	296.703.638.502
Prior periods retained earnings	23.286.282.979	-	539.757.627	3.631.489.587	17.200.230.768	2.535.848.001	548.780.963	(179.544.020)	47.742.389.925	(24.276.562.926)	23.465.826.999
Profit for the period	36.268.980.180	833.932.066	1.935.977.049	2.920.014.209	1.540.659.386	2.484.564.517	26.170.246	415.238.579	46.010.297.653	(10.156.556.052)	35.853.741.601
Development financing fund	36.212.011.410	0	0	0	0	0	0	0	36.212.011.410	0	36.212.011.410
Minority interest	0	0	0	0	0	0	0	0	0	74.521.788.792	74.521.788.792
Total equity	685.517.882.696	6.479.874.074	8.335.071.888	23.452.755.471	152.085.284.058	7.812.876.165	915.694.687	951.603.089	884.599.439.039	(125.511.370.640)	759.088.068.399
Total liabilities and equity	€ 5.896.379.138.134	9.618.518.054	10.903.395.706	61.278.294.058	1.099.418.662.388	10.673.558.244	1.228.043.029	1.798.743.903	7.089.499.609.613	(164.815.991.793)	6.924.683.617.820
Debit contingent accounts	€ 309.202.427.037	0	0	0	135.421.697.677	0	0	0	444.624.124.714	1	444.624.124.714
Trust assets	€ 929.906.970.734	0	0	0	56.415.358.076	0	0	0	986.322.328.810	0	986.322.328.810
Trust liabilities	€ 356.451.529.182	0	0	0	0	0	0	0	356.451.529.182	0	356.451.529.182
Trust equity	€ 573.455.441.552	0	0	0	56.415.358.076	0	0	0	629.870.799.628	0	629.870.799.629
Other debit memoranda accounts	€ 31.071.518.265.901	1.585.440.571.200	765.693.369.619	689.879.250.012	1.561.042.739.416	0	5.377.781.991	0	35.678.951.978.139	2	35.678.951.978.140

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of December 31, 2020, assets and liabilities for each sector are presented as follows:

	Bank	Pension Fund Operator	Investment Fund Manager	Brokerage House	Foreign Bank	Insurance Broker	Depósito Agrícola de Cartago	Total	Eliminations	Consolidated
Assets										
Cash and due from banks	€ 733.128.044.604	126.450.872	2.230.633.561	567.180.616	103.892.108.532	848.015.309	30.318.219	840.822.751.713	(37.774.894.835)	803.047.856.878
Investment in financial instruments	1.263.953.609.423	6.613.726.000	7.355.482.256	49.508.424.809	85.260.784.007	9.018.189.307	750.298.087	1.422.460.513.889	(234.577.160)	1.422.225.936.729
Loan portfolio	2.832.062.814.549	0	0	0	905.787.280.721	0	0	3.737.850.095.270	0	3.737.850.095.270
Accounts and fees receivable	10.567.281.932	563.661.203	853.560.938	454.285.698	5.683.921.235	569.835.369	82.222.213	18.774.768.588	(3.485.809.201)	15.288.959.387
Foreclosed assets	45.392.977.656	0	0	0	19.625.780.627	0	39	65.018.758.322	1	65.018.758.323
Interest in other companies (net)	121.084.071.454	0	0	65.417.188	0	0	0	121.149.488.642	(120.547.706.944)	601.781.698
Property, furniture and equipment, net	135.405.802.729	422.881.886	557.726.533	374.629.317	8.173.113.730	393.703.071	245.784.563	145.573.641.829	(107.009.839)	145.466.631.990
Properties investments	6.441.924.521	0	0	0	0	0	0	6.441.924.521	0	6.441.924.521
Other assets	82.013.309.024	448.755.328	278.491.901	977.871.218	19.681.630.228	429.372.066	84.713.048	103.914.142.813	2	103.914.142.815
Total assets	€ 5.230.049.835.892	8.175.475.289	11.275.895.189	51.947.808.846	1.148.104.619.080	11.259.115.122	1.193.336.169	6.462.006.085.587	(162.149.997.976)	6.299.856.087.611
Liabilities and equity										
Liabilities										
Obligations with the public	€ 3.969.128.326.795	0	0	20.090.554.686	450.628.782.093	12.226.036	0	4.439.859.889.610	(3.911.120.769)	4.435.948.768.841
Obligations with the Central Bank of Costa Rica	2.500.208.320	0	0	0	0	0	0	2.500.208.320	0	2.500.208.320
Obligations with entities	489.297.292.335	441.980.878	616.970.590	7.078.016.732	535.335.923.928	433.057.151	206.735.111	1.033.409.976.725	(37.224.656.806)	996.185.319.919
Accounts payable and provisions	141.390.863.708	1.885.366.315	1.585.575.326	3.637.830.577	10.484.065.171	2.507.999.351	97.162.146	161.588.862.594	(466.513.456)	161.122.349.138
Other liabilities	34.156.939.759	0	0	0	3.948.865.014	41.010.138	264	38.146.815.175	0	38.146.815.175
Total liabilities	€ 4.636.473.630.917	2.327.347.193	2.202.545.916	30.806.401.995	1.000.397.636.206	2.994.292.676	303.897.521	5.675.505.752.424	(41.602.291.031)	5.633.903.461.393
Equity										
Capital	181.409.990.601	4.324.541.114	4.839.200.000	12.626.000.000	38.609.421.071	2.250.000.000	305.842.762	244.364.995.548	(62.955.004.947)	181.409.990.601
Unfunded capital contributions	0	339.245.414	0	0	0	0	0	339.245.414	(339.245.414)	0
Equity adjustments	55.958.372.953	50.379.955	(23.448.353)	916.608.492	56.491.654.297	28.974.445	484.301	113.423.026.090	(57.464.653.138)	55.958.372.952
Capital reserves	283.820.516.011	255.890.000	967.840.000	1.467.308.772	36.421.578.570	450.000.000	34.330.621	323.417.463.974	(39.596.947.963)	283.820.516.011
Prior periods retained earnings	13.464.953.148	367.569	437.916.745	2.885.192.110	14.489.541.354	2.493.199.547	590.607.095	34.361.777.568	(20.896.824.420)	13.464.953.148
Profit for the period	25.612.643.802	877.704.044	2.851.840.881	3.246.297.477	1.694.787.582	3.042.648.454	(41.826.131)	37.284.096.109	(11.671.452.307)	25.612.643.802
Development financing fund	33.309.728.460	0	0	0	0	0	0	33.309.728.460	0	33.309.728.460
Minority interest	0	0	0	0	0	0	0	0	72.376.421.244	72.376.421.244
Total equity	593.576.204.975	5.848.128.096	9.073.349.273	21.141.406.851	147.706.982.874	8.264.822.446	889.438.648	786.500.333.163	(120.547.706.945)	665.952.626.218
Total liabilities and equity	€ 5.230.049.835.892	8.175.475.289	11.275.895.189	51.947.808.846	1.148.104.619.080	11.259.115.122	1.193.336.169	6.462.006.085.587	(162.149.997.976)	6.299.856.087.611
Debit contingent accounts	€ 314.178.618.537	0	0	0	121.418.228.397	0	0	435.596.846.934	0	435.596.846.933
Trust assets	€ 919.788.849.805	0	0	0	52.879.211.861	0	0	972.668.061.666	0	972.668.061.666
Trust liabilities	€ 379.680.643.674	0	0	0	0	0	0	379.680.643.674	0	379.680.643.674
Trust equity	€ 540.108.206.131	0	0	0	52.879.211.861	0	0	592.987.417.992	0	592.987.417.992
Other debit memoranda accounts	€ 20.374.911.227.431	1.388.453.642.542	757.469.661.204	645.908.328.812	1.446.068.567.793	0	2.973.801.686	24.615.785.229.468	0	24.615.785.229.468

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of September 30, 2020 assets and liabilities for each segment are presented as follows:

	Bank	Pension Fund Operator	Investment Fund Manager	Brokerage House	Foreign Bank	Insurance Broker	Depósito Agrícola	Total	Eliminations	Consolidated
Assets										
Cash and due from banks	€ 701.863.097.005	91.543.399	2.920.251.771	471.509.708	106.630.435.955	834.155.980	10.544.854	812.821.538.672	(40.676.379.262)	772.145.159.410
Investment in financial instruments	1.252.131.331.103	6.146.345.390	6.040.148.218	52.309.361.740	85.189.482.642	8.180.567.490	748.245.394	1.410.745.481.977	(227.234.125)	1.410.518.247.852
Loan portfolio	2.827.556.101.964	0	0	0	859.483.369.749	0	0	3.687.039.471.713	1	3.687.039.471.714
Accounts and fees receivable	10.793.960.767	562.221.245	878.300.156	359.740.437	4.725.253.369	427.548.356	111.592.264	17.858.616.594	(5.822.511.894)	12.036.104.700
Foreclosed assets	45.346.964.990	0	0	0	10.879.387.989	0	39	56.226.353.018	0	56.226.353.018
Interest in other companies (net)	118.137.052.695	0	0	65.417.188	0	0	0	118.202.469.883	(117.721.498.138)	480.971.745
Property, furniture and equipment, net	130.544.257.109	740.066.950	1.219.285.339	790.667.048	7.827.236.723	799.688.052	253.635.196	142.174.836.417	(101.636.686)	142.073.199.731
Properties investments	6.441.924.521	0	0	0	0	0	0	6.441.924.521	0	6.441.924.521
Other assets	74.786.407.080	824.181.228	738.231.371	809.167.445	27.208.700.720	888.209.471	74.986.968	105.329.884.283	(1)	105.329.884.282
Total assets	€ 5.167.601.097.234	8.364.358.212	11.796.216.855	54.805.863.566	1.101.943.867.147	11.130.169.349	1.199.004.715	6.356.840.577.078	(164.549.260.105)	6.192.291.316.973
Liabilities and equity										
Liabilities										
Obligations with the public	€ 3.939.759.814.060	0	0	11.215.068.507	438.859.554.733	9.570.246	0	4.389.844.007.546	(4.418.693.241)	4.385.425.314.305
Obligations with entities	451.515.080.824	772.569.880	1.296.905.284	18.640.934.934	503.410.893.393	854.284.208	207.779.856	976.698.448.379	(41.880.668.317)	934.817.780.062
Accounts payable and provisions	154.742.707.357	1.998.184.921	2.080.943.274	3.835.014.763	7.911.986.886	2.679.360.138	86.825.657	173.335.022.996	(528.400.407)	172.806.622.589
Other liabilities	26.956.720.103	0	0	0	6.404.955.544	28.647.735	7.475	33.390.150.857	0	33.390.150.857
Total liabilities	€ 4.572.974.322.344	2.770.754.801	3.377.848.558	33.691.018.204	956.587.390.556	3.571.682.327	294.612.988	5.573.267.629.778	(46.827.761.965)	5.526.439.867.813
Equity										
Capital	181.409.990.601	4.265.900.562	4.839.200.000	12.626.000.000	38.609.421.071	2.250.000.000	305.842.762	244.306.354.996	(62.896.364.395)	181.409.990.601
Unfunded capital contributions	0	397.885.966	0	0	0	0	0	397.885.966	(397.885.966)	0
Equity adjustments	59.213.823.321	45.426.832	(6.404.920)	1.175.915.301	53.882.643.669	47.161.331	0	114.358.565.534	(55.144.742.213)	59.213.823.321
Capital reserves	283.820.516.011	255.890.000	967.840.000	1.304.993.898	31.347.861.523	386.760.404	34.330.622	318.118.192.458	(34.297.676.447)	283.820.516.011
Prior periods retained earnings	13.464.953.148	367.569	480.373.873	3.346.900.134	19.700.222.072	2.597.319.286	590.607.095	40.180.743.177	(26.715.790.029)	13.464.953.148
Profit for the period	23.407.763.349	628.132.482	2.137.359.344	2.661.036.029	1.816.328.256	2.277.246.001	(26.388.752)	32.901.476.709	(9.493.713.360)	23.407.763.349
Development financing fund	33.309.728.460	0	0	0	0	0	0	33.309.728.460	0	33.309.728.460
Minority interest	0	0	0	0	0	0	0	0	71.224.674.270	71.224.674.270
Total equity	594.626.774.890	5.593.603.411	8.418.368.297	21.114.845.362	145.356.476.591	7.558.487.022	904.391.727	783.572.947.300	(117.721.498.140)	665.851.449.160
Total liabilities and equity	€ 5.167.601.097.234	8.364.358.212	11.796.216.855	54.805.863.566	1.101.943.867.147	11.130.169.349	1.199.004.715	6.356.840.577.078	(164.549.260.105)	6.192.291.316.973
Debit contingent accounts	€ 312.213.658.216	0	0	0	117.562.639.683	0	0	429.776.297.900	1	429.776.297.900
Trust assets	€ 863.713.999.161	0	0	0	49.637.153.742	0	0	913.351.152.903	1	913.351.152.904
Trust liabilities	€ 372.016.190.461	0	0	0	0	0	0	372.016.190.461	0	372.016.190.461
Trust equity	€ 491.697.808.701	0	0	0	49.637.153.742	0	0	541.334.962.443	0	541.334.962.443
Other debit memoranda accounts	€ 20.324.754.918.873	1.363.114.398.666	797.598.041.230	648.656.651.890	1.398.277.278.573	0	3.389.590.539	24.535.790.879.771	0	24.535.790.879.771

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of September 30, 2021, results of each segment are as follows:

	<u>Bank</u>	<u>Pension Fund Operator</u>	<u>Investment Fund Manager</u>	<u>Brokerage House</u>	<u>Foreign Bank</u>	<u>Insurance Broker</u>	<u>Depósito Agrícola de Cartago</u>	<u>Banprocesa</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
Financial income	€ 245.180.267.913	275.465.544	315.345.725	3.724.712.060	42.541.721.429	529.687.430	14.274.127	3.583.049	292.585.057.277	(497.413.361)	292.087.643.916
Financial expenses	80.821.297.226	20.755.678	26.077.201	295.751.522	23.408.473.944	18.313.519	10.652.733	15.472.363	104.616.794.186	(609.079.667)	104.007.714.519
Expenses from allowance for assets impairment	27.161.307.971	7.422.436	2.156.243	309.649.316	3.402.332.414	37.960.318	1.460.263	0	30.922.288.961	0	30.922.288.961
Income from recovery of assets and decrease in allowance	12.820.268.381	4.167.405	31.027.603	294.007.556	0	22.087.747	949.520	0	13.172.508.212	0	13.172.508.212
Financial income	150.017.931.097	251.454.835	318.139.884	3.413.318.778	15.730.915.071	495.501.340	3.110.651	(11.889.314)	170.218.482.342	111.666.306	170.330.148.648
Other operating income	121.616.354.590	5.384.681.138	6.010.975.774	3.947.852.397	1.278.885.036	5.412.149.433	715.883.519	2.443.600.946	146.810.382.833	(15.568.398.397)	131.241.984.436
Other operating expenses	80.221.920.365	1.193.325.876	1.168.544.832	679.792.142	2.479.915.446	395.120.318	112.073.547	130.564.153	86.381.256.679	(3.205.561.791)	83.175.694.888
Gross operating income	191.412.365.322	4.442.810.097	5.160.570.826	6.681.379.033	14.529.884.661	5.512.530.455	606.920.623	2.301.147.479	230.647.608.496	(12.251.170.300)	218.396.438.196
Personnel expenses	71.741.972.823	1.590.069.285	2.061.723.001	2.048.781.690	7.437.528.026	1.589.024.604	445.129.228	1.666.858.075	88.581.086.732	(1.666.858.073)	86.914.228.659
Other administrative expenses	51.070.088.854	388.595.963	240.153.774	276.862.690	4.709.803.252	262.284.790	120.225.334	31.858.473	57.099.873.130	(1.182.679.222)	55.917.193.908
Administrative expenses	122.812.061.677	1.978.665.248	2.301.876.775	2.325.644.380	12.147.331.278	1.851.309.394	565.354.562	1.698.716.548	145.680.959.862	(2.849.537.295)	142.831.422.567
Net operating income before taxes and statutory allocations	68.600.303.645	2.464.144.849	2.858.694.051	4.355.734.653	2.382.553.383	3.661.221.061	41.566.061	602.430.931	84.364.217.703	(9.401.633.005)	75.565.015.629
Income tax	16.943.733.600	748.587.956	862.026.590	1.283.454.865	701.548.840	1.080.143.210	14.148.833	176.565.072	21.810.208.966	1	21.810.208.967
Deferred income tax	0	109.053.293	163.631.027	100.482.953	140.345.157	115.177.672	0	7.048.613	635.738.715	1	635.738.716
Decrease in income tax	1.107.557.127	135.284.877	188.701.437	78.889.413	0	128.500.969	0	14.282.804	1.653.216.627	0	1.653.216.627
Profit sharing	16.495.146.992	907.856.411	85.760.822	130.672.039	0	109.836.631	1.246.982	17.861.471	17.748.381.348	1	17.748.381.349
Net profit for the year	36.268.980.180	833.932.066	1.935.977.049	2.920.014.209	1.540.659.386	2.484.564.517	26.170.246	415.238.579	46.010.297.653	(9.401.633.008)	37.023.903.224
Results for the period attributable to minority interests	0	0	0	0	0	0	0	0	0	(754.923.044)	754.923.044
Results for the period attributable to the comptroller	36.268.980.180	833.932.066	1.935.977.049	2.920.014.209	1.540.659.386	2.484.564.517	26.170.246	415.238.579	46.010.297.653	(10.156.556.052)	36.268.980.180
Net income for the periods	€ 36.268.980.180	833.932.066	1.935.977.049	2.920.014.209	1.540.659.386	2.484.564.517	26.170.246	415.238.579	46.010.297.653	(10.156.556.052)	36.268.980.180

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of September 30, 2020, results of each segment are as follows:

	Bank	Pension Fund Operator	Investment Fund Manager	Brokerage House	Foreign Bank	Insurance Broker	Depósito Agrícola	Total	Eliminations	Consolidated
Financial income	241.328.507.887	386.295.121	726.353.302	4.288.822.383	43.771.011.084	698.989.570	9.298.788	291.209.278.135	(351.096.842)	290.858.181.293
Financial expenses	109.153.390.496	41.872.081	60.407.727	761.272.742	26.891.814.501	39.759.709	19.427.155	136.967.944.411	(1.235.327.784)	135.732.616.627
Expenses from allowance for assets impairment	26.674.010.894	48.809.609	121.913.629	239.494.090	2.513.254.347	84.018.904	0	29.681.501.473	0	29.681.501.473
Income from recovery of assets and decrease in allowance	29.789.170.407	0	65.458.417	169.296.419	0	37.982.720	0	30.061.907.963	1	30.061.907.964
Financial income	135.290.276.904	295.613.431	609.490.363	3.457.351.970	14.365.942.236	613.193.677	(10.128.367)	154.621.740.214	884.230.943	155.505.971.157
Other operating income	116.326.778.801	4.798.697.539	6.561.300.750	3.324.229.797	1.505.666.167	4.972.503.231	598.316.887	138.087.493.172	(12.500.926.312)	125.586.566.860
Other operating expenses	84.806.071.055	1.097.620.184	1.530.448.860	488.766.214	2.152.713.103	335.379.528	103.585.830	90.514.584.774	(3.012.983.064)	87.501.601.710
Gross operating income	166.810.984.650	3.996.690.786	5.640.342.253	6.292.815.553	13.718.895.300	5.250.317.380	484.602.690	202.194.648.612	(8.603.712.305)	193.590.936.307
Personnel expenses	71.167.367.714	1.598.699.612	2.091.172.081	1.915.413.003	6.746.539.330	1.448.723.053	296.968.316	85.264.883.109	0	85.264.883.109
Other administrative expenses	48.644.499.996	522.461.746	358.866.223	351.580.283	4.568.482.798	363.720.913	204.388.984	55.014.000.943	1	55.014.000.944
Administrative expenses	119.811.867.710	2.121.161.358	2.450.038.304	2.266.993.286	11.315.022.128	1.812.443.966	501.357.300	140.278.884.052	1	140.278.884.053
And profit sharing	46.999.116.940	1.875.529.428	3.190.303.949	4.025.822.267	2.403.873.172	3.437.873.414	(16.754.610)	61.915.764.560	(8.603.712.306)	53.312.052.254
Income tax	13.237.309.078	562.998.581	957.235.487	1.250.515.679	451.766.759	1.050.260.098	9.634.142	17.519.719.824	1	17.519.719.825
Deferred income tax	0	0	0	5.748.830	206.773.988	11.394.816	0	223.917.634	0	223.917.634
Decrease in income tax	114.319.595	0	0	12.252.939	70.995.831	4.163.703	0	201.732.068	(1)	201.732.067
Profit sharing	10.468.364.108	684.398.365	95.709.118	120.774.668	0	103.136.202	0	11.472.382.461	1	11.472.382.462
Net profit for the year	23.407.763.349	628.132.482	2.137.359.344	2.661.036.029	1.816.328.256	2.277.246.001	(26.388.752)	32.901.476.709	(8.603.712.309)	24.297.764.400
Results for the period attributable to minority interests	0	0	0	0	0	0	0	0	(890.001.051)	890.001.051
Results for the period attributable to the comptroller	23.407.763.349	628.132.482	2.137.359.344	2.661.036.029	1.816.328.256	2.277.246.001	(26.388.752)	32.901.476.709	(9.493.713.360)	23.407.763.349
Net income for the periods	23.407.763.349	628.132.482	2.137.359.344	2.661.036.029	1.816.328.256	2.277.246.001	(26.388.752)	32.901.476.709	(9.493.713.360)	23.407.763.349

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(39) Risk management

Comprehensive risk management

Sophistication and uncertainty of financial markets involve managing risks that may impair the value of entities and of third-party resources it manages. Given this reality, the Bank implemented a System of Comprehensive Risk management, (Hereinafter SIGIR or System), enabling it to achieve a proper balance between the expected benefits of the business strategy and the acceptance of a certain level of risk, through an effective risk-based management.

Corporate governance of the risk management area

Boards of Directors, committees, and senior managers of member institutions of the BCR Financial Conglomerate strengthen and ensure the above-mentioned system, aware that it contributes to the improvement of institutional processes, and hence to the achievement of objectives and goals.

Corporate risk management is led by the Corporate Risk Management reporting to the General Board of Directors, which has various administrative areas, responsible for the specific and comprehensive management of relevant risk to which the entity is exposed while in the subsidiaries there are risk managing areas responsible for this work.

Objective of the Comprehensive Risk Management System

The System aims to generate information that will support the decision making to locate the entity at a risk level consistent with its profile and risk appetite as well as its business flows, complexity, operations volume and economic environment, and thus lead to the achievement of institutional objective and goals.

General Risk Principles and Policies

The Conglomerate has policies, strategies and other corporate regulations for an effective comprehensive risk management, thus providing administrative, legal and technical certainty to the System, supporting the decision making:

- A robust regulatory framework to provide legal, technical and administrative certainty for the functioning, evaluation and improvement of the System.
- Strategies that seek to strengthen the system's maturity level.
- The risk management culture is promoted at all levels of the organization, thereby raising awareness of the importance of effective risk-based management.

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- Methodologies and measurement models are available for the valuation of the different types of risk, which are periodically subjected to retrospective and stress tests, to adjust the variables and factors that influence the exposure to risks.
- Updated tools and systems are available to meet the needs of managing each type of risk.
- Risk and contingency management plans are in place to deal with situations that prevent the fulfillment of the objectives defined, as well as for materialized events whose consequences may generate negative impacts on the entities.

Classification of significant risks

The relevant risks to the Bank are classified as follows:

**Risk classification of Banco de Costa Rica Financial
Conglomerate**

Types of relevant risk	Financial	Credit
		Market
		Liquidity
	Non-financial	Strategic
		Operating
		Legal
		Information Technology
		Reputational
		Environmental and social
		Regulatory compliance
		Money laundering and financing of terrorism, financing of proliferation of weapons of mass destruction and financing of organized crime (LC/FT/FPADM/FDO-for its acronym in Spanish)

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Types of risks related to the strategic plan

The following table details the types of risk associated with the strategic objectives of the BCR Financial Conglomerate.

Strategic objective	Process	Type of risk	Risk Appetite Declaration Indicator
1. To guarantee the financial solidity of the Conglomerate. 2. Support the country's performance.	1. Organizational strategy	Strategic	Equity Sufficiency Index
	1. Treasury operations		Liquidity Coverage Index in colones Liquidity Coverage Index in US dollars
	1. Security management		Operative
	2. Management of processes and regulations	Technology platform availability	
	3. IT Security	Vulnerability analysis Change management	
	1. Loan granting	Credit	Expected loss of the loan portfolio SUGEF Non high-risk generators
	2. Monitoring of loans		
	3. Loans recovery		
	1. Financial treasury operations	Market	PPME sensibility for ER movements VaR of the investment portfolio 03-06 Elasticity of the financial margin to movements in interest rates
	2. Investment services	Liquidity	Maximum expected variation of deposits from the public (MVEC) colones Maximum expected variation of deposits from the public (MVEC) US dollars

Statement of risk appetite

A Risk Appetite Statement is established for the CFBCR approved by the General Board of Directors and a Risk Appetite Statement for each member entity of the Conglomerate approved by its boards of directors. These documents are part of the comprehensive risk management framework, which are periodically reviewed and updated.

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Its purpose is to declare the acceptability parameters of the risks to which Banco de Costa Rica and its subsidiaries are exposed.

They establish qualitative and quantitative definitions of risk appetite that include indicators by type of risk for which the parameters related to appetite, tolerance and capacity are determined defining the levels of exposure to be assumed. Reports with alerts are generated when deviations from normal business behavior occur, supporting timely decision-making for normalization.

Process of comprehensive risk management

The process of risk assessment includes identification, analysis, evaluation, Management, review, documentation, and risk communication.

Types of risk assessments

The process of risk management includes qualitative and quantitative assessments. The first correspond to specific analysis of the objectives of activities and substantial processes of the BCR Financial Conglomerate. The second refers to global analysis with quantitative risk measurements using mathematical and statistical methods and models.

In addition, during the period under study, the management generated reports about risk on new services and products or modification to existing ones, which are issued prior to its release to the market or the contracting of services.

Risk control framework

Risk Control arises as result of the operation of the Internal Control System established in each of the Conglomerate Financiero BCR members, incorporating flow of processes and internal control activities to minimize risk exposure.

Risk assessment generates various alerts, recommendations, and treatment of risk plans, contributing to its overall and specific mitigation. Contributing those risks are located at an acceptable level of exposure, congruent with the defined risk profile, supporting the sustainability, solvency, and value of the members of the Conglomerate.

In addition, there is a continuous monitoring of tolerance limits and risk indicators, to reflect the degree of exposure in which each of its relevant risk types is found. Contingency plans are available to deal with unexpected events that affect compliance.

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Mitigation coverage

In accordance with the regulations, estimates and provisions are maintained. Implemented risk assessment models seek to establish additional capital requirements to cover non-expected losses. Likewise, BCR net worth equity indicator is evaluated to analyze its ability to respond to different types of risk, which, during the period under study, was higher than the 10% limit established by the General Superintendence of Financial Institutions.

Evaluation of the effectiveness and maturity of the System

Risk managing areas apply critical judgment on the effectiveness and maturity of the System using self-assessment tools for continuous improvement. Annually, a Model of Corporate Maturity is applied to evaluate the progress in management by type of risk. The results of this assessment are used to define strategies and work plans.

Information generated by the Comprehensive Risk Management System

During the period under analysis, the system generated timely and periodic reports for the Boards of Directors, Committees, and other risk-taking areas of the BCR Financial Conglomerate, as a result of the Comprehensive Risk Management, or by the occurrence of significant events that should be known of for suitable decision making based on risk exposure and risk-based business management.

(a) Credit risk management

Definition

Credit risk is the possibility of economic losses due to the breach of the agreed conditions by the debtor, issuer, or counterparty. The risk of default against a counterparty is defined as the possibility that one of the parties of a transaction using financial instruments may breach its obligations. In such a case, an economic loss would occur if the operations or the portfolio of operations with that party had a positive economic value at the time of default.

Unlike the exposure of an entity to credit risk through a loan or investment, which is only unilateral for the entity that grants the loan or makes the investment, the counterparty risk produces a risk of bilateral loss, since the fair value of the transaction can be positive or negative for both parties, is uncertain and can vary over time as the underlying market factors do. Likewise, when the entity makes international loans and investments, it is also exposed to country risk and transfer risk.

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Exposure to credit risk can also increase due to movements in the exchange rate and interest rates. In the first case, the risk is assumed when granting credits denominated in a currency other than the currency in which the debtor's net income or cash flows are mainly generated, and in the second case, the risk is assumed when granting credits with adjustable interest rates.

Management of this risk contributes to the strength of BCR's equity in the long term by providing both tools and information to improve decision making, minimize losses and maintain risk exposure of the loan portfolio within established parameters.

The General Board of Directors of the BCR has defined management strategies to control credit risk from portfolios to individual debtors, using tools and methodologies framed within the existing regulations developed internally.

Management methodology

In general terms, automated systems such as SAS are used for credit risk management and models are applied for their measurement that accurately reflect the value of positions and their sensitivity to various risk factors, incorporating information from reliable sources. Further, the Regulator issued adjustments to prudential regulations to enable the actions that financial entities can take to help clients: Executive Decree No. 42227-MP-S, Guideline 075-H, SUGEF 1-05, Transitory XVI and Transitory XVII, La Gaceta 105, Guideline 083-H.

The statistical support is complemented with expert criteria to analyze the borrower's ability to pay, as well a stress analysis on exposures to macroeconomic variables that are related to microeconomic and Bank's internal variables.

For the quantitative analysis of the loan portfolio, there is a model for the quantification of the expected loss, the Value at Risk (VaR) and economic capital, which is aligned with the standards of Basel II. Additionally, there is a series of indicators that seek to maintain the balance between profitability and risk, within them there are indicators of expected loss, delinquency, guarantees, payment arrangements, harvests, economic activities and geographical area, all of the above broken down to general level of the Bank as well as for the different lines of business.

Moreover, the risk inherent to the activities and products of the Bank is identified and analyzed, as well as its feedback to the organization through the Executive Corporate Committee. Finally, there are limits established on exposure to credit risk, to control exposure levels, both at loan portfolio and investments (by issuer).

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On the other hand, during the year different stress and retrospective tests are carried out to check the validity of the indicator parameters.

There are models for classifying the level of credit risk of clients, such as rating and scoring models.

In the case of credit risk of the investment portfolio, disclosed in Note 5: Investments in Financial Instruments, there is a methodology for determining the expected loss under IFRS 9, that improved in 2020 through adjustments to the methodology. The determination of a significant increase in risk is made by means of two factors, changes in the issuer's international risk rating, issued by risk rating agencies and sustained changes in the prices of "Credit Default Swaps" associated with the issuer. It is important to note that the measurement of the expected loss is made for each instrument considering the issuer's risk, while default is understood only when an issuer stops paying.

Exposure and risk management

During the first months of 2020, the loan portfolio had been trending towards an acceptable risk level for all its indicators, however, due to the Covid-19 pandemic and its repercussions on the economy, many of the Bank's clients had to suspend the production cycle, or they have stopped receiving their income in the case of private persons. In this situation, the Bank is in a third phase of granting grace periods to debtors affected by the pandemic, as well as renewal of the first phase. As of September 2021, the percentage of arrears greater than 90 days was 2.87% (2.54% as of December 2020). The latter indicator is 1.13 percentage points below the regulatory limit to be in the normal range, with retail banking activities showing the highest delinquency.

The dollar portfolio accounts for 29.16% at the closing of September (32.26% as of December 2020, respectively) of the total portfolio. It is important to mention that the loan portfolio has been managed strategically to attract customers with an acceptable risk profile. In addition, regular monitoring of the loans in foreign currency is given, and the portfolio of clients not generating income in foreign currency.

The activities with greater relative importance are housing, services and commerce, as shown in note 6.a of the financial statements (Loan Portfolio by Sector), limits on exposition for the loan portfolio are defined, to achieve a loan structure in the medium and long term that is consistent with the risk appetite established by the Senior Management.

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In addition, appropriate and timely communication mechanisms on exposure of the Bank to credit risk are implemented at all levels of the organizational structure, thus allowing a prospective view of the impact on the credit estimates and equity. The reports consider both the exposure resulting from position taking and possible deviations arising regarding the limits and defined tolerance levels.

Also, the commercial area is kept informed on the inherent risks of the economic activities associated with credit underwriting, through specific studies and analysis of the credit underwriting goals previously approved by the General Board of Directors, as well as new credit instruments the Bank is planning to offer.

With respect to the counterparty risk of the investment portfolio, compliance with the internal investment limits per issuer is monitored weekly. In addition, as of January 2020, the calculation of the expected loss for the investment portfolio under IFRS 9 begins, the foregoing allows for a buffer of resources to mitigate eventual defaults that may occur in the portfolio, thus maintaining a conservative profile. By the end of September 2021, the expected loss of the investment portfolio corresponded to 0.23% of the portfolio, 0.24% in December 2020.

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Expected losses of the investment portfolio of the BCR Conglomerate

By currency

December 2020 vs September 2021

Value adjustment for losses	Twelve-months expected credit losses	Lifetime expected credit losses	Impaired financial assets
Value adjustment for losses			
As of January 30, 2020			
Colones	1.468.466.336	292.153.873	42.380.778.000
US dollars	1.414.445	175.831	43.041.000
UDES	0	187.957	14.784.800
Value adjustment for losses			
As of December 31, 2020			
Colones	2.121.147.669	263.502.628	48.667.029.447
US dollars	2.551.459	57.241	22.020.000
UDES	0	104.085	14.784.800
Transfer to 12-months expected credit losses			
Colones	(536.464.427)	(2.440.718)	8.246.251.447
US dollars	(1.131.122)	(89.246)	21.109.000
UDES	0	75.757	0

As of December 31, 2020

Expected losses of the investment portfolio of the BCR Conglomerate

By currency

January and December, 2020

Value adjustment for losses	Twelve-months expected credit losses	Lifetime expected credit losses	Impaired financial assets
Value adjustment for losses			
As of January 30, 2020			
Colones	308.378.402	472.850.153	119.976.567.000
US dollars	351.737	290.459	44.343.000
UDES	0	213.029	14.784.800
Value adjustment for losses			
As of December 31, 2020			
Colones	1.466.116.838	280.034.268	44.678.950.000
US dollars	1.423.730	162.122	46.775.000
UDES	0	187.957	14.784.800
Transfer to 12-months expected credit losses			
Colones	1.157.728.447	(167.965.408)	(75.296.717.000)
US dollars	1.071.992	(128.336)	2.432.000
UDES	0	(25.073)	0

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September 30, 2021

The Bank's financial instruments exposed to credit risk are detailed as follows:

	September 2021	December 2020	September 2020
Banco de Costa Rica			
Loan portfolio, gross	¢ 3.042.046.515.873	2.935.641.227.054	2.906.650.140.420
Plus, interest receivable	19.986.616.932	32.602.387.644	33.074.083.443
Less, allowance for impairment	<u>(137.088.062.449)</u>	<u>(119.006.689.666)</u>	<u>(95,460,346.335)</u>
Loan portfolio, net	¢ <u>2.924.945.070.356</u>	<u>2.849.236.925.033</u>	<u>2.844.263.877.528</u>
Banco Internacional de Costa Rica, S.A. and subsidiary			
Loan portfolio, gross	¢ 872.937.701.556	914.506.024.070	869.031.383.311
Plus, interest receivable	4.497.484.536	6.499.279.471	5.879.682.294
Less, allowance for impairment	<u>(17.150.558.013)</u>	<u>(15.218.022.819)</u>	<u>(15.427.695.856)</u>
Loan portfolio. Net	¢ <u>860.284.628.079</u>	<u>905.787.280.722</u>	<u>859.483.369.749</u>
Total consolidated loan portfolio, net	¢ <u>3.785.229.698.435</u>	<u>3.755.024.205.755</u>	<u>3.703.747.247.277</u>

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

		Direct Loan Portfolio September 2021	Direct Loan Portfolio December 2020	Direct Loan Portfolio September 2020	Contingent Loan Portfolio September 2021	Contingent Loan Portfolio December 2020	Contingent Loan Portfolio September 2020
Principal	Note 6a	¢ 3.042.046.515.868	2.935.641.227.054	2.906.650.140.420	235.417.220.704	232.564.794.767	230.608.257.637
Interest		19.986.616.932	32.602.387.644	33.074.083.450	0	0	0
Allowance for bad loans		3.062.033.132.800	2.968.243.614.698	2.939.724.223.870	235.417.220.704	232.564.794.767	230.608.257.637
Carrying amount	¢	<u>2.925.290.185.775</u>	<u>2.849.560.937.149</u>	<u>2.844.570.343.835</u>	<u>235.072.105.280</u>	<u>232.240.782.651</u>	<u>230.301.791.336</u>
Loan portfolio							
Total balance:							
A1	¢	2.419.769.474.528	2.252.641.974.421	2.215.616.187.009	215.477.900.580	216.785.669.119	214.742.118.729
A2		39.643.178.908	51.079.575.869	42.756.672.108	1.092.493.169	993.773.116	799.684.695
B1		199.332.170.682	317.076.523.159	331.276.270.920	11.281.467.021	4.750.549.387	4.710.575.157
B2		27.472.069.008	18.952.645.155	24.854.609.929	186.873.135	111.877.247	206.623.625
C1		55.461.087.328	50.179.872.607	42.923.172.582	4.521.426.359	6.386.300.335	3.516.263.694
C2		18.657.254.206	17.670.359.057	18.959.748.261	78.385.066	73.620.031	55.621.092
D		82.935.711.289	46.374.944.688	49.360.819.812	918.778.644	1.036.645.186	4.061.477.541
E		169.989.741.617	161.787.877.221	167.655.432.827	1.856.550.453	2.426.360.346	2.508.917.879
1		47.433.351.584	51.254.492.919	44.631.210.295	3.346.279	0	6.975.225
2		154.420.100	63.731.314	569.130.848	0	0	0
3		765.968.166	348.996.233	300.236.992	0	0	0
4		380.298.213	723.703.593	407.895.801	0	0	0
5		0	0	31.695.209	0	0	0
6		38.407.171	88.918.462	381.141.277	0	0	0
Allowance for bad loans		3.062.033.132.800	2.968.243.614.698	2.939.724.223.870	235.417.220.704	232.564.794.767	230.608.257.637
Carrying amount, net		<u>(96.198.520.558)</u>	<u>(81.874.379.225)</u>	<u>(83.255.351.892)</u>	<u>(197.959.755)</u>	<u>(301.501.990)</u>	<u>(270.004.318)</u>
Carrying amount		3.062.033.132.800	2.968.243.614.698	2.939.724.223.870	235.417.220.704	232.564.794.767	230.608.257.637
Allowance for bad loans		(96.198.520.558)	(81.874.379.225)	(83.255.351.892)	(197.959.755)	(301.501.990)	(270.004.318)
(Excess) inadequacy of allowance over structural estimate		(40.544.426.467)	(36.808.298.324)	(11.898.528.143)	(147.155.669)	(22.510.126)	(36.461.983)
Carrying amount, net	Note 6a	<u>¢ 2.925.290.185.775</u>	<u>2.849.560.937.149</u>	<u>2.844.570.343.835</u>	<u>235.072.105.280</u>	<u>232.240.782.651</u>	<u>230.301.791.336</u>

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The evaluated loan portfolio with an estimate is detailed as follows:

As of September 30, 2021

Loan portfolio	Direct Loan Portfolio				Contingent Loan Portfolio	
	Principal	Covered balance	Overdraft	Allowance	Principal	Allowance
Direct generic allowance						
A1	€ 2.419.769.474.539	1.718.455.759.247	701.313.715.292	(12.098.847.440)	215.477.900.580	(144.161.605)
A2	39.643.178.908	32.324.524.041	7.318.654.867	(198.931.437)	1.092.493.169	(40.708)
1	47.433.351.564	23.749.860.911	23.683.490.673	(119.516.746)	3.346.277	(1.092)
	<u>2.506.846.005.011</u>	<u>1.774.530.144.199</u>	<u>732.315.860.832</u>	<u>(12.417.295.623)</u>	<u>216.573.740.026</u>	<u>(144.203.405)</u>
Direct specific allowance						
B1	199.332.170.691	177.597.565.785	21.734.604.897	(1.974.718.076)	11.281.467.021	(6.246.524)
B2	27.472.069.008	24.635.644.532	2.836.424.475	(406.820.672)	186.873.135	0
C1	55.461.087.328	44.591.437.162	10.869.650.165	(2.940.369.729)	4.521.426.359	0
C2	18.657.254.206	17.729.718.051	927.536.155	(552.416.669)	78.385.066	0
D	82.935.711.289	67.960.774.660	14.974.936.628	(11.378.219.647)	918.778.644	(47.449.201)
E	169.989.741.617	96.688.497.605	73.301.244.012	(66.491.634.594)	1.856.550.453	(60.625)
2	154.420.100	122.587.754	31.832.346	(2.204.556)	0	0
3	765.968.166	738.145.908	27.822.259	(10.646.294)	0	0
4	380.298.213	345.284.652	35.013.561	(19.233.204)	0	0
6	38.407.171	33.613.746	4.793.425	(4.961.494)	0	0
	<u>€ 555.187.127.789</u>	<u>430.443.269.855</u>	<u>124.743.857.923</u>	<u>(83.781.224.935)</u>	<u>18.843.480.678</u>	<u>(53.756.350)</u>
	<u>€ 3.062.033.132.800</u>	<u>2.204.973.414.054</u>	<u>857.059.718.755</u>	<u>(96.198.520.558)</u>	<u>235.417.220.704</u>	<u>(197.959.755)</u>
Loan portfolio						
Aging loan portfolio						
Direct generic allowance						
Up to date	€ 2.390.728.463.330	1.696.560.398.201	694.168.065.133	(12.068.371.395)	216.570.393.748	(144.203.405)
Equal or less than 30 days	67.375.769.629	53.277.560.423	14.098.209.206	(341.559.017)	0	0
Equal or less than 60 days	475.385.401	343.979.400	131.406.002	(2.480.899)	0	0
More than 180 days	833.035.077	598.345.262	234.689.815	(4.165.175)	0	0
	<u>2.459.412.653.437</u>	<u>1.750.780.283.286</u>	<u>708.632.370.156</u>	<u>(12.416.576.486)</u>	<u>216.570.393.748</u>	<u>(144.203.405)</u>
Direct specific allowance						
Up to date	397.823.684.873	311.903.198.731	85.920.486.142	(31.341.661.317)	18.846.826.956	(53.756.350)
Equal or less than 30 days	50.607.881.704	42.184.190.022	8.423.691.683	(4.253.453.856)	0	0
Equal or less than 60 days	39.441.031.206	32.030.238.927	7.410.792.280	(3.660.784.665)	0	0
Equal or less than 90 days	22.725.004.626	20.373.550.802	2.351.453.824	(1.603.417.670)	0	0
Equal or less than 180 days	9.520.817.614	4.143.061.086	5.377.756.529	(4.904.262.830)	0	0
More than 180 days	82.502.059.340	43.558.891.200	38.943.168.141	(38.018.363.734)	0	0
	<u>€ 602.620.479.363</u>	<u>454.193.130.768</u>	<u>148.427.348.599</u>	<u>(83.781.944.072)</u>	<u>18.846.826.956</u>	<u>(53.756.350)</u>
	<u>€ 3.062.033.132.800</u>	<u>2.204.973.414.054</u>	<u>857.059.718.755</u>	<u>(96.198.520.558)</u>	<u>235.417.220.704</u>	<u>(197.959.755)</u>

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of December 31, 2020

Loan portfolio	Direct Loan Portfolio				Contingent Loan Portfolio	
	Principal	Covered balance	Overdraft	Allowance	Principal	Allowance
Direct generic allowance						
A1	2.252.641.974.421	1.616.745.472.141	635.896.502.295	(11.263.209.927)	216.785.669.119	(150.417.045)
A2	51.079.575.869	43.707.121.566	7.372.454.303	(255.397.880)	993.773.116	0
1	51.254.492.919	24.067.555.806	27.186.937.112	(131.646.647)	0	0
	2.303.721.550.290	1.660.452.593.707	643.268.956.598	(11.518.607.807)	217.779.442.235	(150.417.045)
Direct specific allowance						
B1	317.076.523.159	242.166.880.501	74.909.642.657	(4.956.316.537)	4.750.549.387	(17.061.287)
B2	18.952.645.155	17.753.340.695	1.199.304.460	(208.697.151)	111.877.247	0
C1	50.179.872.607	41.371.337.690	8.808.534.917	(2.418.190.331)	6.386.300.335	(14.894.140)
C2	17.670.359.057	15.524.240.196	2.146.118.861	(1.150.680.632)	73.620.031	0
D	46.374.944.688	36.814.962.263	9.559.982.425	(7.027.310.418)	1.036.645.186	(117.047.059)
E	161.787.877.221	99.737.215.863	62.050.661.358	(54.442.469.520)	2.426.360.346	(2.082.459)
1	51.254.492.919	24.067.555.806	27.186.937.112	(131.646.647)	0	0
2	63.731.314	61.710.563	2.020.751	(409.590)	0	0
3	348.996.233	336.391.423	12.604.810	(4.833.160)	0	0
4	723.703.593	705.766.328	17.937.265	(12.497.464)	0	0
6	88.918.462	86.631.652	2.286.810	(2.719.968)	0	0
	664.522.064.408	478.626.032.980	185.896.031.426	(70.355.771.418)	14.785.352.532	(151.084.945)
	2.968.243.614.698	2.139.078.626.687	829.164.988.024	(81.874.379.225)	232.564.794.767	(301.501.990)
Loan portfolio						
Aging loan portfolio						
Direct generic allowance						
Up to date	2.267.270.150.153	1.630.532.744.207	636.737.405.959	(11.466.141.660)	217,779,442,235	(150,417,046)
Equal or less than 30 days	35.941.488.451	29.533.210.561	6.408.277.890	(181.544.128)	0	0
Equal or less than 60 days	509.911.688	386.638.939	123.272.749	(2.568.667)	0	0
	2.303.721.550.292	1.660.452.593.707	643.268.956.598	(11.650.254.455)	217,779,442,235	(150,417,046)
Direct specific allowance						
Up to date	522.783.216.599	386.234.620.346	136.548.596.253	(30.572.674.886)	14,741,352,532	(149,284,855)
Equal or less than 30 days	23.306.055.364	17.517.152.270	5.788.903.094	(4.422.115.734)	0	0
Equal or less than 60 days	26.170.163.849	18.632.086.433	7.538.077.416	(2.072.318.302)	0	0
Equal or less than 90 days	12.930.556.366	9.033.452.404	3.897.103.963	(1.922.228.958)	0	0
Equal or less than 180 days	10.277.689.598	6.267.983.386	4.009.706.211	(3.422.480.751)	0	0
More than 180 days	69.054.382.630	40.940.738.141	28.113.644.489	(27.812.306.139)	44,000,000	(1,800,089)
	664.522.064.406	478.626.032.980	185.896.031.426	(70.224.124.770)	14,785,352,532	(151,084,944)
	2.968.243.614.698	2.139.078.626.687	829.164.988.024	(81.874.379.225)	232,564,794,767	(301,501,990)

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of September 30, 2020

Loan portfolio	Direct Loan Portfolio				Contingent Loan Portfolio	
	Principal	Covered balance	Overdraft	Allowance	Principal	Allowance
Direct generic allowance						
A1	2.215.616.187.009	1.557.007.658.102	658.608.528.908	11.078.080.983	214.742.118.730	140.870.544
A2	42.756.672.108	35.397.895.549	7.358.776.559	213.783.361	799.684.695	0
	<u>2.258.372.859.117</u>	<u>1.592.405.553.651</u>	<u>665.967.305.467</u>	<u>11.291.864.344</u>	<u>215.541.803.425</u>	<u>140.870.544</u>
Direct specific allowance						
B1	331.276.270.920	252.229.851.077	79.046.419.843	5.213.470.249	4.710.575.156	14.317.246
B2	24.854.609.929	23.088.391.631	1.766.218.299	292.063.789	206.623.625	1.014.091
C1	42.923.172.582	40.337.014.420	2.586.158.162	848.224.615	3.516.263.694	118
C2	18.959.748.261	16.784.549.157	2.175.199.104	1.171.522.298	55.621.092	0
D	49.360.819.812	39.352.452.245	10.008.367.567	7.483.178.549	4.061.477.541	113.757.058
E	167.655.432.827	105.365.450.372	62.289.982.456	56.800.937.241	2.508.917.879	43.426
1	44.631.210.295	18.280.406.032	26.350.804.264	111.998.371	6.795.225	1.835
2	569.130.848	536.257.075	32.873.773	4.324.974	0	0
3	300.236.992	294.031.838	6.205.154	3.021.448	0	0
4	407.895.801	406.892.029	1.003.772	2.536.346	0	0
5	31.695.209	31.695.209	0	158.476	0	0
6	381.141.277	350.844.306	30.296.971	32.051.192	0	0
	<u>681.351.364.753</u>	<u>497.057.835.391</u>	<u>184.293.529.365</u>	<u>71.963.487.548</u>	<u>15.066.274.212</u>	<u>129.133.774</u>
	<u>2.939.724.223.870</u>	<u>2.089.463.389.042</u>	<u>850.260.834.832</u>	<u>83.255.351.892</u>	<u>230.608.077.637</u>	<u>270.004.318</u>
Loan portfolio						
Aging loan portfolio						
Direct generic allowance						
Up to date	2.182.184.892.048	1.528.852.406.487	653.332.485.561	11.020.665.290	215.541.803.425	140.872.379
Equal or less than 30 days	74.764.297.981	63.194.726.530	11.569.571.451	376.079.079	0	0
Equal or less than 60 days	381.953.277	258.408.016	123.545.260	1.909.766	0	0
More than 180 days	1.041.715.811	100.012.618	941.703.193	5.208.579	0	0
	<u>2.258.372.859.117</u>	<u>1.592.405.553.651</u>	<u>665.967.305.465</u>	<u>11.403.862.714</u>	<u>215.541.803.425</u>	<u>140.872.379</u>
Direct specific allowance						
Up to date	462.463.508.910	339.319.573.449	123.143.935.462	24.911.796.877	15.066.454.212	129.131.939
Equal or less than 30 days	41.771.226.982	37.005.286.560	4.765.940.425	2.124.817.961	0	0
Equal or less than 60 days	52.542.789.767	40.714.469.900	11.828.319.867	2.191.103.985	0	0
Equal or less than 90 days	19.516.373.281	15.206.324.394	4.310.048.887	2.943.830.657	0	0
Equal or less than 180 days	25.002.516.789	16.869.574.018	8.132.942.772	7.787.115.027	0	0
More than 180 days	80.054.949.024	47.942.607.070	32.112.341.954	31.892.824.671	0	0
	<u>681.351.364.753</u>	<u>497.057.835.391</u>	<u>184.293.529.367</u>	<u>71.851.489.178</u>	<u>15.066.454.212</u>	<u>129.131.939</u>
	<u>2.939.724.223.870</u>	<u>2.089.463.389.042</u>	<u>850.260.834.832</u>	<u>83.255.351.892</u>	<u>230.608.257.637</u>	<u>270.004.318</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

Following is an analysis of the balance of the loan portfolio of Banco de Costa Rica, assessed individually with allowance, according to gross and net amounts, after deducting the allowance for loan losses, by risk classification in accordance with the applicable regulations:

As of September 30, 2021	Loans receivable	
	Gross	Net
Risk category:		
A1	¢ 2.419.769.474.539	2.407.670.627.099
A2	39.643.178.908	39.443.528.335
B1	199.332.170.682	197.357.452.606
B2	27.472.069.008	27.065.248.336
C1	55.461.087.328	52.520.717.599
C2	18.657.254.206	18.104.837.537
D	82.935.711.289	71.557.491.642
E	169.989.741.617	103.498.107.024
1	47.433.351.573	47.314.553.962
2	154.420.100	152.215.544
3	765.968.166	755.321.872
4	380.298.213	361.065.009
6	38.407.171	33.445.677
	¢ <u>3.062.033.132.800</u>	<u>2.965.834.612.242</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of December 31, 2020	Loans receivable	
	Gross	Net
Risk category:		
A1	¢ 2.252.641.974.421	2.241.378.764.495
A2	51.079.575.869	50.824.177.989
B1	317.076.523.159	312.120.206.622
B2	18.952.645.155	18.743.948.005
C1	50.179.872.607	47.761.682.276
C2	17.670.359.057	16.519.678.424
D	46.374.944.688	39.347.634.270
E	161.787.877.221	107.345.407.701
1	51.254.492.919	51.122.846.271
2	63.731.314	63.321.724
3	348.996.233	344.163.073
4	723.703.593	711.206.129
5		
6	88.918.462	86.198.494
	¢ <u>2.968.243.614.698</u>	<u>2.886.369.235.473</u>

As of September 30, 2020	Loans receivable	
	Gross	Net
Risk category:		
A1	¢ 2.215.616.187.009	2.204.538.106.026
A2	42.756.672.108	42.542.888.747
B1	331.276.270.920	326.062.800.670
B2	24.854.609.929	24.562.546.140
C1	42.923.172.582	42.074.947.967
C2	18.959.748.261	17.788.225.963
D	49.360.819.812	41.877.641.263
E	167.655.432.827	110.854.495.587
1	44.631.210.295	44.519.211.924
2	569.130.848	564.805.874
3	300.236.992	297.215.544
4	407.895.801	405.359.455
5	31.695.209	31.536.733
6	381.141.277	349.090.084
	¢ <u>2.939.724.223.870</u>	<u>2.856.468.871.979</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

In compliance with SUGEF Directive 1-05, as of September 30, 2021, the Bank must maintain a minimum allowance in the amount of ¢96.396.480.313 (¢82.175.881.215 and ¢83.525.356.210 for December and September 2020, respectively) of which ¢96.198.520.558 (¢81.874.379.225 and ¢83.255.351.892 for December and September 2020, respectively) is allocated to the valuation of the direct loan portfolio and ¢197.959.755 (¢301.501.990 and ¢270.004.318 for December and September 2020, respectively) to the contingent loan portfolio. In addition, the countercyclical allowance is of ¢4.779.400.343 (¢4.779.400.343 and ¢4.779.400.343 for December and September 2020, respectively).

Following is an analysis of the balances of BICSA's loan portfolio, individually evaluated with an allowance according to the gross amount and the net amount after deducting the allowance for doubtful accounts resulting from the risk assessment in accordance with the applicable regulations:

	<u>September 2021</u>	<u>December 2020</u>	<u>September 2020</u>
Banco Internacional de Costa Rica, S.A. and subsidiaries			
Principal	¢ 872.937.701.560	914.506.022.835	869.031.383.311
Interest	4.497.484.537	6.499.279.472	5.879.682.902
	877.435.186.097	921.005.302.307	874.911.066.213
Allowance for doubtful accounts	<u>(17.150.558.013)</u>	<u>(15.218.022.819)</u>	<u>(15.427.695.856)</u>
Carrying amount	¢ 860.284.628.084	905.787.279.488	859.483.370.357
Loan portofolio, net of allowance	¢ 847.650.709.755	897.062.716.852	852.233.223.422
At amortized cost			
Level 1: Normal or low risk	765.998.013.766	822.441.293.412	784.424.021.049
Level 2: Special mention	72.557.094.221	55.274.912.419	44.906.539.749
Level 3: Subnormal	16.404.104.187	18.341.168.216	20.776.005.339
Level 4: Doubtful	10.760.125.545	1.173.022.473	4.231.879.353
Level 5: Uncollectable	7.218.363.842	17.275.626.316	14.692.937.822
	872.937.701.561	914.506.022.836	869.031.383.312
Allowance for impairment	<u>(17.150.558.013)</u>	<u>(15.218.022.819)</u>	<u>(15.427.695.856)</u>
Carrying amount	855.787.143.548	899.288.000.017	853.603.687.456
Impaired renegotiated loans			
Gross amount	7.830.478.484	15.632.165.685	17.870.293.278
Impaired amount	7.830.478.484	15.632.165.685	17.870.293.278
Allowance for impairment	54.761.472	2.076.786.095	4.996.981.702
Total, net	7.775.717.012	13.555.379.590	12.873.311.576
Not in arrears or impaired:			
Level 1: Normal or low risk	765.998.013.766	822.441.293.412	784.424.021.049
Level 2: Special mention	72.557.094.221	55.274.912.419	44.906.539.749
Sub-total	838.555.107.987	877.716.205.831	829.330.560.798

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

Individually impaired			
Level 3: Subnormal	16.404.104.187	18.341.168.216	20.776.005.339
Level 4: Doubtful	10.760.125.545	1.173.022.473	4.231.879.353
Level 5: Uncollectable	7.218.363.841	17.275.626.315	14.692.937.821
Sub-total	<u>34.382.593.573</u>	<u>36.789.817.004</u>	<u>39.700.822.513</u>
Allowance for impairment			
Specific	16.706.437.404	14.809.639.362	15.133.834.018
Collective	444.120.609	408.383.457	293.861.838
Total allowance for impairment	<u>17.150.558.013</u>	<u>15.218.022.819</u>	<u>15.427.695.856</u>
Clients' obligations for acceptances			
Carrying amount	¢ <u>8.136.433.793</u>	<u>2.225.283.165</u>	<u>1.370.464.033</u>
Interest receivable	¢ <u>4.497.484.536</u>	<u>6.499.279.471</u>	<u>5.879.682.902</u>
Net loan portfolio (carrying amount)	¢ <u>860.284.628.084</u>	<u>905.787.279.488</u>	<u>859.483.370.357</u>

As of September 30, 2021, the allowance for impairment of BICSA's loan portfolio is of ¢17.150.558.013 (¢15.218.022.819 and ¢15.427.695.857 for December and September 2020, respectively).

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

The concentration of the portfolio of direct loans and contingent loans by sector (economic activity) is as follows:

	September 2021		December 2020		September 2020	
	<u>Direct Loan Portfolio</u>	<u>Contingent Loan Portfolio</u>	<u>Direct Loan Portfolio</u>	<u>Contingent Loan Portfolio</u>	<u>Direct Loan Portfolio</u>	<u>Contingent Loan Portfolio</u>
Trade	483.332.749.512	36.733.874.190	275.150.270.515	35.240.976.550	257.131.668.501	25.056.710.512
Manufacturing	454.612.695.368	4.564.415.724	459.373.100.944	2.038.441.568	470.364.745.989	2.881.292.821
Construction, purchase, and repair of real estate	1.304.194.822.809	31.542.867.963	1.145.267.404.096	16.828.315.487	1.107.382.181.960	17.628.129.282
Agriculture, livestock, hunting, and related services	175.989.031.746	154.422.668	193.594.861.611	33.638.347	185.795.541.473	33.180.062
Fishing and aquaculture	41.532.983	0	11.172.166	1.379.117.338	0	0
Consumption	293.036.407.473	108.365.323.428	299.542.513.969	109.918.641.385	302.619.171.456	116.802.468.586
Education	829.091.167	0	3.431.935.531	0	3.051.917.116	0
Transportation	52.052.832.161	93.654.424	55.192.075.081	96.033.143	49.325.404.755	305.185.351
Financial activities and stock exchange	3.815.783.428	0	4,064,820,107	0	4.136.656.952	0
Electricity, telecom, gas, and water Services	104.154.976.472	0	54,793,466,607	0	55.039.038.547	0
Hospitality	650.921.112.020	194.212.013.388	1.246.294.297.451	193.900.688.356	1.234.599.294.112	191.534.542.292
Mining and quarries	114.621.806.011	0	103.285.509.304	0	100.920.715.017	0
Real estate, business, and leasing activities	37.733.934.955	0	8.666.712.945	0	3.799.076.434	0
Public Administration	238.914.272.312	252.007.102	0	1.754.376.726	0	1.654.232.354
Real estate, business, and leasing activities	696.696.453	20.036.113	1.438.340.001	19.641.251	1.476.160.491	19.303.344
See notes 6 and 19	3.914.984.747.633	375.938.615.000	3.850.147.781.329	361.209.870.151	3.775.682.053.937	355.915.044.604
Other contingencies	0	68.685.509.714	0	74.386.976.782	0	73.861.253.296
	3.914.984.747.633	444.624.124.714	3.850.147.781.329	435.596.846.933	3.775.682.053.937	429.776.297.900

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

The concentration by geographical region of the loan portfolio of the subsidiary Banco Internacional de Costa Rica, S.A., is detailed as follows:

	September 2021	December 2020	September 2020
Germany	¢ 313.384.627	2.232.940.771	1.345.173.364
Brasil	5.828.636.061	6.269.916.100	6.110.480.960
China	3.325.401.535	960.641.025	4.762.284.510
Colombia	6.833.867.323	3.155.924.645	3.071.219.825
Costa Rica	300.925.315.440	361.845.897.872	355.864.130.918
Denmark	1.906.583.042	987.538.021	990.568.904
Ecuador	78.340.966.718	43.896.273.372	43.263.123.710
El Salvador	47.908.241.714	53.395.655.535	50.292.504.645
Spain	4.085.668.050	2.798.103.613	2.533.987.091
United States of America	24.502.012.951	23.738.170.880	21.100.391.068
Guatemala	40.241.071.591	39.184.066.907	39.226.469.735
Netherlands	111.959.289	76.285.317	190.580.028
Honduras	1.896.686.520	0	0
England	3.880.796.939	4.275.130.904	4.077.594.562
British Virgin Islands	4.004.602.962	3.072.895.943	3.076.769.733
México	16.310.389.485	13.701.223.507	12.769.944.832
Nicaragua	28.519.892.719	32.944.791.110	31.155.381.019
Panamá	268.335.762.529	291.427.430.620	259.255.812.565
Perú	22.625.223.378	21.002.496.051	20.288.409.949
Dominican Republic	5.626.110.620	2.965.509.200	3.033.400.000
Russia	369.464.081	115.996.843	264.391.144
Uruguay	176.318.800	814.264.998	800.256.421
Others *	6.869.345.184	5.644.870.836	5.558.508.328
	¢ 872.937.701.558	914.506.024.070	869.031.383.311

The concentration by geographical region of the loan portfolio of Banco de Costa Rica is as follows:

	September 2021	December 2020	September 2020
Costa Rica	¢ 3.042.046.515.868	2.935.641.227.054	2.906.650.140.420
	¢ 3.042.046.515.868	2.935.641.227.054	2.906.650.140.420

As of September 30, 2021, the Bank keeps trust commissions in the amount of ¢4.962.750 (¢1.545 and ¢1.376.367 for December and September 2020, respectively).

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

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The balance of foreclosed assets is as follows (See note 7):

		September 2021	December 2020	September 2020
Properties	¢	144.216.029.643	152.481.663.041	151.316.903.108
Others		712.800.834	693.972.758	739.696.011
	¢	<u>144.928.830.477</u>	<u>153.175.635.799</u>	<u>152.056.599.119</u>

BICSA, has a five (5) year term to transfer the real property acquired as payment of unpaid loans as of the registration date of the property; if after such a term the property has not been sold, there must be an independent appraisal to estimate its value.

On the other hand, a reserve is made in the equity account through the following allocation: a) non-distributed profits and b) profits of the year. The aforementioned reserve will be kept until an effective transfer of the acquired property has taken place.

The direct loan portfolio by type of guarantee is detailed below (See notes 6 and 19):

		September 2021	December 2020	September 2020
Guarantee				
Pledged assets	¢	45.190.179.102	50.327.902.319	39.085.056.873
Collections		88.569.571.684	94.686.604.380	103.347.481.170
Fiduciary		867.907.668.691	819.791.124.821	444.092.073.137
Mortgage		1.602.437.902.712	1.524.137.792.109	1.670.439.347.564
Chattel		190.598.808.456	207.946.698.879	401.846.017.028
Others		1.120.280.616.989	1.153.257.658.821	1.116.872.078.165
	¢	<u>3.914.984.747.634</u>	<u>3.850.147.781.329</u>	<u>3.775.682.053.937</u>

As of September 30, 2021, 46% of the loan portfolio is secured by mortgage or chattel collaterals, 45% as of December 31, 2020 and 55% as of September 30, 2020.

Pursuant to SUGEF Directive 5-04, “Regulations on Credit Limits to Individual Persons and Economic Interest Groups”, the Bank debugs information on reported data of economic interest groups as part of their responsibility to identify significant administrative and equity relationships among debtors with total active operations. As of September 30, 2021, groups of borrowers (members) having operations that add 2% or more of adjusted capital and in groups report 5% or more of adjusted capital, are reported.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

The concentration of the loan portfolio by economic interest group is as follows:

As of September 30, 2021:

<u>No.</u>	<u>Percentage</u>	<u>Band</u>	<u>Total amount</u>	<u>N° of customers</u>
1	0-4.99%	23.905.976.882 ¢	41.052.345.709	275
2	5-9.99%	47.811.953.763	216.875.830.489	79
3	10-14.99%	71.717.930.645	203.533.791.285	0
4	15-20%	95.623.907.526	329.727.221.894	24
Total			¢ 791.189.189.377	378

As of December 31, 2020:

<u>No.</u>	<u>Percentage</u>	<u>Band</u>	<u>Total amount</u>	<u>N° of customers</u>
1	0-4.99%	23.261.525.331 ¢	42.013.037.738	255
2	5-9.99%	46.523.050.661	349.185.527.850	82
3	10-14.99%	69.784.575.992	0	0
4	15-20%	93.046.101.322	853.149.074.509	259
Total			¢ 1.244.347.640.097	596

As of September 30, 2020:

<u>No.</u>	<u>Percentage</u>	<u>Band</u>	<u>Total amount</u>	<u>N° of customers</u>
1	0-4.99%	23.261.525.331 ¢	46.215.724.647	255
2	5-9.99%	46.523.050.661	183.226.959.230	82
3	10-14.99%	69.784.575.992	0	0
4	15-20%	93.046.101.322	808.588.531.966	259
Total			¢ 1.038.031.215.843	596

(b) Market risk management

Definitions

Market risk is defined as the possibility of suffering losses in on- and off-balance positions because of adverse fluctuations in the market prices of assets. It is made up of the risks inherent to the held-for-trading financial instruments (trading portfolio).

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

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The liquidity risk is generated when the financial institution cannot meet the enforceability or obligations with third parties, due to insufficient cash flow, resulting from the outcome between the term of the recoveries (active operations) and the term of the obligations (liabilities); or else, due to the inadequate pricing mechanism that makes it impossible to know the price to transform an asset and /or liability into liquidity.

The risk of asset price and inflation measures the possible losses that can occur in financial assets that are part of the investment portfolios, and in a reduction in the purchasing power of the money flows received by the Bank.

Interest rate risk is defined as the possibility that the Entity incurs in losses as a result of changes in the present value of the assets and liabilities in which the Bank maintains positions on or off the balance sheet.

Finally, the exchange rate risk is the possibility of suffering losses because of variations in the exchange rate. It is made up of conversion risks, foreign currency position risks and transaction risks. This risk also manifests itself when the net result of the exchange rate adjustment does not proportionally compensate for the adjustment in the value of assets denominated in foreign currency, causing a reduction in the equity sufficiency indicator or in any model that in the event of variations in this macro price has a negative effect on the determination of exchange risk, such as the CAMELS indicators or its own statistics.

Risk management methodology

Two methodologies are used to measure exposure to price risk; one is regulatory and the other is internal. The regulatory methodology is monthly, uses historical simulation and its results are weighted in the price risk of Equity Sufficiency. For its part, the internal methodology consisting of a parametric value at risk with daily monitoring of the impact of interest rate and exchange rate factors on the performance of the investment portfolio.

In terms of interest rates, the Bank is sensitive to this type of risk due to the mix of rates and terms, both in assets and liabilities. This sensibility is mitigated through the management of variable rates and the combination of terms monitored by internal models.

Counterparty risk management is carried out through the fulfillment of the investments profile established by the Bank in its internal policies, and the reporting of issuers, which analyzes the financial statements and the default risk by issuers, according to internal studies and risk rating. These limits are monitored weekly as established in the policies for managing the BCR's investment in securities.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

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Furthermore, the management of operational liquidity risk is periodically evaluated by updating the Bank's six months projected cash flow and calculating the liquidity coverage indicator; the deadlines are prepared on a weekly basis. All liquidity risk indicators are calculated by currency.

The Entity implements other internal methodologies that serve as early warnings in the management of this risk: deposits volatility, debt levels, liability structure, and liquidity degree of assets, availability of funding and the overall effectiveness of the gap of timelines.

Tolerance limits and risk indicators

The main indicators for controlling the market risk limits are the following:

- Liquidity risk: Maximum expected outflow of deposits of the public by currency, match at one- and three months match by currency and liquidity coverage ratio (ICL) by currency.
- Price risk: VaR of the Investment portfolio through internal and regulatory models.
- Exchange risk: Sensitivity of the equity position in foreign currency, through internal models.
- Interest rate risk: Sensitivity of the financial margin due to movements in the reference interest rates.

Each of the previous indicators has parameters of acceptability and limits that are approved by the General Board of Directors.

Exposure and risk management

(c) Liquidity risk

Facing the global crisis caused by the COVID-19 pandemic, the Bank continues with the implementation of the liquidity strategy to face the increase in the volatilities of deposits from the public, thus addressing the preference of clients to keep balances at demand instead of at term.

Cash and cash equivalents show a year-on-year increase of 0.84% mainly on held-for-trading financial instruments (see cash and cash equivalents table in note 4).

Demand deposits increased by 22.90% on a year-on-year basis, due to the increase in current account balances, demand savings deposits (see chart of demand obligations with the public in note 11).

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BANCO DE COSTA RICA AND SUBSIDIARIES

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Wholesale funding increased year-on-year by 20.11%, mainly due to term obligations and charges payable with the Central Bank of Costa Rica, overdrafts in demand checking accounts in foreign financial entities, and term deposits from local financial entities. (See table of obligations with financial institutions and the Central Bank in note 14 of this document).

In the following table, the year-on-year results for the end of September 2021, are observed:

	September 2021	December 2020	September 2020
Liquidity coverage indicator (colones)	1,67	1,35	1,45
Liquidity coverage indicator (US Dollars)	1,40	1,58	1,45
Regulatory limit	1,00	1,00	1,00

On the other hand, the term matches, another regulatory indicator, had the following results as of September 30, 2021:

Regulatory liquidity matches by currency and term

Indicator	Interpretation	Observation	Approved levels
1-month term matching US dollars	Ratio between assets and liabilities with account's volatility	2,26	Limit: 1,10
1-month term matching colones		2,69	Limit: 1,00
3-months term matching US dollars		1,62	Limit: 0,94
3-months term matching colones		1,66	Limit: 0,85

As of December 31, 2020

Regulatory liquidity matches by currency and term

Indicator	Interpretation	Observation	Approved levels
1-month term matching US dollars	Ratio between assets and liabilities with account's volatility	1,70	Limit: 1,10
1-month term matching colones		1,44	Limit: 1,00
3-months term matching US dollars		1,16	Limit: 0,94
3-months term matching colones		1,12	Limit: 0,85

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of September 30, 2020

Indicator	Interpretation	Observation	Approved levels
1-month term matching US dollars		1,64	Limit: 1,10
1-month term matching colones	Ratio between assets and liabilities with account's volatility	1,75	Limit: 1,00
3-months term matching US dollars		1,27	Limit: 0,94
3-months term matching colones		1,27	Limit: 0,85

The term matches show a constant and significant loose with respect to regulatory limits, which is a direct effect of the measures taken in the strategy for compliance with the Liquidity Coverage Indicator but mainly to attend to the emergency due to the Covid-19 pandemic that the country has been facing since March 2020.

As a preventive measure of liquidity risk management for the Covid-19, the Bank has implemented reports that allow monitoring of the main operational and structural indicators as well as an alignment of liquidity management with credit and market risk.

Projections have also been made of the magnitude of the impacts that the Covid-19 crisis could generate in the Bank's financial indicators, which are updated based on the development of the emergency, for decision-making.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

The maturity dates of the Bank's assets and liabilities are as follows:

As of September 30, 2021

Assets	Demand	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	More tan 365 days	Items overdue for more than thirty days	Total
Availabilities	265.232.208.310	0	0	0	0	0	206.364.475	0	265.438.572.785
Legal cash requiremnt BCCR	390.898.652.751	37.629.738.198	19.262.522.772	29.846.678.687	39.753.110.579	40.917.938.517	21.876.999.776	0	580.185.641.280
Investment in securities	(1.447.395.479)	417.169.947.055	39.148.861.101	7.264.603.725	61.909.738.201	162.149.852.265	1.282.146.690.728	0	1.968.342.297.596
Interest on investments	(6.329.119)	2.311.127.277	2.507.488.779	3.714.614.104	8.856.261.981	22.800.551	377.984.294	0	17.783.947.867
Loan portfolio	27.133.936.179	92.254.926.708	101.658.995.761	96.787.848.971	266.444.542.097	196.592.186.152	2.962.082.027.525	153.288.233.181	3.896.242.696.574
Interest on loan portfolio	28.057.057	9.854.205.806	2.942.449.714	690.917.847	1.388.405.436	380.981.530	9.122.654.387	76.429.691	24.484.101.468
	<u>¢ 681.839.129.699</u>	<u>559.219.945.044</u>	<u>165.520.318.127</u>	<u>138.304.663.334</u>	<u>378.352.058.294</u>	<u>400.063.759.015</u>	<u>4.275.812.721.185</u>	<u>153.364.662.872</u>	<u>6.752.477.257.570</u>
Liabilities									
Obligations with the public	¢ 3.146.562.750.302	288.231.936.978	165.101.042.976	256.109.908.452	407.481.593.340	400.000.642.095	288.720.206.910	0	4.952.208.081.053
Obligations with BCCR	0	18.850.785.417	0	0	0	0	120.470.000.000	0	139.320.785.417
Obligations with financial Entities	81.355.074.815	289.221.347.559	50.682.327.493	57.277.991.748	77.860.715.732	128.364.239.128	138.874.171.843	0	823.635.868.318
Charges payable on obligations	1.252.378.465	3.409.492.237	2.278.797.869	2.184.988.690	3.780.187.146	3.331.900.923	3.341.394.421	0	19.579.139.751
	<u>3.229.170.203.582</u>	<u>599.713.562.191</u>	<u>218.062.168.338</u>	<u>315.572.888.890</u>	<u>489.122.496.218</u>	<u>531.696.782.146</u>	<u>551.405.773.174</u>	<u>0</u>	<u>5.934.743.874.539</u>
Asset-liability gap	<u>¢ (2.547.331.073.883)</u>	<u>(40.493.617.147)</u>	<u>(52.541.850.211)</u>	<u>(177.268.225.556)</u>	<u>(110.770.437.924)</u>	<u>(131.633.023.131)</u>	<u>3.724.406.948.011</u>	<u>153.364.662.872</u>	<u>817.733.383.031</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of December 31, 2020

									Items overdue for more than thirty days	Total
Assets		Demand	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	More tan 365 days		
Availabilities	¢	265.713.592.355	0	0	0	0	0	93.806.100	0	265.807.398.455
Legal cash requiremnt BCCR		343.996.390.339	50.777.837.368	23.238.100.402	19.448.809.375	39.271.332.953	40.970.726.749	19.537.261.238	0	537.240.458.424
Investment in securities		581.519.871	250.881.679.667	24.086.976.013	16.182.628.693	127.942.664.270	211.814.946.433	772.771.495.223	0	1.404.261.910.170
Interest on investments		3.435.887	7.013.268.034	7.022.342.639	1.437.668.691	2.132.467.560	67.794.239	287.502.238	0	17.964.479.288
Loan portfolio		73.093.973.417	91.775.022.004	103.553.002.439	107.841.273.598	246.976.693.578	195.284.585.007	2.890.230.255.998	124.218.334.598	3.832.973.140.639
Interest on loan portfolio		237.315.523	6.035.027.692	6.225.663.406	5.483.003.155	3.469.309.417	6.289.739.912	3.931.276.535	7.430.331.475	39.101.667.115
	¢	683.626.227.392	406.482.834.765	164.126.084.899	150.393.383.512	419.792.467.778	454.427.792.340	3.686.851.597.332	131.648.666.073	6.097.349.054.091
Liabilities										
Obligations with the public	¢	2.631.441.696.809	434.150.755.399	213.848.910.571	194.758.501.550	340.851.690.772	375.155.114.694	229.258.528.577	0	4.419.465.198.372
Obligations with BCCR		0	2.500.208.320	0	0	0	0	0	0	2.500.208.320
Obligations with financial entities		56.719.860.224	264.914.100.863	88.604.206.763	119.655.999.300	119.523.719.218	143.491.335.486	198.677.036.863	0	991.586.258.717
Charges payable on obligations		1.211.523.088	4.040.554.689	3.649.541.918	2.444.834.556	3.824.350.693	2.972.779.230	2.962.480.219	0	21.106.064.393
		2.689.373.080.121	705.605.619.271	306.102.659.252	316.859.335.406	464.199.760.683	521.619.229.410	430.898.045.659	0	5.434.657.729.802
Asset-liability gap	¢	(2.005.746.852.729)	(299.122.784.506)	(141.976.574.353)	(166.465.951.894)	(44.407.292.905)	(67.191.437.070)	3.255.953.551.673	131.648.666.073	662.691.324.289

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of September 30, 2020

Assets	Demand	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	More than 365 days	More than 30 days past due	Total
Cash and due from banks	¢ 240.789.343.921	15.645.137	0	0	0	0	69.137.685	0	240.874.126.743
Legal reserve account-BCCR	328.267.603.143	37.779.771.689	19.990.052.290	25.159.650.823	55.603.054.811	43.856.519.922	20.614.379.990	0	531.271.032.668
Investment in securities	1.053.437.271	365.755.487.262	77.863.617.912	52.248.985.689	59.342.700.220	175.049.752.770	667.150.898.807	0	1.398.464.879.931
Interest on investments	1.910.309	3.141.921.769	3.238.093.242	1.797.170.258	3.566.531.377	36.982.678	270.860.955	0	12.053.470.588
Loan portfolio	79.277.328.165	93.544.709.678	90.297.498.401	93.535.478.637	214.785.088.374	211.922.751.343	2.807.565.975.830	168.045.447.946	3.758.974.278.374
Interest on loans	15.277.088	12.796.357.115	4.026.986.750	653.572.536	8.580.544.385	1.909.178.472	7.909.392.901	3.062.456.490	38.953.765.737
	¢ <u>649.404.899.897</u>	<u>513.033.892.650</u>	<u>195.416.248.595</u>	<u>173.394.857.943</u>	<u>341.877.919.167</u>	<u>432.775.185.185</u>	<u>3.503.580.646.168</u>	<u>171.107.904.436</u>	<u>5.980.591.554.041</u>
Liabilities									
Obligations with the public	¢ 2.532.703.714.298	285.714.987.327	163.326.898.322	225.824.319.413	519.190.361.572	405.141.973.138	235.560.879.268	0	4.367.463.133.338
Obligations with financial Entities	97.327.719.388	286.260.459.660	21.369.608.710	41.856.863.290	106.296.795.996	162.725.293.472	214.364.429.939	0	930.201.170.455
Charges payable on obligations	1.356.803.076	4.723.451.385	2.892.841.871	3.069.028.373	4.697.358.104	2.970.547.838	2.881.383.034	0	22.591.413.681
	<u>2.631.388.236.762</u>	<u>576.698.898.372</u>	<u>187.589.348.903</u>	<u>270.750.211.076</u>	<u>630.184.515.672</u>	<u>570.837.814.448</u>	<u>452.806.692.241</u>	<u>0</u>	<u>5.320.255.717.474</u>
Assets and liabilities gap	¢ <u>(1.981.983.336.865)</u>	<u>(63.665.005.722)</u>	<u>7.826.899.692</u>	<u>(97.355.353.133)</u>	<u>(288.306.596.505)</u>	<u>(138.062.629.263)</u>	<u>3.050.773.953.927</u>	<u>171.107.904.436</u>	<u>660.335.836.567</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

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(d) Price risk of the portfolio

The Bank manages two investment portfolios: own Funds and Development Credit Funds.

In the case of own funds, a concentration of 63.16% is observed in instruments issued by the Ministry of Finance. In this sense and with the purpose of mitigating the market risk of these instruments, a strategy was defined in the investment position of this issuer.

Following are the results of the VaR methodology-SUGEF 03-06, considering both portfolios:

	September 2021	December 2020	September 2020
VaR ¢	15.298.670.107	7.128.609.927	6.514.267.203

The year-on-year increase in the indicator is an effect of the increase in price volatility of investment instruments because of the global pandemic and of the market value of the portfolio.

(e) Interest rate risk

The Bank has a credit portfolio, investments, and obligations with the public and with entities subject to variable interest rates and therefore sensitive to fluctuations in interest rates and cash flow risk. As of September 30, 2021, a sensitivity analysis on possible variations in interest rates was developed.

Sensitivity to an increase in the interest rate of investments

	September 2021	December 2020	September 2020
Investment in financial instruments ¢	1.592.621.965.125	753.655.659.848	1.084.843.058.479
Increase in rates by 1%	187.815.063	193.762.699	261.940.850
Increase in rates by 2%	375.630.127	387.525.398	523.881.701

Sensitivity to a decrease in the interest rate of investments

	September 2021	December 2020	September 2020
Investment in financial instruments ¢	1.592.621.965.125	753.655.659.848	1.084.843.058.479
Decrease in rates by 1%	187.815.063	193.762.699	261.940.850
Decrease in rates by 2%	375.630.127	387.525.398	523.881.701

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BANCO DE COSTA RICA AND SUBSIDIARIES

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September 30, 2021

Sensitivity to an increase in the interest rate of loan portfolio

	September 2021	December 2020	September 2020
Loan portfolio	¢ 3.169.028.833.447	3.056.756.166.060	2.906.650.140.474
Increase in rates by 1%	1.655.077.221	1.346.553.773	1.263.717.887
Increase in rates by 2%	¢ <u>3.329.540.900</u>	<u>2.730.186.649</u>	<u>2.568.578.356</u>

Sensitivity to a decrease in the interest rate of loan portfolio

	September 2021	December 2020	September 2020
Loan portfolio	¢ 3.169.028.833.447	3.056.756.166.060	2.906.650.140.474
Decrease in rates by 1%	1.655.077.221	1.297.609.468	1.218.995.337
Decrease in rates by 2%	¢ <u>3.329.540.900</u>	<u>2.992.331.781</u>	<u>2.430.758.875</u>

Sensitivity to an increase in the interest rate of obligations with the public

	September 2021	December 2020	September 2020
Obligations with the public	¢ 4.432.425.584.102	3.947.112.080.455	3.396.393.932.161
Increase in rates by 1%	2.765.395.011	3.127.746.509	2.414.279.149
Increase in rates by 2%	¢ <u>5.530.790.021</u>	<u>6.225.493.017</u>	<u>4.828.558.298</u>

Sensitivity of a decrease in the interest rate of obligations with the public

	September 2021	December 2020	September 2020
Obligations with the public	¢ 4.432.425.584.102	3.947.112.080.455	3.396.393.932.161
Decrease in rates by 1%	2.765.395.011	3.127.746.509	2.414.279.149
Decrease in rates by 2%	¢ <u>5.530.790.021</u>	<u>6.225.493.017</u>	<u>4.828.558.298</u>

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

Sensitivity to an increase in the interest rate of term financial obligations

		September 2021	December 2020	September 2020
Financial term obligations	¢	179.326.683.543	287.572.604	236.911.765
Increase in rates by 1%		117.891.667	147.932.140	119.774.691
Increase in rates by 2%	¢	<u>235.783.333</u>	<u>295.864.280</u>	<u>239.549.382</u>

Sensitivity of a decrease in the interest rate of term financial obligations

		September 2021	December 2020	September 2020
Financial term obligations	¢	179.326.683.543	287.572.604	236.911.765
Decrease in rates by 1%		117.891.667	147.932.140	119.774.691
Decrease in rates by 2%	¢	<u>235.783.333</u>	<u>295.864.280</u>	<u>239.549.382</u>

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of September 30, 2021, interest rate terms for assets and liabilities are matched as follows:

	Effective interest rate	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
Colones:								
Assets								
Investment in securities	8,75%	¢ 275.588.095.417	46.414.739.260	69.673.663.969	58.391.036.920	117.904.409.345	809.168.626.157	1.377.140.571.068
Loan portfolio	8,15%	1.551.322.658.606	273.998.952.159	49.668.097.686	77.848.831.520	54.491.286.659	160.156.792.975	2.167.486.619.605
Total recovery of assets (*)		1.826.910.754.023	320.413.691.419	119.341.761.655	136.239.868.440	172.395.696.004	969.325.419.132	3.544.627.190.673
Liabilities								
Obligations with the public		125.379.851.361	329.384.818.635	170.905.824.556	45.040.218.679	217.564.578.159	33.930.395.847	922.205.687.237
Obligations with financial entities	0,36%	32.881.359.417	32.734.689.579	43.742.996.952	2.290.337.546	155.319.819.515	0	266.969.203.009
Total matured liabilities (*)		158.261.210.778	362.119.508.214	214.648.821.508	47.330.556.225	372.884.397.674	33.930.395.847	1.189.174.890.246
Asset and liability gap		¢ 1.668.649.543.245	(41.705.816.795)	(95.307.059.853)	88.909.312.215	(200.488.701.670)	935.395.023.285	2.355.452.300.427
US dollars:								
Assets								
Investment in securities	3,85%	¢ 169.850.920.788	66.176.924.829	23.362.570.383	104.820.319.705	188.089.134.416	209.497.433.038	761.797.303.159
Loan portfolio	12,55%	683.221.096.504	64.093.508.525	7.663.956.851	23.484.429.064	10.189.566.067	32.858.031.240	821.510.588.251
Total recovery of assets (*)		853.072.017.292	130.270.433.354	31.026.527.234	128.304.748.769	198.278.700.483	242.355.464.278	1.583.307.891.410
Liabilities								
Obligations with the public		3.160.746.058	6.163.122.247	12.575.310.674	18.277.804.078	16.130.239.094	14.103.945.284	70.411.167.435
Demand deposits	0,33%	244.201.708.651	24.372.309.064	95.306.830.788	101.787.447.173	94.227.448.025	28.049.972.262	0
Obligations with financial entities	1,71%	(19.774.759.687)	38.760.599.422	633.758.299	1.268.394.073	2.572.962.949	17.626.808.351	41.087.763.407
Total matured liabilities (*)		(16.614.013.629)	44.923.721.669	13.209.068.973	19.546.198.151	18.703.202.043	31.730.753.635	111.498.930.842
Asset and liability gap		¢ 869.686.030.921	85.346.711.685	17.817.458.261	108.758.550.618	179.575.498.440	210.624.710.643	1.471.808.960.568

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of December 31, 2020

	Effective interest rate	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
Colones:								
Assets								
Investment in securities	6.81%	¢ 78.322.850.291	34.049.786.513	103.518.380.575	143.964.789.356	84.155.942.775	445.585.098.627	889.596.848.137
Loan portfolio	9.06%	1.060.621.611.327	206.664.539.378	175.220.476.416	273.324.955.888	114.073.710.830	172.315.940.626	2.002.221.234.465
Total recovery of assets (*)		<u>1.138.944.461.618</u>	<u>240.714.325.891</u>	<u>278.738.856.991</u>	<u>417.289.745.244</u>	<u>198.229.653.605</u>	<u>617.901.039.253</u>	<u>2.891.818.082.602</u>
Liabilities								
Obligations with the public		238.668.857.824	240.143.160.375	182.034.748.935	30.607.021.726	189.156.036.130	34.433.506.881	915.043.331.871
Demand deposits	1.66%							
Term deposits	4.86%							
Obligations with the Central Bank of Costa Rica		2.500.208.320	0	0	0	0	0	2.500.208.320
Obligations with financial entities	0.03%	18.957.380.202	22.162.645.796	24.594.204.486	0	30.826.362.409	0	96.540.592.893
Total matured liabilities (*)		<u>260.126.446.346</u>	<u>262.305.806.171</u>	<u>206.628.953.421</u>	<u>30.607.021.726</u>	<u>219.982.398.539</u>	<u>34.433.506.881</u>	<u>1.014.084.133.084</u>
Asset and liability gap		<u>¢ 878.818.015.272</u>	<u>(21.591.480.280)</u>	<u>72.109.903.570</u>	<u>386.682.723.518</u>	<u>(21.752.744.934)</u>	<u>583.467.532.372</u>	<u>1.877.733.949.518</u>
US Dólares:								
Assets								
Investment in securities	3.72%	¢ 221.041.893.552	80.150.923.730	124.670.112.277	74.138.328.386	84.661.188.968	164.307.444.938	748.969.891.851
Loan portfolio	6.49%	721.906.313.075	563.873.792.946	267.991.905.014	102.093.814.594	51.071.304.718	150.758.002.892	1.857.695.133.239
Total recovery of assets (*)		<u>942.948.206.627</u>	<u>644.024.716.676</u>	<u>392.662.017.291</u>	<u>176.232.142.980</u>	<u>135.732.493.686</u>	<u>315.065.447.830</u>	<u>2.606.665.025.090</u>
Liabilities								
Obligations with the public		244.805.325.828	110.005.725.503	74.324.017.989	93.432.241.989	97.960.807.334	26.069.147.418	646.597.266.061
Demand deposits	0.21%							
Term deposits	1.52%							
Obligations with financial entities	0.63%	23.134.764.356	174.528.323.524	88.657.335.086	114.256.069.918	124.211.123.876	51.587.453.899	576.375.070.659
Total matured liabilities (*)		<u>267.940.090.184</u>	<u>284.534.049.027</u>	<u>162.981.353.075</u>	<u>207.688.311.907</u>	<u>222.171.931.210</u>	<u>77.656.601.317</u>	<u>1.222.972.336.720</u>
Asset and liability gap		<u>¢ 675.008.116.443</u>	<u>359.490.667.649</u>	<u>229.680.664.216</u>	<u>(31.456.168.927)</u>	<u>(86.439.437.524)</u>	<u>237.408.846.513</u>	<u>1.383.692.688.370</u>

(*) Sensible to interest rates

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of September 30, 2020

	Tasa de Interes Efectiva	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 to 720 days	More than 720 days past due	Total
Colones:								
Assets								
Investment in securities	7.15%	¢ 273.512.107.246	133.222.768.706	55.109.883.231	113.816.415.987	78.346.733.752	306.613.627.736	960.621.536.658
Loan portfolio	8.74%	<u>1.236.099.961.212</u>	<u>177.760.035.659</u>	<u>57.490.040.157</u>	<u>141.207.862.995</u>	<u>158.524.837.456</u>	<u>185.427.175.903</u>	<u>1.956.509.913.382</u>
Total recovery of assets		¢ <u>1.509.612.068.458</u>	<u>310.982.804.365</u>	<u>112.599.923.388</u>	<u>255.024.278.982</u>	<u>236.871.571.208</u>	<u>492.040.803.639</u>	<u>2.917.131.450.040</u>
Liabilities								
Obligations with the public Demand deposits	1.92%	¢ 136.650.477.224	279.470.942.554	165.406.950.752	42.272.037.708	329.679.376.941	34.382.607.557	987.862.392.736
Obligations with financial Entities	0.68%	<u>28.169.182.746</u>	<u>24.018.431.604</u>	<u>18.971.248.212</u>	<u>47.557.875</u>	<u>16.757.970.538</u>	<u>0</u>	<u>87.964.390.975</u>
Total maturity of liabilities		<u>164.819.659.970</u>	<u>303.489.374.158</u>	<u>184.378.198.964</u>	<u>42.319.595.583</u>	<u>346.437.347.479</u>	<u>34.382.607.557</u>	<u>1.075.826.783.711</u>
Asset-liability gap		¢ <u>1.344.792.408.488</u>	<u>7.493.430.207</u>	<u>(71.778.275.576)</u>	<u>212.704.683.399</u>	<u>(109.565.776.271)</u>	<u>457.658.196.082</u>	<u>1.841.304.666.329</u>
US Dollars								
Assets								
Investment in securities	3.58%	¢ 100.288.134.373	27.608.894.144	17.674.593.823	58.024.255.858	95.675.189.806	152.151.467.031	451.422.535.035
Loan portfolio	5.82%	<u>739.833.471.865</u>	<u>313.133.522.667</u>	<u>447.064.700.149</u>	<u>75.495.211.367</u>	<u>51.247.023.860</u>	<u>152.209.745.530</u>	<u>1.778.983.675.438</u>
Total recovery of assets		¢ <u>840.121.606.238</u>	<u>340.742.416.811</u>	<u>464.739.293.972</u>	<u>133.519.467.225</u>	<u>146.922.213.666</u>	<u>304.361.212.561</u>	<u>2.230.406.210.473</u>
Liabilities								
Obligations with the public Demand deposits	0.20%	¢ 219.246.989.352	61.131.713.041	116.970.444.405	115.213.268.912	97.910.750.985	25.718.575.827	636.191.742.522
Obligations with financial Entities	0.50%	<u>70.451.440.668</u>	<u>39.594.654.991</u>	<u>92.768.963.353</u>	<u>138.855.183.793</u>	<u>99.485.339.582</u>	<u>5.790.2227.211</u>	<u>499.057.809.598</u>
Total maturity of liabilities		<u>289.698.430.020</u>	<u>100.726.368.032</u>	<u>209.739.407.758</u>	<u>254.068.452.705</u>	<u>197.396.090.567</u>	<u>83.620.803.038</u>	<u>1.135.249.552.120</u>
Asset-liability gap		¢ <u>550.423.176.218</u>	<u>240.016.048.779</u>	<u>254.999.886.214</u>	<u>(120.548.985.480)</u>	<u>(50.473.876.901)</u>	<u>220.740.409.523</u>	<u>1.095.156.658.353</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

Within the gap report (rate-sensitive assets and liabilities) in local currency, a total difference of asset recovery less maturity of liabilities as of September 30, 2021, for ¢2.355.452.300.427 (¢1.880.234.752.982 and ¢1.841.304.666.329 for December and September 2020, respectively) while in foreign currency the same difference is of ¢1.471.808.803.140 (¢1.383.692.688.370 and ¢1.095.156.658.353 for December and September 2020, respectively) being an improved inference in the balance sheet due to positive changes in interest rates, since the entity presents more assets than liabilities in both currencies. Regarding to term matching (sum of liquidity of assets and liabilities), as of September 30, 2021, the total amount in local currency was of ¢817.733.194.106 (¢394.723.716.572 and ¢387.367.211.088 for December and September 2020, respectively) while in foreign currency, the collected data for the compliance of obligations was of ¢433.371.724 (¢267.967.607.717 and ¢272.968.625.479 for December and September 2020, respectively) which shows the necessary solvency to meet the liquid liabilities of the Organization.

(f) Foreign exchange risk

The Bank incurs in transactions denominated in US dollars and minority Euros. These currencies experiences periodic fluctuations with respect to the Costa Rican colon, in accordance with the monetary and exchange policies of the Central Bank of Costa Rica (BCCR). Therefore, any fluctuation in the value of the US Dollar affects the results, financial position and cash flows of the entity, which constantly monitors its net foreign currency exposure in order to minimize this risk.

The Bank uses two indicators to manage the foreign exchange risk: term matching of assets and liabilities denominated in foreign currency and sensitivity of the foreign currency position.

During the third quarter of 2021, the exchange rate has had an upward trend, resulting in a daily volatility of 0,54% at the end of September.

To comply with the Own Position in Foreign Currency, the Treasury Management had to maintain a positive position in foreign currency, reaching US\$225 million (US\$235 million as of December 2020 and US\$234.3 million as of September 2020).

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

The monetary assets and liabilities in US dollars are detailed as follows:

		September 2021	December 2020	September 2020
ASSETS				
Cash and due from banks	US\$	645.345.441	627.786.440	614.813.600
Investment in financial instruments		1.091.561.179	893.505.711	742.549.419
Loan portfolio		2.691.027.584	2.950.578.946	2.915.810.048
Accounts and interest receivable		14.553.047	11.169.487	7.906.285
Other assets		35.267.688	35.534.173	62.045.046
Total assets		<u>4.477.754.939</u>	<u>4.518.574.757</u>	<u>4.343.124.398</u>
LIABILITIES				
Obligations with the public		3.208.278.438	2.834.012.985	2.689.431.643
Other financial obligations		902.184.450	1.293.962.636	1.226.532.273
Other accounts payable and provisions		41.555.014	40.797.322	46.875.451
Other liabilities		14.988.375	28.514.040	32.830.835
Total liabilities		<u>4.167.006.277</u>	<u>4.197.286.983</u>	<u>3.995.670.202</u>
Net position	US\$	<u>310.748.662</u>	<u>321.287.774</u>	<u>347.454.196</u>

From January 2020 the valuation of monetary assets and liabilities in foreign currency is carried out with reference to the purchase exchange rate set by the BCCR the last business day of each month (previously the purchase exchange rate was used). For September 30, 2021, the exchange rate of ¢629,71 per US\$1.00 (¢617,30 per US\$1.00 in December 2020 and ¢606,68 per US \$1.00 in September 2020) was used.

The net position is not covered with any instrument; however, the Bank considers it remains at an acceptable level for buying and selling US dollars in the market at the time it is considered, as necessary.

The Bank faces this type of risk when the value of its assets and liabilities in US dollars are affected by variations in the exchange rate, which is recognized in the income statement.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

The following table shows the possible annual profit (loss) if there are variations of 5 percentage points in the exchange rates, respectively:

		September 2021	December 2020	September 2020
Net position	US\$	310.748.662	321.287.775	347.454.197
Closing exchange rate		629,71	617.30	606,68
5% increase in the exchange rate		31,49	30.87	30,33
Profit	¢	<u>9.785.475.366</u>	<u>9.918.153.614</u>	<u>10.538.285.795</u>

Sensibility to a decrease in the exchange rate

		September 2021	December 2020	September 2020
Net position	US\$	310.748.662	321.287.775	347.454.197
Closing exchange rate		629,71	617.30	606,68
5% decrease in the exchange rate		(31,49)	(30.87)	(30,33)
Profit	¢	<u>(9.785.475.366)</u>	<u>(9.918.153.614)</u>	<u>(10.538.285.795)</u>

Assets and liabilities in Euros are detailed as follows:

		September 2021	December 2020	September 2020
Assets				
Cash and due from banks	EUR€	8.653.622	7.344.314	8.000.478
Accounts and interest receivable		7.287	0	0
Other assets		0	74	79
Total assets		<u>8.660.909</u>	<u>7.344.388</u>	<u>8.000.557</u>
Liabilities				
Obligations with the public		5.262.990	5.020.732	5.218.595
Other financial obligations		677.743	643.414	593.414
Other accounts payable and provisions		19.778	32.776	28.516
Other liabilities		739	773.368	123
Total liabilities		<u>5.961.250</u>	<u>6.470.290</u>	<u>5.840.648</u>
Net position (surplus assets on monetary liabilities)	EUR€	<u>2.699.659</u>	<u>874.098</u>	<u>2.159.909</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of September 30, 2021, in compliance with SUGEF's regulations, the term matching of the most important US dollars (US\$) accounts are as follows:

Assets		Demand	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	More than 365 days	Past due for over 30 days	Total
Cash and due from banks	US\$	277.438.146	0	0	0	0	0	311.828	0	277.749.974
Legal reserve account-BCCR		232.144.586	39.330.815	7.074.033	10.112.789	23.478.405	33.851.728	21.602.150	0	367.594.506
Investments in securities		855.208	262.825.740	37.856.501	6.732.176	23.074.982	131.167.183	620.749.403	0	1.083.261.193
Interest on investments		(5.929)	53.899	3.270.132	207.598	4.321.080	24.172	429.034	0	8.299.986
Loan portfolio		43.089.575	83.462.387	119.027.571	114.581.483	337.893.772	175.793.780	1.790.316.722	127.083.600	2.791.248.890
Interest on loans		44.556	3.599.325	1.059.324	483.056	1.925.238	517.854	8.282.291	18.739	15.930.383
Total Assets	US\$	553.566.142	389.272.166	168.287.561	132.117.102	390.693.477	341.354.717	2.441.691.428	127.102.339	4.544.084.932
Liabilities										
Obligations with the public	US\$	1.724.579.364	285.357.652	63.755.537	92.091.930	312.509.101	372.553.144	347.624.476	0	3.198.471.204
Obligations with financial										
Entities		79.150.277	279.026.379	47.414.142	72.946.934	69.579.473	134.917.235	214.240.454	0	897.274.894
Charges payable on obligations		174.159	2.901.612	1.381.981	1.092.976	2.312.033	3.092.487	4.011.562	0	14.966.810
Total Liabilities		1.803.903.800	567.285.643	112.551.660	166.131.840	384.400.607	510.562.866	565.876.492	0	4.110.712.908
Asset and liability gaps	US\$	(1.250.337.658)	(178.013.477)	55.735.901	(34.014.738)	6.292.870	(169.208.149)	1.875.814.936	127.102.339	433.372.024

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of December 31, 2020

		Demand	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	More than 365 days	Past due for over 30 days	Total
Assets										
Cash and due from banks	US\$	271.869.675	0	0	0	0	0	135.762	0	272.005.437
Legal reserve account-BCCR		211.148.502	39.557.157	13.159.665	10.470.076	28.738.228	31.506.404	21.200.970	0	355.781.002
Investments in securities		261.913	316.489.732	22.615.493	2.003.263	82.846.667	106.222.370	355.867.100	0	886.306.538
Interest on investments		0	884.518	4.450.428	37.011	1.488.516	48.745	289.955	0	7.199.173
Loan portfolio		118.409.158	103.429.178	126.900.860	142.698.387	292.301.811	177.476.684	1.980.081.849	69.448.283	3.010.746.210
Interest on loans		384.441	3.022.118	6.796.741	5.745.512	1.779.809	2.314.729	6.116.691	3.576.729	29.736.770
	US\$	602.073.689	463.382.703	173.923.187	160.954.249	407.155.031	317.568.932	2.363.692.327	73.025.012	4.561.775.130
Liabilities										
Obligations with the public	US\$	1.363.453.526	326.209.562	134.644.962	138.991.083	259.498.410	315.196.301	283.717.720	0	2.821.711.564
Obligations with financial entities		48.232.216	281.859.086	124.382.804	177.592.991	144.629.873	193.942.576	316.862.524	0	1.287.502.070
Charges payable on obligations		324.887	2.233.663	3.048.555	2.621.051	3.437.774	2.771.109	4.028.219	0	18.465.258
		1.412.010.629	610.302.311	262.076.321	319.205.125	407.566.057	511.909.986	604.608.463	0	4.127.678.892
Asset and liability gaps	US\$	(809.936.940)	(146.919.608)	(88.153.134)	(158.250.876)	(411.026)	(194.341.054)	1.759.083.864	73.025.012	434.096.238

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of September 30, 2020

Assets		Demand	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	More than 365 days	Past due for over 30 days	Total
Cash and due from banks	US\$	275.070.726	25.788	0	0	0	0	113.961	0	275.210.475
Legal reserve account-BCCR		190.629.478	36.431.240	10.670.822	10.792.150	28.915.174	39.953.722	22.210.540	0	339.603.126
Investments in securities		(21.677)	165.127.413	33.275.401	2.000.176	22.834.395	95.970.486	416.348.052	0	735.534.246
Interest on investments		(3.585)	73.142	4.411.383	680.124	1.590.566	17.105	246.437	0	7.015.172
Loan portfolio		130.674.043	95.622.888	99.266.853	105.546.555	278.749.746	197.230.477	1.950.028.838	120.557.702	2.977.677.102
Interest on loans		25.181	4.024.935	1.229.579	597.278	11.524.773	1.453.320	5.705.939	4.209.308	28.770.313
	US\$	<u>596.374.166</u>	<u>301.305.406</u>	<u>148.854.038</u>	<u>119.616.283</u>	<u>343.614.654</u>	<u>334.625.110</u>	<u>2.394.653.767</u>	<u>124.767.010</u>	<u>4.363.810.434</u>
Liabilities										
Obligations with the public	US\$	1.220.987.301	250.626.283	81.339.036	113.520.622	326.747.383	395.121.497	289.037.506	0	2.677.379.628
Obligations with financial entities		116.042.874	304.378.548	11.570.364	53.890.442	147.882.960	238.038.238	346.112.075	0	1.217.915.501
Charges payable on obligations		346.561	3.334.578	1.699.707	2.174.356	4.082.338	3.080.973	3.858.397	0	18.576.910
		<u>1.337.376.736</u>	<u>558.339.409</u>	<u>94.609.107</u>	<u>169.585.420</u>	<u>478.712.681</u>	<u>636.240.708</u>	<u>639.007.978</u>	<u>0</u>	<u>3.913.872.039</u>
Asset and liability gaps	US\$	<u>(741.002.570)</u>	<u>(257.034.003)</u>	<u>54.244.931</u>	<u>(49.969.137)</u>	<u>(135.098.027)</u>	<u>(301.615.598)</u>	<u>1.755.645.789</u>	<u>124.767.010</u>	<u>449.938.395</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

The Bank faces this kind of risk when the value of its dollar-denominated assets and liabilities is affected by exchange rate variations, which is recognized in the income statement.

As of September 30, 2021, the financial statements show a net foreign exchange gain of ¢2.094.532.650 (¢5.955.868.309, September 2020).

(g) Capital Management

During 2021, the Capital Management Process in the BCR Financial Conglomerate has been monitored and followed up, aligned with the best practices established in the Basel regulatory framework; as well as documents issued by the European Central Bank.

The analysis is carried out by entity, type of risk, line of business and jointly, so that the information generated can be easily used in decision-making at the different levels of the organization.

The behavior of capital requirements has increased in the last period due to the events caused by Covid 19, and its effect on the credit risk associated with customers, the migration of balances from term products to demand products, that increase the liquidity risk, and the increase in the volatility of the prices of investment instruments with an impact on the price risk.

The increase in liquidity risk for 2021 does not affect the regulatory capital coverage. At the end of June, the capital levels were sufficient to hedge risks.

Capital indicators improve at the end of June 2021, compared to the previous year.

The preventive efforts of the equity sufficiency index allowed the indicator to remain within the appetite level during the start of the pandemic and the first half of 2021.

(h) Systemic risk

Systemic Risk refers to the risk of a complete system collapse rather than a simple failure of individual parts. In a financial context, it denotes the risk of a cascading failure in the financial sector, caused by links within the system, resulting in a severe economic recession.

The BCR within the national financial system occupies the second position in total assets and is among the most active issuers in the country's stock market.

The BCR Financial Conglomerate has a size equivalent to 58,01% of the national production; for its size and the complexity of its operations, the BCR is a systemic entity; therefore, its performance and the decisions taken have effects on the National Financial System.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

The National Banking System has a medium concentration level, where BNCR, BCR, BPDC and BAC are the main participants.

The systemic risk analysis is carried out considering the size, deposits, investment structure, concentration indicators applying methodologies such as the *Herfindahl Hirshman* Index, ratio of total assets / GDP and *Granger* causality networks, which allow obtaining the concentration, the size and infection, so that the information generated can be easily used for decision-making at different levels of the organization.

(i) Operational risk management

According to previous statements in compliance with the guidelines developed in the agreements of the Basel Committee and the intentions of the Supervisor, operating or operational risk is defined as the risk of loss resulting from inadequate use or failure of processes, personnel and internal systems or due to external events. This definition includes technological and legal risks, according to the generalized definition and the previous committee, but excludes the strategic and reputational risk.

Information technology (IT) risk is the possibility of economic losses derived from an event related to the access or use of technology, which affects the development of business processes and risk management of the entity, by attacking the confidentiality, integrity, availability, efficiency, reliability, and timeliness of the information.

Legal risk is the possibility of economic losses due to non-observance or incorrect or untimely application of legal or regulatory provisions, instructions issued by control bodies or adverse jurisdictional or administrative judgments or resolutions and the lack of clarity or deficient drafting in the contractual texts that may affect the formalization or execution of acts, contracts, or transactions.

The objective of the operational risk management is to minimize the financial losses of the Conglomerate, as well as achieving efficiency and effectiveness in the execution of processes and optimize its Internal Control System, for which an annual plan is established that incorporates the risk assessments to be carried out, and which is updated according to the internal and external environment, such as the Pandemic, which led to adjustments both in 2020 and in 2021.

On the other hand, the Covid-19 pandemic has increased alerts regarding technological risk because the population is online with banking platforms and thousands connect for the first time every day, which makes cyber insecurity represent a risk that must be attacked and obliges to increase operational capacity as soon as possible to analyze alerts, paying special attention to monitoring the efficiency of the equipment and its capacity. In addition to health measures, the

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

Government has taken monetary and financial policy measures, with emphasis on liquidity to the financial system, in such a way that it forces operational risk management to be optimized. The operational risk can be increased by the number of processes carried out from home, when telecommuting is implemented.

From this point of view, within the annual operational risk work plan, different risk assessments have been programmed in new services and products, such as in the payment arrangements for loans for business clients, SMEs, and people in financial repercussions due to the Covid-19 pandemic, that continues to hurt the country's economic situation.

Essentially, the model of management and control of operational risk in the Conglomerate establishes a valuation process that comprises the stages of identification, analysis, and assessment. In addition, it is done the control and mitigation, monitoring and information. Considering the above a set of qualitative and quantitative techniques and tools is developed that allow determining the risk level in the substantive processes; this from the estimate of the probability of occurrence of identified relevant events and their impact. It also includes the assessment of effectiveness of existing management measures, as well as the implementation of risk management plans.

Regarding the calculation of regulatory capital, the Bank uses the basic method and continuously provides efforts to prevent and mitigate the relevant operational risks.

Moreover, tracing of the risk indicators resulting in mitigating actions that prevent from materializing the events and mitigation plans for those events that present deviations from the admissibility parameters.

Given the nature of the entity and the risks inherent to its activities, the risk of business interruption, system failures and external fraud is considered as relevant, for which periodic training programs are implemented on elements that collaborate in the early detection of cases. Likewise, there are mitigation plans that will be activated in case of non-compliance with the tolerance limit.

Through the automated OpRisk tool, the operational risks detected in the risk assessments are managed with their respective treatment plans. Additionally, the tool is fed with the materialized event reports recorded by the Bank's different offices, for which it has a consolidated database, complying with the provisions of the SUGEF Agreement 18-16.

As part of the results obtained from the compilation of these events, the database for operating losses has been created, which allows to analyze, by business line, branch and types of risk, the gross and net losses at which it has been exposed in various periods at the BCR; likewise, it allows us to study the effectiveness of the implemented measures.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

Gross operating losses
- Percentage distribution by type of risk-

Type of operational risk	September 2021
Clients, products, and business practices	1,03%
Execution, delivery, and management of processes	3,99%
External fraud	53,28%
Internal fraud	31,41%
Business interruption and system failures	9,81%
Labor relations and safety in the workplace	0,48%
Total	100,00%

Gross operating losses
- Percentage distribution by type of risk-

Type of operational risk	December 2020
Clients, products, and business practices	0,02%
Execution, delivery, and management of processes	34,02%
External fraud	56,53%
Internal fraud	0,01%
Business interruption and system failures	6,28%
Labor relations and safety in the workplace	3,13%
Total	100,00%

Regarding the IT risk management occurring in the Conglomerate, it has an annual risk evaluation plan as established by SUGEF 14-17 “Regulation on management of information technology”, for critical applications, IT outsourcing service contracts, strategic projects, new products, and requests for products on demand. These exercises identify, analyze and take care of the main risk events that might affect the smooth operation of the technological platform.

In addition, as part of the IT risk management, indicators of the most relevant technological risks of the BCR Financial Conglomerate are considered and followed up on. For each of them there are corrective actions or a mitigation plan that is activated in the event of non-compliance with the tolerance or the established capacity. They regularly reviewed and updated in conjunction with risk takers, as part of the continuous improvement of the process.

Reports related to management of technological risk are periodically sent to the corresponding bodies of corporate governance, as part of the System of Management Information.

This work is carried out in accordance with current internal regulations in addition, to agreements SUGEF 14-17 and SUGEF 18-16 and the framework for IT Governance: Cobit 5 and international standards such as: ISO 31000, ISO 27001, ISO 27005 and ISO 27032.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

Business Continuity

(j) Business Impact Analysis

The Corporate Risk Management manages the Business Continuity Management System (hereinafter SGCN) corresponding to the BCR Financial Conglomerate, establishing a regulatory framework that is periodically reviewed and updated to adjust it to organizational changes.

The SGCN consists of 6 phases, namely: Business Impact Analysis (hereinafter BIA), Continuity Risk Analysis, Continuity Strategies, development of Continuity Plans, Training and Awareness about the Plans and Tests. In addition, it has a structure for responding to and attending crisis events both at business level and at technology services level.

Between the fourth quarter of 2020 and the first quarter of 2021, the BIA phase was developed, where the 313 processes of the Conglomerate were considered and once the prioritization was concluded, 67 processes were determined to be analyzed in the BIA.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(40) Situation of the Development Financing Fund

The Bank presents the following financial information as manager of the Development Financing Fund (DFF):

**DEVELOPMENT FINANCING FUND
STATEMENT OF FINANCIAL POSITION**

As of September 30, 2021

Financial Information

(In colones without cents)

	September 2021	December 2020	September 2020
ASSETS			
Cash and due from banks	¢ 0	1.246.277.231	232.992.771
Cash	0	1.246.277.231	232.992.771
Investment in financial instruments	1.098.411.964	3.258.275.841	4.002.060.517
At fair value with changes through profit or loss	0	2.506.287.491	3.250.072.167
At fair value with changes through other comprehensive income	1.088.651.130	750.000.000	750.000.000
Interest receivable	9.760.834	1.988.350	1.988.350
Loan portfolio	36.493.531.879	30.075.564.068	29.703.443.655
Current loans	34.445.839.753	29.303.490.006	27.993.486.879
Past due loans	2.386.197.981	915.738.825	1.770.044.428
Loans on legal collection	49.958.231	83.900.091	182.915.975
(Deferred income – loan portfolio)	(318.953.246)	(265.160.672)	(270.232.827)
Interest receivable	96.868.532	176.680.224	166.599.642
(Allowance for impairment)	(166.379.372)	(139.084.406)	(139.370.442)
Accounts and commissions receivable	2.101.581	2.871.750	1.053.185
Other accounts receivable	3.230.388	3.627.432	1.688.320
(Allowance for impairment)	(1.128.807)	(755.682)	(635.135)
Other Assets	4.330.698	4.358.015	4.330.698
Other Assets	4.330.698	4.358.015	4.330.698
TOTAL ASSETS	¢ 37.598.376.122	34.587.346.905	33.943.880.826
LIABILITIES			
Obligations with entities	¢ 607.482.794	0	0
Other Obligations with entities	607.482.794	0	0
Accounts payable and provisions	30.331.169	22.720.587	16.895.890
Other miscellaneous accounts payable	30.331.169	22.720.587	16.895.890
Other liabilities	1.378.733	455.119	302.649
Other liabilities	1.378.733	455.119	302.649
TOTAL LIABILITIES	¢ 639.192.696	23.175.706	17.198.539
EQUITY			
Contributions from Banco Central de Costa Rica	¢ 26.014.386.470	24.366.546.259	24.366.546.259
Accumulated results from previous periods	10.197.624.940	8.943.182.201	8.943.182.201
Result of the current period	747.172.016	1.254.442.739	616.953.827
TOTAL EQUITY	¢ 36.959.183.426	34.564.171.199	33.926.682.287
TOTAL EQUITY AND LIABILITIES	¢ 37.598.376.122	34.587.346.905	33.943.880.826
CONTINGENT DEBIT MEMORANDA ACCOUNTS			
OTHER DEBIT MEMORANDA ACCOUNTS	¢ 3.346.279	0	6.975.225
Own debit memoranda accounts	0	0	3.749.747.791

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

**DEVELOPMENT FINANCING FUND
STATEMENT OF INCOME**

For the periods ended September 30, 2021

Financial Information

(In colones without cents)

			Quarter from July 1 to September 30	
	September 2021	September 2020	2021	2020
Financial income				
For investments in financial instruments	0	187	0	187
For loan portfolio	1.077.447.516	1.251.909.984	390.973.589	379.089.372
For profit on held-for-trading financial instruments	2.154.455	10.178.841	995.304	6.389.495
Other financial income	4.588.745	1.841.374	0	1.840.559
Total financial income	1.084.190.716	1.263.930.386	391.968.893	387.319.613
For allowance on loan portfolio	22.177.228	173.750.222	554.566	294.364
For recovery of assets and decrease in allowance	18.580.367	243.155.795	12.144.972	301.078
Financial income	1.080.593.855	1.333.335.959	403.559.299	387.326.327
Other operating income				
For other operating income	377.848	22.817.626	31.424	8.109.632
For exchange and arbitration of currency	249	6	249	0
For commissions for services	7.979.321	660.314	2.219.914	7.910
Total other operating income	8.357.418	23.477.946	2.251.587	8.117.542
Other operating expenses				
For foreclosed assets	411.364	0	0	0
For other operating expenses	341.367.893	739.860.078	130.775.871	367.174.409
Total administrative expenses	341.779.257	739.860.078	130.775.871	367.174.409
Operating income, gross	747.172.016	616.953.827	275.035.015	28.269.460
Income of the period	¢ 747.172.016	616.953.827	275.035.015	28.269.460

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

Loan Portfolio of the Development Financing Fund

The information contained in notes a) through f) below corresponds to financial information.

a) Loan portfolio by sector

Sector	September 2021	December 2020	September 2020
Agriculture, livestock, hunting and related services	¢ 10.978.304.136	9.819.784.391	9.291.682.130
Public administration	3.686.169.748	0	0
Fishing and aquaculture	41.532.983	11.172.166	0
Manufacturing	5.490.659.323	4.683.555.594	4.622.216.375
Trade	10.033.033.792	124.626.151	128.539.706
Services	4.335.614.470	13.905.247.401	14.046.145.634
Trasnportation	235.178.515	167.919.566	175.010.278
Financial activity and stock exchange	937.745.527	1.106.957.428	1.163.681.010
Real estate, business, and lease activities	272.397.384	0	0
Building, purchase, and repair of real estate	659.026.540	193.800.359	228.646.200
Hotels and restaurants	212.333.547	224.491.195	224.579.122
Education	0	65.574.671	65.946.826
	<u>36.881.995.965</u>	<u>30.303.128.922</u>	<u>29.946.447.281</u>
Plus: interest receivable	96.868.532	176.680.224	166.599.642
Less: Deferred income – loan portfolio	(318.953.246)	(265.160.672)	(270.232.827)
Allowance for impairment	(166.379.372)	(139.084.406)	(139.370.442)
	<u>¢ 36.493.531.879</u>	<u>30.075.564.068</u>	<u>29.703.443.654</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

b) Loan portfolio by arrears:

The loan portfolio by arrears is detailed as follows:

	September 2021	December 2020	September 2020
Up to date	¢ 34.445.839.753	29.303.490.006	27.993.486.879
1 to 30 days	2.210.860.315	753.633.934	981.606.428
31 to 60 days	124.791.260	102.520.739	423.975.113
61 to 90 days	45.669.245	9.835.341	97.247.730
91 to 120 days	4.877.161	47.748.810	49.412.401
121 to 180 days	0	0	53.502.581
More than 180 days	0	2.000.000	347.216.150
Legal collection	49.958.231	83.900.092	0
	¢ 36.881.995.965	30.303.128.922	29.946.447.282

c) Past due loans

Past due loans, including loans in accrual status, for which interest are recognized on a cash basis, and unearned interest on past due loans, are as follows:

	September 2021	December 2020	September 2020
Number of operations	4	7	14
Past due loans in non-accrual status of interest	¢ 49.958.231	85.900.092	347.216.150
Past due loans for which interest is recognized	¢ 2.386.197.981	913.738.824	1.605.744.252
Total unearned interest	¢ 22.440.207	38.562.236	15.600.035

As of September 30, 2021, loans on legal collection are as follows:

# operations	Percentage	Balance
4	0,14%	¢ <u>49.958.231</u>

As of December 31, 2020, loans on legal collection are as follows:

# operations	Percentage	Balance
6	0,28%	¢ <u>83.900.091</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of September 30, 2020, loans on legal collection are as follows:

# operations	Percentage	Balance
9	0,61%	¢ <u>182.915.975</u>

d) Interest receivable on loan portfolio

Interest receivable is as follows:

	September 2021	December 2020	September 2020
Current loans	¢ 86.804.030	167.578.015	142.247.137
Past due loans	9.281.051	6.119.658	18.280.774
Loans in legal collection	783.451	2.982.551	6.071.731
	¢ <u>96.868.532</u>	<u>176.680.224</u>	<u>166.599.642</u>

e) Allowance for bad loans

The movement in the allowance for bad loans is as follows:

As of September 30, 2021:

Opening balance 2021	¢	139.084.406
Plus:		
Allowance charged to profit or loss		21.740.606
Transfer of balances		6.022.483
Adjustment for exchange rate differences		60.370
Less:		
Adjustment for exchange rate differences		(2.078)
Adjustment for exchange differences		(526.415)
Balance as of September 30, 2021	¢	<u>166.379.372</u>

As of December 31, 2020

Opening balance 2020	¢	197.505.723
Plus:		
Allowance charged to profit or loss		173.117.759
Transfer of balances		52.104
Adjustments for exchange differences		22.040.303
Less:		
Transfer to outstanding balances		(10.681.080)
Reversal of allowance against income		(242.950.403)
Balance as of December 31, 2020	¢	<u>139.084.406</u>

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of September 30, 2020

Opening balance 2020	¢	197.505.723
Plus:		
Allowance charged to profit or loss		173.117.759
Transfer of balances		52.104
Adjustments for exchange differences		22.025.495
Less:		
Transfer to outstanding balances		(10.681.080)
Reversal of allowance against income		(242.649.559)
Balance as of September 30, 2020	¢	<u>139.370.442</u>

f) Loan portfolio by type of guarantee:

The loan portfolio by type of guarantee is as follows:

	<u>September 2021</u>	<u>December 2020</u>	<u>September 2020</u>
Guarantee			
Fiduciary	¢ 739.007.604	162.133.222	0
Mortgage	24.322.395.541	19.106.693.082	6.782.300.343
Chattel	653.925.155	686.037.251	9.224.426.924
Others	11.166.667.665	10.348.265.367	13.939.720.014
	¢ <u>36.881.995.965</u>	<u>30.303.128.922</u>	<u>29.946.447.281</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

- g) Financial instruments of the Development Financing Fund with credit risk exposure are detailed as follows:

		<u>Direct Loan Portfolio</u>		
		<u>September</u>	<u>December</u>	<u>September</u>
		<u>2021</u>	<u>2020</u>	<u>2020</u>
Principal	¢	36.881.995.965	30.303.128.922	29.946.447.281
Interest receivable		96.868.532	176.680.224	166.599.642
		<u>36.978.864.497</u>	<u>30.479.809.146</u>	<u>30.113.046.923</u>
Allowance for bad loans		(166.379.372)	(139.084.406)	(139.370.442)
Carrying amount	¢	<u>36.812.485.125</u>	<u>30.340.724.740</u>	<u>29.973.676.481</u>
Loan portfolio				
Total balances:				
A1	¢	0	1.113.040.692	0
C2		0	3.291.111	0
D		952.273.576	0	1.173.147.673
E		0	0	4.317.826
1		35.014.906.081	28.529.599.737	27.634.625.411
2		154.420.100	63.731.314	569.130.848
3		438.559.357	237.251.665	189.091.174
4		380.298.213	443.976.165	129.897.505
5		0	0	31.695.209
6		38.407.171	88.918.462	381.141.277
		<u>36.978.864.497</u>	<u>30.479.809.146</u>	<u>30.113.046.923</u>
Minimum allowance		<u>(125.826.805)</u>	<u>(95.859.116)</u>	<u>(115.540.951)</u>
Carrying amount. net	¢	<u>36.853.037.692</u>	<u>30.383.950.030</u>	<u>29.997.505.972</u>
Carrying amount		36.978.864.497	30.479.809.146	30.113.046.923
Allowance for bad loans		(125.826.805)	(95.859.116)	(115.540.951)
Allowance (surplus) deficit on minimum allowance		<u>(40.552.567)</u>	<u>(43.225.290)</u>	<u>(23.829.491)</u>
Carrying amount. net	6a ¢	<u>36.812.485.125</u>	<u>30.340.724.740</u>	<u>29.973.676.481</u>

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

The loan portfolio assessed with an allowance is detailed as follows:

As of September 30, 2021

Loan portfolio	Direct Loan Portfolio			
	Principal	Covered balance	Overdraft	Allowance
Direct generic allowance				
1	¢ 35.014.906.080	22.390.285.916	12.624.620.164	87.751.496
D	952.273.576	0	952.273.576	4.761.368
	<u>35.967.179.656</u>	<u>22.390.285.916</u>	<u>13.576.893.740</u>	<u>92.512.864</u>
Direct specific allowance				
2	154.420.100	122.587.754	31.832.346	2.204.556
3	438.559.357	419.286.337	19.273.020	6.914.687
4	380.298.213	345.284.652	35.013.561	19.233.204
6	38.407.171	33.613.746	4.793.425	4.961.494
	<u>1.011.684.841</u>	<u>920.772.489</u>	<u>90.912.352</u>	<u>33.313.941</u>
	¢ <u>36.978.864.497</u>	<u>23.311.058.405</u>	<u>13.667.806.092</u>	<u>125.826.805</u>

As of December 31, 2020

Aging of loan portfolio	Direct Loan Portfolio			
	Principal	Covered balance	Overdraft	Allowance
Direct generic allowance				
1	¢ 28.523.458.442	18.186.453.734	10.337.004.707	71.743.928
A1	1.119.181.987	477.529	1.118.704.459	5.595.910
	<u>29.642.640.429</u>	<u>18.186.931.263</u>	<u>11.455.709.166</u>	<u>77.339.838</u>
Direct specific allowance				
2	63.731.314	61.710.563	2.020.751	409.590
3	237.251.665	224.646.855	12.604.810	4.274.437
4	443.976.165	426.038.900	17.937.265	11.098.827
6	88.918.462	86.631.652	2.286.810	2.719.968
D	3.291.111	3.291.111	0	16.456
	<u>837.168.717</u>	<u>802.319.081</u>	<u>34.849.636</u>	<u>18.519.278</u>
	¢ <u>30.479.809.146</u>	<u>18.989.250.344</u>	<u>11.490.558.802</u>	<u>95.859.116</u>

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of September 30, 2020

Loan portfolio	Direct Loan Portfolio			
	Principal	Covered balance	Overdraft	Allowance
Direct generic allowance				
1	¢ 27.634.625.411	17.480.064.538	10.154.560.874	69.506.909
D	1.173.147.674	701.037	1.172.446.636	5.865.738
	<u>28.807.773.805</u>	<u>17.480.765.575</u>	<u>11.327.007.510</u>	<u>75.372.674</u>
Direct specific allowance				
2	569.130.847	536.257.075	32.873.771	4.324.973
3	189.091.174	182.886.020	6.205.154	2.465.719
4	129.897.505	128.893.734	1.003.772	1.146.355
5	31.695.209	31.695.209	0	158.476
6	381.141.277	350.844.306	30.296.971	32.051.192
E	4.317.826	4.317.826	0	21.589
	<u>1.305.273.838</u>	<u>1.234.894.170</u>	<u>70.379.668</u>	<u>40.168.304</u>
	<u>30.113.046.923</u>	<u>18.715.659.745</u>	<u>11.397.387.178</u>	<u>115.540.951</u>

As of September 30, 2021

Loan portfolio

Aging of loan portfolio

Direct generic allowance	Direct Loan Portfolio			
	Principal	Covered balance	Overdraft	Allowance
Up to date	¢ 34.532.643.783	21.068.367.419	13.464.276.363	87.837.547
Equal or less than 30 days	2.176.931.771	1.998.854.139	178.077.632	4.571.346
Equal or less than 60 days	0	0	0	103.972
	<u>36.709.575.554</u>	<u>23.067.221.558</u>	<u>13.642.353.995</u>	<u>92.512.865</u>
Direct specific allowance				
Equal or less than 60 days	167.760.359	156.050.024	11.710.336	25.720.831
Equal or less than 90 days	42.721.981	36.588.934	6.133.047	1.716.206
Equal or less than 180 days	20.399.432	17.584.143	2.815.289	915.409
More than 180 days	38.407.171	33.613.746	4.793.425	4.961.494
	<u>¢ 269.288.943</u>	<u>243.836.847</u>	<u>25.452.097</u>	<u>33.313.940</u>
	<u>¢ 36.978.864.497</u>	<u>23.311.058.405</u>	<u>13.667.806.092</u>	<u>125.826.805</u>

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of December 31, 2020

Loan Portfolio		Direct Loan Portfolio			
		Principal	Covered balance	Overdraft	Allowance
Aging of loan portfolio					
Direct generic allowance					
Up to date	¢	1.119.181.988	477.529	1.118.704.459	77.339.838
		1.119.181.988	477.529	1.118.704.459	77.339.838
Direct specific allowance					
Up to date		28.351.886.034	18.020.730.072	10.331.155.963	14.777.852
Equal or less than 30 days		749.786.317	713.537.808	36.248.509	75.561
Equal or less than 60 days		111.848.964	109.868.869	1.980.095	610.133
Equal or less than 90 days		9.847.080	9.664.113	182.966	94.062
Equal or less than 180 days		48.340.301	48.340.301	0	241.702
More than 180 days		88.918.462	86.631.652	2.286.810	2.719.968
		29.360.627.158	18.988.772.815	10.371.854.343	18.519.278
	¢	30.479.809.146	18.989.250.344	11.490.558.802	95.859.116

As of September 30, 2020

Loan Portfolio		Direct Loan Portfolio			
		Principal	Covered balance	Overdraft	Allowance
Aging of loan portfolio					
Direct generic allowance					
Up to date	¢	28.135.734.016	16.962.737.022	11.172.996.994	69.506.909
Equal or less than 30 days		987.641.295	823.576.679	164.064.616	5.865.738
		29.123.375.311	17.786.313.701	11.337.061.610	75.372.647
Direct specific allowance					
Equal or less than 60 days		427.922.068	397.945.710	29.976.358	7.201.272
Equal or less than 90 days		92.048.033	91.995.794	52.239	473.039
Equal or less than 180 days		112.218.542	95.015.802	17.202.740	17.677.819
More than 180 days		357.482.969	344.388.738	13.094.231	14.816.174
		989.671.612	929.346.044	60.325.568	40.168.304
	¢	30.113.046.923	18.715.659.745	11.397.387.178	115.540.951

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of September 30. 2021	Loans receivable from clients	
	Gross	Net
Risk category:		
1	¢ 35.014.906.081	34.927.154.584
2	154.420.100	152.215.544
3	438.559.357	431.644.670
4	380.298.213	361.065.009
6	38.407.171	33.445.677
D	952.273.576	947.512.208
	¢ 36.978.864.497	36.853.037.692

As of December 31, 2020	Loans receivable from clients	
	Gross	Net
Risk category:		
1	¢ 28.523.458.442	28.457.855.809
2	63.731.314	63.321.724
3	237.251.665	232.977.228
4	443.976.165	432.877.338
6	88.918.462	86.198.494
A1	1.119.181.987	1.107.444.782
C2	3.291.111	3.274.655
	¢ 30.479.809.146	30.383.950.030

As of September 30. 2020	Loans receivable from clients	
	Gross	Net
Risk category:		
1	¢ 27.634.625.410	27.565.118.503
2	569.130.848	564.805.874
3	189.091.174	186.625.455
4	129.897.505	128.751.151
5	31.695.209	31.536.733
6	381.141.277	349.090.084
D	1.173.147.674	1.167.281.935
E	4.317.826	4.296.237
	¢ 30.113.046.923	29.997.505.972

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(41) Situation of the Development Credit Fund

The Bank presents the following financial information as manager of the Development Credit Fund (DCF):

**DEVELOPMENT CREDIT FUND
STATEMENT OF FINANCIAL POSITION**

As of September 30, 2021

Financial Information

(In colones without cents)

	September	December	September
	2021	2020	2020
Assets			
Cash and due from banks	¢ 875.608.451	572.602.946	666.006.054
Banco Central de Costa Rica	875.608.451	572.602.946	666.006.054
Investments in financial instruments	163.660.362.046	148.054.359.961	158.164.294.667
At fair value through profit or loss	4.161.436.049	5.202.208.883	4.329.090.274
At fair value through other comprehensive income	157.080.362.843	141.088.054.191	152.341.231.470
At amortized cost	673.792.509	100.004.167	0
Interest receivable	1.744.770.645	1.664.092.720	1.493.972.923
Loan portfolio	12.281.023.821	22.741.655.708	17.029.143.778
Current loans	12.588.717.191	22.921.063.273	16.985.606.636
Past due loans	104.370.009	110.874.791	323.297.715
(Deferred income – loan portfolio)	(367.176.444)	(308.265.463)	(290.582.193)
Interest receivable	52.767.113	84.427.114	76.824.648
(Allowance for impairment)	(97.654.048)	(66.444.007)	(66.003.028)
Accounts and commissions receivable	13.789.245	198.395.367	0
Tax and deferred income tax	13.789.245	198.395.367	0
Other assets	915.112.205	394.071.324	210.882.588
Other assets	915.112.205	394.071.324	210.882.588
Total assets	¢ 177.745.895.768	171.961.085.306	176.070.327.087
Liabilities			
Obligations with entities	¢ 170.033.443.939	168.090.921.427	171.091.024.108
Demand	0	168.090.921.427	171.091.024.108
Term	170.033.443.939	0	0
Accounts payable and provisions	1.568.226.595	378.106.823	0
Deferred income tax	1.568.226.595	378.106.823	0
Other liabilities	704.761.365	697.720.716	1.558.875.247
Other liabilities	704.761.365	697.720.716	1.558.875.247
Total liabilities	¢ 172.306.431.899	169.166.748.966	172.649.899.355
EQUITY			
Result of the previous period	¢ 4.169.317.534	844.374.416	2.053.370.064
Income of the current period	1.270.146.335	1.949.961.924	1.367.057.668
Total equity	¢ 5.439.463.869	2.794.336.340	3.420.427.732
Total liabilities and equity	¢ 177.745.895.768	171.961.085.306	176.070.327.087
Other debit memoranda accounts			
Other debit memoranda accounts	¢ 8.673.680.412	16.243.717.176	23.269.148.081
Own debit memoranda accounts	¢ 13.358.159	6.083.172	12.837.260

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

**DEVELOPMENT CREDIT FUND
STATEMENT OF INCOME**

For the period ended September 30, 2021

Financial Information

(In colones without cents)

	Quarter from July 1 to September 30			
	September 2021	September 2020	2021	2020
Financial income				
For investments in financial instruments	¢ 5.331.157.116	4.822.033.996	1.897.651.171	2.049.376.712
For loan portfolio	764.210.158	778.007.150	188.314.083	236.727.550
For exchange rate differences	552.120.241	1.322.197.835	383.889.248	897.722.061
Other financial income	155.232.330	290.880.142	8.746.397	52.555.492
Total financial income	<u>6.802.719.845</u>	<u>7.213.119.123</u>	<u>2.478.600.899</u>	<u>3.236.381.815</u>
Financial expenses				
For obligations with the public	894.207.881	1.196.461.114	302.845.736	357.558.478
Other financial expenses	7.795.299	11.017.870	886.209	1.816.418
Total financial expenses	<u>902.003.180</u>	<u>1.207.478.984</u>	<u>303.731.945</u>	<u>359.374.896</u>
Recovery of assets and decrease in allowance	253.716.244	1.077.112.362	129.710.014	179.891.744
For recovery of assets and decrease in allowance	106.499.211	739.040.806	10.813.102	652.415.437
Financial income	¢ <u>5.753.499.632</u>	<u>5.667.568.583</u>	<u>2.055.972.042</u>	<u>3.349.530.612</u>
Other operating income				
For service commissions and fees	8.492	10.061	0	0
For exchange and arbitration, foreign currency	227.998.362	222.703.205	78.859.014	50.877.059
For other operating expenses	13.501.984	198.149.561	10.250.875	117.922
Total other operating income	¢ <u>241.508.838</u>	<u>420.862.827</u>	<u>89.109.889</u>	<u>50.994.981</u>
Other operating expenses				
For exchange and arbitration, foreign currency	93.756.397	83.098.402	22.789.069	7.803.429
For other operating expenses	44.593.285	232.636.077	21.087.540	30.933.199
Total other operating expenses	¢ <u>138.349.682</u>	<u>315.734.479</u>	<u>43.876.609</u>	<u>38.736.628</u>
Gross operating	¢ <u>5.856.658.788</u>	<u>5.772.696.931</u>	<u>2.101.205.322</u>	<u>3.361.788.965</u>
Profit transferred to the National Development Trust	4.586.512.453	4.405.639.263	1.839.984.347	2.760.256.309
Total comprehensive income of the period	¢ <u>1.270.146.335</u>	<u>1.367.057.668</u>	<u>261.220.975</u>	<u>601.532.656</u>
Profit allocation				
Transfer to the National Development Trust	¢ 4.586.512.453	4.405.639.263	1.839.984.347	140.278.917
Commission for managing the Development Credit Fund and the fund's own profits	1.270.146.335	1.367.057.668	261.220.975	723.533.859
	¢ <u>5.856.658.788</u>	<u>5.772.696.931</u>	<u>2.101.205.322</u>	<u>863.812.776</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

Investments in financial instruments of the Development Credit Fund (DCF) are detailed as follows:

	September 2021	December 2020	September 2020
At fair value through profit or loss	¢ 4.161.436.049	5.202.208.883	4.329.090.274
At fair value through other comprehensive income	157.080.362.843	141.088.054.191	152.341.231.470
At amortized cost	673.792.509	100.004.167	0
Interest receivable for investments at fair value through other comprehensive income	<u>1.744.770.645</u>	<u>1.664.092.720</u>	<u>1.493.972.923</u>
	¢ <u>163.660.362.046</u>	<u>148.054.359.961</u>	<u>158.164.294.667</u>
	September 2021	December 2020	September 2020
At fair value through profit or loss	Fair value	Fair value	Fair value
<u>Local issuers:</u>			
State-owned Banks	¢ 4.161.436.049	5.202.208.883	4.329.090.274
	¢ <u>4.161.436.049</u>	<u>5.202.208.883</u>	<u>4.329.090.274</u>
	September 2021	December 2020	September 2020
At fair value through other comprehensive income	Fair value	Fair value	Fair value
<u>Local issuers:</u>			
Government	¢ 130.530.185.931	0	97.902.398.999
State-owned Banks	<u>26.550.176.912</u>	<u>141.088.054.191</u>	<u>54.438.832.471</u>
	¢ <u>157.080.362.843</u>	<u>141.088.054.191</u>	<u>152.341.231.470</u>

As of November 27, 2014, after Law No. 9274 was reformed (Comprehensive Reform of the Development Banking System), as per article 36, the managing bank will receive a commission of maximum 10% of the earnings, set by the Governing Board, to cover operation costs, services and any other cost arising from managing the investments.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

Loan Portfolio of the Development Credit Fund

The information contained in notes a) through f) below corresponds to financial information.

a) Loan portfolio by sector

Sector	September 2021	December 2020	September 2020
Agriculture, livestock, hunting and related services	¢ 5.565.652.487	9.538.035.262	6.669.333.738
Manufacturing	7.127.434.713	11.398.279.034	7.772.510.038
Trade	0	6.000.000	8.000.000
Services	0	2.089.623.768	2.859.060.575
	12.693.087.200	23.031.938.064	17.308.904.351
Plus: Interest receivable	52.767.113	84.427.114	76.824.648
Less: Deferred income-loan portfolio	(367.176.444)	(308.265.463)	(290.582.193)
Allowance for impairment	(97.654.048)	(66.444.007)	(66.003.028)
	¢ 12.281.023.821	22.741.655.708	17.029.143.778

b) Loan portfolio by arrears:

The loan portfolio by arrears is detailed as follows:

	September 2021	December 2020	September 2020
Up to date	¢ 12.588.717.191	22.921.063.273	16.985.606.636
1 to 30 days	104.370.009	0	0
31 to 60 days	0	0	110.874.791
61 to 90 days	0	110.874.791	0
91 to 120 days	0	0	212.422.924
	¢ 12.693.087.200	23.031.938.064	17.308.904.351

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

c) Delinquent and past due loan portfolio

Delinquent and past due loans, including loans with recognition of interest based on cash and interest not received on these loans, are summarized below:

	<u>September 2021</u>	<u>December 2020</u>	<u>September 2020</u>
Number of operations	0	0	0
Delinquent and past due loans with interest recognition	¢ 104.370.009	110.874.791	323.297.715
Total of not received interest	¢ 13.358.159	6.083.172	12.837.260

d) Loan portfolio by type of guarantee:

The loan portfolio by type of guarantee is as follows:

	<u>September 2021</u>	<u>December 2020</u>	<u>September 2020</u>
Current loans	¢ 51.938.636	83.557.337	74.545.327
Past due loans	828.477	869.777	2.279.321
	<u>¢ 52.767.113</u>	<u>84.427.114</u>	<u>76.824.648</u>

e) Allowance for impairment of loan portfolio

As of September 30, 2021

Balance at the beginning of 2021	¢	66.444.007
Plus:		
Allowance to profit or loss		29.967.665
Transfer of balances		577.449
Adjustment for exchange differences		736.223
Less:		
Adjustment for exchange differences		(71.296)
Balance as of September 30, 2021	¢	<u>97.654.048</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of December 31, 2020

Balance at the beginning of 2020	¢	70.058.329
Plus:		
Allowance to profit or loss		23.137.384
Adjustment for exchange differences		2.598.947
Less:		
Adjustment for exchange differences		(488.607)
Reversion of allowance against income		(28.862.046)
Balance as of December 31, 2020	¢	<u>66.444.007</u>

As of September 30, 2020

Balance at the beginning of 2020	¢	70.058.329
Plus:		
Allowance to profit or loss		23.137.384
Adjustment for exchange differences		2.157.969
Less:		
Adjustment for exchange differences		(488.607)
Reversion of allowance against income		(28.862.047)
Balance as of September 30, 2020	¢	<u>66.003.028</u>

f) Loan potfolio by kind of guarantee:

		September 2021	December 2020	September 2020
Guarantee				
Mortgage	¢	441.928.546	489.542.633	4.944.007.819
Chattel		629.663.718	846.792.078	1.094.965.206
Other		11.621.494.936	21.695.603.353	11.269.931.326
	¢	<u>12.693.087.200</u>	<u>23.031.938.064</u>	<u>17.308.904.351</u>

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

g) DCF financial instruments with exposure to credit risk are detailed as follows:

		<u>Direct Loan Portfolio</u>		
		<u>September</u>	<u>December</u>	<u>September</u>
		<u>2021</u>	<u>2020</u>	<u>2020</u>
Principal	¢	12.693.087.200	23.031.938.064	17.308.904.351
Interest receivable		52.767.113	84.427.114	76.824.648
		<u>12.745.854.313</u>	<u>23.116.365.178</u>	<u>17.385.728.999</u>
Allowance for bad loans		(97.654.048)	(66.444.007)	(66.003.028)
Carrying amount	¢	<u>12.648.200.265</u>	<u>23.049.921.171</u>	<u>17.319.725.971</u>
Loan portfolio				
Total balances:				
1	¢	12.418.445.504	22.724.893.182	16.996.584.886
3		327.408.809	111.744.568	111.145.818
4		0	279.727.428	277.998.295
		<u>12.745.854.313</u>	<u>23.116.365.178</u>	<u>17.385.728.999</u>
Minimum allowance		(34.777.721)	(61.860.080)	(44.437.183)
Carrying amount, net	¢	<u>12.711.076.592</u>	<u>23.054.505.098</u>	<u>17.341.291.816</u>
Carrying amount		12.745.854.313	23.116.365.178	17.385.728.999
Allowance for bad loans		(34.777.721)	(61.860.080)	(44.437.183)
Allowance (surplus) deficit on minimum allowance		(62.876.327)	(4.583.927)	(21.565.845)
Carrying amount, net	6a ¢	<u>12.648.200.265</u>	<u>23.049.921.171</u>	<u>17.319.725.971</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

The assessed loan portfolio including allowance is detailed as follows:

As of September 30, 2021

Loan portfolio	Direct Loan Portfolio			
	Principal	Covered balance	Overdraft	Allowance
Direct generic allowance				
1	¢ 12.418.445.503	1.359.574.996	11.058.870.508	31.046.114
	<u>12.418.445.503</u>	<u>1.359.574.996</u>	<u>11.058.870.508</u>	<u>31.046.114</u>
Direct specific allowance				
3	327.408.810	318.859.570	8.549.239	3.731.607
	<u>327.408.810</u>	<u>318.859.570</u>	<u>8.549.239</u>	<u>3.731.607</u>
	¢ 12.745.854.313	1.678.434.566	11.067.419.747	34.777.721
	<u>12.745.854.313</u>	<u>1.678.434.566</u>	<u>11.067.419.747</u>	<u>34.777.721</u>
Loan portfolio				
Aging of loan portfolio				
Direct generic allowance				
Up to date	¢ 12.640.655.827	1.573.236.080	11.067.419.747	31.046.114,00
	<u>12.640.655.827</u>	<u>1.573.236.080</u>	<u>11.067.419.747</u>	<u>31.046.114,00</u>
Direct specific allowance				
Up to date	0	0	0	0
Equal to or less than 30 days	0	0	0	3.205.615,00
Equal to or less than 60 days	105.198.486	105.198.486	0	525.992,00
	<u>105.198.486</u>	<u>105.198.486</u>	<u>0</u>	<u>3.731.607,00</u>
	¢ 12.745.854.313	1.678.434.566	11.067.419.747	34.777.721,00
	<u>12.745.854.313</u>	<u>1.678.434.566</u>	<u>11.067.419.747</u>	<u>34.777.721,00</u>

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

As of December 31, 2020

Loan portfolio	Direct Loan Portfolio			
	Principal	Covered balance	Overdraft	Allowance
Direct generic allowance				
1	¢ 22.724.893.182	5.874.960.777	16.849.932.405	59.902.720
	<u>22.724.893.182</u>	<u>5.874.960.777</u>	<u>16.849.932.405</u>	<u>59.902.720</u>
Direct generic allowance				
3	111.744.568	111.744.568	0	558.723
4	279.727.428	279.727.428	0	1.398.637
	<u>391.471.996</u>	<u>391.471.996</u>	<u>0</u>	<u>1.957.360</u>
¢	<u>23.116.365.178</u>	<u>6.266.432.773</u>	<u>16.849.932.405</u>	<u>61.860.080</u>
Loan portfolio				
Aging of loan portfolio	Direct Loan Portfolio			
	Principal	Covered balance	Overdraft	Allowance
Direct generic allowance				
Up to date	¢ 23.004.620.610	6.154.688.205	16.849.932.405	59.902.720
	<u>23.004.620.610</u>	<u>6.154.688.205</u>	<u>16.849.932.405</u>	<u>59.902.720</u>
Direct generic allowance				
Equal to or less than 90 days	111.744.568	111.744.568	0	1.957.360
	<u>111.744.568</u>	<u>111.744.568</u>	<u>0</u>	<u>1.957.360</u>
¢	<u>23.116.365.178</u>	<u>6.266.432.773</u>	<u>16.849.932.405</u>	<u>61.860.080</u>

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Notes to the consolidated financial statements

September 30, 2021

As of September 30, 2020

Loan portfolio	Direct Loan Portfolio			
	Principal	Covered balance	Overdraft	Allowance
Direct generic allowance				
1	¢ 16.996.584.884	800.341.493	16.196.243.392	42.491.462
	<u>16.996.584.884</u>	<u>800.341.493</u>	<u>16.196.243.392</u>	<u>42.491.462</u>
Direct generic allowance				
3	111.145.820	111.145.819	0	555.730
4	277.998.295	277.998.295	0	1.389.991
	<u>389.144.115</u>	<u>389.144.114</u>	<u>0</u>	<u>1.945.721</u>
	¢ <u>17.385.728.999</u>	<u>1.189.485.607</u>	<u>16.196.243.392</u>	<u>44.437.183</u>
Loan portfolio				
Aging of loan portfolio	Direct Loan Portfolio			
	Principal	Covered balance	Overdraft	Allowance
Direct generic allowance				
Up to date	¢ 17.060.151.962	863.908.571	16.196.243.391	42.809.297
	<u>17.060.151.962</u>	<u>863.908.571</u>	<u>16.196.243.391</u>	<u>42.809.297</u>
Direct generic allowance	Principal	Covered balance	Overdraft	Allowance
Equal to or less than 30 days	111.145.819	111.145.819	0	555.729
More than 180 days	214.431.217	214.431.217	0	1.072.156
	<u>325.577.036</u>	<u>325.577.036</u>	<u>0</u>	<u>1.627.885</u>
	¢ <u>17.385.728.998</u>	<u>1.189.485.607</u>	<u>16.196.243.391</u>	<u>44.437.182</u>

Loans receivable from clients

As of September 30, 2021

Risk category:

	Gross	Net
1	¢ 12.418.445.504	12.387.399.390
4	327.408.809	323.677.202
	¢ <u>12.745.854.313</u>	<u>12.711.076.592</u>

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As of December 31. 2020	Risk category:	Loans receivable from clients	
		Gross	Net
1	¢	22.724.893.182	22.664.990.462
3		111.744.568	111.185.845
4		279.727.428	278.328.791
	¢	<u>23.116.365.178</u>	<u>23.054.505.098</u>

As of September 30. 2020	Risk category:	Loans receivable from clients	
		Gross	Net
1	¢	16.996.584.886	16.954.093.423
3		111.145.818	110.590.089
4		277.998.295	276.608.304
	¢	<u>17.385.728.999</u>	<u>17.341.291.816</u>

By request for change made by private banks to operate in accordance with the provisions of subsection ii) of Law N.1644, Organic Law of the National Banking System, the Governing Council of the Development Banking System authorizes the managing banks to transfer the resources from the Development Credit Fund, the repayment of which will be in monthly installments for a maximum period of six months.

As of September 30, 2021 resources have been transferred from the Development Credit Fund.

	September 2021	December 2020	September 2020
Banco Scotiabank	¢ 19.528.028.536	0	0
Banco Promerica	¢ 2.912.409.380	10.198.963.905	5.633.924.617
	¢ <u>22.440.437.916</u>	<u>10.198.963.905</u>	<u>5.633.924.617</u>

(42) Merger of Banco Crédito Agrícola de Cartago

On September 10, 2018, the bill "Merger by absorption of Banco Crédito Agrícola de Cartago and Banco de Costa Rica" was approved by the Legislative Assembly. The Law approved by the Congress establishes that the operative merger between Bancrédito and BCR will be effective within a maximum period of 60 working days, after the Law comes into effect.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

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The Law "Merger by absorption of Banco Crédito Agrícola de Cartago and Banco de Costa Rica", Legislative Decree N° 9605, File N° 20-366, became effective as of September 19, 2018, after it was published in the official paper La Gaceta. As result of this merger, Banco Crédito Agrícola will be ceased as a legal entity and its net assets will be transferred to Banco de Costa Rica, which will be a full party as of the effective date of this Law.

From September 19, 2018, the subsidiaries that belonged to Bancrédito became part of the BCR Financial Conglomerate, which are: Bancrédito Agencia de Seguros, S.A. and Depósito Agrícola de Cartago, S.A. and its subsidiary (DACSA).

According to Law 9605, Article 1, Absorption of Banco Crédito Agrícola de Cartago by Banco de Costa Rica, it indicates that the shares of Bancrédito's subsidiaries will be understood as fully transferred to Banco de Costa Rica, which will assess to keep them in operation, sale or settlement, within the maximum and non-extendable period of eighteen calendar months after the entry into force of this law, within which period it will be authorized to act as the sole shareholder of such companies.

The values of the acquired assets and liabilities are presented as follows:

Assets	
Availabilities	¢ 10.669.426.874
Investment securities and deposits	33.048.470.128
Loan portfolio	62.384.435.583
Accounts and interest receivable. net	821.272.917
Foreclosed assets	9.550.034.824
Interest in the capital of other companies	1.775.426.523
Property. furniture and equipment. net	12.458.596.560
Other assets	2.045.233.742
	¢ <u>132.752.897.151</u>
Liabilities	
Obligations with the public	¢ 137.201.252.314
Accounts payable and provisions	5.846.633.059
Other liabilities	850.089.084
	¢ <u>143.897.974.457</u>
Net assets or equity	¢ (11.145.077.306)
Less:	
Cash of the acquired Company	<u>10.669.426.874</u>
Cash being reimbursed on absorption	¢ <u>(21.814.504.180)</u>
Net assets or equity	11.145.077.306
Capital contribution in compliance with Law 9605	<u>18.907.432.694</u>
Cash being reimbursed on absorption	¢ <u>30.052.510.000</u>

The resources received in own debit Memoranda accounts are in the amount of ¢126.647.404.664.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

(43) Transition to the International Financing Reporting Standards (IFRSs)

Following are 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:

a) IAS 1: Presentation of Financial Statements

The new IAS 1 became effective as of the periods beginning on or after January 1, 2009.

The presentation of financial statements required by the Board differs in some respects from presentation under IAS 1. 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 taxes, among others, 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.

b) IAS 1: Presentation of Financial Statements (revised)

This standard is applicable in periods beginning on or after July 1, 2012. The changes that have been included in IAS 1 are to specific paragraphs related to the presentation of other comprehensive income. These changes will require other comprehensive income to be presented separating those that cannot be reclassified subsequently to the income statement and those that may be subsequently reclassified to the income statement if certain specific conditions are met.

IAS 1 requires an entity to disclose reclassification adjustments and income tax relating to each component of other comprehensive income. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were previously recognized in other comprehensive income.

Revised IAS 1 changes the name of some financial statements, using “statement of financial position” instead of balance sheet.

IAS 1 requires an entity to present a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when the entity applies an accounting policy retrospectively or makes retrospective restatement.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

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The financial statements presentation format is determined by the Board and can be different from the options permitted on certain IFRS and IAS.

c) IAS 7: Statements 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 IAS 7.

d) IAS 8: Accounting Policies. Changes in Accounting Estimates. and Errors

In some cases, SUGEF has authorized the reporting of notices of deficiencies received from Tax Authorities against prior period retained earnings.

Accounting estimates are the best approximations of values or items that are included in the financial statements to measure the effects of events or economic transactions that have already occurred, or a current situation that is typical of an asset or liability of the entity, including adjustments that occur after the evaluation of an item as a result of new information or new events.

Any change in accounting estimates is prospective and is recorded in income for the period.

Based on its business model, nature, size, complexity, risk profile and other circumstances inherent to its operational activity, the entity must implement policies and procedures to define the representative framework to determine whether the information is material or not, which involves considerations of quantitative and qualitative factors. The entity shall disclose material inaccuracies or omissions, and related accounting policies, in the financial statements.

e) IAS 12: Income tax

A company recognizes all the tax consequences of paying dividends in the same way as income tax.

IAS 12 allows assets and liabilities to be presented net when they belong to the same tax entity, income or expense is presented net, as part of total income tax.

In the presentation of the SUGEF chart of accounts, each deferred income tax account must be presented separately.

In the case of a dispute regarding a specific tax treatment by the Tax Authority, which begins with the notification of a transfer of charges, the entity must:

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BANCO DE COSTA RICA AND SUBSIDIARIES

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- a. Record against results of the period in the event that, according to the assessment by senior management, it is concluded that the entity has an immediate enforceable obligation with the Tax Administration.
- b. Record a provision, for those treatments not considered in the previous paragraph, and whose amount must reflect the uncertainty for each of the tax treatments in dispute, according to the method that best predicts its resolution, as indicated by IFRIC 23.

f) 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.

The revaluation must be supported by an appraisal made by an independent professional, authorized by the respective college.

Furthermore, SUGEF permits the conversion (capitalize) of the surplus revaluation directly in equity (only for state banks), without having to relocate previously to retained earnings, as required by IAS 16.

Moreover, under IAS 16, 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 held-for-sale.

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

The supervised entities must keep their records and present their financial statements in Costa Rican colones.

The supervised entities must use the reference sale exchange rate of the Central Bank of Costa Rica that prevails at the time the operation is carried out for the accounting record of the conversion of foreign currency to the official currency 'colón', except for pension funds and labor capitalization funds, which must use the reference purchase exchange rate of the Central Bank of Costa Rica. Pension funds created by special or basic law managed by non-banking public sector institutions may use the purchase exchange rate referred to in article 89 of the Organic Law of the Central Bank of Costa Rica.

At the end of each month, the corresponding reference exchange rate will be used as indicated in the previous paragraph, in force on the last day of each month for the recognition of the adjustments for exchange rate differences in monetary items in foreign currency.

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The provisions of this article do not prevent entities from generating information on a currency other than the Costa Rican colón, in the terms described in IAS 21 on functional currency. However, this information may not be used for the purposes of calculating prudential indicators, for presentation to the respective Superintendence or for publication to the public as required in the legal provisions that regulate the Financial System.

h) IAS 27: Consolidated and Separate Financial Statements

The Board requires that the financial statements of a parent entity to be presented separately, measuring its investments by the equity method. Under IAS 27, a parent is required to present consolidated financial statements. A parent company needs not to 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, in this case. IAS 27 requires that investments be accounted for at cost.

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 ventures.

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

The objective of this standard is to describe accounting treatment and disclosures required by subsidiaries, joint ventures and associates when the entity presents separate financial statements.

i) IAS 28: Investments in Associates and Joint Ventures

In application of IAS 28 *Investments in associates and joint ventures*, the entity with legal power to participate in the equity of other companies or special purpose entity, such as joint Ventures, associated, Trusts, must use the equity method, from the date it acquires the investment or from the date it becomes an associate, joint ventures, or special purpose entity.

Supervised entities must present their separate financial statements.

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j) Amendments to IAS 32: Financial Instruments 0 Presentation and IAS 1: Presentation of Financial Statements 0 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 changes have not been adopted by the Board.

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

SUGEF requires that a provision for possible losses must be booked for contingent assets. IAS 37 does not allow this type of provision.

l) IAS 38: Intangible Assets

The commercial banks listed in article 1 of Internal Regulations National Banking System (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 straight0line method over a maximum of five years. Similar procedure and term must be used for the amortization of goodwill acquired.

Automatic applications should be amortized systematically by the straight-line method during the term which produces economic benefits; such term could not exceed five years. Similar proceeding applies to obtained goodwill.

IAS 38 allows different methods to distribute an asset amortizable amount during useful life. Useful life of automatic applications could be longer than five years as stated by CONASIF standards.

On the other hand, IFRS do not require annual goodwill amortization, only yearly assessment for impairment is required.

After initial recognition, intangible assets with a defined useful life must be accounted for at their acquisition cost less accumulated amortization and accumulated impairment losses that may have affected them.

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BANCO DE COSTA RICA AND SUBSIDIARIES

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The supervised entity's senior management must establish the appropriate mechanisms and procedures to determine whether an intangible asset with an indefinite useful life has deteriorated. For the respective verification, it will compare its recoverable amount with its carrying amount. This comparison must be carried out when there is any indication that the value of the asset could have deteriorated or, at least, on an annual basis.

This provision also applies to goodwill acquired in a business combination.

The automated applications in use must be systematically amortized by the straight-line method, in the course of the period in which it is expected to produce economic benefits for the entity, which must be based on its accounting policy.

In the case of commercial banks, indicated in article 1 of the Organic Law of the National Banking System, Law 1644, organization and installation expenses can be presented in the statement of financial position as an asset, but must be fully amortized by the straight-line method within a maximum period of five years.

m) IAS 40: Investment Property

Investment properties must be valued at fair value.

For leased investment properties in which the fair value cannot be reliably measured on a continuous basis, its value will be measured by applying the cost model indicated in IAS 16 Property, Plant and Equipment. The residual value of the investment property should be assumed to be zero.

n) IFRS 3: Business combinations (revised)

In the application of IFRS 3, non-controlling interests in the acquiree, which are interests in current ownership and which grant the right to a proportional participation in the net assets of the entity, in the event of settlement must be measured, by the acquirer, at fair value on the acquisition date.

The combination that involves entities or businesses under common control or that the acquiree is a subsidiary of an investment entity, must be carried out by integrating its assets and liabilities measured at carrying using even accounting policies, for which adjustments in the financial statements of the acquiree will be previously carried out, to ensure that the accounting policies correspond to those used by the acquirer.

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

In the case of entities supervised by SUGEF, assets awarded in judicial auctions or received in payment of obligations must be valued at the lower of:

- a) its carrying amount; and
- b) its fair value less selling costs.

The entity must implement a sales plan and a program to negotiate the assets at a reasonable price that allows the plan to be completed in the shortest possible time.

Within a 24-months period from the date of award or receipt of the asset, the entity must request the Superintendent, by the means provided by the latter, an extension for an equal period for the sale of the asset. By means of duly reasoned criteria, the Superintendent may deny the request for an extension, in which case he will demand the constitution of an allowance of the property for 100% of its carrying amount.

Also, an allowance for 100% of the carrying amount of the asset will be required when at the end of the indicated term, the entity did not request the extension. However, it will be a necessary condition that within 24 months from the date of award or receipt of the asset, it is estimated to be at least 50% of its carrying amount.

To determine the carrying amount of the assets awarded in judicial auctions or received in payment of obligations, the entity must record an allowance at the rate of one-forty-eighth per month until completing one hundred percent of the carrying amount of the asset. This accounting record will begin from the closing date of the month in which the asset was awarded or received in payment.

p) IFRS 9: Financial Instruments

The conventional purchase or sale of financial assets must be recorded applying the accounting of the settlement date.

Financial assets are divided into those that are measured at amortized cost and those that are measured at fair value. Based on the business model for managing financial assets and the characteristics of the contractual cash flows of the financial asset, the entity should classify its own investments or pooled portfolios in financial assets according to the following valuation categories:

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- a. At amortized cost. If an entity, in accordance with its business model and the current regulatory framework, classifies a part of its investment portfolio in this category, it will disclose:
 - i. the fair value of financial assets classified in this category, in the quarterly financial statements and in the audited annual financial statement; and
 - ii. the gain or loss that should have been recognized in profit or loss for the financial statements indicated in the previous section.
- b. At fair value through other comprehensive income.
- c. At fair value through profit or loss: Participations in open investment funds must be registered in this category.

Regulated entities must have policies and procedures to determine when to suspend the accrual of commissions and interest on loan operations.

However, the period of suspension of accrual should not be more than one hundred and eighty days.

q) IFRS 13: Fair Value Measurement

Valuation at fair value of the portfolios of financial assets and financial liabilities exposed to market risk and credit risk will be done individually. Measurement based on the net risk exposure of the entity is not admissible.

Expenses or losses from equity reserves created by law or voluntarily by regulated entities cannot be directly recorded, without having previously gone through profit or loss of the period.

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(44) Figures for 2020

As of September 30, 2021, financial statement figures have not been reclassified for comparison with those of 2020, per modifications to the Chart of Accounts and SUGEF Directive 30-18: "Regulation on the financial information" approved by CONASSIF.

Transitory I of the Regulation requires entities to reestablish comparability in the financial statements; however, for many of the items it is not operationally practicable to establish such comparability; and when comparability is possible, it represents a high cost in its preparation for financial entities, thus being necessary to modify the transitory of the changes in order to exempt entities from such comparability in the presentation of the statements of financial position, of comprehensive income and of changes in equity, both for the intermediate and annual audited information for the 2020 period. The comparability will be reestablished as of the period 2021.

(45) Relevant and subsequent events

As of September 2021, there are relevant and subsequent events to disclose as follows:

Transfer of charges and observations

On November 21, 2014, Provisional Regularization Proposal No. 1-10-017-14-124-031-03 was notified, which informs the Bank of the differences found in tax bases and tax assessments, as well as the Legal facts and basis. The total tax debt is of ¢3.003.887.889 and interest of ¢1.079.849.565 corresponding to fiscal periods 2010-2011-2012 and 2013.

The Bank of Costa Rica expressed partial disagreement with the proposed regularization and awaits notification of the administrative act of liquidation, with concrete expression of the Legal facts and basis that motivate the differences in tax bases and assessments.

On January 14, 2015, according to the latest regulation proposal notified to the Bank by the Tax Authorities, regarding the items representing a tax contingency from a legal risk point of view that would mean an eventual confirmation of the payment obligation or future dismissal, and in order to make the corresponding provision considering the legal risk involved, it is indicated that the total amount for tax adjustments, interests and penalties as of January 8, 2015 is of ¢5.116.774.222.

On August 30, 2016, Provisional Regularization Proposal No. 1-10-071-16-085-041-03 was notified, which informs the Bank of the differences found in tax bases and tax assessments, as well as the Legal facts and basis. The total tax debt is of ¢9.932.739.485 and interest of ¢2.145.983.333 corresponding to fiscal period 2014.

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The Bank expressed partial disagreement with the proposed regulations and is expecting the administrative liquidation to be notified, containing concrete facts and legal principles motivating the differences in the tax bases and tax fees.

On January 2, 2019, the Bank proceeds with the payment of ¢14.138.113.417 to the Ministry of Finance, corresponding to the amounts determined in the audit procedures for the periods from 2010 to 2014, under the tax amnesty, as indicated in Transitory XXIV of the Law on Strengthening of Public Finances No. 9535.

In the month of June, the first advance payment of the Income Tax was due, however the administration of the Bank of Costa Rica decided to avail itself of the benefit offered by the Tax Relief Law No.9830, due to COVID-19, according to the which, as disclosed in article 2 of the Law and article 8 of its Regulations, regarding to discard partial payments to be made in the months of April, May and June 2020 for a single time.

The amounts of the payment are presented as follows:

Period		Income tax	Pennalties	Total
2010	¢	679.647.526	33.982.376 ¢	713.629.902
2011		1.059.187.613	52.959.381	1.112.146.994
2012		987.937.205	98.793.721	1.086.730.926
2013		272.356.511	27.235.651	299.592.162
2014		<u>9.932.739.485</u>	<u>993.273.948</u>	<u>10.926.013.433</u>
	¢	<u><u>12.931.868.340</u></u>	<u><u>1.206.245.077</u></u> ¢	<u><u>14.138.113.417</u></u>

As of July 3, 2020, the BCCR publishes Law 9859 "Law to fight Usury" defining a maximum on interest rates on loans and credit cards equivalent to 37.69% per year in colones and 30.36% in US dollars, in force for the second quarter of 2020. BCR credit cards offer an interest rate of 32% per year, one of the lowest in the market at the time of the entry into force of Law 9859, therefore it did not generate a financial impact on the income for credit card interest.

On the other hand, the law establishes a minimum non-sizable wage amount that cannot be considered in the analysis of the ability to pay, which implied the incorporation of this concept into the current credit regulations.

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As of December 31, 2020, an adjustment for ¢1.734.981.794,69 for provision reversal for IFRIC 23 is carried out by prescription corresponding to the period 2015.

As of December 31, 2020, BCR Operadora de Pensiones Complementarias carried out an adjustment for ¢51.013.093 for provision reversal for IFRIC 23 by prescription corresponding to the 2015 period.

As of December 31, 2020 BCR Corredora de Seguros carried out the reversal of the respective contingency for ¢40.880.144 corresponding to the 2015 period.

As of December 31, 2020 BCR Valores S.A. carried out the reversal of the respective contingency for ¢194.676.459 corresponding to the 2015 period.

As of December 31, 2020 BCR Sociedad Administradora de Fondos de Inversión S.A. carried out the reversal to the respective contingency for ¢42.457.128 corresponding to the 2015 period.

Merger by Absorption of Banco Crédito Agrícola de Cartago and Banco de Costa Rica

1. Absorption of Banco Crédito Agrícola de Cartago by Banco de Costa Rica

As of September 10, 2018, through Law 9605 “Merger by absorption of Banco Crédito Agrícola de Cartago and Banco de Costa Rica”, the merger of Banco Crédito Agrícola de Cartago (Bancrédito) and Banco de Costa Rica (BCR) is decreed, by which the latter will absorb the former and continue its legal being as the prevailing entity.

The operative merger will be effective within a maximum term of sixty business days after the law comes into force, so that within the aforementioned term Bancrédito must carry out, by means of whoever is exercising its administration, the pertinent administrative or operative tasks to consolidate the merger and absorption process, including the settlement of the remaining personnel of the banking entity.

Consequently, as a result of this merger, Banco Crédito Agrícola de Cartago will be ceased as a legal entity, and its net assets will be transferred to Banco de Costa Rica, of which it will be a full party as of the effective date of this law.

In the event that at the time of the merger Bancrédito's equity is negative or less than the amount required for Bancrédito to comply with a minimum capital adequacy equal to the BCR's capital adequacy indicator at the effective date of merger, with a minimum limit of ten percent (10%), this difference will be contributed by the Government to Banco de Costa Rica; the amount of the contribution during the 2018 period was of ¢18.907.432.694.

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This contribution must be made immediately on the effective date of the merger, which will be made by decreasing the liability that Bancrédito has with the Ministry of Finance for deposits, first charging interest and then the principal of the debt held by Bancrédito with the Ministry of Finance.

The shares of the subsidiaries of the absorbed Bank will be understood as transferred in full right to Banco de Costa Rica, which will assess keeping them in operation, for sale or settlement, all within the maximum and non-extendable period of eighteen subsequent calendar months upon the entry into force of this law, within which period it will be authorized to act as the sole shareholder of such companies.

For all legal purposes, Banco de Costa Rica is authorized to act as the owner of one hundred percent (100%) of the shares of Bancrédito's subsidiaries, even though the Bank already owns an Insurance Broker, so that BCR will determine the future of the company.

Upon expiration of the term, the company may not remain in force independently.

2. Integration of the assets of the extinct Banco Crédito Agrícola de Cartago to the equity of Banco de Costa Rica

The equity of Banco Crédito Agrícola de Cartago (Bancrédito), that is, all of its assets, liabilities, contracts, contingent and debit meoranda accounts, and, in general, all of its rights and obligations, all of the subjective legal situations existing at the effective date of this law and of which it is the holder, will be fully integrated into the legal-equity sphere of Banco de Costa Rica (BCR) and, consequently, will be reflected in the balance sheet from which the merger provided by this law is effective, as provided in Article 1.

The equity of Banco Crédito Agrícola de Cartago will increase the capital stock of Banco de Costa Rica, except in the portion corresponding to the resources of the Financing Development Fund (FOFIDE) managed by the absorbed bank, which will also become part of the equity of Banco de Costa Rica, but added to the equity resource of FOFIDE, so that they are managed by Banco de Costa Rica, pursuant to Law No. 8634, Development Banking System, of April 23 of 2008.

The methodology that will be followed in recording the merger will be based on carrying values.

Banco de Costa Rica will assume the legal position held by Banco Crédito Agrícola de Cartago with respect to any pre-existing legal relationship.

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The National Registry is authorized to, within the term provided in article 1 of this law, proceeds with the change of the owner's name in favor of Banco de Costa Rica, as well as in the position of creditor held by Banco Crédito Agrícola de Cartago.

If by means of what is indicated in the previous paragraph, Banco de Costa Rica must assume the contractual position of fiduciary with respect to any trust in which it is already a trustee, then the trustor must substitute the fiduciary, for which it is fully authorized, in order to comply with the provisions of article 656 of Law No. 3284, Code of Commerce, of April 30, 1964.

3. About the employees and the directors of Banco Crédito Agrícola de Cartago

The appointments of all the members of the managing bodies of Banco Crédito Agrícola de Cartago (Bancrédito) and its subsidiaries, and of all the management positions of the absorbed Bank and its subsidiaries, which were in force as of this date, shall be settled in full right from the effect date of this law.

The settlement of its personnel will be carried out by Banco Crédito Agrícola de Cartago, through the Interventoría or by someone who is in the exercise of its administration at the time of this law entering into force. The settlement procedure will be carried out in accordance with the legal system applicable to Bancrédito's labor relations upon the entry into force of this law and must be completed within the term established by article 1 of this law.

Any labor contingency that arises after the labor settlement is carried out, according to a final judicial decision, will be processed before and assumed by the Government.

This law does not affect in any way the possible responsibilities, of any nature, that may arise due to the exercise of the position by Bancrédito's staff, including those derived from the actions of the members of the managing bodies of this Bank or its subsidiaries, as well as those who held managing positions, without prejudice to the application of the limitation periods that may correspond.

4. Other liabilities or supervening contingencies

The eventual tax contingencies derived from the income tax that Banco Crédito Agrícola de Cartago (Bancrédito) and its subsidiaries had at the merger date will not be transferred to Banco de Costa Rica (BCR) but will be assumed by the Government.

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In the event that subsequent to the merger, other contingent liabilities or contingencies arise according to final judicial resolution, including collection of professional fees of lawyers or experts for judicial proceedings or pending administrative proceedings, or of any other type that were not recorded in the balance sheet of Banco Crédito Agrícola de Cartago or its subsidiaries, must be claimed and processed directly before the Government.

With respect to possible obligations or losses of any kind, which in the future may arise from the different risks inherent to the trusts, due to the fault or negligence of Bancrédito as trustee and which must be assumed with the trustee's equity, be processed before and claimed directly to the Government, in addition to what is required in article 642 of Law No. 3284, Commercial Code, of April 30, 1964.

With respect to compliance with Law No. 8204, “Law on Narcotic Drugs, Psychotropic Substances, Drugs of Unauthorized Use, Related Activities, Money Laundering and Financing of Terrorism”, dated December 26, 2001, in case penalties or sanctions are originated, derived from customers that come from Bancrédito, and that at the time of the merger those risks have not been identified in spite of the due diligence performed by BCR, this Bank is exonerated from all responsibility for the actions by Bancrédito during the five years prior to the effective date of the merger.

5. Settlement of the closed Collective Capitalization Fund

The management and operation of the closed Collective Capitalization Fund of Banco Crédito Agrícola de Cartago (Bancrédito) is transferred to Banco de Costa Rica (BCR). If upon settlement of the Fund there is a positive balance of resources, these will become part of BCR's equity.

In case the Fund loses its sustainability in the future that originates an actuarial deficit for the payment of pensions, such deficit will be assumed by BCR.

6. Transitory dispositions

Transitory I- Related to the indicators mentioned below and included in the Regulation for Judging the Economic-Financial Situation of the Supervised Entities (Agreement SUGEF 24-00), or related to the regulations and indicators that may be issued or substituted in the future, the General Superintendence of Financial Entities (SUGEF) is authorized to exclude within its assessments the effects that on such indicators may be derived from the credit portfolio that Banco de Costa Rica (BCR) has received from Banco Crédito Agrícola de Cartago (Bancrédito), by means of the merger operated by the provisions of this law. The foregoing for a term of three years, counted from the monthly closing date near to the day on which the merger provided for in this law is effective. The indicators that will be excluded are the following:

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- a) Portfolio with delinquency greater than ninety days on the direct portfolio.
- b) Expected loan portfolio over the total portfolio.

In addition, that same exception will also apply to any other regulatory indicator, of any kind, that may be adversely affected during that three-year period, as a result of the merger.

Transitory II- Banco Crédito Agrícola de Cartago (Bancrédito) will transfer, within the term established in Article 1 of this law, the active portfolio that is impaired in the risk categories D and E, settled accounts – insolvent -, whose effects should be reduced from the value of Bancrédito's equity that will be delivered to Banco de Costa Rica (BCR), in order to apply the scope of article 1 of this law.

As a result of this transfer, the portfolio indicating arrears greater than 90 days over the direct portfolio must be collected; the indicator must represent a result equal to or lower than that presented at the effective date of merger by BCR, with a maximum limit of three percent (3%), so that the results of BCR will not deteriorate.

Once the Portfolio in categories D and E is transferred, if this indicator in Bancrédito is greater than the one presented by BCR, the additional amount of the impaired portfolio (from higher to lower impairment) must be transferred to liquidated - insolvent accounts with delinquency greater than ninety days, so that the indicator is at least equal to that of BCR, whose effects must be reduced from the value of Bancrédito's equity that will be delivered to Banco de Costa Rica, in order to apply the scope of Article 1 of this Law.

Payment Agreement of Merger by Absorption of Banco Crédito Agrícola de Cartago and Banco de Costa Rica

The Bank and the Ministry of Finance signed an agreement that will allow compliance with Law 9605 “Merger by Absorption of Banco Crédito Agrícola de Cartago and the Bank of Costa Rica”, where the latter will pay the Costa Rican Government the amount of US\$50.000.000 and ¢100.000.000.000, plus accrued interest as of the subscription date, amounting to US\$1.104.639 and ¢5.928.991.551. To cancel these amounts, on November 20, the Bank transferred in advance the amount of US\$50.000.000 and interest accrued on the debt.

In addition, the Bank will issue four term deposit certificates in favor of the Ministry of Finance, the first in the amount of ¢30.052.510.000 due on March 29, 2019. In addition, three certificates of term deposits will be issued in favor of the Ministry of Finance, the first two for ¢23.000.000.000, for a one- and two-year term, respectively, and the last one for ¢24.000.000.000 with a maturity of three years, for a total of ¢70.000.000.000. These three certificates with an issuance date of December 10, 2018.

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The structuring of these certificates was carried out in accordance with the provisions of Law No. 9605 of September 12, 2018.

Dissolution of Bancrédito Sociedad Agencia de Seguros S.A.

On December 17, 2018, in Extraordinary General Shareholders' Meeting No. 29-18, the General Board of Banco de Costa Rica, by law, agrees to dissolve Bancrédito Sociedad de Seguros S.A., in accordance with the article two hundred and one, subsection b) of the Commercial Code and agree to appoint a liquidator to proceed with the distribution of the company's existing assets within the term of the law and according to the inventory made.

As of April 30, 2020, the final settlement of Bancrédito Sociedad Agencia de Seguros, S.A. was carried out.

Properties investment

The Bank determines that to safeguard the institutional permanence and not affect the operation of the Consejo Nacional de Producción, to sign a contract to modify the leasing area, so that the new leasing area contemplates the current one, such as the one that is being used in precarious conditions. Due to the foregoing, as of January 31, 2018, the amounts corresponding to the property and building that were kept in other assets were reclassified to Properties Investments.

Decrease in the percentage of commissions in the Régimen Obligatorio de Pensiones Complementarias (ROPC)

Article 37, paragraph 2, of the Opening and Operating Regulations establishes that the calculation basis of the commission for management of the Régimen Obligatorio de Pensiones Complementarias (ROPC) will be a percentage of the administered balance, the latter defined as the difference between the total assets and liabilities. The maximum limit of commission that entities may charge to affiliates of the ROPC will be of 0.35% per year.

In transitory I of the Regulation of Opening and Operation, it is established that the calculation basis for the commission for the ROPC will be effective as of January 1, 2011. In the same transitory, it establishes a graduality table that adjusts the commissions' percentage every three years.

During 2014, 2015 and 2016, the commission charged to the ROPC affiliates was of 0.70%. As of January 1, 2017 and until December 31, 2019 the administration fee for the ROPC decreases from 0.70% to 0.50% in accordance with transitory I of the Opening and Operating Regulations.

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During the periods 2017, 2018 and 2019 the commission charged to ROPC affiliates was of 0.50%. As of January 1, 2020, the administration fee for the ROPC decreases from 0.50% to 0.35% in accordance with transitory I of the Opening and Operating Regulations.

Value added tax

With the enactment of Law No. 9635, Law on Strengthening Public Finances of December 3, 2018, the sales tax system is comprehensively reformed, derogating entirely the General Sales Tax Law, Law No. 6826 of November 8, 1982 and its reforms, migrating its Title I to a new regulatory framework, called the Value Added Tax Law. This tax is regulated in Article 1 of the Law. In this new regulatory framework, all goods and services are taxed as a general rule, presupposing an improvement in the control and oversight of the tax, since the list of exempt goods and services is considerably reduced, according to what is established in Article 8 of the Law. Likewise, the essential elements of the tax, being the taxable event, the accrual, the taxable persons, and the taxable base, were modified with Article 1 of the Law for Strengthening Public Finances.

New administration of the Notarial Guarantee Fund

On October 8, 2019, BCR Pensiones started managing the Notarial Guarantee Fund; this fund was created with the enactment of the Notarial Code started ruling in 1998.

The National Directorate of Notaries carried out a comprehensive market study to determine the existence of options to manage its fund, thus transferring the Fund to BCR Pensiones.

As of December 31, 2019, the Notarial Guarantee Fund generated an income of ¢171,744,963.

In official letter BCROPC-048-20 dated February 11, 2020, the deadline for delivery of the audited financial statements of the Individual Capitalization Fund of Notarial Guarantee is extended once the National Directorate of Notaries delivers the corresponding audited financial statements to the period from January 1 to October 7, 2020, which was administered by another Complementary Pension Operator.

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Declaration of health alert for COVID-19

Actions of the Government of Costa Rica

On March 08, 2020, given the increase in confirmed cases, the Ministry of Health and the National Commission for Risk Prevention and Emergency Attention decided to decree the yellow alert throughout the country, in view of the health emergency caused by the presence of COVID-19.

On March 11, 2020, the World Health Organization elevated the public health emergency caused by COVI D-19 to an international pandemic. The rapidity in the evolution of the events, on a national and international scale, requires the adoption of immediate and effective measures to face this situation. The extraordinary circumstances that occur constitute, without a doubt, an unprecedented and enormous health crisis, both due to the very high number of people affected and the extraordinary risk to their lives and rights.

The Board of Directors of the National Commission for Risk Prevention and Emergency Attention, in the extraordinary session of March 15, 2020 through agreement number 046-03-2020, recommended to the President of the Republic to declare a state of national emergency, according to Article 18 of the National Law on Emergencies and Risk Prevention and following the terms of the Law.

As of March 17, 2020, the decree of Fiscal Relief for COVID-19 is approved, establishing moratorium measures in the payment of income tax (VAT, selective consumption and duties, from April to June 2020 they be declared and may be paid free of charge for interest or penalties until December 2020, a postponement of the payment term is granted, there is no forgiveness or amnesty).

In addition, it will not be necessary to pay the rent advance for the months of April to June 2020 and the VAT exemption on commercial rentals in the months of April to June 2020.

On March 18, 2020, directive 075-H was signed to instruct the State commercial banks, in exercise of their constitutional autonomy, to carry out all the necessary and effective measures to readjust the credits of the debtors affected by the current situation.

The guideline urges banks to assess measures such as the following:

1. Decrease in interest rates according to the terms of each loan.
2. Extension of the term of loans.
3. Extension in the payment of the principal and/or interest for the time that is necessary.
4. Extraordinary payments to the principal amount without penalty.

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Financial Information Regulation

As of March 2020, multiple regulations have been issued with the aim of mitigating the impact of COVID-19 related to the banking and financial sector, as follows:

CONASSIFF approved

- a. To extend to September 30, 2021 the option to renegotiate the agreed conditions of the credits up to twice in a 24-month period, without these adjustments having negative effects on the debtors' file at the Credit Information Center (CIC).
- b. This measure covers loans of more than ₡100 million and those equal to or less than this amount that already have two adjustments in the last 24 months.
- c. Loans of 100 million colones or less that to date have had two readjustments within the last 24 months, may readapt their operation once more during the period ending September 30, 2021, without qualifying as a special operation.
- d. This measure allows a third payment readjustment to clients who have already had two arrangements; that the renegotiations be for any operation regardless of the balance and suspend, for one year, the countercyclical provisions (an amount of the profits that should be kept month by month), to all financial entities.
- e. The National Council for the Supervision of the Financial System approved on Monday, March 23, new mitigation measures against the negative effects of the coronavirus on the economy of Costa Rica. These measures are complementary to those already taken previously and have the objective of granting access to credit measures to the affected debtors.
- f. Measures regarding the Payment Capacity: It was agreed to maintain the level of payment capacity that the companies or individuals had prior to the effects of COVID-19. This particular measure aims to facilitate the readjustments and / or refinancing of the credits. This measure is temporary; it is in force until March 31, 2021.
- g. Measures related credit policies and procedures: A measure that will ease the procedures for both the granting of new credits and their readjustments and/or refinancing, where financial institutions may omit, in their credit policies and procedures, the information that they ordinarily request from their clients to verify their ability to pay. This provision will be in force until March 31, 2021. Measures regarding the Suspension of Classification of Irregularities of the Sanitation Plan: It was agreed to suspend, for one year, the provision that classifies a financial entity in "type irregularity", when the

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institution has losses for six months or more, in the last 12 months. When a financial institution presents losses for six months or more, in the last 12 months, SUGEF immediately orders the implementation of a reorganization plan to counteract the situation. It is important to note that SUGEF must amend the parameters for determining the liquidity indicators. This measure will be in force for a twelve-month period.

- h. Measures regarding the granting of periods of grace: In accordance with Directive 075-H issued by the Government, it was agreed to allow financial entities to establish grace periods for clients, without the payment of interest or principal. It is important to highlight that this measure will be implemented under the criteria of each financial entity, the term of the grace periods will be determined by each financial entity.
- i. Measures regarding the de-accumulation of countercyclical provisions: It was agreed to allow financial entities to establish processes of de-accumulation of counter-cyclical provisions and classify them as income. These estimates correspond to the money that financial institutions reserve to protect themselves from economic cycle risks and / or the effects of portfolio defaults.

General Superintendence of Financial Entities

- a. By Resolution SGF-0971-2 dated March 20, 2020, SUGEF agreed to reduce the “M” factor in the countercyclical allowance formula with the aim of adding opportunity and effectiveness to the dynamics of the countercyclical allowance model.
- b. It was agreed to establish the value of the “M” factor referred to in Article 6 of the SUGEF 19-16 Agreement.
- c. This minimum required percentage level of countercyclical allowance (“M”) will apply from the monthly close of March 2020 and will be subject to revision during the year 2020.
- d. This measure will allow financial entities to allocate resources to grant credits, which would ordinarily be foreseen for the reserves required by law.

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Central Bank of Costa Rica

The Board of Directors of the Central Bank of Costa Rica approved the following reforms:

- a. It reduced the Monetary Policy Rate (TPM) by 100 basis points, to locate it at 1.25% annually, as of March 17, 2020,
- b. In addition, it agreed to reduce the gross interest rate on overnight deposits (DON) to 0.01% per year as of March 17, 2020, and those of the Permanent Credit Facility and the Permanent Market Deposit Facility Integrated Liquidity at 2.00% and 0.01%, respectively; and
- c. Modify the control of the Minimum Legal Reserve from 97.5% to a minimum of 90%: “during each and every day of the reserve control period, the balance at the end of the day of deposits in the Central Bank must not be less than 90% of the minimum legal reserve requiring two previous natural fortnights”. This measure aims to free up a little daily liquidity in the country's commercial banks; however, it is important to note that the required percentages of the Minimum Legal Reserve have not changed (15% in US dollars and 12% in colones).
- d. With the aim of positively impacting the liquidity markets, as of March 24, the Central Bank will participate in the liquidity markets of the National Stock Market (overnight market and repurchase market) as an investor in US dollars. In addition, it will participate as an investor in colones with one-day and up to thirty-days terms.
- e. The Central Bank has informed its intention of participating in the Integrated Liquidity Market (the banks' liquidity market) during the next days, with investor positions in an one-day term.
- f. Through resolution JD-5922/09, the Board of Directors of the Central Bank agreed to modify the Regulations for credit operations of last instance in national currency of the Central Bank of Costa Rica, related to the reforms necessary for credit applications to be approved through a technological platform.
- g. The decisions are based on the analysis of the expected trajectory for inflation and its determinants, the risks in that forecast, and the lag with which the monetary policy measures take effect.
- h. These monetary policy measures are intended to continue to press down interest rates in the market, and thereby ease the financial situation of companies and households in the country.

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Measures adopted by the Bank in the face of the health emergency due to COVID-19. Measures were generated in three areas:

- 1) Direct loan: A total grace period of 6 or 12 months will be provided, in which the client will pay only what corresponds to credit-related policies, that is, the principal and interest will not be charged during that period; the collection will be carried out after the total grace period and will be treated according to the needs of each client.

The unpaid interest will be charged through a new loan that will take effect at the end of the grace period.

For this new operation, the interest rate will be, in colones basic passive rate (TBP) + 1 colones and in US dollars PRIME rate, depending on the currency, and for the remaining term of the main operation.

In the cases necessary, the maturity of the main operation may be extended by up to 11 months.

This facility applies to customers with less than 60 days past due, for which no additional payment capacity analysis will be made.

- 2) Credit cards: With reference to credit cards, at the request of each client, a total grace period will be granted for a period of up to three months. During the months of the full grace period, you will be no charges for fees or default interest.
- 3) Credit lines: They will be attended to as specific situations, punctually analyzing each client to identify the need and provide a tailor-made solution.

As an immediate response to the corporate sector, the Bank will allocate close to 100 billion colones to support the liquidity of its corporate clients, readjusting its credit operations in direct loans, to improve the cash flows of the companies.

In this first stage, facilities will be given with emphasis on Tourism and Commerce, which will allow a medium-term solution, ranging between 6 or 12 months in both currencies.

In a second stage, the Transportation and Commercial sector with real estate activity will be addressed with greater emphasis, also covering other economic activities.

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As of September 30, Loans are detailed by activity in operations readjusted by Covid-19:

	Colones	Converted US dollars
Agriculture	2.321.647.103	34.235.683.093
Trade	92.689.120.712	37.821.953.216
Construction	5.797.887.286	11.433.236.128
Retail	80.752.573.607	5.195.014.492
Livestock	4.046.425.836	234.030.701
Industry	34.251.084.302	2.514.769.051
Services	33.217.711.426	23.717.076.483
Transportation	24.384.824.816	150.540.840
Tourism	7.290.764.394	85.328.662.395
Housing	194.118.418.579	59.150.617.162
Total by currency ¢	<u>478.870.458.061</u>	<u>259.781.583.561</u>

	Colones	Amount in US Dollars	Total
Agriculture	102	10	112
Trade	983	83	1.066
Construction	18	16	34
Retail	8.624	577	9.201
Livestock	116	1	117
Industry	103	6	109
Services	495	53	548
Transportation	209	4	213
Tourism	54	91	145
Housing	8.763	1.258	10.021
Total	<u>19.467</u>	<u>2.099</u>	<u>21.566</u>

Effects of the pandemic on BICSA

As of December 31, 2020, the number of moratoriums granted by BICSA Group reaches an amount of 184.7 million dollars, which represents 12% of the total portfolio and provisions were made to cover the potential effect of macroeconomic impairment of the loan portfolio according to the entity's expected loss models (see note 26 - Modified special mention category loans).

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Faced with the pandemic, Grupo BICSA was forced to respond quickly to critical questions in the operational and financial areas. In particular, the recalibration and updating of IFRS 9 models is of particular importance as a fundamental task in the current context because of various factors that in turn have an impact on provisions. These reviews considered adjustments to conventional methodological aspects such as the probability of default (PD), the loss given default (LGD) and the forward-looking adjustment (prospective economic effect of the IFRS 9 model). The classification criteria in Stages have also been revised to incorporate the effects that the COVID-19 environment could bring to customers, in this case it is necessary to define criteria for a significant increase in credit risk (ISRC) based on the risk of the economic sector, the activity within the economic sector and the particular characteristics of each client. Finally, based on the methodology defined taking as reference the international regulations and the local regulatory context, the Bank defined the Post Model Adjustments (Overlays) with general guidelines for the classification process of modified loans in the different stages established by IFRS 9. After applying the adjustments, the bank resulted in an increase in its IFRS 9 reserve estimate of \$1.3 million.

Management and impacts of the pandemic for COVID-19 at BICSA

As of the second quarter of 2020, the Group increased its volume of current assets to an average greater than 63.65% of the Legal Liquidity indicator, doubling the minimum 30% required (see Note 5 - Liquidity Risk). Finally, the Group's solvency level has improved compared to the previous closing ended on December 31, 2019 and remains well above the requirements of the SBP in 12.76% of weighted equity/assets based on risk (see Note 5 - Capital Management). The final magnitude of the impact of the pandemic for COVID-19 on the Group's business, financial situation and results will depend on future and uncertain events, including the intensity and persistence over time of the consequences derived from the pandemic in the different geographies in which the Group operates.

Financial Information Regulation

Through articles 6 and 5 of the minutes of sessions 1442-2018, held on September 11, 2018, CONASSIF approved the Financial Information Regulation, in effect from January 1, 2020.

The purpose of the Regulations is to moderate the application of the International Financial Reporting Standards (IFRS) and their interpretations (SIC and IFRIC), issued by the International Accounting Standards Board (IASB), considering prudential or regulatory accounting treatments. As well as the definition of a specific treatment or methodology when IFRS propose two or more application alternatives.

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Effects of the Financial Information Regulation

Through decrees 34918-H, 35616-H and 41039-MH, the Government of Costa Rica adopted following international accounting standards: International Accounting Standards of the Costa Rican Public Sector for entities that are part of the General Government Sector, and International Financial Information Standards for public companies. Thus, the regulation must recognize this condition for the special case of non-financial issuers authorized for public offering that are state-owned entities or public institutions.

The regulation updates the regulatory accounting base to advance in the adoption of IFRS with its most recent texts, by the entities of the National Financial System, which favors its comparability and the reading of financial information, both for the national and foreign users. In addition, it includes in a single regulatory body, the provisions on remission, presentation and publication of financial statements, which provides greater uniformity in the performance of supervisory bodies, as well as avoiding duplication and redundancy.

It enters into force as of January 1, 2020, except for 1) Registration and control of custody activities in memoranda accounts and 2) Adoption of IAS 12 "Income tax" and IFRIC 23 "The Uncertainty regarding Income Tax Treatments", which will be implemented in 2019. This provides an adequate space for the industry and its regulatory bodies to carry out technological adjustments and assess the possible impacts on prudential indicators, so that required decisions are taken in a timely manner.

Upon entry into force of the Financial Reporting Regulations, the Bank reclassifies and adjusts the following balances:

	September 2021	December 2020
Reclassification due to change in investment categories ¢	0	225.806.217.067
Adjustment for recognition of assets for the right-of-use	0	40.613.257.785
Adjustment for impairment of investments at fair value through other comprehensive income	0	1.953.390.353
	<u>0</u>	<u>268.372.865.205</u>

(Continue)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

Distribution of dividends

As of June 30, 2020, BCR Corredora de Seguros S.A., distributes dividends in the amount of ¢3.000.000.000, according to the resolution of the Extraordinary General Shareholders' Meeting No. 20-2020, on June 2, 2020 and as of August 31, 2020 in the amount of ¢2.500.000.000.

As of March 18, 2021, BCR Corredora de Seguros S.A., distributes dividends in the amount of ¢3,000,000,000, according to the resolution of the Extraordinary General Shareholders' Meeting No. 02-21.

As of June 17, 2020, BCR Pensión Operadora de Planes de Pensiones Complementarias S.A., distributes dividends in the amount of ¢1.158.000.000, according to the resolution of the Extraordinary General Shareholders' Meeting, Session No. 20-2020 of June 2, 2020.

As of April 5, 2021 BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A., distributes dividends in the amount of ¢750,000,000, in compliance with resolution of the Extraordinary General Shareholders' Meeting No. 02-21.

As of September 9, 2020, BCR Sociedad Administradora de Fondos de Inversión, S.A., distributed dividends in the amount of ¢4.500.000.000, in compliance with resolution of the Extraordinary General Shareholder's Meeting N° 20-2020, of June 2, 2020.

As of April 9, 2021, BCR Sociedad Administradora de Fondos de Inversión, S.A., distributes dividends in the amount of ¢2,750,000,000, according to the resolution of the Extraordinary General Shareholders' Meeting No. 02-2021.

As of September 25, 2020, BCR Valores, S.A., distributed dividends in the amount of ¢4.500.000.000, in compliance with resolution of the Extraordinary General Shareholder's Meeting N° 20-2020, of June 2, 2020.

As of April 28, 2021, BCR Valores, S.A., distributes dividends in the amount of ¢2,500,000,000, according to the resolution of the Extraordinary General Shareholders' Meeting No. 02-2021.

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BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

September 30, 2021

Incorporation of Banprocesa S.R.L. to the BCR Financial Conglomerate

Banprocesa, S.R.L. will provide exclusive services to the BCR Financial Conglomerate, in the development of software related to information technology. Significant improvements are expected in the management of this process, with an impact on reducing costs for reprocessing, timely attention, custom development and in general, greater efficiency in management as well as supporting the strategic objective of turning Banco de Costa Rica into a digital bank. Due to the nature of the company's services, its impact is seen mainly in the bank's operational risk management, and to a lesser extent, with an impact on its solvency. Therefore, no technical aspects or risk exposure are identified that constitute a disability to its incorporation into the Financial Conglomerate.

By means of official letter GG-04-276-2020, of April 24, 2020, a request for formal authorization it is sent to the General Superintendency of Financial Entities (SUGEF) on April 27, 2020, to incorporate Banprocesa, S.R.L. to the BCR Financial Conglomerate and Subsidiaries, clarifying that, currently Banco de Costa Rica owns 100% of the shares of the entity.

By means of official letter SGF-2069-2021 SGF-CONFIDENCIAL-202103143, dated July 23, 2021, a favorable opinion is rendered on the request for authorization to incorporate Banprocesa, S.R.L. to the BCR Financial Conglomerate.

(46) Authorization date for issuance of the financial statements

The General Management of the Bank authorized the issuance of the consolidated Financial Statements on October 26, 2021.

SUGEF might require amendments to the Financial Statements after the date of authorization for issuance.