



Banco de Costa Rica and Subsidiaries
Unaudited Consolidated Financial Statements
June 30, 2021

Table of Contents

Consolidated Financial Statements

Consolidated Statement of Financial Position	-6-
Consolidated Statement of Comprehensive Income	-8-
Consolidated Statement of Changes in Equity	-9-
Consolidated Statement of Cash Flows	-10-

Notes to the Financial Statements

(1) Summary of operations and significant accounting policies	- 6 -
(a) Operations	- 6 -
(b) Accounting policies for the preparation of consolidated financial statements	- 9 -
(c) Investment in other companies	- 10 -
(d) Foreign currency	- 11 -
(e) Basis for the recognition of the consolidated financial statements.....	- 13 -
(f) Financial instruments	- 13 -
(g) Cash and cash equivalents	- 16 -
(h) Investments in financial instruments	- 16 -
(i) Loans portfolio.....	- 19 -
(j) Allowance for doubtful accounts	- 20 -
(k) Securities sold under repurchase agreements	- 27 -
(l) Accounting for interest receivable	- 28 -
(m) Other receivables	- 28 -
(n) Held-for-sale assets.....	- 28 -
(o) Offsetting	- 29 -
(p) Property, furniture, and equipment	- 29 -
(q) Deferred charges	- 31 -
(r) Intangible assets	- 31 -
(s) Impairment of assets	- 32 -
(t) Obligations with the public.....	- 33 -
(u) Accounts payable and other payables	- 33 -
(v) Provisions.....	- 33 -
(w) Legal reserve.....	- 34 -
(x) Revaluation surplus.....	- 35 -
(y) Use of estimates	- 35 -
(z) Recognition of main types of income and expenses.....	- 35 -
(aa) Income tax.....	- 36 -
(bb) BICSA - Financial leases	- 36 -

(cc) Pension and retirement plans for employees of Banco de Costa Rica.....	- 37 -
(dd) Legal allocations	- 37 -
(ee) Development Financing Fund.....	- 38 -
(ff) Development Credit Fund.....	- 38 -
(gg) BICSA - Trusts	- 39 -
(hh) Fiscal year	- 39 -
(2) Collateralized or restricted assets.....	- 39 -
(3) Balances and transactions with related parties.....	- 40 -
(4) Cash and cash equivalents	- 41 -
(5) Investments in financial instruments	- 42 -
(6) Loan portfolio	- 45 -
a) Loan portfolio by economic sector	- 45 -
b) Loan portfolio by activity	- 46 -
c) Current loans.....	- 47 -
d) Loan portfolio by arrears	- 49 -
e) Past due loans.....	- 49 -
f) Interest receivable on loan portfolio	- 50 -
g) Allowance for loan impairment	- 51 -
h) Syndicated loans	- 52 -
(7) Held-for-sale assets, net.....	- 54 -
(8) Interest in other companies' capital	- 56 -
(9) Property, furniture, and equipment	- 59 -
(10) Other assets	- 62 -
(a) Other deferred charges.....	- 62 -
(b) Intangible Assets.....	- 62 -
(c) Other assets	- 64 -
(11) Demand obligations with the public	- 64 -
(12) Term and demand obligations with the public and entities	- 65 -
(13) Other obligations with the public.....	- 66 -
(14) Obligations with entities and the Central Bank of Costa Rica.....	- 67 -
(a) Maturities of loans payable.....	- 68 -
(15) Income tax.....	- 71 -
(16) Provisions.....	- 76 -
(17) Other miscellaneous accounts payable	- 80 -
(18) Equity.....	- 81 -
(19) Contingent accounts.....	- 87 -
(20) Trusts.....	- 91 -
(21) Other debit memoranda accounts.....	- 93 -
(22) Current and term brokerage operations and portfolio management operations.....	- 94 -
(23) Investment fund management agreements.....	- 99 -
(24) Pension fund management agreements	- 100 -
(25) Contract for custody and storage of goods and merchandise	- 103 -
(26) Financial income on investments in financial instruments	- 104 -

(27) Financial income on loan portfolio and other financial interests.....	- 104 -
(28) Expenses from obligations with the public.....	- 105 -
(29) Expenses for allowance for impairment of the loan portfolio and accounts and commissions receivable	- 105 -
(30) Income from recovery of assets and decreases in allowances and provisions.....	- 106 -
(31) Income from service fees and commissions	- 107 -
(32) Income from interests in other companies	- 108 -
(33) Administrative expenses	- 109 -
(34) Legal profit allocation.....	- 110 -
(35) Components of other comprehensive income.....	- 110 -
(36) Operating leases	- 111 -
(37) Fair value of financial instruments	- 112 -
(38) Segments	- 113 -
(39) Risk management.....	- 119 -
(40) Situation of the Development Financing Fund	- 165 -
(41) Situation of the Development Credit Fund	- 177 -
(42) Merger of Banco Crédito Agrícola de Cartago.....	- 187 -
(43) Transition to the International Financing Reporting Standards (IFRSs)	- 189 -
(44) Figures for 2020.....	- 197 -
(45) Relevant and subsequent events.....	- 197 -
(46) Authorization date for issuance of the financial statements	- 213 -

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

	Note	June 2021	December 2020	June 2020
ASSETS				
Availabilities	4	785,711,746,503	803,047,856,879	719,946,145,290
Cash		70,985,003,520	119,287,622,423	78,738,323,667
Central Bank of Costa Rica		591,647,882,868	557,130,153,527	518,742,446,752
Local financial entities		449,994,167	406,513,723	394,103,594
Foreign financial entities		108,869,350,224	124,787,806,670	118,782,212,842
Notes payable on demand		2,068,940,300	933,476,898	2,663,496,426
Restricted cash and cash equivalents		11,690,575,424	502,245,670	625,330,220
Accounts and interest receivable		0	37,968	231,789
Investment in financial instruments	5	1,717,376,795,836	1,422,225,936,729	1,259,542,880,428
At fair value through profit or loss		206,579,807,455	129,268,183,986	139,259,385,222
At fair value through other comprehensive income		1,333,865,577,825	1,158,570,957,948	841,763,636,213
At amortized cost		153,366,660,445	116,422,768,236	268,408,265,603
Interest receivable		23,565,016,290	17,964,479,288	10,131,014,703
(Allowance for impairment)		(266,179)	(452,729)	(19,421,313)
Loan portfolio	6.b	3,765,287,845,510	3,737,850,095,270	3,631,604,064,275
Current loans	6.c	3,644,923,779,018	3,611,713,806,444	3,359,331,111,233
Past due loans		196,553,958,428	191,127,466,768	304,386,889,495
Loans in legal collection	6.c	51,966,908,691	47,306,508,117	53,236,262,586
(Deferred income loan portfolio)		(18,337,740,678)	(17,174,110,485)	(16,551,577,620)
Interest receivable	6.f	32,878,623,965	39,101,667,115	39,513,659,127
(Allowance for impairment)	6.g	(142,697,683,914)	(134,225,242,689)	(108,312,280,546)
Accounts and commissions receivable		25,754,530,607	15,288,959,387	11,324,121,721
Commissions receivable		5,601,330,206	3,914,017,767	3,931,029,150
Accounts receivable from stock exchange operations		248,282,246	153,829,125	370,296,104
Accounts receivable for transactions with related parties		620,881,760	588,117,964	1,247,706,384
Deferred income tax and income tax receivable	15	13,568,874,700	3,089,935,829	2,886,550,876
Other accounts receivable		17,591,696,639	18,228,391,664	12,393,218,717
(Allowance for impairment)		(11,876,534,944)	(10,685,332,962)	(9,504,679,510)
Foreclosed assets	7	66,836,773,975	65,018,758,323	54,965,273,471
Assets and securities acquired as recovery of loans		149,650,174,005	153,175,635,799	153,361,408,211
Other foreclosed assets		3,116,218,236	3,135,050,908	3,260,175,814
(Allowance for impairment and per legal requirement)		(85,929,618,266)	(91,291,928,384)	(101,656,310,554)
Interest in other companies' capital, net	8	843,703,359	601,781,698	378,583,291
Property, furniture and equipment, net	9	143,570,618,999	145,466,631,990	150,032,669,539
Property investments		6,441,924,521	6,441,924,521	6,441,924,521
Other assets		98,735,274,925	103,914,142,815	97,460,650,478
Deferred charges	10.a	11,061,623,255	11,020,765,141	11,511,711,228
Intangible assets, net	10.b	16,740,639,030	16,550,642,887	12,751,611,214
Other assets	10.c	70,933,012,640	76,342,734,787	73,197,328,036
TOTAL ASSETS	¢	6,610,559,214,235	6,299,856,087,612	5,931,696,313,014

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

<u>Note</u>	<u>June</u> <u>2021</u>	<u>December</u> <u>2020</u>	<u>June</u> <u>2020</u>
LIABILITIES AND EQUITY			
LIABILITIES			
Obligations with the public	€ 4,742,255,612,834	4,435,948,768,842	4,183,974,092,632
Demand obligations	11 2,946,216,462,956	2,631,125,295,136	2,282,743,393,179
Term obligations	12 1,775,284,975,916	1,765,488,529,808	1,866,980,490,484
Other obligations with the public	13 5,598,064,739	22,851,373,427	15,031,899,021
Financial charges payable	15,156,109,223	16,483,570,471	19,218,309,948
Obligations with the Central Bank of Costa Rica	14 120,594,596,978	2,500,208,320	0
Term obligations	120,470,000,000	2,500,208,320	0
Financial charges payable	124,596,978	0	0
Obligations with entities	14 811,804,406,446	996,185,319,919	918,781,707,624
Demand obligations	12 66,749,435,275	57,024,035,642	57,904,323,571
Term obligations	12 740,761,975,215	934,562,223,076	854,930,974,900
Financial charges payable	4,292,995,956	4,599,061,201	5,946,409,153
Accounts payable and provisions	179,427,786,935	161,122,349,138	149,599,571,138
Provisions	16 60,348,975,611	60,354,073,834	60,037,492,767
Accounts payable for stock transactions	64,402,517	125,916,857	61,378,856
Deferred income tax	15 30,428,689,337	8,261,935,568	8,155,380,655
Other sundry accounts payable	17 88,568,731,489	92,356,990,157	81,333,022,135
Financial charges payable	16,987,981	23,432,722	12,296,725
Other liabilities	29,271,625,936	38,146,815,175	33,313,205,198
Deferred income	1,196,270,272	1,248,422,950	1,211,214,233
Other liabilities	28,075,355,664	36,898,392,225	32,101,990,965
TOTAL LIABILITIES	€ 5,883,354,029,129	5,633,903,461,394	5,285,668,576,592
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	93,506,690,172	55,958,372,952	54,254,178,606
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	22,737,536,562	25,612,643,802	11,336,856,115
Equity of the Development Financing Fund	36,212,011,410	33,309,728,460	33,309,728,460
Minority interest	8 73,343,126,351	72,376,421,244	68,431,513,481
TOTAL EQUITY	727,205,185,106	665,952,626,218	646,027,736,422
TOTAL LIABILITIES AND EQUITY	€ 6,610,559,214,235	6,299,856,087,612	5,931,696,313,014
DEBIT CONTINGENT ACCOUNTS	19 € 433,216,023,651	435,596,846,933	412,894,915,044
TRUST ASSETS	20 943,959,697,666	972,668,061,666	896,101,345,999
TRUST LIABILITIES	364,148,296,245	379,680,643,674	361,024,408,493
TRUST EQUITY	579,811,401,421	592,987,417,992	535,076,937,505
OTHER DEBIT MEMORANDA ACCOUNTS	21 € 42,561,430,987,807	24,615,785,229,468	23,708,474,198,226
Own debit memoranda accounts	32,321,046,064,016	15,416,275,687,503	15,048,134,260,550
Third party debit memoranda accounts	2,559,125,593,581	2,351,292,555,491	2,234,833,880,061
Own debit memoranda accounts for custodial activities	926,982,481,332	753,477,291,918	667,157,792,540
Third party debit memoranda accounts for custodial activities	6,754,276,848,878	6,094,739,694,556	5,758,348,265,075

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

Douglas Soto L.
General Manager

Ana Lorena Brenes B.
Accountant

José Manuel Rodríguez G.
General Auditor

BANCO DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended June 30, 2021

(In colones without cents)

	Note	Quarter from			
		June 2021	June 2020	April 1 to June 30 2021	2020
Financial income					
For availabilities	€	58,131,124	267,491,858	28,599,000	50,593,378
For investments in financial instruments	26	42,001,445,191	29,147,707,143	21,433,974,743	13,730,142,655
For loan portfolio	27	138,350,909,803	152,850,281,296	65,196,196,925	72,888,335,349
For financial leases	27	1,163,516,036	1,021,227,520	608,498,313	516,290,701
For gain on exchange differences and Development Units	1-d.iii	532,356,029	1,518,259,552	741,894,060	0
For profit from financial instruments at fair value through profit or loss		396,684,923	2,570,519,260	207,963,249	261,479,758
For profit from financial instruments at fair value through other comprehensive income		2,633,300,100	4,217,688,111	1,115,607,929	446,239,915
For other financial income		2,458,127,475	1,761,730,744	1,301,122,320	771,540,305
Total financial income		187,594,470,681	193,354,905,484	90,633,856,539	88,664,622,061
Financial expenses					
For obligations with the public	28	56,965,481,066	74,600,435,890	28,916,723,223	34,972,778,366
For obligations with the Central Bank of Costa Rica		131,569,152	24,422,945	100,497,522	0
For obligations with financial and non-financial entities		12,808,169,276	14,806,066,002	6,060,796,097	6,586,795,432
For losses from exchange differences UD	1-d.ii	0	0	0	835,246,016
For loss from financial instruments at fair value through profit or loss		128,486,236	5,090,981,744	49,580,571	27,762,504
For loss from financial instruments at fair value through other comprehensive income		10,555,754	29,095,218	4,721,134	5,397,027
For loss from derivative instruments		0	0	0	0
For other financial expenses		34,991,812	25,712,907	17,724,198	13,262,000
Total financial expenses		70,079,253,296	94,576,714,706	35,150,042,745	42,441,241,345
Allowance for impairment of assets	29	17,813,078,323	25,811,323,823	6,723,747,949	14,185,127,401
For assets recovery and decrease in allowance and provisions	30	8,337,069,702	21,681,522,367	2,664,807,742	14,125,687,646
FINANCIAL INCOME		108,039,208,764	94,648,389,322	51,424,873,587	46,163,940,961
Other operating income					
For service fees	31	51,377,638,544	50,849,246,042	25,772,344,794	21,606,909,537
For foreclosed assets		15,037,831,390	10,788,877,206	6,951,822,418	6,203,177,641
For profit on capital investments in other companies	32	245,969,776	1,818,043	110,110,725	1,818,043
For foreign currency exchange and arbitrations		10,728,230,784	11,805,725,619	5,209,449,011	4,279,270,660
For other income from related parties		117,628,456	165,611,348	76,192,406	86,268,339
For other operating income		9,532,894,203	12,124,058,746	6,080,464,606	5,542,250,515
Total other operating income		87,040,193,153	85,735,337,004	44,200,383,960	37,719,694,735
Other operating expenses					
For service fees		13,419,613,006	12,194,311,628	6,760,635,420	5,455,843,005
For foreclosed assets		18,691,845,042	22,879,573,235	8,897,506,064	9,678,668,150
For loss on capital investments in other companies		0	119,534,816	0	41,439,157
For provisions		872,655,117	1,904,700,268	511,087,375	1,586,503,679
For exchange and arbitration, foreign currency		815,766,136	1,073,972,065	209,253,930	85,311,028
For other expenses with related parties		0	0	(478,139,264)	0
For other operating expenses		20,471,435,892	21,700,862,002	9,157,142,822	9,058,333,014
Total other operating expenses		54,271,315,193	59,872,954,014	25,057,486,347	25,906,098,033
GROSS OPERATING INCOME		140,808,086,724	120,510,772,312	70,567,771,200	57,977,537,663
Administrative expenses					
Personnel expenses		57,469,738,404	56,695,668,796	28,726,014,050	28,144,807,463
Other administrative expenses		36,835,101,353	36,322,840,499	20,125,091,738	20,359,641,580
Total administrative expenses	33	94,304,839,757	93,018,509,295	48,851,105,788	48,504,449,043
OPERATING INCOME, NET OF INCOME TAX AND STATUTORY ALLOCATIONS		46,503,246,967	27,492,263,017	21,716,665,412	9,473,088,620
Income tax	15	13,597,906,887	10,200,147,353	6,451,429,977	3,282,217,717
Deferred income tax	15	510,946,793	12,906,242	494,250,705	4,292,221
Decrease in income tax		1,645,760,037	109,750,163	1,450,874,339	45,494,545
Legal profit allocation	34	10,841,740,294	5,287,699,200	4,940,780,157	1,703,541,165
RESULT OF THE PERIOD		23,198,413,030	12,101,260,385	11,281,078,912	4,528,532,062
Result of the period attributed to minority interest		460,876,468	764,404,270	276,434,579	183,922,577
Attributed to the comptroller		22,737,536,562	11,336,856,115	(2,875,107,240)	4,344,609,485
RESULTS OF THE PERIOD ATTRIBUTED TO THE FINANCIAL CONGLOMERATE		22,737,536,562	11,336,856,115	(2,875,107,240)	4,344,609,485
OTHER COMPREHENSIVE INCOME OF THE PERIOD, NET OF TAX					
OTHER COMPREHENSIVE INCOME OF THE PERIOD, NET OF TAX	35	38,054,145,859	4,541,707,985	25,764,425,389	(366,290,048)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		61,252,558,889	16,642,968,370	23,165,752,728	4,162,242,014
Comprehensive income attributed to minority interest		966,705,107	2,292,456,002	979,042,616	(325,752,640)
COMPREHENSIVE INCOME ATTRIBUTED TO THE FINANCIAL CONGLOMERATE	€	60,285,853,782	14,350,512,368	22,186,710,112	4,487,994,654

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

Douglas Soto L.
General Manager

Ana Lorena Brenes B.
Accountant

José Manuel Rodríguez G.
General Auditor

BANCO DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended June 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	
	€	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
		0	0	0	0	0	(1,601,529,951)	0	0	(1,601,529,951)	
		0	0	0	0	19,421,553,585	(19,421,553,585)	0	0	0	
		0	0	0	0	0	(3,555,796,205)	3,555,796,205	0	0	
		181,409,990,601	37,774,830,067	(1,343,439,781)	14,809,132,066	51,240,522,352	283,820,516,011	13,464,953,148	33,309,728,460	66,139,057,480	629,384,768,052
		0	0	1,179,237,968	1,834,418,286	3,013,656,254	0	11,336,856,115	0	2,292,456,001	16,642,968,370
		181,409,990,601	37,774,830,067	(164,201,813)	16,643,550,352	54,254,178,606	283,820,516,011	24,801,809,263	33,309,728,460	68,431,513,481	646,027,736,422
		0	0	0	0	0	0	0	68,431,513,481	68,431,513,481	
		181,409,990,601	37,774,830,067	(164,201,813)	16,643,550,352	54,254,178,606	283,820,516,011	24,801,809,263	33,309,728,460	0	577,596,222,941
		181,409,990,601	37,774,830,067	(2,718,583,704)	20,902,126,589	55,958,372,952	283,820,516,011	39,077,596,950	33,309,728,460	72,376,421,244	665,952,626,218
		0	0	0	0	12,889,031,020	(12,889,031,020)	0	0	0	
		0	0	0	0	0	(2,902,282,951)	2,902,282,950	0	(1)	
		181,409,990,601	37,774,830,067	(2,718,583,704)	20,902,126,589	55,958,372,952	296,709,547,031	23,286,282,979	36,212,011,410	72,376,421,244	665,952,626,217
		0	0	36,884,824,222	663,492,998	37,548,317,220	0	22,737,536,562	0	966,705,107	61,252,558,889
		181,409,990,601	37,774,830,067	34,166,240,518	21,565,619,587	93,506,690,172	296,709,547,031	46,023,819,541	36,212,011,410	73,343,126,351	727,205,185,106
		0	0	0	0	0	0	0	73,343,126,351	73,343,126,351	
		181,409,990,601	37,774,830,067	34,166,240,518	21,565,619,587	93,506,690,172	296,709,547,031	46,023,819,541	36,212,011,410	0	653,862,058,755

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

Douglas Soto L.
General Manager

Ana Lorena Brenes B.
Accountant

José Manuel Rodríguez G.
General Auditor

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

	Note	June 2021	June 2020
Cash flows from operating activities			
Income of the period	€	22,737,536,562	11,336,856,115
Items applied to results not requiring cash outlays		(56,753,996,372)	(50,466,699,263)
Increase or (decrease) for			
Allowance for impairment or devaluation of financial instruments		993,907,191	3,953,077,570
Allowance for impairment of loan portfolio		14,932,948,195	19,928,958,000
Allowance for impairment and default of other accounts receivable		1,886,222,937	1,929,288,253
Allowance for impairment of assets in lieu of payment		9,597,877,805	15,962,145,735
Income from reversal of allowance for impairment or devaluation of investments		(569,609,914)	(680,006,534)
Income from reversal of allowance for impairment of loan portfolio		(2,375,538,634)	(20,108,387,553)
Income from reversal of allowance for impairment and default of accounts receivable		(641,993,406)	(893,128,280)
Income from reversal of allowance for impairment of assets in lieu of payment		(14,718,952,903)	(10,420,238,521)
Income or loss for sale of assets received in lieu of payment and of property, furniture and equipment		6,791,430,874	4,377,141,503
Interest in net profit of other companies		(245,969,776)	117,716,773
Depreciation		6,910,612,855	6,843,063,610
Amortization		7,086,377,228	6,729,300,449
Provision for social benefits		159,022,341	150,749,635
Provisions for pending lawsuits		713,632,776	1,713,422,849
Other provisions		2,720,417	258,890,720
Income from provisions		(273,891,033)	(2,558,312,168)
Income tax		13,597,906,887	10,200,147,353
Deferred income tax		510,946,793	(96,843,921)
Decrease in income tax		(1,490,475,374)	0
Decrease in income tax from previous periods		(155,284,663)	0
Profit sharing		10,841,740,294	5,287,699,200
Interest for obligations with the public		56,965,481,066	74,600,435,890
Interest for obligations with financial entities		12,939,738,428	14,830,488,947
Income from availabilities		(58,131,124)	(267,491,858)
Interest from investment in financial instruments		(42,001,445,191)	(29,147,707,143)
Income from loan portfolio		(138,350,909,803)	(152,850,281,296)
Net profit or loss from exchange differences and Development Units		(926,730,104)	(2,925,651,032)
Minority interest in net profit of subsidiaries		460,876,468	764,404,270
Adjustments for conversion of financial statements of the entity abroad		663,492,998	1,834,418,286
Cash flows from operating activities		(134,352,601,504)	560,627,439,038
Net variation in assets increase or (decrease)			
Increase in financial instruments - at fair value through profit or loss		(659,085,112,645)	(93,410,820,388)
Decrease in financial instruments - at fair value through profit or loss		581,349,005,349	71,913,875,348
Increase in financial instruments - at fair value through comprehensive income		(947,825,025,541)	(2,720,208,416,591)
Decrease in financial instruments - at fair value through comprehensive income		879,342,773,097	3,106,885,246,342
Loan portfolio		(49,094,371,182)	150,760,177,689
Accounts and commissions receivable		(12,235,654,725)	(3,108,744,241)
Available-for-sale assets		12,597,608,905	6,994,094,260
Interest receivable for financial instruments		17,964,479,288	10,025,019,727
Interest receivable for loan portfolio		36,395,266,607	21,332,158,706
Other assets		6,238,429,342	9,444,848,186
Net variations in liabilities, increase or (decrease)		173,900,947,192	(179,501,224,611)
Obligations with the public		293,837,031,549	(18,982,544,696)
Obligations with the Central Bank of Costa Rica and other entities		(70,824,454,518)	(79,497,575,645)
Obligations for accounts and commissions payable and provisions		(19,016,659,427)	(27,118,553,469)
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		(8,988,906,018)	(23,508,556,217)
Interests paid		(50,314,529,356)	(64,253,909,011)
Collected interest		126,673,246,371	135,190,296,617
Paid income tax		(5,572,355,941)	(12,863,755,479)
Net cash flows provided by operating activities		76,318,246,951	400,069,003,406
Cash flow from investment activities			
Increase in financial instruments at amortized cost		(5,810,042,369,827)	(4,293,810,786,752)
Decrease in financial instruments at amortized cost		5,773,098,477,618	4,068,159,271,149
Acquisition of property, furniture and equipment		(5,509,356,476)	(7,891,973,427)
Decrease for withdrawal and transfer of property, furniture and equipment		33,143,456	7,911,543,622
Acquisition of intangibles		(4,205,998,324)	(2,390,858,055)
Decrease for withdrawal and transfer of intangibles		0	(318,085,351)
Interest in other companies		4,048,115	(12,688,964)
Cash flows (used for) provided by investment activities		(46,622,055,438)	(228,353,577,778)
Net increase (decrease) in cash and cash equivalents		29,696,191,513	171,715,425,628
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		2,860,644,922	7,895,112,234
Cash and cash equivalents at the end of the year	4 €	973,157,795,798	1,037,788,652,480

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

Douglas Soto L.
General Manager

Ana Lorena Brenes B.
Accountant

José Manuel Rodríguez G.
General Auditor

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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 June, 2021, the Bank has a total 166 (169 and 186, for December and June 2020, respectively) branches distributed across the national territory, has in operation 649 (676 and 652, for December and June 2020, respectively) ATM's and has 3.633 (3.645 and 3.704, for December and June 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 June 30, 2021, is of 72 (70 and 69 for December and June 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 June 30, 2021, is of 104 (101 and 108 for December and June 2020, respectively) and is regulated by the General Superintendence of Securities (SUGEVAL).

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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 June 30, 2021 is of 100 (97 and 103 for December and June 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 June 30, 2021 is of 87 (86 and 85 for December and June 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 June 30, 2021, the number of employees is 77 (67 and 46 for December and June 2020, respectively). As of June 30, 2021, SUGEF is evaluating 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 June 30, 2021 the number of employees is of 67 (36 and 33 for December and June 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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 June 30, 2021 is of 253 (241 and 247 for December and June 2020, respectively).

In the Republic of Panama, banks are regulated by the Superintendence of Banks of Panama through Executive Order No. 9 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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).

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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".

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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:

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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 June 30, 2021, monetary assets and liabilities denominated in U.S. dollars were valued at the exchange rate of ¢621.92 (¢617.30 and ¢583.49 for December and June 2020, respectively) for US\$1,00.

Valuation in colones of monetary assets and liabilities in foreign currency for the period ended June 30, 2021 gave rise to foreign exchange losses of ¢252.223.897.901 (¢853.653.297.140 and ¢465.959.272.083 for December and June 2020, respectively), and gains of ¢252.756.253.934 (¢860.136.733.021 and ¢467.477.531.635, for December and June 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 June 30, 2021, valuation of other assets gave rise to losses of ¢49.367.936 (¢1.099.588.980 and ¢917.417.607, for December and June 2020, respectively) and valuation of other liabilities gave rise to losses of ¢420.912.654 (¢1.474.999.372. and ¢681.274.369, for December and June 2020, respectively).

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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:

- 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 June 30, 2021, losses for exchange differences arise for ¢663.492.998 (¢6.092.994.523 and ¢1.834.418.286 for December and June 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

(iv) Fair value measurement principles

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

- 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. (PIPICA).

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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.

In accordance with the liquidity objectives of the Bank's investment portfolio, it will not correspond, in accordance with the Entity's business model, to carry out future investments in closed funds; however, current investments in these instruments must be classified in compliance with the provisions of the standard.

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

- 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

- 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.
- 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:

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

<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. a. Debtors with delinquency of more than 30 days and up to 90 days with the entity. b. 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.
3	c. 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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%

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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 les	20%	0,5%	Level 1	Level 1
60 days or les	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

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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 June 30, 2021, the total allowance of the loan portfolio reflected in the accounting records amounts to ¢126.570.218.331, (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 ¢94.816.279.962)

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

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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 June 30, 2021, the allowance disclosed in the accounting records amounts to ₡142.697.683.914 (₡134.224.712.484 and ₡108.312.280.546 for December and June 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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:

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

(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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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 June 30, 2021 amounted to ¢246.599.262 (¢428.891.398 and ¢197.720.158 for December and June 2020, respectively), equivalent to US\$405.070 (US\$694.786 and US\$348.328 for December and June 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 June 30, 2021, the severance fund had a balance of ¢745.823.878 (¢636.010.980 and ¢524.866.176 for December and June 2020, respectively), equivalent to US\$1.199.228 (US\$1.030.311 and US\$899.529 for December and June 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

(iv) Operating lease expenses

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

(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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

(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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

- 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.
- 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>June 2021</u>	<u>December 2020</u>	<u>June 2020</u>
Cash and cash equivalents deposited in the Central Bank of Costa Rica (see note 4)	¢ 584.320.862.824	544.202.156.330	529.929.410.491
Restricted cash and cash equivalents (see note 4)	122.298.485	93.806.100	104.609.909
Total cash and cash equivalents	<u>584.443.161.309</u>	<u>544.295.962.430</u>	<u>530.034.020.400</u>
Past due and restricted financial instruments (see note 5)	167.816.410.932	48.403.442.246	31.397.464.930
Other assets	869.867.066	851.645.599	764.259.286
	<u>¢ 753.129.439.307</u>	<u>593.551.050.275</u>	<u>562.195.744.616</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

(3) Balances and transactions with related parties

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

	June 2021	December 2020	June 2020
Assets:			
Loan portfolio	¢ 1.149.144.074	1.000.452.626	1.154.693.165
Other accounts receivable	769.011.367	168.842.012	1.415.790.567
Interests in other entities	778.286.717	536.364.510	313.166.103
Other assets	0	0	0
Total assets	¢ 2.696.441.612	1.705.659.148	2.883.649.835
Liabilities:			
Other accounts payable and provisions	0	46.411.286	0
Total liabilities	¢ 0	46.411.286	0
Income:			
Income from interest in entities	241,921,661	225.016.450	1.818.043
Sundry operating income	¢ 117,628,456	314.650.831	207.185.581
Total income	¢ 359.550.117	539.667.281	209.003.624
Expenses:			
Financial expenses	249.324.814	0	0
Expenses from investments in other companies	0	119.534.816	119.534.816
Sundry operating expenses	¢ 0	2.095.886.036	772.704.769
Total expenses	¢ 249.324.814	2.215.420.852	892.239.585

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

	June 2021	December 2020	June 2020
Short-term benefits	¢ 2.022.564.895	3.997.828.497	1.969.189.458
Long-term benefits	17.366.111	130.965.257	16.421.431
Directors' seating fees	176.200.486	286.651.424	193.206.890
	¢ 2.216.131.492	4.415.445.178	2.178.817.779

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

(4) Cash and cash equivalents

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

	June 2021	December 2020	June 2020
Cash	¢ 70.985.003.520	119.287.622.423	78.738.323.667
Demand deposits in BCCR	591.647.882.868	557.130.153.527	518.742.446.752
Checking accounts and demand deposits in local financial entities	449.994.167	406.513.723	394.103.594
Checking accounts and demand deposits in foreign financial entities	108.869.350.224	124.787.806.670	118.782.212.842
Notes payable on demand	2.068.940.300	933.476.898	2.663.496.426
Restricted cash and cash equivalents	11.690.575.424	502.245.670	625.330.220
Interest receivable	0	37.968	231.789
Total cash and cash equivalents	785.711.746.503	803.047.856.879	719.946.145.290
Investments in short-term financial instruments	187.446.049.295	137.553.102.484	317.842.507.190
Total cash and cash equivalents	¢ 973.157.795.798	940.600.959.363	1.037.788.652.480

As of June 30, 2021, demand deposits in BCCR are restricted as a minimum legal reserve in the amount of ¢584.288.625.714 (¢544.307.870.416 and ¢507.228.059.631 for December and June 2020, respectively).

As of June 30, 2021, BCR Pension's deposits in BCCR are restricted as a minimum legal reserve in the amount of ¢5.514.393 (¢3.744.956 and ¢2.253.434 for December and June 2020, respectively), for a total of ¢3.301.150.439 (¢3.048.836.070 for December 2020).

As of June 30, 2021, BCR Valores, S.A. - Puesto de Bolsa holds restricted deposits in the Central Bank of Costa Rica in the amount of ¢26.722.717 (¢27.219.750 and ¢25.553.465 for December and June 2020, respectively), for a total of ¢34.095.370.797 (¢28.775.581.282 and ¢529.929.410.491 for December and June 2020, respectively).

As of June 30, 2021, BCR Valores, S.A. - Puesto de Bolsa holds restricted assets as part of the guarantee fund in the amount of ¢33.946.349.595 (¢28.654.555.433 and ¢104.609.909 for December and June 2020, respectively). (See note 2).

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

As of June 30, 2021, the Bank has a liability for outstanding checks in the amount of ¢1.482.475.295 (¢1.185.956.937 and ¢1.566.167.662 for December and June 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>June 2021</u>	<u>December 2020</u>	<u>June 2020</u>
At fair value through profit or loss	¢ 206.579.807.455	129.268.183.986	139.259.385.222
At fair value through other comprehensive income	1.333.865.577.825	1.158.570.957.948	841.763.636.213
At amortized cost	153.366.660.445	116.422.768.236	268.408.265.603
Interest receivable for investments at fair value through profit or loss	2.911.502.814	911.154.050	207.861.693
Interest receivable for investments at fair value through other comprehensive income	20.594.613.298	17.032.432.102	9.910.837.870
Interest receivable for investments classified at amortized cost	58.900.178	20.893.136	12.315.140
Allowance for impairment of financial instruments	(266.179)	(452.729)	(19.421.313)
	<u>¢ 1.717.376.795.836</u>	<u>1.422.225.936.729</u>	<u>1.259.542.880.428</u>
	<u>June 2021</u>	<u>December 2020</u>	<u>June 2020</u>
At fair value through profit or loss	Fair value	Fair value	Fair value
<u>Local issuers:</u>			
State-owned Banks	106.067.042	0	0
Other (Open Investment Funds)	¢ 73.967.174.778	71.241.983.986	88.495.755.222
	<u>74.073.241.820</u>	<u>71.241.983.986</u>	<u>88.495.755.222</u>
<u>Foreign issuers:</u>			
Private Banks	132.468.960.000	58.026.200.000	50.763.630.000
Other	37.605.635	0	0
	<u>¢ 206.579.807.455</u>	<u>129.268.183.986</u>	<u>139.259.385.222</u>
	<u>June 2021</u>	<u>December 2020</u>	<u>June 2020</u>
Financial instruments at amortized cost issued by entities	Fair value	Fair value	Fair value
<u>Local issuers:</u>			
Government	¢ 102.550.752.052	100.852.372.058	254.753.608.296
State-owned Banks	41.357.680.000	3.086.500.000	1.561.864.983
Private Banks	3.109.600.000	12.483.896.178	12.092.792.324
Private issuers	6.348.628.393	0	0
	<u>¢ 153.366.660.445</u>	<u>116.422.768.236</u>	<u>268.408.265.603</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

At fair value through other comprehensive income	June 2021	December 2020	June 2020
	Fair value	Fair value	Fair value
<u>Local issuers:</u>			
Government	¢ 1.109.949.672.287	925.005.764.942	686.768.409.565
State-owned Banks	168.233.976.014	178.355.116.103	131.332.154.056
Private Banks	26.945.757.488	34.376.187.824	4.435.044.214
Private issuers	13.211.307.911	10.798.808.074	14.906.812.854
Other	10.462.523.327	7.574.901.609	453.179.530
	1.328.803.237.027	1.156.110.778.552	837.895.600.219
<u>Foreign issuers:</u>			
Government	1.266.987.240	1.189.524.754	1.102.900.545
Private Banks	1.247.141.773	0	1.198.372.345
Private issuers	2.548.211.785	1.270.654.642	1.212.994.606
Other	0	0	353.768.498
	¢ 1.333.865.577.825	1.158.570.957.948	841.763.636.213

As of June 30, 2021, the investment portfolio amounts to ¢133.089.265.271 (¢146.390.267.241 and ¢132.092.927.339 for December and June 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.

Purchased financial instruments earn annual yield rates as follows:

	June 2021	December 2020	June 2020
Colones	0,45000% to 11,50%	0,0099% to 9,5288%	0,0099% to 8,863%
US Dollars	0,003062% to 9,35527%	0,0099% to 9,5837%	0,0099% to 9,5837%

Investments have been pledged as follows:

	June 2021	December 2020	June 2020
Securities in guarantee, liquidity market	¢ 132.153.069.705	16.703.795.700	0
Restricted minimum operating capital Operadora de Pensiones Complementarias, S.A.	3.295.636.046	3.045.091.114	2.793.697.746
Collateral for obligations for securities repurchase agreements BCR Valores, S.A.	33.946.349.594	28.654.555.432	28.603.767.184
	¢ 167.816.410.932	48.403.442.246	31.397.464.930

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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 June 30, 2021 amount to ¢3.295.636.046 (¢3.045.091.114 and ¢2.793.697.746 for December and June 2020, respectively).

As of June 30, 2021 BCR Valores holds restricted investments in securities in the amount of ¢33.946.349.594 (¢28.654.555.433 and ¢28.603.767.185 for December and June 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 June 30, 2021, purchased financial instruments remain under resale agreements.

<u>Issuer</u>	<u>Asset Balance</u>	<u>Fair Value of Collateral</u>	<u>Resale Date</u>	<u>Resale Price</u>
Local Government	¢ 21.601.493.474	21.601.493.474	01/07/2021 to 01/07/2021	100,00%
Others	1.186.501.750	11.273.256.352	01/07/2021 to 27/08/2021	100,00%
	¢ <u>22.787.995.224</u>	<u>32.874.749.826</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 June 30, 2020

<u>Issuer</u>	<u>Asset Balance</u>	<u>Fair Value of Collateral</u>	<u>Resale Date</u>	<u>Resale Price</u>
Central Bank of Costa Rica	¢ 54.501.924.752	64.619.309.690	01/07/2020 to 28/08/2020	100,00%
Local Government	¢ 1.564.774.523	1.700.000.000	01/07/2020 to 27/07/2020	100,00%
Others	103.318.290	103.467.948	01/07/2020 to 20/07/2020	100,00%
	¢ <u>56.170.017.565</u>	<u>66.422.777.638</u>		

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

(6) Loan portfolio

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

a) Loan portfolio by economic sector

	June 2021	December 2020	June 2020
Current loans			
Personal loans	¢ 1.235.206.056.267	1.172.342.559.479	1.075.382.554.909
Loans Development Banking System	58.422.768.528	52.169.272.262	53.076.417.454
Business loans	167.710.028.948	191.836.337.097	168.290.443.778
Loans - Corporate	1.961.676.507.749	1.953.660.584.223	1.798.088.007.500
Loans - Public sector	118.144.728.792	121.787.364.424	120.663.639.169
Loans - Financial sector	103.763.688.734	119.917.688.959	143.830.048.423
	<u>3.644.923.779.018</u>	<u>3.611.713.806.444</u>	<u>3.359.331.111.233</u>
Past due loans			
Personal loans	79.274.237.014	75.263.661.053	114.905.822.712
Loans Development Banking System	1.039.460.405	1.026.613.616	2.132.055.142
Business loans	12.412.642.098	15.542.334.755	22.576.014.544
Loans - Corporate	103.827.618.911	99.294.857.344	164.770.943.493
Loans - Public sector	0	0	2.053.603
	<u>196.553.958.428</u>	<u>191.127.466.768</u>	<u>304.386.889.495</u>
Judicial Collection			
Personal loans	31.507.090.133	35.271.822.067	36.751.198.356
Loans Development Banking System	53.913.473	96.844.502	402.687.750
Business loans	4.442.870.554	4.552.475.518	4.844.898.717
Loans - Corporate	15.963.034.531	7.385.366.030	11.237.477.763
	<u>51.966.908.691</u>	<u>47.306.508.117</u>	<u>53.236.262.586</u>
	<u>¢ 3.893.444.646.137</u>	<u>3.850.147.781.329</u>	<u>3.716.954.263.314</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

b) Loan portfolio by activity

Activity	June 2021	December 2020	June 2020
Agriculture, livestock, hunting and service activities	¢ 178.762.741.352	193.594.861.611	182.399.441.883
Public administration	240.975.914.509	0	0
Fishing and aquaculture	40.228.220	11.172.166	0
Manufacturing	452.565.510.469	459.373.100.944	449.553.709.527
Telecommunications and public services	101.612.174.147	54.793.466.607	55.039.038.547
Mining and quarrying	38.552.258	41.301.001	40.481.134
Retail	432.254.534.937	275.150.270.515	257.609.937.878
Services	724.577.383.268	1.246.294.297.451	1.235.454.964.166
Transportation	55.301.129.621	55.192.075.081	48.847.689.891
Financial activities and stock exchange	3.886.564.292	4.064.820.107	4.273.924.190
A Real estate, business, and leasing Activities	37.925.327.331	8.666.712.945	4.130.075.428
Construction, purchase, and repair of real estate	1.261.246.426.560	1.145.267.404.096	1.073.934.217.350
Consumer	290.988.357.416	299.542.513.969	303.768.975.552
Hospitality	111.109.883.949	103.285.509.304	97.303.757.487
Education	792.447.274	3.431.935.531	3.150.157.237
Other activities from the non-financial private sector	1.367.470.534	1.438.340.001	1.447.893.044
	3.893.444.646.137	3.850.147.781.329	3.716.954.263.314
Plus interest receivable	32.878.623.965	39.101.667.115	39.513.659.127
Deferred income from loan portfolio	(18.337.740.678)	(17.174.110.485)	(16.551.577.620)
Less allowance for loan	(142.697.683.914)	(134.225.242.689)	(108.312.280.546)
	¢ <u>3.765.287.845.510</u>	<u>3.737.850.095.270</u>	<u>3.631.604.064.275</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

c) Current loans

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

	June 2021	December 2020	June 2020
Current			
Personal	¢ 1.235.206.056.267	1.172.342.559.479	1.075.382.554.909
Development Banking System	58.422.768.528	52.169.272.262	53.076.417.454
Business	167.710.028.948	191.836.337.097	168.290.443.778
Corporate	1.961.676.507.749	1.953.660.584.223	1.798.088.007.500
Public sector	118.144.728.792	121.787.364.424	120.663.639.169
Financial sector	103.763.688.734	119.917.688.959	143.830.048.423
	¢ <u>3.644.923.779.018</u>	<u>3.611.713.806.444</u>	<u>3.359.331.111.233</u>

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

	June 2021	December 2020	June 2020
Past due			
Personal	¢ 79.274.237.014	75.263.661.053	114.905.822.712
Development Banking System	1.039.460.405	1.026.613.616	2.132.055.142
Business	12.412.642.098	15.542.334.755	22.576.014.544
Corporate	103.827.618.911	99.294.857.344	164.770.943.493
Public sector	0	0	2.053.603
	¢ <u>196.553.958.428</u>	<u>191.127.466.768</u>	<u>304.386.889.495</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

	June 2021	December 2020	June 2020
Judicial collection			
Personal	¢ 31.507.090.132	35.271.822.067	36.751.198.356
Development Banking System	53.913.473	96.844.502	402.687.750
Business	4.442.870.554	4.552.475.518	4.844.898.717
Corporate	<u>15.963.034.532</u>	<u>7.385.366.030</u>	<u>11.237.477.763</u>
	<u>¢ 51.966.908.691</u>	<u>47.306.508.117</u>	<u>53.236.262.586</u>

BICSA - Financial lease receivables

The balance of financial lease receivables is as follows:

	June 2021	December 2020	June 2020
Total minimum payments	¢ <u>28.520.200.155</u>	<u>27.788.689.154</u>	<u>30.898.761.380</u>
	<u>¢ 28.520.200.155</u>	<u>27.788.689.154</u>	<u>30.898.761.380</u>

The maturities of the financial leases are as follows:

	June 2021	December 2020	June 2020
Less than a year	¢ 1.352.937.206	159.877.614	317.055.630
From 1 to 5 years	<u>27.167.262.949</u>	<u>27.628.811.540</u>	<u>30.581.705.750</u>
	<u>¢ 28.520.200.155</u>	<u>27.788.689.154</u>	<u>30.898.761.380</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

d) Loan portfolio by arrears

The loan portfolio by arrears is detailed as follows:

	June 2021	December 2020	June 2020
Current	¢ 3.644.923.779.018	3.611.713.806.444	3.359.331.111.233
1 to 30 days	86.526.255.614	102.179.456.193	133.018.677.013
31 to 60 days	24.762.597.204	26.203.564.057	48.764.902.459
61 to 90 days	31.996.329.696	15.362.107.871	52.088.038.974
91 to 120 days	4.230.505.012	9.410.529.852	21.004.824.340
121 to 180 days	28.268.916.384	3.885.327.917	26.463.821.454
More than 180 days	72.736.263.209	81.392.988.995	76.282.887.841
	¢ 3.893.444.646.137	3.850.147.781.329	3.716.954.263.314

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:

	June 2021	December 2020	June 2020
Number of operations	2.580	2.567	2.257
Past due loans in non-accrual status	¢ <u>72.736.263.209</u>	<u>81.392.988.995</u>	<u>76.282.887.841</u>
Past due loans bearing interest	¢ 175.784.603.910	157.040.985.890	281.340.264.240
Total of unearned interest	¢ 18.527.154.516	17.735.939.374	10.885.286.020

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

Loans in legal collection as of June 30, 2021:

<u># operations</u>	<u>Percentage</u>		<u>Balance</u>
1 044	1,33%	¢	<u>51.966.908.691</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 June 30, 2020:

<u># operations</u>	<u>Percentage</u>		<u>Balance</u>
1 315	1,43%	¢	<u>53.236.262.586</u>

As of June 30, 2021, the average annual interest rate earned on loans is 7.27% (9.06% and 9.06% for December and June 2020, respectively) in colones and 8.14% (6.38% and 6.31% for December and June 2020, respectively) in US dollars. For Banco Internacional de Costa Rica, S.A., the annual rate for operations in US dollars is 6.04% (6.60% and 6.24% for December and June 2020, respectively).

f) Interest receivable on loan portfolio

Interest receivable is detailed as follows:

	<u>June</u>	<u>December</u>	<u>June</u>
	<u>2021</u>	<u>2020</u>	<u>2020</u>
Personal	¢ 15.478.444.574	14.594.983.605	16.031.692.767
Development Banking System	295.598.661	262.038.379	304.892.547
Business	2.108.381.986	2.304.086.284	2.533.200.616
Corporate	14.060.347.080	20.895.091.642	19.517.150.836
Public sector	543.995.998	579.760.109	573.741.120
Financial sector	391.855.666	465.707.096	552.981.241
	¢ <u>32.878.623.965</u>	<u>39.101.667.115</u>	<u>39.513.659.127</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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		163.013.093
Adjusted balance at the beginning of 2020		134.388.255.782
Plus:		
Allowance charged through profit or loss (see note 29)		14.932.948.196
Recoveries		(1.569.800.710)
Adjustments for exchange differences		412.466.282
Less:		
Adjustments for exchange differences		(97.104.735)
Transfer to unpaid balances		(2.993.542.267)
Reversal of allowance against income (see note 30)		(2.375.538.634)
Balance as of June 30, 2021	¢	142.697.683.914
As of December 31, 2020		
2020 Opening Balance	¢	97.730.957.808
Currency translation effect		1.377.388.676
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		(10.289.158.893)
Balance as of December 31, 2020	¢	134.225.242.689

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

As of June 30, 2020

2020 Opening Balance	¢ 97.730.957.808
Currency translation effect	316.289.538
Plus:	
Allowance charged to profit and loss (See note 29)	19.898.233.480
Recoveries	721.194
Transfer of balances	285.590.362
Reversions	1.004.343.101
Less:	
Adjustment for exchange differences	(259.391.390)
Transfer to unpaid balances	(2.242.774.695)
Reversal of allowance against income (see note 30)	(8.421.688.852)
Balance as of June 30, 2020	¢ <u>108.312.280.546</u>

h) Syndicated loans

As of June 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.

BICSA - Syndicated loans:

No. Operations		Syndicated balances other banks	Syndicated balance BICSA	Total balance
4	Global Bank	¢ 73.282.613.759	11.210.976.940	¢ 84.493.590.699
5	Banco Agromercantil De Guatemala, S.A.	335.611.074.167	8.932.605.833	344.543.680.000
1	Bladex	87.206.866.240	1.727.693.760	88.934.560.000
2	Bladex And Nomura Securities International	60.248.500.000	1.943.500.000	62.192.000.000
12	Credicorp Bank	4.305.276.494	2.231.623.290	6.536.899.784
2	Credit Suisse Ag	66.265.576.000	2.145.624.000	68.411.200.000
1	Mmg Bank	22.160.823.952	850.216.048	23.011.040.000
6	Prival Bank	10.916.909.352	18.321.526.248	29.238.435.600
1	Citibank New York	41.051.989.702	4.517.511.862	45.569.501.564
2	Banistmo	43.577.568.518	4.716.678.166	48.294.246.684
7	Bicsa,Banpro, St Georges Bank, Inversiones Del Lago	23.978.402.684	7.428.557.316	31.406.960.000
6	Bicsa/Banpro/St Georges Bank	12.288.608.702	1.082.671.298	13.371.280.000
1	The Bank Of Nova Scotia (Scotiabank)	12.475.419.048	6.182.180.952	18.657.600.000
1	The Bank Of Nova Scotia (Scotiabank)	292.799.563	136.325.237	429.124.800
51		¢ <u>793.662.428.181</u>	<u>71.427.690.950</u>	¢ <u>865.090.119.131</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

As of December 30, 2020

<u>No.</u>		<u>Syndicated</u>	<u>Syndicated</u>	
<u>Operations</u>		<u>balances other</u>	<u>balance</u>	<u>Total balance</u>
		<u>banks</u>	<u>BICSA</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

As of June 30 2020

<u>No.</u>		<u>Syndicated</u>	<u>Syndicated</u>	
<u>Operations</u>		<u>balances</u>	<u>balance</u>	<u>Total balance</u>
		<u>other banks</u>	<u>BICSA</u>	
6	Banco Agromercantil De Guatemala	309.082.705.191	14.170.754.809	¢ 323.253.460.000
2	Banco Financiera Comercial Hondureña	14.246.892.493	3.257.807.507	17.504.700.000
2	Banistmo	41.959.708.960	3.350.314.834	45.310.023.794
6	Bicsa/Banpro/ St Georges Bank	11.512.981.251	1.032.053.749	12.545.035.000
11	Bicsa / Lafise	8.076.271.159	4.305.017.257	12.381.288.416
1	Bicsa/Multibank	47.466.301.759	5.790.165.765	53.256.467.524
7	Bicsa, Banpro, St Georges Bank, Inversiones Del Lago	22.046.100.877	7.420.144.123	29.466.245.000
1	Bicsa, Us Exim, Fmo, Bhd Int, Banco Panama	59.441.920.543	4.244.481.295	63.686.401.838
2	Bladex	114.247.342.000	5.951.598.000	120.198.940.000
2	Bladex And Nomura Securities International	55.431.550.000	2.917.450.000	58.349.000.000
1	Citibank Ny	37.818.810.817	4.934.836.707	42.753.647.524
9	Credicorp Bank	3.864.790.220	2.268.178.096	6.132.968.316
2	Credit Suisse Ag	61.558.195.000	2.625.705.000	64.183.900.000
1	Fmo	63.794.906.682	388.993.318	64.183.900.000
5	Global Bank	66.933.442.216	12.339.077.139	79.272.519.355
1	Mmg Bank Corporation	20.791.450.939	797.679.061	21.589.130.000
4	Prival Bank	15.270.247.405	12.161.471.769	27.431.719.174
1	Terrabank. N. A.	405.325.250	1.388.906.500	1.794.231.750
64		953.948.942.762	89.344.634.929	¢ 1.043.293.577.691

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

(7) Held-for-sale assets, net

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

	June 2021	December 2020	June 2020
Financial instruments	¢ 148.962.150.433	152.481.663.041	151.623.462.021
Other assets	688.023.572	693.972.758	1.737.946.190
Purchased for sale	1.199.915.493	977.446.409	531.221.315
Idle real property, furniture, and equipment	1.916.302.743	2.157.604.499	2.728.954.499
	<u>152.766.392.241</u>	<u>156.310.686.707</u>	<u>156.621.584.025</u>
Allowance for impairment and per legal requirement	(85.929.618.266)	(91.291.928.384)	(101.656.310.554)
	<u>¢ 66.836.773.975</u>	<u>65.018.758.323</u>	<u>54.965.273.471</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

	June	December	June
	2021	2020	2020
At the beginning of the year	¢ 156.310.686.707	144.375.955.540	144.375.955.540
Translation effect	133.094.244	776.138.934	220.198.684
Adjusted balance	156.443.780.951	145.152.094.474	144.596.154.224
Increase for awarded assets	16.085.980.334	45.589.449.907	24.315.691.572
Transfer to unused property, furniture, and equipment	58.316.807	81.847.646	36.334.823
Increase goods acquired for sale	1.776.237.261	3.096.128.083	1.098.338.176
Sales of goods	(21.298.304.548)	(36.256.614.785)	(12.689.579.068)
Withdrawal of unused property, furniture, and equipment	(299.618.564)	(1.352.218.618)	(735.355.702)
Balance at the end of the period	¢ 152.766.392.241	156.310.686.707	156.621.584.025

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

	June	December	June
	2021	2020	2020
Opening balance	¢ 91.293.299.040	96.813.230.661	96.813.230.661
Currency conversion effect	66.736	681.949	193.562
Adjusted Balance	91.293.365.776	96.813.912.610	96.813.424.223
Increase in the allowance	9.597.877.805	24.786.848.229	15.962.145.735
Reversal in the allowance	(14.718.952.903)	(29.609.811.572)	(10.420.238.521)
Transfer of balances	(242.672.412)	(689.329.993)	(689.329.993)
Adjustment of allowance for appraisal of assets	0	(9.690.890)	(9.690.890)
Closing balance	¢ 85.929.618.266	91.291.928.384	101.656.310.554

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

(8) Interest in other companies' capital

Interest in other companies' capital is detailed as follows:

	<u>June 2021</u>	<u>December 2020</u>	<u>June 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.	<u>778.286.171</u>	<u>536.364.510</u>	<u>313.166.103</u>
	<u>¢ 843.703.359</u>	<u>601.781.698</u>	<u>378.583.291</u>

As of June 30, 2021, Banco de Costa Rica holds a 100% interest in Banprocesa, S.R.L., represented by 100 common registered shares of ¢100.000 par value each, subscribed and paid in full.

As of June 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 June 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 June 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.

As of June 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 June 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

As of June 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 June 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.

The Bank owns a 51% ownership interest in BICSA (domiciled in Panama). As of June 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 June 30, 2021 includes the amounts of ₡460,876,468 (₡864,341,486 and ₡795,605,556 for December and June 2020, respectively), corresponding to the net operating income of BICSA.

The Bank's statement of changes in equity for the period ended June 30, 2021 includes an equity decrease of ₡663,492,998 (₡6,092,994,523 and ₡1,834,418,286 for December and June 2020, respectively) corresponding to the changes resulting from the currency translation effect of BICSA's financial statement.

As of June 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 ₡73,343,126,351 (₡72,376,421,244 and ₡68,431,513,481 for December and June 2020, respectively) and the income of the period represents the minority interest in the consolidated income statement in the amount of ₡460,876,468 (₡830,445,741 and ₡764,404,270 for December and June 2020, respectively).

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

	June 2021		December 2020		June 2020	
	<u>Quantity</u>	<u>Amount in US Dollars</u>	<u>Quantity</u>	<u>Amount in US Dollars</u>	<u>Quantity</u>	<u>Amount in US Dollars</u>
Balance at the beginning of the period	<u>13.278.700</u>	<u>132.787.000</u>	<u>13.278.700</u>	<u>132.787.000</u>	<u>13.278.700</u>	<u>132.787.000</u>
Balance at the end of the period	<u>13.278.700</u>	<u>132.787.000</u>	<u>13.278.700</u>	<u>132.787.000</u>	<u>13.278.700</u>	<u>132.787.000</u>

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

(9) Property, furniture, and equipment

As of June 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
<u>Cost:</u>							
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	27.032.342.383	233.327.415.887
Currency translation effect	3.616.998	57.572.199	7.841.394	13.994.811	443.289	10.366.574	93.835.265
Additions	0	1.040.416.206	2.823.841.803	564.070.478	13.047.788	1.028.045.800	5.469.422.075
Withdrawals	0	0	(645.435.715)	(67.103.706)	0	0	(712.539.421)
Transfers	0	0	(119.491.196)	(48.878.445)	0	0	(168.369.641)
Revaluation	0	0	(498.780)	(18.675.636)	0	0	(19.174.416)
Balance as of June 30, 2021	€ 35.578.591.545	81.606.091.413	38.289.981.307	48.808.546.245	5.636.624.482	28.070.754.759	237.990.589.751
<u>Accumulated depreciation and impairment:</u>							
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
Currency translation effect	0	10.599.856	7.552.344	13.789.866	455.607	3.588.210	35.985.883
Depreciation expenses	0	999.525.689	1.445.906.297	2.688.313.124	145.022.750	1.631.844.995	6.910.612.855
Adjustment for previous periods	0	0	0	(272.014)	(987.420)	0	(1.259.434)
Withdrawals	0	0	(626.800.678)	(84.821.244)	0	0	(711.621.922)
Transfers	0	0	(97.029.991)	(39.113.693)	0	461.613.156	325.469.472
Balance as of June 30, 2021	€ 0	26.457.393.900	23.933.020.052	34.373.750.275	4.252.400.747	5.403.405.778	94.419.970.752
June 30, 2021	€ 35.578.591.545	55.148.697.513	14.356.961.255	14.434.795.970	1.384.223.735	22.667.348.981	143.570.618.999

Transfers are the property the entity is not using or that it is not using anymore and which value is transferred to another account.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

<u>Cost:</u>	<u>Property</u>	<u>Buildings</u>	<u>Furniture and equipment</u>	<u>Computer hardware</u>	<u>Vehicles</u>	<u>Assets for the right-of-use</u>	<u>Total</u>
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	<u>35.574.974.547</u>	<u>80.508.103.008</u>	<u>36.223.723.801</u>	<u>48.365.138.743</u>	<u>5.623.133.405</u>	<u>27.032.342.384</u>	<u>233.327.415.888</u>
<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 accumulated depreciation	0	0	(12.135)	(13.129)	(307.169)	0	(332.433)
Balance as of December 31, 2020	¢ <u>0</u>	<u>25.447.268.355</u>	<u>23.203.392.080</u>	<u>31.795.854.236</u>	<u>4.107.909.810</u>	<u>3.306.359.417</u>	<u>87.860.783.898</u>
Net balance:							
December 31, 2020	¢ <u>35.574.974.547</u>	<u>55.060.834.653</u>	<u>13.020.331.721</u>	<u>16.569.284.507</u>	<u>1.515.223.595</u>	<u>23.725.982.967</u>	<u>145.466.631.990</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

	Property	Buildings	Furniture and equipment	Computer hardware	Vehicles	Asset for the right-of-use	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	10.490.848	166.984.886	22.647.821	40.739.299	1.613.979	40.120.123	282.596.956
Additions	368.129.041	135.134.008	610.684.822	2.102.072.952	0	40.950.582.458	44.166.603.281
Withdrawals	0	0	(293.968.523)	(321.372.978)	0	(1.875.195.241)	(2.490.536.742)
Transfers	0	0	(833.983.581)	(182.650.296)	(37.010.500)	(6.917.422.812)	(7.971.067.189)
Balance as of June 30, 2020	<u>35.266.134.699</u>	<u>77.597.041.701</u>	<u>36.167.204.644</u>	<u>46.468.154.424</u>	<u>5.460.193.841</u>	<u>33.904.956.222</u>	<u>234.863.685.531</u>
Accumulated depreciation and impairment:							
Balance as of December 31, 2019	0	23.866.584.664	23.119.456.851	29.205.986.903	3.833.880.855	444.489.481	80.470.398.754
Currency translation effect	0	35.411.177	21.014.181	36.633.907	1.130.551	10.447.752	104.637.568
Depreciation expenses	0	955.666.358	1.131.991.147	2.488.189.761	154.303.396	2.112.912.947	6.843.063.609
Withdrawals	0	(454.937.234)	(295.741.821)	(318.762.122)	0	(211.569.721)	(1.281.010.898)
Transfers	0	0	(796.607.574)	(181.502.399)	0	(290.939.438)	(1.269.049.411)
Reversion of accumulated depreciation	0	0	0	(13.129)	(37.010.501)	0	(37.023.630)
Balance as of June 30, 2020	€ <u>0</u>	<u>24.402.724.965</u>	<u>23.180.112.784</u>	<u>31.230.532.921</u>	<u>3.952.304.301</u>	<u>2.065.341.021</u>	<u>84.831.015.992</u>
June 30, 2020	€ <u>35.266.134.699</u>	<u>53.194.316.736</u>	<u>12.987.091.860</u>	<u>15.237.621.503</u>	<u>1.507.889.540</u>	<u>31.839.615.201</u>	<u>150.032.669.539</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

(10) Other assets

(a) Other deferred charges

Other deferred charges are detailed as follows:

	June 2021	December 2020	June 2020
Improvement of properties in operating lease	¢ 1.395.564.793	934.883.929	1.133.203.500
Pre-issuance cost of financial instruments	417.800.185	548.927.366	678.509.045
Other deferred charges	9.248.258.277	9.536.953.846	9.699.998.683
	¢ 11.061.623.255	11.020.765.141	11.511.711.228

(b) Intangible Assets

Intangible assets include software and goodwill acquired from the purchase of BICSA's shares.

The changes in the balance of the net intangible assets are detailed as follows:

Cost:

Balance as of December 31, 2020	¢ 47.895.898.524
Currency translation effect	58.306.379
Adjusted balance	47.954.204.904
Additions to computer systems	4.063.315.668
Index revaluation	131.491.705
Withdrawals	(4.471.107)
Balance as of June 30, 2021	52.144.541.170

Accumulated depreciation and impairment:

Balance as of December 31, 2020	31.345.255.637
Currency translation effect	47.116.040
Adjusted balance	31.392.371.677
Amortization expense on computer systems	4.016.001.570
Withdrawals	(4.471.107)
Balance as of June 30, 2021	35.403.902.140
June 30, 2021	¢ 16.740.639.030

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

December	2020
<i>Cost:</i>	
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>
<i>Accumulated depreciation and impairment:</i>	
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>
June	2020
<i>Cost:</i>	
Balance as of December 31, 2019	€ 49.285.029.618
Currency translation effect	153.389.338
Adjusted balance	49.438.418.956
Additions to computer systems	2.341.614.851
Transfers	(321.220.843)
Balance as of June 30, 2020	<u>51.458.812.964</u>
<i>Accumulated depreciation and impairment:</i>	
Balance as of December 31, 2019	36.709.871.974
Currency translation effect	104.377.161
Adjusted balance	36.814.249.135
Amortization expense on computer systems	2.532.258.809
Transfers	(8.900.309)
Withdrawals	(630.405.885)
Balance as of June 30, 2020	<u>38.707.201.750</u>
June 30, 2020	€ <u>12.751.611.214</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

(c) Other assets

Other assets are detailed as follows:

	June 2021	December 2020	June 2020
Prepaid taxes	¢ 10.122.217.552	15.288.990.103	3.876.982.565
Other prepaid taxes	472.009.447	385.928.083	335.019.565
Prepaid leases	78.383	72.293	78.383
Prepaid insurance policy	386.547.963	193.709.427	726.344.819
Other prepaid expenses	692.568.572	829.899.298	939.918.925
Prepaid expenses	11.673.421.917	16.698.599.204	5.878.344.257
Stationery, supplies and other materials	140.353.061	129.109.947	132.379.570
Library and works of art	38.143.077	37.875.010	35.913.233
Construction in process	4.272.347.073	6.491.211.602	7.904.816.130
Automated applications under development	3.652.437.498	3.145.984.760	3.951.976.802
Membership in social and professional institutions	36,633,800	36.633.800	36.633.800
Other miscellaneous goods	17.939.388.618	15.184.447.576	21.583.498.252
Miscellaneous goods	26.079.303.127	25.025.262.695	33.645.217.787
Missing cash	64.729.459	78.186.600	75.138.569
Transactions to be settled	31.906.845.118	33.252.087.163	32.609.115.154
Other operations pending allocation	120.324.898	200.028.768	7.500.000
Operations pending allocation	32.091.899.475	33.530.302.531	32.691.753.723
Guarantee deposits	1.088.388.121	1.088.570.357	982.012.269
	¢ 70.933.012.640	76.342.734.787	73.197.328.036

(11) Demand obligations with the public

Demand obligations with the public are as follows:

	June 2021	December 2020	June 2020
Checking accounts	¢ 2.050.945.297.092	1.746.610.242.356	1.535.075.146.932
Cashier's checks	147.072.571	110.507.020	172.486.816
Demand savings deposits	880.614.990.935	870.299.919.141	730.676.441.658
Overdue term borrowings	3.452.843.954	3.282.393.546	4.179.376.199
Overnight deposits	3.445.436.800	4.768.642.500	4.837.132.100
Other demand borrowings	1.776.624.560	1.156.645.504	998.892.869
Other demand obligations with the public	5.834.197.044	4.896.945.069	6.803.916.605
	¢ 2.946.216.462.956	2.631.125.295.136	2.282.743.393.179

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

(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:

	June 2021	December 2020	June 2020
<u>Obligations with the public</u>	<u>Demand</u>	<u>Demand</u>	<u>Demand</u>
Deposits from the public	¢ 2.940.382.265.912	2.626.228.350.066	2.275.939.476.574
Other obligations with the public	5.834.197.044	4.896.945.070	6.803.916.605
(See note 11)	<u>2.946.216.462.956</u>	<u>2.631.125.295.136</u>	<u>2.282.743.393.179</u>
<u>Obligations with entities</u>			
Deposits from state-owned entities	6.924.419.250	5.719.231.057	5.624.408.720
Deposits from other Banks	12.562.695.014	7.422.983.997	7.687.898.223
Other obligations with entities	47.262.321.011	43.881.820.588	44.592.016.628
	<u>66.749.435.275</u>	<u>57.024.035.642</u>	<u>57.904.323.571</u>
¢	<u>3.012.965.898.231</u>	<u>2.688.149.330.778</u>	<u>2.340.647.716.750</u>
	June 2021	December 2020	June 2020
<u>Obligations with the public</u>	<u>Demand</u>	<u>Demand</u>	<u>Demand</u>
Deposits from the public	¢ 1.775.274.362.782	1.765.476.303.772	1.866.973.132.497
Other obligations with the public	10.613.134	12.226.036	7.357.987
	<u>1.775.284.975.916</u>	<u>1.765.488.529.808</u>	<u>1.866.980.490.484</u>
<u>Obligations with entities</u>			
Deposits from state-owned entities	70.317.813.073	56.827.897.834	54.599.085.491
Deposits from other Banks	6.237.849.924	6.302.842.901	4.646.064.780
Other obligations with entities	664.206.312.218	871.431.482.341	795.685.824.629
	<u>740.761.975.215</u>	<u>934.562.223.076</u>	<u>854.930.974.900</u>
¢	<u>2.516.046.951.131</u>	<u>2.700.050.752.884</u>	<u>2.271.911.465.384</u>

As of June 30, 2021, demand deposits with the public include court-ordered deposits for ¢232.277.254.785 (¢224.285.191.705 and ¢216.229.603.001 for December and June 2020, respectively), which are restricted because of their nature.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

As of June 30, 2021, the Bank has a total of 1.694.370 (1.979.536 and 1.953.599 for December and June 2020, respectively) employees with demand deposits and with term deposits 36.614 (35.689 and 37.617 for December and June 2020, respectively). The subsidiary BICSA has a total of 1.069 customers (1.057 and 1.044 for December and June 2020, respectively) with demand deposits and 1.141 (1.105 and 1.070 for December and June 2020, respectively) customers with demand deposits.

(13) Other obligations with the public

Other obligations with the public are as follows:

	June 2021	December 2020	June 2020
Obligations for confirmed letters of credit	¢ 4.155.475.967	2.760.818.741	2.417.651.674
Obligations for security tripartite agreements forward buyer	<u>1.442.588.772</u>	<u>20.090.554.686</u>	<u>12.614.247.347</u>
	<u>¢ 5.598.064.739</u>	<u>22.851.373.427</u>	<u>15.031.899.021</u>

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 June 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>1.442.588.772</u>	11/01/2021 to 10/02/2021	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 June 30, 2020, the Bank's repurchase agreements are as follows:

	Fair value of the assets	Liability balance	Repurchase date	Repurchase price
Investments	¢ <u>28.603.767.185</u>	<u>12.614.247.347</u>	01/07/2020 to 28/08/2020	100%

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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:

	June 2021	December 2020	June 2020
Term obligations with the Central Bank of Costa Rica	120.470.000.000	2.500.208.320	0
Charges payable for obligations with the Central Bank of Costa Rica	124.596.978	0	0
	<u>120.594.596.978</u>	<u>2.500.208.320</u>	<u>0</u>
Checking accounts of local financial entities	25.959.689.880	29.483.679.347	29.271.637.257
Checking accounts of foreign financial entities	8.076.042.911	4.169.254.694	3.446.423.946
Overdrafts on demand checking accounts of foreign financial entities	12.025.530.080	5.617.981.088	6.597.008.391
Obligations for check deposits	1.482.475.295	1.185.956.937	1.566.167.662
Overnight deposits	19.205.697.107	16.567.163.575	17.023.086.315
Term deposits from local financial entities	108.702.667.797	92.713.916.110	78.363.303.097
Term deposits from financial entities abroad	30.702.951.535	52.264.004.508	35.581.824.112
Loan from foreign financial entities (See note 14-a)	303.638.942.153	483.223.693.928	456.702.258.320
Obligations for financial leases (See note 14-a)	25.801.141.282	25.414.990.755	31.946.786.425
Obligations for resources taken from the liquidity market	29.457.874.718	6.666.813.998	14.044.681.248
Obligations with resources from the Development Credit Fund (DCF)	155.152.024.290	168.090.921.427	156.487.990.678
Charges payable for obligations with financial and non-financial entities	4.292.995.959	4.599.061.202	5.946.409.154
	<u>724.498.033.007</u>	<u>889.997.437.569</u>	<u>836.977.576.605</u>
Loans from local financial entities (See note 14-a)	87.306.373.439	93.572.803.199	81.804.131.019
Obligations for deferred liquidity operations (See note 14-a)	0	12.615.079.151	0
	<u>811.804.406.446</u>	<u>996.185.319.919</u>	<u>918.781.707.624</u>
	<u>¢ 932.399.003.424</u>	<u>998.685.528.239</u>	<u>918.781.707.624</u>

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

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

	June 2021	December 2020	June 2020
Colones	0,3571 % to 1.50%	0,26 % to 3,750%	0,2600% to 3,750%
US dollars	0,009% to 0.42%	0,009% to 3,2753%	0,0090% to 3,2753%

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

(a) Maturities of loans payable

As of June 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	0	103.450.184.797	110.187.297.924	15.548.000.000	229.185.482.721
From one to two years	0	7.152.080.000	91.290.377.050	32.925.176.483	131.367.633.533
From three to five years	120.470.000.000	6.161.983.360	25.228.590.707	0	151.860.574.067
More than five years	0	0	28.459.499.989	0	28.459.499.989
Total	120.470.000.000	116.764.248.157	255.165.765.670	48.473.176.483	540.873.190.310

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

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

As of June 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	50.125.368.888	168.429.416.219	40.844.300.000	259.399.085.107
From one to five years	0	42.567.929.460	153.354.259.076	51.484.411.772	247.406.600.308
From three to five years	0	3.155.513.919	16.122.755.696	0	19.278.269.615
More than five years	0	0	26.467.115.557	0	26.467.115.557
Total	¢ 0	95.848.812.267	364.373.546.548	92.328.711.772	552.551.070.587

b) Lease obligations

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

	Fee	Interest	Maintenance	Amortization
Less than one year	¢ 3.865.889.838	1.459.770.019	0	2.406.119.819
From one to five years	29.292.639.379	5.897.617.917	0	23.395.021.463
	¢ 33.158.529.217	7.357.387.935	0	25.801.141.282

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

	Fee	Interest	Maintenance	Amortization
Less than one year	¢ 8.546.149.361	1.931.540.794	0	6.614.608.567
From one to five years	34.440.056.799	9.107.878.941	0	25.332.177.858
	¢ 42.986.206.160	11.039.419.735	0	31.946.786.425

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

	<u>Colones</u>	<u>US\$ converted to colones</u>
1 year	297.394.287	2.657.144.458
2 years	378.599.927	3.192.704.291
3 years	380.934.339	2.903.993.402
4 years	424.700.453	2.997.944.192
5 years	367.024.244	2.813.260.086
More than 5 years	1.307.188.224	11.026.401.390
	<u>3.155.841.474</u>	<u>25.591.447.818</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 June 30, 2021, future payments of the lease liability are presented as follows:

	Year	Payments	Present value	Amortization	Interest	Balance of the agreement
1	31/12/2021	4.481.469.683	2.783.169.093	1.184.231.343	1.710.578.728	25.970.422.152
2	31/12/2022	4.797.067.691	3.535.364.582	2.062.528.883	1.439.214.915	22.603.318.959
3	31/12/2023	4.476.140.004	3.292.406.860	2.256.739.783	1.161.983.076	19.283.614.785
4	31/12/2024	4.807.617.597	3.676.352.350	2.592.246.646	1.133.611.275	15.607.974.846
5	31/12/2025	4.145.759.656	3.318.899.386	2.498.728.257	826.862.674	12.289.075.760
6	31/12/2026	3.850.842.602	3.215.767.117	2.580.691.631	635.075.486	8.925.329.620
7	31/12/2027	3.529.939.052	3.120.058.178	2.710.177.304	409.880.874	5.805.271.442
8	31/12/2028	4.171.746.152	3.912.805.027	3.653.863.901	258.941.126	1.892.466.416
9	31/12/2029	1.925.421.301	1.892.466.700	1.859.511.529	32.954.886	0
10	31/12/2030	0	0	0	0	0
		<u>36.186.003.738</u>	<u>28.747.289.293</u>	<u>21.398.719.277</u>	<u>7.609.103.040</u>	<u>0</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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 June 30, 2021, the consolidated balance of income tax payable amounts to ¢13.791.262.545 (¢13.411.228.956 and ¢7.492.575.390 for December and June 2020, respectively) (see note 17) and the income tax advance payments amounted to ¢10.122.217.552 (¢15.288.990.103 and ¢3.876.982.565 for December and June 2020, respectively) (see note 10.b), recorded as other assets.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

Income tax expenses are detailed below:

	June 2021	December 2020	June 2020
Current income tax	¢ 13.597.906.887	18.927.088.406	10.200.147.353
Decrease in income tax	(111.986)	(913.333.140)	(2.917.894.942)
Increase in income tax	148.992.298	0	210.322.979
Adjustment to income tax from the previous period	44.475.346	(2.527.860.894)	0
Advances of settled income taxes	0	(2.074.665.416)	0
	<u>13.791.262.545</u>	<u>13.411.228.956</u>	<u>7,492,575,390</u>
<u>Expenses for income taxes:</u>			
Expense for current income tax of the period	13.597.906.887	16.399.227.512	10.410.470.332
Expense for income tax from previous period	0	2.527.174.078	0
Expense for deferred income tax	510.946.793	0	0
	<u>14.108.853.680</u>	<u>18,926,401,590</u>	<u>10,410,470,332</u>
Decrease in income tax	0	(913.333.140)	(2.917.894.942)
	<u>14.108.853.680</u>	<u>18,013,068,450</u>	<u>7.492.575.390</u>
Deferred income tax	0	652.540.952	12.906.242
Income for deferred income tax	(1.490.475.374)	(189.236.236)	(109.750.163)
Decrease in the deferred income tax	(155.284.663)	0	0
Income tax	¢ <u>12.463.093.643</u>	<u>18.476.373.166</u>	<u>7.395.731.469</u>
Realization of deferred income tax	¢ <u>979.528.581</u>	<u>(463.304.716)</u>	<u>96.843.921</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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

Deferred tax assets and liabilities are attributed to the following:

As of June 30, 2021:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Valuation of investments	¢ 289.991.207	(18.264.395.776)	(17.974.404.569)
Revaluation of assets	0	(5.048.444.321)	(5.048.444.321)
Provisions	1.617.063	0	1.617.063
Financial leases	7.694.401.141	(7.115.849.240)	578.551.901
Losses and unused tax credits	960.493.869	0	960.493.869
Allowance for doubtful accounts	291.305.999	0	291.305.999
	<u>¢ 9.237.809.279</u>	<u>(30.428.689.337)</u>	<u>(21.190.880.058)</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 June 30, 2020:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Valuation of investments	¢ 776.249.746	(2.954.513.978)	(2.178.264.232)
Revaluation of assets	0	(5.200.866.677)	(5.200.866.677)
Provisions	2.503.956	0	2.503.956
Losses and unused tax credits	1.347.765.624	0	1.347.765.624
Allowance for doubtful accounts	65.893.907	0	65.893.907
	<u>¢ 2.192.413.233</u>	<u>(8.155.380.655)</u>	<u>(5.962.967.422)</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

The movement of temporary differences is a follows:

As of June 30, 2021:				
	December 31, 2020	Effects on income statement	Effects on equity	June 30, 2021
On liabilities account				
Valuation of investments	¢ (3.137.280.827)	(74.765.896)	(15.052.349.053)	(18.264.395.776)
Revaluation of assets	(5.124.654.741)	76.210.420	0	(5.048.444.321)
Financial leases	0	(6.971.106.805)	(144.742.435)	(7.115.849.240)
On assets account				
Valuation of investments	902.379.610	16.640.445	(629.028.848)	289.991.207
Financial leases	0	7.694.401.141	0	7.694.401.141
Losses and unused tax credits	764,086,532	154.239.750	42.167.587	960.493.869
Provisions	6.519.491	(4.902.428)	0	1.617.063
Allowance for doubtful accounts	57.751.610	88.811.954	144.742.435	291.305.999
	¢ <u>(6.531.198.325)</u>	<u>979.528.581</u>	<u>(15.639.210.314)</u>	<u>(21.190.880.058)</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>
As of June 30, 2020:				
	December 31. 2019	Effects on income statement	Effects on equity	June 30. 2020
On liabilities account				
Valuation of investments	¢ (4.678.909.244)	0	1.724.395.266	(2.954.513.978)
Revaluation of assets	(5.277.080.116)	76.213.439	0	(5.200.866.677)
On assets account				
Valuation of investments	1.035.665.794	0	(259.416.048)	776.249.746
Financial leases	0	0	0	0
Losses and unused tax credits	1.405.629.435	22.705.054	(80.568.865)	1.347.765.624
Provisions	7.246.573	(4.742.617)	0	2.503.956
Allowance for doubtful accounts	63.225.862	2.668.045	0	65.893.907
	¢ <u>(7.444.221.696)</u>	<u>96.843.921</u>	<u>1.384.410.353</u>	<u>(5.962.967.422)</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

As of June 30, 2021, the consolidated group presents a balance for income tax receivable of ¢3.491.759.405 (¢91.649.266 and ¢80.614.740 for December and June 2020, respectively), in addition to supported value added tax for ¢800.868.120 (¢1.223.915.502 and ¢588.641.914, for December and June 2020, respectively) and deductible value added tax for ¢38.437.896 (¢43.630.817 and ¢24.880.989 for December and June 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:

	June 2021	December 2020	June 2020
Banco de Costa Rica	¢ 33.377.662.908	33.377.662.907	35.112.644.705
BCR Valores, S. A.- Puesto de Bolsa	900.141.980	900.141.980	1.301.643.081
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>¢ 35.039.224.342</u>	<u>¢ 35.039.224.341</u>	<u>¢ 37.175.707.241</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

(16) Provisions

The movement in provisions is detailed as follows:

As of June 30, 2021:

	<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	10.074.644	0	0	10.074.644
Adjusted balance	9.579.675.369	15.745.248.767	35.039.224.342	60.364.148.478
Provision made	246.262.605	713.632.776	0	959.895.381
Provision used	(157.705.322)	(672.819.411)	0	(830.524.733)
Adjustment for exchange rate differences	0	(19.360.118)	0	(19.360.118)
Provisions reversed	0	(125.183.397)	0	(125.183.397)
Balance as of June 30, 2020 ¢	9.668.232.652	15.641.518.617	35.039.224.342	60.348.975.611

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 ¢	9.569.600.726	15.745.248.767	35.039.224.341	60.354.073.834

As of June 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 conversion effect	18.805.912	0	0	18.805.912
Adjusted balance	9.649.575.389	16.399.929.029	37.269.529.821	63.319.034.239
Provision made	180.154.049	1.713.422.849	40.527.785	1.934.104.683
Provision used	(292.312.448)	(2.351.831.919)	0	(2.644.144.367)
Adjustment for exchange rate differences	0	12.271.252	0	12.271.252
Provisions reversed	(30.301.187)	(2.419.121.488)	(134.350.365)	(2.583.773.040)
Balance as of June 30, 2020 ¢	9.507.115.803	13.354.669.723	37.175.707.241	60.037.492.767

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

As of June 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 ₡22.384.451.955 and US\$69.342.742 for which the Bank has provisions recorded in the amounts of ₡1.829.805.818.32 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 ₡5.329.746.593 and \$825.001, for which the Bank has provisions recorded in the amount of ₡2.126.188.640, in the cases in which there is no firm condemnatory.
- There are administrative proceedings in different stages, estimated for ₡10.727.240.349 and US\$34, for which ₡10.710.263.832.
- 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 June 30, 2021, there are no provisions for litigation at BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A.

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

As of June 30, 2021, 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 ₡124.847.472.

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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 June 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 ¢24.782.571.086 and US\$65.693.922 for which the Bank has provisions recorded in the amounts of ¢1.778.199.603 and US\$1.361.000, respectively.
- The criminal lawsuits against the Bank have been estimated in ¢1.789.475.429 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 ¢5.179.322.543 and US\$825.001, for which the Bank has provisions recorded in the amount of ¢1.725.567.070, in the cases in which there is no firm condemnatory.
- There are administrative proceedings in different stages, estimated for ¢8.312.052.894 and US\$36.257, for which ¢8.307.059.377 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 ¢514.105.087 was transferred for pending proceedings.

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

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

As of June 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 ¢118.294.814.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

(17) Other miscellaneous accounts payable

Other miscellaneous accounts payable are detailed as follows:

	June 2021	December 2020	June 2020
Fees payable	67.126.106	41.113.008	16.094.659
Due for goods and services	¢ 450.480.289	834.557.500	697.801.526
Current income tax	13.791.262.545	13.411.228.956	7.492.575.390
Tax on DU propts	341.041.886	353.549.557	327.583.005
Value added tax	227.308.539	549.277.629	565.614.183
Other payable taxes	20.840.051	0	0
Employer contributions	7.587.234.431	6.022.929.931	4.083.801.121
Court-ordered withholdings	881.095.518	874.650.168	883.172.648
Tax withholdings payable	4.660.403.833	3.828.562.482	2.945.662.658
Withheld employer contributions payable	1.392.370.048	1.292.495.700	1.000.665.061
Other third-party withholdings payable	11.145.650.942	10.919.407.574	18.096.332.703
Compensations and salaries payable	3.945.605.470	7.779.788.215	4.087.199.548
Interests (distributions) payable on results of the period (see note 33)	10.841.740.295	10.819.260.713	5.287.699.200
Obligations payable on loans with related parties	17.757.915	15.779.227	15.656.188
Accrued vacations	7.471.212.630	6.336.565.846	6.170.584.579
Accrued statutory Christmas bonus	3.613.455.009	621.670.397	3.467.611.044
Commissions payable from insurance placement	57.231.062	51.938.166	322.454.367
Commissions payable with related parties	1.970.011	2.117.502.409	803.535.188
Contribution to the Superintendencia's budget	40.817.595	0	20.108.808
Miscellaneous creditors	22.014.127.314	26.486.712.679	25.048.870.259
	<u>88.568.731.489</u>	<u>92.356.990.157</u>	<u>81.333.022.135</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

(18) Equity

a) Capital Stock

The Bank's capital stock is as follows:

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

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 June 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 ¢34.166.240.518 (¢2.718.583.704 and ¢164.201.813 for December and June 2020, respectively).

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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 June 30, 2020, changes in equity include foreign exchange differences corresponding to investments in other companies in the amount of ¢21.565.619.587 (¢20.902.126.589 and ¢16.643.550.352 for December and June 2020, respectively).

e) Equity of the Development Financing Fund (FOFIDE)

As of June 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 June 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 June 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\$35.877.961 (51% for US\$70.348.944) (US\$33.061.387 equivalent to 51% for US\$64.826.249 for December 2020 and US\$33.878.690 equivalent to 51% in US\$66.428.804 for June 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.

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

Regulatory capital

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

Companies of the Fiancial Conglomerate	Capital base	Minimum individual capital requirement	Individual surplus or déficit	Non-transferable items	Transferable surplus and individual deficit
Parent Company					
Banco de Costa Rica	¢ 481.044.974.978	399.386.720.170	81.658.254.807	0	81.658.254.807
	<u>481.044.974.978</u>	<u>399.386.720.170</u>	<u>81.658.254.807</u>	<u>0</u>	<u>81.658.254.807</u>
Regulated entities					
Banco Internacional de Costa Rica, S. A and subsidiary	149.677.899.977	103.694.181.094	45.983.718.883	22.532.022.253	23.451.696.630
BCR Valores, S. A.- Puesto de Bolsa	20.217.128.440	4.728.824.257	15.488.304.183	0	15.488.304.183
BCR Sociedad Administradora de Fondos de inversión, S.A.	6.048.954.640	2.935.037.620	3.113.917.020	0	3.113.917.020
BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A.	3.295.636.046	216.772.094	3.078.863.952	0	3.078.863.952
	¢ <u>179.239.619.103</u>	<u>111.574.815.065</u>	<u>67.664.804.038</u>	<u>22.532.022.253</u>	<u>45.132.781.785</u>
Non regulated entities					
BCR Corredora de Seguros, S.A.	4.292.389.880	1.637.415.980	2.654.973.900	0	2.654.973.900
Depósito Agrícola de Cartago S.A. and subsidiary	680.346.900	244.668.400	435.678.500	0	435.678.500
	¢ <u>4.972.736.780</u>	<u>1.882.084.380</u>	<u>3.090.652.400</u>	<u>0</u>	<u>3.090.652.400</u>
Global surplus or déficit of the Financial Conglomerate					¢ <u><u>129.881.688.992</u></u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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 deficit	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 deficit of the Financial Conglomerate					¢ 119.655.792.457

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

As of June 30, 2020, 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	¢ 436.358.159.915	351.586.385.748	84.771.774.167	0	84.771.774.167
	<u>436.358.159.915</u>	<u>351.586.385.748</u>	<u>84.771.774.167</u>	<u>0</u>	<u>84.771.774.167</u>
Regulated entities					
Banco Internacional de Costa Rica, S.A. and subsidiary	139.656.153.915	103.439.121.246	36.217.032.669	17.746.346.008	18.470.686.661
BCR Valores, S. A.- Puesto de Bolsa	22.578.181.380	3.807.929.648	18.770.251.732	0	18.770.251.732
BCR Sociedad Administradora de Fondos de inversion, S.A.	9.640.454.570	3.490.598.220	6.149.856.350	0	6.149.856.350
BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A.	6.300.271.695	3.583.658.492	2.716.613.203	0	2.716.613.203
	¢ <u>178.175.061.560</u>	<u>114.321.307.606</u>	<u>63.853.753.954</u>	<u>17.746.346.008</u>	<u>46.107.407.946</u>
Non regulated entities					
BCR Corredora de Seguros, S.A.	4,339.584.690	2.203.683.450	2.135.901.240	0	2.135.901.240
Investment management company	680.346.900	236.365.800	443.981.100	0	443.981.100
	¢ <u>5.019.931.590</u>	<u>2.440.049.250</u>	<u>2.579.882.340</u>	<u>0</u>	<u>2.579.882.340</u>
Global surplus or deficit of the Financial Conglomerate					¢ <u><u>133.459.064.453</u></u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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:

	June 2021	December 2020	June 2020
Performance bonds	¢ 119.783.939.105	135.430.721.851	109.264.335.764
Bid bonds	906.653.588	898.266.860	3.713.854.283
Other guarantees	112.515.886.958	98.532.545.113	89.148.390.115
Issued non-negotiated letters of credit	9.858.645.497	4.904.268.841	14.442.015.185
Confirmed non-negotiated letters of credit	12.455.818.748	9.994.211.695	7.269.122.038
Credit lines to be used automatically	109.286.824.620	109.920.179.845	121.478.019.427
Other contingencies	68.228.427.909	74.386.976.782	66.189.755.625
Credits pending disbursement	179.827.226	1.529.675.946	1.389.422.607
	¢ 433.216.023.651	435.596.846.933	412.894.915.044

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

	June 2021	December 2020	June 2020
With prior deposit	¢ 6.670.447.836	7.226.846.987	11.697.927.593
Without prior deposit	358.317.147.906	353.983.023.164	335.007.231.826
Pending lawsuits and Claims	68.228.427.909	74.386.976.782	66.189.755.625
	¢ 433.216.023.651	435.596.846.933	412.894.915.044

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

As of June 30, 2021 floating guarantees in custody are for ¢211.358.614.737 (¢240.876.163.489 and ¢253.151.118.237 for December and June 2020, respectively).

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

Other contingencies

As of June 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 ₡20.554.646.137 and US\$67.947.242. 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 ₡3.203.557.953 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 ₡16.976.516 and US\$34.

As of June 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 June 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 June 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 June 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

To date and in accordance with the criteria of the lawyers, an estimate of the eventual outcome is not feasible.

As of December 31, 2020, there is a process againsts 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.

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 June 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 ₡23.004.371.483 and US\$64.332.922. 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 ₡3.453.755.473 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 June 30, 2020, there are legal claims filed against BICSA and its subsidiaries that, according to the opinion of Management and external attorneys, are not expected to have a material adverse effect on the entity's consolidated position, consolidated performance, or operations.

As of June 30, 2020, due to the merger process of INS Pensiones Operadora de Pensiones Complementarias, S. A. with BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A. a series of contingencies arose that have been reasonably covered by the seller's pledged securities.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

As of June 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 June 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.

(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

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

	June	December	June
	2021	2020	2020
Cash and due from banks	65.953.189.565	92.575.854.311	87.805.192.797
Investments in financial instruments	94.087.990.299	82.123.315.821	76.784.626.147
Loan portfolio	50.178.120.760	50.726.165.899	49.601.910.665
Allowance for doubtful accounts	(8.743.252.957)	(9.162.850.564)	(9.641.974.028)
Realizable assets	54.560.161.927	56.521.168.659	27.356.772.856
Investments in other companies	42.310.216.965	35.077.180.689	31.194.867.935
Other accounts receivable	76.209.628.205	77.399.842.492	76.179.835.270
Property, furniture, and equipment	379.875.365.961	400.990.434.662	288.046.802.493
Other assets	189.451.596.941	186.416.949.697	268.773.311.864
Buildings	76.680.000	0	0
¢	<u>943.959.697.666</u>	<u>972.668.061.666</u>	<u>896.101.345.999</u>

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

	June	December	June
	2021	2020	2020
Banco de Costa Rica	889.923.009.879	919.788.849.804	848.973.814.455
Banco Internacional de Costa Rica, S.A.	54.036.687.787	52.879.211.862	47.127.531.544
¢	<u>943.959.697.666</u>	<u>972.668.061.666</u>	<u>896.101.345.999</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

(21) Other debit memoranda accounts

Other debit memoranda accounts are detailed as follows:

	June 2021	December 2020	June 2020
Own assets and securities held in Custody	7.376.184.406	7.598.327.512	7.286.207.138
Guarantees received and held in custody	13.619.358.631.353	750.386.201.942	710.224.026.940
Guarantees received and held by third parties	2.512.909.875	4.217.017.643	2.819.856.820
Granted and unused credit lines	556.970.008.454	529.147.832.613	522.817.182.109
Write-offs	244.588.539.920	240.294.571.030	234,346,133,037
Suspense interest receivable	27.954.740.978	27.094.306.127	21.343.013.721
Backup documentation	58.711.000	58.711.000	58.711.000
Other memoranda accounts	17.862.226.338.030	13.857.478.719.636	13.549.239.129.785
Assets and securities held in custody for third parties	101.645.205.113	93.391.517.891	80.504.399.169
Managed funds assets	2.326.887.274.680	2.138.256.394.888	2.035.883.990.513
Management of individual portfolios by the stock market	130.593.113.788	119.644.642.712	118.445.490.378
Held-for-trading securities received as guarantee (guarantee trust)	28.422.760.614	45.524.405.011	66.319.507.060
Own held-for-trading securities	898.559.720.718	707.952.886.907	600.838.285.481
Cash and accounts receivable for custodial activities	277.401.743.384	153.445.337.691	126.237.789.464
Held-for-trading securities held in custody for third parties as guarantee (guarantee trust)	14.174.366.424	46.853.797.504	23.393.200.277
Held-for-trading securities pending receipt	2.163.581.237	2.392.356.852	5.051.921.807
Confirmed spot agreements pending Settlement	4.742.276.449	4.717.185.876	3.989.024.458
Futures pending settlement	59.188.733.961	41.686.486.593	52.553.362.065
Third parties held-for-trading securities	6.396.606.147.423	5.845.644.530.040	5.547.122.967.004
	¢ 42.561.430.987.807	24.615.785.229.468	23.708.474.198.226

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

Other memoranda accounts by subsidiaries are detailed as follows:

	<u>June 2021</u>	<u>December 2020</u>	<u>June 2020</u>
Banco de Costa Rica	¢ 37.942.920.903.088	20.374.911.227.430	19.476.559.312.713
Banco Internacional de Costa Rica, S.A.	1.586.368.613.799	1.446.068.567.794	1.542.426.456.117
BCR Valores, S.A.- Puesto de Bolsa (See note 22)	695.048.483.918	645.908.328.812	641.590.400.971
BCR Sociedad Administradora de Fondos de Inversión, S.A. (See note 23)	832.774.169.133	757.469.661.204	762.499.401.978
BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A. (See note 24)	1.501.557.132.295	1.388.453.642.542	1.280.735.475.908
Depósito Agrícola de Cartago S.A.	2.761.685.574	2.973.801.686	4.663.150.539
	<u>¢ 42.561.430.987.807</u>	<u>24.615.785.229.468</u>	<u>23.708.474.198.226</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>June 2021</u>	<u>December 2020</u>	<u>June 2020</u>
<u>Other own memoranda accounts</u>			
Other memoranda accounts	¢ 8.731.602.495	8.703.881.882	8.501.017.397
Total own other memoranda accounts	<u>¢ 8.731.602.495</u>	<u>8.703.881.882</u>	<u>8.501.017.397</u>
<u>Memoranda accounts for third parties</u>			
Portfolio management	¢ 130.593.113.788	119.644.642.712	118.445.490.378
Cash and accounts receivable by custodial activity	703.748.950	652.629.485	596.896.997
Held-for-trading pending receipt	2.163.581.237	2.392.356.852	5.051.921.807
Purchased marketable securities pending receipt			
Held-for-trading received s guarantee	4.882.175.093	1.970.301.754	2.204.584.901
Confirmed contracts pending settlement	4.742.276.449	4.717.185.876	3.989.024.458
Futures pending settlement-forward buyer (See note 22-a)	53.562.239.504	37.653.496.522	47.650.393.320
Futures pending settlement-forward seller (See note 22-a)	5.626.494.458	4.032.990.071	4.902.968.745
Central de Valores private (local custody)	148.197.391.736	173.384.595.513	160.328.114.819
Central de Valores private (international custody)	31.130.572.066	25.989.283.284	18.387.618.925
Central de Valores public (BCCR)	304.627.788.143	266.679.464.861	268.444.869.223
Vault	87.500.000	87.500.000	3.087.500.000
Total memoranda accounts for third parties	<u>686.316.881.423</u>	<u>637.204.446.931</u>	<u>633.089.383.574</u>
Total memoranda accounts and trusts	<u>¢ 695.048.483.918</u>	<u>645.908.328.813</u>	<u>641.590.400.971</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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 June 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	¢ 7.134.345.081	911.431.741	8.045.776.822	2.780.617.865	2.780.617.865	34.358.826.181
31 to 60 days	2.872.428.649	587.980.215	3.460.408.864	1.236.993.003	1.236.993.003	13.104.778.828
61 to 90 days	0	0	0	109.471.633	109.471.633	218.943.267
Third parties total	¢ 10.006.773.730	1.499.411.956	11.506.185.686	4.127.082.502	4.127.082.502	47.682.548.275
Total	¢ 10.003.773.730	1.499.411.956	11.506.185.686	4.127.082.502	4.127.082.502	47.682.548.275

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

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

As of June 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	¢ 7.459.046.733	27.614.754.425	35.073.801.159	478.690.970	2.682.399.310	3.161.090.280
31 to 60 days	1.231.920.573	11.060.471.919	12.292.392.492	0	1.457.678.797	1.457.678.797
61 to 90 days	0	284.199.669	284.199.669	0	284.199.669	284.199.669
Third parties total	¢ 8.690.967.306	38.959.426.013	47.650.393.320	478.690.970	4.424.277.776	4.902.968.745
Total	¢ 8.690.967.306	38.959.426.013	47.650.393.320	478.690.970	4.424.277.776	4.902.968.745

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 June 30, 2021, the Brokerage House had made contributions for a total of ¢112.298.485 (¢83.806.100 and ¢104.609.909 for December and June 2020, respectively). These contributions are registered in the subaccount "Guarantee fund - National Stock Exchange".

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

d) Customer securities and own securities in custody

As of June 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	¢ 145.567.648.257
Local	Repurchase operations	15.105.175.413
		¢ <u>160.672.823.669</u>
<i>US Dollars</i>		
Local	Custody free	¢ 234.800.280.005
Local	Repurchase operations	57.439.576.204
Foreign custodians	Available at face value	30.712.669.047
Foreign custodians	Shares at purchase value	317.916.175
		¢ <u>323.270.441.431</u>
<i>Canadian Dollars</i>		
International	Custody free	¢ <u>99.986.844</u>
Total custody of own colones, US dollars and other currencies		¢ <u>484.043.251.944</u>
US Dollars and others		¢ <u>484.043.251.944</u>

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
Local	Repurchase operations	Local
		¢ 139.864.325.786
		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
Foreing 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	¢ <u>178.391.008</u>
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>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

As of June 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	¢ 141.133.572.975
Local	Repurchase operations	9.802.262.084
		¢ <u>150.935.835.059</u>
<i>US Dollars</i>		
Local	Custody free	¢ 233.362.049.453
Local	Repurchase operations	47.562.599.531
Foreing custodians	Available at face value	16.048.906.020
Foreing custodians	Shares at purchase value	2.191.364.380
		¢ <u>299.164.919.383</u>
<i>Canadian Dollars</i>		
International	Custody free	<u>147.348.525</u>
Total custody of own colones, US Dollars and others currencies		¢ <u><u>450.248.102.968</u></u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

(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>June</u>	<u>December</u>	<u>June</u>
		<u>2021</u>	<u>2020</u>	<u>2020</u>
	<u>Investment Fund</u>			
	<u>Type of fund</u>			
<i>In Colones</i>				
BCR Short-term colones, undiversified	Financial, open	¢ 61.724.301.010	95.685.666.591	85.505.320.242
BCR Short-term colones, undiversified	Financial, open, medium-term	559.070.786	225.001.176	199.913.854
BCR mixed colones, undiversified	Open, medium-term	61.502.416.981	63.595.881.750	70.331.858.375
BCR Portfolio Fund Colones	Open, medium-term	73.460.170.924	46.517.784.998	69.023.195.156
BCR Real Estate, Colones Undiversified	Closed, non-financial and mixed portfolio	16.962.029.188	17.463.063.043	17.418.733.381
		¢ <u>214.207.988.889</u>	<u>223.487.397.558</u>	<u>242.479.021.008</u>
<i>In US Dollars</i>				
Investment Funds in US Dollars, equivalent in colones		<u>618,566,180,244</u>	<u>529.720.345.475</u>	<u>520.020.380.970</u>
	(See note 21)	¢ <u>832.774.169.133</u>	<u>753.207.743.033</u>	<u>762.499.401.978</u>
<i>Investment Funds in US Dollars</i>				
BCR Liquidity Dollars, undiversified	Open	US\$ 166.670.270	95.024.823	84.070.245
BCR Real Estate Dollars, undiversified	Real estate, closed, long-term	283.613.807	285.065.245	288.657.854
BCR Real Estate Trade and Industry, undiversified	Real estate, closed, long-term	207.720.274	208.433.419	208.912.141
BCR Liquidity Fund Dollars, international, undiversified	Open, money market	172.801.504	130.769.931	164.259.447
BCR Portfolio Fund Dollars	Open, medium-term	54.834.025	29.727.578	35.783.491
BCR Evolution	Open, medium-term	1.693.050	2.013.317	2.049.778
BCR Real Estate Progress Fund, undiversified	Real estate, closed	86.644.998	87.573.125	87.595.412
PEL Development Investment Fund	Real estate, closed	20.629.386	19.517.209	19.895.786
		US\$ <u>994.607.314</u>	<u>858.124.647</u>	<u>891.224.154</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

(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:

	June 2021	December 2020	June 2020
Own assets and securities held in custody	¢ 7.376.184.406	7.598.327.512	7.286.207.138
Assets and securities held in custody by third parties	67.842.342	68.581.346	64.680.234
Mandatory pension fund	1.224.330.672.013	1.111.592.826.639	1.025.238.329.517
Voluntary pension fund	33.710.257.063	28.270.294.723	26.618.278.764
Labor capitalization fund	60.213.489.453	78.173.324.185	65.622.490.210
Supplementary pension funds created by special lawsa (See note 21)	175.858.687.018	162.750.288.137	155.905.490.045
	¢ <u>1.501.557.132.295</u>	<u>1.388.453.642.542</u>	<u>1.280.735.475.908</u>

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

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

	June 2021	December 2020	June 2020
Voluntary Pension Fund (colones)	€ 25.911.470.629	21.468.227.897	20.254.589.342
At fair value through other comprehensive income	<u>25.642.709.087</u>	<u>21.368.5730.556</u>	<u>20.118.616.724</u>
Entities from the public sector of the country	16.837.570.663	14.335.362.921	13.243.329.819
Treasury	12.386.745.590	11.473.455.060	10.081.009.635
Banco Central de Costa Rica	654.290.828	587.796.815	684.163.470
Other issuers from the public sector	3.796.534.245	2.274.111.046	2.478.156.714
Entities from the private sector of the country	8.805.138.424	7.033.210.635	6.875.286.905
Financial	6.639.232.750	5.820.586.875	6.052.694.137
Non-financial	2.165.905.674	1.212.623.760	822.592.768
At fair value with changes through profit or loss	268.761.542	99.654.341	135.972.618
Entities from the private sector of the country	268.761.542	99.654.341	135.972.618
Financial	268.761.542	99.654.341	135.972.618
 Voluntary Pension Fund (US\$)	 US\$ 6.444.497.592	 5.779.376.581	 3.050.486.345
At fair value through other comprehensive income	<u>6.353.552.414</u>	<u>5.723.164.669</u>	<u>2.980.206.305</u>
Entities from the public sector of the country	3.522.320.945	2.855.360.676	2.976.596.613
Treasury	2.832.195.003	2.560.694.373	2.613.468.555
Other issuers from the public sector	690.125.942	294.666.303	363.128.058
Entities from the private sector of the country	2.831.231.469	2.867.803.993	3.609.692
Financial	2.481.695.730	2.524.763.105	2.045.698.103
Non-financial	349.535.739	343.040.888	208.477.540
At fair value through profit or loss	90.945.178	56.211.912	70.280.040
Entities from the private sector of the country	90.945.178	56.211.912	70.280.040
Financial	90.945.178	56.211.912	70.280.040

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

	June 2021	December 2020	June 2020
Mandatory Regime of Supplementary Pensions (colones)	1.312.952.168.828	1.137.617.872.692	1.115.361.776.366
At fair value through other comprehensive income	1.166.704.309.403	1.039.828.938.848	1.035.048.953.592
Entities from the public sector of the country	915.504.075.312	805.837.874.744	796.469.005.627
Treasury	761.267.377.752	642.382.930.065	621.675.565.770
Banco Central de Costa Rica	53.866.511.904	54.964.311.993	58.480.248.425
Other issuers from the public sector	100.370.185.656	108.490.632.686	116.313.191.432
Entities from the private sector of the country	251.200.234.091	233.991.064.104	238.579.947.965
Financial	226.423.738.285	219.556.913.650	222.689.377.177
Non-financial	24.776.495.806	14.434.150.454	15.890.570.788
At fair value through profit or loss	146.247.859.425	97.788.933.844	80.312.822.774
Entities from the private sector of the country	28.065.636.249	30.709.750.162	35.237.480.678
Financial	28.065.636.249	30.709.750.162	35.237.480.678
Entities from the public sector of the country	118.182.223.176	67.079.183.682	45.075.342.096
Financial	118.182.223.176	67.079.183.682	45.075.342.096
 Labor Capitalization Fund (colones)	 91.435.350.710	 157.839.957.095	 85.428.213.617
At fair value through other comprehensive income	90.935.352.662	157.510.875.031	82.925.658.425
Entities from the public sector of the country	65.550.353.727	106.716.212.521	61.277.276.830
Treasury	52.009.055.635	83.441.019.730	45.558.389.498
Banco Central de Costa Rica	5.757.287.545	9.315.919.491	4.519.058.590
Other issuers from the public sector	7.784.010.547	13.959.273.300	11.199.828.742
Entities from the private sector of the country	25.384.998.935	50.794.662.510	21.648.381.595
Financial	23.011.662.149	47.354.824.164	20.285.420.120
No-financial	2.373.336.786	3.439.838.346	1.362.961.475
At fair value through profit or loss	499.998.048	329.082.064	2.502.555.192
Entities from the private sector of the country	499.998.048	329.082.064	2.502.555.192
Financial	499.998.048	329.082.064	2.502.555.192

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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 June 30, 2021, December and June 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

(26) Financial income on investments in financial instruments

Financial income on investments in financial instruments is as follows:

	<u>June 2021</u>	<u>June 2020</u>	<u>Quarter from April 1 to June 30</u>	
			<u>2021</u>	<u>2020</u>
Interest for investments in financial instruments at fair value through profit or loss	¢ 187.710	475.518.441	66.911	178.876.347
Interests for investments in financial instruments at fair value through their comprehensive income	39.358.309.908	26.054.780.187	20.055.605.711	11.741.315.562
Interests for investments at amortised cost	1.087.709.483	966.798.448	581.381.647	912.803.266
Income from investments in due and restricted financial instruments	1.555.238.090	1.650.610.067	796.920.474	897.147.480
	<u>¢ 42.001.445.191</u>	<u>29.147.707.143</u>	<u>21.433.974.743</u>	<u>13.730.142.655</u>

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

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

	<u>June 2021</u>	<u>June 2020</u>	<u>Quarter from April 1 to June 30</u>	
			<u>2021</u>	<u>2020</u>
Personal	¢ 53.320.391.965	59.711.791.079	25.188.639.661	28.866.943.669
Development Banking System	1.101.035.511	1.284.266.810	521.700.832	599.962.153
Business	7.940.301.036	8.369.161.813	3.693.390.424	4.014.831.351
Corporate	66.038.964.068	70.096.777.066	30.915.934.843	32.993.286.033
Public sector	4.344.072.149	4.739.992.465	2.224.427.775	2.298.680.483
Financial sector	4.476.433.760	7.303.126.843	2.105.947.737	3.414.640.010
Amortization of the net commission of the incremental direct costs associated with loans	1.704.675.841	1.759.021.201	778.541.239	832.062.538
Interest for accounts receivable related to loan portfolio and other financial instruments for other concepts not included in the previous subaccounts and analytical accounts	588.551.509	607.371.539	376.112.727	384.219.813
	<u>¢ 139.514.425.839</u>	<u>153.871.508.816</u>	<u>65.804.695.238</u>	<u>73.404.626.050</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

(28) Expenses from obligations with the public

Financial expenses from obligations with the public are as follows:

	<u>June 2021</u>	<u>June 2020</u>	<u>Quarter from April 1 to June 30 2021</u>	<u>2020</u>
Expenses from demand deposits	¢ 20.703.731.100	17.651.666.145	10.642.947.429	8.607.608.025
Expenses from term deposits	36.214.682.365	56.360.189.429	18.271.016.606	26.106.601.884
Expenses from securities in repurchase agreements	47.067.601	588.580.316	2.759.188	258.568.457
	<u>56.965.481.066</u>	<u>74.600.435.890</u>	<u>28.916.723.223</u>	<u>34.972.778.366</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:

	<u>June 2021</u>	<u>June 2020</u>	<u>Quarter from April 1 to June 30 2021</u>	<u>2020</u>
Decrease in specific allowance for loan portfolio (See note 6-f)	¢ 14.873.078.347	19.677.604.230	5.280.402.072	12.523.290.659
Expense for allowance for impairment and bad debts from other accounts receivable	1.886.222.937	1.929.288.253	842.342.552	886.775.074
Decrease in allowance for uncollectibility of contingent loans	0	30.724.437	0	(29.455)
Decrease in generic allowance and counter cycle for loan portfolio (See note 6-f)	59.649.849	220.629.250	170.156	48.932.042
Decrease in generic allowance and counter cycle for contingent loans	220.000	82	0	0
Expenses for allowance for impairment of investments at fair value through other comprehensive income	921.512.511	3.953.077.571	559.614.992	726.159.081
Expenses for allowance for impairment of financial instruments at amortized cost	1.967.798	0	210.189	0
Expenses for allowance for impairment of expired and restricted financial instruments	70.426.881	0	41.007.988	0
	<u>¢ 17.813.078.323</u>	<u>25.811.323.823</u>	<u>6.723.747.949</u>	<u>14.185.127.401</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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:

		Quarter from April 1 to June 30			
		June 2021	June 2020	2021	2020
Recovery of written-down loans	¢	4.749.927.748	11.600.306.949	1.757.227.967	8.802.606.514
Decrease in specific allowance for the loan portfolio (See note 6-f)		2.307.824.783	4.053.581.976	438.768.494	978.048.196
Decrease in allowance for uncollectibility of other receivables		641.993.406.	893.128.280	221.194.814	190.777.084
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)		67.713.851	4.368.106.876	16.946.457	3.838.544.733
Decrease in generic allowance and counter cycle for contingent loans		0	42.056.532	0	(29.196)
Decrease in allowance for non- collectibility of investment securities		569.609.914	680.006.534	230.670.010	315.740.315
	¢	<u>8.337.069.702</u>	<u>21.681.522.367</u>	<u>2.664.807.742</u>	<u>14.125.687.646</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

(31) Income from service fees and commissions

Income from service fees and commissions is detailed as follows:

	Quarter from April 1 to June 30			
	June 2021	June 2020	2021	2020
Drafts and transfers	¢ 1.348.004.160	1.110.169.474	690.342.692	498.102.090
Foreign trade	356.907.665	338.472.564	167.665.435	147.217.008
Certified checks	2.359.136	1.963.595	1.189.056	665.392
Trust management	2.041.140.282	2.124.842.768	1.081.511.782	963.756.033
Custodial services	177.955.642	221.340.658	85.522.240	111.810.938
For mandates	492.494	0	0	0
Collections	279.851.606	235.961.293	118.824.573	104.823.323
Credit Cards	18.246.166.303	19.393.665.314	9.125.495.926	7.657.799.609
Investment Fund management	4.041.833.966	4.311.434.711	1.973.451.074	2.098.835.447
Pension Fund management	3.313.212.996	2.957.830.570	1.662.602.273	1.416.635.274
Insurance underwriting	3.226.481.193	3.080.237.635	1.674.047.148	1.376.645.568
Brokerage fees				
(by third parties in local market)	990.070.859	1.044.004.855	471.989.365	334.650.174
Brokerage fees				
(by third parties in other markets)	67.698.630	113.283.702	23.084.890	70.818.883
Commissions from operations with related parties	554.995.763	460.892.677	370.432.900	166.110.804
Commissions from operations with related parties	262.763.352	47.782.144	173.981.067	47.782.144
Commission from custodial services				
of authorized securities	305.354.037	231.780.682	153.687.735	131.976.701
Other commissions	16.162.350.460	15.175.583.400	7.998.51.638	6.479.280.149
	¢ <u>51.377.638.544</u>	<u>50.849.246.042</u>	<u>25.772.344.794</u>	<u>21.606.909.537</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

(32) Income from interests in other companies

			Quarter from April 1 to June 30	
	June	June	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.	¢ 241.921 662	0	110.110.725	0
Participación en Bancrédito Agencia de seguro S.A.	0	1.818.043	0	1.818.043
	¢ <u>245.969.776</u>	<u>1.818.043</u>	<u>110.110.725</u>	<u>1.818.043</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

(33) Administrative expenses

Administrative expenses are detailed as follows:

			Quarter from April 1 to June 30	
	June 2021	June 2020	2021	2020
Salaries and bonuses, permanent staff	¢ 31.323.920.250	30.960.710.537	15.486.610.485	15.349.426.312
Salaries and bonuses, contractors	1.376.411.953	1.116.187.048	788.095.327	541.801.891
Compensation for directors and auditors	141.626.548	118.732.040	66.482.398	55.795.767
Overtime	267.825.554	437.042.924	149.695.856	206.081.786
Per diem	131.963.339	167.020.704	67.446.381	59.503.198
Statutory Christmas Bonus	2.867.025.708	2.822.730.136	1.431.966.827	1.359.078.361
Vacation	3.020.112.094	2.663.520.812	1.476.511.989	1.451.194.840
Incentives	2.720.417	1.629.471	1.358.750	160.625
Fixed representation expenses	464.840.247	425.050.547	237.008.709	215.353.743
Other compensation	865.127.849	743.016.252	492.037.216	395.261.928
Contribution to severance payment	1.396.541.326	1.320.648.371	693.497.383	653.769.480
Social security charges	11.019.294.286	10.316.695.381	5.536.602.382	5.102.182.599
Refreshments	8.375.901	45.489.204	4.216.165	16.054.781
Uniforms	958.689	11.324.249	238.910	10.436.320
Training	121.770.845	134.760.499	68.820.202	68.863.636
Employee insurance	294.873.129	295.064.998	163.893.721	145.955.434
Assets for personal use	18.216	612.221	0	422.191
School bonus	2.784.406.562	3.833.979.110	1.396.643.141	1.901.734.820
Labor Capitalization Fund	917.463.875	900.677.782	461.806.343	446.091.950
Other personnel expenses	464.461.616	380.776.511	203.081.865	165.637.802
Outsourcing expenses	9.062.090.253	8.714.099.120	4.728.166.546	4.798.357.494
Transportation and communication expenses	1.989.451.201	2.805.510.538	963.258.949	1.294.037.295
Property insurance	161.600.169	28.429.833	5.275.886	12.877.649
Property maintenance and repair	2.834.231.198	2.028.383.149	1.955.860.373	1.282.283.522
Public utilities	1.117.973.895	1.467.873.615	568.677.179	703.460.013
By right of use-properties	1.389.051.779	1.894.905.678	602.009.157	947.147.632
By right of use-furniture, equipment, and other assets	500.511.678	399.733.425	386.359.397	321.272.199
Depreciation of property, plant and equipment, except vehicles	5.378.201.856	4.799.380.678	2.843.372.096	2.522.819.637
Amortization of leasehold property	245.866.360	250.297.264	129.524.591	145.708.922
Other infrastructure expenses	1.928.122.790	2.580.799.932	971.459.419	1.319.694.851
Overhead	12.228.000.174	11.353.427.266	6.971.128.145	7.011.982.365
¢	<u>94.304.839.757</u>	<u>93.018.509.295</u>	<u>48.851.105.788</u>	<u>48.504.449.043</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

(34) Legal profit allocation

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

			Quarter from April 1 to June 30	
	June 2021	June 2020	2021	2020
Allocation for CONAPE	¢ 1.798.096.658	879.082.251	813.933.519	264.466.350
Allocation for Instituto Nacional de Fomento Cooperativo	1.749.301.166	622.977.918	783.511.135	203.048.608
Allocation for National Emergency Commission	1.345.651.287	771.559.059	623.231.240	269.751.767
Allocation for Public Pension Fund Operators	554.401.213	376.833.218	278.303.707	172.875.390
Allocation for Invalidity. Old Age. and Death Regime	5.394.289.970	2.637.246.754	2.441.800.556	793.399.050
	¢ <u>10.841.740.294</u>	<u>5.287.699.200</u>	<u>4.940.780.157</u>	<u>1.703.541.165</u>

As of June 30, 2021 and June 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:

	June 2021		
	Amount before taxes	Tax benefit (expense)	Net taxes
Adjustment for valuation of investments at fair value through other comprehensive income.	¢ 51.921.716.744	(15.639.210.314)	36.282.506.430
Impairment – Investments at fair value through other comprehensive income.	470.672.766	0	470.672.766
Exchange differences from conversion of financial statements of foreign entities.	1.300.966.663	0	1.300.966.663
	¢ <u>53.693.356.173</u>	<u>(15.639.210.314)</u>	<u>38.054.145.859</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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

	June 2020		
	Amount before taxes	Tax benefit (expense)	Net taxes
Adjustment for valuation of investments at fair value through other comprehensive income.	¢ (4.939.647.644)	1.384.410.353	(3.555.237.291)
Impairment – Investments at fair value through other comprehensive income.	4.500.046.676	0	4.500.046.676
Exchange differences from conversion of financial statements of foreign entities.	3.596.898.600	0	3.596.898.600
	¢ 3.157.297.632	1.384.410.353	4.541.707.985

(36) Operating leases

Lessee

Non-cancellable operating leases are payable as follows:

	June 2021	December 2020	June 2020
Less than one year	¢ 331.534.817	481.705.800	457.581.600
From one to five years	0	240.852.900	343.186.200
	¢ 331.534.817	722.558.700	800.767.800

These leases correspond to furniture and equipment.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

(37) Fair value of financial instruments

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

	June 2021		December 2020		June 2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Cash and due from banks	¢ 785.711.746.503	785.711.746.503	803.047.856.879	803.047.856.879	719.946.145.289	719.946.145.289
Investments	1.717.377.062.015	1.693.812.045.725	1.422.226.389.458	1.404.261.910.170	1.259.562.301.741	1.249.431.287.038
Loan portfolio	3.907.985.529.424	3.774.933.154.027	3.872.075.337.959	3.797.164.693.061	3.739.916.344.821	3.570.864.198.170
	<u>6.411.074.337.942</u>	<u>6.254.456.946.255</u>	<u>6.097.349.584.296</u>	<u>6.004.474.460.110</u>	<u>5.719.424.791.851</u>	<u>5.540.241.630.497</u>
Demand deposits	2.966.970.636.918	2.966.970.636.918	2.670.460.239.035	2.670.460.239.035	2.316.993.602.146	2.316.993.602.147
Term deposits	1.775.284.975.916	1.775.520.942.695	1.765.488.529.810	1.756.778.173.323	1.866.980.490.485	1.849.809.420.273
Financial obligations	932.415.991.405	940.223.297.627	998.708.960.958	1.026.931.889.413	918.794.004.349	965.541.890.937
¢	<u>5.674.671.604.239</u>	<u>5.682.714.877.240</u>	<u>5.434.657.729.803</u>	<u>5.454.170.301.771</u>	<u>5.102.768.096.980</u>	<u>5.132.344.913.358</u>

As of June 2021, December and June 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

As of June 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 Cartago	Insurance agency	Total	Eliminations	Consolidated
Assets											
Cash and due from banks	€ 717.855.220.947	107.466.072	3.919.230.372	530.665.303	96.647.171.521	320.031.505	42.561.246	0	819.422.346.966	(33.710.600.463)	785.711.746.503
Investment in financial instruments	1.567.075.538.393	6.256.598.585	4.022.965.658	54.067.001.901	80.606.723.448	7.221.260.024	709.233.698	0	1.719.959.321.707	(2.582.525.871)	1.717.376.795.836
Loan portfolio	2.933.130.616.136	0	0	0	832.157.229.374	0	0	0	3.765.287.845.510	0	3.765.287.845.510
Accounts and fees receivable	17.581.352.752	696.498.425	920.389.560	516.513.294	8.411.706.195	761.168.721	138.573.494	0	29.026.202.441	(3.271.671.834)	25.754.530.607
Foreclosed assets	47.526.314.661	0	0	0	19.310.459.276	0	39	0	66.836.773.976	(1)	66.836.773.975
Interest in other companies (net)	120.191.673.358	0	0	65.417.188	0	0	0	0	120.257.090.546	(119.413.387.187)	843.703.359
Property, furniture and equipment											
Net	133.462.815.842	376.094.970	493.429.956	334.125.969	8.409.472.881	350.019.265	237.712.149	0	143.663.671.032	(93.052.033)	143.570.618.999
Properties investments	6.441.924.521	0	0	0	0	0	0	0	6.441.924.521	0	6.441.924.521
Other assets	73.784.238.996	737.869.696	553.865.658	820.946.148	22.100.882.468	642.210.523	95.261.436	0	98.735.274.925	0	98.735.274.925
Total assets	€ 5.617.049.695.606	8.174.527.748	9.909.881.204	56.334.669.803	1.067.643.645.163	9.294.690.038	1.223.342.062	0	6.769.630.451.624	(159.071.237.389)	6.610.559.214.235
Liabilities and Equity											
Liabilities											
Obligations with the public	€ 4.281.953.815.085	0	0	1.442.588.772	466.223.249.685	10.613.134	0	0	4.749.630.266.676	(7.374.653.842)	4.742.255.612.834
Obligations with the Central Bank of Costa Rica	120.594.596.978	0	0	0	0	0	0	0	120.594.596.978	0	120.594.596.978
Obligations with entities	375.209.057.808	401.524.642	560.496.855	29.809.333.791	437.085.033.322	393.417.737	210.162.796	0	843.669.026.951	(31.864.620.505)	811.804.406.446
Accounts payable and provisions	159.619.627.324	2.074.019.151	1.650.560.850	3.327.289.487	11.236.890.363	1.831.015.124	106.960.493	0	179.846.362.792	(418.575.857)	179.427.786.935
Other liabilities	25.810.539.656	0	0	0	3.418.622.097	41.989.796	474.385	0	29.271.625.934	3	29.271.625.937
Total liabilities	€ 4.963.187.636.851	2.475.543.793	2.211.057.705	34.579.212.050	917.963.795.467	2.277.035.791	317.597.674	0	5.923.011.879.331	(39.657.850.201)	5.883.354.029.130
Equity											
Capital	181.409.990.601	4.575.086.046	4.839.200.000	12.626.000.000	38.609.421.071	2.250.000.000	305.842.762	0	244.615.540.480	(63.205.549.880)	181.409.990.600
Unfunded capital contributions	0	216.772.094	0	0	0	0	0	0	216.772.094	(216.772.093)	1
Equity adjustments	93.506.690.172	96.834.601	30.560.626	2.160.915.652	57.721.815.596	69.862.265	1.632.403	0	153.588.311.315	(60.081.621.143)	93.506.690.172
Capital reserves	296.709.547.031	255.890.000	967.840.000	1.467.308.772	34.516.647.574	450.000.000	34.330.621	0	334.401.563.998	(37.692.016.967)	296.709.547.031
Prior periods retained earnings	23.286.282.979	0	539.757.627	3.631.489.587	17.891.401.159	2.535.848.001	548.780.963	0	48.433.560.316	(25.147.277.337)	23.286.282.979
Profit for the period	22.737.536.562	554.401.214	1.321.465.246	1.869.743.742	940.564.296	1.711.943.981	15.157.639	0	29.150.812.680	(6.413.276.118)	22.737.053.562
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	73.343.126.351	73.343.126.351
Total equity	653.862.058.755	5.698.983.955	7.698.823.499	21.755.457.753	149.679.849.696	7.017.654.247	905.744.388	0	846.618.572.293	(119.413.387.187)	727.205.185.106
Total liabilities and equity	€ 5.617.049.695.606	8.174.527.748	9.909.881.204	56.334.669.803	1.067.643.645.163	9.294.690.038	1.223.342.062	0	6.769.630.451.624	(159.071.237.388)	6.610.559.214.235
Debit contingent accounts											
Trust assets	€ 295.373.072.198	0	0	0	137.842.951.453	0	0	0	433.216.023.651	1	433.216.023.651
Trust liabilities	€ 889.923.009.878	0	0	0	54.036.687.788	0	0	0	943.959.697.666	0	943.959.697.666
Trust equity	€ 364.148.296.245	0	0	0	0	0	0	0	364.148.296.245	0	364.148.296.245
Other debit memoranda accounts	€ 525.774.713.633	0	0	0	54.036.687.788	0	0	0	579.811.401.421	(1)	579.811.401.421
	€ 37.942.920.903.086	1.501.557.132.295	832.774.169.133	695.048.483.918	1.586.368.613.800	0	2.761.685.574	0	42.561.430.987.806	2	42.561.430.987.807

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

	<u>Bank</u>	<u>Pension Fund Operator</u>	<u>Investment Fund Manager</u>	<u>Brokerage House</u>	<u>Foreign Bank</u>	<u>Corredora de Seguros</u>	<u>Depósito Agrícola de Cartago</u>	<u>Insurance agency</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
Assets											
Cash and due from banks	€ 656.032.207.152	223.255.750	2.535.344.314	493.149.520	97.069.153.085	395.084.342	53.048.647		756.801.242.810	(36.855.097.520)	719.946.145.290
Investment in financial instruments	1.101.170.130.260	6.645.391.894	9.677.754.467	52.536.669.008	79.309.427.694	9.675.915.721	733.448.194		1.259.748.737.238	(205.856.810)	1.259.542.880.428
Loan portfolio	2.786.820.396.771	0	0	0	844.783.667.505	0	0		3.631.604.064.276	(1)	3.631.604.064.275
Accounts and fees receivable	12.379.686.405	489.874.156	885.687.477	698.768.773	4.952.025.949	413.942.669	95.915.401		19.915.900.830	(8.591.779.109)	11.324.121.721
Foreclosed assets	44.501.742.047	0	0	0	10.463.529.534	0	1.889		54.965.273.470	1	54.965.273.471
Interest in other companies (net)	122.173.287.636	0	0	65.417.188	0	0	0		122.238.704.824	(121.860.121.533)	378.583.291
Property, furniture and equipment, net	137.558.768.654	784.497.486	1.311.563.059	831.624.752	8.468.478.031	844.167.958	233.569.600		150.032.669.540	(1)	150.032.669.539
Properties investments	6.441.924.521	0	0	0	0	0	0		6.441.924.521	0	6.441.924.521
Other assets	69.340.268.695	652.247.376	509.933.287	639.268.301	25.629.844.929	623.242.688	65.845.202		97.460.650.478	0	97.460.650.478
Total assets	€ 4.936.418.412.141	8.795.266.662	14.920.282.604	55.264.897.542	1.070.676.126.727	11.952.353.378	1.181.828.933	0	6.099.209.167.987	(167.512.854.973)	5.931.696.313.014
Liabilities and Equity											
Liabilities											
Obligations with the public	€ 3.754.319.748.493	0	0	12.614.247.346	420.753.423.590	7.357.987	0		4.187.694.777.416	(3.720.684.784)	4.183.974.092.632
Obligations with the Central Bank of Costa Rica	0	0	0	0	0	0	0		0	0	0
Obligations with entities	446.585.751.830	776.598.581	1.334.185.782	14.888.593.355	493.109.667.026	858.739.014	175.640.484		957.729.176.072	(38.947.468.448)	918.781.707.624
Accounts payable and provisions	134.150.176.318	1.490.317.472	1.543.449.795	3.394.356.444	7.642.168.084	4.258.195.416	105.487.816		152.584.151.345	(2.984.580.207)	149.599.571.138
Other liabilities	23.766.512.560	0	0	0	9.514.714.111	31.970.076	8.451		33.313.205.198	0	33.313.205.198
Subordinated obligations	0	0	0	0	0	0	0	0	0	0	0
Bonds convertible to equity	0	0	0	0	0	0	0	0	0	0	0
Preferred obligations	0	0	0	0	0	0	0	0	0	0	0
Total liabilities	€ 4.358.822.189.201	2.266.916.053	2.877.635.577	30.897.197.145	931.019.972.811	5.156.262.493	281.136.751	0	5.331.321.310.031	(45.652.733.439)	5.285.668.576.592
Equity											
Capital	181.409.990.601	4.073.147.746	4.839.200.000	12.626.000.000	38.609.421.071	2.250.000.000	305.842.762		244.113.602.180	(62.703.611.579)	181.409.990.601
Unfunded capital contributions	0	590.638.781	0	0	0	0	0		590.638.781	(590.638.781)	0
Equity adjustments	54.254.178.605	73.473.295	(8.736.290)	1.120.906.810	48.242.315.568	7.522.758	0		103.689.660.746	(49.435.482.140)	54.110.793.436
Capital reserves	283.820.516.011	255.890.000	967.840.000	1.304.993.898	32.359.829.678	386.760.404	34.330.622		319.130.160.613	(35.309.644.602)	283.820.516.011
Prior periods retained earnings	13.464.953.148	1.158.367.569	4.937.916.745	7.547.506.984	18.884.577.773	2.597.319.286	590.607.095		49.181.248.600	(35.716.295.452)	13.464.953.148
Profit for the period	11.336.856.115	376.833.218	1.306.426.572	1.768.292.705	1.560.009.826	1.554.488.437	(30.088.297)		17.872.818.576	(6.535.962.461)	6.992.246.630
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	68.431.513.481	68.757.266.121
Total equity	577.596.222.940	6.528.350.609	12.042.647.027	24.367.700.397	139.656.153.916	6.796.090.885	900.692.182	0	767.887.857.956	(121.860.121.534)	646.027.736.422
Total liabilities and equity	€ 4.936.418.412.141	8.795.266.662	14.920.282.604	55.264.897.542	1.070.676.126.727	11.952.353.378	1.181.828.933	0	6.099.209.167.987	(167.512.854.973)	5.931.696.313.014
Debit contingent accounts	€ 299.171.786.879	0	0	0	113.723.128.165	0	0	0	412.894.915.044	0	412.894.915.044
Trust assets	€ 848.973.814.455	0	0	0	47.127.531.544	0	0	0	896.101.345.999	0	896.101.345.999
Trust liabilities	€ 361.024.408.493	0	0	0	0	0	0	0	361.024.408.493	0	361.024.408.493
Trust equity	€ 487.949.405.962	0	0	0	47.127.531.543	0	0	0	535.076.937.505	0	535.076.937.505
Other debit memoranda accounts	€ 19.476.559.3120713	1.280.735.475.908	762.499.401.978	641.590.400.971	1.542.426.456.117	0	4.663.150.539	0	23.708.474.198.226	0	23.708.474.198.226

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

	<u>Bank</u>	<u>Pension Fund</u>	<u>Investment Fund</u>	<u>Brokerage</u>	<u>Foreign Bank</u>	<u>Insurance</u>	<u>Depósito Agrícola de Cartago</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
	<u>Operator</u>	<u>Manager</u>	<u>House</u>		<u>Broker</u>					
Financial income	€ 156.146.818.491	167.848.943	204.296.482	2.465.966.393	28.557.545.374	389.432.828	9.733.627	187.941.642.138	(346.865.683)	187.594.776.455
Financial expenses	54.195.046.378	13.130.662	17.782.156	208.066.402	16.033.575.090	12.480.349	7.455.558	70.487.536.595	(407.977.526)	70.079.559.069
Expenses from allowance for assets impairment	15.300.686.548	3.357.658	2.156.130	209.133.963	2.275.990.584	20.420.937	1.332.503	17.813.078.323	0	17.813.078.323
Income from recovery of assets and decrease in allowance	8.071.237.824	2.802.530	29.306.984	211.631.113	0	21.506.870	584.381	8.337.069.702	0	8.337.069.702
Financial income	94.722.323.389	154.163.153	213.665.180	2.260.397.141	10.247.979.700	378.038.412	1.529.947	107.978.096.922	61.111.843	108.039.208.765
Other operating income	80.265.419.412	3.515.394.726	4.044.468.399	2.475.385.695	808.222.429	3.624.032.328	462.097.482	95.195.020.471	(8.154.827.319)	87.040.193.152
Other operating expenses	52.191.705.169	759.927.040	766.202.290	474.071.033	1.688.545.935	257.912.192	75.562.853	56.213.926.512	(1.942.611.319)	54.271.315.193
Gross operating income	122.796.037.632	2.909.630.839	3.491.931.289	4.261.711.803	9.367.656.194	3.744.158.548	388.064.576	146.959.190.881	(6.151.104.157)	140.808.086.724
Personnel expenses	47.574.930.396	1.028.109.934	1.385.974.364	1.290.639.231	4.828.181.839	1.076.639.086	285.263.555	57.469.738.405	(1)	57.469.738.404
Other administrative expenses	33.064.852.783	250.441.487	160.537.055	185.908.902	3.133.191.948	160.652.535	78.221.147	37.033.805.857	(198.704.504)	36.835.101.353
Administrative expenses	80.639.783.179	1.278.551.421	1.546.511.419	1.476.548.133	7.961.373.787	1.237.291.621	363.484.702	94.503.544.262	(198.704.505)	94.304.839.757
Net operating income before taxes and statutory allocations	42.156.254.453	1.631.079.418	1.945.419.870	2.785.163.670	1.406.282.407	2.506.866.927	24.579.874	52.455.646.619	(5.952.399.652)	46.503.246.967
Income tax	10.352.961.521	493.032.995	588.998.650	803.998.827	619.957.861	730.272.193	8.684.840	13.597.906.887	0	13,597,906,887
Deferred income tax	0	109.053.293	156.248.412	100.202.587	30.439.093	115.003.409	0	510.946.794	(1)	510,946,793
Decrease in income tax	954.789.419	128.741.679	179.655.035	72.336.397	184.678.843	125.558.664	0	1,645,760,037	0	1,645,760,037
Profit sharing	10.020.545.789	603.333.595	58.362.597	83.554.911	0	75.206.008	737.395	10,841,740,295	(1)	10,841,740,294
Net profit for the year	22.737.536.562	554.401.214	1.321.465.246	1.869.743.742	940.564.296	1.711.943.981	15.157.639	29.150.812.680	(5.952.399.650)	23.198.413.030
Results for the period attributable to minority interests	0	0	0	0	0	0	0	0	(460.876.468)	460.876.468
Results for the period attributable to the comptroller	22.737.536.562	554.401.214	1.321.465.246	1.869.743.742	940.564.296	1.711.943.981	15.157.639	29.150.812.680	(6.413.276.118)	22.737.536.562
Net income for the periods	€ 22.737.536.562	554.401.214	1.321.465.246	1.869.743.742	940.564.296	1.711.943.981	15.157.639	29.150.812.680	(6.413.276.118)	22.737.536.562

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

As of June 30, 2020, 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>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
Financial income	€ 159,594,804.369	276,764,660	347,430,714	3,133,799,208	29,749,298,672	516,140,619	6,105,009	193,624,343,251	(269,437,767)	193,354,905,484
Financial expenses	76,333,083.609	24,191,201	41,512,289	643,140,630	18,410,250,675	26,756,951	11,172,961	95,490,108,316	(913,393,610)	94,576,714,706
Expenses from allowance for assets impairment	23,728,725.814	68,812,578	113,809,801	286,884,007	1,532,591,202	80,500,421	0	25,811,323,823	0	25,811,323,823
Income from recovery of assets and decrease in allowance	21,546,800,039	0	14,657,215	96,207,072	0	23,858,040	0	21,681,522,366	1	21,681,522,367
Financial income	81,079,794,985	183,760,881	206,765,839	2,299,981,643	9,806,456,795	432,741,287	(5,067,952)	94,004,433,478	643,955,844	94,648,389,322
Other operating income	79,397,130,677	3,156,876,299	4,367,632,550	2,301,388,975	1,190,656,482	3,370,980,843	449,194,530	94,233,860,356	(8,498,523,352)	85,735,337,004
Other operating expenses	58,078,955,048	790,634,504	1,013,722,060	324,212,140	1,440,934,869	229,095,067	78,409,645	61,955,963,333	(2,083,009,319)	59,872,954,014
Gross operating income	102,397,970,614	2,550,002,676	3,560,676,329	4,277,158,478	9,556,178,408	3,574,627,063	365,716,933	126,282,330,501	(5,771,558,189)	120,510,772,312
Personnel expenses	47,161,704,309	1,083,122,825	1,408,090,529	1,307,595,793	4,545,234,108	968,410,145	221,511,086	56,695,668,795	1	56,695,668,796
Other administrative expenses	32,000,779,860	341,611,282	220,967,837	246,361,644	3,096,167,992	249,314,232	167,637,652	36,322,840,499	0	36,322,840,499
Administrative expenses	79,162,484,169	1,424,734,107	1,629,058,366	1,553,957,437	7,641,402,100	1,217,724,377	389,148,738	93,018,509,294	1	93,018,509,295
Net operating income before taxes and statutory allocations	23,235,486,445	1,125,268,569	1,931,617,963	2,723,201,041	1,914,776,308	2,356,902,686	(23,431,805)	33,263,821,207	(5,771,558,190)	27,492,263,017
Income tax	7,308,087,495	337,844,076	567,242,852	875,880,350	377,471,537	726,964,551	6,656,492	10,200,147,353	0	10,200,147,353
Deferred income tax	0	0	0	5,748,830	0	7,157,412	0	12,906,242	0	12,906,242
Decrease in income tax	76,213,439	0	0	8,416,875	22,705,055	2,414,795	0	109,750,164	(1)	109,750,163
Profit sharing	4,666,756,274	410,591,275	57,948,539	81,696,031	0	70,707,081	0	5,287,699,200	0	5,287,699,200
Net profit for the year	11,336,856,115	376,833,218	1,306,426,572	1,768,292,705	1,560,009,826	1,554,488,437	(30,088,297)	111,876,388,575	(5,771,558,191)	12,101,260,385
Results for the period attributable to minority interests	0	0	0	0	0	0	0	0	(764,404,270)	764,404,270
Results for the period attributable to the comptroller	11,336,856,115	376,833,218	1,306,426,572	1,768,292,705	1,560,009,826	1,554,488,437	(30,088,297)	111,876,388,575	(5,007,153,921)	11,336,856,115
Net income for the periods	€ 11,336,856,115	376,833,218	1,306,426,572	1,768,292,705	1,560,009,826	1,554,488,437	(30,088,297)	111,876,388,575	(5,007,153,921)	11,336,856,115

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

(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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

- 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)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

Risk assesment generates various alerts, recommendations, and treatment of risk plans, contributing to its overall and specific mitigation. contributing that 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.

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

(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. 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

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.

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).

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 June 2021, the percentage of arrears greater than 90 days was 2.75% (2.54% as of December 2020). The latter indicator is 1.25 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 31.09% at the closing of June (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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

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 June 2021, the expected loss of the investment portfolio corresponded to 0.22% of the portfolio, 0.21% in December 2020.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

Expected losses of the investment portfolio of the BCR Conglomerate

By currency

December 2020 vs June 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	1.831.333.176	278.546.221	49.660.825.704
US dollars	1.777.939	74.775	21.639.000
Udes	0	125.898	14.784.800
Transfer to 12-months expected credit losses			
Colones	(276.275.498)	4.111.850	9.240.047.704
Colones	(341.442)	(71.712)	20.728.000
US dollars	0	58.752	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

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

	June 2021	December 2020	June 2020
Banco de Costa Rica			
Loan portfolio, gross	¢ 3.049.739.639.461	2.935.641.227.054	2.863.593.112.700
Plus, interest receivable	28.298.935.688	32.602.387.644	34.594.611.450
Less, allowance for impairment	<u>(126.570.218.331)</u>	<u>(119.006.689.666)</u>	<u>(94.815.749.757)</u>
Loan portfolio, net	¢ <u>2.951.468.356.818</u>	<u>2.849.236.925.033</u>	<u>2.803.371.974.393</u>
Banco Internacional de Costa Rica, S.A. and subsidiary			
Loan portfolio, gross	¢ 843.704.476.471	914.506.024.070	853.360.620.410
Plus, interest receivable	4.579.688.277	6.499.279.471	4.919.047.678
Less, allowance for impairment	<u>(16.126.935.377)</u>	<u>(15.218.022.819)</u>	<u>(13.496.000.584)</u>
Loan portfolio, net	¢ <u>832.157.229.371</u>	<u>905.787.280.722</u>	<u>844.783.667.504</u>
Total consolidated loan portfolio, net	¢ <u>3.783.625.586.189</u>	<u>3.755.024.205.755</u>	<u>3.648.155.641.897</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

		Direct Loan Portfolio	Direct Loan Portfolio	Direct Loan Portfolio	Contingent Loan Portfolio	Contingent Loan Portfolio	Contingent Loan Portfolio
		June	December	June	December	December	June
	Note	2021	2020	2020	2021	2020	2020
Principal	6a	3.049.739.639.458	2.935.641.227.054	2.863.593.112.699	220.474.196.453	232.564.794.767	221.284.103.661
Interest	¢	28.298.935.688	32.602.387.644	34.594.611.450	0	0	0
		3.078.038.575.146	2.968.243.614.698	2.898.187.724.149	220.474.196.453	232.564.794.767	221.284.103.661
Allowance for bad loans		(126,228,876,412)	(118.682.677.549)	(94.815.749.757)	(341.341.919)	(324.012.116)	0
Carrying amount	¢	<u>2,951,809,698,734</u>	<u>2.849.560.937.149</u>	<u>2.803.371.974.392</u>	<u>220.132.854.534</u>	<u>232.240.782.651</u>	<u>221.284.103.661</u>
Loan portfolio							
Total balance:							
A1	¢	2.402.890.335.814	2.252.641.974.421	2.137.876.159.122	200.580.160.903	216.785.669.119	202.649.983.067
A2		43.700.952.054	51.079.575.869	38.511.873.246	1.074.531.347	993.773.116	809.575.732
B1		227.048.629.630	317.076.523.159	333.138.287.020	11.039.431.607	4.750.549.387	5.034.416.743
B2		19.476.093.118	18.952.645.155	21.655.259.537	134.443.339	111.877.247	160.312.288
C1		63.697.664.892	50.179.872.607	67.942.053.850	4.695.416.718	6.386.300.335	6.042.855.724
C2		11.707.621.411	17.670.359.057	20.073.579.174	60.049.962	73.620.031	104.634.919
D		81.115.128.638	46.374.944.688	61.148.983.516	840.429.574	1.036.645.186	4.235.108.112
E		169.628.818.733	161.787.877.221	163.185.289.442	2.048.007.803	2.426.360.346	2.230.723.634
1		57.700.883.190	51.254.492.919	52.698.825.216	1.725.200	0	16.493.443
2		5.058.261	63.731.314	427.942.532	0	0	0
3		307.247.969	348.996.233	564.763.488	0	0	0
4		706.224.955	723.703.593	298.843.538	0	0	0
5		0	0	246.445.083	0	0	0
6		53.916.481	88.918.462	419.419.385	0	0	0
		3.078.038.575.146	2.968.243.614.698	2.898.187.724.149	220.474.196.453	232.564.794.767	221.284.103.662
Allowance for bad loans		(94.642.491.481)	(81.874.379.225)	(84.146.426.436)	(165.281.207)	(301.501.990)	(250.129.747)
Carrying amount, net		<u>2.983.396.083.665</u>	<u>2.886.369.235.473</u>	<u>2.814.041.297.713</u>	<u>220.308.915.246</u>	<u>232.263.292.777</u>	<u>221.033.973.915</u>
Carrying amount		3.078.038.575.146	2.968.243.614.698	2.898.187.724.149	220.474.196.453	232.564.794.767	221.284.103.661
Allowance for bad loans		(94.642.491.481)	(81.874.379.225)	(84.146.426.436)	(165.281.207)	(301.501.990)	(250.129.747)
(Excess) inadequacy of allowance over structural estimate		(31.586.384.931)	(36.808.298.324)	(10.669.323.321)	(176.060.712)	(22.510.126)	250.129.747
Carrying amount, net	6a ¢	<u>2,951.809.698.734</u>	<u>2.849.560.937.149</u>	<u>2.803.371.974.392</u>	<u>220.132.854.534</u>	<u>232.240.782.651</u>	<u>221.284.103.661</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

As of June 30, 2021

Loan portfolio	Direct Loan Portfolio				Contingent Loan Portfolio	
	Principal	Covered balance	Overdraft	Allowance	Principal	Allowance
Direct generic allowance						
A1	€ 2.402.890.335.814	1.724.194.275.749	678.696.060.073	(12.014.451.746)	200.580.160.903	(124.829.034)
A2	43.700.952.054	35.855.661.520	7.845.290.534	(218.504.761)	1.074.531.347	0
1	57.700.883.190	24.947.211.071	32.753.672.119	(144.578.350)	1.725.200	(216)
	<u>2.504.292.171.058</u>	<u>1.784.997.148.340</u>	<u>719.295.022.726</u>	<u>(12.377.534.857)</u>	<u>201.656.417.450</u>	<u>(124.829.250)</u>
Direct specific allowance						
A1						
A2						
B1	227.048.629.630	207.758.215.751	19.290.413.879	(2.003.311.772)	11.039.431.607	(7.177.784)
B2	19.476.093.118	17.751.708.627	1.724.384.491	(261.196.994)	134.443.339	0
C1	63.697.664.892	50.059.048.799	13.638.616.092	(3.659.949.269)	4.695.416.718	(8.002.717)
C2	11.707.621.411	10.783.794.115	923.827.296	(515.832.620)	60.049.962	0
D	81.115.128.638	66.443.661.008	14.671.467.631	(11.102.589.545)	840.429.574	(23.183.977)
E	169.628.818.733	99.491.317.441	70.137.501.292	(64.670.635.004)	2.048.007.803	(2.087.479)
2	5.058.261	2.235.337	2.822.924	(152.323)	0	0
3	307.247.969	280.986.427	26.261.542	(7.970.318)	0	0
4	706.224.955	636.305.394	69.919.561	(38.141.307)	0	0
6	53.916.481	48.983.929	4.932.552	(5.177.472)	0	0
	€ <u>573.746.404.088</u>	<u>453.256.256.828</u>	<u>120.490.147.260</u>	<u>(82.264.956.624)</u>	<u>18.817.779.003</u>	<u>(40.451.957)</u>
	€ <u>3.078.038.575.146</u>	<u>2.238.253.405.168</u>	<u>839.785.169.986</u>	<u>(94.642.491.481)</u>	<u>220.474.196.453</u>	<u>(165.281.207)</u>
Loan portfolio						
Aging loan portfolio						
Direct generic allowance						
Up to date	€ 2.405.399.141.974	1.727.134.973.183	678.264.168.799	(12.169.628.756)	201.654.692.250	(124.829.250)
Equal or less than 30 days	41.000.338.147	32.781.500.317	8.218.837.830	(206.841.111)	0	0
Equal or less than 60 days	189.915.880	133.463.769	56.452.111	(1.055.533)	0	0
More than 180 days	1.891.867	0	1.891.867	(9.459)	0	0
	<u>2.446.591.287.868</u>	<u>1.760.049.937.269</u>	<u>686.541.350.607</u>	<u>(12.377.534.859)</u>	<u>201.654.692.250</u>	<u>(124.829.250)</u>
Direct specific allowance						
Up to date	451.976.516.408	360.937.862.998	91.038.653.409	(27.665.989.510)	18.819.504.203	(40.451.957)
Equal or less than 30 days	37.119.520.900	29.590.459.255	7.529.061.645	(5.568.566.518)	0	0
Equal or less than 60 days	22.110.857.671	17.329.522.160	4.781.335.511	(2.029.427.518)	0	0
Equal or less than 90 days	33.870.177.052	23.932.872.066	9.937.304.986	(8.179.778.264)	0	0
Equal or less than 180 days	29.238.708.322	13.020.582.782	16.218.125.540	(16.024.871.006)	0	0
More than 180 days	57.131.506.925	33.392.168.638	23.739.338.288	(22.796.323.806)	0	0
	€ <u>631.447.287.278</u>	<u>478.203.467.899</u>	<u>153.243.819.379</u>	<u>(82.264.956.622)</u>	<u>18.819.504.203</u>	<u>(40.451.957)</u>
	€ <u>3.078.038.575.146</u>	<u>2.238.253.405.168</u>	<u>839.785.169.986</u>	<u>(94.642.491.481)</u>	<u>220.474.196.453</u>	<u>(165.281.207)</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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	Direct Loan Portfolio				Contingent Loan Portfolio	
	Principal	Covered balance	Overdraft	Allowance	Principal	Allowance
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)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

As of June 30, 2020

Loan portfolio	Direct Loan Portfolio				Contingent Loan Portfolio	
	Principal	Covered balance	Overdraft	Allowance	Principal	Allowance
Direct generic allowance						
A1	2.137.876.159.122	1.518.462.614.500	619.413.544.622	10.689.380.838	202.649.983.070	126,682,442
A2	38.511.873.246	33.597.797.536	4.914.075.711	192.559.367	809.575.732	0
1	52.698.825.216	19.367.118.983	33.331.706.233	132.151.751	0	0
	2.229.086.857.585	1.571.427.531.019	657.659.326.566	11.014.091.956	203.459.558.801	126,682,442
Direct specific allowance						
B1	333.138.287.020	212.030.728.636	121.107.588.384	7.115.531.564	17.824.544.860	123,447,305
B2	21.655.259.537	19.317.168.018	2.338.091.519	330.394.993	0	0
C1	67.942.053.850	63.661.756.995	4.280.296.855	1.388.383.001	0	0
C2	20.073.579.174	18.100.737.077	1.972.842.097	1.076.924.735	0	0
D	61.148.983.516	51.544.007.127	9.604.976.390	7.353.693.449	0	0
E	163.185.289.442	101.955.532.085	61.229.757.357	55.821.235.747	0	0
2	427.942.532	427.942.532	0	2.139.713	0	0
3	564.763.488	520.872.613	43.890.875	13.577.082	0	0
4	298.843.538	298.843.538	0	1.494.218	0	0
5	246.445.083	213.606.570	32.838.513	24.054.992	0	0
6	419.419.385	416.597.390	2.822.001	4.904.988	0	0
	669.100.866.564	468.487.792.581	200.613.03.990	73.132.334.480	17.824.544.860	123,447,305
	2.898.187.724.149	2.039.915.323.600	858.272.400.556	84.146.426.436	221.284.103.661	250,129,747
Loan portfolio						
Aging loan portfolio						
Direct generic allowance						
Up to date	2.138.157.752.621	1.520.947.201.922	617.210.550.699	10.821.203.246	203.459.558.798	126,682,442
Equal or less than 30 days	37.752.850.942	30.900.500.032	6.852.350.910	190.501.566	0	0
Equal or less than 60 days	477.423.040	212.710.082	264.712.958	2.387.115	0	0
More than 180 days	5.765	0	5.765	29	0	0
	2.176.388.032.369	1.552.060.412.036	624.327.620.333	11.014.091.956	203.459.558.798	126,682,442
Direct specific allowance						
Up to date	472.691.314.492	302.899.582.568	169.791.731.924	21.126.914.800	17.824.544.863	123,447,305
Equal or less than 30 days	36.939.221.423	29.526.524.399	7.412.697.024	4.293.052.821	0	0
Equal or less than 60 days	45.865.703.307	39.096.852.428	6.768.850.880	2.522.568.895	0	0
Equal or less than 90 days	53.823.971.301	46.768.670.800	7.055.300.501	4.300.852.937	0	0
Equal or less than 180 days	46.336.148.686	33.171.686.146	13.164.462.541	12.347.299.530	0	0
More than 180 days	66.143.332.570	36.391.595.223	29.751.737.354	28.541.645.498	0	0
	721.799.691.780	487.854.911.564	233.944.780.223	73.132.334.480	17.824.544.863	123,447,305
	2.898.187.721.149	2.039.915.323.600	858.272.400.556	84.146.426.436	221.284.103.661	250,129,747

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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 June 30, 2021	Loans receivable	
	Gross	Net
Risk category:		
A1	¢ 2.402.890.335.814	2.390.875.884.069
A2	43.700.952.054	43.482.447.293
B1	227.048.629.630	225.045.317.856
B2	19.476.093.118	19.214.896.124
C1	63.697.664.892	60.037.715.623
C2	11.707.621.411	11.191.788.791
D	81.115.128.638	70.012.539.093
E	169.628.818.733	104.958.183.729
1	57.700.883.190	57.556.304.840
2	5.058.261	4.905.938
3	307.247.969	299.277.652
4	706.224.955	668.083.648
6	53.916.481	48.739.009
	¢ <u>3.078.038.575.146</u>	<u>2.983.396.083.665</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

As of December 31, 2020	Risk category:	Loans receivable	
		Gross	Net
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 June 30, 2020	Risk category:	Loans receivable	
		Gross	Net
A1	¢	2.137.876.159.122	2.127.186.778.284
A2		38.511.873.246	38.319.313.879
B1		333.138.287.020	326.022.755.456
B2		21.655.259.537	21.324.864.544
C1		67.942.053.850	66.553.670.849
C2		20.073.579.174	18.996.654.439
D		61.148.983.516	53.795.290.067
E		163.185.289.442	107.364.053.695
1		52.698.825.216	52.566.673.465
2		427.942.532	425.802.819
3		564.763.488	551.186.406
4		298.843.538	297.349.320
5		246.445.083	222.390.091
6		419.419.385	414.514.397
	¢	<u>2.898.187.724.149</u>	<u>2.814.041.297.713</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

In compliance with SUGEF Directive 1-05, as of June 30, 2021, the Bank must maintain a minimum allowance in the amount of ¢94.807.772.688 (¢82.175.881.215 and ¢84.396.556.183 for December and June 2020, respectively) of which ¢94.642.491.481 (¢81.874.379.225 and ¢84.146.426.436 for December and June 2020, respectively) is allocated to the valuation of the direct loan portfolio and ¢165.281.207 (¢301.501.990 and ¢250.129.747 for December and June 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 June 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:

	June 2021	December 2020	June 2020
Banco Internacional de Costa Rica, S.A. and subsidiaries			
Principal	¢ 843.704.476.474	914.506.022.835	853.360.619.827
Interest	4.579.688.278	6.499.279.472	4.919.047.679
	848.284.164.752	921.005.302.307	858.279.667.506
Allowance for doubtful accounts	(16.126.934.755)	(15.218.022.819)	(13.496.000.584)
Carrying amount	¢ 832.157.229.997	905.787.279.488	844.783.666.922
Loan portofolio, net of allowance	¢ 825.335.604.079	897.062.716.852	837.897.328.443
At amortized cost			
Level 1: Normal or low risk	741.991.951.264	822.441.293.412	773.529.739.957
Level 2: Special mention	66.940.929.501	55.274.912.419	47.900.788.829
Level 3: Subnormal	20.299.530.992	18.341.168.216	17.169.059.631
Level 4: Doubtful	2.380.952.309	1.173.022.473	73.944.521
Level 5: Uncollectable	12.091.112.410	17.275.626.316	14.687.086.890
	843.704.476.476	914.506.022.836	853.360.619.828
Allowance for impairment	(16.126.934.755)	(15.218.022.819)	(13.496.000.584)
Carrying amount	827.577.541.721	899.288.000.017	839.864.619.244
Impaired renegotiated loans			
Gross amount	7.989.823.654	15.632.165.685	17.040.946.232
Impaired amount	7.989.823.654	15.632.165.685	17.040.946.232
Allowance for impairment	61.746.084	2.076.786.095	4.643.787.438
Total, net	7.928.077.570	13.555.379.590	12.397.158.794
Not in arrears or impaired:			
Level 1: Normal or low risk	741.991.951.264	822.441.293.412	773.529.739.957
Level 2: Special mention	66.940.929.501	55.274.912.419	47.900.788.829
Sub-total	808.932.880.765	877.716.205.831	821.430.528.786

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

Individually impaired			
Level 3: Subnormal	20.299.530.992	18.341.168.216	17.169.059.631
Level 4: Doubtful	2.380.952.309	1.173.022.473	73.944.521
Level 5: Uncollectable	12.091.112.409	17.275.626.315	14.687.087.472
Sub-total	<u>34.771.595.710</u>	<u>36.789.817.004</u>	<u>31.930.091.624</u>
Allowance for impairment			
Specific	15.665.442.129	14.809.639.362	13.196.961.959
Collective	461.492.626	408.383.457	299.038.625
Total allowance for impairment	<u>16.126.934.755</u>	<u>15.218.022.819</u>	<u>13.496.000.584</u>
Clients' obligations for acceptances			
Carrying amount	¢ <u>2.241.937.641</u>	<u>2.225.283.165</u>	<u>1.967.290.800</u>
Interest receivable	¢ <u>4.579.688.277</u>	<u>6.499.279.471</u>	<u>4.919.047.679</u>
Net loan portfolio (carrying amount)	¢ <u>832.157.229.997</u>	<u>905.787.279.488</u>	<u>844.783.666.922</u>

As of June 30, 2021, the allowance for impairment of BICSA's loan portfolio is of ¢16.126.934.755 (¢15.218.022.819 and ¢13.496.000.584 for December and June 2020, respectively).

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

	June 2021		December 2020		June 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	432.254.534.937	37.749.596.500	275.150.270.515	35.240.976.550	257.609.937.878	27.570.567.248
Manufacturing	452.565.510.469	4.258.731.635	459.373.100.944	2.038.441.568	449.553.709.527	3.087.720.907
Construction, purchase, and repair of real estate	1.261.246.426.560	31.283.470.286	1.145.267.404.096	16.828.315.487	1.073.934.217.350	13.102.323.596
Agriculture, livestock, hunting, and related services	178.762.741.352	152.598.935	193.594.861.611	33.638.347	182.399.441.883	32.179.344
Fishing and aquaculture	40.228.220	0	11.172.166	1.379.117.338	0	0
Consumption	290.988.357.416	109.395.989.347	299.542.513.969	109.918.641.385	303.768.975.552	121.421.442.958
Education	792.447.274	0	3.431.935.531	0	3.150.157.237	0
Transportation	55.301.129.621	92,991,995	55.192.075.081	96.033.143	48.847.689.891	7.041.142.013
Financial activities and stock exchange	3.886.564.292	0	4,064,820,107	0	4.273.924.190	0
Electricity, telecom, gas, and water Services	101.612.174.147	0	54,793,466,607	0	55.039.038.547	0
Services	724.577.383.268	180.850.722.471	1.246.294.297.451	193.900.688.356	1.235.454.964.166	169.224.528.321
Hospitality	111.109.883.949	0	103.285.509.304	0	97.303.757.487	0
Mining and quarries	38.552.258	0	41.301.001	0	40.481.134	0
Real estate, business, and leasing activities	37.925.327.331	0	8.666.712.945	0	4.130.075.428	0
Public Administration	0	1.183.706.324	0	1.754.376.726	0	5.206.689.547
Real estate, business, and leasing activities	1.367.470.534	19.788.271	1.438.340.001	19.641.251	1.447.893.044	18.565.485
See notes 6 and 19	3.652.468.731.628	364.987.595.764	3.850.147.781.329	361.209.870.151	3.716.954.263.314	346.705.159.419
Other contingencies	0	68,228,427,887	0	74.386.976.782	0	66.189.755.625
	3.652.468.731.628	433.216.023.651	3.850.147.781.329	435.596.846.933	3.716.954.263.314	412.894.915.044

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

	June 2021	December 2020	June 2020
Germany	¢ 309.611.056	2.232.940.771	1.293.754.872
Brasil	5.921.776.711	6.269.916.100	5.876.911.280
China	3.825.865.886	960.641.025	8.076.857.047
Colombia	9.154.733.299	3.155.924.645	2.653.279.570
Costa Rica	302.468.822.379	361.845.897.872	347.786.135.423
Denmark	1.524.033.618	987.538.021	437.617.500
Ecuador	80.842.090.316	43.896.273.372	29.818.513.084
El Salvador	46.417.321.355	53.395.655.535	49.792.636.122
Spain	4.071.990.104	2.798.103.613	3.281.599.107
United States of America	23.729.667.316	23.738.170.880	24.612.778.681
Guatemala	38.261.509.740	39.184.066.907	38.328.571.779
Netherlands	0	76.285.317	0
Honduras	1.243.840.000	0	4.241.441.908
England	3.729.798.525	4.275.130.904	3.684.955.825
British Virgin Islands	2.882.737.266	3.072.895.943	2.977.352.250
México	12.978.653.197	13.701.223.507	13.266.981.342
Nicaragua	32.392.517.868	32.944.791.110	30.043.450.813
Panamá	233.949.204.310	291.427.430.620	258.674.016.213
Perú	27.503.300.629	21.002.496.051	19.784.393.680
Dominican Republic	5.755.525.678	2.965.509.200	2.917.450.000
Russia	219.395.962	115.996.843	342.228.555
Singapore	0	0	17.504.700
Uruguay	0	814.264.998	769.667.072
Others *	6.522.081.256	5.644.870.836	4.682.523.587
	¢ 843.704.476.471	914.506.024.070	853.360.620.410

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

	June 2021	December 2020	June 2020
Costa Rica	¢ 3.049.739.639.458	2.935.641.227.054	2.863.593.112.699
	¢ 3.049.739.639.458	2.935.641.227.054	2.863.593.112.699

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

As of June 30, 2021, the Bank keeps trust commissions in the amount of ¢1.219.250 (¢1.545 and ¢184.083 for December and June 2020, respectively).

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

		June 2021	December 2020	June 2020
Properties	¢	148.962.150.433	152.481.663.041	151.623.462.021
Others		688.023.572	693.972.758	1.737.946.190
	¢	<u>149.650.174.005</u>	<u>153.175.635.799</u>	<u>153.361.408.211</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):

		June 2021	December 2020	June 2020
Guarantee				
Pledged assets	¢	41.436.818.076	50.327.902.319	36.454.340.049
Collections		90.649.858.272	94.686.604.380	107.821.279.690
Fiduciary		849.781.227.378	819.791.124.821	450.802.284.913
Mortgage		1.572.610.690.008	1.524.137.792.109	1.624.190.685.479
Chattel		195.740.929.771	207.946.698.879	400.567.418.306
Others		1.143.225.122.632	1.153.257.658.821	1.097.118.254.877
	¢	<u>3.893.444.646.137</u>	<u>3.850.147.781.329</u>	<u>3.716.954.263.314</u>

As of June 30, 2021, 45% of the loan portfolio is secured by mortgage or chattel collaterals, 45% as of December 31, 2020 and 54% as of June 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 June 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

As of June 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 ¢	41.174.044.576	256
2	5-9.99%	47.811.953.763	190.674.331.227	72
3	10-14.99%	71.717.930.645	0	0
4	15-20%	95.623.907.526	780.753.016.378	241
Total			¢ 1.012.601.392.181	569

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 June 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 ¢	46.633.633.657	262
2	5-9.99%	46.523.050.661	192.470.414.224	81
3	10-14.99%	69.784.575.992	0	0
4	15-20%	93.046.101.322	794.330.513.117	266
Total			¢ 1.033.434.560.998	609

(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).

Price risk is the possibility of an economic loss due to adverse variations in the market price of a financial instrument.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

The liquidity risk is the possibility of an economic loss due to the lack of funds that would prevent the fulfillment of the obligations in the agreed terms. This risk can also be associated with a particular financial instrument and is associated with the financial depth of the market in which it is traded, to demand or offer the instrument without significantly affecting its value.

Interest rate risk is defined as the possibility of adverse changes in the financial conditions of an entity due to fluctuations in the interest rate within the banking book (investment portfolio), generating negative effects on the financial margin and the economic value of the entity.

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.

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.

The management of the liquidity risk is periodically assessed by daily updating of the BCR projected cash flows to six months through an automated application, for the preparation of the gap report to one and three months both in colones and in US dollars.

To decrease the liquidity risk, following variables are taken into consideration: deposits volatility, debt levels, liability structure, and liquidity degree of assets, availability of funding and the overall effectiveness of the gap of timelines.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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 decrease of 7.06% mainly on held-for-trading financial instruments (see cash and cash equivalents table in note 4).

Demand deposits increased by 28.77% 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).

Wholesale funding increased year-on-year by 11.02%, 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).

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

	June 2021	December 2020	June 2020
Liquidity coverage indicator (colones)	1.48	1.35	1.62
Liquidity coverage indicator (US Dollars)	1.24	1.58	1,29
Regulatory limit	1.00	1.00	1.00

As of June 30, 2021, the results of term matches are shown as follows:

<u>Indicator</u>	<u>June 2021 Observation</u>	<u>December 2020 Observation</u>	<u>June 2020 Observation</u>	<u>Approved levels</u>	
1-month term matching US Dollars	2.10	1.70	1.53	Limit	1.10
1-month term matching colones	2.35	1.44	1.63	Limit	1.00
3 months term matching US Dollars	1.90	1.16	1.28	Limit	0.94
3-months term matching colones	1.48	1.12	1.06	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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

As of June 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 than 365 days	Items overdue for more than thirty days	Total
Availabilities	225.500.681.046	0	0	0	0	0	122.298.485	0	225.622.979.531
Legal cash requirement BCCR	375.210.277.292	34.114.511.790	18.378.357.755	22.647.435.628	50.174.038.308	39.685.551.233	19.878.594.966	0	560.088.766.972
Investment in securities	(1.973.447.974)	368.305.154.999	25.455.369.675	10.574.549.029	126.628.572.026	162.791.801.920	1.002.030.046.050	0	1.693.812.045.725
Interest on investments	(1.214.574)	9.903.829.692	9.821.434.865	931.465.152	2.474.140.283	75.033.131	360.327.741	0	23.565.016.290
Loan portfolio	49.123.444.317	90.631.103.073	109.196.906.410	137.982.304.274	272.772.755.801	256.303.419.100	2.816.356.883.634	142.740.088.850	3.875.106.905.459
Interest on loan portfolio	129.285.929	7.312.882.790	5.253.169.920	6.165.504.497	4.847.399.004	820.015.317	8.195.667.162	154.699.346	32.878.623.965
	647.989.026.036	510.267.482.344	168.105.238.625	178.301.258.580	456.896.905.422	459.675.820.701	3.846.943.818.038	142.894.788.196	6,411,074,337,942
Liabilities									
Obligations with the public	2.944.219.843.557	304.632.014.016	176.018.758.484	202.144.488.782	437.462.613.114	386.270.115.019	276.351.670.640	0	4.727.099.503.612
Obligations with BCCR	0	0	0	0	0	0	120.470.000.000	0	120.470.000.000
Obligations with financial Entities	65.592.303.461	253.579.911.221	34.012.093.590	30.527.214.566	173.751.018.461	100.832.089.765	149.216.779.426	0	807,511,410,490
Charges payable on obligations	1.175.513.705	3.660.853.946	3.318.421.733	1.801.934.414	3.431.732.453	2.909.351.205	3.292.882.682	0	19.590.690.138
	3.010.987.660.723	561.872.779.183	213.349.273.807	234.473.637.762	614.645.364.028	490.011.555.989	549.331.332.748	0	5,674,671,604,240
Asset liability gap	(2.362.998.634.687)	(51.605.296.839)	(45.244.035.182)	(56.172.379.182)	(157.748.458.606)	(30.335.735.288)	3.297.612.485.290	142.894.788.196	736.402.733.702

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

As of June 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	¢ 212.090.925.815	0	0	0	0	0	104.609.909	0	212.195.535.724
Legal reserve account-BCCR	300.860.278.091	42.486.472.094	30.423.346.589	17.566.628.832	46.925.371.739	48.629.797.937	20.858.714.283	0	507.750.609.565
Investment in securities	2.100.789.685	391.393.879.818	38.153.192.490	28.149.307.088	171.604.953.418	199.919.865.104	418.109.299.434	0	1.249.431.287.037
Interest on investments	1.781.124	3.273.885.208	3.089.448.849	1.348.829.496	2.143.508.951	23.717.555	249.843.520	0	10.131.014.703
Loan portfolio	67.046.188.478	85.284.937.264	76.068.678.982	106.179.269.998	203.174.755.544	222.807.613.209	2.737.364.066.677	202.477.175.542	3.700.402.685.694
Interest on loans	88.606.370	6.940.309.070	3.908.004.195	7.811.229.791	4.903.14.255	5.002.079.020	2.687.177.100	8.173.139.326	39.513.659.127
	¢ <u>582.188.569.563</u>	<u>529.379.483.454</u>	<u>151.642.671.105</u>	<u>161.055.265.205</u>	<u>428.751.703.907</u>	<u>476.383.072.825</u>	<u>3.179.373.710.923</u>	<u>210.650.314.868</u>	<u>5,719,424,791,850</u>
Liabilities									
Obligations with the public	¢ 2.283.906.257.543	308.249.306.362	282.213.521.494	148.957.754.106	411.589.707.785	477.725.234.150	252.114.001.244	0	4.164.755.782.684
Obligations with financial									
Entities	89.883.727.737	260.973.485.396	36.609.458.492	42.028.873.552	105.640.526.983	188.280.854.175	189.418.372.136	0	912.835.298.471
Charges payable on obligations	1.299.437.155	5.672.808.518	4.723.129.704	2.476.121.341	4.751.532.693	3.393.935.227	2.860.051.188	0	25.177.015.826
	<u>2.375.089.422.435</u>	<u>574.895.600.276</u>	<u>323.546.109.690</u>	<u>193.462.748.999</u>	<u>521.981.767.461</u>	<u>669.400.023.552</u>	<u>444.392.424.568</u>	<u>0</u>	<u>5,102,768,096,981</u>
Assets and liabilities gap	¢ <u>(1.792.900.852.872)</u>	<u>(45.516.116.822)</u>	<u>(171.903.438.585)</u>	<u>(32.407.483.794)</u>	<u>(93.230.063.554)</u>	<u>(193.016.950.727)</u>	<u>2.734.981.286.355</u>	<u>210.650.314.868</u>	<u>616.656.694.869</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

(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 60.90% 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:

	June 2021	December 2020	June 2020
VaR ¢	10,049,695,480	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 June 30, 2021, a sensitivity analysis on possible variations in interest rates was developed.

Sensitivity to an increase in the interest rate of investments

	June 2021	December 2020	June 2020
Investments in financial instruments ¢	1.363.588.235.210	753.655.659.848	960.440.934.038
Increase in rates by 1%	291.416.908	193.762.699	224.033.445
Increase in rates by 2%	¢ 582.833.816	387.525.398	448.066.890

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

Sensitivity to a decrease in the interest rate of investments

	June 2021	December 2020	June 2020
Investments in financial instruments	¢ 1.363.588.235.210	753.655.659.848	960.440.934.038
Decrease in rates by 1%	291.416.908	193.762.699	224.033.445
Decrease in rates by 2%	¢ 582.833.816	387.525.398	448.066.890

Sensitivity to an increase in the interest rate of loan portfolio

	June 2021	December 2020	June 2020
Loan portfolio	¢ 3.160.747.184.068	3.056.756.166.060	2.863.593.112.703
Increase in rates by 1%	1.537.284.398	1.346.553.773	1.160.835.093
Increase in rates by 2%	¢ 3.099.864.869	2.730.186.649	2.420.944.948

Sensitivity to a decrease in the interest rate of loan portfolio

	June 2021	December 2020	June 2020
Loan portfolio	¢ 3.160.747.184.068	3.056.756.166.060	2.863.593.112.703
Decrease in rates by 1%	1.537.284.398	1.297.609.468	1.160.835.093
Decrease in rates by 2%	¢ 3.099.864.869	2.992.331.781	2.192.872.464

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

	June 2021	December 2020	June 2020
Obligations with the public	¢ 4.259.716.933.817	3.947.112.080.455	3.726.574.372.954
Increase in rates by 1%	3.387.266.230	3.127.746.509	2.346.162.709
Increase in rates by 2%	¢ 6.774.532.460	6.225.493.017	4.692.325.419

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

	June 2021	December 2020	June 2020
Obligations with the public	¢ 4.259.716.933.817	3.947.112.080.455	3.726.574.372.954
Decrease in rates by 1%	3.387.266.230	3.127.746.509	2.346.162.709
Decrease in rates by 2%	¢ 6.774.532.460	6.225.493.017	4.692.325.419

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

	June 2021	December 2020	June 2020
Financial term obligations ¢	170.808.936.482	287.572.604	245.735.294
Increase in rates by 1%	142.340.780	147.932.140	119.486.739
Increase in rates by 2% ¢	<u>284.681.560</u>	<u>295.864.280</u>	<u>238.973.478</u>

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

	June 2021	December 2020	June 2020
Financial term obligations ¢	170.808.936.482	287.572.604	245.735.294
Decrease in rates by 1%	142.340.780	147.932.140	119.486.739
Decrease in rates by 2% ¢	<u>284.681.560</u>	<u>295.864.280</u>	<u>238.973.478</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

As of June 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	7.21%	¢ 150.198.685.745	40.392.642.130	125.459.875.369	75.911.820.411	99.472.261.954	690.554.155.633	1.181.989.441.242
Loan portfolio	7.27%	<u>1.331.339.680.188</u>	<u>274.148.513.611</u>	<u>208.558.379.223</u>	<u>91.209.287.924</u>	<u>96.588.192.149</u>	<u>173.062.533.177</u>	<u>2.174.906.586.272</u>
Total recovery of assets (*)		<u>1.481.538.365.933</u>	<u>314.541.155.741</u>	<u>334.018.254.592</u>	<u>167.121.108.335</u>	<u>196.060.454.103</u>	<u>863.616.688.810</u>	<u>3.356.896.027.514</u>
Liabilities								
Obligations with the public		116.496.535.619	242.488.560.641	179.181.191.053	41.778.574.674	324.418.960.040	34.634.564.843	938.998.386.870
Obligations with financial entities	0.41%	<u>36.256.028.500</u>	<u>31.640.869.368</u>	<u>29.836.993.630</u>	<u>0</u>	<u>148.834.843.229</u>	<u>0</u>	<u>246.568.734.727</u>
Total matured liabilities (*)		<u>152.752.564.119</u>	<u>274.129.430.009</u>	<u>209.018.184.683</u>	<u>41.778.574.674</u>	<u>473.253.803.269</u>	<u>34.634.564.843</u>	<u>1.185.567.121.597</u>
Asset and liability gap		¢ <u>1,328,785,801,814</u>	<u>40,411,725,732</u>	<u>125,000,069,909</u>	<u>125,342,533,661</u>	<u>(277,193,349,166)</u>	<u>828,982,123,967</u>	<u>2,171,328,905,917</u>
US dollars:								
Assets								
Investment in securities	3.30%	¢ 238.893.174.772	44.784.156.057	39.203.805.566	86.181.210.204	124.009.670.544	173.729.936.175	706.801.953.318
Loan portfolio	5.98%	<u>729.542.216.618</u>	<u>480.883.723.072</u>	<u>301.546.299.242</u>	<u>52.492.466.526</u>	<u>34.461.094.263</u>	<u>133.762.648.906</u>	<u>1.732.688.448.627</u>
Total recovery of assets (*)		<u>968.435.391.390</u>	<u>525.667.879.129</u>	<u>340.750.104.808</u>	<u>138.673.676.730</u>	<u>158.470.764.807</u>	<u>307.492.585.081</u>	<u>2.439.490.401.945</u>
Liabilities								
Obligations with the public		237.347.055.238	68.936.508.923	46.695.639.161	106.684.944.557	117.641.295.542	34.152.794.191	611.458.237.612
Obligations with financial entities	0.33%	<u>30.352.865.174</u>	<u>31.520.820.339</u>	<u>94.162.406.020</u>	<u>90.599.456.177</u>	<u>101.119.683.622</u>	<u>49.754.891.472</u>	<u>397.510.122.804</u>
Total matured liabilities (*)		<u>267.699.920.412</u>	<u>100.457.329.262</u>	<u>140.858.045.181</u>	<u>197.284.400.734</u>	<u>218.760.979.164</u>	<u>83.907.685.663</u>	<u>1,008.968.360.416</u>
Asset and liability gap		¢ <u>700,735,470,978</u>	<u>425,210,549,867</u>	<u>199,892,059,627</u>	<u>(58,610,724,004)</u>	<u>(60,290,214,357)</u>	<u>223,584,899,418</u>	<u>1,430,522,041,529</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

As of June 30, 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	5.80%	¢ 227.509.053.746	64.421.523.387	159.319.245.161	106.819.361.342	165.972.266.580	68.710.285.374	792.751.735.590
Loan portfolio	9.06%	911.849.832.963	332.958.580.097	209.278.656.320	109.019.284.657	184.904.376.983	200.469.457.112	1.948.480.188.132
Total recovery of assets (*)		<u>1.139.358.886.709</u>	<u>397.380.103.484</u>	<u>368.597.901.481</u>	<u>215.838.645.999</u>	<u>350.876.643.563</u>	<u>269.179.742.486</u>	<u>2.741.231.923.722</u>
Liabilities								
Obligations with the public		139.336.943.542	258.793.975.608	238.859.336.153	41.423.890.643	301.867.062.164	35.166.997.910	1.015.448.206.020
Demand	1.74%							
Term	6.57%							
Obligations with financial entities	0.01%	39.252.909.122	27.360.289.237	517.114.673	0	20.960.925.530	0	88.091.238.562
Total matured liabilities (*)		<u>178.589.852.664</u>	<u>286.154.264.845</u>	<u>239.376.450.826</u>	<u>41.423.890.643</u>	<u>322.827.987.694</u>	<u>35.166.997.910</u>	<u>1.103.539.444.582</u>
Asset and liability gap		<u>¢ 960.769.034.045</u>	<u>111.225.838.639</u>	<u>129.221.450.655</u>	<u>174.414.755.356</u>	<u>28.048.655.869</u>	<u>234.012.744.576</u>	<u>1.637.692.479.140</u>
USDólares:								
Assets								
Investment in securities	2.34%	¢ 169.795.402.552	30.839.420.651	46.701.766.950	55.856.227.384	61.739.947.318	103.937.436.398	468.870.201.253
Loan portfolio	6.31%	644.350.890.264	378.643.220.540	288.059.163.571	205.515.645.050	46.643.234.202	153.035.514.355	1.715.247.667.982
Total recovery of assets (*)		<u>814.146.292.816</u>	<u>409.482.641.191</u>	<u>334.760.930.521</u>	<u>261.371.872.434</u>	<u>108.383.181.520</u>	<u>256.972.950.753</u>	<u>2.185.117.869.235</u>
Liabilities								
Obligations with the public		181.836.231.075	70.843.068.578	66.344.375.900	137.555.874.912	110.708.386.012	24.236.695.847	591.524.632.324
Demand	0.21%							
Term	1.68%							
Obligations with financial entities	0.57%	54.912.160.449	51.641.565.389	84.817.811.308	186.503.772.889	107.458.022.173	20.697.755.386	506.031.087.594
Total matured liabilities (*)		<u>236.748.391.524</u>	<u>122.484.633.967</u>	<u>151.162.187.208</u>	<u>324.059.647.801</u>	<u>218.166.408.185</u>	<u>44.934.451.233</u>	<u>1.097.555.719.918</u>
Asset and liability gap		<u>¢ 577.397.901.292</u>	<u>286.998.007.224</u>	<u>183.598.743.313</u>	<u>(62.687.775.367)</u>	<u>(109.783.226.665)</u>	<u>212.038.499.520</u>	<u>1.087.562.149.317</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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 June 30, 2021, for ¢2.169.150.261.504 (¢1.880.234.752.982 and ¢1.637.692.479.140 for December and June, respectively) while in foreign currency the same difference is of ¢1.430.519.907.863 (¢1.383.692.688.370 and ¢1.087.562.149.317 for December and June 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 June 30, 2021, the total amount in local currency was of ¢736.402.733.702 (¢394.723.716.572 and ¢365.650.603.738 for December and June 2020, respectively) while in foreign currency, the collected data for the compliance of obligations was of ¢413.407.472 (¢267.967.607.717 and ¢251.006.091.131 for December and June 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 first quarter of 2021, the exchange rate has had an upward trend, resulting in a daily volatility of 0.51% at the end of June.

To comply with the Own Position in Foreign Currency, the Treasury Management had to maintain a positive position in foreign currency, reaching US\$227 million (US\$235 million as of December 2020 and US\$225.5 million as of June 2020).

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

		June 2021	December 2020	June 2021
ASSETS				
Cash and due from banks	US\$	610.587.985	627.786.440	607.719.194
Investment in financial instruments		991.004.461	893.505.711	800.543.820
Loan portfolio		2.786.208.799	2.950.578.946	2.945.652.377
Accounts and interest receivable		15.240.594	11.169.487	8.957.122
Other assets		40.578.859	35.534.173	57.187.119
Total assets		<u>4.443.620.698</u>	<u>4.518.574.757</u>	<u>4.420.059.632</u>
LIABILITIES				
Obligations with the public		3.138.832.768	2.834.012.985	2.750.607.504
Other financial obligations		948.889.323	1.293.962.636	1.261.715.043
Other accounts payable and provisions		36.307.077	40.797.322	49.299.658
Other liabilities		20.714.004	28.514.040	35.011.508
Total liabilities		<u>4.144.753.172</u>	<u>4.197.286.983</u>	<u>4.096.633.713</u>
Net position	US\$	<u>298.867.526</u>	<u>321.287.774</u>	<u>323.425.919</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 June 30, 2021, the exchange rate of ¢621.92 per US\$1.00 (¢617.30 per US\$1.00 in December 2020 and ¢583.49 per US \$1.00 in June 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

		June 2021	December 2020	June 2020
Net position	US\$	298.867.526	321.287.775	323.425.919
Closing exchange rate		621.92	617.30	583.49
5% increase in the exchange rate		31.10	30.87	29.17
Profit	¢	<u>9.294.780.059</u>	<u>9.918.153.614</u>	<u>9.434.334.057</u>

Sensibility to a decrease in the exchange rate

		June 2021	December 2020	June 2020
Net position	US\$	298.867.526	321.287.775	323.425.919
Closing exchange rate		621.92	617.30	583.49
5% decrease in the exchange rate		(31.10)	(30.87)	(29.17)
Profit	¢	<u>(9.294.780.059)</u>	<u>(9.918.153.614)</u>	<u>(9.434.334.057)</u>

Assets and liabilities in Euros are detailed as follows:

		June 2021	December 2020	June 2020
Assets				
Cash and due from banks	EUR€	6.931.163	7.344.314	4.476.711
Other assets		7.287	74	1.403
Total assets		<u>6.938.450</u>	<u>7.344.388</u>	<u>4.478.114</u>
Liabilities				
Obligations with the public		5.229.187	5.020.732	4.524.770
Other financial obligations		624.493	643.414	511.414
Other accounts payable and provisions		21.877	32.776	55.307
Other liabilities		1.197	773.368	64
Total liabilities		<u>5.876.754</u>	<u>6.470.290</u>	<u>5.091.555</u>
Net position (surplus assets on monetary liabilities)	EUR€	<u>1.061.696</u>	<u>874.098</u>	<u>(613.441)</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

As of June 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\$	236.733.140	0	0	0	0	0	180.567	0	236.913.707
Legal reserve account-BCCR		248.515.070	33.028.954	8.722.507	12.310.283	20.707.629	29.882.843	20.505.992	0	373.673.278
Investments in securities		101.959	365.801.441	8.475.326	2.854.171	45.574.156	103.235.099	455.891.512	0	981.933.664
Interest on investments		(3.431)	2.970.873	4.515.897	16.045	1.106.387	49.513	415.512	0	9.070.796
Loan portfolio		78.986.758	95.397.423	138.686.971	185.688.294	343.909.215	260.126.113	1.646.353.613	127.748.450	2.876.896.837
Interest on loans		207.882	2.765.372	4.522.736	3.655.390	2.358.769	1.065.721	7.527.718	(1.420)	22.102.168
Total Assets	US\$	564.541.378	499.964.063	164.923.437	204.524.183	413.656.156	394.359.289	2.130.874.914	127.747.030	4.500.590.450
Liabilities										
Obligations with the public	US\$	1.724.357.113	304.369.698	106.033.702	120.199.029	193.822.351	332.783.954	346.993.732	0	3.128.559.579
Obligations with financial										
Entities		69.280.270	232.481.540	25.158.767	31.392.568	234.529.813	115.901.955	234.755.513	0	943.500.426
Charges payable on obligations		189.894	2.564.287	1.692.540	1.325.947	2.680.796	2.211.714	4.457.795	0	15.122.973
Total Liabilities		1.793.827.277	539.415.525	132.885.009	152.917.544	431.032.960	450.897.623	586.207.040	0	4.087.182.978
Asset and liability gaps	US\$	(1.229.285.899)	(39.451.462)	32.038.428	51.606.639	(17.376.804)	(56.538.334)	1.544.667.874	127.747.030	413.407.472

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

As of June 30, 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\$	256.946.521	0	0	0	0	0	179.283	0	257.125.804
Legal reserve account-BCCR		202.644.348	45.789.056	13.130.902	8.468.431	21.466.501	35.835.802	23.258.349	0	350.593.389
Investments in securities		1.899	290.342.597	44.724.351	3.813.564	72.384.205	95.975.338	288.232.713	0	795.474.667
Interest on investments		0	497.471	2.993.182	38.519	1.343.202	8.586	162.370	0	5.043.330
Loan portfolio		114.905.463	98.926.768	96.736.469	150.051.223	217.455.194	217.685.035	1.954.339.965	156.033.943	3.006.134.060
Interest on loans		151.856	2.968.404	1.539.470	3.388.236	1.771.553	6.756.180	4.600.650	4.640.202	25.816.551
	US\$	574.650.087	438.524.296	159.124.374	165.759.973	314.420.655	356.260.941	2.270.773.330	160.674.145	4.440.187.801
Liabilities										
Obligations with the public	US\$	1.266.182.748	297.031.406	153.222.459	72.128.831	206.347.509	416.599.041	326.355.384	0	2.737.867.378
Obligations with financial entities		108.901.071	268.467.184	41.153.843	49.327.645	145.762.253	321.840.159	316.496.862	0	1.251.949.017
Charges payable on obligations		424.714	3.807.460	3.126.003	1.471.734	3.757.820	3.540.882	4.062.172	0	20.190.785
		1.375.508.533	569.306.050	197.502.305	122.928.210	355.867.582	741.980.082	646.914.418	0	4.010.007.180
Asset and liability gaps	US\$	(800.858.446)	(130.781.754)	(38.377.931)	42.831.763	(41.446.927)	(385.719.141)	1.623.858.912	160.674.145	430.180.621

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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 June 30, 2021, the financial statements show a net foreign exchange gain of ¢532.356.033 (¢1.518.259.552, June 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.

(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.

As of June 30, 2021, the BCR Financial Conglomerate has a size equivalent to 60.20% of the national production; while 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.

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. 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

(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 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

Gross operating losses
- Percentage distribution by type of risk-

Type of operational risk	June 2021
Business interruption and system failures	8.50%
External fraud	85.85%
Execution, delivery, and management of processes	5.01%
Labor relations and workplace safety	0.62%
Clients, products, and business practices	0.02%
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%

An adjustment was made to the risk type Business interruption and system failures, which reflects external fraud with a greater relative weight for the second quarter of 2021.

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

This work is carried out in accordance with current internal regulations within which the Corporate Guidelines, Corporate Risk Provisions, Methodology for the Evaluation of Technological and Cyber Risk and Procedures to manage IT risks in the BCR Financial Conglomerate stand out.

Business Continuity

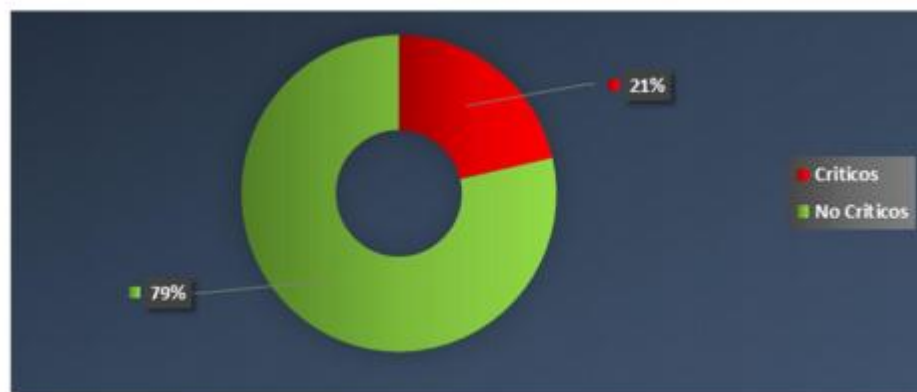
(j) Business Impact Analysis

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.

Critical processes of the CFBCR



As a result of the previous analysis, the recovery priority of the processes was obtained according to the identification of the criticality of their activities, which is detailed in the following table.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

Classification of critical CFBCR processes

Critical processes	Number of processes	Percentage
High	41	61%
Medium	20	30%
Low	6	9%
Total	67	100%

The BIA in the BCR Financial Conglomerate is one of the fundamental pillars of business continuity, being one of the most important stages of the SGCN, because it provides essential information on the operation of the organization. From this study, business continuity efforts, plans and strategies are concentrated to ensure that business does not stop.

Finally, in terms of managing the risk of money laundering, financing of terrorism and financing the proliferation of weapons of mass destruction, it continues to be a high priority at the institutional. The permanent reinforcement of the culture in the business areas regarding the mitigation of this risk is maintained.

This management integrates normatively defined evaluation factors such as clients, products, services, channels, and geographical areas. Permanent monitoring is provided through the Corporate Compliance Committee and the Management Body, to strengthen and promote actions that ensure the application of policies and procedures by all officials of the BCR Financial Conglomerate.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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 June 30, 2021

Financial Information

(In colones without cents)

	June 2021	December 2020	June 2020
ASSETS			
Cash and due from banks	¢ 1.168.728.627	1.246.277.231	298.523.882
Cash	1.168.728.627	1.246.277.231	298.523.882
Investment in financial instruments	2.241.873.928	3.258.275.841	3.765.282.538
At fair value with changes through profit or loss	0	2.506.287.491	0
At fair value with changes through other comprehensive income	2.177.302.261	750.000.000	3.751.356.000
Interest receivable	64.571.667	1.988.350	13.926.538
Loan portfolio	33.292.706.539	30.075.564.068	29.848.371.481
Current loans	32.593.138.228	29.303.490.006	27.938.040.622
Past due loans	933.187.631	915.738.825	1.742.275.091
Loans on legal collection	40.969.062	83.900.091	389.743.339
(Deferred income – loan portfolio)	(294.378.042)	(265.160.672)	(280.478.901)
Interest receivable	179.930.904	176.680.224	198.348.869
(Allowance for impairment)	(160.141.244)	(139.084.406)	(139.557.539)
Accounts and commissions receivable	3.581.362	2.871.750	46.533
Other accounts receivable	4.370.352	3.627.432	416.952
(Allowance for impairment)	(788.990)	(755.682)	(370.419)
Other Assets	4.330.698	4.358.015	4.330.698
Other Assets	4.330.698	4.358.015	4.330.698
TOTAL ASSETS	¢ 36.711.221.154	34.587.346.905	33.916.555.132
LIABILITIES			
Accounts payable and provisions	¢ 25.112.645	22.720.587	17.840.471
Other miscellaneous accounts payable	25.112.645	22.720.587	17.840.471
Other liabilities	1.960.098	455.119	302.649
Other liabilities	1.960.098	455.119	302.649
TOTAL LIABILITIES	¢ 27.072.743	23.175.706	18.143.120
EQUITY			
Contributions from Banco Central de Costa Rica	¢ 26.014.386.470	24.366.546.259	24.366.546.259
Adjustments to equity – Other comprehensive income	0	0	(815)
Accumulated results from previous periods	10.197.624.940	8.943.182.201	8.943.182.201
Result of the current period	472.137.001	1.254.442.739	588.684.367
TOTAL EQUITY	¢ 36.684.148.411	34.564.171.199	33.898.412.012
TOTAL EQUITY AND LIABILITIES	¢ 36.711.221.154	34.587.346.905	33.916.555.132
CONTINGENT DEBIT MEMORANDA ACCOUNTS	¢ 1.725.200	0	16.493.440
OTHER DEBIT MEMORANDA ACCOUNTS	¢ 9.752.194.984	5.753.706.249	
Own debit memoranda accounts	0	0	3.867.599.105

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

**DEVELOPMENT FINANCING FUND
STATEMENT OF INCOME**

For the periods ended June 30, 2021

Financial Information

(In colones without cents)

	June 2021	June 2020	Quarter from April 1 to June 30	
	2021	2020	2021	2020
Financial income				
For loan portfolio	686.473.927	872.820.612	317.146.046	402.658.216
For profit on held-for-trading financial instruments	1.159.151	3.789.346	1.159.151	(1.026.020)
Other financial income	4.588.745	815	1.865.321	0
Total financial income	692.221.823	876.610.773	320.170.518	401.632.196
Financial expenses				
For losses in exchange differences	0	0	(371.902)	0
Total financial expenses	0	0	(371.902)	0
For allowance on loan portfolio	21.622.662	173.455.858	29.070	168.516.278
For recovery of assets and decrease in allowance	6.435.395	242.854.717	4.373.279	235.291.007
Financial income	677.034.556	946.009.632	324.886.629	468.406.925
Other operating income				
For other operating income	346.424	14.707.994	251.424	14.707.994
For exchange and arbitration of currency	0	6	0	6
For commissions for services	5.759.407	652.404	1.872.908	(6.762.814)
Total other operating income	6.105.831	15.360.404	2.124.332	7.945.186
Other operating expenses				
For foreclosed assets	411.364	0	0	0
For other operating expenses	210.592.022	372.685.669	166.985.409	188.152.933
Total administrative expenses	211.003.386	372.685.669	166.985.409	188.152.933
Operating income, gross	472.137.001	588.684.367	160.025.552	288.199.178
Operating income, gross	¢ 472.137.001	588.684.367	160.025.552	288.199.178

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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	June 2021	December 2020	June 2020
Agriculture, livestock, hunting and related services	¢ 10.747.624.354	9.819.784.391	9.198.249.540
Public administration	3.787.520.822	0	0
Fishing and aquaculture	40.228.220	11.172.166	0
Manufacturing	4.985.338.043	4.683.555.594	4.443.290.608
Trade	8.505.339.179	124.626.151	116.022.764
Services	3.660.861.817	13.905.247.401	14.418.207.007
Trasnportation	246.647.995	167.919.566	177.776.769
Financial activity and stock exchange	997.073.322	1.106.957.428	1.219.562.177
Real estate, business, and lease activities	270.004.138	0	0
Building, purchase, and repair of real estate	110.689.123	193.800.359	227.250.421
Hotels and restaurants	215.967.908	224.491.195	225.905.442
Education	0	65.574.671	43.794.323
	<u>33.567.294.921</u>	<u>30.303.128.922</u>	<u>30.070.059.051</u>
Plus: interest receivable	179.930.904	176.680.224	198.348.869
Less: Deferred income – loan portfolio	(294.378.042)	(265.160.672)	(280.478.901)
Allowance for impairment	(160.141.244)	(139.084.406)	(139.557.539)
	<u>¢ 33.292.706.539</u>	<u>30.075.564.068</u>	<u>29.848.371.480</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

b) Loan portfolio by arrears:

The loan portfolio by arrears is detailed as follows:

	June 2021	December 2020	June 2020
Up to date	¢ 32.593.138.228	29.303.490.006	27.938.040.622
1 to 30 days	891.728.793	753.633.934	695.284.037
31 to 60 days	20.572.837	102.520.739	280.589.314
61 to 90 days	15.886.001	9.835.341	472.018.757
91 to 120 days	0	47.748.810	127.542.304
121 to 180 days	0	0	154.125.488
More than 180 days	5.000.000	2.000.000	402.458.530
Legal collection	40.969.062	83.900.092	0
	¢ 33.567.294.921	30.303.128.922	30.070.059.052

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:

	June 2021	December 2020	June 2020
Number of operations	6	7	13
Past due loans in non-accrual status of interest	¢ 45.969.062	85.900.092	402.458.530
Past due loans for which interest is recognized	¢ 928.187.631	913.738.824	1.729.559.900
Total unearned interest	¢ 63.788.328	38.562.236	21.552.212

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

# operations	Percentage	Balance
4	0.12%	¢ <u>40.969.062</u>

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

# operations	Percentage	Balance
6	0.28%	¢ <u>83.900.091</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

# operations	Percentage	Balance
12	1.30%	¢ <u>389.743.339</u>

d) Interest receivable on loan portfolio

Interest receivable is as follows:

	June 2021	December 2020	June 2020
Current loans	¢ 174.452.377	167.578.015	159.477.464
Past due loans	4.693.319	6.119.658	25.976.583
Loans on legal collection	785.208	2.982.551	12.894.822
	¢ <u>179.930.904</u>	<u>176.680.224</u>	<u>198.348.869</u>

e) Allowance for bad loans

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

As of June 30, 2021:

Opening balance 2021	¢	139.084.406
Plus:		
Allowance charged to profit or loss		21.572.277
Transfer of balances		(92.954)
Adjustment for exchange rate differences		8.520
Less:		
Adjustment for exchange rate differences		(2.078)
Adjustments for exchange differences		(428.927)
Balance as of June 30, 2021	¢	<u>160.141.244</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>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

As of June 30, 2020

Opening balance 2020	¢	197.505.723
Plus:		
Allowance charged to profit or loss		173.092.840
Adjustments for exchange differences		21.993.265
Less:		
Transfer to outstanding balances		(10.681.080)
Reversal of allowance against income		(242.353.209)
Balance as of June 30, 2020	¢	<u>139.557.539</u>

f) Loan portfolio by type of guarantee:

The loan portfolio by type of guarantee is as follows:

	June 2021	December 2020	June 2020
Guarantee			
Fiduciary	¢ 178.366.099	162.133.222	0
Mortgage	22.297.497.009	19.106.693.082	6.941.225.608
Chattel	681.818.818	686.037.251	9.345.827.327
Others	10.409.612.995	10.348.265.367	13.783.006.117
	¢ <u>33.567.294.921</u>	<u>30.303.128.922</u>	<u>30.070.059.052</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

	<u>Direct Loan</u>		
	<u>Portfolio</u>		
	<u>June</u>	<u>December</u>	<u>June</u>
	<u>2021</u>	<u>2020</u>	<u>2020</u>
Principal	¢ 33.567.294.921	30.303.128.922	30.070.059.052
Interest receivable	179.930.904	176.680.224	198.348.869
	<u>33.747.225.825</u>	<u>30.479.809.146</u>	<u>30.268.407.921</u>
Allowance for bad loans	<u>(160.141.244)</u>	<u>(139.084.406)</u>	<u>(139.557.539)</u>
Carrying amount	¢ <u><u>33.587.084.581</u></u>	<u><u>30.340.724.740</u></u>	<u><u>30.128.850.382</u></u>
Loan portfolio			
Total balances:			
A1	¢ 1.008.602.568	1.113.040.692	0
C2	842.768	3.291.111	0
1	32.044.261.888	28.529.599.737	28.705.009.240
2	5.058.261	63.731.314	211.223.591
3	200.306.046	237.251.665	564.763.488
4	434.237.813	443.976.165	186.367.039
5	0	0	181.625.171
6	53.916.481	88.918.462	419.419.392
	<u>33.747.225.825</u>	<u>30.479.809.146</u>	<u>30.268.407.921</u>
Minimum allowance	<u>(135.030.798)</u>	<u>(95.859.116)</u>	<u>(113.288.748)</u>
Carrying amount. net	¢ <u><u>33.612.195.027</u></u>	<u><u>30.383.950.030</u></u>	<u><u>30.155.119.173</u></u>
Carrying amount	33.747.225.825	30.479.809.146	30.268.407.921
Allowance for bad loans	(135.030.798)	(95.859.116)	(113.288.748)
Allowance (surplus) deficit			
on minimum allowance	<u>(25.110.446)</u>	<u>(43.225.290)</u>	<u>(26.268.791)</u>
Carrying amount. net	6a ¢ <u><u>33.587.084.581</u></u>	<u><u>30.340.724.740</u></u>	<u><u>30.128.850.382</u></u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

As of June 30, 2021

Loan portfolio	Direct Loan Portfolio			
	Principal	Covered balance	Overdraft	Allowance
Direct generic allowance				
1	¢ 32.044.261.888	21.842.129.722	10.202.132.166	80.436.797
A1	1.008.602.569	0	1.008.602.569	5.043.013
	<u>33.052.864.457</u>	<u>21.842.129.722</u>	<u>11.210.734.735</u>	<u>85.479.810</u>
Direct specific allowance				
2	5.058.260	2.235.337	2.822.923	152.322
3	200.306.046	174.044.504	26.261.542	7.435.608
4	434.237.813	364.318.252	69.919.561	36.781.372
6	53.916.481	48.983.929	4.932.552	5.177.472
C2	842.768	842.768	0	4.214
	<u>694.361.368</u>	<u>590.424.790</u>	<u>103.936.578</u>	<u>49.550.988</u>
	¢ <u>33.747.225.825</u>	<u>22.432.554.512</u>	<u>11.314.671.313</u>	<u>135.030.798</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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
	<u>2.303.721.550.290</u>	<u>1.660.452.593.707</u>	<u>643.268.956.598</u>	<u>(11.518.607.807)</u>	<u>217.779.442.235</u>	<u>(150.417.045)</u>
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
	<u>664.522.064.408</u>	<u>478.626.032.980</u>	<u>185.896.031.426</u>	<u>(70.355.771.418)</u>	<u>14.785.352.532</u>	<u>(151.084.945)</u>
¢	<u>2.968.243.614.698</u>	<u>2.139.078.626.687</u>	<u>829.164.988.024</u>	<u>(81.874.379.225)</u>	<u>232.564.794.767</u>	<u>(301.501.990)</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

As of June 30, 2020

Loan portfolio	Direct Loan Portfolio			
	Principal	Covered balance	Overdraft	Allowance
Direct generic allowance				
1	¢ 28.705.009.240	16.942.465.948	11.762.543.292	69.087.832
	<u>28.705.009.240</u>	<u>16.942.465.948</u>	<u>11.762.543.292</u>	<u>69.087.832</u>
Direct specific allowance				
2	211.223.591	211.223.591	0	1.056.118
3	564.763.488	520.872.613	43.890.875	13.577.082
4	186.367.039	186.367.039	0	931.835
5	181.625.171	148.786.658	32.838.513	23.730.893
6	419.419.392	416.597.90	2.822.001	4.904.988
	<u>1.563.398.681</u>	<u>1.483.847.291</u>	<u>79.551.390</u>	<u>44.200.916</u>
	<u>30.268.407.921</u>	<u>18.426.313.239</u>	<u>11.842.094.681</u>	<u>113.288.748</u>

As of June 30, 2021

Loan portfolio	Direct Loan Portfolio			
	Principal	Covered balance	Overdraft	Allowance
Aging of loan portfolio				
Direct generic allowance				
Up to date	¢ 32.767.590.605	21.558.452.818	11.209.137.787	83.534.436
Equal or less than 30 days	853.587.328	789.060.269	64.527.059	1.839.420
Equal or less than 180 days	0	0	0	105.954
	<u>33.621.177.933</u>	<u>22.347.513.087</u>	<u>11.273.664.846</u>	<u>85.479.810</u>
Direct specific allowance				
Equal or less than 60 days	63.269.187	42.150.709	21.118.478	40.769.468
Equal or less than 180 days	15.980.996	886.432	15.094.564	3.778.073
More than 180 days	46.797.709	42.004.284	4.793.425	5.003.447
	<u>¢ 126.047.892</u>	<u>85.041.425</u>	<u>41.006.467</u>	<u>49.550.988</u>
	<u>¢ 33.747.225.825</u>	<u>22.432.554.512</u>	<u>11.314.671.313</u>	<u>135.030.798</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

As of December 31, 2020

Loan portfolio

Aging loan portfolio

	Direct Loan Portfolio				Contingent Loan Portfolio	
	Principal	Covered balance	Overdraft	Allowance	Principal	Allowance
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
	<u>2.303.721.550.292</u>	<u>1.660.452.593.707</u>	<u>643.268.956.598</u>	<u>(11.650.254.455)</u>	<u>217.779.442.235</u>	<u>(150.417.046)</u>
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)
	<u>664.522.064.406</u>	<u>478.626.032.980</u>	<u>185.896.031.426</u>	<u>(70.224.124.770)</u>	<u>14.785.352.532</u>	<u>(151.084.944)</u>
	¢ <u>2.968.243.614.698</u>	<u>2.139.078.626.687</u>	<u>829.164.988.024</u>	<u>(81.874.379.225)</u>	<u>232.564.794.767</u>	<u>(301.501.990)</u>

As of June 30, 2020

Loan Portfolio

Aging of loan portfolio

	Direct Loan Portfolio			
	Principal	Covered balance	Overdraft	Allowance
Direct generic allowance				
Up to date	28.097.518.085	16.345.731.714	11.751.786.371	67.350.521
Equal or less than 30 days	701.805.321	691.048.400	10.756.921	1.737.311
	<u>28.799.323.406</u>	<u>17.036.780.114</u>	<u>11.762.543.292</u>	<u>69.087.832</u>
Direct specific allowance				
Equal or less than 60 days	285.303.954	266.002.995	19.300.959	6.626.826
Equal or less than 90 days	441.374.361	424.819.400	16.554.960	6.262.837
Equal or less than 180 days	345.969.972	305.096.503	40.873.469	26.521.181
More than 180 days	396.436.228	393.614.227	2.882.001	4.790.072
	<u>1.469.084.515</u>	<u>1.389.533.125</u>	<u>79.551.390</u>	<u>44.200.916</u>
	<u>30.268.407.921</u>	<u>18.426.313.239</u>	<u>11.842.094.681</u>	<u>113.288.78</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

		Loans receivable from clients	
		Gross	Net
As of June 30. 2021			
Risk category:			
1	¢	32.044.261.887	31.963.825.091
2		5.058.261	4.905.938
3		200.306.046	192.870.438
4		434.237.813	397.456.441
6		53.916.481	48.739.009
A1		1.008.602.569	1.003.559.556
C2		842.768	838.554
	¢	<u>33.747.225.825</u>	<u>33.612.195.027</u>
As of December 31. 2020			
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 June 30. 2020			
Risk category:			
1	¢	28.705.009.240	28.635.921.408
2		211.223.591	210.167.473
3		564.763.488	551.186.406
4		186.367.039	185.435.204
5		181.625.171	157.894.279
6		419.419.392	414.514.404
	¢	<u>30.268.407.921</u>	<u>30.155.119.173</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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 June 30, 2021
Financial Information
(In colones without cents)

	June	December	June
	2021	2020	2020
Assets			
Cash and due from banks	¢ 546.381.868	572.602.946	434.996.450
Banco Central de Costa Rica	546.381.868	572.602.946	434.996.450
Investments in financial instruments	134.885.319.212	148.054.359.961	133.646.268.816
At fair value through profit or loss	3.467.717.714	5.202.208.883	0
At fair value through other comprehensive income	129.621.547.557	141.088.054.191	215.116.247
At amortized cost	0	100.004.167	131.877.811.091
Interest receivable	1.796.053.941	1.664.092.720	1.553.341.477
Loan portfolio	25.557.111.240	22.741.655.708	25.242.779.911
Current loans	25.814.880.446	22.921.063.273	25.124.275.633
Past due loans	106.272.774	110.874.791	389.780.051
(Deferred income – loan portfolio)	(381.521.303)	(308.265.463)	(311.769.156)
Interest receivable	114.397.148	84.427.114	105.527.383
(Allowance for impairment)	(96.917.824)	(66.444.007)	(65.033.999)
Accounts and commissions receivable	2.038.426	198.395.367	0
Tax and deferred income tax	2.038.426	198.395.367	0
Other assets	711.681.699	394.071.324	0
Other assets	711.681.699	394.071.324	0
Total assets	¢ 161.702.532.446	171.961.085.306	159.324.045.177
Liabilities			
Obligations with entities	¢ 155.152.024.290	168.090.921.427	156.487.990.678
Demand	155.152.024.290	168.090.921.427	156.487.990.678
Accounts payable and provisions	1.404.970.406	378.106.823	0
Deferred income tax	1.404.970.406	378.106.823	0
Other liabilities	439.704.298	697.720.716	373.739.128
Other liabilities	439.704.298	697.720.716	373.739.128
Total liabilities	¢ 156.996.698.994	169.166.748.966	156.861.729.805
EQUITY			
Result of the previous period	¢ 3.696.908.092	844.374.416	1.696.790.360
Income of the current period	1.008.925.360	1.949.961.924	765.525.012
Total equity	¢ 4.705.833.452	2.794.336.340	2.462.315.372
Total liabilities and equity	¢ 161.702.532.446	171.961.085.306	159.324.045.177
Other debit memoranda accounts			
Other debit memoranda accounts	¢ 18.884.968.207	16.243.717.176	17.063.188.095
Own debit memoranda accounts	¢ 17.476.245	6.083.172	13.491.230

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

DEVELOPMENT CREDIT FUND

STATEMENT OF INCOME

For the period ended June 30, 2021

Financial Information

(In colones without cents)

	June 2021	June 2020	Quarter from April 1 to June 30	
			2021	2020
Financial income				
For investments in financial instruments	¢ 3.433.505.945	2.772.657.284	1.661.836.353	1.522.803.153
For loan portfolio	575.896.075	541.279.600	262.224.247	263.070.897
For exchange rate differences	168.230.993	424.475.774	168.230.993	(114.177.317)
Other financial income	146.485.933	238.324.650	49.086.828	28.217.704
Total financial income	<u>4.324.118.946</u>	<u>3.976.737.308</u>	<u>2.141.378.421</u>	<u>1.699.914.437</u>
Financial expenses				
For obligations with the public	591.362.145	838.902.636	279.045.321	340.201.702
Other financial expenses	6.909.090	9.201.452	4.316.890	4.513.201
Total financial expenses	<u>598.271.235</u>	<u>848.104.088</u>	<u>180.823.866</u>	<u>344.714.903</u>
Recovery of assets and decrease in allowance	124.006.230	897.220.618	86.095.616	366.966.425
For recovery of assets and decrease in allowance	95.686.109	86.625.369	12.536.285	55.858.458
Financial income	<u>¢ 3.697.527.590</u>	<u>2.318.037.971</u>	<u>1.886.995.224</u>	<u>1.044.091.567</u>
Other operating income				
For service commissions and fees	8.492	10.061	7.512	10.061
For exchange and arbitration, foreign currency	149.139.348	171.826.146	98.061.305	66.801.630
For other operating expenses	3.251.109	198.031.639	928.647	11.530.193
Total other operating income	<u>¢ 152.398.949</u>	<u>369.867.846</u>	<u>98.997.464</u>	<u>78.341.884</u>
Other operating expenses				
For exchange and arbitration, foreign currency	70.967.328	75.294.973	53.967.671	16.246.332
For other operating expenses	23.505.745	201.702.878	8.476.860	46.382.930
Total other operating expenses	<u>¢ 94.473.073</u>	<u>276.997.851</u>	<u>62.444.531</u>	<u>62.629.262</u>
Gross operating	<u>¢ 3.755.453.466</u>	<u>2.410.907.966</u>	<u>1.923.548.157</u>	<u>1.059.804.189</u>
Profit transferred to the National Development Trust	2.746.528.106	1.645.382.954	1.439.906.128	945.243.432
Total comprehensive income of the period	<u>¢ 1.008.925.360</u>	<u>765.525.012</u>	<u>483.642.029</u>	<u>114.560.757</u>
Profit allocation				
Transfer to the National Development Trust	¢ 2.746.528.106	4.265.360.346	1.439.906.128	3.565.220.824
Commission for managing the Development Credit Fund and the fund's own profits	1.008.925.360	643.523.809	483.642.029	(7.440.446)
	<u>¢ 3.755.453.466</u>	<u>4.908.884.155</u>	<u>1.923.548.157</u>	<u>3.557.780.378</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

	June 2021	December 2020	June 2020
At fair value through profit or loss	¢ 3.467.717.714	5.202.208.883	215.116.247
At fair value through other comprehensive income	129.621.547.557	141.088.054.191	131.877.811.091
At amortized cost	0	100.004.167	0
Interest receivable for investments at fair value through other comprehensive income	1.796.053.941	1.664.092.720	1.553.341.477
	¢ 134.885.319.212	148.054.359.961	133.646.268.816
	June 2021	December 2020	June 2020
At fair value through profit or loss	Fair value	Fair value	Fair value
<u>Local issuers:</u>			
State-owned Banks	¢ 3.467.717.714	5.202.208.883	215.116.247
	¢ 3.467.717.714	5.202.208.883	215.116.247
	June 2021	December 2020	June 2020
At fair value through other comprehensive income	Fair value	Fair value	Fair value
<u>Local issuers:</u>			
Government	¢ 96.702.510.877	0	85.308.513.566
State-owned Banks	32.919.036.680	141.088.054.191	46.569.297.525
	¢ 129.621.547.557	141.088.054.191	131.877.811.091

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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	June 2021	December 2020	June 2020
Agriculture, livestock, hunting and related services	¢ 16.398.042.002	9.538.035.262	14.639.604.654
Manufacturing	9.375.580.793	11.398.279.034	7.535.757.981
Trade	82.487.800	6.000.000	8.000.000
Services	65.042.625	2.089.623.768	3.330.693.048
	25.921.153.220	23.031.938.064	25.514.055.684
Plus: Interest receivable	114.397.148	84.427.114	105.527.383
Less: Deferred income-loan portfolio	(381.521.303)	(308.265.463)	(311.769.156)
Allowance for impairment	(96.917.824)	(66.444.007)	(65.033.999)
	¢ 25.557.111.240	23.049.921.171	25.242.779.911

b) Loan portfolio by arrears:

The loan portfolio by arrears is detailed as follows:

	June 2021	December 2020	June 2020
Up to date	¢ 25.814.880.446	22.921.063.273	25.124.275.633
1 to 30 days	106.272.774	0	0
31 to 60 days	0	0	215.338.182
61 to 90 days	0	110.874.791	0
91 to 120 days	0	0	110.874.791
121 to 180 days	0	0	63.567.078
	¢ 25.921.153.220	23.031.938.064	25.514.055.684

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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:

	June 2021	December 2020	June 2020
Number of operations	0	0	0
Delinquent and past due loans with interest recognition	¢ 106.272.774	110.874.791	389.780.051
Total of not received interest	¢ 17.476.245	6.083.172	13.491.230

d) Loan portfolio by type of guarantee:

The loan portfolio by type of guarantee is as follows:

	June 2021	December 2020	June 2020
Current loans	¢ 113.727.999	83.557.337	101.292.082
Past due loans	669.149	869.777	4.235.301
	¢ 114.397.148	84.427.114	105.527.383

e) Allowance for impairment of loan portfolio

As of June 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
Less:		
Adjustment for exchange differences		(71.296)
Balance as of June 30, 2021	¢	96.917.824

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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 June 30, 2020

Balance at the beginning of 2020	¢	70.058.329
Plus:		
Allowance to profit or loss		23.137.384
Adjustment for exchange differences		1.188.940
Less:		
Adjustment for exchange differences		(488.607)
Reversion of allowance against income		(28.862.047)
Balance as of June 30, 2020	¢	<u>65.033.999</u>

f) Loan potfolio by kind of guarantee:

	<u>June</u>	<u>December</u>	<u>June</u>
	<u>2021</u>	<u>2020</u>	<u>2020</u>
Guarantee			
Mortgage	¢ 472.683.465	489.542.633	5.505.750.234
Chattel	656.536.264	846.792.078	7.181.183.046
Other	24.791.933.491	21.695.603.353	12.827.122.404
	¢ <u>25.921.153.220</u>	<u>23.031.938.064</u>	<u>25.514.055.684</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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

	<u>Direct Loan Portfolio</u>		
	<u>June</u>	<u>December</u>	<u>June</u>
	<u>2021</u>	<u>2020</u>	<u>2020</u>
Principal	¢ 25.921.153.220	23.031.938.064	25.514.055.684
Interest receivable	114.397.148	84.427.114	105.527.383
	<u>26.035.550.368</u>	<u>23.116.365.178</u>	<u>25.619.583.067</u>
Allowance for bad loans	(96.917.824)	(66.444.007)	(65.033.999)
Carrying amount	¢ <u>25.938.632.544</u>	<u>23.049.921.171</u>	<u>25.554.549.068</u>
Loan portfolio			
Total balances:			
1	¢ 25.656.621.303	22.724.893.182	25.225.567.715
2	0	0	216.718.941
3	106.941.923	111.744.568	0
4	271.987.142	279.727.428	112.476.499
5	0	0	64.819.912
	<u>26.035.550.368</u>	<u>23.116.365.178</u>	<u>25.619.583.067</u>
Minimum allowanc	(66.036.199)	(61.860.080)	(65.033.996)
Carrying amount, net	¢ <u>25.969.514.169</u>	<u>23.054.505.098</u>	<u>25.554.549.071</u>
Carrying amount	26.035.550.368	23.116.365.178	25.619.583.067
Allowance for bad loans	(66.036.199)	(61.860.080)	(65.033.996)
Allowance (surplus) deficit			
on minimum allowance	(30.881.625)	(4.583.927)	(3)
Carrying amount, net	6a ¢ <u>25.938.632.544</u>	<u>23.049.921.171</u>	<u>25.554.549.068</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

The assessed loan portfolio including allowance is detailed as follows:

As of June 30, 2021

Loan portfolio	Direct Loan Portfolio			
	Principal	Covered balance	Overdraft	Allowance
Direct generic allowance				
1	¢ 25.656.621.303	3.105.081.349	22.551.539.954	64.141.553
	<u>25.656.621.303</u>	<u>3.105.081.349</u>	<u>22.551.539.954</u>	<u>64.141.553</u>
Direct specific allowance				
2	106.941.923	106.941.923	0	534.710
3	271.987.142	271.987.142	0	1.359.936
	<u>378.929.065</u>	<u>378.929.065</u>	<u>0</u>	<u>1.894.646</u>
	¢ <u>26.035.550.368</u>	<u>3.484.010.414</u>	<u>22.551.539.954</u>	<u>66.036.199</u>
Loan portfolio				
Aging of loan portfolio				
Direct generic allowance				
Up to date	¢ 25.928.608.445	3.377.068.491	22.551.539.954	64.141.553.00
	<u>25.928.608.445</u>	<u>3.377.068.491</u>	<u>22.551.539.954</u>	<u>64.141.553.00</u>
Direct specific allowance				
Equal to or less than 60 days	Principal	Covered balance	Overdraft	Allowance
	<u>106.941.923</u>	<u>106.941.923</u>	<u>0</u>	<u>1.894.646.00</u>
	106.941.923	106.941.923	0	1.894.646.00
	¢ <u>26.035.550.368</u>	<u>3.484.010.414</u>	<u>22.551.539.954</u>	<u>66.036.199.00</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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
	22.724.893.182	5.874.960.777	16.849.932.405	59.902.720
Direct generic allowance				
3	111.744.568	111.744.568	0	558.723
4	279.727.428	279.727.428	0	1.398.637
	391.471.996	391.471.996	0	1.957.360
¢	23.116.365.178	6.266.432.773	16.849.932.405	61.860.080
Loan portfolio				
Aging of loan portfolio				
Direct generic allowance				
Up to date	¢ 23.004.620.610	6.154.688.205	16.849.932.405	59.902.720
	23.004.620.610	6.154.688.205	16.849.932.405	59.902.720
Direct generic allowance				
Equal to or less than 90 days	111.744.568	111.744.568	0	1.957.360
	111.744.568	111.744.568	0	1.957.360
¢	23.116.365.178	6.266.432.773	16.849.932.405	61.860.080

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

As of June 30, 2020

Loan portfolio	Direct Loan Portfolio			
	Principal	Covered balance	Overdraft	Allowance
Direct generic allowance				
1	¢ 25.225.567.715	2.424.653.035	22.800.914.680	63.063.919
	<u>25.225.567.715</u>	<u>2.424.653.035</u>	<u>22.800.914.680</u>	<u>63.063.919</u>
Direct generic allowance				
2	216.718.941	216.718.941	0	1.083.595
4	112.476.499	112.476.499	0	562.383
5	64.819.912	64.819.912	0	324.100
	<u>394.015.352</u>	<u>394.015.352</u>	<u>0</u>	<u>1.970.077</u>
	¢ <u>25.619.583.067</u>	<u>2.818.668.386</u>	<u>22.800.914.680</u>	<u>65.033.996</u>

Loan portfolio

Aging of loan portfolio

Direct generic allowance	Direct Loan Portfolio			
	Principal	Covered balance	Overdraft	Allowance
Up to date	¢ 25.225.567.715	2.424.653.035	22.800.914.680	63.063.919
	<u>25.225.567.715</u>	<u>2.424.653.035</u>	<u>22.800.914.680</u>	<u>63.063.919</u>
Direct generic allowance				
Equal to or less than 60 days	216.718.941	216.718.941	0	1.083.595
Equal to or less than 90 days	177.296.411	177.296.411	0	886.482
	<u>394.015.352</u>	<u>394.015.352</u>	<u>0</u>	<u>1.970.077</u>
	¢ <u>25.619.583.067</u>	<u>2.818.668.386</u>	<u>22.800.914.680</u>	<u>65.033.996</u>

Loans receivable from clients

As of June 30, 2021

Risk category:

	Gross	Net
1	¢ 25.656.621.303	25.592.479.748
3	106.941.923	106.407.214
4	271.987.142	270.627.207
	¢ <u>26.035.550.368</u>	<u>25.969.514.169</u>

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

As of December 31. 2020	Loans receivable from clients	
	Gross	Net
Risk category:		
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 June 30. 2020	Loans receivable from clients	
	Gross	Net
Risk category:		
1	¢ 25.225.567.715	25.162.503.796
2	216.718.941	215.635.346
4	112.476.499	111.914.117
5	64.819.912	64.495.812
	¢ <u>25.619.583.067</u>	<u>25.554.549.071</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 June 30, 2021 resources have been transferred from the Development Credit Fund.

	June 2021	December 2020	June 2020
Banco Scotiabank	¢ 17.984.599.561	0	0
Banco Promerica	¢ 1.601.444.622	10.198.963.905	0
	¢ <u>19.586.044.183</u>	<u>10.198.963.905</u>	<u>0</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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 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.

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

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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:

- 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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:

- 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

(44) Figures for 2020

As of June 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 June 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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-seizable 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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:

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

- a) Portfolio with delinquency greater than ninety days on the direct portfolio.
- b) Expected loss on 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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 COVID-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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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 with respect to Credit Policies and Procedures: A measure that will facilitate the procedures for both the granting of new credits and the readjustments and / or refinancing thereof, where financial entities may omit, in their credit policies and procedures, the information that they ask on a daily basis to their clients to verify their payment ability. The provision will be in force until March 31, 2021.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

- h. 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 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.
- i. 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.
- j. 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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

As of June 30, 22.105 (21.809 as of December 2020) credit operations related to COVID-19 have been readjusted and the portfolio allowance was increased (see note 1.j).

Credit operations have been readjusted to direct financing for clients of the Corporate Sector, which has allowed a medium-term solution; 576 billion colones, and grace periods applied to corporate companies: 521 operations.

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).

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

Effects of the Financial Information Regulation

Upon entry into force of the Financial Reporting Regulations, the Bank reclassifies and adjusts the following balances:

	June 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
	¢ 0	268.372.865.205

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.

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

June 30, 2021

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.

(46) Authorization date for issuance of the financial statements

The General Management of the Bank authorized the issuance of the consolidated Financial Statements on June 27, 2021.

SUGEF might require amendments to the Financial Statements after the date of authorization for issuance.