Banco de Costa Rica and Subsidiaries

Consolidated Financial Statements

March 31, 2020

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BANCO DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
As of March 31, 2020
(In colones without cents)

	Note		March 2020
ASSETS			
Availabilities	**4**	¢	**775,962,750,289**
Cash			76,413,152,616
Central Bank of Costa Rica			522,486,709,991
Local financial entities			2,486,209,193
Foreign financial entities			169,760,563,118
Other availabilities			4,085,935,670
Restricted availabilities			730,179,701
Investment in financial instruments	**5**		**1,073,346,258,521**
At fair value with changes through profit or loss			142,734,777,153
At fair value with changes through other comprehensive income			874,007,580,940
At amortized cost			45,753,002,303
Interest receivable			10,850,898,125
Loan portfolio	**6**		**3,720,206,470,582**
Current loans	**6.b**		3,238,904,353,828
Past due loans			525,648,849,315
Loans in legal collection	**6.d**		47,849,376,773
(Deferred income loan portfolio)			(16,444,310,633)
Interest receivable	**6.e**		27,367,029,996
Allowance for impairment	**6.f**		(103,118,828,697)
Accounts and commissions receivable			**12,053,613,696**
Commissions receivable			3,826,755,303
Accounts receivable from stock exchange operations			311,477,818
Accounts receivable for related party transactions			1,442,361,614
Deferred income tax and income tax receivable	**15**		3,078,384,636
Other accounts receivable			12,217,830,027
Allowance for impairment			(8,823,195,702)
Realizable assets	**7**		**52,129,247,708**
Assets and securities acquired as recovery of loans			150,742,502,712
Other realizable assets			3,899,272,076
(Allowance for impairment and per legal requirements)			(102,512,527,080)
Interest in other companies capital, net	**8**		**405,515,441**
Property, furniture and equipment, net	**9**		**151,713,980,171**
Property investmests			**6,441,924,521**
Other assets			**95,550,779,698**
Deferred charges			9,869,640,031
Intangible assets, net	**10**		12,034,439,818
Other assets			73,646,699,849
TOTAL ASSETS		¢	**5,887,810,540,627**

BANCO DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
As of March 31, 2020
(In colones without cents)

	Note		March 2020
LIABILITIES AND EQUITY			
LIABILITIES			
Obligations with the public		¢	**4,119,709,258,803**
Demand obligations	**11**		2,180,567,628,282
Term obligations	**12**		1,883,445,410,599
Other obligations with the public	**13**		33,625,713,750
Financial charges payable			22,070,506,172
Obligations with entities	**14**		**955,234,698,979**
Demand obligations	**12**		65,451,411,304
Term obligations	**12**		882,329,192,940
Financial charges payable			7,454,094,735
Accounts payable and provisions			**142,797,752,123**
Provisions	**16**		60,143,128,072
Accounts payable for brokerage services			66,019,738
Deferred income tax	**15**		8,812,301,103
Other miscellaneous accounts payable	**17**		73,762,297,107
Financial charges payable			14,006,103
Other liabilities			**28,203,336,315**
Deferred income			1,155,796,454
Other liabilities			27,047,539,861
TOTAL LIABILITIES		¢	**5,245,945,046,220**
EQUITY			
Capital stock	**18.a**	¢	**181,409,990,601**
Paid up capital			181,409,990,601
Equity adjustments- Other comprehensive income			**54,110,793,436**
Equity reserves			**283,820,516,011**
Accrued earnings from previous periods			**13,464,953,148**
Profit of current period			**6,992,246,630**
Equity of the Development Financing Fund			**33,309,728,460**
Minority interests	**8**		**68,757,266,121**
TOTAL EQUITY			**641,865,494,407**
TOTAL LIABILITIES AND EQUITY		¢	**5,887,810,540,627**
DEBIT CONTINGENT ACCOUNTS	**19**	¢	**411,339,877,843**
TRUST ASSETS	**20**		**1,030,417,470,509**
TRUST LIABILITIES			**453,419,948,456**
TRUST EQUITY			**576,997,522,053**
OTHER DEBIT MEMORANDA ACCOUNTS	**21**	¢	**23,351,200,789,432**
Own debit memoranda accounts			14,908,552,558,534
Third party debit memoranda accounts			2,090,064,934,693
Own debit memoranda accounts for custodial activities			483,067,462,865
Third party debit memoranda accounts for custodial activities			5,869,515,833,340

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.
Auditor General

BANCO DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended March 31, 2020
(In colones without cents)

	Note		March 2020
Financial Income			
Availabilities		¢	216,898,480
Investments in financial instruments	25		15,417,564,488
Loan portfolio	26		79,961,945,947
Financial leases			504,936,819
Profit from exchange differences and UD	1-d.ii		2,353,505,568
Profit from held-for-trading financial instruments with changes through profit or loss			2,309,039,502
Profit from available-for-sale financial instruments with changes through other comprehensive income			3,771,448,196
Other financial income			990,190,439
Total financial income			**105,525,529,439**
Financial expenses			
For obligations with the public	27		39,627,657,524
For obligations with the Central Bank of Costa Rica			24,422,945
For obligations with financial and non-financial entities			8,219,270,570
Loss for financial instruments at fair value with changes through profit or loss			5,063,219,240
Loss for financial instruments at fair value with changes through other comprehensive income			23,698,191
Other financial expenses			12,450,907
Total financial expenses			**52,970,719,377**
Allowance for impairment of assets	28		11,626,196,422
Asset recovery and decrease in allowance and provisions	29		7,555,834,721
FINANCIAL INCOME			**48,484,448,361**
Other operating income			
Service fees	30		29,242,336,505
For available-for-sale assets			4,585,699,565
Foreign currency exchange and arbitrations			7,526,454,959
Other income from related parties			79,461,164
Other operating income			6,581,808,231
Total other operating income			**48,015,760,424**
Other operating expenses			
Service fees			6,738,468,623
Realizable assets			13,200,905,085
Loss from capital investmets in other companies			78,095,659
Provisions			318,196,589
Foreingn currency exchange and arbitration			988,661,037
Other expenses with related parties			118,155
Other operating expenses			12,642,528,988
Total other operating expenses			**33,966,974,136**
OPERATING INCOME, GROSS			**62,533,234,649**
Administrative expenses			
Personnel expenses			28,550,861,333
Other administrative expenses			15,963,198,919
Total administrative expenses	32		**44,514,060,252**
OPERATING INCOME, NET OF INCOME TAX AND STATUTORY ALLOCATIONS			**18,019,174,397**
Income tax	15		6,917,929,636
Deferred income tax	15		8,614,021
Decrease in income tax	15		64,255,618
Profit sharing	33		3,584,158,035
INCOME OF THE YEAR			**7,572,728,323**
Income of the year attributed to interests in non-controlling entities	8		580,481,693
INCOME OF THE YEAR ATTRIBUTED TO THE FINANCIAL CONGLOMERATE			**6,992,246,630**
OTHER COMPREHENSIVE INCOME , NET OF TAX			
Adjustment for valuation of available-for-sale securities, net of income tax			1,956,261,325
Reclassification of unrealized profit to the income statement			(2,623,425,004)
Adjustment for valuation of restricted financial instruments, net of income tax			1,367,662,145
Other			4,207,499,567
OTHER COMPREHENSIVE INCOME , NET OF TAX	34		**4,907,998,033**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			**12,480,726,356**
Comprehensive income attributed to minority interest			2,618,208,642
COMPREHENSIVE INCOME ATTRIBUTED TO THE FINANCIAL CONGLOMERATE		¢	**9,862,517,714**

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

Douglas Soto L.	Ana Lorena Brenes B.	José Manuel Rodríguez G.
General Manager	Accountant	Auditor General

BANCO DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, NET
For the period ended March 31, 2020
(In colones without cents)

	Note		Capital Stock	Adjustments of equity: Surplus for revaluation of property, furniture and equipment	Adjustments of equity: Adjustment for valuation of investments at fair value with changes through other comprehensive income	Adjustments of equity: Adjustment for translation of financial statements	Adjustments of equity: Total equity adjustment	Equity reserves	Accrued earnings from previous periods	Equity of the Development Financing Fund	Minority interest	Total equity
Balance as of January 1, 2020		¢	**181,409,990,601**	**37,774,830,067**	**(1,343,439,781)**	**14,809,132,066**	**51,240,522,352**	**264,398,962,426**	**38,043,832,889**	**29,753,932,255**	**66,139,057,480**	**630,986,298,003**
Impairment recognition – Investments at fair value through other comprehensive income from previous periods			0	0	0	0	0	0	(1,601,529,951)	0	0	(1,601,529,951)
Allocation of legal reserve			0	0	0	0	0	19,421,553,585	(19,421,553,585)	0	0	0
Allocation to the Development Financing Fund			0	0	0	0	0	0	(3,555,796,205)	3,555,796,205	0	0
Balance as of March 31, 2020			**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**	**629,384,768,051**
Other comprehensive income												
Other total comprehensive income			0	0	724,446,305	2,145,824,779	2,870,271,084	0	6,992,246,630	0	2,618,208,642	12,480,726,356
Balance as of March 31, 2020			**181,409,990,601**	**37,774,830,067**	**(618,993,476)**	**16,954,956,845**	**54,110,793,436**	**283,820,516,011**	**20,457,199,778**	**33,309,728,460**	**68,757,266,121**	**641,865,494,407**
Attributed to minority interest			0	0	0	0	0	0	0	0	68,757,266,121	68,757,266,121
Attributed to the financial conglomerate		¢	181,409,990,601	37,774,830,067	(618,993,476)	16,954,956,845	54,110,793,436	283,820,516,011	20,457,199,778	33,309,728,460	0	573,108,228,286

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

[illegible] Soto L.
General Manager

Ana Lorena Brenes B.
Accountant

José Manuel Rodríguez G.
Auditor General

BANCO DE COSTA RICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the periods ended March 31, 2020
(In colones without cents)

	Note		March 2020
Cash flows from operating activities			
Profit of the year		¢	**6,992,246,630**
Items applied to results not requiring cash outlays			**(7,747,929,092)**
Increase or (decrease) for			
Allowance for impairment or devaluation of financial instruments			3,226,918,490
Allowance for impairment of loan portfolio			7,356,764,753
Allowance for impairment and default of other accounts receivable			1,042,513,179
Allowance for impairment of assets in lieu of payment			10,076,956,519
Income from reversal of allowance for impairment or devaluation of investments			(364,266,219)
Income from reversal of allowance for impairment of loan portfolio			(6,489,217,306)
Income from reversal of allowance for impairment and default of accounts receivable			(702,351,196)
Income from reversal of allowance for impairment of assets in lieu of payment			(4,366,848,163)
Income or loss for sale of assets received in lieu of payment and of property, furniture and equipment			1,675,313,973
Interest in net profit of other companies			78,095,659
Depreciations			3,299,022,628
Amortizations			2,882,375,188
Provision for social benefits			86,410,016
Provisions for pending lawsuits			191,258,789
Other provisions			208,181,955
Income for provisions			(1,573,158,513)
Income tax			6,917,929,635
Deferred income tax			(55,641,595)
Profit sharing			3,584,158,035
Interests for obligations with the public			39,627,657,524
Interests for obligations with financial entities			8,243,693,515
Income from availabilities			(216,898,480)
Income from investment in financial instruments			(15,417,564,488)
Income from loan portfolio			(79,961,945,947)
Earnings or loss for exchange rate differences and UD (Development Units), net			10,176,406,485
Minority interest in net profit of subsidiaries			580,481,693
Adjustments for translation of financial statements of the entity abroad			2,145,824,779
Cash flows from operating activities			**329,429,899,115**
Net variation in assets (increase) or decrease			
Increase in financial instruments - at fair value with changes through profit or loss			(218,627,482,414)
Decrease in financial instruments - at fair value with changes through profit or loss			194,046,142,895
Increase in financial instruments - at fair value with changes through comprehensive income			(176,373,373,199)
Decrease in financial instruments - at fair value with changes through comprehensive income			428,755,846,761
Loan portfolio			57,611,901,042
Accounts and commissions receivable			(2,972,978,628)
Available-for-sale assets			2,806,194,108
Interest receivable for financial instruments			10,025,019,727
Interest receivable for loan portfolio			21,536,787,485
Other assets			12,621,841,338
Net variations in liabilities, increase or (decrease)			**(235,831,499,041)**
Obligations with the public			(97,372,778,683)
Obligations with the Central Bank of Costa Rica and other entities			(50,343,988,438)
Obligations for accounts and commissions payable and provisions			(29,156,121,811)
Interest payable for obligations with the public			(22,171,424,029)
Interest payable for obligations with the BCCR and other entities			(8,208,082,238)
Interest payable for accounts and commissions payable and provisions			(14,488,317)
Other liabilities			(28,564,615,525)
Interests paid			(18,332,744,029)
Collected interest			59,743,342,165
Paid income tax			(12,068,675,173)
Net cash flows provided by operating activities			**122,184,640,575**
Cash flow from investment activities			
Increase in financial instruments at amortized cost			(20,145,646,616)
Decrease in financial instruments at amortized cost			17,149,394,313
Acquisition of property, furniture and equipment			(6,084,879,799)
Decrease for withdrawal and transfer of property, furniture and equipment			7,967,180,344
Acquisition of intangibles			(974,635,103)
Decrease for witdrawal and transfer of intangibles			278,514,628
Cash flows (used for) provided by investment activities			**(1,810,072,233)**
Net increase (decrease) in cash and cash equivalents			**120,374,568,342**
Cash and cash equivalents at the beginning of the year			858,178,114,618
Effect on changes in exchange rates on cash			10,729,689,174
Cash and cash equivalents at the end of the year	4	¢	989,282,372,134

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.
Auditor General

(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 March 31, 2020, the Bank has a total 186 branches distributed across the national territory and has in operation 674 automated teller machines, and has 3.721 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. As of March 31, 2020, the brokerage house had 69 employees, and is regulated by the General Superintendence of Securities (SUGEVAL).

BCR Sociedad Administradora de Fondos de Inversion, S.A. (investment fund manager) was organized as a corporation in July 1999 under the laws of the Republic of Costa Rica. Its main activity is investment fund management. As of March 31, 2020, it had 106 employees, and is regulated by the General Superintendence of Securities (SUGEVAL).

(Continúa)

BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A. (pension fund operator) 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. As of March 31, 2020, it had 99 employees, and is regulated by the Superintendence of Pensions (SUPEN).

BCR Sociedad Corredora de Seguros, S.A. (insurance broker) was organized as a corporation in February 2009 under the laws of the Republic of Costa Rica. Its main activity is insurance underwriting. As of March 31, 2020, it had 83 employees and it is regulated by the General Superintendence of Insurance (SUGESE).

Banprocesa, 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. As of March 31, 2020, has 37 employees. As of March 31, 2020, 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 Almacen 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 at March 31, 2020 Depósito Agrícola de Cartago, S.A. had 42 employees.

Bancrédito Sociedad Agencia de Seguros, S.A., organized in March 2009 under the laws of the Republic of Costa Rica. Its main activity is the insurance underwriting. The presentation of the final liquidation certificate of the company is currently being processed.

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. As of March 31, 2020, BICSA has 255.

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.

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 denominated "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, SUPEN and SUGESE 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).

(Continues)

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 entirely, 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".

(Continues)

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 Administration 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 wholly-owned).	51%
BCR Sociedad Corredora de Seguros, S.A.	100%
Banprocesa S.R.L.	100%
Depósito Agrícola de Cartago, S.A. and subsidiary	100%
BCR Sociedad Administradora de Fondos de Inversión, S.A.	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 balance sheet. 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:

- 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, in order 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 sales exchange rate disclosed by the Central Bank of Costa Rica. Thus, as of March 31, 2020, monetary assets and liabilities denominated in U.S. dollars were valued at the exchange rate of ¢587.37 for US$1.00.

Valuation in colones of monetary assets and liabilities in foreign currency for the year ended March 31, 2020 gave rise to foreign exchange losses of ¢246.556.002.791, and gains of ¢248.909.508.359, 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 recorded in "Other operating income" and "Other operating expenses", respectively. For the period ended March 31, 2020, valuation of other assets gave rise to losses of ¢854.018.382, and valuation of other liabilities gave rise to losses of ¢538.497.460.

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 considering the historical exchange rates and using the exchange rate on the transaction date.

As result of BCR's interest in BICSA, net profits in the amount of ¢604.174.406, arose for the period ended March 31, 2020, which are disclosed in the consolidated income statement.

As result of the conversions for the period ended on March 31, 2020, gains arose for exchange rate differences in the amount of ¢2.145.824.779, shown in the equity section, in the account "Currency translation adjustment of the financial statements".

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

The consolidated financial statements have been prepared on the fair value basis for available-for-sale and held-for-trading assets. Other financial and nonfinancial 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 maintains with the purpose of generating profits in the short term.

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

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

In accordance with accounting standards issued by CONASSIF, 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 available-for-sale 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, assets 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.

(Continues)

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

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

(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 assets at fair value thorough other comprehensive income 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

(Continues)

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

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

- 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 is 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, with the exception of BICSA whose period is ninety days or less.

(h) <u>Investments in financial instruments</u>

Investments in financial instruments that are classified as available-for-sale investments are valued at market prices using the price vector provided by Proveedor Integral de Precios de Centroamérica, S.A. (PIPCA).

The effect of market price valuation of available-for-sale investments and restricted financial instruments are included in the equity account with the caption "Adjustment for valuation of available-for-sale investments" 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 changes in other comprehensive income.

   c. Fair value through changes in profit or loss: Participations in open investment funds must be recorded in this category.

The Investment Management Policy in Banco de Costa Rica indicates that the management of the investment portfolio in securities must comply with the guidelines and strategy approved by the body determined for such purpose, as well as the limits and parameters approved by the aforementioned body and the fundamental criteria of liquidity management and market risk management.

(Continues)

It also indicates the following general principles that must be considered for the management of investments of the own portfolio:

- Respond to the commercial or financial strategies established by the Bank to manage its availabilities or its excess financial resources, under the premise of an investment management oriented to liquidity support.

- Comply with the guidelines on risk management established by the Corporate Risk Committee. In line with this, it should be noted that the market risk management of the investment portfolio should be aimed at protecting liquidity and solvency level, in accordance with the established risk appetite.

From the aforementioned principles, the orientation of the investment´s portfolio management towards an administration aimed at managing the cash flow as a result of the conformation of the portfolio to support the Bank's liquidity requirements is concluded, from which can also be confirmed, the need for sales to be managed when required to meet cash flow requirements.

The investment strategy is aimed at supporting the fulfillment of liquidity indicators and the administration of cash flows, through a conservative management, in which preference is given to mainly short-term investments, with the objective of ensuring a constant flow of investment maturities in order to meet liquidity requirements. Regarding the structuring of the portfolio by term, in line with the characteristics of the Costa Rican market, the distribution of the portfolio is structured mainly in fixed-rate and zero-coupon issuance, due to the scarce supply of securities with a variable interest rate reference , as well as the low tradability of this type of instrument in the Costa Rican stock market.

For this purpose, the investment strategy also details the preference for investment instruments that are considered as liquid assets for the purposes of calculating the liquidity ratio indicator, as well as assets that can be used as collateral through the Integrated Market of Liquidity (MIL).

Through biweekly meetings in conjunction with the Treasury Management and the Liquidity and Operations Management, the tactical movements of the investment portfolio are defined within the framework of the approved strategy, which are aimed at meeting the needs of cash flow by currency. It is worth mentioning that the mixture by currency of the investment portfolio is subject to the cash flow liquidity requirements for each one of them, and does not respond to an estimated distribution of the investment portfolio under this concept.

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According to its nature, and due to the need to attend a portfolio aimed at supporting liquidity, the investment portfolio maintains investments in highly liquid instruments such as money market investment funds, as well as money market investment funds of the local industry. On the other hand, the management is oriented towards receiving cash flows from the investments that are managed and the occasional sale of financial assets with the aim of generating greater liquidity for the portfolio.

Management issues monthly reports on the performance of the investment portfolio´s compliance with the investment policy and execution of the strategy to the Corporate Assets and Liabilities Committee, with the aim of presenting the results of the implementation of the strategy and the orientation of the portfolio, through the results and compliance with the approved risk appetite.

It is not a practice of the Bank's own investment portfolio to carry out the investment operation with trading or trading objectives, since it is not part of the investment strategy or line of business under which the investments of Banco de Costa Rica are managed. If required, any such operation must be previously approved by the Corporate Assets and Liabilities Committee and have the favorable criteria of the Bank´s Financial Risk Management.

The investment portfolio management delivers monthly reports to the Bank's Corporate Assets Committee, which details the information on the portfolio's performance, with the following details:

- Main Portfolio Statistics
- Evolution of Portfolio Returns
- Evolution of Monthly Income and Managed Balances
- Main Indicators of Portfolio Market Risk
- Movements of the Month
- Concentration of the portfolio by currency, instrument and issuer
- Future tactics to improve performance
- Risk balance

As indicated in the Investment Management Policy, as well as the current Investment Strategy, the Bank's own investment portfolio responds to the following characteristics:

- Investment management aimed at supporting liquidity management, through investment in financial assets that can be used to meet liquidity requirements.
- Cash flow management, based on the recording of interest and principal for maturity of securities that are considered for liquidity care.

(Continues)

- Occasional sales of assets that make up the investment portfolio to support portfolio cash flow or portfolio rebalancing.
- Preference for short-term or short-term investments in order to maintain a constant flow of maturities
- Investments in money market investment funds with liquidity management objectives.
- Attention to the appetite of market risk indicators defined by the Bank's Board of Directors.

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.

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 provisions of Law 9274, the Investment Management Policy of the Development Credit Fund, as well as the current Investment Strategy, the CDF's own investment portfolio responds to the following characteristics:

- Investment management aimed at supporting liquidity management, through investment in financial assets that can be used to meet liquidity requirements for the placement of credit in accordance with the objectives of the Law.

- Management of cash flows, starting from the recording of interests and principal for maturity of securities considered for the attention of liquidity according to the needs of the Fund.

- Occasional sales of assets that make up the investment portfolio to support portfolio cash flows or portfolio rebalancing.

(Continues)

- Preference for short-term investments in order to maintain a constant flow of maturities.

- Investments in money market investment funds with liquidity management objectives.

- Attention to the appetite of the market risk indicators defined by the Board of Directors of Banco de Costa Rica.

In accordance with the aforementioned characteristics, 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 investment portfolio of the aforementioned Fund.

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:

- <u>Main business model</u>

  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.

- Secundary 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 definition of 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) Loan portfolio

Banco de Costa Rica - Loan portfolio:

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

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

(Continues)

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, 2019, 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 takes into account the following considerations:

- Creditworthiness, which includes an analysis of projected cash flows, an analysis of financial position, considers the experience in the line of business, quality of management, stress testing for critical variables, and an analysis of the creditworthiness of individuals, regulated financial intermediaries, and public institutions.

- Historical payment behavior, which is determined by the borrower's payment history over the previous 48 months, considering servicing of direct loans, both current and settled, in the National Financial System as a whole. SUGEF is responsible of calculating the historical payment behavior level for borrowers reported by entities during the previous month.

- Arrears.

- Pursuant to the aforementioned 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

Remaining loan operations, for which the total outstanding balance is lower than ¢65.000.000 (Group 2 under SUGEF Directive 1-05), from May 23, 2019, 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. Loans are classified in the following categories based on historical payment behavior and arrears:

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:

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

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.

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%

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	Crediworthiness (Brorrowers Group 1)	Crediworthiness (Brorrowers 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

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%.

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

As of March 31, 2020, the allowance disclosed in the accounting records to ¢90.426.147.327.

As of March 31, 2020, 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 March 31, 2020, management considers the allowance to be sufficient to absorb any potential losses that could be incurred on recovery of the portfolio.

Accounts and interest receivable - Banco de Costa Rica

In order 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.

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

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 aforementioned 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 amount of losses on certain loans during the period is recognized as provision expense in the operations 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 through the use of an allowance account for losses on loans.

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.

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As of March 31, 2020, the allowance disclosed in the accounting records amounts to ¢103.118.828.697.

BICSA -Accounts and interest receivable

In order 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.

(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 similar to 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) Realizable assets

Realizable 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 realizable assets.

Realizable assets are valued at the lower of cost and fair value. If fair value is less than the cost booked in the accounting records, an impairment allowance must be 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 expenditures related to realizable 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 realizable 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.

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-twenty-fourth 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.

(o) <u>Offsetting</u>

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 Equiment

(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.

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

At the beginning of the lease term, the financial leasing is recognized in the statement of financial position as an asset and a liability by the same amount, equal to the fair value of the leased assets or the present value of the minimum lease payments, if this were the lowest between the present value of the stipulated payments in the agreement discounted at the interest rate implicit in the operation, determined at the beginning of the lease. To calculate the present value of the minimum lease payments, the interest rate implicit in the lease is used as the discount factor, wherever practicable to determine; otherwise the incremental interest rate of the tenant loans is used. Any initial direct cost of the tenant will be added to the amount recognized as an asset.

(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, the will be recognized in the consolidated income statement when incurred.

(Continues)

(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:

<u>Useful lives of assets owned by the Bank and subsidiaries, except for BICSA:</u>

Building	50 years
Vehicles	10 years
Furniture and equipment	10 years
Computer hardware	5 years
Leasehold improvements	5 years

<u>Useful lives of assets owned by BICSA:</u>

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 book value 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) <u>Deferred charges</u>

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

(Continues)

(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 five years.

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, in order 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.

For Banco de Costa Rica, 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."

(Continues)

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.

(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 between 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.

(Continues)

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 in accordance with the employers legal obligation.

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 March 31, 2020 amounted to ¢116.112.914, equivalent to US$204.549.

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 March 31, 2020, the severance fund had a balance of ¢632.568.709, equivalent to US$1.076.951, 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.

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

(z) Recognition of main types of income and expenses

(i) Interest

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

(ii) Income from fees and commissions

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

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

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

(iv) Operating lease expenses

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

(Continues)

(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 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 in respect of 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.

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

A fund was created by Law No. 16 as of November 5, 1936, which has been amended on a number of 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 considered to be defined contribution plans. Consequently, the Bank has no additional obligations.

(dd) Profit sharing

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 (2%) to CONAPE and three percent (3%) 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.

(Continues)

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 CCSS 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 of 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 aforementioned Law (See note 40).

(ff) Development Credit Fund

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

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

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

a) Managing Banks can perform services with the beneficiaries of the Development Banking System as recognized by Article 6 of Law 8634.

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

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).

(a) 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.

(b) 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:

		March 2020
Cash and cash equivalents deposited in the Central Bank of Costa Rica (see note 4)	¢	512.575.700.483
Restricted cash and cash equivalents (see note 4)		330.689.029
Total cash and cash equivalents		512.906.389.512
Past due and restricted financial instruments (see note 5)		42.200.827.652
Other assets		791.552.147
	¢	**555.898.769.311**

(Continues)

(3) Balances and transactions with related parties

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

		March 2020
Assets:		
Loan portfolio	¢	1.016.903.817
Other accounts receivable		1.494.794.272
Interests in other entities		340.098.252
Total assets	¢	**2.851.796.341**
Income:		
Ingresos operativos diversos	¢	77.827.250
Total income:	¢	**77.827.250**
Expense:		
Expenses from investments in other companies		78.095.659
Sundry operative expenses	¢	372.765.946
Total expenses	¢	**450.861.605**

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

		March 2020
Short-term benefits	¢	981.860.003
Long-term benefits		43.520.275
Directors' seating fees		69.868.455
	¢	**1.095.248.733**

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

(4)Cash and cash equivalents

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

		March 2020
Cash	¢	76.413.152.616
Demand deposits in BCCR		522,486.709.991
Checking accounts and demand deposits in local financial entities		2.486.209.193
Checking accounts and demand deposits in foreign financial entities		169.760.563.118
Notes payable on demand		4.085.935.670
Restricted cash and cash equivalents		730.179.701
Total cash and cash equivalents		775.962.750.289
Investments in short-term financial instruments		213.319.621.845
Total cash and cash equivalents	¢	**989.282.372.134**

As of March 31, 2020, demand deposits in BCCR are restricted as a minimum legal reserve in the amount of ¢512.545.653.982.

As of March 31, 2020, the Pension Fund Manager's deposits in BCCR are restricted as a minimum legal reserve in the amount of ¢3.362.252.

As of March 31, 2020, BCR Valores, S.A. - Puesto de Bolsa holds restricted deposits in the Central Bank of Costa Rica in the amount of ¢26.648.249, for a total of ¢357.373.278.

As of March 31, 2020, BCR Valores, S.A. - Puesto de Bolsa holds restricted assets as part of the guarantee fund in the amount of ¢330.689.029 (See note 2).

As of March 31, 2020, the Bank has a liability for outstanding checks in the amount of ¢1.616.766.598, which is offset by notes payable on demand cashed the next day once cleared by the clearing house.

(Continues)

(5) Investments in financial instruments

Investments in financial instruments are as follows:

		March 2020
At fair value with changes through profit or loss	¢	142.734.777.153
At fair value with changes through other comprehensive income		874.007.580.940
At amortized cost		45.753.002.303
Interest receivable for investments at fair value with changes through profit or loss		1.845.611
Interest receivable for investments at fair value with changes through other comprehensive income		10.837.386.759
Interest receivable for investments classified at amortized cost		11.665.755
	¢	**1.073.346.258.521**

At fair value with changes through profit or loss		**March 2020 Fair value**
Local issuers:		
Other (Open Investment Funds)	¢	60.502.977.153
		60.502.977.153
Foreign issuers:		
Private Banks		82.231.800.000
	¢	**142.734.777.153**

At fair value through changes in other comprehensive income		**March 2020 Fair value**
Local issuers:		
Government	¢	707.141.246.974.
State-owned Banks		129.599.254.107
Private Banks		4.031.615.432
Private Issuers		6.926.829.712
Other		1.129.575.909
.		**848.828.522.134**
Foreign issuers:		
Government		2.922.427.130.
Private Banks		2.335.508.230
Private Issuers		19.921.123.446
	¢	**874.007.580.940**

Financial instruments at amortized cost issued by entities		**March 2020 Fair value**
Foreign issuers:		
State-owned Banks	¢	45.667.953.477
Private Banks		85.048.826
	¢	**45.753.002.303**

As of March 31, 2020, the investment portfolio amounts to ¢119.721.546.353 corresponding to the managed amounts of the Development Credit Fund (See note 40).

Maturities for investments in financial instruments are from April 01, 2020 to February 21, 2024.

Purchased financial instruments earn annual yield rates as follows:

	March 2020
Colones	0,4143% a 5,5741%
US Dollars	0,1000% a 4,4499%

Investments have been pledged as follows:

		March 2020
Operadora de Pensiones complementarias, S.A.	¢	2.785.836.306
Guarantee for obligations for securities repurchase agreements BCR Valores S.A.		40.420.341.347
Puesto de Bolsa		(1.005.350.001)
	¢	**42.200.827.652**

In accordance with Article 37 of the Workers 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 March 31, 2020 amount to ¢2.785.836.306.

As of March 31, 2020, the BCR Valores holds restricted investments in securities in the amount of ¢40.420.341.347.

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 March 31, 2020, purchased financial instruments remain under resale agreements.

Issuer		Asset Balance	Fair value of colateral	Resale Date	Resale Price
Banco Central de Costa Rica		5.956.915.607	5.491.000.000	12-02-20 al 23-04-20	100.00%
Local government		28.944.792.967	31.889.223.543	11-02-20 al 14-05-20	100.00%
Other	¢	525.940.838	604.443.654	30-03-20 al 20-04-20	100.00%
	¢	**35.427.649.412**	**38.434.667.197**		

(6) Loan portfolio

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

a) Loan portfolio by sector

Sector		**March 2020**
Agriculture, livestock, hunting and service activities	¢	179.221.422.046
Manufacturing		462.737.205.105
Telecommunications and public services		55.538.943.863
Mining and quarrying		40.833.796
Retail		263.996.557.188
Services		1.296.145.702.013
Transportation		50.636.358.450
Financial and stock market		4.348.947.061
Real estate, business and leasing. Activities		4.272.894.024
Construction. purchase and repair of real estate		1.081.042.827.132
Consumer		310.932.219.834
Hospitality		98.705.442.225
Education		3.299.420.036
Other private non-financial section activities		1.483.807.143
		3.812.402.579.916
Plus interest receivable		27.367.029.996
Less allowance for loan		(103.118.828.697)
	¢	**3.736.650.781.215**

b) Current loans

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

		March 2020
Current		
Personal	¢	985.364.241.631
Development Banking System		52.654.026.794
Business		168.113.585.441
Corporate		1.755.620.961.107
Public sector		122.931.423.394
Financial sector		154.220.115.461
	¢	**3.238.904.353.828**

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

		March 2020
Past due		
Personal	¢	192.094.003.714
Development Banking System		4.602.625.929
Business		28.582.649.014
Corporate		300.369.145.792
Public sector		424.866
	¢	**525.648.849.315**

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

		March 2020
Judicial Collection		
Personal	¢	38.273.446.770
Development Banking System		402.480.477
Business		5.784.788.832
Corporate		3.388.660.694
	¢	**47.849.376.773**

BICSA - Financial lease receivables:

The balance of financial lease receivable is as follows:

		March 2020
Total minimum payments	¢	25.791.487.772
	¢	**25.791.487.772**

The maturities of the financial leases are as follows:

		March 2020
Less than a year	¢	148.413.715
From 1 to 5 years		25.643.074.057
	¢	**25.791.487.772**

c) Loan portfolio by arrears:

The loan portfolio by arrears is detailed as follows:

		March 2020
Current	¢	3.238.904.353.828
1 to 30 days		372.294.711.047
31 to 60 days		70.838.428.027
61 to 90 days		37.806.883.848
91 to 120 days		6.802.231.456
121 to 180 days		4.704.844.423
More than 180 days		33.201.750.515
Judicial collection		47.849.376.773
	¢	**3.812.402.579.917**

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

d) 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:

		March 2020
Number of operations		2.383
Past due loans in non-accrual status	¢	75.739.513.273
Past due loans bearing interest	¢	497.758.712.815
Total of unearned interest	¢	**9.946.513.292**

Loans in legal collection as of March 31, 2020:

# operations	Percentage		Balance
1.315	1.26%	¢	47.849.376.773

As of March 31, 2020, the average annual interest rate earned on loans is 9.69% in colones and 7,51% in US dollars. For Banco Internacional de Costa Rica, S.A., the annual rate for operations in US dollars is 6.27% per annum.

e) Interest receivable on loan portfolio

Interest receivable is detailed as follows:

		March 2020
Personal	¢	9717.044.492
Development Banking System		204.415.998
Business		1.465.626.676
Corporate		14.430.339.296
Public sector		887.299.682
Financial sector		662.303.852
	¢	**27.367.029.996**

f) Allowance for loan impairment

Movement in the allowance for loan impairment is as follows:

2020 Opening balance	¢	**97.730.957.808**
Currency translation effect		376.296.599
Plus:		
Allowance charged to profit and loss (See note 29)		7.326.010.779
Recoveries		725.971
Transfer of balances		285.590.362
Adjustments for exchange differentials		1.004.343.101
Less:		
Reversal of allowance against income (See note 30)		(3.605.095.923)
Balance as of March 31. 2020	¢	**103.118.828.697**

(Continues)

g) Syndicated loans

As of March 31, 2020, 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. of Operations			Syndicated Balance other	Syndicated Balance BICSA		Total Balance
6	Banco Agromercantil de Guatemala	¢	311.104.955.144	14.298.024.827	¢	325.402.979.971
1	BICSA, Us Exim, FMO, BHD Int, Banco Panamá		59.721.534.910	4.388.358.732		64.109.893.642
1	BICSA / Multibank		47.739.514.662	5.871.089.463		53.610.604.125
11	BICSA / Lafise		8,001,252.231	4.462.367.335		12.463.619.566
2	BLADEX		113,479,884.000	7.518.336.000		120.998.220.000
2	Banco Financiera Comercial Hondureña		14.341.629.443	3.279.470.762		17.621.100.205
7	BICSA, Banpro, St Georges Bank, Inversiones del Lago		22.086.856.489	7.575.328.341		29.662.184.830
6	BICSA / Banpro /St Georges Bank		11.589.538.439	1.038.916.561		12.628.455.000
2	Banistmo		42.298.746.881	3.312.572.275		45.611.319.156
1	Citibank NY		38.070.292.571	4.967.651.608		43.037.944.179
2	Bladex and Nomura Securities International		55.800.150.000	2.936.850.000		58.737.000.000
9	Credicorp Bank		3.759.442.302	2.414.307.821		6.173.750.123
2	Credit Suisse AG		61.967.535.000	2.643.165.000		64.610.700.000
1	FMO		64.219.119.804	391.579.984		64.610.699.788
5	Global Bank		67.031.332.827	12.768.320.226		79.799.653.053
1	Inter-American Investment Corporation		23.377.326.000	117.474.000		23.494.800.000
2	MMG Bank Corporation		17.992.856.458	3.739.833.542		21.732.690.000
4	Prival Bank		15.482.333.701	12.131.796.747		27.614.130.448
1	Terrabank. N. A.		397.471.517	1.408.691.409		1.806.162.926
66		¢	**978.461.772.379**	**95.264.134.633**	¢	**1.073.725.907.012**

(Continues)

(7) Realizable assets, net

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

		March 2020
Property	¢	148.888.738.328
Other assets		1.853.764.385
Purchased-for-sale		458.856.192
Idle real property, furniture and equipment		3.440.415.883
		154.641.774.788
Allowance for impairment and per legal requirement		(102.512.527.080)
	¢	**52.129.247.708**

The movement of realized assets is as follows:

		March 2020
At the beginning of the year	¢	**144.375.955.540**
Translation effect		286.797.733
Increase of foreclosed assets		14.758.139.269
Transfer to property, furniture and equipment, useless		23.502.512
Increase of available-for-sale assets		604.056.296
Sales of goods		(5.395.614.460)
Withdrawal of property, furniture and equipment, useless		(11.062.102)
Balance at the end of the period	¢	**154.641.774.788**

The movement of the allowance of foreclosed assets is as follows:

		March 2020
Opening Balance	¢	**96.813.230.661**
Currency translation effect		249.610
Increase in the allowance		10.076.956.519
Reversal in the allowance		(4.366.848.163)
Transfer of balances		(1.370.656)
Adjustment of allowance for appraisal of assets		(9.690.891)
Closing Balance	¢	**102.512.527.080**

(8) Interest in other companies' capital

Interest in other companies´capital is detailed as follows:

		March 2020
Interest in Bolsa Nacional de Valores, S.A.	¢	29.057.201
Interest in Interclear Central de Valores S.A.		36.359.988
Interest in Banporcesa, S.R.L.		340.098.252
	¢	**405.515.441**

As of March 31, 2020, 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 March 31, 2020, the interest in Bolsa Nacional de Valores, S.A., is of 1.514.974 common shares with a par value of ¢19,18 each, booked at cost since these shares are not subject to public offering.

As of March 31, 2020, the interest in Interclear Central de Valores, S.A., corresponds to 24,545,455 common shares with a par value of ¢1.48 each and are recorded at cost since these shares are not subject to public offering.

Interest in the equity of the financial conglomerate:

As of March 31, 2020, 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 March 31, 2020, 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 March 31, 2020, 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.

As of March 31, 2020, 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 March 31, 2020, 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 ¢314.45 each, for a total of ¢305.842.762.

As of March 31, 2020, the capital stock of Bancrédito Sociedad Agencia de Seguros, S.A., is represented by 1.900 common and registered shares, which are authorized and issued, with a par value of ¢100.000 each, for a total of ¢190.000.000.

The Bank owns a 51% ownership interest in BICSA (domiciled in Panama). As of March 31, 2020, 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 March 31, 2020, includes the amounts of ¢604.174.406, corresponding to the net operating income of BICSA.

The Bank's statement of changes in equity for the period ended March 31, 2020, includes an equity increase of ¢2.145.824.779, corresponding to the changes resulting from the currency translation effect of BICSA's financial statement.

As of March 31, 2020, 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 ¢68.757.266.121 and the income of the period represents the minority interest in the consolidated income statement in the amounts of ¢580.481.693.

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

	March 2019	
	Quantity	Amount in US Dollars
Balance at the beginning of the period	13.278.700	132.787.000
Issued shares	0	0
Balance at the end of the period	**13.278.700**	**132.787.000**

(Continues)

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.

(9) Property, furniture, and equipment

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

Cost:		Property	Buildings	Furniture and equipment	Computer hardware	Vehicles	Assets by right of use buildings and facilities	Total
Balance as of December 31, 2019	¢	**34.887.514.810**	**77.294.922.807**	**36.661.824.105**	**44.829.365.447**	**5.495.590.362**	**1.706.871.694**	**200.876.089.225**
Currency translation effect		13.528.499	215.334.979	29.205.549	52.535.457	1.658.016	51.736.994	363.999.494
Additions		135.249.041	61.019.180	46.656.833	874.589.289	0	41.057.581.136	42.175.095.479
Disposals		0	0	(274.478.783)	(139.983.305)	0	(1.875.195.241)	(2.289.657.329)
Transfers		0	0	(764.848.126)	(1.140.567)	(37.010.499)	(7.085.899.197)	(7.888.898.389)
Revaluation		0	0	0	0	723492	0	723492
Balance as of March 31, 2020		35.036.292.350	77.571.276.966	35.698.359.578	45.615.366.321	5.460.961.371	33.855.095.386	233.237.351.972
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	44.415.281	26.852.852	46.193.129	1.405.411	13.472.922	132.339.595
Depreciation expenses		0	477.531.889	570.791.218	1.225.812.235	77.129.662	817.754.322	3.169.019.326
Disposals		0	(457.962.404)	(955.007.036)	(139.373.667)	0	(473.589.030)	(-2.025.932.137)
Transfers		0	0	(66.254.754)	(1.140.565)	25.961	(118.073.879)	(185.443.237)
Balance as of March 31, 2020	¢	0	23.930.569.430	22.695.839.131	30.337.478.035	3.875.431.388	684.053.816	81.523.371.800
Net balance: **March 31, 2020**	¢	**35.036.292.350**	**53.640.707.536**	**13.002.520.447**	**15.277.888.286**	**1.585.529.983**	**33.171.041.570**	**151.713.980.172**

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

(Continues)

(10) Other assets

(a) Other deferred charges

Other deferred charges are detailed as follows:

		March 2020
Improvements in property in operating lease	¢	1.057.177.919
Pre-issuance costs of financial instruments		741.242.228
Other deferred charges		8.071.219.884
	¢	**9.869.640.031**

(b) Intangible assets

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

Cost:		
Balance as of December 31, 2019	¢	**49.285.029.618**
Currency translation effect		197.803.744
Additions to computer systems		914.194.642
Disposals		(606.078.995)
Withdrawals		(288.841.519)
Balance as of March 31, 2020		**49.502.107.490**
Accumulated depreciation and impairment:		
Balance as of December 31, 2019		**36.709.871.974**
Currency translation effect		127.883.659
Amortization expense on computer systems		1.246.317.925
Disposals		(9.479.015)
Withdrawals		(606.926.871)
Balance as of March 31, 2020		**37.467.667.672**
Net Balance:		
Balance as of March 31, 2020	¢	**12.034.439.818**

(c) Others assets

Other assets are detailed as follows:

		March 2020
Prepaid taxes	¢	1.020.304.019
Other Prepaid taxes		693.699.396
Prepaid leases		78.393
Prepaid insurrance policy		734.458.022
Other prepaid expenses		1.007.759.481
Prepaid expenses		3.456.299.311
Stationery, supplies and other materials		132.740.710
Library and Works of art		36.138.360
Constructions in process		8.086.236.903
Automated applications in development		3.640.879.419
Rights in social and union institutions		36.633.800
Other suundry assets		21.587.770.273
Sundry assets		33.520.399.465
Missing cash		84.103.228
Operations to be settled		35.582.275.489
Other unsettled operations		35.666.378.717
Deposits in guarantee		1.003.622.356
Restricted assets		1.003.622.356
	¢	**73.646.699.849**

(Continues)

(11) Demand obligations with the public

Demand obligations with the public are as follows:

		March 2020
Checking accounts	¢	1.382.240.859.375
Cashier´s Checks		411.163.254
Demand savings deposits		671.099.605.545
Overdue term borrowings		5.546.321.526
Overnight deposits		5.540.191.800
Other demand borrowings		12.969.193.233
Other demand obligations with the public		9.698.339.694
	¢	**2.180.567.628.282**

(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:

		March 2020 Demand
Obligations with the public	¢	2.175.222.259.835
Deposits form the public		5.345.368.447
Other obligations with the public (See note 11)		**2.180.567.628.282**
Obligations with entities		
Deposits from state-owned entities		9.771.764.215
Deposits from other Banks		9.533.589.031
Other obligations with entities		46.146.058.058
		65.451.411.304
		2.246.019.039.586

		March 2020 Term
Obligations with the public		
Deposits form the public	¢	1.883.436.981.272
Other obligations with the public		8.429.327
		1.883.445.410.599
Obligations with entities		
Deposits from state-owned entities		65.355.059.557
Deposits from other Banks		4.611.488.791
Other obligations with entities		812.362.644.592
		882.329.192.940
	¢	**2.765.774.603.539**

As of March 31, 2020, demand deposits with the public include court-ordered deposits for ¢216.008.223.277 which are restricted because of their nature.

As of March 31, 2020, the Bank has a total of 1.926.977 customers with demand deposits and with term deposits 36.780. The subsidiary BICSA has a total of 1.043 customers with demand deposits and 1.070 customers with demand deposits.

(13) Other obligations with the public

Other obligations with the public are as follows:

		March 2020
Obligations for confirmed letters of credit	¢	2.149.975.433
Obligations for security tripartite agreements forward buyer		31.475.738.317
	¢	**33.625.713.750**

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 March 31, 2020, the Bank's repurchase agreements are as follows:

		Fair value of the assets	Liability balance	Repurchase date	Repurchase price
Investments	¢	32.370.797.941	31.475.738.317	02/04/2020 al 08/05/2020	100%

(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:

		March 2020
Checking accounts of local financial Entities	¢	28.045.187.361
Checking accounts of foreign financial entities		3.193.991.775
Overdrafts on demand checking accounts of foreign financial entities		7.516.235.024
Obligations for check deposits		1.616.766.598
Overnight deposits		25.079.230.546
Other demand obligations with local financial entities		88.316.844.338
Term deposits from foreign financial entities		36.971.541.215
Loans from foreign financial entities (See note 14-a)		485.116.705.323
Obligations for user right of leased assets (See note 14-a)		33.240.551.402
Obligations for resources taken from the interbank market		5.674.273.688
Obligations with resources from the Development Credit Fund (FCD)		147.097.016.553
Charges payable for obligations with financial		7.454.094.736
		869.322.438.559
Loans from local financial entities (See note 14-a)		85.912.260.420
		955.234.698.979
	¢	**955.234.698.979**

(Continues)

The maturities of the term obligations with entities are from April 1, 2020 to March 30th, 2021.

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

	March 2020
Colones	0,26571% a 2,75%
US dollars	0,49974% a 3,1918%

As of March 31, 2020, there are no term obligations with foreign financial entities for the international issuance.

(a) Maturities of loans payable

As of March 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**
Less than one year	¢	0	45.786.945.728	197.717.049.258	41.115.900.000	284.619.894.986
From one to two years		0	42.850.990.980	145.570.937.557	57.009.441.183	245.431.369.720
From three to five years		0	2.948.97.400	29.674.130.270	0	32.622.727.670
More than five years		0	0	14.029.247.055	0	14.029.247.055
Total	¢	**0**	**91.586.534.108**	**386.991.364.140**	**98.125.341.183**	**576.703.239.431**

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

		Fee	**Interest**	**Maintenance**	**Amortization**
Less than one year	¢	7.827.013.026	2.090.148.323	0	5.736.864.703
From one to five years		37.599.585.959	10.095.899.260	0	27.503.686.699
	¢	**45.426.598.985**	**12.186.047.583**	**0**	**33.240.551.402**

(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 March 31, 2020, the consolidated balance of income tax payable amounts to ¢5.206.740.862 (See note 17) and the income tax advance payments amounted to ¢1.020.304.019, recorded as assets.

The income tax expenses are detailed below:

		March 2020
Current income tax	¢	6.917.929.636
Decrease in income tax		(2.456.991.753)
Income tax of the previous period		197.828.492
Settled prepaid income tax		87.222.242
		4.745.988.617
Deferred income tax		8.614.021
Decrease in the deferred income tax		(64.255.617)
Income tax	¢	4.690.347.021
Realization of deferred income tax	¢	55.641.596

BICSA is subject to tax legislation in the following jurisdictions.

Panamá

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

Miami

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

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

Deferred tax assets and liabilities are attributed to the following:

		Assets	Liabilities	Net
Valuation of investments	¢	906.155.956	(3.573.327.897)	(2.667.171.941)
Revaluation of assets		0	(5.238.973.205)	(5.238.973.205)
Provisions		3.975.384	0	3.975.384
Losses and unused tax credits		1.356.727.785	0	1.356.727.785
Allowance for doubtful accounts	¢	61.325.604	0	61.325.604
		2.328.184.729	**(8.812.301.102)**	**(6.484.116.373)**

Movement in temporary differences is as follows:

As of March 31, 2020:		December 31, 2019	Effects on income statement	Effects on equity	March 31, 2020
On liabilities account					
Valuation of investments	¢	(4.678.909.244)	0	1.105.581.347	(3.573.327.897)
Revaluation of assets		(5.277.080.116)	38.106.911	0	(5.238.973.205)
On assets account					
Valuation of investments		1.035.665.794	0	(129.509.838)	906.155.956
Losses and unused tax credits		1.405.629.435	22.706.132	(71.607.782)	1.356.727.785
Provisions		7.246.573	(3.271.189)	0	3.975.384
Allowance for doubtful accounts		63.225.862	(1.900.258)	0	61.325.604
	¢	**(7.444.221.696)**	**55.641.596**	**904.463.727**	**(6.484.116.373)**

The tax receivable balance originated by an excess of advanced payments for the returns on investments of the Development Credit Fund which are exempt from the obligation, are detailed as follows:

(Continues)

		March 2020
Income tax receivable	¢	96.440.962
Supported value added tax	¢	633.045.626
Deductible value added tax	¢	20.713.320
		750.199.908

As of March 31, 2020, the subsidiary BICSA does not report a deferred tax asset.

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 depends 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:

	March 2020
Banco de Costa Rica	¢ 35.112.644.703
BCR Valores, S. A.- Puesto de Bolsa	1.301.643.081
BCR Sociedad Administradora de Fondos de inversión, S.A.	312.877.409
BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A.	300.412.053
BCR Corredora de Seguros, S.A.	282.480.358
	¢ 37.310.057.604

(Continues)

(16) Provisions

The movement in provisions is detailed as follows:

		Legal benefits	Lawsuits	Other	Total
Balance as of December 31, 2019	**¢**	**9.630.769.477**	**16.399.929.029**	**37269529821**	**63.300.228.327**
Currency translation effect		20.617.874	0	0	20.617.874
Adjusted balance		9.651.387.351	16.399.929.029	37269529821	63.320.846.201
Provision mad		82.064.969	191.258.789	40527783	313.851.541
Provision used		(58.186.233)	(1.915.575.047)	0	(1.973.761.280)
Adjustment for exchange rate differentials		0	28.886.269	0	28.886.269
Provisions reversed		(8.476.973)	(1.538.217.686)	0	(1.546.694.659)
Balance as of March 31, 2020	**¢**	**9.666.789.114**	**13.166.281.354**	**37.310.057.604**	**60.143.128.072**

(Continues)

As of March 31, 2020, the Bank is a defendant in litigation, for which the following provisions have been established:

- Ordinary suits filed against the Bank have been estimated at ¢26.184.572.157 and US$57.148.922, for which the Bank has provisioned ¢2.186.722.855 and US$1.492.115, respectively.

- The criminal lawsuits against the Bank have been estimated in ¢1.794.475.429 and US$10.077, for which the Bank has recorded a provision in the amount of ¢89.000.000.

- Labor suits are difficult to estimate due to their nature. However, they have been estimated at ¢4.526.028.717 and US$825.000, for which the Bank has provisioned ¢2.189.088.487, corresponding to cases where a provisional judgment has been handed down.

- There are administrative proceedings at different stages, it has been estimated in ¢7.176.849.269 y US$36.257, for which the Bank has provisioned ¢7.171.855.752 and US$34.057, respectively.

- 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 tranferred for pending proceedings.

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

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

As of March 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. BCR Valores has provisioned ¢119.081.632.

As of March 31, 2020, BICSA there are no a provision for litigations.

(17) Other miscellaneous accounts payable

Other miscellaneous accounts payable are detailed as follows:

		March 2020
Fees payable	¢	1.848.114
Due for goods and services		751.010.107
Current income tax		4.745.988.616
Tax on UD profits		352.940.950
Value added tax		727.402.012
Employer contributions		4.131.968.917
Court-ordered withholdings		893.582.706
Tax withholdings payable		3.234.256.981
Withheld employer contributions payable		955.004.088
Other third-party withholdings payable		19.058.851.881
Compemsations payable		2.122.908.224
Interests (distributions) payable on results of the period (See note 33)		3.587.462.492
Obligations payable on loans with related parties		10.902.095
Accrued vacations payable		6.122.005.733
Accrued statutory Christmas bonus payable		2.024.699.895
Commissions payable from insurance placement		46.819.236
Commissions payable with related parties		399.958.713
Contributions to Superintendences´ budgets		59.228.330
Miscellaneous creditors		24.535.458.018
	¢	**73.762.297.108**

(18) Equity

a) Capital Stock

The Bank's capital stock is as follows:

		March 2020
Capital under Law No. 1644	¢	30.000.000
Bank capitalization bonds		1.288.059.486
Capital increase per Law No. 7107		118.737.742.219
Capital increase per Law No. 8703		27.619.000.002
Capital increase per Law No. 9605		18.907.432.694
Increase for revaluation of assets		14.130.125.230
Other		697.630.970
	¢	**181.409.990.601**

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 a total of US$50.000.000 equivalent to ¢27.619.000.002.

As of March 31, 2020, the amount for the constitution of the Development Financing Fund's equity is ¢24.366.546.259. 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 equity managed by the entity was transferred.

b) Non-capitalizable capital contributions

Corresponds to amounts received for capital contributions to the entity, some of them destined to increase the stock capital, in this case, compliance with Law 9605 "Merger by absorption of Banco Crédito Agrícola de Cartago and Banco de Costa Rica."

As of March 31, 2020, non-capitalized capital contributions in the amount of ¢18.907.432.694 are transferred to the capital stock.

c) 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 March, 31, 2020, the revaluation surplus amounts to ¢37.774.830.067

d) Adjustments for valuation of investments at fair value with changes in other comprehensive income

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

As of March 31, 2020, 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 ¢618.993.476.

e) 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 March 31, 2020, changes in equity include foreign exchange differences corresponding to investments in other companies in the amount of ¢16.954.956.845.

Technical reserves of BICSA's retained earnings

As of March 31, 2020, 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$33.213.135 (51% of US$65.123.795) 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.

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 maintain at all times 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.1- 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.

Regulatory capital

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

Companies of the Financial Conglomerate		Base capital	Minimum individual capital requirement	Individual surplus or deficit	Non-transferable items	Transferable surplus and individual deficit
Contrlling entity						
Banco de Costa Rica	¢	427.997.719.986	347.361.385.989	80.636.333.997	0	80.636.333.997
		427.997.719.986	347.361.385.989	80.636.333.997	0	80.636.333.997
Regulated entities						
Banco Internacional de Costa Rica, S.A. and subsidiary		140.322.693.000	111.404.311.730	32.716.509.000	16.031.089.410	16.685.419.590
BCR Valores, S.A.- Puesto de Bolsa		22.710.646.510	107.606.184.000	18.980.530.427	0	18.980.530.427
BCR Sociedad Administradora de Fondos de inversión, S.A.		9.521.294.330	3.730.116.083	6.281.147.320	0	6.281.147.320
BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A.		6.065.455.199	3.541.650.576	2.523.804.623	0	2.523.804.623
	¢	178.620.089.039	118.118.097.669	60.501.991.370	16.031.089.410	44.470.901.960
Non regulated entities						
BCR Corredora de Seguros, S.A.		4.948.764.490	2.861.838.580	2.086.925.910	0	2.086.925.910
Bancrédito Sociedad Agencia de Seguros S.A.		453.260.500	110.585.400	342.675.100	0	342.675.100
Depósito Agrícola de Cartago S.A. y subsidiaria		680.346.900	304.327.600	376.019.300	0	376.019.300
	¢	6.082.371.890	3.276.751.580	2.805.620.310	0	2.805.620.310
Global surplus or deficit of the Financial					¢	**127.912.856.267**

(Continues)

(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:

		March 2020
Guarantees granted:		
Performance bonds	¢	111.100.436.190
Bid bonds		11.257.338.945
Other guarantees		93.436.912.997
Issued non-negotiated letters of credit		11.209.496.715
Confirmed non-negotiated letters of credit		8.666.322.048
Credit lines to be used automatically		112.975.549.245
Other contingencies		61.228.188.227
Credits pending disbursement		1.465.633.476
	¢	**411.339.877.843**

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

		March 2020
With prior deposit	¢	11.817.972.891
Without prior deposit		338.293.716.725
Pending litigation and lawsuits		61.228.188.227
	¢	**411.339.877.843**

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 March 31, 2020, letters of credit are backed 100% by guarantee deposits or credit facilities.

As of March 31, 2020, floating guarantees in custody are for ¢285.460.968.205.

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 March 31, 2020, the Bank's Legal Division reported the following contingencies and commitments:

- Administrative suits against the Bank estimated ¢23.997.849.302 and US$55.656.807
- 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 ¢2.336.940.230 and US$825.000.
- In criminal matters there are active ordinary labor processes that are estimated at ¢1.705.475.429 and US$10.077.
- Administrative proceedings against the Bank have been estimated in the amounts of ¢4.993.517 and US$200.

Income tax - BICSA Costa Rica

BICSA SERVICIOS, S.A., as a surviving entity of the group of companies that formed BICSA Corporación Financiera, S.A, was condemned by the Administrative Tax Court to the payment of income tax for the fiscal periods from 1999 to 2004. In strict compliance with the deadline for cancellation, the sum of US$1.243.985 adduced in the announcement was paid by BICSA on November 29, 2013, charged to the provision that was maintained for the case.

Notwithstanding that the payment was made in order to avoid other sanctions, given the nonconformity that the institution maintained to the scope, a judicial contentious administrative proceeding had already been filed, in order to declare the absolute nullity and inefficiency of the determinative resolution No.DT10R-11-08 of the Large Taxpayers' Division, the resolution No.AU-10-4-135-08, the ruling of the Administrative Court No. 035-2012 and the resolution No. SFGCN-AL-075-12, all arising from the transfer of charges No. 2752000016446 of income taxes for the years 1999-2004. Together with the repayment of the sums objected, interest added, damages and losses are also claimed for a figure currently undetermined, but that would be determined in execution of an eventual favorable judgment.

In response to this action, in January 28, 2014 the Costa Rican State started a contentious administrative process against the bank (Harmfulness Process), referring to the party won by BICSA in administrative proceedings. In order to better manage both actions, the accumulation of the processes was proposed, and in March 2015, the Contentious Administrative Court decreed to accumulate them. On June 19, 2015, a preliminary hearing was convened, in which the controversial facts of the complaint were indicated and, in turn, the application of the expert opinions requested by BICSA was approved. On December 23, 2016, the memorial presented by one of the experts was notified, granting a period of 3 working days to the parties to refer to it. BICSA referred to it on January 9, 2017.

Subsequently, by resolution of February 17, 2017 of the Contentious Administrative Court, a period of 30 working days was granted to another of the experts, so that they could submit their report, which was provided to the Court on February 19, 2017. On April 21, 2018, BICSA referred to this expert opinion, within the period granted by the resolution of April 17, 2018. Refering to the references and consultations made by BICSA, the expert answered incompletely BICSA´s objections, so that on September 12, 2017, assessments were presented again regarding this expert´s opinion. On July 18 and 19, 2019, the Oral and Public Trial was carried out with the accumulation of the processes. All the evidence presented by the Bank was admitted and evacuated, including the statement of the experts and witnesses presented by the Bank, by the State and the designated judicial expert. On September 24, the Bank was notified of judgment 77-2019-VII, issued by the Administrative and Civil Litigation Court of the Treasury, Section Eight, in which the exception of prescription and lack of active legitimation opposed by the State is rejected, regarding the claims for compensation.

The exception of lack of right filed by the State in relation to the lawsuit filed against it by BICSA SERVICIOS, S.A. is partially accepted. The claim is partially accepted, only regarding the nullity of resolution OT-10R-041-13, of the General Directorate of Taxation, Directorate of Large Taxpayers and the Fiscal Administrative Court TFA-N ° 497-2013, related to the new interest settlement, in the amount of one hundred seventy four million six hundred fourteen thousand nine hundred six colones exactly, which must be returned to the Bank, duly indexed from the date of its payment, until its effective return, as determined in the sentence execution phase. With respect to the injurious process filed by the State against BICSA SERVICIOS S.A., the exception of lack of right opposed by the defendant is partially accepted and the claim filed is partially declared in place as provided below: i) It is declared harmful to the interests of the State and the resolution TFA-035-2012 of the First Chamber of the Administrative Tax Court is annulled, only insofar as the resolution revokes Determining Resolution No. DT10R-11-08, regarding the DECLARED TAXABLE INCOME AS NOT TAXABLE: Income obtained (interest) from operations and investments made with foreign companies. II) In the rest, the resolution whose harmfulness was intended remains intact. Because it is unnecessary, a statement regarding the counterclaim filed by the Bank is omitted. It is resolved without special conviction on costs related to the three proceedings called upon.

(Continues)

Against the aforementioned judgment, on September 26, 2019, the Bank filed an appeal which is pending admission.

As of March 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 March 31, 2020, BCR Valores Puesto de Bolsa, S.A, 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 according to the criteria of the lawyers, an estimate of the eventual outcome is not feasible.

As at March 31, 2020, there is a process filed against BCR Valores, in the amount of US$465.000, which is processed under file 16-000208-1027-CA-2 of the Administrative and Civil Court of San José. To date and according to the criteria of the lawyers, an estimate of the eventual outcome is not feasible.

As of March 31, 2020 there is a lawsuit established by Yorlyn Pamela Villalobos Arguedas, file number 17-002581-1178-LA, which is still pending; there is no estimate of the eventual outcome.

(20) Trusts

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

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

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

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

		March 2020
With previous deposit	¢	11.817.972.891
With no previous deposit		338.293.716.725
Pending litigation and lawsuits		61.228.188.227
	¢	**411.339.877.843**

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

		March 2020
Banco de Costa Rica	¢	983.018.898.183
Banco Internacional de Costa Rica, S.A.		47.327.106.326
BCR Valores, S.A.- Puesto de Bolsa (See note 22)		71.466.000
	¢	**1.030.417.470.509**

(Continues)

(21) Other debit memoranda accounts

Other debit memoranda accounts are detailed as follows:

		March 2020
Own assets and securities held in custody	¢	7.463.118.905
Guarantees received and held in custody		714.586.014.158
Guarantees received and held by third parties		3.191.361.887
Granted and unused credit lines		479.418.303.980
Written-offs		238.756.695.409
Suspense interest receivable		19.944.367.160
Back-up document		58.711.000
Other memoranda accounts		13.445.133.986.036
Assets and securities held in custody for third-parties		92.200.833.033
Managed funds assets		1.875.945.312.650
Management of individual portfolios by Puesto de Bolsa		121.918.789.010
Held-for-trading securities received as guarantee (guarantee trust)		39.923.741.077
Own held-for-trading securities		443.143.721.788
Cash and accounts receivable for custodial activities		195.782.365.233
Held-for-trading securities held in custody for third parties as guarantee (guarantee trust)		67.207.425.688
Held-for-trading securities pending receipt		4.621.203.036
Confirmed cash agreements pending settlement		9.840.492.096
Futures pending settlement		60.680.255.325
Held-for-trading third parties securities		5.531.384.091.961
	¢	**23.351.200.789.432**

(Continues)

Other memoranda accounts by subsidiaries are detailed as follows:

		March 2020
Banco de Costa Rica	¢	19.305.915.363.908
Banco Internacional de Costa Rica, S.A.		1.487.229.330.433
BCR Valores, S.A.- Puesto de Bolsa (See note 22)		670.642.934.225
BCR Sociedad Administradora de Fondos de Inversión, S.A. (See note 23)		606.635.408.024
BCR Pensión Operadora de Planes de Pensiones Complementarias, S.A. (See note 24)		1.276.832.793.493
Depósito Agrícola de Cartago S. A.		3.944.959.349
	¢	**23.351.200.789.432**

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

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

		March 2020
Managed funds (See note 20)	¢	71.466.000
Other own memoranda accounts		
Other memoranda accounts		7.936.927.912
Total own other memoranda accounts	¢	**7.936.927.912**
Memoranda accounts for third parties		
Portfolio management	¢	121.918.789.010
Cash and accounts receivable by custodial activity		542.767.289
Held-for-trading pending receipt		4.621.203.036
Held-for-trading securities pending receipt		
Held-for-trading securities received as guarantee		4.626.293.795
Confirmed spot contracts pending settlement		9.840.492.096
Futures pending settlement-forward buyer (See note 22-a)		53.095.991.053
Futures pending settlement-forward seller (See note 22-a)		7.584.264.272
Central de Valores private (local custody)		162.931.849.907
Central de Valores private (international custody)		12.870.174.412
Central de Valores public (BCCR)		281.386.681.443
Vault		3.287.500.000
Total memoranda accounts for third parties		**662.706.006.313**
Total memoranda accounts (See note 21)		**670.642.934.225**
Total memoranda accounts and trusts	¢	**670.714.400.225**

In repurchase and term operations, 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 enters into 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 March 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**		
Third parties		**Colones**	**US Dollars**	**Total**	**Colones**	**US Dollars**	**Total**
1 to 30 days	¢	10.930.113.496	31.042.065.971	41.972.179.467	1.244.907.841	2.141.669.680	3.386.577.522
31 to 60 days		1.293.504.246	9.032.433.282	10.325.937.528	603.192.623	2.888.421.355	3.491.613.978
61 to 90 days		0	797.874.057	797.874.057	0	706.072.772	706.072.772
Total third parties	¢	12.223.617.743	40.872.373.310	53.095.991.053	1.848.100.464	5.736.163.808	7.584.264.272
Total	¢	**12.223.617.743**	**40.872.373.310**	**53.095.991.053**	**1.848.100.464**	**5.736.163.808**	**7.584.264.272**

b) Guarantees granted

In order to comply with Bolsa Nacional de Valores, S.A., requirement for a system of guarantees to secure operations executed by BCR Valores 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.

In order 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 March 31, 2020, BCR Valores had made contributions for a total of ¢118.585.352. 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 the BCR Valores, except for individual portfolio management services. Accordingly, BCR Valores has two types of agreements available:

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

- Individual portfolio management agreement.

d) Customer securities and own securities in custody

As of March 31, 2020, BCR Valores, S.A. - Puesto de Bolsa have securities in custody.

Third parties custody

Place of custody	**Type of custody**		**Balance**
Colones			
Local	Free custody	¢	140.821.743.936
Local	Repurchase agreements		13.172.171.985
		¢	153.993.915.921
US Dollars			
Local	Free custody	¢	255.759.917.682
Local	Repurchase agreements		50.722.372.168
		¢	306.482.289.850
Total custody of third parties US dollars and others		¢	**460.476.205.771**

(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:

Investment Funds	Type of fund		March 2020
In Colones			
BCR Short-term colones, undiversified	Financial, open	¢	50.077.470.463
BCR quarterly, colones, non- diversified	Financial, open, médium term		122.782.794
BCR mixed colones, undiversified	Open, medium-term		26.192.532.846
BCR Portfolio Fund Colones	Open, medium-term		55.089.758.621
BCR Real Estate colones, non-diversified	Closed, non-financial and mixed portfolio		17.629.458.259
		¢	149.112.002.983
In US Dollars			
Investment Funds in US Dollars, equivalent in colones			457.523.405.041
	(See note 21)	¢	**606.635.408.024**
Investment Funds in US Dollars			
BCR Liquidity Dollars, undiversified	Open	US$	54.110.649
BCR Real Estate Dollars, undiversified	Real estate, closed, long-term		288.952.916
BCR Real Estate Trade and Industry, undiversified	Real estate, closed, long-term		210.519.879
BCR Liquidity Fund Dollars, international, undiversified	Open, money market		80.852.092
BCR Portfolio Fund Dollars	Open, medium-term		54.257.853
BCR Evolution	Open, medium-term		2.255.222
BCR Real Estate Progress Fund, undiversified	Real estate, closed		87.986.992
		US$	**778.935.603**

(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:

		March 2020
Own assets and securities held in custody	¢	7.463.118.905
Assets and securities held in custody for third parties		59.769.962
Mandatory pension fund		1.020.836.623.594
Voluntary pension fund		27.237.103.046
Labor capitalization fund		66.260.795.635
Supplementary pension funds created by special laws		154.975.382.351
(See note 21)	¢	**1.276.832.793.493**

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

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

		March 2020
Voluntary Pension Fund (in colones)	**¢**	**20.924.575.418**
At fair value with changes through other comprehensive income		
Entities from the public sector of the country		
Treasury		10.382.160.732
Banco Central de Costa Rica		693.323.146
Other issuers from the public sector		2.918.395.041
Entities from the private sector of the country		
Financial		6.090.024.165
Non-financial		583.785.473
At fair value with changes through profit or loss		
Entities from the private sector of the country		
Financial		256.886.861
Voluntary Pension Fund (US$)	**US$**	**9.580.975**
At fair value with changes through other comprehensive income		
Entities from the public sector of the country		
Treasury		4.687.444
Other issuers from the public sector		620.449
Entities from the private sector of the country		
Financial		3.718.622
Non-financial		349.141
At fair value with changes through profit or loss		
Entities from the private sector of the country		
Financial		205.319

		Marzo 2020
Mandatory Regime of Supplementary Pensions (in colones)	**¢**	**1.117.414.971.377**
At fair value with changes through other comprehensive income		
Entities from the public sector of the country		
Treasury		594.308.974.758
Banco Central de Costa Rica		61.482.306.927
Other issuers from the public sector		139.483.082.625
Entities from the private sector of the country		
Financial		218.184.108.172
Non-financial		16.347.243.829
At fair value with changes through profit or loss		
Entities from the private sector of the country		
Financial		45.315.000.699
Entities from the public sector of the country		
Financial		42.294.254.367
Labor Capitalization Fund (in colones)	**¢**	**90.035.990.851**
At fair value with changes through other comprehensive income		
Entities from the public sector of the country		
Treasury		55.881.344.228
Banco Central de Costa Rica		4.574.192.988
Other issuers from the public sector		9.509.091.318
Entities from the private sector of the country		
Financial		17.364.133.254
No-financial		1.864.124.677
At fair value with changes through profit or loss		
Entities from the private sector of the country		
Financial		843.104.386

(Continues)

The agreements entered into 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 into:

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 aforementioned 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) <u>Contract for custody and storage of goods and merchandise</u>

As of March 31, 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 Warehpuses, transportation and disributions 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.

(26) Financial income on investments in financial instruments

Financial income on investments in financial instruments is as follows:

		March 2020
Interest from held-for-trading securities	¢	296.642.094
Income from available-for sale financial Instruments		14.313.464.625
Interest for investments in held-for-maturity financial		53.995.182
Income from investments in due and restricted financial instruments		753.462.587
	¢	**15.417.564.488**

(27) Financial income on loan portfolio

Financial income on loan portfolio is detailed as follows:

		March 2020
Personal	¢	30.844.847.410
Development Banking System		684.304.657
Business		4.354.330.462
Corporate		37.103.491.033
Public sector		2.441.311.982
Financial sector		3.888.486.833
Amortization of the net commission of the incremental direct costs associated with loans		926.958.663
Interest for accounts receivable related to loan portfolio and other financial instruments for other concepts not included in the previous subaccounts and analytical accounts		223.151.726
	¢	**80.466.882.766**

(28) Expenses from obligations with the public

Financial expenses from obligations with the public are as follows:

		March 2020
Expenses from demand deposits	¢	9.044.058.120
Expenses from term deposits		30.253.587.545
Expenses from securities in repurchase agreements		330.011.859
	¢	**39.627.657.524**

(29) Expenses from allowances for loan portfolio

Expenses from allowances for loan portfolio are as follows:

		March 2020
Expenses from specific allowance for loan portfolio (See note 6-f)	¢	7.154.313.571
Expenses for allowance for impairment and other doubtful receivables		1.042.513.179
Expenses for allowance for impairment and doubtful contingent loans		30.753.892
Expenses for generic allowance and counter cycle for loan portfolio (See note 6-f)		171.697.208
Expenses for generic allowance and counter cycle for contingent loans		82
Expense for allowance of impairment in held-to-maturing financial instruments		3.226.918.490
	¢	**11.626.196.422**

(Continues)

(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:

		March 2020
Recovery of written-down loans	¢	2.797.700.435
Decrease in specific allowance for loan portfolio (See note 6-f)		3.075.533.780
Decrease in allowance for non-collectibility of other receivables		702.351.196
Decrease in allowance for non-collectibility of contingent loans		44.335.220
Decrease in generic allowance and counter cycle for loan portfolio (See note 6-f)		529.562.143
Decrease in generic allowance and counter cycle for contingent loans		42.085.728
Decrease in allowance for non-collectibility of investment securities		364.266.219
	¢	**7.555.834.721**

(31) Service fee and commission income

Service fee and commission income are detailed as follows:

		March 2020
Drafts and transfers	¢	612.067.384
Foreign trade		191.255.556
Certified checks		1.298.203
Trust management		1.161.086.735
Custodial services		109.529.720
Collections		131.137.970
Credit Cards		11.735.865.705
Investment Fund management		2.212.599.264
Pension Fund management		1.541.195.296
Insurance underwriting		1.703.592.067
Brokerage fees (by third parties in local market)		709.354.681
Brokerage fees (by third parties in other markets)		42.464.819
Individual portfolio management fees		294.781.873
Commission from custodial services of authorized securities		99.803.981
Other commissions		8.696.303.251
	¢	**29.242.336.505**

(32) Income from interests in other companies

As at March 31, 2020 there is no income for interest in the capital of other companies.

(33) Administrative expenses

Administrative expenses are detailed as follows:

		March 2020
Salaries and bonuses, permanent staff	¢	15.611.284.225
Salaries and bonuses, Contractors		574.385.157
Compensation for directors and auditors		62.936.273
Overtime		230.961.138
Per diem		107.517.506
Statutory Christmas Bonus		1.463.651.775
Vacation		1.212.325.972
Incentives		1.468.846
Fixed representation expenses		209.696.804
Other compensation		347.754.324
Contribution to severance payment		666.878.891
Social security charges		5.214.512.782
Refreshments		29.434.423
Uniforms		887.929
Training		65.896.863
Employee insurance		149.109.564
Assets for personal use		190.030
School bonus		1.932.244.290
Labor Capitalization Fund		454.585.832
Other personnel expenses		215.138.709
Outsourcing expenses		3.915.741.626
Transportation and communication expenses		1.511.473.243
Property insurance		15.552.184
Property maintenance and repair		746.099.627
Public utilities		764.413.602
Leasing of real properties		947.758.046
Leasing of furniture and equipment		78.461.226
Depreciation of property, plant and equipment		2.276.561.041
Amortization of leasehold property		104.588.342
Other infrastructure expenses		1.261.105.081
Overhead		4.341.444.901
	¢	**44.514.060.252**

Legal profit sharing

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

		March 2020
Profit sharing of CONAPE	¢	614.615.901
Profit sharing Instituto Nacional de Fomento Cooperativo		419.929.310
Profit sharing of National Emergency Commission		501.807.292
Profit sharing Public Pension Fund Operators		203.957.828
Profit sharing of Invalidity, Old Age and Death Regime		1.843.847.704
	¢	**3.584.158.035**

As of March 31, 2020, there are no decreases on legal allocations of the income of the period´s income.

(34) Components of other comprehensive income

The components of other comprehensive income are detailed as follows:

		March 2020		
		Amount before taxes	**Tax benefit (expense)**	**Net taxes**
Adjustment for valuation of investments at fair value with changes through other comprehensive income	¢	(203.965.261)	904.463.727	700.498.466
Exchange differences from translation effect of financial statements of foreign entities		4.207.499.567	0	4.207.499.567
	¢	**4.003.534.306**	**904.463.727**	**4.907.998.033**

(35) Operating leases

Lessee

Non-cancellable operating leases are payable as follows:

		March 2020
Less than one year	¢	456.803.400
From one to five years		456.803.400
	¢	**913.606.800**

These leases correspond to furniture and equipment.

(36) Fair value of financial instruments

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

		March 2020	
		Carrying amount	**Fair value**
Cash and due from banks	¢	775.962.750.289	775.962.750.289
Investments		1.073.346.258.521	1.062.495.360.396
Loan portfolio		3.823.325.299.279	2.756.213.660.190
		5.672.634.308.089	4.594.671.770.875
Demand deposits		2.236.263.848.203	2.236.263.848.204
Term deposits		1.883.445.410.600	1.503.715.001.738
Financial obligations		955.248.705.082	459.000.969.495
	¢	5.074.957.963.885	4.198.979.819.437

As of March 31, 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, 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

The fair value of available-for-sale financial instruments is based on quoted market prices or prices quoted by 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.

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.

(37) 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.

(Continues)

As of March 31, 2020, assets and liabilities of each segment are as follows:

		Bank	Pension Fund Operator	Investment Fund Manager	Brokerage House	Foreing Bank	Insurance Broker	Depósito Agricola	Insurance broker	Total	Eliminations	Consolidated
Assets												
Cash and due from Banks	¢	726.784.445.668	251.947.445	1.226.418.964	964.449.337	71.890.836.320	347.562.745	140.207.922	997.781.583	802.603.649.984	(26.640.899.695)	775.962.750.289
Investment in financial instruments		910.365.021.895	6.202.634.308	10.166.527.092	62.821.099.155	72.096.491.003	12.238.900.329	679.601.865	0	1.074.570.275.647	(1.224.017.126)	1.073.346.258.521
Loan portfolio		2.800.459.365.809	0	0	0	919.747.104.773	0	0	0	3.720.206.470.582	0	3.720.206.470.582
Accounts and fees receivable		10.654.228.139	517.139.193	907.865.246	557.529.226	4.905.476.943	479.047.583	113.475.669	0	18.134.761.999	(6.081.148.303)	12.053.613.696
Foreclosed assets		41.512.693.061	0	0	0	10.614.652.256	0	1.902.391	0	52.129.247.708	0	52.129.247.708
Interest in other companies (net)		127.712.051.924	0	0	65.417.188	0	0	0	0	127.777.469.112	(127.371.953.671)	405.515.441
Property, furniture and equipment, net		138.478.339.143	823.548.826	1.360.812.167	870.959.341	8.808.232.825	887.554.740	479.419.991	5.113.140	151.713.980.173	(2)	151.713.980.171
Investment properties		6.441.924.521	0	0	0	0	0	0	0	6.441.924.521	0	6.441.924.521
Other assets		67.786.909.837	465.676.718	304.634.904	452.706.765	26.068.482.066	356.127.523	107.030.350	9.211.536	95.550.779.699	(1)	95.550.779.698
Total assets	¢	**4.830.194.979.997**	**8.260.946.490**	**13.966.258.373**	**65.732.161.012**	**1.114.131.276.186**	**14.309.192.920**	**1.521.638.188**	**1.012.106.259**	**6.049.128.559.425**	**(161.318.018.798)**	**5.887.810.540.627**
Liabilities and equity												
Liabilities												
Obligations with the public	¢	3.653.081.377.585	0	0	31.475.738.317	439.940.554.670	8.429.327	0	0	4.124.506.099.899	(4.796.841.096)	4.119.709.258.803
Obligations with entities		454.088.631.696	814.601.196	1.381.010.059	6.608.274.089	519.674.555.520	897.311.549	416.115.196	0	983.880.499.305	(28.645.800.326)	955.234.698.979
Accounts payable and provisions		127.797.282.709	1.124.873.454	1.226.755.093	3.153.028.214	8.145.819.259	1.682.345.631	167.767.006	3.304.458	143.301.175.824	(503.423.701)	142.797.752.123
Other liabilities		22.119.459.721	0	0	0	6.049.396.464	33.886.460	593.670	0	28.203.336.315	0	28.203.336.315
Total liabilities	¢	**4.257.086.751.711**	**1.939.474.650**	**2.607.765.152**	**41.237.040.620**	**973.810.325.913**	**2.621.972.967**	**584.475.872**	**3.304.458**	**5.279.891.111.343**	**(33.946.065.123)**	**5.245.945.046.220**
Equity												
Capital		181.409.990.601	4.065.286.306	4.839.200.000	12.626.000.000	38.609.421.071	2.250.000.000	305.842.762	190.000.000	244.295.740.740	(62.885.750.139)	181.409.990.601
Unfunded capital contributions		0	598.500.222	0	0	0	0	0	0	598.500.222	(598.500.222)	0
Equity adjustments		54.110.793.436	90.483.008	(56.090.003)	2.152.774.546	49.144.805.715	90.351.238	0	0	105.533.117.940	(51.422.324.504)	54.110.793.436
Capital reserves		283.820.516.011	255.890.000	967.840.000	1.304.993.898	31.690.621.959	386.760.404	34.330.622	36.630.232	318.497.583.126	(34.677.067.115)	283.820.516.011
Prior periods retained earnings		13.464.953.148	1.107.354.476	4.937.916.745	7.547.506.984	19.691.445.429	8.056.439.142	590.607.095	780.936.887	56.177.159.906	(42.712.206.758)	13.464.953.148
Profit for the period		6.992.246.630	203.957.828	669.626.479	863.844.964	1.184.656.099	903.669.169	6.381.837	1.234.682	10.825.617.688	(3.833.371.058)	6.992.246.630
Development financing fund		33.309.728.460	0	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	0	68.757.266.121	68.757.266.121
Total equity		573.108.228.286	6.321.471.840	11.358.493.221	24.495.120.392	140.320.950.273	11.687.219.953	937.162.316	1.008.801.801	769.237.448.082	(127.371.953.675)	641.865.494.407
Total liabilities and equity	¢	**4.830.194.979.997**	**8.260.946.490**	**13.966.258.373**	**65.732.161.012**	**1.114.131.276.186**	**14.309.192.920**	**1.521.638.188**	**1.012.106.259**	**6.049.128.559.425**	**(161.318.018.798)**	**5.887.810.540.627**
Debit contingent accounts	¢	294.674.801.147	0	0	0	116.665.076.696	0	0	0	411.339.877.843	0	411.339.877.843
Trust assets	¢	983.018.898.183	0	0	71.466.000	47.327.106.326	0	0	0	1.030.417.470.509	0	1.030.417.470.509
Trust liabilities	¢	453.418.948.361	0	0	1.000.095	0	0	0	0	453.419.948.456	0	453.419.948.456
Trust equity	¢	529.599.949.823	0	0	70.465.904	47.327.106.326	0	0	0	576.997.522.053	0	576.997.522.053
Other debit memoranda accounts	¢	19.305.915.363.908	1.276.832.793.493	606.635.408.024	670.642.934.225	1.487.229.330.433	0	3.944.959.349	0	23.351.200.789.432	0	23.351.200.789.432

(Continues)

As of Mach 31, 2020, results of each segment are as follows:

		Bank	Pension Fund Operator	Investment Fund Manager	Brokerage House	Foreing Bank	Insurance broker	Depósito Agrícola	Insurance broker	Total	Eliminations	Consolidated
Financial income	¢	87.617.603.241	156.203.951	272.117.969	1.633.235.542	15.563.505.386	340.808.028	3.533.549	2.098.161	105.589.105.827	(63.576.388)	105.525.529.439
Financial expenses		43.011.343.618	12.345.034	20.688.156	344.793.215	9.624.407.800	13.651.613	7.066.329	0	53.034.295.765	(63.576.388)	52.970.719.377
Expenses from allowance for assets impairment		10.313.981.716	66.161.176	113.809.801	363.673.540	681.183.955	87.386.234	0	0	11.626.196.422	0	11.626.196.422
Income from recovery of assets and decrease in allowance		7.478.901.920	0	395.630	59.966.585	0	16.570.586	0	0	7.555.834.721	0	7.555.834.721
Gross operating income		**41.771.179.827**	**77.697.741**	**138.015.642**	**984.735.372**	**5.257.913.631**	**256.340.767**	**(3.532.780)**	**2.098.161**	**48.484.448.361**	**0**	**48.484.448.361**
Other operating income		44.277.010.566	1.705.842.471	2.406.358.980	1.463.146.676	688.636.674	1.891.906.250	317.281.086	0	52.750.182.703	(4.734.422.279)	48.015.760.424
Other operating expenses		33.148.255.053	463.179.331	729.418.615	224.233.831	643.200.001	174.161.035	66.035.567	23.616	35.448.507.049	(1.481.532.913)	33.966.974.136
Gross operating income		**52.899.935.340**	**1.320.360.881**	**1.814.956.007**	**2.223.648.217**	**5.303.350.304**	**1.974.085.982**	**247.712.739**	**2.074.545**	**65.786.124.015**	**(3.252.889.366)**	**62.533.234.649**
Personnel expenses		23.675.387.003	546.465.861	708.949.743	665.252.256	2.317.423.578	488.178.254	149.204.638	0	28.550.861.333	0	28.550.861.333
Other administrative expenses		13.757.454.385	164.786.191	107.194.935	134.194.382	1.616.783.306	100.190.689	81.755.168	839.863	15.963.198.919	0	15.963.198.919
Administrative expesnes		**37.432.841.388**	**711.252.052**	**816.144.678**	**799.446.638**	**3.934.206.884**	**588.368.943**	**230.959.806**	**839.863**	**44.514.060.252**	**0**	**44.514.060.252**
Net operating income before taxes and profit sharing		**15.467.093.952**	**609.108.829**	**998.811.329**	**1.424.201.579**	**1.369.143.420**	**1.385.717.039**	**16.752.933**	**1.234.682**	**21,272,063.763**	**(3.252.889.366)**	**18.019.174.397**
Income tax		5.265.791.778	182.919.905	299.220.510	515.730.310	207.193.453	437.205.172	9.868.508	0	6.917.929.636	0	6.917.929.636
Deferred income tax		0	0	0	3.642.845	0	4.971.176	0	0	8.614.021	0	8.614.021
Decrease in income tax		38.106.911	0	0	1.742.587	22.706.132	1.699.987	0	0	64.255.617	1	64.255.618
Profit sharing		3.247.162.455	222.231.096	29.964.340	42.726.047	0	41.571.509	502.588	0	3.584.158.035	0	3.584.158.035
Net profit for the year		**6.992.246.630**	**203.957.828**	**669.626.479**	**863.844.964**	**1.184.656.099**	**903.669.169**	**6.381.837**	**1.234.682**	**10.825.617.688**	**(3.252.889.365)**	**7.572.728.323**
Results for the period atributable to minority interests		0	0	0	0	0	0	0	0	0	(580.481.693)	580.481.693
Results for the period atributable to the comptroller		**6.992.246.630**	**203.957.828**	**669.626.479**	**863.844.964**	**1.184.656.099**	**903.669.169**	**6.381.837**	**1.234.682**	**10.825.617.688**	**(3.833.371.058)**	**6.992.246.630**
Net income for the periods	¢	**6.992.246.630**	**203.957.828**	**669.626.479**	**863.844.964**	**1.184.656.099**	**903.669.169**	**6.381.837**	**1.234.682**	**10.825.617.688**	**(3.833.371.058)**	**6.992.246.630**

(Continues)

(38) 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 Sistema), 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 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 Risk Management and the Regulatory Control Area, depending on the General Board of Directors which has various administrative units 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 it 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.

- 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 stated objectives, 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:

Financial
Credit
• Loan portfolio
• Investment portfolio (counterparty)

Market
• Liquidity
• Exchange rates
• Interest rates
• Prices

Operational
• Operating
• Legal
• Technological

Other
• Strategic
• Reputational
• Trust management
• Securitization management
• Conglomerate (intragroup)
• Money laundering and terrorism financing

Risk profile and limit structure

The members of the Conglomerate define a risk profile for each entity, which is reviewed and updated periodically by the risk taker and risk managing areas, and is approved by its board of directors. According to this profile, parameters of acceptability, appetite, tolerance limits and risk indicators defining the exposure levels to assume, are established, thereby generating alerts to deviations from normal behavior, enabling timely decision making.

Process of comprehensive risk management

The process in risk assessments includes identification, analysis, evaluation, Management, review, documentation and risk communication.

Types of risk assessments

The process in risk assessments 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.

The established risk assessments generate various alerts, recommendations and risk management plans, contributing to its overall and specific mitigation. In addition, there are contingency plans for unexpected events that may affect compliance with the risk tolerance limits.

In addition, there is a continuous monitoring of tolerance limits and risk indicators, in order 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.

(a) Credit risk management

Definition

Credit risk is the possibility of economic losses due to non-compliance with the conditions agreed upon by the debtor.

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.

(Continues)

Management methodology

In general, models and systems measuring credit risk that accurately reflect the value of the positions and their sensitivity to various risk factors are applied in corporative information from reliable sources.

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

For the quantitative analysis of the loan portfolio, there is a model for the quantification of the expected loss, the Value at Risk (VaR) and economic capital, which is aligned with the standarads of Basel II.

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 Comitee. Finally, there are limits to exposure to credit risk, to control exposure levels.

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 individuals, consequently, at the end of March, delinquency indicators show the first signs of deterioration. In this situation, the Bank has ordered the application of a grace period to affected clients whose term differs according to the economic sector, which ranges from 3 months for credit cards, 12 months for tourism and 6 months for other activities.

As of march 2020, the percentage of arrears greater than 90 days was 2.69%. The latter indicator is 1.31 percentage points below the regulatory limit to be in the normal range, with personal banking activities showing the highest delinquency.

The dollar portfolio accounts for 31.48% of the total portfolio. It is important to mention that the loan portfolio has been growing during the last month, which has been managed strategically in order to attract customers with an acceptable risk profile. In addition, regular monitoring of the loans in foreign currency is given, and in particular, the portfolio of clients not generating income in foreign currency.

(Continues)

The activities with the greatest relative importance are housing, services and commerce; As shown in Note 6.a (Loan portfolio by sector) to the Financial Statements, additionally, exposure limits are defined for the loan portfolio, and thus achieve in the medium and long term a portfolio structure of credit according to the risk appetite defined by the Superior Administration.

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

		March 2020
Banco de Costa Rica		
Loan portfolio, gross	¢	2.885.835.401.265
Plus, interest receivable		21.494.422.503
Less, allowance for impairment		(90.426.147.327)
Loan portfolio, net	¢	**2.816.903.676.441**
Banco Internacional de Costa Rica, S.A. and subsidiaries		
Loan portfolio, gross	¢	926.566.648.447
Plus, interest receivable		5.872.607.492
Less, allowance for impairment		(12.692.151.165)
Loan portfolio, net		**919.747.104.774**
Total loan consolidated loan portfolio, net	¢	**3.736650.781.215**

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

	Note		Direct Loan Portfolio March 2020	Contingent Loan Portfolio March 2020
Principal	6a	¢	2.885.835.401.265	221.628.640.029
Interest			21.494.422.504	0
			2.907.329.823.769	221.628.640.029
Allowance for bad loans			(90.426.147.327)	0
Carrying amount		¢	2.816.903.676.442	221.628.640.029
Loan portfolio				
Total balance:				
A1		¢	2.181.623.437.225	205.862.647.209
A2			29.829.912.462	802.990.390
B1			324.726.539.121	4.264.291.367
B2			30.555.407.225	295.825.063
C1			58.142.897.025	4.071.492.803
C2			18.737.292.428	84.382.385
D			59.075.258.593	4.199.714.864
E			148.068.598.278	2.033.264.643
1			52.593.175.022	14.031.305
2			790.022.572	0
3			2.329.901.799	0
4			413.761.060	0
5			197.688.911	0
6			245.932.048	0
			2.907.329.823.769	221.628.640.029
Allowance for bad loans			(74.270.452.351)	(276.809.599)
Carrying amount. net			2.833.059.371.418	221.351.830.430
Carrying amount			2.907.329.823.769	221.628.640.029
Allowance for bad loans			(74.270.452.351)	(276.809.599)
(Excess) inadequacy of allowance over structural estimate			(16.155.694.976)	276.809.599
Carrying amount. net	6a	¢	2.816.903.676.442	221.628.640.029

(Continues)

The assessed loan portfolio with allowance is detailed as follows:

As of March 31, 2020

		Direct generic allowance				Contigent Loan Portfolio	
Direct generic allowance		Principal	Covered balance	Overdraft	Allowance	Principal	Allowance
A1	¢	2.181.623.437.225	1.474.102.912.273	707.520.524.952	10.908.117.215	205.862.647.209	125.707.442
A2		29.829.912.462	25.510.750.156	4.319.162.306	149.149.563	802.990.390	0
1		52.593.175.022	20.489.165.952	32.104.009.071	133.812.727	14.031.306	6.159
		2.264.046.524.709	1.520.102.828.381	743.943.696.329	11.191.079.505	206.679.668.905	125.713.601
Direct specific allowance							
B1		324.726.539.121	268.632.403.881	56.094.135.239	4.147.868.783	4.264.291.367	9.507.649
B2		30.555.407.225	27.740.144.555	2.815.262.669	420.226.991	295.825.063	722.680
C1		58.142.897.025	55.855.674.164	2.287.222.861	851.084.088	4.071.492.803	31.619.838
C2		18.737.292.428	17.101.263.163	1.636.029.265	903.520.949	84.382.385	0
D		59.075.258.593	50.083.125.106	8.992.133.487	6.882.649.425	4.199.714.864	108.870.183
E		148.068.598.278	91.826.810.625	56.241.787.653	49.758.017.193	2.033.264.642	375.648
2		790.022.572	741.903.481	48.119.091	6.115.472	0	0
3		2.329.901.799	2.025.962.757	303.939.041	86.114.574	0	0
4		413.761.060	393.299.564	20.461.496	12.197.246	0	0
5		197.688.911	192.543.657	5.145.255	4.564.397	0	0
6		245.932.048	240.118.924	5.813.135	7.013.728	0	0
		643.283.299.060	514.833.249.877	128.450.049.192	63.079.372.846	14.948.971.124	151.095.998
		2.907.329.823.769	2.034.936.078.258	872.393.745.521	74.270.452.351	221.628.640.029	276.809.599

		Direct Loan Portfolio				Contigent Loan Portfolio	
Loan portfolio							
Aging loan portfolio							
Direct generic allowance		Principal	Covered balance	Overdraft	Allowance	Principal	Allowance
Up to date		2.042.389.006.235	1.350.981.546.309	691.407.459.925	10.339.756.864	206.665.637.600	125.713.601
Equal or less than 30 days		163.022.584.012	143.287.835.001	19.734.749.011	821.113.843	0	0
Equal or less than 60 days		6.041.745.401	5.344.281.119	697.464.282	30.208.727	0	0
More than 180 days		14.040	0	14.040	70	0	0
		2.211.453.349.688	1.499.613.662.429	711.839.687.258	11.191.079.504	206.665.637.600	125.713.601
Direct specific allowance							
Up to date		389.439.191.944	287.949.344.605	101.489.847.339	17.169.772.679	14.963.002.429	151.095.998
Equal or less than 30 days		118.961.156.374	112.250.007.971	6.711.148.403	3.160.843.201	0	0
Equal or less than 60 days		68.131.662.255	57.400.668.809	10.730.993.445	4.000.700.461	0	0
Equal or less than 90 days		36.792.356.865	29.277.460.029	7.514.896.836	6.327.853.330	0	0
Equal or less than 180 days		18.139.229.605	11.701.884.126	6.437.345.480	5.997.952.483	0	0
More than 180 days		64.412.877.038	36.743.050.289	27.669.826.760	26.422.250.693	0	0
		695.876.474.081	535.322.415.829	160.554.058.263	63.079.372.847	14.963.002.429	151.095.998
	¢	2.907.329.823.769	2.034.936.078.258	872.393.745.521	74.270.452.351	221.628.640.029	276.809.599

(Continues)

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:

		Loans receivable	
As of March 31, 2020		Gross	Net
Risk category:			
A1	¢	2.181.623.437.225	2.170.715.320.010
A2		29.829.912.462	29.680.762.899
B1		324.726.539.121	320.578.670.338
B2		30.555.407.225	30.135.180.234
C1		58.142.897.025	57.291.812.937
C2		18.737.292.428	17.833.771.479
D		59.075.258.593	52.192.609.168
E		148.068.598.278	98.310.581.085
1		52.593.175.022	52.459.362.296
2		790.022.572	783.907.100
3		2.329.901.799	2.243.787.225
4		413.761.060	401.563.814
5		197.688.911	193.124.515
6		245.932.048	238.918.318
	¢	2.907.329.823.769	2.833.059.371.418

In compliance with SUGEF Directive 1-05, as of March 31, 2020, the Bank must maintain a minimum allowance in the amount of ¢74.547.261.950 of which ¢74.270.452.351 is allocated to the valuation of the direct loan portfolio and ¢276.809.599 to the contingent loan portfolio. Additionally, the countercyclical allowance is of ¢8.573.550.597.

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:

		March 2020
Banco Internacional de Costa Rica, S.A. and subsidiaries		
Principal	¢	926.566.648.446
Interest		5.872.608.080
		932.439.256.526
Allowance for doubtful accounts		(12.692.151.752)
Carrying amount	¢	**919.747.104.774**
Loan portfolio, net of allowance	¢	**911.959.910.729**
At amortized cost		
Level 1: Normal or low risk		846.461.344.586
Level 2: Special mention		51.997.139.528
Level 3: Subnormal		12.942.947.582
Level 4: Doubtful		13.114.286.935
Level 5: Uncollectable		2.050.929.815
		926.566.648.446
Allowance for impairment		(12.692.151.165)
Carrying amount		**913.874.497.281**
Impaired renegociated loans		
Gross amoun		17.579.547.684
Impaired amount		**17.579.547.684**
Allowance for impairment		4.890.484.324
Total, net		**12.689.063.360**
Not in arrears or impaired:		
Level 1: Normal or low risk		846.461.344.588
Level 2: Special mention		51.997.139.528
Subtotal		**898.458.484.116**
Individually impaired		
Level 3: Subnormal		12.942.947.582
Level 4: Doubtful		13.114.286.935
Level 5: Uncollectable		2.050.929.814
Subtotal		**28.108.164.331**
Allowance for impairment		
Specific		12.494.422.452
Collective		197.729.300
Total allowance for impairment		**12.692.151.752**
Clients´obligations for acceptances		
Carrying amount	¢	**1.914.586.553**
Interest receivable	¢	**5.872.607.492**
Net loan portfolio (carrying amount)	¢	**919.747.104.774**

As of March 31, 2020, the allowance for impairment of BICSA's loan portfolio is of ¢12.692.151.165.

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

		March 2020	
		Direct Loan Portfolio	**Contingent Loan Portfolio**
Trade	¢	263.996.557.188	31.063.476.107
Manufacturing		462.737.205.105	4.141.912.746
Construction, purchase and repair of real estate		1.081.042.827.132	13.020.723.408
Agriculture, livestock, hunting and related services		179.221.422.046	33.688.128
Consumption		310.932.219.834	112.948.413.512
Education		3.299.420.036	0
Transportation		50.636.358.450	495.200.544
Stock market and financial activities		4.348.947.061	0
Electricity, telecom, gas and water		55.538.943.863	0
Services		1.296.145.702.013	183.482.708.932
Hospitality		98.705.442.225	0
Mining and quarries		40.833.796	0
Real estate, business and leasing activities		4.272.894.024	0
Goverment financial		0	4.906.877.029
Real estate, business and leasing activities		1.483.807.143	18.688.939
See notes 6 and 19	¢	**3.812.402.579.916**	**350.111.689.345**
Other contingencies		0	61.228.188.498
		3.812.402.579.916	**411.339.877.843**

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

		March 2020
Australia	¢	226.613.220
Brazil		5.589.471.657
China		8.285.267.946
Colombia		2.914.667.972
Costa Rica		373.183.415.555
Denmark		440.527.500
Ecuador		55.798.555.290
El Salvador		49.775.044.810
Spain		5.118.012.078
United States of America		29.900.281.891
Guatemala		39.717.318.579
Honduras		4.525.474.397
United Kingdom		2.532.769.396
British Virgin Islands		2.997.150.579
México		17.497.655.971
Nicaragua		30.871.239.155
Panamá		268.154.337.988
Perú		20.814.893.244
Dominican Republic		2.936.850.000
Russia		445.497.238
Uruguay		46.402.230
Others		4.795.201.751
	¢	**926.566.648.447**

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

		March 2020
Costa Rica	¢	2.885.835.401.265
	¢	**2.885.835.401.265**

As of March 31, 2020, the Bank keeps trust commissions in the amount of ¢101.904.

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

		March 2020
Properties		148.888.738.328
Other	¢	1.853.764.384
	¢	**150.742.502.712**

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):

		March 2020
Guarantee		
Pledged assets	¢	38.035.912.630
Collections		109.816.907.235
Fiduciary		521.099.726.275
Mortgage		1.611.661.379.488
Chattel		436.639.125.891
Others		1.095.149.528.397
	¢	**3.812.402.579.916**

As of March 31, 2020, the 54% of the loan portfolio is secured by mortgage or chattel collaterals.

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 March 31, 2020, 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.

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

As of March 31, 2020:

No.	**Percentage**	**Band**		**Total amount**	**Nº of customers**
1	0-4,99%	23.261.525.331	¢	55.410.692.498	281
2	5-9,99%	46.523.050.661		79.767.325.104	76
3	10-14,99%	69.784.575.992		0	0
4	15-20%	93.046.101.322		868.878.920.340	280
Total			¢	**1.004.056.937.942**	**637**

(Continues)

(c) Market risk management

Definitions

Market risk refers to potential losses that may occur in the value of assets and liabilities in the balance sheet due to adverse movements in the factors that determine their price, also known as risk factors, such as liquidity, interest rates, exchange rate and inflation, including the portfolios under management.

The liquidity risk is generated when the financial entity cannot meet the requirements or obligations with third parties due to insufficient cash flow, resulting from the outcome between term recoveries (asset operations) and term obligations (liability operations), or to improper price formation mechanism that disables the price to transform an asset and/or liability into cash.

Price of assets and inflations risk measures the potential losses that may occur in financial assets included in the Investment portfolios, and a decline in the purchasing power of the money flows received by the Bank.

The risk of interest rates measures the possibility that the entity incurs in losses as a result of changes in the present value of assets and liabilities in which the Bank holds positions on or off balance.

The exchange rate risk is the possibility of economic loss due to variations in the exchange rate. This risk also arises when the net result of the exchange rate adjustments does not compensate proportionally the adjustment in the value of assets in foreign currency, causing a reduction in the equity indicator or in any model affected negatively in the determination of the exchange rate risk by variations in this macro price, as in Camel's indicators or own statisticians.

Risk management methodology

Regarding the management of market risk for the BCR's investments portfolio, daily monitoring of risk factors (interest rates and exchange rate) impact is given through the Value at Risk methodology (VaR). (Delta Normal)

In addition, the risk derived from the Price quotations of financial instruments in the market is monitored through the methodology of historical simulation of VaR calculations established in SUGEF's agreement 3-06; this allows the entity to manage the impact of this risk on the net worth adequacy.

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.

In order 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.

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.

Exposure and risk management

(d) Liquidity risk

The Bank continues with the liquidity strategy that seeks to increase deposits with the public and reduce their volatility, as well as diversify sources of wholesale funding. The foregoing in order to achieve a consistent growth of deposits with their placements, which not only allows compliance with regulatory indicators but also strengthens the Bank and promotes the fulfillment of the commercial goals given by its budget. These efforts have not only been carried out at the Bank level, but have also permeated the BCR Financial Conglomerate; mainly in the topic of concentration of liabilities.

Cash and cash equivalents show a year-on-year upward trend of 0.50% in almost all items except cash and term deposits in the BCCR. This is an effect of the liquidity strategy for complying with regulatory liquidity indicators (see note 2 of cash and cash equivalents).

All the interests of demand deposits present a year-on-year increase of 4.34% due to an increase in the balances of current accounts and savings deposits. (See table of demand obligations with the public in note 4 of this document).

Wholesale funding decreases by 3.57% on a year-on-year basis, mainly due to the cancellation of loans with foreign financial institutions abroad. (See note 5, obligations with financial institutions and the Central Bank).

As of March 31, 2020, regarding regulatory indicators, the liquidity coverage indicator (ICL) was of 1.64 times in local currency and 1.90 times in dollars, complying with the satisfactory values for the limits defined by SUGEF 1.00 and according to the Entity's risk profile.

In the following table at the end of March 2020, there is an inter-annual improvement in both currencies:

	March 2020
Liquidity coverage indicator (colones)	1,64
Liquidity coverage indicator (US Dollars)	1,90
Regulatory limit	1,00

On the other hand, as of March 31, 2020, the results of term matches, another regulatory indicator, are shown as follows:

Regulatory liquidity matches by currency and term

Indicator	**Interpretation**	**Observation**	**Approved levels**	
1-month term matching US Dollars	Ratio between assets and liabilities with account´s volatitlity	1,85	Limit:	1,10
1-month term matching colones		1,61	Limit:	1,00
3-month term matching US Dollars		1,65	Limit:	0,94
3-month term matching colones		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 liquidity strategy for compliance with the Liquidity Coverage Indicator.

As a preventive measure of liquidity risk management for the Covid-19, the Bank has implemented daily 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 situation, for decision-making.

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

As of March 31,2020

		Demand	1 to a 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
Assets										
Cash and due from banks	¢	273.648.813.034	212.123.094	0	0	0	0	118.565.934	0	273.979.502.062
Legal reserve account-BCCR		291.697.739.465	36.175.324.315	21.323.201.718	22.322.062.465	60.634.093.296	46.017.133.235	23.813.693.733	0	501.983.248.227
Investment in securities		2.214.083.844	285.326.458.323	45.584.126.734	39.454.796.526	89.904.068.838	180.408.244.724	419.603.581.407	0	1.062.495.360.396
Interest on investments		5.434.499	3.468.924.417	3.044.177.984	1.862.461.718	2.168.714.770	26.782.495	274.402.242	0	10.850.898.125
Loan portfolio		42.269.025.882	128.922.470.542	103.951.037.332	135.410.887.076	252.335.055.779	233.497.739.941	2.721.773.183.698	177.798.869.033	3.795.958.269.283
Interest on loans		138.834.227	9.738.783.662	2.924.128.235	439.811.816	586.216.434	589.703.213	3.207.444.653	9.742.107.756	27.367.029.996
	¢	**609.973.930.951**	**463.844.084.353**	**176.826.672.003**	**199.490.019.601**	**405.628.149.117**	**460.539.603.608**	**3.168.790.871.667**	**187.540.976.789**	**5.672.634.308.089**
Liabilities										
Obligations with the public	¢	2.181.109.583.033	310.975.824.336	175.743.073.437	179.597.721.469	510.904.744.538	457.112.304.411	282.195.501.407	0	4.097.638.752.631
Obligations with financial entities		59.340.161.455	198.187.937.585	39.954.961.604	65.067.487.272	152.049.935.840	159.111.730.463	274.068.390.025	0	947.780.604.244
Charges payable on obligations		1.198.193.165	6.509.145.648	4.851.997.008	4.411.687.554	5.704.405.684	3.786.221.139	3.076.956.812	0	29.538.607.010
		2.241.647.937.653	**515.672.907.569**	**220.550.032.049**	**249.076.896.295**	**668.659.086.062**	**620.010.256.013**	**559.340.848.244**	**0**	**5.074.957.963.885**
Asset and liability gaps	¢	**(1.631.674.006.702)**	**(51.828.823.216)**	**(43.723.360.046)**	**(49.586.876.694)**	**(263.030.936.945)**	**(159.470.652.405)**	**2.609.450.023.423**	**187.540.976.789**	**597.676.344.204**

(Continues)

(e) Price risk of the portfolio

The Bank of Costa Rica administers two investment portfolios: own Funds and Development Credit Funds.

In the case of own funds, a concentration of 44.31% 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.

Below are the results of the VaR methodology-SUGEF 03-06:

		March 2020
VaR	¢	2.581.350.035
Capital requirement	¢	15.488.100.210
Price Risk		154.881
Observation 25		(0,0037915230)
Exchange rate UDES	¢	919,56900
Exchange rate UDS	¢	587,37000
Par value of investment portfolio	¢	672.016.318.629
Market value of investment portfolio	¢	680.821.336.953

As part of the mitigation actions to contain the price risk, the Bank validates having investment concentrations subject to price assessment not greater than 6% per instrument. At the end of March 2020, there was an excess of the limit in two positions.

(f) 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 march 31, 2020, has developed a sensitivity analysis on possible variations in interest rates.

(Continues)

Sensitivity to an increase in the interest rate of investments

		March 2020
Investments in financial instruments	¢	522.399.141.022
Increase in rates by 1%		163.297.856
Increase in rates by 2%	¢	326.595.713

Sensitivity to a decrease in the interest rate of investments

		March 2020
Investments in financial instruments	¢	522.399.141.022
Decrease in rates by 1%		163.297.856
Decrease in rates by 2%	¢	326.595.713

Sensitivity to an increase in the interest rate of loan portfolio

		March 2020
Loan portfolio	¢	2.885.835.401.271
Increase in rates by 1%		1.043.699.706
Increase in rates by 2%	¢	2.261.900.146

Sensitivity to a decrease in the interest rate of loan portfolio

		March 2020
Loan portfolio	¢	2.885.835.401.271
Decrease in rates by 1%		1.087.474.318
Decrease in rates by 2%	¢	2.046.836.772

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

		March 2020
Financial term obligations	¢	254.558.824
Increase in rates by 1%		124.600.180
Increase in rates by 2%	¢	249.200.360

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

		March 2020
Financial term obligations	¢	254.558.824
Decrease in rates by 1%		124.600.180
Decrease in rates by 2%	¢	249.200.360

(Continues)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

March 31, 2020

As of March 31, 2020, 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 721 days	Total
Colones:									
Assets									
Investment in securities	7,71%	¢	128.628.566.025	56.855.309.725	100.695.573.435	109.938.114.245	173.287.230.566	71.655.462.529	641.060.256.525
Loan portfolio	9,69%		1.297.671.868.208	140.728.939.697	31.730.029.019	40.218.137.343	204.624.959.644	234.807.679.947	1.949.781.613.858
Total recovery of assets (*)			**1.426.300.434.233**	**197.584.249.422**	**132.425.602.454**	**150.156.251.588**	**377.912.190.210**	**306.463.142.476**	**2.590.841.870.383**
Liabilities									
Obligations with the public			156.294.429.431	239.450.344.682	255.437.210.862	46.552.976.200	297.046.408.723	34.470.475.299	1.029.251.845.197
Obligations with financial entities	7,52%		6.614.612.326	39.240.992.378	2.763.696.949	0	37.908.512.994	0	86.527.814.647
Total matured liabilities (*)			**162.909.041.757**	**278.691.337.060**	**258.200.907.811**	**46.552.976.200**	**334.954.921.717**	**34.470.475.299**	**1.115.779.659.844**
Asset and liability gap		¢	**1.263.391.392.476**	**(81.107.087.638)**	**(125.775.305.357)**	**103.603.275.388**	**42.957.268.493**	**271.992.667.177**	**1.475.062.210.539**
Dollars:									
Assets									
Investment in securities	2,58%	¢	166.248.005.904	56.057.723.581	18.975.568.529	47.054.970.204	67.447.055.434	75.816.459.892	431.599.783.544
Loan portfolio	6,87%		932.586.477.363	322.001.016.401	272.039.033.773	65.290.418.073	45.342.454.225	156.672.998.336	1.793.932.398.171
Total recovery of assets (*)			**1.098.834.483.267**	**378.058.739.982**	**291.014.602.302**	**112.345.388.277**	**112.789.509.659**	**232.489.458.228**	**2.225.532.181.715**
Liabilities									
Obligations with the public			200.835.840.923	40.059.160.809	69.291.699.894	139.953.956.745	114.524.534.980	25.972.946.524	590.638.139.875
Demand	0,29%								
Term	1,77%								
Obligations with financial entities	0,69%		28.722.815.516	67.039.305.988	75.108.946.762	157.529.280.599	139.289.850.493	85.541.667.941	553.231.867.299
Total matured liabilities (*)			**229.558.656.439**	**107.098.466.797**	**144.400.646.656**	**297.483.237.344**	**253.814.385.473**	**111.514.614.465**	**1.143.870.007.174**
Asset and liability gap		¢	**869.275.826.828**	**270.960.273.185**	**146.613.955.646**	**(185.137.849.067)**	**(141.024.875.814)**	**120.974.843.763**	**1.081.662.174.541**

(*) Rate-sensitive

(Continues)

Within the gap report (rate-sensitive assets and liabilities) in local currency, a total difference of asset recovery less maturity of liabilities as of march 31, 2020, for ¢1.475.062.210.539, while in foreign currency the same difference is of ¢1.081.662.174.540, 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 march, 2020 the total amount in local currency was of ¢375.876.949.994, while in foreign currency, the collected data for the compliance of obligations was of ¢221.799.394.210, which shows the necessary solvency to meet the liquid liabilities of the Organization.

(g) Foreign exchange risk

The Bank incurs in transactions denominated in US dollars and minority of Euros. This currency 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 sensitivity analysis carried out on the net exposure in this currency as of September 30, 2016 indicates that variations of up to 5% in the Costa Rican colon exchange rate would result in exchange losses or gains, depending on whether a devaluation or revaluation of the colon occurs.

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

In the first quarter of 2020, the exchange rate had a stable behavior, resulting in a volatility of 0.73% at the end of March.

(Continues)

Assets and liabilities in US dollars are detailed as follows:

		March 2020
Assets:		
Cash and due from banks	US$	671.206.407
Investment in financial instruments		731.280.288
Loan portfolio		1.480.277.730
Accounts and interest receivable		8.922.987
Other assets		57.859.569
Total assets		2.949.546.981
Liabilities:		
Obligations with the public		2.830.186.550
Other financial obligations		1.334.922.965
Other accounts payable and provisions		46.820.720
Other liabilities		20.899.381
Total liabilities		4.232.829.616
Net position	US$	**(1.283.282.635)**

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. As of March, 2020, it was ¢587,37 per US$1.00.

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

Sensitivity to increase in the exchange rate

		March 2020
Net position	US$	(1.283.282.635)
Closing exchange rate		587,37
5% increase in the exchange rate		29,37
Profit	¢	(37.690.010.990)

Sensitivity to a decrease in the exchange rate

		March 2020
Net position	US$	(1.283.282.635)
Closing exchange rate		587,37
5% decrease in the exchange rate		(29,37)
Loss	¢	37.690.010.990

Assets and liabilities in Euros are detailed as follows:

		March 2020
Assets:		
Cash and due from banks	EUR€	6.123.715
Total assets		6.123.715
Liabilities:		
Obligations with the public		5.657.269
Other financial obligations		587.262
Other accounts payable and provisions		22.893
Total liabilities		6.267.424
Net position (surplus assets on monetary liabilities)	EUR€	**(143.709)**

(Continues)

As of march 31, 2019, 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**	**More than 30 days past due**	**Total**
Cash and due from banks	US$	340.231.022	361.140	0	0	0	0	201.859	0	340.794.021
Legal reserve account-BCCR		193.119.977	32.916.629	9.801.904	13.189.133	30.490.072	25.302.237	25.592.434	0	330.412.386
Investment in securities		559.219	282.110.832	63.399.329	25.683.502	30.068.156	80.243.070	243.517.097	0	725.581.205
Interest on investments		0	279.432	3.934.281	656.187	628.780	20.195	162.399	0	5.681.274
Loan portfolio		71.963.202	167.821.248	136.183.841	159.344.899	341.203.178	237.436.354	1.902.589.304	102.414.854	3.118.956.880
Interest on loans		236.366	4.546.922	756.974	721.704	973.145	982.685	5.426.155	4.933.223	18.577.174
	US$	**606.109.786**	**488.036.203**	**214.076.329**	**199.595.425**	**403.363.331**	**343.984.541**	**2.177.489.248**	**107.348.077**	**4.540.002.940**
Liabilities										
Obligations with the public	US$	1.330.431.581	268.513.703	85.414.377	110.544.236	297.551.291	360.936.634	362.818.941	0	2.816.210.763
Obligations with financial entities		59.596.025	227.793.033	26.439.244	86.986.296	198.379.087	266.523.606	457.602.214	0	1.323.319.505
Charges payable on obligations		338.684	4.200.175	2.304.320	2.987.741	4.608.135	3.867.539	4.551.637	0	22.858.231
		1.390.366.290	**500.506.911**	**114.157.941**	**200.518.273**	**500.538.513**	**631.327.779**	**824.972.792**	**0**	**4.162.388.499**
Asset and liability gaps	US$	**(784.256.504)**	**(12.470.708)**	**99.918.388**	**(922.848)**	**(97.175.182)**	**(287.343.238)**	**1.352.516.456**	**107.348.077**	**377.614.441**

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 March 31, 2020, the financial statements show a net foreign exchange gain of ¢2.353.505.568.

(h) 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 unforeseen failure of processes, personnel and internal and even automated systems or due to external events. This definition includes technological and legal risks, but excludes the strategic and reputational risk.

The objective of BCR Financial Conglomerate in operational risk management is to minimize the financial losses, as well as achieving efficiency and effectiveness in the execution of processes and optimize its Internal Control System

The model of management and control of operational risk establishes a valuation process which comprises stages of identification, measurement and evaluation, control and mitigation, monitoring and information. Considering the above a set of qualitative and quantitative techniques and tools are 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. Currently, events originated by external events as well as those caused by failures in processes, systems and persons are identified.

Regarding the calculation of regulatory capital, the BCR uses the basic method; however, it has been proposed to soon start the project to evolve to the standard method proposed by the Basel Committee. However, the priority in the operational risk management continues to focus on prevention and mitigation in the relevant processes.

Moreover, there is a monitoring of the risk indicators related to the most relevant or critical activities of the Bank resulting in mitigating actions that prevent from materializing the events and mitigation plans for those events that present for deviations from the acceptability of the established parameters.

(Continues)

Given the nature of the entity and the risks inherent to its activities, the risk of internal and external fraud is considered as relevant, for which periodic training programs are implemented on elements that collaborate in the early detection of cases, as well as prevention announcements that warn of the different types of fraud and their evolution in our environment. 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- Regulation on the management of operating risk -.

Regarding the IT risk management, there is an annual risk assessment plan in accordance with provisions established by SUGEF 14-17 "Regulation on the management of information technology", critical applications, IT outsourcing service contracts, strategic projects, new products and requests. These exercises identify and analyze the main risk events that might affect the smooth operation of the technological platform to develop risk treatment plans for a proper control.

In addition, as part of the IT risk management, indicators are considered for the most relevant technological risks, which are given an exhaustive follow-up. The reports with the results are presented periodically to the corresponding bodies of corporate governance, as part of the System of Management Information.

The reports with the results are presented periodically to the corresponding bodies of corporate governance, as part of the System of Management Information.

Business Continuity

The CFBCR Business Continuity Management System seeks to establish guidelines to develop organizational resilience that is achieved with the contribution of each and every one of the areas. Like any management system, it is required to develop different levels of maturity and change the organizational culture. In previous years, the CFBCR has made significant efforts so that the different areas develop their continuity and contingency plans, which allows the Bank to reach a maturity level close to three (scale from 1 to 5), where on average the industry is between 3 and 3.5. Although this assessment is encouraging, the Bank must first make efforts to match the maturity level of the industry and then seek to reach maturity level 4.

As first steps in the continuous improvement of the SGCN the Bank has proposed this year to make adjustments to their methodological framework and regulations that allow a greater clarity at all levels of participation in the development of Business Continuity. These adjustments are important, but the Bank must keep the contingency and continuity plans testing and training programs running to constantly provide input on the business continuity needs and requirements.

In order to optimize the stages of the SGCN in the first quarter of the year, efforts were made to explore tools to automate the SGCN since at the moment it is mainly operated manually.

The scope of action of the Business Continuity Unit usually focuses on the most critical products or services of the CFBCR and for them the creation of contingency plans is managed. But at the beginning of the year, the Corporate Executive Committee agreed to create a contingency plan for an eviction scenario from the headquarters building. As a first step to meet this request, a process of identification of remote work areas and conditions was started. For the month of March, it began with the planning of exercises by areas so that they could gradually identify the needs for tools that would allow remote work in bulk for the different work groups that occupy the headquarters building. Fortunately, it was possible to move forward with some simulations of these groups, before the social distancing measures requested by the Government of the Republic were taken and thus apply the lessons learned to support the remote work contingency scheme for a large part of the CFBCR.

Finally, in terms of risk management of money laundering, financing of terrorism and proliferation of weapons of mass destruction, the permanent reinforcement of culture in business areas is maintained regarding the risk-based management approach. The aforementioned management is aimed at preventing the concealment and mobilization of capital of dubious origin or, aimed at legitimizing capital, financing terrorist activities or the proliferation of weapons of mass destruction through the Bank. This management integrates normatively defined evaluation factors such as customers, products, services, channels and geographical areas.

(39) Financial information of the Development Financing Fund

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

DEVELOPMENT FINANCING FUND
BALANCE SHEET
As of March 31, 2020
Financial Information
(In colones without cents)

		March 2020
Assets		
Cash and due from banks	¢	**518.985.591**
Cash		518.985.591
Investment in financial instruments		**3.519.576.742**
At fair value with changes through other comprehensive income		3.501.356.000
Interest receivable		18.220.742
Loan portfolio		**29.584.917.864**
Current loans		25.384.224.083
Past due loans		4.208.018.258
Loans on legal collection		389.536.066
(Deferred income – loan portfolio)		(288.132.813)
Interest receivable		97.797.011
(Allowance for impairment)		(206.524.741)
Accounts and commissions receivable		**185.009**
Other accounts receivable		370.017
(Allowance for impairment)		(185.008)
Other assets		**4.330.698**
Intangible assets		4.330.698
Total assets	¢	**33.627.995.904**
Liabilities		
Accounts payable and provisions	¢	**17.057.054**
Other miscellaneous accounts payable		17.057.054
Other liabilities		**726.016**
Other liabilities		726.016
Total liabilities	¢	**17.783.070**
Equity		
Contributions from Banco Central de Costa Rica	¢	24.366.546.259
Equity adjustments – Other comprehensive income		(815)
Accumulated results from previous years		8.943.182.201
Result of the current period		300.485.189
Total equity	¢	**33.610.212.834**
Total liabilities and equity	¢	**33.627.995.904**
Debit contingent accounts	¢	**14.031.306**
Other debit memoranda accounts		
Own debit memoranda accounts		**3.805.437.212**

(Continues)

DEVELOPMENT FINANCING FUND
Income Statement
For the periods ended March 31, 2020
Financial Information
(In colones without cents)

		March 2020
Financial income		
For loan portfolio		470.162.396
For exchange differences		4.815.366
Other financial income		815
Total financial income		**474.978.577**
Allowance for asset impairment		4.939.580
For recovery of assets and decrease in allowance		7.563.710
Financial income		**477.602.707**
Other operating income		
For commissions for services		7.415.218
Total other operating income		**7.415.218**
Other operating expenses		
For other operating expenses		184.532.736
Total other operating expenses		**184.532.736**
OPERATING INCOME, GROSS		**300.485.189**
Income of the period	¢	**300.485.189**

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

		March 2020
Sector		
Agriculture, livestock, hunting and related services	¢	8.975.556.631
Manufacturing		4.434.995.743
Trade		47.657.490
Services		14.613.060.216
Transportation		182.979.682
Stock market and financial activities		1.262.205.797
Real estate, business activities and rental		191.698.592
Hotels and restaurants		229.319.525
Education		44.304.731
		29.981.778.407
Plus: interest receivable		97.797.011
Less:		
Deferred income – loan portfolio		(288.132.813)
Allowance for impairment		(206.524.741)
	¢	**29.584.917.864**

b) Loan portfolio by arrears:

The loan portfolio by arrears is detailed as follows:

		March 2020
Up to date	¢	25.384.224.083
1 to 30 days		2.808.193.282
31 to 60 days		892.192.651
61 to 90 days		388.687.569
91 to 120 days		97.236.566
121 to 180 days		174.693.007
More than 180 days		236.551.249
	¢	**29.981.778.407**

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:

		March 2020
Number of operations		12
Past due loans in non- accrual status of interest	¢	236.551.249
Past due loans for which interest is recognized	¢	4.361.003.075
Total unearned interest	¢	21.116.143

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

# operations	Percentage		Balance
11	1.30%	¢	389.536.066

d) Interest receivable on loan portfolio

Interest receivable is as follows:

		March 2020
Current loans	¢	48.283.206
Past due loans		36.565.706
Loans on legal collection		12.948.099
	¢	**97.797.011**

e) Allowance for bad loans:

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

Opening balance 2020	¢	**197.505.723**
Plus:		
Allowance charged to profit or loss		6.367.114
Adjustments for exchange rate differences		20.401.248
Less:		
Transfer of insolute		(10.681.080)
Reversal of allowance against income		(7.068.264)
Balance as of March 31, 2020	¢	**206.524.741**

f) Loan portfolio by type of guarantee:

The loan portfolio by type of guarantee is as follows:

		March 2020
Guarantee		
Mortgage	¢	7.135.642.139
Chattel		9.244.163.981
Others		13.601.972.287
	¢	**29.981.778.407**

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

			Direct Loan Portfolio
			March 2020
Principal		¢	29.981.778.407
Interest receivable			97.797.011
			30.079.575.418
Allowance for bad loans			(206.524.741)
Carrying amount		¢	29.873.050.677
Loan portfolio			
Total balances:			
1		¢	26.498.662.409
2			790.022.572
3			1.930.450.376
4			413.761.060
5			197.688.911
6			248.990.090
			30.079.575.418
Minimum allowance			(177.505.649)
Carrying amount, net		¢	29.902.069.769
Carrying amount			30.079.575.418
Allowance for bad loans			(177.505.649)
Allowance (surplus) déficit on minimum allowance			(29.019.092)
Carrying amount, net	6a	¢	29.873.050.677

(Continues)

The assessed loan portfolio including allowance is detailed as follows:

As of march 31, 2020

Loan portfolio		Direct Loan Portfolio			
Direct generic allowance		Principal	Covered balance	Overdraft	Allowance
1	¢	26.498.662.409	15.482.884.430	11.015.777.979	63.497.489
		26.498.662.409	15.482.884.430	11.015.777.979	63.497.489
Direct specific allowance					
2		790.022.572	741.903.481	48.119.091	6.115.472
3		1.930.450.376	1.626.511.335	303.939.041	84.117.317
4		413.761.060	393.299.564	20.461.496	12.197.246
5		197.688.911	192.543.657	5.145.255	4.564.397
6		248.990.090	243.176.955	5.813.134	7.013.728
		3.580.913.009	3.197.434.992	383.478.017	114.008.160
		30.079.575.418	18.680.319.422	11.399.255.996	177.505.649

Loan portfolio Aging of loan portfolio	Direct Loan Portfolio			
Direct generic allowance	Principal	Covered balance	Overdraft	Allowance
Up to date	25.429.449.259	14.561.959.000	10.867.490.258	57.496.566
Equal or less than 30 days	2.823.429.470	2.407.479.453	415.950.017	6.000.923
	28.252.878.729	16.969.438.453	11.283.440.275	63.497.489
Direct specific allowance				
Equal or less than 60 days	902.166.569	837.137.012	68.087.588	85.167.601
Equal or less than 90 days	396.980.279	357.152.505	36.769.743	16.858.080
Equal or less than 180 days	278.559.752	273.414.497	5.145.255	4.968.751
More than 180 days	248.990.089	243.176.955	5.813.135	7.013.728
	1.826.696.689	1.710.880.969	115.815.721	114.008.160
	30.079.575.418	18.680.319.422	11.399.255.996	177.505.649

(Continues)

		Loans receivable from clients	
As of March 31, 2020		**Gross**	**Net**
Risk category:			
1	¢	26.498.662.409	26.435.164.920
2		790.022.572	783.907.100
3		1.930.450.376	1.846.333.059
4		413.761.060	401.563.814
5		197.688.911	193.124.515
6		248.990.090	241.976.361
	¢	30.079.575.418	29.902.069.769

(Continues)

(40) Situation of the Development Credit Fund

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

FONDO DE CRÉDITO PARA EL DESARROLLO
BALANCE SHEET
As of March 2020
Financial Information
(In colones without cents)

		March 2020
Assets		
Cash and due from banks	¢	**998.709.026**
Central Bank of Costa Rica		998.709.026
Investments in financial instruments		**119.721.546.353**
At fair value with changes through other comprehensive income		118.632.881.113
Interest receivable		1.088.665.240
Loan portfolio		**27.356.923.554**
Current loans		27.255.701.512
Past due loans		394.545.510
(Deferred income – loan portfolio)		(316.139.581)
Interest receivable		105.922.811
(allowance for impairment)		(83.106.698)
Total assets	¢	**148.077.178.933**
Liabilities		
Obligations with entities	¢	**147.097.016.553**
Demand		147.097.016.553
Other liabilities		**342.398.762**
Other liabilities		342.398.762
Total liabilities	¢	**147.439.415.315**
Equity		
Equity adjustments – Other comprehensive income	¢	**(13.200.637)**
Income of the current period		**650.964.255**
Total equity	¢	**637.763.618**
Total liabilities and equity	¢	**148.077.178.933**
Other debit memoranda accounts		
Own debit memoranda accounts		16.038.982.041
Interest receivable memoranda accounts		12.467.213

(Continues)

BANCO DE COSTA RICA AND SUBSIDIARIES

Notes to the consolidated financial statements

March 31, 2020

FONDO DE CRÉDITO PARA EL DESARROLLO
Income Statement
For the period ended March 31 2020
Financial Information
(In colones without cents)

		March 2020
Financial income		
For investments in financial instruments	¢	1.249.854.131
For loan portfolio		278.208.703
For exchange rate differences		538.653.091
Other financial income		210.106.946
Total financial income		**2.276.822.871**
Financial expenses		
For obligations with the public		498.700.934
Other financial expenses		4.688.251
Total financial expenses		**503.389.185**
For allowance of asset impairment		530.254.193
For asset recovery and decrease in allowance		30.766.911
Financial income		**1.273.946.404**
Other operating income		
For exchange and arbitration, foreign currency		105.024.516
For other operating income		186.501.446
Total other operating income		**291.525.962**
Other operating expenses		
For exchange and arbitration, foreign currency		59.048.641
For other operating expenses		155.319.948
Total other operating expenses		**214.368.589**
Operating income, net		**1.351.103.777**
Profit transferred to the National Development Trust		700.139.522
Income of the period	¢	**650.964.255**
Profit sharing		
Profit transfer to the National Development Trust	¢	700.139.522
Commission for management of the National Development Trust		650.964.255
	¢	**1.351.103.777**

(Continues)

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

		March 2020
At fair value with changes through other comprehensive income	¢	118.632.881.113
Interest receivable for investments at fair value with changes through other comprehensive income		1.088.665.240
	¢	**119.721.546.353**

At fair value with changes through other comprehensive income		**March 2020** **Fair Value**
Local issuers:		
Government	¢	2.573.379.150
Public Banks		116.059.501.963
	¢	**118.632.881.113**

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% or the earnings, set by the Governing Board, to cover operation costs, services and any other cost arising from managing the investments.

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

		March 2020
Sector		
Agriculture, livestock, hunting and related services	¢	16.848.308.878
Manufacturing		8.126.265.021
Trade		8.000.000
Services		2.667.673.123
		27.650.247.022
Plus:		
Interest receivable		105.922.811
Less:		
Deferred income – loan portfolio		(316.139.581)
Allowance for impairment		(83.106.698)
	¢	**27.356.923.554**

b) Loan portfolio by arrears:

The loan portfolio by arrears is detailed as follows:

		March 2020
Up to date	¢	27.255.701.512
31 to 60 days		394.545.510
	¢	**27.650.247.022**

c) Delinquent and past due loans

Delinquent and past due loans, including loans with interest recognition on cash basis and interest not received on these loans, are summarized as follows:

		March 2020
Delinquent and past due loans with interest recognition	¢	394.545.510
Total of not received interest	¢	12.467.213

d) Interest receivable on loan portfolio

Interest receivable is detailed as follows:

		March 2020
Current loans	¢	101.016.899
Past due loans		4.905.912
	¢	**105.922.811**

e) Allowance for bad loans:

Balance at the beginning of 2020	¢	**70.058.329**
Plus:		
Allowance to profit or loss		20.632.838
Adjustment for Exchange differences		1.188.940
Less:		
Reversion of allowance against income		(8.773.409)
Balance as of March 31, 2020	¢	**83.106.698**

f) Loan portfolio by type of guarantee:

The loan portfolio by type of guarantee is as follows:

		March 2020
Guarantee		
Mortgage		4.910.620.903
Chattel		11.429.540.941
Other		11.310.085.178
	¢	**27.650.247.022**

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

			Direct Loan Portfolio March 2020
Principal		¢	27.650.247.022
Interest receivable			105.922.811
			27.756.169.833
Allowance for bad loans			(83.106.698)
Carrying amount		¢	27.673.063.135
Loan portfolio			
Total balances:			
1		¢	27.356.718.411
3			399.451.422
			27.756.169.833
Minimum allowance			(72.312.495)
Carrying amount, net		¢	27.683.857.338
Carrying amount			27.756.169.833
Allowance for bad loans			(72.312.495)
(Allowance (surplus) deficit on minimum allowance			(10.794.203)
Carrying amount, net	6a	¢	27.673.063.135

The assessed loan portfolio including allowance is detailed as follows:

As of March 31, 2020

Loan portfolio		Direct Loan Portfolio			
		Principal	**Covered balance**	**Overdraft**	**Allowance**
Direct generic allowance					
1	¢	27.356.718.411	6.268.487.319	21.088.231.092	70.315.238
		27.356.718.411	6.268.487.319	21.088.231.092	70.315.238
Direct specific allowance					
3		399.451.422	399.451.422	0	1.997.257
		399.451.422	399.451.422	0	1.997.257
	¢	27.756.169.833	6.667.938.741	21.088.231.092	72.312.495

Loan portfolio Aging of loan portfolio		Direct Loan Portfolio			
Direct generic allowance		**Principal**	**Covered balance**	**Overdraft**	**Allowance**
Up to date	¢	27.356.718.411	6.268.487.319	21.088.231.092	70.315.238
		27.356.718.411	6.268.487.319	21.088.231.092	70.315.238
Direct specific allowance		**Principal**	**Covered balance**	**Overdraft**	**Allowance**
Equal or less than 30 days		177.755.527	177.755.527	0	888.778
Equal or less than 60 days		221.695.895	221.695.895	0	1.108.479
		399.451.422	399.451.422	0	1.997.257
	¢	27.756.169.833	6.667.938.741	21.088.231.092	72.312.495

		Loans receivable from clients	
As of Macrh 31, 2020		**Gross**	**Net**
Risk category:			
1	¢	27.356.718.411	27.286.403.172
3		399.451.422	397.454.165
	¢	27.756.169.833	27.683.857.338

Upon request by the private banks for a change as to operate in accordance with provisions contained in subparagraph ii) of N.1644, Organic Law of the National Financial System, the Governing Body of Development Banking, it authorizes the managing banks to transfer the funds of the Development Credit Fund, whose refund would be done in monthly installments during a maximum period of six months.

(41) 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.

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 accounting record of the transfer of the subsidiaries generated an account payable that will be settled at the time of the merger.

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

Assets		
Availablities	¢	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 other entities		1.775.426.523
Property, furniture and equipment in use, net		12.458.596.560
Other assets		2.045.233.742
	¢	**132.752.897.151**
Liabilities		
Obligations with the public	¢	137.201.252.314
Accounts payable and provisions		5.846.633.059
Other liabilities		850.089.084
	¢	**143.897.974.457**
Net assets or equity	¢	(11.145.077.306)
Less:		
Cash from the acquired company		10.669.426.874
Cash to be reimbursed in the absorption	¢	**(21.814.504.180)**
Net assets or equity		11.145.077.306.00
Capita contribution per Law 9605		18.907.432.694.00
Resources to be reimbursed in the absoroption		**30.052.510.000**

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

(42) 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

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

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. Accounts receivable and payable are presented as part of the principal account of both assets and liabilities and not as other assets or liabilities.

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

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 I changes the name of some financial statements, using "statement of financial position" instead of balance sheet.

IAS I require 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.

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 12: Income Tax

The SUGEF Chart of Accounts presents the items of assets, liabilities and income and expenses by deferred income tax, separately. IAS 12 allows the net presentation of assets and liabilities when they arise from the same tax entity. Income or expenses under IAS 12 must be presented as part of the total income tax, net.

e) 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.

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.

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 realizable assets.

g) IAS 18: Revenue

The Board has allowed regulated financial entities to recognize loan fees and commissions collected prior to January 1, 2003 as revenue. Additionally, the Board has permitted the deferral of the credit fee formalization of 25%, 50%, and 100% of loan fees and commissions for transactions completed in 2003, 2004, and 2005, respectively. IAS 18 prescribes deferral of 100% of those fees and commissions over the loan term.

The Board has also allowed deferral of the net excess of loan fee income minus expenses incurred for activities such as assessment of the borrower's financial position, evaluation and recognition of guarantees, sureties, or other collateral instruments, negotiation of the terms of the instrument, preparation and processing of documents, and settlement of the operation. IAS 18 does not allow deferral on a net basis of loan fee income. Instead, it prescribes deferral of 100% of loan fee income, and permits the deferral of only certain incremental transaction costs, rather than all direct costs. Accordingly, when costs exceed income, loan fee income is not deferred, since the Board only allows the net excess of income over expenses to be deferred. This treatment does not conform to IAS 18 and IAS 39, which prescribe separate treatment for income and expenses (see comments on IAS 39).

Starting as of January 1, 2014 the treatment of loan commissions was implemented as directed in IAS 18.

h) Revised IAS 19: Employee Benefits

This standard is modified to recognize that the discount rate to be used must correspond to bonds in local currency.

The transition date is for periods beginning on or after Juanuary 1, 2016 and may be applied in advance, disclosing that fact. Any adjustment for its application must be made against retained earnings at the beginning of the period.

This standard is for application in the periods that begin in or after January, 1, 2013. It includes changes referring to the benefit plans defined for which it previously required that the measurements of the actuarial appraisals were recognized in the income statement or in the other comprehensive income. The new IAS 19 will require the changes in measurements to be included in other comprehensive income and the cost of services and net interest to be included in the income statement.

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

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

j) IAS 23: Borrowing Costs

A company treats as part of general financing any financing originally made to develop an asset, when this asset is ready for use or sale.

(Continues)

k) IAS 24: Related Party Disclosures

The International Accounting Standards Board revised IAS 24 in 2009 in order to: (a) simplify the definition of "related parties", clarify the meaning to be given to this term and eliminate the incoherencies of the definition; (b) Provide a partial exemption from the requirement of information disclosed by entities related to the government.
This standard will be applied retroactively for the annual periods starting as from January 1, 2011.

l) 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. With the modifications to IAS 27 effective as of 2014, in the preparation of separate financial statements, investments in subsidiaries and associates may be accounted for at cost, in accordance with IFRS 9 or using the equity method described in the IAS 28. However, the Council have not yet been adopted the modifications to IAS 27.

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.

(Continues)

m) IAS 28: Investments in Associates and Joint Ventures

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

The objective of this standard is to describe the accounting treatment for Investments in partners and it determines the requirements for the application of the method of equity participation when recording investments in associates and joint ventures.

n) Revised IAS 32: Financial Instruments: Presentation

Revised IAS 32 provides new guidelines clarifying the classification of financial instruments as liabilities or equity (e.g. preferred shares), SUGEVAL determines whether those shares fulfill the requirements of capital stock.

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

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

p) 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.

q) 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 straight-line 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.

(Continues)

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.

r) IAS 39: Financial Instruments: Recognition and Measurement

The Board requires that the loan portfolio be classified pursuant to SUGEF Directive 1-05 and that the allowance for loan impairment be determined based on that classification. It also allows excess allowances to be booked. IAS 39 requires that the allowance for loan impairment be determined based on a financial analysis of actual losses. IAS 39 also prohibits the recording of provisions for contingent accounts. Any excess allowances must be reversed in the income statement.

Revised IAS 39 introduced changes with respect to classification of financial instruments, which have not been adopted by the Board. The revised version includes the following changes:

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

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

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

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

The Board has also allowed capitalization of direct costs incurred for assessment of the borrower's financial position, evaluation and recognition of guarantees, sureties, or other collateral instruments, negotiation of the terms of the instrument, and preparation and processing of documents, net of income from loan fees. However, IAS 39 only permits capitalization of incremental transaction costs, which are to be presented as part of the financial instrument and may not be netted against loan fee income (see comments on IAS 18).

(Continues)

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

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

a) Pooled portfolios.

Investments in pooled investment funds, pension and retirement savings accounts, and similar trusts are to be classified as available for sale.

b) Own investments of regulated entities.

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

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

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

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

The above classifications do not necessarily adhere to the provisions of IAS 39.

The amendment to IAS 39 clarifies the existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendments to IAS 39 became mandatory for 2010 financial statements, with retrospective application. This amendment has not been adopted by the Board.

s) IAS 40: Investment Property

IAS 40 allows entities to choose between the fair value model and the cost model to measure their investment property. The Standard issued by the Board only allows entities to use the fair value model to measure this type of assets, unless clear evidence for determining the fair value of the assets is unavailable.

t) Revised IFRS 3: Business Combinations (revised)

IFRS 3 establishes that the business combination between entities under common control may be carried out at cost or at fair value. The Board only allows the accounting of these transactions by taking the assets and liabilities at their fair value.

IFRS 3 includes following changes:

- The definition of "business" was enlarged, which will probably cause that more acquisitions will receive the treatment of "Business Combinations".
- The contingent considerations will be measured at fair value and subsequent changes will be recorded in the results of the period.
- The transaction costs, except the costs for issuance of shares and debt instruments, will be recognized as expenses when they occur.
- Any prior participation in an acquired business will be measured at fair value with changes in results.
- Any uncontrolled interest (minority interest) will be measured either at fair value or at the proportional participation in the identifiable assets and liabilities of the acquiree, by transaction.

The revised IFRS 3 will become mandatory for the financial statements for 2010 and will be applied prospectively. This standard has not been adopted by the Board.

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

The Board requires that an allowance be booked for 100% of the carrying amount of assets that have not been sold within two years. IFRS 5 requires that such assets be recorded and measured at the lower of cost or fair value, discounting the future cash flows of assets to be sold in more than one year. Accordingly, assets could be understated, with excess allowances.

v) Amendments to IFRS 7: Financial Instruments – Disclosures

In March 2009, the IASB issued certain amendments to IFRS 7, Financial Instruments: Disclosure, which requires enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

(Continues)

The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorized as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons therefor, are required to be disclosed for each class of financial asset.

Furthermore, the definition of liquidity risk has been amended and it is now defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The amendments require disclosure of a maturity analysis for non-derivative and derivative financial liabilities, but contractual maturities are required to be disclosed for derivative financial liabilities only when contractual maturities are essential for an understanding of the timing of cash flows. For issued financial guarantee contracts, the amendments require the maximum amount of the guarantee to be disclosed in the earliest period in which the guarantee could be called. These amendments have not been adopted by the Board.

w) IFRS 9: Financial Instruments

IFRS 9 deals with classification and measurement of financial assets. The requirements of this Standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The Standard contains two primary measurement categories for financial assets: amortized cost and fair value. The Standard eliminates the existing IAS 39 categories of held to maturity, available for sale, and loans and receivables. For an investment in an equity instrument which is not held for trading, the Standard permits an irrevocable election, at initial recognition, on an individual share-by-share basis, to present all fair value changes in other comprehensive income. No amount recognized in other comprehensive income would ever be reclassified to profit or loss at a later date.

The standard requires that derivatives embedded in contracts with a host contract that is a financial asset within the scope of the standard not to be separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortized cost or fair value.

This standard requires entities to determine whether presenting the effects of changes in the credit risk of a liability designated at fair value through profit or loss would create an accounting mismatch based on facts and circumstances at the date on which the financial liability is initially recognized.

The objective of this IFRS is to establish the principles for the financial information about financial assets so that it will present useful and relevant information for the users of the financial statements facing the evaluation of the amounts, schedule and uncertainty of the future cash flows of the entity. The standard includes three chapters on recognition, impairment of financial assets and heading instruments.

This standard supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013). However, for annual periods beginning in or before January 1, 2018, and entity may elect to apply previous versions of IFRS 9 if, and only if the corresponding date of the entity initial application is prior to February 1, 2015.

x) IFRS 10: Consolidated Financial Statements

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

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

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

When application of this IFRS results in an investor consolidating an investee that is a business not previously consolidated, the investor:

1) must determine the date when the investor obtained control of that investee on the basis of the requirements of this IFRS; and

2) will assess the assets, liabilities, and no-controlling interests as if acquisition accounting had been applied from that date.

If (2) is impracticable, then the deemed acquisition date must be the beginning of the earliest period for which retroactive application is practicable, which may be the current period.

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

y) IFRS 11: Joint Arrangements

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

The objective of this IFRS is to establish principles for joint arrangements disclosures. It supersedes IAS 31, Interest in Joint Ventures and SIC 13, Jointly Controlled Entities, nonmonetary contributions by ventures.

z) IFRS 12: Disclosure of Interests in Other Entities

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

aa) IFRS 13: Fair Value Measurement

This Standard was issued in May 2011 and clarifies the definition of fair value, establishes a single procedure for measuring fair value, and defines the measurements and applications required or permitted by IFRSs. This Standard is to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. This Standard has not been adopted by CONASSIF.

This standard defines “fair value”. It establishes a single conceptual framework in IFRS to measure fair value and requires disclosures about the measurement of fair value. This IFRS applies to other IFRSs that allow measurement at fair value.

bb) IFRS 15: Revenue from Contracts with Customers

International Financial Reporting standard IFRS 15, Revenue derived from contracts and clients established principles for presentation of useful information to users of the financial statements about the nature, amount, schedule and uncertainty of revenue and cash flows arising from an entity's contracts with their customers.

IFRS 15 applies to annual periods that begin in or after January 1, 2017. Earlier application is permitted.

IFRS 15 supersedes:

a. IAS 11: Construction Contracts;
b. IAS 18: Revenue;
c. IFRIC 13: Customer loyalty programs;
d. IFRIC 15: Agreements for the construction of real estate;
e. IFRIC 18: Transfer of assets from customers; and
f. SIC-31 Revenue —Barter transactions involving advertising services.

Revenue is important information for users of financial statements, assessing the situation and financial performance of an entity. However, the above requirements for the recognition of revenue on International Financial Reporting Standards (IFRS) differ from accounting principles generally accepted in the United States of America (US GAAP) and both requirements sets needed improvement. The requirements for recognition of revenue from previous IFRS provided limited guidance and, therefore, the two main standards for the recognition of revenue, IAS 18 and IAS 11, could be difficult to apply to complex transactions. Furthermore, IAS 18 provided limited guidance on many important issues of revenue, such as accounting of agreements with multiple elements. Instead, US GAAP comprised broader aspects in the recognition of revenue, along with numerous requirements for industries or specific transactions, which resulted in a different accounting of similar transactions.

Therefore, the International Accounting Standards Board (IASB) and the issuer of national standards in the United States, the Financial Accounting Standards Board (FASB), initiated a joint project to clarify the principles for recognition of revenue and to develop a common standard for revenue to IFRS and US GAAP that:

a. Eliminates inconsistencies and weaknesses of the above requirements on revenue;
b. Provides a solid framework to address the problems of revenue;
c. Improves comparability of recognition practices of revenue between entities, industries, jurisdictions and capital market;
d. Provides more useful information to users of the financial statements through disclosure requirements improved; and
e. Simplify the preparation of the financial statements, reducing the number of requirements that and entity must refer.

The basic principle of IFRS 15 is that an entity recognizes revenue to represent transfer of goods or services committed to customers in exchange for an amount that reflects the consideration to which the entity expects to be entitled to exchange of such goods or services. An entity recognizes revenue in accordance with the basic principle by applying the following steps:

a. Step 1: Identify the contract (contracts) with the client - a contract is an agreement between two or more parties that creates enforceable rights and obligations. The requirements of IFRS 15 apply to each contract which has been agreed with a client and meets the specified criteria. In some cases, IFRS 15, requires an entity to combine contracts and accounted for as one. IFRS 15 also provides requirements for the posting contracts changes.

b. Step 2: Identify performance obligations in the contract - a contract includes commitments to transfer goods or services to a customer. If goods or services are different, commitments and performance obligation are accounted for separately. A good or service different if the client can take advantage of the good or service itself or with other resource that are available to the customer and commitment of the institution to transfer the good or service to the customer is separately recognizable from other contract commitments.

c. Step 3: To determine the transaction Price - the Price of transaction is the amount of consideration in a contract to which an entity expects to be entitled in exchange for the transfer of goods or services involved with the client. The transaction price can be a fixed amount of the consideration for the client, but may sometimes include a variable compensation in cash or other form. The transaction price is also adjusted by the value of money over time if the contract includes a significant financing component, as well as any consideration payable to the customer. If the consideration is variable, an entity shall estimate the amount of the consideration to which it shall be entitled to the exchange for goods or services involved. The estimated variable compensation amount is included in the price of transaction only to the extended that is highly likely that a significant reversal of the amount of income recognized accumulated to not occur when the uncertainty associated with the variable compensation was subsequently resolved.

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d. Step 4: Allocate the transaction price between performance obligations of the contract -an entity usually allocates the transaction price to each performance obligation based on the relative independent selling prices of each good or service involved in the contract. If a selling price is not observable independently, an entity shall estimate. Sometimes, the transaction price includes a discount or a variable amount of the consideration that relates entirely to a part of the contact. The requirements specify when an entity assigns the discount or variable consideration to one or more, but not all the performance obligations (different goods or services) of the contract.

e. Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation - an entity recognizes the revenue when (or as) it satisfies a performance obligation by transferring goods or services committed to the client (which is when the customer obtains control of that good or service). The amount of income recognized is the amount allocated to the performance obligation satisfied. A performance obligation can be met at any given time (usually for commitments to serve the customer). For performance obligations that are satisfied overtime, an entity recognizes revenue over time by selecting an appropriate method to measure the progress of the entity toward complete satisfaction of that performance obligation.

cc) IFRIC 10: Interim Financial Reporting and Impairment

This statement prohibits the reversal of an impairment loss recognized in a previous interim period, regarding to surplus value, investment in an equity instrument or a financial asset booked at cost, IFRIC 10 applies to surplus value, investment in equity instruments and financial assets booked at cost starting from the date the first time the criteria of measurement of NIC 36 and NIC 39 was applied (i.e. January 1, 2004). The Board allows reversal of estimates.

dd) IFRIC 12: Services Concession Arrangements

This interpretation provides guidelines for the posting of public service concession arrangements to a private operator. This interpretation applies both to:

- The infrastructure that the operator builds or purchases from a third party. to be used for the provision of services agreements; and

- Existing infrastructure to which the operator has access in order to provide the services established in the agreement.

IFRIC 12 is mandatory for financial statements as of July 1. 2009. This IFRIC has not been adopted by the Board.

ee) IFRIC 13: Customer Loyalty Programs

This interpretation provides guidance to the entity that grants credits -awards to its customers for loyalty as part of sales transaction which, subject to compliance with any additional condition established as a requirement, the customer can redeem in the future in form of goods, free services or discounts. IFRIC 13 is mandatory for financial statements starting from January 1, 2011. This IFRIC has not been adopted by the Board.

ff) IFRIC 14, IAS 19: Limit on Defined Benefit Asset, Minimum Finding Requirement and their Interaction

This interpretation applies to benefits defined for former employees and other long term benefits for employees. It also considers requirements to maintain a minimum level of funding to any requirement to fund a benefits plan for former employees or other long term benefits plans. It also covers the situation where a minimum level of funding may result in a liability. The IFRIC 14 is mandatory for financial statements starting from January 1, 2011, which retrospective application. This IFRIC has not been adopted by the Board.

gg) IFRIC 16: Hedges of a Net Investment in a Foreign Operation

This interpretation allows an entity using step considerations to choose an accounting policy that covers the risk of exchange rate, in order to determine the accumulative adjustment of currency conversion that is reclassified in results for the disposal of net investments in abroad business, as if the direct method has been used. The IFRIC 16 is mandatory for financial statements as of July, 1, 2009. The Board has not adopted this standard.

hh) IFRIC 17: Distribution of Non-Cash Assets to Owners

This interpretation provides guidance for accounting dividends payable distributed using non- cash assets, at the beginning and the end of the period.

If an entity declares dividends to be distributed through non- cash assets, after the closing of a reported period but before the financial statements are authorized to be issued, it will disclose:

a) The nature of the asset to be distributed;

b) The carrying amount of the asset at the closing date; and

(Continues)

c) If the fair values are determined, wholly or partially, by reference to price quotes published in an active market or are estimated using a valuation method, as well as the method used to determine the fair value and the assumptions applied when using a valuation method.

IFRIC 17 is mandatory for financial statements starting from July 1, 2009. This standard has not been adopted by the Board, Its application is prospective; a retrospective application is not permitted.

ii) IFRIC 18: Transfer of Assets from Customers

This interpretation offers guidance for accounting of transfers of property, plant and equipment for entities receiving such transfer from customers, as well as those agreements in which an entity receives cash from customers and must use the cash amount only for construction or purchasing property, plant and equipment. This IFRIC is mandatory for financial statements from July 1, 2009. This IFRIC has not been adopted by the Board.

jj) IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments

This interpretation provides guidance for accounting renegotiated terms of financial liability and give rise to the entity that issues the equity instruments to extinguish the financial liability totally or in part, IFRIC 19 is mandatory for financial statements starting from July 1, 2010. This IFRIC has not been adopted by the Board.

kk) IFRIC 17: Distributions of Non- Cash Assets to Owners

This IFRIC is mandatory for financial statements from July 1, 2009. Its application is prospective; a retrospective application is not permitted.

ll) IFRIC 18: Transfer of Assets from Customers

This interpretation is mandatory for financial statements form July 1, 2009. This interpretation is applicable to entities that transfer assets to other entities for goods or services of different nature, for which an income has to be recognized due to the difference in value.

mm) IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is mandatory for financial statements starting from July 1, 2010.

nn) IFRIC 21: Levies

This interpretation addresses the accounting of a liability to pay a levy if that liability is within IAS 37. It also addresses the accounting of a liability to pay a levy where the amount and maturity are true.

This interpretation does not address the accounting of cost arising from the recognition of a liability to pay a levy. Entities should apply other standards to decide whether the recognition of a liability to pay a tax results in an asset or an expense.

The event that triggers the obligation and results in a liability to pay a levy is the activity that produces the levy payment, as established by law. For example, if the activity that results in the levy payment is to generate an income from ordinary activities in this period, and the calculation of this tax is based on income from ordinary activities that took place in an earlier period, the event that results in the obligation of the levy is the income generation in the current period. Generating revenue in the previous periods is necessary, but not sufficient to create a present obligation.

An entity does not have an implied obligation to pay a levy to be generated by future period operation; as a result, the entity is economically compelled to continue operating in that future period.

The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy to be generated by operations in future periods.

The liability to pay a levy is recognized progressively if the event results in the obligation over a period (for example, if the activity that generates the payment of the tax occurs as established by law, over a period). For example, if the event that results in the obligation is the generation of a regular income for activities over a period, the corresponding liability is recognized as the entity produces that income.

An entity shall apply this interpretation for annual periods beginning on or after January 1, 2014.

(Continues)

oo) Amendments to Existing Standards:

Employee Benefits

(Amendment to IAS19)

This standard is modified to recognized the discount rate to be used corresponding with local currency bonds.

The transition date is for annual periods that begin in or after January 1, 2016; it may be applied in advance and disclose that fact. Any application adjustment must be made against retained earnings at the beginning of the period.

This standard is for application in the periods that begin in or after January 1, 2013. It includes changes referring to the benefit plans defined for which it previously required that the re measurement of the actuarial appraisals were recognized in the income statement or in other integral results. The new IAS 19 will require changes in the measurements to be included in other integral results and the cost of services and net interest to be included in the income statement.

Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

Loss of Control

When a controlling company loses control of a subsidiary, the controlling company:

a) Will derecognize assets and liabilities of former subsidiary of the consolidated statement of financial position.

b) Recognizes an investment retained in the former subsidiary at fair value and subsequently accounted for this investment and the amount owed by or to the former subsidiary thereof, in accordance with relevant IFRS's. This retained interest at fair value is measured again, as described in paragraph B98 (b) (iii) and B99(a). The value measured again, if applicable, at the date when control is lost, is regarded as the fair value on initial recognition of financial assets, in accordance with IFRS 9 or cost on initial recognition of an investment in an associate or joint venture.

c) Will recognize gain or loss associated with the loss of control of previous controlling company as specified in paragraphs B98 to B99A.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

Issued in September 2014, it amended paragraphs 25 and 26 and added paragraph B99A. An entity will apply such amendments in a prospective manner to transactions that take places in annual periods starting as of January 1, 2016. An early application is allowed. If an entity applied the amendments earlier, this must be disclosed.

Accounting for Acquisition of Interests in Joint Operations (Amendments to IFRS11)

This IFRS requires the acquirer of an interest in a joint venture whose activity is a business, as defined in IFRS Business Combinations, to apply all the principles on accounting for business combinations of IFRS 3 and other IFRS, except those in conflict with the guidelines of this IFRS. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRS for business combinations.

Accounting for Acquisition of Interests in Joint Operations (Amendments to IFRS 11), issued in May 2014, amended the heading after paragraph B33 and added paragraphs.

If an entity applies these amendments but doesn't apply IFRS 9, the reference in these amendments to IFRS 9 shall be read as a reference to IAS 39, Financial Instruments: Recognition and Measurement. Amendments to IFRS 11, May, 2014. An entity shall apply those amendments prospectively for annual periods that begin in or after January 1, 2016. Earlier application is permitted. If an entity applies these amendments for a period beginning before, it will disclose that fact.

Equity Method in Separate Financial Statements

(Amendments to IAS 27)

Separate financial statements are those presented by a controller (inverter with control on a subsidiary) or an investor with joint control in an investee or significant influence over it. Subject to the requirements of this standard, an entity may choose to account for its investment in subsidiaries, joint ventures and associates at cost, in accordance with IFRS 9, Financial Instruments, or using the equity method as described in IAS 28, Investments in associates and joint ventures.

When an entity prepares separate financial statements, it shall account for investments in subsidiaries, joint ventures and associates:

a. at cost, or;
b. in accordance with IFRS 9; or
c. Using the equity method as described in IAS 28.

An entity shall apply the same accounting for each category of investment. The accounted investments are registered at cost or using the equity method in accordance with IFRS 5, non- current assets held for sale and discontinued operations, in cases where they are classified as held for sale or for distribution (or included in a group of assets for disposal that are classified as held for sale or for distribution). Under these circumstances, the measurement of investments accounted is not amended in accordance with IFRS 9.

The equity method in separate financial statements (Amendments to IAS 27), issued in August, 2014, amended paragraphs 4 to 7, 10, 11 B and 12. An entity shall apply those amendments for annual periods beginning on or after January 1, 2016, retrospectively, in accordance with IAS 8, Accounting Policies, changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity applies these amendments for a period beginning before, it will disclose that fact.

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

This document established amendments to IAS 39, Financial Instruments: Recognition and Measurement. These amendments result from proposals of the standard project 2013/2: Novation of Derivatives and Continuation of Hedge Accounting, and the corresponding responses received (Proposed Amendments to IAS 39 and IFRS 9) was published in February 2013.

IASB has amended IAS 39 to discontinue exempting the hedge accounting when the novation of a derivative designed as a hedging instrument meets certain conditions. A similar exception will be included in IFRS 9, Financial Instruments.

It is effective from annual periods beginning on or after January 1, 2014.

Disclosure of the recoverable amount of non- financial assets

This document establishes the amendments to IAS 36, Impairment of Assets, The amendments result from proposal of the standard project 2013/1, Disclosure of the recoverable amount of non- financial assets and corresponding response received (Proposed Amendments to IAS 36) that was published in January 2013.

(Continues)

In May 2013, paragraphs 130 and 134 and the heading on paragraph 138 were modified. An entity shall retroactively apply those amendments to annual periods beginning on or after 1 January 2014. Earlier application is permitted. An entity will not apply those changes to periods (including comparative periods) in which IFRS 13 does not apply.

The changes made in this document along the disclose requirements to IAS 36 with the original intention of the IASB. For the same reason, the IASB also amended IAS 36 to require amount of assets that present impairment is based on fair value less cost of disposal, consistent with the disclosure requirements for impairment assets presented in U.S. GAAP.

pp) Amendments to Standards Established by CONASSIF

The following amendments to the accounting standards applicable to entities supervised by SUGEF, SUGEVAL, SUGESE, SUPEN and non- financial issuers established by CONASSIF shall apply from January 1, 2014:

1. Delete the last paragraph of article 8. Therefore, not allowed to commercial state banks to capitalize total revaluation surplus, but may continue to capitalize revaluation surplus as permitted by IAS 16, i.e., the part already used of that surplus (or realized by selling the asset), since on that subject no exception is included by SUGEF.
2. Delete paragraph two of article 19, IAS 40, Investment Property for rent or goodwill, Therefore, the adjustments to fair value of investment properties are recognized in the income statement.
3. Modify paragraph four of the concept of Group 130, Loan portfolio, so the commissions representing an adjustment to the effective yield should be recorded as a deferred credit.
4. Add the account of deferred direct cost associated with credit, recognizing the direct cost incurred by the entity in the formalization of credit and must be repaid by means of effective interest method.
5. Another important change is that the formats and the scope of the information to be disclosed in the financial statements will be made mostly based on IAS 1, including the concept of other comprehensive income, adjusting the statement of changes in equity, and requiring the presentation criteria, for the intermediate financial information in accordance with IAS 34.

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(43) Figures for 2019

As of March 31 2020, financial statement figures have not been reclassified for comparison with those of 2019 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 2021.

(44) Relevant and subsequent events

As of March 2020, 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, in respect of the items presented, together constituting a tax contingency, which 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.

The Bank expressed partial disagreement with the proposed regulation 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. 9635.

The amounts of the payment are presented as follows:

Period		**Income tax**	**Penalties**	**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		9.932.739.485	993.273.948	10.926.013.433
	¢	**12.931.868.340**	**1.206.245.077**	**14.138.113.417**

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.

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 Bancredito's subsidiaries, even though the Bank already owns an Innsurance Broker, so that BCR will determine the future of the company.

Upon expiration of the aforementioned 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.

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 audit 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 Bancredito'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 Bancredito´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.

   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 aforementioned 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:

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 o 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 Brancrédito's equity that will be delivered to Banco de Costa Rica, in order to apply the scope of Article 1 of this Law.

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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 Governement 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.

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.

Properties investment

The Bank determines that in order 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.

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 aforementioned 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.

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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.

Financial Information Regulation

Through articles 6 and 5 of the minutes of the sessions 1442-2018 and 1443-2018, both held on September 11, 2018, the CONASSIF approved the Financial Reporting Regulation, which comes in effect on January 1, 2020.

The Regulation aims to regulate the application of 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 proposes two or more application alternatives.

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 June 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 June 30, 2021, without qualifying as a special operation; and

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. The aforementioned 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 aforementioned provision will be in force until March 31, 2021.

h. Measures regarding the Suspension of Classification of Irregularities - Sanitation Plan: It was agreed to suspend, for one year, the provision that classifies a financial entity as “type 2 irregularity”, when the institution presents 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 sanitation plan to counter the aforementioned situation. It is important to note that SUGEF must amend the parameters for determining liquidity indicators. This measure will be in force for a 12-months 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.

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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. The aforementioned measure will allow financial entities to allocate resources to grant credits, which would ordinarily be foreseen for the reserves required by law.

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 in the aforementioned markets 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.

(45) Date of authorization for issuance of the financial statements

The General Management of the Bank authorized the issuance of the consolidated Financial Statements on April 28, 2020.

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