Banco de Costa Rica

Separate Financial Statements
with Independent Auditor’s Report

(Translation into English of the original
Independent Auditor’s Report issued in Spanish)

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Independent Auditor's Report

To the Superintendence General of Financial Entities
and the Board of Directors of Banco de Costa Rica

We have audited the accompanying Separate financial statements of Banco de Costa Rica, which comprise the balance sheet as of December 31, 2014 and 2013, the income statement, the statement of changes in equity and the statement of cash flows for the one year's period then ended, and a summary of significant accounting policies and other explanatory notes. The accompanying Separate financial statements have been prepared by the management of Banco de Costa Rica in conformity with the directives issued by the National Financial System Oversight Board and the General Superintendence of Financial Entities.

Management's Responsibility for the Financial Statements

The Bank's management is responsible for the preparation and fair presentation of these financial statements in accordance with directives issued by the National Financial System Oversight Board and the General Superintendence of Financial Entities. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these Separate financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and to plan and perform the audits to obtain reasonable assurance on whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Bank's management, as well as evaluating the overall presentation of the financial statements.

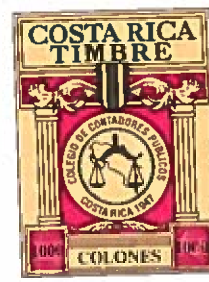
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Separate financial statements referred to above present fairly, in all material respects, the financial position of Banco de Costa Rica as of December 31, 2014 and 2013, and of its financial position and its cash flows for the one year's period then ended, in accordance with directives issued by the National Financial System Oversight Board and the General Superintendence of Financial Entities, as discussed in note 1.

Basis of accounting

Without modifying our opinion, we draw attention to note 1 of the Separate financial statements which describes the basis of accounting. The accompanying Separate financial statements have been prepared by the management of Banco de Costa Rica in conformity with the directives issued by the National Financial System Oversight Board and the General Superintendence of Financial Entities. The Bank issues consolidated financial statements which are main its financial statements; separate financial statements, considering investment in subsidiaries by the equity method are prepared for management and the General Superintendence of Financial Entities. Separate financial statements should be read altogether with the consolidated financial statements. As a result, these financial statements could be not suitable for other purposes.



San José, Costa Rica
February 17, 2015
Juan Carlos Lara P. N°2052
Pol. 0116 FIG 7 Mature 9-30-15
Exempt from legal stamp as
per Art. 8, Law No. 6663

Schedule A
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BANCO DE COSTA RICA
SEPARATE BALANCE SHEET
As of December 31
(In colones)

	Note		2014	2013
ASSETS				
Cash and due from banks	4	¢	**533,001,195,160**	**495,272,495,928**
Cash			79,563,913,143	68,455,391,787
Central Bank of Costa Rica			429,412,987,496	379,195,265,239
Local financial entities			2,806,824,128	2,682,763,594
Foreign financial entities			18,052,634,285	41,463,357,638
Other cash and due from banks			3,164,836,108	3,475,717,670
Investments in financial instruments	5		**679,797,197,811**	**611,580,751,358**
Trading			3,437,716,684	8,407,955,959
Available-for-sale			644,996,141,401	572,797,947,200
Held-to-maturity			27,328,999,258	25,824,180,960
Accrued interest receivable			4,034,340,468	4,550,667,239
Loan portfolio	6		**2,467,853,622,358**	**2,175,603,913,768**
Current			2,298,303,143,380	1,985,118,276,959
Past due			153,661,061,219	171,826,315,793
Legal collection			30,819,425,684	31,525,615,903
Accrued interest receivable	6.d		20,539,648,813	18,567,713,926
(Allowance for loan impairment)	6.e		(35,469,656,738)	(31,434,008,813)
Accounts and fees and commissions receivable			**2,248,358,207**	**3,127,564,384**
Fees and commissions receivable			570,826,693	208,212,637
Accounts receivable for related party transactions			38,905,770	66,881,589
Deferred tax and income tax receivable	15		966,073,804	1,074,065,202
Other accounts receivable			4,468,315,806	5,173,152,277
(Allowance for doubtful accounts receivable))			(3,795,763,866)	(3,394,747,321)
Foreclosed assets	7		**14,981,899,856**	**12,221,748,393**
Assets and securities acquired in lieu of payment			50,945,063,366	37,095,741,636
Other foreclosed assets			441,400,066	273,903,219
(Allowance for impairment and per legal requirements)			(36,404,563,576)	(25,147,896,462)
Investments in other companies, net	8		**80,603,090,162**	**72,576,370,018**
Property and equipment, net	9		**81,926,662,678**	**76,883,442,382**
Other assets			**49,272,876,454**	**45,243,261,478**
Deferred charges			2,270,029,100	2,995,338,297
Intangibles assets, net	10		10,477,951,880	7,701,863,848
Other assets, net			36,524,895,474	34,546,059,333
TOTAL ASSETS		¢	**3,909,684,902,686**	**3,492,509,547,709**

BANCO DE COSTA RICA
SEPARATE BALANCE SHEET
As of December 31
(In colones)

	Note		Diciembre 2014	Diciembre 2013
LIABILITIES AND EQUITY				
LIABILITIES				
Obligations with the public		¢	**2,682,185,474,342**	**2,435,392,066,780**
Demand obligation	11		1,423,246,736,830	1,296,531,328,725
Term obligation	12		1,249,478,135,087	1,128,910,890,914
Other obligations with the public			189,630,647	668,064,605
Financial charges payable			9,270,971,778	9,281,782,536
Obligations with Central Bank of Costa Rica	14		**1,663,017,970**	**0**
Demand obligation			1,663,017,970	0
Obligations with entities	14		**697,182,234,950**	**566,924,611,700**
Demand obligations	12		173,812,642,107	147,849,893,323
Term obligation	12		516,376,129,238	412,833,669,905
Financial charges payable			6,993,463,605	6,241,048,472
Accounts payable and provisions			**97,276,473,501**	**95,682,879,642**
Deferred tax	15		5,082,060,385	5,476,828,726
Provisions	16		39,116,287,271	29,532,923,963
Other sundry accounts payable	17		53,078,125,845	60,673,126,953
Other liabilities			**23,815,049,076**	**15,291,241,127**
Deferred income			8,264,187,061	752,640,537
Allowance for stand by credit losses			50,449,595	229,487,742
Other liabilities			15,500,412,420	14,309,112,848
Subordinated obligations			**21,382,604,699**	**14,883,713,175**
Subordinated obligations			21,332,400,000	14,850,300,000
Financial charges			50,204,699	33,413,175
TOTAL LIABILITIES		¢	**3,523,504,854,538**	**3,128,174,512,424**
EQUITY				
Capital	18	¢	**121,762,273,318**	**112,052,881,182**
Paid up capital			121,762,273,318	112,052,881,182
Equity adjustments			**30,566,957,211**	**29,405,937,161**
Adjustments for surplus from revaluation of property and equipment	18.b		27,183,449,854	27,236,745,716
Adjustment for valuation of available-for-sale investments			(1,207,693,780)	(725,370,788)
Adjustment for valuation of restricted financial instruments			(186,632,339)	(488,507,364)
Adjustment for conversion of financial statements			4,777,833,476	3,383,069,597
Capital reserves			**178,560,730,574**	**162,853,210,411**
Prior periods retained earnings			**22,632,060,769**	**21,552,740,443**
Profit for the year			**20,630,696,951**	**29,214,942,917**
Development Financing Fund equity			**12,027,329,325**	**9,255,323,171**
TOTAL EQUITY			**386,180,048,148**	**364,335,035,285**
TOTAL LIABILITIES AND EQUITY		¢	**3,909,684,902,686**	**3,492,509,547,709**
DEBIT CONTINGENT ACCOUNTS	19	¢	**262,326,703,414**	**254,011,188,351**
TRUST ASSETS	20		**763,980,738,748**	**736,532,860,935**
TRUST LIABILITIES			**345,232,833,904**	**331,892,128,845**
TRUST EQUITY			**418,747,904,845**	**404,640,732,090**
OTHER DEBIT MEMORANDA ACCOUNTS	21	¢	**5,744,934,728,879**	**4,695,112,059,839**
Own debit memoranda accounts			1,237,199,139,024	926,427,404,006
Third party debit memoranda accounts			77,567,790,909	81,638,480,938
Own debit memoranda accounts for custodial activities			0	3,174,458,285
Third party debit memoranda accounts for custodial activities			4,430,167,798,946	3,683,871,716,610

See accompanying note to the separate financial statements

MBA. Leonardo Acuña A.
Sub General Manager

Licda. Tatiana Cárdenas C.
Accountant

Lic. Gilberth Barrantes C.
General Auditor

Schedule B

BANCO DE COSTA RICA
SEPARATE INCOME STATEMENT
For the years ended December 31
(in colones)

	Note		2014	2013
Financial income				
Cash and due from banks		¢	69,001,965	16,646,338
Investments in financial instruments	22		23,170,995,674	28,420,602,018
Loan portfolio	23		220,545,742,621	203,582,098,252
Gain on foreign exchange and development units			541,926,949,005	333,519,705,893
Gain on trading financial instruments			440,049,039	466,159,278
Gain on available for-sale financial instruments			435,359,387	1,126,925,022
Other financial income			1,193,752,670	1,081,117,865
Total financial income			**787,781,850,361**	**568,213,254,666**
Financial expenses				
Obligations with the public	24		82,309,049,808	94,965,139,341
Obligations with Central Bank of Costa Rica			503,889,722	122,663,589
Obligations with financial entities			17,880,827,400	10,264,831,071
Subordinate, exchangeable and preference obligations			821,074,528	761,878,130
Loss on foreign exchange and Development Units			543,374,964,157	332,501,866,779
Loss on trading financial instruments			30,073,269	9,233,255
Loss on available for sale financial instruments			21,153,090	205,708,544
Other financial expenses			0	20
Total financial expenses			**644,941,031,974**	**438,831,320,729**
Allowance for impairment of assets	25		20,999,503,832	10,619,460,294
Recovery of assets and decrease in allowances	26		13,320,546,676	7,180,771,517
FINANCIAL INCOME			**135,161,861,231**	**125,943,245,160**
Other operating income				
Service fees and commissions	27		58,860,588,806	52,438,721,361
Foreclosed assets			3,686,092,762	4,437,447,890
Gain on investments in other companies			5,504,066,310	4,473,258,182
Gain on investments in SUGEVAL regulated entities			3,087,409,152	3,832,602,027
Gain on investments in SUPEN regulated entities			1,523,640,874	2,459,168,254
Gain on investments in SUGESE regulated entities			1,668,528,201	773,494,194
Foreign currency exchange and arbitrage			22,223,503,770	19,690,999,662
Other income related parties			2,127,252,743	1,721,968,494
Other operating income			9,241,963,084	6,373,959,028
Total other operating income			**107,923,045,702**	**96,201,619,092**
Other operating expenses				
Service fees and commissions			10,092,697,828	9,084,299,526
Foreclosed assets			17,485,802,268	15,633,656,899
Loss on investments in other entities			42,533,960	0
Sundry assets			199,300,690	154,682,360
Provisions			12,057,882,562	622,568,144
Foreign currency exchange and arbitrage			1,147,958,370	931,512,964
Other expenses related parties			6,377,038	40,536,432
Other operating expenses			18,039,747,040	13,089,857,409
Total other operating expenses			**59,072,299,756**	**39,557,113,734**
GROSS OPERATING INCOME			**184,012,607,177**	**182,587,750,518**
Administrative expenses				
Personnel expenses			97,151,135,800	93,741,193,798
Other administrative expenses			51,072,883,567	46,555,469,266
Total administrative expenses	28		**148,224,019,367**	**140,296,663,064**
NET OPERATING INCOME BEFORE TAXES AND STATUTORY ALLOCATIONS			**35,788,587,810**	**42,291,087,454**
Income tax	15		9,009,008,188	6,585,928,483
Decrease in income tax			131,643,304	125,258,140
Statutory allocations	29		6,450,560,915	6,615,474,194
Decrease in statutory allocations	29		170,034,940	0
NET PROFIT FOR THE YEAR		¢	**20,630,696,951**	**29,214,942,917**
OTHER COMPREHENSIVE INCOME, NET OF TAX				
Revaluation surplus, property furniture and equipment			0	(300,476)
Valuation adjustment, investments available for-sale, net income of tax			(192,378,584)	3,944,214,587
Reclassification unearned profits			(289,944,408)	(644,851,535)
Adjustment for valuation of restricted securities, net income of tax			301,875,025	(404,684,979)
Other			1,394,763,879	(1,451,108,459)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	30		**1,214,315,912**	**1,443,269,138**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		¢	**21,845,012,863**	**30,658,212,055**

See accompanying note to the separate financial statements

MBA. Leonardo Acuña A.
Sub General Manager

Licda. Tatiana Cárdenas C.
Accountant

Lic. Gilberth Barrantes C.
General Auditor

Schedule C

BANCO DE COSTA RICA
SEPARATE STATEMENT OF CHANGES IN EQUITY
For the years ended December 31
(In colones)

	Note		Capital	Equity adjustments: Surplus from revaluation of property and equipment	Equity adjustments: Adjustments for valuation of available for sale investments	Equity adjustments: Adjustments for valuation of investments in other companies	Equity adjustments: Total equity adjustments	Capital Reserves	Prior periods retained earnings	Development Financing Fund equity	Total
Balance at January 1, 2013		¢	112,052,881,182	27,237,046,192	(4,108,556,225)	4,834,178,056	27,962,668,023	145,418,725,491	41,566,735,179	6,675,813,355	333,676,823,230
Appropriation to legal reserve			0	0	0	0	0	17,434,484,920	(17,434,484,920)	0	0
Appropriation to Development Fund			0	0	0	0	0	0	(2,579,509,816)	2,579,509,816	0
Balance at December 31, 2013			112,052,881,182	27,237,046,192	(4,108,556,225)	4,834,178,056	27,962,668,023	162,853,210,411	21,552,740,443	9,255,323,171	333,676,823,230
Other comprehensive income											
Other comprehensive income			0	(300,476)	2,894,678,073	(1,451,108,459)	1,443,269,138	0	29,214,942,917	0	30,658,212,055
Balance at December 31, 2013		¢	112,052,881,182	27,236,745,716	(1,213,878,152)	3,383,069,597	29,405,937,161	162,853,210,411	50,767,683,360	9,255,323,171	364,335,035,285
Balance at January 1, 2013		¢	112,052,881,182	27,236,745,716	(1,213,878,152)	3,383,069,597	29,405,937,161	162,853,210,411	50,767,683,360	9,255,323,171	364,335,035,285
Retained earnings capitalizations	18		9,656,096,274	0	0	0	0	0	(9,656,096,274)	0	0
Realized revaluation surplus	18		53,295,862	(53,295,862)	0	0	(53,295,862)	0	0	0	0
Appropriation to legal reserve			0	0	0	0	0	15,707,520,163	(15,707,520,163)	0	0
Appropriation to Development Fund			0	0	0	0	0	0	(2,772,006,154)	2,772,006,154	0
Balance at December 31, 2014			121,762,273,318	27,183,449,854	(1,213,878,152)	3,383,069,597	29,352,641,299	178,560,730,574	22,632,060,769	12,027,329,325	364,335,035,285
Other comprehensive income											
Other comprehensive income			0	0	(180,447,967)	1,394,763,879	1,214,315,912	0	20,630,696,951	0	21,845,012,863
Balance at December 31, 2014		¢	121,762,273,318	27,183,449,854	(1,394,326,119)	4,777,833,476	30,566,957,211	178,560,730,574	43,262,757,720	12,027,329,325	386,180,048,148

See accompanying note to the separate financial statements

MBA. Leonardo Acuña A.
Sub General Manager

Licda. Tatiana Cárdenas C.
Accountant

Lic. Gilberth Barrantes C.
General Auditor

Schedule D

BANCO DE COSTA RICA
SEPARATE STATEMENT OF CASH FLOWS
For the years ended December 31
(In colones)

	Note		2014	2013
Cash flows from operating activites				
Profit for the year		¢	20,630,696,951	29,214,942,917
Items not requiring cash			(92,909,695,903)	(98,829,562,736)
Loss on sale of assets received in lieu of payment and property and equipment			229,435,168	(8,084,674)
Loss on allowance for impairment of assets received in lieu of payment			14,728,576,800	12,686,096,785
Net gains or losses on foreign exchange and development units			2,105,524,459	(143,623,909)
Loss on allowance for loan losses			18,830,249,851	9,047,238,179
Loss on other allowances			2,169,253,981	1,572,222,116
Deferred tax			(131,643,304)	(125,258,140)
Severance payment allowances			9,961,224,413	0
Income from reversal of allowances and provisions			(17,007,951,403)	(11,402,733,231)
Depreciation and amortization			10,552,567,674	10,601,762,829
Interest in net income of subsidiaries			(11,741,956,265)	(11,538,526,279)
Financial expense			101,514,841,458	106,114,512,131
Income tax expense			9,009,008,188	6,585,928,483
Financial income			(243,785,740,260)	(232,019,346,608)
Other provisions			4,376,387,362	3,184,775,388
Statutory allocations			6,280,525,975	6,615,474,194
Net (increase) decrease in assets			(225,900,145,774)	(185,366,561,558)
Loans and cash advances			(246,589,324,809)	(197,319,266,007)
Foreclosed assets			3,987,249,880	5,066,992,029
Accrue interest receivable			18,118,604,966	21,673,822,467
Other assets			(1,416,675,811)	(14,788,110,047)
Net increase (decrease in) liabilities			241,439,386,704	363,793,475,229
Demand and term obligations			186,419,025,981	115,796,449,172
Other accounts payable and provisions			(26,884,729,622)	(3,249,311,869)
Accrued interest payable			(15,556,244,183)	(15,759,390,146)
Other liabilities			7,571,815,437	(10,026,236,977)
Other financial obligations			89,889,519,091	277,031,965,049
Interest collected			224,211,527,178	210,286,051,721
Dividends received			4,410,000,000	0
Interest paid			(85,200,201,376)	(90,558,267,948)
Income tax paid			(7,917,405,336)	(10,824,959,588)
Net cash from (used in) operating activities			78,764,162,444	217,715,118,037
Investing activities				
Increase in financials instruments (except trading)			(3,539,166,424,560)	(8,325,322,847,944)
Decrease in financial instruments (except trading)			3,652,830,483,212	8,071,521,613,807
Acquisition of property and equipment			(11,517,151,291)	(7,229,752,014)
Decrease due to retirements and transfers of property and equipment			536,247,272	320,522,744
Investment in subsidiaries			0	(5,000,001)
Capital stock return of subsidiaries			700,000,000	877,642,491
Net cash (used in) from investing activities			103,383,154,633	(259,837,820,917)
Financial activities				
Subordinated obligations			5,138,504,634	0
Net cash provided by financial activities			5,138,504,634	0
Net (decrease) increase in cash			187,285,821,711	(42,122,702,880)
Cash and cash equivalents at beginning of year			591,417,703,538	635,674,885,045
Effect on exchange rate variations on cash			12,613,663,605	(2,134,478,627)
Cash and cash equivalents at end or year	4	¢	791,317,188,854	591,417,703,538

See accompanying note to the separate financial statements

MBA. Leonardo Acuña A.
Sub General Manager

Licda. Tatiana Cardenas C.
Accountant

Lic. Gilberth Barrantes C.
General Auditor

(1) Summary of operations and significant accounting policies

(a) Operations

Banco de Costa Rica (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 Banks website is www.bancobcr.com.

The Bank is mainly dedicated to extending loans and granting bid and performance bonds; issuing certificates of deposit; 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 December 31, 2014 the Bank has 246 branches (247 as of December 31, 2013) distributed among the national territory and has in operation 573 automated teller machines (531 as of December 31, 2013), and has 3,853 employees (3,756 as of December 31, 2013).

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

The Bank is shareholder owner of a 100% of the following subsidiaries:

BCR Valores, S.A. (brokerage firm) was organized as a corporation in February 1999 under the laws of the Republic of Costa Rica. Its main activity is securities trading.

BCR Sociedad Administradora de Fondos de Inversion, S.A. (investment fund manager company) was organized as a corporation in July 1999 under the laws of the Republic of Costa Rica. Its main activity is investment fund management.

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.

BCR 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.

BAN Procesa - TI. S.A. was organized as a corporation in August 2009 under the laws of the Republic of Costa Rica. Its main activity will be to provide IT processing services and technical support, purchase, lease, and maintain hardware and software, including software development, and address the Bank's IT needs. This entity is not engaged in operations.

The Bank 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, 50 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 stocks are owned by Banco Nacional de Costa Rica.

(b) Accounting policies for financial statement preparation

The financial statements have been prepared in accordance with the legal provisions, rules, and accounting regulations issued by the Central Bank of Costa Rica (BCCR), the General Superintendence of Financial Entities (SUGEF), and the National Financial System Oversight Board (CONASSIF).

(Continued)

(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 actives. 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 conversion 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 "Adjustment for valuation of investments in other companies" account.

(d) Foreign currency

i. Foreign currency transactions

Assets and liabilities held in foreign currency are converted to colones at the exchange rate ruling at the separate balance sheet date. Transactions in foreign currency during the year are converted at the foreign exchange rate ruling at the date of the transaction. Conversion gains or losses are presented in the separate income statement.

ii. Monetary unit and foreign exchange regulations

On October 17, 2006, the Central Bank of Costa Rica (BCCR) revised the country's foreign exchange system, replacing mini-devaluations with an adjustable band. Under the new system, the BCCR's board agreed to establish a rate floor and ceiling, which will be adjusted based on the country's financial and macroeconomic conditions. In accordance with the Chart of Accounts, monetary assets and liabilities denominated in foreign currency should be expressed in colones using the reference buy rate published by BCCR. As of December 31, 2014, monetary assets and liabilities denominated in U.S. dollars were valued at the exchange rate of ¢533.31 to US$1.00 (¢495.01 as of December 31, 2013 to US$1.00).

(Continued)

Valuation in colones of monetary assets and liabilities in foreign currency during the year ended December 31, 2014 gave rise to foreign exchange losses and gains of ¢543,374,964,157 (2013: ¢332,501,866,779) and ¢541,926,949,005 (2013: ¢333,519,705,893, respectively.

Additionally, valuation of other assets and other liabilities gave rise to gains and losses, respectively, which are booked in “Other operating income” and “Other operating expenses”, respectively. For the year ended December 31, 2014 valuation of other assets gave rise to gains of ¢407,758,425 (2013: ¢496,344,224) and valuation of other liabilities gave rise to losses of ¢799,218,042 (2013: ¢304,318,469).

iii. Financial statements of foreign subsidiaries (BICSA)

The financial statements of BICSA are presented in U.S. dollars

Those financial statements were converted to Costa Rican colones as follows:

- Assets and liabilities at the closing exchange rate.
- Income and expenses at the average exchange rates in effect during each year.
- Equity at historical exchange rates, using the exchange rate in effect on the dates of the transactions.

Valuation of the participation in the financial statements if this foreign subsidiary gave rise to net profits in the year ended December 31, 2014 of ¢5,461,532,350 (2013: ¢4,473,258,182).

(e) Basis of financial statements preparations

The separate financial statements have been prepared on the fair value basis for available-for-sale assets and trading financial instruments. Other financial and non-financial assets and liabilities are recorded at amortized or historical cost. The accounting policies have been consistently applied.

(f) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. The Bank's financial instruments include primary instruments: cash and due from banks, investments in financial instruments, loan portfolio, other receivable, obligations with the public, obligations with entities, and payables.

(i) Classification

Trading financial instruments are instruments held by the Bank for short-term profit taking.

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.

Available-for-sale assets are financial assets that are not held for trading purposes, originated by the Bank, or held to maturity. Available-for-sale assets include certain debt securities.

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

Until December 31, 2007, SUGEF allowed investments in financial instruments to be classified as held-to-maturity.

Entities regulated by SUGEVAL, SUGEF, SUPEN, and SUGESE may classify other investments as 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 on the date at 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. In 2014 and 2013, the Bank did not classify financial instruments as held to maturity, except for the securities received to capitalize the Bank.

(iii) Measurement

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

Subsequent to initial recognition, available-for-sale assets are measured at fair value, except for any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs less impairment losses.

All non-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 at the separate balance sheet date without any deduction for transaction costs.

(i) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of available-for-sale assets are recognized directly in equity until the investment is considered to be impaired, at which time the loss is recognized in the separate 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 separate income statement.

(ii) Derecognition

A financial asset is derecognized when the Bank loses control over the contractual rights that comprise the asset. This occurs when the rights are realized, expire, or are surrendered. A financial liability is derecognized when it is extinguished.

(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 to be cash and cash equivalents.

(h) Investments in financial instruments

Investments in financial instruments that are classified as available-for-sale investments are valued at market prices using the price vector furnished by Proveedor Integral de Precios de Centroamérica, S.A. (PIPCA). In accordance with accounting standards issued by CONASSIF, starting January 1, 2008, the Bank no longer classifies investments in financial instruments as held-to-maturity. However, pursuant to Law No. 8703 “Amendment to Law No. 8627 on the Ordinary and Extraordinary Budget of the Republic for Fiscal Year 2008”, securities received to capitalize by State-owned banks are to be classified as held-to-maturity and are not subject to market price valuation.

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

Regular purchases or sales of financial assets are recognized by the settlement date method, date of delivery in exchange for an asset.

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

Trading investments are measured at fair value through profit or loss and are acquired with the intention of selling the financial instrument in the immediate future. Held-to-maturity investments are measured at amortized cost by the effective interest method. In accordance with Law No. 8703, the Bank no longer classifies investments as held to maturity, except investments in financial instruments received to capitalize the Bank.

Trading investments are measured at fair value through profit or loss and are acquired with the intention of selling the financial instrument in the short term.

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

(i) 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, purchases 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. The Bank follows the policy of suspending interest accruals on loans with principal or interest that is more than 180 days past due.

(j) Allowance for loan losses

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 Official Journal “La Gaceta” No. 238 on Friday, March 9, 2005, and became effective on 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. This classification takes into account the following considerations:

(Continued)

- Creditworthiness, which includes an analysis of projected cash flows, an analysis of financial position, consideration for 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 calculates the level of historical payment behavior 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 of collateral should be considered and adjusted at least once annually. 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 below:

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
C2	90 days or less	Level 2	Level 3
D	120 days or less	Level 1 or Level 2	Level 1, Level 2, Level 3 or Level 4

(Continued)

Remaining loan operations, for which the borrower's total outstanding balance is less than ¢65,000,000 (Group 2 under SUGEF Directive 1-05), 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.

Until December 31, 2013, allowance percentages for each borrower risk category are as follows:

Risk category	Allowance Percentage
A1	0.5%
A2	2%
B1	5%
B2	10%
C1	25%
C2	50%
D	75%
E	100%

Pursuant to SUGEF Directive 1-05: "Regulation for qualifying 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 the Transitory XII.

The generic allowance will be 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 claims.

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 minus 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.

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%

Until December 31, 2013, 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	Allowance Percentage
0 to 30 days	20%
31 to 60 days	50%
More than 61 days	100%

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	Creditworthiness (Borrowers Group 1)	Creditworthiness (Borrowers Group 2)
30 days or less	20%	0.5%	Level 1	Level 1
30 days or less	50%	0.5%	Level 2	Level 2
30 days or less	100%	0.5%	Level 1 or Level 2 or Level 3 or Level 4	Level 1 or Level 2

Pursuant to SUGEF Directive 1-05, as of December 31, 2014, the minimum allowance is ¢35,470,014,032 of which ¢35,426,418,269 correspond to direct loans and stand-by credits and ¢43,595,763 correspond to stand-by credits. As of December 31, 2013, the minimum allowance is ¢31,135,553,174 (of which ¢30,934,747,789 correspond to direct loans and stand-by credits and ¢200,805,385 correspond to stand-by credits).

As of December 31, 2014, an allowance was booked for ¢35,520,106,333 (¢31,663,496,555 as of December 31, 2013).

As of December 31, 2014 and 2013, increases in the allowance for loan impairment resulting from the minimum allowance are included in the accounting records in conformity with article 17 of SUGEF Directive 1-05, under prior authorization from SUGEF in conformity with article 10 of IRNBS.

As of December 31, 2014 and 2013, management considers the allowance to be sufficient to absorb any potential losses that could be incurred on recovery of the portfolio.

Accounts and accrued interest receivable

In order to assess the risk of accounts and accrued interest receivable unrelated to loan operations, the Bank considers the arrears of the accounts based on ranges established for other assets in SUGEF Directive 1-05 adopted by CONASSIF.

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

(k) Securities sold under repurchase agreements

The Bank enters into sales of securities under repurchase agreements for a certain date in the future at a fixed price. The obligation to repurchase securities sold is reflected as a liability in the separate balance sheet and stated 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 separate income statement, and accrued interest payable in the separate balance sheet.

(l) Accounting for a accrued 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. Accrued interest receivable on those loans is recorded when collected.

(m) Other receivable

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 the date booked, an allowance is created for 100% of the outstanding balance. Accounts with no specified due date are considered payable immediately.

(n) Foreclosed assets

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

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

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

Pursuant to article 20-b of SUGEF Directive 1-05, the Regulated Entities are required to book an allowance for retired assets and for foreclosed 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 booking one-twenty-fourth of the value of such assets each month until the allowance is equivalent to 100% of the carrying amount of the assets, without exception. The booking of the allowance shall begin at month-end of the month in which the asset was i) acquired, ii) produced for sale or lease, or iii) retired from use.

(o) Offsetting

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

(p) Property and equipment

(i) Own assets

Property and equipment is 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 booked. 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, the carrying amount must be adjusted to the appraisal value.

(ii) Leased assets

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

At the beginning of the lease term, this is recognized in the statement of financial position, as an asset and a liability by the same amount, the fair value of the leased assets, or the present value of minimum lease payments, if this were the lowest between the present value of the stipulated payments in the contract discounted at the interest rate implicit in the operation, determined at the beginning of the lease. To calculate the present value of the minimum payments by the lease, is taken as a discount factor the interest rate implicit in the lease, 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) Subsecuent cost

Costs incurred to replace a component of an item of property and equipment are capitalized and accounted for separately. Subsequent costs are only capitalized when they increase the future economic benefits. All other costs are recognized in the separate income statement when incurred.

(iv) Depreciation

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

	Useful lives
Building	50 years
Vehicles	10 years
Furniture and equipment	10 years
Computer hardware	5 years
Improvements	5 years

(v) Revaluation

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

If the realizable value of the assets is different than the one included in the accounting registers, 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 done on January 2011 and the accounting register on April 29, 2011.

(q) Deferred charges

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

(r) Intangible assets

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

As of December 31, 2014 and 2013, the Bank recognizes amortization expense on goodwill acquired on shares, which will be amortized over 5 years in accordance with the Accounting Regulations Applicable to Entities Regulated by SUGEF, SUGEVAL, SUPEN, and SUGESE and to Nonfinancial Issuers.

Amortization of IT systems is charged to profit or loss on a straight-line basis over the estimated useful lives of the related assets. The estimated useful life is five years.

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

(s) Impairment of assets

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

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the separate 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 equivalent to the value obtained in an arm's length transaction. Value in use is the present value of future cash flows and disbursements derived from 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 through the separate income statement or separate statement of changes in equity, as appropriate.

SUGEF establishes: 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 taken against account "331 – Adjustments for revaluation of assets".

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

(t) Accounts payable and other payables

Accounts payable and other payables are recognized at cost.

(Continued)

(u) Legal benefits (severance)

Costa Rican legislation requires to the Bank and its subsidiaries domiciled in Costa Rica payment of severance benefits to employees dismissed without just cause, equivalent to 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 Employee Protection Law for those with more than one year of service. In the specific case of the Bank, this limit is increased to twenty months for personnel who have worked for more than twenty years and for those who have fewer years, it corresponds to seniority in the Solidarity Association up to twenty months.

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

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

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

According to the article 29 subsection 3 and the laws of the country, where only 50% is provisioned for the employee belonging to the Association.

The amount of severance benefit not transferred to the Association is provisioned as indicated in the Collection agreement.

(v) Legal reserve

According to Article 12 of the Organic Law of the National Banking System the Bank sets aside 50% of net earnings after income tax to increase its Legal Reserve.

(w) Revaluation surplus

Revaluation surplus included in equity may be transferred directly to undistributed profits when the surplus is realized. The whole surplus is realized on the retirement, disposal, or use of the asset corresponding. The transfer of revaluation surplus to prior period retained earnings should not be made through the separate income statement. The Bank was authorized by SUGEF to capitalize revaluation surplus by increasing share capital.

(x) Use of estimates

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

(y) Recognition of main types of revenue and expenses

(i) Financial income

Financial income and expense is recognized in the separate income statement as it accrues considering the effective yield or interest rate. Financial 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) Fees and commissions income

When loan origination fees are generated, they are taken against effective yield, and they are deferred over the loan term. Service fees and commissions are recognized when the services are rendered. In the case of other commissions related to the provision of services, these are recognized when the service is provided.

(iii) Net income on trading securities

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

(iv) Operating lease expenses

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

(z) 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 enacted at the separate 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. A deferred tax asset is recognized only to the extent there is a reasonable probability that it will be realized.

(aa) Pension, retirement and outgoing personnel

A fund was created by Law No. 16 of November 5, 1936, which has been amended on a number of occasions. The most recent amendment was included in Law No. 7107 of October 26, 1988. Pursuant to Law No. 16, 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 laws and regulations related to the fund, and monthly contributions made by the Bank and employees equivalent to 10% and 0.5% of total wages and salaries, respectively. As of October 1, 2007, this fund is managed by BCR Pensión 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.

(Continued)

(bb) Statutory allocations

Under article 12 of IRNBS, the net earnings of commercial State-owned banks are allocated as follows: 50% to a legal reserve; 10% to increase the capital of the National Institute for Cooperative Develabond (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 (prescribed by article 20 of the Law 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 will continue calculating a 5% for CONAPE, in accordance with law 9092, Return of Income of the National Commissions for Educational Loans.

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

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 Decree number 37127-MTSS, beginning in 2013 a progressive yearly contribution from net earnings must be set aside beginning with 5% in 2013, up to 7% beginning in 2015 and 15% in 2017.

(cc) Development Financing Fund

In accordance with article 32 of Law No. 8634 "Development Banking System", all State-owned banks, except Banco Hipotecario para la Vivienda (BANHVI), shall appropriate each year at least five percent (5%) of their net earnings after income taxes to the creation and strengthening of its own development funds. The objective of that appropriation is to provide financing to individuals and legal entities that present viable and feasible projects in conformity with the provisions of the aforementioned law (See note 35).

(dd) Development Credit 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 administrators' 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:

Administrators' banks can perform services with the beneficiaries of the Development Banking System as recognized by Article 6 of Law 8634.

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

b) The Banks may proceed or carry on in accordance with Article 35 Law 8634 the resources of the Development Credit Fund through: associations, cooperatives, foundations, NGO, producers organizations or other entities if they have credit operations in programs that meet the objectives established in the Law 8634 and are duly accredited by the Board.

c) The contract signed for a five years 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 the Law 8634 and its executive regulations, if the Banks Administrators demonstrate proven lack of capacity and expertise. (See note 34).

(ee) Economic period

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

(Continued)

(2) Collateralized or restricted assets

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

		2014	2013
Cash due from banks (see note 4)	¢	428,783,138,510	378,300,133,368
Investments in financial instruments (see note 5)		10,531,615,640	22,451,387,218
	¢	**439,314,754,150**	**400,751,520,586**

(3) Balances and transactions with related parties

As of December, the separate financial statements include balances and transactions with related parties, as follows:

		2014	2013
Assets:			
Cash and due from banks	¢	4,474,181,979	2,477,969,247
Investments in financial instruments		-	29,921,619,896
Loan portfolio		214,629,861	329,221,124
Accounts receivable		380,937,963	246,252,465
Investments in other companies		80,603,090,162	72,576,370,018
Total assets	¢	**85,672,839,965**	**105,551,432,750**
Liabilities:			
Obligations with the public	¢	2,269,632,480	2,423,999,106
Obligations with financial institutions		5,394,697,305	-
Accounts payable and provisions		23,417,374	10,413,736
Total liabilities	¢	**7,687,747,159**	**2,434,412,842**
Income:			
Financial income	¢	140,079,760	248,305,610
Income from investments in other companies		11,783,644,537	11,538,522,657
Sundry operating income		2,289,390,984	1,840,630,824
Total income	¢	**14,213,115,281**	**13,627,459,091**
Expenses:			
Finance expense	¢	145,915,733	136,320,622
Expense from investments in other companies		42,533,960	-
Sundry operating expenses		445,647,567	415,035,059
Total expenses	¢	**634,097,260**	**551,355,681**
Equity.			
Adjustment for valuation of investments in other companies	¢	**(1,996,495,589)**	**(976,952,345)**

(Continued)

At December 31, 2014 investment in funds administered by BCR Sociedad Administradora de Fondos de Inversión, S.A. (a subsidiary), amount to ¢2,953,662,692 (¢7,830,906,252 for 2013). During 2014 and 2013, transactions of purchase and sales of assets and liabilities of financial instruments have been carried out at cost with BICSA.

(4) Cash and cash equivalents

As of December 31, cash and cash equivalents are as follows for purposes of reconciliation with the separate cash flow statement:

		2014	2013
Cash	¢	79,563,913,143	68,455,391,787
Demand deposits in BCCR		429,412,987,496	379,195,265,239
Checking accounts and demand deposits in local financial entities		2,806,824,128	2,682,763,594
Checking accounts and demand deposits in foreign financial entities		18,052,634,285	41,463,357,638
Notes payable on demand		3,164,836,108	3,475,717,670
Total cash and due from banks		**533,001,195,160**	**495,272,495,928**
Investments in trading financial Instruments		258,315,993,694	96,145,207,610
Total cash and cash equivalents	¢	**791,317,188,854**	**591,417,703,538**

As of December 31, 2014, demand deposits in BCCR are restricted as a minimum legal reserve in the amount of ¢428,783,138,510 (¢378,300,133,368 as of December 31, 2013).

As of December 31, 2014 the Bank has a liability for outstanding checks in the amount of ¢3,496,795,642 (¢2,553,308,639 as of December 31, 2013), which is offset by notes payable on demand cashed the next day once cleared by the clearing house.

(5) Investments in financial instruments

Investments in financial instruments are as follows:

		2014	2013
Trading	¢	3,437,716,684	8,407,955,959
Available for sale		644,996,141,401	572,797,947,200
Held to maturity (note 18-a)		27,328,999,258	25,824,180,960
Accrued interest receivable on available for sale investments		4,034,340,468	4,550,667,239
	¢	**679,797,197,811**	**611,580,751,358**

		2014	2013
Trading:		**Fair value**	**Fair value**
Local issuers:			
Open investment funds	¢	3,437,716,684	8,407,955,959
	¢	**3,437,716,684**	**8,407,955,959**

		2014	2013
Available for sale:		**Fair value**	**Fair value**
Local issuers:			
Government	¢	373,220,030,343	440,439,734,545
State-owned banks		50,919,723,831	72,127,105,122
Private banks		-	8,353,802,527
Private issuers		1,038,141,075	4,486,878,552
Other		4,605,938,295	4,330,144,477
		429,783,833,544	**529,737,665,223**
Foreign issuers:			
Government		1,860,004,221	5,453,193,761
Private banks		213,352,303,636	37,607,088,216
	¢	**644,996,141,401**	**572,797,947,200**

		2014	2013
Held-to-maturity		**Fair value**	**Fair value**
Local issuers:			
Government (see note 18)	¢	27,328,999,258	25,824,180,960
	¢	**27,328,999,258**	**25,824,180,960**

(Continued)

As of December 31, 2014, the loan portfolio amounts to ¢154,004,866,763 (¢126,952,810,974 as of December 31, 2013) corresponding to the Development Credit Fund (See note 35).

As of December 31, investments have been pledged as follows:

		2014	2013
Interbank Electronic Payment System (SINPE) guarantee	¢	10,531,615,640	22,451,387,218
	¢	**10,531,615,640**	**22,451,387,218**

(6) Loan portfolio

As of December, 31, the total loans receivable originated by the Bank by sector are as follows:

(a) Loan portfolio by sector

Sector		**2014**	**2013**
Agriculture, livestock, hunting and related services	¢	134,457,449,902	124,591,566,452
Fishing and aquaculture		18,761,269	47,124,722
Manufacturing		252,090,674,310	195,965,121,764
Telecommunication and public utilities		44,691,854,958	45,029,550,111
Mining and quarrying		1,601,278,273	1,528,774,887
Trade		852,795,089	1,479,410,218
Services		841,396,172,527	731,995,364,663
Transportation		61,413,552,246	52,309,442,509
Real estate, business and leasing activities		1,088,338,152	1,246,449,570
Construction, purchase and repair of real estate		692,111,745,337	619,375,411,332
Consumer		359,986,644,717	339,773,479,520
Hospitality		92,021,221,544	74,149,365,137
Education		1,053,141,958	979,147,770
		2,482,783,630,282	2,188,470,208,655
Plus accrued interest receivable		20,539,648,814	18,567,713,926
Less allowance for loan losses		(35,469,656,738)	(31,434,008,813)
	¢	**2,467,853,622,358**	**2,175,603,913,768**

(Continued)

(b) Current loans

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

		2014	2013
Current	¢	2,298,303,143,380	1,985,118,276,959
1 to 30 days		86,802,552,714	95,648,136,787
31 to 60 days		30,553,995,273	38,130,760,284
61 to 90 days		16,380,381,546	24,954,773,555
91 to 120 days		5,692,287,209	5,884,351,741
121 to 180 days		5,052,116,122	3,303,370,154
More than 181 days		9,179,728,355	3,904,923,272
Legal collections		30,819,425,684	31,525,615,903
	¢	**2,482,783,630,283**	**2,188,470,208,655**

As of December 31, 2014, the Bank has granted loans to financial entities in the amount of ¢3,272,930,963 (¢2,773,585,071 as of December 31, 2013).

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

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

		2014	2013
Current	¢	2,298,756,068,340	1,985,160,247,043
1 to 30 days		86,816,588,612	91,094,704,932
31 to 60 days		30,733,433,190	37,669,358,411
61 to 90 days		16,551,141,233	26,864,637,594
91 to 120 days		5,805,615,233	5,844,181,399
121 to 180 days		5,919,736,532	5,319,810,806
More than 181 days		38,201,047,143	36,517,268,470
	¢	**2,482,783,630,283**	**2,188,470,208,655**

(c) Loan portfolio by arrears

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

		2014	**2013**
Past due loans in nonaccrual status (2014: 4.296) (2013: 1.232)	¢	9,179,728,355	3,904,923,272
Past due loans in accrual status	¢	144,481,332,864	167,921,392,521
Total unearned interest	¢	6,165,450,252	5,667,992,155

Loans in legal collections as of December 31, 2014:

No. of loans	**Percentage**		**Balance**
1,623	1.24%	¢	30,819,425,684

Loans in legal collections as of December 31, 2013:

No. of loans	**Percentage**		**Balance**
2,324	1.44%	¢	31,525,615,903

As of December 31, 2014, total restructured loans amount to ¢1,317,751,766 (¢614,605,062 as of December 31, 2013).

As December 31, the average annual interest rate earned on loans is 11.10% (11.18% as of December 31, 2013) in colones and 6.36% in U.S. dollars (6.30% as of December 31, 2013).

(d) Accrued interest receivable on loan portfolio

As December 31, accrued interest receivable is as follows:

		2014	2013
Current loans	¢	11,299,904,463	9,429,684,553
Past due loans		7,098,181,089	6,236,963,461
Loans in legal collections		2,141,563,261	2,901,065,912
	¢	**20,539,648,813**	**18,567,713,926**

(e) Allowance for loan impairment

Movement in the allowance for loan impairment for the year ended December 31, is as follows:

2014 opening balance	¢	**31,434,008,813**
Plus:		
Allowance charged to profit or loss (see note 25)		13,844,503,440
Movement of balances		579,419,421
Adjustment for foreign exchange differences		272,469,907
Less:		
Transfer to unpaid balances		(4,371,772,153)
Reversal of allowance against income (see note 26)		(6,288,972,690)
2014 closing balance	¢	**35,469,656,738**
2013 opening balance	¢	**34,720,237,576**
Plus:		
Allowance charged to profit or loss (see note 25)		8,563,745,692
Less:		
Adjustment for foreign exchanges differences		(66,776,918)
Transfer to unpaid balances		(6,564,734,095)
Reversal of allowance against income (see note 26)		(5,218,463,442)
2013 closing balance	¢	**31,434,008,813**

(Continued)

(f) Syndicated loans

As of December 31, 2014, the Bank's syndicated loan portfolio with other banks is as follows:

	No. of loans		BCR	BICSA
U.S. dollars	23	¢	45,853,524,034	72,284,420,320
Total	**23**	**¢**	**45,853,524,034**	**72,284,420,320**

These operations did not generate the Bank revenue for the administration of syndicated loans.

As of December 31, 2013, the Bank's syndicated loan portfolio with other banks is as follows:

	No. of loans		BCR	BICSA
U.S. dollars	7	¢	33,482,258,556	13,262,868,940
Total	**7**	**¢**	**33,482,258,556**	**13,262,868,940**

(7) Foreclosed assets, net

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

		2014	2013
Real property	¢	50,632,240,601	36,863,452,803
Other acquired assets		312,822,765	232,288,833
Purchased for sale		440,762,057	265,597,819
Idle property and equipment		638,009	8,305,400
		51,386,463,432	37,369,644,855
Allowance for impairment and per legal requirement		(36,404,563,576)	(25,147,896,462)
	¢	**14,981,899,856**	**12,221,748,393**

Movement in the allowance for impairment and per legal requirement is as follows:

		2014	2013
Opening balance	¢	**25,147,896,462**	**16,623,861,477**
Increases		14,728,576,800	12,686,096,785
Reversals		(3,471,909,686)	(3,931,205,450)
Elimination of allowance due to sale of property		-	(230,856,350)
Closing balance	¢	**36,404,563,576**	**25,147,896,462**

(8) Investments in other companies

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

		2014	2013
Local entities:			
BCR Valores S.A.(brokerage firm)	¢	11,649,069,385	11,620,442,757
BCR Sociedad Administradora de Fondos de Inversión, S.A. (investment fund manager company)		6,878,339,896	8,391,789,900
BCR Pensión, Operadora de Planes de Pensiones Complementarias, S.A. (pension fund operator)		6,452,017,495	6,912,864,221
BCR Corredora de Seguros, S.A. (insurance broker)		3,766,088,083	2,649,049,738
BAN Procesa - TI, S.A.		10,000,000	10,000,000
		28,755,514,859	**29,584,146,616**
Foreign entities			
Banco Internacional de Costa Rica, S.A. and subsidiary		51,847,575,303	42,992,223,402
	¢	**80,603,090,162**	**72,576,370,018**

On May 27, 2014, the General Assembly of Stockholders of BCR Pensión Operadora de Pensiones Complementarias, S.A. (pension fund operator) in session N° 02-14, approved the return of Capital stock to Banco de Costa Rica. Therefore, there was a refund of the surplus of capital stock in the amount of ¢700,000,000 to Banco de Costa Rica, as the Banks holds 100% ownership interest in BCR Operadora de Pensiones Complementarias, S.A.

The Capital stock of BCR Pensión Operadora Pensiones Complementarias, S.A. decreases in the above indicated amount going from 1,979,450,000 shares with nominal value of one colón each to 1,279,450,000 shares the same nominal value.

On June 19, 2014, BCR Corredora de Seguros, S.A. (insurance broker) distributes accumulated profits from previous periods in the amount of ¢550,000,000 according to agreement of Stockholder´s meeting approving the proposal

On June 26, 2014, BCR Sociedad Administradora de Fondos de Inversión, S.A. (Investment fund manager Company) distributes retained earnings from previous periods in the amount of ¢860,000,000, according to agreement of Stockholder’s meeting approving the proposal.

(Continued)

On June 30, 201, BCR Sociedad Administradora de Fondos de Inversión, S.A. (Investment fund manager Company) distributes retained earnings from previous periods in the amount of ¢3,000,000,000 according to agreement of Stockholder's meeting approving the proposal.

In accordance with the General Board's Agreement in Article VII, of meeting 12-13, of April 1, 2013, and in addition to the 50 ordinary registered shares already held, Banco Nacional de Costa Rica transfers to Banco de Costa Rica 50 ordinary registered shares of ¢100,000 per value each, from the Ban Procesa - IT, S.A. share capital. As of December 31, 2014 and 2013, Banco de Costa Rica holds a 100% interest in the company, represented by 100 ordinary registered shares of ¢100,000 per value each, subscribed and paid in full.

Banco Internacional de Costa Rica, S.A. and subsidiary (BICSA) was organized as a bank under the laws of the Republic of Panamá in 1976. It operates under a general license granted by the Superintendence of Banks of Panama to engage in banking transactions in Panamá or abroad. BICSA is located in the city of Panama, Republic of Panama, BICSA Financial Center, 50 floor, Avenida Balboa and Calle Aquilino de la Guardia.

The Bank owns a 51 % ownership interest in BICSA (domiciled in Panamá). As of December 31, 2014, that ownership interest is represented by 6,772,137 ordinary shares of US$10 par value each (2013: 6,410,649 ordinary shares of US$10 par value each). Banco Nacional de Costa Rica owns the remaining 49% of shares.

On April, 2014, BICSA increased its subscribed and pain-in capital in the amount of US$7.09 million from retained earnings for a total of capital stock of US$132.79 millions, distributed over a total of 13.278.700 shares with a nominal value of US$10 each duly recognized in the financial statements in 2014.

On July 2013, BICSA increased its capital stock in the amount of US$12.94 million from retained earnings to US$125.70 million, distributed over a total of 12,569,900 shares with a nominal value of US$10 each duly recognized in the Financial Statements in 2013.

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

The Bank's income statement as of December 31, 2014 and 2013 includes ¢5,461,532,350 and ¢4,473,258,182, respectively, for BICSA's result of operations.

The Bank's statement of changes in equity for the years ended December 31, 2014 and 2013 includes an increase in equity for ¢3,391,259,468 and a decrease in equity for ¢474,156,114, respectively, corresponding to changes arising from translation of BICSA's financial statements.

(9) Property and equipment

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

Cost:		Land	Building	Furniture and equipment	Computer hardware	Vehicles	Finance leases	Total
Balance at December 31,2013	**¢**	**18,971,804,072**	**49,192,978,964**	**24,977,307,770**	**24,066,034,881**	**5,655,522,700**	**-**	**122,863,648,387**
Additions		-	1,394,491,431	2,592,534,793	4,537,520,366	-	2,992,604,700	11,517,151,290
Retirements		-	-	(349,973,847)	(199,377,784)	(115,812,396)	-	(665,164,027)
Transfers		(314,930,295)	-	(388,565,871)	(1,927,507,008)	-	-	(2,631,003,174)
Balance at December 31,2014		18,656,873,777	50,587,470,395	26,831,302,845	26,476,670,455	5,539,710,304	2,992,604,700	131,084,632,476
Accumulated depreciation and impairment:								
Balance at December 31,2013		**-**	**13,215,394,562**	**13,111,556,687**	**16,783,952,860**	**2,869,301,895**	**-**	**45,980,206,004**
Depreciation expense		-	891,554,787	1,980,597,717	2,507,145,541	558,385,678	-	5,937,683,723
Retirement		-	-	(312,173,138)	(196,272,902)	(85,077,054)	-	(593,523,094)
Transfers		-	-	(242,185,783)	(1,924,211,052)	-	-	(2,166,396,835)
Balance at December 31,2014	¢	-	14,106,949,349	14,537,795,483	17,170,614,447	3,342,610,519	-	49,157,969,798
Balances net:								
December 31, 2014	**¢**	**18,656,873,777**	**36,480,521,046**	**12,293,507,362**	**9,306,056,008**	**2,197,099,785**	**2,992,604,700**	**81,926,662,678**

(Continued)

As of December 31, 2013, property and equipment (restructured) is as follows:

Cost:		Land	Building	Furniture and equipment	Computer hardware	Vehicles	Finance leases	Total
Balance at December 31,2012	¢	**18,971,804,072**	**48,456,510,228**	**24,203,051,137**	**22,024,299,013**	**4,761,649,460**	**3,816,761,061**	**122,234,074,971**
Additions		-	736,483,052	1,889,300,237	3,684,608,206	916,157,200	-	7,226,548,696
Retirements		-	-	(453,636,769)	(435,256,501)	(22,283,960)	(3,816,761,061)	(4,727,938,291)
Transfers		-	-	(661,406,835)	(1,207,615,837)	-	-	(1,869,022,672)
Revaluation		-	(14,316)	-	-	-	-	(14,316)
Balance at December 31,2013		18,971,804,072	49,192,978,964	24,977,307,770	24,066,034,881	5,655,522,700	-	122,863,648,388
Depreciación acumulada y deterioro:								
Balance at December 31,2012		**-**	**12,349,189,137**	**11,972,620,755**	**15,592,351,089**	**2,397,915,461**	**3,816,761,061**	**46,128,837,503**
Depreciation expense		-	866,255,139	1,956,780,947	2,817,196,769	487,590,394	-	6,127,823,249
Retirement		-	-	(382,423,796)	(422,906,535)	(16,203,960)	(3,816,761,061)	(4,638,295,352)
Transfers		-	(33,186)	(435,421,219)	(1,202,688,462)	-	-	(1,638,142,867)
Adjustments to depreciation		-	(16,528)	-	-	-	-	(16,528)
Balance at December 31,2013	¢	-	13,215,394,562	13,111,556,687	16,783,952,861	2,869,301,895	-	45,980,206,006
Balances net:								
December 31, 2013	¢	**18,971,804,072**	**35,977,584,402**	**11,865,751,083**	**7,282,082,020**	**2,786,220,805**	**-**	**76,883,442,382**

(Continued)

(10) Intangible assets

As of December 31, 2014 and 2013, intangible assets, correspond to software and goodwill acquired from the purchase of BICSA shares. These assets are detailed as follows:

Cost:		
Balance at December 31,2013	¢	**22,384,028,129**
Additions		7,020,672,309
Transfers		(18,497,462)
Retirements		(1,184,781,532)
Balance at December 31,2014		**28,201,421,444**
Accumulated depreciation and impairment:		
Balance at December 31,2013		**14,682,164,281**
Depreciation expense of computer systems		3,444,893,756
Amortization expense of goodwill		154,682,358
Transfers		(18,497,461)
Retirement		(539,773,370)
Balance at December 31,2014		**17,723,469,564**
Balances net:		
Balance at December 31,2014	¢	**10,477,951,880**

Cost:		
Balance at December 31,2012	¢	**18,228,962,225**
Additions		4,449,362,913
Retirement		(294,297,009)
Balance at December 31,2013		**22,384,028,129**
Accumulated depreciation and impairment:		
Balance at December 31,2012		**11,410,332,428**
Depreciation expense of computer systems		3,410,119,472
Amortization expense of goodwill		154,682,360
Retirement		(292,969,979)
Balance at December 31,2013		**14,682,164,281**
Balances net:		
Balance at December 31,2013	¢	**7,701,863,848**

(11) Demand obligations with public

As of December 31, demand and term obligations with the public as follows:

		2014	2013
Checking accounts	¢	915,996,269,754	840,310,379,687
Certified checks		400,142,511	176,463,154
Demand saving deposits		491,616,487,058	443,885,452,448
Matured term deposits		7,965,501,437	4,782,368,992
Other demand obligations with the public		7,268,336,070	7,376,664,444
	¢	**1,423,246,736,830**	**1,296,531,328,725**

(12) Demand and term obligations with entities

As of December 31, demand and term obligations per number of customers and accumulated amount are detailed as follows:

		2014	2013
		Demand	**Demand**
Public	¢	1,415,978,400,759	1,289,154,664,281
Other obligation with the public		7,268,336,071	7,376,664,444
		1,423,246,736,830	1,296,531,328,725
State-owned entities		5,121,163,647	6,774,751,009
Other Banks		159,296,519,308	131,373,636,248
Other Financial entities		9,394,959,152	9,701,506,066
		173,812,642,107	147,849,893,323
	¢	**1,597,059,378,937**	**1,444,381,222,048**

(Continued)

		2014	2013
		Term	**Term**
Public	¢	1,249,478,135,087	1,128,910,890,914
		1,249,478,135,087	1,128,910,890,914
State-owned entities		35,178,489,436	45,288,827,970
Other Banks		639,969,550	4,587,860,050
Other Financial entities		480,557,670,252	362,956,981,885
		516,376,129,238	412,833,669,905
	¢	**1,765,854,264,325**	**1,541,744,560,819**

As of December 31, 2014, demand deposits from customers include court-ordered deposits for ¢170,996,647,973 (¢157,702,441,024 as of December 31, 2013), which are restricted because of their nature.

As of December 31, 2014 the Bank has a total of 1,143,554 customers with demand deposits (2013: 1,105,491) and has a total of 32,635 customers with term deposits (2013: 31,294).

(13) Repurchase and reverse repurchase agreements

The Bank purchases financial instruments under agreements whereby the Bank commits to sell the financial instruments at future dates at a predetermined price and return.

As of December 31, 2014 and 2013, the Bank has no repurchase agreements.

As of December 31, 2014 the Bank has no reverse repurchase agreements.

As of December 31, 2013, the Bank has the following reverse repurchase agreements:

Issuer		Asset balance	Fair value of collateral	Repurchase date	Repurchase date
BCCR	¢	789,253,308	783,300,000	01-01-14 to 01-21-14	100%
Local government		1,037,136,993	1,029,300,000	01-01-14 al 01-23-14	100%
	¢	**1,826,390,301**	**1,812,600,000**		

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

As of December 31, obligations with entities and obligations with Central Bank of Costa Rica are as follows:

		2014	2013
Obligations with the Central Bank of Costa Rica	¢	1,663,017,970	-
		1,663,017,970	-
Checking accounts of local financial entities		10,475,650,026	10,674,827,222
Overdrafts on demand checking accounts in foreign financial entities		3,545,048,199	5,254,542,669
At sight liabilities statutory legal mandate		156,295,148,240	129,367,214,793
Outstanding checks		3,496,795,642	2,553,308,639
Term deposits from local financial entities		36,469,367,896	49,984,702,811
Term deposits from local foreign financial entities		266,655,000,000	247,505,000,000
Loans from foreign financial entities		202,482,535,135	115,343,967,094
Obligations under finance leases		2,769,576,207	-
Financial obligations related entities		5,333,100,000	-
Liquidity market obligations		2,666,550,000	-
Charges payable for obligations with financial and non-financial entities		6,931,866,300	6,241,048,472
Charges payable for obligations with related entities		61,597,305	-
		697,182,234,950	566,924,611,700
Subordinated obligations or debentures		21,332,400,000	14,850,300,000
Charges payable for subordinated obligations		50,204,699	33,413,175
		21,382,604,699	14,883,713,175
	¢	**720,227,857,619**	**581,808,324,875**

As of December 31, 2014, subordinated obligations include a new ten year term credit in the amount of ¢5,333,100,000 (equivalent to US$10,000,000) with Corporación Interamericana de Inversiones.

(Continued)

As of December 31, 2014 term obligations with foreign financial entities include the international issuance for US$500,000,000 (equivalent to ¢266,655,000,000), with an interest rate of 5,25% and 5 years term. (US$500,000,000 equivalent to ¢247,505,000,000 as of December 31, 2013).

(a) Maturities of loan payable

As of December 31, 2014, loans payable mature as follows:

		BCCR	Local financial entities	Foreign financial entities	International organizations	Total
Less than one year	¢	-	2,666,550,000	74,930,055,000	23,557,030,135	101,153,635,135
Between one and two years		-	-	42,664,800,000	-	42,664,800,000
More of five year		-	-	66,663,750,000	21,332,400,000	87,996,150,000
Total	¢	**-**	**2,666,550,000**	**184,258,605,000**	**44,889,430,135**	**231,814,585,135**

As of December 31, 2013, loans payable mature as follows:

		BCCR	Local financial entities	Foreign financial entities	International organizations	Total
Less than one year	¢	-	-	74,994,015,000	12,375,250,000	87,369,265,000
Between one and two years		-	-	-	27,974,702,094	27,974,702,094
More of five year		-	-	-	14,850,300,000	14,850,300,000
Total	¢	**-**	**-**	**74,994,015,000**	**55,200,252,094**	**130,194,267,094**

As of December 31, 2014, the Bank has following obligations from financial leases:

		Quote	Interest	Amortization
Less than one year	¢	605,418,920	146,160,704	459,258,216
Between one and two years		2,618,741,041	308,423,050	2,310,317,991
	¢	**3,224,159,961**	**454,583,754**	**2,769,576,207**

The Bank has no obligations from financial leases at December 31, 2013.

(15) Income tax

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

As of December 31, 2014, the Bank's separate balances of income tax payable and expected income tax amount to ¢7,830,488,626 (¢6,156,016,518 as of December 31, 2013) (see note 17) and ¢6,897,640,587 (¢6,174,744,816 as of December 31, 2013), and are booked under "Other assets".

		2014	2013
Current tax	¢	9,009,008,188	6,585,928,483
Prior year income tax		(1,178,519,562)	(429,911,965)
		7,830,488,626	6,156,016,518
Decrease in deferred income tax		(131,643,304)	(125,258,140)
Income tax	¢	7,698,845,322	6,030,758,378

As of December 31, the difference between income tax expense and the amounts computed by applying the corresponding income tax rate to pretax income (30%) is reconciled as follows:

		2014	2013
Expected income tax	¢	9,746,573,637	10,700,620,446
Plus:			
Non deductible expenses		9,603,264,046	8,123,840,090
Less:			
Non taxable income		(11,519,349,057)	(12,668,444,018)
		7,830,488,626	6,156,016,518
Prior year income tax		1,178,519,562	429,911,965
Income tax	¢	**9,009,008,188**	**6,585,928,483**

		2014	2013
Realization of deferred tax	¢	131,643,304	125,258,140

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

As of December 31, 2014 deferred tax assets and liabilities are attributed to the following:

		Assets	Liabilities	Net
Valuation of investments	¢	966,073,804	(291,425,427)	674,648,377
Revaluation of Assets		-	(4,790,634,958)	(4,790,634,958)
Total	¢	966,073,804	(5,082,060,385)	(4,115,986,581)

As of December 31, 2013 deferred tax assets and liabilities are attributed to the following:

		Assets	Liabilities	Net
Valuation of investments	¢	1,074,065,202	(554,550,464)	519,514,738
Revaluation of Assets		-	(4,922,278,262)	(4,922,278,262)
Total	¢	1,074,065,202	(5,476,828,726)	(4,402,763,524)

Movement in temporary differences is as follows:

As of December 31, 2014:

		December 31, 2013	Income statement	Equity	December 31, 2014
Liability account					
Valuation of investments	¢	(554,550,464)	-	263,125,037	(291,425,427)
Revaluation of assets		(4,922,278,262)	131,643,304	-	(4,790,634,958)
Asset account					
Valuation of investments		1,074,065,202	-	(107,991,398)	966,073,804
Total	¢	(4,402,763,524)	131,643,304	155,133,639	(4,115,986,581)

As of December 31, 2013:

		December 31, 2012	Income statement	Equity	December 31, 2013
Liability account					
Valuation of investments	¢	(286,752,954)	-	(267,797,510)	(554,550,464)
Revaluation of assets		(5,047,665,177)	125,258,140	128,775	(4,922,278,262)
Asset account					
Valuation of investments		1,933,774,998	-	(859,709,796)	1,074,065,202
Total	¢	(3,400,643,133)	125,258,140	(1,127,378,531)	(4,402,763,524)

(Continued)

(16) Provisions

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

		Severance benefits	Litigations	Other	Total
Balance at December 31, 2013		**23,966,096,189**	**1,096,001,010**	**4,470,826,764**	**29,532,923,963**
Provisioned		9,961,224,413	2,088,676,856	1,937,973,215	13,987,874,484
Used		(716,208,805)	(237,384,373)	(3,288,142,946)	(4,241,736,124)
Adjustment for foreign exchange		-	18,322,843	-	18,322,843
Reversal		-	(181,097,895)	-	(181,097,895)
Balance at December 31, 2014	**¢**	**33,211,111,797**	**2,784,518,441**	**3,120,657,033**	**39,116,287,271**

		Severance benefits	Litigations	Other	Total
Balance at December 31, 2012	**¢**	**26,999,931,953**	**1,110,472,814**	**4,925,140,522**	**33,035,545,289**
Provisioned		-	584,510,214	2,393,990,554	2,978,500,768
Used		(3,033,835,764)	(595,714,843)	(2,666,384,235)	(6,295,934,842)
Adjustment for foreign exchange		-	(3,267,175)	-	(3,267,175)
Reversal		-	-	(181,920,077)	(181,920,077)
Balance at December 31, 2013		**23,966,096,189**	**1,096,001,010**	**4,470,826,764**	**29,532,923,963**

(Continued)

Due to the certain, unavoidable and future enforceability arising from the established in the Third Collective Agreement, the provisions for severance benefits to be booked by the Bank for the year ended December 31, 2014 is of ¢9,961,224,413.

As of December 31, 2014 the Bank is a defendant in litigation, for which the following provisions have been established:

- Ordinary suits filed against the Bank estimated at ¢6,343,764,567 and US$33,892,341, for which the Bank has provisioned ¢587,330,252 and US$2,075,535, respectively.

- Proceedings in which the Bank is the defendant estimated at ¢437,361,969 and US$203,998 for which the Bank has provisioned ¢120,000,000

- Labor suits by nature are difficult to estimate. However, they have been estimated at ¢2,259,920,748, for which the Bank has provisioned ¢597,195,038, corresponding to cases where a provisional judgment has been handed down.

- For tax proceedings, and due to the possible future confirmations of payments of taxes, plus corresponding interest and penalties, the Bank has provisioned the amount of ¢373,089,698.

As of December 31, 2014, other provisions correspond to employee incentives, self-insurance booked for a fidelity policy, a policy covering detached auxiliary teller offices, and a policy covering the transportation of securities.

As of December 31, 2013 the Bank is a defendant in litigation, for which the following provisions have been established:

- Ordinary suits filed against the Bank estimated at ¢4,382,756,488 and US$37,394,296, for which the Bank has provisioned ¢446,988,892 and US$450,520, respectively.

- Proceedings in which the Bank is the defendant estimated at ¢455,819,163 and US$207,018, for which the Bank has provisioned ¢120,000,000.

- Labor suits by nature are difficult to estimate. However, they have been estimated at ¢1,720,931,705 and US$186,200, for which the Bank has provisioned ¢306,000,000, corresponding to cases where a provisional judgment has been handed down.

As of December 31, 2013, other provisions correspond to employee incentives, self-insurance booked for a fidelity policy, a policy covering detached auxiliary teller offices, and a policy covering the transportation of securities.

(Continued)

(17) Other laundry accounts payable

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

		2014	2013
Current tax (see note 15)	¢	7,830,488,626	6,156,016,518
Tax on again on DU		643,900,167	538,202,586
Employer payroll taxes		1,314,842,969	1,216,807,579
Court-ordered withholdings		888,384,204	906,895,703
Tax withholdings		1,058,502,136	984,464,125
Employee withholdings		639,375,306	722,887,104
Other third-party withholdings		6,707,419,967	6,084,548,745
Compensation and salaries		7,345,596,257	6,918,011,254
Statutory allocations		6,692,659,675	8,595,903,044
Accrued vacation		6,367,736,684	6,008,926,943
Accrued statutory Christmas bonus		480,370,843	443,530,177
Fees and commissions payable related parties		23,417,374	10,413,736
Various creditors		13,085,431,637	22,086,519,439
	¢	**53,078,125,845**	**60,673,126,953**

(18) Equity

a) Capital

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

		2014	2013
Capital under Law No. 1644	¢	30,000,000	30,000,000
Bank capitalization bonds		1,288,059,486	1,288,059,486
Capital increase under Law No. 7107		79,107,385,015	69,451,288,741
Capital increase under Law No. 8703		27,619,000,002	27,619,000,002
Increase from revaluation of assets		13,020,197,845	12,966,901,983
Other		697,630,970	697,630,970
	¢	**121,762,273,318**	**112,052,881,182**

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 the 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 the Bank, in order to stimulate productive sectors, particularly small and medium-sized enterprises. For such purposes, the Bank received four securities for a total of US$50,000,000 equivalents to ¢27,619,000,002 and denominated in DU maturing in 2013, 2017, 2018, and 2019 (No. 4191, No. 4180, No. 4181, and No. 4182 for DU10,541,265.09 each, at a reference exchange rate of ¢655.021 to DU1.00). As of December 31, 2014 and based on the exchange rate at the closing date, the balance of those investments is of ¢27,328,999,258 (¢25,824,180,960 as of December 31, 2013).

On February 12, 2014 the National Financial System Oversight Board authorized the increase of the capital stock of the Bank for ¢9,656,096,274 from accumulated earnings and from assets revaluation surplus's for ¢53,295,862 a total of ¢9,709,392,136.

As of December 31, 2014 the amount for the constitution of the Development Financing Fund is ¢12,027,329,325 (¢9,255,323,171 as of December 31, 2013).

(Continued)

b) Surplus from revaluation of property and equipment

Corresponding to the increase in fair value of real property owned by the Bank.

As of December 31, 2014, revaluation surplus amounts to ¢27,183,449,854 (¢27,236,745,716 as of December 31, 2013).

c) Adjustments for revaluation of available-for-sale investments

Corresponding to variations in the fair value of available-for-sale investments.

As of December 31, 2014, the balance of the adjustment for valuation of available-for-sale investments corresponds to unrealized net losses in the amount of ¢1,394,326,119 (¢1,213,878,152 as of December 31, 2013).

d) Adjustments for valuations of investments in other companies

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

As of December 31, 2014 changes in equity include foreign exchange differences corresponding to investments in other companies in the amount of ¢4,777,833,476 (¢3,383,069,597 as of December 31, 2013).

(Continued)

(19) Commitments and contigencies

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

As of December 31, off-balance sheet financial instruments with risk are as follows:

		2014	2013
Guarantees:			
Performance bonds	¢	110,684,318,684	90,945,547,421
Bid bonds		1,853,318,163	4,380,885,917
Issued but unused letters of credit		7,528,145,429	20,215,968,201
Confirmed but unused letters of credit		42,054,213	438,380,856
Preapproved lines of credit		104,308,947,436	104,433,896,248
Other contingencies		29,942,344,435	24,168,703,601
Credits pending disbursement		7,967,575,054	9,427,806,107
	¢	**262,326,703,414**	**254,011,188,351**

As of December 31, off-balance sheet financial instruments with risk by type of deposit are as follows:

		2014	2013
With prior deposit	¢	3,898,268,755	9,580,145,503
Without prior deposit		228,486,090,224	220,262,339,247
Pending litigation and claims		29,942,344,435	24,168,703,601
Total deposits	¢	**262,326,703,414**	**254,011,188,351**

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

As of December 31, 2014 and 2013, letters of credit are backed by 100% of the stand-by balance or by lines of credit.

As of December 31, 2014, floating guarantees in custody are for ¢141,037,825,816 (¢140,708,308,806 as of December 31, 2013).

(Continued)

Other contingencies

As of December 31, 2014, the Bank's Legal Division reported the following contingencies and commitments:

- Administrative suits against the Bank estimated at ¢5,756,434,315 and US$31,816,807. In addition other contentious processes are filed for preliminary injunction with no estimate.
- Ordinary labor suits estimated at ¢1.662,725,710.
- Criminal proceedings in which the Bank is a third-party defendant estimated at ¢317,361,969 and US$203,998.
- In tax matters, for taxes plus interest and proportional penalties, the amount of ¢5,128,807,128 was estimated.

As of December 31, 2013, the Bank's Legal Division reported the following contingencies and commitments:

- Administrative suits against the Bank estimated at ¢3,935,767,596 and US$36,943,775. In addition other contentious processes are filed for preliminary injunction with no estimate.
- Ordinary labor suits estimated at ¢1,414,931,705 and US$186,200.
- Criminal proceedings in which the Bank is a third-party defendant estimated at ¢335,819,163 and US$207,018.

Other matters:

On May 28, 2014 the collection management of the counter guarantee in the amount of US$2,008,000, to Banco de la Construcción de China was settled under a court process filed against Oriental Palace, S.A.

(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 separate financial statements. The Bank is not exposed to any credit risk and it 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.

As of December 31, the assets in which capital trust is invested are detailed as follows:

		2014	2013
Cash and due from banks	¢	30,734,175,397	17,010,312,418
Investment		143,503,791,412	135,906,553,085
Loan portfolio		76,185,586,657	50,872,667,119
Allowance for loan losses		(20,814,301,375)	(19,759,136,434)
Foreclosed assets		2,812,150,260	5,352,055,809
Investment in other companies		47,777,148,281	38,305,034,004
Other receivables		43,396,993,148	44,899,751,853
Property and equipment		410,341,563,510	446,204,876,028
Other assets		30,043,631,458	17,740,747,053
	¢	**763,980,738,748**	**736,532,860,935**

(21) Other debit memoranda accounts

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

		2014	2013
Guarantees received and held in custody	¢	42,707,747,865	36,157,867,293
Guarantees received and held by third Parties		761,634,198	764,363,409
Unused authorized lines of credit		323,470,830,072	280,509,310,575
Write-offs		30,415,160,071	26,690,756,181
Interest income on nonaccrual loans		13,690,111,917	11,677,944,320
Other memoranda accounts		826,153,654,900	570,627,162,229
Assets and securities held in custody for third parties		77,567,790,909	81,638,480,938
Trading securities held in custody		-	1,286,058,285
Trading securities received as guarantee (Guarantee Trust)		-	1,888,400,000
Cash and accounts receivable custodial activities		28,625,502,802	19,491,926,635
Trading securities held in custody		4,331,690,492,195	3,585,696,371,103
Third-party trading securities received as guarantee (Guaranty Trust)		31,479,388,002	32,431,112,708
Third-party trading securities pledged as guarantee (Guaranty Trust)		38,372,415,948	46,252,306,163
	¢	**5,744,934,728,879**	**4,695,112,059,839**

(Continued)

(22) Finance income on loan portfolio

As of December 31, finance income on loan portfolio is as follows:

		2014	2013
Trading financial instruments			
Available-for-sale financial Instruments	¢	23,170,995,674	28,420,602,018
	¢	**23,170,995,674**	**28,420,602,018**

(23) Finance income on credit portfolio

As of December 31, finance income on credit portfolio is as follows:

		2014	2013
Checking account overdrafts	¢	185,419,701	1,308,440,412
Loans with other funds		208,112,416,144	189,622,922,959
Credit cards		12,083,956,574	12,499,579,508
Factoring		158,168,775	139,642,144
Issued and used letters of credit		5,778,637	10,131,281
Confirmed and negotiated letters of credit		2,790	-
Past due loans and loans in legal collections		-	1,381,948
	¢	**220,545,742,621**	**203,582,098,252**

(24) Finance expense for obligations with the public

As of December 31, finance expense for obligations with the public is as follows:

		2014	2013
Demand deposits	¢	21,421,789,775	18,262,800,118
Term deposits		60,887,260,033	76,702,339,223
	¢	**82,309,049,808**	**94,965,139,341**

(Continued)

(25) Expenses for allowance for impairment of investments in financial instruments and allowance for loan losses

As of December 31, expenses for allowance for impairment of investments in financial instruments and allowance for loan losses are as follows:

		2014	2013
Allowance for loan losses (see note 6-e)	¢	13,372,330,613	8,563,745,692
Allowance for other doubtful receivables		2,169,253,981	1,572,222,116
Allowance for stand-by credit losses		4,977,618,516	483,492,486
Expenses generic estimation and against cyclic for loan		472,172,827	-
Expenses generic estimation and against cyclic for contingent credit portfolio		8,127,895	-
	¢	**20,999,503,832**	**10,619,460,294**

(26) Income from recovery of financial assets and decreases in allowances

As of December 31, income from recovery of financial assets and decreases in allowances is as follows:

		2014	2013
Recovery of loan write-offs	¢	800,364,797	521,264,690
Decrease in allowance for loan losses (see note 6-e)		5,985,837,554	5,218,463,442
Decrease in allowance for other doubtful receivables		1,638,329,254	430,945,932
Decrease in allowance for stand-by credit losses		4,151,702,735	1,010,097,453
Decrease in generic estimation and against cyclic for loan		303,135,136	-
Decrease generic estimation and against cyclic for contingent loans		441,177,200	-
	¢	**13,320,546,676**	**7,180,771,517**

(Continued)

(27) Income from service fees and commissions

As of December 31, income from service fees and commissions is as follows:

		2014	2013
Drafts and transfers	¢	1,937,784,891	1,796,896,115
Foreign trade		93,143,087	71,375,577
Certified checks		9,147,580	8,882,591
Trust management		2,680,590,482	1,836,641,123
Custodial services		232,512,448	294,086,007
Banking mandates		1,338,527	4,892,389
Collections		317,009,200	327,336,761
Credit cards		32,533,350,064	29,981,861,912
Authorized custodial services for securities		265,327,165	209,961,053
Authorized custodial services for securities		20,790,385,362	17,906,787,833
	¢	**58,860,588,806**	**52,438,721,361**

(28) Administrative expenses

As of December 31, administrative expenses are as follows:

		2014	2013
Salaries and bonuses, permanent staff	¢	49,021,301,260	47,499,512,571
Salaries and bonuses, contractors		1,732,111,910	1,655,762,153
Compensation for directors and statutory examiners		123,358,034	112,554,367
Overtime		1,490,173,455	1,272,535,701
Per diem		643,150,994	671,950,338
Statutory Christmas bonus		4,482,299,150	4,319,450,225
Vacation		5,568,775,544	5,620,684,750
Incentives		1,930,007,553	2,356,242,624
Other compensation		1,405,713,761	1,177,191,297
Severance		2,448,408,848	-
Employer social security taxes		17,476,798,262	19,066,813,566
Refreshments		207,200,187	256,670,593
Uniforms		461,286,580	72,674,623
Training		842,243,409	741,601,097
Employee insurance		173,823,052	164,489,489
Assets for personal use		1,353,268	4,338,974
"Back-to-school" bonus		7,043,760,054	6,809,405,904
Compulsory retirement savings account		1,614,568,077	1,546,164,253
Outsourcing		484,802,403	393,151,274
Expenses for external services		11,322,976,903	9,409,086,754
Transportation and communications		4,919,960,425	4,767,361,812
Property insurance		66,381,296	63,232,316
Property maintenance and repairs		4,649,158,856	3,844,234,708
Public utilities		3,229,751,453	3,241,330,081
Leasing of property		5,118,612,499	4,349,155,531
Leasing of furniture and equipment		881,270,648	969,402,529
Depreciation of property and equipment		5,379,298,044	5,640,232,853
Amortization of leasehold property		681,828,996	846,561,028
Other infrastructure expenses		609,569,915	565,997,114
Overhead		14,214,074,531	12,858,874,539
	¢	**148,224,019,367**	**140,296,663,064**

(Continued)

(29) Statutory allocations of earnings

As of December 31, the statutory allocations of earnings are as follows:

		2014	2013
Participation of CONAPE		1,789,429,391	2,114,554,373
Participation of the Instituto Nacional de Fomento Cooperativo		2,391,649,260	3,232,187,197
Participation of the National Emergencies Commission		1,073,657,634	1,268,732,624
Other statutory allocations		1,195,824,630	-
	¢	**6,450,560,915**	**6,615,474,194**

As of December 31, 2014, there are decreases on the statutory allocations of earnings on the amount of ¢170,034,940 corresponding to RIVM Caja Costarricense del Seguro Social.

(30) Components of others comprehensive income

As of December 31, the components of other comprehensive income are as follows:

		2014			2013		
		Amount before income tax	Profit/tax (expense)	Net taxes	Amount before income tax	Profit/tax (expense)	Net taxes
Surplus from revaluation, property and equipment	¢	-	-	-	(429,251)	128,775	(300,476)
Adjustment for valuation of available-for sale investments		(335,581,606)	155,133,639	(180,447,967)	4,022,185,379	(1,127,507,306)	2,894,678,073
Exchange differences for conversion of financial statements, foreign entities		3,391,259,468	-	3,391,259,468	(474,156,114)	-	(474,156,114)
Changes in equity from foreign subsidiaries		1,714,395	-	1,714,395	(907,750,210)	-	(907,750,210)
Change in equity of subsidiaries from unrealized gain		(1,998,209,984)	-	(1,998,209,984)	(69,202,135)	-	(69,202,135)
	¢	**1,059,182,273**	**155,133,639**	**1,214,315,912**	**2,570,647,669**	**(1,127,378,531)**	**1,443,269,138**

(Continued)

(31) Operating leases

The Bank as tenant

As of December, 31, non-cancellable operating lease rentals are payable as follows:

		2014	2013
Less than one year	¢	715,439,633	406,378,354
Between one and five years		830,298,939	1,215,264,072
	¢	**1,545,738,572**	**1,621,642,426**

(32) Fair value

As of December, 31, fair values of financial instruments are as follows:

		2014		2013	
		Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash and due from banks	¢	533,001,195,161	533,001,195,161	495,272,495,928	495,272,495,928
Investment		679,797,197,812	675,762,857,343	611,580,751,358	607,030,084,119
Loan portfolio		2,503,323,279,098	2,326,425,702,816	2,207,037,922,581	2,005,094,829,847
		3,716,121,672,071	3,535,189,755,320	3,313,891,169,867	3,107,397,409,894
Demand deposits		1,432,707,339,257	1,432,707,339,257	1,306,481,175,866	1,306,481,175,866
Term deposit		1,249,478,135,087	1,243,727,670,594	1,128,910,890,914	1,127,118,406,452
Financial obligations		720,227,857,620	735,910,053,416	581,808,324,875	587,364,541,834
	¢	3,402,413,331,964	3,412,345,063,267	3,017,200,391,655	3,020,964,124,152

As of December 31, 2014 the financial obligations include ¢21,382,604,699 for subordinated obligations (¢14,883,713,175 as of December 31, 2013).

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

(a) Cash and cash equivalents, accrued interest receivable, other receivables, demand deposits and customer savings deposits, accrued 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.

(Continued)

(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) Deposits and loans payable

Management determined the fair value of 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 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.

(33) Risk management

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

- credit risk
- liquidity risk
- market risk, which includes:
  - interest rate risk
  - currency risk
  - inflation risk
  - price risk of financial assets of the investment portfolio
  - counterparty risk
- operational risk.

The Assistant Manager Risk Office, through the Treasury Risk Office, is responsible for identifying and measuring the risk of investment portfolios as well as interest rate, currency, and liquidity risks, respectively. For such purposes, all types of risks to which the Bank is exposed are monitored by those Offices on an ongoing basis by using a mapping procedure, and risks are classified based on their severity or impact and their frequency or probability of occurrence.

(Continued)

Policies and procedures for managing market and liquidity risks are also update formalized through the design of specific manuals that describe the applicable methodologies used. This activity has been extended to the Bank's subsidiaries: Puesto de Bolsa, Sociedad Administradora de Fondos de Inversión, Operadora de Pensiones y Corredora de Seguros, S.A., same as the BCR Financial Congromerate.

Following is a description of how the Bank manages the above risks.

Credit risk

This is the risk that the borrower or issuer of a financial asset will not comply, fully and on time, with repayment of any obligation due to the Bank according to the terms and conditions established at the time the Bank acquired or originated the financial asset. Credit risk is mainly related to the loan portfolio and investments in financial instruments (see notes 5 and 6). Management of credit risk on investments is represented by the carrying amount of the assets in the separate balance sheet. The Bank also has exposure to credit risk for off-balance sheet credits, such as commitments, letters of credit, sureties, and guarantees.

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

Risk management policies establish the following limits to mitigate credit risk:

Arrears limit

The balance of the portfolio more than 90 days past due may not exceed the percentage of the total current portfolio set by the General Board of Directors based on its level of risk aversion.

Foreign currency limit

The Bank establishes a limit on the portfolio of customers who do not generate cash flows in U.S. dollars with consideration for allowances and equity.

Amount limit

The Prudential Standard issued by SUGEF establishes a maximum limit for the Bank's total lending operations with an individual or legal entity or individuals comprising a Bank-related group. Specifically, SUGEF Directive 5-04 sets the maximum limit for economic interest groups.

This notwithstanding, a maximum limit has been set at the internal level for the Bank's total lending operations with individuals comprising a Bank related group. That limit is more restrictive than the limit defined by SUGEF.

Sector Limit

The Bank defines an ideal portfolio structure by sector to achieve a level of diversification that is consistent with the growth strategy or with the risk appetite defined in that strategy. Such "ideal" loan portfolio structure will be reviewed at least once annually, which shall not preclude other reviews at the request of the Board of Directors, Credit Committee, or Risk Committee.

The appropriate committees appointed by the Board of Directors periodically monitor the financial position of borrowers and issuers involving credit risk for the Bank.

The Bank has established certain credit risk management procedures, which are summarized below.

Methodologies used to control credit risk include those imposed by the current Prudential Standard and methodologies developed by the Credit Risk Office, with consideration for best practices, as follows:

Application of the models is limited to:

Credit approval: Development of parametric analysis models for extending credit to companies and the respective determination of the risk classification, as well as assignment of interest rates based on that classification, with consideration for both quantitative and qualitative management aspects.

Early warning: Simulation models are used to estimate portfolio performance under a specific expected scenario and to facilitate implementation of corrective action. This permits an analysis of the performance of loan arrears in the event of changes in macroeconomic variables such as income and interest rate. In the case of the loan portfolio in U.S. dollars extended to customers who do not generate cash flows in that currency, the reaction of loan arrears to increases in the exchange rate is also analyzed.

(Continued)

Credit risk model:

For a quantitative analysis of the separate loan portfolio by activity, by the Commercial Banking Division, and by currency, the Bank uses a Credit Risk Model to determine average payment losses, probability of arrears, expected losses, and Value at Risk (VaR). From these results, the Bank can anticipate loss margins associated with credit risk. All of these indicators are part of a dynamic process aimed at achieving an increasing level of maturity in credit risk management.

Foreign exchange impact measurement model:

This model measures the impact of exchange rate volatility on the loan portfolio in foreign currency placed with customers defined as non-generators of cash flows in foreign currency. This report is segregated by individuals and legal entities.

Credit management information:

As of December 31, 2014, the allowance for loan losses amounted to ¢35,470 million (¢31,434 million as of December 31, 2013). As of the same date, the capital adequacy requirement (CAR) is above 10% (the SUGEF minimum limit), considering credit risk, price risk, interest rate risk, operational risk, and currency risk.

As of December 31, 2014, the rate of arrears greater than 90 days is 2.04% (2.20% as of December 31, 2013). This indicator is 0.96 percentage points (0.80 percentage points as of December 31, 2013) below the maximum limit permitted by SUGEF to be considered normal levels. The value of this indicator reflects the importance of risk-based management exercised by the Bank for the loan portfolio combined with ambitious underwriting targets.

As of December 31, 2014, the portfolio in U.S. dollars represented 38.12% (41.14% as of December 31, 2013) of the total portfolio. Growth in the loan portfolio has been strategically controlled so as to only attract customers with an acceptable risk profile. The established limit for extending credit in U.S. dollars to customers who do not generate cash flows in that currency is periodically monitored.

Concentration by customer or economic interest group has been controlled by establishing limits. The Bank's regulations set a maximum limit on loans to an individual or legal entity or economic interest group at 10% of the Bank's equity. This limit may be lower, depending on the number of activities carried out by the economic interest group. Percentages above that limit may be approved by a unanimous vote in favor by the Credit Committee. In the case of private financial groups, this amount should represent at least 10% of the income of the group. Finally, SUGEF sets a maximum limit of 20% of equity for economic interest groups.

(Continued)

Although there is a relative concentration in 2014 in sectors like trade (1.60%), housing (24.70%), services (18.50%), and consumer loans (12.40%) (trade (16.01%), housing (24.70%), services (17.50%) and consumer loans (13.20%) in 2013), limits on annual growth by sector have been enforced in order to achieve a loan portfolio structure in the medium and long term that suits the risk appetite defined by senior management. This forces the Bank to effectively manage collections and to monitor its portfolio more closely.

In order to monitor each segment of the loan portfolio using the beta model, the Bank tracks credit risk indicators such as expected losses, average probability of payment, and VaR based on limits approved by the General Board of Directors for current loans and loans more than 90 days past due by sector, division, regional management office, and branch.

At the balance sheet date, there were no significant concentrations of credit risk.

(Continued)

BANCO DE COSTA RICA

Notes to Separate Financial Statements

As of December, 31, the maximum exposure to credit risk is represented by the carrying amount of each financial asset:

	Note		Direct Loans December 31, 2014	Direct Loans December 31, 2013	Note	Stand-by credits December 31, 2014	Stand-by credits December 31, 2013
Principal	6a	¢	2,482,783,630,282	2,188,470,208,655		228,486,090,224	220,262,339,247
Interest			20,539,648,814	18,567,713,926		-	-
			2,503,323,279,096	2,207,037,922,581		228,486,090,224	220,262,339,247
Allowance for loan losses			(35,469,656,738)	(31,434,008,813)		(50,449,595)	(229,487,742)
Carrying amount		¢	2,467,853,622,358	2,175,603,913,768	19	228,435,640,629	220,032,851,505
Loan portfolio							
Total balances:							
A1		¢	2,070,238,541,752	1,768,889,143,200		214,760,916,411	204,569,770,702
A2			17,452,654,775	14,116,979,653		618,755,304	576,521,019
B1			153,586,500,733	214,386,533,248		3,378,657,254	3,929,461,139
B2			20,609,724,897	8,170,277,165		100,561,743	223,729,600
C1			78,846,042,531	44,585,804,392		1,982,001,193	2,424,803,060
C2			12,962,589,689	14,331,097,199		92,447,854	100,313,129
D			48,348,282,372	51,199,199,403		670,405,419	675,784,445
E			101,278,942,347	91,358,888,321		6,882,345,046	7,761,956,153
			2,503,323,279,096	2,207,037,922,581		228,486,090,224	220,262,339,247
Structural allowance			(35,426,418,269)	(30,934,747,789)		(43,595,762)	(200,805,385)
Carrying amount, net			2,467,896,860,827	2,176,103,174,792		228,442,494,462	220,061,533,862
Individually assessed loans							
with allowance:							
A1		¢	2,070,238,541,597	655,449,089,628		214,760,916,396	107,424,810,966
A2			17,452,654,775	4,150,670,338		618,755,303	57,767,028
B1			153,586,500,733	31,135,363,023		2,459,261,114	220,055,551
B2			20,609,724,897	1,815,442,601		8,472,041	93,684,518
C1			78,846,042,531	3,651,502,381		190,977,055	85,623,456
C2			12,962,589,689	1,588,137,708		-	-
D			48,348,282,378	14,306,424,600		15,923,112	108,000,000
E			101,278,942,347	54,590,815,264		334,271,122	196,639,541
			2,503,323,278,947	766,687,445,543		218,388,576,143	108,186,581,060
Allowance for loan losses			(35,426,418,269)	(30,934,747,789)		(43,595,762)	(200,805,385)
Carrying amount, net			2,467,896,860,678	735,752,697,754		218,344,980,381	107,985,775,675

(Continued)

BANCO DE COSTA RICA

Notes to Separate Financial Statements

	Note		Direct Loans December 31, 2014	Direct Loans December 31, 2013	Note	Stand-by credits December 31, 2014	Stand-by credits December 31, 2013
Past due loans							
without allowance:							
A1		¢	9	35,970,299,547		-	1,691,908,083
A2			-	3,513,586,938		-	68,762,788
B1			-	34,207,273,792		319,156,231	701,927,801
B2			-	5,256,557,437		45,577,868	94,314,295
C1			-	4,967,923,261		346,330,432	478,310,132
C2			-	11,844,489,485		66,951,261	63,436,919
D			-	14,639,319,722		217,754,071	309,056,599
E			-	25,713,527,732		5,555,995,611	6,632,521,678
Carrying amount			9	136,112,977,914		6,551,765,474	10,040,238,295
Balance aging of past due loans							
without allowance:							
1 – 30 días			9	72,493,059,769		215,324,064	2,018,269,960
31 – 60 días			-	28,538,836,088		382,353,810	887,232,608
61 – 90 días			-	20,009,200,754		413,229,415	499,450,966
91 – 180 días			-	6,121,899,120		563,307,409	696,908,406
Mayor a 181 días			-	8,949,982,183		4,977,550,776	5,938,376,355
Valor en libros			9	136,112,977,914		6,551,765,474	10,040,238,295
Current loans without allowance							
A1			140	1,077,469,754,025		13	95,453,051,653
A2			-	6,452,722,376		1	449,991,203
B1			-	149,043,896,433		600,239,909	3,007,477,788
B2			-	1,098,277,128		46,511,835	35,730,787
C1			-	35,966,378,751		1,444,693,706	1,860,869,472
C2			-	898,470,006		25,496,593	36,876,210
D			-	22,253,455,081		436,728,237	258,727,846
E			-	11,054,545,324		992,078,313	932,794,933
Carrying amount			140	1,304,237,499,124		3,545,748,607	102,035,519,892
Carrying amount			2,503,323,279,096	2,207,037,922,581		228,486,090,224	220,262,339,247
Allowance for loan losses			(35,426,418,269)	(30,934,747,789)		(43,595,762)	(200,805,385)
(Excess) insufficiency of allowance							
Over structural allowance			(43,238,469)	(499,261,024)		(6,853,833)	(28,682,357)
Carrying insufficiency allowance	6a	¢	2,467,853,622,358	2,175,603,913,768		228,435,640,629	220,032,851,505
Restructured loans	6c	¢	1,317,751,766	614,605,062		-	-

(Continued)

Set out below is an analysis of the gross and net (of allowance for loans losses) amounts of individually assessed loans with allowance by risk category according to applicable regulations:

		Loans to customer	
At December 31, 2014		Gross	Net
Risk category:			
A1	¢	2,070,238,541,752	2,068,558,008,639
A2		17,452,654,775	17,438,692,647
B1		153,586,500,733	152,975,544,674
B2		20,609,724,897	20,499,211,338
C1		78,846,042,531	78,090,062,488
C2		12,962,589,689	12,705,882,433
D		48,348,282,378	42,144,476,647
E		101,278,942,341	75,484,981,961
	¢	2,503,323,279,096	2,467,896,860,827

		Loans to customer	
At December 31, 2013		Gross	Net
Risk category:			
A1	¢	1,768,889,143,200	1,766,811,205,815
A2		14,116,979,653	14,085,404,697
B1		214,386,533,248	213,977,666,274
B2		8,170,277,165	8,108,581,257
C1		44,585,804,392	44,104,466,281
C2		14,331,097,199	14,129,563,187
D		51,199,199,403	48,243,477,442
E		91,358,888,321	66,642,809,839
	¢	2,207,037,922,581	2,176,103,174,792

(Continued)

Individually assessed loans with allowance:

According to regulations established in SUGEF Directive 1-05, all loan operations are assigned a risk classification and the applicable allowance percentages are determined based on that classification. Individually assessed loans with allowance are loan operations for which, after considering the guarantee for the loan, a balance remains to which the allowance percentage determined by the risk category assigned by the Bank will be applied.

Past due loans without allowance:

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

Restructured loans:

Restructured loans are those for which the Bank has changed the original contractual terms due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loans are restructured, they remain in this category irrespective of any strengthening of the borrower's financial position after the restructuring. Following are the various types of restructured loans.

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

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

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

(Continued)

Loan write-off policy:

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

Allowance for loan impairment:

Borrower classification

The Bank must classify its borrowers into the following two groups:

a. Group 1: Borrowers with total outstanding balances due to the Bank that exceed the SUGEF limit.

b. Group 2: Borrowers with total outstanding balances due to the Bank that are less than or equal to the SUGEF limit.

For purposes of borrower classification, the following should be considered when calculating total outstanding balances:

a. Balances of back-to-back operations and the portion of bonds, sureties, and letters of credit covered by a previous deposit are excluded; and

b. The stand-by principal balance should be treated as a credit equivalent.

Risk categories

The Bank must individually classify its borrowers in one of eight risk categories, identified as A1, A2, B1, B2, C1, C2, D, and E, with category A1 as the lowest credit risk and category E as the highest credit risk.

Borrower classification

Analysis of borrower's creditworthiness

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

a. *Financial position and expected cash flows:* Analysis of the financial strength, the stability and continuity of main sources of income. The effectiveness of the analysis depends on the quality and timeliness of information.
b. *Experience in the line of business and quality of management:* Analysis of management's ability to lead the business with appropriate controls and adequate support from the owners.
c. *Business environment:* Analysis of the main sector variables that affect the borrower's creditworthiness.
d. *Vulnerability to changes in interest rates and foreign exchange rates:* Analysis of the borrower's ability to confront unexpected adverse changes in interest rates and foreign exchange rates.
e. *Other factors:* Analysis of other factors that may affect the borrower's creditworthiness. In the case of legal entities, considerations include, but are not limited to, environmental issues, technological aspects, development and operating licenses and permits, representation of products or foreign offices, relationships with significant customers and suppliers, sales agreements, legal risks, and country risk (the latter in the case of foreign-domiciled borrowers). In the case of individuals, borrower characteristics taken into consideration may include marital status, age, level of education, profession, and gender, among other.

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

The Bank must classify the borrower's creditworthiness into 4 levels: (level 1) has the ability to pay, (level 2) has minor weaknesses in ability to pay, (level 3) has serious weaknesses in ability to pay, and (level 4) has no ability to pay. For purposes of this classification, the borrower and co-borrower(s) must be assessed jointly. Joint classification of creditworthiness may only be used to determine the allowance percentage for operations in which the parties are borrower and co-borrower. For the borrower the sum of total balances owed to the Bank is greater than the limit set by the supervising entity. Separate financial statements are required to qualify the payment capacity at Level 1.

Analysis of historical payment behavior

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

The Bank must classify historical payment behavior into 3 levels: (level 1) good historical payment behavior, (level 2) acceptable historical payment behavior, and level 3 - poor historical payment behavior.

Borrower classification

Borrowers in Group 1 are to be classified by the Bank in accordance with evaluation parameters for arrears, historical payment behavior, and creditworthiness. Borrowers in Group 2 are to be classified in accordance with parameters for arrears and historical payment behavior, as follows:

Risk category	Allowance Percentage	Arrears	Historical payment behavior	Creditworthiness
A1	0.5%	30 days or less	Level 1	
A2	2%	30 days or less	Level 2	Level 1
B1	5%	60 days or less	Level 1	Level 1
B2	10%	60 days or less	Level 2	Level 1 or Level 2
C1	25%	90 days or less	Level 1	Level 1 or Level 2
C2	50%	90 days or less	Level 2	Level 1, Level 2, or Level 3
D	75%	120 days or less	Level 1 or Level 2	Level 1, Level 2, or Level 3

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

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

Direct classification in risk category E

The Bank must classify borrowers in risk category E who do not meet the conditions to be classified in any of the risk categories defined above, are in bankruptcy, a meeting of creditors, a court protected reorganization procedure, or takeover, or if the Bank considers classification in this risk category to be appropriate.

(Continued)

Minimum allowance

Until December 31, 2013, the structural allowance is equivalent to the total outstanding balance of each loan operation less the weighted adjusted value of the corresponding guarantee, multiplying the resulting amount (or resulting balance) by the allowance percentage corresponding to the risk category of the borrower or co-borrower classified in the category of lowest risk. If the result of this calculation is negative or zero, the allowance is zero. If the total outstanding balance includes a stand-by principal balance, the credit equivalent indicated below should be considered.

The adjusted amount of guarantees must be weighted at 100% when the borrower or co-borrower with the lowest risk category is classified in category C2 or lower, at 80% when classified in category D, and at 60% when classified in category E.

Until December 31, 2013, allowance percentages based on borrower risk category are as follows:

Risk category	Allowance percentage
A1	0.5%
A2	2%
B1	5%
B2	10%
C1	25%
C2	50%
D	75%
E	100%

Pursuant to SUGEF Directive 1-05: "Regulation for qualifying 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 the Transitory XII.

The generic allowance will be 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 claims.

The specific allowance is calculated on the covered and uncovered portions of each loan (credit operation). 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 portion of each loan (credit operation) is equal to the amount corresponding to the covered part of the operation, multiplied by the appropriate percentage.

(Continued)

The classification categories and percentages of specific allowance for each category are as follows:

Risk category	Specific allowance percentage on the uncovered portion of the loan	Specif 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%

Until December 31, 2013, 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 should be calculated as follows:

Arrears	Allowance percentage
0 to 30 days	20%
31 to 60 days	50%
More than 61days	100%

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	Creditworthiness Borrowers (Group 1)	Creditworthiness Borrowers (Group 2)
30 days or less	20%	0.5%	Level 1	Level 1
30 days or less	50%	0.5%	Level 2	Level 2
30 days or less	100%	0.5%	Level 1 or Level 2 or Level 3 or Level 4	Level 1 or Level 2

(Continued)

In compliance with SUGEF Directive 1-05, as of December 31, 2014, the Bank must maintain a structural allowance in the amount of ¢35,470,014,031 (corresponding to direct loans for ¢35,426,418,269 and stand-by credits for ¢43,595,762). As of December 31, 2013, the minimum structural allowance amounted to ¢31,135,553,174 (corresponding direct loans for ¢30,934,747,789 and stand-by loans for ¢200,805,385). SUGEF External Circular Letter 02 1-2008 dated May 30, 2008 indicates that the expense for the allowance for loan losses corresponds to the amount necessary to achieve the minimum structural allowance. Furthermore, there must be a duly documented technical justification for any excess above the minimum structural allowance, which is to be sent to SUGEF with the authorization request. The excess may not surpass 15% of the minimum required allowance for the loan portfolio. This notwithstanding, if any additional allowances are required above the 15%, they must be taken from net earnings for the period pursuant to article 10 of IRNBS.

Credit equivalent

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

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

b) other sureties and guarantees without prior deposit: 0.25; and

c) Pre-approved lines of credit: 0.50.

Allowance for other assets

Allowances should be established for the following assets:

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

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

(Continued)

b. The allowance must be established gradually by booking one-twenty-fourth of the value of such assets each month until the allowance is equivalent to 100% of the carrying amount of the assets, without exception. The booking of the allowance shall begin at month-end of the month in which the asset was i) acquired, ii) produced for sale or lease, or iii) retired from use.

BANCO DE COSTA RICA

Notes to Separate Financial Statements

As of December, 31, the concentration of the portfolio of direct loans and stand-by loans by sector (economic activity) is as follows:

		2014		2013	
		Direct loans	**Stand-by credits**	**Direct loans**	**Stand-by credits**
Trade	¢	852,795,089	27,341,593,408	1,479,410,218	24,530,647,093
Manufacturing		252,090,674,310	615,166,644	195,965,121,764	579,735,913
Construction, purchase and repair of real estate		692,111,745,337	2,086,403,685	619,375,411,332	530,535,034
Agriculture, livestock, hunting and related services		134,457,449,902	-	124,591,566,452	-
Fishing and aquaculture		18,761,269	-	47,124,722	-
Consumer		359,986,644,717	104,850,504,543	339,773,479,520	106,768,474,715
Education		1,053,141,958	97,215,281	979,147,770	100,000,000
Transportation		61,413,552,246	203,900,000	52,309,442,509	417,116,783
Telecommunications and public Utilities		44,691,854,958	-	45,029,550,111	-
Services		841,396,172,528	123,613,456,042	731,995,364,663	111,967,482,588
Hospitality		92,021,221,544	-	74,149,365,137	-
Mining and quarrying		1,601,278,273	-	1,528,774,887	-
Real estate, business and leasing activities		1,088,338,152	-	1,246,449,570	-
Public Administration		-	3,256,040,717	-	9,117,196,225
Government		-	262,423,094	-	-
	¢	**2,482,783,630,283**	**262,326,703,414**	**2,188,470,208,655**	**254,011,188,351**

(Continued)

As of December 31, 2014 and 2013, concentrations by geographic area based on the VaR of the beta model for direct loans and stand-by loans are as follows:

Location	2014 Percentage	2013 Percentage
Business Division	46.83%	48.38%
Retail Commercial Division	53.17%	51.62%

As of December 31, 2014 and 2013, the Bank's risk associated to the loan portfolio is concentrated in Costa Rica.

As of December 31, 2014, the Bank has banking mandates for ¢2,778,612 (¢3,385,475 as of December 31, 2013).

Total assets foreclosed by the Bank are as follows (see note 7):

		2014	2013
Properties	¢	50,632,240,601	36,863,452,803
Other		312,822,765	232,288,833
	¢	**50,945,063,366**	**37,095,741,636**

The loan portfolio by type of guarantee is as follows:

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

		2014		2013	
		Direct loans	**Stand-by credits**	**Direct loans**	**Stand-by credits**
Guarantee:					
Fiduciary	¢	1,371,743,823	116,209,567,734	2,081,193,492	106,400,636,896
Mortgage		1,040,903,330,788	488,783,870	894,929,393,440	472,068,235
Chattel mortgage		407,968,551,126	1,219,357,317	391,083,189,076	2,646,432,362
Other		1,032,540,004,546	144,408,994,493	900,376,432,647	144,492,050,858
	¢	**2,482,783,630,283**	**262,326,703,414**	**2,188,470,208,655**	**254,011,188,351**

Sees note 6 and 19.

Guarantees:

Collateral: The Bank accepts collateral guarantees – usually mortgages or chattel mortgages – to secure its loans. The value of collateral is determined by an appraisal made by an appraiser who determines the estimated fair value of land and buildings based on comparable market offerings and prior appraisals made by the appraiser.

Personal: The Bank also accepts sureties from individuals or legal entities. The Bank evaluates the guarantor's ability to honor the debt obligations on the borrower's behalf, as well as the integrity of the guarantor's credit history.

The Bank conducts strict credit analyses and requires collateral from its borrowers. The 58% of the loan portfolio is secured by mortgage or chattel mortgage, as of December 31, 2014 (59% as of December 31, 2013).

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 stockholder's equity relationships among debtors with total active operations. As of December 31, 2014, 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 December 31, 2014:

No.	Percentage	Band	Total value	Nº customers
1	0-4,99%	15,016,150,195	-	0
2	5-9,99%	30,032,300,389	102,837,456,797	4
3	10-14,99%	45,048,450,584	75,147,539,309	2
4	15-20%	60,064,600,778	123,571,552,395	2
Total			**301,556,548,501**	**8**

(Continued)

As of December 31, 2013:

No.	Percentage	Band	Total value	Nº customers
1	0-4,99%	13,745,304,580	425,138,953,457	211
2	5-9,99%	27,490,609,159	157,151,562,344	8
3	10-14,99%	41,235,913,739	128,787,422,671	4
4	15-20%	54,981,218,319	101,752,456,180	2
Total			**812,830,394,652**	**225**

Liquidity risk

Liquidity risk arises when a financial entity is unable to honor its commitments or obligations with third parties due to insufficient cash flows resulting from a mismatch between the term that assets are recovered (lending operations) and the term that obligations are due (borrowing operations).

Pursuant to risk definitions included in SUGEF Directive 2-10 "Regulations for Comprehensive Risk Management", liquidity risk is the risk of monetary losses due to a shortage of funds causing a financial entity to be unable to honor its obligations in accordance with the respective contractual terms. Liquidity risk may also be associated with a specific financial instrument, in which case the risk relates to the financial depth of the market in which the instrument is traded with the intention of putting or calling the instrument without significant changes in the instrument's value.

Liquidity risk can result in potential losses due to premature or forced sales of assets, such as investment portfolios, in order to fulfill commitments, or when a position cannot be liquidated, acquired, or hedged in a timely manner by offsetting with an equivalent position.

The main objective of the Bank's liquidity policy is to ensure that the Bank is able to honor its payment and disbursement commitments under any circumstances with its own resources, without incurring high costs or experiencing a loss of profitability.

The following variables are considered to minimize liquidity risk: volatility of deposits, debt levels, liability structure, asset liquidity, availability of financing, general effectiveness of term gaps.

With the implementation of this policy, the Bank has had during the years 2014 to 2007 strict control over the liquidity index, according to the methodology established by the General Superintendence of Financial Entities (SUGEF); as well as in the use of internal models that facilitate the control of liquidity to calibrate the amount necessary to bring the business operations in order to minimize the opportunity costs associated, to the point of these reports to be automated and delivered on a weekly basis with sophisticated programs offered by a tool known as MatLab from Mathworks®

(Continued)

The Bank has access to different sources of funding, including term deposits, the liquidity market, the foreign exchange market, standardized bond issues, and repurchase operations. The Bank periodically reviews its liquidity limits based on its expected growth in order to manage liquidity risk. Once that risk is determined, stress testing is done to help manage the risk. Information obtained during stress testing is reviewed and approved by the Risk Corporative Committee. Liquidity and financing risk is monitored daily by the Treasury Division and Treasury/Financial Risk Management and actual results versus approved limits are presented to and discussed monthly with the Asset and Liability Committee.

The gap report (rate-sensitive assets and liabilities) in local currency presents the difference in recovered assets less matured liabilities as of December 31, 2014 of ¢871,003,073,586 (¢829,241,807,172 as of December 31, 2013). In foreign currency, that difference amounts to ¢621,823,453,718 (¢337,756,311,183 as of December 31, 2013), which shows improvements in the balances due to positive changes in interest rates, since the Bank’s assets exceed its liabilities in both currencies. With respect to term matching (sum of liquidity of assets and liabilities), as of December 31, 2014 the total in local currency is ¢347,860,626,230 (¢284,668,286,399 as of December 31, 2013) and foreign currency is ¢12,769,681,425 ¢26,906,204,983 as of December 31, 2013). This demonstrates that the Bank has the necessary liquidity to meet its current liability commitments.

Liquidity management is evaluated periodically by updating six-month projected cash flows on a daily basis (which is being computerized using an in-house application, providing lower operational risk in data management) and preparing the one-month and three-month term matching report. The Bank also uses the Miller-Orr cash balance optimization model prepared jointly by Financial Risk Management and the Bank’s Treasury on a semimonthly basis.

Essentially the model aim to determine the optimal level of cash balance in order to minimize the cost of cash management both in local as in foreign currency, since the daily inflow and outflow of cash is unpredictable. As the cash availability increases the organization invest in financial instruments in order to reach the established optimal level; on the other hand, as the cash balance decreases the entity sells financial assets to achieve the desired level. The results are monitored and delivered by Treasury every two weeks.

These elements are considered in the liquidity management policies, which are followed by the Treasury and Financial Risk Management. The models are adjusted for the volatility of the inputs that increase cash flows, such as checking and savings accounts.

As of December 31, 2014, the Bank has a one-month term matching adjusted for volatility in colones of 1.35 times (1.47 as of December 31, 2013). Normal levels have thus been maintained given that applicable regulations require a level of 1 time or higher.

(Continued)

As of December 31, 2014, the Bank has a one-month term matching adjusted for volatility in US dollars of 1.79 times (0.74 as of December 31, 2013). Normal levels have thus been maintained given that applicable regulations require a level of 1.1 time or higher.

Those indicators have increased inter annually by 10.00% in colones (decrease by 10.08% as of December 31, 2013), which evidences the efforts from the Treasury in order to make best use of this resource for payment and cancellation of commitments, in addition to complying with a stricter regulation regarding liquidity. As of December 31, 2013, the use of Eurobonds in the amount of US$500 million made the restructuring of short-term liabilities to long-term possible, offering a broader period (from 1 to 3 month) for the management of term matching. This change results from inter annual decrease in the maturities of 30-day liabilities in foreign currency for ¢26,368 million, (increase for ¢26,368 million as of December 31, 2013), increases in the maturities of demand liabilities in local currency ¢78,165 million (¢168,778 million as of December 31, 2013) and increases in obligations with the public in local currency for ¢72,019 million (¢120,251 million as of December 31, 2013). The latter two items in foreign currency decreased by ¢459,564 million (increases ¢61,541 million as of December 31, 2013) and decreased ¢373,342 in the second one (increase for ¢14,636 million as of December 31, 2013).

Additionally, recovery of 30-day assets in local currency increased inter annually by ¢12,388 million (increased for ¢91,855 as of December 31, 2013), and the recovery of demand assets in foreign currency decreased by ¢106,381 million (increase for ¢19,545 million as of December 31, 2013), which explains the results obtained by the December, 31, 2014 close. These variations in the items used to calculate the indicator of the CAMELS table evidence liquidity close to regulatory limits

With respect to the US dollar, the components of the numerator have decreased to 99.62%, while the denominator has done to 99.73% which explains the statistical results.

As of December 31, 2014 the Bank has a three-month term matching adjusted for volatility in colones of 1.03 times (0.97 as of December 31, 2013). Normal levels have thus ben maintained given the applicable regulations require a level of 0.8 times or higher. As of December 31, 2014, the Bank has a three month term matching adjusted volatility in US dollars of 1.11 times (0.9 as of December 31, 2013). Normal level have thus been maintained given that applicable regulations require a level of 0.94 time or higher. Those indicators have decreased inter annually by 8% in the numerator (increase of 23.69% as of December, 31, 2013) and 11% in the nominator (increase of 20.72% as of December, 31, 2013). This behavior complies with the level requested by the authority. This indicator is similar for US dollars where in one year the numerator decreased in 99.69% and the denominator by 99.75%. These indicators have been sensitized by financial efforts and by the use of IT tools tracking the behavior of liquidity in order to prevent irregularities and offering corrective measures to normalize the indicator on a weekly basis.

The Bank’s assets and liabilities mature as follows:

As of December 31, 2014

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	¢	103,588,207,665	-	-	-	-	-	-	-	103,588,207,665
Cash reserve-BCCR		228,765,180,317	48,885,557,557	37,131,144,489	27,367,466,866	53,872,072,358	27,425,787,206	5,965,778,703	-	429,412,987,496
Investments		-	249,434,647,122	15,666,864,600	25,537,216,657	49,591,495,400	174,268,018,408	161,264,615,156	-	675,762,857,343
Interest on investments		-	1,270,917,133	596,861,993	965,427,216	968,578,247	232,555,879	-	-	4,034,340,468
Loan portfolio		-	42,575,008,092	47,414,837,399	49,155,512,366	100,519,167,734	121,634,293,678	2,089,726,357,508	31,758,453,506	2,482,783,630,283
Interest on loans		-	12,707,449,066	397,561,965	351,596,814	310,946,043	274,995,215	2,281,353,065	4,215,746,646	20,539,648,814
	¢	**332,353,387,982**	**354,873,578,970**	**101,207,270,446**	**103,377,219,919**	**205,262,259,782**	**323,835,650,386**	**2,259,238,104,432**	**35,974,200,152**	**3,716,121,672,069**
Pasivos										
Obligations with public	¢	1,423,246,736,830	304,151,315,107	231,641,252,006	170,408,365,066	335,612,215,836	170,849,206,112	37,005,411,607	-	2,672,914,502,564
Obligations with BCCR		1,663,017,970	-	-	-	-	-	-	-	1,663,017,970
Obligations with financial entities		173,812,642,107	19,307,789,492	8,959,280,438	9,251,333,183	69,769,283,522	34,711,099,662	374,377,342,941	-	690,188,771,345
Charges payable		-	3,416,486,458	6,967,033,344	1,651,392,104	2,621,183,534	1,246,469,084	361,870,860	-	16,264,435,384
		1,598,722,396,907	**326,875,591,057**	**247,567,565,788**	**181,311,090,353**	**408,002,682,892**	**206,806,774,858**	**411,744,625,408**	**-**	**3,381,030,727,263**
Assets and liabilities spread	¢	**(1,266,369,008,925)**	**27,997,987,913**	**(146,360,295,342)**	**(77,933,870,434)**	**(202,740,423,110)**	**117,028,875,528**	**1,847,493,479,024**	**35,974,200,152**	**335,090,944,806**

BANCO DE COSTA RICA

Notes to Separate Financial Statements

The Bank's assets and liabilities mature as follows:

As of December 31, 2013 (Restructured)

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	¢	116,077,230,690	-	-	-	-	-	-	-	116,077,230,690
Cash reserve-BCCR		202,741,181,028	48,620,992,502	31,152,296,961	25,109,280,686	41,287,243,878	26,032,333,154	4,251,937,029	-	379,195,265,238
Investments		-	98,289,431,564	15,280,178,227	54,055,026,573	96,185,091,163	175,784,763,758	167,435,592,833	-	607,030,084,118
Interest on investments		-	872,729,063	353,670,241	1,570,149,677	1,497,810,645	252,955,467	3,352,146	-	4,550,667,239
Loan portfolio		-	32,242,039,891	27,658,210,427	38,176,072,909	82,658,147,794	181,708,363,470	1,794,272,586,536	31,754,787,627	2,188,470,208,654
Interest on loans		-	9,680,713,025	-	-	-	4,741,783,862	109,169,491	4,036,047,549	18,567,713,927
	¢	**318,818,411,718**	**189,705,906,045**	**74,444,355,856**	**118,910,529,845**	**221,628,293,480**	**388,520,199,711**	**1,966,072,638,035**	**35,790,835,176**	**3,313,891,169,866**
Pasivos										
Obligations with public	¢	1,296,531,328,725	311,038,937,908	199,836,043,890	160,899,068,543	264,662,319,152	166,133,904,173	27,008,681,853	-	2,426,110,284,244
Obligations with financial entities		147,849,893,322	12,066,798,747	25,091,163,957	30,070,815,918	33,051,937,326	42,879,581,602	269,673,372,356	-	560,683,563,228
Charges payable		-	2,875,789,926	6,916,741,615	1,790,082,311	2,186,830,042	1,492,794,991	260,592,124	-	15,522,831,009
		1,444,381,222,047	**325,981,526,581**	**231,843,949,462**	**192,759,966,772**	**299,901,086,520**	**210,506,280,766**	**296,942,646,333**	**-**	**3,002,316,678,481**
Assets and liabilities spread	¢	**(1,125,562,810,329)**	**(136,275,620,536)**	**(157,399,593,606)**	**(73,849,436,927)**	**(78,272,793,040)**	**178,013,918,945**	**1,669,129,991,702**	**35,790,835,176**	**311,574,491,385**

(Continued)

Market risk

Market risk analyzes interest rate and currency risks, which determine the price of financial assets. As a result of considerations related to the banking system as a whole, the Bank is required to apply the following definitions of country risk and price risk included in article 3 of SUGEF Directive 2-10:

- Country risk: Risk assumed by holding or committing resources in a foreign country and resulting from potential difficulties on the recovery of such resources due to factors affecting the foreign country as a whole. Country risk comprises "sovereign risk" and "transfer risk". Transfer risk is defined as the possibility that official restrictions will prevent a debtor from honoring the debt commitments, even though sufficient funds are available. Sovereign risk is assumed on loans extended to a State or Government and is the risk of difficulties arising from enforcing the repayment of debt by the borrower or other party responsible for payment due to sovereignty.

- Price risk: Possibility of monetary loss due to adverse changes in market prices of financial instruments.

The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

Market risk is the risk of potential losses due to an adverse change in the aforementioned market variables that determine the Bank's value.

VaR is also daily tracked by applying the RiskMetrics methodology to the Bank's investment portfolio using the SAP-TRM IT platform, which permits consolidating the correlations of the different risk factors, such as yield curves, prices of financial assets, foreign exchange rates, in order to determine a more robust and consolidated VaR.

Market risk management

For purposes of market risk management, the Bank and its subsidiaries use the SAP system, which offers several methodologies for VaR analysis. VaR is defined as the maximum expected loss over an objective time horizon, within a given confidence interval. Specifically, follow-up is provided by calculating exposure to market risk. Of the methodologies offered by the IT system, the delta-normal methodology is the most frequently used, which applies a one-month holding period (21 business days) and a confidence level of 99%.

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This permits more precise calculations since it shows the distribution of expected losses and determines the value of those losses. It also shows the greatest loss scenarios and thus makes it possible to hedge part of the unexpected risk. The analysis is more robust if a region of confidence is obtained, which provides certainty as to the worst loss in the market value of the portfolios. The Bank is currently gathering a representative sample for back-testing purposes.

In applying the stress testing with SPA-TRM to the whole portfolio of the Banks funds beneath four different scenarios, the following chart show the results:

The following chart shows the information as of December 31, 2014:

		Investment portfolio of stress scenario					
Scenarios		Market value		Stress market value		Difference	Variation
Scenario 1: Mov. curve 100 points base	¢	458,254,745,894	¢	452,254,373,352	¢	-6,000,372,542	-1.309%
Scenario 2: Mov. Curve short term		458,254,745,894		454,351,297,036		-3,903,448,858	-0.852%
Scenario 3: Variation TC 2.5%		458,254,745,894		445,290,562,210		-12,964,183,684	-2.829%
Scenario 4: Scenario 2 + Scenario 3	¢	458,254,745,894	¢	447,358,105,080	¢	-10,896,640,814	-2.378%

Investment Portfolio		
VaR	¢	566,789,336
Investment Portfolio	¢	3,400,736,017
Risk price		34,007
Observation 25		(0.0019628503)
Exchange rate UDES	¢	864.19100
Exchange rates US$	¢	533.31000
Nominal value investment portfolio	¢	284,805,513,503
Market value investment portfolio	¢	288,758,303,205

The first scenario applies 100 base points to the proceeds. The second scenario moves on short term nodes between 150 and 175 base point. In the third scenario on stress 2.5% variations on the rate of exchange applies. Finally in the fourth scenario second and third scenario are simultaneously applied.

By stress testing the investment portfolio for the different scenarios, the portfolio could present losses between 2.83% and 0.56%.

The following chart shows the information as of December 31, 2014:

		Investment portfolio of stress scenario					
Scenarios		Market value		Stress market value		Difference	Variation
Scenario 1: Mov. curve 100 points base	¢	578,950,460,908	¢	571,969,597,304	¢	-6,980,863,604	-1.206%
Scenario 2: Mov. Curve short term		578,950,460,908		574,382,955,771		-4,567,505,137	-0.789%
Scenario 3: Variation TC 2.5%		578,950,460,908		591,482,901,215		12,532,440,307	2.165%
Scenario 4: Scenario 2 + Scenario 3	¢	578,950,460,908	¢	589,073,700,630	¢	10,123,239,722	1.749%

Investment Portfolio		
VaR	¢	870,283,175
Investment Portfolio	¢	5,221,699,052
Risk price		52,217
Observation 25		(0.0021395000)
Exchange rate UDES	¢	816.61000
Exchange rates US$	¢	495.01000
Nominal value investment portfolio	¢	399,424,645,310
Market value investment portfolio	¢	406,769,377,553

The Bank´s Board of Directors has determined that market risk should be managed and monitored directly by the Corporate Risk Committee, which is comprised of representative of the entities of the financial conglomerate.

Market risk exposure

The Bank and its subsidiaries use VaR limits to monitor the price risk of their investment portfolios. The structure of the VaR limits is subject to review and approval by the Board of Directors. Those limits are based on the corresponding limits of the trading portfolio. VaR is measured at each month-end. Reports on the VaR limits are sent to the Risk Committee and the Assets and Liability Committee.

Interest risk

Interest rate risk, as defined in SUGEF Directive 2-10, is the risk of monetary losses due to adverse variations in interest rates.

The Bank is sensitive to this type of risk due to the mix of rates and terms for both assets and liabilities. This sensitivity is mitigated by managing variable interest rates and ensuring matched asset and liability positions. The effect may vary due to a number of factors, including prepayments, late payments, fluctuations in interest rates, and foreign exchange rate variations.

In addition, the Bank regularly tracks this risk in the Corporate Assets and Liabilities Committee.

SUGEF Directive 24-00 “Regulations for Determining the Economic and Financial Status of Regulated Entities” defines interest rate risk as exposure to losses due to fluctuations in interest rates when asset and liability terms are mismatched and the entity does not have the required flexibility to make a timely adjustment.

According to SUGEF Directive 24-00, the interest-rate sensitivity of assets and liabilities is evaluated by determining term gaps and the interest rate risk indicator. As of December 31, 2014, the interest rate risk indicator in local currency was 0.36% (1.07% as of December 31, 2013), which means that the Bank is still at a normal level (applicable regulations require a value of 5% or less). In foreign currency, this indicator is on the order of 0.04% (less 0.02% as of December 31, 2013). The Bank is getting further from the 5% maximum due to international interest rates tending to the low, but in the case of the colones under the current juncture are in a support level and its value may increase in the second half of 2015.

(Continued)

BANCO DE COSTA RICA

Notes to Separate Financial Statements

As of December 31, 2014, interest rate terms for assets and liabilities are matched as follows:

	Effective rate		1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 to 720 days	More than 720 days	Total
Colones									
Assets									
Investments	6.18%	¢	29,129,588,404	7,668,129,502	10,519,012,722	80,062,643,944	44,755,906,641	89,592,786,375	261,728,067,588
Loan portfolio	11.10%		927,969,665,494	56,240,075,451	16,784,730,651	29,018,950,518	53,544,616,996	270,137,875,448	1,353,695,914,558
Total recovered assets (*)			**957,099,253,898**	**63,908,204,953**	**27,303,743,373**	**109,081,594,462**	**98,300,523,637**	**359,730,661,823**	**1,615,423,982,146**
Liabilities									
Obligations with the public			6,546,420,331	2,973,120,870	3,194,946,742	792,296,749	100,814,272	14,597,610	13,622,196,574
Demand	2.15%								
Term	6.81%								
Obligations with financial entities	5.21%		221,016,105,232	207,163,894,261	181,691,866,902	104,212,879,155	5,634,712,446	11,079,253,990	730,798,711,986
Total matured liabilities (*)			**227,562,525,563**	**210,137,015,131**	**184,886,813,644**	**105,005,175,904**	**5,735,526,718**	**11,093,851,600**	**744,420,908,560**
Assets and liabilities spread		¢	**729,536,728,335**	**(146,228,810,178)**	**(157,583,070,271)**	**4,076,418,558**	**92,564,996,919**	**348,636,810,223**	**871,003,073,586**
U.S. dollars:									
Assets									
Investments	1.55%	¢	395,753,351,807	13,984,357,011	31,474,080,383	19,237,136,792	3,401,061,010	34,849,029,848	498,699,016,851
Loan portfolio	6.36%		647,658,617,824	26,781,021,061	8,823,812,983	50,087,107,802	68,396,115,652	88,274,820,346	890,021,495,668
Total recovered assets (*)			**1,043,411,969,631**	**40,765,378,072**	**40,297,893,366**	**69,324,244,594**	**71,797,176,662**	**123,123,850,194**	**1,388,720,512,519**
Liabilities									
Obligations with the public			564,255,608	60,533,020,425	1,006,496,752	506,111,840	8,098,819	8,011,058	62,625,994,502
Demand	0.19%								
Term	2.28%								
Obligations with financial entities	2.12%		14,400,115,273	24,747,574,358	190,726,306,645	103,082,086,016	545,749,643	370,769,232,364	704,271,064,299
Total matured liabilities (*)			**14,964,370,881**	**85,280,594,783**	**191,732,803,397**	**103,588,197,856**	**553,848,462**	**370,777,243,422**	**766,897,058,801**
Assets and liabilities spread		¢	**1,028,447,598,750**	**(44,515,216,711)**	**(151,434,910,031)**	**(34,263,953,262)**	**71,243,328,200**	**(247,653,393,228)**	**621,823,453,718**

(*) Rate-sensitive

(Continued)

As of December 31, 2013, interest rate terms for assets and liabilities are matched as follows:

	Effective rate		1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 to 720 days	More than 720 days	Total
Colones									
Assets									
Investments	5.79%	¢	89,797,599,851	17,682,116,917	78,165,675,817	100,890,230,537	61,453,639,945	101,269,838,501	449,259,101,568
Loan portfolio	11.18%		890,498,303,468	43,212,606,234	6,480,236,607	27,784,774,360	36,893,756,968	144,886,074,319	1,149,755,751,956
Total recovered assets (*)			**980,295,903,319**	**60,894,723,151**	**84,645,912,424**	**128,675,004,897**	**98,347,396,913**	**246,155,912,820**	**1,599,014,853,524**
Liabilities									
Obligations with the public			6,383,941,858	2,996,027,178	2,794,755,783	339,162,612	28,622,707	33,855,737	12,576,365,875
Demand	2.11%								
Term	6.46%								
Obligations with financial entities	3.79%		225,344,419,581	239,638,199,599	161,937,828,345	118,678,553,638	5,372,383,442	6,225,295,872	757,196,680,477
Total matured liabilities (*)			**231,728,361,439**	**242,634,226,777**	**164,732,584,128**	**119,017,716,250**	**5,401,006,149**	**6,259,151,609**	**769,773,046,352**
Assets and liabilities spread		¢	**748,567,541,880**	**(181,739,503,626)**	**(80,086,671,704)**	**9,657,288,647**	**92,946,390,764**	**239,896,761,211**	**829,241,807,172**
Dólares									
Assets									
Investments	2.38%	¢	7,805,720,014	33,486,391,474	9,197,045,606	1,872,596,481	14,743,822,800	27,914,707,179	95,020,283,554
Loan portfolio	6.30%		557,598,245,097	27,960,188,268	21,688,060,862	20,367,671,692	64,548,028,729	99,423,474,203	791,585,668,851
Total recovered assets (*)			**565,403,965,111**	**61,446,579,742**	**30,885,106,468**	**22,240,268,173**	**79,291,851,529**	**127,338,181,382**	**886,605,952,405**
Liabilities									
Obligations with the public			513,531,294	47,115,893,525	847,836,967	231,683,588	7,024,364	2,093,926	48,718,063,664
Demand	0.23%								
Term	2.84%								
Obligations with financial entities	0.09%		9,067,365,236	42,432,057,549	103,768,356,226	73,030,622,609	3,052,390,438	268,780,785,500	500,131,577,558
Total matured liabilities (*)			**9,580,896,530**	**89,547,951,074**	**104,616,193,193**	**73,262,306,197**	**3,059,414,802**	**268,782,879,426**	**548,849,641,222**
Assets and liabilities spread		¢	**555,823,068,581**	**(28,101,371,332)**	**(73,731,086,725)**	**(51,022,038,024)**	**76,232,436,727**	**(141,444,698,044)**	**337,756,311,183**

(*) Rate-sensitive

(Continued)

Currency risk

Pursuant to SUGEF Directive 2-10, currency risk is the risk of monetary losses due to adverse changes in foreign exchange rates. This risk also arises when net foreign exchange differences do not proportionally offset the changes in the value of assets denominated in foreign currency, causing a decrease in an entity's capital adequacy indicator. Currency risk may also result in increased credit risk in the event of default by borrowers that hold loans in a foreign currency in which they do not generate cash flows, as a result of variations in foreign exchange rates.

In October 2006, BCCR introduced a foreign exchange adjustable band system. Since then, the exchange rate had remained consistently at the floor of that band. However, with the significant band adjustment that occurred starting May 2008, the Bank's management has decided to take a neutral foreign currency position with the purpose of protecting the Bank from any variation in the exchange rate and, meanwhile, is watching developments in the foreign exchange market. The Bank's foreign currency position is monitored daily by the Market Risk Area. Currently this position has been eliminated given the high uncertainty from the political point of view as to the decision of moving the system floor. Through written communication CCAP 02-13 of January 16, 2013´s meeting, the Assets and Liabilities Corporate Committee, in its Article 9 decided by determined period to skip this limit so the Treasury can count on an own minimum level position in order to prevent exchange losses in the case of a variation of the band floor. The Bank's foreign currency position is monitored daily by the Market Risk Area (Derivatives Unit and Counterparty Risk of Treasury/Financial Risk Management).

As of December 31, 2014, the Bank is in a normal level of currency risk, in accordance with the provisions of regulations, since the indicator is a 0.15% (0.30% as of December 31, 2013), and consideration of "normal" establishes the indicator must be less or equal to a 5%. Consideration that appeals, as the Bank has shown a better performance in the management of this risk, since learning which has resulted or materialized in the last years under the new exchange rate regime.

(Continued)

As of December 31, monetary assets and liabilities denominated in U.S. dollars are as follows:

		2014	2013
Assets:			
Cash and due from banks	US$	333,076,109	325,600,842
Investments in financial instruments		734,866,289	338,847,936
Loan portfolio		1,767,883,716	1,818,388,789
Accounts and accrued interest receivable		222,642	181,936
Investments in other companies		97,218,457	86,851,222
Other		6,957,638	5,588,153
Total assets		2,940,224,851	2,575,458,878
Liabilities:			
Obligations with the public		1,757,838,048	1,482,277,373
Other financial obligations		1,114,940,497	953,763,890
Other accounts payable and provisions		17,464,849	34,181,858
Other		8,194,513	2,740,442
Subordinated obligations		40,094,138	30,067,500
Total liabilities		2,938,532,045	2,503,031,063
Net position (excess of monetary assets over monetary liabilities)	US$	**1,692,806**	**72,427,815**

Monetary assets and liabilities in foreign currency are valued by using the reference buy rate established by BCCR on the last business day of each month. As of December 31, 2014, that rate was ¢533.31 per US $1.00 (¢495.01 as of December 31, 2013).

Net exposure is not hedged. However, the Bank considers its position to be acceptable since it can buy or sell U.S. dollars in the market when necessary.

(Continued)

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Notes to Separate Financial Statements

As of December 31, 2014, complying with SUGEF´s regulations, the term matching of the most important US dollar accounts is 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$	53,101,549	-	-	-	-	-	-	-	53,101,549
Cash reserve-BCCR		128,312,912	27,801,782	39,134,258	19,506,295	43,268,117	21,797,189	154,008	-	279,974,561
Investments		-	391,867,972	28,700,000	38,687,619	59,787,482	149,938,507	63,078,447	-	732,060,027
Interest on investments		-	496,395	1,068,756	484,178	708,935	47,997	-	-	2,806,261
Loan portfolio		-	21,723,490	25,945,021	22,744,546	77,346,915	101,641,163	1,516,062,429	8,955,394	1,774,418,958
Interest on loans		-	5,463,407	-	-	-	-	333,499	676,083	6,472,989
		181,414,461	**447,353,046**	**94,848,035**	**81,422,638**	**181,111,449**	**273,424,856**	**1,579,628,383**	**9,631,477**	**2,848,834,345**
Liabilities										
Obligations with public		804,114,846	174,228,965	245,247,635	122,242,578	271,153,812	136,599,214	965,142	-	1,754,552,192
Obligations with BCCR		3,118,295	-	-						3,118,295
Obligations with financial entities		199,209,701	17,042,841	7,651,500	7,803,000	113,497,342	56,196,683	698,678,180	-	1,100,079,247
Charges payable		-	898,464	11,197,708	1,083,999	1,321,416	523,893	3,330	-	15,028,810
		1,006,442,842	**192,170,270**	**264,096,843**	**131,129,577**	**385,972,570**	**193,319,790**	**699,646,652**	**-**	**2,872,778,544**
Assets and liabilities spread	US$	**(825,028,381)**	**255,182,776**	**(169,248,808)**	**(49,706,939)**	**(204,861,121)**	**80,105,066**	**879,981,731**	**9,631,477**	**(23,944,199)**

(Continued)

BANCO DE COSTA RICA

Notes to Separate Financial Statements

As of December 31, 2013 (Restructured), complying with SUGEF´s regulations, the term matching of the most important US dollar accounts is 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 $	100,079,106	-	-	-	-	-	-	-	100,079,106
Cash reserve-BCCR		115,194,504	28,562,396	23,083,458	17,103,144	28,957,312	11,797,503	823,418	-	225,521,735
Investments		-	46,366,004	20,326,490	71,712,798	27,992,976	103,869,197	66,749,040	-	337,016,505
Interest on investments		-	241,663	295,421	764,587	382,809	140,180	6,772	-	1,831,432
Loan portfolio		-	37,930,647	29,090,837	40,860,056	77,195,713	129,470,931	1,496,830,469	7,465,201	1,818,843,854
Interest on loans		-	5,540,039	-	-	-	-	1,342,924	220,540	7,103,503
		215,273,610	**118,640,749**	**72,796,206**	**130,440,585**	**134,528,810**	**245,277,811**	**1,565,752,623**	**7,685,741**	**2,490,396,135**
Liabilities										
Obligations with public		755,836,549	187,409,138	151,459,668	112,220,467	190,000,340	77,408,068	5,402,773	-	1,479,737,003
Obligations with financial entities		174,589,316	5,430,109	39,849,618	51,603,149	51,960,511	75,528,657	542,671,364	-	941,632,724
Charges payable		-	780,640	11,368,850	1,394,576	758,547	349,993	18,930	-	14,671,536
		930,425,865	**193,619,887**	**202,678,136**	**165,218,192**	**242,719,398**	**153,286,718**	**548,093,067**	**-**	**2,436,041,263**
Assets and liabilities spread	US $	**(715,152,255)**	**(74,979,138)**	**(129,881,930)**	**(34,777,607)**	**(108,190,588)**	**91,991,093**	**1,017,659,556**	**7,685,741**	**54,354,872**

(Continued)

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

For the years ended December 31, 2014 and 2013, the separate accumulated financial statements show a net foreign exchange loss of ¢1,448,015,152 and a net foreign exchange gain of ¢1,017,839,114, respectively.

The sensitivity analysis for currency risk is mainly considered for measuring the position in a specific currency. The analysis consists of verifying on a monthly basis how much the position in the functional currency would represent with respect to the currency it would be converted into and, therefore, the mix of the currency risk. The analysis performed by the Bank is described below:

Exchange currency risk Garch Methodology As of December 31, 2014		
σ		-0.28%
Gap		3,597,993
VaR Daily	¢	-5,338,178
VaR Annual	¢	-84,740,941
Exchange risk index		-4.42%
Exchange rate USD		533.31000

Exchange currency risk Garch Methodology As of December 31, 2013		
σ		0.30%
Gap		82,870,584
VaR Daily	¢	120,952,771
VaR Annual	¢	1,920,065,713
Exchange risk index		4.68%
Exchange rate USD		495.01000

(Continued)

This is reflected in the Monte Carlo simulations performed by the Risk Managements of Treasury, where a variation of -0.28% in the exchange rate (0.295% in 2013) applying Garch *(Generalized Autoregressive Conditional Heteroskedasticity*), would decrease the equity sensitive to the risk in ¢601,197,870 (¢1,920,065,713 in 2013), with a confidence level of 99% over a one year period. This is due to substantial reduction of the Bank´s position in foreign currency.

As of December 31, the fair value of the Bank's own investments is shown below:

Portfolio of Own Funds
December 31

		Colones		US Dolares		Euros	UDES
2014	¢	235,380,468,913	US$	728,122,971	€	3,254,303	57,819,921
2013		393,040,406,399		332,548,549		3,251,078	57,755,071
Percentage variation		-37.34%		113.23%			

As of December 31, 2014, the fair value of the Bank's investments is shown below:

Fair Value of Foreign Investments
As of December 31, 2014

		Colones		U.S. dollars expressed in colones		Euros expressed in colones		UDES		Total
Instruments	¢	230,612,922,500	¢	385,039,153,082	¢	2,099,671,509	¢	49,967,455,271	¢	667,719,202,362
Funds		4,767,546,413		3,276,108,568		-		-		8,043,654,981
Total	¢	235,380,468,913	¢	388,315,261,650	¢	2,099,671,509	¢	49,967,455,271	¢	675,762,857,343
TC US$		533.31								
TC UDEs		864.1910								
TC EUR		1.2098								

Fair Value of Foreign Investments
As of December 31, 2014

		Colones		US Dólares		Dólares Colonizados	Percentage of investments in U.S. dollars
BASIAbia13	¢	-	US$	1,992,468	¢	1,062,602,896	0.27%
BCIEpbc11		838,479,875		-		-	0.00%
BOENboe14		-		4,642,459		2,475,869,916	0.64%
DENKBKD16		-		3,487,661		1,860,004,221	0.48%
EIBbeb16		-		4,723,425		2,519,049,787	0.65%
EIBbei15		-		8,062,204		4,299,653,930	1.11%
IADBbia15		-		1,065,600		568,295,381	0.15%
IADBbia16		-		3,467,062		1,849,018,638	0.48%
INTBKbin15		-		8,527,635		4,547,873,213	1.17%
WELLFTD		-		366,000,000		195,191,460,000	50.27%
Total	¢	838,479,875	US$	401,968,514	¢	214,373,827,982	55.22%
TC		533.31					

(Continued)

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Notes to Separate Financial Statements

As of December 31, 2013, the fair value of the Bank's investments is shown below:

Fair Value of Foreign Investments
As of December 31, 2013

		Colones		U.S. dollars expressed in colones		Euros expressed in colones		UDES		Total
Instruments	¢	389,037,976,692	¢	155,879,186,327	¢	2,211,683,016	¢	47,163,137,648	¢	594,291,983,683
Funds		4,002,429,707		8,735,670,729		-		-		12,738,100,436
Total	¢	393,040,406,399	¢	164,614,857,056	¢	2,211,683,016	¢	47,163,137,648	¢	607,030,084,119
XRT US$		495.01								
XRT DU		816.6060								
XRT EUR		1.3743								

Fair Value of Foreign Investments
As of December 31, 2013

		Colones		US Dólares		U.S. dollars expressed in colones	Percentage of investments in U.S. dollars
AFDB baf14	¢	-	US$	2,201,012		1,089,522,950	0.66%
BIPANCD$		-		60,000,000		29,700,600,000	18.04%
BOEN bbo15		-		4,652,296		2,302,933,043	1.40%
BOEN boe14		-		3,157,466		1,562,976,997	0.95%
CANAD bcg14		-		11,016,331		5,453,193,761	3.31%
CAMEB bca14		-		1,143,354		565,971,604	0.34%
EIB bek13		-		4,818,253		2,385,083,622	1.45%
Total	¢	-	US$	86,988,711	¢	43,060,281,977	26.15%
TC		495.01					

(Continued)

BANCO DE COSTA RICA

Notes to Separate Financial Statements

As of December 31, 2014, the share of investment funds in the Bank's portfolio is as follows:

Share of Investment Funds

Colones	Share	Price		Fair value		Amount expressed in colones
BCRSF - FI288	502,107,386	1	¢	513,153,749	¢	513,153,749
BCRSF - inm3	364	3,313,127	¢	1,205,978,275		1,205,978,275
PSFI - FI006	1,019,020,786	2	¢	2,369,223,328		2,369,223,328
BCRSF - inm3	205	3,313,127	¢	679,191,061		679,191,061
						4,767,546,413
U.S. dollars						
BCRSF - FI292	1,034,069	1	US$	1,041,307		555,339,607
INTSF - inm1$	892	2,845		2,537,740		1,353,402,119
INTSF - inm$2	637	4,025		2,563,925		1,367,366,842
			US$	6,142,972		3,276,108,568
Total					**¢**	**8,043,654,981**
XRT	533.31					

As of December 31, 2013, the share of investment funds in the Bank's portfolio is as follows:

Share of Investment Funds

Colones	Share	Price		Fair value		Amount expressed in colones
BCRSF - inm3	569	3,010,000	¢	1,712,690,000	¢	1,712,690,000
PSFI - FI006	1,019,020,786	2,247		2,289,739,707		2,289,739,707
						4,002,429,707
U.S. dollars						
BCRSF - F1022	10,274,134	1	US$	12,359,783		6,118,216,252
INTSF - inm1$	892	2,900		2,586,800		1,280,491,868
INTSF - inm2$	637	4,240		2,700,880		1,336,962,609
			US$	17,647,463		8,735,670,729
Total					**¢**	**12,738,100,436**
XRT	495.01					

(Continued)

Operational risk

Operational risk is the risk of direct or indirect loss associated with the Bank's processes, personnel, technology, and infrastructure, and from external factors other than credit, market, and liquidity risks such as fraud, theft and those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. This is an inherent risk for the sector in which the Bank operates and for all of its main activities. This risk may take various forms, particularly failures, errors, business interruptions, or inappropriate employee conduct, and may result in financial losses, sanctions imposed by regulatory authorities, or damage to the Bank's reputation.

The Bank's objective is to manage operational risk in order to minimize financial losses and damage to the Bank's reputation, as well as to achieve efficient and effective processes and optimize its internal control system.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management in each business and support unit. Periodic reports are submitted to the Risk Corporative Committee and, where appropriate, to the Executive Committee and General Board of Directors. This responsibility is supported by the development of standards or specific regulations for the management of operational risk included in the following areas:

The Guiding Framework for the operation, evaluation and improvement of the System of Integrated Risk Management of the Bank's Financial Conglomerate is composed of:

- Corporate Policies for Integrated Risk Management.
- Corporate Regulation for Integrated Risk Management.
- Corporate Administrative Provisions for Integrated Risk Management.
- Annual implementation strategy for System of Integrated Risk Management.

The Bank has also defined:

- Appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for effective reconciliation and monitoring of transactions.
- Compliance with regulatory and legal requirements.
- Documentation of controls and procedures;
- Periodic assessments of operational risk management and effective controls and procedures for the risks identified.
- Monthly reporting of operational losses and proposed remedial action.
- Development of Business Continuity Plan.
- Application of standards of business ethics.
- Development of risk mitigation activities, including security policies.

(Continued)

- Communication and application of corporate conduct guidelines.
- Reducing the impact of risks through insurance, as applicable.
- Comprehensive planning for resuming activities, including plans to restore key operations and internal and external support to ensure that services are not interrupted.
- Training of the Bank´s personnel.

These policies established by the Bank are supported by a program of periodic reviews audited by Internal Audit. The results of Internal Audit reviews are discussed with management of each business unit, with summaries submitted to the Corporate Audit Committee and Deputy Risk Management.

In turn, the quantitative assessment of operational risk is made through the Exponential Smoothing Methodology, which projects losses. A maximum limit has been established for operational risk losses with respect to equity.

Capital management

Regulatory capital

Based on the CAR defined in recent SUGEF regulations, as of December 31, 2014, the Bank's risk-weighted assets amount to ¢¢2,541,526 million (¢2,269,715 million as of December 31, 2013).

The Bank's capital must always comply with the CAR established by SUGEF, which require that banks maintain a ratio of at least 10% at all times. That ratio is calculated by dividing the Bank's base capital by total risk weighted exposures.

Management periodically monitors these requirements and reports to the Board of Directors on compliance. As of December 31, 2014 and 2013, the Bank's CAR is above the minimum ratio (10%) required by applicable regulations. A directive has been issued by the Board of Directors requiring that the CAR not fall below 11%.

(Continued)

As of December, 31, the Bank's tier I and tier II capital is as follows:

		2014	2013
Tier I capital			
Ordinary paid-up capital	¢	121,762,273,318	112,052,881,182
Legal reserve		178,560,730,574	162,853,210,411
Acquired goodwill		(64,450,983)	(219,133,343)
		300,258,552,909	274,686,958,250
Tier II capital			
Adjustment for revaluation of real Property		20,387,587,391	20,427,559,287
Adjustment for valuation of available for-sale investments		(1,207,693,780)	(725,370,788)
Adjustment for valuation of restricted financial instruments		(186,632,339)	(488,507,364)
Adjustment for revaluation of investments in other companies		4,777,833,477	3,383,069,597
Prior period retained earnings		22,632,060,769	21,552,740,443
Profit for the year		20,630,696,951	29,214,942,917
Subordinated debt instruments		21,332,400,000	14,850,300,000
Development Financing Fund		12,027,329,325	9,255,323,171
		100,393,581,794	97,470,057,263
Deductions			
Investments in other companies		(80,603,090,162)	(72,576,370,018)
Total regulatory capital	¢	**320,049,044,541**	**299,580,645,495**

(Continued)

(34) Financial information of Development Financing Fund

The Bank presents the following financial information as manager of its Financial Information of Development Financing Fund (FINADE).

DEVELOPMENT FINANCING FUND
BALANCE SHEET
As of December 31, 2014 and 2013
Financial information
(In colones)

		2014	2013
ASSETS			
Cash and due from banks	¢	**1,901,357,999**	**-**
Cash		1,901,357,999	-
Loan portfolio		**11,260,060,994**	**10,866,818,474**
Current		9,435,610,156	9,291,480,967
Past due		2,005,064,162	1,497,297,276
Legal collections		53,957,048	97,842,775
Accrued interest receivable		108,898,602	94,180,141
(Allowance for loan impairment)		(343,468,974)	(113,982,685)
TOTAL ASSETS	¢	**13,161,418,993**	**10,866,818,474**
LIABILITIES			
Accounts payable and provisions	¢	**5,646,300**	**577,325,630**
Other sundry accounts payable		5,646,300	577,325,630
Other liabilities		**40,592,642**	**2,079,885**
Deferred income		40,592,642	2,079,885
TOTAL LIABILITIES	¢	**46,238,942**	**579,405,515**
EQUITY			
Contributions from Banco de Costa Rica	¢	**9,898,139,668**	**8,158,223,302**
Profit from prior year		**2,129,189,657**	**1,097,099,869**
Profit for current year		**1,087,850,726**	**1,032,089,788**
TOTAL EQUITY	¢	**13,115,180,051**	**10,287,412,959**
TOTAL LIABILITIES AND EQUITY	¢	**13,161,418,993**	**10,866,818,474**
OTHER DEBIT MEMORANDA ACCOUNTS			
Own debit memoranda accounts	¢	**295,327,865**	**917,376,712**

DEVELOPMENT FINANCING FUND
INCOME STATEMENT
For the years ended December 31
Financial information
(In colones)

		2014	2013
FINANCE INCOME			
Loan portfolio	¢	1,316,698,221	1,061,048,100
Gain on foreign exchange differences		19,083,953	-
TOTAL FINANCE INCOME		**1,335,782,174**	**1,061,048,100**
Financial expenses			
Foreign exchange loss		-	2,441,322
Total financial expenses		**-**	**2,441,322**
Allowance for loan losses		365,377,363	23,193,917
Recovery of assets and decrease in allowances		139,221,245	23,681,735
FINANCE INCOME		**1,109,626,056**	**1,059,094,596**
OTHER OPERATING INCOME			
Other operating income		16,794,325	8,578,704
Other services		1,300	-
TOTAL OTHER OPERATING INCOME		**16,795,625**	**8,578,704**
Other operating expenses			
Foreign currency exchange and arbitrage		2,349	-
Other operating expenses		38,509,746	35,583,512
Total other operating expenses		**38,512,095**	**35,583,512**
GROSS OPERATING INCOME		**1,087,909,586**	**1,032,089,788**
Administrative expenses			
Other administrative expenses		58,860	-
Total administrative expenses		**58,860**	**-**
PROFIT FOR THE YEAR	¢	**1,087,850,726**	**1,032,089,788**

Loan portfolio corresponding to FINADE

As of December 31, the information contained in notes a) through f) below corresponds to financial information.

a) Loan portfolio by sector

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

		2014	2013
Sector			
Agriculture, livestock, hunting and related services	¢	2,509,433,128	2,822,271,858
Fisheries and aquaculture		18,761,269	19,404,161
Manufacturing		2,495,480,081	2,493,853,136
Exploitation of mines and quarries		87,294,030	32,465,312
Trade		5,798,942	7,010,785
Services		5,344,673,574	4,552,347,453
Transport		651,314,806	655,606,852
Real state, renting and business activities		51,798,784	23,724,929
Construction, purchase and repair of propierties		149,067,282	115,282,588
Consumption		20,820,325	10,372,173
Hotels and Restaurants		50,658,385	72,922,375
Education		109,530,760	81,359,396
		11,494,631,366	10,886,621,018
Plus accrued interest receivable		108,898,602	94,180,141
Less allowance for loan loss		(343,468,974)	(113,982,685)
	¢	**11,260,060,994**	**10,866,818,474**

b) Loan portfolio by arrears

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

		2014	2013
Current	¢	9,435,610,156	9,291,480,967
1 to 30 days		744,886,566	560,408,755
31 to 60 days		652,775,536	545,242,647
61 to 90 days		83,201,774	160,114,354
91 to 120 days		196,188,005	200,000,000
121 to 180 days		121,167,911	24,609,497
More than 181 days		206,844,370	6,922,023
Legal collections		53,957,048	97,842,775
	¢	**11,494,631,366**	**10,886,621,018**

c) Past due loans

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

		2014	2013
Past due loans in nonaccrual status 50 loans on 2014 (2013: 5 loans)	¢	206,844,370	6,922,023
Past due loans in accrual status	¢	1,798,219,792	1,490,375,253
Total interest not collected	¢	18,294,379	16,211,098

As of December 31, 2014, loans on legal collection, are as follows:

# operations	percentage		balance
7	0.47%	¢	53,957,048

As of December 31, 2013, loans on legal collection, are as follows:

# operations	percentage		balance
5	0.90%	¢	97,842,775

d) Accrued interest receivable on loan portfolio

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

		2014	2013
Current loans	¢	54,451,883	51,524,335
Past due loans		51,231,335	36,650,357
Loans in legal collections		3,215,384	6,005,449
	¢	**108,898,602**	**94,180,141**

e) Allowance for loan impairment

Movement in the allowance for loan impairment is as follows:

2014 opening balance	¢	**113,982,685**
Plus:		
Allowance charged to profit or loss		365,377,363
Movement of balances		80,186
Adjustment for foreign exchange differences		3,249,985
Less:		
Reversal of allowance against income		(139,221,245)
2014 closing balance	¢	**343,468,974**

2013 opening balance	¢	**114,477,424**
Plus:		
Allowance charged to profit or loss		23,193,917
Less:		
Adjustment for foreign exchange differences		(6,921)
Reversal of allowance against income		(23,681,735)
2013 closing balance	¢	**113,982,685**

f) Loan portfolio by type of guarantee

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

		2014	2013
Guarantee			
Mortgage	¢	1,730,315,501	1,465,001,576
Chattel mortgage		4,739,934,521	4,035,311,723
Others		5,024,381,344	5,386,307,719
	¢	**11,494,631,366**	**10,886,621,018**

h) Financial instruments of FINADE with credit risk exposure is as follow:

		Direct loans	
		December 2014	December 2013
Principal	¢	11,494,631,366	10,886,621,018
Accrued interest receivable		108,898,602	94,180,141
		11,603,529,968	10,980,801,159
Allowance for loans losses		(343,468,974)	(113,982,685)
Carrying amount	¢	11,260,060,994	10,866,818,474
Loan portfolio			
Total balance:			
A1	¢	9,212,187,400	9,190,606,147
A2		236,522,095	178,728,716
B1		840,664,305	625,493,389
B2		118,308,544	220,307,859
C1		162,090,341	129,320,657
C2		-	88,665,936
D		299,413,417	344,223,452
E		734,343,866	203,455,003
		11,603,529,968	10,980,801,159
Structural allowance		(343,468,976)	(113,982,606)
Carrying amount, net	¢	11,260,060,992	10,866,818,553
Individually assessed loans with allowance:			
A1	¢	9,212,187,400	1,914,654,447
A2		236,522,095	79,636,797
B1		840,664,305	161,426,863
B2		118,308,544	166,765,153
C1		162,090,341	9,212,267
C2		-	33,570,383
D		299,413,417	118,096,646
E		734,343,866	136,400,408
		11,603,529,968	2,619,762,964
Allowance for loan losses		(343,468,976)	(113,982,606)
Carrying amount, net	¢	11,260,060,992	2,505,780,358

		Direct loans	
		December 2014	December 2013
Past due loans			
without allowance:			
A1	¢	-	278,136,152
A2		-	20,951,909
B1		-	275,222,684
B2		-	53,542,706
C1		-	76,787,946
C2		-	51,514,773
D		-	160,635,556
E		-	44,105,666
Carrying amount	¢	-	960,897,392
Balance aging of past due loans			
without allowance:			
1 to 30 days	¢	-	310,562,224
31 to 60 days		-	317,291,228
31 to 60 days		-	128,302,719
91 to 180 days		-	200,662,222
More than 181 days		-	4,078,999
Carrying amount	¢	-	960,897,392
Current loans without allowance:			
A1	¢	-	6,997,815,547
A2		-	78,140,010
B1		-	188,843,842
C1		-	43,320,444
C2		-	3,580,780
D		-	65,491,250
E		-	22,948,930
Carrying amount	¢	-	7,400,140,803
Carrying amount		11,603,529,968	10,980,801,159
Allowance for loan impairment		(343,468,976)	(113,982,606)
(Surplus) excess of			
structural allowance		2	(79)
Carrying amount, net	¢	11,260,060,994	10,866,818,474

		Loans to customers	
As of December 31, 2014		**Gross**	**Net**
Risk category:			
A1	¢	9,212,187,400	9,204,817,651
A2		236,522,095	236,332,877
B1		840,664,305	833,600,156
B2		118,308,544	117,127,275
C1		162,090,341	158,226,455
D		299,413,417	285,778,435
E		734,343,866	424,178,143
	¢	11,603,529,968	11,260,060,992

		Loans to customers	
As of December, 31, 2013		**Gross**	**Net**
Risk Category			
A1	¢	9,190,606,147	9,184,951,411
A2		178,728,716	177,485,831
B1		625,493,389	617,422,046
B2		220,307,859	210,738,651
C1		129,320,657	127,017,590
C2		88,665,936	81,037,823
D		344,223,452	339,584,055
E		203,455,003	128,581,146
	¢	10,980,801,159	10,866,818,553

(35) Financial information of the Development Financing Fund

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

DEVELOPMENT FINANCING FUND
BALANCE SHEET
As of December 31
Financial information
(In colones)

		2014		2013
ASSETS				
Availabilities	¢	**1,673,525,844**	¢	**1,946,151,196**
Central Bank of Costa Rica		1,673,525,844		1,946,151,196
Investments in financial instruments		**155,392,335,621**		**128,013,322,592**
Available-for-sale		154,004,866,763		126,952,810,972
Accrued interest receivable		1,387,468,858		1,060,511,620
Accounts and fees and commissions receivable		**-**		**5,367,733**
Deferred tax and income tax receivable		-		5,367,733
TOTAL ASSETS	¢	**157,065,861,465**	¢	**129,964,841,521**
LIABILITIES				
Obligations with the public	¢	**156,361,638,401**	¢	**129,367,214,793**
Demand obligation		156,295,148,240		129,367,214,793
Financial charges payable		66,490,161		-
Accounts payable and provisions		**242,098,761**		**218,302,809**
Defferred income tax		-		24,002,497
Other sundry accounts payable		242,098,761		194,300,312
TOTAL LIABILITIES	¢	**156,603,737,162**		**129,585,517,602**
EQUITY				
Equity adjustments	¢	**19,897,343**		**43,519,190**
Adjustment for valuation of available-for-sale investments		19,897,343		43,519,190
Profit for current year		**442,226,960**		**335,804,729**
TOTAL EQUITY	¢	**462,124,303**		**379,323,919**
TOTAL LIABILITIES AND EQUITY	¢	**157,065,861,465**	¢	**129,964,841,521**

BANCO DE COSTA RICA

Notes to Separate Financial Statements

DEVELOPMENT FINANCING FUND
INCOME STATEMENT
For the years ended December 31
Financial information
(In colones)

		2014	2013
Financial income			
Investments in financial instruments	¢	4,879,493,328	3,432,867,102
Gain on available for-sale financial instruments		85,921,645	65,248,242
Total financial income		**4,965,414,973**	**3,498,115,344**
Financial expenses			
Financial expenses		1,854,825,357	1,262,367,017
Loss on marketable securities		100,835,279	55,269,209
Loss on securities avaible-for-sale		-	5,446,053
Other financial expenses		1,726,022	-
Total financial expenses		**1,957,386,658**	**1,323,082,279**
FINANCIAL INCOME		**3,008,028,315**	**2,175,033,065**
Other operating income			
Exchange and arbitrage, foreign currency		58,687,843	97,282,413
Other operating income		23,192,623	13,353,086
Service fees and commissions		-	7,232
Total other operating income		**81,880,466**	**110,642,731**
Other operating expenses			
Exchange and arbitrage, foreign currency		17,168,774	36,309,059
Other operating expenses		21,226,181	10,668,544
Total other operating expenses		**38,394,955**	**46,977,603**
GROSS OPERATING INCOME		**3,051,513,826**	**2,238,698,193**
Statutory allocations of earnings (DFF)		2,609,286,866	1,902,893,464
RESULT FOR THE PERIOD	¢	**442,226,960**	**335,804,729**

STATUTORY ALLOCATIONS

Statutory allocations of earnings (DFF)	¢	2,609,286,866	1,902,893,464
Service fees and commissions (DCF)		442,226,960	335,804,729
	¢	**3,051,513,826**	**2,238,698,193**

Staring as of November 27, 2014, after Law No. 9274 was reformed (Compressive Reform of Development the Banking System) the managing bank will receivable a commission of maximum 10% of the earnings, set by the Governing Council, to cover operation cost, services and any other cost arising from managing the investments (15 % in 2013).

As of December 31, the investments in financial instruments corresponding to the Development Credit Fund (DCF) are as follow:

		2014	**2013**
Available for sale investments	¢	154,004,866,763	126,952,810,972
Accrued interes recivable on avaible for sale investmets		1,387,468,858	1,060,511,620
	¢	**155,392,335,621**	**128,013,322,592**

Available for sale investments		**December 2014 Fair value**	**December 2013 Fair value**
Local issuers:			
Govermment	¢	86,531,159,491	76,067,867,076
State-owned banks		48,291,339,294	38,091,233,512
		134,822,498,785	**114,159,100,588**
Foreing issuers			
Govermment		-	5,453,193,761
Private issuers		19,182,367,978	7,340,516,623
	¢	**154,004,866,763**	**126,952,810,972**

(36) Transition to International Financing Reporting Standards (IFRSs)

Through various resolutions, CONASSIF (the Board) agreed to partial adoption, starting January 1, 2004, of IFRSs promulgated by the International Accounting Standards Board (IASB). In order to regulate application of those Standards, the Board issued the Terms of the Accounting Regulations Applicable to Entities Regulated by SUGEF, SUGEVAL, SUPEN, and SUGESE and to Nonfinancial Issuers and approved a comprehensive revision of those regulations. On March 17, 2007 the Council adopted a comprehensive reform of the "Accounting regulations/standards applicable to supervised entities by SUGEF, SUGEVAL, SUPEN and SUGESE and non-financial issuers".

On May 11, 2010, the Board issued private letter ruling CNS 413-10 to revise the Accounting Regulations Applicable to Entities Regulated by SUGEF, SUGEVAL, SUPEN, and SUGESE and to Non-financial Issuers (the Regulations), which mandate application by regulated entities of IFRSs and the corresponding interpretations issued by the IASB in effect as of January 1, 2008, except for the special treatment indicated in Chapter II of the aforementioned Regulations.

Pursuant to the Regulations and in applying IFRSs in effect as of January 1, 2008, any new IFRSs or interpretations issued by the IASB, as well as any other revisions of IFRSs adopted that will be applied by regulated entities, will require the prior authorization of the Board.

On April 4, 2013 C.N.S. 1034/08 was issued, stating that, for the period starting January 1, 2014, IFRS 2011 shall be applied with exception of special treatments referred to in Chapter II of the rules for regulated financial entities.

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

New IAS I is effective as from the periods on or after January 1, 2009.

The presentation of financial statements required by the Board differs in some respects from presentation under IAS 1. Following are some of the most significant differences:

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

b) Revised IAS 1: Financial Statements Presentation

IAS 1 requires an entity to disclose reclassification adjustments an 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 permit on certain IFRS and IAS.

c) IAS 7: Cash Flows Statement

The Board has only authorized preparation of the cash flow statement using the indirect method. The direct method is also acceptable under IAS 7.

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

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

e) IAS 16: Premises 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 shares (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 foreclosed assets.

f) IAS 18: Revenue

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

g) Revised IAS 19: Benefits for employees

This standard is for application in the periods that begin in the 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 statement of results or in the other integral results. The new IAS 19 require the changes in measurements to be included in other integral results and the cost of services and net interest to be included in the statement of results.

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

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

i) IAS 24: Related parties disclosures

The Council of 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 with the government. This standard will applied retroactively for the annual periods starting as from January 1, 2011.

j) IAS 27: Consolidated and Separate Financial Statements

The Board requires that the financial statements of a parent be presented separately, measuring its investments by the equity method. Under IAS 27, a parent is required to present consolidated financial statements.

A parent need not present consolidated financial statements when the ultimate or any intermediate parent of the parent produces consolidated financial statements available for public use, provided certain other requirements are also met. However, in this case, IAS 27 requires that investments be accounted for at cost.

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

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.

k) IAS 28: Investments in and partners 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 partners and join ventures.

l) 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 share capital.

m) 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.

n) 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.

o) 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 economics benefits; such term could not exceed five years. Similar proceeding applies to purchase good will.

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 order hand, IFRS do not require anual Goodwill amortization, only evaluating impairment.

p) 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 booking 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, 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).

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

Entities regulated by SUGEVAL and SUGEF may classify other investments in financial instruments as trading 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.

q) 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.

r) Revised IFRS 3: Business Combinations

The revised standard (2008) incorporates the following changes:

- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.

- Contingent consideration will be measured at fair value, with subsequent changes therein recognized in profit or loss.

- Transaction costs, other than share and debt issue costs, will be expensed as incurred.

- Any pre-existing interest in the acquirer will be measured at fair value, with the related gain or loss recognized in profit or loss.

- Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquirer, on a transaction-by-transaction basis.

Revised IFRS 3, which became mandatory for 2010 financial statements, will be applied prospectively. This Standard has not been adopted by the Board.

s) 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.

t) 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.

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 instruments.

Further, 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.

u) 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 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, calendars 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 begging un or before January 1, 2018, and entity may elect to apply if, the corresponding date of the entity initial application is prior to February 1, 2015.

v) IFRS 10: Consolidated Financial Statements

This Standard provides a revised control definition and an application guidance therefor, 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 that were 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 must:

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

2) measure 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.

w) <u>IFRS 11: Joint Arrangements</u>

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.

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, non-monetary contributions by ventures.

x) <u>IFRS 12: Disclosure of interest in other entities</u>

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 interests in other entities, including joint arrangements, associates, structured entities, and “off balance sheet” activities. This Standard has not been adopted by the Board.

y) <u>IFRS 13: Fair Value Measurement</u>

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 the Board.

z) IFRS 15: Revenue derived from contracts and clients

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 clients.

IFRS 15 appliers 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: Clients loyalty programs;
d. IFRIC 15: Agreements for construction of Properties;
e. IFRIC 18: Transfer of assets from customers;
f. SIC 31; Revenue swap – 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 AIS 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 Council of International Financial Reporting Standards (IASB) and the issuer of national standards in the United States, the Council of Financial Accounting Standards Board (FIASB), 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. Eliminate inconsistencies and weakness 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 disclosures 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 clients – 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.

d. Step 4: Allocate the transaction price between performance obligations of the contract – an entity usually allocate 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 assign 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 obtain 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.

aa) IFRIC 10, Interim financial statements and deteriorations

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 Counsel allows revisions of estimates.

bb) IFRIC 12, Services concession agreements

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

- The infrastructures that the operator build or purchase from a third party, to be used for the provision of services agreements; and

- Existing infrastructures 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 Council.

cc) 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 Council.

dd) IFRIC 14, IAS 19, Limit of Assets for determined benefits, obligation to maintain a minimum level of funding 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 Council.

ee) IFRIC 16, Hedges of net investment in abroad business

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 Council has not adopted his standard.

ff) IFRIC 17, Distribution of non- cash assets to owners

This interpretation provides guidance for accounting dividends payable distributed using non- cash assets, at the begging 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 reveal:

a) The nature of the asset to be distributed;

b) The book value if the asset at the closing date; and

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 Council. Its application is prospective; a retrospective application is not permitted.

gg) IFRIC 18, Transfer if assets from customers

This interpretation offer 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 Council.

hh) IFRIC 19, Amortizing 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 cancel 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 Council.

ii) 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.

jj) 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.

kk) IFRIC 19: Amortizing financial liabilities with equity instruments

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

ll) 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 assets 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 in 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 period beginnings on or after January 1, 2014.

mm) <u>Amendments to existing standards</u>

Benefits for employees
(Amendment to IAS 19)

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

The transition date is for annual periods that begging in or after January 1, 2015; it may be applied in advance and to disclose that fact. Any application adjustment must be made against retained earnings at the beginning of the periods.

This standard is for application in the periods that begging in or after January 1, 2013. It includes changes referring to the benefits plans defined for which it previously required that the remeasurement of the actuarial appraisals were recognized in the statement of results 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 statement of results.

Sales or contribution of assets between an investor and partner or joint venture
(Amendments to IFRS 10 and IAS 28)

Loss of Control

When a controller loses control of a subsidiary, the controller:

a. Will derecognize assets and liabilities of former subsidiary of the consolidated statement of financial positions;
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 us measured again, as describe 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 or control of previous controller as specified in paragraphs B98 to B99.

Sale or contribution of assets between an investor and partner or joint venture (Amendments to IFRS 11),

This IFRS requires the acquirer of a share in a joint venture to apply all the principles on accounting for business combinations of IFRS 4 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 acquisitions of shares in joint ventures
(Amendments to IFRS 11)

This IFRS requires the acquirer of a share in a joint venture to apply all the principles on accounting for business combinations of IFRS 4 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 acquisitions of shares in joint ventures (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 period beginnings before, it will disclose that fact.

Share 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 share 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
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 share equity method in accordance with IFRS 5, non- current assets held for sale and discontinued operations, in case where they are classified as held for distribution (or included in a group of assets for disposal that are classifies as held for sale or for distribution). In these circumstance, the measurement of investments accounted is not amended in accordance with IFRS 9.

The share 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 or renewal of derivates and continued hedges 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 derivates and continued hedge accounting, and the corresponding response received (Proposed Amendments to IAS 39 and IFRS 9) was published in February 2013.

IASB has amended IAS 39 to discontinued exempt the hedge accounting when the novation of a derivate 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.

Disclose of 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, Disclose of the recoverable amount of non- financial assets and corresponding response received (Proposed Amendments to IAS 36) that was published in January 2013.

In May 2013, paragraphs 130 and 134 were amended as well as the heading of paragraph 138. An entity shall apply these amendments retrospectively for annual periods beginning on or after January 1, 2014. Earlier application is permitted. An entity shall not apply those amendments in periods (including comparative periods) in which IFRS 13 is applied.

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 nn) 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.

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 intersect 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 od changes in equity, and requiring the presentation criteria, for the intermediate financial information in accordance with IAS 34.

(37) Figures for 2013

As of December 31, 2013, financial statement figures have been reclassified for comparison with those at 2014, per modifications to the Chart of Accounts and SUGEF Directive 31-04: "Regulation on the financial information of entities, groups and financial conglomerates" approved by CONASSIF and effective from January 1, 2014.

On the Balance sheet, subordinated loans include ¢14,850,300,000, which in the consolidated financial statements at December 31, 2013, respectively, are presented in subordinated debentures.

On the balance sheet, Other foreclosed assets include an amount of ¢199,502,055 and ¢249,987,776, which in the financial statements at December 31 and September 2013, respectively, were presented in Other assets as valued stamps, tax form, phone cards and stamps of the National Registry.

In the comprehensive income statement gains on foreign exchange in the amount of ¢333,519,705,893 and losses on foreign exchange in the amount of ¢332,501,866,779, are included. In the financial statements as of December 31, 2013 those exchange rate differences were presented as a net profit.

(38) Relevant and subsequent events

As of September 30, 2014, there are significant subsequent events (facts) to disclose as follows:

On January 11, 2013, Law N° 9092 was published; Refund of Income to the National Commission Education Loan (CONAPE), derogatory of article 41 and the Transitory III of the Law N°8634, from October 23 2008:

Article I: is repealed article N°41 and the transitory III of the Law N° 8634, Banking System Development from October 23 2008.

On January 30, 2013, the Board of Directors of the Central Bank of Costa Rica in its article 7 minute of the session 5582-2013, took the following agreements in relation to the portfolio:

1- Establish an overall limit of 9% to the accrued growth between February 1 and October 31, 2013 for the balance of the portfolio loan and investments to the non- financial private sector granted by financial intermediaries supervised by the General Superintendence (Superintendent) of Financial Entities; rate expressed in annualized terms corresponds to a 12.2%.

2- Establish an overall limit to the accrued growth between February 1 and October 31, 2013 for the balance of the portfolio loan and investments to the non- financial private sector in foreign currency and granted by financial intermediaries supervised by the General Superintendence of Financial Entities as follows:

   a) If the financial intermediary showed as of December 31, 2012 an annual growth equal or less to 20%, the increase accumulated on the balance of the portfolio between February 1 and October 31 2013 may not exceed 6.0%. This rate expressed in annualized terms corresponds to an 8%.

   b) If the financial intermediary presented as of December 31, 2012 an annual rate of more than 20%, the increase accumulated on the balance of the portfolio between February 1 and October 31 may not exceed 30% of the annual rate registered on December 31, 2012.

3- The follow-up on the present agreement will be conducted on a quarterly basis, based on the Information provided by the financial intermediaries as at April 30, July 31 and October 31, 2013, as follows:

   a) The follow-up will be conducted based on the projection of balances that each institution provides the Central Bank of Costa Rica and the General Superintendence of Financial Entities, 15 calendar days to the entry into force of this measure.

   b) In it´s absence, for the follow-up of the limits established in paragraphs 1 and 2, the resulting flow is distributed evenly in the three quarters comprising the measure.

   c) As follow-up, the balance of the portfolio in foreign currency for each and every reference date, must be expressed in colones using the Exchange reference rate of the Central Bank of Costa Rica as of December 31, 2012 (¢502.07 per US$ dollar).

Therefore, among the measures to consider will be in first instance:

1. Tracking the required limit according to the parameters established by the Central Bank of Costa Rica.

2. The Bank will need to act diligently with the granting credit and more stringent with the credit analysis for companies and people in light of the stress scenarios suggested by the regulator.

3. Review the budget targets for 2013.

As of July 31, 2013, the Board of the Central Bank decides to eliminate the global constraint to the growth of the financial system credit to the private sector.

On July 8, 2013, the return of capital to Banco de Costa Rica.is approved in the Extraordinary General Meeting of Shareholders of BCR Pensión Operadora de Planes de Pensiones Complementarias through minute No. 02-13.

In accordance with Chapter VII of the "Regulation on the opening and operation of authorized entities and operation of pension funds, labor capitalization and voluntary savings under the Worker Protection Law" establishes capital adequacy guidelines for authorized entities, where the different levels of requirements are set for market risk, operational and credit risk, as well as calculations of capital base.

In that sense, BCR Pensión Operadora de Planes Complementarias held since early 2012 an average level of capital adequacy ratio of 2.19 times, which is well above the regulatory requirement (1 time) and internal risk limit set at 1.5 times. This reflects a comfortable capital position against risk requirements faced by the entity.

Given the above circumstances, it is considered appropriate to make a return of surplus capital from BCR Pensioón Operadora de Planes Complementarias in the amount of ¢1,000 million colones to Banco de Costa Rica as sole shareholder of BCR Pensión Operadora de Planes Complementarias, in order to optimize the financial resources of the institution.

The detail of the return is as follows:

Cash	¢ 877,642,491
Computer equipment, furniture and computer licenses	122,357,509
Total return Capital	**¢ 1,000,000,000**

The capital of BCR Operadora de Pensión Complementarias decreases in the amount indicated, from 2,444,450,000 shares with a nominal value of ¢1 per share each to 1,444,450,000 shares with the same par value.

On August 5, 2013, the Bank performs the first international bond issuance for US$500 million, which had a close demand of 8.75 times. Bond orders from more than 290 investors accounts were received for a total amount of US$ 4.363 million.

The bonds were issued under regulations 144[a] to institutional investors in the United States of America and Regulation "S", to markets outside the United States, including non-institutional investors. The issue only traded in international markets, for a term of 5 years, with a facial rate of 5.25%.

The Bank hired Barclays Capital Inc. and Deutsche Bank Securities Inc. to perform the structuring and issuance of bonds.

Recently, as part of this process, the international firm Moody's Investment Service, gave the bank a rating of Baa3, the same granted to the Republic of Costa Rica, and is classified as investment grade. This indicator represents a high degree of confidence to investors. Moreover, Fitch Ratings Inc., with same rating established by the Government of Costa Rica, rated the bond issue BB+.

On September 6, 2013, the documents are signed in order to settle negotiations with Consejo Nacional de Produccion (CNP), for the acquisition of property and building of its headquarters, close to La Sabana, to develop a real estate project to install the bank headquarters. However, a period of one year for the delivery of the property is given to CNP, while Sociedad Administradora de Fondos de Inversión S. A. (SAFI), introduces a real estate solution to the entity. The amount paid for the purchase of the property is ¢6,430,087,005.

On January 14, 2015, according to the latest regulation proposal notified to the Bank by the Dirección General de Tributación, regarding the present issuers eventually representing a tax contingency 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.

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 fax fees.

On January 30, 2015 the Board of Director of the Central Bank of Costa Rica in the article

a. In this regime, the Central Bank of Costa Rica will allow the exchange rate to be freely determined by the foreign exchange market, participating in it in order to be freely determined by the foreign exchange market, participating in it order to meet its own currency requirements and those of the non- financial Public Sector as well as avoiding violent exchange rate fluctuations,

b. The Central Bank of Costa Rica may carry out direct operations or use currency negotiation instruments in accordance with the current regulations.

c. The Central Bank of Costa Rica will continue using the rules of engagement and its amendments provided for in this agreement in its stabilization transactions in the foreign currency markets. The committee for Financial Stability will determine intervention procedures consistent with the strategy by the Board of Directors.

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

The General Management of the Bank authorized the issuance of the Separate Financial Statements on January 31, 2015.

SUGEF has the possibility to require modifications to the Financial Statements after the date of authorization for issuance.