

Despacho Lara Eduarte, s.c.

BANCO NACIONAL DE COSTA RICA

**Financial Statements and
Auditors' report**

As of December 31, 2004 and 2003

Despacho Lara Eduarte, s.c.

**BANCO NACIONAL DE COSTA RICA
AND SUBSIDIARIES**

Consolidated Financial Statements and Auditors' Report

As of December 31, 2004 and 2003

Table of Contents

	Schedule	Page
Report on the consolidated financial statements		
Independent auditors' report		1
Consolidated balance sheet	A	3
Consolidated statement of income	B	5
Consolidated statement of cash flows	C	7
Consolidated statement of changes in stockholders' equity	D	8
Notes to consolidated financial statements		
Note 1. Overview		9
Note 2. Basis of preparation of the financial statements and summary of significant accounting policies		10
Note 3. Significant departures of the accounting basis used and the international financial reporting standards		25
Note 4. Cash and cash equivalents		26
Note 5. Investments in securities		26
Note 6. Loan portfolio		27
Note 7. Related parties transactions		30
Note 8. Assets pledged or subject to restrictions		31
Note 9. Foreign currency exposure		32
Note 10. At-sight and time deposits		33
Note 11. Major components of the financial statements		34
Note 12. Concentration of assets and liabilities and off-balance sheet items		63
Note 13. Maturity of assets and liabilities		64
Note 14. Liquidity and market risks management		67
Note 15. Contingencies and commitments		76
Note 16. Off-balance sheet financial instruments risk		76
Note 17. Trusts and trust commissions		77
Note 18. Other memo accounts		81
Note 19. Capital stock		81
Note 20. Income tax		81
Note 21. Off-balance sheet items		82
Note 22. Significant events		87
Note 23. Other significant events		94
Note 24. Authorization for issuance of the financial statements		99

Independent auditors' report

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

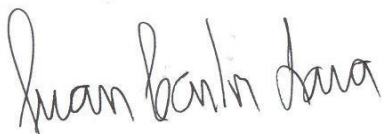
We have audited the accompanying consolidated balance sheets of the Banco Nacional de Costa Rica and subsidiaries as of December 31, 2004 and 2003 and the related statements of income, of changes in stockholders' equity and of cash flows for the one-year periods then ended. These financial statements are the responsibility of the administration of the Banco Nacional de Costa Rica. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of BICSA Corporación Financiera, S.A., which show assets of \$659,241,800 and \$659,469,663 as of December 31, 2004 and 2003, and total income of \$39,592,180 and \$40,912,783 for the one-year periods then ended. Those financial statements were audited by other independent public accountants whose unqualified report dated February 15, 2005 and January 22, 2004 was furnished to us. Our opinion, as far as the amounts included in BICSA Corporación Financiera, S.A. is concerned, is based in the report of the other auditors.

We conducted our audits in accordance with international auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The audits included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying consolidated financial statements have been prepared by the management of the Banco Nacional de Costa Rica and subsidiaries in conformity with the directives issued by the National Supervisory Council of the Financial System and the General Superintendence of Financial Entities.

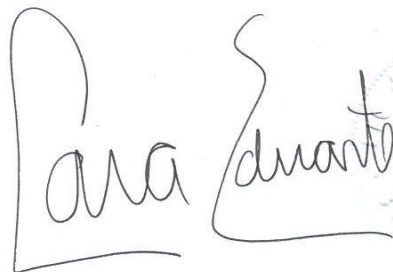
In our opinion, based on the results of our audits and on the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Banco Nacional de Costa Rica and subsidiaries as of December 31, 2004 and 2003 and its income, the changes in its financial position and the changes in its stockholders' equity for the one-year periods then ended, pursuant to the directives issued by the National Supervisory Council of the Financial System and the General Superintendence of Financial Entities, as discussed in note 2.

The accompanying financial statements expressed in U.S. dollars give effect to the conversion of the Costa Rican colones financial statements not submitted herewith, on the basis described in note 2. This conversion should not be construed as representing that the Costa Rican colones amounts actually represent or have been, or could be, converted into U.S. dollars.



San José, Costa Rica
January 30, 2005

Dictamen firmado por
Juan C. Lara P. No2052
Pol. R-1153 V.30-9-2005
Timbre Ley 6663 c1.000
Adherido al original



Schedule A
1 of 2Banco Nacional de Costa Rica
and subsidiaries
Consolidated balance sheets
as of December 31,

	Notes	2004	2003
Assets			
Availabilities	4 y 11.1	\$ 494,024,879	344,962,086
Investments in securities and deposits	5 y 11.2	1,441,946,587	986,362,346
Available for sale		1,091,131,692	730,172,975
Held to maturity		350,817,785	256,511,979
(Allowance for losses)		(2,890)	(322,608)
Loan portfolio	6 y 11.3	1,528,113,650	1,334,868,732
Current loans		1,512,960,079	1,315,008,402
Overdue loans		22,077,193	27,116,663
Under legal collection process		31,997,673	39,564,646
Credits for legal mandate		0	125,080
(Allowance for credit losses)		(38,921,295)	(46,946,059)
Accrued income and accounts receivable	11.4	49,271,936	27,911,730
Commissions		871,036	1,467,613
With related parties		207,676	0
Deferred income tax and income tax receivable		1,004,934	240,521
Other accounts receivable		5,966,110	6,815,144
Accrued income		45,810,430	27,040,800
(Allowance for losses)		(4,588,250)	(7,652,348)
Repossessed assets	11.5	19,313,818	10,704,822
Participation in other companies	11.6	7,929,091	787,555
Premises and equipment, net	11.7	131,691,193	137,044,041
Other assets	11.8	16,928,513	40,396,940
Intangible assets		7,105,840	9,548,170
Other assets		9,822,673	30,848,770
Total assets		\$ <u>3,689,219,667</u>	<u>2,883,038,252</u>

Continue...

continued...

**Banco Nacional de Costa Rica
and subsidiaries
Consolidated balance sheets
as of December 31,**

Liabilities and stockholders' equity	Notes	2004	2003
Liabilities			
	10 y		
General obligations	11.9	\$ 2,879,538,951	2,235,618,967
At sight		1,363,638,720	1,232,355,297
At sight, other		8,230,718	9,498,494
Time deposits		1,493,144,254	972,887,976
Acceptances		8,294,203	9,897,416
Obligations for repurchase of securities		6,231,056	10,979,784
	10 y		
Obligations with Banco Central de Costa Rica	11.10	46,500,150	52,392,390
	10 y		
Other financial obligations	11.11	416,717,287	324,315,576
Other accounts payable and provisions	11.12	108,560,348	77,614,335
Accrued financial expenses		25,479,476	17,149,606
Deferred income tax		482,373	333,892
Provisions		51,548,215	34,372,467
Other accounts payable		31,050,284	25,758,370
Other liabilities	11.13	8,110,718	6,300,821
Deferred income		2,850,036	2,948,103
Allowance for contingent loans		2,186,081	194,038
Other liabilities		3,074,601	3,158,680
Total liabilities		3,459,427,454	2,696,242,089
Minority interest		15,245,499	22,795,894
Stockholders' Equity			
Capital stock		142,211,059	131,114,068
Paid		142,211,059	131,114,068
Adjustments to net worth		59,289,397	42,920,960
Adjustments for financial statements conversion		(99,383,660)	(82,887,704)
Equity reserves		80,043,870	51,801,649
Prior periods results		32,386,048	21,051,296
Total stockholders' equity		214,546,714	164,000,269
Total liabilities, stockholders' equity and minority interest	\$	3,689,219,667	2,883,038,252
Debit contingency accounts	15	145,743,619	203,545,938
Trusts management assets	17	311,927,636	259,623,696
Trust management liabilities		194,373,431	105,679,161
Trust management net worth		117,554,205	153,944,535
Other debit memo accounts	18	4,585,947,671	6,233,385,536

The accompanying notes are an integral part of the consolidated financial statements

Lic. William Hayden Q.
General Manager

Lic. Gerardo Gomez S.
Accountant General

Lic. Marvin Arias A.
Internal Auditor

**Banco Nacional de Costa Rica
and subsidiaries
Consolidated statement of income
For the one-year periods ended December 31,**

	Notes	2004	2003
Financial income			
From availabilities		\$ 627,899	95,056
From investments in securities and deposits	11.15	118,802,129	98,112,053
From loan portfolio	11.16	189,833,316	192,469,759
Exchange rate differential, net		6,310,031	213,185
Realized gain on available for sale securities		2,549,645	0
Other financial income	11.17	4,911,412	10,935,235
Total financial income		323,034,432	301,825,288
Financial expenses			
On general obligations	11.18	127,377,661	121,530,905
On obligations with BCCR		1,161,583	1,266,772
On financial obligations		6,613,688	5,401,337
On other accounts payable and provisions		1,795,787	565,624
Other financial expenses		2,354,131	253,348
Total financial expenses		139,302,850	129,017,986
Loss in value of investments and allowance for credit losses		17,784,372	25,778,635
Financial assets recovery		14,599,002	4,735,457
Financial result		180,546,212	151,764,124
Other operating income			
Commissions on services	11.19	61,935,799	69,140,010
From repossessed assets		13,474,981	1,392,442
Participation on capital of other entities	11.20	36,209	0
Exchange rate differentials		23,838,513	22,388,798
Related parties, other income		2,952	0
Other operating income	11.21	8,869,059	6,257,802
Adjustment of errors and changes in accounting policies during the period		0	2,150
Total other operating income		\$ 108,157,513	99,181,202

Continue...

Schedule B
2 of 2

Banco Nacional de Costa Rica
and subsidiaries
Consolidated statement of income
For the one-year periods ended December 31,

...continued

Other operating expenses			
Commissions on services		\$ 3,194,050	2,941,014
On repossessed assets	11.22	9,141,450	9,044,204
On participations in other entities		34,642	754
On sundry assets		34,223	704,849
Amortization of intangible assets	11.23	5,950,848	5,477,436
Exchange rate differentials		14,663,202	17,311,256
Taxes, licenses and compulsory contributions	11.27	6,425,041	5,858,560
Other operating expenses	11.24	6,170,952	5,522,836
Adjustment of errors and changes in accounting policies during the period		0	1,600
Total other operating expenses		45,614,408	46,862,509
		243,089,31	
Gross operating result		7	204,082,817
Administrative expenses			
		137,715,48	
Personnel	11.25	9	109,168,980
Other administrative expenses	11.26	53,945,274	56,642,261
		191,660,76	
Total administrative expenses		3	165,811,241
Adjustment for exchange rate differential conversion of financial operations abroad		425,998	366,653
Operating result before taxes and participations, net		51,002,556	37,904,923
Participations in net income	11.14	7,393,989	6,243,178
Income tax		1,150,885	2,893,255
Net result after income tax and participations in net income		42,457,682	28,768,490
Minority interest		572,817	122,421
Net result of ordinary operations		41,884,865	28,646,069
Extraordinary items, net of tax and participations in net income			
Extraordinary expenses		0	202,089
Result for the period		\$ 41,884,865	28,443,980

The accompanying notes are an integral part of the consolidated financial statements

Lic. William Hayden Q.
General Manager

Lic. Gerardo Gomez S.
Accountant General

Lic. Marvin Arias A.
Internal Auditor

**Banco Nacional de Costa Rica
and subsidiaries
Consolidated statement of cash flows
For the one-year periods ended December 31,**

	Notes	2004	2003
Funds provided by (used in) operating activities			
Net result for the period	\$	41,884,866	28,443,980
Items not requiring cash outlays			
Gain or loss in sale of repossessed assets and fixed assets		851,801	(67,122)
Exchange rate gains or losses, net		6,310,031	213,185
Allowance for credit losses		12,624,832	21,853,186
Allowance for impairment of assets		487,384	173,520
Other allowances		12,398,069	11,124,524
Provision for severance compensation, net of payments		10,716,819	6,714,394
Depreciation and amortization		21,466,929	22,861,290
Minority share in subsidiaries net profit		572,817	122,421
Net changes in assets (increase) decrease			
Loans and cash advances		(320,960,847)	(139,414,547)
Repossessed assets		(17,742,423)	(11,727,854)
Accrued income		(21,112,142)	(5,930,701)
Other assets		6,720,217	(14,886,742)
Net increase (decrease) in liabilities			
At-sight and term obligations		961,275,568	299,768,600
Other accounts payable and provisions		17,601,620	15,140,230
Accrued expenses		9,815,520	3,219,986
Other liabilities		2,127,148	(25,281,520)
Net funds provided by operating activities		745,038,209	212,326,830
Funds provided by (used in) investing activities			
		(4,636,445,163)	(2,613,815,174)
Increase in deposits and securities (except negociables)))
Decrease in deposits and securities (except negociables)		4,081,023,500	2,559,362,848
Acquisition of premises and equipment		(15,551,982)	(19,956,411)
Sale of premises and equipment		9,227,568	20,362,320
Participation in other companies		2,797,460	(487,502)
Funds (used in) investing activities		(558,948,617)	(54,533,919)
Funds provided by financing activities			
Net change in other financial obligations		(4,543,374)	18,659,811
Funds provided by (used in) financing activities		(4,543,374)	18,659,811
Net increase in cash and cash equivalents		181,546,218	176,452,722
Effect of exchange rate changes on cash and cash equivalents		(70,598,693)	(66,827,353)
Cash and cash equivalents, beginning of year		761,286,110	651,660,741
Cash and cash equivalents, end of year	4 \$	872,233,635	761,286,110

The accompanying notes are an integral part of the consolidated financial statements

**Lic. William Haydeen Q.
General Manager**

**Lic. Gerardo Gomez S.
Accountant General**

**Lic. Marvin Arias A.
Internal Auditor**

Banco Nacional de Costa Rica and subsidiaries Consolidated statement of changes in stockholders' equity For the one- year periods ended December 31,							
Detail	Notes	Capital stock	Conversion of financial statements	Adjustments to net worth	Equity reserves	Retained earning`/ losses beginning of period	Total
Balance, December 31, 2002		\$ 128.490,193	(64,371,157)	4,266,044	43,193,736	6,846,688	\$ 118,425,504
Balance, January 1, 2003		128,490,193	(64,371,157)	4,266,044	43,193,736	6,846,688	118,425,504
Changes in accounting policies		0	0	0		156,460	156,460
Correction of fundamental errors		0	0	0	(8,711,789)	2,903,708	(5,808,081)
Corrected balance, period 2003		128,490,193	(64,371,157)	4,266,044	34,481,947	9,906,856	112,773,883
Originated in period 2003		0	0	0	0	0	0
Adjustments for financial statements conversion		0	(18,516,547)	0	0	0	(18,516,547)
Other		0	0	(20,160)	0	20,160	0
Transferences to results period 2003		0	0	0	0	0	0
Change in net unrealized gain (loss) on securities available for sale, net of tax effect		0	0	0	0	0	0
Results period 2003		0	0	22,668,622	0	0	22,668,622
Legal reserve and statutory reserves		0	0	0	17,319,702	11,124,280	28,443,982
Surplus for revaluation of premises		0	0	0	0	0	0
Transfer of surplus for revaluation of properties to retained earnings or losses		0	0	8,203,335	0	0	8,203,335
Revaluation of participation in other companies		0	0	0	0	0	0
Surplus for revaluation of properties, net		2,623,875	0	(2,623,875)	0	0	0
Balance, December 31, 2003		0	0	10,426,994	0	0	10,426,994
Changes in accounting policies		0	0	0	0	0	0
Corrected balance, period 2003		131,114,068	(82,887,704)	42,920,960	51,801,649	21,051,296	164,000,269
Originated in period 2004		0	0	0	0	(83,792)	(83,792)
Adjustments for financial statements conversion		0	0	0	0	0	0
Change in net unrealized gain (loss) on securities available for sale, net of tax effect		0	(16,495,956)	0	0	0	(16,495,956)
Other, provision for Telesis reversal	23.a	0	0	(5,837,505)	0	0	(5,837,505)
Results period 2004		0	0	0	4,486,395	4,149,428	8,635,823
Legal reserve and statutory reserves		0	0	0	0	41,884,865	41,884,865
Legal reserve and statutory reserves		0	0	0	23,554,548	(23,554,548)	0
Appropriation of profit of affiliates of BN Vital , S.A. administered funds	23.b	0	0	0	201,278	(201,278)	0
Surplus for revaluation of premises		0	0	14,390,070	0	237,068	237,068
Capitalization of retained earnings or losses	23.c	11,096,991	0	0	0	0	14,390,070
Revaluation of participation in other companies		0	0	7,815,872	0	(11,096,991)	0
Balance, December 31, 2004		\$ 142,211,059	(99,383,660)	59,289,397	80,043,870	32,386,048	\$ 214,546,714

The accompanying notes are an integral part of the consolidated financial statements

Lic. William Haydeen Q.
General Manager

Lic. Gerardo Gomez S.
Accountant General

Lic. Marvin Arias A.
Internal Auditor

BANCO NACIONAL DE COSTA RICA AND SUBSIDIARIES

Notes to consolidated financial statements

as of December 31, 2004 and 2003

Note 1. Overview

The Banco Nacional de Costa Rica (the Bank) is a public law autonomous institution with own legal capacity and independent administration, in conformity with the Constitution of the Republic of Costa Rica. Its operations are ruled by its provisions and the pertinent laws and regulations. The Bank is located in San José, Costa Rica.

In accordance with current laws and regulations, the Bank renders its services by means of three departments: Commercial, Mortgage and Rural Credit.

Pursuant to the Organic Law of the National Banking System none of the banks divided into departments may operate as a sole banking entity but rather through its departments and in accordance with the nature of the transactions involved. The three departments are independent from each other, except for administrative limits established by law. Besides, the aforementioned law provides that in computing profits, revenue and expenses must be combined and the resulting net income distributed in proportion to their respective capital.

Presently, in the light of technology innovations and specially the competitiveness existing in the national and international financial activities, the Bank has become of an universal nature, reaching all segments of the Costa Rican market such as personal, company, corporative and institutional banking, stock exchange, pension plans operator, investment funds, and international and electronic services. Its aim is to offer universal, standardize banking services of top quality, security and confidence.

As of December 31, 2004, the Bank has 27 branches, 102 agencies and 11 cashiers extensions, controls 268 electronic cashiers and counts with 4,540 employees distributed as follows: Banco Nacional de Costa Rica 4040, BN Valores Puesto de Bolsa, S.A. 127, BN Vital Operadora de Pensiones Complementarias, S.A. 161, BN Sociedad Administradora de Fondos de Inversión, S.A. 65 and BICSA Corporación Financiera S.A. 147. The web site is WWW.bncr.fi.cr.

Note 2. Basis for the preparation of the financial statements and summary of significant accounting policies:

2.1.1 Preparation basis

The financial statements have been prepared in conformity with the legal provisions, regulations and the directives issued by the Central Bank of Costa Rica (BCCR), the General Superintendence of Financial Entities (SUGEF) and the National Supervisory Council of the Financial System (CONASSIF) and, for those aspects not considered, related with financial services, the international financial reporting standards (IFRS: IAS) apply. The CONASSIF resolved that the IFRS be adopted starting January 1, 2003. Significant departures from the IFRS are described in note 3.

2.1.2 Principles of consolidation

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

- BN Valores Puesto de Bolsa, S.A.
- BN Vital Operadora de Planes de Pensiones Complementarias, S.A.
- BN Sociedad Administradora de Fondos de Inversión, S.A.
- BICSA Corporación Financiera, S.A.

The Bank has invested for the constitution of the subsidiaries as stock companies and in conformity with the applicable regulations:

BN Valores Puesto de Bolsa, S.A.

Established in 1998 under the laws of the Republic of Costa Rica, with the purpose of operating as a stock exchange broker ruled by the law regulating the stock exchange market and the general regulations and provisions issued by the General Superintendence of Securities (SUGEVAL).

BN Vital Operadora de Planes de Pensiones Complementarios, S.A.

Commenced its activities on January 11, 1993, as an area of the Bank. Later, became a stock company with own legal capacity. Its objective is to provide the beneficiaries additional protection for pension and death risks, as well as to promote social security and mid and long-term savings. Its activities must be in conformity with the provisions of the Superintendence of Pensions (SUPEN) and the CONASSIF, sections of the BCCR.

BN Sociedad Administradora de Fondos de Inversión, S.A.

Founded April 29, 1998 to manage, on behalf of third parties, investment funds registered with the National Stock Exchange and the SUGEVAL.

BICSA Corporación Financiera, S.A. (formerly Almacenadora BICSA, S.A.).

This corporation was incorporated in 1976 under the laws of the Republic of Panamá to render warehousing and custody services of merchandise and also to carry out the businesses of an investment company. The original capital stock was US\$50,000, increased to US\$100,000 by resolution number 12, article 4 of the special stockholders meeting held in January, 1989. The company is of the property of two state banks domiciled in the Republic of Costa Rica.

On December 9, 2002, in special stockholders meeting the two owners of Corporación BICSA (Banco Nacional de Costa Rica and Banco de Costa Rica), resolved to transfer all assets, liabilities and net worth from Banco Internacional de Costa Rica, Limited (BICSA Bahamas) (presently BICSA Corporación Financiera, S.A.). This resolution was confirmed in the ordinary stockholders meeting held on January 30, 2003.

The Corporation owns 100% of the stock issued by Banco Internacional de Costa Rica, S.A. (Panamá), a company registered under the Panamanian legislation since 1976 and BICSA Valores Puesto de Bolsa, S.A. (Costa Rica), a company established under the laws of the Republic of Costa Rica which commenced operations on February, 1990. In 1991 BICSA-Bahamas (presently BICSA Corporación Financiera, S.A.) acquired 100% of the stock of Banco Internacional de Costa Rica, S.A. (Costa Rica) and Inmobiliaria BICSA, S.A. (Costa Rica), former subsidiaries of the Banco Internacional de Costa Rica, S.A. (Panamá). These Costa Rican subsidiaries started operations in July, 1987 and August, 1994, respectively.

Banco Internacional de Costa Rica, S.A. (Panamá), operates under general license granted by the Panamanian legislation which permits carrying out banking business in Panamá and abroad. It has an agency in Miami, Florida, United States of America (Miami Agency), which started operations on September 1, 1983 under license of the International Banking Agency, granted by the Office of the Controller and the Banking Commissioner of the State of Florida, United States of America.

In 1996, Banco Internacional de Costa Rica, S.A. (Panamá) established a wholly owned subsidiary, BICSA Card, S.A., which activity is financing through credit cards.

All significant balances and transactions between consolidated companies have been eliminated in the consolidating process.

Criteria and scope of consolidation

The financial statements included in this report as of December 31, 2004, correspond to those of Banco Nacional de Costa Rica and subsidiaries,

consolidated to comply with the regulations provided by the SUGEF. The consolidating process was performed in accordance with the following criteria:

- A. Nature of the subsidiaries and percentage of ownership interest in their capital stock (which is equal to the voting power percentage), is:

Subsidiary	Legal domicile	Percentage of ownership
BN Valores Puesto de Bolsa, S.A.	Costa Rica	100%
BN Vital Operadora de Planes de Pensiones Complementarias, S.A.	Costa Rica	100%
BN Sociedad Administradora de Fondos de Inversión, S.A.	Costa Rica	100%
BICSA Corporación Financiera, S.A. and subsidiaries	Panamá	80%

- B. The Bank (parent company) and subsidiaries as of December 31, 2004, do not present joint transactions, according to IFRS.

- C. The consolidation of subsidiaries was carried out in compliance with accounting principles according to the following criteria:

- All subsidiaries where total direct or indirect control takes place, are included in the consolidation.
- Should long-term financial or legal restrictions exist for transference of resources, or such control be temporary, they would not be included in the consolidation.
- The consolidating transactions are the following:
 - The effect of the equity method is eliminated in the parent company before consolidation.
 - The balances of reciprocal accounts in the balance sheet and in the statement of income, are eliminated.
 - In the consolidating process, standard accounting policies are applied to the entities of the group. The consolidation was done eliminating inter-company transactions which had effect in its presentation in the financial statements. There is no difference between the result in the parent company—non- consolidated—with the consolidated one, because the equity method is used in the non-consolidated financial statements of the parent company.

D. The Bank maintains a participation in the capital stock of Inmobiliaria Bicsa, S.A. which was not included in the consolidation, as disclosed in note 23i, there were no other transactions between subsidiaries that were not eliminated.

E. There are no other subsidiaries which had to be excluded from the consolidation.

F. The main activities of the subsidiaries correspond to:

BN Valores, Puesto de Bolsa, S.A.: trade of securities

BN Sociedad Administradora de Fondos de Inversión, S.A.: administration of investment funds.

BN Vital, Operadora de Planes de Pensiones Complementarias, S.A.: administration of pension plans and disability and death programs to affiliates.

BICSA Corporación Financiera, S.A.: financial transactions with the subsidiaries.

G. The subsidiaries are regulated by national supervisory authorities such as SUGEF, SUGEVAL, SUPEN and CONASSIF.

Foreign subsidiaries are subject to supervision by authorities in their country of domicile.

H. The subsidiary BICSA Corporación Financiera, S.A., registered under the laws of Panamá has a 100% participation in other companies, as follows:

Entity	Participation
Banco Internacional de Costa Rica (Panamá) (1)	100%
BICSA Valores Puesto de Bolsa, S.A. (Costa Rica)	100%
Banco Internacional de Costa Rica, S.A. (Costa Rica)	100%
Inmobiliaria BICSA, S.A. (Costa Rica)	100%

(1) Owns 100% of BICSA Card, S.A. and Arrendadora Internacional, S.A.

I. There are no significant changes in adopting new consolidating criteria on the consolidated financial statements, in respect to those applied in the previous period.

J. Minority interest in net investment is presented as a separate item in the balance sheet, since it represents the right of other stockholders with minority interest in the subsidiary's net worth.

- K. The subsidiary Inmobiliaria Bicsa, S.A., was absorbed by the Bank as payment of dividends declared by the Bicsa Corporación Financiera, S.A., with authorization of the board of directors of the BCCR. Inmobiliaria Bicsa, S.A. will be kept by the Bank the necessary time to complete the transfer of its assets and the liquidation of its liabilities, to finally dissolve it.

Summary of significant accounting policies

Following is a summary of significant accounting policies:

2.2. Investments in securities and deposits

Valuation of investments in securities

A. For trade

Accounting value of investments in securities of this category is updated at least once a month, to the fair value, considering the marketable price or other valuation methodology recognized by the SUGEVAL. For instruments issued abroad, it is considered the quotation of the National Stock Exchange, S.A. or a similar entity where the financial instrument be quoted. Gains or losses originated in changes in the fair value are included in the results of the period when incurred.

B. Available for sale

The accounting value of investments in securities available for sale is updated at least once a month, taking as reference the marketable price or other valuation methodology accepted by the SUGEVAL. For instruments issued abroad, it is considered the quotation of the National Stock Exchange, S.A. or a similar entity where the financial instruments be quoted. Gains or losses originating from changes in the fair value are recorded in the equity account 331.2, Adjustments for Variances in the Fair Value of Investments in Securities Classified as Available for Sale, until sold, at maturity, recovered, renewed or until it is determined that the instruments have experienced an impairment in value in which case the net gain or loss previously recorded in the 331.2 account is registered in the results of the period (sub-accounts 419.08 or 519.8).

C. Held to maturity

Investments in securities of this category are carried at the amortized cost, effective yield method. When financial assets are acquired with accrued interest, interest is recorded in a separate account as accrued income in the

corresponding sub-account of account 148, Accrued Income and other Accounts Receivable until collection.

D. Investments in securities not quoted in the stock market

The fair value of investments which are not quoted in a stock exchange market is determined by Net Present Value (NPV). The NPV is computed applying the greater discount rate between the specifically agreed in the investments and the last month's average applied to securities issued by entities of similar nature and risk, traded in a stock exchange market for similar maturity terms, or the closest to the financial asset which fair value is to be determined.

For securities which, because of their legal nature and trading regimes may not be negotiated in a stock exchange market, with interest in arrears, an allowance of 100% is required.

Direct purchase or sale of financial assets is recognized by the settlement date method, which is that when the assets are delivered to the entity or on its behalf.

Repurchases and securities with maturities under 180 days are not valued at market prices.

2.3. Loan portfolio and allowance for credit losses

Loan portfolio

Bank (parent company):

The SUGEF defines as "loan" any transaction whatsoever formalized whereby the Bank assumes a risk. Borrowings, discounts, purchase of securities, guarantees in general, advances, overdrafts in checking accounts, bank acceptances, interest and letters of credit are considered as loans.

The loan portfolio is valued according to the provisions established by the SUGEF in resolution 1-95 as amended. A summary of these provisions is as follows:

- (i) All loan transactions granted to individuals and corporations which balance of principal and interest is over US\$ 37,142 except for housing (only one in the portfolio with each debtor), are classified according to the loan risk. This classification considers several factors including the present economical status and payment capacity of debtors and the quality of the guarantees pledged.
- (ii) The classification by categories is the following:

Category	Description	Criteria 1 and 2	Criteria 3
A	Normal risk	0.5 %	0.5%
B1	Circumstantial risk	1%	1%
B2	Average risk	10%	5%
C	High risk	20%	10%
D	With expected losses	60%	30%
E	Doubtful recovery	100%	50%

- (iii) The remaining of the loan transactions and the housing loans are classified in accordance with the fulfillment of the terms agreed upon, as follows:

Category	Description
A	30 days or less overdue
B1	31 to 60 days overdue
B2	61 to 90 days overdue
C	91 to 120 days overdue
D	121 to 180 days overdue
E	Over 180 days overdue

For loans on category C, three sub classifications have been established: C1, C2 and C3. Category C1 corresponds to debtors of more than 90 but up to 120 days overdue; C2 are debtors with overdue of more than 120 days but no more than 360 days overdue, and C3 correspond to debtors whose credits have been subject to extension of time, renewals, refinancing procedures and any other type of adequation, directly or indirectly, with or without capitalization of interest.

- (iv) The resulting increases to the loss allowance are recorded with the authorization of the SUGEF.
- (v) The allowance for contingency loans (611-Guarantees Pledged, 612-Letters of Credit Issued, non-marketable, for the portion where previous and effective presentation of the amounts guaranteed) is disclosed in the liabilities section of the balance sheet as allowance for contingent credit losses.
- (vi) Management considers that the allowance for credit losses is adequate. The regulating authorities review the allowances as part of their examinations, and may require adjustments based on the evaluation of available information at the date of their reviews.

Banco Internacional de Costa Rica and subsidiaries

Loans granted are presented at the principal value, net of a provision for eventual losses which consists of approximately between 0.50% and 1.50% of the total of current loans. Besides, specific provisions are registered for loans which show signs of potential losses. These provisions are computed based on estimates made by management, including the credit qualification assigned to the customer, arrears, economic conditions, marketable value of guarantees, the present level of provisions and criteria established by the regulatory entities.

Management considers that the allowance for credit losses is adequate. The regulatory entities review it periodically as part of their examinations. These entities may require adjustments based on the assessment of the information available at the date of the examinations. The regulatory allowance for credit losses exceeding the provision requires to be charged to retained earnings.

2.4. Loans and receivables originated by the Bank

Loans and receivables originated by the Bank in exchange of cash, goods and services directly with a debtor, different from those to be available for sale immediately or on a short term are recorded at amortized cost.

2.5. Loans and credits acquired by the Bank

Loans and credits acquired by the Bank are kept to maturity, for which reason they are registered at their amortized cost.

2.6. Interest income and expenses

Interest on loans, investments in securities and other accounts receivable and obligations are recorded following the accrual or earned method, based on the outstanding balances and the interest rates agreed upon.

Income is not accrued until collection of loans and other accounts receivable over 180 days overdue, which require an allowance following the provisions of the SUGEF.

2.7. Commissions income

Commissions on loans are recorded as an adjustment to the effective return. The excess of income over expenses is deferred over the term of the loans.

In 2003, a 25% of the excess referred to above, is allowed. The Bank does not have this type of excess.

2.8. Repossessed assets

Repossessed assets are carried at fair value. When this value is less than the book value, an allowance for depreciation should be recorded. This loss allowance is charged to expenses in the period and is computed based on the recoverability of the assets. According to the provisions of the SUGEF, an allowance of 100% should be recorded after two years of the acquisition date.

2.9. Participations in other companies

Investments in stocks and participations are recorded at cost, except the 85% participation investment in BICSA Corporación Financiera, S.A. and the 100% in BN Valores Puesto de Bolsa, S.A., BN Vital Operadora de Pensiones Complementarias, S.A., BN Sociedad Administradora de Fondos de Inversión,

S.A. and Inmobiliaria BICSA, S.A., which are recorded following the equity method which consist in recording the original investment at acquisition cost, subsequently increasing or decreasing its book value to recognize the proportional share of profits or losses in the subsidiaries.

Subsidiaries transactions affecting the net worth, not the results, are included in this same manner in the records of the Bank.

2.10. Legal risks provision

The legal risks provision is obtained from an statistical model developed by the Corporate Risk Office, based on data from the administration system of the lawsuits administered by the legal area at a given date. This system is composed of sub systems that register data to create statistical series and an analysis of the behavior of the settled lawsuits, current or in progress.

On a monthly basis the Corporate Risk Office reviews the data from the system to update the probabilities and proportions, in such a way that the balance of the provision is adjusted to the projections and the monthly accounting balance up to the suggested limit.

2.11. Premises and equipment

These are stated at cost plus an adjustment for revaluation which is applied based on the Industrial Price Index published by the BCCR. The resulting credit is recorded in the equity section in the account Adjustment for Revaluation of Assets. Starting on January, 2003, following the provisions of the SUGEF, the monthly revaluation adjustment of premises and equipment should be recorded for 100% of the above mentioned index.

At least every five years the Bank should have a report from an independent registered appraiser stating the net market value of real estate.

Should the appraised value be less that the book value, the latter should be adjusted to the appraised value.

Premises and equipment are depreciated following the straight-line method over the useful lives of the assets as detailed in note to the financial statements. Leasehold improvements are amortized following the straight-line method over the useful lives or in accordance with the terms of the lease agreements.

2.12. Cash and cash equivalents

The operating activities in the cash flows statement are presented by the indirect method and, for this purpose, the balances of availabilities, at-sight and time deposits and investment in securities intended to be converted into cash within less than 60 days, negociable in the National Stock Exchange, are considered as cash and cash equivalents.

2.13. Foreign currencies transactions

Valuation of monetary assets and liabilities in foreign currency:

Currency	Asset/Liability	Valuation	Criterion
US\$	Asset/liability	Purchase exchange rate of ¢457,7 and ¢418.05 for US\$1.00 as of December, 2004 and 2003.	The valuation considers the purchase exchange rate reported by the BCCR at the closing of operations the last working day of the month.
Euros	Asset/liability	Purchase exchange rate of ¢622,56 and ¢521.95 for US\$1.00 as of December 2004 and 2003.	The valuation is obtained multiplying the Reuter international exchange rate by the purchase exchange rate of the US\$ reported by the BCCR, as of the last working day of the month.

2.14. Changes in accounting policies

Changes in accounting policies are recognized retroactively, unless the amounts of whatever resulting adjustments related to previous periods could not be fairly determined.

The resulting adjustments corresponding to the current period are included when determining the results of the period, or treated as modifications to the beginning balances of retained earnings when the adjustments are related to changes in accounting policies of previous periods.

2.15. Fundamental errors

The correction of fundamental errors related to previous periods is registered against the retained earnings balance at beginning of period. Should the amount of the correction correspond to the current period, it is included when determining the results for the period.

2.16. Employees' benefits

The Retirement Fund of the Employees of the Bank (the Fund), was created by Law 16 of the Banco Nacional de Costa Rica of November 5, 1936, amended several times, the last being that included in Law 7107, Modernization of the National Finance System, of October 26, 1988. According to this law, the Fund is established as a special system of retirement to the Bank employees, and is constituted and incremented according to the following contributions:

- a- The amounts existing in the Fund, established in accordance with the provisions of the corresponding laws and regulations.
- b- Bank's contribution equivalent to 10% of total salaries paid to officers and employees.

- c- 5% of total salaries as employees' contributions.
- d- Proceeds from the Fund investments and any other eventual income.

The aggregate balances corresponding to each of the members of the Fund are delivered as provided for in the retirement regulations, should they leave service before reaching the right to a pension.

The internal administration of the Fund is the responsibility of an Administrative Board. The accounting of the Fund is kept by employees of the Bank, appointed through an examination and in accordance with the resolutions of the Administrative Board, under the supervision of the Bank's Internal Audit and independently from the Bank's records. The Fund operates under the solidarity principle.

The contributions of the Bank to this Fund are defined as contributions plans, for which reason the Bank does not have additional obligations to the ones already covered.

2.17. Valuation of other accounts receivable

The criteria established by the SUGEF for the loan portfolio are applied for the valuation of other receivables. As a result thereof, the loss allowances for each case should be recorded. Regardless of the valuation, if an item is not recovered within 180 days after maturity, a 100% allowance of the overdue balance should be recorded.

2.18. Leases

The Bank and subsidiaries leases are of an operative nature. The agreements are subject to cancellation and do not imply contingencies that should be disclosed in notes to the financial statements.

2.19. Interest expenses

Interest expenses are recognized as such in the period when incurred.

2.20. Valuation of intangible assets

Intangible assets are stated at cost and amortized following the straight-line method for a period which represents the best estimate of their useful lives, i. e., the period when the Bank obtains economic benefits.

BN Vital Operadora de Planes de Pensiones Complementarias, S.A., capitalized the expenses incurred in the affiliating process to the compulsory pensions regime, from March 1, to December 31, 2000, to be amortized in five years as resolved by the Superintendence of Pensions (SUPEN), applying the straight-line method, changed to the sum of digits method beginning in the period 2002, applied consistently in 2003. For the 2004 period the balance was adjusted in the statement of income.

2.21. Accrued vacation, school bonus and incentive plans

The Bank accrues vacation, school bonus and the Evaluation System of Performance and Incentives (SEDI) when earned.

SEDI is an economical incentive that is earned by employees whenever the following two conditions are met:

- a- The Bank has to present a profit in the audited financial statements.
- b- The employees benefited by SEDI must obtain a minimum assessment (75%) in the evaluated aspects (general and group objectives) and must have worked at least six months of the correspondent period.

SEDI is focused in the achievement of institutional objectives and goals, which requires a continuous effort of the Bank to coordinate and consolidate its labor force, reassuring in this way its objective to rise its productivity and a competitive remuneration to its employees according to market standards.

The methodology used is based on the abovementioned conditions, taking in consideration the pre tax and pre participations results of the prior year and will be equal to 15%. To establish the incentive for employees, the reference used will be the total salaries earned during the year and the results of the assessment of the employee and will be paid in one installment.

Expense is incurred monthly against a provision that is settled in the following year to the employees that fulfilled the conditions.

2.22. Deferred charges

Deferred charges are stated at cost, in local currency and are amortized monthly following the straight-line method up to a maximum of five years starting the following month the charge was originated.

2.23. Deferred income

Income collected but not earned, which do not correspond to the results of the period are recognized when earned by the Bank and its subsidiaries with credit to the corresponding income accounts.

2.24. Accounting treatment of income tax

In 2004 and 2003 non-taxable income were greater than profit before income tax, for which reason there is no tax liability for the periods.

According to the Income Tax Law, the Bank should file the tax return for the twelve-month period ending December 31 of each year. The Bank is not levied to with income tax mainly due of the exclusion of income from interest on marketable securities which have already been taxed at the source, and on

income from investments abroad and other non-taxable income, as well as expenses originated in estimates and provisions authorized by the SUGEF.

In respect to Banco Internacional de Costa Rica, S.A., deferred income tax is recorded under the payable (liability) method. Deferred taxes for receivables (assets) and payables (liabilities) are recognized for future fiscal effects of the differences between the amounts reported in the financial statements of receivables (assets) and payables (liabilities), and their taxable income and operating losses and tax credits on losses carry-overs. Deferred taxes, receivable and payable, are computed applying the tax rates established, in which it is expected to recover or pay the temporary differences. The effect in deferred taxes of a change in the tax rates is recognized in the operating results, starting from the date the changes occurred. The Miami Agency is subject to federal and state income tax in the United States of America. The income tax expense is determined following the “segregated current value” method, as described in Section 1.882-5 of the United States of America Treasury Department Regulations.

In respect to BN Vital Operadora de Planes de Pensiones Complementarias, S.A., BN Sociedad Administradora de Fondos de Inversión and BN Valores Puesto de Bolsa, S.A., income tax is computed applying the current rate, to net income deducting non-taxable income and adding non-deductible expenses.

2.25. Accounting method for absorptions and mergers

To date, absorption of, or mergers with other entities have not occurred.

2.26. Accounting method for interest receivable

The accrual method is applied in recording interest receivable. Following current regulations, interest earned on loans 180 days overdue is not registered until collection.

2.27. Severance pay provision

Costa Rican labor legislation requires severance pay to employees dismissed without just cause, death or retirement, equivalent to 20 days of salary for each year of continuous work up to eight years. In the case of the Bank this limit was extended to twelve years for employees who have remained twenty years or more. The Bank follows the policy of recording a provision to cover this contingency, approved by the SUGEF. The amount of the compensation is accounted for as a provision which at December 31, 2004 and 2003 shows a balance of \$ 21,560,573 and \$12,380,580 that is reasonable according to existing regulations.

The subsidiaries domiciled in Costa Rica transfer monthly 5.33% on salaries of their employees to the employees’ Fund, 1.5% to the Compulsory Pension Fund

and 1.5% to the Employees' Capitalization Fund to attend this contingent liability.

BICSA Corporación Financiera, S.A. which is domiciled in the Republic of Panamá, is required to guarantee severance compensation through a Severance Compensation fund in cases of unjustified dismissal or resignation. The employer must contribute 1.92% on salaries plus 5% of the monthly indemnity contribution. The quarterly payments must be managed by a trust.

2.28. Laws regulating appropriation of net income

Pursuant to article 12 of the Organic Law of the National Banking System, net income of government banks is appropriated in the following manner: 50% for legal reserve, 10% to increase the capital stock of the National Institute for Cooperative Development (INFOCOOP) and 5% for the National Commission for Educational Loans (CONAPE), as provided for in article 20 of Law 6041. Pursuant to transitory 1 of law 7914 (National Emergencies Law), during the first five years since said law was enforced (October, 1999), the government banks and agencies must transfer 3% of their net income to the National Emergencies Fund until the year 2003.

In accordance with the chart of accounts for financial entities, these charges to net income are recorded as expenses in the statement of income.

2.29. Use of estimates

The financial statements are prepared in conformity with IFRS and regulations of the CONASSIF and SUGEF, and in consequence include amounts that are considered the best estimates and the administration's good judgement. The estimates from the administration include amongst others, provisions, estimations of accounts receivable, useful life of fixed assets, period of amortizations of intangible assets and others. Actual results could differ from those estimates.

2.30. Impairment of assets

Each fiscal period the Bank reviews the book value of its assets to identify those that may be impaired when facts or circumstances indicate that their book value may not be recoverable. If those indications exists and the book value exceeds its recoverable amount the assets or cash generating units assets should be adjusted. The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined by the present value of the estimated cash flows using a discount rate that reflects the actual conditions of the market for the value of money in time, as well as the specific risks of the assets. The losses generated by this concept are included in the period when determined.

2.31. Deffered income tax

The Bank does not have a net taxable income, for which reason it has not been necessary to account for deffered income tax, because it would not be recovered in the future.

2.32. Currency conversion

The financial statements expressed in U.S. dollars give effect to the conversion of the financial statements expressed in Costa Rican colones applying the exchange rate of ¢457.70 and ¢418.05 for 2004 and 2003 respectively to assets and liabilities, except equity which was converted at historical exchange rates and income and expenses at the average exchange rates of the years, only for the reader's convenience. This conversion should not be construed as representing that the Costa Rican colones amounts actually represent or have been, or could be, converted into U.S. dollars.

Note 3. Significant departures of the accounting basis used from the IFRS

The most significant departures of the directives issued by the supervisory entities, from the IFRS are the following:

IAS 18: Income

Recording of commissions on loans should be made based on the effective yield; method; the regulating entities have established a gradual process for the adoption of this directive which ends in the 2005 period. Likewise, IAS 18 requires that both commissions earned and expenses incurred be deferred.

The financial impact of this difference is not disclosed due to the fact that the expenses incurred in originating those commissions is greater than the corresponding generated income.

NIC 18 requires that the effective yield method be used for the amortization of premiums and discounts on financial assets kept to maturity. This method is mandatory as of December 31, 2004 according to CONASSIF's regulations. It has not been applied as of December 31, 2003; yet, the Bank considers that it does not have an important impact on its financial position.

IAS 27: Consolidation of financial statements

Consolidation of financial statements: this standard requires that consolidated financial statements be presented when control over a subsidiary exists. Regulating entities require non-consolidated financial statement for supervision purposes.

IAS 36: Impairment of assets

This norm is required to be applied by December 31, 2004. The Bank included in it's results an adjustment for \$372.582 in the period of one year ended on December 31, 2004. It was estimated that the adjustment is not material as to apply it retroactively.

The CONASSIF has defined the accounting treatments to be used in those cases where alternatives permitted by the IFRS exist.

Note 4. Cash and cash equivalents

Cash and cash equivalents include the following as of December 31:

	2004	2003
Availabilities	\$ 494,024,879	344,962,086
Investments in securities (two months maturities)	<u>378,208,756</u>	<u>416,324,024</u>
Total	\$ <u>872,233,635</u>	<u>761,286,110</u>

Note 5. Investments in securities

Securities and time deposits

Investments in securities and time deposits as of December 31, are classified in accordance with the current chart of accounts for financial entities (investments in marketable securities, available for sale, and investments held to maturity):

Local investments

	2004	2003
Central Bank of Costa Rica	\$ 392,178,032	260,095,001
Government	26,818,877	0
Non-financial public sector	650,716,947	438,939,988
Securities in local financial entities	80,583,699	0
Other investments in securities	197,889,970	192,153,579
Public financial entities	<u>0</u>	<u>39,514,301</u>
Subtotal	<u>1,348,187,525</u>	<u>930,702,869</u>

Investments abroad

	2004	2003
BICSA Miami	0	4,687,430
BICSA Panamá	0	7,195,250
Dresdner Bank Lateinamerika A.G.	0	3,745,605
Banco Nacional de México, Banamex	0	3,556
Deutsche Bank Trust Company	0	935,015
Bank of America	20,000,000	6,934,680
Citibank, New York	0	14,476,171
Dresdner Bank, Hamburgo	4,146,527	759,841
Union Bank, Los Angeles, California	0	4,673,889
Wachovia Bank	6,700,000	10,170,648
Dresdner Bank, Miami	0	2,400,000
Toronto Dominion Bank	24,000,000	0
HSBC Midland Bank	20,034,442	0
BNP Paribas	10,020,787	0
Santander Central Hispano	<u>8,860,196</u>	<u>0</u>

Subtotal	<u>93,761,952</u>	<u>55,982,085</u>
Allowance for impairment and Uncollectability	(2,890)	(322,608)
Total	\$ <u>1,441,946,587</u>	<u>986,362,346</u>

This account is furtherly detailed in note 11.

Note 6. Loan portfolio

6.1. Loan portfolio originated and purchased by the Bank

As of December 31, is detailed as follows:

	2004	2003
Issued by the Bank		
A. Loans to individuals	\$ 699,870,056	524,689,539
Overdrafts	329,752	363,020
Credit cards	45,380,674	44,692,241
Term loans	653,857,074	479,493,078
Other	<u>302,556</u>	<u>141,200</u>
B. Issued to companies	824,096,389	804,215,340
Direct commercial loans	640,647,195	720,144,032
Syndicated loans	8,188,582	4,681,490
Other	<u>175,260,612</u>	<u>79,389,818</u>
Sub-total own portfolio	<u>1,523,966,445</u>	<u>1,328,904,879</u>
Loans acquired from others		
A. Loans to individuals	43,068,500	40,059,970
Term loans	43,068,500	40,059,970
B. Loans to companies	0	12,849,942
Syndicated loans	0	5,000,000
Other	<u>0</u>	<u>7,849,942</u>
Subtotal purchased loans	<u>43,068,500</u>	<u>52,909,912</u>
Total	\$ <u>1,567,034,945</u>	<u>1,381,814,791</u>

6.2. Allowance for credit losses

In 2004 and 2003, a summary of this account is as follows:

	2004	2003
Balance at beginning of period	\$ 46,946,059	32,370,550
Allowance for credit losses	8,676,898	46,169,731
Charge-offs	(12,814,024)	(25,781,218)
Adjustment for reclassification of allowance to account 149-08, allowance accrued income, loan	0	(1,820,188)

portfolio		
Adjustment for conversion	<u>(3,887,638)</u>	<u>(3,992,817)</u>
Balance at end of period	\$ <u>38,921,295</u>	<u>46,946,059</u>

6.3. Interest not recognized in the statement of income

During the one-year periods ended December 31, 2004 and 2003, the Bank and its subsidiaries show 180 days overdue income for \$923,071 and \$4,246,272 respectively not recognized in the results.

6.4. Notes on loan portfolio credit risk

6.4.1. Composition of the loan portfolio by type of guarantee

	2004	2003
Pledged assets	\$ 23,073,036	42,703,434
Bonds	24,563,520	0
Cession of trust agreements	21,933,407	0
Drafts	0	20,929,466
Collateral	221,093,471	88,290,054
Mortgage	908,547,643	608,137,148
Chattel mortgage	110,905,004	161,532,512
Other	<u>256,918,864</u>	<u>460,222,177</u>
Total loan portfolio	\$ <u>1,567,034,945</u>	<u>1,381,814,791</u>

6.4.2. Composition of the loan portfolio by economic activity:

	2004	2003
Agriculture and forestry	\$ 106,434,815	95,420,662
Cattle raising, hunting and fishing	35,543,237	39,395,513
Manufacture and mining industry	186,926,987	198,132,200
Electric power, water, sanitary services and other sources	13,530,196	14,929,045
Commercial	258,589,892	240,134,520
Services	272,401,133	247,677,165
Transportation and communications	11,577,187	9,886,963
Housing	443,529,539	311,325,185
Construction	45,499,422	34,829,272
Consumer or personal	119,787,774	126,304,279
Tourism	65,228,307	47,792,302
Other	<u>7,986,456</u>	<u>15,987,685</u>
Total loan portfolio	\$ <u>1,567,034,945</u>	<u>1,381,814,791</u>

6.4.3. Loan portfolio delinquency

	2004	2003
Current	\$ 1,505,302,348	1,312,178,162
From 1 to 30 days	21,952,681	26,016,069
From 31 to 60 days	3,406,136	8,846,924
From 61 to 90 days	974,916	5,584,434
From 91 to 120 days	299,305	1,820,646
From 121 to 180 days	101,877	4,300,466
Over 180 days	3,000,009	23,068,090
Under legal collection	<u>31,997,673</u>	<u>0</u>
Total loan portfolio	\$ <u>1,567,034,945</u>	<u>1,381,814,791</u>

6.4.4. Amount and number of loans without interest accrual:

The Bank and its subsidiaries keep 1,680 and 2,760 loans for \$17,489,491 and \$22,931,493 that being over 180 days overdue no interest earned is registered until collected.

6.4.5. Loans under legal collection process:

The Bank and its subsidiaries have 4,518 and 4,946 loans under legal collection process amounting to \$41,375,693 and \$39,564,645, representing 2.64% and 2.86% of the loan portfolio.

6.4.6. Composition by individual debtors or economic interest groups:**2004**

Range	Balance	Number of customers
From \$0 up to \$6,990,000	\$ 1,409,118,291	93.226
From \$6,990,000 up to \$13,982,958	114,419,515	16
From \$13,982,958 up to \$20,972,958	43,497,139	4
From \$20,972,958 up to \$27,962,958	0	0
From \$27,962,958 up to \$34,952,958	0	0
From \$34,952,958 up to \$41,942,958	0	0
From \$41,942,958 up to \$48,932,958	0	0
From \$48,932,958 up to \$55,922,958	<u>0</u>	<u>0</u>
Total loan portfolio	\$ <u>1,567,034,945</u>	<u>93.246</u>

2003

Range	Balance	Number of customers
From \$0 up to \$4,664,514	\$1,167,554,020	100.117
From \$4,664,515 up to \$9,329,028	93,654,658	3
From \$9,329,029 up to \$13,993,541	69,906,737	2
From \$13,993,542 up to \$18,658,055	14,000,000	1
From \$18,658,056 up to \$23,322,569	0	0
From \$23,322,570 up to \$27,987,083	0	0
From \$27,987,084 up to \$32,651,597	0	0
From \$32,651,598 up to \$37,316,110	<u>36,699,376</u>	<u>1</u>
Total loan portfolio	<u>\$1,381,814,791</u>	<u>100.124</u>

Note 7. Related party transactions**A. Related individuals transactions**

As of December 31, 2004 and 2003, the Bank and its subsidiaries do not present loans to related persons in compliance with article 117 of the National Banking System Organic Law, which provides that government commercial banks should not grant loans, directly or indirectly to individuals or corporations related with the entities.

B. Other related party transactions

As of December 31, 2004, are as follows:

Concept	BN Valores Puesto de Bolsa, S. A.	BN Vital Operadora de Planes de Pensiones Complementarias, S.A.	BN Sociedad Administradora de Fondos de Inversión, S.A.	BICSA, Corporación Financiera, S.A.
Investments in securities and time deposits	0	0	0	180,585
Loan portfolio	1,153	31,519	55,019	0
At-sight deposits	2,056,145	1,290,558	278,435	2,589,765
Financial income	24,285	0	0	133,285
Financial expenses	1,036,002	18,555	0	95,266
Operations income	192,727	146,891	1,160,660	0

As of December 31, 2003, are as follows:

Concept	BN Valores Puesto de Bolsa, S. A.	BN Vital Operadora de Planes de Pensiones Complementarias, S.A.	BN Sociedad Administradora de Fondos de Inversión, S.A.	BICSA, Corporación Financiera, S.A.
Investments in securities and time deposits	0	0	0	11,882,680
Loan portfolio	14,000,000	0	0	0
Accrued income, loan portfolio	19,056	0	0	14,886
Checking accounts and at – sight deposits	0	0	0	108,038
At-sight deposits	2,012,369	107,987	281,142	238,980
Time deposits	0	0	0	6,000,000
Other at-sight financial obligations	0	0	0	1,399,007
Obligations on deposits	0	0	0	6,562
Financial income	20,011	0	0	557,222
Financial expenses	19,774	38,849	0	167,709
At-sight deposits, other	244,153	338,290	1,841,972	0

Note 8. Assets pledged or subject to restrictions

As of December 31, assets pledged and subject to restriction are as follows:

2004		2003	
Restricted asset	Reason	Book value	Reason
Securities	Guarantee for transactions in the SINPE	10,000,000	Guarantee for transactions in the SINPE
			13,000,000
Securities	Guarantee MIB	4,280,096	Guarantee MIB
			\$ 6,597,297
Monetary stabilization bonds	Guarantee MIB	3,048,486	-----
			0
Monetary stabilization bonds	Guarantee MIB	4,537,907	-----
			0
Securities	Guarantee liquidity market	10,924,186	-----
			0
Checking accounts	Legal cash requirement	148,778,888	Legal cash requirement
			109,044,513
Checking accounts	Legal cash requirement	145,254,642	Legal cash requirement
			79,242,775
Credit cards			

Time deposit certificates	Guarantee for the International interchange of credit cards	6,700,000	Guarantee for the international interchange of credit cards	6,900,000
BN VITAL Operadora de Planes de Pensiones Complementarias, S.A.				
Securities	Minimum operating capital guarantee	3,129,746	Minimum operating capital guarantee	1,468,116
B.N. Valores Puesto de Bolsa S.A.				
Funds available	Contribution to the Risk Fund	104,621	Contribution to the Risk Fund	\$ 51,289
Securities	Supports customers accounts payable for liquidation of CAV portfolios	0	Supports customers accounts payable for liquidation of CAV portfolios	\$ 2,750
Securities	Guarantee in repurchase agreements	6,831,203	Guarantee in repurchase agreements	\$ 12,210,361
BICSA Corporación Financiera S.A.				
Securities	Guarantee on deposits, clearance house and Télesis lawsuit	6,489,708	Guarantee on deposits, clearing house and Télesis lawsuit	5,887,693
Securities	Letters of credit guarantees	230,246	Letters of credit guarantees	230,246
Checking accounts	Legal cash requirement	0	Legal cash requirement	4,088,266
Checking accounts	Accounts embargoed to BICSA	348,657	Accounts embargoed to BICSA	1,057,269

Note 9. Foreign currency exposure

Foreign currency exposure as December 31, is the following:

Dollars	2004	2003
Assets		
Funds available	\$ 289,421,659	134,304,078
Investments in securities	979,327,421	588,055,322
Loan portfolio	855,126,507	833,365,695
Accounts receivable and accrued income	17,565,096	13,171,174
	61,242,560	0
Other assets	82,273,193	15,047,475
Total assets	<u>2,284,956,436</u>	<u>1,583,943,744</u>

Liabilities

General obligations	1,605,484,986	1,089,511,669
Obligations with BCCR	340,681,007	49,951,811
Other financial obligations	93,231,894	319,202,708
Accounts payable and provisions	22,929,276	15,874,023
Other liabilities	88,297,101	907,999
Total liabilities	<u>2,150,624,264</u>	<u>1,475,448,210</u>
Net balance	<u>\$ 134,332,172</u>	<u>108,495,534</u>

Euros**Assets**

Funds available	€ 1,678,012	1,375,241
Investments in securities	9,562,416	3,000,000
Accounts receivable and accrued income	38,376	9,692
Other assets	49,748	114
Total assets	<u>11,328,552</u>	<u>4,385,047</u>

Liabilities

General obligations	12,232,492	4,041,322
Other financial obligations	214	0
Other accounts payable and provisions	127,991	32,542
Other liabilities	54,299	1,021
Total liabilities	<u>12,414,996</u>	<u>4,074,885</u>
Net balance	<u>€ (1,086,444)</u>	<u>310,162</u>

Note 10. At-sight and time deposits, Bank and subsidiaries

Following is a summary of deposit received by the Bank and subsidiaries at December 31:

Detail	2004		2003	
	Number of Customers	Amount	Number of customers	Amount
Customers' deposits	998.815	\$ 2,865,077,177	976.598	\$ 2,215,140,689
Deposits from other banks	349	146,961,237	650	234,533,096
Deposits from government agencies	2	46,500,150	2	52,392,390
Restricted and idle deposits	5	23,412,318	5	25,469,174
Other general obligations	<u>112.257</u>	<u>260,805,506</u>	<u>99.422</u>	<u>84,791,583</u>
Total	<u>1,111.428</u>	<u>\$ 3,342,756,388</u>	<u>1,076.677</u>	<u>\$ 2,612,326,932</u>

Note 11. Significant items of the financial statements

Following is a detail of significant items of the financial statements:

11.1 Funds available

A detail of funds available as of December 31, is as follows:

	2004	2003
Local currency:		
Cash	\$ 36,501,596	63,118,568
Central Bank of Costa Rica	148,781,569	110,843,668
Checking accounts and at-sight deposits	7,826,533	4,457,317
Checks under clearance and securities on demand	9,211,103	30,521,417
Foreign currency:		
Cash	13,150,709	14,276,582
Central Bank of Costa Rica	145,257,981	80,642,074
Checking accounts and at-sight deposits	2,904,394	24,654,137
Checking accounts and other at-sight deposits	2,025	0
Correspondent banks, abroad	91,868,555	0
Checking accounts and other at-sight deposits with related parties	25,674,479	0
Checks under clearance and securities on demand	<u>12,845,935</u>	<u>16,448,323</u>
Total	\$ <u>494,024,879</u>	<u>344,962,086</u>

Legal cash requirements

Bank (parent company)

As part of the cash balances and investments in securities, there are funds committed to comply with legal cash requirement regulations amounting to \$196,608,228. A detail is as follows:

Currency:	2004	2003
Local	\$ 150,585,904	109,044,513
Foreign	<u>162,995,789</u>	<u>87,563,715</u>
Total	\$ <u>313,581,693</u>	<u>196,608,228</u>

These data correspond to the average of the second fortnight of December. As of December 31, 2004 and 2003, the funds deposited with the BCCR amounted to \$294,039,550 and \$190,086,448 respectively. The computation of the legal cash requirement is compared with balances deposited with the BCCR with five natural days delay, for which reason the average amount of the last fortnight is greater than the balance deposited as of December.

11.2 Investments in securities and time deposits

11.2.1 Investments in securities and time deposits as of December 31, are detailed as follows:

A. Available for sale:

	2004	2003
Securities, BCCR	\$ 376,780,921	293,194,567
Securities, non-financial public sector	638,562,583	425,877,937
Securities, local financial entities	15,409,060	417,798
Other local investments	11,569,072	27,784,751
Securities, with foreign financial entities	1,000,000	0
Other investments in securities abroad	<u>6,937,247</u>	<u>0</u>
	\$	
Sub-total	<u>1,050,258,883</u>	<u>747,275,053</u>

B. Held to maturity:

Securities, BCCR	\$ 4,370,308	116,245,429
Securities, non-financial public sector	11,965,373	10,515,051
Securities and deposits with local financial entities	63,911,356	30,952,099
Securities and deposits with foreign financial entities	164,809,381	49,082,084
Securities and deposits in financial entities abroad	82,915,426	0
Other investments in securities abroad	<u>11,999,414</u>	<u>0</u>
Subtotal	<u>\$ 339,971,258</u>	<u>206,794,663</u>

C. Committed:

Investments in available for sale securities	\$ 21,130,620	19,597,297
Securities in other government non financial entities	<u>19,742,189</u>	<u>0</u>
Investments in securities held to maturity	<u>10,846,527</u>	<u>13,017,939</u>
Sub-total	<u>51,719,336</u>	<u>32,615,236</u>

Less:

Loss allowance

(2,890)

(322,606)

Total**\$ 1,441,946,587 986,362,346****11.2.2** Followings is a detail of portfolio in investments as of December 31, 2004:**A) Private sector:****A-1) Colones:**

Issuer	Instrument	Rate	Maturity	Total
1) Available for sale:				
Durman Esquivel, S.A.	Acciones		N/A	\$ <u>217,335</u>
Subtotal				<u>217,335</u>
2) Held to maturity:				
Banco Improsa, S.A.	CI	17,39%	Under 180 days	1,310,902
BAC San José	CI	17,12%	Under 180 days	<u>1,092,419</u>
Subtotal				<u>2,403,321</u>
Subtotal Colones				<u>2,620,656</u>

A-2) Dollars:**1) Available for sale:**

BN. SAFI	FIO'S	0	At sight	10,826,961
FIDEV	Bfivi		Over 180 days	126,318
BNSFI	Fio1		At sight	111,499
FIDEV	bfiv\$		Over 180 days	53,791
Scotiabank	CDP	0,0325	Under 180 days	1,000,000
BAC	Bonos	0,0725	Over 180 days	2,033,857
BCP	Bonos	De 3,48 a 3,56%	Over 180 days	3,930,000
Interfin SFI	Título de Gob.	de 2,75 a 4,10%	Over 180 days	9,891,188
C.N.F.L.	Pagarés	0,0875	Over 180 days	1,020,000
G	Título propiedad	0,0304	Under 180 days	2,987,880
G	Títulos	De 2,50 a 3,04%	Under 180 days	<u>4,558,818</u>
Sub-total				<u>36,540,312</u>

2) Held to maturity:

Banco Improsa	CI\$	4,85%	Under 180 days	6,000,000
BNP-Paribas	CDP\$	2,21%	Under 180 days	10,020,787
HSBC Midland Bank	CDP\$	2,21%	Under 180 days	20,034,442
Toronto Dominion Bank	CDP\$	2,12%	Under 180 days	24,000,000
Bank of America	CDP\$	2,18%	Under 180 days	20,000,000
FNMA	Bonos	0,0305	Over 180 days	3,000,000
FHLB	Bonos	de 2,02 a 3,50%	Over 180 days	8,999,415
Citibank	CDP	0,021	Under 180 days	32,000,000
HSBC Bank	CDP	2,0625 a 2,45%	Under 180 days	3,763,638
Banco de Boston	CDP	0,024%	Under 180 days	<u>2,502,236</u>

BNP Paribas (Panamá), S.A.	CDP	1,90 a 2,30%	Under 180 days	3,006,611
J.P. Morgan Chase	CDP	0,021875%	Under 180 days	20,000,000
Dresdner Bank Lateinamerica	CDP	de 1,20 a 2,3%	Under 180 days	4,353,633
Citibank, N.A. New York	CDP	0,019%	Under 180 days	230,246
Rabobank Nederland, N.Y.	CDP	De 2,20% a 2,28%	Under 180 days	20,000,000
Uni Credito Italiano	CDP	De 2,20% a 2,35%	Under 180 days	20,000,000
Suntrust Bank	CDP	0,020625%	Under 180 days	20,000,000
Bank of America N.A.	CDP	De 2,125 %a 2,1875%	Under 180 days	34,000,000
BLIE	CDP	De 2,39% a 2,43%	Under 180 days	2,992,115
BNP	CDP	0,00625%	Under 180 days	406,009
BN SAFI	Fondo de Inversión	0	Under 180 days	12,732
ICE	Bonos (ICE 14)	0,0645	Over 180 days	1,141,905
G	Título Propiedad	0,07	Over 180 days	249,376
Subtotal				<u>256,713,145</u>

3) Held to maturity, Committed:

Wachovia Bank	CDP\$	1,44%	Over 180 days	<u>6,700,000</u>
Subtotal				<u>6,700,000</u>
Subtotal Dollars				<u>299,953,457</u>

A-3) Euros:**1) Held to maturity:**

Santander Central	CDPE	2,08%	Under 180 days	
Hispano				<u>8,860,197</u>
Subtotal				<u>8,860,197</u>

2) Held to maturity, Committed:

Dresdner Bank	CDPE	2,02%	Under 180 days	
Hamburgo				<u>4,146,527</u>
Subtotal				<u>4,146,527</u>
Subtotal Euros				<u>13,006,724</u>
Sub total private sector				<u>\$ 315,580,837</u>

B) Public sector:**B-1) Colones:****1) Available for sale:**

B. Popular	CDP	15,25%	Under 180 days	5,113,502
------------	-----	--------	----------------	-----------

BCCR	Bem	16,47%	Over 180 days	61,452,392
BCCR	Bem0	14,27%	Under 180 days	13,136,466
G.	Tp	17,31%	Under 180 days	48,756,298
G.	Tp	17,35%	Over 180 days	142,477,570
G.	tp0	14,90%	Over 180 days	41,934,964
G.	TPTBA	17,14%	Over 180 days	67,452,957
BCCR	Bem_BCCR_OC180	17,25%	Over 180 days	11,066
BCCR	bem_BCCR_OC180	17,25%	Over 180 days	194,750
BCCR	BCCR bem 050106	16,25%	Over 180 days	218,427
BCCR	BCCR bem 060705	17,25%	Over 180 days	398,357
G	tptba_G_304C180	15,77%	Over 180 days	4,541
G	tptba_G_250C180	15,05%	Over 180 days	11,032
G	tptba_G_250C180	15,05%	Over 180 days	11,032
G	TPTBA_G_350C180	16,08%	Over 180 days	11,106
G	tptba_G_304C180	15,77%	Over 180 days	11,353
G	tptba_G_304C180	15,77%	Over 180 days	20,434
G	tptba_G_250C180	15,05%	Over 180 days	22,064
G	tptba_G_304C180	15,77%	Over 180 days	54,474
G	tptba_G_304C180	15,77%	Over 180 days	136,230
G	TPTBA_G_250C180	15,17%	Over 180 days	375,347
G	G tp 050106	16,25%	Over 180 days	546,066
G	G bde08 310108	6,91%	Over 180 days	36,643
G	G tp\$ 040407	6,80%	Over 180 days	193,982
G	G tp\$ 040407	6,80%	Over 180 days	225,632
BCCR	BCCR cd\$h5 080108	7,25%	Over 180 days	400.608
G	G bde08 310108	6,91%	Over 180 days	508.930
G	tp0	0,00%	Under 180 days	9,360
G	Tp	16,25%	Over 180 days	2,949
BCCR	Bem	17,40%	Over 180 days	3,794,446
BCCR	Bem	16,25%	Over 180 days	797,226
BCAC	CDP	3,40%	Under 180 days	1,000,043
BCCR	cd\$h5	7,50%	Over 180 days	2,029,464
BCR	cdp\$	2,25%	Under 180 days	9,951
BNCR	cdp\$	2,25%	Under 180 days	34,531
G	bde11	6,80%	Over 180 days	4,244,408
FTPb	ph11	0,00%	Under 180 days	365,287
BN SAFI	Diner Fdos Col	10,64%	N/A	125,040
BN SAFI	fio1	N/A	N/A	33,600
G	bde12		Over 180 days	102,616
BCCR	bem		Over 180 days	342,878
BCCR	bem		Over 180 days	240,303
BCCR	bem		Over 180 days	684,367
G	tp		Over 180 days	436,793

G	tp		Over 180 days	334,209
G	tp		Over 180 days	213,867
G	TPTBA		Over 180 days	80,670
G	TPTBA		Over 180 days	25,285
G	Tptba		Over 180 days	40,866
G	bde09		Over 180 days	88,143
G	bde12		Over 180 days	5,131
G	bde13		Over 180 days	512,191
G	tp\$		Over 180 days	125,043
Subtotal				<u>399,394,890</u>

2) Held to maturity:

B.C.A.C.	CDP	16,42%	Under 180 days	10,924,186
B.C.A.C.	CDP	17,01%	Over 180 days	2,184,837
B. Popular	CDP	15,50%	Over 180 days	8,739,349
B. Popular	CDP	15,40%	Over 180 days	7,646,930
INVU	BVIV	16,00%	Over 180 days	182,070
Subtotal				<u>29,677,372</u>

3) Available for sale, Committed:

G.	TP	17,35%	Over 180 days	16,818,879
BCCR	Bem	16,47%	Over 180 days	10,924,188
Subtotal				<u>27,743,063</u>
Subtotal colones				<u>456,815,329</u>

B-2) Dollars:**1) Available for sale:**

BCCR	Serial	6,18%	Under 180 days	8,690,579
BCCR	Serial	7,20%	Over 180 days	270,655,731
G.	bde09	9,33%	Over 180 days	19,923,820
G.	bde11	9,00%	Over 180 days	330,196
G.	TP\$A	7,47%	Over 180 days	1,153,599
G.	TP\$	6,31%	Under 180 days	67,357,718
G.	TP\$	7,34%	Over 180 days	230,214,296
G	Bonos	0,0312	Over 180 days	973,390
BCR Fondos de Inversión	Government	0,0275	Under 180 days	350,798
Banco de Costa Rica	CDP	0,03	Under 180 days	2,003,950
G	Government	de 2,50 a 2,90%	Under 180 days	7,581,982
BPDC	CDP	de 3,00 a 3,60%	Under 180 days	8,000,000
Subtotal				<u>617,236,059</u>

2) Held to maturity:

Repurchases	REC	2,99%	Under 180 days	1,554,891
BCCR	CDP\$	2,62%	Under 180 days	74,764

BCCR	CDP\$	2,62%	Más de 180 días	147,611
BCAC	CDP\$	3,50%	Under 180 days	5,000,000
BCR	CDP\$	3,15%	Under 180 days	7,000,000
CNFL	Notes	8,55%	Under 180 days	1,724,978
CNFL	Notes	8,57%	Más de 180 días	2,932,330
JASEC	Notes	6,01%	Under 180 days	175,500
JASEC	Notes	4,77%	Over 180 days	1,579,500
BCCR	Cdp	de 6,33 a 7,74%	Over 180 days	3,897,594
G	Bonds B14	6,55%	Over 180 days	3,152,890
G	Bonds B 11	108,26%	Over 180 days	1,077,192
Banco de Costa Rica	Bonds	2,36%	Under 180 days	14,000,000
Subtotal				<u>42,317,250</u>

3) Available for sale committed

G.	TP\$	7,34%	Over 180 days	<u>10,000,000</u>
Subtotal				<u>10,000,000</u>
Subtotal dollars				<u>669,553,309</u>
Subtotal public sector (B)				<u>1,126,368,638</u>
SubTotal investment in securities (A+B)				<u>1,441,949,476</u>
(-) Allowance				<u>(2,890)</u>
Total investment, net (A+B)				€ <u>1,441,946,587</u>

11.2.3 Followings is a detail of portfolio investments as of December 31, 2003:

A) Private sector**A-1) Colones**

Issuer	Instrument	Rate	Maturity	Total
1) Held to maturity:				
B. Banex	CI	15,5%	Under 180 days	\$ 2,393,058
B. Improsa	CI	15,5%	Under 180 days	2,511,661
B. Banex	CI	15,5%	Over 180 days	<u>2,391,058</u>
Subtotal				<u>7,295,777</u>
Subtotal colones				<u>7,295,777</u>

A-2) Dollars**1) Available for sale :**

Other investment BICSA Corporación Financiera, S.A.	13,421,132
---	------------

2) Held to maturity:

BICSA	CDP\$	3,3%	Under 180 days	11,882,680
B. Cathay	CI\$	4,3%	Under 180 days	500,000
B. Interfin	CI\$	2,8%	Under 180 days	2,000,000
B. Improsa	CI\$	4,38%	Under 180 days	3,000,000
BN. Safi	FIO'S	0	At sight	5,331,480
Banamex	Overnigh	0	At sight	3,556

Deutsche Bank	Overnigth	0	At sight	935,015
Bank of America	Overnigth	0	At sight	6,934,680
City Bank NY	Overnigth	0	At sight	14,476,171
Dresdner Bank	Overnigth	0	At sight	759,841
Union Bank	Overnigth	0	At sight	4,673,889
Wachovia Bank	Overnigth	0	At sight	5,670,648
Other investments BICSA Corporación Financiera, S.A.				<u>81,082,660</u>
Subtotal				<u>137,250,620</u>

3) Held to maturity committed

Dresdner Bank	CDP\$	1,37%	Under 180 days	1,200,000
Wachovia Bank	CDP\$	1,44%	Over 180 days	5,700,000
BNSFI	FIO	6,40%	Over 180 days	<u>116,421</u>
Subtotal				<u>7,016,421</u>
Subtotal dollars				<u>157,668,173</u>

4) Held to maturity:

DRESDNER BANK	CDPE	2,03%	Under 180 days	<u>3,745,605</u>
Subtotal euros				<u>3,745,605</u>
Subtotal private sector				<u>168,729,555</u>

B) Public sector**B-1) Colones****1) Available for sale:**

G	TPTBA	27,31%	Over 180 days	87,069
BCCR	BEM	17,25%	Over 180 days	34,202,129
BCCR	bem0	17,19%	Under 180 days	44,981,881
G	TP	17,44%	Over 180 days	84,264,849
G	Tp0	18,81%	Under 180 days	145,253,516
	Acom	N/A	N/A	514,863
BCCR	Bem	17,25%	Over 180 days	2,602,679
BCCR	Bem0	N/A	Under 180 days	2,902,613
BCCR	Bem0	N/A	Under 180 days	44,966
BCCR	Cdp	15,00%	Over 180 days	1,913,773
BCCR	Cdp	14,50%	Under 180 days	535,856
G	Tp	17,30%	Over 180 days	1,794,234
G	Tp0	N/A	Over 180 days	1,095,847
G	Tp0	N/A	Over 180 days	1,058,713
G	Tp0_G_0C0	0	Under 180 days	10,175
G	Tp_G_0C180	16,6%	Under 180 days	23,825
BCCR	bem0_BCCR_0C0	0	Under 180 days	837,644
G	Tp_G_0C180	15,75%	Under 180 days	78,679
G	G tp 130504	15,61%	Under 180 days	36,299
BCCR	BCCR bem 060705	17,25%	Over 180 days	1,439,541
BCCR	bem_BCCR_OC180	17,25%	Over 180 days	214,290
BCCR	BCCR bem 060705	17,25%	Over 180 days	437,005
BCCR	bem_BCCR_OC180	17,25%	Over 180 days	865,387

G	Tp_G_0C180	17,25%	Over 180 days	91,689
G	TPTBA_G_350C180	16,3%	Over 180 days	12,331
G	tptba_G_250C180	15,74%	Over 180 days	48,349
G	tptba_G_304C180	15,77%	Over 180 days	242,494
BCCR	BCCR_cd\$h5	7,19%	Over 180 days	536,987
	Repurchases		Over 180 days	1,009,659
BCCR	BEM	17,25%	Over 180 days	439,497
BCCR	BEM0	0,00%	Over 180 days	1,307,927
FIDEV	BFIVI	16,79%	Over 180 days	174,397
G	BDE09	9,34%	Over 180 days	155,527
G	BDE12	8,11%	Over 180 days	442,377
G	BDE20	10,00%	Over 180 days	1,635,671
BCCR	BEM	17,25%	Over 180 days	259,145
G	TP	18,00%	Over 180 days	397,316
G	TP0	0,00%	Over 180 days	362,646
G	TPTBA	27,31%	Over 180 days	50,655
	FIBCR	3,00%	At sight	154,960
	CF	2,50%	At sight	768,810
CNFL	P	8,75%	Over 180 days	1,600,000
CNFL	Notes			32,000
BCR	FI	2,50%	At sight	17,500,000
BNCR	B.N.VPB	2,50%	At sight	19,859,183
BP	PVPB	2,50%	At sight	5,000,000
	FI	4,50%	At sight	217,396
BICSA	IVF		At sight	96,010
BCR	S.F.I	2,50%	At sight	3,667,642
BSJ	S.F.I.	2,50%	At sight	301,813
BB	S.F.I	2,50%	At sight	643,194
BNCR	S.F.I	2,50%	At sight	6,218,875
BCAC	CI	25,00%	Under 180 days	12,500
BCR	CDP	14,95%	Under 180 days	11,972
BCR	CDP	45,00%	Under 180 days	1,000,000
BNCR	CDP	de 11,63 a 13,25%	Over 180 days	2,993
BNCR	Cdp	25,00%	Over 180 days	1,000,000
BB	CI	40,00%	Over 180 days	1,500,000
BC	CI	40,00%	Over 180 days	1,000,000
G	BDE	de 9,00 a 9,33%	Over 180 days	915,000
BCCR	CDP	7,19%	Over 180 days	5,000,000
Subtotal				<u>398,864,848</u>

2) Held to maturity:

BCCR	REC	12,7%	Under 180 days	28,641,654
G	REC	12,69%	Under 180 days	3,413,632
INVU	BVIV	17,5%	Under 180 days	239,206
B. POPULAR	CDP	16,55%	Over 180 days	<u>13,156,321</u>
Subtotal				<u>45,450,813</u>

3) Held to maturity committed

BCCR	bem0	17,19%	Under 180 days	<u>6,597,297</u>
Subtotal				<u>6,597,297</u>
Subtotal colones				<u>450,912,958</u>

B-2) Dollars**1) Available for sale:**

G	BDE09	9,34%	Over 180 days	183,627
BNSFI	FIO	6,4%	Over 180 days	114,516
FTPB	PH15B	15,58%	Over 180 days	248,576
G	BDE12	8,11%	Over 180 days	3,511,568
G	BDI\$	7,6%	Over 180 days	22,986,920
BCCR	CD\$ Serial	6,61%	Over 180 days	112,195,457
G	TP\$	7%	Under 180 days	9,787,050
G	TP\$	6,58%	Over 180 days	111,926,945
G	TP\$A	6,24%	Over 180 days	29,062,873
	Bde08	6,91%	Over 180 days	3,209,259
	Bft10	7,50%	Over 180 days	20,000,000
	Cdp\$	2,50%	Over 180 days	119,035
	Cdp\$	2,45%	Over 180 days	750,050
	Fio1	N/A	N/A	30,002
	TPTBA	N/A	Under 180 days	41,979
	Cdp\$	1,50%	Under 180 days	2,749
FIDEV	BFIFV\$	7,28%	Over 180 days	61,929
FTPB	PH15A	15,49%	Over 180 days	13,895
G	BDE12	8,11%	Over 180 days	5,600
G	BDE20	10,00%	Over 180 days	117,274
G	LT	7,25%	Over 180 days	2,085,000
Bladex	accC	7,25%	Over 180 days	663,762
BV.	accC	7,25%	Over 180 days	<u>50,000</u>
Subtotal				<u>317,168,066</u>

2) Held to maturity:

BCCR	REC	3,25%	Under 180 days	4,644,090
BCCR	Bond	6,25%	Over 180 days	52,842
BCAC	CDP\$	2,8%	Under 180 days	5,000,000
BCCR	CDP\$	1,22%	Under 180 days	12,606
BCCR	CDP\$	1,22%	Over 180 days	382,568
JASEC	Notes	3,75%	Under 180 days	175,500
CNFL	Notes	8,54%	Under 180 days	1,749,814
JASEC	Notes	4,79%	Over 180 days	1,930,500
CNFL	Notes	8,56%	Over 180 days	6,420,034
FNMA	Bond	de 1,00% a 3,30%	Over 180 days	3,500,000
FHLB	Bond	de 2,14% a 2,875%	Over 180 days	5,033,333
BCCO S.A.	Bond	39,21%	Over 180 days	2,618,250
BCAES	Bond	de 5,13% a 5,64%	Over 180 days	2,500,000

COPAH S.A.	Bond	52,5%	Over 180 days	<u>2,135,908</u>
Subtotal				<u>36,155,445</u>
3) Held to maturity committed				
G	TP\$	6,58%	Over 180 days	<u>13,000,000</u>
Subtotal				<u>13,000,000</u>
Subtotal dollars				<u>366,323,511</u>
Subtotal public sector				<u>817,236,469</u>
Total public and private sector				985,966,024
Premiums and discounts				158,425
Valuation at fair value				120,214
Share in investment funds, colones				290,291
Share in investment funds, dollars				150,000
Allowance				<u>(322,606)</u>
Total				<u>\$ 986,362,348</u>

11.2.4 Following is a reconciliation of the allowance for impairment and uncollectability of securities:

	2004	2003
Balance at the beginning of the period	\$ 322,608	1,176
Charged to equity accounts	19,313	338,871
Reversal of allowance	(324,297)	(1,137)
Adjustment for conversion	<u>(14,734)</u>	<u>(16,302)</u>
Balance at the end of the period	<u>\$ 2,890</u>	<u>322,608</u>

11.3 Loan portfolio

As of December 31, the loan portfolio is classified in the following manner:

	2004	2003
Loans, current	\$ 1,512,960,079	1,315,008,402
Overdue loans	22,077,193	27,116,662
Loans under legal collection process	31,997,673	39,564,646
Loans for legal mandate	0	125,081
(-) Allowance for credit losses (1)	<u>(38,921,295)</u>	<u>(46,946,059)</u>
Total	<u>\$ 1,528,113,650</u>	<u>1,334,868,732</u>

11.4 Accrued income and accounts receivable

A detail as of December 31, is as follows:

	2004	2003
Accounts receivable, related parties	\$ 207,676	0
Commissions accrued	871,036	1,467,613
Deferred income tax and income tax	1,004,934	

receivable		240,521
Other sundry accounts receivable	5,966,110	6,815,144
Accrued income		
On funds available	12,157	7,605
On investments in securities and deposits	36,253,353	17,613,099
On loan portfolio	9,542,610	9,420,096
Other accounts receivable	<u>2,310</u>	<u>0</u>
(-) Impairment and credit losses allowance (1)	<u>(4,588,250)</u>	<u>(7,652,348)</u>
Total	\$ <u>49,271,936</u>	<u>27,911,730</u>

(1) The activity of this account, was as follows:

	2004	2003
Provision for impairment of other accounts receivable		
Balance at beginning of period	\$ 6,321,177	7,305,780
Allowance for credit losses	3,266,960	3,094,298
Write-offs	(5,793,691)	(3,392,960)
Adjustment of conversion	<u>(438,124)</u>	<u>(685,941)</u>
Balance at end of period	<u>3,356,322</u>	<u>6,321,177</u>
Provision for impairment of other receivables		
Balance at beginning of period	1,331,171	0
Allowance	1,186,373	692,848
Write offs	(1,183,828)	(1,073,346)
Reclassification, account 149-08	0	1,805,067
Others, revaluation, decrease in the allowance	14,258	8,496
Adjustment of conversion	<u>(116,046)</u>	<u>(101,894)</u>
Balance at end of the period	<u>1,231,928</u>	<u>1,331,171</u>
Total	<u>\$ 4,588,250</u>	<u>7,652,348</u>

11.5 Repossessed assets

Repossessed assets are assets received in lieu of loans and others. A detail as of December 31, is as follows:

	2004	2003
Assets received in lieu of loans	\$ 25,783,554	23,982,505
Premises and equipment out of use	448,703	165,025

Less:

Allowance for impairment (1)	(6,918,439)	(13,442,708)
Total	\$ <u>19,313,818</u>	<u>10,704,822</u>

(1) This account shows the following activity:

	2004	2003
Balance at beginning of period	\$ 13,442,708	7,790,824
Allowance	3,489,306	6,642,560
Write-offs	(9,091,778)	(202,748)
Audit adjustment	0	280,994
Adjustment of conversion	(921,797)	(1,068,923)
Balance at end of period	\$ <u>6,918,439</u>	<u>13,442,708</u>

11.6 Participation in other companies

Participation in the capital stock of other companies is as follows as of December 31:

	2004	2003
Participation in the capital stock of other local companies	\$ 7,586,291	73,793
Participation in the capital stock of other companies abroad	<u>342,800</u>	<u>713,762</u>
Total	\$ <u>7,929,091</u>	<u>787,555</u>

Following is a detail of selected components in the financial statements of the companies where the Bank has participation:

At December 31, 2004

Concept	BN Valores Puesto de Bolsa, S. A.	BN Vital Operadora de Planes de Pensiones Complementarias, S.A.	BN Sociedad Administradora de Fondos de Inversión, S.A.	BICSA, Corporación Financiera, S.A.
Assets	\$ 17,487,741	7,443,519	4,716,271	\$ 659,297,770
Liabilities	8,752,858	1,105,324	659,139	583,070,275
Net worth	8,734,883	6,338,194	4,057,132	76,227,495
Gross result	3,402,255	(338,354)	679,696	19,321,045
Operating result	2,913,897	(2,480,075)	1,188,047	3,252,462
Extraordinary result	2,906,828	(2,480,075)	1,188,047	3,147,539
Prior periods result	2,906,828	(2,480,075)	1,188,047	3,147,539
Net result	2,906,828	(2,480,075)	1,188,047	3,147,539
Retained earnings (losses)	104,674	0	1,043,686	14,835,701
Results for the period	\$ 2,906,828	(2,480,075)	1,188,047	\$ 2,739,998

At December 31, 2003

Concept	BN Valores Puesto de Bolsa, S. A.	BN Vital Operadora de Planes de Pensiones Complementarias, S.A.	BN Sociedad Administradora de Fondos de Inversión, S.A.	BICSA, Corporación Financiera, S.A.
Assets	\$ 42,267,908	9,909,227	8,124,915	\$ 659,469,663
Liabilities	28,140,464	710,453	2,999,921	545,490,195
Net worth	14,127,444	9,198,774	5,124,994	113,979,468
Gross result	3,897,376	2,537,643	557,062	21,414,647
Operating result	5,260,350	2,590,920	3,171,587	978,756
Extraordinary result	0	0	0	0
Prior periods result	0	0	0	0
Net result	5,194,747	2,590,920	3,171,587	978,756
Retained earnings (losses)	24,019	(1,593,011)	799,343	42,444,244
Results for the period	\$ 5,194,747	2,590,920	3,171,587	\$ 612,103

11.7 Premises and equipment

Premises and equipment include land, buildings, vehicles, furniture and equipment, leasehold improvements and other. A detail is as follows as of December 31:

At December 31, 2004

	Land	Buildings	Furniture	EDP equipment	Vehicles	Total
Cost:						
Balance, 12-31-2003	\$ 22,185,442	90,440,507	32,179,828	62,876,832	1,102,473	\$ 208,785,082
Additions	825,510	9,439,327	4,067,817	4,267,551	42,185	18,642,390
Price index revaluation	2,858,573	13,728,701	(44)	0	0	16,587,230
Adjustments	0	0	742,427	1,595,799	(27,998)	2,310,228
Sales	(1,145,221)	(0)	(106,101)	(693,467)	(55,145)	(1,999,934)
Disposals	(1,422,645)	(11,986,028)	(2,174,998)	(4,759,371)	(200,623)	(20,543,665)
Conversion adjustment	(1,970,259)	(8,319,216)	(2,897,274)	(5,464,729)	(85,040)	(18,736,518)
Balance, 12-31-2004	21,331,400	93,303,291	31,811,655	57,822,615	775,852	205,044,813
Accumulated depreciation :						
Balance, 12-31-2003	0	19,654,735	12,808,606	38,659,736	617,964	(71,741,041)
Charged to expenses	0	2,200,871	3,283,574	9,272,578	81,221	14,838,244
Adjustment for clearing of goods	0	5,486,210	450,802	229,548	23,358	6,189,918
Sales	0	(3,115,253)	(688,267)	(1,370,567)	(77,747)	(5,251,834)
Disposals	0	(3,759,213)	(576,255)	(3,147,227)	(111,728)	(7,594,423)
Conversion adjustment		(1,737,873)	(1,216,601)	(3,564,995)	(49,855)	(6,569,324)
Balance, 12-31-2004	0	18,729,477	14,061,859	40,079,073	483,213	73,353,622
Net balance, 12-31-2004	\$ 21,331,400	74,573,814	17,749,796	17,743,542	292,639	\$ 131,691,193

At December 31, 2003

	Land	Buildings	Furniture	EDP equipment	Vehicles	Total
Cost:						
Balance, 12-31-2002	\$ 19,529,058	80,183,423	30,676,188	58,786,796	1,104,774	\$ 190,280,239
Additions	553,559	3,636,744	4,212,496	7,927,869	11,444	16,342,112
Price index revaluation	2,102,873	7,486,572	0	0	0	9,589,445
Sales	(48)	(169,908)	(2,476,397)	(3,569,870)	(8,715)	(6,224,938)
Disposals	-	(696,324)	(232,459)	(267,963)	(5,030)	(1,201,776)
Balance, 12-31-2003	22,185,442	90,440,507	32,179,828	62,876,832	1,102,473	208,785,082
Accumulated depreciation	0					
Beginning to period	0	17,030,945	10,495,920	30,422,854	557,629	58,507,348
Charged to expenses	0	2,954,330	2,958,842	9,687,490	98,631	15,699,293
Adjustment for clearing of goods	0	12,715	533,157	1,779,000	2,116	2,326,988
Sales	0	(107,501)	(1,008,010)	(2,981,408)	(16,184)	(4,113,103)
Disposals	0	(235,754)	(171,303)	(248,200)	(24,228)	(679,485)
Balance, 12-31-2003	0	19,654,735	12,808,606	38,659,736	617,964	71,741,041
Net balance, 12-31-2003	\$ 22,185,442	70,785,772	19,371,222	24,217,096	484,509	\$ 137,044,041

11.8 Other assets

As of December 31, other assets include:

	2004	2003
Prepayments		
Prepaid	\$ 0	1,267,523
Interest and commissions	197	0
Prepaid taxes	590,791	333,386
Rentals	199,843	0
Prepaid insurance premiums	138,104	34,530
Other prepaid expenses	593,843	0
Sub-total	<u>1,522,778</u>	<u>1,635,439</u>
Deferred expenses:		
Organization and installation	175	652,927
Leasehold improvements	922,494	0
Other deferred expenses	290,100	3,291,402
Sub-total	<u>1,212,769</u>	<u>3,944,329</u>

Sundry:

Constructions in progress	1,801,794	9,219,476
Library and works of art	242,596	205,061
EDP software under development	543,156	23,934
Fiscal stamps, local currency	1,084	2,974
Stationery, supplies and other materials	186,786	240,599
Rented goods	126,589	0
Other	<u>1,089,406</u>	<u>530,778</u>
Sub- total	<u>3,991,411</u>	<u>10,222,822</u>

Unsettled transactions:

Cash shortage, local currency	454	2,433
Unsettled transactions, local currency	453,472	12,188,589
Other unsettled transaction, local currency	<u>989,001</u>	<u>1,637,695</u>
Sub total	<u>1,442,927</u>	<u>13,828,717</u>

Reciprocal accounts

With other departments	<u>18,380</u>	<u>0</u>
	<u>18,380</u>	<u>0</u>

Intangible assets:

Goodwill purchased	2,018,545	2,578,326
Software	<u>5,087,295</u>	<u>6,969,845</u>
Sub- total	<u>7,105,840</u>	<u>9,548,171</u>

Other restricted assets:

Guarantee deposits	283,402	1,191,022
Legal and administrative deposits	29,613	26,440
Other restricted assets	<u>1,321,394</u>	<u>0</u>
Sub-total	<u>1,634,409</u>	<u>1,217,462</u>

Total

\$ 16,928,513 40,396,940

11.9 General obligations

General obligations include checking accounts, at-sight and time deposits and others which are detailed as follows as of December 31:

	2004	2003
At-sight obligations:		
Deposits in checking accounts	\$ 757,326,224	806,802,287
Certified checks	791,422	735,591
At-sight savings accounts	523,982,100	385,443,046
Time deposits matured	44,016,486	39,374,373
At-sight deposits	<u>37,522,488</u>	<u>0</u>
Sub-total	<u>1,363,638,720</u>	<u>1,232,355,297</u>
Other general obligations, at-sight:		
Drafts and transfers payable	418,031	644,267
Cashier's checks	4,257,122	2,556,589
Advanced collections on credit cards	552,545	316,501
Trust commissions	1,787,461	1,766,530
Guarantees granted	145	1,128
Other general obligations	<u>1,215,414</u>	<u>4,213,478</u>
Sub-total	<u>8,230,718</u>	<u>9,498,493</u>
Time deposits:		
Savings time deposits	28,668,183	177,606,226
Time deposits	1,450,584,078	795,281,751
Other time deposits	<u>13,891,993</u>	<u>0</u>
Sub-total	<u>1,493,144,254</u>	<u>972,887,977</u>
Other		
Confirmed letters of credit	8,294,203	9,897,416
Repurchase agreements	<u>6,231,056</u>	<u>10,979,784</u>
Sub-total	<u>14,525,259</u>	<u>20,877,200</u>
Total	\$ <u>2,879,538,951</u>	<u>2,235,618,967</u>

11.10 Obligations with BCCR

As of December 31, obligations with the Central Bank of Costa Rica are detailed as follows:

	2004	2003
Other obligations at sight	\$ 103,056	0
Loan financing with BCCR		
Internal resources	9,841	114,169
Loan financing with BCCR		
external resources	1,651,389	52,278,221
Other term obligations with BCCR	44,735,864	0
Sub-total	\$ <u>46,500,150</u>	<u>52,392,390</u>

Summary of obligations with the BCCR

Entity	Rate	Maturity	2004
Inter-American Development Bank	25% to 13.10%	2005 to 2017	\$ 1,301,568
Other loans 0,5%	0.50%	01/02/2029	9,841
AID, 515-K-043	2%	2005 al 2007	75,308
AID, 515-T027	0%	2007	<u>274,513</u>
Total			<u>1,661,230</u>

Entity	Rate	Maturity	2003
Inter-American Development Bank	2% to 13.10%	2005 to 2017	1,895,562
Other loan 0,5%	0.50%	01/02/2029	11,193
AID, 515-K-043	0%	01/10/2010	300,549
AID, 515-T027	2%	2004 al 2007	<u>233,275</u>
Total			\$ <u>2,440,579</u>

11.11 Other financial obligations

As of December 31, are as follows:

	2004	2003
At-sight obligations with financial entities		
At sight deposits with local financial entities	\$ 20,344	0
Checking accounts of local financial entities	5,827,557	21,483,357
Checking accounts of foreign financial entities	10,437,384	3,165,525
At-sight obligations, legal mandate	8,590,860	8,294,354
Obligations for checks on collection	4,268,948	9,617,610
Other at-sight obligations with financial entities	<u>9,408,360</u>	<u>240,957</u>
Subtotal	<u>38,553,453</u>	<u>42,801,803</u>

Term obligations with financial entities

Time deposits local financial entities	141,170,697	0
Time deposits foreign financial entities	63,425,225	0
From issued letters of credit	1,265,464	0
Repurchase agreements	8,590,402	4,796,029
Borrowings from foreign financial entities	157,559,690	276,717,744
Other term obligation with financial entities	<u>6,152,355</u>	<u>0</u>
Sub-total	<u>378,163,835</u>	<u>281,513,773</u>
Total	<u>\$ 416,717,287</u>	<u>324,315,576</u>

11.12 Other accounts payable and provisions

Are as follows, as of December 31:

	2004	2003
Other accounts payable:		
Commissions	29,596	258,486
Taxes	40,642	4,115
Fees	960,596	4,296,008
Employer's contributions	1,339,865	1,263,899
Legal withholdings	2,786,355	2,543,253
Tax withholdings	1,102,308	3,011,288
Employees' contributions	449,169	336,126
Other third parties' withholdings	67,445	84,236
Gratuities	2,013	468,223
Sundry creditors, local currency	8,598,818	5,012,233
Sundry creditors, foreign currency	7,823,981	2,577,359
Creditors for acquisition of goods	776,236	2,620
Appropriations on results of BICSA	34,322	5,900,525
Appropriations on results of BNCR	<u>7,038,907</u>	<u>0</u>
Sub-total	<u>31,050,253</u>	<u>25,758,371</u>
Provisions:		
For taxes	155,751	1,063,023
For employer's obligations (2)	43,931,230	16,780,253
For pending litigations (1)	4,158,662	10,575,443
Other provisions	<u>3,302,572</u>	<u>5,953,747</u>

Sub-total	<u>51,548,215</u>	<u>34,372,466</u>
Accrued financial charges	25,479,476	17,149,606
Deferred taxes	<u>482,373</u>	<u>333,892</u>
Total	\$ <u>108,560,348</u>	<u>77,614,335</u>

- (1) This balance includes a provision for a still pending Courts resolution on a lawsuit filed by Telesis S.A. since 1994 in which as defendant BICSA Costa Rica, S.A. was declared guilty of breach of contract for US\$12,523,496.80, however on July 16, 2003 the Second Civil Court suspended the decision. The plaintiff may open a new process against BICSA Costa Rica, S.A.
- (1) Following is a summary of provisions for personnel costs during the period ended on December 31, 2004

	Christmas bonus	Vacations	SEDI	Productivity bonus	School bonus	Severance	Total
Balance as of December 31, 2003	\$ 347,296	3,990,456	0	0	0	12,442,501	16,780,253
(+) Provision included in results	9,454,633	1,857,097	11,897,424	377,352	4,007,402	15,484,890	43,078,798
(-) Reversal of provision to results	(13,716)	(1,561)	0	0	0	(9,873)	(25,150)
(-) Write-offs	(9,217,676)	(230,168)	0	0	(211,167)	(4,877,990)	(14,537,001)
(+) Adjustments	954,055	(75,428)	(1,056,965)	0	0	1,561,750	1,383,412
(-) Conversion adjustments	(81,093)	(412,841)	(469,666)	(16,349)	(164,473)	(1,604,662)	(2,749,082)
Balance as of December 31, 2004	\$ 1,443,499	5,127,555	10,370,793	361,003	3,631,762	22,996,616	43,931,230

11.13 Other liabilities

As of December 31, include the following:

	2004	2003
Deferred income:		
Deferred financial income	\$ 2,463,533	5,627,061
Other deferred income	<u>386,503</u>	<u>9,995</u>
Sub-total	<u>2,850,036</u>	<u>5,637,056</u>
 Allowance for contingent credit losses (1)	 2,186,081	 194,039
 Unsettled transactions:		
Excess cash balances	11	4,342
Unsettled transactions	1,117,275	189,822
Other unsettled transactions	<u>1,957,315</u>	<u>211,712</u>
Sub-total	<u>3,074,601</u>	<u>405,876</u>
 Internal reciprocal accounts	 <u>0</u>	 <u>63,850</u>
 Total	 <u>\$ 8,110,718</u>	 <u>6,300,821</u>

11.14 Results of the period

For the one-year periods ended December 31, the results are shown as follows:

	2004	2003
Net operating result before taxes and appropriations of earnings	\$49,242,547	37,904,923
Less:		
Appropriations of earnings:		
INFOCOOP, 10%	4,924,255	3,463,941
CONAPE, 5%	2,433,426	1,692,299
National Emergencies Fund, 3%	0	1,039,182
BICSA participation	<u>36,308</u>	<u>47,756</u>
Total appropriations of earnings	<u>\$ 7,393,989</u>	<u>6,243,178</u>

11.15 Financial income from investments in securities and deposits

Financial income from investments in securities and deposits for the years ended December 31, are the following:

	2004	2003
From investments in marketable securities	\$ 0	13,404,306
From investments in securities available for sale	108,154,111	80,199,565
From investments in securities and deposits held to maturity	10,562,937	4,423,607
From committed investments in securities and deposits	<u>85,081</u>	<u>84,575</u>
Total	<u>\$118,802,129</u>	<u>98,112,053</u>

11.16 Financial income from loan portfolio

Financial income from loan portfolio for the years ended December 31, is as follows:

	2004	2003
Current loans		
On checking accounts overdrafts	\$555,289	500,115
On discounted documents	1,197	6,455
On loans from BCCR resources	538,867	899,120
On loans from other resources	144,136,969	143,921,524
On credit cards	11,612,710	10,892,840
On commercial discounts	10,541	103,360
On letters of credit issued	28,919	26,983
On financial leases	539,386	0
On other acceptances	23	0
On letters of credit confirmed	3,367	216
On loans	105	0
On purchases of repurchase agreements	804,881	0
On guarantees granted	443	12,769
On specific programs	725,671	25,131
On loans to related parties	1,072,602	0
On other loans	<u>0</u>	<u>1,674</u>
	<u>\$160,030,970</u>	<u>156,390,187</u>

Overdue loans and under legal collection from

checking accounts overdrafts	13,211	9,995
discounted instruments	1,926	316
loans with BCCR resources	115,399	155,899
loans from other resources	28,023,760	33,755,337
credit cards	1,396,450	1,886,953
commercial discounts	53,769	50,323
purchase of securities with repurchase agreement	2,814	234
letters of credit confirmed, negotiated	0	326
loans to state banks	0	501
specific programs	124,511	28,254
other loans	<u>38,330</u>	<u>1,214</u>
Sub-total	<u>29,770,170</u>	<u>35,889,352</u>
Financial income from other accounts receivable and accrued income	<u>32,176</u>	<u>190,220</u>
Total	<u>189,833,316</u>	<u>192,469,759</u>

11.17 Other financial income

Other financial income for the one-years period ended December 31, are the following:

	2004	2003
Commissions from letters of credit	\$ 466,563	369,900
Commissions from guarantees granted	259,376	238,377
Commissions from lines of credit	860,019	1,394,391
Changes in fair value of marketable investments	168,950	6,371,911
Other financial income	<u>3,156,504</u>	<u>2,560,656</u>
Total	\$ <u>4,911,412</u>	<u>10,935,235</u>

11.18 Financial expenses on general obligations

The detail of financial expenses on general obligations for the one-year periods ended December 31, are as follows:

	2004	2003
At-sight time deposits expenses, local currency	\$41,529,328	41,672,247
Other general obligations expenses, at-sight	117,163	86,610
Time deposits expenses	85,731,163	78,690,091
Other term general obligations expenses	<u>7</u>	<u>1,081,957</u>
Total	\$ <u>127,377,661</u>	<u>121,530,905</u>

11.19 Operating income from commissions on services

For the one-year periods ended December 31, commissions on services were derived from:

	2004	2003
Drafts and transfers	\$ 4,861,093	3,693,146
Foreign commerce	1,686,907	0
Certification of checks	47,701	144,802
Trusts	2,803,635	1,779,500
Custodies	94,375	141,202
Mandates	2,523	6,799
Consignations	0	0
Trust commissions	3	0
Acceptances	70,231	84,737
Credit cards	5,590,029	3,632,154
Stock exchange services	5,344,362	7,908,536
Investment funds management	6,291,984	11,441,487
Pension funds management	4,961,876	6,666,687
Other	<u>30,181,080</u>	<u>33,640,960</u>
Total	\$ <u>61,935,799</u>	<u>69,140,010</u>

11.20 Other operating income

For the one-year periods ended as of December 31, other operating income is as follows:

	2004	2003
From participation in the capital stock of local financial entities	\$ 4,809	0
From participation in the capital stock of foreign financial entities	<u>31,400</u>	<u>0</u>
Total	\$ <u>36,209</u>	<u>0</u>

11.21 Other operating income

For the one-year periods ended as of December 31, other operating income is as follows:

	2004	2003
Rentals	\$ 89,095	98,023
Advisory services	206	12,398
Recovery of expenses	762,571	524,136
Amortization of purchased goodwill	8,164	1,028
Exchange rate differential, other liabilities	53,335	85,431
Exchange rate differential, other assets	206,926	166,743
Other	<u>7,748,762</u>	<u>5,370,043</u>
Total	\$ <u>8,869,059</u>	<u>6,257,802</u>

11.22 Repossessed assets, sundry operating expenses

For the one-year periods ended as of December 31, are as follows:

	2004	2003
Expenses on property and other repossessed goods	\$ 7,725,912	7,526,443
Expenses on other repossessed assets	1,139,061	1,200,516
Losses in disposal of used premises and equipment	<u>276,477</u>	<u>317,245</u>
Total	\$ <u>9,141,450</u>	<u>9,044,204</u>

11.23 Sundry operating expenses on amortization of intangible assets

For the one-year periods ended December 31, the detail of sundry operating expenses on amortization of intangible assets is as follows:

	2004	2003
Goodwill	\$ 351,660	386,800
Amortization of software	3,507,558	4,500,101
Impairment of software in use	31,115	16,169
Amortization of other intangible assets	<u>2,060,515</u>	<u>574,366</u>
	5,950,848	5,477,436
On leased assets	<u>2,180</u>	<u>0</u>
Total	\$ <u>5,953,028</u>	<u>5,477,436</u>

11.24 Other operating expenses

For the one-year periods ended December 31, a detail is as follows:

	2004	2003
Donations	\$ 25	512
Fines for non- compliance of legal provisions	37,968	13,772
Exchange rate differentials, other liabilities	168,124	241,792
Exchange differentials, other assets	20,236	5,625
Sundry operating expenses	<u>5,944,599</u>	<u>5,261,135</u>
Total	\$ <u>6,170,952</u>	<u>5,522,836</u>

11.25 Personnel expenses

For the one-year periods ended December 31, are as follows:

	2004	2003
Salaries, regular personnel	\$ 55,316,106	59,674,639
Salaries, part-time personnel	256,638	340,064
Directors' fees	332,841	126,683
Overtime	432,699	508,488
Travel	762,643	739,948
Christmas bonus	6,788,194	4,940,968
Vacation	1,925,321	958,448
Incentives	15,823,418	4,988,446
Other incentives	5,998,147	3,687,051

Severance pay	17,409,072	10,940,233
Payroll taxes	23,807,265	18,184,417
Cafeteria	664,978	769,901
Uniforms	171,115	299,259
Training	707,033	710,712
Insurance	764,553	202,731
School salary	4,374,982	494,802
Labor training fund	2,006,394	1,502,602
Other	174,090	99,588
Total	\$ <u>137,715,489</u>	<u>109,168,980</u>

11.26 Other administrative expenses

Other administrative expenses for the one-year periods ended December 31, are as follows:

	2004	2003
External services:		
EDP services	138,893	101,271
Security services	3,056,705	4,063,280
Information services	141,022	146,646
Cleaning services	1,442,280	1,328,008
Legal advisory	328,890	33,129
External audit	369,212	54,604
External advisory	1,779,347	2,297,822
Other services	<u>2,318,425</u>	<u>2,197,570</u>
Sub-total	<u>9,574,774</u>	<u>10,222,330</u>
Transportation and communication expenses		
Fares and freight	869,023	806,449
Vehicles insurance	22,971	4,972
Vehicles repairs, maintenance and spare parts	324,111	216,581
Vehicles leasing	717,128	738,752
Vehicles depreciation	81,221	103,577
Loss in vehicles impairment	59,171	113,414
Telephone, telex, fax	3,735,760	3,557,017
Other transportation and communications expenses	<u>755,145</u>	<u>1,395,838</u>
Sub-total	<u>6,564,530</u>	<u>6,936,600</u>

Infrastructure expenses

Insurance on property, except vehicles	221,199	138,899
Repairs and maintenance of premises and equipment, except vehicles	5,549,463	5,644,128
Utilities	2,867,295	2,619,753
Rental of properties	2,978,360	1,976,098
Furniture and equipment rentals	621,113	511,816
Depreciation of premises and equipment	14,757,023	16,382,870
Amortization of leasehold improvements	311,608	641,713
Impairment of premises and equipment except vehicles	347,742	0
Other infrastructure expenses	420,045	446,763
Sub-total	<u>28,073,848</u>	<u>28,362,040</u>

General expenses

Other insurance	235,518	185,179
Amortization of other deferred charges	364,049	255,694
Stationery, supplies and other	3,227,482	3,125,409
Legal expenses	45,955	14,290
Memberships and subscriptions	113,584	66,718
Advertising and publicity	3,929,569	5,875,606
Representation expenses	3,464	3,049
Contribution to other institutions	525,741	777,504
Others expenses , sundry	1,286,760	817,842
Sub-total	<u>9,732,122</u>	<u>11,121,291</u>
Total	\$ <u>53,945,274</u>	<u>56,642,261</u>

11.27 Taxes, licenses and contributions

Taxes, licenses and contributions for the one-year periods ended December 31, include:

	2004	2003
Taxes on vehicles	\$ 1,727	0
Property tax and others on real estate	113,482	124,281
Municipal licenses	104,277	69,714
Income tax 8% on interest earned	5,459,187	5,479,736
Other taxes, charges and compulsory contributions	746,368	184,829
Total	\$ <u>6,425,041</u>	<u>5,858,560</u>

Note 12. Concentration of assets and liabilities and off-balance sheet items

The Bank has not determined other concentrations that should be disclosed.

Note 13. Maturity of assets and liabilities

As of December 31, maturities of assets and liabilities are as follows:

A) Maturity of assets and liabilities as of December 31, 2004

	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	Over 365 days	Over 30 days overdue	Total
Assets recovery								
Funds available	\$ 179,636,852	0	0	0	0	0	0	\$ 179,636,852
Cash reserve, BCCR	184,187,339	39,707,536	20,063,112	32,261,808	17,819,756	0	0	294,039,551
Investments	167,968,797	3,571,444	75,644,712	73,034,072	125,358,312	855,986,373	0	1,301,563,710
Loan portfolio	61,000,099	65,869,847	41,560,970	232,298,599	189,387,679	561,850,335	33,149,231	1,185,116,760
Total assets recovery	<u>592,793,087</u>	<u>109,148,827</u>	<u>137,268,794</u>	<u>337,594,479</u>	<u>332,565,747</u>	<u>1,417,836,708</u>	<u>33,149,231</u>	<u>2,960,356,873</u>
Maturity of liabilities								
Obligations with the public	1,840,309,815	285,346,258	152,996,348	230,863,687	134,464,898	0	0	2,643,981,006
Obligations with BCCR	6,554	0	22,557	429,097	8,501	1,194,521	0	1,661,230
Obligations with financial entities	51,336,447	19,349,411	10,160,366	33,276,807	1,360,969	5,766,848	0	121,250,848
Other payables	24,042,735	154,844	53,356	110,865	0	94,170	0	24,455,970
Total maturity of liabilities	<u>1,915,695,551</u>	<u>304,850,513</u>	<u>163,232,627</u>	<u>264,680,456</u>	<u>135,834,368</u>	<u>7,055,539</u>	<u>0</u>	<u>2,791,349,054</u>
Difference	\$ <u>(1,322,902,464)</u>	<u>(195,701,686)</u>	<u>(25,963,833)</u>	<u>72,914,023</u>	<u>196,731,379</u>	<u>1,410,781,169</u>	<u>33,149,231</u>	\$ <u>169,007,818</u>

A) Maturity of assets and liabilities as of December 31, 2004

	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	Over 365 days	Over 30 days overdue	Total
Assets recovery								
Funds available	\$ 179,636,852	0	0	0	0	0	0	\$ 179,636,852
Cash reserve, BCCR	184,187,339	39,707,536	20,063,112	32,261,808	17,819,756	0	0	294,039,551
Investments	167,968,797	3,571,444	75,644,712	73,034,072	125,358,312	855,986,373	0	1,301,563,710
Loan portfolio	61,000,099	65,869,847	41,560,970	232,298,599	189,387,679	561,850,335	33,149,231	1,185,116,760
Total assets recovery	<u>592,793,087</u>	<u>109,148,827</u>	<u>137,268,794</u>	<u>337,594,479</u>	<u>332,565,747</u>	<u>1,417,836,708</u>	<u>33,149,231</u>	<u>2,960,356,873</u>
Maturity of liabilities								
Obligations with the public	1,840,309,815	285,346,258	152,996,348	230,863,687	134,464,898	0	0	2,643,981,006
Obligations with BCCR	6,554	0	22,557	429,097	8,501	1,194,521	0	1,661,230
Obligations with financial entities	51,336,447	19,349,411	10,160,366	33,276,807	1,360,969	5,766,848	0	121,250,848
Other payables	24,042,735	154,844	53,356	110,865	0	94,170	0	24,455,970
Total maturity of liabilities	<u>1,915,695,551</u>	<u>304,850,513</u>	<u>163,232,627</u>	<u>264,680,456</u>	<u>135,834,368</u>	<u>7,055,539</u>	<u>0</u>	<u>2,791,349,054</u>
Difference	\$ <u>(1,322,902,464)</u>	<u>(195,701,686)</u>	<u>(25,963,833)</u>	<u>72,914,023</u>	<u>196,731,379</u>	<u>1,410,781,169</u>	<u>33,149,231</u>	\$ <u>169,007,818</u>

Note 14. Liquidity and market risks management**a. Liquidity risk**

The continuous changes in the economy and the financial environment present as a result, structural modifications in the financial sector, for which reason it is important to assume the challenges imposed by globalization of the markets and the corresponding auto regulation required by Basle accords, that through the issuance of norms, regulations and recommendations that financial institutions must follow in a required period of time.

According to the quantitative qualification model of SUGEF, in the fourth quarter of 2004 there has been stability in the term wedging (maturities) on a one month term adjusted by volatility, quantified at 2.58 in December 2004 and 2.38 on December 2003 which is considered normal under regulatory standards, which is more than the minimum requirement established by SUGEF which is 1.00.

The term wedging for three months was quantified at 1.48 on December 31, 2004 and 1.27 on 2003, considered as normal been the lower limit established by regulations on 0.85.

The measurement of liquidity risks provides the necessary support for the information organized in specialized models that facilitate the analysis and use. With the information as of December 31, 2004, the recovery of assets exceeds the maturity of liabilities.

To solve temporary liquidity problems the Bank would proceed as follows:

The development of a process to substitute liabilities with the use of lines of credit, which would improve the wedging terms.

Classification of investments as available for sale with the purpose of negotiating those investments if needed.

Renewals are considered in the account of Obligations, because they are not used in the calculations of the wedging terms, which is a distribution of the obligations and recovery of the balances at a given date.

Keeping a low volatility of time deposits negotiating rates and terms with important clients in order to cover possible deficiencies in the wedging terms.

Elaboration of financial instruments as financial liabilities and financial assets (negotiations, campaigns, improvements in services and products) to prevent negative effects when interests rates vary.

b. Market risk

b.1 Exchange rate risk management

In the financial services business the Bank is exposed, like any entity, to risks associated to fluctuations in the market interest rates. Following is a summary of the exposition to risk of variations of interest rates that includes assets and liabilities classified according to maturity date or date in which the interest rates are reviewed, whichever comes first.

As of December 31, 2004 and according to the methodology included in the regulations (External letter 13-2001 from SUGEF), the Bank is in a normal level to the exposition of risk in variations of interest rates. Such percentage is equal to 0.78% as of December, 31, 2004, which it is below the 5% limit allowed to be classified as normal.

In the report that follows a detail of the accounts that include productive assets and liabilities with cost is disclosed, according to the time frames defined by the regulator, as well as for different currencies.

A) Wedging report at December 31, 2004:

Se continua con la política de mantener positiva la posición en moneda extranjera

		1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 to 720 days	Over 720 days	Total
1) Local currency (L.C)								
Investments	\$	92,737,643	54,015,731	6,554,512	38,135,788	157,918,396	109,467,628	\$ 458,829,698
Loan portfolio		318,298,021	176,775,964	14,803,737	22,050,851	8,435,034	149,929,473	690,293,080
Total assets recovery (sensible to rates) (A)		411,035,664	230,791,695	21,358,249	60,186,639	166,353,430	259,397,101	1,149,122,778
Obligations with the public		267,896,385	155,925,635	96,851,038	26,641,869	1,273,685	14,851,237	563,439,849
Obligations with BCCR		25,443	68,294	377,316	62,848	58,003	1,080,198	1,672,102
Obligations with financial entities		6,013,929	206,732	234,765	198,723	372,586	2,151,704	9,178,439
Total maturity of liabilities (sensible to rates) (B)		273,935,757	156,200,661	97,463,119	26,903,440	1,704,274	18,083,139	574,290,390
Recovery of assets less maturity of liabilities (A- B)	\$	137,099,907	74,591,034	(76,104,870)	33,283,199	164,649,156	241,313,962	\$ 574,832,388

continue...

	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 to 720 days	Over 720 days	Total
... continued							
2) Foreign currency (FC)							
Investments	\$ 91,126,331	18,685,600	64,388,114	79,619,620	171,379,492	274,217,703	\$ 699,416,860
Loan portfolio	20,581,147	25,349,698	44,806,601	62,882,371	40,628,683	261,071,664	455,320,164
Total assets recovery (sensible to rates) (C)	111,707,478	44,035,298	109,194,715	142,501,991	212,008,175	535,289,367	1,154,737,025
Obligations with the public	250,420,516	262,022,311	138,062,554	75,598,770	3,370,131	8,254,658	737,728,940
Obligations with BCCR	0	0	0	0	0	0	0
Obligations with financial entities	19,583,834	22,742,700	32,079,657	90,251	1,694,313	2,883,304	79,074,059
Total maturity of liabilities (sensible to rates) (D)	270,004,350	284,765,011	170,142,211	75,689,021	5,064,444	11,137,962	816,802,999
Recovery of assets less maturity							
of liabilities (C-D)	(158,296,872)	(240,729,713)	(60,947,496)	66,812,970	206,943,731	524,151,405	337,934,026
Total recovery of assets sensible to rates 1(A+C)	522,743,142	274,826,993	130,552,964	202,688,630	378,361,605	794,686,468	2,303,859,803
Total maturity of liabilities sensible to rates 2(B+D)	543,940,107	440,965,672	267,605,330	102,592,461	6,768,718	29,221,101	1,391,093,389
Recovery of assets less maturity of liabilities, LC+FC(1-2)	\$ (21,196,965)	(166,138,679)	(137,052,366)	100,096,169	371,592,887	765,465,367	\$ 912,766,414

B) Wedging report at December 31, 2003:

	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 to 720 days	Over 720 days	Total
1) Local currency (LC)							
Investments	\$ 131,795,185	3,109,676	48,292,815	15,548,379	58,141,371	59,523,172	\$ 316,410,598
Loan portfolio	343,748,325	115,853,629	7,945,563	24,192,670	2,817,899	6,630,570	501,188,656
Total assets recovery (sensible to rates) (A)	475,543,510	118,963,305	56,238,378	39,741,049	60,959,270	66,153,742	817,599,254
Obligations with the public	198,888,811	119,159,766	48,830,776	17,348,198	459,398	1,044,072	385,751,021
Obligations with BCCR	195,175	283,987	467,516	483,135	919,753	2,169,995	4,519,561
Obligations with financial entities	0	0	0	0	0	0	0
Total maturity of liabilities (sensible to rates) (B)	199,083,986	119,443,753	49,318,292	17,831,333	1,379,151	3,214,067	390,270,582
Recovery of assets less maturity of liabilities (A-B)	\$ 276,459,524	(480,448)	6,920,086	21,909,716	59,580,119	62,939,675	\$ 427,328,672

continue...

	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 to 720 days	Over 720 days	Total
....continued							
2) Foreign currency (F C)							
Investments	\$ 14,318,217	26,130,790	2,749,125	95,955,266	23,169,976	164,073,185	\$ 326,396,539
Loan portfolio	104,433,379	131,385,579	172,603,986	27,095,843	44,5932	8,178,925	444,143,644
Total assets recovery (sensible to rates) (C)	118,751,596	157,516,369	175,353,111	123,051,109	23,615,908	172,252,110	770,540,203
Obligations with the public	130,994,127	158,018,926	74,481,818	43,732,901	4,290,074	4,002,829	415,520,675
Obligations with BCCR	3,671,589	37,988,320	21,010,269	1,749,033	178,011	852,838	65,450,080
Obligations with financial entities	0	0	0	0	0	0	0
Total maturity of liabilities (sensible to rates) (D)	134,665,716	196,007,246	95,492,087	45,481,934	4,468,085	4,855,667	480,970,755
Recovery of assets less maturity of liabilities (C-D)	(15,914,120)	(38,490,877)	79,861,024	77,569,175	19,147,823	167,396,423	289,569,448
Total recovery of assets sensible to rates 1/(A+C)	594,295,106	276,479,674	231,591,489	162,792,157	84,575,178	238,405,852	1,388,139,457
Total maturity of liabilities sensible to rates 1/(B+D)	333,749,702	315,450,999	144,810,379	63,313,267	5,847,236	8,069,754	871,241,337
Recovery of assets less maturity of liabilities, LC+FC(1-2)	\$ 260,545,404	(38,971,325)	86,781,110	99,478,890	78,727,942	230,336,098	\$ 716,898,120

14.3 Exchange rate risk

The policy of a positive position in foreign currency continues.

No loans in foreign currency are granted to customers whose income is not in foreign currency. The exchange rate risk index calculated by SUGEF is closely watched so the Bank remains in a normal level.

The foreign currency position at December 31 is shown next:

A) Exchangerate risk at December 31, 2004:

	At-sight	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	Over 365 days	Over 30 days overdue	Total
Assets recovery									
Funds available	\$ 126,187,558	0	0	0	0	0	0	0	\$ 126,187,558
Cash reserve, BCCR	70,136,625	21,625,797	18,071,141	11,297,383	14,442,747	9,684,288	0	0	145,257,981
Investments	0	97,459,460	0	22,383,718	66,306,661	84,391,092	541,319,460	0	811,860,391
Loan portfolio	0	26,287,687	36,030,231	14,434,382	109,629,975	56,082,920	216,602,972	13,957,160	473,025,327
Total assets recovery	196,324,183	145,372,944	54,101,372	48,115,483	190,379,383	150,138,300	757,922,432	13,957,160	1,556,331,257
Maturity of liabilities									
Obligations with the public	677,943,108	203,372,744	169,944,141	106,242,548	135,822,102	91,072,728	0	0	1,384,397,371
Obligations with BCCR	0	0	0	0	0	0	0	0	0
Obligations with other financial entities	9,570,061	17,744,969	18,384,193	8,725,841	33,032,884	7,388	5,766,848	0	93,232,184
Other payables	0	3,897,321	154,844	50,214	110,299	0	38,658	0	4,251,336
Total maturity of liabilities	687,513,169	225,015,034	188,483,178	115,018,603	168,965,285	91,080,116	5,805,506	0	1,481,880,891
Difference	\$ (491,188,986)	(79,642,090)	(134,381,806)	(66,903,120)	21,414,098	59,078,184	752,116,926	13,957,160	\$ 74,450,366

B) Exchange rate risk at December 31, 2003:

	At-sight	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	Over 365 days	Total
Assets recovery								
Funds available	\$ 29,844,459	0	0	0	0	0	0	\$ 29,844,459
Cash reserve, BCCR	42,858,128	3,303,502	9,705,289	10,687,449	8,542,510	4,145,901	0	79,242,779
Investments	60,134,518	18,137,966	5,844,234	2,807,434	101,143,921	299,112,222	0	487,180,295
Loan portfolio	37,353,413	37,720,747	38,242,537	32,267,850	57,584,943	243,475,534	9,463,499	456,108,523
Total assets recovery	170,190,518	59,162,215	53,792,060	45,762,733	167,271,374	546,733,657	9,463,499	1,052,376,056
Maturity of liabilities								
Obligations with the public	599,375,189	43,099,816	0	201,132,475	0	8,548,230	0	852,155,710
Obligations with BCCR	0	0	0	0	0	0	0	0
Obligations with other financial entities	40,073,614	6,358,864	0	0	0	0	0	46,432,478
Other payables	1,584,305	792,153	264,051	29,674,696	0	1,261,189	0	33,576,394
Total maturity of liabilities	641,033,108	50,250,833	264,051	230,807,171	0	9,809,419	0	932,164,582
Difference	\$ (470,842,590)	8,911,382	53,528,009	(185,044,438)	167,271,374	536,924,238	9,463,499	\$ 120,211,474

Note 15. Contingencies and commitments

In the normal course of business the Bank generates contingent liabilities which are considered in the analysis of the loan portfolio and other risks, with the purpose of making an adequate estimate. Those contingent liabilities consist of:

	2004	2003
Compliance guarantees	\$ 46,324,748	69,014,634
Participation guarantees	10,222,894	19,277,888
Other guarantees	24,137,156	15,489,708
Letters of credit	64,894,303	98,342,877
Lines of credit of automatic utilization	138,482	602,819
Other contingencies	<u>26,036</u>	<u>818,012</u>
Total	\$ <u>145,743,619</u>	<u>203,545,938</u>

Note 16. Off-Balance sheet financial instruments risk

The Bank uses a variety of off-balance sheet financial instruments resulting from the normal course of operations such as letters of credit, guarantees and collaterals granted without prior deposit, which involve credit and liquidity risks. Following is a summary of outstanding balances without prior deposit, as of December 31:

	2004	2003
Letters of credit	\$ 47,473,993	114,188,256
Guarantees and collaterals	<u>38,975,048</u>	<u>62,044,456</u>
Total	\$ <u>86,449,041</u>	<u>176,232,712</u>

The letters of credit, guarantees and collaterals granted are exposed to losses in the event the customers do not comply with their obligations.

The Bank applies the same credit policies in providing these conditional obligations as it does for on-balance sheet instruments. The guarantees and collaterals granted have predetermined expiration dates, the majority of which do not demand a cash payment, for which reason do not represent a significant liquidity risk. In respect to letters of credit, most are executed; however, the majority are at-sight, issued and confirmed on account of agent banks and payment is immediate.

Note 17. Trusts and trust commissions

At December the breakdown of trust and trust commissions is a follows:

A) As of December 31, 2004

Nature of the trust	Housing	Equity administration	Titularizations	Portfolio administration	Special accounts	Guarantee	Testamentary	Custody of stocks with testamentary clauses	Total
Assets of the trusts									
Funds available	\$ 153,827	1,512,619	81,411	530,154	94,043	16,275	3,648	611	\$ 2,392,588
Investments in securities and time deposits	0	35,323,581	11,654,723	26,754,133	1,001,165	2,504,019	492,194	0	77,729,815
Loan portfolio	0	69,873,161	13,073,768	13,709,490	0	468,800	0	0	97,125,219
Accounts receivable and accrued income	816	4,050,105	2,172,527	3,900,119	62,396	317,728	14,683	0	10,518,374
Reposessed assets	0	1,468,339	44,175	206,516	0	93,802	0	0	1,812,832
Participation in capital of other companies	0	0	0	0	0	11,401,291	0	0	11,401,292
Premises and equipment	0	463,573	45,905,365	657,969	3,344	22,705,076	0	0	69,735,327
Other assets	0	26,251	41,138,452	45,884	1,602	0	0	0	41,212,189
	\$ 154,643	112,717,629	114,070,421	45,804,265	1,162,550	37,506,991	510,525	611	\$ 311,927,636
Total									
Trust commissions and other									
Management and trust commissions				\$ 419,652,128					
Current and term transactions, repurchases and portfolio management				22,964,689					
Assets received in custody				26,290,145					
Total				\$ 468,906,962					

B) As of December 31, 2003

Nature of the trust	Housing	Equity administrati on	Titularizations	Portfolio administrat ion	Special accounts	Guarante e	Testamentar y	Custody of stock with testamentary clauses	Equity administra tion BICSA	Total
Assets of the trusts										
Funds available	\$ 300,271	1,249,720	362,334	173,576	184,584	395,351	1,467	362	870,018	\$ 3,537,683
Investment in securities and time deposits	0	26,600,209	8,777,514	25,841,740	1,232,083	1,906,485	446,994	0	11,779,527	76,584,553
Loan portfolio	89,442	4,802,896	14,524,921	15,632,635	0	708,954	0	0	51,919,667	87,678,515
Accounts receivable and acurred income	22,122	1,378,114	1,284,949	2,129,026	320,788	205,441	1,325	0	1,335,378	6,677,143
Repossessed assets	6,580	0	0	281,954	0	0	0	0	0	288,534
Premises and equipment	0	312,399	53,407,675	581,594	24,881	959,185	0	0	12,288,408	67,574,142
Other assets	638	26,115	17,004,173	25,814	15,673	(80)	0	0	210,793	17,283,126
Total	\$ 419,053	34,369,453	95,361,566	44,666,339	1,778,009	4,175,336	449,786	362	78,403,791	\$ 259,623,696

Trust commissions and others

Management of trust commissions	\$ 358,883,879
Current and term transactions, repurchases and portfolio management	23,833,556
Assets received in custody	<u>3,988,418</u>
Total	<u>\$ 386,705,853</u>

As of December 31, 2003, trust and trust commissions are detailed as follows:

Housing

Exclusively for the administration of the housing portfolio

Equity administration

Administration of funds and assets for several purposes like investments and pre established payments.

Titularizations

Funding of fixed assets through the issuance of securities secured by the same assets.

Portfolio administration

Administration of specific loan portfolios for purposes of housing, agriculture, forestry and other activities aimed at the economic and social development of the country.

Special accounts

Correspond to funds administered by BN Fiduciaria of special nature (not trusts) created for different purposes that facilitate the control, management, localization and eventual liquidation of certain contingencies of the trusts, maturities of securities (CIH), administration of fixed assets and others

Guarantee

Assets received from settlors under instructions to pledge them to secure obligations.

Estate

Administration of instructions by settlors related to after death circumstances.

Testamentary

Custody of assets, mainly capital stock shares under instructions by settlors to provide benefits to beneficiaries.

Note 18. Other memo accounts

As of December 31, other memo accounts are detailed as follows:

	2004	2003
Trust commissions, except trusts	\$ 2,013,445,180	2,179,189,619
Term regular operations	133,424,271	199,128,091
Net assets managed by the investment funds administration	183,042,595	905,836,592
Net assets managed by pension plans administration	357,997,919	513,961,830
Restricted assets in custody	26,290,145	3,988,418
Guarantees received in custody in the Bank	1,050,601,996	1,217,983,323
Guarantees received in custody of third parties	8,636,228	73,478,746
Outstanding letters of credit	403,234,140	409,448,885
Write-offs	82,225,222	79,844,006
Pending income	4,090,940	5,445,781
Supporting documents in the Bank	3,190	44,985
Non taxable income	181,290,140	0
Non deductible expenses	12,529,368	0
Other	<u>129,136,337</u>	<u>645,035,260</u>
Total	\$ <u>4,585,947,671</u>	<u>6,233,385,536</u>

Note 19. Capital stock

Capital stock of the state banks, or its departments, can be increased by law or by capitalization of earnings in which case the approval of the Board of Directors of the Central Bank of Costa Rica would be necessary, with the previous consent of the SUGEVAL. The loans which could be granted to each individual or juridical person for the transactions described in article 122 of the Law and altogether, could be no more than 20% of the capital stock and legal reserve of the Bank.

Financial entities supervised by the SUGEF can increase capital stock by an amendment to the deed of incorporation paying the increase in full. Capital stock can be decreased to the minimum legal amount established in the above mentioned legal provision.

Note 20. Income tax

The income tax return for 2003 period does not show taxable income, because of the following reasons:

Income from investments levied on the source; the 8% withheld is considered as the only and final tax.

Income from investments abroad; are not subject to tax since they are not generated from a local source.

Income from investments in US\$; income from investments in foreign currency issued by the government or the government banks, are not subject to income tax.

Income from subsidiaries; income tax is paid by each subsidiary.

In respect to BICSA Corporación Financiera, S.A. and subsidiaries as of December 31, 2004, the subsidiary BICSA Costa Rica, S.A. did not show taxable income, because of the exclusion of interest income on securities levied at the source.

In accordance with the provisions of the income tax law, BN Valores Puesto de Bolsa, S.A. and BN Sociedad de Fondos de Inversión, S.A. should file the tax returns for the twelve-month period ended December 31 of each year. As of December 31, 2004, the difference between the income tax and the amount resulting from the application of the rate corresponding to net earnings before tax, reconcile.

Note 21. Off-Balance sheet accounts

As of December 31, following are the off-balance sheet accounts:

a) Current and term stock exchange transactions and management of securities portfolio

a.1) BN Valores Puesto de Bolsa, S.A., presents the following detail for these accounts as of December 31:

	2004	2003
Marketable securities under own custody	\$ 53,311	46,505
Marketable securities under custody in CEVAL (a.2)	1,570,115,033	1,803,219,794
Marketable securities for future delivery	110,459,582	173,294,486
Active portfolios, managed portfolios	11,812,354	8,377,134
Pasive portfolios, managed portfolios	11,812,354	8,377,134
	\$ <u>1,704,252,634</u>	<u>1,993,315,053</u>

Marketable securities in custody in CEVAL and in the Bank, are presented at face value.

a.2) Marketable securities in custody

Following is the classification of marketable securities in custody, as of December 31:

Marketable securities in colones:**On own account**

Custodian	Type of custody	2004	2003
CEVAL	Pending compliance and reception	\$ <u>4,081,276</u>	<u>9,226,169</u>

On third parties' account

Custodian	Type of custody	2004	2003
Ceval	Free	\$ 551,645,190	655,419,905
Ceval	Administration CEVAL	988,659	6,122,497
Ceval	Collateral or pledged	242,560	160,157
Ceval	Repurchase agreements guarantees	6,082,145	48,000,279
Ceval	Operations, guarantees	45,882	0
Ceval	Term operations guarantees	411,842	52,625
Ceval	Pending compliance and reception	<u>32,562,599</u>	<u>88,493,331</u>
Total colones		\$ <u>596,060,153</u>	<u>807,474,963</u>

Marketable securities in US\$**On own account**

Custody	Type of custody	2004	2003
CEVAL	Pending compliance and reception	5,475,000	<u>7,990,000</u>

On third parties' account

Custody	Type of custody	2004	2003
CEVAL	Administration CEVAL	2	4
CEVAL	Collateral or pledged	2,659,065	32,999,035
Euroclear (Euro)	Collateral or pledged	3,808,000	1,584,000
CEVAL	Repurchase agreements guarantees	18,508,118	16,182,136
Euroclear (Euro)	Repurchase agreements guarantees	35,643,000	0
Euroclear (Euro)	Term transactions guaranty	3,400	23,905,000
CEVAL	Free	0	10,000,000

Custody	Type of custody	2004	2003
UBS Paine Webber	Free	5,294	5,122
Merrill Lynch	Free	415,812	403,281
Euroclear (Euro)	Free	124,237,615	141,835,290
CEVAL	Free	652,769,804	689,474,360
BNCR	Free	1,037,198	16
CEVAL	Pending compliance and reception	<u>127,648,960</u>	<u>70,688,631</u>
Total US\$		\$ <u>972,211,268</u>	<u>995,066,875</u>

Marketable securities in Euros

On third parties' account

Custody	Type of custody	2004	2003
Euroclear (Euro)	Free	€ 1,205,405	543,000
	Pending compliance and reception	<u>150,000</u>	<u>0</u>
Total euros		€ <u>1,355,405</u>	<u>543,000</u>

b) Investment funds administration agreements

b.1) BN Sociedad de Fondos de Inversión, S.A., presents the net assets value of the administrated funds as of December 31, as follows:

2004

Fund		Net asset	Participation certificates	Value of participation
Superfondo	(¢)	5.893.265.910	3.095.701.228	1.9036933718
Superfondo	(\$)	18.412.222	15.616.277	1.1790403979
Crecifondo	(¢)	486.079.363	256.694.447	1.8936107410
Crecifondo	(\$)	705.777	605.869	1.1648980941
Redifundo	(¢)	1.356.277.209	978.877.550	1.3855432779
Redifundo	(\$)	4.347.185	4.267.652	1.0186362742
Dinerfondo	(¢)	17.626.718.60		
		6.17	12.926.129.539	1.3636501593
Dinerfondo	(\$)	68.195.467.22	65.029.937	1.0486780363
Inmobiliario	(\$)	26.978.675.95	25.790.000	1.0437541590
Hipotecario	(\$)	9.050.936.91	8.870.000	1.0202532175

2003

Fund		Net asset	Participation certificates	Value of participation
Superfondo	(\$)	159,431,532	38,084.461.200	0.0041862620
Crecifondo	(\$)	4,674,517	1.165.112.108	0.0040120744
Redifondo	(\$)	11,665,091	3.959.372.049	0.0029461972
Dinerfondo	(\$)	8,869,436	3.023.292.927	0.0029347004
Superfondo	(\$)	652,062,645	510.771.865	1.2766808231
Crecifondo	(\$)	9,243,667	7.156.543	1.2916385747
Dinerfondo	(\$)	3,545,630	3.431.919	1.0331333580
Redifondo	(\$)	20,120,021	18.822.424	1.0689388890
Real estate	(\$)	27,072,971	25.790.000	1.0497468399
Mortgage	(\$)	9,121,082	8.870.000	1.0283068771

BN Sociedad de Fondos de Inversión, S.A. has registered with SUGEVAL the following funds:

– Superfondo Colones

Open, unlimited and with fixed yielding, aimed to generate a return to the investor in a given term; participations may be redeemed only by the fund and yielding will be disbursed at maturity or when the investment order is withdrawn, without possibilities of secondary market negotiation. Minimum investment is \$239

– Superfondo Dollars

Open, unlimited and with fixed yielding, aimed to generate a return to the investor in a given term; participations may be redeemed only by the fund and yielding will be disbursed at maturity or when the investment order is withdrawn, without possibilities of private or secondary market negotiation. Minimum investment is US\$1,000.

– Redifondo colones

Open, unlimited and with fixed yielding aimed to generate a monthly return to the investors, without possibilities of private or secondary market negotiation. The initial investment is \$239 for individuals and \$1,196 for companies.

– Crecifondo colones

Open, unlimited, fixed yielding aimed to offer to customers medium or long-term investments with a higher return than other alternatives in the market. Minimum initial amount is \$12 for individuals and \$239 for companies.

– Crecifondo dollars

Open, unlimited with fixed yielding aimed to offer to customers medium and long-term investments with a higher return than other alternatives in the market. Minimum initial amount is US\$20 for individuals and US\$500 for companies.

– Dinerfondo colones

Open, unlimited with fixed yielding, aimed to offer to customers a monthly return, without possibilities of private or secondary market negotiation. Minimum initial investment is \$2,392 in three series A, B, and C. The difference is the minimum daily balance of investments and the corresponding commission.

– Dinerfondo Dollars

Open, unlimited and with fixed yielding, aimed to offer to the customers a monthly return without possibilities of private or secondary market negotiation. Minimum initial investment is US\$ 3,000, in three series A, B, and C. The difference is the minimum daily balance of investments and the corresponding commission.

– Real Estate Investment Fund for industry and office buildings (FIO 1) dollars

Closed, authorized issue of US\$100,000,000; participations will not be redeemed by the fund, but should be negotiated in the secondary market. Returns are paid quarterly. The objective is investment in real estate. Minimum initial investment is US\$5,000.

– Mortgage certificates investment fund-- in dollars (FHIPO)

Close, authorized issue of US\$100,000,000; participations will not be redeemed by the fund, but should be negotiated in the secondary market. Returns are paid quarterly. The objective is investment in credit rights or collection of mortgages. The term is 30 years. This is the maximum term, supposing a default of advanced amortization of the credit right or collection of mortgages. Minimum initial investment is US\$10,000.

c) Pensions funds administration agreements

The following is a detail of memo accounts as of December:

As of December 31 :

	2004	2003
Pension Fund Colones	\$ 56,313	132,610
Pension Funds, Dollars	33,542	198,508
Notarial Guarantee Fund	7,979	6,418
Labor Capitalization Fund	85,039	63,891
Compulsory Retirement Fund	175,124	112,535
Securities in development units	0	1,236
Participation and compliance guarantees	<u>0</u>	<u>177</u>
	<u>\$ 357,997</u>	<u>515,375</u>

Note 22. Significant events

As of December 31 the Bank is facing the following processes which could affect the normal course of operations.

a. Rectification of the income tax returns for the periods 2002, 2003, 2004.

The Internal Revenue Service and SUGEF agreed upon the methodology proposed by the Costa Rican Banking Association to compute the non-deductible financial expenses, the non-deductible administrative expenses and the non-deductible exchange rate differential expenses of the entities of the National Banking System, for which reason the tax returns for the periods 2002, 2003 and 2004 were rectified. These tax returns are open for the review by the tax authorities.

b. Report on the actuarial deficit of the Employees' Retirement Fund.

While the Fund continues in operation, the deficit will maintain its present situation and any shortage will be financed with the totality of the resources. This is a supplementary pensions plan of a solidarity nature, not individual. Being solidarity, a pension does not terminate at the moment the individual balance finishes, but it will be maintained with resources of the Fund as a whole. These resources originate from the contributions of active employees.

c. Standardized securities emission

According to resolution SGV-R-907 of June 8, 2004 the SUGEVAL authorized the Bank a public offer of standardized securities for ¢13,000,000,000 and US\$24,000,000 from which ¢8,000,000,000 and

US\$7,327,000 have been issued. According to article 4 of the Organic Law of the National Banking System the whole emission is secured by the Republic of Costa Rica.

The purpose of the emission is to obtain resources for the financing of short and long term credit requirements.

A) Local currency

Instrument	Commercial paper			
Designation	BNp¢Fa3	BNp¢Fa6	BNp¢Fa9	BNp¢Fa12
Amount	1,500,000,000	1,500,000,000	1,500,000,000	1,500,000,000
Term	90 days	180 days	270 days	359 days
Issuance date	01/06/2004	01/06/2004	01/06/2004	01/06/2004
Due date	01/09/2004	01/12/2004	01/03/2005	31/05/2005
Net interest rate	N/A	N/A	N/A	N/A
Risk rating	SCR-1	SCR-1	SCR-1	SCR-1

Instrument	Standardized fixed rate bonds	
Designation	BNb¢Fa3	BNb¢Fa5
Amount	1,000,000,000	2,000,000,000
Term	3 years	5 years
Issuance date	01/06/2004	01/06/2004
Due date	01/06/2007	01/06/2009
Net interest rate	14.49%	15.18%
Risk rating	scr-AAA	scr-AAA

Instrument	Standardized adjustable rate bonds			
Designation	BNb¢Va3	BNb¢Va5	BNb¢Va10	BNb¢Va15
Amount	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Term	3 years	5 years	10 years	15 years
Issuance date	01/06/2004	01/06/2004	02/06/2004	03/06/2004
Due date	01/07/2007	01/07/2009	02/06/2014	03/06/2019
	(TBP	(TBP	(TBP	(TBP
Net interest rate	BCCR+100pb)*92	BCCR+125pb)*92	BCCR+175pb)*92	BCCR+200pb)*92
Risk rating	scr-AAA	scr-AAA	scr-AAA	scr-AAA

B) US dollars

Instrument	Commercial paper			
Designation	BNp\$Fa3	BNp\$Fa6	BNp\$Fa9	BNp\$Fa12
Amount	2,000,000	2,000,000	2,000,000	2,000,000
Term	90 days	180 days	270 days	359 days
Issuance date	01/06/2004	01/06/2004	01/06/2004	01/06/2004
Due date	01/09/2004	01/12/2004	01/03/2005	31/05/2005

Net interest rate	N/A	N/A	N/A	N/A
Risk rating	SCR-2+	SCR-2+	SCR-2+	SCR-2+

Instrument	Standardized fixed rate bonds			
Designation	BNb\$Fa3	BNb\$Fa5	BNb\$Fa10	BNb\$Fa15
Amount	2,000,000	2,000,000	2,000,000	2,000,000
Term	3 years	5 years	10 years	15 years
Issuance date	01/06/2004	01/06/2004	02/06/2004	03/06/2004
Due date	01/06/2007	01/06/2009	02/06/2014	03/06/2019
Net interest rate	4.75%	5.75%	6.75%	7.75%
Risk rating	scr-AA+	scr-AA+	scr-AA+	scr-AA+

Instrument	Standardized adjustable rate bonds			
Designation	BNb\$Va3	BNb\$Va5	BNb\$Va10	BNb\$Va15
Amount	2,000,000	2,000,000	2,000,000	2,000,000
Term	3 years	5 years	10 years	15 years
Issuance date	01/06/2004	01/06/2004	02/06/2004	03/06/2004
Due date	01/06/2007	01/06/2009	02/06/2014	03/06/2019
Net interest rate	Prime rate +25 pb	Prime rate +50 pb	Prime rate +75 pb	Prime rate +100 pb
Risk rating	scr-AA+	scr-AA+	scr-AA+	scr-AA+

d. Legal processes against the Bank

As mentioned in note 2.10, a provision for lawsuits for ¢687,987,502 and ¢226,633,334 were set aside at December 31, 2004 and 2003 respectively to support possible adverse outcome of legal processes against the Bank as defendant resulting in the normal course of operations.

The Legal Department informed the following relevant lawsuits pending resolution at December 31, 2004 and 2003:

Exp. 00-160012-638-AG

Año: 2000

Lawsuit: Ordinary Agrarian

Juzgado Agrario de Alajuela

Plaintiff: Sociedad Sayva, S.A.

Defendant: Banco Nacional de Costa Rica

Estimate: ¢ 67,500,000

File 01-16027-638-AG

Año: 2001

Lawsuit: Ordinary Agrarian

Juzgado Agrario de Alajuela

Plaintiff: Grupo Zaragoza, S.A.

Defendants: Banco Nacional de Costa Rica and BCT, S.A.

Description: Requesting the Banco Nacional de Costa Rica to be declared in non-compliance with the loan agreements, the obligations of the guaranty trusts, and with the extra judicial arrangement subscribed on October 5, 1999 by the Credit Committee of the Regional Direction of Alajuela.

Estimate: ₡3,100,000,000

File 03-000266-163-CA

Año: 2003

Lawsuit: Ordinary

Juzgado Contencioso Administrativo y Civil de Hacienda, Goicoechea

Plaintiff: COOPROSUR, R.L.

Defendant: Banco Nacional de Costa Rica

Description: Requesting the annulment of resolution of the Board of Directors, article 5, meeting 11190 of February 4, 2003, overruling the administrative claim and finalizing the administrative procedure.

Estimate: US\$6,000,000

File 96-900047-362

Lawsuit Agrarian ordinary

Juzgado Civil y Agrario de Alajuela

Plaintiff: Agropecuaria Ferive, S.A.

Description: The plaintiffs sue the government, the Liquidating Board of the Banco Anglo Costarricense and the Banco Nacional de Costa Rica, among others, because they considered that major prejudices were caused when the disbursements of a loan with the extinct banking entity, were suspended. The Bank is being sued because it did not approve a loan request.

Estimate: \$ 6,000,000

File 03-000143-163-CA

Año 2003

Juzgado Contencioso Administrativo y Civil de Hacienda, Segundo Circuito Judicial de San José, Goicoechea.

Plaintiff: Luis Cascante Vargas

Defendant: Banco Nacional

Estimate: ₡200,000,000

File 01-160065-465-AG

Year: 2001

Plaintiff: Agropecuaria La Victoria, S.A. and other.

Defendant: Banco Nacional and others.

Estimate: ₡1,790,137,996, \$371,808

Status: First instance court.

File 02-000044-0163-CA

Year: 2002

Plaintiff: Corporación Los Periféricos, S.A.

Defendant: Banco Nacional de Costa Rica

Estimate: ₡900,000,000

File 01-000560-0163-CA

Year: 2001

Lawsuit: Ordinary

Plaintiff: J.L.T.M. INVERSIONES

Defendant: Banco Nacional de Costa Rica

Estimate: US\$4,000,000

Expediente No. 00-000388-163C.A.

Year: 2000

Plaintiff: CHOCO INCORPORACIÓN S. R. L.

Defendant: Banco Nacional de Costa Rica.

Estimate: Dólares: US\$2.000.000,00

Exp. N° 00-000966-0163-C.A.

Year: 2.000

Plaintiff: Eduardo Enrique Vargas Fuentes

Defendant: Banco Nacional de Costa Rica.

Estimate: US\$500.000,00 (Dólares)

File 00-000889-163-CA

Year: 2003

Lawsuit: Ordinary

Juzgado Contencioso Administrativo y Civil de Hacienda, Goicoechea

Plaintiff: Desarrollos Muebleros de Sarchí (DEMUSA)

Defendant: Banco Nacional de Costa Rica

Estimate: ₡250,000,000

File 99-000302-0163-CA

Year: 1999

Plaintiff: Rosa Llano Montes

Defendant: Banco Nacional de Costa Rica

Estimate: ₡140,000,000

File 94-000533-0178-CA

Lawsuit: Ordinary

Year: 1994

Plaintiff: Procesadora el Domo Térmico, S.A, Caballito de Mar, S.A.,
Mar y Tierra del Pacifico, S.A., Choco Incorporación, S.A..

Defendant: Banco Nacional de Costa Rica.

Estimate: US\$7,651,338

File 03-00488-0163

Lawsuit: Ordinary

Year: 2003

Juzgado 0163 Juzgado Contencioso Administrativo Civil de Hacienda

Plaintiff: Alfredo Jiménez Arguedas

Defendant: Banco Nacional de Costa Rica, Jose Peña Campos, Víctor
Eduardo Fallas Sanchez

Estimate ¢200,000,000

File 00-000496-0163

Lawsuit: Ordinary

Year: 2000

Juzgado 0163 Juzgado Contencioso Administrativo Civil de Hacienda

Plaintiff: Agencia Aduanal de Costa Rica, S.A.

Defendant: Banco Nacional de Costa Rica, Siete Ríos, S.A. y el Estado

Estimate ¢55,425,000

File 98-000770-0163

Lawsuit: Ordinary

Year: 1998

Juzgado 0163 Juzgado Contencioso Administrativo Civil de Hacienda

Plaintiff: Instituto Costarricense de Electricidad

Defendant Banco Nacional de Costa Rica, Jose Luis Murillo Solórzano,
Importadora Marisol, S.A., Eliseo Campos Rojas, Obed Campos Masis,
Eliécer Campos Masis, Elías Campos Masis

Estimate ¢200,000,000

File 00-000029-0163

Lawsuit: Ordinary

Year: 2000

Juzgado 0163 Juzgado Contencioso Administrativo Civil de Hacienda

Plaintiff: Comisión Nacional de Préstamos para la Educación

Defendant Banco Nacional de Costa Rica

Estimate ¢150,000,000

File 04-000299-0163

Lawsuit: Ordinary

Year: 2004

Juzgado 0163 Juzgado Contencioso Administrativo Civil de Hacienda

Plaintiff: Hijos de German Alfaro Soto, S.A y Pecuaria Belén, S.A.

Defendant Banco Nacional de Costa Rica

Estimate US\$1,000,000

File 03-000738-0163

Lawsuit: Agrarian

Year: 2003

Juzgado 0163 Juzgado Contencioso Administrativo Civil de Hacienda

Plaintiff: Héctor Julio Bonilla Badilla.

Defendant Banco Nacional de Costa Rica

Estimate ₡150,000,000

File 03-000184-0387

Lawsuit: Ordinary

Year 2003

Juzgado 0387 Juzgado Agrario de Liberia

Plaintiff: Ganadera Poroza, S.A.

Defendant Banco Nacional de Costa Rica

Estimate ₡60,000,000

File 02-000338-0163

Lawsuit: Ordinary

Year 2002

Juzgado 0163 Juzgado Contencioso Administrativo Civil de Hacienda

Plaintiff Wapa Real Estate, S.A.

Defendant Banco Nacional de Costa Rica, Asesoría y Diseño Industrial Ramos, S.A. y Comercial Ferretera Raga CFR, S.A.

Estimate ₡50,000,000

File 02-003018-0166

Lawsuit: Labour dispute

Año 2002

Juzgado 0166 Juzgado de Trabajo del Segundo Circuito de San José

Plaintiff José Ángel Rivera Varela

Defendant Banco Nacional de Costa Rica

Estimate ₡60,000,000

File 00-000192-0298

Lawsuit: Agrarian

Year 2000

Juzgado 0298 Juzgado Agrario del Segundo Circuito de Alajuela

Plaintiff César David Barrientos Lizano

Defendant Banco Nacional de Costa Rica

Estimate ₡60,000,000

A provision for these contingencies is registered as explained in note 2.10.

Note 23. Other significant events

a) Allowance for impairment of equity investment in other companies

For the lawsuit filed by Telesis against BICSA Costa Rica, S.A. (Costa Rican branch) an allowance of ₡3,952,616,029.15 was registered in 2003 out of retained earnings from previous periods for ₡1,899,193,220.08 and ₡2,053,422,809.07 from the legal reserve, based on the application of the IAS 8 which refers to the correction of fundamental errors.

The shareholders of Bicsa Costa Rica, S.A. approved the reversal of the additional paid-in capital for US\$13,000,000 contributed by Bicsa Corporación Financiera, S.A. This contribution was intended to cover the sentence of a court in order to pay the resolution in favor of Télesis, S.A.

The aforementioned entry was reversed by journal entry No. 30092004-5 dated September 30, 2004, due to the fact that BICSA Costa Rica S.A. closed its operations on October 31, 2004. In the event a liability arises due to this lawsuit, it would be absorbed by BICSA Corporación Financiera, S.A.

With journal voucher 29100409 of October 29, 2004, Banco Nacional de Costa Rica included a provision for the contingency of this legal resolution for US\$2,000,000 and fifty million colones converted at the exchange rate of the day, in compliance with legal resolutions of the courts.

Bicsa Coproración Financiera, S.A. will assume any additional obligations of the legal procedures not covered by the aforementioned provision registered by Banco Nacional. In case the resolution of the court is covered in excess by the provison, Banco Nacional would reimburse Bicsa Coproación Financiera, S.A. for the difference.

b) Appropriation of retained earnings of BN Vital Operadora de Planes de Pensiones Complementarias, S.A.

Included in journal voucher number 19092 of March 31, 2004, retained earnings from previous fiscal periods were reduced by \$237,068 due to the appropriation of retained earnings among its affiliates by BN Vital Operadora de Planes de Pensiones Complementarias, S.A.

c) Transfer from secondary to primary capital

Pursuant to note No. CNS 521-04 dated July 14, 2004 by the CONASSIF as per article 12 of the minutes of meeting No. 449-2004 held on July 16, 2004, following SUGEF's recommendation by transferring secondary to primary capital in the amount of ₡5,079,092,662.68 the capital stock was increased by ₡35,121,764,788.

d) Registration of the allowance for SEDI and school bonus

As resolved by SUGEF in note No. 3517/200407756 dated September 8, 2004 the allowances for SEDI and school bonus payable to employees in 2005 was recorded as of December 31, 2004 in the amounts of ₡4,746,711,774 and ₡1,662,257,317, respectively.

e) Registration of dividends receivable from BICSA Corporación Financiera, S.A.

By virtue of minutes of the special shareholders meeting No. 36 of BICSA Corporación Financiera, S.A. (BCF), on September 22, 2004, a resolution was adopted to pay dividends in the amount of \$41,200,000.00 to the shareholders of this Corporation (Banco Nacional, \$32,960,000.00 and Banco de Costa Rica, \$8,240,000.00), corresponding to retained earnings up to August, 2004. This transaction was settled as described below:

Dividends declared	A	\$ 32,960,000
Delivery of assets and liabilities	B	(13,297,419)
Assignment of shares of Inmobiliaria BICSA, S.A.	C	(7,654,872)
Cash	D	<u>(11,636,782)</u>
Dividends receivable		\$ <u>370,927</u>

a) On September 30, 2004, by virtue of journal entry No. 30092004-9, Banco Nacional recorded dividends receivable in the amount of \$32,960,000.00, equivalent to ₡14,733,120,000.

- b) On October 29, 2004 the Bank applied to the dividends receivable the amount of \$13,297,419 arising from the delivery of assets and liabilities on the part of BICSA Costa Rica, S.A. and BICSA Card, which closed their operations on October 29, 2004.
- c) At the close of November 30, 2004, BICSA Corporación Financiera, S.A. transferred to Banco Nacional 100% of the shares that made up the capital stock of Inmobiliaria BICSA, S.A., by virtue of journal entries No. 3011200498 dated November 30, 2004 and No. 19246 dated December 20, 2004. The Bank registered this participation by applying the amount of \$7,654,872.65 to dividends receivable from BICSA Corporación Financiera, S.A..
- d) On December 28, 2004, by virtue of journal entry No. 281201, BICSA Corporación Financiera, S.A. deposited to the order of Banco Nacional \$11,636,782.00, applied to dividends receivable.

The following shows a breakdown of the assets and liabilities assigned by BICSA Costa Rica, S.A. and BICSA Card, S.A.:

	BICSA COSTA RICA S.A.	BICSA CARD, S.A.	TOTAL
Assets			
Local currency			
110-Disposable assets	\$ 2.135.910	164.049	\$ 2.299.959
120-Investments in securities and time deposits	123.196	0	123.196
130-Loan portfolio	12.466.552	7.141.032	19.607.584
140-Accounts and products receivable	584.182	67.246	651.428
150-Marketable goods	992.482	0	992.482
160-Equity investment in other companies	2.087	0	2.087
170-Premises and equipment	303.173	88.326	391.499
180- Other assets	82.020	4.041	86.061
Total local currency	16.689.602	7.464.694	24.154.296
Foreign currency			
110-Disposable assets	1.550.597	269.466	1.820.063
120-Investments in securities and time deposits	7.415.000	0	7.415.000
130-Loan portfolio	27.787.473	1.902.046	29.689.519
140-Accounts and products receivable	305.297	3.719	309.016
180- Other assets	1.441.246	0	1.441.246
Total foreign currency	38.499.613	2.175.231	40.674.844
Total assets	55.189.215	9.639.925	64.829.140
Liabilities			
Local currency			
210-Obligations with the público	4.051.780	0	4.051.780
230-Other financial obligations	5.188.150	0	5.188.150
240-Other accounts payable and provisions	292.074	182.653	474.727
250-Other liabilities	1.699.733	0	1.699.733
Total local currency	11.231.737	182.653	11.414.390
Foreign currency			
210-Obligations with the público	22.803.746	0	22.803.746
230-Other financial obligations	5.793.659	8.219.809	14.013.468
240-Other accounts payable and provisions	2.442.177	56.627	2.498.804
250-Other liabilities	801.313	0	801.313
Total foreign currency	31.840.895	8.276.436	40.117.331
Total liabilities	43.072.632	8.459.089	51.531.721
Net assets	\$ 12.116.583	1.180.836	\$ 13.297.419

f) Authorization for appropriation of retained earnings by BN Valores Puesto de Bolsa, S.A.

In meeting No. 11.287 (article 20) dated September 21, 2004, the shareholders of BN Valores Puesto de Bolsa, S.A. resolved to authorize the appropriation of retained earnings in the amount of ¢1,983.67 million to the order of the Bank, as sole shareholder of the company. On December 24, 2004, this company made payment of these dividends to the Bank.

g) Authorization for reduction of capital stock by BN Valores Puesto de Bolsa, S.A.

In meeting No. 11.287 (article 21) dated September 21, 2004, the shareholders of BN Valores Puesto de Bolsa, S.A. resolved to authorize the reduction of its capital stock by ¢1,300 million. On December 24, 2004, this company performed the reduction of its capital stock.

h) Authorization for appropriation of retained earnings by BN Sociedad Administradora de Fondos de Inversión, S.A.

In meeting No. 11.285 (article 14) dated September 7, 2004, the shareholders of BN Sociedad Administradora de Fondos de Inversión, S.A. resolved to authorize the appropriation of retained earnings in the amount of ¢800 million to the order of the Bank, as sole shareholder of the company. On December 30, 2004, payment of these dividends was made to the Bank.

i) Non consolidated subsidiary

Special shareholders' meeting of Bicsa Corporación Financiera, S.A. of October 25, 2004, decided to transfer property of 100% of the stock of Inmobiliaria Bicsa, S.A. in payment of dividends to Banco Nacional de Costa Rica.

With note JD 511-04 of November 12, 2004, the BCCR authorized the Bank to receive the total of the capital stock of Inmobiliaria Bicsa, S.A.; process related to the absorption started with Bicsa Corporación Financiera, S.A.

The acquisition of the ownership over that entity, will be for the necessary time to be able to absorb assets and cancel liabilities, proceeding afterwards to its dissolution, reason for which the participation of the Bank as owner is temporary.

Operations of Inmobiliaria Bicsa, S.A. were not consolidated with the Bank as of December 31, 2004 in compliance with SUGEF resolution.

Note 24. Authorization for issuance of the financial statements

Issuance of the financial statements was authorized by the General Management of the Bank on February 27, 2004.