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## BANCO NACIONAL DE COSTA RICA — “100% STATE OWNED COMMERCIAL BANK”

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**Banco Nacional de Costa Rica (BNCR) is the largest commercial bank in Costa Rica by market share** and is the second largest commercial bank in Central America, by assets. The bank is 100% owned by the government of Costa Rica, which limits / caps, its Long Term Issuer Default rating (LT IDR) to that of the sovereign. As a state owned bank, **BNCR has an explicit government guarantee as stated in Costa Rica’s National Banking System Law (article 4). Article 4 states that the government is responsible for all non-subordinated liabilities of state-owned banks in the event of their liquidation.**

Given the above, JMMBIR places a high probability on extraordinary government intervention in the affairs of BNCR, should there be a credit event or any other event of distress facing the bank. We also view favorably, the improved fiscal performance of Costa Rica, the reduction in the growth rate of its debt/GDP and its first primary surplus in almost a decade. The sovereign’s access to multilateral funding via the EFF and the RSF (US\$725 million), the country’s recent successful issuance of US\$1.5 billion in debt on the global capital market and the legislature’s conditional approval to issue an additional US\$5 billion in debt between 2023 and 2025 all arguer well for sovereign.

The aforementioned factors strengthen Costa Rica’s / the sovereign’s ability to intervene to support the commercial bank and therefore is viewed as a rating positive for BNCR. We therefore assign to BNCR the same rating as the sovereign Costa Rica; MARKETWEIGHT.

*Source: fitchratings.com; JMMBIR; Capitaliq.com*

PLEASE READ THIS REPORT IN CONJUNCTION WITH THE REPORT ON THE SOVEREIGN ATTACHED

## APPENDIX

### IMPORTANT DISCLOSURES

**ABSTRACT**—As a part of our new Portfolio Strategy we are recommending strict adherence to the following Portfolio Allocation **DEFINITIONS/RECOMMENDATIONS**.

**PLEASE NOTE** THAT NO INDIVIDUAL ASSET IN YOUR PORTFOLIO SHOULD HAVE A WEIGHTING GREATER THAN 5% UNLESS OTHERWISE RECOMMENDED BY YOUR PORTFOLIO MANAGER OR A SPECIFIC JMMB RESEARCH REPORT. CONSEQUENTLY THE FOLLOWING **DEFINITIONS** ARE PROVIDED FOR CLARITY.

**STRONGLY UNDERPERFORM**—REDUCE EXPOSURE IN YOUR PORTFOLIO TO LESS THAN 2.5% FOR THIS PARTICULAR ASSET

**UNDERPERFORM**—REDUCE EXPOSURE IN YOUR PORTFOLIO TO 2.5% - 4.9% FOR THIS PARTICULAR ASSET

**SELL**—REDUCE EXPOSURE IN YOUR PORTFOLIO TO ZERO.

**HOLD/MARKETPERFORM**—EXPOSURE TO THE ASSET SHOULD BE EQUAL TO 5% OF YOUR TOTAL PORTFOLIO HELD AT JMMB.

**OUTPERFORM/BUY**—EXPOSURE TO THIS ASSET SHOULD BE BETWEEN 5% AND 10% OF YOUR TOTAL PORTFOLIO HELD AT JMMB

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