OFFERING CIRCULAR

The Republic of Costa Rica

US$500,000,000 4.375% Notes due 2025
US$500,000,000 5.625% Notes due 2043

The Republic of Costa Rica (the "Republic") is offering US$500,000,000 aggregate principal amount of 4.375% Notes due 2025 (the "Notes due 2025") and US$500,000,000 aggregate principal amount of 5.625% Notes due 2043 (the "Notes due 2043," and each of the Notes due 2025 and the Notes due 2043 being referred to herein as a "Series" of Notes and collectively as the "Notes").

Interest on the Notes will be payable semi-annually in arrears on April 30 and October 30 of each year, commencing on October 30, 2013. The Notes due 2025 will mature on April 30, 2025 and the Notes due 2043 will mature on April 30, 2043. The Notes are not redeemable prior to maturity.

The Notes will constitute general, direct, unsecured and unconditional obligations of the Republic and will rank *pari passu* in right of payment, without any preference among themselves, with all unsecured and unsubordinated obligations of the Republic relating to Public External Indebtedness (as defined under "Terms and Conditions of the Notes—Definitions") of the Republic. The Republic has pledged its full faith and credit for the due and punctual payment of all amounts due in respect of the Notes.

The Notes will contain provisions, commonly known as "collective action clauses," regarding acceleration and voting on future amendments, modifications and waivers. Under these provisions, which are described in the sections entitled "Terms and Conditions of the Notes—Events of Default" and "—Modifications, Amendments and Waivers," the Republic may amend the payment provisions of a Series of Notes and certain other terms with the consent of the holders of 75% of the aggregate outstanding amount of such Series of Notes.

Except as described herein, payments on the Notes will be made without deduction for or on account of withholding taxes imposed by the Republic to the extent set forth under "Terms and Conditions of the Notes—Additional Amounts." Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to have the Notes admitted to trading on the Euro MTF Market. This Offering Circular constitutes a prospectus for the purpose of the Luxembourg Law dated July 10, 2005 on prospectuses for securities, as amended.

See "Risk Factors" beginning on page 8 regarding certain risk factors you should consider before investing in the Notes.

Issue Price:
Notes due 2025:100%
Notes due 2043:100%
in each case, plus accrued interest, if any, from April 30, 2013

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"). The Notes may not be offered or sold within the United States or to U.S. persons except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the Securities Act and to certain persons in offshore transactions in reliance on Regulation S under the Securities Act. You are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A under the Securities Act.

Delivery of the Notes will be made on or about April 30, 2013 only in book-entry form through the facilities of The Depository Trust Company ("DTC") and its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream"), against payment in New York, New York.

Joint Book-Running Managers

Barclays **Deutsche Bank Securities**

The date of this Offering Circular is April 23, 2013

Costa Rica


Lago de Nicaragua
NICARAGUA
Caribbean Sea
ALAJUELA
HEREDIA
GUANACASTE
LIMON
PUNTARENAS
CARTAGO
SAN JOSE
PANAMA
NORTH PACIFIC OCEAN
San José
Costa Rica
International boundary
Province boundary
National capital
Province capital
Railroad
Road
50 Kilometers
50 Miles

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE REPUBLIC AND THE TERMS AND CONDITIONS OF THE OFFERING, INCLUDING THE MERITS AND THE RISKS INVOLVED.

You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these Notes. The information in this document may only be accurate on the date of this document.

This Offering Circular may only be used for the purposes for which it has been published.

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NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO INVESTORS

The Notes will be issued in registered form only. Notes sold in offshore transactions in reliance on Regulation S under the Securities Act ("Regulation S") will be represented by one or more permanent global notes in fully registered form without interest coupons (the "Regulation S Global Note") deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("DTC") for the respective accounts at DTC as such subscribers may direct. Notes sold in the United States to qualified institutional buyers (each a "qualified institutional buyer") as defined in, and in reliance on, Rule 144A under the Securities Act ("Rule 144A") will be represented by one or more permanent global notes in fully registered form without interest coupons (the "Restricted Global Note" and, together with the Regulation S Global Note, the "Global Notes") deposited with a custodian for, and registered in the name of a nominee of, DTC for the respective accounts at DTC as such subscribers may direct. Beneficial interests of DTC participants (as defined under "Book-Entry Settlement and Clearance") in the Global Notes will be shown on, and transfers thereof between DTC participants will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream, if applicable. See "Book-Entry Settlement and Clearance." Except as described herein, definitive Notes will not be issued in exchange for beneficial interests in the Global Notes. See "Terms and Conditions of the Notes—Form, Denomination and Title." For restrictions on transfer applicable to the Notes, see "Transfer Restrictions" and "Plan of Distribution."

The Republic has taken reasonable care to ensure that the information contained in this Offering Circular is true and correct in all material respects and not misleading as of the date hereof, and that, to the best of the knowledge and belief of the Republic, there has been no omission of information which, in the context of the issue of the Notes, would make this document as a whole or any such information misleading in any material respect. The Republic accepts responsibility accordingly.

This Offering Circular does not constitute an offer by, or an invitation by or on behalf of, the Republic, Barclays Capital Inc. or Deutsche Bank Securities Inc. (Deutsche Bank Securities Inc., together with Barclays Capital Inc., the "Initial Purchasers") to subscribe to or purchase any of the Notes. Each recipient of this Offering Circular shall be deemed to have made its own investigation and appraisal of the financial condition of the Republic. The distribution of this Offering Circular or any part of it and the offering, possession, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Republic and the Initial Purchasers to inform themselves about and to observe any such restrictions. See "Plan of Distribution" and "Transfer Restrictions" for a description of further restrictions on the offer, sale and delivery of Notes and on distribution of this Offering Circular and other offering material relating to the Notes.

Each person purchasing Notes pursuant to Rule 144A will be deemed to have:

- represented that it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and that it or such account is a qualified institutional buyer (as defined in Rule 144A); and

- acknowledged that the Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be reoffered, resold, pledged or otherwise transferred except as described under "Transfer Restrictions."

Each purchaser of Notes sold outside the United States in reliance on Regulation S will be deemed to have represented that it is not purchasing Notes with a view to distribution thereof in the United States. Each person purchasing Notes pursuant to Rule 144A also acknowledges that:

- it has been afforded an opportunity to request from the Republic and to review, and it has received, all additional information considered by it to be necessary to verify the accuracy of the information herein;

- it has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of the information contained in this Offering Circular or its investment decision; and

- no person has been authorized to give any information or to make any representation concerning the Republic or the Notes other than those contained in this Offering Circular and, if given or made, such information or representation should not be relied upon as having been authorized by the Republic or the Initial Purchasers.

IN CONNECTION WITH THIS ISSUE OF NOTES, EACH INITIAL PURCHASER MAY, ITSELF OR THROUGH ITS AFFILIATES, OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL IN THE OPEN MARKET, TO THE EXTENT PERMITTED BY APPLICABLE LAWS. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

DEFINED TERMS AND CONVENTIONS

All references in this Offering Circular to "Costa Rica" or the "Republic" are to the Republic of Costa Rica and all references to the "Government" are to the Central Government of Costa Rica.

References to "billions" are to thousands of millions. Certain amounts included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede or follow them.

- "Consolidated public sector deficit" means the aggregate of the Government fiscal deficit, the deficit of the *Banco Central de Costa Rica* (the "Central Bank"), and the financial results of other non-financial public sector institutions.
- "Government fiscal deficit" means the difference between the total expenses incurred by the Government and the legislative and judicial branches of the Republic and the total revenues received by the Government.
- "Value added" in respect to exports means the difference between the value of final goods exported and the value of the raw materials and intermediate goods used to produce the final goods exported.
- "Non-traditional products" are products other than coffee, bananas, sugar and beef, and include non-traditional agricultural products such as vegetables, fruits, roots, medicinal and decorative plants as well as manufacturing, including light manufacturing and textiles.
- Measures of distance herein are stated in miles, each of which is equal to approximately 1.609 kilometers. Measures of area herein are stated in square miles, each of which is equal to approximately 2.59 square kilometers, or in hectares, each of which is equal to approximately 2.47 acres.

Presentation of Financial and Economic Information

The fiscal year of the Government commences on January 1 and ends on December 31 of each year.

The Republic's official financial and economic statistics are subject to a three-year review process by the Central Bank and the *Ministerio de Hacienda* (the "Ministry of Finance"), during which time such information may be adjusted or revised. As a result, the information and data contained in this Offering Circular for 2010, 2011 and 2012, and any figures for 2013, must be considered preliminary and subject to further revision. The Government believes that this process is substantially similar to that undertaken by industrialized nations. The Government does not expect revisions to be material, although there is no assurance that material changes will not be made.

Certain statistical information reported herein has been derived from official publications of, and information supplied by, among others, the Central Bank, the Ministry of Finance, the *Institute Nacional de Estadistica y Censos* (the "National Institute of Statistics"), the *Superintendencia General de Entidades Financieras* (General Superintendency of Financial Institutions, or "SUGEF") and the *Superintendencia General de Valores* (Superintendency of Securities, or "SUGEVAL").

Currency of Presentation and Exchange Rate

Unless otherwise specified or the context requires, references to "dollars," "U.S. dollars," "US$" and "$" are to United States dollars. References herein to "colones" and "¢" are to Costa Rican colones. Translations of colones to dollars have been made only for the convenience of the reader at various exchange rates and should not be construed as a representation that the amounts in question have been, could have been or could be converted into U.S. dollars at any particular rate or at all. Historical amounts translated into U.S. dollars or colones have been converted at historical average rates of exchange for the periods indicated, unless otherwise stated. References herein to "real GDP" and to "constant colones" are to constant 1991 colones. The average interbank rate for the sale of U.S. dollars for colones at the close of business on April 19, 2013 was ¢504.4 = US$1.00, as reported by the Central Bank.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains certain forward-looking statements (as such term is defined in the Securities Act) concerning the Republic. These statements are based upon beliefs of certain government officials and others as well as a number of assumptions and estimates, which are inherently subject to significant uncertainties, many of which are beyond the control of the Republic. Future events may differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are principally contained in the sections "Summary," "Republic of Costa Rica," "The Costa Rican Economy," "Balance of Payments and Foreign Trade," "Monetary System," "Public Sector Finances" and "Public Sector Debt." In addition, in those and other portions of this Offering Circular, the words "anticipates," "believes," "contemplates," "estimates," "expects," "plans," "intends," "projections" and similar expressions, as they relate to the Republic, are intended to identify forward-looking statements. Such statements reflect the current views of the Republic with respect to future events and are subject to certain risks, uncertainties and assumptions. The Republic undertakes no obligation publicly to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, there can be no assurances that the events described or implied in the forward-looking statements contained in this Offering Circular will in fact occur.

ENFORCEMENT OF CIVIL LIABILITIES

The Republic is a sovereign state. Consequently, it may be difficult for investors to obtain or realize in the United States or elsewhere upon judgments against the Republic. To the fullest extent permitted by applicable law, the Republic will irrevocably submit to the non-exclusive jurisdiction of any New York State or U.S. federal court sitting in the City of New York, and any appellate court thereof, in any suit, action or proceeding arising out of or relating to the Notes or the Republic's failure or alleged failure to perform any obligations under the Notes (a "Related Proceeding," which term shall exclude claims or causes of action arising under the federal securities laws of the United States or any state securities laws), and the Republic will irrevocably agree that all claims in respect of any such Related Proceeding may be heard and determined in such New York State or U.S. federal court. The Republic will irrevocably waive, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of any Related Proceeding and any objection to any Related Proceeding whether on the grounds of venue, residence or domicile. To the extent that the Republic has or hereafter may acquire any sovereign or other immunity from jurisdiction of such courts with respect to a Related Proceeding (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise), the Republic has, to the fullest extent permitted under applicable law, including the U.S. Foreign Sovereign Immunities Act of 1976, as amended (the "Immunities Act") irrevocably waived such immunity in respect of any such Related Proceedings; provided, however, that under the Immunities Act, it may not be possible to enforce in the Republic a judgment based on such a U.S. judgment, and that under the laws of the Republic, the property and revenues of the Republic are exempt from attachment or other form of execution before or after judgment. See "Terms and Conditions of the Notes—Governing Law and Jurisdiction."

Notwithstanding the preceding paragraph, the Republic has not consented to service or waived sovereign immunity with respect to actions brought against it under the U.S. federal securities laws or any state securities laws. In the absence of a waiver of immunity by the Republic with respect to such actions, it would not be possible to obtain a judgment in such an action brought in a U.S. court against the Republic unless such court were to determine that the Republic is not entitled under the Immunities Act to sovereign immunity with respect to such action. Further, even if a U.S. judgment could be obtained in any such action under the Immunities Act, it may not be possible to enforce in the Republic a judgment based on such a U.S. judgment. Execution upon property of the Republic located in the United States to enforce a U.S. judgment may not be possible except under the limited circumstances specified in the Immunities Act.

SUMMARY

The following summary does not purport to be complete and is qualified in its entirety by, and is subject to, the detailed information appearing elsewhere in this Offering Circular.

The Republic of Costa Rica

General

Costa Rica, which is located in Central America, is a stable constitutional democracy whose standard of living ranks among the highest in Latin America. Costa Rica has had uninterrupted democratically elected governments since 1949. In 2012, Costa Rica's gross domestic product ("GDP") was US$45.0 billion and its GDP per capita was US$9,665, the highest in Central America according to the International Monetary Fund. In 2011, Costa Rica's GDP was US$41.0 billion and its GDP per capita was US$8,676. According to the United Nations Development Program's 2013 Human Development Report, the Republic is ranked fifth in Latin America on the Human Development Index, a measure of quality of life based on longevity, educational attainment, economic index, and standard of living.

Costa Rica is geographically located in Central America, bordered by Nicaragua to the north, Panama to the southeast, the Pacific Ocean to the west, and the Caribbean Sea to the east. The current President of Costa Rica, Laura Chinchilla Miranda, is serving a four-year term which expires on May 8, 2014. Mrs. Chinchilla Miranda was elected by popular vote in February 2010. See "Republic of Costa Rica—Government and Political Parties."

Costa Rica's Historical Highlights

- *Political, economic and social stability*. The Government has continued to implement policies designed to maintain political stability, promote economic growth and advance social development. As a result of these policies, the country's economy has grown steadily at an average rate of 5% over the last 10 years, the country has one of the lowest poverty rates in Latin America at 21.6% of the population, health services have been provided to every citizen, and the country has experienced uninterrupted democratically elected governments since 1949. As of 2012, approximately 52% of public expenditures were directed to social services.

- *Proven monetary policy*. Since the mid-1980's, Costa Rica has continued to liberalize its economy. Beginning in 2006, the Central Bank transitioned out of the crawling peg regime and into a managed floating exchange regime with bands, targeting inflation to be within the Central Bank's target band of 4.0 to 6.0%.

- *Sound fiscal performance.* In 2004, the Government implemented a fiscal consolidation process that achieved a decrease of Government debt of 16 percentage points of GDP in 4 years, from 41% of GDP in 2004 to 25% in 2008. In 2009, Costa Rica implemented an expansionary policy to mitigate the effects of the global financial crisis. Since 2011, the Government has implemented strict expenditure restraint policies. Through the combination of its income and expenditure policies, the Government has contained the fiscal deficit at manageable levels.

- *Commitment to foreign trade and foreign investment.* After the debt crisis in the early 1980s, Costa Rica transitioned out of the import-substitution growth model into an export-led development model based on international economic integration, export diversification and foreign direct investment. These policies have enabled Costa Rica to diversify its trade portfolio by destination and by products. Today, Costa Rica hosts a number of large international companies, such as Intel, IBM, Proctor & Gamble, UPS and DHL. Costa Rica's literacy rate, which is the highest in Central America, strong educational system, strategic geographic location, and political, economic and social stability contribute to its global competitiveness in international commerce.

- *Global pioneer in environmental awareness.* Costa Rica is highly committed to sustainable development, through two main initiatives: (a) becoming a carbon-neutral country by 2021 and (b) maximizing its energy production through renewable sources. Today, 93% and 78% of electricity comes from renewable and hydroelectric sources, respectively, and 25% of the territory in Costa Rica is environmentally protected areas.

- *Commitment to education.* Since the 19th century, elementary education in Costa Rica has been mandatory and publicly funded. The Constitution mandates that beginning in 2014 a minimum of 8% of GDP be invested in the education system, an increase from the current requirement of 6% of GDP. The Government is also focused on improving secondary and tertiary education in order to enhance the technical skills of the population to match demand for workers in the science and technology fields.

Economic Performance and Diversification

Costa Rica's real GDP increased at an average annual rate of 3.3% from 2008 to 2012. Real GDP increased by 4.4% in 2011, and accelerated to 5.1% in 2012, primarily due to an increase in prices of Costa Rican exports.

During the past 25 years Costa Rica has diversified its economy as strong growth in the manufacturing and tourism sectors has supplemented its historical production of agricultural goods. It has diversified its exports, attracted investment in high value added manufacturing and promoted tourism based primarily on the country's environmental diversity. The principal sectors of the Costa Rican economy are industrial manufacturing and high-technology; wholesale and retail commerce and hotels and restaurants (which includes substantial proceeds from tourism); agriculture, forestry and fishing; and community, social and personal services.

As a result of diversification, the composition of Costa Rica's exports has changed substantially, with industrial exports increasing significantly. In 2012, industrial exports (including the value added by exports from free trade zone and in-bond industries) represented approximately 78% of Costa Rica's total exports, while agricultural exports represented approximately 22% of total exports. Free trade zone and in-bond industries are commercial and industrial businesses that are located in designated "free trade" zones and that are entitled to certain tax, fiscal, tariff and other benefits. In-bond industries are allowed to introduce goods into the country without paying duties temporarily while the goods are subject to transformation processes, repair, reconstruction, installation, assembly or incorporation into sets, machinery or transportation equipment and are ultimately exported.

Balance of Payments

At December 31, 2012, Costa Rica's capital account surplus exceeded its current account deficit, resulting in a US$2.1 billion increase in the Central Bank's net international reserves. Net international reserves of the Central Bank stood at US$6.9 billion at December 31, 2012, representing the equivalent of approximately 4.6 months of imports. The increase in the capital account surplus and net international reserves was primarily due to inflows during the fourth quarter of 2012 resulting from the purchase by foreign investors of colones-denominated debt instruments and the net proceeds of the Republic's US$1 billion 4.250% Notes due 2023 (the "Notes due 2023") in November 2012. At December 31, 2011, Costa Rica's capital account surplus exceeded its current account deficit, resulting in a US$132.4 million increase in the Central Bank's net international reserves, which stood at US$4.8 billion at December 31, 2011, representing approximately 4.5 months of imports.

Historically, Costa Rica was significantly dependent on the export of four traditional agricultural goods: coffee, bananas, sugar and beef. Today, the country exports over 3,000 different products. The number of agricultural goods sold abroad, such as watermelons, pineapples, melons, potatoes and ornamental plants, has increased. In addition, Costa Rica is exporting high-technology products, such as computers, medicines and medical equipment, and services provided by shared services centers, which together accounted for approximately 38.2% of Costa Rica's total exports for 2012.

Costa Rica has also diversified the geographic markets to which it exports during the past decade. Its exports are directed to approximately 130 countries around the world. In 2012, approximately 39.2% of Costa Rica's exports were sent to the United States, 18.2% to the European Union, 14.0% to Central America, 13.0% to Asia, 6.0% to other Latin American countries and 9.6% to various other countries. Costa Rica's foreign trade depends largely on the United States, the European Union and other Central American economies, given that approximately 71.5% of its exports go to these areas.

Monetary Policy

Costa Rica's inflation rate was 13.9% during 2008, primarily as a result of increases in international commodity prices in the first half of the year. As a result of the slowdown in the Costa Rican economy that occurred following the global financial crisis that began in the fourth quarter of 2008 and the decrease in commodity prices in 2009, the inflation rate declined to 4.0% in 2009. The inflation rate increased to 5.8% during 2010, primarily due to the rise in the international prices of oil and food and a rebound of economic activity. The inflation rate decreased to 4.7% during 2011, primarily because of a decline in the international price of oil. In 2012, the inflation rate was at 4.6%, within the Central Bank's target band of 4.0 to 6.0%, primarily due to the actions of the Central Bank aimed at improving monetary control, the relative stability of the exchange rate and reduced inflationary pressures from external sources.

Costa Rica's currency, the colón, depreciated by 9% in 2008 to 550.1 colones to US$1.00, primarily due to the global financial crisis. In 2009, as the global financial crisis intensified, the exchange rate again depreciated by 9% to 558.7 colones to US$1.00. In 2010, the exchange rate appreciated by 8.3% to 525.8 colones to US$1.00, mainly as a result of the improvement in the financial account of the balance of payments and an increase in foreign direct investment. In 2011 and 2012, the exchange rate remained relatively stable at an average of 505.7 and 502.9 colones to US$1.00, respectively, close to the lower limit of the exchange-rate target band 500 colones per US$1.00 set by the Central Bank.

Fiscal Policy

At December 31, 2012, the Government's fiscal deficit totaled US$2.0 billion, or 4.4% of GDP. At December 31, 2012, the Government's fiscal deficit reflected total expenditures of US$8.5 billion and revenues of US$6.5 billion. As of March 31, 2013, the Government registered a fiscal deficit equal to US$0.7 billion, equivalent to 1.4% of estimated annual GDP. The Government's fiscal deficit as of March 31, 2013 reflected total expenditures of US$2.4 billion and total revenues of US$1.7 billion.

The Government is implementing a comprehensive fiscal strategy to further increase competitiveness, including: (a) executing strict policies to restrain current expenditures by limiting government hiring and limiting wage increases to match expected inflation; (b) safeguarding public investment and social spending through productive investment projects using innovative financing, and enacting measures to maintain current levels of social expenditure; (c) strengthening the fight against tax evasion, tax elusion and contraband, increasing fiscal transparency and training judges and prosecutors to better understand and fight tax crimes; (d) expanding financing options for the Government with the goal of expanding its investor base and lowering borrowing costs; and (e) encouraging a national dialogue with all stakeholders to reach a consensus on ways to strengthen the finances of the public sector.

Public Debt

Government debt reached US$7.0 billion in 2008 (24.7% of GDP), US$8.2 billion in 2009 (27.2% of GDP), US$10.9 billion in 2010 (29.2% in 2010), US$12.5 billion in 2011 (30.9% of GDP), and US$15.7 billion in 2012 (35.4% of GDP). Government debt increased from 2008 to 2012 mainly due to an expansion of the fiscal deficit as the Government pursued an expansionary fiscal policy to mitigate the effects of the global financial crisis that started in the fourth quarter of 2008 and to support the Government's growth strategy. In addition to the incurrence of Government debt to finance the fiscal deficit, the increase in Government indebtedness in 2012 compared to 2011 reflected the receipt of proceeds from the issuance by the Republic of its Notes due 2023 in November 2012, which proceeds have been and will continue to be used during the first half of 2013 to refinance maturities of domestic and external Government debt. Government debt contributed the largest share to total public sector debt, averaging 65.9% of total debt over the period from 2008 to 2012.

SELECTED ECONOMIC INDICATORS

(in millions of US dollars, except where noted)

	For the year ended and at December 31,				
	2008	**2009**	**2010**	**2011**	**2012**
Economic Data					
GDP					
Real GDP % change from prior year	2.7%	(1.0)%	5.0%	4.4%	5.1%
Nominal GDP	$29,835	$29,375	$36,235	$40,867	$45,015
Consumer Price Index (% change)					
End of period	13.9%	4.0%	5.8%	4.7%	4.6%
Industrial production price index (% change)					
End of period	20.6%	(1.0)%	4.1%	8.1%	3.6%
Unemployment Rate[(1)]	4.9%	7.8%	7.3%	7.7%	7.8%
Balance of Payments Data					
Current account balance	$(2,787)	$(576)	$(1,281)	$(2,203)	$(2,341)
Merchandise trade balance	(5,013)	(2,039)	(3,440)	(5,151)	(5,309)
Exports (f.o.b.)	9,555	8,838	9,516	10,383	11,442
Imports (f.o.b.)	(14,569)	(10,877)	(12,956)	(15,534)	(16,752)
Service trade balance, net	2,201	2,188	2,537	3,193	3,525
Rent trade balance, net	(417)	(1,084)	(745)	(567)	(886)
Current transfers balance, net	442	359	366	323	329
Capital and financial account balance	2,487	707	1,986	2,556	4,384
Change in Central Bank's international reserves[(2)]	348	(260)	(561)	(132)	(2,110)
Net international reserves of the banking system	3,605	4,749	5,250	4,738	6,324
Net international reserves of the Central Bank	3,799	4,066	4,627	4,756	6,857
Import coverage reserves (months of imports)	3.9	5.7	3.5	4.9	6.0
Public Finance					
Central Government					
Total Revenue	$4,731	$4,121	$5,219	$5,981	$6,506
Total Expenditure	4,675	5,121	7,087	7,652	8,501
Primary balance	702	(371)	(1,103)	(783)	(1,057)
% of GDP	2.4%	(1.3)%	(3.0)%	(1.9)%	(2.3)%
Overall balance	56	(999)	(1,867)	(1,672)	(1,995)
% of GDP	0.2%	(3.4)%	(5.2)%	(4.1)%	(4.4)%
Consolidated Public Sector balance[(3)]	136.0	(1,145.6)	(2,179.9)	(2,296.7)	N.A.
% of GDP	0.5%	(3.9)%	(6.0)%	(5.6)%	N.A.
Public Debt					
Central Government					
External debt	$2,050	$1,727	$2,227	$2,007	$2,720

% of GDP	7.2%	5.8%	6.0%	4.9%	6.1%
Domestic debt	4,984	6,424	8,624	10,483	13,024
% of GDP	17.5%	21.4%	23.2%	25.8%	29.2%
Total Public Sector					
External debt	$3,410	$3,346	$3,917	$3,959	$4,786
% of GDP	12.0%	11.2%	10.5%	9.7%	10.7%
Domestic debt	7,795	9,315	12,119	14,939	18,320
% of GDP	27.4%	31.1%	32.5%	36.8%	41.1%

(1) Figures prior to 2010 are not comparable to figures from 2010 and thereafter because of a change in methodology, primarily the inclusion of additional data, by the National Institute of Statistics.
(2) A positive number represents a decrease in international reserves and a negative number represents an increase in international reserves.
(3) Includes the Central Government, public enterprises and the Central Bank.
Sources: Ministry of Finance and Central Bank of Costa Rica

THE OFFERING

Issuer	The Republic of Costa Rica.
Issue Amount	For the Notes due 2025: US$500,000,000 aggregate principal amount. For the Notes due 2043: US$500,000,000 aggregate principal amount.
Issue Price	For the Notes due 2025:100% of the principal amount of the Notes due 2025; For the Notes due 2043: 100% of the principal amount of the Notes due 2043; in each case, plus accrued interest, if any, from April 30, 2013.
Issue Date	April 30, 2013.
Maturity Date	For the Notes due 2025: April 30, 2025. For the Notes due 2043: April 30, 2043.
Interest	The Notes due 2025 will bear interest from April 30, 2013 at the rate of 4.375% per annum payable semi-annually in arrears on April 30 and October 30 of each year, commencing on October 30, 2013. The Notes due 2043 will bear interest from April 30, 2013 at the rate of 5.625% per annum payable semi-annually in arrears on April 30 and October 30 of each year, commencing on October 30, 2013.
Withholding Tax; Additional Amounts	Principal of and interest on the Notes are payable by the Republic without withholding or deduction for or on account of taxes imposed by Costa Rica to the extent described herein. In the event that the Republic is required by law to deduct or withhold taxes, duties, assessments or governmental charges, the Republic will pay additional amounts as necessary to enable holders of Notes to receive such amounts after such deduction or withholding as they would have received absent such deduction or withholding, subject to certain exceptions. See "Terms and Conditions of the Notes—Additional Amounts."
Status	The Notes will constitute general, direct, unconditional and unsecured Public External Indebtedness (as defined herein) of the Republic and will rank *pari passu*, without preference among themselves, with all unsecured and unsubordinated obligations of the Republic, present and future, relating to Public External Indebtedness (as defined herein) of the Republic. See "Terms and Conditions of the Notes—Status of the Notes."
Negative Pledge and Certain Covenants	The Terms and Conditions of the Notes contain certain covenants and restrictions on the creation or subsistence of any Security (as defined herein) securing Public External Indebtedness, with certain exceptions. See "Terms and Conditions of the Notes—Negative Pledge" and "—Covenants."

Use of Proceeds	The cash proceeds from the issuance and sale of the Notes (net of the commissions payable by the Republic to the Initial Purchasers and the net expenses payable by the Republic) will be approximately US$999,350,000. The proceeds from the issuance and sale of the Notes will be used by the Republic for the refinancing of domestic and external indebtedness of Costa Rica.
Collective Action Clauses	The Notes will contain provisions, commonly known as "collective action clauses," regarding acceleration and voting on future amendments, modifications and waivers. Under these provisions, which are described in the sections entitled "Terms and Conditions of the Notes—Events of Default" and "—Modifications, Amendments and Waivers," the Republic may amend the payment provisions of a Series of Notes and certain other terms with the consent of the holders of 75% of the aggregate outstanding amount of such Series of Notes.
Form of Notes	The Notes will be issued in the form of global notes without coupons, registered in the name of a nominee of The Depository Trust Company and for the accounts of its direct and indirect participants, including Euroclear and Clearstream.
Denominations	Each Note will be issued in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof.
Further Issues	The Republic may, without the consent of the holders of the Notes, create and issue additional notes having the same ranking and the same interest rate, maturity and other terms as the Notes (or the same except for the amount of the first interest payment and the issue price), so that such additional notes may be consolidated and form a single series with the applicable Series of Notes, provided that such additional notes do not have, for purposes of U.S. federal income taxation (regardless of whether any holders of such notes are subject to U.S. federal laws), a greater amount of original issue discount than the Notes of such Series have as of the date of issuance of such additional notes.
Listing	Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to have the Notes admitted to trading on the Euro MTF Market.
Governing Law	The Notes shall be governed by, and construed in accordance with, the laws of the State of New York, United States of America, except that all matters concerning authorization and execution by the Republic will be governed by the laws of the Republic.
Fiscal Agent, Principal Paying Agent, Registrar and Transfer Agent	The Bank of New York Mellon
Luxembourg Transfer and Paying Agent	The Bank of New York Mellon (Luxembourg) S.A.

RISK FACTORS

This section describes certain risks associated with investing in the Notes. You should consult your financial and legal advisors about the risk of investing in the Notes. Costa Rica disclaims any responsibility for advising you on these matters.

Risk Factors Relating to Costa Rica

Costa Rica is an independent sovereign state and accordingly it may be difficult to obtain or enforce judgments against it.

Costa Rica is an independent sovereign state. As a result, it may be difficult or impossible for investors to obtain or enforce judgments against Costa Rica whether in an investor's own jurisdiction or elsewhere. See "Enforcement of Civil Liabilities."

Certain economic risks are inherent in any investment in an emerging market country such as Costa Rica.

Investing in an emerging market country such as Costa Rica carries economic risks. These risks include many different factors that may affect Costa Rica's economic results, including, but not limited to, the following:

- interest rates in the United States and financial markets outside Costa Rica;
- changes in economic, fiscal or tax policies (see for example, "Monetary System—Monetary and Financial Policy—Recent Financial Policy");
- general economic and business conditions in Costa Rica and the global economy;
- high levels of inflation or deflation;
- wage and price controls;
- changes in currency values;
- a decline in foreign direct or portfolio investment that could lead to lower growth or lower international reserves;
- the decisions of international financial institutions regarding the terms of their financial assistance to Costa Rica;
- the ability of Costa Rica to effect key economic reforms; and
- the impact of hostilities or political unrest in other countries that may affect international trade, commodity prices and the global economy.

Any of these factors, as well as volatility in the markets for securities similar to the Notes, may adversely affect the liquidity of, and trading markets for, the Notes. See "Forward-looking Statements" in this Offering Circular.

Costa Rica's economy remains vulnerable to external shocks, including the global economic crisis that began in 2008, the ongoing financial crisis in the European Union, and those that could be caused by future significant economic difficulties of its major regional trading partners or by more general "contagion" effects, which could have a material adverse effect on Costa Rica's economic growth and its ability to service its public debt.

Emerging-market investment generally poses a greater degree of risk than investment in more mature market economies because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments.

A significant decline in the economic growth of any of Costa Rica's major trading partners could adversely affect Costa Rica's balance of trade and economic growth. In addition, because international investors' reactions to the events occurring in one emerging market country sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavored by international investors, Costa Rica could be adversely affected by negative economic or financial developments in other emerging market countries.

There can be no assurance that any crises such as those described above or similar events will not negatively affect investor confidence in emerging markets or the economies of the principal countries in Latin America, including Costa Rica. In addition, there can be no assurance that these events will not adversely affect Costa Rica's economy, its ability to raise capital in the external debt markets in the future or its ability to service its public debt.

Risk Factors Relating to the Notes

An active trading market may not develop for the Notes, which may hinder your ability to liquidate your investment.

The Notes will be a new issue of securities with no established trading market. We have applied to list the Notes on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market. Certain of the Initial Purchasers have informed us that they intend to make a market in the Notes after the completion of this offering. However, the Initial Purchasers are not obligated to do so and may cease their market-making at any time. In addition, the liquidity of the trading market in the Notes, and the market price quoted for the Notes, may be adversely affected by changes in the overall market for fixed income securities and by changes in our financial performance or prospects. As a result, we cannot assure you that an active trading market will develop or be sustained for the Notes. If no active trading market develops, you may not be able to resell your Notes at their fair market value or at all.

The Notes are subject to transfer restrictions.

The Notes have not been registered under the Securities Act, any state securities laws or the securities laws of any jurisdictions. As a result, holders of Notes may only reoffer or resell Notes if there is an applicable exemption from the registration requirements of the Securities Act and applicable state or foreign laws that apply to the circumstances of such offer and sale.

The Notes will contain provisions that permit Costa Rica to amend the payment terms without the consent of all holders.

The Notes will contain provisions, commonly known as "collective action clauses," regarding acceleration and voting on future amendments, modifications and waivers that differ from those applicable to certain of the Republic's outstanding Public External Indebtedness (as defined herein). Under these provisions, which are described in the sections entitled "Terms and Conditions of the Notes—Events of Default" and "—Modifications, Amendments and Waivers," Costa Rica may amend the payment provisions of a Series of Notes and certain other terms with the consent of the holders of 75% of the aggregate outstanding amount of such Series of Notes.

USE OF PROCEEDS

The cash proceeds from the issuance and sale of the Notes (net of the commissions payable by the Republic to the Initial Purchasers and the net expenses payable by the Republic) will be approximately US$999,350,000. The proceeds from the issuance and sale of the Notes will be used by the Republic for the refinancing of domestic and external indebtedness of Costa Rica.

REPUBLIC OF COSTA RICA

Costa Rica, which is located in Central America, is a stable constitutional democracy whose standard of living ranks among the highest in Latin America. Costa Rica has had uninterrupted democratically elected governments since 1949. During 2012, the country's real GDP grew by 5.1%. In 2011, Costa Rica's real GDP grew by 4.4%, compared with 5.0% in 2010. Costa Rica's 2012 nominal GDP was US$45.0 billion and estimated GDP per capita was US$9,665.0, the highest in Central America according to the International Monetary Fund.

Costa Rica hosts a large diversity of animal and plant species, and approximately one quarter of its territory consists of public or private reserves dedicated to environmental conservation and preservation of this biological diversity. This diversity, in conjunction with the Government's investment in environmental conservation, has led to the development of a significant tourism industry which is protected and regulated under environmental policies in Costa Rica.

Territory and Population

The Costa Rican territory consists of approximately 19,691 square miles, largely covered by high, rugged mountains and hills, drained by numerous streams and rivers. A volcanic mountain system composed of three ranges extends throughout the length of the country, with elevations in the Southern Talamanca range reaching approximately 13,000 feet above sea level. A relatively wide coastal plain is found in the east and northeast and a narrower plain is found along the Pacific coast. The climate varies according to topography, from semi-tropical in the mountains to tropical on the coastal plains. Costa Rica has coastlines which border both the Caribbean Sea and the Pacific Ocean. At the country's narrowest point, the coastlines are 74 miles apart. The northern border with Nicaragua is 186 miles long and the southeastern border with Panama is 225 miles long.

According to the National Institute of Statistics, the population of Costa Rica in 2012 was approximately 4.7 million people. Population growth increased at an annual rate of 1.3% between 2011 and 2012. The majority of the country's population lives in an area commonly referred to as the "Central Valley" where, in addition to the capital city, San José, the principal cities of the provinces of Alajuela, Heredia, and Cartago are located. According to the 2011 census, approximately 56.4% of the population of Costa Rica was living in the Central Valley. The province of San José, which includes the capital, accounted for approximately 1.4 million people. Based on the 2011 census, approximately 34% of the population was under the age of 19, approximately 33% was between the ages of 20 and 39, approximately 26% was between the ages of 40 and 64, and approximately 7% was over the age of 65.

Social Indicators

Historically, Costa Rica has invested a significant portion of its public sector budget in social services. Investments in education, health services, social assistance and housing represented approximately 46.9% of the Government's expenditures in 2012 and 46.4% in 2011. In 2012, the *Constitución Política de la República de Costa Rica* (Political Constitution of the Republic) of November 7, 1949 (the "Constitution") was amended to require the investment of not less than 8% of GDP in education annually by 2014, compared with the previous mandate of 6% of GDP. For 2012, the Government's investment in education amounted to 7% of GDP.

Costa Rica's budget for the 2013 fiscal year provides for an investment of 1.1% of its budget, excluding scheduled debt amortization, in education. In the Republic's 2013 budget, the Ministry of Education added funding for approximately 1,500 new positions related to high school, pre-school, kindergarten and elementary school education, schools for gifted children, foreign language study, and other educational services.

According to the 2012 *Encuesta Nacional de Hogares* (National Households Survey), the level of poverty in the country was 20.6%. As of 2012, Costa Rica was classified by the World Bank as an upper middle-income developing country.

Historically, Costa Rica has provided social assistance and housing to poor families through the *Fondo de Desarrollo Social y Asignaciones Familiares* (Fund for Social Development and Family Assistance) ("FODESAF") which is funded primarily with payroll tax revenues. The Government has undertaken initiatives to restructure FODESAF in order to further strengthen FODESAF's operations and empower it to reduce poverty levels. The Government's initiatives include program evaluations, financial auditing and cost controls designed to improve the efficiency of its anti-poverty efforts through decentralization and specialization of certain programs, and to monitor and evaluate the social programs supported by FODESAF. See "The Costa Rican Economy—Poverty."

The following table sets forth selected 2011 comparative social statistics for per capita GDP and life expectancy, and 2010 social statistics for adult literacy, in each case the most recent available data for the region, as reported in the World Bank Statistical Compendium.

Selected Comparative Social Statistics

	Per capita GDP (in US$)	Life expectancy (in years)[(1)]	Adult literacy rate[(2)]
Mexico............	$10,047	77	93.1%
Argentina.........	10,942	76	97.8
Costa Rica........	8,647	79	96.2
Panama	7,498	76	94.1
Colombia	7,104	73	93.4
El Salvador	3,702	72	84.5
Guatemala........	3,178	71	75.2

(1) 2011 data, except Mexico which is 2010 data.

(2) 2010 data.

Source: World Bank Statistical Compendium

Government and Political Parties

The Republic achieved independence from Spain in 1821 and has had uninterrupted democratically elected governments since 1949. The current Constitution, drafted in 1949, established the present form of the Government. Among the most important reforms enacted by the Constitution were: the ratification of the abolition of the army; the institution of a national program of social services, including health services and a pension system; and guarantees of Government support for primary, secondary and higher education. In addition, the Constitution established the base for strong institutions with a variety of missions, including ensuring the rule of law, safeguarding the relationship between Government and citizens, and the welfare state.

Pursuant to the Constitution, Costa Rica is a democratic republic, with separate executive, judicial and legislative branches. The President and the members of the unicameral *Asamblea Legislativa* (the "Legislative Assembly") are elected by direct popular vote. Under Costa Rica's electoral system, voters elect a ticket including one presidential and two vice-presidential candidates, and vote for a political party with respect to the Legislative Assembly and municipal representatives, where each party selects candidates at its own political convention. Beginning in 2016, municipal elections will be held two years after the Presidential elections. Organization and supervision of the electoral process is the responsibility of the *Tribunal Supremo de Elecciones* (the "Supreme Electoral Tribunal"), which is composed of three permanent members with functional, political and administrative independence. In addition, two temporary members, selected from a list of six candidates chosen by the *Corte Suprema de Justicia* (Supreme Court of Justice) (the "Supreme Court"), are appointed one year prior to an election and serve for up to six months after an election. The Supreme Electoral Tribunal has the same degree of independence as the three branches of the Government.

Executive authority is vested in the President and the two Vice Presidents, who are directly elected for concurrent four-year terms, and in the Ministers of the Government, whose terms cannot exceed that of the President. The last presidential election, held on February 7, 2010, was won by Mrs. Laura Chinchilla Miranda of the *Partido Liberación Nacional* with 46.8% of the votes cast as compared to Mr. Ottón Solis, who received 26.5% of the votes cast. The Vice-presidents elected as part of the Presidential ticket were Alfio Piva and Luis Liberman. The term of the current President expires on May 8, 2014. The Constitution provides that the President may be re-elected, but not for consecutive terms. The President has the power to appoint the Ministers of the Government, and together the President and the Ministers form the *Consejo de Gobierno* (Government Council) (the "Government Council").

Legislative authority is vested in the Legislative Assembly, comprising 57 deputies. Deputies serve four-year terms and, although they may be re-elected, they may not serve consecutive terms. The election of deputies for the Legislative Assembly is held concurrently with presidential elections.

National judicial authority is vested in the Supreme Court, which is composed of four appellate divisions, as well as criminal courts, civil courts and other specialized courts. The Supreme Court has 22 justices, elected by the Legislative Assembly for eight-year terms. The term of each justice is renewed automatically unless two-thirds or more of the Legislative Assembly vote against reappointment. The Constitution grants budgetary independence to the judicial branch by guaranteeing that a minimum of 6% of the Government's current revenues be allocated to it.

For administrative purposes, the national territory is divided into seven provinces, which are subdivided into cantons and districts. There are seven provinces (San José, Alajuela, Cartago, Heredia, Guanacaste, Limón and Puntarenas), 81 cantons and 467 districts. Each canton is presided by elected officials in the form of municipal governments.

The dominant political parties in Costa Rica are the *Partido Liberación Nacional, Partido Unidad Social Cristiana*, and the *Partido Acción Ciudadana.* Members of the *Partido Liberación Nacional* and *Partido Unidad Social Cristiana* or their predecessors have won the presidential elections and have controlled, either directly or indirectly through political alliances, the Legislative Assembly since 1949.

The *Partido Liberación Nacional* is the political and ideological heir to social democratic traditions. The party has moved to the center of the political spectrum, favoring a market-oriented economy while preserving access to social services. In 2000, the *Partido Acción Ciudadana* split from the *Partido Liberación Nacional* with the goal of providing broader representation of social organizations, including *Asociaciones Solidaristas* (Solidarity Associations) and municipal governments. The *Partido Unidad Social Cristiana* traditionally has been associated to slightly more liberal sectors than the *Partido Liberación Nacional*, with a centrist-right platform and has been alternating presidential terms with the *Partido Liberación Nacional*. The *Partido Movimiento Libertario* is a political party based on classical liberalism in Costa Rica. Members of the *Partido Liberación Nacional* hold 24 of the 57 seats in the Legislative Assembly, members of the *Partido Acción Ciudadana* hold 11 seats, members of the *Partido Movimiento Libertario* hold 9 seats, members of the *Partido Unidad Social Cristiana* hold 6 seats, and the remaining seats are held by members of minor parties.

Foreign Affairs and Membership in International and Regional Organizations

Costa Rica maintains diplomatic relations with approximately 160 countries. It is a member of the United Nations (and certain of its specialized agencies such as the Food and Agriculture Organization, the International Labor Organization and the United Nations Education, Scientific and Cultural Organization), the Organization of American States, the International Monetary Fund (the "IMF"), the World Bank, the Inter-American Development Bank (the "IADB") and the World Trade Organization (the "WTO").

Over the last twenty years, Costa Rica has followed a trade policy meant to integrate Costa Rica into the global economy. This trade policy is demonstrated by Costa Rica's participation in multilateral negotiations in the WTO and Costa Rica's negotiations of bilateral trade agreements and free trade agreements with strategic trade partners. Costa Rica has utilized free trade agreements to increase market access for Costa Rican exports and enhance trade policy certainty. Currently, Costa Rica has nine free trade agreements in force with 15 countries, including the United States, Canada, Mexico, Chile, Panama, the Caribbean community and China.

The United States signed a free trade agreement with the five members of the Central America Economic Integration System, including Costa Rica, on May 28, 2004. Subsequently, the Dominican Republic became a party to the free trade agreement, now referred to as the U.S.-Dominican Republic-Central America Free Trade Agreement or the DR-CAFTA. In the referendum on October 7, 2007, the voters of Costa Rica approved the free trade agreement. On January 1, 2009, the DR-CAFTA became effective between the United States and Costa Rica.

Since entering into a free trade agreement with Mexico in 1995, Costa Rican exports to Mexico have increased by more than a factor of five, while Mexican imports into Costa Rica have tripled. Beginning in 1998, Costa Rica replaced Guatemala as the main Central American supplier to the Mexican market. Similarly, Mexico has become the second largest exporter of goods to Costa Rica, after the United States.

The free trade agreement between Costa Rica and Canada, which became effective in November 2002, was the first free trade agreement signed between Costa Rica and a G-7 country. Market access provisions in the agreement granted certain Costa Rican products, most notably refined sugar and textiles, preferential access to the Canadian market.

Costa Rica maintains amicable relations with all of its major trading partners and neighboring countries. There is currently a dispute pending before the International Court of Justice relating to the proper location of the border with Nicaragua along the San Juan river.

Environmental Policy

Over the past decade, Costa Rica has developed legal and institutional regimes for the sustainable and non-destructive use of natural resources in its pursuit of economic and social development. Costa Rica has created a national park system consisting of 159 national parks and equivalent reserves, covering 25.5% of the total area of Costa Rica, and more than 100 private reserves. As Costa Rica has engaged in efforts to protect its rain forest, including the creation of the national park system and reserves, eco-tourism has emerged as an important contributor to Costa Rica's GDP.

Costa Rica's commitment to sustainable environmental and economic development has been stated clearly in the "*Estrategia Nacional de Cambio Climático*" (National Strategy for Climate Change), by which the country has committed to reach carbon neutrality by 2021. As part of the national strategy for climate change, the *Ministerio de Ambiente, Energía y Telecomunicaciones* created the Directorate of Climate Change in 2009. In the area of energy production, the Government has dedicated resources to expand the country's use of clean energy sources to include geothermal and wind energy. Currently, approximately 93% of electricity consumed in the country is produced using renewable energy sources and approximately 78% of electricity consumed in the country is produced by hydroelectric power plants.

Costa Rica's "Payment of Environmental Services Program" compensates landowners for environmental services they have provided using their forest lands, such as carbon fixation, watershed protection and biodiversity, among others. As a result of this continuing commitment to the environment, since 1997 the area reforested has exceeded the area deforested in each year.

Costa Rica has been an advocate of the United Nations Framework Convention on Climate Change and its Kyoto Protocol, and is involved in the development of market-oriented instruments to reduce emissions of greenhouse gases in an effort to mitigate global warming. Costa Rica is actively participating in the emerging carbon market and is implementing the Clean Development Mechanism ("CDM") of the Kyoto Protocol. Costa Rica has led on a number of CDM project activities and has signed Memorandum of Understandings with several developed countries, including The Netherlands, Norway, Switzerland, Canada and Finland, pursuant to which it has agreed to promote investments in Certified Emission Reduction ("CERs"). The Government believes that proceeds from the CERs are a potential source of funding for the reforestation project activities within the Payment of Environmental Services Program and for the promotion of the local generation of electricity from renewable sources.

THE COSTA RICAN ECONOMY

General

Costa Rica has expanded the scope of its economic activity from its historical dependence on the production of agricultural goods for export. It has sought to diversify its exports, attract investment in high value added manufacturing and promote tourism based primarily on the country's environmental diversity. Due to this diversification strategy, the composition of Costa Rica's exports has changed substantially during the past decade, with industrial exports increasing significantly. Industrial exports (including exports from free trade zone and in-bond industries) represented approximately 78% of Costa Rica's total exports for each of the years ended December 31, 2012 and December 31, 2011, while agricultural exports represented approximately 22% of total exports over the same periods.

Developments from 2008 to 2012

Year 2012

In 2012, Costa Rica's real annual GDP grew by 5.1%, compared with 4.4% in 2011, despite the slow recovery in the major advanced economies. Growth was generated by activities in the following sectors of the economy: industrial manufacturing; transportation, warehousing and telecommunications; wholesale and retail commerce, restaurants and hotels; and other business services.

The industrial manufacturing sector grew by 6.3% in 2012 compared to 4.2% in 2011, mainly attributable to companies located in the free trade zone, particularly those involved with the production of micro-electronics and computer parts. Production also increased at non-free trade zone companies as a result of an increase in external demand for milk products and palm oil and an increase in domestic demand for raw materials for construction and packaging of agricultural products for export.

The transportation, warehousing and telecommunications sector grew by 5.9% in 2012 compared to 7.4% in 2011, mainly due to the demand for wireless and internet services, road transport and freight services, as well as the increase in tourism-related activities.

The wholesale and retail commerce, restaurants and hotels sector grew by 4.2% in 2012 compared to 4.3% in 2011, primarily due to sales growth in vehicles, electrical devices, pharmaceuticals and personal care products as well as cement, plastic and metal structures, in response to the recovery in the construction sector. Meanwhile, growth in the number of tourists and tourism promotion campaigns in the country (both internally and externally) favorably impacted the restaurants and hotels subsector.

The other business services sector grew by 9.6% in 2012, compared to 12.1% in 2011, primarily due to higher services exports provided by call centers, cost centers and software development.

The construction sector, after three consecutive years of contraction, showed a positive growth rate of 5.7% in 2012, compared to a contraction of 4.0% in 2011, mainly due to the recovery in demand for residential and commercial building construction in the private sector and, to a lesser degree, increased public construction, which consisted mainly of hydroelectric projects, roads and hospitals.

All other service activities grew by 3.2% in 2012, compared to 2.7% in 2011, mainly in the community, social and personal services and financial intermediation and insurance sectors.

Year 2011

In 2011, Costa Rica's real annual GDP grew by 4.4%, compared with 4.7% growth in 2010. During 2011, approximately 80% of the economic activity growth was generated by the following industries: transportation, warehousing and telecommunications; industrial manufacturing; wholesale and retail commerce, restaurants and hotels; and other business services. The agricultural, forestry and fishing sector declined as compared with 2010. The construction sector was negatively affected by a reduction in public electrification works.

During 2011, the transportation, warehousing and telecommunications sector grew by 7.4%, compared with growth of 6.4% in the previous year. The acceleration in this sector was associated with an increase in the demand for cell phones in both prepaid and postpaid services, internet phone service and internet via cable modem, driven in part by the termination of the monopoly of *Instituto Costarricense de Electricidad* ("ICE") on wireless services. Transportation services related to foreign trade for transporting goods through docks and harbors expanded significantly.

Industrial manufacturing grew by 4% in 2011, mainly due to an increase in sales in electronics and microprocessors produced by companies located in the free trade zone.

The wholesale and retail commerce, restaurants and hotels sector grew by 4.3% in 2011, as a result of higher sales in vehicles and household appliances. Hotels and restaurants were stimulated by the growth in demand for services and inbound tourism.

The agricultural, forestry and fishing sector experienced lower growth of 1.1% in 2011, compared with growth of 6.4% in 2010. This result was explained by weather conditions that adversely affected the production of bananas, pineapples, sugar cane and coffee, among others.

Exports of services, mainly related with business centers, call centers, transportation of goods and tourism, remained dynamic throughout 2011. Imports of goods and services grew by 10.6%, driven primarily by the acquisition of raw materials for manufacturing and consumer goods.

For 2011 the terms of trade showed a decline in the purchasing power of the country due to the increase in the price of raw materials, especially oil, primarily due to poor hydrological conditions. The decline, however, was partially offset by the improvement in the price of export goods such as coffee.

Year 2010

In 2010, Costa Rica's real annual GDP grew by 5.0%, compared with a contraction by 1.0% in 2009.

The industrial manufacturing and agricultural, forestry and fishing sectors grew by 3.5% and 6.4% in 2010, respectively. The industrial manufacturing sector grew 11.0% in the first half of the year (due to an increase in the external sales of pharmaceutical products, refined petroleum products, containers and cardboard boxes and paper and supplies), but in the second half decelerated significantly due to a moderation in external sales.

The agricultural, forestry and fishing sector grew in the first half of 2010 by 8.2%, as a result of an increase in the production of melon and favorable weather conditions for pineapple and banana production on land that had been affected by flooding in 2009. In the second half of the year, the agricultural, forestry and fishing sector showed weaker growth of 4.5% due to heavy rains in the fourth quarter that primarily affected pineapple crops.

The wholesale and retail commerce, restaurants and hotels sector grew by 4.2% in 2010, in contrast to a decline of 6% in 2009. The growth in 2010 was consistent with the behavior of domestic demand and the recovery of external demand for services.

The transportation, warehousing and telecommunications sector grew by 6.4% in 2010 because of an increase in the demand for services related to foreign trade of goods.

The construction sector declined by 3.6% in 2010, although at the end of the year there was a slight improvement associated with the resumption of private civil works for housing and other non-residential buildings, which had been postponed in 2009.

Exports of goods and services grew by 5.1% during the first half of 2010. The recovery started at the last quarter of 2009, but slowed down in the second half of 2010 due to lower exports of agricultural and manufactured goods. Imports of goods and services increased mainly as a result of increases in imports of raw materials and consumer goods.

Year 2009

In 2009, Costa Rica's real annual GDP contracted by 1.0%, compared with 2.7% growth in 2008.

GDP in the first half of 2009 contracted 3.6%. Industrial manufacturing output fell by 11.8% due to the reduction in the level of exports and a lower domestic demand for manufactured goods (final and intermediate inputs). In the second half of the year, however, external demand rebounded, which led to an expansion in industrial manufacturing of 4.6%. This recovery was mainly seen in firms operating in free trade zones and in-bond industries, due to the relocation of production quotas to Costa Rica and the closure of operations in other countries.

The decline observed in the first half of 2009 of 4.1% year-on-year in the agricultural, forestry and fishing sector was the result of weather factors in late 2008 and early 2009 and the significant increase in production costs. But in the second half of 2009, agro-industry rebounded due to the banana production and climate conditions that favored pineapple crops.

The wholesale and retail commerce, restaurants and hotels sector contracted 6% in 2009, mainly due to lower sales in basic supplies for construction, vehicles, pharmaceuticals and electrical appliances. A slowdown in inbound tourism also impacted hotel and restaurant demand.

The construction sector fell by 3% in 2009, mainly due to the decline in construction intended for private purposes, such as housing and other non-residential activities related to foreign direct investment. Additionally, tighter access to credit in the financial markets contributed to the decline in the sector.

Exports fell 11.5% year-on-year during the first six months of 2009 due to weakening global economic activity, which resulted in lower sales of manufactured goods, exports, and services related to tourism and the transport of goods. Also, the export of agricultural goods was negatively affected by factors related to the climate. During the second half of 2009, the increase in exports began to reflect signs of recovery in international markets. Imports of goods fell, in real terms, at an average rate of 25.9% and 13.3% in the first and second halves of 2009, respectively. The higher cost of imported component goods and the contraction in economic activity resulted in reduced acquisitions of intermediate and capital goods, especially in the first half of the year. In the second half of the year, the manufacturing and agriculture industries showed some signs of recovery.

Year 2008

Economic performance in 2008 was marked by a slowdown triggered by the global financial crisis as well as internal events. At the end of the year, real GDP grew by 2.7%. The effects of turbulence in foreign financial markets and global growth issues influenced Costa Rica's external demand.

The industrial manufacturing sector contracted 3.7%, mainly due to the effects of the global financial crisis that resulted in a slowdown in external and domestic demand for final products and industrial inputs.

In 2008, the agriculture, forestry and fishing sector contracted 3.2%, principally due to a decrease in the production of melons and bananas as a result of crops affected by plagues and adverse weather conditions. During 2008, traditional agricultural exports increased to an estimated US$1.1 billion and imports increased to an estimated US$512 million.

In 2008, the global environment was characterized by decreases in interest rates, higher than expected increases in international commodity prices, slowing economic activity of major trading partners and deepening of the global financial crisis. These elements, when taken together with the expansion in domestic demand, led to a deficit in the current account of the balance of payments of 9.3% of GDP.

Gross Domestic Product

Costa Rica's real GDP grew, on average, by approximately 3.3% annually between 2008 and 2012. The following tables set forth real and nominal GDP by expenditure for the periods indicated.

Gross Domestic Product by Expenditure

(in millions of colones, at constant 1991 prices)

	For the year ended December 31,				
	2008	**2009**	**2010**	**2011**	**2012**
Gross Domestic Product.................	¢2,097,588	¢2,076,283	¢2,179,148	¢2,275,785	¢2,392,510
Consumption	1,509,634	1,543,715	1,613,388	1,677,561	1,747,652
Private Consumption...........	1,343,472	1,366,396	1,427,787	1,489,117	1,556,021
Government Consumption ...	166,162	177,319	185,601	188,445	191,631
Gross investment	513,626	456,481	481,758	524,373	566,796
Change in inventories	74,197	(72,717)	30,036	53,938	39,043
Goods and Services Exports........	1,156,562	1,086,924	1,147,151	1,216,803	1,320,155
Goods and Services Imports........	1,156,431	938,120	1,093,185	1,196,890	1,281,135

Source: Central Bank of Costa Rica

Gross Domestic Product by Expenditure

(percentage change from previous year, at constant 1991 prices)

	For the year ended December 31,				
	2008	**2009**	**2010**	**2011**	**2012**
Gross Domestic Product......................	2.7%	(1.0)%	5.0%	4.4%	5.1%
Consumption	3.5	2.3	4.5	4.0	4.2
Private Consumption...........................	3.4	1.7	4.5	4.3	4.5
Government Consumption	4.4	6.7	4.7	1.5	1.7
Gross investment.................................	11.0	(11.1)	5.5	8.8	8.1
Change in inventories	180.0	(198.0)	(141.3)	79.6	(27.6)
Goods and Services Exports................	(2.0)	(6.0)	5.5	6.1	8.5
Goods and Services Imports................	6.5	(18.9)	16.5	9.5	7.0

Source: Central Bank of Costa Rica

Gross Domestic Product by Expenditure[(1)]

(in millions of U.S. dollars, at current prices)

	For the year ended December 31,				
	2008	**2009**	**2010**	**2011**	**2012**
Gross Domestic Product	$29,835	$29,375	$36,235	$40,867	$45,015
Consumption	24,517	24,418	29,777	34,179	37,566
Private Consumption	20,227	19,491	23,361	26,758	29,514
Government Consumption	4,291	4,928	6,417	7,420	8,052
Gross investment	7,039	6,478	7,196	8,036	8,925
Change in inventories	1,189	(1,693)	85	393	104
Goods and Services Exports	13,555	12,420	13,791	15,278	16,900
Goods and Services Imports	16,466	12,248	14,614	17,019	18,480

(1) Amounts in U.S. dollars were converted from colones using the historical average exchange rate for the period indicated.

Source: Central Bank of Costa Rica

Gross Domestic Product by Expenditure

(as a percentage of total GDP, at current prices)

	For the year ended December 31,				
	2008	**2009**	**2010**	**2011**	**2012**
Consumption	82.2%	83.1%	82.2%	83.6%	83.5%
Private Consumption	67.8	66.4	64.5	65.5	65.6
Government Consumption	14.4	16.8	17.7	18.2	17.9
Gross investment	23.6	22.1	19.9	19.7	19.8
Change in inventories	4.0	(5.8)	0.2	1.0	0.2
Goods and Services Exports	45.4	42.3	38.1	37.4	37.5
Goods and Services Imports	55.2	41.7	40.3	41.6	41.1
Gross Domestic Product	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Costa Rica

The following tables set forth Costa Rica's per capita GDP and per capita income for the periods indicated.

Costa Rica Per Capita GDP and Per Capita Disposable Income

(in U.S. dollars, at current prices)

	2008	**2009**	**2010**	**2011**	**2012**
Per capita GDP	$6,703.3	$6,516.0	$7,954.0	$8,889.8	$9,665.0
Per capita disposable income[(1)]	6,633.6	6,397.4	7,819.3	8,747.0	9,464.9

(1) Disposable income measures available resources to residents of a country. It is derived by deducting the amount of consumption of fixed capital and adding the net factor income from the rest of the world to GDP. Net factor income is the difference between payments from the foreign sector to residents of a country and payments to foreigners employed to provide domestic goods or services.

Source: Central Bank of Costa Rica

Costa Rica has one of the highest foreign direct investment rates in Latin America. Foreign direct investment was US$2.1 billion in 2008 (7% of GDP), but decreased to US$1.3 billion (4.6% of GDP) in 2009 as a consequence of the global financial crisis. Foreign direct investment increased in nominal terms to US$1.5 billion in 2010, but decreased as a percentage of GDP to 4% of GDP due to lagging effects of the global financial crisis and strong appreciation of the colón. Foreign direct investment reached US$2.2 billion in 2011 (5.3% of GDP). In 2012, foreign direct investment reached US$2.3 billion (5.0% of GDP).

The following table sets out the net inflows of foreign direct investment by country as a percentage of GDP for the years indicated.

Net Foreign Direct Investment by Country

(as a percentage of GDP)

	2008	2009	2010	2011
Nicaragua	7.6%	5.4%	6.0%	10.4%
Honduras	7.6	3.5	5.2	6.0
Costa Rica	7.0	4.6	4.0	5.3
Colombia	4.2	3.0	2.4	4.0
Brazil	3.1	1.9	2.5	2.9
Guatemala	1.9	1.8	2.2	2.3
Mexico	2.5	1.9	2.0	1.8
Venezuela	0.1	(0.9)	0.2	1.7
El Salvador	4.2	1.8	1.2	1.1
Argentina	3.0	1.3	1.9	1.6
Chile	8.4	7.5	7.1	7.0
Dominican Republic	6.0	3.6	4.1	4.1
Panama	11.0	4.5	8.1	12.2
Peru	5.5	5.1	5.5	4.7
Uruguay	7.1	5.3	5.6	4.7

Source: World Bank

Principal Sectors of the Economy

Based on preliminary data, the principal sectors of the Costa Rican economy in 2012 were: industrial manufacturing; transportation, warehousing and telecommunications; wholesale and retail commerce; hotels and restaurants; community, social and other personal services; and agriculture, forestry and fishing. Based on preliminary data, the fastest growing sectors of the Costa Rican economy in 2012 were: other business services; financial intermediation and insurance; industrial manufacturing; transportation, warehousing and telecommunications; and construction.

From 2008 to 2012, compound annual growth rates of the largest sectors of the Costa Rican economy were as follows: the transportation, warehousing and telecommunications sector grew at 5.8%; the community, social and other personal services sector grew at 3.8%; the financial intermediation and insurance sector grew at 4.7%; the agriculture, forestry and fishing grew at 2.1%; the industrial manufacturing sector grew at 2.6%; and the wholesale and retail commerce, hotels and restaurants sector grew at 1.5%.

In 2012, industrial manufacturing was the largest sector of the economy, accounting for approximately 21.3% of real GDP. In 2012, transportation, warehousing and telecommunications, the second largest sector of the economy, accounted for approximately 16.2% of real GDP; the wholesale and retail commerce, hotels and restaurants sector, Costa Rica's third largest sector, accounted for approximately 15.0% of real GDP; community, social and personal services (excluding public administration) sector, the fourth largest sector, accounted for 9.2% of real GDP; and the agriculture, forestry and fishing sector, the fifth largest sector, accounted for approximately 8.8% of real GDP.

The following tables set forth the distribution of GDP in the Costa Rican economy, indicating for each sector its percentage contribution to GDP and its annual growth rate for the years indicated.

Gross Domestic Product by Industry

(in millions of colones, at constant 1991 prices)

	2008	2009	2010	2011	2012
Gross Domestic Product	¢2,097,588	¢2,076,283	¢2,179,148	¢2,275,785	¢2,392,510
Plus: Taxes (net of subsidies)	187,66	178,831	188,812	201,102	211,807
Taxes on products and imports	216,161	205,34	217,803	231,238	243,262
Subsidies on products	28,501	26,509	28,99	30,136	31,455
Gross Domestic Product Basic Prices	1,909,929	1,897,452	1,990,336	2,074,683	2,180,703
Agriculture, forestry and fishing	193,474	188,147	200,684	202,99	210,192
Mining	1,906	1,636	1,520	1,471	1,550
Industrial manufacturing	460,275	442,28	460,039	479,502	509,932
Construction	103,99	100,883	96,778	93,094	98,366
Electricity and water	54,991	56,807	58,356	60,014	62,277
Wholesale and retail commerce, hotels and restaurants	338,366	318,027	331,303	345,112	359,699
Transportation, warehousing and telecommunications	308,883	318,08	340,073	366,198	387,67
Financial intermediation and insurance	107,525	112,86	114,592	120,168	129,232
Real estate	91,551	93,705	96,944	100,217	103,932
Other business services	93,236	101,994	117,079	131,238	143,808
Public administration	40,113	42,207	43,675	44,046	43,826
Community, social and personal services (excluding public administration)	189,497	199,234	208,003	213,713	219,673
Less: Financial intermediation services indirectly measured	73,879	78,407	78,708	83,079	89,455

Source: Central Bank of Costa Rica

Gross Domestic Product by Industry

(as a percentage of GDP, at constant 1991 prices)

	2008	2009	2010	2011	2012
Gross Domestic Product	100.0%	100.0%	100.0%	100.0%	100.0%
Plus: Taxes (net of subsidies)	8.9	8.6	8.7	8.8	8.9
Taxes on products and imports	10.3	9.9	10.0	10.2	10.2
Subsidies on products	1.4	1.3	1.3	1.3	1.3
Gross Domestic Product Basic Prices	91.1	91.4	91.3	91.2	91.1
Agriculture, forestry and fishing	9.2	9.1	9.2	8.9	8.8
Mining	0.1	0.1	0.1	0.1	0.1
Industrial manufacturing	21.9	21.3	21.1	21.1	21.3
Construction	5	4.9	4.4	4.1	4.1
Electricity and water	2.6	2.7	2.7	2.6	2.6
Wholesale and retail commerce, hotels and restaurants	16.1	15.3	15.2	15.2	15.0
Transportation, warehousing and telecommunications	14.7	15.3	15.6	16.1	16.2
Financial intermediation and insurance	5.1	5.4	5.3	5.3	5.4
Real estate	4.4	4.5	4.4	4.4	4.3
Other business services	4.4	4.9	5.4	5.8	6.0
Public administration	1.9	2.0	2.0	1.9	1.8
Community, social and personal services (excluding public administration)	9.0	9.6	9.5	9.4	9.2
Less: Financial intermediation services indirectly measured	3.5	3.8	3.6	3.7	3.7

Source: Central Bank of Costa Rica

Gross Domestic Product by Industry

(percentage change from previous year, at constant 1991 prices)

	2008	2009	2010	2011	2012
Gross Domestic Product	2.7%	(1.0)%	5.0%	4.4%	5.1%
Plus: Taxes (net of subsidies)	4.1	(4.7)	5.6	6.5	5.3
Taxes on products and imports	3.3	(5.0)	6.1	6.2	5.2
Subsidies on products	(1.5)	(7.0)	9.4	4.0	4.4
Gross Domestic Product Basic Prices	2.6	(0.7)	4.9	4.2	5.1
Agriculture, forestry and fishing	(3.2)	(2.8)	6.7	1.1	3.5
Mining	(5.6)	(14.2)	(7.1)	(3.2)	5.3
Industrial manufacturing	(3.7)	(3.9)	4.0	4.2	6.3
Construction	14.6	(3.0)	(4.1)	(3.8)	5.7
Electricity and water	(0.6)	3.3	2.7	2.8	3.8
Wholesale and retail commerce, hotels and restaurants	3.4	(6.0)	4.2	4.2	4.2
Transportation, warehousing and telecommunications	7.6	3.0	6.9	7.7	5.9
Financial intermediation and insurance	8.6	5.0	1.5	4.9	7.5
Real estate	5.0	2.4	3.5	3.4	3.7
Other business services	12.1	9.4	14.8	12.1	9.6
Public administration	4.7	5.2	3.5	0.9	(0.5)
Community, social and personal services (excluding public administration)	4.4	5.1	4.4	2.7	2.8
Less: Financial intermediation services indirectly measured	8.5	6.1	0.4	5.6	7.7

Source: Central Bank of Costa Rica

Industrial Manufacturing

The industrial manufacturing sector was the largest sector of Costa Rica's economy in 2012, growing by 6.3%, mainly due to higher production by companies located in free trade zones, particularly those involved in the production of micro-electronics and computer parts. In 2011, the sector grew by 4.2%, primarily due to the dynamic behavior of firms in tax-free zones. In 2010, even though the industrial manufacturing sector grew by 4.0%, the second half of the year was marked by a significant deceleration in activity due to the slowdown in foreign sales by Costa Rican companies. In 2009, the industrial manufacturing sector contracted 3.9%, mainly because of a decrease in domestic demand for these types of goods. In 2008, the industrial manufacturing sector contracted 3.7%, mainly due to the effects of the global financial crisis that resulted in a slowdown in external and domestic demand for final products and industrial inputs.

Between 2008 and 2012, exports from free trades zones were, on average, 52% of total exports. The value of exports from free trade zones increased by 11.8% in 2012 compared with 2011, primarily due to increased sales of electronics and microprocessors. In 2011, the value of exports from free trade zones increased by 8.5% compared with 2010. In 2010, the value of exports from free trade zones increased by 6.0% compared with 2009, primarily due to increased sales of printer accessories, miscellaneous food products, machinery and electronics, furniture and metal accessories. As a consequence of the global financial crisis, exports from free trade zones decreased by 3.9% in 2009 compared with 2008. In 2008, lower production by free trade zones was associated with reduced manufacturing activity in the high technology industry, but was offset by growth in exports of medical devices.

Transportation, Warehousing and Telecommunications

The transportation, warehousing and telecommunications sector was the second largest sector of Costa Rica's economy in 2012, growing by 5.9% primarily due to increased demand for wireless and internet services, road transport and freight services, as well as the increase in tourism-related activities. The sector grew by 7.7% in 2011, mainly as a consequence of the policy decision to open up the telecommunications sector to the private sector, which resulted in increased demand for cell services (pre-paid and post-paid), internet phone service and the cable modem internet services. In 2010, the sector grew by 6.9%, primarily due to an increase in demand for services linked to international trade (transport of goods) and a rebound in the inflow of tourists that resulted in an increase in car rental services, air tickets, travel agencies and marine transport. In 2009, the transportation, warehousing and telecommunications sector grew by 3.0%, primarily because of the slowdown of demand caused by the global financial crisis. The sector grew by 7.6% in 2008.

Telecommunications. The telecommunications segment of the transportation, warehousing and telecommunications sector is controlled by ICE, the sole provider of fixed-line telecommunications services in Costa Rica, together with its subsidiary, *Radiográfica Costarricense Sociedad Anonima* ("RACSA").

In 2011, cellular services were opened to the private sector. While ICE is still the largest carrier, it now competes with two new carriers, Claro and Movistar.

Domestic Service. ICE's domestic telephone network includes a high-capacity transport network that connects the different exchanges within the country. The access network connects the customers to the exchanges. The following table sets forth certain basic indicators of the Costa Rican telephone system at the dates indicated.

Telephone System

	2008	2009	2010	2011
Fixed lines in service	1,437,733	1,499,601	1,065,616	1,147,295
Fixed lines in service per 100 inhabitants	32.3	33.3	23.4	26.7
Number of public telephones............................	36,489	22,268	20,240	N.A.
Pending applications...	90,275	77,978	41,837	N.A.

Source: Viceministry of Telecommunications

Costa Rica's domestic telephone network decreased from 1.4 million fixed lines installed at December 31, 2008 to 1.1 million fixed lines at December 31, 2011.

Cellular Services. Until November 2011, ICE was the sole provider of wireless telecommunications services in Costa Rica. ICE's wireless services have been active since April 1994. In 2010, the network had an installed capacity of 1.5 million lines. As of November 2011, ICE is no longer the sole provider of cellular services as the market has been opened to private carriers such as Claro and Movistar. As of September 30, 2012, all cellular demand was being met.

As of December 31, 2011, there were a total of 4.4 million wireless subscribers. This corresponds to a cellular density of 103.2 subscribers per 100 inhabitants. The following table sets forth the number of subscribers and ICE's cellular revenue for the periods indicated.

Cellular Revenues

Year	Cellular Subscribers	Cellular Subscribers per 100 inhabitants	Cellular Revenue (in millions of colones)
2006	1,443,717	33.37	170,567
2007	1,508,219	34.36	177,050
2008	1,893,944	42.55	192,492
2009	1,961,359	43.49	143,352
2010	3,128,375	68.55	N.A.
2011	4,440,601	103.23	N.A.

Source: Viceministry of Telecommunications

Transportation. The Government recognizes the complementary effect transportation has on economic growth. The current principal components of the transportation system include the following:

Airports. Costa Rica has four international airports, Juan Santamaría International Airport in San José, Daniel Oduber Quirós in Liberia, Tobías Bolaños in Pavas and Limón International Airport in Limón. See "—Government Participation in the Economy; Deregulation and Concessions" for a description of certain airport concessions.

Roads. As of December 2012, Costa Rica has a national road network composed of 42,430 kilometers, of which 26.0% are paved. The rest of the system is made of ballast and earth.

Port Facilities. The *Instituto Costarricense de Puertos del Pacífico* (Costa Rican Institute of Pacific Ports, or INCOP) administers the port complexes of Caldera and Puntarenas. The harbor complex of Caldera consists of three wharves with an aggregate gross registry of 3.5 million tons. The harbor complex of Puntarenas consists of two wharves, which are mainly used for cruise ships. In 2012, 94,166 tourists arrived at the harbor complex of Puntarenas. INCOP also administers the port terminals of Punta Morales, Quepos and Golfito.

The *Junta de Administración Portuaria de la Vertiente Atlántica* (JAPDEVA) administers the port complexes of Limón and Moín. The harbor complex of Limón consists of three wharves with an aggregate gross registry of 7 million tons. The Moín harbor consists of three posts with an aggregate gross registry of 2.2 million tons. See "—Government Participation in the Economy; Deregulation and Concessions" for a description of certain port concessions.

Rail Facilities. The railroad system opened 150 years ago and the city of San José began its own rail service in the first half of 1900. The railroad system in Costa Rica is relatively large and continuous from coast to coast. Currently, Costa Rica's railroad system consists of 270 kilometers of active track, with 93 kilometers of track in operation from San José to Caldera, 3 kilometers of track in operation from San José to Empalme, 14 kilometers in operation from Heredia to Curridabat and approximately 160 kilometers of track serving the Caribbean agricultural region. Since 2009, the Government has been working on certain sections of the system in the Greater Metropolitan Area to unite the four capitals of the Central Valley by a rail system. In 2012, 2,503,887 passengers were transported by the railroad system.

Wholesale and Retail Commerce, Hotels and Restaurants

The wholesale and retail commerce, hotels and restaurants sector, which captures a substantial portion of Costa Rica's gross tourism receipts, was the third-largest sector of Costa Rica's economy in 2012. This sector has generated, on average, approximately 16.1% of real GDP since 2008 and represented 15.0% of real GDP in 2012.

During 2012, this sector grew by 4.2%, primarily due to higher sales of vehicles, electrical devices, pharmaceuticals and personal care products as well as cement, plastic and metal structures, in response to the recovery in the construction sector. At the same time, growth in the number of tourists and tourism promotion for the country (both internally and externally) favorably impacted the restaurants and hotels services subsector.

The wholesale and retail commerce, hotels and restaurants sector grew by an estimated 4.2% in 2011 and by 4.2% in 2010, primarily due to the rebound in economic activity after the global financial crisis. This sector contracted by 6.0% in 2009, principally as a result of a decline in demand due to the global financial crisis. This sector grew by 3.4% in 2008.

Tourism has been a major source of foreign currency for Costa Rica from 2008 through 2012, surpassing aggregate exports of traditional products (bananas, coffee, beef and sugar) in 2012. The *Instituto Costarricense de Turismo* (Costa Rican Institute of Tourism) is the principal governmental entity responsible for the promotion and regulation of the tourism industry.

The Government has developed a number of initiatives to promote tourism over the past two decades. The tourism industry has expanded rapidly during this period, although the sector was significantly affected by the global financial crisis and its recovery has been gradual.

During 2012, Costa Rica hosted 1,552,663 foreign tourists arriving by air, an increase of approximately 6.1% from the number of foreign tourists arriving by air during 2011. During 2012, tourists visiting Costa Rica were primarily from the following regions: North America (48.6%), Central America (30.8%), Europe (12.2%) and Asia (1.6%).

In 2012, Costa Rica hosted approximately 2.3 million foreign tourists, an increase of 6.9% from 2011. In 2012, each tourist spent an average of approximately US$947 per visit. In 2011, Costa Rica hosted approximately 2.2 million foreign tourists, an increase of 4.4% from 2010. In 2011, each tourist spent an average of approximately US$906 per visit.

In 2010, Costa Rica hosted approximately 2.1 million foreign tourists, an increase of approximately 9.2% over 2009. In 2009, Costa Rica hosted approximately 1.9 million foreign tourists as compared with approximately 2.1 million tourists who arrived in 2008, a decrease of approximately 8%, mainly due to the international financial crisis.

The following table sets forth certain information with respect to the number of tourists and excursionists and the amount of tourism and excursion receipts for the periods indicated.

Tourism

	Amount (in millions of US$)	% of GDP	Tourists (in thousands)
2008	$2,174.1	7.3%	2,089
2009	1,805.8	6.2	1,923
2010	1,857.6	5.1	2,100
2011	1,987.2	4.8	2,192
2012	2,219.2	4.9	2,343

Source: Costa Rican Institute of Tourism

Community, Social and Personal Services

The community, social and personal services sector of the economy was the fourth largest sector of Costa Rica's economy in 2012 and consists of all public and private health, education, entertainment, cleaning and domestic and professional association services. The average annual growth rate of this sector between 2008 and 2012 was approximately 3.8%.

In 2012 and 2011, this sector grew by 2.8% and 2.7%, respectively, principally due to an increase in the quality of services related to radio and television, and leisure activities related to sports, concerts, artistic events and medical and dental services related to tourism. In 2010, this sector grew by 4.4%, principally due to leisure services and medical tourism.

In 2009, this sector grew by 5.1%, mainly as a result of certain international companies establishing service centers in Costa Rica. In 2008, this sector grew by 4.4%, principally due to a dynamic international economy, especially in the first half of the year**.**

Agriculture, Forestry and Fishing

The agriculture, forestry and fishing sector was the fifth largest sector of Costa Rica's economy in 2012, generating approximately 8.8% of real GDP in 2012. During 2012, the agricultural sector grew by 3.5%, mainly due to higher external demand for dairy products and palm oil. In 2011, the agriculture, forestry and fishing sector grew by 1.1%, compared with a growth of 6.7% in 2010, mainly due to adverse weather conditions that affected bananas, pineapples and flowers. Costa Rica's principal cash crops are coffee, bananas and sugar cane, the majority of which are grown for export. Costa Rica's other principal agricultural products include beef, milk and poultry. During the past decade, Costa Rica has maintained a surplus trade balance with respect to agricultural products. As of December 31, 2012, traditional agricultural exports reached an estimated US$1,351.7 million and imports reached an estimated US$476.5 million. In 2012, this sector accounted for approximately 11.8% of total exports and approximately 13.4% of domestic employment.

In 2010, this sector grew by 6.4%, principally due to an increase in melon production, more favorable weather conditions for the production of pineapple, and the increase in acreage for the production of bananas that previously had been flooded at the beginning of 2009. During 2010, traditional agricultural exports increased to an estimated US$1.1 billion and imports decreased to an estimated US$355 million.

In 2009, this sector contracted by 2.8%, principally due to adverse weather conditions. Almost 4,500 hectares of planted bananas were either flooded or suffered plagues, resulting in an increase in production costs. During 2009, traditional agricultural exports declined to an estimated US$922 million and agricultural imports decreased to US$358 million.

In 2008, this sector contracted 3.2%, principally due to a decrease in the production of melons and bananas as a result of crops affected by plagues and adverse weather conditions. During 2008, traditional agricultural exports increased to an estimated US$1.1 billion and imports increased to an estimated US$512 million.

Bananas. For the past decade, Costa Rica has been the fourth largest exporter of bananas in the world according to the Food and Agricultural Organization. Costa Rica's banana plantations are situated on the Caribbean plain and the southern Pacific coast. Historically, banana exports have been subject to fluctuating prices in the international markets. The average price per metric ton of exported Costa Rican bananas was US$352.8 in 2008, US$382.3 in 2009, US$386 in 2010, US$395.5 in 2011 and US$403.9 in 2012

During 2012, the value of exports (f.o.b.) of bananas increased by 8.9% to US$819 million as compared with 2011, representing 7.2% of total value of exports (f.o.b.). This increase was principally due to a 6.6% increase in volume by tons of exported Costa Rican bananas.

In 2011, the value of exports (f.o.b.) of bananas increased by 7.0% to US$752 million, representing 7.2% of total value of exports (f.o.b.), principally due to a 2.5% increase in the volume of banana exports. The value of exports (f.o.b.) of bananas increased by 13% to US$703 million in 2010, representing 7.4% of total value of exports (f.o.b.), principally due to a 1% increase in the price of bananas on the international market.

The value of exports (f.o.b.) of bananas decreased by 10% to US$622 million in 2009, representing 7.1% of total value of exports (f.o.b.), as compared with 2008, principally due to an 8.4% increase in the f.o.b. price for bananas and a 16.7% decline in the volume of banana exports. The value of exports (f.o.b.) of bananas increased by 2% to US$690 million in 2008, representing 7.3% of total value of exports (f.o.b.), principally due to a 13.2% decline in the f.o.b. price for bananas and a 9.5% decline in the volume of banana exports.

Coffee. Historically, coffee exports have been subject to volatile prices in the international markets. Costa Rica is a member of the International Coffee Organization.

For 2012, coffee export earnings reached US$412.5 million, an increase of 10.0% compared with 2011, representing 3.6% of total value of exports (f.o.b.), primarily due to an increase in the international demand for coffee. In 2011, coffee export earnings increased by 45.6% to US$375 million, representing 3.6% of total value of exports (f.o.b.). In 2010, coffee export earnings increased by 11% to US$258 million, representing 2.7% of total value of exports (f.o.b.). In 2009, coffee export earnings decreased by 24% to US$232 million, representing 2.6% of total value of exports (f.o.b.), primarily due to the global financial crisis. In 2008, coffee export earnings increased by 21% to US$305 million, representing 3.2% of total value of exports (f.o.b.).

For the year ended December 31, 2011, Costa Rica produced the fourth largest coffee harvest in Central America and the fourteenth largest harvest in the world according to the *Organización Internacional del Café* (the "International Coffee Organization"). The highest quality of Costa Rican coffee is produced in the Central Valley region and the nearby highlands known as the *Zona de los Santos* (Zone of the Saints).

According to the *Instituto de Café de Costa Rica* (Costa Rican Coffee Institute), the volume of coffee exports in 2011 was 1.3 million bags (60Kg each), compared with approximately 1.2 million bags in 2010. In 2009, the volume of coffee exports was 1.1 million bags of coffee. The average price of Costa Rican coffee exports (measured per quintal) was US$284 in 2011, US$195 in 2010, US$143 in 2009 and US$140 in 2008.

Other Business Services

The other business services sector of the economy was the sixth largest sector of Costa Rica's economy in 2012 and consists of publishing, computer programming and consulting, legal and accounting, shared services, back office, architectural and engineering, advertising and market research, rental and leasing, employment agency, security and investigation, building and landscaping, and call center services. The average annual growth rate of this sector between 2008 and 2012 was approximately 11.4%.

In 2012, this sector grew by an estimated 9.6%. The activities that contributed most to the growth rate of the industry were: call center, advertising and computer programming services. Call center activity grew by 13.5% in 2012, primarily due to the relocation of call center companies to Costa Rica, motivated by the country's lower costs and skilled labor, as well as its macroeconomic and social stability. Advertising services grew by 14.3% in 2012, as a result of stronger sales growth of commercials on radio, television, newspapers and other media. Computer programming services grew by 8.4% in 2012, attributable in part to the creation of new digital media services. Other service activities such as legal, accounting, market research, security and investigation and building services also performed positively as a result of increased domestic demand. Architectural and engineering services and rental and leasing of machinery and equipment showed an increase of 7.2% in 2012, mainly due to the recovery in private construction.

In 2011, this sector grew by an estimated 12.1%, principally due to the growth in call center services, shared services centers and information technology services. In 2010, this sector grew by 13.3%, principally due to an increase in corporate consulting services. In 2009, this sector grew by 9.4%, principally due to certain international companies establishing centers of operation in Costa Rica. In 2008, this sector grew by 12.1%.

Financial Intermediation and Insurance

During 2012, the financial intermediation and insurance sector grew by 7.5% primarily due to an increase in fee incomes related to credit cards, money exchange and insurance activities.

In 2011, the financial intermediation and insurance sector grew by 4.3% due to higher credit granted by commercial banks and the expansion of the insurance sector. In 2010, the financial intermediation and insurance sector grew by 1.6%. In 2008 and 2009, the financial intermediation and insurance sector grew by 8.6% and 5.0%, respectively. For a more detailed discussion of the activities of this sector, see "Monetary System—Financial Sector."

Instituto Nacional de Seguros (National Insurance Institute, or "INS"), the state-owned insurance company, was established in 1924 to operate the insurance and reinsurance industry in Costa Rica. Until 2008, INS was the only insurance company authorized to operate in Costa Rica. INS offers a wide range of products and services, including life insurance, health insurance and property and casualty insurance. INS also operates the mandatory workers' compensation insurance program. As of December 31, 2012, INS had total revenues of US$1.1 billion. INS invests its assets principally in debt securities of the Government and the Central Bank and maintains a small portfolio of debt securities of companies listed on the *Bolsa Nacional de Valores S.A.* ("National Stock Exchange").

Construction

During 2012, the construction sector, after three consecutive years of contraction, grew by 5.7%, mainly due to the recovery in demand for residential and commercial building construction in the private sector and, to a lesser degree, increased public construction mainly of hydroelectric projects, roads and hospitals.

The construction sector contracted by an estimated 3.8%, 4.1% and 3.0% in 2011, 2010 and 2009, respectively, primarily due to the decline in the housing market. The construction sector grew by 14.6% in 2008, primarily due to the growth in the economy that stimulated real estate prices.

Another important contribution to GDP from the construction sector is public and private construction projects. Private construction primarily includes real estate, including the construction of new homes, commercial warehouses, retail centers and office parks. The amount of the contribution of private construction to the construction sector in any period is significantly impacted by prevailing interest rates and the prices of raw materials.

Consejo Nacional de Vialidad ("CONAVI"), which is responsible for the national highway system in Costa Rica, and ICE, the state-owned electric power and telecommunications provider, are the main public consumers of construction services.

During years in which significant construction or maintenance projects are undertaken by CONAVI or its concessionaires, these projects make significant contributions to the results of the construction sector. For a description of significant recent projects and projects planned by CONAVI, see "Government Participation in the Economy; Deregulation and Concessions—Concessions."

ICE constructs, directly or through contractors, hydroelectric, thermal and other electric power plants as well as the transmission and distribution lines necessary to transport its electric power.

Electricity and Water

As of June 30, 2012, almost 80% of the electric power utilized in Costa Rica was generated by hydroelectric plants, mainly owned by ICE. As of June 30, 2012, the total electric power generation capacity of the Costa Rican electricity sector was 9.8 million megawatts.

The electricity and water sector grew by an estimated 3.8% in 2012, 2.8% in 2011, 2.7% in 2010 and 3.3% in 2009. The sector contracted by 0.6% in 2008. The compound annual growth rate of this sector between 2008 and 2012 was approximately 3.2%.

Government Participation in the Economy; Concessions

During the past decade, the Costa Rican Government has worked to promote competition in the economy by opening various industries, which have been historically controlled by the Government, to private participation and supporting private sector participation in the economy generally. Since 2008, the Government has:

- opened the insurance industry to private participation;
- opened the telecommunications sector to competition; and
- eased regulations to allow for private sector investment in electricity generation.

Costa Rica's economic policy generally seeks to adhere to market-oriented principles. An important element of the Government's economic policy is the promotion of competitive domestic markets. Costa Rican competition and consumer protection laws:

- regulate and proscribe large- and small-scale anti-competitive economic behavior, including corruption;
- promote consumer protection and education; and
- support the creation and success of small businesses.

Government Participation in the Economy

The Republic supports the participation of private enterprise in most sectors of the economy, but historically has retained control of certain strategic and other important segments through state-owned companies. The Government has controlled, directly or indirectly, oil refining, the generation, transmission and distribution of electric power, telecommunications, insurance, water and sewage services, the postal service, rail transportation and the production of alcohol (other than beer and wine). The Government also operates commercial banks and the principal ports. Nevertheless, the Republic has undertaken a process of promoting competition with private business in sectors such as telecommunications and insurance.

Petroleum. Costa Rica has no domestic sources of hydrocarbon fuels. *Refinadora Costarricense de Petróleo* (Costa Rican Oil Refinery, or "RECOPE"), the state-owned and sole petroleum refinery in Costa Rica, is responsible for the development and supervision of the Costa Rican petroleum sector and is the sole importer and refiner of combustible fuels. RECOPE's revenues represented approximately 6.9% of GDP in 2012, compared with 7.4% of GDP in 2011 and 6.9% of GDP in 2010.

Telecommunications and Electricity. ICE, the state-owned telecommunications and electric power company, is the largest commercial electricity enterprise in Central America, with total revenues equivalent to approximately 6.1% of Costa Rica's GDP in 2011. ICE is an integrated power utility, generating, transmitting and distributing electric power throughout Costa Rica.

In 2011, provisions in the DR-CAFTA ended the monopoly that ICE held in cellular services, although fixed-line service continues to be monopolized by ICE. Two new carriers started cellular service operations during 2012 in Costa Rica, Claro and Movistar.

The Government has permitted the generation of power by the private sector from hydroelectric and non-conventional facilities, so long as the amount generated does not exceed 20 MW per company and an aggregate of 15% of the total installed electricity generating capacity of Costa Rica. Electric power generated by private companies must be for self-consumption. Private companies must sell any excess electric power they generate to ICE.

ICE has been executing an aggressive investment program with hydroelectric projects such as the Reventazón dam and the El Diquís dam, which are expected to increase ICE's installed capacity by 928 megawatts in the coming years.

Insurance. Until 2008, all insurance activities (insurance and reinsurance) were conducted by the INS. It had revenues representing 2.5% of GDP in 2012 and 2011. As a result of compliance with DR-CAFTA, the Government opened up the insurance sector to competition and ended the INS's monopoly. At December 31, 2012, the insurance sector consisted of 13 insurance companies.

Commercial Banking. The Government participates in the financial services sector, in competition with the private sector, through three independent commercial banks whose combined total revenues represented approximately 3.8% of GDP in 2012 and 3.4% of GDP in 2011. See "Monetary System—Financial Sector."

The following table sets forth certain information with respect to the principal entities controlled by the Government and their revenues and expenditures for the year ended December 31, 2012.

Principal State-Owned Corporations and Autonomous Institutions

(in millions of U.S. dollars and as a percentage of GDP)

			For the Year Ended December 31, 2012					
Company	**Acronym**	**Activity**	**Total Revenues**		**Total Expenses**		**Net Income**	
Refinadora Costarricense de Petróleo	RECOPE	Refining and importation of petroleum	$3,128.3	6.9%	$3,223.5	7.2%	$(95.2)	(0.2)%
Instituto Costarricense de Electricidad	ICE	Electricity and telecommunications	N/A[(1)]	N/A[(1)]	N/A[(1)]	N/A[(1)]	N/A[(1)]	N/A[(1)]
Instituto Nacional de Seguros	INS	Insurance	1,135.5	2.5	866.0	1.9	269.5	0.6
Banco Nacional de Costa Rica	BNCR	Commercial Bank	936.2	2.1	878.2	2.0	58.1	0.1
Banco de Costa Rica	BCR	Commercial Bank	627.0	1.4	576.6	1.3	50.4	0.1
Banco Crédito Agrícola de Cartago	BCAC	Commercial Bank	126.6	0.3	108.4	0.2	18.2	0.0
Junta de Protección Social de San José	JPS	Lotteries and social services	290.9	0.6	272.0	0.6	18.9	0.0
Insituto Costarricense de Acueductos y Alcantarillados	ICAA	Water and sewage services	207.2	0.5	201.3	0.4	5.8	0.0
Consejo Nacional de la Producción	CNP	Marketing of agricultural products	60.9	0.1	66.6	0.1	(5.7)	(0.0)
Instituto de Puertos del Pacífico	INCOP	Ports	8.0	0.0	9.7	0.0	(1.7)	(0.0)

(1) N/A: Not available.

Source: Ministry of Finance

Concessions

The *Ley General de Concesión de Obras Públicas con Servicios Públicos* (General Law of Public Works Concessions and Public Services) created the *Consejo Nacional de Concesiones* (National Concessions Board) to administer the awarding of concessions for public infrastructure projects.

Since 2007, the National Concessions Board has awarded concessions relating to airports and ports.

The Government has also considered, and in some cases implemented, options for increasing private sector involvement in activities previously carried out solely by the state. Mechanisms under review include subcontracting, leasing, joint ventures, and permitting private sector investment in turnkey projects.

Airport Concession; Investment Management of Airport Services at the Juan Santamaría International Airport

The main international airport of Costa Rica is Juan Santamaría. It was awarded in 1999, by the *Contrato para la Gestión Interesada de los Servicios Aeroportuarios prestados en el Aeropuerto Internacional Juan Santamaría (Contract for the Investment Management of Airport Services at the Juan Santamaria International Airport)*. It was recently awarded by the Airports Council International (ACI), a Switzerland based organization, as the third best airport in its category in Latin America and the Caribbean.

In 2009, Aeris, a venture formed by HAS Development Corporation of USA, Airport Development Corporation of Canada and Andrade Gutierrez Concessoes S.A of Brazil, obtained an assignment of the Contract for the Investment Management of Airport Services at the Juan Santamaría International Airport operation, management, maintenance, rehabilitation, financing, construction and promotion. Following this assignment there have been several improvements in the airport´s infrastructure. Construction is continuing at the main terminal and is expected to be completed by 2015.

Daniel Oduber airport is an international airport in Costa Rica, located in Liberia, the northwestern part of the country, close to the coast and in the most popular tourist area. In 2008, Coriport, an entity owned by MMM Aviation Group, S.A., the ADC&HAS Aviation, S.A.., *Emperador Pez Espada S.R.L.*, *Inversiones Cielo Claro*, SRL, and *Cocobolo Inversiones S.R.L.*, was awarded a 20-year concession for the design, planning, financing, construction, operation, and maintenance of a new passenger terminal at Daniel Oduber airport. As of October 30, 2012, Coriport had completed the first stage of the project and the airport is operating in accordance with international standards.

Highway Concessions

In 2001, the National Concessions Board awarded to Autopistas del Sol, a consortium composed of Sacyr Vallehermoso, FCC Construction, M&S DI-MS International Development and Soares da Costa, a concession for the construction, operation and maintenance of Route 27, one of the most important routes to the Pacific coast. The route is currently in service and has significantly reduced the travel time to the Pacific coast, improving commerce and tourism in the area.

In 2012, the National Concessions Board granted a concession of a highway from San José to San Ramón to Construtora OAS Ltd. The route is strategic because it is the main roadway to the international airport of Juan Santamaría. While the project was scheduled to commence in 2013, certain stakeholders raised strong objections to the project, arguing that the concession should be voided. In light of such objections, on April 22, 2013, the Republic announced that after consultation with Construtora OAS Ltd. the parties determined to terminate the concession by mutual accord.

Port Concessions

The concession for the administration of the Caldera port in the Pacific was awarded in 2002. The port is now operating satisfactorily and has significantly reduced the loading and unloading times for ships from 17 containers per hour to 40 containers per hour (from 8,400 tons per day to 14,000 tons per day).

In 2011, APM Terminal, a subsidiary of AP MallerHaersk A/S, was awarded a 33-year concession to design, finance, construct, operate and maintain the Moín Container Terminal at Puerto Limón, the most important port of Costa Rica. The port currently supports 80% of the international trade in the country and the project is expected to raise Costa Rica’s growth and international competitiveness. Total investment in the project is expected to amount to more than US$1.0 billion and commencement of construction is expected to begin in 2013. The Government is planning to expand the roadwork connecting to the port.

Employment, Labor and Wages

According to the 2012 Continuing Survey of Employment (taken once per year in the month of July), as of June 30, 2012, the Costa Rican labor force consisted of approximately 2.2 million persons, representing approximately 50.5% of the total population.

In 2012, the unemployment rate increased to 7.8% from 7.7% in 2011. In 2011, the unemployment rate increased to 7.7% from 7.3% in 2010, mainly as a result of the slowdown in production in the restaurants and hotels sector and the fishing and livestock farming sector.

In 2010, the unemployment rate was at 7.3% and there was an increase of 23,106 of employed individuals. The sectors that recorded the highest growth in the number of workers hired were the financial intermediation, manufacturing, electricity, gas and water sectors.

In 2009, the unemployment rate increased to 7.8%, from 4.9% in 2008, primarily due to the effects of the global financial crisis.

In 2010, the National Institute of Statistics developed a new methodology for household surveys. All statistics and data prior to 2010 are not comparable to the new series statistics and data from 2010 and thereafter.

The following table sets forth certain information with respect to the Costa Rican labor force as of the years indicated.

Labor Force and Employment(1)

	2008	2009	2010	2011	2012
Labor Force	2,059,613	2,121,451	2,051,696	2,154,545	2,181,745
Employee	1,957,708	1,955,507	1,902,164	1,989,530	2,012,255
Unemployed	101,905	165,944	149,532	165,015	169,490
Unemployment Rate	4.9	7.8	7.3	7.7	7.8

(1) Figures prior to 2010 are not comparable to figures from 2010 and thereafter because of a change in methodology, primarily as a result of the inclusion of additional data beginning in 2010, by the National Institute of Statistics.

Source: Central Bank of Costa Rica

Because the Government's employment survey is only taken once per year in the month of July, it may not reflect the impact of cyclical employment trends, such as those that may occur among coffee growers and other cyclical industries, and may lag behind current conditions.

According to Costa Rica's 2012 National Household Survey, as of July 31, 2012, private economic activity employed approximately 1.72 million people, representing 79% of the labor force, compared with 1.69 million people as of July 31, 2011, representing 78% of the labor force at that time. Attracted by employment opportunities in Costa Rica, immigrants from Nicaragua form a significant portion of the labor force in construction, domestic services and agriculture in Costa Rica. Migrant workers are required to obtain a work permit from the Government and contribute to social security. In 2012, the Government approved the issuance of immigrant visas to businesses that establish a presence in Costa Rica.

Employment in the private sector is generally at-will, although employers must compensate employees terminated without just cause. Such compensation includes a notice of dismissal and a severance payment based on the number of years of service up to eight years, vacation days not enjoyed and proportional Christmas bonus. The Constitution requires that minimum wages be fixed in each sector. Subject to this limitation, employers and employees are free to set wages and salaries. In private sector, minimum wages are adjusted twice a year. Employees may enter into collective agreement mechanisms and direct arrangements for collective bargaining of their salaries or may make use of wages and salary arbitration mechanisms. Costa Rican law provides protection against the dismissal of pregnant women and provides additional employment benefits to the disabled.

Public sector employees may be terminated only for just cause. Wages and salaries of public sector employees are subject to two annual cost of living adjustments. Since 1978, Costa Rican law has prohibited collective bargaining by public sector employees, except in specific institutions which had collective bargaining agreements in effect prior to 1978. In addition, the Supreme Court eliminated arbitration of public-sector employment disputes in 1993.

The following table sets forth the evolution of nominal wages for the periods indicated.

Average Monthly Wages

(in U.S. dollars)

	As of June 30,				
	2008	**2009**	**2010**	**2011**	**2012**
All sectors	$554.8	$593.6	$699.7	$801.6	$837.2
Privates enterprises	533.8	546.6	650.7	731.5	766.7
Domestic services	209.0	210.8	245.7	272.2	286.7
Autonomous institutions	1,217.0	1,365.0	1,537.9	1,821.8	2,055,4
Government	879.6	1,054.5	1,265.7	1,526.5	1,545,0
Self-employed	247.6	237.8	291.4	335.1	332.6
Special agreements	149.3	141.6	209.7	251.9	252.9

Source: Caja Costarricense del Seguro Social (Costa Rican Social Security Fund)

Poverty

Costa Rica has one of the lowest poverty rates in Latin America, primarily as a result of its investment in social programs. Historically, Costa Rica has provided social assistance and housing to poor families through FODESAF which is funded primarily with sales tax revenues. The Government has undertaken initiatives to restructure FODESAF with the goal of further strengthening FODESAF's operations. These initiatives are designed to improve the efficiency of its anti-poverty efforts through decentralization and specialization of certain programs and monitoring and evaluating the social programs supported by FODESAF, and include program evaluations, financial auditing and cost controls.

The following table sets forth certain information with respect to Costa Rican poverty rates as of the dates indicated.

Poverty Rates(1)

	2008	**2009**	**2010**	**2011**	**2012**
Total Population	100.0%	100.0%	100.0%	100.0%	100.0%
Non-poverty	79.3	78.3	78.7	78.4	79.4
Poverty	20.7	21.7	21.3	21.6	20.6
Non-extreme poverty	16.4	16.5	16.8	16.9	14.3
Extreme poverty	4.3	5.2	4.5	4.7	6.3

(1) Figures prior to 2010 are not comparable to figures from 2010 and thereafter because of a change in methodology, primarily as a result of the inclusion of additional data beginning in 2010, by the National Institute of Statistics.

Source: National Institute of Statistics.

BALANCE OF PAYMENTS AND FOREIGN TRADE

Balance of Payments

In 2012, Costa Rica's capital account surplus exceeded its current account deficit, resulting in a US$2,110 million increase in the Central Bank's net international reserves. Net international reserves amounted to US$6.9 billion, equivalent to approximately 6.0 months of imports.

In 2011, Costa Rica's capital account surplus exceeded its current account deficit, resulting in a US$132.4 million increase in the Central Bank's net international reserves. Net international reserves of the Central Bank stood at US$4.8 billion at December 31, 2011, equivalent to approximately 4.9 months of imports for that year.

In 2010, Costa Rica's capital account surplus exceeded its current account deficit, resulting in a US$561.1 million increase in the Central Bank's net international reserves. Net international reserves of the Central Bank stood at US$4.6 billion at December 31, 2010, equivalent to approximately 3.5 months of imports for that year.

In 2009, Costa Rica's capital account surplus exceeded its current account deficit, resulting in a US$260.5 million increase in the Central Bank's net international reserves. Net international reserves of the Central Bank stood at US$4.1 billion at December 31, 2009, equivalent to approximately 5.7 months of imports for that year.

In 2008, Costa Rica's current account deficit exceeded its capital account surplus, resulting in a US$348 million decrease in the Central Bank's net international reserves. Net international reserves of the Central Bank stood at US$3.8 billion at December 31, 2008, equivalent to 3.9 months of imports for that year.

Current Account

In 2012, Costa Rica's current account deficit was US$2.3 billion (5.2% of GDP). Imports grew at a lower rate of 7.8% in 2012 in comparison with the previous year's growth of 19.9%, primarily due to a deceleration in the growth rate of raw material imports intended for tax-free zone enterprises, in addition to almost zero growth rate in fuel imports. Exports grew by 10.2% in 2012 compared with 9.1% growth in 2011, primarily due to increased exports of microelectronics, microprocessors and medical devices, as well as increased exports in the information services sector.

In 2011, the current account deficit increased to US$2.2 billion (5.3% of GDP), from $1.3 billion (3.5% of GDP) in 2010. The increase in the deficit is mainly due to the increase in imports of 19.9% as a result of higher international oil prices and an increase in the import cost of raw materials and consumer goods. Exports increased by 9.1% in 2011, mainly as result of an increase in exports of electronic components. The services balance grew by 25.9%, as a result of the increase in companies locating in Costa Rica seeking to benefit from the country's highly skilled labor force and accessible geographic location.

In 2010, the current account deficit increased to US$1.3 billion (3.5% of GDP), from US$576 million (2.0% of GDP) in 2009. The gradual rebound of external demand in 2010 triggered an increase in exports of goods and services. Import growth, however, was higher than that of exports. The current account deficit was a direct consequence of a combination of different factors such as higher international oil prices and imports of raw materials, as well as high domestic demand for consumer goods. The services balance also grew by 20.5%, mainly due to increases in tourism services and business and computing services.

In 2009, the current account deficit declined to US$576 million (2.0% of GDP), from US$2.8 billion (9.3% of GDP) in 2008. The international economic crisis impacted economic activity significantly, which resulted in a larger decline in imports than exports. Imports decreased because domestic demand slowed significantly. Inventories were used to supply the local demand and prices of commodities, including oil, raw materials and grains, decreased significantly. Despite the global economic slowdown, some export sectors displayed increased sales in 2009, such as software production and call center services.

In 2008, the current account deficit increased to US$2.8 billion (9.3% of GDP) from US$1.6 billion (6.3% of GDP) in 2007. The increase in the deficit was mainly due to higher international oil prices and greater imports of raw materials, capital goods and consumer goods. Exports grew by 2.9% in 2008, mainly due to higher sales of agricultural and manufactured goods.

Capital Account

In 2012, the capital and financial account surplus was US$4.4 billion (9.9% of GDP), compared with US$2.6 billion (6.3% of GDP). These flows financed the current account deficit and resulted in an increase in net international reserves. The Central Bank reduced its net debt level in 2012, while the Government and other non-financial public sector entities increased their external obligations. During 2012, the Republic issued its Notes due 2023 in the aggregate principal amount of US$1 billion and the ICE issued its notes due 2021 in the aggregate principal amount of US$250 million.

In 2011, the capital and financial account surplus was US$2.6 billion (6.3% of GDP), compared with US$2.0 billion (5.5% of GDP) in 2010. The increase in the surplus is primarily explained by the increase in foreign direct investment, which was US$2.2 billion in 2011 compared with US$1.5 billion in 2010. In 2011, foreign direct investment was directly invested in industrial activities (33.1%), commerce (15.3%), real estate (10.6%), tourism (5.3%), agriculture (1.6%) and other activities (34.2%).

In 2010, the capital and financial account surplus increased to US$2.0 billion (5.5% of GDP) from US$707 million (2.4% of GDP) in 2009. Even though the Central Bank and state-owned banks decreased their net debt with non-residents, the Government and non-financial public enterprises increased their liabilities with the rest of the world by a larger amount. International financial resource transfers reached US$776 million, including a US$521 million loan from the World Bank, a US$136 million loan received from the Central American Bank of Economic Integration (CABEI) and a US$55 million loan from the IADB to the Government and the ICE. Amortization outflows reached US$272.9 million, consisting of US$194 million paid to various multilateral organizations, US$54 million paid to bilateral institutions and US$25 million paid to commercial banks. On the other hand, private sector flows had lower outflows compared with the previous year as a result of lower levels of financial operations.

In 2009, the capital and financial account surplus decreased to US$707 million (2.4% of GDP) from US$2.5 billion (8.3% of GDP) in 2008, mainly due to Central Bank and Government amortizations in excess of received disbursements and the increase in capital repatriation as a result of increasing risk aversion by international investors.

In 2008, the capital and financial account surplus decreased to US$2.5 billion (8.3% of GDP) from US$2.6 billion (9.8% of GDP) in 2007. As was the case in 2009, in 2008 Central Bank and Government amortizations exceeded disbursements. The net outflows were partially offset by the US$182 million increase in foreign direct investment in 2008. Foreign direct investment was directed mainly to the industrial (26.7%) and agricultural (21.5%) sectors of the economy.

The following table sets forth Costa Rica's balance of payments for the periods indicated.

Balance of Payments
(in millions of U.S. dollars)

	For the year Ended December 31,				
	2008	**2009**	**2010**	**2011**	**2012**
Current Account	$(2,787)	$(576)	$(1,281)	$(2,203)	$(2,341)
Goods Trade Balance	(5,013)	(2,039)	(3,440)	(5,151)	(5,309)
Exports (f.o.b.)	9,555	8,838	9,516	10,383	11,442
Imports (f.o.b.)	(14,569)	(10,877)	(12,956)	(15,534)	(16,752)
Services Balance	2,201	2,188	2,537	3,193	3,525
Exports	4,083	3,593	4,32	4,973	5,560
Imports	(1,882)	(1,405)	(1,783)	(1,780)	(2,035)
Rent	(417)	(1,084)	(745)	(567)	(886)
Credit	420	219	199	214	214
Debit	(837)	(1,303)	(944)	(781)	(1,100)
Current Transfers	442	359	366	323	329
Credit	707	593	606	593	624
Debit	(264)	(235)	(239)	(271)	(295)
Captial and Financial Account	2,487	707	1,986	2,556	4,384
Capital Account	7	58	54	22	38
Financial Account	2,480	649	1,933	2,535	4,347
Assets	(153)	3	(183)	(43)	(298)
Liabilities	2,633	646	2,115	2,577	4,645
Errors and Omissions	(48)	129	(144)	(221)	67
International Monetary Reserves(1)	348	(260)	(561)	(132)	(2,110)

(1) A positive number represents a decrease in international reserves and a negative number represents an increase in international reserves.

Source: Central Bank of Costa Rica

Foreign Trade

Costa Rica has adopted a trade policy that is designed to integrate the country into the global economy. The implementation of this policy is reflected largely in the increase in Costa Rica's exports, the diversification of its products, and the diversification of the markets for its products, the increase in foreign direct investment, and the generation of employment by the export sector.

Three decades ago, Costa Rica was significantly dependent on four traditional agricultural goods (coffee, bananas, sugar and beef). Today, the country exports over 3,000 different products. The quantity and variety of agricultural goods sold abroad has increased and now includes products such as watermelons, pineapples, melons, potatoes and ornamental plants. In addition, Costa Rica is exporting high-technology products, such as computers, medicines and medical equipment. As a result, the four traditional agricultural goods accounted for only 12% of Costa Rica's total exports in 2012.

Costa Rica has also increased its market diversification during the past decade. It exports to approximately 130 countries around the world. In 2012, approximately 39.2% of Costa Rica's exports were sent to the United

States, 18.2% to the European Union, 14.0% to Central America, 13.0% to Asia, 6.0% to other Latin American countries and 9.6% to various other countries.

Foreign trade in Costa Rica depends largely on the economies of the United States, the European Union and other Central American countries, given that approximately 71.5% of total exports go to these areas. The economic slowdown in those countries in 2009, together with the uncertainty of the magnitude, duration and impact of the global economic crisis were important causes for the external demand slowdown for Costa Rican exports in 2009. Exports have rebounded in the past three years, however, as Costa Rica adjusted its volume of exports to international market prices.

The following table sets forth information about the value of Costa Rican imports and exports for the periods indicated.

Merchandise Trade Balance

(in millions of U.S. dollars)

	Exports (f.o.b.)	Imports (c.i.f.)	Merchandise Trade Balance
For the year ended December 31, 2008	$9,555	$14,569	$(5,013)
For the year ended December 31, 2009	8,838	10,877	(2,039)
For the year ended December 31, 2010	9,516	12,956	(3,440)
For the year ended December 31, 2011	10,383	15,534	(5,151)
For the year ended December 31, 2012	11,442	16,752	(2,373)

Source: Central Bank of Costa Rica

Exports

In recent years, Costa Rica's foreign trade has gained importance. Changes in Costa Rica's export model and the increased aggregate value of Costa Rica's national production have resulted in export growth, on average, of 4.4% annually from 2008 to 2012. The expansion of high-tech manufacturing in Costa Rica has been enhanced by the arrival of Intel and other companies, including Lucent Technologies and Abbott Laboratories, which have assisted in the expansion and diversification of the country's production for the local and external markets.

In 2012, total exports (f.o.b.) increased by 10%, primarily due to increased exports of microelectronics, microprocessors and medical devices. Services exports increased by 11.7%, primarily due to growth in the computer and information services sector.

In 2011, total exports (f.o.b.) grew by 10%. During the first half of 2011, the growth in exports was led by exports in manufactured goods (food products, metals and paper-paperboard products). During the second half of 2011, exports were driven largely by exports of goods from free trade zones, such as electronic components and microprocessors. Exports of services related to business centers, call centers and tourism also increased.

In 2010, total exports (f.o.b.), including in-bond and free trade zone exports, reached US$9.4 billion, an increase of 7.6% compared with total exports of US$8.8 billion in 2009. The increase in exports was principally due to increased exports of free trade zone goods, which increased 6% year-on-year. Traditional exports increased by 17.3% in 2010.

In 2009, total exports (f.o.b.), including in-bond and free trade zone exports, reached US$8.8 billion, a decrease of 7.6% compared with total exports of US$9.5 billion in 2008. The decline in exports was mainly due to a decrease in non-traditional exports by manufacturing industries (12.3%) and in-bond industries (30%). Exports of traditional products also decreased, principally due to a decline in prices and a decrease in volume of exports of international coffee, meat and sugar cane.

In 2008, total exports (f.o.b.), including in-bond and free trade zone exports, increased to US$9.5 billion. The increase in exports was principally due to a 6.5% increase in non-traditional exports.

The following table sets forth the value of exports (f.o.b.) by principal products for the periods indicated.

Value of Exports (f.o.b.) by Principal Products and Percentages of Total

(in millions of U.S. dollars)

	For the Year Ended December 31,									
	2008		2009		2010		2011		2012	
Traditional	$1,066.9	11.2%	$921.7	10.5%	$1,081.1	11.4%	$1,242.7	11.9%	$1,351.7	11.8%
Bananas	689.7	7.3	622.4	7.1	702.9	7.4	752.4	7.2	819.4	7.2
Coffee	305.0	3.2	232.2	2.6	257.5	2.7	374.9	3.6	412.5	3.6
Sugar cane	34.4	0.4	27.7	0.3	81.0	0.9	68.6	0.7	69.2	0.6
Beef	37.8	0.4	39.4	0.4	39.8	0.4	46.7	0.4	50.6	0.4
Non-traditional	8,436.8	88.8	7,862.0	89.5	8,367.0	88.6	9,165.8	88.1	10,101.0	88.2
Industry	2,164.7	22.8	1,899.0	21.6	2,124.9	22.5	2,441.9	23.5	2,631.9	23.0
Agricultural	1,044.8	11.0	1,032.0	11.7	1,106.5	11.7	1,153.6	11.1	1,207.0	10.5
Free Trade Zones	4,866.3	51.2	4,677.4	53.3	4,959.0	52.5	5,381.0	51.7	6,016.5	52.5
In-bond	361.1	3.8	253.6	2.9	176.5	1.9	189.2	1.8	245.6	2.1
Total	$9,503.7	100.0%	$8,783.7	100.0%	$9,448.1	100.0%	$10,408.4	100.0%	$11,452.7	100.0%

Source: Central Bank of Costa Rica

Since the mid-1980's, Costa Rica has continued to liberalize its economy. The promotion of exports as well as export diversification has become the focus of Costa Rica's foreign trade policy. Moreover, until 2006, Costa Rica's exchange rate policy, through a crawling peg regime, aimed to adjust nominal exchange rates in accordance with the inflation rate differentials between Costa Rica and its principal trading partners in order to maintain the competitiveness of Costa Rican exports. Beginning in 2006, the Central Bank transitioned out of the crawling peg regime and into a managed floating exchange regime with bands.

The *Promotora de Comercio Exterior de Costa Rica* (Promoter of Costa Rican Foreign Trade) is charged with designing and coordinating programs with respect to exports and investments and has opened offices in Canada, Germany, Mexico, Chile, China, Trinidad and Tobago, Panama, Dominican Republic, Miami and New York.

Imports

Over the past five years, the levels of Costa Rican imports have increased while the composition of those imports has changed. Imports (c.i.f) increased by 18.7% in 2008, but decreased by 25.9%in 2009. Imports (c.i.f) increased by 19.1% , 19.5% and 8.4% in 2010, 2011 and 2012, respectively. Imports of raw materials and capital goods accounted for most of the growth, reflecting increased growth of the industrial manufacturing sector, which has contributed to the overall expansion of the economy. Imports of capital goods and raw materials, primarily for the industrial manufacturing and construction sectors, accounted for 71%, 71%, 70%, 67% and 66% of total imports in 2008, 2009, 2010, 2011 and 2012, respectively.

In 2012, the import of goods and services increased by 8.4%, primarily due to an increase in purchases of consumer goods, raw materials (for the electrical and electronics sector) and capital goods, as well as metallurgy and metalworking, tools and transport equipment.

In 2011, the imports of goods and services grew 19.5%, primarily driven by purchase of raw materials and consumer goods.

Imports (c.i.f.) increased by 19.1% to US$13.6 billion in 2010, compared with US$11.4 billion in 2009. The increase in imports was principally due to a 12.7% increase in imports of capital goods (principally in free trade zones) and a 21.4% increase in imports of consumer goods (principally durable goods). Imports of fuels and lubricants also increased by 25.6% in 2010, primarily as a result of higher oil prices.

In 2009, imports (c.i.f.) decreased by 25% to US$11.4 billion, compared with US$15.4 billion in 2008, mainly due to the slowdown in economic activity as a result of the international economic crisis. The imports that were most affected were raw materials and construction materials, decreasing by 27.4% and 37.5%, respectively. During the same period, commodity prices for oil and grains decreased.

Imports (c.i.f.) increased by 18.7% to US$15.4 billion in 2008, compared with US$13.0 billion in 2007. The increase in imports was principally due to an increase of 45.8% in imports of fuels and lubricants resulting from an increase in the international prices of hydrocarbons. A 13.3% increase in imports of consumer goods, a 16.1% increase in imports of raw materials and a 14.4% increase in imports of capital goods also contributed to the increase in total imports.

Costa Rica has no domestic sources of hydrocarbon fuels. Imports of crude oil and other fuels, as well as all refining activities, are under the control of RECOPE, a state monopoly.

The following table sets forth the value of imports (c.i.f.) by principal products for the periods indicated.

Value of Imports (c.i.f.) by Economic Sectors and Percentage of Total

(in millions of U.S. dollars, except percentages)

	For the Year Ended December 31,									
	2008		2009		2010		2011		2012	
Raw materials	$8,022.1	52.2 %	$5,826.1	51.1%	$6,984.7	51.5%	$7,848.0	48.4%	$8,325.0	47.4%
Industry and mining .	7,510.6	48.9	5,468.4	48.0	6,629.8	48.9	7,408.0	45.7	7,848.5	44.7
Agriculture	511.6	3.3	357.7	3.1	355.0	2.6	440.0	2.7	476.5	2.7
Consumer goods	2,767.6	18.0	2,241.8	19.7	2,722.5	20.1	3,259.6	20.1	3,678.1	20.9
Non-durable goods ..	1,896.3	12.3	1,700.8	14.9	1,981.2	14.6	2,337.7	14.4	2,595.8	14.8
Durable goods	871.3	5.7	540.9	4.7	741.3	5.5	921.9	5.7	1,082.3	6.2
Capital goods	2,359.6	15.3	1,909.9	16.8	2,151.5	15.9	2,557.8	15.8	2,853.9	16.2
Industry and mining .	1,830.8	11.9	1,576.8	13.8	1,766.7	13.0	2,103.6	13.0	2,358.5	13.4
Agriculture	99.0	0.6	64.0	0.6	74.3	0.5	87.1	0.5	73.8	0.4
Transportation	429.8	2.8	269.2	2.4	310.6	2.3	367.1	2.3	421.6	2.4
Construction	525	3.4	328	2.9	351.9	2.6	460.5	2.8	492.2	2.8
Fuels and lubricants	1,667.3	10.8	1,077.1	9.5	1,352.5	10.0	2,093.4	12.9	2,226.9	12.7
Others	30.9	0.2	11.9	0.1	6.3	0.0	0.2	0.0	1.4	0.0
Total	$15,372.5	100%	$11,394.7	100%	$13,569.6	100%	$16,219.5	100%	$17,577.5	100%

Source: Central Bank of Costa Rica

Direction of Trade

The United States of America is Costa Rica's most important trading partner. In 2012, trade with the United States accounted for approximately US$1.5 billion, or 13% of total exports (including free trade zones exports), and approximately US$5.3 billion, or 30.3% of total imports.

Trade with members of the Central American Common Market (CACM) has increased over the past five years as the economies of these countries have become more stable. Exports to CACM countries increased to

US$1.22 billion during 2012, compared with US$1.15 billion in 2011. Imports from CACM increased to US$812 million in 2012, compared with US$790 million in 2011.

Although the DR-CAFTA became effective on January 1, 2009, the agreement could not minimize the effects of the global financial crisis on Costa Rican exports to the United States. In 2009, the value of exports (f.o.b.) to the United States decreased approximately 8.9%. In subsequent years, however, the value of exports (f.o.b.) to the United States grew approximately 12.0%, 11.9% and 8.8% in 2010, 2011 and 2012, respectively.

The following table sets for the value of exports (f.o.b.) by country for the periods indicated.

Value of Exports (f.o.b.) by Country and Percentage of Total[(1)]

(in millions of U.S. dollars)

	For the Year Ended December 31,									
	2008		2009		2010		2011		2012	
Central America	$1,005.9	10.6%	$895.5	10.2%	$1,009.8	10.7%	$1,153.9	11.1%	$1,220.9	10.7%
Guatemala	258.5	2.7	242.5	2.8	269.3	2.9	295.2	2.8	314.1	2.7
El Salvador	203.9	2.1	161.9	1.8	193.0	2.0	212.9	2.0	225.6	2.0
Honduras	228.1	2.4	205.0	2.3	221.8	2.3	250.6	2.4	260.7	2.3
Nicaragua	315.5	3.3	286.1	3.3	325.7	3.4	395.3	3.8	420.5	3.7
North America	1,286.0	13.5	1,162.5	13.2	1,312.0	13.9	1,446.6	13.9	1,561.4	13.6
Canada	35.7	0.4	31.3	0.4	62.7	0.7	55.4	0.5	41.4	0.4
United States	1,182.1	12.4	1,076.9	12.3	1,206.6	12.8	1,350.3	13.0	1,469.7	12.8
Mexico	68.2	0.7	54.3	0.6	42.7	0.5	40.9	0.4	50.3	0.4
Caribbean Countries	94.3	1.0	88.7	1.0	82.0	0.9	91.3	0.9	92.8	0.8
Others Latin America	662.5	7.0	591.3	6.7	685.3	7.3	788.9	7.6	872.1	7.6
Europe	1,051.1	11.1	956.6	10.9	1,046.6	11.1	1,157.4	11.1	1,241.4	10.8
Germany	146.1	1.5	93.9	1.1	106.3	1.1	116.0	1.1	94.2	0.8
Spain	55.0	0.6	40.0	0.5	41.7	0.4	43.8	0.4	64.4	0.6
Belgium and Luxembourg	269.3	2.8	256.6	2.9	266.3	2.8	208.2	2.0	193.2	1.7
Italy	117.8	1.2	120.0	1.4	131.8	1.4	133.6	1.3	192.3	1.7
United Kingdom ..	115.8	1.2	106.3	1.2	142.8	1.5	241.6	2.3	223.8	2.0
Other Europe	347.0	3.7	636.0	7.2	357.7	3.8	414.1	4.0	473.5	4.1
Asia	121.2	1.3	106.6	1.2	149.8	1.6	175.3	1.7	183.2	1.6
Japan	29.0	0.3	14.1	0.2	16.9	0.2	17.6	0.2	14.5	0.1
South Korea	6.9	0.1	6.0	0.1	11.2	0.1	19.3	0.2	21.6	0.2
Others	85.3	0.9	86.5	1.0	121.7	1.3	138.3	1.3	147.0	1.3
Oceania	4.8	0.1	8.7	0.1	7.5	0.1	12.4	0.1	12.9	0.1
Africa	10.8	0.1	11.0	0.1	19.5	0.2	12.4	0.1	5.8	0.1
Others	39.6	0.4	31.9	0.4	0.0	0.0	0.0	0.0	0.0	0.0
In-bond	361.1	3.8	253.6	2.9	176.5	1.9	189.2	1.8	245.6	2.1
Free Trade Zones	4,866.3	51.2	4,677.4	53.3	4,959.0	52.5	5,381.0	51.7	6,016.5	52.5
Total	$9,503.7	100.0%	$8,783.7	100.0%	$9,448.1	100.0%	$10,408.4	100.0%	$11,452.7	100.0%

(1) Exports from free trade zones and in-bond industries are uncategorized as to destination.

Source: Central Bank of Costa Rica

The following table sets for the value of imports (c.i.f.) by country for the periods indicated.

Value of Imports (c.i.f.) by Country and Percentage of Total(1)

(in millions of U.S. dollars)

	For the Year Ended December 31,									
	2008		**2009**		**2010**		**2011**		**2012**	
Central America	$602	3.9%	$525.7	4.6%	$614.9	4.5%	$790.3	4.9%	$811.7	4.6%
Guatemala	289.4	1.9	270.7	2.4	314.8	2.3	370	2.3	391.0	2.2
El Salvador	148.1	1.0	116	1.0	133.6	1.0	187.8	1.2	209.2	1.2
Honduras	58.7	0.4	55.1	0.5	77.4	0.6	111.7	0.7	107.8	0.6
Nicaragua	105.7	0.7	84.0	0.7	89.2	0.7	120.7	0.7	103.7	0.6
North America	4,787.7	31.2	3,734.0	32.8	4,727.5	34.8	5,970.5	36.8	6,615.5	37.6
Canada	146.9	1.0	95.6	0.8	104.4	0.8	153.4	0.9	198.8	1.1
United States	3,728.3	24.3	2,938.7	25.8	3,800.2	28.0	4,804.0	29.6	5,319.2	30.3
Mexico	912.4	5.9	699.6	6.1	822.9	6.1	1,013.0	6.2	1,097.5	6.2
Caribbean Countries	89.2	0.6	107.9	0.9	215.0	1.6	113.2	0.7	57.2	0.3
Others Latin America	2,861.7	18.6	1,695.7	14.9	1,433.0	10.6	1,494.6	9.2	1,484.9	8.4
Europe	1,283.9	8.4	865.5	7.6	1,067.8	7.9	1,196.5	7.4	1,187.9	6.8
Germany	229.5	1.5	181.5	1.6	275.7	2.0	235.1	1.4	263.3	1.5
Spain	143.2	0.9	109.2	1.0	139.7	1.0	167.7	1.0	179.4	1.0
Belgium and Luxembourg	62.6	0.4	33.9	0.3	54.9	0.4	82.8	0.5	47.3	0.3
Italy	138.1	0.9	93.7	0.8	127.7	0.9	141.8	0.9	113.7	0.6
United Kingdom	108.4	0.7	64.5	0.6	89.9	0.7	87.8	0.5	76.9	0.4
Other Europe	602.2	3.9	382.8	3.4	379.8	2.8	481.2	3.0	507.3	2.9
Asia	1,911.8	12.5	1,300.2	11.4	1,791.1	13.2	2,339.3	14.4	2,556.7	14.5
Japan	428.4	2.8	239.2	2.1	358.0	2.6	429.2	2.6	467.3	2.7
South Korea	220.2	1.4	91.8	0.8	128.7	0.9	203.5	1.3	260.3	1.5
Others	1,263.2	8.2	969.2	8.5	1,304.5	9.6	1,706.6	10.5	1,829.1	10.4
Oceania	16.5	0.1	17.1	0.1	12.9	0.1	22.5	0.1	14.1	0.1
Africa	12.3	0.1	98.9	0.9	72.6	0.5	76.8	0.5	18.5	0.1
Others	63.4	0.4	82.2	0.7	101.4	0.7	101.3	0.6	154.9	0.9
In-bond	117.4	0.8	95.7	0.8	116.3	0.9	267.3	1.6	414	2.4
Free Trade Zones	3,228.4	21.0	2,574.7	22.6	3,021.3	22.3	3,397.2	20.9	3,641.9	20.7
Capital Goods Special Regimes	373.0	2.4	297.1	2.6	395.7	2.9	450	2.8	620.0	3.5
Total	$15,347.4	100.0%	$11,394.7	100.0%	$13,569.6	100.0%	$16,219.5	100.0%	$17,577.5	100.0%

(1) Imports from free trade zones and in-bond industries are uncategorized as to origin.

Source: Central Bank of Costa Rica

Foreign Investment

The Costa Rican economic development model is based on international economic integration, export diversification and foreign direct investment. One of the key elements of this strategy is the diversification of investors. Historically, the United States of America was the main source for foreign direct investment. China, however, has recently become an important investment partner, while traditional partners such as Mexico and Spain have remained significant partners in investment and job creation.

Foreign direct investment inflows in Costa Rica are significantly different from the rest of Latin America. While most of other Latin American countries attract foreign direct investment channeled to natural resources sectors, Costa Rica has concentrated foreign direct investment inflows in technology and knowledge-intensive areas. Although manufacturing is still a top generator of foreign direct investment, Costa Rica has been diversifying its sources of foreign direct investment to service industries such as design, development and testing, research and development, education and training services.

According to the Central Bank, during 2012, Costa Rica received US$2.3 billion in foreign direct investment representing an increase of 5.1% as compared to 2011.

The regulatory framework governing foreign investment in Costa Rica currently imposes limited foreign investment restrictions. One such restriction is a prohibition on investment in certain border areas, such as Costa Rica's coastline. The prohibition also applies to domestic investments. Costa Rica's Constitution provides for equal treatment of foreigners and Costa Rican citizens.

Foreign direct investment in the industrial manufacturing sector accounted for 26.7%, 30.2%, 65.9%, 33.1% and 25.4% of total foreign direct investment in 2008, 2009, 2010, 2011 and 2012, respectively. Foreign direct investment in the agricultural sector accounted for 21.5%, 5.0%, (0.4)%, 1.6% and 0.2% of total foreign direct investment in 2008, 2009, 2010, 2011 and 2012, respectively. Foreign direct investment as a percentage of total foreign direct investment was negative in 2010 primarily due to adverse weather conditions and the repatriation of dividends.

The following table sets forth gross foreign direct investment by economic sector for the periods presented.

Gross Foreign Direct Investment by Economic Sector

(in millions of U.S. dollars and percentages of total)

	For the Year Ended December 31,									
	2008		2009		2010		2011		2012	
Agriculture	$447.6	21.5%	$68.0	5.0%	$(6.4)	(0.4)%	$34.9	1.6%	$3.8	0.2%
Industry	554.7	26.7	407.3	30.2	965.9	65.9	714.6	33.1	575.3	25.4
Commerce ..	79.6	3.8	(3.0)	(0.2)	62.1	4.2	328.9	15.3	146.4	6.5
Tourism	291.5	14.0	253.6	18.8	81.0	5.5	113.5	5.3	140.2	6.2
Real Estate	485.1	23.3	265.6	19.7	147.0	10.0	228.1	10.6	431.8	19.1
Services	145.4	7.0	241.5	17.9	85.4	5.8	622.9	28.9	910.1	40.2
Others	74.2	3.6	113.6	8.4	130.4	8.9	112.7	5.2	57.8	2.6
Total	$2,078.2	100.0%	$1,346.5	100.0%	$1,465.6	100.0%	$2,155.6	100.0%	$2,265.4	100.0%

Source: Central Bank of Costa Rica

Between 2008 and 2012, approximately 63.2% of the foreign direct investment received by Costa Rica originated in the United States. U.S. investments in the country accounted for 42.6% of total foreign direct investment in 2012.

During 2012, inflows of foreign direct investment accounted for a total of US$2.3 million (5.0% of GDP). These resources were channeled to service activities (40.2%), telecommunications, accounting, finance and engineering services as well as manufacturing industries (25.4%) and real estate (19.1 %).

The United States accounted for 70% of total foreign direct investment in 2010, compared with 76% in 2009. In 2010, Colombia accounted for 6.7% of total foreign direct investment (the second largest source of foreign direct investment), compared with 0.5% in 2009. Canada accounted for 3.3% of the foreign direct investment in 2010, compared with 24.3% in 2009. Other Central American countries, collectively, were the source of $98 million of investment in 2010. The industrial sector absorbed US$965.9 million of foreign direct investment in 2010 while the tourism sector absorbed US$81 million of foreign direct investment in 2010.

During 2012, the United States accounted for 42.6% of total foreign direct investment, compared with 62.8% in 2011. In 2012, Mexico accounted for 15.8% of total foreign direct investment (the second largest source of foreign direct investment), compared with 8.5% in 2011. Spain accounted for 13.4% of the foreign direct investment in 2012, compared with 11.5% in 2011. Other Central American countries, collectively, were the source of $46.4 million of foreign direct investment in 2012. The services sector absorbed US$910.0 million of foreign direct investment in 2012, while the industrial sector absorbed US$575.3 million of foreign direct investment in 2012.

Currently, Costa Rica has foreign investment treaties in effect with, among others, Argentina, Belgium, Bolivia, Canada, Chile, the Czech Republic, France, Germany, Luxembourg, the Netherlands, Paraguay, South Korea, Spain, Switzerland, the United Kingdom and Venezuela.

MONETARY SYSTEM

Central Bank

The Central Bank is the monetary authority of Costa Rica, and its primary purpose is to maintain the internal and external stability of the economy and the soundness of the financial system. The Central Bank is the sole issuer of Costa Rican currency and acts as lender of last resort to the banking system. The Central Bank enacts monetary policy through the use of discount facilities, open-market operations and through the establishment of reserve requirements for financial institutions. In addition, the Central Bank manages international reserves and is responsible for the supervision of foreign exchange regulations applicable to financial institutions.

The Organic Law of the Central Bank, enacted in 1995, provides a high level of autonomy for the Central Bank. The Central Bank is prohibited from financing the activities of the Government, except that in extraordinary cases it can purchase Government securities up to an amount equal to 5.0% of the amount of the Government budget on an annual basis, which 3-month securities must be redeemed within the same fiscal year they were purchased. In addition, with the exception of the President of the Central Bank and the Minister of Finance, the seven members of the board of directors of the Central Bank are appointed by the Government Council for terms of 90 months. Such appointments must be ratified by the Legislative Assembly and members may not be removed except under certain limited circumstances.

The Organic Law of the Central Bank establishes that the Bank must publish its Macroeconomic Program during the first 30 days of each semester. The Macroeconomic Program establishes the Central Bank's inflation target and the orientation of its monetary and exchange rate policies. The President of the Central Bank must inform the Legislative Assembly once a year about the execution of monetary and exchange rate policies, credit growth and the use of international reserves, as well as the actions taken to meet the inflation target and for the promotion of conditions for the strengthening and proper functioning of the national financial system.

The following table sets forth the summary balance sheet of the Central Bank for the periods indicated.

Summary Balance Sheet of the Central Bank

(in millions of current colones)

	At December 31,				
	2008	**2009**	**2010**	**2011**	**2012**
Net international reserves	¢2,089,808	¢2,271,701	¢2,349,941	¢2,403,351	¢3,452,885
Total Domestic Credit	(15,415)	(45,533)	(285,565)	(84,418)	(560,154)
Government	(20,761)	(49,423)	(288,137)	(86,405)	(561,554)
Rest of the Public Sector	5,346	3,890	2,572	1,987	1,400
Other Net Assets	624,796	528,838	790,249	1,006,913	1,038,417
Monetary Base	1,151,169	1,210,022	1,344,999	1,500,450	1,754,266
Open Market Operations	1,482,276	1,372,746	1,359,031	1,682,167	2,038,446
External Debt	65,745	172,238	150,595	143,228	138,435

Source: Central Bank of Costa Rica

Summary Balance Sheet of the Central Bank

(in millions of current U.S. dollars)[1]

	At December 31,				
	2008	2009	2010	2011	2012
Net international reserves	$3,971	$3,962	$4,471	$4,753	$6,866
Total Domestic Credit	(29)	(79)	(543)	(167)	(1,114)
Government	(39)	(86)	(548)	(171)	(1,117)
Rest of the Public Sector	10	7	5	4	3
Other Net Assets	1,187	922	1,504	1,991	2,065
Monetary Base	2,187	2,110	2,559	2,967	3,488
Open Market Operations	2,816	2,394	2,586	3,326	4,054
External Debt	125	300	287	283	275

(1) Amounts in U.S. dollars were converted from colones using the historical average exchange rate for the period indicated.

Source: Central Bank of Costa Rica

Supervision of the Financial Sector

Law 7732, which became effective on March 27, 1998, created the *Consejo Nacional de Supervisión del Sistema Financiero* (National Supervisory Board of the Financial System, or "CONASSIF"), which is charged with supervising the financial system through the use of its regulatory authority, including its powers to authorize entities subject to its review to participate in the financial markets, to suspend or revoke such authorizations and to intervene in such entities' activities. The CONASSIF is composed of seven members: the President of the Central Bank, or in his absence the Manager of the Central Bank, the Minister of Finance, or in his absence the Viceminister of Finance, and five members appointed by the board of directors of the Central Bank.

The CONASSIF also has the authority to promulgate rules and regulations for, and appoint the Superintendent and the Intendent of: SUGEF, which regulates and supervises banks and other financial intermediaries and regulates foreign exchange operators; the *Superintendencia General de Pensiones* (Superintendency of Pensions, or "SUPEN"), which regulates and supervises the pension fund system; SUGEVAL, which regulates and supervises stock exchanges and issuances of securities; and the *Superintendencia General de Seguros* (Superintendency of Insurance, or "SUGESE"), which supervises insurance providers.

Monetary and Financial Policy

The principal objectives of Costa Rica's monetary policy over the last four years have been to maintain inflation within 1 percentage point of its targets and to foster a stronger net international reserve position. In its ongoing transition to an inflation targeting regime, Costa Rica's monetary policy has shifted from a focus on monetary targets to an inflation target, with the former being used as intermediate goals. Instruments used to conduct monetary policy have also shifted, with shorter-term interest rates acquiring more relevance. Costa Rica's monetary policy has been complimented by the absence of controls on foreign exchange convertibility or remittance in Costa Rica.

From 1983 to 2004, the Central Bank guided its monetary policy by targeting monetary aggregates. Central Bank bills (mostly with 6- and 12-month maturity) and bonds were the main instruments to control the money supply and attain inflation and international reserves objectives in the context of a crawling-peg exchange rate system. Over the last seven years, the Central Bank has shifted the reference for the monetary policy rate toward shorter-term instruments. In 2004, the Central Bank started using 30-day deposit rates as its reference for the monetary policy rate. In 2006, the reference rate shifted to the rate on 1-day deposits at the Central Bank and in 2008 the reference rate shifted to the rate on 1-day Central Bank credit in the interbank market. In November 2010, an interest range for the 1-day rate was formed between the Permanent Credit Facility rate (1-day lending rate) and the Permanent Deposit

Facility (1-day deposit rate). In April 2011, the reference rate shifted to the mid-point of a range defined by the rates on 1-day deposit and credit facilities of the Central Bank. The range is currently 200 basis points wide, with 4% as the floor and 6% as the ceiling, and the monetary policy rate is 5%.

In addition to the floor and ceiling rates established by the 1-day deposit and credit facilities, the Central Bank manages liquidity through 1-day auctions that allow it to keep the market interest rate close to the policy rate level. 7- and 14-day auctions are used as a complement to 1-day auctions when stronger corrections in the stock of liquidity are required.

As established in 2008 by the board of directors of the Central Bank, the Central Bank still uses longer-term bills and bonds to compensate for the impact on liquidity of the Central Bank deficit and international reserve accumulation, while using very short-term instruments to calibrate its monetary policy to attain its inflationary target. Longer-term bills and bonds are placed pursuant to weekly auctions by the Central Bank.

Reserve Requirements

The Organic Law of the Central Bank authorizes the Board of Directors of the Central Bank to set the reserve requirements applicable to deposits and other obligations in the financial system up to a maximum of 15%. The reserve requirements generally apply to all types of deposits within institutions supervised by SUGEF regardless of the type of financial institution, except for those expressly exempted from this obligation by the board of directors of the Central Bank. Different reserve requirements may apply to obligations in local and foreign currency.

Since 2005, the Central Bank Board has set reserve requirements at 15% on all deposits and obligations, in local or foreign currency. In 2011, the Central Bank extended the application of minimum reserve requirements to liabilities arising from short-term external debt as a result of the Central Bank determination that short-term capital from abroad is similar to bank deposits. Minimum reserve requirements took effect gradually, starting at a 5% rate in September of 2011, and increasing to 10% and 15% in October and November 2011 and are currently set at 15%. Long-term external loans remain exempt from reserve requirements.

Recent Developments in Monetary Policy

In 2008, monetary and exchange rate policies were mainly directed to attenuate the adverse impact of the global financial crisis and to reduce the inflationary pressure from a high domestic demand expansion. During the first half of 2008, low international interest rates and significant capital inflows prevented a more aggressive interest rate policy by the Central Bank to contain inflation. By the fourth quarter of 2008, developed countries experienced a liquidity crunch, which led the Central Bank to focus on mechanisms to address eventual liquidity shortages. Despite an ambitious initial inflation target that implied reducing inflation as measured by the consumer price index from 11% in 2007 to 8% in 2008, 12-month inflation at year-end 2008 reached 13.9%, partly influenced by high international commodity prices as well as exchange rate depreciation.

The global financial crisis that started in October 2008 led to a reduction in international commodity prices and easing of domestic price pressures. Monetary policy during 2009-2012 was geared toward lowering inflation to levels similar to those of commercial partners, taking advantage of the decrease in international prices to break inflation inertia. As a result, inflation during 2009-2012 remained within the 4%-6% inflation band and around the 5% inflation target. See "—Inflation and interest rates" below.

Recent Financial Policy

The risks to the financial system highlighted by the global financial crisis led the Central Bank and the Government to carry out a series of actions in 2008 and 2009. The Central Bank offered financial intermediaries a special operations plan to address extraordinary liquidity needs that included, among others: (i) a credit line in *colones* to financial intermediaries for as much as 30% of current account balances and 10% of term deposits; (ii) allowing the Central Bank to auction bonds up to 100 billion *colones* (US $174.4 million) for 3 months; and (iii) broadening the spectrum of financial entities allowed to hold repurchase operations with the Central Bank to all entities supervised by SUGEF.

In December 2008, the Legislative Assembly approved the capitalization of three state banks for a total of US$117 million, with the goal of compensating for the impact of the global financial crisis on the lending capacity of such institutions.

In 2009, the Central Bank and the Ministry of Finance entered into a Precautionary Stand-by Arrangement with the IMF for US$735 million that would extend over a 15-month period. The purpose of the arrangement was to provide the Central Bank with enough resources to face any liquidity problems in the financial system or a deterioration in the balance of payments related to the global financial crisis. The arrangement expired in 2010 with all reviews completed and without any disbursements made.

In 2009, the Central Bank also adjusted international reserve management policies in response to higher volatility in the international markets. As a result, investment of reserves in the international banking system was reduced, terms were shortened and maximum investment per entity reduced. Minimum credit ratings allowed for investment of the reserves were tightened.

To promote a stable, efficient and competitive financial intermediation system, the board of directors of the Central Bank took measures in 2011 to meet extraordinary liquidity requirements in the financial system. These measures included: (i) expanding the catalog of instruments allowed as collateral in the Integrated Liquidity Market ("ILM"), an electronic platform in which supervised financial entities can manage their short-run liquidity positions and have access to Central Bank deposit and credit 1-day permanent facilities, to include securities issued by autonomous institutions of Costa Rica and other sovereign governments, in addition to standardized securities of the Ministry of Finance and the Central Bank which were already admitted, and (ii) establishing a system of credit facilities and credit lines in local and foreign currency geared toward addressing systemic liquidity shortages in the ILM.

During the fourth quarter of 2012, Costa Rica experienced a significant inflow of foreign financial investment into locally denominated debt instruments of the Government and private sector financial institutions, due in part to the strong fundamentals of the Costa Rican economy, the differential in interest rates on colon-denominated and U.S. dollar-denominated investments and stability in the colon-U.S. dollar exchange rates. These inflows resulted in an increase in liquidity in the Costa Rican financial sector and increased the costs to the Central Bank of keeping exchange rates within the lower limit of the exchange-rate target band, creating significant appreciating pressures on the colon-U.S. dollar exchange rate and adversely affecting competitiveness of the export sector of the economy. Although such inflows decreased beginning in the first quarter of 2013 along with local interest rates, in order to create a policy tool to prevent a recurrence of such destabilizing inflows, in January 2013 the Government presented a bill to the Legislative Assembly for approval of what would become the "*Ley para Desincentivar el Ingreso de Capitales Externos*" (Law to Discourage Foreign Capital Inflow). The bill contains two mechanisms that would allow the implementation of temporary measures to confront imbalances in the economy related to inflows of foreign capital into the country. The first mechanism would allow the executive branch to increase the income tax withholding rate by up to 30 percentage points, and for up to six months, on (i) interest, (ii) surplus distributed by cooperatives and non-for profit organizations, (iii) remittances and loans in favor of persons not domiciled in Costa Rica, and (iv) income and capital gains from investment funds, in the event that the board of directors of the Central Bank determines, in a decision adopted by at least five of its members, that foreign capital inflows are causing an imbalance in the Costa Rican economy. The executive branch may decide to apply different tax withholding rates and terms to different types of income, currencies and investments. The bill excludes from this mechanism: (i) income from securities issued by the Government or other Government agencies in international markets, such as the Notes offered hereby, (ii) payments of interest, commissions and other financial expenses paid by corporations domiciled in Costa Rica to foreign financial institutions recognized by the Central Bank as institutions that usually engage in international transactions, and (iii) payments related to capital leases and interests paid on loans used in industrial or agricultural activities to first-tier financial institutions recognized as such by the Central Bank. In addition, the bill would exclude any payments related to foreign holders of securities or any other type of financial instrument who held such securities or financial instruments as of the date of entry into effect of the decree issued by the Government in connection with the Central Bank's determination of the existence of the imbalance. However, the bill would apply to payments made to any transferees of those securities or financial instruments made after the date of entry into effect of such decree.

The second mechanism would allow the Central Bank to require a mandatory deposit in a non-interest bearing account at the Central Bank of up to 25% of the total amount to be invested by non-domiciled persons in securities registered with the National Registry of Securities and Intermediaries (*Registro Nacionald de Valores e*

Intermediarios) in the event that the board of directors of the Central Bank determines, in a decision adopted by at least five of its members, that foreign capital inflows are causing an imbalance in the Costa Rican economy. The term for such deposits would be established by the Central Bank and may exceed the period of investment by up to one year. The bill has been approved by the Commission of Fiscal Affairs of the Legislative Assembly and is now pending approval by the Legislative Assembly.

On January 20, 2013, the Central Bank decided to limit the growth of financial institutions' loans and investments portfolio in local currency to the non-financial private sector for the period starting on February 1, 2013 through October 31, 2013 to 9%. In addition, the Central Bank also limited growth of financial institutions' loans and investments portfolio in foreign currency to the non-financial private sector, for the same period, as follows: (i) if growth of such portfolio for the year ended December 31, 2012 was equal to or less than 20%, total growth for the period from February 1, 2013 to October 31, 2013 shall not be more than 6%; and (ii) if growth of such portfolio for the year ended December 31, 2012 was more than 20%, total growth for the period from February 1, 2013 to October 31, 2013 shall not be more than 30% of the growth rate for the year ended December 31, 2012.

Inflation and Interest Rates

During the period from 2008 to 2012, the average inflation rate was 6.6%, gradually converging to inflation rates observed in Costa Rica's main commercial partners. The average inflation rate for such period was significantly lower than the average inflation rate observed over the last 30 years, reflecting lower inflationary pressures from abroad but also a shift, beginning in 2006, from a crawling peg to an exchange-rate band that, together with the negative impact of the global financial crisis on international commodity prices, helped break the historic inflation inertia of previous periods.

In 2008, consumer and producer price inflation rates remained high at 13.9% and 20.6%, respectively. The high rates of inflation resulted from inflation inertia, domestic demand pressures, negative domestic supply shocks on agricultural products and increases in international commodity prices, including the price of oil. A significant increase in the international price of oil during the first half of 2008 (WTI oil price reached $145 per barrel in July 2008), followed by a sharp decrease in the international price of oil during the last quarter of 2008 contributed significantly to inflationary pressures during the first three quarters of 2008 and a deceleration at year's end of 2008.

The inflation rate decreased from 13.9% in 2008 to 4.0% in 2009, the lowest since 1971. The decrease in the inflation rate was mainly due to the decrease in international commodity prices, a slowdown in economic activity due to the global financial crisis, better containment of domestic demand pressures and increases in agricultural supplies.

In 2010, the inflation rate was 5.8%, within the target range of 4% to 6% established by the Central Bank. The inflation rate stayed within the target range despite increases in the international price of oil and food mainly due to the excess in productive capacity as measured by the output gap, the evolution of monetary and credit aggregates, which grew consistently with the variation of nominal output, and a 10.9% exchange rate appreciation that mitigated global inflation.

In 2011, the inflation rate was 4.7%. The decrease in the inflation rate was mainly due to tepid domestic demand, a monetary policy consistent with the inflation target set by the Central Bank, the impact of favorable weather conditions, the behavior of regulated prices of goods and services consistent with the disinflation process of the Costa Rican economy and the stability of the exchange rate of the colón to the U.S. dollar. Producer prices, however, increased by 8.1% due to the increase in international oil and commodity prices resulting in higher domestic fuel and food prices.

In 2012, the inflation rate was in line with the targets set by the Central Bank, as the variation of the Consumer Price Index was 4.6%, mainly as a result of the actions of the Central Bank aimed at improving monetary control, the relative stability of the exchange rate and reduced inflationary pressures from external sources. As of March 31, 2013, the annual inflation rate was at 6.2%.

The following table sets forth changes in the consumer price index ("CPI") and the industrial producer price index ("IPPI") for the periods indicated.

Inflation

(percentage change from previous year at period end)

	Consumer Prices	Industrial Producer Prices
2008	13.9%	20.6%
2009	4.0	(1.0)
2010	5.8	4.1
2011	4.7	8.1
2012	4.6	3.6
2013(1)........................	6.2	4.2

(1) Percentage change from previous 12 months as of March 31, 2013.

Source: Central Bank of Costa Rica

Interest Rates

The following table sets forth interest rates on Central Bank instruments and the monetary policy rate as of the dates indicated.

Interest Rates on Central Bank Instruments and Monetary Policy Rate

	BEM 12-month rate(1)	1-day market rate	Monetary Policy Rate
March 31, 2008	5.3%	2.9%	5.8%
June 30, 2008	4.7	2.7	6.6
September 30, 2008	8.6	7.0	9.5
December 31, 2008	11.0	4.8	10.0
March 31, 2009	11.9	4.4	10.0
June 30, 2009	11.4	6.4	10.0
September 30, 2009	n.a.	n.a.	9.2
December 31, 2009	n.a.	n.a.	9.0
March 31, 2010	8.2	5.7	9.0
June 30, 2010	8.0	1.9	9.0
September 30, 2010	7.9	5.8	8.3
December 31, 2010	7.0	4.2	6.7
March 31, 2011	6.7	4.6	6.5
June 30, 2011	6.3	4.9	6.1
September 30, 2011	6.4	5.1	5.0
December 31, 2011	6.4	4.8	5.0
March 31, 2012	8.0	4.7	5.0
June 30, 2012	9.0	5.2	5.0
September 30, 2012	9.2	5.2	5.0
December 31, 2012	8.5	5.0	5.0
March 31, 2013	6.2	5.0	5.0

n.a.: Figure not available.

(1) Average for the quarter ending on the date indicated.

Source: Central Bank of Costa Rica

Monetary Policy Rates

Movements in the monetary policy rate during 2008 responded to capital inflows and inflationary pressures at different points in time. During the first quarter, strong capital inflows led the Central Bank Board to reduce gross interest rate for overnight borrowing transactions and all Central Direct deposit facility rates by 275 basis points.

From May to December 2008, however, capital inflows receded and oil prices remained high. As a result, the colón depreciated by about 10.0% by June of 2008, and inflationary pressures increased. The Central Bank reacted by increasing the monetary policy rate by approximately 300 basis points from May to August and by purchasing foreign exchange to contain exchange rate depreciation pressures. It also promoted an increase in the slope of the deposit yield curve to encourage the gradual transfer of very short-term resources held by commercial banks to longer term instruments.

In 2009, Central Bank decisions regarding the monetary policy rate showed two distinct phases. In the first half of 2009, despite low domestic prices, the Central Bank decided to maintain a restrictive monetary policy by keeping the monetary policy rate unchanged. During the second half of 2009, the Costa Rican economy experienced a series of favorable adjustments, including lower imported inflation and a slowdown in inflation expectations in the short- and medium-term that opened the possibility of reducing nominal interest rates without compromising the inflation targets.

In 2010, the Central Bank maintained the monetary policy rate unchanged at 9.0% during the first half of 2010. However, as higher capital inflows led to exchange rate appreciation and lower inflation, the Central Bank approved a 250 basis point reduction in the monetary policy rate to 6.5% in the second half 2010. The Central Bank also created a 1-day deposit facility that, together with the 1-day credit facility, would create an interest rate corridor that would limit volatility in the 1-day rate.

During the first half of 2011, the 1-day rate at the Central Bank averaged 4.7%, close to the lower limit of the 4.5%-6.5% interest rate corridor. In June 2011, as part of a new strategy to keep the 1-day rate close to the midpoint of the interest rate corridor, the Central Bank began carrying out absorption and injection auctions in the ILM. For the rest of the year and during 2012, the 1-day rate in the ILM remained at approximately 5.0%, in line with the monetary policy rate.

During the first half of 2012, domestic interest rates increased significantly. The increase was prompted mainly by: (i) stronger recourse to the domestic debt market by the Government, both to finance the fiscal deficit and refinance maturing debt and (ii) increased competition for funds from domestic loans among the Government, the private sector and the rest of the nonfinancial public sector. During the second half of 2012, however, liquidity conditions improved in the domestic market which allowed rates on Government and Central Bank bonds to gradually decrease. The downward trend persisted into 2013, supported by an international bond placement by the Government in November of 2012, which allowed the Government to reduce its demand for funds in the domestic market, and strong foreign capital inflows that were converted into local currency at the lower limit of the exchange rate band.

The base rate ("*tasa básica pasiva*")—an average of interest rates on 150-210 days deposits, that serves as an index for interest rates on most flexible rate bank loans—kept its upward trend into the second half of 2012 for much longer than Government bond rates, partly influenced by a few relatively high-volume operations that impacted the average. Because of this, and given its status indicator relating to the financial market, the board of directors of the Central Bank approved a modification to its calculation methodology to exclude extreme values and use a simple average of short-term deposit rates rather than an average weighted by deposit size. Since October 2012, the upward trend in the base rate reversed and has decreased by 330 basis points, which is consistent to that observed in Government and Central Bank bond rates.

The 12-month rate for *Bonos de Estabilización Monetaria* (Monetary Stabilization Bonds or "BEMs"), like the monetary policy rate, increased from 5.3% at March 31, 2008 to 11.0% at December 31, 2008, and further increased to 11.9% at March 31, 2009. Thereafter, the 12-month rate for BEMs decreased from 11.4% at June 30, 2009 to 6.3% at June 30, 2011. The 12-month rate for BEMs increased from 6.3% at June 30, 2011 to 8.1% at December 31, 2012 primarily due to the tightening in the credit market caused by strong private and public sector financing requirements and the tight control on monetary aggregates, even though the monetary policy rate remained unchanged. The 12-month rate for BEMs has decreased by approximately 192 basis points to 6.2% in March 2013.

Liquidity and Credit Aggregates

According to the Central Bank, the evolution of key monetary aggregates during the last eight years reflected an improvement in liquidity control. While during the period 2005 to 2008 monetary aggregates grew at rates well above nominal GDP, total bank liquidity during 2010 to 2011 grew at 5.9% and 5.8%, respectively, which was well below the nominal GDP growth rate of 9.6% over the two year period. The deceleration in total bank liquidity is explained partly by a deceleration in foreign currency deposits that resulted partly from the stable exchange rate experienced since year-end 2010, which drastically reduced depreciation expectations. In 2012, the monetary base increased by 16.9%, primarily due to the purchase of US$1.4 billion by the Central Bank (with a monetary effect in the magnitude of ¢685 billion).

Total bank credit also slowed down during the post-global financial crisis period, although public and private components showed significantly different behavior. While public sector credit saw a significant increase in 2009, reflecting higher financing needs of the public sector, private sector credit decelerated, more than compensating for the increase in government credit. By 2011, private sector credit recovered some of its dynamism, which led to strong growth in bank credit. During 2012, banking system credit to the private sector increased by 13.9% (a similar growth rate observed in the previous period of 13.7%). A higher preference for dollar operations was observed, mainly due to the lower dollar interest rates and lower expectations in exchange rate variation.

The following table sets forth the composition of Costa Rica's monetary base (expressed in terms of the Central Bank's monetary liabilities) and net international reserves for the periods indicated.

Monetary Base and the Central Bank's International Reserves

(in millions of U.S. dollars)

	At December 31,				
	2008	2009	2010	2011	2012
Net international reserves of Central Bank	$3,971	$3,962	$4,471	$4,753	$6,866
Total Credit	(29)	(79)	(543)	(167)	(1,114)
Domestic Credit	(29)	(79)	(543)	(167)	(1,114)
Government	(39)	(86)	(548)	(171)	(1,117)
Official Entities	10	7	5	4	3
Other Net Assets	1,187	922	1,504	1,991	2,065
Total	5,129	4,804	5,431	6,577	7,817
Monetary Base	2,187	2,11	2,559	2,967	3,488
Central Bank Control Instruments	2,816	2,394	2,586	3,326	4,054
Long-Medium run foreign financing	125	300	287	283	275
Total	$5,129	$4,804	$5,431	$6,577	$7,817

Source: Central Bank of Costa Rica

The following table sets forth selected monetary indicators for the periods indicated.

Selected Monetary Indicators
(percentage change, except as indicated)

	At December 31,				
	2008	**2009**	**2010**	**2011**	**2012**
M1	1.6%	(0.2)%	20.9%	5.8%	12.8%
Quasi-money	29.2	17.2	2.6	6.9	12.6
In foreign currencies	39.7	17.8	(2.8)	(0.6)	3.8
In domestic currency	19.0	16.5	8.7	14.6	20.4
Total Net Credit	30.3	7.3	4.6	15.3	9.3
Government	9.4	77.0	3.7	37.1	(45.9)
Private Sector	31.4	4.4	4.7	13.7	13.9

Source: Central Bank of Costa Rica

The total outstanding credit of the domestic component of the national banking system amounted to ¢9.8 trillion at December 31, 2012. At December 31, 2012, current account deposits in colones in the banking system amounted to ¢1.6 trillion.

Liquidity and Credit Aggregates
(in millions of current colones)

	At December 31,				
	2008	**2009**	**2010**	**2011**	**2012**
Liquidity aggregates	¢7,346,548	¢8,320,664	¢8,814,857	¢9,330,155	¢10,472,923
M1	1,502,999	1,496,456	1,807,902	1,911,841	2,158,887
NPP	407,438	438,783	482,257	555,917	602,810
Current account deposits in colones	1,095,561	1,057,673	1,325,646	1,355,924	1,556,077
Quasi-money	5,843,548	6,824,209	7,006,955	7,418,314	8,314,036
In foreign currencies	2,391,555	2,812,418	3,090,932	3,532,520	4,273,866
In domestic currency	3,451,993	4,011,790	3,916,024	3,885,794	4,040,170
Credit aggregates	7,072,717	7,542,989	7,880,600	9,133,806	9,840,054
Government	283,976	521,193	517,013	724,490	331,120
Rest of Public Sector	59,070	53,309	75,848	88,178	102,624
Non-financial Private Sector	6,552,256	6,779,653	7,104,798	8,044,137	9,049,167
Non-banking Private Financial Sector	177,415	188,835	182,941	277,002	357,144

Source: Central Bank of Costa Rica

Liquidity and Credit Aggregates

(in millions of current U.S. dollars)[(1)]

	At December 31,				
	2008	2009	2010	2011	2012
Liquidity aggregates	$13,959	$14,510	$16,772	$18,450	$20,826
M1	2,856	2,610	3,440	3,781	4,293
NPP	774	765	918	1,099	1,199
Current account deposits in colones	2,082	1,844	2,522	2,681	3,094
Quasi-money	11,103	11,901	13,332	14,669	16,533
In foreign currencies	4,544	4,905	5,881	6,985	8,499
In domestic currency	6,559	6,996	7,451	7,684	8,034
Credit aggregates	13,439	13,154	14,994	18,062	19,567
Government	540	909	984	143	658
Rest of Public Sector	11	93	144	174	204
Non-financial Private Sector	12,450	11,823	13,518	15,907	17,995
Non-banking Private Financial Sector	337	329	348	548	710

(1) Amounts in U.S. dollars were converted from colones using the historical average exchange rate for the period indicated.

Source: Central Bank of Costa Rica

Financial Sector

As of December 31, 2012, the banking system in Costa Rica consisted of 59 institutions: three state-owned commercial banks, two banks created by special laws (the *Banco Popular y de Desarrollo Comunal*, a full service commercial bank and the *Banco Hipotecario de la Vivienda*, which only provides mortgage loans and is responsible for managing and distributing the Government's housing loans and subsidies), 11 private banks, five non-bank financial firms, one savings and loan associations, 31 credit cooperatives, four foreign exchange firms and two *mutuales de vivienda* (housing savings and loans associations). Local regulators (SUGEF, SUPEN, SUGEVAL, and SUGESE) supervise 87.4% of total assets of private bank-related financial groups. See "Monetary System—Central Bank" for a description of the responsibilities of each regulator. Of these financial groups, *Grupo Financiero BCT* is the only one reporting a non-resident bank entity with significant asset value.

During 2012, the U.S. dollar loan portfolio of private banks accounted for 79% of the total loan portfolio of private banks, while state-owned banks and other non-bank depository institutions holdings of dollars represented 30.5% and 9.0%, respectively, of their loan portfolios. The increase in U.S. dollar denominated credit raised concerns with the financial sector's regulatory and supervisory authorities because of the implicit currency risk when such credit is given to users whose primary source of income does not generate foreign currency. As a result, both the Central Bank and the supervisory agencies (CONASSIF and SUGEF) are considering measures to ensure that economic agents (i.e., debtors/creditors) internalize this risk and thereby mitigate the effects it could have on the stability of the financial system.

As of December 31, 2012, assets of the national financial system amounted to US$36.7 billion. Public banks (including those created by special laws) accounted for 54.1% of total assets, while private banks and savings and loan associations accounted for 29.6% and 8.6%, respectively. Performing loans accounted for 64.0% of the financial system portfolio, while investments in securities and non-productive assets accounted for 16.5% and 16.3%, respectively, of the financial system portfolio. Although asset dollarization in the financial system decreased significantly from 45.3% in 2008 to 39.7% in 2011, private bank assets remained fairly dollarized as of December 31, 2011 at 71.1%. Public bank-asset dollarization in 2011 was lower at 30.0%, which reflected a stronger domestic currency-deposit base.

Since 2007, one new bank began operations, three bank mergers took place and four banks changed their legal names. *Banco General (Costa Rica), S.A.* began operations in May 2007. *Scotiabank de Costa Rica S.A.* merged with *Banco Interfín S.A.* in November 2007. *Banco Cuscatlán de Costa Rica, S.A.* merged with *Banco Uno, S.A.* in November 2008, and changed its name to *Banco Citibank de Costa Rica S.A. Financiera Acobo S.A.* became *Banco Soluciones Bansol de Costa Rica, S.A.* in November 2007, and *Citibank (Costa Rica), S.A.* became *Banco CMB (Costa Rica), S.A.* in October 2008. In November 2012, *Banco Citibank de Costa Rica S.A.* merged with *Banco CMB (Costa Rica) S.A.* and *Banco HSBC (Costa Rica)* changed its name to *Banco Davivienda (Costa Rica) S.A.*

The goals of SUGEF are to prevent financial and banking crises and to give information to depositors to aid in the depositors' decisions regarding allocation of financial risk. In furtherance of these goals, SUGEF has promulgated regulations establishing capital adequacy requirements for entities under its supervision to ensure their financial soundness and has established means of recovery or correction for such entities. SUGEF supervises the banking system and other financial entities and requires filings of balance sheets, income statements and statements of stockholders' equity every three months as well as regularly scheduled reports on foreign exchange exposure and other information from the banks operating in the Costa Rican financial system. From time to time, SUGEF conducts a full audit of the activities of each entity under its supervision. The Organic Law of the Central Bank provides SUGEF with the power to sanction financial intermediaries that do not comply with its regulations, including the powers of suspension and intervention. Following the principles of the Basel Committee on Banking Supervision, commonly known as the Basel I Framework, financial institutions must maintain a minimum ratio of total capital to risk-weighted assets equivalent to 10%. The Central Bank has not yet announced whether principles under the Basel II Framework of 2004 or the Basel III Framework of 2010 will be implemented in Costa Rica.

Historically, the participation of foreign banks in the financial system has been concentrated in corporate banking and services tied to foreign trade. Since 1994, foreign banks, including U.S., Canadian, Mexican, Caribbean, Colombian and certain Central American banks, have entered the market competing to provide personal and corporate banking services in Costa Rica. The operations in Costa Rica of the local licensed subsidiaries of foreign financial entities are subject to the same regulatory regime applicable to Costa Rican private banks. On the other hand, the activities in Costa Rica of international banks without a local license are permitted, but are limited only to the services for which a local license is not required. Similarly, other foreign non-bank institutions have begun operations in Costa Rica. In addition, the financial systems in the Central American region have been undergoing a consolidation process and Costa Rica has not been the exception. As the Costa Rican banking industry has become more competitive and sophisticated in recent years, several private Costa Rican banks have merged with other national or foreign institutions in an effort to increase their capital and draw upon the experience of their strategic partners. Today, the largest private banks are subsidiaries of banks headquartered in Colombia, Canada and the United States, with local private banks accounting for less than 2% of total assets of the system.

The following table sets forth the amounts of assets and liabilities corresponding to each category of financial institutions (excluding offshore activity) as of December 31, 2012.

Structure of the Regulated Financial System

(as of December 31, 2012)

	Assets										
	Total		**Loans[1]**		**Investments**		**Other Productive Assets**		**Non Productive Assets**		**Total**
	Millions US$	**% of total**	**Millions US$**	**% of total**	**Millions US$**	**% of total**	**Millions US$**	**% of total**	**Millions US$**	**% of total**	**Millions US$**
Commercial state banks	15,887.10	43.3%	9,448.30	40.2%	2,950.10	46.9%	295.4	31.8%	3,193.40	53.3%	14,266.40
Banco Nacional de Costa Rica	8,083.70	22.0%	4,957.90	21.1%	1,235.70	19.7%	96.5	10.4%	1,793.60	29.9%	7,241.90
Banco de Costa Rica	6,339.50	17.3%	3,932.20	16.7%	1,025.10	16.3%	194.4	21.0%	1,187.80	19.8%	5,671.10
Banco Crédito Agrícolade Cartago	1,463.90	4.0%	558.2	2.4%	689.3	11.0%	4.4	0.5%	212	3.5%	1,353.40
Banks created by special law	3,962.20	10.8%	2,749.50	11.7%	836.1	13.3%	1	0.1%	375.6	6.3%	3,089.50
Banco Hipotecario de la Vivienda	160.3	0.4%	139	0.6%	12.5	0.2%	0	0.0%	8.8	0.1%	44.8
Banco Popular y de Desarrollo Comunal	3,801.90	10.4%	2,610.50	11.1%	823.6	13.1%	1	0.1%	366.8	6.1%	3,044.70
Private banks	10,868.80	29.6%	7,216.20	30.7%	1,153.30	18.3%	616.3	66.4%	1,882.90	31.4%	9,674.80
Foreign exchange institutions	3.8	0.0%	0	0.0%	0.5	0.0%	0	0.0%	3.3	0.1%	1.9
Savings and loan associations	3,156.60	8.6%	2,166.20	9.2%	843.9	13.4%	0.9	0.1%	145.7	2.4%	2,503.60
Nonbank financial institutions	332.8	0.9%	221.8	0.9%	41.7	0.7%	14.1	1.5%	55.3	0.9%	293.7
Authorized entities of the financial system for housing	1,394.70	3.8%	941.6	4.0%	202	3.2%	0	0.0%	251.1	4.2%	1,286.10
Caja de Ahorro y Préstamo de ANDE	1,082.00	2.9%	734.9	3.1%	260.2	4.1%	0	0.0%	86.9	1.4%	285.6
Total	36,688.00	100.0%	23,478.60	100.0%	6,287.70	100.0%	927.6	100.0%	5,994.10	100.0%	31,401.60

(1) Includes loans that are current or up to 90 days past due

Source: General Superintendency of Financial Institutions

The quality of the loan portfolio of the regulated financial system deteriorated from 2008 to 2011, as the economy went into recession in 2009 after the global financial crisis. Even though it has rebounded, it still has not reached pre-crisis levels. The ratio of past due loans to total loans increased from 1.55% in 2008 to 2.08% in 2009. During 2010, the ratio of past due loans to total loan decreased to 1.87% and decreased further to 1.83% during 2011. Public banks saw a much wider deterioration in their loan portfolio than the financial system as a whole. The ratio of loans past due to total loan portfolio of public banks began at 1.86% in 2008, increased to 2.61% in 2009, but decreased to 2.41% in 2010. In 2011, the ratio of loans past due to total loan portfolio of public banks reached 2.56%.

Past Due Loan Portfolio of the Financial System

(as of December 31, 2012)

	Total Loans		Current Loans		1-30 days		31-60 days		61-90 days	
	Million of US$	% total system loans	Million of US$	% of total by entity	Million of US$	% of total	Million of US$	% of total	Million of US$	% of total
Commercial State Banks	9,769	100.0	8,977	91.9	266	2.7	156	1.6	107	1.1
Banco Nacional de Costa Rica	5,13	100.0	4,749	92.6	100.0	2.0	92	1.8	43	0.8
Banco de Costa Rica	4,059	100.0	3,71	91.4	140	3.5	49	1.2	61	1.5
Banco Crédito Agricola de Cartago	580	100.0	519	89.6	26	4.4	15	2.6	3	0.5
Banks created by special laws	2,863	100.0	2,444	85.3	226	7.9	79	2.8	30	1.1
Banco Hipotecario de la Vivienda	140	100.0	140	100.0	0.0	0.0	0.0	0.0	0.0	0.0
Banco Popular y Desarrollo Comunal	2,723	100.0	2,303	84.6	226	8.3	79	2.9	30	1.1
Private Banks	7,345	100.0	6,963	94.8	224	3.1	53	0.7	24	0.3
Non-banking financial institutions	228	100.0	203	89.1	14	6.0	4	1.7	2	0.8
Authorized entities of the financial system for housing	964	100.0	748	77.5	148	15.3	44	4.6	11	1.2
Savings and loan associations	2,196	100.0	2,021	92.0	99	4.5	42	1.9	18	0.8
Other financial institutions	742	100.0	730	98.4	7	0.9	3	0.4	1	0.1
Total	24,109	100.0	22,087	91.6	983	4.1	382	1.6	194	0.8

Source: General Superintendency of Financial Institutions

Foreign Exchange and International Reserves

Foreign Exchange

Since 1992, there have been no controls on foreign exchange convertibility or remittances in Costa Rica. Costa Rican residents are allowed to buy or sell foreign exchange without restriction, and there are no restrictions on the repatriation in foreign currency of capital or dividends by foreign investors. In addition, the Central Bank authorized state-owned and private commercial banks to participate freely in the foreign exchange market. Participants in the exchange market are authorized to maintain a net position in foreign exchange of up to 100% of capital, with daily changes restricted to 1% of the previous day's position.

In 2006, the exchange rate regime shifted from a crawling peg – prevalent between 1992-2006 – to a crawling band. Initially, the width of the band was set to increase on a daily basis with the ceiling increasing by 0.14 *colones* and the floor decreasing by 0.06 colones per day.

In 2008, the band was narrowed from 17 to 11 percentage points in response to the strong volatility displayed by the exchange rate at the outset of the global financial crisis, when the exchange rate depreciated by 10% over a period of four months (April through August 2008) and remained at the top of the crawling band through October. The floor was fixed at the current level of 500 colones per dollar and the ceiling was set to increase by 20 cents per working day. During this same period, the Central Bank intervened in the foreign exchange market, selling a total of US$1.3 billion.

In 2009, the exchange rate remained at the top of the crawling band through August and depreciated 6%, partly reflecting the increase in the trade deficit. During the second half of 2009, the exchange rate began to turn around, fluctuating within the band, and reflecting a less negative behavior in net external demand. Exchange rate policy aimed at promoting flexibility and increasing the level of integration and efficiency in the foreign exchange market by incorporating additional participants in MONEX, the foreign currency market organized by the Central Bank that provides participants with an electronic platform to negotiate and liquidate foreign currency in real time.

In 2010, the net supply of foreign exchange in the market increased, reflecting an improvement in the financial account of the balance of payments. Throughout the year, the exchange rate appreciated by an additional 11% over the appreciation already observed in 2009, reaching 507 colones per US dollar, close to the lower limit of the crawling band. Given the significant supply of foreign exchange, on September 1, 2010, the board of directors of the Central Bank agreed on an International Reserve Strengthening Program ("IRSP"), which consisted on purchasing US$600 million between September 2010 and December 2011 as a precautionary measure. Between September and December 2011, the Central Bank purchased US$265 million as part of the IRSP, and accumulated a total of US$561 million for the year as a whole.

In 2011, the exchange rate remained relatively stable. Central Bank intervention took place mostly during the first quarter, when the IRSP was completed with the purchase of US$335 million, part of which was done in defense of the crawling band. A total of US$129 million was accumulated in international reserves throughout the year. Higher current account deficit and lower government borrowing compensated the increase in direct investment and other private inflows.

In 2012, the increase in external resource inflows, combined with a lower net U.S. dollar requirement by the non-financial public sector, led to a surplus in the foreign exchange market, resulting in the exchange rate levels at the lower limit of the exchange rate band. As a result, the Central Bank intervened by buying U.S. dollars. In 2012, the nominal exchange rate appreciation was 0.6%, compared with a 3.8% appreciation in 2011.

The following table sets forth the average and period end colón/dollar exchange rates for the dates and periods indicated.

Nominal Exchange Rate

(colones per U.S. dollar)

	Average	End of Period
At December 31, 2008	¢ 526.4	¢ 550.1
At December 31, 2009	573.4	558.7
At December 31, 2010	525.7	507.9
At December 31, 2011	505.7	505.4
At January 31, 2012	509.7	502.5
At February 29, 2012	510.6	505.7
At March 31, 2012	508.8	502.6
At April 30, 2012	505.2	498.5
At May 31, 2012	504.9	496.2
At June 30, 2012	500.2	492.6
At July 31, 2012	500.7	495.1
At August 31, 2012	499.3	492.7
At September 30, 2012	498.0	492.4
At October 30, 2012	497.8	492.5
At November 30, 2012	499.9	498.0
At December 31, 2012	502.9	508.2

Source: Central Bank

International Reserves

Net international reserves of the banking system were US$3.6 billion at December 31, 2008, US$4.7 billion at December 31, 2009, US$5.3 billion at December 31, 2010, US$4.8 billion at December 31, 2011 and US$6.3 billion at December 31, 2012.

International reserves at the Central Bank recovered gradually over the last 3 years, after high commodity prices and the global financial crisis in 2008 caused net reserves to decrease from $4.9 billion in April 2008 to $3.6 billion in October 2008. Positive net accumulation of reserves took place every year beginning in 2009. International reserves increased by US$561 million in 2010, US$129 in 2011 and by US$2.1 billion in 2012.

As of December 31, 2012, net international reserves at the Central Bank amounted to 4.6 months of imports (c.i.f.) and a 1.8 ratio relative to the money base.

Securities Markets

Costa Rica has one stock exchange, the National Stock Exchange.

Laws regulating the securities market were enacted in 1990 and 1998, the first of which was designed to stimulate the development of the securities market, in part through the creation of the *Comisión Nacional de Valores* (National Securities Commission), an entity under the authority of the Central Bank with supervisory authority over the securities market in Costa Rica. The second of such laws, which became effective on March 27, 1998, restructured the *Comisión Nacional de Valores* as SUGEVAL.

SUGEVAL is responsible for promoting and regulating the Costa Rican securities markets. Its functions include authorizing public offerings of securities, issuing securities regulations and supervising the operation of stock exchanges. SUGEVAL regulates and supervises the securities markets, including setting professional ethics standards, requiring information such as annual reports from listed companies, setting controls and penalties and regulating the relationship between issuers and investors in the securities market. The securities market is dominated by trading in debt securities (principally Government bonds), while trading in equity securities is limited.

During 2011, the National Stock Exchange worked with the SUGEVAL to actively participate on a proposal that would boost the market, eliminate regulatory barriers and expand opportunities both for new issuers and for financing investment projects.

The main regulatory changes in the securities market approved by CONASSIF in the last three years include reforms to public offering regulations to allow issuances by public infrastructure trusts and changes to investment fund regulations to authorize private and venture capital investment funds. Other regulations enacted during that period were rating agencies rules to comply with IOSCO Principles on Rating Agencies, corporate governance regulations, which are compulsory rules that apply to banks, broker agencies, fund managers and insurance companies, and securities clearing and settlement regulations.

The global financial crisis significantly impacted Costa Rica's stock market performance in 2008, but more so in 2009, when volume traded at the exchange declined, and the average maturities of instruments shortened. The economic slowdown also pushed investors to hold off on investment projects.

The following table sets forth trading volume for the National Stock Exchange for the periods indicated.

Stock Exchange Trading Volume

(in millions of U.S. dollars, unless otherwise indicated)[1]

	For the Year ended December 31,									
	2008		2009		2010		2011		2012	
National Stock Exchange	**Amount**	**% of Total**	**Amount**	**% of Total**	**Amount**	**% of Total**	**Amount**	**% of Total**	**Amount**	**% of Total**
Debt market										
Public sector issuer										
Short term (Commercial paper)	$778	1.5%	$857	1.9%	$991	2.0%	$735	1.2%	$1,077	2.0%
Long term (bonds)	576	1.1%	1,698	3.7%	2,758	5.7%	3,974	6.5%	4,609	8.0%
Total primary market	1,354	2.6%	2,555	5.6%	3,749	7.7%	4,709	7.7%	5,686	10.0%
Short term (Commercial paper)	565	1.1%	678	1.5%	450	0.9%	298	0.0%	313	1.0%
Long term (bonds)	3,242	6.3%	2,789	6.1%	4,284	8.8%	5,336	9.0%	2,621	4.0%
Repos [2][3][4]	34,464	66.9%	27,270	60.1%	27,932	57.5%	36,615	60.0%	36,500	61.0%
Total secondary market	38,271	74.3%	30,737	67.7%	32,666	67.3%	42,249	69.0%	39,434	66.0%
Public sector total	39,625	76.9%	33,292	73.4%	36,415	75.0%	46,958	77.0%	45,120	76.0%
Financial sector issuer										
Short term (Commercial paper)	1,385	2.7%	1,850	4.1%	1,779	3.7%	1,576	2.6%	1,859	3.0%
Long term (bonds)	253	0.5%	155	0.3%	277	0.6%	226	0.4%	358	1.0%
Total primary market	1,638	3.2%	2,005	4.4%	2,056	4.2%	1,802	3.0%	2,217	4.0%
Short term (Commercial paper)	338	0.7%	503	1.1%	1,081	2.2%	1,390	2.3%	2,225	4.0%
Long term (bonds)	111	0.2%	61	0.1%	67	0.1%	274	0.4%	82	0.0%
Repos [2][3][4]	5,470	10.6%	5,768	12.7%	5,743	11.8%	7,878	12.9%	7,280	12.0%
Total secondary market	5,919	11.5%	6,332	14.0%	6,891	14.2%	9,542	15.6%	9,587	16.0%

Financial sector total	7,557	14.7%	8,337	18.4%	8,947	18.4%	11,344	18.6%	11,804	20.0%
Private sector issuer										
Short term (Commercial paper)	-	0.0%	15	0.0%	-	0.0%	-	0.0%	-	0.0%
Long term (bonds)	52	0.1%	149	0.3%	24	0.0%	24	0.0%	23	0.0%
Total primary market	52	0.1%	164	0.4%	24	0.0%	24	0.0%	23	0.0%
Short term (Commercial paper)	-	0.0%	4	0.0%	2	0.0%		0.0%	-	0.0%
Long term (bonds)	44	0.1%	155	0.3%	255	0.5%	181	0.3%	96	0.0%
Repos (2)(3)(4)	523	1.0%	814	1.8%	1,026	2.1%	1,171	1.9%	1,022	2.0%
Total secondary market	567	1.1%	973	2.1%	1,283	2.6%	1,352	2.2%	1,118	2.0%
Private sector total	619	1.2%	1,137	2.5%	1,307	2.7%	1,376	2.3%	1,140	2.0%
International issuer										
Short term (Commercial paper)	0	0.0%	11	0.0%	116	0.2%	147	0.2%	35	0.0%
Long term (bonds)	45	0.1%	60	0.1%	26	0.1%	55	0.1%	2	0.0%
Repos (2)(3)(4)	469	0.9%	319	0.7%	172	0.4%	102	0.2%	64	0.0%
International issuer total	514	1.0%	390	0.9%	314	0.6%	304	0.5%	101	0.0%
Debt market total	48,315	93.8%	43,156	95.1%	46,983	96.8%	59,982	98.3%	58,165	98.0%
Stocks	142	0.3%	31	0.1%	41	0.1%	75	0.1%	192	0.0%
Stock market total	142	0.3%	31	0.1%	$ 41	0.1%	75	0.1%	192	0.0%
Others	3,058	5.9%	2,185	4.8%	1,515	3.1%	980	1.6%	1,186	2.0%
National Stock Exchange total	51,515	100.0%	45,371	100.0%	48,539	100.0%	61,037	100.0%	59,543	100%
Market capitalization	1,720		1,412		1,581		1,661		1,613	-
Number of listed companies(5)	43		42		44		46		45	

(1) Transactions in colones have been translated into US dollars at the Central Bank in effect on the date of the transaction.

(2) Repurchase agreements or repos.

(3) Considers only the buying position to avoid duplicating trading volume on repos.

(4) Repos includes interest on the transaction.

(5) Issuers authorized by the SUGEVAL to list securities on the stock exchange.

Source: SUGEVAL

PUBLIC SECTOR FINANCES

The Costa Rican public sector is composed of the Government, non-financial public sector institutions (including state-owned companies), and financial public sector institutions (including the Central Bank and the state-owned banks). Government expenditures are financed through the collection of income taxes, sales taxes, other minor taxes and tariffs, as well as through domestic and external borrowings. In recent years, Government's current expenditures have consisted primarily of wages and salaries, interest on domestic public debt, pension payments, social security payments and transfers to a state fund for higher education.

The following table sets forth a summary of Government accounts and their percentage of GDP for the periods indicated.

Government Finances

(in millions of U.S. dollars and percentage of total GDP)

	For the Year Ended December 31,									
	2008		2009		2010		2011		2012	
	millions US$	% of GDP	millions US$	% of GDP	millions US$	% of GDP	millions US$	% of GDP	millions US$	% of GDP
Total revenue	$4,731	15.9	$4,121	14.0	$5,219	14.4	$5,981	14.6	$6,506	14.5
Current income	4,730	15.9	4,114	14.0	5,216	14.4	5,980	14.6	6,498	14.4
Tax Revenues	4,577	15.3	3,945	13.4	4,741	13.1	5,476	13.4	5,980	13.3
Income tax	1,310	4.4	1,199	4.1	1,423	3.9	1,639	4.0	1,773	3.9
On imports	298	1.0	204	0.7	240	0.7	290	0.7	302	0.7
On exports	9	0.0	8	0.0	8	0.0	8	0.0	8	0.0
Sales (domestic)	1,780	6.0	1,448	4.9	1,751	4.8	2,036	5.0	2,234	5.0
Consumption (domestic)	312	1.0	205	0.7	279	0.8	345	0.8	374	0.8
Other taxes	868	2.9	881	3.0	1,039	2.9	1,159	2.8	1,290	2.9
Social contributions	83	0.3	95	0.3	116	0.3	132	0.3	147	0.3
Non-taxes revenues	22	0.1	23	0.1	52	0.1	45	0.1	41	0.1
Transfers	49	0.2	51	0.2	307	0.8	327	0.8	330	0.7
Capital revenue	1	0.0	7	0.0	3	0.0	1	0.0	8	0.0
Total expenditures	4,675	15.7	5,121	17.4	7,087	19.6	7,652	18.7	8,501	18.9
Current expenditures	4,028	13.5	4,595	15.6	6,233	17.2	7,052	17.3	7,842	17.4
Wages and salaries	1,627	5.5	1,944	6.6	2,568	7.1	2,993	7.3	3,275	7.3
Goods and services	167	0.6	185	0.6	230	0.6	268	0.7	284	0.6
Interest on the public debt	646	2.2	628	2.1	764	2.1	889	2.2	938	2.1
Domestic	485	1.6	489	1.7	641	1.8	773	1.9	845	1.9
External	161	0.5	139	0.5	123	0.3	116	0.3	93	0.2
Current transfers	1,588	5.3	1,837	6.3	2,672	7.4	2,902	7.1	3,345	7.4
Public sector	762	2.6	837	2.8	1,000	2.8	1,123	2.7	1,216	2.7
Private sector	814	2.7	981	3.3	1,623	4.5	1,762	4.3	2,115	4.7
External sector	12	0.0	19	0.1	49	0.1	18	0.0	14	0.0
Capital expenditures	524	1.8	526	1.8	854	2.4	600	1.5	659	1.5
Fixed investment	117	0.4	143	0.5	123	0.3	142	0.3	102	0.2
Capital transfers	407	1.4	383	1.3	731	2.0	458	1.1	556	1.2
Fiscal balance (deficit) /surplus	56	0.2	(999)	(3.4)	(1,867)	(5.2)	(1,672)	(4.1)	(1,995)	(4.4)

Current balance (deficit) /surplus	703	2.4	(481)	(1.6)	(1,017)	(2.8)	(1,072)	(2.6)	(1,344)	(3.0)
Primary balance (deficit)/surplus	702	2.4	(371)	(1.3)	(1,103)	(3.0)	(783)	(1.9)	(1,057)	(2.3)

(1) Amounts in U.S. dollars were converted from colones using the historical average exchange rate for the period indicated.

Source: Ministry of Finance

During the past years, the Government has embarked on efforts to improve tax administration, control and improve the quality of spending, modernize its information systems, while introducing several laws geared toward raising revenues. In 2011, the Government proposed a "Fiscal Solidarity Law" (*Proyecto de Ley de Solidaridad Tributaria*), a tax reform that was expected to yield 1.5% of GDP in additional revenues for the Government. In April 2012, however, the Constitutional Court decided to annul the law on procedural grounds. During 2012, in light of the fragility of public finances, international economic instability and the absence of structural changes and the rejection of the Fiscal Solidarity Law, the Ministry of Finance implemented specific measures to contain spending and improve tax administration. In particular, measures were implemented that focused on the audit of high-risk groups that were most likely to evade taxes. Additionally, in the second half of 2012 the Legislative Assembly approved two new tax laws: *Ley de Cumplimiento de Transparencia Fiscal*, which allows the Directorate General of Taxation (*Dirección General de Tributacioń* or "DGT") to obtain the bank information of taxpayers more quickly and facilitates the exchange of tax data between banks of different countries, and *Ley del Fortalecimiento de la Gestión Tributaria*, which increases penalties for taxpayers who mis-declare or violate the required quarterly income tax payments, among other important tax reforms. Both laws came into force as of September 28, 2012.

In 2012, the Government passed a law that imposed higher penalties on tax crimes. The Government, as part of its strategy to increase efficiency in tax collection, has implemented a training program for judges and prosecutors to clarify how to identify and deal with tax crimes.

The measures undertaken by the Directorate General of Customs, Directorate General of Taxation and Fiscal Control Police to reduce tax evasion and fraud were instrumental in increasing tax revenues by 20.2% in 2010 as compared to 2009, and by 15.5% in 2011 as compared to 2010. In 2012, tax revenues increased from US$5.5 billion in 2011 to US$6.0 billion, an increase of 9.2%. In comparison with previous years, custom duties in 2012 presented a lower growth rate, as did income tax collection and general sales tax.

As a way to contain expenditure growth, the executive branch of the Government issued a directive to the ministries, public authorities and institutions subject to its budgetary authority not to raise their current recurring spending plans by over 4% from 2011 levels. The directive does not cover expenditures for security and education. As of the date of this Offering Circular, the directive is still in effect.

In 2012, the Government's fiscal deficit stood at 4.4% of GDP, compared to a deficit of 4.1% of GDP in 2011, as total expenditures grew from US$7.7 billion in 2011 to US$8.5 billion in 2012 (an increase of 11.1%) while total revenues grew from US$6.0 billion in 2011 to US$6.5 billion in 2012 (an increase of 8.8%). The increase in total expenditures is primarily due to the 9.7% increase in capital expenditures compared to 2011.

In 2011, the Government reduced the fiscal deficit to 4.1% of GDP from 5.2% of GDP in 2010, primarily as a result of improvements in tax revenues, an expenditure containment policy, and delays in executing certain investment projects. Although tax revenues improved slightly in 2011 to 13.4% of GDP, compared with 13.1% in 2010, their recovery remains subject to important risks, especially due to the fragile state of the world economy. The Government also enacted expenditure directives geared toward containing discretionary spending that allowed expenditures to grow by less than 8% annually, compared with 38% in 2010. Even though the Government pushed for quick and efficient execution of investment projects, some agencies were not able to execute according to the desired timeline, which had the indirect effect of improving the overall deficit. Generally, all current expenditure items presented growth rates lower than those observed in 2010, with the exception of interest debt payments in response to higher financing requirements by the Government.

The fiscal situation deteriorated in 2010 in the midst of the political transition where a new Government took office in May. The Government had to evaluate a strategy to improve the fiscal situation and consider all its options, including proposing a comprehensive fiscal reform. The Government designed a strategy that took into account an incipient economic recovery process after the global financial crisis of 2009. The executive branch used administrative actions in order to increase the tax collections by concentrating efforts in achieving a stronger control over high risk tax evasion groups, such as informal companies' records, thereby improving the Government's position in the fight against tax evasion and contraband.

In 2010, the Government launched a digital public purchases model known as "Mer-link," a system that would allow enterprises, persons and suppliers, to sell or negotiate goods or services on-line with public institutions. This was part of "*Proyecto de Gobierno Digital*" (Digital Government Project). In addition, the Legislative Assembly approved a luxury house tax for houses that are worth more than US$208,000. The revenues would be earmarked to fund low income housing programs.

In 2010, expenditures rose significantly, in line with the trend of previous years. Total Government expenditures increased 38%, while non-interest expenditures increased by 41%. The expansionary fiscal policy that increased expenditure to avoid a recession during 2009 generated further increases in expenditures in 2010. The Government in 2009 expanded social programs and increased public sector salaries, measures that could not be reversed in 2010.

The following table sets forth the consolidated public sector deficit as a percentage of GDP for the periods indicated.

Consolidated Public Sector Deficit

(percentage of GDP)

	For the Year Ended December 31,			
	2008	**2009**	**2010**	**2011**
Government	0.2%	(3.4)%	(5.2)%	(4.1)%
Central Bank	(0.2)	(0.8)	(0.5)	(0.6)
Remainder of non-financial public sector	(0.4)	0.3	0.3	0.5
Total	(0.4)	(3.9)	(5.4)	(4.2)

Source: Ministry of Finance

The following table sets forth the composition of the Government's tax revenues for the periods indicated.

Composition of Tax Revenues

(percentage of total)

	For the Year Ended December 31,				
	2008	**2009**	**2010**	**2011**	**2012**
Tax Revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Sales	38.9	36.7	36.9	37.2	37.3
Income tax	28.6	30.4	30.0	29.9	29.6
Other taxes	19.0	22.3	21.9	21.2	21.6
Consumption	6.8	5.2	5.9	6.3	6.2
On imports	6.5	5.2	5.1	5.3	5.1
On exports	0.2	0.2	0.2	0.1	0.1

Source: Ministry of Finance

Tax revenues in 2012 recorded an increase of 9.2%, compared with increases of 15.5% in 2011 and 20.2% in 2010. During 2012, the increase in tax revenues was primarily due to the presence of new taxes on tobacco products and on legal persons (corporations). Revenues from sales taxes increased by 9.7% in 2012 compared to 2011.

During 2011, most categories of tax receipts increased in response to the economic recovery in 2010. Income taxes presented some recovery signs in 2010, although, they have not reached pre-crisis observed growth rates. Individual income taxes showed growth, partly due to an upturn in domestic economic activity. The growth in sales taxes was a response to higher domestic demand linked to industrial and tourism activities. Taxes from manufacturing and construction activities, however, contracted. Other tax revenues, including taxes on alcoholic beverages, revenue stamps, and territorial exit fees fuel tax, decreased compared with 2009.

In 2009, the Costa Rican economy was impacted by the international financial crisis, including a dramatic slowdown in economic activity, as well as a decline in foreign direct investment. Even though all industries were not affected in the same way, tax collections decreased by more than 2 percentage points of GDP.

In this context, the Government promoted an expansionary fiscal policy, aimed at expanding aggregate demand to moderate the impact of the recession. The strategy emphasized expenditure increases, as well as tapping into external financing to undertake social expenditure, to protect the public investment program and promote financial stability. The Government financed most of these expenditures domestically, including the placement of US$150 million of bonds purchased by the People's Republic of China maturing January 23, 2020.

Tax collection contracted by 13.8% in 2009, mainly as a consequence of the global financial crisis. Customs duties were the most affected, decreasing by 31.5% in 2009, mainly due to the decline in imports. Additionally, income taxes decreased by 8.5% in 2009. The size of the decline, however, implied a significant drop in overall collections. Sales taxes also declined by 18.7% in 2009, mainly due to the deterioration of economic activity in commerce, construction, hotels and restaurants.

Total Government expenditures increased by 9.5% in 2009. Primary expenditure (total expenditure excluding interest) increased by 11.5% in 2009, primarily as a consequence of higher wages resulting from a Government policy that adjusted professional salaries in the Government to be in line with the rest of the public sector. Expenditures also increased as a result of increased transfers to the non-contributive pension regimes and social programs (including current and capital transfers), including transfers to the CONAVI and FODESAF.

The following table sets forth the composition of the Government's expenditures for the periods indicated.

Composition of Government Expenditures

(percentage of total expenditures)

	For the Year Ended December 31				
	2008	2009	2010	2011	2012
Total expenditures	100.0%	100.0%	100.0%	100.0%	100.0%
Wages and salaries	34.8	38.0	36.2	39.1	38.5
Current transfers	34.0	35.9	37.7	37.9	39.3
Interest on the public debt ..	13.8	12.3	10.8	11.6	11.0
Capital expenditures	11.2	10.3	12.0	7.8	7.8
Goods and services	3.6	3.6	3.2	3.5	3.3

Source: Ministry of Finance

In 2008, the Ministry of Finance executed initiatives to improve tax administration. In 2008, the Government proposed budget amendments to attend to food security and to recapitalize public banks. The budget amendments were passed in September 2008 and enabled Government banks to extend their credit capabilities.

During 2008, the Ministry of Finance continued to pursue the modernization of the Customs and Domestic Tax Administration. As a result of these efforts, the Government was able to include exports in the Custom Control Technological Information System (TIC@), the customs administration information system. Additionally, the DGT introduced new web-based tools that facilitate tax compliance.

The following table sets forth Government borrowings for the periods indicated:

Government Financings

(in millions of U.S. dollars and percentage of total GDP)

	2008		2009		2010		2011		2012	
	Millions US$	%GDP	Millions US$	%GDP	Millions US$	%GDP	Millions US$	%GDP	Millions US$	%GDP
Total Revenues	$4,731	15.9%	$4,121	14.0%	$5,219	14.4%	$5,981	14.6%	$6,506	14.5%
Total Expenditures	4,675	15.7	5,121	17.4	7,087	19.6	7,652	18.7	8,501	18.9
Overall Balance	56	0.2	(999)	(3.4)	(1,867)	(5.2)	(1,672)	(4.1)	(1,995)	(4.4)
Net Financing Required	(56)	(0.2)	999	3.4	1,867	5.2	1,672	4.1	1,995	4.4
Net External Borrowing	(93)	(0.3)	(325)	(1.1)	469	1.3	(221)	(0.5)	708	1.6
Net Internal Borrowing	37	0.1	1,324	4.5	1,398	3.9	1,893	4.6	1,287	2.9
Central Bank	78	0.3	(43)	-0.1	(442)	(1.2)	434	1.1	(930)	(2.1)
Commercial Banks	(36)	(0.1)	0	0.0	121	0.3	249	0.6	253	0.6
Government bonds net	0.0	0.0	0	0.0	0	0.0	0.0	0.0	0.0	0.0
Other	(6)	0	1,368	4.7	1,719	4.7	1,21	3	1,964	4.4
Residual	(205)	(0.7)	1,301	4.4	1,246	3.4	1,139	2.8	1,899	4.2

Source: Ministry of Finance

2013 Budget

The 2013 National Budget Law was approved by the Legislative Assembly in November 2012. The budget was prepared considering the difficult fiscal situation faced by Costa Rica in recent years, while considering the commitments that the Government made with the different sectors of the population. The budget allocates 47.4% of expenditures to social sectors such as education, social protection, health, housing, and recreation and cultural services.

The 2013 budget includes three new elements that will have a substantial impact on revenues and expenditures. First, the Legislative Assembly approved two new taxes that have been allocated for a specific purpose: the tax on legal persons (Law No. 9024) and the tax on tobacco products (Law No. 9028). The estimated revenue from these taxes is US$140 million, or approximately 0.3% of GDP. Second, although the Constitution mandates that a maximum of 0.19% of GDP be spent on presidential and legislative elections, the budget includes only 0.11% of GDP under the assumption that the Legislative Assembly will approve a law to limit the expenditure temporarily, similar to the one approved in 2009 for the 2010 elections. Third, the bill entitled "The Efficient Management in Public Finances," currently under discussion in the Legislative Assembly, includes a specific article that reduces election spending to a maximum of 0.08% of the GDP in 2013.

The following are the principal assumptions utilized in the 2013 budget.

Assumptions Underlying 2013 Budget

(percentages, except as indicated)

Inflation	5.0
Devaluation	2.7
Real growth in GDP	4.3
Nominal growth in GDP	9.6
Real interest rate	3.9
Nominal interest rate	8.9

Source: Ministry of Finance

The 2013 budget assumes total current revenue for 2013 to be 14.8% of GDP, or US$6.9 billion, implying that revenues are expected to grow by 11.7%. Total expenditures are anticipated to be 26.1% of GDP, or US$12.3 billion, implying that expenditures are expected to grow by 7.7%. The rate of growth in expenditures is expected to be lower than that observed in 2011 (13.7%) and in 2012 (9.1%). Total expenditures as a percentage of GDP are expected to be 0.4 percentage points less in 2013 than in 2012. Budgeted interest expenditure for 2013 is expected to increase by 23.1%, compared with the 2012 budget.

Current expenditure in the 2013 budget is higher than current expenditure in the 2012 budget, mainly due to higher interest expenses, the impact of taxes on legal persons and tobacco products and the increase in expenses for the elections in 2014. Current expenditures are expected to grow by 7.7% in 2013.

The 2013 budget anticipates that capital expenditures financed by domestic debt will decrease by 9% compared with 2012. If the investment component financed with external resources is included, capital expenditures are expected to grow by 23%, from 1.7% of GDP in 2012 to 1.9% of GDP in 2013. This capital expenditure increase includes the first infrastructure road program, the first cantonal road network program, "*Bajos de Chilamate*" and "*Vuelta de Kooper*" projects, as well as the refurbishment of the existing cantonal road network, among others.

The 2013 budget protects social spending, which reflects the priorities of the Government. The sectors that contribute the most to the budget growth are education (43.7%), social protection (work and pensions) (27.0%) and public safety (14.5%).

The 2013 budget contemplates a lesser amount of indebtedness compared with the last two years as a result of current income growing faster than amortizations and domestically financed expenditures, including amortization.

The authorization by the Legislative Assembly for the placement of securities in the international market is also expected to substantially reduce the domestic component of public indebtedness. In particular, the placement of securities abroad will replace expensive domestic debt for less expensive external debt, thus allowing a proportion of the scheduled repayments to be financed with the issuance of external debt. The Government estimates that domestic indebtedness will be reduced by approximately 25% in 2013.

Despite the efforts in expenditure containment and improvements in tax collections, current income in 2013 is not expected to be sufficient to fund all current expenditure. Thus, 21% of current expenditure in 2013 is anticipated to be financed with public debt. Education, which is considered public investment in human capital, however, represents a high percentage of expenditure in the 2013 budget and is classified as a current expenditure. If the expenses in education are excluded from current expenditures, then current revenues is expected to cover all current expenditures.

The budget for 2013 anticipates a Government fiscal deficit of 4.9%, slightly higher than the Government's fiscal deficit for 2012 of 4.4% of GDP.

The Government is implementing a comprehensive fiscal strategy, which includes the following key initiatives:

- *Restraining current expenditures*. Since the beginning of the current administration, the Government has implemented strict policies to restrain current expenditures, which have contributed to the reduction of the growth rate of current expenditures to single digits. Beginning in 2011, the Government issued a Presidential Directive that froze employment levelposts and limited the filling of vacancies. Additionally, the Government has limited wage increases to expected inflation, including in the 2013 budget.

- *Safeguarding public investment and social spending*. The Government is committed to undertaking productive investment projects and using innovative ways to finance them. For example, it has used concessions to expand and improve the road network, airports and ports. At the same time, it has maintained or expanded social expenditures in areas such as security, education and health.

- *Strengthening the fight against tax evasion, elusion, and contraband*. The Legislative Assembly approved in 2012 a set of laws that eliminated loopholes in tax and customs administration and gave Costa Rica's tax administration more instruments to increase the efficiency of tax and customs collection policies. The recently approved Law on Fiscal Transparency allows tax authorities to more easily open bank accounts for tax auditing purposes and facilitates other tax administrations. Additionally, the fiscal control police is also executing more operations and the Ministry of Finance is implementing a program with the judicial branch to train the courts to better understand tax crime.

- *Expanding financing options for the Government.* During 2012, the Legislative Assembly approved a law that authorizes the Government to place up to four billion U.S. dollars in the international financial market over the next 10 years. On November 21, 2012, the Government placed a 10-year bond with an aggregate principal amount of US$1 billion and a yield of 4.250%. By expanding the possible investor base for Costa Rican sovereign bonds, the Government has begun to, and expects to continue to, lower its borrowing cost compared to the domestic market, lowering the overall public sector deficit and easing pressure on domestic interest rates.

- *Undertaking a National Dialogue for Fiscal Consolidation.* The Government is committed to lowering the fiscal deficit and stabilizing the public sector debt ratio, and is currently discussing with think tanks and universities a comprehensive fiscal consolidation strategy that will affect expenditures and revenues. This process will yield a proposal that will begin a national dialogue with all stakeholders to reach a consensus on ways to strengthen the finances of the public sector, including the achievement of a primary balance equilibrium for the Government in the medium term. The national dialogue is intended to result in a proposal that will incorporate the most important elements of the consensus reached, which the Government will present to the Legislative Assembly with the aim of obtaining approval before the next administration assumes office in May 2014.

PUBLIC SECTOR DEBT

Costa Rica's gross public sector debt is comprised of the domestic and external debt of the Government, the Central Bank, state-owned non-financial companies and the autonomous agencies of the Government. Gross public sector debt does not include public sector financial institutions. Costa Rica's total domestic public debt consists of colón-denominated debt and foreign-currency denominated debt issued in Costa Rica by the Government, the Central Bank and autonomous agencies of the Government and non-financial public sector institutions and enterprises. Costa Rica's total gross public sector external debt consists of loans from foreign creditors to the Government, the Central Bank, autonomous agencies of the Government and non-financial public sector institutions and enterprises as well as bonds of these entities issued outside of Costa Rica. At June 30, 2012, approximately 3.3% of the indebtedness of the non-financial public sector was guaranteed by the Government.

Costa Rica's total gross public sector debt fluctuated from 39.4% of GDP in 2008 (US$11.2 billion) to 51.9% in 2012 (US$23.1 billion). After going through a fiscal consolidation process driven mostly by strong economic performance during 2007 and 2008, the global financial crisis triggered an expansionary fiscal policy that implied a deterioration of public finances from 2009 onwards. Additionally, legal constraints obligated the Government to rely more on domestic resources to finance its fiscal deficit. In 2008, 69.6% of total public sector debt was domestic debt. While the share of domestic debt of total public sector debt decreased to 73.6% in 2009, it increased to 75.6% in 2010, to 79.0% in 2011 and to 79.3% in 2012.

On August 24, 2012 the Legislative Assembly approved Law 9070, which authorizes the Government to issue in the international markets up to US$4.0 billion of debt over the next ten years, with a maximum of US$1.0 billion (or its equivalent in other external currency) of debt per calendar year. The main objective of Law 9070 is for the Government to substitute expensive domestic debt with cheaper external debt. On November 21, 2012, the Republic issued U.S.$1.0 billion aggregate principal amount of its Notes due 2023.

Government debt reached US$7.0 billion in 2008 (24.7% of GDP), US$8.2 billion in 2009 (27.2% of GDP), US$10.9 billion in 2010 (29.1% of GDP), US$12.5 billion in 2011 (30.7% of GDP) and US$15.7 billion in 2012 (35.3% of GDP). Government debt increased by 10.6% of GDP from 2008 to 2012, mainly due to the decrease in tax revenues and the expansionary fiscal policy that the Government implemented to mitigate the effects of the 2009 global financial crisis, which led to an increase in the deficit and gross financing needs. In addition to the incurrence of Government debt to finance the fiscal deficit, the increase in Government indebtedness in 2012 compared to 2011 reflected the receipt of proceeds from the issuance of the Republic's Notes due 2023 in November 2012, which proceeds have been and will continue to be used during the first half of 2013 to refinance maturities of domestic and external Government debt. The Government debt contributed the largest share to total public sector debt, averaging 65.8% of total public sector debt over the period from 2008 to 2012. Since 2004, the Government has repaid external debt by issuing relatively expensive domestic debt. However, with the enactment of Law 9070, the Government has been and will continue to be able to issue external debt to refinance such maturities.

The following table sets forth the composition of public sector debt between domestic and external debt.

Total Public Sector Debt

(in millions of U.S. dollars and as a percentage of total)

	At December 31,									
	2008		2009		2010		2011		2012	
Domestic Public Debt ...	$7,795	69.6%	$9,315	73.6%	$12,119	75.6%	$14,939	79.0%	$18,320	79.3%
Foreign Public Debt	3,410	30.4	3,346	26.4	3,917	24.4	3,959	21.0	4,786	20.7
Total	$11,204	100.0%	$12,661	100.0%	$16,036	100.0%	$18,898	100.0%	$23,106	100.0%

Source: Ministry of Finance

Total Public Sector Debt

(as a percentage of GDP)

	At December 31,				
	2008	**2009**	**2010**	**2011**	**2012**
Domestic Public Debt	27.4%	31.1%	32.5%	36.8%	41.1%
Foreign Public Debt	12.0	11.2	10.5	9.7	10.7
Total	39.4%	42.2%	43.1%	46.5%	51.9%

Source: Ministry of Finance

The following table sets forth the public sector debt of the Government, non-financial public sector and the Central Bank as at the end of each year.

Total Public Sector Debt

(in millions of U.S. dollars and as a percentage of total)

	At December 31,									
	2008		**2009**		**2010**		**2011**		**2012**	
Central Government	$7,033	62.8%	$8,151	64.4%	$10,851	67.7%	$12,489	66.1%	$15,744	68.1%
Non-Financial Public Sector	1,417	12.6	1,975	15.6	2,441	15.2	3,056	16.2	3,303	14.3
Central Bank	2,754	24.6	2,535	20.0	2,744	17.1	3,354	17.7	4,059	17.6
Total	$11,204	100.0%	$12,661	100.0%	$16,036	100.0%	$18,898	100.0%	$23,106	100.0%

Source: Ministry of Finance

Total Public Sector Debt

(as a percentage of GDP)

	At December 31,				
	2008	**2009**	**2010**	**2011**	**2012**
Central Government	24.7%	27.2%	29.1%	30.7%	35.3%
Non-Financial Public Sector ...	5.0	6.6	6.6	7.5	7.4
Central Bank	9.7	8.5	7.4	8.3	9.1
Total	39.4%	42.2%	43.1%	46.5%	51.9%

Source: Ministry of Finance

Domestic Debt

From 2008 to 2012, most of Costa Rica's public sector domestic debt was issued through bonds. The balance of public sector domestic debt was from loans by commercial entities and multilateral organizations.

Costa Rica's public sector deficits are financed primarily through *Títulos de Propiedad de la Deuda Interna* ("Treasury Bonds"). These instruments are sold primarily through public auctions with a portion being placed with state-owned institutions and enterprises. The Central Bank's debt is issued through BEMs and certificates of deposit.

The non-financial public sector used the domestic market to finance itself in relatively small amounts prior to 2008. Beginning in 2009, however, the non-financial public sector started increasing its use of the domestic market.

The non-financial public sector's domestic debt increased from US$126.5 million in 2008 to US$413.7 million in 2009, to US$801.3 million in 2010, and to US$1.1 billion in 2011. The non-financial public sector's domestic debt remained at the same level in 2012 as recorded in 2011 at US$1.1 billion. The increase in the use of domestic debt since 2008 can be explained by Law 8660, "*Ley de Fortalecimiento y Modernización de la Entidades Públicas del Sector Telecomunicaciones*," which was approved by the Legislative Assembly in July 2008 and allowed the ICE to use domestic and external financial instruments in amounts to cover its funding needs up to 45% of its assets.

As of December 31, 2012, the domestic debt obligations of the Central Bank accounted for US$4.0 billion, or 22.1% of total gross public sector domestic debt.

The Central Bank and the Government hold auctions of BEMs and Treasury Bonds once a week, at which time stock exchange brokers submit their bids as to amount and interest rates. The aggregate amount of BEMs and Treasury Bonds offered in each auction is based on the financial needs of the Government and the liquidity of the financial system, compared with the Central Bank's monetary targets.

The following table sets forth the gross public sector domestic debt as of the dates indicated.

Gross Public Sector Domestic Debt

(in millions of U.S. dollars and as a percentage of total)

	At December 31,									
	2008		2009		2010		2011		2012	
Central Government	$4,984.0	63.9%	$6,424.0	69.0%	$8,624.0	71.2%	$10,483.0	70.2%	$13,024.0	71.1%
Non-Financial Public Sector	127.0	1.6	414.0	4.4	801.0	6.6	1,146.0	7.7	1,273.0	6.9
Central Bank	2,684.0	34.4	2,477.0	26.6	2,693.0	22.2	3,310.0	22.2	4,024.0	22.0
Total	$7,795.0	100.0%	$9,315.0	100.0%	$12,119.0	100.0%	$14,939.0	100.0%	$18,320.0	100.0%

Source: Ministry of Finance

The following table sets forth the holdings of gross public sector domestic debt as of the dates indicated.

Holdings of Gross Domestic Debt

(percentage of total gross domestic debt)

	At December 31,				
	2008	**2009**	**2010**	**2011**	**2012**
Government bonds	64.0 %	74.0 %	74.9 %	74.3 %	76.2
Central Bank(1)	0.6	0.5	0.3	0.2	0.1
National financial system(2)	10.7	15.8	18.7	16.4	15.2
Public institutions	39.2	36.8	36.7	38.0	34.1
Internal private sector	11.2	16.8	15.9	17.0	24.7
External sector	2.3	4.2	3.4	2.7	2.2
Central Bank bonds (BEMs)	36.0	26.0	25.1	25.7	23.8
National financial system(2)	6.0	5.1	5.9	7.1	6.5
Public institutions	14.6	10.1	8.9	9.0	8.3
Internal private sector	15.4	10.8	10.3	9.6	9.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%

(1) The Central Bank is prohibited from financing the activities of the Government, except under limited specific circumstances. See "Monetary System—Central Bank."
(2) Includes commercial banks and other non-banking financial private intermediaries (saving and loans associations and cooperatives, credit unions and other nonbanking financial private companies).

Source: Ministry of Finance and Central Bank of Costa Rica

The following table sets forth the aggregate principal amount of Government bonds in circulation as of the dates indicated.

Government Bonds in Circulation

(in millions of U.S. dollars at book value, except percentages(1))

	Total		**Colón Denominated Bonds**		**U.S. Denominated Debt**		**Other Currencies**	
At December 31, 2008	$7,033.3	100%	$4,263.4	60.6%	$2,270.3	32.3%	$499.7	7.1%
At December 31, 2009	8,151.4	100	5,262.7	64.6	2,411.7	29.6	476.9	5.9
At December 31, 2010	10,851.3	100	7,170.5	66.1	2,703.9	24.9	976.8	9.0
At December 31, 2011	12,489.2	100	8,790.3	70.4	2,692.3	21.6	1,006.6	8.1
At December 31, 2012	15,744.0	100	10,911.8	69.3	3,861.7	24.5	970.5	6.2

(1) Percentage of total Government debt

Source: Ministry of Finance

Historically, the Government and the Central Bank issued debt with maturities of six months or less. Beginning in 1999, the Government and the Central Bank developed more competitive joint auctions through the use of standardized financial instruments and issued a greater amount of debt with terms of one, three, five, seven, 10 and 15 years. The following table sets forth the maturities for Government bonds in circulation as of the dates indicated.

Government Bonds in Circulation, by Maturity

(percentage of total Government debt)

	At December 31,				
	2008	2009	2010	2011	2012
From 8 to 30 days	2.8%	3.8%	2.6%	1.6%	0.9%
From 31 to 90 days	5.6	3.8	7.1	6.2	6.4
From 91 to 180 days	2.8	2.5	3.8	5.8	3.4
From 181 to 360 days	6.5	7.9	6.8	3.6	4.3
From 361 to 720 days	8.6	14.0	10.7	7.3	7.8
From 721 to 1440 days	15.5	16.7	13.0	19.9	22.1
More than 1441 days	51.2	45.5	47.0	47.5	48.9
Total	92.9%	94.1%	91.0%	91.9%	93.8%

Source: Ministry of Finance

External Debt

Gross public sector external debt decreased by 0.2% to US$3.4 billion at December 31, 2008, and further decreased by 1.9% to US$3.3 billion at December 31, 2009. Gross public sector external debt increased by 17.1% to US$3.9 billion at December 31, 2010, compared with 2009, principally due to the receipt of a budget support loan of US$500 million from the World Bank with a maturity of 30 years. The purpose of the loan is support the development of financial policies and competitiveness. Gross public sector external debt increased by 1.1% to US$4.0 billion at December 31, 2011. Gross public sector external debt increased by 21% to US$4.8 billion at December 31, 2012, primarily due to the issuance by the Republic on November 21, 2012 of its Notes due 2023 in an aggregate principal amount of US$1 billion.

At December 31, 2012, Costa Rica's public sector external debt consisted principally of obligations to multilateral organizations in the amount of approximately US$2.1 billion, bonds in an outstanding aggregate amount of US$2.4 billion, and bilateral debt in the amount of US$332.2 million. Approximately 49.1% of the public sector external debt is floating-rate debt.

At December 31, 2012, approximately 94.2% of the public sector external debt was denominated in U.S. dollars, approximately 3.9% of the public sector external debt was denominated in Japanese yen and approximately 1.1% was denominated in the IADB unit of account.

From 2008 to 2012, the ratio of non-financial public sector external debt to GDP grew from 4.5% in 2008 to 4.6% in 2012. The increase in the ratio of public sector external debt to GDP is partly explained by an increase in the use of external financing by the ICE as a result of Law 8660 "*Ley de Fortalecimiento y Modernización de las Entidades Públicas del Sector Telecomunicaciones*," approved by the Legislative Assembly in July 2008, which allowed the ICE to use local and international markets to meet its funding needs.

The following table sets forth the total gross public sector external debt, net of gross international reserves of the Central Bank, as of the dates indicated.

Total Gross Public External Debt, Net of Reserves

(in millions of U.S. dollars)

	As of December 31,				
	2008	**2009**	**2010**	**2011**	**2012**
Total gross public external debt	$3,410	$3,346	$3,917	$3,959	$4,786
Less: gross international reserves	4,397	3,844	4,072	4,633	6,857
Total public external debt, net of reserves	$(988)	$(498)	$(155)	$(674)	$(2,071)

Source: Ministry of Finance

Costa Rica's public external debt is held by a variety of multilateral, bilateral and private commercial bank creditors, as well as a large number of non-resident financial institutions. Commercial bank creditors, holders of bonds and multilateral organizations accounted for 93.0% of total gross public sector external debt outstanding as of 2012. The IADB and World Bank are Costa Rica's largest creditors, accounting for 15.6% and 12.2%, respectively, of the gross public external debt as of 2012.

The following table sets forth the total gross public sector external debt, by creditor and percentage of total, as of the dates indicated.

Gross Public External Debt, By Creditor and Percentage of Total

(in millions of U.S. dollars and as a percentage of total)

	As of December 31,									
	2008		**2009**		**2010**		**2011**		**2012**	
Multilateral	$1,404.5	41.2%	$1,607.2	48.0%	$2,138.0	54.6%	$2,206.1	55.7%	$2,097.1	43.8%
World Bank	41.2	1.2	57.7	1.7	569.9	14.5	586.6	14.8	585.1	12.2
Inter-American Development Bank	691.0	20.3	686.0	20.5	699.8	17.9	751.5	19.0	747.9	15.6
Central American Bank for Economic Integration	488.2	14.3	636.1	19.0	662.1	16.9	579.1	14.6	546.0	11.4
Others	184.2	5.4	227.4	6.8	206.2	5.3	288.9	7.3	217.9	4.6
Bilateral	338.6	9.9	375.2	11.2	417.7	10.7	394.2	10.0	332.2	6.9
Commecial Banks	16.6	0.5	14.1	0.4	11.5	0.3	9.0	0.2	6.4	0.1
Bonds and floating rate notes .	1,650.0	48.4	1,350.0	40.3	1,350.0	34.5	1,350.0	34.1	2,350.0	49.1
Total	$3,409.8	100.0%	$3,346.5	100.0%	$3,917.2	100.0%	$3,959.3	100.0%	$4,785.7	100.0%

Source: Ministry of Finance

The following table sets forth the amortization schedule of Costa Rica's consolidated public sector external debt for the five years ending December 31, 2017, excluding interest payments on such debt.

Amortization of Gross Public External Debt

(in millions of U.S. dollars)

	2013	2014	2015	2016	2017
Multilateral	$44.7	$34.6	$35.7	$58.6	$52.5
Inter-American Development Bank	33.1	23.0	23.0	26.4	21.2
World Bank	8.7	8.7	9.7	29.2	28.2
Central American Bank for Economic Integration	2.8	2.8	3.0	3.0	3.0
Others	0.0	0.0	0.0	0.0	0.0
Bilateral	16.6	14.8	7.0	6.6	6.6
Commercial Banks	0.0	0.0	0.0	0.0	0.0
Bonds and floating rate notes	250.0	250.0	0.0	0.0	0.0
Total	$311.3	$299.4	$42.7	$65.2	$59.1

Source: Ministry of Finance

The following table presents public sector external debt by maturity.

Public Sector External Debt, by Maturity

(as a percentage of total)

	At December 31				
	2008	2009	2010	2011	2012
Less than a year	13.5%	6.0%	12.4%	14.5%	12.0%
2 to 5 years	44.3	59.1	45.3	38.5	24.5
6 to 10 years	27.1	18.6	24.3	29.4	28.5
More than 11 years	15.2	16.3	17.9	17.6	35.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Ministry of Finance

The following table sets forth Costa Rica's total public sector external debt service for the periods indicated.

Total Public External Debt Service

(in millions of U.S. dollars, except percentages)

	At December 31,				
	2008	2009	2010	2011	2012
Interest payments	$224.0	$219.0	$206.5	$195.1	$192.3
Amortization	645.4	468.9	222.7	549.9	991.7
Total	869.4	688.0	429.3	745.0	1,184.0
Total Exports	9,503.7	8,783.7	9,448.1	10,408.4	11,386.7
Foreign Debt Services as % of Gross Public Debt	3.0%	2.3%	1.2%	1.8%	2.7%

Source: Ministry of Finance

The following table sets forth public external debt denominated in foreign currency, by currency for the dates indicated.

Summary of Public External Debt Denominated in Foreign Currency, by Currency

(in millions of U.S. dollars, except percentages)

	At December 31,									
	2008		2009		2010		2011		2012	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
U.S. dollar ...	$3,087.0	90.5%	$3,006.8	89.8%	$3,539.4	90.4%	$3,613.1	91.3%	$4,508.3	94.2%
IADB unit of account	160.0	4.7	129.8	3.9	105.8	2.7	78.5	2.0	52.1	1.1
Japanese yen	114.2	3.3	161.4	4.8	225.2	5.7	226.0	5.7	185.3	3.9
Swiss Franc ..	1.2	0.0	1.1	0.0	0.9	0.0	0.7	0.0	0.5	0.0
Sterling	2.5	0.1	2.3	0.1	1.8	0.0	1.4	0.0	1.0	0.0
Canadian dollar	2.1	0.1	1.8	0.1	1.2	0.0	0.6	0.0	0.2	0.0
Euro	40.3	1.2	41.4	1.2	41.5	1.1	38.4	1.0	38.1	0.8
SDR	1.2	0.0	0.9	0.0	0.5	0.0	0.2	0.0	0.0	0.0
Other Currency	1.2	0.0	1.0	0.0	0.7	0.0	0.4	0.0	0.1	0.0
Total	$3,409.8	100.0%	$3,346.5	100.0%	$3,917.2	100.0%	$3,959.3	100.0%	$4,785.7	100%

Source: Ministry of Finance

IMF, World Bank and IADB Financial Support

As of December 2012, loans to the Government from multilaterals amounted to US$2.1 billion, of which US$748 million (15.6%) came from the IADB, US$585 million (12.2%) came from the World Bank and the balance from other multilaterals. In November 2012, the Government entered into a loan agreement with the World Bank for US$200 million to support the Government’s efforts to improve higher education.

In 2011, total disbursement from multilaterals amounted to US$100.7 million to the Government, of which 70.3% came from the IADB and was targeted to projects for road infrastructure. Additionally, the World Bank disbursed US$23.9 million for projects in education and contingent credit for disaster relief.

In 2010, the Government received US$564.5 million from several multilaterals, including US$500 million from the World Bank for budget support to amortize expensive commercial debt and US$35.8 million from the IADB for road infrastructure projects and mapping.

In 2009, the Central Bank and the Ministry of Finance entered into a Precautionary Stand-by Arrangement with IMF for US$735 million that would extend over a 15-month period. The purpose of the arrangement was to provide the Central Bank with enough resources to face any liquidity problems in the financial system or a deterioration in the balance of payments, in connection with global financial turbulence. The arrangement expired in 2010 with all reviews completed and without any disbursements made.

In 2008, the Government received US$20.9 million from multilateral institutions.

TERMS AND CONDITIONS OF THE NOTES

The Republic will issue the Notes under a fiscal agency agreement, to be dated as of April 30, 2013, among the Republic, The Bank of New York Mellon, as fiscal agent, principal paying agent, registrar and transfer agent, and The Bank of New York Mellon (Luxembourg) S.A., as paying and transfer agent in Luxembourg.

This section of the Offering Circular is intended to be a summary of the material provisions of the fiscal agency agreement and the Notes. This summary is qualified in its entirety, by reference to all of the provisions of the fiscal agency agreement and the terms of the Notes. Copies of the fiscal agency agreement and the terms of the Notes are on file and may be inspected at the corporate trust office of the fiscal agent in the City of New York and at the offices of the paying agents specified on the back cover of this Offering Circular. The definitions of certain capitalized terms used in this section are set forth under "—Defined Terms."

The Notes issued under this Offering Circular contain provisions regarding acceleration and voting on amendments, modifications and waivers that differ from the provisions governing the series of notes issued by the Republic in the past. These provisions are commonly referred to as "collective action clauses." Under these provisions, the Republic may amend certain key terms of a Series of Notes, including the maturity date, amounts payable and other payment terms, with the consent of fewer than all the holders of such Series of Notes. These collective action clauses are described below.

Principal and Interest

The Notes will:

- be limited to the aggregate principal amount of US$500,000,000 with respect to the Notes due 2025 and US$500,000,000 with respect to the Notes due 2043 (except as otherwise provided under "—Replacement, Exchange and Transfer" and "—Further Issues" below);

- be issued in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof;

- mature and be repaid at par (unless previously repaid) on April 30, 2025 with respect to the Notes due 2025 and on April 30, 2043 with respect to the Notes due 2043; and

- bear interest from April 30, 2013 at a rate of 4.375% per annum with respect to the Notes due 2025 and at a rate of 5.625% per annum with respect to the Notes due 2043, in each case payable semi-annually in arrears on each April 30 and October 30, commencing on October 30, 2013 to the holders of record on the April 15 and October 15 immediately preceding the interest payment date.

Interest on the Notes will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

Status of the Notes

The Notes will constitute general, direct, unconditional and unsecured Public External Indebtedness of the Republic and will rank *pari passu* in right of payment, without any preference among themselves, with all unsecured and unsubordinated obligations of the Republic, present and future, relating to Public External Indebtedness of the Republic. The Republic has pledged its full faith and credit for the due and punctual payment of all amounts due in respect of the Notes.

Replacement, Exchange and Transfer

The global notes may be presented for registration of transfer or exchange at the corporate trust office of the registrar, or at the office of any transfer agent referred to above, including the Luxembourg transfer agent, subject to the limitations set forth in the fiscal agency agreement. Upon due presentation for registration of transfer or exchange of any global note, in whole but not in part, the fiscal agent shall authenticate, in exchange for such global note, global notes of the appropriate form and denomination and of an equal principal amount, which will be made available to the respective holder at the office of any transfer agent referred to above, including the Luxembourg transfer agent.

No service charge will be imposed upon the holder of a global note in connection with exchanges for global notes of a different denomination or for registration of transfers thereof, but the Republic may charge the party requesting any registration of transfer, exchange or registration of global notes a sum sufficient to reimburse it for any stamp or other tax or other governmental charge required to be paid in connection with such transfer, exchange or registration. The Republic, the registrar and any other agent of the Republic may treat the person in whose name any global note is registered as the owner of such global note for all purposes.

If a Note becomes mutilated, defaced, destroyed, lost or stolen, the Republic may issue, and the fiscal agent will authenticate and deliver, a substitute debt security in replacement therefore at the office of any transfer agent referred to above, including the Luxembourg transfer agent. In each case, the affected holder will be required to furnish to the Republic and the fiscal agent an indemnity under which holder agrees to pay the Republic, the fiscal agent and the other specified parties for any losses they may suffer relating to the debt security that was mutilated, defaced, destroyed, lost or stolen. The Republic and the fiscal agent may also require that the affected holder present other documents and proof. The affected holder will be required to pay all expenses and reasonable charges for the replacement of the mutilated, defaced, destroyed, lost or stolen debt security and a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

Certain Covenants of the Republic

1. So long as any Note of a particular Series remains outstanding (as defined in the fiscal agency agreement), the Republic will not create or allow any Lien to be placed on the whole or any part of its present or future revenues, properties or assets to secure the Public External Indebtedness of any Person unless, at the same time or prior thereto, the Republic creates or allows a Lien on the same terms for its obligations under such Series of Notes. Notwithstanding the foregoing, the Republic may create or allow the following (each a “Permitted Lien”):

- any Lien upon property to secure Public External Indebtedness incurred for the purpose of financing the acquisition of property over which such Lien has been created and any renewal or extension of any such Lien which is limited to the original property covered thereby and which secures only the renewal or extension of the original secured financing;

- any Lien existing in respect of an asset at the time of its acquisition and any renewal or extension of any such Lien which is limited to the original asset covered thereby and which secures only the renewal or extension of the original secured financing;

- any Lien in existence on the date of the fiscal agency agreement, including any renewal or extension thereof which secures only the renewal or extension of the original secured financing;

- any Lien securing Public External Indebtedness incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project and any renewal or extension of any such Lien; *provided* that (a) the holders of such Public External Indebtedness agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public External Indebtedness and (b) the property over which such Lien is granted consists solely of such assets and revenues or claims that arise from the operation, failure to meet specifications, failure to complete, exploitation, sale or loss of, or damage to, such assets;

- any Lien securing Public External Indebtedness arising in the ordinary course of business to finance export, import or other trade transactions, with a maturity of not more than one year; and

- Liens in addition to those permitted above, and any renewal or extension thereof; *provided* that at any time the aggregate amount of Public External Indebtedness secured by such additional Liens shall not exceed the equivalent of US$40,000,000.

2. The Republic will (i) obtain and maintain in full force and effect all approvals, authorizations, permits, consents, exemptions and licenses and will take all other actions (including any notice to, or filing or registration

with, any agency, department, ministry, authority, statutory corporation or other body or juridical entity of the Republic or regulatory or administrative body of the Republic) which are necessary for the continued validity and enforceability of the Notes and (ii) take all necessary and appropriate governmental and administrative action in order for the Republic to be able to make all payments to be made by it under the Notes.

3. The Republic will maintain its membership in, and eligibility to use the general resources of, the International Monetary Fund (the "IMF").

4. The Republic will use its reasonable best efforts to list the Notes, and thereafter to maintain the listing of the Notes, on the Official List of the Luxembourg Stock Exchange.

Events of Default

Each of the following events will constitute an event of default under a Series of Notes:

1. *Non-Payment*:

- The Republic fails to pay principal on any Notes of that Series when due and such failure continues for a period of 30 calendar days;

- The Republic fails to pay interest on any Notes of that Series when due and such failure continues for a period of 30 calendar days;

2. *Breach of Other Obligations*: The Republic fails to perform any other obligation under the Notes of that Series and such failure continues for a period of 60 calendar days after written notice requiring the same to be remedied shall have been given to the Republic (with a copy to the fiscal agent) by the holder of any Note of that Series;

3. *Cross Default*: The Republic fails to make any payment in respect of any Public External Indebtedness in an aggregate principal amount in excess of US$35,000,000 (or its equivalent in any other currency) when payable (whether upon maturity, acceleration or otherwise, as such time may be extended by any applicable grace period or waiver) and such failure continues for a period of 15 calendar days after written notice requiring the same to be remedied shall have been given to the Republic (with a copy to the fiscal agent) by the holder of any Note of that Series;

4. *Moratorium*: The Republic declares a moratorium with respect to the payment of principal of or interest on Public External Indebtedness, which moratorium does not expressly exclude the Notes of that Series; or

5. *Validity*: Any of the following occurs:

- the Republic contests the validity of the Notes of that Series in a formal administrative, legislative or judicial proceeding;

- any legislative, executive or judicial body or official of the Republic which is authorized in each case by law to do so declares the Notes of that Series invalid or unenforceable;

- the Republic shall deny any of its obligations under the Notes of that Series;

- any constitutional provision, treaty, convention, law, regulation, official communiqué, decree, ordinance or policy of the Republic, or any final decision by any court in the Republic having jurisdiction, purports to render any material provision of the Notes of that Series invalid or unenforceable or purports to prevent or delay the performance or observance by the Republic of any of its material obligations thereunder; or

- any constitutional provision, treaty, convention, law, regulation, ordinance, decree, consent, approval, license or other authority necessary to enable the Republic to make or perform its material obligations under the Notes of that Series, or the validity or enforceability thereof, shall expire, be withheld, revoked, terminated or otherwise cease to remain in full force and effect, or shall be modified in a manner which adversely affects any rights or claims of any of the holders of the Notes of that Series.

If any of the events of default described above occurs and is continuing, the holders of at least 25% of the aggregate principal amount of the Notes of that Series, so long as such event of default is continuing, may by written demand to the Republic (with a copy to the fiscal agent) declare the principal of and any accrued interest on the Notes of that Series held by such holders to be immediately due and payable. Upon any declaration of acceleration, the principal, interest and all other amounts payable on the Notes of that Series will become immediately due and payable, unless prior to receipt of such demand by the Republic all such defaults shall have been cured. The holders of more than 50% of the aggregate principal amount of the outstanding Notes of that Series may rescind or annul a declaration of acceleration on behalf of all holders of Notes of that Series if:

- following the declaration that the Notes of that Series are immediately due and payable, the Republic deposits with the fiscal agent a sum sufficient to pay all overdue principal, interest and other amounts in respect of the Notes of that Series, as well as the reasonable fees and compensation of the fiscal agent; and

- all other events of default have been remedied.

Definitions

As used herein under "—Certain Covenants of the Republic," "—Status of the Notes" and "—Events of Default":

"External" with reference to any Indebtedness means any Indebtedness issued and placed outside of the territory of the Republic;

"Indebtedness" means a person's actual or contingent payment obligations for borrowed money together with such person's actual or contingent liabilities under guarantee or similar arrangements to secure the payment of any other party's obligations for borrowed money;

"Lien" means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance whether in effect on the date of the fiscal agency agreement or at any time thereafter, including, without limitation, any equivalent claim or interest created or arising under the laws of Costa Rica;

"person" and "party" include the Republic;

"Public External Indebtedness" means Public Indebtedness that is External; and

"Public Indebtedness" means, with respect to any person, any Indebtedness of, or guaranteed by, such person which (i) is publicly offered or privately placed in securities markets, (ii) is in the form of, or represented by, bonds, notes or other securities or any guarantees thereof, (iii) is, or was expressly intended at the time of issue to be, quoted, listed or traded on any stock exchange, automated trading system or over-the-counter or other securities market (including, without prejudice to the generality of the foregoing, securities that are issued against cash consideration and that are eligible for sale pursuant to Rule 144A or Regulation S (or any successor law or regulation of similar effect)), or (iv) is represented by loan agreements with international financial institutions.

Modifications, Amendments and Waivers

A meeting of holders of Notes of a Series may be called at any time and from time to time to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by the fiscal agency agreement or Notes of such Series to be made, given or taken by holders of such Notes or to modify, amend or supplement the terms of such Notes or the fiscal agency agreement as hereinafter provided.

The Republic may at any time call a meeting of holders of Notes of a Series for any such purpose to be held at such time and at such place as the Republic shall determine. Notice of every such meeting, setting forth the time and the place of such meeting and in reasonable detail the action proposed to be taken at such meeting, shall be given as provided in the terms of such Series of Notes, not less than 30 nor more than 60 calendar days prior to the date fixed for the meeting.

If the Republic or the holders of at least 10% in aggregate principal amount of the outstanding Notes of a Series request that the fiscal agent call a meeting of the holders of the Notes of such Series for any such purpose, by written request setting forth the time and place of, and in reasonable detail the action proposed to be taken at, the meeting, the fiscal agent shall call such meeting for such purposes by giving notice thereof as provided in the terms of the Notes of such Series.

To be entitled to vote at any meeting of holders of Notes of a Series, a person must be a holder of outstanding Notes of such Series or a person duly appointed by an instrument in writing as proxy for such holder. The persons who hold a majority in principal amount of the outstanding Notes of such Series shall constitute a quorum, *provided, however,* that for purposes of a meeting of holders that proposes to discuss reserved matters, which are specified below, holders or proxies representing 75% of the aggregate principal amount of the outstanding Notes of such Series will constitute a quorum.

In the absence of a quorum, the meeting shall, if convened at the request of the holders, be dissolved. In any other case, the meeting may be adjourned for a period of not less than 10 calendar days as determined by the chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than 10 calendar days as determined by the chairman of the meeting prior to the adjournment of such adjourned meeting. Notice of the reconvening of any adjourned meeting shall be given in the same manner as provided in the preceding paragraph. Notice of the reconvening of an adjourned meeting shall state expressly that, at the reconvening of any meeting adjourned for a lack of a quorum, the persons entitled to vote 25% in principal amount of the outstanding Notes of such Series shall constitute a quorum for the taking of any action set forth in the notice of the original meeting.

Any meeting of holders of Notes of a Series at which a quorum is present may be adjourned from time to time by a vote of a majority in principal amount of the outstanding Notes of such Series represented at the meeting, and the meeting may be held as so adjourned without further notice.

With (i) the affirmative vote, in person or by proxy thereunto duly authorized in writing, of the holders of not less than 66 2/3% in aggregate principal amount of Notes of such Series then outstanding represented at a meeting duly called and held as specified above, or (ii) the written consent of the holders of 66 2/3% in aggregate principal amount of the outstanding Notes of such Series, the Republic and the fiscal agent may modify, amend or supplement the terms of the Notes of such Series or, insofar as affects the Notes of such Series, the fiscal agency agreement, in any way, and such holders may make, take or give any request, demand, authorization, direction, notice, consent, waiver or other action provided by the fiscal agency agreement or the Notes of such Series to be made, given or taken by holders of the Notes of such Series.

However, the holders of not less than 75% of the aggregate principal amount of the outstanding Notes of a Series, voting at a meeting or by written consent, must consent to any amendment, modification, change or waiver with respect to the Notes of such Series that would:

- change the due date for the payment of the principal of, or any installment of interest on, any Note of such Series;
- reduce the principal amount of any Note of such Series, or the portion of such principal amount which is payable upon acceleration of the maturity of such Note, or the interest rate thereon;
- change the coin or currency in which any payment in respect of any Note of such Series is payable or the place at which payment in respect of the Note of such Series is payable;
- permit the Republic to redeem the Notes of such Series, or if redemption is already permitted, set a redemption date earlier than the date previously specified or reduce the redemption price;
- reduce the percentage or proportion of the principal amount of the Notes of such Series the vote or consent of the holders of which is necessary to modify, amend or supplement the fiscal agency

agreement or the terms and conditions of the Notes of such Series or to make, take or give any request, demand, authorization, direction, notice, consent, waiver or other action provided thereby to be made, taken or given, or change the definition of "outstanding" with respect to the Notes of such Series;

- change the obligation of the Republic to pay additional amounts;
- change the governing law provisions of the Notes of such Series;
- change the courts to the jurisdiction of which the Republic has submitted, the Republic's obligation to appoint and maintain an agent for service of process with an office in New York or the Republic's waiver of immunity, in respect of actions or proceedings brought by any holder based upon the Notes of such Series, as described in this Offering Circular;
- in connection with an exchange offer for the Notes of such Series, amend any event of default under the Notes of such Series; or
- change the status of the Notes of such Series, as described under "—Status of the Notes" above.

Any such modification, amendment or supplement shall be binding on the holders of Notes of such Series.

The above subjects are referred to as "reserved matters." A change to a reserved matter, including the payment terms of the Notes of a Series, may be made without the consent of each noteholder, as long as a supermajority of the holders of the outstanding Notes of such Series (that is, the holders of at least 75% of the aggregate principal amount of the outstanding Notes of such Series) agrees to the change.

For purposes of determining whether the required percentage of holders of the Notes of a Series has approved any amendment, modification or change to, or waiver of, the Notes of such Series or the fiscal agency agreement, or whether the required percentage of holders has delivered a notice of acceleration of the Notes of such Series, Notes of such Series owned, directly or indirectly, by the Republic or any public sector instrumentality of the Republic will be disregarded and deemed not to be outstanding, except that in determining whether the fiscal agent shall be protected in relying upon any amendment, modification, change or waiver, or any notice from holders, only Notes of such Series that a responsible officer of the fiscal agent knows to be so owned shall be so disregarded. As used in this paragraph, "public sector instrumentality" means the Central Bank, any department, ministry or agency of the government of the Costa Rica or any corporation, trust, financial institution or other entity owned or controlled by the government of Costa Rica or any of the foregoing, and "control" means the power, directly or indirectly, through the ownership of the voting securities or other ownership interests or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

The Republic and the fiscal agent may, without the vote or consent of any holder of Notes of a Series, modify, amend or supplement the fiscal agency agreement or the Notes of such Series for the purpose of:

- adding to the covenants of the Republic for the benefit of the holders of Notes of such Series;
- surrendering any rights or power conferred upon the Republic;
- securing the Notes of such Series pursuant to the requirements of the Notes of such Series or otherwise;
- correcting any defective provision contained in the fiscal agency agreement or in the Notes of such Series; or
- amending the fiscal agency agreement or the Notes of such Series in any manner which shall not adversely affect the interest of any holder of Notes of such Series in any material respect.

Payments and Agents

The principal of the Notes and interest due thereon at maturity will be payable in immediately available funds against surrender of such Notes at the office of the paying agent in the City of New York or, subject to applicable laws and regulations, at the office of any other paying agent. Such payment shall be made by United States dollar check drawn on, or by transfer to a United States dollar account maintained by the holder with, a bank located in the City of New York.

Payments of interest on the global notes to be made other than at maturity will be made to DTC or its nominee as the registered owner thereof in immediately available funds.

The Republic expects that upon receipt of any payment of principal of or interest on any Notes, DTC will credit the appropriate DTC participants' accounts with payments in amounts proportionate (except with respect to additional amounts) to their respective beneficial interests in the principal amount of the Notes as shown on the records of DTC. The Republic also expects that payments by participants to owners of beneficial interests in the global notes held through those participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for those customers.

Payments by such participants to owners of beneficial interests in such global notes held through such participants will be the responsibility of such participants, as is now the case with securities held for the accounts of customers registered in "street name." Distributions with respect to Notes held through Euroclear or Clearstream will be credited to the cash accounts of Euroclear participants or Clearstream participants in accordance with the relevant system's rules and procedures.

Neither the Republic nor the fiscal agent will have any responsibility or liability for any aspect of the records of DTC relating to payments made by DTC on account of beneficial interests in the global notes or for maintaining, supervising or reviewing any records of DTC relating to such beneficial interests.

If any date for payment in respect of any Note is not a business day, the holder thereof shall not be entitled to payment until the next following business day. No further interest shall be paid in respect of any such delay in payment.

If the Republic issues Notes in certificated form, payments of interest thereon to be made other than at maturity will be made to the person in whose name such Note is registered at the close of business on the regular record date (as defined in the terms and conditions of the Notes) immediately preceding the related interest payment date (as defined on the face of the Notes). Such payment shall be made by a United States dollar check drawn on a bank in the City of New York mailed to the holder at such holder's registered address or upon application of any holder of at least US$1,000,000 principal amount of Notes of a Series to the paying agent in the City of New York not later than the relevant regular record date, by transfer of immediately available funds to a United States dollar account maintained by such holder with a bank in the City of New York.

All moneys paid by or on behalf of the Republic to the paying agent or any other paying agent for the payments of the principal of or interest on any Note which remain unclaimed at the end of two years after such principal or interest shall have become due and payable will be repaid to the Republic (including all interest accrued, if any, with respect to any such amounts), and the holder of such Note will thereafter look only to the Republic for payment. Upon such repayment all liability of the paying agent and any other paying agent with respect thereto shall cease, without, however, limiting in any way the obligation of the Republic in respect of the amount so repaid, subject to the provisions set forth in "—Claims Proscribed" below.

So long as any Note of a Series remains outstanding, the Republic will maintain a paying agent in a western European city for payments on Notes of such Series (which will be Luxembourg, so long as the Notes of such Series are listed on the Official List of the Luxembourg Stock Exchange and the rules of such exchange so require), a registrar having a specified office in the City of New York, a paying agent having a specified office in the City of New York and a transfer agent in Luxembourg (so long as the Notes of such Series are listed on the Official List of the Luxembourg Stock Exchange and the rules of such exchange so require).

The Republic has initially appointed The Bank of New York Mellon, as fiscal agent, registrar, principal paying agent and transfer agent for the Notes, and The Bank of New York Mellon (Luxembourg) S.A., as paying agent, transfer agent and listing agent in Luxembourg. Subject to the foregoing, the Republic may terminate any such appointment and may appoint any other agents in such other places as it deems appropriate upon notice in accordance with "—Notices" below and in accordance with the terms and conditions set forth in the fiscal agency agreement.

Payments in respect of the Notes shall be made in such currency of the United States as at the time of payment shall be legal tender for the payment of public and private debts.

In acting under the fiscal agency agreement and in connection with the Notes, each of the agents and each other paying agent and transfer agent is acting solely as agent of the Republic. The agents do not assume any obligation toward or relationship of agency or trust for or with the owner or holder of any Note, except that they will hold in trust any funds for payment of principal of or interest on the Notes and will apply such funds as set forth in the Notes and fiscal agency agreement.

Redemption, Purchase and Cancellation

The Notes will not be redeemable prior to maturity at the option of the Republic or (except on acceleration following an event of default) the holders thereof. The Republic may at any time purchase Notes at any price in the open market or otherwise. The Notes so purchased by the Republic may, at the Republic's discretion, be held, resold or surrendered to the fiscal agent for cancellation.

Additional Amounts

The Republic shall make all payments on the Notes without withholding or deduction for or on account of any present or future taxes, duties, assessments, or other governmental charges of whatever nature imposed or levied by the Republic, any political subdivision or authority thereof or therein having power to tax or any other jurisdiction from or through which payments by or at the direction of the Republic are made (each, a "Taxing Jurisdiction"), unless it is compelled by the laws of such Taxing Jurisdiction to deduct or withhold such taxes, duties, assessments, or governmental charges. If such withholding is required, the Republic will pay such additional amounts as may be necessary to ensure that the net amounts receivable by the holders of the Notes after such withholding or deduction shall equal the payment which would have been receivable in respect of the Notes in the absence of such withholding or deduction. The Republic will not, however, pay any additional amounts if a holder is subject to withholding or deduction due to one of the following reasons:

- the holder (or a fiduciary, settlor, beneficiary, member or shareholder of the holder, if the holder is an estate, a trust, a partnership or a corporation) has some present or former connection with the Republic other than merely holding the Notes or receiving principal or interest on any Notes, including, without limitation, the holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein;

- the holder has failed to comply with any reasonable certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with the Republic, or any political subdivision or taxing authority thereof or therein, of the holder of a Note or any interest therein or rights in respect thereof, if compliance is required by the Republic, or any political subdivision or taxing authority thereof or therein, pursuant to applicable law or to any international treaty in effect, as a precondition to exemption from such deduction or withholding; or

- the holder has failed to present its Note for payment within 30 days after the Republic first makes available a payment of principal or interest on such Note.

Whenever there is mentioned, in any context, the payment of the principal of or interest on, or any amounts in respect of, a Note, such mention shall be deemed to include mention of the payment of additional amounts to the extent that, in such context, additional amounts are, were or would be payable in respect thereof, and express mention of the payment of additional amounts (if applicable) shall not be construed as excluding additional amounts where such express mention is not made.

Currency

If for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder to the holder of a Note in one currency into another currency, the Republic and each holder will be deemed to have agreed that the rate of exchange used shall be that at which, in accordance with normal banking procedures, such holder could purchase the first currency with such other currency in the city which is the principal financial center of the country of issue of the first currency on the date two business days preceding the day on which final judgment is given.

The obligation of the Republic in respect of any sum payable by it to the holder of a Note shall, notwithstanding any judgment in a currency other than that in which such sum is denominated in accordance with the applicable provisions of the Notes, be discharged only to the extent that on the business day following receipt by such holder of the Note of any sum adjudged to be so due in the judgment currency, such holder of the Note may, in accordance with normal banking procedures, purchase the note currency with the judgment currency. If the amount of the note currency so purchased is less than the sum originally due to the holder of the Note in the note currency (determined in the manner set forth in the preceding paragraph), the Republic will agree, as a separate obligation and notwithstanding any such judgment, to indemnify the holder of the Note against such loss, and if the amount of the note currency so purchased exceeds the sum originally due to the holder of the Note such holder will agree to remit to the Republic such excess; *provided* that such holder shall have no obligation to remit any such excess as long as the Republic shall have failed to pay such holder any obligations due and payable under the Note. In the case of such a failure, the excess may be applied to such obligations of the Republic thereunder in accordance with the terms thereof.

Claims Proscribed

All claims against the Republic for payment of principal of or interest (including additional amounts) on or in respect of the Notes shall be proscribed unless made within five years from the date on which the relevant payment first became due.

Notices

Notices will be mailed to holders of Notes at their registered addresses and shall be deemed to have been given on the date of such mailing. DTC, Euroclear and Clearstream will communicate such notices to their participants in accordance with their standard practices. In addition, all notices to holders of the Notes of a Series will be published, if and so long as the Notes of such Series are listed on the Official List of the Luxembourg Stock Exchange and the rules of such exchange so require, in a daily newspaper of general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange at http://www.bourse.lu. If the Republic elects to publish notices in Luxembourg, the Republic expects that such publication will be made in the *Luxemburger Wort*. If publication in accordance with the second preceding sentence is not practicable, notice will be validly given if made in accordance with the requirements of the rules of the Luxembourg Stock Exchange.

Further Issues

The Republic may from time to time without the consent of the holders of the Notes create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest thereon) so as to be consolidated with, and form a single series with, the applicable outstanding Notes of a Series; *provided* that such additional notes do not have, for purposes of U.S. federal income taxation, a greater amount of original issue discount than the outstanding Notes of such Series have as of the date of the issue of such additional notes.

Governing Law and Jurisdiction

The Notes and the fiscal agency agreement shall be governed by, and interpreted in accordance with, the laws of the State of New York; *provided, however,* that the due authorization and execution of the fiscal agency agreement and the Notes by the Republic shall be governed by the laws of the Republic.

To the fullest extent permitted by applicable law:

- The Republic will irrevocably submit to the non-exclusive jurisdiction of any New York State or federal court sitting in the City of New York, and any appellate court from any thereof, in any Related Proceeding (as defined in "Enforcement of Civil Liabilities");

- The Republic will irrevocably agree that all claims in respect of any Related Proceeding may be heard and determined in such New York State or federal court;

- The Republic will irrevocably waive, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of any Related Proceeding and any objection to any Related Proceeding whether on the grounds of venue, residence or domicile;

- The Republic will agree that a final judgment in any Related Proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law;

- The Republic agrees to cause an appearance to be filed on its behalf and to defend itself in connection with any Related Proceeding action instituted against it.

However, a default judgment obtained in the United States against the Republic, resulting from the Republic's failure to appear and defend itself in any suit filed against the Republic, or from the Republic's deemed absence at the proceedings, may not be enforceable in the Republic.

The Republic will appoint the person for the time being acting as, or discharging the function of, Consul General of the Republic in the City of New York (currently with an office at 225 West 34 Street, New York, New York 10122), and agrees that for so long as any Note remains outstanding the person from time to time so acting, or discharging such functions, shall be deemed to have been appointed as Costa Rica's agent to receive on behalf of the Republic and its property service of copies of the summons and complaint and any other process which may be served in any Related Proceeding in such New York State or federal court sitting in the City of New York. Such service may be made by U.S. registered mail or by delivering by hand a copy of such process to the Republic in care of the process agent at the address specified above for the process agent and such service will be effective ten days after the mailing or delivery by hand of such process to the office of the process agent. The Republic will authorize and direct the process agent to accept on its behalf such service. Failure of the process agent to give notice to the Republic, or failure of the Republic to receive notice, of such service of process shall not affect in any way the validity of such service on the process agent or the Republic.

The Republic will also irrevocably consent to the service of any and all process in any Related Proceeding in a New York State or federal court sitting in the City of New York by sending by U.S. registered mail, copies of such process addressed to the Republic at the Ministry of Finance, and such service will be effective ten days after mailing thereof. The Republic will covenant and agree that it shall take any and all reasonable action that may be necessary to continue the designation of the process agent in full force and effect, and to cause the process agent to continue to act as such. In addition, none of its agreements described in this or the preceding paragraph shall affect the right of any party to serve legal process in any other manner permitted by law or affect the right of any party to bring any suit, action or proceeding against any other party or its property in the courts of other jurisdictions.

To the extent that the Republic has or hereafter may acquire any immunity (sovereign or otherwise) from jurisdiction of any New York State or federal court sitting in the City of New York with respect to a Related Proceeding (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise), the Republic has, to the fullest extent permitted under applicable law, including the Foreign Sovereign Immunities Act, irrevocably waived such immunity in respect of any such Related Proceeding; *provided, however*, that under the Foreign Sovereign Immunities Act, it may not be possible to enforce in the Republic a judgment based on such a United States judgment, and that under the laws of the Republic, the property and revenues of the Republic are exempt from attachment or other form of execution, whether before or after judgment. The Republic's consent to service and waiver of sovereign immunity does not extend to actions brought under the United States federal securities laws or any state securities laws.

PLAN OF DISTRIBUTION

Barclays Capital Inc. and Deutsche Bank Securities Inc. are acting as joint book-running managers of the offering and as Initial Purchasers. Subject to the terms and conditions stated in the purchase agreement dated the date of this Offering Circular, each Initial Purchaser named below has severally agreed to purchase, and the Republic has agreed to sell to that Initial Purchaser, the principal amount of the Notes set forth below opposite such Initial Purchaser's name.

Initial Purchasers	Principal Amount of the Notes due 2025	Principal Amount of the Notes due 2043
Barclays Capital Inc.	US$250,000,000	US$250,000,000
Deutsche Bank Securities Inc.	250,000,000	250,000,000
Total	US$500,000,000	US$500,000,000

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The Initial Purchasers must purchase all the Notes if they purchase any of the Notes.

The Initial Purchasers propose to resell the Notes at the applicable offering price set forth on the cover page of this Offering Circular within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States in reliance on Regulation S. See "Transfer Restrictions." The price at which the Notes are offered may be changed at any time without notice.

The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

In addition, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

The Republic has agreed that, for a period of five business days from the date of the issuance of the Notes, neither the Republic nor any person acting on its behalf (other than the Initial Purchasers, as to whom no undertaking is made) will, and the Republic will use its reasonable best efforts to cause its affiliates not to, without the prior written consent of Barclays Capital Inc. and Deutsche Bank Securities Inc., which consent will not be unreasonably withheld, issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale, pledge or disposal), directly or indirectly, any securities issued or guaranteed by the Republic that are substantially similar to the Notes.

The Notes will constitute a new class of securities with no established trading market. The Republic cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Initial Purchasers have advised the Republic that they currently intend to make a market in the Notes. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, the Republic cannot assure you as to the liquidity of, or the trading market for, the Notes.

The Republic estimates that its portion of the total expenses of this offering will be US$650,000.

In connection with the offering, the Initial Purchasers may purchase and sell Notes in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions and stabilizing purchases:

- Short sales involve secondary market sales by the Initial Purchasers of a greater number of Notes than they are required to purchase in the offering.

- Covering transactions involve purchases of Notes in the open market after the distribution has been completed in order to cover short positions.

- Stabilizing transactions involve bids to purchase Notes so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the Initial Purchasers for their own accounts, may have the effect of preventing or retarding a decline in the market price of the Notes. They may also cause the price of the Notes to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The Initial Purchasers may conduct these transactions in the over-the-counter market or otherwise. If the Initial Purchasers commence any of these transactions, they may discontinue them at any time.

The Initial Purchasers are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Initial Purchasers and their respective affiliates have in the past performed investment banking and advisory services for the Republic from time to time for which they have received customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for the Republic in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In the ordinary course of their various business activities, the Initial Purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve the Republic's securities and instruments.

The Republic has agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of any of those liabilities.

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), it has not made and will not make an offer of Notes to the public which are the subject of the offering contemplated by this Offering Circular in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Republic for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Notes shall require the Republic or their representatives, or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purpose of the above provisions, the expression "an offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and amendments thereto (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Notice to Prospective Investors in the United Kingdom

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at: (i) persons who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and/or (ii) who are companies falling within Article 49(2)(a) to (d) of the Order and/or (c) any other persons to whom it may otherwise be lawfully communicated (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

Each Initial Purchaser has represented and agreed that: (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012 (the "FSA 2012"), the "FSMA")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Republic, and (ii) it has complied and will comply with all applicable provisions of the FSMA and the FSA 2012 in respect of anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Notice to Prospective Investors in Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in Japan

The Notes offered in this Offering Circular have not been registered under the Securities and Exchange Law of Japan. The Notes have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.

Notice to Prospective Investors in Singapore

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to

Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

- where no consideration is or will be given for the transfer; or

- where the transfer is by operation of law.

Notice to Prospective Investors in Chile

The offer of the Notes will begin on April 23, 2013 and is subject to General Rule No. 336 of the Chilean Securities Commission (*Superintendencia de Valores y Seguros de Chile*, or the "SVS"). The Notes being offered are not registered in the Securities Registry (*Registro de Valores*) or in the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the SVS and, therefore, the notes are not subject to the supervision of the SVS. As unregistered securities, we are not required to disclose public information about the notes in Chile. The notes may not be publicly offered in Chile unless they are registered in the corresponding securities registry.

La oferta de los valores comienza el 23 de abril del 2013 y esta acogida a la NCG 336 de fecha 27 de junio de 2012 de la Superintendencia de Valores y Seguros de Chile (la "SVS"). La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que los valores no están sujetos a la fiscalización de dicho organismo. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información publica respecto de los valores. Estos valores no pueden ser objeto de oferta publica a menos que sean inscritos en el registro de valores correspondiente.

Notice to Prospective Investors in Colombia

The Notes have not been and will not be registered on the Colombian National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) or in the Colombian Stock Exchange. Therefore, the Notes may not be publicly offered in Colombia. This material is for your sole and exclusive use as a determined entity, including any of your shareholders, administrators or employees, as applicable. You acknowledge the Colombian laws and regulations (specifically foreign exchange and tax regulations) applicable to any transaction or investment consummated pursuant hereto and represent that you are the sole liable party for full compliance with any such laws and regulations.

Notice to Prospective Investors in the Republic of Guatemala

In the Republic of Guatemala, the Notes will comply with the rules of the Securities and Commodities Market Law (Decree 34-96) and its regulation (Governmental Accord 557-97). The Notes will not be registered for public offering with the Securities Market Registry (*Registro del Mercado de Valores y Mercancías*) of the Republic of Guatemala, and, accordingly, the Notes will not be offered or sold: (i) to any person in an open market, directly or indirectly by means of massive communication; (ii) through a third party or intermediary to any individual person or entity that is considered an institutional investor, including entities that are under the supervision of the Banking Regulator, the Social Security Institute of Guatemala (*Instituto de Seguridad Social–IGSS*) and its affiliates; (iii) to any entity or vehicle used for purposes of collective investment; or (iv) to more than 35 individual persons or entities.

Notice to Prospective Investors in Panama

THE NOTES HAVE NOT BEEN REGISTERED WITH THE SUPERINTENDENCY OF CAPITAL MARKETS OF PANAMA NOR HAVE THE NOTES BEEN LISTED ON THE PANAMANIAN STOCK EXCHANGE. ACCORDINGLY, (I) THE NOTES CANNOT BE PUBLICLY OFFERED OR SOLD IN PANAMA, EXCEPT IN TRANSACTIONS EXEMPTED FROM REGISTRATION UNDER THE PANAMANIAN SECURITIES LAWS, (II) THE SUPERINTENDENCY OF CAPITAL MARKETS OF PANAMA HAS NOT REVIEWED THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR, (III) THE NOTES AND THIS OFFERING ARE NOT SUBJECT TO THE SUPERVISION OF THE SUPERINTENDENCY OF CAPITAL MARKETS OF PANAMA, AND (IV) THE NOTES DO NOT BENEFIT FROM THE TAX INCENTIVES PROVIDED BY THE PANAMANIAN SECURITIES LAWS AND REGULATIONS.

Notice to Prospective Investors in Mexico

The Notes have not been and will not be registered with the National Securities Registry (*Registro Nacional de Valores*) maintained by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*), and may not be offered or sold publicly or otherwise be the subject of brokerage activities in Mexico, except pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law (*Ley Del Mercado de Valores*).

BOOK-ENTRY SETTLEMENT AND CLEARANCE

Global Notes

The Notes of a Series will initially be issued in the form of two registered notes in global form (which we refer to in this Offering Circular as "Global Notes"), without interest coupons, as follows:

- Notes sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act will be represented by one or more Global Notes (which we refer to in this Offering Circular as the "Restricted Global Notes"); and

- Notes sold in offshore transactions to non-U.S. persons in reliance on Regulation S will be represented by one or more Global Notes (which we refer to in this Offering Circular as the "Regulation S Global Notes").

Upon issuance. the Global Notes will be deposited with the Fiscal Agent (as defined in "Terms and Conditions of the Notes") as custodian for DTC and registered in the name of a nominee of DTC.

Ownership of beneficial interests in each Global Note will be limited to persons who have accounts with DTC (which we refer to in this Offering Circular as the "DTC participants") or persons who hold interests through DTC participants. The Republic expects that under procedures established by DTC:

- upon deposit of each Global Note with DTC's custodian. DTC will credit portions of the principal amount of the Global Note to the accounts of the DTC participants designated by the Initial Purchasers; and

- ownership of beneficial interests in each Global Note will be shown on. and transfer of ownership of those interests will be effected only through. records maintained by DTC (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in each Global Note).

Investors may hold their interests in the Regulation S Global Note directly through Euroclear or Clearstream, Luxembourg if they are participants in those systems or indirectly through organizations that are participants in those systems. Investors may also hold their interests in the Regulation S Global Note through organizations other than Euroclear or Clearstream, Luxembourg that are DTC participants. Each of Euroclear and Clearstream, Luxembourg will appoint a DTC participant to act as its depositary for the interests in the Regulation S Global Note that are held within DTC for the account of each of these settlement systems on behalf of its respective participants.

Beneficial interests in the Global Notes may not be exchanged for Notes in physical certificated form except in the limited circumstances described below.

Each Global Note and beneficial interests in each Global Note will be subject to restrictions on transfer as described under "Transfer Restrictions."

Exchanges between the Global Notes

Beneficial interests in one Global Note of Notes of a Series may generally be exchanged for interests in another Global Note of Notes of such Series. Depending on whether the transfer is being made during or after the 40-day restricted period, and to which Global Note the transfer is being made, the Fiscal Agent may require the seller to provide certain written certifications in the form provided in the Fiscal Agency Agreement.

A beneficial interest in a Global Note that is transferred to a person who takes delivery through another Global Note will, upon transfer, become subject to any transfer restrictions and other procedures applicable to beneficial interests in the other Global Note.

Book-Entry Procedures for the Global Notes

All interests in the Global Notes will be subject to the operations and procedures of DTC and, if applicable, Euroclear and Clearstream, Luxembourg. The Republic provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Republic nor the Initial Purchasers is responsible for those operations or procedures.

DTC has advised that it is:

- a limited purpose trust company organized under the laws of the State of New York;
- a "banking organization" within the meaning of the New York State Banking Law;
- a member of the U.S. Federal Reserve System;
- a "clearing corporation" within the meaning of the Uniform Commercial Code; and
- a "clearing agency" registered under Section 17A of the U.S. Securities Exchange Act of 1934.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. DTC's participants include securities brokers and dealers, including the Initial Purchasers; banks and trust companies; clearing corporations; and other organizations. Indirect access to DTC's system is also available to others such as banks, brokers, dealers and trust companies; these indirect participants clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Investors who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect participants in DTC.

So long as DTC's nominee is the registered owner of a Global Note, that nominee will be considered the sole owner or holder of the Notes represented by that Global Note for all purposes under the Fiscal Agency Agreement. Except as provided below, owners of beneficial interests in a Global Note:

- will not be entitled to have Notes represented by the Global Note registered in their names;
- will not receive or be entitled to receive physical, certificated notes; and
- will not be considered the owners or holders of the Notes under the Fiscal Agency Agreement for any purpose, including with respect to the giving of any direction, instruction or approval to the Fiscal Agent under the Fiscal Agency Agreement.

As a result, each investor who owns a beneficial interest in a Global Note must rely on the procedures of DTC to exercise any rights of a holder of Notes under the Fiscal Agency Agreement (and, if the investor is not a participant or an indirect participant in DTC, on the procedures of the DTC participant through which the investor owns its interest in the Notes).

Payments of principal and interest with respect to the Notes represented by a Global Note will be made by the Fiscal Agent to DTC's nominee as the registered holder of the Global Note. Neither the Republic nor the Fiscal Agent will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a Global Note, for any aspect of the records relating to or payments made on account of those interests by DTC, or for maintaining, supervising or reviewing any records of DTC relating to those interests.

Payments by participants and indirect participants in DTC to the owners of beneficial interests in a Global Note will be governed by standing instructions and customary industry practice and will be the responsibility of those participants or indirect participants and DTC.

Transfers between participants in DTC will be effected under DTC's procedures and will be settled in same-day funds. Transfers between participants in Euroclear or Clearstream, Luxembourg will be effected in the ordinary way under the rules and operating procedures of those systems.

Cross-market transfers between DTC participants, on the one hand, and participants in Euroclear or Clearstream, Luxembourg, on the other hand, will be effected within DTC through the DTC participants that are acting as depositaries for Euroclear and Clearstream, Luxembourg. To deliver or receive an interest in a Global Note held in a Euroclear or Clearstream, Luxembourg account, an investor must send transfer instructions to Euroclear or Clearstream, Luxembourg, as the case may be, under the rules and procedures of that system and within the established deadlines of that system. If the transaction meets its settlement requirements, Euroclear or Clearstream, Luxembourg, as the case may be, will send instructions to its DTC depositary to take action to effect final settlement by delivering or receiving interests in the relevant Global Notes in DTC, and making or receiving payment under normal procedures for same-day funds settlement applicable to DTC, Euroclear and Clearstream, Luxembourg participants may not deliver instructions directly to the DTC depositaries that are acting for Euroclear or Clearstream, Luxembourg.

Because of time zone differences, the securities account of a Euroclear or Clearstream, Luxembourg participant that purchases an interest in a Global Note from a DTC participant will be credited on the business day for Euroclear or Clearstream, Luxembourg immediately following the DTC settlement date. Cash received in Euroclear or Clearstream, Luxembourg from the sale of an interest in a Global Note to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account as of the business day for Euroclear or Clearstream, Luxembourg following the DTC settlement date.

DTC, Euroclear and Clearstream, Luxembourg have agreed to the above procedures to facilitate transfers of interests in the Global Notes among participants in those settlement systems. However, the settlement systems are not obligated to perform these procedures and may discontinue or change these procedures at any time. Neither the Republic nor the Fiscal Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their participants or indirect participants of their obligations under the rules and procedures governing their operations.

Certificated Notes

Notes in physical, certificated form will be issued and delivered to each person that DTC identifies as a beneficial owner of the related Notes of a Series only if:

- DTC notifies the Republic at any time that it is unwilling or unable to continue as depositary for the Global Notes of Notes of such Series and a successor depositary is not appointed within 90 days;

- DTC ceases to be registered as a clearing agency under the U.S. Securities Exchange Act of 1934 and a successor depositary is not appointed within 90 days; or

- the Fiscal Agent receives a notice from the registered holder of the Global Note of Notes of such Series requesting exchange of a specified amount for individual note certificates following a failure to pay at maturity or upon acceleration of any Note of such Series.

TRANSFER RESTRICTIONS

The Notes have not been registered, and will not be registered, under the Securities Act or any state securities laws, and the Notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the Notes are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A under the Securities Act; and
- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Regulation S under the Securities Act.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of Notes (other than the Initial Purchasers in connection with the initial issuance and sale of Notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

(1) it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States;

(2) it acknowledges that the Notes have not been registered under the Securities Act or with any securities regulatory authority of any state and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(3) it understands and agrees that Notes initially offered in the United States to qualified institutional buyers will be represented by a global note and that Notes offered outside the United States pursuant to Regulation S will also be represented by a global note;

(4) it will not resell or otherwise transfer any of such Notes except (a) to the Republic or an affiliate of the Republic, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (d) pursuant to an exemption from registration under the Securities Act (if available), or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States and any other jurisdictions;

(5) it agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes;

(6) it acknowledges that prior to any proposed transfer of Notes (other than pursuant to an effective registration statement) the holder of such Notes may be required to provide certifications relating to the manner of such transfer as provided in the fiscal agency agreement, including with respect to Notes sold or transferred pursuant to Rule 144A or Regulation S;

(7) it acknowledges that the fiscal agent, registrar or transfer agent for the Notes may not be required to accept for registration or transfer of any Notes acquired by it, except upon presentation of evidence satisfactory to the Republic that the restrictions set forth herein have been complied with;

(8) it acknowledges that the Republic, the Initial Purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its

purchase of the Notes are no longer accurate, it will promptly notify the Republic and the Initial Purchasers; and

(9) if it is acquiring the Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

Legends

The following is the form of restrictive legend which will appear on the face of the Restricted Global Note and which will be used to notify transferees of the foregoing restrictions on transfer. This legend will only be removed with the Republic's consent. If the Republic so consents, it will be deemed to be removed.

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 903 OR RULE 904 OF REGULATION S AND, WITH RESPECT TO (A) AND (B), EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO SUCH ACCOUNT, (2) AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT (A) (I) TO THE ISSUER OR ANY AFFILIATE THEREOF, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (III) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (IV) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (V) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTIONS, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

THIS LEGEND MAY ONLY BE REMOVED AT THE OPTION OF THE ISSUER.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE 2(A)(V) ABOVE, THE ISSUER RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS, OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

The following is the form of restrictive legend which will appear on the face of the Regulation S Global Note and which will be used to notify transferees of the foregoing restrictions on transfer:

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS. PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")), THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON, EXCEPT TO A QUALIFIED INSTITUTIONAL

BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE FISCAL AGENCY AGREEMENT REFERRED TO HEREIN. AS USED HEREIN, THE TERMS "UNITED STATES" AND "U.S. PERSON" HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S.

TAXATION

Costa Rica Taxation

The following summary of certain Costa Rican tax matters is based on the advice of Dirección General de Tributación (General Directorate of Taxation). The summary contains a description of the principal Costa Rican tax consequences of the purchase, ownership and disposition of the Notes but it does not purport to be a comprehensive description of all of the tax consequences that may be relevant to a decision to purchase the Notes.

The summary is based upon the tax laws of Costa Rica as in effect on the date of this Offering Circular which are subject to change. Prospective purchasers of the Notes (including residents of Costa Rica, if any) should consult their tax advisers as to the tax consequences of the purchase, ownership and disposition of the Notes, including, in particular, the effect of any foreign, state or local tax laws.

Under current tax laws and regulations of Costa Rica, and according to Law N° 9070, (i) the actions required for the execution, delivery, issuance and registration of the documents required for the issuance of the Notes are exempt from any taxes or levy, impost, deduction or other charge (together, "Taxes") imposed by Costa Rica or any political subdivision or taxing authority thereof or therein, (ii) payments by the Republic of principal in respect of the Notes are not subject to taxation in Costa Rica and no withholding for any Costa Rican tax is required on any such payments, and (iii) in the event that any present or future Taxes are imposed or levied on interest payments – or any other payments – or on behalf of the Republic or any political subdivision thereof or therein or any jurisdiction through which payments on the Notes are made, then the Republic is authorized by Law N° 9070 to make payment of the amount so withheld to the appropriate governmental authority and forthwith pay such additional amounts as may be necessary to ensure that the net amounts receivable by the holders of the Notes after such withholding or deduction shall equal the payment which would have been receivable in respect of the Notes in the absence of such withholding or deduction.

United States Federal Income Taxation

ANY U.S. FEDERAL TAXATION DISCUSSION IN THIS OFFERING CIRCULAR WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR PURPOSES OF AVOIDING U.S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER. ANY SUCH TAX DISCUSSION WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE NOTES TO BE ISSUED OR SOLD PURSUANT TO THIS OFFERING CIRCULAR. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

Generally

The following is a summary of certain material U.S. federal income tax consequences to original purchasers of the Notes of the purchase, ownership and disposition of the Notes. This summary is based upon existing U.S. federal income tax laws, which are subject to change, possibly with retroactive effect. No assurances can be given that any changes in these laws or authorities will not affect the accuracy of the discussions set forth in this summary. The Republic has not sought any ruling from the U.S. Internal Revenue Service (the "IRS") with respect to the statements made and the conclusions reached in this discussion, and there can be no assurance that the IRS will agree with all of such statements and conclusions.

This summary does not purport to discuss all aspects of U.S. federal income taxation that may be relevant to a particular investor in light of that investor's individual circumstances, such as investors whose functional currency is not the U.S. dollar or certain types of investors subject to special tax rules (*e.g.*, financial institutions, insurance companies, dealers in securities or currencies, certain securities traders, regulated investment companies, pension plans, and tax-exempt organizations and investors that hold the Notes as a position in a "straddle," "conversion transaction," "integrated" or "constructive sale" transaction). In addition, this summary does not discuss any non-U.S., state, or local tax considerations. This summary only applies to investors that hold Notes as "capital assets" (generally, property held for investment) within the meaning of the U.S. Internal Revenue Code of 1986, as amended (the "Code").

For purposes of this summary, the term "U.S. Holder" means a beneficial owner of a Note who is an individual citizen or resident of the United States, a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state of the United States or the District of Columbia, an estate whose income is subject to U.S. federal income tax regardless of its source or a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more "United States persons," as defined for U.S. federal income tax purposes, have the authority to control all substantial decisions of the trust or the trust has in effect a valid election to be treated as a United States person. If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds the Notes, the tax treatment of a partner in such partnership will generally depend upon the status of the partner and the activities of the partnership. As used herein, the term "non-U.S. Holder" means a beneficial owner of a Note that is not a U.S. Holder for U.S. federal income tax purposes.

Prospective purchasers of Notes should consult their own tax advisors concerning the U.S. federal income tax consequences of the purchase, ownership and disposition of Notes in light of their particular circumstances, as well as the effect of any relevant state, local, foreign or other tax laws.

U.S. Holders

Payments of Interest and Additional Amounts

We expect, and the remainder of this summary assumes, that the Notes will be issued at par or at a discount that is de minimis for U.S. federal income tax purposes. Accordingly, payments of interest on a Note generally will be taxable to a U.S. Holder as ordinary income at the time they are received or accrued, depending on the U.S. Holder's regular method of tax accounting. In addition to interest on a Note, a U.S. Holder will be required to include any tax withheld from the interest payment as ordinary income, even though such holder did not in fact receive it, and any additional amounts paid in respect of such tax withheld.

Interest (and any additional amounts) on the Notes will constitute income from sources outside the United States. Under the foreign tax credit rules, that interest generally will be classified as "passive category income" (or, in certain cases, as "general category income"), which may be relevant in computing the foreign tax credit allowable to a U.S. Holder under the U.S. federal income tax laws.

Sale, Exchange, Retirement or Other Taxable Disposition of a Note

A U.S. Holder generally will recognize gain or loss upon the sale, exchange, retirement or other taxable disposition of a Note (including payments as a result of an acceleration) in an amount equal to the difference between the amount realized upon that sale, exchange, retirement or other taxable disposition (other than amounts representing accrued and unpaid interest not previously included in income, which will be taxed as such) and the U.S. Holder's adjusted tax basis in the Note. The amount realized is the sum of cash plus the fair market value of any property received upon the sale, exchange, retirement or other taxable disposition of a Note. A U.S. Holder's adjusted tax basis in a Note generally will equal the U.S. Holder's initial investment in the Note. Gain or loss generally will be capital, and will be long-term gain or loss if the Note is held for more than one year. The ability of a U.S. Holder to offset capital losses against ordinary income is limited. Any capital gain or loss recognized on sale, exchange, retirement or other taxable disposition of a Note generally will be treated as income or loss from sources within the United States for foreign tax credit limitation purposes. Therefore, U.S. Holders may not be able to claim a credit for any Costa Rican tax imposed upon a disposition of a Note unless (subject to special limits) such holder has other income from foreign sources and certain other requirements are met.

Medicare Tax

For taxable years beginning after December 31, 2012, a U.S. Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (i) the U.S. Holder's "net investment income" (or, in the case of an estate or trust, the "undistributed net investment income") for the relevant taxable year and (ii) the excess of the U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between US$125,000 and US$250,000, depending on the individual's circumstances). A U.S. Holder's net investment income generally will include its interest income and its net gains from the disposition of a Note, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities).

Information with Respect to Foreign Financial Assets

Owners of "specified foreign financial assets" with an aggregate value in excess of $50,000 on the last day of the taxable year, or $75,000 at any time during the taxable year generally will be required to file information reports with respect to such assets with their U.S. federal income tax returns. Depending on the holder's circumstances, higher threshold amounts may apply. "Specified foreign financial assets" include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by certain financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties and (iii) interests in non-U.S. entities. The Notes may be treated as specified foreign financial assets and U.S. Holders may be subject to this information reporting regime. Failure to file information reports may subject U.S. Holders to penalties. U.S. Holders should consult their own tax advisors regarding your obligation to file information reports with respect to the Notes.

Non-U.S. Holders

Payments of Interest and Additional Amounts

Subject to the discussion below of backup withholding, payments of interest and any additional amounts on the Notes generally are not subject to U.S. federal income tax, including withholding tax, if paid to a "non-U.S. Holder", as defined above, unless the interest is effectively connected with such non-U.S. Holder's conduct of a trade or business within the United States (or, if an income tax treaty applies, the interest is attributable to a permanent establishment or fixed place of business maintained by such non-U.S. Holder within the United States). In that case, the non-U.S. Holder generally will be subject to U.S. federal income tax in respect of such interest in the same manner as a U.S. Holder, as described above. A non-U.S. Holder that is a corporation may, in certain circumstances, also be subject to an additional "branch profits tax" in respect of any such effectively connected interest income currently imposed at a 30% rate (or, if attributable to a permanent establishment maintained by such non-U.S. Holder within the United States, a lower rate under an applicable tax treaty).

Sale, Exchange, Retirement or Other Taxable Disposition of a Note

Subject to the discussion below of backup withholding, a non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any gain realized on the sale, exchange, retirement or other taxable disposition of a Note unless: (1) the gain is effectively connected with the conduct by such non-U.S. Holder of a trade or business within the United States (or, if an income tax treaty applies, the gain is attributable to a permanent establishment or fixed base in the United States.), or (2) such non-U.S. Holder is a nonresident alien individual, who is present in the United States for 183 or more days in the taxable year of the disposition and certain other conditions are met. Non-U.S. Holders who are described under (1) above generally will be subject to U.S. federal income tax on such gain in the same manner as a U.S. Holder and, if the non-U.S. Holder is a foreign corporation, such holder may also be subject to the branch profits tax as described above. Non-U.S. Holders described under (2) above generally will be subject to a flat 30% tax on the gain derived from the sale, exchange, retirement or other taxable disposition of Notes, which may be offset by certain U.S. capital losses (notwithstanding the fact that such holder is not considered a U.S. resident for U.S. federal income tax purposes). Any amount attributable to accrued but unpaid interest on the Notes generally will be treated in the same manner as payments of interest, as described above under "—Payments of Interest and Additional Amounts."

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to payments of principal of and interest and any additional amounts on the Notes to non-corporate U.S. Holders if such payments are made within the United States or by or through a custodian or nominee that is a "U.S. Controlled Person," as defined below. Backup withholding will apply to such payments if a U.S. Holder fails to provide an accurate taxpayer identification number or, in the case of interest payments and the accrual of interest, fails to certify that it is not subject to backup withholding or is notified by the IRS that it has failed to report all interest and dividends required to be shown on its U.S. federal income tax returns.

Non-U.S. Holders are generally exempt from these withholding and reporting requirements (assuming that the gain or income is otherwise exempt from U.S. federal income tax), but such non-U.S. Holders may be required to comply with certification and identification procedures in order to prove their exemption. If a non-U.S. Holder holds a Note through a foreign partnership, these certification procedures would generally be applied to such holder as a partner. The payment of proceeds of a sale or redemption of Notes effected at the U.S. office of a broker generally will be subject to the information reporting and backup withholding rules, unless such non-U.S. Holder establishes an exemption. In addition, the information reporting rules will apply to payments of proceeds of a sale or redemption effected at a non-U.S. office of a broker that is a U.S. Controlled Person, as defined below, unless the broker has documentary evidence that the holder or beneficial owner is not a U.S. Holder (and has no actual knowledge or reason to know to the contrary) or the holder or beneficial owner otherwise establishes an exemption.

As used herein, the term "U.S. Controlled Person" means:

- a "United States person;"
- a controlled foreign corporation for U.S. federal income tax purposes;
- a non-U.S. person 50% or more of whose gross income is derived for tax purposes from the conduct of a U.S. trade or business for a specified three-year period; or
- a non-U.S. partnership in which United States persons hold more than 50% of the income or capital interests or which is engaged in the conduct of a U.S. trade or business.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a holder of a Note generally will be allowed as a refund or a credit against the holder's U.S. federal income tax liability as long as the holder provides the required information to the IRS in a timely manner.

EU Directive on the Taxation of Savings Income

The European Union (the "EU") has adopted an EC Council Directive 2003/48/EC (the "Directive") regarding the taxation of savings income. The Directive requires member states of the EU (the "Member States") to provide to the tax authorities of another Member State details of payments of interest and other similar income paid by a person to or collected for an individual or to certain other persons in another Member State, except that Luxembourg and Austria are instead required to impose a withholding system for a transitional period unless during such period they elect otherwise. A number of third countries and territories including Switzerland have adopted similar measures to those required by the Directive. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain dependent or associated territories in relation to payments made by a person in a Member State to or collected for an individual or certain other persons in such a territory.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

VALIDITY OF THE NOTES

The validity of the Notes will be passed upon on behalf of the Republic by Rosibel Bermudez Fernández, Costa Rican counsel to the Republic, and by Arnold & Porter LLP, U.S. counsel to the Republic. The validity of the Notes will be passed upon on behalf of the Initial Purchasers by Consortium - Laclé & Gutiérrez, Costa Rican counsel to the Initial Purchasers and by Milbank, Tweed, Hadley & McCloy LLP, U.S. counsel to the Initial Purchasers. As to all matters of Costa Rican law, Arnold & Porter LLP will rely on the opinion of Rosibel Bermudez Fernández, and Milbank, Tweed, Hadley & McCloy LLP will rely upon the opinion of Consortium - Laclé & Gutiérrez.

GENERAL INFORMATION

1. For the Notes due 2025: The CUSIP numbers for the Regulation S Global Note and the Restricted Global Note are P3699PGE1 and 221597BS5, respectively. The common codes for the Regulation S Global Note and the Restricted Global Note are 092497925 and 092517551, respectively, and the International Securities Identification Numbers for the Regulation S Global Note and the Restricted Global Note are USP3699PGE18 and US221597BS57, respectively.

For the Notes due 2043: The CUSIP numbers for the Regulation S Global Note and the Restricted Global Note are P3699PGF8 and 221597BT3, respectively. The common codes for the Regulation S Global Note and the Restricted Global Note are 092497950 and 092517543, respectively, and the International Securities Identification Numbers for the Regulation S Global Note and the Restricted Global Note are USP3699PGF82 and US221597BT31, respectively.

2. The Republic has obtained all necessary consents, approvals and authorizations in the Republic of Costa Rica in connection with the issue and performance of the Notes. The issue of the Notes was authorized under Law No. 9070, effective on September 7, 2012.

3. Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to have the Notes admitted to trading on the Euro MTF Market. So long as any of the Notes are listed on the Official List of the Luxembourg Stock Exchange, the Republic will maintain a paying agent and transfer agent in Luxembourg.

4. In April 2013, Infinto Gold, a Canadian mining company, publicly announced that it might bring legal proceedings against Costa Rica for US$1 billion if Infinto Gold is not allowed to resume work on the Crucitas mine in San Carlos on the basis of an alleged breach by the Republic of its free trade agreement with Canada. No such proceedings have been commenced as of the date of this Offering Circular.

Other than as set forth above, neither the Republic nor any governmental agency of the Republic is involved in any litigation or arbitration or administrative proceedings relating to claims or amounts which are material in the context of the issue of the Notes and which would materially and adversely affect the Republic's ability to meet its obligations under the Notes and the fiscal agency agreement and, so far as the Republic is aware, no such litigation or arbitration or administrative proceedings are pending or threatened.

5. Copies of the following documents may be obtained on any business day (Saturdays, Sundays and public holidays excepted) free of charge at the office of the Paying Agent in Luxembourg so long as any of the Notes are listed on the Official List of the Luxembourg Stock Exchange:

(a) the Fiscal Agency Agreement incorporating the forms of Global Notes and Note Certificates;

(b) copies of the Constitution of the Republic and the Law of the Republic referred to in paragraph 2 above (in Spanish); and

(c) copies of the Republic's consolidated public sector fiscal accounts for the last calendar year (as and when available in English).

6. Other than as disclosed herein, there has been no material adverse change in the financial condition of the Republic which is material in the context of the issue of the Notes since December 31, 2012.

ISSUER

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The Republic of Costa Rica

US$500,000,000 4.375% Notes due 2025
US$500,000,000 5.625% Notes due 2043

Barclays **Deutsche Bank Securities**

Offering Circular

April 23, 2013