MANAGEMENT'S DISCUSSION AND ANALYSIS OF OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS OF MARCH 31, 2022

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The following discussion of our financial position and results of operations should be read in conjunction with our consolidated financial statements and other financial information related to this. Our consolidated financial statements have been prepared in accordance with the Honduran Banking GAAP. Our future results may vary materially from those discussed herein due to various factors affecting our business.

Overview

We are one of the largest financial services groups in Honduras and, through our subsidiaries, we offer a wide range of corporate and retail banking, insurance, pension fund management and other financial services to more than 3.7 million clients as of March 31, 2022. We were recognized as a Financial Group by the National Banking and Insurance Commission (CNBS) in 2012 and our main subsidiary, Banco Atlántida, was founded in 1913. We believe that our businesses benefit from important synergies of being part of a Financial Group.

Our businesses are mainly focused on three segments: (i) banking, through our subsidiaries Banco Atlántida, one of the largest banks in Honduras based on total assets as of March 31, 2022, according to data from the CNBS, Banco Atlántida El Salvador and Banco Atlántida Nicaragua, the last one was created organically as part of our expansion plans in 2019; (ii) insurance, through our subsidiaries Seguros Atlántida, one of the largest insurance providers in Honduras based on total assets as of March 31, 2022, according to data from CNBS, and Atlántida Vida, Seguros de Personas; and (iii) pension fund management, through our subsidiary AFP Atlántida the largest private pension fund administrator of Honduras based on assets under management as of March 31, 2022, according to data published by our competitors, and AFP Confia , El Salvador's largest private pension fund administrator based on assets under management , as of February 28, 2022, according to data from the Superintendence of the Financial System of El Salvador (SSF) (data as of March 31, 2022, is not available yet).

Our operations in Honduras include Banco Atlántida, Seguros Atlántida and AFP Atlántida, these entities are among the most profitable entities in the Honduran banking, insurance and pension fund management industries, according to CNBS data. As of March 31, 2022 and 2021, Banco Atlántida had a net income of L419,511 thousand and L240,657 thousand and a ROAE of 13.8% and 8.9%; Seguros Atlántida had a net profit of L85,639 thousand and L49,466 thousand and a ROAE of 25.0% and 14.2% and AFP Atlántida had a net profit of L65,743 thousand and L59,356 thousand and a ROAE of 27.2% and 22.0%, respectively. Banco Atlántida occupies a prominent position in the local market in terms of total assets, loans and interest receivable and deposits, with market shares of 18.2%, 22.1% and 21.1%, respectively, as of March 31, 2022, according to data from the CNBS. Seguros Atlántida is one of the largest insurers in terms of gross written premiums, with a market share of 16.4% and 16.6% as of March 31, 2022, and 2021, respectively, according to CNBS data. AFP Atlántida is the largest private pension fund manager in Honduras with a 58.4% market share in terms of assets under management as of March 31, 2022.

The Group have one of the largest banking distribution networks in Honduras. As of March 31, 2022, we had 3,471 service points in Honduras, which together with our insurance distribution network and other operations in Honduras, El Salvador and Nicaragua added 3,582 service points as follows:

- 262 branches (146 agencies, 62 ATM windows, 23 drive thru and 31 branches related to the other lines of business that make up INVATLAN);
- 1,146 ATMs (423 proprietary ATMs and 723 third-party network ATMs); and
- 2,174 non-correspondent banking agents.

As of March 31, 2022 and 2021, Banco Atlántida El Salvador had a net income of L19,716 thousand and L 19,034 thousand and an ROAE of 3.7% and 4.3%, respectively. Banco Atlántida El Salvador remains a relatively small bank in El Salvador with a market share of 4.2% and 3.4%, in total assets and deposits, respectively, as of March 31, 2022, according to SSF data. As of February 28, 2022, AFP Confia had a market share of 52.0% in terms of total assets under management and 47.8% in terms of total number of clients according to SSF data. Regarding our operations in Nicaragua, Banco Atlántida Nicaragua is a recently created entity that began operations on November 1, 2019, and as a result, is not yet relevant in the Nicaraguan market.

Key factors affecting our financial condition and results of operations

Effects of the COVID-19 pandemic on the results of operations

On March 21, 2020, the CNBS issued resolution GES No. 175/21-03-2020, through which a temporary financial relief measure was approved, urging financial institutions to grant a deferment in the payment of the main financial obligations (not interest) owed by its debtors, until June 30, 2020. During the deferral period, payments on all principal, interest and fees were suspended. Once the deferral period has ended, debtors can request refinancing if necessary. Debtors and financial institutions had until September 30, 2020 to agree on debt refinancing plans. In addition, financial system institution were urged to establish updated plans to ensure the continuity of their operations. Subsequently, on June 25, 2020, the CNBS issued resolution GES No. 278/25-06-2020, that allows supervised institutions (banks, financial companies, private development organizations, insurers) to grant additional grace periods or allow their debtors to restructure their loans, starting in July 2020, to debtors whose economic activities have been negatively affected by the COVID-19 pandemic, which would be determined on a case-by-case basis for each institution according to each debtor situation. This analysis should consider the debtor's ability to pay and their financial situation. If an institution determines that severity is less, their payments could be deferred for shorter periods of time. For other debtors whose economic activities have been less affected by the pandemic, their payments were only deferred until July 31, 2020. In addition, on October 19, 2020, the Honduran Government, represented by the Central Bank, the CNBS and the Honduran Bank for Production and Housing (BANHPROVI) reached an agreement with the Honduran Association of Banking Institutions (AHIBA) to provide additional financial assistance, including the extension of grace periods for payment, micro, small and medium-sized enterprises adversely affected by the COVID-19 pandemic. On December 2, 2020, the CNBS issued resolution GES No.601/02-12-2020 by which it extended the deadline until March 31, 2021 for the credit institution to formalize the refinancing or adjustment of the debtor’s credit obligations. under these relief mechanisms.

Effects of tropical storms ETA and IOTA on the results of operations

On December 2, 2021, the CNBS issued resolution GES No.602/02-12-2020 by which it established relief mechanisms for debtors affected by tropical storms Eta & Iota, consisting of supervised institutions that carry out credit operations. credit, prior identification and evaluation, being able to grant grace periods to debtors (individuals or legal entities) who have been affected by the effects caused by tropical storms ETA and IOTA. The grace periods may not exceed three (3) months, corresponding to the installments for the months of November and December 2020 and January 2021, which must be applied at the request of the debtors or at the initiative of the institutions when identifying the clients. affected, regardless of the risk category in which the debtor is classified.

As a result of the adoption of these measures, we recognize additional interest for the periods for which the principal was partially deferred, offset by the fact that certain mortgage loan interests could not be capitalized and, therefore, we recognize interest on said capitalized amounts. In addition, we decided to temporarily restrict consumer credit to avoid delinquency. Finally, the regulator allowed creditors who had access to these reliefs not to change their risk rating and, therefore, there was no immediate impact on credit reserves.

As of March 31, 2022, the percentages of loans in our portfolio that were deferred, restructured, or refinanced pursuant to the government relief order were as follows:

Consolidated COVID-19 pandemic effects as of March 31, 2022

Business and commercial banking		**Portfolio**	**%**	**Interests**	**Total**
With relief:	**L**	**16,075,008**	**17.9%**	**184,021**	**16,259,029**
With deferred installments		560,685	0.6%	15,837	576,522
Adjusted		11,290,387	12.6%	90,814	11,381,201
Refinanced		4,223,936	4.7%	77,370	4,301,306
Without relief:	**L**	**73,489,743**	**82.0%**	**837,972**	**74,327,715**
Total		**89,564,751**	**99.9%[1]**	**1,021,993**	**90,586,744**

Retail banking		**Portfolio**	**%**	**Interests**	**Total**
With relief:	**L**	**1,361,866**	**7.4%**	**15,633**	**1,377,499**
With deferred installments		22,160	0.1%	177	22,337
Adjusted		1,147,545	6.2%	13,387	1,160,932
Refinanced		192,161	1.1%	2,069	194,230
Without relief:		**17,055,947**	**92.6%**	**204,921**	**17,260,868**
Total	**L**	**18,417,813**	**100.0%**	**220,554**	**18,638,367**
		107,982,564		**1,242,547**	**109,225,111**

(1))The difference (0.1%) corresponds to the loan portfolio with relief measures ETA and IOTA tropical storms.

Relief measures ETA and IOTA tropical storms

Through GES resolution No. 602 / 02-12-2020, the Commission extends the term until March 31, 2021, for debtors to be able to avail themselves of the Tropical Storms ETA and IOTA relief mechanisms, as the end of March 31,2022, these relief represent 0.1% of the gross loan's portfolio with a balance of L57,378 and L285 interest and L64,551 and L423 interest on December 31, 2021.

Effects of changes in interest rates

Changes in interest rates often affect, among others, the following areas of our business:

- financial margin.
- volume of loans originated.
- market value of our financial assets; and
- gains or losses from sales of loans and securities.

Increases in short-term interest rates can reduce our financial margin, which comprises most of our income. A significant portion of our subsidiaries' assets, including loans, are long-term assets. In contrast, most deposits are short-term deposits. When interest rates increase, Banco Atlántida and the other Banking Subsidiaries must pay higher interest on deposits, while accrued interest on assets does not increase as rapidly. This can cause a decrease in profits. Interest rate increases could result in adverse changes in our financial margin, thus reducing our growth rate or even resulting in decreases compared to previous periods.

Increases in interest rates can reduce the value of our financial assets. The Company owns a substantial portfolio of loans and debt securities that have both fixed and variable interest rates. The market value of a security with a fixed interest rate generally decreases when prevailing interest rates increase. This may have an adverse effect on our earnings and financial condition. In addition, we may incur costs (which, in turn, could affect our results) as our subsidiaries implement strategies to reduce and mitigate future exposure to interest rates. The market value of an obligation with a variable interest rate may be adversely affected when interest rates increase due to a delay in the application of price change terms.

The assets and liabilities have been classified by Banco Atlántida's domicile as domestic (operations in Honduras) or foreign (operations outside Honduras) and by currency denomination *(lempiras* or United States Dollar (USD)). Domestic operations include *lempiras* (local currency of our operations in Honduras) and USD-denominated assets and liabilities. Foreign operations include assets and liabilities denominated in USD. USD have been translated to *lempiras* using the exchange rate published by the Central Bank on the relevant dates. For more information, see "Exchange Rates" For the purposes of this section, U.S. dollar-denominated assets and liabilities include: (i) domestic USD, which includes all transactions conducted in Honduras or on behalf of Honduran residents in USD, and (ii) foreign USD, which includes all transactions conducted with entities outside of Honduras, such as multilateral banks and correspondents.

Assets and Liabilities Rates

Given that 82.3% of our consolidated interest income for the three months ended March 31, 2022, is derived from Banco Atlántida, the tables below set forth the weighted average interest rates on assets and liabilities in lempiras and USD as of March 31, 2022, December 31, 2021 and 2020, compared to the average rates of the system published by the Central Bank.

The rates of assets and liabilities in lempiras are as follows:

	2020	**2021**	**2022**
Assets (loans-BASA)	12.1%	10.9%	10.4%
System Average Assets Rate	13.7%	12.1%	12.0%
Liabilities (deposits-BASA)	4.6%	3.4%	2.8%
Monetary Policy Rate	3.0%	3.0%	3.0%

The Honduran banking industry generally does not set interest rates by reference to a benchmark rate; however, the weighted average interest rates on lempira-denominated assets and liabilities of the Honduran banking industry are slightly influenced by the minimum bid rate that the Central Bank allows for its treasury notes. This reference rate was reduced to 3.0% on November 27, 2020 and has not changed since that date.

Banco Atlántida's average interest rate on lempiras-denominated assets (loans) was 10.4% as of March 31, 2022, compared to 10.9% as of December 31, 2021. For the three months ended March 31, 2022, the loan portfolio denominated in lempiras grew 4.2% while the local financial system grew 2.1% during the same period, according to CNBS data.

Banco Atlántida's average interest rate on lempiras-denominated liabilities (deposits) decreased to 2.8% as of March 31, 2022, compared to 3.4% as of December 31, 2021. As of March 31, 2022, deposits denominated in lempiras grew 3.5%, while the local financial system grew 2.9% during the same period, according to CNBS data.

The assets and liabilities rates in USD are as follows:

	2020	**2021**	**2022**
Assets (loans-BASA)	7.2%	6.5%	4.6%
System Average Assets Rate	7.7%	7.3%	7.3%
Liabilities (Deposits-BASA)	2.6%	2.2%	2.0%
System Average Liabilities Rate	1.9%	1.5%	1.5%

As of March 31, 2022, Banco Atlántida's average interest rate on assets (loans) denominated in USD was 4.6%, compared to 6.5% as of December 31, 2021. The loan portfolio denominated in USD increased 7.6 % as of March 31, 2022, while the local financial system increased 1.9% during the same period, according to CNBS data.

Banco Atlántida's average interest rate on liabilities (deposits) denominated in USD was 2.0% as of March 31, 2022, and 2.2% as of December 31, 2021. Deposits denominated in USD grew at a rate of 0.1% as of March 31, 2022, while deposits for the local financial system grew at a rate of 1.9% during the same period, according to CNBS data.

Effect of family remittances

As of March 31, 2022, family remittances entering Honduras were USD1,935.6 million, which represented an increase of 22.0% compared to the corresponding period in 2021, while for the previous comparative periods, they were as shown in the following table:

Period	Amount*		Change %
31/03/2022	1,935.6	(p)	22.0%
31/03/2021	1,586.3	(r)	29.9%
31/03/2020	1,220.9	(r)	3.0%
28/03/2019	1,185.4	(r)	10.6%

Expressed in millions of USD
(p) preliminary data
(r) revised data

The income obtained by Banco Atlántida as a result of handling family remittances consisted mainly of commissions on foreign exchange transactions, fees for money orders and other related fees, as well as gains on currency exchange transactions. Banco Atlántida processed USD562.7 million in family remittances during the period ended March 31, 2022, 22.7% more than the corresponding period of 2021, during which USD458.5 million were processed. As of March 31, 2022, Banco Atlántida's market share was 31.7%, while for the corresponding period of 2021 it was 31.4%.

Competition

We face intense competition in all our segments, which can materially affect our growth, market share, margins, and profitability. For more information, see “Honduras Financial Services Industry.”

Inflation

An increase in inflation rates may affect our performance primarily because all of our assets are not adjusted for the effects of inflation. In addition, material increases in the rate of inflation could result in lower demand and affect the prices of our services and products. Because much of our costs and expenses are fixed, we may not be able to reduce costs in the event of inflation. Increases in the rate of inflation could also negatively affect our loan portfolio.

The Honduran economy has been characterized by moderate inflation in recent years. As of March 31, 2022, the inflation rate was 6.9%. This result is mainly explained by the increase in the prices of food and non-alcoholic beverages; furniture and articles for home conservation, accommodation, water, electricity, gas and other fuels, clothing and footwear; hotels, restaurants, transportation, recreation and culture, among others. As of December 31, 2021, the inflation rate was 5.3% According to the Central Bank, inflation for 2021 was outside the established goal, since it exceeded the 4.0% range (± 1 pp) agreed with the International Monetary Fund (IMF) by 30bp.

Exchange Rates

The Group is exposed to currency risk any time an open position in a currency other than lempiras is held. Volatility in lempiras exchange rates could result in higher risks associated with such positions.

In addition, any devaluation or depreciation of the Lempira compared to the USD could have a negative impact on the ability of our subsidiaries' clients to repay loans and make insurance premium payments, which in turn could have an adverse effect on our financial condition and results of operations

Last year, the exchange rate of the Lempira compared to the USD appreciated at a stable rate due to the effects of the Covid-19 pandemic on the entry flows of foreign currency. During 2021, the lempira experienced a slight depreciation due to the post pandemic economic recovery. The Lempira exchange rate is characterized by cyclical fluctuations in line with the export seasons of Honduras' main agricultural commodities and the high demand for foreign currency to pay for imported goods. The exchange rate was L24.3406 per USD1.00 on March 31, 2022, compared to L24.3454 per USD1.00 on December 31, 2021, according to the Central Bank.

Demographic trends

During the last 4 years the behavior of the main demographic variables of the country has been as shown in the following table:

Period	Population (millions)	% Change	GDP * (USD)	% Change	Poverty rate	% Change	Unemploy-ment rate	% Change
2021	9.5	2.2%	3,010	17.4%	N/A	N/A	8.5%	1.7%
2020	9.3	1.1%	2,563	-6.6%	N/A	N/A	8.4%	46.9%
2019	9.2	2.2%	2,743	2.8%	48.0%	-4.8%	5.7%	0.9%
2018	9.0	1.1%	2,669	2.0%	50.4%	1.2%	5.7%	2.2%

***** **GDP per cápita**
N/A **not available**

Bank loans

The growth rate of Banco Atlántida's loan portfolio, specifically for its retail banking segment, can be attributed to low banking penetration. In terms of banking penetration, the ratio of loans (as published by the Commission) to GDP (as published by the Central Bank) was 55.7%, as of March 31, 2022.

According to the Central Bank, as of March 31, 2022, the growth rate of bank loans to the private sector was 13.7%, compared to 4.3% as of March 31, 2021. The change is explained by the increase in demand of credits from the private sector, as a consequence of the reactivation of economic activities that were partially or totally suspended during the pandemic.

Results of operations for the three months ended March 31, 2022, compared to the three months ended March 31, 2021.

	March 31,		Change	
	2022	**2021**	**HNL**	**%**
Interest income	2,889,267	2,430,096	459,171	18.9%
Interest expense	1,032,921	1,199,016	(166,095)	-13.9%
Financial profit	**1,856,346**	**1,231,080**	**625,266**	**50.8%**
Loan impairment charges	385,570	201,452	184,118	91.4%
Financial profit, net of impairment charges	**1,470,776**	**1,029,628**	**441,148**	**42.8%**
Income from insurance activities	1,134,910	1,260,211	(125,301)	-9.9%
Expenses from insurance activities	960,036	1,101,949	(141,913)	-12.9%
Profit from insurance activities	**174,874**	**158,262**	**16,612**	**10.5%**
Services	31,157	25,307	5,850	23.1%
Commissions	1,050,876	874,639	176,237	20.1%
Leases	1,631	3,249	(1,618)	-49.8%
Other income	234,073	145,293	88,780	61.1%
Total, Proceeds From services	**1,317,737**	**1,048,488**	**269,249**	**25.7%**
Staff-expenses	712,335	626,304	86,031	13.7%
General and administrative expenses	1,271,815	959,749	312,066	32.5%
Depreciation and amortization	202,948	193,495	9,453	4.9%
Total, operating expenses	2,187,098	1,779,548	407,550	22.9%
Operating income	**776,289**	**456,830**	**319,459**	**69.9%**
Income from dividends	803	846	(43)	-5.1%
Gain on sale of assets available for sale	29,771	37,152	(7,381)	-19.9%
Gain on sale of fixed assets	7,091	3,306	3,785	114.5%
Other income, net	40,689	62,396	(21,707)	-34.8%
Total, non-operating income	**78,354**	**103,700**	**(25,346)**	**-24.4%**
Income before income tax	**854,643**	**560,530**	**294,113**	**52.5%**
Income tax/capital gain/net assets tax	329,755	238,830	90,925	38.1%
Income before non-controlling interest	**524,888**	**321,700**	**203,188**	**63.2%**
Net income attributable to noncontrolling interest	61,856	39,044	22,812	58.4%
Net Income	**463,032**	**282,656**	**180,376**	**63.8%**

In thousands of HNL´s except percentages

Below is an analysis of the components of our consolidated statement of comprehensive results set out in the table above:

Interest income

The following table presents the components of the interest income for the three months ended, March 31, 2022 and 2021:

	March 31,		Change	
Interest income on:	**2022**	**2021**	**HNL's**	**%**
Loans	2,501,855	2,103,905	397,950	18.9%
Certificates, bonds and others	315,509	255,751	59,758	23.4%
Leasing	64,334	58,953	5,381	9.1%
Deposits	7,569	11,487	(3,918)	-34.1%
Total,	**2,889,267**	**2,430,096**	**459,171**	**18.9%**

(In thousands of HNL's except percentages)

Interest income increased 18.9%, or L459,171 thousand, for the three months ended March 31, 2022, compared to the three months ended March 31, 2021, mainly due to an increase in in income from interest on loans by18.9% and an increase in income from interest on investments in certificates of deposit, bonds and others by 23.4%.

Loan interest income increased by 18.9%, or L397,950 thousand, for the three months ended March 31, 2022, compared to the three months ended March 31, 2021, as a result of the increase by L497,723 thousand in interest income due to an increase in the volume of loans in local and foreign currency by 30.4% and 13.7% respectively. This increase was partially offset by a reduction in interest rates that led to a decrease of L99,773 thousand in interest income.

Interest income on investments in certificates, bonds and others increased by 23.4%, or L59,758 thousand, for the three months ended March 31, 2022, compared to the three months ended March 31, 2021, due to a higher volume of local and foreign investments that resulted in an increase of L126,782 thousand in interest income. This increase was partially offset by a decrease in interest rates that led to a decrease in income by L67,024 thousand.

Interest income from finance leases increased by 9.1%, or L5,381 thousand, for the three months ended March 31, 2022, compared to the three months ended March 31, 2021, due to an increase of L11,400 thousand in interest income as a result of an increase in the volume of financial leases by 15.0%. This increase was partially offset by the reduction in interest rates that led a decrease by L6,019 thousand in interest income.

Interest expense

	March 31,		Change	
Interest expense on:	**2022**	**2021**	**HNL's**	**%**
Deposits	679,484	926,436	(246,952)	-26.7%
Loans obtained from banks	147,234	127,917	19,317	15.1%
Bonds and guaranteed notes	206,203	144,663	61,540	42.5%
Total	**1,032,921**	**1,199,016**	**(166,095)**	**-13.9%**

(In thousands of HNL's except percentages)

Interest expense decreased by 13.9%, or L166,095 thousand, for the three months ended March 31, 2022, compared to the three months ended March 31, 2021, primarily as a result of a decrease in interest expense on deposits by 26.7%, partially offset by a 42.5% increase in interest expense on bonds and secured notes and a 15.1% increase in interest expense on loans obtained from banks, as explained below.

Interest expense on deposits decreased 26.7% or L246,952 thousand, for the three months ended March 31, 2022, compared to the three months ended March 31, 2021, mainly due to the lower behavior in interest rates, which led to a decrease in interest expense of L272,100 thousand, partially offset by an increase of L25,148 thousand due to an increase in the volume of deposits by 10.7%.

Interest expense on loans obtained from banks increased by 15.1% or L19,317 thousand, for the months ended March 31, 2021, compared to the three months ended March 31, 2021, mainly as a result of the increase in the volume of loans obtained from banks, which led to an increase in interest expense of L48,314 thousand. This increase was partially offset by the decrease in market interest rates that led to a decrease in interest expense by L28,997 thousand.

Interest expense on bonds and secured notes increased by 42.5% or L61,540 thousand, mainly due to (i) an increase in interest paid on local currency bonds and a decrease on foreign currency bonds by L991 thousand and L12,479 thousand, respectively; and (ii) an increase in interest paid on secured notes of L73,028 thousand, which corresponds mainly to the interest caused by the new secured notes in foreign currency USD300,000 thousand issued by INVATLAN in May 2021.

Loan impairment charges

	March 31,		**Change**	
	2022	**2021(1)**	**HNL's**	**%**
Loan impairment charges	385,570	201,452	184,118	91.4%
NPL ratio(2)	2.30%	2.30%	-	-
Coverage ratio(3)	130.00%	131.20%	-	-
Provision for loan losses	3,248,066	3,038,643	209,423	6.9%

(In Thousands of HNL's except percentages)

(1) Comparative data for 2021 corresponds to December 31, 2021, except for loan impairment charges corresponding to March 31, 2021.
(2) The NPL ratio is calculated dividing NPLs (including refinanced NPLs) by our gross loan portfolio.
(3) The coverage ratio is calculated dividing the provision for loan losses by NPLs (including refinanced NPLs).

Loan impairment charges increased by 91.4%, or L184,118 thousand, for the three months ended March 31, 2022, compared to the three months ended March 31, 2021, while the delinquency ratio was 2.3% as of March 31, 2022 and December 31, 2021, on the other hand, the NPL coverage ratio was 130.0% as of March 31, 2022, and 131.2% as of December 31, 2021.

For the three months ended March 31, 2022, loan portfolio impairment charges were allocated as follows:

a) Attributable to retail banking L122,805 thousand;

b) Attributable to SME banking L50,602 thousand;

c) Attributable to corporate banking L212,163 thousand.

The provision for credit losses increased by L209,423 thousand as of March 31, 2022. This increase is mainly due to the recognition of loan impairment charges by L385,570 thousand, offset by portfolio write-offs by L88,231 thousand, the release of reserves by L87,735 thousand, interest included in loans by L76 thousand and effect of foreign exchange differential by L105 thousand.

Proceeds from services

The following table presents the components of income from services for the three months ended March 31, 2022, and 2021:

	March 31,		Change	
	2022	2021	HNL's	%
Services	31,157	25,307	5,850	23.1%
Commissions	1,050,876	874,639	176,237	20.1%
Leases	1,631	3,249	(1,618)	-49.8%
Other income(1)	234,073	145,293	88,780	61.1%
Total	**1,317,737**	**1,048,488**	**269,249**	**25.7%**

(In thousands of HNL's except percentages)

(1) Other income consists of gains on the purchase/sale of foreign currency, change in value of assets and liabilities held for sale, account management fees, gains on sale of financial assets and other (miscellaneous) income.

Service revenues increased by 25.7%, or L269,249 thousand, for the three months ended March 31, 2022, compared to the three months ended March 31, 2021, primarily due to a 20.1% increase in commission income, an increase in other income of 61.1%, as explained below.

The increase in commission income of 20.1%, or L176,237 thousand, for the three months ended March 31, 2022, compared to the three months ended March 31, 2021, is mainly explained by the following variations:

Banco Atlántida´s commission income:	
Loan commissions	10,841
Commissions on products and services	(4,074)
Credit/debit card fees	5,794
Other commissions	45,765
Sub Total	**58,326**
AFP Atlántida´s commission income	**21,467**
AFP Confia´s commission income	**66,887**
Banco Atlántida El Salvador commissions on loans and services	**5,239**
Atlántida Capital´s commission income	**22,844**
Total commissions	**174,763**

(In thousands of HNL's)

The increase in other income of 61.1% or L88,780 thousand for the three months ended March 31, 2022, compared to the three months ended March 31, 2021, is mainly due to the increase in other income of Banco Atlántida due to: (i) an increase of L41,766 thousand in profits from the purchase and sale of foreign currency as a result of greater economic activity in the country, (ii) an increase in income of L49,316 thousand derived from the sale of financial instruments at amortized cost, (iii) a decrease of L826 thousand in other miscellaneous services of COALSA and a decrease of L1,477 thousand in other income of BAES.

Profit from insurance activities

The following table presents the components of income from insurance activities for the years ended March 31, 2022 and 2021:

	March 31,		Change	
	2022	**2021**	**HNL**	**%**
Income from insurance activities	1,134,910	1,260,211	(125,301)	-9.9%
Expenses from insurance activities	960,036	1,101,949	(141,913)	-12.9%
Profit from insurance activities	**174,874**	**158,262**	**16,612**	**10.5%**

(In thousands of HNL's except percentages)

Income from insurance activities increased by 10.5%, or L16,612 thousand, for the three months ended March 31, 2022, compared to the three months ended March 31, 2021, mainly due to movements in income and expenses as discussed below.

Income from insurance activities decreased 9.9%, or L125,301 thousand, for the three months ended March 31, 2022, compared to the three months ended March 31, 2021, mainly due to a decrease in premiums issued by Atlántida Vida and Seguros Atlántida by L98,042 thousand and L5,118 thousand, respectively; a decrease by L1,352 thousand in the variation of reserves for ongoing risk and claims pending settlement, a decrease in claims recovered from reinsurers by L15,442 thousand mainly due to the liquidation of reserves caused in 2021 by hurricanes Eta/ Iota, a decrease in the salvage and recovery of claims by L5,362 thousand, and a decrease in the release of reserves for impairment of premiums receivable for L15,637 thousand, partially offset by an increase in reinsurance commissions ceded by L15,500 thousand and an increase in other technical income of L174 thousand.

Expenses from insurance activities decreased by 12.9%, or L141,913 thousand, for the three months ended March 31, 2022, compared to the three months ended March 31, 2021, mainly due to a decrease in the variation in risk reserves in progress and prevision of L125,760 thousand, a decrease by L65,119 thousand in other technical expenses, a decrease by L60,140 thousand in incurred and unreported claims, a decrease of L25,807 thousand in refunds and cancellations of insurance premiums and a decrease of L2,661 thousand in insurance commissions; partially offset by an increase of L123,750 thousand in claims, an increase by L10,325 thousand in ceded premiums, an increase by L404 thousand in allowance for impairment of premiums receivable and an increase by L232 thousand in insurance bonuses for intermediaries and an increase in premiums for excess loss contract by L2,863 thousand.

Operating expenses

The following table presents the components of operating expenses for the three months ended March 31, 2022 and 2021.

	March 31		Change	
	2022	**2021**	**HNL**	**%**
Staff expenses	712,335	626,304	86,031	13.7%
General and administrative expenses	1,271,815	959,749	312,066	32.5%
Depreciation and amortization	202,948	193,495	9,453	4.9%
Total	**2,187,098**	**1,779,548**	**407,550**	**22.9%**

(In thousands of HNL's except percentages)

Operating expenses increased by 22.9%, or L407,550 thousand, for the months ended March 31, 2022, compared to the three ended March 31, 2021, mainly due to a 13.7% increase in staff expenses and a 32.5% increase in general and administrative expenses, as explained below.

Staff expenses increased by 13.7% or L86,031 thousand, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021, mainly due to an increase in salaries expense by L46,184 thousand of which L7,807 thousand correspond to an increase in headcount, L33,437 thousand due to salary adjustments and an increase of L4,940 thousand due to the incorporation of GUIP to the consolidation of the Group; in addition, there was an increase in provision expenses for bonuses by L18,243 thousand and an increase of L10,273 thousand in medical care for Group employees, an increase in employer contributions by L2,501 thousand and an increase in travel expenses by L5,483 miles.

General and administrative expenses increased 32.5%, or L312,066 thousand, for the three months ended March 31, 2022, compared to the three months ended March 31, 2021, mainly due to: (i) an increase by L62,139 thousand in various expenses of Banco Atlántida; (ii) an increase by L96,660 thousand in other expenses for services, mainly due to the following increases: L3,065 thousand in real estate maintenance, L4,148 thousand in valuables transportation expenses, L41,789 thousand in miscellaneous expenses, L8,148 thousand in advertising and marketing expenses, L16,192 thousand in vehicle maintenance, L9,890 thousand in software and computer equipment maintenance and L12,376 thousand in expenses for utilities; (iii) an increase by L5,704 thousand in other administrative expenses of Banco Atlántida El Salvador; (iv) an increase in expenses for outsourced services of Confia and BAES by L66,899 thousand and L15,452 thousand, respectively; (v) an increase in expenses for professional fees by L26,274 thousand; (vi) an increase in expenses for contributions to regulators by L7,277 thousand; and (vii) an increase in director's expenses by L2,159 thousand.

Non-operating income (expenses)

	March 31,		Change	
	2022	2021	HNL's	%
Dividend income	803	846	(43)	-5.1%
profit on sale of assets available for sale	29,771	37,152	(7,381)	-19.9%
Profit on the sale of fixed assets	7,091	3,306	3,785	114.5%
Other income (expenses), net	40,689	62,396	(21,707)	-34.8%
Total	**78,354**	**103,700**	**(25,346)**	**-24.4%**

(In thousands of HNL's except percentages)

Non-operating income (expenses) decreased by 24.4%, or L25,346 thousand, during the three months ended March 31, 2022, compared to the three months ended March 31, 2021, mainly due to a decrease in other net income (expenses) at 34.8%; a 114.5% increase in the profit from the sale of fixed assets and a 19.9% decrease in the profit from the sale of assets available for sale, as explained below.

Profit from sale of assets available for sale decreased by 19.9%, or L7,381 thousand, for the three months ended March 31, 2022, compared to the three months ended March 31, 2021, mainly due to a decrease of L4,590 thousand in the income of Banco Atlántida El Salvador and L2,792 thousand in the income of Banco Atlántida.

Profit from sale of fixed assets increased by 114.5% or L3,785 thousand, for the three months ended March 31, 2022, compared to the three months ended March 31, 2021, mainly due to an increase by L1,983 thousand in revenue from Leasing Atlántida is due to purchase options exercised in advance of assets assigned under financial lease, an increase by L1,092 thousand mainly due to the sale of a Banco Atlántida´s aircraft and an increase by L556 thousand due to the sale of AFP Atlántida´s vehicle.

Other income (expenses), net, decreased 34.8%, or L21,707 thousand, for the three months ended March 31, 2022, compared to the three months ended March 31, 2021, mainly due to: (i) an increase in other income (various) by L55,432 thousand mainly caused by the release of L53,746 thousand of voluntary reserves created during the Covid-19 pandemic and L1,686 thousand of reserves for extraordinary assets; (ii) a decrease in income from recoveries of financial assets by L4,101 thousand; (iii) an increase in other expenses by L45,346 thousand, (iv) an increase in income due to a variation in exchange rate by L17,968 thousand; (v) an increase by L22,228 thousand in net losses from stock appreciation; (vi) an increase in deferred tax expense for L5,674 thousand; and (vii) a decrease of L19,655 thousand in other financial income.

Income before taxes and non-controlling interest

Profit before taxes and non-controlling interest increased 52.5% to L854,643 thousand for the three months ended March 31, 2022, from L560,530 thousand for the corresponding period in 2021, as a result of the factors discussed above.

Income tax

Income tax expense increased by 38.1%, or L90,925 thousand, for the three months ended March 31, 2022, compared to the three months ended March 31, 2021. The effective income tax rate rent was 35.8% as of March 31, 2022, compared to March 31, 2021, it was 40.3%.

Net income

As a result, net income increased by 63.8% to L463,032 thousand for the three months ended March 31, 2022, from L282,656 thousand for the three months ended March 31, 2021. Average shareholders' equity increased 11.2% to L15,352,579 thousand for the three months ended March 31, 2022, from L13,810,130 thousand for the three months ended March 31, 2021. ROAE was 13.1% for the three months ended March 31 2022, compared to 8.2% for the three months ended March 31, 2021.

Liquidity and financing

Banco Atlántida represents our main source of funds, the Group's liquidity comes mainly from deposits, loans from banks and financial institutions and debt securities.

The following table shows the main sources of funds of the Group as of March 31, 2022 and December 31, 2021:

	March 31, 2022	**December 31,2021**	**Change**	**%**
Demand deposits	19,283,816	20,798,239	(1,514,423)	-7.3%
Savings deposits	57,376,025	56,752,094	623,931	1.1%
Term deposits	40,031,757	38,830,579	1,201,178	3.1%
Other	194,034	184,393	9,641	5.2%
Total, Deposits	**116,885,632**	**116,565,305**	**320,327**	**0.3%**
Banks loans	14,413,734	16,324,834	(1,911,100)	-11.7%
Bonds and guaranteed notes	11,468,606	11,396,531	72,075	0.6%
	142,767,972	**144,286,670**	**(1,518,698)**	**-1.1%**

(In thousands of HNL's except percentages)

Deposits increased 0.3% to L116,885,632 thousand as of March 31, 2022, compared to L116,565,305 thousand as of December 31, 2021, mainly as a result of the partial recovery of the dynamism of the economies of the countries where the Group operates, after the inactivity period caused by the COVID-19 pandemic.

Bank loans were L14,413,734 thousand as of March 31, 2022, compared to L16,324,834 thousand as of December 31, 2021. Banco Atlántida has lines of credit with 19 global financial institutions with which it has had correspondent relationships. Some of its main credit line providers include IFC, PROPARCO, CABEI, Global Climate Partnership Fund, Banco Central de Honduras (BCH), Eco Business Fund, Citibank N.A., Wells Fargo Bank N.A. and Commerzbank AG. As of March 31, 2022, the Group had a total amount of USD406,943 thousand (L9,905,233 thousand) in uncommitted lines of credit from foreign institutions on a consolidated basis, of which US$204,150 thousand (L4,969,134 thousand) were available for use.

Bonds and secured notes issued were L11,468,606 thousand as of March 31, 2022, compared to L11,396,531 thousand as of December 31, 2021, which represents an increase of L72,075 thousand of which L69,040 thousand correspond to a new issuances net of bond cancellations, an increase due to the application of the amortized cost method by L4,941 thousand and a decrease due to variations in exchange rate by L1,906 thousand.

Through our asset and liability management policy, we seek to ensure that sufficient liquidity is available to honor deposit withdrawals, pay other liabilities at maturity, extend loans or other forms of credit to customers, pay liabilities arising from the insurance policies we issue, and meet working capital needs. The minimum amount of liquidity that our main subsidiaries are obliged to maintain depends on the reserve requirements established by the Central Bank, as well as the technical and mathematical legal reserves required by our insurance operations.

We expect deposits, loans and borrowings from banks and debt securities issued to be sufficient to meet our liquidity requirements over the next 12 months.

Regulatory Capital

As a holding company, we are not required to maintain regulatory capital on a consolidated basis. However, in accordance with Honduran, Salvadoran and Nicaraguan capitalization requirements, Banco Atlántida, Banco Atlántida El Salvador and Banco Atlántida Nicaragua are required to maintain specific levels of regulatory capital as a percentage of their risk-weighted assets (capital adequacy ratio for Honduras and Nicaragua and capital fund for El Salvador). As of March 31, 2022, the required capital adequacy ratio for Honduras and Nicaragua was 11.0% and 10.0%, respectively, while the required equity fund for El Salvador was 12.0%.

The followings tables show the calculation of the regulatory capital for Banco Atlántida (capital adequacy ratio), Banco Atlántida El Salvador (equity fund) and Banco Atlántida Nicaragua (capital adequacy ratio), in accordance with regulatory requirements:

Banco Atlántida	**March 31,**	**December 31,**		
	2022	**2021**	**2020**	**2019**
Total, level 1	8,677,567	8,677,567	8,680,524	7,988,863
Total, level 2	3,035,703	3,035,703	1,958,843	1,894,418
Total, Regulatory Capital	**11,713,270**	**11,713,270**	**10,639,367**	**9,883,281**
Total, Rick-weighted assets	98,852,163	98,852,163	83,072,295	81,437,715
Regulatory capital as a percentage of risk-weighted assets	**11.8%**	**11.8%**	**12.8%**	**12.1%**

(In thousand of lempiras except percentages)

Banco Atlántida El Salvador	**March 31,**	**December 31,**		
	2022	**2021**	**2020**	**2019**
Total, level 1	75,315	76,583	65,946	55,848
Total, level 2	9,404	6,270	3,980	3,567
Total, Regulatory Capital	**84,719**	**82,853**	**69,926**	**59,415**
Total, Rick-weighted assets	645,644	633,118	540,912	445,121
Regulatory capital as a percentage of risk-weighted assets	**13.1%**	**13.1%**	**12.9%**	**13.3%**

(In thousand of USD except percentages)

Banco Atlántida Nicaragua	March 31, 2022	December 31, 2021	2020
Total, level 1	682,640	534,237	427,848
Total, level 2	195,791	-57,441	-64,015
Total, Regulatory Capital	**878,431**	**476,796**	**363,833**
Total, Rick-weighted assets	466,502	983,314	663,952
Regulatory capital as a percentage of risk-weighted assets	**53.1%**	**48.5%**	**54.8%**

(In thousand of córdovas except percentages)

Commitments and contractual obligations

The Group assumes a several commitments and contractual obligations that may require future payments in cash. The following table summarizes our commitments and contractual obligations as of March 31, 2022.

	Less than 30 days	From 31 to 90 days	From 91 days to 1 year	Between 1 and	More than	Total
Deposits	24,851,135	23,538,488	21,373,972	28,448,853	18,673,184	116,885,632
Bank loans	601,912	825,943	4,660,528	4,446,173	3,879,178	14,413,734
Bonds and guaranteed notes	-	-	784,661	10,943,036	-	11,727,697
Total	25,453,047	24,364,431	26,819,161	43,838,062	22,552,362	143,027,063
% of Total	**17.8%**	**17.0%**	**18.8%**	**30.7%**	**15.8%**	**100.0%**

(In thousands of HNL's except percentages)

Capital expenditures

Consolidated capital expenditures decreased to L241,298 thousand for the three months ended March 31, 2022 compared to L293,398 thousand for the three months ended March, 2021, mainly due to a decrease in development of intangibles such as software, licenses, among others.

Off-balance sheet agreements

In the normal course of business, the Group engages in various off-balance sheet activities that carry credit, market and operating risk and are not reflected in our financial statements. These activities include commitments to extend credit that would not otherwise be accounted for as contingent loans, such as guarantees, letters of credit and loans under standby contracts, including lines of credit and syndicated loans. We provide our clients with services related to the issuance and confirmation of commercial and stand-by letters of credit and the issuance of bank guarantees. These contingent liabilities are detailed below:

		March 31, 2022	December 31, 2021
Letters of credit and idle credit documents	L	933,566	796,496
Securities and bank guarantees issued		5,868,890	6,271,148
Acceptance debtors		49,138	243,274
Idle credits		6,437,288	5,532,658
Other responsibilities		267,784	286,703
	L	**13,556,666**	**13,130,279**

(In thousands of HNL's)

The credit risk of both on-and off-balance sheet financial instruments changes based on many factors, including the value of collateral held and other security arrangements. To mitigate credit risk, we generally determine the need for specific requirements for covenants, guarantees and guarantees on a case-by-case basis, depending on the nature of the financial instrument and the solvency of the client. We may also require letters of commitment and oral assurances. The amount and type of collateral held to reduce credit risk varies, but may include real estate, machinery, equipment, inventory, and accounts receivable, as well as cash on deposit, stocks, bonds, and other marketable securities that are generally held in our possession or by another appropriate custodian or depositary. This guarantee is periodically assessed and inspected to ensure both its existence and its adequacy. Additional collateral is required where appropriate as determined by the credit committee of our subsidiaries.

Qualitative and quantitative disclosure on market risks

We are exposed to risks in the ordinary course of business, particularly credit risk, liquidity risk, exchange rate risk and interest rate risk. For a discussion of how we regularly assess and manage our exposures to these risks, please see Note 4 of our consolidated financial statements as of March 31, 2022.