



**MANAGEMENT'S DISCUSSION AND  
ANALYSIS OF OUR FINANCIAL  
CONDITION AND RESULTS OF  
OPERATIONS  
AS OF SEPTEMBER 30, 2024**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

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 Honduran banking GAAP. Our future results may vary materially from those discussed in this document due to several factors that affect 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 4.5 million clients as of September 30, 2024. We were recognized as a Financial Group by the National Banking and Insurance Commission (CNBS by its acronym in Spanish) 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) banks, through our subsidiaries Banco Atlántida, one of the largest banks in Honduras based on total assets as of September 30, 2024, according to data from the CNBS, Banco Atlántida El Salvador, Banco Atlántida Nicaragua, Pacific Bank in Panama and Banco D-Miro in Ecuador, the last one was acquired as part of our expansion plans in 2024 (ii) insurance, through our subsidiaries Seguros Atlántida, one of the largest insurance providers in Honduras based on total assets as of September 30, 2024, according to data from CNBS, Atlántida Vida, Seguros de Personas and Seguros Atlántida El Salvador; and (iii) pension fund management, through our subsidiary AFP Atlántida, the largest private pension fund manager in Honduras based on assets under management as of September 30, 2024, according to data published by our competitors, and AFP Confia, El Salvador's largest private pension fund manager based on assets under management, as of April 30, 2023, according to data from the Superintendence of the Financial System of El Salvador (SSF by its acronym in Spanish). (Data as of September 30, 2024, 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 September 30, 2024, and 2023, Banco Atlántida had a net income of L1,157,072 thousand and L1,024,206 thousand and a ROAE of 10.6% and 10.1%; Seguros Atlántida had a net profit of L137,991 thousand and L86,884 thousand and a ROAE of 14.3% and 9.6% and AFP Atlántida had a net profit of L168,347 thousand and L162,148 thousand and a ROAE of 26.4% and 25.6%, 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 20.0%, 19.9% and 20.4%, respectively, as of September 30, 2024, 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 14.1% and 14.8% as of September 30, 2024, and 2023, respectively, according to CNBS data. AFP Atlántida is the largest private pension fund manager in Honduras with a 59.0% market share in terms of assets under management as of September 30, 2024.

The Group has one of the largest banking distribution networks in Honduras. As of September 30, 2024, we had 5,554 service points in Honduras, which together with our insurance distribution network and other operations in Honduras, El Salvador, Nicaragua, Panama, and Ecuador added 6,455 service points as follows:

- 321 branches (169 agencies, 83 teller windows embedded within corporate client offices, 23 drive thru and 46 branches related to the other business lines of the Group).
- 1,358 ATMs (461 proprietary ATMs and 897 third-party network ATMs); and
- 4,776 non-correspondent banking agents.

As of September 30, 2024, and 2023, Banco Atlántida El Salvador had net income of L14,758 thousand and L107,332 thousand and an ROAE of 3.5% and 5.4%, respectively. Banco Atlántida El Salvador's market share of 5.2%, 5.2% and 4.8%, in total assets, loans and deposits, respectively, as of September 30, 2024, according to SSF data. As of April 30, 2023, AFP CONFIA had a 51.9% market share in terms of total assets under management and 47.9% in terms of total number of clients according to SSF data. Furthermore, we have three small operations in Nicaragua (Banco Atlántida Nicaragua), Panama (Pacific Bank) and Ecuador (Banco D-Miro).

### **Key factors affecting our financial condition and results of operations.**

#### **Effects of COVID-19 pandemic and ETA & IOTA tropical storms on loan portfolio**

As of September 30, 2024, the Group has not defaulted on principal and interest payments of its financial obligations. As a result of the regulatory responses that the Central Bank and the CNBS implemented to mitigate the macroeconomic and financial impacts generated by the COVID-19 pandemic, the contractual commitments associated with the specific financial indicators are monitored which may be impacted by such implementations.

As of September 30, 2024, the portfolio also has debt under relief mechanisms for covid-19 pandemic and Eta and Iota tropical storms had a balance of L9,917,342 thousand, representing 7.0% of the total portfolio, divided into refinanced with L2,675,793 thousand, readjusted L7,136,272 thousand and deferred in installments L105,277 thousand.

As of September 30, 2024, the interests generated by debt under relief mechanisms to covid-19 pandemic and Eta & Iota tropical storms had a balance of L140,469 thousand represents 7.02% of the total interest receivable on portfolio, interest is divided into in refinanced with balance L62,908 thousand, readjusted L76,251 thousand and deferred payments L1,310 thousand.

## 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.

## Asset and Liability Rates

Given that 76.5% of our consolidated interest income for the nine months ended September 30, 2024, comes from Banco Atlántida, our analysis is focused on the behavior of Banco Atlántida's interest rates. The following tables establish the weighted average interest rates of assets and liabilities in lempiras and USD as of September 30, 2024, December 31, 2023, and 2022, compared to the average rates of the Honduran Financial System published by the Central Bank of Honduras.

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

|                                           | 2024  | 2023  | 2022  |
|-------------------------------------------|-------|-------|-------|
| Assets (loans-BASA)                       | 10.6% | 9.9%  | 10.1% |
| System Average Assets Rate <sup>(p)</sup> | 12.5% | 11.4% | 11.2% |
| Liabilities (deposits-BASA)               | 4.1%  | 3.1%  | 2.2%  |
| Monetary Policy Rate                      | 4.0%  | 3.0%  | 3.0%  |

*(p) preliminary data*

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 increased to 4.0% on August 5, 2024, an increment of 100 bp, due to the measures outlined in the Monetary Program 2024-2025, with the aim of mitigating internal inflationary pressures and preserving the country's external position. Previous changes were made on November 27, 2020, and have not changed since that date.

Banco Atlántida's average interest rate on assets (loans) denominated in lempiras was 10.6% as of September 30, 2024, compared to 9.9% as of December 31, 2023. For the nine months ended September 30, 2024, the loan portfolio denominated in lempiras grew 2.0% while the local financial system grew 9.2%, according to CNBS data.

Banco Atlántida's average interest rate on Lempira-denominated liabilities (deposits) increased to 4.0% as of September 30, 2024, compared to 3.1% as of December 31, 2023. As of September 30, 2024, deposits denominated in lempiras decreased 0.5%, while the local financial system grew 3.4% during the same period, according to CNBS data.

### The assets and liabilities rates in USD are as follows:

|                                                | 2024  | 2023 | 2022 |
|------------------------------------------------|-------|------|------|
| Assets (loans-BASA)                            | 8.8%  | 7.5% | 8.4% |
| System Average Assets Rate <sup>(p)</sup>      | 16.3% | 9.4% | 6.9% |
| Liabilities (Deposits-BASA)                    | 3.4%  | 2.3% | 1.8% |
| System Average Liabilities Rate <sup>(p)</sup> | 4.8%  | 2.4% | 1.9% |

*(p) preliminary data*

As of September 30, 2024, and December 31, 2023, Banco Atlántida's average interest rate on assets (loans) denominated in USD was 8.8%, and 7.5% as of December 31, 2023. The loan portfolio denominated in USD grew 15.7% as of September 30, 2024, while the local financial system increased 3.5% during the same period, according to data from the CNBS.

Banco Atlántida's average interest rate on liabilities (deposits) denominated in USD was 3.4% as of September 30, 2024, and 2.3% as of December 31, 2023. Deposits denominated in USD decreased by 15.0% as of September 30, 2024, while deposits for the local financial system grew 4.6% during the same period, according to CNBS data.

### **Effect of family remittances**

As of September 30, 2024, family remittances that entered Honduras were USD7,194.9 million, which represented an increase of 5% compared to the corresponding period in 2023, while for the previous comparative periods, they were as shown in the following table:

| <b>Period</b> | <b>Amount*</b> | <b>Change</b> |          |
|---------------|----------------|---------------|----------|
|               |                |               | <b>%</b> |
| 30/09/2024    | 7,194.9        | (r)           | 5%       |
| 30/09/2023    | 6,853.7        | (r)           | 5.7%     |
| 30/09/2022    | 6,483.8        | (r)           | 20.4%    |
| 30/09/2021    | 5,384.2        | (r)           | 32.6%    |

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 USD2,028.5 million in family remittances during the period ended September 30, 2024, 16% more than the corresponding period of 2023, during which USD1,750.2 million were processed. As of September 30, 2024 and 2023 Banco Atlántida's market share was 28.2% and 25.5%, respectively.

### **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**

A rise in inflation rates may impact on our performance mainly because all our assets are not adjusted for the effects of inflation. In addition, material increases in the inflation rate could result in lower demand for, and affect the pricing of, our services and products. Because many 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 impact our loan portfolio.

The Honduran economy was characterized by having moderate levels of inflation, however, this changed in 2022, due to various external shocks that influenced the growth rate in the price index. During 2023, it has been observed that inflation has begun to return to previously experienced levels, and it was expected that by the end of 2023 its growth will be like that experienced before the effects of the pandemic. According to the Central Bank, the inflation rate for 2023 was within target (5.2%) since the inflation target was set within a range of 5% to 6%, according to the review of the Monetary Program made by the government with the IMF. As of September 30, 2024, the inflation rate was 4.5%, lower by 0.50 percentage points (pp) compared to August, this behavior is mainly due to the drop in prices of some agricultural products due to the late release of the harvest (potato, potatoes, tomato, lettuce, onion, sweet chili and cabbage, among others) and the consecutive reductions in the domestic prices of fuels, for vehicular and domestic use, for eight weeks, in response to the lower international price of a barrel of oil associated with the forecast of a lower global demand for it. In September 2023, the inflation rate was 6.13%, lower than 10.04% and higher than 4.62% as of September 2022 and 2021 respectively. During the month, the items that determined the inflationary result were: “Food and Non-Alcoholic Beverages” “Health” and “Accommodation, Water, Electricity, Gas and Other Fuels”.

## **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 U.S. dollar 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.

In 2020, the exchange rate of the lempira compared to the U.S. dollar 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 L24.8455 per US\$1.00 on September 30, 2024, compared to L24.6513 per US\$1.00 on December 31, 2023, 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<br>(millions) | %<br>Change | GDP *<br>(USD) | %<br>Change | Poverty<br>rate | %<br>Change | Unemploy-<br>ment rate | %<br>Change |
|--------|--------------------------|-------------|----------------|-------------|-----------------|-------------|------------------------|-------------|
| 2023   | 9.7                      | 1.0%        | 3,538          | 8.1%        | N/A             | N/A         | 6.8%                   | -4.2%       |
| 2022   | 9.6                      | 1.1%        | 3,272          | 10.0%       | 52.4%           | -1.7%       | 7.1%                   | -10.1%      |
| 2021   | 9.5                      | 2.2%        | 2,974          | 18.4%       | 53.3%           | -7.6%       | 7.9%                   | -26.2%      |
| 2020   | 9.3                      | 1.1%        | 2,512          | -7.6%       | 57.7%           | 16.6%       | 10.7%                  | 91.1%       |

\*GDP per capita

N/A not available

\*The World Bank updated its database on April 2, 2024, which is why the demographic variables presented in the table above underwent changes due to new data obtained to update the calculation methodology for this indicator.

## Bank loans.

The growth rate of the loan portfolio of Banco Atlántida, specifically for its retail banking segment, can be attributed to low bank penetration. In terms of bank penetration, the proportion of loans (as published by the Commission) to GDP (as published by the Central Bank) was 65.2%, as of December 31, 2023.

According to the Central Bank, as of September 30, 2024, the growth rate of bank loans to the private sector was 14.4%, compared to the growth rate of 20.3% and 18.7% as of September 2023 and 2022, respectively. It should be noted that the total credit granted to companies reported an interannual growth of 9.2% and to households of 20.6%. Meanwhile, credit in external currency to companies increased by 6.7% and that granted to households by 10.3%.

**Results of operations for the nine months ended September 30, 2024, compared to the same period 2023.**

|                                                           | September 30,    |                  | Change            |               |
|-----------------------------------------------------------|------------------|------------------|-------------------|---------------|
|                                                           | 2024             | 2023             | HNL               | %             |
| Interest Income                                           | 12,897,401       | 10,321,650       | 2,575,751         | 25.0%         |
| Interest expense                                          | 6,976,930        | 4,709,730        | 2,267,200         | 48.1%         |
| <b>Financial Profit</b>                                   | <b>5,920,471</b> | <b>5,611,920</b> | <b>308,551</b>    | <b>5.5%</b>   |
| Loan impairment charges                                   | 1,640,494        | 878,286          | 762,208           | 86.8%         |
| <b>Financial profit, net of impairment charges</b>        | <b>4,279,977</b> | <b>4,733,634</b> | <b>(453,657 )</b> | <b>-9.6%</b>  |
| Income from insurance activities                          | 3,845,276        | 3,226,164        | 619,112           | 19.2%         |
| Expenses from insurance activities                        | 3,556,530        | 2,988,478        | 568,052           | 19.0%         |
| <b>Profit from insurance activities</b>                   | <b>288,746</b>   | <b>237,686</b>   | <b>51,060</b>     | <b>21.5%</b>  |
| Services                                                  | 227,744          | 93,219           | 134,525           | 144.3%        |
| Commissions                                               | 4,016,106        | 3,303,734        | 712,372           | 21.6%         |
| Leases                                                    | 38,037           | 8,160            | 29,877            | 366.1%        |
| Other income                                              | 399,959          | 374,375          | 25,584            | 6.8%          |
| <b>Total proceeds from services</b>                       | <b>4,681,846</b> | <b>3,779,488</b> | <b>902,358</b>    | <b>23.9%</b>  |
| Staff-expenses                                            | 3,008,112        | 2,626,141        | 381,971           | 14.5%         |
| General and administrative expenses                       | 5,030,382        | 4,342,754        | 687,628           | 15.8%         |
| Depreciation and amortization                             | 747,999          | 696,916          | 51,083            | 7.3%          |
| <b>Total operating expenses</b>                           | <b>8,786,493</b> | <b>7,665,811</b> | <b>1,120,682</b>  | <b>14.6%</b>  |
| <b>Operating income</b>                                   | <b>464,076</b>   | <b>1,084,997</b> | <b>(620,921)</b>  | <b>-57.2%</b> |
| Income from dividends                                     | 16,276           | 3,736            | 12,540            | 335.6%        |
| Gain on assets available for sale                         | 202,597          | 592,517          | (389,920)         | -65.8%        |
| Gain on sale of fixed assets                              | 158,699          | 35,082           | 123,617           | 352.4%        |
| Other income, net                                         | 1,200,613        | 257,870          | 942,743           | 365.6%        |
| <b>Total non-operating income</b>                         | <b>1,578,185</b> | <b>889,205</b>   | <b>688,980</b>    | <b>77.5%</b>  |
| <b>Income before income tax</b>                           | <b>2,042,261</b> | <b>1,974,202</b> | <b>68,059</b>     | <b>3.4%</b>   |
| Income tax/capital gain/net assets tax                    | 739,797          | 795,715          | (55,918)          | -7.0%         |
| <b>Income before non-controlling interest</b>             | <b>1,302,464</b> | <b>1,178,487</b> | <b>123,977</b>    | <b>10.5%</b>  |
| <b>Net income attributable to noncontrolling interest</b> | <b>217,784</b>   | <b>173,301</b>   | <b>44,483</b>     | <b>25.7%</b>  |
| <b>Net income</b>                                         | <b>1,084,680</b> | <b>1,005,186</b> | <b>79,494</b>     | <b>7.9%</b>   |

(In thousands of L 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 shows the components of the interest income for the nine months ended, September 30, 2024, and 2023:

| Interest Income on:            | September 30,     |                   | Change           |              |
|--------------------------------|-------------------|-------------------|------------------|--------------|
|                                | 2024              | 2023              | L                | %            |
| Loans                          | 10,860,212        | 8,700,766         | 2,159,446        | 24.8%        |
| Certificates, bonds and others | 1,357,571         | 1,107,324         | 250,247          | 22.6%        |
| financial leasing              | 444,204           | 288,000           | 156,204          | 54.2%        |
| Deposits                       | 235,414           | 225,560           | 9,854            | 4.4%         |
| <b>Total, interest income</b>  | <b>12,897,401</b> | <b>10,321,650</b> | <b>2,575,751</b> | <b>25.0%</b> |

*(In thousands of L except percentages)*

Interest income increased 25.0%, or L2,575,751 thousand, for the nine months ended September 30, 2024, compared to same period of 2023, mainly due to a 24.8% increase in income from interest on loans and 22.6% and an increase in income from interest on certificates, bonds and others.

Interest income on loans increased by 24.8%, or L2,159,446 thousand, for the nine months ended September 30, 2024, compared to the same period of 2023, as a result of an increase in loans volume in local and foreign currency by 12.5% and 13.4%, respectively, which led to an increase of L1,196,105 thousand in interest income, and an increase of L963,341 thousand in interest income as a result of an upward trend in interest rates.

Interest income on certificates, bonds and others increased by 22.6%, or L250,247 thousand, for the nine months ended September 30, 2024, compared to the same period of 2023, due to an increase in the volume of investments and the upward trend in interest rates of local and foreign investments which led to an increase in interest income by L186,052 thousand and L64,195 thousand, respectively.

Interest income from financial leases increased by 54.2%, or L156,204 thousand, for the nine months ended September 30, 2024, compared to the same period of 2023, due to an increase of L106,861 thousand a result of an increase by 32.2% in the volume of financial leases, and an increase of L49,343 thousand as a result of the upward trend in interest rate.

## Interest expense

| Interest expense              | September 30,    |                  | Change           |              |
|-------------------------------|------------------|------------------|------------------|--------------|
|                               | 2024             | 2023             | L                | %            |
| Deposits                      | 4,609,812        | 2,930,458        | 1,679,354        | 57.3%        |
| Loans obtained from banks     | 1,418,596        | 884,412          | 534,184          | 60.4%        |
| Bonds and guaranteed notes    | 948,522          | 894,860          | 53,662           | 6.0%         |
| <b>Total, interest income</b> | <b>6,976,930</b> | <b>4,709,730</b> | <b>2,267,200</b> | <b>48.1%</b> |

(In thousands of L except percentages)

Interest expense increased by 48.1%, or L2,267,200 thousand, for the nine months ended September 30, 2024, compared to the same period 2023, primarily due to an increase in interest expenses on deposits by 57.3%, and an increase by 60.4% in interest expenses on loans from banks.

Interest expense on deposits increased 57.3% or L1,679,354 thousand, for the nine months ended September 30, 2024, compared to the same period 2023, mainly due to the upward trend of the interest rates, which led to an increase in interest expense of L889,956 thousand, and an increase in interest expense of L789,398 thousand due to an increase in the volume of deposits.

Interest expense on loans from banks increased by 60.4% or L534,184 thousand, for the nine months ended September 30, 2024, compared to the same period 2023, mainly as a result of an increase in the volume of loans from banks and the upward trend of interest rate, which led to an increase in interest expense of L394,990 thousand and L139,194 thousand, respectively.

## Loan impairment charges

|                           | September 30, | December 31, | Change  |       |
|---------------------------|---------------|--------------|---------|-------|
|                           | 2024          | 2023         |         | %     |
| Loan impairment charges   | 1,640,494     | 878,286      | 762,208 | 86.8% |
| NPL ratio (1)             | 2.6%          | 2.4%         | -       | -     |
| Coverage ratio (2)        | 107.0%        | 111.1%       | -       | -     |
| Provision for loan losses | 4,120,734     | 3,764,394    | 356,340 | 9.5%  |

(In thousands of L except percentages)

### Note:

Comparative data for 2024 corresponds to December 31, 2023, except for loan impairment charges which corresponds to September 30, 2023. (1) The NPL ratio is calculated dividing NPLs (including refinanced NPLs) by our gross loan portfolio. (2) The coverage ratio is calculated dividing the provision for loan losses by NPLs (including refinanced NPLs).

Loan impairment charges increased by 86.8%, or L762,208 thousand, for the nine months ended September 30, 2024, compared to the same 2023, while the delinquency ratio as of September 30, 2024, was 2.6% compared as of December 31, 2023 was 2.4%, on the other hand, the NPL coverage ratio as of September 30, 2024, and December 31, 2023 was 107.0%, and 111.1%, respectively.

For the nine months ended September 30, 2024, loan portfolio impairment charges were allocated as follows:

- a) Attributable to retail banking L1,483,876 thousand.
- b) Attributable to SME banking L20,618 thousand.
- c) Attributable to corporate banking L136,000 thousand.

The provision for credit losses increased by L356,340 thousand as of September 30, 2024, mainly due to the recognition of loan impairment charges by L1,640,495 thousand, and an increase by L3,538 thousand due to translations of financial statements, and increase by transfers from retained earnings by L6,545 thousand and increase by incorporation of Banco D-Miro (Ecuador) by L264,940 thousand, partially offset by an increase in interest included in loans by L12,401 thousand, transfer to assets held for sale by L1,141 thousand, by portfolio charge-offs by L1,469,842 thousand, and release of reserves by L75,794 thousand.

### Proceeds from services.

The following table presents the components of income from services for the nine months ended, September 30, 2024, and 2023:

|                                               | September, 30    |                  | Change         |              |
|-----------------------------------------------|------------------|------------------|----------------|--------------|
|                                               | 2024             | 2023             | L              | %            |
| Services                                      | 227,744          | 93,219           | 134,525        | 144.3%       |
| Commissions                                   | 4,016,106        | 3,303,734        | 712,372        | 21.6%        |
| Leases                                        | 38,037           | 8,160            | 29,877         | 366.1%       |
| Other income                                  | 399,959          | 374,375          | 25,584         | 6.8%         |
| <b>Total Proceeds from services</b>           | <b>4,681,846</b> | <b>3,779,488</b> | <b>902,358</b> | <b>23.9%</b> |
| <i>(In thousands of L except percentages)</i> |                  |                  |                |              |

- (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.

Proceeds from services increased by 23.9%, or L902,358 thousand, for the nine months ended September 30, 2024, compared to the same period 2023, primarily due to an increase in services and commissions by 144.3% and 21.6%, respectively, as explained below.

The increase in proceeds from service of 144.3% or L134,525 thousand, for the nine months ended September 30, 2024, compared to the same period 2023, is due to the incorporation of Grupo Sur Atlántida and Subsidiaries and LynxLabs which led to an increase in other services by L147,026 thousand and L3,495 thousand, respectively, and an increase in other services of GUIP by L6,535 thousand, partially offset by a decrease of warehouse from COALSA by L6,167 thousand mainly due to a decrease in volume of clients, a decrease of other services from CONFIA and Banco Atlántida Nicaragua by L15,401 thousand and L10,317 thousand, respectively.

The increase in commission income of 21.6%, or L712,372 thousand, for the nine months ended September 30, 2024, compared to the same period 2023, is mainly explained as follow:

### Commissions

|                                             |                |
|---------------------------------------------|----------------|
| Credit and debit card commissions           | 303,998        |
| Other commissions                           | 157,359        |
| Produced by services (mainly transferances) | 80,200         |
| Trust and managements                       | 52,822         |
| Loan commissions                            | 50,644         |
| Acceptances, Guarantees and Endorsements    | 31,034         |
| <b>Total</b>                                | <b>676,057</b> |

(In thousands of L)

### Profit from insurance activities.

The following table presents the components of income from insurance activities for the nine months ended September 30, 2024, and 2023:

|                                         | September 30   |                | Change        |              |
|-----------------------------------------|----------------|----------------|---------------|--------------|
|                                         | 2024           | 2023           | L             | %            |
| Income from insurance activities        | 3,845,276      | 3,226,164      | 619,112       | 19.2%        |
| Expenses from insurance activities      | 3,556,530      | 2,988,478      | 568,052       | 19.0%        |
| <b>Profit from insurance activities</b> | <b>288,746</b> | <b>237,686</b> | <b>51,060</b> | <b>21.5%</b> |

(In thousands of L except percentages)

Income from insurance activities increased by 21.5%, or L51,060 thousand, for the nine months ended September 30, 2024, compared to same period September 30, 2023, mainly due to movements in the income and expenses as discussed below:

Income from insurance activities increased L619,112 thousand, for the nine months ended September 30, 2024, compared to the same period of 2023, primarily due to an increase in premiums issued by Seguros Atlántida by L228,799 thousand; an increase of L224,754 thousand due to the incorporation of premiums issued by Seguros Atlántida El Salvador and a decrease by L15,945 thousand of Atlántida Vida, an increase by L28,808 thousand in ceded reinsurance commissions and an increase in claims recovered from foreign reinsurers by L155,813 thousand; partially offset by a decrease of L22,392.

Expenses from insurance activities increase by 19.0%, or L568,052 thousand, for the nine months ended September 30, 2024, compared to the same period of 2023, primarily due to an increase in cancellations of insurance premium by L95,929 thousand, an increase in premiums ceded to foreign reinsurers by L177,902 thousand, an increase in variation of reserve for risk in progress by L86,967 thousand, an increase in claims by L105,423 thousand, an increase in insurance commissions by L30,338 thousand and an increase in variation in forecast reserves by L21,157 thousand.

## Operating expenses

The following table presents the components of operating expenses for the nine months ended September 30, 2024, and 2023

|                                     | December 31,     |                  | Change           |              |
|-------------------------------------|------------------|------------------|------------------|--------------|
|                                     | 2024             | 2023             | L                | %            |
| Staff expenses                      | 3,008,112        | 2,626,141        | 381,971          | 14.5%        |
| General and administrative expenses | 5,030,382        | 4,342,754        | 687,628          | 15.8%        |
| Depreciations and amortizations     | 747,999          | 696,916          | 51,083           | 7.3%         |
| <b>Total</b>                        | <b>8,786,493</b> | <b>7,665,811</b> | <b>1,120,682</b> | <b>14.6%</b> |

*(In thousands of L except percentages)*

Operating expenses increased by 14.6%, or L1,120,682 thousand, for the nine months ended September 30, 2024, compared to the same period of 2023, primarily due to an increase by 14.5% in staff expenses and an increase in general and administrative expenses by 15.8%, as explained below.

Staff expenses increased by 14.5% or L381,791 thousand, for the nine months ended September 30, 2024, compared same period of 2023, mainly due to an increase in salary adjustments and headcount by L228,524 thousand; L82,203 thousand as a consequence of the incorporation Grupo Sur Atlántida and Subsidiaries; an increase by L81,016 thousand in expenses for bonuses, an increase by L11,730 thousand in medical care for Group's employees and an increase by L27,139 thousand in employer contributions; partially offset by a decrease of L26,228 thousand in travel expenses.

General and administrative expenses increased 15.8%, or L687,628 thousand, for the nine months ended September 30, 2024, compared same period of 2023, mainly due to: (i) an increase by L467,396 thousand in miscellaneous expenses because of increases in commission expenses by L291,480 thousand; an increase in other administrative expenses by L104,092, an increase in losses due to impairment allowance on financial assets by L41,669 thousand, an increase in loyalty programs by L12,145, and an increase in subscription by L14,990 thousand; (ii) an increase in expenses for outsourced services by L27,967 thousand; (iii) and an increase in expenses for professional fees by L175,544 thousand; partially offset by (iv) a decrease in expenses for taxes and contributions to the local governments by L33,329 thousand.

## Non-operating income (expenses)

|                                   | September 30,    |                | Change         |              |
|-----------------------------------|------------------|----------------|----------------|--------------|
|                                   | 2024             | 2023           | L              | %            |
| Dividend income                   | 16,276           | 3,736          | 12,540         | 335.7%       |
| Gain on assets available for sale | 202,597          | 592,517        | (389,920)      | -65.8%       |
| Gain on sale of fixed assets      | 158,699          | 35,082         | 123,617        | 352.4%       |
| Other income (expenses), net      | 1,200,613        | 257,870        | 942,743        | 365.6%       |
| <b>Total</b>                      | <b>1,578,185</b> | <b>889,205</b> | <b>688,980</b> | <b>77.5%</b> |

*(In thousands of L except percentages)*

Non-operating income (expenses) increased by 77.5% or L688,980 thousand, for the nine months ended September 30, 2024, compared same period of 2023, primarily due to an increase by 365.6% in other income (expenses) net and partially offset by a decrease in profit on sale of assets available for sale by 65.8%, as explained below.

Decrease in profit on sale of assets available for sale by 65.8%, or L389,920 thousand, due to extraordinary sales in 2023.

Other income (expense), net, increased 365.6%, or L942,743 thousand, for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023, mainly due to: (i) an increase in net income from valuation of financial assets held for sale by L618,136 thousand, (ii) an increase in other financial income/expenses (net) by L35,916 thousand, (iii) an increase in other income/(expenses) net by L161,950 thousand, (iv) an increase in release of reserve of financial assets by L28,085 thousand, (v) an increase by L22,849 thousand, due to the fluctuation in exchange rates, net; and (vi) a decrease in losses on sales of financial assets and liabilities by L21,998 thousand.

## Income before taxes and non-controlling interest

Income before taxes and non-controlling interest increased 3.4% to L2,042,261 thousand for the nine months ended September 30, 2024, compared to L1,974,202 thousand for the same period ended 2023, as a result of the factors discussed above.

## Income tax

Income tax expenses decreased by 7.0%, or L55,918 thousand, for the nine months ended September 2024, compared to the same period ended September 30, 2023. The effective rate of income tax was 28.7% as of September 30, 2024, compared to 35.7% as of same period ended 2023.

## Net income

Net income increased 7.9% for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023. Average shareholders' equity increased 1.0% to L17,104,054 thousand, for the nine months ended September 30, 2024, compared to the year ended December 31, 2023. ROAE was 8.5% for the nine months ended September 30, 2024, compared 7.6% for the same period ended September 30, 2023.

## 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 September 30, 2024, and December 31, 2023:

|                            | September, 30      | December 31,       | Change            |             |
|----------------------------|--------------------|--------------------|-------------------|-------------|
|                            | 2024               | 2023               | L                 | %           |
| Demand deposits            | 23,089,903         | 28,545,724         | (5,455,821)       | -19.1%      |
| Saving deposits            | 56,210,435         | 55,723,694         | 486,741           | 0.9%        |
| Term deposits              | 72,336,877         | 57,680,409         | 14,656,468        | 25.4%       |
| Others                     | 1,849,001          | 1,445,325          | 403,676           | 27.9%       |
| <b>Total, deposits</b>     | <b>153,486,216</b> | <b>143,395,152</b> | <b>10,091,064</b> | <b>7.0%</b> |
| Banks loans                | 33,429,958         | 26,642,433         | 6,787,525         | 25.5%       |
| Bonds and guaranteed notes | 12,907,467         | 13,413,611         | (506,144)         | -3.8%       |
|                            | <b>199,823,641</b> | <b>183,451,196</b> | <b>16,372,445</b> | <b>8.9%</b> |

(In thousands of L except percentages)

Deposits increased 7.0% to L153,486,216 thousand as of September 30, 2024, compared to L143,395,152 thousand as of December 31, 2023, mainly due to the recovery of the dynamism of the economies of the countries where the Group operates, besides an increase in interest rate of term deposits.

Bank loans were L33,429,958 thousand as of September 30, 2024, compared to L26,642,433 thousand as of December 31, 2023. Banco Atlántida has lines of credit with 21 global financial institutions with which it has had correspondent relationships. Some of its main credit line providers include IFC, US Department of Agriculture - Commodity Credit Corporation, BCIE, Citibank N.A., Wells Fargo Bank N.A. y Commerzbank AG. As of September 30, 2024, Banco Atlántida had a total amount of USD554,909 thousand (L13,786,979 thousand) in uncommitted credit lines from foreign institutions, of which USD288,647 thousand (L7,171,568 thousand) were available for use.

Bonds, and secured notes issued were L12,907,467 thousand as of September 30, 2024, compared to L13,413,611 thousand as of December 31, 2023, which represents a decrease of L506,144 thousand of which L614,283 thousand correspond to bond cancellations net of new issuances, an increase due to the application of the amortized cost method of L46,697 thousand and an increase due to the variation in the exchange rate of L61,442 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, Nicaraguan, Panamanian capitalization requirements, Banco Atlántida S.A, Banco Atlántida El Salvador, Banco Atlántida Nicaragua, Pacific Bank and Banco de Miro are required to maintain specific levels of regulatory capital as a percentage of their risk-weighted assets (capital adequacy ratio for Honduras, Nicaragua and Panamá and capital fund for El Salvador). As of September 30, 2024, the required capital adequacy ratio for Honduras, Nicaragua, Panama and Ecuador was 12.0%, 10.0%, 8.0% and 9.0%, respectively, while the required capital fund for El Salvador was 12.0%.

The following tables show the calculation of regulatory capital for Banco Atlántida (capital adequacy ratio), Banco Atlántida El Salvador (capital fund), Banco Atlántida Nicaragua (capital adequacy ratio) and Pacific Bank (capital adequacy ratio), according to regulatory requirements:

| <b>Banco Atlántida</b>                                            | <b>September 30,</b> | <b>December 31,</b> |                   |
|-------------------------------------------------------------------|----------------------|---------------------|-------------------|
|                                                                   | <b>2024</b>          | <b>2023</b>         | <b>2022</b>       |
| Total, level 1                                                    | 10,399,435           | 9,873,988           | 9,177,071         |
| Total, level 2                                                    | 6,309,437            | 5,633,360           | 5,971,962         |
| <b>Total, Regulatory Capital</b>                                  | <b>16,708,872</b>    | <b>15,507,348</b>   | <b>15,149,033</b> |
| Total, Risk-weighted assets                                       | 132,627,055          | 126,123,669         | 111,361,967       |
| <b>Regulatory capital as a percentage of risk-weighted assets</b> | <b>12.6%</b>         | <b>12.3%</b>        | <b>13.6%</b>      |
| <i>(In thousands of L except percentages)</i>                     |                      |                     |                   |

| <b>Banco Atlántida El Salvador</b>                                | <b>September 30,</b> | <b>December 31,</b> |                |
|-------------------------------------------------------------------|----------------------|---------------------|----------------|
|                                                                   | <b>2024</b>          | <b>2023</b>         | <b>2022</b>    |
| Total, level 1                                                    | 114,326              | 92,933              | 91,922         |
| Total, level 2                                                    | 9,498                | 16,362              | 9,207          |
| <b>Total, Regulatory Capital</b>                                  | <b>123,824</b>       | <b>109,295</b>      | <b>101,129</b> |
| Total, Rick-weighted assets                                       | 933,905              | 844,220             | 752,368        |
| <b>Regulatory capital as a percentage of risk-weighted assets</b> | <b>13.3%</b>         | <b>12.9%</b>        | <b>13.4%</b>   |
| <i>(In thousands of USD except percentages)</i>                   |                      |                     |                |

| <b>Banco Atlántida Nicaragua</b>                                  | <b>September 30,</b> | <b>December 31,</b> |                |
|-------------------------------------------------------------------|----------------------|---------------------|----------------|
|                                                                   | <b>2024</b>          | <b>2023</b>         | <b>2022</b>    |
| Total, level 1                                                    | 809,586              | 863,784             | 555,636        |
| Total, level 2                                                    | -44,604              | -57,138             | -48,276        |
| <b>Total, Regulatory Capital</b>                                  | <b>764,982</b>       | <b>806,646</b>      | <b>507,360</b> |
| Total, Risk-weighted assets                                       | 2,196,849            | 2,026,662           | 1,389,478      |
| <b>Regulatory capital as a percentage of risk-weighted assets</b> | <b>34.8%</b>         | <b>39.8%</b>        | <b>36.5%</b>   |
| <i>(In thousands of córdobas except percentages)</i>              |                      |                     |                |

| Pacific Bank (Panamá)                                             | September 30  | December 31   |               |
|-------------------------------------------------------------------|---------------|---------------|---------------|
|                                                                   | 2024          | 2023          | 2022          |
| Total, level 1                                                    | 30,948        | 29,250        | 18,250        |
| Total, level 2                                                    | -3,824        | -3,286        | -4,635        |
| <b>Total, Regulatory Capital</b>                                  | <b>27,124</b> | <b>25,965</b> | <b>13,615</b> |
| Total, Risk-weighted assets                                       | 109,294       | 87,420        | 64,225        |
| <b>Regulatory capital as a percentage of risk-weighted assets</b> | <b>24.8%</b>  | <b>29.7%</b>  | <b>21.2%</b>  |
| <i>(In thousands of B/. except percentages)</i>                   |               |               |               |

| Banco D- Miro                                                     | September 30,<br>2024 |
|-------------------------------------------------------------------|-----------------------|
| Total, level 1                                                    | 10,823                |
| Total, level 2                                                    | 860                   |
| <b>Total, Regulatory Capital</b>                                  | <b>11,683</b>         |
| Total, Risk-weighted assets                                       | 63,900                |
| <b>Regulatory capital as a percentage of risk-weighted assets</b> | <b>18.3%</b>          |
| <i>(In thousands of USD except percentages)</i>                   |                       |

## 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 September 30, 2024.

|                                               | Less than 30 days | From 31 to 90 days | From 91 days to 1 year | Between 1 and 5 years | More than 5 years | Total              |
|-----------------------------------------------|-------------------|--------------------|------------------------|-----------------------|-------------------|--------------------|
| Deposits                                      | 41,714,601        | 39,155,033         | 42,985,299             | 24,113,577            | 5,517,705         | 153,486,216        |
| Bank loans                                    | 10,194,860        | 1,069,543          | 7,641,453              | 7,357,370             | 7,166,732         | 33,429,958         |
| Bonds and guaranteed notes                    | 75,724            |                    | 2,415,211              | 9,948,213             | 634,758           | 13,073,906         |
| <b>Total</b>                                  | <b>51,985,186</b> | <b>40,224,576</b>  | <b>53,041,963</b>      | <b>41,419,160</b>     | <b>13,319,195</b> | <b>199,990,080</b> |
| <b>% Total</b>                                | <b>26.0%</b>      | <b>20.1%</b>       | <b>26.5%</b>           | <b>20.7%</b>          | <b>6.7%</b>       | <b>100%</b>        |
| <i>(In thousands of L except percentages)</i> |                   |                    |                        |                       |                   |                    |

## Capital expenditures.

Consolidated capital expenditures decreased to L1,837,481 thousand for the nine months ended September 30, 2024, compared to L2,578,752 thousand for same period in 2023, mainly due to a decrease in development of intangibles assets such as software, licenses, among others and constructions in progress of property plant and equipment.

## 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:

|                                             |   | <b>September<br/>30, 2024</b> | <b>December<br/>31, 2023</b> |
|---------------------------------------------|---|-------------------------------|------------------------------|
| Letters of credit and idle credit documents | L | 938,326                       | 673,875                      |
| Securities and bank guarantees issued       |   | 6,604,278                     | 6,479,459                    |
| Acceptance debtors                          |   | 289,918                       | -                            |
| Idle credits                                |   | 8,880,308                     | 7,592,212                    |
| Other responsibilities                      |   | 214,212                       | 296,108                      |
|                                             | L | <b><u>16,927,042</u></b>      | <b><u>15,041,654</u></b>     |

*(In thousands of L)*

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 depository. 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 September 30, 2024.