MANAGEMENT'S DISCUSSION AND ANALYSIS OF OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS OF MARCH 31, 2025

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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 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 4.7 million clients as of March 31, 2025. 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 March 31, 2025, 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 March 31, 2025, according to data from CNBS, Atlántida Vida, Seguros de Personas and Seguros Atlantida 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 March 31, 2025, according to data published by the CNBS, and AFP Confia, El Salvador's largest private pension fund manager based on assets under management, according to data published by our competitor.

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, 2025, and 2024, Banco Atlántida had a net income of L185,256 thousand and L360,472 thousand and a ROAE of 4.9% and 10.6%; Seguros Atlántida had a net profit of L107,127 thousand and L58,203 thousand and a ROAE of 35.2% and 17.9% and AFP Atlántida had a net profit of L67,635 thousand and L55,205 thousand and a ROAE of 28.5% and 23.9%, 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 19.7%, 20.1% and 20.7%, respectively, as of March 31, 2025, 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 13.9% and 14.5% as of March 31, 2025, and 2024, respectively, according to CNBS data. AFP Atlántida is the largest private pension fund manager in Honduras with a 60.6% market share in terms of assets under management as of March 31, 2025.

The Group has one of the largest banking distribution networks in Honduras. As of March 31, 2025, we had 6,436 service points in Honduras, which together with our insurance distribution network and other operations in Honduras, El Salvador, Nicaragua, Panama, and Ecuador added 6,679 service points as follows:

- 342 branches (168 agencies, 83 teller windows embedded within corporate client offices, 23 drive through and 68 branches related to the other business lines of the Group).
- 1,423 ATMs (499 proprietary ATMs and 924 third-party network ATMs) and
- 4,914 non-correspondent banking agents.

As of March 31, 2025, and 2024, Banco Atlántida El Salvador had net income of L15,340 thousand and L50,120 thousand and an ROAE of 1.9% and 1.8%, respectively. Banco Atlántida El Salvador´s market share of 5.1%, 5.1 and 4.9%, in total assets, loans and deposits, respectively, as of March 31, 2025, according to SSF data. As of April 30, 2023, AFP CONFIA had a 51.3% market share in terms of total assets under management and 48.0% in terms of total number of clients according to internal analysis.

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 March 31, 2025, 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 Regulatory agencies 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 March 31, 2025, the portfolio also has debt relief mechanisms for covid-19 pandemic and Eta and Iota tropical storms had a balance of L13,640,348 thousand, representing 8.0% of the total portfolio, divided into refinanced with L2,016,706 thousand, readjusted L11,494,007 thousand and deferred in installments L129,635 thousand.

As of March 31, 2025, the interests generated by debt relief mechanisms to covid-19 pandemic and Eta & Iota tropical storms had a balance of L343,883 thousand represents 12.8% of the total interest receivable on portfolio, interest is divided into in refinanced with balance L65,326 thousand, readjusted L273,795 thousand and deferred payments L4,762 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 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 75.3% of our consolidated interest income for the year ended December 31, 2024, comes from Banco Atlántida, our analysis is focused on the behavior of Banco Atlantida's interest rates. The following tables establish the weighted average interest rates of assets and liabilities in lempiras and USD as of March 31, 2025, December 31, 2024, and 2023, 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:

	2025	**2024**	**2023**
Assets (loans-BASA)	12.4%	8.8%	9.9%
System Average Assets Rate	14.0%	13.4%	11.4%
Liabilities (deposits-BASA)	6.1%	4.4%	3.1%
Monetary Policy Rate	5.8%	5.8%	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 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. Subsequently, on October 28, 2024, the Central Bank raised the policy rate again, reaching 5.8%, reinforcing its commitment to tightening monetary conditions in response to persistent inflationary risks, and has not been modified since.

Banco Atlántida's average interest rate on assets (loans) denominated in lempiras was 12.4% as of March 31, 2025, compared to 8.8% as of December 31, 2024. For the three months ended March 31, 2025, the loan portfolio denominated in lempiras down 0.3% while the local financial system grew 0.9%, according to CNBS data.

Banco Atlántida's average interest rate on Lempira-denominated liabilities (deposits) increased to 6.1% as of March 31, 2025, compared to 4.4% as of December 31, 2024. As of March 31, 2025, deposits denominated in lempiras increased 4.0%, while the local financial system grew 2.2% during the same period, according to CNBS data.

The assets and liabilities rates in USD are as follows:

	2025	**2024**	**2023**
Assets (loans-BASA)	9.8%	7.2%	7.5%
System Average Assets Rate	10.7%	10.6%	9.4%
Liabilities (Deposits-BASA)	4.4%	3.6%	2.3%
System Average Liabilities Rate	3.2%	3.2%	2.4%

As of March 31, 2025, and December 31,2024, Banco Atlántida's average interest rate on assets (loans) denominated in USD was 9.8%, and 7.2%, respectively. The loan portfolio denominated in USD grew 7.5% as of March 31, 2025, while the local financial system increased 6.5% during the same period, according to data from CNBS.

Banco Atlántida's average interest rate on liabilities (deposits) denominated in USD was 4.4% as of March 31, 2025, and 3.6% as of December 31, 2024. Deposits denominated in USD increased by 4.5% as of March 31, 2025, while deposits for the local financial system grew 6.1% during the same period, according to CNBS data.

Effect of family remittances

As of March 31, 2025, family remittances that entered Honduras were USD2,635.6 million, which represented an increase of 25.0% compared to the corresponding period in 2024, while for the previous comparative periods, they were as shown in the following table:

Period	**Amount***		**Change %**
31/03/2025	2,652.6	(p)	26.3%
31/03/2024	2,100.8	(r)	-0.9%
31/03/2023	2,119.6	(r)	33.6%
31/03/2022	1,586.6	(r)	22.3%

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 USD746.2 million in family remittances during the period ended March 31, 2025, 37.1% more than the corresponding period of 2024, during which USD544.2 million were processed. As of March 31, 2025, Banco Atlántida's market share was 28.4%, while for the corresponding period of 2024 it was 25.9%.

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.

As of March 31, 2025, the inflation rate stood at 4.5%, the lowest rate for this month in the last three years, remaining within the tolerance range established by the Monetary Authority of 4.0% ± 1.0 pp (4.8% and 9.1% as of March 31, 2024, and 2023 respectively). During this month, the categories that determined the monthly result were Hotels, Cafeterias and Restaurants, Food and Non-Alcoholic Beverages, Personal Care, Transportation, and on a lesser extent: Clothing and Footwear, Health, Recreation and Culture, Furniture and Home Maintenance Items, Housing, Water, Electricity, Gas and Other Fuels.

The Honduran economy had been characterized by moderate inflation levels; however, this trend was disrupted in 2022 by a series of external shocks that led to a significant spike in prices, driving the annual inflation rate from 5.3% on December 31, 2021, to 9.8% on December 31, 2022. On December 31, 2023, the inflation rate showed signs of normalization, falling to 5.2% by year-end, and aligning with the Central Bank's target range of 5.0% to 6.0%, as established in the Monetary Program revised with the IMF. By December 31, 2024, the inflation rate had declined further to 3.8%, the lowest year-end level in the last eight years and 1.31 percentage points below the rate recorded twelve months earlier. Importantly, this result is also within the inflation target range of 4.0% ± 1.0 percentage points, as defined in the 2024–2025 Monetary Program agreed upon with the IMF.

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 inflow 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 stood at L25.6225 per US$1.00 as of March 31, 2025, compared to L24.6648 per US$1.00 as of March 31, 2024, according to the Central Bank of Honduras.

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
2024	9.9	1.5%	3,758	6.4%	62.9%	-1.2%	6.1%	0.0%
2023	9.7	1.5%	3,534	8.0%	64.1%	11.7%	6.1%	-30.8%
2022	9.6	1.6%	3,272	10.0%	52.4%	-1.3%	8.8%	3.2%
2021	9.5	1.6%	2,974	18.4%	53.7%	-4.0%	8.5%	-22.6%

- **GDP per capita**
- **The source for the Poverty Rate was changed to the National Statistics Institute (INE, by its acronym in Spanish) due to lack of updated information from the World Bank. For the Unemployment Rate, the World Bank updated its database on June 5, 2025, which is why the percentages presented in the table above underwent changes, due to new data obtained to update the calculating 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 70.5%, as of December 31, 2024.

According to the Central Bank, as of March 31, 2025, the growth rate of bank loans to the private sector was 10.2%, compared to the growth rate of 17.3% and 17.8% as of March 2024 and 2023, respectively. It should be noted that total credit granted to businesses reported year-over-year growth of 7.5% and to households, 13.3%. Meanwhile, foreign exchange credit to businesses increased by 10.9% and credit granted to households by 4.3%.

Results of operations for the three-month ended March31, 2025, compared to the same period 2024.

	March 31,		Change	
	2025	**2024**	**HNL**	**%**
Interest income	5,414,934	4,021,661	1,393,273	34.6%
Interest expense	3,319,588	2,099,765	1,219,823	58.1%
Financial profit	**2,095,346**	**1,921,896**	**173,450**	**9.0%**
Loan impairment charges	572,992	458,237	114,755	25.0%
Financial profit, net of impairment charges	**1,522,354**	**1,463,659**	**58,695**	**4.0%**
Income from insurance activities	1,597,096	1,308,220	288,876	22.1%
Expenses from insurance activities	1,377,659	1,171,560	206,099	17.6%
Profit from insurance activities	**219,437**	**136,660**	**82,777**	**60.6%**
Services	58,053	69,172	-11,119	-16.1%
Commissions	1,469,969	1,256,290	213,679	17.0%
Leases	29,322	4,115	25,207	612.6%
Other income	133,477	119,392	14,085	11.8%
Total proceeds from services	**1,690,821**	**1,448,969**	**241,852**	**16.7%**
Staff-expenses	1,055,238	997,849	57,389	5.8%
General and administrative expenses	1,817,939	1,519,721	298,218	19.6%
Depreciation and amortization	375,742	233,891	141,851	60.6%
Total operating expenses	**3,248,919**	**2,751,461**	**497,458**	18.1%
Operating income	**183,693**	**297,827**	**-114,134**	**-38.3%**
Income from dividends	3,049	169	2,880	1704.1%
Gain on sale of assets available for sale	33,605	54,669	-21,064	-38.5%
Gain on sale of property, plant and equipment	5,438	55,359	-49,921	-90.2%
Other income, net	345,869	336,533	9,336	2.8%
Total non-operating income	**387,961**	**446,730**	**-58,769**	**-13.2%**
Income before income tax	**571,654**	**744,557**	**-172,903**	**-23.2%**
Income tax/capital gain/net assets tax	247,823	253,531	-5,708	-2.3%
Income before non-controlling interest	**323,831**	**491,026**	**-167,195**	**-34.1%**
Net income attributable to noncontrolling interest	52,813	75,042	-22,229	-29.6%
Net income	**271,018**	**415,984**	**-144,966**	**-34.8%**

(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 three months ended, March 31, 2025, and 2024:

	March 31,		Change	
	2025	**2024**	**HNL**	**%**
Loans	4,642,688	3,387,101	1,255,587	37.1%
Certificates, bonds and others	501,913	427,824	74,089	17.3%
Finance leasing	192,398	130,839	61,559	47.0%
Deposits	77,935	75,897	2,038	2.7%
Total	**5,414,934**	**4,021,661**	**1,393,273**	**34.6%**

(In Thousands of L except percentages)

Interest income increased 34.6%, or L1,393,273 thousand, for the three months ended March 31, 2025, compared to same period of 2024, mainly due to a 37.1% increase in interest income on loans; 17.3% due to an increase in interest income on certificates, bonds and others and 47.0% due to an increase in interest income on finance leasing.

Interest income on loans increased by 37.1%, or L1,255,587 thousand, for the three months ended March 31, 2025, compared to the same period of 2024, as a result of an increase in loans volume in local and foreign currency by 36.7% and 3.6%, respectively, which led to an increase of L547,370 thousand in interest income, and an increase of L708,217 thousand in interest income as a result of an upward trend in interest rates.

Interest income on certificates, bonds and others increased by 17.3%, or L74,089 thousand, for the three months ended March 31, 2025, compared to the same period of 2024, due to an increase in the volume of investments which led to an increase in interest income by L64,718 thousand and an increase of L9,371 thousand due to a upward trend in interest rates of local and foreign investments.

Interest in income from financial leases increased by 47.0%, or L61,559 thousand, for the three months ended March 31, 2025, compared to the same period of 2024, due to an increase of L24,373 thousand, as a result of an increase in volume of financial leases by 13.7% , and an increase of L37,186 thousand as a result of an increase by 29.3% in interest rate.

Interest expense

	March 31,		Change	
	2025	**2024**	**HNL**	**%**
Deposits	2,455,739	1,379,753	1,075,986	78.0%
Loans obtained from banks	554,538	409,291	145,247	35.5%
Bonds and guaranteed notes	309,311	310,721	-1,410	-0.5%
Total,	**3,319,588**	**2,099,765**	**1,219,823**	**58.1%**

(In Thousands of L except percentages)

Interest expense increased by 58.1%, or L1,219,823 thousand, for the three months ended March 31, 2025, compared to the same period 2024, primarily due to an increase in interest expenses on deposits of 78.0%, and an increase by 35.5% in interest expenses on loans from banks.

Interest expense on deposits increased 78.0% or L1,075,986 thousand, for the three months ended March 31, 2025, compared to the same period 2024, mainly due to an increase of L569,621 thousand, due to an increase of 52.0% in interest rate, and an increase of L506,365 thousand due to an increase of 17.1% in the volume of deposits.

Interest expense on loans from banks increased by 35.5% or L145,247 thousand, for the three months ended March 31, 2025, compared to the same period 2024, mainly as a result of an increase in the volume of loans obtained from banks and the increase of the interest rate, which led to an increase in interest expense of L121,059 thousand and L24,188 thousand, respectively.

Loan impairment charges

	March 31,		**Change**	
	2025	**2024**		**%**
Loan impairment charges	572,992	458,237	114,755	25.0%
NPL ratio (1)	2.5%	2.2%	-	-
Coverage ratio (2)	99.4%	110.0%	-	-
Provision for loan losses	3,978,119	3,921,479	56,640	1.4%

(In thousands of L except percentages)

Note:
(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 25.0%, or L114,755 thousand, for the three months ended March 31, 2025, compared to the same 2024, while the delinquency ratio as of March 31, 2025, and 2024 was 2.5% and 2.2%, respectively, on the other hand, the NPL coverage ratio as of March 31, 2025, and December 31,2024 was 99.4%, and 110.0%, respectively.

For the three months ended March31, 2025, loan portfolio impairment charges were allocated as follows:

a) Attributable to retail banking L633,541 thousand.
b) Attributable to SME banking L 26,492 thousand.
c) Attributable to corporate banking (L87,041) thousand.

The provision for credit losses increased by L56,640 thousand as of March 31, 2025, mainly due to the recognition of loan impairment charges by L572,992 thousand, and an increase by L2,000 thousand due to transfer from retained earnings, an increase by L3,996 thousand due to exchange fluctuation effect, and an increase in interest included in loans by L4,091 thousand, partially offset by transfer to assets held for sale by L171 thousand, by portfolio charge-offs by L499,235 thousand, and release of reserves by L26,165 thousand.

Proceeds from services.

The following table presents the components of income from services for the three months ended, March 31, 2025, and 2024:

	March 31,		Change	
	2025	2024	HNL	%
Services	58,053	69,172	-11,119	-16.1%
Commissions	1,469,969	1,256,290	213,679	17.0%
Leases	29,322	4,115	25,207	612.6%
Other income (1)	133,477	119,392	14,085	11.8%
Total	**1,690,821**	**1,448,969**	**241,852**	**16.7%**

(In thousands of L 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.

Proceeds from services increased by 16.7%, or L241,852 thousand, for the three months ended March 31, 2025, compared to the same period 2024, primarily due to an increase in Leases and commissions of 612.6%, and 17.0%, respectively, as explained below.

The increase in commission income of 17.0%, or L213,679 thousand, for the three months ended March 31, 2025, compared to the same period 2024, is mainly explained as follows:

Commissions

Credit and debit card commissions	42,892
Other commissions	82,525
Produced by services (mainly transferences)	17,166
Trust and managements	32,455
Loan commissions	38,641
Total	**213,679**

(In thousands of L)

The increase in other incomes of 11.8%, or L14,085 thousand, for the three months ended March 31,2025 compared to the same period 2024, primarily due to an increase in profits from the purchase and sale of foreign currency by L19,604 thousand, partially offset by a decrease of L5,826 thousand in other income.

Profit from insurance activities.

The following table presents the components of income from insurance activities for the three months ended March 31, 2025, and 2024:

	March 31,		Change	
	2025	2024	(HNL)	%
Income from insurance activities	1,597,096	1,308,220	288,876	22.1%
Expenses from insurance activities	1,377,659	1,171,560	206,099	17.6%
Profit from insurance activities	**219,437**	**136,660**	**82,777**	**60.6%**

(In thousands of L except percentages)

Income from insurance activities increased by 60.6%, or L82,777 thousand, for the three months ended March 31, 2025, compared to the same period March 31, 2024, mainly due to movements in the income and expenses as discussed below:

Income from insurance activities increased L288,876 thousand, for the three months ended march31, 2025, compared to the same period of 2024, primarily due to an increase in premiums issued by Seguros Atlántida El Salvador by L183,772 thousand, and an increase by L27,008 thousand of Atlántida Vida, partially offset by a decrease of L11,323 thousand of Seguros Atlantida in premiums issued; an increase by L32,516 thousand in ceded reinsurance commissions, change in reserves for outstanding claims by L67,708 thousand, Variation in Forecast Reserves by L16,383 thousand, and recoveries for paid bail bonds by L6,011 thousand; partially offset by a decrease of L18,589 in the variation of reserves for risk in progress and Claims Recovered from Foreign Reinsurers by L22,573 thousand.

Expenses from insurance activities increase by L206,099 thousand, for the three months ended March 31, 2025, compared to the same period in 2024, mainly due to an increase of L62,734 thousand in variation in reserves for risks in progress, an increase of L143,029 thousand in premiums ceded to foreign reinsurers and an increase of L25,849 thousand in insurance commissions; partially offset by a decrease of L11,311 thousand in incurred and unreported claims and a decrease of L 4,085 in claims.

Operating expenses

The following table presents the components of operating expenses for the three months ended March 31, 2025, and 2024

	March 31,		**Change**	
	2025	**2024**	**HNL's**	**%**
Staff expenses	1,055,238	997,849	57,389	5.8%
General and administrative expenses	1,817,939	1,519,721	298,218	19.6%
Depreciations and amortizations	375,742	233,891	141,851	60.6%
Total	**3,248,919**	**2,751,461**	**497,458**	**18.1%**

(In thousands of L except percentages)

Operating expenses increased by 18.1% or 496,458 thousand, for the three months ended March 31, 2025, compared to the same period of 2024, primarily due to an increase of 5.8% in staff expenses and an increase in general and administrative expenses by 19.6%, as explained below.

Staff expenses increased by 5.8% or L57,389 thousand, for the three months ended March 31, 2025, compared same period of 2024, mainly due to an increase in salary adjustments and headcount by L22,476 thousand, L29,602 thousand as a consequence of the incorporation Banco D-Miro and FUNDESER Nicaragua; an increase by L10,961 thousand in employer contributions and an increase by L4,097 thousand in medical care for Group´s employees; partially offset by a decrease of L15,503 thousand in expenses for bonuses.

General and administrative expenses increased 19.6%, or L298,218 thousand, for the three months ended March 31, 2025, compared same period of 2024, mainly due to: (i) an increase by L165,343 thousand in miscellaneous expenses due to the increases in commission expenses by L64,214 thousand; an increase in other administrative expenses by L72,305, an increase in loyalty programs by L1,612, and an increase in subscription by L4,934 thousand; (ii) an increase in expenses for outsourced services by L141,296 thousand; (iii) and an increase in expenses for taxes and contributions to the local governments by L13,823 thousand, partially offset by a decrease in expenses for professional fees by L39,326 thousand;

Non-operating income (expenses)

	March 31,		Change	
	2025	2024	HNL	%
Dividend income	3,049	169	2,880	1704.1%
profit on sale of assets available for sale	33,605	54,669	-21,064	-38.5%
Profit on sale of property, plant and equipment	5,438	55,359	-49,921	-90.2%
Other income (expenses), net	345,868	336,533	9,335	2.8%
Total	**387,960**	**446,730**	**-58,770**	**-13.2%**

(In thousands of L except percentages)

Non-operating income (expenses) decreased by 13.2% or L58,770 thousand, for the three months ended March 31, 2025, compared to the same period of 2024, primarily due to a decrease in profit on sale of property, plant and equipment by 90.2%, as explained below.

Decrease in profit on sale of property, plant and equipment by 90.2%, or L49,921 thousand, due to property sales from Banco Atlantida El Salvador in 2024.

Decrease in profit on sale of assets available for sale by 38.5% or L21,064 thousand due to a less activities on sale of this kind of assets during 2025 as compare with 2024.

Other income (expense), net, decreased 6.1%, or L9,335 thousand, for the three months ended March 31, 2025, compared to the three months ended March 31, 2024, mainly due to: (i) a decrease in net income from valuation of financial assets held for sale by L84,923 thousand, (ii) a decrease in other income/(expenses) net by by L10,003 thousand,(iii)an increase in other financial income/expenses (net) by L8,839 thousand,(iv) an increase by L41,645 thousand, due to the fluctuation in exchange rates, net,(v)an increase in release of reserve of financial assets by L 36,707 thousand,(vi) an increase in losses due to theft, assault and fraud by L1,511 thousand; and (vii) an increase in interest tax by L1,424 thousand.

Income before taxes and non-controlling interest

Income before taxes and non-controlling interest decreased 23.2% to L172,903 thousand for the three months ended March 31, 2025, compared to L744,557 thousand for the same period ended 2024, as a result of the factors discussed above.

Income tax

Income tax expenses decreased by 2.3%, or L5,708 thousand, for the three months ended March 2025, compared to the same period ended March 31, 2024. The effective rate of income tax was 32.7% as of March 31, 2025, compared to 26.9% as of same period ended 2024.

Net income

Net income decreased 34.8% for the three months ended March 31, 2025, compared to the three months ended March 31, 2024. Average shareholders' equity increased 4.2% to L17,961,175 thousand, for the three months ended March 31, 2025, compared to the year ended December 31, 2024. ROAE was 6.0% for the three months ended March 31, 2025, compared to 7.2% for the same period ended December 31, 2024.

Liquidity and funding

Banco Atlántida represents our main source of funds, the Group's liquidity comes 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, 2025, and December 31, 2024:

	March 31 2025	**December 31 2024**	**Change**	**%**
Demand deposits	22,549,647	25,599,819	-3,050,172	-11.9%
Savings deposits	61,957,067	58,243,652	3,713,415	6.4%
Term deposits	86,684,199	79,480,638	7,203,561	9.1%
Other	2,080,544	1,929,258	151,286	7.8%
Total, Deposits	**173,271,457**	**165,253,367**	**8,018,090**	**5.9%**
Banks loans	30,430,384	35,921,496	-5,491,111	-15.3%
Bonds and guaranteed notes	12,971,288	12,620,751	350,537	2.8%
	216,673,130	**213,795,614**	**2,877,516**	**1.3%**

(In thousands of L except percentages)

Deposits increased 5.9% to L173,271,457 thousand as of March 31, 2025, compared to L165,253,367 thousand as of December 31, 2024, mainly due to the best performance of the economies in the countries where the Group operates.

Bank loans were L30,430,384 thousand as of March 31, 2025, compared to L35,921,496 thousand as of December 31, 2024. 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 March 31, 2025, Banco Atlántida had a total amount of USD547,142 thousand (L14,019,145 thousand) in uncommitted credit lines from foreign institutions, of which USD235,400 thousand (L6,031,545 thousand) were available for use.

Bonds, and secured notes issued were L12,971,288 thousand as of March 31, 2025, compared to L12,620,751 thousand as of December 31, 2024, which represents an increase of L350,537 thousand of which L230,606 thousand corresponds to a net increase of new issuances, an increase by L8,555 thousand of bonds cancellations, an increase of L52,105 thousand due to the application of the amortized cost method and an increase of L76,384 thousand due to the variation in the exchange rate.

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, Panamá and Ecuador, capital fund for El Salvador. As of March 31, 2025, 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), Pacific Bank (capital adequacy ratio) and Banco D-Miro (capital adequacy ratio), according to regulatory requirements:

Banco Atlántida	March 31,	December 31,	
	2025	2024	2023
Total, level 1	10,389,274	10,392,336	9,873,988
Total, level 2	6,660,860	6,368,066	5,633,360
Total, Regulatory Capital	**17,050,135**	**16,760,402**	**15,507,348**
Total, Risk-weighted assets	140,687,004	137,171,296	126,123,669
Regulatory capital as a percentage of risk-weighted assets	**12.1%**	**12.2%**	**12.3%**

(In thousands of L except percentages)

Banco Atlántida El Salvador	March 31,	December 31,	
	2025	2024	2023
Total, level 1	128,768	117,038	92,933
Total, level 2	5,625	5,526	16,362
Total, Regulatory Capital	**123,144**	**122,564**	**109,295**
Total, Rick-weighted assets	954,369	945,059	844,220
Regulatory capital as a percentage of risk-weighted assets	**12.9%**	**13.0%**	**12.9%**

(In thousands of USD except percentages

Pacific Bank (Panamá)	March 31	December 31	
	2025	2024	2023
Total, level 1	31,408	29,250	29,250
Total, level 2	(2,944)	(1,476)	(3,286)
Total, Regulatory Capital	**28,464**	**27,774**	**25,965**
Total, Risk-weighted assets	131,025	116,585	87,420
Regulatory capital as a percentage of risk-weighted assets	**21.7%**	**23.8%**	**29.7%**

(In thousands of B/. except percentages)

Banco Atlántida Nicaragua	March 31,	December 31,	
	2025	2024	2023
Total, level 1	742,652	805,080	863,784
Total, level 2	-18,974	-63,601	-57,138
Total, Regulatory Capital	**723,678**	**741,479**	**806,646**
Total, Risk-weighted assets	2,546,031	2,474,725	2,026,662
Regulatory capital as a percentage of risk-weighted assets	**28.4%**	**30.0%**	**39.8%**

(In thousands of córdobas except percentages)

Banco D-Miro	March 31,	December 31,
	2025	2024
Total, level 1	1,012	430
Total, level 2	82,976	73,273
Total, Regulatory Capital	**83,987**	**73,703**
Total, Rick-weighted assets	14,284	13,310
Regulatory capital as a percentage of risk-weighted assets	**17.0%**	**18.1%**

(In thousands of USD except percentages)

Commitments and contractual obligations

The Group assumes 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, 2025.

	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	45,628,622	42,587,807	43,109,418	30,560,508	11,385,102	173,271,457
Bank loans	10,888,048	1,534,440	8,480,106	4,346,862	5,180,929	30,430,385
Bonds and guaranteed notes	-	459,034	2,103,420	10,207,062	332,504	13,102,020
Total	56,516,670	44,581,281	53,692,944	45,114,432	16,898,535	216,803,862
% del Total	**26.1%**	**20.6%**	**24.8%**	**20.8%**	**7.8%**	100%

(In thousands of L except percentages)

Capital expenditures.

Consolidated capital expenditures decreased to L390,213 thousand for the three months ended March 31, 2025, compared to L742,676 thousand for same period in 2024, mainly due to a decrease in development of intangibles assets such as software and licenses in 2024.

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, 2025	December 31, 2024
Letters of credit and idle credit documents	L	1,275,083	956,647
Securities and bank guarantees issued		5,521,697	6,093,976
Acceptance debtors		24,883	5,612
Idle credits		9,345,234	8,690,882
Other responsibilities		268,686	277,821
	L	**16,435,583**	**16,024,938**

(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 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 exposure to these risks, please see Note 4 of our consolidated financial statements as of March 31, 2025.