



**MANAGEMENT'S DISCUSSION AND
ANALYSIS OF OUR FINANCIAL
CONDITION AND RESULTS OF
OPERATIONS
as of June 30, 2018**

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

Overview

We are one of the largest financial services group in Honduras and through our subsidiaries, we provide a comprehensive range of corporate and retail banking, insurance and other financial services to over 2.9 million clients as of June 30, 2018. We were acknowledged as a financial holding company by the CNBS in 2012, and our main subsidiary, Banco Atlántida, was founded in 1913. We believe that our businesses benefit from significant synergies because of being part of one financial group.

Our operations in Honduras include Banco Atlántida and Seguros Atlántida, the largest bank and insurance companies in Honduras in terms of assets, respectively. In addition, Banco Atlántida and Seguros Atlántida rank among the most profitable entities in the Honduran banking and insurance systems, according to the Commission. Banco Atlántida holds a distinguished position in the local marketplace in terms of total net assets, total net loans and total deposits, with market shares of 17.3%, 18.2% and 19.7%, respectively, as of June 30, 2018, according to the Commission. Furthermore, Seguros Atlántida ranks second in terms of total gross premiums written, with a market share of 15.0% and 16.9% for the six ended June 31, 2018 and for the year ended 2017, respectively, according to the Commission.

For the Six Months Ended June 30, 2018 and 2017, Banco Atlántida had a ROAE of 12.2% and 10.0%, respectively, compared to the Honduran banking system which had a ROAE of 12.5% and 14.6%, respectively, according to the Commission. For the Six Months Ended June 30, 2018 and 2017, Seguros Atlántida had a ROAE of 28.4% and 28.9%, respectively. As of June 30, 2018, Banco Atlántida had one of the largest banking distribution networks in Honduras, with 2,207 points of service, comprised of 147 branches, 983 ATMs (including 304 proprietary ATMs and 679 third-party network ATMs) and 904 non-correspondent banking agents (third-party points of service).

Effects of changes in interest rates

- Changes in interest rates affect the following areas of our business, among others:
- 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 could reduce our financial margin, which comprises most of our revenue. A significant portion of our subsidiaries' assets, including loans, are long-term assets. In contrast, most deposits are short-term. When interest rates increase, Banco Atlántida must pay higher interest on deposits while interest earned on assets does not increase as rapidly, which causes profits to decrease. Interest rate increases could result in adverse changes in our financial margin, reducing our growth rate or even resulting in decreases as compared to prior periods.

Increases in interest rates may reduce the volume of loans originated by Banco Atlántida. Sustained high interest rates have historically discouraged our clients from borrowing and have resulted in increased, asset impairment

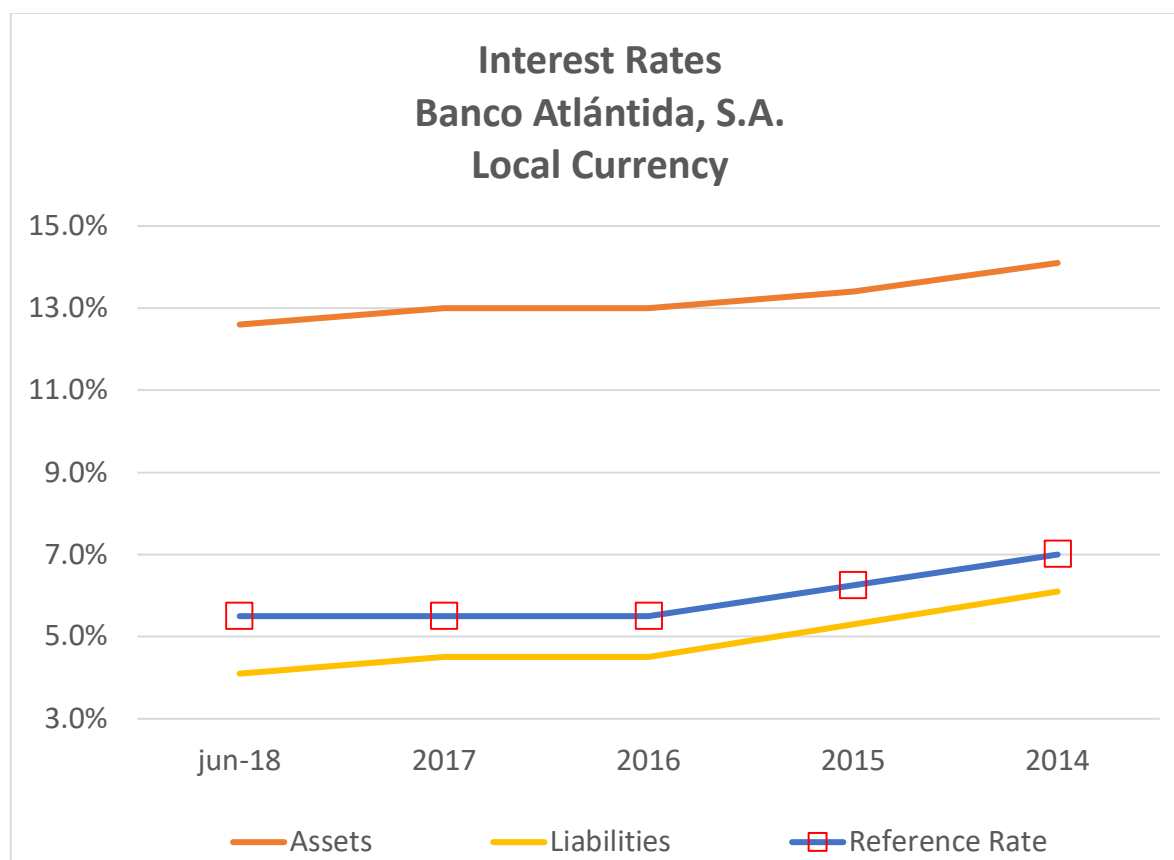
Banco Atlántida holds a substantial portfolio of loans and debt securities that has both fixed and variable interest rates. The market value of a security with a fixed interest rate generally decreases when prevailing interest rates increase, which may have an adverse effect on our earnings and financial condition. In addition, we may incur costs (which, in turn, could impact our results) as our subsidiaries implement strategies to reduce future

interest rate exposure. The market value of an obligation with a variable interest rate can be adversely affected when interest rates increase, due to a lag in the implementation of repricing terms.

Assets and liabilities have been classified by the domicile of Banco Atlántida as Domestic (operations in Honduras) or Foreign (operations outside Honduras) and by currency denomination (lempiras or US. dollars). Domestic operations include lempira- (local currency of our operations in Honduras) and US. dollar-denominated assets and liabilities. Foreign operations include US. dollar-denominated assets and liabilities. US. dollars have been converted to lempiras using the exchange rate published by the Central Bank at the relevant dates. For more information, see “Exchange Rates.” For purposes of this section, US. dollar-denominated assets and liabilities include: (i) US. dollar Domestic, which includes all transactions conducted in Honduras or on behalf of Honduran residents in US. dollars and (ii) US. dollar Foreign, which includes all transactions performed with entities outside Honduras, such as multilateral and correspondent banks.

Lempira-denominated assets and liabilities in Honduras

Lempira-denominated assets and liabilities in Honduras
The chart below presents the weighted average interest rates on lempira-denominated assets and liabilities of Banco Atlántida as of June 30, 2018, 2017, 2016, and 2015.



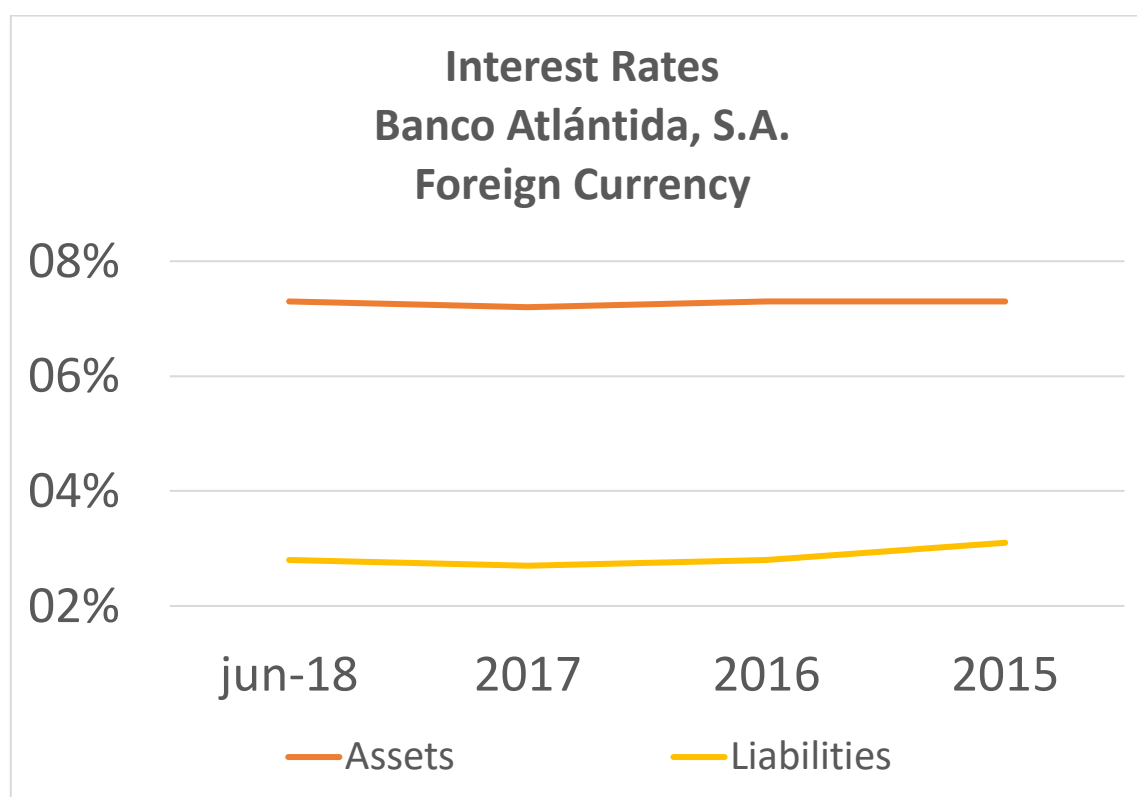
The Honduran banking industry generally does not set interest rates by reference to a benchmark rate; however, the weighted average interest rates on lempira-denominated assets and liabilities of the Honduran banking industry are slightly influenced by the minimum bid rate that the Central Bank allows for its treasury notes. This reference rate has not been modified since June 20, 2016, when it was decreased to 5.50% from 6.25% as of December 31, 2015 and 7.00% as of December 31, 2014.

The Honduran banking industry's weighted average interest rate paid on local-currency assets has generally shown a stable trend, with a rate of 17.7% as of June 30, 2018, 18.2% as of December 31, 2017, 18.8% as of December 31, 2016 and 20.0% as of December 31, 2015. Our weighted average interest rate on lempira-denominated assets is lower than the average interest rate of the Honduran banking industry, as is our weighted average interest rate on our lempira-denominated liabilities, thus reducing the impact on our interest margin. The average interest rate earned on lempira-denominated assets was 12.6% as of June 30, 2018, 13.0% as of December 31, 2017, 13.2% as of December 31, 2016 and 13.7% as of December 31, 2015.

Banco Atlántida's average interest rate on lempira-denominated liabilities maintained a stable trend due to its diverse retail deposit base, with no significant concentration in any specific type of deposit, with a rate of 4.5% as of June 30, 2018, 4.5% as of December 31, 2017. Market wide, interest rates continue to decrease due to the outstanding liquidity which in turn also affects the yield of investments where surplus funds can be placed. As of June 30, 2018, compared to June 30, 2017, Banco Atlántida's local-denominated deposits have grown 12.7% while the local financial system has done so in 11.4% during the same period.

Foreign currency-denominated assets and liabilities in Honduras

The chart below presents the weighted average rates on foreign currency-denominated assets and liabilities of Banco Atlántida as of June 30st, 2018, 2017, 2016, and 2015.



The Honduran banking industry's weighted average interest rate on foreign-currency denominated assets was at 8.2% as of June 30, 2018 and 8.2%, 8.2% and 8.2% as of December 31, 2017, 2016 and 2015, respectively. As of June 30, 2018, the average interest rate on our foreign currency-denominated assets stood at 7.1%,

compared to 7.2% as of December 31, 2017. This rate was 7.3% and 7.5% as of December 31, 2016 and 2015, respectively.

The Honduran banking industry's weighted average interest rate paid on foreign currency-denominated liabilities showed a stable trend, with a rate of 2.0% as of June 30, 2018 and rates of 2.0%, 2.6% and 2.7% as of December 31, 2017, 2016 and 2015, respectively. The average interest rate paid on foreign-currency-denominated liabilities was higher than the Honduran banking system due to a higher proportion of longer-tenor loans and borrowings from banks. Our average interest rate paid on our foreign-denominated liabilities decreased slightly to 2.4% as of June 30, 2018 from 2.7%, as of December 31, 2017. This rate was 2.8% and 3.1% as of December 31, 2016 and 2015, respectively.

Effect of family remittances

Total family remittances to Honduras from abroad was US\$ 2,349.1 million for the period ended June 28th, 2018 (an increase of 8.9% from the corresponding period in 2017), US\$2,155.9 million for the period ended June 28th, 2017 (an increase of 12.1% from the corresponding period in 2016), US\$1,936.6 million for the period ended June 30, 2016 (an increase of 6.9% from the corresponding period in 2015) according to the Central Bank.

The revenue we earned from family remittances consisted of commissions on foreign exchange transactions, fees for money orders and other related fees, as well as gains on currency exchange transactions. Through Banco Atlántida, we processed US\$ 493.0 million in family remittances to Honduras from abroad for the period ended June 30, 2018 (21.0% of the market) compared to US\$ 464.1 million in family remittances to Honduras from abroad for the period ended June 30, 2017 (21.4 % of the market).

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 on inflation rates may impact our performance mainly because our assets are not adjusted to its effects. In addition, material increases in inflation could result in lower demand for, and affect the pricing of, our services and products. Because much of the costs and expenses of our subsidiaries are fixed, we may not be able to reduce costs in the event of inflation. Increases in inflation could also negatively impact Banco Atlántida's loan portfolios.

The Honduran economy has been characterized by moderate inflation in recent years. As of June 30, 2018, the inflation rate stood at 4.2% compared to 3.7% as of June 30, 2017, mainly due to the increase in the kwh rate of residential electric power, the rental of housing and certain foods. At the end of 2017, the inflation rate was 4.7%, compared to 3.3% and 2.4% at the end of 2016 and 2015 respectively, mainly due to lower oil import prices. The primary drivers of inflation were mainly influenced by the items "Food and non-alcoholic beverages"; followed by "Accommodation, Water, Electricity, Gas and Other Fuels"; as well as "Clothing and Footwear"; "Furniture and Articles for the Conservation of the Home" and "Personal Care"; together with the contribution of the items: "Transportation"; "Recreation and Culture"; and "Hotels, Cafes and Restaurants". According to the Central Bank, the inflation target for 2017 was accomplished since it was kept within the 4.0% (± 1 pp) range agreed with the International Monetary Fund.

Exchange Rates

We are exposed to currency risk any time we hold an open position in a currency other than Lempira. Volatility in Lempira exchange rates in Honduras could result in higher risks associated with such positions.

In addition, any devaluation or depreciation of the Lempira against the US. 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 recent years, through a crawling peg regime, the exchange rate of the Lempira regarding the US. dollar has depreciated at a stable rate. The Lempira exchange rate is characterized by cyclical fluctuations in line with the export seasons of Honduras's main commodities and the high demand of foreign currency to pay for imported goods. The exchange rate was L23.9848 per US. \$1.00 on June 29, 2018, compared to L23.4440 per US. \$1.00 on June 29, 2017, as published by the Central Bank.

Demographic trends

As June 30, 2017, Honduras had a population of approximately 8.9 million people, according to the Honduran Central Bank (HCB), which represented an estimated increase of approximately 2.3% compared to 2016. The average annual population growth rate from 2012-2017 was 5.7%. According to the World Bank, although the poverty rate in Honduras decreased to 60.9% in 2016, from approximately 66.5% in 2012, the unemployment rate increased from 4.0% in 2012 to 4.7% in 2016. GDP per capita in US. dollars increased from US. \$ 2,208 in 2012 to US. \$ 2,594 in 2017, reflecting an increase in purchasing power.

As of December 31, 2016, Honduras had a population of approximately 8.7 million people, according to the HCB, which represented an estimated increase of approximately 1.7% compared to 2015. The average annual population growth rate from 2012-2016 was 4.0%. According to the World Bank, although the poverty rate in Honduras increased to 60.9% in 2016, from approximately 66.5% in 2012, the unemployment rate increased from 3.8% in 2012 to 4.7% in 2016. GDP per capita in US. dollars increased from US\$ 2,208 in 2012 to US\$ 2,480 in 2016, reflecting an increase in purchasing power.

As of December 31, 2015, Honduras had a population of approximately 8.6 million people, according to the HCB, which represented an estimated increase of approximately 1.7% compared to 2014. The average annual population growth rate from 2012-2015 was 2.3%, according to the HCB. According to the World Bank, although the poverty rate in Honduras increased to 63.8% in 2015, from approximately 61.9% in 2011, the unemployment rate decreased from 4.5% in 2011 to 4.6% in 2015. GDP per capita in US dollars increased from US\$ 2,155 in 2011 to US\$ 2,445 in 2015 reflecting an increase in purchasing power.

We expect these trends to benefit our business, particularly Banco Atlántida's retail and corporate banking segments and Seguros Atlántida's insurance segments.

Bank loans

The growth rate of Banco Atlántida's loan portfolio, specifically for its retail banking segment, can be attributed to a low banking penetration. In terms of banking penetration, the ratio of loans (as published by the Commission) to GDP (as published by the Central Bank) was 55.8%, as of December 31, 2017.

According to the Central Bank, as of June 28, 2018, the growth rate of bank loans to the private sector was 9.9%, compared to the growth rate of 10.1% as of June 28, 2017. For the year ended December 30, 2016, the growth rate was 5.9%. The main reason for the change is explained by the concession to industrial companies, commercial and service industries, as well as credit to the families. The private sector bank loans continue to experience growth rates higher than that of the country's GDP, experiencing a recovery as of December 30, 2017 when compared to December 30, 2016 as stated above.

Results of Operations for the Six Months Ended June 30, 2018 Compared to the six months Ended June 31, 2017

The following table shows the principal components of our consolidated income statement for the Six Months ended June 30, 2018 and 2017

	June		Change	
	2018	2017	(L in thousands)	%
	(L in thousands)		(L in thousands)	%
Interest income	3,711,898	3,199,279	512,619	16.0%
Interest expense	1,691,374	1,387,617	303,757	21.9%
Financial profit	2,020,525	1,811,662	208,863	11.5%
Loan impairment charges	391,671	198,992	192,679	96.8%
Financial profit, net of impairment charges	1,628,853	1,612,670	16,183	1.0%
Income from insurance activities	1,590,871	1,342,541	248,330	18.5%
Expenses from insurance activities	1,365,142	1,084,768	280,374	25.8%
Profit from insurance activities	225,729	257,773	(32,044)	(12.4%)
Services	173,303	52,739	120,564	228.6%
Commissions	709,491	682,430	27,061	4.0%
Leases	86,612	105,653	(19,041)	(18.0%)
Other income	123,602	171,615	(48,013)	(28.0%)
Total Proceeds from services	1,093,008	1,012,437	80,571	8.0%
Staff-expenses	791,835	771,082	20,753	2.7%
General and administrative expenses	1,176,399	1,015,396	161,003	15.9%
Depreciation and amortization	311,013	175,204	135,809	77.5%
Total other expenses	2,279,246	1,961,682	317,564	16.2%
Operating income	668,343	921,198	(252,855)	(27.4%)
Income from dividends	150,029	2,230	147,799	6627.7%
Gain on sale of other and contingent assets	30,036	50,187	(20,151)	(40.2%)
Gain on sale of fixed assets	6,700	6,833	(133)	(1.9%)
Other income, net	126,377	(38,031)	88,346	232.3%
Total non-operating income (expenses) ..	313,141	21,219	291,922	1375.8%
Income before income tax	981,485	942,417	39,068	4.1%
Income tax/capital gain/net assets tax	333,540	295,053	38,487	13.0%
Income before minority interest	647,945	647,364	581	0.1%
Net income attributable to noncontrolling interests	55,381	57,213	(1,832)	(3.2%)
Net Income	592,564	590,150	2,414	0.4%

An analysis of the components of our consolidated income statement set forth in the foregoing table follows.

Financial proceeds

The following table presents the components of our interest income for the Six Months ended June 30, 2018 and 2017

	For the Six-months ended June 30,		Change	
	2018	2017		
	(L in thousands)		(L in thousands)	%
Interest income				
Loans	3,213,595	2,743,188	470,407	17.1%
Investment securities.....	474,357	447,891	26,466	5.9%
Interest earning deposits.....	23,946	8,200	15,746	192.0%
Total interest income	3,711,898	3,199,279	512,619	16.0%

Interest income increased by 16.0% to L3,711,898 thousand for the Six Months Ended June 30, 2018 from L3,199,279 thousand for the corresponding period in 2017. This increase in interest income was mainly due to the growth of our loan portfolio, particularly as the banking business has sought higher interest yielding assets through retail segment loans, combined with a decrease in loans in non-accrual status.

Interest on our loan portfolio increased by L 470,407 thousand, or 17.1%, for the Six Months Ended June 30, 2018 as compared to the corresponding period in 2017, mainly due to a higher volume of loans disbursed in local currency whose average balance grew by 11.9% compared to the Six Months ended June 30,2018, adding L 3,217,261 to our interest income. Interest income of the period also increased with the contribution of the most recent entity acquired, Banco Atlántida El Salvador (a subsidiary of Inversiones Financieras Atlántida, S.A.), which added L52,920 in interests over an average balance of L 6,799,716 in loans. The average balance of the US Dollar denominated loan portfolio as of June 2018 increased 16.4% compared to June 30,2018 after higher capital requirements have led to a preference for local denominated loans or to the conversion into local currency denominated loans, particularly in the case of Corporate loans.

Interest on investment securities increased by L26,466 thousand, or 5.9%, for the Six Months Ended June 30, 2018 compared to the corresponding period in 2017, as the banking business continued to demand resources to allow the growth of its higher yielding loan portfolio, causing the average balance of investments to decrease by 9.1% for the Six Months Ended June 30, 2018 as compared to the Six Months ended June 30,2017. Because of the decrease in the balance of investment securities, particularly in local currency, interest income dwindled by L 420,329 thousand as of June 30, 2018 compared to June 30,2017.

Interest income from cash and cash equivalents increased by L 15,746 thousand, or 192.0%, for the three Months ended June 30, 2018 as compared to the corresponding period in 2017.due to the reduction in cash and cash equivalents.

Interest expense

The following table presents the components of our interest expense for the Six Months ended June 30, 2018 and 2017

	For the Six-months ended June 30,			
	2018	2017	Change	
	(L in thousands)		(L in thousands)	%
Interest expense				
Deposits from customers.....	1,195,902	1,068,142	127,760	12.0%
Loans obtained from banks	307,362	52,205	255,157	488.8%
Financial obligations.....	188,110	267,270	(79,160)	(29.6%)
Total Interest expense.....	1,691,374	1,387,617	303,757	21.9%

Interest expense increased by L 303,757 thousand to L 1,691,374 thousand for the Six Months Ended June 30, 2018 from L1,387,617 thousand for the corresponding period in 2017, primarily due to an increase in interest paid on Deposits from customers.

Interest expense from deposits from customers increased by L122,760 thousand, or 12.0%, for the Six Months Ended June 30, 2018 as compared to the corresponding period in 2017. Increase in the average balance of our deposits, primarily led by the 3.7% increase in the balance of our savings deposits, which in turn resulted from our strategy of expanding the participation of this lower cost source of funding within our deposit mix. In addition, the increase in our interest expense was also due to the balance of our term deposits increasing by 5.5%. While term deposits continue to represent the largest component of our interest expense, this is a smaller percentage increase than savings deposits as we have been revising the pricing on our term deposits. Finally, the 1.0% increase in the balance of our demand deposits also contributed to the increase in our overall interest expense due to an increase of our corporate client's base. These increases were partially offset by the slight decrease in the average interest rates we paid on deposits, which stood at 7.5% during the six months ended June 30, 2018 compared to 5.6% during the six months ended June 30, 2017, given the decrease in the corresponding reference interest rates in Honduras.

Interest expense from loans obtained from banks increased by L255,157 thousand, or 488.8%, for the Six Months Ended June 30, 2018 as compared to the corresponding period in 2017 primarily as a result of our decision to increase loans from international financial institutions in order to match funding to our long-term loans to customers in foreign currency. This increase was also due to the increase in the average interest rate on loans obtained from banks which reached 13.8% during the six months ended June 30, 2018. The increase in the average interest rate paid on these loans was primarily due to the increase in the balance of our long-term loan portfolio, which carry a higher average interest rate.

Interest expense from financial obligations decreased by L79,160 thousand, or 29.6%, for the Six Months Ended June 30, 2018, as compared to the corresponding period in 2017, primarily due to a decrease in the average balance on these obligations by L 192,285 thousand, or 8.3% during the six months ended June 30 2018 as compared to the corresponding period in 2017

Net interest margin for both the six months ended June 30, 2018 and June 30, 2017 was 6.5%. As explained above, our adequate response to prevailing market conditions through the anticipation of interest rate movements, adjustment of our pricing for customer deposits and continuous effort to increase the participation of higher yielding assets in our balance sheet have allowed us to uphold our net interest margin in a period of generally decreasing interest rates on most of our revenue generating assets.

Allowance for loan and interest losses

The following table presents our loan impairment charges, NPL ratio, our coverage ratio and our loan and Provision for loan losses (PLL) for the Six Months ended June 30, 2018 and 2017

	For the Six-months ended June 30,			
	2018	2017	Change	
	(L in thousands)		(L in thousands)	%
Loan impairment charges.....	391,671	198,992	192,679	96.8%
NPL ratio.....	1.8%	3.1%	-	-
Coverage ratio	194.5%	122.1%	-	-
Provision for loan losses	2,083,346	1,849,945	233,401	12.6%

Loan impairment charges increased by 96.8% to L192,679 thousand for the Six Months Ended June 30, 2018 from L198,992 thousand for the corresponding period in 2017. NPL ratio decreased to 1.8% as of June 30, 2018 from as 3.1% of June 30, 2017. Coverage ratio remained above settling at 194.5% as of June 30, 2018 compared to 122.1% as of June 30, 2017.

During the six months ended June 30, 2018, loan impairment charges attributable to our retail banking products amounted to L293,561 thousand, an increase of L188,364 thousand, or 179.1%, compared to the L105,197 thousand in loan impairment charges recorded during the six months ended June 30, 2017. This increase was primarily due to an increase in non-performing retail loans as consequence of political and social events following the Honduran presidential elections that continued to be felt into the second quarter of 2018 as factors such as deteriorating sales and unemployment, among others, negatively affected our retail clients. Our retail NPL ratio increased to 7.7% during the six months ended June 30, 2018 as compared to 4.5% during the six months ended June 30, 2017 primarily due to the higher delinquency rates of the retail loan and credit card portfolio, because of the above mentioned political and social events.

The corporate banking segment contributed with L 60,746 thousand in loan impairment charges, or a decreased of 8.6% compared to the year-end result of L 66,496 thousand in 2017 in loan impairment charges, just second to retail products in terms of loan impairment charges for the year 2018. This decrease was primarily since there was a decrease in charge-offs for this loan portfolio during the six months ended June 30, 2018 from L185,934 thousand in charge-offs during the six months ended June 30, 2017 to L110,994 thousand for the six months ended June 30, 2018. Our corporate NPL ratio decreased to 0.8% during the six months ended June 30, 2018 compared to 1.7% during the six months ended June 30, 2017 primarily due to our increased collection efforts which led to an improvement in the quality of our portfolio.

During the six months ended June 30, 2018, loan impairment charges attributable to our SME banking segment amounted to L1,766 thousand, a decrease of L14,782 thousand, or 89.3%, as compared to L16,549 thousand in loan impairment charges recorded during the six months ended June 30, 2017. This decrease was, primarily due to the accumulation of allowances for loan and interest losses of certain non-performing loans, which have not yet been charged off because we are pursuing judicial approval in order to be able to do so. Thus, our SME charge-offs decreased to L10,988 thousand during the six months ended June 30, 2018 as compared to L64,361 thousand in charge-offs recorded during the six months ended June 30, 2017. Our SME NPL ratio increased to 7.4% during the six months ended June 30, 2018, as compared to 6.4% during the six months ended June 30, 2017 because of an increase in over-due loans related to agribusiness (sugarcane in particular) due to a drought that affected production.

Total impairment of financial assets increased by 84.4% to L366,960 thousand during the six months ended June 30, 2017 from L198,992 thousand for the corresponding period in 2017. This increase was primarily due to the impairments taken in each of our segments as described above. In particular, we had to increase our loan allowances to account for the increase in our NPL portfolio. As leverage, we used the favorable coverage we had as of December 31, 2017 to bear the increase of our NPL balance, thus providing a coverage ratio of 194.5% during the six months ended June 30, 2018 as compared to 122.1% during the six months ended June 30, 2017, in each case above the regulatory requirement of 110%.

Proceeds from services

The following table presents the components of our fee and commission income for the Six Months ended June 30, 2018 and 2017

	For the Six-months ended June 30,		Change	
	2018	2017		
	(L in thousands)		(L in thousands)	%
Services.....	173,303	52,739	120,564	228.6%
Commissions.....	709,491	682,430	27,061	4.0%
Leases	86,612	105,653	(19,041)	(18.0%)
Other income.....	123,602	171,615	(48,013)	(28.0%)
Total proceeds from services	1,093,008	1,012,437	80,571	8.0%

Proceeds from services increased by 8.0 % to L1,093,008 thousand for the Six Months Ended June 30, 2018 from L1,012,437 thousand for the corresponding period in 2017. Primarily due to a 22.6% increase in services This increase was partially offset by a decrease in other income of 28.0%, leases by 18.0%, and decreased commissions 4.0%

The increased in commissions of L 27,061 thousand, or 4.0%, to 709,491 for the Six Months Ended June 30, 2018 from L682,430 thousand for the corresponding period in 2017 was primarily due to Banco Atlántida's This increase was primarily as a result of an increase in the balance of our credit card and debit card issuances given our strategy to (i) shift transactions to alternate channels, including ATMs and external banking agents and (ii) enhance and promote our credit card business which generates higher yields.

In contrast, commissions from public and private collections decreased by L6,365 thousand, or 13.9%, during the six months ended June 30, 2018 as compared to the corresponding period in 2017, primarily due to a decrease in commissions from income taxes, which in turn was due to a decrease in the amounts collected from our clients.

The decrease in proceeds from leases of L19,041 thousand, or 18.0%, to L86,612 for the Six Months Ended June 30, 2018 from L 105,653 thousand for the corresponding period in 2017 was primarily due to a lower renewal rate of expiring operating lease contracts administered by Arrendamientos y Créditos Atlántida, S. A., the leasing company. Until June 30, 2014 leases were recorded as operating leases (even if they were financial in nature), but due to the adoption of a new regulatory framework as of January 1, 2016, their accounting would be that of a financial lease. Eventually, their income will continue to decrease just as the outstanding contracts as of June 30, 2014 continue to expire. This decrease is offset by a decrease in depreciation expenses related to leases given the decrease in their volume for the reasons described above.

The decrease in other income of L48,013 thousand, or 28.0%, to L123,602 for the six months ended June 30, 2017 of L171,615 Invatlan Had a reduction in the interest received for the payment received from the credit granted to the directors on December 31, 2017

Income from insurance activities

The following table presents the components of our net premium income for the Six Months ended June 30, 2018 and 2017

	For the Six-months ended June 30,		Change (L in thousands) %	
	2018	2017		
	(L in thousands)		(L in thousands)	%
Income from insurance activities	1,590,871	1,342,541	248,330	18.5%
Expenses from insurance activities	(1,365,142)	(1,084,768)	280,374	25.8%
Profit from insurance activities	225,729	257,773	(32,044)	(12.4%)

Profit from insurance activities decreased by 12.4% to L32,044 thousand to L1,590,871 for the Six Months Ended June 30, 2018 from L1,342,541 thousand for the corresponding period in 2017. This decrease was mainly due to an 25.8% increase in total expenses from insurance activities, mainly due to an increase of the insurance claims by 18.5% compared to the corresponding period in 2017.

Income from insurance activities increased by 18.5% to L1,590,871 thousand for the Six Months Ended June 30, 2018 from L 1,342,541 thousand for the corresponding period in 2017. Meanwhile, as counterbalance, income from recovered claims of foreign insurance reinsurers increased by 55%, during the six months ended June 30, 2018 compared to the same period during 2017. Insurance net premiums increased by 9.2%, during the six months ended June 30, 2018 compared to the same period during 2017.

Expenses for insurance activities increased by 25.8% to L1,365,142 thousand for the Six Months Ended June 30, 2018 from L1,084 thousand for the corresponding period in 2017. After a downward trend during most part of the 2017 year, during the last quarter of 2018, claim expenses increased because of the events that followed the local elections. Hence, the insurance company withstood an increase in claim expenses of 26.9% for the Six Months Ended June 30, 2018, as compared to the corresponding period in 2017. Expenses from premiums cancelled and reinstated also increase 55.5% for the Six Months Ended June 30, 2018, as compared to the corresponding period in 2017 due primarily to modifications to the terms and conditions of insurance policies which allow for an amendment of the outstanding insurance policy rather than its cancellation and re-entry as a new one following a change request. This change in procedure causes a decrease of such cancellation expenses.

Other expenses

The following table presents the components of our operating and administrative expenses for the Six Months Ended June 30, 2018 and 2017

	For the Six-months ended June 30,			
	2018	2017	Change	
			(L in thousands)	%
	(L in thousands)			
Other expenses:				
Staff-expenses.....	791,835	771,082	20,753	2.7%
General and administrative expenses	1,176,399	1,015,396	161,003	15.9%
Depreciation & amortizations.....	311,013	175,204	135,809	77.5%
Total other expenses	2,279,246	1,961,682	317,564	16.2%

Other expenses increased by 16.2% to L317,564 thousand for the Six Months Ended June 30, 2018 from L 1,961,682 thousand for the corresponding period in 2017. The increase in other expenses was primarily due to (1) the increase in staff expenses 2.7%, (2) a 15.9% increase in general and administrative expenses and (3) a 77.5% increase in depreciation and amortization expenses.

The increase in general and administrative expenses of L161,003thousand, or 15.9%, for the Six Months Ended June 30, 2018 as compared to the corresponding period in 2017 was primarily due to the following: (1) the incorporation of the general and administrative expense of Banco Atlántida El Salvador, Atlántida Securities and Atlántida Capital acquired through Inversiones Financieras Atlántida, S.A. for a total of a L 105,153 , 1,681, 3,034 thousand respectively for the three ended June 31, 2018; (2) an decreased of L 3,954 thousand in the general and administrative expense of the insurance company, (3) an increase of L 5,716 thousand in the general and administrative expense of Administradora de Pensiones Atlántida related to higher investment in marketing, (4) and a L 79,817 thousand increase in the general and administrative expense of Banco Atlántida, S.A. as of June 30, 2018 compared to the year ended on June 30,2018. Banco Atlántida, S.A, The increase was primarily due (i) to an increase in software maintenance fees and others related to the upgrading, leasing and maintenance of hardware for L22,209 thousand and L21,487 thousand, respectively; as we continue the execution of our digital banking strategy which requires the adoption of programs and tools to build the appropriate technological infrastructure to support our digital banking strategy, and (ii) an increase in taxes of L18,596 thousand as a result of the increase in our loan portfolio given that we are required to make a special contribution of L2.00 for every L.1,000 lempiras disbursed as loans. This increase was partially offset by the decrease of L15,782 thousand in remodeling expenses for our branch network which we expect will resume during the second half of 2018.

The increase in staff expenses of L 20,753 thousand, or 2.7%, for the Six Months Ended June 30, 2018 as compared to the corresponding period in 2017 was primarily due to the incorporation of the expense belonging to Banco Atlántida El Salvador, S.A, Atlántida Securities and Atlántida Capital through Inversiones Financieras

Atlántida, S.A. which contributed with an additional expense of L 91,205 thousand as of June 30, 2018. Invatlan and its subsidiaries also registered an increase in the number of full-time employees which reached 3,815 (including Banco Atlántida El Salvador, S.A, Atlántida Securities, Atlántida Capital) as of June 30, 2018 compared to 3,804 as of June 31,2017.

The increase in depreciation and amortization expenses of L135,809 thousand, or 77.5%, for the Six Months Ended June 30, 2018 as compared to the corresponding period in 2017 was primarily due to (1) the incorporation of Banco Atlántida El Salvador, S.A, Atlántida Securities and Atlántida Capital. L 34,479 thousand, as well as to (2) an increase of L 117,849 thousand in the amortization expense of Banco Atlántida, S.A. The increase in depreciation and amortization was primarily due to an increase in software licenses and investment in technology equipment which are required to be depreciated.

Our cost-to-income ratio during the six months ended June 30, 2018 was 68.3%%, as compared to 63.7% for the corresponding period in 2017 mainly as a result of operating income growing at a higher rate than operating expense, or 2.5% as compared to 2.6%.

Non-operating income (expenses)

The following table presents the components of our Non-operating income (expenses) for the six Months ended June 30, 2018 and 2017.

	For the Six-months ended June 30,		Change	
	2018	2017	(L in thousands)	%
	(L in thousands)		(L in thousands)	%
Income from dividends	150,029	2,230	147,799	6,627.7%
Gain on sale of foreclosed assets	30,036	50,187	(20,151)	(40.2%)
Gain on sale of fixed assets	6,700	6,833	(133)	(1.9%)
Other income, net.....	126,377	(38,031)	88,346	232.3%
Total.....	313,142	21,219	291,922	1,375.8%

Non-operating income increased by L 313,142 thousand during the six Months ended June 30,2018 to L21,219 thousand during the six months ended June 30, 2017.

The incorporation of Inversiones Financieras Atlántida, S.A. and Subsidiary (Banco Atlántida El Salvador, S.A.) added L 24,566 to other non-operating income (expenses), mainly because of the business combination (acquisition of 99.8194622% of the outstanding shares of Banco Atlántida El Salvador, S.A, acquisition of 99.99% of the outstanding shares of Atlántida Securities, acquisition of 99.99% of the outstanding shares of Atlántida Capital) that provided for an additional income of L140,873 thousand (US\$ 5,998 converted at an exchange rate of L23.4868 HNL/USD)) that provided for an additional income of L 23,640 thousand (US\$ 1,000 converted at an exchange rate of L23.6399 HNL/USD, that provided for an additional income of L 11,820 thousand (US\$ 1,000 converted at an exchange rate of L23.6399 HNL/USD from intangible assets recognized as of June 30, 2018. This non-recurring income was offset by L45,280 thousand (US\$ 1,928 converted at an exchange rate of L23.4868 HNL/USD) cumulative loss belonging to Banco Atlántida El Salvador, S.A. which was also recognized following its acquisition by Inversiones Financieras Atlántida, S.A. Additionally, after acquiring 49% of the outstanding shares of Corporation de Inversiones Atlántida, S.A. during 2018; Invatlan, the holding company, was entitled to L35,501 in dividends as of June 30, 2018. increased dividends in cash due to dividends in cash received by Corporación de Inversiones Atlántida of 147,063

Income before tax

Income before tax increased by 0.1% to L647,945 thousand for the Six Months Ended June 30, 2018 from L647,364 thousand for the corresponding period in 2017.

Income tax

Income tax expense increased to L38,487 thousand, or 13.0%, for the Six Months Ended June 30, 2018 from L295,053 thousand for the corresponding period in 2017, or an effective tax rate of 33.9% as of June 30, 2018 compared to an effective tax rate of 31.2% as of June 30, 2017. This increase was primarily due to an increase in our taxable operating income.

Net Income

Net income increased by 0.4% to L592,564 thousand to L333,540 for the Six Months Ended June 30, 2018 from L 590,150 thousand for the corresponding period in 2017. Conversely, average shareholders' equity increased by 11.1% to L 10,242,824 thousand as of June 30, 2018, from L 9,148,254 thousand for the corresponding period in 2017, our ROAE was 9.5% During the six months ended June 30, 2018, as compared to 13.1% for the corresponding period in 2017.

Net income increased by 0.4% and average total assets increased by 10.2% to L 94,425,440 thousand for the Six Months Ended June 30, 2018 from L70,173,548 thousand for the corresponding period in 2017, and consequently, ROAA as of June 30, 2018 settled at 1.3%, compared to 1.6% as of June 30, 2017.

Liquidity and Funding

The following discussion of liquidity and funding is on a consolidated basis. Banco Atlántida represents our primary source of funds, and its liquidity comes from client deposits, loans from banks and financial institutions and debt securities.

The following table sets forth our primary sources of funding on a consolidated basis as of June 30, 2018 and as of June 30, 2017.

	As of June 30, 2018	As of June 30, 2017	Change	
	(L in thousands)	(L in thousands)	(L in thousands)	
Demand deposits.....	9,728,182	8,255,088	1,473,094	17.8%
Term deposits	26,174,956	22,920,383	3,254,573	14.2%
Savings deposits.....	32,537,849	27,810,852	4,726,997	17.0%
Other	415,057	455,824	(40,767)	(8.9%)
Total deposits	68,856,044	59,442,147	9,413,897	15.8%
Loans and borrowings from banks	8,077,036	6,437,708	1,639,328	25.5%
Corporate bonds and secured notes.....	5,839,697	999,615	4,840,082	484.2%
	82,772,777	66,879,470	15,893,307	23.8%

Banco Atlántida's primary sources of funds have traditionally consisted of deposits, loans and borrowings from banks, as well as debt securities issued and subordinated debt.

Total deposits increased by 15.8% to L 68,856,044 thousand as of June 30, 2018 as compared to L59,442,147 thousand as of June 30, 2017 primarily due to Banco Atlántida's commercial strategy to promote growth of demand deposits over term deposits considering their stability and low cost of funds. Deposits included retail and corporate deposits, generated mainly through our distribution network, and our relationships with commercial clients.

Loans and borrowings from banks were L8,077,036 thousand as of June 30, 2018, compared to L6,437,708 thousand as of June 30, 2017, representing an increase of 25.5% primarily due to Banco Atlántida's financial strategy which used existing liquidity to fund loan disbursement needs rather than financing. Nonetheless, the banking business, particularly its corporate segment, continues to use readily available credit facilities to fund infrastructure and energy credits. Loans and borrowings from banks included short-term trade finance, lines of credit and long-term loans from international financial institutions and multilateral organizations. Banco Atlántida has lines of credit with 17 worldwide financial institutions with which it has had longstanding correspondent relationships. Some of its main lines of credit are held with the IFC, IADB, Proparco, Citibank N.A., Wells Fargo Bank N.A. and Commerzbank AGAs. As of June 30, 2018, we had (I) an aggregate amount of US. \$ \$297,033 thousand (L 7,125,472 thousand) in uncommitted lines of credit from foreign institutions on a consolidated basis, of which US. \$ \$207,307 thousand (L4,973,055 thousand) was available to draw upon.

Corporate bonds and secured notes issued were L5,839,697 thousand as of June 30, 2018, compared to L999,615 thousand as of June 30, 2017, representing an increase of 484.2%, primarily due to an issue of US\$150 million in Senior Secured Notes in the form of a 144A / RegS by Inversiones Atlántida, S.A., with the purpose of using these proceeds for the repayment of debt, fund planned acquisition and general corporate purposes. Conditions include a 5-year tenor with a bullet payment at maturity, while interest rate is fixed, 8.25%, paid semi-annually in arrears.

Through our asset and liability management policy, we seek to ensure that sufficient liquidity is available to honor withdrawals of *deposits*, *repay* other liabilities at maturity, extend loans or other forms of credit to clients, pay liabilities derived from the insurance policies we issue, and meet working capital needs. The minimum amount of liquidity that our main subsidiaries are required to maintain depends on the reserve requirements established by the Central Bank, as well as the technical and mathematical statutory reserves required by our insurance operations. We meet these requirements by maintaining a proper balance between maturity profile and diversity of our sources of funding.

We expect that deposits, loans and borrowings from banks and debt securities issued, will 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, pursuant to Honduran capitalization requirements, Banco Atlántida is required to maintain specified levels of regulatory capital as a percentage of its risk-weighted assets (capital ratio) of 11.8% or above. As of June 30, 2018, Banco Atlántida's capital ratio was 12.6% compared to 12.3% as of June 30, 2017; 13.4% as of June 30, 2016; and 13.6% as of June 30, 2015.

The following table sets forth Banco Atlántida's capital on an unconsolidated basis as compared to the minimum capital requirements as of the dates indicated.

	As of June 30,			
	2018	2017	2016	2015
	(L in thousands, except percentages)			
Total Tier 1	6,988,863	6,488,863	5,386,163	4,993,927
Total Tier 2	947,567	1,018,734	794,972	770,437
Total regulatory capital	7,936,430	7,507,597	6,181,135	5,764,364
Total risk-weighted assets	67,029,722	61,083,980	46,307,367	42,375,602
Regulatory capital as a percentage of risk-weighted assets.....	11.8	12.3	13.4	13.6

Commitments and contractual obligations

We enter into various commitments and contractual obligations that may require future cash payments. The following table summarizes our commitments and contractual obligations as of June 30, 2018.

(L in millions, except percentages)	Less than 30 days	31 to 90 days	91 to 1 year	Between 1 and 5 years	More than 5 years	Total
Deposits and obligations from customers.....	11,243,025	13,016,663	11,892,015	17,575,725	14,624,187	68,351,616
Loans and borrowings from banks..	570,419	251,179	1,108,675	3,077,521	3,069,241	8,077,036
Debt securities issued.....	-	-	1,323,708	3,408,352	1,107,637	5,839,697
Total.....	11,813,445	13,267,842	14,324,397	24,061,598	18,801,065	82,268,349
% of Total.....	14.4%	16.1%	17.4%	29.2%	22.9%	100.0%

Capital expenditures

Our consolidated capital expenditures increase to L 65,011 thousand for the Six Months Ended June 30, 2018 compared to L 28,961 thousand for the six Months ended June 30,2017 primarily since throughout the first quarter of 2017 our subsidiaries made significant investments in information technology and in expanding their distribution fleet.

Off-Balance sheet arrangements

In the normal course of business, Invatlan party to many off-balance sheet activities that have credit, market and operational risk and are not reflected in our financial statements. These activities include commitments to extend credit not otherwise accounted for, such as contingent loans, such as guarantees, letters of credit and loans under contract pending disbursement, including credit lines and syndicated loans. The company provides our clients with services related to the issuance and confirmation of commercial and stand-by letters of credit and to the issuance of guarantees. Letters of credit operations totaled L 629,628 as of June 30, 2018, 453,685 thousand as of June 30,2017. Issuance of guarantees totaled L4,586,292 as of June 30, 2018, L 3,667,229 thousand as of June 30,2017. Loans under contract pending disbursement totaled L 4,666,927 as of June 30, 2018, L3,041,098 thousand as of June 30,2017.

The credit risk of both on- and off-balance sheet financial instruments varies based on many factors, including the value of collateral held and other security arrangements. To mitigate credit risk, the need for specific covenant is generally determined, guarantee and collateral requirements on a case-by-case basis, depending on the nature of the financial instrument and the client's creditworthiness. Commitment letters and oral assurances may also be required. 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 collateral is valued and inspected on a regular basis to ensure both its existence and valuation. Additional collateral is required when appropriate as determined by the credit committee of our subsidiaries.

Qualitative and Quantitative Disclosure about Market Risks

The Group is exposed to risks in the ordinary course of business, particularly credit risk, liquidity risk, exchange rate risk and interest rate risk. For a discussion on how the exposure to these risks is regularly assessed and managed, see note 4 to the audited consolidated financial statements contained elsewhere in this offering memorandum.