



**MANAGEMENT'S DISCUSSION AND
ANALYSIS OF OUR FINANCIAL
CONDITION AND RESULTS OF
OPERATIONS
as of December 31, 2019**

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 3.2 million clients as of December 31, 2019. We were acknowledged as a financial holding company by the National Banking and Insurance Commission of the Republic of Honduras (The Commission) in 2012, and our main subsidiary, Banco Atlántida, S. A. (a Honduran Subsidiary), 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, one of the largest banks and insurance companies in Honduras in terms of assets. 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 18.7%, 19.8% and 20.8%, respectively, as of December 31, 2019, according to the Commission. Furthermore, Seguros Atlántida is one of the largest insurance company in terms of total gross premiums written, with a market share of 18.2% and 17.5% as of December 31 of 2019 and 2018, respectively, according to the Commission.

For the year ended December 31, 2019 and 2018, Banco Atlántida had a ROAE of 14.6% and 10.6%, respectively, compared to the Honduran banking system which had a ROAE of 12.6% and 12.4%, respectively, according to the Commission. For the year Ended December 31, 2019 and 2018, Seguros Atlántida had a ROAE of 22.9% and 31.2%, respectively.

As of December 31, 2019, Invatlan had one of the largest banking distribution networks in Honduras (1,982 points of service) which, with our distribution network of insurance and our operations in El Salvador and Nicaragua adds up to 2,062 points of service, comprised as follows:

- 267 branches (149 agencies, 66 teller windows embedded within corporate client offices, 22 drive thru and 30 branches related to the other lines of business that make up Invatlan)
- 1,077 ATMs (355 proprietary ATMs and 722 third-party network ATMs)
- 718 non-correspondent banking agents.

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, that 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.

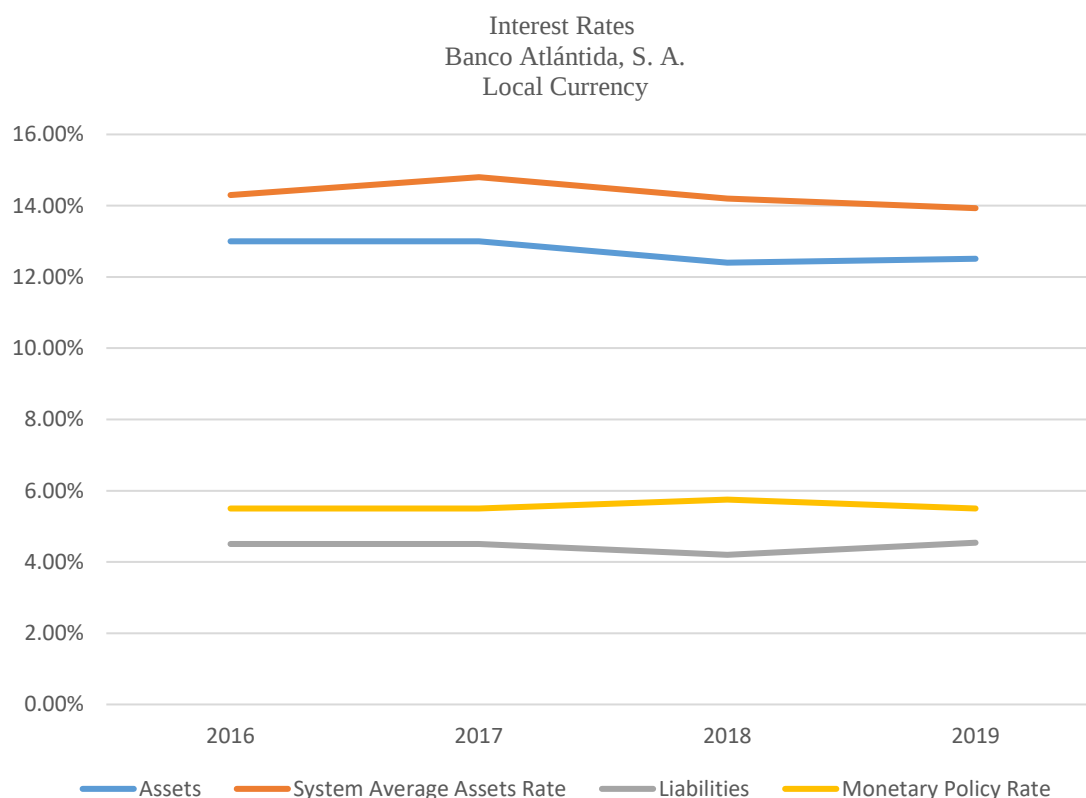
Increases in interest rates can reduce the volume of loans originated by Banco Atlántida. The historically sustained high interest rates have discouraged our clients from borrowing and has resulted in greater asset impairment.

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 of Honduras (Central Bank) at the relevant dates. For more information, see “Exchange Rates.” For purposes of this section, US Dollars-denominated assets and liabilities include: (I) Domestic US Dollar, which includes all transactions conducted in Honduras or on behalf of Honduran residents in US Dollar and (ii) Foreign US Dollar, which includes all transactions performed with entities outside Honduras, such as multilateral and correspondent banks.

Assets and Liabilities Rates in Lempiras

The chart below presents the weighted average interest rates on lempira-denominated assets and liabilities of Banco Atlántida as of December 31, 2019, 2018, 2017 and 2016.



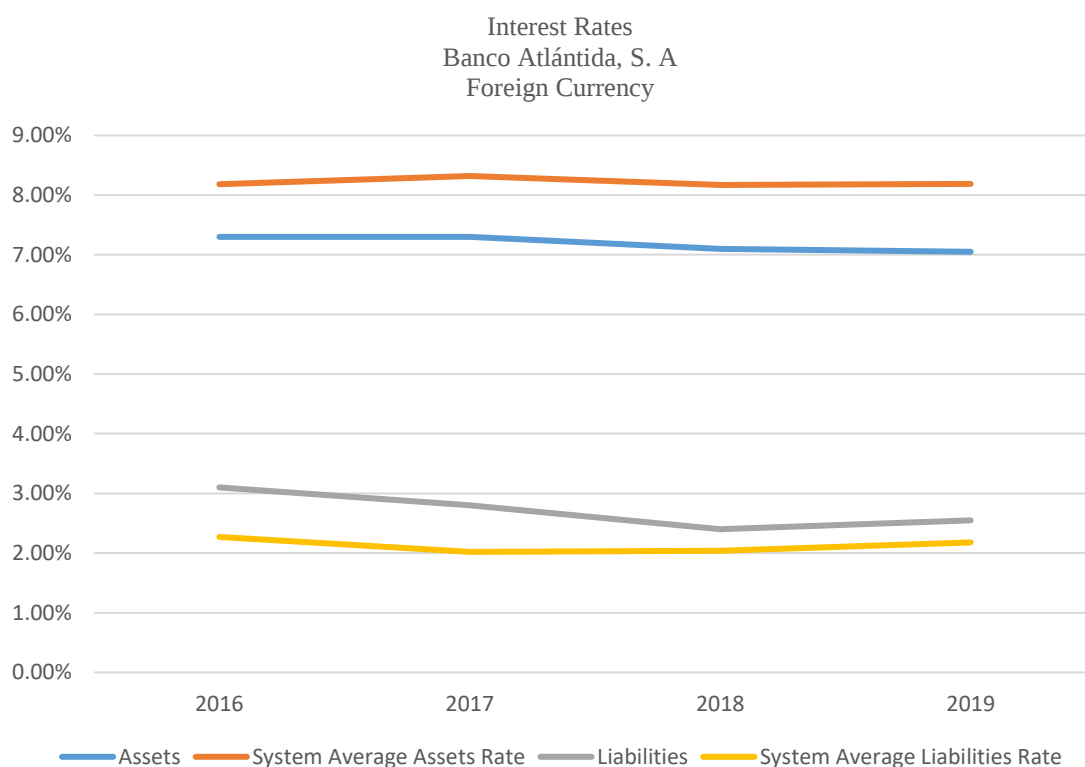
The Honduran banking industry generally does not set interest rates by reference to a benchmark rate; however, the weighted average interest rates on lempira-denominated assets and liabilities of the Honduran banking industry are slightly influenced by the minimum bid rate that the Central Bank allows for its treasury notes. This reference rate was modified on January 7, 2019, an increase of 0.25 pp, reaching 5.75% from 5.50% as of December 31, 2018, 2017 and 2016.

Banco Atlántida's average interest rate on lempira-denominated assets was 12.4% as of December 31, 2019 and 13.3% as of December 31, 2018. Banco Atlántida continues to pursue higher margin products emphasizing on personal loan products, payroll loans and credit cards. As of December 31, 2019, Banco Atlántida's lempira-denominated assets have grown 15.5% outpacing the 9.8% reported by the local banking system during the same period.

The average interest rate of Banco Atlántida on liabilities denominated in lempiras had a decrease, due to its diverse base of retail deposits, without a significant concentration in any specific type of deposit, with a rate of 4.7% as of December 31, 2019 and 4.9% as of December 31, 2018. As of December 31, 2019, compared to December 31, 2018, deposits denominated in local currency of Banco Atlántida have grown by 25.0%, while the local financial system has grown by 14.8% during the same period.

Assets and Liabilities Rates in Foreign Currency

The chart below presents the weighted average rates on foreign currency-denominated assets and liabilities of Banco Atlántida as of December 31, 2019, 2018, 2017 and 2016.



As of December 31, 2019, and December 31, 2018, Banco Atlántida's average interest rate on assets denominated in foreign currency remained stable at a rate of 7.9%, as of December 31, 2018 7.4%. Higher capital requirements for loans granted in foreign currency, particularly to non-exporting entities, continue to influence the price of such transactions and explain why interest rates have been maintained stable. Banco Atlántida's loan portfolio in US dollars increased 11.4% between December 31, 2018 and December 31, 2019, while the local financial system did so by 9.3% during the same period.

The average interest rate of Banco Atlántida on foreign currency-denominated liabilities was 3.0% as of December 31, 2019 and 2.7% as of December 31, 2018. Foreign currency-denominated deposits of Banco Atlántida and of the financial system grew at a rate of 5.1% between December 31, 2018 and December 31, 2019, while the local financial system did so by 3.3% during the same period.

The Honduran banking industry generally does not set interest rates in reference to a reference rate; however, the weighted average interest rates of lempira-denominated assets and liabilities of the Honduran banking industry are slightly influenced by the minimum offer rate that the Central Bank allows for its treasury notes. This reference rate was modified on January 7, 2019, an increase of 0.25 pp, 5.75% from 5.50% and it was modified again to 5.50% as of December 23, 2019, reaching the same levels as of 2018, 2017 and 2016.

Effect of Family Remittances

As of December 31, 2019, family remittances that entered Honduras were USD5,384.5 million (according to preliminary data published by BCH), which implied an increase of 13.1% with respect to the corresponding period in 2018, while for the previous immediate periods, they were as shown in the following table:

Period	Amount *		Change %
31/12/2019	5,384.5	p	13.1%
31/12/2018	4,759.9	r	10.6%
31/12/2017	4,305.3	r	11.9%
31/12/2016	3,847.3	r	5.4%
* expressed in millions of USD			
p preliminary data			
r revised data			

The income earned by Banco Atlántida from family remittances consisted mainly of fees on foreign exchange transactions, fees for money orders and other related fees, as well as gains on currency exchange transactions. Banco Atlántida processed USD1,392.9 million in family remittances during the period ended December 31, 2019, 11.5% more than the corresponding period of 2018, during which USD1,248.8 million were processed. As of December 31, 2019, Banco Atlántida's market share was 24.7%, while for the corresponding period of 2018 it was 26.2%.

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

The Honduran economy has been characterized by moderate inflation in recent years. As of December 31, 2019, the inflation rate was 4.1%, compared to 4.2% as of December 31, 2018 this small change in the inflation was mainly caused by the increase in the price of some foods of agricultural origin, transportation and health. According to the Central Bank, the inflation target for 2019 was achieved, since it remained within the range of 4.0% (± 1 pp) agreed with the International Monetary Fund (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.

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

In recent years, the lempira exchange rate compared to 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 the main agricultural products of Honduras and the high demand for foreign currency to pay for imported goods. The exchange rate was L24.6350 for USD1.00 as of December 31, 2019, compared to L24.3388 for USD1.00 as of December 30, 2018, as published by 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:

<u>Period</u>	<u>Population (millions)</u>	<u>Change</u>	<u>GDP * (USD)</u>	<u>Change</u>	<u>Poverty rate</u>	<u>Change</u>	<u>Unemploy- ment rate</u>	<u>Change</u>
2018	9.0	1.6%	2,662	2.1%	61.9%	(3.7%)	4.4%	(22.8%)
2017	8.9	2.3%	2,608	4.8%	64.3%	5.6%	5.7%	21.2%
2016	8.7	1.7%	2,488	9.6%	60.9%	(11.4%)	4.7%	17.5%
2015	8.4	1.2%	2,270	9.9%	68.7%	9.4%	4.0%	9.7%

- GDP per capita

Bank Loans

The growth rate of Banco Atlántida's loan portfolio, specifically for its retail banking segment, can be attributed to low bank penetration. In terms of bank penetration, the ratio of loans (as published by the Commission) to GDP (as published by the Central Bank) was 58.0%, as of December 31, 2018.

According to the Central Bank, as of December 31, 2019, the growth rate of bank loans to the private sector was 7.3%, compared to the growth rate of 14.3% and 8.5% in 2018 and 2017, respectively. The main change is explained by the concession to industrial companies, commercial and service industries, as well as credit to families. Private sector bank loans continue to experience higher growth rates than the country's GDP, as indicated above.

Results of Operations for the Twelve Months Ended December 31, 2019 Compared to Same Period of 2018

The following table shows the principal components of the consolidated income statement for the twelve months ended December 31, 2019 and 2018:

	December 31,		Change	
	2019	2018	HNL000's	%
Interest income	8,889,164	7,703,183	1,185,981	15.4%
Interest expense	4,260,350	3,538,920	721,430	20.4%
Financial profit	4,628,814	4,164,263	464,551	11.2%
Loan impairment charges	661,229	766,378	(105,149)	(13.7%)
Financial profit, net of impairment charges	3,967,585	3,397,885	569,700	16.8%
Income from insurance activities	3,454,168	3,274,465	179,703	5.5%
Expenses from insurance activities	2,970,330	2,853,900	116,430	4.1%
Profit from insurance activities	483,838	420,565	63,273	15.0%
Services	137,598	154,486	(16,888)	(10.9%)
Commissions	2,702,381	1,453,102	1,249,279	86.0%
Leases	195,363	163,986	31,377	19.1%
Other income	558,404	457,546	100,858	22.0%
Total Proceeds from services	3,593,746	2,229,120	1,364,626	61.2%
Staff-expenses	2,270,935	1,876,432	394,503	21.0%
General and administrative expenses	3,443,662	2,415,652	1,028,010	42.6%
Depreciation and amortization	601,821	647,808	(45,987)	(7.1%)
Total other expenses	6,316,418	4,939,892	1,376,526	27.9%
Operating income	1,728,751	1,107,678	621,073	56.1%
Income from dividends	34,470	191,729	(157,259)	(82.0%)
Gain on sale of assets held for sale	151,372	77,052	74,320	96.5%
Gain on sale of fixed assets	14,817	40,825	(26,008)	(63.7%)
Other income, net	324,555	305,337	19,218	6.3%
Total non-operating income (expenses)	525,214	614,943	(89,729)	(14.6%)
Income before income tax	2,253,965	1,722,621	531,344	30.8%
Income tax/capital gain/net assets tax	793,974	551,922	242,052	43.9%
Income before minority interest	1,459,991	1,170,699	289,292	24.7%
Net income attributable to noncontrolling interests	173,342	105,698	105,698	64.0%
Net Income	1,286,649	1,065,001	221,648	20.8%

In thousands of HNL's except percentages

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

Financial Proceeds

The following table presents the components of the interest income for the twelve months ended December 31, 2019 and 2018:

Interest Income on:

	December 31,		Change	
	2019	2018	HNL's	%
Loans	7,961,547	6,682,725	1,278,822	19.1%
Investments Securities	806,091	873,714	(67,623)	(7.7%)
Interest earning deposits	121,526	146,744	(25,218)	(17.2%)
Total, interest income	8,889,164	7,703,183	1,185,981	(15.4%)

(In Thousands of HNL's except percentages)

Interest income increased 15.4% or L1,191,526 for the year ended December 31, 2019, compared to the corresponding period of 2018, mainly due to an increase in loan interest income of 19.1%.

Interest income on loan portfolio increased L1,278,822 or 19.1%, for the year ended December 31, 2019 compared to the corresponding period of 2018, of which L1,313,817 thousand originated due to higher volume of loans in local and foreign currency, whose average balances grew by 21% for local currency and 15% for foreign currency compared to December 31, 2018, respectively. Additionally, the effect of changes in interest rates produced a decrease in income of L52,400.

Interest income on Deposits that generate interest decreased by L25,218, or 17.2%, for the year ended December 31, 2019 compared to the corresponding period in 2018, due to a decrease in the average balance of availabilities from 20.4 % for the year ended December 31, 2019 compared to the year ended December 31, 2018.

Interest Expense

The following table presents the components of the interest expense for the twelve months ended December 31, 2019 and 2018:

Interest expense	December 31,		Changes	
	2019	2018	HNL's	%
Deposits from customers	3,007,117	2,441,353	565,764	23.2%
Loans obtained from banks	761,164	651,807	109,357	16.8%
Bond and notes guaranteed	492,069	445,760	46,309	10.4%
Total interest expense	4,260,350	3,538,920	721,430	20.4%

(In Thousands of HNL's except percentages)

Interest expenses increased by L721,430 thousand or 20.4% for the year ended December 31, 2019 compared to the corresponding period of 2018, caused by the 23.2% increase in interest expense on deposits and an increase of 16.8% of interest on loans payable.

Interest expense on deposits increased by L565,764 thousand or 23.2%, for the year ended December 31, 2019 compared to the corresponding period of 2018, mainly due to volume growth in the collation of term deposits L383,820 thousand, savings L81,900 thousand, as well as an increase in rates on term deposits by L78,200 thousand.

Interest expense on loans obtained from banks increased by L109,357 thousand or 16.8%, for the year ended December 31, 2019 compared to the corresponding period of 2018, as a result of the decision to increase loans from financial institutions to match funds with long-term loans in foreign currency, which implied an increase of L165,433 thousand in interest expenses on these debts.

Additionally, interest expense on bonds and notes guaranteed increased by L46,309 thousand or 10.4%, mainly due to Invatlan's guaranteed notes increased by L16,868 thousand due to the effect of variations in the currency exchange rates, at the same time, interest expense on bonds issued by Banco Atlántida el Salvador increased by L38,838, due to a new bond issue by USD 25,000 thousand.

Allowance for Loan and Interest Losses

The following table presents the loan impairment charges, NPL ratio, the coverage ratio and the loan and Provision for loan losses (PLL) for the nine months ended December 31, 2019 and 2018:

	December 31,		Change	
	2019	2018	(HNL)	%
Loan impairment charges	661,229	766,378	(105,149)	(13.7%)
NPL ratio	2.3%	2.9%	-	-
Coverage ratio	122.5%	113.9%	-	-
Provision for loan losses	2,171,713	2,029,273	142,440	7.0%
In Thousands of HNL's except percentages				

Credit impairment charges decreased by 13.7% or L105,149 thousand for the year ended December 31, 2019 compared to the corresponding period of 2018. The delinquency rate decreased to 2.3% as of December 31, 2019 in relation to 2.9% as of December 31, 2018. The coverage ratio increased to 122.5% as of December 31, 2019, compared to 113.9% as of December 31, 2018.

During the year ended December 31, 2019, the impairment charges of loans attributable to the retail banking portfolio decreased by L134,430 thousand, compared to the corresponding period of 2018, due to a strategy that weighed more on the adjustments of loan origination policies, a broader risk analysis of existing and potential clients, and intensive loan recovery efforts.

During the year ended December 31, 2019, credit impairment charges attributable to the SME banking portfolio increased by L64,940 thousand, or 37.0% compared to the same period of the previous year. Due to a higher amortization rate as well as many judicial recovery processes ended during 2019, while others, particularly in the agribusiness sector, showed a greater propensity to default.

During the year ended December 31, 2019, the impairment charges on loans in the corporate portfolio decreased by L26,577 thousand compared to the corresponding period of 2018.

Proceeds From Services

The following table presents the components of fees and commission income for the twelve months ended December 31, 2019 and 2018:

	December 31,		Change	
	2019	2018	(HNL)	%
Services	137,598	154,486	(16,888)	(10.9%)
Commissions	2,702,381	1,453,102	1,249,279	86.0%
Leases	193,363	163,986	31,377	19.1%
Other income	558,404	457,546	100,858	22.0%
Total proceeds from services	3,593,746	2,229,120	1,364,626	61.2%
In Thousands of HNL's except percentages				

Service income increased 61.2% or L1,364,626 thousand for the year ended December 31, 2019 compared to the corresponding period of 2018, mainly due to the increase in commission income to 86.0% and other income 22.0%.

The increase in commissions for L1,249,279 thousand or 86.0%, for the year ended December 31, 2019 compared to the corresponding period of 2018, was due 90% to the incorporation of commission income from AFP CONFIA for L1,074,753 thousand, as well as an increase in the income from affiliation commissions of AFP Atlántida by L23,424 thousand, an increase of L141,090 thousand in the income from commissions of Banco Atlántida, S. A., distributed mainly in commissions for bank guarantees L36.6 million, Credit card credit L32.2 million, family remittances L23.7 million, collection services L17.5 million, ABA commissions L16.3 million or funds transfers L11.6 million, among others.

Profit from insurance activities

The following table presents the components of the net income from insurance activities for the nine months ended December 31, 2019 and 2018:

	December 31,		Change	
	2019	2018	(HNL)	%
Income from insurance activities	3,454,168	3,274,465	179,703	5.5%
Expenses from insurance activities	2,970,330	2,853,900	116,430	4.1%
Profit from insurance activities	483,838	420,565	62,273	15.0%
in Thousands of Lempiras, except percentages				

Profit from insurance activities increased 15.0% or L62,273 thousands, for the twelve months ended December 31, 2019.

Income from insurance activities increased by 5.5% or L179,703 thousand for the year ended December 31, 2019, compared to the corresponding period 2018, mainly due to an increase in gross premiums of L118,098 thousand and an increase in income from the release of technical reserves for L85,121 thousand.

Expenses for insurance activities increased by 4.1% or L116,521 thousand for the year ended December 31, 2019 compared to the corresponding period in 2018, mainly due to an increase of L213,868 thousand in returns and cancellations of premiums, decreases of L69,630 thousand in premiums ceded to foreign reinsurers and L51,083 thousand in the establishment of technical reserves, and an increase of L14,875 in claims and settlement expenses.

Other expenses

The following table presents the components of the operating and administrative expenses for the nine months Ended December 31, 2019 and 2018:

	December 31,		Change	
	2019	2018	(HNL)	%
Other expenses:				
Staff expenses	2,270,935	1,876,432	394,503	21.0%
General and administrative expenses	3,443,662	2,415,652	1,028,010	42.6%
Depreciations and amortizations	601,821	647,808	(45,987)	(7.1%)
Total, other expenses	6,316,418	4,939,892	1,376,526	27.9%
in thousands of HNL's except percentages				

Other expenses increased 27.9% or L1,376,526 thousand for the year ended December 31, 2019 compared to the corresponding period of 2018, mainly due to (1) an increase of 21.0% in Personnel expenses, (2) an increase 42.6% in general and administrative expenses.

Staff expenses increased by L394,503 thousand or 21.0%, for the year ended December 31, 2019 compared to the corresponding period of 2018, mainly due to the incorporation of AFP CONFIA personnel expenses of L300,250 thousand and an increase in personnel expenses of Banco Atlántida, S. A. by L91,125 thousand.

General and administrative expenses increased by L1,028,010 thousand or 42.6%, for the year ended December 31, 2019 compared to the corresponding period of 2018, mainly due to the incorporation of the general and administrative expenses of AFP CONFIA by L934,743 thousand and Banco Atlántida Nicaragua for L25,207 thousand.

Non-operating income (expenses)

The following table presents the components of the Non-operating income (expenses) for the twelve months ended December 31, 2019 and 2018:

	December 31,		Change	
	2019	2018	(HNL)	%
Income from dividends	34,470	191,729	(157,259)	(82.0%)
Gain on sale of assets held for sale	151,372	77,052	74,320	96.5%
Gain on sale of fixed assets	14,817	40,825	(26,008)	(63.7%)
Other income, net	324,555	305,337	19,218	6.3%
Total	525,214	614,943	(89,729)	(14.6%)

in thousands of lempiras, except the percentages

Non-operating income decreased by L89,729 thousands or 14.6% during the twelve months ended December 30, 2019 compared to the corresponding period in 2018, mainly due to a decrease in dividends income of L157,259 thousands and an increase in gain on sale of assets held for sale by L74,320 thousands as explained below.

As of December 31, 2019, the dividend income of Inversiones Atlántida S. A. decreased by L157,259 thousand, compared to December 2018, mainly because as of December 31, 2019 Invatlan received L153.3 million less in dividends from Corporación de Inversiones Atlántida (CIA), compared to December 31, 2018.

Gain on sale of assets held for sale increased by L74,320 thousand or 96.5% during the year ended December 31, 2019 compared to the same period of 2018, due to increased activity of sales teams, which resulted in an increase in the amount of assets sold, as well as the sale of some assets with significant values, which produced significant profits.

Gain on sale of fixed assets decreased by L26,008 thousand or 63.7% during the year ended December 31, 2019 compared to the same period of 2018, mainly because in 2018 Banco Atlántida, S.A. registered a profit of L28,800 for the sale of an aircraft.

Other net income increased by L19,218 thousand or 6.3% compared to the same period in 2018, mainly due to the following: (1) a decrease in earnings due to fluctuation in the exchange rate net of expenses for this same concept for (L24,275) thousands; (2) a decrease in income from recoveries of assets written off by (L15,689) thousands; (3) an increase in income from fluctuation in the value of financial assets to be traded for L56,424 thousand, (4) an increase in other income (expenses) net for L7,028 thousand, (5) an increase in net assets tax expense for (L4,257).

Income tax

Income tax expense increased by L242,052 thousand or 43.9%, for the year ended December 31, 2019, compared to the corresponding period of 2018, the effective income tax rate was 35.2% at 31 December 2019 compared to 32.0% as of December 31, 2018.

Liquidity and Funding

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 the primary sources of funding as of December 31, 2019 and 2018:

	December 31,		Change	
	2019	2018	(HNL)	%
Demand Deposits	13,475,526	10,280,369	3,195,157	31.1%
Saving Deposits	36,228,942	32,553,804	3,675,138	11.3%
Term Deposits	34,009,918	27,097,596	6,912,322	25.5%
Others	669,483	492,889	176,594	35.8%
Total, deposits	84,383,869	70,424,658	13,959,211	19.8%
Loans and Borrowings from bank	9,842,323	12,474,913	(2,632,590)	(21.1%)
Corporate bonds and secured notes	6,778,077	6,132,089	645,988	10.5%
	101,004,269	89,031,660	11,972,609	13.4%
in thousands of lempiras, except the percentages				

The main sources of funds of Banco Atlántida have traditionally consisted of bank deposits and loans, as well as debt securities issued.

Total deposits increased 19.8% or L13,959,211 thousand as of December 31, 2019, compared to December 31, 2018, mainly due to a 25.5% increase in term deposits, 11.3% in savings deposits and 31.1% in demand deposits.

As of December 31, 2019, loans and borrowings from banks decreased by L2,632,590, basically due to that Banco Atlántida, S. A. canceled repos by L3,000,000 obtained in 2018. Loans obtained from other banks included short-term commercial financing, lines of credit, and long-term loans from international financial institutions and multilateral organizations. Banco Atlántida has lines of credit with 17 global financial institutions with which it has had correspondent relationships for a long time.

As of December 31, 2019, the Group had signed credit lines with foreign financial institutions for USD362,097 thousands (L8,920,266 thousands), of which USD 231,939 thousands (L5,713,808 thousands) were available to use.

Corporate bonds and guaranteed notes increased by L645,988 thousand or 10.5% as of December 31, 2019, compared to December 31, 2018, mainly due to a new Banco Atlántida E Salvador bond issue by L568,000, the amortization of Invatlan's debt costs for L21,882 and to the effect of the changes of the exchange rates on Invatlan's guaranteed notes for L44,574.

Through our asset and liability management policy, we seek to ensure that sufficient liquidity is available to cover withdrawals of deposits, pay other liabilities at maturity, grant loans or other forms of credit to clients, pay liabilities derived from policies insurance that we issue, and Meet the needs of working capital. The minimum amount of liquidity that our main subsidiaries must maintain depends on the reserve requirements established by the Central Bank, as well as the legal, technical and mathematical reserves required by our insurance operations. We comply with these requirements while maintaining an adequate balance between the maturity profile and the diversity of our financing sources.

Regulatory Capital

The Group is not obligated to maintain regulatory capital on a consolidated basis, however, in accordance with Honduran regulatory capitalization requirements, Banco Atlántida must maintain specific capital levels as a percentage of its risk-weighted assets (capital adequacy index) of the 11% or more. As of December 31, 2019, Banco Atlántida S.A.'s capital adequacy ratio was 12.1% and 12.4% as of December 31, 2018.

The following table shows the calculation of the capital adequacy index of Banco Atlántida:

	December 31,			
	2019	2018	2017	2016
Total, Tier 1	7,988,863	7,488,863	6,488,863	5,686,163
Total, Tier 2	1,894,418	1,361,627	1,018,734	987,762
Total, Regulatory capital	9,883,281	8,850,490	7,507,597	6,673,925
Total, Risk weighted assets	81,437,715	71,545,025	61,083,980	53,877,580
Regulatory Capital as a percentage of risk weighted assets	12.1	12.4	12.3	12.4
in thousands of lempiras, except the percentages				

Commitments and contractual obligations

The following table summarizes the commitments and contractual obligations as of December 31, 2019:

(HNL 000's, except percentages)	Less than 30 days	31 to 90 days	91 to 1 year	Between 1 and 5 years		Total
				More than 5 years	5 years	
Deposits and obligations from customers	12,060,166	16,497,085	15,676,980	22,434,428	17,715,210	84,383,869
Loans and borrowings from banks	265,567	699,193	2,680,905	3,414,300	2,782,358	9,842,323
Debt securities issued	33,873	-	-	6,478,584	265,620	6,778,077
Total	12,359,606	17,196,278	18,357,885	32,327,312	20,763,188	101,004,269
% of Total	12.2%	17.0%	18.2%	32.0%	20.6%	100.0%

Capital expenditures

By December 31, 2019 capital expenditures were L813,892 thousands compared to L926,146 thousand as of December 30, 2018. This capital investments are mainly due to a significant acquisitions and developments of equipment and information technology to provide quality and efficient services to our customers.

Off-Balance sheet arrangements

In the normal course of operations of the Group, there are several commitments, derived from securities, letters of credit, etc., which are not reflected in the consolidated financial statements. The Group does not expect any losses resulting from the development of these transactions. These contingent liabilities are detailed as follows:

	December 31, 2019	December 31, 2018
Letters of credit and idle credit documents	L 416,643	362,969
Sureties and bank guarantees issued	5,490,618	5,659,985
Acceptance debtors	472,793	742,965
Idle credits	4,313,114	4,354,232
Miscellaneous responsibilities	71,037	-
	L 10,764,205	11,120,151

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 consolidated financial statements.