



**MANAGEMENT'S DISCUSSION AND
ANALYSIS OF OUR FINANCIAL
CONDITION AND RESULTS OF
OPERATIONS
as of September 30, 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 3.1 million clients as of September 30, 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%, 20% and 21%, respectively, as of September 30, 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 17.4% and 16.7% as of September 30 of 2019 and 2018, respectively, according to the Commission. For the nine months ended September 30, 2019 and 2018, Banco Atlántida had a ROAE of 12.1% and 11.7%, respectively. For the nine months Ended September 30, 2019 and 2018, Seguros Atlántida had a ROAE of 21.2% and 22.6%, respectively.

As of September 30, 2019, Invatlan had one of the largest banking distribution networks in Honduras, which, with our distribution network of insurance and our operations in El Salvador adds up to 2,113 points of service, comprised as follows:

- 265 branches (148 agencies, 66 teller windows embedded within corporate client offices, 24 drive thru and 27 branches related to the other lines of business that make up Invatlan)
- 1,079 ATMs (356 proprietary ATMs and 723 third-party network ATMs)
- 769 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 the interest rate could result in adverse changes in our financial margin, reducing our growth rate or even resulting in decreases compared to previous periods.

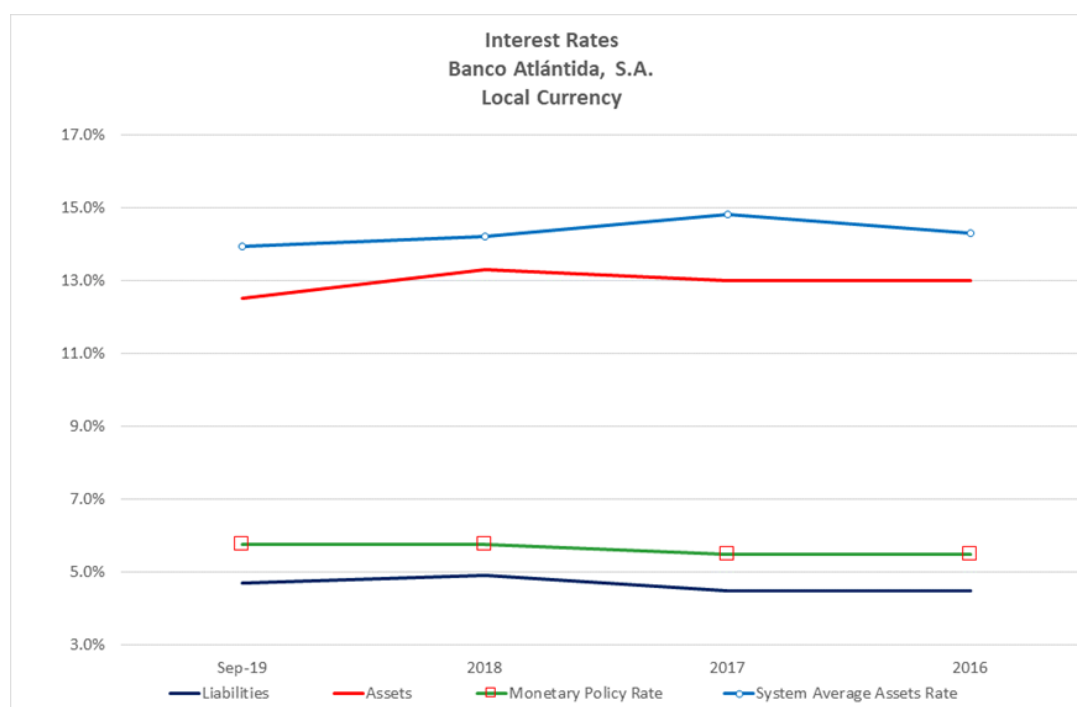
Increases in interest rates can reduce the volume of loans originated by Banco Atlántida. The historically sustained high interest rates have discouraged our clients from borrowing and has resulted in greater asset impairment.

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 September 30, 2019, 2018, 2017 and 2016.



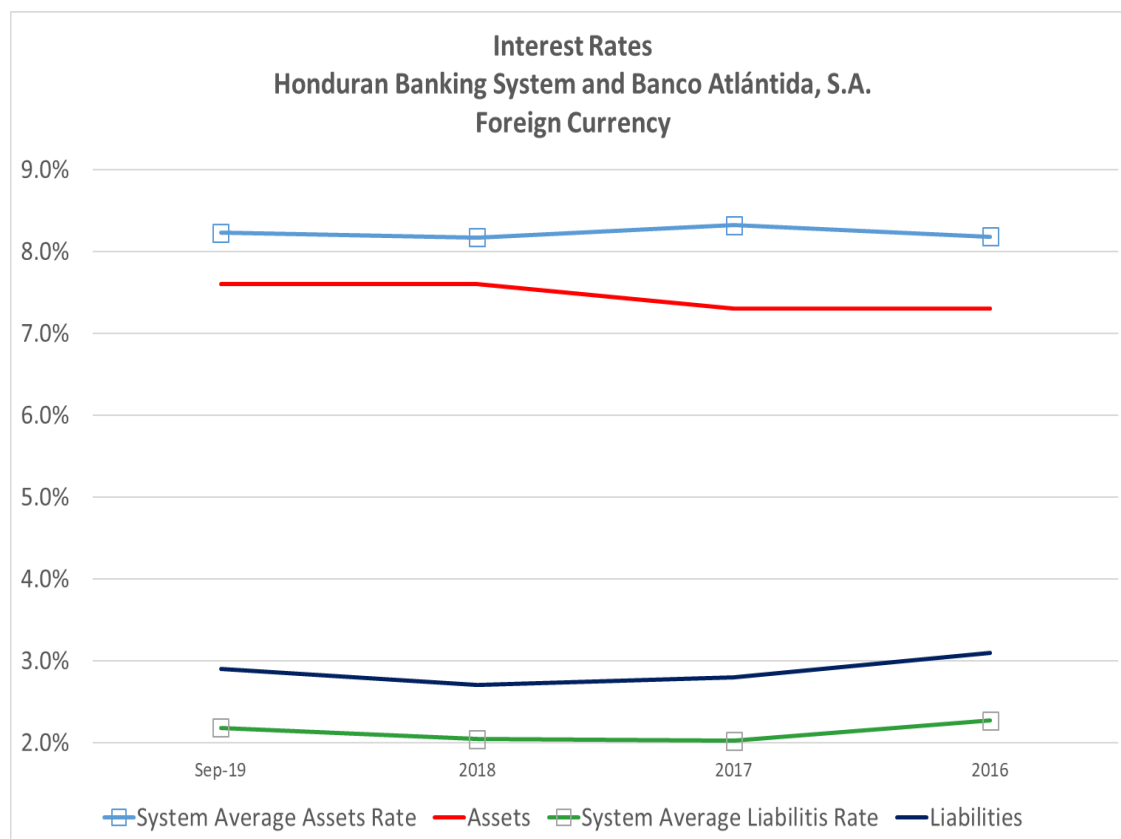
The Honduran banking industry generally does not set interest rates by reference to a benchmark rate; however, the weighted average interest rates on lempira-denominated assets and liabilities of the Honduran banking industry are slightly influenced by the minimum bid rate that the Central Bank allows 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 12.5% as of September 30, 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 September 30, 2019, Banco Atlántida’s lempira-denominated assets have grown 10.1% outpacing the 6.2% 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 September 30, 2019 and 4.9% as of December 31, 2018. As of September 30, 2019, compared to December 31, 2018, deposits denominated in local currency of Banco Atlántida have grown by 18.9%, while the local financial system has grown by 7.9% 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 September 30, 2019, 2018, 2017 and 2016.



As of September 30, 2019, and December 31, 2018, Banco Atlántida's average interest rate on assets denominated in foreign currency remained stable at a rate of 7.6%, 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 remained fairly stable. Banco Atlántida's loan portfolio in US dollars increased 7.5% between September 30, 2019 and December 31, 2018, while the local financial system did so by 4.1% during the same period.

The average interest rate of Banco Atlántida on foreign currency-denominated liabilities was 2.9% as of September 30, 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 2.6% between September 30, 2019 and December 31, 2018.

Effect of Family Remittances

As of September 30, 2019, family remittances that entered Honduras were USD4,017.4 million, which implied an increase of 12.1% with respect to the corresponding period in 2018, while for the previous immediate periods, they were as shown in the following table:

<u>Period</u>	<u>Amount *</u>	<u>Change %</u>
30/09/2019	4,017.4	12.2%
30/09/2018	3,582.0	9.7%
30/09/2017	3,265.1	12.8%

* expressed in millions of USD

The income obtained by Banco Atlántida from family remittances mainly consisted of commissions for the purchase/sale of foreign currency, money transfer fees and other related fees. Banco Atlántida processed USD1,027.9 million in family remittances during the period ended September 30, 2019, 10% more than the corresponding period of 2018, during which USD933.9 million were processed. As of September 30, 2019, Banco Atlántida's market share was 25.6%, while for the corresponding period of 2018 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 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 a moderate inflation in recent years. As of September 30, 2019, the inflation rate was 4.4% similar to the inflation rate of September 30, 2018. This equality is mainly explained by an increase in the price of rental housing and its maintenance services, medications and health services; offset by the reduction in fuel prices and some food products. At the end of 2018, the inflation rate was 4.2%, compared to 4.7% and 3.3% at the end of 2017 and 2016, respectively. The main drivers of inflation for those periods were food and non-alcoholic beverages, public services, gas and other fuels, clothing, housing, personal care, transportation, recreation, hotels, furniture, coffee shops and restaurants. According to the Central Bank, the inflation targets for 2018 were achieved, as 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.

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 recent years, the exchange rate of the Lempira compared to the U.S. Dollar has depreciated at a stable rate. The Lempira exchange rate is characterized by cyclical fluctuations in line with the export seasons of Honduras' main agricultural commodities and the high demand for foreign currency to pay for imported goods. The exchange rate was L24.6230 per USD1.00 on September 30, 2019, compared to L24.05688 per USD1.00 on September 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</u> <u>(millions)</u>	<u>Change</u>	<u>GDP</u> <u>(USD)</u>	<u>Change</u>	<u>Poverty</u> <u>rate</u>	<u>Change</u>	<u>Unemploy-</u> <u>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%

Bank Loans

The growth rate of the loan portfolio of Banco Atlántida, specifically for its retail banking segment, can be attributed to the bank's growth strategy in this business segment. In terms of bank penetration, the proportion 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 September 30, 2019, the growth rate of bank loans to the private sector was 9.2%, compared to the growth rate of 12.3% as of September 30, 2018. For the year ended December 31, 2018, the growth rate of bank loans to the private sector was 13.4%, compared to the growth rate of 8.5% as of December 31, 2017. The main change is explained by the concession to industrial companies, commercial and service industries, as well as credit to families. Bank loans for the private sector continue to experience higher growth rates than those of the country's GDP, experiencing a recovery as of December 30, 2018 compared to December 30, 2017 as indicated above.

Results of Operations for the Nine Months Ended September 30, 2019 Compared to Same Period of 2018

The following table shows the principal components of the consolidated income statement for the nine months ended September 30, 2019 and 2018:

	September 30,		Change	
	2019	2018	HNL000's	%
Interest income	6,552,496	5,663,250	889,246	15.7%
Interest expense	3,157,566	2,597,902	559,664	21.5%
Financial profit	3,394,930	3,065,348	329,582	10.8%
Loan impairment charges	491,735	557,395	(65,660)	(11.8%)
Financial profit, net of impairment charges	2,903,195	2,507,952	263,922	15.8%
Income from insurance activities	2,581,948	2,359,456	222,492	9.4%
Expenses from insurance activities	2,204,385	2,026,918	177,467	8.8%
Profit from insurance activities	377,563	332,538	45,025	13.5%
Services	83,988	126,081	(42,093)	(33.4%)
Commissions	2,427,073	1,076,355	1,350,718	125.5%
Leases	137,505	128,535	8,971	7.0%
Other income	416,648	323,463	93,185	28.8%
Total Proceeds from services	3,065,214	1,654,434	1,410,781	85.3%
Staff-expenses	1,743,420	1,199,927	543,493	45.3%
General and administrative expenses	2,668,814	1,811,370	857,444	47.3%
Depreciation and amortization	443,096	468,727	(25,632)	(5.5%)
Total other expenses	4,855,330	3,480,024	1,375,306	39.5%
Operating income	1,490,643	1,014,900	344,422	46.9%
Income from dividends	33,260	151,700	(118,440)	(78.1%)
Gain on sale of other and contingent assets	90,157	42,060	48,097	114.4%
Gain on sale of fixed assets	10,935	9,088	1,847	20.3%
Other income, net	269,927	181,402	88,525	48.8%
Total non-operating income (expenses)	404,280	384,251	20,029	5.2%
Income before income tax	1,894,922	1,399,150	495,771	35.4%
Income tax/capital gain/net assets tax	656,539	483,142	173,397	35.9%
Income before minority interest	1,238,384	916,008	322,374	35.2%
Net income attributable to noncontrolling interests	203,063	81,814	121,249	148.2%
Net Income	1,035,320	834,194	201,125	24.1%

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 nine months ended September 30, 2019 and 2018:

Interest Income on:	September 30,		Change	
	2019	2018	HNL's	%
Loans	5,868,751	4,896,559	972,192	19.9%
Investments Securities	634,938	727,560	(92,622)	(12.7%)
Interest earning deposits	48,807	39,131	9,676	24.7%
Total, interest income	6,552,496	5,663,250	889,246	15.7%

(In Thousands of HNL's except percentages)

Interest income increased 15.7% or L889,246 for the nine months ended September 30, 2019, compared to the corresponding period of 2018, mainly due to an increase in loan interest income of 19.9% and a decrease of 12.7% in interest income on investments.

Interest income on the loan portfolio increased L972,192 or 19.9%, for the nine months ended September 30, 2019 compared to the corresponding period of 2018, of which L905.7 million originated due to a larger volume of loans in local currency whose average balance grew by 22.6% compared to December 31, 2018, while the average balance of loans denominated in US dollars increased by 14% for the same period.

Interest income on securities investments decreased by L92,622, or 12.7%, for the nine months ended September 30, 2019 compared to the corresponding period in 2018, due to a decrease in the average investment balance of 5.1 % for the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018.

Interest Expense

The following table presents the components of the interest expense for the nine months ended September 30, 2019 and 2018:

Interest expense	September 30,		Change	
	2019	2018	HNL's	%
Deposits from customers	2,185,617	1,808,186	377,431	20.9%
Loans obtained from banks	609,491	474,134	135,357	28.5%
Financial obligations	362,458	315,582	46,876	14.9%
Total interest expense	3,157,566	2,597,902	559,664	21.5%

(In Thousands of HNL's except percentages)

Interest expenses increased by L559,664 or 21.5% thousand for the nine months ended September 30, 2019 compared to the corresponding period in 2018, mainly due to an increase in checking, savings and term accounts deposits.

Interest expense on deposits increased by L377,431 thousand or 20.9%, for the nine months ended September 30, 2019 compared to the corresponding period of 2018, mainly due to an increase in interest expense on term deposits for L299,622 thousands and L72,951 thousands on savings deposits, caused by an increase of 23.5% and 7% in term deposits and savings deposits respectively.

Interest expenses on loans obtained from banks increased by L135,357 thousand or 28.5%, for the nine months ended September 30, 2019 compared to the corresponding period of 2018, as a result of the decision to increase loans from international financial institutions to match the funds with long-term loans in foreign currency, which implied an increase of L77,740 thousand in interest expenses on these debts. Additionally, interest expense on reports and other financial obligations increased by L16,476 thousands and L27,922 thousands, respectively.

Interest expenses on financial obligations increased by L46,876 thousand, or 14.9%, for the nine months ended September 30, 2019, compared to the corresponding period of 2018, mainly due to the increase in Banco Atlántida El Salvador (BAES) interest expenses for L34,168 thousand and Invatlan for L12,708 thousand. This increase was due to the issuance of BAES bonds for USD50,000 thousand in July 2018, and the effect of the variation in the foreign currency exchange rate on bonds issued by Invatlan.

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 September 30, 2019 and 2018:

	September 30,		Change	
	2019	2018	(HNL)	%
Loan impairment charges	491,735	557,395	(65,660)	(11.8%)
NPL ratio	2.4%	2.8%	-	-
Coverage ratio	119.1%	118.1%	-	-
Provision for loan losses	2,121,582	1,955,041	166,541	8.5%
In Thousands of HNL's except percentages				

Credit impairment charges decreased by 11.8% or L65,660 thousand for the nine months ended September 30, 2019 compared to the corresponding period of 2018. The delinquency rate decreased to 2.4% as of September 30, 2019 in relation to 2.8% as of September 30, 2018. The coverage ratio increased to 119.1% as of September 30, 2019, compared to 118.1% as of September 30, 2018.

During the nine months ended September 30, 2019, loan impairment charges attributable to the retail banking portfolio decreased by L240,658 thousand, compared to the corresponding period of 2018, due to a lower default rate of loans and a better performance of the loan portfolio, both linked to solid credit policies and a comprehensive collection strategy, which has allowed the decrease in loan impairment charges.

During the nine months ended September 30, 2019, credit impairment charges attributable to the SME banking portfolio increased by L150,463 thousand, or 486.0% compared to the same period of the previous year. During 2019, the situation of a significant number of bad SME loans that were in judicial recovery from previous years was resolved, in addition, some clients chose to hand over their guarantees to the Bank instead of canceling the outstanding balances in cash.

During the nine months ended September 30, 2019, the loan portfolio impairment charges attributable to the corporate banking portfolio increased by L24,535 thousand compared to the corresponding period of 2018.

Proceeds From Services

The following table presents the components of fees and commission income for the nine months ended September 30, 2019 and 2018:

	September 30,		Change	
	2019	2018	(HNL)	%
Services	83,988	126,081	(42,093)	(33.4%)
Commissions	2,427,073	1,076,355	1,350,718	125.5%
Leases	137,505	128,535	8,971	7.0%
Other income	416,648	323,463	93,185	28.8%
Total proceeds from services	3,065,214	1,654,434	1,410,781	85.3%
In Thousands of HNL's except percentages				

Proceeds from services increased 85.3% or L1,410,781 thousands for the nine months ended September 30, 2019 compared to the corresponding period of 2018, mainly due to the increase in commission income to 125.5% and other income 28.8%.

The increase in commissions of L1,350,718 thousands or 125.5%, for the nine months ended September 30, 2019 compared to the corresponding period of 2018 was 88% due to the incorporation of revenues from AFP CONFIA commissions for L1,193,567 thousands, additionally to an increase in income from commissions of AFP Atlántida for L22,764 thousands and an increase of L108,890 thousands in income from commissions of Banco Atlántida, distributed mainly in commissions for Bank Guarantees (L24.2 millions), Family remittances (L18.4 millions), Collection services (L16.7 millions), Credit cards (L16.8 millions), Loan fees (L14.1 millions) and ATM withdrawals (L8.2 millions).

Profit from insurance activities

The following table presents the components of the net income from insurance activities for the nine months ended September 30, 2019 and 2018:

	September 30,		Change	
	2019	2018	(HNL)	%
Income from insurance activities	2,581,948	2,359,456	222,492	9.4%
Expenses from insurance activities	2,204,385	2,026,918	177,467	8.8%
Profit from insurance activities	377,563	332,538	45,025	13.5%
in Thousands of Lempiras, except percentages				

Profit from insurance activities increased 13.5% or L45,025 thousands, for the nine months ended September 30, 2019.

Income from insurance activities increased by 9.4% or L222,492 thousands for the nine months ended September 30, 2019, compared to the corresponding period 2018, mainly due to an increase in gross premiums of L196,308 thousands and an increase in income from the release of technical reserves for L34,885 thousands.

Expenses from insurance activities increased by 8.8% or L177,467 thousands for the nine months ended September 30, 2019 compared to the corresponding period in 2018, mainly due to an increase of L202,989 thousands in returns and cancellations of premiums, an increase of L27,512 thousands in expenses for unreported claims and a decrease of L53,315 thousands in premiums assigned to foreign reinsurers.

Other expenses

The following table presents the components of the operating and administrative expenses for the nine months Ended September 30, 2019 and 2018:

	September 30,		Change	
	2019	2018	(HNL)	%
Other expenses:				
Staff expenses	1,743,420	1,199,927	543,493	45.3%
General and administrative expenses	2,668,814	1,181,370	857,444	47.3%
Depreciations and amortizations	443,096	468,727	(25,632)	(5.5%)
Total, other expenses	4,855,330	3,480,024	1,375,306	39.5%
in thousands of HNL's except percentages				

Other expenses increased 39.5% or L1,375,306 thousands for the nine months ended September 30, 2019 compared to the corresponding period of 2018, mainly due to an increase of 45.3% in staff expenses and 47.3% in general and administrative expenses.

Staff expenses increased by L543,493 thousands or 45.3%, for the nine months ended September 30, 2019 compared to the corresponding period of 2018, mainly due to the incorporation of AFP CONFIA staff expenses by L216,666 thousands, as well as the increase in the Banco Atlántida's staff expenses by L183,185 thousands, Banco Atlántida El Salvador L49,471 thousands and Servicios Atlántida L32,685 thousands.

General and administrative expenses increased by L857,444 thousands or 47.3%, for the nine months ended September 30, 2019 compared to the corresponding period of 2018, mainly due to the incorporation of general and administrative expenses of AFP CONFIA by L670,238 thousands and an increase of L122,500 thousands in general and administrative expenses of Banco Atlántida.

Non-operating income (expenses)

The following table presents the components of the Non-operating income (expenses) for the nine months ended September 30, 2019 and 2018:

	September 30,		Change	
	2019	2018	(HNL)	%
Income from dividends	33,260	151,700	(118,440)	(78.1%)
Gain on sale of foreclosed assets	90,157	42,060	48,097	114.4%
Gain on sale of fixed assets	10,935	9,088	1,847	20.3%
Other income, net	269,928	181,403	88,525	48.8%
Total	404,280	384,251	20,029	5.2%
in thousands of lempiras, except the percentages				

Non-operating income increased by L20,029 thousands or 5.2% during the nine months ended September 30, 2019 compared to the corresponding period in 2018.

As of September 30, 2019, dividend income of Invatlan decreased by L118,440 thousands, compared to September 2018, mainly because as of September 30, 2019 Invatlan received L107,200 thousands of dividends from Corporación de Inversiones Atlántida (CIA), less than as of September 30, 2018.

The profit on sale of assets available for sale increased by L48,097 thousands or 114.4% during the nine months ended September 30, 2019 compared to the same period of 2018, because the operating plan for this year has given greater emphasis on the sale of these assets, which has resulted in an increase in the commercialization of these assets with the participation of the business units.

Other net income increased by L88,525 thousands or 48.8% compared to the same period of 2018, mainly due to the following: (1) a decrease in the profits due to fluctuation in exchange rate net of the expense for this same concept by (L18,686) thousands; (2) a decrease in income from recoveries of assets punished by (L15,351) thousands; (3) a decrease in income due to fluctuation in the value of financial assets available for trade for (L14,202) thousands, (4) an increase in other income for L57,434 thousands, (5) an increase in other financial income for L27,752 thousands, (6) a decrease in the expense of financial assets and liabilities held for trading for (L5,160) thousands; (7) a decrease in the expense of losses due to theft, assault and fraud for (L7,528) thousands and a decrease in other expenses for (L30,557) thousands.

Income tax

Income tax expense increased by L173,397 thousands, or 35.9%, for the nine months ended September 30, 2019, compared to the corresponding period in 2018, the effective income tax rate was 34.6% as of September 30, 2019 compared to 34.5% as of September 30, 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 September 30, 2019 and 2018:

	In thousands of lempiras, except the percentages			
	September 30, 2019	December 31, 2018	Change (HNL)	%
Demand Deposits	11,844,926	10,280,369	1,564,557	15.2%
Saving Deposits	34,821,452	32,553,803	2,267,649	7.0%
Term Deposits	33,460,330	27,097,596	6,362,734	23.5%
Others	594,604	492,890	101,714	20.6%
Total, deposits	80,721,312	70,424,658	10,296,654	14.6%
Loans and Borrowings from bank	9,868,551	12,474,913	(2,606,362)	(20.9%)
Corporate bonds and secured notes	6,215,063	6,132,089	82,974	1.4%
	96,804,926	89,031,660	7,773,265	8.7%

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 14.6% or L10,296,654 thousands as of September 30, 2019, compared to December 31, 2018, mainly due to a 23.5% increase in term deposits and 7.0% in savings deposits.

Loans obtained from other banks included short-term commercial financing, credit lines 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 maintained correspondent relations for a long time.

As of September 30, 2019, the Group had signed credit lines with foreign financial institutions for USD329,518 thousands (L8,114,574 thousands), of which USD206,790 thousands (L5,092,332 thousands) were available for use.

Corporate bonds and guaranteed notes increased by L82,974 thousands or 1.4% as of September 30, 2019, compared to December 31, 2018, mainly due to the increase in debt, due to the application of the amortized cost method and the effect of the variation in exchange rates on bonds and notes denominated in foreign currency.

Through our asset and liability management policy, we seek to ensure that there is sufficient liquidity available to cover deposit withdrawals, pay other liabilities at maturity, grant loans or other forms of credit to customers, pay liabilities arising from policies of insurance 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, maintaining an adequate balance between the maturity profile and the diversity of our sources of financing.

Regulatory Capital

The Group is not required to maintain regulatory capital in a consolidated basis, however, in accordance with Honduran regulatory capitalization requirements, Banco Atlántida must maintain specific levels of capital as a percentage of its risk-weighted assets (capital adequacy ratio) of the 10.75% or more. As of September 30, 2019, the capital adequacy index of Banco Atlántida S.A., was 12.2% and 12.4% as of December 31, 2018.

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

	In thousands of Lempiras			
	September 30,	December 31,		
	2019	2018	2017	2016
Total, Tier 1	7,988,863	7,488,863	6,488,863	5,686,163
Total, Tier 2	1,558,776	1,361,627	1,018,734	987,762
Total, Regulatory capital	9,547,639	8,850,490	7,507,597	6,673,925
Total, Risk weighted assets	77,987,538	71,545,025	61,083,980	53,877,580
Regulatory Capital as a percentage of risk weighted assets	12.2	12.4	12.3	12.4

Commitments and contractual obligations

The following table summarizes the commitments and contractual obligations as of September 30, 2019:

(HNL 000's, except percentages)	Less than 30 days	31 to 90 days	91 to 1 year	Between 1	More than 5 years	Total
				and 5 years		
Deposits and obligations from customers	10,403,777	13,796,719	15,232,875	22,510,624	18,777,317	80,721,312
Loans and borrowings from banks	121,637	859,650	2,493,945	3,778,916	2,614,403	9,868,551
Debt securities issued	-	-	-	5,900,975	314,088	6,215,063
Total	10,525,414	14,656,369	17,726,820	32,190,515	21,705,808	96,804,926
% of Total	10.9%	15.1%	18.4%	33.3%	22.4%	100.0%

Capital expenditures

By September 30, 2019 capital expenditures were L369,760 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:

	Sept 30, 2019	December 31, 2018
Letters of credit and idle credit documents	L 567,894	362,969
Sureties and bank guarantees issued	4,900,703	5,659,985
Acceptance debtors	337,067	742,965
Idle credits	4,988,623	4,354,232
Miscellaneous responsibilities	207,645	-
	L 11,001,932	L 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.