



**MANAGEMENT'S DISCUSSION AND
ANALYSIS OF OUR FINANCIAL
CONDITION AND RESULTS OF
OPERATIONS
as of June 30, 2020**

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 June 30, 2020. We were acknowledged as a Financial Group 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 assets, total net loans and total deposits, with market shares of 17.8%, 20.7% and 21.2%, respectively, as of June 30, 2020, 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 18.3% and 17.6% as of June 30 of 2020 and 2019, respectively, according to the Commission. For the six months ended June 30, 2020 and 2019, Banco Atlántida had a ROAE of 8.7% and 12.3%, respectively. For the six months ended June 30, 2020 and 2019, Seguros Atlántida had a ROAE of 24.1% and 22.5%, respectively.

As of June 30, 2020, The Group had one of the largest banking distribution networks in Honduras (2,091 points of service) which, with our distribution network of insurance and our operations in El Salvador and Nicaragua adds up to 2,196 points of service, comprised as follows:

- 272 branches (152 agencies, 68 teller windows embedded within corporate client offices, 22 drive thru and 30 branches related to the other lines of business that make up The Group)
- 1,133 ATMs (400 proprietary ATMs and 733 third-party network ATMs)
- 791 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.

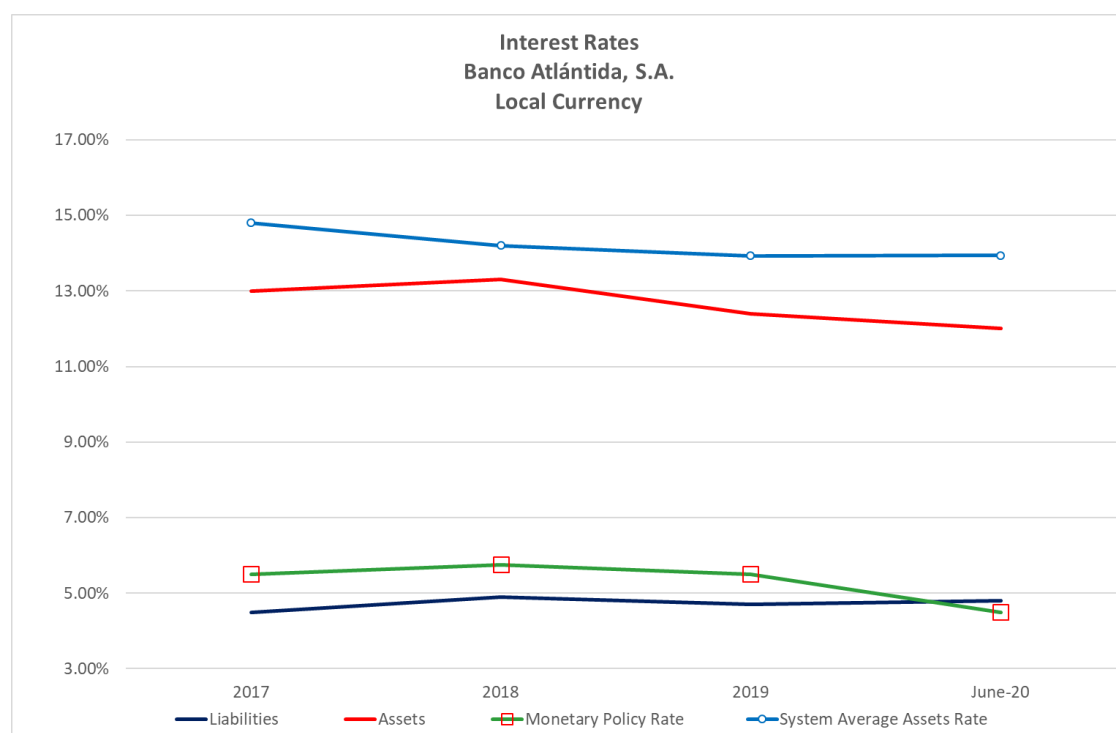
Increases in interest rates can reduce the volume of loans originated by Banco Atlántida. The historically sustained high interest rates have discouraged our clients from borrowing and has resulted in greater asset impairment.

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 of assets and liabilities on lempiras of Banco Atlántida as of June 30, 2020 and December 31, 2019, 2018 and 2017.



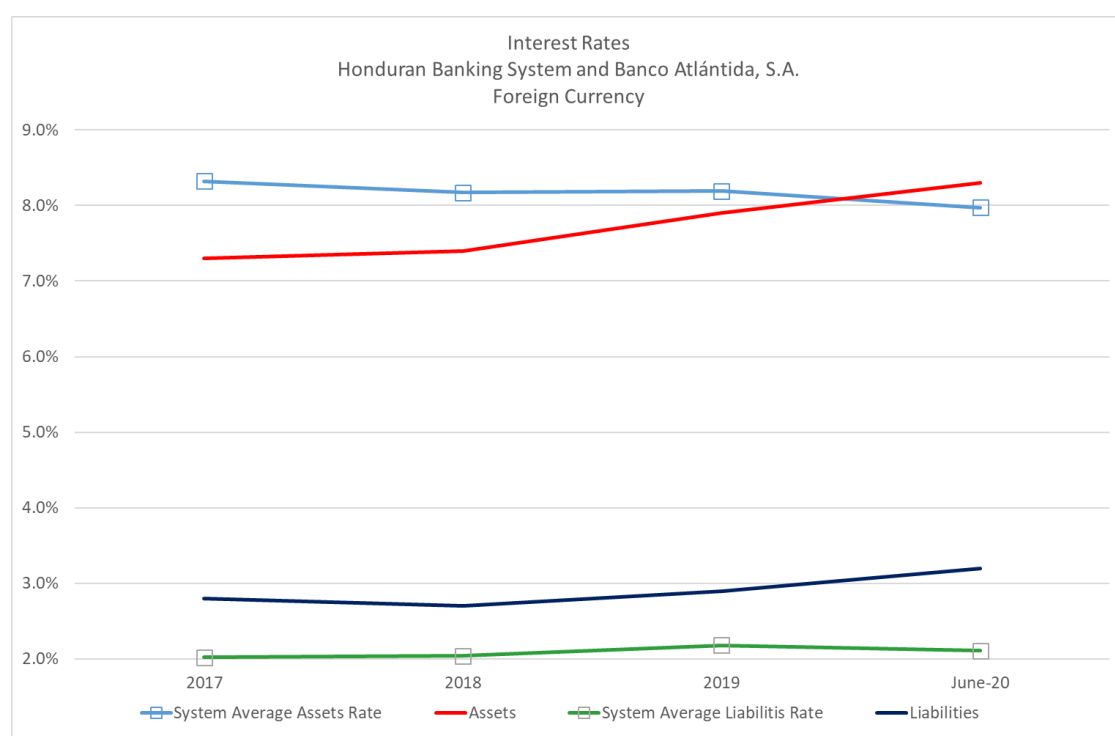
The Honduran banking industry generally does not set interest rates by reference to a benchmark rate; however, the weighted average interest rates on lempira-denominated assets and liabilities of the Honduran banking industry are slightly influenced by the minimum bid rate that the Central Bank allows for its treasury notes. This reference rate was reduced to 4.50% on March 24, 2020, a decrease of 0.75 bp, due to the efforts of the Central Bank to mitigate the effects of the COVID-19 pandemic. Previous changes were made on February 10, 2020 where the minimum bid rate was changed to 5.25% from 5.50%.

Banco Atlántida’s average interest rate on lempira-denominated assets was 12% as of June 30, 2020 and 12.4% as of December 31, 2019. Banco Atlántida’s lempira-denominated loan portfolio as of June 30, 2020 has grown 10.4%, overcoming the 3.8% reported by the local banking system during the same period.

The average interest rate of Banco Atlántida on liabilities denominated in lempiras increased to 4.8% as of June 30, 2020 from 4.7% as of December 31, 2019. As of June 30, 2020, compared to December 31, 2019, deposits denominated in local currency of Banco Atlántida have grown by 11.5%, while the local financial system has decrease by 8.0% during the same period.

Assets and Liabilities Rates in Foreign Currency

The following table presents the weighted average rates of assets and liabilities in foreign currency of Banco Atlántida as of June 30, 2020 and December 31, 2019, 2018, and 2017.



As of June 30, 2020, and December 31, 2019, Banco Atlántida's average interest rate on assets denominated in foreign currency was 8.3% and 7.8% as of December 31, 2019. Banco Atlántida's loan portfolio in US dollars increased 0.4% between June 30, 2020 and December 31, 2019, while the local financial system did so by 0.9% during the same period.

The average interest rate of Banco Atlántida on foreign currency-denominated liabilities was 3.2% as of June 30, 2020 and 3.0% as of December 31, 2019. Foreign currency-denominated deposits of Banco Atlántida grew 7.6% between June 30, 2020 and December 31, 2019, while the local financial system did so by 9.5% during the same period.

Effect of Family Remittances

As of June 25, 2020, family remittances that entered Honduras were USD2,392.8 million, which represented a decrease of 5.0% compared to the corresponding period in 2019, while for the previous comparative periods, they were as shown in the following table:

Period	Amount*		Change %
25/06/2020	2,392.80	(p)	-4.98%
25/06/2019	2,518.30	(r)	10.10%
25/06/2018	2,287.20	(r)	6.84%
25/06/2017	2,140.7	(r)	10.54%

* expressed in millions of USD

(p) preliminary data

(r) revised data

The income obtained by Banco Atlántida as a result of handling family remittances consisted mainly of commissions on foreign exchange transactions, fees for money orders and other related fees, as well as gains on currency exchange transactions. Banco Atlántida processed USD667.7 million in family remittances during the period ended June 30, 2020, 2.7% more than the corresponding period of 2019, during which USD650.1 million were processed. As of June 30, 2020, Banco Atlántida's market share was 27.9%, while for the corresponding period of 2019 it was 25.3%.

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 inflation rate 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 June 30, 2020, the inflation rate was 2.7%, mainly explained due to the rise in prices of some food in the last two weeks of the month, given mobilization restrictions due to the outbreak of COVID-19. This effect was partially offset by the decline recorded in fuel prices. On June 2019, the inflation rate was 4.8%, compared to 4.2% and 3.7% on June of 2018 and 2017, respectively. The main drivers of inflation were food and non-alcoholic beverages and to a lesser extent transportation, health, clothing and footwear, accommodation, water, electricity, gas and other fuels, furniture and articles for home conservation, hotels, cafes and restaurants, recreation and culture, and personal care. According to the Central Bank, the inflation target for 2019 was achieved, as it remained within the range of 4.0% (± 1 bp) 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 L24.7149 per US\$1.00 on June 30, 2020, compared to L24.5076 per US\$1.00 on June 30, 2019, according to the Central Bank.

Demographic trends

During the last 4 years the behavior of the main demographic variables of the country has been as shown in the following table:

Period	Population (millions)	% Change	GDP * (USD)	% Change	Poverty rate	% Change	Unemployment rate	% Change
2019	9.2	2.2%	2,742	2.8%	N/A	N/A	5.4%	-3.6%
2018	9.0	1.1%	2,668	2.1%	61.9%	-3.73%	5.6%	1.8%
2017	8.9	2.3%	2,612	5.0%	64.3%	5.58%	5.5%	-17.9%
2016	8.7	1.2%	2,488	3.7%	60.9%	-11.40%	6.7%	9.8%

- GDP per capita

Bank loans

The growth rate of the loan portfolio of Banco Atlántida, specifically for its retail banking segment, can be attributed to low bank penetration. In terms of bank penetration, the proportion of loans (as published by the Commission) to GDP (as published by the Central Bank) was 56.0%, as of December 31, 2019.

According to the Central Bank, as of June 30, 2020, the growth rate of bank loans to the private sector was 6.3%, compared to the growth rate of 11.7% and 10.5 % as of 2019 and 2018 respectively. The main change is explained by the contraction in the demand for loans from the private sector, as a result of the partial closure of the country's economic activities, derived from the measures adopted by the Government to face the health emergency caused by Covid-19.

Results of Operations for the Six Months Ended June 30, 2020 Compared to Same Period of 2019

The following table shows the principal components of the consolidated income statement for the six months ended June 30, 2020 and 2019:

	June 30,		Change	
	2020	2019	HNL000's	%
Interest income	4,786,336	4,295,960	490,376	11.4%
Interest expense	(2,310,912)	(2,053,671)	257,241	12.5%
Financial profit	2,475,424	2,242,289	233,135	10.4%
Loan impairment charges	575,317	306,152	269,165	87.9%
Financial profit, net of impairment charges	1,900,107	1,936,137	(36,030)	(1.9%)
Income from insurance activities	1,699,959	1,749,981	(50,022)	(2.9%)
Expenses from insurance activities	1,424,647	1,499,078	(74,431)	(5.0%)
Profit from insurance activities	275,312	250,903	24,409	9.7%
Services	56,782	77,710	(20,928)	(26.9%)
Commissions	1,471,865	1,603,344	(131,479)	(8.2%)
Leases	111,840	86,672	25,168	29.0%
Other income	275,360	252,044	23,316	9.3%
Total Proceeds from services	1,915,847	2,019,770	(103,923)	(5.1%)
Staff-expenses	1,156,058	1,157,382	(1,324)	(0.1%)
General and administrative expenses	1,766,599	1,745,970	20,629	1.2%
Depreciation and amortization	323,839	292,607	31,232	10.7%
Total other expenses	3,246,496	3,195,959	50,537	1.6%
Operating income	844,770	1,010,851	(166,081)	(16.4%)
Income from dividends	781	21,868	(21,087)	(96.4%)
Gain on sale of assets held for sale	37,401	51,066	(13,665)	(26.8%)
Gain on sale of fixed assets	5,539	6,422	(883)	(13.7%)
Other income, net	32,818	162,612	(129,795)	(79.8%)
Total non-operating income (expenses)	76,538	241,968	(165,430)	(68.4%)
Income before income tax	921,309	1,252,819	(331,510)	(26.5%)
Income tax/capital gain/net assets tax	352,080	445,584	(93,504)	(21%)
Income before minority interest	569,229	807,235	(238,006)	(29.5%)
Net income attributable to noncontrolling interests	80,210	136,151	(55,941)	(41.1%)
Net Income	489,019	671,084	(182,065)	(27.1%)

In thousands of L 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 six months ended June 30, 2020 and 2019:

Interest Income on:	June 30,		Change	
	2020	2019	HNL's	%
Loans	4,264,974	3,825,888	439,086	11.5%
Investments Securities	498,001	429,380	68,621	16.0%
Interest earning deposits	23,361	40,692	(17,331)	(42.6%)
Total, interest income	4,786,336	4,295,960	490,376	11.4%

In thousands of L except percentages

Interest income increased 11.4% or L490,376 for the six months ended June 30, 2020, compared to the corresponding period of 2019, mainly due to an increase in loan interest income of 11.5% and an increase of L68,621 or 16.0% in interest on investment securities.

Interest income on the loan portfolio increased 11.5% or L439,086, for the six months ended June 30, 2020 compared to the corresponding period of 2019, mainly due to a higher volume of loan disbursements in local currency whose average balance grew 14.4% compared to the six months ended June 30, 2019, adding L377,358 thousand to interest income, the average balance of loans denominated in foreign currency as of June 2020 increased 5.5% compared to June 30, June 2019, adding L62,074 to interest income.

Interest income on investments in securities increased by L68,621, or 16.0%, for the six months ended June 30, 2020 compared to the corresponding period in 2019, due to an increase in the average balance of investments of 16.1 % for the six months ended June 30, 2020 compared to the six months ended June 30, 2019.

Interest Expense

The following table presents the components of the interest expense for the six months ended June 30, 2020 and 2019:

Interest expense	June 30,		Change	
	2020	2019	HNL's	%
Deposits from customers	1,779,072	1,401,122	377,950	27.0%
Loans obtained from banks	263,580	413,419	(149,839)	-36.2%
Financial obligations	268,260	239,130	29,130	12.2%
Total, interest income	2,310,912	2,053,671	257,241	12.5%

In thousands of L except percentages

Interest expenses increased by L257,241 thousand or 12.5% for the six months ended June 30, 2020 compared to the corresponding period of 2019, caused mainly by an increase in interest expense on deposits by 27.0% and a 36.2% decrease in interest expense on loans obtained from banks.

Interest expense on deposits increased by 27% or L377,950 thousand, for the six months ended June 30, 2020 compared to the corresponding period of 2019, mainly due to a higher volume of deposits in local currency whose average balance grew 21.7% compared to the six months ended June 30, 2019, adding L229,214 thousand to interest expenses, while the average balance of deposits denominated in foreign currency as of June 2020 increased 16.0% compared to the corresponding period of 2019, adding L71,792 thousand to interest expense, on the other hand, the variations in interest rates increased and added approximately L76,944 thousand to interest expense.

Interest expense on bank loans decreased by L149,839 thousand or 36.2% for the six months ended June 30, 2020 compared to the corresponding period of 2019, mainly due to a decrease in the average interest rate on debt in local currency, which changed from 8.4% as of June 30, 2019 to 6.2% as of June 30, 2020. This implied a decrease in interest expense on other bank obligations for L79,963 thousand, on sectorial loans for L35,435 thousand, on loans from Central Bank for L11,800 thousand and on repurchase agreements for L15,003 thousand.

Interest expense on financial obligations increased by L29,130 thousand, or 12.2%, for the six months ended June 30, 2020, compared to the corresponding period of 2019, mainly due to the increase in Banco Atlántida El Salvador (BAES) interest expense for L21,687 thousand, Invatlan for L8,907 thousand due to the effect of the variation in the foreign currency exchange rate on bonds issued by Invatlan and BAES and a reduction in General Bonds by Banco Atlántida for the amount of L1,822.

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 six months ended June 30, 2020 and 2019:

	June 30,		Change	
	2020	2019	(HNL)	%
Loan impairment charges	575,317	306,152	269,165	87.9%
NPL ratio	2.3%	2.4%	-	-
Coverage ratio	128.7%	122.0%	-	-
Provision for loan losses	2,474,934	2,058,628	416,306	20.2%

In thousands of L except percentages

Loan impairment charges increased by 87.9% or L269,165 thousand for the six months ended June 30, 2020 compared to the corresponding period of 2019, mainly due to the fact that, as a preventive measure, the Group has decided to increase reserves for credit losses in order to adequately face the potential deterioration of the loan portfolio derived from the effects of the pandemic (Covid-19) in the economies of the countries where it has operations. The delinquency rate increased to 2.5% as of June 30, 2020 from 2.4% as of June 30, 2019. The coverage ratio decreased to 128.7% as of June 30, 2020, compared to 122.0% as of June 2019.

Proceeds from Services

The following table presents the components of service income for the six months ended June 30, 2020 and 2019:

	June 30,		Change	
	2020	2019	HNL's	%
Services	56,782	77,710	(20,928)	(26.9%)
Commissions	1,471,865	1,603,344	(131,479)	(8.2%)
Leases	111,840	86,672	25,168	29.0%
Other income	275,360	252,044	23,316	9.3%
Total, Proceeds from services	1,915,847	2,019,770	(103,923)	(5.1%)

In thousands of L except percentages

Proceeds from services decreased 5.1% or L103,923 thousand for the six months ended June 30, 2020 compared to the corresponding period of 2019, mainly due to the decrease in service income of 26.9% and 8.2% in commission income.

The decrease in commissions income by L20,928 thousand for the six months ended June 30, 2020 compared to the corresponding period of 2019, was mainly due to the decrease in storage income of COALSA by L19,342 thousand, as a consequence of the effects of the COVID-19 pandemic.

The decrease in commissions of L131,479 thousand or 8.2%, for the six months ended June 30, 2020 compared to the corresponding period of 2019 was due to: (1) a decrease by L24,939 thousand AFP CONFIA and L20,384 thousand AFP Atlántida due to a lower funds collection and therefore less accreditation that generates commissions, as a result of the negative effects of the pandemic (COVID-19) y (2) decrease by L80,182 Banco Atlántida due to a decrease in credit cards for L38,471, a decrease in bank guarantees for L35,531.

Profit from insurance activities

The following table presents the components of the net income from insurance activities for the six months ended June 30, 2020 and 2019:

	June 30,		Change	
	2020	2019	(HNL)	%
Income from insurance activities	1,699,959	1,749,981	(50,022)	(2.9%)
Expenses from insurance activities	1,424,647	1,499,078	(74,431)	(5.0%)
Profit from insurance activities	275,312	250,903	24,409	9.7%

in thousands of L, except percentages

Profit from insurance activities increased 9.7% or L24,409 thousands, for the six months ended June 30, 2020.

Income from insurance activities decreased by 2.9% or L50,022 thousand for the six months ended June 30, 2020, compared to the corresponding period 2019, mainly due to an decrease in net premiums of L8,644 thousand and an increase in the income of reinsurance commissions for L10,754 thousand, an decrease in income by release of technical reserves for L19,512 thousand, a decrease in income from claims and liquidation expenses recovered for L17,158 thousand and a decrease in the income from salvage and recoveries by L17,853 thousand.

Expenses for insurance activities decreased by 5.0% or L74,431 thousand for the six months ended June 30, 2020 compared to the corresponding period in 2019, mainly due to a decrease in Claims and Settlement Expenses for L48,815 thousand, and a decrease in cancellation of premiums for L121,856 thousand, an increase in the constitution of technical reserves for L47,199 thousand due to an increase in the constitution for net premiums for the period and the restitution of the reserve for the accident and illness line released in December 2019, in addition to an increase in ceded premiums of L35,017 thousand and the estimate for impairment of premiums receivable for L10,124 thousand.

Other expenses

The following table presents the components of the operating and administrative expenses for the six months ended June 30, 2020 and 2019:

	June 30,		Change	
	2020	2019	(HNL)	%
Other expenses:				
Staff expenses	1,156,058	1,157,382	(1,324)	(0.1%)
General and administrative expenses	1,766,599	1,745,970	20,629	1.2%
Depreciations and amortizations	323,839	292,607	31,232	10.7%
Total, other expenses	3,246,496	3,195,959	50,537	1.6%

In thousands of L except percentages

Other expenses increased 1.6% or L50,537 thousand for the six months ended June 30, 2020 compared to the corresponding period of 2019, mainly due to an increase of 1.2% in general and administrative expenses and an increase of 10.7% in depreciation and amortization expenses.

General and administrative expenses increased by L20,629 thousand or 1.2%, for the six months ended June 30, 2020 compared to the corresponding period of 2019, due to the incorporation of the general and administrative expenses of Banco Atlántida Nicaragua by L12,316 thousand and AFP CONFIA for L6,539, an increase in general and administrative expenses of Banco Atlántida by L1,868 thousand, Banco Atlántida El Salvador by L1,518 thousand, Seguros Atlántida by L2,610 thousand, Compañía Almacenadora by L7,493, Leasing Atlántida by L2,605, Inversiones Financieras Atlántida by L4,459, Atlántida Securities by L3,509 and Atlántida Vida by L4,102, as well as a decrease in the administrative expenses of Invatlan by L11,746 thousand and AFP Atlántida by L17,184 thousand. The moderated increase in the administrative expense is due to the low economic activities of the group cause by the Covid 19 pandemic.

Depreciation and amortization expense increased L31,232 or 10.7% for the six months ended June 30, 2020 compared to the corresponding period of 2019, due to the incorporation of the depreciation and amortization expenses of Banco Atlántida Nicaragua for L5,987 thousands, in addition to the L18,718 increase in depreciation and amortization expenses of Banco Atlántida, Compañía Almacenadora by L2,130 thousand, Leasing Atlántida by L2,581 thousand, and a decrease in the expense of Banco Atlántida El Salvador by L5,561 thousand , as well as the recognition of expenses for amortization of intangibles acquired by L14,432 thousand.

Non-operating income (expenses)

The following table presents the components of the Non-operating income (expenses) for the six months ended June 30, 2020 and 2019:

	June 30,		Change	
	2020	2019	HNL's	%
Income from dividends	781	21,868	(21,087)	(96.4)
Gain on sale of other and contingent assets	37,401	51,066	(13,665)	(26.8)
Gain on sale of fixed assets	5,539	6,422	(883)	(13.7)
Other income, net	32,817	162,612	(129,795)	(79.8)
Total non-operating income (expenses)	76,538	241,968	(165,430)	(68.4)

In thousands of lempiras, except the percentages

As of June 30, 2020, the dividend income of Inversiones Atlántida SA decreased by L21,087 thousand, compared to June 2019, mainly because as of December 31, 2019 Invatlan received L19,684 million of dividends from Corporación de Inversiones Atlántida (CIA), less comparison of the period ended June 30, 2019.

The profit on sale of assets available for sale decreased by L13,665 thousand or 26.8% during the six months ended June 30, 2020 compared to the same period in 2019, due to the fact that the gains for this concept have been reduced because fewer sales due to the current health situation.

Other net income decreased by L129,795 thousand or 79.8% compared to the same period of 2019, mainly due to the following: (1) a decrease in income from recoveries of written-off assets of (L13,878) thousand; (2) an increase in income from fluctuations in the value of financial assets for trading for L39,724 thousand, (3) a decrease in other financial income for L17,057 thousand, (4) a decrease in tax on interest expenses for L20,074 thousand and (5) a decrease of L67,471 thousand in other income derived from the sale of shares of Hoteles de Honduras in 2019.

Income tax

Income tax expense decreased by L93,504 thousand or 21.0%, for the six months ended June 30, 2020, compared to the corresponding period of 2019, the effective income tax rate was 38.2% at June 30, 2020 compared to 35.6% as of June 30, 2019.

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 June 30, 2020 and as of December 2019:

	June 30, 2020	December 31, 2019	Change (HNL)	%
Demand deposits	13,637,216	13,475,526	161,690	1.2%
Saving deposits	41,335,952	36,228,942	5,107,010	14.1%
Term deposits	37,901,831	34,009,918	3,891,913	11.4%
Others	567,998	669,483	(101,485)	(15.1%)
Total, deposits	93,442,997	84,383,869	9,059,128	10.7%
Loans and Borrowings from bank	10,126,747	9,842,323	284,424	2.9%
Corporate bonds and secured notes	6,816,574	6,778,077	38,497	0.6%
	110,386,318	101,004,269	9,385,049	9.3%

In thousands of L, except the percentages

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

Total deposits increased 10.7% or L9,059,128 thousand as of June 30, 2020, compared to December 31, 2019, mainly due to an increase of 14.1% in savings deposits and 11.4% in time deposits.

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 maintained correspondent relationships for a long time.

As of June 30, 2020, the Group had subscribed lines of credit with foreign financial institutions for USD378,791 thousand (L9,361,770 thousand), of which USD268,536 thousand (L6,636,834 thousand) were available for use.

Corporate bonds and guaranteed notes increased L38,497 thousand or 0.6% as of June 30, 2020, compared to December 31, 2019, 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 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 ratio) of the 11% or more. As of June 30, 2020, Banco Atlántida S.A.'s capital adequacy ratio was 12.3% and 12.1% as of December 31, 2019.

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

	June 30	December 31 (In thousands of L)		
	2020	2019	2018	2017
Total, Tier 1	7,741,714	7,988,863	7,488,863	6,488,863
Total, Tier 2	2,522,337	1,894,418	1,361,627	1,018,734
Total, Regulatory Capital	10,264,050	9,883,281	8,850,490	7,507,597
Total, Risk weighted assets	83,487,156	81,437,715	71,545,025	61,083,980
Regulatory Capital as percentage of risk weighted assets	12.3	12.1	12.4	12.3

Commitments and contractual obligations

The following table summarizes the commitments and contractual obligations as of June 30, 2020:

(HNL 000's, except percentages)	Less than 30 days	31 to 90 days	91 days to 1 year	Between 1 and 5 years	More than 5 years	Total
Deposits and obligations from customers	17,814,582	15,592,534	17,242,072	25,877,148	16,916,660	93,442,996
Loans and borrowings from banks	312,982	556,335	2,566,224	2,824,685	3,866,521	10,126,747
Debt securities issued	-	-	678,753	5,643,523	494,298	6,816,574
Total	18,127,564	16,148,869	20,487,049	34,345,356	21,277,479	110,386,318
% of Total	16.4%	14.6%	18.6%	31.1%	19.3%	100.00%

Capital expenditures

By June 30, 2020 capital expenditures were L1,297,365 thousands compared to L1,394,656 thousand as of December 30, 2019. 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:

		June 30, 2020	December 31, 2019
Letters of credit and idle credit documents	L	327,463	416,643
Sureties and bank guarantees issued		5,066,416	5,490,618
Acceptance debtors		534,575	472,793
Idle credits		5,222,666	4,313,114
Other responsibilities		<u>85,094</u>	<u>71,037</u>
	L	<u>11,236,214</u>	<u>10,764,205</u>

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.