



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

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

Overview

We are one of the largest financial services groups in Honduras and, through our subsidiaries, we offer a wide range of corporate and retail banking services, insurance, pension fund management and other financial services to more than 3.2 million clients as of 30 September 2020. We were recognized as a financial group by the National Banking and Insurance Commission of the Republic of Honduras (The Commission) in 2012. Our main subsidiary, Banco Atlántida, SA (a Honduran subsidiary) was founded in 1913. We believe that our companies benefit from significant synergies from being part of a 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. Furthermore, Banco Atlántida and Seguros Atlántida are among the most profitable entities in the Honduran banking and insurance systems, according to the Commission. Banco Atlántida occupies a prominent position in the local market in terms of total net assets, total net loans and total deposits, with market shares of 19.5%, 20.4% and 21.5%, respectively, as of September 30, 2020, according to the Commission. Additionally, Seguros Atlántida is one of the largest insurance companies in terms of total gross written premiums, with a market share of 17.0% and 17.4% as of September 30, 2020 and 2019, respectively, according to the Commission. For the nine months ended September 30, 2020 and 2019, Banco Atlántida had an ROAE of 8.4% and 12.1%, respectively. For the nine months ended September 30, 2020 and 2019, Seguros Atlántida had an ROAE of 24.8% and 21.2%, respectively.

The Group had one of the largest banking distribution networks in Honduras (2,121 points of service), which together with our insurance distribution network and operations in El Salvador and Nicaragua add 2,224 points of service as follows:

- 264 branches (150 agencies, 62 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);
- 1,128 ATMs (405 proprietary ATMs and 723 third-party network ATMs)
- 832 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.

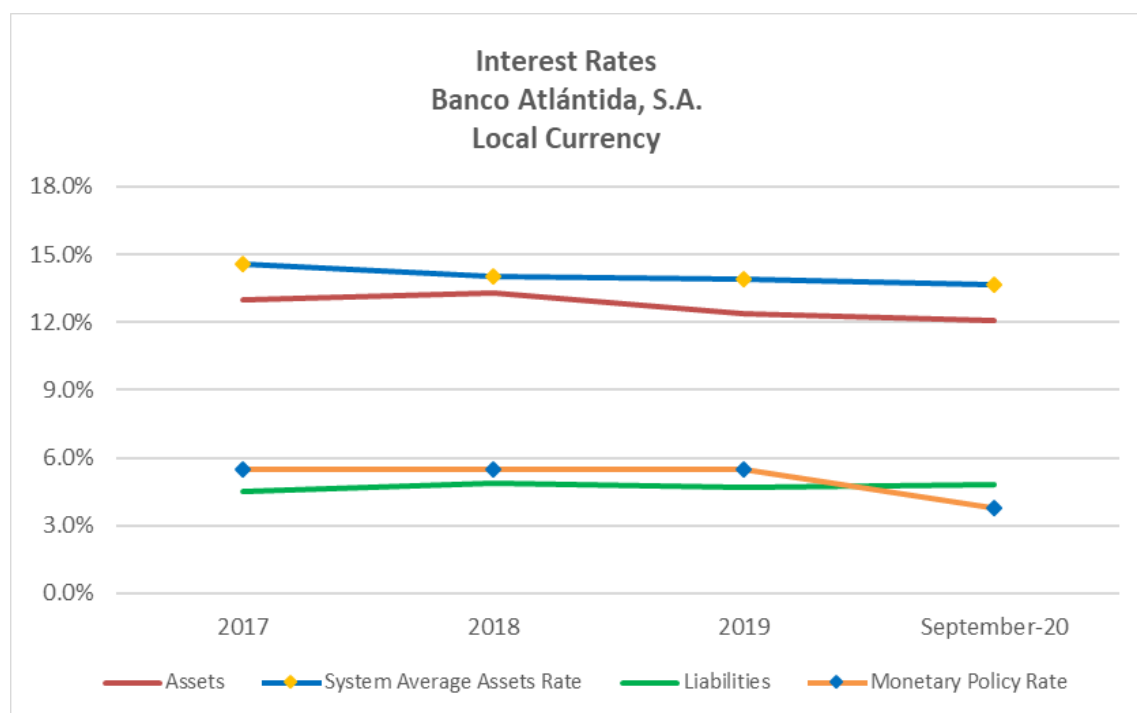
Increases in interest rates can reduce the volume of loans originated by Banco Atlántida. The historically sustained high interest rates have discouraged our clients from borrowing and has resulted in greater asset impairment.

Banco Atlántida, our most important subsidiary, has an important portfolio of loans and debt securities that have both fixed and variable interest rates. The market value of a financial instrument with a fixed interest rate generally decreases when prevailing interest rates increase, which may have an adverse effect on our earnings and financial condition. Additionally, we may incur costs (which, in turn, could affect our results) as our subsidiaries implement strategies to reduce future exposure to interest rates. The market value of an obligation with a variable interest rate may be negatively affected when interest rates increase, due to a delay in the implementation of the price review 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 September 30, 2020 and December 31, 2019, 2018 and 2017.



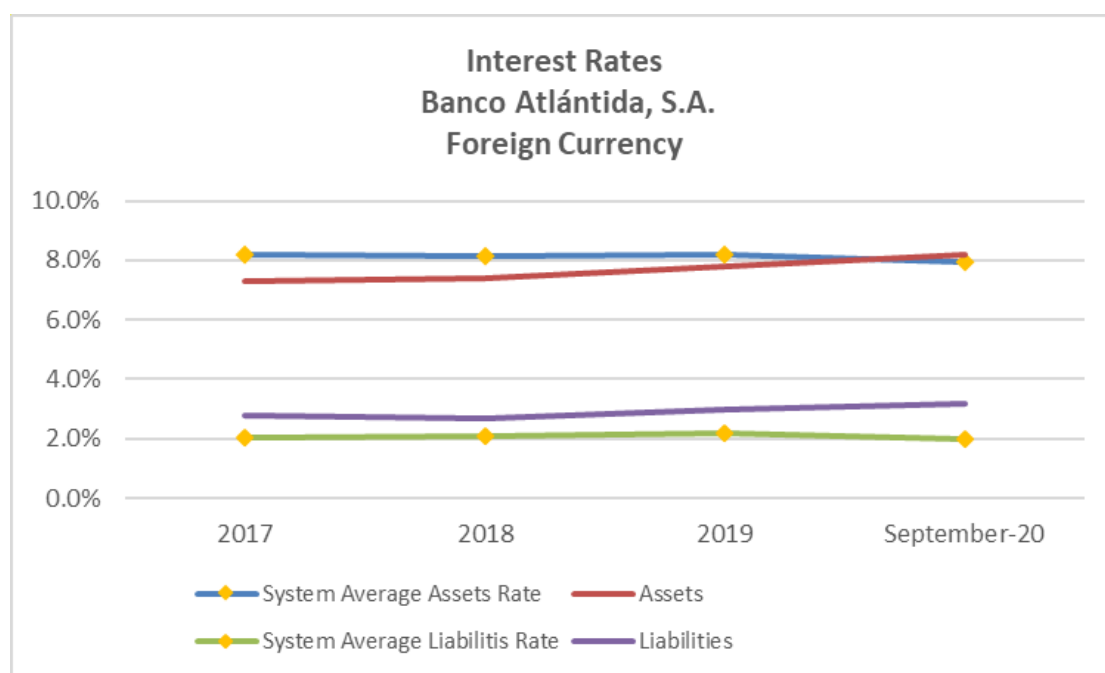
The Honduran banking industry generally does not set interest rates based on a benchmark rate; however, the weighted average interest rates on lempira-denominated assets and liabilities of the Honduran banking industry are slightly influenced by the minimum offer rate that the Central Bank allows for its treasury notes. As of September 30, 2020, this rate was 3.75%, as a result of two reductions to it, the first of 0.75 bp carried out on March 24, 2020 and a second reduction of 0.75 bp carried out on August 3, 2020, both reductions are the result of the measures taken by the Government of Honduras to face the effects derived from the COVID-19 pandemic.

The average interest rate of Banco Atlántida on lempira-denominated assets was 12.1% as of September 30, 2020, 12.4% as of December 31, 2019. As of September 30, 2020, Lempiras-denominated. loan portfolio grew 5.5%, above the 1.2% growth reported by the local banking system during the same period.

Banco Atlántida's average interest rate on lempira-denominated liabilities increased to 4.8% as of September 30, 2020 compared to 4.7% as of December 31, 2019. As of September 30, 2020, compared to December 2019, Banco Atlántida's lempira-denominated deposits have grown 17.5%, while the local financial system grew 12.0% 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 September 30, 2020 and December 31, 2019, 2018, and 2017.



As of September 30, 2020, Banco Atlántida's average interest rate on assets denominated in foreign currency was 8.2%, compared to 7.9% as of December 31, 2019. Banco Atlántida's loan portfolio in US dollars decreased by 4.3% between December 31, 2019 and September 30, 2020, while the local financial system decreased by 2.9% during the same period.

Banco Atlántida's average interest rate on liabilities denominated in foreign currency was 3.2% as of September 30, 2020 and 3.0% as of December 31, 2019. Banco Atlántida's foreign currency-denominated deposits grew at a rate of 12.3% as of September 30, 2020, while the local financial system did so at 13.6% during the same period.

Effects of Family Remittances

As of October 1st, 2020, family remittances that entered Honduras were USD4,067.8 million, which represented a decrease of 0.6% compared to the corresponding period in 2019, while for the previous comparative periods were as shown in the following table:

Period	Amount*		Change %
01/10/2020	4,067.8	(p)	-0.6%
01/10/2019	4,090.7	(r)	12.4%
01/10/2018	3,641.0	(r)	10.2%
28/09/2017	3,303.8	(r)	13.7%

*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 USD1,163.3 million in family remittances during the period ended September 30, 2020, 13.2% more than the corresponding period of 2019, during which USD1,027.9 million were processed. As of September 30, 2020, Banco Atlántida's market share is 28.6%, while for the corresponding period of 2019 it was 25.6%.

Competition

We face intense competition in all our segments, which can materially affect our growth, market share, margins and profitability.

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 September 30, 2020, the inflation rate is 3.4%, mainly explained by the downward behavior of the prices of clothing and footwear, accommodation, water, electricity, gas and other fuels, communications, recreation and culture, hotels and personal care products, negatively offset by the increase in the price of food and alcoholic and non-alcoholic beverages, tobacco, furniture and household items, health services, transportation and education. As of September 30, 2019, 2018 and 2017 the inflation rate was 4.4%, 4.4% and 3.7%, respectively.

According to the Central Bank, the inflation target for 2020 remains 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 Lempira is held. Volatility in Lempira exchange rates could result in higher risks associated with such positions.

In addition, any devaluation or depreciation of the local currency of the different countries in which the Group operates 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 (local currency of main subsidiaries of the Group) 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. This year due to the pandemic effect imports of goods have decreased causing the local currency to appreciate with respect to the U.S Dollar. The exchange rate as of September 30 2020 is L24.4482 per US\$1.00, compared to L24.6256 per US\$1.00 on September 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	Unemploy- ment 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

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 September 24, 2020, the growth rate of bank loans to the private sector was 4.6%, compared to the growth rate of 9.4% as of September 2019. This change is explained due to the contraction in loans granted to the private sector as a result of the partial closure of some of the country's major economic activities derived from the measures adopted by the government to control the health emergency caused by the Covid-19 pandemic.

Results of Operations for the Nine Months Ended September 30, 2020 Compared to Same Period of 2019

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

	Sept 30,		Change	
	2020	2019	HNL000's	%
Interest income	7,228,689	6,552,496	676,193	10.3%
Interest expense	3,608,541	3,157,566	450,975	14.3%
Financial profit	3,620,148	3,394,930	225,218	6.6%
Loan impairment charges	794,111	491,735	302,376	61.5%
Financial profit, net of impairment charges	2,826,037	2,903,195	(77,158)	-2.7%
Income from insurance activities	2,416,022	2,581,948	(165,926)	-6.4%
Expenses from insurance activities	2,020,699	2,204,385	(183,686)	-8.3%
Profit from insurance activities	395,323	377,563	17,760	4.7%
Services	75,231	83,988	(8,757)	-10.4%
Commissions	2,198,944	2,427,073	(228,129)	-9.4%
Leases	175,477	137,505	37,972	27.6%
Other income	409,445	416,648	(7,203)	-1.7%
Total Proceeds from services	2,859,097	3,065,214	(206,117)	-6.7%
Staff-expenses	1,705,115	1,743,420	(38,305)	-2.2%
General and administrative expenses	2,666,313	2,668,814	(2,501)	-0.1%
Depreciation and amortization	504,648	443,096	61,552	13.9%
Total administrative expenses	4,876,076	4,855,330	20,746	0.4%
Operating income	1,204,381	1,490,642	(286,261)	-19.2%
Income from dividends	1,512	33,260	(31,748)	-95.5%
Gain on sale of other and contingent assets	56,826	90,157	(33,331)	-37.0%
Gain on sale of fixed assets	11,977	10,935	1,042	9.5%
Other income, net	(11,319)	269,927	(281,246)	-104.2%
Total non-operating income (expenses)	58,996	404,279	(345,283)	-85.4%
Income before income tax	1,263,377	1,894,921	(631,544)	-33.3%
Income tax/capital gain/net assets tax	505,845	656,538	(150,693)	-23.0%
Income before minority interest	757,532	1,238,383	(480,851)	-38.8%
Net income attributable to noncontrolling interests	112,514	203,063	(90,549)	-44.6%
Net Income	645,018	1,035,320	(390,302)	-37.7%

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, 2020 and 2019:

Interest Income on:	September 30,		Change	
	2020	2019	HNL's	%
Loans	6,456,855	5,868,751	588,104	10.0%
Investments Securities	742,472	634,938	109,534	17.3%
Interest earning deposits	29,362	48,807	(19,445)	-39.8%
Total	7,228,689	6,552,496	678,193	10.3%

(In Thousands of HNL's except percentages)

Interest income increased 10.3% or L678,193 thousand for the nine months ended September 30, 2020, compared to the corresponding period of 2019, primarily due to an increase in interest income on loans of 10.0% and an increase 17.3% in income on investment securities.

Interest income on the loan portfolio increased L588,104 thousand or 10.0%, for the nine months ended September 30, 2020 compared to the corresponding period of 2019, mainly due to the growth of the loan portfolio during the last quarter of 2019 and the first quarter of 2020, as well, as a slight growth during the pandemic. The volume of the loan portfolio in local currency as of September 30, 2020 was 12.0% higher than the volume of September 30, 2019, which added L474,085 thousand to interest income, while the volume of the loan portfolio in foreign currency was 6.1% higher, for the same period adding L104,257 thousand to interest income.

Interest income on investments in securities increased by L109,534 thousand, or 17.3%, for the nine months ended September 30, 2020 compared to the corresponding period in 2019, mainly due to an increase in the average balance of investments of 18.1% for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019.

Interest Expense

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

Interest expense	September 30,		Change	
	2020	2019	HNL's	%
Deposits from customers	2,764,024	2,185,617	578,407	26.5%
Loans obtained from Banks	439,622	609,491	-169,869	-27.9%
Interest expenses on bonds	404,895	362,458	42,437	11.7%
Total	3,608,541	3,157,566	450,975	6.9%

(In Thousands of HNL's except percentages)

Interest expense increased by L450,975 thousand or 6.9% for the nine months ended September 30, 2020 compared to the corresponding period of 2019, caused by an increase in interest expense on deposits of 26.5% and a decrease in interest expense on loans obtained from banks of 27.9%.

Interest expense on deposits increased by L578,407 thousand or 26.5%, for the nine months ended September 30, 2020 compared to the corresponding period of 2019, due to a higher volume of deposits in local currency whose average volume grew 23.0% compared to the nine months ended September 30, 2019, adding L383,736 thousand to interest expense on deposits, while the average volume of deposits in foreign currency (USD) as of September 30, 2020 increased by 13.3%, compared to the nine months ended on September 30, 2019, adding L90,659 thousand to interest expense. On the other hand, variations in interest rates added approximately L104,012 thousand to interest expense.

Interest expense on loans obtained from banks decreased by L169,869 thousand, or 27.9%, for the nine months ended September 30, 2020, compared to the corresponding period of 2019, mainly due to a decrease in average interest rates on debt in local currency, which went from 8.4% as of September 30, 2019 to 6.2% as of September 30, 2020, additionally the debt was reduced by approximately 14% in relation to the same period of 2019. This implied a decrease in interest expenses on loans from other banks by approximately L146,187 thousand, on Central bank loans L11,800 thousand and on repurchase agreements L16,476 thousand, compensated by an increase on interest expenses over sectorial loans for L5,224 thousand.

Interest expense on bonds and guaranteed notes increased by L42,437, for the nine months ended September 30, 2020, compared to the corresponding period of 2019, mainly due to a new bond issue carried out by Banco Atlántida, SA for L500,000 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 September 30, 2020 and 2019:

	September 30,		Change	
	2020	2019	(HNL)	%
Loan impairment charges	794,111	491,738	302,376	61.5%
NPL ratio	2.7%	2.4%	-	-
Coverage ratio	113.8%	119.1%	-	-
Provision for loan losses	2,579,959	2,121,582	458,377	21.6%

In thousands of L except percentages

Loan impairment charges increased by 61.5% or L302,376 thousand for the nine months ended September 30, 2020 compared to the corresponding period of 2019, mainly due to the fact that Banco Atlántida, SA Honduras decided to establish more reserves than required for the amount of L340,000 thousand, as part of the management strategy to protect the Bank against the eventual impairment of the loan portfolio as a consequence of the impacts derived from the COVID-19 pandemic and the measures adopted by the Government of Honduras to face this pandemic. The delinquency rate increased to 2.7% as of September 30, 2020 compared to 2.4% as of September 30, 2019, as a consequence of the effects of the pandemic on the activities and the economy of the Group's clients, partially offset by the relief measures taken by financial regulators in the countries where the Group operates.

During the nine months ended September 30, 2020, loan impairment charges attributable to the corporate portfolio increased L495,493 thousand compared to the corresponding period of 2019, of which L493,685 thousand correspond to Banco Atlántida, S. A., as a consequence of the aforementioned strategy and L2,575 thousand from Banco Atlántida Nicaragua, SA that are incorporated for the first time. On the other hand, the impairment charges for the SME Banking for the same period decreased by L165,861 thousand, mainly as a consequence of the application of the relief measures adopted by the Government of the Republic of Honduras, the banking Regulator and the banks of second floor resource providers for financing special portfolios.

As of September 30, 2020, the impairment charges for the consumer portfolio decreased by L34,482 thousand in relation to the corresponding period of 2019, mainly due to a decrease in credit card impairment charges by L38,905 thousand, as a consequence of a significant decrease in cardholder transactions, with the corresponding impact on the balances derived from these transactions. On the other hand, the impairment charges for the mortgage portfolio for the same period increased by L9,868 thousand, of which L11,512 thousand correspond to an increase in the expenses of Banco Atlántida, S. A., derived from the Bank's strategy explained in the initial paragraph of this section, while Banco Atlántida el Salvador reports a decrease of L1,644 thousand, derived from the reduction of the mortgage portfolio as a consequence of the repayment of the debt and not new related loans.

The impairment charges for the microfinance portfolio as of September 30, 2020 decreased by L2,743 thousand compared to the corresponding period of 2019, mainly due to the conversion strategy of Banco Atlántida el Salvador, which implies a progressive exit from the microfinance sector to fully incorporate itself into the corporate and consumer sectors.

Proceeds from Services

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

	September 30,		Change	
	2020	2019	HNL's	%
Services	75,231	83,988	(8,757)	(10.4%)
Commissions	2,198,944	2,427,073	(228,129)	(9.4%)
Leases	175,477	137,505	37,972	27.6%
Other income	409,445	416,648	(7,203)	(1.7%)
Total	2,859,097	3,065,214	(206,117)	(6.7%)

In thousands of L except percentages

Income from services decreased 6.7% or L206,117 thousand for the nine months ended September 30, 2020 compared to the corresponding period of 2019, mainly due to the decrease in income from services of 10.4% and income from commissions of 9.4 %, as well as an increase income from leases of 27.6%.

The decrease in service income of L8,757 thousand or 10.4% for the nine months ended September 30, 2020 compared to the corresponding period of 2019 was mainly due to the negative impacts of the pandemic on the operations of the Storage Company, which caused a decrease of L29,899 thousand in income from storage services and other related services, positively offset by an increase in income from stock exchange services of Atlántida Securities for L17,832, as well as an increase in income from our insurance operation in El Salvador by L3,450 thousand, this last one as a consequence of the start of operations of Atlántida Vida.

The decrease in commissions of L228,129 thousand or 9.4%, for the nine months ended September 30, 2020 compared to the corresponding period of 2019 was due to the effects of the measures adopted by the Governments to face the COVID-19 pandemic, which consisted in a partial close down of all economic activities causing a decrease on income from commissions as follow:

- commissions by pension fund administrator for L96,667 thousand due to the decrease of approximately 4.0% in fund collections;
- commissions on loans of L46,901 as a result of the low demand for loans that mainly affected Banco Atlántida (Honduras) and Banco Atlántida el Salvador;
- commissions on credit cards L50,587 thousand due to the low transaction rate;
- as well as a net decrease in other commissions (various) for services for L33,704.

The increase in leasing income of L37,972 or 27.6%, for the nine months ended September 30, 2020 compared to the corresponding period of 2019 are due to an increase in leasing income of L27,028 thousand from Leasing Atlántida as a result of an accounting application change, and Banco Atlántida increased its income as a result of the signing of a new financial leasing contracts at the end of 2019.

Profit from insurance activities

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

	September 30,		Change	
	2020	2019	(HNL)	%
Income from insurance activities	2,416,022	2,581,948	(165,926)	(3.7%)
Expenses from insurance activities	2,020,699	2,204,385	(183,686)	(3.2%)
Profit from insurance activities	395,323	377,563	17,760	7.1%

In thousands of L except percentages

Income from insurance activities decreased by 3.7% or L165,926 thousand for the nine months ended September 30, 2020, compared to the corresponding period 2019 as a consequence of the decrease in economic activity in Honduras derived from the measures taken by the Government to face the COVID-19 pandemic. The most important effects derived from this situation correspond to a decrease in the premiums issued by L192,218 thousands, with the corresponding decrease in income from participation in reinsurance given by L3,423 thousand, likewise the income from variations in reserves for ongoing risk decreased by L10,410 thousand, in the same way and due to less activity the income from recovered claims decreased by L37,472 thousand, while income from salvage and recoveries of claims decreased L26,630 thousand. On the other hand, these revenues experienced an increase of L113,373 thousand, due to the incorporation of revenues from Atlántida Vida El Salvador, a company that began operations at the beginning of 2020.

Expenses for insurance activities decreased by 3.2% or L183,686 thousand for the nine months ended September 30, 2020 compared to the corresponding period in 2019, mainly and in general terms due to the situation explained in the previous paragraph as follow:

Expenses	
Decrease in expenses for claims due to low economic activity	(107,088)
Ceded premiums increase	17,228
Increase in reserves for current and forecast risk	34,162
Returns and cancellations of premiums	(253,400)
Increase in expense for impairment of premiums receivable	17,458
Others	2,470
Expenses from Atlántida Vida which began operation	105,484
Total	(183,686)

Other expenses

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

	September 30,		Change	
	2020	2019	HNL's	%
Administrative expenses				
Staff expenses	1,705,115	1,743,420	(38,305)	(2.2%)
General and administrative expenses	2,666,313	2,668,814	(2,501)	(0.1%)
Depreciations and amortizations	504,648	443,096	61,552	13.9%
Total, administrative expenses	4,876,076	4,855,330	20,746	0.4%

In thousands of L except percentages

Administrative expenses increased 0.4% or L20,746 thousand for the nine months ended September 30, 2020 compared to the corresponding period of 2019, mainly due to an increase in depreciation and amortization expenses.

Depreciation and amortization expense increased L61,552 thousand or 13.9% for the nine months ended September 30, 2020 compared to the corresponding period of 2019, mainly due to a higher capitalizations of software and applications, the acquisition of vehicles, computer equipment and amortization of improvements to leased properties in Banco Atlántida Honduras, as well as the amortization of intangible assets for the amount of L22,040 thousand, identified as part of the incorporation process of AFP CONFIA.

Non-operating income (expenses)

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

	September 30,		Change	
	2020	2019	HNL's	%
Income from dividends	1,512	33,260	(31,748)	-95.5%
Gain on sale of assets held for sale	56,826	90,157	(33,331)	-37.0%
Gain on sale of fixed assets	11,977	10,935	1,042	9.5%
Other income (expense), net	(11,319)	269,927	(281,246)	-104.2%
Total non-operating income (expenses)	58,996	404,279	(345,283)	-85.4%
In thousands of L except percentages				

Non-operating income decreased by L345,283 thousand or 85.4% during the nine months ended September 30, 2020 compared to the corresponding period in 2019.

As of September 30, 2020, INVATLAN's dividend income decreased by L31,748 thousand, compared to September 2019, mainly due to the fact that as of September 30, 2019 it received L29.6 million of dividends from Corporación de Inversiones Atlántida (CIA).

The profit on sale of assets available for sale decreased by L33,331 thousand or 37.0% during the nine months ended September 30, 2020 compared to the same period of 2019, due to the fact that the sales of these assets have decreased significantly as a consequence of the closure of the economy derived from the measures taken by the Government to face the health crisis caused by the COVID-19 pandemic.

Other net income (expenses) decreased by L281,246 thousand or 104.2% compared to the same period of 2019, mainly due to the negative impacts derived from the temporary closure of the economies, particularly Honduras and El Salvador, which total approximately L116,278 thousand, corresponding to a negative fluctuation in the market value of financial assets and liabilities for trading of L18,182 thousand, a decrease in the recovery of financial assets written off by L26,862 thousand and a net decrease in the income associated with the award and release of asset reserves available for sale in El Salvador for L22,676 thousand; Likewise, a decrease of L48,558 thousand in income from exchange fluctuation due to a significant improvement in the Lempira against the Dollar, derived from the low demand for foreign currency due to the strong decrease in economic activities in the country. Additionally, an increase in exchange losses was recorded as a consequence of the deterioration of the Cordova against the Dollar for L33,025 thousand, a decrease in other interest income for L24,452 thousand as a result of the payment of loans to Directors, a negative variation as a consequence of a reversal of the provision for loss in shares in 2019 for L78,514 thousand and the recognition of an adjustment to said provision for L19,846 thousand in 2020, as well as the incorporation for the first time of other income corresponding to Banco Atlántida Nicaragua by L5,923 thousand.

Income tax

Income tax expense decreased by L150,693 thousand or 23.0%, for the nine months ended September 30, 2020, compared to the corresponding period of 2019, due to a lower income before taxes.

Liquidity and Funding

The following table sets forth the primary sources of funding as of September 30, 2020 and as of December 2019:

	September 30	December 31		
	2020	2019	Change (HNL)	%
Demand deposits	15,113,149	13,475,526	1,637,623	12.2%
Saving deposits	43,404,203	36,228,942	7,175,261	19.8%
Term deposits	39,175,554	34,009,918	5,165,636	15.2%
Others	120,579	669,483	(548,904)	-82.0%
Total, deposits	97,813,485	84,383,869	13,429,616	15.9%
Loans and Borrowings from bank	10,483,437	9,842,323	641,114	6.5%
Corporate bonds and secured notes	7,175,940	6,778,077	397,863	5.9%
	115,472,862	101,004,269	14,468,593	14.3%
In thousands of L except 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 15.9% or L13,429,616 thousand as of September 30, 2020, compared to December 31, 2019, mainly due to an increase of 12.2% in checking account deposits, 19.8% in savings deposits and 15.2% in term 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. The Group maintains open lines of credit with various international financial institutions.

As of September 30, 2020, the Group had subscribed lines of credit with foreign financial institutions for USD 379,086 thousand (L9,267,948 thousand), of which USD 256,046 thousand (L6,259,863 thousand) were available for use.

Corporate bonds and guaranteed notes increased by L397,863 thousand or 5.9% as of September 30, 2020, compared to December 31, 2019, mainly due to a new issuance of Bancatlan bonds for L500,000 thousand, as well as the redemption of bonds for L83,773 thousand, an increase due to the application of the amortized cost method for L17,475 and a decrease due to the exchange differential on bonds in foreign currency for L35,839 thousand.

Through our asset and liability management policy, we seek to ensure that there is sufficient liquidity available to cover deposit withdrawals, pay other liabilities upon 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 by 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 levels of capital as a percentage of its risk-weighted assets (capital adequacy ratio) of the 11.0% or more. As of September 30, 2020, the capital adequacy ratio of Banco Atlántida S.A. was 12.7% and 12.1% as of December 31, 2019.

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

	September 30, 2020	December 31, 2019	December 31, 2018	2017
Total, Tier 1	7,676,252	7,988,863	7,488,863	6,488,863
Total, Tier 2	2,731,533	1,894,418	1,361,627	1,018,734
Total, Regulatory Capital	10,407,785	9,883,281	8,850,490	7,507,597
Total, Risk weighted assets	83,206,290	81,437,715	71,545,025	61,083,980
Regulatory Capital as percentage of risk weighted assets	12.7	12.1	12.4	12.3
In thousands of L except rates				

Commitments and contractual obligations

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

	Less than 30 days	31 to 90 days	91 days to 1 year	Between 1 and 5 years	Less than 5 years	Total
Deposits	17,262,765	16,163,674	18,338,661	27,861,773	18,186,612	97,813,485
Loan and borrowings from banks	520,635	971,354	1,266,111	3,223,314	4,502,023	10,483,437
Corporate bonds and secured notes	-	34,839	647,708	5,270,983	1,222,410	7,175,940
Total	17,783,400	17,169,867	20,252,480	36,356,070	23,911,045	115,472,862
% of Total	15.4%	14.9%	17.5%	31.5%	20.7%	100.0%
In thousands of L except rates						

Capital expenditures

By September 30, 2020 capital expenditures were L1,580,798 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:

	September 30, 2020	December 31, 2019
Letters of credit and idle credit documents	L 320,788	416,643
Sureties and bank guarantees issued	5,109,766	5,490,618
Acceptance debtors	359,309	472,793
Idle credits	5,159,837	4,313,114
Other responsibilities	65,494	71,037
	L 11,015,194	10,764,205

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.