



VBT Holdings, Ltd

Consolidated Financial Statements of

**VBT HOLDINGS, LTD. AND SUBSIDIARIES**

For the second quarter 2018 and 2017



**Consolidated Statement of Financial Position**  
 For the second quarter 2018 and 2017  
 (expressed in United States dollars)

	30,06,2018	30,06,2017
<b>Assets</b>		
Cash and cash equivalents	23.087.390	28.395.993
Financial instruments held for trading	366.945.495	452.208.801
Loans and advances	6.990.000	4.755.000
Interest receivable	2.158.431	2.848.098
Other receivables	1.107.401	1.122.583
Fixed Assets	3.515	3.561
Other Assets	18.599	19.519
<b>Total assets</b>	<b>400.310.831</b>	<b>489.353.555</b>
<b>Liabilities and shareholder's equity</b>		
<b>Liabilities</b>		
<b>Deposits:</b>		
Demand	235.119.385	316.657.787
Time	31.610.859	38.813.963
Forward foreign exchange contract	0	1.374.389
Interest payable	10.878	9.001
Accounts payable and accrued expenses	5.153.105	5.502.774
Other liabilities	826.202	533.988
	<b>272.720.429</b>	<b>362.891.902</b>
<b>Shareholder's equity</b>		
Share capital	8.748.000	8.748.000
Treasury Shares	-408.488	-145.103
Retained earning	119.250.890	117.858.756
	<b>127.590.402</b>	<b>126.461.653</b>
<b>Total liabilities and shareholder's equity</b>	<b>400.310.831</b>	<b>489.353.555</b>

See accompanying notes to financial statements

Approved By: 

Approved By: 



## Consolidated Statement of Comprehensive Income

For the second quarter 2018 and 2017

(expressed in United States dollars)

	30,06,2018	30,06,2017
<b>Interest</b>		
Interest income	4.875.889	5.531.385
Interest expense	-39.747	-28.158
	<b>4.836.142</b>	<b>5.503.227</b>
<b>Fees and commissions</b>		
Trustee fee income	897.274	849.704
Deposit and payment service charge income	46.548	173.809
Commission income	2.373.792	2.695.493
Management fee income	424.591	418.239
Management fee expense	-297.142	-207.163
Commission expense	-375.798	-1.568.953
	<b>3.069.266</b>	<b>2.361.129</b>
<b>Operating income</b>		
Dividend income	231.406	70.773
Net trading gain	-1.431.906	-257.468
Net realised foreign exchange gain (loss)	-536.301	1.776.853
Unrealised gains/(loss) on open forward contract	-388.536	-1.501.778
	<b>-2.125.337</b>	<b>88.380</b>
<b>Operating expenses</b>		
Direct operating expenses	-1.256.979	-1.203.638
Miscellaneous	-69.204	-34.381
Government licence fees	-82.816	-98.786
Bank charge	-94.971	-134.929
Professional services	-113.617	-47.246
Audit and accountancy	-157.167	-71.138
	<b>-1.774.754</b>	<b>-1.590.118</b>
<b>Net income before extraordinary items</b>	<b>4.005.317</b>	<b>6.362.618</b>
<b>Income Tax Expense</b>	-63.103	-114.597
<b>Net Income for year</b>	<b>3.942.214</b>	<b>6.248.021</b>
<b>Net income for period</b>		
Attributable to shareholders before extraordinary items	<b>3.942.214</b>	<b>6.248.021</b>
Extraordinary items	0	0
<b>Profit or loss attributable to shareholders</b>	<b>3.942.214</b>	<b>6.248.021</b>
<b>Earnings per Share (2018: 370,645 ; 2017: 382,351)</b>	<b>10,64</b>	<b>16,34</b>

See accompanying notes to financial statements.



**Consolidated Statement of Changes in Shareholders Equity**  
For the second quarter 2018  
(expressed in United States dollars)

	Share capital	Retained earnings	Total Equity
Balance as at December 31, 2017	8,339,512	119,941,739	128,281,251
Total comprehensive income for the year		3,942,214	3,942,214
Cash dividends payable		-4,633,063	-4,633,063
<b>Balance as at June 30, 2018</b>	<b>8,339,512</b>	<b>119,250,890</b>	<b>127,590,402</b>

See accompanying notes to financial statements.



**Consolidated Statement of Cash Flows**  
 For the second quarter 2018 and 2017  
 (expressed in United States dollars)

	30,06,2018	30,06,2017
<b>Cash provided by (applied in):</b>		
<b>Operating activities</b>		
Net income for the short period	3,942.214	6,248.022
Add (deduct):		
Items not involving the movement of funds:		
Net loss on investments	1,431.906	257.468
Net foreign exchange (gain)/loss	536.301	-1,776.853
Movement in unrealised (gain) loss on open forward contract	388.536	1,501.778
Depreciation on fixed assets	1.105	4.699
Net changes in non-cash balances relating to operations:		
Loans and advances	-2,025.000	-900.000
Interest receivables	-181.201	-182.686
Other receivables	-156.934	-159.236
Deposits	-26,085.256	-20,629.768
Interest payable	774	4.214
Accounts payable and accrued expenses	-54.824	610.187
Other Assets	1,344	1,511
Other liabilities	343.498	235.748
Net cash (used in) provided by operating activities	-21,857.537	-14,784.916
<b>Investing activities</b>		
Dividend paid	-4,633.063	-4,788.913
Purchase of office furnishings, equipment and leasehold	0	-1,646
Net (purchase) sales of investments	28,524.651	2,323.861
Net Cash provided by (used in) investing activities	23,891.588	-2,466.698
<b>Financing activities</b>		
Repurchase of shares	0	-350.063
Net cash used in financing activities	0	-350.063
<b>Financing activities</b>		
<b>Increase (decrease) in cash and cash equivalents during period</b>	2,034.051	-17,601.677
Cash and cash equivalents at beginning of period	21,053.339	45,997.670
Cash and cash equivalents end of period	23,087.390	28,395.993

See accompanying notes to financial statements.



Notes to Consolidated Financial Statements  
For the second quarter, 2018 and 2017  
(Stated in United States Dollars)

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## 1. Incorporation and background information

**VBT HOLDINGS, LTD.** (the "Company") was incorporated as an exempted company under the Companies Law of the Cayman Islands on July 13, 2006. The Company is the sole shareholder of Venecredit Bank & Trust, Ltd., (the "Bank") now VBT Bank & Trust, Ltd., an entity incorporated as an exempted company under the Companies Law of the Cayman Islands on March 23, 1987. The Bank holds a category "B" Banking and Trust licences under the Banks and Trust Companies Law, a Mutual Fund Administrator's Licence under the Mutual Funds Law as well as a Securities Investment Business licence under the Securities Investment Business Law. It is engaged in providing offshore banking and trust services to Venezuelan clients. On June 7, 2007, the Cayman Islands Stock Exchange admits the Company on its official list.

The principal place of business of the Company is 2<sup>nd</sup> Floor, The Harbour Centre, 42 North Church Street, George Town, P.O. Box 454, Grand Cayman KY1-1106, Cayman Islands. The presentation currency of the Group is the United States dollar and not the local currency of the Cayman Islands reflecting the fact that substantially all of the Group's assets and liabilities are denominated in United States dollars.

Venecredit Securities, Inc., was incorporated in May 2001 and is a broker-dealer registered with the Securities and Exchange Commission (SEC). Commenced operations in March 2002, is a wholly-owned subsidiary of VBT Holdings, LTD., offers securities transaction services to its customers, clears its securities transactions on a fully-disclosed basis through Pershing LLC, a subsidiary of The Bank of New York (Pershing), is a member of and is regulated by the Financial Industry Regulatory Authority, primarily operates in South Florida.

## 2. Significant accounting policies

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRSs"). The Group adopted the revised versions of IFRSs that are currently effective. The significant accounting policies and their effect on financial statements are as follows:

### (a) Basis of preparation

The financial statements are prepared on a fair value basis for financial assets and liabilities at fair value through profit or and derivative financial instruments. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historic cost.

### (b) Basis of consolidation

#### (i) Subsidiary

A subsidiary is an entity controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial

statements from the date that control commences until the date that control ceases.

**(ii) Transactions eliminated on consolidation**

Intragroup balances and transactions are eliminated in preparing the consolidated financial statements.

**(c) Use of estimates**

The preparation of financial statements in accordance with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of income and expenses during the period. Actual results could differ from those estimates.

**(d) Foreign currency translation**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet dates are translated to United States dollars at the foreign exchange rate ruling at the date. Foreign exchange differences arising on translation are recognized in the statements of income. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the reposting currency at the foreign exchange rates ruling at the date that the values are determined.

**(e) Financial instruments**

The Group adopted the amended IAS 32 and IAS 39 and designated all its debt and equity investments and derivative financial instruments into the financial instruments at fair value through profit or loss category.

**(i) Classification**

Financial instruments classified at fair value through profit or losses are those that the Company principally holds for the purpose of short-term profit taking. These include investments in debt and equity instruments, commercial paper, mutual fund participation units, liabilities for securities sold short and forward foreign exchange contracts. All derivative financial instruments in a net receivable position (positive fair value) are reported as financial assets held for trading. All derivative financial instruments in a net payable position (negative fair value) are reported as financial liabilities held for trading.

Financial assets classified as loans and receivables include loans and advances to related parties and others customers, interest receivable and other receivables. Financial liabilities not at fair value through profit or loss include demand and time deposits, interest payable, accounts payable, accrued expenses and others liabilities.

**(ii) Recognition**

The Company recognises financial assets and liabilities on the date it becomes a party to the contractual provisions of the instrument. From this date, any gains and arising from changes in fair value of assets or liabilities are recognised in the statements of income.

Loans and receivables are recognised on the day are granted by the Group.

**(iii) Measurement**

Financial instruments are measured initially at cost, which is the fair value of the consideration given or received.

**(e) Financial instruments (continued)**

Subsequent to initial recognition all instruments classified at fair value through profit or loss are measured at fair value, except for any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured. In such cases, such financial instruments are stated at cost less impairment losses, if any.

Financial liabilities, other than those at fair value through profit or loss and loans and receivables are measured at amortised cost less impairment losses, if any.

**(iv) Fair valued measurement principles**

The fair value of financial instruments is based on their quoted market price at the Balance Sheet date without any deduction for transaction costs. If a quoted market price is not the available. The fair value of the instrument is estimated using management's best estimates, taking into account current market conditions and the credit quality of the counterparties.

**(v) Gains and losses on subsequent measurement**

Unrealised gains and losses arising from a change in the fair value of trading instruments are recognised in the statements of income.

Gains and losses arising from a change in the fair value of trading instruments in relation to foreign currency exchange differences are recognised in the statement of income.

**(vi) Specific instruments**

**Cash and cash equivalents**

Cash and cash equivalents comprise cash at banks and whit brokers, call deposits, interest bearing time deposits, short-term investments an repurchase agreements with original maturity date of three months or less when purchased.



### **Loans and advances**

Loans and advances are reported net of allowances to reflect the estimated recoverable amounts.

### **Forward contracts**

The Group may enter into forward foreign currency exchange contracts primarily to hedge against foreign currency exchange rate risk on its non-U.S. dollar denominated investment securities. When entering into a forward currency contract, the Company agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. These contracts are value daily, and the Company's net equity therein, representing unrealised gain or loss on the contracts as measured by the difference between the forward foreign

Exchange rates at the dates of entry into the contracts and forward rates at the reporting date, is included in the balance sheets. Realised and unrealised gains and losses are included in the statements of income. These instruments involve market and credit risk in excess of the amount recognised in the Balance Sheets. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities values and interest rates.

### **(f) Derecognition**

A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

### **(g) Impairment**

Financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any indication exists, the asset's recoverable amount

The recoverable amount of the Group's loans and advances is based on the Group's historical credit experience. This credit experience takes into account any risks specific to the borrower, the net selling price, the value of any collateral and any expected future cash flows inherent in the loan or advanced.

If the recoverable amount of a loan or advance is less than its carrying amount, an impairment loss is recognised. Impairment losses are recognised in the statements of income.

If in a subsequent period the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down or the allowance is reversed through the statements of income.

**(h) Long term loan**

Long term loans are initially recognised at cost. Subsequent to initial recognition, long term loans are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of income over the period of the loan using the effective interest rate method.

**(i) Interest income and expense**

Interest income and expense is recognised in the statements of income as it accrued, taking into account the effective yield of the asset or an applicable floating rate. Interest income and expense includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity.

**(j) Fees and commissions**

Fees and commissions arise on financial service provided by the Group and are recognised when the corresponding service is provided.

**(k) Net trading income**

Net trading income includes gains and losses arising from disposals and changes in fair value of trading instruments.

**(l) Taxation**

There are no taxes on income or gains in the Cayman Islands and the Company and VBT Banks & Trust have received an undertaking from the Governor in Cabinet of the Cayman Islands exempting them from local taxes on all income, profits, gains and appreciations. In addition, management believes that the Company and Bank are not subject to taxation by any other jurisdiction. Venecredit Securities, Inc. is subject to taxation in the United States of America.

**3. Share capital**

	30.06.2018	30.06.2017
Authorised, issued and fully paid:		
388,800 ordinary shares of \$22,50 each	8,748.000	8,748.000
Balance at beginning of year	8,339.512	8,623.957
Treasury Shares(18,155 and 6,449 shares for 2017 and 2016 respectively)	(0.00)	(145.103)
	<b>US\$ 8,339.512</b>	<b>8,602.897</b>

Notes to Consolidated Financial Statements  
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The Directors may declare dividends and distributions on shares in issue and authorise payment of the dividends or distributions out of the funds of the Group. No dividend or distribution shall be paid except out of the realised or unrealised profits of the Group, or out of the additional paid in capital account or as otherwise permitted.

**4. Dividends**

The Directors resolved to approve a cash dividend consisting of U.S.\$ 12,50 and U.S. \$ 12,50 per share to the shareholders registered as a April 25, 2018 and March 28, 2017 in the amount of U.S.\$ 4.633.063 and U.S.\$ 4.788.913 respectively.

**5. Fair value information**

A portion of the Group's financial assets and liabilities are short-term, with maturities within one year. The carrying amounts of these financial assets and liabilities approximate fair value because of the short maturity of these instruments.

Interest is based on floating rates for long-term financial assets and liabilities. Therefore, the recorded amount of long-term financial assets and liabilities in financial statements approximates their fair value, since the cash flows of assets and liabilities with market interest rates.

Unless otherwise disclosed in these financial statements, the following assumptions are used by management to estimate the fair value of each class of financial instruments:

**(a) Cash and cash equivalents**

The carrying value approximates fair value due to their short-term nature.

**(b) Financial instruments held-for-trading, loans and advances and other assets**

Investments and derivative financial instruments such as forward contracts are considered trading instruments and are carried at quoted dealer prices, which approximate fair value.

All significant loans and receivables mature within one year. As such, the carrying amount approximates fair value because of the short-term nature of these instruments.

Due to the nature of the other assets, it is impractical to determine their fair value.

**(c) Time and demand deposits**

The carrying value of time and demand deposits approximate their fair value due to the short-term nature of the deposits and due to the fact that they bear rates of interest which fluctuate with market rates.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

#### **6. Risk management disclosures**

The most important types of risk to which the Group is exposed are credit risk, liquidity risk and market risk, which includes currency risk.

##### **Trading activities**

The Group's financial instruments held for trading consist of positions in various government and corporations, as well as investments in mutual funds. Credit risk is the risk of counterparty default. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty for non-exchange traded financial instruments is not backed by an exchange-clearing house. Since the majority of the Group's financial instruments held for trading are traded on recognised exchanges, it is the management's belief that the Group is not exposed to significant credit risk on its investments.

All financial instruments are subject to market risk, the risk that future changes in market conditions may make an instrument less valuable or more onerous. Trading instruments are recognised at fair value and all changes in market conditions directly affect net income.

##### **Non-trading activities**

In the case of non-trading financial instruments, the Group is subject to both credit risk and interest rate risk. Credit risk is the risk that the counterparty to the loan or advance might default on their obligation. Interest rate risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprise at different times or in differing amounts. To manage the level of credit risk, the Company only deals with counterparties of good credit standing, and where appropriate, obtain collateral.

Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. Liquidity risk is managed by the parent. In addition, the Group holds a portfolio of liquid assets as part of its liquidity risk management strategy.



Notes to Consolidated Financial Statements  
 For the second quarter, 2018 and 2017  
 (Stated in United States Dollars)

**7. Operating Revenue information**

	For the period from January 01, 2018 to June 30, 2018			
	VBT Bank & Trust, Ltd	Venecredit Securities, Inc	VBT Holdings, Ltd	Total
<b>Operating income</b>				
Dividend income	230.663	743	-	231.406
Net trading gain	(1.721.578)	(2.832)	292.504	(1.431.906)
Net realised foreign exchange gain (loss)	(526.243)	-	(10.058)	(536.301)
Unrealised loss on open forward contract	(388.536)	-	-	(388.536)
	<b>(2.405.694)</b>	<b>(2.089)</b>	<b>282.446</b>	<b>(2.125.337)</b>

	For the period from January 01, 2017 to June 30, 2017			
	VBT Bank & Trust, Ltd	Venecredit Securities, Inc	VBT Holdings, Ltd	Total
<b>Operating income</b>				
Dividend income	70.415	359	-	70.773
Net trading gain	(423.081)	(442)	166.055	(257.468)
Net realised foreign exchange gain (loss)	1.7148.656	-	28.197	1.776.853
Unrealised loss on open forward contract	(1.501.778)	-	-	(1.501.778)
	<b>(105.788)</b>	<b>(83)</b>	<b>194.252</b>	<b>88.381</b>

**8. Operating Revenue information**

	For the period from January 01, 2018 to June 30, 2018			
	VBT Bank & Trust, Ltd	Venecredit Securities, Inc	VBT Holdings, Ltd	Total
<b>Profit or (loss) before extraordinary items</b>				
	3.508.953	185.726	247.534	3.942.213
	<b>3.508.953</b>	<b>185.726</b>	<b>247.534</b>	<b>3.942.213</b>

	For the period from January 01, 2017 to June 30, 2017			
	VBT Bank & Trust, Ltd	Venecredit Securities, Inc	VBT Holdings, Ltd	Total
<b>Profit or (loss) before extraordinary items</b>				
	5.615.939	190.217	441.866	6.248.022
	<b>5.615.939</b>	<b>190.217</b>	<b>441.866</b>	<b>6.248.022</b>