VBT Holdings, Ltd.

Consolidated Financial Statements

for the year ended
December 31, 2018
and Independent Auditors' Report

VBT HOLDINGS, LTD.

Consolidated Financial Statements

for the year ended December 31, 2018

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Independent Auditors' Report to the Directors

Opinion

We have audited the consolidated financial statements of VBT Holdings, Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report to the Directors (continued)

Key audit matters (continued)

Valuation and existence of investments (USD$330,023,455)

Refer to Note 2 "Significant Accounting Polices: Financial instruments", Note 3 "Investments" and Note 15 "Fair value information"

Description of key audit matter	***How the matter was addressed in our audit***
The Group's investment portfolio comprises 89.30% of the Group's total assets and is considered to be the key driver of the Group's performance. While an insignificant portion of the total investment portfolio is invested in less liquid investments the portfolio is primarily comprised of liquid investments. We do not consider that these investments present a high risk of material misstatement, or that they are subject to a significant level of judgment. However, due to the materiality of the investment portfolio in the context of the financial statements as a whole, the valuation and existence of investments are considered significant in the audit of the consolidated financial statements.	Our procedures over the existence and valuation of the Group's investment portfolio included, but were not limited to: • assessing the fair value of the investment portfolio of quoted investments by independently obtaining third party price quotes and comparing these to the Group's fair value estimates; • assessing the fair value of the less liquid investments by independently obtaining the net asset value and/or audited financial statements of the underlying investee funds; • obtaining external confirmation of the investment portfolio and agreeing it to the schedule of investments held at year end; • assessing the adequacy of fair value disclosures based on the nature of the investment portfolio and the valuation techniques applied by the Group. No material exceptions were noted as part of our testing.

Completeness, Existence and Accuracy of Time and Demand Deposits (USD$233,938,221)

Refer to Note 2 "Significant Accounting Polices: Financial instruments" and Note 8 "Time and Demand Deposits"

Description of key audit matter	***How the matter was addressed in our audit***
The Group's demand and time deposits comprise 97.94% of the Group's total liabilities. We do not consider that these deposits present a high risk of material misstatement, or that they are subject to a significant level of judgment due to their short term maturity. However, due to their materiality in the context of the financial statements as a whole, they are considered significant in the audit of the financial statements.	Our procedures over the completeness, existence and accuracy of the Group's demand and time deposits included, but were not limited to: • obtaining confirmations for a statistical sample of the balances directly from the third party customers in respect of offline deposit account holders and comparing the responses to the schedule of deposits held at year-end; • requested negative confirmations for all balances directly from customers in respect of online deposits account holders at year-end; • assessing cut-off to ensure that transactions have been accounted in the correct accounting period; • reviewing the controls around deposits, withdrawals, internal transfers, new accounts and revisions to accounts. No material exceptions were noted as part of our testing.

Independent Auditors' Report to the Directors (continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report to the Directors (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Rennie Khan.

KPMG

March 29, 2019

VBT HOLDINGS, LTD.

Consolidated Statements of Financial Position

December 31, 2018
(expressed in United States dollars)

	2018	2017
ASSETS		
Cash and cash equivalents (Notes 5 and 11)	**$ 30,222,947**	$ 21,053,339
Investments (Notes 3 and 11)	**330,023,455**	397,213,314
Interest receivable (Note 11)	**2,021,741**	2,339,632
Other receivables (Notes 7 and 11)	**1,200,228**	1,264,335
Loans and advances (Notes 6 and 16)	**6,065,000**	4,965,000
Fixed assets	**2,590**	4,620
Other assets	**16,738**	19,943
TOTAL ASSETS	**$ 369,552,699**	$ 426,860,183
LIABILITIES		
Unrealised depreciation on forward foreign currency exchange contracts (Note 4)	**$ -**	$ 62,695
Demand deposits (Notes 8 and 11)	**201,545,878**	256,970,305
Time deposits (Notes 8 and 11)	**32,392,343**	35,845,195
Interest payable	**62,589**	10,104
Accounts payable and accrued expenses (Notes 7 and 11)	**4,838,927**	5,207,929
Other liabilities	**11,907**	482,704
	238,851,644	298,578,932
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	**8,339,512**	8,339,512
Retained earnings	**122,361,543**	119,941,739
	130,701,055	128,281,251
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 369,552,699**	$ 426,860,183

Approved by the Board of Directors on March 29, 2019

JORGE NEVETT Authorised Signatory   RICARDO GIMON Authorised Signatory

See notes to consolidated financial statements

VBT HOLDINGS, LTD.

Consolidated Statements of Comprehensive Income

for the year ended December 31, 2018

(expressed in United States dollars)

	2018	2017
INTEREST		
Interest income (Note 12)	**$ 9,623,473**	$ 10,751,208
Interest expense (Note 13)	**(171,552)**	(70,000)
	9,451,921	10,681,208
FEES AND COMMISSIONS		
Commission income	**3,222,010**	3,124,034
Trustee fee income (Notes 11 and 14)	**1,751,236**	1,707,788
Deposit and payment service charge income	**1,823,332**	2,371,341
Management fee income (Note 11)	**1,890,350**	785,219
Management fee expense	**(533,405)**	(434,741)
Commission expense	**(119,473)**	(96,427)
	8,034,050	7,457,214
OPERATING INCOME (LOSS)		
Dividend income, net	**356,105**	245,185
Net (loss) on forward foreign currency exchange contracts	**(388,536)**	(2,435,764)
Net foreign exchange (loss)/gain	**(873,308)**	2,919,981
Net (loss)/gain on investments (Note 11)	**(4,460,954)**	29,623
	(5,366,693)	759,025
EXPENSES		
Direct operating expenses (Note 11)	**(4,109,044)**	(5,253,526)
Bank charges	**(172,818)**	(283,124)
Miscellaneous (Note 11)	**(121,612)**	(73,567)
Government licence fees	**(163,016)**	(182,395)
Professional services (Note 11)	**(137,784)**	(108,907)
Audit and accountancy	**(244,597)**	(191,138)
	(4,948,871)	(6,092,657)
NET INCOME, BEFORE INCOME TAXES	**7,170,407**	12,804,790
INCOME TAX EXPENSE	**(117,540)**	(215,468)
NET INCOME, BEING TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**$ 7,052,867**	$ 12,589,322

See notes to consolidated financial statements

VBT HOLDINGS, LTD.

Consolidated Statements of Changes in Shareholders' Equity

for the year ended December 31, 2018
(expressed in United States dollars)

	Share capital	Retained earnings	Total
Balance at December 31, 2016	$ 8,623,957	$ 116,728,649	$ 125,352,606
Total comprehensive income for the year	-	12,589,322	12,589,322
Cash dividends paid (Note 9)	-	(4,788,913)	(4,788,913)
Repurchase of shares (Note 9)	(284,445)	(4,587,319)	(4,871,764)
Balance at December 31, 2017	8,339,512	119,941,739	128,281,251
Total comprehensive income for the year	-	7,052,867	7,052,867
Cash dividends paid (Note 9)	-	(4,633,063)	(4,633,063)
Repurchase of shares (Note 9)	-	-	-
Balance at December 31, 2018	**$ 8,339,512**	**$ 122,361,543**	**$ 130,701,055**

See notes to consolidated financial statements

VBT HOLDINGS, LTD.
Consolidated Statements of Cash Flows
for the year ended December 31, 2018
(expressed in United States dollars)

	2018	2017
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Total comprehensive income for the year	**$ 7,052,867**	$ 12,589,322
Add (deduct) items not involving the movement of funds:		
Net gain/(loss) on investments	**4,460,954**	(29,623)
Net foreign exchange (gain)/loss	**1,028,294**	(4,002,670)
Net gain on forward foreign currency exchange contracts	**388,536**	2,435,764
Depreciation on fixed assets	**2,030**	6,879
Net change in non-cash operating balances relating to operations:		
Loans and advances	**(1,100,000)**	(1,110,000)
Interest receivable	**317,891**	691,152
Other receivables	**64,107**	17,484
Deposits	**(58,877,279)**	(83,286,018)
Interest payable	**52,485**	5,317
Accounts payable and accrued expenses	**(369,002)**	315,342
Other assets	**3,205**	1,087
Other liabilities	**(470,797)**	184,464
Net cash used in operating activities	**(47,446,709)**	(72,181,500)
INVESTING ACTIVITIES		
Purchase of office furnishings, equipment and leasehold	**-**	(4,885)
Net payments/receipts on purchases/sale of investments	**54,249,624**	54,186,148
Amortization	**7,450,987**	4,283,874
Net receipt/payment on foreign currency	**(451,231)**	(1,567,291)
Net cash provided by (used in) investing activities	**61,249,380**	56,897,846
FINANCING ACTIVITIES		
Repurchase of shares	**$ -**	$ (4,871,764)
Dividends paid	**(4,633,063)**	(4,788,913)
Net cash used in financing activities	**(4,633,063)**	(9,660,677)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	**9,169,608**	(24,944,331)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**21,053,339**	45,997,670
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 30,222,947**	$ 21,053,339
SUPPLEMENTARY CASH FLOW INFORMATION:		
Interest received	**$ 9,941,364**	$ 11,442,360
Interest paid	**(119,067)**	(64,683)
Taxes paid	**(109,682)**	(255,862)

See notes to consolidated financial statements

1. INCORPORATION AND BACKGROUND INFORMATION

VBT Holdings, Ltd. and its subsidiaries (the "Group") was incorporated as an exempted company under the Companies Law of the Cayman Islands on July 13, 2006 and is listed on the Cayman Islands Stock Exchange. The Group is the sole shareholder of VBT Bank & Trust, Ltd. (the "Bank"), an entity incorporated as an exempted company under the Companies Law of the Cayman Islands on March 23, 1987 and Venecredit Securities, Inc. (the "Broker-Dealer"), an entity registered with the Securities Exchange Commission ("SEC") (together the "Subsidiaries"). The Bank holds a category 'B' Banking and Trust licence under the Banks and Trust Companies Law, a Mutual Fund Administrator's licence under the Mutual Funds Law of the Cayman Islands, as well as a Securities Investment Business licence under the Securities Investment Business Law of the Cayman Islands. The Bank is a Broker Member of the Cayman Islands Stock Exchange and a member of VISA International. It is engaged in providing offshore banking and trust services to Venezuelan clients.

The principal place of business of the Group is 2nd Floor, The Harbour Centre, 42 North Church Street, George Town, P.O. Box 454, Grand Cayman KY1-1106, Cayman Islands. The consolidated financial statements of the Group are presented in United States dollars, which is the principal currency used in its transactions. The United States dollar ("US$") is a functional currency in the Cayman Islands and the Cayman Islands dollar ("KYD") is pegged to the United States dollar with an official exchange rate of US$1.20 to each Cayman Islands dollar.

The consolidated financial statements were authorised for issue by the Board of Directors on March 29, 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"):

These consolidated financial statements are presented in United States dollars (US$) which is the Group's functional currency. This is the first set of the Group's annual financial statements in which IFRS 15: *Revenue from Contracts with Customers* and IFRS 9: *Financial Instruments* have been applied. The changes to significant accounting policies are discussed below. The significant accounting policies and their effect on the consolidated financial statements are as follows:

Basis of preparation

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

Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group 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 Subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Transactions eliminated on consolidation

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

Use of judgement and estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgement, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the year. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revision to estimates are recognized prospectively.

Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2018, and have not been applied in preparing these financial statements.

The Group is required to adopt IFRS 16 *Leases* from January 1, 2019. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lease recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard.

The directors do not anticipate that the adoption of the above standard in future periods will have a material impact on the financial statements of the Group in the period of its initial adoption.

Change in Accounting Policies

The Group has initially adopted IFRS 9 and IFRS 15 from January 1, 2018.

As permitted by the transition provisions of IFRS 9, comparative information throughout these consolidated financial statements has not generally been restated to reflect the requirements of the standard.

The adoption of IFRS 15 did not impact the timing or amount of fee and commissions income from contracts with customers and the related assets and liabilities recognised by the Group.

Accordingly, the impact on the comparative information is limited to new disclosure requirements.

The effect of initially applying these standards is mainly attributed to the following:

- Additional disclosures related to IFRS 9; and
- Additional disclosures related to IFRS 15.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (continued)

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement.*

The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require:

- impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. Under IAS 39, impairment was recognised when losses were incurred. The Group did not previously report any incurred losses; and
- separate presentation in the statement of comprehensive income of interest revenue calculated using the effective interest method.

Additionally, the Group has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures, which are applied to disclosures about 2018 but have not generally been applied to comparative information.

Classification and measurement of financial assets and financial liabilities since January 1, 2018

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see Note 2 Financial Instruments.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at January 1, 2018.

(expressed in United States dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (continued)

The effect of adopting IFRS 9 on the carrying amounts of financial assets at January 1, 2018 relates solely to the new impairment requirements.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortised cost	30,222,947	30,222,947
Investments	FVTPL	FVTPL	330,023,455	330,023,455
Interest receivables	Loans and receivables	Amortised cost	2,021,741	2,021,741
Other receivables	Loans and receivables	Amortised cost	1,200,228	1,200,228
Loans and advances	Loans and receivables	Amortised cost	6,065,000	6,065,000
Other assets	Loans and receivables	Amortised cost	19,328	19,328
Total Financial assets			369,552,699	369,552,699
Financial liabilities				
Demand deposits	Other financial liabilities	Amortised cost	201,545,878	201,545,878
Time deposits	Other financial liabilities	Amortised cost	32,392,343	32,392,343
Interest payable	Other financial liabilities	Amortised cost	62,589	62,589
Accounts payable and accrued expenses	Other financial liabilities	Amortised cost	4,838,927	4,838,927
Other liabilities	Other financial liabilities	Amortised cost	11,907	11,907
Total Financial liabilities			238,851,644	238,851,644

Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The Group has not recognised any impairment of financial assets measured at amortised cost.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below. The impact of the expected credit loss model was assessed to be immaterial to the Group. Therefore no adjustment was made to the Group’s opening January 1, 2018 retained earnings to reflect the application of the new requirements of Impairment and Classification and Measurement at the adoption date. The Group took advantage of the exemption allowing the Group not to restate comparative information for prior periods.

Comparative periods have not generally been restated.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (continued)

Transition (continued)

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.

Financial instruments

(i) Initial Recognition

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

Financial liabilities are not recognised unless one of the parties has performed or the contract is a derivative contract not exempted from the scope of IAS 39 Financial Instruments: Recognition and Measurement.

Loans and advances are recognised on the day they are granted by the Group.

(ii) Classification

Financial assets – Policy applicable from January 1, 2018.

On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI or FVTPL.

A financial assets is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

– The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
– The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

All other financial assets are classified as measured at FVTPL.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed and performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Financial assets – Assessment of whether contractual cash flows are solely payments of principal and interest: Policy applicable from January 1, 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows;
- Leverage features;
- Prepayment and extension features;
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features); and
- Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Group holds a portfolio of short-term fixed rate loans for which the Group does not revise the interest rate or payment dates. As such there is not a contractual term which changes the timing or amount of contractual cash flows. Therefore the Group has determined that the contractual cash flows of these loans are SPPI.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial assets classification – Policy applicable prior to January 1, 2018.

The Group has designated all of its debt and equity investments, commercial paper and derivative financial instruments into the financial instruments at fair value through profit or loss category.

Financial instruments at fair value through profit or loss are financial instruments designated as either held-for-trading, which implies that the Group holds such instrument for the purpose of short-term profit taking or, designated at fair value through profit or loss at inception.

The Group has designated its investments in debt and equity instruments, forward foreign currency exchange contracts as held-for-trading financial instruments. 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. The Group does not classify any derivatives as hedges.

The Group has designated its investments in mutual fund participation units and private investment funds as fair value through profit or loss at inception.

Financial assets classified as loans and receivables include cash and cash equivalents, loans and advances, interest receivable and other receivables.

Financial liabilities not at fair value through profit or loss include demand and time deposits, interest payable, accounts payable and accrued expenses, and other liabilities.

(iii) Measurement

Policy applicable from January 1, 2018:

Financial assets at FVTPL: these are subsequently measured at fair value. Net gain and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortized cost: these assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI: interest are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gain and losses are recognised in other comprehensive income (OCI). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Policy applicable prior to January 1, 2018:

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, are measured at amortised cost less impairment losses, if any.

(iv) Fair Value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Group measures instruments quoted in an active market at a mid price, because this price provides a reasonable approximation of the exit price.

The Group values investments in mutual fund participation units and private investment funds primarily at the net asset values and other information provided by management of each of the underlying investee funds. Investments held by these investee funds are valued at prices which approximate fair value. The fair value of certain of the investments within the underlying investee funds, which include private placements and other securities for which values are not readily available, are determined in good faith by the respective underlying investee funds. The estimated fair values may differ from the values that would have been used had a readily available market existed for these investments. Net asset valuations are generally provided monthly, quarterly, or annually by these funds.

(v) Amortized Cost

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(vi) Impairment

Policy applicable from January 1, 2018:

The Group recognizes loss allowances for expected credit loss “ECLs” on financial assets measured at amortized cost.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

- Financial assets that are determined to have low credit risk at the reporting date; and
- Other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- The financial asset is more than 90 days past due.

The Group considers a financial asset to have low credit risk when the credit rating of the counterparty is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be Baa3 or higher per S&P or BBB- or higher per Moody's and Fitch.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset or a group of financial assets is "impaired" if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset(s) and that loss event(s) had an impact on the estimated future cash flows of that asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of the amount due on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or adverse changes in the payment status of the borrower.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due; or
- It is probable that the borrower will enter bankruptcy or other financial reorganization.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment- Policy applicable prior to January 1, 2018:

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset or a group of financial assets is "impaired" if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset(s) and that loss event(s) had an impact on the estimated future cash flows of that asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of the amount due on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or adverse changes in the payment status of the borrower.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortized cost decreases and the decrease can be linked objectively to an event occurring after the write- down, the write-down is reversed through the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

(vii) Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognized in the statements of comprehensive income. Any interest in such transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability. The Group derecognizes financial liabilities when its contractual obligations are discharged or cancelled, or expire.

(viii) Offsetting

The Group only offsets financial assets and financial liabilities if the Group has a legally enforceable right to offset the recognised amounts and either intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(ix) Specific instruments

Cash and cash equivalents

Cash and cash equivalents are comprised of cash at banks and with brokers, call deposits, money market funds and repurchase agreements with original maturity dates of three months or less when purchased.

Forward contracts

The Group may enter into forward foreign currency exchange contracts primarily to hedge against foreign currency exchange rate risk on its non-US$ denominated investments. When entering into a forward foreign currency exchange contract, the Group agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date.

These contracts are valued daily, and the Group’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 the forward rates at the reporting date, as included in the statements of financial position. Realised and unrealised gains and losses are included in the statements of comprehensive income. These instruments involve market and credit risks in excess of the amounts recognised in the statements of financial position. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in foreign currency exchange rates.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are translated at rates of exchange ruling on the date of the transaction. Assets and liabilities are translated at the rate of exchange prevailing at the year end date. Income and expenses are translated at the rate of exchange prevailing on the date the income or expense is recognised. Exchange gains and losses are included in the statements of comprehensive income.

Loans receivable

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

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

Interest income and expense

Interest income and expense are recognised in the consolidated statements of comprehensive income as it accrues.

Dividend income

Dividend income is recognised when the Group's right to receive the payment is established.

Fees and commissions

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

Taxation

There are no taxes on income or gains in the Cayman Islands and the Group has received an undertaking from the Governor in Cabinet of the Cayman Islands exempting it from local taxes on all income, profits, gains and appreciations until 2027. In addition, management believes that the Group is not subject to taxation by any other jurisdiction. Accordingly, no provision for income taxes is included in these consolidated financial statements. The Broker-Dealer is subject to taxation in the United States of America and accordingly a provision for income taxes of $117,540 (2017: $215,468) has been included in the consolidated statements of comprehensive income.

Revenue from contracts with customers

The accounts for contracts with customers that fall within the scope of IFRS 15: Revenue from Contracts with Customers only when all of the following criteria are met:

– The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
– The Group can identify each party's rights regarding the goods or services to be transferred;
– The Group can identify the payment terms for the goods or services to be transferred;

(expressed in United States dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

– The contract has commercial substance (i.e. the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract); and
– It is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due. The amount of consideration to which the Group will be entitled may be less than the price stated in the contract if the consideration is variable because the Group may offer the customer a price concession.

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms and the related revenue recognition policies.

Type of Service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from January 1, 2018)
Retail and corporate banking service	The Group provides banking services to retail and corporate customers, including account management, foreign currency transactions, loan facilities, credit card and servicing fees. Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place. Interest income is calculated on a monthly basis and are based on rates reviewed an ongoing basis by the Group.	Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.
Asset management service	The Group provides asset management services. Fees for asset management services are calculated monthly based on a fixed percentage of the net asset value and are paid a quartely basis.	Revenue from asset management services is recognised over time as the services are provided.

3. INVESTMENTS

	2018	2017
Corporate bonds	$ 224,129,517	$ 273,608,078
Mortgage and asset-backed obligations	41,960,150	39,339,286
Private investment funds	24,160,879	45,002,627
Mutual fund participation units	15,492,514	14,506,839
Private equity funds	9,336,324	6,748,312
Equity securities	8,291,431	9,928,679
United States treasury notes	5,969,497	7,511,689
Certificates of deposit	441,860	267,985
Municipal bonds	241,283	299,819
	$ 330,023,455	$ 397,213,314

(expressed in United States dollars)

3. INVESTMENTS (continued)

The mutual fund participation units are funds for which the Bank acts as trustee or investment manager. At December 31, 2018, the total outstanding commitments by the Group to the private equity funds amounts to $7,453,805 (2017: $8,596,145).

Interests in unconsolidated structured entities

The Group considers its investments in the mutual fund participation units and the private equity fund to be unconsolidated structured entities, as defined in IFRS 12, *Disclosure of Interests in Other Entities*. The Group holds units or partnership capital in each of the mutual fund participation units and the private equity fund. The mutual fund participation units and the private equity fund finance their operations through issuance of redeemable units/partnership capital that entitle the unitholder/partner to a proportional stake in mutual fund participation units' and the private equity fund's net assets / partnership capital. The Group's investments in the mutual fund participation units and the private equity fund are disclosed as investments on the consolidated statements of financial position.

As of December 31, 2018, the exposure to investments in the mutual fund participation units and the private equity fund are disclosed in the following table:

Type of structured entity	Number of structured entities	Total net assets/ partners capital of the structured entities	Carrying value of the Group's holdings in the structured entities
Private investment funds	4	$ 182,574,737	$ 24,160,879
Private equity funds	3	$ 225,636,514	$ 9,336,324

As of December 31, 2017, the exposure to investments in the mutual fund participation units and the private equity fund are disclosed in the following table:

Type of structured entity	Number of structured entities	Total net assets/ partners capital of the structured entities	Carrying value of the Group's holdings in the structured entities
Private investment funds	4	$ 200,244,071	$ 45,002,627
Private equity funds	3	$ 173,414,067	$ 6,748,312

The maximum exposure to loss is equal to the fair value of the of Group's investments in the mutual fund participation units and the private equity fund.

During the year, the Group did not provide financial support to either the mutual fund participation units or the private equity fund, nor does it have the intention of providing financial or other support.

The Group is permitted to redeem out of the mutual fund participation units weekly and the private equity fund are locked up.

4. DERIVATIVES

A forward contract is an over-the-counter contractual commitment to purchase or sell a specified amount of a financial instrument or foreign currency at a future date at a pre-determined price. These financial instruments involve, to varying degrees, elements of market risk in excess of amounts recognised in the consolidated statements of financial position. Whilst the contract or notional amounts reflect the involvement of the Group in these financial instruments, risks arise from the possible adverse movements in foreign currency exchange rates. Forward contracts are not guaranteed by any regulated exchange. Accordingly, an element of credit risk exists due to the possible non-performance of counterparties to forward contracts.

At December 31, 2018, the Group does not hold any open forward foreign currency contracts. At December 31, 2017, the unrealised gain on the Group's holdings in open forward foreign currency exchange contracts translated in United States dollars are as follows:

2017

Type of contract	Notional amount of underlying currency	Notional amount of measurement currency	Expiry	Unrealised depreciation
Euro hedge	EUR (18,850,000)	$ 22,566,730	January 16, 2018	$ (62,695)

Offsetting

The Group's forward foreign currency contracts held as of December 31, 2017 with one of its brokers are subject to agreements similar to master netting agreements which grant the Group and the counterparty the right to offset recognised assets and liabilities in the consolidated statements of financial position should certain conditions exist.

The following tables present the potential effect of offsetting assets and liabilities as of December 31, 2017:

	(a)	(b)	(c) = (a) - (b)	(d)		(e) = (c) - (d)
				Related amounts not set off in the statement of financial position		
Description	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Financial Instruments	Cash Collateral pledged *	Net Amount *
Derivatives	$ (62,695)	$ -	$ (62,695)	$ -	$ 62,695	$ -
Total	$ (62,695)	$ -	$ (62,695)	$ -	$ 62,695	$ -

4. DERIVATIVES (continued)

Offsetting (continued)

* Collateral amounts do not include the effect of over collateralisation.

At December 31, 2017, cash amounting to $1,404,610 was pledged as collateral towards forward foreign currency exchange contracts held with a broker.

5. CASH AND CASH EQUIVALENTS

	2018	2017
Cash at bank and with brokers	$ 24,963,854	$ 14,659,188
Money market funds	4,246,573	4,989,541
Collateral	1,012,520	1,404,610
Total	$ 30,222,947	$ 21,053,339

Included in cash and cash equivalents is a balance of $246,166 (2017: $102,046) which is restricted from use as it represents subscriptions received in advanced net of redemptions payable for mutual funds for which the Bank acts as trustee and $100,000 as deposit with clearing organization (2017: $100,000) (see Notes 7 and 14).

6. LOANS AND ADVANCES

Loans and advances during the year were issued on a secured basis in United States dollars. At December 31, 2018, interest rates on loans outstanding range from 4.5% to 6.5% (2017: 3.01% to 5.5%).

The composition of the loan portfolio by type of debtor is as follows:

	Maturity Range	2018
Individuals	January 08, 2019 - August 15, 2019	$ 3,470,000
Corporations	March 25, 2019 - June 10, 2019	2,595,000
		$ 6,065,000

	Maturity Range	2017
Individuals	January 08, 2018 - July 12, 2018	$ 2,065,000
Corporations	March 26, 2018 - December 10, 2018	2,900,000
		$ 4,965,000

(expressed in United States dollars)

6. LOANS AND ADVANCES (continued)

At December 31, 2018 and 2017, all loans are to debtors in Venezuela, and are fully collateralised. Management has determined that all loans are collectible, and accordingly, no impairment provision is included in these consolidated financial statements.

7. OTHER RECEIVABLES AND OTHER LIABILITIES

At December 31, 2018, other liabilities include subscriptions received in advance of $246,166 (2017: $102,046) for mutual funds for which the Bank acts as trustee (see Note 14).

8. TIME AND DEMAND DEPOSITS

The time deposits pay interest at rates ranging from 0.01% to 0.04% (2017: 0.01% to 0.04%). Demand deposits pay interest at a rate of -0.6% to 0.01% (2017: -0.6 to 0.01%).

9. SHARE CAPITAL

	2018	2017
Authorised:		
388,800 (2017: 388,800) ordinary shares of $22.50 (2017: $22.50) each	$ 8,748,000	$ 8,748,000
Issued and fully paid:		
Balance at beginning of year		
370,645 (2017: 383,287) ordinary shares of $22.5 (2017: $22.50) each	8,339,512	8,623,957
Repurchased shares: nil (2017: 12,642) ordinary shares of $22.50 (2017: $22.50) each	-	(284,445)
Balance at end of year		
370,645 (2017: 370,645) ordinary shares of $22.50 (2017: $22.50) each	$ 8,339,512	$ 8,339,512

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.

The Directors resolved to approve a cash dividend consisting of $12.50 per share (2017: $12.50 per share) to the shareholders registered as at April 18, 2018 in the amount of $4,633,063 (2017: $4,788,913).

On May 30, 3012, the directors resolved to repurchase up to $7,500,000 ordinary shares at their nominal value of $22.50 each. An extraordinary general meeting was held on June 18, 2012, whereby shareholders approved the offer by passing an ordinary resolution. For the year ended December 31, 2018, nil shares (2017: 12,642) were repurchased for a total consideration of $nil (2017: $4,871,764) using the published price on the Cayman Islands Stock Exchange.

(expressed in United States dollars)

10. CONTINGENT LIABILITIES AND COMMITMENTS

The Group has entered into a commercial lease on its premises.

Future minimum lease payments under a non-cancellable operating lease as at December 31, 2018 and 2017 are as follows:

	2018	2017
Within one year	$ 182,575	$ 179,362
After one year but not more than five years	110,901	263,475
Total	$ 293,476	$ 442,837

With the exception of the commitments disclosed above, the Group does not have any other contingent liabilities or commitments. The Group, in its fiduciary capacity, may be a party to litigation and claims in the normal course of business. In the opinion of the Directors, which is based on the advice of the Group's lawyers, no provisions are required at December 31, 2018 and 2017.

The Group has entered into a Letter of Credit (the "Credit Agreement") with one counterparty (2017: one counterparty). Advances under the Credit Agreement are secured by cash and investments at the counterparty. Under the Credit Agreement, the Bank is permitted to borrow up to $100,000 (2017: $100,000). As of December 31, 2018 and 2017, the Bank had no outstanding balances under the Credit Agreement.

11. RELATED PARTY TRANSACTIONS

Included in the consolidated financial statements are the following balances and transactions with related parties other than those disclosed elsewhere:

	2018	2017
Consolidated statements of financial position:		
Investments	$ 24,160,879	$ 44,996,261
Cash and cash equivalents	215,351	61,331
Other receivables	424,915	529,959
Loans and advances	2,525,000	1,165,000
Demand deposits	(16,950,632)	(28,711,992)
Time deposits	(12,702,090)	(10,481,165)
Accounts payable and accrued expenses	(2,118,431)	(3,012,532)
Consolidated statements of comprehensive income:		
Trustee fee income	1,751,236	1,707,788
Management fee income	48,918	59,283
Loans and advances interest income	91,973	53,273
Net gain (loss) on investments	(3,509,987)	1,436,631
Direct operating expenses	(585,094)	(545,355)
Operating /commissions expenses	(1,011,000)	(2,372,000)
Miscellaneous	(121,612)	(73,567)
Professional services	(33,000)	(29,250)

(expressed in United States dollars)

11. RELATED PARTY TRANSACTIONS (continued)

Included in the consolidated financial statements are demand deposits of $349,995 (2017: $1,257,444) and time deposits of $410,137 (2017: $410,085) relating to customers for which the Bank acts as trustee.

The Broker-Dealer acts as an introducing broker for the Group and is regulated by the U.S. Financial Industry Regulatory Authority ("FINRA"). The Broker-Dealer clears and carries its securities on a fully-disclosed basis with Pershing LLC, a subsidiary of the Bank of New York Mellon. Included in the consolidated financial statements are the following balances held by Pershing LLC on the Group's behalf:

	2018	2017
Consolidated statements of financial position:		
Investments	$ 165,981,317	$ 211,911,802
Cash and cash equivalents	1,282,176	601,100
Interest receivable	1,308,272	1,750,114

The above transactions with related parties are at normal commercial terms.

12. INTEREST INCOME

	2017	2016
FVTPL		
Investments	$ 9,262,505	$ 10,495,703
Amortised cost		
Short term time deposit	30,091	12,807
Loans and advances	330,877	242,698
	$ 9,623,473	$ 10,751,208

13. INTEREST EXPENSE

	2018	2017
Deposits:		
Demand	$ (29,214)	$ (35,995)
Time	183,092	74,566
Others	17,674	31,429
	$ 171,552	$ 70,000

14. TRUST ACTIVITIES AND MANAGED COMPANIES

The Group provides trust services to individuals, trusts and other institutions whereby it holds and manages assets or invests funds received in various financial instruments at the direction of the customer. The Group receives fee income for providing these services. Trust assets are not assets of the Group and are not recognised in the consolidated statements of financial position, except for customer deposits placed with the Group. The Group is not exposed to any credit risk relating to such placements, as it does not guarantee these investments. At December 31, 2018 the total trust assets was $7,750,749 (December 31, 2017: $11,787,160).

15. FAIR VALUE INFORMATION

Fair value hierarchy

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.

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

The Group's accounting policy on fair value measurements is discussed in Note 2 (iv).

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2 Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques for which all significant inputs are directly or indirectly observable from market data.

Level 3 Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted prices or dealer price quotations. The Group's investments in mutual fund participation units not otherwise traded on a securities exchange are classified within level 2 or level 3 of the fair value hierarchy as the value of these interests are primarily based on the respective net asset value reported by management of each mutual fund participation units rather than actual market transactions and other observable market data. The determination of whether such investment will be classified in level 2 or level 3 is assessed at the trust or class level and based upon the ability to redeem such investment within a reasonable period of time (within 90 days of the period end).

(expressed in United States dollars)

15. FAIR VALUE INFORMATION

Fair value hierarchy (continued)

If an investment in a mutual fund participation units may be redeemed within 90 days of the year end and any other month-end and the fair value of the investment is based on information provided by management of the underlying fund, it is classified as level 2; in all other cases it will be classified as level 3. For all other financial instruments the Group determines fair values using valuation techniques.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments such as forward foreign currency exchange contracts that use only observable market data and require little management judgement and estimation.

Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The tables below provide an analysis of the basis of measurement used by the Group to fair value its financial instruments carried at fair value, categorised by the fair value hierarchy at December 31, 2018 and 2017:

2018

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Equity securities				
Financial	$ 8,291,431	$ -	$ -	$ 8,291,431
Debt securities				
Corporate bonds	159,135,506	64,994,011	-	224,129,517
Mortgage and asset-backed obligations	1,415,840	40,544,310	-	41,960,150
Municipal bonds	-	241,283	-	241,283
United States treasury notes	5,969,497	-	-	5,969,497
Certificates of deposit	-	441,860	-	441,860
Private investments funds				
Liquidity	-	7,767,410	-	7,767,410
Long equity	-	10,196,863	-	10,196,863
European markets	-	6,146,606	-	6,146,606
Multi-strategy	-	50,000	-	50,000
Mutual funds participation units				
Multi-strategy	-	15,492,514	-	15,492,514
Private equity funds	-	-	9,336,324	9,336,324
	$ 174,812,274	$ 145,874,857	$ 9,336,324	$ 330,023,455
Financial liabilities at fair value through profit or loss				
Derivative financial instruments				
Foreign currency contracts	-	-	-	-
	$ 174,812,274	$ 145,874,857	$ 9,336,324	$ 330,023,455

15. FAIR VALUE INFORMATION (continued)

Fair value hierarchy (continued)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The Group recognises transfers in and out of levels at January 1, 2018, if any. There were no transfers between Level 1, 2 or 3 during the year.

The following table shows reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	Private Equity
Balance beginning of year	$ 6,748,312
Total gains recognised in the consolidated statements of comprehensive income	1,674,526
Purchases	1,071,715
Sales	(158,229)
Balance end of year	$ 9,336,324
Total gains recognised in the consolidated statements of comprehensive income for assets and liabilities held at the end of the year, as presented in the consolidated statements of comprehensive income	$ 1,674,526

Level 3 valuation techniques

Private investments – The fair value of the Level 3 closed ended investment is determined by the most recent investor statement as provided by the investment entity.

(expressed in United States dollars)

15. FAIR VALUE INFORMATION (continued)

Fair value hierarchy (continued)

2017

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Equity securities				
Financial	$ 9,928,680	$ -	$ -	$ 9,928,680
Debt securities				
Corporate bonds	187,143,580	86,464,499	-	273,608,079
Mortgage and asset-backed obligations	1,354,857	37,984,429	-	39,339,286
Municipal bonds	-	299,819	-	299,819
United States treasury notes	7,511,689	-	-	7,511,689
Certificates of deposit	-	267,985	-	267,985
Private investments funds				
Liquidity	-	27,267,050	-	27,267,050
Long equity	-	10,694,246	-	10,694,246
European markets	-	6,991,331	-	6,991,331
Multi-strategy	-	50,000	-	50,000
Mutual funds participation units				
Multi-strategy	-	14,506,837	-	14,506,837
Private equity funds	-	-	6,748,312	6,748,312
	205,938,806	184,526,196	6,748,312	397,213,314
Financial liabilities at fair value through profit or loss				
Derivative financial instruments				
Foreign currency contracts	-	(62,695)	-	(62,695)
	$ 205,938,806	$ 184,463,501	$ 6,748,312	$ 397,150,619

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The Group recognises transfers in and out of levels at January 1, 2017, if any. There were no transfers between Level 1, 2 or 3 during the year.

15. FAIR VALUE INFORMATION (continued)

Fair value hierarchy (continued)

The following table shows reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	Private Equity
Balance beginning of year	$ 5,526,184
Total gains (losses) recognised in the consolidated statements of comprehensive income	643,134
Purchases	2,239,455
Sales	(1,660,461)
Balance end of year	$ 6,748,312
Total gains (losses) recognised in the consolidated statements of comprehensive income for assets and liabilities held at the end of the year, as presented in the consolidated statements of comprehensive income	$ 1,089,377

Level 3 valuation techniques

Private investments – The fair value of the Level 3 closed ended investment is determined by the most recent investor statement as provided by the investment entity.

Cash and cash equivalents

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

Financial assets and liabilities at fair value through profit or loss, and loans and receivables

Investments and derivative financial instruments such as forward contracts are considered trading instruments and are carried at market foreign exchange rate and contractual foreign exchange rate, which approximate fair value.

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.

Accounts payable and accrued expenses, interest payable and other liabilities

Accounts payable and accrued expenses and other liabilities are measured at amortised cost.

15. FAIR VALUE INFORMATION (continued)

The Group's investment objective is capital preservation with moderate growth, by maximizing risk-adjusted returns through top credit quality investments in international markets, mainly in the United States of America, while maintaining sufficient diversification and liquidity.

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

16. RISK MANAGEMENT DISCLOSURES

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: foreign currency risk, interest rate risk and other price risks, such as equity price risk.

Management constantly monitors its portfolio market risk exposure to determine the potential loss in value from unexpected changes in interest rates, which can significantly alter the Group's profitability and market value of equity. Every week, the Asset and Liability Management and Investment Committee (Investment Committee) reviews and monitors the Group's strategies to achieve the optimal risk/reward scenario. The committee's primary responsibility is interest rate risk management.

(i) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. In order to improve its returned yield, the Group invests a portion of the portfolio in currencies different to the United States dollar. The Board manages currency risk by entering into forward foreign currency exchange contracts (see Note 4).

The currency exposure stated in United States dollars at December 31, 2018 and 2017 is as follows:

	2018		
	Notional on derivatives	Net assets (liabilities) on non-derivatives	Net exposure
Euro	$ -	$ 19,641,579	$ 19,641,579
British pound	-	7,860	7,860
Swiss franc	-	215,948	215,948
Other	-	5,055	5,055
	$ -	$ 19,870,442	$ 19,870,442

(expressed in United States dollars)

16. RISK MANAGEMENT DISCLOSURES (continued)

Market risk (continued)

(i) Currency risk (continued)

	2017		
	Notional on derivatives	Net assets (liabilities) on non-derivatives	Net exposure
Euro	$ (22,566,730)	$ 23,094,953	$ 528,223
British pound	-	33,769	33,769
Swiss franc	-	344,188	344,188
Other	-	17,304	17,304
	$ (22,566,730)	$ 23,490,214	$ 923,484

A 10% strengthening of the US dollar against foreign currencies at December 31, 2018 would have decrease shareholder's equity by $1,987,044 (2017: $92,348). For a 10% weakening of the US dollar against foreign currencies there would have been an equal and opposite impact on shareholder's equity.

(ii) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. The Board monitors interest rate risk by seeking to match specific liability obligations due at specific times to a portfolio of bonds in a way that minimises the portfolio's exposure to the uncertainty of returns due to possible changes in interest rates over time. However, as interest rates can be volatile, the Group uses duration as a measure of the portfolio sensitivity. The portfolio is divided by maturity tranches and compared to its corresponding liability term tranche. Modified duration is also used to approximate the measurable change in value of the securities held in response to a change in interest rates. Positive or negative duration gap strategies are decided by the Investment Committee according to their interest rate movement estimations.

(expressed in United States dollars)

16. RISK MANAGEMENT DISCLOSURES (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

The following tables detail the interest rate profile of the Group's financial assets and liabilities as at December 31, 2018 and 2017.

2018

	Range of interest rates		Less than three months	Between three months and one year	More than one year	Non-interest bearing	Total
Financial assets							
Investments	0-9.25	%	$ 45,650,363	$106,008,492	$121,083,452	$ 57,281,148	$ 330,023,455
Cash and cash equivalents	0-1.00	%	30,222,947	-	-	-	30,222,947
Loans and advances	4.5-6.5	%	1,135,000	4,930,000	-	-	6,065,000
Interest receivable	N/A		-	-	-	2,021,741	2,021,741
Other receivables	N/A		-	-	-	1,200,228	1,200,228
Fixed assets	N/A		-	-	-	2,590	2,590
Other assets	N/A		-	-	-	16,738	16,738
			$ 77,008,310	$110,938,492	$121,083,452	$ 60,522,445	$ 369,552,699
Financial liabilities							
Demand deposits	-0.6 - 0.01%	%	$(201,545,878)	$ -	$ -	$ -	$(201,545,878)
Time deposits	0.01-0.4	%	(30,099,054)	(2,293,289)	-	-	(32,392,343)
Interest payable	N/A		(62,589)	-	-	-	(62,589)
Accounts payable and accrued expenses and other liabilities	N/A		-	-	-	(4,850,834)	(4,850,834)
			$(231,707,521)	$ (2,293,289)	$ -	$ (4,850,834)	$(238,851,644)
Total interest sensitivity gap			$(154,699,211)	$108,645,203	$121,083,452	$ 55,671,611	$ 130,701,055

2017

	Range of interest rates		Less than three months	Between three months and one year	More than one year	Non-interest bearing	Total
Financial assets							
Investments	0-9.70	%	$ 55,784,675	$156,731,459	$108,510,723	$ 76,186,457	$ 397,213,314
Cash and cash equivalents	0-1.00	%	21,053,339	-	-	-	21,053,339
Loans and advances	3.02-5.5	%	1,465,000	3,500,000	-	-	4,965,000
Interest receivable	N/A		-	-	-	2,339,632	2,339,632
Other receivables	N/A		-	-	-	1,264,335	1,264,335
Fixed assets	N/A		-	-	-	4,620	4,620
Other assets	N/A		-	-	-	19,943	19,943
			$ 78,303,014	$160,231,459	$108,510,723	$ 79,814,987	$ 426,860,183
Financial liabilities							
Demand deposits	-0.6 - 0.01%	%	(256,970,305)	-	-	-	$(256,970,305)
Time deposits	0.01-0.04	%	(35,817,342)	(27,853)	-	-	(35,845,195)
Unrealised depreciation on forward foreign currency exchange contracts	N/A		(62,695)	-	-	-	(62,695)
Interest payable	N/A		(10,104)	-	-	-	(10,104)
Accounts payable and accrued expenses and other liabilities	N/A		-	-	-	(5,690,633)	(5,690,633)
			$(292,860,446)	$ (27,853)	$ -	$ (5,690,633)	$(298,578,932)
Total interest sensitivity gap			$(214,557,432)	$160,203,606	$108,510,723	$ 74,124,354	$ 128,281,251

(expressed in United States dollars)

16. RISK MANAGEMENT DISCLOSURES (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

The Group holds cash balances, corporate obligations, and structured products that bear interest at floating or fixed rates. As such, the Group is exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

At December 31, 2018 and 2017, the fair value of the Group's interest bearing debt instruments grouped by fixed or floating rates, are as follows:

	2018	2017
Floating interest rate financial assets	$ 32,185,446	$ 46,115,373
Fixed interest rate financial assets	$ 240,556,861	$ 274,643,499

With respect to the Group's fixed-rate debt instruments, if interest rates had been 1% higher, and all other variables held constant, the Group's consolidated comprehensive income for the year ended December 31, 2018 would have decreased by $2,377,218 (2017: $2,215,670), resulting from a change in fair value of such instruments. If interest rates had been 1% lower, and all other variables were held constant, the Group's comprehensive income for the year ended December 31, 2018 would have increased by $2,377,218 (2017: $2,215,670).

With respect to income on floating-rate debt instruments, if interest rates had been 1% higher or lower, and all other variables were held constant, the Group's consolidated comprehensive income for the year ended December 31, 2018 would have increased or decreased by $34,495 (2017: $461,154). This analysis is based on floating-rate instruments held at period end, and assumes the change in interest rates took place at the beginning of the year, and held constant throughout the year.

The Group is also subject to interest rate risk on its cash and cash equivalents and deposits balances. Deposits generally attract fixed deposit interest rates, while cash and cash equivalents are invested at short-term market rates. The Group's exposure to interest rate risk on these balances are considered to be insignificant.

(iii) Other price risk

Other price risks relate to the risks that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. These risks include equity price risk.

Equity price risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in equity prices, whether caused by factors specific to an individual investment, or factors affecting all instruments traded in the market.

16. RISK MANAGEMENT DISCLOSURES (continued)

Market risk (continued)

The Group manages its equity price risk in accordance with the Group's investment objective and policies. The Group's overall market positions are monitored on a monthly basis by the Directors.

At December 31, 2018, the Group was exposed to equity price risk on exchange traded equities with a fair value of $8,291,431 (2017: $9,928,679). If equity prices had been 10% higher or lower, and all other variables were held constant, the Group´s comprehensive income for the year ended December 31, 2018 would have increased or decreased by $829,143 (2017: $992,868).

The Group's investment assets also include a portfolio of underlying funds that may expose the Group to varying market risks, including risks relating to changes in interest and currency rates and risks associated with investing in various equity, fixed income and derivative markets. The underlying funds may have varying degrees of long and/or short exposure to these market risks. There are many risk measures used by management to report to the Directors and shareholders; however, one generally understood measure is annualized volatility, which is calculated as the standard deviation of the last 12 monthly returns of the funds. This figure is based upon historical data of the funds but provides useful information as to the likely variability in the net asset value per share of an investment in the funds. Historical data is not necessarily indicative of future performance.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal circumstances. The Group seeks to minimize risk and expect low volatility by investing mainly in fixed income and money market securities. The intention is to look for bonds with maturities or durations that match the Group's liabilities.

In general, the liabilities are matched in term and amount by the assets as investments may generally be readily sold to meet short-term obligations.

(expressed in United States dollars)

16. RISK MANAGEMENT DISCLOSURES (continued)

Liquidity risk (continued)

2018

	Less than three months	Between three months and one year	More than one year	No stated maturity	Total
Financial assets					
Investments	$ 45,650,363	$ 106,008,492	$ 121,083,452	$ 57,281,148	$ 330,023,455
Cash and cash equivalents	30,222,947	-	-	-	30,222,947
Loans and advances	1,135,000	4,930,000	-	-	6,065,000
Interest receivable	-	-	-	2,021,741	2,021,741
Other receivables	-	-	-	1,200,228	1,200,228
Fixed assets	-	-	-	2,590	2,590
Other assets	-	-	-	16,738	16,738
	$ 77,008,310	$ 110,938,492	$ 121,083,452	$ 60,522,445	$ 369,552,699
Financial liabilities					
Demand deposits	$(201,545,878)	$ -	$ -	$ -	$ (201,545,878)
Time deposits	(30,099,054)	(2,293,289)	-	-	(32,392,343)
Interest payable	(62,589)		-	-	(62,589)
Accounts payable and accrued expenses and other liabilities	-	-	-	(4,850,834)	(4,850,834)
	$(231,707,521)	$ (2,293,289)	$ -	$ (4,850,834)	$ (238,851,644)
Liquidity gap	$(154,699,211)	$ 108,645,203	$ 121,083,452	$ 55,671,611	$ 130,701,055
Cumulative gap	$(154,699,211)	$ (46,054,008)	$ 75,029,444	$ 130,701,055	

2017

	Range of interest rates	Less than three months	Between three months and one year	More than one year	Non-interest bearing	Total
Financial assets						
Investments	0-9.70 %	$ 55,784,675	$156,731,459	$108,510,723	$ 76,186,457	$ 397,213,314
Cash and cash equivalents	0-1.00 %	21,053,339	-	-	-	21,053,339
Loans and advances	3.02-5.5 %	1,465,000	3,500,000	-	-	4,965,000
Interest receivable	N/A	-	-	-	2,339,632	2,339,632
Other receivables	N/A	-	-	-	1,264,335	1,264,335
Fixed assets	N/A	-	-	-	4,620	4,620
Other assets	N/A	-	-	-	19,943	19,943
		$ 78,303,014	$160,231,459	$108,510,723	$ 79,814,987	$ 426,860,183
Financial liabilities						
Demand deposits	-0.6 - 0.01% %	(256,970,305)	-	-	-	$(256,970,305)
Time deposits	0.01-0.04 %	(35,817,342)	(27,853)	-	-	(35,845,195)
Unrealised depreciation on forward foreign currency exchange contracts	N/A	(62,695)	-	-	-	(62,695)
Interest payable	N/A	(10,104)	-	-	-	(10,104)
Accounts payable and accrued expenses and other liabilities	N/A	-	-	-	(5,690,633)	(5,690,633)
		$(292,860,446)	$ (27,853)	$ -	$ (5,690,633)	$(298,578,932)
Total interest sensitivity gap		$(214,557,432)	$160,203,606	$108,510,723	$ 74,124,354	$ 128,281,251

(expressed in United States dollars)

16. RISK MANAGEMENT DISCLOSURES (continued)

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties fail to discharge their contractual obligations.

The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position, excluding derivatives:

	Gross maximum exposure 2018	Gross maximum exposure 2017
Financial assets at fair value through profit or loss:		
Investments	$ 330,023,455	$ 397,213,314
Amortised cost		
Cash and cash equivalents	30,222,947	21,053,339
Loans and advances	6,065,000	4,965,000
Interest receivable	2,021,741	2,339,632
Other receivable	1,200,228	1,264,335
Total	$ 369,533,371	$ 426,835,620

The maximum credit risk exposure on derivatives is included in Note 4 as notional amounts of the forward foreign currency exchange contracts.

Credit quality of financial assets

The credit quality of investments at fair value through profit or loss is managed by primarily investing in listed stocks and listed instruments of fixed income. All trades are executed through an exchange, or in the case of an investment in the primary market, directly with the issuer.

It is the Group's policy that securities be rated investment grade by either S&P or Moody's, and should be fully marketable and able to meet modest capital demands with minimal effect on market valuation. Up to 75% of money market investments shall be rated A1 or P1 (or equivalent) by either S&P or Moody's, and the rest could not be less than A3 or P3.

The following table shows the credit quality of all financial assets at fair value through profit or loss, based on S&P or Moody's equivalent rating:

	2018	2017
High Grade (AAA/Aaa to A-/A3 Rating)	$ 128,000,346	$ 164,169,650
Standard Grade (BBB+/Baa1 to B+/B1 Rating)	122,449,891	155,247,975
Non-Rated	79,573,218	77,795,689
Total	$ 330,023,455	$ 397,213,314

(expressed in United States dollars)

16. RISK MANAGEMENT DISCLOSURES (continued)

Credit quality of financial assets (continued)

The loans and advances are not rated. At December 31, 2018 and 2017, all loans are to debtors in Venezuela and are fully collateralised. Management has determined that there is no credit risk on these loans as all loans are collectible (see Note 6).

The Group seeks to mitigate its exposure to credit and counterparty risk by transacting its securities, derivatives activity, and holding its cash and cash equivalents with high credit quality counterparties.

Concentration risk

The Group is exposed to concentration risk from financial instruments that have similar characteristics and are affected similarly by changes in economics or other conditions.

At December 31, 2018, the Group's investments, loans and advances, and depositors are in the following geographical regions:

2018

	Investments	Loans and advances	Deposits
USA	$ 220,110,382	$ -	$ -
Europe	70,710,094	-	-
Cayman Islands	34,463,198	-	-
Canada	2,988,710	-	-
Asia	1,751,071	-	-
Venezuela	-	6,065,000	(233,938,221)
	$ 330,023,455	$ 6,065,000	$ (233,938,221)

At December 31, 2017, the Group's investments, loans and advances, and depositors are in the following geographical regions:

2017

	Investments	Loans and advances	Deposits
USA	$ 239,809,767	$ -	$ -
Europe	88,488,234	-	-
Cayman Islands	46,811,366	-	-
Canada	11,519,645	-	-
Asia	670,756	-	-
Venezuela	-	4,965,000	(292,815,500)
Other	9,913,546	-	-
	$ 397,213,314	$ 4,965,000	$ (292,815,500)

Most of the Group's business activity is with customers located within Venezuela. Therefore, the Group's exposure to any future credit or liquidity risks is significantly affected by changes in the economy and political stability of Venezuela.

(expressed in United States dollars)

16. RISK MANAGEMENT DISCLOSURES (continued)

Concentration risk (continued)

The industry sector analysis of the Group's investment securities is as follows:

	2018	2017
Financial services	$116,858,833	$ 159,920,917
Other	115,469,802	128,292,762
Consumer	55,704,903	88,072,780
Industrial	35,737,700	13,415,166
Government	6,252,217	7,511,689
	$330,023,455	$ 397,213,314

17. CAPITAL ADEQUACY MINIMUM NET WORTH REQUIREMENTS

The Bank is required at all times to maintain a capital adequacy ratio of at least 15% according to current regulations by the Cayman Islands Monetary Authority ("CIMA") and the provisions of its license. Under the terms of its license, the Bank is also required to maintain a minimum net worth of KYD400,000 (US$500,000) and adequate liquidity to meet the business needs and objectives of the Bank. The Bank has been in compliance with these requirements for the years ended December 31, 2018 and 2017.

The Broker-Dealer is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. The Broker-Dealer's net capital requirement is the greater of $100,000 or 6 2/3% of aggregate indebtedness. At December 31, 2018, the Broker-Dealer had net capital of $4,526,655 (2017: $4,248,221), which was $4,426,655 (2017: $4,148,221) in excess of its required net capital. The Broker-Dealer's aggregate indebtedness to net capital ratio was 0.0263 to 1 at December 31, 2018 (2017: 0.0328 to 1).

18. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to the shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from 2017.

The capital structure of the Group consists of share capital and retained earnings.

19. PENSION SCHEME

As required by the Pensions Law of the Cayman Islands, the Group has established for its employees a defined contribution pension scheme with a third party pension provider based in the Cayman Islands. The mandatory contribution rate under the law is 10% of the employee's salary, borne equally by the employee and employer up to a maximum of $73,171. Payments are made to an independent administered pension fund. The total pension cost recorded during the year ended December 31, 2018 was $32,267 (2017: $33,404). This represents the employer's portion and is included in direct operating expenses in the consolidated statements of comprehensive income.

20. COMPARATIVE FIGURES

Certain of the prior year figures have been reclassified in order to conform with the financial statement presentation adopted in the current year.

21. SUBSEQUENT EVENTS

Management has evaluated subsequent events occurring through March 29, 2019, the date that these consolidated financial statements were available to be issued, and determined that no subsequent events occurred that would require recognition or additional disclosure in these consolidated financial statements.