



Consolidated Financial Statements of

**VBT HOLDINGS, LTD. AND SUBSIDIARIES**

For the third quarter 2020



**Consolidated Statement of Financial Position**

For the third quarter 2020 and 2019

(expressed in United States dollars)

	30,09,2020	30,09,2019
<b>Assets</b>		
Cash and cash equivalents	49,545,156	20,952,247
Financial instruments held for trading	331,974,031	340,689,056
Forward foreign exchange contract	0	926,687
Loans and advances	2,805,000	1,345,000
Interest receivable	2,179,396	2,229,957
Other receivables	683,094	1,301,476
Fixed Assets	1,726	1,301
Other Assets	1,217,724	15,853
<b>Total Assets</b>	<b>388,406,128</b>	<b>367,461,577</b>
<b>Liabilities and Shareholder's equity</b>		
<b>Liabilities</b>		
<b>Deposits:</b>		
Demand	189,588,443	180,041,972
Time	40,636,661	37,847,059
Forward foreign exchange contract	771,960	0
Interest payable	75,926	65,065
Accounts payable and accrued expenses	8,285,437	7,689,057
Other liabilities	1,174,143	83,762
	<b>240,532,570</b>	<b>225,726,915</b>
<b>Shareholder's equity</b>		
Share capital	8,748,000	8,748,000
Treasury Shares	-408,488	-408,488
Retained earning	139,534,046	133,395,149
	<b>147,873,559</b>	<b>141,734,662</b>
<b>Total Liabilities and Shareholder's equity</b>	<b>388,406,128</b>	<b>367,461,577</b>

See accompanying notes to financial statements

Approved By: \_\_\_\_\_

Approved By: \_\_\_\_\_



## Consolidated Statement of Comprehensive Income

For the third quarter 2020 and 2019

(expressed in United States dollars)

	30,09,2020	30,09,2019
<b>Interest</b>		
Interest income	6,570,698	7,279,526
Interest expense	(207,371)	(238,865)
	<b>6,363,328</b>	<b>7,040,661</b>
<b>Fees and commissions</b>		
Trustee fee income	1,297,976	1,305,494
Deposit and payment service charge income	62,968	54,006
Commission income	2,824,550	3,669,827
Management fee income	762,927	641,173
Management fee expense	(491,214)	(428,486)
Commission expense	(1,658,339)	(5,752,450)
	<b>2,798,869</b>	<b>(510,436)</b>
<b>Operating income</b>		
Dividend income	263,438	411,747
Net trading gain	1,515,412	11,409,093
Net realised foreign exchange gain (loss)	40,339	(714,659)
Unrealised gains/(loss) on open forward contract	1,019,699	926,687
	<b>2,838,888</b>	<b>12,032,868</b>
<b>Operating expenses</b>		
Direct operating expenses	(1,879,409)	(1,805,091)
Miscellaneous	(10,278)	(66,715)
<b>Government licence fees</b>	<b>(112,358)</b>	<b>(112,484)</b>
Bank charge	(73,785)	(94,997)
Professional services	(540,946)	(557,987)
Audit and accountancy	(125,343)	(136,348)
	<b>(2,742,118)</b>	<b>(2,773,622)</b>
<b>Net income (loss) before extraordinary items</b>	<b>9,258,966</b>	<b>15,789,471</b>
Income Tax Expense	(163,023)	(122,803)
<b>Net Income (loss) for year</b>	<b>9,095,944</b>	<b>15,666,668</b>
Net income (loss) for period		
Attributable to shareholders before extraordinary items	9,095,944	15,666,668
Extraordinary items	-	-
Profit or (loss) attributable to shareholders	<u>9,095,944</u>	<u>15,666,668</u>
<b>Earnings (loss) per Share (2020: 370,645 ; 2019: 370,645)</b>	<b>24.54</b>	<b>42.27</b>

See accompanying notes to financial statements.

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**Consolidated Statement of Cash Flows**

For the third quarter 2020 and 2019  
(expressed in United States dollars)

	30,09,2020	30,09,2020
<b>Cash provided by (applied in):</b>		
<b>Operating activities</b>		
Net income (loss) for the short period	9,095,944	15,666,668
Add (deduct):		
Items not involving the movement of funds:		
Net loss on investments	-1,515,412	-11,409,092
Net foreing exchange (gain)/loss	-40,339	714,659
Movement in unrealised (gain) loss on open forward contract	-1,019,699	-926,687
Depreciation on fixed assets	1,386	1,289
Net changes in non-cash balances realting to operations:		
Loans and advances	-1,080,000	4,720,000
Interest receivables	188,564	208,216
Other receivables	-556,624	101,248
Deposits	45,238,157	-16,049,191
Interest payable	-5,117	2,476
Accounts payable and accrued expenses	-1,400,482	2,850,130
Other Assets	51,507	884
Other liabilities	-91,353	71,854
Net cash (used in) provided by operating activities	48,866,531	-4,047,546
<b>Investing activities</b>		
Dividend paid	-6,486,288	-4,633,063
Net (purchase) sales of investments	-8,124,662	-590,092
Net Cash provided by (used in) investing activities	-14,610,950	-5,223,155
<b>Financing activities</b>		
Repurchase of shares	0	0
Net cash used in financing activities	0	0
<b>Financing activities</b>		
<b>Increase (decrease) in cash and cash equivalents during period</b>	34,255,581	-9,270,701
Cash and cash equivalents at beginning of period	15,289,575	30,222,947
Cash and cash equivalents end of period	49,545,156	20,952,246

See accompanying notes to financial statements.

Initials \_\_\_\_\_

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**Consolidated Statement of Changes in Shareholders Equity**

For the third quarter 2020  
(expressed in United States dollars)

	Share capital	Retained earning	Total Equity
Balance at December 31, 2019	8,339,512	136,924,390	145,263,902
Total comprehensive income (loss) for the period		9,095,944	9,095,944
Cash dividends payable		-6,486,288	-6,486,288
<b>Balance at September 30, 2020</b>	<b><u>8,339,512</u></b>	<b><u>139,534,046</u></b>	<b><u>147,873,558</u></b>

See accompanying notes to financial statements.

Initials \_\_\_\_\_

  


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**1. Incorporation and background information**

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

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

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

**2. Significant accounting policies**

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

**(a) Basis of preparation**

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

**(b) Basis of consolidation****(i) Subsidiary**

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



**(ii) Transactions eliminated on consolidation**

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

**(c) Use of estimates**

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

**(d) Foreign currency translation**

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

**(e) Financial instruments**

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

**(i) Classification**

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

Financial assets classified as loans and receivables include loans and advances to related parties and other customers, interest receivable and other receivables.

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

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**(ii) Recognition**

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

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

**(iii) Measurement**

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

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

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

**(iv) Fair valued measurement principles**

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

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

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

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

**(vi) Specific instruments**

**Cash and cash equivalents**

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



### **Loans and advances**

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

### **Forward contracts**

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

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

### **(f) Derecognition**

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

### **(g) Impairment**

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

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

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

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



## Notes to Consolidated Financial Statements

For the third quarter, 2020 and 2019

(Stated in United States Dollars)

**(h) Long term loan**

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

**(i) Interest income and expense**

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

**(j) Fees and commissions**

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

**(k) Net trading income**

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

**(l) Taxation**

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

**3. Share capital**

	30.09.2020	30.09.2019
Authorised, issued and fully paid:		
388,800 ordinary shares of \$22,50 each	8.748.000	8.748.000
Balance at beginning of year	8.339.512	8.339.512
Treasury Shares (18.155 shares for 2020 and 2019 respectively)	(0.00)	(0.00)
	<b>US\$ 8.339.512</b>	<b>8.339.512</b>



## Notes to Consolidated Financial Statements

For the third quarter, 2020 and 2019

(Stated in United States Dollars)

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

**4. Dividends**

The Directors resolved to approve a cash dividend consisting of U.S. \$ 17.50 per share to the shareholders registered as at April 06, 2020 in the amount of U.S.\$ 6,486,288 (April 01, 2019 consisting of U.S. \$ 12.50 per share in the amount of U.S.\$ 4,633,063).

**5. Fair value information**

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

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

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

**(a) Cash and cash equivalents**

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

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

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

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

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

**(c) Time and demand deposits**

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

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instruments. These estimates are

  


subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

## 6. Risk management disclosures

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

### Trading activities

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

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

### Non-trading activities

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

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



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Notes to Consolidated Financial Statements  
 For the third quarter, 2020 and 2019  
 (Stated in United States Dollars)

## 7. Operating Revenue information

### For the period from January 01, 2020 to September 30, 2020

	VBT Bank & Trust, Ltd	Venecredit Securities, Inc	VBT Holdings, Ltd	Total
<b>Operating income</b>				
Dividend income	262.298	1.140	-	263.438
Net trading gain (loss)	941.633	252.209	321.570	1.515.412
Net realised foreign exchange gain	24.592	-	15.747	40.339
Unrealised loss on open forward contract	1.019.699	-	-	1.019.699
	<b>2.248.222</b>	<b>253.349</b>	<b>337.317</b>	<b>2.838.888</b>

### For the period from January 01, 2019 to September 30, 2019

	VBT Bank & Trust, Ltd	Venecredit Securities, Inc	VBT Holdings, Ltd	Total
<b>Operating income</b>				
Dividend income	410.629	1.118	-	411.747
Net trading gain	9.705.730	55.158	1.648.205	11.409.093
Net realised foreign exchange gain(loss)	(697.842)	-	(16.816)	(714.658)
Unrealised loss on open forward contract	926.686	-	-	926.686
	<b>10.345.203</b>	<b>56.276</b>	<b>1.631.389</b>	<b>12.032.868</b>

### For the period from January 01, 2020 to September 30, 2020

	VBT Bank & Trust, Ltd	Venecredit Securities, Inc	VBT Holdings, Ltd	Total
<b>Profit or (loss) before extraordinary items</b>				
	2.140.800	432.571	224.641	2.798.012
	2.140.800	432.571	224.641	2.798.012

### For the period from January 01, 2019 to September 30, 2019

	VBT Bank & Trust, Ltd	Venecredit Securities, Inc	VBT Holdings, Ltd	Total
<b>Profit or (loss) before extraordinary items</b>				
	8.089.274	630.638	539.054	9.258.966
	8.089.274	630.638	539.054	9.258.966


