Financial statements of

INTERACTIVE BROKERS CANADA INC.

(a wholly-owned subsidiary of IBG LLC)

December 31, 2018 and December 31, 2017

INTERACTIVE BROKERS CANADA INC.
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Independent Auditor's Report

To the Shareholder of Interactive Brokers Canada Inc.

Opinion

We have audited the financial statements of Interactive Brokers Canada Inc. (the "Corporation"), which comprise the statements of financial position as at December 31, 2018 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2018, and its financial performance and its 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 Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 Canadian GAAS 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 Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Deloitte LLP[1]

February 20, 2019

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[1] CPA auditor, CA, public accountancy permit No. A116129

INTERACTIVE BROKERS CANADA INC.
Statements of Comprehensive Income

For the years ended December 31 (in thousands)		2018		2017
Revenue				
Commission income	$	51,250	$	42,083
Interest income		69,643		42,940
Market data vending income		770		514
Other income		4,280		3,034
Total revenue		125,943		88,571
Interest expense		36,190		20,244
Total net revenue	$	89,753	$	68,327
Non-interest expenses				
Execution and clearing		25,501		20,320
Market data		497		563
Employee compensation and benefits (Note 16)		2,379		2,118
Communications		610		575
Occupancy		319		294
Service and consulting fees		7,347		3,135
General and administrative		2,426		2,270
Total non-interest expenses	$	39,079	$	29,275
Earnings before income taxes		50,674		39,052
Income taxes (Note 17)		13,679		10,546
Net income	$	36,995	$	28,506
Comprehensive income	$	36,995	$	28,506

The accompanying notes are an integral part of these financial statements.

INTERACTIVE BROKERS CANADA INC.
Statements of Financial Position

As at December 31 (in thousands)		2018		2017
Assets				
Cash and cash equivalents (Note 6)	$	122,067	$	50,868
Cash and cash equivalents held in trust with acceptable institutions (Note 7)		1,327,886		1,362,491
Cash held in trust for RRSP and similar accounts (Note 8)		109,730		79,830
Securities borrowed		40,727		70,558
Receivables from clients (Note 5)		1,398,779		1,196,786
Deposits with clearing organizations		30,963		26,624
Receivables from brokers, dealers and clearing organizations		129,451		85,697
Receivables from affiliates		46		347
Deferred tax assets (Note 17)		29		20
Other assets		3,254		4,010
Equipment (Note 13)		54		77
Total assets	$	3,162,986	$	2,877,308
Liabilities				
Payables to clients (Note 5)	$	2,379,151	$	2,182,245
Payables to brokers, dealers and clearing organizations		527,305		465,375
Securities loaned		57,790		67,691
Subordinated loan (Note 14)		30,005		30,005
Accounts payable and accrued liabilities		1,946		1,581
Payables to affiliates		1,862		2,640
Income tax payable (Note 17)		1,344		1,079
Total liabilities		2,999,403		2,750,616
Equity				
Common stock (Authorized: unlimited, without par value. Issued: one (1) share fully paid for)		500		500
Additional paid-in capital		41,366		41,366
Retained earnings		121,717		84,826
Total equity		163,583		126,692
Total liabilities and equity	$	3,162,986	$	2,877,308

The accompanying notes are an integral part of these financial statements.

INTERACTIVE BROKERS CANADA INC.
Statements of Changes in Equity

For the years ended (in thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Equity
December 31, 2016	$ 500	$ 41,366	$ 56,320	$ 98,186
Comprehensive income	-	-	28,506	28,506
December 31, 2017	500	41,366	84,826	126,692
IFRS 9 adjustments (Note 3)	-	-	(104)	(104)
Comprehensive income	-	-	36,995	36,995
December 31, 2018	$ 500	$ 41,366	$ 121,717	$ 163,583

The accompanying notes are an integral part of these financial statements.

INTERACTIVE BROKERS CANADA INC.
Statements of Cash Flows

For the years ended December 31 (in thousands)		2018		2017
Cash flow from operating activities				
Net income	$	36,995	$	28,506
Adjustments to determine net cash flow from / (used in) operating activities				
Non-cash items included in net income				
Deferred tax (income) expense		(9)		(18)
Depreciation of equipment		32		38
Changes in operating assets and liabilities				
Cash and cash equivalents held in trust with acceptable institutions		34,605		(77,709)
Cash held in trust for RRSP and similar accounts		(29,900)		(17,429)
Securities borrowed		29,831		(32,969)
Receivables from clients		(202,134)		(361,846)
Deposits with clearing organizations		(4,339)		(8,827)
Receivables from brokers, dealers and clearing organizations		(43,754)		(18,268)
Receivables from affiliates		301		382
Other assets		756		(1,807)
Payables to clients		196,906		292,448
Payables to brokers, dealers and clearing organizations		61,930		188,615
Securities loaned		(9,901)		18,343
Accounts payable and accrued liabilities		365		(355)
Payables to affiliates		(778)		191
Income taxes payable		302		278
Net cash flow from (used in) operating activities		71,208		9,573
Cash flow from investing activities				
Purchase of equipment		(9)		(40)
Net cash used in investing activities		(9)		(40)
Net increase (decrease) in cash and cash equivalents		71,199		9,533
Cash and cash equivalents at beginning of period		50,868		41,335
Cash and cash equivalents at end of period	$	122,067	$	50,868
Cash and cash equivalents are composed of:				
Cash and non-interest bearing deposits with banks	$	119,867	$	43,529
Short term investments		2,200		7,339
Supplemental disclosure of cash flow information				
Net cash flow from operating activities includes:				
Cash received as interest	$	67,491	$	41,425
Cash paid as interest		35,013		19,490
Cash paid for taxes		13,423		10,286

The accompanying notes are an integral part of these financial statements.

1. Organization and nature of the business

Interactive Brokers Canada Inc. (the "Corporation"), whose registered office is located at 1800 McGill College Avenue, Suite 2106, Montreal, QC, Canada, was incorporated under the Canada Business Corporations Act in Toronto, Ontario on December 14, 2000. Effective December 31, 2017, there was a change in ownership structure in which the Corporation became a wholly owned subsidiary of Interactive Brokers Exchange Corp ("IBEC"). The ultimate parent company remains IBG LLC (the "Parent"), a limited liability company organized in the United States of America ("U.S."). The Corporation began its operations in June 2002 and carries customer accounts of Canadian residents for the execution and clearing of securities and commodities transactions.

The Corporation is a registered broker-dealer member of the Investment Industry Regulatory Organization of Canada ("IIROC"), the national self-regulatory organization, and is subject to the rules and regulations of IIROC. Under the regulations prescribed by IIROC, the Corporation is required to maintain prescribed minimum levels of risk-adjusted capital ("RAC") which are dependent on the nature of the Corporation's assets and operations.

These financial statements were authorized for issue by the Corporation's directors on February 20, 2019.

2. Significant accounting policies

Basis of presentation

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency, and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts and disclosures in these financial statements. These estimates and assumptions are based on judgment and the best available information at the time. Therefore, actual results could differ materially from those estimates. Such estimates include the valuation of financial instruments, compensation accruals, current and deferred income taxes, and estimated contingency reserves.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Classification and measurement of financial instruments

Financial assets are classified based on the business model under which they are held and on their contractual cash flow characteristics.

Business model

The business model reflects how the Corporation manages the assets in order to generate cash flows and achieve business objectives. Judgment is used in determining the business models. Currently all financial assets are classified as amortized cost or fair value through profit or loss.

Amortized cost

A financial asset portfolio falls within a "hold to collect" business model when the primary objective is to hold these financial assets in order to collect contractual cash flows.

Fair value through profit or loss

Financial assets are measured at fair value through profit or loss if the business model is other than "hold to collect" or "hold to collect and sell."

Classification of financial instruments prior to the adoption of IFRS 9

Prior to the adoption of IFRS 9, the Corporation classified its financial assets into one of the following categories:

- assets at fair value through profit or loss, including assets held for trading and assets designated at fair value through profit or loss;
- loans and receivables, carried at amortized cost using the effective interest method.

Current classification of financial instruments (post adoption of IFRS 9)

Financial assets are classified according to their nature and use by the Corporation at the time of initial recognition. The Corporation applies the trade date accounting method, the date which the Corporation commits to purchase or sell assets. Transaction costs related to the financial assets and liabilities classified at fair value through profit or loss are recorded in the statements of comprehensive income as incurred. Transaction costs related to financial assets at amortized cost (as loans and receivables under IAS 39) are capitalized as assets and amortized in the statements of comprehensive income using the effective interest method.

Cash and cash equivalents, cash and cash equivalents held in trust with acceptable institutions, cash held in trust for RRSP and similar accounts, securities borrowed and loaned, receivables from and payables to clients, deposits with clearing organizations, receivables and payables to brokers, dealers and clearing organizations, receivables from and payables to affiliates, accounts payable and accrued liabilities, and subordinated loan are classified and accounted for at amortized cost using the effective interest method. Prior to the IFRS 9 adoption, these financial instruments were classified as loans and receivables and were accounted for at amortized cost using the effective interest method. The Corporation classifies and measures all equity investments at fair value through profit or loss. The Corporation classifies all financial liabilities as amortized cost or fair value through profit or loss.

Fair value measurements of financial instruments

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 under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

The Corporation generally measures the fair value of financial instruments using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions. Exchange traded financial instrument's fair values at the end of an accounting period are measured using the respective exchange's closing prices. Fair values reflect the credit risk of the instruments and include adjustments to take account of the credit risk of the Corporation and the counterparty where appropriate.

The Corporation applies the fair value hierarchy of IFRS 13, Fair Value Measurement, to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

The three levels of the fair value hierarchy are:

Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
Level 2	Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
Level 3	Prices or valuations that require inputs that are both significant to fair value measurement and unobservable.

If a market for a financial instrument is not active, the fair value of these financial instruments, which are generally comprised of securities that have been delisted or otherwise are no longer tradable, are valued by the Corporation based on internal estimates. Securities subject to corporate actions that have a determinable external price remain classified as Level 1 of the fair value hierarchy.

Cash and cash equivalents

The Corporation considers all highly liquid investments, with maturities of three months or less, that are not segregated and deposited for regulatory purposes or to meet margin requirements at clearing houses, to be cash equivalents.

Securities borrowed or loaned

Securities borrowed and securities loaned are recorded at the amount of the cash collateral advanced or received. Securities borrowed transactions require the Corporation to provide counterparties with collateral, which may be in the form of cash, letters of credit or other securities. With respect to securities loaned, the Corporation receives collateral, which may be in the form of cash or other securities in an amount generally in excess of the fair value of the securities loaned. The Corporation monitors the market value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as permitted contractually. Borrowed and loaned securities are due on demand and are subject to a three-day recall.

Rebates earned on cash collateral delivered or paid on cash collateral received are based on floating rates and are included in interest income and interest expense, respectively, in the statements of comprehensive income.

Receivables from and payables to clients

Client transactions are recorded on a trade date basis. Receivables from and payables to clients include amounts due on cash and margin transactions, including futures contracts transacted on behalf of clients. Securities owned by clients, including those that collateralize margin loans or other similar transactions, are not reported in the statements of financial position.

Deposits with clearing organizations

Deposits with clearing organizations consists of securities which have been deposited with clearing organizations in the normal course of business.

Receivables from and payables to brokers, dealers and clearing organizations

Receivables from and payables to brokers, dealers and clearing organizations include receivables and payables from unsettled trades, including amounts related to stocks, options and futures, and amounts receivable for securities not delivered by the Corporation to the purchaser by the settlement date ("fails to deliver"). Payables to brokers, dealers and clearing organizations also include amounts payable for securities not received by the Corporation from a seller by the settlement date ("fails to receive").

Receivables from and payables to affiliates

Receivables from affiliates includes payments made on behalf of affiliates mainly related to shared administrative costs. Payables to affiliates include expenses paid by affiliates on behalf of the Corporation, and also administrative, consulting, guarantee fees payable to affiliates based on various service fee arrangements and subordinate loans from affiliates which are accounted for at amortized cost basis using the effective interest method.

Interest

Interest is accrued on all interest-bearing assets and liabilities included in the statements of financial position.

Impairment of financial assets

At the end of each reporting period, the Corporation applies the simplified approach to the expected credit loss model to measure the allowance for credit losses on all financial assets classified at amortized cost. The expected credit losses model is not applicable to financial assets that meet the definition of an equity instrument. The expected credit losses model is forward looking. Measurement of the allowance for credit losses reflects reasonable and supportable information about past events, current conditions, and forecasts of future events and economic conditions. The amount of the allowance for credit losses reflects changes in credit risk since the initial recognition of the financial instrument. When there is an impairment, the Corporation recognizes the loss in the statements of comprehensive income.

Write-offs

A financial asset and its related allowance for credit losses are normally written off in whole or in part when the Corporation considers the probability of recovery to be non-existent and when all guarantees and other remedies available to the Corporation have been exhausted or if the borrower is bankrupt or winding up and balances owing are not likely to be recovered.

Revenue recognition

Commission income

Commissions earned for executing and clearing transactions are accrued on a trade date basis and are reported as commission income on the statements of comprehensive income.

Interest income and expense

The Corporation earns interest income on bank deposits and margin loans to clients, and incurs interest expense primarily in connection with client credit balances and on the Corporation's subordinated loan with IBG LLC (Note 14). Such interest is recorded on an accrual basis.

Market data vending income

Market data vending income consists of fees charged to customers for access to real-time market information they subscribe to and are largely offset by the related costs paid to obtain market data from third party vendors. Market data vending income is recorded on an accrual basis.

Other income

Other income primarily consists of account activity fees. Account activity fees are charged to customers that do not meet the monthly minimum. The fee is the difference between the minimum monthly required commission and the actual commissions generated by the clients' account.

Foreign currency gains and losses

Foreign currency denominated monetary assets and liabilities are revalued into Canadian dollars at the year-end exchange rates. Foreign currency denominated revenue and expenses are translated at the spot exchange rate on the date of the transaction. Translation gains and losses are included in other income in the statements of comprehensive income. Translation gains and losses were $403 thousand and $105 thousand in 2018 and 2017, respectively.

Stock-based compensation

The Corporation uses the fair value method to measure compensation expense for awards of restricted stock units of Interactive Brokers Group, Inc. ("IBG, Inc.") at the date of grant (See Note 16). The fair value of the grants is amortized using the graded vesting method over the vesting period. Such expenses, net of credits for cancelled awards, are reported as employee compensation and benefits in the statements of comprehensive income.

Income taxes

The Corporation uses the liability method of accounting for current and deferred income taxes. Current income taxes are recognized based on taxable profits for the year. Deferred income taxes are recognized based on the expected tax consequences of differences between the carrying amounts of statements of financial position items and their corresponding tax values, using the income tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets are recognized to the extent it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

Offsetting

Financial assets and liabilities are offset, and the net amount is presented in the statements of financial position when the Corporation has a currently enforceable legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3. New accounting standards and interpretations adopted in the current year

IFRS 15 – Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), which replaces the current revenue recognition standards and interpretations IAS-11 "Construction Contracts" and IAS-18 "Revenues". IFRS 15 provides a single comprehensive model to use when accounting for revenue arising from contracts with customers. The new model applies to all contracts with customers except those that are within the scope of other IFRS standards such as leases, insurance contracts and financial instruments. IFRS 15 is effective for fiscal years beginning on January 1, 2018. This new standard specifies:

- how to recognize revenues;
- when to recognize revenues according to a single five-step model, and
- provides additional disclosure requirements.

The Corporation has implemented IFRS 15 and this implementation did not have any significant change to its financial statements.

IFRS 9 − Financial instruments

In July 2014, the IASB issued IFRS 9, Financial Instruments ("IFRS 9") which replaces the provisions of the standard IAS-39 “Financial Instruments: Recognition and Measurement”, which addresses classification and measurement, impairment and hedge accounting.

The new standard requires assets to be classified based on the Corporation's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets will be measured at fair value through profit or loss unless certain conditions are met which permit measurement at amortized cost or fair value through other comprehensive income. IFRS 9 also changes the accounting for financial liabilities measured using the fair value option.

IFRS 9 also introduces a new single impairment model for financial assets. The new model is based on expected credit losses and will result in credit losses being recognized regardless of whether a loss event has occurred. The expected credit loss model will apply to most financial instruments not measured at fair value with the most significant impact being on loans.

Impact of IFRS 9 adoption

IFRS 9 has been applied retrospectively through adjustments to the statements of financial position on the date of the initial application, January 1 2018, with no restatement of comparative periods.

Classifications and measurements of financial instruments

The Corporation has established that its business model and its objective, for all financial assets, is to collect the contractual cash flows only, which are classified at amortized cost, except for Canadian federal government securities which are included in deposits with clearing organizations and are classified at fair value through profit or loss.

The following table presents the classifications of financial instrument assets as previously established in accordance with IAS 39 as well as the new classifications established in accordance with IFRS 9. All financial liabilities remain at amortized cost. The carrying value is the same under IAS 39 and IFRS9.

	Classification under IAS 39	Classification under IFRS 9
Financial assets		
Cash	Loans and receivables	Amortized cost
Cash equivalents	Loans and receivables	Amortized cost
Cash and cash equivalents held in trust with acceptable institutions	Loans and receivables	Amortized cost
Cash held in trust for RRSP and similar accounts	Loans and receivables	Amortized cost
Securities borrowed	Loans and receivables	Amortized cost
Receivable from clients	Loans and receivables	Amortized cost
Deposits with clearing organizations	Loans and receivables	Amortized cost
Receivables from brokers, dealers and clearing organizations	Loans and receivables	Amortized cost
Receivables from affiliates	Loans and receivables	Amortized cost

Impairment on financial instruments

IFRS 9 replaces the incurred loss model of IAS 39 with a forward looking expected credit loss model. The expected credit loss calculation generated the following adjustments for comparative figures for the year ended December 31, 2017:

	IFRS 9 Adjustments		
	Opening amount per IAS 39	IFRS 9 adjustments impairment	Closing amount per IFRS 9
Receivables from client	$ 1,196,786	$ (141)	$ 1,196,645
Income tax payable	$ (1,079)	$ 37	$ (1,042)

4. New accounting standards and interpretations issued but not yet effective

New standards, interpretations and amendments to existing standards have been issued by the International Accounting Standard Board ("IASB") that are mandatory, but not yet effective for the year ended December 31, 2018, and therefore have not been applied in preparing these financial statements.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, Leases ("IFRS 16"), which replaces the current lease accounting standard, IAS 17. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated similarly to finance leases applying IAS 17. Leases are capitalized by recognizing the present value of the lease payments and showing them as either lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company shall also recognize a financial liability representing its obligation to make future lease payments.

For a company's income statement, IFRS 16 replaces the straight line operating lease expense (which excluded depreciation and amortization) with a depreciation charge for the leased asset (included with operating costs) and an interest expense charge on the lease liability.

For a company's statement of cash flow, IFRS 16 requires a company to classify cash payments for the principal portion of lease liabilities within financing activities, and the interest portion in accordance with the requirements relating to other interest paid.

IFRS 16 is effective for the fiscal year beginning on January 1, 2019. The Corporation has reviewed the impact of IFRS 16 and does not expect any significant change to its financial statements.

5. Receivables from or payables to clients

Client transactions are recorded as cash or margin transactions. In a margin transaction, the Corporation extends a loan to a client for the purchase of securities, using securities held by the client as collateral. Loan amounts are subject to limits imposed by regulatory bodies, as well as to the Corporation's credit review and daily margin monitoring procedures. Margin loans are payable on demand. Interest is charged on margin loans and paid on customer credit balances based on floating rates indexed to benchmarks. Accounts receivable from and payable to clients are due by the transaction settlement date, except for margin accounts. Amounts receivable from clients that are determined to be uncollectible are expensed and included in general and administrative expense in the statements of comprehensive income.

As a result of client activities, the Corporation is obligated by rules mandated by its primary regulators, including IIROC, to segregate or set aside cash or qualified securities to satisfy such regulations, which have been promulgated to protect client assets.

6. Cash and cash equivalents

As at December 31 (in thousands)	2018	2017
Cash at banks	$ 119,867	$ 43,529
Short-term investments, at fair value	2,200	7,339
Total cash and cash equivalents	$ 122,067	$ 50,868

7. Cash and cash equivalents held in trust with acceptable institutions

Cash and cash equivalents held in trust with acceptable institutions represents cash and short-term investments for customers held directly by the Corporation which are held in designated bank accounts segregated from the Corporation's own funds. "Acceptable institutions" are entities with which a dealer member that is registered with IIROC is permitted to deal on an unsecured basis without capital penalty.

As at December 31 (in thousands)	2018	2017
Cash	$ 1,327,886	$ 1,362,491
Total cash and cash equivalents held in trust with acceptable institutions	$ 1,327,886	$ 1,362,491

8. Cash held in trust for RRSP and similar accounts

Cash held with respect to Registered Retirement Savings Plans ("RRSPs") is segregated in trust accounts with The Royal Trust Company. Corresponding liabilities are included in payables to clients. Client balances are reported on a trade date basis. Cash held in trust is restricted from use by the Corporation.

9. Financial instruments measured at fair value

The classification in the fair value hierarchy of the Corporation's financial instruments measured at fair value on a recurring basis is summarized in the table below.

Canadian federal government securities consists of $31.0 million in deposits with clearing organizations and $2.2 million included in cash and cash equivalents. These securities are traded in active markets and have been valued using unadjusted quoted market prices. These securities are short-term in nature and will mature during 2019.

	December 31, 2018				December 31, 2017			
(in thousands)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Canadian federal government securities	$ 33,163	$ -	$ -	$ 33,163	$ 33,963	$ -	$ -	$ 33,963
Currency spot and forward contracts	-	-	-	-	-	9	-	9
Total financial assets	$ 33,163	$ -	$ -	$ 33,163	$ 33,963	$ 9	$ -	$ 33,972

	December 31, 2018				December 31, 2017			
(in thousands)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities								
Currency spot and forward contracts	$ -	$ 83	$ -	$ 83	$ -	$ -	$ -	$ -
Total financial liabilities	$ -	$ 83	$ -	$ 83	$ -	$ -	$ -	$ -

As of December 31, 2018, invested assets with a fair value of $40 million (2017 – $40 million) have been pledged as collateral by the Corporation.

There were no transfers of financial assets or financial liabilities between Levels 1, 2 or 3 of the fair value hierarchy for the years ended December 31, 2018 and 2017.

10. Offsetting financial assets and financial liabilities

The following table presents the amounts that have been offset in the Corporation's statements of financial position, as well as those amounts that are subject to enforceable master netting agreements or similar agreements but do not qualify for netting. Cash or financial instruments not offset in the statements of financial position relate to transactions where master netting agreement or similar agreement is in place with a right to set off only in the event of default, insolvency or bankruptcy, or where the offset criteria are otherwise not met.

	December 31, 2018				
(in thousands)	Gross amounts	Amounts offset in the statement of financial position	Net amounts presented in the statement of financial position	Collateral (received) pledged	Net amount
Financial assets					
Securities borrowed	$ 40,727	$ -	$ 40,727	$ (38,587)	$ 2,140
Financial liabilities					
Securities loaned	(57,790)	-	(57,790)	57,790	-

	December 31, 2017				
(in thousands)	Gross amounts	Amounts offset in the statement of financial position	Net amounts presented in the statement of financial position	Collateral (received) pledged	Net amount
Financial assets					
Securities borrowed	$ 70,558	$ -	$ 70,558	$ (67,794)	$ 2,764
Financial liabilities					
Securities loaned	(67,691)	-	(67,691)	67,691	-

11. Risk management

Trading activities and related risks

The Corporation's clients' trading activities expose it to market, credit and liquidity risks. These risks are managed in accordance with established risk management policies and procedures. To accomplish this, management has established a risk management process that includes:

- a regular review of the risk management process by executive management as part of its oversight role;
- defined risk management policies and procedures supported by a rigorous analytic framework; and
- articulated risk tolerance levels as defined by executive management that are regularly reviewed to ensure that the Corporation's risk-taking is consistent with its business strategy, capital structure, and current and anticipated market conditions.

Market risk

The Corporation is exposed to market risks. Exposures to market risks arise from foreign currency exchange rate fluctuations and changes in interest rates.

Currency risk

Currency risk arises from the possibility that fluctuations in foreign exchange rates will impact the value of financial instruments. Substantially all of the Corporation's assets and liabilities are denominated in Canadian dollars, minimizing the Corporation's currency risk. The Corporation did not have significant exposure to foreign currencies as of December 31, 2018 and 2017.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Corporation is exposed to interest rate risk on cash and margin balances. These risks are managed through the Corporation's investment policies. The following table provides the potential before-tax impact of an immediate and sustained 50 bps increase or decrease in interest rates on net interest income. Interest rate sensitive assets and liabilities include short-term deposits, securities borrowed and loaned transactions, receivables from and payables to clients, and subordinated loan. All interest rate risk measures are based upon interest rate exposures at a specific time and continuously change as a result of business activities and the Corporation's risk management actions.

For the years ended December 31 (in thousands)	2018	2017
Before-tax impact to net interest income of:		
50 bps increase in rates	$ 3,388	$ 2,883
50 bps decrease in rates	(3,345)	(2,751)

Assumptions and method used in computing the above analysis:

- The 50bps sensitivity is based on reasonably possible changes over a financial year; and
- Balances will remain stable throughout the year.

Credit risk

The Corporation is exposed to risk of loss if an individual, counterparty or issuer fails to perform its obligations under contractual terms (“default risk”). Cash instruments expose the Corporation to default risk. The Corporation has established policies and procedures for mitigating credit risk on principal transactions, including reviewing and establishing limits for credit exposure, maintaining collateral, and continually assessing the creditworthiness of counterparties.

In the normal course of business, the Corporation executes, settles, and finances various customer securities transactions. Execution of these transactions includes the purchase and sale of securities which exposes the Corporation to default risk arising from the potential that customers or counterparties may fail to satisfy their obligations. In these situations, the Corporation may be required to purchase or sell financial instruments at unfavorable market prices to satisfy obligations to customers or counterparties. Liabilities to other brokers and dealers related to unsettled transactions (i.e., securities failed-to-receive) are recorded at the amount for which the securities were purchased, and are paid upon receipt of the securities from other brokers or dealers. In the case of aged securities failed-to-receive, the Corporation may purchase the underlying security in the market and seek reimbursement for any losses from the counterparty.

The carrying amount of financial assets recorded in the Corporation’s financial statements represent the Corporation’s maximum exposure to credit risk without taking account of the value of collateral, if any.

Concentrations of credit risk

The Corporation’s exposure to credit risk associated with its trading and other activities is measured on an individual customer and counterparty basis, as well as by groups of counterparties that share similar attributes. Concentrations of credit risk can be affected by changes in political, industry, or economic factors. To reduce the potential for risk concentration, credit limits are established and exposure is monitored in light of changing counterparty and market conditions. As of December 31, 2018 and 2017, the Corporation did not have any concentrations of credit risk.

Liquidity risk

The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Corporations financial assets and liabilities are short term in nature.

Capital management

The Corporation manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Corporation consists of debt, which includes the subordinated loan, cash and cash equivalents and equity attributable to the stockholder of the Corporation, comprising paid-in capital, and retained earnings, respectively. The Corporation's risk management committee reviews the capital structure periodically and makes adjustments as necessary. The Corporation's overall strategy remains unchanged from 2017.

Capital management includes maintaining a Risk Adjusted Capital ("RAC") over nil. The RAC is a notion defined by IIROC, which consists of calculating the net assets of a broker dealer adjusted with illiquidity margin to protect its clients in case of financial failure by the broker. The Corporation must make sure to comply with the financial requirements of IIROC. Regulatory capital requirements were met throughout the 2018 and 2017 fiscal years.

12. Commitments and contingencies

Legal proceedings

The Corporation could be subject to legal actions arising out of the normal course of business. It is the opinion of management that, as at December 31, 2018 and December 31, 2017, there were no such legal actions that could have a material effect on its business or financial condition.

Guarantees

The Corporation is a member of exchanges and clearinghouses that trade and clear securities and/or derivative contracts. Associated with its memberships, the Corporation may be required to pay a proportionate share of the financial obligations of another member who may default on its obligations to the exchange or clearinghouse. While the rules governing different exchange or clearinghouse memberships vary, in general the Corporation's guarantee obligations would arise only if the exchange or clearinghouse had previously exhausted its resources. The Corporation believes that any potential requirement to make payments under these agreements is remote.

13. Equipment

As at December 31 (in thousands)	2018	2017
Net Book Value, beginning of period	$ 77	$ 75
Cost		
Balance, beginning of period	141	116
Additions	9	40
Retirement of fully depreciated assets	(20)	(15)
Balance, end of period	130	141
Accumulated depreciation		
Balance, beginning of period	(64)	(41)
Depreciation expense	(32)	(38)
Eliminated on retirement of fully depreciated assets	20	15
Balance, end of period	(76)	(64)
Net Book Value	$ 54	$ 77

14. Subordinated Loan

Loan from the Parent, repayable on demand (in thousands)	Rate	Loan Balance
December 31, 2018	6.75%	$ 30,005
December 31, 2017	7.00%	30,005

This loan is subordinated to the claims of the Corporation's ordinary creditors, and the repayment must be approved by the regulatory bodies governing investment dealers.

15. Related party transactions

The Corporation's related party transactions are with its Parent and some of its affiliates, including Timber Hill Canada Company, a registered broker dealer in Canada, Interactive Brokers LLC and Interactive Brokers Corp., registered broker dealers in the U.S. The Parent and its subsidiaries, including the Corporation, are consolidated by IBG, Inc., a publicly traded U.S. corporation. All related party transactions have been executed under arm's length conditions.

Pursuant to various service fee arrangements, the Corporation receives services from its Parent and affiliates. The related payables are included in payables to affiliates in the statement of financial position. The loan from the Parent has no terms and no set maturity.

Included in the statements of financial position are the following amounts with related parties:

As at December 31 (in thousands)	2018	2017
Assets		
Securities borrowed	$ 25,460	$ 43,340
Receivables from clients	25,967	26,869
Receivables from brokers, dealers and clearing organizations	128,392	82,148
Receivables from affiliates	46	347
Total Assets	179,865	152,704
Liabilities		
Payables to clients	37,504	36,364
Payables to brokers, dealers and clearing organizations	518,530	450,879
Subordinated loan	30,005	30,005
thereof with the Parent	*30,005*	*30,005*
Securities loaned	57,790	67,691
Payables to affiliates	1,862	2,640
thereof with the Parent	*1,445*	*1,283*
Total Liabilities	$ 645,691	$ 587,579

In the normal course of business, revenues are earned and expenses are incurred with related parties and are measured at the exchange amounts of consideration paid or received as established and agreed to by the parties. Included in the statements of comprehensive income are the following amounts with related parties:

For the years ended December 31 (in thousands)	2018	2017
Revenue		
Commission income	$ 5,888	$ 4,930
Interest income	5,016	5,147
Other Income	937	416
Total revenue	11,841	10,493
Interest expense	20,574	15,449
thereof with the Parent	*1,922*	*2,010*
Total net revenue	(8,733)	(4,956)
Non-interest expenses		
Execution and clearing	23,111	19,149
Occupancy	89	99
Service and consulting fees	7,347	3,135
thereof with the Parent	*2,301*	*2,016*
Total non-interest expenses	$ 30,547	$ 22,383

Key management personnel compensation

Key management for the Corporation consists of those persons having authority and responsibility for planning, directing and/or controlling the activities of the Corporation, directly or indirectly. Compensation expense to key management personnel are as follows:

For the years ended December 31 (in thousands)	2018	2017
Short-term employee benefits	$ 198	$ 195
Share based payments	116	61
Total key management personnel compensation	$ 314	$ 256

16. Employee incentive plans

2007 Stock Incentive Plan

Under IBG, Inc.'s 2007 Stock Incentive Plan (the "Stock Incentive Plan"), up to 30 million shares of IBG, Inc.'s common stock may be issued to satisfy vested restricted stock units granted to directors, officers, employees, contractors and consultants of the Parent and its subsidiaries, including the Corporation. The purpose of the Stock Incentive Plan is to promote the Corporation's long-term financial success by attracting, retaining and rewarding eligible participants.

The Stock Incentive Plan is administered by the Compensation Committee of IBG, Inc.'s Board of Directors. The Compensation Committee has discretionary authority to determine the eligibility to participate in the Stock Incentive Plan and establishes the terms and conditions of the awards, including the number of awards granted to each participant and all other terms and conditions applicable to such awards in individual grant agreements. Awards are expected to be made primarily through grants of IBG, Inc.'s restricted stock units. Stock Incentive Plan awards are subject to issuance over time. All previous granted but unearned awards may be cancelled upon the participant's termination of employment or violation of certain applicable covenants prior to issuance, unless determined otherwise by IBG, Inc.'s Compensation Committee.

The Stock Incentive Plan provides that, upon a change in control, the Compensation Committee may, at its discretion, fully vest any granted but not yet earned awards under the Stock Incentive Plan, or provide that any such granted but not yet earned awards will be honored or assumed, or new rights substituted by the new employer on a substantially similar basis and on terms and conditions substantially comparable to those of the Stock Incentive Plan.

IBG, Inc. is expected to continue to grant awards on or about December 31 of each year to eligible participants, including employees of the Corporation, as part of an overall plan of equity compensation. IBG, Inc.'s restricted stock units vest and become distributable to participants in accordance with the following schedule:

- 10% on the first vesting date, which is on or about May 9 of each year; and
- an additional 15% on each of the following six anniversaries of the first vesting, assuming continued employment with the Corporation and compliance with non-competition and other applicable covenants.

For the years ended December 31, 2018 and 2017, the Corporation's employees were granted 5,253 and 3,899 restricted stock units, with fair value of $283 thousand and $233 thousand, respectively. The following is a summary of Stock Incentive Plan activity for the years ended December 31, 2018 and 2017:

(Number of units)	Stock Incentive Plan
Balance, December 31, 2016	35,100
Granted	3,899
Distributed to employees	(9,681)
Cancelled	(1,430)
Balance, December 31, 2017	27,888
Granted	5,253
Distributed to employees	(9,219)
Cancelled	64
Balance, December 31, 2018	23,986

Estimated future grants under the Stock Incentive Plan are being accrued for ratably during each year. Compensation expense recognized in the statements of comprehensive income for the years ended December 31, 2018 and 2017, was $344 thousand and $253 thousand, respectively. Estimated future compensation expense for unvested awards, net of credits for cancelled awards at December 31, 2018 is $260 thousand ($212 thousand at December 31, 2017).

Awards granted but not yet earned under the Stock Incentive Plan are subject to the plan's post-employment provisions in the event a participant ceases employment with the Corporation. The Stock Incentive Plan provides that participants who discontinue employment with the Corporation without cause and continue to meet the terms of the plans' post-employment provisions will be eligible to earn 50% of previously granted but not yet earned awards, unless the participant is over the age of 59, in which case the participant would be eligible to receive 100% of previously granted but not yet earned awards. Distributions of remaining awards to former participants will occur over the remaining vesting schedule applicable to each grant. Through December 31, 2018, no restricted stock units have been distributed to former employees of the Corporation under these post-employment provisions. Through December 31, 2018, a total of 5,344 restricted stock units have been distributed under these post-employment provisions.

17. Income taxes

Income tax expense

For the years ended December 31 (in thousands)		2018		2017
Current tax				
Current tax expense in respect of the current year	$	13,692	$	10,544
Adjustments recognized in the current year in relation to the current tax of prior years		(4)		20
Total current tax expense		13,688		10,564
Deferred tax				
Deferred tax expense recognized in the current year		(13)		(8)
Adjustments recognized in the current year in relation to the deferred tax of prior years		4		(10)
Total deferred tax expense (refund)		(9)		(18)
Total income tax expense	$	13,679	$	10,546

Statutory tax rate reconciliation

For the years ended December 31 (in thousands)		2018			2017	
Earnings before income taxes	$	50,674	100.0%	$	39,052	100.0%
Federal income taxes at Canadian statutory income tax rate		7,601	15.0%		5,858	15.0%
Provincial income taxes at statutory income tax rate		5,941	11.7%		4,590	11.8%
Increase (decrease) in income tax rate due to:						
Effect of expenses that are not deductible in determining taxable earnings		113	0.2%		96	0.2%
Adjustments recognized in the current year in relation to the current tax of prior years		(4)	0.0%		20	0.1%
Other		28	0.1%		(18)	0.0%
Income taxes reported in the statements of comprehensive income and effective income tax rate	$	13,679	27.0%	$	10,546	27.0%

Income tax related balances reported in the statements of financial position

As at December 31 (in thousands)		2018		2017
Deferred tax assets	$	29	$	20
Income tax payable	$	1,344	$	1,079

Deferred tax balances

As at December 31 (in thousands)		2018		2017
Depreciation costs deductible in the future	$	29	$	20

18. Risk adjusted capital requirements

The Corporation is subject to IIROC Risk Adjusted Capital Rule 17.1, which requires the maintenance of minimum net capital. At December 31, 2018, the Corporation had a positive Risk Adjusted Capital. There were no capital shortfalls during 2018 and 2017.

As at December 31 (in thousands)	2018	2017
Total Financial Statement Capital	$ 193,588	$ 156,696
Non Allowable Assets	8,150	5,375
Net Allowable Assets	185,438	151,321
Total Margin Required	21,764	24,141
Risk Adjusted Capital	167,844	131,852
Early Warning Excess	163,483	126,981
Early Warning Reserve	162,395	125,774

The Early Warning Excess and the Early Warning Reserve are levels established by IIROC to facilitate corrective measures to insure the member's Risk Adjusted Capital remains greater than nil.

19. Events after the reporting period

The Corporation has evaluated events after the reporting period through February 20, 2019, the issuing date of the financial statements. The Corporation did not note any events after the reporting period requiring disclosure in these financial statements.