



BANKA QENDRORE E REPUBLIKËS SË KOSOVËS
CENTRALNA BANKA REPUBLIKE KOSOVA
CENTRAL BANK OF THE REPUBLIC OF KOSOVO

THE CBK FINANCIAL STATEMENT
/for the second quarter 2016/
-unaudited interim report-

Department of Financial Planning and Reporting

CBK’s Financial Statements for the second quarter 2016

As defined by Law 03/L-209 “On Central Bank of the Republic of Kosovo” (CBK), as a reporting framework for the preparation of financial statement are International Financial Reporting Standards, Respectively Article 58 of the law mentioned above. Financial Statements for the second quarter include *statement of financial position, statement of comprehensive income, statement of changes in capital and reserves (equity)*. CBK financial year coincides with calendar year and reporting date for financial statement for the second quarter is June 31, 2016.

Abbreviations used in this Report:

CBK – Central Bank of the Republic of Kosovo

IMF – International Monetary Found

SDR – Special Drawing Rights

IT – Information Technology

ICS –Interbank Clearing and Settlement

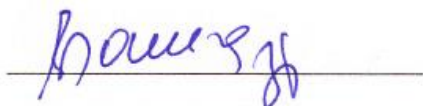
Statement of financial position

as per

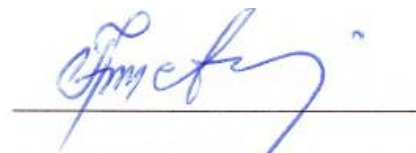
	Note	30 June 2016	31 December 2015
Assets			
Cash on hand	5	49,129,647.28	15,281,539.78
Current accounts with non-resident banks	6	119,164,601.45	241,187,046.29
Securities	7	511,496,747.66	127,318,651.52
Placements in money market	8	630,624,251.43	805,309,147.18
In accounts related with IMF	9	297,818,344.87	268,277,311.19
Properties and equipment's	10	2,765,318.86	2,372,019.28
Intangible assets	11	1,569,813.10	1,552,339.99
Other assets	12	1,099,704.18	896,746.06
Total assets		1,613,668,428.83	1,462,194,801.29
Liabilities			
Due to domestic commercial banks	13	270,886,369.68	316,405,868.73
Due to IMF related accounts	14	304,243,472.64	273,894,284.53
Due to Governmental Institutions	15	803,998,769.14	735,743,858.63
Due to public and commercial entities	16	180,290,514.83	82,648,973.70
Borrowing	17	673,257.61	680,116.58
Other domestic liabilities	18	1,661,168.81	1,799,115.31
Total liabilities		1,561,753,552.71	1,411,172,217.48
Capital and reserves			
Authorized capital	19	30,000,000.00	30,000,000.00
Reserve fund	20	21,022,583.81	20,334,791.90
Net result of the period		892,292.31	687,791.91
Total capital and reserve		51,914,876.12	51,022,583.81
Total liability capital and reserve		1,613,668,428.83	1,462,194,801.29

Notes from page 6 up to 18 are integral parts of these financial statements

Financial Statements set out on pages below were approved by management of CBK on August 31, 2016 and signed on its behalf by:



Bedri Hamza
Governor



Faton Ahmetaj
Director of Financial Planning
and Reporting

Statement of comprehensive income

	Note	30 June 2016	30 June 2015
Net interest income			
Interest income		872,419.60	192,998.79
Interest expense		(22,064.87)	(27,789.60)
Net interest income	21	850,354.73	165,209.19
Fee and commission income			
Fee and commission income		871,804.35	634,491.45
Fee and commission expenses		(147,172.79)	(110,392.96)
Net fee and commission income	22	724,631.56	524,098.49
Other operating Income			
Income from regulatory activity	23	1,922,891.12	1,587,655.40
Grant revenues	24	33,309.68	33,309.68
Other operating Income	25	3,169.60	310.83
Total Operating Income		3,534,356.69	2,310,583.59
Administrative (operative) expenses			
Personnel expenses	26	(1,830,631.30)	(1,667,328.10)
Depreciation and amortization	10,11	(319,142.64)	(259,205.32)
General and administrative expenses	27	(542,885.21)	(498,525.62)
Total administrative (operative) expenses		(2,692,659.15)	(2,425,059.04)
Net result without exchange rate effect		841,697.54	(57,060.75)
Net gain/loss on exchange rate	28	50,594.77	(569,435.03)
Net result of the period		892,292.31	(683,910.48)

Notes from page 6 up to 18 are integral parts of these financial statements

Statement of changes in equity (capital and reserve)

	Statutory fund	Reserve fund	Retained earnings	Total
<i>Balance at 01 January 2015</i>	30,000,000.00	19,949,414.03	385,377.87	50,334,791.90
<i>Profit for the period</i>	-	-	687,791.91	687,791.91
<i>Transfer to reserve fund</i>	-	385,377.87	(385,377.87)	-
<i>Transfer to statutory fund</i>	-	-	-	-
<i>Balance at 31 December 2015</i>	30,000,000.00	20,334,791.90	687,791.91	51,022,583.81
<i>Balance at 01 January 2016</i>	30,000,000.00	20,334,791.90	687,791.91	51,022,583.81
<i>Profit for the period</i>	-	-	892,292.31	892,292.31
<i>Transfer to reserve fund</i>	-	687,791.91	(687,791.91)	-
<i>Transfer to statutory fund</i>	-	-	-	-
<i>Balance at 30 June 2016</i>	30,000,000.00	21,022,583.81	892,292.31	51,914,876.12

Notes from page 6 up to 18 are integral parts of these financial statements

Financial statements of the Central Bank of the Republic of Kosovo

1. Reporting Institution

Central Bank of the Republic of Kosovo – CBK, which operates under the Law no. 03/L-209 “On Central Bank of the Republic of Kosovo” approved in July 2010.

2. Basis for preparation of Financial Statements

Reporting Framework

Financial statements are in accordance with International Financial Reporting Standards (IFRS) for interim reporting.

Basis of measurements

Financial Statements have been prepared on the bases of historical cost.

Functional and presentation currency

These financial statements are presented in euro, EUR, which is CBK’s functional currency. In case when financial information is presented in other currency it will be indicated. All financial information presented are rounded to zero (decimal values not shown).

3. Accounting Policies

Financial statements are prepared by using consistency of accounting policies, and emphasize that there were no new policy or change in accounting policies applied.

4. Financial Risk Management

Financial risk in CBK is presented as; liquidity risk, operational risk, credit risk and market risk. Financial risk in CBK is mostly related to asset management activity and is mainly managed from Asset Management Department in accordance with the policy of asset investment and management approved by the Board. Assets exposed as the result of their financial management activity are mainly within European Union Countries with very good credit rating (from A-1 till – A-3 / P-1 till P-2).

Liquidity risk management (continued)

Carried amounts according to maturity left

	Note	Carried amount	< 3 months	3-6 months	6-12 months	1-7 years
30 June 2016						
Assets						
Cash on hand	5	49,129,647	49,129,647	-	-	-
Current accounts with non-resident banks	6	119,164,601	119,164,601	-	-	-
Treasury bills	7	511,496,748	1,149,076	7,425,796	77,392,724	425,529,152
Deposit accounts with non-resident banks	8	630,624,251	365,504,703	210,105,050	55,014,499	-
In accounts related with IMF	9	297,818,345	160,591,427	-	-	137,226,918
		1,608,233,593	695,539,455	217,530,846	132,407,222	562,756,069
Liabilities						
Due to domestic banks	13	(270,886,370)	(270,886,370)	-	-	-
Due to accounts related to IMF	14	(304,243,473)	(167,016,555)	-	-	(137,226,918)
Due to local governmental institutions	15	(803,998,769)	(803,998,769)	-	-	-
Due to public and commercial entities	16	(180,290,515)	(180,290,515)	-	-	-
Borrowing's	17	(673,258)	(673,258)	-	-	-
Other domestic liabilities	18	(1,661,169)	(1,661,169)	-	-	-
		(1,561,753,553)	(1,424,526,635)	-	-	(137,226,918)
		46,480,040	(728,987,180)	217,530,846	132,407,222	425,529,152
31 December 2015						
Assets						
Cash on hand	5	15,281,540	15,281,540	-	-	-
Current accounts with non-resident banks	6	241,187,046	241,187,046	-	-	-
Treasury bills	7	127,318,652	56,399,153	5,135,137	6,114,202	59,670,160
Deposit accounts with non-resident banks	8	805,309,147	185,060,440	95,026,608	525,222,099	-
In accounts related with IMF	9	268,277,311	149,589,561	9,777,000	29,331,000	79,579,750
		1,457,373,696	647,517,740	109,938,744	560,667,302	139,249,910
Liabilities						
Due to domestic banks	13	(316,405,869)	(316,405,869)	-	-	-
Due to accounts related to IMF	14	(268,277,311)	(149,589,561)	(9,777,000)	(29,331,000)	(79,579,750)
Due to local governmental institutions	15	(735,743,859)	(735,743,859)	-	-	-
Due to public and commercial entities	16	(82,648,974)	(82,648,974)	-	-	-
Borrowing's	17	(680,117)	(680,117)	-	-	-
Other domestic liabilities	18	(1,799,115)	(1,799,115)	-	-	-
		(1,405,555,244)	(1,286,867,494)	(9,777,000)	(29,331,000)	(79,579,750)
		51,818,452	(639,349,754)	100,161,744	531,336,302	59,670,160

5. Cash on hand

	30 June 2016	31 December 2015
Cash on hand	49,129,647.28	15,281,539.78
Total	49,129,647.28	15,281,539.78

6. Current accounts with non-resident banks

Composition of current accounts with non-residential banks is as follows:

	30 June 2016	31 December 2015
Deutsche Bundesbank	10.73	68.10
Raiffeisen Zentralbank	18,559,957.24	152,006,000.43
Deutsche Bank London AG	21,268,667.39	79,161,507.42
Nostro Acc.Pohjola Bank Plc	-	9,996,970.34
Nostro Acc. Commerzbank AG	79,335,966.08	22,500.00
Total	119,164,601.45	241,187,046.29

We have a decrease in the position of accounts compared with December 31, 2015. However, if we look at the position of securities easily observe that we have an increase in the within the note 7 (please see note 7). These changes are normal activity flow management portfolio tools (i.e. notes 6, 7 and 8 that are closely linked to each other in terms of reference asset management).

7. Securities (Treasury Bills and Bonds)

Both categories fall within the cluster with note 7 are debt securities issued by the government as listed in the following countries (in the table by countries). Treasury bills have maturities disclosed below one year. While those government bonds have maturities of up to three years. All are in Euro and have and have effective interest rates that range from 0.008% to 2696% annually in 2016 (2015: 0.016% to 2696% annual).

By country:

	30 June 2016	31 December 2015
Netherlands	50,244,113.38	50,490,215.35
Italy	373,658,015.56	49,996,275.02
Kosovo	87,594,618.72	26,832,161.63
Total	511,496,747.66	127,318,652.01

Securities (continued)

According to type:

	30 June 2016	31 December 2015
Treasury Bills	31,744,211.41	64,513,565.02
Bonds	479,752,536.25	62,804,971.99
Total	341,189,554.17	127,318,537.01

To this group there was a higher position compare to the period ended December 31, 2015 which is the normal flow of portfolio management, mainly based on the optimal rate of return.

8. Deposits with non-residential banks

Within this group includes placements in the money market in non-domestic banks. The interest rate for these placements until the second quarter of 2016 average is around 0.129% (min. 0.020% and max. 0.430%), whereas in 2015: min. 0.010% to 0.260% with an average of 0.0661%). These placements mainly contracted maturity up to one year. Analytics by banks is disclosed in the table as below:

Placements in money markets	30 June 2016	31 December 2015
Raiffeisen Zentralbank	305,411,970.89	200,131,408.34
ING Bank	110,049,966.67	185,031,462.50
Rabobank	80,050,847.25	90,043,688.49
Danske Bank	75,027,175.00	140,027,696.18
Deutsche Bank	60,084,291.67	160,072,725.00
Pohjola	-	30,002,166.67
Total	630,624,251.43	805,309,147.18

According to the currency:

	Euro equivalent	Euro equivalent
in EUR	610,595,476.42	805,309,147.18
in USD	20,028,775.05	-
	630,624,251.47	805,309,147.18

Since 01 March 2016 the investment portfolio have also placements in the currency of the US dollar (USD).

9. Assets related to IMF

	30 June 2016	31 December 2015
IMF Quota	104,075,448.40	75,096,957.81
SDR holdings	56,176,343.63	65,127,150.61
Accrued Interest	264,791.54	230,352.64
Use of IMF funds (SBA)	137,226,917.70	127,747,244.04
Commitment Fee	74,843.60	75,606.09
Total	297,818,344.87	268,277,311.19

Above items arise from Kosovo membership in IMF. Second item represents the value of the mandatory quota (59,000,000 SDR) set to Kosovo by IMF in Euros. Second item represents the value deposited in SDR (Special Drawing rights) on behalf of the Republic of Kosovo according to the decisions of the Executive Board of IMF on 28 August (43,737,278 SDR) and 9 September 2009 (11,631,135 SDR) in euros in the table above.

Special Drawing Rights – SDR deposits are deposits that bring an interest of 0.044% on average for the reporting period.

Use of IMF funds item represents IMF funds according the agreement for use of credit line by Kosovo Government (SBA). Increase is derived mainly from new disbursement on July 2015 and partially from changes on foreign exchange. While commitment fee is related to funds that are available but not yet withdrawn.

10, 11 Tangible and Intangible Assets

Category of main assets	Historical cost	Depreciation/ Amortization accumulated up to 31 December 2015	Total Depreciation/ Amortization for period 30 June 2016	Total Depreciation/ Amortization/ accumulated till 30 June 2016	Net Value as 30 June 2016
Property, plant and equipment	6,350,282.77	3,371,760.28	215,502.85	3,584,963.91	2,765,318.86
Equipment's, offices and other	1,847,850.18	1,469,398.20	53,738.67	1,520,836.85	327,013.33
Vehicles	320,149.16	203,714.34	14,479.86	218,194.20	101,954.96
Premises	2,341,408.02	677,197.88	53,926.22	731,124.10	1,610,283.92
Computer hardware	1,482,431.74	1,021,449.86	93,358.10	1,114,808.76	367,622.98
Work in process	358,443.67	-	-	-	358,443.67
Intangible assets	2,895,537.73	1,222,085.62	103,639.01	1,325,724.63	1,569,813.10
Intangible assets	2,296,517.14	1,222,085.62	103,639.01	1,325,724.63	970,792.51
Intangible assets– work in process	599,020.59	-	-	-	599,020.59
	9,245,820.50	4,593,845.90	319,141.86	4,910,688.54	4,335,131.96
Total	6,350,282.77	3,371,760.28	215,502.85	3,584,963.91	2,765,318.86

12. Other assets

Other assets are as below:

	30 June 2016	31 December 2015
Accrual income	936,842.51	807,667.97
Prepayment	162,861.67	89,078.09
Total	1,099,704.18	896,746.06

13. Due to domestic banks

	30 June 2016	31 December 2015
ProCredit Bank - Kosovë	38,047,332.22	77,224,643.60
Raiffeisen Bank - Kosovë	56,274,921.31	51,931,582.28
NLB Prishtina	39,809,016.29	39,208,782.60
Komercijalna Banka - Dega Mitrovicë	5,200,811.55	4,935,843.91
Banka Ekonomike e Prishtinës	22,457,157.55	17,572,209.96
Banka për Biznes	23,463,031.30	22,576,060.01
Banka Kombëtare Tregtare e Shqipërisë	26,042,711.48	39,733,174.37
Turk Ekonomi Bankasi Sh.A	46,395,895.88	51,008,722.51
Turkiye Is Bankasi A.S.	9,498,164.87	6,305,204.13
T.C. Zirat Bankasi A.S.Dega Kosove	3,574,339.46	5,850,515.15
Banka Kreditore e Prishtinës	122,987.77	59,130.21
Total	270,886,369.68	316,405,868.73

In this group are disclosed balances current accounts of commercial banks operating within Kosovo that have an account on the CBK. Commercial banks that operate in Kosovo are obliged to hold liquidity reserve money in CBK, in total amount as of June 31, 2016 above disclosed is around 2.24 times higher the required amount.

14. Due to accounts related to IMF

	30 June 2016	31 December 2015
Current account FMN No. 1	260,188.62	187,742.39 €
Expenses account FMN No. 2	6,299.97	6,364.15
IMF securities account	215,760,311.50	184,626,825.40
Part paid of IMF quota	18,186,914.97	18,367,989.10
IMF SDR allocated by IMF	69,763,830.63	70,474,565.68
Accrued Interest	265,926.95	230,797.81
Total	304,243,472.64	273,894,284.53

The above items represent positions of accounts related to IMF following Kosovo's membership in this institution.

Three first items represent opened accounts according to IMF regulation: two operational accounts and one account in trust for securities issued by Kosovo Government as payable notes.

The paid quota is held in SDR (SDR 14,160,000), which in the table above is expressed in euro. IMF SDR are allocations mentioned before (note 9) according to allocations on 28 August and 09 September 2009 (both allocations make a total of 55,368,413 SDR).

15. Due to Governmental Domestic Institutions

Due to governmental institutions comprise of:

Current account

	30 June 2016	31 December 2016
Treasury – Ministry of Economy and Finance	338,166,569.29	248,780,264.54
Privatization Agency of Kosovo	465,761,323.05	486,819,224.92
Interim Administrative Institutions	70,876.80	144,369.17
Total	803,998,769.14	735,743,858.63

Deposits in current account interest rate advantage of 0.00% (as of the reporting period, as well as the comparative period). Active time deposits in the reporting period there, as well as for 2015 no active time deposits at 31 December 2015.

16. Due to Public and Commercial Entities

Dues to commercial and public entities are as below and are all assets in current accounts:

	30 June 2016	31 December 2015
Insurance Companies	4,456,314.18	4,528,394.93
Public Institutions	175,832,390.82	78,118,756.94
Pension Funds and other	1,809.83	1,821.83
Total	180,290,514.83	82,648,973.70

The increase mainly attributed to the increase in current account balance of the Kosovo Pension Savings Trust, as part of this group account.

17. Borrowing's

	30 June 2016	31 December 2015
Borrowing's from World Bank	673,257.61	680,116.58
Total	673,257.61	680,116.58

Two projects are under way and financed by the World Bank, the project for the Business Continuity plan and project for the real time payment system (RTGS).

18. Other liabilities

	30 June 2016	31 December 2015
Escrow account	756,036.51	756,036.51
Deferred income	646,184.29	631,532.05
Payables and Accrued expenses	258,948.01	411,546.75
Total	1,661,168.81	1,799,115.31

Within the group is a slight reduction in the total balance of the group compared with 31 December 2015. Mainly influenced by the reduction of accounts payable balance to 30 June 2016, compared to 31 December 2015.

19.20 Regulatory capital and reserves

	30 June 2016	31 December 2015
Capital and general reserve		
Authorised capital	30,000,000.00	30,000,000.00
Reserve fund	21,022,583.81	19,949,414.03
Net result for the period	892,292.31	385,377.87
Total	51,914,876.12	50,334,791.90

The positive financial result is influenced by three dominant factors:

- i) higher revenues of interest,
- ii) higher revenues from fees on services and regulatory activity,
- iii) income from the revaluation of foreign currency at the reporting date.

The first two elements are a factor to be taken to the consideration because they do constitute the real figures of the financial position at the reporting date. The third element is a temporary condition and is presented as revenue unrealized (just as revaluation) at the reporting date and as such may vary depending on the change in the exchange rate EUR / SDR.

21. Net interest income

	30 June 2016	30 June 2015
Interest Income		
From placements	435,703.42	167,116.40
From securities	421,902.85	9,406.90
From deposit current accounts	14,813.33	16,475.49
	872,419.60	192,998.79
Interest expense		
From current accounts	20,071.27	18,709.59
From correspondent banks	0.07	-
From fix term deposits	-	8,001.38
From Borrowing	1,993.53	1,078.63
	22,064.87	27,789.60
Net interest income	850,354.73	165,209.19

As you can be seen from the table under note 21, revenues from interest rates are about 5.1 times higher compared with the same period of last year. This has been one of the main factors that have a positive result for the reporting date (without foreign exchange revaluation). Average interest rates on net interest revenues (taking into consideration only committed portfolio) brought in about 0.149% (in the same period of 2015 0.035%). If we consider the total portfolio have average rate of 0.135% of the realized net interest.

22. Net fee and commission income

	30 June 2016	30 June 2015
Net fee and commission income		
From cash deposits	182,050.40	164,286.58
From incoming transfer	31,666.23	23,353.69
From outgoing transfers	156,139.21	119,573.20
From domestic transfers (Domestic payment system))	418,482.71	226,178.08
From credit registry system	65,843.10	60,034.90
From Treasury asset management	-	25,000.00
Other fees	17,622.70	16,065.00
	871,804.35	634,491.45
Fee and commission expense		
From cash transportation	141,318.42	108,596.62
From correspondent bank transactions	5,854.37	1,796.34
From payment services (IPS)	-	-
	147,172.79	110,392.96
Net fee and commission position	724,631.56	524,098.49

An increase compared to June 30, 2015, it derived from increased tariffs on services by 01 January 2016. Raising fees is indorsed in law and in the CBK cost analysis for the respective services. Also we estimates that the increase does not affect the financial services market (i.e. if you look at the basic tariff for normal transactions and normal mass through interbank payment system it is on average 12 cents while the average commercial bank is 1.36 euro).

23. Incomes from regulatory activity

	30 June 2016	30 June 2015
Banks licenses renewal fees	1,180,868.54	949,249.76
Bank licenses fees	12,100.00	10,600.00
Insurance Companies licenses renewal fees	522,411.04	469,033.90
Insurance Companies licenses fees	119,300.00	79,000.00
Pension funds renewal fees	10,713.82	6,265.44
Other financial institution fees	77,497.72	73,506.30
Total	1,922,891.12	1,587,655.40

Here we have an increase of about 21% in the total group. This growth is mainly based on changes in revenue tariffs effective from 01 January 2016 and is mainly derived from the first item of the group.

24. Grant revenue

	30 June 2016	30 June 2015
Grant revenue	33,309.68	33,309.68

Two are the grants that effect note 24 grant revenues. They are grant for application of management of whole process of *issuing the government securities* (which in fact the complete application was granted to us) and partial financing from grant for the application of *credit registry*.

25. Other operational incomes

	30 June 2016	30 June 2015
Other income	3,169.60	310.83

Incomes from other activity are note regular ones and which could not be part of any regular items of incomes listed in previous notes.

26. Personnel expenses

	30 June 2016	30 June 2015
Wages and salary expences	1,422,114.45	1,282,661.80
Social security and health insurance	316,226.65	311,481.61
Staff training costs	37,204.75	18,245.31
Board expenses	47,887.67	47,741.60
Other	7,197.78	7,197.78
Total	1,830,631.30	1,667,328.10

Total number of employees which were active on payroll list from January - June, 2016 is 217. (while in march,31 2015: 203). On the category of other expenses are also the compensations for additional pension fund that CBK pay for its employees and for some of them was not able to transfer this obligation to licensed pension funds because they have been already retired when the management decided to transfer these fund to licensed pension funds and financial support for living accommodation.

27. General and administrative expenses

	30 June 2016	30 June 2015
Insurance expenses	90,534.49	89,000.02
Repairs and maintenance	20,227.08	11,939.48
Application maintenance	134,043.19	134,645.31
Communication expenses (telephone, fax, and internet)	8,861.49	17,388.71
Public utility expenses	39,986.60	43,437.78
Consulting and auditing expenses	-	30,023.75
Security (guard and transportation)	21,760.00	18,060.00
Travel and transportation	71,107.44	54,827.06
Vehicle operating expenses	11,159.18	11,552.25
Consumable administrative material	8,651.63	21,478.20
Cafeteria expenses	16,183.77	8,670.53
Consumable expenses (IT and non-IT equipment supply)	9,925.03	11,390.22
Publishing and literature	5,024.87	4,822.17
Representation expenses	79,725.63	24,318.11
Membership to professional institutions	11,433.87	11,585.77
Other	14,260.94	5,386.26
Total	542,885.21	498,525.62

28. Net result of changes in exchange rates

	30 June 2016	30 June 2015
Net unrealized profit/loss from exchange rate	50,594.77	(569,435.03)

The result presented above is temporary (specifically only to date) and can move depending on the movement of exchange rates EUR / SDR.

29. Cash and cash equivalents

	Note	30 June 2016	31 December 2015
Cash in hand	5	49,129,647.28	15,281,539.78
Cash accounts with non-resident banks	6	119,164,601.45	241,187,046.29
Treasury bill with maturity up to three months		294,184.08	2,864,220.69
Placements with non-resident banks with maturity up to three months		20,028,775.05	0.00
Total		188,617,207.86	259,332,806.76

30. Commitment and contingencies

Membership in the World Bank

After the accession of the Republic of Kosovo in the World Bank and its sub-agencies Kosovo Government has issued notes payable (upon request), pledging that it will pay at the request of the World Bank (her sub-agencies) for the membership fee. The value of their June 31, 2016 is approximately 645.152 euros (December 31, 2015, this liability was expected 645.152 euro), CBK acts as financial intermediary (bank guarantee) and funds held in accounts sub-custody security.