

Annual Report

2004

CROATIAN NATIONAL BANK

**Currency
Department
Operations**

5

5.1 Currency Department Operations

5.1.1 The Balance and Movements of Cash in Circulation

On 31 December 2004, the balance of cash in circulation totalled HRK 10.95bn, which was a rise of 3.6% in comparison to the end of 2003. The growth of cash in circulation by 3.6% in 2004 was 5.6 percentage points lower than the growth rate of 9.2% observed in 2003.

On 31 December 2004, there were 100.4 million banknotes, valued at HRK 10.4bn, outside the vaults of the CNB and cash supply centres.

Compared with late 2003, the quantity of banknotes outside the vaults rose by 6% in 2004, while the total value of banknotes outside the vaults went up by 3.3%.

The total number of banknotes in circulation increased in 2004 by 5.7 million as compared to 2003, of which banknotes in denomination of 10 kuna accounted for 1.8 million or 31.6%. The real growth of the number of banknotes in denominations of 200, 100, 50 and 20 kuna in circulation (the difference between the total rise of the number of banknotes of these denominations in circulation, the 2001 and the 2002 issues and the number of the withdrawn worn out banknotes, the 1993 issue) totalled 3.7 million banknotes or 64.9%. As for banknotes in denominations of 1000 and 500 kuna, their number went up by 0.2 million or 3.5%.

5.1

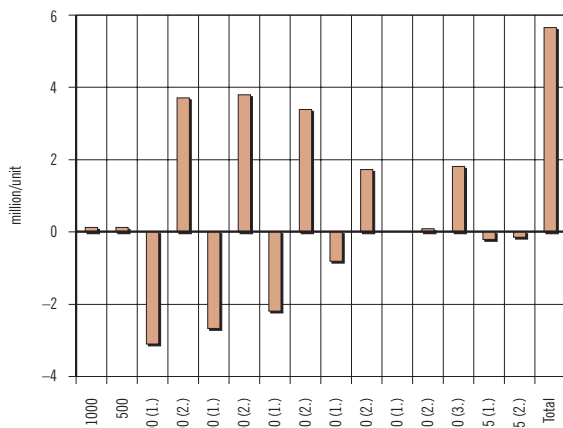
Cash in Circulation
end of period



Source: CNB.

5.2

Change in the Number of Banknotes in Circulation in 2004 as Compared to 2003

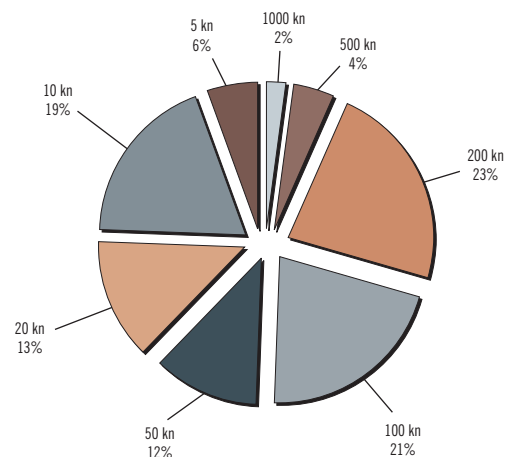


Note: Figures 1, 2, and 3 stated in brackets mark the series of issuance.

Source: CNB.

5.3

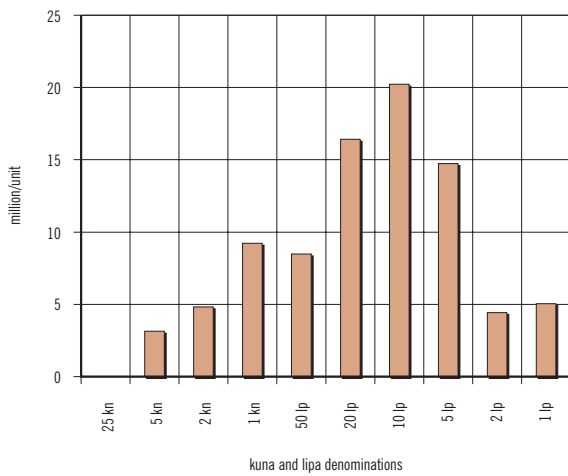
Structure of Total Volume of Banknotes in Circulation by Denomination
end-2004



Source: CNB.

5.4

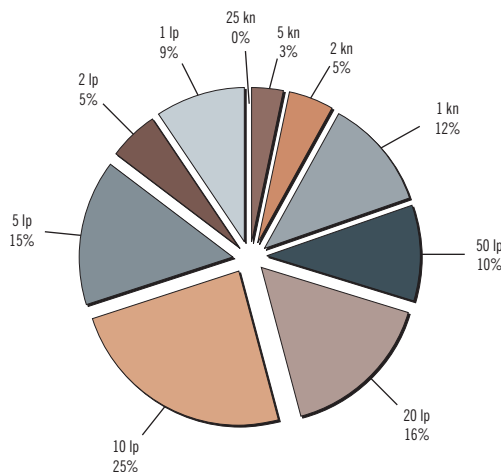
Change in the Number of Coins in Circulation in 2004 as Compared to 2003



Source: CNB.

5.5

Structure of Total Volume of Coins in Circulation by Denomination end-2004



Source: CNB.

The total number of banknotes in circulation in denomination of 5 kuna reduced by 0.3 million because the need for banknotes of this particular denomination is primarily met by coins of the same denomination.

Of banknotes in circulation, banknotes in denominations of 200 kuna, with a 23% share, and of 100 kuna, with a share of 21%, were the most numerous and accounted for HRK 6.6bn or 64% of the total value of banknotes in circulation in 2004. The said two denominations are predominantly used by banks to effect ATM payments, which accounted for such a large number of banknotes of these denominations in the structure of banknotes in circulation.

On 31 December 2004, there were 1.047 billion coins outside the vaults, worth HRK 0.539bn.

In comparison with late 2003, the quantity of coins outside the vaults increased by 9.1%, while their value increased by 8.9%.

The quantity of coins in circulation increased by 87 million coins in 2004, with the coin in denomination of 10 lipa accounting for the largest share of the increase (23.2%), up 20.2 million coins from the number of coins registered in 2003.

Of coins in circulation in 2004, the most numerous were coins in denomination of 10 lipa, with 262 million coins or 25% of total number of coins in circulation, while from the point of view of total value coins in denomination of 5 kuna accounted for the largest share, HRK 170.6m or 31.6% of the total value of coins in circulation.

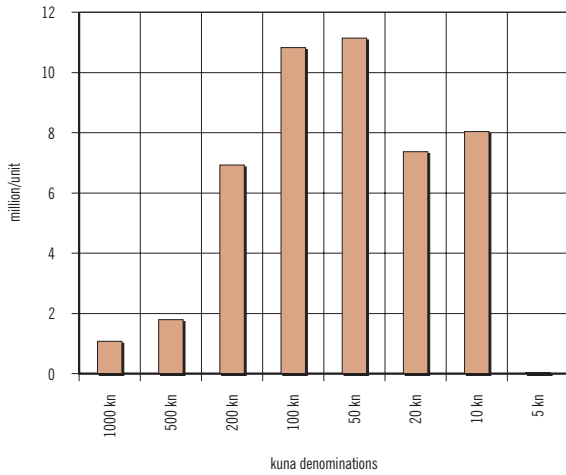
5.2 Supply with Cash

For the purpose of settling bank cash requirements in 2004 47.2 million banknotes (worth HRK 5.2bn) and 79.1 million coins (worth HRK 0.029bn) were issued from the vault of the CNB to cash supply centres. The total value of issued banknotes increased by 19.8% compared to 2003, while the total value of issued coins went down by 45.2%, that is, 7% by the number of coins.

A substantial share of coin requirements of cash supply centres was covered by transfer of excess coin quantities from one cash supply centre to another. As a result, the 2004 saw 22.8 million coins, worth HRK 0.047bn, being transferred among cash supply centres.

5.6

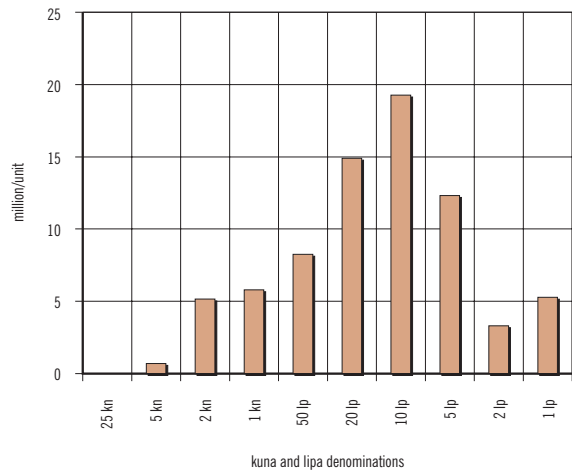
Banknotes Issued to Cash Supply Centres in 2004



Source: CNB.

5.7

Coins Issued to Cash Supply Centres in 2004



Source: CNB.

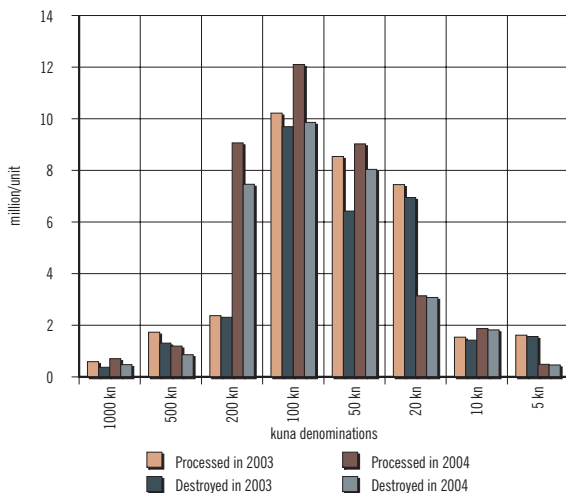
5.3 Withdrawing and Processing Worn Out Banknotes

The Currency Department of the CNB withdrew 48.7 million banknotes from cash supply centres over 2004, valued at HRK 5.6bn. The banknote sorting system processed 37.5 million banknotes, of which 85.3% or 32.0 million units valued at HRK 3.8bn, were immediately destroyed as they failed to meet the quality standards set for banknotes in circulation.

According to the latest data, the renewal index in 2004 was 32 (destroyed banknotes/circulation x 100), since the number of banknotes in circulation as per 31 December 2004 totalled 100.4 million, and the number of destroyed banknotes 32 million.

5.8

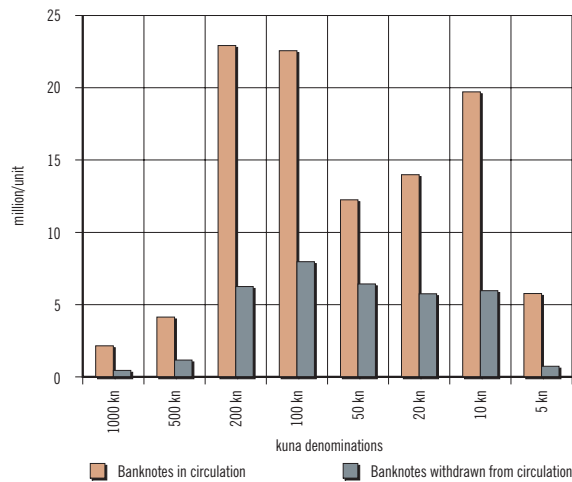
Processed and Destroyed Banknotes



Source: CNB.

5.9

Ratio of Withdrawn Banknotes and Banknotes in Circulation



Source: CNB.

5.4 Expert Evaluation of Banknotes

In 2004, the expert evaluation of banknotes identified 2,301 counterfeit banknotes valued at HRK 749,450. Compared with 2003, the number of identified counterfeits fell by 30.6%. The largest number of counterfeits, 650 or 28.2% of the total went to 200 kuna banknotes. In 2004, efforts were continued to make the general public and banknote users (especially networks of retail outlets) acquainted with the security features of kuna banknotes, aimed at preventing the distribution of counterfeit banknotes. As shown by the above indicators, 23 counterfeits were discovered per 1 million banknotes in circulation in 2004. The analysis of received counterfeits showed that they were mostly produced using computer technology and printed on colour printers with the exception of 1000 kuna banknotes, where printing technology was employed.

Table 5.1 Identified Counterfeit Banknotes in 2004

Denominations	1000	500	200	100	50	20	10	5	
Units	271	591	650	305	434	26	22	2	2,301
Share	11.8	25.7	28.2	13.3	18.9	1.1	1.0	0.1	100.0

Source: CNB.

5.5 Issuing Commemorative Coins

In 2004, the CNB issued 2,000 numismatic sets of kuna and lipa circulation coins, with "2004" marking the year of issue.

5.6 Cash Supply Centres

In the period from January to June 2004 the CNB and FINA in co-operation with seven banks with the largest volume of cash operations, completed the study on the organisation of cash supply centres in the Republic of Croatia. The project consisted of two phases: the first was to establish the existing situation and the second was to define the concept of cash supply centre network, the concept of products and services, work-flow concept, machinery, storage and internal transport concept as well as IT and staffing concept, the number, costs and organisation as well as the business model of cash supply centres.

The results of the project were accepted by all who participated in its creation. The analyses and co-operation on the application of the results and creation of the cash supply centre network supported by the CNB, FINA and banks started in the second half of 2004 and are to be continued throughout 2005.