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# Currency Department Operations

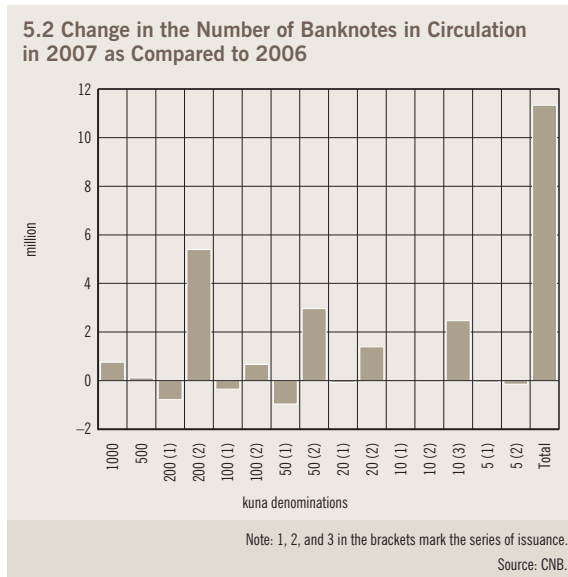
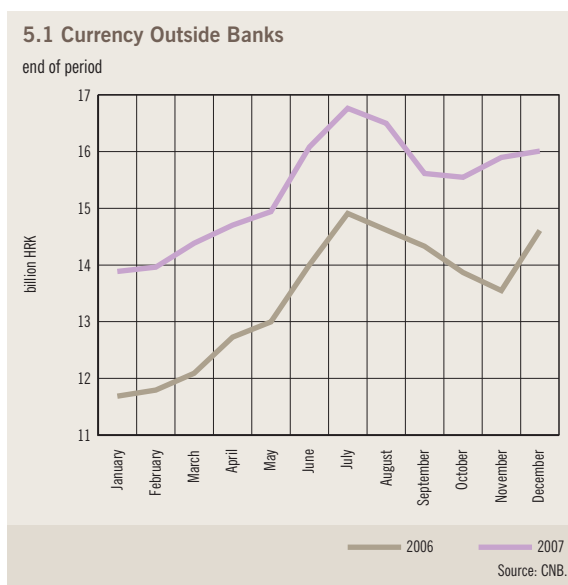


## 5.1 Currency Outside Banks

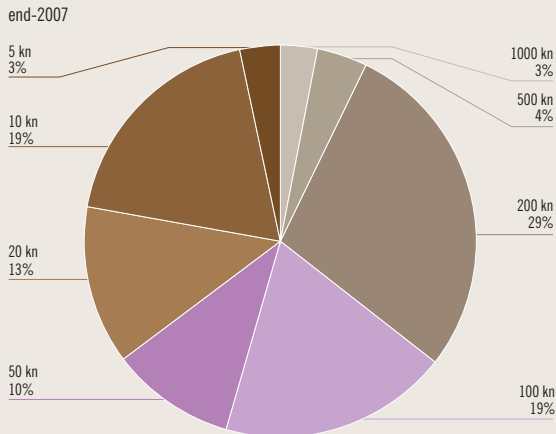
Currency outside banks amounted to HRK 16.0bn on 31 December 2007. Although 9.6% higher at the end of 2007, the growth rate of the currency outside banks was 10.5 percentage points lower than that observed in 2006.

On 31 December 2007, there were 135.2 million banknotes, valued at HRK 15.2bn, outside the vaults of the CNB and cash supply centres. Compared with the end of 2006, the quantity of banknotes outside the vault of the CNB rose by 9.1%, while the total value of all banknotes outside the vaults of the CNB and cash supply centres went up by 9.5%.

The total number of banknotes in circulation increased by 11.3 million in 2007 as compared to 2006, of which banknotes in denomination of 200 kuna accounted for 5.4 million or 47.8%. Concurrently, an increase of 5.9 million or 52.2% was observed in banknotes in denominations of 1000, 500, 100, 50, 20 and 10 kuna, with the number of 50 kuna banknotes rising at the highest rate (2.9 million or 49.2%). The total number of 5 kuna banknotes in circulation declined by 0.1 million because the need for banknotes of this particular denomination was primarily met by coins of the same denomination. Compared with the end of 2006, the number of banknotes issued in 1993 (exclusive of banknotes in denominations of 1000 and 500 kuna) decreased by 2.8 million. Hence, 12.9 million of banknotes issued in 1993 were in circulation at the end of 2007, accounting for 9.5% of the total number of banknotes in circulation (135.2 million). In addition, out of 12.9 million of banknotes issued in 1993, the valid banknotes in denominations of 200, 100 and 50 kuna accounted for 4.3 million, while those that are no longer valid and that are replaced by the CNB accounted for 8.6 million.

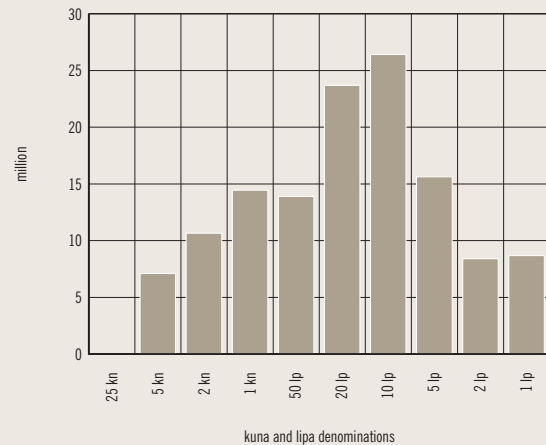


### 5.3 Structure of Total Volume of Banknotes in Circulation by Denomination end-2007



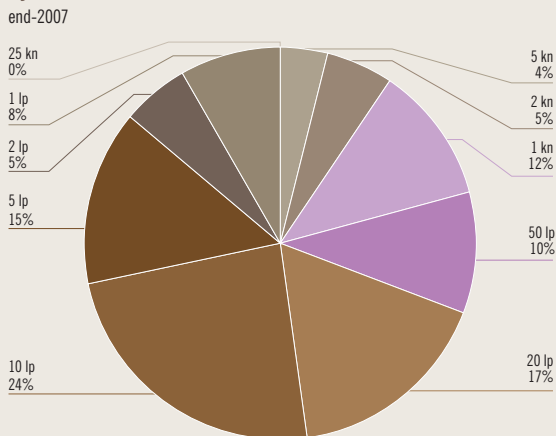
Source: CNB.

### 5.4 Change in the Number of Coins in Circulation in 2007 as Compared to 2006



Source: CNB.

### 5.5 Structure of Total Volume of Coins in Circulation by Denomination end-2007



Source: CNB.

Of banknotes in circulation, banknotes in denominations of 200 kuna, with a share of 29%, and of 100 kuna, with a share of 19%, were the most numerous and accounted for HRK 10.2bn or 67% of the total value of banknotes in circulation in 2007. Such a large share of 200 and 100 kuna banknotes in total banknotes in circulation is attributed to their wide-spread presence in ATM payments.

On 31 December 2007, there were 1.38 billion coins outside the central bank's vault, worth HRK 0.76bn. Compared with the end of 2006, the quantity of coins outside the central bank's vault increased by 10.0%, while their total value increased by 12.7%. The total number of coins in circulation increased by 128 million in 2007, with the coin denomination of 10 lipa accounting for the largest share of the increase, up 26.3 million coins or 20.3% from the number of coins registered in 2006.

Of coins in circulation, the most numerous in 2007 were 10 lipa coins, accounting for 327 million or 24% of the total number of coins in circulation. In terms of value, coins in denomination of 5 kuna accounted for the largest share, HRK 264.0m or 34.6% of the total value of coins in circulation.

## 5.2 Cash Supply

In order to meet bank demand and maintain the adequate level of cash in centres, a total of 51.9 million banknotes with a value of HRK 7.4bn and 125.6 million coins with a value of HRK 83m were issued from the central bank's vault to cash supply centres in 2007, which represented a decrease of HRK 1.5bn (28.5%) in terms of value and HRK 12.5m (12.5%) in terms of volume compared with the levels at the end of 2006. However, the total value and total number of issued coins expanded by 62.6% and 15.7% respectively in 2007.

As the requirements of cash supply centres for coins were largely covered by the transfer of excess coin quantities from one cash supply centre to another, 8.2 million coins (with a value of HRK 12m) were transferred among cash supply centres in 2007.

Despite the 9.6% rise in the currency in circulation, the total value of banknotes and coins issued from the central bank's vault fell by 20% at the end of 2007 relative to the end of 2006, while the total number of banknotes decreased by 24.1%.

The observed decrease in the value and volume of banknotes and coins issued from the central bank's vault is attributed to last year's reduction in the number of cash supply centres. Specifically, in the January-May period of 2007, the number of cash supply centres was reduced from 22 to 10. Following the inclusion of banknotes and coins from the closed cash supply centres into circulation, the currency turnover rose by 1.5 times in 2007 relative to 2006, amounting to 7.5 (HRK 120.6bn of total turnover in cash supply centres divided by HRK 16.0bn of total currency in circulation of at the end of 2007).

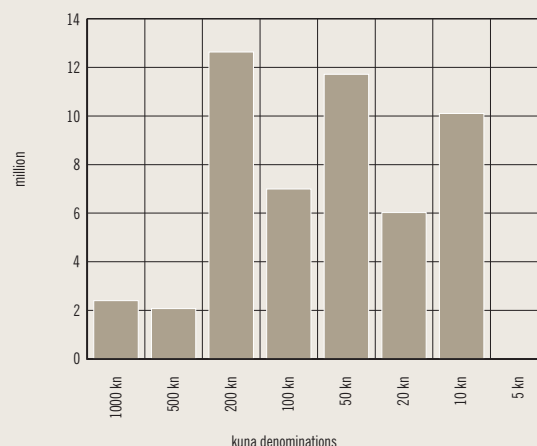
The rationalisation of cash supply centres and the 45.1% decrease in the total amount of fees that banks were obliged to pay for their services (e.g. total fees paid in 2007 and 2006 stood at HRK 58.6m and HRK 85.0m respectively) generated substantial savings that will directly impact the costs of production and handling of banknotes and coins.

### 5.3 Withdrawal and Processing of Worn-Out Banknotes

In 2007, the Currency Department withdrew 45.0 million banknotes with a value of HRK 5.5bn from cash supply centres. The banknote sorting system processed 51.8 million banknotes in 2007 (6.8 million banknotes in 2006), of which 97.1% or 50.3 million banknotes, valued at HRK 6.1bn, were immediately destroyed as they failed to meet the quality standards set for banknotes in circulation.

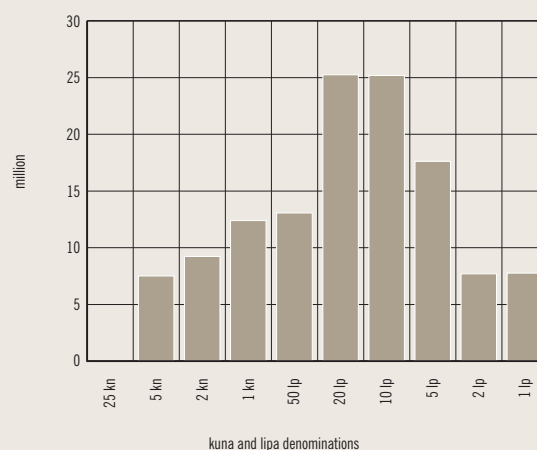
According to the latest data, the renewal index in 2007 was 39 (destroyed banknotes/circulation × 100), with the number of banknotes in circulation and the number of destroyed banknotes totalling 135.2 million and 51.8 million respectively on 31 December 2007.

5.6 Banknotes Issued to Cash Supply Centres in 2007



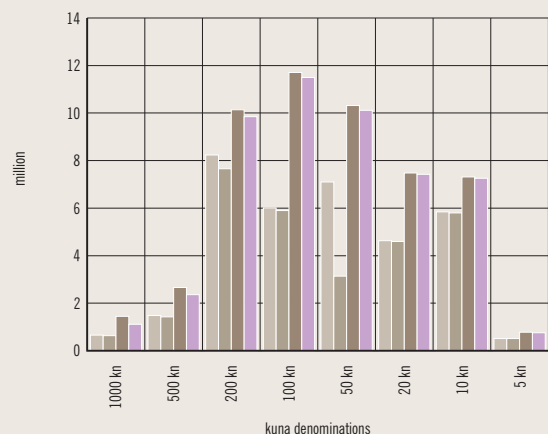
Source: CNB.

5.7 Coins Issued to Cash Supply Centres in 2007



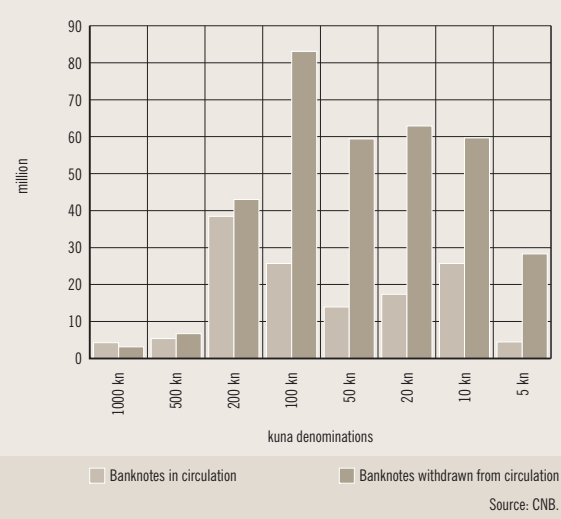
Source: CNB.

5.8 Processed and Destroyed Banknotes



Source: CNB.

**5.9 Ratio of Withdrawn Banknotes and Banknotes in Circulation in 2007**



## 5.4 Expert Evaluation of Banknotes

In 2007, the expert evaluation of banknotes identified 704 counterfeit banknotes valued at HRK 181,810. Compared with the end of 2006, the number of identified counterfeits fell by 65.7%, with 200 kuna banknotes continuing to account for the largest share of counterfeit banknotes in 2007 (269 or 38.2%). Aimed at preventing the distribution of counterfeit banknotes, the efforts to make the general public and banknote users (especially networks of retail outlets) acquainted with the security features of kuna banknotes continued in 2007 as well. As shown by the relevant indicators, 5 counterfeits were discovered per 1 million banknotes in circulation in 2007. The analysis of received counterfeits showed that in 99% of cases they were produced using computer technology and printed on colour printers. 1% of the counterfeit banknotes were printed in offset technique, and this primarily includes counterfeit 1000 kuna banknotes.

**Table 5.1 Identified Counterfeit Banknotes in 2007**

Denomination	1000	500	200	100	50	20	10	5	Total
Number	48	130	269	97	80	51	29	0	<b>704</b>
Percent	6.8	18.5	38.2	13.8	11.4	7.2	4.1	0.0	<b>100.0</b>

Source: CNB.

## 5.5 Commemorative Coin Issues

In 2007, the CNB issued 1,000 numismatic sets of kuna and lipa circulation coins, with “2007” marking the year of issue.

Also, in cooperation with the Central Bank & Financial Services Authority of Ireland, the CNB issued 3,000 items of the commemorative 150 kuna silver coin dedicated to Ivan Meštrović.