



Annual Report 2008

CROATIAN NATIONAL BANK



5

Currency Department Operations

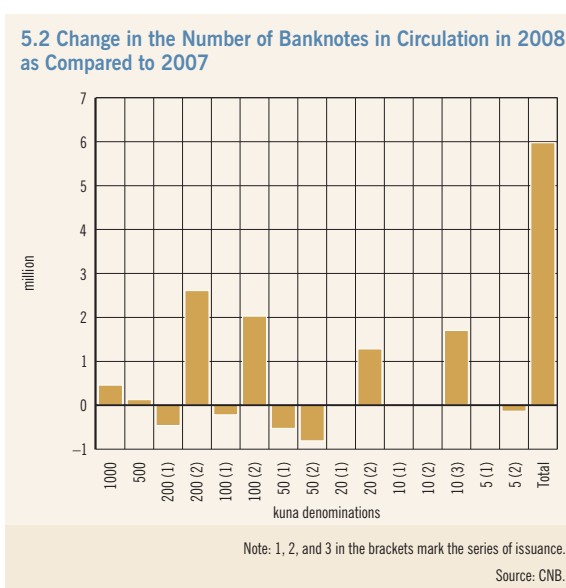
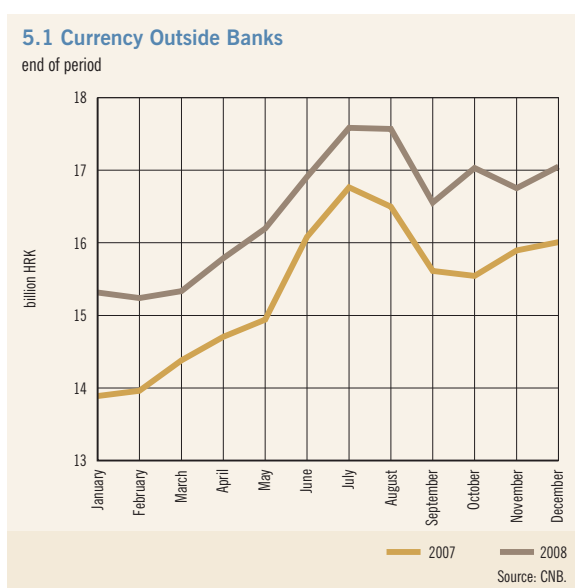
5.1 Currency Outside Banks

As at 31 December 2008, currency outside banks amounted to HRK 1.7bn, which is an increase of 6.5% over the end of 2007. The 6.5% increase in currency in circulation in 2008 was 3.1 percentage points lower than in 2007.

On 31 December 2008, there were 141.2m banknotes, worth HRK 16.2bn, in circulation, that is, outside the CNB vault and cash centres. In comparison with the end of 2007, the number of banknotes outside the CNB had risen by 4.4%, while the total value of all banknotes outside the CNB vault and cash centres had risen by 6.5%.

The total number of banknotes in circulation increased by 6.0 million in 2008 from 2007, with 2.6m 200 kuna banknotes accounting for 43.3% of the total. Banknotes in denominations of 1000, 500, 100, 50, 20 and 10 kuna increased in number by 3.4m (56.7%), with the number of 100 kuna banknotes rising at the highest rate (up by 2.0 million or 58.8%). The total number of 5 kuna banknotes in circulation declined by 0.1 million because the need for these banknotes was met by coins of the same denomination.

In October and November 2008, a procedure was initiated to withdraw from circulation 50, 100 and 200 kuna banknotes with an issue date of 31 October 1993.¹ This was because, according to the data on the condition and circula-



¹ OG 135/2008.

tion of banknotes in these denominations and with these issue dates as at 31 October 2008, 3.4m banknotes (2.4% of the total number of banknotes in circulation) remained in circulation.

The procedure was also initiated due to data on the quality of these banknotes in circulation and concerning the adequacy of reserves of banknotes in the same denominations with an issue date of 7 March 2002 and updated protection against counterfeiting.

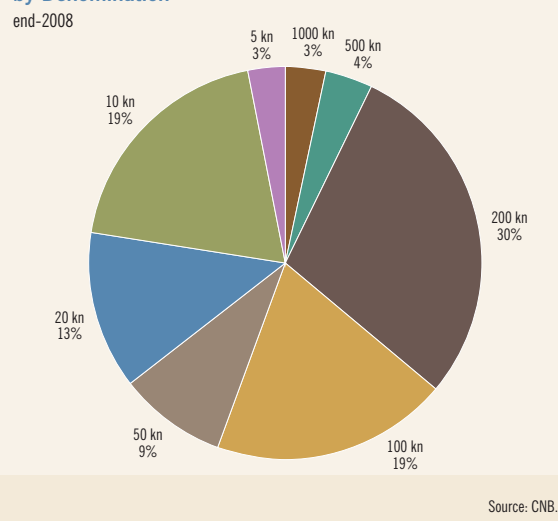
Accordingly, in November 2008, the CNB Council adopted a Decision on the withdrawal from circulation of 50, 100 and 200 kuna banknotes with an issue date of 31 October 1993. The withdrawal process started on 1 December 2008 and it will be completed on 31 December 2009. The mentioned denominations and issues will cease to be legal tender as of 1 January 2010.

Of banknotes in circulation, 200 kuna banknotes, with a share of 30%, and 100 kuna banknotes, with a share of 19%, were the most numerous and accounted for HRK 10.8bn or 66.6% of the total value of banknotes in circulation in 2008. The large share of 200 and 100 kuna banknotes in total banknotes in circulation is attributed to their widespread use in ATM payments.

As at 31 December 2008, there were 1.49bn coins outside the CNB vault, worth a total of HRK 0.82bn. At the end of 2008, the number of coins in circulation had increased by 8.1% from the end of 2007, while their total value had risen by 7.9%. The total number of coins in circulation increased by 112 million in 2007, with the coin denomination of 10 lipa accounting for the largest share of the increase, up by 25.0 million coins or 22.3%.

Of coins in circulation, the most numerous in 2008 were 10 lipa coins (352 million items or 23.6% of the total number of coins in circulation). In terms of value, 5 kuna coins accounted for the largest share, HRK 288.3m or 35.0% of the total value of coins in circulation.

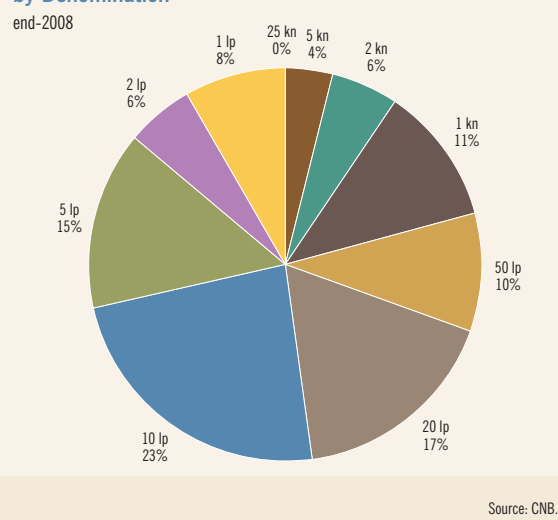
5.3 Structure of Total Volume of Banknotes in Circulation by Denomination



5.4 Change in the Number of Coins in Circulation in 2008 as Compared to 2007



5.5 Structure of Total Volume of Coins in Circulation by Denomination



5.2 Cash Supply

A total of 6.5 billion worth of kuna banknotes (57.0 million pieces) and 64.0m worth of coins (112.6 million pieces) was issued from the CNB vault to cash centres in 2008 to meet the needs of banks for cash based on their orders, and to maintain adequate reserves in cash centres. The total value of issued banknotes was HRK 0.9bn, a drop of 14.1% from 2007, while their number increased by 5.1m or 9.7%. However, the total value and total number of issued coins reduced by 29.1% and 11.6% respectively.

As the requirements of cash supply centres for coins were partly covered by the transfer of the excess number of coins from one cash supply centre to another, 5.8 million coins (worth HRK 9.0m) were transferred among cash supply centres in 2008.

Despite a growth of 6.5% in currency in circulation at the end of 2008 relative to the end of 2007, the total value of currency from the CNB vault fell by 14.2% in 2008.

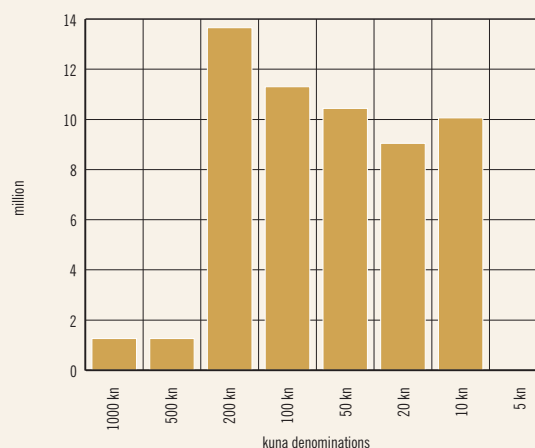
The decrease in the total value of currency issued in 2008 from the CNB vault, which occurred despite the increase in currency in circulation, was a result of the rationalisation of the cash centre network in the period from January to May 2007, which resulted in the number of cash centres being reduced from 22 to 10. As a consequence, the currency from the closed cash centres was issued into circulation and its turnover increased, especially in credit institutions.

5.3 Withdrawal and Processing of Worn-Out Banknotes

In 2008, the Currency Department withdrew 48.2 million banknotes with a total face value of HRK 4.9bn from cash centres. The banknote processing system processed 53.5 million banknotes (5.3 million pieces of banknotes were withdrawn in 2007), of which 52.2 million banknotes, or 97.4%, worth HRK 5.6bn, were destroyed as they failed to meet the quality standards set for circulation banknotes.

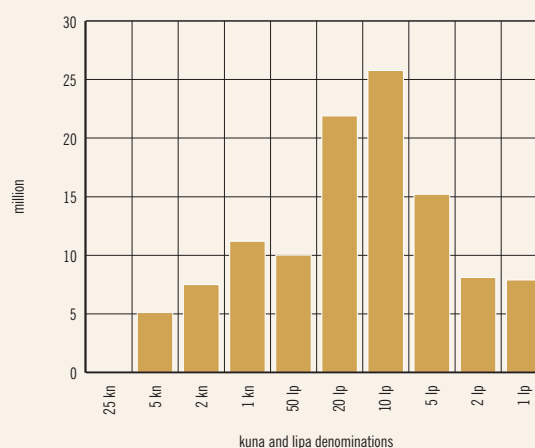
The renewal index in 2008 was 37 (destroyed banknotes/banknotes in circulation × 100), with the number of banknotes in circulation and the number of destroyed banknotes totalling 141.2 million and 52.2 million respectively on 31 December 2008.

5.6 Banknotes Issued to Cash Supply Centres in 2008



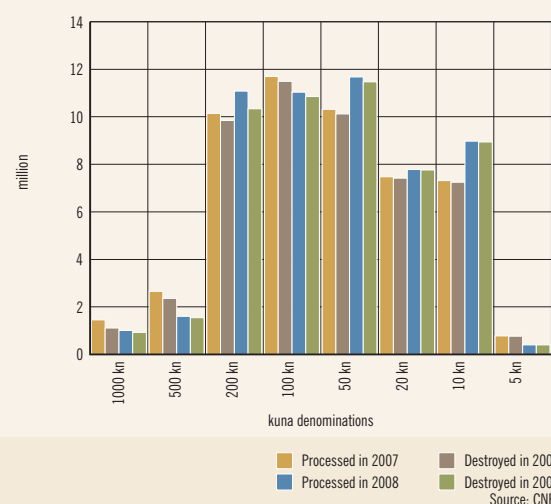
Source: CNB.

5.7 Coins Issued to Cash Supply Centres in 2008



Source: CNB.

5.8 Processed and Destroyed Banknotes



Source: CNB.

5.4 Banknote Authentication

In 2008, 717 counterfeit banknotes with a face value of HRK 132,770 were registered in banknote authentication procedures. Compared with the end of 2007, the number of counterfeits registered fell by 1.8%, with 200 kuna banknotes continuing to account for the largest share of counterfeit banknotes (305 items or 42.5%). As shown by the relevant indicators, 5 counterfeits were detected per 1 million banknotes in circulation in 2008.

In 2008, and pursuant to the Decision on the establishment of the National Counterfeit Centre, National Analysis Centre and Coin National Analysis Centre,² the Croatian National Bank established these centres in order to adopt and implement measures to prevent counterfeiting and detect counterfeits.

Table 5.1 Registered Counterfeit Banknotes in 2008

Denomination	1000	500	200	100	50	20	10	5	Total
Number	33	44	305	96	100	78	61	0	717
Percent	4.6	6.1	42.5	13.4	13.9	10.9	8.5	0.0	100.0

Source: CNB.

The centres were established in accordance with the obligations assumed under the International Convention for the Suppression of Counterfeiting and the agreement concluded in 2008 between the Croatian National Bank and the European Central Bank on the protection of the euro against counterfeiting, and with the European Commission/OLAF on the protection of euro coins against counterfeiting.

The implementation of the decision on the establishment of the national centres involved a separate project which included the adaptation of premises, hiring and training of experts, acquisition of equipment, setting up a system for the analysis and monitoring of suspected counterfeit banknotes and coins and preparing authentication reports. The national centres started trial operations in November and December 2008.

By putting into operation the national centres, the CNB is also fulfilling the obligation to implement the conclusion of the RC Government, dated 12 July 2007,³ related to the fifth benchmark to be fulfilled before the closure of accession negotiations between the RC and the European Union related to Chapter 32 – Financial control (legislative and administrative harmonisation with the Council Regulation No 1338/2001 laying down measures necessary for the protection of the euro against counterfeiting).

5.5 Commemorative Coin Issues

In 2008, the CNB issued 1 000 numismatic sets of kuna and lipa circulation coins, with the year of issue 2008. Also in 2008, the CNB issued a 1000 kuna commemorative gold coin entitled “500th Anniversary of the Birth of Marin Držić” (2000 items).

In addition, in cooperation with the Croatian Monetary Institute, to which it contractually assigned the financing of the manufacture, manufacture and sale, the CNB issued the following commemorative coins:

- a 150 kuna silver coin “Old Croatian Ships – Dubrovnik Karaka”, 5000 items;
- a 150 kuna silver coin “Benedikt Kotruljević”, 2000 items;
- a 1000 kuna gold coin “Andrija Mohorovičić”, 2000 items.

² OG 37/2008.

³ Class 910-04/00-03/06, Reg. No.: 5030109-07-20.

5.9 Ratio of Withdrawn Banknotes and Banknotes in Circulation in 2008

