



provision of consumer loans and housing loans and on non-bank lenders' provision of consumer loans and other credit products.

In 2017 NBS received 2,364 complaints from financial consumers and other customers, almost the same number as it received in 2016. Out of the complaints that were justified, 60% resulted in the supervised entity rectifying or removing the shortcoming identified without being required to do so by NBS. The most common subject of complaint was again consumer loans provided by non-bank lenders (353 complaints, 15% of the total). In these cases, consumers raised objections to deficiencies in consumer credit agreements that could result in no charges or fees on the loans. A large number of complaints concerned the non-payment of windscreen repair/replacement claims under motor insurance policies (260 complaints, 11% of the total). There were also many complaints related to motor third party liability insurance (237 complaints, 10% of the total). Life insurance was the subject of 6% of all complaints, from which it remained clear that many financial consumers are still confusing unit-linked insurance policies with insurance saving plans and do not see such policies as long-term products. The number of complaints concerning financial intermediation remained

largely unchanged. The extent and quality of information provided by financial intermediaries has long been a source of dissatisfaction among consumers.

Customer complaints against supervised entities are used by NBS as a source of information for on-site inspections and off-site supervision, as well as when bringing proceedings against supervised entities.

As regards its activities in 2017 aimed at increasing consumer financial literacy, NBS ran 44 courses, including modules for primary schools, secondary schools, and seniors. The courses took place at the bank's headquarters and, as part of the European Money Week initiative, at schools in different regions of Slovakia. The total number of participants in these educational events was more than 1,500. Also in 2017, in cooperation with the non-profit organisation Junior Achievement Slovensko, NBS published two financial literacy workbooks for secondary school students. As for training initiatives aimed at professionals, NBS held several lectures and workshops in 2017 on the provision and promotion of credit and insurance products, which focused on breaches of obligations in the area of financial consumer protection.

3 ISSUING ACTIVITY AND CURRENCY CIRCULATION

3.1 CUMULATIVE NET ISSUANCE OF EURO CASH

The cumulative net issuance (CNI)¹⁰ of euro banknotes and coins in Slovakia had a total value of **€12.2 billion** as at 31 December 2017, with euro banknotes accounting for €12.04 billion of that amount. In year-on-year terms, the CNI increased in 2017 by 10.9% (or €1.2 billion), which was higher than the corresponding rate of increase in the previous year.

Compared with the value of Slovak koruna in circulation just before Slovakia's adopted the euro on 1 January 2009 (SKK 155.15 billion, i.e. EUR 5.15 billion), the CNI more than doubled over the next nine years. The value of the item *currency*

in circulation, corresponding to Národná banka Slovenska's allocated share in the Eurosystem's production of euro banknotes (Banknote Allocation Key), amounted to around €11.8 billion¹¹ as at 31 December 2018. The value of euro banknotes issued in Slovakia was higher than the 'allocated' value by €219.3 million.

The CNI's daily trend in 2017 remained the same as in previous years, with the year-on-year difference ranging approximately between €0.6 billion and €1.2 billion (Chart 19). The daily CNI is usually highest in the pre-Christmas period, and in 2017 it peaked on 22 December (at €12.35 billion)

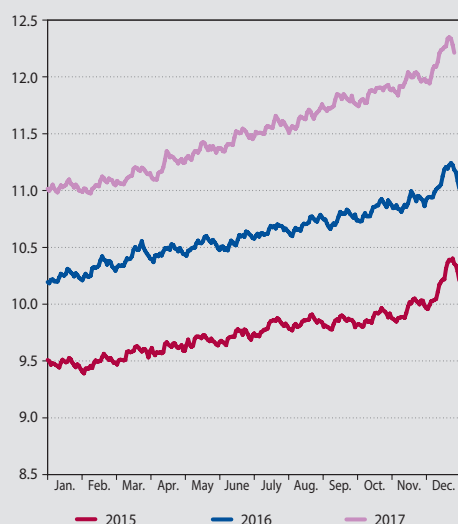
Euro banknotes accounted for almost the entire value of the CNI (98.6%) as at 31 December 2017,

¹⁰ Since euro banknotes and euro coins in circulation in Slovakia include banknotes and coins issued in other euro area countries, Národná banka Slovenska does not record the actual value and volume of currency in circulation, but only the euro banknotes and euro coins that NBS itself has put into and withdrawn from circulation. The cumulative net issuance as at 31 December 2017 refers to the difference between the value (volume) of euro banknotes and coins put into and withdrawn from circulation between 1 January 2009, when Slovakia joined the euro area, and 31 December 2017.

¹¹ The value of euro banknotes in circulation throughout the euro area as at 31 December 2017 was **€1 170.7 billion**, and the share of that amount issued by NBS according to the banknote allocation key was **1.0095% (€11.8 billion)**.



Chart 19 Cumulative net issuance of euro cash on a daily basis (EUR billions)



Source: NBS.

but only for 19.8% of the CNI in terms of volume (representing 175.2 million banknotes). Euro coins, including euro collector coins, made up the remaining 80.2% (711.2 million coins). Looking at the denominational breakdown of the total number of banknotes included in the CNI, the €100 banknote had the largest share (27.1%)¹² for a second successive year. The €50 banknote's share was the largest from the introduction of the euro until 2015, but fell in the next two years, down to 22% in 2017.

The coins issued in the highest volumes are the two lowest denominations (1 and 2 cent). By the end of 2017 they made up almost (61%) of all the coins in the CNI, and their share is increasing year by year (in 2016 it stood at 59.8%). In value terms, however, the combined share of these two denominations was only 3.7%.

Table 5 Composition of the cumulative net issuance of euro banknotes and coins

Denomination	Cumulative net issuance				Percentage share	
	CNI as at 31 December 2017		Difference vis-à-vis 31 December 2016		CNI as at 31 December 2017	
	number	value (€)	number	value (€)	number	value (€)
€500	8,349,686	4,174,843,000.00	9,097	4,548,500.00	0.94	34.18
€200	424,002	84,800,400.00	-3,503	-700,600.00	0.05	0.70
€100	47,487,268	4,748,726,800.00	9,831,881	983,188,100.00	5.36	38.88
€50 ¹⁾	38,544,698	1,927,234,900.00	2,314,858	115,742,900.00	4.35	15.78
€20 ¹⁾	34,259,020	685,180,400.00	2,334,810	46,696,200.00	3.86	5.61
€10 ¹⁾	37,261,032	372,610,320.00	3,443,762	34,437,620.00	4.20	3.05
€5 ¹⁾	8,865,008	44,325,040.00	28,658	143,290.00	1.00	0.36
Total banknotes	175,190,714	12,037,720,860.00	17,959,563	1,184,056,010.00	19.76	98.56
€2	54,518,509	109,037,018.00	4,574,473	9,148,946.00	6.15	0.89
€1	21,072,445	21,072,445.00	47,573	47,573.00	2.38	0.17
50 cent	28,215,125	14,107,562.50	1,236,487	618,243.50	3.18	0.12
20 cent	32,827,446	6,565,489.20	-503,100	-100,620.00	3.70	0.05
10 cent	60,557,785	6,055,778.50	3,919,807	391,980.70	6.83	0.05
5 cent	81,710,675	4,085,533.75	6,803,315	340,165.75	9.22	0.04
2 cent	178,611,192	3,572,223.84	13,441,280	268,825.60	20.15	0.03
1 cent	253,318,066	2,533,180.66	27,386,053	273,860.53	28.58	0.02
Total coins	710,831,243	167,029,231.45	56,905,888	10,988,975.08	80.19	1.37
Collector coins	412,693	8,575,510.00	30,362	752,120.00	0.05	0.07
Total banknotes and coins	886,434,650	12,213,325,601.45	74,895,813	1,195,797,105.08	100.00	100.00

Source: NBS.

1) Data for both series of euro banknotes combined (ES1+ES2).

¹² The CNI's banknote component is affected by the migration of banknotes across the euro area. The share of €100 banknotes in the cash in circulation in Slovakia, calculated on the basis of the CNI, is only a guide and the real share may differ as a result of migration.



As an average per capita,¹³ the number of euro banknotes in circulation in Slovakia in 2017 stood at 30 and their value at €2,089. As for coins (including collector coins), the corresponding figures were 125 and €31. The average per capita value of the CNI was €2,120. In per capita terms, the most numerous banknote denomination in the CNI was the €100 banknote, at around 7.7, while the most numerous coins were the 1 cent coin (44) and the 2 cent coin (31).

The new €50 banknote, the fourth banknote in the second (ES2) series of euro banknotes, began circulating on 4 April 2017. By the end of the year, the new €50 banknotes in the CNI numbered 15.7 million and their share of all the €50 banknotes stood at 40.8%. As for other ES2 denominations, the ES2 €5 and €10 banknotes accounted for virtually all the €5 and €10 banknotes in circulation at the end of 2017 (the share of first series banknotes was negligible), while ES2 €20 banknotes made up 72.6% of the total number of €20 banknotes in the CNI.

3.2 SLOVAK KORUNA BANKNOTES AND COINS

By 31 December 2017, unredeemed Slovak koruna banknotes totalled 18.82 million (including 10.06 million 20 koruna banknotes). Their combined face value was around SKK 2.19 billion (€72.7 million). The face value of unredeemed Slovak koruna banknotes was only around 1.43% of the total value of banknotes issued (by 31 December 2007).

In per capita terms, koruna banknotes unredeemed by the end of 2017 numbered around three and had a face value of SKK 402. Of the most numerous koruna banknotes, the €20 denomination, there were almost two per capita. A total of 58,300 koruna banknotes were redeemed in 2017, and their combined face value was SKK 34.20 million (€1.13 million).

3.3 PRODUCTION OF EURO BANKNOTES AND COINS

In accordance with the ECB's guideline on the production of euro banknotes, NBS commissioned the production of 54.08 million ES2 €50

Table 6 Circulation euro coins whose production was commissioned by NBS in 2017

Denomination	Number of coins produced (million)
€2	2.10
5 cent	6.12
2 cent	13.65
1 cent	20.52
Total	42.39

Source: NBS.

banknotes in 2017. Production of the banknotes was contracted out to the Berlin-based printing works Bundesdruckerei GmbH, and it was scheduled for completion in January 2018.

Also in 2017, NBS commissioned the production of euro coins intended for circulation (Table 6).

On 4 January 2017 Slovakia issued a €2 commemorative coin featuring the 550th anniversary of the opening of Universitas Istropolitana (the first university in the territory that is now Slovakia), with an issuing volume of one million coins. Another €2 commemorative coin, featuring the 25th anniversary of the establishment of the Slovak Republic, was scheduled for 3 January 2018, and the production of this issue, with a total volume of one million coins, was also carried out in 2017.

All the euro coins commissioned by NBS are produced by the state-owned mint Mincovňa Kremnica (the Kremnica Mint¹). The coins minted in 2017 included 18,000 euro coins of each denomination that were used in five annual collector sets of Slovak euro coins.

In accordance with its issuance schedule for commemorative and collector euro coins, NBS also issued four collector coins in 2017, three of which were struck in silver and one in gold (Table 7).

Besides being supplied with coins issued in 2017, NBS was frontloaded with volumes of three collector coins due to be issued in 2018.¹⁴ NBS arranges for the sale of commemorative and collector euro coins through contractual partners in Slovakia and abroad.

¹³ The population of Slovakia was 5,441,899 as at 30 September 2017 (according to the Slovak Statistical Office). The calculations used the average number and average value of euro banknotes and euro coins in the CNI in 2017.

¹⁴ The following collector coins were frontloaded to NBS:
€25 silver coin – 25th anniversary of the establishment of the Slovak Republic (issuing date: 3 January 2018 – the same as the issuing date for the €2 commemorative coin with the same theme);
€10 silver coin – 1150th anniversary of the recognition of the Slavonic liturgical language (issuing date: 28 February 2018);
€10 silver coin – 300th anniversary of the birth of Adam František Kolár (issuing date: 13 March 2018).

**Table 7 Collector coins issued by Národná banka Slovenska in 2017**

Denomination	Feature	Issuing volume (number of coins)		NBS Notification of coin issuance
		Total	of which proof	
€10 ¹⁾	UNESCO World Heritage – Caves of Slovak Karst	8,800	5,700	No 347/2016 Coll.
€20 ¹⁾	Levoča Heritage Site and the 500th anniversary of the completion of the high altarpiece in St James's Church	9,600	6,200	No 64/2017 Coll.
€10 ¹⁾	150th anniversary of the birth of Božena Slančíková-Timrava	8,500	5,400	No 156/2017 Coll.
€100 ²⁾	UNESCO World Heritage – Caves of Slovak Karst	4,250	4,250	No 228/2017 Coll.

Source: NBS.

1) Silver collector coin.

2) Gold collector coin.

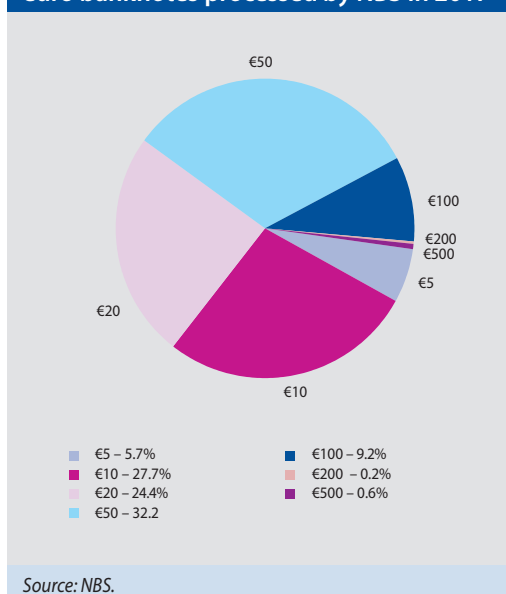
3.4 PROCESSING OF EURO BANKNOTES AND COINS

In 2017 Národná banka Slovenska put more than 361.6 million euro banknotes into circulation, and a total of 343.7 million euro banknotes were returned to NBS from circulation.

During the year NBS processed 341.1 million euro banknotes. The total number of euro banknotes returned to NBS was approximately two times higher than the average number of euro banknotes issued by NBS. Therefore each euro banknote issued by NBS was returned to it once every six months on average.¹⁵ The authenticity and fitness for circulation of returned banknotes are thus checked by NBS, with the aim of maintaining the integrity of the currency and public confidence in euro banknotes. The high level of public satisfaction with the quality of euro banknotes was confirmed by an online survey conducted in euro area countries in 2017. The results showed that 88.4% of respondents expressed satisfaction with the quality of euro banknotes.

The €50 banknote was the most frequently processed denomination in 2017 (Chart 20), being among the most common euro banknotes in circulation and also the most frequently issued via cash dispensers.

In the processing of euro banknotes during 2017, 23.3 million banknotes were identified as being unfit for circulation and subsequently destroyed. The number of unfit banknotes destroyed by NBS was lower than in 2016 by more than half

Chart 20 Denominational breakdown of euro banknotes processed by NBS in 2017

Source: NBS.

(51.5%).¹⁶ The lower volume of banknotes sorted as unfit was reflected in the average unfit rate for euro banknotes, which fell by almost one-half year on year, to 6.8% (from 13.8% in 2016). Compared with other euro area countries, Slovakia has one of the lowest unfit rates for euro banknotes.

In 2017 a total of 330.3 million euro coins were put into circulation by NBS, and 273.4 million euro coins were returned to NBS from circulation. Since coins have a longer lifespan than banknotes, only around 365,400 of the 271 million processed in 2017 were sorted as unfit. The

¹⁵ Some cash is kept out of circulation and is therefore not returned to NBS for processing.

¹⁶ The year-on-year change in the volume of euro banknotes sorted as unfit was related to the entry into circulation of second series euro banknotes in different scenarios and the application of an additional varnish layer to the €5 and €10 banknotes. Whereas NBS and the other Eurosystem central banks destroy all the ES1 €20 banknotes returned to them, NBS and another ten Eurosystem central banks process the ES1 €50 banknotes returned to them and put the fit ones back into circulation for at least 12 months.

**Table 8 Number of counterfeit banknotes and coins recovered in Slovakia**

Q1-Q4	EUR	SKK	Other	Total
2015	4,749	11	94	4,854
2016	13,465	11	87	13,563
2017	4,045	3	781	4,829

Source: NBS.

number of euro coins that NBS processed did not vary significantly between denominations.

The processing and recirculation of euro banknotes and coins is performed not only by NBS, but also by commercial banks and other cash handlers which have received approval from NBS to process euro cash. The activities of these cash handlers are subject to regular supervision by NBS.

3.5 COUNTERFEIT BANKNOTES AND COINS RECOVERED IN SLOVAKIA

A total of 4,829 counterfeit banknotes and coins were recovered in Slovakia in 2017, approximately two-thirds fewer than were recovered in 2016 (Table 8).

The reason for the disparity between the number of counterfeits recovered in 2016 and 2017 is the fact that a single police operation conducted in April 2016 resulted in the seizure of 8,964 counterfeit €2 coins before they entered circulation.

Of the total number of counterfeits recovered, banknotes accounted for 3,748 and coins for 1,081. Only 14.1% of the counterfeits were seized by police before entering circulation; the rest (85.9%) were withdrawn from circulation by banks, foreign bank branches, non-bank entities and security services.

Banks operating in Slovakia recovered almost half (48.4%) of all the counterfeits. Cash-in-transit companies recovered 16.2% of the total, police 15%, NBS 12%, and non-bank entities 8.4%.

The region in which most of the counterfeits were recovered was Bratislava Region (43.6%), while the fewest were recovered in Trenčín Region (2.2%).

A moderate improvement in the quality of counterfeits was observed in 2017, especially in counterfeits of euro banknotes and coins. Neither the number of counterfeits recovered, nor the technical level of their production posed a serious risk to the integrity and smooth operation of cash circulation in Slovakia.

EURO COUNTERFEITS

A total of 4,045 counterfeit euro banknotes and coins were recovered in Slovakia in 2017 and they had an overall face value of €311,026.50 (Table 9).

The number of euro banknote counterfeits recovered in Slovakia has remained at around the same level (between 200 and 250 per month) over a long period. The figures have reflected the impact of particular cases (one or two a year) in which police seized sizeable quantities of counterfeit euro banknotes before the banknotes entered circulation. The number of euro coins recovered in Slovakia has been falling moderately in recent years, and in 2017 it stood at around 100 per month.

Table 9 Number of euro counterfeits recovered in Slovakia

	Denomination										Total
	50 cent	€1	€2	€5	€10	€20	€50	€100	€200	€500	
2015	411	189	1,225	31	83	553	1,771	362	99	25	4,749
2016	320	121	9,820	24	54	526	1,748	472	145	235	13,465
2017	201	109	771	37	44	340	1,853	290	66	334	4,045

Source: NBS.



Euro banknotes accounted for 2,964 of all the counterfeit banknotes and coins recovered in Slovakia in 2017, and that number represented a year-on-year decrease of 8%. Although euro counterfeits are mostly of high quality, they can be detected without technical equipment as long as sufficient attention is paid to euro cash when receiving it.

Looking at the denominational breakdown of euro counterfeits recovered in Slovakia in 2017, counterfeit €50 and €20 euro banknotes accounted for, respectively, 62.5% and 11.5% of the total. In the euro area as a whole, that order was reversed, with €20 and €50 euro counterfeits making up, respectively, 55.3% and 30.2% of the total.

Of the €5, €10 and €20 counterfeit euro banknotes recovered in Slovakia in 2017, counterfeit second series (ES2) banknotes accounted for between 80% and 85% of the total for each denomination. In July 2017 a counterfeit ES2 €50 banknote was recovered in Slovakia for the first time since the new €50 banknote had begun circulating (4 April 2017). By the end of 2017 a total of 41 counterfeit ES2 €50 banknotes had been recovered in Slovakia.

The summer months saw a spike in the incidence of counterfeit €500 banknotes, the majority of which were high-quality counterfeits. In the autumn, however, police broke up the organised group that was putting these counterfeits into circulation and gradually managed to arrest

its members. Subsequently, these counterfeits turned up only very occasionally.

Of the total number of counterfeit euro banknotes and coins recovered in the euro area in 2017, 0.37% were recovered in Slovakia. Over the long term, Slovakia's share of all counterfeits recovered in the euro area is below 1%, which places it together with Finland, Malta and the Baltic States among the countries with lowest incidence of euro counterfeits.

A total of 1,081 euro coin counterfeits were recovered in Slovakia in 2017, all of which had been in circulation. The technical quality of euro coin counterfeits is generally very high. Counterfeit €2 coins made up 71.3% of the total. Recent years have seen counterfeit 50 cent coins recovered in greater numbers than counterfeit €1 coins. In the euro area as whole, the denomination breakdown of counterfeit euro coins recovered in 2017 was very similar to that in Slovakia.

SLOVAK KORUNA COUNTERFEITS

Following the introduction of the euro into cash circulation, the number of Slovak koruna counterfeits fell sharply. Three Slovak koruna counterfeits were recovered in 2017. Although the period in which Slovak koruna banknotes may be exchanged for euro at NBS is indefinite, further incidence of koruna counterfeits is expected to be only very occasional.

Chart 21 Denominational breakdown of counterfeit euro banknotes recovered in Slovakia and the euro area in 2017 (percentages)

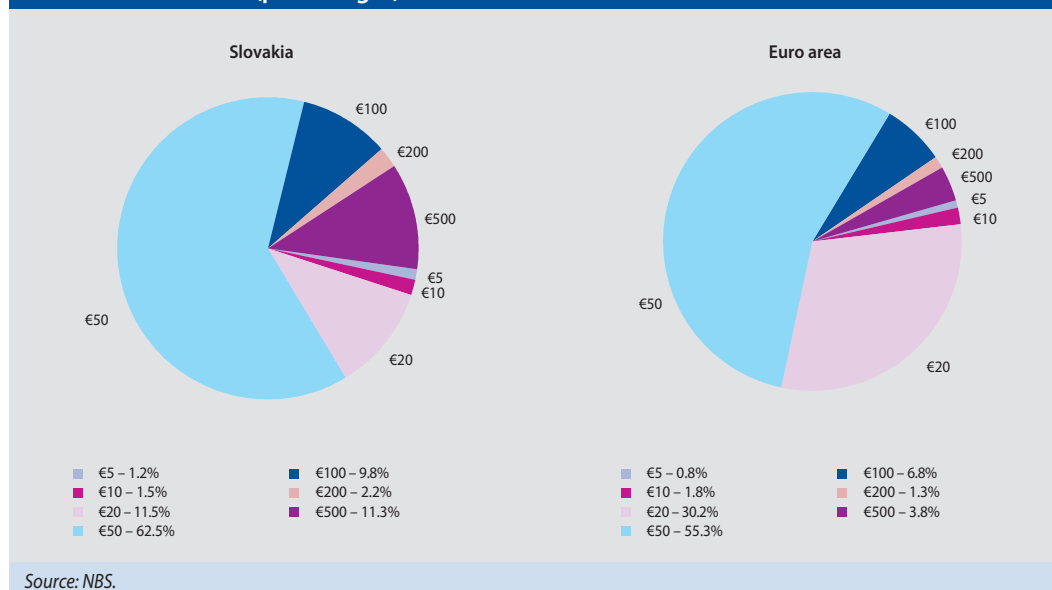
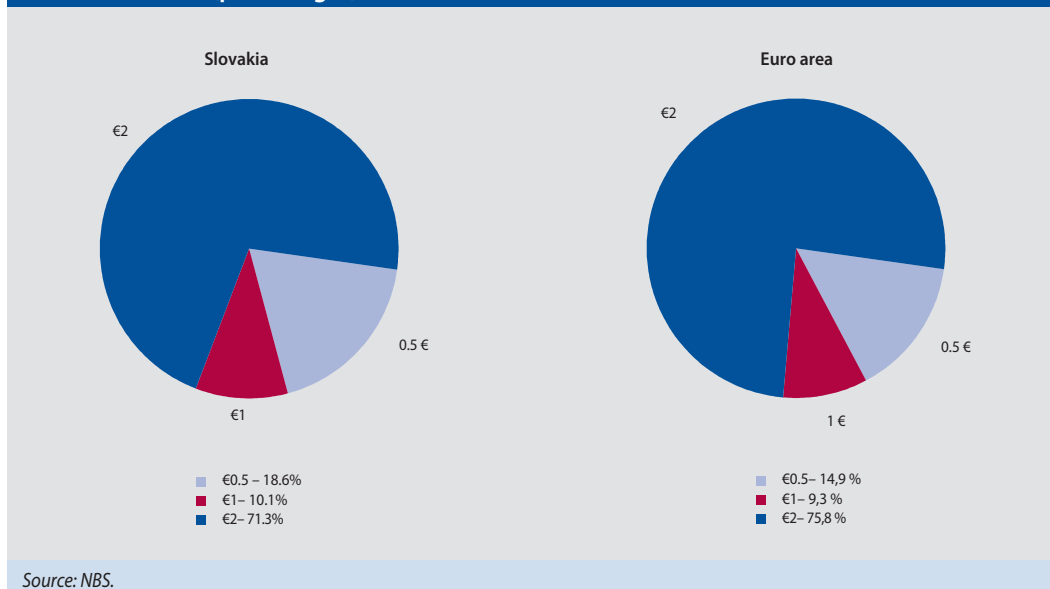


Chart 22 Denominational breakdown of counterfeit euro coins recovered in Slovakia and the euro area in 2017 (percentages)



COUNTERFEITS OF OTHER FOREIGN CURRENCY

Compared with 2016, the total number of foreign currency counterfeits recovered in Slovakia was significantly higher in 2017. Early in the year, 610 counterfeit Japanese yen were received by two Slovak banks (the counterfeits were of old series banknotes from 1958, which have long ceased to be legal tender and are exchangeable only at the Japanese central bank).

The other foreign currency counterfeits included 77 US dollar counterfeits. As in previous years, counterfeit \$100 dollar banknotes were the most common of the US dollar counterfeits recovered in Slovakia, accounted for 95% of the total.

Counterfeits of other currencies were also recovered, including counterfeits of the Czech koruna (73) British pound (18), Hungarian forint (1), Bulgarian lev (1), and Polish zloty (1).

3.6 ECB STUDY OF THE USE CASH BY HOUSEHOLDS IN THE EURO AREA

In 2015–16 the European Central Bank (ECB) commissioned a survey on the use of cash by households (carried out by the Brussels-based agency Kantar Public).

On the basis of this fieldwork, a study was carried out using a sample of euro area residents aged 18 years and over.¹⁷ The results of the study were published on the ECB website in November 2017.¹⁸ The survey itself focused on different aspects of the use of cash and other payment methods. Table 10 presents selected results for Slovakia and compares them with the corresponding average for the euro area as a whole.

Table 10 Selected data on the use of cash in payments for goods and services

	Data for Slovakia	Data for the euro area
Share of cash transactions in total number of transactions	78%	78.8%
Share of cash in total value of transactions	66%	53.8%
Average value of cash transactions	€10.5	€12.38
Average number of cash transactions per person per day	1.3	1.2

Source: NBS.

¹⁷ Separate studies on the use of cash were conducted in Germany and the Netherlands and their data were not included in this study.

¹⁸ <https://www.ecb.europa.eu/pub/pdf/scpops/ecb.op201.en.pdf>