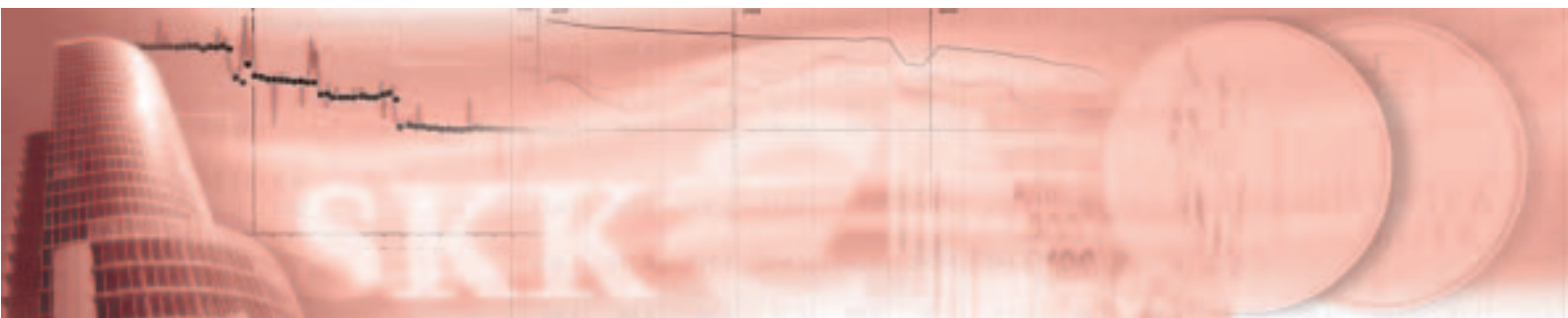


D. ISSUING ACTIVITY OF THE NBS AND CURRENCY IN CIRCULATION



1. THE ISSUE OF SLOVAK CURRENCY

In 2003, the National Bank of Slovakia ensured the reprinting of a total number of 9,819 million banknotes in the value of 5000 Sk, in line with the needs of currency circulation. The 5000 Sk banknotes were printed by the Austrian company Oesterreichische Banknoten und Sicherheitsdruck GmbH in Vienna. Apart from these, banknotes with the values 50 Sk, 200 Sk and 1000 Sk, printed on the basis of contracts agreed in 2002, were delivered from the stores of foreign printing works.

In 2003, production of 32,923 million coins with the values of 10 Sk, 2 Sk and 50 haliers was ensured. Apart from the banknotes and coins intended for cash circulation, the National Bank of Slovakia also issued 11,000 sets of circulation coins dated 2003 with a jetton bearing the motif of Orava Castle for collectors and 3,000 sets of circulation coins for promotional purposes at the tenth anniversary of the establishment of the National Bank of Slovakia. NBS agreed to the production of 3,000 circulation coins of all values for sets of circulation coins issued by the Kremnica Mint to celebrate the 675th anniversary of its establishment .

The National Bank of Slovakia issued three silver commemorative coins in 2003. Two 200 Sk

coins were devoted to the 100th anniversary of the birth of Imrich Karvaš and the 150th anniversary of the birth of Jozef Škultéty, respectively. The 1000 Sk coin commemorated the 10th anniversary of the birth of the Slovak Republic. Sets of commemorative coins with the designs of the Slovak banknotes with the face values of 20 Sk, 50 Sk, 100 Sk, 200 Sk, 500 Sk, 1000 Sk and 5000 Sk were issued at the end of 2003 to celebrate the tenth anniversary of the establishment of the Slovak currency. Apart from the issue of these coins, the National Bank of Slovakia was delivered a other two 200 Sk commemorative silver coins from the issuing plan for 2004, devoted to the 200th anniversary of the death of Wolfgang Kempelen and to the Bardejov town monument reservation from the thematic series of the UNESCO World Heritage. All the circulation and commemorative coins were produced by the Kremnica Mint.

1.1. Currency in circulation

On 31 December 2003, the amount of currency in circulation, including cash in vaults of the NBS, in the Slovak Republic was 102.9 billion Sk. In comparison with the situation on 31 December 2002, the value of the currency in circulation had grown by 8.7 billion Sk. The year-on- year growth index of the value of currency in circulation was the same as the annual rate of inflation (9.3%).

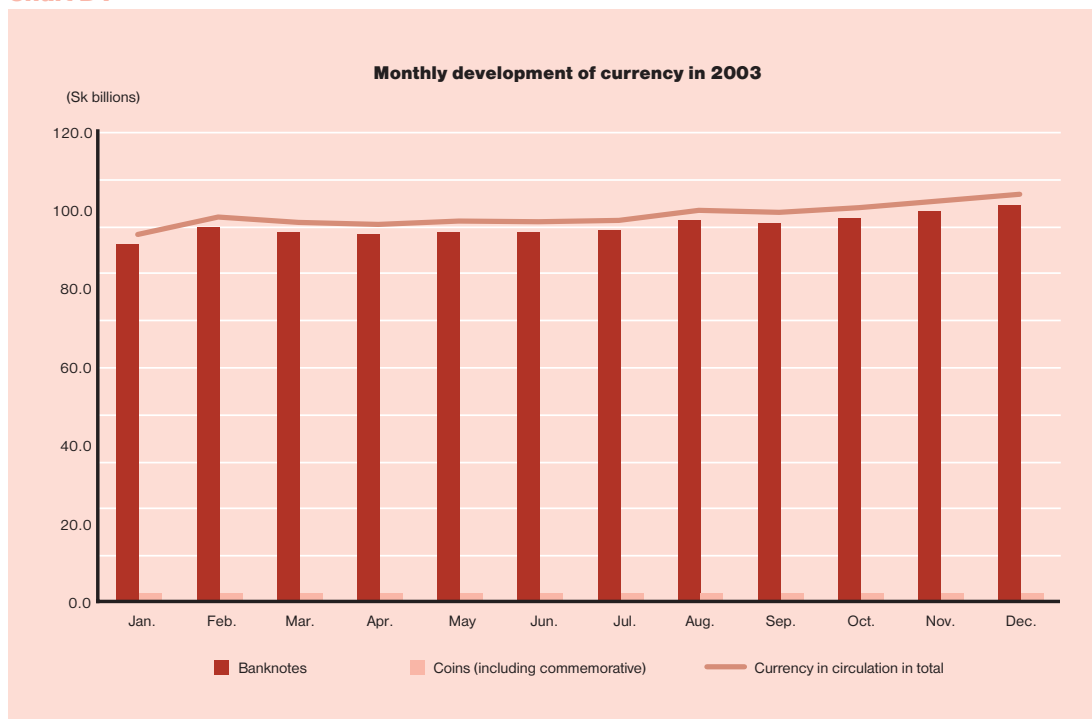
Table D1 Commemorative coins issued by the NBS in 2003

| Face value | Event commemorated by the coin | Number of coins issued | | Decree of the NBS |
|----------------|---|------------------------|--------|-------------------|
| | | Total | PROOF | |
| CSC 1000 Sk | 10th anniversary of the birth of the SR | 10,000 | 10,000 | 662/2002 Coll. |
| CSC 200 Sk | 100th anniversary of the birth of Imrich Karvaš | 12, 800 | 3,000 | 35/2003 Coll. |
| CSC 200 Sk | 150th anniversary of the birth of Jozef Škultéty | 11,500 | 2,700 | 200/2003 Coll. |
| CSC, CMMC | Set of commemorative coins with the motifs of the Slovak banknotes with the values of 20 Sk, 50 Sk, 100 Sk, 200 Sk, 500 Sk, 1000 Sk and 5000 Sk | 6,000 | 6,000 | 431/2003 Coll. |

CSC – commemorative silver coin.

CMMC – commemorative multi-metal coin (1000 Sk, 5000 Sk contain Ag, Au).

Chart D1



After a typical decline in January, the amount of currency in circulation increased by 4.4 billion Sk in February, the largest monthly increase in 2003. The reason for the atypical growth in the amount of currency in circulation in this month was the high withdrawal of cash in the VÚB a.s. caused by unexpected withdrawals of clients. In the following months, the amount of currency in circulation was balanced and its development was similar to that in previous years, with a traditional pre-Christmas growth. However, the monthly growth of currency in circulation in December was only 1.7 billion Sk, which was the second lowest December increase since 1995, reaching only 70.5% of the monthly growth of currency in circulation in December 2002.

The development of the daily level of currency in circulation in the course of the year was flat and without extraordinary changes except in February. In the course of the year, the value of currency in circulation varied from 92.1 billion Sk to 108.3 billion Sk. The maximum was reached in the pre-Christmas period on 22 December 2003.

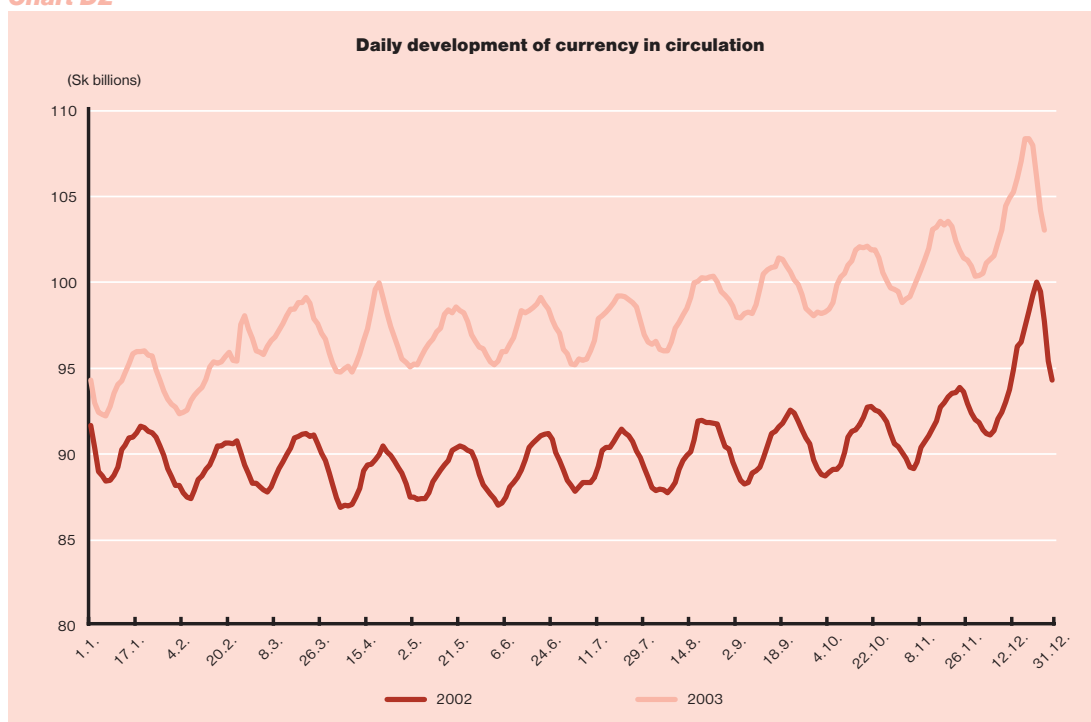
1.2. The structure of currency in circulation

On 31 December 2003, 138.1 million banknotes with a value of 100.7 billion Sk were in circulation, together with 1,071.3 million circulation coins with a value of 1.5 billion Sk and 733.5 thousand commemorative coins issued by the National Bank of Slovakia with a value of 471.2 million Sk. The quantity of circulating banknotes and circulation coins of all face values increased in 2003.

From the total value of the currency in circulation, banknotes accounted for 97.9%, circulation coins for 1.48% and commemorative coins including those issued before 1993 for 0.6%. From the total number of coins and banknotes in circulation, banknotes accounted for 11.4%, circulation coins 88.5% and commemorative coins 0.06%.

Banknotes contributed 8.6 billion crowns (99.1%) to the total growth of the currency in circulation of 8.7 billion in 2003, with circulation coins contributing 44.5 million (0.5%) and commemorative coins contributing 33.2 million Sk (0.4%).

Chart D2



The 5000 and 1000 Sk banknotes showed the largest growth in 2003, with more than 1.1 million 5000 Sk banknotes worth 5.7 billion Sk, and 2.7 million 1000 Sk banknotes worth 2.7 billion Sk. The share of these two values in the total growth of value of the currency in circulation was 96.6%. The banknotes of these two face values also have the largest share in the total value of the currency in circulation with 88.6% compared to 87.8% in 2002. The share of the 5000 Sk banknote in the total value of currency in circulation was the largest for the first time with 45.5%. In earlier years, the 1000 Sk banknote had the highest share. In 2003, it made up 43.2%.

The number of coins in circulation grew by 31.3 million in 2003. In comparison with 2002, this growth was lower by 53.5 million pieces or 63.1%. The decrease was found in all the face values, but the largest effected the 10 and 20 halier coins as a result of the announced end of their validity on 31 December 2003. 9.8 million coins with a face value of 10 haliers and 6.4 million 20 halier coins were issued in 2003, compared to 25.7 million 10 haliers and 24.9 million 20 haliers in 2002.

The total number of commemorative coins in circulation grew by 47.7 thousand in 2003 with a value of 33.3 million Sk. Federal commemorative coins worth 59 thousand Sk were returned from circulation. Their validity ended on 30 September 2000.¹

1.3. The average value of currency in circulation

The value of currency in circulation, including commemorative coins, totalled 19,128 Sk per capita on 31 December 2003, with banknotes representing 18,723 Sk, circulation coins 282 Sk and commemorative coins 123 Sk. In comparison with 2002, the total value of currency in circulation grew by 1,619 Sk per capita, with banknotes representing 1,604 Sk, circulation coins 8 Sk, and commemorative coins 7 Sk.

In 2003, there were 26 banknotes per capita, which was one more than in 2002. The most numerous were 1000 Sk banknotes with 8 per capita and 20 Sk with 5. The number of circulation coins per capita increased from 193 in

¹ Decree of the NBS No. 278/2000 Coll. on ending the validity of the commemorative silver coins from the Czechoslovak currency issued from 21 August 1954 to 31 December 1992.

Table D2 Currency in circulation (in millions of Sk)

| Face value | Amount on 31. 12. 2002 | Amount on 31. 12. 2003 | Proportion in % on 31. 12. 2002 | Proportion in % on 31. 12. 2003 |
|----------------------------|-------------------------------|-------------------------------|--|--|
| Banknotes | 92,089.93 | 100,720.33 | 97.77 | 97.88 |
| 5 000 Sk | 40,969.58 | 46,670.54 | 43.50 | 45.36 |
| 1 000 Sk | 41,768.64 | 44,481.04 | 44.34 | 43.23 |
| 500 Sk | 4,155.84 | 4,211.76 | 4.41 | 4.09 |
| 200 Sk | 1,531.06 | 1,633.11 | 1.63 | 1.59 |
| 100 Sk | 2,412.03 | 2,433.40 | 2.56 | 2.36 |
| 50 Sk | 690.65 | 704.58 | 0.73 | 0.68 |
| 20 Sk | 562.13 | 585.90 | 0.60 | 0.57 |
| Circulation coins | 1,474.10 | 1,518.59 | 1.57 | 1.48 |
| 10 Sk | 768.98 | 793.74 | 0.82 | 0.77 |
| 5 Sk | 259.95 | 263.31 | 0.28 | 0.26 |
| 2 Sk | 179.65 | 187.78 | 0.19 | 0.18 |
| 1 Sk | 117.18 | 121.27 | 0.12 | 0.12 |
| 0,50 Sk | 25.30 | 24.24 | 0.03 | 0.02 |
| 0,50 Sk II | 38.58 | 41.54 | 0.04 | 0.04 |
| 0,20 Sk | 53.63 | 54.91 | 0.06 | 0.05 |
| 0,10 Sk | 30.83 | 31.80 | 0.03 | 0.03 |
| Commemorative coins | 627.31 | 660.54 | 0.66 | 0.64 |
| Total | 94,191.34 | 102,899.46 | 100.00 | 100.00 |

Currency in circulation (in millions of items)

| Face value | Amount on 31. 12. 2002 | Amount on 31. 12. 2003 | Proportion in % on 31. 12. 2002 | Proportion in % on 31. 12. 2003 |
|----------------------------|-------------------------------|-------------------------------|--|--|
| Banknotes | 131.97 | 138.13 | 11.26 | 11.41 |
| 5 000 Sk | 8.19 | 9.33 | 0.70 | 0.77 |
| 1 000 Sk | 41.77 | 44.48 | 3.56 | 3.68 |
| 500 Sk | 8.31 | 8.42 | 0.71 | 0.70 |
| 200 Sk | 7.66 | 8.17 | 0.65 | 0.67 |
| 100 Sk | 24.12 | 24.34 | 2.06 | 2.01 |
| 50 Sk | 13.81 | 14.09 | 1.18 | 1.16 |
| 20 Sk | 28.11 | 29.30 | 2.40 | 2.42 |
| Circulation coins | 1,040.05 | 1,071.35 | 88.68 | 88.53 |
| 10 Sk | 76.90 | 79.37 | 6.56 | 6.56 |
| 5 Sk | 51.99 | 52.66 | 4.43 | 4.35 |
| 2 Sk | 89.83 | 93.89 | 7.66 | 7.76 |
| 1 Sk | 117.18 | 121.27 | 9.99 | 10.02 |
| 0,50 Sk | 50.59 | 48.49 | 4.31 | 4.01 |
| 0,50 Sk II | 77.16 | 83.08 | 6.58 | 6.86 |
| 0,20 Sk | 268.13 | 274.55 | 22.86 | 22.69 |
| 0,10 Sk | 308.27 | 318.04 | 26.29 | 26.28 |
| Commemorative coins | 0.69 | 0.73 | 0.06 | 0.06 |
| Total | 1,172.71 | 1,210.21 | 100.00 | 100.00 |

2002 to 199 in 2003. The largest share still consisted of halier coins with 134 per capita, compared to 130 in 2002. Among these, 59 were 10 haliers, 51 were 20 haliers and 24 were 50 haliers.

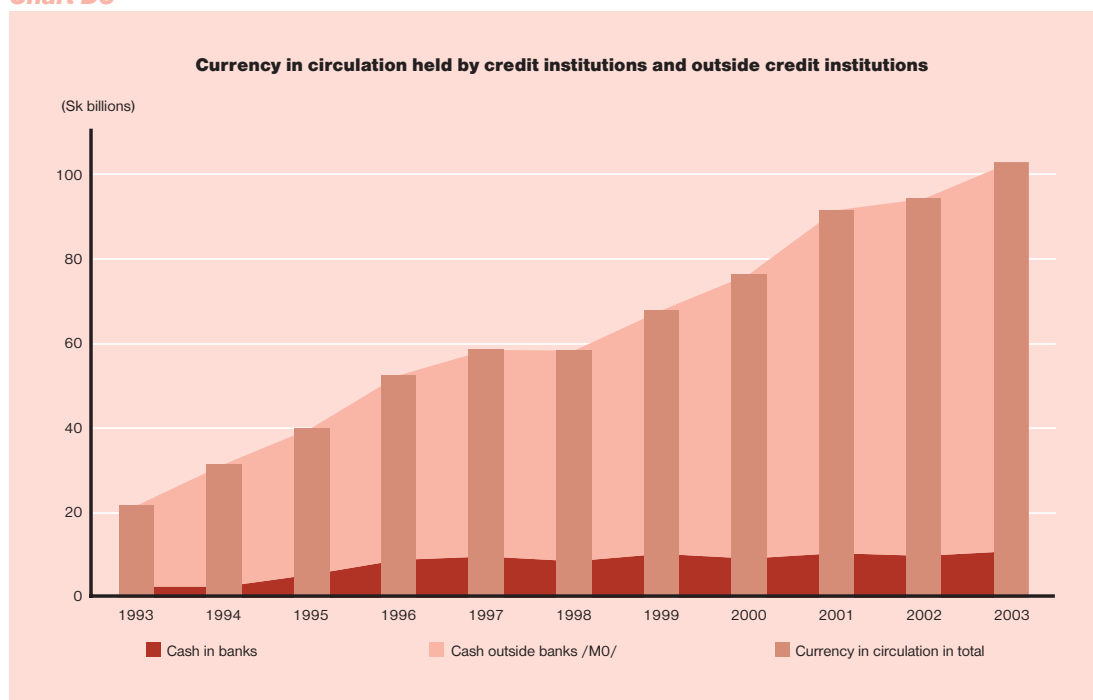
The average value of the currency mark ² reached a value of 85 Sk in 2003, showing a growth of 4.7 Sk during the year. Its development corresponds to the development of the

quantity and value of the currency in circulation. The average value of the banknotes in circulation grows each year, while the average value of the circulation coins gradually falls or stagnates under the influence of the growing quantity of coins of the lower face values. Since 1994³ this value has increased 1.9 times in the case of banknotes, while in the case of circulation coins, it has gradually fallen from 2 Sk to a level of 1.4 Sk in the last four years.

Table D3 Development of the average value of the currency mark (Sk)

| | Banknotes | Circulation coins | Currency including commemorative coins |
|-------------|-----------|-------------------|--|
| 1993 | 289.3 | 3.2 | 90.2 |
| 1994 | 384.1 | 2.0 | 76.4 |
| 1995 | 455.6 | 1.8 | 76.7 |
| 1996 | 537.3 | 1.7 | 81.8 |
| 1997 | 566.3 | 1.6 | 80.5 |
| 1998 | 552.3 | 1.5 | 72.2 |
| 1999 | 594.1 | 1.5 | 76.1 |
| 2000 | 631.4 | 1.4 | 77.1 |
| 2001 | 693.6 | 1.4 | 84.4 |
| 2002 | 697.8 | 1.4 | 80.3 |
| 2003 | 729.2 | 1.4 | 85.0 |

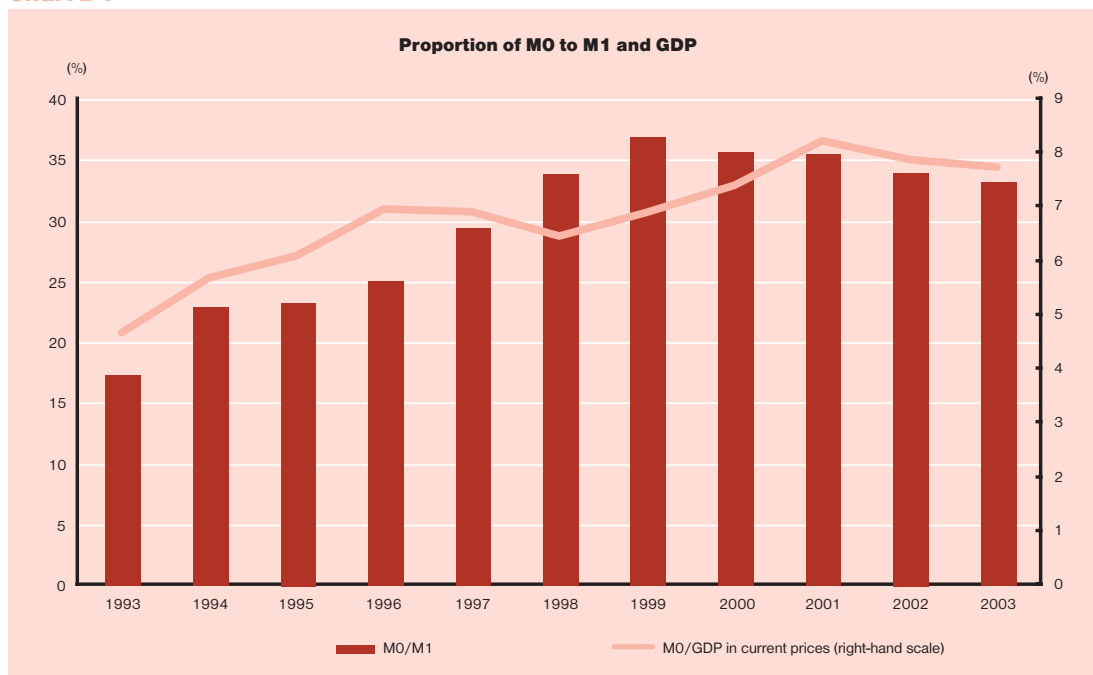
Chart D3



² The average value of the currency mark = total value in circulation / total number of coins and banknotes in circulation.

³ Data from 1993 were not used for the calculation because stamped Czecho-Slovak banknotes and Czecho-Slovak coins were still being withdrawn from circulation.

Chart D4

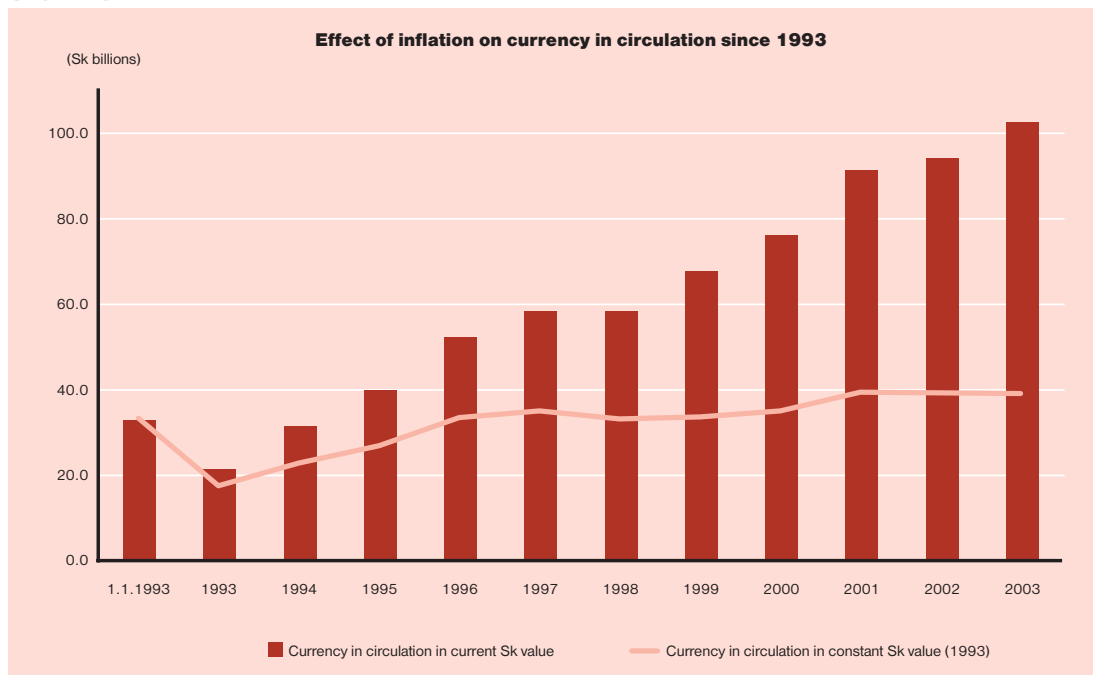


1.4. Currency in circulation and selected macroeconomic variables

The amount of currency in circulation increased from 94.2 billion Sk in 2002 to 102.9 billion Sk in 2003, that is by 9.3%. According to preliminary data, the amount of cash held by the banks increased from 10 billion Sk to 11.1 billion Sk, that is by 11.1 %.

The proportion of cash outside banks (monetary aggregate M0) to the aggregate M1 reached a value of 33.15% in 2003, showing a decrease of 1.06 percentage point compared to 2002. This means that one third of the monetary aggregate M1 is available for making cash payments, while the other two thirds are available for cashless payments. The level of cashless payments is gradually increasing in Slovakia, but it remains low in comparison with the states of the European Union.

Chart D5



The proportion of M0 to nominal GDP in the Slovak Republic reached 7.7% in 2003, which is comparable to the level reached in the countries of the European Union, where this indicator varies from 3 to 10%.

The value of the currency in circulation in constant Sk was almost unchanged in comparison with 2002, reaching a value of 38.9 billion Sk at the end of 2003. The reason for stagnation of the amount of money at constant prices is the fact that the growth of the amount of money in 2003 was the same as the annual rate of inflation of 9.3%.

2. COUNTERFEIT MONEY SEIZED IN THE TERRITORY OF THE SLOVAK REPUBLIC

In 2003, a total of 973 items of counterfeit Slovak or foreign currency were seized in the territory of the Slovak Republic. This represents only about a third of the number of counterfeits seized in 2002. As many as 75.8% of the total number of counterfeits found in 2003 were seized directly in circulation by financial institutions and security services, which process the money from supermarkets. In 2002, the same proportion of counterfeits was seized by the police before they were put into circulation. The number of counterfeits seized in circulation increased by 41.6% in comparison with the pre-

Chart D6

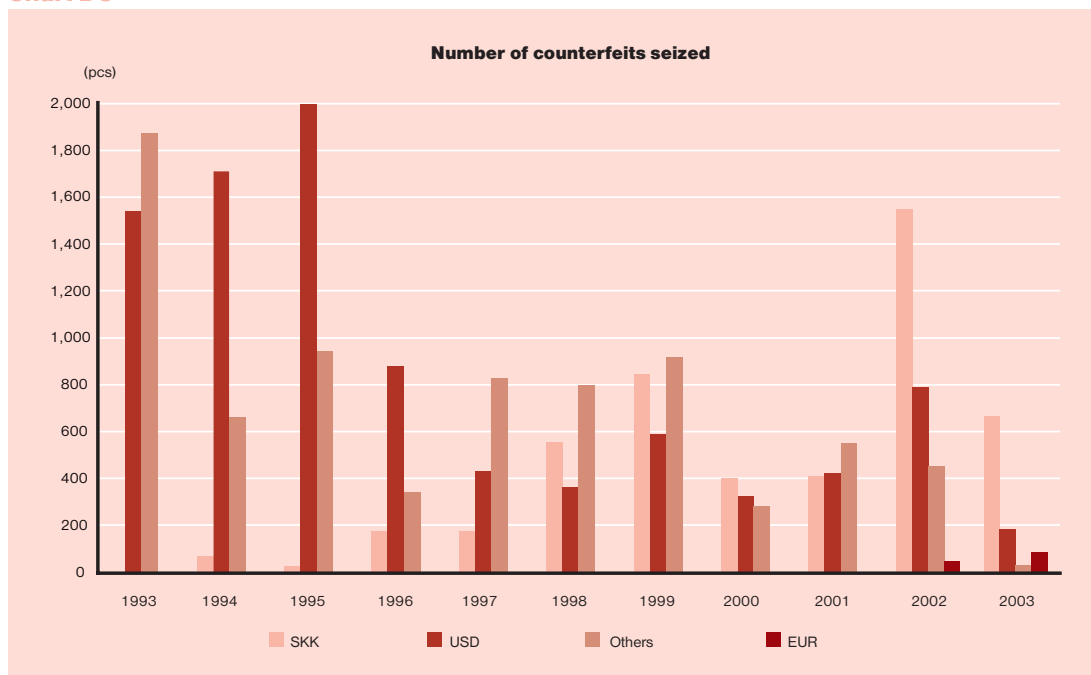
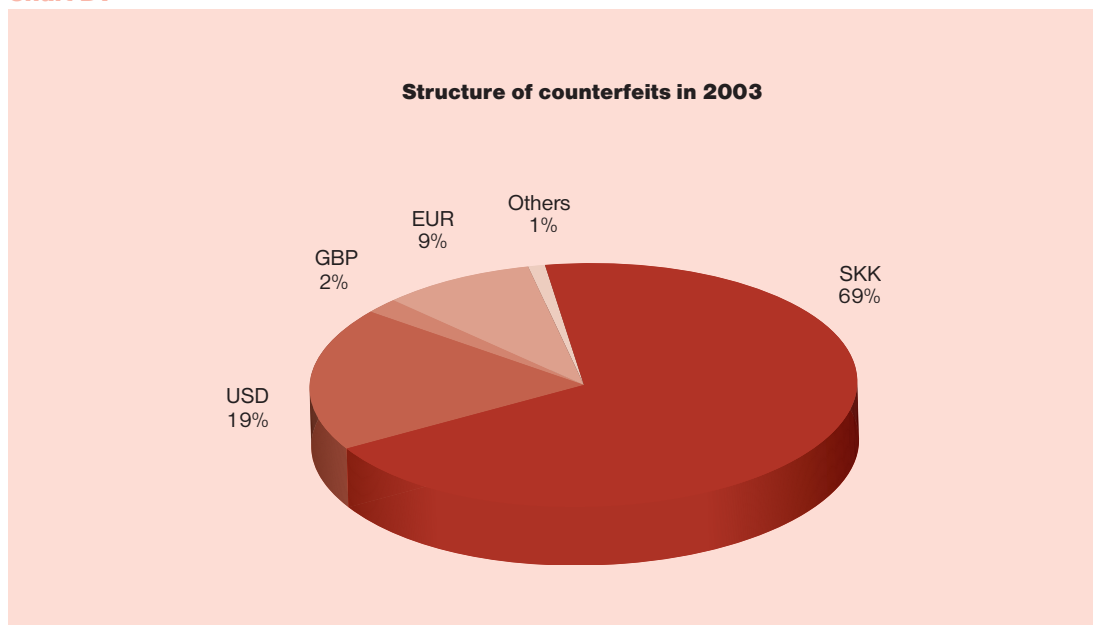


Table D4 Number of counterfeits seized (items)

| | SKK | USD | EUR | Currencies replaced by the euro | Others | Total |
|-------------|-------|-----|-----|------------------------------------|------------------|-------|
| 1998 | 556 | 364 | - | 770 | 29 ^{1/} | 1,719 |
| 1999 | 844 | 590 | - | 716 | 203 | 2,353 |
| 2000 | 402 | 323 | - | 244 | 37 | 1,006 |
| 2001 | 411 | 420 | - | 288 | 261 | 1,380 |
| 2002 | 1,549 | 790 | 48 | 68 | 387 | 2,842 |
| 2003 | 666 | 187 | 88 | - | 32 | 973 |

1/ The statistics for 1998 do not give the number of counterfeits seized by the police before they were put into circulation (a total of 19,968 items).

Chart D7



vious year, and was the highest for the last five years.

The largest numbers of counterfeit were Slovak korunas (69%), US dollars (19%) and euros (9%).

2.1. Counterfeits of Slovak koruna

In 2003, 665 counterfeit of the Slovak currency and one altered banknote were seized. The greatest occurrence was recorded in the Bratislava Region, with 242 individual counterfeit items found in 228 cases. Counterfeit 1000 Sk banknotes were the most numerous, with counterfeit 500 Sk banknotes in the second place.

2.2. Counterfeit US dollars

In 2003, 186 items of counterfeit US dollars and one imitation were found in 153 cases. In comparison with the previous year, the number of counterfeit US dollars decreased by 76%.

2.3. Counterfeit euros

In 2003, 87 counterfeit euro banknotes and one altered banknote were seized in the territory

of the Slovak Republic; 85 of these were found in financial institutions, 2 were seized by the police before they were put into circulation and one was found by a non-bank currency exchange office.

The 50 EUR banknote is one of the most frequently counterfeited. It formed 46.6% of the total number of counterfeit euro banknotes seized in the territory of Slovakia in 2003.

2.4. Counterfeits of other foreign currencies

The majority of convertible currencies disappeared with the introduction of the single European currency. No counterfeit of the currencies replaced by the euro were recorded in the territory of Slovakia in 2003, while 32 items of counterfeit of other foreign currencies were seized. They consisted of counterfeit British pounds, Czech crowns, Canadian dollars, Polish zlotys and Swiss francs. The majority of them (29 items) were found in financial institutions.