



ISSUING ACTIVITY AND CURRENCY IN CIRCULATION



5 ISSUING ACTIVITY AND CURRENCY IN CIRCULATION

5.1 SLOVAK CURRENCY ISSUANCE

In 2008, with the Slovak Republic due to join the euro area on 1 January 2009, Národná banka Slovenska ensured that the amount and denomination structure of Slovak koruna banknotes and coins were sufficient to meet the needs of currency circulation until the end of 2008.

There was no printing of Slovak banknotes or minting of Slovak circulation coins in 2008, except for the 32 800 coins of each valid denomination that were issued for annual collector sets.

During the year, Národná banka Slovenska issued four commemorative collector coins that were minted from precious metals and marked certain significant events and anniversaries. These included a 200 koruna silver coin commemorating the 100th anniversary of the death of Andrej Kmeť, issued on 12 February 2008; a 500 koruna silver coin marking the Protection of Nature and Landscape – Low Tatras National Park, issued on 13 May 2008; and a 5000 koruna gold coin commemorating the Bratislava coronations and the 400th anniversary of the coronation of Matthias II, issued on 16 September 2008.

The last commemorative coin to be issued in the koruna currency was a 1000 koruna silver coin marking the “Farewell to the Slovak koruna”,

which came out on 1 December 2008. All the coins were produced by the state mint, Mincovňa Kremnica, š. p., which was also charged with the sale of annual collector sets.

In preparation for the changeover from the Slovak currency to the euro and for the fact that banks needed to be frontloaded with sufficient euro banknotes and euro coins, Národná banka Slovenska ensured the production of 499 million euro coins in all denominations and deliveries of 188 million euro banknotes in all denominations.

Euro banknotes lent to NBS out of the Eurosystem's stocks were delivered from the Oesterreichische Nationalbank in the fourth quarter of 2008. Euro coins were minted by Mincovňa Kremnica, š. p., which in addition to circulation coins, issued 1.32 million starter kits for the frontloading of euro cash to the public and 2.5 million €2 commemorative coins marking the “10th anniversary of Economic and Monetary Union”.

The euro starter kits were available to buy from 1 December to 31 December 2008 from NBS, branches of commercial banks, and post offices of Slovenská pošta, a.s. All the starter kits were sold. The two-euro coin was prepared, minted and distributed in advance so that it could be issued after the introduction of the euro in January 2009.

Table 25 Commemorative coins issued by NBS in 2008

Denomination	Event marked by the coin	Number of coins issued		NBS Decree
		total	PROOF	
200 Sk ¹⁾	100th anniversary of the death of Andrej Kmeť	7,400	3,400	498/2007 Coll.
500 Sk ¹⁾	Protection of Nature and Landscape – Low Tatras National Park	9,100	4,800	9/2008 Coll.
5000 Sk ²⁾	Bratislava coronations – 400th anniversary of the coronation of Matthias II.	4,050	4,050	58/2008 Coll.
1000 Sk ¹⁾	Farewell to the Slovak koruna	22,000	22,000	302/2008 Coll.

Source: NBS.

1) Commemorative silver coin.

2) Commemorative gold coin.



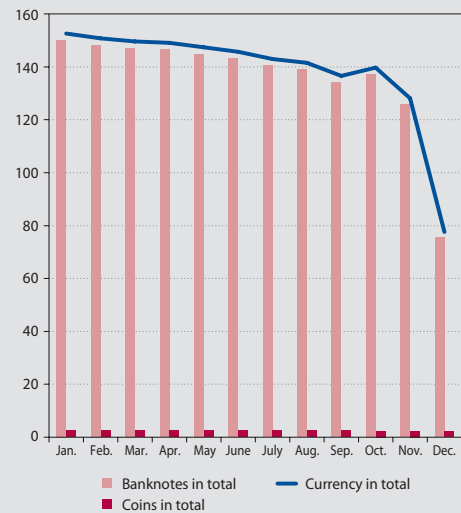
ISSUING ACTIVITY AND CURRENCY IN CIRCULATION

5.1.1 CURRENCY IN CIRCULATION AND NET ANNUAL ISSUANCE¹ IN THE SR

With 2008 being the last year of the Slovak koruna currency, cash circulation in Slovakia was throughout the year marked by preparations for the introduction of the euro from 1 January 2009. Currency circulation indicators in the first half of 2008 showed a similar development in comparison with the same period of the previous year. In the second half of 2008, they were influenced by the announcement that Slovakia would be joining the euro area and adopting the euro currency from 1 January 2009. As a consequence, the value of currency in circulation began to fall steadily, except for a brief rise in mid-October caused by the financial crisis.

The value of currency in circulation in the Slovak Republic as at 31 December 2008 represented SKK 77.71 billion (EUR 2.58 billion), including

Chart 38 Monthly development of currency in circulation (SKK billions)



Source: NBS.

Table 26 Value of currency in circulation in SKK

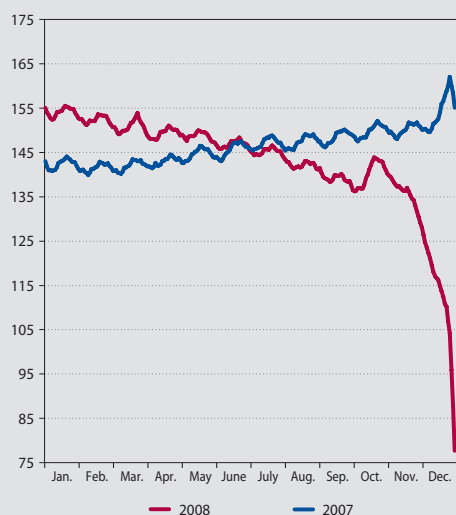
	Value in SKK		Share in %	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
Banknotes				
5000Sk	31,308,397,500	74,381,077,500	40.29	47.94
1000Sk	34,330,587,500	65,888,564,500	44.18	42.47
500Sk	3,926,713,375	5,693,748,375	5.05	3.67
200Sk	1,930,493,050	2,459,868,650	2.48	1.59
100Sk	2,539,720,850	2,553,773,150	3.27	1.65
50Sk	764,181,550	903,850,100	0.98	0.58
20Sk	670,486,545	773,488,305	0.86	0.50
Total	75,470,580,370	152,654,370,580	97.11	98.39
Circulation coins				
10Sk	652,338,310	895,795,870	0.84	0.58
5Sk	312,975,580	359,567,040	0.40	0.23
2Sk	236,804,642	251,880,460	0.31	0.16
1Sk	155,644,718	164,910,186	0.20	0.11
50 hal. I	25,371,141	26,082,861	0.03	0.02
50 hal. II	88,155,736	83,835,690	0.11	0.05
20 hal.	44,240,866	44,275,412	0.06	0.03
10 hal.	26,953,438	26,967,812	0.04	0.02
Total	1,542,484,430	1,853,315,331	1.99	1.19
Commemorative coins	700,536,780	646,400,190	0.90	0.42
Banknotes and coins in total (SKK)	77,713,601,580	155,154,086,101	100.00	100.00
Banknotes and coins in total (EUR)	2,579,618,986	5,150,172,147	-	-

Source: NBS.

¹ The net issuance is the difference between the amount of money put into and returned from circulation over a specified period of time. The terminology is identical to that of the European Central Bank.



Chart 39 Daily development of currency in circulation (SKK billions)



Source: NBS.

commemorative coins. In comparison with its figure as at 31 December 2007, the value of currency in circulation declined by SKK 77.4 billion (EUR 2.57 billion) or 49.9% year-on-year.

The value of currency in circulation during 2008 (measured as at the end of each month) was influenced by preparations for the introduction of the euro in Slovakia from 1 January 2009. Whereas in previous years the value of currency in circulation had shown a typically seasonal pattern of falling in the first quarter and rising towards the end of the year, in 2008 the value declined steadily. The monthly values of net issuance in 2008 ranged from minus SKK 2.6 billion (EUR 0.086 billion) in January to minus SKK 50.4 billion (EUR 1.67 billion) in December. The development of currency in circulation in 2008 is shown in Chart 38.

Table 27 Currency in circulation by number of banknotes and coins

	Value in SKK		Share in %	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
Banknotes				
5000 Sk	6,261,680	14,876,216	0.50	1.18
1000 Sk	34,330,588	65,888,565	2.74	4.88
500 Sk	7,853,427	11,387,497	0.63	0.84
200 Sk	9,652,465	12,299,343	0.77	0.91
100 Sk	25,397,209	25,537,732	2.03	1.89
50 Sk	15,283,631	18,077,002	1.22	1.34
20 Sk	33,524,327	38,674,415	2.68	2.86
Total	132,303,326	186,740,770	10.56	13.82
Circulation coins				
10 Sk	65,233,831	89,579,587	5.21	6.63
5 Sk	62,595,116	71,913,408	5.00	5.32
2 Sk	118,402,321	125,940,230	9.45	9.32
1 Sk	155,644,718	164,910,186	12.42	12.21
50 hal. I	50,742,282	52,165,721	4.05	3.86
50 hal. II	176,311,471	167,671,380	14.07	12.41
20 hal.	221,204,329	221,377,062	17.66	16.39
10 hal.	269,534,379	269,678,123	21.51	19.96
Total	1,119,668,447	1,163,235,697	89.37	86.11
Commemorative coins	937,174	889,584	0.07	0.07
Banknotes and coins in total	1,252,908,947	1,350,866,051	100.00	100.00

Source: NBS.



ISSUING ACTIVITY AND CURRENCY IN CIRCULATION

The highest daily value of currency in circulation in 2008 was SKK 155.5 billion (EUR 5.16 billion), recorded on 18 January. The development of the daily value of currency in circulation in 2008 and in the previous year is shown in Chart 39.

Given the atypical development of currency circulation in Slovakia in 2008 (with the steady decline in its total value), this annual report does not include a section evaluating the development of currency in circulation against macroeconomic variables (GDP, inflation, monetary aggregates M0 and M1). Instead, there is information on the preparations for the introduction of the euro in Slovakia from 1 January 2009 and on the withdrawal and destruction of the Slovak currency.

5.1.2 STRUCTURE OF CURRENCY IN CIRCULATION AND NET ISSUANCE

As at 31 December 2008, 132.3 million banknotes with a value of SKK 75.5 billion (EUR 2.51 billion), 1,119.7 million circulation coins with a value of SKK 1.54 billion (EUR 51.20 million) and 937,200 commemorative coins with a value of SKK 700.5 million (EUR 23.25 million) were in circulation. Banknotes represented 97.1% of the total value of currency in circulation, circulation coins 2.0% and commemorative coins 0.9%. Of

the total number of banknotes and coins in circulation, banknotes accounted for 10.6% and circulation coins 89.4%.

The net issuance in 2008 was to a large extent influenced by the steady decline in currency in circulation – i.e. a far higher number of banknotes and coins were taken out of circulation than were put into circulation, and the net issuance for 2008 was therefore negative (minus SKK 77.4 billion or EUR 2.57 billion). Thus, almost half (49.9%) of the value of currency in circulation as at the end of 2007 was taken out of circulation during 2008.

Of the total value of currency returned from circulation in 2008, banknotes accounted for 99.6% and coins 0.4%. As at the end of 2008, the currency remaining in circulation consisted mainly of lowest denomination banknotes (20 koruna – 33.5 million notes; 100 koruna – 25.4 million notes; 50 koruna – 15.3 million notes), while the most numerous of the higher value banknotes was the 1000 koruna denomination (34.3 million notes).

As for coins, the currency remaining in the circulation consisted mainly of the lowest denomina-

Table 28 Development of the average value of the currency mark (in SKK)

Year	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
2004	738.8	1.6	94.0
2005	788.9	1.6	106.0
2006	803.6	1.6	111.2
2007	817.5	1.6	114.9
2008	570.4	1.4	62.03

Source: NBS.



tion circulation coins, 50 halier coins numbered 227 million, 1 koruna coins 156 million, and 2 koruna coins 118 million.

A total of 316,500 ten and twenty halier coins were returned from circulation in 2008 with 31 December of that year representing the end of the foreclosure period during which these invalid coins could be returned. By the end of the year, therefore, the number of these coins that had not been returned was more than 490 million, or more than 82% of the total number issued between 1993 and the end of 2003.

In 2008, the total number of commemorative coins in circulation increased by more than 47,000 and their overall value rose by SKK 54.1 million (EUR 1.79 million).

5.1.3 AVERAGE VALUES OF CURRENCY IN CIRCULATION

The value of currency in circulation per capita² as at 31 December 2008, including commemorative coins, totalled SKK 14,389 (477.63 EUR). Of that figure, banknotes accounted for SKK 13,973 (EUR 463.82), circulation currency SKK 286 (EUR 9.49) and commemorative coins SKK 130 (EUR 4.32). A meaningful comparison with the figures for 2007 cannot be made since the decline in Slovak currency in circulation during 2008 would have a distorting effect.

As at the end of 2008, the per capita number of banknotes remaining in circulation was almost 25, with the most numerous denominations being the 1000 koruna and 20 koruna notes (6 per capita each). The per capita number of circulation coins represented 207, with the most numerous legal tender coins being those in the lowest denominations, i.e. 50 halier coins (42 per capita), 1 koruna coins (29), and 2 koruna coins (almost 22).

The average value of the currency mark³ in 2008 was SKK 62.03. The development of the average value of the currency mark between 1993 and 2008 is compared in the table 28, together with the mark for banknotes and coins separately.

5.1.4 PREPARATION FOR THE INTRODUCTION OF THE EURO IN SLOVAKIA FROM 1 JANUARY 2009

When preparing for the introduction of the euro into circulation in Slovakia, one of the main tasks was to ensure that sufficient euro banknotes and

euro coins were frontloaded to banks in good time and that they were then sub-frontloaded to banks' clients.

The whole process of frontloading and sub-frontloading was carried out on a contractual basis and fully subject to the Guideline ECB/2006/9 on frontloading and sub-frontloading as amended by the Guideline ECB/2008/4, which laid down details of the rights and obligations of the parties involved, the frontloading/sub-frontloading period, collateral arrangements, and the reporting of statistical data.

In order to meet cash circulation needs related to the euro cash changeover, 188 million euro banknotes with a total value of SKK 213.9 billion (EUR 7.1 billion) were borrowed from the Oesterreichische Nationalbank in 2008. Of that number, banks were frontloaded with 51.1 million banknotes with a total value of almost SKK 28.7 billion (EUR 950.9 million).

Banks sub-frontloaded their clients, on request, with 14.3 million euro banknotes with a total value of SKK 6.8 billion (EUR 225 million), which represented 25% of the total value of sub-frontloaded euro banknotes.

Národná banka Slovenska had 499 million euro coins minted by Mincovňa Kremnica, š.p. Among the new Member States introducing the euro, Slovakia was the first one to use the services of a mint in its own territory to produce its national euro coins. A total of 283.4 million euro coins worth almost SKK 2.9 billion (EUR 98 million) were frontloaded to banks.

Banks sub-frontloaded their clients, on request, with 195 million euro coins with a total value of more than SKK 1.9 billion (EUR 66 million), which represented 66% of the total value of sub-frontloaded euro coins.

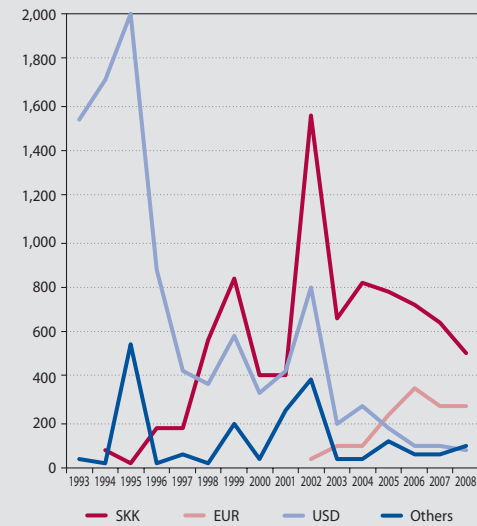
Altogether, euro banknotes and euro coins were sub-frontloaded to almost 14,000 clients.

In addition to euro coins for frontloading, Mincovňa Kremnica, š. p. produced 1.32 million euro starter kits with a total value of SKK 660.1 million (EUR 21.9 million). The starter kits were sold at banks (833,000), post offices of Slovenská pošta, a.s. (400,000), and directly at NBS.

² The population as at 31 December 2007 numbered 5 400 998, according to the Statistical Office of the Slovak Republic.

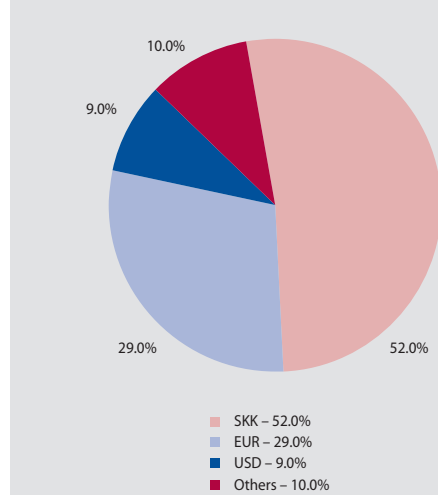


Chart 40 Number of seized counterfeits



Source: NBS.

Chart 41 Breakdown of counterfeits seized in 2008 (%)



Source: NBS.

5.1.5 WITHDRAWAL OF SLOVAK CURRENCY FROM CIRCULATION AND ITS DESTRUCTION

Besides ensuring a sufficient amount of euro banknotes and euro coins for the needs of cash circulation, the preparations for euro introduction involved withdrawing Slovak currency from circulation and destroying it.

The process of withdrawing Slovak currency from circulation began immediately after it was announced that Slovakia had met the conditions for the introduction of the euro from 1 January 2009. In the second half of 2008, the value of currency in circulation began to fall steadily – except for a brief rise in October caused by the financial crisis – and this trend culminated in December when the value declined month-on-month by more than SKK 50 billion (EUR 1.66 billion). The 54.4 million banknotes and 43.6 million coins returned from circulation in 2008 had a total value of SKK 77.4 billion (EUR 2.57 billion).

In connection with preparations for the euro introduction in Slovakia and in accordance with the National Euro Changeover Plan, NBS began the destruction of surplus stocks of Slovak banknotes and coins. From these surplus stocks, 90.2 million banknotes with a total value of SKK 45.8 billion (EUR 1.52 billion) and 74.3 million circulation coins with a total value of SKK 428.3 million (EUR 14.22 million) were destroyed in 2008.

5.2 COUNTERFEIT MONEY SEIZED IN THE TERRITORY OF THE SLOVAK REPUBLIC

A total of 964 counterfeit banknotes and coins were seized in the territory of the Slovak Republic in 2008 (see Chart 40). The number of seized counterfeits fell by 102 (around 9.5%) in comparison with 2007, and it was the smallest number in any year since the establishment of the Slovak Republic. Fully one-third of all the counterfeit seizures last year took place in Bratislava region. Of these counterfeits, 92% were seized from currency in circulation by banks, branches of foreign banks, non-banking entities, and security services.

The highest proportion of seized counterfeits comprised Slovak koruna and euro counterfeits, 52% and 29% respectively, and to a lesser extent US dollar counterfeits (9%) and counterfeits of other currencies 10% (Chart 41).

5.2.1 SLOVAK KORUNA COUNTERFEITS

A total of 502 Slovak koruna counterfeits were seized in 2008, including one modified banknote and one fake coin. Most of the counterfeits were found in Bratislava region (126) and Banská Bystrica region (89). Counterfeit banknotes in the denominations of SKK 500 and SKK 1000 accounted for 80% of all Slovak koruna counterfeits. The Slovak koruna counterfeits seized in 2008 were

**Table 29 Number of seized Slovak koruna counterfeits (pcs)**

Year	Denomination								p ¹⁾	Total
	5000	1000	500	200	100	50	20	10		
2004	45	419	203	36	68	36	11	1	1	820
2005	23	337	151	103	87	48	28	0	7	784
2006	28	346	138	96	56	22	6	0	33	726
2007	32	304	151	66	31	23	7	25	0	639
2008	18	211	189	26	28	22	6	1	1	502

Source: NBS.

1) Imitations, modified and composed banknotes and coins.

Table 30 Number of seized euro counterfeits (pcs)

Year	Denomination									P ¹⁾	Total
	1	2	5	10	20	50	100	200	500		
2004	0	3	1	0	1	48	26	17	2	5	103
2005	0	8	0	0	13	114	26	37	34	2	234
2006	0	3	1	4	6	69	217	38	10	0	348
2007	4	8	0	2	10	59	99	90	6	0	278
2008	2	15	0	4	9	65	70	106	4	0	275

Source: NBS.

1) Imitations, modified and composed banknotes and coins.

Table 31 Number of US dollar counterfeits (pcs)

Year	Denomination							p ¹⁾	Total
	1	5	10	20	50	100	1000		
2004	3	0	1	1	5	252	0	2	264
2005	0	0	1	1	3	163	0	3	171
2006	2	1	0	0	3	94	1	0	101
2007	0	0	0	2	3	92	0	0	97
2008	0	0	0	1	6	74	0	6	87

Source: NBS.

1) Imitations, modified and composed banknotes and coins.

of a low quality and most were produced using colour ink jet printers.

5.2.2 COUNTERFEIT FOREIGN CURRENCIES

In 2008, a total of 275 euro counterfeits, 87 US dollar counterfeits, and 100 counterfeits of other currencies were seized in the territory of the Slovak Republic.

Euro counterfeits

Although it had been expected to rise, the number of seized euro counterfeits (275) was al-

most the same as in 2007. Their quality, however, showed a marked improvement on the previous year. Whereas euro counterfeits seized in euro area countries were mostly in the lower denominations of EUR 50 and EUR 20, the most common counterfeit in the Slovak Republic was in the EUR 200 denomination, which accounted for fully 39% of the total number of seized euro counterfeits. It is expected that the adoption of the euro will lead to a sharp rise in the number of seized euro counterfeits, a change in their breakdown and an improvement in their quality.



Table 32 Number of counterfeit of other foreign currencies (pcs)

Currency/ Year	GBP	CZK	CAD	PLN	CHF	HUF	Others ¹⁾	Total
2004	14	12	4	2	1	3	0	36
2005	82	21	3	1	1	18	1	127
2006	39	9	0	2	0	7	1	58
2007	34	6	0	2	0	3	7	52
2008	88	4	0	2	1	3	2	100

Source: NBS.

¹⁾ German mark (2006), Australian dollar (2007), Czechoslovak koruna (2007), Norwegian krone (2008).

US dollar counterfeits

The number of US dollar counterfeits has been steadily declining since 2004, as has their share of the total number of seized counterfeits. A total of 87 US dollar counterfeits were seized in the territory of the Slovak Republic in 2008, which was 10% fewer than in the previous year. Counterfeits of the USD 100 banknote were again the most common, constituting 85% of the total number of US dollar counterfeits.

Counterfeits of other foreign currencies

A total of 100 counterfeits of other foreign currencies were seized in 2008, representing an increase of more than 92% in comparison with the previous year. Last year was the first in which counterfeits of other foreign currencies were seized in a greater number than US dollar counterfeits. The highest proportion of that total, 88, were counterfeits of British pounds, all of which were counterfeits of the 20 pound banknote.