



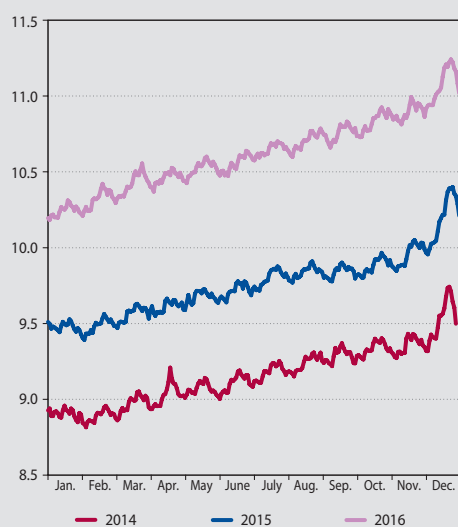
3 ISSUING ACTIVITY AND CURRENCY CIRCULATION

3.1 CUMULATIVE NET ISSUANCE

The cumulative net issuance (CNI)¹⁰ of euro banknotes and coins in Slovakia had a total value of €11.02 billion as at 31 December 2016, with euro banknotes accounting for €10.9 billion of that amount. The CNI increased in 2016 by 7.9% year on year (by €807.2 million), which represented a slight acceleration compared with the previous year. 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 €11.4 billion as at 31 December 2016.¹¹ The difference in value between the euro banknotes issued in Slovakia and the *currency in circulation* item was €515 million.

The CNI's daily trend in 2016 remained the same as in previous years, with the year-on-year difference ranging approximately between €0.7 billion and €1.0 billion. The daily CNI is usually highest in the pre-Christmas period, and in 2016 it peaked on 22 December (at €11.2 billion).

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



Source: NBS.

Euro banknotes accounted for almost the entire value of the CNI (98.5%), but only for 19% of the CNI in terms of volume. Euro coins (including euro collector coins) made up the remaining 81%.

The cumulative net issuance as at 31 December 2016 comprised almost 157.2 million euro banknotes and approximately 654 million euro coins, including collector coins. For the first time, the €100 denomination had the largest share of the total number of banknotes included in the CNI, at 24%. The €50 denomination, which had held that position in all the previous years following Slovakia's adoption of the euro, saw its share drop to 23%. The coins issued in the highest volumes are the two lowest denominations (1 and 2 cent). By the end of 2016 they made up more than half (59.8%) of all the coins in the CNI, and their share is increasing year by year (in 2015 it stood at 58.7%). In value terms, however, the combined share of these two denominations was only 3.6%.

As an average per capita¹², the number of euro banknotes in circulation in Slovakia in 2016 stood at 28 and their value at around €1,926. As for coins (including collector coins), the corresponding figures were 115 and €29. The average per capita value of the CNI was €1,955.

The most common euro banknotes and coins in circulation in Slovakia in 2015 were the €50 and €100 banknotes (around seven per capita), the 1 cent coin (39) and the 2 cent coin (29).

No new banknotes of the second (ES2) series of euro banknotes were launched in 2016 (the ES2 €5, €10 and €20 banknotes had already been launched before 2016). By the year-end the new €5 had completely replaced the ES1 banknote in the CNI, while the new €10 and €20 banknotes accounted for 97% and 56%, respectively, of the total number of €10 and €20 banknotes in the CNI¹³.

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 2016 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 2016.

¹¹ The value of currency in circulation throughout the euro area as at 31 December 2016 was €1,126 billion, and the share of that currency issued in Slovakia according to the banknote allocation key was 1.0095%, or around €11.4 billion.

¹² The population of Slovakia was 5,424,058 as at 30 September 2016 (according to the Slovak Statistical Office). The calculations used the average number and average value of euro banknotes in the CNI in 2016. The average value of the CNI was €10.6 billion.

¹³ The calculation of shares of new euro banknotes (ES2) in the total CNI of the respective denominations (ES1 + ES2) are based on the CNI in Slovakia.

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

Denomination	Cumulative net issuance				Share in %	
	CNI as at 31 December 2016		Difference vis-à-vis 31 December 2015		Share as at 31 December 2016	
	number	value (€)	number	value (€)	number	value (€)
€500	8,340,589	4,170,294,500.00	8,930	4,465,000.00	1.03	37.85
€200	427,505	85,501,000.00	89,950	17,990,000.00	0.05	0.78
€100	37,655,387	3,765,538,700.00	7,474,980	747,498,000.00	4.64	34.18
€50	36,229,840	1,811,492,000.00	562,989	28,149,450.00	4.46	16.44
€201	31,924,210	638,484,200.00	-602,626	-12,052,520.00	3.93	5.80
€101	33,817,270	338,172,700.00	1,217,785	12,177,850.00	4.17	3.07
€51	8,836,350	44,181,750.00	-507,681	-2,538,405.00	1.09	0.40
Total banknotes	157,231,151	10,853,664,850.00	8,244,327	795,689,375.00	19.37	98.52
€2	49,944,036	99,888,072.00	4,508,295	9,016,590.00	6.16	0.91
€1	21,024,872	21,024,872.00	49,573	49,573.00	2.59	0.19
50 cent	26,978,638	13,489,319.00	736,945	368,472.50	3.32	0.12
20 cent	33,330,546	6,666,109.20	116,113	23,222.60	4.11	0.06
10 cent	56,637,978	5,663,797.80	3,311,598	331,159.80	6.98	0.05
5 cent	74,907,360	3,745,368.00	5,081,742	254,087.10	9.23	0.03
2 cent	165,169,912	3,303,398.24	13,175,619	263,512.38	20.35	0.03
1 cent	225,932,013	2,259,320.13	23,617,552	236,175.52	27.84	0.02
Total coins	653,925,355	156,040,256.37	50,597,437	10,542,792.90	80.58	1.41
Collector coins	382,331	7,823,390.00	46,381	943,000.00	0.05	0.07
Total banknotes and coins	811,538,837	11,017,528,496.37	58,888,145	807,175,167.90	100.00	100.00

Source: NBS.

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

SLOVAK KORUNA BANKNOTES AND COINS

By 31 December 2016, unredeemed Slovak koruna banknotes and commemorative coins totalled, respectively, 18.88 million (including 10.07 million 20 koruna banknotes) and approximately 933,000. Their combined face value was around SKK 2.92 billion (€97 million). The face value of unredeemed Slovak koruna banknotes was around 1.46% of the total value of banknotes issued (by 31 December 2007).

In per capita terms, koruna banknotes unredeemed by the end of 2016 numbered around four and had a face value of SKK 409. The per capita value of commemorative koruna coins was SKK 129, and that of koruna banknotes and coins combined was SKK 538.

3.2 PRODUCTION OF EURO BANKNOTES AND COINS

In 2016 NBS commissioned for the Eurosystem the production of 58.50 million ES2 €50 banknotes. The banknotes were printed by the Dutch printing company Royal Joh. Enschedé, and their printing was completed in October 2016.

In accordance with the ECB's revised schedule, the printing of 23.48 million ES2 €50 banknotes of NBS's allocation for 2015 was postponed until the first half of 2016. The banknotes were produced by the French firm Oberthur Technologies, with their printing run completed in the second quarter of 2016. In addition to euro banknotes, NBS ensured the production of 28.873 million



1 cent euro coins, 17.0 million 2 cent euro coins, 2 million €2 coins, as well as one million €2 commemorative coins featuring *The first Slovak Presidency of the Council of the European Union* (issued on 7 March 2016) and one million €2 commemorative coins featuring the *550th anniversary of Istropolitana University* (issued on 4 January 2017).

All the euro coins commissioned by NBS are produced by the state-owned mint Mincovňa Kremnica ('the Kremnica Mint'). The coins minted in 2016 included 26,000 euro coins of each denomination that were used in five annual collector sets of Slovak euro coins.

In accordance with its issue plan for commemorative and collector euro coins, NBS also issued six collector coins in 2016, including five silver coins and one gold coin. In November 2016 a number of collector coins due to be issued in 2017 were frontloaded to NBS from the Kremnica Mint. They comprised 8,800 €10 silver coins featuring *World Natural Heritage – Caves of Slovak Karst* (issued on 13 February 2017). NBS arranges for the sale of commemorative and collector euro coins through contractual partners in Slovakia and abroad.

3.3 PROCESSING OF EURO BANKNOTES AND COINS

In 2016 Národná banka Slovenska put 354.5 million euro banknotes into circulation, and a total

of 346.2 million euro banknotes were returned to NBS from circulation.

During the year NBS processed 349.5 million euro banknotes (347.2 million in 2015) in accordance with the common procedures laid down by the ECB for all national central banks in the euro area. The total number of euro banknotes returned to NBS was approximately 2.3 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 five months on average. The authenticity and fitness for circulation of returned banknotes are 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 is confirmed by periodical surveys conducted in euro area countries. In the latest survey, nine out of ten respondents expressed satisfaction with the quality of euro banknotes.

The €50 banknote was the most frequently processed denomination in 2016, 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 2016, 48.1 million banknotes were identified as being unfit for circulation and subsequently destroyed. The number of unfit banknotes destroyed by NBS

Table 6 Collector coins issued by Národná banka Slovenska in 2016

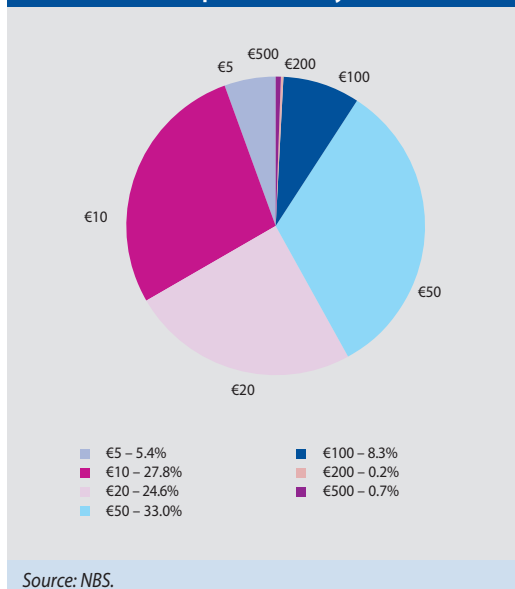
Denomination	Feature	Issuing volume (number of coins)		NBS notification of coin issuance
		total	OF WHICH PROOF	
€10 ¹⁾	150th anniversary of the birth of Ladislav Nádaši-Jégé	8,800	5,600	No 40/2016 Coll.
€20 ¹⁾	Historical Preservation Area of Banská Bystrica	8,300	5,400	No 95/2016 Coll.
€100 ²⁾	Bratislava coronations – 275th anniversary of the coronation of Maria Theresa	4,300	4,300	No 150/2016 Coll.
€10 ¹⁾	The first Slovak Presidency of the Council of the European Union	8,200	5,600	No 184/2016 Coll.
€10 ¹⁾	400th anniversary of the death of Juraj Turzo	8,500	5,400	No 250/2016 Coll.
€10 ¹⁾	450th anniversary of the birth of Ján Jessenius	8,500	5,450	No 279/2016 Coll.

Source: NBS.

1) Silver collector coin.

2) Gold collector coin.

Chart 20 Denominational breakdown of euro banknotes processed by NBS in 2016



was around 9.9% higher in 2016 than in 2015. The higher volume of banknotes sorted as unfit was reflected in the average unfit rate for euro banknotes, which increased moderately, year on year, by an average of 1.2 percentage points, to 13.8%. The unfit rate in Slovakia is among the lowest among euro area countries.

In 2016 more than 328 million euro coins were put into circulation by NBS, and more than 277 million euro coins were returned to NBS from circulation. The coins were processed in automated coin processing machines, which checked the coins for both authenticity and fitness for circulation. Since coins have a longer lifespan than banknotes, only around 406,000 of the 279.1 million processed were sorted as unfit. The 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.

3.4 COUNTERFEIT BANKNOTES AND COINS RECOVERED IN SLOVAKIA

A total of 13,565 counterfeit banknotes and coins were recovered in Slovakia in 2016, approximately two-thirds more than were recovered in 2015.

Far more counterfeits were recovered in 2016 than in the previous two years, owing to the fact that a greater number were seized before entering circulation. In one operation in Prešov Region in April 2016, law enforcement seized 8,964 counterfeit €2 coins.

Of the total number of counterfeits recovered, banknotes accounted for 3,302 and coins for 10,261. Only 25.3% of the counterfeits were recovered from circulation by banks, foreign bank branches, non-bank entities and security services (the corresponding figure for 2015 was 82.6%).

The region in which most of the counterfeits were recovered was Prešov Region (69%), while the fewest were recovered in Trenčín Region (0.8%).

Of the total number of counterfeits recovered from circulation in 2016, law enforcement recovered three-quarters (up from 18.3% in the previous year), commercial banks 13.6%, security services 4.6%, NBS 5.3%, and non-bank entities 1.8%.

Table 7 Number of counterfeit banknotes and coins recovered in Slovakia

	EUR	SKK ¹⁾	Other	Total
2014	6,190	21	214	6,425
2015	4,749	11	94	4,854
2016	13,465	11	89	13,565

Source: NBS.
1) Slovak koruna.



Table 8 Number of euro counterfeits recovered in Slovakia

	Denomination										Total
	50 cent	€1	€2	€5	€10	€20	€50	€100	€200	€500	
2014	463	224	2,037	22	39	405	1,037	604	73	1,286	6,190
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

Source: NBS.

A moderate improvement in the quality of counterfeits was observed in 2016, especially in counterfeits of euro banknotes and coins. Nevertheless, 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

The number of counterfeit euro banknotes and coins recovered in Slovakia in 2016 was 13,465 and they had total face value of €312,201.

The number of euro banknote counterfeits recovered in Slovakia has remained steady over a long period. The figures have reflected the impact of particular cases (one or two a year) in which law enforcement seized sizeable quantities of counterfeit banknotes before the banknotes entered circulation. The number of euro

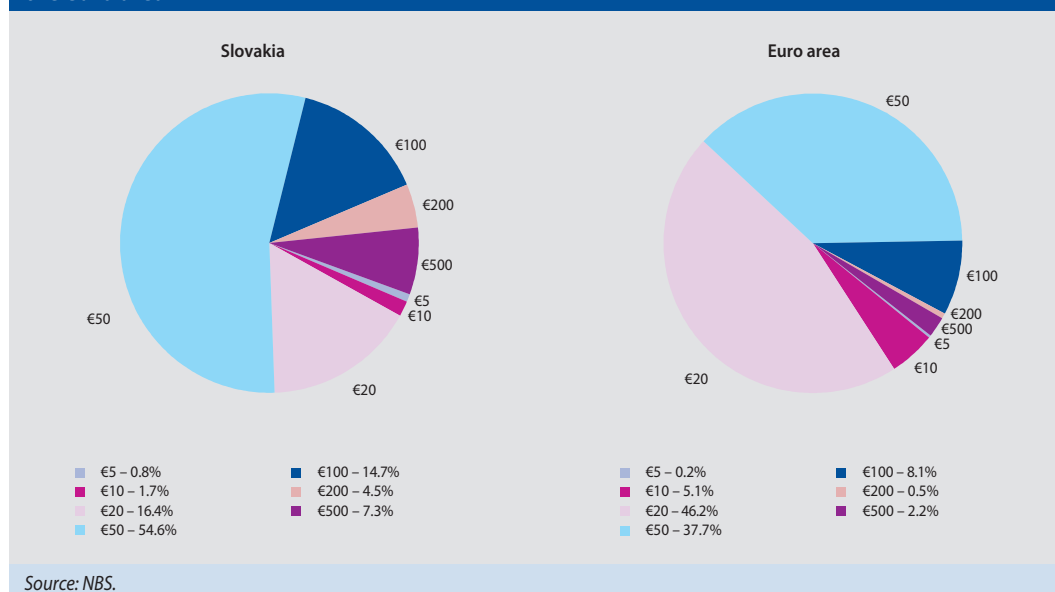
banknote counterfeits recovered from circulation has remained at around the same level, at between 150 and 200 per month.

The number of counterfeit euro coins recovered from circulation has been falling gradually in recent years, and in 2016 it stood at around 100 per month.

Euro banknotes accounted for 3,204 of all the counterfeit banknotes and coins recovered in Slovakia in 2016, and that number represented a year-on-year increase of around 10%. 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.

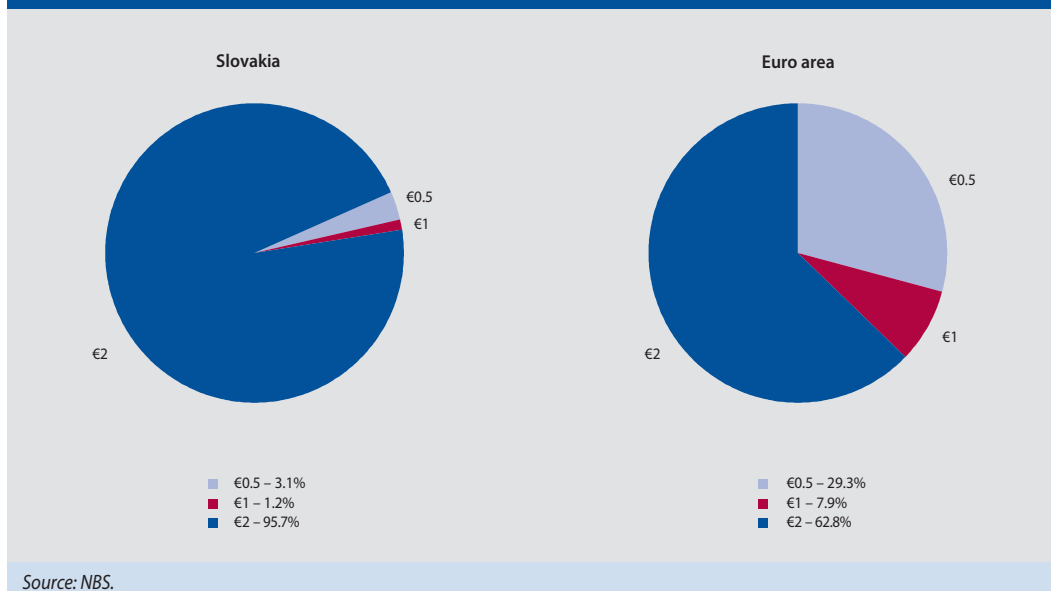
The denominational breakdown of euro counterfeits in Slovakia and the euro area has been

Chart 21 Denominational breakdown of counterfeit euro banknotes recovered in Slovakia and the euro area



Source: NBS.

Chart 22 Denominational breakdown of counterfeit euro coins recovered in Slovakia and the euro area



similar in recent years. In Slovakia, counterfeit €50 and €20 euro banknotes accounted for 54.6% and 16.4% of all the counterfeit euro banknotes recovered. In the euro area the positions were reversed, with €20 and €50 euro counterfeits making up 46.2% and 37.7% of the total.

Of all the counterfeit euro banknotes recovered in Slovakia during the year, counterfeits of the three medium-denomination banknotes – the €20, €50 and €100 notes – accounted for 85.7% in 2016 (these denominations accounted for 67% of the CNI in 2016). In 2015 the share of these three denominations was 91.9%. Across the euro area, the share of the three denominations in the total number of counterfeits recovered has been above 90% over an extended period.

A total of 10,261 euro coin counterfeits were recovered in Slovakia in 2016, and only one-tenth of them were recovered from circulation. The technical quality of such counterfeits is generally very high. More than 95% of the counterfeit euro coins recovered in Slovakia in 2016 were €2 coins. Recent years have seen counterfeit 50 cent coins recovered in greater numbers than

counterfeit €1 coins. In the euro area, the share of €2 counterfeits in the total number of euro coin counterfeits recovered has long been in the range of 60% to 65%.

SLOVAK KORUNA COUNTERFEITS

Following the introduction of the euro into cash circulation, the number of Slovak koruna counterfeits fell sharply. Only eleven Slovak koruna counterfeits were recovered in 2016 (the same number as in 2015). 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 sporadic.

COUNTERFEITS OF OTHER FOREIGN CURRENCY

The total number of counterfeits of other foreign currencies recovered in Slovakia was slightly lower in 2016 than in 2015. The majority (73) were US dollar counterfeits. As in previous years, the \$100 dollar banknote was the most counterfeited denomination, accounting for around two-thirds of US dollar counterfeits. Counterfeits of other currencies were also recovered, including counterfeits of the pound sterling (6), the Hungarian forint (5), the Czech koruna (3) and the Polish zloty (2).