05 Currency Department Operations
5.1 The Balance and Movements of Cash in Circulation

On 31 December 2006, the balance of cash in circulation totalled HRK 14.60bn, up 20.1% on the end-2005. The growth of cash in circulation by 20.1% in 2006 was 9.1 percentage points higher than the growth rate of 11.0% observed in 2005.

On 31 December 2006, there were 123.9 million banknotes, valued at HRK 13.9bn, outside the vaults of the CNB and cash supply centres.

Compared with late 2005, the quantity of banknotes outside the vault of the CNB rose by 12.8%, while the total value of banknotes outside the vaults of the CNB and cash supply centres went up by 20.8%.

The total number of banknotes in circulation increased in 2006 by 14.0 million as compared to 2005, of which banknotes in denomination of 200 kuna accounted for 8.8 million or 62.8%. The real growth of the number of banknotes in circulation in denominations of 200, 100, 50, 20 and 10 kuna (the difference between the total rise of the number of banknotes of these denominations in circulation, the 2001 and 2002 issues, and the number of withdrawn worn out banknotes of the same denominations, the 1993 issue) totalled HRK 11.4 million banknotes or 81.4% of the total rise of the number of banknotes in circulation in 2006. As for banknotes in denominations of 1000 and 500 kuna, their number went up by 1.4 million or 20.4%. The total number of banknotes in circulation in denomination of 5 kuna reduced by 0.4 million because the need for banknotes of this particular denomination is primarily met by coins of the same denomination.
Of banknotes in circulation, banknotes in denominations of 200 kuna, with a share of 27%, and of 100 kuna, with a share of 20%, were the most numerous and accounted for HRK 9.3bn or 67% of the total value of banknotes in circulation in 2006. The said two denominations are predominantly used by banks to effect ATM payments, which accounted for such a large number of banknotes of these denominations in the structure of banknotes in circulation.

On 31 December 2006, there were 1.249 billion coins outside the central bank’s vault, worth HRK 0.677bn.

In comparison with late 2005, the quantity of coins outside the central bank’s vault increased by 9.1%, while their value increased by 12.2%.

The quantity of coins in circulation increased by 103 million in 2006, with the coin denomination of 10 lipa accounting for the largest share of the increase, up 23.9 million coins or 23.2% from the number of coins registered in 2005.

Of coins in circulation in 2006, the most numerous were coins in denomination of 10 lipa, with 301 million coins or 23% of the total number of coins in circulation, while from the point of view of total value coins in denomination of 5 kuna accounted for the largest share, HRK 228.5 million or 33.6% of the total value of coins in circulation.

5.2 Supply with Cash

For the purpose of settling bank cash requirements in 2006, 64.4 million banknotes (worth HRK 9.0bn) and 108.6 million coins (worth HRK 0.051bn) were issued from the central bank’s vault to cash supply centres. The total value of issued banknotes increased by 32.7% compared with 2005, while the increase in the number of banknotes totalled 18.6%. The total value of issued coins went down by 7.9%, while their number went up by 11.7%.

A substantial share of coin requirements of cash supply centres was covered by transfer of excess coin quantities from one cash supply centre to another. As a result, 20.9 million coins, worth HRK 0.061bn, were transferred among cash supply centres.
5.3 Withdrawing and Processing Worn Out Banknotes

The central bank’s Currency Department withdrew 50.0 million banknotes from cash supply centres over 2006, valued at HRK 5.6bn. The banknote sorting system processed 34.4 million banknotes, of which 86.1% or 29.6 million units, valued at HRK 3.7bn, were immediately destroyed as they failed to meet the quality standards set for banknotes in circulation.

According to the latest data, the renewal index in 2006 was 24 (destroyed banknotes/circulation x 100), since the number of banknotes in circulation as per 31 December 2006 totalled 123.9 million and the number of destroyed banknotes 29.6 million.

5.4 Expert Evaluation of Banknotes

In 2006, the expert evaluation of banknotes identified 1,167 counterfeit banknotes valued at HRK 357,320. The number of identified counterfeits was three times lower in 2006 compared with 2005. The largest number of counterfeits, 383 or 32.8% of the total went to 200 kuna banknotes. Efforts to make the general public and banknote users (especially networks of retail outlets) acquainted with the security features of kuna banknotes were continued, aiming
at preventing the distribution of counterfeit banknotes. As shown by the relevant indicators, 9 counterfeits were discovered per 1 million banknotes in circulation in 2006. The analysis of received counterfeits showed that in 1% of cases they were made using the offset printing technique, primarily the counterfeit 1000 kuna banknotes. In the remaining 99% of cases they were produced mostly using computer technology and printed on colour printers.

Table 5.1 Identified Counterfeit Banknotes in 2006

<table>
<thead>
<tr>
<th>Denominations</th>
<th>1000</th>
<th>500</th>
<th>200</th>
<th>100</th>
<th>50</th>
<th>20</th>
<th>10</th>
<th>5</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units</td>
<td>127</td>
<td>251</td>
<td>383</td>
<td>207</td>
<td>126</td>
<td>49</td>
<td>24</td>
<td>0</td>
<td>1,167</td>
</tr>
<tr>
<td>Share</td>
<td>10.9</td>
<td>21.5</td>
<td>32.8</td>
<td>17.7</td>
<td>10.8</td>
<td>4.2</td>
<td>2.1</td>
<td>0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: CNB.

5.5 Issuing Commemorative Coins

In 2006, the CNB issued 1,000 numismatic sets of kuna and lipa circulation coins, with “2006” marking the year of issue.

In cooperation with Croatian Monetary Institute, the Croatian National Bank also released two issues of the commemorative 150 kuna silver coin marking the 2006 Football World Cup held in Germany (issue II) and one issue of the commemorative 150 kuna silver coin dedicated to Nikola Tesla.

5.6 Cash Supply Centres

The decision on a gradual reduction in the number of cash supply centres (from 22 to 10 in the January-May period of 2007), aimed at the rationalisation of their network and total costs, was adopted by the CNB in October 2006.

This decision falls within the scope of CNB measures focused on the rationalisation and improvement of overall cash operations, as well as the reduction of costs and the use of up-to-date technologies in storage, distribution and processing of cash.