



2020



Työllisyysrahasto
Sysselsättningsfonden | Employment Fund

HALF-YEAR REPORT

1 JANUARY-30 JUNE 2020



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The Employment Fund's half-year in brief

We took care of the financing of unemployment allowances and adult education allowances even in exceptional circumstances.



We financed unemployment and adult education allowances with

EUR **1,772**
million.



We started using the Incomes Register to process applications for adult education allowance.



We issued two

600
million euro bonds.



Half-year Report 1 Jan-30 Jun 2020

The Employment Fund (the “Fund”) complies with the International Financial Reporting Standards (IFRS) adopted in the European Union. The comparative figures in parentheses refer to the corresponding period of the previous year, unless otherwise stated.

FINANCIAL DEVELOPMENT

The financial result of the Employment Fund deteriorated due to the coronavirus pandemic (COVID-19)

- Unemployment insurance contributions and other income EUR 1,454 (1,720) million
- Unemployment allowances, adult education allowances and administrative expenses paid EUR 1,772 (1,356) million
- Change in net assets (half-year result) EUR -331 (371) million
- Net assets EUR 1,337 (31 Dec 2019: 1,668) million
- Total investments and assets EUR 2,758 (31 Dec 2019: 1,745) million
- Loans disbursed and other liabilities EUR 1,373 (31 Dec 2019: 0) million
- Unemployment rate 7.9% June 2020 (6.2% June 2019)
- Return on investments -0.9% (0.7%)



Managing Director's review

STRONG PERFORMANCE IN EXCEPTIONAL CIRCUMSTANCES

The impact of the coronavirus pandemic was reflected in various ways in the Employment Fund's operations in the first half of the year. We switched to working almost entirely remotely as soon as the government of Finland declared a state of emergency. Right at the beginning of the coronavirus outbreak, we realised that the significant increase in unemployment allowance contributions, particularly due to temporary lay-offs, called for exceptional measures to ensure our liquidity and the financing of unemployment daily allowances for unemployment funds.

At the end of March, the Board of the Employment Fund called on the Finnish Government to secure the financing of unemployment insurance. The liquidity of the Employment Fund was ensured by various measures. The Employment Fund agreed on a state-backed standby credit facility with several banks. The government undertook

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The liquidity of the
Employment Fund was
ensured by various measures.

to finance the portion of earnings-related unemployment allowance in a layoff period that corresponded to basic unemployment allowance from April until the end of 2020. In June, we secured our liquidity by issuing two bonds for a total of 1.2 billion euros.

The effects of the coronavirus pandemic were also reflected in increased contacts from applicants for adult education allowances as educational institutions cancelled or reorganised their activities. Despite the exceptional circumstances, the services of the Employment Fund have worked well for our clients. >>





” The reform will extend the adult education allowance to new groups in the labour market.

LEGISLATIVE CHANGES AND PROJECTS THAT SHAPED OUR DAILY LIFE

At the beginning of the year, the Employment Fund started using the Incomes Register for processing adult education allowances. The necessary income information of the applicant can now be obtained directly from the Incomes Register.

The Finnish Parliament approved the reform of the adult education allowance scheme in the spring, and the Fund has been preparing itself for the entry into force of the reform in early August. The aim of the reform is to facilitate the combining of study and work and, at the same time, to extend the adult education allowance to new groups in the labour market.

We have also been able to take the projects in our action plan forward reasonably well,

despite the coronavirus crisis. Our calendar has been filled with the development of our digital work environment and information management, the renewal of our basic IT services and the strengthening of our information security, the operationalisation of our communication strategy, and the development of our customer strategy. In addition, we have enhanced the monitoring of the national economy and the labour market.

Despite the coronavirus pandemic, unemployment insurance contributions were paid as usual from the first quarter of the year. In May, the Board of the Employment Fund submitted a proposal to the government to waive the prepayment model for unemployment insurance contributions, as the use of the prepayment model has remained very low.

ECONOMIC AND EMPLOYMENT DEVELOPMENTS ARE DIFFICULT TO PREDICT

The economic and employment outlook for next year is very uncertain. In August, the Employment Fund is preparing to make a proposal on the level of unemployment insurance contributions in 2021. According to an estimate released in May, there is a need for an increase in payments for next year. The Employment Fund continuously and actively monitors the development of its operating environment. The Fund's liquidity and operational capacity have remained stable even during the coronavirus crisis.

JANNE METSÄMÄKI
Managing Director



The Employment Fund's operating environment

The growth of the Finnish economy was weak in the early months of the year, and our operating environment changed abruptly with the coronavirus pandemic. The restrictions imposed by the coronavirus, which came into force in March, quickly and widely disrupted economic activities throughout the whole of society. This was quickly reflected in a steep rise in unemployment. In particular, the number of layoffs increased significantly in April-June from the early months of the year.

The expenditure of the Employment Fund rapidly doubled from what was originally budgeted. Operationally, the coronavirus crisis had a significant impact on the Fund's operations, with staff switching to working remotely in mid-March.

The financial markets experienced significant price declines in March-April, especially in listed shares, as the spread of the coronavirus pandemic increased concerns about global economic growth and corporate profitability. The rise in unemployment and layoffs that simultaneously took place increased the expenditure of the Employment Fund. In order to ensure its liquidity, the Fund had to sell the securities in the investment portfolio at reduced prices, which reduced the return on investment during the reporting period.

The market returned to normal fairly soon after the government and central banks launched extensive support programmes and took responsibility for the risks posed by the coronavirus pandemic.

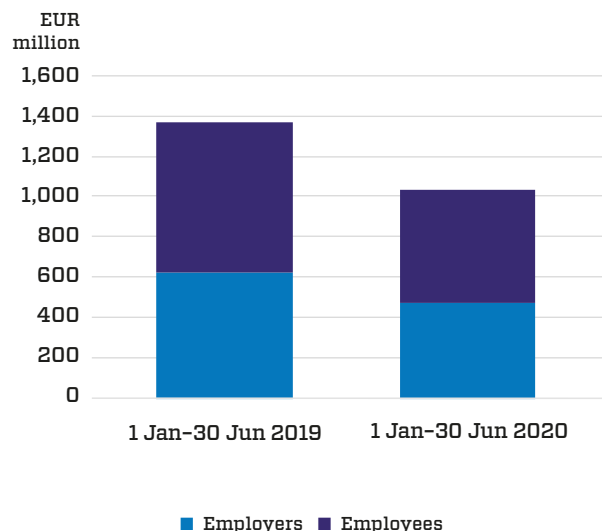
The recovery of equity prices and the reduction of credit risk premiums continued in April-June, and at the end of June, the market had returned to the levels of the beginning of the year in many places.



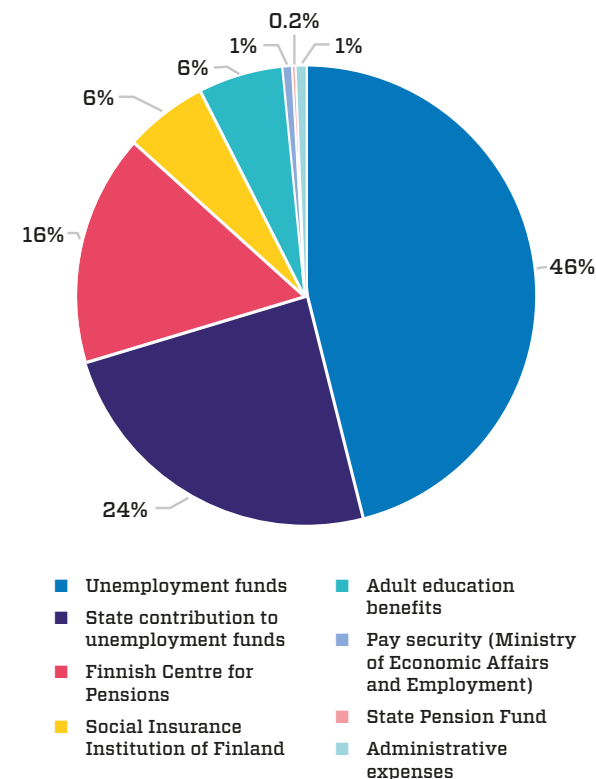


The total amount of unemployment insurance contributions for 2020 is 2.5 per cent of the total amount of wages, compared to 3.0 per cent a year earlier. The payroll amount on which unemployment insurance contributions are based started to decline in April 2020, which, together with reduced contribution rates, reduced the amount of contributions accrued. Unemployment insurance contributions collected amounted to EUR 1,034 million (EUR 1,371 million) and the state contributions paid by the Ministry of Social Affairs and Health amounted to EUR 429.8 million (EUR 685.4 million). The amount of unemployment insurance contributions paid was EUR 1,761 million (EUR 1,347 million). The result for the reporting period is a deficit of EUR 331 million, representing a decrease of EUR 702 million compared to the corresponding period of the previous year.

Unemployment insurance contributions collected



Recipients of financing



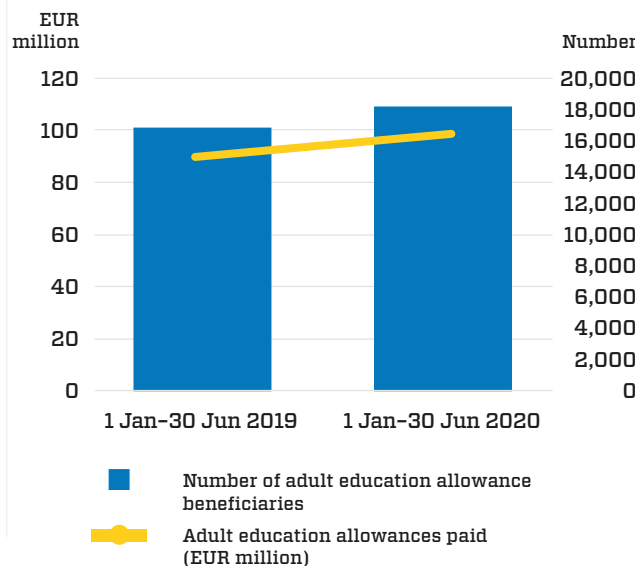


The popularity of adult education

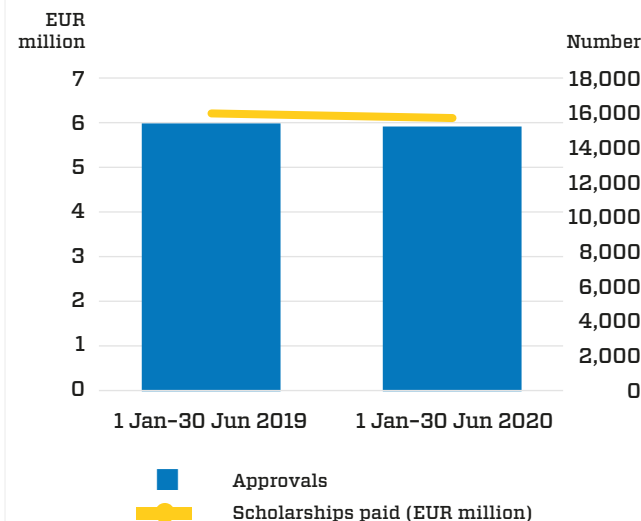
allowances continued to grow, while the number of applications for vocational degree scholarships decreased. Between January and June, the Employment Fund received 18,390 applications for adult education allowance, which is about 10 per cent more than a year earlier (16,718). In particular, the number of applications for full adult education allowance increased significantly. A total of 11,533 applications for the full allowance were received, which is about 17.4 percent more than in the corresponding period last year (9,895). Between January and June, adult education allowances were paid to 18,170 (16,864) people, totalling approximately EUR 98.6 million (EUR 89.5 million).

We received a total of 17,097 applications for vocational degree scholarships, which is about 8.4 percent less than in the previous year (18,591). Between January and June, vocational degree scholarships were granted to 15,177 (15,389) people, totalling approximately EUR 6.1 million (EUR 6.2 million).

Adult education allowance beneficiaries and adult education allowances paid



Vocational degree scholarship beneficiaries and scholarships paid



In the beginning of 2020, we started utilising the income data reported in the national Incomes Register for the processing of adult education allowance applications. The early part of the year has also been marked by preparations for the reform of the adult education allowance scheme. An amendment to the law on adult education allowances was

submitted to Parliament in February 2020. It was approved on 12 June 2020, and the amendments entered into force on 1 August 2020. Preparatory and system development work to implement the changes was initiated by the Employment Fund at the turn of the year, in due time before the final adoption of the amendments.



Personnel

The average number of employees in the Employment Fund in January-June was 164. At the end of the reporting period, the Fund had 164 employees, including 129 permanent employees. The members of the personnel worked in a total of 38 different positions, and during January-June, the Fund also created new job positions, such as a procurement manager and IT service managers for the infrastructure and end-user services.

” New job positions were created in the Employment Fund.



Risk Management

The purpose of the Employment Fund's risk management activities is to identify the threats that affect our organisation and that could jeopardise the continuity of the Fund's operations, endanger the Fund's solvency, impact the Fund's operating conditions or prevent the Fund from implementing its strategy. During the reporting period, the coronavirus pandemic caused several significant financial and operational risks to the Employment Fund.

Unfavourable macroeconomic developments in Finland, especially the sudden rise in unemployment expenditure and general uncertainty in the labour market, are posing a major risk to the Employment Fund. We are managing the risks caused by the economic situation with versatile forecasting methods and agreed loan limits. During the spring of 2020, the Employment Fund implemented significant loan schemes to ensure its liquidity. In addition, we have a business

cycle buffer to mitigate the economic impact of cyclical fluctuations.

In order to ensure the continuity of the Employment Fund's operations, the personnel mainly switched to working remotely. Risks related to the change were identified and managed in accordance with the Employment Fund's risk management principles. The efficient management of operational risks ensured and continues to ensure the high-quality operation of the Employment Fund, even under the current exceptional circumstances. These types of exceptional circumstances also highlight information security and cyber risks, which were monitored more effectively in this exceptional situation.

The interest rate in the euro area has remained low in early 2020. Credit risk margins for bonds have increased as a result of the coronavirus outbreak, and in the euro

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We implemented significant loan schemes to ensure our liquidity.

area, inflation has been declining as the economy has contracted.

During the reporting period, the coronavirus pandemic increased the risks related to the liquidity of the Employment Fund. Increased liquidity risks were managed by various means, which are described in the notes. In other respects, there have been no significant changes in risks or uncertainties during the reporting period since the last annual financial statement.

Financial risk management has been implemented according to the same principles as before as described in the most recent annual financial statement. The most significant financial risks during the reporting period can be found in the notes under [“Financial risk factors”](#).



Business cycle buffer

In accordance with section 3 of the Act on the Financing of Unemployment Benefits, the Employment Fund maintains a business cycle buffer in order to ensure liquidity and balance out changes in unemployment insurance contributions due to foreseeable economic fluctuations in the national economy. The business cycle buffer accrues on the basis of the difference between the Fund's income and expenses. The maximum amount of the buffer corresponds to the annual expenditure for an unemployment rate of six percentage points. During times of severe economic downturn, the Fund may maintain a deficit equal to the amount of expenditure corresponding to this unemployment rate.

In 2019, the maximum amount of the buffer corresponded to the annual expenditure for an unemployment rate of seven percentage points. The maximum amount of the business cycle buffer is calculated on the basis of the figures in the annual financial statements.

The maximum amount of the buffer was calculated on 31 December 2019 by dividing the annual expenditure for which the Fund is liable (EUR 1,974 million in 2019) by the average unemployment rate (6.7%) for the year and multiplying the result by 7.

The maximum amount of the buffer allowed by the Act was EUR 2,015 million in January-June 2020. The amount of net assets in the business cycle buffer was EUR 1,337 million on 30 June 2020 (EUR 1,668 million on 31 December 2019).

According to the investment principles adopted by the Supervisory Board, the Fund is required to have liquid investments in money market instruments with less than a year's maturity for at least an amount corresponding to one month of the Fund's expenses.



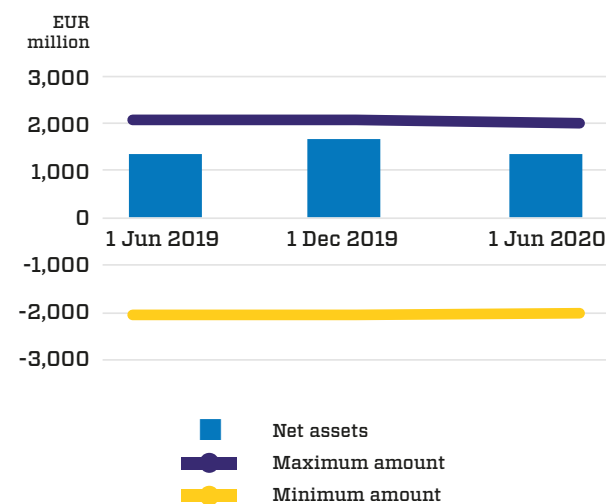


The increase in layoffs and dismissals caused by the coronavirus pandemic has significantly increased the expenditure of the Employment Fund and thus also affected the minimum amount of liquid investment assets. The minimum amount of the so-called liquidity buffer was approximately EUR 400 million in early 2020, while its minimum amount in 2019 was approximately EUR 300 million. The amount of short-term fixed-income investments in the Fund's investment

portfolio was clearly higher than its minimum during the period under review.

According to the 2020 budget submitted to the Ministry of Social Affairs and Health, the Fund's net position will amount to EUR 1,556 million on 31 December 2020. In preparing the financial statements, it is estimated that the Fund's net position at the end of 2020 will be around EUR 800 million.

Development of the business cycle buffer



Debt financing and bond issuance

During the review period, the Employment Fund was strengthened by substantial loan facilities.

The revolving credit facility, due to mature, was renewed with contracts dated April 9, 2020. In these contracts, we agreed on loan facilities for EUR 800 million for two years with five different banks. These loan facilities include a one-year option and a state guarantee of EUR 880 million.

The Employment Fund issued two bonds in the amount of EUR 1,200 million on June 16, 2020. These bonds will mature on June 16, 2023 (coupon rate 0%) and June 16, 2027

(0.01%). Standard & Poor's (S&P) has given the Employment Fund an issuer credit rating of AA+ with a stable outlook, which equals the rating of the Republic of Finland. The Finnish government has also been granted the same credit rating.

The Fund issued short-term commercial papers during the review and thus also strengthened its liquidity. The amount of commercial papers outstanding was EUR 173 million on June 30, 2020.



Events after the review period and outlook for the end of the year

According to the data published by Statistics Finland, the unemployment rate in Finland was 7.9 percent in June 2020, with an increase of 1.7 percentage points from the previous year. As reported by the Ministry of Employment and the Economy, the number of

unemployed jobseekers increased by 162,697 people in comparison the previous year. The lay-offs increased during the spring, but have slightly declined since. The evaluation of the employment developments for the end of the year is very difficult, because it depends on the development of the COVID-19 pandemic and the economic recovery in Finland, Europe and elsewhere in the world.

The Employment Fund assessed in August 2020 that the economic recovery from the COVID-19 pandemic will start during the second half of 2020, and employment will improve slowly towards 2021.

The Fund has also evaluated that its change in net position in 2020 would have a deficit of EUR 900 million and that the amount of net assets would be EUR 800 million on December 31, 2020.

The reform to the adult education allowance came into force on August 1, 2020. During the first weeks of the reform, the implementation has occurred as planned. We have received a commendable number of applications for adult education allowances based on the new legislation.

There has been considerable public discussions about the earnings-related unemployment benefits and their coverage during the summer 2020. The government programme includes a plan to assess the expansion of the unemployment benefit coverage.

Helsinki, 25 August, 2020

Employment Fund
Board of Directors





Half-year Report statements

**STATEMENT OF CHANGES IN NET POSITION**

(in thousands of euros)	Note	1 Jan-30 Jun 2020	1 Jan-30 Jun 2019	1 Jan-31 Dec 2019
Contributions collected				
Unemployment insurance contributions	1	1,453,777	1,720,184	3,344,592
Total contributions collected		1,453,777	1,720,184	3,344,592
Financing contributions paid				
Financing contributions paid	2	-1,760,983	-1,347,082	-2,640,206
Administrative expenses		-11,305	-9,401	-18,585
Total financing contributions paid		-1,772,288	-1,356,483	-2,658,791
Net fair value gains on investments		-11,898	8,553	9,960
Financing costs		-437	-1,152	-1,609
CHANGE IN NET POSITION		-330,846	371,102	694,152


**STATEMENT OF NET POSITION**

(in thousands of euros)	Note	30 Jun 2020	31 Dec 2019
ASSETS			
Non-current assets			
Property, plant and equipment	3	1,394	2,099
Intangible assets	4	6,936	7,015
Other receivables		328	328
Total non-current assets		8,658	9,442
Current assets			
Unemployment insurance contribution receivables		3,626	7,794
Accruals of unemployment insurance contributions		541,016	629,329
Other receivables		136,307	78,686
Investment assets	5	938,224	855,523
Cash and cash equivalents		1,129,862	164,300
Total current assets		2,749,035	1,735,632
Total assets		2,757,693	1,745,074

(in thousands of euros)	Note	30 Jun 2020	31 Dec 2019
NET ASSETS			
For previous periods		1,667,574	969,303
Net position of the Education Fund, 1 Jan 2019			4,118
For the period		-330,846	694,153
Total net position		1,336,728	1,667,574
LIABILITIES			
Non-current liabilities			
Senior bonds		1,200,414	0
Total non-current liabilities		1,200,414	0
Current liabilities			
Borrowings		172,939	
Unemployment insurance contribution liabilities		3,122	5,110
Other liabilities		44,490	72,390
Total current liabilities		220,551	77,500
Total liabilities		1,420,965	77,500
Total net position and liabilities		2,757,693	1,745,074

**STATEMENT OF CASH FLOWS**

(in thousands of euros)	1 Jan-30 Jun 2020	1 Jan-30 Jun 2019
Unemployment insurance contributions collected	1,472,485	1,074,983
Benefits paid	-1,835,310	-1,400,314
Interests paid	-981	-2,020
Net cash and cash equivalent used in ordinary operations	-363,806	-327,351
Cash flows from investments		
Purchases of property, plant and equipment		-36
Purchases of intangible assets	-1,046	-966
Investments in financial instruments	-1,368,870	-2,154,567
Sales of investment instruments and realised income	-1,325,932	2,256,672
Other non-current assets		328
Net cash and cash equivalents generated from investments	-43,984	101,431
Loans withdrawn and repaid	1,373,353	
Net cash and cash equivalents generated from financing activities	1,373,353	0
Net increase/decrease in cash and cash equivalents	965,563	-193,088
Cash and cash equivalents at the beginning of the financial period	164,299	416,758
Cash and cash equivalents at the end of the financial period	1,129,862	223,670



Accounting principles used to prepare the Half-year Report



Accounting principles used to prepare the Half-year Report

The half-year report of the Employment Fund has been prepared in accordance with the IAS 34 Interim Financial Reporting standard. The same preparation standards and calculation methods of the previous annual financial statements have been adhered to in the half-year report.

The published data of the half-year report have not been audited.



A stylized, light purple graphic of a bird or swan is positioned on the left side of the slide. The bird is facing right, with its neck curved upwards. The graphic is composed of smooth, rounded shapes. The word "Notes" is written in a white, monospaced font across the middle of the bird's body.

Notes

**1 UNEMPLOYMENT INSURANCE CONTRIBUTIONS**

(in thousands of euros)	1 Jan-30 Jun 2020	1 Jan-30 Jun 2019	1 Jan-31 Dec 2019
Employer's unemployment insurance contribution			
Employer's insurance contributions	460,594	601,846	1,234,633
Employer's insurance contributions, co-owners	999	1,328	2,416
Total	461,593	603,174	1,237,049
Employee's unemployment insurance contribution			
Employee's insurance contributions	537,218	742,710	1,374,385
Employees' insurance contributions, co-owners	1,459	2,151	3,884
Total	538,677	744,861	1,378,269
Collection fee income and credit losses			
Interest on overdue employer contributions	-51	561	594
Interest on overdue employee contributions	-15	724	756
Collection fee income	52	251	483
Total	-14	1,536	1,833
Liability components of employers' unemployment allowances			
Liability components	7,983	13,822	21,975
Accruals	4,866	6,769	17,299
Total	12,849	20,591	39,274



(in thousands of euros)	1 Jan-30 Jun 2020	1 Jan-30 Jun 2019	1 Jan-31 Dec 2019
Compensation in accordance with the Employment Contracts Act (ECA)			
Compensation and lay-off income according to the ECA	448	627	1,012
Settlement to the Ministry of Social Affairs and Health			-467
Total	448	627	545
Contributions from the Ministry of Social Affairs and Health			
Earnings-related unemployment allowance	339,652	343,302	674,061
Lay-off allowance	94,849		
Job alternation compensation	5,133	4,793	11,241
Equalisation payment for the previous year			98
Adult education allowances		1,300	
Labour market training benefit	590		2,222
Total	440,224	349,395	687,622
Total unemployment insurance contributions	1,453,777	1,720,184	3,344,592

**2 FINANCING CONTRIBUTIONS PAID**

(in thousands of euros)	1 Jan-30 Jun 2020	1 Jan-30 Jun 2019	1 Jan-31 Dec 2019
Contributions paid by the Employment Fund			
Other earnings-related unemployment allowance	-391,345	-335,543	-663,136
Additional days of allowance	-63,912	-62,144	-120,744
Lay-off allowance	-351,528	-89,837	-146,572
Job alternation compensation	-6,257	-6,303	-14,913
Compensation for administrative expenses	-4,365	-4,776	-9,537
Equalisation payment for the previous year	622		936
Total	-816,785	-498,603	-953,966
Government contribution paid to unemployment funds			
Other earnings-related unemployment allowance	-394,355	-336,118	-660,000
Lay-off allowance	-23,627		
Job alternation compensation	-4,958	-4,793	-11,241
Unemployment allowance/entrepreneurs	-4,446	-3,394	-6,491
Compensation for administrative expenses	-3,333	-3,790	7,569
Equalisation payment for the previous year	937		-98
Total	-429,782	-348,095	-685,399
Finnish Centre for Pensions			
Equalisation payment for the previous year			-10,379
Payment for the current financial period	-289,800	-290,000	-566,300
Total	-289,800	-290,000	-576,679
State Pension Fund			
Equalisation payment for the previous year			2,051
Payment for the current financial period	-4,313	-5,761	-9,770
Total	-4,313	-5,761	-7,719



(in thousands of euros)	1 Jan-30 Jun 2020	1 Jan-30 Jun 2019	1 Jan-31 Dec 2019
Social Insurance Institution of Finland			
Equalisation payment for the previous year			-28
Basic allowance, additional component, employment programme additional benefit	-103,650	-99,500	-205,703
Total	-103,650	-99,500	-205,731
Adult education allowances			
Scholarships	-6,070	-6,167	-10,539
Adult education allowances	-98,550	-89,466	-176,598
Collection expenses for benefits	-1	2	
Total	-104,621	-95,631	-187,137
Ministry of Economic Affairs and Employment			
Equalisation payment for the previous year			-18
Payment for the current financial period	-12,049	-9,500	-23,572
Total	-12,049	-9,500	-23,590
Member State invoicing for unemployment allowances			
Invoiced by Member States	-85	-28	-44
Invoiced by the Fund	101	37	60
Total	16	9	16
Total financing contributions paid	-1,760,984	-1,347,081	-2,640,205

**3 PROPERTY, PLANT AND EQUIPMENT**

(in thousands of euros)	Renovation of office premises	Machines and equipment	IFRS 16 Right-of-use asset	Total
Acquisition costs, 1 Jan 2020	1,013	1,741	3,257	6,011
Additions				
Acquisition costs, 30 Jun 2020	1,013	1,741	3,257	6,011
Accumulated depreciation, 1 Jan 2020	1,013	1,597	1,302	3,912
Depreciation during the period		54	651	705
Accumulated depreciation, 30 Jun 2020	1,013	1,651	1,953	4,617
Carrying value, 1 Jan 2020	0	144	1,955	2,099
Carrying value, 30 Jun 2020	0	90	1,304	1,394

(in thousands of euros)	Renovation of office premises	Machines and equipment	IFRS 16 Right-of-use asset	Total
Acquisition costs, 1 Jan 2019	1,013	1,741	3,257	6,011
Additions				
Acquisition costs, 31 Dec 2019	1,013	1,741	3,257	6,011
Accumulated depreciation, 1 Jan 2019	986	1,469		2,455
Depreciation during the period	27	128	1,302	1,457
Accumulated depreciation, 31 Dec 2019	1,013	1,597	1,302	3,912
Carrying value, 1 Jun 2019	27	272	0	299
Carrying value, 31 Dec 2019	0	144	1,955	2,099

**4 INTANGIBLE ASSETS**

(in thousands of euros)	Computer software	Software development expenses	Intangible assets in progress *	Total
Acquisition costs, 1 Jan 2020	787	8,162	2,413	11,362
Additions	123	868	1,091	2,082
Decreases			-868	-868
Acquisition costs, 30 Jun 2020	910	9,030	2,636	12,576
Accumulated depreciation, 1 Jan 2020	743	3,603		4,346
Depreciation during the period	25	1,269		1,294
Accumulated depreciation, 30 Jun 2020	768	4,872	0	5,640
Carrying value, 1 Jan 2020	44	4,559	2,413	7,016
Carrying value, 30 Jun 2020	142	4,158	2,636	6,936

(in thousands of euros)	Computer software	Software development expenses	Intangible assets in progress *	Total
Acquisition costs, 1 Jan 2019	772	1,999	5,838	8,609
Additions	15	6,163	2,738	8,916
Decreases			-6,163	-6,163
Acquisition costs, 31 Dec 2019	787	8,162	2,413	11,362
Accumulated depreciation, 1 Jan 2019	689	1,512		2,201
Depreciation during the period	54	2,091		2,145
Accumulated depreciation, 31 Dec 2019	743	3,603	0	4,346
Carrying value, 1 Jun 2019	83	487	5,838	6,408
Carrying value, 31 Dec 2019	44	4,559	2,413	7,016

* The item "Intangible assets in progress" consists of capitalised development costs, giving rise to an internally generated intangible asset. The capitalised development expenditure for the period under review mainly consists of further development of the information system for the collection of unemployment insurance contributions and the Incomes Register project for adult education benefits.



5 INVESTMENT ASSETS

Investments in financial assets have been designated as financial assets at fair value through profit and loss, and are measured at fair value. Measurement of these assets is largely based on either quoted prices or valuations based on available market data. Financial instruments carried at fair value have been divided into three hierarchy levels based on whether they are traded in active markets, and to what extent the inputs are based on observable market data, as follows:

Level 1: The valuation is based on quoted prices in active markets for identical financial assets and liabilities.

Level 2: The inputs used in valuations are also based, either directly or indirectly using valuation techniques, on observable inputs other than those on Level 1.

Level 3: The valuation is based on information other than observable market data.

In the table, investments have been specified by financial instrument classes divided into fair value hierarchy levels. No reclassifications have been made between the hierarchy levels between January-June.

30 Jun 2020 (in thousands of euros)	Level 1	Level 2	Level 3	Total
State and municipal bonds	383,593	80,155		463,748
Bank bonds	144,080			144,080
Corporate bonds	64,032			64,032
Investments in funds and shares	42,216	5,841		48,057
Mezzanine funds			2,308	2,308
Deposits		59,085		59,085
Certificates of deposit		28,049		28,049
Municipal papers		5,007		5,007
Commercial papers		94,968		94,968
Alternative investments			15,907	15,907
Total	633,921	273,105	18,215	925,241

31 Dec 2019 (in thousands of euros)	Level 1	Level 2	Level 3	Total
State and municipal bonds	162,378			162,378
Bank bonds	259,950			259,950
Corporate bonds	113,202			113,202
Investments in funds and shares	87,292	17,864		105,156
Mezzanine funds			2,036	2,036
Deposits		51,433		51,433
Certificates of deposit		13,007		13,007
Municipal papers		48,144		48,144
Commercial papers		81,734		81,734
Alternative investments			17,449	17,449
Total	622,822	212,182	19,485	854,489



Changes in Level 3 financial assets measured at fair value

(in thousands of euros)	1 Jan 2020	Unrealised profit/loss	Realised profit/loss	Purchases	Sales	30 Jun 2020
Mezzanine funds	2,036	284		3	-15	2,308
Alternative investments	17,449	-457	-267	6	-824	15,907
Total	19,485	-173	-267	9	-839	18,215

(in thousands of euros)	1 Jan 2019	Unrealised profit/loss	Realised profit/loss	Purchases	Sales	30 Jun 2019
Mezzanine funds	1 992	-14				1,978
Alternative investments	3,953	-40				3,913
Total	5,945	-54	0	0	0	5,891



6 LIABILITIES AND RECEIVABLES NOT RECOGNISED IN THE STATEMENT OF NET POSITION

(in thousands of euros)	30 Jun 2020	31 Dec 2019
Committed capital	5,250	5,250
Realised	-5,019	-5,019
Total investment commitments	231	231

Investment funds acquire call investments based on the financing needs of the investment fund. The commitments have no maturity date.





FINANCIAL RISK FACTORS

Market risk

The main market risk factor for the Fund's investments and liabilities is the interest rate risk. The Fund's investment portfolio is dominated by fixed-income investments (money market investments and bonds).

The Fund may make investments directly, or indirectly through investment funds. At the end of the period under review, 7.2% (31 Dec 2019: 13.4%) of investments were indirect.

On 30 June 2020 and 31 December 2019, the market risks for the investments were as follows:

30 Jun 2020	Risk (%)	Capital (thousands of euros)	Risk (thousands of euros)
Bank deposits	0.50 %	1,129,854	5,649
Money market	1.00 %	315,317	3,153
State and municipal bonds	4.00 %	383,593	15,344
Bank bonds	4.50 %	144,080	6,484
Corporate bonds	5.00 %	64,032	3,202
Shares	25.00 %	4	1
Alternative investments	10.00 %	18,215	1,821
Total risk	1.73 %	2,055,095	35,654

31 Dec 2019	Risk (%)	Capital (thousands of euros)	Risk (thousands of euros)
Bank deposits	0.50 %	164,295	821
Money market	1.00 %	281,734	2,817
State and municipal bonds	4.00 %	162,378	6,495
Bank bonds	4.50 %	259,950	11,698
Corporate bonds	5.00 %	113,704	5,685
Shares	25.00 %	17,741	4,435
Alternative investments	10.00 %	19,485	1,949
Total risk	3.33 %	1,019,287	33,900

The total risk was 1.73% (31 Dec 2019: 3.33%) of the Fund's assets and 1.1% (31 Dec 2019: 1.0%) of the Fund's estimated income in 2020. The risk posed by the investment portfolio is moderate due to its conservative structure and the low risk level of the securities in the portfolio.

All money market investments carry variable interest rates (31 Dec 2019: 100%). 8% of the bonds were at variable rates (31 Dec 2019: 24%). Variable-rate investments expose the Fund to a cash flow interest rate risk, while investments at fixed rates expose the Fund to a fair value interest rate risk.

If on 30 June 2020 the Euribor rates and interest rate curve (swap rates) had been 0.5 percentage points higher while all other the variables remained constant, the total change in net position would have been reduced by EUR 5.78 million euros (31 Dec 2019: 5.2 million euros). Respectively, if on 30 June 2020 the Euribor rates and interest rate curve (swap rates) had been 0.5 percentage points lower, the total change in net position would have been increased by EUR 5.78 million euros (31 Dec 2019: 5.2 million euros).

Credit risk

The credit risk of the investments is managed by issuer credit limits. Limits for each issuer are determined by taking account of the absolute size, economic position and future outlook of the issuer. The Fund continuously monitors the credit standing and future outlook of the issuers, and when changes occur, the limits are either increased or decreased. The Fund mainly invests in banks in the Nordic countries which have high credit ratings, states with strong credit ratings (Finland, Germany, the Netherlands, Belgium, France, Austria and Sweden), companies mainly in Finland and some in Sweden, and municipalities. Cash and cash equivalents are only held at banks with high credit ratings. The amount of cash and cash equivalents on 30 June 2020 was considerably higher than usual, because the assets received from the bonds issued on 16 June 2020 were largely in bank accounts, divided among the banks used by the Fund.

The spread duration of the credit risk included in the investments at the end of the period under review was 1.4 years (31 Dec 2019: 1-6 years).

The average credit rating of the investment portfolio is evaluated on the rating scale of Standard & Poor, which is based on historical probabilities of credit losses. The credit rating of the investment portfolio was estimated to be at level A- on 30 June 2020 (31 Dec 2019: A).

Also involved in credit risk are the amount of the Employment Fund's unemployment insurance contribution receivables, the liability component receivables, ECA receivables, benefit receivables and interest receivables. The most important factor for the realisation of the aforementioned credit risk is related to cases in which customers liable to pay unemployment insurance contributions become insolvent or go bankrupt. The number of bankruptcies increased slightly in the first half of 2020. The trend of the number of bankruptcies in the near future largely depends on the development of the coronavirus pandemic.



**Liquidity risk**

Efforts were made to manage the increased liquidity risk caused by the coronavirus crisis during the period under review in the manner described under item “[Debt financing and bond issuance](#)”. In addition, the Board of Directors of the Employment Fund presented an appeal to the Government of Finland, and the content of the appeal is described under item “[Managing Director's review](#)”.

To secure its liquidity, the Fund has investments in liquid money market instruments with less than a year’s maturity at an amount that equals the Fund’s expenses for one month.

When the liquidity buffer decreases below the above limit, the Fund uses short-term borrowings to cover the temporary liquidity deficit. For this purpose, the Fund has a commercial paper programme totalling EUR 300 million (31 Dec 2019: EUR 300 million) and a EUR 800 million revolving credit facility (RCF), including a state guarantee, with four commercial banks (31 Dec 2019: EUR 400 million).

EUR million	30 Jun 2020	31 Dec 2019
Committed credit facilities, not in use		
Facilities expiring within a year		
RCF (no State guarantee)		400
Facilities expiring after a year		
RCF (State guarantee)	800	
Total	800	400

EUR million	30 Jun 2020	31 Dec 2019
Non-committed credit facilities, not in use		
Commercial paper programme	127	300
Total	127	300



The Employment Fund has secured its liquidity through debt financing during 2020. In the financing, the Fund relies on the capital markets and domestic markets for commercial papers. At the end of the period under review, the Fund had the following loan arrangements in use.

30 Jun 2020 Loan	Nominal value EUR million	Interest rate	Due date	Credit rating
Bond issue, maturity date 2023	600	0.00 %	16.6.2023	AA+
Bond issue, maturity date 2027	600	0.01 %	16.6.2027	AA+
Commercial papers	173	0.07 %	1-12 months	No rating
Total	1,373			

The Unemployment Fund has the following issuance credit ratings, confirmed by Standard & Poor's ratings (25 Sep 2019):

- Long-term credit rating AA+, stable outlook
- Short-term credit rating A-1+, stable outlook

At the end of the period under review, the Fund had EUR 173 million of the commercial paper programme in use (31 Dec 2019: EUR 0).

No short-term bank loans were in use on 30 June 2020 (31 Dec 2019: EUR 0).

The fixed interest rate periods for loans in the statement of the net asset calculations are as presented in the table. The liabilities for securities under settlement presented in the Notes will mature within a one to two of days of the closing date of the period under review.

30 Jun 2020 Loan	Nominal value EUR million	Fixed interest rate period in years	Credit rating
Bond 2023	600	2.96	AA+
Bond 2027	600	6.96	AA+
Commercial papers	173	0.24%	No rating
Credit facilities			State guarantee, no rating
Total	1,373	4.36	

31 Dec 2019 Loan	Nominal value EUR million	Fixed interest rate period in years	Credit rating
Commercial papers	0		NR
Credit facilities	0		-
Total	0		



The following tables show the Employment Fund's financial liabilities by group based on the maturities of outstanding contracts.

Maturities of financial liabilities based on contracts (EUR thousand) 30 Jun 2020	Less than 6 months	6-12 months	1-3 years	4-7 years	Total cash flow based on contracts	Book value assets (-) / liabilities
Accounts payable	253				253	253
Loans	160,500	13,242	600,120	600,240	1,373,420	1,373,420
Liabilities associated with right-of-use assets	678	568			1,246	1,246
Total	161,431	13,810	600,120	600,240	1,374,919	1,374,919

Maturities of financial liabilities based on contracts (EUR thousand) 31 Dec 2019	Less than 6 months	6-12 months	1-3 years	4-7 years	Total cash flow based on contracts	Book value assets (-) / liabilities
Accounts payable	382				382	382
Loans						
Liabilities associated with right-of-use assets	619	619	682		1,920	1,920
Total	1,001	619	682		2,302	2,302



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