TVR

Unemployment Insurance Fund

INTERIM REPORT

1 Jan–30 June 2018

Contents

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1 Interim Report 1 Jan–30 June 2018

The financial statements of the Unemployment Insurance Fund (hereinafter: "TVR" or "the Fund") have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union. Unless stated otherwise, the comparative figures presented in parenthesis () refer to the previous year's corresponding period.

Andrea Balogh/Arché Photography

1.1 Financial development

TVR's result in January–June was better than anticipated

- Unemployment insurance contributions and other income in total EUR 1,907 (2,071) million
- Unemployment benefits paid and administrative expenses in total EUR 1,611 (1,835) million
- Change in net position (half-year) EUR 294 (-233) million
- Net position EUR 401 million (31 Dec 2017: 106 million)
- Investments and assets in total EUR 1,731 million (31 Dec 2017: 1,125 million)
- Raised debt and other liabilities in total EUR 1,330 million (31 Dec 2017: 1,018 million)
- Unemployment rate 6.7% in June 2018 (June 2017: 8.9%)
- Return on investments 0.1% (0.1%)

1.2 Managing Director's review

The economy's positive development has been sustained

The Finnish economy continued on a strong growth path during the first half of 2018. Positive economic growth is expected to continue in 2019, but at a lower rate than in 2018. Improved employment and the decreased unemployment rate are signs of this economic upturn. The number of unemployed jobseekers continued to decrease during the first half of 2018, but at a lower rate than in 2017. Without a downturn, the number of unemployed jobseekers is expected to continue decreasing until at least 2020.

The Unemployment Insurance Fund has continued with its preparations for the launch of the new Incomes Register at the beginning of 2019. A new operating model and unemployment insurance contribution system will be introduced in order to improve the Fund's customer service and operational efficiency.

At the beginning of 2019, the Unemployment Insurance Fund and the Education Fund will be merged to form a new fund, the Employment Fund. The legislative amendment concerning the merger was ratified in June 2018. Different working groups and subprojects have been preparing the merger under the project to establish the new fund all through the first half of 2018. The personnel of both funds have also been actively involved in the preparations.

Janne Metsämäki
Managing Director

1.3 Operational environment of the Unemployment Insurance Fund

The positive development of the Finnish economy continued throughout the first half of 2018, and employment also kept improving. Acceleration has been seen in pay growth and the amounts of earnings-related unemployment benefits and daily allowances have reduced significantly. This trend is expected to continue for the second half of 2018.

On 21 March 2018, TVR issued a stock exchange release on improved outlooks. It forecast that the full-year result for 2018 would be plus EUR 550 million, while the budget approved on 30 August 2017 predicted a full-year result of EUR 409 million.

In 2018, the unemployment insurance contribution totals 3.8 per cent of pay, while the corresponding amount in 2017 was 4.0 per cent. During the period under review, the amount of collected contributions decreased by four per cent from a year earlier. Meanwhile, unemployment benefit payments fell by twelve per cent. The result at the end of the review period was EUR 294 million, which represents an improvement of EUR 61 million from a year earlier.

1.3.1 Personnel

The average number of personnel at TVR was 110 (99), of which 84 (82) were permanent employees. At the end of the review period, the number of personnel was 113 (101).

1.3.2 Risk management

With the Public Sector Purchase Programme (PSPP) and Corporate Sector Purchase Programme (CSPP) of the European Central Bank (ECB) gradually nearing their closure by the end of 2018, the credit risk margins of bonds are now broader compared to earlier, stricter levels. Little by little, euro zone inflation has approached the ECB target level due to factors such as the increase in the price of crude oil and food. The Euro swap curve steepened moderately during 2018.

During the period under review, there have been no significant changes in the risks or uncertainties prevailing since the most recent annual financial statements.

No changes have been made to the way in which financial risks are managed; in general, the same principles described in the most recent annual financial statements have been applied. The key financial risks of the period under review are described in the following subsections.

1.3.3 Financial risk factors

Market risk

The main market risk factor for the Fund regarding investments and liabilities is the interest rate risk. The investment portfolio is dominated by interest bearing investments (money market investments and bonds). The Fund may make investments directly, or indirectly through investment funds. At the end of the review period, 6.3% (31 Dec 2017: 9.4%) of investments were indirect. In addition to investments, borrowings with variable interest rates expose the Fund to interest rate risks. At the end of the review period, borrowings with variable interest rates amounted to EUR 0 (31 Dec 2017: EUR 0).

The total risk was 2.10% (31 Dec 2017: 2.34%) of the Fund's assets and 0.8% (31 Dec 2017: 0.6%) of the Fund's income in 2018. 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.

The market risk for investments on 30 June 2018 and 31 December 2017 was as follows:

		30 June 2018	
	Risk %	Capital, in EUR	Risk, in EUR
Money market	1.0	957,344,283	9,573,443
Bonds	4.0	556,627,382	22,265,095
Shares	25	6,484	1,621
Total risk	**2.10**	**1,513,978,149**	**31,840,159**

		31 Dec 2017	
	Risk %	Capital, in EUR	Risk, in EUR
Money market	1.0	536,517,540	5,365,175
Bonds	4.0	433,127,290	17,325,092
Shares	25	5,972	1,493
Total risk	**2.34**	**969,650,802**	**22,691,760**

All money market investments carry variable interest (31 Dec 2017: 100%), while 35% of the bonds were at variable rates (31 Dec 2017: 39%). Variable rate investments expose the Fund to cash flow interest rate risk, while investments at fixed rates expose the Fund to fair value interest rate risk.

If, on 30 June 2018, the Euribor rates and interest rate curve (swap rates) had been 50 basis points higher with all other variables held constant, the total change in the net position would have been EUR 4.6 million (31 Dec 2017: 2.8 million) lower. Respectively, if, on 30 June 2018, the Euribor rates and interest rate curve (swap rates) had been 50 basis points lower, the total change in net position would have been EUR 4.6 million (31 Dec 2017: 2.8 million) higher.

At the end of the review period, the spread duration on the credit risk involved in investments was 1.46 years (31 Dec 2017: 1.34).

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 Nordic banks which have high credit ratings, states with strong credit ratings (Finland, Germany, Holland and Sweden), and mainly Finnish and partly Swedish companies and municipalities. Cash and cash equivalents are only held in banks with high credit ratings.

The average rating of the investment portfolio is assessed by using Standard & Poor's rating scale on the basis of historical credit loss probabilities. Since the spring of 2017, a rating requirement came into effect with respect to the investment portfolio's average rating, which requires the average rating to be at least BBB (S&P). On 30 June 2018, the estimated level of the investment portfolio's credit rating was approximately A- (31 Dec 2017: A-).

Liquidity risk

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 one month's expenses.

When the investment 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 2017: 300) and a state-guaranteed EUR 400 million revolving credit facility (RCF) with four commercial banks.

MEUR Committed credit facilities, not in use	30 June 2018	31 Dec 2017
Facilities, expiring within a year		
Credit facility RCF (guaranteed by the State)	400	
Facilities, expiring after a year		
Credit facility RCF (guaranteed by the State)		400
Total	**400**	**400**

Non-committed credit facilities, not in use	30 June 2018	31 Dec 2017
Commercial paper programme	300	300
Total	**300**	**300**

The net position of the Fund turned negative during 2015, whereupon the Fund mainly relied on capital markets and domestic markets for commercial papers in financing liquidity. At the end of the review period, the Fund had the following loan facilities in use.

MEURLoan	Nominal value 30 June 2018	Interest rate (%)	Expiry date	Credit rating
Bond issuance 1	600	0.375	23.09.2019	AA+/S&P
Bond issuance 2	300	0.25	15.10.2018	AA+/S&P
Commercial papers	0			NR
Total	**900**			

The Fund has the following issuance credit ratings, confirmed by Standard & Poor's (20 Sep 2017):

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

At the end of the review period, the Fund had no commercial paper programme in use (31 Dec 2017: EUR 0) and EUR 0 of short-term bank loans amounting to EUR 0 (31 Dec 2017: EUR 0).

The fixed interest rate periods for loans in the statement of net position were as presented in the tables below. The nominal values are in EUR millions. Liabilities for securities under settlement matured within a few days of the end of the period under review.

Loan	Nominal value (MEUR) 30 June 2018	Fixed interest rate period in years, 30.12.2018	Credit rating
TVR bond 2019	600	1.23	AA+/S&P
TVR bond 2018	300	0.29	AA+/S&P
Commercial papers			NR
Credit facilities	-	-	-
Total	**900**	**0.91**	

Loan	Nominal value (MEUR) 31 Dec 2017	Fixed interest rate period in years, 31 Dec 2017	Credit rating
TVR bond 2019	600	1.73	AA+/S&P
TVR bond 2018	300	0.79	AA+/S&P
Commercial papers			NR
Credit facilities	-	-	-
Total	**900**	**1.41**	

In the following tables, the financial liabilities of TVR are divided into groups based on remaining contractual maturities.

Maturities based on contracts of financial liabilities (TEUR) 30 June 2018	Under 6 months	6–12 months	1–3 years	4–5 years	Total cash flow based on contracts	Book value assets (-) / liabilities
Accounts payable	361	0	0	0	361	361
Loans (excl. finance lease liabilities)	303,000	0	602,250	0	905,250	898,791
Total	**303,361**	**0**	**602,250**	**0**	**905,611**	**899,152**

Maturities based on contracts of financial liabilities (TEUR) 31 Dec 2017	Under 6 months	6–12 months	1–3 years	4–5 years	Total cash flow based on contracts	Book value assets (-) / liabilities
Accounts payable	476	0	0	0	476	476
Loans (excl. finance lease liabilities)	0	303,000	602,250	0	905,250	898,210
Total	**476**	**303,000**	**602,250**	**0**	**905,726**	**898,686**

1.3.4 Business cycle buffer

In accordance with section 3 of the Act on the Financing of Unemployment Benefits, the Unemployment Insurance Fund maintains a business cycle buffer generated from the difference between the Fund's income and expenses, in order to safeguard the Fund's solvency and even out changes in unemployment insurance contributions caused by predictable trend cycles in the national economy. The maximum size of the buffer in 2018 was the amount of annual expenses corresponding to an unemployment rate of seven per cent (2017: seven per cent). During times of severe economic downturn, the Fund may maintain a deficit equal to the amount of expenditure corresponding to this unemployment rate.

According to the investment principles accepted by the Supervisory Board, the Fund is required to have investments in liquid money market instruments with less than a year's maturity the amount that equals the Fund's one month's expenses. This amount is approximately EUR 300 million. In the first half of 2018, debt financing was used to finance this liquidity buffer.

The maximum size of the buffer is calculated by dividing the annual expenditure that the Fund is liable for, EUR 2,489 million in 2017, by the year's average unemployment rate (8.6) and multiplying the result by 7. In 2017, the maximum size of the buffer, laid down in the Act, was EUR 2,026 million. The maximum size of the business cycle buffer for 2018 will be calculated on the basis of the confirmed financial statements of 31 December 2018.

The net position of TVR (business cycle buffer) at the end of the reporting period was plus EUR 401 million (31 Dec 2017: 106). The total amount of the Fund's long-term and short-term liabilities was EUR 900 million (31 Dec 2017: 900).

1.3.5 Events after the review period and outlook for the second half of 2018

Based on the information published by Statistics Finland, the unemployment rate in June 2018 was 6.7%, which is 2.1 percentage points lower than a year earlier. According to information published by the Ministry of Employment and the Economy, the number of unemployed persons in June 2018 was 47,000 lower than a year earlier. When preparing its budget for 2018 in August 2017, TVR estimated its result for 2018 to be EUR 409 million in surplus. In August 2018, TVR estimates that the number of unemployed jobseekers will continue to decrease during the second half of 2018. Furthermore, TVR estimates that its result for the financial year 2018 will show a surplus of roughly EUR 700 - 800 million and that its net position on 31 December 2018 will be approximately EUR 800 - 900 million.

Helsinki, 28 August 2018

Unemployment Insurance Fund
Board of Directors

2 Interim Report's statements

2.1 Statement of changes in net position

EUR	Note	1 Jan–30 June 2018	1 Jan–30 June 2017	1 Jan–31 Dec 2017
Contributions collected				
Unemployment insurance contributions	1	1,906,503,613	2,071,126,669	4,010,991,493
Total contributions collected		**1,906,503,613**	**2,071,126,669**	**4,010,991,493**
Benefits paid				
Benefit payments	2	-1,604,277,089	-1,829,228,743	-3,423,146,630
Administrative expenses		-6,412,910	-5,424,707	-10,752,069
Total benefits paid		**-1,610,689,999**	**-1,834,653,450**	**-3,433,898,699**
Net fair value gains on investments		798,894	118,741	550,426
Finance costs		-2,464,874	-3,095,603	-5,524,656
TOTAL CHANGES IN NET POSITION		**294,147,634**	**233,496,358**	**572,118,564**

2.2 Statement of net position

EUR	Note	30 June 2018	31 Dec 2017
ASSETS			
Non-current assets			
Property, plant and equipment	3	278,604	312,231
Intangible assets	4	4,449,641	3,145,997
Other receivables		328,038	328,038
Total non-current assets		**5,056,283**	**3,786,266**
Current assets			
Unemployment insurance contribution receivables		5,570,688	11,711,483
Other receivables		206,360,982	139,553,775
Investments	5	1,044,924,969	737,643,948
Cash and cash equivalents		469,038,293	232,007,361
Total current assets		**1,725,894,932**	**1,120,916,566**
Total assets		**1,730,951,214**	**1,124,702,832**
For previous periods		106,361,539	-465,757,025
For the period		294,147,634	572,118,564
NET POSITION		**400,509,173**	**106,361,539**
LIABILITIES			
Non-current liabilities			
Borrowings	6	598,867,560	598,414,440
Total non-current liabilities		**598,867,560**	**598,414,440**
Current liabilities			
Borrowings	6	299,923,770	299,795,460
Unemployment insurance contribution payables		274,942,251	23,859,168
Other liabilities		156,708,461	96,272,225
Total current liabilities		**731,574,482**	**419,926,854**
Total liabilities		**1,330,442,042**	**1,018,341,294**
Total net position and liabilities		**1,730,951,214**	**1,124,702,832**

2.3 Statement of cash flows

EUR	1 Jan–30 June 2018	1 Jan–31 Dec 2017
Unemployment insurance contributions collected	**2,188,047,434**	**3,958,182,518**
Benefits paid	**-1,682,544,627**	**-3,469,492,105**
Interest paid	**-1,634,174**	**-10,033,543**
Net cash used in ordinary activities	**503,868,633**	**478,656,870**
Cash flows from investing activities		
Purchases of property, plant and equipment	-194,342	-160,716
Proceeds from sale of property, plant and equipment	50	505
Purchases of intangible assets	-1,459,187	-1,576,801
Investments in financial assets	-1,761,552,714	-2,199,341,984
Proceeds from sale of financial assets	1,496,040,455	2,029,433,053
Other non-current receivables	328,038	328,038
Net cash generated from investing activities	**-266,837,700**	**-171,317,905**
Proceeds from borrowings and repayments	0	-127,467,218
Net cash generated from financing activities	**0**	**-127,467,218**
Net increase(+)/decrease(-) in cash and cash equivalents	237,030,933	179,871,747
Cash and cash equivalents at beginning of year	232,007,361	52,135,615
Cash and cash equivalents at end of year	**469,038,294**	**232,007,361**

2.4 Principles used in preparing the Interim Report and new standards

The Interim Report of the Unemployment Insurance Fund has been prepared in accordance with the International Accounting Standard (IAS) 34 for interim financial reporting. Apart from any standard changes and interpretations concerning TVR that became effective in 2018, the same principles and calculation methods have been used in preparing this Interim Report as were applied to the previous annual financial statements.

On 1 January 2018, TVR started applying standard IFRS 9 Financial Instruments of the International Accounting Standards Board, which completely replaces standard IAS 39.

IFRS 9 specifies how an entity should classify and measure financial assets, as well as introducing a new model for impairment charges based on expected losses and new general requirements for hedge accounting. IFRS 9 requires financial assets to be classified into three measurement categories: those measured at amortized cost, those measured at fair value through other comprehensive income and those measured at fair value through profit and loss. For financial liabilities, the standard retains most of the IAS 39 requirements. For impairment charges, a new model based on expected losses has been introduced, which replaces the model of IAS 39 based on incurred losses. Hedge accounting has been changed so that it will better reflect risk management strategies and objectives.
Applying IFRS 9 had no impact on how the financial assets were classified and measured. All Fund investments will be recognised at fair value in profit or loss because the Fund must only have liquid investment assets. With regard to financial liabilities, the recognition principles remained unchanged in the new standard and the new standard had no impact on the designation and measurement of financial liabilities. The main impact of IFRS 9 will be through the use of the model based on expected losses when estimating impairment charges associated with doubtful receivables. As the unemployment insurance receivables do not include any significant financial components, the Fund has used the simplified model, as permitted by IFRS 9. In this model, expected losses are recognised for the whole validity period of the financial asset, and the model is based on the amount of the outstanding receivables and the time period for which they remain outstanding. The designated impairment charges increased slightly due to the application of IFRS 9.

The Fund is currently implementing a separate project concerning the introduction of the new standard IFRS 16 Leases. IFRS 16 shall be applied as of 1 January 2019. Based on current information, the Fund regards the new IFRS 16 Leases is unlikely to have a significant impact on the Fund, due to the small number and value of leases.

The figures presented in this Interim Report are unaudited.

2.5 Notes

1 Unemployment insurance contributions

EUR	1 Jan–30 June 2018	1 Jan–30 June 2017	1 Jan–31 Dec 2017
Employer's unemployment insurance contributions			
Employer's insurance contributions	706,478,938	895,087,323	1,763,045,591
Employer's insurance contributions, co-owners	2,096,819	1,911,551	4,713,897
Total	**708,575,757**	**896,998,875**	**1,767,759,488**
Employees' unemployment insurance contributions			
Employee's insurance contributions	751,822,988	613,774,539	1,236,643,855
Employees' insurance contributions, co-owners	3,106,795	2,225,235	4,736,265
Total	**754,929,784**	**615,999,774**	**1,241,380,121**
Interest on overdue contribution and collection fee income			
Interest on employer's contributions overdue	658,215	861,248	1,157,340
Interest on employee's contributions overdue	574,820	446,056	940,925
Collection fee income	371,560	186,268	412,566
Total	**1,604,595**	**1,493,572**	**2,510,831**
Liability component compensations of employer's unemployment allowances			
Liability component compensations	14,962,272	24,545,428	47,808,461
Accruals	9,358,453	18,277,103	6,285,765
Total	**24,320,725**	**42,822,530**	**54,094,226**
Compensations in accordance with the Employment Contracts Act (ECA)			
Compensations and lay-off income according to the ECA	616,937	691,674	1,219,951
Settlement to MSAH	0	0	-629,428
Total	**616,937**	**691,674**	**590,523**
Contributions from MSAH			
Earnings-related unemployment allowance	411,344,618	504,149,891	927,768,780
Job alternation compensation	5,111,198	8,970,354	17,972,390
Previous year's equalisation payment	0	0	-1,084,864
Total	**416,455,815**	**513,120,245**	**944,656,305**
Total unemployment insurance contributions	**1,906,503,613**	**2,071,126,669**	**4,010,991,493**

2 Benefit payments

EUR	1 Jan–30 June 2018	1 Jan–30 June 2017	1 Jan–31 Dec 2017
Subsidies paid to unemployment funds (TVR)			
Other earnings-related allowance	-397,039,084	-483,431,428	-887,316,148
Additional day's allowance	-88,990,106	-112,998,871	-216,472,409
Lay-off support	-93,282,887	-127,593,333	-171,754,713
Job alternation compensation	-6,462,561	-11,164,634	-22,244,521
Administrative expense compensation	-5,299,733	-6,436,485	-12,835,800
Membership fee equalization	0	0	-10,000,000
Previous year's equalisation payment	0	0	1,070,338
Total	**-591,074,370**	**-741,624,750**	**-1,319,553,253**

EUR	1 Jan–30 June 2018	1 Jan–30 June 2017	1 Jan–31 Dec 2017
Subsidies paid to unemployment funds (MSAH)			
Other earnings-related allowance	-402,460,067	-492,884,979	-906,511,131
Job alternation compensation	-5,111,198	-8,970,354	-17,972,390
Unemployment allowance/entrepreneurs	-4,325,340	-5,827,083	-10,398,202
Administrative expense compensation	-4,559,210	-5,437,829	-10,859,447
Previous year's equalisation payment	0	0	1,084,864
Total	**-416,455,815**	**-513,120,245**	**-944,656,305**
Finnish Centre for Pensions			
Payment for the current financial year	-340,000,000	-385,000,000	-768,000,000
Total	**-340,000,000**	**-385,000,000**	**-768,000,000**
State Pension Fund			
Previous year's equalisation payment	0	0	0
Payment for the current financial year	-7,917,727	-6,650,615	-12,608,566
Total	**-7,917,727**	**-6,650,615**	**-12,608,566**
Social Insurance Institution of Finland (Kela)			
Previous year's equalisation payment	459	923	923
Basic allowance, additional part, employment programme additional benefit	-130,500,000	-104,170,004	-208,340,000
Total	**-130,499,541**	**-104,169,081**	**-208,339,077**
The Education Fund			
Previous year's equalisation payment	0	-715	-715
Payment for the current financial year	-106,514,260	-63,627,193	-150,971,176
Total	**-106,514,260**	**-63,627,908**	**-150,971,891**
Ministry of Economic Affairs and Employment			
Previous year's equalisation payment	-245,340	11,755	11,755
Payment for the current financial year	-11,500,000	-15,000,000	-18,967,907
Total	**-11,745,340**	**-14,988,245**	**-18,956,152**
Member State invoicing for unemployment allowances			
Invoiced by Member State	-88,129	-79,064	-138,241
Invoiced by Fund	18,213	31,165	77,137
Total	**-69,916**	**-47,899**	**-61,103**
Administrative compensations paid to insurance companies			
Administrative and supervisory compensations	-120	0	-282
Total	**-120**	**0**	**-282**
Total benefit payments	**-1,604,277,089**	**-1,829,228,743**	**-3,423,146,630**

3 Property, plant and equipment

EUR	Leasehold improvements	Machinery and equipment	Total
Cost at 1 Jan 2018	1,012,928	1,471,348	2,484,276
Additions	0	97,171	97,171
Cost at 30 June 2018	**1,012,928**	**1,568,519**	**2,581,447**
Accumulated depreciation at 1 Jan 2018	877,390	1,294,655	2,172,045
Depreciation for the period	54,216	76,582	130,798
Accumulated depreciation at 30 June 2018	**931,606**	**1,371,237**	**2,302,843**
Net book value at 1 Jan 2018	**135,538**	**176,693**	**312,231**
Net book value at 30 June 2018	**81,322**	**197,282**	**278,604**
Cost at 1 Jan 2017	1,012,928	1,384,400	2,397,328
Additions	0	86,947	86,947
Cost at 31 Dec 2017	**1,012,928**	**1,471,348**	**2,484,276**
Accumulated depreciation at 1 Jan 2017	768,958	1,150,754	1,919,712
Depreciation for the period	108,432	143,901	252,333
Accumulated depreciation at 31 Dec 2017	**877,390**	**1,294,655**	**2,172,045**
Net book value at 1 Jan 2017	**243,970**	**233,646**	**477,617**
Net book value at 31 Dec 2017	**135,538**	**176,693**	**312,231**

4 Intangible assets

EUR	Computer software	Software development costs	Intangible assets in progress*	Total
Cost at 1 Jan 2018	713,263	1,418,200	2,817,078	4,948,542
Additions	49,580	497,816	931,056	1,478,452
Cost at 30 June 2018	**762,843**	**1,916,016**	**3,748,135**	**6,426,994**
Accumulated depreciation at 1 Jan 2018	624,772	1,177,772	0	1,802,544
Depreciation for the period	31,176	143,633	0	174,809
Accumulated depreciation at 30 June 2018	**655,948**	**1,321,405**	**0**	**1,977,353**
Net book value at 1 Jan 2018	**88,491**	**240,427**	**2,817,078**	**3,145,997**
Net book value at 30 June 2018	**106,895**	**594,610**	**3,748,135**	**4,449,641**
Cost at 1 Jan 2017	680,975	1,374,169	1,183,770	3,238,914
Additions	32,288	44,031	1,633,309	1,709,628
Cost at 31 Dec 2017	**713,263**	**1,418,200**	**2,817,078**	**4,948,542**
Accumulated depreciation at 1 Jan 2017	566,303	918,164	0	1,484,468
Depreciation for the period	58,468	259,608	0	318,076
Accumulated depreciation at 31 Dec 2017	**624,772**	**1,177,772**	**0**	**1,802,544**
Net book value at 1 Jan 2017	**114,671**	**456,004**	**1,183,770**	**1,754,445**
Net book value at 31 Dec 2017	**88,491**	**240,427**	**2,817,078**	**3,145,997**

* Intangible assets in progress include capitalised development costs and comprise an internally generated intangible asset. During the period under review, capitalised development costs mainly consist of renewing the system for collecting unemployment insurance contributions.

5 Investments

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 other than observable market data.

In the table below, investments have been specified by financial instrument classes divided into fair value hierarchy levels. No reclassifications were made between hierarchy levels in January–June 2018.

EUR **30 June 2018**	**Level 1**	**Level 2**	**Level 3**	**Total**
Government bonds	192,156,876			192,156,876
Bonds issued by banks	255,761,969			255,761,969
Corporate bonds	102,734,086			102,734,086
Investments in funds and shares	61,174,793	34,834,557		96,009,350
Mezzanine funds			1,968,178	1,968,178
Deposits		145,407,343		145,407,343
Certificates of deposits		33,955,193		33,955,193
Municipal papers		33,419,223		33,419,223
Commercial papers		179,530,175		179,530,175
Alternative investments			4,005,174	4,005,174
Total	**611,827,724**	**427,146,491**	**5,973,353**	**1,044,924,969**

EUR **31 Dec 2017**	**Level 1**	**Level 2**	**Level 3**	**Total**
Government bonds	157,622,995			157,622,995
Bonds issued by banks	194,676,781			194,676,781
Corporate bonds	79,758,511			79,758,511
Investments in funds and shares	61,299,626	29,816,409		91,116,035
Mezzanine funds			1,069,003	1,069,003
Deposits		66,470,518		66,470,518
Certificates of deposits		50,036,076		50,036,076
Municipal papers		2,000,905		2,000,905
Commercial papers		94,893,125		94,893,125
Total	**493,357,913**	**243,217,033**	**1,069,003**	**737,643,948**

Changes in Level 3 financial assets measured at fair value

EUR	31 Dec 2017	Unrealised profit/loss	Realised profit/loss	Purchases	Disposals	30 June 2018
Mezzanine funds	1,069,003	1,281,219	0	24,297	-406,340	1,968,178
Alternative investments	0	5,174	0	4,000,000	0	4,005,174
Total	**1,069,003**	**1,286,393**	**0**	**4,024,297**	**-406,340**	**5,973,353**

EUR	1 Jan 2017	Unrealised profit/loss	Realised profit/loss	Purchases	Disposals	31 Dec 2017
Investment funds	1,740,117	497,925	0	133,240	-1,302,280	1,069,003
Total	**1,740,117**	**497,925**	**0**	**133,240**	**-1,302,280**	**1,069,003**

6 Borrowings

Long-term borrowings

EUR	30 June 2018	31 Dec 2017
TVR bonds	598,867,560	598,414,440
Total long-term borrowings	**598,867,560**	**598,414,440**

Short-term borrowings

EUR	30 June 2018	31 Dec 2017
TVR bonds	299,923,770	299,226,000
Total short-term borrowings	**299,923,770**	**299,795,460**

Operating lease commitments

EUR	30 June 2018	31 Dec 2017
Within one year	1,375,077	1,338,504
1–5 years	0	333,389
Over 5 years	0	0
Total	**1,375,077**	**1,671,893**

The Fund has rented its office and warehouse premises and a car on the basis of non-cancellable lease contracts. The term of the office and warehouse lease contract is less than a year, after which it will be in force until further notice. The remaining term of lease for the car is less than 12 months.

7 Commitments and receivables not recognised in the statement of net position

Capital commitments, equity funds

EUR	30 June 2018	31 Dec 2017
Committed capital	5,250,473	5,250,473
Utilized	-4,978,245	-4,953,948
Total capital commitments	**272,229**	**296,526**

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

Operating lease receivables

EUR	30 June 2018	31 Dec 2017
Within one year	210,172	420,344
1–5 years	0	105,086
Over 5 years	0	0
Total	**210,172**	**525,430**

The Fund has subleased part of its leased premises until the end of 2018.

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