

**Employment Fund
Financial Statement Release
23 March, 2021 at 11.00**

The Employment Fund's result for 2020 was significantly in deficit due to the Coronavirus pandemic.

- Unemployment insurance contributions and other income in total EUR 3,340 (3,345) million
- Unemployment benefits, adult education benefits and administrative expenses in total EUR 3,947 (2,659) million
- Change in net position (for the financial year) EUR -623 (694) million
- Net position EUR 1,045 (1,668) million
- Investments and assets in total EUR 2,423 (1,745) million
- Raised debt and other liabilities in total EUR 1,379 (78) million
- Unemployment rate on average 7,8 % (6,7 %)
- Return on investments -0.7 % (0.8 %)

Financial information for 2019 is presented in parentheses.

Managing Director Janne Metsämäki:

The Employment Fund started the year 2020 with a good financial standing, as the Fund's business cycle buffer was almost at its maximum allowed level and the Fund's long-term loans had been paid off in the previous year. At the beginning of 2020, we successfully started utilising the income data reported in the national Incomes Register for the processing of adult education allowance applications. In March 2020, the coronavirus pandemic led to substantial changes in the functioning of societies around the world.

Finland was no exception, and this was also reflected in the activities of the Employment Fund. We switched to working almost entirely remotely in mid-March. At the same time, our staff quickly adapted to working remotely and learned new ways of working.

Right from the onset of the coronavirus outbreak, it was clear that the precarious economic and employment situation would pose major challenges to the Fund's finances and liquidity. In March, the Board of the Employment Fund called on the government of Finland to secure the Fund's liquidity and the financing of unemployment allowances. Many different measures and successful cooperation with the government and financial institutions ensured that we were able to cover the significantly increased unemployment benefit costs and pay the necessary unemployment allowances.

Securing funding for unemployment allowances was a particularly important step for us, as an unemployment allowance may be the only source of income for the people who receive it.

Measures to Secure Liquidity

In the spring, the Employment Fund agreed on a revolving credit facility worth 800 million euros with five Nordic banks. The facility was backed by a state guarantee. In June, we issued two bonds in the amount of 1,200 million euros

The Finnish state also secured our funding by contributing a sum equal to the basic unemployment allowance paid as a daily allowance to laid-off workers in 2020. This was important because layoff costs increased significantly during the spring and summer.

The result for 2020, i.e. the change in net assets, was significantly in deficit, which was covered with the assets in the business cycle buffer. The economic outlook for 2021 is uncertain, but the economy is expected to pick up as the coronavirus pandemic is likely to slow down with the rollout of vaccinations. However, the number of unemployed jobseekers is expected to remain at a high level in 2021.

In August, the Supervisory Board of the Employment Fund decided to propose to the Ministry of Social Affairs and Health a moderate increase in unemployment insurance contributions for 2021 to secure the Fund's ability to cover unemployment benefit costs.

Continuous Development

Parliament approved the amended Act on Adult Education Allowance in the spring of 2020, and it entered into force at the beginning of August. At the Fund, we prepared for these future changes, for example, by introducing a new online service and processing system for allowance applications, as well as by automating the processing of payment applications. Not all objectives were met according to the original schedule, but we were able to secure the processing of applications and the payment of adult education allowances during the autumn through joint efforts. We also prepared for the second phase of the Incomes Register, where the benefits we grant will be reported to the Incomes Register, and the benefits data reported to the Incomes Register will be utilised in the processing of applications from 2021 onwards.

In 2020, we collaborated extensively with our key stakeholders. We continued to study the recognition and reputation of the Employment Fund among the general public and influencers. The results revealed that the public's trust and the support of our stakeholders have remained at a reasonable level.

In December, the Finnish government made certain decisions that will affect the operations of the Employment Fund.

Additional days of unemployment insurance will be gradually phased out from 2023 onwards. At the same time, the Employment Fund will no longer collect liability components. The decision is accompanied by a new security package, which would be funded by the Employment Fund.

At the end of the year, the Ministry of Social Affairs and Health appointed surveyors to assess how the current tasks, forms of support and services of the Employment Fund for employers and individuals support continuous learning and work ability from the perspective of employers, individuals and society.

Despite the exceptional circumstances, we have managed our main tasks well in 2020. All our operations are based on a competent and enthusiastic staff, and all the employees of the Fund deserve great thanks for their efforts. This year has required a great deal of teamwork from all of us. The development of the Employment Fund's operations will also continue in 2021.

Operational environment of the Employment Fund

The Employment Fund's result for 2020 was significantly in deficit due to the coronavirus pandemic. The financial statements show a deficit of EUR 623 million for 2020. The net assets of the Employment Fund were in surplus of EUR 1,045 million at the end of the financial year, compared to EUR 1,668 million in 2019.

The unemployment rate and the number of unemployed jobseekers rose significantly as a result of the coronavirus pandemic. The average unemployment rate in 2020 was about 7.8%, compared to about 6.7% a year earlier. Unemployment insurance contributions collected decreased due to large layoffs in Finland and due to reduced unemployment insurance rates for 2020.

In 2020, the income from employers' unemployment insurance contributions totalled EUR 993 million (EUR 1,238 million), and the income from employer's liability components totalled EUR 26 million (EUR 39 million). The income from employees' unemployment insurance contributions totalled EUR 1,073 million (EUR 1,379 million).

The sum of granted adult education benefits increased slightly in 2020. Adult education allowances and scholarships for qualified employees totalled approximately EUR 197 million, showing an increase of about 6% compared to 2019. In 2020, a total of EUR 186.9 (176.6) million of adult education allowance was paid to 27,066 (25,701) individuals. In 2020, 26,511 approvals for scholarships for qualified employees were given and 26,443 beneficiaries received the scholarship. The number of approvals increased by around one per cent from 2019. A total of EUR 10.6 million was paid in scholarships, about one per cent more than the previous year (EUR 10.5 million.).

Employment Fund's Finances

The Fund's real income was EUR 3,324 (3,353) million and expenses EUR 3,947 (2,659) million. In 2020, the change in net position was EUR -623 million (694).

The planning and management of the Employment Fund's finances are largely based on forecasts of the development of the unemployment rate, unemployment expenses, the employment rate and wages. Under normal conditions, the Fund must set the insurance contributions at the sufficient level where all projected expenses could be covered with the insurance contributions.

The net position of the business cycle buffer decreased in 2020. In accordance with chapter 1, section 3 of the Act on the Financing of Unemployment Benefits, in order to ensure liquidity and to balance out changes in unemployment insurance contributions due to foreseeable economic fluctuations in the national economy, the Employment Fund maintains a business cycle buffer. The business cycle buffer accrues on the basis of the difference between the Fund's income and expenses, and the maximum value of the buffer is an amount corresponding to the annual expenditure for an unemployment rate of six percentage points. In a deep cyclical downturn, the business cycle buffer, on the liabilities side, can be to an amount corresponding to the expenditure. The statutory maximum value of the business cycle buffer changed on 1 January 2020 so that instead of the previous seven percentage points it now corresponds to the annual expenditure of an unemployment rate of six percentage points.

In 2020, the maximum permitted value of the buffer according to the Act was EUR 2,078 million. The Employment Fund's net position was EUR 1,045 million at the end of 2020.

According to the investment principles adopted by the Employment Fund's 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. This amount is

approximately EUR 330 million. The so-called liquidity buffer described above was larger than the minimum amount in 2020.

According to the 2021 budget submitted to the Ministry of Social Affairs and Health, the Fund's net position will amount to EUR 228 million on 31 December 2021. When the financial statements for 2020 were prepared, the Fund's net position at the end of 2021 was expected to be around a positive sum of EUR 400-500 million.

Debt Financing

The Employment Fund implemented a significant debt financing program in 2020, aiming to ensure the Fund's liquidity and to finance some part of the increased unemployment security expenditure caused by the coronavirus pandemic. The Fund renewed the revolving credit facility (RCF) by making an agreement with five banks about facilities worth EUR 800 million with maturities of two years. The revolving credit facility is guaranteed by the Finnish state. credit facility was not utilised during 2020.

In June 2020, the Employment Fund issued two bonds worth EUR 600 million with maturities of three and seven years. In 2020, the Employment Fund also issued short-term commercial papers, which also contributed to the financing of increased unemployment allowance expenses.

Standard & Poor's (S&P) has given the Employment Fund a credit rating of AA+ with a stable outlook. The Finnish government has also been granted the same credit rating.

The Employment Fund responded to the challenges posed by the coronavirus pandemic by securing its liquidity. The coronavirus pandemic changed the economic environment in Finland abruptly from March 2020, when the number of unemployed jobseekers began to increase rapidly.

Investment Activities

The Employment Fund carries out investment activities to the extent necessary to manage the timing differences in the cash flows generated by its income and expenses, and for liquidity management purposes.

At the end of 2020, the Employment Fund's investment and liquid assets amounted to EUR 1,831 million (EUR 1,020 million in 2019).

In 2020, developments in the capital markets were dominated by the uncertainty caused by the coronavirus pandemic. At the beginning of the year, investors began to closely monitor the development of the pandemic on a global level. At the beginning, the market was relatively unaffected by the coronavirus, and positive stock market development continued in January–February. However, the situation clearly deteriorated in March, both in terms of the coronavirus pandemic and the economy.

Equity prices began to fall steeply in the spring as the coronavirus pandemic spread to more countries and caused widespread illness.

The stock market fell by several dozen percent in a few weeks, and the selling pressure in the market was quite intense. The liquidity of the capital markets was severely tested at times, which was widely reflected in the trading of most investment instruments. In this situation, central banks acted quickly and decided on new support measures that both increased the money supply in the

banking system and expanded securities purchase programmes. These decisions improved market conditions and instilled confidence in investors.

The fixed income market also saw strong selling pressure in March, which was exceptionally reflected in government bonds. Government bonds, which are considered safe investments, have often increased in value when the development of the stock market has been weak. Now the value of loans decreased together with the decrease in share prices.

As a result of the issuance of bonds in June 2020, our liquidity returned to a good level and we held a significant portion of our cash in bank accounts during the remainder of the year, which enabled us to prepare for higher expenses.

We invested actively in money market instruments, bonds, funds and, to a lesser degree, also equities, as well as alternative investments. At the end of the financial period, EUR 1,127 (446) million of the Fund's assets were invested in money market instruments, EUR 682 (536) million in bonds, EUR 0 (18) million in equities, and EUR 21 (19) million in other investments.

In 2020, we achieved a return of -0.7 (0.8) percent on invested assets. The return fell short of the expectation entered in the investment plan and the reference return on investment activities.

Risk Management

Risk management is an essential part of the Employment Fund's internal control, meaning systematic and proactive practices for identifying, analysing and managing threats and opportunities related to the operations of the organisation.

The Employment Fund's internal control consists of all the practices and procedures that aim to give the Board of Directors and the Management a reasonable assurance of the achievement of set objectives, effectiveness of operations, reliability and adequacy of financial and operational information, as well as compliance with laws and regulations.

The objective of risk management is to ensure that any risks that the Employment Fund takes are proportional to the Fund's targets and risk appetite.

In 2020, the coronavirus pandemic had a significant impact on the Employment Fund's financial risk management, but it also affected the Fund's other operations. The Employment Fund set up a crisis management group to manage and coordinate the coronavirus situation. The group is managed by the Employment Fund's Managing Director. The group has maintained a situational picture of the Fund's coronavirus-related activities and reported regularly to the Financial Supervisory Authority, which supervises the Employment Fund's operations, and to the Ministry of Social Affairs and Health.

In the spring of 2020, the Employment Fund took active measures to cover increasing unemployment benefit costs and to secure the financing of unemployment allowances. The purpose of the measures was to manage the Employment Fund's financial risks and to ensure the liquidity of the Employment Fund. The measures also helped ensure the stable financing of earnings-related unemployment allowances paid by unemployment funds and basic daily allowances paid by Kela.

Market Risk

The Board of Directors monitors the market risk of the investment portfolio of the Employment Fund monthly, and it is managed in accordance with the investment principles and investment plan through allocation decisions. When making the allocation decisions, the current market situation and outlook are taken into account. Furthermore, the investment decisions consider the size of the Fund's net position and the minimum limit for the number of investments with less than 12 months

maturity. The investment plan contains target allocations for different types of investments and risk limits for different counterparties.

Market risk is measured using the stress-test method, in which a risk indicator expressed as annual volatility is assigned to each investment class on the basis of historical fluctuations in value. In 2020, the risk indicator was 25% (25%) for equity investments, 4–7% (4–7%) for bond investments, 10% (0%) for alternative investments, 1% (1%) for money market investments, and 0.5% (0.5%) for bank deposits. On 31 December 2020 and 31 December 2019, the market risks were as follows:

31 Dec 2020	Risk (%)	Capital EUR thousand	Risk EUR thousand
Bank deposits	0.50%	739,733	3,699
Money market	1.00%	287,607	2,876
State and municipal bonds	4.00%	395,552	15,822
Bank bonds	4.50%	307,391	13,833
Corporate bonds	5.00%	78,879	3,944
Shares	25.00%	4	1
Alternative investments	10.00%	21,476	2,148
Total risk	2.31%	1,830,641	42,322

31 Dec 2019	Risk (%)	Capital EUR thousand	Risk EUR thousand
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	33,901

The total risk was 2.31% (3.33%) of the Fund's assets and 1.2% (1.1%) of the Fund's 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.

The main market risk factor for the Fund 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. On the balance sheet date, 17.0% (13.4%) of investments were indirect.

All money market investments carry variable interest rates, while 9% (24%) of the bonds were at variable rates. 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 the balance sheet date the Euribor rates and interest rate curve (swap rates) had been 0.5 percentage points higher while all the other variables remained constant, the total change in net position would have been reduced by EUR 8,400 thousand (EUR 5,182 thousand). Correspondingly,

if on the balance sheet date 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 8,402 thousand (EUR 5,183 thousand).

This is due to changes in the fair values of fixed-income investments. Equity investments are limited to a maximum of three per cent of the Fund's assets, and the price risk is, therefore, relatively minor in relation to the total assets.

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 which are located in the Nordic and OECD countries and have high credit ratings, states with strong credit ratings (Finland, Germany, the Netherlands, Sweden, France, Belgium and Austria), companies in Finland and OECD countries, and Finnish municipalities. Cash and cash equivalents are only held at banks with high credit ratings.

The Fund may make investments in funds with average credit ratings of BBB- (S&P) or Baa3 (Moody's). In addition, each individual investment made by the investment fund must be of investment grade with a credit rating of at least BB- (S&P). The following table describes the Employment Fund's fixed-income investments and creditworthiness by group. The figures are given in thousands of euros.

Investments distributed by the issuer's rating (EUR thousand)*	31 Dec 2020	31 Dec 2020 (%)	31 Dec 2019	31 Dec 2019 (%)
AAA	139,286	7.8%	29,834	3.00%
AA+	206,946	11.5%	149,966	14.90%
AA	63,630	3.5%	48,930	4.90%
AA-	757,915	42.2%	333,753	33.30%
A+	74,842	4.2%	38,075	3.80%
A	118,532	6.6%	22,447	2.20%
A-	122,900	6.8%	95,344	9.50%
BBB+	46,341	2.6%	62,096	6.20%
BBB	137,429	7.7%	103,345	10.30%
BBB-	54,679	3.0%	29,326	2.90%
BB+	22,913	1.3%	2,357	0.20%
BB	6,280	0.3%	-	0%
BB-	-	0.0%	2,999	0.30%
B+	-	0.0%	-	0%
B	220	0.0%	6,410	0.60%
CCC+	8,008	0.4%	-	0%
CCC	198	0.0%	-	0%
NR	35,231	2.0%	78,436	7.8%
Total	1,795,350	100%	1,003,319	100%

*The Fund's investments in bonds mainly consist of state and bank bonds. Their creditworthiness has been determined using the S&P credit rating. Most of the banks that the Fund has invested in have good credit ratings. However, not every regional bank and company has been assigned an official credit rating, so the credit quality of these entities is determined using credit ratings received from a third party.

The Employment Fund's investment portfolio is highly diversified. Corporate risk cannot exceed 35% (35%) of the Fund's fixed-income investments. In accordance with the investment plan, investments in bonds issued by any single corporation may not exceed 10% (10%) of the Fund's total investments in corporate debt instruments. Corporate investments were spread among 53 corporations on 31 December 2020, which corresponds to 17.4% of all fixed-income investments (90 corporations and 20.0% of all fixed-income investments on 31 December 2019).

Money market investments are made in depositary banks monitored by the Finnish Financial Supervisory Authority, sovereign debt instruments, municipal papers, and commercial papers issued by corporations approved in the investment plan. The credit ratings of the largest Nordic banks are strong. Not all corporations have been assigned a credit rating. According to the Finnish Financial Supervisory Authority, municipal risk corresponds to the state risk.

The required average rating for the investment portfolio is BBB (2019: BBB) (S&P). To manage counterparty risk, the Employment Fund uses several asset managers and dealers with good credit ratings. The dealers and counterparties used by the Fund in its investing activities are approved by the Board of Directors on an annual basis.

Liquidity Risk

The Fund aims to manage liquidity risk by the following means:

1. Liquid investments
2. Short-term borrowing
3. Increasing insurance contributions

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 (300 million) and a EUR 800 million revolving credit facility (RCF), including a state guarantee, with five commercial banks. The figures in the table are given in millions of euros.

Committed credit facilities, not in useEUR million	31 Dec 2020	31 Dec 2019
Facilities expiring within a year		
RCF (State guarantee)		400
Facilities expiring after a year		
RCF (State guarantee)	800	
Total	800	400

Uncommitted credit facilitiesEUR million	31 Dec 2020	31 Dec 2019
Commercial paper programme	300	300
Total	300	300

The Fund mainly relies on the capital markets and domestic markets for commercial papers to finance its liquidity if necessary. At the end of 2020, the total amount of loans disbursed amounted to EUR 1,287,500,000.

The Fund has the following issuer credit ratings as confirmed by Standard & Poor's (29 September 2020):

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

At the end of 2020, the Fund had EUR 88 million (0 million) of the commercial paper programme in use and short-term bank loans amounting to EUR 0 million (0 million). The fixed interest rate periods for loans in the statement of net position were as presented below. The figures are given in millions of euros. The liabilities for securities under settlement will mature within a few of days of the balance sheet date.

31 Dec 2020 Loan	Nominal value EUR million	Fixed interest rate period in years	Interest rate (%)	Due date	Credit rating
Bond 2023	600	2.46	0.00%	16 Jun 2023	AA+
Bond 2027	600	6.46	0.01%	16 Jun 2027	AA+
Commercial papers	88	0.18	-0.12%	1-12 months	No rating
Total	1,288	4,16			

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

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

Maturities of financial liabilities based on contracts (EUR thousand) 31 Dec 2020	Less than 6 months	6-12 months	1-3 years	4-7 years	Total cash flow based on contracts	Book value assets/liabilitie s
Accounts payable	418				418	418
Borrowings	87,560	0	600,120	600,180	1,287,860	1,286,634
Liabilities associated withright- of-use	574				574	574

assets						
Total	88,552	0	600,120	600,180	1,288,852	1,287,626

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 flowbased on contracts	Book value assets/liabilities
Accounts payable	382				382	382
Borrowings						
Liabilities associated with right-of-use assets	619	619	682		1,920	1,920
Total	1,001	619	682		2,302	2,302

Personnel

The Employment Fund's Managing Director is Janne Metsämäki, LL.M. At the end of 2020, the number of personnel was 171 (162), or an average of 140 (142) person-years of work.

The Employment Fund has implemented a compensation system based on the complexity of work, and a bonus system that supports the achievement of the Fund's strategic objectives. Men accounted for 50 (46) of the employees and women accounted for 121 (116) of the Employment Fund's personnel. The average employee age was 40 (40), and the average duration of employment at the Employment Fund was 5.5 years.

The number of absences due to illness decreased compared to 2019. The average number of absences was 10.35 days/person (13.9 in 2019).

Events after the Financial Period

During the operating year, the Employment Fund continued to build the foundation for discharging its statutory duties and to push ahead with projects related to its strategic goals. This work will continue in 2021.

The reporting of allowances paid by the Employment Fund in the Incomes Register and the utilisation of benefit details in the granting of adult education allowances were successfully introduced in early 2021. The effects of the adult education allowance reform will be assessed and reported to Parliament by the end of 2021.

In 2020, the coronavirus pandemic also had a major impact on the Employment Fund's operations. The pandemic will continue well into 2021, although vaccinations have already begun. The economy is expected to slightly recover. In 2021, employment and unemployment rates are expected to remain virtually unchanged from the previous year. The change in the Employment Fund's net assets is estimated to be clearly in deficit in 2021.

The amount of net assets in the business cycle buffer is estimated to be approximately EUR 400-500 million at the end of 2021.

Helsinki 23 March 2021
Employment Fund
Board of Directors

Condensed Financial Statements and Notes

The Employment Fund's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, conforming with the IAS standards and IFRS standards as well as SIC and IFRIC interpretations applicable as per 31 December 2020. IFRS refers to the standards and interpretations applicable to corporations and set out in the Finnish Accounting Act and other provisions issued under it in accordance with the procedure laid down in Regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the financial statements also comply with the Finnish accounting and corporate legislation complementing the IFRS standards.

Statement of Changes in Net Position

EUR thousand	Note	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Contributions collected			
Unemployment insurance contributions	5	3,340,330	3,344,592
Total contributions collected		3,340,330	3,344,592
Financing contributions paid			
Financing contributions paid	6	-3,926,051	-2,640,206
Administrative expenses	7	-20,672	-18,585
Total financing contributions paid		-3,946,723	-2,658,791
Net fair value gains on investments	14	-13,072	9,960
Financial expenses	8	-3,344	-1,609
CHANGE IN NET POSITION		-622,809	694,153

Statement of Net Position

EUR thousand	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Property, plant and equipment	9	730	2,099
Intangible assets	10	6,902	7,015
Other receivables	13	328	328
Total non-current assets		7,960	9,442
Current assets			
Unemployment insurance contribution receivables	11	7,097	7,794
Accruals of unemployment insurance contributions	11	535,768	629,329
Other receivables	13	41,751	78,687
Investment assets	15	1,194,442	855,523
Cash and cash equivalents	16	636,292	164,300
Total current assets		2,415,352	1,735,632
Total assets		2,423,312	1,745,074
Net assets			
For previous periods		1,667,574	969,303
Net position of the Education Fund, 1 Jan 2019		0	4,118
For the period		-622,809	694,153
Total net position		1,044,765	1,667,574

EUR thousand	Note	31 Dec 2020	31 Dec 2019
LIABILITIES			
Non-current liabilities			
EF bonds	17	1,199,122	0
Total non-current liabilities		1,199,122	0
Current liabilities			
Borrowings	17	87,512	
Unemployment insurance contribution liabilities	11	1,800	5,110
Other liabilities	18	90,113	72,390
Total current liabilities		179,425	77,501

Total liabilities	1,378,547	77,501
Total net position and liabilities	2,423,312	1,745,074

Cash Flow Statement

EUR thousand	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Unemployment insurance contributions collected	3,440,824	2,785,411
Benefits paid	-3,908,302	-2,708,402
Interests paid	-5,151	8,461
Net cash and cash equivalent used in ordinary operations	-472,629	85,470
Cash flows from investments		
Purchases of property, plant and equipment	-43	0
Purchases of intangible assets	-2,462	-2,158
Investments in financial instruments	-2,970,114	-3,905,456
Sales of investment instruments and realised income	2,629,648	4,173,273
Other non-current assets	0	0
Net cash and cash equivalents generated from investments	-342,972	265,659
Loans withdrawn and repaid	1,287,593	-603,587
Net cash and cash equivalents generated from financing activities	1,287,593	-603,587
Net increase/decrease in cash and cash equivalents	471,992	-252,458
Cash and cash equivalents at the beginning of the financial period	164,300	416,758
Cash and cash equivalents at the end of the financial period	636,292	164,300

Business Cycle Buffer

In accordance with Section 3 of the Act on the Financing of Unemployment Benefits, in order to ensure liquidity and balance out changes in unemployment insurance contributions due to foreseeable economic fluctuations in the national economy, the Employment Fund maintains a business cycle buffer that accrues on the basis of the difference between the Fund's income and expenses. In 2020, the maximum amount of buffer corresponded 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. The investment of assets accrued in the buffer is regulated by the Fund's investment principles, as well as the investment plan approved on an annual basis. The use of debt financing is also regulated by the debt servicing plan.

The maximum amount of buffer is calculated by dividing the Employment Fund's annual expenditure by the average unemployment rate for the year and multiplying the result by six. The following table presents the value of the business cycle buffer and its minimum and maximum amounts as specified in the Act.

EUR million	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Business cycle buffer	1,045	1,668
Maximum amount of buffer	2,078	2,062
Minimum amount of buffer	-2,078	-2,062

Unemployment Insurance Contributions

EUR thousand	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Employer's unemployment insurance contribution		
Employer's insurance contributions	990,144	1,234,633
Employer's insurance contributions, co-owners	2,003	2,416
Total	992,147	1,237,048
Employee's unemployment insurance contribution		
Employee's insurance contributions	1,070,893	1,374,385
Employee's insurance contributions, co-owners	1,157	3,884
Total	1,072,050	1,378,269
Collection fee income and credit losses		
Interest on overdue employer contributions	268	594
Interest on overdue employee contributions	445	756
Collection fee income	190	483
Total	903	1,834
Liability components of employers' unemployment allowances		
Liability components	14,113	21,975
Accruals	12,266	17,299
Total	26,379	39,275
Compensation in accordance with the Employment Contracts Act (ECA)		

Compensation and lay-off income according to the ECA	1,046	1,012
Settlement to the Ministry of Social Affairs and Health	-635	-467
Total	412	545
Contributions from the Ministry of Social Affairs and Health		
Earnings-related unemployment allowance	882,897	674,061
Lay-off allowance	333,360	
Job alternation compensation	9,800	11,241
Equalisation payment for the previous year		98
Adult education benefits	2,381	2,222
Supplementary financing of administrative expenses	20,000	
Total	1,248,438	687,621
Total unemployment insurance contributions	3,340,330	3,344,592

Financing Contributions Paid

EUR thousand	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Contributions paid by the Employment Fund		
Other earnings-related unemployment allowance	-820,091	-663,136
Additional days of allowance	-118,512	-120,744
Lay-off allowance	-413,129	-146,572
Job alternation compensation	-12,641	-14,913
Compensation for administrative expenses	-8,716	-9,537
Equalisation payment for the previous year	622	936
Total	-1,372,467	-953,965
Government contribution paid to unemployment funds		
Other earnings-related unemployment allowance	-866,040	-660,000
Lay-off allowance	-333,360	
Job alternation compensation	-9,800	-11,241
Unemployment allowance/entrepreneurs	-10,201	-6,491
Compensation for administrative expenses	-6,656	-7,569
Supplementary financing of administrative expenses	-20,000	
Equalisation payment for the previous year	937	-98
Total	-1,245,120	-685,399
Finnish Centre for Pensions		

Equalisation payment for the previous year	-17,813	-10,379
Payment for the current financial period	-851,800	-566,300
Total	-869,613	-576,679

State Pension Fund

Equalisation payment for the previous year	-571	2,051
Payment for the current financial period	-8,625	-9,770
Total	-9,196	-7,719

EUR thousand	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Social Insurance Institution of Finland		
Equalisation payment for the previous year	0	-28
Basic allowance, additional component	-207,300	-205,703
Total	-207,300	-205,731
Adult education benefits		
Scholarships	-10,617	-10,539
Adult education allowances	-186,858	-176,598
Collection expenses for benefits	-4	
Total	-197,479	-187,137
Ministry of Economic Affairs and Employment		
Equalisation payment for the previous year	0	-18
Payment for the current financial period	-24,909	-23,572
Total	-24,909	-23,590
Member State invoicing for unemployment allowances		
Invoiced by Member States	-85	-44
Invoiced by the Fund	119	60
Total	33	16
Total benefit payments	-3,926,051	-2,640,206

Property, Plant and Equipment

EUR thousand	Renovatio n of office premises	Machines and equipmen t	IFRS 16 Right-of-use asset	Total
Acquisition costs, 1 Jan 2020	1,013	1,741	3,257	6,011
Additions	0	0	0	0
Acquisition costs, 31 Dec 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	0	100	1,269	1,369
Accumulated depreciation, 31 Dec 2020	1,013	1,697	2,571	5,281
Carrying value, 1 Jan 2020	0	144	1,955	2,099
Carrying value, 31 Dec 2020	0	43	686	730

EUR thousand	Renovatio n of office premises	Machines and equipmen t	IFRS 16 Right-of-use asset	Total
Acquisition costs, 1 Jan 2019	1,013	1,741	3,257	6,011
Additions	0	0	0	0
Acquisition costs, 31 Dec 2019	1,013	1,741	3,257	6,011
Accumulated depreciation, 1 Jan 2019	986	1,469	0	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 Jan 2019	27	272	0	299
Carrying value, 31 Dec 2019	0	144	1,955	2,099

Intangible Assets

EUR thousand	Computer software	Software development expenses	Intangible assets in progress *	Total
Acquisition costs, 1 Jan 2020	787	8,162	2,413	11,362
Additions	123	3,088	2,650	5,861
Decreases	0	0	-3,088	-3,088
Acquisition costs, 31 Dec 2020	910	11,250	1,975	14,135
Accumulated depreciation, 1 Jan 2020	743	3,603	0	4,346
Depreciation during the period	60	2,825	0	2,885
Accumulated depreciation, 31 Dec 2020	803	6,428	0	7,231
Carrying value, 1 Jan 2020	44	4,559	2,413	7,015
Carrying value, 31 Dec 2020	107	4,821	1,975	6,902
EUR thousand	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	0	0	-6,163	-6,163
Acquisition costs, 31 Dec 2019	787	8,162	2,413	11,362
Accumulated depreciation, 1 Jan 2019	689	1,512	0	2,201
Depreciation during the period	54	2,091	0	2,146
Accumulated depreciation, 31 Dec 2019	743	3,603	0	4,346
Carrying value, 1 Jan 2019	83	487	5,838	6,408
Carrying value, 31 Dec 2019	44	4,559	2,413	7,015

*The item "Intangible assets in progress" consists of capitalised development costs, giving rise to an internally generated intangible asset. Capitalised development expenditure in 2020 mainly consisted of the development of the insurance and collection system, as well as a data system to support the revised processing of education benefits.

Investment Assets

Investments in financial assets have been designated as financial assets at fair value through profit and loss, and they 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 valuation is based on inputs which also include, either directly or indirectly using valuation techniques, observable inputs other than those on Level 1.

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

In the tables below, investments have been specified by financial instrument classes and divided into fair value hierarchy levels. No reclassifications have been made between the hierarchy levels during the financial year.

EUR thousand, 31 Dec 2020	Level 1	Level 2	Level 3	Total
State and municipal bonds	295,501	100,121		395,623
Bank bonds	287,424			287,424
Corporate bonds	78,879			78,879
Investments in funds and shares	168,447	13,847		182,295
Mezzanine funds			2,904	2,904
Deposits		62,370		62,370
Certificates of deposit		41,078		41,078
Municipal papers				
Commercial papers		125,283		125,283
Alternative investments			18,566	18,566
Total	830,252	342,700	21,470	1,194,422

EUR thousand, 31 Dec 2019	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

EUR thousand	1 Jan 2020	Unrealised profit/loss	Realised profit/loss	Purchases	Sales	31 Dec 2020
Mezzanine funds	2,037	877		10	-19	2,905
Alternative investments	17,449	-756	421	2,009	-558	18,566
Total	19,485	121	421	2,019	-577	21,470

EUR thousand	1 Jan 2019	Unrealised profit/loss	Realised profit/loss	Purchases	Sales	31 Dec 2019
Mezzanine funds	1,992	419		15	-389	2,037
Alternative investments	3,953	-140		16,000	-2,364	17,449
Total	5,944	278	0	16,015	2,753	19,485

Deposits, certificates of deposit, commercial papers and municipal papers at **Level 2** have been valued using the discounted cash flow method based on the Euribor or swap curve and on the forward rate, insofar as elements of foreign currencies are involved. Based on the management's judgement, the discount factor has been adjusted by the effect of a change in the credit risk of the investment. However, the adjustment has not had a material impact.

Investments classified at **Level 3** are mezzanine funds that are valued based on valuations prepared by the issuer. Investment funds have been measured at the net asset value of the fund as reported by the fund manager as of the reporting date, and they have been classified at Level 1, 2 or 3 assets by their market activity and marketability. Equity investments are quoted in the Helsinki Stock Exchange, and they have been classified at Level 1. The amount of equity investments is minor.

Borrowings

Long-term borrowing EUR thousand	31 Dec 2020	31 Dec 2019
Employment Fund bonds	1,199,122	0
Total long-term borrowing	1,199,122	0

Short-term borrowing EUR thousand	31 Dec 2020	31 Dec 2019
Employment Fund bonds	0	0
Commercial papers	87,512	0
Revolving credit facilities (RCF)	0	0
Total short-term borrowing	87,512	0

Liabilities and Receivables not Recognised in the Statement of Net Position

Capital commitments, equity funds and alternative investments EUR thousand	31 Dec 2020	31 Dec 2019
Committed capital	5,250	5,250
Realised	-5,027	-5,019
Total investment commitments	223	231

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

Operating Lease Commitments

The Fund has rented its office and warehouse premises and a car on non-cancellable lease contracts. On the balance sheet date, there is one year remaining on the lease of the office and warehouse premises. The leases will remain in force with a 12-month notice period. The remaining lease term of the car is one year and nine months.

Lease Receivables

The Fund has sublet part of its leased office premise.

Lease receivablesEUR thousand	31 Dec 2020	31 Dec 2019
Within one year	0	6
1-5 years	0	0
Over 5 years	0	0
Total	0	6

Helsinki, 23 March 2021

Employment Fund

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