



Financial statement release

2022

28 February 2023



Työllisyysrahasto
Sysselsättningsfonden | Employment Fund

Employment Fund's financial statement release 2022

Improving employment situation reduced unemployment security expenditure and strengthened net position.

Data from 2021 in parentheses.

- Unemployment insurance contributions and other income EUR **3,491** (3,335) million
- Unemployment benefits, adult education benefits and administrative expenses paid EUR **2,832** (3,750) million
- Change in net position (for the financial year) EUR **625** (-412) million
- Net position EUR **1,258** (633) million
- Total investments and assets EUR **2,703** (2,018) million
- Loans disbursed and other liabilities EUR **1,445** (1,385) million
- Average unemployment rate **6.8%** (7.7%)
- Return on investments **-2.9%** (0.7%)

Managing Director's review

At the start of 2022, the outlook for the Finnish economy was still reasonably bright but the situation changed quickly after the Russian invasion of Ukraine. However, despite a difficult operating environment, the employment situation in Finland improved during 2022.

The changed outlook prompted us to revise our estimates of Employment Fund's 2022 results downwards in March. The improving employment situation was, however, reflected in Employment Fund's finances and we gave two positive profit warnings in late summer. In the end, the result for 2022 was significantly better than budgeted and after two deficit years, assets could again be accumulated in the business cycle buffer.

Our liquidity remained at good level and the funding for unemployment benefits was secured. We renewed our revolving credit facilities (RCF) in early 2022, which helped to boost our liquidity still further.

There was growing uncertainty about the future during the year. We intensified financial monitoring and submitted more reports to the Financial Supervisory Authority. We also raised our cyber security preparedness level and focused on wellbeing at work and measures ensuring that our personnel can cope with their work in the challenging new situation.

Despite exceptional times, we were able to manage all our statutory tasks as set out in our objectives.



Customer satisfaction with Employment Fund's services improved significantly from the previous year. The competent and professional personnel of Employment Fund deserve thanks for their good work.

In early January, we moved to a multipurpose office located in the Ruoholahti district of Helsinki. The premises were designed and renovated for us on the basis of the needs of our personnel now and in the future. In May, we switched from full-time remote work introduced at the start of the coronavirus pandemic to a hybrid model. In the same connection, we launched a trial in which, in

addition to using the extensive and well-tried remote work model, we also worked in the office on the basis of jointly agreed principles. The trial was a success and we adopted the arrangement as our new operating model in October.

During the year, in accordance with our action plan, we improved our information security and data protection, built and strengthened competencies that are essential for digitalisation, put our customer strategy finalised last year into practice and developed our customer communications by, for example, launching a new website for our adult education allowance customers.

The seminar Nordiskt Arbetslöshetsförsäkringsmöte held in September marked the culmination of our stakeholder cooperation. The event was jointly organised by Employment Fund and the Federation of Unemployment Funds in Finland (TYJ). The seminar was attended by 79 unemployment security experts from Nordic unemployment funds, government agencies responsible for labour matters and relevant ministries. The functioning and financial durability of unemployment security systems during crises was the theme of the seminar.

In June, Finnish Parliament adopted a legislative proposal on restructuring protection and additional days of unemployment security under which the additional days will be gradually phased out and replaced with a restructuring protection package financed by Employment Fund. As in 2021, we continued our preparations for the new task by constructing a processing system and an information system supporting it, which was made operational in early 2023. The system development work will continue during 2023.

During the spring, the working group on continuous learning appointed by the Ministry of Social Affairs and Health

assessed the need to revise the system of scholarships for qualified employees and training compensation paid by Employment Fund. The working group, which completed its work in April, did not make any concrete proposals for legislative changes. The Ministry of Education and Culture also launched an evaluation of the effectiveness of adult education benefits. The findings will be published in spring 2023 and any decisions on changing the system will only be made during the next parliamentary term.

Unemployment insurance contributions were increased moderately in 2021 and 2022. Due to the positive development of employment and the Fund's finances,

we proposed that the contributions would be kept at 2022 levels in 2023. Current contribution levels will safeguard Employment Fund's liquidity and financing of the benefits while at the same time, assets will accumulate in our business cycle buffer.

JANNE METSÄMÄKI
Managing Director

Employment Fund's operating environment

There was further improvement in the employment situation in Finland and the same trend also continued elsewhere in Europe and in the United States.

The financial statements show a surplus of EUR 625 million for 2022. Employment Fund's net position was EUR 1,258 (633) million on 31 December 2022.

There was further improvement in the employment situation in Finland and the same trend also continued elsewhere in Europe and in the United States. Unemployment declined steadily during 2022, averaging 6.8%, the level recorded in 2019 before the coronavirus pandemic.

In 2022, the unemployment insurance contribution income collected from employers totalled EUR 1,327 (1,160) million and the liability component income paid by employers EUR 22 (23) million. The unemployment insurance contribution income paid by employees totalled EUR 1,424 (1,241) million.

The popularity of adult education allowance continued to increase in 2022. We paid a total of EUR 177.9 (175.3) million in adult education allowances to 30,124 (28,322) persons. The amount paid was about 1.5% higher than in 2021. Of the recipients, 811 received entrepreneur's adult education allowance and 29,313 received employee's adult education allowance. The persons that received adult education allowance under the act that entered into force on 1 August 2020 accounted for 90.3% of all beneficiaries (27,210 persons). There was a slight increase in the popularity of scholarships for qualified employees. We granted scholarships for qualified employees to 27,755 (25,949) persons in 2022. The number of approvals totalled 27,678 (26,257) and on their basis, a total of EUR 11.5 (10.4) million in scholarships were paid, which was 10.6% more than in the previous year.

Employment Fund's finances

In accordance with section 3 of the Act on the Financing of Unemployment Benefits, Employment Fund maintains a business cycle buffer 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 Employment 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 business cycle buffer may be on the liabilities side, up to the amount corresponding to the same expenditure.

The maximum value of the buffer is calculated by dividing the annual expenditure for which Employment Fund is liable (EUR 2,118 million in 2022) by the average unemployment rate for the year (6.8%), and multiplying the result by six. In 2022, the maximum permitted value of the buffer according to the Act was EUR 1,868 million. Employment Fund's net position was EUR 1,258 (633) million at the end of 2022.

Under the investment principles approved by the Supervisory Board, Employment Fund is required to have liquid investments in money market instruments with less than a year's maturity in an amount that covers one month of Employment Fund's expenses. This amount is about EUR 300 million. On average, the liquidity buffer described above was 2.6 times the minimum amount in 2022.

According to the 2023 budget submitted to the Ministry of Social Affairs and Health, the Fund's net position will amount to EUR 1,447 million on 31 December 2023. When the financial statements for 2022 were prepared, the Fund's net position at the end of 2023 was estimated to be about EUR 1,820 million.

Debt financing

The credit rating agency S&P Global Ratings has given Employment Fund a credit rating of AA+ (stable outlook)/A-1+.

Employment Fund has two bonds, each worth EUR 600 million, issued in 2020, which are due on 16 June 2023 and 16 June 2027. The Fund also has revolving credit facilities (RCF) worth EUR 600 million, agreed with four banks in 2022. The revolving credit facilities were not utilised during 2022.

In 2022, Employment Fund implemented a debt servicing plan by issuing commercial papers with a value of EUR 100 million to refinance commercial papers that were about to mature.

The credit rating agency S&P Global Ratings has given Employment Fund a credit rating of AA+ (stable outlook)/A-1+. S&P Global Ratings has given the same rating to the State of Finland.

Investment activities

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.

We manage our investment activities on the basis of the investment principles approved by the Supervisory Board, and the investment plan set by the Board of Directors. Employment Fund's investment and financial assets totalled EUR 1,885 (1,339) million at the end of 2022.

FINANCIAL OPERATING ENVIRONMENT

The economic slowdown, which had started in 2021, continued during 2022, as inflation was boosted by rising energy prices. The Russian invasion of Ukraine in February 2022 rapidly weakened Europe's security of supply for various energy commodities and increased their prices sharply. Consumer prices rose substantially in Finland and elsewhere in Europe and the same trend was also seen in other markets. Central banks started to raise their key interest rates and announced that slowing down the high inflation rate was a prime

goal. These measures had a significant impact on capital markets and the value of equities and fixed-income investments declined during 2022.

Despite a weakening economy, there was further improvement in the employment situation in Finland and the same trend also continued elsewhere in Europe and in the United States. Unemployment declined steadily during 2022, averaging 6.8%, which is the same level that was recorded in 2019 before the coronavirus pandemic.

INVESTMENT MARKET

The stagnation affecting the investment market was broad-based in 2022 as most asset classes generated negative returns. In fixed-income asset classes, higher interest rates led to extremely weak returns, and the trend was heightened by rising credit risk margins. There were also falling

share prices and negative returns in the stock market. In contrast to above, returns in alternative asset classes improved. However, their returns also gradually weakened towards the end of the year.

ALLOCATION OF INVESTMENTS

We invested assets actively in money market instruments, bonds, funds and equities, as well as alternative investments. The weight of alternative investments was increased in the investment plan for 2022. At the end of the financial period, EUR 1,098 (721) million of the Fund's assets were invested in money market instruments, EUR 669 (534) million in bonds, EUR 36 (38) million in equities, and EUR 75 (43) million in alternative investments.

In 2022, the return on our investments was -2.9% (0.7%). The return was lower than the expectation entered in the investment plan and the reference return on our investment activities.

The investment plan for 2023 was approved by Employment Fund's Board of Directors on 29 November 2022. As part of the plan, it was decided to increase the proportion of short-term fixed-income investments and to make a number of other changes to the allocation of funds.

RESPONSIBLE INVESTMENT

Responsibility in investment activities means that we take responsibility and sustainability factors into account in

our investment decisions. When we make investment decisions, we take environmental, social and governance (ESG) factors into consideration in addition to financial indicators. With the exception of index investments, we integrate ESG factors into all our investments insofar as is possible. We do our part to ensure that ESG factors are taken into consideration by commissioning an external party to review our investments two times per year and report any deviations.

We exclude companies whose operating methods are considered irresponsible with regard to factors such as corruption, child labour, employees' rights and human rights from our list of potential investments.

Furthermore, we invest in companies that comply with the UN Global Compact wherever possible.

Numerical assessment methods are used to monitor and analyse the responsibility of Employment Fund's investments. The goal is to provide a picture of the Fund's responsibility profile and map its development as comprehensively and diversely as possible. Similar metrics have been used for monitoring since 2019.

The responsibility analysis includes a review of operational responsibility metrics for the investment items and

the companies behind them, such as commitment to equality, good governance, and the development of variables used to measure environmental impact.

According to the summary of the latest analysis (covering the year 2022) produced by the asset management company commissioned to evaluate the responsibility of our investments, our environmental footprint is at a good level both in absolute terms and in relation to benchmark indices. The figures describing the responsibility of our investments have been at excellent level already since 2019. Compared to the previous analysis, there

have been significant improvements in the environmental figures, a result of lower weight for high-emission companies and higher weight for the financial sector in the portfolio. It is also noted in the summary that the social and governance indicators do not significantly differ from the benchmark indices.

According to the asset management company, our investment portfolio is also in line with the climate path specified in the Paris Agreement.

Risk management

At Employment Fund, risk management is part of internal control.

The internal control procedures and methods used by Employment Fund ensure that the Fund's Board of Directors and management have sufficient assurance that the Fund's objectives are met, sufficient access to reliable and adequate operational information and enough information on the lawfulness of the operations to support their decision-making. Risk management measures enable Employment Fund to identify, analyse and manage the threats and opportunities related to its operations and objectives.

The risk management principles used by Employment Fund are reviewed each year and approved by the Fund's Board of Directors. Employment Fund has a full-time risk manager who supports and advises the organisation in the identification

and management of risks in accordance with the risk management principles. The risk management situation picture is reported to the Fund's Board of Directors, Audit Committee and the Managing Director on a regular basis. Systemic risk management ensures that the risks taken by Employment Fund are proportionate to the Fund's objectives and the risk appetite specified in the Fund's risk management principles.

With the help of comprehensive risk management, we can ensure that all risks are identified and managed in an appropriate manner.

Cyber risk management is an important part of Employment Fund's information security and IT strategy. As part of its risk management, Employment Fund assesses and manages strategic risks that can impact the achievement of the Fund's objectives or the implementation of its strategy. The purpose of the compliance function is to ensure that Employment Fund complies with existing regulation, external instructions binding on the Fund and the Fund's own internal guidelines. The focus is on preventive activities.

MARKET RISK

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

Employment Fund may make investments directly, or indirectly through investment funds. At the end of the period under review, 14% (27%) of all investments were indirect investments.

Investment market risk

31 December 2022	Risk per cent	Capital EUR thousand	Risk EUR thousand
Bank deposits	0.50%	218,108	1,091
Money market	1.00%	830,516	8,305
State and municipal bonds	4.00%	231,058	9,242
Bank bonds	4.50%	307,430	13,834
Corporate bonds	5.00%	180,450	9,023
Shares	25.00%	36,111	9,028
Alternative investments	10.00%	74,958	7,496
Total risk	3.09%	1,878,632	58,019

31 December 2021	Risk per cent	Capital EUR thousand	Risk EUR thousand
Bank deposits	0.50%	289,826	1,449
Money market	1.00%	356,447	3,564
State and municipal bonds	4.00%	194,018	7,761
Bank bonds	4.50%	252,160	11,347
Corporate bonds	5.00%	162,983	8,149
Shares	25.00%	38,159	9,540
Alternative investments	10.00%	42,865	4,287
Total risk	3.45%	1,336,458	46,097

The total risk was 3.09% (3.45%) of the Fund's assets and 1.7% (1.4%) of the Fund's income in 2022. The risk posed by the investment portfolio is moderate due to its conservative structure and moderately low risk level of the securities in the portfolio.

As in 2021, all money market investments were variable-rate investments. Altogether 8% (9%) 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 31 December 2022, the Euribor rates and interest rate curve (swap rates) had been 0.5 percentage points higher while all other variables had remained constant, the total change in net position would have been reduced by EUR 9.40 (6.06) million.

Respectively, if on 31 December 2022 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 9.40 (6.06) million.

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. Employment 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 spread duration of the credit risk included in the investments at the end of the period under review was 1.28 (1.49) years.

The average credit rating of the investment portfolio is evaluated on Standard & Poors scale, which is based on historical probabilities of credit losses. The credit rating of the investment portfolio was estimated to be BBB+ (BBB+) on 31 December 2022.

The following table describes Employment Fund's fixed-income investments and creditworthiness by group.

Investments distributed by the issuer's rating *	31 Dec 2022 EUR thousand	31 Dec 2022 per cent	31 Dec 2021 EUR thousand	31 Dec 2021 per cent
AAA	112,814	6.4%	61,332	4.9%
AA+	130,509	7.4%	110,224	8.8%
AA	7,391	0.4%	51,395	4.1%
AA-	555,907	31.5%	403,849	32.2%
A+	348,434	19.7%	119,822	9.5%
A	47,589	2.7%	63,722	5.1%
A-	145,574	8.2%	121,257	9.7%
BBB+	102,284	5.8%	55,768	4.4%
BBB	176,883	10.0%	180,243	14.4%
BBB-	67,250	3.8%	31,265	2.5%
BB+	40,965	2.3%	6,812	0.5%
BB	4,678	0.3%	3,649	0.3%
BB-	-	0.0%	-	0.0%
B+	-	0.0%	-	0.0%
B	-	0.0%	-	0.0%
B-	-	0.0%	-	0.0%
CCC+	-	0.0%	-	0.0%
CCC	-	0.0%	-	0.0%
NR	27,280	1.5%	46,100	3.7%
Total	1,767,560	100.0%	1,255,438	100.0%

* 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 an official credit rating, so the credit quality of these entities is determined using credit ratings received from a third party.

The amount of Employment Fund's unemployment insurance contribution receivables, liability component receivables, Employment Contracts Act (ECA) reconciliation receivables, benefit receivables, and interest receivables, are included in the credit risk. The most important factor in the realisation of the aforementioned credit risk is related to cases in which customers liable for paying unemployment insurance contributions become insolvent (due to bankruptcy, corporate restructuring or debt restructuring).

The number of bankruptcy petitions increased compared to 2021, while the number of corporate restructurings declined during the first two quarters of 2022, compared to 2021. However, the number of corporate restructurings increased towards the end of 2022, as forecast in the half-year report. However, the changes to the Restructuring of Enterprises Act, which entered into force on 1 July 2022 and state that companies can seek early restructuring have not had any impact on the collection activities of Employment Fund.

The changes to the Credit Information Act entered into force on 1 December 2022. The removal of the payment default entry 30 days after the details of the debt payment have been entered in the credit information register is the most important change concerning the collection activities of Employment Fund. It is still too early to estimate the impact of these changes on the effectiveness of Employment Fund's collection activities.

LIQUIDITY RISK

The Fund aims to manage liquidity risk as follows:

1. Liquid realisable investments
2. Short-term loans
3. Maintaining unemployment insurance contributions at a reasonable level and increasing them as necessary

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 borrowing to cover the temporary liquidity deficit. For this purpose, the Fund has a commercial paper programme totalling EUR 300 (300) million, of which EUR 200 million remain unused. The Fund also has EUR 600 (800) million in committed revolving credit facilities (RCF) with four commercial banks. The revolving credit facilities have not been utilised.

The figures in the tables are in EUR million.

Unused committed credit facilities	31 December 2022	31 December 2021
RCF due in one year (state guarantee)	0	800
RCF due in more than one year *	600	0
Total	600	800

* The contracts are subject to an extension option of 12 months.

Unused uncommitted credit facilities	31 December 2022	31 December 2021
Commercial paper programme	200	200
Total	200	200

In 2022, we also relied on debt funding to secure our liquidity, using capital markets and domestic commercial paper markets.

Employment Fund has the following issuer credit ratings as confirmed by Standard & Poors (7 October 2022):

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

At the end of the period under review, EUR 1,200 (1,200) million in bonds, and EUR 100 (100) million in commercial papers were in use. No bank loans were in use on 31 December 2022 (EUR 0 December 2021).

FIXED INTEREST RATE PERIODS FOR LOANS

The fixed interest rate periods for loans in the statement of net position calculations were as presented in the table.

31 Dec 2022 Loans	Nominal value EUR million	Fixed interest rate period in years	Interest rate	Due date	Credit rating
Bond 2023	600	0.46	0.00%	16 June 2023	AA+
Bond 2027	600	4.46	0.01%	16 June 2027	AA+
Commercial papers	100	0.25	-0.05%	1–12 months	No rating
Total	1,300	2.28			

31 Dec 2021 Loans	Nominal value EUR million	Fixed interest rate period in years	Interest rate	Due date	Credit rating
Bond 2023	600	1.46	0.00%	16 June 2023	AA+
Bond 2027	600	5.46	0.01%	16 June 2027	AA+
Commercial papers	100	0.25	-0.30%	1–12 months	No rating
Total	1,300	3.20			

MATURITY OF FINANCIAL LIABILITIES

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

The figures are in EUR thousand.

Maturities of financial liabilities based on contracts 31 Dec 2022	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	881	0	0	0	881	881
Loans	700,060	0	120	600,120	1,300,300	1,298,609
Liabilities associated with right-of-use assets	3,588	0	0	0	3,588	3,588
Total	704,529	0	120	600,120	1,304,769	1,303,077

Maturities of financial liabilities based on contracts 31 Dec 2021	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	861	0	0	0	861	861
Loans	100,060	0	600,120	600,180	1,300,360	1,299,187
Liabilities associated with right-of-use assets	3,735	0	0	0	3,735	3,735
Total	104,656	0	600,120	600,180	1,304,956	1,303,783

Personnel

At the end of 2022, the number of personnel was 167 (151).

In person-years, the average number of personnel was 147 (132). In 2022, the average number of employees was 169 (164) and the Fund paid EUR 8,571,589 in salaries and EUR 44,346 in fringe benefits. The 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 54 (46) and women for 113 (105) of the personnel. The average employee age was 41 (41) years, and the average duration of employment at Employment Fund was 5.9 years.

Promoting and constantly monitoring employee wellbeing are key priorities at Employment Fund. We examined employee wellbeing in an extensive personnel survey in spring 2022 and in pulse surveys on a quarterly basis. The results showed that our personnel value the flexible hybrid work opportunities offered by the Fund and that in the employees' view, the feedback culture in the Fund has improved.

The average rate of absence due to illness was 12.76 (10.02) days per person. The average number of training days per person was 1.42 (2.33).

Employment Fund's Managing Director is Janne Metsämäki, LL.M.

Events after the financial period

There was a slight rise in the number of unemployed jobseekers in early 2023. As economic growth has slowed down and is now close to zero, many companies have announced that they will start change negotiations with their personnel. There is now more uncertainty about employment trends.

The inflation rate is expected to remain high. Central banks are expected to further tighten the monetary policy and key interest rates will probably increase during the early part of 2023. Economic growth in the near future is particularly difficult to predict and growth below the baseline projection may adversely impact the Fund's finances.

Economic growth in Finland is expected to slow down even though the outlook for Europe has become more positive in recent months. Wage bill trends and purchasing power will be crucially impacted by the ongoing labour market negotiations on the new collective agreements. A slight reduction in total output is expected, especially during the first half of 2023. Fluctuations in capital markets have returned to relatively moderate levels and the values of equities and fixed-income

investments have recovered from the lowest levels experienced in 2021.

Even though the economic operating environment will remain difficult during the early part of 2023, the outlook for Employment Fund at the time of the preparation of the financial statements is slightly better than in the budget for 2023. Our estimate in August was that the gradual slowdown of the Finnish economy would already be reflected in higher unemployment security expenditure during the last months of 2022. However, as a result of the improvements in the employment situation during the last months of 2022, the total amount of the contributions paid by Employment Fund during the year will remain lower than previously estimated.

Strong wage bill growth in 2022 has also helped to consolidate the Fund's financial basis.

We expect a slight rise in unemployment during 2023 and a fall in the employment rate, especially during the first half of the year. Our estimate is that the change in our net position in 2023 would be positive to the amount of about EUR 560 million (budgeted amount EUR 380 million) and that our net position at the end of the year would be about EUR 1,820 million (budgeted amount EUR 1,447 million).

We will continue to develop our activities, focusing on better customer experience, more extensive automation and higher efficiency. We are currently updating our strategy and the changes in our operating environment will be taken into account in the process.

Helsinki, 28 February 2023

Employment Fund

Board of Directors

Condensed financial statements and notes

Employment Fund's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, conforming with the IAS and IFRS standards as well as the SIC and IFRIC interpretations applicable as per 31 December 2022.

IFRS refers to the standards and interpretations applicable to corporations and set out in the Finnish Accounting Act and the 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 Finnish accounting and corporate legislation supplementing IFRS standards.

STATEMENT OF CHANGES IN NET POSITION

The figures are in EUR thousand.

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Contributions collected		
Unemployment insurance contributions and other income	3,490,831	3,334,855
Total contributions collected	3,490,831	3,334,855
Financing contributions paid		
Financing contributions paid	-2,809,083	-3,724,310
Administrative expenses	-22,685	-25,505
Total financing contributions paid	-2,831,768	-3,749,815
Net fair value gains on investments	-36,155	4,124
Financing costs	1,806	-666
Change in net position	624,714	-411,502

STATEMENT OF NET POSITION

The figures are in EUR thousand.

	31 December 2022	31 December 2021
ASSETS		
Non-current assets		
Property, plant and equipment	3,365	3,735
Intangible assets	2,581	3,614
Other receivables	0	328
Total non-current assets	5,946	7,677
Current assets		
Unemployment insurance contribution receivables	13,626	3,356
Accruals of unemployment insurance contributions	701,769	622,164
Other receivables	96,348	46,292
Investment assets	1,660,524	1,046,293
Cash and cash equivalents	224,711	292,326
Total current assets	2,696,977	2,010,431
Total assets	2,702,923	2,018,108

	31 December 2022	31 December 2021
NET POSITION		
For previous periods	633,263	1,044,765
For the period	624,714	-411,502
Total net position	1,257,977	633,263
LIABILITIES		
Non-current liabilities		
Bonds	598,205	1,198,945
Total non-current liabilities	598,205	1,198,945
Current liabilities		
Loans	700,404	100,242
Unemployment insurance contribution liabilities	1,533	1,846
Other liabilities	144,805	83,813
Total current liabilities	846,741	185,900
Total liabilities	1,444,946	1,384,845
Total net position and liabilities	2,702,923	2,018,108

STATEMENT OF CASH FLOWS

The figures are in EUR thousand.

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Unemployment insurance contributions collected	3,484,581	3,252,016
Financial contributions paid	-2,901,148	-3,763,083
Interests paid	-2,186	-2,884
Net cash and cash equivalent used in ordinary operations	581,247	-513,951
Cash flows from investments		
Purchases of property, plant, and equipment	0	0
Purchases of intangible assets	-971	-683
Investments in financial instruments	-2,954,750	-1,245,581
Sales of investment instruments and realised income	2,307,437	1,403,696
Other non-current assets	0	0
Net cash and cash equivalents generated from investments	-648,283	157,431
Loans withdrawn and repaid	-578	12,553
Net cash and cash equivalents generated from financing activities	-578	12,553
Net increase/decrease in cash and cash equivalents	-67,615	-343,966
Cash and cash equivalents at the beginning of the financial period	292,326	636,292
Cash and cash equivalents at the end of the financial period	224,711	292,326

BUSINESS CYCLE BUFFER

As required under the law, Employment Fund maintains a business cycle buffer to ensure liquidity and balance fluctuations in unemployment insurance contributions. In 2022, the maximum amount of the buffer corresponded to the annual expenditure for an unemployment rate of six percentage points. During a severe economic downturn, the Fund may maintain a deficit equal to the amount of expenditure. The investment of the assets accrued in the buffer is regulated by the Fund's investment principles and 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 the buffer is calculated by dividing Employment Fund's annual expenditure by the average unemployment rate for the year and multiplying the result by six. The following table presents the amount of the business cycle buffer and the minimum and maximum amounts of the buffer as specified in the Act. The figures are in EUR million.

Business cycle buffer	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Amount	1,258	633
Maximum amount	1,868	2,220
Minimum amount	-1,868	-2,220

UNEMPLOYMENT INSURANCE CONTRIBUTIONS

The figures are in EUR thousand.

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Employer's unemployment insurance contributions		
Employer's insurance contributions	1,323,956	1,156,781
Employer's insurance contributions, co-owners	2,021	2,082
Total	1,325,977	1,158,862
Employee's unemployment insurance contributions		
Employee's insurance contributions	1,420,828	1,238,402
Employee's insurance contributions, co-owners	2,979	2,705
Total	1,423,808	1,241,107
Collection fee income		
Interest on overdue employer contributions	299	340
Interest on overdue employee contributions	330	281
Collection fee income	275	159
Total	905	780
Liability components of employer's unemployment allowances		
Liability components	19,595	14,944
Accruals	2,729	7,826
Total	22,324	22,770
Compensation in accordance with the Employment Contracts Act (ECA)		
Compensation and lay-off income according to the ECA	974	1,127
Settlement to the Ministry of Social Affairs and Health	-489	-473
Total	484	654
Contributions from the Ministry of Social Affairs and Health		
Earnings-related unemployment allowance	703,550	896,630
Job alternation compensation	11,012	9,225
Equalisation payment for the previous year	-121	2,635
Adult education benefits	2,892	2,192
Total	717,334	910,681
Total unemployment insurance contributions	3,490,831	3,334,855

FINANCING CONTRIBUTIONS PAID

The figures are in EUR thousand.

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021		1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Contributions paid by Employment Fund			State Pension Fund		
Other earnings-related unemployment allowance	-684,505	-875,669	Equalisation payment for the previous year	505	-1,139
Additional days of allowance	-138,902	-115,638	Payment for the current financial period	-8,570	-10,087
Lay-off allowance	-191,114	-442,243	Total	-8,065	-11,226
Job alternation compensation	-14,481	-11,960	Social Insurance Institution of Finland		
Compensation for administrative expenses	-10,732	-12,656	Equalisation payment for the previous year	1	1
Equalisation payment for the previous year	822	-4,627	Basic allowance, additional component, employment programme additional benefit	-242,700	-239,000
Total	-1,038,912	-1,462,793	Total	-242,699	-238,999
Government contribution paid to unemployment funds			Adult education benefits		
Other earnings-related unemployment allowance	-688,419	-878,234	Scholarships for qualified employees	-11,467	-10,415
Job alternation compensation	-11,012	-9,225	Adult education allowance	-177,871	-175,307
Unemployment allowance/entrepreneurs	-6,963	-8,623	Collection expenses for benefits	-8	-6
Compensation for administrative expenses	-8,169	-9,773	Total	-189,347	-185,728
Equalisation payment for the previous year	386	-3,572	Ministry of Economic Affairs and Employment		
Total	-714,176	-909,426	Equalisation payment for the previous year	0	0
Finnish Centre for Pensions			Payment for the current financial period	-19,786	-14,391
Equalisation payment for the previous year	36,872	-66,779	Total	-19,786	-14,391
Payment for the current financial period	-633,000	-835,000	Member State invoicing for unemployment allowances		
Total	-596,128	-901,779	Invoiced by Member States	-61	-40
			Invoiced by the Fund	92	73
			Total	31	33
			Total financing contributions paid	- 2,809,083	- 3,724,310

ADMINISTRATIVE EXPENSES

The figures are in EUR thousand.

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Personnel expenses		
Salaries, bonuses, and benefits	-8,474	-7,887
Pension expenses – defined contribution plans	-1,494	-1,341
Social security expenses	-297	-258
Total	-10,265	-9,486
Personnel expenses, management salaries, and bonuses		
Management Group (excl. Managing Director)	-635	-635
Managing Director	-197	-169
Board of Directors and Supervisory Board	-152	-155
Pension expenses – defined contribution plans	-159	-151
Total	-1,143	-1,110
Other administrative expenses		
IT expenses	-3,258	-3,019
Other personnel expenses	-450	-575
Expenses for office premises	-232	-975
Office expenses	-1,528	-2,114
Other expenses	-4,177	-4,410
Amortisation	-2,689	-4,801
Total	-12,335	-15,893
Auditor's fee		
Statutory audit	-85	-92
Other fees	0	-33
Total	-85	-126
Total administrative expenses	-22,685	-25,505

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Number of personnel		
Permanent employees	151	135
Fixed-term employees	16	16
Total	167	151

NET FAIR VALUE GAINS ON INVESTMENTS

The figures are in EUR thousand.

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Dividend income	1,753	659
Gains on disposals	5,263	1,980
Other income	671	38
Net interest income	7,034	3,460
Net foreign exchange gains	391	10
Net change in value	-35,402	9,115
Losses on disposals	-15,667	-10,889
Other expenses	-199	-247
Net gains on investments	-36,155	4,124

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. The measurement of these assets is primarily based on 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, 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 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 period. The figures are in EUR thousand.

31 December 2022	Level 1	Level 2	Level 3	Total
State and municipal bonds	181,471	49,587	0	231,058
Bank bonds	297,854	0	0	297,854
Corporate bonds	166,536	0	0	166,536
Investments in funds and shares	146,135	13,795	0	159,931
Mezzanine funds	0	0	1,030	1,030
Deposits	0	168,165	0	168,165
Certificates of deposit	0	372,754	0	372,754
Municipal papers	0	7,979	0	7,979
Commercial papers	0	181,288	0	181,288
Alternative investments	0	0	73,928	73,928
Total	791,997	793,568	74,958	1,660,524

31 December 2021	Level 1	Level 2	Level 3	Total
State and municipal bonds	118,939	75,079	0	194,018
Bank bonds	232,603	0	0	232,603
Corporate bonds	148,066	0	0	148,066
Investments in funds and shares	221,257	18,815	0	240,072
Mezzanine funds	0	0	1,988	1,988
Deposits	0	105,140	0	105,140
Certificates of deposit	0	21,017	0	21,017
Municipal papers	0	1,000	0	1,000
Commercial papers	0	61,512	0	61,512
Alternative investments	0	0	40,877	40,877
Total	720,864	282,563	42,865	1,046,293

Changes in Level 3 financial assets measured at fair value The figures are in EUR thousand.

	1 January 2022	Unrealised profit/loss	Realised profit/loss	Purchases	Sales	31 December 2022
Mezzanine funds	1,988	-130	0	17	-845	1,030
Alternative investments	40,877	2,312	0	30,739	0	73,928
Total	42,865	2,182	0	30,756	-845	74,958

	1 January 2021	Unrealised profit/loss	Realised profit/loss	Purchases	Sales	31 December 2021
Mezzanine funds	2,904	454	0	19	-1,389	1,988
Alternative investments	18,566	1,074	0	21,237	0	40,877
Total	21,470	1,528	0	21,256	-1,389	42,865

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 of the reporting dates 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 for the effect of changes in the credit risk of the investment. However, the adjustment has not had any 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 as Level 1, 2 or 3 assets by their market activity and marketability. Equity investments are quoted on the Helsinki Stock Exchange, and they have been classified at Level 1. The amount of equity investments is minor.

LOANS

The figures are in EUR thousand.

Long-term loans	31 December 2022	31 December 2021
Employment Fund bonds	598,205	1,198,945
Total long-term loans	598,205	1,198,945

Short-term loans	31 December 2022	31 December 2021
Employment Fund bonds	600,358	0
Commercial papers	100,046	100,242
Total short-term loans	700,404	100,242

LIABILITIES AND RECEIVABLES NOT RECOGNISED IN THE STATEMENT OF NET POSITION

The figures are in EUR thousand.

	31 December 2022	31 December 2021
Committed capital	5,250	5,250
Realised	-5,056	-5,039
Total investment commitments	194	211

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 are three years and three months remaining on the lease of the office and warehouse premises, after which the contract becomes cancellable and subject to a notice period of nine months. The remaining term of the lease for the car is one year and ten months.

Helsinki, 28 February 2023


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