

**IFRS FINANCIAL STATEMENTS 2014  
OF  
THE UNEMPLOYMENT INSURANCE FUND**

## STATEMENT OF CHANGES IN NET POSITION

€	Note	1.1.-31.12.2014	1.1.-31.12.2013
<b>Contributions collected</b>			
Unemployment insurance contributions	6	3 030 983 611	3 261 162 235
<b>Total contributions collected</b>		<b>3 030 983 611</b>	<b>3 261 162 235</b>
<b>Benefits paid</b>			
Benefit payments	7	-3 696 652 542	-3 178 664 838
Administrative expenses	8	-9 315 401	-7 372 991
<b>Total benefits paid</b>		<b>-3 705 967 943</b>	<b>-3 186 037 829</b>
<b>Net fair value gains on investments</b>	14	3 933 522	2 125 139
<b>Finance costs</b>	9	-796 720	-412 310
<b>TOTAL CHANGES IN NET POSITION</b>		<b>-671 847 529</b>	<b>76 837 234</b>

## STATEMENT OF NET POSITION

€	Note	31.12.2014	31.12.2013	1.1.2013
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	10	775 272	603 626	2 672 348
Intangible assets	11	259 143	489 401	699 557
<b>Total non-current assets</b>		<b>1 034 415</b>	<b>1 093 027</b>	<b>3 371 905</b>
<b>Current assets</b>				
Unemployment insurance contribution receivables	12	6 186 960	3 498 129	4 068 680
Other receivables	13	65 913 426	58 400 402	68 211 676
Investments	14	384 867 010	779 730 787	653 331 921
Cash and cash equivalents	15	39 766 539	24 880 268	67 510 289
Non-current assets classified as held for sale	16	0	1 896 759	0
<b>Total current assets</b>		<b>496 733 935</b>	<b>868 406 345</b>	<b>793 122 566</b>
<b>Total assets</b>		<b>497 768 351</b>	<b>869 499 371</b>	<b>796 494 469</b>
For previous periods		662 651 376	585 814 142	292 796 771
For the period		-671 847 529	76 837 234	293 017 371
<b>NET POSITION</b>		<b>-9 196 153</b>	<b>662 651 376</b>	<b>585 814 142</b>
<b>Current liabilities</b>				
Borrowings	17	267 997 744	5 996 504	29 766 800
Unemployment insurance contribution payables	12	42 340 019	21 305 930	10 118 394
Other liabilities	18	196 626 742	179 545 562	170 795 134
<b>Total current liabilities</b>		<b>506 964 504</b>	<b>206 847 995</b>	<b>210 680 328</b>
<b>Total net position and liabilities</b>		<b>497 768 351</b>	<b>869 499 371</b>	<b>796 494 469</b>

## STATEMENT OF CASH FLOWS

€	1.1.-31.12.2014	1.1.-31.12.2013
<b>Unemployment insurance contributions collected</b>	<b>3 063 948 273</b>	<b>3 268 093 941</b>
<b>Benefits paid</b>	<b>-3 629 250 315</b>	<b>-3 221 350 967</b>
<b>Interest paid</b>	<b>-2 635</b>	<b>-3 460</b>
<b>Net cash used in ordinary activities</b>	<b>-565 304 677</b>	<b>46 739 514</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	-372 886	-197 544
Proceeds from sale of property, plant and equipment	2 950 000	0
Purchases of intangible assets	-104 986	-141 205
Investments in financial assets	-10 520 267 967	-14 476 264 189
Proceeds from sale of financial assets	10 842 089 036	14 387 233 404
<b>Net cash generated from investing activities</b>	<b>324 293 197</b>	<b>-89 369 534</b>
Proceeds from borrowings	255 897 751	0
<b>Net cash generated from financing activities</b>	<b>255 897 751</b>	<b>0</b>
Net increase(+)/decrease(-) in cash and cash equivalents	14 886 271	-42 630 020
Cash and cash equivalents at beginning of year	24 880 268	67 510 289
<b>Cash and cash equivalents at end of year</b>	<b>39 766 539</b>	<b>24 880 268</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Accounting policies of the financial statements

#### 1 General information

The Unemployment Insurance Fund ("UIF", "the Fund") (business ID 1098099-7), established in 1999, is an independent institution managed by labour market parties and supervised by the Ministry of Social Affairs and Health and Finnish Financial Supervisory Authority, whose main objective is to finance unemployment benefits. The Fund also directs, develops and supervises the implementation of the collection procedure of unemployment insurance contributions and determines and collects the employer's liability component of unemployment allowances. In addition, the Fund manages employer's professional educational allowances. The professional education allowance is based on the Act on Compensating Professional Education (1140/2013). The Unemployment Insurance Fund is domiciled in Helsinki, and its address is Kansakoulukuja 1, 00100 Helsinki.

The Fund's operations are financed with the unemployment insurance contributions collected from employers and employees, and investment income. The collection of unemployment insurance contributions was a duty of accident insurance institutions until the end of 2012. The Unemployment Insurance Fund started to manage the collection of unemployment insurance contributions in the beginning of 2013.

The Unemployment Insurance Fund makes monthly prepayments for the financing shares to the unemployment funds on the basis of applications received by the Fund. The Fund also processes and pays the prepayments for the government contributions. The Fund's operations are based on the Act on Financing of the Unemployment Benefits (555/1998), the Decree of the Financing of the Unemployment Benefits (1176/98) and on the Decree on Rules of Procedure of the Unemployment Insurance Fund (862/1998) with amendments.

The principal accounting policies applied in the financial statements of the Fund are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### 2 Summary of significant accounting policies

##### 2.1 Basis of preparation

The financial statements of the Unemployment Insurance Fund 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 2014. IFRS refer to the standards and interpretations applicable by corporations set out by the Finnish accounting ordinance and other guidance set out on the basis of this ordinance enforced for application in accordance with the procedure stipulated in the 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.

The Unemployment Insurance Fund publishes the first financial statements prepared under IFRS standards for the financial period ending 31 December 2014 with comparative information for the financial period ending 31 December 2013. The Unemployment Insurance Fund applies in these financial statements IFRS 1 *First-time adoption of International Financial Reporting Standards* with the date of transition 1 January 2013. The Unemployment Insurance Fund has previously applied Finnish Accounting Standards (FAS).

The Unemployment Insurance Fund is a non-profit, government-affiliated fund whose operations are based on the Act on Financing of the Unemployment Benefits, the Decree of the Financing of the Unemployment Benefits and on the Decree on Rules of Procedure of the Unemployment Insurance Fund with amendments, as stated in section 1.

UIF collects and pays unemployment insurance contributions. UIF does not carry out such business activities where it would generate revenues arising from the sale of goods or rendering of services. Due to the nature of UIF's operations, the Fund does not generate revenues and common revenue recognition principles do not apply. IFRS standards do not directly regulate the structure of IFRS financial statements of a fund like UIF, or the basis for recognition and measurement of transactions. In preparation of UIF's IFRS financial statements, the framework of IFRS standards and general principles for recognition and measurement have been applied. Due to these factors, the primary statements of UIF's IFRS financial statements are the statement of changes in net position, the statement of net position and the statement of cash flows.

The changes in net position for the financial period consist of the sum of unemployment insurance contributions collected and paid, gains on investments and financial items. The difference between the assets and the liabilities of the Fund reflects the accumulated net position, which is also referred to as business cycle buffer. A more detailed description of the business cycle buffer is provided in note 5.2. UIF has no shares or equity. Therefore, these IFRS financial statements do not include the statement of changes in equity, however the statement of changes in net position is presented as a separate primary statement.

During the financial periods presented the Fund has not had any such transactions that should have been recognised in other comprehensive income. Therefore, these IFRS financial statements do not include the statement of other comprehensive income.

UIF does not operate as an insurer as it does not issue or hold insurance or reinsurance contracts. Therefore, the Fund's operations are not in the scope of IFRS 4 *Insurance Contracts*.

The impacts arising from the first-time adoption of the IFRS standards are presented in reconciliations included in note 3 to the financial statements.

The financial statements have been prepared primarily under the historical cost convention as modified by fair valuation of financial assets classified at fair value through profit or loss. The financial statements are presented in euros unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the financial statements. Significant accounting estimates and judgements have been described in note 4.

### **2.1.1 New standards and interpretations not yet adopted**

The Unemployment Insurance Fund has not yet applied the following new and amended standards and interpretations already issued but not endorsed by the European Union. The Fund will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

Amendments to IAS 1 are part of IASB's "Disclosure Initiative" project. The changes concern the definition of materiality, consolidation, presentation of sub totals, structure of the financial state-

ments and presentation of accounting principles. Amendments are effective for accounting periods beginning on or after 1 January 2016. The amendments are not yet endorsed by EU.

IFRS 9 will replace IAS 39 as a whole. Parts of the IAS 39 standard are transferred unchanged to the new standard. Primary changes are as follows: IFRS 9 requires financial assets to be classified into three measurement categories: those measured as amortised cost, those measured as at fair value through other comprehensive income and those measured as at fair value through profit and loss. The category is determined at initial recognition and it depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. 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. The standard is effective for accounting periods beginning on or after 1 January 2018. The standard is not yet endorsed by EU.

The Fund is currently analysing the effects of the new standards. There are no other IFRS standards or IFRIC interpretations that are not yet effective and that would be expected to have material impact on the Unemployment Insurance Fund.

## **2.2 Foreign currency translation**

The financial statements are prepared in euros which is UIF's functional and presentation currency. Fund's foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Deposits denominated in foreign currencies are measured at fair value through profit and loss, and the effects of changes in exchange rates have been presented as part of the total fair value change.

## **2.3 Unemployment insurance contributions**

The Unemployment Insurance Fund determines and collects the unemployment insurance contributions based on the Chapter 7 of the Act on Financing of the Unemployment Benefits. Determination and collection of unemployment insurance contributions was transferred from accident insurance institutions to the Unemployment Insurance Fund at the beginning of insurance year 2013. Accident insurance institutions are responsible for the determination and collection of insurance contributions for 2012 and earlier. Accident insurance institutions pay unemployment insurance contributions to the Fund at fixed dates.

Unemployment insurance contribution prepayments are determined in the year preceding the insurance year, and recognised as income according to their due dates in the insurance year. Payments determined during the insurance year, like contributions from new employers liable for payment are recognised directly as income when determining the unemployment insurance contribution. Unemployment insurance prepayments concerning the year following the insurance year paid by employers are recognised as prepayments and accrued income and accruals and deferred income. In so far as fees have not been paid in advance unemployment insurance advances are offset.

Unemployment insurance contribution income relating to 2012 and before, collected by accident insurance institutions and paid to the Unemployment Insurance Fund, are recognised as expense for the current financial period on the basis of the insurance companies' reports.

### **2.3.1 Employer's liability components of unemployment allowance**

The Unemployment Insurance Fund determines and collects liability component compensations of unemployment allowances from employers. The liability component of unemployment allowance applies to the employers whose payroll amount, serving as the basis for the calculation of the unemployment insurance contribution, exceeds the minimum level of EUR 1 990 500 (in 2014). The employer may be required to pay employer's liability component of unemployment allowances if it has terminated or laid off an aged employee who have had an employment contract for indefinite period and more than three years of employment and the employee has been long-term unemployed or laid off. Unemployment benefit expenses are financed by the liability component compensations.

Collected liability component contributions that cover the costs of unemployment allowances are recognised as income for the period when the income amount can be reliably measured. In order to cover the additional daily unemployment benefits the collected liability component compensations are recognised as income within several financial periods based on the estimate of the realisation of corresponding expenses.

### **2.3.2 Compensations in accordance with the Employment Contracts Act 12:3**

According to the Employment Contracts Act, the courts have to hear the Unemployment Insurance Fund in disputes that relate to the termination of employment and when the claimant has received earnings-related unemployment allowance after the termination of employment. As a rule, 75 % of the earnings-related daily unemployment allowance received by the employee during the indemnity period is deducted from the indemnity imposed to the employer for an unfounded termination of employment. The court shall assign the employer to make the deduction payment to the Fund. If the employer and the employee agree on the indemnity, this agreement should take into account the share received by the Fund.

### **2.3.3 Receivables subject to debt-collection**

The Fund collects and enforces neglected unemployment insurance contributions, those subject to enforcement, and contributions due by companies in bankruptcy or debt restructuring proceedings. The collection and enforcement of contributions due in 2012 and before is managed by the insurance companies as authorised by the agreement between the Fund and the Federation of Accident Insurance Institutions. The insurance companies settle the accumulated insurance contributions in their quarterly reports.

Thus, the insurance contributions subject to debt-collection or enforced collection at the end of the reporting period are not included in the Fund's contribution income or insurance contribution receivables.

## **2.4 Benefits paid**

### **2.4.1 Subsidies to the unemployment funds**

Based on the Act on the Financing of Unemployment Benefits (555/1998) and with regard to the financing of earnings-related unemployment allowances, the Unemployment Insurance Fund is responsible for expenses from basic unemployment allowances, employment promotion measures and from job alternation compensations insofar as the state or individual unemployment funds are not liable for these. The above-mentioned benefits are paid from the unemployment funds. Adult education allowance is paid from the Education Fund. In addition, the Unemployment Insurance Fund is responsible for the unemployment insurance contributions for unemployed persons and recipients of

the adult education allowance that are paid through the Finnish Centre for Pensions to the employment pension institutions.

According to the Decree on the Implementation of the Act on Unemployment Funds (272/2001), the processing of prepayment applications and payment decisions together with monitoring the sufficiency of the prepayments are at the responsibility of the Unemployment Insurance Fund. The Fund makes prepayments to the unemployment funds twice a month in accordance with the budget approved in the end of previous financial period. The Fund receives monthly statistics from the Financial Supervisory Authority on the accumulated allowances paid by the funds to their customers, and based on that the Fund has accrued the prepayments and actual payments to each fund either as receivable or liability in its accounts. This accrual is recognised by benefit type.

The funds for the government contribution paid to unemployment funds are received from the Ministry of Social Affairs and Health and The Ministry of Employment and the Economy. The Fund transfers the prepayments of government contributions to the unemployment funds on the first banking day of each month. In 2014, the Ministry of Social Affairs and Health paid the government contributions to the Fund as fixed monthly payments, unless otherwise proposed by the Unemployment Insurance Fund.

The income received from the ministries and the expenditures paid to the unemployment funds have been recognised to the extent to how much of each benefit the unemployment funds have paid to their customers. The Ministry of Social Affairs and Health will confirm the financial statements of the unemployment funds on the basis of final information in summer 2015 when the Fund will make the equalisations in account balances between the unemployment funds and the state.

In accordance with the Act on the Financing of Unemployment Benefits, the Unemployment Insurance Fund is responsible for expenses related to additional days to the unemployment benefits. The Unemployment Insurance Fund has the sole responsibility for financing of the supplementary allowance and change security supplement of the basic unemployment allowance. These benefits are paid both by the unemployment funds and Social Insurance Institution of Finland.

Based on the Section 19a of the Act on Unemployment Funds (556/1998), the Fund pays a membership fee equalisation payment to those employee's funds that have paid significantly more unemployment benefit days in the previous year than the average per member for all unemployment funds, in order to even out the unemployment burden prevailing in different industries, within the limits of an appropriation decided by the Supervisory Board each year. The balance of the unemployment fund's equalisation fund may also be taken into account in determining the membership fee equalisation payment. The Board of Directors of the Fund has also paid attention to the level of membership fees in relation to other unemployment funds and to changes in membership fees in the two preceding years.

#### **2.4.2 Payments to the Finnish Centre for Pensions and State Pension Fund and their accrued interest**

The Unemployment Insurance Fund's second largest expense has been the contribution paid to the Finnish Centre for Pensions that is to cover the liabilities and expenses arising from taking into account the time of unemployment, education and job alternation leave (Employees Pension Act (395/2006), Sections 74 and 182). The amount of this contribution is determined by estimating the average amount of pension contributions that would be paid for the unpaid periods that constitute the basis of the accrued pension security.

As stated above, the Unemployment Insurance Fund is responsible for the contribution provided for in Sections 62 and 133 of the State Employee's Pension Act (1295/2006) to the State Pension Fund.

Payments made to the Finnish Centre for Pensions for the financial year in accordance with the Section 12c of the Employees Pensions Act (561/1998) are based on an estimate provided by the Finnish Centre for Pensions, specified in connection with the financial statements. The difference between the payments made and the adjusted estimate is recognised as prepayments and accrued income or accruals and deferred income. The final payment amount is received from the Finnish Centre for Pensions in the spring of the year following the financial year, and the difference between the final payment and the payment estimate used in the financial statements is presented as an adjustment, an equalisation payment for the previous year, in the following year's financial statements. The revised payment for the year and the equalisation payment for the previous year have been specified in the notes to the financial statements.

The Finnish Centre for Pensions assigns interest on the charges ordered for the Unemployment Insurance Fund according to the TyEL interest rate. The revised payment included in the financial statements accrues interest until the end of the financial year (debiting interest). The Finnish Centre for Pensions refunds the interest to the Unemployment Insurance Fund according to the actual payments and payment dates (compensatory interest). The final payment amount determined in the following year accrues interest until the clearance date agreed between the Finnish Centre for Pensions and the Fund (previous year's debiting interest). Compensatory interest is correspondingly calculated for all payments made by the Fund in the previous year (compensatory interest for the previous year's payments). The debiting and compensatory interests for payments to the State Pension Fund are calculated in a manner identical to the above.

#### **2.4.3 Settlement to Kela of income from the unemployment insurance contributions of employees who are not members of an unemployment fund**

Based on Sections 8 and 23 of the Act on the Financing of Unemployment Benefits (555/1998), the Fund pays to Kela an annual amount from employee's unemployment insurance contribution income, corresponding to the percentage of employees who are not members of an unemployment fund. The amount of the settlement is estimated from data collected by Statistic Finland, and the estimate is confirmed by the Ministry of Social Affairs and Health.

#### **2.4.4 Financing of the Education Fund's benefits and operations**

Based on Section 13 of the Act on Education Fund (1306/2002) and Section 30 of the Act on Adult Education Allowance (1276/2000), the Unemployment Insurance Fund is responsible for the financing of the earnings-related part of the adult education allowance and the scholarships, together with the related administrative expenses. The Unemployment Insurance Fund makes monthly payments to the Education Fund according to the preliminary calculation prepared by the Education Fund. The benefits are paid from the Education Fund. The funds have separate administrations and the ordinary activities of the Education Fund are defined by legislation.

#### **2.4.5 Financing of security pay**

Based on Section 31 of the Pay Security Act (866/98), the Unemployment Insurance Fund is responsible for the state's pay security expenses. Pay security expenses are paid to the Ministry of Employment and the Economy based on the invoice sent by the Ministry once a year, normally in March of the following year.

## 2.4.6 Member State invoicing for unemployment allowances

Article 65 of Regulation (EC) No 883/2004 of the European Parliament and of the Council on the coordination of social security systems (basic regulation) provides for situations in which a person becomes unemployed after working in a Member State other than his or her country of residence.

In Finland the Unemployment Insurance Fund has been designated as the competent body when implementing this basic regulation with regard to earnings-related unemployment insurance. The Fund's responsibilities include the payment and collection of the compensations provided for in paragraphs 6 and 7 of Article 65.

The Unemployment Insurance Fund applies for compensations from member states depending on how unemployment funds have paid unemployment compensations to those who have been working in other member state. In turn, member states apply for compensation from the Unemployment Insurance Fund. The benefits will be fully repaid, but not more than the amount that would have been paid in the country of employment. Income and expenses are recognised on a cash basis.

## 2.5 Property, plant and equipment

Property, plant and equipment comprise a building in own use, machinery and equipment. The building and other property, plant and equipment are measured at historical cost less accumulated depreciation and impairment charges in the statement of net position. Leasehold improvements are added to the property's carrying amount when it is probable that future economic benefits associated with the item will flow to the Fund. Ordinary repair and maintenance costs are expensed in the period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method over their estimated useful lives. As a rule, the residual value is estimated to be zero. Assets' residual values and useful lives are reviewed when financial statements are prepared. Depreciation periods are adjusted if the estimate changes significantly. Estimated useful lives by asset class are as follows:

Buildings	30 years
Leasehold improvements	7 years
Machinery and equipment	3 years

Gains and losses on disposal and decommissioning of property, plant and equipment are calculated as the difference between net proceeds and the carrying amount. Gains and losses on disposals are included in the administrative expenses in the statement of changes in net position.

## 2.6 Intangible assets

Intangible assets with finite useful life include acquired or internally generated computer software, and other intangible assets when it is probable that future economic benefits associated with the asset will flow to the Fund and the cost can be measured reliably. The cost of an internally generated intangible asset is defined as the sum of directly attributable production costs allocated to the asset.

Costs associated with maintaining computer software are expensed as incurred. Research costs are recognised as an expense in the financial period in which they are incurred. Development costs that are attributable to the design and testing of computer software, or to significant changes to existing

software, are capitalised only when they meet the above-mentioned criteria of recognition to the statement of net position.

Intangible assets with finite useful life are measured at historical cost less amortisation and impairment charges. Amortisation of intangible assets is calculated using the straight-line method over their useful lives. The estimated useful lives are as follows:

Computer software	3 years
Software development costs	3 years

## **2.7 Impairment of non-financial assets**

At the end of each financial period it is assessed whether there have been any events or changes in circumstances that indicate that the value of an intangible asset or an item of property, plant and equipment subject to amortisation or depreciation may have been changed. If there are any indicators of impairment, the recoverable amount is determined.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Value in use refers to the asset's expected future net cash flows that have been discounted to net present value by using the determined discount rate. An impairment loss is recognised in the statement of changes in net position for the amount by which the asset's carrying amount exceeds its recoverable amount. The useful life of a depreciated asset is reviewed in connection with recognition of impairment losses.

Impairments are reversed if circumstances have been changed and asset's recoverable amount has been changed after the recognition of the impairment, however, not more than the carrying amount would be without recognising the impairment charge.

## **2.8 Non-current assets held for sale**

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs of disposal.

## **2.9 Financial assets and liabilities**

### **Financial assets**

The Unemployment Insurance Fund's financial assets consist of investments and cash and cash equivalents.

At the date of acquisition, the management of the Unemployment Insurance Fund classifies the financial assets into classes that determine the basis of valuation. All financial assets are recognised at trade date that is the day when the Fund commits to buy or sell the asset.

Investments are financial assets designated as financial assets at fair value through profit and loss at inception (or IFRS transition date) because the Fund manages the assets and the performance is evaluated based on fair value (application of "the fair value option"). Investments are presented in the statement of net position as current assets unless the investment matures and management intends to dispose it after 12 months from the reporting date.

Investments are initially recognised at fair value. Transaction costs are recognised directly as expenses. After initial recognition the investments are measured at fair value at each reporting day,

and realised and unrealised changes in fair value are recognised in the statement of changes in net position in the period in which they arise. Net changes in fair value are presented in the statement of changes in net position on the line "Net fair value gains on investments ". All interest and dividend income is included in the net fair value change. The valuation techniques used in determining fair values is presented in note 14.

Financial assets are derecognised when the rights to receive cash flows have been expired or have been transferred to other party so that all the risks and rewards have been transferred.

### **Cash and cash equivalents**

Cash and cash equivalents include cash in hand and deposits held at call with banks.

### **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of changes in net position over the period of the loan using the effective interest method.

Fees paid on the loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all facility will be drawn down. In this case, the fee is deferred and recognised in the statement of net position until the loan is drawn down. To the extent there is no evidence that it is probable that some or all of loans of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility.

## **2.10 Leases**

### **The Fund as lessee**

#### **Finance leases**

Leases in which the significant portion of the risks and rewards of ownership are transferred to the Fund are classified as finance leases. The Unemployment Insurance Fund does not have any finance leases.

#### **Other leases**

Leases in which the significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases and they are included in the balance sheet of the lessor. Payments made under operating leases are charged to the statement of changes in net position on a straight-line basis over the lease term.

### **The Fund as lessor**

#### **Other leases**

The Fund has subleased part of its leased premises. The sub-lease agreement is classified as an operating lease. Rental income from operating leases is recognised in the statement of changes in net position on a straight-line basis over the lease term.

### **3 First-time adoption of IFRS standards**

The Unemployment Insurance Fund publishes the first financial statements prepared under IFRS standards for the financial period ended 31 December 2014 with comparative information for the financial period ended 31 December 2013. The Unemployment Insurance Fund applies in these financial statements IFRS 1 *First-time Adoption of International Financial Reporting Standards* with the date of transition 1 January 2013. The Unemployment Insurance Fund has previously applied Finnish Accounting Standards (FAS).

The impacts arising from the adoption of the IFRS standards are presented in the following tables:

## Net position 1.1.2013

	a)	b)	c)	d)	f)		
	Measurement of	Capitalisation of	Accrual of	Property	Reclassifications	Total IFRS	IFRS
	investments at	development	credit facility			adjustments	
	fair value	expenditure	fees				
FAS							
31.12.2012							1.1.2013
<b>ASSETS</b>							
<b>NON-CURRENT ASSETS</b>							
Intangible assets	131 220	568 337			0	568 337	699 557
Tangible assets	673 769			1 998 578	0	1 998 578	2 672 348
Investments	647 352 730	9 033 775		-3 054 584	0	5 979 191	653 331 921
<b>TOTAL NON-CURRENT ASSETS</b>	<b>648 157 719</b>	<b>9 033 775</b>	<b>568 337</b>	<b>0</b>	<b>-1 056 006</b>	<b>0</b>	<b>8 546 106</b>
<b>CURRENT ASSETS</b>							
Cash in hand and at banks	67 510 289				0	0	67 510 289
Prepayments and accrued income	65 154 663	-7 675 409	285 295		0	-7 390 114	57 764 549
Insurance contribution receivables	4 068 680				0	0	4 068 680
Other receivables	10 447 127				0	0	10 447 127
<b>TOTAL CURRENT ASSETS</b>	<b>147 180 759</b>	<b>-7 675 409</b>	<b>0</b>	<b>285 295</b>	<b>0</b>	<b>-7 390 114</b>	<b>139 790 645</b>
<b>TOTAL ASSETS</b>	<b>795 338 478</b>	<b>1 358 366</b>	<b>568 337</b>	<b>285 295</b>	<b>-1 056 006</b>	<b>0</b>	<b>1 155 992</b>
<b>NET POSITION AND LIABILITIES</b>							
<b>NET POSITION</b>							
For previous years	293 284 440	568 337		-1 056 006	0	-487 669	292 796 771
For financial year 1.1.-31.12.2012	291 373 710	1 358 366	285 295		0	1 643 661	293 017 371
<b>Net position</b>	<b>584 658 150</b>	<b>1 358 366</b>	<b>568 337</b>	<b>285 295</b>	<b>-1 056 006</b>	<b>0</b>	<b>1 155 992</b>
<b>LIABILITIES</b>							
Borrowings					29 766 800	29 766 800	29 766 800
Accruals and deferred income	200 561 934				-29 766 800	-29 766 800	170 795 134
Insurance contribution liabilities	10 118 394				0	0	10 118 394
<b>Current liabilities</b>	<b>210 680 328</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>210 680 328</b>
<b>TOTAL NET POSITION AND LIABILITIES</b>	<b>795 338 478</b>	<b>1 358 366</b>	<b>568 337</b>	<b>285 295</b>	<b>-1 056 006</b>	<b>0</b>	<b>1 155 992</b>

## Changes in net position 1.1-31.12.2013

	FAS	a) Measurement of investments at fair value	b) Capitalisation of development expenditure	c) Accrual of credit facility fees	d) Property	f) Reclassifications	Total IFRS adjustments	IFRS
	1.1-31.12.2013							1.1-31.12.2013
<b>ADDITIONS</b>								
Employer's unemployment insurance contributions	1 693 929 514					521 554	521 554	1 694 451 068
Interest on overdue contributions from employers	830 517						0	830 517
<b>Total employer's unemployment insurance contributions</b>	<b>1 694 760 031</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>521 554</b>	<b>521 554</b>	<b>1 695 281 584</b>
Employee's unemployment insurance contributions	457 023 105						0	457 023 105
Interest on overdue contributions from employees	245 503						0	245 503
<b>Total employee's unemployment insurance contributions</b>	<b>457 268 609</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>457 268 609</b>
Collection fee income	343 363						0	343 363
Contributions from MSAH	1 039 061 706						0	1 039 061 706
Compensations in accordance with the Employment Contracts Act	348 900						0	348 900
Employer's liability component compensation	68 858 072						0	68 858 072
<b>TOTAL ADDITIONS FROM ORDINARY ACTIVITIES OF THE FUND</b>	<b>3 260 640 681</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>521 554</b>	<b>521 554</b>	<b>3 261 162 235</b>
<b>DEDUCTIONS</b>								
Finnish Centre for Pensions	-639 507 030						0	-639 507 030
State Pension Fund	-6 675 880						0	-6 675 880
Social Insurance Institution of Finland (Kela)	-61 965 786						0	-61 965 786
Education Fund	-71 900 499						0	-71 900 499
Ministry of Employment and the Economy	-32 540 888						0	-32 540 888
Unemployment funds (UIF)	-1 326 441 046						0	-1 326 441 046
Unemployment funds (MSAH)	-1 039 061 704						0	-1 039 061 704
Member State invoicing for unemployment allowances	69 111						0	69 111
Insurance companies, administrative compensations	-641 118						0	-641 118
Administrative expenses of the Fund	-7 058 045		-213 126		-101 819		-314 946	-7 372 991
<b>TOTAL DEDUCTIONS FROM ORDINARY ACTIVITIES OF THE FUND</b>	<b>-3 185 722 883</b>	<b>0</b>	<b>-213 126</b>	<b>0</b>	<b>-101 819</b>	<b>0</b>	<b>-314 946</b>	<b>-3 186 037 829</b>
<b>CHANGE IN NET POSITION BEFORE INTEREST</b>	<b>74 917 798</b>	<b>0</b>	<b>-213 126</b>	<b>0</b>	<b>-101 819</b>	<b>521 554</b>	<b>206 608</b>	<b>75 124 406</b>

**INVESTING AND FINANCING ACTIVITIES**

<b>Net investment income</b>	<b>2 474 495</b>	<b>-349 356</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-349 356</b>	<b>2 125 139</b>
Interest assigned by the Finnish Centre for Pensions and State Pension Fund	521 554					-521 554	-521 554	0
Finance costs from borrowings	-309 501			-102 809			-102 809	-412 310
<b>Other finance income and costs</b>	<b>212 053</b>	<b>0</b>	<b>0</b>	<b>-102 809</b>	<b>0</b>	<b>-521 554</b>	<b>-624 363</b>	<b>-412 310</b>
<b>CHANGE IN NET POSITION FOR THE FINANCIAL YEAR</b>	<b>77 604 345</b>	<b>-349 356</b>	<b>-213 126</b>	<b>-102 809</b>	<b>-101 819</b>	<b>0</b>	<b>-767 111</b>	<b>76 837 234</b>

## Net position 31.12.2013

	FAS	a) Measurement of investments at fair value	b) Capitalisation of development expenditure	c) Accrual of credit facility fees	d) Property	f) Reclassifications	Total IFRS adjustments	IFRS
	31.12.2013							31.12.2013
<b>ASSETS</b>								
<b>NON-CURRENT ASSETS</b>								
Intangible assets	134 190		355 211	0		0	355 211	489 401
Tangible assets	603 626				0	0	0	603 626
Investments	774 850 289	7 935 083			-3 054 584	0	4 880 498	779 730 787
<b>TOTAL NON-CURRENT ASSETS</b>	<b>775 588 105</b>	<b>7 935 083</b>	<b>355 211</b>	<b>0</b>	<b>-3 054 584</b>	<b>0</b>	<b>5 235 709</b>	<b>780 823 814</b>
<b>CURRENT ASSETS</b>								
Cash in hand and at banks	24 880 268					0	0	24 880 268
Prepayments and accrued income	57 892 119	-6 926 073		182 486		0	-6 743 587	51 148 532
Insurance contribution receivables	3 498 129					0	0	3 498 129
Other receivables	7 251 870					0	0	7 251 870
<b>Total</b>	<b>93 522 386</b>	<b>-6 926 073</b>	<b>0</b>	<b>182 486</b>	<b>0</b>	<b>0</b>	<b>-6 743 587</b>	<b>86 778 799</b>
<b>Non-current assets held for sale</b>					1 896 759		1 896 759	1 896 759
<b>TOTAL CURRENT ASSETS</b>	<b>93 522 386</b>	<b>-6 926 073</b>	<b>0</b>	<b>182 486</b>	<b>1 896 759</b>	<b>0</b>	<b>-4 846 829</b>	<b>88 675 558</b>
<b>TOTAL ASSETS</b>	<b>869 110 491</b>	<b>1 009 010</b>	<b>355 211</b>	<b>182 486</b>	<b>-1 157 826</b>	<b>0</b>	<b>388 880</b>	<b>869 499 371</b>
<b>NET POSITION AND LIABILITIES</b>								
<b>NET POSITION</b>								
For previous years	584 658 150	1 358 366	568 337	285 295	-1 056 006	0	1 155 992	585 814 142
For financial year	77 604 345	-349 356	-213 126	-102 809	-101 819	0	-767 111	76 837 234
<b>Net position</b>	<b>662 262 496</b>	<b>1 009 010</b>	<b>355 211</b>	<b>182 486</b>	<b>-1 157 826</b>	<b>0</b>	<b>388 880</b>	<b>662 651 376</b>
<b>LIABILITIES</b>								
Borrowings	0					5 996 504	5 996 504	5 996 504
Accruals and deferred income	185 542 066					-5 996 504	-5 996 504	179 545 562
Insurance contribution liabilities	21 305 930					0	0	21 305 930
<b>Current liabilities</b>	<b>206 847 995</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>206 847 995</b>
<b>TOTAL NET POSITION AND LIABILITIES</b>	<b>869 110 491</b>	<b>1 009 010</b>	<b>355 211</b>	<b>182 486</b>	<b>-1 157 826</b>	<b>0</b>	<b>388 880</b>	<b>869 499 371</b>

## Changes in net position 1.1-31.12.2014

	FAS	a) Measurement of investments at fair value	b) Capitalisation of develop- ment expendi- ture	c) Accrual of credit facility fees	d) Property	e) Leasehold improve- ments	f) Reclassifi- cations	Total IFRS adjustments	IFRS
	1.1-31.12.2014								1.1-31.12.2014
<b>ADDITIONS</b>									
Employer's unemployment insurance contributions	1 522 619 422						166 226	166 226	1 522 785 648
Interest on overdue contributions from employers	1 228 834							0	1 228 834
<b>Total employer's unemployment insurance contributions</b>	<b>1 523 848 256</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>166 226</b>	<b>166 226</b>	<b>1 524 014 482</b>
Employee's unemployment insurance contributions	377 704 127							0	377 704 127
Interest on overdue contributions from employees	403 348							0	403 348
<b>Total employee's unemployment insurance contributions</b>	<b>378 107 475</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>378 107 475</b>
<b>Collection fee income</b>	<b>427 487</b>							0	<b>427 487</b>
<b>Contributions from MSAH</b>	<b>1 053 914 389</b>							0	<b>1 053 914 389</b>
<b>Compensations in accordance with the Employment Contracts Act</b>	<b>669 866</b>							0	<b>669 866</b>
<b>Employer's liability component compensation</b>	<b>73 849 912</b>							0	<b>73 849 912</b>
<b>TOTAL ADDITIONS FROM ORDINARY ACTIVITIES OF THE FUND</b>	<b>3 030 817 385</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>166 226</b>	<b>166 226</b>	<b>3 030 983 611</b>
<b>DEDUCTIONS</b>									
Finnish Centre for Pensions	-818 123 875						-2 774 070	-2 774 070	-820 897 945
State Pension Fund	-6 117 072							0	-6 117 072
Social Insurance Institution of Finland (Kela)	-52 411 242							0	-52 411 242
Education Fund	-84 400 000							0	-84 400 000
Ministry of Employment and the Economy	-27 453 490							0	-27 453 490
Unemployment funds (UIF)	-1 651 446 140							0	-1 651 446 140
Unemployment funds (MSAH)	-1 053 914 389							0	-1 053 914 389
Member State invoicing for unemployment allowances	31 172							0	31 172
Insurance companies, administrative compensations	-43 436							0	-43 436
Administrative expenses of the Fund	-10 720 933		-213 126		1 157 826	460 833		1 405 533	-9 315 401
<b>TOTAL DEDUCTIONS FROM ORDINARY ACTIVITIES OF THE FUND</b>	<b>-3 704 599 405</b>	<b>0</b>	<b>-213 126</b>	<b>0</b>	<b>1 157 826</b>	<b>460 833</b>	<b>-2 774 070</b>	<b>-1 368 538</b>	<b>-3 705 967 943</b>
<b>CHANGE IN NET POSITION BEFORE INTEREST</b>	<b>-673 782 020</b>	<b>0</b>	<b>-213 126</b>	<b>0</b>	<b>1 157 826</b>	<b>460 833</b>	<b>-2 607 844</b>	<b>-1 202 312</b>	<b>-674 984 332</b>

**INVESTING AND FINANCING ACTIVITIES**

<b>Net investment income</b>	<b>3 961 710</b>	<b>-28 188</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-28 188</b>	<b>3 933 522</b>
Interest assigned by the Finnish Centre for Pensions and State Pension Fund	-2 607 844						2 607 844		0
Finance costs from borrowings	-693 911			-102 809				2 607 844	-796 720
<b>Other finance income and costs</b>	<b>-3 301 755</b>	<b>0</b>	<b>0</b>	<b>-102 809</b>	<b>0</b>	<b>0</b>	<b>2 607 844</b>	<b>2 505 035</b>	<b>-796 720</b>
<b>CHANGE IN NET POSITION FOR THE FINANCIAL YEAR</b>	<b>-673 122 065</b>	<b>-28 188</b>	<b>-213 126</b>	<b>-102 809</b>	<b>1 157 826</b>	<b>460 833</b>	<b>0</b>	<b>1 274 536</b>	<b>-671 847 529</b>

## Net position 31.12.2014

	a)	b)	c)	d)	e)	f)			
	FAS	Measurement of investments at fair value	Capitalisation of development expenditure	Accrual of credit facility fees	Property	Leasehold improve- ments	Reclassifications	Total IFRS adjustments	IFRS
	31.12.2014								31.12.2014
<b>ASSETS</b>									
<b>NON-CURRENT ASSETS</b>									
Intangible assets	117 059		142 084				0	142 084	259 143
Tangible assets	314 439					460 833	0	460 833	775 272
Investments	381 597 358	3 269 652					0	3 269 652	384 867 010
<b>TOTAL NON-CURRENT ASSETS</b>	<b>382 028 856</b>	<b>3 269 652</b>	<b>142 084</b>	<b>0</b>	<b>0</b>	<b>460 833</b>	<b>0</b>	<b>3 872 569</b>	<b>385 901 425</b>
<b>CURRENT ASSETS</b>									
Cash in hand and at banks	39 766 539						0	0	39 766 539
Prepayments and accrued income	64 285 549	-2 288 830		79 677			0	-2 209 153	62 076 396
Insurance contribution receivables	6 186 960						0	0	6 186 960
Other receivables	3 837 030						0	0	3 837 030
<b>Total</b>	<b>114 076 078</b>	<b>-2 288 830</b>	<b>0</b>	<b>79 677</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-2 209 153</b>	<b>111 866 925</b>
<b>Non-current assets held for sale</b>						0			0
<b>TOTAL CURRENT ASSETS</b>	<b>114 076 078</b>	<b>-2 288 830</b>	<b>0</b>	<b>79 677</b>	<b>0</b>	<b>0</b>		<b>-2 209 153</b>	<b>111 866 925</b>
<b>TOTAL ASSETS</b>	<b>496 104 934</b>	<b>980 822</b>	<b>142 084</b>	<b>79 677</b>	<b>0</b>	<b>460 833</b>	<b>0</b>	<b>1 663 417</b>	<b>497 768 351</b>
<b>NET POSITION AND LIABILITIES</b>									
<b>NET POSITION</b>									
For previous years	662 262 496	1 009 010	355 211	182 486	-1 157 826	0	0	388 880	662 651 376
For financial year	-673 122 065	-28 188	-213 126	-102 809	1 157 826	460 833	0	1 274 536	-671 847 529
<b>Net position</b>	<b>-10 859 570</b>	<b>980 822</b>	<b>142 084</b>	<b>79 677</b>	<b>0</b>	<b>460 833</b>	<b>0</b>	<b>1 663 417</b>	<b>-9 196 153</b>
<b>LIABILITIES</b>									
Borrowings	255 897 751						12 099 993	12 099 993	267 997 744
Accruals and deferred income	208 726 735						-12 099 993	-12 099 993	196 626 742
Insurance contribution liabilities	42 340 019						0	0	42 340 019
<b>Current liabilities</b>	<b>506 964 504</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>506 964 504</b>
<b>TOTAL NET POSITION AND LIABILITIES</b>	<b>496 104 934</b>	<b>980 822</b>	<b>142 084</b>	<b>79 677</b>	<b>0</b>	<b>460 833</b>	<b>0</b>	<b>1 663 417</b>	<b>497 768 351</b>

### a) Measurement of investments at fair value

In connection with the transition to IFRS the Fund's investments are designated as financial assets at fair value through profit and loss in accordance with IAS 39 *Financial instruments: Recognition and Measurement* because the Fund manages investments and their performance is monitored based on their fair value. Therefore, all investments are presented as at their fair value in the statement of net position, and changes in fair value are recognised as part of the changes in net position in the period in which they arise. Previously, the Fund did not recognise unrealised changes of fair value (unless they were an indication of impairment). As an IFRS adjustment, investments have been recognised at their fair value, which includes accrued interests. Accrued interests that have earlier been presented in prepayments and accrued income are derecognised. On the other hand, the adjustment has been recognised in the retained earnings of the opening statement of net position, and in "Net investment income" in the statement of changes in net position for the periods 2013 and 2014. Investments will mature or they are intended to be disposed within less than a year after the reporting date and therefore they are presented as part of current assets in the IFRS statement of net position.

### b) Capitalisation of development expenditure

The Fund has not capitalised development costs under Finnish GAAP. The Fund's management has identified one development project where the incurred costs meet the capitalisation criteria in IAS 38 *Intangible assets*. The Fund's management has estimated that the capitalisation criteria in IAS 38 were met in 2010 and that the project was completed and the asset was available for use intended by management in August 2012.

Capitalised development expenditure amounted to EUR 640 thousand and they are amortised using the straight-line method during three years over their useful life.

### c) Accrual of credit facility fees

The Unemployment Insurance Fund signed a credit facility agreement with banks in 2012 and paid a fee of EUR 305 to the banks for the arranging the facilities. The fee was expensed in 2012. According to IFRS, when it is improbable that the facility is used, but the limit has certain validity period, such facility fees are recognised as prepayments and accrued income and accrued as expenses over the term of the credit facility.

### d) Property

The Fund acquired an office building (a share of a real estate company) in its own use in 2002. In FAS this building has been classified as an investment and no depreciation has been done. Also, no revaluation or impairment has been recognised so it has been measured in its acquisition cost in FAS.

The office building owned and used by the Fund does not meet the definition of an investment property in IAS 40 *Investment Property*. Therefore, the building is accounted for as a property, plant and equipment according with IAS 16 *Property, plant and equipment*.

The Fund applies the acquisition cost model according with IAS 16 when it recognises the building at cost less accumulated depreciation and impairment charges in the statement of net position. The acquisition cost of the building in 2002 was EUR 3 055 thousand. The Fund's management has estimated that the remaining useful life of the building was 30 years in 2002. Thus, the accumulated depreciations were EUR 1 056 thousand during the period between the building's date of acquisition and the date of IFRS transition on 1 January 2013. The accumulated depreciations have been

recognised in the accumulated net position of the opening IFRS statement of net position on 1 January 2013. The undepreciated acquisition cost of the building at the date of transition on 1 January 2013 was EUR 1 999 thousand.

The building was sold in April 2014 and the management of the Fund has assessed that the criteria for IFRS 5 *Non-current assets held for sale* was met on 31 December 2013. Depreciations of the building were ceased at the classification as held for sale.

#### **e) Leasehold improvements**

In April 2014 the Fund moved to new premises where it operates as a lessee. The lease agreement of the office premise has been classified as an operating lease under IAS 17 *Leases*.

Before moving to the new office premises the Fund carried out certain modernisation and renovation work at the premises. The costs of these procedures, totalling to EUR 542 thousand, have been capitalised as property, plant and equipment according to IAS 16. Management estimates that the useful life of the renovation work is five years and the capitalised expenditure will be depreciated using a straight-line method during five years.

#### **f) Reclassifications**

The Unemployment Insurance Fund has made the following reclassifications in connection with the transition to IFRS:

- a) The Unemployment Insurance Fund recognises financial assets on trade date. At the reporting date some financial assets are still under settlement and the Fund has not paid out the liability arising from the acquisition of the financial asset. These very short term liabilities for financial assets under settlement are financial liabilities under IFRS, and accordingly, they are reclassified to line "borrowings". They are presented as accrual and deferred income in FAS. The effect of the reclassification has been EUR 425 thousand on 1 January 2013, EUR 5 997 on 31 December 2013 and EUR 12 100 thousand on 31 December 2014.
- b) The Unemployment Insurance Fund has presented interest assigned by the Finnish Centre for Pensions and State Pension Fund (see note 2.4.2) as part of the finance income and costs in the FAS financial statements. However, these are not items relating to financial items under IFRS because they are statutory payments and relate to the Fund's ordinary operations. Hence, these interests have been transferred to "Employer's unemployment insurance contributions" and "Finnish Centre for Pensions". The amount of the classification has been EUR 522 thousand in 2013 and EUR 2 608 thousand in 2014.

## 4 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that have affected the income, expenses, assets and liabilities presented in the financial statements. Judgement is needed also in the application of accounting policies. The estimates are based on the best information available at the reporting date. The evaluation is based on both earlier experience and assumptions for future that are most probable at the reporting date. Actual results can differ from these decisions made based on these estimates and assumptions. Possible changes in estimates are recognised in the period in which the estimate is adjusted and all subsequent periods.

The planning and managing of the Unemployment Insurance Fund's finances is largely based on forecasts on development of the unemployment rate, unemployment expenses, 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 unemployment insurance contributions are set for one year at a time. When the contribution levels are adjusted, the employers' and employees' contributions are adjusted by the same percentage. The forecast deviation in the change in net position between the budget prepared in August in the preceding year and the financial statements that are prepared more than a year later, has been EUR 150 million per year on average (6 – 10 % of expenses) over the last five years. In 2014, the forecast deviation exceeded the average amount.

The Fund uses judgement in applying the valuation methods used in the measurement of fair value in so far as the fair values are not received as direct prices from active markets. Fair value determination of current money market investments is based on the discounted cash flows, and management has used judgement when it has concluded that the change of credit risk does not have material impact on the change of fair values of investments due to their short duration and high credit rating.

The Fund's critical assumptions concerning the future and key uncertainties in the reporting date are related to above mentioned factors.

### Segment reporting

IFRS 8 *Operating Segments* standard requires that an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. As defined in the standard an operating segment is a component of an entity:

- a) that engages activities from which it may earn revenues and incur expenses
- b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- c) for which discrete financial information is available.

Further, according to the definition of the standard, the function of chief operating decision maker is to allocate resources to and assess the performance of the operating segments of an entity.

The objective of UIF is to collect unemployment insurance contributions, the level of which has been determined by public authorities. UIF pays collected contributions onwards, mainly to unemployment funds. With the collected contributions UIF engages in conservative investment activities in order to cover the benefit payments. UIF covers possible deficit also with loan financing.

The Unemployment Insurance Fund is a non-profit, government-affiliated fund. Management of UIF monitors the Fund's activities as a single entity which consists of the contributions collected and benefits paid resulting in a change in net position. In the end, the management of UIF does not actually allocate resources to the entity's activities or review the effectiveness of operations.

For these reasons, UIF's management assesses that the presentation of segment information is not appropriate. Presenting segment information would not improve the ability of a reader of the financial statements to assess UIF's operations, nature of the operating environment and financial effects. According to UIF's management, UIF's nature of operations and operating environment as well as financial effects are fairly presented in the IFRS financial statements.

## 5 Financial risk management

The financial risks of the Unemployment Insurance Fund relate mainly to the investments and they comprise market risk, credit and counterparty risk and liquidity risk.

To minimise the financial risks, investments are highly diversified and made to different types of financial assets in accordance with the investment principles confirmed by the Supervisory Board. Risk limits are set to such a level that their realisation would not result in significant losses for the Fund such that they would create pressure to increase the level of contributions or endanger the liquidity of the Fund. The Fund may enter into derivative contracts for hedging purposes, however derivatives were not used during the periods presented.

The Fund measures all its investments at fair value because they have been designated as financial assets at fair value through profit and loss. Specification of the investments and their fair values by class of investment are presented in note 14.

### 5.1 Financial risk factors

#### 5.1.1 Market risk

The Board of Directors monitors the market risk of the investment portfolio of the Unemployment Insurance Fund on a monthly basis, 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 business cycle buffer and the minimum limit for the amount 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 by using 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.

Market risk on 31.12.2014, 31.12.2013 and 1.1.2013 was as follows:

	31.12.2014		
	Risk, %	Capital, in EUR	Risk, in EUR
Money market	1,0	212 282 308	2 122 823
Bonds	4,0	206 328 390	8 253 136
Shares	25	276 121	69 030
<b>Total risk</b>	<b>2,49</b>	<b>418 886 819</b>	<b>10 444 989</b>

	31.12.2013		
	Risk, %	Capital, in EUR	Risk, in EUR
Money market	1,0	458 362 384	4 583 624
Bonds	4,0	332 327 490	13 293 100
Shares	25	208 358	52 090
<b>Total risk</b>	<b>2,27</b>	<b>790 898 232</b>	<b>17 835 377</b>

	1.1.2013		
	Risk, %	Capital, in EUR	Risk, in EUR
Money market	1,0	408 367 770	4 083 678
Bonds	4,0	308 098 861	12 323 954
Shares	25	368 746	92 187
<b>Total risk</b>	<b>2,3</b>	<b>716 835 377</b>	<b>16 499 819</b>

The total risk was 2,5 % of the Fund's assets and 0,9 % of the Fund's income in 2013. The risk of the investment portfolio was moderate, due to the investment portfolio's conservative structure, and that the low risk level of the securities in the portfolio.

The main market risk factor for the Fund is interest rate risk. The investment portfolio is dominated by fixed income investments (money market investments and bonds). The Fund may make investments directly, or indirectly through investment funds. At the reporting date, 3,0 % (2013 1,9 %) of investments were indirect. In addition to the investments, also the borrowings of the Fund expose it to interest rate risk. Borrowings amounted to EUR 256 million at the reporting date, while in 2013 the Fund did not have any interest bearing liabilities. All money market investments carry variable interest (2013: 100 %), while 1,9 % (2013: 5,1 %) of the bonds were at variable rates. Also all the borrowings carry variable interest rate on 31.12.2014. 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 at the reporting date the euribor rates and interest rate curve (swap rates) had been 50 basis points lower with all other variables held constant, the total changes in net position would have been EUR 2 696 053 (2013: EUR 1 304 676) lower. Respectively, if at the reporting date the euribor rates and interest rate curve (swap rates) had been 50 basis points higher, the total changes in net position had been EUR 2 679 098 (2013: EUR 1 263 829) higher. This is due to fair value changes of the fixed income investments and the changes in the interest costs of the variable rate borrowings. Due to the low risk investment principles of the Fund, the amount of share investments has been very low during recent years and accordingly, share price risk is considered immaterial.

### 5.1.2 Credit risk

Credit risk of the investments is managed by issuer credit limits. Limits for each issuer are determined by taking into account 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, as well as in best rated states (Finland, Germany, Holland and Sweden). Also cash and cash equivalents are only held in banks with high credit ratings.

The Fund may make investments in those funds whose corporate investments' average credit rating is A (S&P) or Aa3 (Moody's). In addition, each individual investment of the investment fund has to be in the investment grade with credit rating at least BBB+ (S&P).

The table below summarises the amount and credit quality of the Fund's direct bond investments, divided to investment classes. The numbers are in millions of euros:

<b>Investment class</b>	<b>31.12.2014</b>	<b>31.12.2013</b>	<b>1.1.2013</b>
State bonds AAA, AA+	170	282	269
Bonds issued by banks	16	35	28
Corporate bonds	20	24	12

The Fund's investments in bonds mainly consist of state bonds. Their credit quality has been determined using S&P credit rating. Most of the banks that the Fund has invested in have good credit ratings. However, not all regional banks have credit rating, in which case the credit quality of the banks are monitored using other methods as described above. Creditworthiness of corporates are primarily not monitored based on credit ratings, among others due to that not all Finnish listed companies have ratings.

Investments in the investment portfolio are efficiently diversified. Corporate risk cannot exceed 30 % (2013: 20 %) of the Fund's fixed income investments. In accordance with the investment plan, investments in each issuer may not exceed 5 % (2013: 10 %) of the Fund's all bond investments. Corporate investments are spread to 30 corporations on 31.12.2014, which corresponds to 18,9 % of all fixed income investments (27 corporations 31.12.2013; 13,1 % of all fixed income investments).

Money market investments are made in depository banks monitored by the Finnish Financial Supervisory Authority, state debentures, municipal papers and commercial papers issued by corporations accepted in the investment plan. Credit ratings of the biggest Nordic banks are strong; not all corporations have credit rating; and municipal risk corresponds to the state risk (in accordance with the Finnish Financial Supervisory Authority).

Counterparty risk is managed so that the Fund uses several asset managers and dealers with good credit ratings. The Board of Directors approves every year the dealers and counterparties the Fund uses in its investing activities.

### **5.1.3 Liquidity risk**

To secure its liquidity, the Fund has investments in liquid money market instruments with less than a year's maturity the 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 program totalling to EUR 300 million in place (2013: EUR 200 M) and bilateral committed credit facilities totalling to EUR 200 million with two commercial banks.

At the end of 2014 the Fund had EUR 166 million (2013: 0) of the commercial paper program in use, and short-term bank loans amounting to EUR 90 million (2013: 0).

All the Fund's borrowings are short term on the reporting date and they are specified in note 17. The average maturity of commercial papers outstanding in the statement of net position on 31.12.2014 was 59 days and all commercial papers matured within 9 months. The average maturity of the bank loans was 38 days and they all matured within 3 months. Liabilities for securities under settlement matured within a couple of days from the reporting date.

The Board of Directors of the Fund approved at the end of 2014 the debt serving plan, which sets out the principles and the magnitude of the Fund's debt financing program. In accordance with the debt servicing plan the Fund has negotiated with several banks over the winter and spring 2015 to arrange new debt financing in order to ensure the financing of the Fund for several years. In addi-

tion, the Board has decided that the Fund will seek for credit rating from an international credit rating agency.

## 5.2 Business cycle buffer

In accordance with the 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 this buffer is the amount of annual expenses corresponding to an unemployment rate of five 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. The maximum amount of the buffer is calculated by dividing the Unemployment Insurance Fund's annual expenditures, EUR 2 651 million in 2014, by the average unemployment rate for the year (8.7) and multiplying the result by 5. The following table presents the amount of the business cycle buffer and the minimum and maximum amounts of the buffer as specified in the law. The numbers are in millions of euros.

<b>MEUR</b>	<b>31.12.2014</b>	<b>31.12.2013</b>	<b>1.1.2013</b>
Business cycle buffer	-9	663	585
Maximum amount of the buffer	1 524	1 309	1 215
Minimum amount of the buffer	-1 524	-1 309	-1 215

## 6 Unemployment insurance contributions

EUR

<b>Employer's unemployment insurance contributions</b>	<b>1.1.-31.12.2014</b>	<b>1.1.-31.12.2013</b>
Employer's insurance contributions	1 516 136 212	1 685 789 001
Employer's insurance contributions, co-owners	6 649 436	8 662 067
<b>Total</b>	<b>1 522 785 648</b>	<b>1 694 451 068</b>
<b>Employee's unemployment insurance contributions</b>	<b>1.1.-31.12.2014</b>	<b>1.1.-31.12.2013</b>
Employee's insurance contributions	376 010 715	454 851 264
Employee's insurance contributions, co-owners	1 693 412	2 171 842
<b>Total</b>	<b>377 704 127</b>	<b>457 023 105</b>
<b>Interest on overdue contribution and collection fee income</b>	<b>1.1.-31.12.2014</b>	<b>1.1.-31.12.2013</b>
Interest on employer's contributions overdue	1 228 834	830 517
Interest on employee's contributions overdue	403 348	245 503
Collection fee income	427 487	343 363
<b>Total</b>	<b>2 059 669</b>	<b>1 419 383</b>
<b>Liability component compensations of employer's unemployment allowances</b>	<b>1.1.-31.12.2014</b>	<b>1.1.-31.12.2013</b>
Liability component compensations	51 704 180	76 812 228
Accruals	22 145 732	-7 954 156
<b>Total</b>	<b>73 849 912</b>	<b>68 858 072</b>
<b>Compensations in accordance with the Employment Contracts Act (ECA)</b>	<b>1.1.-31.12.2014</b>	<b>1.1.-31.12.2013</b>
Compensations and lay-off income according to the ECA	1 348 739	748 228
Settlement to MSAH	-678 872	-399 328
<b>Total</b>	<b>669 866</b>	<b>348 900</b>
<b>Contributions from MSAH</b>	<b>1.1.-31.12.2014</b>	<b>1.1.-31.12.2013</b>
Basic unemployment allowance	1 003 930 769	990 650 572
Job alternation compensation	49 914 770	49 038 868
Previous year's equalisation payment	68 851	-627 734
<b>Total</b>	<b>1 053 914 389</b>	<b>1 039 061 706</b>
<b>Total unemployment insurance contributions</b>	<b>3 030 983 611</b>	<b>3 261 162 235</b>

## 7 Benefit payments

EUR

<b>Subsidies paid to unemployment funds (UIF)</b>	<b>1.1.-31.12.2014</b>	<b>1.1.-31.12.2013</b>
Other earnings-related allowance	-865 999 967	-728 359 448
Additional day's allowance	-248 950 658	-233 697 923
Lay-off allowance	-289 442 531	-153 907 592
Professional education allowance	-160 201 999	-131 070 387
Job alternation compensation	-63 814 596	-59 691 965
Administrative expense compensation	-11 830 200	-10 199 327
Membership fee equalisation	-9 999 999	-10 000 000
Previous year's equalisation payment	-1 206 189	485 596
<b>Total</b>	<b>-1 651 446 140</b>	<b>-1 326 441 046</b>
<b>Subsidies paid to unemployment funds (MSAH)</b>	<b>1.1.-31.12.2014</b>	<b>1.1.-31.12.2013</b>
Other earnings-related allowance	-840 376 119	-720 242 859
Lay-off allowance	0	-119 411 957
Professional education allowance	-142 390 516	-133 916 028
Job alternation compensation	-52 220 845	-49 038 868
Unemployment allowance/entrepreneurs	-9 196 359	-7 864 273
Administrative expense compensation	-9 661 700	-9 215 455
Previous year's equalisation payment	-68 851	627 736
<b>Total</b>	<b>-1 053 914 389</b>	<b>-1 039 061 704</b>
<b>Finnish Centre for Pensions</b>	<b>1.1.-31.12.2014</b>	<b>1.1.-31.12.2013</b>
Previous year's equalisation payment	-24 897 945	19 492 970
Payment for the current financial year	-796 000 000	-659 000 000
<b>Total</b>	<b>-820 897 945</b>	<b>-639 507 030</b>
<b>State Pension Fund</b>	<b>1.1.-31.12.2014</b>	<b>1.1.-31.12.2013</b>
Previous year's equalisation payment	-3 785	-522 589
Payment for the current financial year	-6 113 286	-6 153 291
<b>Total</b>	<b>-6 117 071</b>	<b>-6 675 880</b>
<b>Social Insurance Institution of Finland (Kela)</b>	<b>1.1.-31.12.2014</b>	<b>1.1.-31.12.2013</b>
Previous year's equalisation payment	138 758	62 503
Basic allowance, additional part, employment programme additional benefit	-52 550 000	-62 028 289
<b>Total</b>	<b>-52 411 242</b>	<b>-61 965 786</b>
<b>Education Fund</b>	<b>1.1.-31.12.2014</b>	<b>1.1.-31.12.2013</b>
Previous year's equalisation payment	0	75 264
Payment for the current financial year	-84 400 000	-71 975 763
<b>Total</b>	<b>-84 400 000</b>	<b>-71 900 499</b>
<b>Ministry of Employment and the Economy</b>	<b>1.1.-31.12.2014</b>	<b>1.1.-31.12.2013</b>
Previous year's equalisation payment	3 556	-13 904
Payment for the current financial year	-27 457 046	-32 526 983
<b>Total</b>	<b>-27 453 490</b>	<b>-32 540 888</b>

<b>Member State invoicing for unemployment allowances</b>	<b>1.1.-31.12.2014</b>	<b>1.1.-31.12.2013</b>
Invoiced by Member State	-57 319	-49 916
Invoiced by Fund	88 491	119 027
<b>Total</b>	<b>31 172</b>	<b>69 111</b>
<b>Administrative compensations paid to insurance companies</b>	<b>1.1.-31.12.2014</b>	<b>1.1.-31.12.2013</b>
Administrative and supervisory compensations	-43 436	-641 118
<b>Total</b>	<b>-43 436</b>	<b>-641 118</b>
<b>Total benefit payments</b>	<b>-3 696 652 542</b>	<b>-3 178 664 838</b>

## 8 Administrative expenses

EUR

<b>Personnel expenses</b>	<b>1.1.-31.12.2014</b>	<b>1.1.-31.12.2013</b>
Salaries and benefits	-3 389 549	-2 573 472
Pension costs – defined contribution plans	-579 667	-439 311
Social security costs	-242 224	-169 718
<b>Total</b>	<b>-4 211 439</b>	<b>-3 182 502</b>
<b>Management salaries and remuneration</b>	<b>1.1.-31.12.2014</b>	<b>1.1.-31.12.2013</b>
The Management Group (excluding the Managing Director and his deputy)	-341 761	-393 203
The Managing Director and his deputy	-275 298	-267 548
The Board of Directors and the Supervisory Board	-80 010	-74 105
Pension costs – defined contribution plans	-163 921	-174 896
<b>Total</b>	<b>-860 990</b>	<b>-909 752</b>
<b>Other administrative expenses</b>	<b>1.1.-31.12.2014</b>	<b>1.1.-31.12.2013</b>
IT expenses	-672 731	-612 822
Other personnel expenses	-532 862	-435 455
Expenses for office premises	-975 008	-463 477
Office expenses	-1 489 224	-631 609
Other expenses	-715 055	-409 066
Depreciation and amortisation	-997 316	-720 868
Other income	1 157 826	0
<b>Total</b>	<b>-4 224 371</b>	<b>-3 273 297</b>
<b>Auditor's fee</b>	<b>1.1.-31.12.2014</b>	<b>1.1.-31.12.2013</b>
Statutory audit	-18 600	-7 440
<b>Total</b>	<b>-18 600</b>	<b>-7 440</b>
<b>Total administrative expenses</b>	<b>-9 315 401</b>	<b>-7 372 991</b>

## Number of personnel

<b>Employees</b>	<b>1.1.-31.12.2014</b>	<b>1.1.-31.12.2013</b>
Full-time employees	74	69
Part-time and temporary employees	24	13
<b>Total</b>	<b>98</b>	<b>82</b>

## 9 Finance costs

EUR

<b>Finance costs from borrowings</b>	<b>1.1.-31.12.2014</b>	<b>1.1.-31.12.2013</b>
Revolving credit facility fees	-733 901	-412 310
Interest costs from borrowings	-62 819	0
<b>Total finance costs</b>	<b>-796 720</b>	<b>-412 310</b>

## 10 Property, plant and equipment

EUR	Leasehold improve- ments	Buildings	Machinery and equipment	Total
Cost at 1.1.2014	470 771	0	635 985	1 106 756
Additions	542 157		372 886	915 043
<b>Cost at 31.12.2014</b>	<b>1 012 928</b>	<b>0</b>	<b>1 008 871</b>	<b>2 021 799</b>
Accumulated depreciation at 1.1.2014	115 786		387 344	503 130
Depreciation for the period	436 309		307 088	743 397
<b>Accumulated depreciation at 31.12.2014</b>	<b>552 095</b>	<b>0</b>	<b>694 432</b>	<b>1 246 527</b>
<b>Net book value at 1.1.2014</b>	<b>354 985</b>	<b>0</b>	<b>248 641</b>	<b>603 626</b>
<b>Net book value at 31.12.2014</b>	<b>460 833</b>	<b>0</b>	<b>314 439</b>	<b>775 272</b>

EUR	Leasehold improve- ments	Buildings	Machinery and equipment	Total
Cost at 1.1.2013	470 771	3 054 584	438 441	3 963 796
Additions			197 544	197 544
Disposals				
<b>Cost at 31.12.2013</b>	<b>470 771</b>	<b>3 054 584</b>	<b>635 985</b>	<b>4 161 340</b>
Accumulated depreciation at 1.1.2013	59 339	1 056 006	176 103	1 291 448
Depreciation for the period	56 447	101 819	211 241	369 507
<b>Accumulated depreciation at 31.12.2013</b>	<b>115 786</b>	<b>1 157 826</b>	<b>387 344</b>	<b>1 660 955</b>
<b>Net book value at 1.1.2013</b>	<b>411 432</b>	<b>1 998 578</b>	<b>262 337</b>	<b>2 672 348</b>
<b>Transferred to non-current assets held for sale</b>		<b>-1 896 759</b>		
<b>Net book value at 31.12.2013</b>	<b>354 985</b>	<b>0</b>	<b>248 641</b>	<b>603 626</b>

**11 Intangible assets**

<b>EUR</b>	<b>Computer software</b>	<b>Internally generated software development costs</b>	<b>Total</b>
Cost at 1.1.2014	409 211	639 379	1 048 590
Additions	104 986		104 986
<b>Cost at 31.12.2014</b>	<b>514 197</b>	<b>639 379</b>	<b>1 153 576</b>
Accumulated amortisation at 1.1.2014	275 021	284 168	559 189
Amortisation	122 117	213 126	335 243
<b>Accumulated amortisation at 31.12.2014</b>	<b>397 138</b>	<b>497 294</b>	<b>894 432</b>
<b>Net book value at 1.1.2014</b>	<b>134 190</b>	<b>355 211</b>	<b>489 401</b>
<b>Net book value at 31.12.2014</b>	<b>117 058</b>	<b>142 085</b>	<b>259 143</b>
<b>EUR</b>	<b>Computer software</b>	<b>Internally generated software development costs</b>	<b>Total</b>
Cost at 1.1.2013	268 005	639 379	907 384
Additions	141 205		141 205
<b>Cost at 31.12.2013</b>	<b>409 211</b>	<b>639 379</b>	<b>1 048 590</b>
Accumulated amortisation at 1.1.2013	136 786	71 042	207 828
Amortisation	138 235	213 126	351 361
<b>Accumulated amortisation at 31.12.2013</b>	<b>275 021</b>	<b>284 168</b>	<b>559 189</b>
<b>Net book value at 1.1.2013</b>	<b>131 220</b>	<b>568 337</b>	<b>699 557</b>
<b>Net book value at 31.12.2013</b>	<b>134 190</b>	<b>355 211</b>	<b>489 401</b>

## 12 Receivables and payables from unemployment insurance contributions

EUR

<b>Unemployment insurance contribution receivables</b>	<b>31.12.2014</b>	<b>31.12.2013</b>	<b>1.1.2013</b>
Employer's unemployment insurance contribution receivables	4 536 615	3 004 776	2 096 149
Employee's unemployment insurance contribution receivables	1 422 788	1 100 938	6 239 328
Unallocated employer's contributions	0	-710 953	-4 266 797
Overdue contribution and collection fee receivables	227 557	103 368	0
<b>Total unemployment insurance contribution receivables</b>	<b>6 186 960</b>	<b>3 498 129</b>	<b>4 068 680</b>
<b>Unemployment insurance contribution payables</b>	<b>31.12.2014</b>	<b>31.12.2013</b>	<b>1.1.2013</b>
Prepayments	38 349 736	18 830 625	9 985 833
Refunds	3 990 283	2 475 304	132 561
<b>Total unemployment insurance contribution payables</b>	<b>42 340 019</b>	<b>21 305 930</b>	<b>10 118 394</b>

## 13 Other receivables

EUR	31.12.2014	31.12.2013	1.1.2013
Prepayments and accrued income	1 753 289	761 706	1 541 034
Finnish Centre for Pensions capital accrual	0	2 500 000	0
Finnish Centre for Pensions compensatory interest	18 292 645	15 031 240	13 516 010
Receivables from Education Fund	1 100 000	3 024 237	7 100 000
Receivables from unemployment funds	18 061 973	18 711 656	35 386 275
Ministry of Social Affairs and Health, accrual	22 930 769	10 983 097	0
Receivables from employer's liability component and compensations based on Employment Contracts Act	3 695 071	7 205 979	10 383 062
Accrued credit facility fees	79 677	182 486	285 295
<b>Total other receivables</b>	<b>65 913 426</b>	<b>58 400 402</b>	<b>68 211 676</b>

## 14 Investments

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

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 have been made between hierarchy levels during the financial year.

<b>31.12.2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Government bonds	170 344 669			170 344 669
Bonds issued by banks	12 774 318			12 774 318
Corporate bonds	20 232 203			20 232 203
Investments in funds and shares	2 221 488	7 644 619	2 102 765	11 968 872
Deposits		31 242 818		31 242 818
Certificates of deposits		74 614 152		74 614 152
Commercial papers		60 712 778		60 712 778
Structured investments			2 977 200	2 977 200
<b>Total</b>	<b>205 572 678</b>	<b>174 214 367</b>	<b>5 079 965</b>	<b>384 867 010</b>

<b>31.12.2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Government bonds	282 582 784			282 582 784
Bonds issued by banks	31 612 203			31 612 203
Corporate bonds	25 329 543			25 329 543
Investments in funds and shares	2 885 594	10 020 346	2 056 062	14 962 002
Deposits		288 041 958		288 041 958
Certificates of deposit		45 158 516		45 158 516
Municipal papers		2 799 461		2 799 461
Commercial papers		86 271 621		86 271 621
Structured investments			2 972 700	2 972 700
<b>Total</b>	<b>342 410 124</b>	<b>432 291 902</b>	<b>5 028 762</b>	<b>779 730 787</b>

<b>1.1.2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Government bonds	268 513 969			268 513 969
Bonds issued by banks	24 890 046			24 890 046
Corporate bonds	11 645 046			11 645 046
Investments in funds and shares	2 940 089		1 952 713	4 892 802
Deposits		143 494 199		143 494 199
Certificates of deposit		120 630 940		120 630 940
Municipal papers		4 298 938		4 298 938
Commercial papers		61 918 193		61 918 193
Structured investments		9 997 988		9 997 988
Government bonds			3 049 800	3 049 800
<b>Total</b>	<b>307 989 150</b>	<b>340 340 257</b>	<b>5 002 513</b>	<b>653 331 921</b>

**Changes in Level 3 financial assets measured at fair value**

		<b>Unrealised</b>	<b>Realised</b>			
	<b>1.1.</b>	<b>profit/loss</b>	<b>profit/loss</b>	<b>Purchases</b>	<b>Disposals</b>	<b>31.12.2014</b>
Structured investments	2 972 700	4 500				2 977 200
Investment funds	2 055 062	-231 217	295 229	323 015	-339 323	2 102 765
<b>Total</b>	<b>5 027 762</b>	<b>-226 717</b>	<b>295 229</b>	<b>323 015</b>	<b>-339 323</b>	<b>5 079 965</b>

		<b>Unrealised</b>	<b>Realised</b>			
	<b>1.1.</b>	<b>profit/loss</b>	<b>profit/loss</b>	<b>Purchases</b>	<b>Disposals</b>	<b>31.12.2013</b>
Structured investments	3 049 800	-77 100				2 972 700
Investment funds	1 952 713	-64 952	161 201	145 327	-138 226	2 056 062
<b>Total</b>	<b>5 002 512</b>	<b>-142 052</b>	<b>161 201</b>	<b>145 327</b>	<b>-138 226</b>	<b>5 028 762</b>

Deposits, certificates of deposit, corporate bonds and municipal papers in level 2 have been measured using the discounted cash flow method based on euribor or swap curve and on forward rate so far as elements of foreign currencies are involved. Based on the management's judgement, the discount factor has been adjusted by the effect of change in credit risk of the investment. However, the investments are of high quality, and the adjustment has not had a material impact.

Structured instruments in level 3 include a senior loan issued by a Nordic bank, with a return that is linked to OMXH 25 index and fair values of them are based on the valuation by a third party.

Investment funds have been measured at the net asset value of the fund as reported by fund manager at the reporting date, and they have been classified in level 1, 2 or 3 by their market activity and marketability. Equity investments are quoted in Helsinki Stock Exchange and they have been classified in level 1. The amount of equity investments is minimal.

**15 Cash and cash equivalents****EUR**

<b>Cash and cash equivalents</b>	<b>31.12.2014</b>	<b>31.12.2013</b>	<b>1.1.2013</b>
Cash at banks	39 766 539	24 880 268	67 510 289
<b>Total cash and cash equivalents</b>	<b>39 766 539</b>	<b>24 880 268</b>	<b>67 510 289</b>

**16 Non-current assets classified as held for sale**

The office building in UIF's own use has been presented as assets held for sale as at 31 December 2013, because, according to management's estimate, the criteria for classification as held for sale has been met. Assets classified as held for sale consisted entirely of the building included in property, plant and equipment. No liabilities were related to the asset. The sale was made in April 2014. The selling price was EUR 2 950 000 and UIF recognised a sales gain of EUR 1 053 241.

**17 Borrowings**

<b>EUR</b>	<b>31.12.2014</b>	<b>31.12.2013</b>	<b>1.1.2013</b>
Commercial papers	165 897 751	0	0
Revolving credit facility (RCF)	90 000 000	0	0
Liabilities from securities under settlement	12 099 993	5 996 504	29 766 800
<b>Total borrowings</b>	<b>267 997 744</b>	<b>5 996 504</b>	<b>29 766 800</b>

**18 Other liabilities**

<b>EUR</b>	<b>31.12.2014</b>	<b>31.12.2013</b>	<b>1.1.2013</b>
Account payables	193 590	0	0
Accruals and deferred income	1 886 579	823 205	6 667 436
Liability component income, accrual	88 951 031	111 096 763	103 142 607
Finnish Centre for Pensions capital accrual	34 600 000	0	14 800 000
Ministry of Employment and the Economy, pay security accrual	27 457 046	32 526 983	29 451 029
Finnish Centre for Pensions, interest accrual	19 657 281	15 469 679	11 941 753
Liabilities to unemployment funds	23 273 699	19 117 474	4 347 079
Holiday pay accrual	607 516	511 458	445 228
<b>Total other liabilities</b>	<b>196 626 742</b>	<b>179 545 562</b>	<b>170 795 134</b>

## 19 Commitments and receivables not recognised in the statement of net position

### Capital commitments, equity funds

<b>EUR</b>	<b>31.12.2014</b>	<b>31.12.2013</b>	<b>1.1.2013</b>
Committed capital	5 250 473	5 250 473	6 000 000
Reduction of the commitment capital of Fund III	0	0	-749 527
Utilised	-4 481 526	-4 041 374	-4 033 201
<b>Total capital commitments</b>	<b>768 947</b>	<b>1 209 099</b>	<b>1 217 272</b>

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

### Operating lease commitments

<b>EUR</b>	<b>31.12.2014</b>	<b>31.12.2013</b>	<b>1.1.2013</b>
Within one year	1 360 136	165 648	165 648
1-5 years	4 273 566	115 808	357 056
over 5 year	0	0	0
<b>Total</b>	<b>5 633 703</b>	<b>281 456</b>	<b>522 704</b>

The Fund has rented its office and warehouse premises and a car by non-cancellable lease contracts. Term of the office and warehouse lease contract is 5 years, after which it is in force until further notice. The term of the lease for the car is 3 years.

### Operating lease receivables

<b>EUR</b>	<b>31.12.2014</b>	<b>31.12.2013</b>	<b>1.1.2013</b>
Within a year	413 568	0	0
1-5 years	1 344 096	0	0
over 5 year	0	0	0
<b>Total</b>	<b>1 757 664</b>	<b>0</b>	<b>0</b>

The fund has subleased part of its rented office premises. The first possible termination date for the sublease contract is in 5 years, after which the contract is in force until further notice.

## 20 Related parties

Related parties of the Fund consist of the Supervisory Board, the Board of Directors and the Management Group. The Supervisory Board is appointed by the government based on the proposal of the labour market parties. The proposal for the level of unemployment insurance contributions is prepared by the Supervisory Board in its fall meeting. The Board of Directors is appointed by the Supervisory Board. The Unemployment Insurance Fund is supervised by the Financial Supervisory Authority. In addition, the Ministry of Social Affairs and Health is entitled to receive information about the operation of the Unemployment Insurance Fund.

The government contributions payable to the unemployment funds is received from the Ministry of Social Affairs and Health. The Fund pays regularly benefits to the Finnish Centre for Pensions, State Pension Fund, Social Insurance Institution of Finland (Kela) and the Ministry of Employment and Economy.

**Remuneration of the Board of Directors and the Supervisory Board**

<b>EUR</b>	<b>1.1.-31.12.2014</b>	<b>1.1.-31.12.2013</b>
Salaries and benefits	80 010	74 105
Pension costs – defined contribution plans	19 362	17 637
<b>Total</b>	<b>99 372</b>	<b>91 742</b>

**Remuneration of the Management Group members (excluding the Managing Director and his deputy)**

<b>EUR</b>	<b>1.1.-31.12.2014</b>	<b>1.1.-31.12.2013</b>
Salaries and benefits	341 761	393 203
Pension costs – defined contribution plans	77 937	93 583
<b>Total</b>	<b>419 698</b>	<b>486 786</b>

**Remuneration of the Managing Director and his deputy**

<b>EUR</b>	<b>1.1.-31.12.2014</b>	<b>1.1.-31.12.2013</b>
Salaries and benefits	275 298	267 548
Pension costs – defined contribution plans	66 622	63 676
<b>Total</b>	<b>341 920</b>	<b>331 224</b>

**21 Events after the reporting period**

There has not been material change in the state of economy in Finland in the early months of 2015. According to the information of the Ministry of Employment and the Economy, the amount of unemployed people at the end of March 2015 was 31 thousand more than year before. Costs of unemployment have continued to grow in the beginning of 2015. Expenditure is expected to increase by 10 %, compared to the expected level of increase of 6 % in the budget.

The Fund has continued preparing and implementing a debt program. The government has decided to grant a state guarantee of EUR 770 million for the borrowings. The Unemployment Insurance Fund has signed a syndicated debt program, a total amount of EUR 1 000 000 000. This credit facility is sufficient to cover the UIF's needs for debt financing in 2015. In addition, the Fund is exploring possibilities to get alternative debt financing from the capital markets.

The determination and collection of unemployment insurance contributions has been carried out better than year before. The service level has maintained good also in the collection.

# FINANCIAL STATEMENTS 31 DECEMBER 2014

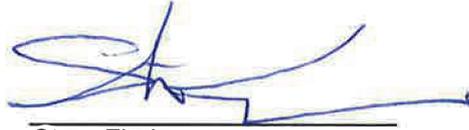
Helsinki, 27 May 2015

Unemployment Insurance Fund

Board



Vesa Rantahalvari  
Chairman of the Board



Sture Fjäder  
Vice-Chairman



Pekka Hotti



Eeva-Liisa Inkeroinen



Markku Jalonen



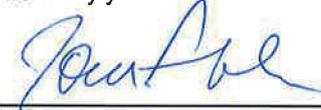
Miia Kannisto



Lauri Lyly



Antti Palola



Jorma Palola



Vuokko Piekkala



Veli-Matti Rekola



Saana Siekkinen



Janne Metsämäki  
Managing Director

## AUDITORS' NOTE

Our Auditors' Report has been issued today.

Helsinki, 27 May 2015

PricewaterhouseCoopers Oy



Juha Wahlroos  
Authorised Public Accountant



## ***Auditor's Report on the Financial Statements of the Unemployment Insurance Fund for the years ended 31 December 2014 and 2013***

To the Board of Directors of the Unemployment Insurance Fund

We have audited the accompanying financial statements of the Unemployment Insurance Fund, which comprise the statement of net position as at 31 December 2014 and 31 December 2013, statement of changes in net position and statement of cash flows for the years then ended, and notes to the financial statements. Our report has been prepared for the purpose of including it in the Prospectus.

### **Responsibility of the Board of Directors and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The Board of Directors is responsible for the appropriate arrangement of the control of the fund's accounts and finances, and the Managing Director shall see to it that the accounts of the fund are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

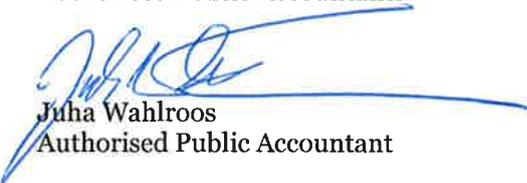
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Unemployment Insurance Fund as at 31 December 2014 and 31 December 2013 and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

Helsinki, 27 May 2015

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants



Juha Wahlroos  
Authorised Public Accountant