



The Unemployment Insurance Fund

ANNUAL REPORT
2016



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The Unemployment Insurance Fund in brief

The Unemployment Insurance Fund (UIF) launched its operations in 1999. It is an independent institution governed by labor market parties and is supervised by the Financial Supervisory Authority (FIN-FSA). The main task of the Unemployment Insurance Fund is to finance unemployment benefits. The Fund determines and collects the unemployment insurance contributions and supervises the fulfilment of the responsibilities related to the unemployment insurance contributions provided by law. In addition, the Fund processes employers' training compensations. Training compensation is based on the Act on Compensations for Training (1140/2013).

The operations of the Fund are financed by unemployment insurance contributions collected from employers and employees and by investment returns.

The Unemployment Insurance Fund carries out the prepayment of financing contributions to the single unemploy-

ment funds in monthly intervals on the basis of the applications submitted to the Fund. In addition, the Unemployment Insurance Fund processes and carries out the prepayment of government contributions on behalf of the single unemployment funds.

The operations of the Unemployment Insurance Fund are based on the Act on the Financing of Unemployment Benefits (555/1998), the Decree on the Financing of Unemployment Benefits (1176/1998) and the Decree on the Regulations of the Unemployment Insurance Fund (862/1998), as amended.

Mission

The Unemployment Insurance Fund handles the financing processes of the unemployment insurance system and all its other duties in a reliable and correct manner, benefiting from internal expertise and the Fund's central market position. The Fund also promotes

collaboration amongst unemployment insurance system actors for the purpose of improving the system's performance.

Vision

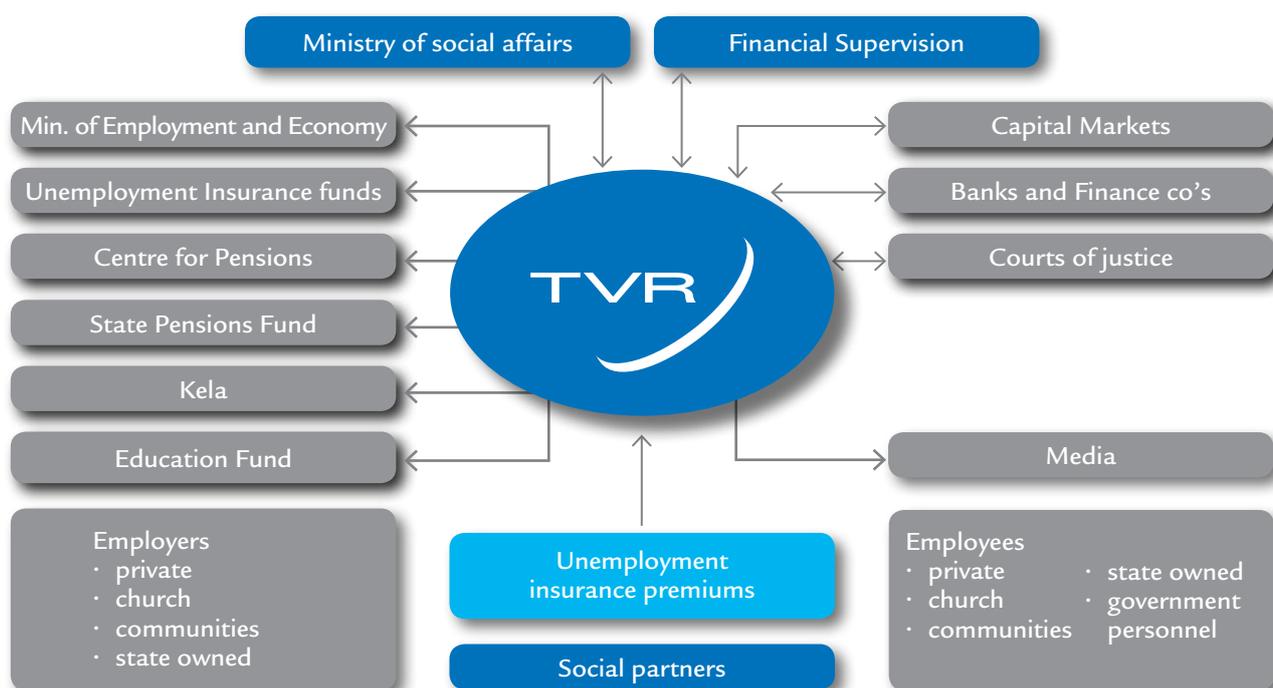
The Unemployment Insurance Fund is a specialist in earnings-related unemployment security, and is a reliable and respected partner. The Fund strives to promote positive development trends for employment through supporting the functionality of the labor market.

Values

In 2016, the Unemployment Insurance Fund defined the values guiding its activities. All employees were involved in the project.

These shared values were chosen: We are a strong team. We operate uncomplicatedly – person to person. We encourage reform.

Business environment



Managing Director's review

Employment trends and higher contributions resulted in increased Fund earnings

The Unemployment Insurance Fund's result for 2016 turned into a marked surplus, even though during the budget preparations it was estimated that the Fund would show a major deficit. The change was driven by the halt and the subsequent downturn in 2016 in unemployment, as Finland's economy returned to slow growth after a slump that had lasted several years. The Fund published several releases about the changed revenue forecasts in 2016.

In 2016, Finland's gross domestic product grew by an estimated 1.6 per cent. The unemployment rate decreased by 0.6 percentage points year on year. The Fund's financial result was EUR 220 million in surplus. The Fund's expenses decreased by 4 per cent while income increased by 23 per cent. The higher unemployment insurance contributions, entered into force at the beginning of 2016, had a significant impact on the increase in income. In 2016, the Fund's earnings-related benefit expenses and other benefits were financed by the unemployment insurance contribution without additional borrowing.

While the Fund's business cycle buffer remained negative in 2016, by the end of 2016 surplus revenue had decreased the buffer deficit to EUR 466 million. Return on the Fund's investments was 0.3 per cent in 2016, which can be considered a good result, taking into account the Fund's cautious investment policy and the negative interest rate environment.

The Fund's credit rating, granted by Standard & Poor's, was renewed in early 2016. The Fund's credit rating normally follows the government rating for Finland. In 2016, the Fund prepared for the renewal of its credit facility and the relat-

“In 2016, the Fund's earnings-related benefit expenses and other benefits were financed by the unemployment insurance contribution without additional borrowing.”

ed government guarantees, which will take place during the first half of 2017.

As an issuer of bonds, the Fund must comply with the requirements of the Securities Markets Act. In early 2016, the Fund's Board of Directors approved the insider regulations, which were updated in accordance with the Market Abuse Regulation that entered into force in July 2016.

The targets set for the determination and collection of unemployment insurance contributions were achieved in 2016. The level of customer service related to insurance contributions remained high throughout the year, and the Fund achieved its objective of increasing electronic service provision in wage sum reporting. The amount of collected liability components increased markedly year on year.

The Competitiveness Pact concluded by the national labour and employer confederations will result in several changes at the Fund. From the beginning of 2018, employee and employer unemployment insurance contribution rates (average contributions) will be equalised. At the same time, the composition of the Fund's administration will change. The maximum level of the Fund's business cycle buffer was temporarily increased to correspond to the annual expenses arising from an unem-

ployment rate of 7 per cent. The amendments of the law were approved by Parliament in the second half of 2016. The Competitiveness Pact includes a clause on the provision of a government guarantee for the Fund's debt financing without counter securities or guarantee payments.

The Fund continued to develop its information systems and prepared for the deployment of a new insurance contributions system. With regard to the preparations for the national income register, the Fund will participate in the first phase, set to be launched in 2019.

In 2016, the Fund performed well in its statutory and other tasks. The Fund's personnel deserve a great praise for this. Year 2016 saw the Fund preparing for and implementing diverse development projects. The Fund carried out a survey of its operational culture and prepared for the follow-up measures. Together with its employees, the Fund defined its values. According to them, we seek to achieve an Unemployment Insurance Fund which encourages reform and operates consistently with an uncomplicated service provision.

Janne Metsämäki
Managing Director



JANNE METSÄMÄKI

Performance of the Unemployment Insurance Fund's finances during 2016 was considerably stronger than expected

The Fund's Supervisory Board approved the budget in August 2015. At the time, the result for 2016 was expected to be EUR 409 million in deficit. However, Finland saw an economic upturn in 2016 and the unemployment rate somewhat declined towards the end of the year. The Fund's financial statements show a surplus of EUR 220 million for 2016. The Fund's net position was negative. The net position amounted to EUR 466 (686) million at the end of 2016.

Finland's economy picked up slightly during 2016. Increased activity in construction and the service sector drove an upturn in gross national product despite overseas trade and exports remaining in recession. After several years on the up, the unemployment rate edged down again. The number of people in employed has risen and the total amount of wages and salaries somewhat increased. The Fund's earnings-related benefit expenses and other benefits were financed by the unemployment insurance contributions, in contrast with the two previous years, when the Fund was obliged to raise debt financing to meet its expenses. Based on the official statistics, the unemployment rate in Finland decreased by 0.6 percentage points (from 9.4% to 8.8%). The Fund's benefit payments also decreased by 3.7 per cent year on year.

The Fund's real income amounted to EUR 4,083 (3,330) million and expenses EUR 3,859 (4,002) million. The financial year's surplus amounted to EUR 220 (deficit 677) million

The planning and management of the Unemployment Insurance Fund's finances are largely based on forecasts of the development of the unemployment rate, unemployment expenses, the employment rate and wages. In normal conditions, the Fund must set the insurance contributions at a level sufficient to cover all projected expenses.

The amounts of unemployment

- Unemployment insurance contributions and other income in total EUR 4,083 (3,330) million
- Unemployment benefits paid and administrative expenses in total EUR 3,859 (4,002) million
- Change in net position (for the financial year) EUR 220 (-677) million
- Net position EUR -466 (-686) million
- Investments and assets in total of EUR 704 (604) million
- Raised debt and other loans EUR 1,170 (1,290) million
- Unemployment rate on average 8.8% (9.4%)
- Return on investments 0.3% (0.2%)

The figures for 2015 are given in parentheses.

insurance contributions are specified for one year at a time. When the contributions are changed, the employers' and wage earners' contributions are changed 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 per year on average 4 per cent of expenses over the last five years. In 2016, the forecast deviation was larger than average.

The Fund's liquidity remained good in 2016. The significant rise in unemployment insurance contributions were at the beginning of 2016 increased the amount of collected contributions by

23 per cent year on year. Benefit payments to beneficiaries shrunk year on year, the cash flow remained positive and portfolio debt was slightly reduced.

The Unemployment Insurance Fund will make a proposal for the amounts of the following year's contributions to the Ministry of Social Affairs and Health by the end of August (Act on Financing of the Unemployment Benefits, section 18(6)). This accelerated timetable will increase the uncertainty of the following year's economic and employment forecast. The unemployment insurance contribution rates are ratified by Parliament on the basis of a government proposal. The proposal for contribution amounts can be amended during the parliamentary proceedings.

Key figures

EURm	Change %		2015	2014	2013	2012
Unemployment insurance contribution income*	4,083	23 %	3,330	3,031	2,222	2,157
Other income (MSAH)					1,039	891
Contribution rates						
- employee contribution %	1.15	77 %	0.65	0.50	0.60	0.60
- employe, base %	1.00	25 %	0.80	0.75	0.80	0.80
- employer, large firms	3.90	24 %	3.15	2.95	3.20	3.20
Benefits payments total	3,859	-4 %	4,002	3,706	3,186	2,764
- Unemployment funds (UIF)	1,581	-7 %	1,703	1,651	1,326	1,140
- Unemployment funds (MSAH)	1,102	-4 %	1,142	1,054	1,039	891
- Finnish Centre for pensions	846	-6 %	900	821	640	556
- Education fund	116	18 %	98	84	72	61
- Social Insurance Institution of Finland (Kela)	168	39 %	121	52	62	57
- Ministry of Employment and the Economy	23	10 %	21	27	33	29
- State Pensions Fund	11	43 %	8	6	7	6
- Administrative expenses	11.7	21 %	9.7	9.3	7.4	6.1
Change in net position	220		-677	-672	77	294
Investment return %	0.3		0.2	0.6	0.2	0.9
Net position	-466		-686	-9	663	585
- Money market investments	262	27 %	207	212	458	408
- Fixed income investments	359	48 %	242	206	332	308
- Borrowings, dept outstanding	-1,025		-1,109	-256	0	0

* Contributions from the MSAH included year 2014 onwards.

The 2017 unemployment insurance contribution rates were amended

On 30 August 2016, the Unemployment Insurance Fund proposed to the Ministry for Social Affairs and Health a decrease of 0.45 percentage points to employers' average unemployment insurance contributions and a respective increase to the employees' contributions.

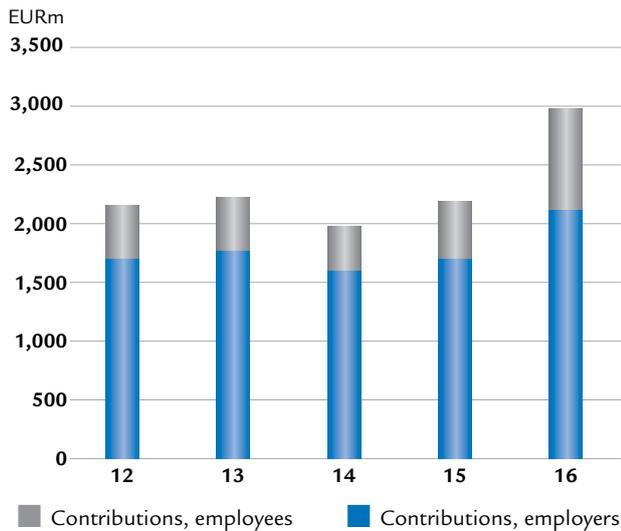
Parliament ratified a government proposal to this effect at the end of November 2016.

The Fund's administrative expenses

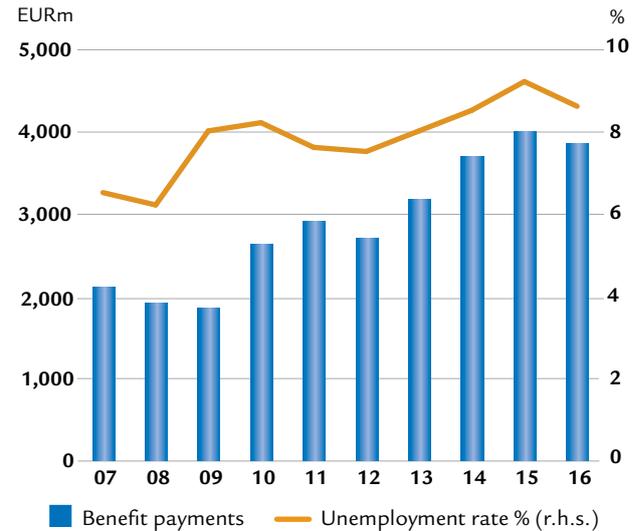
The Fund's administrative expenditure amounted to EUR 11.7 (9.7) million. The increase in expenditure was largely attributed to the development expenses entered on the assets side of the balance sheet being recorded as expenditure.

Performance of the Unemployment Insurance Fund's finances during 2016 was considerably stronger than expected

Unemployment insurance contribution

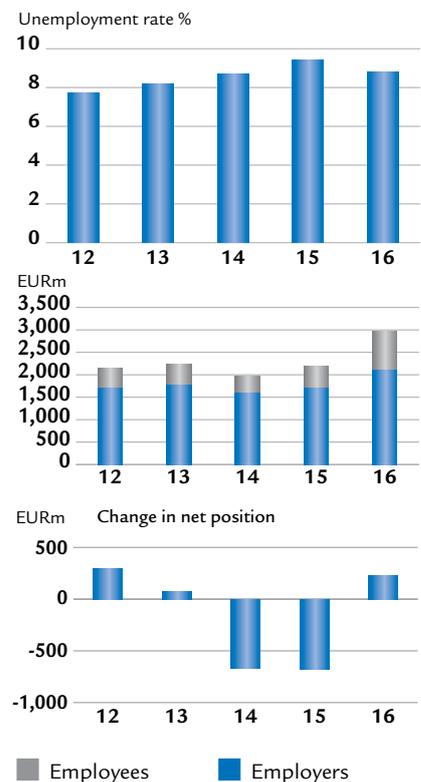


Benefit payments



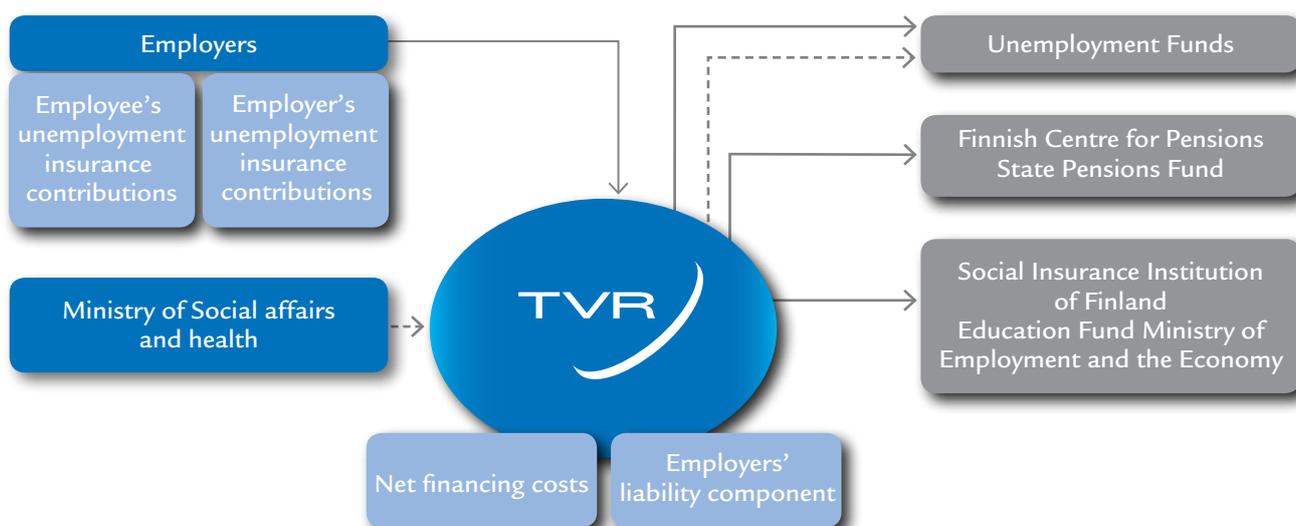
Operating environment improving

Finnish economy	<ul style="list-style-type: none"> ■ GDP growth 1,6 % in 2016 (est.) ■ Noticeable turn lower in unemployment ■ Unemployment rate 8,8 % (-0,6 %)
Unemployment insurance contributions	<ul style="list-style-type: none"> ■ Major increase in UIC rates for 2016 ■ Contribution income grew by 23 % (incl. MSAH)
Change of net position	<ul style="list-style-type: none"> ■ Benefit payments decreased by 4 % ■ Cash flow positive ■ Change of net position + 220 EURm



Responsibilities of the Unemployment Insurance Fund

Cashflows in TVR



Funded unemployment benefits

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 allowances are paid from the Education Fund. The Unemployment Insurance Fund is also liable for the unemployment insurance contributions of unemployed persons and recipients of an adult education allowance, paid to pension insurance institutions through the Finnish Centre for Pensions.

According to the Decree on the Implementation of the Act on Unem-

ployment Funds (272/2001), the processing of prepayment applications and the decision on ordering payment, together with monitoring the sufficiency of prepayments fall within the duties of the Unemployment Insurance Fund. The Fund makes prepayments to unemployment funds twice a month, on the first banking day of the month and on the date falling closest to the 15th banking day of the month.

The Fund also forwards the prepayments of government contributions to unemployment funds on the first banking day of each month. In 2016, the Ministry of Social Affairs and Health paid the government contributions to the Fund as fixed monthly prepayments, unless otherwise proposed by the Unemployment Insurance Fund. The government contribution is recognised as the Fund's income and expenses. In 2016, there were 28 (29) unemployment funds operating in Finland, of which two served entrepreneurs. The average earnings-related unemployment

allowance paid by these funds was EUR 65.56 (66.63) per day.

In 2016, a total of EUR 1,581 (1,703) million was paid to the unemployment funds for financing the unemployment benefits. In addition, the Fund forwarded EUR 1,102 (1,142) million to the unemployment funds as the contribution of the Ministry of Social Affairs and Health.

In accordance with the Act on the Financing of Unemployment Benefits, the Unemployment Insurance Fund is liable for costs incurred from additional days added to an employee's unemployment security. The unemployment funds pay additional daily unemployment benefits, which are not financed by the state, to their members. An unemployed person becomes eligible for additional employment security days if he or she turns 59 before having accumulated 500 earnings-related unemployment allowance days. For those born in 1955 or after, this age limit is increased to 60 years, and to 61 years for those born in 1957 or after.

Responsibilities of the Unemployment Insurance Fund

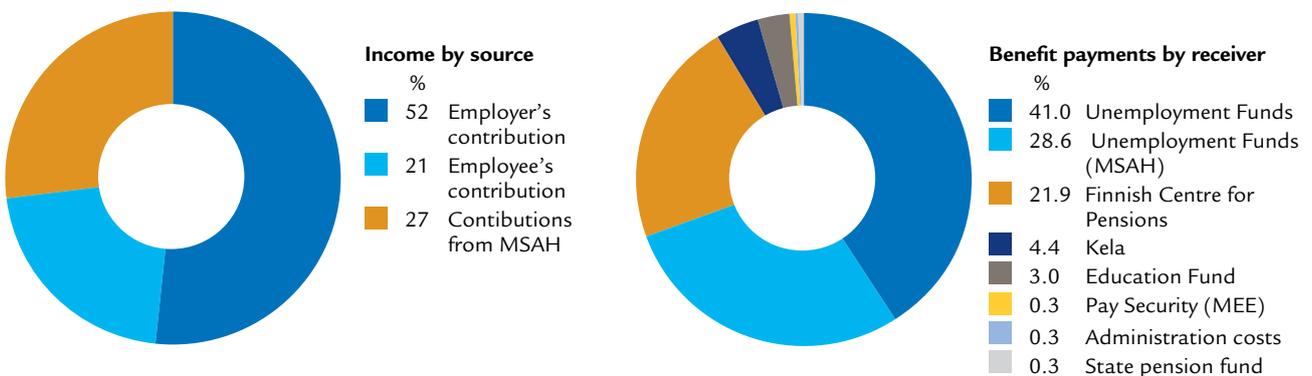
Under section 4 of the Act on the Financing of Unemployment Benefits, the Unemployment Insurance Fund has sole responsibility for funding the increased earnings-related component laid down in section 6 of the Act on Unemployment Security. From the beginning of 2015, the calculation rules for higher earnings-related unemployment allowances was changed so as to slightly decrease the level of allowances. The same change was applied to the increased earnings-related component. These changes implement the reduction of unemployment allowances as specified

in the government framework decision. The change has decreased the expenditure related to earnings-related unemployment allowances. Under section 23 of the Act on the Financing of Unemployment Benefits (555/1998), to implement government savings the Fund pays the amount of savings (approximately EUR 50 million) yearly to Kela to be used to finance the basic social security.

By virtue of section 19a of the Act on Unemployment Funds (556/1998) and in order to even out the unemployment burden prevailing in different industries, within the limits of an appropriation decid-

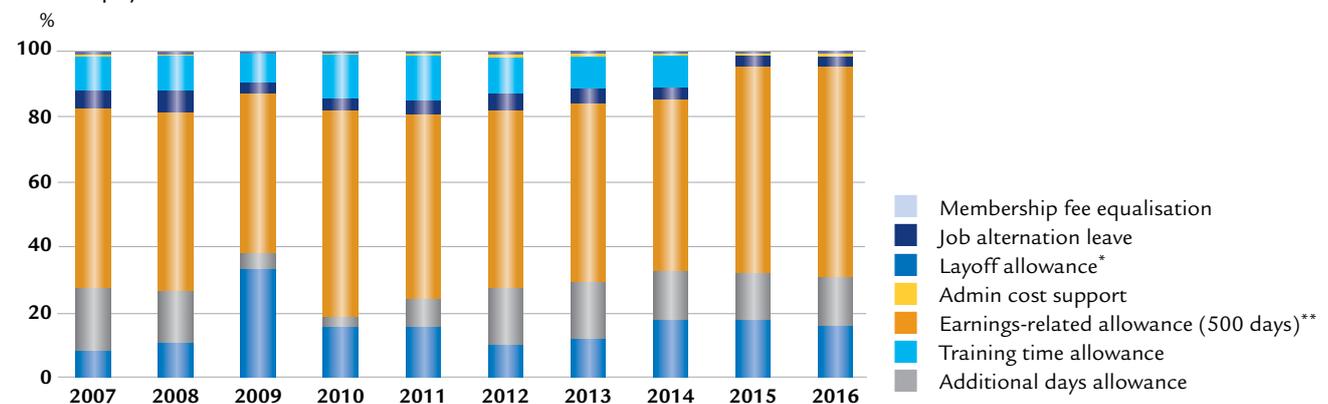
ed by the Supervisory Board each year, the Fund pays a membership fee equalisation payment to those employee funds that have paid significantly more unemployment benefit days in the previous year than the average per member for all unemployment funds. The balance of the unemployment fund's equalisation fund may also be taken into account in determining the membership fee equalisation payment. The Board of 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 previous years.

TVR's finances



Structure of benefit payments

Benefits payments as % of total



* Government participated in the financing of layoff benefits in 2010, 2012 ja 2013 ** Training time allowance included in 2015 and onwards

In 2016, a total of EUR 10 (10) million was used on equalisation payments. The amount used for equalisation was around 0.34 (0.35) % of the unemployment funds' benefit payments, the prescribed maximum being 0.75%. The membership fee equalisation payments were made to seven employee funds. Changes in the Fund's membership fees in 2016 and 2015 were also taken into account in the equalisation decisions.

Financing of pension accrual of unemployed persons and recipients of job alternation compensation and adult education allowance

The Unemployment Insurance Fund's second largest expense has been the contribution paid to the Finnish Centre for Pensions 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.

The book value of this expense, based on the estimate of the Finnish Centre for Pensions, was EUR 846 (900) million in 2016. The contribution was paid as a prepayment during 2016. The final contribution for 2016 will be confirmed afterwards by the Ministry of Social Affairs and Health during 2017.

As stated above, the Unemployment Insurance Fund is liable to pay the contribution provided for in sections 62 and 133 of the State Employees' Pensions Act (1295/2006) to the State Pension Fund. In 2016, the Unemployment Insurance Fund's contribution amount-

ed to EUR 10.7 (7.7) million. The final contribution for 2016 will be confirmed afterwards by the Ministry of Social Affairs and Health during 2017.

Settlement to KELA of income from the unemployment insurance contributions of employees who are not members of an unemployment fund

By virtue of Sections 8 and 23 of the Act on the Financing of Unemployment Benefits (555/1998), the Fund settles to KELA an annual amount from wage earners' unemployment insurance contribution income, corresponding to the percentage of wage earners who are not members of an unemployment fund. The amount of this settlement is estimated from data collected by Statistics Finland, and the estimate is confirmed by the Ministry of Social Affairs and Health. In 2016, the settlement percentage was 13.5 (13.5). Prepayments amounted to EUR 168 (121) million.

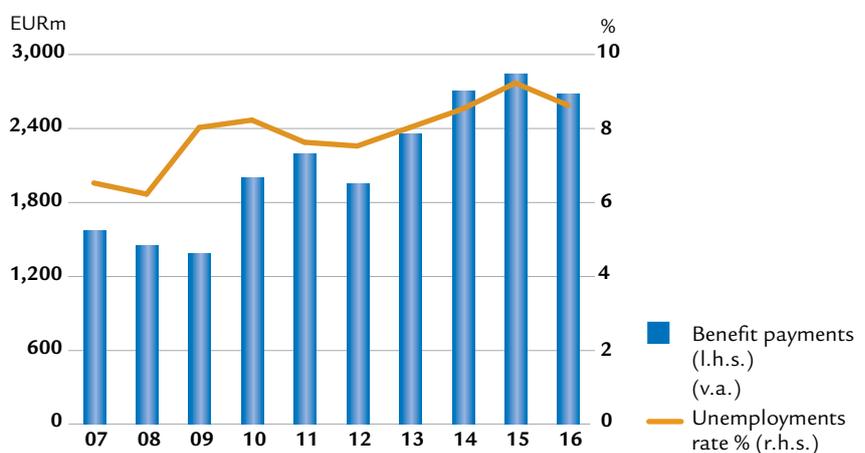
Financing of the Education Fund's benefits and operations

In accordance with section 13 of the Act on the Education Fund (1306/2002) and section 30 of the Act on Adult Education Support (1276/2000), the Unemployment Insurance Fund is responsible for the financing of the earnings-related component of the adult education allowance and the scholarships for qualified employees, together with the related administrative expenses. The benefits are paid from the Education Fund. In 2016, the Unemployment Insurance Fund paid to the Education Fund a total of EUR 116 (98) million. The increase in expenses is due to a sharp increase of adult education allowance expenses.

Financing of pay security

By virtue of section 31 of the Pay Security Act (866/1998), the Unemployment Insurance Fund is liable for the state's pay security expenses. Pay security expenses are paid once a year to the Ministry of Employment and the Economy, based on the invoice sent by the

Subsidies paid to unemployment funds (TVR)



Responsibilities of the Unemployment Insurance Fund

Ministry. In 2016, pay security costs amounted to EUR 23 (21) million.

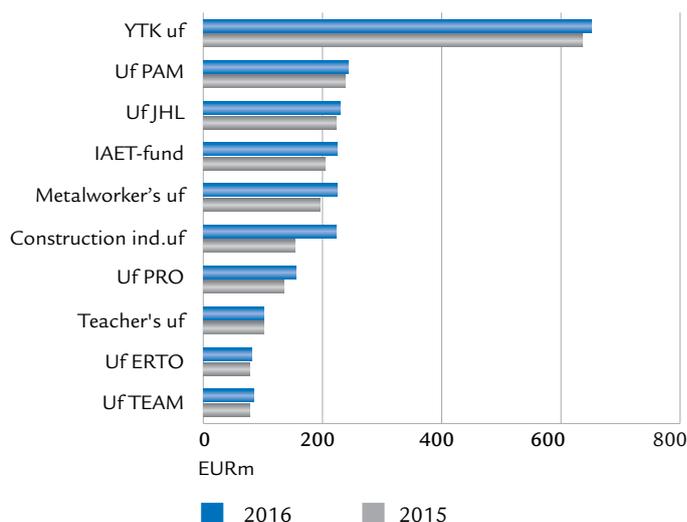
The Fund's role in EU coordination

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, incurred from basic unemployment allowance paid to the members of unemployment funds. In 2016, the Fund paid a total of EUR 85,400 in such compensations and received a total of EUR 45,500.

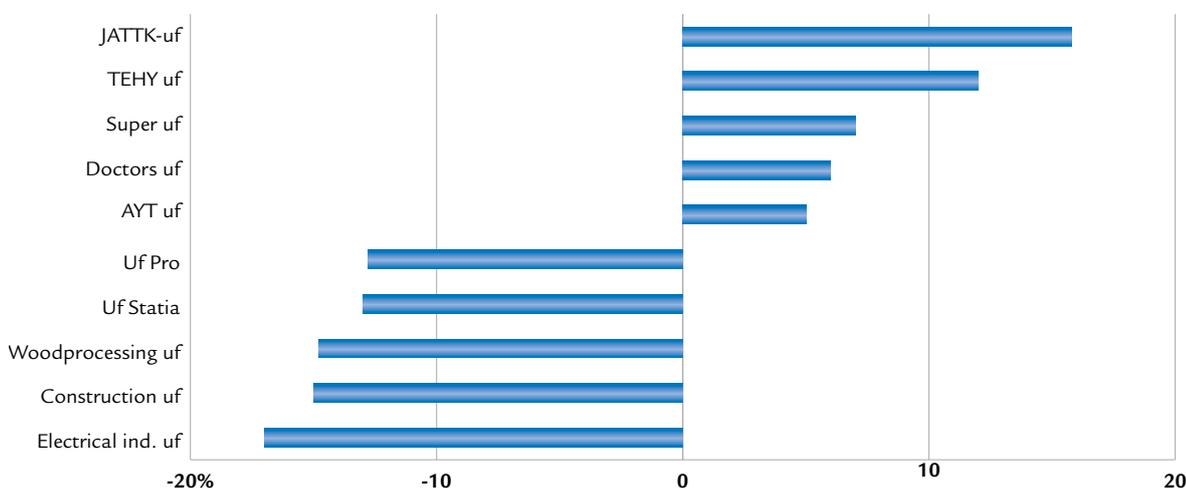
Subsidy payments to unemployment funds

Ten largest funds



Benefits paid by unemployment funds

Biggest % changes from 2015 to 2016



Determination, collection and supervision of unemployment insurance contributions

Unemployment insurance contributions

On 28 August 2015, the Supervisory Board of the Unemployment Insurance Fund made a proposal to the Ministry of Social Affairs and Health for the amount of unemployment insurance contributions for 2016.

Employers' contribution percentages increased for 2016, and were 1.00% (0.80) of the wages up to EUR 2,044,500 (2,025,000) and 3.90% (3.15) of the wages for the part exceeding this. The average contribution percentage was 2.87% (2.34).

Unemployment insurance contribution for government enterprises was 1.00% (0.80) of the wages up to EUR 2,044,500 (2,025,000) and 2.45% (2.10) of the wages for the part exceeding this.

Universities' unemployment insurance contribution was 1.00% (0.80) of the wages up to EUR 2,044,500 (2,025,000) and 2.78% (2.35) of the wages for the part exceeding this.

Unemployment insurance contribution for part-owners as defined in

the Unemployment Allowance Act was 1.00% (0.80) of the wages.

Employees' unemployment insurance contribution was 1.15% (0.65) of the wages, based on the Fund's proposal. The employee unemployment insurance contribution of a part-owner was 0.46% (0.24) of the wages.

Employers' unemployment insurance contributions amounted to EUR 2,042 (1,625) million, of which municipalities and joint municipal authorities paid EUR 613 (493) million. Employees' unemployment insurance contributions amounted to EUR 869 (489) million, of which municipalities and joint municipal authorities paid EUR 188 (106) million.

Determination and collection of unemployment insurance contributions

The Unemployment Insurance Fund determines and collects the unemployment insurance contributions based on

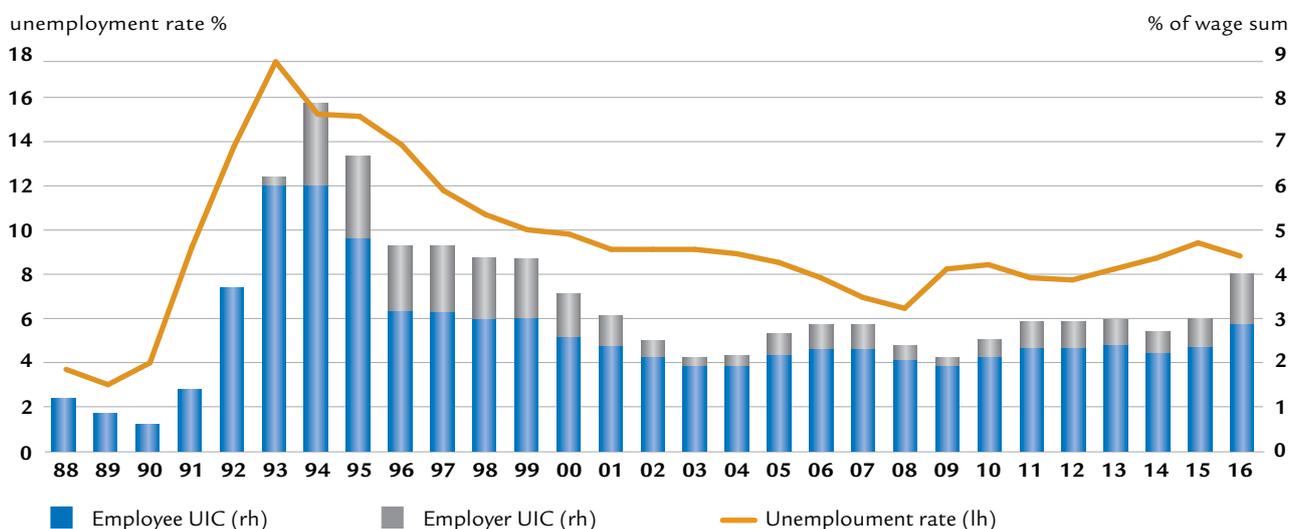
Chapter 7 of the Act on Financing of the Unemployment Benefits.

During 2016, the unemployment insurance contributions determined by the Unemployment Insurance Fund amounted to EUR 3.0 (2.9) billion. A total of EUR 96 (93) million of the unemployment insurance contributions were refunded. Assigned payments were collected comprehensively, 0.15 (0.24) per cent of the invoices due in 2016 remained unpaid.

Employers' training compensation

Employers can receive tax deductions from the expenses of training their employees based on the law on training compensation (law related to three training days). Employers who are not eligible for training-fee-related tax deductions based on the Business Tax Act or the Agricultural Income Tax Act, can receive equal deduction from the unemployment insurance contribution. Such employers are, for example, municipalities, churches and organisa-

Unemployment rate and contribution rates



Determination, collection and supervision of unemployment insurance contributions

tions. Entitlement to receive such compensation started from the beginning of 2014 and the first deduction, based on the employer's application, was issued in 2015, after the Unemployment Insurance Fund approved the final total amount of unemployment insurance contributions paid in 2014.

During 2016, the Unemployment Insurance Fund refunded EUR 11.1 (9.4) million to 618 (476) employers for the compensation paid for training that had taken place in 2015. The total number of training days stated in the applications was around 562,000 (480,000). Of the employers who applied for the training compensation, 285 (225) were cities or municipalities.

Supervision of collection of unemployment insurance contributions

The Unemployment Insurance Fund supervises the fulfilment of the responsibilities related to the statutory unemployment insurance contributions. This supervision ensures that the reported wages, which determine the amount of the employer's unemployment insurance contributions, are accurate and the collected amounts are correct. In addition, the supervision addresses any failures to pay unemployment insurance contributions.

The Unemployment Insurance Fund previously supervised the unemployment insurance contributions with accident insurance institutions and the Federation of Accident Insurance Institutions because the institutions collected unemployment insurance contributions until 2012. From 2013, the Unemployment Insurance Fund has collected the unemployment insurance contribution directly from employers. Supervision of the Fund's collected unemployment insurance contributions began in November 2015.

In 2016, the Unemployment Insurance Fund began supervision of 909 employers. Supervision cases resulted in EUR 2.5 million of additional payments and EUR 0.3 million of refunds.

Employers' liability component in unemployment allowances

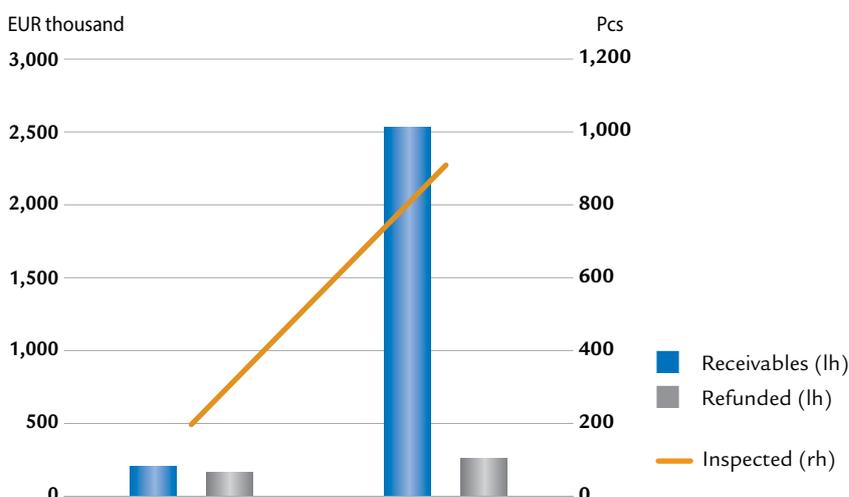
The Unemployment Insurance Fund determines and collects the employers' liability component in unemployment allowances in order to finance elderly long-term unemployed persons' entitle-

ment to additional days. Provisions on the liability component and the collection procedure are laid down in Chapter 8a of the Act on Financing of the Unemployment Benefits (1998/555).

In 2016, the unemployment funds and Kela reported around 13,000 (12,000) new liability cases. The Fund imposed a liability component payment on the employer in around 3,800 (3,000) cases.

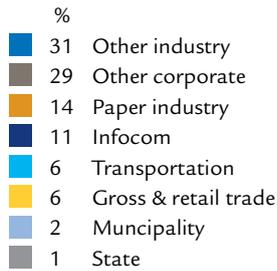
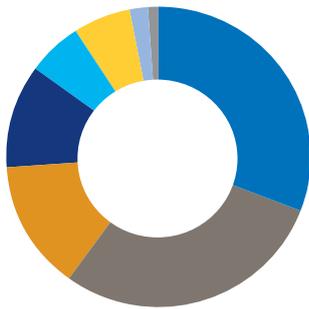
The average amount of a liability component was EUR 18,000 (17,000). The average processing time in cases that led to a payment decision was 68 (74) days. In 2016, 14 (15) employers complained about the liability component payment decision.

Unemployment insurance contribution surveillance

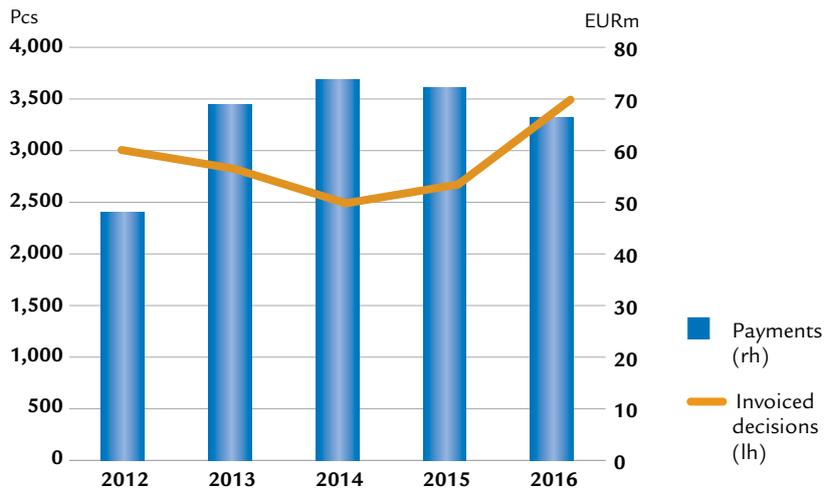


Employers liability component

Payments by sector



Liability information: payments and decisions invoiced

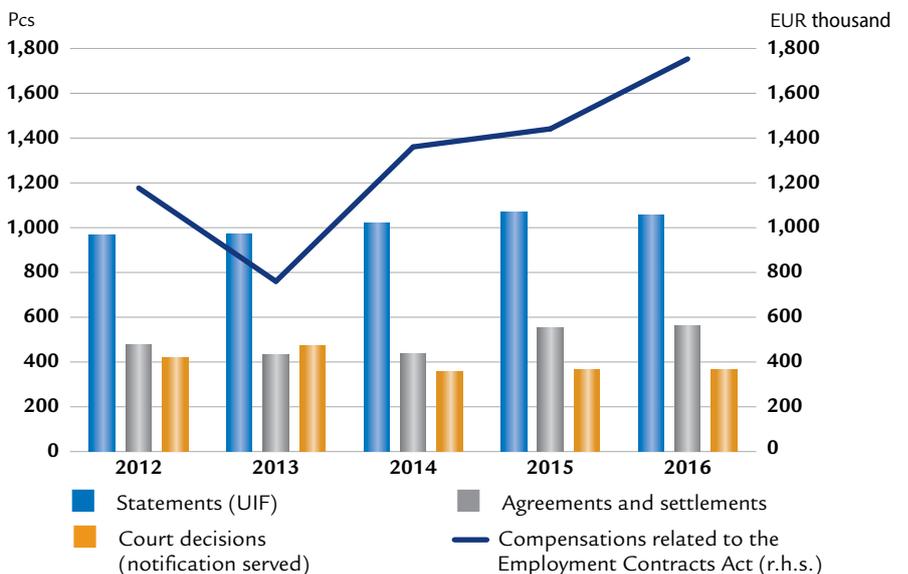


Conduct according to Chapter 12, section 3 of the Employment Contracts Act

According to the Employment Contracts Act, a court has 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.

In 2016, the Unemployment Insurance Fund gave around 1,100 (1,100) statements.

Statements, agreements, court decisions and coordination compensations pursuant to the Employment Contracts Act



Unemployment Insurance Fund's finances in 2016

The Fund's net financial position and business cycle buffer

In accordance with section 3 of the Act on the Financing of Unemployment Benefits, the Unemployment Insurance Fund maintains a business cycle buffer generated from the difference between the Fund's income and expenditure, in order to safeguard the Fund's solvency and even out changes in unemployment

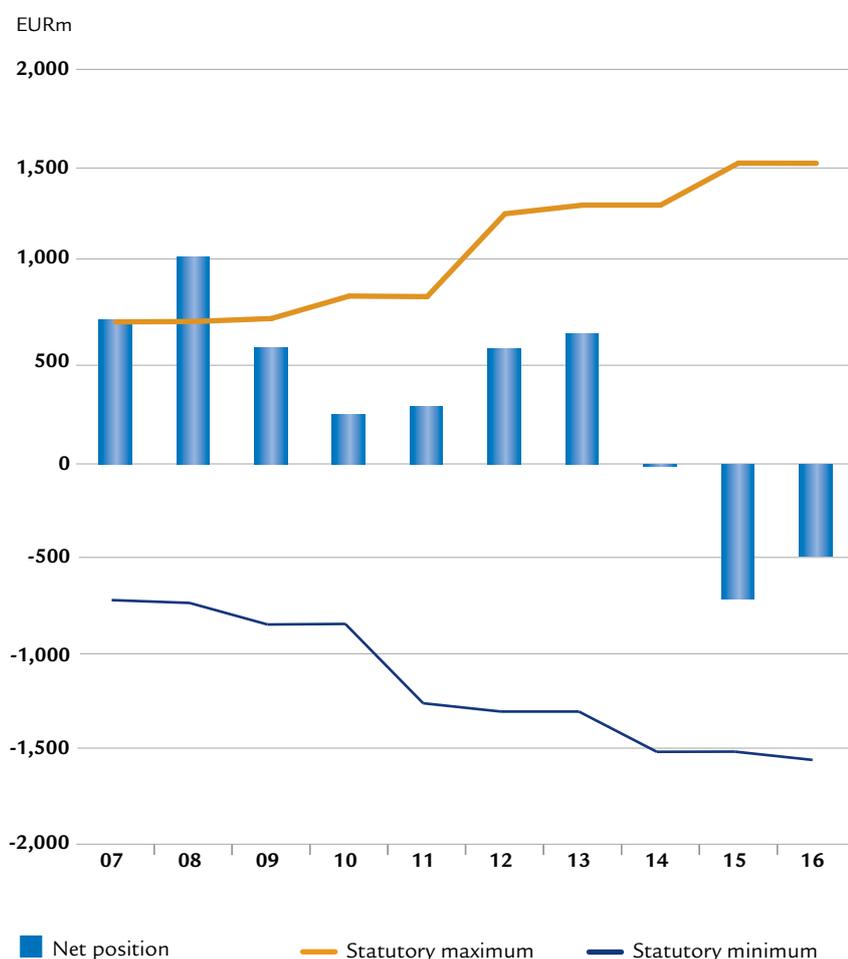
insurance contribution rates caused by predictable trend cycles in the national economy. The maximum size of this buffer is the amount of annual expenses corresponding to an unemployment rate of five per cent. During times of severe economic downturn, the Fund may maintain a deficit equal to the amount of expenditure corresponding to this unemployment rate. The maximum size of the buffer is calculated by dividing the annual expenditure that the Fund is liable for, EUR 2,756 million in 2016, by the year's

average unemployment rate (8.8) and multiplying the result by 5. In 2016, the maximum size of the buffer, laid down in the Act, was EUR 1,566 million. The Unemployment Insurance Fund's net position was EUR -466 million negative (liability) at the end of 2016.

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 for no less than an amount that equals the Fund's one month's expenses. This amount is approximately EUR 300 million. This liquidity buffer required debt financing during 2016.

According to the 2017 budget submitted to the Ministry of Social Affairs and Health, the liability in the Fund's net position would amount to EUR 557 million on 31 December 2017. In preparing the financial statements, it is estimated that the Fund's net position at the end of 2017 will be around EUR 200 million negative.

Net position (business cycle buffer)



Debt financing

The Unemployment Insurance Fund recorded significant deficits in 2014 and 2015, and its net position turned strongly negative. In 2015, the Fund carried out several transactions in the debt and capital markets. In the spring 2015, the Fund made credit facility agreements with six major Nordic banks, in total worth EUR 1,000 million, including a government guarantee of EUR 770 million. During the same year, the Fund issued two publicly quoted bonds amounting to EUR 900 million in total, and regularly issued short-term commercial papers with maturities of less than a year on the domestic markets. The European Central Bank took the Fund's bonds under its Public Sector Purchase Programme (PSPP) in July 2015.

The Fund continued to finance its liquidity in 2016 by issuing short-term

commercial papers with maturities of less than a year. Towards the end of the year, cash flow improved and the Fund was able to significantly reduce the number of outstanding commercial papers. The credit facility was not utilised during 2016.

Credit rating agency Standard & Poor's (S&P) granted the Fund an AA+ rating on 10 May 2016 with a negative outlook. On 30 September 2016, S&P changed the Fund's outlook from

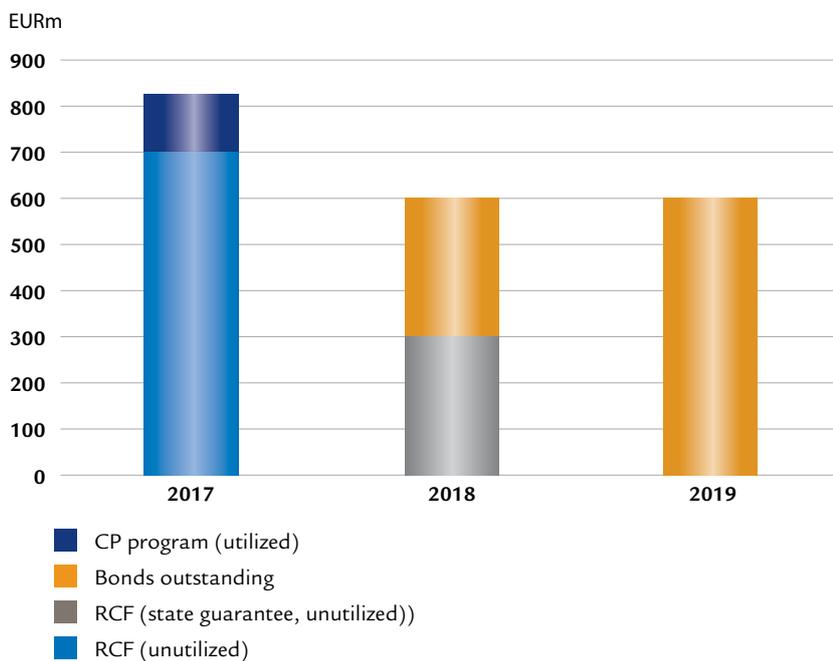
negative to stable due to S&P's similar change in the rating of Finnish Government on 16 September 2016.

In 2016 financial statements, of the total borrowings (EUR 1,023 million) EUR 897 million was covered by the issue of bonds and EUR 124 million by the issue of commercial papers.

Liquidity remained on a good level throughout the year and liquidity on average was equal to two months' expenses.

The Board of Directors of the Unemployment Insurance Fund approved on 29 November 2016 the debt servicing plan for 2017.

Debt maturity profile



Investment activities

The Unemployment Insurance Fund carries out investment activities to the extent necessary to manage the timing differences in the cash flows generated by its income and expenses, and for liquidity management purposes. Since 2015 the Fund's investment portfolio was mainly financed by debt financing. The Unemployment Insurance Fund's total investments and financial assets were EUR 704 (604) million at the end of 2016.

The performance of financial markets was quite stable in 2016. While Brexit and the US presidential elections temporarily caused sharp market fluctuations, the stock market continued to rise. Raw material prices picked up after last year's fall. The euro weakened against the US dollar. Long-term interest rates continued to decrease until November, especially in high grade loans. Following the US elections, long-term interest rates slightly increased from their bottom levels.

The European Central Bank continued to support the markets with the Public Sector Purchase Programme (PSPP), the corporate sector purchase programme (CSPP) and negative policy interest rate. The European Central Bank also continued its recovery measures through interest rates by reducing the policy interest rate to -0.4% negative in March 2016, following from the first negative policy rate in June 2014. All 1 to 12 month Euro Interbank Offered Rates (Euribor) were also negative at the end of 2016. In December 2016, the US Federal Reserve increased the policy interest rate to 0.75 per cent, having previously increased in December 2015.

Investment returns

Index return, asset classes

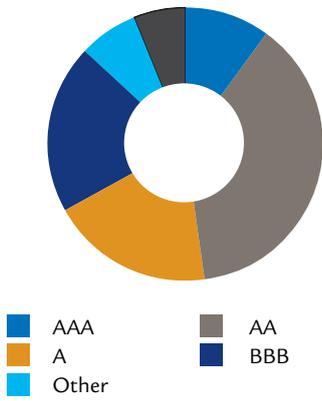
	2016	2015	2014	2013	2012
		%	%	%	%
Finnish equity	3.6 %	10.8	10.6	31.6	15.5
European equity	7.9 %	-0.7	6.0	16.4	17.6
Asian equity	8.3 %	-9.2	9.8	-3.7	20.0
Money market	-0.1	0.1	0.3	0.3	1.1
Euro government bonds (1-3Y)	0.3	0.3	0.6	-0.1	0.5
Euro government bonds (total)	3.1	1.6	13.2	2.1	10.6
TVR investment return	0.3 %	0.2	0.6	0.2	0.9

The aim was to retain a low risk level of the investment portfolio. This emphasis on protection continued in the allocation of investments. According to plan, the investment portfolio's average risk level rating was at least A-/S&P from January to September. The minimum risk level was dropped to BBB+/S&P at the end of September. The investment plan was revised twice during the year, and the Fund invested actively in money market instruments and bonds. At the end of the year, EUR 262 (207) million of the Fund's assets were invested in money market instruments, EUR 359 (242) million in bonds, EUR 0 (0) million in shares.

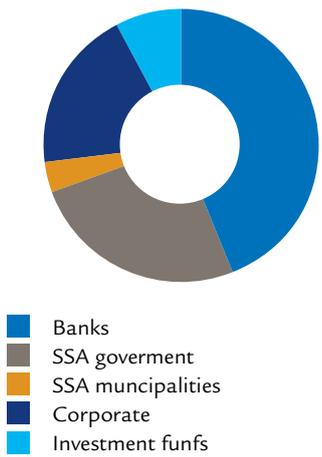
In 2016, the Fund achieved a return of 0.3 (0.2) per cent on invested capital. The return is considered good, taking into account the strong credit rating of the investment portfolio and the current negative interest rate environment, particularly in the operating environment of risk-averse investors such as the Fund. The return exceeded the benchmark return for investment activities.

The Unemployment Insurance Fund's asset management has been entirely carried out by the Fund's office from the beginning of 2016.

Investments by rating



Investments by sector



Risk management

The purpose of risk management is to identify and manage risks that could endanger the solvency of the Unemployment Insurance Fund or the continuity of its operations, or that could have a detrimental effect on the prerequisites for the Fund's operations or the implementation of its strategy. Another objective of risk management is to support the achievement of strategic goals by monitoring the risks faced by the Fund, in order to ensure that they remain in proportion to the Fund's objectives and risk-bearing capacity.

The Fund seeks to identify key risks in the risk management plan and limit them to a level where their realisation will not jeopardise the Fund's financial position, continuity of operations or trust in its operation.

Risk management is part of the Unemployment Insurance Fund's supervision system. The top management is responsible for organising the Fund's risk management and internal control, but implementation is part of every employee's responsibilities.

Risk management operations are driven and coordinated by the managing director with assistance from the risk management working group, introduced in 2015.

The Unemployment Insurance Fund is integrally linked to the Finnish national economy. For this reason, the unimpeded discharge of the Fund's key duties must be safeguarded in all circumstances. The Fund's finances are mainly managed through the regulation of unemployment insurance contribution amounts, determined on an annual basis. Maintaining unemployment insurance contributions at an appropriate, steady level is one of the Fund's core strategic goals.

The Fund employs a business cycle buffer to avoid fluctuations in unemployment insurance contribution amounts, and the size of this buffer has a material impact on the Fund's risk-bearing capac-

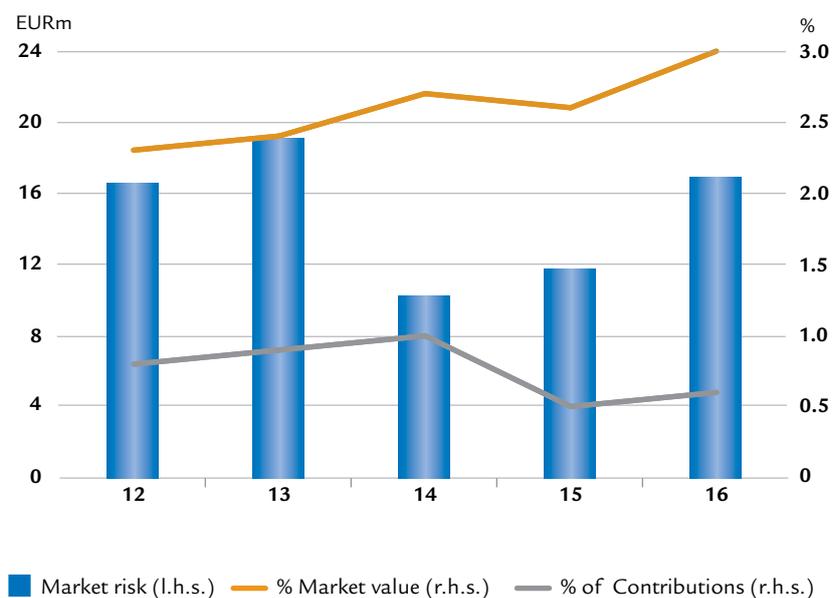
ity. The business cycle buffer turned negative during 2015. Debt finance continued to cover unemployment insurance expenses in 2016. The Unemployment Insurance Fund's net position at the end of 2016 was a negative EUR 466 million.

The Fund seeks to limit investment risks to a level where their realisation will not result in significant losses for the Fund, which would create pressure to increase contributions or endanger the liquidity of the Fund. The investment and financing activities and risk limits of the Unemployment Insurance Fund are laid down in more detail in the supervisory principles approved by the Supervisory Board, and the investment plan and the debt-management plan approved by the Board of Directors.

As a rule, the market risk of investments is measured by the stress test method, in which a risk indicator expressed as annual volatility is assigned to each investment category on the basis of historical fluctuations in value. In 2016, the risk indicator was 25% (25%) for equity investments, 4% (4%) for bonds, and 1% (1%) for money market investments.

Main risks faced by the Unemployment Insurance Fund relate to the sufficiency of the business cycle buffer and liquidity management, the ability to react to changes in the operating environment, information systems' functioning, and the availability and retention of human capital.

Investment risk



The Fund seeks to ensure the sufficiency of the business cycle buffer by setting unemployment insurance contribution rates at a level sufficient to provide security, using diverse forecasting methods. During periods of recession, the buffer may become negative, in which case solvency must be ensured, at least in part, by the acquisition of debt financing. The amount of funds in the business cycle buffer is evaluated both absolutely and in relation to the Fund's expenses. The liquidity of the Unemployment Insurance Fund was ensured by long-term bonds (EUR 897 million) as well as by commercial papers issued (EUR 124 million) and therefore the overall indebtedness amounted to EUR 1,023 million.

The risk related to liquidity is intended to be secured by profitable and protective investment activities as well as by comprehensive debt financing. As a backup facility for the commercial paper programme, the Fund has a revolving credit facility of EUR 300 million, and alongside with the issued bonds a credit facility of EUR 700 million with a state guarantee by the Government.

The Funds seeks to manage the risk related to change through competent anticipation of predictable changes in the operating environment. This requires an active communication with all stakeholders and, in particular, decision-makers.

In recent years, the significance of information management and information systems has increased considerably in the Fund's operations. Likewise, the availability of key talents and retention of key personnel and human capital is crucial to the Fund's operations. These risks are managed through consistency plans, readiness and deputy arrangements as well as improving the Fund's information systems' reliability and effectiveness.



Governance in 2016

The Unemployment Insurance Fund issued two publicly quoted bonds on Nasdaq OMX Helsinki in 2015. Accordingly, the Fund's Board of Directors decided that the Fund would comply with the applicable requirements of the Finnish Corporate Governance Code issued by the Securities Market Association, amended on 1 October 2015 and entered into force on 1 January 2016. Acting in compliance with the recommendation of the Corporate Governance Code, the Fund has published a separate Corporate Governance Statement on its website in fulfilment of the requirement referred to in Chapter 7, section 7 of the Finnish Securities Markets Act (746/2012). The Corporate Governance Code is publicly available on the Unemployment Insurance Fund's website.

Supervisory Board

On 27 November 2013, acting on a proposal of the labour market parties, the Government appointed the members of the Supervisory Board for the period from 1 January 2014 to 31 December 2016. When the Act on the Financing of Unemployment Benefits was amended, the provision regarding the Act's entry into force extended the Supervisory Board's term until the end of 2017. In 2016, the members of the Supervisory Board were

- Chairman Riku Aalto, Finnish Metalworkers' Union SAK
- Vice President Teija Asara-Laaksonen, The Trade Union for the Public and Welfare Sectors, JHL SAK
- Board Member George Berner, Berner Oy EK
- Deputy Mayor Jorma Haapanen, City of Kotka KT
- Chairman of the Board Kimmo Hovi MTA
- CEO Tauno Kekäle, VAMK EK
- CEO Lauri Kivekäs, Rudus Oy EK
- Director Salla Luomanmäki, Akava Special Branches Akava
- Chairman Jorma Malinen, Trade Union Pro STTK
- CEO Ilkka Mäkelä, Saarioinen Oy EK
- Senior Vice President Harri Ojanperä, SOK EK
- Chairman Ann Selin, Service Union United PAM SAK
- SVP, Human Resources Ari Svensk, Kesko Oy EK
- Chief Justice of the Administrative Court Liisa Talvitie, Administrative Court of Vaasa KT
- Chairman Rauno Vesivalo STTK
- Deputy Mayor Ritva Viljanen, City of Helsinki KT
- Head of Social and Health Services Jaana Ylä-Mononen, City of Virrat KT
- Chairman Antti Zitting, Sacotec Components EK

George Berner served as Chairman of the Supervisory Board with Ann Selin as Vice Chairman. The Supervisory Board convened three times in 2016.

Board of Directors

On 28 August 2015, the Supervisory Board appointed the members of the Board for 2016, acting on a proposal of the labour market parties.

At an e-mail meeting of 21 January 2016, the Supervisory Board granted the resignation request of Pekka Hotti as from 1 January 2016, and appointed Jyrki Hollmén in his place as from 21 January 2016. In the meeting of 20 April 2016, the Supervisory Board granted the resignation request of Miia Kannisto, as from 30 April 2016, and appointed Penna Urrila in her place as from 1 January 2016.

- President Sture Fjäder Akava
- Director Jyrki Hollmén, as from 21 January 2016 EK
- Director Eeva-Liisa Inkeroinen EK
- Director General Markku Jalonen KT
- Senior Legal Advisor Miia Kannisto, until 30 April 2016 EK
- Chairman of the Board Antti Palola STTK
- Chief Negotiator Jorma Palola KT
- Director General Vuokko Piekkala KiT
- Economist Joonas Rahkola SAK
- Senior Expert Vesa Rantahalvari EK
- President Veli-Matti Rekola MTA
- Director Saana Siekkinen SAK
- Chief Economist Penna Urrila as from 1 May 2016 EK

Sture Fjäder was nominated as the Chairman of the Board of Directors with Vesa Rantahalvari as Vice Chairman. The Board of Directors convened 11 times in 2016.

The Board's self-assessment was carried out in October 2016.

Auditors and the internal audit

Authorised Public Accountants PriceWaterhouseCoopers Oy served as the Fund's auditor. Authorised Public Accountant Juha Wahlroos was in charge of the audit.

The internal audit of the Fund was carried out by Authorised Public Accountants BDO, with Chartered Public Finance Auditor Helge Vuoti in charge of auditing.

Board of Directors in 2017



Vesa Rantahalvari
(Chairman)
Master of
Administrative
Sciences

b. 1967

Senior Expert,
Confederation of
Finnish Industries
(EK) 2001–



Saana Siekkinen
(Vice-Chair)
Master of Social
Sciences

b.1972

Director of Work and
Security, SAK 2015–



Sture Fjäder
Master of Science
(Economics
and Business
Administration)

b. 1958

President, Akava
2011–



Jyrki Hollmén
LLM, Master of Laws

b. 1974

Director, Chemical
Industry 2016–



Eeva-Liisa Inkeroinen
LLM, Master of Laws

b. 1963

Executive Vice
President, Technology
Industries of Finland
2016–



Markku Jalonen
Licentiate of Social
Sciences

b. 1960

Director General, KT
Local Government
Employers 2007–



Antti Palola
Sea captain

b. 1959

President, STTK
2013–



Jorma Palola
Licentiate of Law

b. 1954

Chief Negotiator, KT
Local Government
Employers 2010–



Vuokko Piekkala
LLM, Master of Laws

b. 1963

Director General,
Church Labour
Market Organisation
2013–



Veli-Matti Rekola
Master of Agriculture

b. 1956

Managing Director,
Countryside
Employers'
Confederation MTA
2000–



Penna Urrila
Master of Political
Science

b. 1976

Chief Economic
Policy Adviser,
Confederation of
Finnish Industries
(EK) 2010–



Pirjo Väänänen
Master of Social
Services

b. 1971

Director,
Employment, SAK
2012–

Personnel



The Fund's Managing Director is Janne Metsämäki (LLM, Master of Laws). The number of personnel was 98 (101) at the end of 2016, which was 88.8 (89.1) persons in full-time equivalent. 34 (37) employees were men and 64 (64) were women. Personnel's average age was 39 (38) years and the average period of service was 4.5 (4.3) years.

The average number of training days per person was 4 (6) days.

The Fund has implemented a compensation system based on the complexity of work, and a bonus system that supports the achievement of the Fund's strategic objectives.

Sick leaves were on average 9.2 (9.3) days per person year and 2.92% (2.96%) calculated by EK's statistics.

Office

The office of the Unemployment Insurance Fund is located at Kansakoulunkuja 1, Helsinki.

Representations

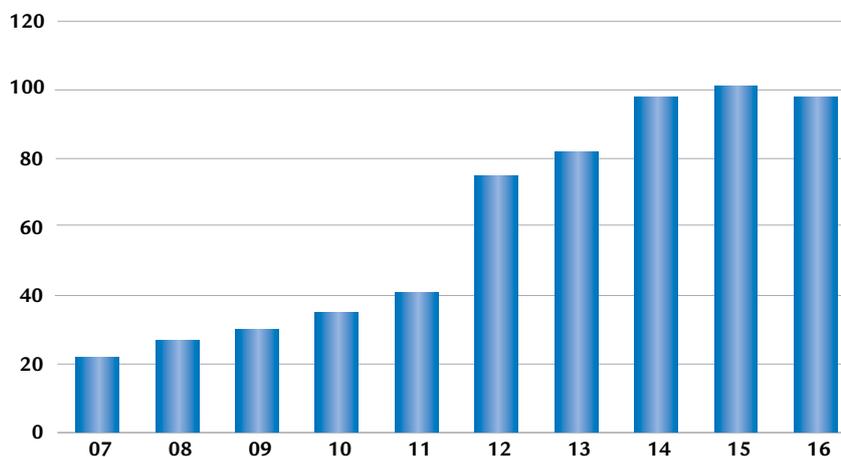
Janne Metsämäki was a member of Advisory Board for employment allowance issues of Social Insurance Institution of Finland and Tapio Oksanen a deputy member.

Memberships

The Unemployment Insurance Fund is the member of International Common Organisation of Unemployment, International Social Security Association (ISSA), and corresponding organization of EU member states, European Social Insurance Platform (ESIP), and Nordic Nordiskt Socialförsäkringsmöte (NSF). The Fund is an observer member in the European Association of Social Protection Institutions managed by labour market confederations (AEIP).

Personnel

Number of employees



Management Group



Janne Metsämäki
b. 1960

LLM, Master of Laws
Managing Director
At the Unemployment
Insurance Fund since
2015

Previously served
in specialist and
management roles since
1986. Previous employers
include the Ministry of
Social Affairs and Health,
SAK and the Ministry of
Economic Affairs and
Employment.



Tapio Oksanen
b.1958

Master of Science
(Economics and Business
Administration)
Deputy Managing
Director
At the Unemployment
Insurance Fund since
2001

Previously served
in specialist and
management roles in the
financial and investment
sector from 1984.
Previous employers
include Stockmann,
Eläke-Varma and SEB.



Juho Oksanen
b.1978

Master of Science
(Economics and Business
Administration), Master
of Social Sciences
Insurance Director
At the Unemployment
Insurance Fund since
2006

Previous employers
include Statistics Finland.



Heikki Ellonen
b. 1959

Master of Science
(Technology), Bachelor of
Science (Economics and
Business Administration)
Chief Information Officer
At the Unemployment
Insurance Fund since
2015

Previous employers
include Nokia Oyj,
Profium Oy, BEA systems
Oy, SWI Tapiolaakso Oy.



Virpi Halme
b. 1976

Master of Laws
Legal Counsel
At the Unemployment
Insurance Fund since
2005

Previously worked as the
Unemployment Insurance
Fund's lawyer from 2005.

Events after the reporting date

The positive economic development experienced in 2016 has continued in the first quarter of 2017. The reduction in the number of unemployed job-seekers is estimated to continue during 2017 from the level of 2016. According to the Fund's budget, this means that the change in net position would remain positive in 2017.

The Unemployment Insurance Fund's liquidity has been good, due to the front-loaded nature of insurance contributions and the unchanged level of unemployment insurance payment amounts. The Fund has continued the

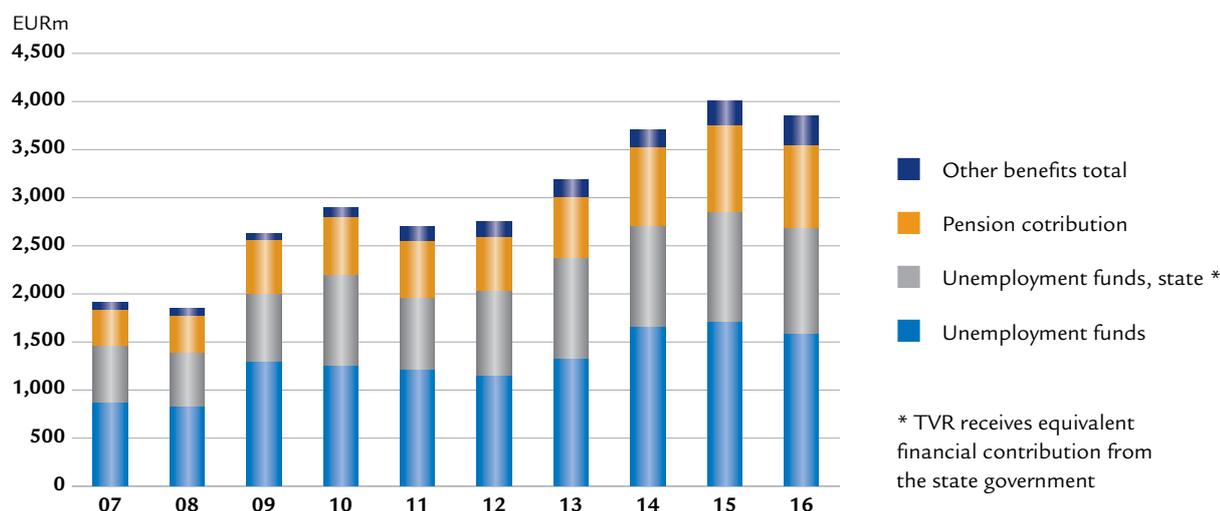
implementation of the debt-management plan approved in November 2016.

The Fund's debt financing has been acquired by bond issues and commercial papers. In addition, at the end of the financial year the Fund had a committed facility (revolving credit facility) of EUR 1,000 million, which included a committed credit facility of EUR 300 million (Rcf A facility) and a state-guaranteed credit facility of EUR 700 million (Rcf B facility), neither of which had been used. Following the decrease in the Fund's expenditure and the positive change in the 2016 net position,

such a large reserve limit was no longer considered necessary. Consequently, the Fund's Board of Directors decided in January 2017 to cancel the nominal committed facility of EUR 300 million (Rcf A facility). The change entered into force on 10 February 2017.

The determination and collection of unemployment insurance contributions has gone as planned. The level of service in the insurance contribution's customer service has been good despite the peak season at the end of the year. The level of service in the collection has been good.

Unemployment benefits paid



Financial Statements (IFRS) 2016

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1. Financial Statements (IFRS)

1.1. Statement of changes in net position

EUR	Note	1.1.–31.12.2016	1.1.–31.12.2015
Contributions collected			
Unemployment insurance contributions	5	4,082,594,943	3,330,197,485
Total contributions collected		4,082,594,943	3,330,197,485
Benefits paid			
Benefit payments	6	-3,846,980,405	-3,992,308,742
Administrative expenses	7	-11,653,795	-9,737,672
Total benefits paid		-3,858,634,200	-4,002,046,414
Net fair value gains on investments	13	1,574,137	970,356
Finance costs	8	-5,434,649	-5,782,531
TOTAL CHANGES IN NET POSITION		220,100,231	-676,661,104

1.2. Statement of net position

EUR	Note	31.12.2016	31.12.2015
ASSETS			
Non-current assets			
Property, plant and equipment	9	477,617	528,916
Intangible assets	10	1,754,445	1,567,325
Other receivables	12	328,038	328,038
Total non-current assets		2,560,100	2,424,279
Current assets			
Unemployment insurance contribution receivables	11	5,425,437	5,538,004
Other receivables	12	73,520,421	139,141,653
Investments	14	570,515,073	370,511,273
Cash and cash equivalents	15	52,135,615	86,390,563
Total current assets		701,596,546	601,581,493
Total assets		704,156,646	604,005,772
For previous periods		-685,857,257	-9,196,153
For the period		220,100,231	-676,661,104
NET POSITION		-465,757,025	-685,857,257
LIABILITIES			
Non-current liabilities			
Borrowings	16	897,041,820	897,635,070
Total non-current liabilities		897,041,820	897,635,070
Current liabilities			
Borrowings	16	125,969,173	215,366,391
Unemployment insurance contribution payables	11	29,951,014	43,241,208
Other liabilities	17	116,951,664	133,620,359
Total current liabilities		272,871,851	392,227,959
Total liabilities		1,169,913,671	1,289,863,029
Total net position and liabilities		704,156,646	604,005,772

1.3. Statement of cash flows

EUR	1.1.-31.12.2016	1.1.-31.12.2015
Unemployment insurance contributions collected	4,084,168,784	3,375,110,951
Benefits paid	-3,821,610,706	-3,918,679,280
Interest paid	-11 226,597	-8,815,490
Net cash used in ordinary activities	251,331 481	-552,383,819
Cash flows from investing activities		
Purchases of property, plant and equipment	-330,169	-100,696
Proceeds from sale of property, plant and equipment	0	200
Purchases of intangible assets	-1,668,446	-47,728
Investments in financial assets	-2,843,001,222	-2,614,283,673
Proceeds from sale of financial assets	2,646,448,118	2,362,413,593
Other non-current receivables	328,038	328,038
Net cash generated from investing activities	-198,223,681	-251,690,267
Proceeds from borrowings and repayments	-87,362,748	851,026,147
Net cash generated from financing activities	-87,362,748	851,026,147
Net increase(+)/decrease(-) in cash and cash equivalents	-34,254,948	46,952,062
Cash and cash equivalents at beginning of year	86,390,563	39,438,501
Cash and cash equivalents at end of year	52,135,614	86,390,563

1.4. Notes to the financial statements

Accounting policies of the financial statements

1. General information

The Unemployment Insurance 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 the Finnish Financial Supervisory Authority, whose main objective is to finance unemployment benefits. The Fund also steers, develops and monitors the implementation of the collection procedure of unemployment insurance contributions, and determines and collects the employer's liability component within the unemployment insurance contribution. In addition, the Fund manages employer's training compensations. Training compensation is based on the Act on Compensations for Training (1140/2013). The Unemployment Insurance Fund is domiciled in Helsinki, and its address is Kansakoulukuja 1, 00100 Helsinki.

The operations of the Fund are financed by investment income and unemployment insurance contributions collected from employers and employees. Until the end of 2012, accident insurance institutions were tasked with the collection of unemployment insurance contributions. The Unemployment Insurance Fund took over this collection from unemployment insurance contributions from the beginning of 2013.

The Unemployment Insurance Fund carries out the prepayment of financing contributions to the unemployment funds in monthly intervals on the basis of the applications submitted to the Fund. In addition, the Unemployment Insurance Fund processes and carries out the prepayment of government contributions on behalf of the unemployment funds. The operations of the Unemployment Insurance Fund are based on the Act on the Financing of Unemployment Benefits (555/1998), the Decree on the Financing of Unemployment Benefits (1176/1998) and the Decree on the Regulations of the Unemployment Insurance Fund (862/1998), as amended.

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 accounting policies

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 2016. IFRS refer to the standards and interpretations applicable by corporations and set out in the Finn-

ish Accounting Act and other provisions issued under it in accordance with the procedure laid down in Regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the financial statements also comply with the Finnish accounting and corporate legislation complementing the IFRS standards.

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.

TVR collects and pays unemployment insurance contributions. TVR 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 TVR'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 the IFRS financial statements of a fund like EUR thousandVRor the basis for recognition and measurement of transactions. In preparation of TVR'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 TVR'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 4.2. TVR 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.

TVR 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 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 3.

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.

- 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 amortized 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.
- According to IFRS 16, lessees are required to recognise a lease liability reflecting future lease payments and a 'right-of-use' asset for virtually all lease contracts. The standard is effective for accounting periods beginning on or after 1 January 2019.

The Fund is compiling reports on the introduction of the new IFRS 9 and IFRS 16 standards. For the report on the IFRS 9 standard, the Fund has analysed the business model applied to financial asset management and the cash flows from asset agreements. The Fund's investments are financial assets designated as financial assets at fair value through profit and loss at inception because the Fund manages the assets and the performance is evaluated based on fair value. The report on the impact of the standard has not yet been completed but the Fund considers that the new standard is unlikely to have significant impact on the designation and measurement of financial assets. With regard to financial liabilities, the recognition principles will largely remain unchanged in the new standard and the Fund considers the new standard not to have an impact on the designation and measurement of financial liabilities.

For the report on IFRS 16 Leases, the Fund reviews and analyses its lease agreements, the number of which is small. The report on the extent of the impact asset recognition under the new standard and the debt related to contributions will have on the changes of the Fund's net position and designation of cash flows is not yet completed.

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 TVR's functional and presentation currency. The 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 Chapter 7 of the Act on Financing of the Unemployment Benefits. The determination and collection of unemployment insurance contributions was transferred from accident insurance institutions to the Unemployment Insurance Fund at the beginning of 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 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. Insofar 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, is recognised as income for the current financial period on the basis of the insurance companies' reports.

2.3.1 Liability component compensations of employer's unemployment allowances

The Unemployment Insurance Fund determines and collects liability component compensations of unemployment allowances from employers. The liability component of unemployment insurance contribution 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 2,044,500 (in 2016). An employer may be obligated to pay the employer's liability component, if he has dismissed or laid off an elderly employee, or employee who has been on permanent full-time contract and the employment relationship has lasted at least three years and the employee has been unemployed or laid off for a long time. These unemployment benefit expenses are financed by the liability component compensations.

Collected liability component contributions that cover the cost of daily unemployment allowances are recognised as income for the period when the income amount can be reliably measured. In order to cover the cost of additional daily allowances, 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, a court has to hear the Unemployment Insurance Fund in disputes that relate to the termination of employment and when the claimant has received earnings-related daily 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.

2.3.2 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 re-structuring proceedings. The collection and enforcement of contributions due in 2012 and before is managed by the accident 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.

2.4 Benefits paid

2.4.1 Subsidies to unemployment funds

Under the Act on the Financing of Unemployment Benefits (555/1998), with regard to the financing of earnings-related unemployment allowances, the Unemployment Insurance Fund is liable for the costs incurred 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 allowances are paid from the Education Fund. The Unemployment Insurance Fund is also liable for the unemployment insurance contributions of unemployed persons and recipients of an adult education allowance, paid to pension insurance institutions through the Finnish Centre for Pensions.

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 prepayments fall within the duties of the Unemployment Insurance Fund. The Fund makes prepayments to the unemployment funds twice a month in accordance with the budget approved at the end of the previ-

ous 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. The Fund transfers the prepayments of government contributions to the unemployment funds on the first banking day of each month. In 2016, the Ministry of Social Affairs and Health paid the government contributions to the Fund as fixed monthly prepayments, 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 in amounts corresponding to the benefit payments made by the funds 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 the summer of 2017, at which time the Fund will make the equalisations in account balances between the employment funds and state.

Under section 4 of the Act on the Financing of Unemployment Benefits (555/1998), the Unemployment Insurance Fund has the sole responsibility for financing the increased earnings-related component laid down in section 6 of the Act on Unemployment Security. From the beginning of 2015, the calculation rules for higher earnings-related daily unemployment allowances was changed so as to slightly decrease the level of allowances. The same change was applied to the increased earnings-related component. These changes implement the reduction of unemployment allowances as specified in the Government framework decision. The change decreases expenditure related to earnings-related daily unemployment allowances. To implement government savings, the Fund pays the amount of savings (approximately EUR 50 million) yearly to Kela to finance basic social security under section 23 of the Act on the Financing of Unemployment Benefits (555/1998).

Under section 19a of the Act on Unemployment Funds (556/1998), the Fund pays a membership fee equalisation payment to those employee 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 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 previous years.

2.4.2 Payments to the Finnish Centre for Pensions and State Pension Fund and their interest rates

The Unemployment Insurance Fund's second largest expense has been the contribution paid to the Finnish Centre for Pensions 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 liable to pay the contribution laid down in sections 62 and 133 of the State Employees' Pensions Act (1295/2006) to the State Pension Fund.

Payments made to the Finnish Centre for Pensions for the financial year in accordance with section 12c of the Employees Pensions Act (561/1998) are based on an estimate provided by the Finnish Centre for Pensions and adjusted in 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 payment estimate used in the financial statements is presented as an adjustment, an equalisation payment for the previous year, on 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 imposed on the Unemployment Insurance Fund according to the TyEL (Employees Pensions Act) premium insurance 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

Under sections 8 and 23 of the Act on the Financing of Unemployment Benefits (555/1998), the Fund pays to Kela an annual amount from employees' 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 Statistics 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

In accordance with section 13 of the Act on the Education Fund (1306/2002) and section 30 of the Act on Adult Educa-

tion Support (1276/2000), the Unemployment Insurance Fund is responsible for the financing of the earnings-related component of adult education allowances, the scholarships paid for qualified employees, 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 pay security

Under section 31 of the Pay Security Act (866/1998), the Unemployment Insurance Fund is responsible for the state's pay security expenses. Pay security expenses are paid once per year, normally in the spring of the following year, to the Ministry of Employment and the Economy, based on an invoice sent by the Ministry.

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 laid down in paragraphs 6 and 7 of Article 65, incurred from basic unemployment allowance paid to the members of unemployment funds.

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.

2.4.7 Training compensation

TVR handles the employer training compensations. Training compensation is based on the Act on Compensations for Training (1140/2013). The training compensation is a monetary support to develop competence for those employers who are not eligible for a training deduction granted by the Business Income Tax Act or Agricultural Income Tax Act. Such employers include municipalities, churches and non-profit organisations. The purpose of training compensation is to improve the employer's opportunities to organise training for its employees, to develop their vocational competence. Training compensation is received for a maximum of three training days per employee per year.

Entitlement to receive such compensation started from the beginning of 2014 and the first deduction, based on the employer's application, was issued in 2015, after the Unem-

ployment Insurance Fund approved the final total amount of unemployment insurance contributions paid in 2014.

The financing of training compensation has been designated, so that the Ministry of Finance pays based on application from Unemployment Insurance Fund each calendar year the amount, which the Fund has refunded to the employers for the training compensation.

2.4.8 Pensions and employee benefits

The Fund only has defined contribution pension plans. Statutory pension cover is managed by an external pension insurance company. Pension plan contributions are recognised as expense in the financial period in which they are incurred. The Fund employees have a bonus system. Based on the proposal of the Managing Director and in accordance with the confirmed bonus criteria, the Board of Directors decides on the payment of bonuses, if any. Realised bonuses are recognised as expense in the relevant financial period.

2.5 Property, plant and equipment

Property, plant and equipment include the Fund's machinery and equipment and the leasehold improvements. 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 premises improvement'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:

- Leasehold improvements 5 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 recognized 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. Estimated useful lives by asset class are as follows:

- Computer programmes 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 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 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 realized and unrealized 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 are presented in note 13.

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 recognized 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 recognized 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.

2.9 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.

Operating 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 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

Operating leases

The Fund has subleased part of its leased premises. The sublease 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. 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 steering of the Unemployment Insurance Fund's finances are largely based on forecasts on how the unemployment rate, unemployment expenses, the employment and the total payroll amount develop. In normal conditions, the Fund must set the insurance contributions at a level sufficient to cover all projected expenses. The amounts of unemployment insurance contributions are specified 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 per year on average 4% of expenses over the last five years. In 2016, the forecast deviation was larger than on average.

The Fund uses judgement in applying the valuation methods used in the measurement of fair value insofar 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 TVR is to collect unemployment insurance contributions, the level of which has been determined by public authorities. TVR pays collected contributions onwards, mainly to unemployment funds. With the collected contributions TVR engages in conservative investment activities in order to cover the benefit payments. TVR covers possible deficit also with loan financing.

The Unemployment Insurance Fund is a non-profit, government-affiliated fund. Management of TVR 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 TVR does not actually allocate resources to the entity's activities or review the effectiveness of operations.

For these reasons, TVR'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 TVR's operations, nature of the operating environment and financial effects. According to UIF's management, TVR's nature of operations and operating environment as well as financial effects are fairly presented in the IFRS financial statements.

4. Financial risk management

The Fund seeks to limit financial and investment risks to a level where their realisation will not result in significant losses for the Fund to the extent of creating pressure to increase contributions or endanger the liquidity of the Fund. The investment and financing activities and risk limits of the Unemployment Insurance Fund are provided for in more detail in the investment principles approved by the Supervisory Board and the investment plan and the debt-management plan approved by the Board of Directors.

As a rule, the market risk of investments is measured by using the stress test method, in which a risk indicator expressed as annual volatility is assigned to each investment class on the basis of historical fluctuations in value. In 2016, the risk indicator was 25% (25%) for equity investments, 4% (4%) for bonds, and 1% (1%) for money market investments.

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 to the

extent of creating 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. Specifications of the investments and their fair values by class of investment are presented in note 13.

4.1 Financial risk factors

4.1.1 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 net position 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 December 2016 and 31 December 2015 was as follows:

31.12.2016			
	Risk %	Capital, in EUR	Risk, in EUR
Money market	1.0	261,968,094	2,619,681
Bonds	4.0	358,614,656	14,344,586
Shares	25	8,456	2,114
Total risk	2.73	620,591,206	16,966,381

31.12.2015			
	Risk %	Capital, in EUR	Risk, in EUR
Money market	1.0	207,042,334	2,070,423
Bonds	4.0	242,494,188	9,699,768
Shares	25	8,473	2,093
Total risk	2.62	449,544,895	11,772,284

The total risk was 2.7% of the Fund's assets and 0.4% of the Fund's income in 2016. The risk posed by the investment portfolio is moderate due to its conservative structure and the low risk level of the securities in the portfolio.

The main market risk factor for the Fund is 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, 7.7% (2015: 3.2%)

of investments were indirect. In addition to the investments, also the borrowings of the Fund with variable interest rates, expose it to interest rate risk. Borrowings with variable interest rates amounted to EUR 124 million (212) at the reporting date. All money market investments carry variable interest (2015: 100 %).

28% of the bonds were at variable rates (2015: 28 %). 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 0.5 percentage points higher with all other variables held constant, the total changes in net position would have been EUR 1,782,509 (2015: EUR 1,659,221) lower. Respectively, if at the reporting date the euribor rates and interest rate curve (swap rates) had been 0.5 percentage points lower, the total changes in net position had been EUR 1,792,378 (2015: EUR 1,660,049) 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.

4.1.2 Credit risk

The credit risk of the investments is managed by issuer credit limits. Limits for each issuer are determined by taking account of the absolute size, economic position and future outlook of the issuer. The Fund continuously monitors the credit stand-

ing 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, best rated states (Finland, Germany, Holland and Sweden), domestic companies and municipalities. 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 following table summarises the amount of interest rate investments and credit quality, divided to investment classes.

Investments in TVR's investment portfolio are diversified. Corporate risk cannot exceed 25% of the Fund's fixed income investments (2015: 30%). From 2017 on the portion can be 35% in maximum. In accordance with the investment plan, investments in each issuer may not exceed 10% (2015: 10%) of the Fund's all bond investments. Corporate investments are spread to 64 corporations on 31 December 2016, which corresponds to 17.1% of all fixed income investments (38 corporations on 31 December 2015; 18.6 % 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 and not all corporations have credit rating.

Amounts are in EUR thousands. Divided by credit ratings of investment issuers*	31.12.2016	31.12.2016 (%)	31.12.2015	31.12.2015 (%)
AAA	63,176	11.1 %	12,498	2.8 %
AA+	116,486	20.5 %	116,531	25.8 %
AA	6,490	1.1 %	3,498	0.8 %
AA-	72,828	12.8 %	147,848	32.8 %
A+	47,372	8.4 %	36,829	8.2 %
A	29,327	5.2 %	28,367	6.3 %
A-	36,433	6.4 %	12,691	2.8 %
BBB+	49,842	8.8 %	29,604	6.6 %
BBB	67,000	11.8 %	25,408	5.6 %
BBB-	7,439	1.3 %	16,813	3.7 %
BB+	24,979	4.4 %	3,188	0.7 %
BB	10,305	1.8 %	5,891	1.3 %
BB-	6,989	1.2 %	10,848	2.4 %
B+	1,844	0.3 %	0	0 %
NR	26,755	4.7 %	1,206	0.3 %
Total	567,265	100 %	451,221	100 %

* The Fund's investments in bonds mainly consist of state and bank 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, all regional banks and companies do not have an official credit rating, in which case the credit quality is defined by credit ratings received from a third party.

Since the beginning of 2017, a rating requirement came into effect with respect to the investment portfolio's average rating, which requires the average rating to be at least BBB+ (2016: A-)(S&P).

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.

4.1.3 Liquidity risk

The Fund aims to manage liquidity risk as follows:

- 1) Liquid investments
- 2) Short-term borrowing
- 3) Increase in insurance contribution

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

When the liquidity buffer decreases below the above limit, the Fund uses short-term borrowings to cover the temporary liquidity deficit. For this purpose, the Fund has a commercial paper programme totalling EUR 300 million (2015: MEUR 300) and a EUR 300 million revolving credit facility (RCF) with six commercial banks. In addition, the Fund has a EUR 700 million committed credit facility, guaranteed by the Government. The amounts in the table are in EUR millions.

EUR			
Committed credit facilities, not in use			
	31.12.2016	31.12.2015	
Facilities, expiring within a year			
Credit facility (guaranteed by the Government)	700		
Facilities, expiring after a year			
RCF	300	300	
Credit facility (guaranteed by the Government)		700	
Total	1,000	1,000	
Non-committed credit facilities, not in use			
	31.12.2016	31.12.2015	
Commercial papers	176	88	
Total	176	88	

The net position of the Fund turned negative during 2015, whereupon the Fund mainly relied on capital markets and domestic markets for commercial papers in financing liquidity. In the end of 2016, the Fund had the following loan facilities and nominal amounts in use. Amounts are in EUR millions.

Loan	Nominal value	Interest rate (%)	Due date	Credit rating
31.12.2016				
Bond-issuance 1	600	0.375	23.09.2019	AA+
Bond-issuance 2	300	0.25	15.10.2018	AA+
Commercial papers	124.5	0.04	13.08.2016	-
Total	1,024.5			

The Fund has the following issuance credit ratings, confirmed by Standard & Poor's (30/09/2016):

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

At the end of 2016 the Fund had EUR 124.5 million (2015: MEUR 212) of the commercial paper programme in use, and short-term bank loans amounting to EUR 0 million (2015: MEUR 0).

A breakdown of the Fund's loans is presented in note 16. The fixed interest rate periods for loans in the statement of net position were as follows. Amounts are in EUR millions. Liabilities for securities under settlement matured within a couple of days from the reporting date.

Loan	Nominal value	Fixed interest rate period	Credit rating
31.12.2016		in years, 31.12.2016	
TVR bond 2019	600	2.72	AA+/S&P
TVR bond 2018	300	1.79	AA+/S&P
Commercial papers	124.5	0.15	NR
Credit facilities	-	-	-
Total	1,024.5	2.14	

Loan	Nominal value	Fixed interest rate period	Credit rating
31.12.2015		in years, 31.12.2015	
TVR bond 2019	600	3.71	AA+/S&P
TVR bond 2018	300	2.78	AA+/S&P
Commercial papers	212	0.26	NR
Credit facilities	-	-	-
Total	1,112	2.80	

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

Maturities based on contracts of financial liabilities (KEUR) 31.12.2016	Under 6 months	6–12 months	1–3 years	4–5 years	Total cash flow based on contracts	Book value assets (-)/ liabilities
Accounts payable	483	0	0	0	483	483
Loans (excl. finance lease liabilities)	113,001	16,000	905,250	0	1,034,251	1,023,011
Total	113,484	16,000	905,250	0	1,034,734	1,023,494

Maturities based on contracts of financial liabilities (KEUR) 31.12.2015	Under 6 months	6–12 months	1–3 years	4–5 years	Total cash flow based on contracts	Book value assets (-)/ liabilities
Accounts payable	375	0	0	0	375	375
Loans (excl. finance lease liabilities)	182,298	36,300	306,000	602,250	1,126,848	1,113,001
Total	182,673	36,300	306,000	602,250	1,127,223	1,113,377

4.2 Business cycle buffer

In accordance with section 3 of the Act on the Financing of Unemployment Benefits, the Unemployment Insurance Fund maintains a business cycle buffer generated from the difference between the Fund's income and expenses, in order to safeguard the Fund's solvency and even out changes in unemployment insurance contributions caused by predictable trend cycles in the national economy. The maximum size of the buffer in 2016 was the amount of annual expenses corresponding to an unemployment rate of 5 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. The above-mentioned percentage will increase to 7 per cent in 2017.

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 expenditure by the average unemployment rate for the year 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 Act.

EURm	31.12.2016	31.12.2015
Business cycle buffer	-466	-686
Maximum amount of the buffer	1,566	1,521
Minimum amount of the buffer	-1,566	-1,521

5. Unemployment insurance contributions

EUR	1.1.–31.12.2016	1.1.–31.12.2015
Employers' unemployment insurance contributions		
Employer's insurance contributions	2,036,102,423	1,617,404,092
Employer's insurance contributions, co-owners	5,682,518	7,250,409
Total	2,041,784,941	1,624,654,501
Employees' unemployment insurance contributions		
Employees' insurance contributions	865,959,392	486,587,455
Employees' insurance contributions, co-owners	3,165,795	2,194,161
Total	869,125,187	488,781,616
Interest on overdue contribution and collection fee income		
Interest on employer's contributions overdue	1,116,291	1,059,459
Interest on employee's contributions overdue	573,246	435,480
Collection fee income	308,242	395,905
Total	1,997,780	1,890,845
Liability component compensations of employer's unemployment allowances		
Liability components	69,537,439	49,921,012
Accruals	-3,136,338	22,406,798
Total	66,401,101	72,327,810
Compensations in accordance with the Employment Contracts Act (ECA)		
Compensations and lay-off income according to the ECA	1,741,719	1,429,338
Settlement to MSAH	-874,392	-650,540
Total	867,326	778,798
Contributions from MSAH		
Basic unemployment allowance	1,060,977,890	1,094,308,886
Job alternation compensation	41,486,025	46,577,696
Previous year's equalisation payment	-45,306	877,334
Total	1,102,418,608	1,141,763,916
Total unemployment insurance contributions	4,082,594,943	3,330,197,485

6. Benefit payments

EUR	1.1.–31.12.2016	1.1.–31.12.2015
Subsidies paid to unemployment funds (TVR)		
Other earnings-related allowance	-1,023,353,659	-1,081,374,679
Additional day's allowance	-233,554,826	-245,077,479
Lay-off support	-250,010,221	-295,438,292
Unemployment allowance training benefit	0	0
Job alternation compensation	-50,543,445	-56,971,343
Administrative expense compensation	-13,676,979	-13,542,505
Membership fee equalisation	-9,999,999	-10,000,001
Previous year's equalisation payment	344,222	-825,630
Total	-1,580,794,907	-1,703,229,929
Subsidies paid to unemployment funds (MSAH)		
Other earnings-related allowance	-1,036,961,909	-1,070,985,029
Lay-off support	0	0
Unemployment allowance training benefit	0	0
Job alternation compensation	-41,486,025	-46,577,696
Unemployment allowance/entrepreneurs	-12,501,901	-12,236,515
Administrative expense compensation	-11,514,079	-11,087,342
Previous year's equalisation payment	45,306	-877,334
Total	-1,102,418,608	-1,141,763,916
Finnish Centre for Pensions		
Previous year's equalisation payment	0.00	-19,530,364
Payment for the current financial year	-846,000,000	-880,000,000
Total	-846,000,000	-899,530,364
State Pension Fund		
Previous year's equalisation payment	-897,843	-431,857
Payment for the current financial year	-9,762,920	-7,313,927
Total	-10,660,763	-7,745,784
Social Insurance Institution of Finland (Kela)		
Previous year's equalisation payment	411	143,260
Basic allowance, additional part, employment programme additional benefit	-167,633,000	-120,935,000
Total	-167,632,589	-120,791,740
Education Fund		
Previous year's equalisation payment	33,748	-17,551
Payment for the current financial year	-116,228,898	-97,680,000
Total	-116,195,151	-97,697,551
Ministry of Employment and the Economy		
Previous year's equalisation payment	186,533	-36,072
Payment for the current financial year	-23,424,631	-20,470,111
Total	-23,238,098	-20,506,183

EUR	1.1.–31.12.2016	1.1.–31.12.2015
Member State invoicing for unemployment allowances		
Invoiced by Member State	-85,388	-57,314
Invoiced by Fund	45,471	73,708
Total	-39,917	16,394
Administrative compensations paid to insurance companies		
Administrative and supervisory compensations	-371	-1,059,670
Total	-371	-1,059,670
Total benefit payments	-3,846,980,405	-3,992,308,742

7. Administrative expenses

EUR	1.1.–31.12.2016	1.1.–31.12.2015
Personnel expenses		
Salaries and benefits	-4,355,853	-3,909,728
Pension costs – defined contribution plans	-835,351	-849,510
Social security costs	-259,533	-125,987
Total	-5,450,738	-4,885,226
Personnel expenses, management salaries and remuneration		
The Management Group (excluding the Managing Director and his deputy)	-369,506	-357,275
The Managing Director and his deputy	-271,829	-284,886
The Board of Directors and the Supervisory Board	-77,290	-76,975
Pension costs – defined contribution plans	-130,074	-122,611
Total	-848,698	-841,747
Other administrative expenses		
IT expenses	-947,399	-824,422
Other personnel expenses	-600,212	-632,434
Expenses for office premises	-1,066,218	-1,064,133
Office expenses	-996,011	-1,324,473
Other expenses	-2,178,028	-613,182
Amortisation	-663,367	-599,853
Other income	299,572	248,476
Total	-6,151,661	-4,810,021
Auditor's fee		
Statutory audit	-32,131	-37,812
Other fees	-19,265	-4,613
Total	-51,396	-42,425
Total administrative expenses	-11,653,795	-9,737,672

Number of personnel	1.1.–31.12.2016	1.1.–31.12.2015
Employees		
Full-time employees	73	79
Part-time and temporary employees	25	22
Total	98	101

In 2016, IT costs invoiced from the Education Fund are recognised in Other income. Comparative information from 2015 has been restated accordingly.

Increase in Other expenses is due to the previously capitalised development costs being recognised as an expense in 2016.

8. Finance costs

EUR	1.1.–31.12.2016	1.1.–31.12.2015
Finance costs from borrowings		
Revolving credit facility fees	-2,879,911	-1,818,723
Interest costs from borrowings	-2,554,738	-3,963,808
Total	-5,434,649	-5,782,531
Total finance costs	-5,434,649	-5,782,531

9. Property, plant and equipment

EUR	Leasehold improvements	Machinery and equipment	Total
Cost at 01.01.2016	1,012,928	1,087,198	2,100,126
Additions	0	297,202	297,202
Cost at 31.12.2016	1,012,928	1,384,400	2,397,328
			0
Accumulated depreciation at 01.01.2016	-660,526	-910,684	-1,571,211
Depreciation for the period	-108,432	-240,069	-348,501
Accumulated depreciation at 31.12.2016	-768,958	-1,150,754	-1,919,712
Net book value at 01.01.2016	352,402	176,514	528,916
Net book value at 31.12.2016	243,970	233,646	477,617
Cost at 01.01.2015	1,012,928	1,008,871	2,021,799
Additions	0	78,327	78,327
Cost at 31.12.2015	1,012,928	1,087,198	2,100,126
Accumulated depreciation at 1.1.2015	-552,095	-694,432	-1,246,527
Depreciation for the period	-108,431	-216,252	-324,683
Accumulated depreciation at 31.12.2015	-660,526	-910,684	-1,571,211
Net book value at 01./01.2015	460,833	314,439	775,272
Net book value at 31.12.2015	352,402	176,514	528,916

10. Intangible assets

EUR	Computer programmes	Software development costs	Intangible assets in progress *	Total
Cost at 01.01.2016	565,701	1,374,169	797,057	2,736,927
Additions	115,274	0	386,712	501,986
Cost at 31.12.2016	680,975	1,374,169	1,183,770	3,238,914
Accumulated depreciation at 01.01.2016	-496,370	-673,232	0	-1,169,602
Amortisation	-69,934	-244,932	0	-314,866
Accumulated depreciation at 31.12.2016	-566,303	-918,164	0	-1,484,468
Net book value at 01.01.2016	69,331	700,937	797,057	1,567,325
Net book value at 31.12.2016	114,671	456,004	1,183,770	1,754,445
Cost at 01.01.2015	514,197	639,379	0	1,153,576
Additions	51,504	734,790	686,307	1,472,602
Cost at 31.12.2015	565,701	1,374,169	686,307	2,626,177
Accumulated depreciation at 1.1.2015	-397,138	-497,294	0	-894,432
Amortisation	-99,232	-175,938	0	-275,170
Accumulated depreciation at 31.12.2015	-496,370	-673,232	0	-1,169,602
Net book value at 01.01.2015	117,059	142,084	0	259,143
Net book value at 31.12.2015	69,331	700,937	797,057	1,567,325

* Intangible assets in progress include capitalised development costs and comprise an internally generated intangible asset. In 2016, capitalised development costs comprise mainly of renewing the system for collecting unemployment insurance contributions.

11. Receivables and payables from unemployment insurance contributions

EUR	31.12.2016	31.12.2015
Unemployment insurance contribution receivables		
Employer's unemployment insurance contribution receivables	3,270,513	3,113,108
Employee's unemployment insurance contribution receivables	1,883,482	2,147,683
Overdue contribution and collection fee receivables	271,442	277,214
Total unemployment insurance contribution receivables	5,425,437	5,538,004
Unemployment insurance contribution payables		
Advance payments	25,784,656	42,999,980
Refunds	4,166,358	241,228
Total unemployment insurance contribution payables	29,951,014	43,241,208

12. Other receivables

Non-current other receivables

EUR	31.12.2016	31.12.2015
Other receivables	328,038	328,038
Total non-current other receivables	328,038	328,038

Current other receivables

EUR	31.12.2016	31.12.2015
Prepayments and accrued income	285,783	846,745
Finnish Centre for Pensions capital accrual	8,700,000	35,900,000
Finnish Centre for Pensions compensatory interest	9,738,973	25,035,153
Receivables from Education Fund	3,978,485	5,320,000
Receivables from unemployment funds	40,545,132	21,118,885
Ministry of Social Affairs and Health, accrual	0	32,830,582
Receivables from employer's liability component and compensations based on Employment Contracts Act	9,327,042	6,440,588
Advance payments	943,602	2,271,393
Receivables from the Government related to training compensation	1,405	9,378,307
Total current other receivables	73,520,421	139,141,653

13. Net fair value gains on investments

Investment income and fair value gains

EUR	31.12.2016	31.12.2015
Dividend income	264	0
Interest income	8,312,663	5,997,103
Other income	16,858	25,997
Gains on disposals	1,937,742	1,888,447
Foreign exchange gains	0	252,685
Fair value gains	-2,655,046	856,374
Total income from investments	7,612,481	9,020,607

Investment expenses and fair value losses

EUR	31.12.2016	31.12.2015
Interest expenses	203,453	-1,921,917
Other expenses	-79,189	-70,763
Losses on disposals	-5,948,335	-5,632,471
Foreign exchange losses	0	-72,581
Fair value losses	-214,273	-352,519
Total expenses from investments	-6,038,344	-8,050,251
Total income and expenses on investments	1,574,137	970,356

14. Investments

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

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

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

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

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

EUR				
31.12.2016	Level 1	Level 2	Level 3	Total
Government bonds	157,942,305			157,942,305
Bonds issued by banks	147,057,774			147,057,774
Corporate bonds	51,921,636			51,921,636
Investments in funds and shares	31,209,776	14,789,895		45,999,670
Mezzanine funds			1,740,117	1,740,117
Deposits		44,648,927		44,648,927
Certificates of deposits		31,018,415		31,018,415
Municipal papers		22,115,085		22,115,085
Commercial papers		68,071,143		68,071,143
Structured investments			0	0
Total	388,131,491	180,643,465	1,740,117	570,515,073

EUR				
31.12.2015	Level 1	Level 2	Level 3	Total
Government bonds	105,200,391			105,200,391
Bonds issued by banks	100,198,403			100,198,403
Corporate bonds	37,095,393			37,095,393
Investments in funds and shares	1,214,523	11,731,757		12,946,280
Mezzanine funds			1,866,613	1,866,613
Deposits		15,942,046		15,942,046
Certificates of deposits		26,502,899		26,502,899
Municipal papers		25,024,080		25,024,080
Commercial papers		45,735,167		45,735,167
Total	243,708,711	124,935,949	1,866,613	370,511,273

Changes in Level 3 financial assets measured at fair value

EUR	1.1.2016	Unrealised profit/loss	Realised profit/loss	Purchases	Disposals	31.12.2016
Structured investments	0	0	0	0	0	0
Investment funds	1,866,613	42,765	0	149,016	-318,276	1,740,117
Total	1,866,613	42,765	0	149,016	-318,276	1,740,117

EUR	1.1.2015	Unrealised profit/loss	Realised profit/loss	Purchases	Disposals	31.12.2015
Structured investments	2,977,200	0	22,800	0	-3,000,000	0
Investment funds	2,102,765	102,168	0	262,186	-600,506	1,866,613
Total	5,079,965	102,168	22,800	262,186	-3,600,506	1,866,613

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 insofar 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 adjustment has not had a material impact.

Investments classified in Level 3 are Mezzanine funds that are valued based on valuations prepared by the issuer. In the comparison year, structured instruments in Level 3 include a senior loan issued by a Nordic bank, with a return that is linked to OMXH25 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	31.12.2016	31.12.2015
Cash and cash equivalents		
Cash at banks	52,135,615	86,390,563
Total cash and cash equivalents	52,135,615	86,390,563

16. Borrowings

Long-term borrowings

EUR	31.12.2016	31.12.2015
TVR bonds	897,041,820	897,635,070
Total long-term borrowings	897,041,820	897,635,070

Short-term borrowings

EUR	31.12.2016	31.12.2015
Commercial papers	124,468,439	211,568,649
Liabilities from securities under settlement	1,500,734	3,797,742
Total short-term borrowings	125,969,173	215,366,391

17. Other liabilities

EUR	31.12.2016	31.12.2015
Accounts payable	482,769	375,090
Accruals and deferred income	1,283,909	1,393,580
Liability component income, accrual	71,001,672	67,694,118
Ministry of Employment and the Economy, pay security accrual	23,424,631	20,470,111
Finnish Centre for Pensions, interest accrual	8,418,118	24,946,407
Accrual for the Governments' pension fund	801,037	187,749
Ministry of Social Affairs and Health, accrual	6,868,875	0
Liabilities to unemployment funds	3,138,011	17,003,017
Holiday pay accrual	742,439	645,534
Interest accrual	790,203	904,753
Total other liabilities	116,951,664	133,620,359

18. Commitments and receivables not recognised in the statement of net position

Capital commitments, equity funds

EUR	31.12.2016	31.12.2015
Overall commitment	5,250,473	5,250,473
Realised	-4,877,691	-4,729,539
Total investment commitments	372,782	520,934

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

Operating lease commitments

EUR	31.12.2016	31.12.2015
Within one year	1,332,209	1,338,654
1–5 years	1,653,745	2,985,874
Over 5 years	0	0
Total	2,985,955	4,324,527

The Fund has rented its office and warehouse premises and cars on the basis of non-cancellable lease contracts. The term of the office and warehouse lease contract is 2 years, after which it will be in force until further notice. The remaining term of lease for the cars is 1.5 years.

Operating lease receivables

EUR	31.12.2016	31.12.2015
Within one year	415,754	415,754
1–5 years	519,692	935,446
Over 5 years	0	0
Total	935,446	1,351,200

The fund has subleased part of its rented office premises. The first possible termination date for the subcontract lease is in 2 years, after which the contract will remain in force until further notice.

19. 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.

In 2015, UIF signed EUR 1,000 million credit facility agreements, which include a guarantee from the Finnish Government of EUR 770 million. The guarantee is issued based on the Act on Financing of the Unemployment Benefits (555/1998).

In the table below remuneration of the related parties are summarised, including social security contributions. Detailed remuneration disclosures by governing body are provided in the following tables.

Remuneration of the Board of Directors and the Supervisory Board

EUR	1.1.–31.12.2016	1.1.–31.12.2015
Salaries and benefits	77,290	76,975
Pension costs		
– defined contribution plans	14,195	13,981
Total	91,485	90,956

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

EUR	1.1.–31.12.2016	1.1.–31.12.2015
Salaries and benefits	369,506	357,275
Pension costs – defined contribution plans	66,079	61,146
Total	435,585	418,421

Remuneration of the Managing Director and his deputy

EUR	1.1.–31.12.2016	1.1.–31.12.2015
Salaries and benefits	271,829	284,886
Pension costs – defined contribution plans	49,799	47,484
Total	321,628	332,370

Fees and other benefits of the members of the Supervisory Board

On 27 November 2013, based on the proposal of the labour market parties, the Government appointed the members of the Supervisory Board for the term from 1 January 2014 to 31 December 2016. The term of the Supervisory Board was extended until the end of 2017 by the provision regarding the entry into force of the Act on the Financing of Unemployment Benefits (18.11.2016/973). The Ministry of Social Affairs and Health decides the remuneration for meetings for the Supervisory Board and the principles of compensation for travelling expenses. On 17 January 2012, the Ministry of Social Affairs and Health decided that the fees for the members of the Supervisory Board are as follows: chairman EUR 120 per month and EUR 230 per meeting, deputy chairman and other members EUR 140 per meeting. The Supervisory Board assembled 3 times in 2016, including 1 meeting via e-mail. No fee is paid for the e-mail meeting. In 2016, the fees for the members of the Supervisory Board were paid as follows:

Name	Meeting fee of member of the Supervisory Board	Monthly fee of Chairman of the Supervisory Board	Compensation for travelling expenses	31.12.2016 Total (EUR)
George Berner, Chairman	460	1,440		1,900
Ann Selin, Deputy Chairman	140			140
Riku Aalto	140			140
Teija Asara-Laaksonen	280			280
Jorma Haapanen	280		279	559
Kimmo Hovi	280		181	461
Tauno Kekäle	280			280
Lauri Kivekäs	280			280
Salla Luomanmäki	280			280
Jorma Malinen	140			140
Ilkka Mäkelä	140			140
Harri Ojanperä	280			280
Ari Svensk	140			140
Liisa Talvitie	140		116	256
Rauno Vesivalo	280			280
Ritva Viljanen	140			140
Jaana Ylä-Mononen	280		536	816
Antti Zitting	280		55	335
Total	4,240	1,440	1,167	6,847

Fees and other benefits of the members of the Board of Directors

The Supervisory Board decides the remuneration of the Board of Directors. On 28 August 2015, the Supervisory Board decided that the fees for the members of the Board of Directors are as follows:

	Fee EUR/month	Fee EUR/meeting
Chairman of the Board of Directors	730	270
Deputy Chairman of the Board of Directors	575	165
Other member of the Board of Directors	330	125

No other remuneration or supplementary pension arrangements are in place for the members of the Board of Directors. The Board of Directors assembled 11 times in 2016. In 2016, the fees for the members of the Board of Directors were paid as follows:

Name	Annual fees	Meeting fees	31.12.2016 Total (EUR)
Sture Fjäder, Chairman	8,760	2,160	10,920
Vesa Rantahalvari, Deputy Chairman	6,900	1,815	8,715
Jyrki Hollmén	3,960	1,125	5,085
Eeva-Liisa Inkeroinen	3,960	1,250	5,210
Markku Jalonen	3,960	1,375	5,335
Miia Kannisto	1,320	375	1,695
Antti Palola	3,960	1,250	5,210
Jorma Palola	3,960	1,375	5,335
Vuokko Piekkala	3,960	1,250	5,210
Joonas Rahkola	3,960	1,375	5,335
Veli-Matti Rekola	3,960	1,000	4,960
Saana Siekkinen	3,960	1,250	5,210
Penna Urrila	2,640	750	3,390
Total	55,260	16,350	71,610

Remuneration of the Managing Director and key management personnel of the Fund

As from 2016, a separate bonus system approved by the Board will apply to the Managing Director. The Board of Directors decides annually on the payment of bonuses, if any. Other key management personnel have a bonus system approved by the Board of Directors. Based on the proposal of the Managing Director and in accordance with confirmed bonus criteria, the Board of Directors decides on the payment of bonuses, if any, to the key management personnel.

Salaries and other benefits and fees of the Managing Director and key management personnel are provided in the following table. Social security contributions are excluded.

Position	Salaries and other benefits	Variable performance pay	1.1.–31.12.2016	1.1.–31.12.2015 EUR
Managing Director	140,471	0	140,471	140,725
Management Group	468,031	30,165	498,196	470,982
Total	608,502	30,165	638,667	611,707

Terms of the service contract of the Managing Director

The terms of the service contract of the Managing Director have been determined by a decision of the Board of Directors and verified with a written agreement. The retirement age and pension accrual of the Managing Director is based on general employment pension legislation. The Fund has not provided a supplementary pension arrangement for the Managing Director. The notice period of the Managing Director is based on employment contract act, on each side.

20. Events after the reporting date

The positive economic development experienced in 2016 has continued in the first quarter of 2017. The reduction in the number of unemployed jobseekers is estimated to continue during 2017 from the level of 2016. According to the Fund's budget, this means that the change in net position would remain positive in 2017.

The Unemployment Insurance Fund's liquidity has been good, due to the front-loaded nature of insurance contributions and the unchanged level of unemployment insurance payment amounts. The Fund has continued the implementation of the debt-management plan approved in November 2016.

The Fund's debt financing has been acquired by bond issues and commercial papers. In addition, at the end of the financial year the Fund had a committed facility (revolving credit facility) of EUR 1,000 million, which included a committed credit facility of EUR 300 million (Rcf A facility) and a state-guaranteed credit facility of EUR 700 million (Rcf B facility), which had not been used. Following the decrease in the Fund's expenditure and the positive change in the 2016 net position, such a large reserve limit was no longer considered necessary in January 2017. Consequently, in January the Fund's Board of Directors decided to cancel the nominal committed facility of EUR 300 million (Rcf A facility). The change entered into force on 10 February 2017.

3. Signatures for the annual review and for the financial statements

Helsinki, 21 March 2017

Vesa Rantahalvari
Chairman

Saana Siekkinen
Deputy Chairman

Sture Fjäder

Jyrki Hollmén

Eeva-Liisa Inkeroinen

Markku Jalonen

Antti Palola

Jorma Palola

Vuokko Piekkala

Veli-Matti Rekola

Penna Urrila

Pirjo Väänänen

Janne Metsämäki
Managing Director

Auditors' note

A report on the audit carried out has been submitted today.

Helsinki, 22 March 2017

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
Authorised Public Accountant

4. Auditors' Report

To the Supervisory Board of the Unemployment Insurance Fund

Report on the Audit of the Financial Statements

Opinion

In our opinion the financial statements give a true and fair view of the Unemployment Insurance Fund's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and comply with statutory requirements.

What we have audited

We have audited the financial statements of Unemployment Insurance Fund (UIF) for the year ended 31 December 2016. The financial statements comprise the statement of net position, the statement of changes in net position and statement of cash flows and notes including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of UIF and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of a matter

We draw attention to note 4.2 "business cycle buffer". As described in the notes, according to the section 3 of the Act of the Financing of Unemployment Benefits, the Unemployment Insurance Fund maintains a business cycle buffer, which can be positive or negative within the fluctuation margin defined in the law depending on the business cycle. At the financial statement the financial net position, i.e. business cycle buffer of the Fund is EUR 466 million negative which is within the fluctuation margin defined in the law.

Our opinion is not qualified in respect of this matter.

Our Audit Approach Overview



- Overall materiality: € 40.8 million, which represents 1 % of total additions from ordinary activities.
- Key audit matters are the determination and collection of unemployment insurance contribution.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall materiality	€ 40.8 million
How we determined it	1% of total additions from ordinary activities
Specific materiality	€ 4.1 million
How we determined it	0.1% of total additions from ordinary activities
Rationale for the materiality benchmark applied	<p>We chose total additions from ordinary activities as the benchmark for overall materiality and specific materiality because, in our view, they reflect best the volume of UIF's ordinary activities.</p> <p>We applied specific materiality to income statement's administration expenses.</p> <p>The benchmarks determined are within the range of acceptable quantitative materiality thresholds in auditing standards.</p>

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the financial statements	How our audit addressed the key audit matter
<p>Determination of unemployment insurance contribution</p> <p><i>Refer to note 5 to the financial statement for the related disclosures</i></p> <p>Unemployment insurance contributions amounted to EUR 4.1 billion at 31.12.2016.</p> <p>The unemployment insurance contributions are determined in such a way that UIF is able to cope obligations in its responsibility.</p> <p>The unemployment insurance contributions are set for one calendar year at a time.</p> <p>UIF has made a proposal for the amounts of the contributions to the Ministry of Social Affairs and Health at the previous year's August and Parliament has ratified the unemployment insurance contribution rates at the previous year's November. Temporal difference between the determination of unemployment insurance contributions and financial year end is over one year.</p>	<p>We have evaluated the process of determination of unemployment insurance contributions.</p> <p>We have examined the forecasts of development of economics underlying UIF's budget made by itself, the Ministry of Finance, forecast institutions and banks relating to</p> <ul style="list-style-type: none"> · Development of the unemployment rate · Development of the employment rate · Development of the wages <p>We have evaluated the accuracy and adequacy of the proposal for the amounts of the contributions by the budget made.</p>
<p>Collection of unemployment insurance contribution</p> <p>The collection of unemployment insurance contribution was transferred to UIF at the beginning of 2013.</p> <p>UIF determines the prepayments decisions and collects prepayments in accordance with the contribution rates ratified by Parliament.</p> <p>At the end of calendar year UIF determines the final payment decisions and collects the final payments by the annual statements.</p> <p>UIF supervises the fulfilment of the responsibilities related to the unemployment insurance contribution and the failures of payment obligation.</p>	<p>We have evaluated the process related to the collection and supervision of unemployment insurance contribution and performed a sample test of individual events.</p> <p>We have evaluated and tested controls relating to</p> <ul style="list-style-type: none"> · Determination and collection of unemployment insurance contribution · Supervision of the fulfilment of the responsibilities related to payment obligation. <p>We have verified the accuracy of contribution rates in the system.</p> <p>We have tested a sample of payments.</p> <p>We have verified that the supervision is properly made.</p>

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

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, and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the UIF's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the fund or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 UIF's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists

related to events or conditions that may cast significant doubt on the UIF's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of UIF to express an opinion on the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our auditor's report thereon. We obtained the report of the Board of

Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be

materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the information included in the report of the Board of Directors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 22 March 2017

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
Authorised Public Accountant (KHT)



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