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**SOCIAL
SECURITY
RESERVE FUND**

**Report to Parliament
Changes, actions
2013
and status as at
31 December 2013**



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REPORT ON THE RESERVE FUND AS AT 31/12/2013

| | |
|--|-----------|
| 1.- The status of the Reserve Fund as at 31/12/2013..... | 1 |
| 2.- Reserve Fund performance (allocations, drawings and profitability)..... | 2 |
| 3.- Actions in 2013..... | 10 |
| 3.1. Investment and management criteria in 2013..... | 10 |
| 3.2. The first meeting of the Management Committee in 2013..... | 12 |
| 3.3. Acquisition based on procedure approved by the Management Committee at its meeting on 08/03/2013..... | 16 |
| 3.4. The second meeting of the Management Committee in 2013..... | 19 |
| 3.5. The third meeting of the Management Committee in 2013..... | 23 |
| 3.6. Summary of agreements in 2013..... | 24 |
| 4.- Key figures for the Reserve Fund as at 31/12/2013..... | 25 |
| 5.- Analysis of Reserve Fund profitability as at 31/12/2013..... | 32 |
| 5.1. Reserve Fund return..... | 32 |
| 5.2. Profitability of fixed-income assets: public debt..... | 36 |
| 5.3. Profitability of the "Treasury General of the Social Security Special Reserve Fund Art.91.1 TRLGSS" account..... | 37 |
| 5.4. Profitability of the Social Security Reserve Fund..... | 40 |
| 5.5. Summary of profitability..... | 43 |
| 6.- Forecasts..... | 45 |
| 6.1. 2014..... | 45 |
| 6.2. 2015 and 2016..... | 48 |
| 7.- Comparison of key figures for the Reserve Fund..... | 51 |
| APPENDIX I. Financial information on the annual accounts..... | 56 |
| APPENDIX II. Reserve Fund drawings 2013..... | 59 |

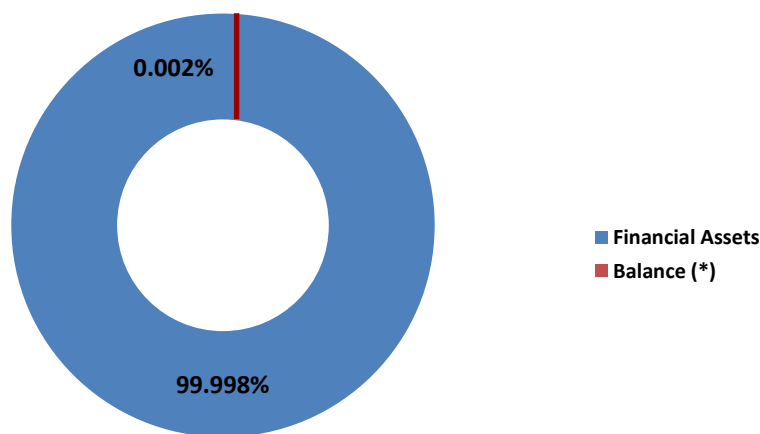


1.- The status of the Reserve Fund as at 31/12/2013

At 31/12/2013, the Reserve Fund consisted of:

| | |
|--|---------------------------|
| 1. Financial assets | €53,742,754,080.42 |
| <i>(At acquisition price¹)</i> | |
| 2. Current account balance | €1,225,141.60 |
| <i>(Deposited in the account held with the Bank of Spain.)</i> | |
| 3. Interest accrued on the current account in December 2013 | €69,733.43 |
| <i>(Received on 2 January 2014)</i> | |
| <hr/> | |
| RESERVE FUND TOTAL | €53,744,048,955.45 |

This is shown in percentage terms in the following chart:



(*) With interest accrued in December 2013 and received on 2 January 2014

This Reserve Fund balance represents 5.25% of Gross Domestic Product (according to INE figures, based on CNE-2008 and published on 27 February 2014, 2013 GDP was €1,022,988 million).

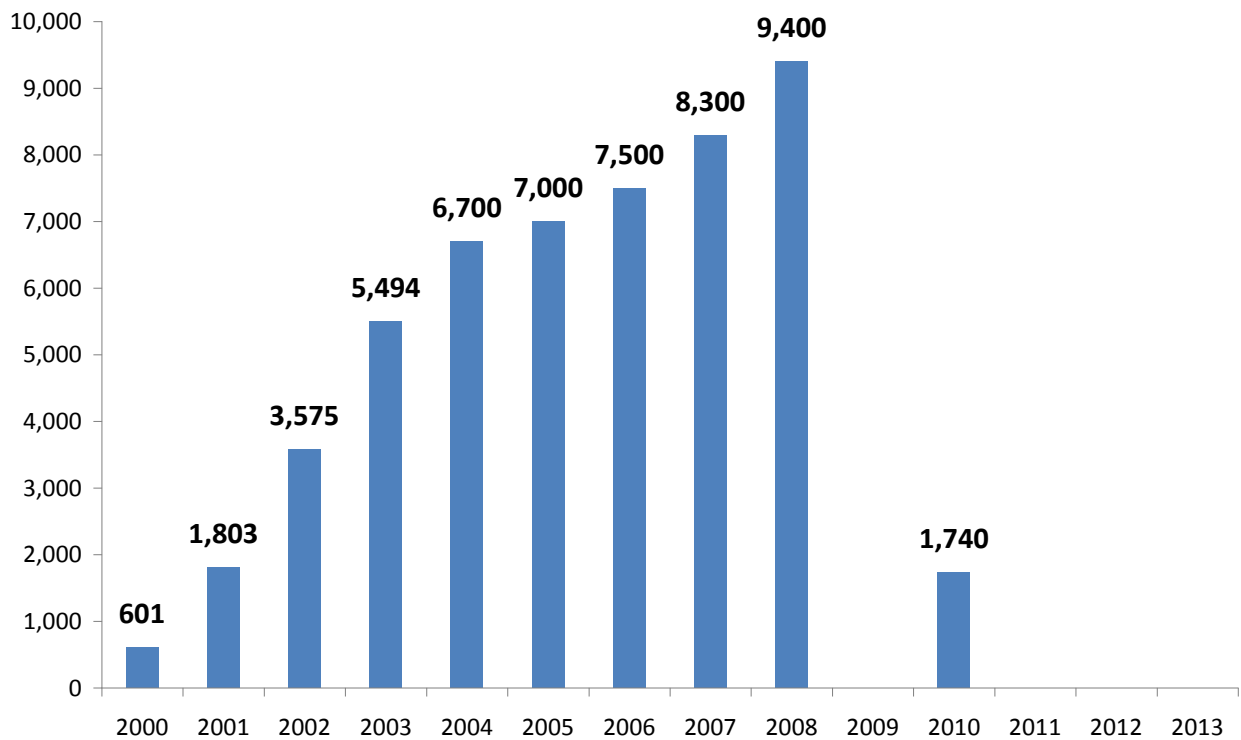
¹The acquisition price is known as the “dirty” price because it includes the amount paid for any accrued - but not collected - interest coupons for the asset. Including this amount means that the amounts received when the asset matures or is disposed of have to be adjusted in the opposite direction to prevent them from being calculated twice. However, as the public debt assets of the FRSS are classified as “held-to-maturity investments”, they are recorded at their amortised cost at year end (52,537,774,495.69 euros).



2.- Reserve Fund performance (allocations, drawings and profitability)

The Reserve Fund **allocations** approved by **Cabinet** and taken from the budget surpluses of the Social Security Managing Bodies and Common Services for the period from the first allocation approved in 2000 to 31 December 2013 stood at **52,113 million euros**, as shown in the following chart:

**ALLOCATIONS APPROVED BY CABINET AS AT
31 DECEMBER 2013
(charged to budget surpluses of the Management Entities and Shared Services
of the Social Security)**

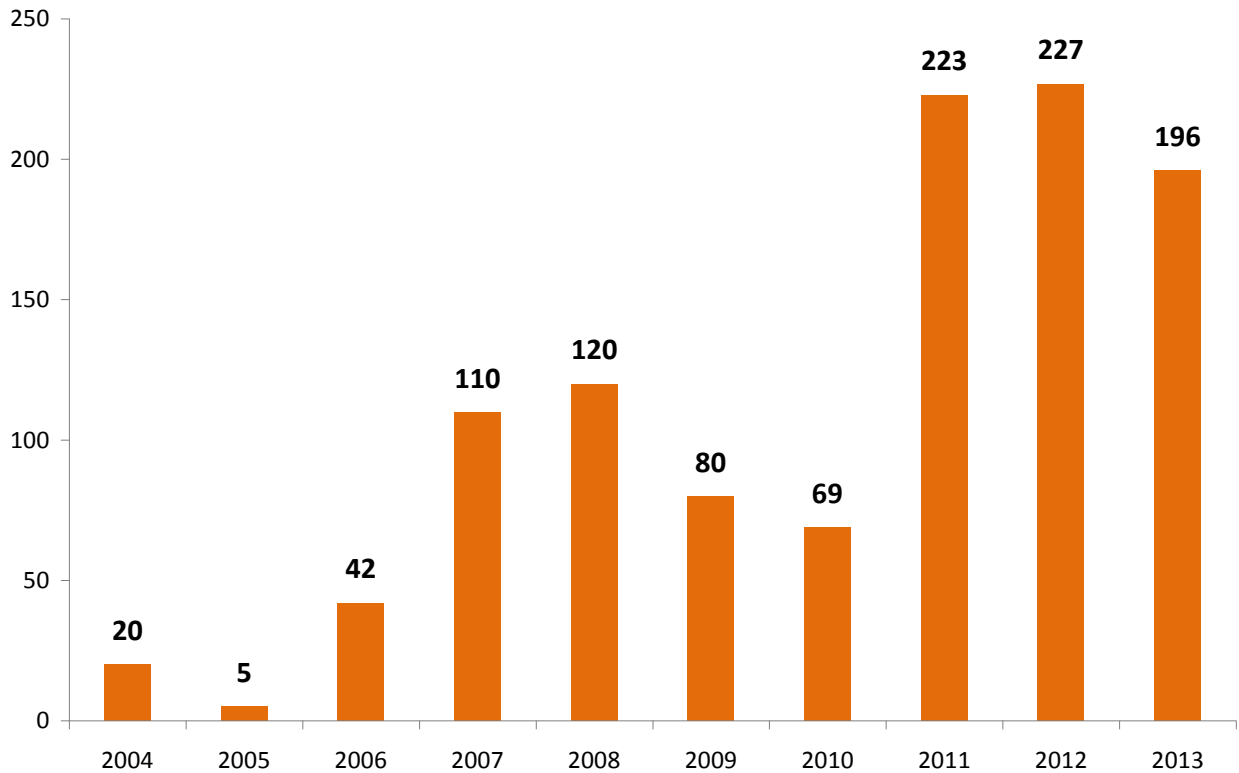


Figures in millions of euros



The amounts allocated resulting from excess income from administration of **Temporary Disability benefit for common contingencies** by **Social Security Mutuels for Work-Related Injury and Occupational Disease Insurance (MATEPSS)** amounted to **1,092 million euros**, which was paid into the Reserve Fund's dedicated account: This is shown in the following chart, by payment date:

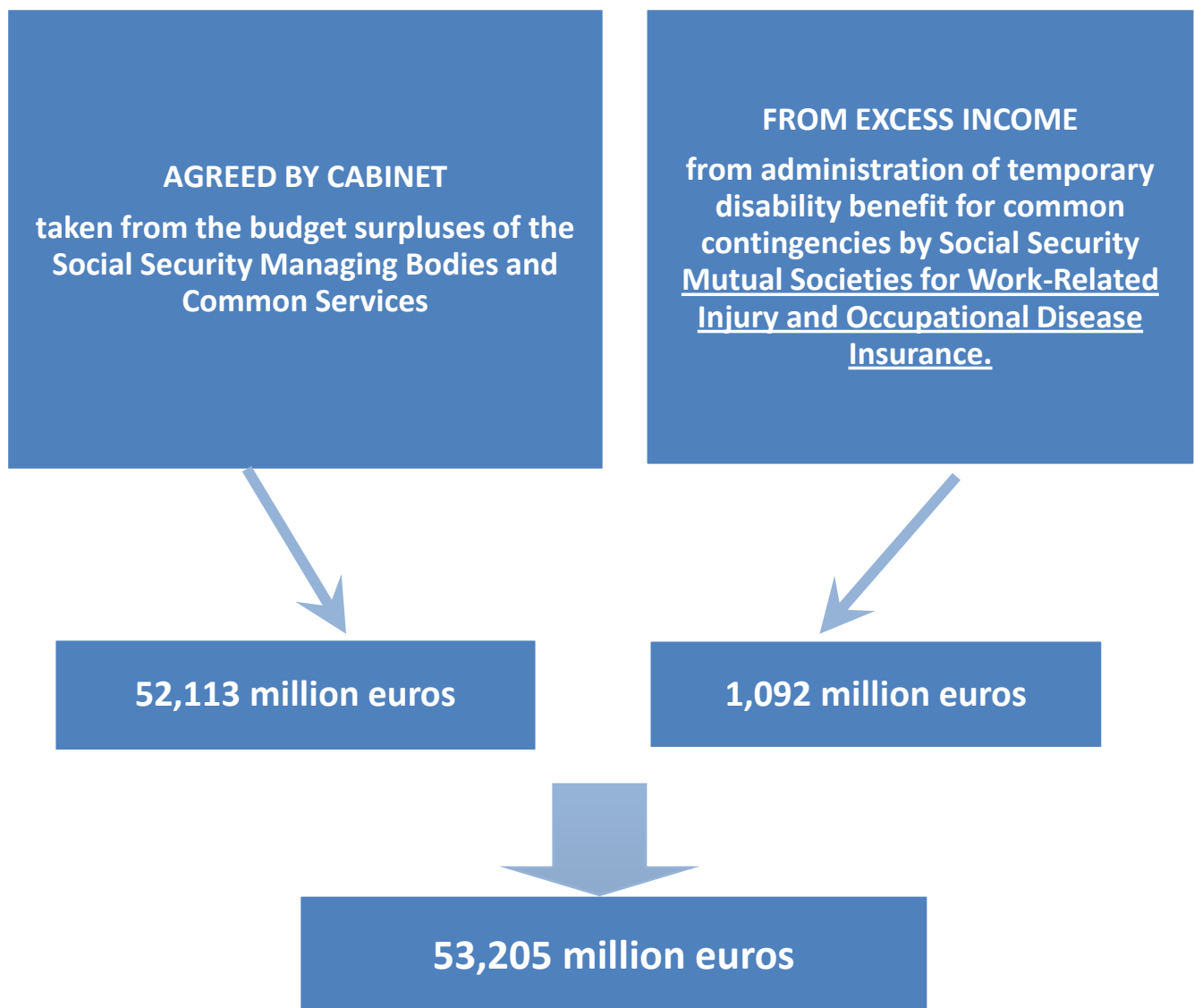
**ALLOCATION OF EXCESS MATEPSS PROFITABILITY AS AT 31 DECEMBER 2013
(from management of temporary disability benefit for common contingencies
by MATEPSS)**



Figures in millions of euros



ALLOCATIONS TO THE SOCIAL SECURITY RESERVE FUND AT 31/12/2013



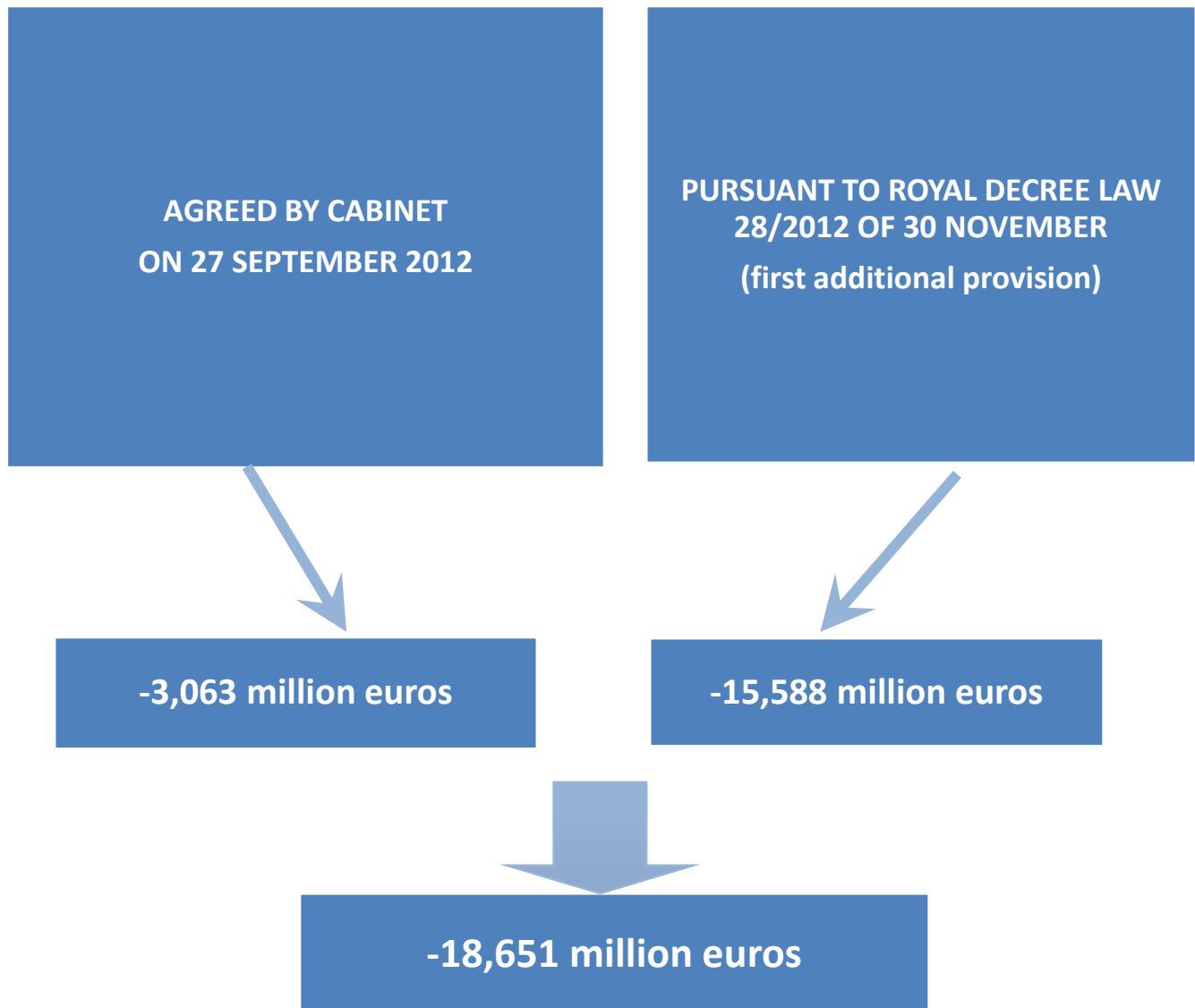


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OF EMPLOYMENT
AND SOCIAL SECURITY

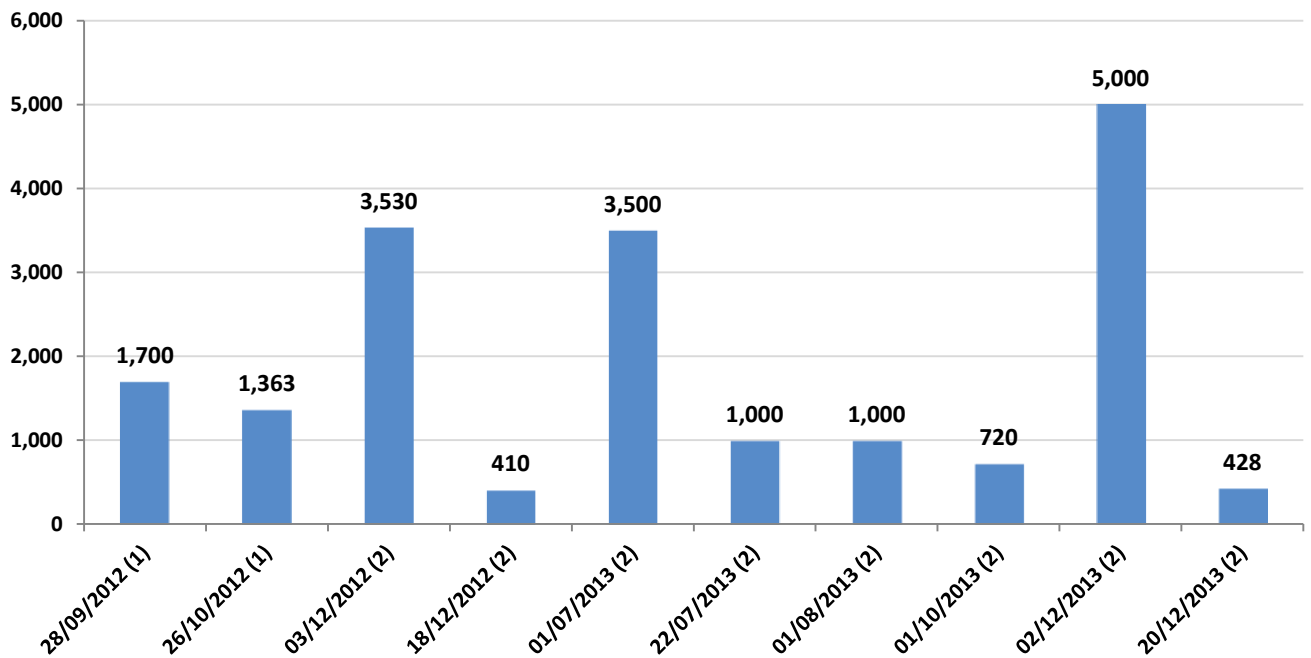
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FOR SOCIAL SECURITY

DRAWINGS ON THE SOCIAL SECURITY RESERVE FUND AS AT 31/12/2013





Drawings on the Reserve Fund in 2012 and 2013 amounted to 18,651 million euros. These are shown in the following chart:

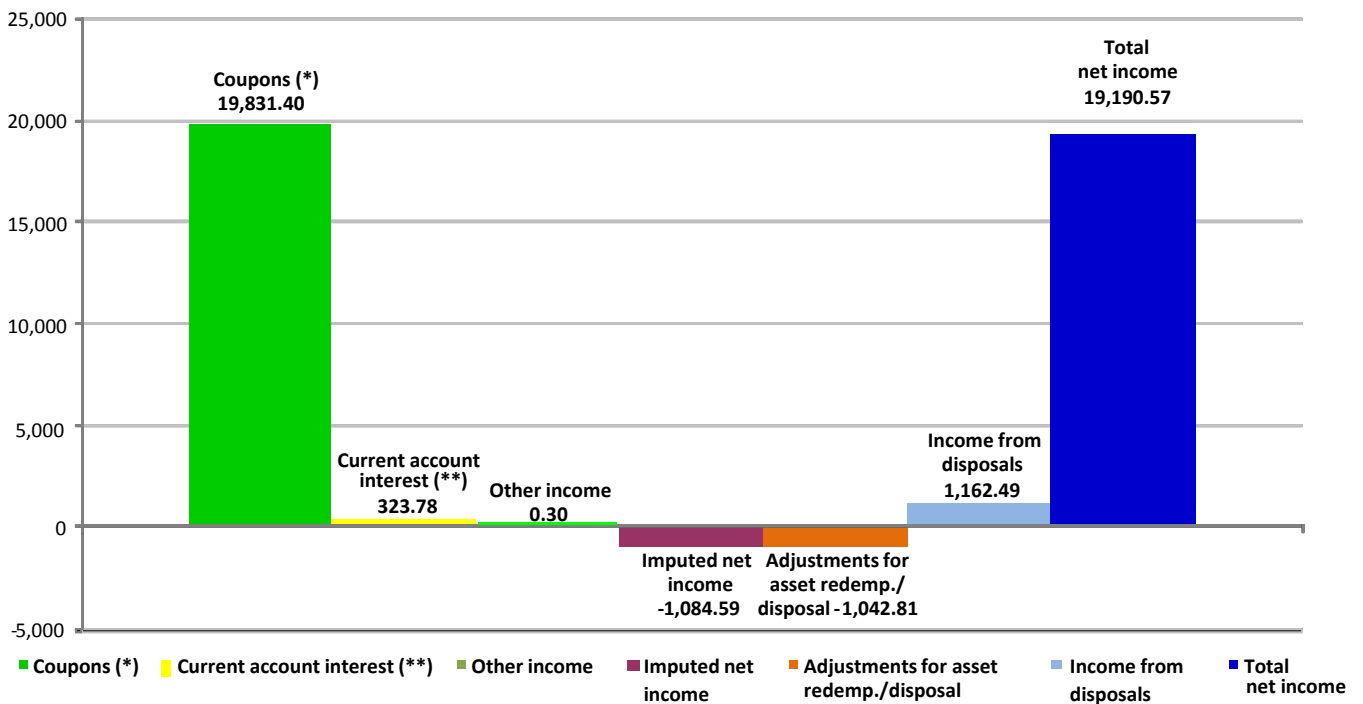


(1) Drawings pursuant to Cabinet Resolution of 27/09/2012

(2) Drawings pursuant to Royal Decree Law 28/2012 of 30 November



Net profit² from the first allocation to the Reserve Fund approved in 2000 until 31/12/2013, which also forms part of allocations to the Reserve Fund, amounts to:



Figures in millions of euros

(*) This includes the accrued coupon collected on assets acquired by the Reserve Fund (765,514,052.35 euros, corresponding to the accrued coupon collected on assets in the portfolio as at 31/12/2013).

(**) Includes interest accrued in December and received on 2 January 2014.

² Not including asset income earned but not received during the year. Profit accrued but not collected in 2013 amounted to €775,631,827.01. This amount is included in the accounts of the Treasury General of the Social Security as explicit interest and included in the amortised cost.



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MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

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FOR SOCIAL SECURITY

GENERAL EVOLUTION OF THE RESERVE FUND BALANCE

ALLOCATIONS, DRAWINGS AND PROFITS

Situation at 31/12/2013. Figures in millions of euros

| Cumulative figures | 2000 to 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| 1. ALLOCATIONS | 32,740 | 41,150 | 50,670 | 50,750 | 52,559 | 52,782 | 53,008 | 53,205 |
| 1.a Cabinet Resolution (*) | 32,673 | 40,973 | 50,373 | 50,373 | 52,113 | 52,113 | 52,113 | 52,113 |
| 1.b. MATEPSS excess income (**) | 67 | 177 | 297 | 377 | 446 | 669 | 895 | 1,092 |
| 2. DRAWINGS (***) | | | | | | | -7,003 | -18,651 |
| 3. NET RETURN GENERATED | 3,139 | 4,566 | 6,553 | 9,272 | 11,816 | 14,033 | 17,003 | 19,190 |
| 3.a Return generated (****) | 3,255 | 4,729 | 6,787 | 9,690 | 12,352 | 14,718 | 17,922 | 20,233 |
| 3.b Adjustments for depreciation/disposal of assets | -116 | -163 | -234 | -418 | -536 | -685 | -919 | -1,043 |
| TOTAL | 35,879 | 45,716 | 57,223 | 60,022 | 64,375 | 66,815 | 63,008 | 53,744 |

(*) Taken from budget surpluses of Social Security Managing Bodies and Common Services.

(**) Resulting from administration of temporary disability benefit for common contingencies by MATEPSS.

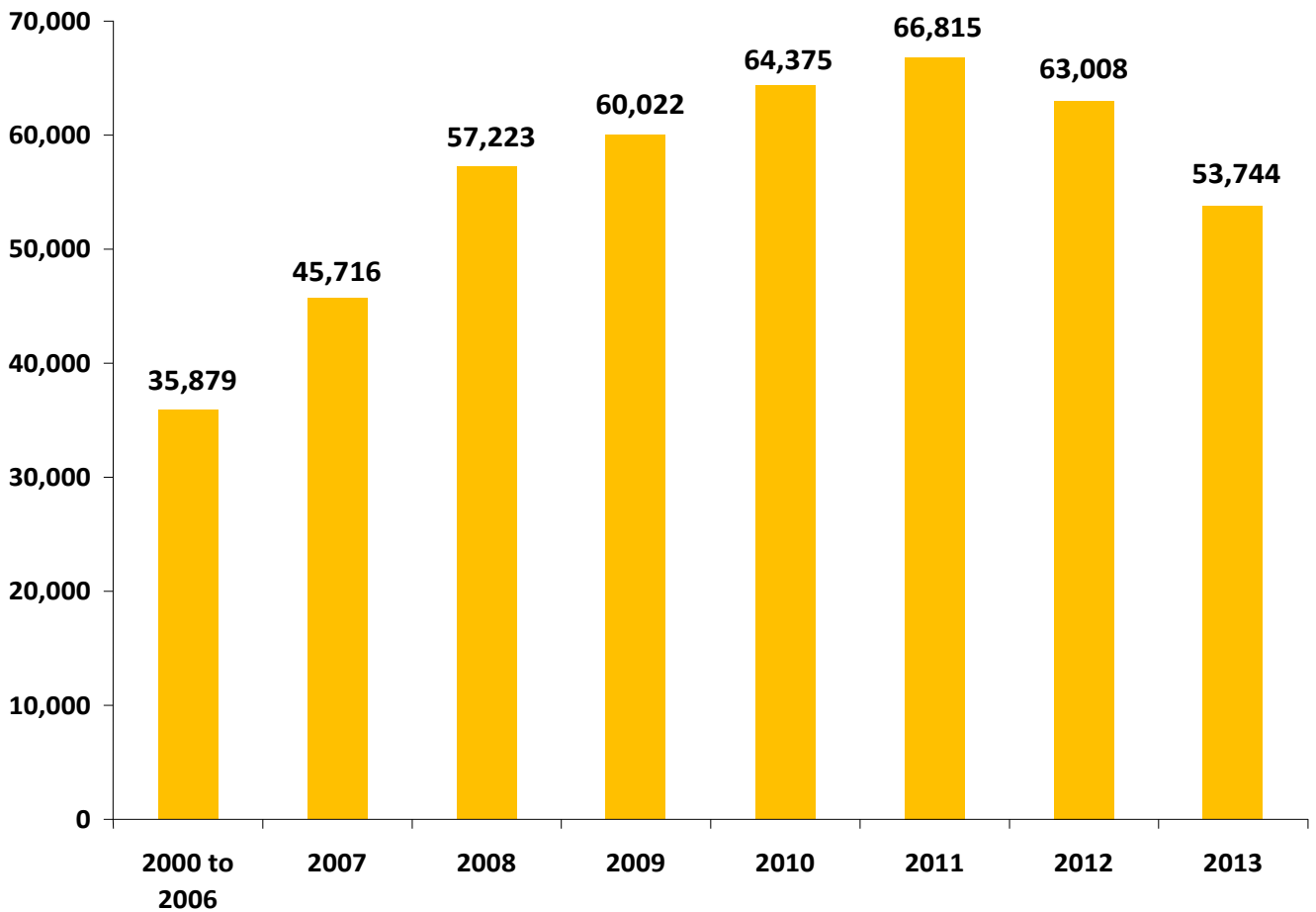
(***) Under the Cabinet Resolution of 27/09/2012 and the first additional provision of Royal Decree Law 28/2012 of 30 November.

(****) Current account interest (this includes the interest accrued in December in each financial year but received in January of the following year), asset income, income from disposals and other income.



The balance breakdown by year is shown below:

**General Reserve Fund performance
Situation as at 31 December
(million euros)**





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OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

3.- Actions in 2013

3.1. Investment and administration criteria in 2013

- The Social Security Reserve Fund invests in Spanish public debt and may invest in the public debt of Germany, France and the Netherlands. The debt must be issued in euros, of the highest credit quality and traded on regulated markets or organised trading systems.
- Investment in the public debt of non-Spanish issuers, if approved by the Social Security Reserve Fund Management Committee, must be limited such that the total value of foreign debt in the portfolio does not exceed 55% of the total nominal value of the portfolio.
- If market conditions are favourable, assets may be disposed of subject to security, profitability and diversification criteria.
- The Social Security Reserve Fund must be managed taking into account the timeframes established by the Secretariat of State for Social Security's schedule for future inflows and the availability of funds to cover contributory pensions.
- The modified term of the Social Security Reserve Fund shall be between 3.5 and 5 years, although the pace needed to achieve the required term will be gradual and may vary depending on the economic and financial climate and the status of the Social Security Reserve Fund.
- The maturity structure for portfolio assets must be well balanced and avoid any excessive concentration of maturity periods.



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

- Diversification of Spanish securities held by the Social Security Reserve Fund to avoid undue concentrations, so that, in general, the nominal outstanding balance of no single issue exceeds 16% of the portfolio. However, this maximum limit of 16% may be increased to 35% when absolutely necessary to comply with investment conditions. This is in addition to the issuer policies, which will not automatically shape the Fund's investment decisions.
- The nominal value of all Spanish Treasury products in the Social Security Reserve Fund's portfolio shall not exceed 12% of the total Treasury debt in circulation (bills and short and long-term bonds), excluding foreign currency issuances.
- At the time of investment, priority shall be given to purchases of benchmark products in the portfolio.
- For the purposes of their valuation, as set forth in the General Public Accounting Plan, public debt assets included in the Social Security Reserve Fund are classified as "held-to-maturity investments".



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

3.2. First meeting of the Management Committee in 2013

The Management Committee of the Social Security Reserve Fund **met for the thirty-eighth time on 8 March 2013**, approving the following resolutions:

- Ratification of the 2012 investment criteria for 2013.
- Acquisition of Spanish public debt amounting to 4,000,000,000 euros (500,000,000 euros in the primary market and 3,500,000,000 euros in the secondary market), holding any remainder in the current account.
- A distribution of assets giving a modified Fund maturity of 4.17.
- To set a deadline of 29 March 2013 for the Bank of Spain, acting as agent.
- Given the possibility of one-off investments maturing in 2013, to make the procedure more responsive and to simplify administration for both the Advisory Commission and the Investment Management Commission of the Social Security Reserve Fund, the Treasury General of the Social Security and the General Secretariat of the Treasury and Financial Policy were authorised to jointly determine the dates and system for the acquisition of public debt and to administer proposed acquisitions, having received approval from the members of the Advisory Investment Commission and the Management Committee.



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

At its meeting on 8 March 2013, the Reserve Fund Management Committee, as the highest management body, approved the acquisition of assets as follows:

Distribution of acquisitions of Spanish public debt

| Description of asset | Maturity | Value in euros | | |
|----------------------|------------|--------------------|----------------------|----------------------|
| | | Primary | Secondary | Total |
| Treasury Bills (1) | 21/06/2013 | 500,000,000 | 1,200,000,000 | 1,700,000,000 |
| Treasury Bills | 19/07/2013 | | 1,000,000,000 | 1,000,000,000 |
| Treasury Bills | 22/11/2013 | | 1,300,000,000 | 1,300,000,000 |
| TOTAL | | 500,000,000 | 3,500,000,000 | 4,000,000,000 |

(1) 19 March auction

However, to avoid the risk of excessive concentrations of purchases of particular issues affecting the market, if the IRR of the selected issues at the time of purchase falls below a certain level on secondary markets, the following alternative issues would be bought:

| ISSUES TO PURCHASE | MINIMUM ANNUALISED IRR | ALTERNATIVE ISSUE TO PURCHASE |
|------------------------------------|------------------------|---|
| Treasury Bills maturing 21/06/2013 | 0.25% | Treasury Bills maturing 17/05/2013 |
| Treasury Bills maturing 19/07/2013 | 0.35% | Treasury Bills maturing 17/05/2013 |
| Treasury Bills maturing 22/11/2013 | 0.75% | Short-term Government Bonds (2.50%) maturing 31/10/2013 |



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

Subsequently, on 22 March 2013, the Reserve Fund Management Committee unanimously agreed to modify the initial agreements as follows:

- If at the moment of purchase of the issues initially established, their annualised IRR below the minimum level established, purchases of that issue may continue, providing:
 1. The Bank of Spain considers the liquidity of the issue adequate.
 2. The purchases would not distort the secondary market.
 3. The profitability of the alternative issue is lower than that of the initially planned issue.
- The trading period was extended to 15 April 2013.
- If reinvestment of the assets is considered appropriate, until no later than 25 June 2013, the procedure approved by the Management Committee at its 8 March 2013 meeting may be applied for flows forecast to 30 April 2013.

Once the proposal of the Social Security Reserve Fund Management Committee was approved by the Treasury General of the Social Security, based on the certification issued by the Committee Secretary, an acquisition file was opened for the assets and purchase orders were sent to the Bank of Spain. A modification to these orders to adjust them for the approved changes was sent to the Bank of Spain on 25/03/2013.



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

The results of transactions carried out between 19 March and 18 April - the value dates of the transactions (corresponding to trading dates between 14 March to 15 April) - were as follows:

- Spanish financial assets were acquired for a price of 3,999,998,405.18 euros; this involved transactions in the secondary market with an acquisition price of 3,500,358,354.20 euros and transactions in the primary market with an acquisition price of 499,640,050.98 euros.
- The average value of purchases per day was 333.33 million euros.

Details of the transactions that took place are shown in the following table:

Purchases

| | DESCRIPTION OF FINANCIAL ASSET AND ISSUE REFERENCE | REDEMPTION DATE | TOTAL ACQUISITION PRICE (including current coupon) | NOMINAL VALUE = REDEMPTION VALUE | AVERAGE ACQUISITION IRR |
|----|---|-----------------|---|-------------------------------------|----------------------------|
| I) | SHORT-TERM ZONE | | | | |
| | Treasury Bills issue ref.ESOL01305173 | 17/05/2013 | 445,609,638.45 | 445,675,000.00 | 0.141 |
| | Treasury Bills Issue ref.ESOL01306213 | 21/06/2013 | 1,699,999,119.23 | 1,701,195,000.00 | 0.286 |
| | Treasury Bills issue ref.ESOL01307195 | 19/07/2013 | 554,390,135.98 | 555,000,000.00 | 0.338 |
| | Treasury Bills issue ref.ESOL01311221 | 22/11/2013 | 1,299,999,511.52 | 1,308,145,000.00 | 0.930 |
| | TOTAL | | 3,999,998,405.18 | 4,010,015,000.00 | |
| | TOTAL PFAs ACQUIRED (I) | | 3,999,998,405.18 | 4,010,015,000.00 | 0.487 (*) |

() The average weighted IRR is calculated using the nominal value acquired*

Zone-based distribution criteria:

Short-term zone: maturity up to 12 months with reference to 31/12/2013 to harmonise with accounting criteria

3-year zone: maturity of more than 12 months and up to 4 years with reference to 31/12/2013

5-year zone: maturity of more than 4 years and up to 7 years with reference to 31/12/2013

10-year or longer zone: maturity of over 7 years with reference to 31/12/2013



3.3. Purchases based on the procedure approved by the Management Committee at its meeting on 08/03/2013

Pursuant to the procedure approved at its meeting on 8 March 2013, the Management Committee unanimously agreed the following resolution with regard to one-off investments maturing in 2013, so as to streamline the procedure and simplify administration of purchasing rounds both for the Advisory Investment Commission and the Management Committee:

- To purchase Spanish public debt maturing in 2013 to a value of 2,251,000,000 euros in the secondary market.

The resolution passed by the Management Committee set out the following details of the assets to be purchased:

Distribution of Spanish Public Debt purchases

| Description of asset | Maturity | Amount in euros | Observations |
|-------------------------------------|------------|----------------------|--------------|
| | | Secondary Market | |
| Treasury Bills | 17/05/2013 | 1,767,000,000 | 1 |
| Treasury Bills | 21/06/2013 | | |
| Short-term Government Bonds (2.50%) | 31/10/2013 | 484,000,000 | 2 |
| Treasury Bills | 22/11/2013 | | |
| TOTAL | | 2,251,000,000 | |

(1) At the time of purchase, when choosing between two issues maturing on 17/05/2013 and 21/06/2013, the Bank of Spain would take into account the following maturity and profitability criteria on a weighted basis: preference would be given to buying the instrument with the longest maturity (21/06/2013 Bill) and the highest IRR at the time of acquisition.



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

(2) At the time of purchase, when choosing between issues maturing on 31/10/2013 and 22/11/2013, the Bank of Spain would take into account the following maturity and profitability criteria on a weighted basis: preference would be given to buying the instrument with the longest maturity (22/11/2013 Bill) and the highest IRR at the time of acquisition.

In all of the transactions described, no instruments would be purchased, in any of the following circumstances, even if this resulted in leaving amounts not invested in the current account with the Bank of Spain

- If there was a patent lack of liquidity impeding the purchase of the asset in practice that would excessively distort the secondary market.
- If the IRR on the asset acquired did not exceed the returns on the Bank of Spain current account.

Acting as agent, the Bank of Spain would implement the investment proposal in the shortest time possible compatible with successful performance of the investment transactions.

Once the proposal of the Social Security Reserve Fund Management Committee was approved by the Treasury General of the Social Security, based on the certification issued by the Committee Secretary, an acquisition file was opened for the assets and purchase orders were sent to the Bank of Spain.



The results of transactions between 16 May and 12 June - the value dates of the transactions (corresponding to trading dates between 10 May and 7 June) - were as follows:

- Of the total purchases planned, only 1,113,927,760.40 euros of Spanish financial assets were purchased through transactions in the secondary market, with the remainder being held in the account with the Bank of Spain, as liquidity and profitability conditions were not met.
- Average purchase value per day was 371.31 million euros.

Details of the transactions that took place are shown in the following table:

Purchases

| | DESCRIPTION OF FINANCIAL ASSET AND ISSUE REFERENCE | REDEMPTION DATE | TOTAL ACQUISITION PRICE (including current coupon) | NOMINAL VALUE = REDEMPTION VALUE | AVERAGE ACQUISITION IRR |
|----|---|--------------------|---|-------------------------------------|-------------------------------|
| I) | SHORT-TERM ZONE | | | | |
| | Treasury Bills issue ref.ESOL01306213 | 21/06/2013 | 629,928,630.49 | 630,000,000.00 | 0.143 |
| | Treasury Bills issue ref.ESOL01311221 | 22/11/2013 | 483,999,129.91 | 485,314,000.00 | 0.515 |
| | TOTAL | | 1,113,927,760.40 | 1,115,314,000.00 | |
| | TOTAL PFAs ACQUIRED (I) | | 1,113,927,760.40 | 1,115,314,000.00 | 0.305 (*) |

() The average weighted IRR is calculated using the nominal value acquired*

NB: see zone-based distribution criteria on page 15



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

3.4. Second Management Committee meeting of 2013

The thirty-ninth meeting of the Social Security Reserve Fund Management Committee, as the highest management body of the Reserve Fund, was held on **26 July 2013**, adopting the following resolutions:

- To acquire Spanish public debt to an approximate value of 2,372,000,000 euros. This amount would be subject to adjustment by the Treasury General of the Social Security dependent on actual income in the form of excess profits from the management activities of Social Security Mutuels for Work-Related Injury and Occupational Disease Insurance for temporary Disability Benefit for common contingencies in 2012.
- This distribution of assets modified maturity of the Fund to 4.20.
- A period was established for the Bank of Spain, acting as agent, to carry out the transactions until 23 August 2013. This would be extended to 27 August in the event that current rates meant it was worth waiting for the auction on that date to acquire bills maturing on 22 November 2013 in the primary market.

The proposal to purchase assets that the Reserve Fund Management Committee, as senior monitoring body, approved at its meeting on 26 July 2013, specified the following list of assets to be purchased:



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

Distribution of acquisitions of Spanish public debt

| Description of asset | Maturity | Value in euros |
|---|------------|----------------------|
| Treasury Bills | 20/09/2013 | 590,000,000 |
| Treasury Bills (1) | 18/10/2013 | 1,782,000,000 |
| Short-term Government Bonds (2.50%) (1) | 31/10/2013 | |
| Treasury Bills (*) (1) | 22/11/2013 | |
| TOTAL | | 2,372,000,000 |

(*) 27 August 2013 auction. The Bank of Spain would determine the appropriateness of turning to the primary market.

(1) At the time of purchase, when choosing between the three issues maturing on 18/10/2013, 31/10/2013 and 22/11/2013, the Bank of Spain would take into account the following maturity and profitability criteria on a weighted basis:

- Preference would be given to buying the instrument with the longest maturity.
- Preference would be given to buying the instrument with the highest IRR at the time of acquisition.

In all of the transactions described, no instruments would be purchased, in any of the following circumstances, even if this resulted in leaving amounts not invested in the current account with the Bank of Spain

- If there was a patent lack of liquidity impeding the purchase of the asset in practice that would excessively distort the secondary market.
- Whether the IRR on the asset acquired exceeded the returns on the Bank of Spain current account.



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

Once the proposal of the Social Security Reserve Fund Management Committee was approved by the Treasury General of the Social Security, based on the certification issued by the Committee Secretary, an acquisition file was opened.

However, once the actual funds from excess income profit on the activities of the Social Security Mutuels for Work-Related Injury and Occupational Disease Insurance relating to temporary Disability Benefit for common contingencies in 2012 was known, the volume of investment in the issues maturing on 18/10/2013, 31/10/2013 and 22/11/2013 was adjusted accordingly. Purchase orders were then issued to the Bank of Spain for the resulting adjusted amount of 2,336,000,000 euros, with the following **distribution of public debt purchases**:

| Description of asset | Maturity | Value in euros |
|-------------------------------------|------------|----------------------|
| Treasury Bills | 20/09/2013 | 590,000,000 |
| Treasury Bills | 18/10/2013 | 1,746,000,000 |
| Short-term Government Bonds (2.50%) | 31/10/2013 | |
| Treasury Bills | 22/11/2013 | |
| TOTAL | | 2,336,000,000 |



The results of transactions between 7 and 30 August - the value dates for the transactions (corresponding to trading dates between 2 and 27 August) - were as follows:

Of the total planned acquisitions, Spanish financial assets were purchased for an acquisition price of 1,955,831,333.60 euros; this involved transactions in the secondary market with an acquisition price of 1,456,020,262.18 euros and transactions in the primary market with an acquisition price of 499,811,071.42 euros. The remainder was held in the account with the Bank of Spain, as the liquidity and profitability criteria established were not met.

The average value of purchases per day was 217.31 million euros.

Details of the transactions that took place are shown in the following table:

Purchases

| | DESCRIPTION OF FINANCIAL ASSET AND ISSUE REFERENCE | REDEMPTION DATE | TOTAL ACQUISITION PRICE (including current coupon) | NOMINAL VALUE = REDEMPTION VALUE | AVERAGE ACQUISITION IRR |
|----|---|-----------------|---|-------------------------------------|----------------------------|
| I) | SHORT-TERM ZONE | | | | |
| | Treasury Bills issue ref.ESOL01309209 | 20/09/2013 | 209,945,103.25 | 210,000,000.00 | 0.218 |
| | Treasury Bills issue ref.ESOL01310181 | 18/10/2013 | 269,818,653.77 | 270,000,000.00 | 0.347 |
| | Short-term Government Bonds issue ref.ES00000122R7 | 31/10/2013 | 172,107,937.00 | 168,000,000.00 | 0.271 |
| | Treasury Bills issue ref.ESOL01311221 | 22/11/2013 | 1,303,959,639.58 | 1,305,000,000.00 | 0.292 |
| | TOTAL | | 1,955,831,333.60 | 1,953,000,000.00 | |
| | TOTAL PFAs ACQUIRED (I) | | 1,955,831,333.60 | 1,953,000,000.00 | 0.290 |

() The average weighted IRR is calculated using the nominal value acquired*

NB: see zone-based distribution criteria on page 15



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

3.5. Third Management Committee meeting of 2013

The fortieth meeting of the Social Security Reserve Fund Management Committee was held on 3 December 2013. The purpose of this meeting was to report to the members of the Committee, as the highest management body for advice, control and organisation of the economic management of the Fund, on its balance and performance in 2013. This included the Funds current situation and the drawings made, forecast flows, profitability and other indicators, with analysis of the current and forecast economic situation with regard to the Funds activities in 2014. This was based on exhaustive information about the financial management of the Reserve Fund in 2013 and, in particular, the planning of future flows.



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

3.6. Summary of agreements in 2013

In 2013, the Fund acquired Spanish financial assets with a total acquisition price of 7,069,757,499.18 euros; this involved transactions in the secondary market with an acquisition price of 6,070,306,376.78 euros (85.86% of purchases), and transactions in the primary market with an acquisition price of 999,451,122.40 euros (14.14% of purchases).

Details of the transactions that took place are shown in the following table:

Total acquisitions

| | DESCRIPTION OF FINANCIAL ASSET AND ISSUE REFERENCE | REDEMPTION DATE | TOTAL ACQUISITION PRICE (including current coupon) | NOMINAL VALUE = REDEMPTION VALUE | AVERAGE ACQUISITION IRR |
|-----------|--|-----------------|---|-------------------------------------|-------------------------|
| I) | SHORT-TERM ZONE | | | | |
| | Treasury Bills issue ref.ES0L01305173 | 17/05/2013 | 445,609,638.45 | 445,675,000.00 | 0.141 |
| | Treasury Bills issue ref.ES0L01306213 | 21/06/2013 | 2,329,927,749.72 | 2,331,195,000.00 | 0.248 |
| | Treasury Bills issue ref.ES0L01307195 | 19/07/2013 | 554,390,135.98 | 555,000,000.00 | 0.338 |
| | Treasury Bills issue ref.ES0L01309209 | 20/09/2013 | 209,945,103.25 | 210,000,000.00 | 0.218 |
| | Treasury Bills issue ref.ES0L01310181 | 18/10/2013 | 269,818,653.77 | 270,000,000.00 | 0.347 |
| | Short-term Government Bonds (2.50%) issue ref.ES00000122R7 | 31/10/2013 | 172,107,937.00 | 168,000,000.00 | 0.271 |
| | Treasury Bills issue ref.ES0L01311221 | 22/11/2013 | 3,087,958,281.01 | 3,098,459,000.00 | 0.596 |
| | TOTAL | | 7,069,757,499.18 | 7,078,329,000.00 | |
| | TOTAL PFAs ACQUIRED (I) | | 7,069,757,499.18 | 7,078,329,000.00 | 0.404 (*) |

(*) The average weighted IRR is calculated using the nominal value acquired

NB: see zone-based distribution criteria on page 15



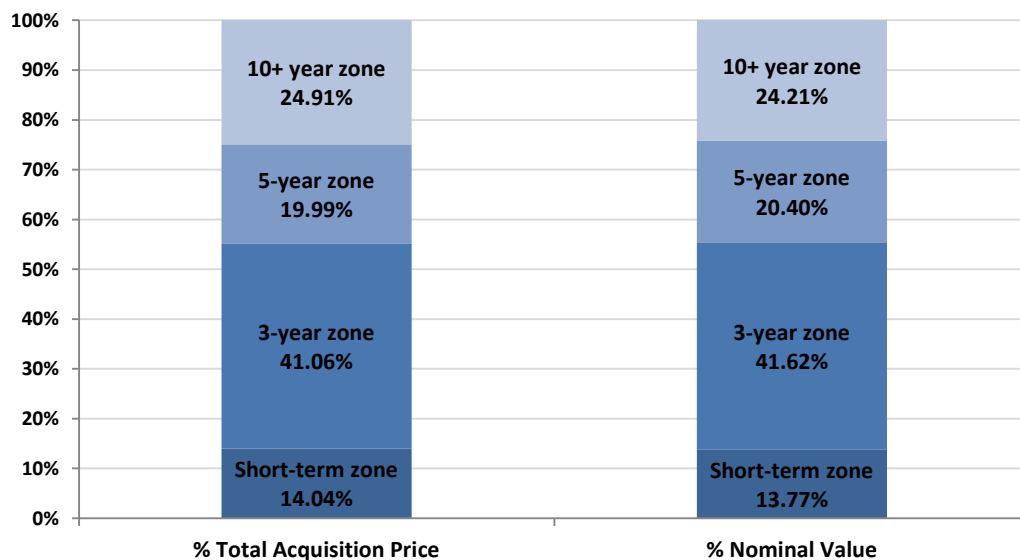
4. - Key figures for the Reserve Fund as at 31/12/2013

The **total acquisition price** of the **assets** held at **31/12/2013** was ³ **€53,742,754,080.42**. This can be **classified by zones** according to acquisition price and nominal value as follows:

| ASSETS | TOTAL ACQUISITION PRICE (euros) | % | NOMINAL VALUE (euros) | % |
|-----------------|---------------------------------|----------------|--------------------------|----------------|
| Short-term zone | 7,545,174,266.32 | 14.04% | 7,184,807,000.00 | 13.77% |
| 3-year zone | 22,067,146,120.65 | 41.06% | 21,708,207,000.00 | 41.62% |
| 5-year zone | 10,743,651,236.66 | 19.99% | 10,640,814,000.00 | 20.40% |
| 10+ year zone | 13,386,782,456.79 | 24.91% | 12,629,830,000.00 | 24.21% |
| TOTAL | 53,742,754,080.42 | 100.00% | 52,163,658,000.00 | 100.00% |

NB: Refer to criteria for distribution by zones on page 15

This is shown in the following chart (in percentage terms):



³ We repeat here the observation made in note 1 (page 1) on the consideration given to the current coupon in the acquisition price.



At 31/12/2013, the asset portfolio consisted of Spanish debt and non-Spanish sovereign debt from Germany, France and the Netherlands, distributed as follows in terms of **total acquisition price**:

| ASSETS | SPANISH DEBT (euros) | FOREIGN DEBT (euros) | TOTAL (euros) | % |
|-----------------|-------------------------|-------------------------|-------------------|---------|
| Short-term zone | 7,545,174,266.32 | | 7,545,174,266.32 | 14.04% |
| 3-year zone | 21,312,218,654.74 | 754,927,465.91 | 22,067,146,120.65 | 41.06% |
| 5-year zone | 10,743,651,236.66 | | 10,743,651,236.66 | 19.99% |
| 10+ year zone | 12,428,818,838.50 | 957,963,618.29 | 13,386,782,456.79 | 24.91% |
| AMOUNT | 52,029,862,996.22 | 1,712,891,084.20 | 53,742,754,080.42 | 100.00% |

NB: Refer to criteria for distribution by zones on page 15

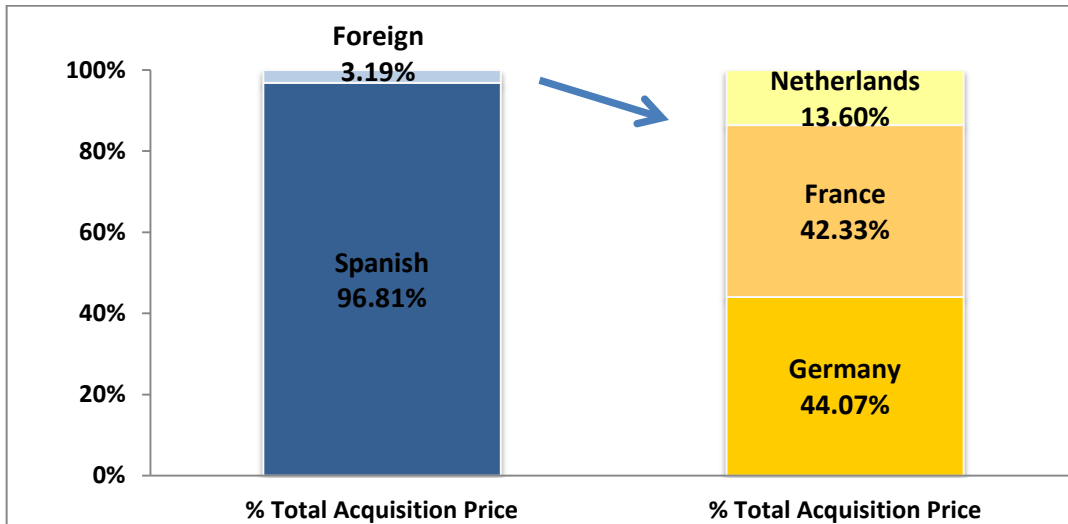
And **nominal value**:

| ASSETS | SPANISH DEBT (euros) | FOREIGN DEBT (euros) | TOTAL (euros) | % |
|-----------------|-------------------------|-------------------------|-------------------|---------|
| Short-term zone | 7,184,807,000.00 | | 7,184,807,000.00 | 13.77% |
| 3-year zone | 20,987,042,000.00 | 721,165,000.00 | 21,708,207,000.00 | 41.62% |
| 5-year zone | 10,640,814,000.00 | | 10,640,814,000.00 | 20.40% |
| 10+ year zone | 11,822,608,000.00 | 807,222,000.00 | 12,629,830,000.00 | 24.21% |
| TOTAL | 50,635,271,000.00 | 1,528,387,000.00 | 52,163,658,000.00 | 100.00% |

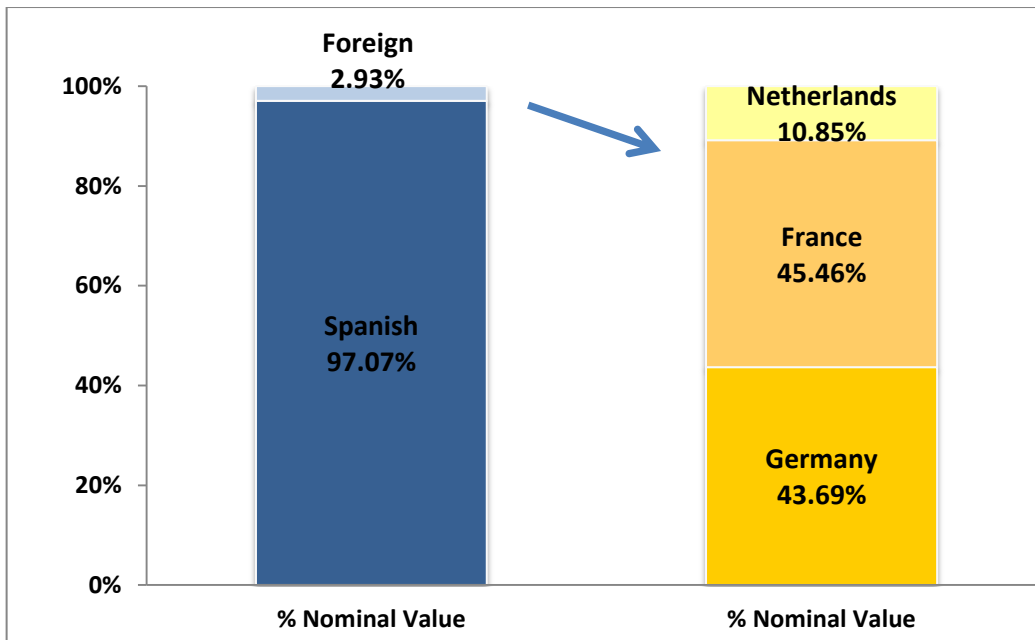
NB: Refer to criteria for distribution by zones on page 15



This can be represented in chart form as at 31/12/2013, based on **total acquisition price** (in percentage terms):



And **nominal value** (in percentage terms):



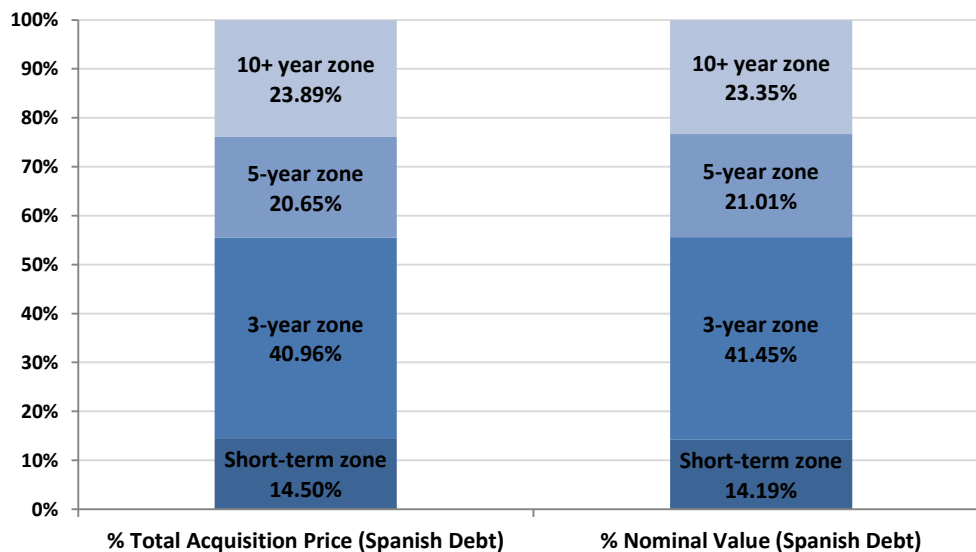


The distribution of Spanish debt by zones as at 31/12/2013 is also shown, based on total acquisition price and nominal value:

| ASSETS | SPANISH DEBT Total Acquisition Price (euros) | % | SPANISH DEBT Nominal Value (euros) | % |
|-----------------|--|----------------|--|----------------|
| Short-term zone | 7,545,174,266.32 | 14.50% | 7,184,807,000.00 | 14.19% |
| 3-year zone | 21,312,218,654.74 | 40.96% | 20,987,042,000.00 | 41.45% |
| 5-year zone | 10,743,651,236.66 | 20.65% | 10,640,814,000.00 | 21.01% |
| 10+ year zone | 12,428,818,838.50 | 23.89% | 11,822,608,000.00 | 23.35% |
| TOTAL | 52,029,862,996.22 | 100.00% | 50,635,271,000.00 | 100.00% |

NB: Refer to criteria for distribution by zones on page 15

This is shown in the following chart (in percentage terms):



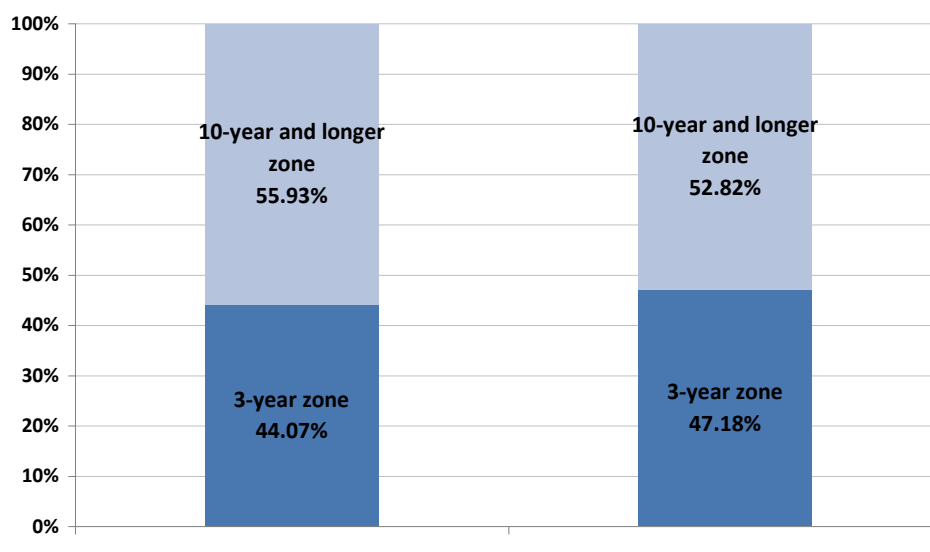


The distribution of foreign debt by zones as at 31/12/2013 is also shown, based on total acquisition price and nominal value:

| ASSETS | FOREIGN DEBT Total Acquisition Price (euros) | % | FOREIGN DEBT Nominal Value (euros) | % |
|---|--|----------------|--|----------------|
| Short-term zone | | | | |
| 3-year zone (France and Germany) | 754,927,465.91 | 44.07% | 721,165,000.00 | 47.18% |
| 5-year zone | | | | |
| 10-year and longer zone (France, Germany and the Netherlands) | 957,963,618.29 | 55.93% | 807,222,000.00 | 52.82% |
| TOTAL | 1,712,891,084.20 | 100.00% | 1,528,387,000.00 | 100.00% |

NB: Refer to criteria for distribution by zones on page.

This is shown in the following chart (in percentage terms):





The following table sets out in detail the types of assets and issues in the portfolio as at 31 December 2013:

| | DESCRIPTION OF FINANCIAL ASSET AND ISSUE REFERENCE | REDEMPTION DATE | TOTAL ACQUISITION PRICE (including current coupon) | NOMINAL VALUE = REDEMPTION VALUE |
|------------|---|-----------------|--|----------------------------------|
| I) | SHORT-TERM ZONE | | | |
| | Short-term Government Bonds (4.25%) issue ref.ES00000121H0 | 31/01/2014 | 1,977,949,247.60 | 1,875,054,000.00 |
| | Short-term Government Bonds (3.40%) issue ref.ES00000123D5 | 30/04/2014 | 300,000,283.06 | 308,060,000.00 |
| | Treasury Bills issue ref.ES0L01406203 | 20/06/2014 | 76,702,587.62 | 80,000,000.00 |
| | Long-term Government Bonds (4.75%) issue ref.ES0000012098 | 30/07/2014 | 2,571,406,422.65 | 2,371,630,000.00 |
| | Short-term Government Bonds (3.30%) issue ref.ES00000121P3 | 31/10/2014 | 2,619,115,725.39 | 2,550,063,000.00 |
| | TOTAL | | 7,545,174,266.32 | 7,184,807,000.00 |
| II) | 3-YEAR ZONE | | | |
| | German Long-term Government Bonds (3.75%) issue ref.DE0001135267 | 04/01/2015 | 329,974,905.58 | 323,795,000.00 |
| | Long-term Government Bonds (4.40%) issue ref.ES0000012916 | 31/01/2015 | 2,590,215,866.17 | 2,446,771,000.00 |
| | Short-term Government Bonds (3.00%) issue ref.ES00000122F2 | 30/04/2015 | 1,983,631,855.72 | 2,000,018,000.00 |
| | German Long-term Government Bonds (3.25%) issue ref.DE0001135283 | 04/07/2015 | 124,957,568.91 | 124,900,000.00 |
| | Short-term Government Bonds (4.00%) issue ref.ES00000123L8 | 30/07/2015 | 1,021,335,000.00 | 1,000,000,000.00 |
| | Government Bonds (3.75%) issue ref.ES00000123P9 | 31/10/2015 | 2,005,688,740.00 | 1,998,000,000.00 |
| | Long-term Government Bonds (3.15%) issue ref.ES00000120G4 | 31/01/2016 | 2,439,830,307.82 | 2,519,102,000.00 |
| | Short-term Government Bonds (3.25%) issue ref.ES00000122X5 | 30/04/2016 | 1,099,997,743.43 | 1,159,180,000.00 |
| | French Short-term Government Bonds (5.00%) issue ref.FR0000187361 | 25/10/2016 | 299,994,991.42 | 272,470,000.00 |
| | Short-term Government Bonds (4.25%) issue ref.ES00000123J2 | 31/10/2016 | 1,925,384,476.07 | 1,905,453,000.00 |
| | Long-term Government Bonds (3.80%) issue ref.ES00000120J8 | 31/01/2017 | 2,224,994,840.02 | 2,249,445,000.00 |
| | Long-term Government Bonds (5.50%) issue ref.ES0000012783 | 30/07/2017 | 2,746,452,357.67 | 2,428,349,000.00 |
| | Short-term Government Bonds (4.75%) issue ref.ES00000123R5 | 30/09/2017 | 3,274,687,467.84 | 3,280,724,000.00 |
| | TOTAL | | 22,067,146,120.65 | 21,708,207,000.00 |



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| | DESCRIPTION OF FINANCIAL ASSET AND ISSUE REFERENCE | REDEMPTION DATE | TOTAL ACQUISITION PRICE (including current coupon) | NOMINAL VALUE = REDEMPTION VALUE |
|-------------|---|-----------------|--|----------------------------------|
| III) | 5-YEAR ZONE | | | |
| | Long-term Government Bonds (4.10%) issue ref.ES00000121A5 | 30/07/2018 | 2,529,976,372.09 | 2,505,135,000.00 |
| | Long-term Government Bonds (4.60%) issue ref.ES00000121L2 | 30/07/2019 | 2,302,491,045.76 | 2,214,215,000.00 |
| | Long-term Government Bonds (4.30%) issue ref.ES00000121O6 | 31/10/2019 | 2,310,963,382.57 | 2,282,185,000.00 |
| | Long-term Government Bonds (4.00%) issue ref.ES00000122D7 | 30/04/2020 | 1,904,038,909.67 | 1,949,569,000.00 |
| | Long-term Government Bonds (4.85%) issue ref.ES00000122T3 | 31/10/2020 | 1,696,181,526.57 | 1,689,710,000.00 |
| | TOTAL | | 10,743,651,236.66 | 10,640,814,000.00 |
| IV) | 10+ YEAR ZONE | | | |
| | French Short-term Government Bonds (3.75%) issue ref.FR0010192997 | 25/04/2021 | 424,980,731.10 | 422,374,000.00 |
| | Long-term Government Bonds (5.50%) issue ref.ES00000123B9 | 30/04/2021 | 1,659,483,905.77 | 1,621,989,000.00 |
| | Long-term Government Bonds (5.85%) issue ref.ES00000123K0 | 31/01/2022 | 57,482,590.06 | 58,980,000.00 |
| | Dutch Short-term Government Bonds (7.50%) issue ref.NL0000102077 | 15/01/2023 | 232,987,560.33 | 165,750,000.00 |
| | Long-term Government Bonds (4.80%) issue ref.ES00000121G2 | 31/01/2024 | 1,936,274,245.23 | 1,852,433,000.00 |
| | Long-term Government Bonds (4.65%) issue ref.ES00000122E5 | 30/07/2025 | 1,339,522,761.08 | 1,423,784,000.00 |
| | Long-term Government Bonds (5.90%) issue ref.ES00000123C7 | 30/07/2026 | 1,008,679,404.96 | 993,353,000.00 |
| | German Short-term Government Bonds (6.50%) issue ref.DE0001135044 | 04/07/2027 | 299,995,326.86 | 219,098,000.00 |
| | Long-term Government Bonds (6.00%) issue ref. ES0000011868 | 31/01/2029 | 1,849,758,681.42 | 1,575,715,000.00 |
| | Long-term Government Bonds (5.75%) issue ref.ES0000012411 | 30/07/2032 | 1,802,404,459.37 | 1,526,314,000.00 |
| | Long-term Government Bonds (4.20%) issue ref.ES0000012932 | 31/01/2037 | 1,524,995,975.20 | 1,529,027,000.00 |
| | Long-term Government Bonds (4.90%) issue ref.ES00000120N0 | 30/07/2040 | 1,250,216,815.41 | 1,241,013,000.00 |
| | TOTAL | | 13,386,782,456.79 | 12,629,830,000.00 |
| | TOTAL PFAs at 31/12/2013 (I+II+III+IV) | | 53,742,754,080.42 | 52,163,658,000.00 |

NB: Refer to criteria for distribution by zones on page 15



5.- Analysis of reserve fund profitability

5.1. Reserve Fund return

From the first allocation to the Reserve Fund approved by Cabinet Resolution in 2000 to 31 December 2013, the return obtained can be broken down into **coupons, imputed net profitability, profits on disposals and other revenues** and **interest** on the Fund's **current account**.

A total of **19,831,398,779.53 euros** was collected in **coupons**; this can be further broken down into coupons collected on the maturity date, 19,524,465,992.84 euros, and coupons collected at the time of disposal of assets, 306,932,786.69 euros, as follows:

1. Coupons collected on the maturity date:

| COUPONS | PARTIAL AMOUNT (€) | TOTAL AMOUNT (€) |
|--------------|--------------------|--------------------------|
| 2001 | | 18,699,000.00 |
| 2002 | | 120,425,190.08 |
| 2003 | | 338,265,455.84 |
| 2004 | | 592,924,827.64 |
| 2005 | | 857,615,313.37 |
| 2006 | | 1,171,273,841.45 |
| 2007 | | 1,535,058,217.03 |
| 2008 | | 2,034,850,211.79 |
| 2009 | | 2,339,694,054.23 |
| 2010 | | 2,478,598,524.41 |
| 2011 | | 2,709,616,791.70 |
| 2012 | | 2,765,822,459.74 |
| 2013 | | 2,561,622,105.56 |
| 04/01/2013 | 12,142,312.50 | |
| 15/01/2013 | 12,431,250.00 | |
| 31/01/2013 | 724,156,896.50 | |
| 25/04/2013 | 15,839,025.00 | |
| 30/04/2013 | 319,138,663.00 | |
| 04/07/2013 | 18,300,620.00 | |
| 30/07/2013 | 856,943,334.00 | |
| 30/09/2013 | 130,217,808.06 | |
| 25/10/2013 | 13,623,500.00 | |
| 31/10/2013 | 458,828,696.50 | |
| TOTAL | | 19,524,465,992.84 |



2. Coupons collected on disposal of the assets:

| COUPONS | PARTIAL AMOUNT (€) | TOTAL AMOUNT (€) |
|--------------|--------------------|-----------------------|
| 2009 | | 156,913,647.84 |
| 2010 | | 91,216,232.39 |
| 2011 | | |
| 2012 | | 58,802,906.46 |
| 2013 | | |
| TOTAL | | 306,932,786.69 |

Imputed net profits since the first allocation approved in 2000 are detailed below:

| Redemption/Disposal | DESCRIPTION | PARTIAL AMOUNT (€) | TOTAL AMOUNT (€) |
|---------------------|----------------------------|--------------------|--------------------------|
| 2001 | - From redeemed securities | | 0.00 |
| 2002 | - From redeemed securities | | 6,714,260.00 |
| 2003 | - From redeemed securities | | 17,220,919.74 |
| 2004 | - From redeemed securities | | -14,800,848.92 |
| 2005 | - From redeemed securities | | 7,627,818.36 |
| 2006 | - From redeemed securities | | -14,445,823.13 |
| 2007 | - From redeemed securities | | -100,368,613.40 |
| 2008 | - From redeemed securities | | -70,394,705.16 |
| 2009 | | | -111,803,859.74 |
| | - From redeemed securities | -144,330,440.02 | |
| | - From securities sold | 32,526,580.28 | |
| 2010 | | | -97,778,162.86 |
| | - From redeemed securities | -65,155,129.73 | |
| | - From securities sold | -32,623,033.13 | |
| 2011 | | | -352,313,679.93 |
| | - From redeemed securities | -352,313,679.93 | |
| 2012 | | | -102,636,179.31 |
| | - From redeemed securities | -193,164,725.87 | |
| | - From securities sold | 90,528,546.56 | |
| 2013 | | | -251,607,366.30 |
| | - From redeemed securities | -251,607,366.30 | |
| TOTAL | | | -1,084,586,240.65 |



Profits from disposals amounted to **1,162,490,434.28 euros**, as follows:

| PROFIT FROM DISPOSALS | PARTIAL AMOUNT (€) | TOTAL AMOUNT (€) |
|------------------------------|---------------------------|-------------------------|
| 2009 | | 498,913,390.60 |
| 2010 | | 185,377,136.85 |
| 2011 | | |
| 2012 | | 478,199,906.83 |
| 2013 | | |
| TOTAL | | 1,162,490,434.28 |

Other revenues includes both income on dual swap transactions (221,996.42 euros) and compensation for interest no longer received on overdue income from excess profit from administration of temporary disability benefit by the MATEPSS for common contingencies in 2006 (78,017.23 euros). Details are as follows:

| OTHER INCOME | AMOUNT (€) |
|---|-------------------|
| FROM DOUBLE SECURITY-BASED SWAPS | 221,996.42 |
| 2007 | 44,755.52 |
| 2008 | 45,023.25 |
| 2009 | 11,269.09 |
| 2010 | |
| 2011 | 53,087.31 |
| 2012 | 40,254.17 |
| 2013 | 27,607.08 |
| COMPENSATION FOR INTEREST NOT RECEIVED ON MATEPSS INCOME RECEIVED LATE | 78,017.23 |
| 2008 | 78,017.23 |
| TOTAL | 300,013.65 |



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Finally, **accrued interest** on the Bank of Spain **current account** from 2000 to 31/12/2013 was as follows:

| CURRENT ACCOUNT INTEREST | VALUE (€) |
|--------------------------|-----------------------|
| 2000 | 2,779,240.69 |
| 2001 | 7,500,828.26 |
| 2002 | 33,507,299.15 |
| 2003 | 16,991,616.34 |
| 2004 | 35,243,455.27 |
| 2005 | 24,341,090.96 |
| 2006 | 33,743,035.77 |
| 2007 | 38,559,185.51 |
| 2008 | 93,906,295.36 |
| 2009 | 18,618,272.71 |
| 2010 | 4,359,772.06 |
| 2011 | 9,664,584.45 |
| 2012 | 3,160,265.51 |
| 2013 | 1,404,582.21 |
| TOTAL | 323,779,524.25 |

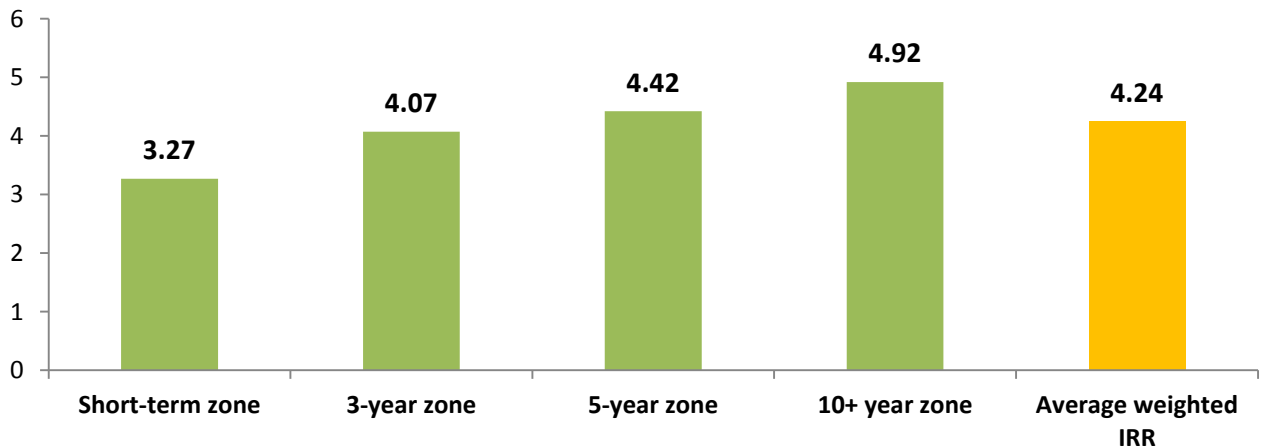
In summary, the **total amounts received** by the Reserve Fund from the first allocation approved in 2000 to 31/12/2013 are set out in the following table:

| NET PROFITABILITY GENERATED BY RESERVE FUND TO 31/12/2013 (euros) | |
|--|--------------------------|
| Coupons | 19,831,398,779.53 |
| Imputed net income | -1,084,586,240.65 |
| Profit from disposals | 1,162,490,434.28 |
| Other income | 300,013.65 |
| Adjustments for asset redemption/disposal (current coupon of redeemed and disposed of assets) | -1,042,814,074.29 |
| Current account interest | 323,779,524.25 |
| TOTAL NET INCOME | 19,190,568,436.77 |

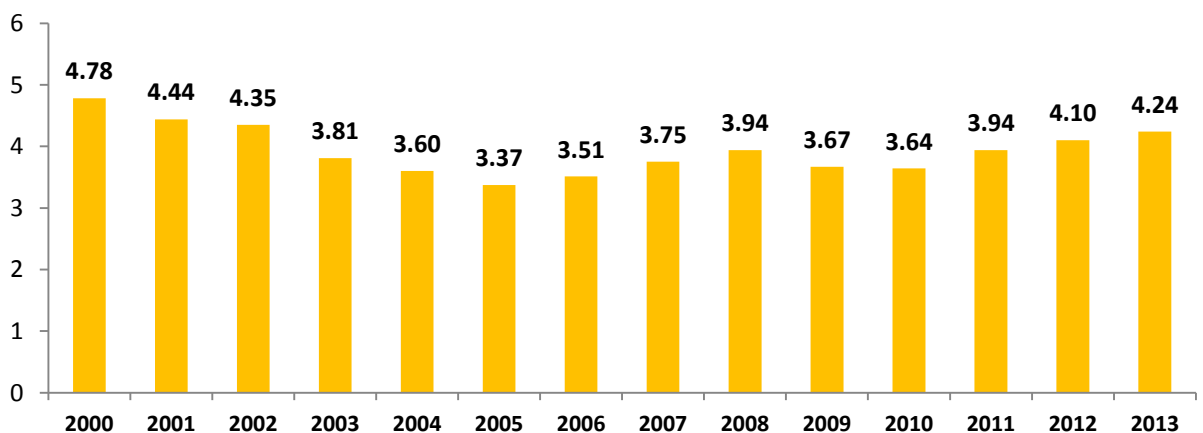


5.2. Profitability of fixed-income assets: Public debt

The following figures show the profitability of the assets contained in the Fund's portfolio. Profitability is determined by the IRR of each product at the time of purchase. The **acquisition IRR** of the current portfolio, consisting of instruments acquired from December 2000 and held in the portfolio at 31 December 2013, determined by taking the average weighted IRR on the nominal value for each type of asset, stood at **4.24%**, as follows:



Changes in the weighted average acquisition IRR for the Nominal Value of the assets in the portfolio by tax year were as follows:





5.3. Profitability of the “Treasury General of the Social Security Special Reserve Fund.

Art.91.1 TRLGSS” account

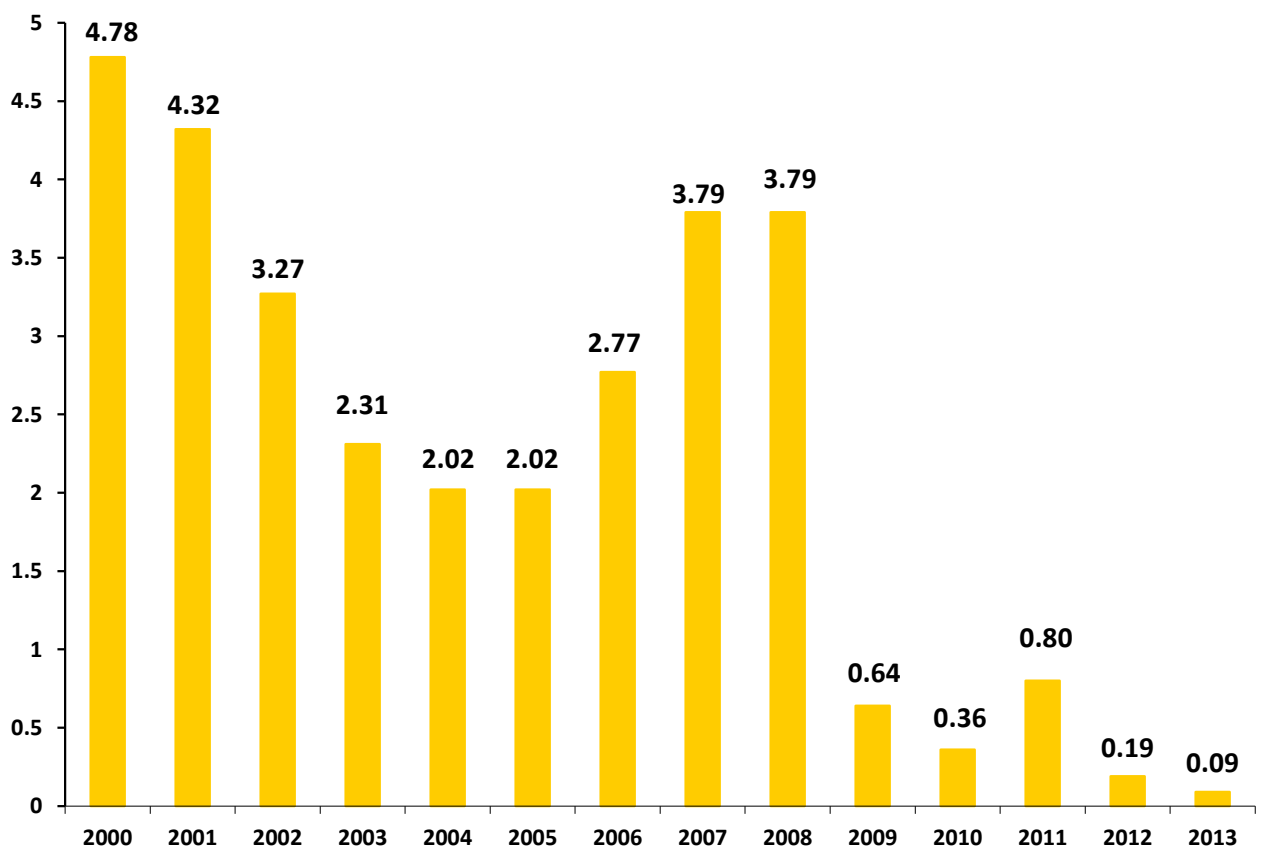
Until 31 December 2004, the nominal rate applicable to the amounts deposited by the Treasury General in the Special Reserve Fund account opened with the Bank of Spain, pursuant to the agreement between the Treasury General and the Bank of Spain, was **“the simple mean of the marginal rates used for the weekly auctions of the European System of Central Banks (main funding transactions) published during the period corresponding to settlement of the account”**.

Between 1 January 2005 and 31 July 2012, the applicable nominal interest rate was **“the daily Eonia rate less seven basis points, applied to outstanding balances at the end of each day”**. This rate has been **applied since 1 August 2012 with no discount**, with the Eonia being the effective overnight interest rate in the interbank market. The applicable rates are shown by year below:

| YEAR | AVERAGE RATE % |
|-------------|-----------------------|
| 2000 | 4.78 |
| 2001 | 4.32 |
| 2002 | 3.27 |
| 2003 | 2.31 |
| 2004 | 2.02 |
| 2005 | 2.02 |
| 2006 | 2.77 |
| 2007 | 3.79 |
| 2008 | 3.79 |
| 2009 | 0.64 |
| 2010 | 0.36 |
| 2011 | 0.80 |
| 2012 | 0.19 |
| 2013 | 0.09 |



The interest rate changes are illustrated in the following graph:





The interest accrued in 2013 on the “Treasury General of the Social Security Special Reserve Fund” account amounted to **€1,404,582.21**.

The average monthly interest rates for 2013 are shown below:

| MONTH | AMOUNT (euros) | AVERAGE INTEREST RATE % |
|--------------|---------------------|-------------------------|
| JANUARY | 66,052.84 | 0.07 |
| FEBRUARY | 201,529.81 | 0.07 |
| MARCH | 178,223.39 | 0.07 |
| APRIL | 21,765.38 | 0.08 |
| MAY | 133,302.72 | 0.08 |
| JUNE | 208,464.08 | 0.10 |
| JULY | 55,316.06 | 0.09 |
| AUGUST | 95,602.40 | 0.08 |
| SEPTEMBER | 31,453.07 | 0.08 |
| OCTOBER | 23,716.97 | 0.09 |
| NOVEMBER | 319,422.06 | 0.11 |
| DECEMBER (*) | 69,733.43 | 0.17 |
| TOTAL | 1,404,582.21 | 0.09 |

(*) The income was received on 2 January 2014



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5.4. Profitability of the Social Security Reserve Fund

The **accumulated profitability on the total Reserve Fund to 31 December 2013** (asset portfolio + Reserve Fund current account balance + interest accrued and not collected) has been determined.

The figure was calculated using the method approved by the Social Security Reserve Fund Management Committee at its meeting on 11 November 2005. This new method applies a technical adjustment to the method that had been used previously, in order to bring it into line with the method used for other investment and private pension funds. The main feature of this method is that it considers the market value of the Fund at the time of each allocation or drawing, giving appropriate weighting to the contribution of each flow in the overall profitability of the fund.

The cumulative Fund profitability figure is obtained by comparing the current net asset value of an allocation and its value at the time when the Fund was created, then annualising that cumulative profitability figure. The net asset value of a unit contribution is adjusted each time a new allocation or drawing is made, so as to distinguish the profitability of each flow to the total for the Fund for each sub-period.

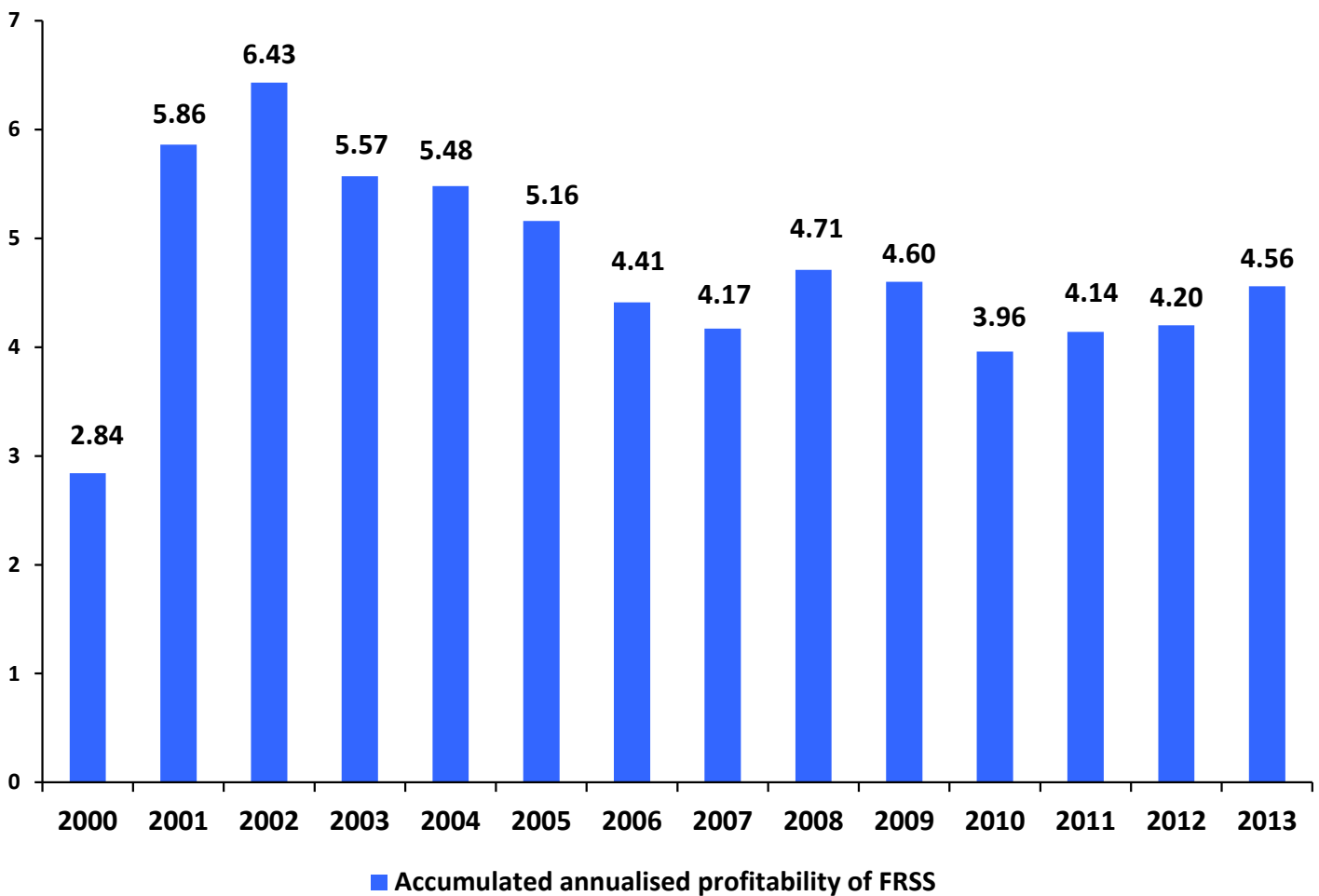
For calculation purposes, the market value of the fund is calculated using the closing prices for each instrument quoted by Bloomberg. On this basis, the net asset value of the Reserve Fund at 31/12/2013 was **56,408,170,505.31 euros** (56,406,875,630.28 euros for the portfolio, 1,225,141.60 euros deposited in the current account and 69,733.43 euros in interest accrued during the month of December).

Based on this method, **the accumulated profitability on the Reserve Fund between its inception in 2000 and 31 December 2013 stood at 80.36% or 4.56% in annualised terms.**

The annual profitability of the Reserve Fund in 2013 was 9.14%.

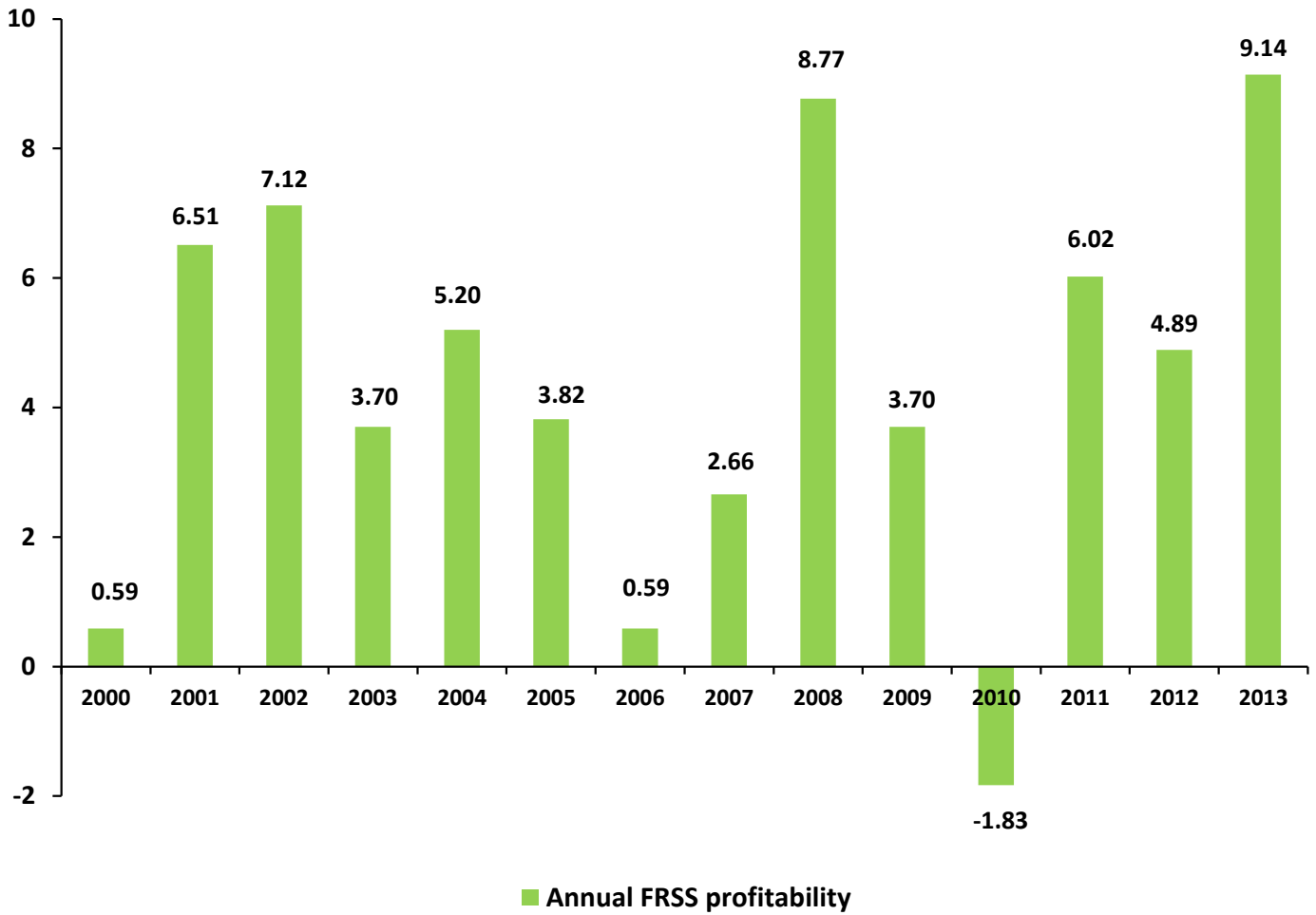


Using the same approach as that for calculating annualised accumulated profitability at 31/12/2013, we have calculated annualised accumulated profitability for each year end from the first allocation to the Reserve Fund approved by Cabinet in 2000. These are shown below:





Annual profitability of the Reserve Fund is shown in the following chart:





5.5. Summary of profitability

Set out below is a table summarising the percentages and a graph showing the change in Fund profitability, as analysed in detail in the foregoing sections:

| Financial year | Asset acquisition IRR | Average current account rate | Accumulated annualised FRSS profitability | Annual FRSS profitability |
|-----------------------|------------------------------|-------------------------------------|--|----------------------------------|
| 2000 | 4.78 | 4.78 | 2.84 | 0.59 |
| 2001 | 4.44 | 4.32 | 5.86 | 6.51 |
| 2002 | 4.35 | 3.27 | 6.43 | 7.12 |
| 2003 | 3.81 | 2.31 | 5.57 | 3.7 |
| 2004 | 3.6 | 2.02 | 5.48 | 5.2 |
| 2005 | 3.37 | 2.02 | 5.16 | 3.82 |
| 2006 | 3.51 | 2.77 | 4.41 | 0.59 |
| 2007 | 3.75 | 3.79 | 4.17 | 2.66 |
| 2008 | 3.94 | 3.79 | 4.71 | 8.77 |
| 2009 | 3.67 | 0.64 | 4.6 | 3.7 |
| 2010 | 3.64 | 0.36 | 3.96 | -1.83 |
| 2011 | 3.94 | 0.8 | 4.14 | 6.02 |
| 2012 | 4.1 | 0.19 | 4.2 | 4.89 |
| 2013 | 4.24 | 0.09 | 4.56 | 9.14 |

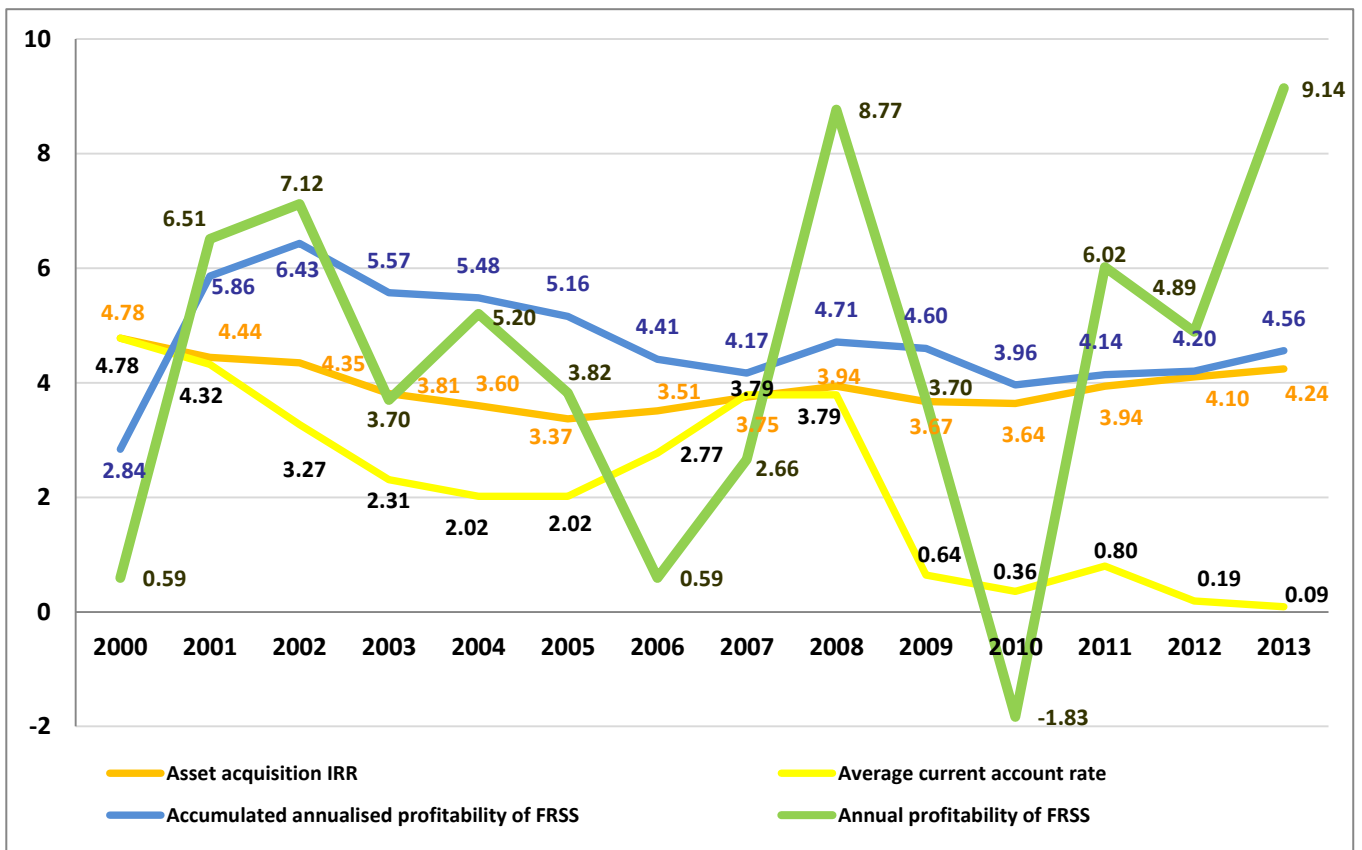


GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

CHANGE IN PROFITABILITY (AS A PERCENTAGE)





6.- Forecasts

6.1. 2014

During 2014, taking the portfolio as at 31/12/2013 as a reference, the following coupons will mature:

| COUPON DATE | VALUE (€) |
|--------------|-------------------------|
| 04/01/2014 | 12,142,312.50 |
| 15/01/2014 | 12,431,250.00 |
| 31/01/2014 | 603,307,490.00 |
| 25/04/2014 | 15,839,025.00 |
| 30/04/2014 | 275,340,085.00 |
| 04/07/2014 | 18,300,620.00 |
| 30/07/2014 | 764,162,520.00 |
| 30/09/2014 | 155,834,390.00 |
| 25/10/2014 | 13,623,500.00 |
| 31/10/2014 | 420,143,721.50 |
| TOTAL | 2,291,124,914.00 |

2014 saw the maturity of 7,184,807,000.00 euros in public sector financial assets (all Spanish financial assets), as follows:

| REDEMPTION DATE | DESCRIPTION OF ASSET | NOMINAL VALUE (€) |
|-----------------|---|-------------------------|
| 31/01/2014 | Short-term Government Bonds (4.25%) issue ref. ES00000121H0 | 1,875,054,000.00 |
| 30/04/2014 | Short-term Government Bonds (3.40%) issue ref. ES00000123D5 | 308,060,000.00 |
| 20/06/2014 | Treasury Bills issue ref.ES0L01406203 | 80,000,000.00 |
| 30/07/2014 | Long-term Government Bonds (4.75%) issue ref. ES0000012098 | 2,371,630,000.00 |
| 31/10/2014 | Short-term Government Bonds (3.30%) issue ref. ES00000121P3 | 2,550,063,000.00 |
| TOTAL | | 7,184,807,000.00 |



Forecast flows for 2014 are shown in the following table and chart:

FLOWS DURING 2014

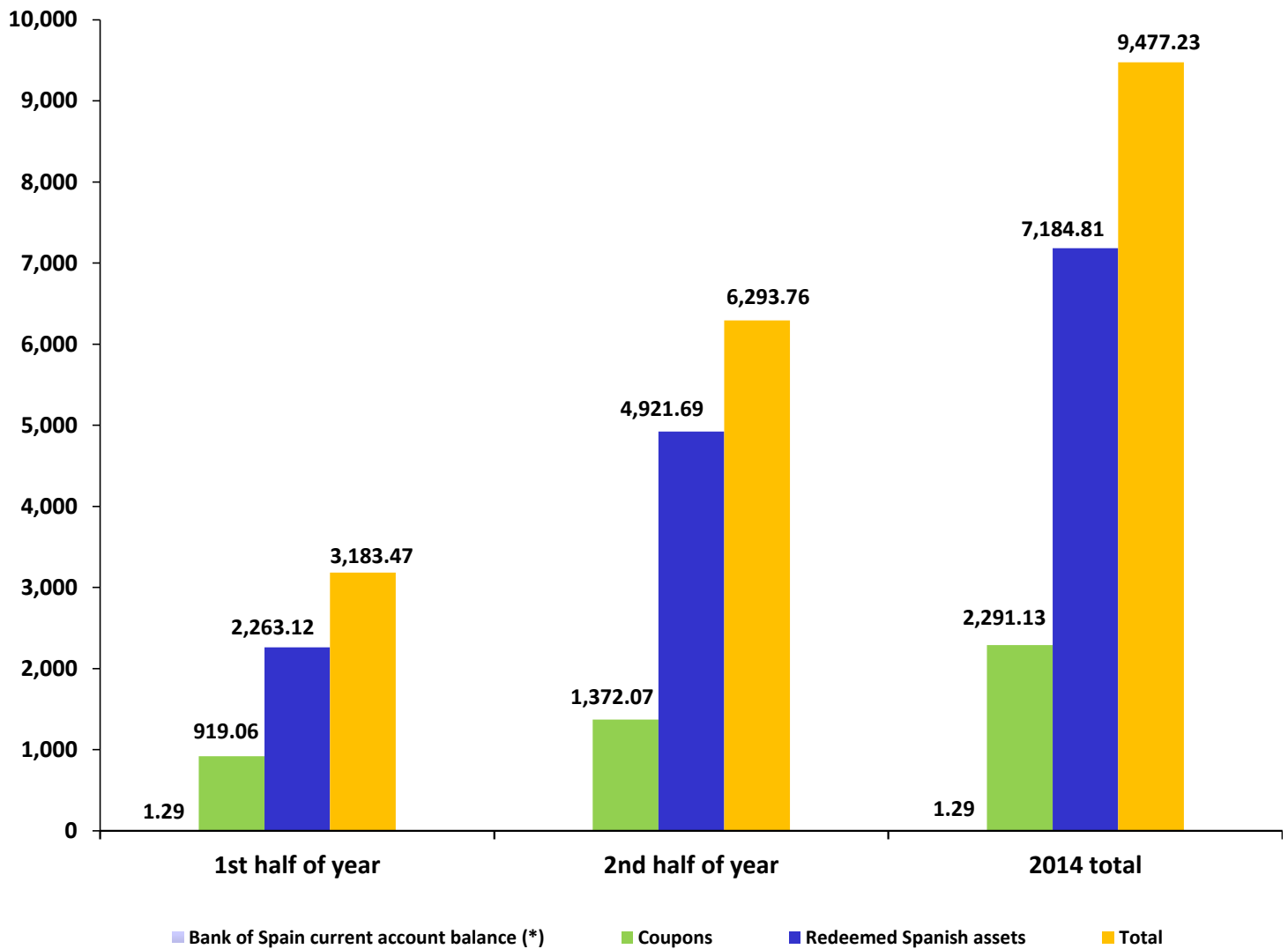
| | | | |
|--|---------|------------------|-------------------------|
| Current account balance as at 01/01/2014 | | | 1,225,141.60 |
| Interest for December 2013, received on 02/01/2014 | | | 69,733.43 |
| 2014 Coupons | | | 2,291,124,914.00 |
| First quarter | | 627,881,052.50 | |
| Second quarter | | 291,179,110.00 | |
| Third quarter | | 938,297,530.00 | |
| Fourth quarter | | 433,767,221.50 | |
| Assets maturing in 2014 | Spanish | | 7,184,807,000.00 |
| | Foreign | | |
| First quarter | Spanish | 1,875,054,000.00 | |
| | Foreign | - | |
| Second quarter | Spanish | 388,060,000.00 | |
| | Foreign | - | |
| Third quarter | Spanish | 2,371,630,000.00 | |
| | Foreign | - | |
| Fourth quarter | Spanish | 2,550,063,000.00 | |
| | Foreign | - | |
| TOTAL | | | 9,477,226,789.03 |

Figures in euros



FLOWS DURING 2014

Figures in millions of euros



(*) Includes interest accrued in December 2013 and received on 2 January 2014



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

6.2. 2015 and 2016

Taking the portfolio as at 31/12/2013 as a reference, the following coupons will mature in **2015**:

| COUPON DATE | VALUE (€) |
|--------------|-------------------------|
| 04/01/2015 | 12,142,312.50 |
| 15/01/2015 | 12,431,250.00 |
| 31/01/2015 | 523,617,695.00 |
| 25/04/2015 | 15,839,025.00 |
| 30/04/2015 | 264,866,045.00 |
| 04/07/2015 | 18,300,620.00 |
| 30/07/2015 | 651,510,095.00 |
| 30/09/2015 | 155,834,390.00 |
| 25/10/2015 | 13,623,500.00 |
| 31/10/2015 | 335,991,642.50 |
| TOTAL | 2,004,156,575.00 |

7,893,484,000.00 euros of public sector financial assets will mature in 2015 (7,444,789,000.00 euros of Spanish financial assets and 448,695,000.00 euros of foreign financial assets) on the following dates:

| REDEMPTION DATE | DESCRIPTION OF ASSET | NOMINAL VALUE (€) |
|-----------------|--|-------------------------|
| 04/01/2015 | German Government Bonds (3.75%) issue ref.DE0001135267 | 323,795,000.00 |
| 31/01/2015 | Long-term Government Bonds (4.40%) issue ref.ES0000012916 | 2,446,771,000.00 |
| 30/04/2015 | Short-term Government Bonds (3.00%) issue ref.ES00000122F2 | 2,000,018,000.00 |
| 04/07/2015 | German Government Bonds (3.25%) issue ref.DE0001135283 | 124,900,000.00 |
| 30/07/2015 | Short-term Government Bonds (4.00%) issue ref.ES00000123L8 | 1,000,000,000.00 |
| 31/10/2015 | Short-term Government Bonds (3.75%) issue ref.ES00000123P9 | 1,998,000,000.00 |
| TOTAL | | 7,893,484,000.00 |

This amounts to a total of **9,897,640,575,00 euros** in the form of coupon payments and asset amortisation.



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

Taking the portfolio as at 31/12/2013 as a reference, the following coupons will mature in **2016**:

| COUPON DATE | VALUE (€) |
|--------------|-------------------------|
| 15/01/2016 | 12,431,250.00 |
| 31/01/2016 | 415,959,771.00 |
| 25/04/2016 | 15,839,025.00 |
| 30/04/2016 | 204,865,505.00 |
| 04/07/2016 | 14,241,370.00 |
| 30/07/2016 | 611,510,095.00 |
| 30/09/2016 | 155,834,390.00 |
| 25/10/2016 | 13,623,500.00 |
| 31/10/2016 | 261,066,642.50 |
| TOTAL | 1,705,371,548.50 |

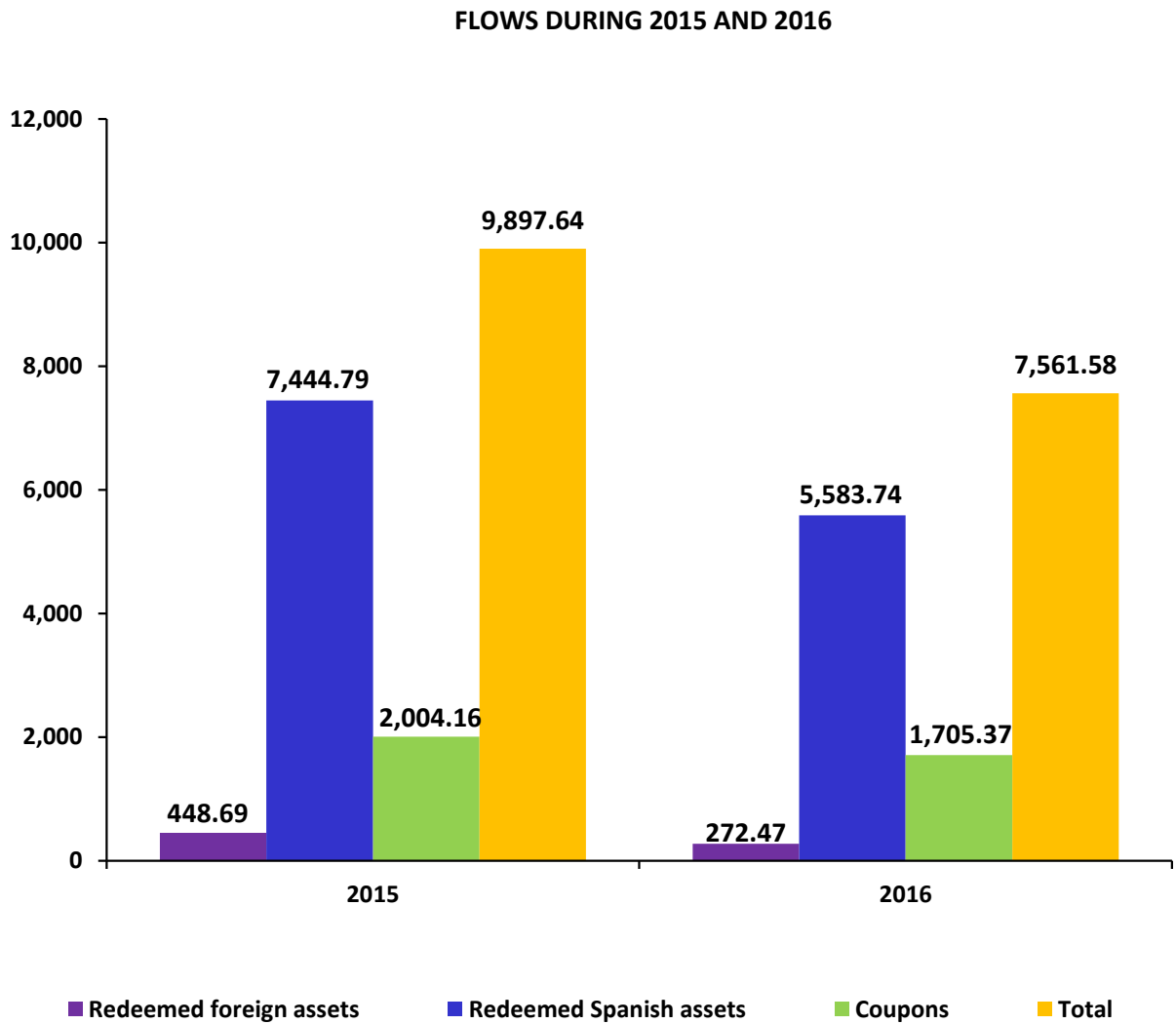
5,856,205,000.00 euros of public sector financial assets will mature in 2016 (5,583,735,000.00 euros of Spanish financial assets and 272,470,000.00 euros of foreign financial assets) on the following dates:

| REDEMPTION DATE | DESCRIPTION OF ASSET | NOMINAL VALUE (€) |
|-----------------|--|-------------------------|
| 31/01/2016 | Long-term Government Bonds (3.15%) issue ref.ES00000120G4 | 2,519,102,000.00 |
| 30/04/2016 | Short-term Government Bonds (3.25%) issue ref.ES00000122X5 | 1,159,180,000.00 |
| 25/10/2016 | French Government Bonds (5.00%) issue ref.FR0000187361 | 272,470,000.00 |
| 31/10/2016 | Short-term Government Bonds (4.25%) issue ref.ES00000123J2 | 1,905,453,000.00 |
| TOTAL | | 5,856,205,000.00 |

This amounts to a total of **7,561,576,548.50 euros** in the form of coupon payments and asset amortisation.



Therefore, considering the above variables, the flows in financial years 2015 and 2016 will be as shown in the following chart:



Figures in millions of euros



7.-COMPARISON OF KEY FIGURES FOR THE RESERVE FUND

The following is a comparison of the value of the Reserve Fund, in terms of total acquisition price, market value and other major indicators, against 2012.

| | 2012 (TO 31/12/2012) | 2013 (TO 31/12/2013) |
|---|-------------------------|-------------------------|
| FRSS AT TOTAL ACQUISITION PRICE (million euros) | 63,008.58 | 53,744.05 |
| FRSS AT MARKET VALUE (million euros) | 62,405.11 | 56,408.17 |

| KEY FIGURES FOR THE SOCIAL SECURITY RESERVE FUND | | |
|---|-------------------------|-------------------------|
| | 2012 (TO 31/12/2012) | 2013 (TO 31/12/2013) |
| PROFITABILITY OF FIXED-INCOME ASSETS (IRR) ON ACQUISITION | 4.10% | 4.24% |
| MARKET PROFITABILITY ON FIXED-INCOME ASSETS (IRR) | 3.89% | 2.45% |
| AVERAGE CURRENT ACCOUNT INTEREST RATE | 0.19% | 0.09% |
| ACCUMULATED ANNUALISED PROFITABILITY OF FRSS | 4.20% | 4.56% |
| ANNUAL PROFITABILITY OF FRSS | 4.89% | 9.14% |
| DEGREE OF CONCENTRATION | 9.13% | 7.11% |
| DURATION | 4.44 years | 4.56 years |
| MODIFIED DURATION | 4.25 | 4.40 |
| % FOREIGN DEBT (NOMINAL VALUE) IN TOTAL PORTFOLIO | 2.54% | 2.93% |
| % SSRF OF GDP (1) | 6.12% | 5.25% |

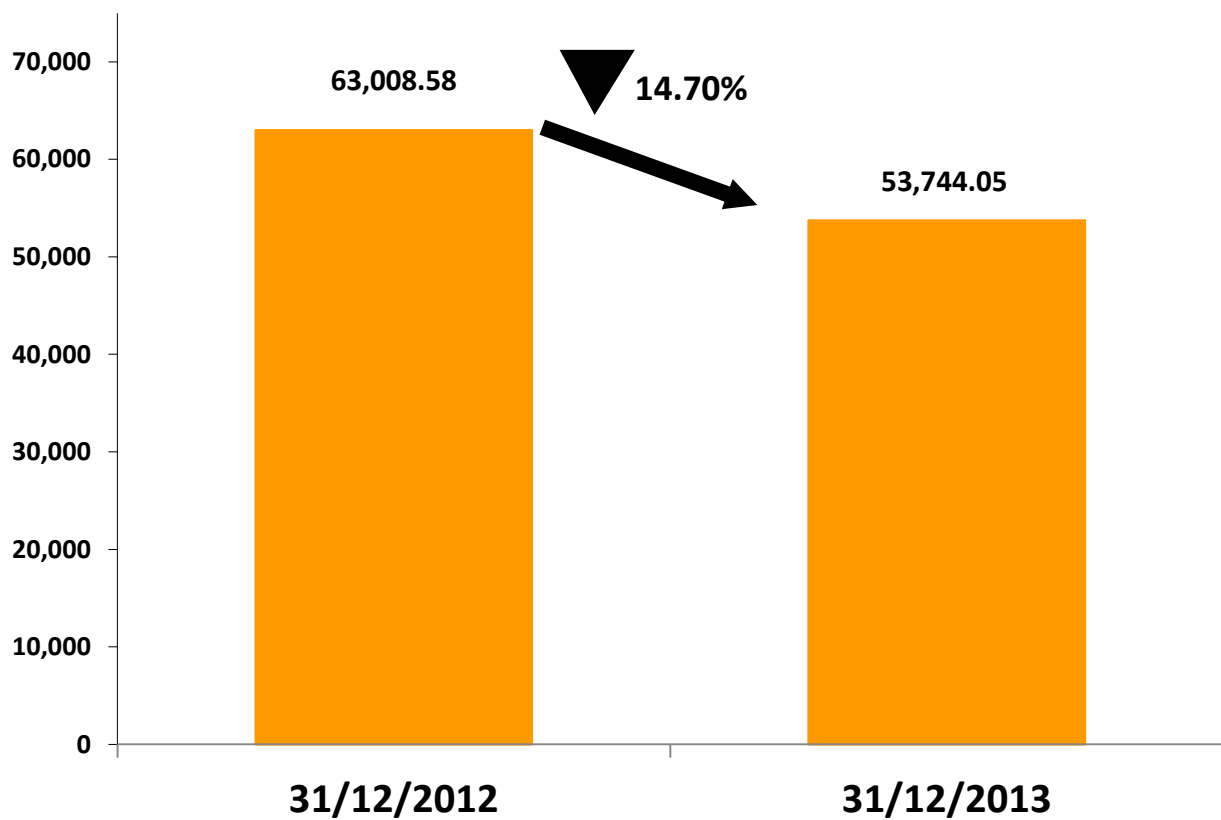
(1) The figures for 2012 are expressed in relation to 2012 GDP (1,029,279 million euros) and the figures for 2013 in relation to 2013 GDP (1,022,988 million euros), based on data published by the National Statistical Institute based on CNE-2008, as published on 27 February 2014.



Likewise, the following chart shows the total amount of the Social Security Reserve Fund at **total acquisition price** at 31/12/2012 and 31/12/2013:

RESERVE FUND AS AT 31/12/2012 AND 31/12/2013

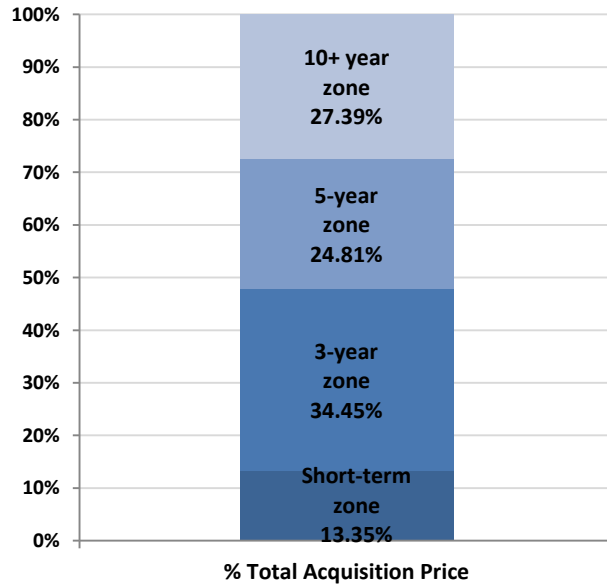
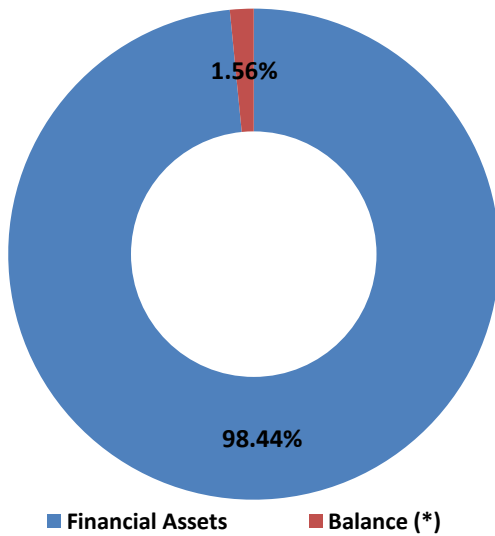
Figures in millions of euros





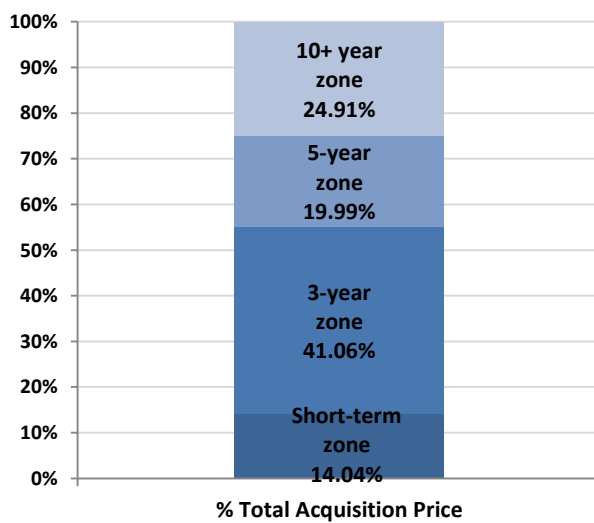
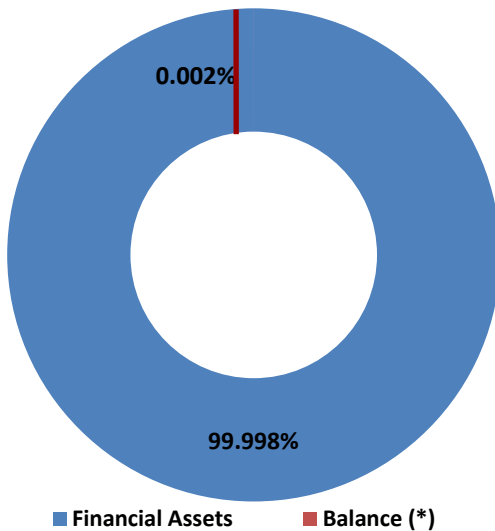
This is distributed as follows based on **total acquisition price** (in percentage terms):

31/12/2012



(*) With interest accrued in December 2012 and collected on 3 January 2013

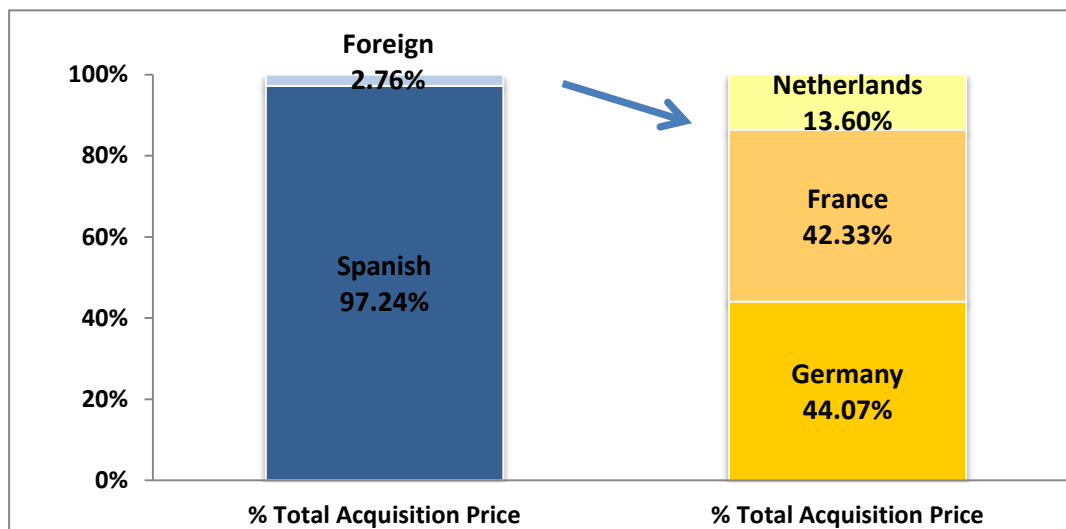
31/12/2013



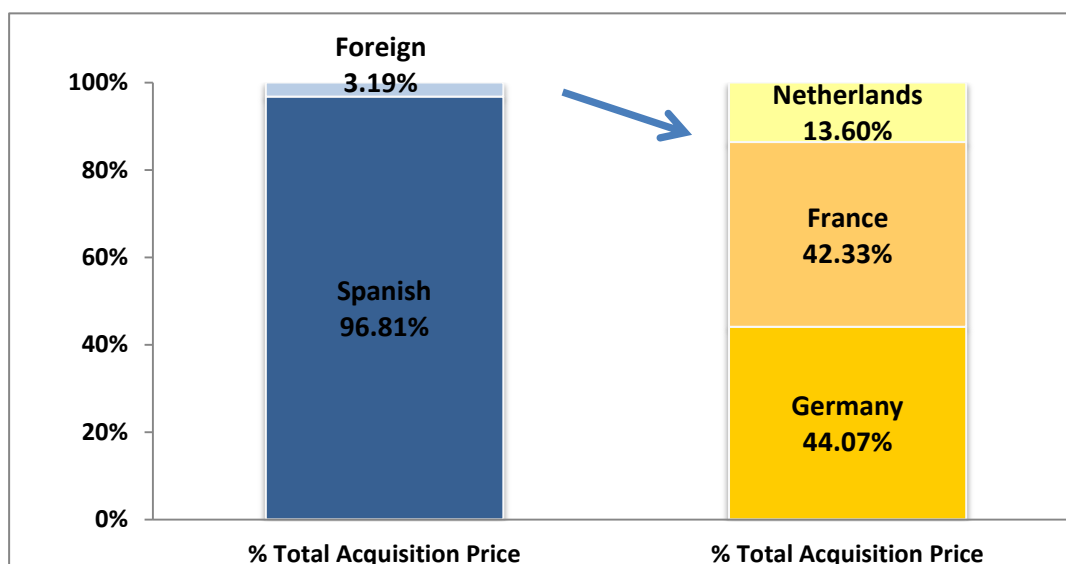
(*) With interest accrued in December 2013 and collected on 2 January 2014



DISTRIBUTION OF RESERVE FUND FINANCIAL ASSETS BY ISSUING COUNTRY IN TOTAL ACQUISITION PRICE TERMS (percentages)
31/12/2012

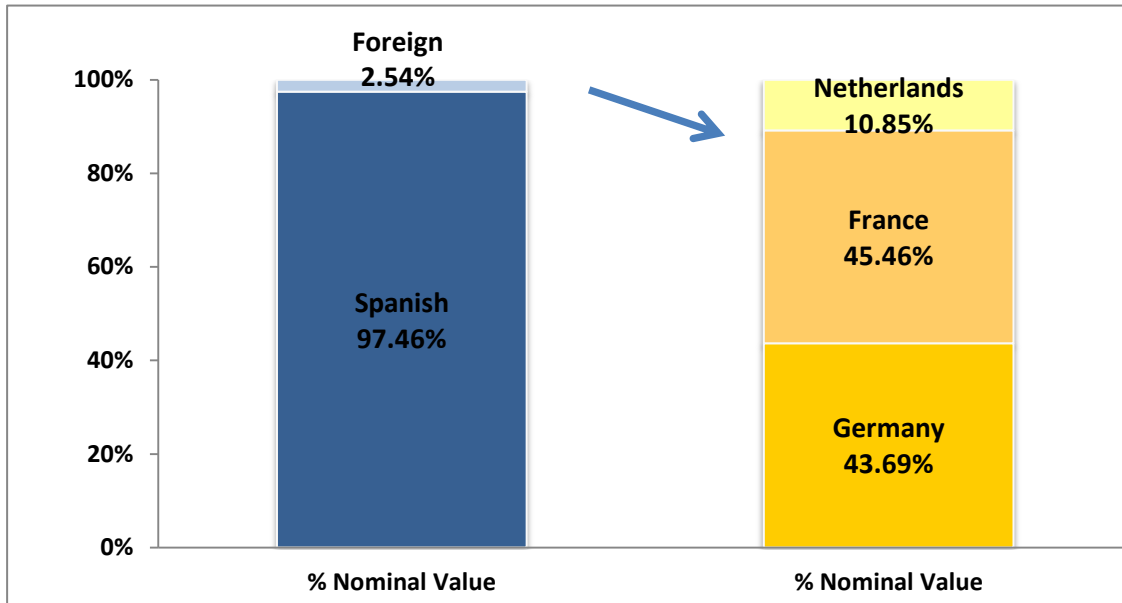


31/12/2013

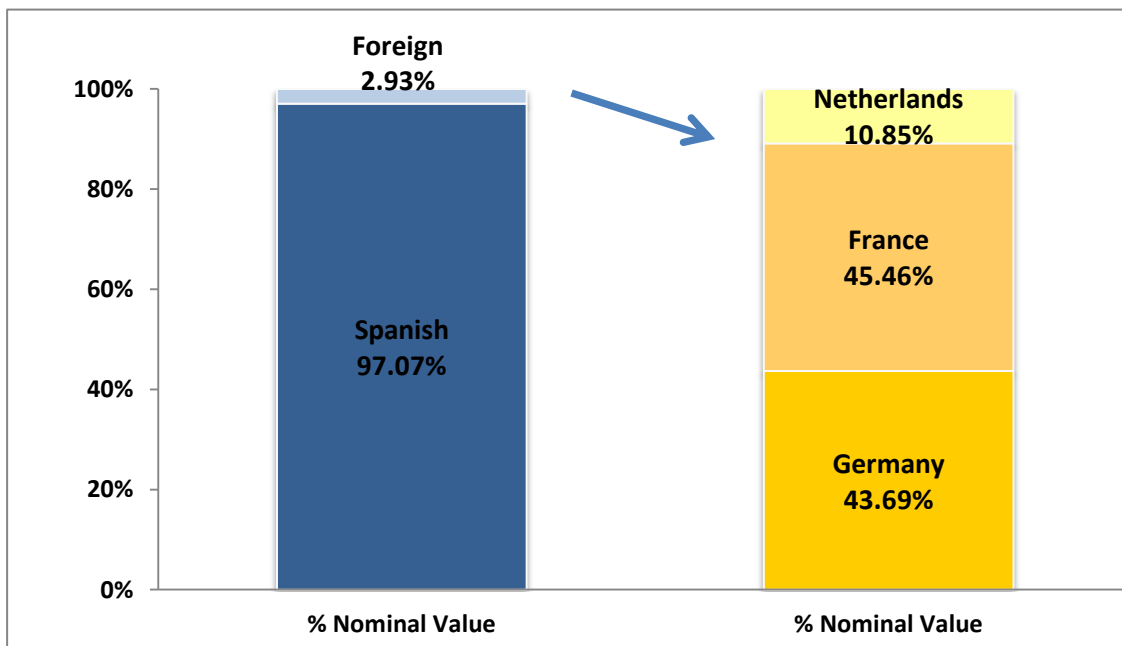




**DISTRIBUTION OF RESERVE FUND FINANCIAL ASSETS BY ISSUING COUNTRY IN
NOMINAL VALUE TERMS (figures as percentages)
31/12/2012**



31/12/2013





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OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

APPENDIX I

FINANCIAL AND ECONOMIC INFORMATION FROM THE ANNUAL ACCOUNTS



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

FINANCIAL AND ECONOMIC INFORMATION FROM THE ANNUAL ACCOUNTS

This report into the activities of the Reserve Fund in 2013 and its situation at 31 December 2013 has been prepared for presentation to Parliament pursuant to article 6 of Law 28/2003, of 29 September, on the Social Security Reserve Fund. Its purpose is to provide information on the administration and activities of the Reserve Fund during the year based on the decisions of its Management Committee, its highest management and control body, and specifically to furnish details on the Reserve Fund at 31/12/2013, including its value, composition, portfolio distribution, profitability and market value. With additional information on the changes to the Reserve Fund balance over the next three years, which allows the forecast for the Fund's inflows to be carried out, so that the appropriate management actions can be planned.

This information has been compiled from an administrative point of view, with the data presentation, breakdown of information by countries, maturities and valuation at market prices taking a different approach in specific sections to the financial and economic information set out in the annual accounts, in accordance with applicable accounting principles.

EHA Order/1037/2010, of 13 April, approved the General Public Accounting Plan as an accounting plan framework for all Public Administration departments.

The State Administration General Auditing Department Decision of 1 July 2011 approved the adaptation of the General Public Accounting Plan for the organisations included in the Social Security system.

Statutory limitations on the instruments in which the Social Security Reserve Fund can invest mean that these can only be classified as held-to-maturity investments or available-for-sale financial assets.



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

The Social Security Reserve Fund Management Committee unanimously resolved in 2011 that the Public Debt assets owned by the Social Security Reserve Fund would initially be classified as held-to-maturity investments, for the valuation purposes set out in the General Public Accounting Plan.

At year end 2013, the Social Security Reserve Fund portfolio continued to be classified as held-to-maturity investments.

Finally, additional information is provided on the **assets** of the **Social Security Reserve Fund** based on **accounting figures for year end 2013**.

| FRSS FINANCIAL SITUATION AS AT 31 DECEMBER 2013 | AMOUNT (euros) |
|--|--------------------------|
| Key figures for long-term, held-to-maturity debt | 45,329,919,754.74 |
| - National portfolio | 43,703,811,607.87 |
| - Eurozone portfolio | 1,626,108,146.87 |
| Short-term, held-to-maturity debt securities | 7,207,854,740.95 |
| - National portfolio | 7,207,854,740.95 |
| - Eurozone portfolio | 0.00 |
| Financial balance of the Social Security Reserve Fund | 1,225,141.60 |
| Interest on short-term debt securities | 1,215,097,359.39 |
| - National portfolio | 1,168,793,374.01 |
| - Eurozone portfolio | 46,303,985.38 |
| Other short-term interest receivable | 69,733.43 |
| FRSS FINANCIAL SITUATION AS AT 31 DECEMBER 2013 | 53,754,166,730.11 |



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

APPENDIX II

**INFORMATION ON DRAWINGS
FROM THE RESERVE FUND
IN 2013**



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

INFORMATION ON DRAWINGS FROM THE RESERVE FUND IN 2013

Drawings on the Reserve Fund in 2013 were made pursuant to **Royal Decree Law 28/2012, of 30 November**, on measures to consolidate and guarantee the Social Security system. This removed the general three percent limit established by article 4 of Law 28/2003, of 29 September, regulating the Social Security Reserve Fund for 2012, 2013 and 2014, further allowing, as necessary, for a maximum amount equivalent to the deficit on non-financing operations revealed by the funding forecasts of the Social Security management entities and shared services.

An analysis of the statutory framework shows that drawings on the Reserve Fund are based on the following premises:

- A. The existence of a deficit on the non-financing operations of the Social Security system, as calculated by the Social Security Public Accounts Department for the purposes of the Reserve Fund.
- B. – Drawings on the Social Security Reserve Fund are made as need arises up to a maximum equivalent to the deficit on non-financing operations revealed by the funding forecasts in the budgets of the Social Security management entities and shared services for payments related to contributory pensions and other costs relating to its activities.



On 18 June 2013 and subsequently on 26 November 2013, the Social Security Public Accounts Department, in compliance with the functions incumbent upon it pursuant to article 2 of Royal Decree 337/2004, of 27 February, determined the deficit on non-financing operations for the Social Security Reserve Fund for 2013 as follows:

| 2013 DEFICIT CALCULATED BY THE SOCIAL SECURITY PUBLIC ACCOUNTS DEPARTMENT (26/11/2013) | AMOUNT million euros |
|---|-------------------------|
| a) Total budgeted non-financing operations in 2013 | -9,798.12 |
| b) Total adjustments made in 2013 | -4,843.56 |
| Forecast budget contribution 2013 (a+b) (pursuant to art. 1 Royal Decree 337/2004) | -14,641.68 |

Million euros.

From July 2013, circumstances arose during the third and fourth quarters of the year requiring recourse to the Reserve Fund. These were mainly due to meeting needs for extra pension payments.

Given this situation, in 2013 the Treasury General of the Social Security, as the paying body for the system responsible for distribution of funds in due time and as required geographically to meet Social Security obligations and avoid financing difficulties, made drawings on the Social Security Reserve Fund amounting to total of **11,648 million euros**.



Total drawings to 31 December 2013 are shown in the following table:

| YEAR | REGULATION | DATE | AMOUNT million euros | SUBTOTAL million euros | CUMULATIVE TOTAL million euros |
|------|---|------------|----------------------------|---------------------------|--------------------------------------|
| 2012 | CABINET RESOLUTION 27/09/2012 | 28/09/2012 | 1,700.00 | | |
| | | 26/10/2012 | 1,363.00 | | |
| | | | | 3,063.00 | 3,063.00 |
| | ROYAL DECREE LAW 28/2012, OF 30 NOVEMBER | 03/12/2012 | 3,530.00 | | |
| | | 18/12/2012 | 410 | | |
| | | | | 3,940.00 | 7,003.00 |
| 2013 | ROYAL DECREE-LAW 28/2012, OF 30 NOVEMBER | 01/07/2013 | 3,500.00 | | |
| | | 22/07/2013 | 1,000.00 | | |
| | | 01/08/2013 | 1,000.00 | | |
| | | 01/10/2013 | 720 | | |
| | | 02/12/2013 | 5,000.00 | | |
| | | 20/12/2013 | 428 | | |
| | | | | 11,648.00 | 18,651.00 |

Cabinet was informed on a quarterly basis in 2013 of the amounts drawn on the Social Security Reserve Fund, pursuant to the first additional provision of Royal Decree Law 28/2012, of 30 November.