



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

**SOCIAL
SECURITY
RESERVE FUND**

**Report to Parliament
Changes, actions
in 2014
and status as at
31 December 2014**



REPORT ON THE RESERVE FUND AS AT 31/12/2014

1.- Status of the Reserve Fund as at 31/12/2014.....	1
2.- Reserve Fund performance (Allocations, withdrawals and returns).....	2
3.- Actions in 2014.....	11
3.1. Investment and management criteria in 2014.....	11
3.2. First meeting of the Management Committee in 2014.....	13
3.3. Second meeting of the Management Committee in 2014.....	18
3.4. Third meeting of the Management Committee in 2014.....	24
3.5. Fourth meeting of the Management Committee in 2014.....	25
3.6. Summary of agreements in 2014.....	29
4.- Key figures for the Reserve Fund as at 31/12/2014.....	31
5.- Analysis of Reserve Fund return as at 31/12/2014.....	33
5.1. Reserve Fund returns.....	33
5.2. Return of fixed-income assets: Public Debt.....	38
5.3. Return of the “Treasury General of the Social Security Special Reserve Fund. Art. 91.1 TRLGSS” account.....	39
5.4. Return of the Social Security Reserve Fund.....	42
5.5. Summary of return.....	45
6.- Forecasts.....	47
6.1. Year 2015.....	47
6.2. Years 2016 and 2017.....	50
7.- Comparison of key figures for the Reserve Fund.....	53
APPENDIX I. Financial and economic information on the annual accounts.....	59
APPENDIX II. Information on Reserve Fund withdrawals in 2014.....	62

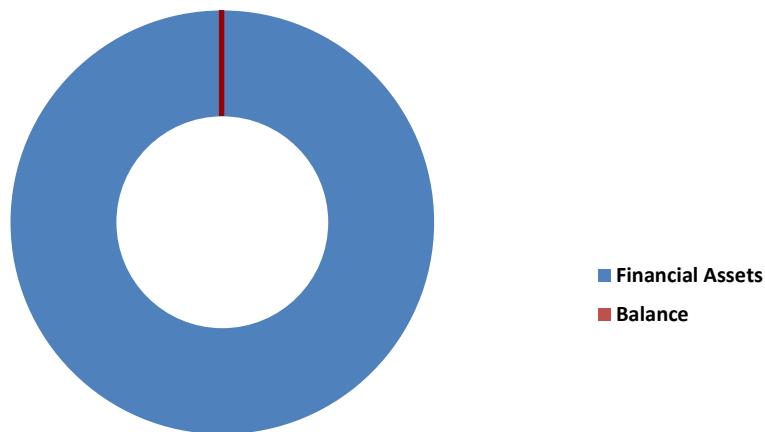


1.- Status of the Reserve Fund as at 31/12/2014

At 31/12/2014, the Reserve Fund consisted of:

1-Financial assets	€41,634,178,156.72
<i>(At acquisition price¹)</i>	
2-Current account balance	€49,144.57
<i>(Deposited in the account held with the Bank of Spain.)</i>	
<hr/>	
RESERVE FUND TOTAL	€41,634,227,301.29

This is shown in the following chart:



This Reserve Fund balance represents **3.93% of the Gross Domestic Product** (according to INE (National Institute of Statistics) figures, based on CNE-2010 and published on 26 February 2015, GDP was €1,058,469 million).

The **market value** of the Reserve Fund as at 31 December 2014 amounts to **€47,721.32 million**, totalling **4.51% of the Gross Domestic Product**.

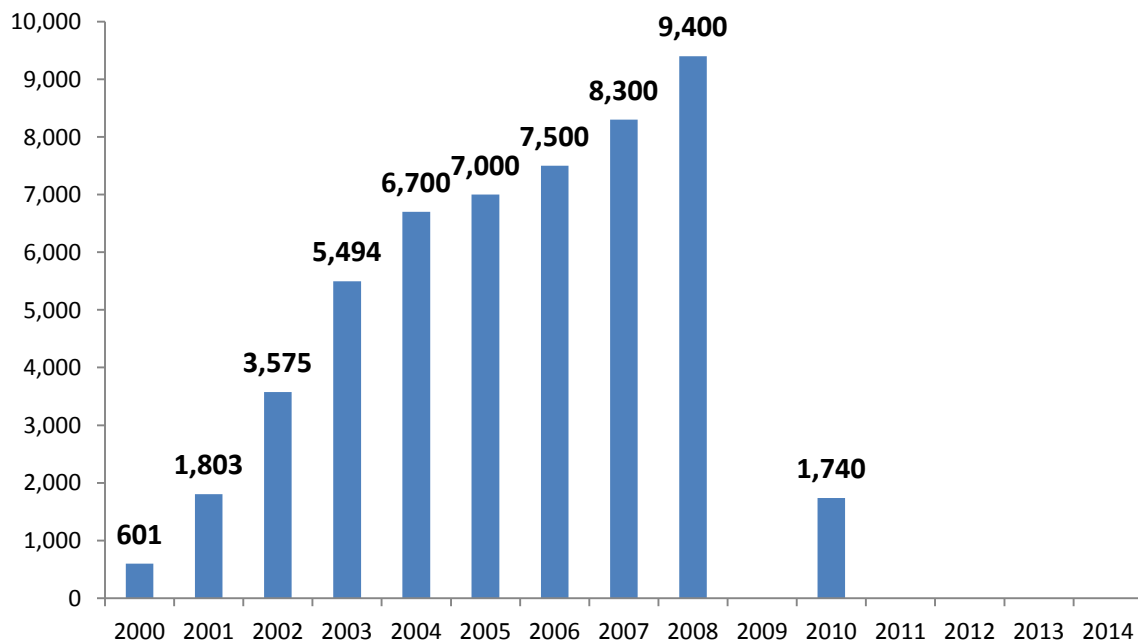
¹ The acquisition price is known as the “dirty” price because it includes the amount paid for any accrued - but not collected - coupon interest for the asset. Including this amount means that the amounts received when the asset matures or is disposed of have to be adjusted in the opposite direction to prevent them from being calculated twice. However, from an accounting perspective, as at 31 December 2014, Public Debt assets that comprise the Social Security Reserve Fund are classified as “Investments available for sales”, assets at year end were booked at the later value (€46,777,229,318.79).



2.- Reserve Fund performance (Allocations, withdrawals and returns)

The Reserve Fund **allocations** approved by the **Cabinet** and taken from the budget surpluses of the Social Security Management Bodies and Common Services from the first allocation approved in 2000 until 31 December 2014 stood at **€52,113 million**, as shown in the following chart:

**ALLOCATIONS APPROVED
BY CABINET AGREEMENT
AS AT 31 DECEMBER 2014**
(taken from the budget surpluses of the Social
Security Management Bodies and Common Services)

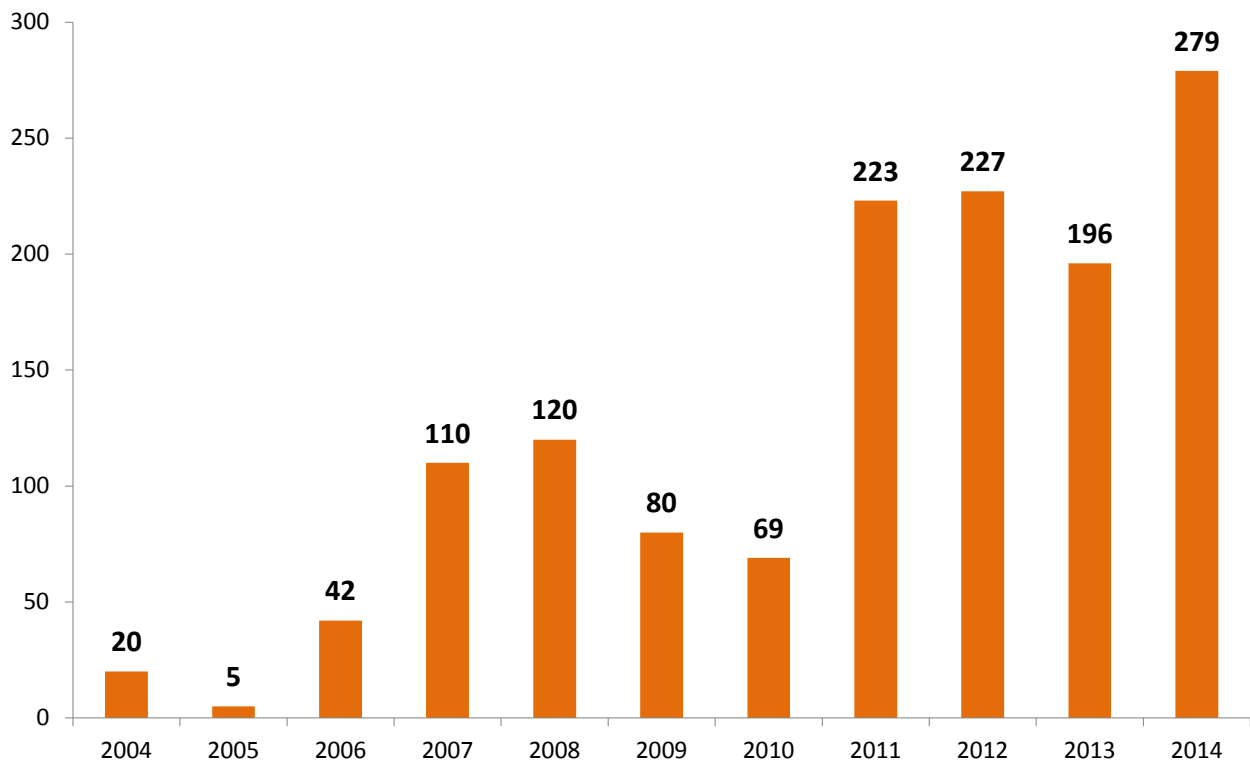


Figures in millions of euros



The amounts allocated resulting from excess income from the administration of **Temporary Disability benefit for common contingencies** by **Social Security Mutuels for Work-related Injury and Occupational Disease Insurance (MATEPSS)** amounted to **€1,371 million**, which was deposited in the Reserve Fund's dedicated account. This is shown in the following chart, by deposit date:

**ALLOCATION OF EXCESS MATEPSS RETURN
AS AT 31 DECEMBER 2014
(from administration of temporary disability
benefit for common contingencies by MATEPSS)**



Figures in millions of euros

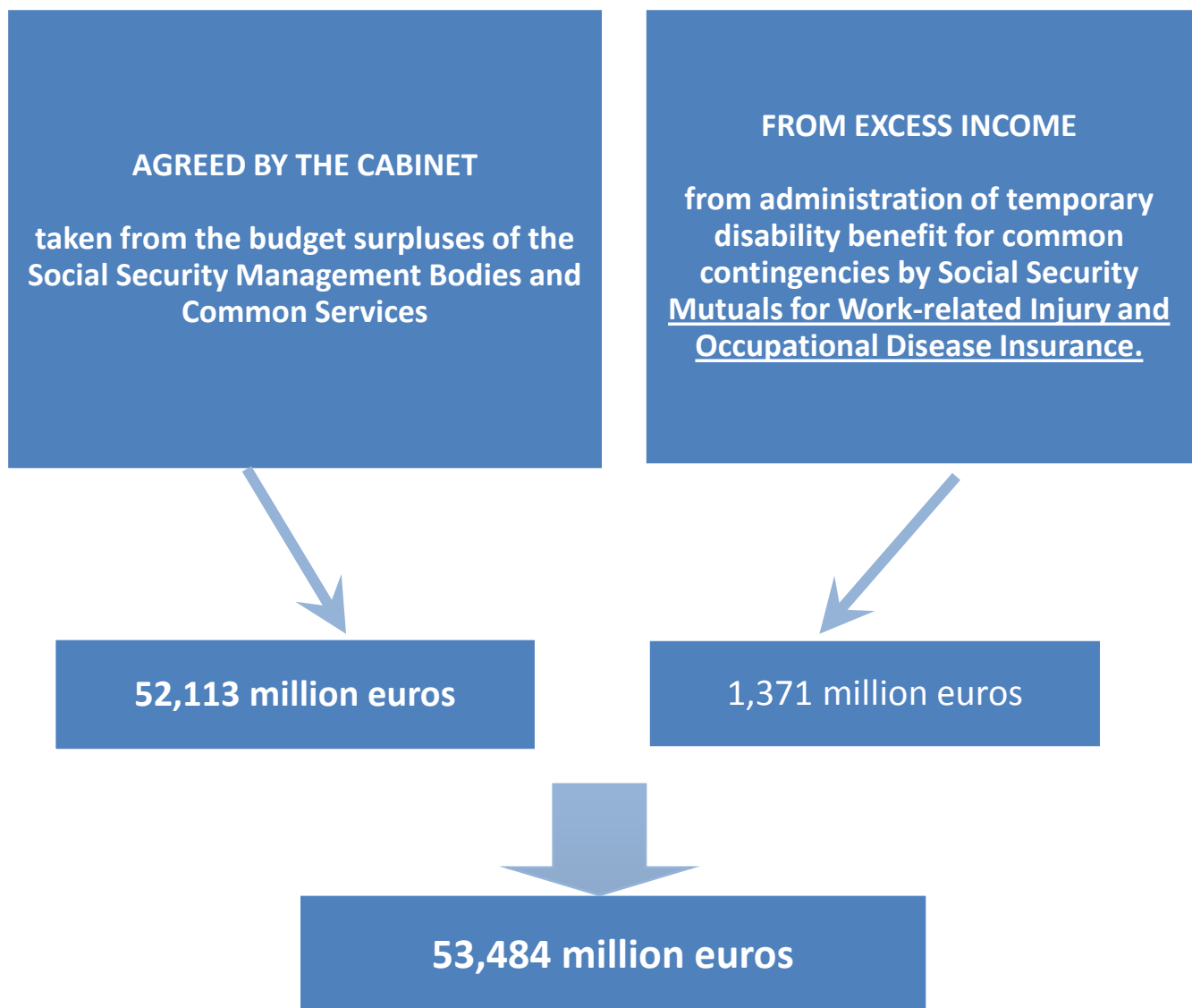


GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

ALLOCATIONS TO THE SOCIAL SECURITY RESERVE FUND AS AT 31/12/2014



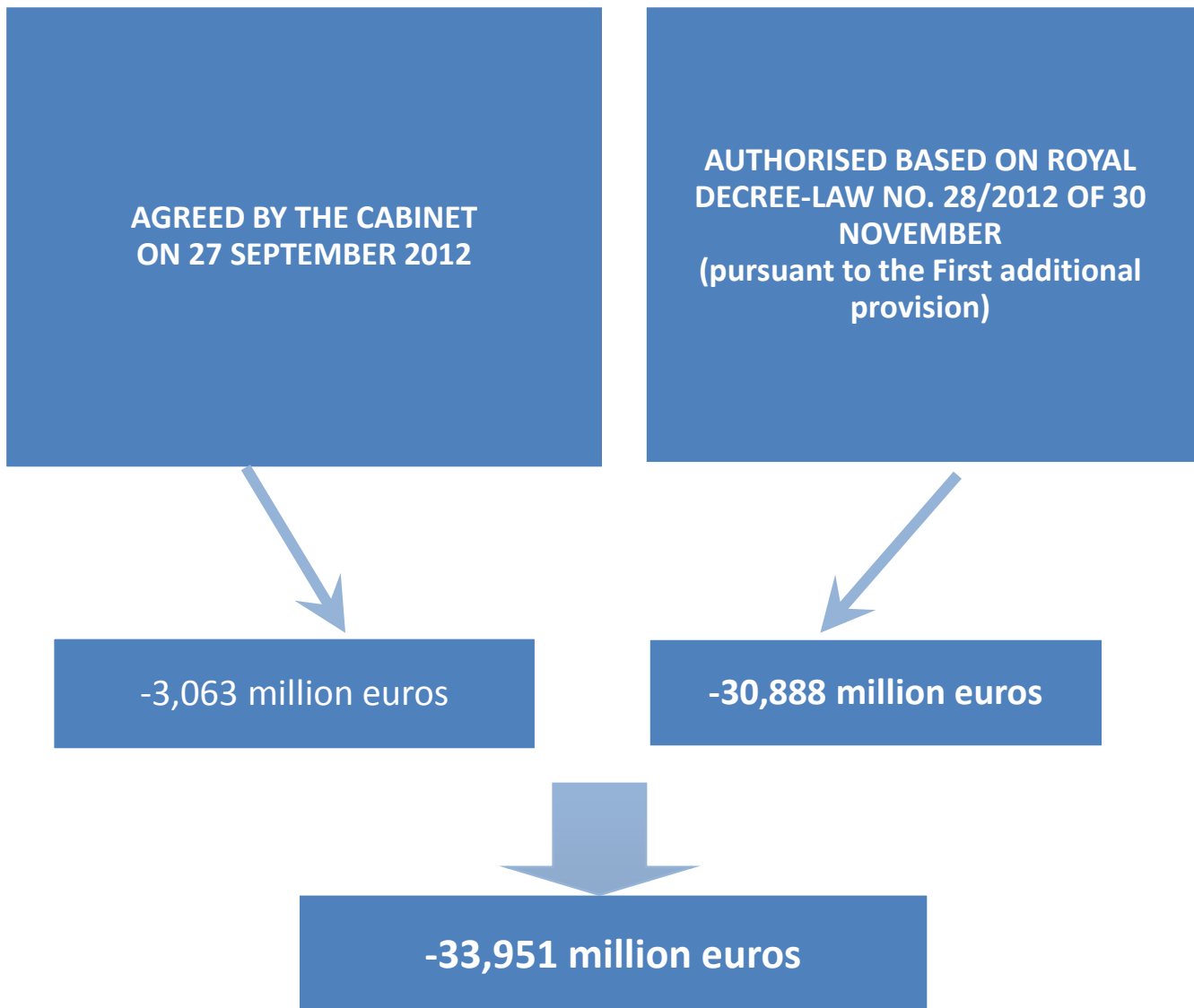


GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

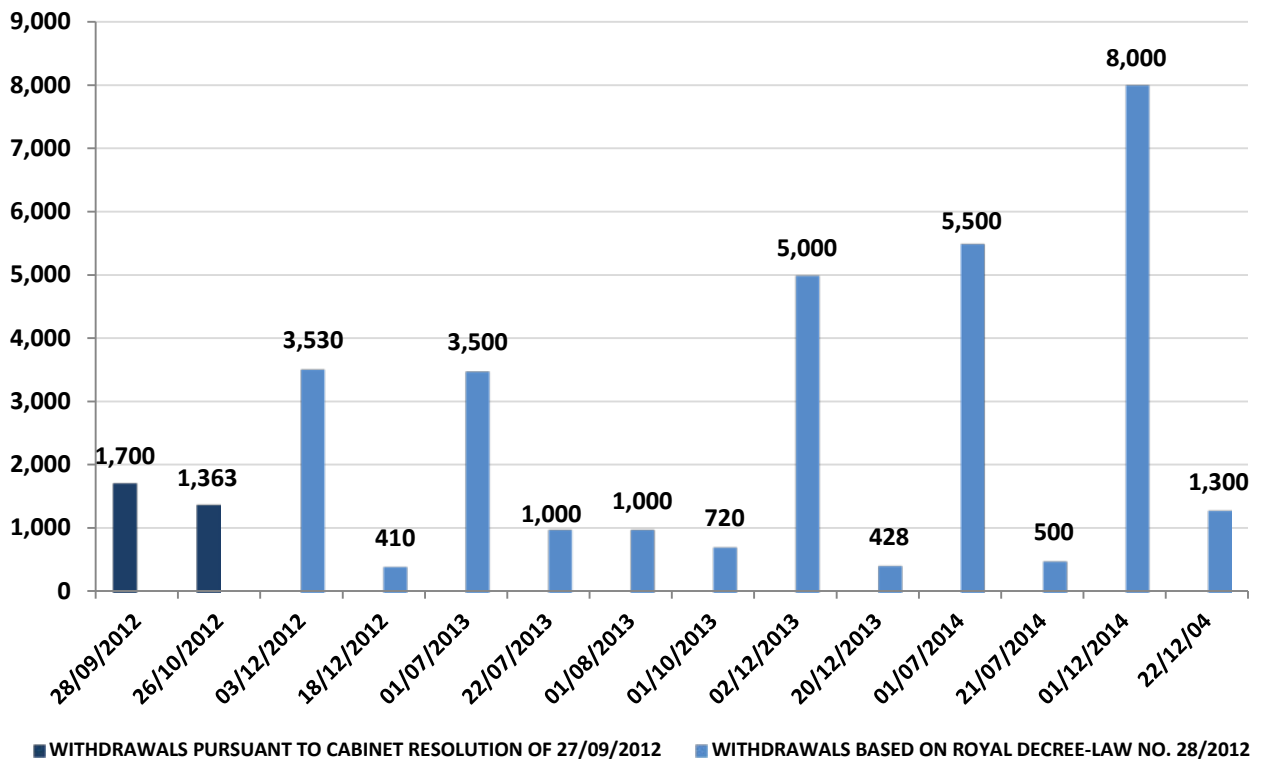
WITHDRAWALS ON THE SOCIAL SECURITY RESERVE FUND AS AT 31/12/2014





Withdrawals from the Reserve Fund in 2012, 2013 and 2014 amounted to **€33,951 million**.

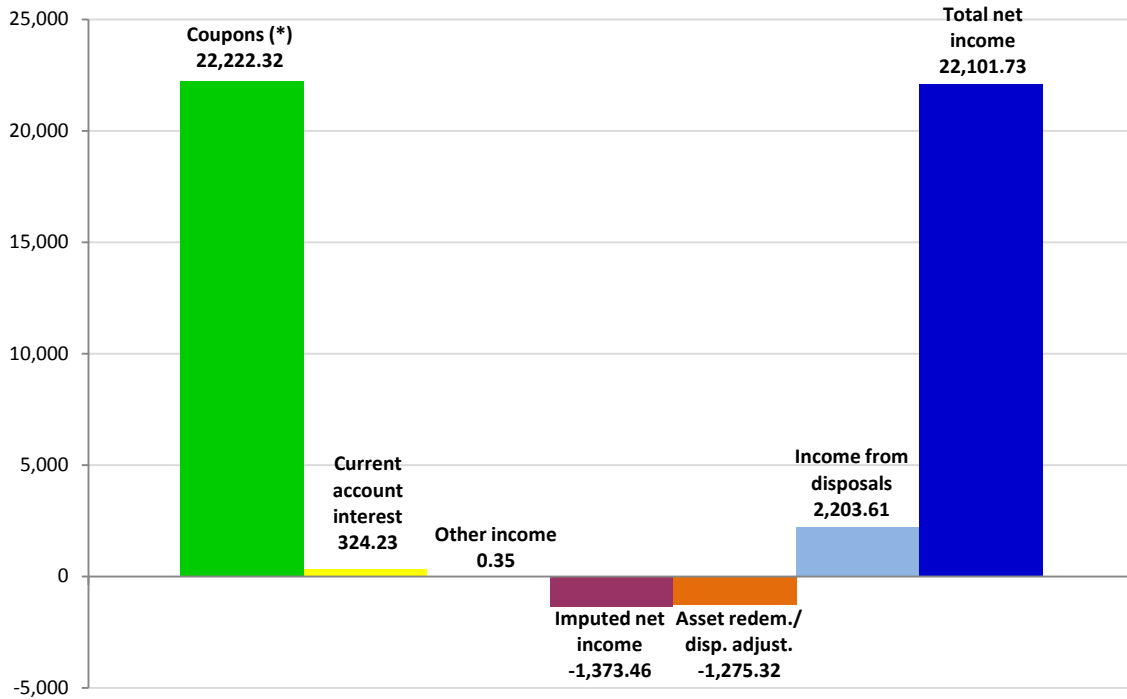
These are shown in the following chart:



Figures in millions of euros



Net returns² from the first allocation to the Reserve Fund approved in 2000 until 31/12/2014, which also forms part of allocations to the Reserve Fund, amounts to:



Figures in millions of euros

(*) This includes the accrued coupon interest collected on assets acquired by the Reserve Fund (€552,685,246.00, corresponding to the accrued coupon interest collected on assets in the portfolio as at 31/12/2014).

² Not including asset returns earned but not received during the year. Returns accrued but not collected in 2014 amounted to €753,204,771.22. This amount is included in the accounts of the Treasury General of the Social Security as explicit interest and included in the later value.



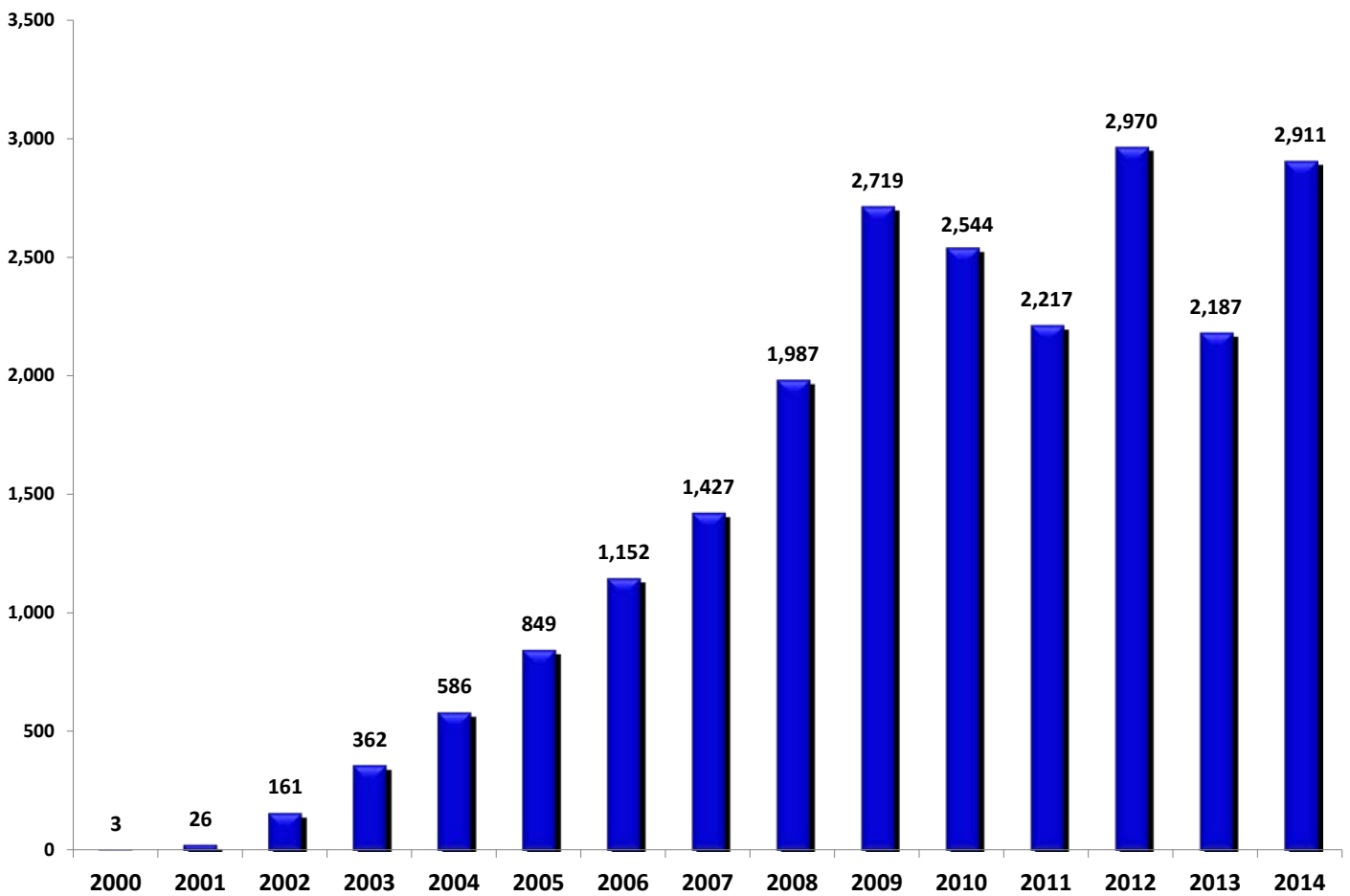
GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

Net returns **itemised by year** are as follows:

TOTAL NET RETURNS: 22,101 million euros



Figures in millions of euros



GENERAL CHANGES OF THE RESERVE FUND

ALLOCATIONS, WITHDRAWALS AND RETURNS

Situation as at 31/12/2014. Figures in millions of euros

Cumulative figures	2000 to 2006	2007	2008	2009	2010	2011	2012	2013	2014
1. ALLOCATIONS	32,740	41,150	50,670	50,750	52,559	52,782	53,008	53,205	53,484
1.a Cabinet Agreement (*)	32,673	40,973	50,373	50,373	52,113	52,113	52,113	52,113	52,113
1.b MATEPSS excess income (**)	67	177	297	377	446	669	895	1,092	1,371
2. WITHDRAWALS (***)							-7,003	-18,651	-33,951
3. NET RETURNS GENERATED	3,139	4,566	6,553	9,272	11,816	14,033	17,003	19,190	22,101
3.a Returns generated (****)	3,255	4,729	6,787	9,690	12,352	14,718	17,922	20,233	23,377
3.b Adjustments for redemption/disposal of assets	-116	-163	-234	-418	-536	-685	-919	-1,043	-1,276
TOTAL	35,879	45,716	57,223	60,022	64,375	66,815	63,008	53,744	41,634

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

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

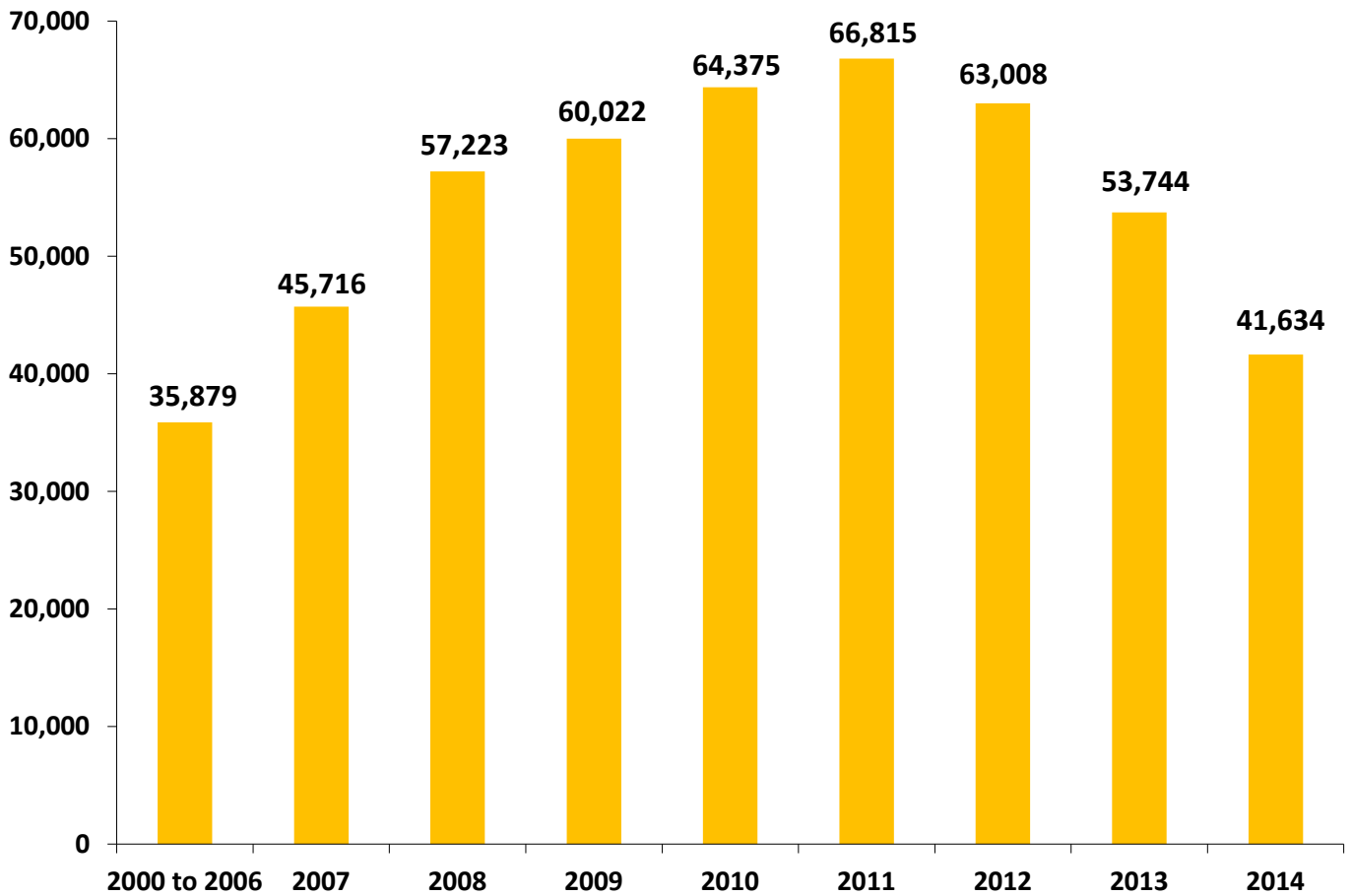
(***) Under the Cabinet Resolution of 27/09/2012 and the First additional provision of Royal Decree-Law 28/2012 of 30 November.

(****) Current account interest, returns on assets, income from disposal operations and other income.



The balance breakdown by year is shown below:

**General Changes of the Reserve Fund
at total acquisition price
Status as at 31 December
(Figures in millions of euros)**





GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

3.- Actions in 2014

3.1. Investment and management criteria in 2014

- 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, be of high 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, return and diversification criteria.
- The Social Security Reserve Fund must be managed taking into account the time frames 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 duration of the Social Security Reserve Fund shall be between 3.5 and 5 years, although the pace needed to achieve the required duration will be gradual and may vary depending on the economic and financial climate and the situation 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

- The Social Security Reserve Fund's Spanish securities must be diversified, such that no single product in the portfolio accounts for more than 16%, in general terms, of the nominal outstanding balance. However, this maximum percentage of each issue will be increased from 16% to 35% for those issues where this is strictly necessary to comply with investment conditions. This is in addition to the issuer policies, which will not automatically shape the Fund's investment decisions. On an exceptional basis, exceeding this limit of 35% may be accepted in certain short-term products when investment is deemed appropriate.
- The nominal volume 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 purpose of the assessment established in the General Public Accounting Plan, Public Debt assets comprising the Social Security Reserve Fund will be reclassified at the end of the year from "Investments held to maturity" to "Financial assets available for sale".



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

3.2. First meeting of the Management Committee in 2014

The forty-first meeting of the Social Security Reserve Fund Management Committee, the highest management body of the Reserve Fund, was held on **11 February 2014** following analysis of the proposal submitted by the Investment Advisory Commission, which met on 11 February 2014, resolving as follows:

- Amend the 2013 investment and management criteria for 2014 as follows:
 - 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 high credit quality and traded on regulated markets or organised trading systems.
 - For the purpose of the assessment established in the General Public Accounting Plan, Public Debt assets comprising the Social Security Reserve Fund will be reclassified at the end of the year from “Held-to-maturity investments” to “Financial assets available for sale”.

These criteria were addressed in the previous section.

- Acquire Spanish Public Debt amounting to €2,504,200,000 (€600,000,000 in the primary market and €1,904,200,000 in the secondary market), holding any remainder in the current account.
- As regards flows from coupons and the redemption of assets in April 2014 for the amount of €599,239,110, if the immediate release thereof was not necessary, acquire Spanish Public Debt amounting to €599,200,000 in the secondary market.



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

- Establish a time frame at the Bank of Spain, who would act as an agent, to complete the purchase of €2,504,200,000 up to 30 March 2014 and, where necessary, for the acquisitions charged to flows in April for the amount of €599,200,000 up to 20 May 2014.
- Faced with the possibility of having to dispose of financial assets prior to 30 June 2014 to confront the cash requirements of the Social Security system, in order to speed up the process, simplify management and plan a long-term approach, in addition to not distorting the market and optimising disposal conditions, the Treasury General of the Social Security and the General Secretariat of the Treasury and Financial Policy were authorised to establish dates and financial assets of Public Debt subject to disposal and to process, with prior agreement from the Investment Advisory Commission and the Reserve Fund Management Committee, the corresponding disposal proposal.

At its meeting on 11 February 2014, the Reserve Fund Management Committee, as the highest management body, approved the acquisition of assets as follows:

Distribution of acquisitions totalling €2,504,200,000:

Description of asset	Maturity	Amount in euros		
		Primary	Secondary	Total
Treasury Bills (1)	16/05/14	300,000,000	200,000,000	500,000,000
Treasury Bills (2)	20/06/14	300,000,000	1,704,200,000	2,004,200,000
TOTAL		600,000,000	1,904,200,000	2,504,200,000

(1) 25 February 2014 auction

(2) 18 March 2014 auction



Distribution of acquisitions totalling €599,200,000

Description of asset	Maturity	Amount in euros		
		Primary	Secondary	Total
Treasury Bills	20/06/14		599,200,000	599,200,000
TOTAL			599,200,000	599,200,000

To execute the aforementioned transactions, consideration would be given to the fact that should the Bank of Spain note tension in the market during the procurement process that would discourage the acquisition of the Bill maturing on 20/06/2014, part of the corresponding investment may be dedicated to the Bill maturing on 16/05/2014.

Under no circumstances would any instrument be purchased should the following conditions arise:

- The Yield for the acquisition of the asset fails to exceed Eonia return.

After the Social Security Reserve Fund Management Committee's proposal was approved by the Treasury General of the Social Security, and 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.

However, subsequently, strong investor demand for three-month Bills, in particular from Asia, resulted in a significant decrease in the return expected on the auction market for 25 February for the 3-month Bill maturing on 16/05/2014, with a significant risk of acquisition below Eonia; as a result, they were not placed on the primary market. Therefore, and with a view to making the acquisition of the Bill maturing on 20/06/2014 more flexible than expected for the 18 March 2014 auction, the agreement reached was amended as follows, having obtained prior approval from all members of the Reserve Fund Management Committee:



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

- The €300,000,000 that were not purchased on the primary market under the Bill maturing on 16/05/2014 (reference ESOL01405163) would be acquired on the secondary market under the Bill maturing on 20/06/2014 (reference ESOL01406203).
- As regards the proposed acquisition of €300,000,000 on the primary market under the Bill maturing on 20/06/2014 (reference ESOL01406203), during the 18 March auction, the Bank of Spain would determine the option of turning to the primary market or acquiring them on the secondary market.

Likewise, to execute the aforementioned transactions, consideration would be given to the fact that should the Bank of Spain note tension in the market during the procurement process that would discourage the acquisition of the Bill maturing on 20/06/2014, part of the investment to this end may be dedicated to the Bill maturing on 16/05/2014.

Under no circumstances would any instrument be purchased should the following conditions arise:

- The Yield for the acquisition of the asset fails to exceed Eonia return.

Once the members of the Social Security Reserve Fund Management Committee approved the new proposal, an amendment to the order was submitted to the Bank of Spain on 07/03/2014, adjusting them to the approved amendments.

The results of transactions to acquire €2,504,200,000 carried out between 20 February and 21 March - the value dates of the operations (corresponding to trading dates between 17 February and 18 March) - were as follows:

- Spanish financial assets with a total acquisition price of €2,504,196,051.98 were acquired through transactions in the secondary market.
- The average value of purchases made per day was €125.21 million.



Details of the purchases made are shown in the following table:

Total acquisitions

DESCRIPTION OF FINANCIAL ASSET AND ISSUE REFERENCE	REDEMPTION DATE	TOTAL ACQUISITION PRICE (including accrued coupon interest)	NOMINAL VALUE = REDEMPTION VALUE	AVERAGE ACQUISITION YIELD
Treasury Bills issue ref. ESOL01405163	16/05/14	199,996,600.49	200,130,000.00	0.282
Treasury Bills issue ref. ESOL01406203	20/06/14	2,304,199,451.49	2,306,081,000.00	0.272
TOTAL PUBLIC FINANCIAL ASSETS PURCHASED		2,504,196,051.98	2,506,211,000.00	0.273 (*)

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

The average Eonia for the trade days was 0.168.

Finally, as the cash flow generated in April 2014 was not needed, a purchase order was sent to the Bank of Spain on 28 April.

The results of transactions to acquire €599,200,000 between 8 and 21 May - the value dates of the transactions (corresponding to trading dates between 5 and 16 May) - were as follows:

- Spanish financial assets with a total acquisition price of €599,183,488.01 were acquired through transactions in the secondary market.
- The average value of purchases made per day was €149.80 million.

Details of the purchases made are shown in the following table:

Total acquisitions

DESCRIPTION OF FINANCIAL ASSET AND ISSUE REFERENCE	REDEMPTION DATE	TOTAL ACQUISITION PRICE (including accrued coupon interest)	NOMINAL VALUE = REDEMPTION VALUE	AVERAGE ACQUISITION YIELD
Treasury Bills issue ref. ESOL01406203	20/06/14	599,183,488.01	599,330,000.00	0.242
TOTAL PUBLIC FINANCIAL ASSETS PURCHASED		599,183,488.01	599,330,000.00	0.242 (*)

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

The average Eonia for the trade days was 0.166.



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

3.3. Second meeting of the Management Committee in 2014

The forty-second meeting of the Social Security Reserve Fund Management Committee, the highest management body of the Reserve Fund, was held on **5 June 2014** following analysis of the proposal submitted by the Investment Advisory Commission, which met on 5 June 2014, resolving as follows regarding both disposals and acquisitions:

DISPOSAL AGREEMENT:

Given the need for the availability of the Social Security Reserve Fund in July and since the cash flows available at 30 June amounted to **€3,186,076,696.29**, assets had to be released from the Reserve Fund portfolio to obtain the cash value needed by means of:

- The disposal of Foreign Public Debt at the nominal value of €1,528,000,000.
- The disposal of Spanish Public Debt at a sufficient nominal value to obtain cash that, added to the amount obtained from the disposal of Foreign Public Debt, would reach the amount needed in July.

At its meeting on 5 June 2014, the Reserve Fund Management Committee, as the highest management body, approved the disposal of assets as follows:



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

Distribution of Foreign Public Debt disposals:

Description of asset	Maturity	Nominal Sale Value euros
German Government Bonds (3.75%) issue reference DE0001135267	04/01/15	323,795,000
German Government Bonds (3.25%) issue reference DE0001135283	04/07/15	124,900,000
French Government Bonds (5.00%) issue reference FR0000187361	25/10/16	272,470,000
French Government Bonds (3.75%) issue reference FR0010192997	25/04/21	422,374,000
Dutch Government Bonds (7.50%) issue reference NL0000102077	15/01/23	165,750,000
German Government Bonds (6.50%) issue reference DE0001135044	04/07/27	219,098,000
TOTAL		1,528,387,000

Distribution of Spanish Public Debt disposals:

Description of asset	Maturity	Nominal Sale Value euros
Government Bonds (4.75%) issue ref. ES0000012098	30/07/14	(*)
TOTAL		

(*) Variable amount based on the cash flows obtained from the disposal of all foreign debt.

To execute the aforementioned transaction, consideration would be given to the fact that should the Bank of Spain note tension in the market during the disposal process, primarily a decrease in return, discouraging the disposal thereof, the 5.85% Bond maturing on 31/01/2022 and the 4.65% Bond maturing on 30/07/2025 could be placed for sale, for the necessary amount.



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

PURCHASE AGREEMENT:

Furthermore, as regards cash flows generated from July to 31 October on account of coupons, asset redemption and income obtained in excess of results from the administration of temporary disability benefit for 2013 common contingencies by Social Security Mutuels for Work-related Injury and Occupational Disease Insurance, purchase Spanish Public Debt maturing before 30 November 2014.

Finally, and based on the amendment of payment conditions for accounts held by the Reserve Fund with the Bank of Spain —*an amendment resulting from the meeting of the Board of Governors of the European Central Bank held on 5 June 2014, which established the interest rate applicable to the deposit facility of -0.10%, effective from 11 June 2014, with this measure remaining in force thereafter for all accounts held by public sector bodies*— consideration has been given to creating the mechanisms required to decrease the balances of the affected accounts, thus avoiding negative remuneration.

The decrease in balances in the Reserve Fund accounts held with the Bank of Spain is particularly important for the periods (June and July) in which they are increased on account of the disposal of assets arising from agreements established at the Management Committee meeting on 5 June, of income from the administration of temporary disability benefit for common contingencies by Social Security Mutuels for Work-related Injury and Occupational Disease Insurance, in addition to income deriving from coupons and redemption generated prior to 31 July.

Based on the aforementioned factors, approval was requested from the Management Committee to execute repurchase transactions of Spanish Public Debt financial assets. Income of €22,183.54 was obtained from these financial asset sale transactions.



The results of transactions between 13 June and 21 July - the value dates of the transactions (corresponding to trading dates between 10 June and 16 July) - were as follows:

- Financial assets for a total sales price of €2,813,931,303,81 (€920,698,677.95 corresponding to Spanish financial assets and €1,893,232,625.86 to foreign financial assets) were disposed of through transactions on the secondary market.
- The average nominal value of sales made per trade day was €481.49 million.

Details of the sales made are shown in the following table:

Disposal of financial assets June-July 2014

DESCRIPTION OF FINANCIAL ASSET AND ISSUE REFERENCE	REDEMPTION DATE	TOTAL DISPOSAL PRICE (including any accrued coupon interest)	NOMINAL VALUE	RESULT OF DISPOSAL TRANSACTIONS(*)	AVERAGE DISPOSAL YIELD
Government Bonds (4.75%) issue ref. ES0000012098	30/07/14	920,698,677.95	879,041,000.00	1,586,806.42	0.159
German Government Bonds (3.75%) issue ref. DE0001135267	04/01/15	335,896,517.36	323,795,000.00	6,570,849.03	0.022
German Government Bonds (3.25%) issue ref. DE0001135283	04/07/15	132,939,007.48	124,900,000.00	4,463,937.83	0.059
French Government Bonds (5.00%) issue ref. FR0000187361	25/10/16	312,432,354.71	272,470,000.00	24,333,638.30	0.131
French Government Bonds (3.75%) issue ref. FR0010192997	25/04/21	502,037,761.98	422,374,000.00	82,549,994.92	0.977
Dutch Government Bonds (7.50%) issue ref. NL0000102077	15/01/23	254,906,856.51	165,750,000.00	43,389,146.79	1.242
German Government Bonds (6.50%) issue ref. DE0001135044	04/07/27	355,020,127.82	219,098,000.00	70,236,252.40	1.693
TOTAL PUBLIC FINANCIAL ASSETS SOLD		2,813,931,303.81	2,407,428,000.00	233,130,625.69	0.490 (**)

(*) Amount obtained due to the difference in clean sales price and clean purchase price, considering the implicit accrued interest

(**) Average weighted Yield on the nominal value sold



The results of purchase transactions charged to cash flows generated in the month of July, executed between 22 July and 29 August – the value dates of the transactions (corresponding to trading dates between 22 July and 27 August) - were as follows:

- Spanish financial assets were acquired for a price of €2,493,742,264.17; €499,962,669.45 through transactions on the primary market and €1,993,779,594.72 through transactions on the secondary market.
- The average nominal value of purchases made per trade day was a cash value of €277.08 million.

Details of the purchases made are shown in the following table:

Purchases charged to cash flows generated in July 2014

DESCRIPTION OF FINANCIAL ASSET AND ISSUE REFERENCE	REDEMPTION DATE	TOTAL ACQUISITION PRICE (including accrued coupon interest)	NOMINAL VALUE	AVERAGE ACQUISITION YIELD
Short-term Government Bonds (3.30%) issue ref. ES00000121P3	31/10/14	826,182,674.64	800,000,000.00	0.103
Treasury Bills issue ref. ES0L01411211	21/11/14	1,667,559,589.53	1,667,858,000.00	0.062
TOTAL PUBLIC FINANCIAL ASSETS PURCHASED		2,493,742,264.17	2,467,858,000.00	0.075 (*)

(*) Average weighted Yield on the nominal value purchased

NB: The interest rate applicable to the deposit facility in July and August was -0.10%

The results of purchase transactions charged to cash flows generated in the month of September, executed on 30 September – the value dates of the transactions (corresponding to trading date of 25 September) - were as follows:

- Spanish financial assets were acquired for a price of €155,833,841.13; all through transactions on the secondary market.



Details of the purchases made are shown in the following table:

Purchases charged to cash flows generated in September 2014

DESCRIPTION OF FINANCIAL ASSET AND ISSUE REFERENCE	REDEMPTION DATE	TOTAL ACQUISITION PRICE (including accrued coupon interest)	NOMINAL VALUE	AVERAGE ACQUISITION YIELD
Treasury Bills issue ref. ES0L01411211	21/11/14	155,833,841.13	155,855,000.00	0.094
TOTAL PUBLIC FINANCIAL ASSETS PURCHASED		155,833,841.13	155,855,000.00	0.094 (*)

(*) Average weighted Yield on the nominal value purchased

NB: The interest rate applicable to the deposit facility effective from 10 September was -0.20%

The results of purchase transactions charged to cash flows generated in the month of October, executed on 31 October – the value dates of the transactions (corresponding to trading date of 29 October) - were as follows:

- Spanish financial assets with a total acquisition price of €134,996,850.07 were acquired, all through transactions in the secondary market.
- Due to the trading of Treasury Bonds maturing on 21/11/2014 at negative interest rates, most cash flows for October could not be invested, with the balance therefore remaining in the account.

Details of the purchases made are shown in the following table:

Purchases charged to cash flows generated in October 2014

DESCRIPTION OF FINANCIAL ASSET AND ISSUE REFERENCE	REDEMPTION DATE	TOTAL ACQUISITION PRICE (including accrued coupon interest)	NOMINAL VALUE	AVERAGE ACQUISITION YIELD
Treasury Bills issue ref. ES0L01411211	21/11/14	134,996,850.07	135,000,000.00	0.040
TOTAL PUBLIC FINANCIAL ASSETS PURCHASED		134,996,850.07	135,000,000.00	0.040 (*)

(*) Average weighted Yield on the nominal value purchased



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

3.4. Third Management Committee meeting of 2014

The forty-third meeting of the Social Security Reserve Fund Management Committee, as the highest management body of the Reserve Fund, was held on **18 July 2014**, adopting the following resolutions:

- Authorise the continuation of Spanish Public Debt financial asset sale transactions, to reduce the balances in accounts held in the Bank of Spain and thus reduce the impact of negative remuneration, as necessary, with the cash flows generated on 31 October 2014 and 21 November 2014.
- Authorise the Treasury General of the Social Security to establish a procedure for repurchase transactions.



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

3.5. Fourth Management Committee meeting of 2014

The forty-fourth meeting of the Social Security Reserve Fund Management Committee, the highest management body of the Reserve Fund, was held on **28 October 2014** following analysis of the proposal submitted by the Investment Advisory Commission, which met on 28 October 2014, resolving as follows:

- To approve changes to the 2014 investment criteria, as follows:
 - The Social Security Reserve Fund's Spanish securities must be diversified, such that no single product in the portfolio accounts for more than 16%, in general terms, of the nominal outstanding balance. However, this maximum percentage of each issue will be increased from 16% to 35% for those issues where this is strictly necessary to comply with investment conditions. This is in addition to the issuer policies, which will not automatically shape the Fund's investment decisions. On an exceptional basis, exceeding this limit of 35% may be accepted in certain short-term products when investment is deemed appropriate.
- Given the need for access to the Social Security Reserve Fund in December 2014, dispose of Spanish Public Debt from the Reserve Fund portfolio for a sufficient nominal value to obtain a maximum cash value of **€3,879.37 million** (an amount that could be adjusted based on effective liquidity requirements).

At its meeting on 28 October 2014, the Reserve Fund Management Committee, as the highest management body, approved the disposal of assets as follows:



Distribution of Spanish Public Debt disposals:

Description of asset	Maturity	Nominal Sale Value euros
Government Bonds (5.50%) issue ref. ES00000123B9 (*)	30/04/21	1,621,989,000
Government Bonds (4.65%) issue ref. ES00000122E5 (*)	30/07/25	1,423,784,000
Government Bonds (5.85%) issue reference ES00000123K0 and Government Bonds (5.90%) issue reference ES00000123C7	31/01/2022 and 30/07/2026	(**)
TOTAL		

(*) The nominal value required of the aforementioned bonds would be disposed of to obtain a cash value of €3,879.37 million. However, depending on definitive liquidity requirements, this amount would be adjusted.

(**) If the aforementioned maximum cash value were not reached, the required nominal value of these obligations would also be disposed of. Between the two references mentioned, a preference would be given to disposing of Government Bond (5.90%) issue reference ES00000123C7 maturing on 30/07/2026.

- In line with the liquidity requirements of the Reserve Fund, a time frame was established at the Bank of Spain, which would act as an agent, to implement the disposal under the best market conditions and, if possible, on the dates closest to 1 and 22 December in such a way that:
- On 1 December 2014, **at least €2,379.37 million would be deposited** from the disposal of assets.
 - On 22 December 2014 **the remaining sum of €1,500 million would be deposited** from the remaining disposals. However, in light of definitive liquidity requirements, this amount was adjusted to €1,300 million.
 - In any case, the Treasury General of the Social Security would inform the Bank of Spain of the definitive liquidity requirements on each date.



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

- Furthermore, attempts would be made to marry these time frames given that for the November disposals, the most recommendable weeks were from 10 to 14 and 24 to 28 November, and for December disposals, the week of 8 to 12 December. **(In any case, from the amounts resulting from disposals, at least €2,379.37 million would have to be in the Reserve Fund account on 1 December, with the remainder following on 22 December).**
- As regards the expected cash flows on 2 February 2015 in the amount of €2,970.39 million (based on the portfolio on 28 October 2014), authorisation was granted to create a task force to analyse the different reinvestment alternatives comprising the different units represented on the Social Security Reserve Fund Management Committee
- Furthermore, as regards repurchase transactions, it was reported that the possibility of concluding an Amendment to the current agreement between the Bank of Spain and the Treasury General of the Social Security would be analysed, so that the Bank of Spain would act as an agent in the conclusion of purchase transactions under resale agreements, within the scope of Framework Agreements for financial transactions that the Bank of Spain has taken out with its counterparts charged to the cash deposited in the corresponding account of the Reserve Fund.

On 29/10/2014, having completed the mandatory administrative proceedings, orders were placed for the disposal of Spanish Public Debt to the Bank of Spain for the nominal value required to obtain a maximum cash value of €3,879.37 million, an amount that was later adjusted based on effective liquidity requirements to €3,679.37 million.



The results of transactions between 6 November and 16 December - the value dates of the transactions (corresponding to trading dates between 4 November and 12 December) - were as follows:

- Spanish financial assets with a total sales price of €3,679,388,564.68 were disposed of through transactions in the secondary market.
- The average nominal value of sales made per trade day was €137.92 million.

Details of the sales made are shown in the following table:

Disposal of Spanish financial assets November-December 2014

DESCRIPTION OF FINANCIAL ASSET AND ISSUE REFERENCE	REDEMPTION DATE	TOTAL DISPOSAL PRICE (including any accrued coupon interest)	NOMINAL VALUE	RESULT OF DISPOSAL TRANSACTIONS(*)	AVERAGE DISPOSAL YIELD
Long-term Government Bonds (5.50%) issue ref. ES00000123B9	30/04/21	1,966,381,239.70	1,525,000,000.00	387,319,523.40	1.290
Long-term Government Bonds (4.65%) issue ref. ES00000122E5	30/07/25	1,713,007,324.98	1,371,420,000.00	420,670,305.23	2.169
TOTAL PUBLIC FINANCIAL ASSETS SOLD		3,679,388,564.68	2,896,420,000.00	807,989,828.63	1.706 (**)

(*) Amount obtained due to the difference in clean sales price and clean purchase price, considering the implicit accrued interest

(**) Average weighted Yield on the nominal value sold



3.6. Summary of agreements in 2014

In 2014, the Fund acquired Spanish financial assets with a total acquisition price of €5,887,952,495.36; this involved transactions in the secondary market with a total acquisition price of €5,387,989,825.91 (91.51% of purchases), and transactions in the primary market with an acquisition price of €499,962,669.45 (8.49% of purchases).

Details of the purchases made are shown in the following table:

Total acquisitions

DESCRIPTION OF FINANCIAL ASSET AND ISSUE REFERENCE	REDEMPTION DATE	TOTAL ACQUISITION PRICE (including accrued coupon interest)	NOMINAL VALUE = REDEMPTION VALUE	AVERAGE ACQUISITION YIELD
Treasury Bills issue ref. ESOL01405163	16/05/14	199,996,600.49	200,130,000.00	0.282
Treasury Bills issue ref. ESOL01406203	20/06/14	2,903,382,939.50	2,905,411,000.00	0.266
Short-term Government Bonds (3.30%) issue ref. ES00000121P3	31/10/14	826,182,674.64	800,000,000.00	0.103
Treasury Bills issue ref. ESOL01411211	21/11/14	1,958,390,280.73	1,958,713,000.00	0.063
TOTAL PUBLIC FINANCIAL ASSETS PURCHASED		5,887,952,495.36	5,864,254,000.00	0.177 (*)

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

Furthermore, financial assets for a total sales price of €6,493,319,868.49 were disposed of; these correspond to Spanish financial assets at a total sales price of €4,600,087,242.63 (70.84% of sales), and foreign financial assets for a total sales price of €1,893,232,625.86 (29.16% of sales).



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

Details of the disposals made are shown in the following table:

Total disposals

DESCRIPTION OF FINANCIAL ASSET AND ISSUE REFERENCE	REDEMPTION DATE	TOTAL DISPOSAL PRICE (including any accrued coupon interest)	NOMINAL VALUE	RESULT OF DISPOSAL TRANSACTIONS (*)	AVERAGE DISPOSAL YIELD
Long-term Government Bonds (4.75%) issue ref. ES0000012098	30/07/14	920,698,677.95	879,041,000.00	1,586,806.42	0.159
German Long-term Government Bonds (3.75%) issue ref. DE0001135267	04/01/15	335,896,517.36	323,795,000.00	6,570,849.03	0.022
German Long-term Government Bonds (3.25%) issue ref. DE0001135283	04/07/15	132,939,007.48	124,900,000.00	4,463,937.83	0.059
French Short-term Government Bonds (5.00%) issue ref. FR0000187361	25/10/16	312,432,354.71	272,470,000.00	24,333,638.30	0.131
French Short-term Government Bonds (3.75%) issue ref. FR0010192997	25/04/21	502,037,761.98	422,374,000.00	82,549,994.92	0.977
Long-term Government Bonds (5.50%) issue ref. ES00000123B9	30/04/21	1,966,381,239.70	1,525,000,000.00	387,319,523.40	1.290
Dutch Short-term Government Bonds (7.50%) issue ref. NL0000102077	15/01/23	254,906,856.51	165,750,000.00	43,389,146.79	1.242
Long-term Government Bonds (4.65%) issue ref. ES00000122E5	30/07/25	1,713,007,324.98	1,371,420,000.00	420,670,305.23	2.169
German Short-term Government Bonds (6.50%) issue ref. DE0001135044	04/07/27	355,020,127.82	219,098,000.00	70,236,252.40	1.693
TOTAL PUBLIC FINANCIAL ASSETS SOLD		6,493,319,868.49	5,303,848,000.00	1,041,120,454.32	1.154 (**)

(*) Amount obtained due to the difference in clean sales price and clean purchase price, considering the implicit accrued interest

(**) Average weighted Yield on the nominal value sold



4.- Key figures for the Reserve Fund as at 31/12/2014

The **asset portfolio, exclusively made up of Spanish Debt**, which, at **31/12/2014** formed part of the Social Security Reserve Fund amounted to a **total purchase price³ of €41,634,178,156.72**. Classified by **zones**, they can be summarised as follows based on their purchase prices and nominal value:

ASSETS	TOTAL ACQUISITION PRICE (euros)	%	NOMINAL VALUE (euros)	%
Short-term zone	7,600,871,461.89	18.25%	7,444,789,000.00	18.36%
3-year zone	16,241,323,564.94	39.01%	16,047,388,000.00	39.57%
5-year zone	8,312,905,922.43	19.97%	8,232,668,000.00	20.30%
10+ year zone	9,479,077,207.46	22.77%	8,829,199,000.00	21.77%
TOTAL	41,634,178,156.72	100.00%	40,554,044,000.00	100.00%

Zone-based distribution criteria:

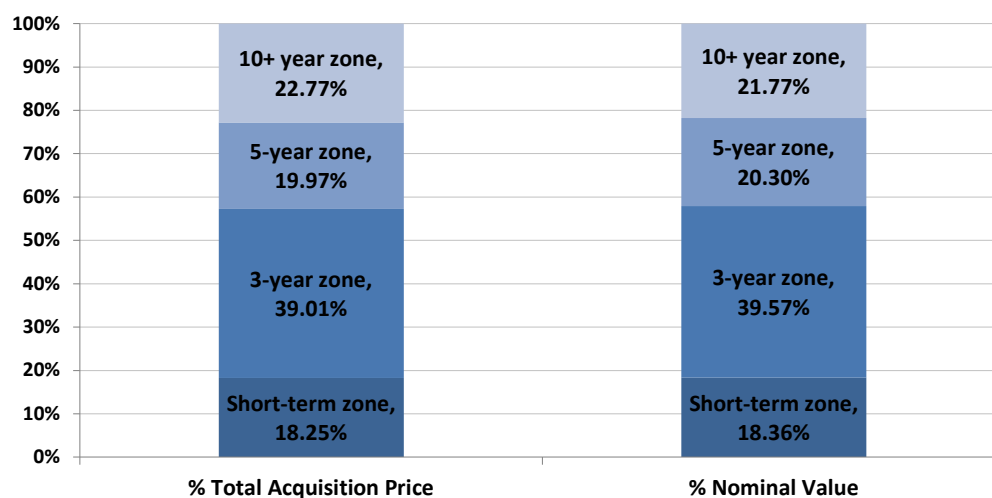
Short-term zone: maturity within 12 months with reference to 31/12/14 to comply with

3-year zone accounting criteria maturity of more than 12 months and up to 4 years with reference to 31/12/14

5-year zone: maturity of more than 4 years and up to 7 years with reference to 31/12/14

10-year or over zone: maturity of over 7 years with reference to 31/12/14

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 accrued coupon interest in the acquisition price.



The following table sets out in detail the types of assets and issues in the portfolio as at 31 December 2014:

DESCRIPTION OF FINANCIAL ASSET AND ISSUE REFERENCE		REDEMPTION DATE	TOTAL ACQUISITION PRICE (including accrued coupon interest)	NOMINAL VALUE = REDEMPTION VALUE
i)	SHORT-TERM ZONE			
	Long-term Government Bonds (4.40%) issue ref. ES0000012916	31/01/15	2,590,215,866.17	2,446,771,000.00
	Short-term Government Bonds (3.00%) issue ref. ES00000122F2	30/04/15	1,983,631,855.72	2,000,018,000.00
	Short-term Government Bonds (4.00%) issue ref. ES00000123L8	30/07/15	1,021,335,000.00	1,000,000,000.00
	Short-term Government Bonds (3.75%) issue ref. ES00000123P9	31/10/15	2,005,688,740.00	1,998,000,000.00
	TOTAL		7,600,871,461.89	7,444,789,000.00
ii)	3-YEAR ZONE			
	Long-term Government Bonds (3.15%) issue ref. ES00000120G4	31/01/16	2,439,830,307.82	2,519,102,000.00
	Short-term Government Bonds (3.25%) issue ref. ES00000122X5	30/04/16	1,099,997,743.43	1,159,180,000.00
	Short-term Government Bonds (4.25%) issue ref. ES00000123J2	31/10/16	1,925,384,476.07	1,905,453,000.00
	Long-term Government Bonds (3.80%) issue ref. ES00000120J8	31/01/17	2,224,994,840.02	2,249,445,000.00
	Long-term Government Bonds (5.50%) issue ref. ES0000012783	30/07/17	2,746,452,357.67	2,428,349,000.00
	Short-term Government Bonds (4.75%) issue ref. ES00000123R5	30/09/17	3,274,687,467.84	3,280,724,000.00
	Long-term Government Bonds (4.10%) issue ref. ES00000121A5	30/07/18	2,529,976,372.09	2,505,135,000.00
	TOTAL		16,241,323,564.94	16,047,388,000.00
iii)	5-YEAR ZONE			
	Long-term Government Bonds (4.60%) issue ref. ES00000121L2	30/07/19	2,302,491,045.76	2,214,215,000.00
	Long-term Government Bonds (4.30%) issue ref. ES00000121O6	31/10/19	2,310,963,382.57	2,282,185,000.00
	Long-term Government Bonds (4.00%) issue ref. ES00000122D7	30/04/20	1,904,038,909.67	1,949,569,000.00
	Long-term Government Bonds (4.85%) issue ref. ES00000122T3	31/10/20	1,696,181,526.57	1,689,710,000.00
	Long-term Government Bonds (5.50%) issue ref. ES00000123B9	30/04/21	99,231,057.86	96,989,000.00
	TOTAL		8,312,905,922.43	8,232,668,000.00
iv)	10+ YEAR ZONE			
	Long-term Government Bonds (5.85%) issue ref. ES00000123K0	31/01/22	57,482,590.06	58,980,000.00
	Long-term Government Bonds (4.80%) issue ref. ES00000121G2	31/01/24	1,936,274,245.23	1,852,433,000.00
	Long-term Government Bonds (4.65%) issue ref. ES00000122E5	30/07/25	49,265,035.81	52,364,000.00
	Long-term Government Bonds (5.90%) issue ref. ES00000123C7	30/07/26	1,008,679,404.96	993,353,000.00
	Long-term Government Bonds (6.00%) issue ref. ES0000011868	31/01/29	1,849,758,681.42	1,575,715,000.00
	Long-term Government Bonds (5.75%) issue ref. ES0000012411	30/07/32	1,802,404,459.37	1,526,314,000.00
	Long-term Government Bonds (4.20%) issue ref. ES0000012932	31/01/37	1,524,995,975.20	1,529,027,000.00
	Long-term Government Bonds (4.90%) issue ref. ES00000120N0	30/07/40	1,250,216,815.41	1,241,013,000.00
	TOTAL		9,479,077,207.46	8,829,199,000.00
	TOTAL PUBLIC FINANCIAL ASSETS AT 31/12/14 (I+II+III+IV)		41,634,178,156.72	40,554,044,000.00

NB: see zone-based distribution criteria on page 31.



5.- Analysis of Reserve Fund return

5.1. Reserve Fund returns

From the first allocation to the Reserve Fund approved by Cabinet Resolution in 2000 to 31 December 2014, the returns obtained can be broken down into **coupons, imputed net returns, returns on disposals and other revenues and interest on the Fund's current account.**

A total of **€22,222,316,992.67** was collected in **coupons**; this can be further broken down into coupons collected on the maturity date, €21,768,312,339.34, and coupons collected on disposal of the assets, €454,004,653.33, 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
2014		2,243,846,346.50
04/01/14	12,142,312.50	
15/01/14	12,431,250.00	
31/01/14	603,307,490.00	
25/04/14	15,839,025.00	
30/04/14	275,340,085.00	
30/07/14	722,408,072.50	
30/09/14	155,834,390.00	
31/10/14	446,543,721.50	
TOTAL		21,768,312,339.34



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		
2014		147,071,866.64
TOTAL		454,004,653.33

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

Redemption/Disposal	DESCRIPTION	PARTIAL AMOUNT (€)	TOTAL AMOUNT (€)
2001	- From redeemed assets		0.00
2002	- From redeemed assets		6,714,260.00
2003	- From redeemed assets		17,220,919.74
2004	- From redeemed assets		-14,800,848.92
2005	- From redeemed assets		7,627,818.36
2006	- From redeemed assets		-14,445,823.13
2007	- From redeemed assets		-100,368,613.40
2008	- From redeemed assets		-70,394,705.16
2009			-111,803,859.74
	- From redeemed assets	-144,330,440.02	
	- From assets sold	32,526,580.28	
2010			-97,778,162.86
	- From redeemed assets	-65,155,129.73	
	- From assets sold	-32,623,033.13	
2011			-352,313,679.93
	- From redeemed assets	-352,313,679.93	
2012			-102,636,179.31
	- From redeemed assets	-193,164,725.87	
	- From assets sold	90,528,546.56	
2013			-251,607,366.30
	- From redeemed assets	-251,607,366.30	
2014			-288,878,640.54
	- From redeemed assets	-199,697,478.25	
	- From assets sold	-89,181,162.29	
TOTAL			-1,373,464,881.19



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

Returns on disposals amounted to **€2,203,610,888.60**, as follows:

RETURNS ON DISPOSALS	PARTIAL AMOUNT (€)	TOTAL AMOUNT (€)
2009		498,913,390.60
2010		185,377,136.85
2011		
2012		478,199,906.83
2013		
2014		1,041,120,454.32
TOTAL		2,203,610,888.60

As regards other income, including both income from double security-based swaps (€ 245,998.34) and income from repurchase transactions in 2014 (€22,183.54), in addition to income corresponding to the compensation for forgone interest on income outside the time frame as regards the excess in results generated by the administration of temporary disability benefit for common contingencies by MATEPSS in 2006 (€78,017.23). The details are as follows:

OTHER INCOME	AMOUNT (€)
FROM DOUBLE SECURITY-BASED SWAPS	245,998.34
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
2014	24,001.92
FROM REPURCHASE TRANSACTIONS	22,183.54
2014	22,183.54
COMPENSATION FOR INTEREST NOT EARNED ON MATEPSS INCOME RECEIVED LATE	78,017.23
2008	78,017.23
TOTAL	346,199.11



Finally, **interest accrued and received** on the Bank of Spain current account from 2000 until 31/12/2014 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
2014 (January to 10 June)	454,059.59
TOTAL	324,233,583.84



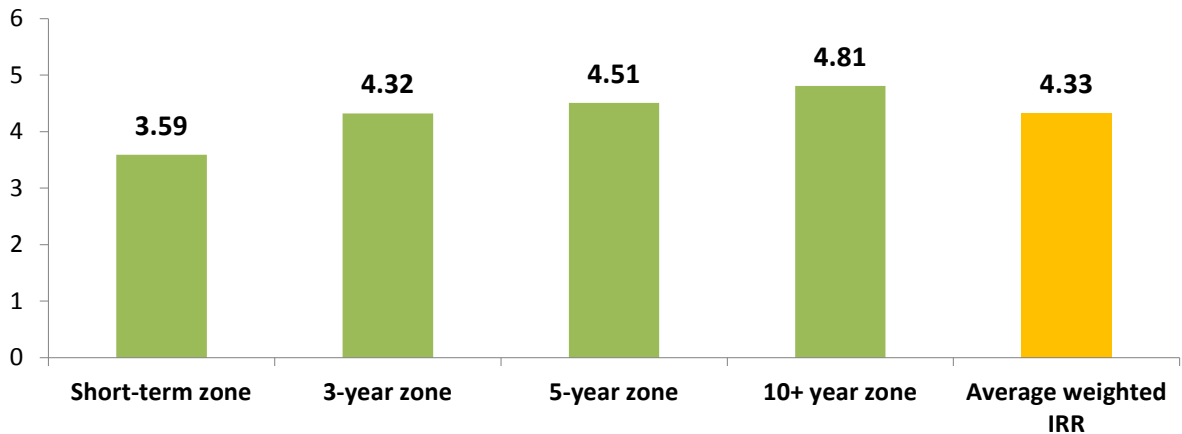
In summary, the total amounts received by the Reserve Fund from the first allocation approved in 2000 until 31/12/2014 are set out in the following table:

NET RETURNS GENERATED BY RESERVE FUND UNTIL 31/12/2014 (euros)	
Coupons	22,222,316,992.67
Imputed net returns	-1,373,464,881.19
Returns on disposals	2,203,610,888.60
Other income	346,199.11
Adjustments for asset redemption/disposal (accrued coupon interest of redeemed and disposed of assets)	-1,275,316,305.28
Current account interest	324,233,583.84
TOTAL NET RETURNS	22,101,726,477.75

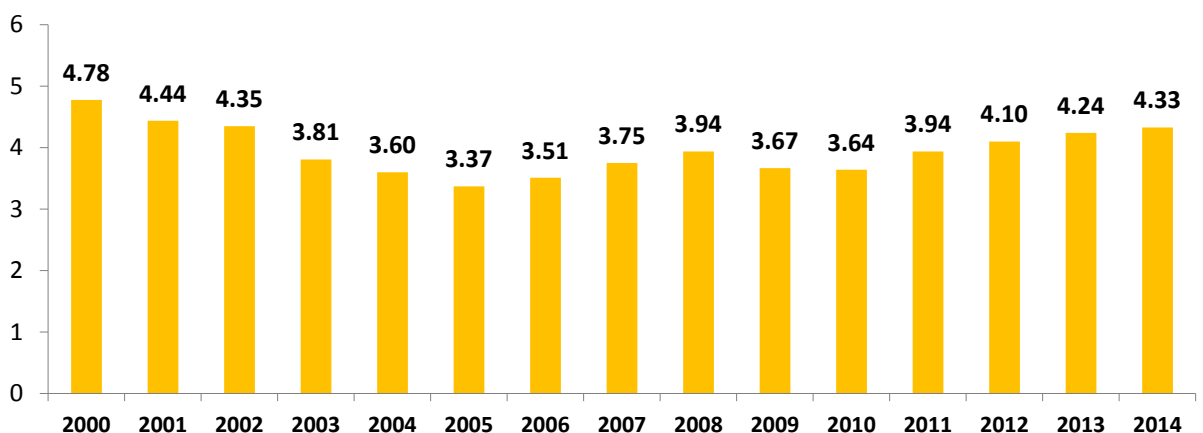


5.2. Return of fixed-income assets: Public Debt

The following figures show the return of the assets contained in the Fund's portfolio. Return is determined by the Yield of each product at the time of purchase. The **acquisition Yield** of the current portfolio, consisting of instruments acquired from December 2000 and held in the portfolio at 31 December 2014, determined by taking the average weighted Yield on the nominal value for each type of asset, stood at **4.33%**, as follows:



The changes of the weighted average acquisition Yield for the Nominal Value of the assets in the portfolio by tax year were as follows:





GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

5.3. Return 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 held 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.” From 1 August 2012 to 10 June 2014, this undiscounted rate was applied, with the Eonia being the effective interest rate type used in the 1-day European interbank market.

On 5 June, the European Central Bank approved Decision ECB/2014/23 on the remuneration of deposits, balances and holdings of excess reserves and ECB/2014/22 to amend Guidance ECB/2014/9 on domestic asset and liability management operations by the national central banks. Pursuant to said regulation, as regards the Reserve Fund accounts held with the Bank of Spain, payment would be made at an interest rate of zero percent, or at the deposit facility rate in the event that said rate were negative. This measure would come into force on 11 June 2014. On the same date, the interest rate applicable to the deposit facility would be -0.10% (whereas it is currently, since 10 September, at -0.20%). Notwithstanding the foregoing, as communicated by the Bank of Spain on 27 July 2014, the deposit facility rate of -0.10% would not apply to the period of 11 to 30 June 2014 and would take effect on 1 July 2014. Furthermore, the first 20 million euros in the Reserve Fund accounts balance would not be subject to negative remuneration.



The average rate applied, by year, is shown below:

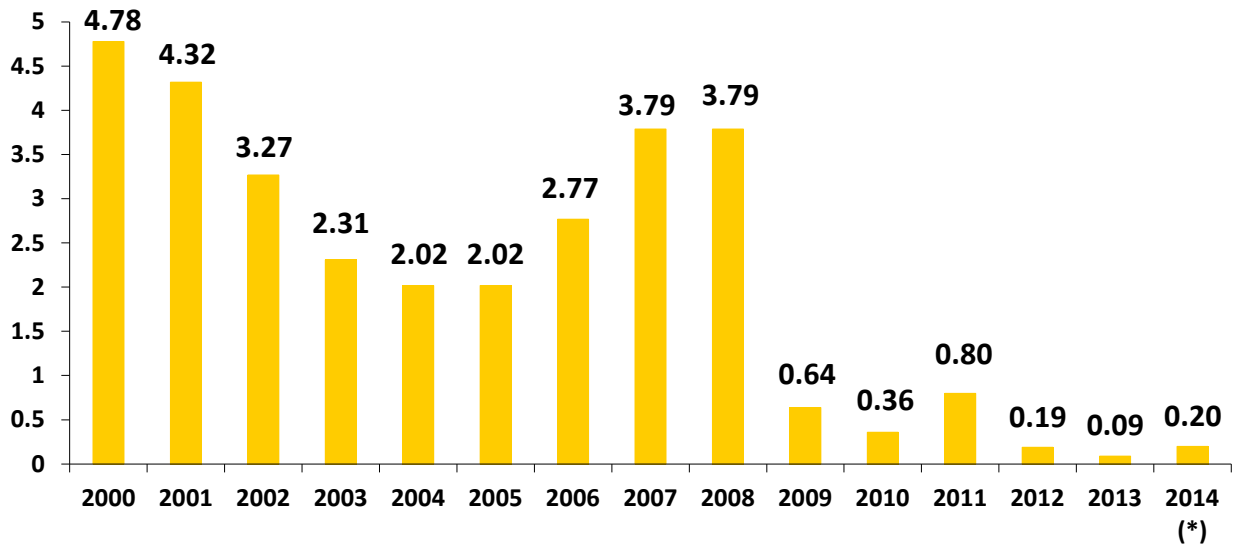
YEAR	AVERAGE RATE %
2000	4.78
2001	4.32
2002	3.27
2003	2.31
2004	2.02
2005	2.02
2006	2.77
2007	3.79
2008	3.79
2009	0.64
2010	0.36
2011	0.80
2012	0.19
2013	0.09
2014 (*) from 1 January to 10 June	0.20

() 2014 data corresponds to the period in which Eonia remuneration was in force*

Currently, Reserve Fund account balances held with the Bank of Spain in excess of 20 million euros are subject to the “Deposit Facility” rate, currently set at -0.20%. However, with the exception of isolated moments, balances are beneath this limit.



The interest rate changes are illustrated in the following graph:



(*) 2014 data corresponds to the period in which Eonia remuneration was in force (1 January to 10 June)

The **interest accrued** in **2014** on the “Treasury General of the Social Security Special Reserve Fund” account amounted to **€454,059.59**.

The average monthly interest rates for 2014 are shown below:

MONTH	AMOUNT (euros)	AVERAGE INTEREST RATE %
JANUARY	18,933.94	0.21
FEBRUARY	273,178.52	0.16
MARCH	76,296.13	0.19
APRIL	7,451.20	0.25
MAY	70,338.96	0.26
JUNE (to 10 June)	7,860.84	0.14
TOTAL	454,059.59	0.20

NB: 2014 data corresponds to the period in which Eonia remuneration was in force (1 January to 10 June)



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

5.4. Return of the Social Security Reserve Fund

The **accumulated return of the Reserve Fund total as at 31 December 2014** has been calculated (securities portfolio plus the balance in the Reserve Fund current account).

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 withdrawal, giving appropriate weighting to the contribution of each flow in the overall return of the fund.

The accumulated Fund return 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 the accumulated return figure. The net asset value of a unit contribution is adjusted each time a new allocation or withdrawal is made, so as to distinguish the return of each flow to the total for the Fund for each sub-period.

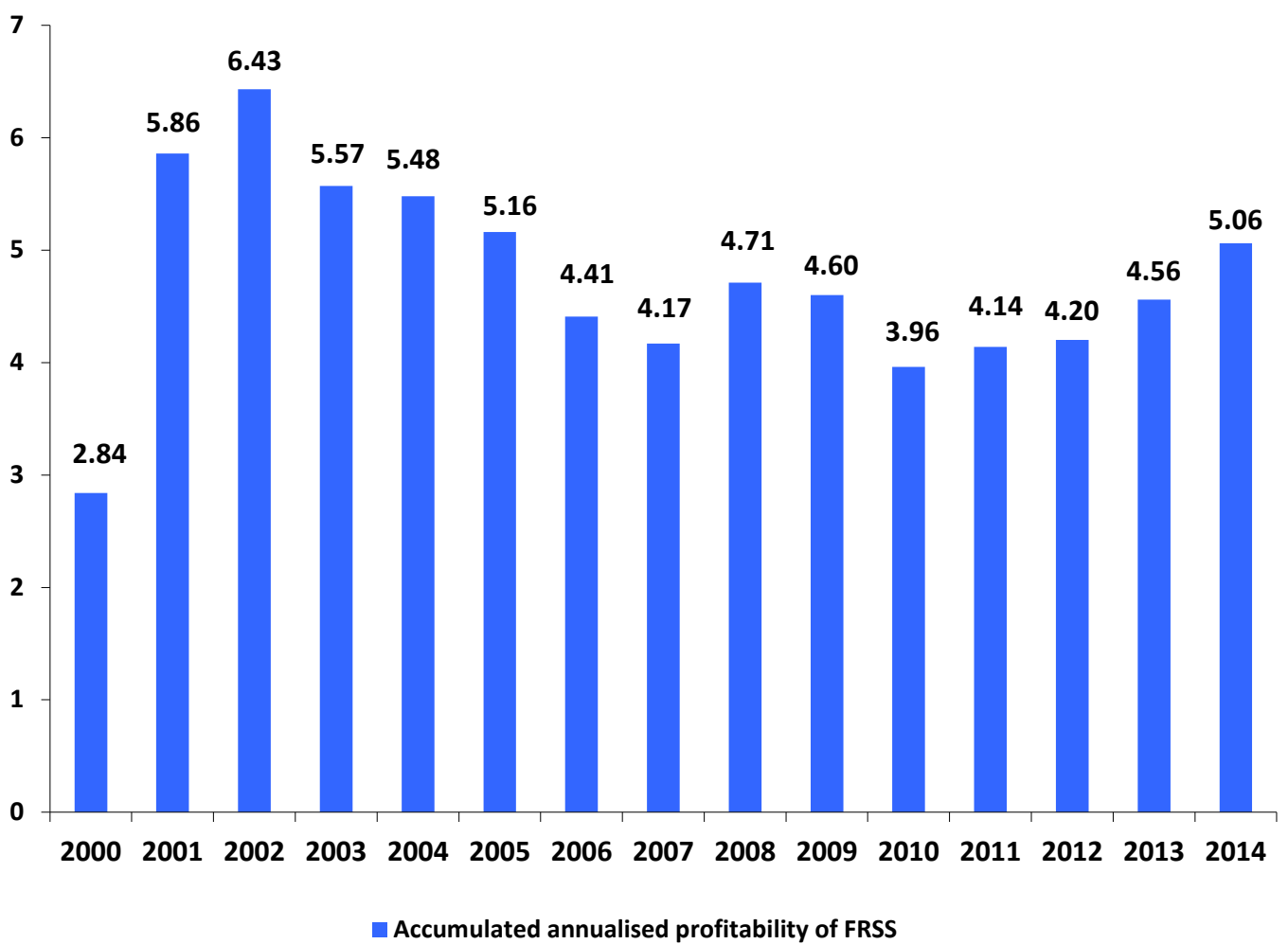
For calculation purposes, the market value of the fund at 31 December 2014 is calculated using the closing prices for each instrument quoted by Bloomberg. On this basis, the net asset value of the Reserve Fund as at 31/12/2014 was €47,721.32 (€47,721.27 million for the portfolio and €0.05 million deposited in the current account).

Based on this method, **the accumulated return on the Reserve Fund between its inception** in 2000 and 31 December 2014 **stood at 101.73% or 5.06% in annualised terms.**

The annual return of the Reserve Fund in 2014 was **11.85%.**

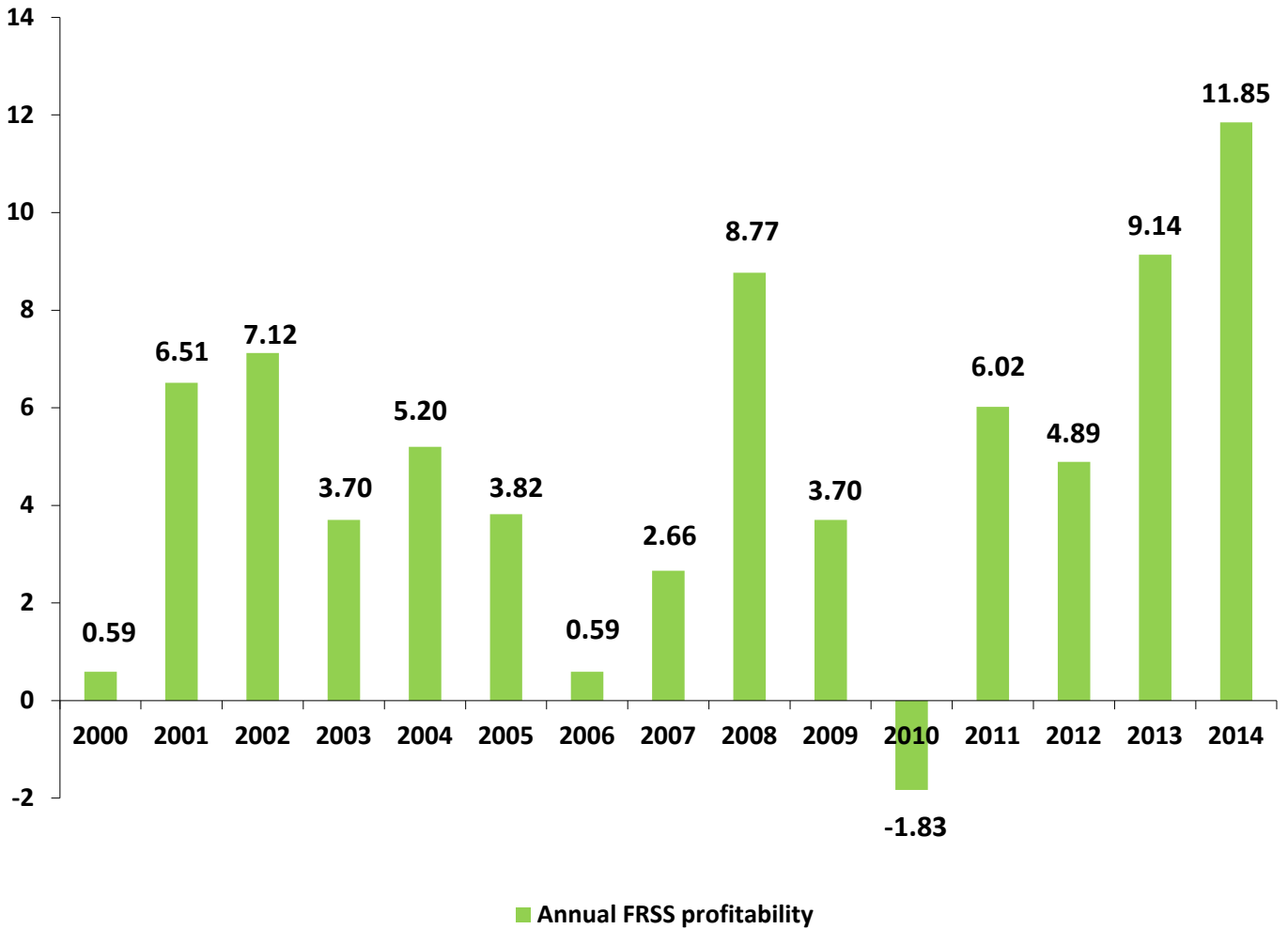


Using the same approach as that for calculating annualised accumulated return at 31/12/2014, we have calculated annualised accumulated return for each year end from the first allocation to the Reserve Fund approved by Cabinet in 2000. These are shown below:





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





5.5. Summary of return

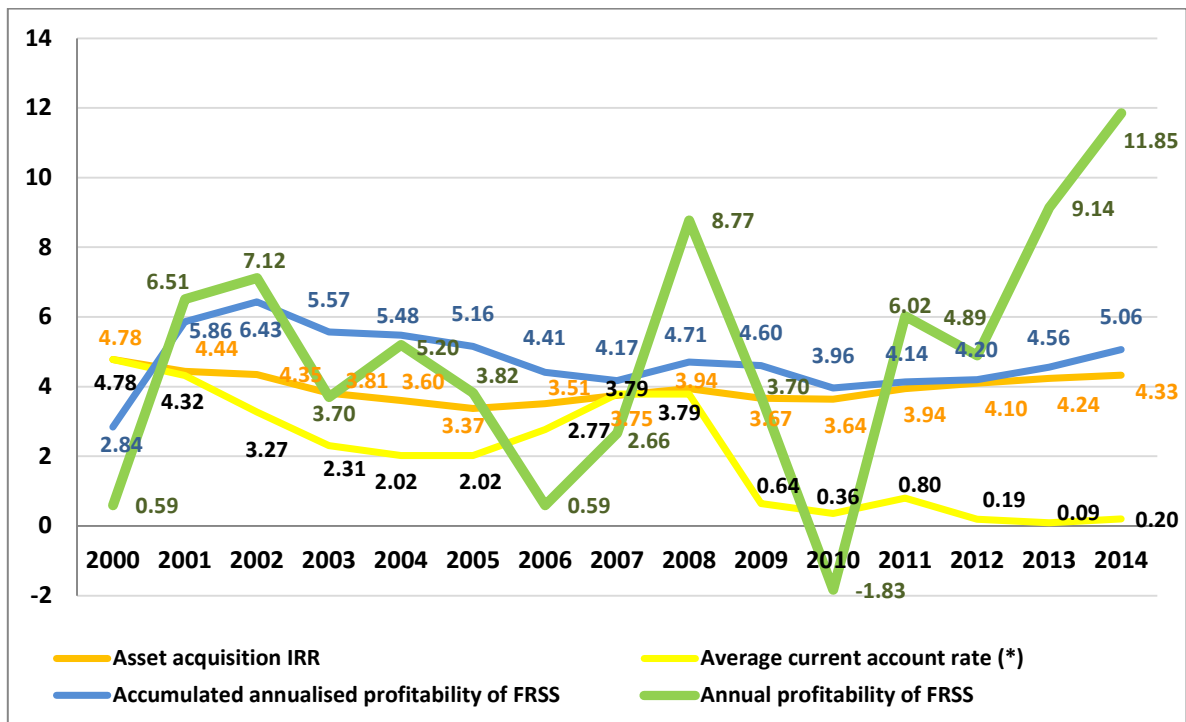
Set out below is a table summarising the percentages and a graph showing the change in Fund return, as analysed in detail in the foregoing sections:

Financial year	Asset acquisition YIELD	Average current account rate	Accumulated annualised FRSS return	Annual FRSS return
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	3.70
2004	3.60	2.02	5.48	5.20
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	4.60	3.70
2010	3.64	0.36	3.96	-1.83
2011	3.94	0.80	4.14	6.02
2012	4.10	0.19	4.20	4.89
2013	4.24	0.09	4.56	9.14
2014	4.33	0.20 (*)	5.06	11.85

(*) Corresponds to the period in which Eonia remuneration was in force (1 January to 10 June). It is currently not remunerated at positive interest rates



CHANGE IN RETURN (AS A PERCENTAGE)



(*) 2014 data corresponds to the period in which Eonia remuneration was in force (1 January to 10 June). It is currently not remunerated at positive interest rates



6.- Forecasts

6.1. Year 2015

Taking the portfolio as at 31/12/2014 as a reference, the following coupons will mature in 2015:

COUPON DATE	VALUE (€)
31/01/15	523,617,695.00
30/04/15	180,991,045.00
30/07/15	587,739,065.00
30/09/15	155,834,390.00
31/10/15	335,991,642.50
TOTAL	1,784,173,837.50

2015 will see the maturity of €7,444,789,000.00 in public sector financial assets (all Spanish financial assets), as follows:

REDEMPTION DATE	DESCRIPTION OF ASSET	NOMINAL VALUE (€)
31/01/15	Long-term Government Bonds (4.40%) issue ref. ES0000012916	2,446,771,000.00
30/04/15	Short-term Government Bonds (3.00%) issue ref. ES00000122F2	2,000,018,000.00
30/07/15	Short-term Government Bonds (4.00%) issue ref. ES00000123L8	1,000,000,000.00
31/10/15	Short-term Government Bonds (3.75%) issue ref. ES00000123P9	1,998,000,000.00
TOTAL		7,444,789,000.00



Forecast flows for 2015 are shown in the following table and chart:

FLOWS DURING 2015

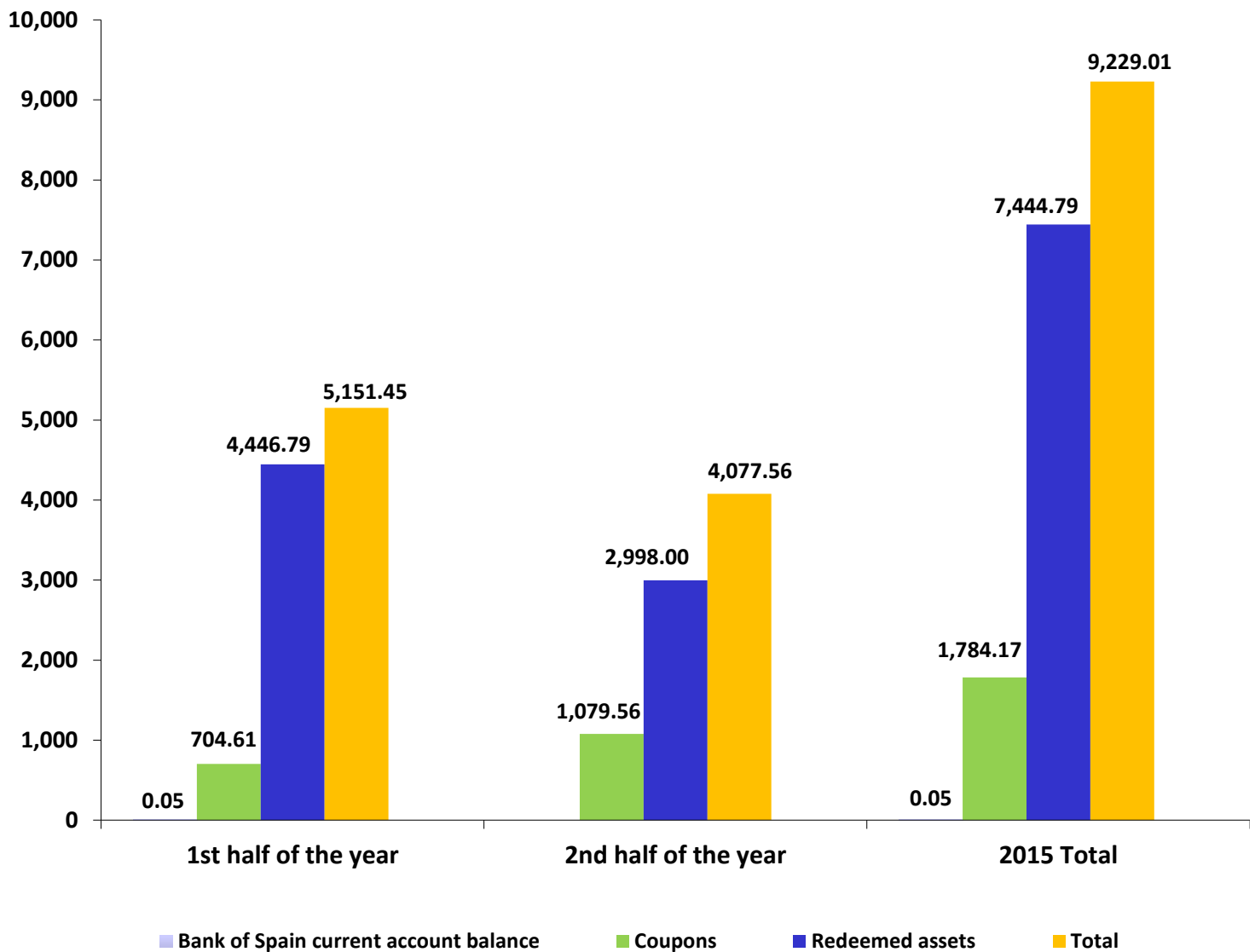
Current account balance as at 01/01/2015		49,144.57
2015 Coupons		1,784,173,837.50
First quarter	523,617,695.00	
Second quarter	180,991,045.00	
Third quarter	743,573,455.00	
Fourth quarter	335,991,642.50	
Assets maturing in 2015		7,444,789,000.00
First quarter	2,446,771,000.00	
Second quarter	2,000,018,000.00	
Third quarter	1,000,000,000.00	
Fourth quarter	1,998,000,000.00	
TOTAL		9,229,011,982.07

Figures in euros



FLOWS DURING 2015

Figures in millions of euros





6.2. Years 2016 and 2017

Taking the portfolio as at 31/12/2014 as a reference, the following coupons will mature in **2016**:

COUPON DATE	VALUE (€)
31/01/16	415,959,771.00
30/04/16	120,990,505.00
30/07/16	547,739,065.00
30/09/16	155,834,390.00
31/10/16	261,066,642.50
TOTAL	1,501,590,373.50

2016 will see the maturity of €5,583,735,000.00 in public sector financial assets, as follows:

REDEMPTION DATE	DESCRIPTION OF ASSET	NOMINAL VALUE (€)
31/01/16	Long-term Government Bonds (3.15%) issue ref. ES00000120G4	2,519,102,000.00
30/04/16	Short-term Government Bonds (3.25%) issue ref. ES00000122X5	1,159,180,000.00
31/10/16	Short-term Government Bonds (4.25%) issue ref. ES00000123J2	1,905,453,000.00
TOTAL		5,583,735,000.00

This amounts to a total of **€7,085,325,373.50** of coupon payments and asset redemption.



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

Taking the portfolio as at 31/12/2014 as a reference, the following coupons will mature in **2017**:

COUPON DATE	VALUE (€)
31/01/17	336,608,058.00
30/04/17	83,317,155.00
30/07/17	547,739,065.00
30/09/17	155,834,390.00
31/10/17	180,084,890.00
TOTAL	1,303,583,558.00

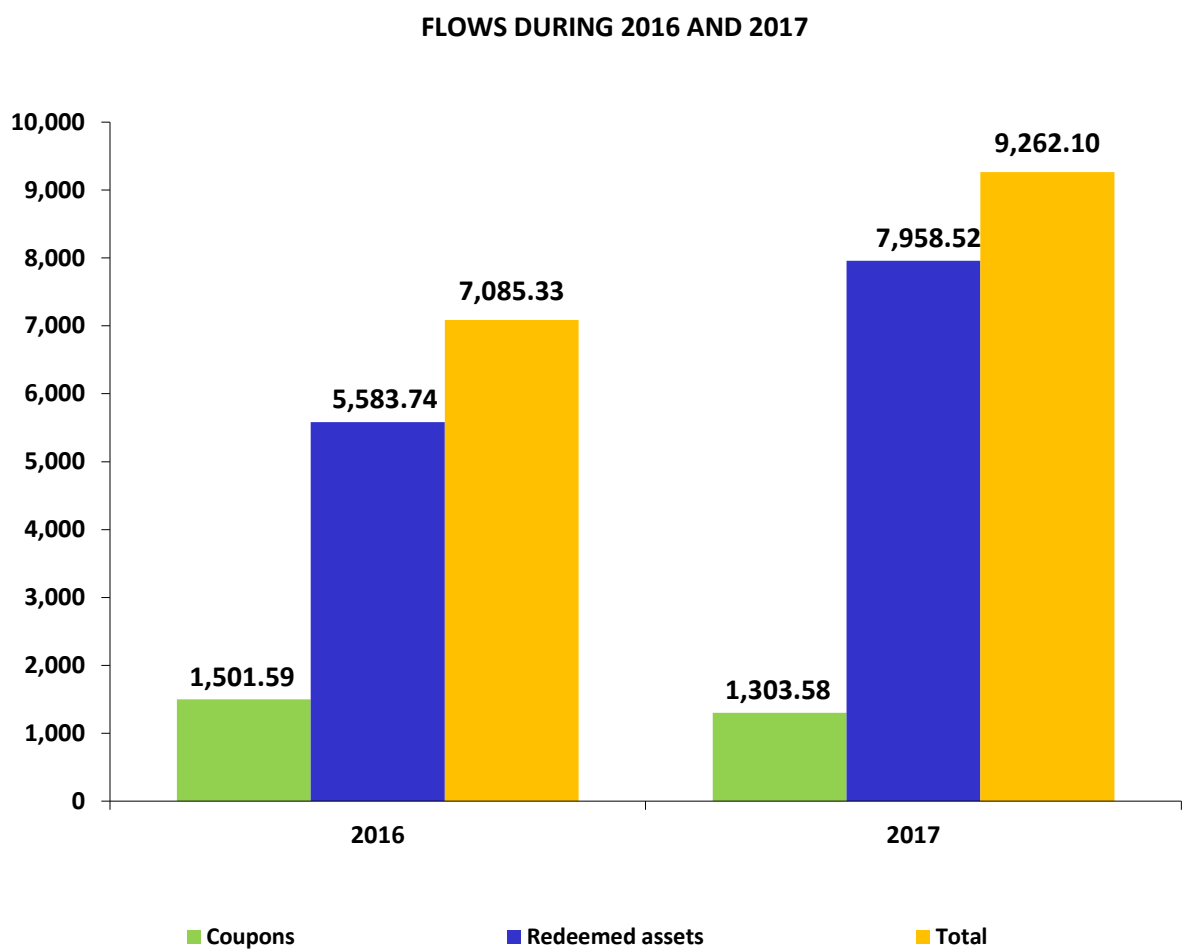
2017 will see the maturity of €7,958,518,000.00 in public sector financial assets, as follows:

REDEMPTION DATE	DESCRIPTION OF ASSET	NOMINAL VALUE (€)
31/01/17	Long-term Government Bonds (3.80%) issue ref. ES00000120J8	2,249,445,000.00
30/07/17	Long-term Government Bonds (5.50%) issue ref. ES0000012783	2,428,349,000.00
30/09/17	Short-term Government Bonds (4.75%) issue ref. ES00000123R5	3,280,724,000.00
TOTAL		7,958,518,000.00

This amounts to a total of **€9,262,101,558.00** of coupon payments and asset redemption.



Therefore, considering the above variables, the flow figures in 2016 and 2017 will be as shown in the following chart:



Figures in millions of euros



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

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 2013.

	2013 (AS AT 31/12/2013)	2014 (AS AT 31/12/2014)
FRSS AT TOTAL ACQUISITION PRICE (million euros)	53,744.05	41,634.23
FRSS AT MARKET VALUE (million euros)	56,408.17	47,721.32

KEY FIGURES FOR THE SOCIAL SECURITY RESERVE FUND		
	2013 (AS AT 31/12/2013)	2014 (AS AT 31/12/2014)
RETURN OF FIXED-INCOME ASSETS (YIELD) ON ACQUISITION	4.24%	4.33%
MARKET RETURN ON FIXED-INCOME ASSETS (YIELD)	2.45%	0.85%
AVERAGE CURRENT ACCOUNT RATE (1)	0.09%	0.20%
ACCUMULATED ANNUALISED RETURN OF FRSS	4.56%	5.06%
ANNUAL RETURN OF FRSS	9.14%	11.85%
DEGREE OF CONCENTRATION	7.11%	5.27%
DURATION	4.56 years	4.85 years
MODIFIED DURATION	4.40	4.78
% FOREIGN DEBT (NOMINAL VALUE) OVER TOTAL PORTFOLIO	2.93%	0.00%
% FRSS OF GDP (2)	5.12%	3.93%

(1) 2014 data corresponds to the period in which Eonia remuneration was in force (1 January to 10 June).

(2) The figures for 2013 are expressed in relation to 2013 GDP (€1,029,279 million) and the figures for 2014 in relation to 2014 GDP (€1,058,469 million), based on data published by the INE (National Statistical Institute) based on CNE-2010, as published on 26 February 2015.

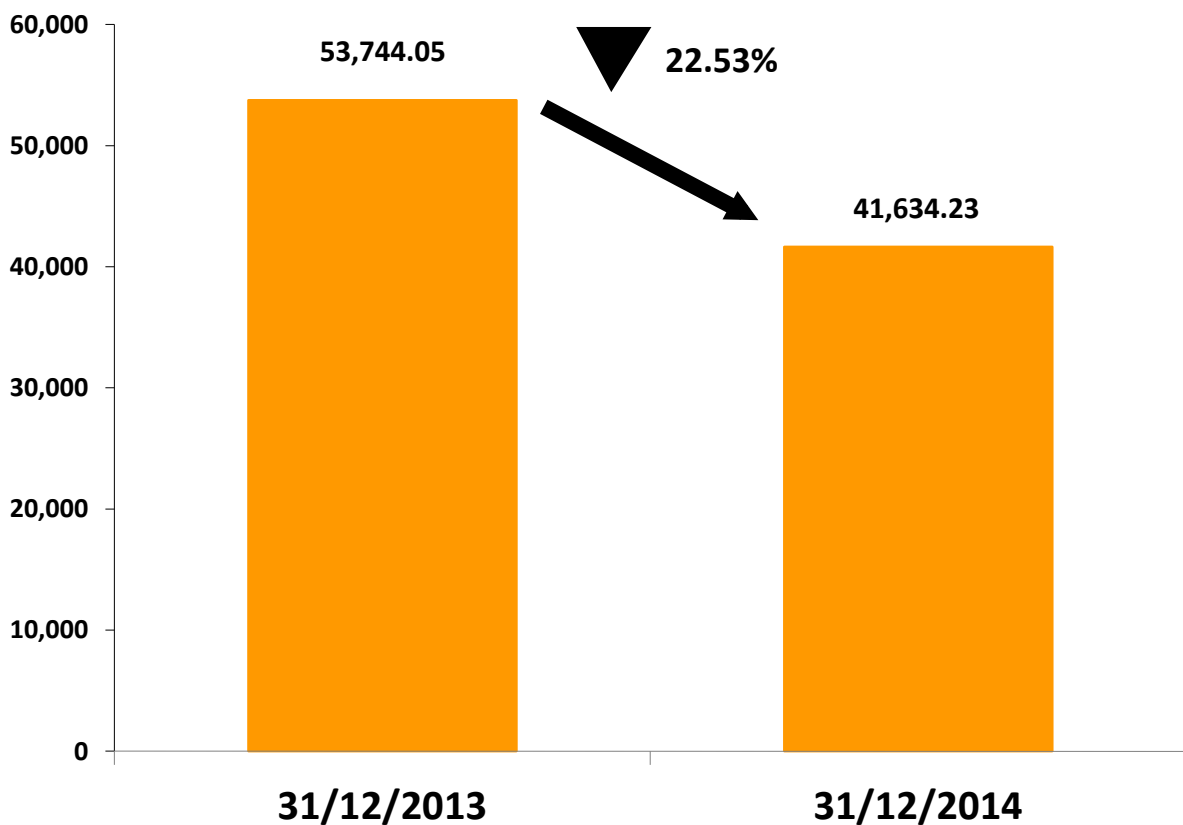


Likewise, the following chart shows the total amount of the Social Security Reserve Fund at **total acquisition price** at 31/12/2013 and 31/12/2014:

RESERVE FUND AS AT 31/12/2013 AND 31/12/2014

AT TOTAL ACQUISITION PRICE

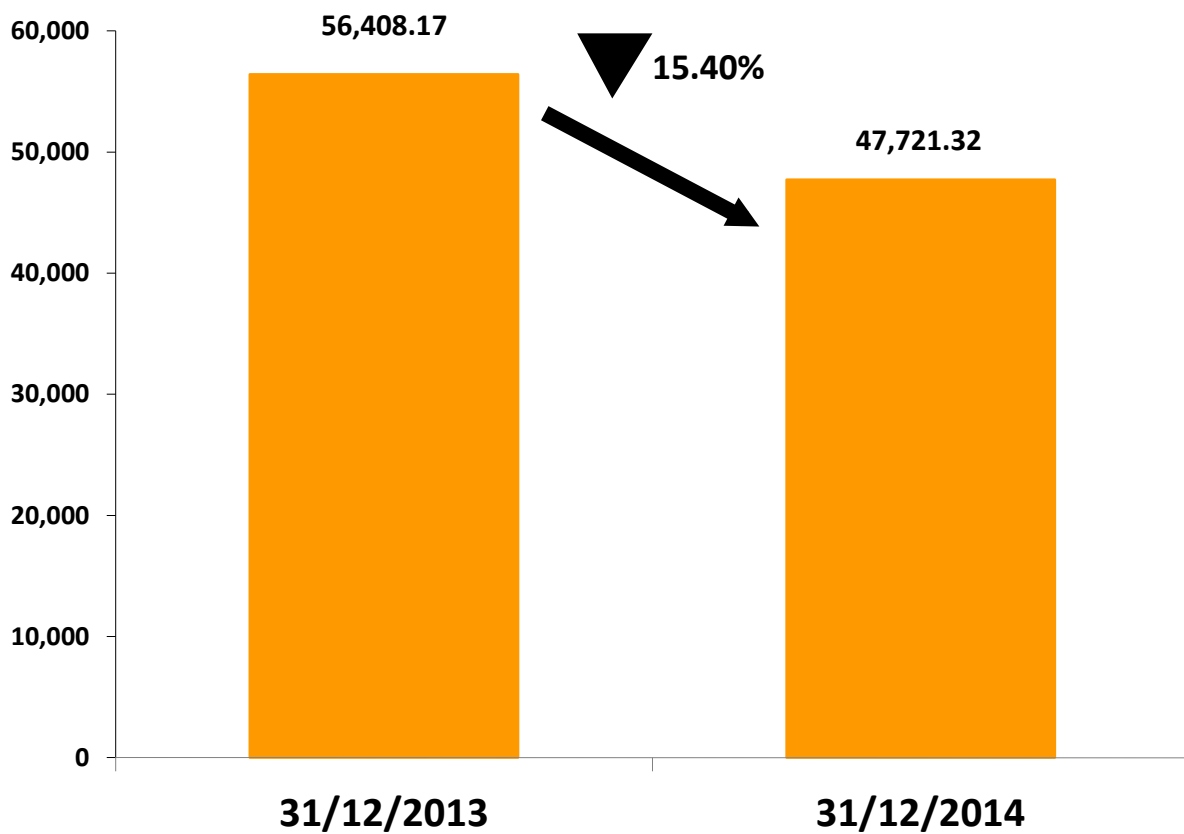
Figures in millions of euros





Likewise, the following chart shows the total amount of the Social Security Reserve Fund at **market value** at 31/12/2013 and 31/12/2014:

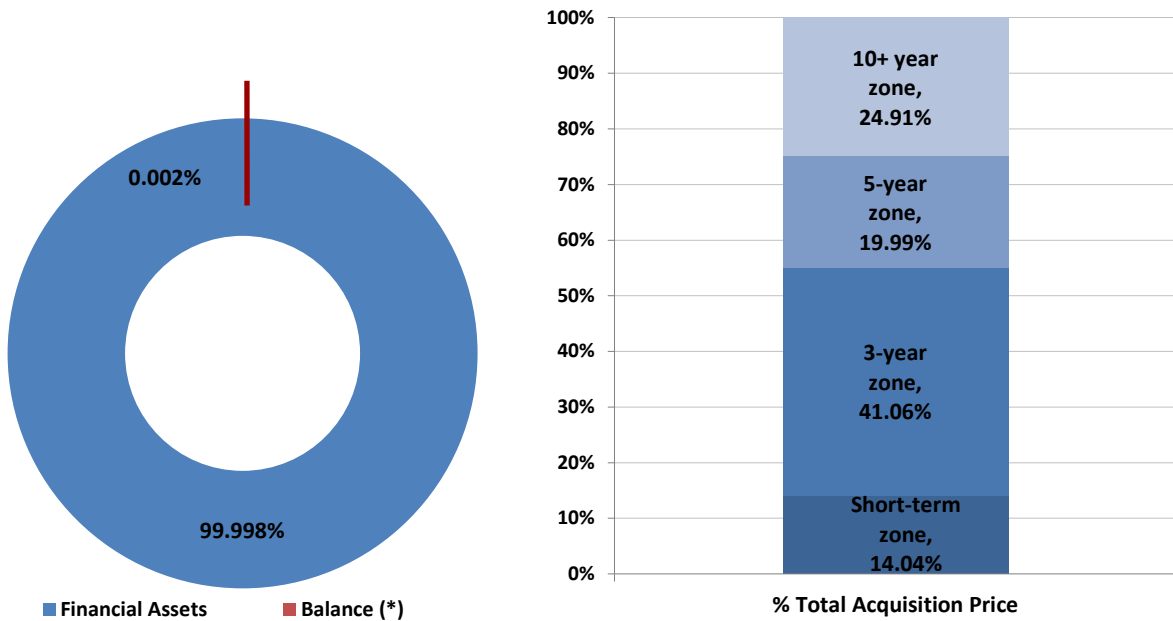
RESERVE FUND AS AT 31/12/2013 AND 31/12/2014
AT MARKET VALUE
Figures in millions of euros





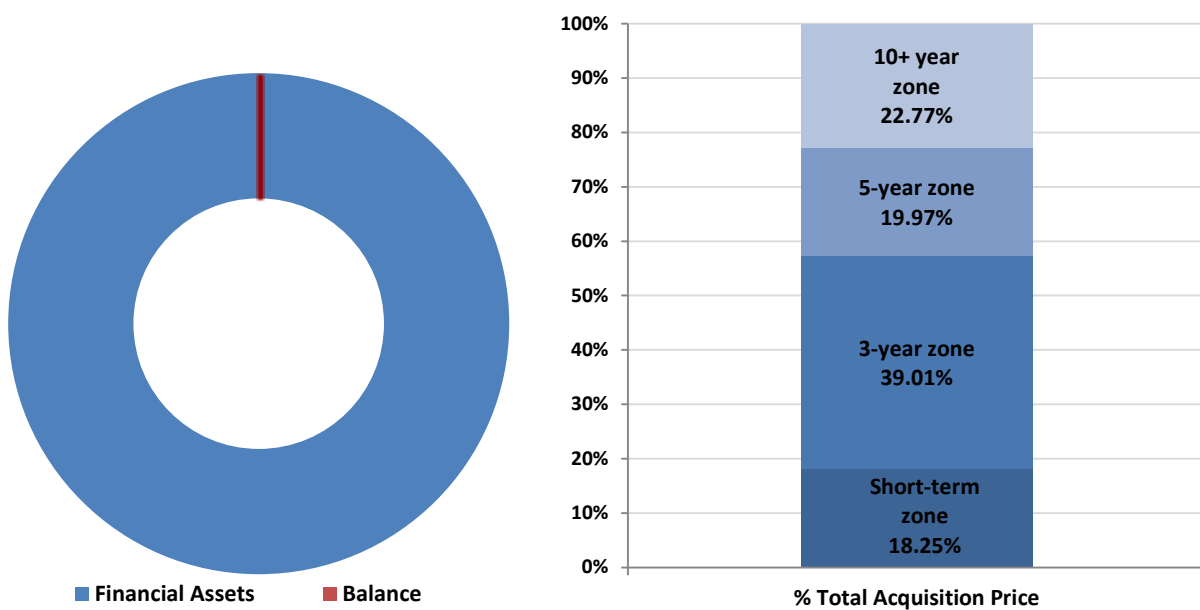
This is distributed as follows based on **total acquisition price** (in percentage terms):

31/12/2013



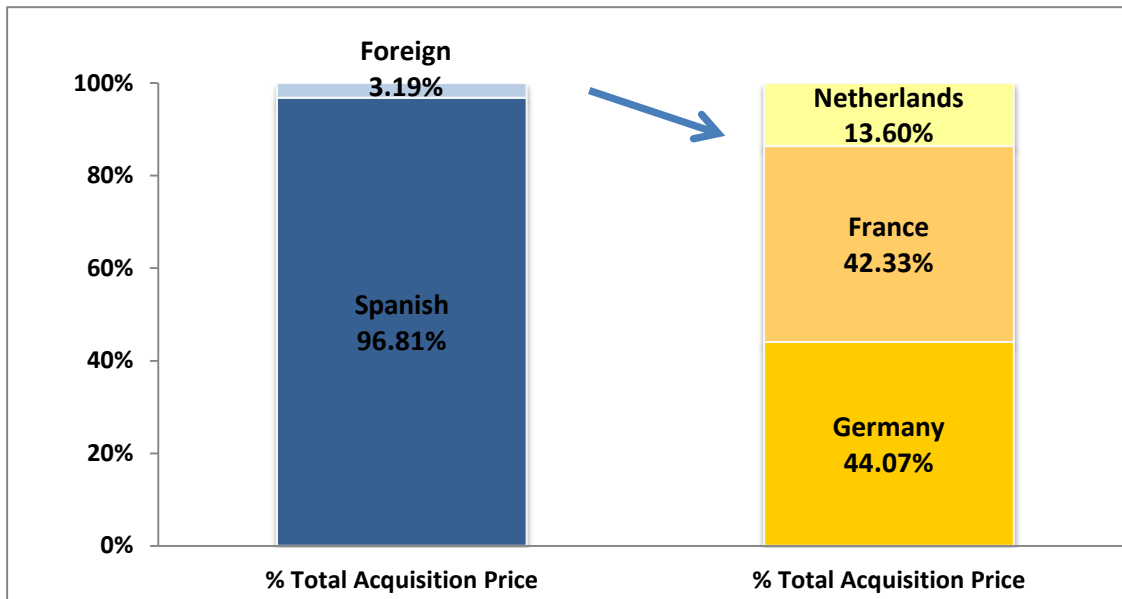
(*) With interest accrued in December 2013 and received on 2 January 2014

31/12/2014

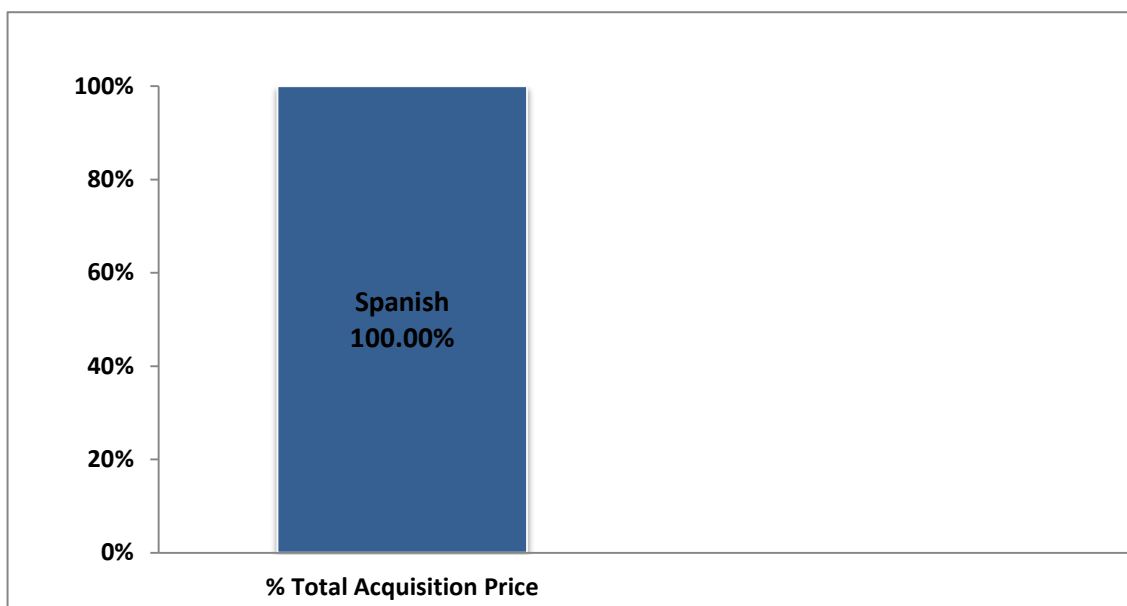




**DISTRIBUTION OF RESERVE FUND FINANCIAL ASSETS BY ISSUING COUNTRY IN TOTAL
ACQUISITION PRICE TERMS (percentages)
31/12/2013**

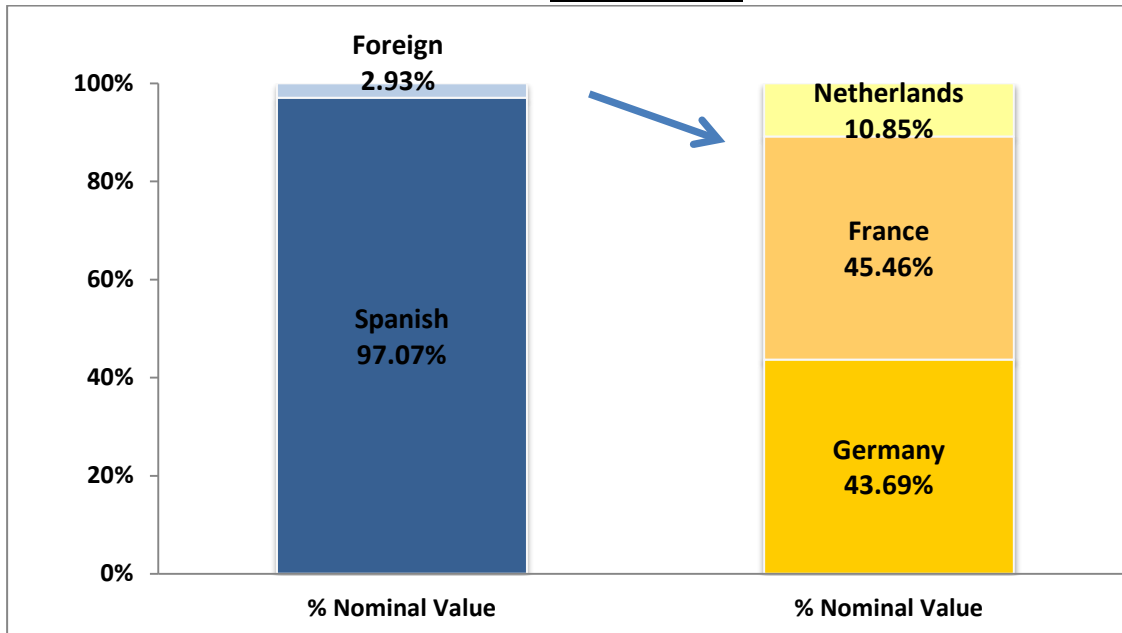


31/12/2014

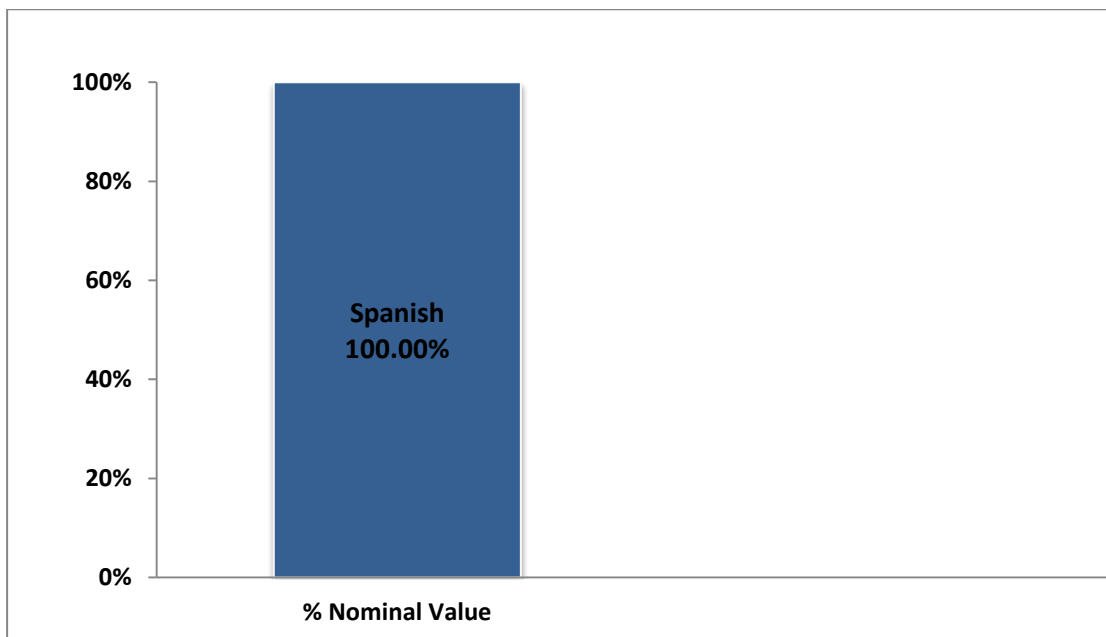




**DISTRIBUTION OF RESERVE FUND FINANCIAL ASSETS BY ISSUING COUNTRY IN
NOMINAL VALUE TERMS (figures as percentages)**
31/12/2013



31/12/2014





GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

APPENDIX I

**FINANCIAL AND ECONOMIC INFORMATION
ON 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 actions of the Reserve Fund in 2014 and its situation at 31 December 2014 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 governance and control body, and specifically to furnish details on the Reserve Fund at 31/12/2012, including its value, composition, portfolio distribution, return 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 standpoint, with the data presentation, breakdown of information by 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.

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

Decision of 1 July 2011, of the State Administration Public Accounts Department, 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.



The Social Security Reserve Fund Management Committee, based on the report drafted by the Social Security Public Accounts Department, during the meeting held on 11 February 2014, determined for the purposes of the valuation established in the General Public Accounting Plan, that the Public Debt financial assets comprising the Social Security Reserve Fund should be reclassified at year-end from “Held-to-maturity investments” to “Financial assets available for sale” if over the course of the year there are any changes in the intention or financial means to preserve them in the category of held-to-maturity investments. As neither of these circumstances have occurred, with assets in 2014 sold for a nominal value of **€5,303,848,000**, the assets in the Reserve Fund portfolio at 31/12/2014 are now considered “Financial assets available for sale”.

Finally, additional information is provided on the **financial situation** of the **Social Security Reserve Fund** based on **accounting figures for year end 2014**.

FRSS FINANCIAL SITUATION AS AT 31 DECEMBER 2014	AMOUNT (euros)
Long-term debt securities available for sale	39,228,387,100.20
- National Portfolio	39,228,387,100.20
- Eurozone Portfolio	0.00
Short-term debt securities available for sale	7,548,842,218.59
- National Portfolio	7,548,842,218.59
- Eurozone Portfolio	0.00
Financial balance of the Social Security Reserve Fund	49,144.57
Interest on short-term debt securities	944,041,606.20
- National Portfolio	944,041,606.20
- Eurozone Portfolio	0.00
Other short-term interest receivable	0.00
FRSS FINANCIAL SITUATION AS AT 31 DECEMBER 2014	47,721,320,069.56



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

APPENDIX II

**INFORMATION ON RESERVE
FUND WITHDRAWALS
IN 2014**



GOVERNMENT
OF SPAIN

MINISTRY
OF EMPLOYMENT
AND SOCIAL SECURITY

SECRETARIAT OF STATE
FOR SOCIAL SECURITY

INFORMATION ON WITHDRAWALS FROM THE RESERVE FUND IN 2014

Withdrawals from the Reserve Fund in 2014 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-financial transactions revealed by the funding forecasts of the Social Security management bodies and common services.

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

- A. The existence of a deficit on the non-financial transactions of the Social Security system, as calculated by the Social Security Public Accounts Department for the purposes of the Reserve Fund.
- B. Withdrawals from the Social Security Reserve Fund are made as need arises up to a maximum equivalent to the deficit on non-financial transactions revealed by the funding forecasts in the budgets of the management bodies and common services of the Social Security system for payments related to contributory pensions and other costs necessary for its management.



On 14 November 2014, 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-financial transactions for the Social Security Reserve Fund for 2014 as follows:

2014 DEFICIT CALCULATED BY THE SOCIAL SECURITY PUBLIC ACCOUNTS DEPARTMENT (14/11/2014)	AMOUNT million euros
a) Total budgeted non-financial transactions in 2014	-14,503.71
b) Total adjustments made in 2014	-3,898.91
2014 forecast budget contribution (a+b) (pursuant to art. 1 Royal Decree 337/2004)	-18,402.62

From July 2014, 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 2014 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 financial difficulties, made withdrawals on the Social Security Reserve Fund amounting to total of **€15,300 million**.



Total withdrawals to 31 December 2014 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	28/09/12	1,700.00		
		26/10/12	1,363.00		
				3,063.00	3,063.00
	ROYAL DECREE-LAW 28/2012, OF 30 NOVEMBER	03/12/12	3,530.00		
		18/12/12	410.00		
			3,940.00	7,003.00	
2013	ROYAL DECREE-LAW 28/2012, OF 30 NOVEMBER	01/07/13	3,500.00		
		22/07/13	1,000.00		
		01/08/13	1,000.00		
		01/10/13	720.00		
		02/12/13	5,000.00		
		20/12/13	428.00		
			11,648.00	18,651.00	
2014	ROYAL DECREE-LAW 28/2012, OF 30 NOVEMBER	01/07/14	5,500.00		
		21/07/14	500.00		
		01/12/14	8,000.00		
		22/12/14	1,300.00		
					15,300.00

The Cabinet was informed on a quarterly basis in 2014 of the amounts withdrawn from the Social Security Reserve Fund, pursuant to the first additional provision of Royal Decree-Law 28/2012, of 30 November.