



Social Security  
**RESERVE FUND**

**Report to Parliament**

Changes, actions in 2016 and situation on 31 December 2016





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GOBIERNO  
DE ESPAÑA

MINISTERIO  
DE EMPLEO  
Y SEGURIDAD SOCIAL

SECRETARÍA DE ESTADO  
DE LA SEGURIDAD SOCIAL

1. Introduction	6
2. Situation of the Reserve Fund on 31 December 2016	7
3. Reserve Fund Performance	8
3.1. Allocations	8
3.2. Withdrawals	10
3.3. Returns	11
3.4. Performance	12
4. Actions in 2016	14
4.1. Investment and management criteria in 2016	14
4.2. Execution of agreements, Management Committee meeting on 2 December 2015	15
4.3. Meetings of the Management Committee in 2016	16
4.3.1. First meeting of the Management Committee in 2016	16
4.3.2. Second meeting of the Management Committee in 2016	19
4.4. Summary of agreements in 2016	21
4.5. Repurchase transactions in 2016	23
5. Key figures for the Reserve Fund on 31 December 2016	24
6. Analysis of the Reserve Fund return on 31 December 2016	26
6.1. Reserve Fund returns	26
6.2. Return on fixed-income assets: Public Debt	31
6.3. Return on the "General Treasury for Social Security Special Reserve Fund. Art. 91.1 T.R.L.G.S.S." account	32
6.4. Return on the Social Security Reserve Fund	33
6.5. Summary of returns	35
7. Forecasts	37
7.1. Year 2017	37
7.2. Years 2018 and 2019	40
8. Comparison of key Reserve Fund figures	43
<b>APPENDIX I</b>	
Financial and management information regarding the annual accounts	46
<b>APPENDIX II</b>	
Withdrawals from the Reserve Fund in 2016	48

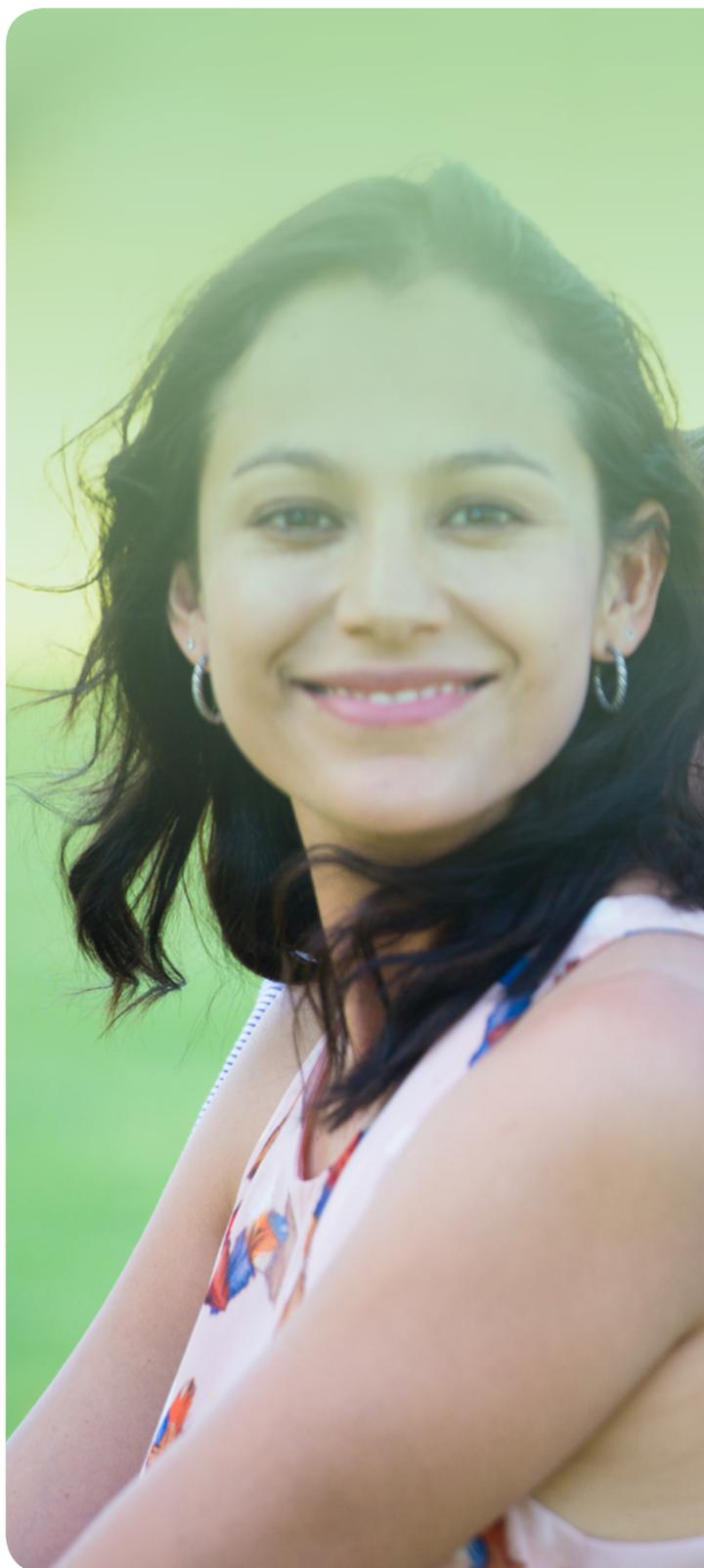
Published by:  
Ministry of Employment and Social Security



GOBIERNO DE ESPAÑA

MINISTERIO DE EMPLEO Y SEGURIDAD SOCIAL

SECRETARÍA DE ESTADO DE LA SEGURIDAD SOCIAL





# 1 Introduction

In the 1990s it became clear that the Social Security system needed to establish stabilisation and reserve funds to meet future contributory benefits requirements whenever there is a mismatch between Social Security revenues and expenses.

Initial dialogue on this issue between the Government and various political and social bodies led to the 'Toledo Agreement' of April 1995, setting out a series of recommendations intended to ensure the sustainability of the system. The reforms and measures implemented as a result of these recommendations have guided the development of the Social Security system to this day. The Reserve Fund was formally constituted on the approval of Law 24/1997, of 15 July, on the consolidation and rationalisation of the Social Security system.

Some years later, Law 18/2001, of 12 December, General Budgetary Stability established that Social Security system surpluses are to be allocated to the Reserve Fund. Successive budgetary stability laws since that date have required that the surplus is allocated first to the Reserve Fund. This precept is currently defined in article 32 of Organic Law 2/2012 of 27 April, on Budgetary Stability and Financial Sustainability.

The Social Security Reserve Fund was constituted by the General Treasury for Social Security Law 24/2001, of 27 December, on Tax, Administrative and Social Order Measures, which empowered the Government to set the amount to be allocated to the Fund each financial year.

The legal rules governing the Reserve Fund were first established in a specific law when Law 28/2003, of 29 September, was approved. These rules are currently set out in Royal Legislative Decree 8/2015, of 30 October, approving the revised text of the General Social Security Law. This report on the performance and composition of the Reserve Fund in 2016 is presented in compliance with article 127 of said revised text.

The Social Security system has reported budgetary deficits in recent years, making the Reserve Fund a vital instrument for ensuring the financial viability of the pensions system.

## 2 Situation of the Reserve Fund on 31 December 2016

The situation and distribution of the Reserve Fund on 31 December 2016 is as follows:

<b>1. Financial assets</b>	€ 15,019,772,521.56
<i>(At the total acquisition price<sup>1</sup>)</i>	
<b>2. Current account balance</b>	€ 266,494.09
<i>(Deposited in the account held with the Bank of Spain)</i>	
<b>RESERVE FUND TOTAL</b>	€ 15,020,039,015.65

### RESERVE FUND DISTRIBUTION



This Reserve Fund balance represents 1.35% of Gross Domestic Product (GDP) (GDP for 2016 was € 1,113,851 million according to National Statistics Institute figures published on 2 March 2017, with CNE base year 2010).

The market value of the Reserve Fund on 31 December 2016 was € 15,200.48 million, representing 1.36% of GDP.

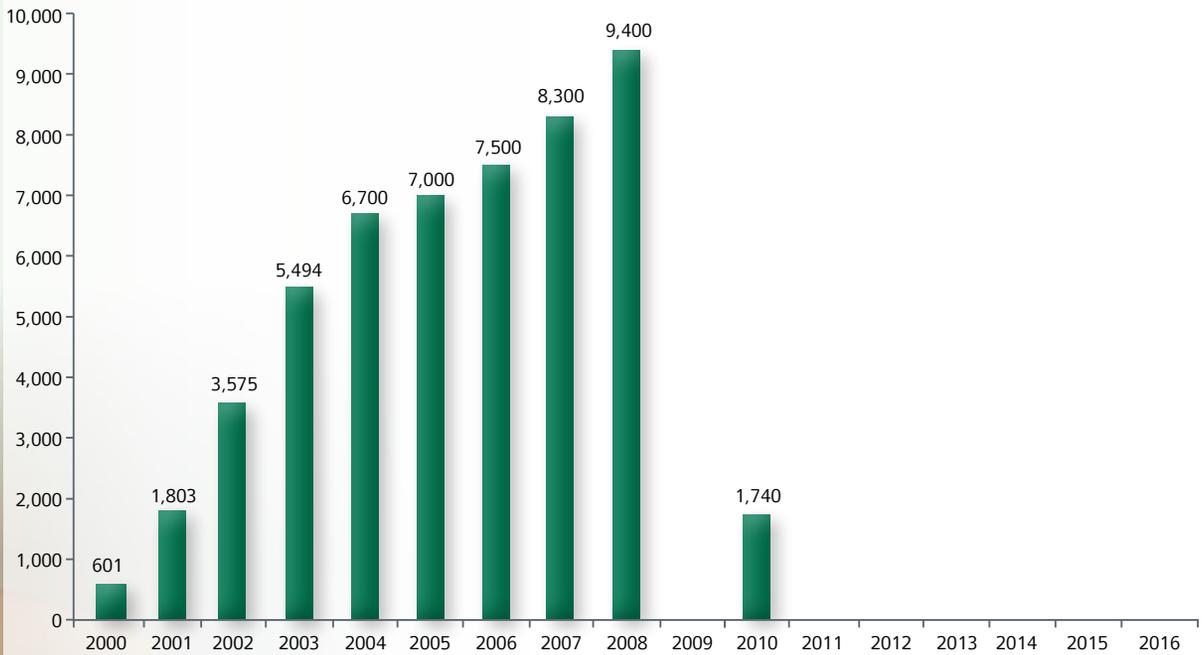
1. Acquisition price is the so-called “dirty” price including any interest accrued but not paid included in the asset value. This means amounts received on the maturity or sale of the asset must be adjusted out to avoid double accounting. Nevertheless, in accounting terms, as the public debt assets of the Social Security Reserve Fund were classified as available for sale investments on 31 December 2016, at the reporting date the assets are carried at their subsequent value (€ 14,939,993,428.56).

## 3 Reserve Fund Performance

### 3.1. Allocations

From the first allocation in 2000 to 31 December 2016, the amount allocated by the Council of Ministers to the Reserve Fund from the budget surpluses of the Social Security Management Agencies and Common Services totalled **€ 52,113 million**, as shown in the following chart:

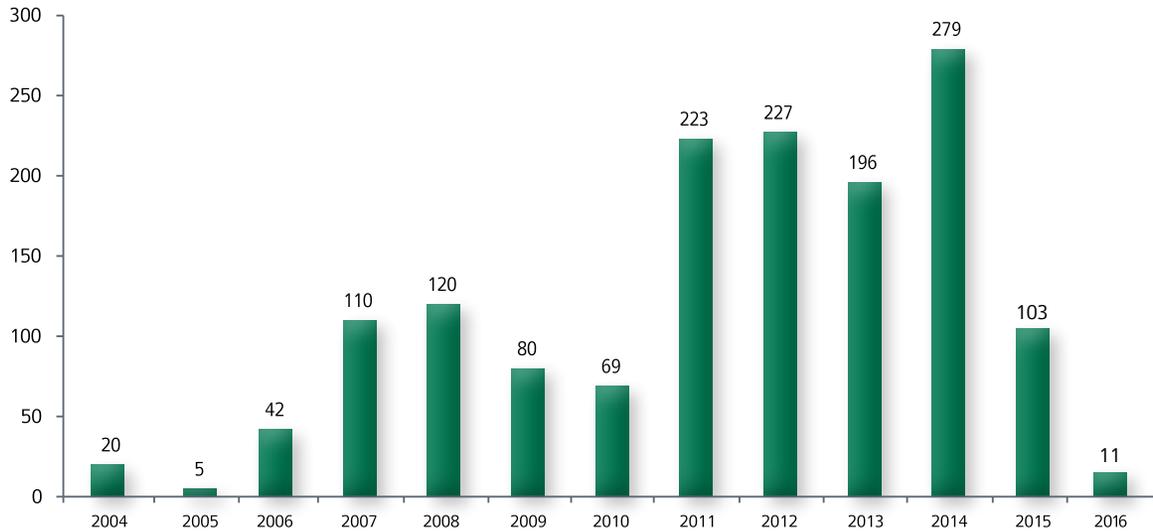
#### ALLOCATIONS APPROVED BY THE COUNCIL OF MINISTERS



In millions of euros

The amount allocated from the surpluses generated by the Mutual Insurance Companies that act as partner agents of the Social Security system for the management of temporary incapacity benefits for non-work-related injury or illness totalled **€ 1,485 million** on 31 December 2016 and was paid into the Reserve Fund's dedicated account. The following chart shows the amounts allocated in each year:

**ALLOCATED FROM SURPLUS OF SOCIAL SECURITY SYSTEM PARTNER MUTUAL INSURANCE COMPANIES**



In millions of euros

**SUMMARY OF SOCIAL SECURITY RESERVE FUND ALLOCATIONS**

**APPROVED BY THE COUNCIL OF MINISTERS**

**ROM MUTUAL INSURANCE COMPANY SURPLUSES**

**€ 52,113 million**

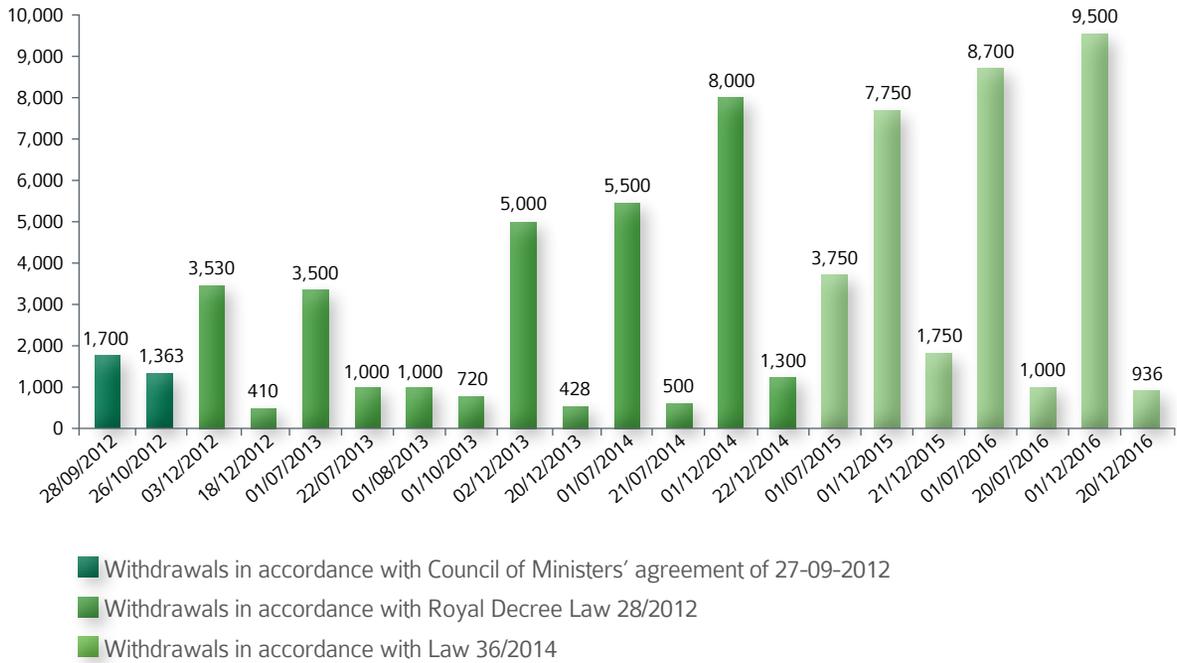
**€ 1,485 million**

**€ 53,598 million**

### 3.2. Withdrawals

Withdrawals from the Reserve Fund in 2012, 2013, 2014, 2015 and 2016 totalled **€ 67,337 million** and are shown in the following chart:

#### WITHDRAWALS FROM THE SOCIAL SECURITY RESERVE FUND



In millions of euros

#### SUMMARY OF WITHDRAWALS FROM THE SOCIAL SECURITY RESERVE FUND

**APPROVED BY THE COUNCIL OF MINISTERS**

**- € 3,063 million**

**WITHDRAWALS IN ACCORDANCE WITH ROYAL DECREE LAW 28/2012 AND LAW 36/2014**

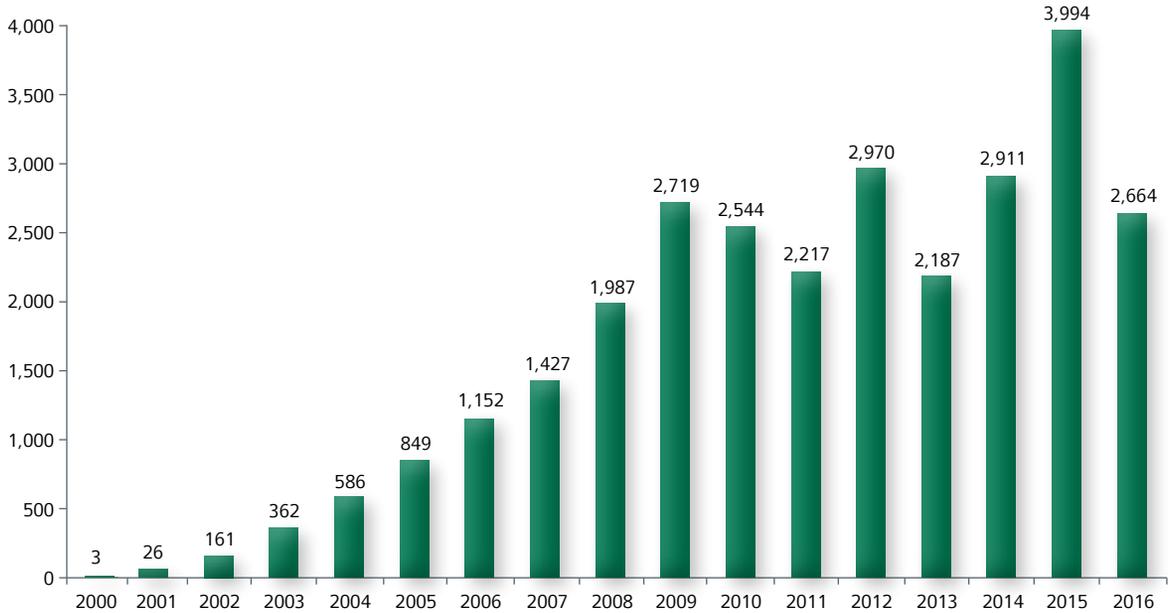
**- € 64,274 million**

**- € 67,337 million**

### 3.3. Returns

Net returns since the first allocation to the Reserve Fund approved in 2000 to 31 December 2016 totalled **€ 28,759 million**, broken down by year in the following chart:

#### TOTAL NET RETURNS



In millions of euros

The amounts of net income include the result of the disposals for a total of € 6,119 million, of which € 1,541 million correspond to the 2016 financial year.

## 3.4. Performance

### GENERAL PERFORMANCE OF THE RESERVE FUND

(Allocations, withdrawals and returns)

Cumulative figures	Years 2000 to 2008	Year 2009	Year 2010	Year 2011	Year 2012	Year 2013	Year 2014	Year 2015	Year 2016
<b>1. ALLOCATIONS</b>	<b>50,670</b>	<b>50,750</b>	<b>52,559</b>	<b>52,782</b>	<b>53,008</b>	<b>53,205</b>	<b>53,484</b>	<b>53,587</b>	<b>53,598</b>
1.a Council of Ministers Agreement (*)	50,373	50,373	52,113	52,113	52,113	52,113	52,113	52,113	52,113
1.b Mutual Insurance Companies' surplus (**)	297	377	446	669	895	1,092	1,371	1,474	1,485
<b>2. WITHDRAWALS (***)</b>					<b>-7,003</b>	<b>-18,651</b>	<b>-33,951</b>	<b>-47,201</b>	<b>-67,337</b>
<b>3. NET RETURNS GENERATED</b>	<b>6,553</b>	<b>9,272</b>	<b>11,816</b>	<b>14,033</b>	<b>17,003</b>	<b>19,190</b>	<b>22,101</b>	<b>26,095</b>	<b>28,759</b>
3.a Returns generated (****)	6,787	9,690	12,352	14,718	17,922	20,233	23,377	27,584	30,510
3.b Adjustments for redemption/disposal of investments	-234	-418	-536	-685	-919	-1,043	-1,276	-1,489	-1,751
<b>TOTAL</b>	<b>57,223</b>	<b>60,022</b>	<b>64,375</b>	<b>66,815</b>	<b>63,008</b>	<b>53,744</b>	<b>41,634</b>	<b>32,481</b>	<b>15,020</b>

In millions of euros

Situation on 31 December of each financial year.

(\*) From the budget surpluses of the Social Security Management Agencies and Common Services.

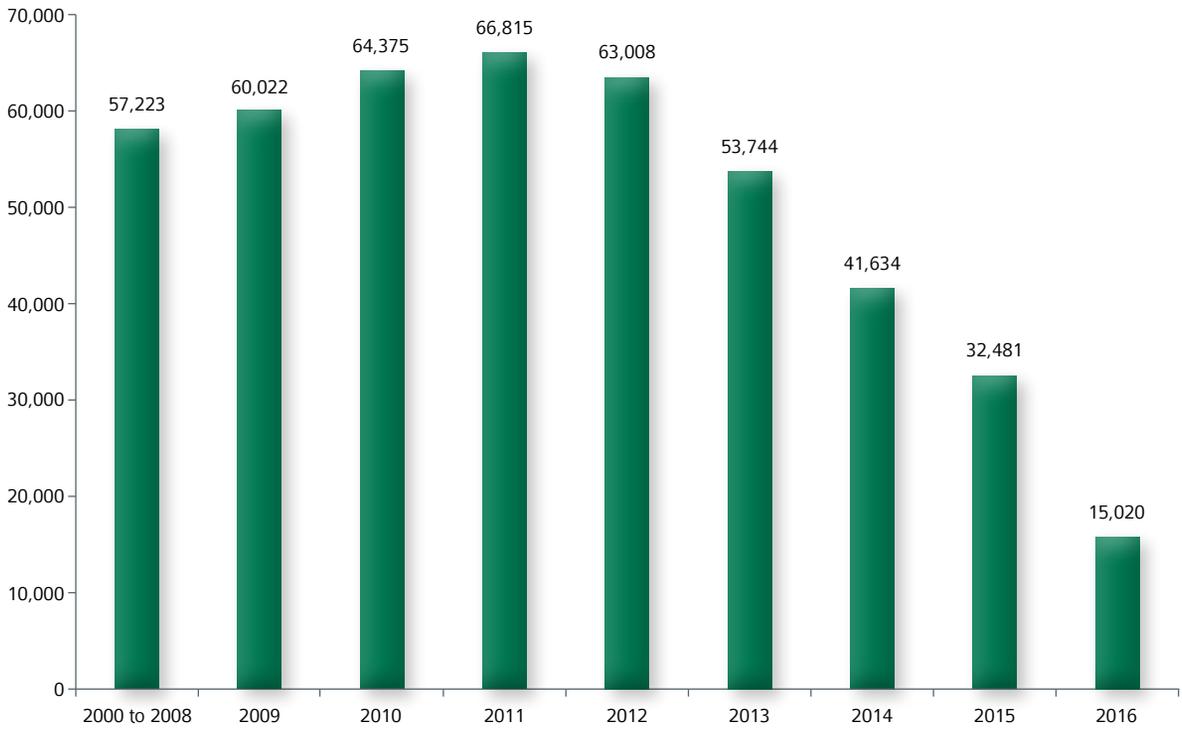
(\*\*) Generated by the Mutual Insurance Companies that act as partner agents to the Social Security system for the management of temporary incapacity benefits for non-work-related injury or illness.

(\*\*\*) In accordance with Council of Ministers Agreement of 27 September 2012, the first additional provision of Royal Decree Law 28/2012, of 30 November, and the tenth additions provision of Law 36/2014, of 26 December.

(\*\*\*\*) Interest on the current account, returns on assets, gains on disposals and other income.

The performance of the Reserve Fund for each financial year is shown graphically below:

**GENERAL PERFORMANCE OF THE RESERVE FUND**  
(Total acquisition price)



In millions of euros

Situation on 31 December of each financial year.

## 4 Actions in 2016



### 4.1. Investment and management criteria in 2016

- The Social Security Reserve Fund invests in Spanish Public Debt and may invest in the Public Debt of Germany, France and the Netherlands and in financial assets issued by the Official Credit Institute (ICO). The assets must be issued in euros, be of high credit quality and traded on regulated markets or organised trading systems.
- Investments in the Public Debt of non-Spanish issuers approved by the Social Security Reserve Fund Management Committee are restricted so that the total value of foreign debt in the portfolio may not exceed 55% of its total nominal value.
- 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 maturity structure for portfolio assets must be well-balanced and avoid any excessive concentration of maturity periods.
- 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, bonds and debentures), 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 as “Available-for-sale financial assets”.

## 4.2. Execution of agreements, Management Committee meeting on 2 December 2015

On 2 December 2015, the forty-eighth meeting of the Management Committee of the Social Security Reserve Fund was held. The Management Committee, as the senior management body of the Reserve Fund, agreed that the balance due on 1 February 2016, as coupons and financial assets redeemable on 31 January, would be reinvested in assets of Spanish Public Debt maturing in the very short term, to perform repurchase operations or to leave said amount in the current account, in accordance with the yields thereon.

The agreements adopted at this meeting were executed via the acquisition of the following Spanish financial assets on the secondary market, with value dates between 1 and 19 February 2016:

### ACQUISITION FINANCIAL ASSETS FEBRUARY 2016

DESCRIPTION OF FINANCIAL ASSET AND ISSUE NUMBER	REDEMPTION DATE	TOTAL ACQUISITION PRICE	NOMINAL VALUE	AVERAGE IRR ON ACQUISITION %
Treasury Bills ES0L01602199	19/02/2016	50,006,257.75	50,000,000.00	-0.265
Treasury Bills ES0L01604088	08/04/2016	12,006,339.35	12,000,000.00	-0.297
Government Bonds (3.25%) ES00000122X5	30/04/2016	129,131,724.05	125,000,000.00	-0.218
Treasury Bills ES0L01605135	13/05/2016	250,164,838.94	250,000,000.00	-0.244
Treasury Bills ES0L01606174	17/06/2016	880,560,291.36	880,000,000.00	-0.168
<b>TOTAL PUBLIC FINANCIAL ASSETS ACQUIRED</b>		<b>1,321,869,451.45</b>	<b>1,317,000,000.00</b>	<b>-0.192 (*)</b>

In euros

(\*) The weighted average IRR is calculated on the acquired nominal value: -0.192%. Deposit Facility rate: -0.30%.

### 4.3. Meetings of the Management Committee in 2016

The Social Security Reserve Fund's investment strategy in 2016, based on the agreements adopted at the meetings of the Management Committee, was affected by the following factors:

- The need to make withdrawals from the Reserve Fund.
- Historically low interest rates, including negative rates.
- Low returns on Spanish public debt, including negative returns in the very short-term.
- European Central Bank decisions concerning the yields on the accounts held by each country's central banks in the Deposit Facility (-0.30% in 2016 and -0.40% from 16 March).

Meanwhile, in order to take advantage of the higher gains available on the disposal of assets with longer maturity schedules, certain high-value assets were disposed of in order to generate the liquidity needed to withdrawals from the Reserve Fund.

#### 4.3.1. First meeting of the Management Committee in 2016

##### 4.3.1.1. Agreements adopted

The forty-ninth meeting of the Reserve Fund Management Committee, the Fund's highest-level governing body, was held on 9 February 2016. Having reviewed the recommendations of the Investment Advisory Commission, meeting on the same date, the Committee adopted the following agreements:

- To approve for 2016 changes to the investment criteria, in particular, to render ineffective the criterion related to the modified duration of the Social Security Reserve Fund.
- With respect to the cash flows from the year 2016, according to the best profitability and as long as it differs in at least 5 basis points with the Deposit Facility rate:
  - Reinvest in Spanish Public Debt maturing in the very short term.
  - Perform repurchase transactions.

Otherwise, leave said amount in the current account.

- To dispose of Spanish Public Debt with a nominal value sufficient to generate cash income of around € 6,000 million to meet withdrawal requirements in July 2016, in accordance with the agreed strategy of obtaining greater gains, liquidity, demand and duration. This amount will be adjusted in accordance with real cash flow needs. Once the real cash flow needs were verified, the amount to be sold was adjusted to € 5,308 million.
- To authorise the General Treasury for Social Security to allow it, in coordination with the General Secretariat of the Treasury and Financial Policy, to amend the mandate issued to the Bank of Spain when changing market conditions make it advisable to do so, while respecting the general terms of the investment strategy.
- To perform repurchase transactions as part of the operations provided the interest rate is higher than that of the Deposit Facility with a difference of at least 5 basis points.
- The Bank of Spain will act as agent, effecting the transactions on the most suitable date in accordance with the prevailing market conditions. The disposals will be carried out gradually, avoiding periods of excess supply in the Public Debt market which would adversely affect the sale price received by the Reserve Fund.

#### 4.3.1.2. Execution of agreements

The agreements adopted at this meeting were executed via the following operations:

- The acquisition of the following Spanish financial assets on the secondary market, with a value date from 2 March to 2 August 2016 (subsequent acquisitions could not be made since their profitability did not exceed, by at least 5 basis points, the Deposit Facility rate):

#### ACQUISITION FINANCIAL ASSETS MARCH-AUGUST 2016

DESCRIPTION OF FINANCIAL ASSET AND ISSUE NUMBER	REDEMPTION DATE	TOTAL ACQUISITION PRICE	NOMINAL VALUE	AVERAGE IRR ON ACQUISITION %
Treasury Bills ES0L01604088	08/04/2016	200,052,380.81	200,000,000.00	-0.264
Treasury Bills ES0L01605135	13/05/2016	300,143,555.60	300,000,000.00	-0.241
Treasury Bills ES0L01606174	17/06/2016	300,175,072.56	300,000,000.00	-0.313
Treasury Bills ES0L01610143	14/10/2016	62,640,884.87	62,600,000.00	-0.318
Treasury Bills ES0L01611182	18/11/2016	340,312,056.46	340,000,000.00	-0.303
<b>TOTAL PUBLIC FINANCIAL ASSETS ACQUIRED</b>		<b>1,203,323,950.30</b>	<b>1,202,600,000.00</b>	<b>-0.284 (*)</b>

In euros

(\*) The weighted average IRR is calculated on the acquired nominal value: -0.284%. Deposit Facility rate: between -0.30% and -0.40%.

- Disposal transactions to dispose of Spanish public financial assets were carried out on the secondary market, with a value date between 29 March and 8 July 2016:

### DISPOSAL FINANCIAL ASSETS MARCH-JULY 2016

DESCRIPTION OF FINANCIAL ASSET AND ISSUE NUMBER	REDEMPTION DATE	TOTAL DISPOSAL PRICE	NOMINAL VALUE	GAINS ON DISPOSALS (*)	AVERAGE IRR ON DISPOSAL %
Government Debentures (4.30%) ES0000012106	31/10/2019	69,911,980.32	60,000,000.00	8,748,089.38	0.181
Government Debentures (4.00%) ES00000122D7	30/04/2020	2,255,113,726.45	1,949,569,000.00	312,957,236.64	0.274
Government Debentures (4.85%) ES00000122T3	31/10/2020	1,161,322,854.49	948,000,000.00	195,384,701.89	0.348
Government Debentures (4.80%) ES00000121G2	31/01/2024	1,078,482,138.92	841,433,000.00	211,569,032.10	1.137
Government Debentures (6.00%) ES0000011868	31/01/2029	728,684,458.94	490,715,000.00	176,959,136.28	1.830
Government Debentures (5.75%) ES0000012411	30/07/2032	18,712,623.70	11,964,000.00	4,848,843.83	1.958
<b>TOTAL DISPOSALS PUBLIC FINANCIAL ASSETS</b>		<b>5,312,227,782.82</b>	<b>4,301,681,000.00</b>	<b>910,467,040.12</b>	<b>0.640 (**)</b>

In euros

(\*) The difference between the ex-coupon disposal price (€ 5,248,681,704.46) and the ex-coupon acquisition price (€ 4,332,228,626.78) adjusted for accrued unearned interest (€ 5,986,037.56), with total gains on the disposal of 21.15%.

(\*\*) The weighted average IRR is calculated on the acquired nominal value.

## 4.3.2. Second meeting of the Management Committee in 2016

### 4.3.2.1. Agreements adopted

The forty-seventh meeting of the Reserve Fund Management Committee, the Fund's highest-level governing body, was held on 12 July 2016. Having reviewed the recommendations of the Investment Advisory Commission, the Committee adopted the following agreements:

- To dispose of Spanish Public Debt with a nominal value sufficient to generate cash income of around € 6,381 million to meet withdrawal requirements in December 2016, in accordance with the agreed strategy of obtaining greater gains, liquidity, demand and duration.
- To authorise the General Treasury for Social Security to allow it, in coordination with the General Secretariat of the Treasury and Financial Policy, to amend the mandate issued to the Bank of Spain when changing market conditions make it advisable to do so, while respecting the general terms of the investment strategy.
- To perform repurchase transactions as part of the operations provided the interest rate is higher than that of the Deposit Facility with a difference of at least 5 basis points.
- The Bank of Spain will act as agent, effecting the transactions on the most suitable date in accordance with the prevailing market conditions. The disposals will be carried out gradually, avoiding periods of excess supply in the Public Debt market which would adversely affect the sale price received by the Reserve Fund.

### 4.3.2.2. Execution of agreements

The agreements adopted at this meeting were executed via the following transactions involving the disposal of Spanish financial assets carried out on the secondary market, dated from 9 September to 14 December 2016:

#### DISPOSAL FINANCIAL ASSETS SEPTEMBER-DECEMBER 2016

DESCRIPTION OF FINANCIAL ASSET AND ISSUE NUMBER	REDEMPTION DATE	TOTAL DISPOSAL PRICE	NOMINAL VALUE	GAINS ON DISPOSALS (*)	AVERAGE IRR ON DISPOSAL %
Government Debentures (4.10%) ES00000121A5	30/07/2018	1,865,895,644.51	1,720,000,000.00	102,515,664.98	-0.149
Government Debentures (4.60%) ES00000121L2	30/07/2019	1,867,576,322.93	1,641,580,000.00	191,044,866.65	0.013
Government Debentures (4.30%) ES00000121O6	31/10/2019	1,993,514,168.99	1,735,000,000.00	229,673,434.44	0.035
Government Debentures (4.85%) ES00000122T3	31/10/2020	654,012,983.74	526,710,000.00	107,616,509.44	0.018
<b>TOTAL DISPOSALS PUBLIC FINANCIAL ASSETS</b>		<b>6,380,999,120.17</b>	<b>5,623,290,000.00</b>	<b>630,850,475.51</b>	<b>-0.029 (**)</b>

In euros

(\*) The difference between the ex-coupon disposal price (€ 6,286,106,012.10) and the ex-coupon acquisition price (€ 5,696,772,971.48) adjusted for accrued unearned interest (- € 41,517,434.89), with total gains on the disposal of 10.35%.

(\*\*) The weighted average IRR is calculated on the acquired nominal value.

## 4.4. Summary of agreements in 2016

Financial assets with a total value of € 2,525,193,401.75 were acquired in 2016, all of them on the secondary market. The acquisitions are detailed below:

### TOTAL ACQUISITIONS FINANCIAL ASSETS

DESCRIPTION OF FINANCIAL ASSET AND ISSUE NUMBER	REDEMPTION DATE	TOTAL DISPOSAL PRICE	NOMINAL VALUE	AVERAGE IRR ON DISPOSAL %
Treasury Bills ES0L01602199	19/02/2016	50,006,257.75	50,000,000.00	-0.265
Treasury Bills ES0L01604088	08/04/2016	212,058,720.16	212,000,000.00	-0.266
Government Bonds (3.25%) ES00000122X5	30/04/2016	129,131,724.05	125,000,000.00	-0.218
Treasury Bills ES0L01605135	13/05/2016	550,308,394.54	550,000,000.00	-0.242
Treasury Bills ES0L01606174	17/06/2016	1,180,735,363.92	1,180,000,000.00	-0.205
Treasury Bills ES0L01610143	14/10/2016	62,640,884.87	62,600,000.00	-0.318
Treasury Bills ES0L01611182	18/11/2016	340,312,056.46	340,000,000.00	-0.303
<b>TOTAL DISPOSALS PUBLIC FINANCIAL ASSETS</b>		<b>2,525,193,401.75</b>	<b>2,519,600,000.00</b>	<b>-0.236 (*)</b>

In euros

(\*) The weighted average IRR is calculated on the acquired nominal value.

In addition, financial assets were disposed of for a total sale price of € 11,693,226,902.99. The disposals are detailed below:

### TOTAL DISPOSALS FINANCIAL ASSETS

DESCRIPTION OF FINANCIAL ASSET AND ISSUE NUMBER	REDEMPTION DATE	TOTAL DISPOSAL PRICE	NOMINAL VALUE	GAINS ON DISPOSALS (*)	AVERAGE IRR ON DISPOSAL %
Government Debentures (4.10%) ES00000121A5	30/07/2018	1,865,895,644.51	1,720,000,000.00	102,515,664.98	-0.149
Government Debentures (4.60%) ES00000121L2	30/07/2019	1,867,576,322.93	1,641,580,000.00	191,044,866.65	0.013
Government Debentures (4.30%) ES00000121O6	31/10/2019	2,063,426,149.31	1,795,000,000.00	238,421,523.82	0.040
Government Debentures (4.00%) ES00000122D7	30/04/2020	2,255,113,726.45	1,949,569,000.00	312,957,236.64	0.274
Government Debentures (4.85%) ES00000122T3	31/10/2020	1,815,335,838.23	1,474,710,000.00	303,001,211.33	0.230
Government Debentures (4.80%) ES00000121G2	31/01/2024	1,078,482,138.92	841,433,000.00	211,569,032.10	1.137
Government Debentures (6.00%) ES0000011868	31/01/2029	728,684,458.94	490,715,000.00	176,959,136.28	1.830
Government Debentures (5.75%) ES0000012411	30/07/2032	18,712,623.70	11,964,000.00	4,848,843.83	1.958
<b>TOTAL DISPOSALS PUBLIC FINANCIAL ASSETS</b>		<b>11,693,226,902.99</b>	<b>9,924,971,000.00</b>	<b>1,541,317,515.63</b>	<b>0.261 (**)</b>

In euros

(\*) The difference between the ex-coupon disposal price (€ 11,534,787,716.56) and the ex-coupon acquisition price (€ 10,029,001,598.26) adjusted for accrued unearned interest (- € 35,531,397.33), with total gains on the disposal of 15.01%.

(\*\*) The weighted average IRR is calculated on the acquired nominal value.

## 4.5. Repurchase transactions in 2016

On 30 January 2015, an Addendum to the Agreement between the Social Security General Treasury and the Bank of Spain was signed to carry out operations of temporary acquisition of financial assets issued by public legal entities in order to minimize the impact of the negative remuneration measures established by the European Central Bank (negative rate fixed until 16 March 2016 at -0.30% and, as of that date, at -0.40%) in cash accounts which the Reserve Fund keeps open at the Bank of Spain.

Pursuant to the aforementioned Addendum and the agreements of the Reserve Fund Management Committee (held in December 2015 and throughout 2016), repurchase transactions were performed throughout the year using uninvested balances available at the time.

The Management Committee in its 2016 agreements established, as a condition to carrying out repurchase transactions, that the rate of these transactions was greater than the Deposit Facility rate with a difference of at least 5 basis points.

## 5 Key figures for the Reserve Fund on 31 December 2016

On 31 December 2016 the total acquisition<sup>2</sup> cost of the Social Security Reserve Fund asset portfolio was € 15,019,772,521.56.

The portfolio contains only Spanish Public Debt, classified by zone as detailed below:

### FUND DISTRIBUTION BY ZONES

FINANCIAL	TOTAL ACQUISITION PRICE	%	NOMINAL VALUE	%
Short-term zone	11,190,270,561.50	74.50	10,789,510,000.00	74.93
3 year zone	3,829,501,960.06	25.50	3,610,825,000.00	25.07
<b>TOTAL</b>	<b>15,019,772,521.56</b>	<b>100.00</b>	<b>14,400,335,000.00</b>	<b>100.00</b>

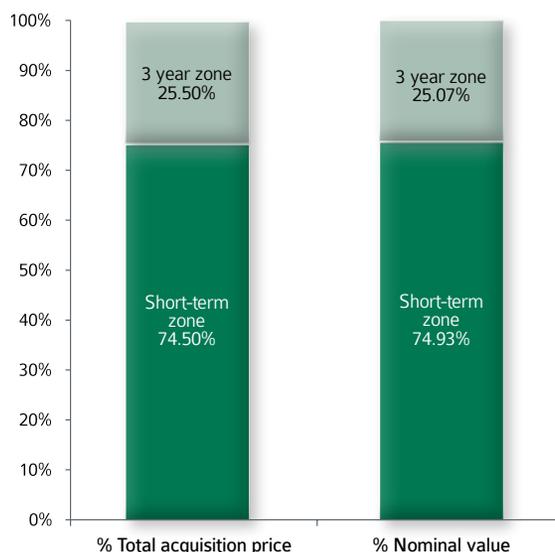
In euros

#### Zone distribution criteria:

Short term: maturing in the 12 months from 31 December 2016 in accordance with accounting criteria.

3 year zone: Maturing after 12 months and up to 4 years from 31 December 2016.

### FUND DISTRIBUTION BY ZONES



2. Acquisition price includes any interest accrued but not paid included in the asset value as per note 1 (page 7).

The composition of the portfolio on 31 December 2016 is itemised by asset type and issue number in the table below:

### COMPOSITION PORTFOLIO RESERVE FUND

	DESCRIPTION OF FINANCIAL ASSET AND ISSUE NUMBER	REDEMPTION DATE	TOTAL ACQUISITION PRICE	NOMINAL VALUE
<b>I</b>	<b>SHORT-TERM ZONE</b>			
	Government Debentures (3.80%) ES00000120J8	31/01/2017	2,224,994,840.02	2,249,445,000.00
	Government Bonds (2.10%) ES00000124I2	30/04/2017	1,193,063,399.04	1,137,363,000.00
	Government Debentures (5.50%) ES0000012783	30/07/2017	3,095,298,659.03	2,728,349,000.00
	Government Bonds (4.75%) ES00000123R5	30/09/2017	3,274,687,467.84	3,280,724,000.00
	Government Bonds (0.50%) ES00000126V0	31/10/2017	1,402,226,195.57	1,393,629,000.00
	<b>TOTAL</b>		<b>11,190,270,561.50</b>	<b>10,789,510,000.00</b>
<b>II</b>	<b>3 YEAR ZONE</b>			
	Government Bonds (4.50%) ES00000123Q7	31/01/2018	452,176,041.11	400,000,000.00
	Government Bonds (0.25%) ES00000127D6	30/04/2018	3,005,398.65	3,010,000.00
	Government Debentures (4.10%) ES00000121A5	30/07/2018	1,660,454,295.28	1,598,595,000.00
	Government Bonds (3.75%) ES00000124B7	31/10/2018	625,073,075.62	549,400,000.00
	Government Debentures (4.60%) ES00000121L2	30/07/2019	595,464,740.49	572,635,000.00
	Government Debentures (4.30%) ES00000121O6	31/10/2019	493,328,408.91	487,185,000.00
	<b>TOTAL</b>		<b>3,829,501,960.06</b>	<b>3,610,825,000.00</b>
<b>(I+II)</b>	<b>TOTAL PUBLIC FINANCIAL ASSETS ON 31 DECEMBER 2016</b>		<b>15,019,772,521.56</b>	<b>14,400,335,000.00</b>

In euros

See page 24 for zone distribution criteria.

## 6 Analysis of the Reserve Fund return on 31 December 2016

### 6.1. Reserve Fund returns

From the first allocation to the Reserve Fund by the Council of Ministers in 2000, until 31 December 2016, the returns obtained include coupons, imputed net returns, returns on disposals and other revenues and interest on the Fund's current account.

A total of € 25,570,346,322.66 was collected in coupons; this can be further broken down into coupons collected on the maturity date, € 24,718,854,048.76, and coupons collected on disposal of the assets, € 851,492,273.90, as follows:

#### COUPONS COLLECTED AT MATURITY DATE

YEAR/DATE	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
2015		1,790,818,506.50
2016		1,159,723,202.92
31/01/2016	252,662,307.00	
30/04/2016	137,682,173.42	
30/07/2016	387,975,480.00	
30/09/2016	155,834,390.00	
31/10/2016	225,568,852.50	
<b>TOTAL</b>		<b>24,718,854,048.76</b>

In euros

### COUPONS COLLECTED ON DISPOSAL OF THE ASSETS

YEAR	TOTAL AMOUNT
2009	156,913,647.84
2010	91,216,232.39
2011	
2012	58,802,906.46
2013	
2014	147,071,866.64
2015	239,048,434.14
2016	158,439,186.43
<b>TOTAL</b>	<b>851,492,273.90</b>

In euros

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

### IMPUTED NET RETURNS

YEAR	DESCRIPTION	PARTIAL AMOUNT	TOTAL AMOUNT
2001	From redeemed assets		
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
	From redeemed assets	-144,330,440.02	
2009	From redeemed assets	32,526,580.28	
	Total		-111,803,859.74
	From redeemed assets	-65,155,129.73	
2010	From assets sold	-32,623,033.13	
	Total		-97,778,162.86
2011	From redeemed assets		-352,313,679.93
	From redeemed assets	-193,164,725.87	
2012	From assets sold	90,528,546.56	
	Total		-102,636,179.31
2013	From redeemed assets		-251,607,366.30
	From redeemed assets	-199,697,478.25	
2014	From redeemed assets	-89,181,162.29	
	Total		-288,878,640.54
	From redeemed assets	-98,723,767.46	
2015	From assets sold	-96,604,608.60	
	Total		-195,328,376.06
	From redeemed assets	105,013,436.76	
2016	From assets sold	-35,531,397.33	
	Total		69,482,039.43
<b>TOTAL</b>			<b>-1,499,311,217.82</b>

In euros

Gains on disposals amounted to € 6,118,911,481.05, as follows:

### GAINS ON DISPOSALS

YEAR	AMOUNT
2009	498,913,390.60
2010	185,377,136.85
2011	
2012	478,199,906.83
2013	
2014	1,041,120,454.32
2015	2,373,983,076.82
2016	1,541,317,515.63
<b>TOTAL</b>	<b>6,118,911,481.05</b>

In euros

Other income is detailed by year and type as follows:

### OTHER INCOME

TYPE AND YEAR	AMOUNT
<b>SECURITY SWAPS</b>	<b>245,998.34</b>
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
2015	
2016	
<b>REPURCHASE TRANSACTIONS</b>	<b>-4,724,795.42</b>
2014	22,183.54
2015	-1,947,508.57
2016	-2,799,470.39
<b>COMPENSATION FOR LOST INTEREST ON LATE PAYMENTS OF INCOME BY PARTNER MUTUAL INSURANCE COMPANIES</b>	<b>78,017.23</b>
AÑO 2008	78,017.23
<b>TOTAL</b>	<b>-4,400,779.85</b>

In euros

Finally, regarding interest accrued and paid by the current account held with the Bank of Spain, in 2000 until 31 December 2016, the following amounts have been obtained:

### CURRENT ACCOUNT INTERESTS

YEAR	AMOUNT
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 (*)	454,059.59
2015 (*)	
2016 (*)	
<b>TOTAL</b>	<b>324,233,583.84</b>

In euros

(\*) The 2014 figure refers to amounts earned in the period in which the Eonia rate remained in force (1 January to 10 June). In 2015 and 2016, it ceased to be remunerated with positive rates.

The total amounts received by the Reserve Fund from the first allocation approved in 2000 until 31 December 2016 are summarised in the following table:

### NET RETURNS GENERATED

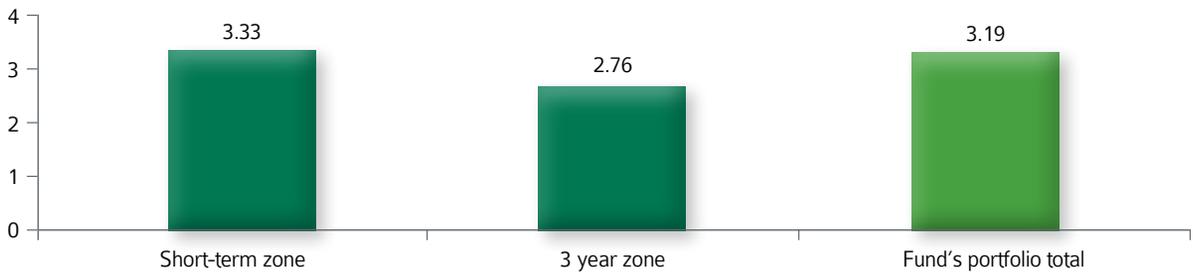
TYPE	AMOUNT
Coupons	25,570,346,322.66
Imputed net returns	-1,499,311,217.82
Gains on disposals	6,118,911,481.05
Other income	-4,400,779.85
Adjustments on redemption/disposal of the asset (for interest accrued but not paid)	-1,750,561,863.84
Current account interest	324,233,583.84
<b>TOTAL NET RETURNS</b>	<b>28,759,217,526.04</b>

In euros

## 6.2. Return on fixed-income assets: Public Debt

The return on the assets that make up the Fund’s portfolio is defined by the IRR (internal rate of return) of each security at the time of purchase. The weighted average IRR of the current portfolio, consisting of instruments acquired from December 2000 and held in the portfolio on 31 December 2016, is calculated as a weighted average over the nominal value and is situated at 3.19%, with the following detail:

### IRR ACQUISITION

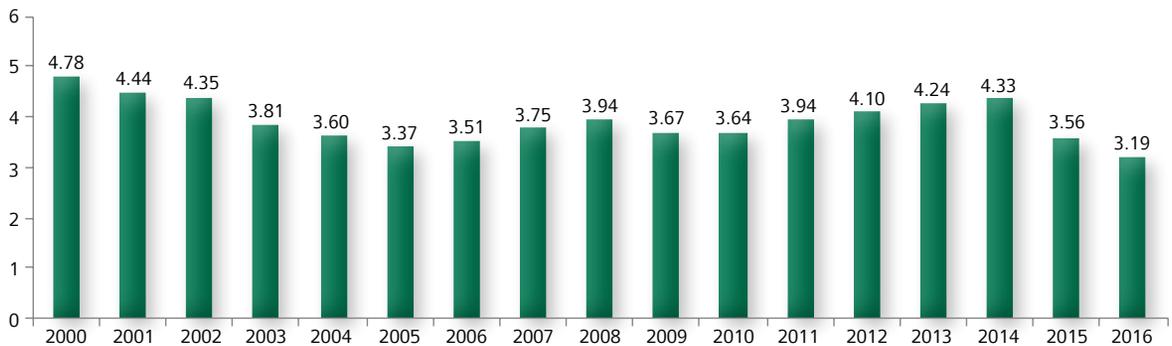


Figures expressed as a percentage

Weighted average IRR on the nominal value.

The weighted average acquisition IRR on the nominal value of the assets in the portfolio shows the following evolution per financial year:

### IRR ACQUISITION PERFORMANCE



Figures expressed as a percentage

Weighted average IRR on the nominal value.

### 6.3. Return on the “General Treasury for Social Security Special Reserve Fund. Art. 91.1 T.R.L.G.S.S.” account

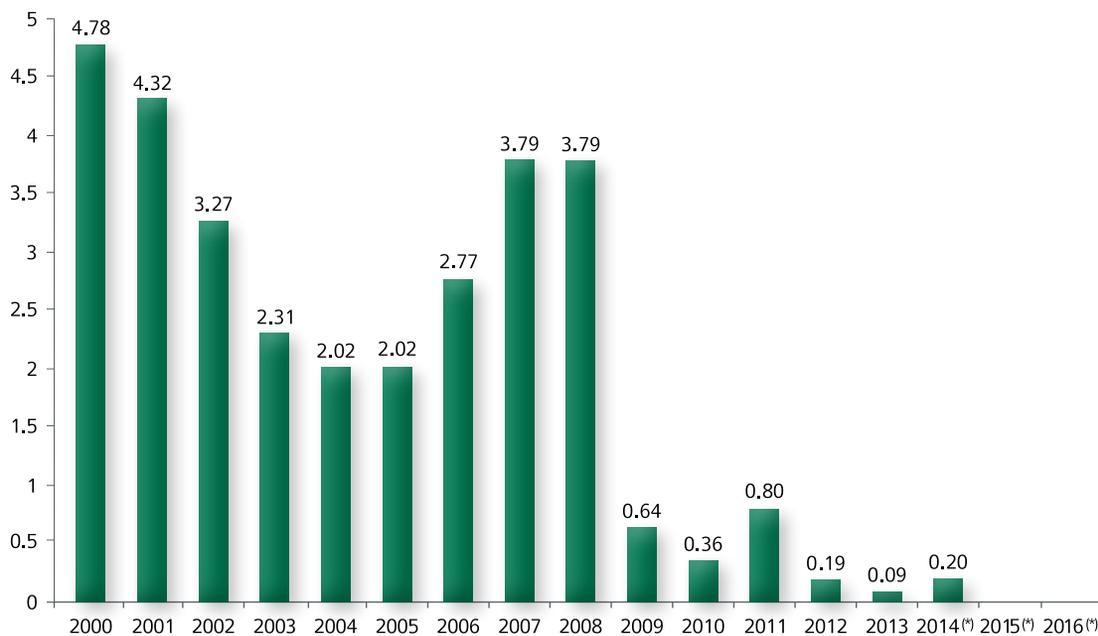
On 11 June 2014 the remuneration on the Reserve Fund’s accounts with the Bank of Spain was modified. At the meeting of the European Central Bank’s Governing Council on 5 June 2014, the applicable interest rate was set at 0% or at the Deposit Facility rate if this were negative. From 11 June 2014 the Deposit Facility rate was set at -0.10% (currently -40%).

This rate came into effect from that date for all accounts held by public sector entities, whether said accounts were interest-bearing or not. Nevertheless, given that interest is calculated on the accounts on the basis of natural months, the Bank of Spain has applied the Deposit Facility rate, provided said rate is negative, to interest payments made from 1 July 2014.

From 1 March 2015, in line with European Central Bank Guideline ECB/2014/9, the first € 20 million of the balance of the accounts held by the Reserve Fund in the Bank of Spain are remunerated at the Eonia interest rate, while balances exceeding this amount are remunerated at the Deposit Facility rate.

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

#### AVERAGE CURRENT ACCOUNT INTEREST RATE



Figures expressed as a percentage

(\*) The 2014 figure refers to amounts earned in the period in which the Eonia rate remained in force (1 January to 10 June). This account did not bear interest at a positive rate in 2015 and 2016.

## 6.4. Return on the Social Security Reserve Fund

The total cumulative return on the Reserve Fund on 31 December 2016 (securities portfolio plus the Reserve Fund current account balance) is calculated using the method approved by the Reserve Fund Management Committee at its meeting on 11 November 2005 introducing technical adjustments to the method previously applied in order to bring it in line with that used by other investment and private pension funds. Its principal characteristic 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 to the overall return of the Fund.

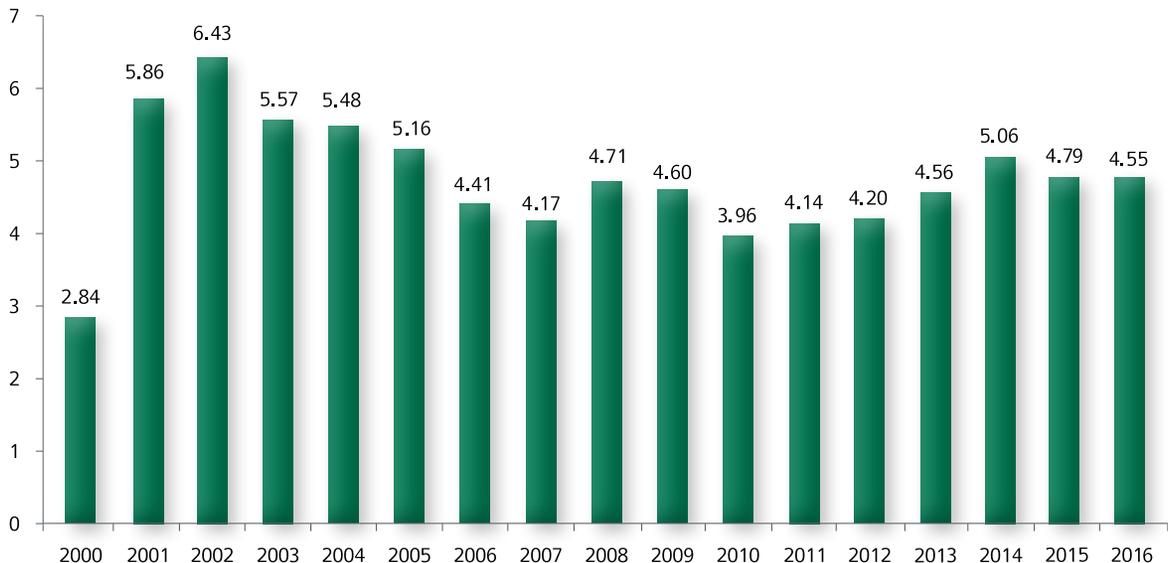
The cumulative Fund return figure is obtained by comparing the current net asset value of an instrument and its value at the time when the Fund was created, then annualising the cumulative return figure. The net asset value of each unit is adjusted each time a new allocation or withdrawal is made, so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

For calculation purposes, the market value of the fund on 31 December 2016 is calculated using the closing prices for each instrument quoted by Bloomberg. On this basis, the net asset value of the Reserve Fund on 31 December 2016 was € 15,200.48 million (€ 15,200.21 million for the portfolio and € 0.27 million deposited in the current account).

Based on this method, the accumulated return on the Reserve Fund from its inception in 2000 until 31 December 2015 was 105.69% or 4.55% in annualised terms.

The following chart shows the annualised cumulative returns at the end of each financial year from the date of the first allocation to the Reserve Fund approved by the Council of Ministers in 2000:

### PERFORMANCE OF ANNUALISED CUMULATIVE RETURNS

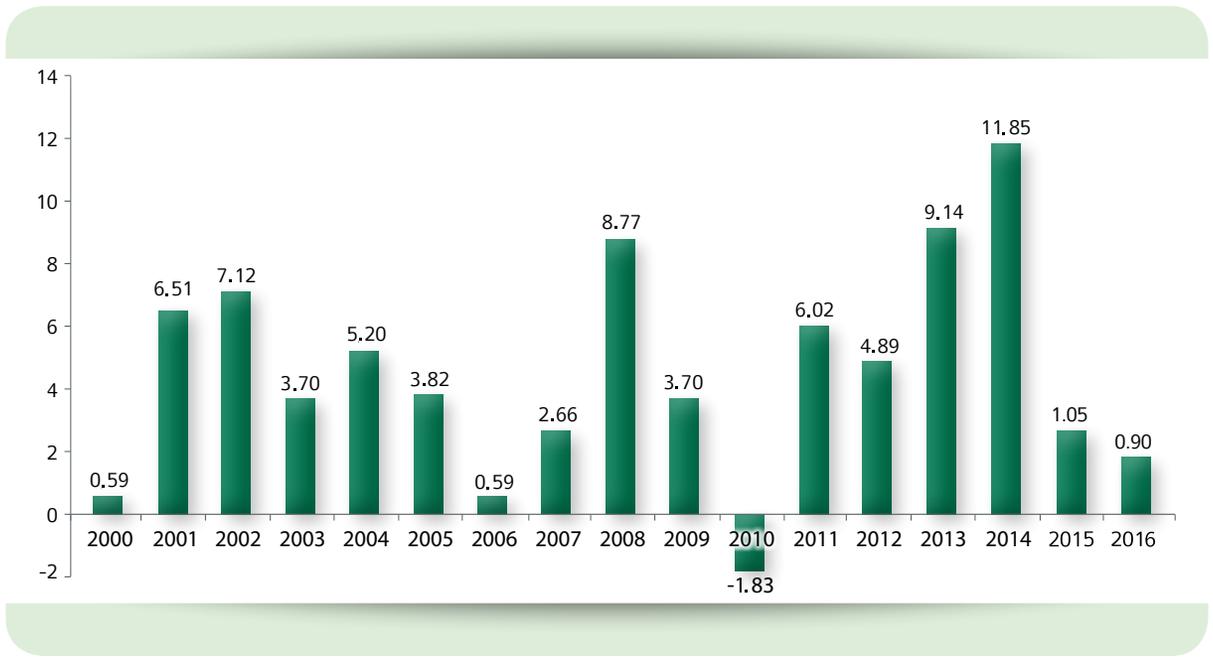


Figures expressed as a percentage

The annual return on the Reserve Fund in 2016 was 0.90%.

The following chart shows the annual returns of the Reserve Fund:

**PERFORMANCE OF ANNUAL RETURNS**



Figures expressed as a percentage

The average returns on the Reserve Fund on 31 December 2016 are summarised below:

**ANNUALISED AVERAGE RETURNS**

15 YEARS	10 YEARS	5 YEARS	3 YEARS	1 YEAR
4.55	4.63	5.47	4.47	0.90

Figures expressed as a percentage

## 6.5. Summary of returns

The returns on the Fund are summarised in the table and chart below and analysed in further detail in the following sections:

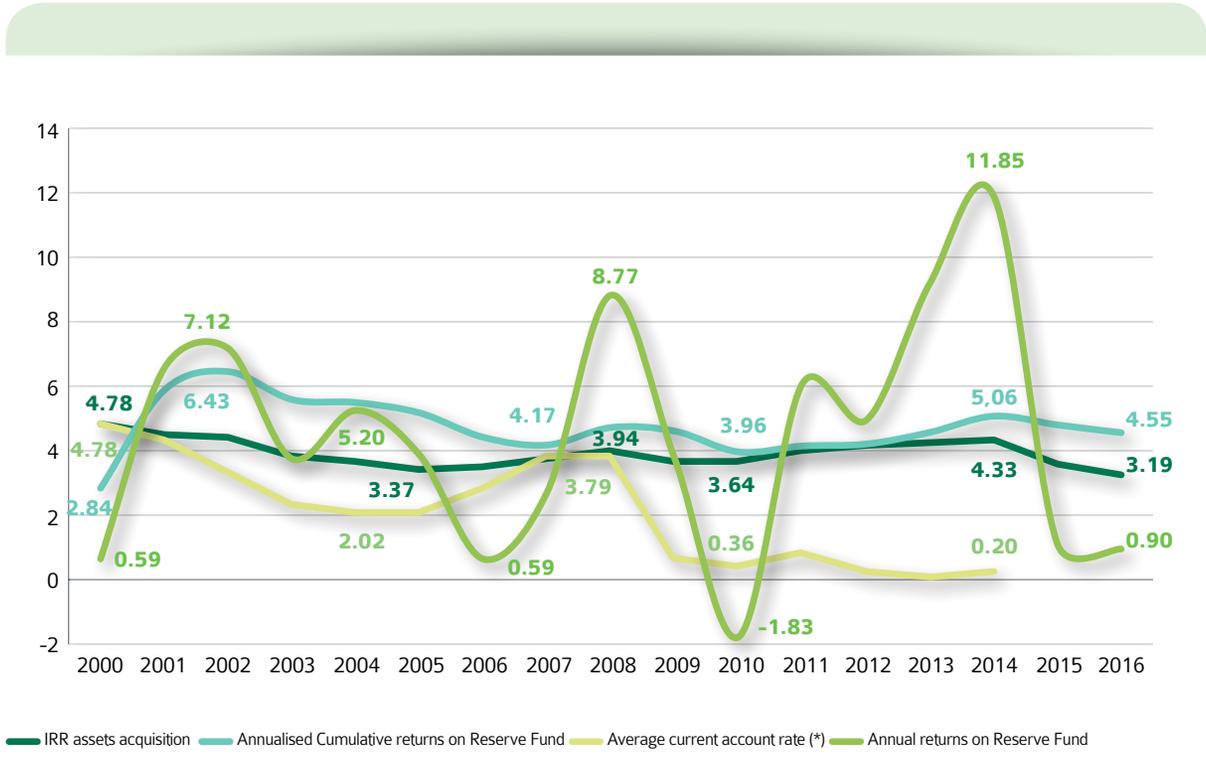
### RETURNS SUMMARY

YEAR	IRR ASSETS ACQUISITION	AVERAGE CURRENT ACCOUNT RATE	ANNUALISED CUMULATIVE RETURNS ON RESERVE FUND	ANNUAL RETURNS ON RESERVE FUND
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
2015	3.56	(*)	4.79	1.05
2016	3.19	(*)	4.55	0.90

Figures expressed as a percentage

(\*) The 2014 figure refers to amounts earned in the period in which the Eonia rate remained in force (1 January to 10 June). In 2015 and 2016, it ceased to be remunerated with positive rates.

**PERFORMANCE OF RETURNS**



Figures expressed as a percentage

(\*) The 2014 figure refers to amounts earned in the period in which the Eonia rate remained in force (1 January to 10 June). In 2015 and 2016, it ceased to be remunerated with positive rates.

## 7 Forecasts

### 7.1. Year 2017

During the year 2017, taking as reference the portfolio on 31 December 2016, coupons amounting to € 573,667,848 will mature, with the following detail:

#### COUPONS MATURING 2017

MATURITY DATE	AMOUNT
31/01/2017	103,478,910
30/04/2017	23,892,148
30/07/2017	241,942,800
30/09/2017	155,834,390
31/10/2017	48,519,600
<b>TOTAL</b>	<b>573,667,848</b>

In euros

Public financial assets amounting to € 10,789,510,000 will mature in 2017, as follows:

#### REDEMPTION FINANCIAL ASSETS 2017

REDEMPTION DATE	DESCRIPTION OF FINANCIAL ASSET	NOMINAL VALUE
31/01/2017	Government Debentures (3.80%) ES00000120J8	2,249,445,000
30/04/2017	Government Bonds (2.10%) ES00000124I2	1,137,363,000
30/07/2017	Government Debentures (5.50%) ES0000012783	2,728,349,000
30/09/2017	Government Bonds (4.75%) ES00000123R5	3,280,724,000
31/10/2017	Government Bonds (0.50%) ES00000126V0	1,393,629,000
<b>TOTAL</b>		<b>10,789,510,000</b>

In euros



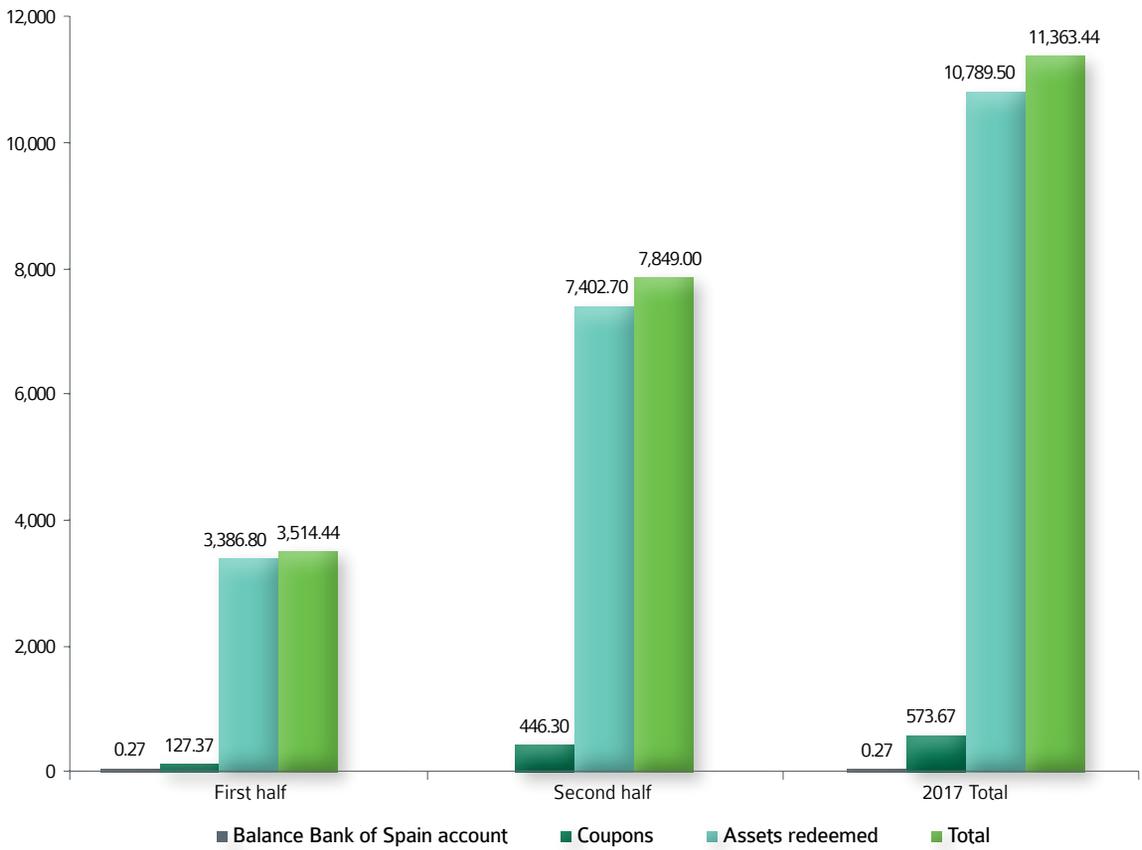
The following table and chart show the forecast cash flows for 2017:

### CASH FLOW FORECAST 2017

TYPE	PARTIAL AMOUNT	TOTAL AMOUNT
Account balance on 1 January 2017		266,494.09
2017 coupons		573,667,848.00
First quarter	103,478,910.00	
Second quarter	23,892,148.00	
Third quarter	397,777,190.00	
Fourth quarter	48,519,600.00	
Assets maturing in 2017		10,789,510,000.00
First quarter	2,249,445,000.00	
Second quarter	1,137,363,000.00	
Third quarter	6,009,073,000.00	
Fourth quarter	1,393,629,000.00	
<b>TOTAL</b>		<b>11,363,444,342.09</b>

In euros

**CASH FLOW FORECAST 2017**



In millions of euros

## 7.2. Years 2018 and 2019

In 2018 the following coupons held on 31 December 2016 will mature by € 151,442,585.

### COUPONS MATURING 2018

MATURITY DATE	AMOUNT
31/01/2018	18,000,000
30/04/2018	7,525
30/07/2018	91,883,605
31/10/2018	41,551,455
<b>TOTAL</b>	<b>151,442,585</b>

In euros

Public financial assets amounting to € 2,551,005,000 will mature in 2018, as follows:

### REDEMPTION FINANCIAL ASSETS 2018

REDEMPTION DATE	DESCRIPTION OF FINANCIAL ASSET	NOMINAL VALUE
31/01/2018	Government Bonds (4.50%) ES00000123Q7	400,000,000
30/04/2018	Government Bonds (0.25%) ES00000127D6	3,010,000
30/07/2018	Government Debentures (4.10%) ES00000121A5	1,598,595,000
31/10/2018	Government Bonds (3.75%) ES00000124B7	549,400,000
<b>TOTAL</b>		<b>2,551,005,000</b>

In euros

The sum of coupons and redemptions will amount to a total of € 2,702,447,585.

In 2019 the following coupons held on 31 December 2016 will mature by € 47,290,165.

### COUPONS MATURING 2019

MATURITY DATE	AMOUNT
30/07/2019	26,341.210
31/10/2019	20,948.955
<b>TOTAL</b>	<b>47,290.165</b>

In euros

Public financial assets amounting to € 1,059,820,000 will mature in 2019, as follows:

### REDEMPTION FINANCIAL ASSETS 2019

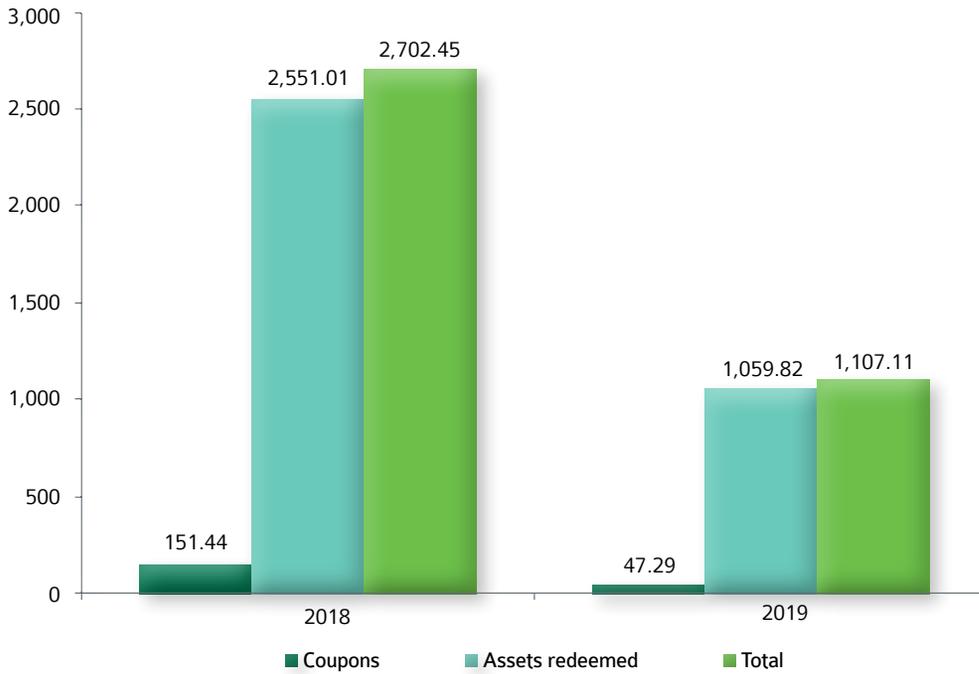
REDEMPTION DATE	DESCRIPTION OF FINANCIAL ASSET	NOMINAL VALUE
30/07/2019	Government Debentures (4.60%) ES00000121L2	572,635,000
31/10/2019	Government Debentures (4.30%) ES00000121O6	487,185,000
<b>TOTAL</b>		<b>1,059,820,000</b>

In euros

The sum of coupons and redemptions will amount to a total of € 1,107,110,165.

The amount of the forecasted cash flows during the 2018 and 2019 financial years is reflected in the following graphic representation:

### CASH FLOW FORECAST 2018 AND 2019



In millions of euros

## 8 Comparison of key Reserve Fund figures

In this section, a comparison is made of the value of the Reserve Fund in 2016 with respect to 2015, both at the total acquisition price and at the market value, as well as the most representative magnitudes. Finally, the performance of its distribution at total acquisition price is shown.

### RESERVE FUND VALUE COMPARISON

TYPE	YEAR 2015	YEAR 2016
RESERVE FUND TOTAL ACQUISITION PRICE	32,481.32	15,020.04
RESERVE FUND AT MARKET VALUE	35,035.02	15,200.48

In millions of euros

Figures on 31 December of each financial year.

### COMPARISON OF KEY RESERVE FUND FIGURES

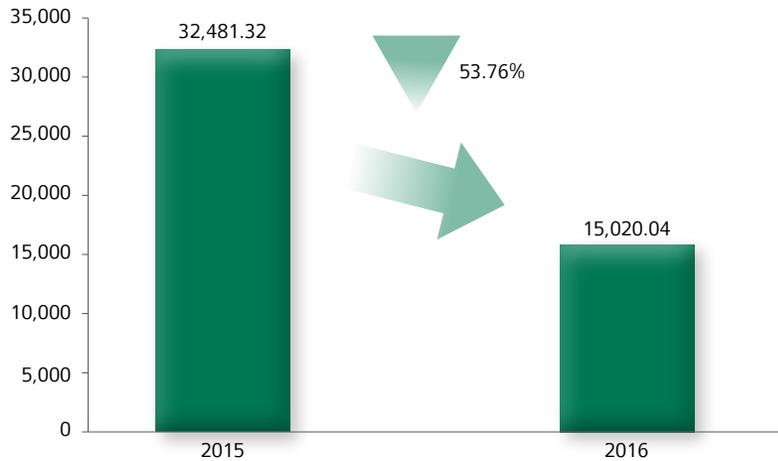
TYPE	YEAR 2015	YEAR 2016
IRR ON FIXED INCOME SECURITIES - ACQUISITION	3.56%	3.19%
IRR ON FIXED INCOME SECURITIES - MARKET	0.25%	-0.28%
AVERAGE CURRENT ACCOUNT INTEREST RATE	-	-
ANNUALISED CUMULATIVE RETURNS ON RESERVE FUND	4.79%	4.55%
ANNUAL RETURNS ON THE SOCIAL SECURITY RESERVE FUND	1.05%	0.90%
DEGREE OF CONCENTRATION	3.82%	1.66%
DURATION	2.34 years	0.87 years
MODIFIED DURATION	2.33	0.87
FOREIGN DEBT AS A % NOMINAL VALUE OF TOTAL PORTFOLIO	0.00%	0.00%
RESERVE FUND AS A % OF GDP (*)	3.02%	1.35%

(\*) The figures for the 2015 financial year are stated in relation to the 2015 GDP (€ 1,075,639 million) and the 2016 financial year in relation to the 2016 GDP (€ 1,113,851 million) according to National Statistics Institute figures published on 2 March 2017, with CNE base year 2010.



The total amount of the Social Security Reserve Fund, at the total acquisition price, on 31 December 2016, shows the following performance compared to the same date of the previous year:

### PERFORMANCE OF RESERVE FUND AT TOTAL ACQUISITION PRICE

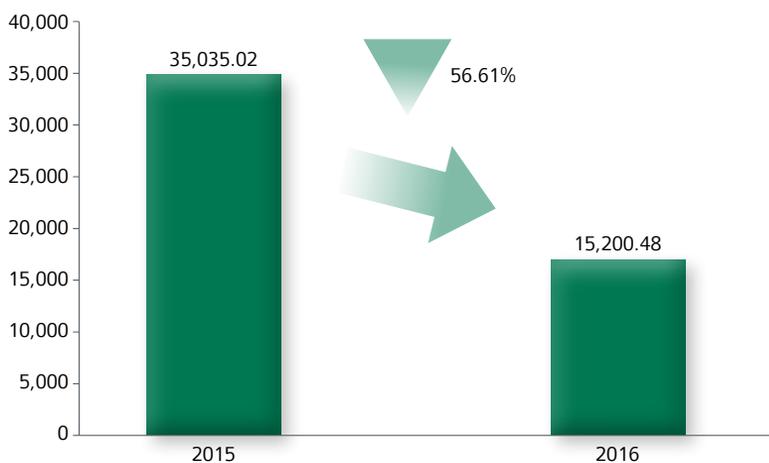


In millions of euros

Figures on 31 December of each financial year.

The following chart shows the performance of the Social Security Reserve Fund at market value:

### PERFORMANCE OF RESERVE FUND AT MARKET VALUE

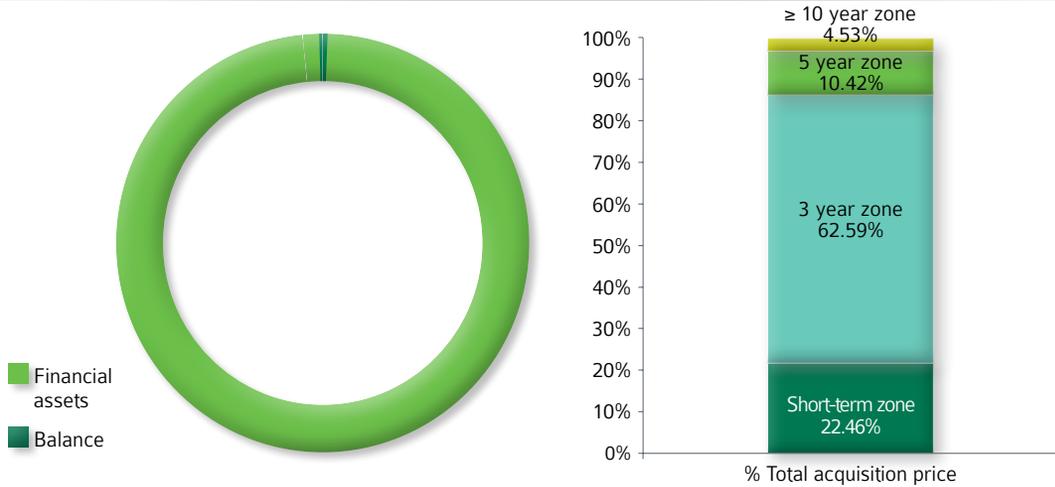


In millions of euros

Figures on 31 December of each financial year.

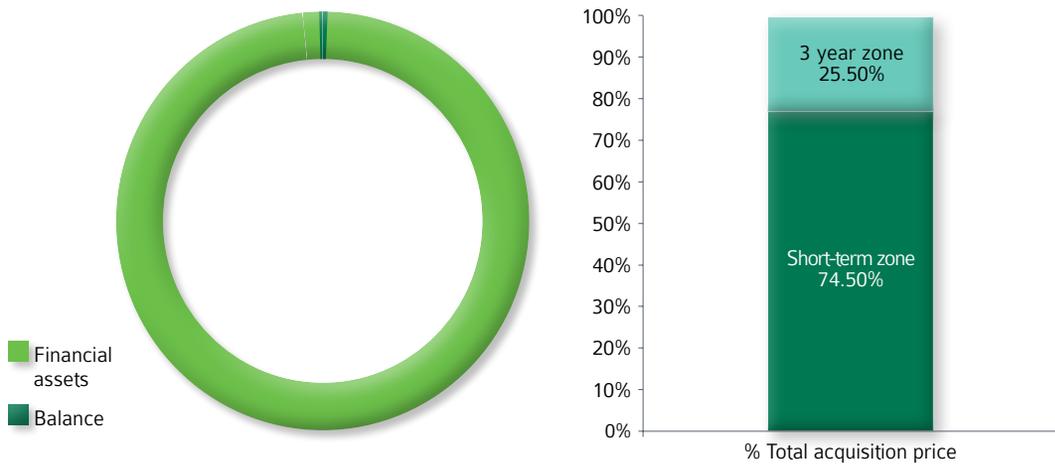
The Reserve Fund has the following distribution at total acquisition price:

**2015**



Figures from 31 December.

**2016**



Figures on 31 December.

## Appendix I. Financial and management information regarding the annual accounts

This report on the actions taken in 2016 and the situation of the Reserve Fund on 31 December 2016 has been prepared for presentation to Parliament in compliance with the provisions of article 127 of Royal Legislative Decree 8/2015, of 30 October, approving the revised text of the General Social Security Law. Its purpose is to provide information on the administration and activities during the year based on the decisions of its Management Committee, its highest governance and control body. Specifically, to furnish details on the Reserve Fund on 31 December 2016, including its value, composition, portfolio distribution, returns and market value. It also contains details of how the Fund is expected to perform over the next three years, allowing its cash flows to be forecast in order to plan the corresponding actions required.

This information has been compiled from a management standpoint. The figures presented in certain sections, including the breakdown of investments by their maturity dates and market values, therefore differ from those presented in the annual financial statements in accordance with prevailing accounting standards.

Order EHA/1037/2010, of 13 April approved the General Public Accounting Plan applicable to all public authorities.

The adaptation of the General Public Accounting Plan for the entities forming the Social Security system was approved by Decision of 1 July 2011 of the Government Comptroller's Office.

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. The assets in the Reserve Fund portfolio on 31 December 2016 continue to be classified as "Financial assets available for sale".

Finally, additional information is provided on the financial situation of the Social Security Reserve Fund based on accounting figures at the end of the 2016 reporting period.

### FINANCIAL SITUATION OF THE RESERVE FUND ON 31 DECEMBER 2016

TYPE	AMOUNT
<b>Long-term debt securities available for sale</b>	<b>3,912,230,180.75</b>
- Domestic portfolio	3,912,230,180.75
- Eurozone portfolio	0.00
<b>Short-term debt securities available for sale</b>	<b>11,027,763,247.81</b>
- Domestic portfolio	11,027,763,247.81
- Eurozone portfolio	0.00
<b>Social Security Reserve Fund financial balance</b>	<b>266,494.09</b>
<b>Short-term interest on debt securities</b>	<b>260,219,034.11</b>
- Domestic portfolio	260,219,034.11
- Eurozone portfolio	0.00
<b>Other short-term interest receivable</b>	<b>0.00</b>
<b>TOTAL FINANCIAL SITUATION ON 31 DECEMBER 2016</b>	<b>15,200,478,956.76</b>

In euros

## Appendix II. Withdrawals from the Reserve Fund in 2016

Withdrawals from the Reserve Fund in 2016 were made pursuant to Law 36/2014 of 26 December, on the 2015 general State Budget, the tenth additional provision of which overrules the general 3% limit established by article 4 of Law 28/2003, of 29 September, regulating the Social Security Reserve Fund, for 2015 and 2016, allowing withdrawals in these Financial years, as necessary, up to a maximum amount equivalent to the deficit on non-financial transactions stated in the forecast budget settlement for the Social Security system's management agencies 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 amount equivalent to the deficit on non-financial transactions stated in the forecast budget settlement for the Social Security system's management agencies and common services and are used for payments related to contributory pensions and other costs necessary for their administration.

On 7 November 2016, the Social Security Public Accounts Department, in compliance with its duties 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 2016 as follows:

### 2016 DEFICIT FOR THE PURPOSES OF THE RESERVE FUND

TYPES	AMOUNT
a) Total budgeted non-financial transactions in 2016	-18,989.13
b) Total adjustments in 2016	-2,961.08
<b>2016 forecast budget contribution (a+b) (per. 1 Royal Decree 337/2004)</b>	<b>-21,950.21</b>

In millions of euros

From July 2016, and during the third and fourth quarters of the year, circumstances made it necessary to call on the Reserve Fund, principally to cover the double pension payments made in certain months.

In 2016, therefore, the General Treasury for Social Security, as the paying body for the system responsible for distributing funds at the appropriate time and place to meet the Social Security system's obligations and prevent financial shortfalls, effected withdrawals from the Social Security Reserve Fund totalling € 20,136 million.

The following table shows the withdrawals effected to 31 December 2016:

REGULATION	YEAR	QUARTER	DATE	AMOUNT	SUBTOTAL	CUMULATIVE TOTAL	
<b>COUNCIL OF MINISTERS AGREEMENT 27/09/2012</b>	2012	3rd	28/09/2012	1,700			
		4rd	26/10/2012	1,363			
						<b>3,063</b>	<b>3,063</b>
<b>ROYAL DECREE LAW 28/2012, OF 30 NOVEMBER</b>	2012	4rd	03/12/2012	3,530			
			18/12/2012	410			
					<b>3,940</b>	<b>7,003</b>	
	2013	3rd	01/07/2013	3,500			
			22/07/2013	1,000			
			01/08/2013	1,000			
		4rd	01/10/2013	720			
			02/12/2013	5,000			
			20/12/2013	428			
					<b>11,648</b>	<b>18,651</b>	
2014	3rd	01/07/2014	5,500				
		21/07/2014	500				
	4rd	01/12/2014	8,000				
		22/12/2014	1,300				
				<b>15,300</b>	<b>33,951</b>		
<b>LAW 36/2014 OF 26 DECEMBER</b>	2015	3rd	01/07/2015	3,750			
			4rd	01/12/2015	7,750		
				21/12/2015	1,750		
					<b>13,250</b>	<b>47,201</b>	
	2016	3rd	01/07/2016	8,700			
			20/07/2016	1,000			
4rd		01/12/2016	9,500				
		20/12/2016	936				
				<b>20,136</b>	<b>67,337</b>		

In millions of euros

In accordance with the tenth additional provision of Law 36/2014, of 26 December, the Council of Ministers was informed on a quarterly basis in 2016 of the amounts withdrawn from the Social Security Reserve Fund.



Social Security  
**RESERVE FUND**

**Report to Parliament**

Changes, actions in 2016 and situation on 31 December 2016