

Social Security Reserve Fund

Report to Parliament

Evolution, actions in 2020 and
situation as of 31 december 2020



GOBIERNO
DE ESPAÑA

MINISTERIO
DE INCLUSIÓN, SEGURIDAD SOCIAL
Y MIGRACIONES

SECRETARIA DE ESTADO
DE LA SEGURIDAD SOCIAL
Y PENSIONES

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In the 1990s, an institutional requirement for the Social Security system was the establishment of stabilisation and reserve funds to meet future contributory benefits requirements, due to variances between Social Security income and expenditure.

As a result of the initial dialogue on this issue between the different political and social forces and the government, the so-called Toledo Pact of April 1995 emerged, which established a range of recommendations aimed at ensuring the sustainability of the system. The reforms and measures that followed these recommendations have shaped the path that our Social Security system has followed up to the present day. Meanwhile, the institutionalising of the Reserve Fund for the purposes of protecting the system where needed, came with the passing of the Social Security System Consolidation and Rationalisation Act 24/1997, of 15 July.

Years later, the General Budgetary Stability Act 18/2001, of 12 December, established the priority application of the surplus of the Social Security system to the Reserve Fund. Since then, the priority application of the surplus to the Reserve Fund has been provided for under successive budgetary stability regulations. This precept is presently included under Article 32 of the Budgetary Stability and Financial Sustainability Act 2/2012, of 27 April.

The Fiscal, Administrative and Social Measures Act 24/2001, of 27 December 2001, established the Social Security Reserve Fund under its General Treasury, empowering the government to set the Fund's allocation for each financial year.

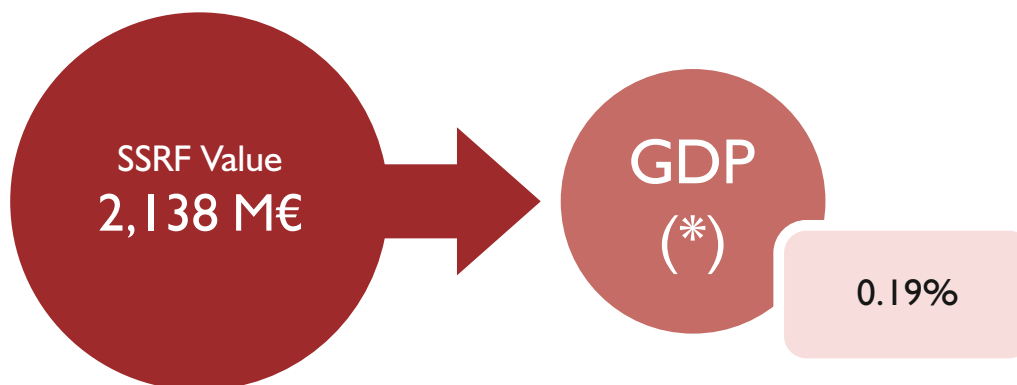
With the approval of Act 28/2003, of 29 September, the legal regime of the Reserve Fund was established for the first time under a specific law. This regulation is currently found in Royal Legislative Decree 8/2015, of 30 October, which approves the revised text of the General Social Security Act. Pursuant to Article 127 of that revised text is the presentation of this report on the evolution and composition of the Social Security Reserve Fund in the financial year 2020.

The budget deficit in the Social Security system in recent years has meant that the Reserve Fund has been an essential instrument for guaranteeing the financial viability of the pension system.

Lastly, in its recommendations approved in the Plenary Session of the Congress of Deputies on 19 November 2020, the Toledo Pact Commission has raised the advisability of establishing a minimum Reserve Fund surplus subject to a stricter availability rule, bearing in mind that the Reserve Fund is not the appropriate mechanism for resolving financial imbalances of a structural nature and that these should be tackled with reforms that are equally structural.

Social Security Reserve Fund

Status as at 31 December 2020



Note: M€ = millions of euros.

(*) According to Spain's National Institute of Statistics data, published on 26 March 2021, and based on CNE-2010, the GDP for 2020 stood at 1,121,698 M€.

Allocations, withdrawals and returns until 2020 (M€)

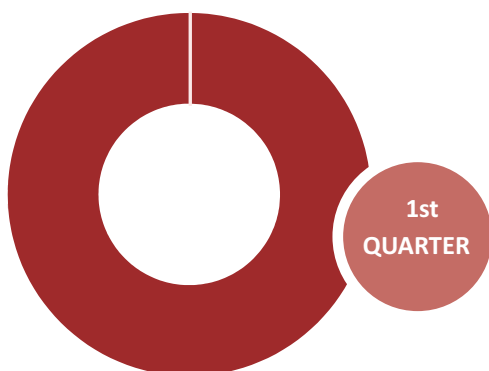


(*) From the surplus of managing entities and shared services and partner mutual companies.

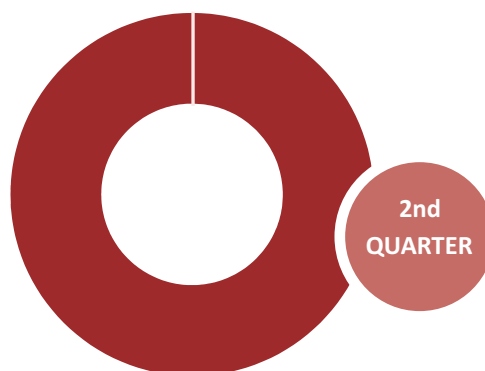
2. Financial Year 2020 in figures

Distribution of the Reserve Fund

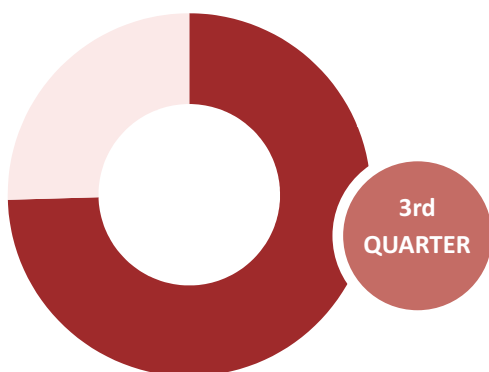
Financial assets - C/A balance



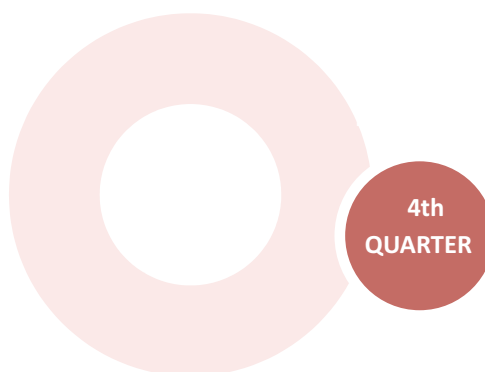
● Financial Assets ● C/A Balance



● Financial Assets ● C/A Balance



● Financial Assets ● C/A Balance



● Financial Assets ● C/A Balance

Average annualised returns (*)

15 years	10 years	5 years	3 years	1 year
3.57%	3.18%	-0.05%	-0.34%	-0.39%

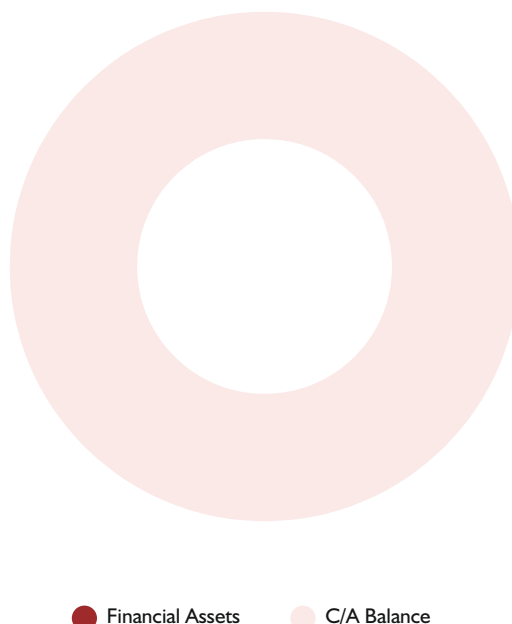
(*) Page 32 compares the average annualised performance of the Reserve Fund with private pension plans (individual system).

3 Reserve Fund position at 31 December 2020

As at 31 December 2020, the Reserve Fund's situation and distribution was as follows:

1-Financial assets.....	€0
2-Balance on current account (C/A).....	€2,137,923,025.06
(Deposited in the account opened at the Bank of Spain)	
TOTAL RESERVE FUND.....	€2,137,923,025.06

Distribution of the Reserve Fund



The Reserve Fund represents 0.19% of the Gross Domestic Product (according to data from Spain's National Statistics Institute (INE) based on CNE-2010 and published on 26 March 2021, GDP for 2020 was 1,121,698 M€).

4

Evolution of the Reserve Fund

Since it was set up, the Reserve Fund has evolved as follows, in terms of allocations, returns and withdrawals.

Cumulative data (M€)	2000 to 2012	2013	2014	2015	2016	2017	2018	2019	2020
I. ALLOCATIONS	53,008	53,205	53,484	53,587	53,598	53,600	53,601	53,601	53,601
I.a. Council of Ministers Agreement (*)	52,113	52,113	52,113	52,113	52,113	52,113	52,113	52,113	52,113
I.b. Mutual companies surplus (**)	895	1,092	1,371	1,474	1,485	1,487	1,488	1,488	1,488
2. WITHDRAWALS (***)	-7,003	-18,651	-33,951	-47,201	-67,337	-74,437	-77,437	-80,337	-80,337
3. NET RETURNS GENERATED	17,003	19,190	22,101	26,095	28,759	28,932	28,879	28,889	28,874
3.a. Returns generated (****)	17,922	20,233	23,377	27,584	30,510	30,802	30,793	30,818	30,811
3.b. Adjustments due to depreciation/disposal of assets	-919	-1,043	-1,276	-1,489	-1,751	-1,870	-1,914	-1,929	-1,937
Total	63,008	53,744	41,634	32,481	15,020	8,095	5,043	2,153	2,138

Situation as at 31 December of each financial year.

(*) Charged to the budget surpluses of the Social Security's managing entities and shared services.

(**) Arising from management by the Social Security Department's partner mutual companies for temporary incapacity benefit for common contingencies.

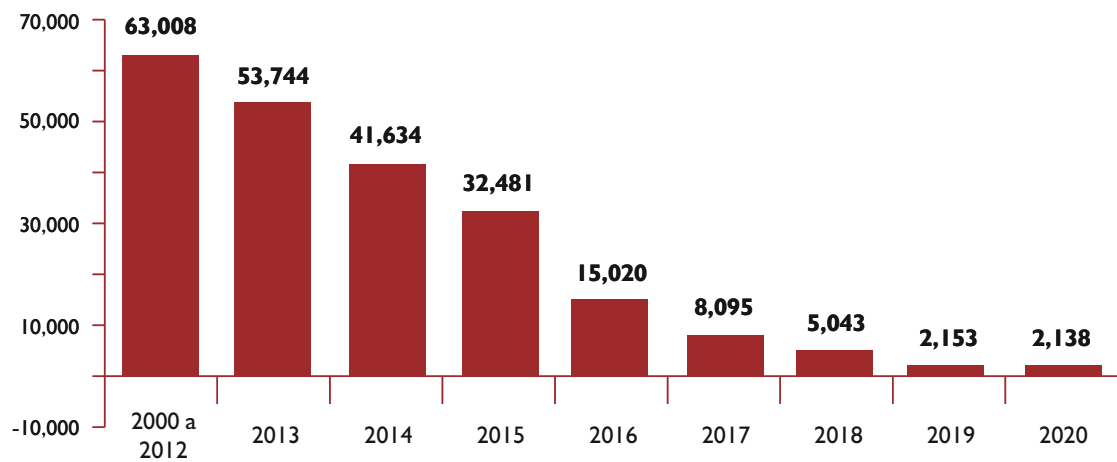
(***) By Agreement of the Council of Ministers of 27/09/2012, first additional provision of Royal Decree-Act 28/2012, of 30 November; tenth additional provision of Act 36/2014, of 26 December, one hundred and twelfth additional provision of Act 3/2017, of 27 June, and Council of Ministers Agreement of 15/11/2019.

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

4. Evolution of the Reserve Fund

The evolution of the Reserve Fund, by year, is shown in chart form below:

General evolution of the Reserve Fund (M€) (at full acquisition price)



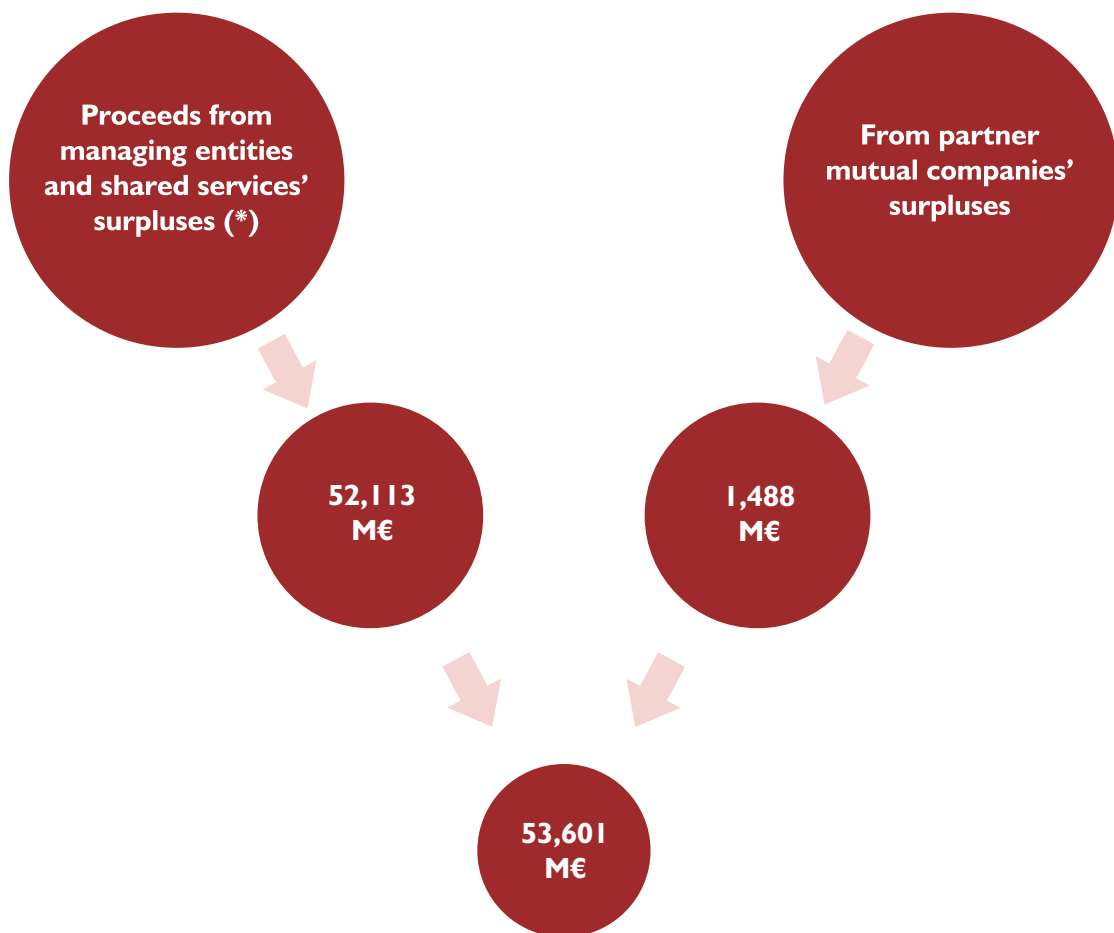
Situation as at 31 December of each financial year.



4. Evolution of the Reserve Fund

4.1. Allocations to the Reserve Fund

The allocations made to the Reserve Fund - from the first allocation approved in 2000 up until 31 December 2020 - total 53,601 M€. Based on their origin, they are classified as follows:

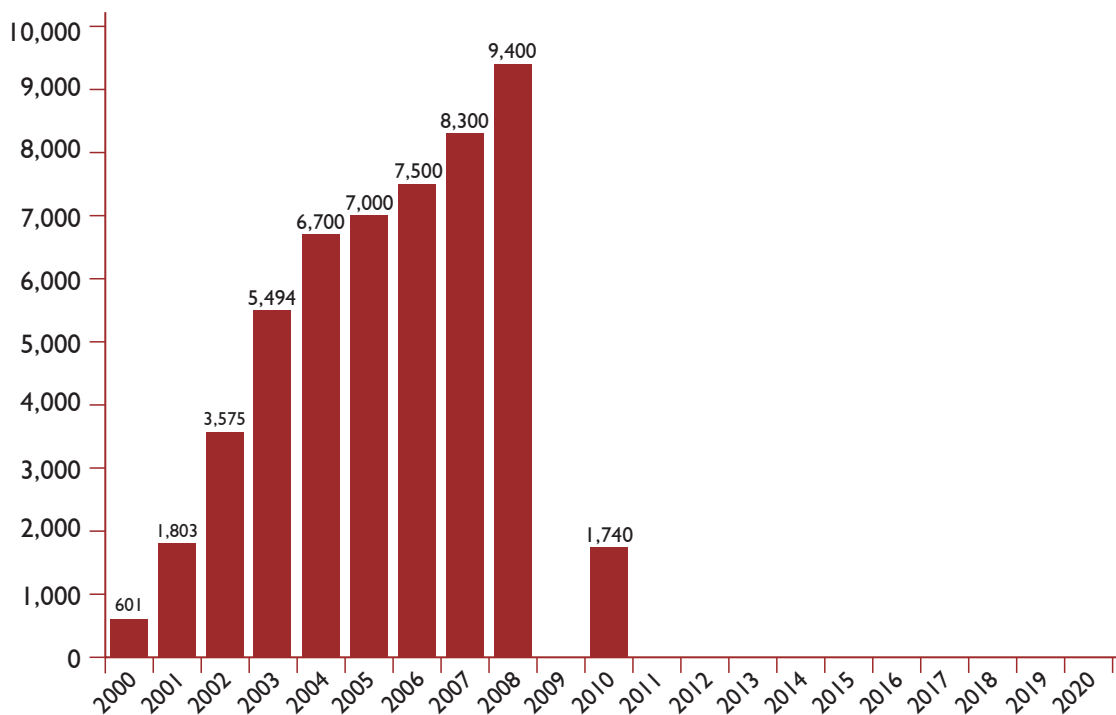


(*) Approved under Council of Ministers' Agreement ("ACM").

4. Evolution of the Reserve Fund

The allocations to the Reserve Fund agreed by the Council of Ministers, charged to the budget surpluses of the Social Security's managing entities and shared services, from the first allocation approved in 2000 up until 31 December 2020, total 52,113 M€, and are shown in the following chart:

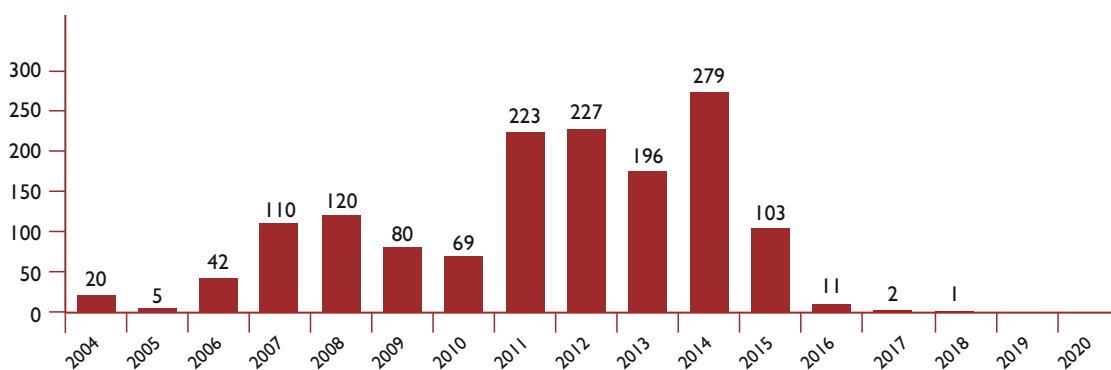
Surplus allocations - Social Security's managing entities and shared services (M€)



4. Evolution of the Reserve Fund

The amounts allocated as a surplus derived from the management by mutual insurance companies working with the Social Security Department for providing temporary disability benefit for common contingencies totalled 1,488 M€ at 31 December 2020 and were paid into the account that is exclusively for the use of the Reserve Fund. They are shown in the following chart, based on date of entry:

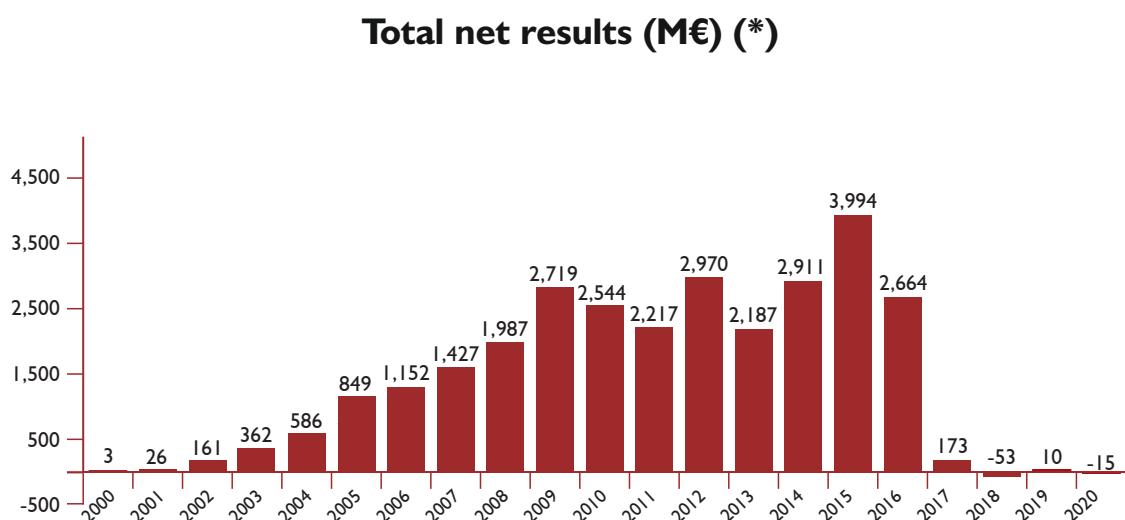
Surplus allocations - mutual insurance companies working with the Social Security Department (M€)



4. Evolution of the Reserve Fund

4.2. Reserve Fund Returns

The net income produced from the first allocation to the Reserve Fund approved in 2000 up until 31 December 2020 totals 28,874 M€. The breakdown by year is shown in the following chart:

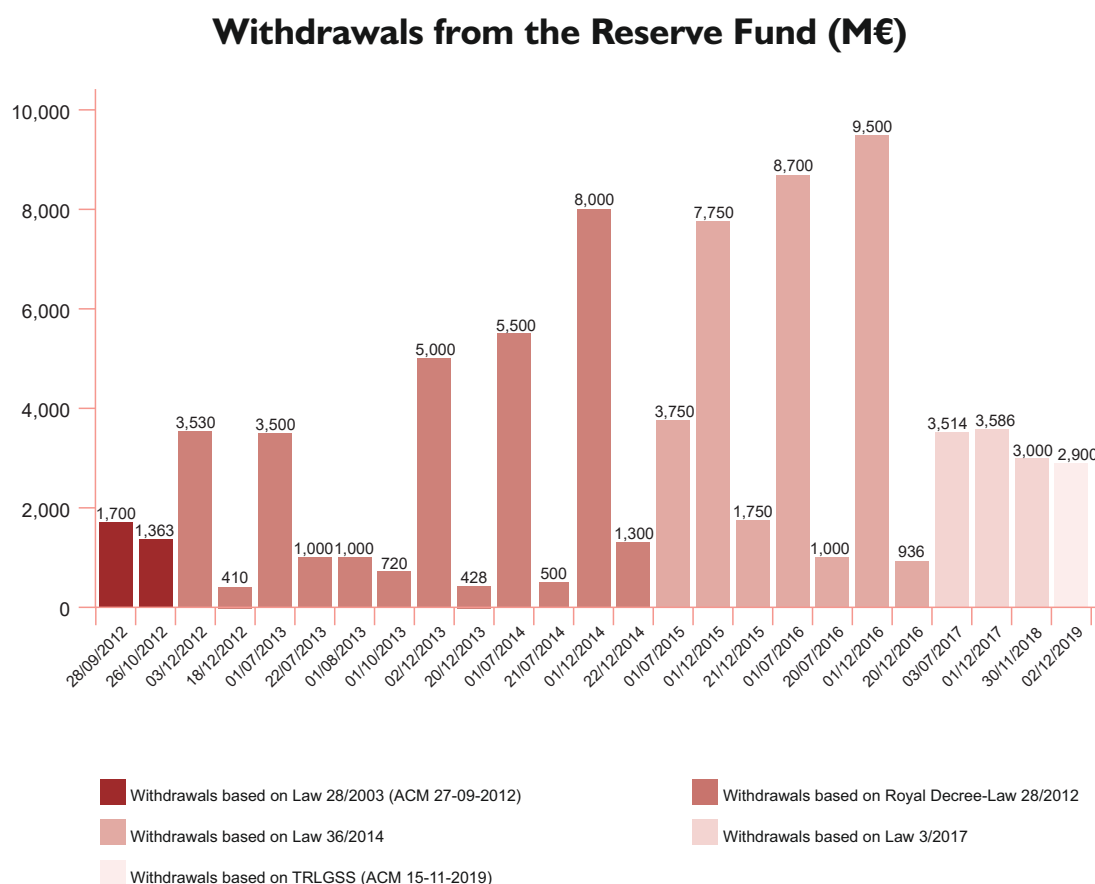


(*) The amounts shown in the graph include the accounting adjustments made in each year in depreciating and disposing of assets (implicit yields and accrued interest). In 2020, coupon payments totalling 25 M€ have been collected, although the final figure of net returns (-15 M€) includes the accounting adjustments applied at the time when the assets were depreciated, the amount of these adjustments being higher than the coupon payments collected, hence the negative sign (see details on page 30).

4. Evolution of the Reserve Fund

4.3. Withdrawals from the Reserve Fund

Withdrawals from the Reserve Fund in the financial years 2012 to 2020 total 80,337 M€ and are shown in the following chart:



From 2012 onwards, the financial shortfalls of the Social Security determined the need for the Reserve Fund to enable the one-off fulfilment of the Social Security General Treasury's

4. Evolution of the Reserve Fund

payment obligations. Successive withdrawals from the Reserve Fund have been made in accordance with the following rules:

- **Council of Ministers' Agreement of 27 September 2012**, applying Article 4 of Law 28/2003, of 29 September, regulating the Social Security Reserve Fund, which established the ordinary limit for withdrawing from the Fund at 3% of the budget credit for contributory pensions and other expenses necessary for its management.
- **Royal Decree-Law 28/2012, of 30 November, on measures to consolidate and guarantee the Social Security system**, which overrides the general three percent limit set in Article 4 of the aforementioned Law 28/2003, of 29 September, for the financial years 2012, 2013 and 2014, authorising, as needs arise during the financial years in question, withdrawals up to a maximum amount of the deficit for non-financial operations as shown in the budget settlement forecasts of the Social Security's managing entities and shared services.
- **Law 36/2014 of 26 December, regarding the General National Budget for 2015**, the tenth additional provision of which extended the validity of the extraordinary withdrawals regime to financial years 2015 and 2016.
- **Law 3/2017 of 27 June, on the General National Budget for the year 2017**, the one hundred and twelfth additional provision of which overrode the general three per cent limit for financial years 2017 and 2018.
- **Council of Ministers' Agreement dated 15 November 2019**, in applying Article 121 of Royal Legislative Decree 8/2015, of 30 October, approving the revised text of the General Social Security Act, which authorised a withdrawal from the Social Security Reserve Fund in financial year 2019 to a maximum amount equivalent to 3% of the budget credit for contributory pensions and other expenses necessary for its management.

No withdrawals were made from the Reserve Fund during financial year 2020.

4. Evolution of the Reserve Fund

The total withdrawals up until 31 December 2020 are shown in the table below:

Total withdrawals from the Reserve Fund (M€)

Regulation	Year	Quarter	Date	Amount (M€)	Subtotal (M€)	Cumulative total (M€)
ACM 27-09-2012	2012	3rd	28/09/2012	1,700		
		4th	26/10/2012	1,363		
					3,063	3,063
	2013	4th	03/12/2012	3,530		
			18/12/2012	410		
					3,940	7,003
		3rd	01/07/2013	3,500		
			22/07/2013	1,000		
			01/08/2013	1,000		
		4th	01/10/2013	720		
			02/12/2013	5,000		
			20/12/2013	428		
					11,648	18,651
	2014	3rd	01/07/2014	5,500		
			21/07/2014	500		
		4th	01/12/2014	8,000		
			22/12/2014	1,300		
					15,300	33,951
Law 36/2014, of 26 December	2015	3rd	01/07/2015	3,750		
		4th	01/12/2015	7,750		
			21/12/2015	1,750		
					13,250	47,201
	2016	3rd	01/07/2016	8,700		
			20/07/2016	1,000		
		4th	01/12/2016	9,500		
			20/12/2016	936		
					20,136	67,337
Law 3/2017, of 27 June	2017	3rd	03/07/2017	3,514		
		4th	01/12/2017	3,586		
					7,100	74,437
	2018	4th	30/11/2018	3,000		
					3,000	77,437
ACM 15-11-2019	2019	4th	02/12/2019	2,900		
					2,900	80,337
	2020					
					0	80,337

5.1. Investment and management criteria applied in financial year 2020

The Reserve Fund investment and management criteria, approved by the Management Committee, determine the securities in which the Reserve Fund will be invested along with general investment guidelines. The criteria in force in 2020 are as follows:

- The Social Security Reserve Fund will invest in Spanish Public Debt and may invest in German, French and Dutch Government Debt and in assets issued by the Official Credit Institute (ICO). All assets must be issued in euros, of high creditworthiness, and traded on regulated markets or organised trading systems.
- Investment in Public Debt of non-Spanish issuers approved by the Social Security Reserve Fund's Management Committee will be limited to the total amount of foreign debt in the total portfolio not exceeding the limit of 55% in nominal value.
- If market conditions make it advisable, the disposal of assets is envisaged in line with criteria of security, returns and diversification.
- The Social Security Reserve Fund will be managed taking into account the time horizon determined by planning of future inflows and the availability of funds to cover contributory pensions, which is carried out by the Secretary of State for Social Security and Pensions.
- The maturity structure of the securities in the portfolio must be balanced, avoiding excessive concentrations of maturity dates.
- The Spanish securities in the Social Security Reserve Fund are to be diversified, avoiding concentrations of the same reference in the portfolio, the weight of which in relation to the nominal outstanding balance is not generally to exceed 16%. However, this maximum percentage for each reference shall be increased from 16% to 35% for references where strictly necessary to comply with the terms of the investment. This is without prejudice to the issuer's policy, which will not automatically set conditions on the Fund's investment decisions. In addition, this

5. Actions for financial year 2020

35% limit may, exceptionally, be exceeded for certain short-term references which it is deemed appropriate to invest in.

- The nominal volume of all Spanish Treasury references in the Social Security Reserve Fund portfolio in relation to total outstanding Treasury debt (bills, short-term and long-term bonds), excluding foreign currency share issues, shall not exceed 12%.
- At the time of investment, the purchase of Benchmark references in the portfolio will be preferred.
- For the purposes of the valuation established in the Adaptation of Spain's General Public Accounting Plan to entities that form part of the Social Security system, the Public Debt assets that make up the Social Security Reserve Fund are classified as "Available-for-sale financial assets".

5.2. Management Committee Agreements in 2020

During 2020, management decisions on the Social Security Reserve Fund were mainly conditioned by the situation of uncertainty generated as a result of the health crisis caused by Covid-19. In addition, the market scenario for Spanish debt during 2020 shows returns at historic lows throughout most of the curve, with negative rates below the Deposit Facility rate in the short and medium term as well as very low rates on longer maturity dates.

In this context, at its meeting on 27 November 2020, the Reserve Fund Management Committee agreed, under the criteria approved for 2020 and the financial environment described above, to keep the balance of the Reserve Fund on current account at the date of the meeting in question (2,137.92 M€), thus following a criterion of maximum prudence.

The main data from the Reserve Fund in 2020 are shown below, broken down by quarter.

6.1. First quarter of 2020

At 31 March 2020, the total acquisition price of the asset portfolio that makes up the Social Security Reserve Fund totalled 2,153,451,040.02 euros.

The portfolio is made up exclusively of Spanish Public Debt and its classification by tranche is summarised as follows:

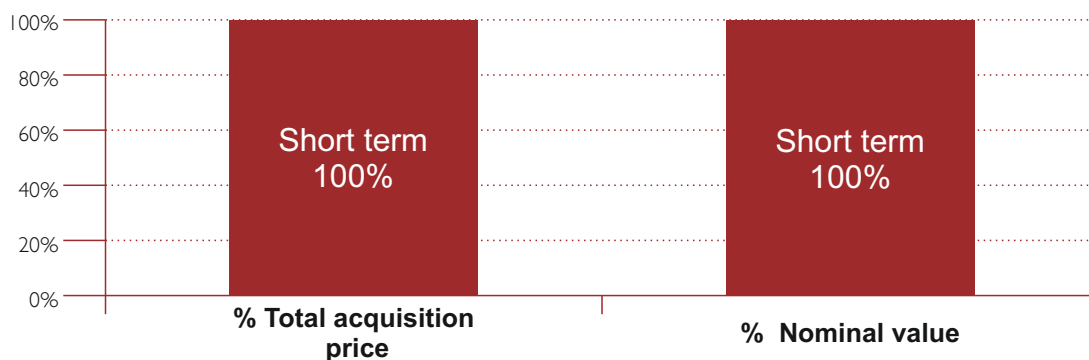
Portfolio distribution by tranches 31/03/2020

Assets	Total acquisition price (€)	%	Nominal value (€)	%
Short term	2,153,451,040.02	100.00%	2,113,138,000.00	100.00%
TOTAL	2,153,451,040.02	100.00%	2,113,138,000.00	100.00%

Tranche distribution criterion:

Short term: maturity up to 12 months in reference at 31/12/20 in order to harmonise with accounting criteria.

Portfolio distribution by tranches 31/03/2020



6. The Reserve Fund's main data in 2020

A detailed breakdown of the composition of the portfolio by asset type and reference as at 31 March 2020 is shown in the table below:

Reserve Fund Portfolio Composition 31/03/2020

Description of the financial asset and issue reference	Maturity date	Total acquisition price (€)	Nominal value (€)
Short term			
Treasury Bills ES0L02009113	11/09/2020	549,356,521.68	547,238,000.00
Treasury Bills ES0L02010095	09/10/2020	452,136,482.10	450,000,000.00
Government bonds (4.85%) ES00000122T3	31/10/2020	544,193,362.39	510,900,000.00
Treasury Bills ES0L02011135	13/11/2020	607,764,673.85	605,000,000.00
Total public financial assets as of 31/03/2020		2,153,451,040.02	2,113,138,000.00

See tranche distribution criterion on page 19.

6.2. Second quarter of 2020

At 30 June 2020, the total acquisition price of the asset portfolio that makes up the Social Security Reserve Fund totalled 2,153,451,040.02 euros.

The portfolio is made up exclusively of Spanish Public Debt and its classification by tranche is summarised as follows:

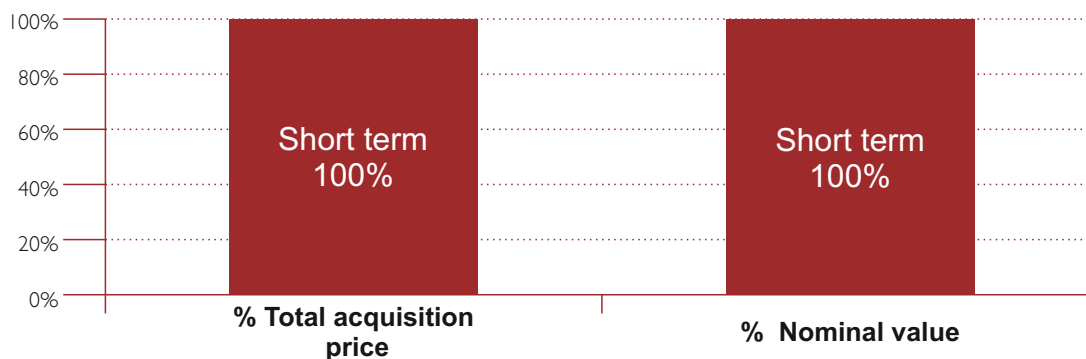
Portfolio distribution by tranches 30/06/2020

Assets	Total acquisition price (€)	%	Nominal value (€)	%
Short term	2,153,451,040.02	100.00%	2,113,138,000.00	100.00%
TOTAL	2,153,451,040.02	100.00%	2,113,138,000.00	100.00%

See tranche distribution criterion on page 19.

6. The Reserve Fund's main data in 2020

Portfolio distribution by tranches 30/06/2020



A detailed breakdown of the composition of the portfolio by asset type and reference as at 30 June 2020 is shown in the table below

Reserve Fund Portfolio Composition 30/06/2020

Description of the financial asset and issue reference	Maturity date	Total acquisition price (€)	Nominal value (€)
Short term			
Treasury Bills ESOL02009113	11/09/2020	549,356,521.68	547,238,000.00
Treasury Bills ESOL02010095	09/10/2020	452,136,482.10	450,000,000.00
Government bonds (4.85%) ES00000122T3	31/10/2020	544,193,362.39	510,900,000.00
Treasury Bills ESOL02011135	13/11/2020	607,764,673.85	605,000,000.00
Total public financial assets as of 30/06/2020		2,153,451,040.02	2,113,138,000.00

See tranche distribution criterion on page 19.

6. The Reserve Fund's main data in 2020

6.3. Third quarter of 2020

At 30 September 2020, the total acquisition price of the asset portfolio that makes up the Social Security Reserve Fund totalled 1,604,094,518.34 euros.

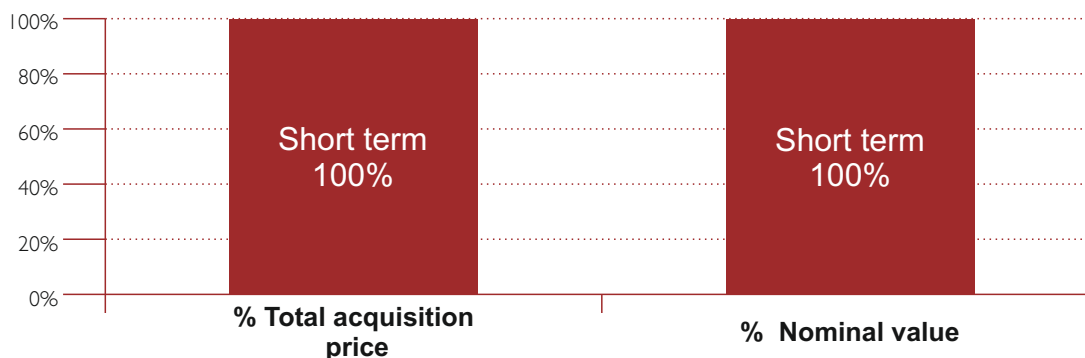
The portfolio is made up exclusively of Spanish Public Debt and its classification by tranche is summarised as follows:

Portfolio distribution by tranches 30/09/2020

Assets	Total acquisition price (€)	%	Nominal value (€)	%
Short term	1,604,094,518.34	100.00%	1,565,900,000.00	100.00%
TOTAL	1,604,094,518.34	100.00%	1,565,900,000.00	100.00%

See tranche distribution criterion on page 19.

Portfolio distribution by tranches 30/09/2020



6. The Reserve Fund's main data in 2020

A detailed breakdown of the composition of the portfolio by asset type and reference as at 30 September 2020 is shown in the table below:

Reserve Fund Portfolio Composition 30/09/2020

Description of the financial asset and issue reference	Maturity date	Total acquisition price(€)	Nominal value (€)
Short term			
Treasury Bills ESOL02010095	09/10/2020	452,136,482.10	450,000,000.00
Government bonds (4.85%) ES00000122T3	31/10/2020	544,193,362.39	510,900,000.00
Treasury Bills ESOL02011135	13/11/2020	607,764,673.85	605,000,000.00
Total public financial assets as of 30/09/2020		1,604,094,518.34	1,565,900,000.00

See tranche distribution criterion on page 19.

6.4. Fourth quarter of 2020

At 31 December 2020, the Social Security Reserve Fund totalled 2,137,923,025.06 euros - a sum that is fully materialised in the current account.



7: Analysis of the Reserve Fund performance as at 31 December 2020

7.1. Reserve Fund Returns

From the first allocation made to the Reserve Fund and approved by the Council of Ministers' Agreement in 2000 up until 31 December 2020, the returns obtained therefrom total 28,873.94 M€. The returns can be classified as coupons, net implied yields, earnings from disposal transactions, other income, and interest earned on the Fund's current account. Net returns include adjustments arising at the time that assets are depreciated or disposed of through accrued interest paid at the time of acquisition. The overall amounts obtained by the Reserve Fund are shown in the following table:

Total net returns

Concept	Amount (€)
Cupons	26,409,950,305.66
Net implied yields ⁽¹⁾	-2,037,924,814.89
Profit/(loss) on disposal transactions	6,118,911,481.05
Other income	-4,671,308.62
Adjustments due to depreciation/disposal os assets ⁽²⁾	-1,936,561,803.49
Current account interest	324,233,583.84
Total net returns	28,873,937,443.55

(1) Difference between the nominal value and the ex-coupon acquisition price, which are recognised in full when the assets are depreciated or disposed of.

(2) Adjustment that occurs when the asset is depreciated or disposed of through accrued interest paid at the time of acquisition.

The breakdown of net returns generated in 2020 is as follows:

Net returns generated in 2020

Concept	Amount (€)
Cupons	24,778,650.00
Net implied yields ⁽¹⁾	-32,709,833.63
Profit/(loss) on disposal transactions	
Other income	
Adjustments due to depreciation/disposal os assets ⁽²⁾	-7,603,206.39
Current account interest	
Total net returns	-15,534,390.02

7. Analysis of the Reserve Fund performance as at 31 December 2020

In regard to coupons, a total of 26,409,950,305.66 euros has been collected. Of this, coupons collected upon maturity totalled 25,558,458,031.76 euros, and coupons obtained at the time of disposal of the assets, totalled 851,492,273.90 euros, in accordance with the following breakdown:

Coupon payments collected

Year	At maturity (€)	At disposal (€)	Total amount (€)
2001	18,699,000.00		18,699,000.00
2002	120,425,190.08		120,425,190.08
2003	338,265,455.84		338,265,455.84
2004	592,924,827.64		592,924,827.64
2005	857,615,313.37		857,615,313.37
2006	1,171,273,841.45		1,171,273,841.45
2007	1,535,058,217.03		1,535,058,217.03
2008	2,034,850,211.79		2,034,850,211.79
2009	2,339,694,054.23	156,913,647.84	2,496,607,702.07
2010	2,478,598,524.41	91,216,232.39	2,569,814,756.80
2011	2,709,616,791.70		2,709,616,791.70
2012	2,765,822,459.74	58,802,906.46	2,824,625,366.20
2013	2,561,622,105.56		2,561,622,105.56
2014	2,243,846,346.50	147,071,866.64	2,390,918,213.14
2015	1,790,818,506.50	239,048,434.14	2,029,866,940.64
2016	1,159,723,202.92	158,439,186.43	1,318,162,389.35
2017	573,667,848.00		573,667,848.00
2018	183,329,300.00		183,329,300.00
2019	57,828,185.00		57,828,185.00
2020	24,778,650.00		24,778,650.00
Total	25,558,458,031.76	851,492,273.90	26,409,950,305.66

7. Analysis of the Reserve Fund performance as at 31 December 2020

The net implied yields (obtained as the difference between the nominal value and the ex-coupon acquisition price, which are recognised in full when the assets are depreciated or disposed of) are set out in detail below:

Net implied yields

Year	Of depreciated securities (€)	Of disposed of securities (€)	Total amount (€)
2002	6,714,260.00		6,714,260.00
2003	17,220,919.74		17,220,919.74
2004	-14,800,848.92		-14,800,848.92
2005	7,627,818.36		7,627,818.36
2006	-14,445,823.13		-14,445,823.13
2007	-100,368,613.40		-100,368,613.40
2008	-70,394,705.16		-70,394,705.16
2009	-144,330,440.02	32,526,580.28	-111,803,859.74
2010	-65,155,129.73	-32,623,033.13	-97,778,162.86
2011	-352,313,679.93		-352,313,679.93
2012	-193,164,725.87	90,528,546.56	-102,636,179.31
2013	-251,607,366.30		-251,607,366.30
2014	-199,697,478.25	-89,181,162.29	-288,878,640.54
2015	-98,723,767.46	-96,604,608.60	-195,328,376.06
2016	105,013,436.76	-35,531,397.33	69,482,039.43
2017	-281,342,264.90		-281,342,264.90
2018	-192,464,934.27		-192,464,934.27
2019	-32,096,564.27		-32,096,564.27
2020	-32,709,833.63		-32,709,833.63
Total	-1,907,039,740.38	-130,885,074.51	-2,037,924,814.89

7. Analysis of the Reserve Fund performance as at 31 December 2020

Earnings from disposal transactions totals 6,118.91 M€ and is broken down as follows:

Profit/loss on disposal transactions

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
2017	
2018	
2019	
2020	
Total	6,118,911,481.05

Up until 2020, other income has been obtained from double security swap transactions, asset repurchase agreements ("repo transactions"), income from offsetting interest payments forgone due to the failure of partner mutual companies to meet their payment deadlines, and interest income from the failure of the counterparty in financial asset purchase transactions.

7. Analysis of the Reserve Fund performance as at 31 December 2020

The evolution of this income is detailed below, broken down by year and concept:

Other income

Year	Double swap transactions for securities (€)	Transactions asset repurchase agreements (repos) (€)	Compensation for late payments by partner mutual insurers(€)	Counterparty default interest (€)	Total amount (€)
2007	44,755.52				44,755.52
2008	45,023.25		78,017.23		123,040.48
2009	11,269.09				11,269.09
2010					
2011	53,087.31				53,087.31
2012	40,254.17				40,254.17
2013	27,607.08				27,607.08
2014	24,001.92	22,183.54			46,185.46
2015		-1,947,508.57			-1,947,508.57
2016		-2,799,470.39			-2,799,470.39
2017					
2018				5,168.94	5,168.94
2019		-281,196.55		5,498.84	-275,697.71
2020					
Total	245,998.34	-5,005,991.97	78,017.23	10,667.78	-4,671,308.62

7. Analysis of the Reserve Fund performance as at 31 December 2020

As regards interest accrued and collected on the current account opened at the Bank of Spain, the following amounts have been obtained:

Current account interest

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
2015-2020(*)	
Total	324,233,583.84

(*) The 2014 figure refers to the period in which the Eonia remuneration was in force (from 1 January to 10 June). In financial years 2015 to 2020 the account was no longer remunerated with positive rates.

7. Analysis of the Reserve Fund performance as at 31 December 2020

Lastly, in regard to adjustments for depreciation and disposal of assets¹, the following amounts have been obtained:

Ajustments due to depreciation/disposal of assets

Year	Ajusments due to depreciation of assets (€)	Ajustments due to disposal of assets (€)	Total amount (€)
2003	-10,127,671.24		-10,127,671.24
2004	-27,994,229.11		-27,994,229.11
2005	-40,342,926.12		-40,342,926.12
2006	-37,745,774.46		-37,745,774.46
2007	-46,818,106.24		-46,818,106.24
2008	-71,255,374.93		-71,255,374.93
2009	-86,417,563.25	-96,846,522.35	-183,264,085.60
2010	-86,764,239.58	-31,432,533.89	-118,196,773.47
2011	-149,585,272.90		-149,585,272.90
2012	-174,890,719.20	-58,398,804.46	-233,289,523.66
2013	-124,194,336.56		-124,194,336.56
2014	-110,321,460.64	-122,180,770.35	-232,502,230.99
2015	-56,834,529.01	-156,350,039.60	-213,184,568.61
2016	-125,743,980.33	-136,317,009.62	-262,060,989.95
2017	-119,418,296.60		-119,418,296.60
2018	-43,833,617.03		-43,833,617.03
2019	-15,144,819.63		-15,144,819.63
2020	-7,603,206.39		-7,603,206.39
Total	-1,335,036,123.22	-601,525,680.27	-1,936,561,803.49

¹ The total acquisition price is the so-called "dirty" price - that is, it includes the amount paid for the accrued but uncollected coupon, if any, on the asset. The inclusion of this amount implies a reverse adjustment of the amounts received when the asset matures or is disposed of to avoid double counting.

7. Analysis of the Reserve Fund performance as at 31 December 2020

7.2. Performance of the Reserve Fund

The cumulative performance of the Reserve Fund (securities portfolio plus the Reserve Fund current account balance) is calculated using the method approved by the Social Security Reserve Fund's Management Committee at its meeting of 11 November 2005, which uses a technical basis to adjust the method previously applied, bringing it into line with that used by other private investment and pension funds. Its main feature is that it takes account of the Fund's market value at the time of each allocation or withdrawal, which allows appropriate weighting of the contribution of each flow to the total performance of the Fund.

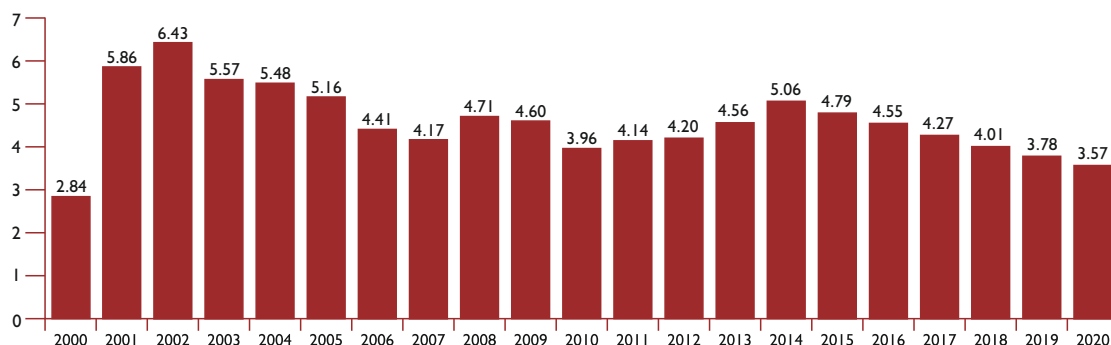
The Fund's cumulative performance is obtained by comparing the net asset value of a unit at the present time with the value at the time the Fund was created and then annualising this cumulative performance. The net asset value of the unit holding is adjusted each time a new allocation or withdrawal is made in order to distinguish the return contributed by each flow to the Fund's total by sub-period.

For the purposes of the calculation, given that on 13 November all the financial assets in which the Reserve Fund had invested were depreciated, the so-called net asset value of the Reserve Fund at that date totalled 2,137.92 M€, which is deposited into the current account.

Based on this method, the cumulative performance of the Reserve Fund from its creation in 2000 up until 31 December 2020 is 103.35%, or 3.57% in annualised terms.

The evolution of the cumulative annualised performance at the end of each year since the first allocation to the Reserve Fund approved by the Council of Ministers in 2000 is shown in the following chart:

Evolution of cumulative annualised performance

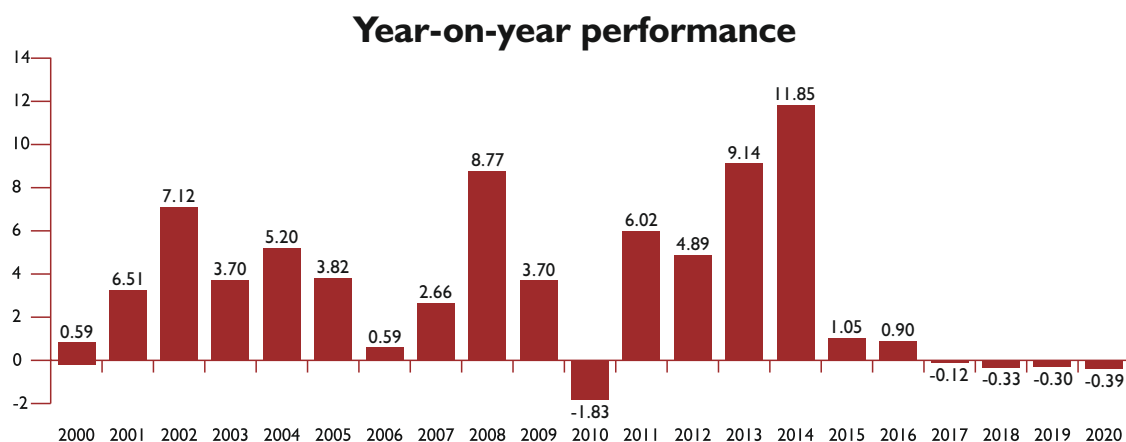


Data in percent.

7. Analysis of the Reserve Fund performance as at 31 December 2020

The year-on-year performance of the Reserve Fund in 2020 is -0.39%.

The following chart shows the year-on-year performance of the Reserve Fund:



Data in percent.

By way of summary, the following table shows the average annualised performance of the Reserve Fund at 31 December 2020, as well as a comparison with private pension plans (individual system):

Average annualised pension plan performance						
		15 years	10 years	5 years	3 years	1 year
SSRF		3.57	3.18	-0.05	-0.34	-0.39
I N V E R C O	SHORT-TERM FIXED INCOME	0.72	0.76	-0.16	-0.45	-0.19
	LONG-TERM FIXED INCOME	1.99	2.18	0.65	0.75	1.36
	TOTAL PENSION PLANS	2.00	3.10	2.00	1.40	0.30

Data in percent.

Cumulative annualised performance at 31/12/20 over a period of 1, 3, 5, 10 years.

The 15-year performance is assimilated into the performance from the time the Reserve Fund was launched.

Total pension plans refers to the total pension plans in the individual system including short-term fixed income, long-term fixed income, mixed fixed income, mixed variable income, variable income and guaranteed pension funds.

Source: TGSS; INVERCO.

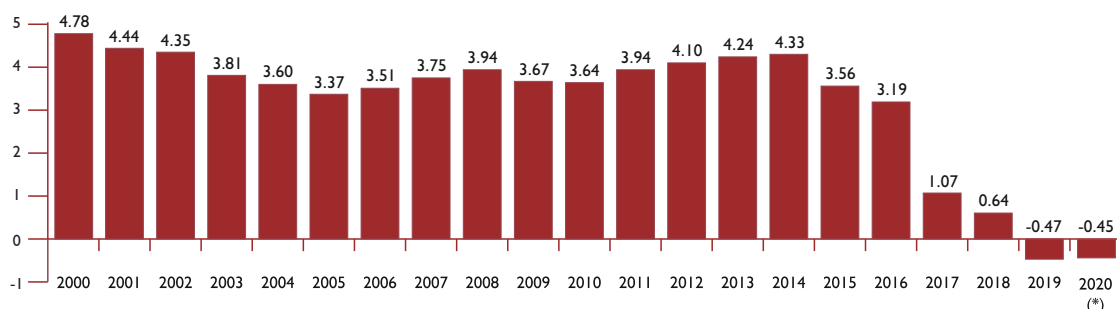
7. Analysis of the Reserve Fund performance as at 31 December 2020

7.2.1. Performance of fixed income assets: Public Debt

The performance of 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, and is calculated as a weighted average over the nominal value. On 13 November 2020, all the financial assets in which the Reserve Fund was invested were depreciated and, therefore, as from that date and as long as there are no new acquisitions of financial assets, it is not applicable to refer to an IRR for the acquisition of the assets.

The weighted-average acquisition IRR on the nominal value of the assets in the portfolio shows the following evolution, broken down by financial year:

Evolution of acquisition IRR



Data in percent.

Weighted average IRR on the nominal value.

(*) The 2020 figure refers to 12 November. From that date onwards, the entire Reserve Fund is invested in an account, meaning that from that date onwards it is not applicable to refer to an IRR for asset acquisition.

7.2.2. Performance of the account “Social Security General Treasury Special Reserve Fund. Art. 91.1 T.R.L.G.S.S.”

On 11 June 2014 there was a change to the remuneration terms and conditions of accounts held by the Reserve Fund with the Bank of Spain. At a meeting of the European Central Bank's Governing Council on 5 June 2014, it was agreed that the applicable interest rate would be zero per cent or the Deposit Facility rate if this were negative. Effective 11 June 2014, the Deposit Facility rate stood at -0.10% (currently, it is -0.50%).

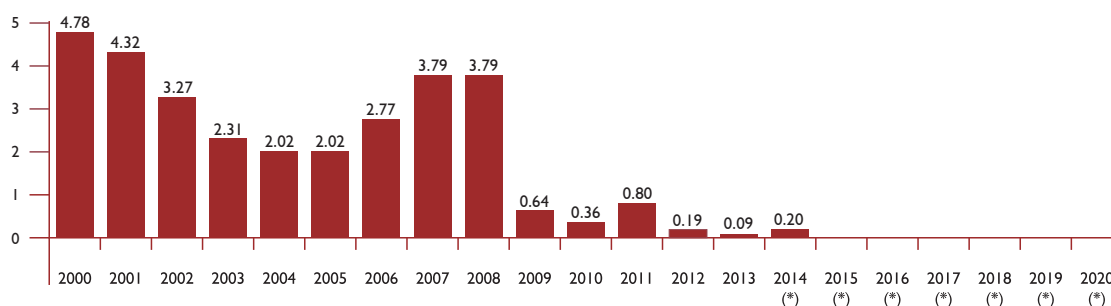
7. Analysis of the Reserve Fund performance as at 31 December 2020

This measure would be effective from the date in question for all accounts held by Public Sector entities, regardless of whether they were remunerated or not. However, taking into account that the periods for calculating interest on the accounts coincide with calendar months, the Bank of Spain applied the Deposit Facility rate, provided it remained at negative levels, to interest settlements made from 1 July 2014.

Since 1 March 2015, on the basis of European Central Bank Guideline ECB/2014/9, the first €20 million of balance on the accounts held by the Reserve Fund at 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, by year, of the rates applied is shown in the following graph:

Average interest rate on current account



Data in percent.

(*) The 2014 figure refers to the period in which the Eonia remuneration was in force (from 1 January to 10 June). The Deposit Facility rate has been applied since July 2014, with the System assuming the negative interest generated. For this reason, the negative rates applicable to remuneration on the accounts have not affected the Reserve Fund balances. The evolution of the Deposit Facility from June 2014 to 31 December 2020 is shown in the table below:

Deposit facility rate 11 June 2014 to 31 December 2020

Date variation	Facility Deposit Rate
11/06/2014	-0.10%
10/09/2014	-0.20%
09/12/2015	-0.30%
16/03/2016	-0.40%
18/09/2019	-0.50%

7. Analysis of the Reserve Fund performance as at 31 December 2020

7.3. Summary of performance

The table of percentages and the graph representing the evolution of the Fund's performance, analysed in detail in the previous sections, are summarised below:

Summary of performance

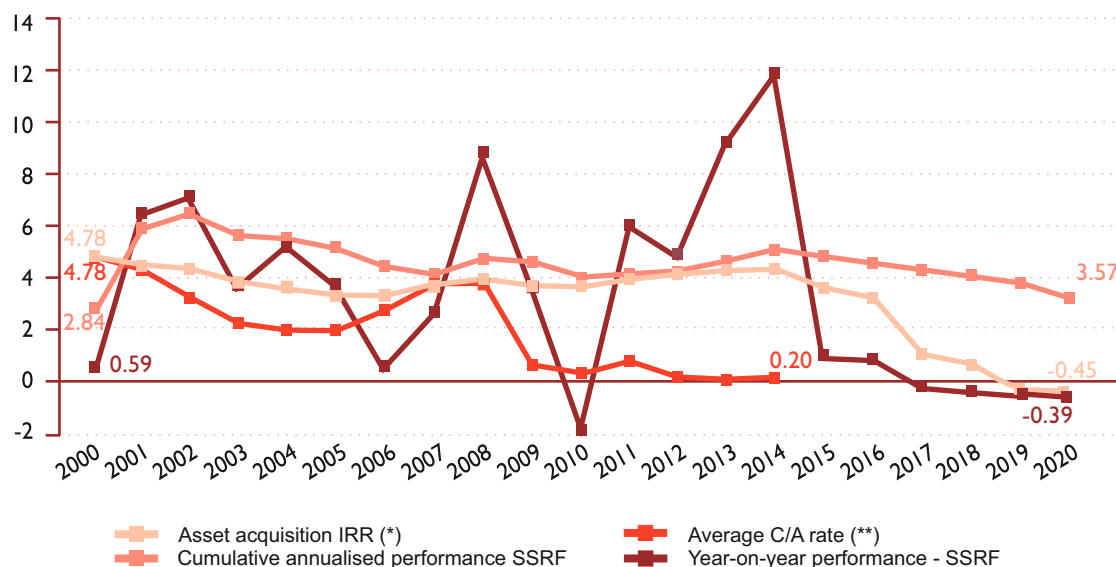
Year	Asset acquisition IRR	C/A average rate	Annualised cumulative performance	Year-on-year performance
2000	4.78	4.78	2.84	0.59
2001	4.44	4.32	5.86	6.51
2002	4.35	3.27	6.43	7.12
2003	3.81	2.31	5.57	3.70
2004	3.60	2.02	5.48	5.20
2005	3.37	2.02	5.16	3.82
2006	3.51	2.77	4.41	0.59
2007	3.75	3.79	4.17	2.66
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
2017	1.07	(*)	4.27	-0.12
2018	0.64	(*)	4.01	-0.33
2019	-0.47	(*)	3.78	-0.30
2020	-0.45(**)	(*)	3.57	-0.39

(*) The 2014 figure refers to the period in which the Eonia remuneration was in force (from 1 January to 10 June). The Deposit Facility rate has been applied since July 2014, with the System assuming the negative interest generated. For this reason, the negative rates applicable to remuneration on the accounts have not affected the Reserve Fund balances. See evolution of the Deposit Facility rate on page 34.

(**) The 2020 figure refers to 12 November. From that date onwards, the entire Reserve Fund is invested in an account, meaning that from that date onwards it is not applicable to refer to an IRR for asset acquisition.

7. Analysis of the Reserve Fund performance as at 31 December 2020

Evolution of performance



Data in percent.

(*) The 2020 figure refers to 12 November. From that date onwards, the entire Reserve Fund is invested in an account, meaning that from that date onwards it is not applicable to refer to an IRR for asset acquisition.

(**) The 2014 figure refers to the period in which the Eonia remuneration was in force (from 1 January to 10 June). The Deposit Facility rate has been applied since July 2014, with the System assuming the negative interest generated. For this reason, the negative rates applicable to remuneration on the accounts have not affected the Reserve Fund balances. See evolution of the Deposit Facility rate on page 34.

Comparison of the Reserve Fund's main numbers

This section compares the value of the Reserve Fund in 2020 with 2019, at full acquisition cost, as well as its main numbers. Lastly, the evolution of the distribution at total purchase price is shown.

Comparison of Reserve Fund value

Concept	Year 2019 (M€)	Year 2020 (M€)
Social Security Reserve Fund	2,153.46	2,137.92

Details as at 31 December of each financial year.

Comparison of the Reserve Fund's main numbers

Concept	Year 2019	Year 2020
Return on fixed-income assets (IRR) acquisition	-0.47%	-
Return on fixed-income assets (IRR) market	-0.50%	-
Average current account rate	-	-
Annualised cumulative performance SSRF	3.78%	3.57%
Year-on-year performance SSRF	-0.30%	-0.39%
Concentration level	0.21%	-
Duration	0.80 años	0 años
Modified duration	0.80	0
% nominal value of foreign debt over total portfolio	0.00%	-
% SSRF at total acquisition price over GDP(*)	0.17%	0.19%

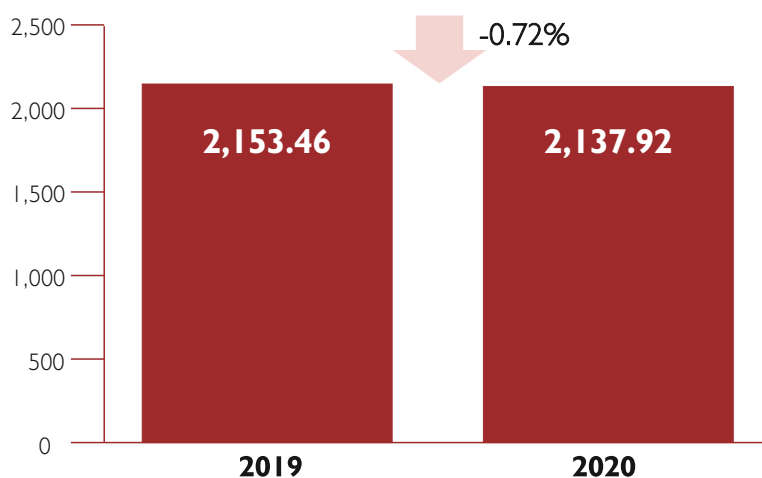
Details as at 31 December of each financial year.

(*) The figure for the financial year 2019 is expressed in relation to the GDP for 2019 (1,244,772 M€) and that for financial year 2020 in relation to GDP for 2020 (1,121,698 M€) based on data from Spain's National Statistics Institute ("INE") using CNE-2010 published on 26 March 2021.

8. Comparison of the Reserve Fund's main numbers

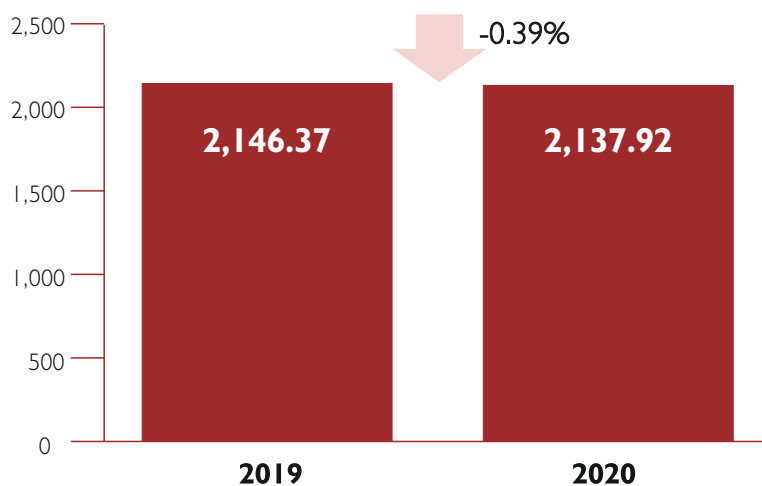
The total amount of the Social Security Reserve Fund, at total acquisition price, as at 31 December 2020, shows the following evolution compared to the same date in the previous financial year:

Evolution of the Reserve Fund at total acquisition price (M€)



The evolution of the Social Security Reserve Fund at market value is also shown:

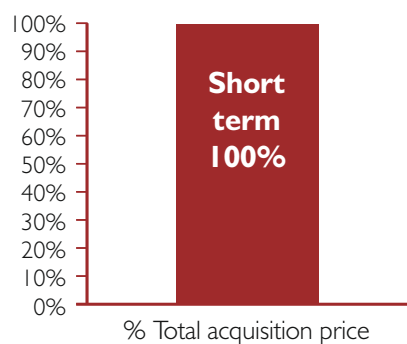
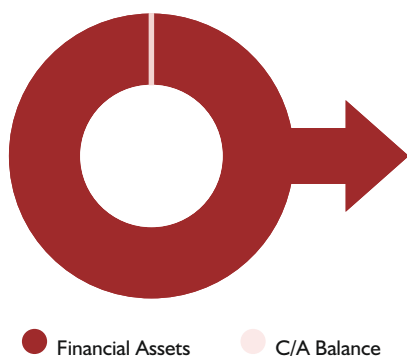
Evolution of the Reserve Fund at market value (M€)



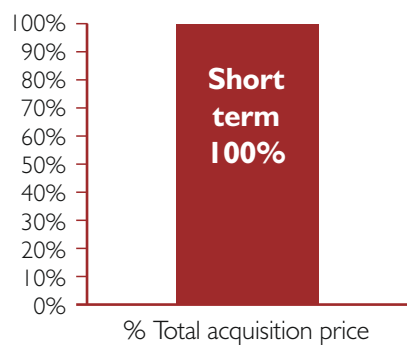
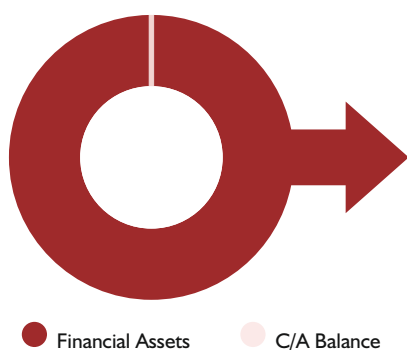
8. Comparison of the Reserve Fund's main numbers

The Reserve Fund shows the following distribution at full acquisition price as at 31 December 2019 and in 2020, broken down by quarter:

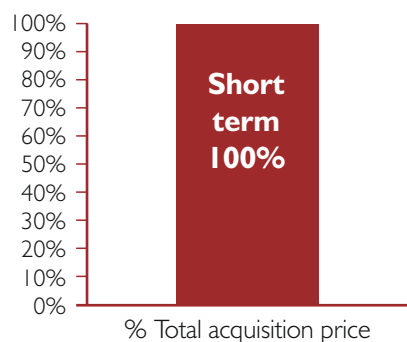
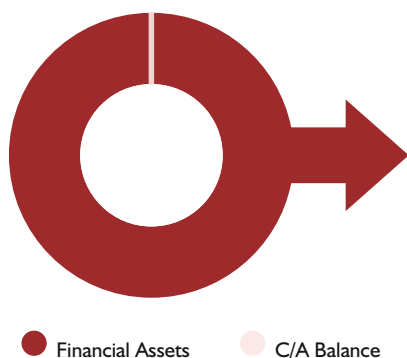
31/12/2019



31/03/2020

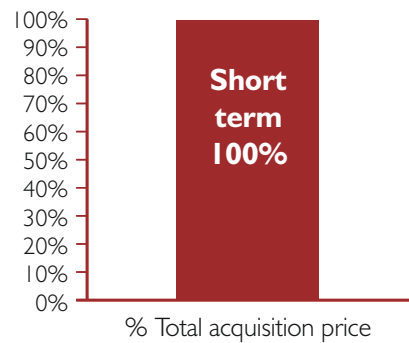
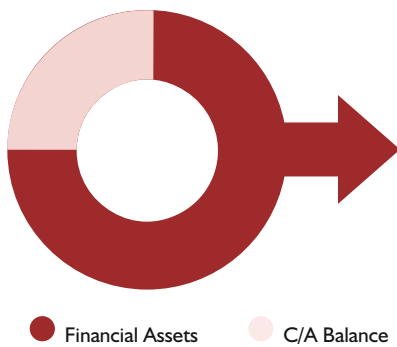


30/06/2020

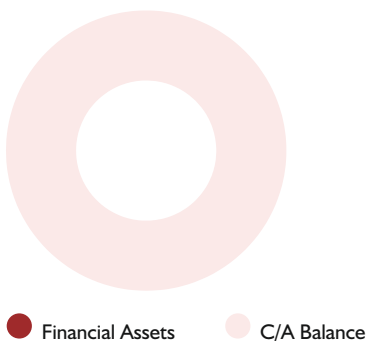


8. Comparison of the Reserve Fund's main numbers

30/09/2020



31/12/2020



Appendix. Economic and financial information about the annual accounts

The purpose of this report on actions for 2020 and the situation of the Reserve Fund at 31 December 2020 - which is submitted to the Spanish Parliament, pursuant to Article 127 of Royal Legislative Decree 8/2015, of 30 October, approving the revised text of the General Social Security Act - is to provide information on the management and actions carried out during the year, which were based on the decisions of the Management Committee as the highest management and control body. Specifically, highlights from the Reserve Fund's data are shown in detail - such as its value, composition, distribution by portfolios, performance and market value. It also includes important additional information about the expected evolution of the Fund in the coming years, to enable forecasting of the Fund's flows so that the corresponding management actions can be planned.

This information - which is prepared from a management perspective, with data presentation, breakdown of information by time periods and valuation based on market prices - takes a different approach in specific sections to the economic-financial information included in the annual accounts, in accordance with the applicable accounting principles.

Order EHA/1037/2010, of 13 April, approved Spain's General Public Accounting Plan as a framework accounting plan for all Public Authorities.

The Resolution on 1 July 2011 by the General Controller of the State Administration approved the Adapting of Spain's General Public Accounting Plan to the entities that form part of the Social Security system.

Given the nature of the securities in which the Social Security Reserve Fund can be legally invested, for valuation purposes these can be classified only as "Held-to-maturity investments" or "Available-for-sale financial assets".

Based on a report of the Social Security General Audit Office, the Social Security Reserve Fund's Management Committee, at its meeting of 11 February 2014, determined - for the purposes of the valuation established under the Adapting of Spain's General Public Accounting Plan to the entities that form part of the Social Security system - that the Public Debt's financial assets that made up the Social Security Reserve Fund would be reclassified, with effect from the end of the year, from "Held-to-maturity investments" to "Available-for-sale financial assets" if there were changes during the year in terms of intention or financial capacity to keep them in the held-to-maturity investment category. At year-end 2020, the assets forming part of the Reserve Fund portfolio continue to be considered as "Available-for-sale financial assets".

Appendix. Economic and financial information about the annual accounts

Lastly, by way of additional information, the Social Security Reserve Fund's asset situation is shown, based on the accounting data for year-end 2020.

Reserve Fund asset position at 31 December 2020

Concept	Amount (€)
Long-term debt securities available for sale	0.00
-National Portfolio	0.00
-National Portfolio	0.00
Short-term debt securities available for sale	0.00
-National Portfolio	0.00
-Eurozone Portfolio	0.00
Financial balance assigned to the Social Security Reserve Fund	2,137,923,025.06
Short-term interest on debt securities	0.00
-National Portfolio	0.00
-Eurozone Portfolio	0.00
Other short term interest receivable	0.00
Total	2,137,923,025.06