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SOCIAL SECURITY RESERVE FUND



Report to Parliament
Changes and actions in 2012
and situation as at 31 December 2012



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RESERVE FUND REPORT AS AT 31/12/2012

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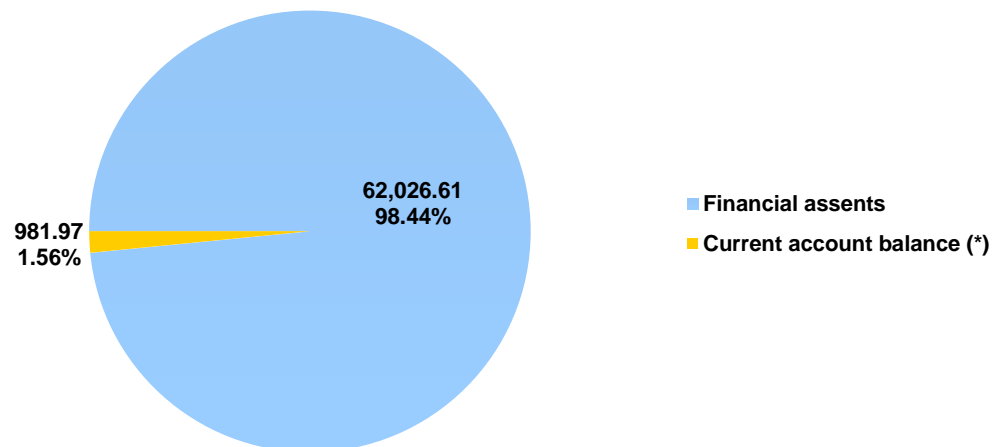


1. RESERVE FUND SITUATION AT 31/12/2012

On 31/12/2012, the situation and distribution of the Reserve Fund balance were as follows:

1. Financial assets	€62,026,606,284.10
<i>(At acquisition price¹)</i>	
2. Current account balance	€981,897,299.31
3. Interest accrued on the current account in December 2012	€76,415.18
<i>(Received on 3 January 2013)</i>	
<hr/>	
TOTAL RESERVE FUND	€ 63,008,579,998.59

This is illustrated in the following graph (figures in millions of euros):



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

This **Reserve Fund balance represents 5.93%** of Gross Domestic Product (according to figures from the INE, based on CNE-2008, published on 15 November 2012, GDP for 2011 was €1,063,355 million).

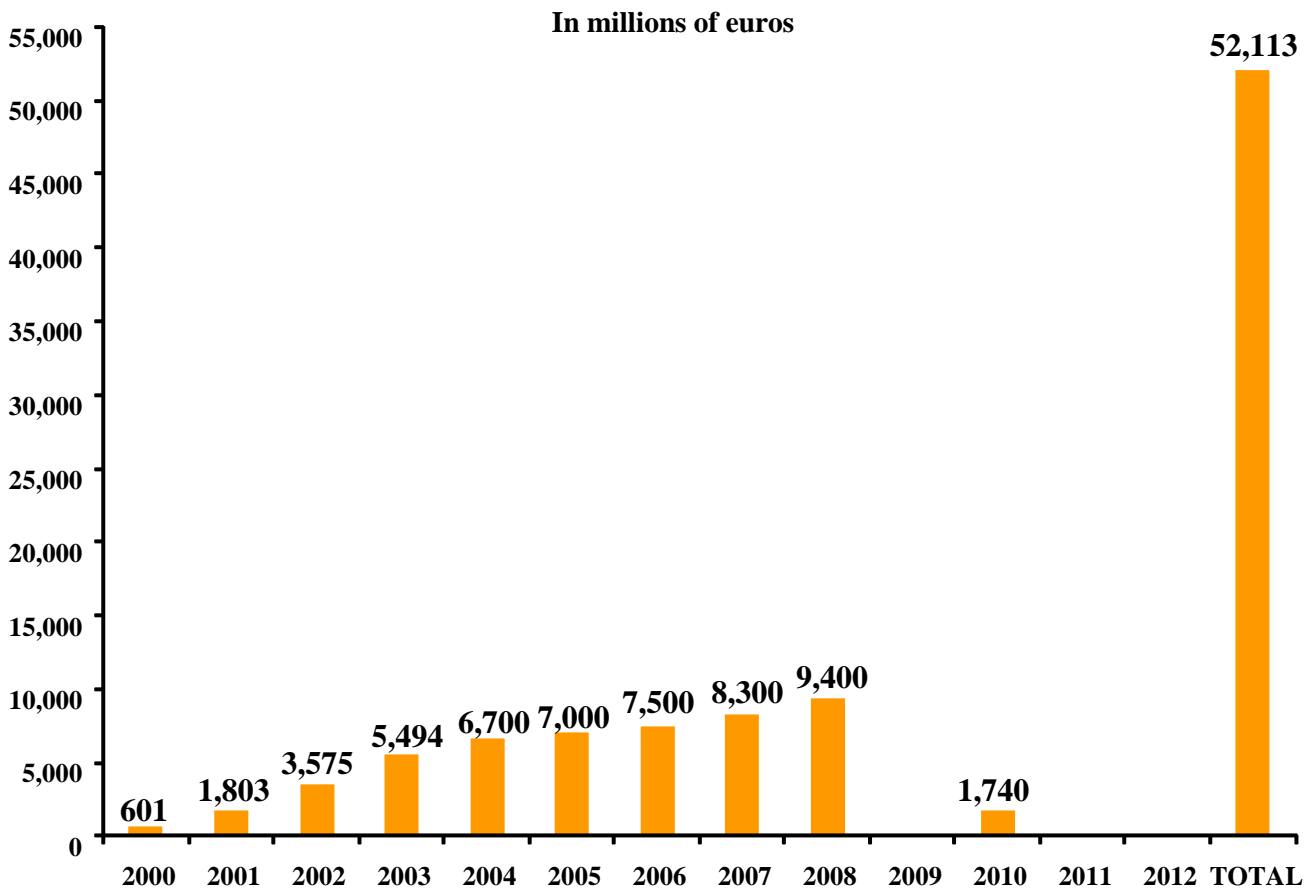
¹The acquisition price is known as the “dirty” price because it includes the amount paid for any accrued - but not collected - interest coupons for the asset. Including this amount means that the amounts received when the asset matures or is disposed of have to be adjusted in the opposite direction to prevent them from being calculated twice. However, as the public debt assets of the FRSS are classified as “held-to-maturity investments”, they are recorded at their amortised cost at year end (60,505,560,706.15 euros).



2. RESERVE FUND PERFORMANCE (allocations, drawings and profitability)

The Reserve Fund **allocations** approved by Cabinet and taken from the budget surpluses of the Social Security Managing Bodies and Common Services, covering the period from the first allocation approved in 2000 to 31 December 2012, are illustrated in the following graph:

ALLOCATIONS APPROVED BY CABINET AGREEMENT UP TO 31 DECEMBER 2012 (taken from the budget surpluses of the Social Security Managing Bodies and Common Services)





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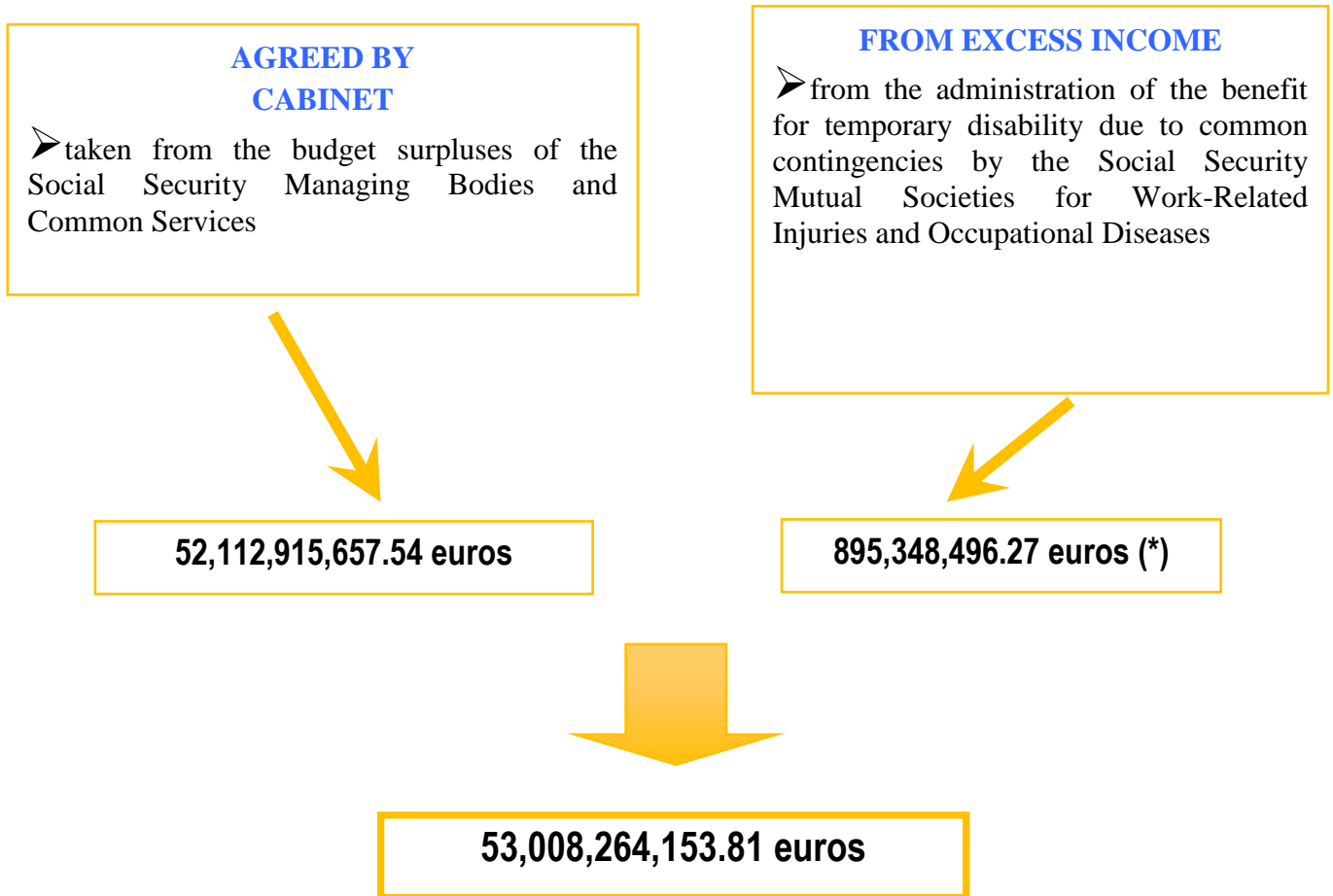
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The amounts allocated as excess surpluses arising from the administration of **Temporary Disability benefit for common contingencies** by the Social Security **Mutual Societies for Work-Related Injuries and Occupational Diseases** were paid into the Reserve Fund's dedicated account:

- For years 1997-2002: **19,872,722.09 euros.**
- For 2003, **258,828.77 euros.**
- For 2004, **5,335,504.48 euros.**
- For 2005, **41,452,276.13 euros.**
- For 2006, **110,265,045.16 euros.**
- For 2007, **119,958,195.12 euros.**
- For 2008, **80,059,126.02 euros.**
- For 2009, **69,247,170.19 euros.**
- For 2010, **222,413,012.43 euros.**
- For 2011, **226,486,615.88 euros**, with the following value dates: 20 July (321,356.34 euros), 23 July (9,206,050.08 euros), 24 July (14,886,280.03 euros), 27 July (32,571,805.04 euros), 30 July (138,244,804.03 euros) and 31 July (31,256,320.36 euros).



SOCIAL SECURITY RESERVE FUND ALLOCATIONS



() In 2012, €226,486,615.88 was paid into the Fund from the excess income arising from the administration by the Social Security Mutuals for Work-Related Injury and Occupational Disease Insurance of benefit for temporary disability due to common contingencies in 2011.*



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Reserve Fund drawings were made based on:

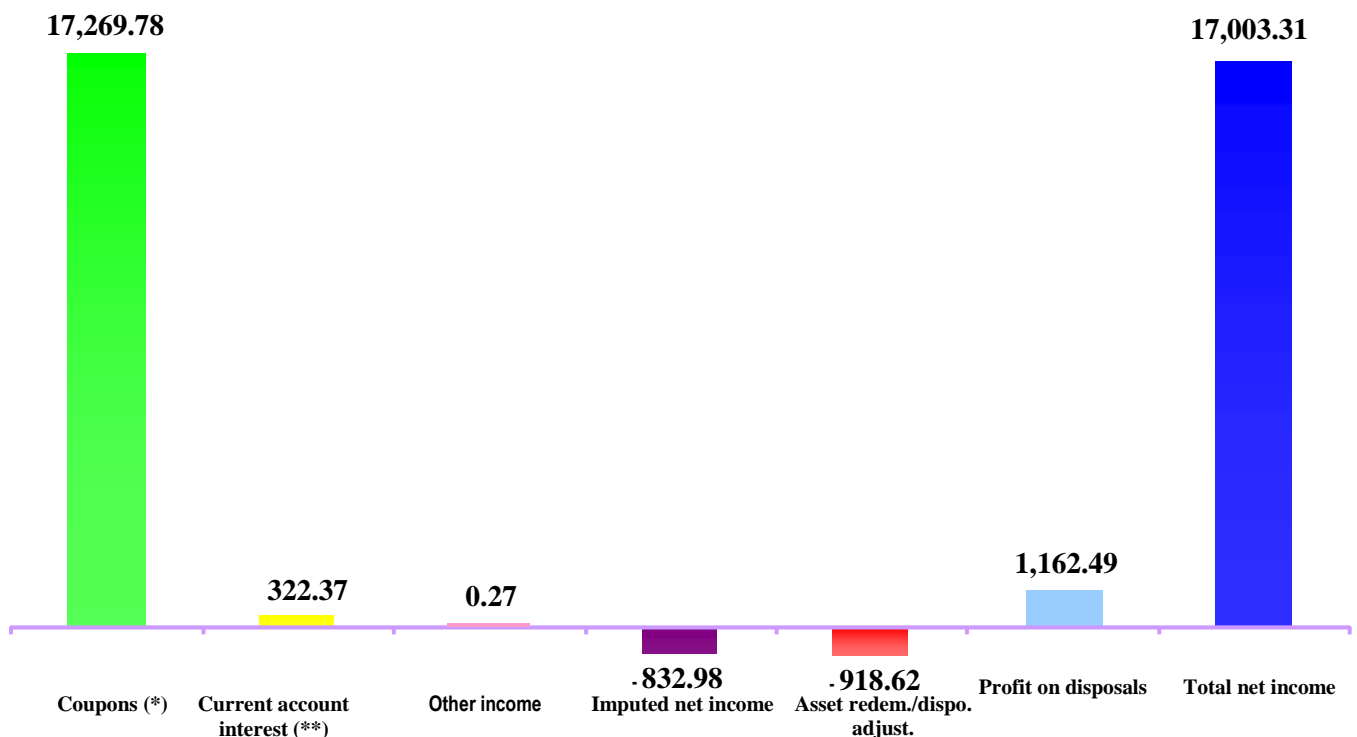
- The Cabinet Resolution of 27 September 2012, in application of article 4 of Law 28/2003, of 29 September, on the Social Security Reserve Fund, authorising the drawing of 3,063 million euros from the Social Security Reserve Fund.
- Royal Decree Law 28/2012, of 30 November, on measures to consolidate and guarantee the Social Security system. This removed the general three per cent limit established by article 4 of Law 28/2003, of 29 September, regulating the Social Security Reserve Fund, for 2012, 2013 and 2014, further allowing, as necessary, for a maximum amount equivalent to the deficit on non-financing operations revealed by the funding forecasts of the managing bodies and shared services of the Social Security. The deficit on non-financing operations for the Social Security system for the purposes of the 2012 Reserve Fund totalled 11,818.01 million euros, according to the allocation calculations of the Social Security Public Accounts Department, at 21 November 2012.

The total drawings made in 2012 are shown in the following table (Details in APPENDIX II):

ITEM	AMOUNT DRAWN EUROS	DATE	TOTAL AMOUNT EUROS
CABINET RESOLUTION 27-09-2012	1,700,000,000.00	28-09-12	3,063,000,000.00
	1,363,000,000.00	26-10-12	
ROYAL DECREE-LAW 28/2012, OF 30 NOVEMBER	3,530,000,000.00	03-12-12	3,940,000,000.00
	410,000,000.00	18-12-12	
TOTAL DRAWINGS			7,003,000,000.00



The **net profits**² on the Reserve Fund from the first allocation approved in 2000 to 31/12/2012 were also allocated to the Reserve Fund, amounting to:



Figures in millions of euros

(*) This includes the accrued coupon collected on assets acquired by the Reserve Fund (866,459,677.94 euros, corresponding to the accrued coupon collected on assets in the portfolio at 31/12/2012).

(**) Includes interest accrued in December and received on 3 January 2013.

² Not including asset income earned but not received during the year. Profits accrued but not collected in 2012 amounted to €739,826,873.47. This amount is included in the accounts of the Treasury General of the Social Security as explicit interest and included in the amortised cost.



GENERAL CHANGES IN THE RESERVE FUND BALANCE

ALLOCATIONS, DRAWINGS AND PROFITS

Situation at 31/12/2012. Figures in millions of euros

Cumulative figures	2000 to 2005	2006	2007	2008	2009	2010	2011	2012
1. ALLOCATIONS	25,198	32,740	41,150	50,670	50,750	52,559	52,782	53,008
1.a Cabinet Agreement (*)	25,173	32,673	40,973	50,373	50,373	52,113	52,113	52,113
1.b. MATEPSS excess income (**)	25	67	177	297	377	446	669	895
2. DRAWINGS (***)								-7,003
3. NET INCOME GENERATED	1,987	3,139	4,566	6,553	9,272	11,816	14,033	17,003
3.a Income generated (****)	2,065	3,255	4,729	6,787	9,690	12,352	14,718	17,922
3.b Adjustments for redemption/disposal of assets	-78	-116	-163	-234	-418	-536	-685	-919
TOTAL	27,185	35,879	45,716	57,223	60,022	64,375	66,815	63,008

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

(**) Resulting from the administration of benefits for temporary disability due to common contingencies by MATEPSS.

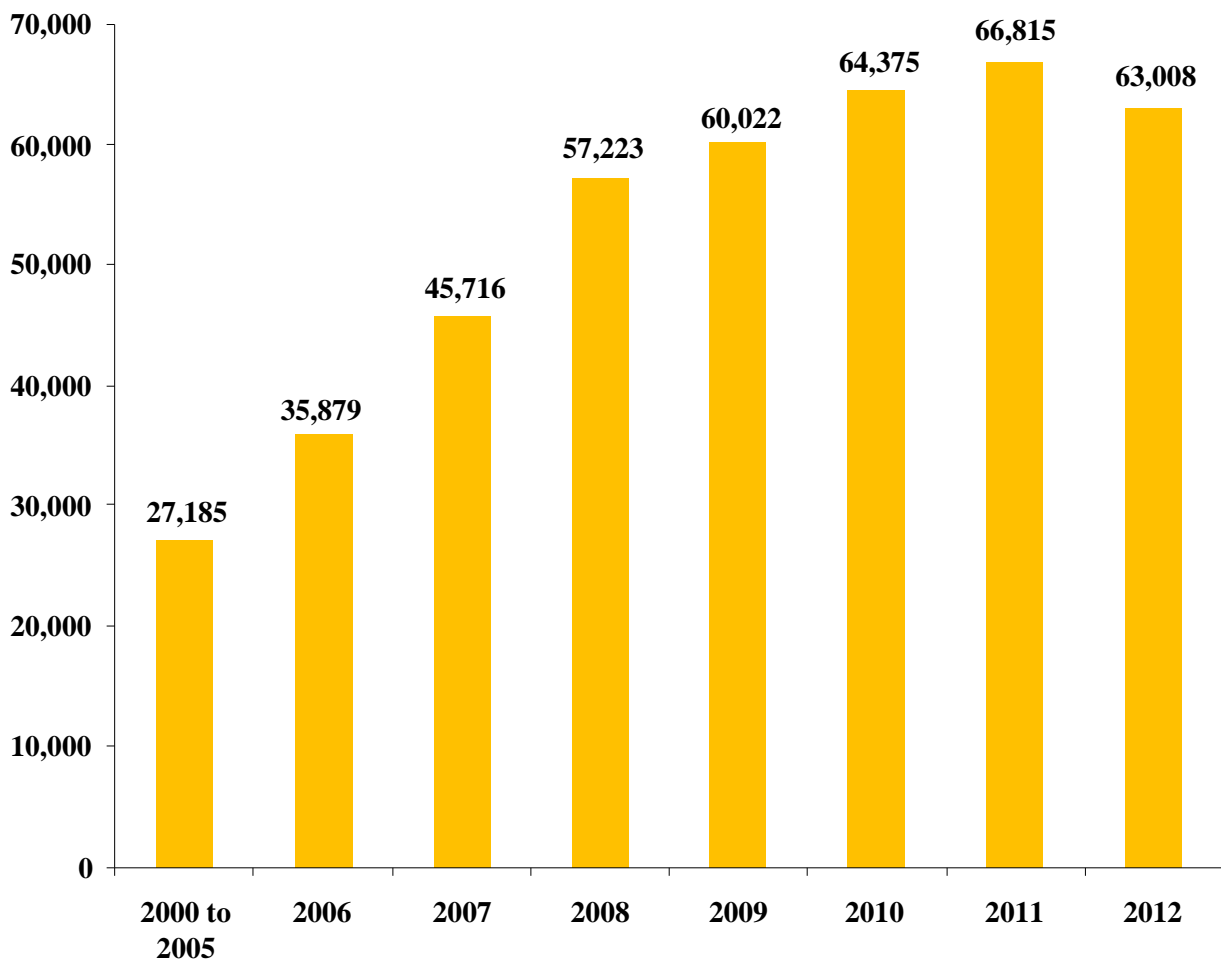
(***) Under the Cabinet Resolution of 27/09/2012 and the first additional provision of Royal Decree Law 28/2012, of 30 November.

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



The balance breakdown by year is shown below:

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





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3.- ACTIVITIES IN 2012

3.1. Investment and management criteria applied in 2012

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



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automatically shape the Fund's investment decisions. On 17 July 2012, the Social Security Reserve Fund Management Committee approved a modification to the maximum percentage of each issue from 16% to 35% for those issues where it was strictly necessary to comply with investment conditions.

- The nominal value of all Spanish Treasury products in the Social Security Reserve Fund's portfolio shall not exceed 11% of the total Treasury debt in circulation (bills and short- and long-term bonds), excluding foreign currency issuances. On 17 July 2012, the Social Security Reserve Fund Management Committee approved the modification to the percentage, increasing it to 12%, as greater flexibility was required for the Fund to comply with its investment criteria.
- At the time of investment, priority shall be given to purchases of benchmark products in the portfolio.
- For the purposes of their valuation, set forth in the General Public Accounting Plan, the public debt assets included in the Social Security Reserve Fund are initially classed as "held-to-maturity investments".



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3.2. The first meeting of the Management Committee in 2012

The thirty-third meeting of the Social Security Reserve Fund Management Committee, the highest management body of the Reserve Fund, was held on 22 February 2012 following analysis of the proposal submitted by the Investment Advisory Commission, which met on 17 February 2012, resolving as follows:

- ✓ Ratification of the 2011 investment and management criteria for application in 2012.
- ✓ To approve the purchase of 2,385,000,000 euros of Spanish public debt (600,000,000 euros in the primary market and 1,785,000,000 euros in the secondary market), retaining the remainder in the current account.
- ✓ To establish an asset distribution setting the maturity of the Fund at 4.5 years and the modified maturity at 4.3; this increases the maturities agreed by the Reserve Fund Management Committee at its meeting of 23 November 2011.
- ✓ To give the Bank of Spain, acting as agent, the period from 1 to 31 March 2012 to complete the above transactions.

The proposal to purchase assets approved by the Reserve Fund Management Committee, as the highest management body, at its meeting on 22 February 2012, specified the following list of assets to be purchased:



Distribution of Spanish Public Debt acquisitions:

Description of asset	Maturity	Value in euros		
		Primary	Secondary	Total
Treasury Bills (1)	22/06/2012	300,000,000		300,000,000
Treasury Bills	20/07/2012		700,000,000	700,000,000
Government Long-term Bonds (5.00%)	30/07/2012		100,000,000	100,000,000
Treasury Bills	24/08/2012		500,000,000	500,000,000
Treasury Bills (1)	21/09/2012	300,000,000	300,000,000	600,000,000
Treasury Bills	19/10/2012		185,000,000	185,000,000
TOTAL		600,000,000	1,785,000,000	2,385,000,000

(1) Auction of 27 March 2012

Once the proposal of the Social Security Reserve Fund Management Committee was approved by the Treasury General of the Social Security, based on the certification issued by the Committee Secretary, an acquisition file was opened for the assets and purchase orders were sent to the Bank of Spain. Details of the acquisitions that took place between 6 and 30 March – the value dates (the transaction dates being from 1 to 27 March) - are as follows:

- Spanish financial assets were acquired for a price of 2,384,999,540.54 euros; this involved transactions in the secondary market with an acquisition price of 1,786,480,235.81 euros and transactions in the primary market with an acquisition price of 598,519,304.73 euros.
- The average value of purchases made per day was €140.29 million.

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



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ACQUISITIONS OF SPANISH PUBLIC DEBT (Figures in euros)

DESCRIPTION OF FINANCIAL ASSET AND ISSUE REFERENCE	REDEMPTION DATE	TOTAL ACQUISITION PRICE (including current coupon)	NOMINAL VALUE = REDEMPTION VALUE	AVERAGE ACQUISITION IRR
SHORT-TERM ZONE				
Treasury Bills issue ref.ES0L01206223	22/06/2012	300,000,287.92	300,267,000.00	0.381
Treasury Bills issue ref.ES0L01207205	20/07/2012	699,998,294.16	701,310,000.00	0.533
Long-term Government Bonds (5.00%) issue ref.ES0000012791	30/07/2012	99,999,822.07	95,436,000.00	0.560
Treasury Bills issue ref.ES0L01208245	24/08/2012	499,998,454.32	501,418,000.00	0.646
Treasury Bills issue ref.ES0L01209219	21/09/2012	600,003,296.84	602,356,000.00	0.785
Treasury Bills issue ref.ES0L01210191	19/10/2012	184,999,385.23	185,939,000.00	0.835
TOTAL		2,384,999,540.54	2,386,726,000.00	
TOTAL PFAs ACQUIRED		2,384,999,540.54	2,386,726,000.00	0.626 (*)

(*) *Average weighted IRR on the nominal value acquired*

Zone-based distribution criteria:

Short-term: maturity up to 12 months from 31/12/2012 in order to harmonise with accounting criteria.

3-year zone: maturity between 12 months and 4 years from 31/12/2012.

5-year zone: maturity between 4 years and 7 years from 31/12/2012.

10+ year zone: maturity over 7 years from 31/12/2012.



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3.3. Second Management Committee meeting of 2012

The twenty-fourth meeting of the Social Security Reserve Fund Management Committee was held on 9 May 2012, which, as the highest management body of the Reserve Fund, after analysing the proposal submitted by the Investment Advisory Commission, which met on 7 May 2012, following current investment criteria, agreed the following resolutions:

- ✓ To approve the purchase of 3,052,000,000 euros of Spanish public debt (600,000,000 euros in the primary market and 2,452,000,000 euros in the secondary market), retaining the remainder in the current account.
- ✓ To establish an asset distribution setting the maturity of the Fund at 4.2 years and the modified maturity at 4.0; decreasing the maturities agreed by the Reserve Fund Management Committee at its 22 February 2012 meeting.
- ✓ To establish a period for the Bank of Spain, acting as agent, to carry out the transactions until 31 May 2012, except for Treasury Bills maturing on 19 October 2012, which was extended until 22 June 2012.

At its meeting on 9 May 2012, the Reserve Fund Management Committee, as the highest management body, approved acquisition of assets as follows:



Distribution of Spanish Public Debt acquisitions:

Description of asset	Maturity	Value in euros		
		Primary	Secondary	Total
Treasury Bills	22/06/2012		180,000,000	180,000,000
Treasury Bills	20/07/2012		260,000,000	260,000,000
Long-term Government Bonds (5.00%)	30/07/2012		20,000,000	20,000,000
Treasury Bills (1)	24/08/2012	300,000,000	350,000,000	650,000,000
Treasury Bills	21/09/2012		190,000,000	190,000,000
Treasury Bills	19/10/2012		980,000,000	980,000,000
Short-term Government Bonds (3.90 %)	31/10/2012		200,000,000	200,000,000
Treasury Bills (1)	23/11/2012	300,000,000	272,000,000	572,000,000
TOTAL		600,000,000	2,452,000,000	3,052,000,000

(1) Auction of 22 May.

Once the proposal of the Social Security Reserve Fund Management Committee was approved by the Treasury General of the Social Security, based on the certification issued by the Committee Secretary, an acquisition file was opened for the assets and purchase orders were sent to the Bank of Spain. Details of the acquisitions that took place between 21 May and 13 June – the value dates (the transaction dates being between 16 May and 8 June) - were as follows:

- Spanish financial assets were acquired for a price of 3,051,998,383.55 euros; this involved transactions in the secondary market with an acquisition price of 2,455,250,081.48 euros and transactions in the primary market with an acquisition price of 596,748,302.07 euros.
- The average value of purchases made per day was €169.56 million.



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

ACQUISITIONS OF SPANISH PUBLIC DEBT (Figures in euros)

DESCRIPTION OF FINANCIAL ASSET AND ISSUE REFERENCE	REDEMPTION DATE	TOTAL ACQUISITION PRICE (including current coupon)	NOMINAL VALUE = REDEMPTION VALUE	AVERAGE ACQUISITION IRR
SHORT-TERM ZONE				
Treasury Bills issue ref.ES0L01206223	22/06/2012	179,999,407.80	180,055,000.00	0.410
Treasury Bills issue ref.ES0L01207205	20/07/2012	259,999,914.85	260,180,000.00	0.477
Long-term Government Bonds (5.00%) issue ref.ES0000012791	30/07/2012	19,999,226.94	19,068,000.00	0.580
Treasury Bills issue ref.ES0L01208245	24/08/2012	649,997,915.75	651,296,000.00	0.809
Treasury Bills issue ref.ES0L01209219	21/09/2012	189,999,650.42	190,684,000.00	1.153
Treasury Bills issue ref.ES0L01210191	19/10/2012	980,003,028.25	986,230,000.00	1.697
Short-term Government Bonds (3.90%) issue ref.ES00000120L4	31/10/2012	199,999,521.09	193,889,000.00	1.658
Treasury Bills issue ref.ES0L01211231	23/11/2012	571,999,718.45	576,891,000.00	1.702
TOTAL		3,051,998,383.55	3,058,293,000.00	
TOTAL PFAs ACQUIRED		3,051,998,383.55	3,058,293,000.00	1.286 (*)

(*) *Average weighted IRR on the nominal value acquired*

NB: see zone-based distribution criteria on page 13

3.4. Third Management Committee meeting of 2012

The thirty-fifth meeting of the Social Security Reserve Fund Management Committee was held on 17 July 2012, which, as the highest management body of the Reserve Fund, after analysing the proposal submitted by the Investment Advisory Commission, which met on 16 July 2012, resolved as follows:

- ✓ To approve changes to the 2012 investment criteria, as follows:
 - The Social Security Reserve Fund's Spanish securities must be diversified, such that no single product in the portfolio accounts for more than 16%, in general terms, of the



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nominal outstanding balance. However, this maximum percentage of each issue would 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's policies, which will not automatically condition the Fund's investment decisions.

- The nominal value of all Spanish Treasury issues held by the Social Security Reserve Fund compared to the total value of Treasury debt in circulation (bills, short-term and long-term bonds), excluding foreign-currency issues, would not exceed 12%, as greater flexibility is required for the Fund to be able to comply with its investment policies.

- ✓ To approve the acquisition of 5,640,000,000 euros of Spanish Public Debt (1,000,000,000 euros in the primary market and 4,640,000,000 euros in the secondary market), with the flows forecast to 31 August 2012, retaining the remainder in the current account.
- ✓ To approve the disposal of financial assets (Dutch, French and German) with a nominal value of 4,090,778,000 euros.
- ✓ The income from such disposals would be used to purchase Spanish Public debt in the primary market with an identical or very similar maturity (around 9 months) to the instruments being disposed of.

Details of the approved transactions are as follows:



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1) ACQUISITIONS OF SPANISH PUBLIC DEBT PAID FOR OUT OF THE CURRENT ACCOUNT:

Distribution of Spanish Public Debt acquisitions:

Description of asset	Maturity	Value in euros		
		Primary	Secondary	Total
Treasury Bills (1)	19/10/2012	500,000,000	1,080,000,000	1,580,000,000
Short-term Government Bonds (3.90 %)	31/10/2012		1,900,000,000	1,900,000,000
Treasury Bills (2)	23/11/2012	500,000,000	600,000,000	1,100,000,000
Treasury Bills	14/12/2012		1,060,000,000	1,060,000,000
TOTAL		1,000,000,000	4,640,000,000	5,640,000,000

(1) Auction of 24 July

(2) Auction of 28 August

NB: The maximum value of purchases at non-competitive auctions of up to 500 million euros was authorised by Order ECC/1697/2012 of 31 July, (BOE of 1 August); until this date, purchases would be distributed as follows: 300 million euros in the primary market and the remaining 200 million euros in the secondary market.

A period was established for the Bank of Spain, acting as agent, to carry out the Spanish public debt purchases charged to the account balance to 7 September 2012, adjusting for the flows and auctions.



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2) DISPOSAL OF GERMAN, FRENCH AND DUTCH DEBT TO ACQUIRE SPANISH PUBLIC DEBT IN THE PRIMARY MARKET:

Distribution of disposals of German, French and Dutch Debt:

Description of asset to be sold	Maturity	Nominal Sale Value (euros)
France 3.50%	25/04/2015	635,598,000
Netherlands 3.25%	15/07/2015	853,664,000
France 3.00%	25/10/2015	520,110,000
Germany 3.50%	04/01/2016	307,544,000
France 3.25%	25/04/2016	679,870,000
Germany 4.00%	04/07/2016	512,070,000
Netherlands 4.00%	15/07/2016	581,922,000
AMOUNT		4,090,778,000

A period was established for the Bank of Spain, acting as agent, to carry out the sale of the foreign debt described and to purchase Spanish debt in the primary market to 14 December 2012.

At the time of the sale transactions, a minimum spread criteria should be applied, calculated by applying a 100 basis point discount to the market spread at that time:

TRANCHE	Netherlands (figures for 10/07/2012)	France (figures for 10/07/2012)	Germany (figures for 10/07/2012)
"Spread" 2 year	363	353	370
"Spread" 3 year	432	414	450
"Spread" 4 year	418	396	457
"Spread" 5 year	421	404	468



The Agent Bank, as it judges appropriate based on market conditions, may make the sales with spreads slightly below this threshold (maximum of 75 basis points).

The Management Committee set up a working group consisting of the Treasury General of the Social Security and the General Secretariat of the Treasury and Financial Policy to propose changes to this table of issues, as appropriate given market conditions. Such proposals would be approved by the Reserve Fund Management Committee through agreement by its members by email.

On 17 September 2012, a proposal to modify the minimum spreads for foreign debt sales and Spanish public debt purchases in the primary market and to increase the flexibility for the Bank of Spain to determine the amounts to be disposed of and acquired, subject to the maximum established for purchases in the non-competitive tranche, was sent to the members of the Management Committee.

A new set of reference spreads (described below) was proposed, maintaining an additional 75 basis point margin of flexibility (see below).

TRANCHE	Netherlands (figures for 13/09/2012)	France (figures for 13/09/2012)	Germany (figures for 13/09/2012)
"Spread" 2 year	188	175	186
"Spread" 3 year	241	222	235
"Spread" 4 year	256	231	243
"Spread" 5 year	275	242	258

This table was calculated by applying a discount of 100 bp to spreads at 13/09/2012.



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Once the confirmations of these proposed modifications were received, the members of the Social Security Reserve Fund Management Committee were informed that it had been unanimously approved. The appropriate instructions could then be issued to the Bank of Spain.

1) COMPLIANCE WITH AGREEMENTS FOR PURCHASES PAID FOR OUT OF THE ACCOUNT BALANCE

The results of the **purchase operations charged to the balance of the account and cash flows to 31 August** and carried out from 27 July to 12 September – the value dates of the transactions (the transaction dates being from 24 July to 7 September) - were:

- Spanish public financial assets were acquired for a price of 5,639,998,971.68 euros; this involved transactions in the secondary market with an acquisition price of 4,842,794,385.75 euros and transactions in the primary market with an acquisition price of 797,204,585.93 euros.
- The average purchase value per day was 176.25 million euros.



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

ACQUISITIONS OF SPANISH PUBLIC DEBT (Figures in euros)

DESCRIPTION OF FINANCIAL ASSET AND ISSUE REFERENCE	REDEMPTION DATE	TOTAL ACQUISITION PRICE (including current coupon)	NOMINAL VALUE = REDEMPTION VALUE	AVERAGE ACQUISITION IRR
SHORT-TERM ZONE				
Treasury Bills issue ref.ES0L01210191	19/10/2012	1,579,941,526.09	1,584,580,000.00	1.349
Government Short-term Bonds (3.90%) issue ref.ES00000120L4	31/10/2012	1,904,425,956.64	1,836,555,000.00	0.884
Treasury Bills issue ref.ES0L01211231	23/11/2012	1,095,632,425.77	1,097,937,000.00	0.889
Treasury Bills issue ref.ES0L01212148	14/12/2012	1,059,999,063.18	1,062,840,000.00	0.927
TOTAL		5,639,998,971.68	5,581,912,000.00	
TOTAL PFAs ACQUIRED		5,639,998,971.68	5,581,912,000.00	1.025 (*)

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

NB: see zone-based distribution criteria on page 13

2) DISPOSAL OF GERMAN, FRENCH AND DUTCH DEBT TO ACQUIRE SPANISH PUBLIC DEBT IN THE PRIMARY MARKET

The results of the **disposal of German, French and Dutch Debt to acquire Spanish Public Debt in the primary market** between 7 August and 10 December – the value dates of the transactions (the transaction dates being from 2 August to 5 December) - were:



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- Foreign financial assets with a nominal value of 4,090,778,000.00 euros, equating to an actual value of 4,563,401,710.51 euros, were disposed of; the proceeds were used to purchase Spanish financial assets through transactions in the primary market at an acquisition price of 4,563,400,941.94 euros.
- The average nominal value of sales per day was 454.53 million euros, whilst the average cash value of purchases was 570.43 million euros.

Details of these sales and purchases are given in the following tables:

DISPOSALS OF FOREIGN ASSETS

(Figures in euros)

DESCRIPTION OF FINANCIAL ASSET AND ISSUE REFERENCE	REDEMPTION DATE	TOTAL DISPOSAL PRICE (including any current coupon)	NOMINAL VALUE = REDEMPTION VALUE	AVERAGE DISPOSAL IRR
THREE-YEAR ZONE				
French Government Bonds (3.50%) issue ref.FR0010163543	25/04/2015	698,385,457.93	635,598,000.00	0.231
Dutch Government Bonds (3.25%) issue ref.NL0000102242	15/07/2015	931,521,346.17	853,664,000.00	0.213
French Government Bonds (3.00%) issue ref.FR0010216481	25/10/2015	574,922,708.79	520,110,000.00	0.452
German Government Bonds (5.00%) issue ref.DE0001135291	04/01/2016	348,806,307.23	307,544,000.00	0.169
French Government Bonds (3.25%) issue ref.FR0010288357	25/04/2016	755,357,260.30	679,870,000.00	0.513
German Government Bonds (4.00%) issue ref.DE0001135309	04/07/2016	590,499,278.09	512,070,000.00	0.164
Dutch Government Bonds (4.00%) issue ref.NL0000102283	15/07/2016	663,909,352.00	581,922,000.00	0.463
TOTAL		4,563,401,710.51	4,090,778,000.00	
TOTAL PFAs DISPOSED OF		4,563,401,710.51	4,090,778,000.00	0.322 (*)

() Average weighted IRR on the nominal amount disposed*

NB: see zone-based distribution criteria on page 13



ACQUISITION OF SPANISH PUBLIC DEBT PAID FOR WITH DISPOSALS OF FOREIGN ASSETS

(Figures in euros)

DESCRIPTION OF FINANCIAL ASSET AND ISSUE REFERENCE	REDEMPTION DATE	TOTAL ACQUISITION PRICE (including current coupon)	NOMINAL VALUE = REDEMPTION VALUE	AVERAGE ACQUISITION IRR
THREE-YEAR ZONE				
Long-term Government Bonds (4.75%) issue ref.ES0000012098	30/07/2014	200,114,000.00	200,000,000.00	4.774
Short-term Government Bonds (3.30%) issue ref.ES00000121P3	31/10/2014	309,399,000.00	300,000,000.00	3.282
Long-term Government Bonds (4.00%) issue ref.ES00000123L8	30/07/2015	1,021,335,000.00	1,000,000,000.00	3.452
Short-term Government Bonds (3.75%) issue ref.ES00000123P9	31/10/2015	1,607,167,941.94	1,604,838,000.00	3.746
Short-term Government Bonds (4.25%) issue ref.ES00000123J2	31/10/2016	1,425,385,000.00	1,400,000,000.00	4.771
TOTAL		4,563,400,941.94	4,504,838,000.00	
TOTAL PFAs ACQUIRED		4,563,400,941.94	4,504,838,000.00	4.014 (*)

(*) *Average weighted IRR on the nominal value acquired*

NB: see previous zone-based distribution criteria on page 13

3.5. Fourth Management Committee meeting of 2012

The thirty-sixth meeting of the Social Security Reserve Fund Management Committee was held on 14 November 2012, which, as the highest management body of the Reserve Fund, after analysing the proposal submitted by the Investment Advisory Commission, which met on 14 November 2012, agreed the following resolutions:

- ✓ To approve the purchase of Spanish public debt with a cash value of 3,275,000,000 euros through a simple purchase procedure for a Bond maturing on 30 September 2017 and issued for this purpose by the Spanish Treasury.



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- ✓ To authorise the Treasury General of the Social Security, as the manager of the Social Security Reserve Fund, to enter into a contract subscribing to the issue of the first tranche of the Spanish Government Bond maturing on 30 September 2017 with the General Secretariat of the Treasury and Financial Policy (on behalf of the Spanish Government).
- ✓ The deadline for the transaction to be carried out was 30 November 2012.

Details of the transactions approved were:

Acquisition of Spanish public debt:

Description of asset	Maturity	Euro cash value
Short-term Government Bonds	30/09/2017	3,275,000,000

It was established that the Treasury General of the Social Security, as the manager of the Social Security Reserve Fund, would, through its agent bank, the Bank of Spain, subscribe to and pay up the whole of the Bonds on the closure date at the issue price, in accordance with the characteristics and results of the issue set out in Orders ECC/2484/2012 of 19 November and ECC/2510/2010 of 20 November, published in the BOE on 20 and 22 November, respectively.

Once the proposal of the Social Security Reserve Fund Management Committee was approved by the Treasury General of the Social Security, based on the certification issued by the Committee Secretary, the corresponding purchase order file was opened and the contract for subscription to the issue of the first tranche of the Government Bond at 4.75% maturing on 30 September 2017 was signed on 23 November 2012.



The results of the simple purchase operation executed on 29 November 2012 were:

ACQUISITION OF SPANISH PUBLIC DEBT

(Figures in euros)

DESCRIPTION OF FINANCIAL ASSET AND ISSUE REFERENCE	REDEMPTION DATE	TOTAL ACQUISITION PRICE (including current coupon)	NOMINAL VALUE = REDEMPTION VALUE	ACQUISITION IRR
FIVE-YEAR ZONE				
Short-term Government Bonds (4.75%) issue ref.ES00000123R5	30/09/2017	3,274,687,467.84	3,280,724,000.00	4.792
TOTAL		3,274,687,467.84	3,280,724,000.00	
TOTAL PFAs ACQUIRED		3,274,687,467.84	3,280,724,000.00	4.792

NB: see previous zone-based distribution criteria on page 13

3.6 The Fifth Management Committee meeting of 2012

The thirty-seventh meeting of the Social Security Reserve Fund Management Committee was held on 23 November 2012, which, as the highest management body of the Reserve Fund, after analysing the proposal submitted by the Investment Advisory Commission, which met on 23 November 2012, agreed the following resolutions:

- ✓ To approve the proposal to acquire Spanish Public Debt to a maximum cash value of 1,020,000,000 euros. The acquisitions would be funded by part of the existing cash balance, retaining the remainder in the current account.
- ✓ The Treasury General of the Social Security and the General Secretariat of the Treasury and Financial Policy jointly determined the dates and system for the acquisition of public debt, based on market conditions and the issue policy of the Spanish Treasury.

On 3 December 2012, the General Secretariat of the Treasury and Financial Policy and the Treasury General of the Social Security agreed that the acquisition of the assets would be carried out in the primary market at maturities consistent with the term structure of the Reserve



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Fund portfolio, with diversified maturities, giving preference to medium-term assets, aiming to increase the returns expected from the portfolio.

The asset acquisition proposal was as follows:

1. Auction of 5 December 2012:

Distribution of Spanish Public Debt acquisitions:

Description of asset	Maturity	Euro cash value
		Primary Market
Short-term Government Bonds (3.5 %)	31/10/2015	400,000,000
Long-term Government Bonds (4.60%)	30/07/2019	300,000,000
TOTAL		700,000,000

2. Auctions of 11 and 13 December 2012:

Distribution of Spanish Public Debt acquisitions:

Description of asset	Maturity	Euro cash value
		Primary Market
Treasury Bills (1)	13/12/2013	40,000,000
Treasury Bills (1)	20/06/2014	80,000,000
Short-term Government Bonds (2)	5 years	200,000,000
AMOUNT		320,000,000

(1) Auction of 11/12/2012

(2) Auction of 13/12/2012. In the absence of confirmation of specific issues, bonds would be acquired with the closest possible maturity to 5 years

Subsequently, the Treasury General of the Social Security, based on the certificate issued by the Committee Secretary, opened the corresponding acquisition file and acquisition orders were sent to the Bank of Spain. Details of the acquisitions that took place between 10 and 18 December – the value dates (the transaction dates being between 5 and 13 December) - were as follows:



- Spanish financial assets with a total acquisition price of 1,018,749,069.11 euros were acquired through transactions in the primary market.
- The average value of purchases made per day was €339.58 million.

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

ACQUISITIONS OF SPANISH PUBLIC DEBT

(Figures in euros)

	DESCRIPTION OF FINANCIAL ASSET AND ISSUE REFERENCE	REDEMPTION DATE	TOTAL ACQUISITION PRICE (including current coupon)	NOMINAL VALUE = REDEMPTION VALUE	AVERAGE ACQUISITION IRR
I)	SHORT-TERM ZONE				
	Treasury Bills issue ref.ES0L01312138	13/12/2013	38,992,283.43	40,000,000.00	2.556
	TOTAL		38,992,283.43	40,000,000.00	2.556
II)	3-YEAR ZONE				
	Treasury Bills issue ref.ES0L01406203	20/06/2014	76,702,587.62	80,000,000.00	2.778
	Short-term Government Bonds (3.75%) issue ref.ES00000123P9	31/10/2015	398,520,798.06	393,162,000.00	3.390
	AMOUNT		475,223,385.68	473,162,000.00	3.287
III)	5-YEAR ZONE				
	Long-term Government Bonds (5.50%) issue ref.ES0000012783	30/07/2017	206,814,300.00	192,500,000.00	4.203
	Short-term Government Bonds (4.60%) issue ref.ES00000121L2	30/07/2019	297,719,100.00	294,000,000.00	4.669
	TOTAL		504,533,400.00	486,500,000.00	4.485
	TOTAL PFAs ACQUIRED (I+II+III)		1,018,749,069.11	999,662,000.00	3.840 (*)

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

NB: see zone-based distribution criteria on page 13.



4. KEY FIGURES FOR THE RESERVE FUND AT 31/12/2012

The asset portfolio, which at 31/12/2012 had an acquisition price³ of €62,026,606,284.10, classified by zone, was distributed as follows:

ASSETS	VALUE IN EUROS	PERCENTAGE
Short-term zone	8,283,852,203.68	13.35%
3-year zone	21,366,185,721.44	34.45%
5-year zone	15,389,565,465.95	24.81%
10+ year zone	16,987,002,893.03	27.39%
TOTAL	62,026,606,284.10	100.00%

NB: see zone-based distribution criteria on page 13

And nominal value:

ASSETS	VALUE IN EUROS	PERCENTAGE
Short-term zone	7,899,479,000.00	13.15%
3-year zone	20,934,496,000.00	34.85%
5-year zone	14,960,053,000.00	24.91%
10+ year zone	16,269,109,000.00	27.09%
TOTAL	60,063,137,000.00	100.00%

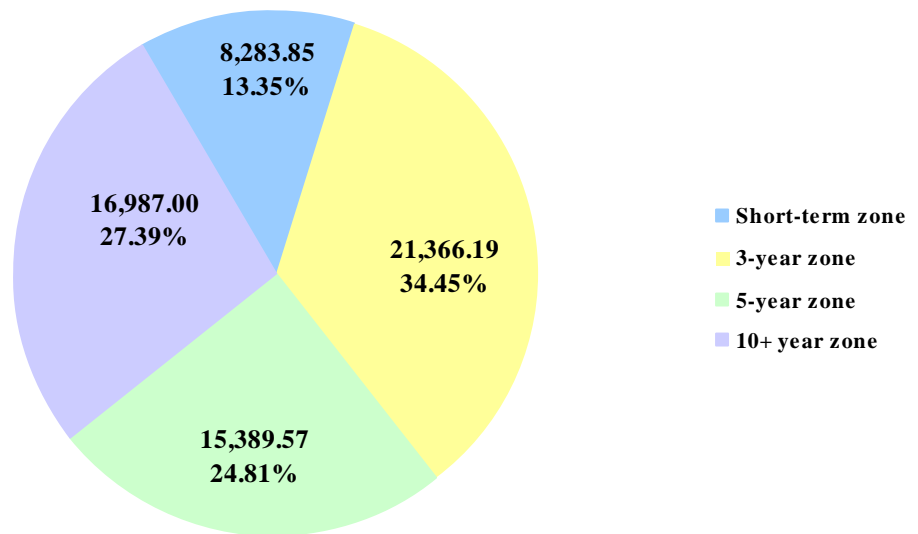
NB: see zone-based distribution criteria on page 13

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

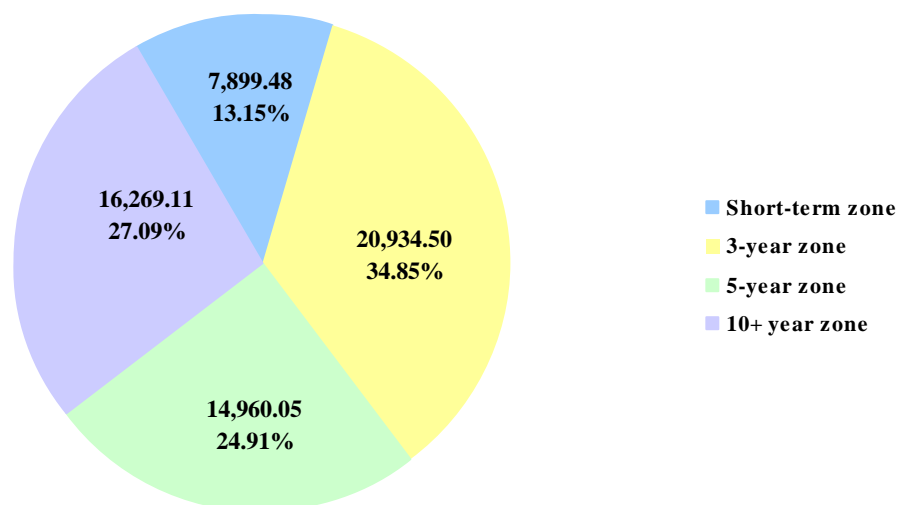


This is shown in the following charts at 31/12/2012, in terms of acquisition price and the nominal value of the assets (million euros):

TOTAL ACQUISITION PRICE



NOMINAL VALUE





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The asset portfolio at 31/12/2012 consisted of Spanish debt and foreign debt from the following governments: Germany, France and the Netherlands. The distribution of these assets is as follows, broken down by acquisition price:

ASSETS	SPANISH DEBT (euros)	FOREIGN DEBT (euros)	TOTAL (euros)	%
Short-term zone	8,283,852,203.68	0.00	8,283,852,203.68	13.35%
3-year zone	20,611,258,255.53	754,927,465.91	21,366,185,721.44	34.45%
5-year zone	15,389,565,465.95	0.00	15,389,565,465.95	24.81%
10+ year zone	16,029,039,274.74	957,963,618.29	16,987,002,893.03	27.39%
TOTAL	60,313,715,199.90	1,712,891,084.20	62,026,606,284.10	100.00%

NB: see zone-based distribution criteria on page 13

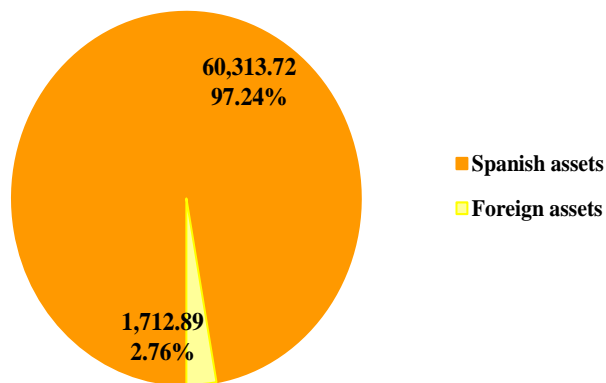
And broken down by nominal value:

ASSETS	SPANISH DEBT (euros)	FOREIGN DEBT (euros)	TOTAL (euros)	%
Short-term zone	7,899,479,000.00	0.00	7,899,479,000.00	13.15%
3-year zone	20,213,331,000.00	721,165,000.00	20,934,496,000.00	34.85%
5-year zone	14,960,053,000.00	0.00	14,960,053,000.00	24.91%
10+ year zone	15,461,887,000.00	807,222,000.00	16,269,109,000.00	27.09%
TOTAL	58,534,750,000.00	1,528,387,000.00	60,063,137,000.00	100.00%

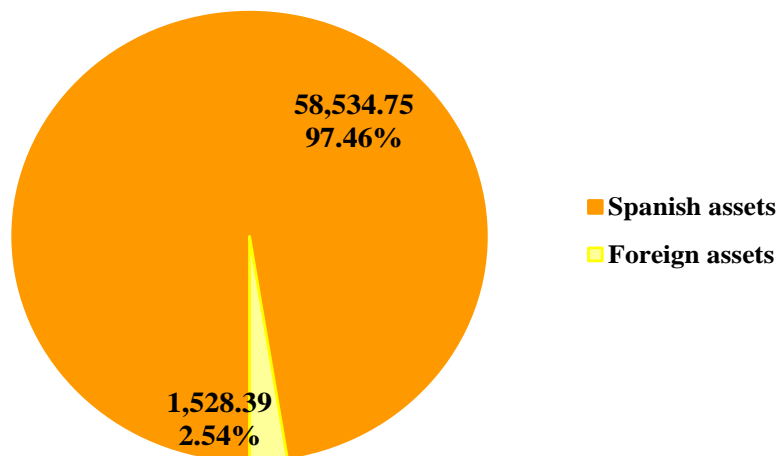
NB: see zone-based distribution criteria on page 13



The following graph illustrates the acquisition price as at 31/12/2012 (million euros):

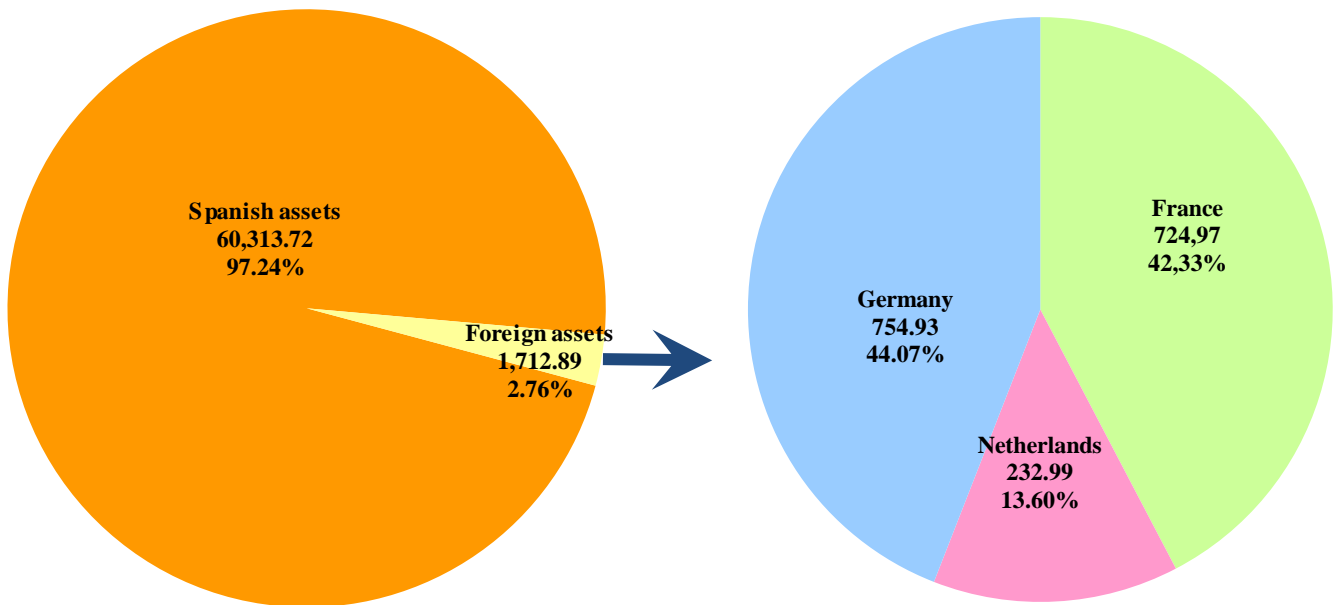


And nominal value (figures in millions of euros):

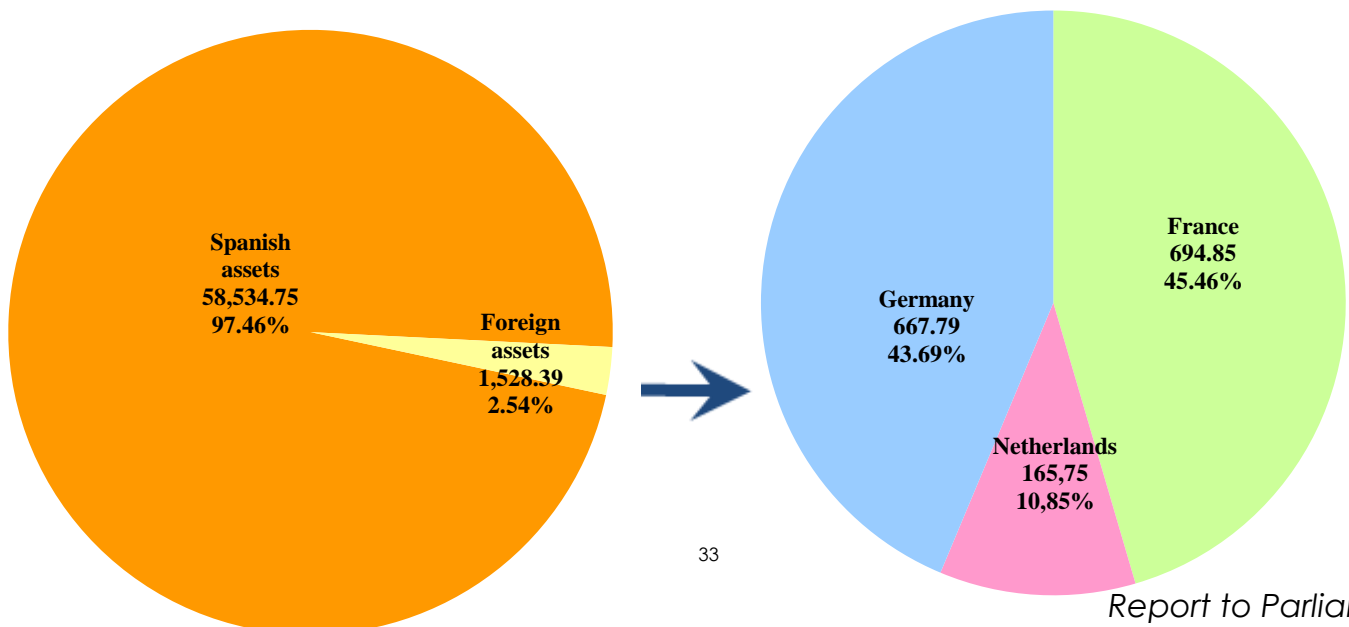




The distribution of the financial assets of the Reserve Fund as at 31/12/2012, showing the issuing country and the acquisition price, is as follows (million euros):



And nominal value (figures in millions of euros):





The following table shows the distribution of **Spanish debt** at 31/12/2012 **broken down by zones** and acquisition price:

ASSETS	SPANISH DEBT (euros)	%
Short-term zone	8,283,852,203.68	13.73%
3-year zone	20,611,258,255.53	34.17%
5-year zone	15,389,565,465.95	25.52%
10+ year zone	16,029,039,274.74	26.58%
AMOUNT	60,313,715,199.90	100.00%

NB: see zone-based distribution criteria on page 13

And broken down by nominal value:

ASSETS	SPANISH DEBT (euros)	%
Short-term zone	7,899,479,000.00	13.50%
3-year zone	20,213,331,000.00	34.53%
5-year zone	14,960,053,000.00	25.56%
10+ year zone	15,461,887,000.00	26.41%
TOTAL	58,534,750,000.00	100.00%

NB: see zone-based distribution criteria on page 13



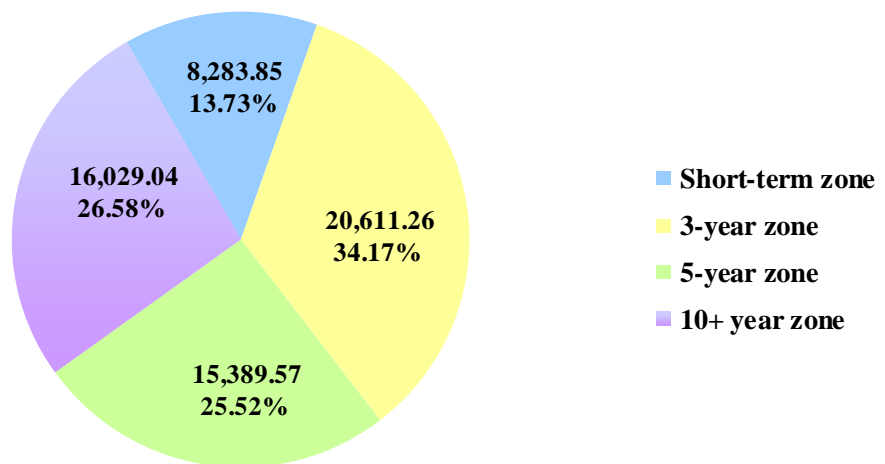
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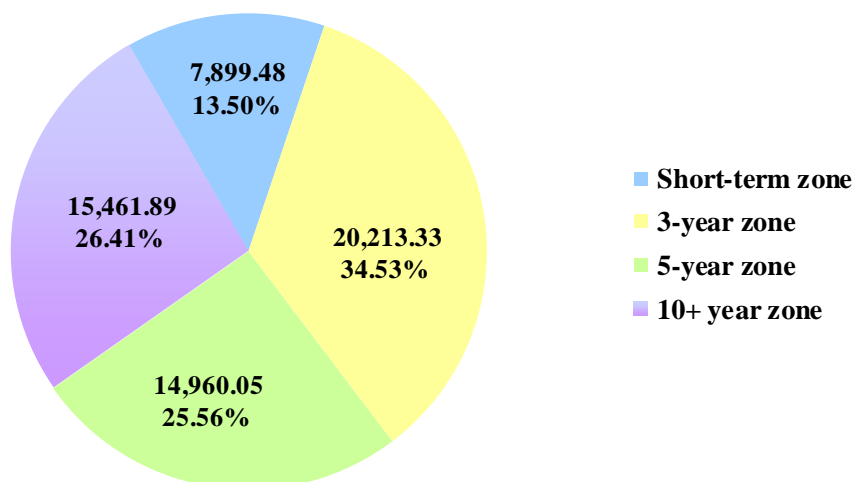
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This is shown in the following charts at 31/12/2012, in terms of acquisition price and the nominal value of the assets (million euros):

SPANISH DEBT BY ZONES AND TOTAL ACQUISITION PRICE



SPANISH DEBT BY ZONE / NOMINAL VALUE





Likewise, the distribution of **foreign debt broken down by zone** and acquisition price as at **31/12/2012** is shown below:

ASSETS	FOREIGN DEBT (euros)	%
Short-term zone	0.00	0.00%
3-year zone (France and Germany)	754,927,465.91	44.07%
5-year zone	0.00	0.00%
10-year and longer zone (France, Germany and the Netherlands)	957,963,618.29	55.93%
TOTAL	1,712,891,084.20	100.00%

NB: see zone-based distribution criteria on page 13

And broken down by nominal value:

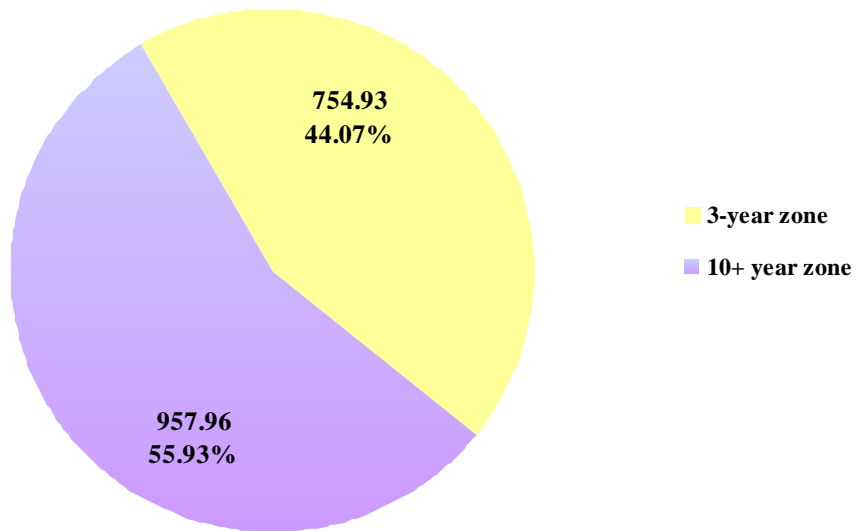
ASSETS	FOREIGN DEBT (euros)	%
Short-term zone	0.00	0.00%
3-year zone (France and Germany)	721,165,000.00	47.18%
5-year zone	0.00	0.00%
10-year and longer zone (France, Germany and the Netherlands)	807,222,000.00	52.82%
TOTAL	1,528,387,000.00	100.00%

NB: see zone-based distribution criteria on page 13

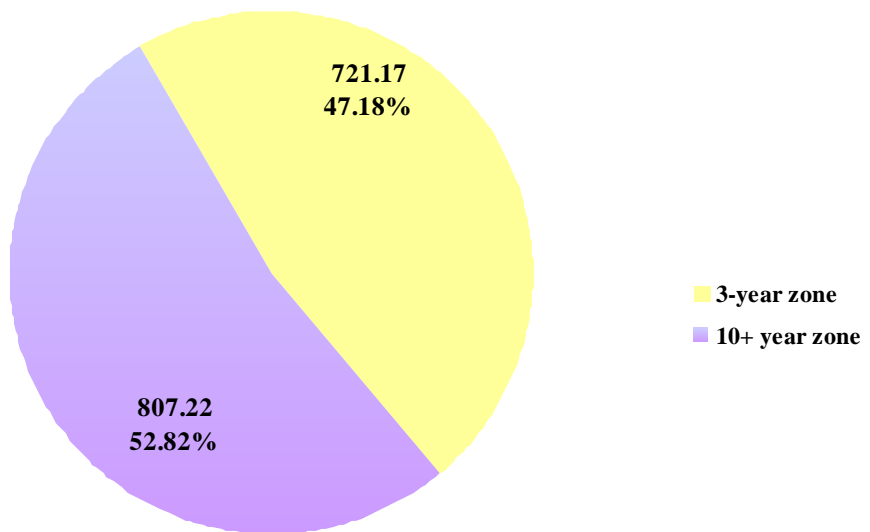


This is shown in the following charts at 31/12/2012, in terms of acquisition price and the nominal value of the assets (million euros):

FOREIGN DEBT BY ZONES AND TOTAL ACQUISITION PRICE



FOREIGN DEBT BY ZONE / NOMINAL VALUE





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The following table details the types of assets and products in the portfolio at 31/12/2012:

	DESCRIPTION OF FINANCIAL ASSET AND ISSUE REFERENCE	REDEMPTION DATE	TOTAL ACQUISITION PRICE (including current coupon)	NOMINAL VALUE = REDEMPTION VALUE
I)	SHORT-TERM ZONE			
	Long-term Government Bonds (6.15%) issue ref.ES0000011660	31/01/2013	2,269,855,477.95	1,965,031,000.00
	Treasury Bills issue ref.ESOL01302154	15/02/2013	299,999,369.89	316,486,000.00
	Short-term Government Bonds (2.30%) issue ref.ES00000121T5	30/04/2013	1,927,473,581.93	1,904,286,000.00
	Treasury Bills issue ref.ESOL01306213	21/06/2013	79,998,981.05	85,210,000.00
	Long-term Government Bonds (4.20%) issue ref.ES0000012866	30/07/2013	2,314,308,216.12	2,209,067,000.00
	Short-term Government Bonds (2.50%) issue ref.ES00000122R7	31/10/2013	1,353,224,293.31	1,379,399,000.00
	Treasury Bills issue ref.ESOL01312138	13/12/2013	38,992,283.43	40,000,000.00
	TOTAL		8,283,852,203.68	7,899,479,000.00
II)	3-YEAR ZONE			
	Short-term Government Bonds (4.25%) issue ref.ES00000121H0	31/01/2014	1,977,949,247.60	1,875,054,000.00
	Short-term Government Bonds (3.40%) issue ref.ES00000123D5	30/04/2014	300,000,283.06	308,060,000.00
	Treasury Bills issue ref.ESOL01406203	20/06/2014	76,702,587.62	80,000,000.00
	Long-term Government Bonds (4.75%) issue ref.ES0000012098	30/07/2014	2,571,406,422.65	2,371,630,000.00
	Short-term Government Bonds (3.30%) issue ref.ES00000121P3	31/10/2014	2,619,115,725.39	2,550,063,000.00
	German Long-term Government Bonds (3.75%) issue ref.DE0001135267	04/01/2015	329,974,905.58	323,795,000.00
	Long-term Government Bonds (4.40%) issue ref.ES0000012916	31/01/2015	2,590,215,866.17	2,446,771,000.00
	Short-term Government Bonds (3.00%) issue ref.ES00000122F2	30/04/2015	1,983,631,855.72	2,000,018,000.00
	German Long-term Government Bonds (3.25%) issue ref.DE0001135283	04/07/2015	124,957,568.91	124,900,000.00
	Short-term Government Bonds (4.00%) issue ref.ES00000123L8	30/07/2015	1,021,335,000.00	1,000,000,000.00
	Short-term Government Bonds (3.75%) issue ref.ES00000123P9	31/10/2015	2,005,688,740.00	1,998,000,000.00
	Long-term Government Bonds (3.15%) issue ref.ES00000120G4	31/01/2016	2,439,830,307.82	2,519,102,000.00
	Short-term Government Bonds (3.25%) issue ref.ES00000122X5	30/04/2016	1,099,997,743.43	1,159,180,000.00
	French Short-term Government Bonds (5.00%) issue ref.FR0000187361	25/10/2016	299,994,991.42	272,470,000.00
	Short-term Government Bonds (4.25%) issue ref.ES00000123J2	31/10/2016	1,925,384,476.07	1,905,453,000.00
	TOTAL		21,366,185,721.44	20,934,496,000.00



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	DESCRIPTION OF FINANCIAL ASSET AND ISSUE REFERENCE	REDEMPTION DATE	TOTAL ACQUISITION PRICE (including current coupon)	NOMINAL VALUE = REDEMPTION VALUE
III	5-YEAR ZONE			
	Long-term Government Bonds (3.80%) issue ref.ES00000120J8	31/01/2017	2,224,994,840.02	2,249,445,000.00
	Long-term Government Bonds (5.50%) issue ref.ES0000012783	30/07/2017	2,746,452,357.67	2,428,349,000.00
	Short-term Government Bonds (4.75%) issue ref.ES00000123R5	30/09/2017	3,274,687,467.84	3,280,724,000.00
	Long-term Government Bonds (4.10%) issue ref.ES00000121A5	30/07/2018	2,529,976,372.09	2,505,135,000.00
	Long-term Government Bonds (4.60%) issue ref.ES00000121L2	30/07/2019	2,302,491,045.76	2,214,215,000.00
	Long-term Government Bonds (4.30%) issue ref.ES00000121O6	31/10/2019	2,310,963,382.57	2,282,185,000.00
	TOTAL		15,389,565,465.95	14,960,053,000.00
IV)	10+ YEAR ZONE			
	Long-term Government Bonds (4.00%) issue ref.ES00000122D7	30/04/2020	1,904,038,909.67	1,949,569,000.00
	Long-term Government Bonds (4.85%) issue ref.ES00000122T3	31/10/2020	1,696,181,526.57	1,689,710,000.00
	French Short-term Government Bonds (3.75%) issue ref.FR0010192997	25/04/2021	424,980,731.10	422,374,000.00
	Long-term Government Bonds (5.50%) issue ref.ES00000123B9	30/04/2021	1,659,483,905.77	1,621,989,000.00
	Long-term Government Bonds (5.85%) issue ref.ES00000123K0	31/01/2022	57,482,590.06	58,980,000.00
	Dutch Short-term Government Bonds (7.50%) issue ref.NL0000102077	15/01/2023	232,987,560.33	165,750,000.00
	Long-term Government Bonds (4.80%) issue ref.ES00000121G2	31/01/2024	1,936,274,245.23	1,852,433,000.00
	Long-term Government Bonds (4.65%) issue ref.ES00000122E5	30/07/2025	1,339,522,761.08	1,423,784,000.00
	Long-term Government Bonds (5.90%) issue ref.ES00000123C7	30/07/2026	1,008,679,404.96	993,353,000.00
	German Short-term Government Bonds (6.50%) issue ref.DE0001135044	04/07/2027	299,995,326.86	219,098,000.00
	Long-term Government Bonds (6.00%) issue ref.ES0000011868	31/01/2029	1,849,758,681.42	1,575,715,000.00
	Long-term Government Bonds (5.75%) issue ref.ES0000012411	30/07/2032	1,802,404,459.37	1,526,314,000.00
	Long-term Government Bonds (4.20%) issue ref.ES0000012932	31/01/2037	1,524,995,975.20	1,529,027,000.00
	Long-term Government Bonds (4.90%) issue ref.ES00000120N0	30/07/2040	1,250,216,815.41	1,241,013,000.00
	TOTAL		16,987,002,893.03	16,269,109,000.00
	TOTAL PFAs AT 31/12/12 (I+II+III+IV)		62,026,606,284.10	60,063,137,000.00

NB: see zone-based distribution criteria on page 13



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5. ANALYSIS OF RESERVE FUND PROFITABILITY AT 31/12/2012

5.1. Reserve Fund income

Since Cabinet approved the first allocation to the Reserve Fund in 2000, the income that has been generated by the Fund can be broken down into **coupons, imputed net income, profit from disposal transactions, other income** and **interest** obtained on the Fund's **current account**.

A total of **17,269,776,673.97 euros** was collected in **coupons**; this can be further broken down into coupons collected on the maturity date, 16,962,843,887.28 euros, and coupons collected on disposal of the assets, 306,932,786.69 euros, as follows:

1. Coupons collected on the maturity date:

COUPONS	PARTIAL AMOUNT (€)	TOTAL AMOUNT (€)
2001		18,699,000.00
2002		120,425,190.08
2003		338,265,455.84
2004		592,924,827.64
2005		857,615,313.37
2006		1,171,273,841.45
2007		1,535,058,217.03
2008		2,034,850,211.79
2009		2,339,694,054.23
2010		2,478,598,524.41
2011		2,709,616,791.70
2012		2,765,822,459.74
04/01/2012	38,990,352.50	
15/01/2012	12,431,250.00	
31/01/2012	721,368,273.74	
25/04/2012	82,957,980.00	
30/04/2012	369,772,433.00	
04/07/2012	47,393,770.00	
15/07/2012	51,020,960.00	
30/07/2012	882,720,034.00	
25/10/2012	13,623,500.00	
31/10/2012	545,543,906.50	
TOTAL		16,962,843,887.28



2. Coupons collected when disposing of assets:

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

The **net imputed income** generated by the Fund since the first allocation approved in 2000 is shown below:

Redemption/Disposal		PARTIAL AMOUNT (€)	TOTAL AMOUNT (€)
2001	- From redeemed assets		0.00
2002	- From redeemed assets		6,714,260.00
2003	- From redeemed assets		17,220,919.74
2004	- From redeemed assets		-14,800,848.92
2005	- From redeemed assets		7,627,818.36
2006	- From redeemed assets		-14,445,823.13
2007	- From redeemed assets		-100,368,613.40
2008	- From redeemed assets		-70,394,705.16
2009			-111,803,859.74
	- From redeemed assets	-144,330,440.02	
	- From assets sold	32,526,580.28	
2010			-97,778,162.86
	- From redeemed assets	-65,155,129.73	
	- From assets sold	-32,623,033.13	
2011			-352,313,679.93
	- From redeemed assets	-352,313,679.93	
2012			-102,636,179.31
	- From redeemed assets	-193,164,725.87	
	- From assets sold	90,528,546.56	
TOTAL			-832,978,874.35



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

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

Other revenues include both income on dual swap transactions (194,389.34 euros) and compensation for interest not received on overdue income from excess profit from administration of the benefit for temporary disability due to common contingencies by the MATEPSS in 2006 (78,017.23 euros). The details are as follows:

OTHER INCOME	AMOUNT (€)
FROM DOUBLE SECURITY-BASED SWAPS	194,389.34
2007	44,755.52
2008	45,023.25
2009	11,269.09
2010	
2011	53,087.31
2012	40,254.17
COMPENSATION FOR INTEREST NOT EARNED ON MATEPSS INCOME RECEIVED LATE	78,017.23
2008	78,017.23
TOTAL	272,406.57



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Finally, **accrued interest** on the Bank of Spain **current account** from 2000 to 31/12/2012 was as follows:

CURRENT ACCOUNT INTEREST	VALUE (€)
2000	2,779,240.69
2001	7,500,828.26
2002	33,507,299.15
2003	16,991,616.34
2004	35,243,455.27
2005	24,341,090.96
2006	33,743,035.77
2007	38,559,185.51
2008	93,906,295.36
2009	18,618,272.71
2010	4,359,772.06
2011	9,664,584.45
2012	3,160,265.51
TOTAL	322,374,942.04



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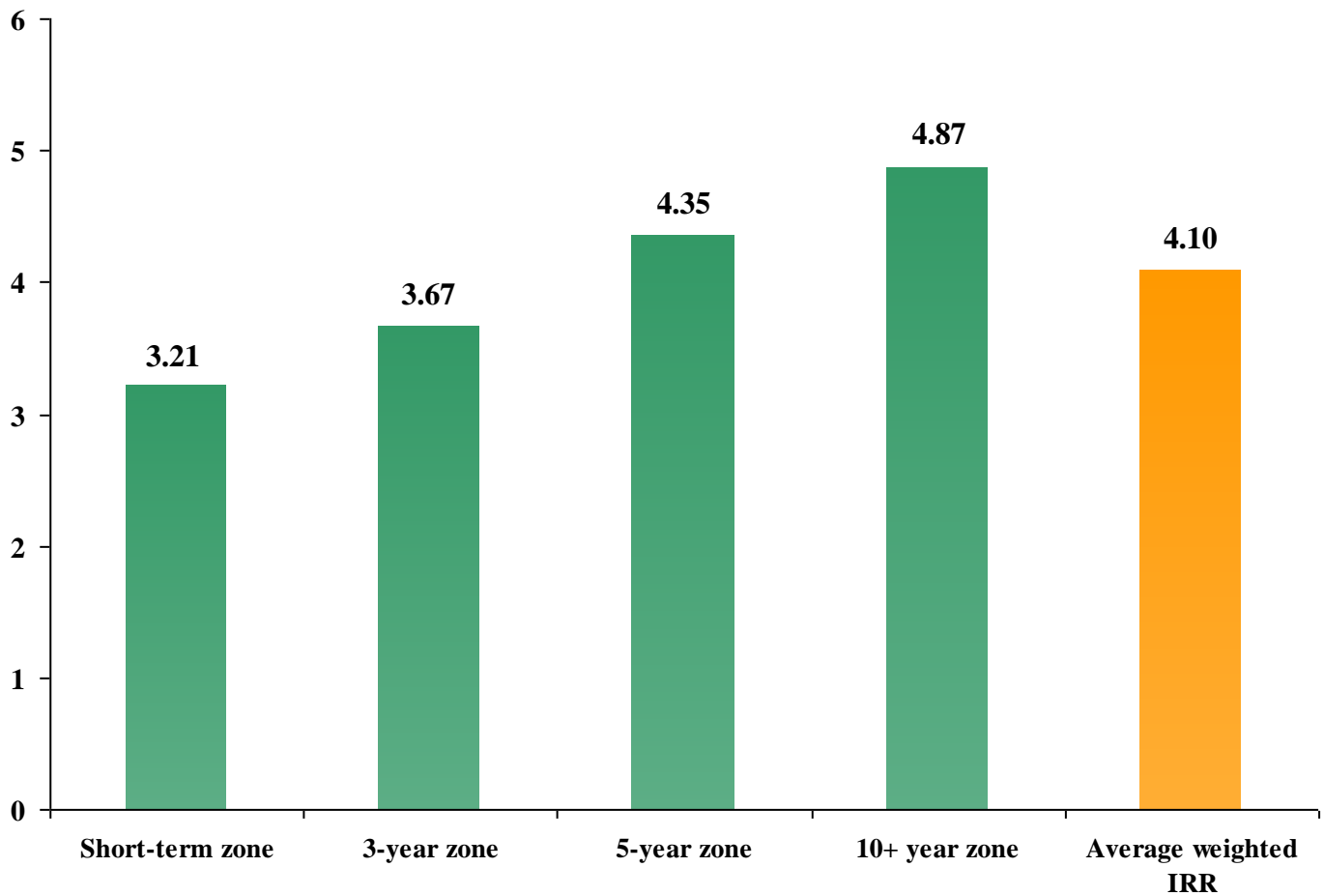
The **overall income generated** by the Reserve Fund, from the date of the first approved allocation in 2000 to 31/12/2012 is summarised in the following table:

NET INCOME GENERATED BY THE RESERVE FUND 2000-2012	
Figures in euros	
Coupons	17,269,776,673.97
Imputed net income	-832,978,874.35
Profit from disposals	1,162,490,434.28
Other income	272,406.57
Adjustments for redemption/disposal of assets	-918,619,737.73
Current account interest	322,374,942.04
TOTAL NET INCOME	17,003,315,844.78



5.2. Profitability of fixed-income assets: public debt

The following figures show the profitability of the assets contained in the Fund's portfolio. Profitability is determined by the IRR of each product at the time of purchase. The acquisition IRR of the current portfolio, consisting of instruments acquired from December 2000 and held in the portfolio at 31 December 2012, determined by taking the average weighted IRR on the nominal value for each type of asset, stood at **4.10%**, as follows:



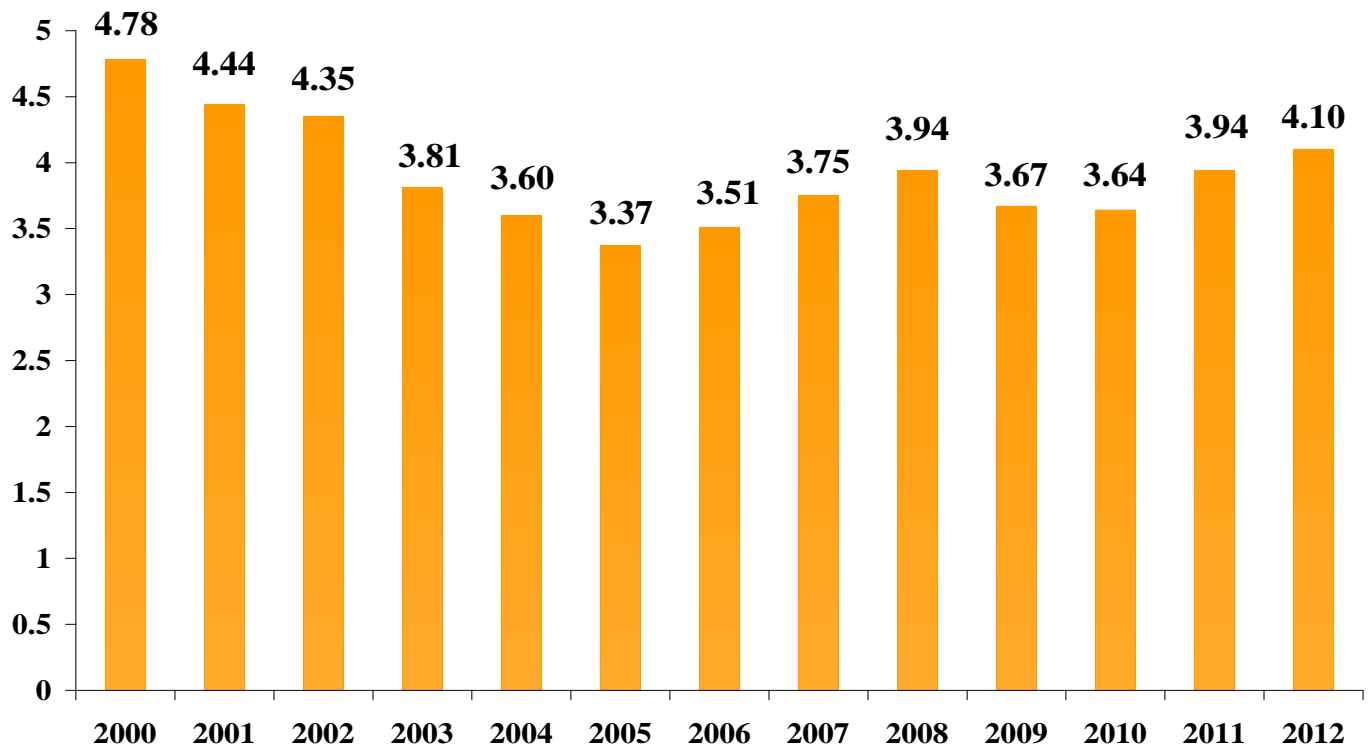


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The changes in the annual figures for the average weighted IRR on the nominal value of the assets in the portfolio are as follows:





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5.3. Profitability of the Treasury General of the Social Security Special Reserve Fund. Art.91.1 TRLGSS” account

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

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

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

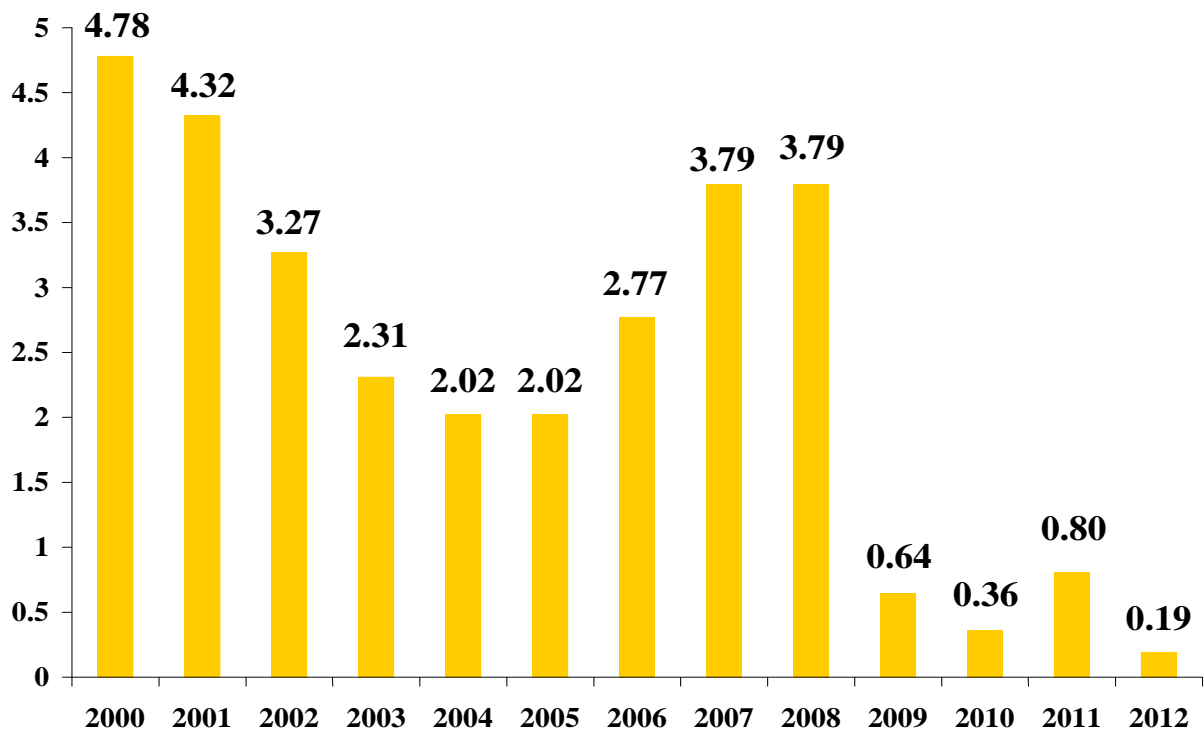


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The interest rate changes are illustrated in the following graph:





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The interest accrued in 2012 on the “Treasury General of the Social Security Special Reserve Fund” account amounted to **€3,160,265.51**.

The average monthly interest rates for 2012 are shown below:

MONTH	AMOUNT (euros)	AVERAGE INTEREST RATE %
JANUARY	358,052.93	0.32
FEBRUARY	520,059.34	0.30
MARCH	377,080.74	0.29
APRIL	109,534.29	0.28
MAY	603,554.18	0.27
JUNE	96,632.56	0.26
JULY	112,619.97	0.12
AUGUST	302,718.10	0.11
SEPTEMBER	108,094.61	0.10
OCTOBER	83,239.70	0.09
NOVEMBER	412,263.91	0.08
DECEMBER (*)	76,415.18	0.07
TOTAL	3,160,265.51	0.19

(*) *The income was received on 3 January 2013*



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5.4. Reserve Fund profitability

The **accumulated profitability on the total Reserve Fund to 31 December 2012** (asset portfolio + Reserve Fund current account balance + interest accrued and not collected) has been determined.

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

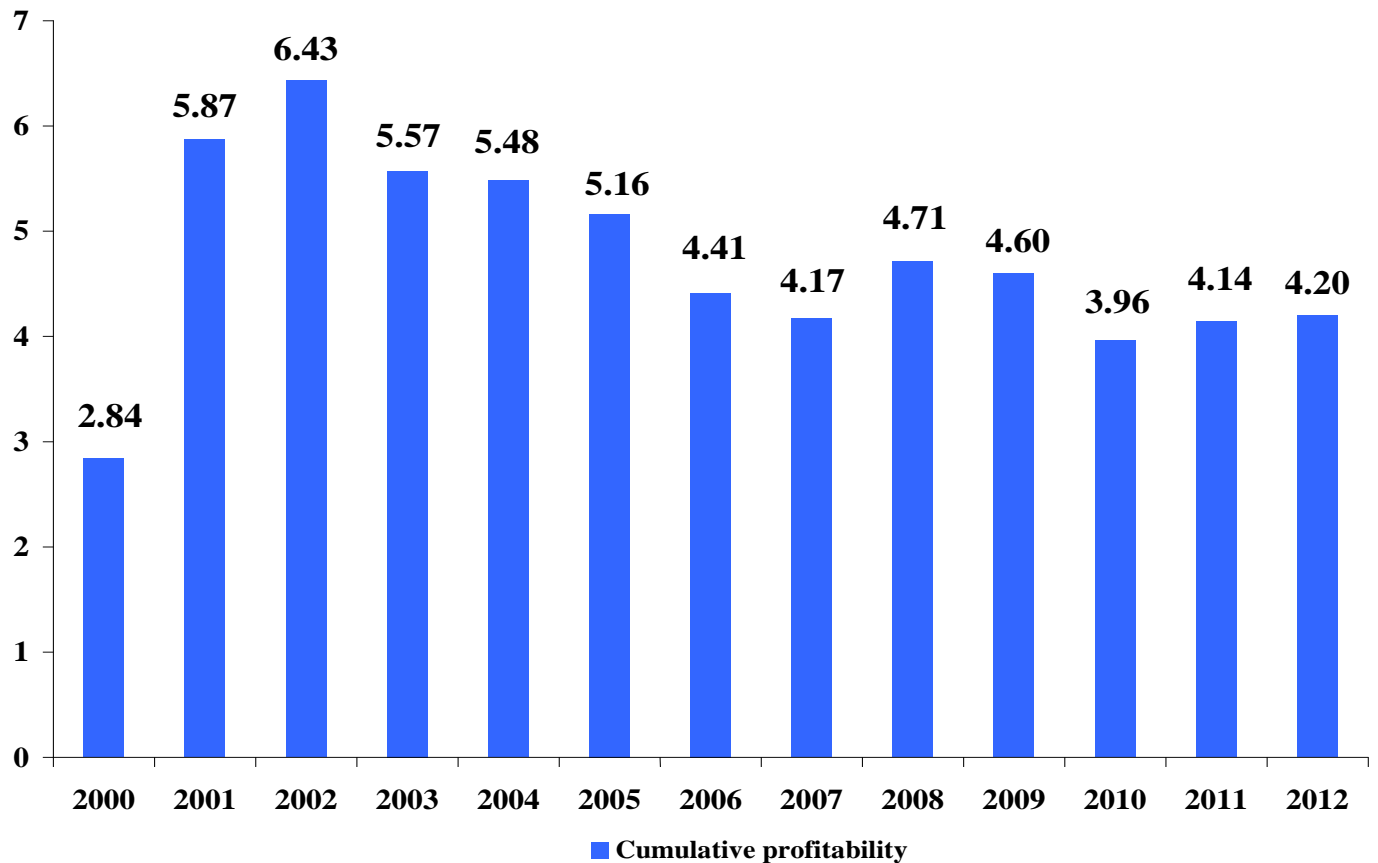
The accumulated Fund profitability figure is obtained by comparing the current net asset value of an allocation and its value at the time when the Fund was created, then annualising the accumulated profitability figure. The net asset value of a unit contribution is adjusted each time a new allocation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

For calculation purposes, the market value of the fund is calculated using the closing prices for each instrument quoted by Bloomberg. On this basis, the net asset value of the Reserve Fund at 31/12/2012 was **62,405,112,598.52 euros** (61,423,138,884.03 euros for the portfolio, 981,897,299.31 euros deposited in the current account and 76,415.18 euros in interest accrued during December).

Based on this method, **the accumulated profitability on the Reserve Fund between its inception in 2000 and 31 December 2012 stood at 65.26%, or 4.20% in annual terms.**



Likewise, following the same guidelines as for calculating accumulated profitability as at 31/12/2012, we have calculated the accumulated profitability at the end of each financial year from the first Reserve Fund allocation approved by Cabinet in 2000. The change in profitability over this period is shown in the following chart:



NB: Bloomberg was used as the source for calculating the market value of the portfolio from 01/01/2012. Prior to that, the Bank of Spain was the source used for Spanish instruments and Reuters was used for foreign instruments.



5.5. Summary of profitability

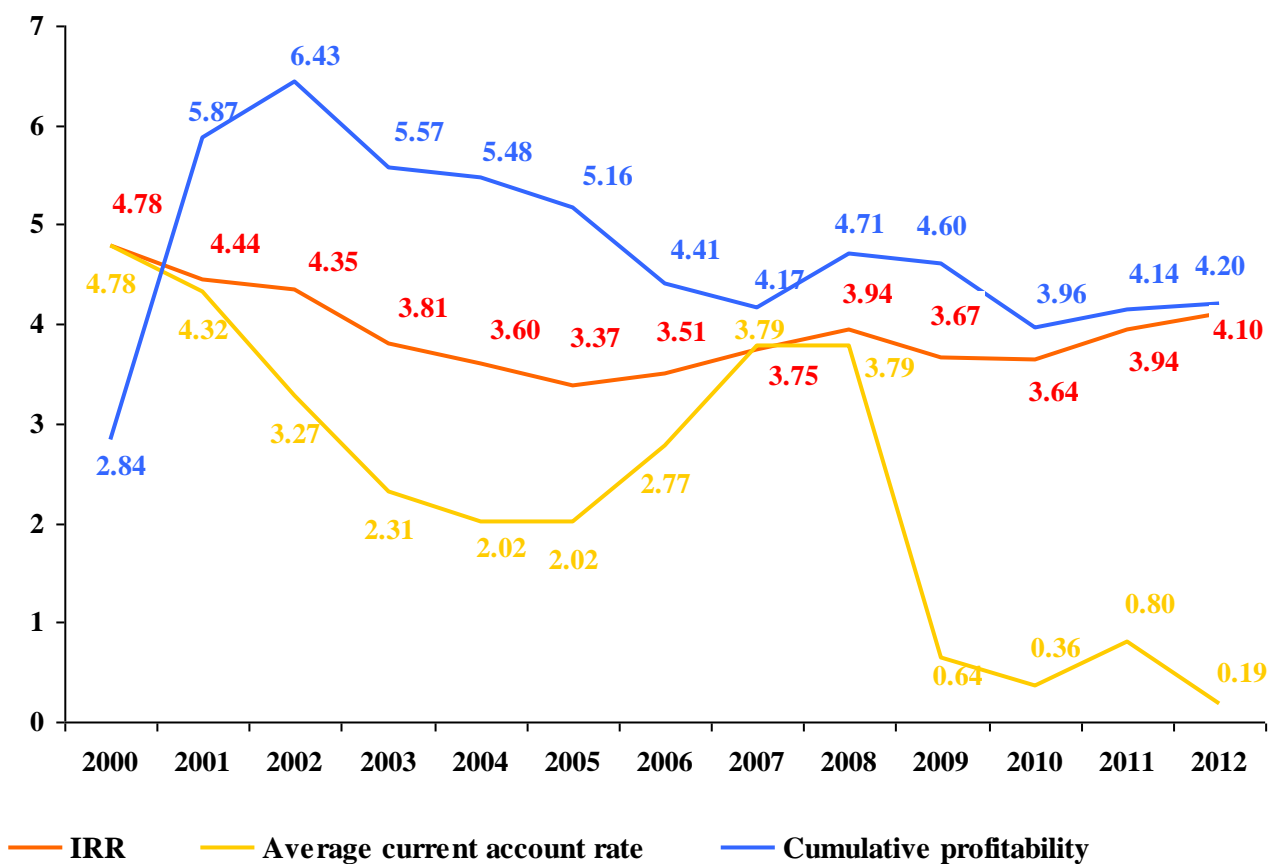
Set out below is a table summarising the percentages and a graph showing the change in Fund profitability, as analysed in detail in the preceding sections:

Financial year	IRR	Average current account rate	Accumulated profitability (*)
2000	4.78	4.78	2.84
2001	4.44	4.32	5.87
2002	4.35	3.27	6.43
2003	3.81	2.31	5.57
2004	3.60	2.02	5.48
2005	3.37	2.02	5.16
2006	3.51	2.77	4.41
2007	3.75	3.79	4.17
2008	3.94	3.79	4.71
2009	3.67	0.64	4.60
2010	3.64	0.36	3.96
2011	3.94	0.80	4.14
2012	4.10	0.19	4.20

(*) *Profitability at market price*



CHANGE IN PROFITABILITY (AS A PERCENTAGE)





6.- FORECASTS

6.1. 2013

Taking the portfolio at 31/12/2012 as a reference, the following **coupons** will mature in 2013:

COUPON DATE	VALUE (€)
04/01/2013	12,142,312.50
15/01/2013	12,431,250.00
31/01/2013	724,156,896.50
25/04/2013	15,839,025.00
30/04/2013	319,138,663.00
04/07/2013	18,300,620.00
30/07/2013	856,943,334.00
30/09/2013	130,217,778.53
25/10/2013	13,623,500.00
31/10/2013	454,628,696.50
TOTAL	2,557,422,076.03



Furthermore, various public **financial assets will mature** with a value of **€7,899,479,000.00** in 2013 (all of which are Spanish financial assets), on the following dates:

REDEMPTION DATE	DESCRIPTION OF ASSET	NOMINAL VALUE (€)
31/01/2013	Long-term Government Bonds (6.15%) issue ref.ES0000011660	1,965,031,000.00
15/02/2013	Treasury Bills issue ref.ES0L01302154	316,486,000.00
30/04/2013	Short-term Government Bonds (2.30%) issue ref.ES00000121T5	1,904,286,000.00
21/06/2013	Treasury Bills issue ref.ES0L01306213	85,210,000.00
30/07/2013	Long-term Government Bonds (4.20%) issue ref.ES0000012866	2,209,067,000.00
31/10/2013	Short-term Government Bonds (2.50%) issue ref.ES00000122R7	1,379,399,000.00
13/12/2013	Treasury Bills issue ref.ES0L01312138	40,000,000.00
TOTAL		7,899,479,000.00



Forecast flows for 2013 are shown in the following table and chart:

FLOWS DURING 2013

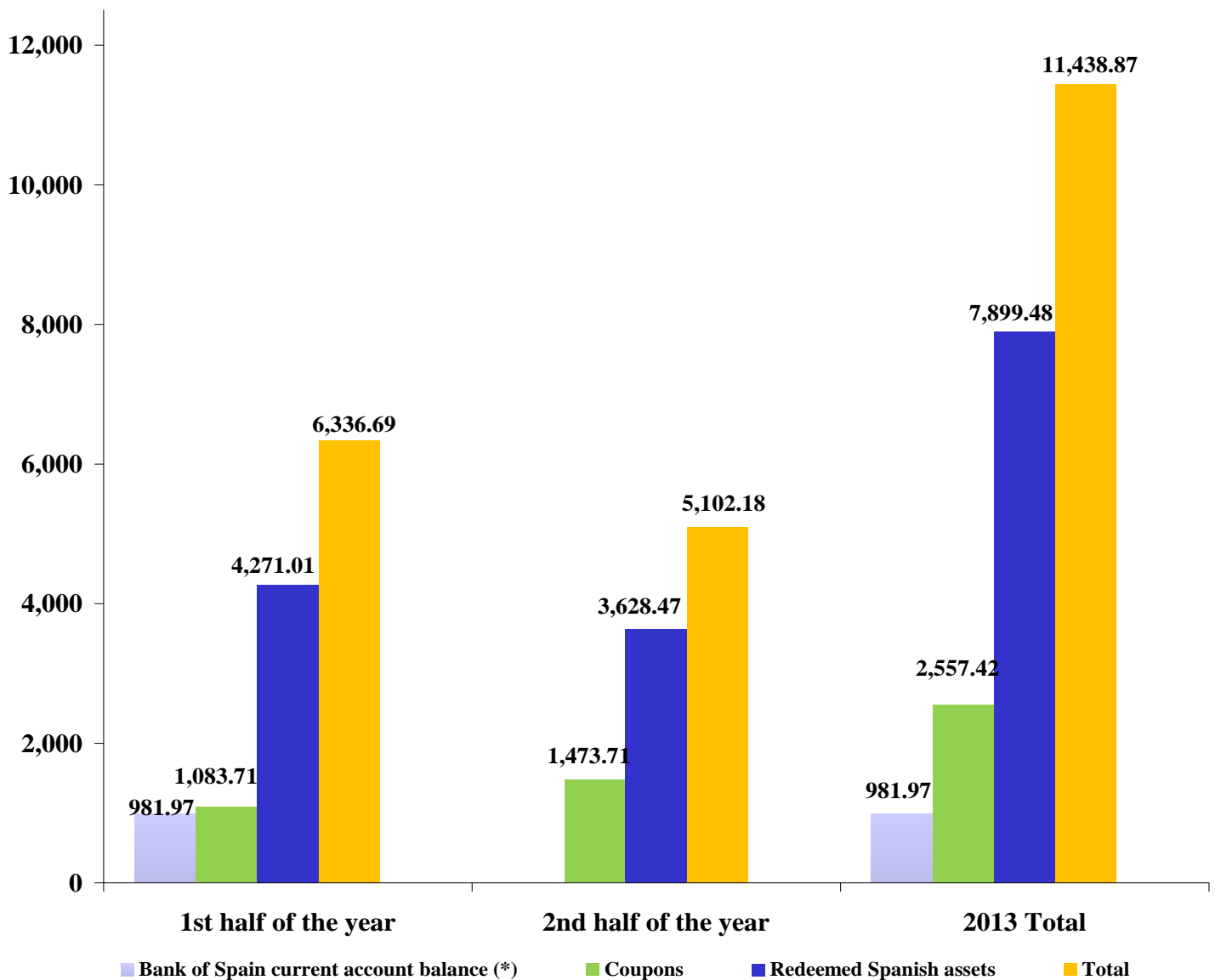
Current account balance as at 01/01/2013			981,897,299.31
Interest for December 2012, received on 03/01/2013			76,415.18
2013 Coupons			2,557,422,076.03
First quarter		748,730,459.00	
Second quarter		334,977,688.00	
Third quarter		1,005,461,732.53	
Fourth quarter		468,252,196.50	
Assets maturing in 2013	Spanish		7,899,479,000.00
	Foreign		
First quarter	Spanish	2,281,517,000.00	
	Foreign	-	
Second quarter	Spanish	1,989,496,000.00	
	Foreign	-	
Third quarter	Spanish	2,209,067,000.00	
	Foreign	-	
Fourth quarter	Spanish	1,419,399,000.00	
	Foreign	-	
TOTAL			11,438,874,790.52

Figures in euros



FLOWS DURING 2013

Figures in millions of euros



(*) Includes interest accrued in December 2012 and received on 3 January 2013



6.2. 2014 and 2015

Taking the **portfolio at 31/12/2012** as a reference, the following coupons will mature in **2014**:

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

Furthermore, during 2014 various public **financial assets will mature** to a value of **€7,184,807,000.00** (all of which are Spanish financial assets) on the following dates:

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

This amounts to a total of € **9,475,931,914.00** in terms of coupon payments and asset redemption.

Based on the **portfolio at 31/12/2012**, the following coupons will mature in **2015**:



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

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

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

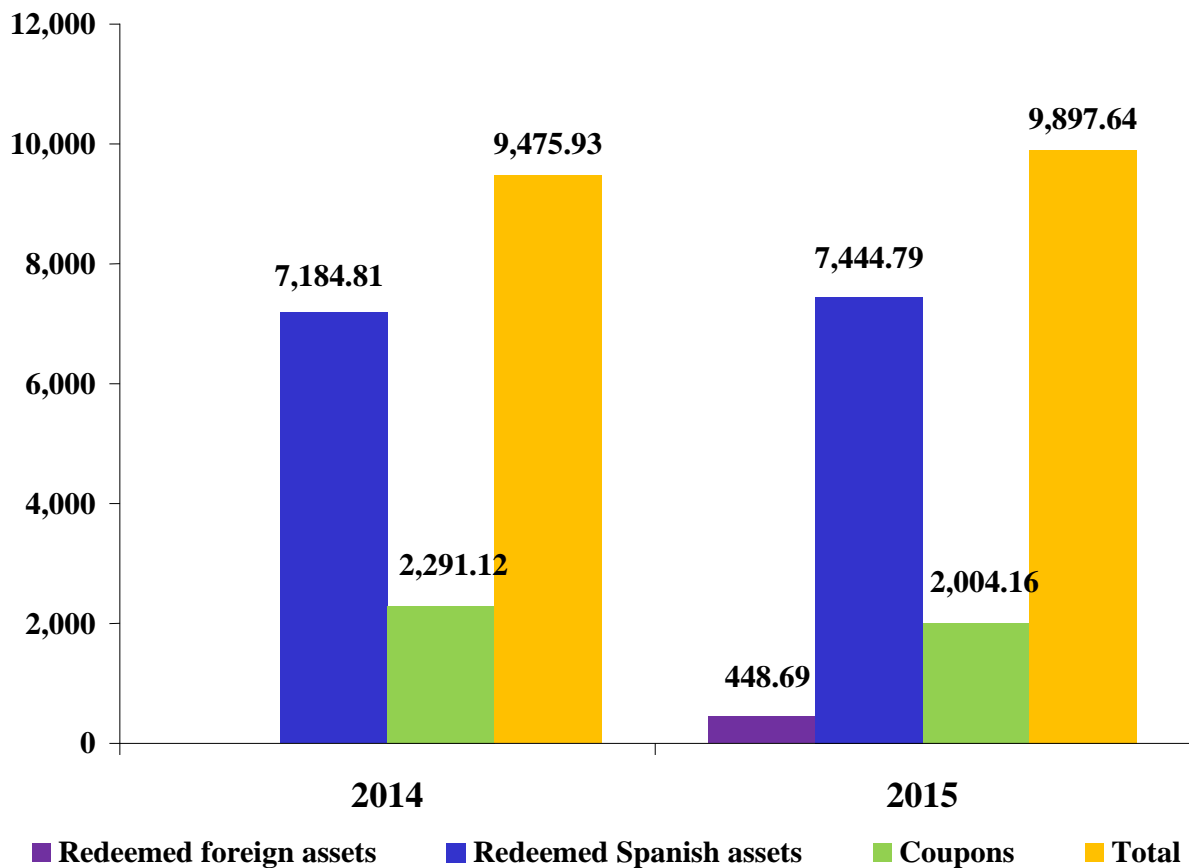
This amounts to a total of **9,897,640,575.00** euros of coupon payments and asset redemption.



Therefore, considering the variables described above, the graph below shows the amounts of the inflows during 2014 and 2015.

FLOWS DURING 2014 AND 2015

Figures in millions of euros





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7. COMPARISON OF KEY FIGURES FOR THE RESERVE FUND

The following is a comparison with the Social Security Reserve Fund's key figures from 2011.

KEY FIGURES FOR THE SOCIAL SECURITY RESERVE FUND		
	2011 (TO 31/12/2011)	2012 (TO 31/12/2012)
PROFITABILITY OF FIXED-INCOME ASSETS (IRR) ON ACQUISITION	3.94%	4.10%
AVERAGE CURRENT ACCOUNT INTEREST RATE	0.80%	0.19%
RESERVE FUND PROFITABILITY	4.14%	4.20%
DEGREE OF CONCENTRATION	9.84%	9.13%
DURATION	4.59 years	4.44 years
MODIFIED DURATION	4.39	4.25
% FOREIGN DEBT (NOMINAL VALUE) IN TOTAL PORTFOLIO	10.31%	2.54%
% FRSS OF GDP (1)	6.28%	5.93%

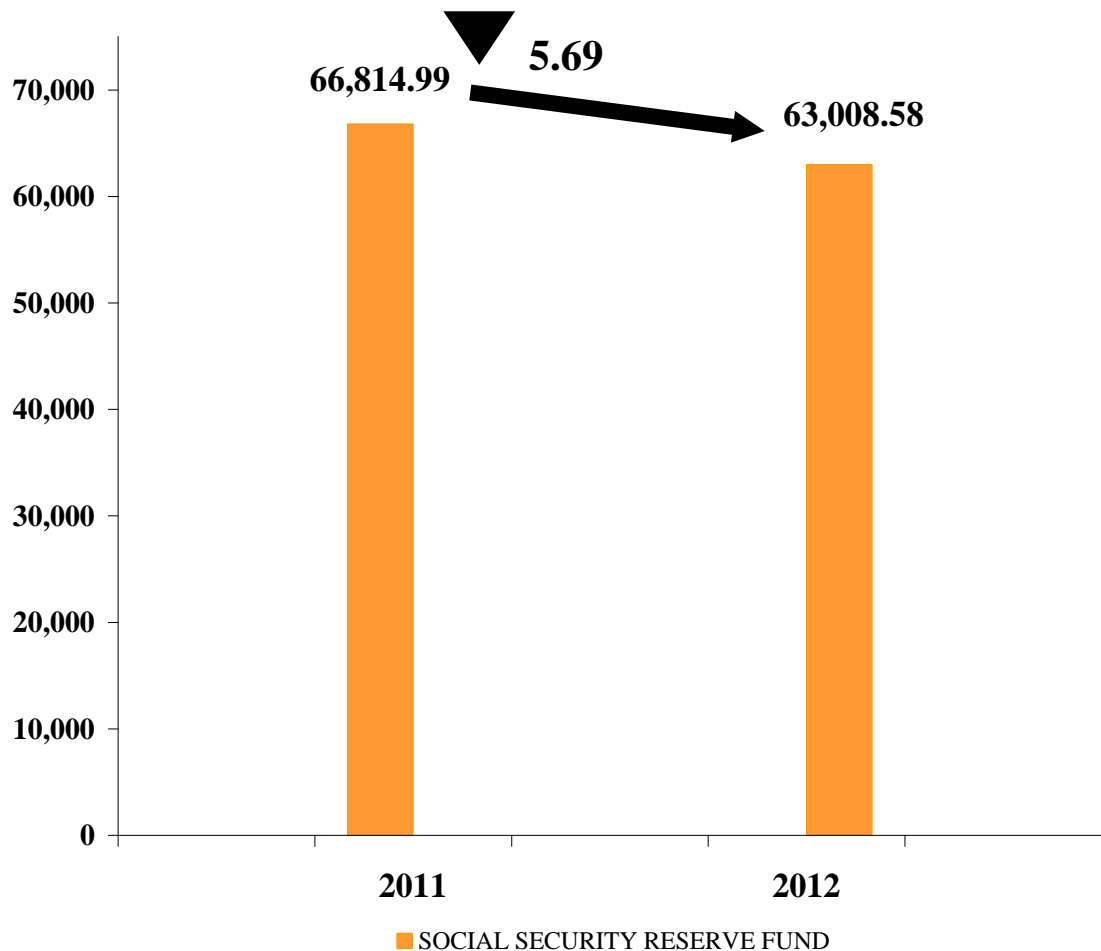
(1) The figures for 2011 and 2012 were calculated using 2011 GDP (€1,063,355 million, based on data from the National Institute of Statistics, based on CNE-2008, published on 15 November 2012).



The following chart shows the Social Security Reserve Fund balance and assets at acquisition price at 31/12/2011 and 31/12/2012:

RESERVE FUND AS AT 31/12/2011 AND 31/12/2012

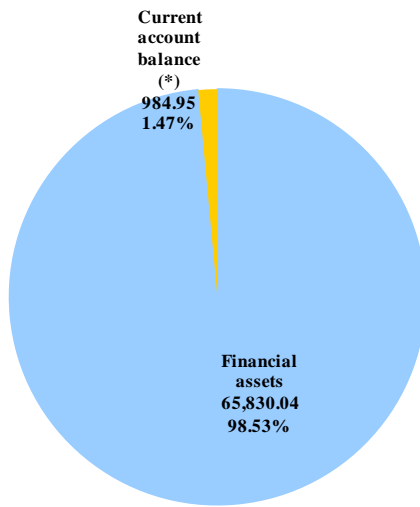
Figures in millions of euros



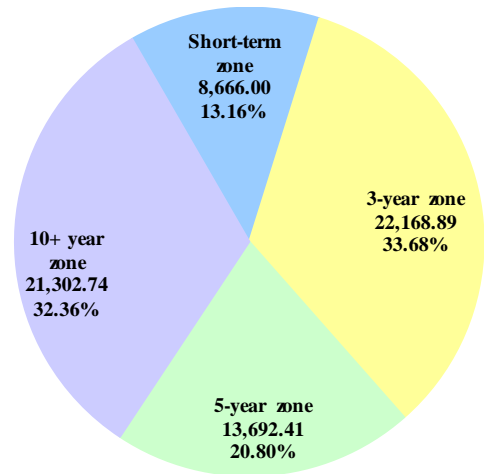


The figures are distributed as follows:

31-12-2011

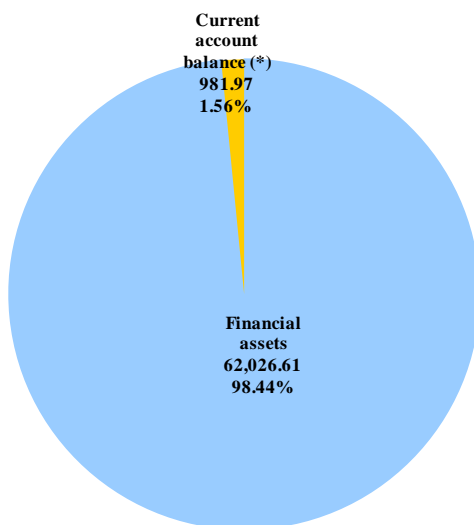


() With interest accrued in December 2011 and received on 03/01/2012*

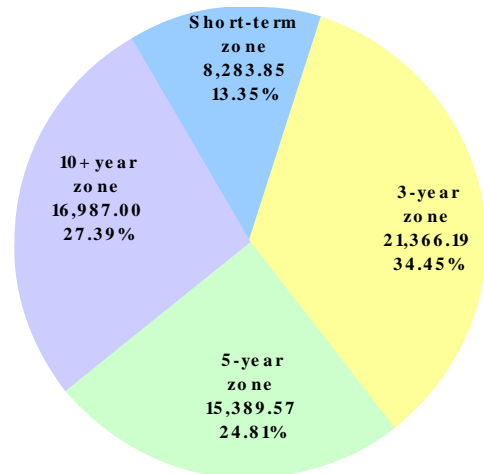


Distribution of financial assets at acquisition price

31-12-2012



() With interest accrued in December 2012 and received on 03/01/2013*



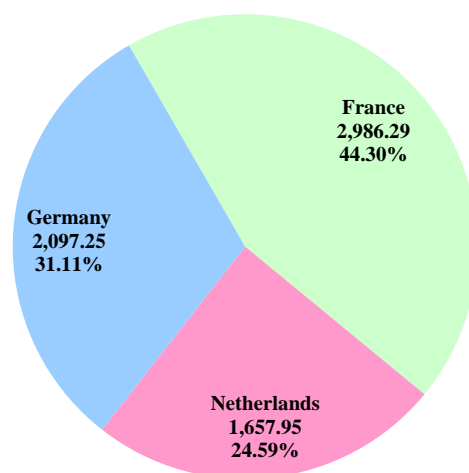
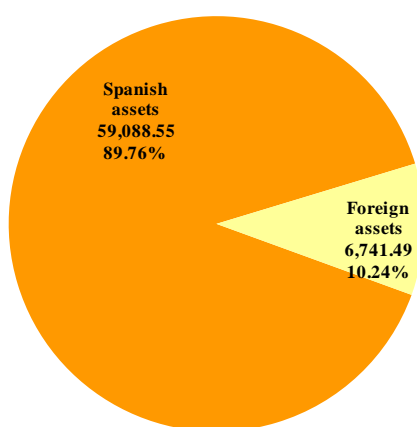
Distribution of financial assets at acquisition price

Figures in millions of euros

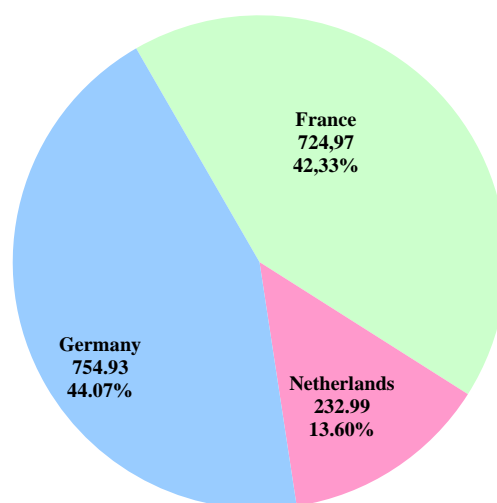
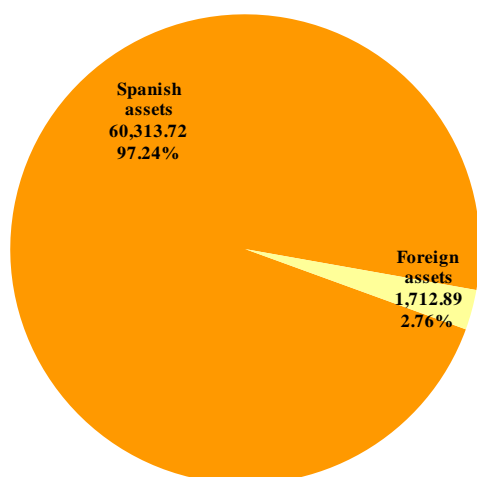


DISTRIBUTION OF FINANCIAL ASSETS HELD BY THE RESERVE FUND, ACCORDING TO ISSUING COUNTRY BASED ON TOTAL ACQUISITION PRICE

31-12-2011



31-12-2012



Figures in millions of euros

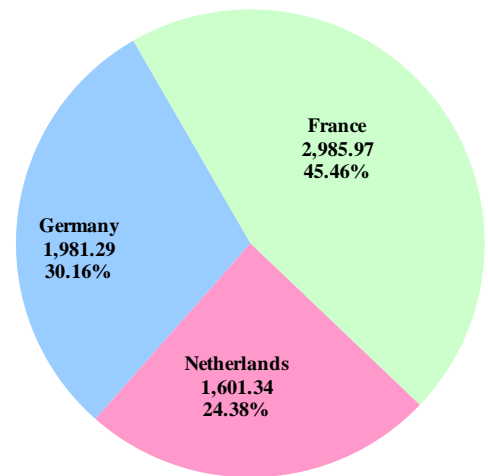
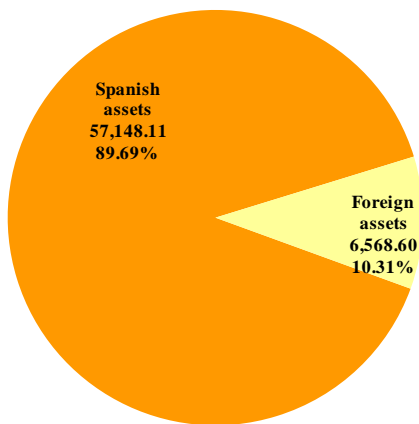


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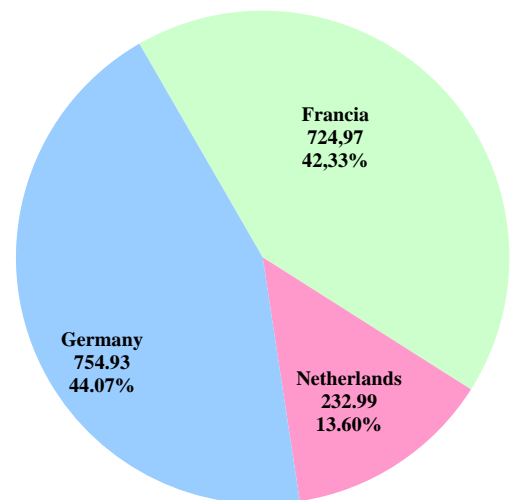
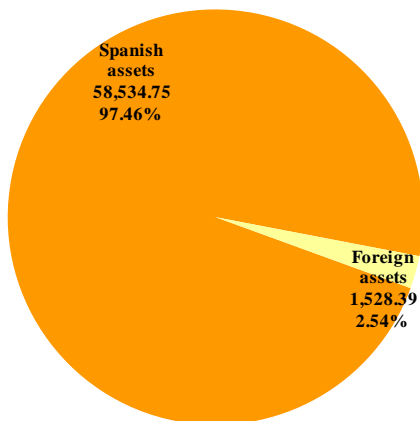
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**DISTRIBUTION OF FINANCIAL ASSETS HELD BY THE RESERVE FUND,
ACCORDING TO ISSUING COUNTRY AND BASED ON THE NOMINAL VALUE
31-12-2011**



31-12-2012



Figures in millions of euros



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APPENDIX I

**FINANCIAL AND ECONOMIC INFORMATION
FROM THE ANNUAL ACCOUNTS**



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FINANCIAL AND ECONOMIC INFORMATION FROM THE ANNUAL ACCOUNTS

This report into the actions of the Reserve Fund in 2012 and its situation at 31 December 2012 has been prepared for presentation to Parliament pursuant to Article 6 of Law 28/2003, of 29 September, on the Social Security Reserve Fund. Its purpose is to provide information on the administration and activities of the Reserve Fund during the year based on the decisions of its Management Committee, its highest governance and control body, and specifically to furnish details on the Reserve Fund at 31/12/2012, including its value, composition, portfolio distribution, profitability and market value. With additional information on the changes to the Reserve Fund balance over the next three years, which allows the forecast for the Fund's inflows to be carried out, so that the appropriate management actions can be planned.

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

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

Decision of 1 July 2011, of the State Administration General Auditing Department, approved the Adaptation of the General Public Accounting Plan, for the organisations included in the Social Security System.



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

The aforementioned recognition and valuation criterion 7 establishes that held-to-maturity financial assets should be initially recognised at fair value, understanding this to be the consideration given in exchange, including directly attributable transaction costs, excluding explicit returns accrued but not paid at the time of acquisition; subsequent year-end valuations should be carried out at amortised cost, understood as the amount at which the asset was initially recognised plus or minus the amount allocated to the income statement for the difference between the initial amount and the reimbursement value on maturity using the effective interest rate method.

With regard to the reclassification of instruments from a held-to-maturity portfolio to an available-for-sale portfolio, section 9 of the aforementioned recognition and valuation sets out the conditions under which such actions are mandatory and where they are not mandatory, as a consequence mainly of disposals that are very close to maturity or which are for amounts that are not particularly significant in the context of the total portfolio: these circumstances are fully applicable to the disposals carried out in 2012.

Therefore, at year end 2012, the Social Security Reserve Fund portfolio continued to be classified as held-to-maturity investments.

Finally, additional information is provided on the **assets** of the **Social Security Reserve Fund** based on **accounting figures for year end 2012**.



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FRSS FINANCIAL SITUATION AS AT 31 DECEMBER 2012	AMOUNT (euros)
Long-term, held-to-maturity debt securities	52,606,611,297.04
- National portfolio	50,971,928,519.17
- Eurozone portfolio	1,634,682,777.87
Short-term, held-to-maturity debt securities	7,898,949,409.11
- National portfolio	7,898,949,409.11
- Eurozone portfolio	0.00
Financial balance of the Social Security Reserve Fund	981,897,299.31
Interest on short-term debt securities	1,374,544,199.51
- National portfolio	1,328,238,454.73
- Eurozone portfolio	46,305,744.78
Other short-term interest receivable	76,415.18
FRSS FINANCIAL SITUATION AS AT 31 DECEMBER 2012	62,862,078,620.15



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APPENDIX II

**INFORMATION ON FUND DRAWINGS
IN 2012**



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INFORMATION ON FUND DRAWINGS FROM THE RESERVE FUND

The following information on Social Security Reserve Fund drawings in 2012 was submitted to Cabinet on 26 January 2013:

1. CABINET RESOLUTION OF 27 SEPTEMBER 2012

A Cabinet Resolution dated 27 September 2012 authorised the drawing of 3,063 million euros from the Social Security Reserve Fund in relation to the structural deficits in 2010 and 2011. This amount was drawn on the following dates:

DATE	DRAWING AMOUNT euros
28-sep-12	1,700,000,000.00
26-oct-12	1,363,000,000.00
TOTAL	3,063,000,000.00

2. IN APPLICATION OF ROYAL DECREE LAW 28/2012, OF 30 NOVEMBER, ON MEASURES TO CONSOLIDATE AND GUARANTEE THE SOCIAL SECURITY SYSTEM.

Royal Decree Law 28/2012, on measures to consolidate and guarantee the Social Security system, was approved on 30 November 2012. The first article of this Royal Decree establishes a special regime for drawings on Social Security Reserve Fund assets, with the first additional provision authorising the application of this special regime from 2012 to 2014.

The first additional provision further establishes that Cabinet will be informed of amounts drawn from the Social Security Reserve Fund on a quarterly basis.

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



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A. The existence of a deficit on the non-financing operations of the Social Security system, as calculated by the Social Security Public Accounts Department for the purposes of the Reserve Fund.

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

Both of these premises are analysed below:

A. The existence of a deficit on the non-financing operations of the Social Security system, as calculated by the Social Security Public Accounts Department for the purposes of the Reserve Fund.

On 21 November 2012, the Social Security Public Accounts Department, in compliance with the functions incumbent upon it pursuant to article 2 of Royal Decree 337/2004, of 27 February, determined the deficit on non-financing operations for the Social Security Reserve Fund for 2012 as follows (million euros):

a)	Total budgeted non-financing operations in 2012	-6,564.19
b)	Total adjustments 2012	-5,253.82
	Forecast budget contribution 2012 (a+b) (pursuant to art. 1 Royal Decree 337/2004)	-11,818.01

The situation described of a forecast negative budget balance for 2012 means that the conditions set out in Royal Decree Law 28/2012 for drawing on the financial assets of the Social



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Security Reserve Fund are met for 2012, 2013 and 2014, as there is a deficit in the Social Security system for non-financing operations.

B. Drawings on the Social Security Reserve Fund will be made as need arises up to a maximum equivalent to the deficit on non-financing operations revealed by the funding forecasts in the budgets of the management entities and shared services of the Social Security system.

The Treasury General of the Social Security experienced a significant need for finance in December to meet two monthly Social Security pension payments, one ordinary and one extraordinary.

As a result, 13,857.60 million euros were credited to it on the first working day of the month. Furthermore, IRPF (personal income tax) on these payments of 836.10 million euros was due on 20 December.

The balance of the Treasury General of the Social Security on 3 December, together with forecast collections to be made on the 5th working day of the month, with value date 30 November, was not sufficient to make these payments without recourse to the Social Security Reserve Fund.

Sufficient resources were also required to meet the 2% increase commitment for pensions of less than 1,000 euros per month for the following year and the 1% increase for other pensions.

Therefore, as the payment body for the system responsible for distribution of moneys throughout the country sufficient to promptly meet all Social Security obligations and avoid any financial imbalances, the Treasury General of the Social Security drew on the Social Security Reserve Fund on the following dates:



- On **3 December 2012** it drew **3,530,000,000.00 euros**.
- On **18 December 2012** it drew **410,000,000.00 euros**.

These drawings on the Fund enabled it to meet its contributory pension payment obligations and other running costs.

The table below summarises the deficit and drawings pursuant to Royal Decree Law 28/2012:

**2012 FORECAST DEFICIT ON NON-FINANCING OPERATIONS CALCULATED BY
THE SOCIAL SECURITY PUBLIC ACCOUNTS DEPARTMENT FOR THE
PURPOSES OF THE RESERVE FUND (21 NOVEMBER 2012)**

Forecast contributive budget balance.....-11,818.01 million euros

**DRAWINGS ON THE SOCIAL SECURITY RESERVE FUND IN DECEMBER 2012
PURSUANT TO ROYAL DECREE-LAW 28/2012**

DATE	DRAWING AMOUNT euros
3-Dec-12	3,530,000,000.00
18-Dec-12	410,000,000.00
TOTAL	3,940,000,000.00

3. TOTAL DRAWINGS 2012

Total drawings in 2012 are presented in the following table:



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ITEM	DRAWING AMOUNT euros
CABINET RESOLUTION 27-09-2012	3,063,000,000.00
ROYAL DECREE-LAW 28/2012	3,940,000,000.00
TOTAL	7,003,000,000.00