



Release

The Executive Board

1st March 2012

2011 was marked by significant market volatility. The equities markets in the eurozone in particular suffered very severe falls (Eurostoxx -14.5%) and those in the emerging markets an even greater drop (-16%).

Against this background, the FRR's net assets held up well. On 31 December 2011, the FRR had net assets of 35.1 Bn€ whereas they stood at 37 Bn€ on 31 December 2010. However, during the course of the year, 2.1 Bn€ were paid out to CADES on 25 April 2011. In total, the movement in net assets, excluding the pay-out, was therefore +200 M€.

This resilience of the net assets is attributable to the combined effect of three factors:

- The strong performance (+4.5%) of hedging assets (bonds) which accounted for around 60% of the portfolio on average. This performance is due to a large extent to the fall in interest rates of issuers seen as a safe refuge in periods of uncertainty (Germany, United States);
- the diversification of the performance portfolio which softened the crash affecting the equities markets. The performance of this compartment over the year was -5.9%, whereas European equities lost 14.5%¹, due in particular to the resilience of American equities (+2%), US corporate bonds (+9%), debt instruments of emerging countries (+3.4%) and commodities (+1%).
- Finally, flexible management of the performance compartment helped to reduce the volatility of the portfolio during the course of the year.

The financing ratio² reached 136.5%, slightly lower than its level at the beginning of the year (139.25%). This slight fall is due to the combined effect of the increase in asset value and the even greater increase in the value of liabilities due to the fall in the reference discounting rates (10 year treasury bonds (OAT) dropping from 3.36% to 3.15%).

Taking market movements into account, the hedging compartment on 31 December represented 62.1% of total assets and the performance compartment 37.9% on the same date.

The net return over the year on the overall net assets of the FRR since 1st January was +0.37% and the FRR's annualised performance, net of all expenses, since the commencement of operations totals 2.65%.

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¹ Eurostoxx 50 Index

² The financing ratio is the ratio between the market value of the FRR's net assets and the current value of its liabilities.