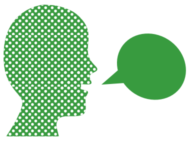
2014 ANNUAL REPORT

FONDS DE RESERVE
POUR LES RETRAITES

CONTENTS



MESSAGE FROM THE CHAIRMAN OF THE SUPERVISORY BOARD AND CHAIRMAN OF THE MANAGEMENT BOARD

2014 was marked by the disappointing economic situation in Europe, with a weaker than expected recovery in the eurozone and a concurrent increase in deflationary fears.

Geopolitical concerns also had a negative impact on business, consumer and investor confidence.

However, 2014 also brought its share of good news. Any remaining doubts about the soundness of the US recovery were dispelled and the United Kingdom also recorded dynamic growth. The fall in oil and commodity prices which began in the summer and gathered pace in the autumn was a positive factor for the European continent. The euro's sharp fall against the dollar, from April onwards, put an end to the detrimental effects of the currency's overvaluation and, by the end of the year, the currency had returned to more reasonable real effective exchange rate levels. Lastly, the ECB's unwavering support helped to create a far more favourable context for European economies looking forward to 2015.

In this mixed environment in 2014, the FRR delivered very satisfactory results and confirmed the robustness of its asset management model.

Bolstered by a further sharp decline in global interest rates, the FRR's hedging assets gained 8.2%. For their part, its performance assets performed strongly for the third consecutive year, with a gain of 9.8%. Whereas eurozone equities, penalised by concerns about growth and possible deflation, posted a modest gain of 4%, the broad diversification of the FRR's performance assets enabled it to capitalise on the very strong performances of most equity markets, in particular the US market, but also the Japanese market, while emerging markets began to stabilise after the disappointments of 2013.

In 2014, the FRR delivered very satisfactory results and confirmed the robustness of its asset management model.

In 2014 the FRR continued to demonstrate its very strong commitment to the French economy. After the EUR 500 million invested at the beginning of 2013 in French mid and large-caps, it invested EUR 300 million in French small and mid-caps and subscribed an additional EUR 120 million in FPE (*fonds de prêt à l'économie* - funds dedicated to lending to the economy), increasing its commitments to 300 million, with 200 million actually invested at the end of December 2014.

The FRR also made a significant contribution to efforts to progress towards a low-carbon

Alain Vasselle
Chairman of the Supervisory Board

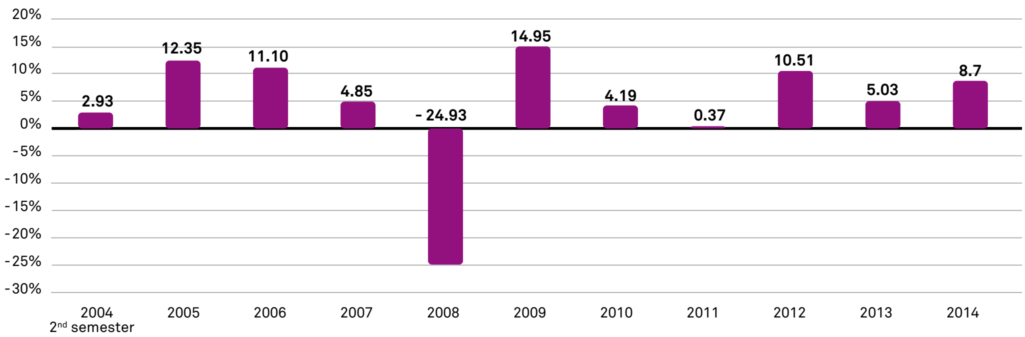
Pierre-René Lemas
Chairman of the Management Board

economy. It thus played a major role in the development of a new generation of low carbon indices and invested more than one billion euro in them. It also signed the Montreal Protocol, thereby undertaking to carry out a regular carbon audit of its equity portfolio and is playing a leading role in the Portfolio Decarbonization Coalition, an initiative committed to shrinking the carbon footprint of long-term investors.
The FRR will continue its work in this regard and will endeavour to ensure the success of the COP21 conference in December 2015 in Paris.

The FRR is playing a leading role in the Portfolio Decarbonization Coalition, an initiative committed to shrinking the carbon footprint of long-term investors.

KEY FIGURES

> The FRR's net annual performance



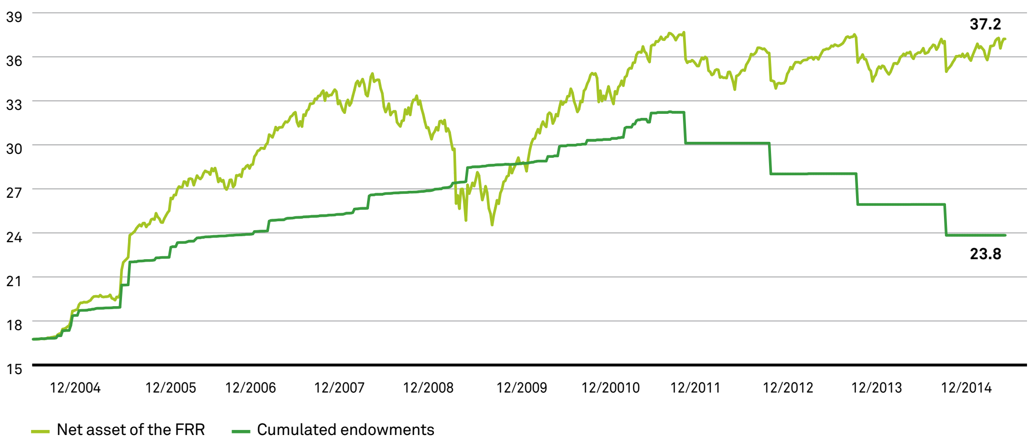
+8.75%
2014 performance net of charges

€37.2 billion
The FRR's assets at 31/12/2014

+4.16%
Annualised performance of assets since June 2004

+6.1%
Annualised performance of assets since December 2010

> Changes in the value of the FRR's net assets (in € bn) at 31/12/2014



** Since the entry into force of the 2010 pensions reform, the FRR's financial model has changed substantially:*
- The FRR no longer receives new investments (EUR 1.5 to 2 billion a year up to 2010),
- The FRR pays EUR 2.1 billion every year to the CADES,
- The FRR's investment horizon is now shorter (2024 versus 2040 before the reform).

A YEAR MARKED BY FALLING INTEREST RATES

Disappointing growth, falling inflation and geopolitical tensions

The first half of 2014 was characterised by particularly low volatility, which reflected the grip of central banks on markets as a whole. However, volatility increased sharply at the beginning of the summer. The episode of extreme volatility noted during the first two weeks of October, then the repeat situation in December, emphasised that with the normalisation of US monetary policy, global markets could once again be subject to sharp swings.

In the first half of the year, the markets were immune to geopolitical concerns: Sino-Japanese tensions in the China Sea, the ongoing Iran nuclear talks, the uprising in Ukraine against President Yanukovich followed by secessionist movements in the east of the country, Islamist-inspired actions in West Africa and the Middle East.

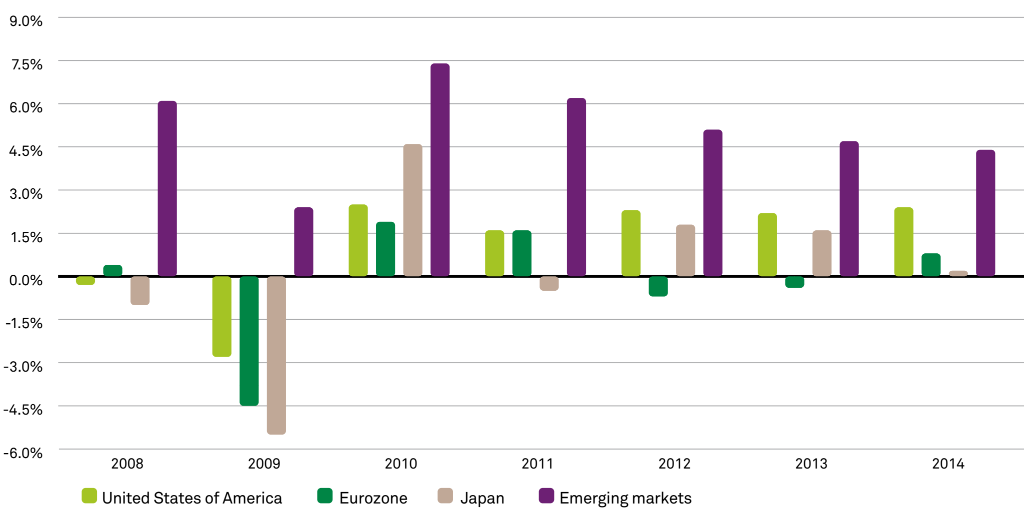
But, from the end of June, the markets were affected by the tensions between Ukraine and Russia and their economic ripple effects for Europe in particular.

And at the beginning of October, facing a string of negative economic news, with the IMF lowering its global growth forecasts and fresh signs of a slowdown in the German economy, stock markets fell sharply while sovereign yields fell to historically low levels.

The spectre of a sharp slowdown in Chinese growth, which moreover still stalks markets, caused concern, as did the downturn in the Japanese economy following the three percentage point VAT hike. At the end of the year, the collapse in oil and industrial raw materials prices added to the concerns of markets which minimised the favourable impact of this trend, and chose above all to see it as a sign of a severe weakness in global demand and proof that the threat of deflation was becoming increasingly real.

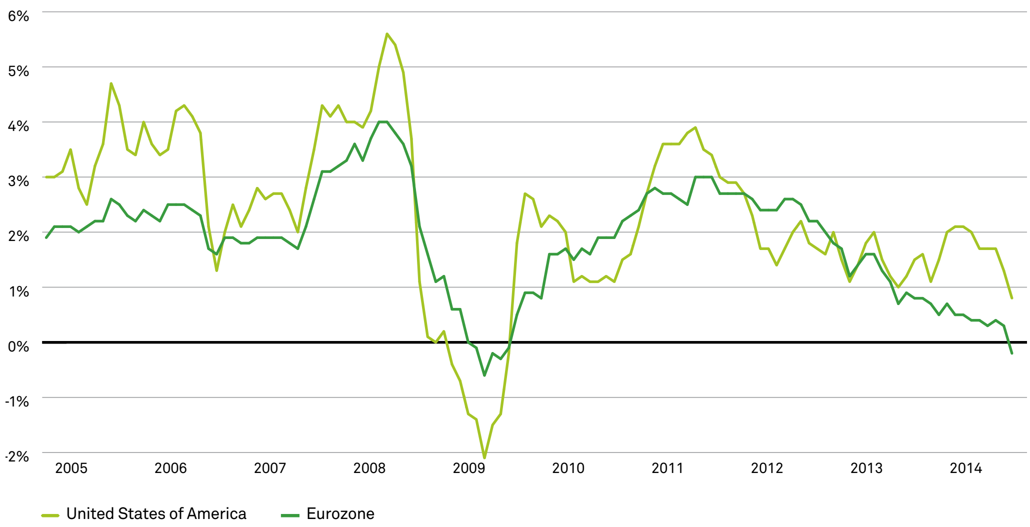
In 2014, mainly as a result of falling oil prices, the inflation rates of the major economic areas trended downwards. The eurozone's inflation rate fell sharply over the year and ended the year in negative territory at -0.2% on a year-on-year basis.

> Annual real GDP growth (in %)



Sources: Bloomberg, FMI.

> Year to year inflation rate (in %)



Source: Bloomberg.

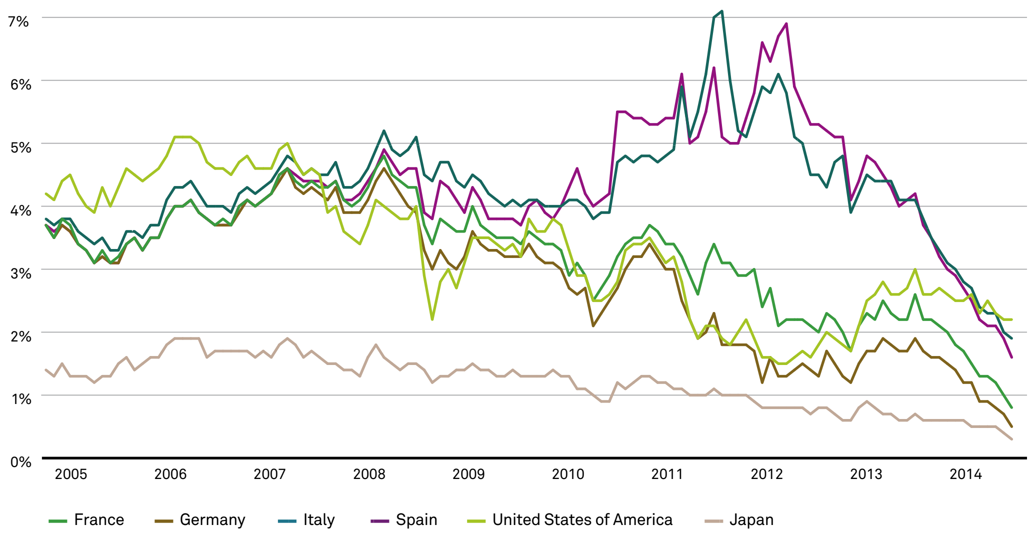
Interest rate and currency markets

In the eurozone, the **steep decline in sovereign yields was largely the result of disappointing growth, deflationary fears and the ECB's resolute action.** For example, the 10-year French government bond yield fell from 2.6% at the end of 2013 to 0.8% at the end of 2014. The sovereign bond yields of the peripheral countries (Italy, Spain and Portugal) fell the most sharply, in particular as a result of portfolio shifts by foreign investors reassured by the ECB's support.
Similarly, in Japan, disappointing growth figures and the active monetary policy of the Bank of Japan (BOJ) led to further falls in bond yields. The extremely low Japanese interest rates, together with the diversification policies of the BOJ, the Japanese public pension fund (GPIF), and Japanese banks and institutional investors, resulted in a surge in purchases of European debt securities. These institutions therefore contributed to the fall in eurozone government bond yields.

In the United States, the tapering and end of the Federal Reserve's treasury and mortgage bond buying programme did not encounter any major difficulties, but over the year sovereign yields surprisingly fell sharply, albeit to a lesser extent than in the eurozone. The US 10-year bond yield thus fell from 3% at the end of 2013 to 2.2% one year later. This fall in interest rates was due to the Fed's extreme caution in its guidance on a hike in key interest rates, falling inflation and the appetite of foreign investors: the very low yields on Japanese and European sovereign debt made US Treasury yields comparatively attractive.

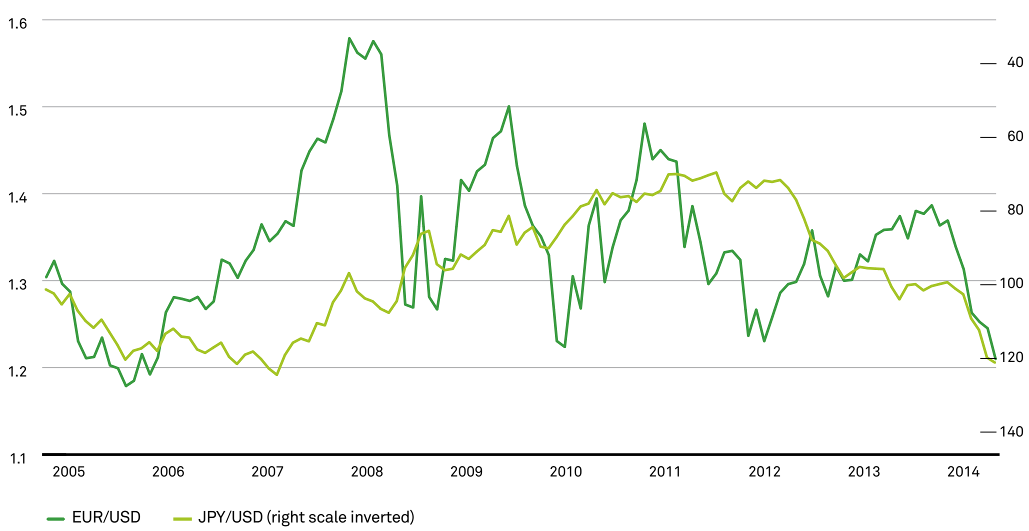
In 2014, the currency market was marked by **the dollar's sustained appreciation against the euro and against the Japanese yen.** This trend was largely due to the increasing divergence in monetary policies. On the one hand, the Fed ended its quantitative easing programme and began preparing the markets for a rise in key interest rates in 2015. On the other hand, the ECB and the BoJ further eased their monetary stance. The ECB firmly asserted its resolve to reinvigorate credit growth and to combat the risk of deflation by adopting strong measures: reduction of key interest rates (the interest rate on the deposit facility turning negative), announcement of a corporate bond buying programme and announcement of planned large-scale purchases of public debt in 2015.

> 10-year sovereign bond yields (in %)



Source: Bloomberg.

> Changes in the euro (EUR) and Japanese yen (JPY) against the US dollar (USD)

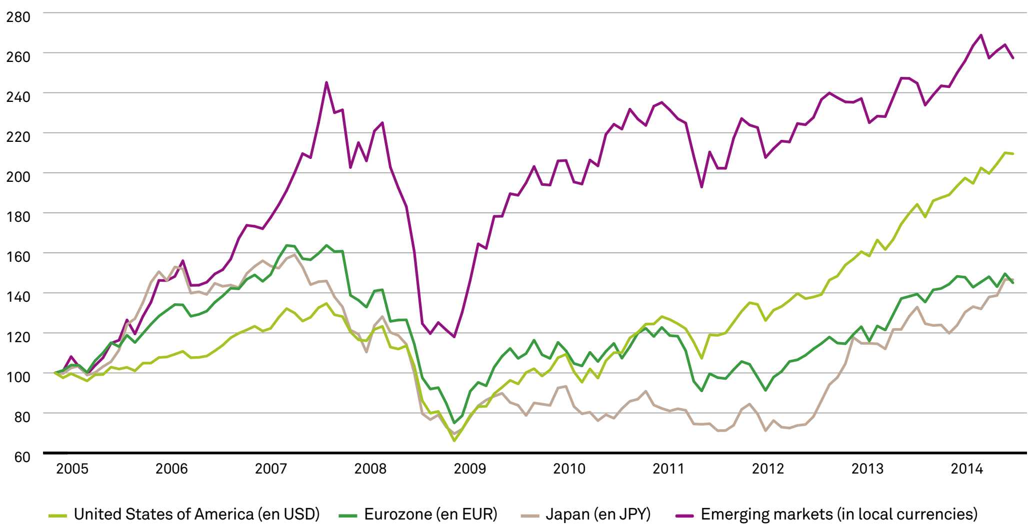


Source: Bloomberg.

Equity markets

In 2014, **global equity markets delivered another year of growth.** However, this upward trend was not homogenous with, on the one hand, **volatility,** and on the other hand, significant **regional differences.** US equity markets **posted the biggest gain** (+13% for the S&P 500 index), followed by Japanese equity markets (+10% for the Topix index) and emerging markets (+5% for the MSCI Emerging Markets index in local currencies), while the eurozone's Euro Stoxx 50 index gained 4%. Equities were bolstered by ample liquidity as a result of the expansionary monetary policies of developed countries and solid, even accelerating growth in the United States. Nevertheless, this uptrend was not without some turbulence and there were several dips throughout the year.

> Changes in the main equity markets - base 100 at 31/12/2004



Sources: Bloomberg, MSCI.

A STEEP DECLINE IN OIL PRICES

The price per barrel of North Sea Brent crude oil has fallen sharply since the beginning of summer 2014, after having traded in a price range of 90-120 dollars a barrel since 2011. Despite a tense geopolitical context, the price of Brent fell from 115 dollars on 19 June to 57 dollars on 31 December. This sharp fall in prices was the result of lower global growth prospects, implying a smaller increase in oil demand, combined with a rising supply of crude oil, fuelled in 2014 by an increase of US hydrocarbon production from shale resources and the OPEC decision to keep output at 30 million barrels a day. Despite the sharp fall in oil prices since the summer, Saudi Arabia, the cartel's largest producer, maintained its output volumes with the aim, in particular, of defending its market share. Such a situation, with supply out of sync with demand, logically led to a price adjustment.

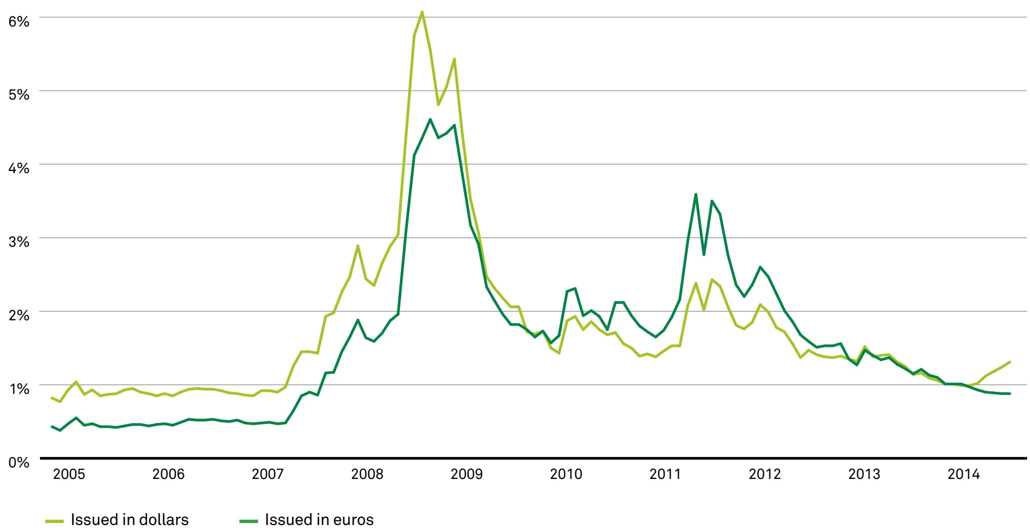
If oil prices remain depressed over the long term, this will have major economic implications, with in particular an income transfer from energy-producing countries to energy-importing countries. Overall, the impact on global growth should be positive, with lower costs for companies and an increase in household purchasing power. Lastly, in 2015, lower energy prices will accelerate the disinflation process which is now affecting many developed and emerging countries.

2014 PERFORMANCE: AN 8.75% INCREASE IN ASSETS

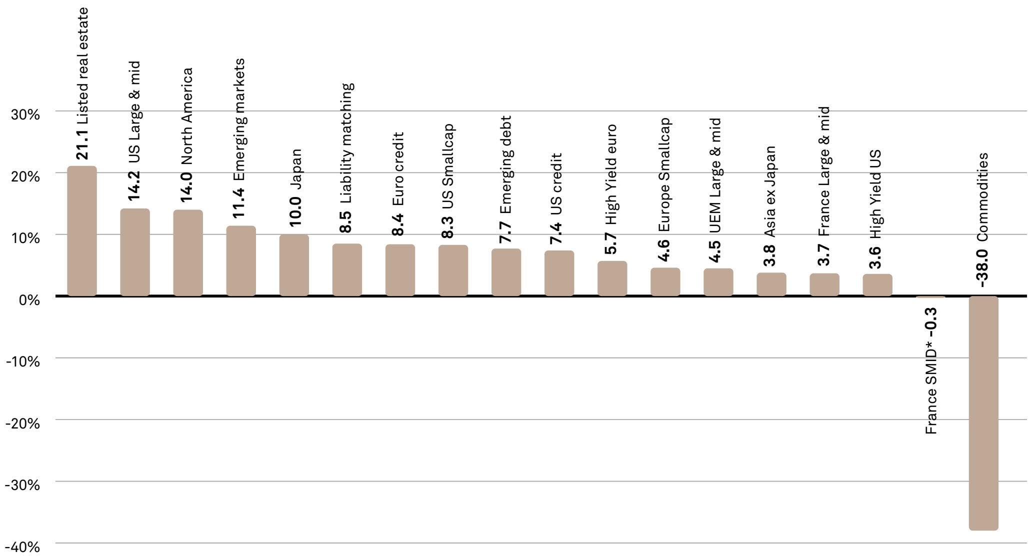
In 2014, the FRR's assets increased by 8.75% net of charges and reached EUR 37.2 billion at 31 December.
All asset classes contributed positively to the Fund's performance: 4.52% for hedging assets and 4.28% for performance assets without the administrative charges.
The hedging assets benefited from the sharp fall in interest rates, especially in the eurozone, and this enabled the OAT matched component to contribute 2.72% to total performance.
In addition to falling interest rates, euro-denominated investment grade corporate bonds benefited in 2014 from the fall in their risk premiums. As a result, they contributed 1.26% to performance. Dollar-denominated investment grade corporate bonds were slightly penalised by the increase in their risk premiums at the end of the year, but benefited from the positive effect of falling interest rates.

Equities were the second most important performance driver during the year. The excellent performance of North American equities (almost 14%) enabled them to contribute 1.63% to the overall performance. Although eurozone equities generated a yield of only 4.5%, they contributed 0.75% to the Fund's performance, because of their significant weighting in the portfolio.
Finally, emerging market assets (equities and debt securities), contributed more than 1.1% to the Fund's total performance. Bonds, issued in dollars and local currencies, increased by 7.7% in euro over 2014, while equities gained more than 11% in euro.
In 2014, as the FRR was invested in listed real estate (REITs) only at the beginning of the year, the Fund did not benefit fully from the excellent performance of this asset class (+21%). On the other hand, as a result of the sale of the commodities in its portfolio in 2013, the Fund avoided the impact of the sharp fall in energy and metal prices (-38% in 2014 for the FRR energy and metals index).

> Risk premiums of investment grade corporate bonds (in %)



> Performance of the strategic allocation assets in 2014 (in %)



* *Small and mid capitalisations.*

31/12/2013 - 31/12/2014	Net Contribution to the global performance of the portfolio
PERFORMANCE ASSETS	**4.28 %**
Eurozone equities	0.75%
Europe equities + SRI Europe	0.13%
Europe ADECE	0.02%
Global ADECE + Global SRI	0.12%
North American equities	1.63%
Asia/Pacific Basin equities	0.19%
Emerging market equities (mutual funds)	0.58%
Commodities	
Real Estate	0.02%
High yield bonds (mutual funds)	0.27%
Emerging market bonds (mutual funds)	0.55%
HEDGING ASSETS	**4.52%**
Euro-denominated corporate bonds	1.26%
Dollar-denominated corporate bonds	0.53%
Matching liability (French government bonds “OAT”)	2.72%
ADMINISTRATIVE AND FINANCIAL CHARGES	**-0.05%**
TOTAL	**8.75%**

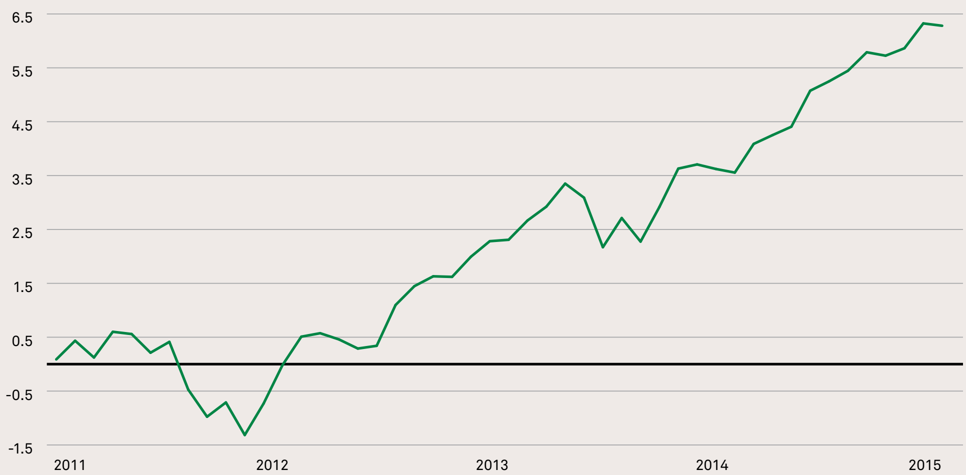
THE FRR CREATES VALUE FOR THE STATE

Since the liability-based investment model was established at the beginning of 2011, the FRR has created additional value of EUR 6.3 billion in relation to the average cost of the French State's debt.

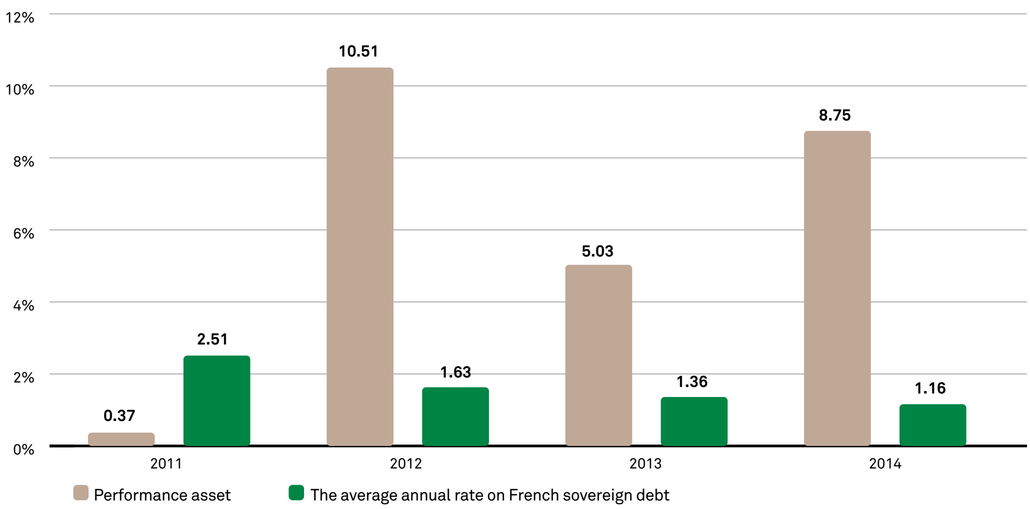
This amount corresponds to the difference between the increase in the FRR's assets, adjusted for contributions and disbursements since 2011, and the return on a theoretical investment in a like amount compounded at the annual average rate of French short and medium-long term sovereign debt issues.

Therefore, over the last four years, the annualised performance of the FRR's portfolios was 6.1% (8.75% in 2014) and the average annual rate on French sovereign debt was 1.7% (1.2% in 2014).

> The FRR's creation of value versus an investment at the cost of French debt (in EUR billions)



> Annual performance of the FRR's assets and weighted average cost of French debt (in %)



Source: Agence France Trésor (AFT).

> Volatility of performance assets (in %)

In terms of asset allocation changes, euro-denominated investment grade corporate bonds in the hedging component were increased. The cash held by the Fund at the beginning of the year was used, on the one hand, to slightly increase the weighting of emerging market assets (equities and debt securities) and, on the other hand, to increase the eurozone equity allocation when the market fell in October. In addition, at the time of the renewal of the European small cap investment mandates, the French weighting within this asset class was increased. Lastly, the Fund continued its FPE investment programme in 2014.

The volatility of performance assets almost doubled during the past year (increasing from 6.5% to 12%) because of market turbulence during the second half (in particular in October and December). This development was not surprising as market volatility had fallen in mid-2014 to a level close to historic lows.

The volatility of the FRR's portfolio was slightly above the strategic allocation's volatility (around 1% higher) because the equity allocation was slightly higher than the strategic allocation target.

In 2014, the asset allocation implementation generated a relative performance of -0.18% net of charges The active management mandates for investment grade corporate bonds generated an average outperformance before management fees of 0.55%. Given their significant weighting in the allocation, they made considerable contributions to the FRR's net performance in 2014: +0.09%.

Emerging market debt funds made a negative contribution of -0.15% to the FRR's relative performance. However, overall, this asset class contributed 0.55% to the FRR's performance. The contribution of emerging market equity funds was very slightly negative (-0.03%).

The European and international equity mandates, excluding developed country equities exposed to growth in emerging markets (Actions développées exposées à la croissance émergente – ADECE) and SRI, closed the year with a relative performance in line with that of the benchmark indices, thanks in particular to the positive contribution of the "optimised" indices [1].

(1) These indices are weighted on a basis other than capitalisation, so as to take advantage of certain remunerated risk factors (value, small-caps or low volatility) or the periodic rebalancing of the weighting of the components.

31/12/2013 - 31/12/2014	Contribution by asset class hedged for currency risk
PERFORMANCE ASSETS	**-0.34 %**
Eurozone equities	0.06%
Europe equities + SRI Europe	-0.01%
Europe ADECE	-0.03%
Global ADECE + Global SRI	-0.14%
North American equities	0.01%
Asia/Pacific Basin equities	-0.03%
Emerging market equities (mutual funds)	-0.03%
Commodities	–
Real Estate	–
High yield bonds (mutual funds)	-0.02%
Emerging market bonds (mutual funds)	-0.15%
HEDGING ASSETS	**0.08%**
Euro-denominated corporate bonds	0.06%
Dollar-denominated corporate bonds	0.03%
Matching liability (French government bonds “OAT”)	–
CHARGES FOR THE TRANSITIONS MANAGEMENT AND OVERLAY MANAGEMENT	**0.07%**
TOTAL	**-0.18%**

In contrast to 2013, the ADECE mandates contributed negatively to performance (-0.11%) with relative performances of -4.26% (before expenses) for the Europe lot and -5.35% (before expenses) for the Global lot. The contribution of -0.05% of the SRI mandates reflects in particular the market's lack of interest in environmental themes against a backdrop of plummeting oil prices in the second half of the year. The performance of the SRI dimension will, of course, be judged over several years.

Since 2004, we estimate that active management (mandates and collective funds) have contributed EUR 184 million net of management fees.

All asset classes contributed positively to the Fund's performance: 4.52% for hedging assets and 4.28% for performance assets without the administrative charges.

A SECURE LIABILITY-BASED APPROACH, WHILE OPTIMISING PERFORMANCE

The FRR must reconcile two investment objectives

The FRR's main objective is to be able to service its liabilities, which consist of annual payments to the CADES of EUR 2.1 billion until 2024, and a single payment in 2020 to the CNAV[1] in respect of the CNIEG balance[2], indexed to the FRR's performance. Under a relatively short liability-based investment model, the ability to comply with this objective can be assessed at any time on the basis of the risk to the surplus. This is defined as the difference between the FRR's net assets and the discounted value of liabilities[3] and must be greater than 0. At 25 April 2024, when the FRR will no longer have any liabilities, the surplus will be equal to assets.

While ensuring consistency with the first objective, the FRR has a second objective, namely to make the best possible use of the sums entrusted to it by maximising the value of the surplus over time. In particular, the FRR must create value for the State, by delivering a performance in excess of the cost of the French public debt.

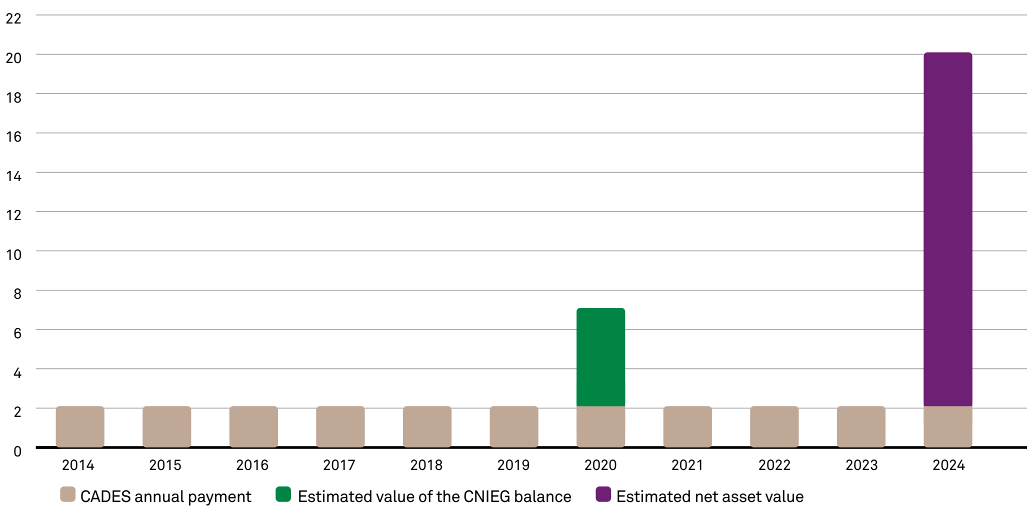
First objectif: to service the FRR's liabilities

Compliance with this objective is assessed by means of several risk metrics applied to the surplus.

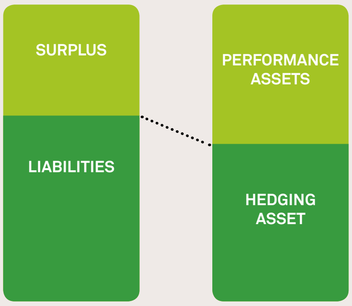
Interest rate risk is linked to the hedging of liabilities. The hedging assets enable the FRR to ensure that it is in a position to fully honour its annual liability payments. To that end, even in an extremely low interest rate environment, they must represent a substantial proportion of liabilities. In 2014, the FRR set a hedging rate target of at least 80%. The hedging assets include "OAT"[4] (French Treasury Bonds) delivering an income stream (from maturing issues and coupons), in proportion to the amount of the FRR's liabilities, as well as euro or dollar-denominated investment grade corporate bonds (rated at least BBB-).

(1) National pension fund (Caisse nationale d'assurance vieillesse - CNAV).
(2) National electrical and gas industries fund (Caisse nationale des industries électriques et gazières).
(3) The present value is obtained using "zero coupon" interest rates of the French government bond yield curve.
(4) Held until maturity.

> The FRR's estimated liabilities and final net assets (EUR bn)



The FRR has a surplus equal to the difference between its net assets and the present value of its liabilities. The amount of the hedging assets may be slightly less than that of liabilities, without jeopardising the Fund's ability to honour its commitments. This enables the Fund to invest more in assets with a higher performance potential, especially given current interest rate levels. The proportion of liabilities not hedged by the hedging component remained low in 2014 (maximum 20%) and was offset by performance assets (equities, emerging market bonds and high yield bonds). A series of risk metrics is applied to check that the FRR is in a position to meet all its financial obligations to CADES even in a very adverse scenario.



The portfolio's overall risk is assessed on both a short-term and long-term basis. Over the long term, our simulations of future returns enable us to estimate, at any time, the value of the surplus for the average of 1% of the worst case scenarios. This must be positive at all times, and we even maintain a safety margin of EUR 4 billion, in order to take account of the modelling risk inherent in this type of exercise. Over the short term, we define a "disaster" scenario, based on the worst scenarios for the last twenty years for each FRR risk factor. In each case, the FRR surplus remains greater than 0.
For the FRR, the worst case scenario is a significant increase in liabilities, because liabilities are under-hedged at 84%. Therefore, if liabilities increase by 10%, the assets would increase by only 84% of the increase in liabilities. This "disaster" scenario would be particularly critical for interest rates, since the French rate curve would then become negative for all maturities.

Source of risk	Worst-ever historical scenario
Developed country equities	-53%
Emerging market equities	-57%
High yield corporate bonds	-35%
Emerging market bonds	-30%
Euro-denominated investment grade corporate bonds (relative performance versus matching)	-17%
Dollar-denominated investment grade corporate bonds (relative performance versus matching)	-20%
Liabilities	10%

Second objective: to create value by achieving a performance greater than the cost of the debt

While ensuring that it is in a position to service its liabilities, the FRR endeavours to maximise performance. It invests in particular in equities and high yield bonds, such as emerging market bonds, corporate bonds (including a part rated BB+ at best) and FPE. As the amount invested in hedging assets corresponds to only 84% of liabilities, the FRR can invest more in performance assets.
The FRR is thus expected to deliver a performance in excess of the cost of the French debt, thereby representing a substantial source of value creation. Therefore, since the pensions reform in 2010, the FRR has created value of EUR 6.3 billion (see inset on the creation of value). We estimate that, at the end of 2013, one euro invested in the FRR created 13 cents of value for the State, on a like-for-like allocation basis(5). However, French interest rates fell significantly in 2014 (the 10-year yield fell from 2.56% at the end of 2013 to 0.83% at the end of 2014). Value creation expectations therefore increased significantly: at the end of 2014, the FRR created 25 cents of value per euro entrusted to it.
Furthermore, every additional contribution can create up to 50 cents of value per euro if the FRR uses the additional flexibility(6) resulting from investing more in performance assets for the same risk. On the other hand, any additional payment destroys 50 cents of value per euro, since the FRR has to safeguard the allocation.

(5) Calculated as the additional projected amount in 2024 thanks to the contribution of this euro, discounted at OAT rates in 2014.
(6) The contribution increases the assets, while the liabilities remain unchanged. It is therefore easier for the Fund to service its liabilities.

COMPOSITION OF THE FRR'S PORTFOLIO

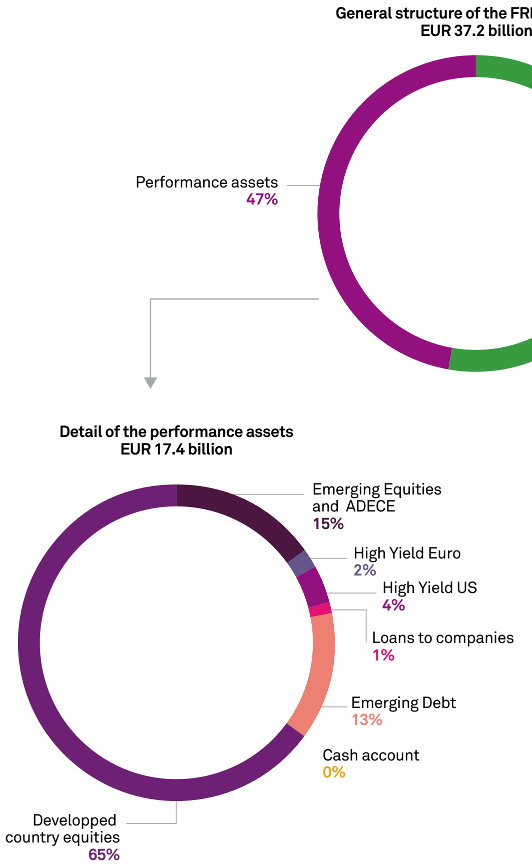
Breakdown of the hedging component and the performance component

At 31 December 2014, the FRR's portfolio comprised the following components:

- the performance component represented EUR 17.4 billion, i.e. 46.9% of net assets versus 43.8% at the end of 2013. The change in this weighting is linked to the weighting of performance assets in the 2014 strategic allocation (to 46%) and to the performance differential between performance assets and hedging assets;
- the hedging component represented EUR 19.8 billion, i.e. 53.1% of the FRR's net assets versus 56.2% at the end of 2013.

Within the hedging component, matched assets accounted for 54.8% and are held on a buy-and-hold basis, in other words they are held until maturity.

> General structure of the FRR's portfolio at 31/12/2014



REQUESTS FOR PROPOSALS: THERE WAS A SUSTAINED LEVEL OF ACTIVITY IN 2014

In accordance with article L.135-10 of the French Social Security Code, through periodically renewed mandates and in accordance with the procedures set forth in the Government Procurement Code, financial management of the Fund is entrusted to providers of investment services with the exception of cash management. "Portfolio" investments therefore consist of investment mandates and mutual funds, selected on the basis of a rigorous selection procedure. The "request for proposals" activity is closely linked to changes in the asset allocation structure and the maturity schedule of mandates, the duration of which may not exceed four years, except where otherwise provided.

Three active equity management requests for proposals launched in 2013 were finalised in 2014:

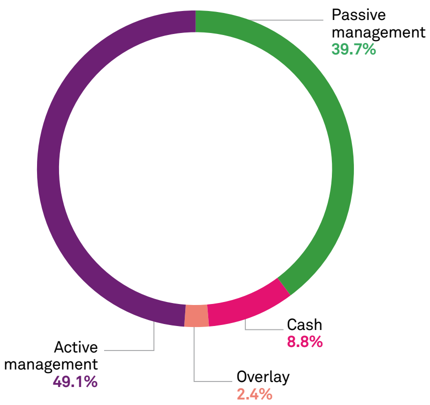
- "Active management mandates - Small cap European and French equities" with the selection of four candidates for lot 1 "Europe": Fil Gestion, Montanaro Asset Management, Standard Life Investments and Threadneedle Asset Management and five candidates for lot 2 "France": CM-CIC Asset Management, CPR Asset Management, Generali Investments Europe, Oddo Asset Management and Sycomore Asset Management.
- "Active management mandates - US large and mid-caps" with the selection of three candidates for lot 1 "Value style": Old Mutual Asset Management, Robeco Institutional Asset Management, and Wells Fargo Securities; and three candidates for lot 2 "Growth style": JP Morgan Asset Management, T Rowe Price International and Wells Fargo Securities.
- "Active management mandates – Japanese equities" with the selection of three candidates: Capital International Limited, JP Morgan Asset Management and Schroder Investment Management Limited.

In addition, the FRR launched during the year a request for proposals for an index replication mandate whose objective is to obtain rapid exposure to a series of asset classes defined by benchmark indices selected by the FRR, and to organise the passive management of currency risk by hedging part of the FRR's assets in foreign currencies.

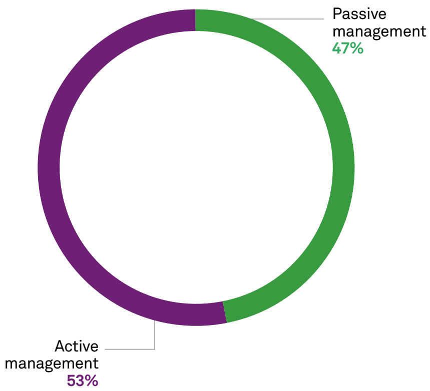
Lastly, the FRR also launched a request for proposals for the renewal of the FRR's "overlay" investment manager, whose mandate expires in 2015; the investment manager selected will be entrusted with the passive management of the currency risk exposure and the implementation of exposure to the asset classes decided by the Management Board which it will assist, if applicable, in these tasks.

This request for proposals will be finalised during the first half of 2015.

> Breakdown of management types [1]



> Breakdown of management types for the base of assets invested in equities (excluding overlay) [2]



OPTIMISED INDICES: EQUITY INVESTMENTS IN "INTELLIGENT" INDICES

The majority of the FRR's equity investments are linked to indices composed of stocks weighted by their capitalisation. This is by far the best-known and most frequently used equity management method. However, it has certain shortcomings, in particular limited diversity [3] and a "trend following" effect, which results in investments being increased in stocks that have risen (and vice versa).

Some indices, known as "Smart Beta" indices, seek to correct these shortcomings by applying alternative weighting methods. Some indices weight stocks on the basis of risk criteria (volatility, diversification, etc.), while others use fundamental criteria (book value, cashflow, turnover, etc.).

During 2014, the FRR developed its investments, via its passive management mandates, in such optimised indices, in the eurozone and in North America. It chose a balanced combination of four indices: Minimum Variance, Equal Risk Contribution, Edhec-Risk Efficient and RAFI. This combination was determined with the aim of gaining exposure to various remunerated risk factors (value, size, low volatility) and outperforming indices weighted by capitalisation, while maintaining a limited risk of loss in relation to the latter.

The assets under management using this combination amounted to approximately EUR 2 billion at 31 December 2014. In 2014, this type of management outperformed the capitalisation weighted index by 2.38% in the eurozone and by 3.23% in North America.

(1) Corresponding at 31/12/2014 to EUR 0.9 billion for overlay management, EUR 3.2 billion for cash management, EUR 14.8 billion for passive management and EUR 18.3 billion for active management.
(2) Corresponding at 31/12/2014 to EUR 5.5 billion for passive management and EUR 6.2 billion for active management.
(3) 10% of the largest stocks account for a total weighting of around 50% in US and European indices.

Breakdown of components and major asset classes

The FRR's investments are made through external fund managers. In all cases, service providers are selected after analysis and approval by the Manager Selection Committee. A specific type of mandate known as an overlay mandate allows for adjustments to the allocation without affecting the management of the securities portfolios, mainly by investing in derivatives (stock market and bond index futures traded on a regulated market).
The FRR's portfolio combines passive management mandates for high unit amounts and active management mandates that seek constant relative outperformance.
The Fund also invests in a number of asset classes (emerging debt, emerging equities, high yield corporate bonds, FPE and money markets) via mutual funds, for the most part actively managed.
This "core-satellite" approach implemented for investment mandates seeks to ensure exposure to the principal markets, at the lowest possible cost, with the selection risk focused primarily on the active strategies that the FRR believes are most likely to generate a return. At 31 December 2014, around 49% of the FRR's total net assets and 53% of equity investments were actively managed.

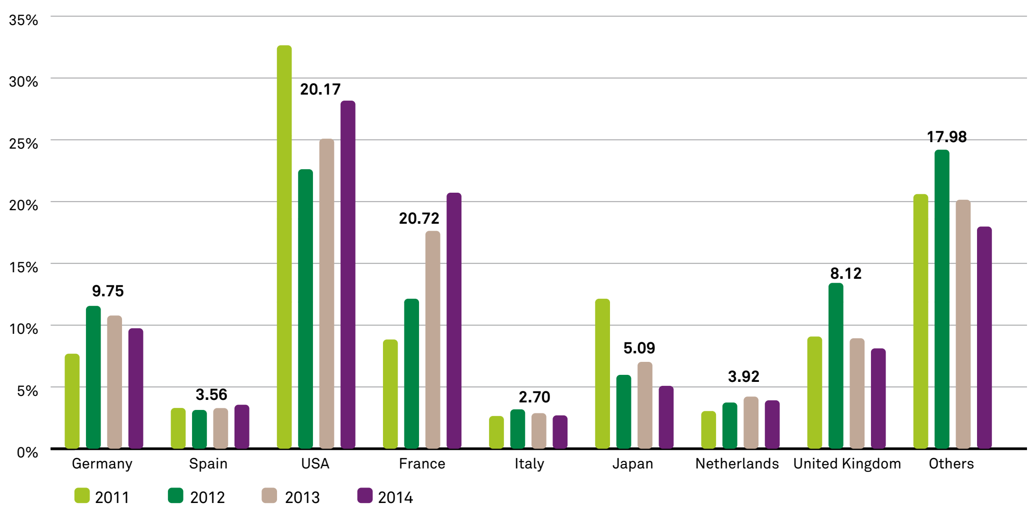
At the end of 2014, the performance component represented 46.9% of net assets versus 43.8% one year before.

Performance assets

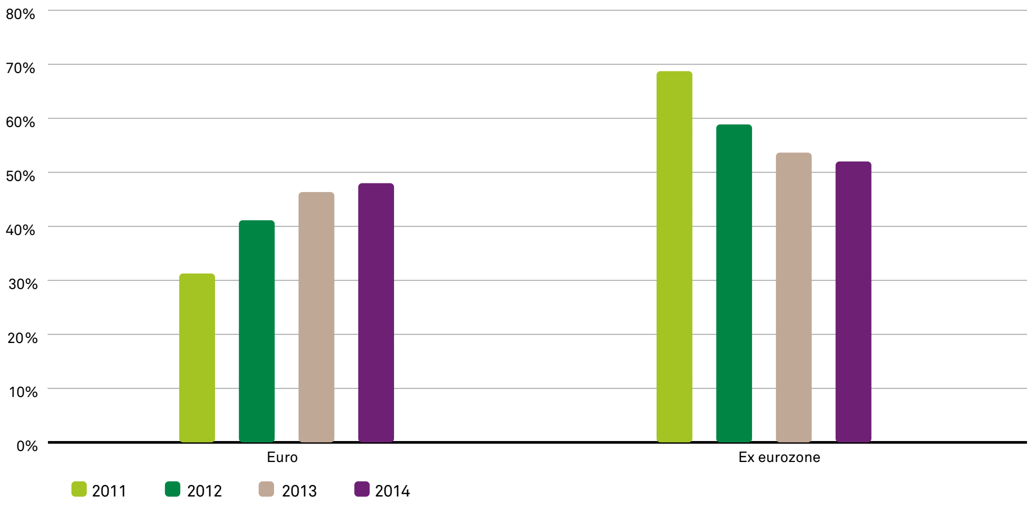
At 31 December 2014, the market value of the physical equities portfolio was EUR 11.7 billion, including mandates and mutual funds, but excluding overlay.

The portfolio's geographical breakdown and changes over the last four years illustrate the increase in the proportion of eurozone investments (from 32% in 2011 to 48% in 2014). The activation in 2012 of the ADECE (developed country equities exposed to growth in emerging markets) mandates, and the activation in 2013 of the SRI mandates and the French large-cap mandate, contributed to this increase.

> Changes in the geographical breakdown of equity mandates (in %)



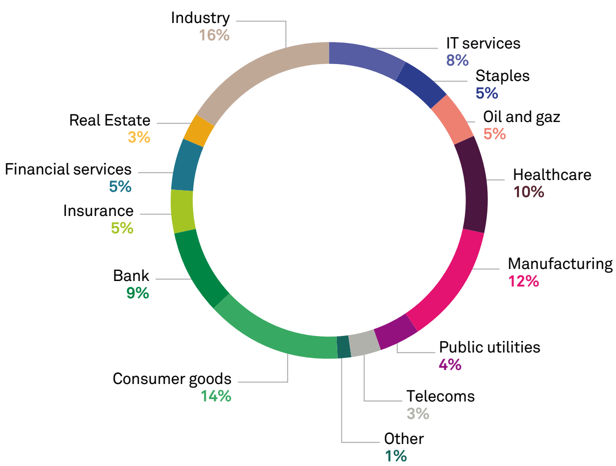
> Changes in the geographic zone breakdown's of equity mandates (in %)



In addition, in 2014, the investments in European optimised indices were converted into eurozone investments of the same type, in order to control the currency risk and affirm our conviction in the eurozone.

This sectoral breakdown is close to that of the benchmarks the FRR uses to measure the performance of the managers of each investment mandate. The difference resides in the tactical bets that the managers make, and in the investments, which may be passive but replicate so-called optimised indices, which may diverge significantly from indices weighted by capitalisation. The "not documented" heading relates mainly to SRI mandates invested in collective funds and cash held under equity mandates.

> Sectoral breakdown of equity mandates at 31/12/2014



INCREASED INVESTMENT IN THE FRENCH ECONOMY

The FRR decided in 2014 to continue to support the French economy via two specific financing actions:

- The activation of five new mandates for French small and mid-caps from May, for an amount of EUR 300 million.

  Following a request for proposals these mandates were awarded to CM-CIC Asset Management, CPR Asset Management, Generali Investments Europe, Oddo Asset Management and Sycomore Asset Management.

  Overall, the investment managers selected on this market have similar investment processes, focused above all on the potential growth of the companies in which they invest, together with a real commitment to engaging with them and participating actively in their governance.

  These very specific investments are in addition to the investments in CAC 40 companies already present in the FRR's portfolio.

  In total, listed and non-listed French stocks held by the FRR represented almost EUR 2 billion, i.e. up by 22% in one year, taking the share of French equities in the portfolio of developed country equities to 20%.

Moreover, the FRR plans to make further investments in French small and mid-caps in 2015.

- The investment in two new FPEs managed by Idinvest Partners and Tikehau IM representing a total commitment of EUR 120 million, on top of the initial investments of EUR 180 million made in 2013 in this asset class.

  At 31 December, therefore, the FRR already has a long-term commitment of EUR 300 million, including EUR 120 million in the NOVO funds, to provide financing support to mostly French small and mid-cap companies via private bond issues and loans.

  The FRR will select other FPEs to broaden its support to the French economy and will participate in the new NOVI project of the Caisse des Dépôts et Consignations intended to support French companies via debt and equity financing.

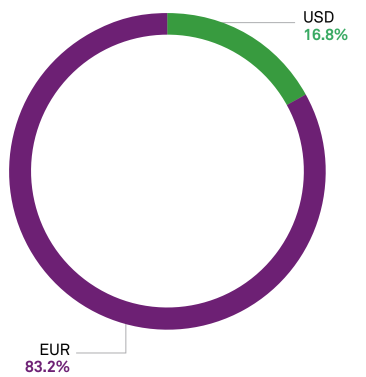
Hedging assets

At 31 December 2014 this component represented approximately 53% of the FRR's net assets. It was composed mostly of investment mandates implementing a buy-and-hold[4] type matched approach in order to service a substantial part of the CADES payments up to 2024.

To comply with its strategic allocation, the FRR increased its holdings of euro-denominated investment grade corporate bonds from 8.50% at the end of 2012 to 15.89% at the end of 2014, by selling sovereign bonds other than OAT and reducing its money market holdings. Euro and dollar-denominated corporate bonds represent more than 45.2% of the hedging component, having increased from 16.4% of the FRR's assets at the end of 2012 to 24.02% at the end of 2014.

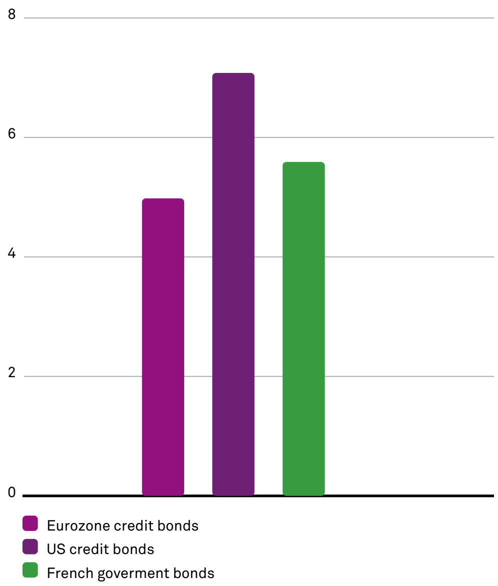
The hedging portfolio is composed predominantly of euro-denominated bonds, reflecting a low curve risk vis-à-vis liabilities, in particular as a result of the reduction in sovereign bonds other than OAT.

> Breakdown of fixed income mandates by currency at 31/12/2014

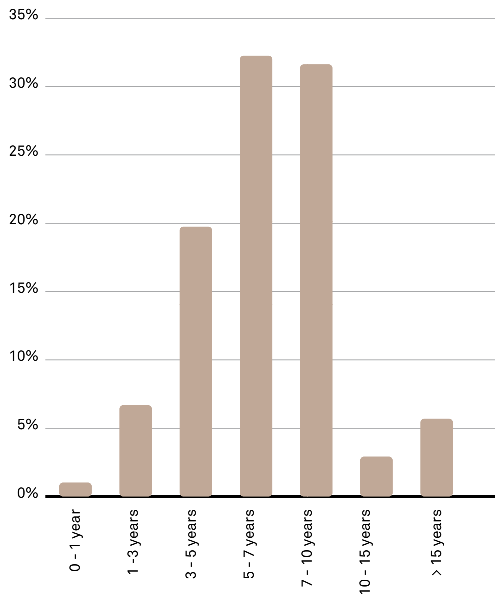


(4) Fixed income investment, whereby the securities in the portfolio are normally held until maturity.

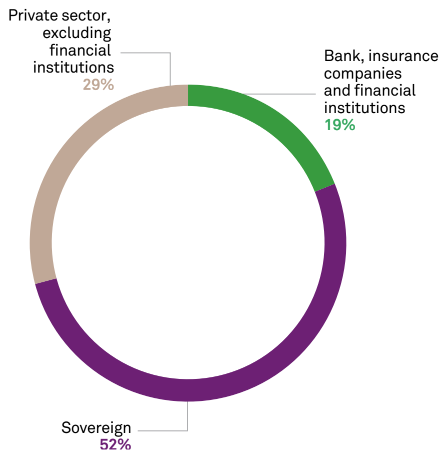
> Modified duration of fixed income mandates at 31/12/2014



> Structure of fixed income mandates by maturity ranges at 31/12/2014



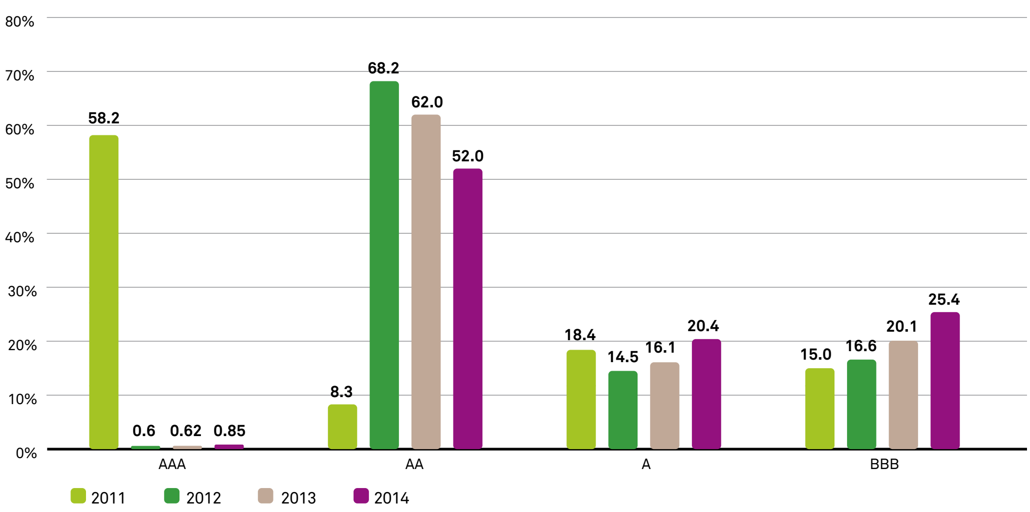
> Breakdown of bonds held via mandates by category of issuers at 31/12/2014



The assets in the hedging portfolio have good credit ratings: the lowest rated issuers (from BBB+) of the component are limited to 25.5%, and are all nevertheless rated at least BBB-. These issues are concentrated in active management mandates for euro and US dollar-denominated investment grade corporate bonds and are closely monitored. The increase in their weighting over the last four years reflects both the opportunities that the FRR's investment managers have identified in this segment and asset reallocations in this component.
As regards issuers, more than 57% of fixed income assets are government bonds, 17% are issued by banks and 26% are corporate bonds. If we also take account of the bonds held in the performance portfolio, which represent 16% of the FRR's total bond holdings, all components taken together, these proportions would fall to 44% for government bonds, 11% for banks and 29% for investment grade corporate bonds.

Euro and dollar-denominated corporate bonds represent more than 45.2% of the hedging component, having increased from 16.4% of the FRR's assets at the end of 2012 to 24.02% at the end of 2014.

> Changes in bonds held via mandates by issue rating (in %)



SOCIALLY RESPONSIBLE INVESTMENT AT THE HEART OF THE FRR'S INVESTMENT MANAGEMENT

The FRR has renewed its responsible investment strategy for the period 2013-2018

In 2013, the FRR's Supervisory Board adopted a new Responsible Investment Strategy. The 2013-2018 strategy has four key components within a system of regular monitoring by the Responsible Investment Committee composed of members of the FRR's Supervisory Board and experts.

FRR RESPONSIBLE INVESTOR: REMINDER OF THE PRINCIPLES

COMPONENT 1
INTEGRATION OF ESG FACTORS IN ASSET MANAGEMENT

This component consists in measuring and tracking changes with regard to specific FRR criteria. The aim is to disseminate the values upheld by the FRR by being as explicit as possible in the indicators collected, and to support the continuous improvement of the companies in which its invests.

COMPONENT 2
MANAGING SOCIAL RESPONSIBILITY

This component focuses on two approaches. The first deals with the activities of the companies in which the FRR invests and the way in which the said companies carry out their activities, in particular with regard to the Global Compact The second concerns the impacts inherent in tax practices.

FRR RESPONSIBLE INVESTOR

COMPONENT 3
EXERCISE OF THE FRR'S VOTING RIGHTS

The Supervisory Board has determined several principles with regard to the exercise of the FRR's voting rights. Thus, the FRR's shareholder rights at general meetings must be systematically exercised by each of the investment managers, in accordance with the guidelines established by the FRR, irrespective of the position held, the size of the company or its location.

COMPONENT 4
CONTRIBUTION TO RESPONSIBLE INVESTMENT RESEARCH AND SUPPORT FOR INTERNATIONAL INITIATIVES

The FRR's objective via this component is to improve knowledge with regard to responsible investment and to ensure that the work is shared as widely as possible. In this context, the FRR supports the Sustainable Finance and Responsible Investment Chair (FDIR). Furthermore, the FRR participates actively in a number of international initiatives: the Principles of Responsible Investment (PRI), the Carbon Disclosure Project (CDP), CDP Water, the Extractive Industries Transparency Initiative (EITI), the International Corporate Governance Network (ICGN), the Montreal Pledge and the Portfolio Decarbonization Coalition (PDC).

Monitoring extra-financial risks

Every year, Eiris, the service provider used by the FRR to monitor extra-financial risks, analyses the FRR's portfolio with regard to the principles of the Global Compact and conventions on prohibited weapons.
In 2014, the FRR had investments in 71 companies linked to allegations for which Eiris assessed the risk as high and considered the company's response to the allegation to be inadequate. By number, these companies represented 1.21% of the companies in the portfolio (2.09% by capitalisation).

Analysis by geographical area

The volume of allegations observed on developed markets has decreased

Thirty-nine companies in developed countries were the subject of allegations related to the Global Compact, and considered as representing a high risk, with an inadequate or no response by the company concerned (41 in 2013).
No entities were identified as having activities linked to the production of chemical weapons, bacteriological weapons, antipersonnel landmines (APL) or cluster bombs.

The number of serious allegation observed on emerging markets is stable

It is, however, still in line with the situation observed by the FRR in developed countries.
Thirty-two companies in emerging countries were the subject of allegations related to the Global Compact, and considered as representing a high risk, with an inadequate or no response by the company concerned. Compared with the portfolio in 2013, the number of emerging market companies subject to allegations, representing a high risk and with an inadequate response, has increased by one.
It is interesting to note that the number of serious controversies in relation to the number of stocks held in the FRR's portfolio is slightly higher for developed countries (1.75% versus 1.24% for emerging countries).

THE "SUSTAINABLE FINANCE AND RESPONSIBLE INVESTMENT" CHAIR

The Sustainable Finance and Responsible Investment Chair, managed jointly by Sébastien Pouget (Toulouse 1 Capitole University, IDEI-TSE and IAE) and Patricia Crifo (Economics Department of the Ecole Polytechnique), was created in 2007, in particular at the instigation of the French pension reserve fund. It currently brings together investors such as Allianz Global Investors, Amundi, La Banque Postale Asset Management, la Caisse des Dépôts, Candriam, Ecofi Investissements, Edmond de Rothschild Asset Management, Groupama Asset Management and HSBC Global Asset Management.

The main objective of the SFRI Chair is to set up a global SRI academic research team.

The members of the Chair have defined four priority research projects for the period 2013-2015, focused on the SRI motivation of investors, the link between extra-financial performance and bond markets, corporate governance and shareholder engagement.

On 13 February 2014, the members of the Chair decided to work on two additional projects. The first project, initiated by the FRR, will try to establish a link between the ESG performance of small and medium-sized enterprises, the stability of their shareholder base and their financial performance. This project, conducted at the same time in France and the United States, will be followed particularly within the framework of the French small-caps mandates launched by the FRR in 2014. The second project focuses on shareholder engagement at company general meetings.

A meeting was organised on 15 December 2014 to present the preliminary findings of the study on the ESG performance of French small and mid-cap companies. The findings tend to reveal ESG performances which vary according to the shareholder structure (family businesses, LBO, etc.), but also according to the cost of access to capital. They will be expanded in 2015. The FRR, as part of its commitment to progress in this area, will continue to invest in these research projects in 2015.

An analysis of the main characteristics of the 2014 allegations

227 companies, i.e. 3.85% of the issuers in the portfolio analysed were the subject of 323 allegations. Among these companies, 71 were identified for 92 serious, unresolved allegations. All these issuers are monitored particularly closely by the FRR and its partner Eiris.

Breakdown by geographical area

An analysis of allegations by geographical area shows that 146 of the companies subject to allegations were in developed countries (152 last year) and 81 were in emerging countries (76 in 2013). The apparent stability in the number of allegations concerning companies in the portfolio (227 in 2014 versus 228 in 2013) reflects a decrease of allegations in developed countries and an increase in emerging countries.

The majority of the allegations of violations of international standards involved companies headquartered in the United States, with a total of 67 companies concerned. 8.5% of the US companies analysed by Eiris were the subject of allegations. This percentage is similar in Europe (7.6%) and slightly higher in France (11%). The percentage is stable in France but has fallen slightly in the United States and the United Kingdom since the previous year.

Breakdown by domain

As in the past, the majority of the allegations noted with regard to the portfolio involved labour rights (47% of the FRR portfolio). 40% of these allegations were classified as high risk. The proportions are reversed in the other domains (environment, human rights and corruption). Although there were fewer allegations concerning the environment, they were more serious than those related to the other themes. Moreover, in 2014, Eiris added money laundering indicators to its analysis. Only three cases were identified in the FRR's portfolio: two with a high risk and an adequate level of response and one with a medium risk and an adequate response. This risk therefore seems to be limited given the satisfactory response level.

With regard to controversies identified, companies in emerging countries are a greater risk than those in developed countries. The former are less likely to provide a satisfactory response to the allegations levelled at them: the percentage of responses considered inadequate by Eiris was 40% for emerging countries versus 26% for developed countries.

For all geographical areas, the labour related allegations essentially concern "health and safety". For the emerging countries, it was almost the only theme identified together with that of "forced labour", in previous analyses. The number of allegations concerning "trade union rights" and "child labour" has increased. These three themes combined gave rise to only one serious allegation in 2013, compared with three in 2014.

Breakdown by sector

Industry is the most problematic sector, with 41 companies having been the subject of allegations, including 10 having a high risk and an inadequate response. The basic materials sector also had 41 companies. It was followed by oil and gas with 32 companies and by consumer services with 27 companies. The oil and gas sector is the sector with the highest proportion of cases having a high risk and an inadequate response (13 out of 32, i.e. more than 40%).

The health and telecoms sectors are the least problematic, with 9 and 5 allegations respectively.

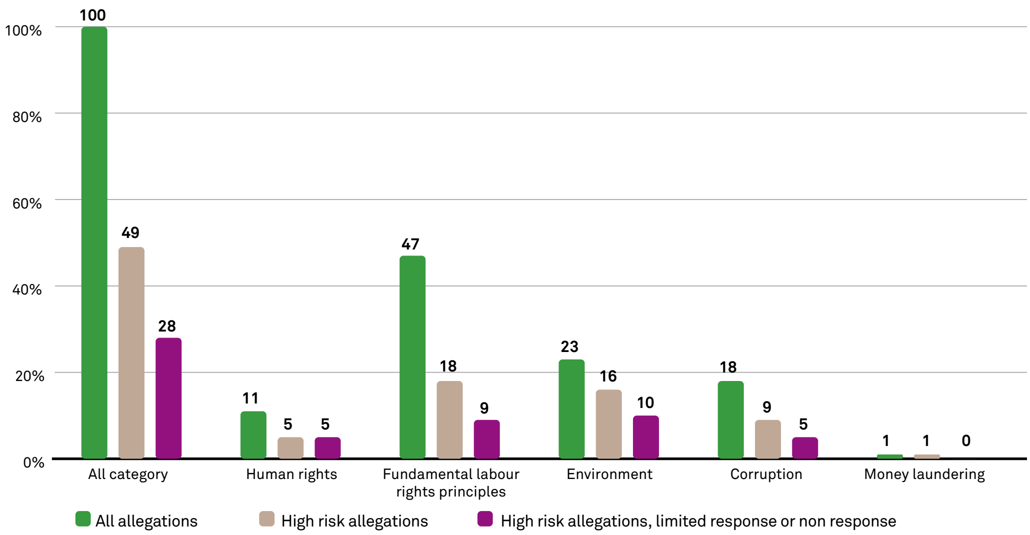
Exclusions linked to prohibited weapons

As regards prohibited weapons, the FRR added eight new companies to its exclusion list in 2014. On 7 February 2014, the Responsible Investment Committee decided to add Aeroteh, Aryt Industries, Hellenic Defense Systems, Israel Military Industries, Larsen & Toubro, Roketsan, Tata Power and Temasek Holdings to the FRR's exclusion list because of their involvement in the manufacture of antipersonnel landmines and cluster bombs.

Therefore, at 7 February 2014, there were 17 companies on the FRR's exclusion list:

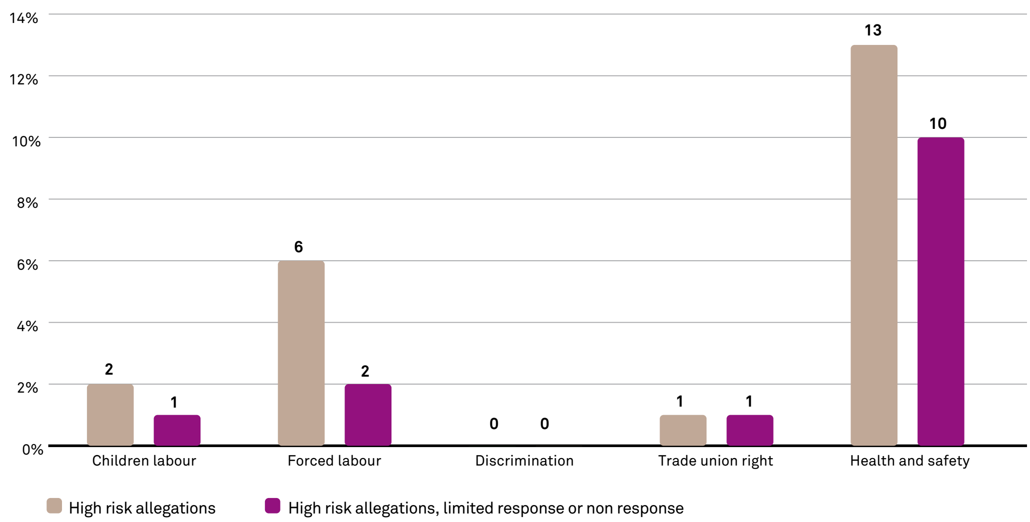
Company	Country
Aeroteh	USA
Alliant Techsystems	USA
Aryt Industries	Israel
General Dynamics	USA
Hanwha Corporation	South Korea
Hellenic Defense Systems	Greece
Israel Military Industries	Israel
L-3 Communications Holdings	USA
Larsen & Toubro	India
Lockheed Martin	USA
Poongsan Holdings	South Korea
Raytheon	USA
Roketsan	Turkey
Singapore Technologies Engineering	Singapore
Tata Power	India
Temasek Holdings	Singapore
Textron	USA

> Breakdown of allegations by category and risk level, in % (direct and indirect holdings)



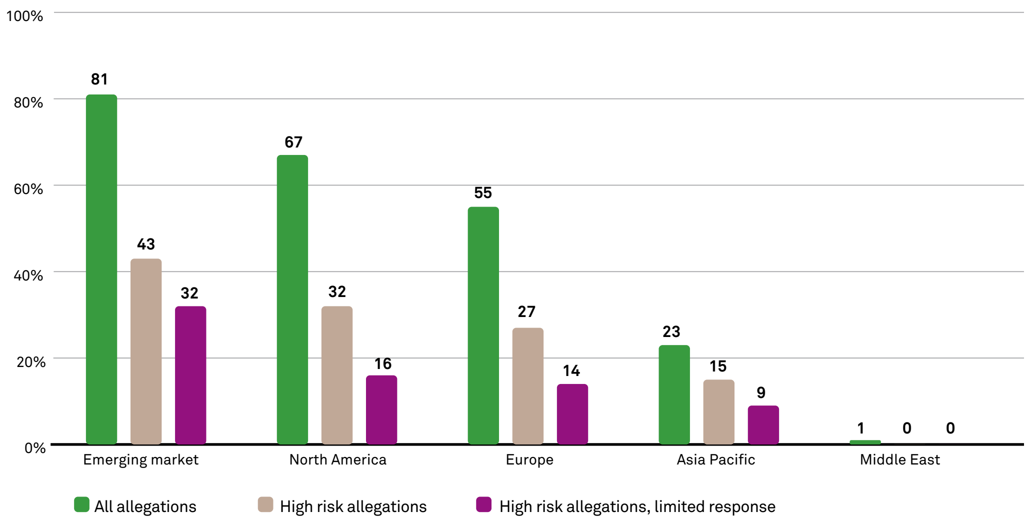
Source : Eiris Ltd.

> Breakdown of the number of allegations concerning fundamental labour rights, by domain, in % (direct and indirect holdings)



Source : Eiris Ltd.

> Changes in the breakdown of allegations by region and total companies, in % (direct and indirect holdings)



Source : Eiris Ltd.

Outcomes of collaborative engagement in the textile and clothing sector [(1)]

The collapse on 24 April 2013, of the Rana Plaza building which housed several workshops in a suburb to the west of Dhaka, the capital city of Bangladesh, caused at least 1,127 deaths. This disaster highlighted the significance of risks in the supply chain. Despite the efforts made by the sector's stakeholders to improve the situation, poor working conditions and violations of human rights are still recurring issues in the supply chain.
This event underscored the urgent need for global action to improve the standards of the sector as a whole in order to promote more responsible management of the supply chain.
Based on this observation, a group of investors, including the FRR, decided to launch in 2014 a collaborative engagement initiative, coordinated by Mirova, on the management of extra-financial risks associated with the supply chain in the textile sector.

The initiative's main objectives are to request the companies concerned to improve transparency, map the relevant social risks and strengthen long-term relationships with suppliers with the aim of improving the management of the supply chain and participating in sectoral initiatives in order to increase the chances of success of the sector as a whole.
As part of this engagement process, the FRR participated in the dialogue with four companies [(2)] (Adidas AG, Carrefour SA, Auchan SA Group and Wal-Mart). The investors have sent formal letters to the chairs of the boards of directors of the companies in question.
At 31 December 2014, three of the four companies had replied to the letters and had agreed to meet the parties to the initiative in order to discuss the issues raised.
However, the FRR has not noted any significant changes in company practices since Rana Plaza. Most of the companies already had systems to manage supply chain risks. However, the question of the safety of buildings was not identified as a source of risks until the Rana Plaza incident, mainly because of the lack of means to influence suppliers on these issues. In this regard, the role of governments has often been identified as crucial in improving standards and practices in high-risk countries.
More specifically, two groups of companies have been pinpointed with regard to the four areas of engagement identified: on the one hand, the major operators in the textile sector and, on the other hand, the diversified operators whose textile oper-

(1) http://intranet.unpri.org/index.php?fuseaction=posts.post&post_id=8280&category_id=1
(2) The engagement programme of the group of investors concerns in total six companies, including four held by the FRR on which it has focused its action.

ations do not represent a significant proportion of their revenues. The second group includes the large retail chains.

The major operators are naturally more advanced on supply chain issues because of their higher exposure to reputational risks. They are more transparent with regard to the procedures put in place to manage their risks and improve relationships with their suppliers.

On the other hand, because they are less exposed, the various operators have less transparent procedures for identifying and managing their suppliers and their performance in terms of risk prevention. The counter-argument put forward is that some information is sensitive and publishing it could adversely affect their competitive advantages.

The various discussions have strengthened the FRR's views on the importance of responsible management of the supply chain. Although the measures adopted by some major operators are laying the foundations for better management of this issue, it is difficult to assess the effectiveness of such measures without greater transparency on the outcomes of the actions implemented. Therefore, improving transparency remains a key thrust of the engagement process. The participants in the initiative have decided to focus their efforts during the next phase of the engagement programme on the following three means of action: managing the risks associated with the use of suppliers in high-risk geographical areas, strengthening long-term relationships with suppliers and improving the industry's standards via targeted sectoral initiatives.

A strong commitment to reducing the carbon footprint of equity investments

The FRR has integrated Low Carbon Leaders indices into equity management

In 2014, the FRR decided to further reduce the carbon footprint and fossil reserves of its equity investments. The main aim is to act as a responsible investor, while attempting to optimise return and risk over the long term. In order to meet these two objectives, the FRR has participated in the creation of the "MSCI Low Carbon Leaders" indices with AP4, the Swedish pension fund, MSCI, the index provider, and Amundi, the asset management firm. Within an investment universe, the index is constructed as follows:

Selection of 80% of assets with the lowest carbon emissions (based on turnover), keeping at least 70% of the capitalisation of each sector.

Selection of assets with the lowest fossil reserves (compared to the market capitalisation) to decrease from 50% the fossil reserves in the index.

The common factors to both filters are selected. The weights are optimised (under constraints) in order to minimise the deviation compared to the weighted by capitalisations index. The reduction in the carbon footprint and fossil reserves must be superior to 50%.

This process enables the FRR to effectively reduce the carbon footprint and fossil reserves in respect of these investments: by around 60% and 80% respectively in Europe, 50% and 60% in North America. In addition, the presence of at least 70% of the market capitalisation of each sector should encourage companies to attempt to qualify for inclusion in the index, even in the most polluting sectors. From this point of view, it was essential to collaborate with a pension fund that is forerunner in this area, such as AP4, an index provider such as MSCI and an asset manager such as Amundi. Their actions and communication on this subject could encourage other investors to adopt a similar approach. This should increase shareholder pressure and persuade companies to adopt the necessary measures to reduce their carbon footprint. For its part, the FRR's exposure to low carbon equities was EUR 600 million in Europe and EUR 500 million in North America at the end of 2014.

From a financial point of view, the minimisation of deviations relative to capitalisation-weighted indices limits the risk of this approach. On the other hand, in the event of regulatory changes (carbon taxes, a ban on exploiting a significant proportion of fossil resources to limit temperature increased to not more than 2°C), the low carbon investments should significantly outperform standard indices. Although the valuations of many companies are directly threatened by these aspects, the market does not pay sufficient heed to them at the current time.

To act as a responsible investor, while attempting to optimise return and risk, the FRR has participated in the creation of the "MSCI Low Carbon Leaders" indices.

The FRR: a committed partner in international initiatives

The FRR is participating in two international initiatives: the Montreal Pledge and the Portfolio Decarbonization Coalition.

The Montreal Pledge was signed on 25 September 2014 by 35 institutional investors, during the Principles of Responsible Investment (PRI) conference. It is supported by the PRI and the United Nations Environment Programme Finance Initiative (UNEP-FI). The investors having signed the Montreal Pledge have undertaken to publish annually the carbon footprint of their equity investments.

The Portfolio Decarbonization Coalition is a collaborative initiative which was launched in September 2014. Its objective is to reduce greenhouse gas emissions by mobilising a critical mass of institutional investors committed to measuring and decarbonising their portfolios. The FRR is at the forefront of this coalition.

In joining these two initiatives, the FRR has undertaken to measure and communicate publicly the carbon footprint of its investment portfolio, and to gradually decarbonise its portfolio.

The FRR provides information on the carbon footprint of its equity portfolio

The FRR had calculated the environmental footprint (including the carbon footprint) of its portfolio for the first time in 2007.

In 2014, the FRR called on the services of Trucost to measure the carbon footprint of its equity portfolio.

(3) This ratio is expressed in kg of CO_2 equivalent ($kgCO_2e$) for one thousand euro invested.
(4) This ratio is expressed in tonnes of CO_2 equivalent (tCO_2e) per million euro of turnover.
(5) 20% MSCI Emerging Markets +40% FTSE Developed All Cap Excluding Eurobloc +40% FTSE Eurobloc All Cap.

THE METHODOLOGY AND RESULTS

This analysis included both the developed and emerging markets equity portfolio at the end of 2013 and 2014, in order to measure in addition the impact of the integration of the "Low Carbon Leaders" indices, launched in the fourth quarter of 2014.

The study covers the emissions generated by the activities of companies, their direct suppliers and their reserves. The FRR has chosen to measure its footprint in absolute terms and by intensity:

- The absolute footprint is calculated per EUR 1,000 invested [3].
- The carbon intensity of the portfolios is calculated by dividing the annual CO_2 emissions of companies by their annual turnover [4]. In order to gain a better understanding of the origin of its carbon performance, the FRR has also distinguished between the sectoral effect and the asset selection effect within each sector.

The results of the study show that the carbon intensity of the FRR's equity portfolio, at the end of 2014, was 419 tonnes of CO_2 equivalent per million euro of turnover and that the portfolio's carbon intensity was 12% less than that of the FRR's benchmark index [5].

Furthermore, for EUR 1,000 invested in the FRR's portfolio, absolute emissions are 357 $kgCO_2e$ versus 421 $kgCO_2e$ for the index. The FRR's portfolio therefore emits 15% less carbon than its benchmark index.

The portfolio's intensity-based carbon footprint fell by 4% between 2013 and 2014, resulting in a significant improvement in performance versus the indices, for both developed and emerging countries. This relative performance is the result, especially in the case of developed countries, of the investment in 2014 in less carbon-intensive indices.

These good results were mainly the result of the selection of assets in each of the sectors, which moreover improved between 2013 and 2014. This development was particularly noticeable in the case of the emerging portfolio, in sectors such as utilities and basic resources.

The presence in the FRR's portfolio of companies whose revenues are generated by extractive operations means that there is a significant risk of a fall in value of these assets in the event of changes in legislation and/or mining costs. Two hundred and nine companies are exposed to fossil reserves and represents 6.67% of the portfolio's total value. This proportion means that the FRR's global portfolio is less exposed than its index (7.75%) and the MSCI World All Countries index (8.37%). In addition, this exposure decreased between 2013 and 2014.

The Portfolio Decarbonization Coalition is a collaborative initiative which was launched in September 2014. Its objective is to reduce greenhouse gas emissions by mobilising a critical mass of institutional investors committed to measuring and decarbonising their portfolios.

Exercise of voting rights

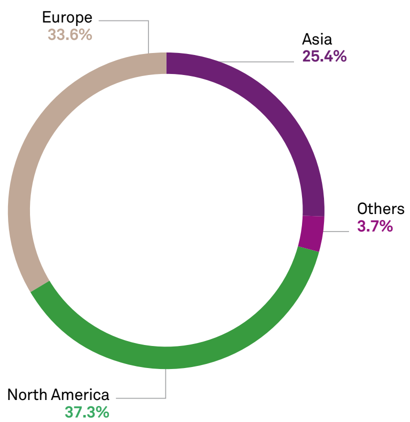
At 31 December 2014, the FRR had participated via its investment management companies in 6,206 general meetings (6) and had thus voted on the 2,707 stocks in its equity portfolio in all the countries where it invests.

The resolution approval rate was 85% for the FRR's portfolio as a whole. The approval rate for French companies in 2014 was 80%.

In France, with the first year of the implementation of "Say on Pay", the compensation of executive directors remained the focus of the FRR's attention. Although the vast majority of the SBF 120 companies adhere to the AFEP-MEDEF code, they still do not comply fully with requirements on the publication of full information (especially as regards remuneration criteria). While 2014 was mainly a year of observation and an opportunity to weigh up the application of these measures by companies, investors and the FRR will be very attentive to the transparency and instructive aspects of the information disclosed regarding compensation packages.

The widespread adoption of double voting rights following the adoption of law n°2014-384 of 29 March 2014 ("Florange Law") for shareholders whose shares have been registered for more than two years is incompatible with the universal principle of "one share, one vote" and with the principle of equality between shareholders, in particular insofar as it increases the influence of controlling shareholders over decision-making bodies to the detriment of minority shareholders. In addition, for investors – particularly when they are foreign investors – registering shares is incompatible with the management of financial assets. The FRR will be very attentive to the way in which its investment managers vote on resolutions at general meetings in 2015.

> Breakdown by Annual general meetings and zones



(6) Several investment management companies may hold the same stock and participate in the general meeting.

ICGN

Anne-Marie Jourdan, The FRR's Senior Legal Counsel, was appointed to the Board of Governors of the International Corporate Governance Network (ICGN), at its general assembly on 16 June 2014.

The ICGN, which was founded in 1995, is an international organisation of governance professionals. Its aim is to inspire and promote international corporate governance standards. These improvements contribute to a more sustainable performance of companies and help to make them more transparent.

In this context, the ICGN has various committees which reflect on the establishment of best practices in corporate governance.

Anne-Marie Jourdan's task will be to liaise between the Board of Governors and the Shareholder Responsibilities Committee.

RISK MANAGEMENT AND CONTROL

Governance and risk management

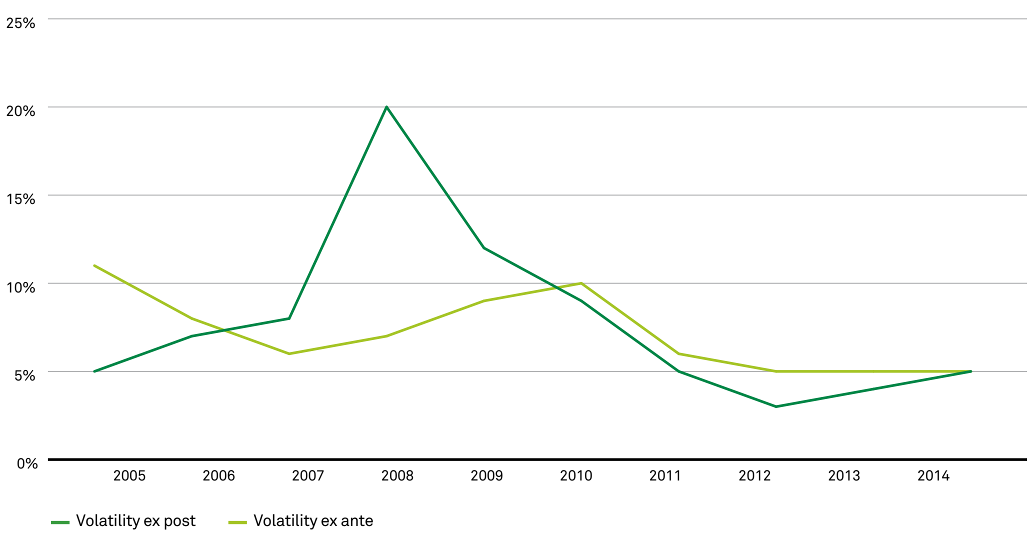
Following the pensions reform of 2010, the Supervisory Board determines on an annual basis the FRR's strategic allocation, which relies on an investment model which provides for a high level of liability hedging.
The FRR's investments are mainly implemented via mandates awarded to investment managers. The FRR may also invest directly (maximum 15% of its assets) in mutual funds.
Every month, a Risk Committee examines the performance of the portfolios and the Fund, as well as the main financial and operational risks. This committee also examines investments in new asset classes and defines the applicable risk frameworks. It is chaired by a member of the Management Board and supported by the risk management teams. More broadly, it also ensures that a risk management culture is propagated within the FRR. The Risk Committee's files are then reviewed and analysed at meetings of the Management Board.

The Performance and Financial Risk Department is also invited to the FRR's various specialised committees (Investment Strategy Committee, Manager Selection Committee) and, where applicable, issues an opinion. It also sits on various internal bodies (Tactical Investment Committee, Strategic Allocation Steering Committee, etc.). Each year it issues an opinion on the strategic allocation review, which it presents to the Supervisory Board meeting at which this review is conducted.

Financial risks

Asset and liability management risk
This is the risk that the FRR's strategic allocation is not appropriate for the funding of its liabilities vis-à-vis the CADES and the CNAV, which are the Fund's two main creditors.
The FRR has to pay EUR 2.1 billion every year to the CADES up to 2024, and to repay the CNIEG balance to the CNAV in 2020. This balance amounted to EUR 4.43 billion at the end of 2014 and its amount

> Annual volatility (in %)



will vary depending on the FRR's performance between 2014 and 2020.

Over the year, the surplus [1] increased by EUR 1 billion thanks to the performance assets and, at 31/12/2014 amounted to EUR 12.17 billion (after revaluation of the CNIEG balance). This is an indicator of the FRR's ability to meet its liabilities commitments.

The portfolio's market risks

The overall portfolio's level of annual volatility has remained historically low since the FRR was launched, both when measured ex ante (the portfolio's projected volatility) and ex post (volatility measured a posteriori).

The ex-post annual volatility of the value of the FRR's assets was 4.70% in 2014 (versus 4.47% in 2013) for an annual return of 8.75% (versus 5.21% in 2013). The ex-ante volatility was 5.32% at 31/12/2014 versus 4.92% one year earlier.

The risk of an unfavourable change in the value of the portfolio (a loss) is assessed over a short-term horizon of one year; this is the time frame of the annual strategic asset allocation review in consultation with the FRR's governance.

Thus, the average potential loss over a one-year horizon in 1% of the estimated worst case scenarios, measured by a Conditional Value-at-Risk (CVaR) of 99% over one year, is 12.5% of the FRR's assets (versus 11.6% in 2013), i.e. EUR 4.44 billion. This increase was due to the increase in the proportion of risky assets in 2014, as well as the partial lifting of currency hedging on dollar assets from April.

Equity risk

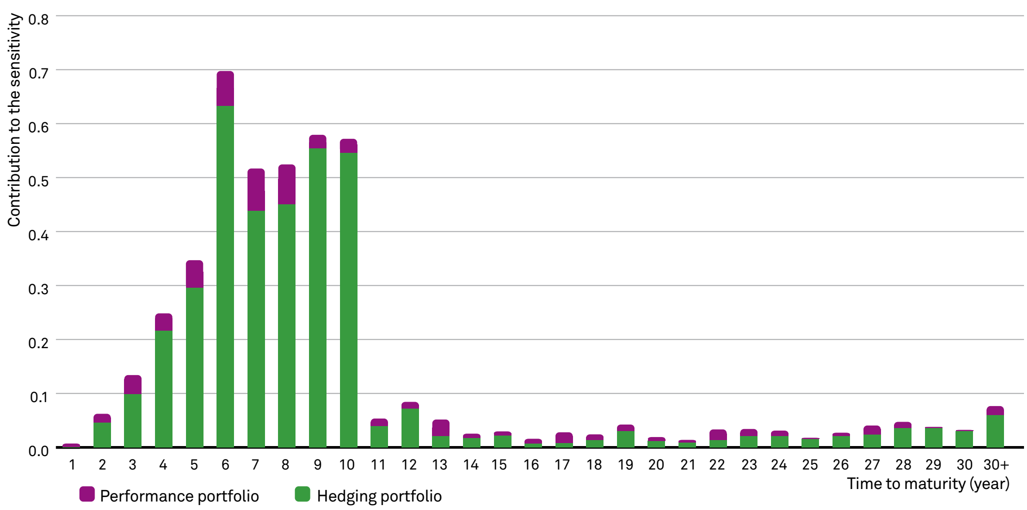
Equities represent the most significant risk factor in CVaR. The average potential loss linked to changes in equity prices in 1% of the worst case scenarios is 9.78% of the FRR's assets, i.e. EUR 3.64 billion (versus 7.89% at the end of 2013). This relative increase in equity risk was mainly due to the increase in the FRR's exposure to these assets.

Interest rate risk

At the end of the year, the average potential loss linked to yield curve changes (excluding changes in credit risk premiums), measured by a one year CVaR at 99%, was 2.71% of the FRR's assets, i.e. EUR 1 billion on the market value of the FRR's portfolio (versus 3.57% at the end of 2013). This reduction in risk was the result of the reduction of the relative weighting of fixed income assets in the FRR's portfolio and a decrease in their volatility over 2014 as a whole.

The sensitivity of the FRR's portfolio to all yield curves is 2.39 [2] compared with a sensitivity of liabilities (in relation to the value of the balance sheet) of 2.93. Thus, for a uniform change of 100 basis points across all yield curves, the value of the FRR's portfolio would decrease by 2.39%, i.e. around EUR 1.03 billion.

> Contributions to the sensitivity of the FRR's assets, by component and by maturity



The portfolio's credit risk

The table below contains a breakdown by rating of the FRR's fixed income assets at the end of 2013 and at the end of 2014. The bulk of these assets (93%) are investment grade securities.

	AAA	AA	A	BBB	<BBB- and unrated
31/12/13	1%	54%	18%	21%	7%
31/12/14	1%	41%	29%	23%	7%

In 2014, the overall quality of the FRR's portfolio was similar to that of 2013 since 93% of the credit portfolio was invested in investment grade securities. The breakdown of the investment grade category changed between 2013 and 2014: OAT positions were sold in order to finance the CADES payment, resulting in a decrease in category AA investments.
Moreover, on the basis of a credit risk analysis, the FRR has assessed the average potential loss over a one-year time horizon at around 1% of the estimated worst-case scenarios This loss, measured by a credit risk-specific (3) CVaR (4), is 9.10% on the FRR's credit portfolio excluding OAT (5).

Counterparty risk

Counterparty risk is the risk linked to trading by investment managers in over-the-counter forward financial instruments with bank counterparties (swaps and currency forwards). It has been sharply reduced as a result of the introduction of various measures: minimum rating of authorised counterparties, margin calls, use of CLS (6) Bank's clearing services for foreign exchange, limits per counterparty. At the end of 2014, the FRR's overall exposure to counterparty risk was -EUR 157 million versus +EUR 97 million in 2013.

Issuer risk diversification ratios

The regulations applicable to the FRR lay down specific risk diversification ratios with regard to issuers of equities and debt securities. In addition to these ratios, the FRR has applied, since 2011, a maximum internal exposure limit for a single issuer or OTC counterparty corresponding to 3.5% of the FRR's net assets, excluding sovereign issuers for which specific limits have been set depending on the issuer's rating.

Currency risk

The FRR's portfolio is partly invested in foreign currencies. In the strategic allocation the hedging target for the currency risk of performance assets is 90%, with the exception of the assets denominated in emerging currencies, for which the exchange rate is an intrinsic performance factor. Nevertheless, the FRR has some flexibility in its level of hedging, provided that its total currency risk exposure remains less than 20% of its total assets (regulatory limit). Thus, in 2014, the level of hedging of exposure to developed market currencies excluding the euro (chiefly the USD) was reduced during the last three quarters, and was a very significant source of performance for the FRR.
The currency risk of hedging assets has been fully hedged since 2011.

Risks of tracking errors in the performance of the portfolio and investment managers (risk relating to the performance of investment managers)

The volatility of deviations between the performances of the strategic allocation and the real allocation is measured by tracking error (TE) type indicators. This concept is defined as the annualised standard deviation in performance between the portfolio and the benchmark allocation target.
In 2014, all the investment managers complied with the TE limits specified in their investment mandate, on average the TE on the FRR's portfolio was 57 basis points for 2014.

Risk on financial contracts, in particular derivatives

To enable the FRR to invest securely in forward financial instruments, the regulatory authority decided in 2001 to subject the FRR to a legal framework similar to that applicable to coordinated mutual funds.

(1) Value of the FRR's assets net of the value of its commitments.
(2) Including fixed income assets in the performance component.
(3) The average potential loss over a one-year horizon in 1% of the estimated worst case scenarios is measured by a credit-specific Conditional Value-at-Risk (CVaR) of 99% over one year.
(4) It is based on the probabilistic modelling of the behaviour over the medium term of the credit quality of the issuers and their correlations.
(5) Obligations Assimilables au Trésor (French Treasury bonds).
(6) Continuous Linked Settlement: Clearing and settlement system which reduces counterparty risk.

The FRR applies the risk monitoring principles for transactions in financial instruments set out in the AMF regulation[7] of November 2011 on the method for calculating the overall risk of mutual funds. These principles specify two calculation methods implemented by the FRR:
- a method of calculating the commitment under a financial contract for non-complex derivatives;
- a method based on VaR calculations in the case of the large-scale use of complex financial contracts.

The FRR uses the commitment method to calculate the overall risk. This method consists in calculating the actual commitment of the financial contracts in relation to the Fund's total net value. The value of commitments at the end of 2014 was 13.22% versus 8.06% at the end of 2013, and was therefore still significantly below the regulatory limit of 100%.

Liquidity risk of assets under management

The FRR manages two limits in particular:
- a holding limit on companies' capital: the FRR may not hold more than 3% of the shares of a single issuer (with the exception of the private equity portfolio);
- a holding limit on mutual funds. the maximum holding limit for mutual funds set by the FRR is 20%, with an initial threshold alert at 15% (except in very specific cases where a derogation is allowed).

Operational risks

This is the risk of loss resulting from inadequate or failed internal processes or external events, regardless of whether they are intentional, accidental or natural.

The FRR's operational risk management system is based on regular risk mapping exercises and monitoring of the action plans drawn up on the basis of such risk mapping. The 2014 self-assessment exercise, intended to identify and measure the FRR's exposure to the various operational risk categories, enabled the teams to update the mapping of residual risk levels and to identify the priority areas of focus for reducing these risks. In December, the Management Board validated the FRR's risk profile, in particular the qualitative and quantitative impacts of the low frequency, but severe risks to which the FRR could be exposed, as well as the major action plans.

Internal and external operational incidents are catalogued and analysed as and when they occur. Such incidents are discussed and validated by the Risk Committee (analysis of the incident, impacts and monitoring of corrective measures and improvements). The FRR is very attentive to monitoring the management mandates which it awards and which represent the bulk of its portfolio.

Lastly, the impacts and consequences of various scenarios with potential to compromise the continuity of the FRR's activities are analysed (pandemic, flooding, fire, supplier default, etc.). Preventive measures and a business continuity plan (crisis management organisation and procedures, back-up site) are implemented and tested on a regular basis.

Compliance

Ethics

The FRR ensures that its employees comply with a very strict ethical framework at all levels. The ethical framework applicable to the three members of the Management Board is governed by the French Social Security Code. Moreover, all employees are bound by a code of conduct that lays down the rules for professional and personal conduct.

Ethical, money laundering and terrorist financing risks are subject to specific due diligence checks as part of the investment manager selection process.

Investment and portfolio compliance

Compliance risk is the risk associated with non-compliance with legislative, regulatory or internal provisions.

Ensuring compliance is an objective shared by all of the FRR's staff:
- the relevant contract for each mandate contains a compliance obligation and the FRR monitors on a daily basis compliance by the investment managers with their contractual obligations;
- the FRR also checks that the investments made via mutual funds comply with internal rules;
- lastly, the FRR ensures that its regulatory ratios are complied with (diversification between issuers, holding limit on the capital of companies in the portfolio, exposure to currency risk, exposure to collective funds, various commitment ratios).

These checks are monitored by the Risk Committee. An analysis of any cases of non-compliance, impact assessments, corrective measures and possible compensation claims are presented at Risk Committee meetings.

(7) Autorité des marchés financiers (French Financial markets Authority).

ORGANISATION AND COSTS

Organisation and human resources

Staff numbers at the FRR have fallen sharply over the last four financial years. The authorised staff ceiling, which was 56 in 2010 fell to 48 in 2014, i.e. a reduction of 14.3%. This reduction is the result of a cost control policy, in particular as regards human resources management. Under this policy, priority was given to the recruitment of younger employees and internal promotions. It also included careful consideration of the FRR's organisation and skills management. Thus, in four years, the FRR's wage bill has been significantly reduced (by 27.9%). However, this significant reduction could result in an automatic increase in salaries in the coming years (salary increases for employees and/or some departing staff being replaced by more senior staff).
In the coming years, the FRR will strive to maintain a demanding level of process security, while respecting a staff ceiling of 48, which is a critical threshold below which the FRR would no longer be able to perform its missions without operational risks.
Several strategic departments were reorganised in 2014 with the aim of ensuring the security and reliability of the Fund's actions.

In 2014, total expenses amounted to EUR 70.4 million, significantly down by 23% on 2013.

The FRR's costs

Total expenses amounted to EUR 70.4 million in 2014, i.e. down by 23% on 2013.
This significant decrease was mainly due to the recognition in the 2013 financial year of the in-fine performance fees relative to the US, Japanese and European equity mandates initiated in 2010, and which expire in the first quarter of 2014 (EUR 28.9 million).
In 2014, total management fees (fixed, variable and overlay) amounted to EUR 46 million (versus EUR 68.2 million in 2013), representing 65% of total expenses.
Fixed financial management fees (EUR 30.3 million of evaluative credits for 2014) were up on 2013 (EUR 27 million), mainly as a result of two factors related to both interest rates and equities. For example, in 2014, fixed expenses on the euro credit market continued to increase, linked to the significant increase in assets under management between 31/12/2013 and 30/06/2014. Similarly, the proportion of emerging market equity mutual funds in the FRR's portfolio increased and led to higher expenses.
The other estimated or evaluative expenses related to back office and account management costs and were unchanged at EUR 9.4 million. Despite the large volume of flows recorded by the Fund in 2014, up by 9% on 2013, with more than 51,000 transactions, the resultant increase in costs was offset by the decrease in unit costs as a result of the change of custodian in 2013.
Overall, the inherently variable expenses (management fees, fund custody and administration charges, i.e. EUR 56.9 million in total) accounted for 81% of expenses in 2014, compared with approximately 87% in 2013.
Lastly, structural expenses (payroll, IT and consultancy costs and other general overheads) were slightly higher than in 2013 (EUR 13.5 million versus EUR 12.3 million in 2013), but correspond to only 0.35% of assets under management.

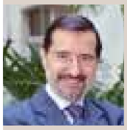
MANAGEMENT STRUCTURE CHART*

SUPERVISORY BOARD

Chairman: **Alain Vasselle**
Vice-Chairmen: Jean-Louis Beffa, Jean-Christophe Le Duigou

MANAGEMENT BOARD

Chairman:
Pierre-René Lemas



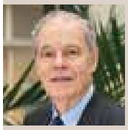
Member:
Yves Chevalier

Member:
Olivier Rousseau

Assistant: Brigitte Dahan

MANAGER SELECTION COMMITTEE

Chairman: **Olivier Rousseau**



Member:
Thierry Coste

Member:
Catherine Guinefort

Member:
Jean-François Marie

Member:
Marcel Nicolaï

INTERNAL ACCOUNTING

Patrick Hédé

Thierry Tacinelli,
Marie-Christine Huguet

OPERATIONS AND RISK DIVISION

Yann Derrien

Assistants:
Martine Carton, Nathalie Lalande

HUMAN RESOURCES AND MANAGEMENT CONTROL DEPARTMENT

Jérôme Houdbine

Nicolas Umbach-Bascone,
Romaric Bolzan, Inès Gervais

INFORMATION SYSTEMS, ORGANISATION AND PROJECTS

Sabine Botras

Eve Amsellem,
Ronan Hénaff

FINANCIAL RISK MANAGEMENT AND PERFORMANCE DEPARTMENT

Pierre Leygue

Abdelouahid Akarkoub,
Ronan Meunier, Antoine Dupaquis,
Minh Tram, Walter Villefroy

OPERATIONAL RISKS

Yann Derrien

and one staff member

MIDDLE OFFICE DEPARTMENT

Bernard Pariset

Operational Supervision of Mandates
Duc Tien Bui Van,
David Marques, Jérôme Nedelec

Internal Accounting Controls
Mordi Kadosch, Alain Brivet

FINANCE DIVISION

Salwa Boussoukaya-Nasr

Assistant:
Karine Bocquet

DELEGATED MANAGEMENT DEPARTMENT

Cristel Haution Sarac

Manager Selection
Hervé Seignol,
Charles-Antoine Poupel

Responsible Investment
Mickaël Hellier

Mandate Supervision
Vincent Cordier, David de Souza,
Patricia Glon, François Tirmarche,
Jeremy Willems

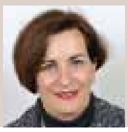
ASSET ALLOCATION DEPARTMENT

Pierre-Olivier Billard

DEPUTY
Christophe Roger

Hervé Amourda, Aymeric Dubois,
Pauline Mercier, Johann Tourne

LEGAL AND COMMUNICATION DEPARTMENT



Anne-Marie Jourdan

Florence Maury,
Alexandre Van Ooteghem

*At 31 May 2015.

GOVERNANCE

SUPERVISORY BOARD
at 30 April 2015

CHAIRMAN **Alain Vasselle**

MEMBERS OF THE NATIONAL ASSEMBLY

Michel Issindou, *alternate* Charles de Courson

Bérangère Poletti, *alternate* Gisèle Biémouret

MEMBERS OF THE SENATE

Francis Delattre, *alternate* Dominique de Legge

Jean-Marc Gabouty, *alternate* Georges Labazée

QUALIFIED PERSON

Jean-Louis Beffa, Vice-Chairman of the Supervisory Board

REPRESENTATIVES OF SOCIAL SECURITY BENEFICIARIES APPOINTED BY NATIONALLY REPRESENTATIVE TRADE UNIONS

Confédération générale du travail
Jean-Christophe Le Duigou, Vice-Chairman of the Supervisory Board, *alternate* Pierre-Yves Chanu

Confédération générale du travail – Force ouvrière
Jean-Jacques Poujade, *alternate* Philippe Pihet

Confédération française démocratique du travail
Jean-Louis Malys, *alternate* Philippe Le Clézio

Confédération française des travailleurs chrétiens
Isabelle Sancerni, *alternate* Pierre Alexis Van Den Boomgaerde

Confédération française de l'encadrement – CGC
Pierre Roger, *alternate* Marie-Christine Oberst

REPRESENTATIVES OF SELF-EMPLOYED AND INDEPENDENT WORKERS

Mouvement des entreprises de France
Agnès Canarelli, *alternate* Éric Delabrière
Valérie Corman, *alternate* Émilie Martinez
Alain Leclair, *alternate* Jean-Claude Guéry

Confédération générale des PME
Geneviève Roy, *alternate* Georges Tissié

Union professionnelle artisanale
Albert Quenet, *alternate* Berthe Duguey

REPRESENTATIVES OF THE MINISTER FOR SOCIAL SECURITY APPOINTED BY ORDER OF THE MINISTER FOR SOCIAL SECURITY

Thomas Fatome, *alternate* Jonathan Bosredon

Amandine Giraud, *alternate* Agathe Denechere

REPRESENTATIVE OF THE MINISTER FOR THE ECONOMY, FINANCE AND INDUSTRY APPOINTED BY ORDER OF THE MINISTER FOR THE ECONOMY, FINANCE AND INDUSTRY

Delphine d'Amarzit, *alternate* Thomas Groh

REPRESENTATIVE OF THE MINISTER FOR THE BUDGET, APPOINTED BY ORDER OF THE MINISTER FOR THE BUDGET

Denis Morin, *alternate* Gautier Bailly

MANAGEMENT BOARD

CHIEF EXECUTIVE OFFICER OF THE CAISSE DES DÉPÔTS ET CONSIGNATIONS

MEMBERS OF THE MANAGEMENT BOARD

Yves Chevalier

Olivier Rousseau

MANAGER SELECTION COMMITTEE

CHAIRMAN **Olivier Rousseau**

MEMBERS OF THE MANAGER SELECTION COMMITTEE

Catherine Guinefort, former fund manager with an asset management company

Thierry Coste, Member of the College of the ACPR (Autorité de contrôle prudentiel et de résolution)

Jean-François Marie, former director of a finance company

Marcel Nicolaï, former managing partner of an asset management company

financial

2014 ANNUAL REPORT

information

FINANCIAL AND ACCOUNTING SUMMARY

In 2014 the FRR recorded a profit of EUR 1.439 billion, following a profit of EUR 1.861 billion in 2013.
The French Social Security Financing Law for 2011 provides that with effect from 1 January 2011 the FRR must pay EUR 2.1 billion to the Caisse d'Amortissement de la Dette Sociale (CADES) every year until 2024.
The fund paid this amount to the CADES on 25 April 2014, recognising an equivalent reduction in its permanent capital.
However, the 2014 financial statements reflect the FRR's financial solidity, just as they did in 2013 and 2012.
The CNIEG's contribution is valued at EUR 4.428 billion, an increase of EUR 363 million.
Financial assets; transferable securities and available funds amount to EUR 37.2 billion.
The 2014 financial result showed a profit of EUR 1.504 billion, following a profit of EUR 1.952 billion in 2013.
The same applies to the valuation differences recognised in the balance sheet, which reflect the difference between the acquisition value of assets and their market value at 31 December. These differences, which were already positive in 2013 at EUR 2.1432 billion, were EUR 3.3869 billion at 31 December 2014.

In 2014 the FRR recorded a profit of EUR 1.439 billion, following a profit of EUR 1.861 billion in 2013.

An analysis of the financial result shows the contribution of each product or cost category to the overall result for the financial year.
Income on transferable securities amounted to EUR 840.4 million versus EUR 894.9 million in 2013.
Foreign exchange transactions generated a net loss of EUR 265.2 million compared with a net gain of EUR 475.7 million in 2013.
Sales of transferable securities generated a surplus of EUR 1.0453 billion, compared with EUR 606.8 in 2013.
Lastly, financial futures recorded a net gain of EUR 96.3 million versus EUR 214.4 million in 2013.

BALANCE SHEET AT 31 DECEMBER 2014

ASSETS – in euros	31/12/2014	31/12/2013
Fixed assets	**2,100,964.14**	**1,830,651.16**
Receivables	**6,143,523,032.43**	**8,272,231,827.18**
Allocations receivable by the FRR	–	–
Receivables from operations	–	3,456.80
Receivables on financial instruments	21,616,979.41	22,720,254.18
Receivables on forex transactions	5,937,840,346.83	8,127,348,002.01
Receivables on forward financial instruments	184,065,706.19	122,160,114.19
Transferable securities	**35,863,350,121.68**	**33,883,662,883.84**
Equities	8,796,526,280.57	8,280,440,959.84
Bonds	17,779,683,655.66	19,138,061,635.66
Transferable debt securities	3,106,276,100.03	471,349,290.63
UCITS	5,346,183,310.55	5,329,605,509.36
Private equity funds	638,049,646.99	627,221,242.93
Securitisation entities	196,631,127.88	36,984,245.42
Cash	**1,342,575,481.67**	**2,187,290,504.32**
Prepaid expenses	**53,194.10**	**206,008.00**
TOTAL	**43,351,602,794.02**	**44,345,221,874.50**

LIABILITIES – in euros	31/12/2014	31/12/2013
Equity capital	**11,753,741,996.36**	**9,070,311,279.47**
Allocations	2,870,680,121.97	2,870,680,121.97
Reserves	4,056,473,649.73	2,195,435,504.12
Valuation difference	3,386,928,094.39	2,143,157,507.77
Profit/(loss) for the financial year	1,439,660,130.27	1,861,038,145.61
Payables	**31,593,986,488.31**	**35,274,710,962.87**
Prepaid allocations to the FRR		
Extraordinary contribution to CNIEG	4,428,075,612.69	4,065,294,648.08
CADES debt - 1 year	2,100,000,000.00	2,100,000,000.00
CADES debt + 1 year	18,900,000,000.00	21,000,000,000.00
Payables from operations	37,648,494.28	63,841,955.34
Payables on financial instruments	20,795,201.99	13,416,402.35
Payables on forex transactions	6,094,755,881.37	8,030,015,310.12
Payables on forward financial instruments	12,711,297.98	2,142,646.98
Prepaid income	**3,874,309.35**	**199,632.16**
TOTAL	**43,351,602,794.02**	**44,345,221,874.50**

INCOME STATEMENT AT 31 DECEMBER 2014

EXPENSES – in euros	31/12/2014	31/12/2013
Outside services	63,049,145.90	90,459,558.39
Taxes and duties	82,516.15	75,563.92
Payroll	905,612.10	860,292.21
Depreciation and amortisation	476,224.02	400,964.74
Operating expenses	**64,513,498.17**	**91,796,379.26**
Forex losses	517,995,790.29	300,710,610.54
Expenses on forward financial instruments	272,934,073.91	270,553,840.73
Expenses on sale of securities	380,693,239.49	271,719,633.83
Expenses on options	39,791,670.00	0.00
Other financial expenses	60,030.49	87,034,742.63
Allocation of share of income to CNIEG	194,631,926.76	235,175,480.51
Financial expenses	**1,406,106,730.94**	**1,165,194,308.24**
Extraordinary expenses	–	–
Total expenses	**1,470,620,229.11**	**1,256,990,687.50**
Profit/(loss) for the financial year	**1,439,660,130.27**	**1,861,038,145.61**
TOTAL	**2,910,280,359.38**	**3,118,028,833.11**

INCOME – in euros	31/12/2014	31/12/2013
Income from transferable securities	840,482,501.11	894,870,626.27
Forex gains	252,797,287.64	776,420,736.08
Income from forward financial instruments	369,251,594.77	484,927,934.92
Income from sales of securities	1,426,001,964.63	878,503,127.98
Income on options	15,031,404.00	0.00
Other financial income	6,639,840.73	82,845,602.54
Financial income	**2,910,204,592.88**	**3,117,568,027.79**
Extraordinary income	**75,766.50**	**460,805.32**
Total income	**2,910,280,359.38**	**3,118,028,833.11**
TOTAL	**2,910,280,359.38**	**3,118,028,833.11**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2014

ACCOUNTING METHODS AND RULES USED

The FRR's financial statements are prepared using generally applicable principles based on the single chart of accounts for social security organisations and opinion no. 200307 of 24 June 2003 of the CNC, as amended by opinion no. 200810 of 5 June 2008.

General accounting conventions have been applied in compliance with the principles of prudence, consistency, sincerity and fairness of view in accordance with the following underlying assumptions: going concern, consistency of accounting methods and independence of financial years.

As the FRR's accounts are stated in euro, the foreign currency positions of the FRR's mandates are valued using their equivalent value calculated using WM/Reuters closing spot rates.

Transactions are recorded on the trading date. Since 30 November 2006, transactions involving transferable securities have been booked with charges included, in accordance with the CNC's opinion of 31 March 2006.

The weighted average cost price rule (WACP) is applied for realised capital gains or losses on securities, and the FIFO (first in first out) rule is applied to futures.

Asset values are calculated on the basis of positions held on Friday evening or the last TARGET business day of the week, and on the last TARGET business day of the month. The default price is the closing price on the issuer's benchmark market, on a case by case basis on the principal market of listing.

If no price is available on the valuation day, the asset is valued using the last known price, or in accordance with a predetermined procedure if using an old price.

Bonds are valued on the principle of a Bid quotation based on prices obtained from various financial services providers.

Interest accrued at the time of purchase or sale, as well as end of period interest, is expressed by reference to the value date. This accounting method is linked to the recognition of transactions from the trading date.

BTF and BTAN securities are valued using the interest rate published by the Banque de France on the valuation day.

Transferable debt securities and similar securities that are not traded in large volumes are valued using an actuarial method based on a zero coupon rate of the same maturity increased, where applicable, by an issuer spread.

UCITS are valued using the last known net asset value. ETFs are valued using the last price quoted.

Private equity funds are valued using the last valuations provided by the fund managers.

Forward financial instruments traded on regulated or similar markets and associated liabilities are valued using the settlement price.

Forward currency positions are valued both by linear discounting of the initial contango/backwardation amount and by valuing the currency position using WM/Reuters closing spot rates.

Swaps are valued using the prices provided by the counterparty, under the control of the fund manager, and are also subject to the various control levels put in place by the FRR.

Unrealised gains and losses and unrealised exchange differences are recognised in the balance sheet as valuation differences, and do not affect the Fund's result.

Withholding tax recovered is recognised as and when received.

Realised capital gains and losses and definitive exchange differences are recognised in the expenses and income accounts.

Tangible assets are depreciated on a straight-line basis over three years.

Intangible assets, linked mainly to the right of use of the SPIRRIS software and related maintenance, are amortised on a straight-line basis over five years.

The extraordinary, flat-rate, full-discharge contribution mentioned in Article 19 of law no. 2004803 of 9 August 2004 and paid to the CNIEG by the FRR in accordance with a decision of the Haut Conseil Interministériel de la comptabilité des organismes de sécurité sociale dated 20 April 2005, is recognised in the FRR's accounts as a debt.

In accordance with amendment no. 1 of 20 March 2009 to the agreement of 12 July 2005, entered into by the FRR and the CNAVTS, the FRR henceforth shall determine the share attributable to the balance on an annual basis.

The fees paid to management companies are based on a fee scale that assigns a number of basis points per tranche of assets under management.

Some mandates receive variable performance fees in the case of outperformance, defined as the positive mathematical difference between the performance of the portfolio and that of its benchmark. Depending on the mandate, these fees are paid annually and/or at the end of the investment mandate provided that the outperformance is confirmed over the relevant periods and subject to the contractually defined limits.

PRESENTATION OF THE FINANCIAL STATEMENTS

For ease of reading, the financial statements have been organised in a number of sections:

Balance sheet:

- The various items are presented as net values, taking into account the depreciations applied for fixed assets and valuation differences for financial assets and liabilities.
- "Receivables" and "Payables on financial instruments" comprise transactions in transferable securities by investment companies for which settlement is pending (matured coupons, purchases and sales awaiting settlement).
- "Receivables" and "Payables on forex transactions" comprise current foreign exchange transactions, whether spot or forward.
- "Receivables" and "Payables on forward financial instruments" comprise current transactions related to futures (margins payable or receivable, security deposits) and swap (payable or receivable flows) transactions.
- "Transferable securities" are classified in six categories: equities, bonds, transferable debt securities, UCITS, private equity funds and securitisation entities. They are shown in the balance sheet at their market value, taking into account coupons accrued on bonds, transferable debt securities and securitisation entities.
- "Cash" comprises all the FRR's cash accounts in euro and foreign currencies (valued at their price on the last day of the financial year), and interest accrued on these interest-bearing current and deposit accounts.

"Equity capital" comprises:

- "Allocations" corresponding to the balance of employers' contributions received by the FRR since its inception in 1999, less the sums allocated to the CADES;
- "Reserves" represent the accumulated income generated by the Fund since its inception, less the sums allocated to the CADES debt;
- "Differences in estimates" represent unrealised gains and losses recognised on all the assets at the closing date;
- Profit/(loss) for the financial year.

The "Extraordinary contribution to CNIEG" comprises:

- the contribution paid to the FRR by the Caisse Nationale des Industries Electriques et Gazières (CNIEG) as part of Article 19 of law no. 2004803 of 9 August 2004, whose conditions of payment to the FRR by the CNIEG were laid down by order of the Minister for Social Solidarity, Health and Family on 31 January 2005. This order set the sum that had been paid to the FRR by the CNIEG during the second quarter of 2005 at EUR 3,060,000,000;
- interest paid to the FRR by the CNIEG in accordance with the order of 31 January 2005;
- the share of the income for the financial year, net of charges, corresponding to the allocation of the share of the FRR's income to the balance paid by the CNIEG;
- the share of unrealised gains or losses on the closing date.

The "CADES debt" is shown as "debt - 1 year" and "debt + 1 year".

ADDITIONAL INFORMATION RELATING TO ASSETS

CURRENT ASSETS

Table of fixed assets and depreciation – in euros

	Fixed assets				Depreciation and amortisation				Net book value
Headings and items	Gross book value - opening balance	Increase	Decrease	Gross book value - closing balance	Accumulated value - opening balance	Depreciation/ amortisation charges	Decrease	Accumulated values - closing balance	
Intangible assets	3,817,564.44	903,600.00	-157,063.00	4,564,101.44	-1,987,159.21	-475,978.09	–	-2,463,137.30	2,100,964.14
TOTAL I	**3,817,564.44**	**903,600.00**	**-157,063.00**	**4,564,101.44**	**-1,987,159.21**	**-475,978.09**	**–**	**-2,463,137.30**	**2,100,964.14**
Tangible fixed assets	12,712.31	–	–	–	-12,466.38	-245.93	–	-12,712.31	–
TOTAL II	**12,712.31**	**–**	**–**	**12,712.31**	**-12,466.38**	**-245.93**	**–**	**-12,712.31**	**–**
GRAND TOTAL	**3,830,276.75**	**903,600.00**	**-157,063.00**	**4,576,813.75**	**-1,999,625.59**	**- 476,224.02**	**–**	**-2,475,849.61**	**2,100,964.14**

RECEIVABLES LINKED TO FINANCIAL MANAGEMENT

Receivables – in euros	31/12/2014
related to financial instruments	
Matured coupons for payment	6,769,547.93
Sales pending settlement	13,549,453.03
Fees/rebates receivable	1,297,978.45
Variable management fees overpayment	–
TOTAL	**21,616,979.41**
related to forex transactions	
Forward purchases	139,719,264.77
Forex forward receivables	5,788,961,684.73
Forex spot receivables	381,078.17
Discount	8,778,319.16
TOTAL	**5,937,840,346.83**
related to forward financial instruments	
Security deposits	181,892,161.82
Margin receivable	2,173,544.37
Valuation difference on swaps	–
TOTAL	**184,065,706.19**

TRANSFERABLE SECURITIES

CHANGES IN THE VALUE OF THE PORTFOLIO OF TRANSFERABLE SECURITIES

Portfolio at 31 December 2013 – in euros

	Value on acquisition	Valuation differences (1)	Accrued coupons	Balance sheet value
Equities	6,846,223,319.50	1,434,217,640.34	–	8,280,440,959.84
Bonds	18,386,326,057.62	367,157,306.66	384,578,271.38	19,138,061,635.66
Transferable debt securities	471,399,809.80	-50,519.17	–	471,349,290.63
UCITS	5,224,645,807.40	104,959,701.96	–	5,329,605,509.36
Private equity funds	456,135,064.09	171,086,178.84	–	627,221,242.93
Securitisation Entity	36,578,141.93	222,284.03	183,819.46	36,984,245.42
TOTAL	**31,421,308,200.34**	**2,077,592,592.66**	**384,762,090.84**	**33,883,662,883.84**

Portfolio at 31 December 2014 – in euros

	Value on acquisition	Valuation differences (1)	Accrued coupons	Balance sheet value
Equities	7,517,528,873.72	1,278,997,406.85	–	8,796,526,280.57
Bonds	15,925,056,721.98	1,545,645,275.80	308,981,657.88	17,779,683,655.66
Transferable debt securities	3,105,806,362.84	417,358.02	52,379.17	3,106,276,100.03
UCITS	4,742,045,576.28	604,137,734.27	–	5,346,183,310.55
Private equity funds	312,311,001.72	325,738,645.27	–	638,049,646.99
Securitisation Entity	193,870,843.32	2,194,814.56	565,470.00	196,631,127.88
TOTAL	**31,796,619,379.86**	**3,757,131,234.77**	**309,599,507.05**	**35,863,350,121.68**

	31/12/2013	31/12/2014
Equities	8,280,440,959.84	8,796,526,280.57
Bonds	19,138,061,635.66	17,779,683,655.66
Transferable debt securities	471,349,290.63	3,106,276,100.03
UCITS	5,329,605,509.36	5,346,183,310.55
Private equity funds	627,221,242.93	638,049,646.99
Securitisation entities	36,984,245.42	196,631,127.88
TOTAL	**33,883,662,883.84**	**35,863,350,121.68**

(1) Valuation differences before allocation of the CNIEG's share.

BREAKDOWN OF PORTFOLIO BY REMAINING TERM TO MATURITY

	31/12/2013	31/12/2014
< 3 months	1.71%	3.06%
> 3 months < 1 year	3.67%	12.48%
1 to 3 years	9.5%	5.17%
3 to 5 years	15.81%	15.97%
5 to 7 years	28.97%	26.74%
7 to 10 years	33.07%	27.39%
10 to 15 years	2.05%	2.83%
> 15 years	5.21%	6.36%
	100.00%	**100.00%**

BREAKDOWN OF PORTFOLIO BY COUPON TYPE

	31/12/2013	31/12/2014
Fixed rate	97.57%	98.28%
Index-linked rate	2.04%	–
Variable rate	0.39%	1.72%
	100.00%	**100.00%**

BREAKDOWN OF TRANSFERABLE SECURITIES PORTFOLIO BY CURRENCY OF LISTING - in euros

Currency	Equities	Bonds	Transferable debt securities	UCITS (2)	SE (3)	Limited Partnership (4) and Private Equity Funds	Total
AUD	203,666,787.09	–	–	–	–	–	203,666,787.09
CAD	107,972,111.97	–	–	–	–	–	107,972,111.97
CHF	197,994,650.40	–	–	–	–	–	197,994,650.40
DKK	51,919,753.98	–	–	–	–	–	51,919,753.98
EUR	4,069,634,965.02	14,794,341,202.54	3,101,575,671.54	1,838,325,419.84	196,631,127.88	394,136,858.67	24,394,645,245.49
GBP	724,299,780.87	–	–	5,144,923.65	–	–	729,444,704.52
HKD	95,793,562.95	–	–	–	–	–	95,793,562.95
JPY	455,506,471.58	–	–	–	–	–	455,506,471.58
NOK	22,173,162.45	–	–	–	–	–	22,173,162.45
NZD	7,497,985.26	–	–	–	–	–	7,497,985.26
SEK	107,136,789.00	–	–	–	–	–	107,136,789.00
SGD	46,617,647.77	–	–	–	–	–	46,617,647.77
USD	2,706,312,612.23	2,985,342,453.12	826,119.14	3,502,712,967.06	–	243,912,788.32	9,439,106,939.87
NET TOTAL OF INTEREST RECEIVED IN ADVANCE (5)	**8,796,526,280.57**	**17,779,683,655.66**	**3,102,401,790.68**	**5,346,183,310.55**	**196,631,127.88**	**638,049,646.99**	**35,859,475,812.33**

Interest received in advance on French Treasury Bills	489.98
Interest received in advance on foreign Treasury Bills	422.31
Interest received in advance on certificates of deposit	3,873,397.06
Interest received in advance on commercial paper	–
Total interest received in advance	**3,874,309.35**

	Equities	Bonds	Transferable debt securities	UCITS (2)	SE (3)	Limited Partnership (4) and Private Equity Funds	Total
PORTFOLIO TOTAL	**8,796,526,280.57**	**17,779,683,655.66**	**3,106,276,100.03**	**5,346,183,310.55**	**196,631,127.88**	**638,049,646.99**	**35,863,350,121.68**

(2) Incl. Exchange Traded Funds.
(3) Securitisation entities.
(4) Limited Partnership: Private equity funds.
(5) IRA: Interest received in advance.

DETAILED STATEMENT OF TRANSFERABLE SECURITIES AT 31 DECEMBER 2014 – in euros

Transferable securities	Net total of interest received in advance	IRA	Portfolio total
Equities			
Eurozone European	4,069,634,965.02	–	4,069,634,965.02
Non-eurozone European	1,103,524,136.70	–	1,103,524,136.70
USA	2,814,284,724.20	–	2,814,284,724.20
Asia ex Japan	353,575,983.07	–	353,575,983.07
Japan	455,506,471.58	–	455,506,471.58
Bonds			
Eurozone European	14,794,341,202.54	–	14,794,341,202.54
USA	2,985,342,453.12	–	2,985,342,453.12
Transferable debt securities			
Eurozone European	3,101,575,671.54	3,873,887.04	3,105,449,558.58
USA	826,119.14	422.31	826,541.45
UCITS			
Eurozone European	1,838,325,419.84	–	1,838,325,419.84
Non-eurozone European	5,144,923.65	–	5,144,923.65
USA	3,502,712,967.06	–	3,502,712,967.06
Private equity funds			
Europe	394,136,858.67	–	394,136,858.67
USA	243,912,788.32	–	243,912,788.32
Securitisation entities			
Europe	196,631,127.88	–	196,631,127.88
GRAND TOTAL	**35,859,475,812.33**	**3,874,309.35**	**35,863,350,121.68**

PRIVATE EQUITY FUNDS

		Pantheon Ventures	Access Capital Partners	Antin Infrastructures	Total
Liabilities at inception	EUR	550,000,000	300,000,000	50,000,000	900,000,000
Liabilities on closing date	EUR	257,474,250	210,000,000	50,000,000	517,474,250
Balance for previous financial year	EUR	165,965,750	131,250,000	34,753,694	331,969,444
Payments over the period (calls for funds)	EUR	10,400,000	8,400,000	632,350	19,432,350
Provisional repayment	EUR	-44,400,000	-12,600,000	-21,621,415	-78,621,415
Balance on closing date	EUR	131,965,750	127,050,000	13,764,629	272,780,379
Valuation on closing date	EUR	197,876,570	165,383,360	30,876,929	394,136,859

		NBEL[8]	Ardian Investment (AXA Private Equity Europe)	Total		NBEL	Ardian Investment (AXA Private Equity Europe)	Total
Liabilities at inception	USD	679,993,200	198,000,000	877,993,200	EUR [9]	561,954,608	163,629,596	725,584,204
Liabilities on closing date	USD	280,711,144	198,000,000	478,711,144	EUR [9]	231,983,086	163,629,596	395,612,682
Balance for previous financial year	USD	96,092,438	81,447,172	177,539,610	EUR [10]	65,895,495	58,270,032	124,165,527
Payments over the period (calls for funds)	USD	–	7,210,364	7,210,364	EUR [10]	–	5,392,405	5,392,405
Distribution of assets	USD	-60,696,713	-58,736,647	-119,433,360	EUR [10]	-45,525,016	-44,502,175	-44,502,175
Balance on closing date	USD	35,395,725	29,920,889	65,316,6144	EUR [10]	20,370,479	19,160,261	85,055,756
Valuation on closing date	USD	199,229,099	95,907,630	295,136,729	EUR [9]	164,645,344	79,267,445	243,912,789

Total initial liabilities (EUR)	**1,625,584,204**
Total net payments over the period (EUR)	**-98,298,836**
TOTAL VALUED ON CLOSING DATE (EUR)	**638,049,648**

(6) Including EUR 256,508 paid as fee and subscription premiums in accordance with the fund's regulations.
(7) Including EUR 418,383.57 as partial asset distribution.
(8) Neuberger Berman Europe Limited ex Lehman Brother Int. Europe.
(9) On the basis of a $/€ exchange rate of 0.8264121 on the closing date.
(10) On the basis of a $/€ exchange rate on the transaction date.

SECURITISATION ENTITIES

		Idinvest 1	Idinvest 2	Novo 1	Novo 2	Tikehau	Total
Liabilities at inception	EUR	60,000,000	80,000,000	78,000,000	42,000,000	40,000,000	300,000,000
Liabilities on closing date	EUR	60,000,000	80,000,000	78,000,000	42,000,000	40,000,000	300,000,000
Balance for previous financial year	EUR	29,480,000	–	75,000,000 (11)	39,050,000 (12)	–	143,530,000
Payments over the period (calls for funds)	EUR	29,480,000	43,840,000	41,500,000	20,500,000	21,600,000 (13)	166,520,000
Solde à la date d'arrêté	EUR	–	36,160,000	33,500,000 (14)	18,550,000 (14)	18,400,000 (14)	97,010,000 (14)
VALUATION ON CLOSING DATE	**EUR**	**61,667,970**	**44,278,400**	**44,902,396**	**23,948,650**	**21,833,712**	**196,631,128**

(11) Excluding issue premium of EUR 49,028.
(12) Excluding issue premium of EUR 59,113.
(13) Excluding subscription premium of EUR 334,579.20.
(14) Balance on the closing date excluding issue and subscription premiums.

CASH

Currencies – in euros	Total
AUD	35,966,917.70
CAD	17,604,358.53
CHF	18,985,900.93
DKK	325,441.49
EUR	588,097,668.17
GBP	39,180,681.65
HKD	41,233,526.21
JPY	147,117,789.74
NOK	392,969.60
NZD	806.51
SEK	961,174.87
SGD	38,136.64
USD	452,670,109.63
TOTAL	**1,342,575,481.67**

ADDITIONAL INFORMATION RELATING TO LIABILITIES

CHANGES TO PERMANENT CAPITAL – in euros

Equity capital	31/12/2013	Allocation of 2013 profit/(loss)	2014 profit/(loss)	Variation +	Variation -	31/12/2014
Allocations	2,870,680,121.97	–	–	–	–	2,870,680,121.97
Reserves	2,195,435,504.12	1,861,038,145.61	–	–	–	4,056,473,649.73
Valuation differences	2,143,157,507.77	–	–	1,243,770,586.62	–	3,386,928,094.39
Profit/(loss) for	–	–	–	–	–	–
the financial year	1,861,038,145.61	-1,861,038,145.61	1,439,660,130.27	–	–	1,439,660,130.27
SUB-TOTAL	**9,070,311,279.47**	**–**	**1,439,660,130.27**	**1,243,770,586.62**	**–**	**11,753,741,996.36**
Long-term debts	**31/12/2013**					**31/12/2014**
CNIEG	4,065,294,648.08	–	–	362,780,964.61	–	4,428,075,612.69
CADES + 1 year	21,000,000,000.00	–	–	–	2,100,000,000.00	18,900,000,000.00
SUB-TOTAL	**25,065,294,648.08**	**–**	**–**	**362,780,964.61**	**2,100,000,000.00**	**23,328,075,612.69**
TOTAL PERMANENT CAPITAL	**34,135,605,927.55**	**–**	**1,439,660,130.27**	**1,606,551,551.23**	**2,100,000,000.00**	**35,081,817,609.05**

PROFIT/LOSS FOR RECENT FINANCIAL YEARS – in euros

	2010	2011	2012	2013
Profit/(loss) for the financial year	321,160,143.72	1,271,206,212.14	1,861,038,145.61	1,439,660,130.27

Profits/losses for the financial years preceding the closing date are allocated to reserves.

DEBTS – in euros

DEBT REPAYMENT SCHEDULE

Payables	Total	- 1 year	+ 1 year	of which 1-5 years	of which more than 5 years
Extraordinary contribution to CNIEG	4,428,075,612.99	–	4,428,075,612.99	–	4,428,075,612.99
CADES debt	21,000,000,000.00	2,100,000,000.00	18,900,000,000.00	8,400,000,000.00	10,500,000,000.00
Payables from operations	37,648,494.28	37,648,494.28	–	–	–
Payables on financial instruments	20,795,201.99	20,795,201.99	–	–	–
Payables on forex transactions	6,094,755,881.37	6,094,755,881.37	–	–	–
Payables on forward financial instruments	12,711,297.98	12,711,297.98	–	–	–
TOTAL	**31,593,986,488.61**	**8,265,910,875.62**	**23,328,075,612.99**	**8,400,000,000.00**	**14,928,075,612.99**

EXTRAORDINARY CONTRIBUTION TO CNIEG - in euros

Equity capital at 31 December 2013	9,070,311,279.47
CNIEG balance at 31 December 2013	4,065,294,648.08
2014 employers' contributions	–
CADES debt at 31 December 2014	21,000,000,000.00
	34,463,952,895.43
CNAV SHARE AT 31 DECEMBER 2014	**11.91%**

Employers' contributions

Allocations at 31 December 2013	2,870,680,121.97	**2014**
Allocations at 31 December 2014	2,870,680,121.97	–

Breakdown at 31 December 2014	**31/12/2013**	**31/12/2014**	**to be allocated**
Operating expenses		-64,513,498.17	-64,513,498.17
Financial Income		1,698,729,788.70	1,698,729,788.70
Extraordinary Income		75,766.50	75,766.50
TOTAL INCOME		**1,634,292,057.03**	**1,634,292,057.03**
Valuation differences - Transferable securities	1,906,284,129.79	3,429,197,774.94	1,522,913,645.15
Valuation difference - Forex	-9,612,106.52	20,204,965.74	29,817,072.26
Valuation difference - Forward exchange	117,779,659.74	-154,979,293.83	-272,758,953.57
Valuation difference - Derivatives	69,541,135.99	44,863,999.66	-24,677,136.33
Valuation differences - Private equity funds	171,053,346.19	325,738,645.27	154,685,299.08
Valuation differences - Securitisation entities	255,116.68	2,194,814.56	1,939,697.88
Valuation differences - Options	–	–	–
Valuation difference - Swaps	–	–	–
VALUATION DIFFERENCE - TOTAL	**2,255,301,281.87**	**3,667,220,906.34**	**1,411,919,624.47**

Financial and extraordinary profit/loss less operating expenses	1,634,292,057.03
Breakdown percentage	**11.91%**
TO BE CREDITED TO THE CNAV	**194,631,926.76**
Valuation difference	1,411,919,624.47
Breakdown percentage	**11.91%**
TO BE CREDITED TO THE CNAV	**168,149,037.84**

Summary

Financial and extraordinary profit/loss less operating expenses	194,631,926.76
Valuation difference	168,149,037.84
TOTAL	**362,780,964.60**
For the record: CNIEG contribution at 31 December 2013	**4,065,294,648.08**
CNIEG CONTRIBUTION AT 31 DECEMBER 2014	**4,428,075,612.69**

PAYABLES RELATED TO FINANCIAL MANAGEMENT

Payables – in euros	31/12/2014
related to financial instruments	
Purchases pending settlement	20,795,201.99
TOTAL	**20,795,201.99**
related to forex transactions	
Forward sales	5,955,408,068.65
Currencies for forward delivery	138,216,878.24
Currencies for spot delivery	380,262.20
Premium	750,672.28
TOTAL	**6,094,755,881.37**
related to forward financial instruments	
Margin payable	12,711,297.98
TOTAL	**12,711,297.98**

PREPAID INCOME

Prepaid expenses amounted to EUR 3,874,309.35. It corresponds to interest prepaid on certain negotiable debt securities (BTF, CDN, foreign Treasury Bills, commercial paper).

ADDITIONAL INFORMATION RELATING TO THE PROFIT AND LOSS ACCOUNT

OPERATING EXPENSES - in euros

	Amount
Outside services	**63,049,145.90**
Administrative Management (Caisse des dépôts et consignations)	19,670,169.98
Investment company fees	41,075,975.94
Other outside services	2,302,999.98
including trading costs on forward financial instruments	*1,515,171.13*
Taxes and duties	**82,516.15**
Payroll	**905,612.10**
Depreciation and amortisation	**476,224.02**
TOTAL	**64,513,498.17**

TABLE OF STAFF REMUNERATED DIRECTLY BY THE FRR

Table of staff and breakdown by categorie

Category	Permanent (CDI)	Temporary (CDD)	Temps	Others	Total
Management	2	–	–	–	2
Executives	1	–	–	–	1
Employees	4	–	–	–	4
TOTAL	**7**	**–**	**–**	**–**	**7**
OTHERS (15)	**–**	**–**	**–**	**2**	**–**

(15) Chairman of the Supervisory Board and Accounting Officer.

OFF-BALANCE SHEET LIABILITIES

Forward foreign exchange contracts – in euros

Currency codes	Currency receivable	%	Currency to be delivered	%
AUD	216,496,177.73	3.74%	–	–
CAD	100,626,105.40	1.74%	–	–
CHF	199,527,485.88	3.45%	6,968,300.58	5.04%
DKK	47,180,747.56	0.82%	–	–
GBP	678,394,466.47	11.72%	1,585,141.14	1.15%
HKD	129,604,401.38	2.24%	5,362,200.08	3.88%
JPY	628,511,324.50	10.86%	108,941,956.38	78.82%
NOK	19,236,760.58	0.33%	–	–
NZD	6,345,973.02	0.11%	–	–
SEK	98,075,309.84	1.69%	–	–
SGD	41,530,069.47	0.72%	–	–
USD	3,623,432,862.90	62.59%	15,359,280.06	11.11%
TOTAL	**5,788,961,684.73**	**100.00%**	**138,216,878.24**	**100.00%**

Securities and cash on deposit at 31/12/2014

Stock code	Name of stock	Quantity	Cost price	Market value
US912796FR57	USA TREASURY BILL 18/06/15	200,000.00	161,272.57	165,223.83
SUB-TOTAL			**161,272.57**	**165,223.83**

Stock code	Name of stock	Quantity	Cost price	Market value
DG.AUD	DEPOSIT AUD	708,000.00	486,028.22	478,815.13
DG.CAD	DEPOSIT CAD	217,866.00	151,535.41	155,446.46
DG.CAD	DEPOSIT CAD	9,903.00	6,862.42	7,065.74
DG.CAD	DEPOSIT CAD	19,806.00	14,047.23	14,131.49
DG.CHF	DEPOSIT CHF	2,258,178.00	1,860,918.75	1,878,136.98
DG.CHF	DEPOSIT CHF	46,767.00	38,865.03	38,896.32
DG.EUR	DEPOSIT EUR	97,301,837.50	97,301,837.50	97,301,837.50
DG.EUR	DEPOSIT EUR	390,100.00	390,100.00	390,100.00
DG.EUR	DEPOSIT EUR	124,550.00	124,550.00	124,550.00
DG.EUR	DEPOSIT EUR	112,800.00	112,800.00	112,800.00
DG.EUR	DEPOSIT EUR	105,750.00	105,750.00	105,750.00
DG.EUR	DEPOSIT EUR	391,222.00	391,222.00	391,222.00
DG.EUR	DEPOSIT EUR	1,073,850.00	1,073,850.00	1,073,850.00
DG.EUR	DEPOSIT EUR	1,793,610.00	1,793,610.00	1,793,610.00
DG.GBP	DEPOSIT GBP	2,027,200.00	2,415,541.63	2,612,202.82
DG.GBP	DEPOSIT GBP	56,000.00	71,221.10	72,160.29
DG.HKD	DEPOSIT HKD	9,389,250.00	891,552.08	1,000,586.11
DG.JPY	DEPOSIT JPY	1,964,550,000.00	13,868,612.82	13,541,247.71
DG.JPY	DEPOSIT JPY	85,575,000.00	579,726.72	589,851.24
DG.USD	DEPOSIT USD	71,117,684.00	54,584,743.90	58,772,516.83
DG.USD	DEPOSIT USD	35,420.00	27,910.90	29,271.51
DG.USD	DEPOSIT USD	35,420.00	27,869.19	29,271.51
DG.USD	DEPOSIT USD	156,860.00	125,899.12	129,631.00
DG.USD	DEPOSIT USD	1,511,608.00	1,134,383.28	1,249,211.18
SUB-TOTAL			**177,579,437.30**	**181,892,161.82**
TOTAL			**177,740,709.87**	**182,057,385.65**

OTHER LIABILITIES - in euros

Valuation of off-balance sheet commitments on derivatives

CURRENCY FUTURES

Long position

Stock code	Name of stock	Curr.	Quantity	Price	OBS liabilities valued
EC0315	CHI FUTUR EUR/U 0315	USD	4,999.00	1.21	625,210,662.76
TOTAL					**625,210,662.76**

INDEX FUTURES

Long position

Stock code	Name of stock	Curr.	Quantity	Price	OBS liabilities valued
BXF0115	Mar FUTURE BEL2 0115	EUR	698.00	3,285.50	22,932,790.00
EMD0315	CHI FUTURE SPI4 0315	USD	3,366.00	1,448.60	402,957,530.67
ES0315	CHI FUTUR SPMIN 0315	USD	7.00	2,052.40	593,644.89
ES0315	CHI FUTUR SPMIN 0315	USD	2.00	2,052.40	169,612.83
ES0315	CHI FUTUR SPMIN 0315	USD	21.00	2,052.40	1,780,934.67
FCE0115	Mar CAC40 0115	EUR	4,167.00	4,277.00	178,222,590.00
FDAX0315	EUR FUTURE DAX 0315	EUR	625.00	9,843.50	153,804,687.50
FESX0315	EUR DJ EURO STO 0315	EUR	30,042.00	3,133.00	941,215,860.00
FESX0315	EUR DJ EURO STO 0315	EUR	166.00	3,133.00	5,200,780.00
FESX0315	EUR DJ EURO STO 0315	EUR	53.00	3,133.00	1,660,490.00
FESX0315	EUR DJ EURO STO 0315	EUR	48.00	3,133.00	1,503,840.00
FESX0315	EUR DJ EURO STO 0315	EUR	45.00	3,133.00	1,409,850.00
FSMI0315	EUR FUTURE SMI 0315	CHF	338.00	8,907.00	25,039,015.26
FSMI0315	EUR FUTURE SMI 0315	CHF	7.00	8,907.00	518,559.49
FTI0115	Mar FUTURE AEX 0115	EUR	268.00	425.00	22,780,000.00
RTA0315	NY RUSSELL 200 0315	USD	2,709.00	1,200.70	268,806,768.31
SP0315	CHI SP500 0315	USD	1.00	2,052.40	424,032.06
SP0315	CHI SP500 0315	USD	2.00	2,052.40	848,064.13
TP0315	OSA TOPIX 0315	JPY	3,742.00	1,407.50	363,034,402.25
TP0315	OSA TOPIX 0315	JPY	163.00	1,407.50	15,813,631.10
Z0315	LIF FTSE100 0315	GBP	724.00	6,522.50	60,850,331.81
Z0315	LIF FTSE100 0315	GBP	20.00	6,522.50	1,680,948.39
TOTAL					**2,471,248,363.35**

Short position

Stock code	Name of stock	Curr.	Quantity	Price	OBS liabilities valued
AP0315	SYD FUTURE SPI2 0315	AUD	118.00	5,383.00	10,739,424.48
ES0315	CHI FUTUR SPMIN 0315	USD	482.00	2,052.40	40,876,691.04
HSI0115	HKF HANG SENG I 0115	HKD	107.00	23,649.00	13,483,111.76
NQ0315	CHI NASDAQ 100 0315	USD	10.00	4,232.75	699,599.19
YM0315	CBO FUTURE DJ M 0315	USD	9.00	17,752.00	660,171.07
TOTAL					**66,458,997.53**

INTEREST RATE FUTURES

Long position

Stock code	Name of stock	Curr.	Quantity	Price	OBS liabilities valued
FGBM0315	EUR EURO BOBL F 0315	EUR	28.00	130.28	3,647,840.00
FGBS0315	EUR EURO SCHATZ 0315	EUR	796.00	111.09	88,427,640.00
FGBS0315	EUR EURO SCHATZ 0315	EUR	609.00	111.09	67,653,810.00
I0315	LIF 3MO EURO EU 0315	EUR	42.00	99.93	10,492,125.00
I0615	LIF 3MO EURO EU 0615	EUR	18.00	99.95	4,497,525.00
I1216	LIF 3MO EURO EU 1216	EUR	10.00	99.87	2,496,750.00
SXF600315	MON FUTURE TSE6 0315	CAD	1.00	851.60	121,522.60
SXF600315	MON FUTURE TSE6 0315	CAD	2.00	851.60	243,045.20
TU0315	CBO 2 Y US TRES 0315	USD	347.00	109.30	62,685,038.84
TY0315	CBO T NOTE US 1 0315	USD	85.00	126.80	8,906,850.44
US0315	CBO FUTURE BOND 0315	USD	74.00	144.56	8,840,647.08
TOTAL					**258,012,794.16**

Short position

Stock code	Name of stock	Curr.	Quantity	Price	OBS liabilities valued
FGBL0315	EUR EURO BUND F 0315	EUR	819.00	155.87	127,657,530.00
FGBL0315	EUR EURO BUND F 0315	EUR	82.00	155.87	12,781,340.00
FGBL0315	EUR EURO BUND F 0315	EUR	291.00	155.87	45,358,170.00
FGBL0315	EUR EURO BUND F 0315	EUR	35.00	155.87	5,455,450.00
FGBM0315	EUR EURO BOBL F 0315	EUR	1,210.00	130.28	157,638,800.00
FGBM0315	EUR EURO BOBL F 0315	EUR	408.00	130.28	53,154,240.00
FGBM0315	EUR EURO BOBL F 0315	EUR	106.00	130.28	13,809,680.00
FGBS0315	EUR EURO SCHATZ 0315	EUR	33.00	111.09	3,665,970.00
FGBS0315	EUR EURO SCHATZ 0315	EUR	364.00	111.09	40,436,760.00
FV0315	CBO UST NOTE 5 0315	USD	2,928.00	118.93	287,774,513.44
FV0315	CBO UST NOTE 5 0315	USD	218.00	118.93	21,425,834.68
FV0315	CBO UST NOTE 5 0315	USD	195.00	118.93	19,165,310.83
I0316	LIF 3MO EURO EU 0316	EUR	69.00	99.94	17,238,787.50
I0616	LIF 3MO EURO EU 0616	EUR	64.00	99.92	15,987,200.00
I0915	LIF 3MO EURO EU 0915	EUR	23.00	99.95	5,747,125.00
I0916	LIF 3MO EURO EU 0916	EUR	32.00	99.90	7,991,600.00
I1215	LIF 3MO EURO EU 1215	EUR	53.00	99.95	13,242,712.50
SXF600315	MON FUTURE TSE6 0315	CAD	22.00	851.60	2,673,497.20
TU0315	CBO 2 Y US TRES 0315	USD	2,194.00	109.30	396,342,868.05
TY0315	CBO T NOTE US 1 0315	USD	2,858.00	126.80	299,479,747.73
TY0315	CBO T NOTE US 1 0315	USD	635.00	126.80	66,539,412.11
UBE0315	CBO ULTRA BOND 0315	USD	1,069.00	165.19	145,932,347.83
UBE0315	CBO ULTRA BOND 0315	USD	271.00	165.19	36,995,010.54
US0315	CBO FUTURE BOND 0315	USD	3,444.00	144.56	411,448,493.85
TOTAL					**2,207,942,401.25**

ADDITIONAL INFORMATION

Performance fee. Variable fees

On the closing date, the performance fees payable at the end of investment mandates amounted to EUR 10,035,648.36.

STATUTORY AUDITOR'S REPORT AT 31 DECEMBER 2014

Dear Sir/Madam,

Following our appointment by the Supervisory Board, we hereby present our report for the financial year ended 31 December 2014, relative to:
• the audit of the annual financial statements of the French pension reserve fund, which are attached to this report;
• the justification of our evaluations;
• the specific verifications and information required by law.
The annual financial statements were prepared by the Management Board. Our role is to express an opinion on these annual financial statements based on our audit.

I. Opinion on the annual financial statements

We have conducted an audit in accordance with the professional standards applicable in France; these standards require that we use procedures to obtain reasonable assurance that the annual financial statements are free of material misstatement. An audit consists in examining, on a test basis or using other selection methods, the evidence supporting the amounts and disclosures contained in the annual financial statements. It also consists in assessing the accounting principles used and the significant estimates made, as well as in evaluating the overall presentation of the financial statements. We believe that the evidence gathered is pertinent and sufficient to serve as a basis for our opinion.
In our opinion, the annual financial statements, in accordance with French accounting rules and principles, give a true and fair view of the financial position and assets and liabilities of the Fund and of the results of its operations at the end of the financial year.

II. Justification of evaluations

In application of the provisions of article L.823-9 of the French Commercial Code in relation to the justification of our evaluations, we wish to highlight the following points:
Our evaluations concerned, inter alia, compliance with the accounting principles and methods applicable to the Fund, as stipulated in the French National Accounting Council (CNC) notice No. 2003-07 of 24 June 2003, as amended by CNC notice No. 2008-10 of 5 June 2008.
As part of our evaluation of the accounting rules and methods used for evaluating the financial instruments in the portfolio, we have verified the appropriateness of these rules and methods and of the information provided in the notes to the financial statements. We also verified the correct application of these rules and methods.
The evaluations were made in the context of our audit of the annual financial statements, taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

III. Specific verifications and information

We have also carried out the specific verifications required by law in accordance with the professional auditing standards applicable in France.
We have no comment as to the fair presentation and conformity with the annual financial statements of the information given in the management report with respect to the financial position and annual financial statements.

Neuilly-sur-Seine and Courbevoie, 11 March 2015
Statutory Auditors

CONSTANTIN ASSOCIÉS

Stéphane Collas
Partner

Pascal Pincemin
Partner

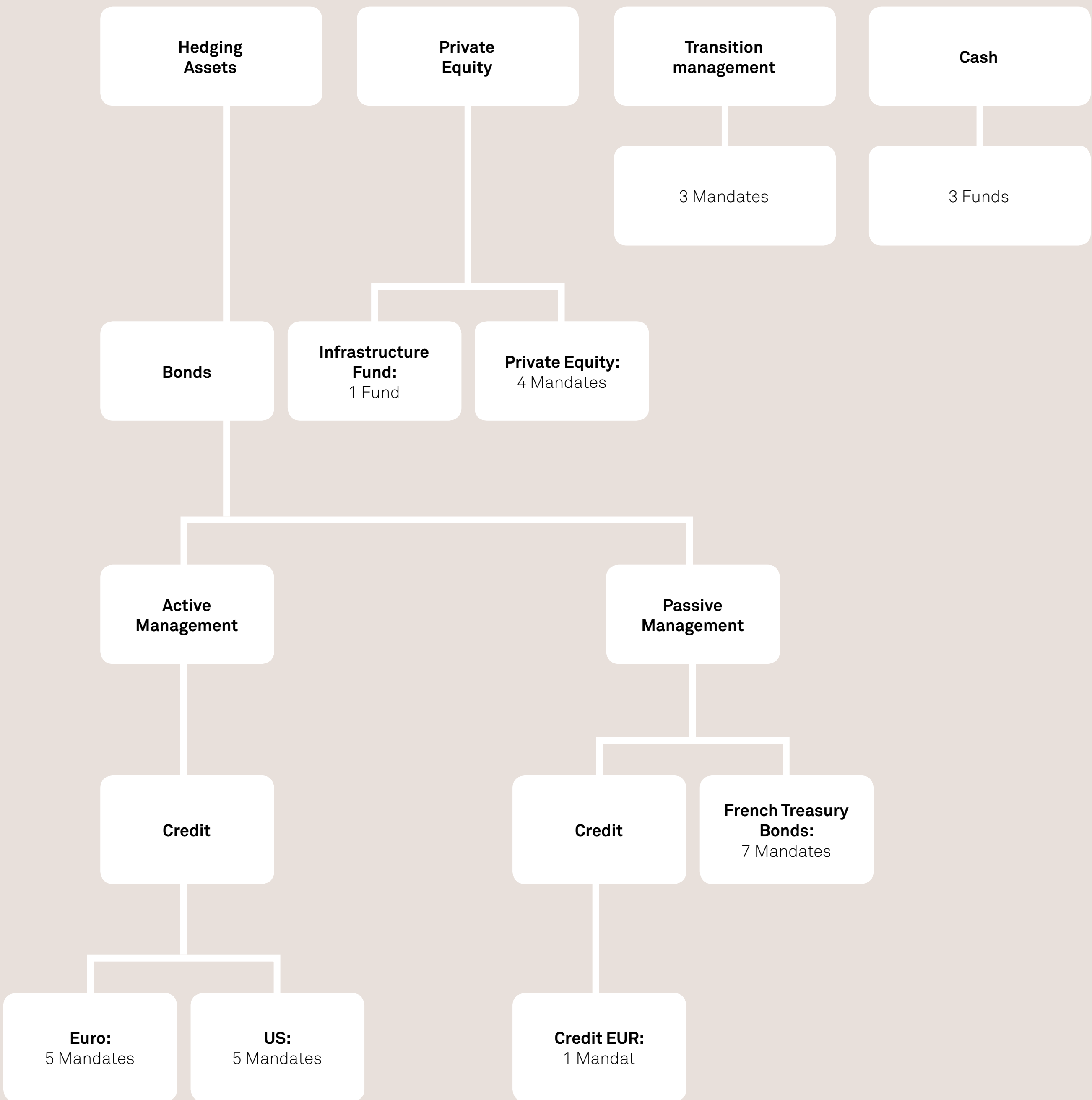
MAZARS

Gilles Dunand-Roux
Partner

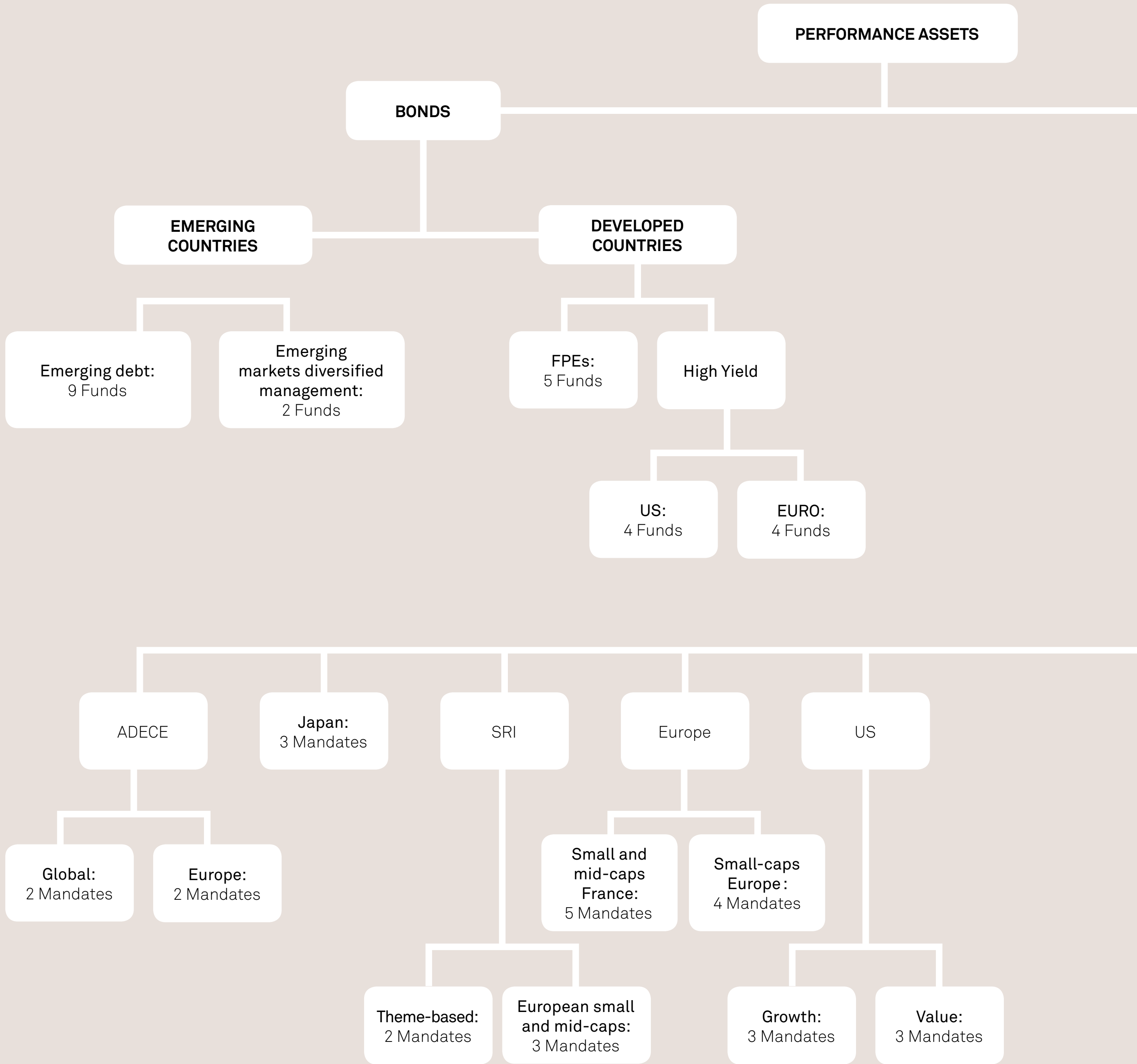
Pierre Masiéri
Partner

MAPPING OF THE FRR'S PORTFOLIO AT 31 DECEMBER 2014

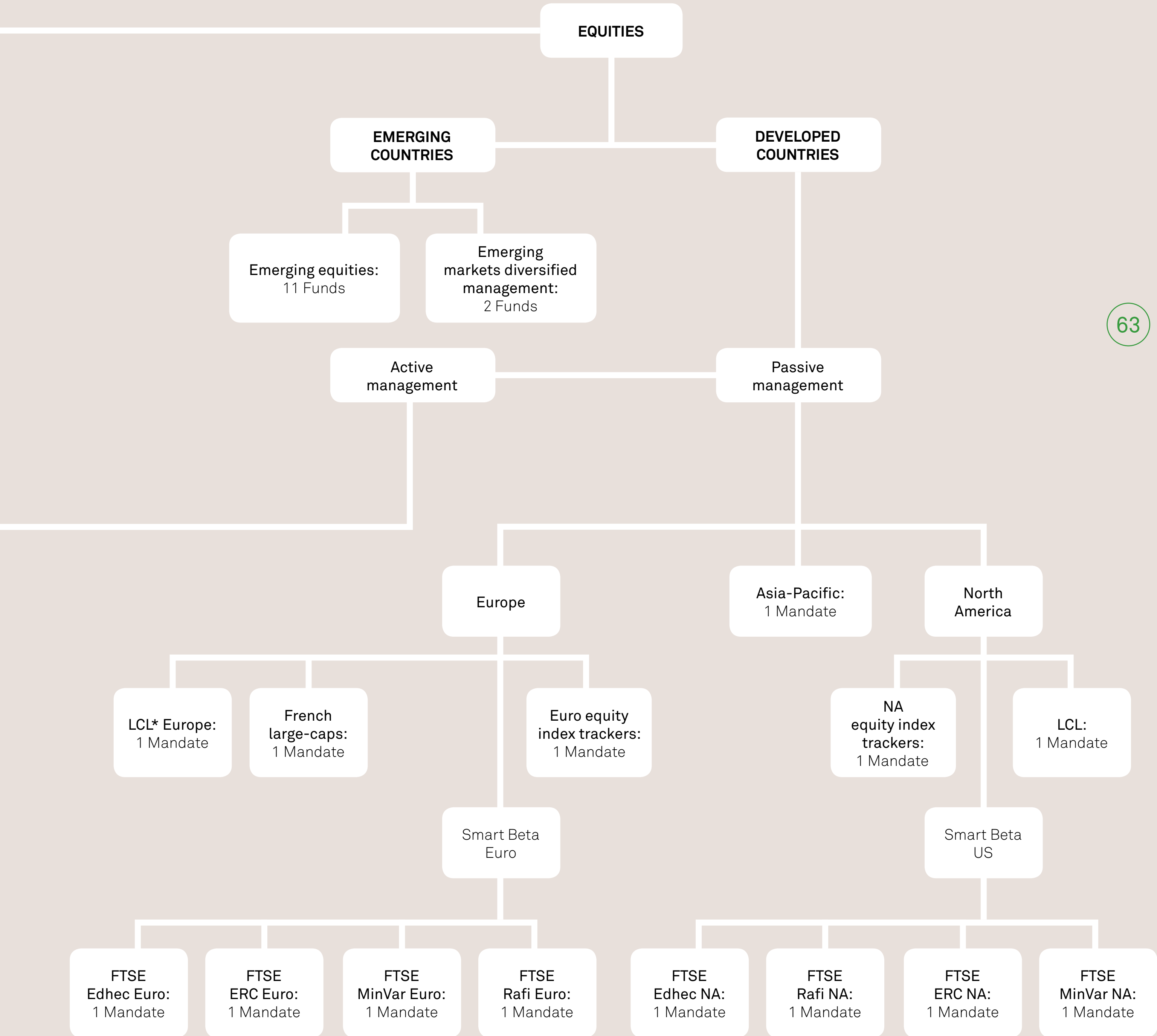
ASSETS EXCLUDING PERFORMANCE ASSETS



PERFORMANCE ASSETS



** LCL: Low Carbon Leaders.*


EQUITIES
EMERGING COUNTRIES
DEVELOPED COUNTRIES
Emerging equities: 11 Funds
Emerging markets diversified management: 2 Funds
Active management
Passive management
Europe
Asia-Pacific: 1 Mandate
North America
LCL* Europe: 1 Mandate
French large-caps: 1 Mandate
Euro equity index trackers: 1 Mandate
NA equity index trackers: 1 Mandate
LCL: 1 Mandate
Smart Beta Euro
Smart Beta US
FTSE Edhec Euro: 1 Mandate
FTSE ERC Euro: 1 Mandate
FTSE MinVar Euro: 1 Mandate
FTSE Rafi Euro: 1 Mandate
FTSE Edhec NA: 1 Mandate
FTSE Rafi NA: 1 Mandate
FTSE ERC NA: 1 Mandate
FTSE MinVar NA: 1 Mandate

INVESTMENT MANAGEMENT COMPANIES SELECTED BY THE FRR AT 31 DECEMBER 2014 (1)

2005FRR05
PRIVATE EQUITY PROGRAMME

- Access Capital Partners (European small and mid-caps fund)
- Ardian Investment (AXA Private Equity Europe) (Secondary LBO fund)
- Neuberger Berman Europe Limited (North American diversified fund)
- Pantheon Ventures (UK) LLP (European diversified fund)

2009FRR02
ACTIVE MANAGEMENT MANDATES - LOT 2 - EURO-DENOMINATED BONDS AND OTHER DEBT SECURITIES - INVESTMENT GRADE CREDIT CATEGORY

- AXA Investment Managers (France)
- HSBC Global Asset Management
- La Banque Postale Asset Management
- Quoniam Asset Management GmbH
- Standard Life Investments

2009FRR02
ACTIVE MANAGEMENT MANDATES - LOT 3 - US DOLLAR-DENOMINATED BONDS AND OTHER DEBT SECURITIES - INVESTMENT GRADE CREDIT CATEGORY

- AXA Investment Managers (France) (AXA Investment Managers, Inc., US)
- Blackrock international (UK) Limited (BlackRock Financial Management, LLC)
- Conning Asset Management Limited (Conning & Company)
- Deutsche Asset Management International GmbH (DIMA)
- Schroders Investment Management (UK) Limited (Schroder Investment Management North America)

2010FRR04
OVERLAY MANAGER

- State Street Global Advisors (France)

2010FRR05
PASSIVE MANAGEMENT MANDATES - LOT 1 - MATCHED BOOK MANAGEMENT

- Allianz Global Investors (France)
- Amundi
- AXA Investment Managers
- BNP Paribas Asset Management
- Natixis Asset Management

2010FRR05
PASSIVE MANAGEMENT MANDATES - LOT 2 - DEVELOPED COUNTRY BONDS - INVESTMENT CATEGORY

- BlackRock Investment Management (UK) Limited
- CCR Asset Management (UBS AG Zurich)
- State Street Global Advisors (France) (State Street Global Advisors Limited, UK)

2011FRR01
PASSIVE MANAGEMENT MANDATES - LOT 1 - DEVELOPED COUNTRY EQUITIES - STANDARD INDICES

- AllianceBernstein (UK) Limited (AllianceBernstein L.P., US)
- Vanguard Asset Management (UK) Limited (The Vanguard Group, Inc. US)

2011FRR01
PASSIVE MANAGEMENT MANDATES - LOT 2 - DEVELOPED COUNTRY EQUITIES - OPTIMISED INDICES

- Amundi
- BNP Paribas Asset Management

2011FRR02
PASSIVE MANAGEMENT MANDATES - COMMODITY INDICES

- BNP Paribas Asset Management

(1) In accordance with the consultation regulations, note that the awarding of the contract, which alone is binding upon the FRR, shall take place after the contract has been concluded with each management company whose proposal has been accepted. The name of the entity that will manage the mandate on behalf of the contracting entity is indicated in brackets.

2011FRR06
ACTIVE MANAGEMENT MANDATES - LOT 1 - DEVELOPED COUNTRY EQUITIES EXPOSED TO EMERGING ECONOMY GROWTH - EUROPE

- BlackRock Investment Management (UK) Limited
- Edmond de Rothschild Asset Management

2011FRR06
ACTIVE MANAGEMENT MANDATES - LOT 2 - DEVELOPED COUNTRY EQUITIES EXPOSED TO EMERGING ECONOMY GROWTH - GLOBAL

- JP Morgan Asset Management (UK) Limited
- Schroder Investment Management (UK) Limited

2011FRR07
ACTIVE MANAGEMENT MANDATES - LOT 1 - SRI EQUITIES-THEME - BASED COLLECTIVE FUND MANDATES

- BNP Paribas Asset Management
- Kleinwort Benson Investors

2011FRR07
ACTIVE MANAGEMENT MANDATES - LOT 2 - SRI EQUITIES-EUROPE EQUITIES: NEW SUSTAINABLE GROWTH

- AXA Investment Managers
- Kempen Capital Management Limited
- La Financière de l'Échiquier

2012FRR03
TRANSITION OPERATIONS MANAGEMENT

- BlackRock Advisors (UK) Limited
- Goldman Sachs International
- Russell Implementation Services Limited

2013FRR01
ACTIVE MANAGEMENT MANDATES - LOT 1 - EUROPEAN SMALL-CAPS

- Fidelity Gestion SAS (Fil Gestion)
- Montanaro Asset Management
- Threadneedle Asset Management Limited

2013FRR01
ACTIVE MANAGEMENT MANDATES - LOT 2 - FRENCH SMALL AND MID-CAPS

- CM-CIC Asset Management
- CPR Asset Management
- Generali Investments Europe
- Oddo Asset Management
- Sycomore Asset Management

2013FRR02
ACTIVE MANAGEMENT MANDATES - LOT 1 - US LARGE AND MID-CAPS - VALUE

- Old Mutual Asset Management International Limited
- Robeco Institutional Asset Management B.V.
- Wells Fargo Securities International Limited

2013FRR02
ACTIVE MANAGEMENT MANDATES - LOT 2 - US LARGE AND MID-CAPS - GROWTH

- JP Morgan Asset Management (UK) Limited
- T.Rowe Price International Limited
- Wells Fargo Securities International Limited

2013FRR05
ACTIVE MANAGEMENT MANDATES - JAPANESE EQUITIES

- Capital International Limited
- JP Morgan Asset Management (UK) Limited
- Schroder Asset Management Limited

REQUESTS FOR PROPOSALS IN PROGRESS AT 30 APRIL 2015

2014FRR02
INDEX REPLICATION MANDATE

2014FRR03
OVERLAY MANAGEMENT MANDATE

2014FRR04
STATUTORY AUDITORS

2015FRR01
ACTIVE MANAGEMENT MANDATES - CORPORATE BONDS - LOT 1 - EURO-DENOMINATED CORPORATE BONDS

2015FRR01
ACTIVE MANAGEMENT MANDATES - CORPORATE BONDS - LOT 2 - US DOLLAR-DENOMINATED CORPORATE BONDS

Design and production: **avant**garde
This document is printed on paper made from wood fiber from certified and sustainably managed forests, according to environmental, economic and social standards.

FONDS DE RESERVE
POUR LES RETRAITES

56, rue de Lille – 75007 Paris
tel.: +33 (0)1 58 50 99 12
www.fondsdereserve.fr
Twitter: @FondsdeReserve