2012

two thousand twelve

2012 ANNUAL REPORT

FONDS DE RESERVE POUR LES RETRAITES

CONTENTS

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

Alain Vasselle
Chairman of the Supervisory Board

Jean-Pierre Jouyet
Chairman of the Management Board

During 2012, despite the payment of EUR 2.1 billion to the CADES (*Caisse d'Amortissement de la Dette Sociale*), the FRR's net assets increased by EUR 1.5 billion to EUR 36.6 billion at 31 December. This highly satisfactory result was mainly due to the quality of its strategic asset allocation and the favorable impact of interest rates fall on bond valuations.

The hedging component, which comprises high quality securities (highly-rated government and large corporate bonds), is intended to cover liabilities payments. It exceeded all expectations as a result of the very sharp fall in government bond rates and a concomitant fall in yield premiums on non-sovereign issuers.
The performance component, which aims to deliver an additional return within a framework of managed risk, is made up of highly diversified assets: equities of developed and emerging countries, with a broad variety of manufacturing sectors and geographical regions, emerging country sovereign bonds, high-yield bonds, shares in listed real estate companies and non-agricultural commodities. It delivered growth that made up for the fall observed in 2011, at the end of a very difficult year in the equity markets. The FRR is thus on course for its projected average annual return of 6% for this category of assets, which accounted for 41.4% of its portfolio at end 2012 (more than EUR 15 billion).

Looking back over two years of investments, the strategic allocation introduced at the end of 2010 helped the FRR stand firm during the first year of the financial crisis and to deliver significant additional value during the second, more favourable year, especially from the summer of 2012 onwards. The undertaking by the President of the European Central Bank to «do whatever it takes» to defend the euro marked a turning point as regards investors' views of the risks inherent in the eurozone and in the shares of eurozone companies in general.

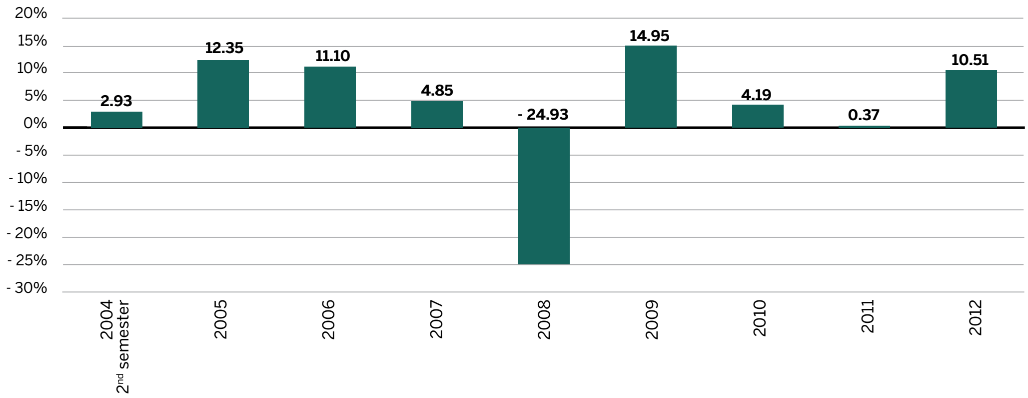
The FRR has put into place a highly secure financial management approach without abandoning its goal of delivering a return that is of value to the management of the nation's finances.

Thus, at the end of 2012, the FRR's year-on-year performance since 2004 was 3.5%, as opposed to 2.6% one year previously.

Ultimately, the FRR has put into place a highly secure financial management approach without abandoning its goal of delivering a return that is of value to the management of the nation's finances.
Moreover, even if its medium-term investment horizon is now shorter than in the past (2024 instead of 2040), the FRR takes long-term financing requirements fully into account in its investment decisions and contributes to the growth of the real economy. By doing so its investment policy benefits society as a whole.
To deliver on this commitment, which is its *raison d'être*, the FRR has launched five "new sustainable growth" investment mandates, dedicated to small and medium businesses that implement an environmental, social and governance (ESG) approach or are planning to do so.
This innovative, concrete approach will come fully on stream in 2013, intended to finance small and medium companies in order to create conditions favourable to sustainable economic growth.

KEY FIGURES

> Annual performance of the FRR

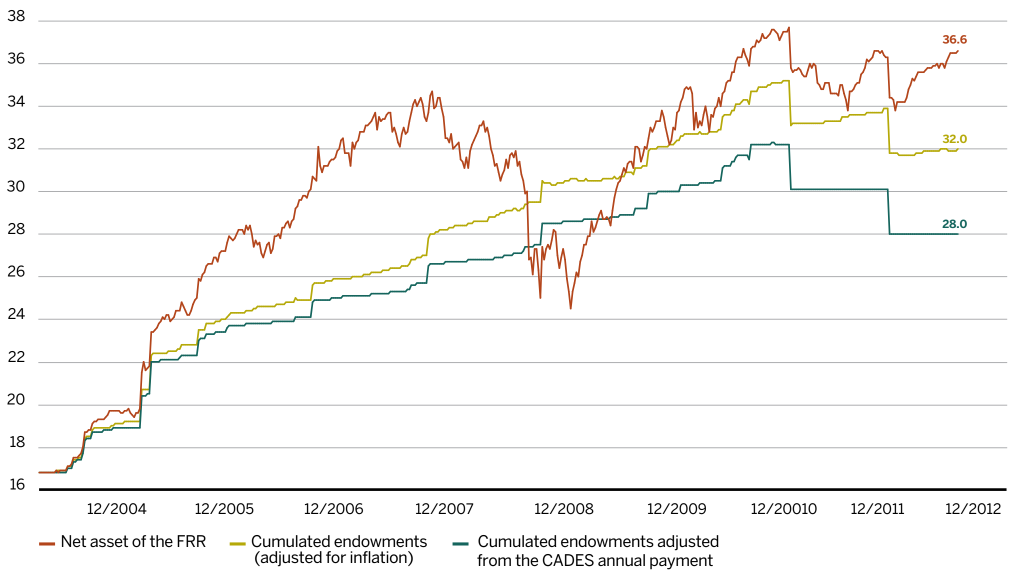


+10.51%
2012 Performance

EUR 36.6 billion
FRR's assets
as at 31 December 2012

+3.54%
Annualised performance
of the assets since inception

> Change in value of the FRR's net assets (in €bn) as of 31 December 2012



EUROPE, A KEY CONTRIBUTION FROM THE ECB

AFTER A RATHER BUMPY RIDE, 2012 MARKED A REDUCTION OF EXTREME RISK IN THE EUROZONE

Global financial markets had picked up slightly towards the end of 2011, but the outlook for 2012 was ominous. Concerns focused on the EUR 1.2 trillion «wall of debt» looming over 2012, an apt description of the enormity of the eurozone government and bank medium- to long-term funding requirements (EUR 800 billion and EUR 380 billion respectively).

Initially, the decisions taken at the European Summit of 5 December 2011, with the announcement of a new budgetary stability pact that was far more restricting than the existing stability and growth pact, were well received. But the truly determining factor was the ECB's announcement, that it was offering the eurozone banks three-year loans at a fixed rate of 1%, with no limits on amounts other than those resulting from collateral requirements, which had themselves been relaxed considerably (3-year LTRO[1]).

The first 3-year LTRO of 21 December 2011 pumped EUR 489 billion into the eurozone's banks, while the second, on 28 February 2012, offered them a further EUR 529 billion of funding over three years. This new innovation in the ECB's modus operandi relaxed the restriction on the commercial banks' refinancing, and dissipated the risks of systemic default and a major credit crunch that had been haunting the markets since the summer of 2011. The ECB's intervention proved to be decisive on two fronts:

- by lifting the immediate threat of a serious medium-term shortage of funds in the banking system, it upset the balance of power between banks and lenders in the banking debt market, enabling banks to raise medium-term funding in the market on terms that would have been unthinkable before the LTRO loans.
- banks in the peripheral countries, now able to draw on almost unlimited sources of borrowing for three years at 1%, incomparably lower than what they had been having to pay in the market hitherto, were able to buy up their respective countries' government debt, thereby banking carry gains of several percentage points while provoking a sharp fall in yields. As a result, a virtuous circle began, concomitantly strengthening government debt and banks' credit ratings, thereby reversing the detrimental downward spiral of credit downgrades of vulnerable governments and worsening fears for the solidity of the banking sectors.

The sovereign debt reared their heads again in the spring, in the wake of the announcement by Spain's new prime minister, at the close of the European Council meeting of 1 and 2 March 2012, that Spain would fail to meet its 2011 budget consolidation targets and was setting a considerably less ambitious target for 2012. Most of all, polls then pointed to the real possibility that Greece's elections in May 2012 would hand power over to a majority hostile to the continuation of the budget consolidation and structural reforms programme negotiated with the European Commission, ECB and IMF "Troika", leading to fears of Greece making a disorderly exit from the eurozone, threatening it with breakup.

After the second legislative election in June and the forming in Athens of a government favourable to continuing cooperation with the "Troika", the markets were still not appeased, as doubts remained as to whether the Greek authorities would abide by the terms set for Greece's second financial assistance plan.

In this context, contagion to the other peripheral government debt markets pushed Spain and Italy's governments' borrowing costs to high levels that were in the medium and long term. All the benefits brought about by the LTROs in terms of bringing down Italian and Spanish sovereign yields thus evaporated at the beginning of July, in spite of the respite given by the conclusions of the European Summit on 28 June, which announced the setting up of a European Banking Union and paved the way for a recapitalisation of Spain's banks by direct recourse to the EFSF and the ESM[2].

1. Long-Term Refinancing Operation.

2. EFSF: European Financial Stability Fund, ESM: European Stability Mechanism

While fears for the viability of the European Banking Systems and the solvency of Europe's southern states were gripping the markets once again, Mario Draghi's statement on 26 July in London to the effect that the ECB was ready to "do whatever it takes" to ensure the survival of the eurozone[3], marked a decisive turning point in the calming of tensions. When details of the Outright Monetary Transaction ("OMT[4]") programme for the conditional buying of public debt emerged at the end of the ECB Governing Council meeting on 6 September 2012, a marked easing of sovereign yields began in all the peripheral countries. The markets' volatility subsided dramatically and the eurozone's markets began to rise sharply, as did those in the rest of the world. The mood had changed dramatically, and the markets saw a sharp reduction in the extreme risks that had specifically maintained the strong aversion to risk and volatility since the summer of 2011.

The decision handed down on 12 September 2012 by Germany's Constitutional Court on the use of the ESM (European Stability Mechanism) also lifted a key obstacle by declaring the ESM fully compatible with Germany's constitution and the prerogatives of the German parliament.

In spite of positive factors, the intensity of the eurozone crisis remained acute in the peripheral countries. Spain and Italy are in deep recession, weighed down both by very high interest rates, which deter companies from borrowing to finance profitable projects, and austerity measures intended to restore balance to public finances. In Spain the situation is further aggravated by the need to reduce private debt and the collapse of the real estate sector. Recession has even spread to the northern countries, including Germany (which recorded negative growth of -0.6% in the fourth quarter) and the Netherlands (also struggling under the burden of unsustainable levels of household debt). France has been weighed down by zero growth since Q2 2011.

THE SITUATION IN THE UNITED STATES AND CHINA

In addition to the worsening eurozone crisis in the spring of 2012, the markets fretted over the US and the slowdown in the emerging markets.

In particular, the US economy was once again hit by the slowdown in global demand from the spring of 2012 onwards, but increasing demand from companies (replenishing stocks and investment), an improving labour market and the recovery in consumer spending helped growth take off from the third quarter onward (up 3.1% year-on-year) before consolidating in the fourth quarter. The rebound by leading indicators and the strength of the recovery in the residential real estate sector then suggested that growth could continue into 2013 at around 2%.

The problem of the much-feared "fiscal cliff" was dealt with in stages, but there was no guarantee that after the last-ditch agreement on 2 January 2013 the economy would not grind to a halt again. At best, the threat of a brutal fiscal and budgetary crunch of 4% of GDP was averted.

Japan initially stood out by posting high growth linked to the catch-up effect (favourable base effect from 2011 after the tsunami and the impact of reconstruction). But beyond this effect, the exporting industry, linked to the global cycle, showed signs of a tangible slowdown from the spring onwards. However, the change of government recorded at the end of the year, combined with the central bank's steadfast determination to lift the economy out of the inflation trap, resulted in a significant devaluation of the yen that was very favourable to exporting industries.

Lastly, the Chinese economy showed signs of stabilising at a sustainable level of growth. In spite of the risks that still loom over China's economy, especially in the residential real estate sector, the change of leadership, central bank support for business and relatively benign inflation suggest that this stability is set to last, at least until the beginning of 2013.

3. Mario Draghi: "Within our mandate, the ECB is ready to do whatever it takes to preserve the euro. Believe me, it will be enough."

4. OMT : Outright Monetary Transactions.

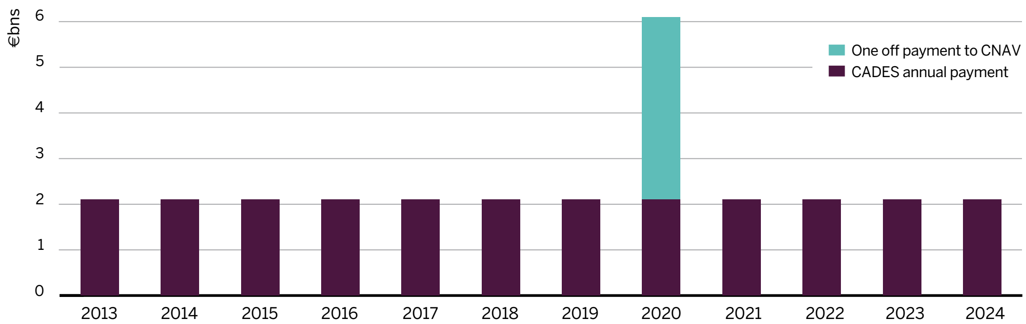
A SOUND ASSET BASE AND A HIGH FUNDING RATIO

A SECURE ASSET AND LIABILITY MANAGEMENT WHICH AIMS TO OPTIMISE THE PERFORMANCE OF THE ASSETS

Following the pension reforms of 2010 and the changing of the definition of the FRR's liabilities in 2010, the Fund has reviewed its strategic allocation and opted for a new investment model known as "liability-driven investment", which aims to fulfil the FRR's two investment objectives.

The FRR's primary objective is to make annual payments until 2024; a secondary objective is to maximise the value of the surplus over time.

> Liabilities of the FRR (€bn)



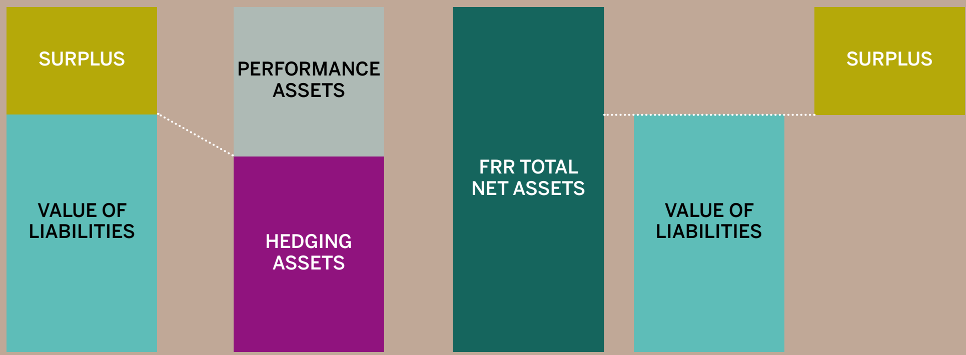
The FRR's liabilities consist of annual payments to the CADES of EUR 2.1 billion until 2024, and a single payment to the CNAV[1] in connection with the CNIEG[2] balance in 2020 indexed to the FRR's performance.

The FRR's primary objective is to meet its liabilities, i.e. make annual payments, until 2024. With liabilities-driven management, the FRR's ability to meet this objective can be assessed at any time using the funding ratio. This ratio is defined as the ratio between the FRR's net assets and present value of liabilities, and must be higher than 1. In line with its primary objective, the FRR's secondary objective is to make the best possible use of the sums entrusted to it, by maximising the value of the surplus over time. This surplus consists of the difference between the FRR's net assets and the present value of liabilities. At 25 April 2024, when the FRR has no further liabilities outstanding, the surplus will be equal to the net assets.

1. CNAV: National pension fund (Caisse nationale d'assurance vieillesse).

2. CNIEG: National electronic and gas industries fund (Caisse nationale des industries électroniques et gazières).

Liability-Driven Investment



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 component can be slightly lower than that of the liabilities without putting the payment of liabilities at risk. This makes it possible to allocate the performance component an amount slightly higher than that of the surplus. The part of the liabilities not hedged by the hedging component must remain limited (no more than 20%) and is offset overall by the performance component. A set of stress tests ensure that this structure is in a position to honour its outstanding liabilities until 2024, even in a highly unfavourable scenario.

Structure of the FRR's portfolio

The method used to redefine the strategic allocation involved putting in place two separate components that meet different objectives.

- The hedging component guarantees that the FRR is able to pay its annual commitments that are recorded as liabilities. To do so, even in a very low interest rate environment, it must account for a substantial proportion of the assets. The FRR sets itself a hedging rate of at least 80%. The hedging component comprises very high quality fixed income instruments: a large proportion of bonds equivalent to the French Republic's "OAT" Treasury Bonds that deliver an income stream (from maturing issuances and coupons), corresponding to the amount of the FRR's liabilities, and also foreign sovereign bonds and top quality corporate bonds (rated at least BBB-).
- The performance component delivers an additional return on its dynamic and diversified assets. It must also be able to top up the amounts generated by the hedging component to cover the annual liabilities, even in the event of a very unfavourable asset scenario This is why the FRR ensures that, even during periods of high tension (affecting the assets of the performance component, the credit risk of the hedging component or the interest risk incurred by under-hedging the liabilities), the funding ratio is always greater than 1. The performance component is currently composed of equities of developed and emerging countries, high-yield corporate bonds, emerging country bonds and commodities (excluding agriculture and livestock). The performance component is one-third exposed to the growth of emerging countries (sovereign bonds and equities, especially developed country equities exposed to emerging countries). Of developed countries, almost half of the performance component is exposed to the eurozone.

Increasing the weighting of the performance component

Since 2012, noting that after stress testing it still had room to manoeuvre, and given the very low valuations of risky assets (especially equities), the Supervisory Board reviewed its strategic allocation and increased **the weight of the performance component from 38% to 42%** of the FRR's total assets. The adjustments made under the new strategic allocation involved the asset classes the furthest away from the weighting of the new median, in particular eurozone and Japanese equities, each at 0.9%. As the selection and validation of the first investment vehicles on (euro and US) high-yield debt was completed by the beginning of 2012, it was also possible to invest up to 0.8% of the net assets in such securities, and to increase the weighting of emerging debt marginally through a purchase of 0.2%.

Increasing the weighting of OATs in the hedging component

The objective of the FRR's **hedging component** is to hedge interest rate risk at a level of 85% of the liabilities' interest rate risk. To achieve this, it holds assets of various types:

- buy and hold[3] matched assets invested in OATs whose interest streams and repayments correspond to the CADES payment dates.
- investment grade corporate bonds in euro or dollar, hedged for foreign exchange risk
- investment grade sovereign bonds, in proportion to the weighting of their GDP in the total GDP of the index[4].

As regards the composition of the hedging component, the highlight is the increase of the weighting of the matched OAT to 60% from 50% in 2011, to the detriment of foreign government debt. The diversifying qualities and risk premium of these latter securities have deteriorated in comparison to OAT, significantly reducing their attraction.

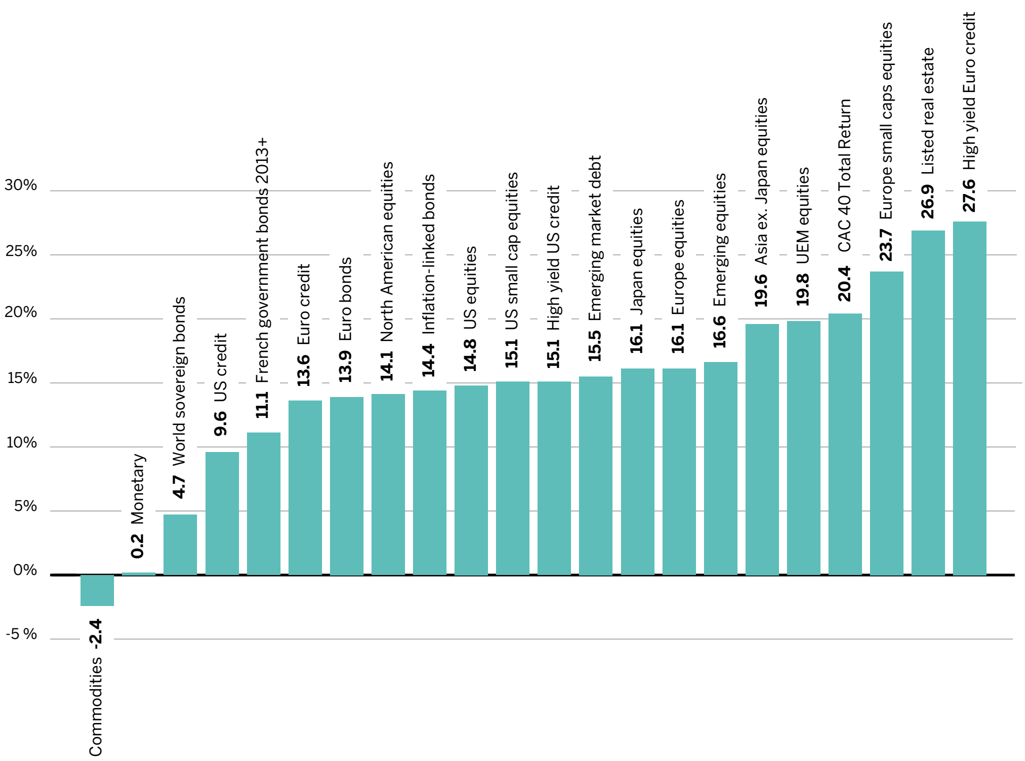
AT END 2012, NET ASSETS HAD GROWN BY 10.51%

At end 2012, the net assets had grown by 10.51% net of all charges. The hedging component grew by 10.1% and the performance assets by 12.7% (estimates before charges). Equities alone made a 3.35% contribution to overall performance, and the diversifying assets contributed 1.42%. The hedging component made a 5.9% contribution to the net assets' overall performance, of which 3.31% was contributed by the matched-OAT component alone.

3. Holding until maturity.

4. With a maximum of 25% per country.

> Gross performance of the FRR's indices from 31 December 2011 to 31 December 2012



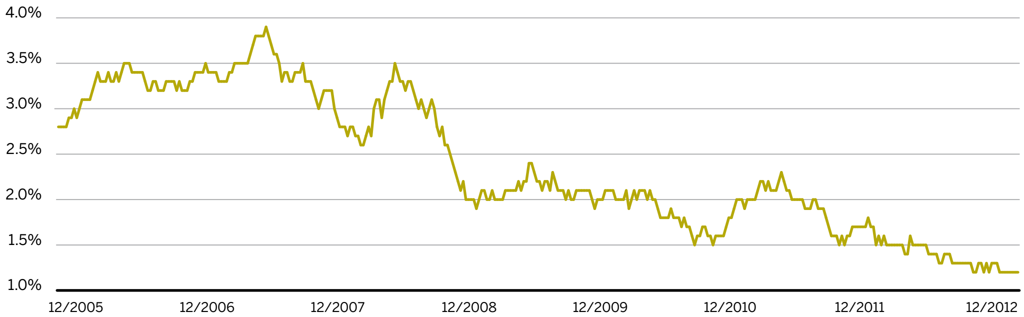
Note: the above performance was calculated with the currency risk of assets in the performance portfolio hedged at 90%, with the exception of emerging country assets, which were not hedged, and with assets in the hedging portfolio hedged at 100%.

2012 in %	**Contribution of the asset class to the FRR's net performance**	**Contribution by asset class hedged for foreign exchange risk**
PERFORMANCE ASSETS	**4.79**	**4.77**
Equities	**3.38**	**3.35**
Eurozone equities	1.19	1.19
European non-euro equities	0.60	0.52
North American equities	1.00	0.98
Asia/Pacific Basin equities	0.16	0.23
Emerging country equities	0.44	0.44
Of which other performance assets	**1.41**	**1.42**
Commodities	- 0.15	- 0.15
Real estate	0.18	0.18
High-yield bonds	0.27	0.27
US corporate bonds	0.20	0.20
Emerging country bonds	0.88	0.88
Cash	0.03	0.04
HEDGING ASSETS	**5.86**	**5.95**
Of which Hedging excluding cash	**5.82**	**5.90**
Global government bonds	0.40	0.48
Euro corporate bonds	1.11	1.11
US corporate bonds	0.72	0.72
Liability matching (OAT)	3.31	3.31
Inflation France (ILB)	0.29	0.29
Of which cash	**0.04**	**0.06**
CURRENCY HEDGING	**0.07**	**–**
ADMINISTRATIVE AND FINANCIAL CHARGES	**- 0.22**	**- 0.22**
TOTAL	**10.51**	**10.51**

The hedging assets portfolio's performance of 10.1% was the result of the continuing fall of French and international sovereign rates throughout the year, and the reduction in risk premiums on corporate bonds, as shown in the two graphs below:

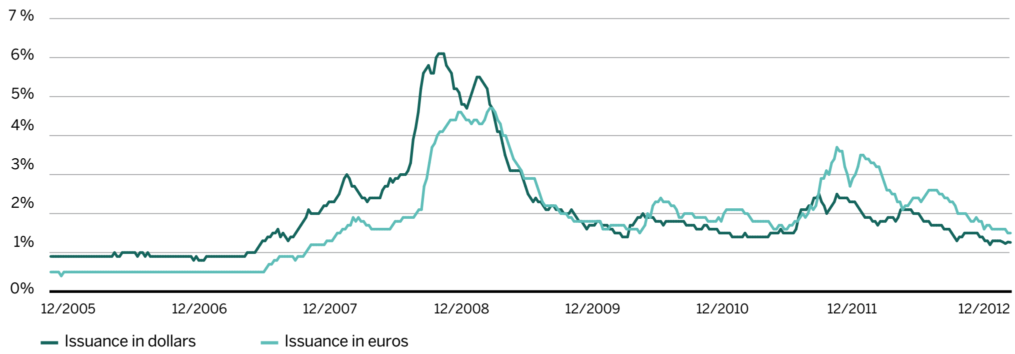
At end 2012, the net assets had grown by 10.51% net of all charges.

> Average rates of Government bonds



Barclays Global Majors Index
Sources : Barclays Global Ltd

Risk premium for investment grade corporate bonds



Barclays Euro and US Aggregate corporate indices

With the exception of commodities, all the assets in the performance component contributed to the strong performance in 2012.

Equities performed very strongly over the year. Listed real estate raced ahead, rising 26.9% on the back of the improving US market and lower interest rates. The eurozone confirmed its status as a high beta market in comparison to the rest of the world by falling more sharply in the spring and subsequently recovering a little more than other equity markets due to catch-up momentum (up 20.5%, as compared to 16.5% for the rest of the world).

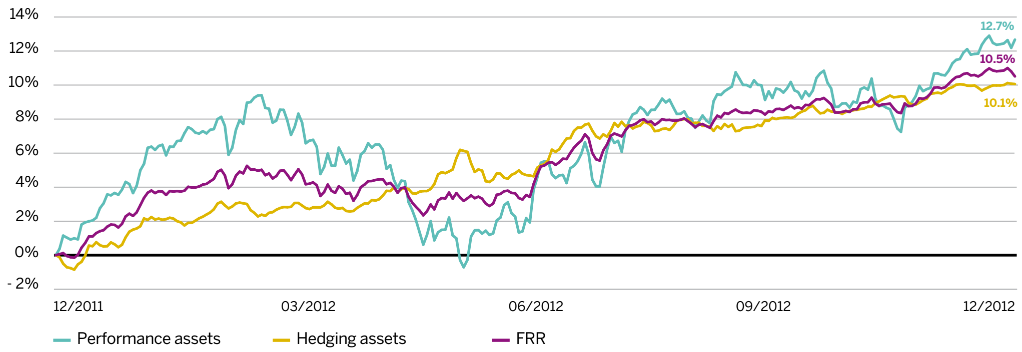
Of the other assets, only commodities (excluding agri-commodities), which account for almost 7% of the performance component, were of note, slipping by 2.4%, thereby confirming their role as a decorrelating asset, albeit in the wrong direction.
Conversely, high yield debt in the eurozone gained from improving fundamentals and extremely low default interest rates, and from its relative rarety in the face of new interest from investors. It posted exceptional growth of 27.6%. The rest of the performance portfolio thus turned in performances ranging between 9% and 16%.

Once again the complementary nature of the two components played a role.

However, it was a very turbulent year. After a strong start by risky assets, by the end of spring the performance component's gains had been completely wiped out. The trend reversed in the second half of the year and risky assets resumed their ascent, enabling the performance portfolio to end the year with an impressive performance.
Throughout the year the FRR's total assets gained from the solid performance of its hedging component as a result of falling interest rates. It therefore escaped the worst of the springtime crisis in risky assets, keeping performance in positive territory.

The total assets gained from the solid performance of its hedging component as a result of falling interest rates and kept performance in positive territory.

> Annual performance of the two asset classes as of 31 December 2012

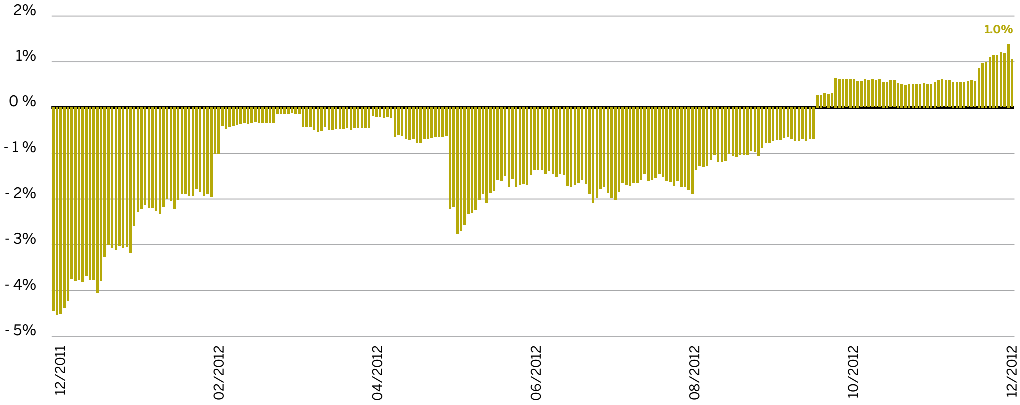


Flexible management of the performance component helped to limit risk during periods of stress.

The performance component is managed dynamically with the aim of managing financial cycles, such that this component's capital is better protected from short-term risks, especially in situations of extreme risk, and its projected long-term annual return is higher than that of the hedging component.
After its introduction in 2011, when the FRR successfully navigated its way through the summer and the autumn by cutting its exposure to risk, the implementation of flexible management continued in 2012. After starting 2012 with around 19.7% of the performance portfolio in cash, the FRR adapted to the trend of abating risk aversion. As risk indicators gradually improved, the Fund also embarked on a European, US, Asian and emerging equities buying programme, taking the weighting of equities in the portfolio from 18% to 26.5%, a level corresponding to its strategic target. At the same time, at the beginning of March it also implemented the Supervisory Board's decision to increase the share of performance assets in the overall portfolio by a little over 3 percentage points.
From early April onwards through May, the portfolio's risk was cut sharply, in particular to address all the possible outcomes of the gridlock following Greece's elections on 6 May, including the extreme scenario of the breakup of the eurozone. The weighting of equities in the portfolio was thus reduced to 21% of the net assets. However, from late summer onwards the FRR reintroduced exposure to risky assets as the eurozone crisis abated. The weighting of equities was raised, initially to the median level of 27%, and then to 29% by reducing the weighting of high quality debt in the performance component.

In terms of risk management, the following chart shows the return to neutrality over the first months of the year, the lower volatility of the portfolio implemented in comparison to the strategic allocation at the end of the spring and the re-convergence from end August onwards, to end up with a portfolio with slightly more risk than the strategic allocation target, with equities over-represented to the detriment of investment grade debt.

> Spread between the maximum level of risk of the portfolio and that of the 2012 strategic allocation median



1-year CVaR[5] 95% calculated from the VIX[6].

Discretionary active management contributed 0.28% to the Fund's performance in 2012.

Of the actively managed mandates, the principal source of creation of relative value can be attributed to the fixed income mandates. These gained from their exposure to financial stocks, which had penalised them last year, and for some, overexposure to the sovereign debt of vulnerable countries in the eurozone. Investment grade corporate bonds outperformed their benchmarks by 19 basis points (net of fees) in comparison to the FRR's total assets. Active equities management continued to deliver strong performance, especially on European small caps and themed investments on North American equities. In total, relative performance was therefore positive, by +28 basis points in relation to the FRR's net assets.

Selection effect	Year 2012
Net of fixed and variable fees	**Basis points**
North American equities	7
Asia Pacific equities	1
European equities	8
Eurozone equities	1
Commodities	1
Investment grade corporate bonds	19
UCITS	-8
TOTAL	**28**

5. The 1 year CVaR 95% (Or Conditional Value at Risk) is a measure of market risk defined as the average potential lost that a financial asset could bear in 5% of the most unfavourable scenari over an investment horizon of 1 year.

6. The VIX is an index which measure the implicite one month volatility of the S&P 500 American stock index. It represents the market anticipation of the volatility of American shares over the next 30 days. .

SAFEGUARDING THE FRR'S PAYMENTS OF ITS LIABILITIES

The funding ratio at the end of the financial year was 135.4%

The funding ratio is the ratio between the market value of the assets and the present value of the liabilities[7], and reflects the FRR's ability to pay these liabilities. Its level means that the net assets are sufficient to cover the present value of the liabilities at 31 December 2012 1.35 times.

This value reflects the revaluation of the CNIEG balance recorded on the FRR's books at end 2012. After charging the performance obtained by the FRR over the year, this balance rose from EUR 3.4 billion to EUR 3.8 billion and increased the FRR's liabilities by the same amount[8].

This funding ratio means the FRR can withstand scenarios of extreme stress.

The stress scenario used by the FRR was drawn up using worst case scenarios observed in the financial markets during the last 15 years, and supposes that they might affect all the FRR's asset classes simultaneously (both performance and hedging assets). In this extreme scenario, the assets of the performance component would lose around 50% on average. On the hedging component, corporate bonds would fall around 30% while liabilities would increase by 14% (in practice this last figure was capped at 10% as beyond that figure, it would mean that the entire French yield curve would have rates below 0% until 2024).

Stress scenarios are used as indicators of the ability to withstand risk.

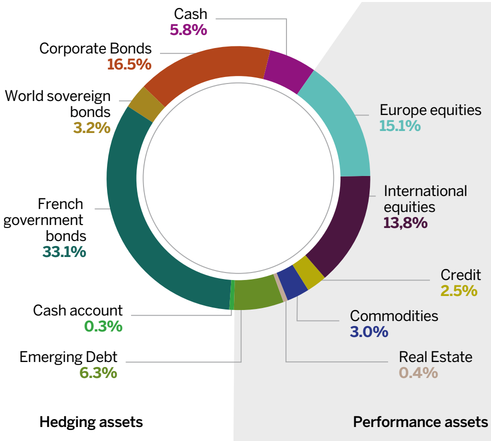
After applying this stress test the funding ratio would still be 104%. The FRR's surplus would therefore still be positive. Its ability to pay its liabilities would be unaffected.

7. The present value is obtained using "zero coupon" interest rates of the French government bond yield curve.

8. It should be borne in mind that the CNIEG balance will be paid to the CNAV in 2020 at its market value, i.e. a predetermined proportion of the FRR's net assets.

COMPOSITION OF THE FRR'S PORTFOLIO

> General structure of the portfolio



Structure of the hedging and performance components

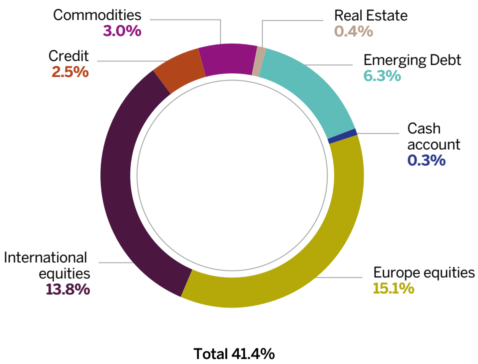
At 31 December 2012, the FRR's portfolio comprised the following components:

- The hedging component, comprising fixed income products and the FRR's cash holdings, accounted for EUR 21.4 billion, i.e. 58.6% of the FRR's net assets.
  The proportion of hedging assets, which was 62.3% at the end of 2011, was reduced following the decision of the FRR's Supervisory Board on 7 March 2012 to increase the weighting of the performance component in order to exploit interesting asset valuations. This reallocation was entirely feasible while maintaining a very high level of liabilities cover, because after applying the test of a catastrophe scenario, the funding ratio still came out above 100%.
  Of the hedging assets, the level of OAT matching assets increased, accounting for 60% of the hedging component as compared to 50% previously.

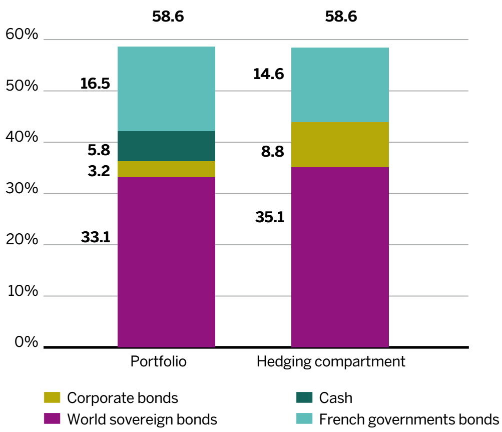
- The performance component, comprising equities, venture capital and diversifying assets (commodities, listed real estate, emerging debt and high yield corporate bonds), accounted for EUR 15.2 billion, i.e. 41.4% of the net assets.

These two components comprised the following assets :

> Performance assets as of 31 December 2012



> Hedging assets as of 31 December 2012



Breakdown of components and major asset classes

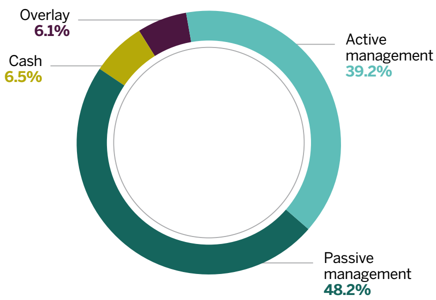
With the exception of the management of operational cash requirements, all the FRR's investments are made through external fund managers. "Portfolio" investments consisted of investment mandates awarded through requests for proposals, or UCITS subject to a rigorous selection procedure. In all cases, 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 index-tracking mandates of high unit value with active investment mandates that seek constant relative outperformance.

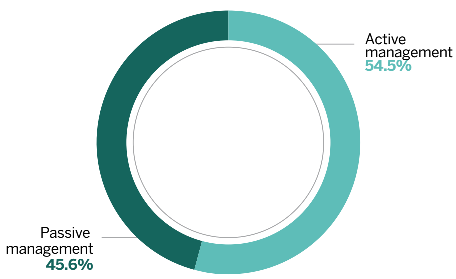
A number of asset classes (emerging debt, emerging equities, high yield corporate bonds and money market investments) are also invested in via UCITS, for the most part actively managed.

The "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 most likely to generate a return. At 31 December 2012, around 40% of the FRR's total net assets and 55% of equity investments were actively managed.

> Breakdown of management styles[9]



> Breakdown of management styles for assets invested in equities, excluding the overlay[10]



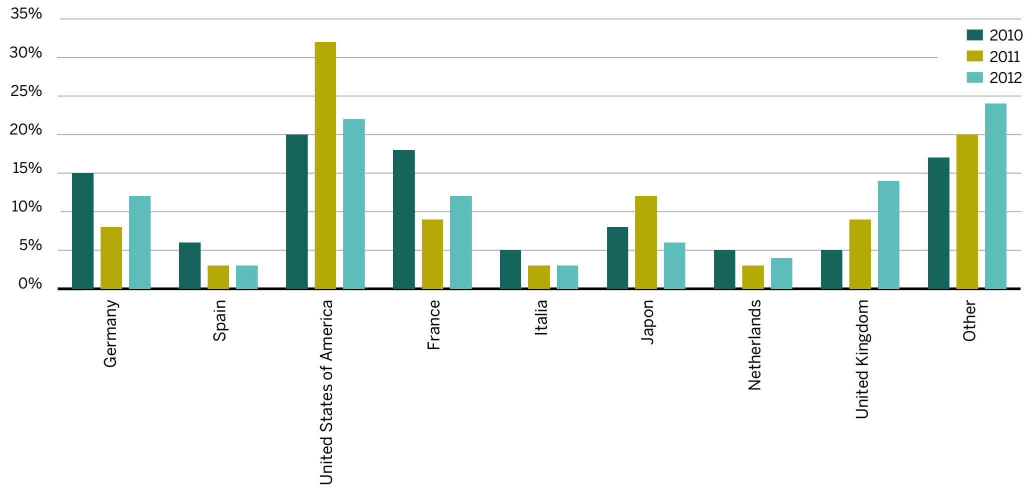
9. Corresponding, as at 31 December 2012, to EUR 2.2 billion under overlay management, EUR 2.4 billion in cash, EUR 17,6 billion under passive management and EUR 14.6 billion under active management.

10. Corresponding, as at 31 December 2012, to EUR 4,3 billion under passive management and EUR 5.1 billion under active management.

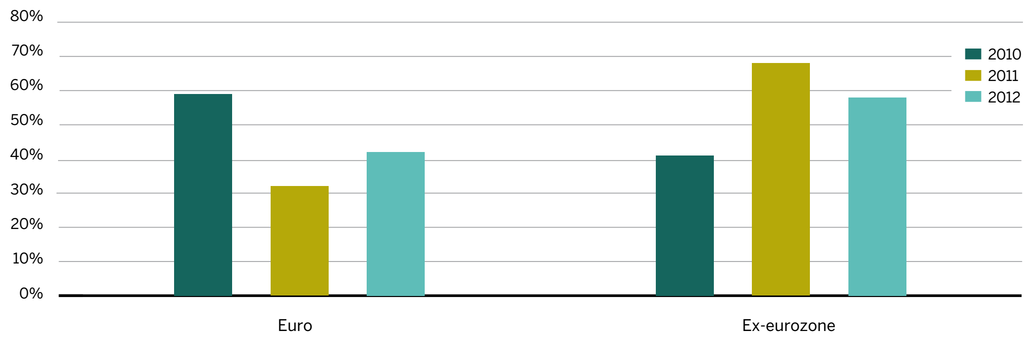
Performance assets

At 31 December 2012, the market value of the physical equities portfolio was EUR 7.1 billion (excluding overlay).

> Evolution of the geographical distribution of the equity mandates

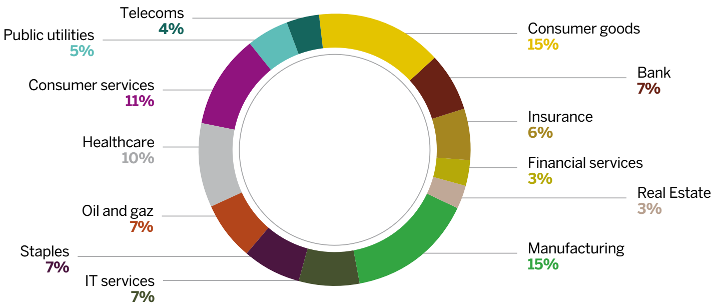


> Evolution of the geographical distribution of the equity mandates



In geographical terms, the breakdown of the portfolio and its evolution over the last three years demonstrates the decline in the relative weighting of the eurozone in 2011, reflecting the strategic allocation's new diversification target, which seeks to spread the assets across the three main zones, namely eurozone, non-euro developed countries and emerging countries, within the performance component, excluding physical assets (commodities and real estate). The rise of the eurozone's share in 2012, from 32% to 42%, is linked in part to the activation of ADECE (*Actions Développées Exposées à la Croissance Emergente* – Developed Equities Exposed to Emerging Growth) mandates with the aim of indirectly increasing the FRR's exposure to emerging countries via investments in developed countries' equities (especially the eurozone) that are exposed to emerging market growth. For the rest, these are tactical choices that resulted in an emphasis on the eurozone, and in particular small and medium capitalisation whose outperformance, both from the asset class (vis-à-vis large caps) and the managers, resulted in a relative increase in their weighting within the portfolio.

> Sectorial breakdown of the equity portfolio as of 31 December 2012



This sectorial 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.

Hedging assets

At 31 December 2012 this component accounted for approximately 58.6% of the FRR's net assets. It consists in the main (60% of the component targeted) of investment mandates implementing a buy-and-hold[11] matched book in order to honour a substantial share of payments to the CADES between now and 2024, without being exposed to the negative consequences of a rise in interest rates.

During 2012, the volume of specific OAT-matched mandates increased, in practice topped up to the level of the target by transforming part of the previous bond portfolio, thereby creating pure matching in order to secure 100% the bulk of the CADES payments. To do so, the euro bond portfolios and the entire portfolio of index-linked French treasury bonds were sold and reinvested in nominal OAT. By the end of 2012 the portfolio consisted almost entirely of fixed rate bonds.

11. Buy and Hold: fixed income investment, whereby the securities in the portfolio are normally held until maturity.

"Optimised" indices to improve the performance of passive mandates

Most of the FRR's equity investments and strategic allocation research are based on indices in which the stocks are weighted by their free-float market capitalisation (i.e. excluding major shareholders).

This capitalisation-based weighting method is the best known, and the one most commonly used by equities indices. However, it has proven shortcomings:

- limited diversification: 10% of the stocks account for a total weighting of 50% of US and European indices.
- they tend to "follow market trends": stocks that are rising the most gain a higher weighting in the index, and vice versa.

Some indices, called "optimised indices", are constructed so as to remedy these shortcomings by applying alternative stock weighting methods, each according to a different logic.

Optimised indices fall into **two main categories**: those that weight stocks according to their fundamentals (turnover, profit, valuation of equity etc.) and those that weight stocks by risk characteristics (volatility and correlation). Several optimisation methods coexist within this second category

Historical data on the various public indices that have been developed tends to show, after taking market bias into account, that on the whole these indices consistently outperform the traditional indices. Combining a number of these optimised indices even offers more stable outperformance.

As a result of its research, the FRR has thus built a number of these methods into its equities investment techniques via passive investment mandates, in order to exploit this performance premium in relation to capitalisation-weighted indices over the long term, without suffering from systematic biases likely to have a negative impact on the FRR's overall allocation.

It also comprises investment mandates that actively manage a universe of eurozone and US corporate bonds for 28.3% of the component.

The hedging portfolio comprises mainly (83%) euro-denominated bonds, resulting in a low level of yield curve risk vis-à-vis the liabilities, in particular subsequent to the reduction of investments in foreign government debt.

Following the reorganisation of the portfolio, which involved selling long securities included in inflation and international government debt indices, the bond portfolio includes a proportion of bonds with maturities of more than 15 years, which now accounts for less than 5% of the portfolio (as compared to almost 16% in 2011).

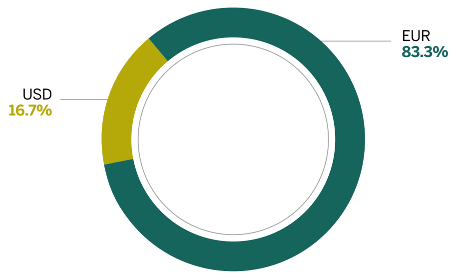
The most common maturity is 7-10 years (36% of the component), in line with the liabilities, which expire in 12 years, and with the 2020 maturity, which corresponds to the repayment of the CNIEG balance to the CNAV.

It should be noted that emerging country bonds (included solely in the performance component) nonetheless contribute to the hedging of interest rate risk as they have relatively low modified duration of 4.6.

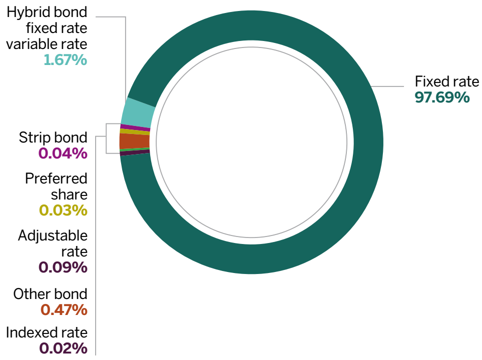
The hedging portfolio's overall sensitivity was 5.48%, slightly lower than that of the FRR's liabilities, which was 5.66% at 31 December 2012.

The sharp fall in the proportion of bonds rated AAA, offset by the rise in securities rated AA, is due to the large proportion of French government securities and the fact that France's credit rating was cut during 2012.

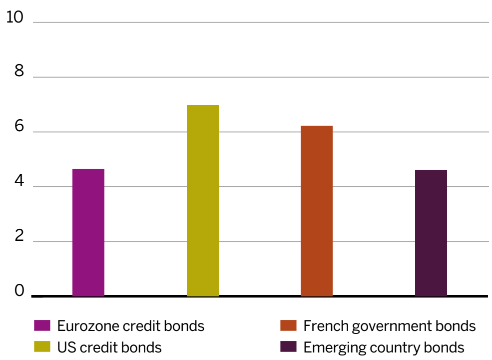
> Breakdown of fixed income mandates by currency as of 31 December 2012



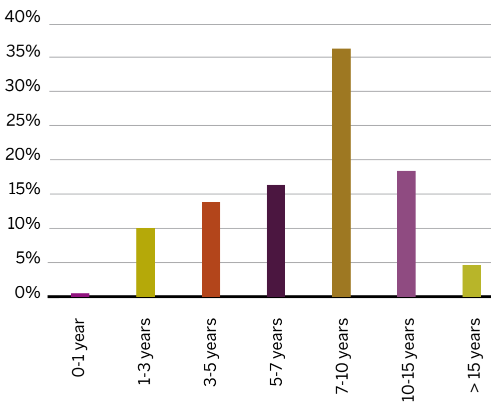
> Breakdown between fixed rate, indexed rate and variable rate bonds as of 31 December 2012



> Sensitivity of the bond portfolio as of 31 December 2012

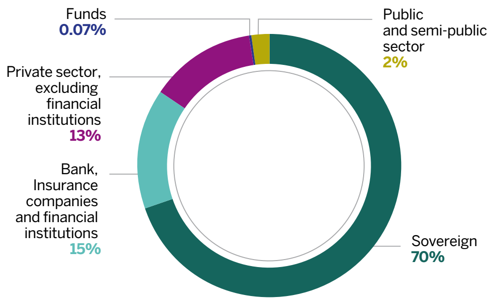


> Breakdown of the fixed income mandates by maturity as of 31 December 2012



However, the hedging portfolio enjoys an excellent credit rating; the least well rated issuers in the component are limited to 16.6% and are nonetheless all rated at least BBB-. These issuances are concentrated in active investment mandates on eurozone and US corporate bonds and are closely monitored. Their growing weighting over the last three years is evidence of the opportunities that the FRR's managers have identified in this segment.

> Breakdown by issuer of fixed income products as of 31 December 2012



> Breakdown by rating of external fixed-income investment mandates
Evolution of fixed income products by issue rating

Investments in "US and euro high-yield debt" UCITS

The FRR has built diversification of high-yield fixed income investments into its strategic allocation. This comprises all bond issues rated lower than BBB-, which is the lower limit of the investment grade category universe. It is characterised by issuers whose funding ratios are weaker than those of better rated issuers, but offer a higher yield in return.

The theoretical weighting of this asset class in the allocation target has been set at 2% of the portfolio's total assets, split between 60% US High Yield and 40% euro High Yield.

To do so, the FRR seeks exposure via actively managed UCITS that specialise in high yield debt markets.

The choice of active management means the FRR can draw on the expertise of analysts and managers who will attempt to optimise the allocation to the various rating segments according to their positioning on the economic cycle, and to exploit certain market imperfections that result at times from periods of stress, or securities that have become undervalued.

Funds were selected during 2011 and 2012, resulting in a total investment of EUR 680 million, split as follows:

- EUR 205 million in European High Yield securities, through four UCITS
- EUR 475 million in US High Yield securities, through four UCITS

These investments were made in March 2012 and were supplemented by two further waves of investments in November and December 2012. At end 2012 these investments together accounted for 1.7% of the FRR's total assets, i.e. EUR 716 million.

Since the first investments at end March 2012, US and euro High Yield investments delivered gains of 10.4% and 12.4% respectively.

In 2013 the FRR will continue to broaden the range of investable funds, with a view to increasing diversification into these asset classes.

THE FRR, A RESPONSIBLE INVESTOR

2012 was a special year for the FRR as regards responsible investing.
As the first responsible investment mandates matured, the FRR wished to pursue its commitment, this time exploring the universes of European small and mid-caps and of companies whose businesses focus on sustainable development.
Lastly, in 2012 the FRR chose, in terms of internal organisation, to build the responsible investment theme into the FRR's financial management. This decision demonstrates the FRR's desire to build socially responsible investment into the FRR's investment management and also that of its managers. At the same time, the FRR has pursued its commitment to promoting responsible practices in relation to its stakeholders and in particular its managers.

MONITORING EXTRA-FINANCIAL RISKS

The FRR wishes to be in a position to assess the extra-financial risks to which it is exposed. Accordingly, in 2009 it selected the extra-financial research provider EIRIS (Experts in Responsible Investment Solutions) to analyse its portfolio each year. Each year this assessment which covers all corporate issuers, regardless of whether they are located in developed or emerging markets, is presented to the Responsible Investment committee of the FRR. EIRIS based their analysis of the portfolio on figures which had been prepared in the third quarter of 2012. The framework of reference used was that defined in the FRR's responsible investment strategy of 2008-2012, which covers the principles of the Global Compact and the Ottawa[1] and Oslo[2] conventions, as well as good governance.

It emerged that at the end of 2012, the FRR had investments in 91 companies accused of serious, unresolved infractions of the Global Compact. These companies accounted for 1.78% (1.6% in 2011) of the companies in the portfolio.
The volume of these allegations in developed markets is on the increase. Allegations representing increased risk were levelled against 48 companies in 2012, as opposed to 40 in 2011.
Moreover, 20 companies were accused of being involved in the manufacturing of controversial arms, as compared to 17 in 2011.

The number of allegations observed in emerging markets is stable, in line with what we see in developed countries. Among companies in emerging markets, allegations representing increased risk were levelled against 43 companies, as opposed to 44 in 2011.
Moreover, 8 companies were accused of being involved in the manufacturing of controversial arms, as compared to 7 in 2011.

It appears that, regardless of how serious they are, almost half of all allegations relate to fundamental labour rights, especially health and safety. However, if we look at serious allegations only, the themes of fundamental labour rights, the environment and corruption balance out, with the theme of human rights remaining peripheral.

Concerning the breakdown by sector, the industrial sector leads with 429 allegations, followed by the commodities sector (326 allegations) and the oil and gas sector (151 allegations).

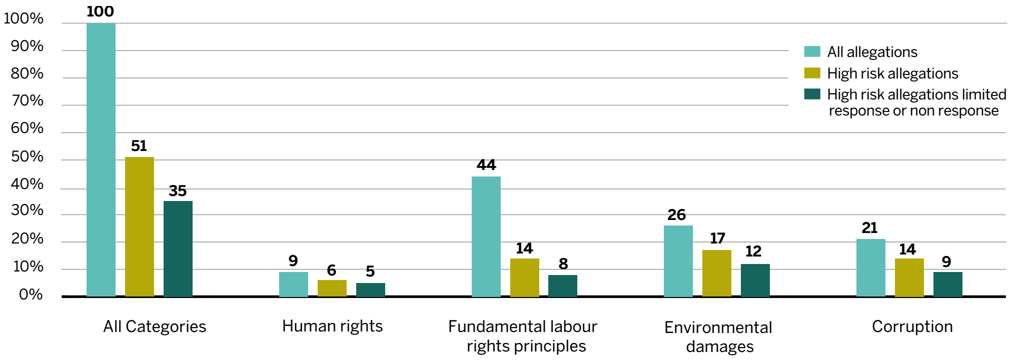
Lastly, emerging markets are neck and neck with developed markets in terms of the number of allegations. In this breakdown by major geographical regions, emerging markets account for 42 companies subject to serious allegations, followed by Europe (19 companies), North America (16 companies) and Asia Pacific (14 companies).

The FRR desires to build socially responsible investment into its investment management and also that of its managers.

1. Convention on the prohibition of the use, storage, production and transfer of anti-personnel mines and on their destruction.

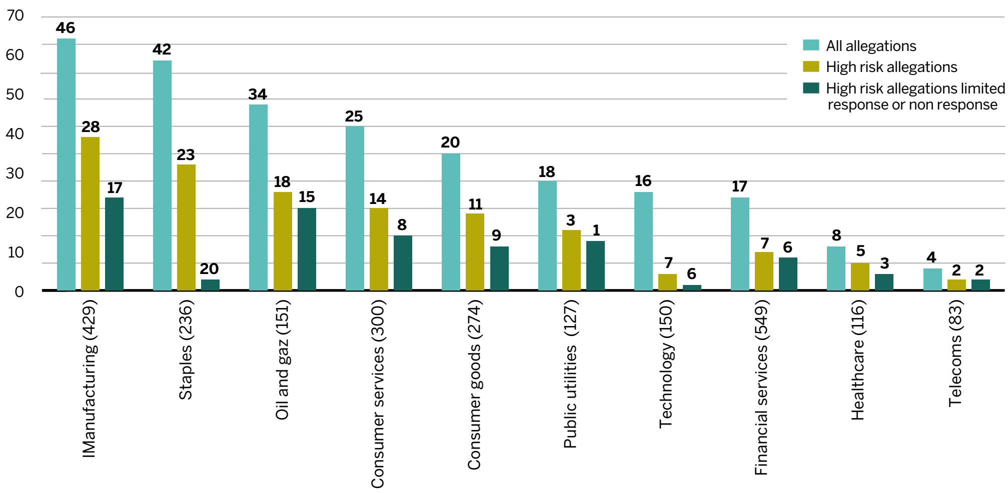
2. Convention on the prohibition of the use, storage, production and transfer of cluster bombs and on their destruction.

> Breakdown of the allegations by type
(direct and indirect holdings)



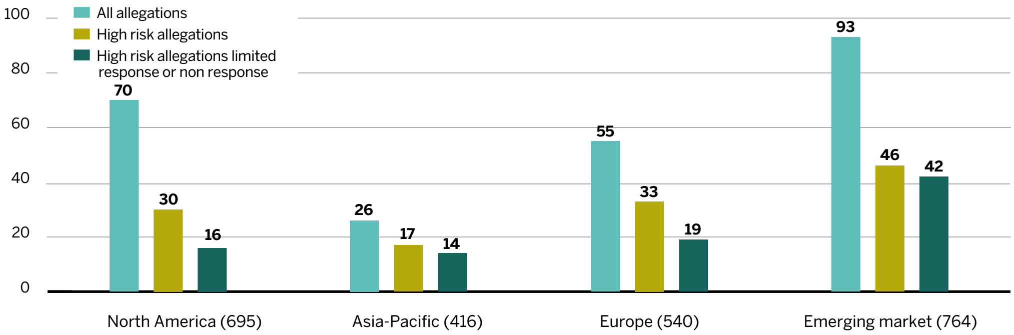
Source : EIRIS Ltd

> Breakdown by sectors by allegations and number of companies
(direct and indirect holdings)



Source : EIRIS Ltd

> Breakdown of the allegations by region and number of companies
(direct and indirect holdings)



Source : EIRIS Ltd

At the end of 2012, the list of companies excluded on account of their possible involvement in the manufacture of anti-personnel mines or cluster bombs was as follows:

Issuer	Pays
Alliant Techsystems ATK	United States
General Dynamics	United States
Goodrich	United States
Lockheed Martin	United States
L3 Communications	United States
Northrop Grumman Corp	United States
Singapore Technologies Engineering	Singapore
Textron	United States
Raytheon	United States

PARTICIPATION IN INTERNATIONAL INITIATIVES AND IN RESPONSIBLE INVESTMENT RESEARCH PROJECTS

At present, in addition to its active involvement, since its launch, in the Principles of Responsible Investment (PRI), the FRR also supports the Carbon Disclosure Project, the Water Disclosure Project and the EITI (Extractive Industries Transparency Initiative).

The FRR has also renewed its support until 2013 for the Paris stock exchange's Sustainable Finance and Responsible Investment chair, which since 2008 has brought together researchers from the economics department of the Ecole Polytechnique and the School of Economics of the Université de Toulouse, institutional professional investors and asset managers. The research carried out in 2012 in this regard focused in particular on the complementary nature of the dimensions of the social responsibility and performance of the company[3] and the impact of socially responsible investors on companies' behaviour[4].

EXERCISE OF VOTING RIGHTS

As it does every year, the FRR voted on all of its equities portfolio in all the countries where it invests. The rate of resolutions which the FRR voted against is up significantly on 2011, rising from 12.8% to 14.2% for the entire portfolio. For the France portfolio, this rate was even higher, with 20% "no" votes. The overall approval rate was 81.3%, as opposed to 80% for France. By way of comparison, the average rate of "no" votes observed at CAC 40 shareholders' meetings in 2012 was 5.89%.

The FRR paid close attention to management remuneration practices, including deferred remuneration methods (golden parachutes and supplementary retirement schemes) and the terms of attribution of free shares and stock options. The FRR used its votes to reiterate its position on remuneration, namely that:
"The Board of Directors and the Remuneration Committee must at least ensure that four core principles are taken into account when drawing up a company's management remuneration policy, which must be reasonable and fair and must favour internal cohesion at the company:

- The remuneration awarded must always be justified and justifiable according to pertinent and objective criteria and must take into account real risks incurred, bearing in mind that there are risks for all employees and not just management.

Promoting collaborative dialogue

The FRR wishes to be in a position to assess the extra-financial risks to which it is exposed, regardless of the geographical location, market value or economic sector of its investments.

To this end the FRR has extended its commitment to hold dialogue with companies. In 2012 it chose to work more closely with its managers, most of whom are signatories to the PRI (Principles of Responsible Investment).

3. S. Cavaco and P. Crifo. 2010b. The CSR-performance missing link: complementarity between environmental, social and business behaviors criteria? 2012. Research manual of the Economics Department of the Ecole Polytechnique, n° 2010-19.

4. Value and behaviour of companies in the presence of socially responsible investors» Sébastien Pouget (Toulouse School of Economics, IAE-CRM-IDEI) co-written with Christian Gollier (Toulouse School of Economics, LERNA-IDEI).

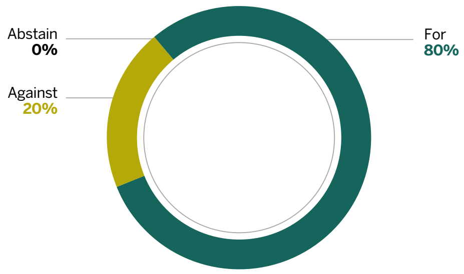
- The total remuneration amount must be consistent with the situation of the company, current practice in the relevant country and sector, and remuneration paid at companies of similar size.

- The respective size of the fixed and variable components of the remuneration must encourage managers to achieve high targets without encouraging them to act recklessly. The performance criteria on which the variable part is based must be transparent and verifiable.

- The remuneration of managers and directors must seek to align their interests with the company's long-term performance and the shareholders' long-term interests."

The FRR will pay close attention to discussions and new provisions on remuneration announced by both the European Commission and the countries of Europe, including France.

> Exercise of voting rights by the FRR



2012, the year in which SRI RFPs were finalised

"Themed fund mandates"

These collective fund mandates are a novelty for the FRR. This approach will allow the FRR to gain exposure to the themes of water, environmental technologies, waste treatment and management and renewable energies through the collective funds chosen by the selected managers.

For these mandates the FRR has sought managers capable of offering it a dynamic asset allocation among the various themes as well as the capacity to select collective Funds from a broad, and therefore global, investment universe.

"Active management mandate – Equities SRI" small and medium caps

The principal objective assigned to the three managers selected at the end of 2012 will be to generate performance in line with or superior to that of the European equity markets by selecting small and medium-sized companies that have implemented an environmental, social and governance (ESG) programme or are planning to do so.

The managers will not be assigned a benchmark index to work to, to discourage the mechanical replication of such an index. However, the FRR will perform ex-post measurements of the mandate by comparison with a number of European equity market benchmarks.

Through these mandates the FRR wishes to explore the challenges of social responsibility when applied to small and medium capitalisations.

The FRR has thus guided its managers by suggesting which ESG criteria should be taken into account under the investment mandate, and to monitor over time, inter alia, energy consumption and management, staff turnover rates, absenteeism, the percentage of employees' share in the companies' profits, the composition of the Board of Directors (male/female ratio, number of independent directors), the holding of multiple positions (chairman/managing director), etc. The simplicity of these indicators should make it easier to measure the link between the company's financial performance and social responsibility, and also to measure the progress in integrating ESG best practice in this market segment.

Over the long term, the FRR will decide whether to extend these criteria to the rest of its portfolio.

RISK MANAGEMENT AND CONTROL

HIGHLIGHTS OF 2012

The ongoing rise in the allocation of assets via UCITS (capped at 15% of the FRR's net assets) has made it possible to implement the new strategic allocation on risky assets (emerging equities and debt, high yield bonds) and enhance the profitability of cash management.

This increase in investments via UCITS has led the FRR to develop solutions in 2012 for:

- monitoring the proper diversification of exposure by credit quality, both directly and via UCIs,
- adequately consolidating the portfolio's risks globally by pertinent risk factor (interest rates, credit, foreign exchange, etc.), taking into account the effects of diversification or correlation between securities held directly or via UCITS,
- managing the selection of funds and the underlying global allocation resulting from investments made through these funds (risk framework).

Even if the FRR is not bound by such an "obligation of transparency" for the UCITS held, it strives to implement the best practices recommended by the regulators for banks and insurers (Basel III, Solvency II).

GOVERNANCE OF RISK MANAGEMENT

Following the pensions reforms of 2010, in December 2010 the Board of Directors set out a new strategic allocation, which relies on an investment model based on a high level of liabilities hedging.

Investments are mainly made in the form of mandates awarded to managers selected via requests for proposals. However, some investments (maximum 15% at end 2012) may be made directly by purchasing UCITS.

The main financial and operational risks incurred by the FRR are analysed each month by a risk committee, which also examines new financial investment cases and defines the risk frameworks applicable at the FRR. This committee is chaired by a member of the Management Board and supported by the financial risks management department and the head of operational risks. It also analyses the performance of the portfolios, as calculated by the financial risk management department, which is independent from financial management. In general it is the body that ensures that a risk management culture is propagated within the FRR.

The risk committees' cases are then reviewed and analysed at the meetings of the Management Board.

The Risk Management department is also invited, and where necessary issues an opinion to various specialised committees that form a part of governance (investment strategy committee, manager selection committee). It also sits on various internal bodies (tactical investment committee, strategic allocation steering committee, etc.). Each year it issues an opinion to the Supervisory Board on the strategic allocation review.

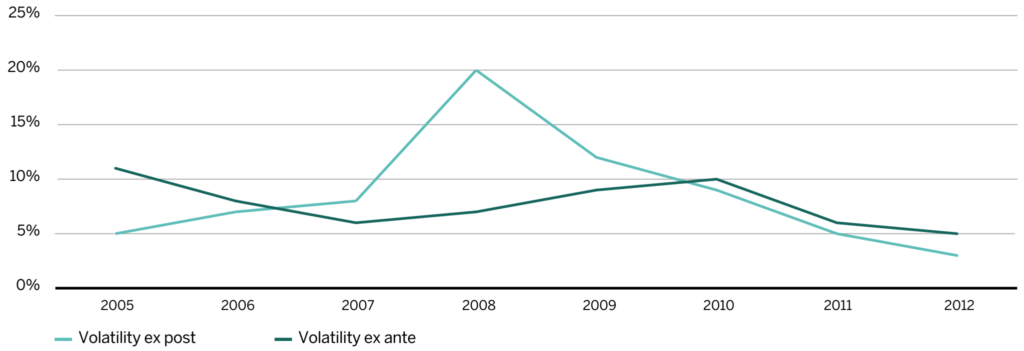
FINANCIAL RISKS

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 CADES and CNAV, which are the fund's two beneficiaries.

The funding ratio of these liabilities, which is the ratio between the market value of the assets and the present value of the FRR's liabilities changed only slightly during 2012, from 136.5% to 135.4%. It is a measure of how secure the FRR is in terms of its ability to honour its commitments, due to the existence of a liabilities hedging portfolio comprising bonds and low-risk fixed income instruments, which represented 80% of the liabilities at the end of 2012.

> Annual volatility ex ante and ex post



Extent of the portfolio's market risks

The overall portfolio's level of annual volatility is at its lowest since the FRR was launched, both when measured ex ante (a priori investment plan) or ex post (volatility measured a posteriori).

The annual volatility of the value of the FRR's assets was 3.43% in 2012 (5.4% in 2011) with an annual return of 10.51% (0.37% in 2011).

The risk of an unfavourable change in the value of the portfolio (a loss) is evaluated over a short-term horizon of one year, which is the horizon of the annual strategic asset allocation review meeting with the governance of the fund.

The average potential loss over a one-year horizon in 5% of the worst-case scenarios, measured by conditional value at risk (CVaR) of 95% over one year, is 9.96% of the FRR's assets (10.92% at end 2011), i.e. EUR 3.6 billion.

Equity risk

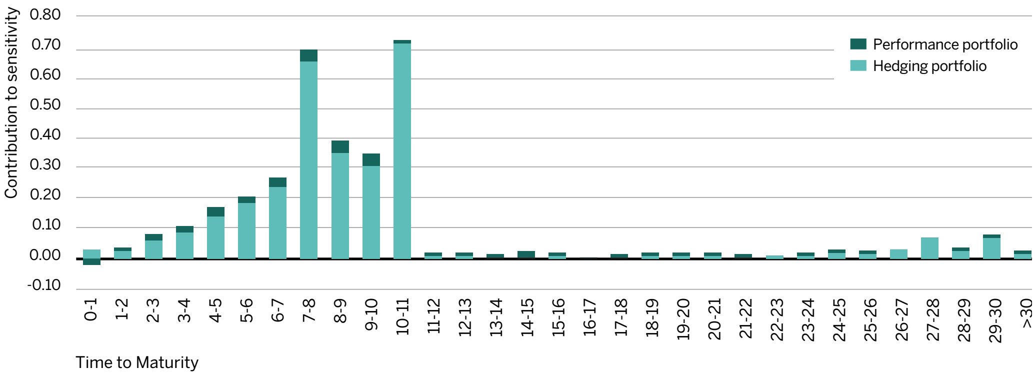
Equities constitute the most significant risk factor in the CVaR. The average potential loss linked to changes in share prices is 9.12% of the FRR's net assets, i.e. EUR 3.3 billion.

Interest rate risk

At the end of the year, the average potential loss linked to changes in yield curves (excluding changes in credit spreads) measured by a one year CVaR at 95%, is 4.7% of the FRR's assets, i.e. EUR 1.7 billion of the market value of the FRR's portfolio.

The sensitivity of the value of the balance sheet assets for a uniform change of 100bp of all yield curves (parallel translation of yield curves) is 3.6, as compared to the sensitivity of the balance sheet liabilities of 3.83. Thus, for a uniform 100bp (1%) rise in interest rates, the total value of the assets will fall by 3.6% and that of the liabilities will fall by 3.83% of the value of the FRR's total assets, i.e., a net positive impact of 0.23% of the value of the FRR (increase in the FRR's surplus equal to 0.23% of the total value of the Fund for a 1% rise in interest rates).

> Breakdown of the sensitivity by compartment according to the maturity of the underlying bonds



The portfolio's credit risk

The FRR's fixed income investments break down at end 2012 as follows, which shows that 94% of the portfolio is invested in investment grade securities.

	AAA	AA	A	BBB	≤ BB or unrated
2012	0,94%	53,03%	23,05%	17,21%	5,79%

At the end of the year, the average potential loss linked to changes in credit spreads is 0.98% of the FRR's assets, i.e. EUR 360 million of the market value of the FRR's portfolio.

Specific, particularly protective limits have been set for investing the FRR's cash.

Counterparty risk

Counterparty risk is the risk linked to the managers' trading in forward financial instruments traded over the counter with bank counterparties (index 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 Bank's clearing services for foreign exchange, limits per counterparty. Ultimately, the FRR's overall exposure to counterparty risk is EUR 209 million.

Issuer risk diversification ratios

The diversification of the portfolio's issuer risk on the issuers of equities and debt securities is subject to specific ratios in the regulations applicable to the FRR and as part of its internal procedures.

Currency risk

The FRR's portfolio is partly invested in foreign currencies. The performance portfolio's foreign exchange risk is 90% hedged, via forward currency contracts that are renewed periodically, with the exception of foreign exchange risk on emerging currencies whose price changes may constitute a contributing factor in the pursuit of overall performance. The hedging component's foreign exchange risk has been fully hedged since 2011.

This hedging statistically improves the risk/return ratio for developed country currencies because it reduces the portfolio's volatility without reducing net performance.

Risks of the managers' performance monitoring differing from that expected of strategic allocation (risk relating to the managers' performance)

Differences between strategic allocation performance and real allocation performance are measured by indicators of tracking error, which is the annualised typical difference in performance between the portfolio and the reference allocation target.

More specifically, two tracking error components are monitored:

- Mandate selection tracking error, representing the difference between the performance of the mandate and its benchmark.
- The global tracking error of the real portfolio in comparison to a strategic target.

Risk on financial contracts

To enable the FRR to invest securely in forward financial instruments, in 2001 the regulatory authority decided to subject it, as regards its investments in derivatives, to a legal framework similar to that applicable to French UCITS.

Liquidity risk of assets under management

The FRR manages two limits in particular:

- A regulatory holding limit on companies' capital: the FRR may not hold more than 3% of equities from a single issuer (with the exception of venture capital and UCITS).
- An internal holding limit on the UCITS it invests in.

Operational Risks

The FRR's operational risk management system is based in particular on regular risk mapping exercises and on monitoring the action plans derived from this risk mapping. Moreover, key incidents are catalogued and analysed, and are presented at risk committee meetings in order to identify corrective measures and action plans designed to prevent their reoccurrence.

Lastly, various scenarios with the potential to compromise the continuity of the FRR's business were analysed (pandemic, flood, fire, supplier default, etc.) and are subject to preventive measures, as well as an annual fallback test on an external site. A business continuity plan was drawn up.

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, the FRR's employees, experts and consultants is laid down in the French Social Security Code. Moreover, all personnel are bound by a code of conduct that sets rules for professional and personal behaviour.

The risk of money laundering is inherently limited in view of the FRR's modus operandi, and is moreover subject to specific checks as part of the manager selection process.

Investment compliance

Compliance checks are a matter of concern shared by all the FRR's employees, and are implemented in practice in all departments:

- The risk management department ensures that the regulatory ratios applicable to the FRR are complied with (diversification between issuers, holding limit on the capital of companies held in portfolio, exposure to foreign exchange risk, exposure to UCITS, various commitment ratios),
- The finance department and the middle office department monitor the managers' compliance with their contractual obligations.

Any breaches of the compliance rules are analysed at the risk committee; if necessary, notifications are sent to the managers.

The FRR ensures that its employees comply with a very strict ethical framework at all levels.

ORGANISATION AND COSTS

ORGANISATION AND HUMAN RESOURCES

During 2012, the FRR continued to cut staff numbers in response to the need to control costs, as required by the implementation of the Fund's financial model.

As such, the organisation had 51 employees (as compared to 53 in 2011), as a number of functions were redeployed. In the future, the FRR will adapt its human resources to meet the challenges presented by its financial management model, while striving to keep its operating costs firmly under control.

Moreover, in 2012, a year of consolidation after the pensions reforms, the FRR recorded lower staff turnover than in 2011 (12% as opposed to 25% the previous year), offset by a significant internal promotion policy for key posts.

The Obligations Crédit US mandates gained 9.1% on average, as opposed to 8.1% by the index, i.e., an average annual outperformance of 1%.

The increase in management fees on the investment grade bond mandates is thus a reflection of a higher volume of assets under management than initially forecast, and relative annual performance by all the managers that exceeded both expectations and 2011's performance, when all the mandates underperformed their indices over the year.

The staff turnover is lower than in 2011, offset by a significant internal promotion policy.

THE FRR'S COSTS

Total expenses for 2012 amounted to EUR 77.9 million. This is a 50.3% increase on 2011.

This sharp rise in expenses was mainly due to financial management fees. In 2012, these were EUR 55.2 million, accounting for 70.9% of total expenses, as compared to EUR 30.3 million in 2011. This increase was due to the payment of large performance fees during the year, corresponding to an equally significant level of value creation.
After 2011, during which no performance fees were paid, the performance delivered by the managers and the markets' rise in the second half of 2012 generated total performance fees of EUR 27.0 million. This exceptional payment, linked to the performance posted by the "Obligations Crédit Euro" and "Obligations Crédit US" mandates, related to 11 investment mandates.
For example, for the investment grade bonds asset class, 2012 was quite exceptional in terms of both absolute and relative performance.
Thus, overall the Obligations Crédit Euro mandates gained 16% over the year, in comparison to the index, which gained 13.6%, clearly outperforming it by 2.5%.

In view of the levels reached, it is however unlikely that these results will be repeated in 2013, as 2012 turned out to be an exceptional year in terms of our Credit mandates' outperformance in comparison to 2011, when they fell back markedly.

At the same time, the indexation of performance fees resulted in a fall in fixed management fees, which amounted to EUR 22.8 million (as compared to EUR 24 million in 2011) as average assets under management stabilised, in spite of a new EUR 2.1 billion payout to CADES in April 2012.

The implementation of the target allocation approved by the Supervisory Board at the end of 2010 continued in 2012, resulting in the setting up of 14 new mandates, while 9 investment mandates were closed during the period. In terms of fees paid, the lion's share related to active management, accounting for 83% of the Fund's fixed financial management fees (as compared to 84% in 2011).

On average, the discretionary investment management fee rate for 2012 was 13.9 basis points, including 7.6bp in performance fees[1] .

1. Excluding overlay management.

Other expenses amounted to EUR 22.7 million. These consisted of custody and administration charges (services provided by the back office department of the *Caisse des Dépôts*), up 12% on 2011, combined with the effect of a persistently high level of AUM and a volume of inflows that remained steady throughout the new mandate activation period. Real staff costs posted a 3% rise on 2011, as the Fund's staff turnover was less than in 2012, with a greater proportion of staff working throughout the full year.

In 2012, inherently variable charges (management fees, fund custody and administration charges of EUR 66 million in total) accounted for more than 85% of expenses. The FRR's charge structure (staff, IT and consultancy costs and other general charges) remained stable in comparison to 2011 (EUR 11.9 million), corresponding to only 0.03% of assets under management.

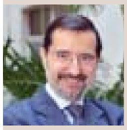
ORGANISATIONAL CHART*

SUPERVISORY BOARD

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

MANAGEMENT BOARD

Chairman:
Jean-Pierre Jouyet



Member:
Yves Chevalier

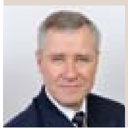
Member:
Olivier Rousseau

Assistant: Brigitte Dahan

MANAGER SELECTION COMMITTEE

Chairman: **Olivier Rousseau**
Members: T. Coste, J.-F. Marie,
M. Nicolaï, M. Cohen

INTERNAL ACCOUNTING

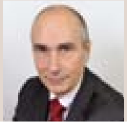


Patrick Hédé

Thierry Tacinelli,
Marie-Christine Huguet

**At 31 May 2013.*

OPERATIONS AND RISKS DIVISION



Yann Derrien

Assistants:
Martine Carton, Nathalie Lalande

HUMAN RESOURCES AND MANAGEMENT CONTROL DEPARTMENT

Jérôme Houdbine

Nicolas Umbach-Bascone, Guillaume Le Flem, Inès Gervais

INFORMATION SYSTEMS, ORGANISATION AND PROJECTS

Sabine Botras

Ronan Hénaff, Eve Amsellem

FINANCIAL RISK MANAGEMENT AND PERFORMANCE DEPARTMENT

Pierre Leygue

Abdelouahid Akarkoub, Ronan Meunier, Minh Tram, Walter Villefroy

OPERATIONAL RISKS

DÉPARTEMENT MIDDLE-OFFICE

Bernard Pariset

Operational relations managers and service providers
Christine Hamelin, Jérôme Nedelec, Duc Tien Bui Van, Charles-Antoine Poupel, David Marques

Transversal division
Mordi Kadosch

FINANCE DIVISION

Salwa Boussoukaya-Nasr

Assistant:
Karine Bocquet

DELEGATED MANAGEMENT DEPARTMENT

Cristel Haution Sarac

Manager Selection
Hervé Seignol

Responsible investment
Mickaël Hellier

Mandate supervision
Vincent Cordier, Caroline Lambert Le Meaux, Jeremy Willems, François Tirmarche, David de Sousa Peixoto

ALLOCATION TACTICAL DEPARTMENT

Sébastien Doisy

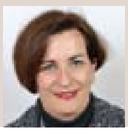
Pauline Mercier, Fanny Ainouz

STRATEGIC ALLOCATION DEPARTMENT

Pierre-Olivier Billard

Christophe Roger, Aymeric Dubois

LEGAL DEPARTMENT



Anne-Marie Jourdan

Florence Maury, Alexandre Van Ooteghem

GOVERNANCE

SUPERVISORY BOARD
at 31 May 2013

CHAIRMAN **Alain Vasselle**

MEMBERS OF THE NATIONAL ASSEMBLY

Michel Issindou *alternate* Charles De Courson

Bérangère Poletti *alternate* Gisele Biemouret

MEMBERS OF THE SENATE

Francis Delattre *alternate* Bertrand Auban

Muguette Dini *alternate* René Teulade

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
Yves Canevet *alternate* Philippe Le Clezio

Confédération française des travailleurs chrétiens
Isabelle Sancerni *salternate* Michel Moise-Mijon

Confédération française de l'encadrement – CGC
Danièle Karniewicz *alternate* Alain Dematons

REPRESENTATIVES OF EMPLOYERS 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

Arnaud Jullian *alternate Marie Daude*

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* Emmanuel Lacresse

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

Julien Dubertret *alternate* Gautier Bailly

MANAGEMENT BOARD

CHAIRMAN

Jean-Pierre Jouyet

MEMBERS OF THE MANAGEMENT BOARD

Yves Chevalier

Olivier Rousseau

MANAGER SELECTION COMMITTEE

CHAIRMAN

Olivier Rousseau

MEMBERS OF THE MANAGER SELECTION COMMITTEE

Monique Cohen, Member of the Panel of the *Autorité des marchés financiers*, Managing Partner, APAX Partners

Thierry Coste, Member of the Panel of the *Autorité de contrôle prudentiel*

Jean-François Marie, Former general manager of a finance company

Marcel Nicolaï, Former managing partner of an asset management company

financial

2012 ANNUAL REPORT

information

FINANCIAL AND ACCOUNTING SUMMARY

The social security financing law for 2011 provides that between January the 1st, 2011 and 2024, the FRR must pay each year EUR 2.1 billion to the CADES.

The Fund paid to the CADES the sum of EUR 2.1 billion on April the 25th, 2012, recognizing an equivalent reduction in its permanent capital.

However, the 2012 financial statement reflect the FRR's financial solidity, just as they did in 2011.

The CNIEG's contribution is valued at EUR 3.86 billion, an increase of EUR 375 million.

Financial assets, transferable securities and available amounted to EUR 36.26 billion.

The 2012 result was a profit of EUR 1.271 billion, following on to a similarly positive result of EUR 321 million in 2011.

The 2012 result was a profit of EUR 1.271 billion, following on to a similarly positive result of EUR 321 million in 2011.

The same applies to the valuation differentials recognized on the balance sheet, which track the difference between the acquisition value and the market value at December the 31st. These differences, which were already positive in 2011 at EUR 525,1 million, represented EUR 2.431,3 billion on December the 31st, 2012.

The analysis of the financial result shows the contribution of each product or cost category to the overall result for the financial year.

Income from the portfolio rose to EUR 878,5 million, this compares to EUR 937,62 million in 2011.

Foreign exchange transactions generated a net loss of EUR 311,1 million.

On the other hand, sales of transferable securities generated a profit of EUR 921,7 million.

Lastly, the futures in the portfolio generated a gain of EUR 64,4 million. This compares to EUR 70,5 million in 2011.

BALANCE SHEET AT 31 DECEMBER 2012

ASSETS – in euros	31 December 2012	31 December 2011
Current assets	**1,249,954.90**	**859,671.06**
Receivables	**8,583,856,988.07**	**9,540,298,572.54**
Provisions allocated to the FRR receivable	0.00	0.00
Receivables from operations	0.00	0.00
Receivables on financial instruments	14,680,652.45	63,566,533.21
Receivables on forex transactions	8,402,633,417.64	9,302,110,609.37
Receivables on forward financial instruments	166,542,917.98	174,621,429.96
Transferable securities:	**33,816,943,199.15**	**32,877,976,256.33**
Equities	7,218,607,076.96	5,852,055,618.39
Bonds	18,212,769,890.89	19,193,474,676.51
Transferable debt securities	1,429,081,323.46	2,846,700,287.54
UCITS	6,314,675,867.69	4,422,608,272.49
Investment funds	641,809,040.15	563,137,401.40
Cash	**2,449,951,291.35**	**2,317,143,552.16**
Prepaid expenses	**175,902.61**	**123,342.22**
TOTAL	**44,852,177,336.08**	**44,736,401,394.31**

LIABILITIES – in euros	31 December 2012	31 December 2011
Equity capital	**7,494,004,608.99**	**4,316,669,444.16**
Provisions	2,867,263,653.36	2,867,264,562.06
Reserves	924,229,291.98	603,069,148.26
Difference in estimates	2,431,305,451.51	525,175,590.12
Profit/(loss) for the period	1,271,206,212.14	321,160,143.72
Payables	**37,356,846,667.16**	**40,418,726,498.02**
Prepaid provisions allocated to the FRR	0.00	0.00
Extraordinary contribution to CNIEG	3,866,531,817.83	3,490,766,561.44
CADES debt - 1 year	2,100,000,000.00	2,100,000,000.00
CADES debt + 1 year	23,100,000,000.00	25,200,000,000.00
Payables from operations	43,982,296.91	20,074,192.40
Payables on financial instruments	10,334,276.15	48,586,031.72
Payables on forex transactions	8,233,106,634.19	9,541,598,720.17
Payables on forward financial instruments	2,891,642.08	17,700,992.29
Prepaid income	**1,326,059.93**	**1,005,452.13**
TOTAL	**44,852,177,336.08**	**44,736,401,394.31**

INCOME STATEMENT AT 31 DECEMBER 2012

EXPENSES – in euros	**31 December 2012**	**31 December 2011**
Outside services	76,641,286.25	50,862,766.86
Taxes and duties	70,967.63	61,014.22
Payroll	855,122.18	665,181.82
Amortisation	302,716.16	228,090.14
Operating expenses	**77,870,092.22**	**51,817,053.04**
Forex losses	740,057,423.66	1,122,157,582.59
Expenses on forward financial instruments	517,415,105.53	524,099,808.04
Expenses on sale of securities	320,753,599.82	1,738,739,789.02
Other financial expenses	204,975,539.68	413,085,638.56
Allocation of share of income to CNIEG	150,338,244.74	35,458,987.62
Financial expenses	**1,933,539,913.43**	**3,833,541,805.83**
Extraordinary expenses	**0.00**	**0.00**
Total expenses	**2,011,410,005.65**	**3,885,358,858.87**
Profit/(loss) for the period	**1,271,206,212.14**	**321,160,143.72**
TOTAL	**3,282,616,217.79**	**4,206,519,002.59**

INCOME – in euros	**31 December 2012**	**31 December 2011**
Income from securities	878,555,934.29	937,628,275.69
Forex gains	428,957,081.60	892,824,165.03
Income from forward financial instruments	581,856,406.45	594,626,630.83
Income from sale of securities	1,242,490,332.59	1,359,749,797.03
Other financial income	150,756,462.86	417,676,193.95
Financial income	**3,282,616,217.79**	**4,202,505,062.53**
Extraordinary income	**0.00**	**4,013,940.06**
Total income	**3,282,616,217.79**	**4,206,519,002.59**
TOTAL	**3,282,616,217.79**	**4,206,519,002.59**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2012

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 were 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 accrual accounting.
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 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 on the trading date.
BTF and BTAN 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, plus the issuer spread where applicable.
UCITS are valued using the last known net asset value. ETFs are valued using the last price quoted.
Venture capital 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 prices provided by the counterparty, under the control of the fund manager and covered by the various control levels put in place by the FRR.
Unrealised gains and losses and unrealised exchange differences are recognised on the balance sheet under Difference in estimates, and do not affect the Fund's result.
Withholding tax rebates are recognised at the time of receipt.
Realised gains and losses and definitive exchange differences are recognised in the expenses and income accounts.
Tangible assets are amortised on a straight-line basis over three years.
Intangible assets, linked mainly to the SPIRRIS application's user rights and associated maintenance, are amortised on a straight-line basis over 5 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 on 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 fees for outperforming their benchmark index by a given margin. Outperformance is defined as the positive mathematical difference between the performance of the portfolio and that of the benchmark. Depending on the mandate, these fees are paid annually and/or at the end of the mandate provided the outperformance is sustained 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 columns are presented as net values, taking into account the amortisations applied to current assets or differences in estimates for financial assets and liabilities.
"Receivables" and "Payables on financial instruments" include transactions in securities by investment companies for which settlement is pending (matured coupons, purchases and sales awaiting settlement).
"Receivables" and "Payables on forex transactions" include current foreign exchange transactions, whether spot or forward.
"Receivables" and "Payables on forward financial instruments" include pending transactions related to futures (margin payable or receivable, security deposit) and swap (payable or receivable flows) transactions.
"Transferable securities" are classified in five categories: equities, bonds, transferable debt securities, UCITS and investment funds. They appear on the balance sheet at their market value, taking into account coupons accrued on bonds and transferable debt securities.
"Cash" includes all the FRR's cash accounts in euro and in 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" INCLUDES:

- Provisions 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" INCLUDES:

- 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 THE ASSETS

CURRENT ASSETS

Table of current assets and amortisation – in euros

	Current assets				Amortisation				Net book value
Columns and entries	Gross book value – opening balance	Increase	Decrease	Gross book value - closing balance	Accumulated values – opening balance	Provisions	Decrease	Accumulated values - closing balance	
Intangible assets	2,142,903.44	693,000.00	–	2,835,903.44	-1,284,953.91	-301,978.36	–	-1,586,932.27	1,248,971.17
TOTAL I	**2,142,903.44**	**693,000.00**	**–**	**2,835,903.44**	**-1,284,953.91**	**-301,978.36**	**–**	**-1,586,932.27**	**1,248,971.17**
Tangible assets	12,712.31	–	–	12,712.31	-10,990.78	-737.80	–	-11,728.58	983.73
TOTAL II	**12,712.31**	**–**	**–**	**12,712.31**	**-10,990.78**	**-737.80**	**–**	**-11,728.58**	**983.73**
TOTAL	**2,155,615.75**	**693,000.00**	**–**	**2,848,615.75**	**-1,295,944.69**	**-302,716.16**	**–**	**-1,598,660.85**	**1,249,954.90**

RECEIVABLES LINKED TO FINANCIAL MANAGEMENT

Receivables – in euros

	31 December 2012
related to financial instruments	
Matured coupons for payment	7,039,819.22
Sales pending settlement	6,860,639.55
Fees/rebates receivable	780,193.68
TOTAL	**14,680,652.45**
related to forex transactions	
Forward purchases	293,652,191.25
Forex forward receivables	8,101,322,596.90
Forex Spot receivables	2,174,385.04
Backwardation	5,484,244.45
TOTAL	**8,402,633,417.64**
related to forward financial instruments	
Security deposits	152,336,580.73
Margin receivable	11,695,227.58
Difference in estimates on swaps	2,511,109.67
TOTAL	**166,542,917.98**

TRANSFERABLE SECURITIES

CHANGES IN THE VALUE OF THE PORTFOLIO OF TRANSFERABLE SECURITIES

Portfolio at 31 December 2011 – in euros

	Value on acquisition	Differences in estimates[1]	Accrued coupons	Balance sheet value
Equities	5,684,070,924.80	167,984,693.59	–	5,852,055,618.39
Bonds	18,456,508,213.06	390,080,736.64	346,885,726.81	19,193,474,676.51
Transferable debt securities	2,844,476,582.14	352,196.06	1,871,508.34	2,846,700,287.54
UCITS	4,424,766,776.84	-2,158,504.35	–	4,422,608,272.49
Venture capital	508,479,290.86	54,658,110.54	–	563,137,401.40
TOTAL	**31,918,301,787.70**	**610,917,233.48**	**348,757,235.15**	**32,877,976,256.33**

Portfolio at 31 December 2012 – in euros

	Value on acquisition	Differences in estimates[2]	Accrued coupons	Balance sheet value
Equities	6,577,278,557.04	641,328,519.92	–	7,218,607,076.96
Bonds	16,656,265,437.27	1,192,235,401.54	364,269,052.08	18,212,769,890.89
Transferable debt securities	1,429,422,288.10	-340,964.64	–	1,429,081,323.46
UCITS	5,856,270,519.29	458,405,348.40	–	6,314,675,867.69
Venture capital	518,921,307.22	122,887,732.93	–	641,809,040.15
TOTAL	**31,038,158,108.92**	**2,414,516,038.15**	**364,269,052.08**	**33,816,943,199.15**

	31 December 2011	31 December 2012
Equities	5,852,055,618.39	7,218,607,076.96
Bonds	19,193,474,676.51	18,212,769,890.89
Transferable debt securities	2,846,700,287.54	1,429,081,323.46
UCITS	4,422,608,272.49	6,314,675,867.69
Venture capital	563,137,401.40	641,809,040.15
TOTAL	**32,877,976,256.33**	**33,816,943,199.15**

1. *Differences in estimates before allocation of the CNIEG's share.*
2. *Differences in estimates before allocation of the CNIEG's share.*

BREAKDOWN OF PORTFOLIO BY REMAINING TERM TO MATURITY

	31 December 2011	31 December 2012
< 3 months	11.77%	1.10%
> 3 months < 1 year	1.10%	6.65%
1 to 3 years	9.84%	9.35%
3 to 5 years	11.85%	12.78%
5 to 7 years	11.13%	15.21%
7 to 10 years	27.88%	33.48%
10 to 15 years	14.72%	16.97%
> 15 years	11.71%	4.46%
	100.00%	**100.00%**

BREAKDOWN OF PORTFOLIO BY COUPON TYPE

	31 December 2011	31 December 2012
Fixed rate	86.55%	93.59%
Index-linked rate	12.98%	6.19%
Variable rate	0.47%	0.22%
	100,00 %	**100.00%**

BREAKDOWN OF TRANSFERABLE SECURITIES PORTFOLIO BY CURRENCY OF LISTING

in euros

Currency	Equities	Bonds	Transferable debt securities	UCITS[3]	Limited Partnership[4] and Venture Capital funds	Total
AUD	189,156,069.94	–	–	–	–	189,156,069.94
CAD	83,193,986.21	–	–	–	–	83,193,986.21
CHF	354,025,893.51	–	–	–	–	354,025,893.51
DKK	127,310,722.75	–	–	–	–	127,310,722.75
EUR	2,919,751,380.66	15,107,867,953.08	1,415,623,070.72	3,237,625,898.99	352,303,497.37	23,033,171,800.82
GBP	1,009,276,586.86	–	–	69,058,971.77	–	1,078,335,558.63
HKD	114,143,540.99	–	–	–	–	114,143,540.99
JPY	431,699,342.09	–	–	–	–	431,699,342.09
NOK	76,588,277.25	–	–	–	–	76,588,277.25
NZD	3,741,501.22	–	–	–	–	3,741,501.22
SEK	143,856,337.14	–	–	–	–	143,856,337.14
SGD	50,288,207.70	–	–	–	–	50,288,207.70
USD	1,715,575,230.64	3,104,901,937.81	12,132,192.81	3,007,990,996.93	289,505,542.78	8,130,105,900.97
NET TOTAL OF INTEREST RECEIVED IN ADVANCE[5]	**7,218,607,076.96**	**18,212,769,890.89**	**1,427,755,263.53**	**6,314,675,867.69**	**641,809,040.15**	**33,815,617,139.22**

Interest received in advance on French Treasury Bills (BTF)	–
Interest received in advance on Foreign Treasury Bills	4,967.39
Interest receive in advance on certificates of deposit	1,321,092.54
Total interest received in advance:	**1,326,059.93**

	Equities	Bonds	Transferable debt securities	UCITS	Limited Partnership and Venture Capital funds	Total
PORTFOLIO TOTAL	**7,218,607,076.96**	**18,212,769,890.89**	**1,429,081,323.46**	**6,314,675,867.69**	**641,809,040.15**	**33,816,943,199.15**

3. Incl. Exchange Traded Funds.
4. Limited Partnership: Investment funds.
5. IRA: Interest received in advance.

DETAILED STATEMENT OF TRANSFERABLE SECURITIES AT 31 DECEMBER 2012

in euros

Transferable securities	Net Total of Interest received in advance	IPA	Portfolio total
Equities			
Eurozone European	2,919,751,380.66	–	2,919,751,380.66
Non-eurozone European	1,711,057,817.51	–	1,711,057,817.51
USA	1,798,769,216.85	–	1,798,769,216.85
Asia ex Japan	357,329,319.85	–	357,329,319.85
Japan	431,699,342.09	–	431,699,342.09
SUB-TOTAL	**7,218,607,076.96**	**–**	**7,218,607,076.96**
Bonds			
Eurozone European	15,107,867,953.08	–	15,107,867,953.08
Non-eurozone European	–	–	
USA	3,104,901,937.81	–	3,104,901,937.81
Asia ex Japan	–	–	–
Japan	–	–	–
SUB-TOTAL	**18,212,769,890.89**	**–**	**18,212,769,890.89**
Transferable debt securities			
Eurozone European	1,415,623,070.72	1,321,092.54	1,416,944,163.26
USA	12,132,192.81	4,967.39	12,137,160.20
SUB-TOTAL	**1,427,755,263.53**	**1,326,059.93**	**1,429,081,323.46**
UCITS			
Eurozone European	3,237,625,898.99	–	3,237,625,898.99
Non-eurozone European	69,058,971.77	–	69,058,971.77
USA	3,007,990,996.93	–	3,007,990,996.93
SUB-TOTAL	**6,314,675,867.69**	**–**	**6,314,675,867.69**
Investment funds			
Europe	352,303,497.37	–	352,303,497.37
USA	289,505,542.78	–	289,505,542.78
SUB-TOTAL	**641,809,040.15**	**–**	**641,809,040.15**
GRAND TOTAL	**33,815,617,139.22**	**1,326,059.93**	**33,816,943,199.15**

INVESTMENT 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	150,595,000	128,100,000	23,196,9339[6]	301,891,933
Payments over the period (calls for funds)	EUR	31,200,000	10,500,000	8,272,800	49,972,800
Provisional repayment	EUR	-7,500,000	–	- 2,618,413[10]	- 10,118,413
Balance on closing date	EUR	174,295,000	138,600,000	28,851,320	341,746,320
Valuation on closing date	EUR	179,341,113	141,171,360	31,791,024	352,303,497

		NBEL[7]	AXA IM Private Equity Europe	Total		NBEL	AXA IM Private Equity Europe	Total
Liabilities at inception	USD	679,993,200	198,000,000	877,993,200	EUR[8]	523,796,950	152,518,872	676,315,822
Liabilities on closing date	USD	280,711,144	198,000,000	478,711,144	EUR[8]	216,231,046	152,518,872	368,749,918
Balance for previous financial year	USD	158,676,950	126,937,559	285,614,509	EUR[9]	113,319,990	93,267,304	206,587,294
Payments over the period (calls for funds)	USD	8,419,498	12,732,783	21,152,281	EUR[9]	6,488,563	10,023,423	16,511,986
Distribution of assets	USD	-32,866,359	-25,812,511	-58,678,870	EUR[9]	-25,401,527	-20,522,851	-45,924,378
Balance on closing date	USD	134,230,089	113,857,831	248,087,920	EUR[9]	94,407,026	82,767,876	177,174,902
Valuation on closing date	USD	227,963,705	153,709,571	381,673,276	EUR[8]	172,909,364	116,596,179	289,505,543
Total initial liabilities (EUR)								**1,576,315,822**
Total net payments over the period (EUR)								**10,441,995**
TOTAL VALUED ON CLOSING DATE (EUR)								**641,809,040**

6. Including EUR 256,508 paid in connection with the Fee premium and the Subscription premium in accordance with the Fund's regulations.
7. Neuberger Berman Europe Limited ex Lehman Brother Int. Europe.
8. On the basis of a $/€ exchange rate of 0,7584951 on the closing date.
9. On the basis of a $/€ exchange rate on the transaction date.
10. Including EUR 1,405,551.09 in partial distributions of assets.

CASH

Currencies – in euros	**Total**
AUD	25,574,394.35
CAD	20,093,359.15
CHF	9,662,637.81
DKK	1,090,271.21
EUR	1,733,875,220.65
GBP	133,687,512.72
HKD	31,113,050.13
JPY	71,538,521.08
NOK	979,567.51
NZD	65,604.87
SEK	1,917,544.09
SGD	73,552.77
USD	420,280,055.01
TOTAL	**2,449,951,291.35**

ADDITIONAL INFORMATION RELATING TO LIABILITIES

CHANGES TO PERMANENT CAPITAL – in euros

Equity capital	31 December 2011	Allocation of 2011 profit/(loss)	2012 profit/(loss)	Variation +	Variation -	31 December 2012
Provisions	2,867,264,562.06	–	–	–	908.70	2,867,263,653.36
Reserves	603,069,148.26	321,160,143.72	–	–	–	924,229,291.98
Differences in estimates	525,175,590.12	–	–	1,906,129,861.39	–	2,431,305,451.51
Profit/(loss) for the financial year	321,160,143.72	-321,160,143.72	1,271,206,212.14	–	–	1,271,206,212.14
SUB-TOTAL	**4,316,669,444.16**	**–**	**1,271,206,212.14**	**1,906,129,861.39**	**908.70**	**7,494,004,608.99**
Long-term debts	**31 December 2011**					**31 December 2012**
CNIEG	3,490,766,561.44	–	–	375,765,256.39	–	3,866,531,817.83
CADES + 1 year	25,200,000,000.00	–	–	–	2,100,000,000.00	23,100,000,000.00
SUB-TOTAL	**8,690,766,561.44**	**–**	**–**	**375,765,256.39**	**2,100,000,000.00**	**26,966,531,817.83**
TOTAL PERMANENT CAPITAL	**33,007,436,005.60**	**–**	**1,271,206,212.14**	**2,281,895,117.78**	**2,100,000,908.70**	**34,460,536,426.82**

PROFIT/LOSS FOR RECENT FINANCIAL YEARS – in euros

	2009	2010	2011	31 December 2012
Profit/(loss) for the financial year	- 133,555,062.47	603,069,148.26	321,160,143.72	1,271,206,212.14

Profits and 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	3,866,531,817.83	–	3,866,531,817.83	–	3,866,531,817.83
CADES debt	25,200,000,000.00	2,100,000,000.00	23,100,000,000.00	8,400,000,000.00	14,700,000,000.00
Payables from operations	43,982,296.91	43,982,296.91	–	–	–
Payables on financial instruments	10,334,276.15	10,334,276.15	–	–	–
Payables on forex transactions	8,233,106,634.19	8,233,106,634.19	–	–	–
Payables on forward financial instruments	2,891,642.08	2,891,642.08	–	–	–
TOTAL	**37,356,846,667.16**	**10,390,314,849.33**	**26,966,531,817.83**	**8,400,000,000.00**	**18,566,531,817.83**

EXTRAORDINARY CONTRIBUTION TO CNIEG – in euros

Equity capital at 31 December 2011	4,316,669,444.16
CNIEG balance at 31 December 2011	3,490,766,561.44
Employers' contributions 2012 (adjustment of 2011 employers' contributions)	-908.70
CADES debt at 31 December 2012	25,200,000,000.00
	33,007,435,096.90
CNAV SHARE AT 31 DECEMBER 2012	**10.58%**

Employers' contributions

Provisions at 31 December 2011	2,867,264,562.06	**2012**
Provisions at 31 December 2012	2,867,263,653.36	-908.70

Breakdown at 31 December 2012	31 December 2011	31 December 2012	to be allocated
Operating expenses		77,870,092.22	77,870,092.22
Financial Income		1,499,414,549.10	1,499,414,549.10
Extraordinary Income		–	–
TOTAL INCOME		**1,421,544,456.88**	**1,421,544,456.88**
Difference in estimates, Transferable securities	-556,259,122.94	2,291,628,305.22	1,735,369,182.28
Difference in estimates, Forex	-23,394,315.12	-11,566,535.83	-34,960,850.95
Difference in estimates, Forward exchange	228,935,646.19	173,693,663.70	402,629,309.89
Difference in estimates, Derivatives	-52,004,715.31	707,600.18	-51,297,115.13
Difference in estimates, Venture Capital	-54,658,110.54	122,887,732.93	68,229,622.39
Difference in estimates, Swaps	9,075,614.89	2,511,109.67	11,586,724.56
DIFFERENCE IN ESTIMATES, TOTAL	**-448,305,002.83**	**2,579,861,875.87**	**2,131,556,873.04**

Financial and extraordinary profit/loss less operating expenses	1,421,544,456.88
Breakdown percentage	10.58%
TO BE CREDITED TO THE CNAV	**150,338,244.74**
Difference in estimates	2,131,556,873.04
Breakdown percentage	10.58%
TO BE CREDITED TO THE CNAV	**225,427,011.65**

Summary

Financial and extraordinary profit/loss less operating expenses	150,338,244.74
Difference in estimates	225,427,011.65
TOTAL	**375,765,256.39**
As a reminder: CNIEG contribution at 31 December 2011	**3,490,766,561.44**
CNIEG CONTRIBUTION AT 31 DECEMBER 2012	**3,866,531,817.83**

PAYABLES RELATED TO FINANCIAL MANAGEMENT

Payables – in euros	**31 December 2012**
related to financial instruments	
Purchases pending settlement	10,334,276.15
TOTAL	**10,334,276.15**
related to forex transactions	
Forward sales	7,934,990,688.40
Currencies to be delivered forward	293,527,958.59
Currencies to be delivered spot	2,173,467.69
Contango	2,414,519.51
TOTAL	**8,233,106,634.19**
related to forward financial instruments	
Margin payable	2,891,642.08
TOTAL	**2,891,642.08**

PREPAID INCOME

Prepaid income came to EUR 1,326,059.93. It corresponds to interest prepaid on certain negotiable debt securities (BTF, CDN, foreign Treasury Bills).

ADDITIONAL INFORMATION RELATING TO THE PROFIT AND LOSS ACCOUNT

OPERATING EXPENSES – in euros

	Amount
Outside services	**76,641,286.25**
Administrative Management (*Caisse des dépôts et consignations*)	20,616,005.10
Investment company fees	51,638,046.16
Other outside services	4,387,234.99
including trading costs on financial instruments of EUR 3,556,444.49	
Taxes and duties	**70,967.63**
Payroll	**855,122.18**
Amortisation	**302,716.16**
TOTAL	**77,870,092.22**

TABLE OF STAFF REMUNERATED DIRECTLY BY THE FRR

Table of staff and breakdown by category

Category	Permanent (CDI)	Temporary (CDD)	Temps	Others	Total
MANAGEMENT	2	–	–	–	2
EXECUTIVES	1	–	–	–	1
EMPLOYEES	4	–	–	–	4
TOTAL	**7**	**–**	**–**	**–**	**7**
OTHERS[11]	**–**	**–**	**–**	**1**	**–**

11. Chairman of the Supervisory Board. Payment of an indemnity.

OFF-BALANCE SHEET LIABILITIES

Forward foreign exchange contracts – in euros

Currency codes	Currency receivable	%	Currency to be delivered	%
AUD	200,472,607.73	2.47	211,862.59	0.07
CAD	95,110,165.58	1.17	2,190,958.58	0.75
CHF	342,061,453.89	4.22	13,247.30	–
DKK	120,399,527.18	1.49	–	–
GBP	1,050,006,939.40	12.96	1,621,748.19	0.55
HKD	136,168,628.57	1.68	1,080,593.26	0.37
JPY	539,245,552.89	6.66	29,392,811.05	10.01
NOK	71,587,150.09	0.88	–	–
NZD	3,637,000.21	0.04	159,330.71	0.05
SEK	132,975,295.41	1.64	–	–
SGD	44,849,476.52	0.55	–	–
USD	5,364,808,799.43	66.22	258,857,406.91	88.19
TOTAL	**8,101,322,596.90**	**100.00**	**293,527,958.59**	**100.00**

Securities and cash on deposit at 31 December 2012

Stock code	Name of stock	Quantity	Cost price	Market value
XS0760364116	STGOBAIN 3.625% 03/22 EUR	1,400,000.00	1,386,434.00	1,484,149.59
XS0827999318	FRANCETEL 2.500% 03/23 EUR	2,000,000.00	1,982,400.00	1,995,902.47
SUB-TOTAL			**3,368,834.00**	**3,480,052.06**

Stock code	Name of stock	Quantity	Cost price	Market value
DG.AUD	DEPOSIT AUD	3,836,575.00	3,054,420.72	3,021,163.08
DG.AUD	DEPOSIT AUD	12,000.00	9,628.36	9,449.56
DG.CAD	DEPOSIT CAD	983,800.00	760,453.20	749,447.70
DG.CHF	DEPOSIT CHF	3,326,391.00	2,754,445.87	2,756,373.05
DG.EUR	DEPOSIT EUR	86,500,012.00	86,500,012.00	86,500,012.00
DG.EUR	DEPOSIT EUR	286,452.00	286,452.00	286,452.00
DG.EUR	DEPOSIT EUR	105,948.00	105,948.00	105,948.00
DG.EUR	DEPOSIT EUR	221,775.00	221,775.00	221,775.00
DG.EUR	DEPOSIT EUR	1,434,124.20	1,434,124.20	1,434,124.20
DG.EUR	DEPOSIT EUR	17,658.00	17,658.00	17,658.00
DG.EUR	DEPOSIT EUR	620,700.00	620,700.00	620,700.00
DG.GBP	DEPOSIT GBP	7,233,000.00	8,783,609.06	8,917,519.41
DG.GBP	DEPOSIT GBP	48,000.00	59,096.92	59,178.89
DG.HKD	DEPOSIT HKD	35,113,500.00	3,489,910.17	3,436,200.29
DG.HKD	DEPOSIT HKD	206,550.00	20,756.45	20,212.94
DG.JPY	DEPOSIT JPY	489,375,000.00	4,513,557.35	4,292,763.15
DG.JPY	DEPOSIT JPY	330,000.00	3,067.85	2,894.73
DG.USD	DEPOSIT USD	50,895,150.00	38,846,441.32	38,603,724.21
DG.USD	DEPOSIT USD	70,000.00	53,822.84	53,094.66
DG.USD	DEPOSIT USD	35,000.00	26,819.10	26,547.33
DG.USD	DEPOSIT USD	35,000.00	27,394.12	26,547.33
DG.USD	DEPOSIT USD	1,548,850.00	1,041,464.60	1,174,795.20
SUB-TOTAL			**152,631,557.13**	**152,336,580.73**
TOTAL			**156,000,391.13**	**155,816,632.79**

OTHER LIABILITIES – in euros

Off-balance sheet liabilities valued on derivatives

CURRENCY FUTURES

Long position

Stock code	Name of stock	Currency	Price	OBS liabilities valued
EC0313	CHI FUTUR EUR/U 0313	USD	1.32	1,252,150,257.84
TOTAL				**1,252,150,257.84**

INDEX FUTURES

Long position

Stock code	Name of stock	Currency	Price	OBS liabilities valued
AP0313	SYD FUTURE SPI2 0313	AUD	4,616.00	42,165,209.86
AP0313	SYD FUTURE SPI2 0313	AUD	4,616.00	181,746.59
BXF0113	BEL FUTURE BEL2 0113	EUR	2,478.30	18,116,373.00
EMD0313	CHI FUTURE SPI4 0313	USD	1,018.10	153,749,780.03
ES0313	CHI FUTUR SPMIN 0313	USD	1,420.10	132,488,091.62
FCE0113	Mar CAC40 0113	EUR	3,642.00	137,958,960.00
FDAX0313	EUR FUTURE DAX 0313	EUR	7,618.50	174,082,725.00
FESX0313	EUR DJ EURO STO 0313	EUR	2,615.00	736,148,650.00
FESX0313	EUR DJ EURO STO 0313	EUR	2,615.00	235,350.00
FESX0313	EUR DJ EURO STO 0313	EUR	2,615.00	3,817,900.00
FESX0313	EUR DJ EURO STO 0313	EUR	2,615.00	1,412,100.00
FTI0113	AEX FUTURE AEX 0113	EUR	343.10	18,390,160.00
HSI0113	HKF HANG SENG I 0113	HKD	22,674.00	56,581,267.65
HSI0113	HKF HANG SENG I 0113	HKD	22,674.00	332,830.99
NQ0313	CHI NASDAQ 100 0313	USD	2,655.25	3,866,868.93
RTA0313	NY RUSSELL 200 0313	USD	846.60	104,219,645.02
SP0313	CHI SP500 0313	USD	1,420.10	538,569.48
SP0313	CHI SP500 0313	USD	1,420.10	1,077,138.96
SP0313	CHI SP500 0313	USD	1,420.10	538,569.48
TP0313	TOK TOPIX 0313	JPY	861.50	151,140.35
YM0313	CBO FUTURE DJ M 0313	USD	13,027.00	3,754,748.18
Z0313	LIF FTSE100 0313	GBP	5,848.00	1,153,593.88
TOTAL				**1,590,961,419.02**

Short position

Stock code	Name of stock	Currency	Price	OBS liabilities valued
FSMI0313	EUR FUTURE SMI 0313	CHF	6,750.00	36,748,011.27
TP0313	TOK TOPIX 0313	JPY	861.50	203,057,060.83
Z0313	LIF FTSE100 0313	GBP	5,848.00	114,205,794.60
TOTAL				**354,010,866.71**

INTEREST RATE FUTURES

Long position

Stock code	Name of stock	Currency	Price	OBS liabilities valued
CG0313	MON FUTURE CAN 0313	CAD	135.54	37,687,285.75
FGBL0313	EUR EURO BUND F 0313	EUR	145.64	96,996,240.00
FGBM0313	EUR EURO BOBL F 0313	EUR	127.82	131,398,960.00
FGBM0313	EUR EURO BOBL F 0313	EUR	127.82	28,503,860.00
FGBS0313	EUR EURO SCHATZ 0313	EUR	110.86	70,503,780.00
FGBS0313	EUR EURO SCHATZ 0313	EUR	110.86	25,385,795.00
FGBS0313	EUR EURO SCHATZ 0313	EUR	110.86	7,538,140.00
FGBX0313	EUR FUTURE EURO 0313	EUR	136.94	91,749,800.00
FOAT0313	EUR EURO OAT FU 0313	EUR	136.16	149,776,000.00
FV0313	CBO UST NOTE 5 0313	USD	124.41	91,346,556.43
I0313	LIF 3MO EURO EU 0313	EUR	99.83	14,724,925.00
I0613	LIF 3MO EURO EU 0613	EUR	99.83	7,237,675.00
JGB0313	TOK JPN 10Y BON 0313	JPY	143.65	148,690,350.46
R0313	LIF GILT FUTURE 0313	GBP	118.92	121,251,189.74
SXF600313	MON FUTURE TSE6 0313	CAD	711.40	7,261,948.66
TU0313	CBO 2 Y US TRES 0313	USD	110.23	94,649,053.77
TU0313	CBO 2 Y US TRES 0313	USD	110.23	35,786,038.00
TY0313	CBO T NOTE US 1 0313	USD	132.78	104,440,349.09
US0313	CBO FUTURE BOND 0313	USD	147.50	22,263,728.76
XT0313	SYD FUTURE AUST 0313	AUD	96.75	215,505,882.35
TOTAL				**1,502,697,558.01**

Short position

Stock code	Name of stock	Currency	Price	OBS liabilities valued
FGBL0313	EUR EURO BUND F 0313	EUR	145.64	27,817,240.00
FGBL0313	EUR EURO BUND F 0313	EUR	145.64	50,974,000.00
FGBL0313	EUR EURO BUND F 0313	EUR	145.64	78,645,600.00
FGBM0313	EUR EURO BOBL F 0313	EUR	127.82	19,173,000.00
FGBM0313	EUR EURO BOBL F 0313	EUR	127.82	39,879,840.00
FGBM0313	EUR EURO BOBL F 0313	EUR	127.82	6,135,360.00
FGBS0313	EUR EURO SCHATZ 0313	EUR	110.86	21,727,580.00
FGBS0313	EUR EURO SCHATZ 0313	EUR	110.86	15,852,265.00
FV0313	CBO UST NOTE 5 0313	USD	124.41	51,807,086.24
I0314	LIF 3MO EURO EU 0314	EUR	99.74	19,449,300.00
I0614	LIF 3MO EURO EU 0614	EUR	99.70	15,204,250.00
I0913	LIF 3MO EURO EU 0913	EUR	99.81	7,734,887.50
I0914	LIF 3MO EURO EU 0914	EUR	99.66	13,204,287.50
I1213	LIF 3MO EURO EU 1213	EUR	99.77	11,972,400.00
TY0313	CBO T NOTE US 1 0313	USD	132.78	27,998,473.53
UBE0313	CBO ULTRA BOND 0313	USD	162.59	9,742,799.04
TOTAL				**417,318,368.80**

OBS liabilities on swaps

COMMODITIES SWAPS

Stock code	Name of stock	Currency	Nominal liability in EUR
SWAP692722	SWAP CREDIT SUISSE 8	USD	534,192,809.73
SWAP692728	SWAP SOCIETE GENERALE 8	USD	541,772,012.40
TOTAL			**1,075,964,822.13**

ADDITIONAL INFORMATION

PERFORMANCE FEE. VARIABLE FEES

On the closing date, the performance fees payable at the end of the investment mandates concerned were EUR 40,893,634.92 and is detailed as follows:

- 2014: EUR 32,596,899.82
- 2015: EUR 3,253,435.80
- 2016: EUR 5,043,299.30

STATUTORY AUDITOR'S REPORT AT 31 DECEMBER 2012

Dear Sir/Madam,

Following our appointment by the Supervisory Board, we hereby present our report for the financial year ended 31 December 2012, relative to:

- the audit of the annual financial statements of the Fonds de Réserve pour les Retraites, 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 and we ensured that they have been applied correctly.

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, 12 April 2013

Statutory Auditors

CONSTANTIN ASSOCIÉS

Stéphane Collas
Partner

Pascal Pincemin
Partner

MAZARS

Gilles Dunand-Roux
Partner

Pierre Masiéri
Partner

MANAGEMENT COMPANIES SELECTED BY THE FRR[1] AT 31 DECEMBER 2012

2005FRR05
VENTURE CAPITAL PROGRAMME

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

2008FRR03
ACTIVE MANAGEMENT MANDATES, EUROPEAN EQUITIES – EUROPEAN SMALL CAP EQUITIES

- Allianz Global Investors (France),(RCM Europe)
- Kempen Capital Management Limited
- Montanaro Asset Management Limited
- Threadneedle Asset Management Limited

2008FRR05
MANAGEMENT MANDATES – JAPANESE EQUITIES, ASIA-PACIFIC EQUITIES – JAPANESE EQUITIES

- DAIWA SB Investments (UK) Limited
- DIAM International Limited
- FIL Gestion (France) (Fidelity Investments Japan Limited)

2008FRR05
MANAGEMENT MANDATES – JAPANESE EQUITIES, ASIA-PACIFIC EQUITIES – ASIA-PACIFIC EQUITIES

- Blackrock Investment Management (UK) Limited

2008FRR06
US LARGE AND MEDIUM – CAP MANAGEMENT MANDATES – «GROWTH» INVESTMENT

- ING Investment Management (Belgium) SA, (ING Investment Management Co., US)

2008FRR06
US LARGE AND MEDIUM – CAP MANAGEMENT MANDATES – "GROWTH" INVESTMENT

- Robeco Institutional Asset Management (The Netherlands), (Robeco Investment Management, Inc., US)

2009FRR01
GLOBAL EXPOSURE MANDATE

- Amundi

2009FRR02
BOND MANAGEMENT MANDATES – BONDS AND OTHER INFLATION-INDEXED DEBT SECURITIES, ACTIVE LOW-RISK MANAGEMENT

- Natixis Asset Management

2009FRR02
BOND MANAGEMENT MANDATES – BONDS AND OTHER DEBT SECURITIES ISSUED IN EURO, CREDIT INVESTMENT GRADE CATEGORY – ACTIVE MANAGEMENT

- AXA Investment Managers (France)
- BNP Paribas Asset Management
- HSBC global Asset Management
- La Banque postale Asset Management
- Quoniam Asset Management GmbH
- Standard life investment

2009FRR02
BOND MANAGEMENT MANDATES – BONDS AND OTHER DEBT SECURITIES ISSUED IN US DOLLAR, CREDIT INVESTMENT GRADE CATEGORY – ACTIVE MANAGEMENT

- 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)
- Schroder Investment Management (UK) Limited, (Schroder Investment Management North America)

2009FRR04
TRANSITION OPERATIONS MANAGEMENT MANDATE

- Goldman Sachs International
- Russell Implementation Services Limited

2010FRR04
OVERLAY MANAGER

- State Street Global Advisors (France)

2010FRR05
PASSIVE MANAGEMENT MANDATES – 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)

2010FRR05
PASSIVE MANAGEMENT MANDATES – MATCHED-BOOK MANAGEMENT

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

2011FRR01
PASSIVE MANAGEMENT MANDATES – 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 – DEVELOPED COUNTRY EQUITIES – SOPTIMISED INDICES

- Amundi
- BNP Paribas Asset Management

2011FRR02
PASSIVE MANAGEMENT INDICES – COMMODITIES INDEX

- BNP Paribas Asset Management

2011FRR06
ACTIVE MANAGEMENT MANDATES – DEVELOPED COUNTRY EQUITIES EXPOSED TO EMERGING ECONOMY GROWTH – EUROPE

- Blackrock Investment Management Limited (UK)
- Edmond de Rothschild Asset Management
- La Française des placements

2011FRR06
ACTIVE MANAGEMENT MANDATES – DEVELOPED COUNTRY EQUITIES EXPOSED TO EMERGING ECONOMY GROWTH – WORLD

- JP Morgan Asset Management UK (Ltd)
- Schroders Investment Management (UK) Limited

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.

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