2015
Annual report

FONDS DE RESERVE
POUR LES RETRAITES

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Message from the Chairman of the Supervisory Board and Chairman of the Management Board

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After a triumphal start to the year for the financial markets, 2015 was marked by very high volatility and mounting concerns for investors.

Indeed, although the initial optimism was buoyed by an exceptional combination of favourable factors for the eurozone (very low interest rates, weakening euro against the dollar and a sharp fall in oil and commodity prices), causes for concern began to mount up from May onwards.

The Greek crisis entered a new phase, with a high risk of Greece leaving the eurozone, which weighed heavily on the markets in June. July's sharp rebound was brutally halted by rising concerns about China from 11 August onwards, when the Chinese authorities instigated a controlled weakening of the yuan. However, this decision was interpreted by the markets as evidence of the severity of China's slowdown. From this moment onward, the continuing collapse of oil and commodity prices was perceived as a reflection of the struggling economy in China and as being at the root of a worrying deterioration in other emerging economies. At the same time, this extremely powerful downward move cast doubt on the strength of the energy sector in developed countries, with in particular a rise in fears of major bankruptcies in shale oil and gas in the US.

The Fed's rather hesitant attempt to restore US interest rates to normal levels caused great confusion in investors' minds in September and made a drama out of its first base rate hike, which eventually took place in December.

2015 drew to a close and 2016 began against a backdrop of fears of a brutal slowdown in the Chinese economy and a continuing collapse of oil and commodity prices, which were more than ever perceived as evidence of a serious lack of worldwide demand, threatening an imminent slide into deflation for the global economy. In the case of oil, the primary cause of the falling price is excess supply.

In this turbulent context, the FRR's annual performance was generated exclusively by performance assets. The broad diversification of these assets helped the FRR to buck the trend: strong equities performance in the eurozone and Japan and a slump in emerging markets while US equities were flat.

Alain Vasselle
Chairman of the Supervisory Board

In 2015, the broad diversification of performance assets helped the FRR to buck the trend.

2015

2015 brought far-reaching structural changes for the FRR, stepping up its portfolio decarbonisation programme in order to manage carbon risk and to make a contribution to the necessary transition to a low-carbon economy. In addition to investments in the Low-carbon Leaders indices, which already accounted for EUR 1 billion at the end of 2014, in 2015 the FRR decarbonised all of its smart beta investments, worth EUR 2.1 billion, and its investments in Asia-Pacific excl. Japan, i.e., EUR 300 million.

By the end of 2014 the FRR's equity portfolio's CO_2 emissions per euro invested were already 15% below its benchmark index, and this figure moved to 30.4% by the end of 2015. This programme will continue in 2016, in part through a new generation of optimised equities management mandates with an ESG approach.

In this regard, it should be noted that the FRR applies a particularly demanding approach to the transparency of its investment policy. In particular, this approach consists of a detailed presentation of its portfolio's performance and its causes and, uniquely among major investors in France, a comprehensive publication of the composition of its securities portfolio.

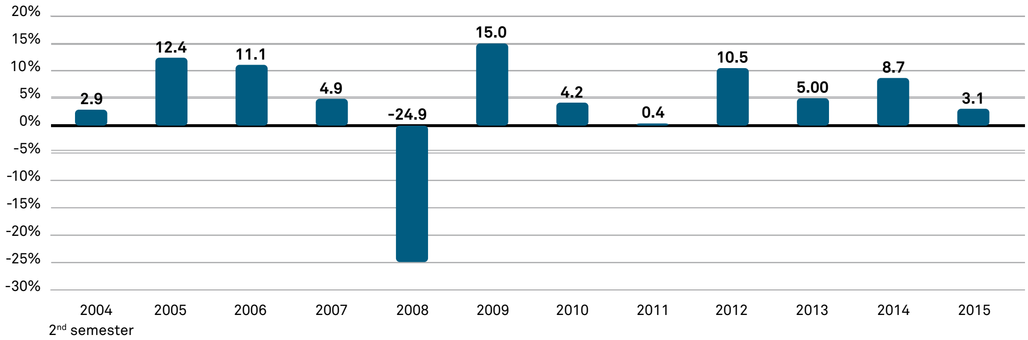
The highlight for the FRR in 2015 was undoubtedly its obtaining approval from the authorities for a EUR 2 billion investment programme for the long-term financing of the French economy. The FRR's staff pulled out all the stops to deploy this package, and will prioritise this objective throughout 2016.

Pierre-René Lemas
Chairman of the Management Board

The FRR engaged in a EUR 2 billion investment programme for the long-term financing of the French economy.

Key figures

The FRR's net annual performance



EUR 36.3 billion

FRR's assets at 31/12/2015

+3.08%

2015 performance net of charges

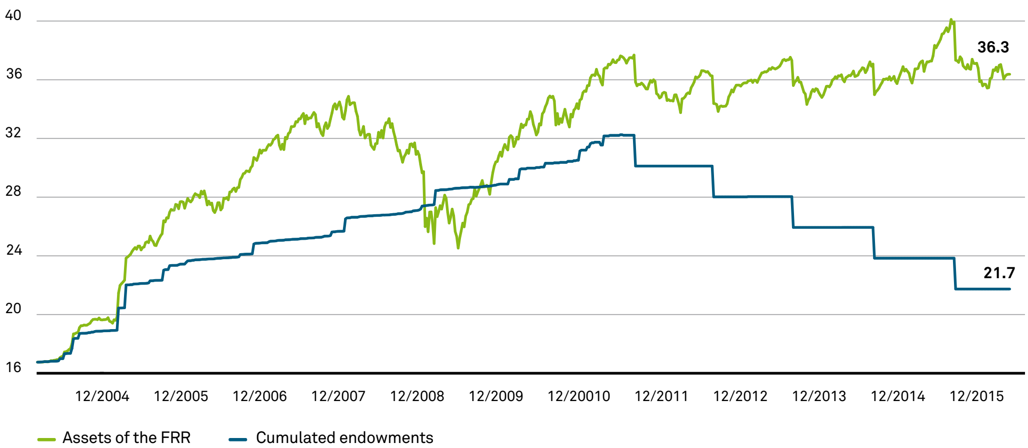
+4.07%

Annualised performance of assets since June 2004

+5.5%

Annualised performance of assets since December 2010*

Changes in the value of the FRR's net assets up to 31/12/2015 (EUR billion)



Since the entry into force of the 2010 pensions reform, the FRR's financial model has changed substantially:
- *the FRR no longer receives new investments (EUR 1.5 to 2 billion a year up to 2010);*
- *the FRR pays EUR 2.1 billion every year to the CADES.*

A disappointing year for global economic growth

The economic context in which the FRR made its investments turned out to be disappointing in 2015.

Divergence between developed and emerging countries

Global economic growth in 2015 should be 3.1%, i.e., 0.3% lower than in 2014, as a result of stalling growth in emerging countries.

As in 2014, the year was marked by healthy growth in developed countries, at an annual rate close to 2% (as compared to 1.8% in 2014 and 1.1% in 2013). Nevertheless, this growth rate is still 0.75% below the rate prior to the major recession of 2008-2009.

Moreover, activity slowed again in emerging countries, whose growth rate should be around 4% (as compared to 4.6% in 2014 and 5% in 2013).

→ Annual real GDP growth: world, developed countries and emerging countries between 1990 and 2015

Source: Datastream, IMF – Global economic outlook, October 2015.

Solid growth in developed countries but diverging monetary policies

Activity in the three leading developed economies, the US, the eurozone and Japan (approximately one-third of the global economy) improved in 2015.

In the US, economic growth is set to rise to 2.6% (from 2.4% in 2014), lifted by healthy domestic demand (household spending growing at an annual rate in excess of 3%). Two factors appear to have penalised the world's leading economy: sluggish exports, due to a difficult external environment, the rapid ascent of the dollar (which rose 20% in real terms between July 2014 and

December 2015) and falling corporate investment in the energy sector, which has been hit badly by the oil slump since the summer of 2014.

The Fed began the process of normalising its monetary policy, with an initial key interest rate hike of 0.25% on 16 December 2015, bringing to an end the zero-rate policy that had been in place since 2008.

After a disappointing 2014 (0.9% growth), the eurozone resumed a healthier, widespread growth level, with an annual rate of 1.5% expected for 2015. The eurozone economies benefited from a combination of positive factors this year:

- lower oil price;
- weaker euro;
- interest rates close to zero.

To stimulate growth and above all to stave off any deflationary risk, in January the European Central Bank (ECB) announced that it was embarking on a massive sovereign bond buying programme. Between March 2015 and September 2016 it thus bought EUR 60 billion per month of bonds, bolstering its balance sheet by EUR 1.14 trillion. In December this programme was extended by six months (September 2016 to March 2017), resulting in additional purchases of EUR 360 billion. Furthermore, the deposit facility rate (the rate on banks' surplus reserves deposited with the ECB) was cut from 0.1% to -0.3% to encourage banks to lend more.

Economic problems in major emerging countries: Chinese slowdown and further falls in the oil price

Emerging countries have had a difficult year, affected in particularly by:

- falling oil prices and commodity prices in general;
- the slowdown in China;
- the weakness of their currencies (generating inflation);
- political and geopolitical problems in certain countries.

In 2015, oil producing countries were hit hard by the continuing fall in oil prices. Two major emerging countries, Brazil and Russia, suffered particularly badly and slid into recession.

Annual GDP growth in major emerging countries between 2000 and 2015

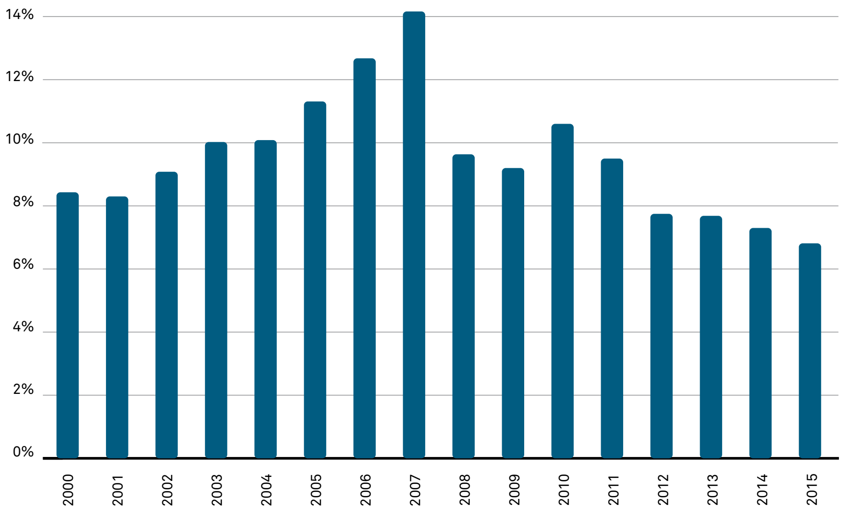
Source: Datastream, IMF – Global economic outlook, October 2015.

CHINA: SLOWING GROWTH AGAINST A BACKDROP OF REFORMS

China embarked upon a programme of reforms and economic transition, the aim being to transform its investment and export-based economic model to a consumer spending and services model (taking its industrial base up-market). A series of financial reforms were introduced with the aim of gradually opening up the capital account, unpegging the exchange rate and making the yuan an international currency.

China's growth has been stalling since 2011 as a result of changes in its economic model and problems encountered by Chinese companies, especially in the manufacturing sector, which appears to have slumped in 2015.

China annual GDP growth since 2000



Source: Datastream, IMF – Global economic outlook, October 2015.

Chinese companies have been struggling with overcapacity, high borrowings and dwindling competitiveness. Since mid-2014, Chinese companies have become considerably less competitive with the effective real exchange rate of the yuan rising 15% (in the wake of the dollar's sharp rise), and 35% since 2010.

Since August, the yuan's slide against the dollar has been the cause of significant concern for the financial markets. During the second half of the year, strong downward pressure (capital flight) weakened China's currency, forcing the central bank to intervene in the currency markets to stem the slide. China has substantial currency reserves (USD 3.33 trillion at end 2015), which means it can limit fluctuations in its currency while pursuing further financial reforms. However, the yuan is set to become more volatile in the future and certainly less predictable than in the past.

Financial markets: further falls by the euro and outperformance by eurozone and Japanese equities

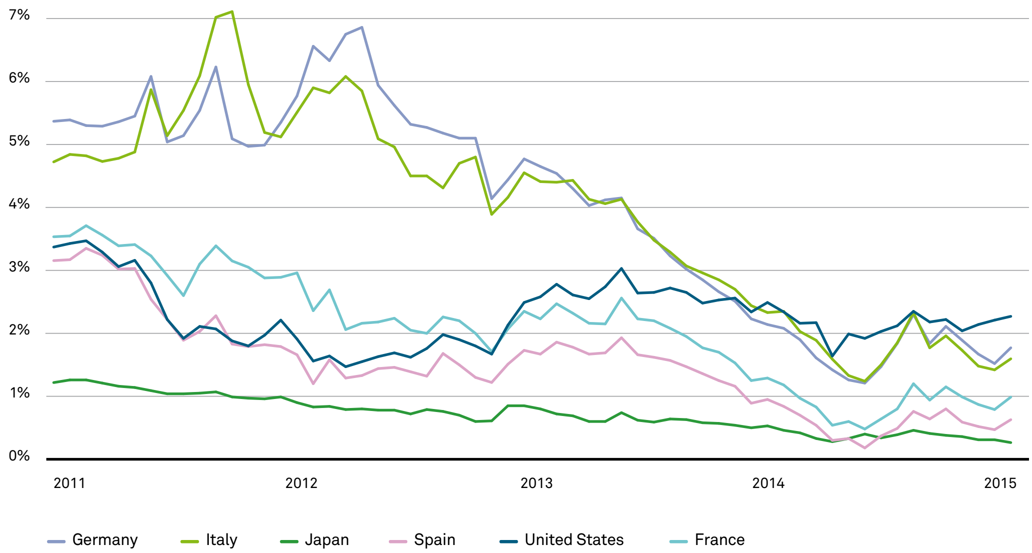
During 2015 sovereign bond yields were fairly volatile, driven primarily by the prospect of changes to monetary policy.

At the start of the year, in response to the ECB's accommodative monetary policy, sovereign yields in the eurozone fell sharply to record lows in mid-April, namely 0.07% for the German 10-year yield and 0.35% for the French 10-year yield, before bouncing back.

In spite of the Fed's initial key interest rate hike on 16 December, the US long-term yield did not rise significantly, fluctuating between 2.0% and 2.4% for most of the year, mainly as a result of feeble inflation in the US during 2015.

In the end, interest rates ended the year overall at levels close to those at the end of 2014.

10-year sovereign bond yields between 2011 and 2015



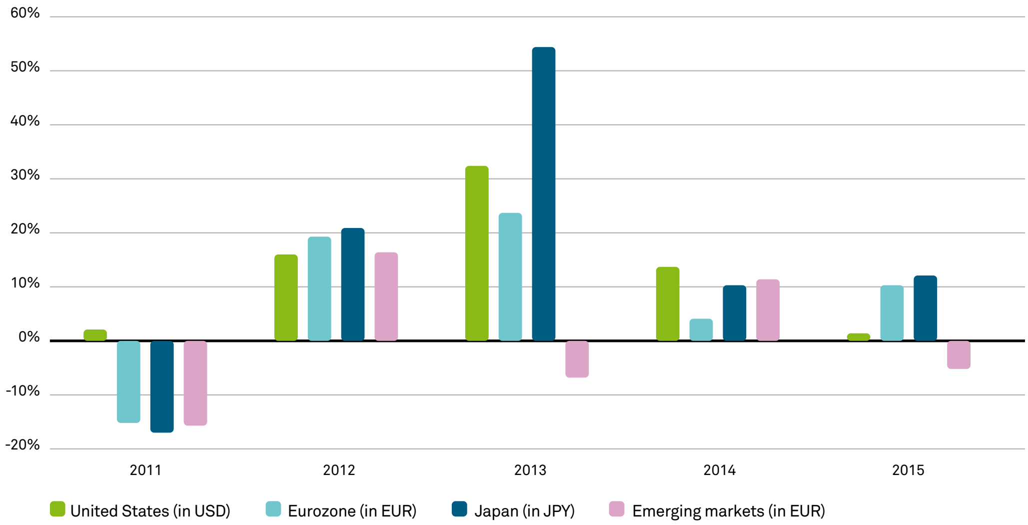
Source: Bloomberg.

The dollar continued on the upward trend it began in the summer of 2014, especially against the euro. The European currency was weakened by monetary policy strategies (very accommodative in the eurozone and expected key rate hikes in the US), but was boosted by the clearly improving economic outlook in Europe.

Over the year the euro fell sharply, from USD 1.21 to USD 1.086, down 10%. During the first quarter (when the central bank's asset purchasing programme was announced and implemented) the euro broke through USD 1.05, its lowest level since 2002.

Emerging country currencies also fell heavily during the second quarter, hit by the slowdown in China, the yuan's weakness against the dollar and the sharp fall in commodity prices, which is penalising investment in these countries, both for equities and bonds.

Equity yields returns by year, dividends reinvested



Source: Bloomberg.

In 2015, the leading equities markets generated positive returns (with dividends reinvested), with the exception of emerging countries.

Stock markets in Japan and the eurozone turned in respectable performances, at 12.1% and 10.3% respectively. US equities added a modest 1.4%. Emerging markets lost 5.2% in 2015, however.

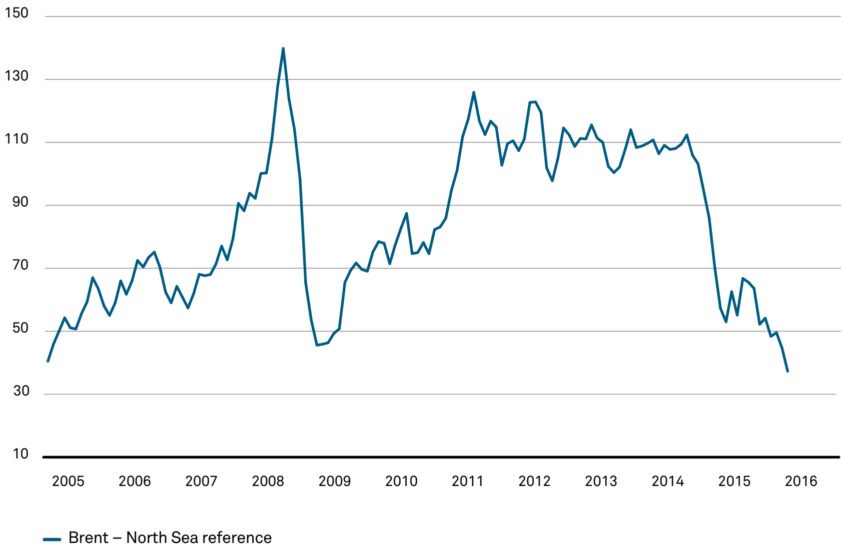
The CAC 40, France's headline equity index, posted one of the year's best performances, up 11.9% with dividends reinvested.

Overall, the European markets outperformed US equities by almost 9%, boosted by accommodative monetary policy, the weak euro and higher corporate earnings. US equities were hampered by the prospect of the Fed raising interest rates, near-flatlining corporate earnings and by the high level of stock market valuations at an already mature stage of the economic cycle.

SPECTACULAR DROP IN THE OIL PRICE

In 2014 Brent crude (the reference for North Sea oil) fell from USD 110 to USD 57, a 48% drop. But in 2015 it fell a further 35%, taking the price to USD 37 by the end of the year, a level not seen since 2004.

Oil price in dollars (per barrel)



Source: Bloomberg.

Oil is being kept down by two fundamental factors: a weakening of demand as a result of the global economic slowdown, and over-abundant oil supply, boosted by the continuing high level of shale oil production in the US and the failure of the leading producing countries to cut production, especially Saudi Arabia, which still looks keen to maintain its market share, thereby pushing prices down.

The prospect of sanctions on Iran being lifted is set to increase supply in the oil market. In addition, a sharp rebound in economic growth, and therefore demand for oil, look unlikely given the challenging economic climate in certain major emerging countries.

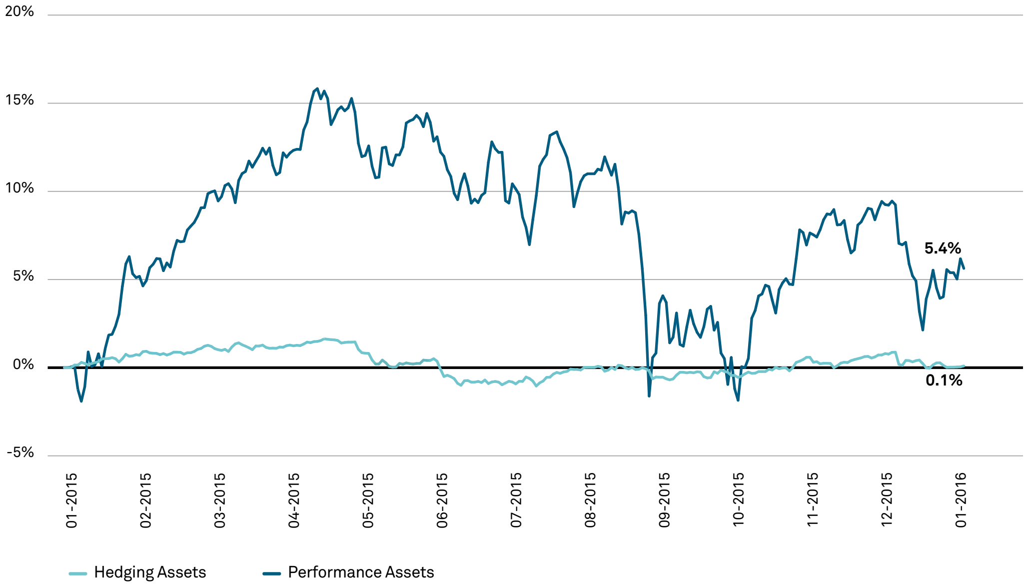
The link between oil price fluctuations and equity prices has strengthened over the year, and places the FRR's assets at risk of falling in value in line with the oil price.

2015 performance: a 3.08% increase in assets

In 2015, the FRR's overall performance was 3.08% net of charges, and its assets amounted to EUR 36.3 billion at 31 December.

As a result of the low level of interest rates and their limited variation, only performance assets (primarily equities) posted a significant performance: 5.4% on average, as compared to virtually 0% for hedging assets.

Annual performance of both asset classes



Source: Index providers (FTSE Russell, MSCI, Barclays Capital, JPMorgan).

As a result, the contribution to performance by hedging assets (excluding administrative charges) was only 0.1%, while performance assets contributed 3.17%.

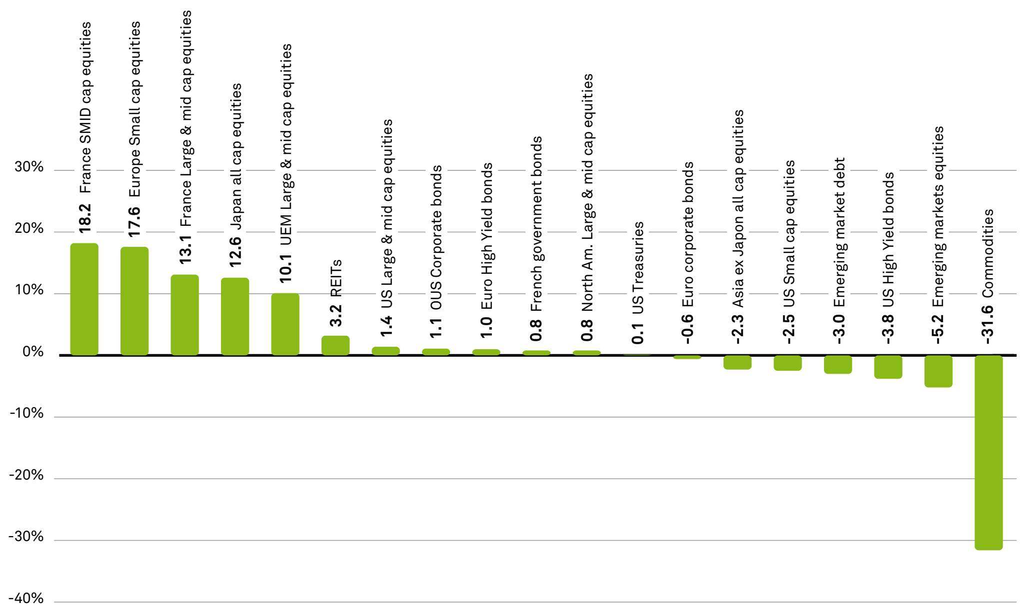
Both euro- and dollar-denominated investment grade corporate bonds suffered from higher risk premiums in 2015. They thus made a negative contribution to performance, but this effect was offset by the modest performance French treasury bonds ("OAT").

Equities were the main driver of performance over the year, contributing 3.17% to performance. In particular, European equities accounted for 2.59% of this impact. Large- and mid-cap eurozone equities gained over 10% in 2015. Moreover, the FRR is overweight French equities, which performed particularly well (small caps up 18.2% and large caps up 13.1%).

Japanese equities also performed solidly, up 12.6%. Conversely, emerging country equities made a negative contribution of 0.16% to the fund's performance.

Diversification assets (high yield and emerging country bonds) had a marginal effect. Lastly, the definitive removal of commodities from the portfolio in 2013 meant that the Fund avoided heavy losses linked to tumbling oil, gas and metals prices (down 31.6% in 2015).

Performance of the FRR's Strategic Allocation indices at 31/12/2015



Source: Index providers (FTSE Russell, MSCI, Barclays Capital, JPMorgan).

Concerning asset allocation, two significant changes were made during 2015:

- the continuation of our programme of investment in the French economy, by increasing the position in French small caps and private debt funds in particular;
- the sale of an EUR 1.2 billion OAT to cover the annual payment of the coupon intended for the CADES.

31/12/2014 - 31/12/2015	NET CONTRIBUTION TO THE GLOBAL PERFORMANCE OF THE PORTFOLIO
PERFORMANCE ASSETS	**3.07%**
Eurozone equities	1.79%
Europe equities + SRI Europe	0.67%
Europe ADECE	0.06%
Global ADECE + Global SRI	-0.01%
North American equities	0.45%
Asia/Pacific Basin equities	0.27%
Emerging market equities (mutual funds)	-0.16%
High yield bonds (mutual funds)	0.03%
Emerging market bonds (mutual funds)	-0.03%
HEDGING ASSETS	**0.08%**
Euro-denominated corporate bonds	-0.12%
Dollar-denominated corporate bonds	-0.11%
Matching liability (French Treasury Bonds "OAT")	0.31%
Total cash	0.00%
ADMINISTRATIVE AND FINANCIAL CHARGES	**-0.07%**
TOTAL	**3.08%**

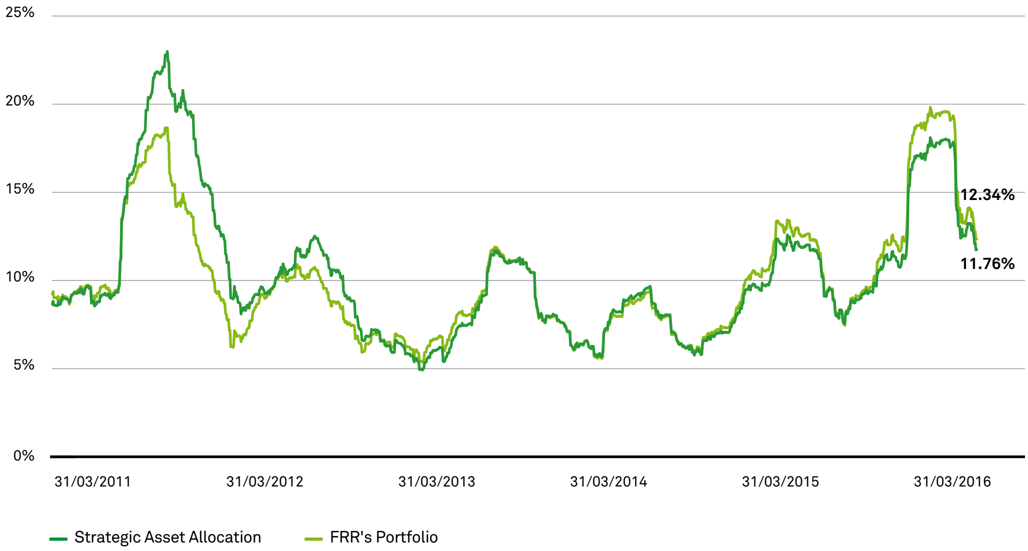
Equities were the main driver of performance in 2015, contributing 3.17% to the FRR's performance.

The volatility of the performance assets varied significantly over the previous year. It fell from 13% to around 8% at the start of the second quarter, before rising to 20% during the summer and the devaluation of the yuan. By the end of the year it had reverted to its level at the end of 2014.

In global terms, the FRR's tactical position slightly increased the portfolio's volatility as a result of:

- equity allocation slightly above the strategic target, except between April and the summer of 2015, when the portfolio became slightly more defensive;
- being overweight euro-denominated equities, financed by being underweight US equities (less volatile than in the eurozone).

Volatility of performance assets



Source: Index providers (FTSE Russell, MSCI, Barclays Capital, JPMorgan).

In 2015, outperformance by external active managers made a positive contribution (0.57%) to annual performance, thanks in part to equities mandates, in particular French small- and mid-cap equities management (classified as eurozone equities, up 0.18%), European small caps (up 0.19%), North American small caps (up 0.09%) and emerging countries (up 0.12%). Active management of investment grade companies, which performed in line with their benchmark, had no additional effect on the FRR's performance, unlike in 2014 when they contributed 0.09% to overall performance.

31/12/2014 - 31/12/2015	PERFORMANCE OF THE ALLOCATION'S IMPLEMENTATION
PERFORMANCE ASSETS	**0.39%**
Eurozone equities	0.17%
Europe equities + SRI Europe	0.15%
Europe ADECE	0.02%
Global ADECE + Global SRI	-0.11%
North American equities	0.07%
Asia/Pacific Basin equities	0.01%
Emerging market equities (mutual funds)	0.12%
High yield bonds (mutual funds)	0.01%
Emerging market bonds (mutual funds)	-0.05%
HEDGING ASSETS	**-0.02%**
Euro-denominated corporate bonds	-0.01%
Dollar-denominated corporate bonds	0.00%
Matching liability (French Treasury Bonds "OAT")	0.00%
CHARGES FOR THE TRANSITIONS MANAGEMENT, OVERLAY MANAGEMENT AND UNLISTED ASSETS	**0.07%**
TOTAL	**0.44%**

A secure liability-based approach, while optimising performance

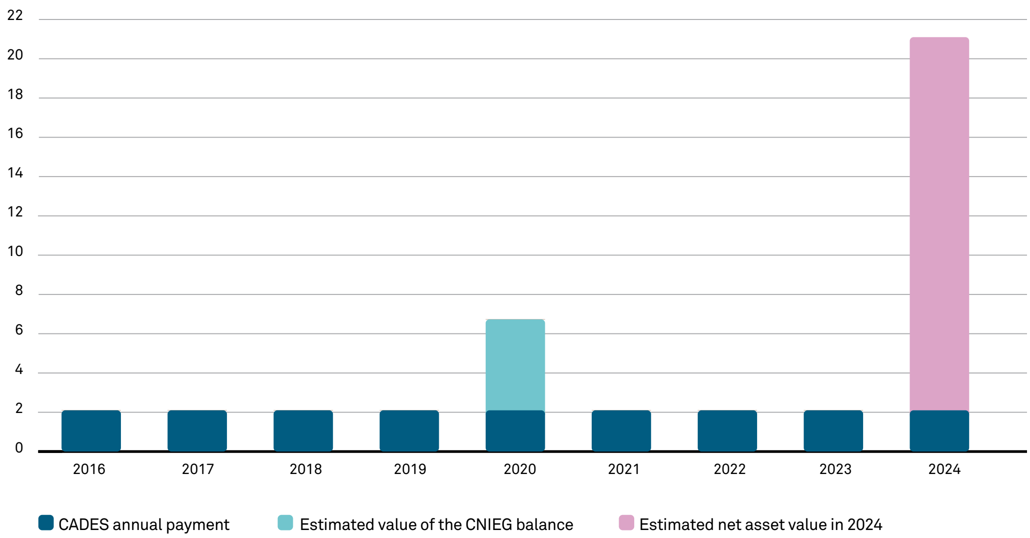
The FRR must reconcile two investment objectives

The FRR's main objective is to be able to service its liabilities, which consist of annual payments to the CADES of EUR 2.1 billion until 2024, and a single payment in 2020 to the CNAV[1] in respect of the CNIEG[2] balance, indexed to the FRR's performance. Under a relatively short liability-based investment model, the ability to comply with this objective can be assessed at any time on the basis of the risk to the surplus.

This is defined as the difference between the FRR's[3] net assets and present value of liabilities, and must be higher than 0. At 25 April 2024, when the FRR will no longer have any liabilities, the surplus will be equal to assets.

In line with this initial objective, a second objective consists in maximising the value of the surplus over time. In particular, the FRR must create value for the French Government, by delivering a performance in excess of the cost of the French public debt.

→ The FRR's estimated liabilities and assets (EUR billion)



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

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

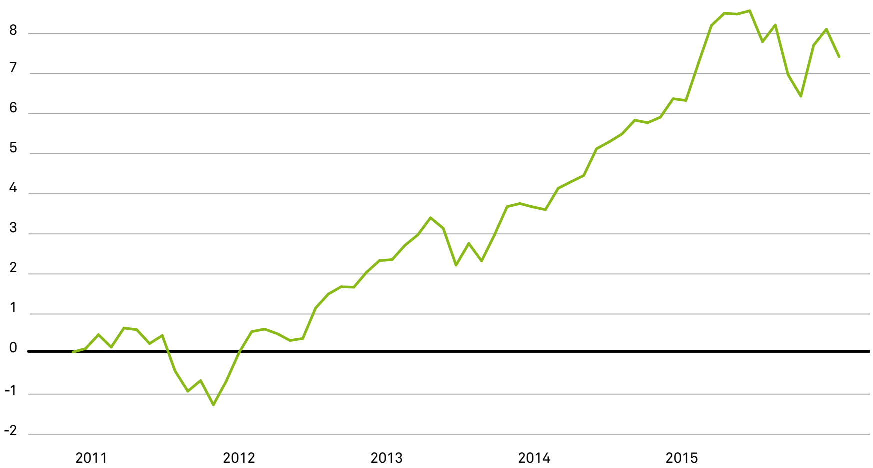
3 *The present value is obtained using «zero coupon» interest rates of the French government bond yield curve.*

THE FRR'S CREATION OF VALUE FOR THE GOVERNMENT

Since the new liability-based investment model was introduced at the beginning of 2011, the FRR has made it possible to create additional value of EUR 7.4 billion in relation to the average cost of the French Government's debt, up 1.1 billion during 2015.

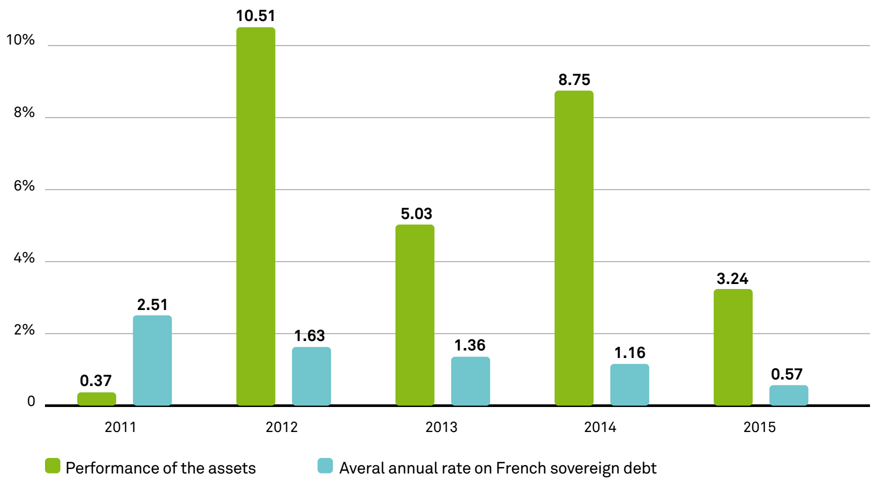
This sum of EUR 7.4 billion corresponds to the difference between the increase of the FRR's assets (adjusted for contributions and withdrawals) since 2011 and the cost of what the Government had to borrow (at the average interest rate) instead of using the sums paid to the FRR to finance it.

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



Thus, over the last five years, the annualised performance of the FRR's assets was 5.5% (3.2% in 2015) and the average annual rate on French sovereign debt was 1.4% (0.6% in 2015).

→ Annual performance of the FRR's assets and weighted average cost of French debt

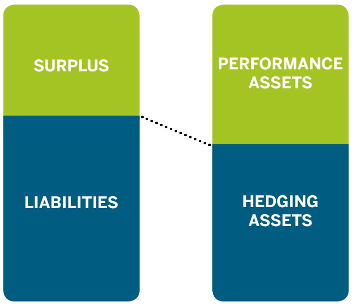


Source: FRR, Agence France Trésor.

Main objective: to service the FRR's liabilities

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

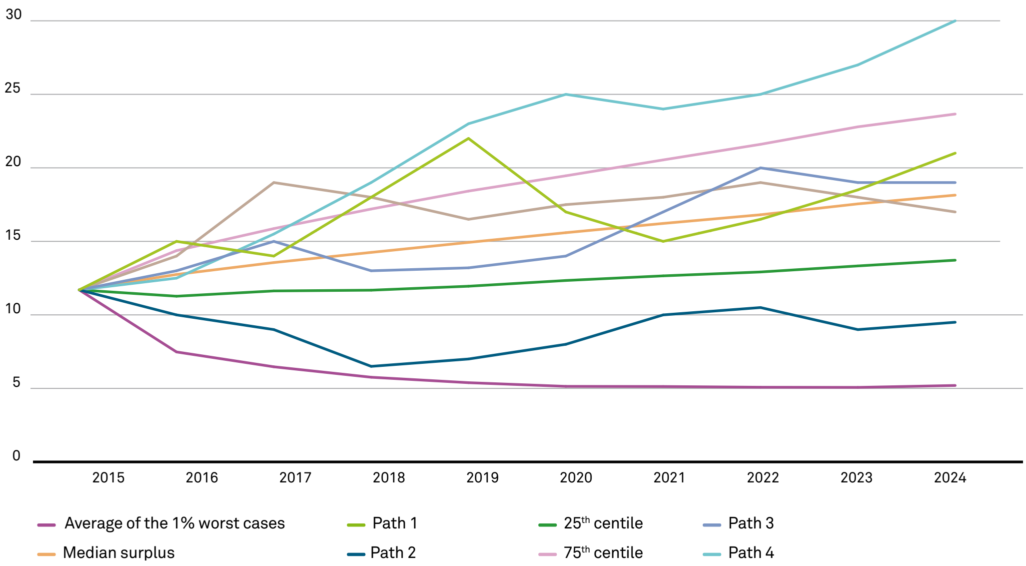
Interest rate risk is linked to the hedging of liabilities. The hedging assets enable the FRR to ensure that it is in a position to fully honour its annual liability payments. To that end, even in an extremely low interest rate environment, they must represent a substantial proportion of liabilities.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



The FRR has a surplus equal to the difference between its net assets and the present value of its liabilities. The amount of hedging assets may then be slightly lower than that of liabilities, without jeopardising the Fund's ability to honour its commitments (in 2015 the proportion of liabilities not covered by hedging assets was very modest, at 5% to 15%). This enables the Fund to invest more in assets with higher upside potential (equities, high yield bonds and emerging countries), mainly as a result of current interest rate levels. A series of risk metrics is applied to check that the FRR is in a position to meet all its financial obligations to CADES even in a very adverse scenario.

The portfolio's overall risk is assessed on both a short-term and long-term basis. Over the long term, we are running simulations of a wide range of possible outcomes for projecting the surplus until 2024 (see graph) and estimate that at any given time the surplus will average 1% in the worst case scenarios. This must be positive at all times, and we even maintain a safety margin to reflect the modelling risk inherent in this type of exercise.

Simulation of change in the surplus until 2024 (EUR billions)



4 *Held until maturity.*

Over the short term, we define a "disaster" scenario, based on the worst scenarios for the last 20 years for each FRR risk factor. In each case, the FRR surplus remains greater than 0.

At the end of 2015, performance assets accounted for 48.9% of net assets, versus 46.9% one year before.

Source of risk	Worst-ever historical scenario
Developed country equities	-53%
Emerging market equities	-57%
Developed country equities (hedged by introducing systematic option-based hedging strategies)	-30%
High yield corporate bonds	-35%
Emerging market bonds	-30%
Euro-denominated investment grade corporate bond credit (relative performance versus matching)	-17%
Dollar-denominated investment grade corporate bond credit (relative performance versus matching)	-20%
Liabilities	7%

For the FRR, the worst case scenario is a significant increase in liabilities, because at end 2015 liabilities were under-hedged at 87%. Thus, if liabilities increase by 7%, the assets would increase by only 87% of the increase in liabilities (in amount). However, this "disaster" scenario would be particularly critical for interest rates, as it implies that the French yield curve will become largely negative for all maturities (to -1%).

Second objective: creating significant value

While ensuring that it is in a position to service its liabilities, the FRR endeavours to maximise performance. It invests in particular in equities and high yield bonds, such as emerging market bonds, corporate bonds and loans to the economy. As the amount invested in hedging assets corresponds to only 87% of liabilities, the FRR can invest more in performance assets.

We estimate that, at the end of 2015, one euro invested in the FRR created 25 cents of value for the French Government, on a like-for-like allocation basis[5]. Furthermore, every additional contribution can create up to 50 cents of value per euro if the FRR uses the additional flexibility[6] resulting from investing more in performance assets for the same risk. Conversely, each withdrawal destroys 50 cents of value per euro by securing the allocation.

Breakdown of hedging and performance assets during 2015

At 31 December 2015, the FRR's portfolio comprised:

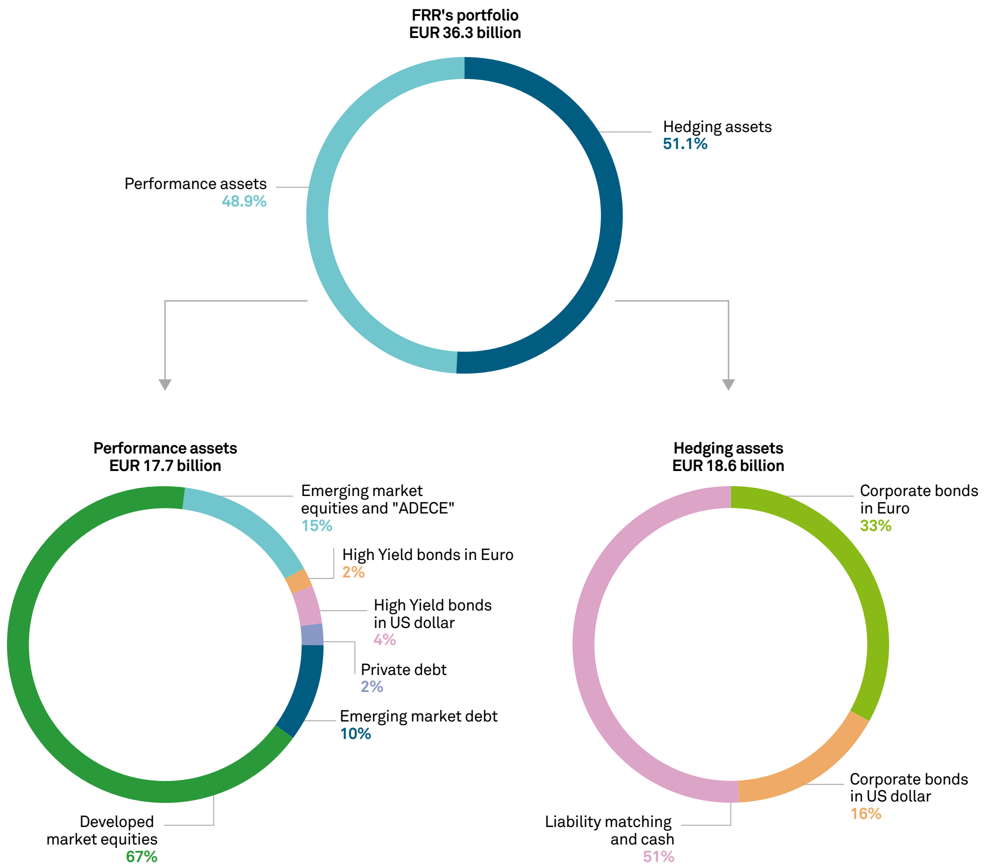
- performance assets accounting for EUR 17.7 billion, i.e. 48.9% of the FRR's net assets, versus 46.9% at the end of 2014. This change of weighting results in particular from the inclusion in 2015's strategic allocation (at 6%) of equities combined with option-based hedging strategies;
- hedging assets accounting for EUR 18.6 billion, i.e. 51.1% of the FRR's net assets versus 53.1% at the end of 2014.

Matched assets account for 47% of the hedging assets. They are held to maturity.

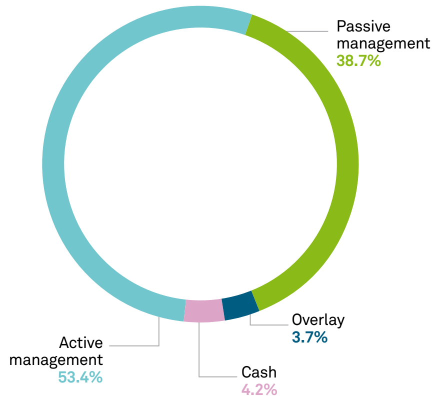
5 Calculated as the additional projected amount in 2024 thanks to the contribution of this euro, discounted at OAT rates in 2015.

6 The contribution increases the assets, while the liabilities remain unchanged. It is therefore easier for the Fund to service its liabilities.

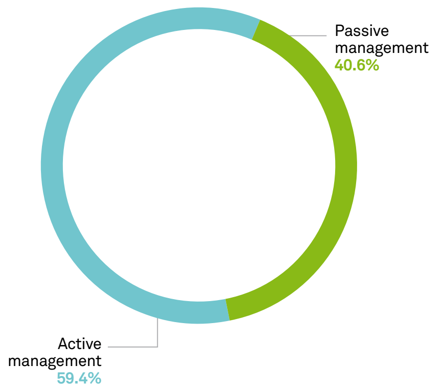
FRR's portfolio at 31/12/2015



Breakdown of management types*



Breakdown of management types for the base of assets invested in equities (excluding overlay)**



** Corresponding, as at 31/12/2015, to EUR 1.3 billion under overlay management, EUR 1.5 billion under current cash management, EUR 14.1 billion under passive management and EUR 19.4 billion under active management.*

*** Corresponding at 31/12/2015 to EUR 4.9 billion for passive management and EUR 7.2 billion for active management.*

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 investment services providers. "Portfolio" investments consist of investment mandates awarded through government procurement tenders and UCIs subject to a rigorous selection procedure. In all cases, service providers are selected after analysis and approval by the Manager Selection Committee. A type of mandate known as an overlay mandate is used to hedge the FRR's exchange risk and allows for adjustments to the allocation without affecting the management of the securities portfolios, mainly by investing in plain vanilla derivatives (stock market and bond index futures traded on a regulated market).

The FRR's portfolio combines passive investment mandates of high unit value and active investment mandates that seek constant relative outperformance.

The Fund also invests in a number of asset classes (emerging debt, emerging equities, high yield corporate bonds, FPE and money markets) via UCITS, for the most part actively managed.

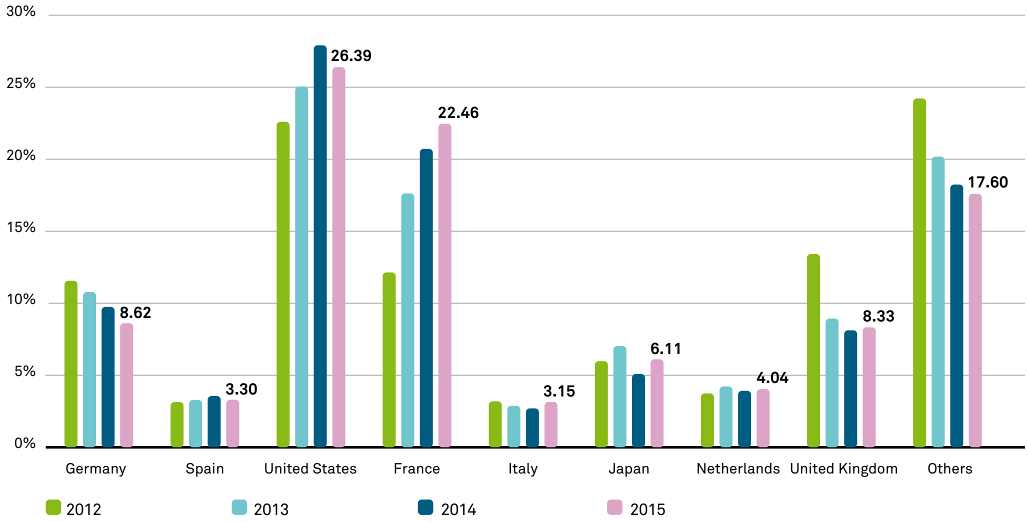
This "core-satellite" approach implemented for investment mandates seeks to ensure exposure to the principal markets, at the lowest possible cost, with the selection risk focused primarily on the active strategies that the FRR believes are most likely to generate a return. At 31 December 2015, around 53% of the FRR's total net assets and 59% of equity investments were actively managed.

Performance assets

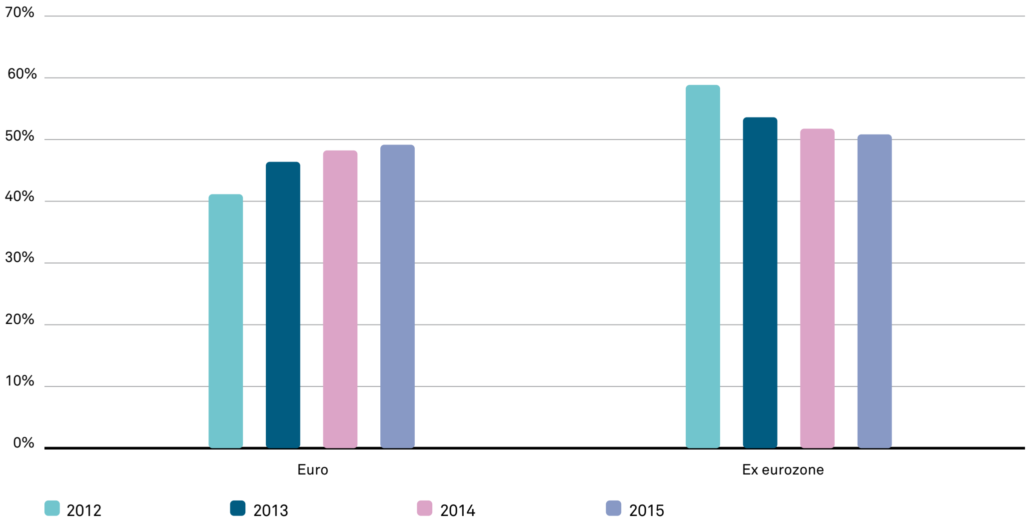
At 31 December 2015, the market value of the equities portfolio was EUR 12.1 billion (excluding overlay).

In geographical terms, the increase in eurozone investments from 41% in 2012 to 49% in 2015 was attributed in 2012 to the activation of "ADECE" (developed country equities exposed to merging country growth) mandates, and for 2013 by the activation of investment mandates managed in line with SRI criteria, and the French Large-Cap Equities investment mandate. Moreover, the portion of European equity investments managed against optimised indices was transferred to eurozone equity investments in order to be able to manage exchange risk more effectively. Lastly, the significant increase in France's weighting (up 1.75%) between 2014 and 2015 was due in part to the reallocation of around 0.5% into French small- and mid-caps, but mainly to the strong performance in 2015 by French equities as compared to those of other countries, which increased their relative value in the FRR's portfolio.

Changes in the geographical breakdown of equity mandates



Changes in the geographic zone breakdown of equity mandates



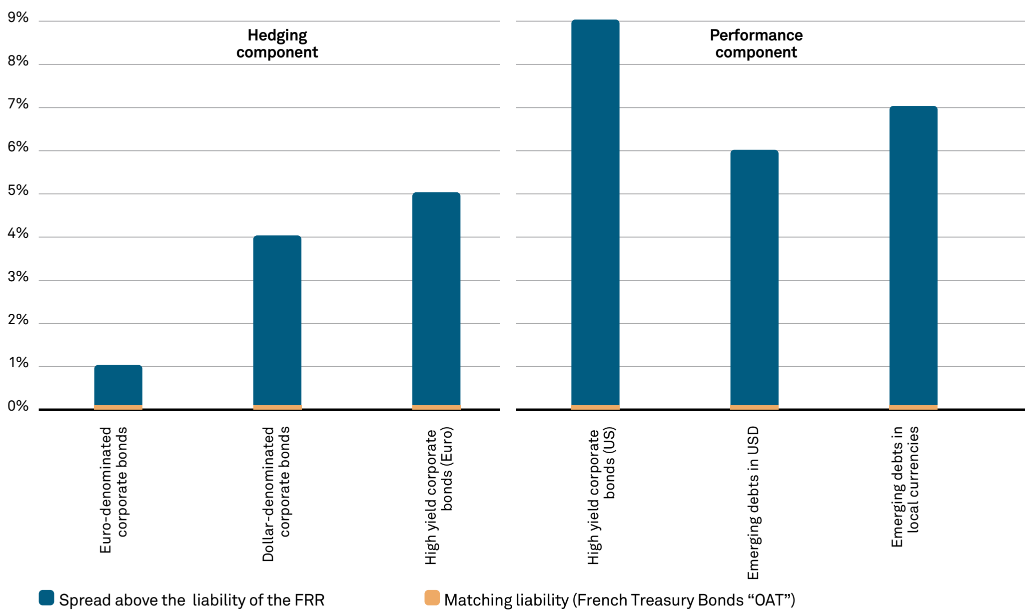
Hedging assets

At 31 December 2015 this component represented approximately 51% of the FRR's net assets. It was composed mostly of investment mandates implementing a buy-and-hold type matched approach[7] in order to service a substantial part of the CADES payments up to 2024.

The past years, the continuous decline of the sovereign debt bonds rate led the FRR to pursue a diversification of its hedging portfolio toward the corporate bonds in the aim to achieve an additional return, which now, represents a predominant component of fixed incomes remuneration.

7 Fixed income investment, whereby the securities in the portfolio are normally held until maturity.

Return compared to the French Treasury Bonds (liabilities) and the other credit indices



In 2015, the FRR increased its position in euro-denominated investment grade corporate bonds to 16.3% of the net assets. Eurozone and US corporate bonds together accounted for over 45.6% of the hedging component.

Bonds issued in dollars are hedged against exchange risk.

The hedging portfolio enjoys an excellent credit rating, as the lowest rated issuers in the portfolio (BBB+ or below) are limited to 28.5% and are nonetheless all rated at least BBB-.

As regards issuers in the hedging component, over 47% of fixed income assets are French government bonds, of which 23% are issued by banks and 30% are corporate bonds. If we also take into account the bonds held in the performance portfolio, which account for 16% of the FRR's total bond holdings, all components taken together, these proportions would be 40% for French government bonds, 19% for banks and 25% for investment grade corporate bonds.

In 2015 a tender for the awarding of 11 euro- and US dollar-denominated corporate bond management mandates was finalised. At EUR 8.5 billion, this tender is one of the largest in the FRR's history and concerns over 50% of the hedging component.

Over 47% of fixed income assets of the hedging component are French government bonds.

The FRR's investment in the French economy

In 2015 the FRR cemented its role and confirmed its value in supporting the French economy's growth through four distinct investment channels:

- listed shares in French small- and mid-cap companies: selected by managers with a genuine long-term commitment to supporting their growth and development. The five mandates, which were activated in May 2014 with an initial amount of EUR 300 million, were added to twice during 2015 (at the start of January and mid-September) with a total of EUR 155 million;
- the debt and equity financing of French companies as part of the latest market initiative launched by French institutional investors (Caisse des Dépôts, insurers, FRR and pension funds): the NOVI SICAVs, in which the FRR has committed to investing EUR 145 million, i.e., 25% of the overall assets taken in on these funds. The FRR has also been appointed as Chairman of the Board of Directors of one of the SICAVs and a Director of the other;
- private debt: debt financing of companies continued during 2015, with participation in three funds managed by Idinvest Partners, BNP PAM and CM-CIC Private Debt for a total of EUR 275 million at the end of the first quarter of 2015, taking total investment since 2013 to EUR 575 million;
- French real estate: the FRR has committed a total of EUR 200 million to the Fonds de Logement Intermédiaire (FLI) marketed by SNI, making the FRR the leading investor in this fund, whose objective is the construction and rental management of public housing for middle-income earners who are priced out of the rental market in numerous French regions.

CALLS FOR TENDERS: NEWS

The FRR launched on 23 January 2015 a request for proposals to select one or more investment service providers for actively managed mandates invested in financial instruments covering bonds and other euro (lot 1)/US Dollars (lot 2) -denominated “Credit Investment Grade” debt securities.

Following the selection process, the FRR has granted, at the end of 2015:

- six mandates for the lot 1 (Euro) to six different investment service providers*, and for an indicative amount of EUR 5.5 billion ; and

- five mandates for the lot 2 (US Dollar) to five different investment service providers**, and for an indicative amount of EUR 3 billion Euro.

the FRR launched a negotiated procedure for selecting of investment services providers capable of optimising the replication of equity indices, combined with an environmental, social and governance (ESG) approach, for EUR 3 billion.

Given the innovative nature of this type of investment, which involves extensive negotiation, this tender should be finalised during 2016.

The Overlay Management tender was finalised during 2015, with the selection of two managers.

In addition, the FRR held a tender for the renewal of its statutory auditors’ mandates and its communications agency.

* *Allianz Global Investors GmbH, AXA Investment Managers Paris, HSBC Global Asset Management (France), Insight Investment Management (Global) Limited, Kempen Capital Management N.V., La Banque Postale Asset Management.*

** *AXA Investment Managers Paris, BFT Investment Managers, BlackRock Investment Management (UK) Limited, Morgan Stanley Investment Management Limited, Wells Fargo Securities International Limited.*

Socially responsible investment at the heart of the FRR's investment management

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

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

FRR RESPONSIBLE INVESTOR: REMINDER OF THE PRINCIPLES

COMPONENT 1
INTEGRATION OF ESG* FACTORS IN ASSET MANAGEMENT

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

COMPONENT 2
MANAGING SOCIAL RESPONSIBILITY

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

FRR RESPONSIBLE INVESTOR

COMPONENT 3
EXERCISE OF THE FRR'S VOTING RIGHTS

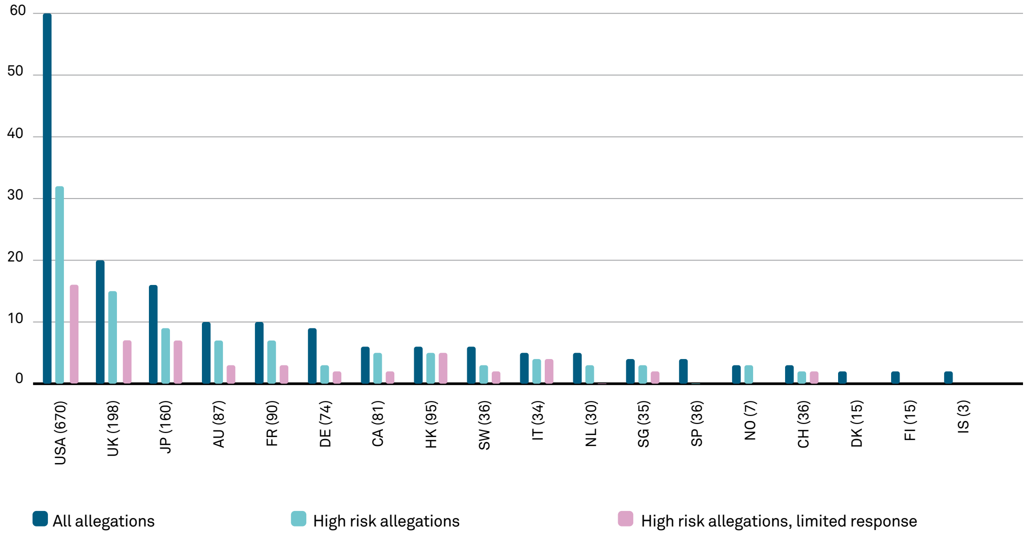
The Supervisory Board has determined several principles with regard to the exercise of the FRR's voting rights. Thus, the FRR's shareholder rights at general meetings must be systematically exercised by each of the investment managers, in accordance with the guidelines established by the FRR, irrespective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

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

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

** Environmental, Social and Governance.*

Breakdown of developed countries by allegation, by number of companies (developed countries)



Source: EIRIS Ltd.

Monitoring extra-financial risks

Every year, the FRR asks an external service provider to analyse the non-financial risks to its portfolio in light of the principles of the Global Compact and conventions on prohibited weapons.

In 2015, 236 companies, i.e. 4.3% of the issuers in the portfolio analysed, were the subject of 330 allegations, as compared to 323 in 2014. Among these companies, 76 were identified for 89 serious, unresolved allegations. All these issuers are monitored particularly closely by the FRR and its partner Eiris.

Breakdown by geographical area

An analysis of allegations by geographical area shows that 160 of the companies that were the subject of allegations were located in developed countries (146 in 2014) and 76 were in emerging countries (81 in 2014).

The majority of the allegations of violations of international standards involved companies headquartered in the United States, with a total of 60 companies concerned. 8.9% of the US companies analysed by Eiris were the subject of allegations. This percentage is similar in Europe (9.95%) and slightly higher in France (11.11%). These figures remained stable in 2014 and 2015.

Breakdown by domain

As in the past, the majority of the allegations noted with regard to the portfolio involved labour rights (47% of the FRR portfolio). For all geographical areas, allegations relating to labour conditions increased. They relate mainly to Health and Safety and forced labour. This year an increase in allegations relating to union law was noted (four in 2015 as compared to one in 2014).

Regardless of the domain (Labour, Environment, Human Rights and Corruption), 50% of the allegations are categorised as high risk. The proportions are similar in the other domains. Allegations relating to Human Rights were the least prevalent, together with those relating to money laundering (since 2014 Eiris has added indicators relating to money laundering). Only three cases were identified in the FRR's portfolio in 2015: two with a high risk and an adequate level of response and one with a medium risk and an adequate response. This risk therefore seems to be limited given the satisfactory level of responses from companies.

With regard to identified disputes, companies in emerging countries are a greater risk than those in developed countries. The former are less likely to provide a satisfactory response to the allegations levelled at them: the percentage of responses considered inadequate by Eiris was 43.4% for emerging countries versus 26.9% for developed countries.

Breakdown by sector

Industry is the most problematic sector, with 52 companies having been the subject of allegations, including 16 having a high risk and an inadequate response. 40 companies in the basic materials sector are also concerned. The oil and gas sector, with 28 companies, now comes after consumer goods and consumer services. The highest proportion of cases presenting a high risk and an insufficient response can be found in the utilities, oil and gas and healthcare sectors. The level of serious cases is around 50%, as compared to 30% in other sectors.

The telecoms sectors is the least problematic, with only four allegations

Analysis of high risks by region

In numerical terms, high risk companies accounted for 1.39% of the companies in the portfolio (4% by market capitalisation).

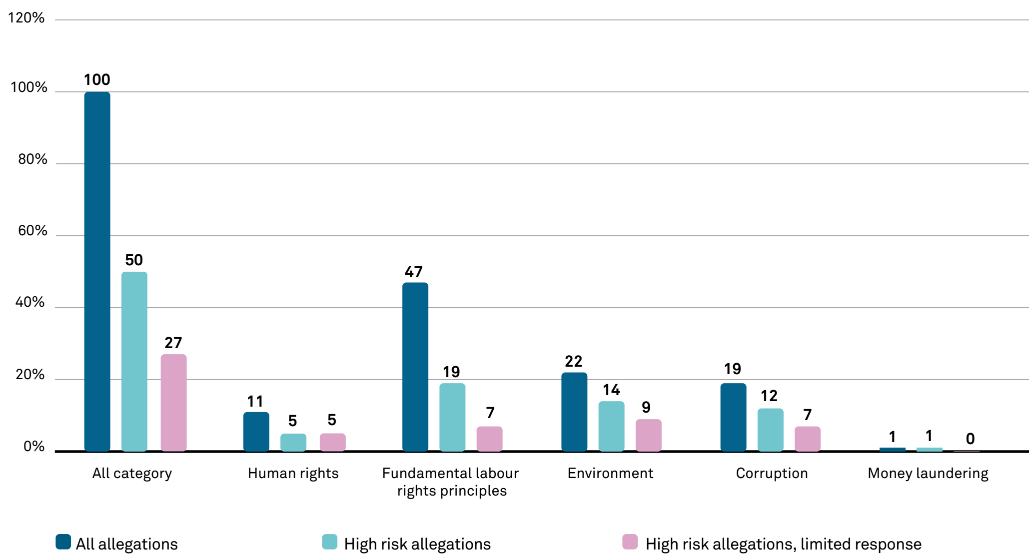
The volume of allegations observed in developed markets is rising: 43 companies were the subject of allegations relating to the Global Compact and considered as presenting a high risk, with an inadequate or no response by the company concerned, as compared to 39 in 2014. No entities were identified as having activities linked to the production of chemical weapons, bacteriological weapons, antipersonnel landmines (APL) or cluster bombs.

The number of serious allegation observed on emerging markets is stable. 33 companies were the subject of allegations relating to the Global Compact and considered as presenting a high risk, with an inadequate or no response by the company concerned. Compared with the portfolio in 2014, the number of emerging market companies subject to allegations, representing a high risk and with an inadequate response, has increased by one. The number of serious disputes in relation to the number of securities held in the FRR's portfolio is identical for developed and emerging countries (1.40% versus 1.39%).

Exclusions linked to prohibited weapons

As regards prohibited weapons, the FRR added three new companies to its exclusion list in 2015. The companies concerned are China Aerospace Science and Technology Corporation, China North Industries Corporation and Motovilikhinskiye Zavody.

Breakdown of allegations by category and risk level as a % of the total number of allegations (direct and indirect holdings)



Source: EIRIS Ltd.

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

Source: EIRIS Ltd.

Therefore, at 17 April 2015, there were 20 companies on the FRR's exclusion list:

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

In 2015 the FRR was active in three collaborative initiatives:

- **Managing risks linked to the supply chain in the textile industry within PRI[1] companies**

Noting that, in spite of the efforts made by companies in the sector, poor working conditions and breaches of human rights continue to be recurring problems throughout the supply chain, seven French institutional investors, including the FRR, decided to launch a joint initiative in 2014 organised by Mirova for managing risks relating to the supply chain in the textile industry.

The main objectives are to improve transparency, to map out social risks, to strengthen relations with suppliers and to develop initiatives in the sector.

- **Climate lobbying in conjunction with PRI and the IIGCC**

In spite of their claims to support climate policies, numerous listed companies are indirectly involved in lobbying against climate policies via their professional associations. The dialogue opened at the core of this initiative focuses on this anomaly and aims to improve the transparency of listed companies' lobbying activities.

1 *Principles for Responsible Investment.*

THE "SUSTAINABLE FINANCE AND RESPONSIBLE INVESTMENT" CHAIR

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

The Chair's work covered four priority research projects (for the period 2013-2015) focusing on investors' SRI motivation, the link between extra-financial performance and bond markets, corporate governance and shareholder engagement.

Two new projects have been added since 2014. The first project, initiated by the FRR, seeks to establish a link between the ESG performance of small and medium-sized enterprises, the stability of their shareholder base and their financial performance. An initial analysis of the data produced the following preliminary results, whose validity needs to be confirmed and implications further analysed. First of all, small- and mid-cap companies in which a family holds a stake of over 20% appear to perform better in economic terms (higher asset profitability rate and stock market valuation) and in terms of social responsibility.

Next, having a high proportion of shares held by employees appear to be linked to better financial and non-financial performance. This finding is consistent with the hypotheses. Lastly, employees can be considered as having a long-term investment horizon.

The second project focuses on shareholder engagement at company general meetings. On this last matter, an article by one of the Chair's researchers claimed that over the period 2007-2013, the number of proposals linked to poor governance practice in the SBF 120 universe was negatively correlated to companies' social and environmental scores.

In 2015 the FRR decided to extend its support for the Chair for a further three years (2016-2018).

- Human rights in the extractive sector within PRI companies

This initiative seeks to understand how policies relating to human rights are applied by extractive companies, in particular in the context of partnerships with local companies or governments.

A strong commitment to reducing the carbon footprint of equity investments

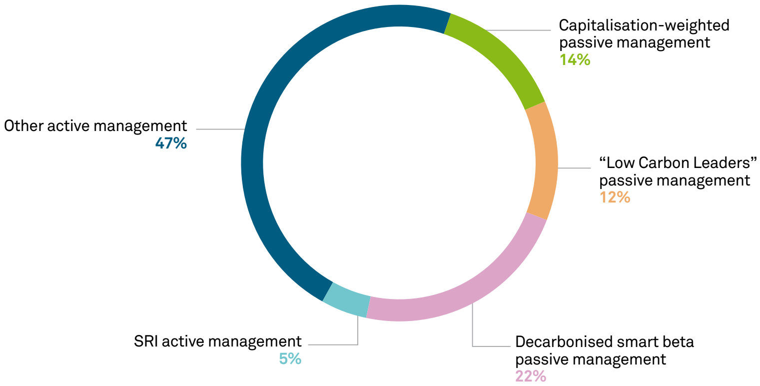
The FRR pursues its policy of decarbonisation of its equities portfolio

Since 2014, the FRR decided to reduce significantly the carbon emissions and the fossil fuel reserves of its equity investments. The main aim is to act as a responsible investor, while attempting to optimise return and risk over the long term.

The decarbonisation of the FRR's equities portfolio was principally implemented through the passive equities portfolio invested in Europe, North America and Asia-Pacific (Excl. Japan).

At the end of 2014, the FRR's exposure to low carbon equities was EUR 1.1 billion (EUR 600 million in Europe and EUR 500 million in North America).

Breakdown by type of management at the end of 2015, for the developed country equities portfolio



As a result, by the end of 2015, this figure has been increased to EUR 3.35 billion, representing a growth of EUR 2.25 billion. To achieve such an outcome and to decarbonise more than two-thirds of the passive equities portfolios, the FRR has used specifics indices: the "Low Carbon Leaders" indices and the FRR's smart beta composite indices.

The FRR has integrated Low Carbon Leaders indices into equity management

The FRR has participated to the creation of the "MSCI Low Carbon Leaders" indices in collaboration with the Swedish pension fund AP4, the index provider MSCI, and the asset management firm Amundi Asset Management. This indices select the companies with the view to reduce the carbon emissions[2] and fossil fuels reserves[3] by at least 50%. Morever, at least 70% of the stocks in each sectors are kept in the portfolio.

Each company is thus encouraged to cut its emissions, even in sectors that pollute the most but are necessary for business.

Moreover, tracking error against indices weighted by market capitalisation remains modest, at less than 1%. As a result, in the absence of changes in the environment (such as new regulations or carbon taxes), the performance of the Low Carbon Leaders indices should remain close to those of indices weighted by market capitalisation. Since their introduction in Europe and North America at the end of 2014, these indices outperformed the markets by 2% and 1.5% respectively.

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

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

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

2 *Carbon emissions/turnover.*

3 *Emissions generated by fossil fuels reserves/market capitalisation.*

The smart beta composite indices of the FRR, vector of decarbonisation

The FRR reduced the carbon footprint and the fossil fuel reserves of its investments through the smart beta indices decarbonised by the asset managers.

The FRR's composite smart beta indices for each region, calculated by the index provider FTSE, consist four indices:
- The FTSE Minimum Variance ;
- The FTSE Edhec-Risk Efficient;
- The FTSE Equal Risk Contribution;
- The FTSE RAFI QSR.

In the way to reduce the carbone footprint of the equities portfolios, the FRR's managers set up decarbonisation process according to rules similar to those of the Low Carbon Leaders index:

- reduction of the carbon emissions and fossil fuels reserves at least 50% than the level of the market capitalisation weighted indices;
- a low tracking error (<1%) against uncarbonised composite smart beta index;
- keeping at least the financial characteristics of the smart beta indices, such as the expositions to specific risk factors or diversification.

Reduction of the carbon emissions and the fossil fuels reserves by type of passive management

	Reduction of the carbone emissions	Reduction of the fossil fuels reserves
"Low Carbon Leaders"		
Europe	-62%	-81%
North America	-50%	-63%
Asia-Pacific (excl. Japan)	-60%	-71%
Smart beta		
Euro zone	-50%	-50%
North America	-50%	-50%
Asia-Pacific (excl. Japan)	-50%	-64%

Source: studies by MSCI for Low Carbon Leaders and by Amundi Asset Management for smart beta.

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

The FRR calculated the environmental footprint (including the carbon footprint) of its portfolio for the first time in 2007. The FRR has been evaluating its portfolio annually since 2013. Once again, this year the FRR engaged Trucost to measure the carbon footprint of its developed and emerging markets equities portfolio, its exposure to fossil fuels reserves (including coal) and its portfolio's contribution to Energy and Ecological Transition (EET).

The study covers the emissions generated by the activities of companies, their direct suppliers, their reserves (including coal) and the contribution made by the companies in the portfolio to Energy and Ecological Transition (EET).

The FRR has chosen to measure its carbon footprint using two methods: in terms of capital and turnover. The carbon footprint in capital terms is calculated per EUR 1,000,000[4] invested .

The carbon footprint in terms of portfolio turnover is calculated by dividing the annual CO_2 emissions of companies by their annual sales[5]. The FRR has also distinguished between the sectoral effect and the asset selection effect within each sector.

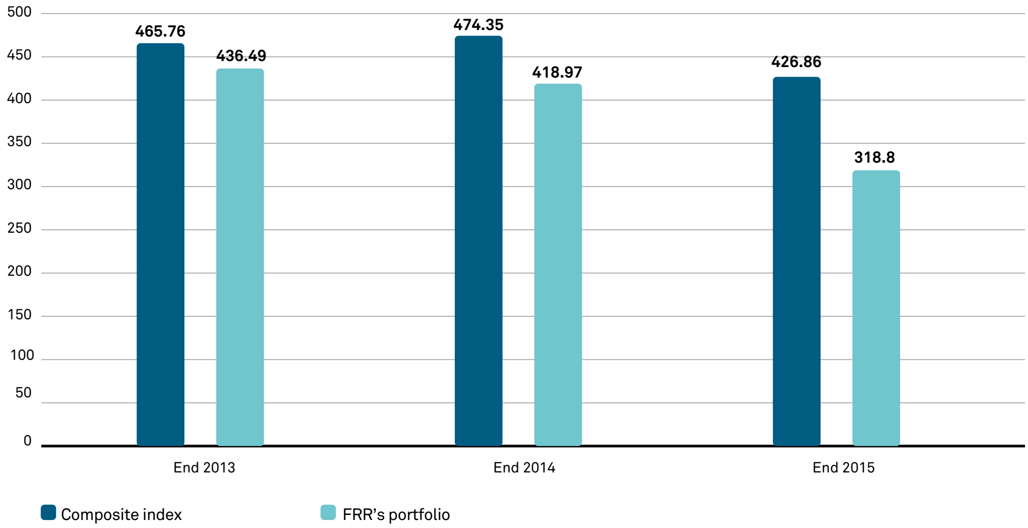
At the end of 2015, the carbon footprint of the FRR's equity portfolio was 318.8 tonnes of CO_2 equivalent per EUR 1,000,000 of turnover. It is 25.3% lower than that of the FRR's benchmark index[6], and fell by 23.9% between 2014 and 2015, with the effect of significantly improving performance in relation to the benchmark. In the case of developed countries this relative performance is the result of investments made in 2015 in less carbon-intensive investment processes.

4 This ratio is expressed in tonnes of CO_2 equivalent (tCO_2e) for each EUR 1,000,000 invested.

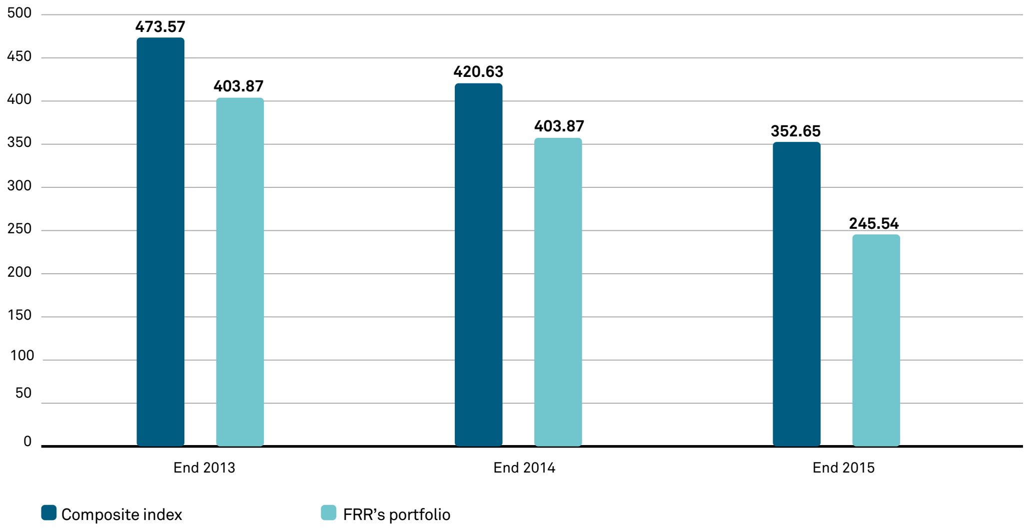
5 This ratio is expressed in tonnes of CO_2 equivalent (tCO_2e) per million euro of turnover.

6 17% MSCI Emerging Markets +41.5% FTSE Developed All Cap Excluding Eurobloc +41.5% FTSE Eurobloc All Cap.

Intensity method (by EUR 1,000,000 of turnover)



Capital method (for each EUR 1,000,000 invested)



These positive results were mainly the result of selecting assets in sectors with major environmental challenges. Furthermore, for each EUR 1,000,000 invested in the FRR's portfolio, absolute emissions are 245.5 tonnes of CO_2. At the end of 2015, the FRR's portfolio was therefore emitting 30.4% less carbon than its benchmark index.

The presence in the FRR's portfolio of companies whose income is partly or entirely generated by the extraction of fossil fuels (oil, gas, coal, etc.) means that there is a potential risk of a fall in value of these assets in the event of significant changes in legislation, operating costs or market prices. 178 companies are exposed to this risk to varying degrees. They account for 5.35% (6.67% in 2014) of the total value of the portfolio. This proportion means that the FRR's global portfolio is less exposed than its benchmark (7.09%).

Energy and Ecological Transition (EET)

In the FRR's portfolio, companies in the energy sector that have seriously committed to an energy transition programme are overweighted by 50% in comparison to the FRR's benchmark index. The FRR is thus overexposed to companies involved in the renewable energies sector.

Exercise of voting rights

At 31 December 2015, the FRR had participated via its investment management companies in 3,073 general meetings and had thus voted on the 2,131 stocks in its equity portfolio in all the countries where it invests. At 84.3%, the resolution approval rate is relatively constant.

From a general point of view, in 2015 the FRR was particularly attentive to the votes cast in respect of the French and European small- and mid-cap segment, as a result of the growing number of mandates involving this asset class.

For France and Europe, the themes on which the FRR voted against a motion were broadly similar:

Management remuneration policy

Most "no" votes concerned "say on pay" remuneration policies. Although progress has been made in terms of transparency by large companies, this is less so for the smallest cap companies, which tend by nature to be more opaque on these matters, primarily as a result of their shareholder structure (family owned) and the less detailed information given to shareholders.

The degree of transparency on remuneration, performance criteria and the terms under which options, free shares or performance shares are granted is still inadequate.

"No" votes on this matter usually penalised the lack of transparency, with the firmest opposition reserved for:

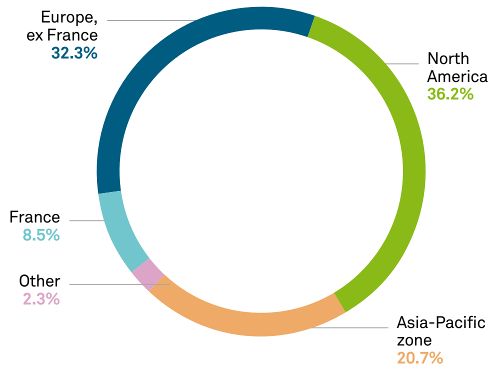
- the lack of objectivity on the criteria used for setting remuneration: amount of remuneration, setting of sufficiently precise and objective performance targets to be achieved by the management, etc.;
- the disproportionate nature of some remuneration given the company's poor results and/or market practice on this matter.

These "sanction" votes make sense because the FRR's voting policy on management pay is in line with the company's long-term performance and interests.

Appointment and reappointment of Board members

In most cases the FRR's voting penalises the Board for being insufficiently independent or when its members hold too many directorships. However, although this approach remains valid for large cap companies, such a stance must be examined on a case-by-case basis and should always be analysed on the basis of several criteria: Board governance (combining the role Chairman and Chief Executive, presence or otherwise of a lead independent director), composition and independence of committees, conflicting Director's interests, Directors' competence, diversity of Board members, attendance, number of directorships, the company's performance, etc.

Breakdown of general meetings by geographic region



Requests linked to authorisation to increase the share capital

"No" votes block excessive increases in capital or possible share buybacks during an IPO period. In some cases the cancellation of preferential voting rights has been grounds for a "no" vote.

In the case of small and mid-cap companies, "no" votes often relate to the absence of the usual caps on share capital increase authorisations, which use this as a way to attempt to authorise excessive flexibility.

Renewal of auditors

This stance is more a matter of quantity (excessively long renewals of auditors' terms of office), and reflects a sound management practice that limits bad habits that may become ingrained if the company's financial statements are repeatedly certified by the same auditor.

In 2015 the FRR voted in favour of several shareholder resolutions relating to environmental themes, and in particular:

- proposals to make companies' reporting on sustainable development and greenhouse gas emissions more comprehensive;
- proposals relating to climate change, fracking and renewable energies.
  In particular, through its fund managers the FRR has voted in favour of external resolutions added to the agendas of BP's and Royal Dutch Shell's General Meetings.

Lastly, the FRR has remained true to the principles of its Guidelines by voting, via its fund managers, in favour of resolutions that support the principle of "one share, one vote".

Through its participation on the Board of Governors of the ICGN (International Corporate Governance Network), the FRR has been contributing to the drawing up of guidelines for diversity on boards of directors, management and directors' pay, defending minority shareholders' interests and lending and borrowing of securities during General Meeting periods, etc.

THE FRR'S EXPERTISE AND WORK WON TWO IPE AWARDS IN 2015

The IPE* Awards is the event of the year for European pension funds. The prizes awarded there reward the participants' professionalism and sophistication.

During 2015 the FRR applied for the following themes: portfolio construction, long-term investment strategy, external asset manager specialist, smart beta, passive investment management, climate risk management. It was nominated for all of these categories and won the portfolio construction award, which is awarded for a relevant approach and the importance of diversification and risk in determining asset allocation.

The FRR was also named best European reserve fund**. In 2014 the FRR was named best French pension fund.

* *Investor Pensions Europe.*
** *With the fund NLB Penziski.*

Risk management and control

Governance of risk management

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

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

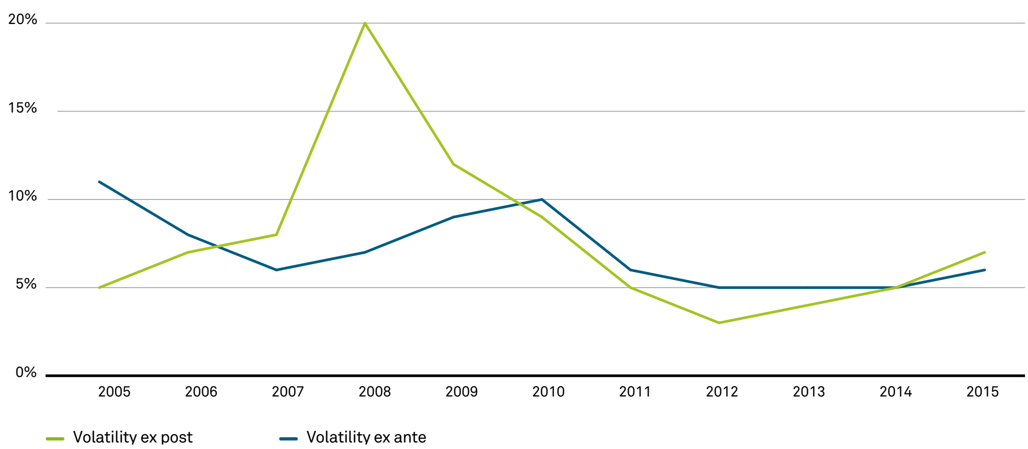
Financial risks

Asset and liability management risk

This is the risk that the FRR's strategic allocation is not appropriate for the funding of its liabilities vis-à-vis the CADES and the CNAV, which are the Fund's two main beneficiaries. The FRR has to pay EUR 2.1 billion every year to the CADES up to 2024, and to repay the CNIEG balance to the CNAV in 2020. This balance amounted to EUR 4.59 billion at the end of 2015 and its amount will vary depending on the FRR's performance between 2015 and 2020. Over the year, the surplus[1] increased by EUR 932 million thanks to the performance assets and, at 31/12/2015 amounted to EUR 13.10 billion (after revaluation of the CNIEG balance), i.e. additional performance of 7.66% over 2015. This is an indicator of the FRR's ability to meet its liabilities commitments.

1 *Value of the FRR's assets net of the value of its commitments.*

Observed annual volatility



The portfolio's market risks

The overall portfolio's level of annual volatility has remained historically low since the FRR was launched, even if it is rising slightly, both in ex ante (the portfolio's projected volatility) and ex post (volatility measured a posteriori) terms.

The ex-post annual volatility of the value of the FRR's assets was 6.85% in 2015 (versus 4.70% in 2014) for an annual return of 3.21% (versus 8.75% in 2014). The ex-ante volatility was 6.27% at 31/12/2015 versus 5.32% one year earlier.

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

Thus, the average potential loss over a one-year horizon in 1% of the estimated worst case scenarios, measured by a Conditional Value-at-Risk (CVaR) of 99% over one year, is 14.3% of the FRR's assets (versus 12.5% in 2014), i.e. EUR 5.32 billion. This increase was due to the increase in the proportion of risky assets in 2015, as well as a significant rise on volatility in the middle of the year.

Risk on performance assets

Performance assets (mainly equities) present the most significant risk factor in CVaR. Their contribution to the average potential loss linked to changes in prices in 1% of the worst case scenarios is 13.5% of the FRR's assets, i.e. EUR 4.90 billion (as compared to 11.1% at the end of 2014). This relative increase in risk was mainly due to the increase in the FRR's exposure to these assets, combined with an increase in their volatility.

Interest rate risk

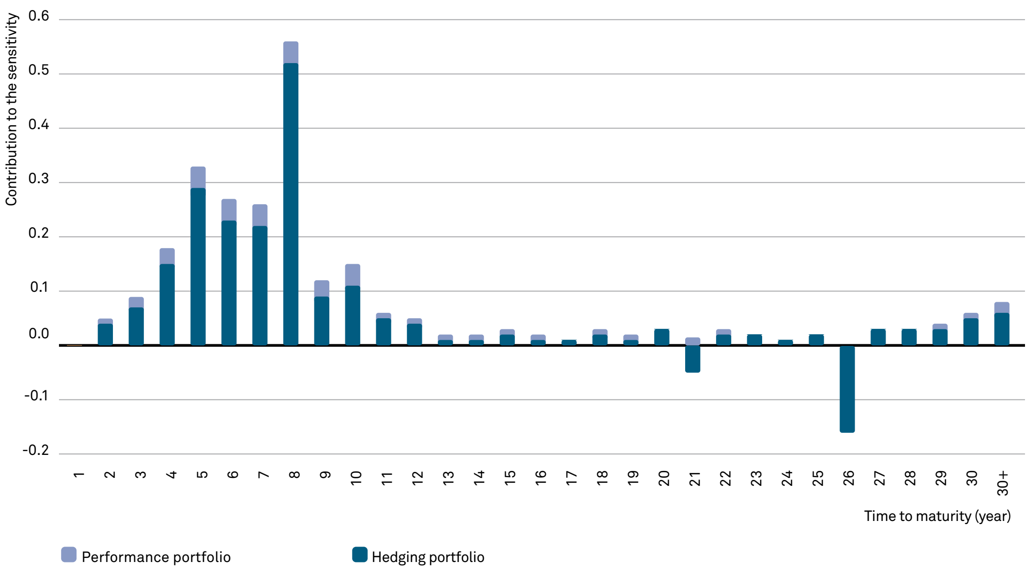
At the end of the year, the average potential loss linked to yield curve changes, measured by a one year CVaR at 99%, was 0.8% of the FRR's assets, i.e. EUR 0.3 billion on the market value of the FRR's portfolio (as compared to 1.4% at the end of 2014). This reduction in risk was the result of the reduction of the relative weighting of fixed income assets in the FRR's portfolio and also a decrease in the volatility of French bonds over 2015 as a whole.

The sensitivity of the FRR's portfolio to all yield curves is 2.48[2]. Thus, for a uniform change of 100bp across all yield curves, the value of the FRR's portfolio would decrease by 2.48%, i.e. around EUR 0.90 billion.

Symmetrically, a 100 bp interest rate rise would result in a 2.49% fall in the FRR's balance sheet liabilities as a result of the fall in value of fixed income commitments.

2 *Including fixed income assets in the performance component.*

Contributions to the sensitivity of the portfolio, by component and by maturity



The portfolio's credit risk

The table below shows a breakdown by rating of the FRR's fixed income assets at the end of 2014 and 2015. The bulk of these assets (91%) are invested in investment grade securities.

	AAA	AA	A	BBB	<BBB- et NC
31/12/2014	0.7%	40.6%	28.7%	23.4%	6.6%
31/12/2015	1.4%	40.4%	23.3%	26.9%	8.0%

The overall quality of the FRR's credit portfolio in 2015 was similar to that of 2014, as 91% of the credit portfolio was invested in investment grade securities, as compared to 93% in 2014. The share represented by securities rated category A is slightly down on 2014 because the cash invested through debt securities with domestic and international banks (generally rated category A) is less than the previous year. This fall in assets rated category A corresponded to a rise in securities rated category BBB. 2015 was marked by a further rise in investments in unlisted private debt funds of mostly French companies. Consisting in part of loans to companies not belonging to the investment category or not rated as a result of their size, these assets help to increase the share represented by the "non-investment" category (<BBB- and NR) in the FRR's fixed income assets, i.e. 8% in 2015 as opposed to 7% in 2014.

Counterparty risk

Counterparty risk is the risk linked to trading by investment managers in over-the-counter forward financial instruments with bank counterparties (swaps and currency forwards). It has been sharply reduced as a result of the introduction of various measures: minimum rating of authorised counterparties, margin calls, use of CLS[3] Bank's clearing services for foreign exchange, limits per counterparty. At the end of 2015 the FRR's overall exposure to counterparty risk was EUR 353 million.

Issuer risk diversification ratios

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

Currency risk

The FRR's portfolio is partly invested in foreign currencies. In the strategic allocation the hedging target for the currency risk of performance assets is 90%, with the exception of the assets denominated in emerging currencies, for which the exchange rate is an intrinsic performance factor. Nevertheless, the FRR has some flexibility in its level of hedging, provided that its total currency risk exposure remains less than 20% of its total assets (regulatory limit). Thus, in 2015, the level of hedging of exposure to developed market currencies excluding the euro (chiefly the USD), significantly reduced in 2014, has been largely reconstituted. The part still exposed continued to constitute a significant source of performance for the FRR. The currency risk of hedging assets has been fully hedged since 2011.

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

The volatility of deviations between the performances of the strategic allocation and the real allocation is measured by tracking error (TE) type indicators. This concept is defined as the annualised standard deviation in performance between the portfolio and the benchmark allocation target.

In 2015, all the investment managers complied with the TE limits specified in their investment mandate, on average the TE on the FRR's portfolio was 74 basis points for 2015.

3 *Continuous Linked Settlement: clearing and settlement system which reduces counterparty risk.*

Risk on financial contracts, in particular derivatives

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

The FRR applies the risk monitoring principles for transactions in financial instruments set out in the AMF[4] regulation of November 2011 on the method for calculating the overall risk of UCIs. These principles specify two calculation methods implemented by the FRR:

- a method of calculating the commitment under a financial contract for non-complex derivatives;
- a method based on VaR calculations in the case of the large-scale use of complex financial contracts.

The FRR uses the commitment method to calculate the overall risk. This method consists in calculating the actual commitment of the financial contracts in relation to the Fund's total net value. The value of the exposure at the end of 2015 was 18.40% of the fund's value, as compared to 13.22% at the end of 2014. It is therefore well below the statutory 100% limit, even including the systematic option-based hedging designed to control the volatility of the FRR's performance (as provided for in the new 2015 strategic asset allocation).

Liquidity risk of assets under management

The FRR manages two limits in particular:

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

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

Organisation and costs

Organisation and human resources

Between 2010 and 2014, the FRR's headcount fell steadily, from 56 to 48 (down 14%), and payroll fell 27.9% thanks to a policy of internal promotion and hiring of young employees. In 2015 headcount stabilised at 48 employees, below which the FRR would not have been able to perform its mission without major operational risk. The FRR has generally stabilised its organisational structure with experienced employees who offer established, flexible skillsets.

At the end of summer 2015, the FRR's trustees authorised it to divert EUR 2 billion into the financing of the French economy. The Management Board then deemed it necessary to add to its future skills, first by creating an additional position in the finance department.

In the coming years, the FRR will further endeavour to maintain a demanding level of process security, thanks to its management tools and top quality, reliable analysis, and will continue its ongoing evaluation of the effectiveness of its organisation.

The FRR's costs

Total expenses amounted to EUR 119 million in 2015, a 69% increase on 2014. This sharp rise is mainly due to the change in the way in fine management fees, paid to the manager at the end of the mandate, are recognised in the accounts. These fees were recognised under expenses for the financial year for the first time in 2015, where they had previously been mentioned in the notes to the financial statements due to their excessively random nature. This transaction alone resulted in the booking of an additional in fine fee of EUR 30 million, taking the performance fees to EUR 53.6 million (up EUR 39.2 million on 2014).

In 2015, total management fees (fixed, variable and overlay) amounted to EUR 95.4 million (as compared to EUR 46 million in 2014), accounting for 80% of total expenses.

The fixed portion of these fees increased in 2015 (EUR 36.9 million, as compared to EUR 30.3 million in 2014), as a result of the increasing use of Low Carbon mandates, the greater weighting of equities in the portfolio and a subscription to a major fund with outsourced charges.

Other evaluative expenses, especially custody charges, were in line with those of 2014 (EUR 9.4 million), and all expenses relating to mandate management (management fees and custody charges) accounted for 88% of expenses in 2015 as compared to around 81% in 2014.

Lastly, concerning inherently limitative expenses, staff expenses were in line with the initial budget as a result of no staff turnover in 2015 (EUR 7.4 million in 2015 as compared to EUR 7 million in 2014, a year during which several employees left and were not replaced during the financial year), and other expense items (IT, NBI, other overheads, etc.) were also contained.

The sharp rise of the expenses is mainly due to the change in the way in fine management fees are recognised in the accounts.

Governance

SUPERVISORY BOARD
at 31 May 2016

CHAIRMAN **Alain Vasselle**

MEMBERS OF THE NATIONAL ASSEMBLY

Michel Issindou, *alternate* Charles de Courson
Bérangère Poletti, *alternate* Gisèle Biémouret

MEMBERS OF THE SENATE

Francis Delattre, *alternate*Dominique de Legge
Jean-Marc Gabouty, *alternate* Georges Labazée

QUALIFIED PERSON

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

REPRESENTATIVES OF SOCIAL SECURITY BENEFICIARIES APPOINTED BY NATIONALLY REPRESENTATIVE TRADE UNIONS

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

Confédération générale du travail – Force ouvrière
Philippe Soubirous, *alternate* Philippe Pihet

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

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

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

REPRESENTATIVES OF EMPLOYERS AND 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
Alain Duffoux, *alternate* Georges Tissié

Union professionnelle artisanale
Albert Quenet, *alternate* Berthe Duguey

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

Thomas Fatome, *alternate*Jonathan Bosredon
Amandine Giraud, *alternate* Agathe Denechere

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

Corso Bavagnoli, *alternate* Thomas Groh

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

Denis Morin, *alternate* Jean-François Juery

MANAGEMENT BOARD

CHAIRMAN **Pierre-René Lemas**

MEMBERS OF THE MANAGEMENT BOARD

Yves Chevalier
Olivier Rousseau

MANAGER SELECTION COMMITTEE

CHAIRMAN **Olivier Rousseau**

MEMBERS OF THE MANAGER SELECTION COMMITTEE

Catherine Guinefort, former fund manager with an asset management company

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

Jean-François Marie, former director of a finance company

Marcel Nicolaï, former managing partner of an asset management company

Management structure chart*

Supervisory Board

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

Management Board

Chairman:
Pierre-René Lemas

Member:
Yves Chevalier

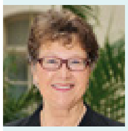
Member:
Olivier Rousseau

Assistant: Brigitte Dahan

MANAGER SELECTION COMMITTEE

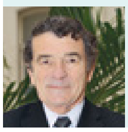
Chairman: **Olivier Rousseau**

Member:
Thierry Coste



Member:
Catherine Guinefort

Member:
Jean-François Marie



Member:
Marcel Nicolaï

INTERNAL ACCOUNTING

Patrick Hédé

Thierry Tacinelli,
Marie-Christine Huguet

** At 31 May 2016.*

Operations and risk division

Yann Derrien

Assistants:
Martine Carton, Nathalie Lalande

HUMAN RESOURCES AND MANAGEMENT CONTROL DEPARTMENT

Jérôme Houdbine

Nicolas Umbach-Bascone,
Romaric Bolzan

INFORMATION SYSTEMS, ORGANISATION AND PROJECTS

Sabine Botras

Ronan Hénaff,
Catherine Sanglar

FINANCIAL RISK MANAGEMENT AND PERFORMANCE DEPARTMENT

Pierre Leygue

Abdelouahid Akarkoub, Antoine Dupaquis,
Joanne Letendrie-Garrick, Minh Tram,
Walter Villefroy

OPERATIONAL RISKS

Yann Derrien

and one staff member

MIDDLE OFFICE DEPARTMENT

Bernard Pariset

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

Internal Accounting Controls
Mordi Kadosch, Alain Brivet

Finance division

Salwa Boussoukaya-Nasr

Assistant
Karine Bocquet

DELEGATED MANAGEMENT DEPARTMENT

Cristel Haution Sarac

Manager Selection
Hervé Seignol,
Charles-Antoine Poupel

Responsible Investment
Mickaël Hellier

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

ASSET ALLOCATION DEPARTMENT

Pierre-Olivier Billard

Deputy
Christophe Roger

Hervé Amourda, Pauline Mercier,
Johann Tourne

Legal and communication department

Anne-Marie Jourdan

Alexa Sudici, Alexandre Van Ooteghem,
N (pending recruitment)

2015
Annual report

Financial Information

Financial and accounting summary

In 2015 the FRR recorded a profit of EUR 1.5 billion, following a profit of EUR 1.440 billion in 2014.

The French Social Security Financing Law for 2011 provides that with effect from 1 January 2011 the FRR must pay EUR 2.1 billion to the Caisse d'Amortissement de la Dette Sociale (CADES) every year until 2024.

The fund paid this amount to the CADES on 27 April 2015, recognising an equivalent reduction in its permanent capital.

However, the 2015 financial statements reflect the FRR's financial solidity, just as they did in 2014 and 2013.

The CNIEG's contribution is valued at EUR 4.581 billion, an increase of EUR 153 million. Financial assets, transferable securities and available funds amount to EUR 36.192 billion.

The 2015 financial result showed a profit of EUR 1.619 billion, following a profit of EUR 1.504 billion in 2014.

The same applies to the valuation differences recognised in the balance sheet, which reflect the difference between the acquisition value of assets and their market value at 31 December. These differences, which were already positive in 2014 at EUR 3.3869 billion, were EUR 2.949 billion at 31 December 2015.

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

Income on transferable securities amounted to EUR 790.3 million versus EUR 840.4 million in 2014.

Foreign exchange transactions generated a net loss of EUR 538.48 million. The loss recognised at 31/12/2014 was EUR 265.2 million.

Sales of transferable securities generated a surplus of EUR 1.405 billion, compared with EUR 1.0453 in 2014.

Lastly, financial futures recorded a net gain of EUR 118.4 million versus EUR 96.3 million in 2014.

The 2015 financial result showed a profit of EUR 1.619 billion, following a profit of EUR 1.504 billion in 2014.

Balance sheet at 31 December 2015

ASSETS – in euros	31/12/2015			31/12/2014
	Gross	Depreciation and amortisation	Net	Net
FIXED ASSETS				
Intangible assets				
Other intangible assets	4,806,316.44	-2,984,077.02	1,822,239.42	2,100,964.14
Tangible fixed assets				
Plant and equipment	12,712.31	-12,712.31	–	–
TOTAL I	**4,819,028.75**	**-2,996,789.33**	**1,822,239.42**	**2,100,964.14**
CURRENT ASSETS				
Receivables from operations	1,500.00		1,500.00	0.00
Sundry receivables				
Financial instruments	14,413,959.96	–	14,413,959.96	21,616,979.41
Foreign exchange transactions	9,641,576,176.57	–	9,641,576,176.57	5,937,840,346.83
Forward financial instruments	568,205,050.11	–	568,205,050.11	184,065,706.19
Financial instruments				
Equities and similar securities	9,354,008,790.22	–	9,354,008,790.22	8,796,526,280.57
Bonds and similar securities	16,642,350,593.55	–	16,642,350,593.55	17,779,683,655.66
Transferable debt securities	920,965,095.75	–	920,965,095.75	3,106,276,100.03
Undertakings for Collective Investment	5,869,985,081.41	–	5,869,985,081.41	6,180,864,085.42
Cash	3,405,472,259.75	–	3,405,472,259.75	1,342,575,481.67
Prepaid expenses	–	–	–	53,194.10
TOTAL II	**46,416,978,507.32**	**–**	**46,416,978,507.32**	**43,349,448,635.78**
GRAND TOTAL (I + II)	**46,421,797,536.07**	**-2,996,789.33**	**46,418,800,746.74**	**43,351,602,794.02**

LIABILITIES – in euros	31/12/2015	31/12/2014
EQUITY CAPITAL		
Allocations	2,870,680,121.97	2,870,680,121.97
Reserves	5,496,133,780.00	4,056,473,649.73
Valuation difference	2,949,210,368.15	3,386,928,094.39
Profit/(loss) for the financial year	1,500,464,460.48	1,439,660,130.27
TOTAL I	**12,816,488,730.60**	**11,753,741,996.36**
PAYABLES		
Long-term borrowings		
Extraordinary contribution to CNIEG	4,581,594,321.66	4,428,075,612.69
CADES debt - 1 year	2,100,000,000.00	2,100,000,000.00
CADES debt + 1 year	16,800,000,000.00	18,900,000,000.00
Payables from operations	79,437,158.89	37,648,494.28
Sundry payables		
Financial instruments	11,123,928.00	20,795,201.99
Foreign exchange transactions	9,995,042,684.15	6,094,755,881.37
Forward financial instruments	34,331,248.99	12,711,297.98
Prepaid income	782,674.45	3,874,309.35
TOTAL II	**33,602,312,016.14**	**31,597,860,797.66**
GRAND TOTAL (I + II)	**46,418,800,746.74**	**43,351,602,794.02**

Income statement at 31 December 2015

EXPENSES – in euros	31/12/2015	31/12/2014
Outside services	**117,648,637.20**	**63,049,145.90**
Remuneration – management companies	92,952,017.24	
CDC Administrative management	21,783,629.07	
Others	2,912,990.89	
Taxes, duties and similar	**84,171.54**	**82,516.15**
Tax on wages	84,171.54	
Staff expenses	**949,040.06**	**905,612.10**
Wages and salaries	694,040.37	
Social security contributions	254,999.69	
Depreciation allowance	**520,939.72**	**476,224.02**
Depreciation allowance	520,939.72	
TOTAL OPERATING EXPENSES	**119,202,788.52**	**64,513,498.17**
FINANCIAL COSTS	**2,530,257,662.16**	**1,406,106,730.94**
Forex losses	1,335,611,239.72	
Expenses on forward financial instruments	571,384,219.81	
Costs relating to sales of financial instruments	259,516,440.80	
Expenses on options	142,751,359.98	
Other financial expenses	4,245,331.35	
Allocation of share of income to CNIEG	216,749,070.50	
TOTAL FINANCIAL COSTS	**2,530,257,662.16**	**1,406,106,730.94**
Extraordinary expenses on management operations	–	
TOTAL EXTRAORDINARY EXPENSES	**–**	**–**
Profit/(loss) for the financial year	**1,500,464,460.48**	**1,440,045,169.09**
GRAND TOTAL	**4,149,924,911.16**	**2,910,665,398.20**

FINANCIAL INCOME – in euros	2015	2014
Income	790,298,140.90	
Forex gains	797,134,250.46	
Income from forward financial instruments	689,854,459.46	
Proceeds of sales of financial instruments	1,665,098,075.39	
Income on options	194,823,191.35	
Other financial income	12,665,780.92	
TOTAL FINANCIAL INCOME	**4,149,873,898.48**	**2,910,204,592.88**
Extraordinary income on management operations	51,012.68	
TOTAL EXTRAORDINARY INCOME	**51,012.68**	**460,805.32**
GRAND TOTAL	**4,149,924,911.16**	**2,910,665,398.20**

Notes to the annual financial statements at 31 December 2015

Accounting methods and rules used

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

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

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

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

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

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

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

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

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

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

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

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

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

Securitisation entities are valued on the basis of the most recent valuations indicated by the managers if they are below their purchase cost, or at par if higher.

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

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

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

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

Withholding tax recovered is recognised as and when received.

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

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

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

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

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

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

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

Presentation of the financial statements

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

Balance sheet

The various items are presented as net values, taking into account the depreciations applied for fixed assets and valuation differences for financial assets and liabilities.

"Receivables" and "Payables on financial instruments" comprise transactions in transferable securities by investment companies for which settlement is pending (matured coupons, purchases and sales awaiting settlement).

"Receivables" and "Payables on forex transactions" comprise current foreign exchange transactions, whether spot or forward.

"Receivables" and "Payables on forward financial instruments" comprise current transactions related to futures (margins payable or receivable, security deposits), option premiums and swaps (payable or receivable flows).

"Financial instruments" comprise four categories: equities and equities equivalents, bonds and bonds equivalents, negotiable debt securities, undertakings for collective investment, including venture capital funds and securitisation entities. They are shown in the balance sheet at their market value, taking into account coupons accrued on bonds, transferable debt securities and securitisation entities.

"Cash" comprises all the FRR's cash accounts in euro and foreign currencies (valued at their price on the last day of the financial year), and interest accrued on these interest-bearing current and deposit accounts.

"Equity capital" comprises:

- "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" comprises:

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

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

Additional information relating to assets

CURRENT ASSETS

Table of fixed assets and depreciation – in euros

	Fixed assets				Depreciation and amortisation				Net book value
Headings and items	Gross book value – opening balance	Increase	Decrease	Gross book value – closing balance	Accumulated values – opening balance	Depreciation/ amortisation charges	Decrease	Accumulated values – closing balance	
Intangible assets	4,564,101.44	672,346.00	-430,131.00	4,806,316.44	-2,463,137.30	-520,939.72	–	-2,984,077.42	1,822,239.42
TOTAL I	**4,564,101.44**	**672,346.00**	**-430,131.00**	**4,806,316.44**	**-2,463,137.30**	**-520,939.72**	**–**	**-2,984,077.42**	**1,822,239.42**
Tangible fixed assets	12,712.31	–	–	12,712.31	-12,712.31	–	–	-12,712.31	–
TOTAL II	**12,712.31**	**–**	**–**	**12,712.31**	**-12,712.31**	**–**	**–**	**-12,712.31**	**–**
GRAND TOTAL	**4,576,813.75**	**672,346.00**	**-430,131.00**	**4,819,028.75**	**-2,475,849.61**	**-520,939.72**	**–**	**-2,996,789.33**	**1,822,239.42**

RECEIVABLES LINKED TO FINANCIAL MANAGEMENT

Receivables – in euros	31/12/2015
Related to financial instruments	
Matured coupons for payment	9,265,568.29
Sales pending settlement	3,283,203.14
Fees/rebates receivable	1,865,188.53
TOTAL	**14,413,959.96**
Related to forex transactions	
Forward purchases	152,087,221.44
Forex forward receivables	9,488,419,734.53
Forex spot receivables	76,146.62
Discount	993,073.98
TOTAL	**9,641,576,176.57**
Related to forward financial instruments	
Security deposits	544,899,544.65
Margin receivable	5,847,063.91
Premiums on options	17,458,441.55
TOTAL	**568,205,050.11**

TRANSFERABLE SECURITIES

CHANGES IN THE VALUE OF THE PORTFOLIO OF TRANSFERABLE SECURITIES

Portfolio at 31 December 2014 – in euros

	Value on acquisition	Valuation differences[1]	Accrued coupons	Balance sheet value
Equities	**7,517,528,873.72**	**1,278,997,406.85**	**–**	**8,796,526,280.57**
Bonds	**15,925,056,721.98**	**1,545,645,275.80**	**308,981,657.88**	**17,779,683,655.66**
Transferable debt securities	**3,105,806,362.84**	**417,358.02**	**52,379.17**	**3,106,276,100.03**
Undertakings for Collective Investment	**5,248,227,418.32**	**932,071,194.10**	**565,470.00**	**6,180,864,082.42**
UCITS	4,742,045,576.28	604,137,734.27	–	5,346,183,310.55
Other UCIs	506,181,845.04	327,933,459.83	565,470.00	834,680,774.87
including private equity funds	*312,311,001.72*	*325,738,645.27*	–	*638,049,646.99*
including securitisation Entity	*193,870,843.32*	*2,194,814.56*	*565,470.00*	*196,631,127.88*
TOTAL	**31,796,619,379.86**	**3,757,131,234.77**	**309,599,507.05**	**35,863,350,121.68**

Portfolio at 31 December 2015 – in euros

	Value on acquisition	Valuation differences[1]	Accrued coupons	Balance sheet value
Equities	**7,665,223,042.65**	**1,688,785,747.57**	**–**	**9,354,008,790.22**
Bonds	**15,439,403,581.32**	**924,621,277.59**	**278,325,734.64**	**16,642,350,593.55**
Transferable debt securities	**921,301,416.15**	**-336,320.40**	**–**	**920,965,095.75**
Undertakings for Collective Investment	**5,016,993,966.33**	**852,547,210.10**	**443,904.98**	**5,869,985,081.41**
UCITS	4,509,023,025.30	463,594,978.43	–	4,972,618,003.73
Other UCIs	507,970,941.03	388,952,231.67	443,904.98	897,367,077.68
including private equity funds	*141,987,777.51*	*390,026,931.22*	–	*532,014,708.73*
including securitisation Entity	*365,983,163.52*	*-1,074,699.55*	*443,904.98*	*365,352,368.95*
TOTAL	**29,042,922,006.45**	**3,465,617,914.86**	**278,769,639.62**	**32,787,309,560.93**

	31/12/2015	31/12/2014
Equities	**9,354,008,790.22**	**8,796,526,280.57**
Bonds	**16,642,350,593.55**	**17,779,683,655.66**
Transferable debt securities	**920,965,095.75**	**3,106,276,100.03**
Undertakings for Collective Investment	**5,869,985,081.41**	**6,180,864,085.42**
UCITS	4,972,618,003.73	5,346,183,310.55
Other UCIs	897,367,077.68	834,680,774.87
including private equity funds	*532,014,708.73*	*638,049,646.99*
including securitisation entities	*365,352,368.95*	*196,631,127.88*
GRAND TOTAL	**35,863,350,121.68**	**32,787,309,560.93**

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

BREAKDOWN OF PORTFOLIO BY REMAINING TERM TO MATURITY

	31/12/2015	31/12/2014
< 3 months	0.24%	3.06%
> 3 months < 1 year	5.71%	12.48%
1 to 3 years	9.96%	5.17%
3 to 5 years	28.54%	15.97%
5 to 7 years	20.47%	26.74%
7 to 10 years	23.91%	27.39%
10 to 15 years	3.67%	2.83%
> 15 years	7.49%	6.36%
	100.00%	**100.00%**

BREAKDOWN OF PORTFOLIO BY COUPON TYPE

	31/12/2015	31/12/2014
Fixed rate	97.76%	98.28%
Index-linked rate	0.00%	0.00%
Variable rate	2.24%	1.72%
	100.00%	**100.00%**

BREAKDOWN OF TRANSFERABLE SECURITIES PORTFOLIO BY CURRENCY OF LISTING

				Undertakings for Collective Investment			
					Other UCIs		
Currency	**Equities**	**Bonds**	**Transferable debt securities**	**UCITS[2]**	**SE[3]**	**LP[4] and Private Equity Funds**	**Total**
AUD	170,915,313.11	–	–	–	–	–	170,915,313.11
CAD	92,522,047.30	–	–	–	–	–	92,522,047.30
CHF	199,594,235.11	–	–	–	–	–	199,594,235.11
DKK	70,261,293.22	–	–	–	–	–	70,261,293.22
EUR	4,407,210,061.75	13,653,714,866.90	918,802,469.74	1,770,487,640.99	365,352,368.95	347,813,311.43	21,463,380,719.76
GBP	807,079,000.21	–	–	5,651,124.08	–	–	812,730,124.29
HKD	96,469,255.51	–	–	–	–	–	96,469,255.51
JPY	581,491,297.92	–	–	–	–	–	581,491,297.92
NOK	15,049,708.94	–	–	–	–	–	15,049,708.94
NZD	12,239,821.77	–	–	–	–	–	12,239,821.77
SEK	133,271,854.85	–	–	–	–	–	133,271,854.85
SGD	46,071,013.68	–	–	–	–	–	46,071,013.68
USD	2,721,833,886.85	2,988,635,726.65	1,379,951.56	3,196,479,238.66		184,201,397.30	9,092,530,201.02
					365,352,368.95	**532,014,708.73**	
NET TOTAL OF IRA[5]	**9,354,008,790.22**	**16,642,350,593.55**	**920,182,421.30**	**4,972,618,003.73**	**897,367,077.68**		**32,786,526,886.48**
		IRA on French Treasury Bills	-15,547.91				
		IRA on foreign Treasury Bills	262.98				
		IRA on certificates of deposit	797,959.38				
		Total IRA	**782,674.45**				
TOTAL	**9,354,008,790.22**	**16,642,350,593.55**	**920,965,095.75**	**5,869,985,081.41**			**32,787,309,560.93**

2 Incl. Exchange Traded Funds.
3 Securitisation entities.
4 Limited Partnership.
5 IRA: Interest received in advance.

DETAILED STATEMENT OF TRANSFERABLE SECURITIES AT 31 DECEMBER 2015 – in euros

Financial instruments	Net total of IRA	IRA	Portfolio total
EQUITIES			
Eurozone European	4,407,210,061.75	–	4,407,210,061.75
Non-eurozone European	1,225,256,092.33	–	1,225,256,092.33
USA	2,814,355,934.15	–	2,814,355,934.15
Asia ex Japan	325,695,404.07	–	325,695,404.07
Japan	581,491,297.92	–	581,491,297.92
TOTAL	**9,354,008,790.22**	**–**	**9,354,008,790.22**
BONDS			
Eurozone European	13,653,714,866.90	–	13,653,714,866.90
USA	2,988,635,726.65	–	2,988,635,726.65
SUB-TOTAL	**16,642,350,593.55**	**–**	**16,642,350,593.55**
TRANSFERABLE DEBT SECURITIES			
Eurozone European	918,802,469.74	782,411.47	919,584,881.21
USA	1,379,951.56	262.98	1,380,214.54
SUB-TOTAL	**920,182,421.30**	**782,674.45**	**920,965,095.75**
UCITS			
Eurozone European	1,770,487,640.99	–	1,770,487,640.99
Non-eurozone European	5,651,124.08	–	5,651,124.08
USA	3,196,479,238.66	–	3,196,479,238.66
SUB-TOTAL	**4,972,618,003.73**	**–**	**4,972,618,003.73**
OTHERS UCIS			
Private equity funds			
Europe	347,813,311.43	–	347,813,311.43
USA	184,201,397.30	–	184,201,397.30
SUB-TOTAL	**532,014,708.73**	**–**	**532,014,708.73**
Securitisation entities			
Europe	365,352,368.95	–	365,352,368.95
SUB-TOTAL	**365,352,368.95**	**–**	**365,352,368.95**
GRAND TOTAL	**32,786,526,886.48**	**782,674.45**	**32,787,309,560.93**

PRIVATE EQUITY FUNDS

		Panthéon 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	131,965,750	127,050,000	13,764,629	272,780,379
Payments over the period (calls for funds)	EUR	15,000,000	21,000,000	2,514,900	38,514,900
Provisional repayment	EUR	-88,900,000	-77,700,000	-2,715,717	-169,315,717
Balance on closing date	EUR	58,065,750	70,350,000	13,563,812	141,979,562
Valuation on closing date	EUR	163,510,805	134,931,308	49,371,198	347,813,311

		NBEL[6]	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[7]	561,954,608	163,629,596	725,584,204
Liabilities on closing date	USD	280,711,144	198,000,000	478,711,144	EUR	231,983,086	163,629,596	395,612,682
Balance for previous financial year	USD	35,395,725	29,920,889	65,316,614	EUR[8]	20,370,479	19,160,261	39,530,740
Payments over the period (calls for funds)	USD	–	3,684,529	3,684,529	EUR	–	2,382,075	2,382,075
Distribution of assets	USD	-64,251,922	-49,191,732	-113,443,654	EUR	-57,611,040	-44,760,980	-102,372,020
Balance on closing date[9]	USD	–	–	–	EUR	–	8,215	8,215
Valuation on closing date	USD	144,701,278	55,387,775	200,089,053	EUR	133,205,632	50,987,549	184,201,397
Total initial liabilities (EUR)								**1,625,584,204**
Total net payments over the period (EUR)								**-230,790,762**
TOTAL VALUED ON CLOSING DATE (EUR)								**532,014,709**

6 Neuberger Berman Europe Limited ex Lehman Brother Int. Europe.
7 On the basis of a $/€ exchange rate of 0.920556 on the closing date.
8 On the basis of a $/€ exchange rate on the transaction date.
9 Dividends are attributed to the value of the fund under balance sheet assets until the amounts invested are repaid.
Capital gains are recognised when the dividends paid exceed the total amount invested (see article 2.2.2 of CNC notice no. 2008-10 of 05/06/2008).

SECURITISATION ENTITIES

Funds FCT[10]	Liabilities at inception	Liabilities on closing date	Balance for previous financial year	Payments over the period		Balance on closing date[11]	Valuation on closing date
				Calls for Funds	Distribution of assets		
CM-CIC-Debt Fund 1	80,000,000	80,000,000	–	70,512,527	-9,381,663	18,869,136	61,130,864
Idinvest 1	60,000,000	60,000,000	–	–	-3,512,400	–	56,931,505
Idinvest 2	80,000,000	80,000,000	36,160,000	34,400,000	–	1,760,000	78,240,000
Idinvest 3	100,000,000	100,000,000	–	34,000,000	–	66,000,000	34,000,000
NOVO 1	78,000,000	78,000,000	33,500,000[12]	17,750,000	–	15,750,000	62,250,000
NOVO 2	42,000,000	42,000,000	18,550,000[13]	13,750,000	–	4,800,000	37,200,000
Tikehau	40,000,000	40,000,000	18,400,000[14]	14,000,000	–	4,400,000	35,600,000
SUB-TOTAL	**480,000,000**	**480,000,000**	**106,610,000**	**184,412,527**	**-12,894,063**	**111,579,136**	**365,352,369**

Funds FPS[15]	Liabilities at inception	Liabilities on closing date	Balance for previous financial year	Payments over the period		Balance on closing date	Valuation on closing date
				Calls for Funds	Distribution of assets		
BNP PARIBAS FPS FPE	95,000,000	95,000,000	–	38,000,000	–	57,000,000	38,041,060
FPS Immo Durable	200,000,000	200,000,000	–	8,800,000	–	191,200,000	8,800,000
NOVI 1	72,500,000	72,500,000	–	18,256,510	–	54,243,490	18,024,504
NOVI 2	72,500,000	72,500,000	–	29,290,000	–	43,210,000	29,290,000
SUB-TOTAL	**440,000,000**	**440,000,000**	**–**	**94,346,510**	**–**	**345,653,490**	**94,155,564**
TOTAL	**920,000,000**	**920,000,000**	**106,610,000**	**278,759,037**	**-12,894,063**	**457,232,626**	**459,507,933**

10 *Debt Securitisation Fund* (Fonds Commun de Titrisation).
11 *Balance on the closing date excluding issue and subscription premiums.*
12 *Excluding issue premium of EUR 49,028.*
13 *Excluding issue premium of EUR 59,113.*
14 *Excluding subscription premium of EUR 334,579.20.*
15 *Specialised professional UCITS fund (SICAV or FCP).*

CASH

Currencies – in euros	Total
AUD	21,077,121.49
CAD	6,515,114.21
CHF	20,596,328.11
DKK	278,700.85
EUR	1,798,551,976.75
GBP	39,258,387.91
HKD	27,352,194.91
JPY	105,489,624.96
NOK	240,919.19
NZD	91,994.76
SEK	997,440.78
SGD	354,676.90
USD	1,384,667,778.93
TOTAL	**3,405,472,259.75**

Additional information relating to liabilities

CHANGES TO PERMANENT CAPITAL – in euros

Equity capital	31/12/2014	Allocation of 2014 profit/loss	2015 profit/(loss)	Variation [+]	Variation [-]	31/12/2015
Allocations	2,870,680,121.97	–	–	–	–	2,870,680,121.97
Reserves	4,056,473,649.73	1,439,660,130.27	–	–	–	5,496,133,780.00
Valuation differences	3,386,928,094.39	–	–	–	437,717,726.24	2,949,210,368.15
Profit/(loss) for the financial year	1,439,660,130.27	-1,439,660,130.27	1,500,464,460.48	–	–	1,500,464,460.48
SUB-TOTAL	**11,753,741,996.36**	**–**	**1,500,464,460.48**	**–**	**437,717,726.24**	**12,816,488,730.60**
Long-term debts	**31/12/2014**					**31/12/2015**
CNIEG	4,428,075,612.69	–	–	153,518,708.97	–	4,581,594,321.66
CADES + 1 year	18,900,000,000.00	–	–	–	2,100,000,000.00	16,800,000,000.00
SUB-TOTAL	**23,328,075,612.69**	–	–	**153,518,708.97**	**2,100,000,000.00**	**21,381,594,321.66**
TOTAL PERMANENT CAPITAL	**35,081,817,609.05**	**–**	**1,500,464,460.48**	**153,518,708.97**	**2,537,717,726.24**	**34,198,083,052.26**

PROFIT/LOSS FOR RECENT FINANCIAL YEARS – in euros

	2012	2013	2014	2015
Profit/(loss) for the financial year	1,271,206,212.14	1,861,038,145.61	1,439,660,130.27	1,500,464,460.48

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

DEBTS – in euros

DEBT REPAYMENT SCHEDULE

	Total	- 1 year	+ 1 year	of which 1-5 years	of which more than 5 years
Extraordinary contribution to CNIEG	4,581,594,321.66	–	4,581,594,321.66	–	4,581,594,321.66
CADES debt	18,900,000,000.00	2,100,000,000.00	16,800,000,000.00	8,400,000,000.00	8,400,000,000.00
Payables from operations	79,437,158.89	79,437,158.89	–	–	–
Payables on financial instruments	11,123,928.00	11,123,928.00	–	–	–
Payables on forex transactions	9,995,042,684.15	9,995,042,684.15	–	–	–
Payables on forward financial instruments	34,331,248.99	34,331,248.99	–	–	–
	33,601,529,341.69	**12,219,935,020.03**	**21,381,594,366.66**	**8,400,000,000.00**	**12,981,594,321.66**

EXTRAORDINARY CONTRIBUTION TO CNIEG – in euros

Equity capital at 31 December 2014	11,753,741,996.36
CNIEG balance at 31 December 2014	4,428,075,612.69
2015 employers' contributions	–
CADES debt at 31 December 2015	18,900,000,000.00
	35,081,817,609.05
CNAV SHARE AT 31 DECEMBER 2015	**12.62%**

Employers' contributions

Allocations at 31 December 2014		2,870,680,121.97	**2015**
Allocations at 31 December 2015		2,870,680,121.97	–
Breakdown at 31 December 2015	**31/12/2014**	**31/12/2015**	**to be allocated**
Operating expenses	–	-119,202,788.52	-119,202,788.52
Financial Income	–	1,836,365,306.82	1,836,365,306.82
Extraordinary Income	–	51,012.68	51,012.68
TOTAL INCOME	**–**	**1,717,213,530.98**	**1,717,213,530.98**
Valuation difference - Financial instruments	3,429,197,774.94	3,076,665,683.19	-352,532,091.75
Valuation difference - Forex	20,204,965.74	22,747,962.29	2,542,996.55
Valuation difference - Forward exchange	-154,979,293.83	-353,265,133.67	-198,285,839.84
Valuation difference - Derivatives	44,863,999.66	32,989,409.01	-11,874,590.65
Valuation differences - Private equity funds	325,738,645.27	390,026,931.22	64,288,285.95
Valuation differences - Securitisation entities	2,194,814.56	-1,074,699.55	-3,269,514.11
Valuation differences - Options	–	-1,817,333.92	-1,817,333.92
Valuation difference - Swaps	–	–	–
VALUATION DIFFERENCE - TOTAL	**3,667,220,906.34**	**3,166,272,818.57**	**-500,948,087.77**

Financial and extraordinary profit/loss less operating expenses	1,717,213,530.98
Breakdown percentage	**12.62%**
TO BE CREDITED TO THE CNAV	**216,749,070.50**
Valuation difference	-500,948,087.77
Breakdown percentage	**12.62%**
TO BE DEBITED TO THE CNAV	**-63,230,361.53**

Summary

Financial and extraordinary profit/loss less operating expenses	216,749,070.50
Valuation difference	-63,230,361.53
TOTAL	**153,518,708.97**
For the record: CNIEG contribution at 31 December 2014	**4,428,075,612.69**
CNIEG CONTRIBUTION AT 31 DECEMBER 2015	**4,581,594,321.66**

PAYABLES RELATED TO FINANCIAL MANAGEMENT

Payables – in euros	31/12/2015
Related to financial instruments	
Purchases pending settlement	11,123,928.00
TOTAL	**11,123,928.00**
Related to forex transactions	
Forward sales	9,841,780,626.66
Currencies for forward delivery	152,419,115.12
Currencies for spot delivery	61,379.96
Premium	781,562.41
TOTAL	**9,995,042,684.15**
Related to forward financial instruments	
Margin payable	16,463,550.48
Premiums on options	17,867,698.51
TOTAL	**34,331,248.99**

PREPAID INCOME

Prepaid income amounted to EUR 782,674.45. It corresponds to interest prepaid on certain negotiable debt securities (BTF, CDN, foreign Treasury Bills, commercial paper).

Additional information relating to the profit and loss account

OPERATING EXPENSES – in euros

	Amount
Outside services	**117,648,637.20**
Administrative Management *(Caisse des dépôts et consignations)*	21,783,629.07
Investment company fees	92,952,017.24
Other outside services	2,912,990.89
including trading costs on forward financial instruments	*2,448,625.96*
Taxes and duties	**84,171.54**
Payroll	**949,040.06**
Depreciation and amortisation	**520,939.72**
TOTAL	**119,202,788.52**

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	1	–	–	5
TOTAL	**7**	**1**	**–**	**–**	**8**
OTHERS[16]	**–**	**–**	**–**	**2**	**–**

16 Chairman of the Supervisory Board and Accounting Officer.

Off-balance sheet liabilities

Forward foreign exchange contracts – in euros

Currency codes	Currency receivable	%	Currency to be delivered	%
AUD	195,586,002.16	2.06%	28,571,805.86	18.75%
CAD	91,018,578.04	0.96%	2,152,818.50	1.41%
CHF	204,923,601.81	2.16%	2,038,519.95	1.34%
DKK	66,688,598.29	0.70%	994,581.49	0.65%
GBP	791,894,272.62	8.35%	6,256,099.10	4.10%
HKD	123,688,933.60	1.30%	14,125,584.72	9.27%
JPY	620,124,346.38	6.54%	22,977,531.92	15.08%
NOK	17,357,871.48	0.18%	4,383,863.99	2.88%
NZD	11,898,689.39	0.13%	700,000.00	0.46%
SEK	120,551,080.76	1.27%	1,478,395.15	0.97%
SGD	46,568,951.48	0.49%	4,137,601.33	2.71%
USD	7,198,118,808.52	75.86%	64,602,313.11	42.38%
TOTAL	**9,488,419,734.53**	**100.00%**	**152,419,115.12**	**100.00%**

Securities and cash on deposit at 31/12/2015 – in euros

Stock code	Name of stock	Quantity	Cost price	Market
XS1169630602	CA LONDON 0.875% 01/22 EUR	7,800,000.00	7,758,504.00	7,729,990.20
SUB-TOTAL			**7,758,504.00**	**7,729,990.20**
Stock code	**Name of stock**	**Quantity**	**Cost price**	**Market value**
DG.AUD	DEPOSIT AUD	65,000.00	43,428.19	43,535.04
DG.AUD	DEPOSIT AUD	39,000.00	26,196.48	26,121.02
DG.AUD	DEPOSIT AUD	39,000.00	26,464.72	26,121.02
DG.CAD	DEPOSIT CAD	14,684.00	10,194.56	9,731.27
DG.CAD	DEPOSIT CAD	2,437,544.00	1,661,938.55	1,615,390.83
DG.EUR	DEPOSIT EUR	416,482.20	416,482.20	416,482.20
DG.EUR	DEPOSIT EUR	201,831.80	201,831.80	201,831.80
DG.EUR	DEPOSIT EUR	2,173,220.80	2,173,220.80	2,173,220.80
DG.EUR	DEPOSIT EUR	236,852,889.75	236,852,889.75	236,852,889.75
DG.EUR	DEPOSIT EUR	526,931.60	526,931.60	526,931.60
DG.EUR	DEPOSIT EUR	230,045.90	230,045.90	230,045.90
DG.EUR	DEPOSIT EUR	2,229,685.70	2,229,685.70	2,229,685.70
DG.GBP	DEPOSIT GBP	38,196.00	51,349.33	51,822.80
DG.GBP	DEPOSIT GBP	3,310,320.00	4,601,695.10	4,491,309.95
DG.HKD	DEPOSIT HKD	285,600.00	32,963.22	33,923.47
DG.HKD	DEPOSIT HKD	214,200.00	25,613.06	25,442.60
DG.HKD	DEPOSIT HKD	142,800.00	17,303.01	16,961.73
DG.JPY	DEPOSIT JPY	5,550,000.00	76,788.54	42,471.30
DG.JPY	DEPOSIT JPY	1,338,105,000.00	10,277,016.18	10,239,832.80
DG.SGD	DEPOSIT SGD	9,240.00	5,982.76	5,995.71
DG.SGD	DEPOSIT SGD	5,280.00	3,474.96	3,426.12
DG.USD	DEPOSIT USD	131,560.00	119,533.42	121,108.34
DG.USD	DEPOSIT USD	309,829,670.11	278,552,668.97	285,215,566.70
DG.USD	DEPOSIT USD	325,560.00	292,572.56	299,696.21
SUB-TOTAL			**538,456,271.36**	**544,899,544.66**
TOTAL			**546,214,775.36**	**552,629,534.86**

OTHER LIABILITIES – in euros

Valuation of off-balance sheet commitments on derivatives

CURRENCY FUTURES

Long position

Stock code	Name of stock	Curr.	Quantity	Price	OBS liabilities valued
EC0316	CHI FUTUR EUR/U 0316	USD	4,999.00	1.09	626,198,034.59
TOTAL					**626,198,034.59**

INDEX FUTURES

Long position

Stock code	Name of stock	Curr.	Quantity	Price	OBS liabilities valued
AP0316	SYD FUTURE SPI2 0316	AUD	6.00	5,257.00	528,147.08
AP0316	SYD FUTURE SPI2 0316	AUD	6.00	5,257.00	528,147.08
EMD0316	CHI FUTURE SPI4 0316	USD	2,245.00	1,393.50	287,987,434.40
ES0316	CHI FUTUR SPMIN 0316	USD	66.00	2,035.40	6,183,209.06
FCE0116	Mar CAC40 0116	EUR	7,131.00	4,638.50	330,771,435.00
FDAX0316	EUR FUTURE DAX 0316	EUR	1,319.00	10,772.00	355,206,700.00
FESX0316	EUR DJ EURO STO 0316	EUR	42,560.00	3,282.00	1,396,819,200.00
FESX0316	EUR DJ EURO STO 0316	EUR	130.00	3,282.00	4,266,600.00
FESX0316	EUR DJ EURO STO 0316	EUR	61.00	3,282.00	2,002,020.00
FESX0316	EUR DJ EURO STO 0316	EUR	678.00	3,282.00	22,251,960.00
FSMI0316	EUR FUTURE SMI 0316	CHF	2.00	8,746.00	160,860.77
FTI0116	Mar FUTURE AEX 0116	EUR	514.00	441.85	45,422,180.00
HSI0116	HKF HANG SENG I 0116	HKD	3.00	21,910.00	390,369.35
HSI0116	HKF HANG SENG I 0116	HKD	2.00	21,910.00	260,246.23
IX0116	MEF IBEX 35 0116	EUR	1,238.00	9,526.30	117,935,594.00
RTA0316	NY RUSSELL 200 0316	USD	1,837.00	1,131.50	191,343,597.53
SG_FQ0116	SIM MSCI SINGAP 0116	SGD	7.00	323.60	146,985.92
SG_FQ0116	SIM MSCI SINGAP 0116	SGD	4.00	323.60	83,991.95
SPMIB0316	ITA SPMIB INDEX 0316	EUR	1,106.00	21,442.00	118,574,260.00
SXF600316	MON FUTURE TSE6 0316	CAD	2.00	760.90	201,703.17
TP0316	OSA TOPIX 0316	JPY	2,411.00	1,547.50	285,516,060.28
TP0316	OSA TOPIX 0316	JPY	10.00	1,547.50	1,184,222.56
Z0316	LIF FTSE100 0316	GBP	12.00	6,198.00	1,009,103.86
TOTAL					**3,168,774,028.24**

Short position

Stock code	Name of stock	Curr.	Quantity	Price	OBS liabilities valued
AP0316	SYD FUTURE SPI2 0316	AUD	10.00	5,257.00	880,245.14
ES0316	CHI FUTUR SPMIN 0316	USD	5,500.00	2,035.40	515,267,421.50
FSMI0316	EUR FUTURE SMI 0316	CHF	460.00	8,746.00	36,997,976.83
HSI0116	HKF HANG SENG I 0116	HKD	4.00	21,910.00	520,492.46
NQ0316	CHI NASDAQ 100 0316	USD	69.00	4,587.75	5,828,127.59
SP0316	CHI SP500 0316	USD	8.00	2,035.40	3,747,399.43
SXF600316	MON FUTURE TSE6 0316	CAD	332.00	760.90	33,482,726.40
YM0316	CBO FUTURE DJ M 0316	USD	70.00	17,341.00	5,587,176.65
Z0316	LIF FTSE100 0316	GBP	1,040.00	6,198.00	87,455,667.87
TOTAL					**689,767,233.86**

INTEREST RATE FUTURES

Long position

Stock code	Name of stock	Curr.	Quantity	Price	OBS liabilities valued
FGBL0316	EUR EURO BUND F 0316	EUR	160.00	157.92	25,267,200.00
FGBL0316	EUR EURO BUND F 0316	EUR	14.00	157.92	2,210,880.00
FGBM0316	EUR EURO BOBL F 0316	EUR	40.00	130.67	5,226,800.00
FGBS0316	EUR EURO SCHATZ 0316	EUR	477.00	111.51	53,190,270.00
FGBS0316	EUR EURO SCHATZ 0316	EUR	104.00	111.51	11,597,040.00
FGBX0316	EUR FUTURE EURO 0316	EUR	102.00	151.40	15,442,800.00
I0316	LIF 3MO EURO EU 0316	EUR	184.00	100.17	46,075,900.00
I0317	LIF 3MO EURO EU 0317	EUR	93.00	100.16	23,286,037.50
I0616	LIF 3MO EURO EU 0616	EUR	173.00	100.18	43,327,850.00
I0617	LIF 3MO EURO EU 0617	EUR	108.00	100.12	27,031,050.00
I0916	LIF 3MO EURO EU 0916	EUR	150.00	100.19	37,569,375.00
I0917	LIF 3MO EURO EU 0917	EUR	157.00	100.07	39,275,512.50
I1216	LIF 3MO EURO EU 1216	EUR	100.00	100.18	25,043,750.00
I1217	LIF 3MO EURO EU 1217	EUR	235.00	100.01	58,752,937.50
UBE0316	CBO ULTRA BOND 0316	USD	120.00	158.69	17,529,687.93
TOTAL					**430,827,090.43**

Short position

Stock code	Name of stock	Curr.	Quantity	Price	OBS liabilities valued
FGBL0316	EUR EURO BUND F 0316	EUR	555.00	157.92	87,645,600.00
FGBL0316	EUR EURO BUND F 0316	EUR	80.00	157.92	12,633,600.00
FGBM0316	EUR EURO BOBL F 0316	EUR	765.00	130.67	99,962,550.00
FGBM0316	EUR EURO BOBL F 0316	EUR	1,953.00	130.67	255,198,510.00
FGBS0316	EUR EURO SCHATZ 0316	EUR	19.00	111.51	2,118,690.00
FV0316	CBO UST NOTE 5 0316	USD	3,412.00	118.32	371,631,754.57
FV0316	CBO UST NOTE 5 0316	USD	180.00	118.32	19,605,426.68
TU0316	CBO 2 Y US TRES 0316	USD	3,266.00	108.62	653,113,562.07
TU0316	CBO 2 Y US TRES 0316	USD	194.00	108.62	38,794,865.60
TY0316	CBO T NOTE US 1 0316	USD	3,267.00	125.91	378,657,570.41
TY0316	CBO T NOTE US 1 0316	USD	150.00	125.91	17,385,563.38
UBE0316	CBO ULTRA BOND 0316	USD	1,244.00	158.69	181,724,431.55
US0316	CBO FUTURE BOND 0316	USD	2,841.00	153.75	402,102,319.79
TOTAL					**2,520,574,444.03**

INDEX CALL OPTIONS – in euros

Stock code	Name of stock Fininfo	Quantity	Strike price	Support price	Delta (Mid)	Commitment value (value of the underlying)
OSPX0316C-1	S&P 500 C 1603 2125.00	2,675.00	2,125.00	2,043.94	0.235	118,279,645.43
OSPX0316C-2	S&P 500 C 1603 2100.00	5,391.00	2,100.00	2,043.94	0.312	316,477,100.62
TOTAL						**434,756,746.05**

INDEX PUT OPTIONS – in euros

Stock code	Name of stock Fininfo	Quantity	Strike price	Support price	Delta (Mid)	Commitment value (value of the underlying)
OSPX0316P-1	S&P 500 P 1603 2000.00	2,675.00	2,000.00	2,043.94	0.407	204,850,279.53
OSPX0316P-2	S&P 500 P 1603 1875.00	2,675.00	1,875.00	2,043.94	0.198	99,656,892.75
OSPX0316P-3	S&P 500 P 1603 1850.00	5,391.00	1,850.00	2,043.94	0.171	173,453,795.53
OSPX0316P-4	S&P 500 P 1603 1975.00	5,391.00	1,975.00	2,043.94	0.354	359,079,787.24
TOTAL						**837,040,755.05**

Statutory auditor's report at 31 December 2015

Dear Sir/Madam,

Following our appointment by the Supervisory Board, we hereby present our report for the financial year ended 31 December 2015, 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:

As indicated in note I to the financial statements "Accounting rules and methods used", the financial statements were prepared in accordance with the accounting principles and methods applicable to the Fund, as stipulated in 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, especially for evaluating the financial instruments in the portfolio, we have verified the appropriateness of these rules and methods and of the information provided in the notes to the financial statements. We also verified the correct application of these rules and methods.

The evaluations were made in the context of our audit of the annual financial statements, taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

III. Specific verifications and information

We have also carried out the specific verifications required by law in accordance with the professional auditing standards applicable in France.

We have no comment as to the fair presentation and conformity with the annual financial statements of the information given in the management report with respect to the financial position and annual financial statements.

Paris and Courbevoie, 17 February 2016

Statutory Auditors

Grant Thornton

Hervé Grondin
Partner

Brigitte Vaira-Bettencourt
Partner

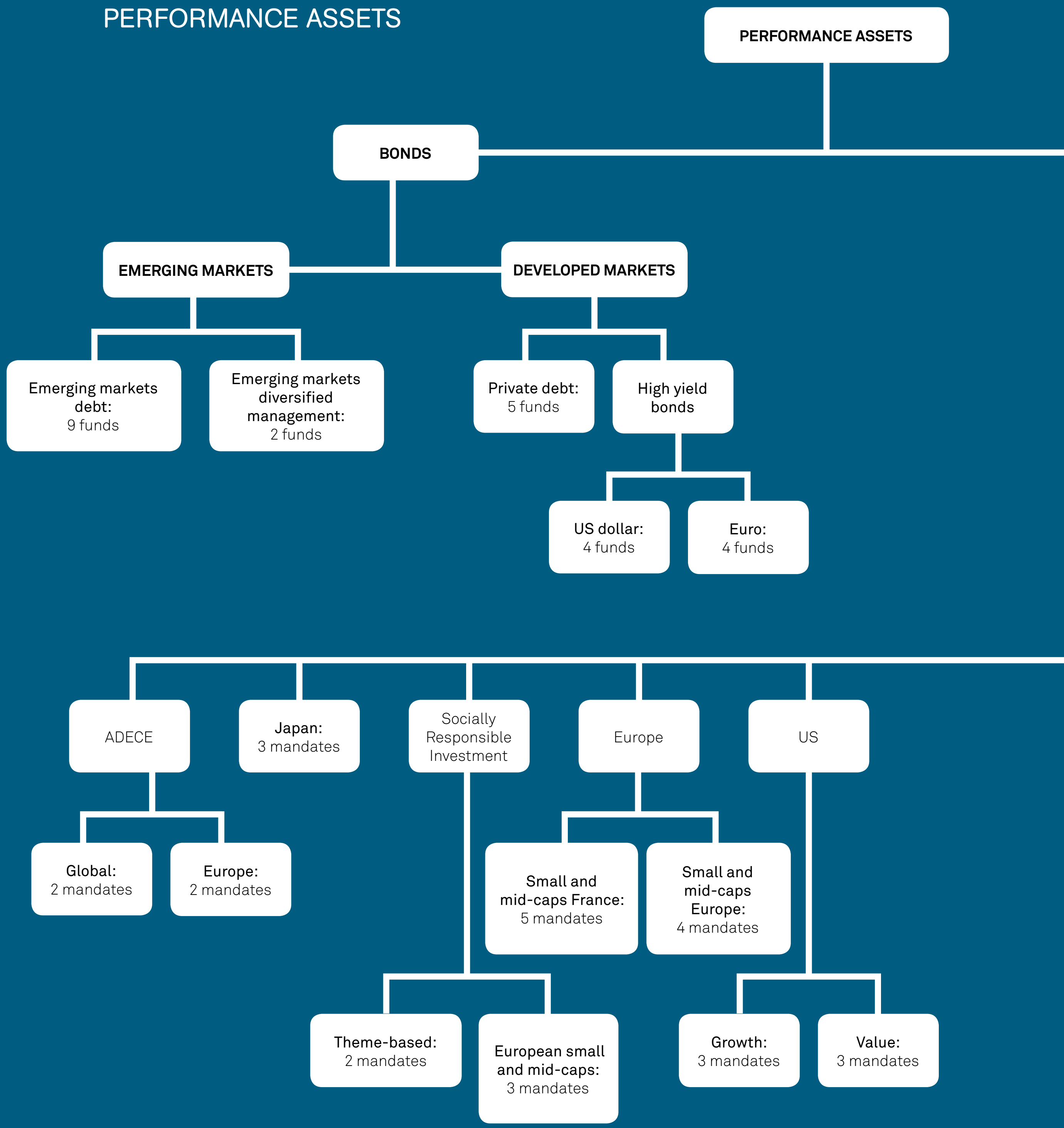
Mazars

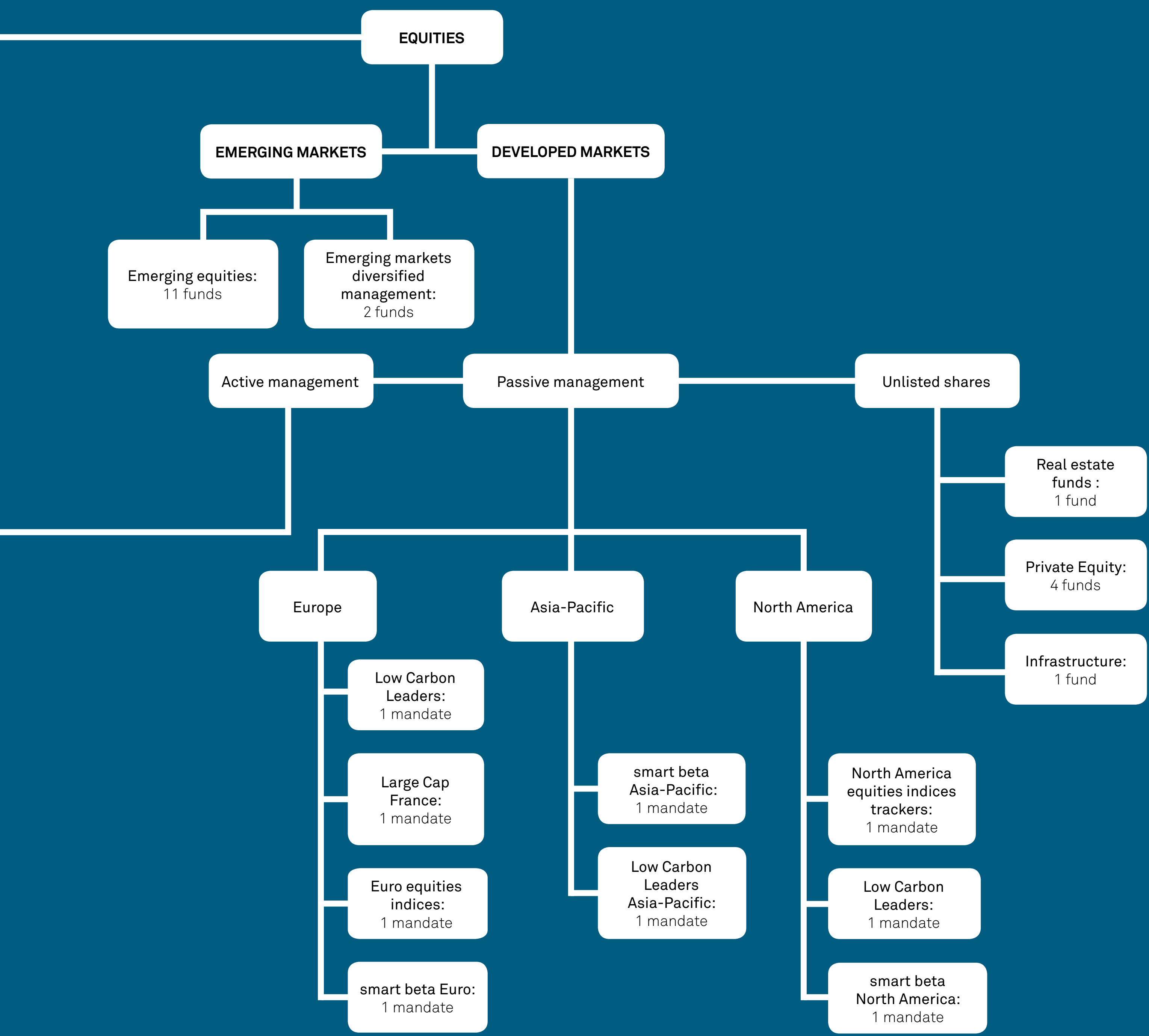
Gilles Dunand-Roux
Partner

Pierre Masiéri
Partner

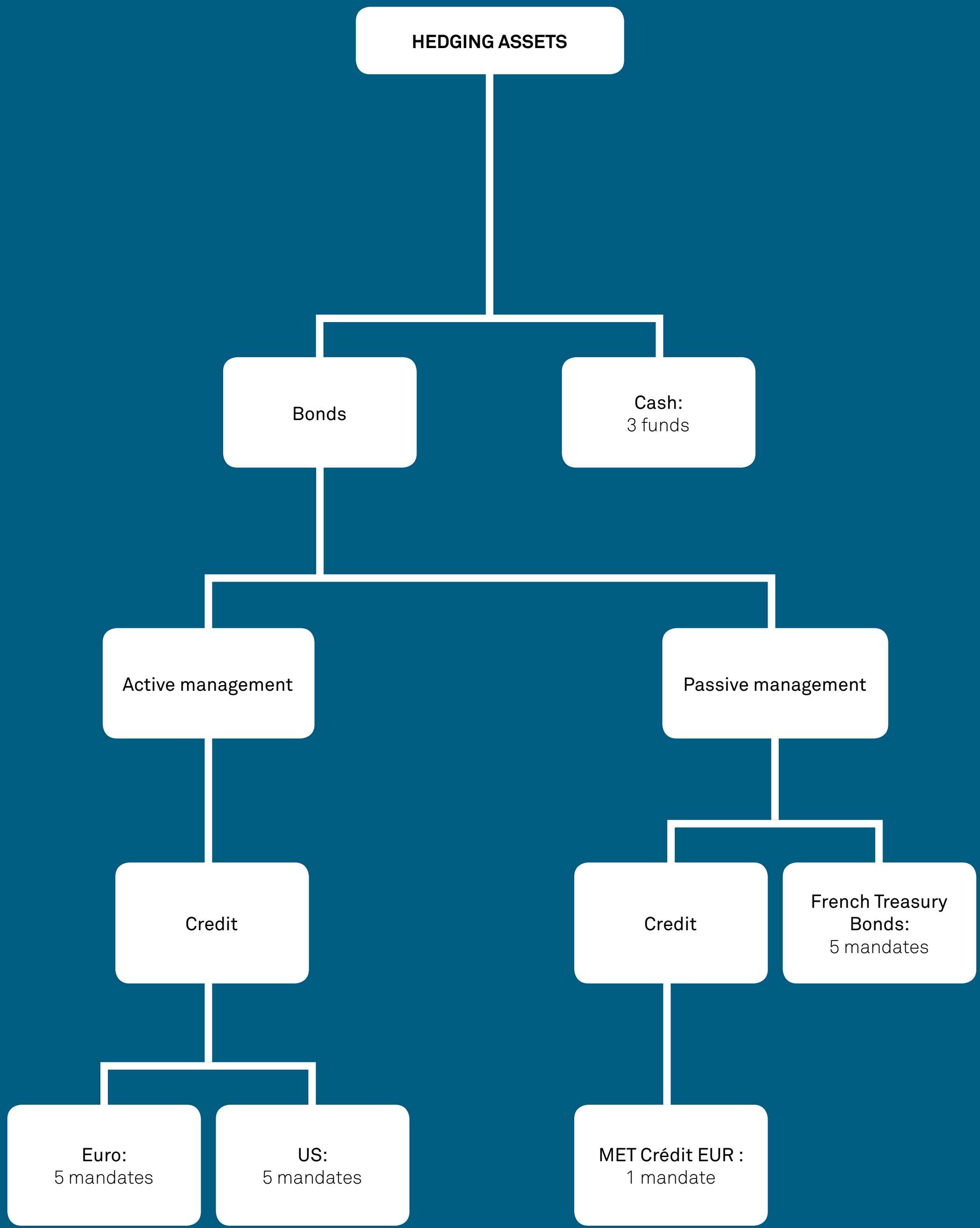
Mapping of the FRR’s portfolio at 31 December 2015

PERFORMANCE ASSETS




EQUITIES
EMERGING MARKETS
DEVELOPED MARKETS
Emerging equities: 11 funds
Emerging markets diversified management: 2 funds
Active management
Passive management
Unlisted shares
Real estate funds : 1 fund
Private Equity: 4 funds
Infrastructure: 1 fund
Europe
Asia-Pacific
North America
Low Carbon Leaders: 1 mandate
Large Cap France: 1 mandate
Euro equities indices: 1 mandate
smart beta Euro: 1 mandate
smart beta Asia-Pacific: 1 mandate
Low Carbon Leaders Asia-Pacific: 1 mandate
North America equities indices trackers: 1 mandate
Low Carbon Leaders: 1 mandate
smart beta North America: 1 mandate

HEDGING ASSETS



Management companies selected by the FRR at 31 December 2015[1]

2005FRR05
PRIVATE EQUITY PROGRAMME

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

2009FRR02
BOND MANAGEMENT MANDATES LOT 2 – BONDS AND OTHER DEBT SECURITIES ISSUED IN EURO – "CREDIT INVESTMENT GRADE" CATEGORY – ACTIVE MANAGEMENT

- AXA Investment Managers
- La Banque Postale Asset Management
- Quoniam Asset Management GmbH
- Standard Life Investments

2009FRR02
BOND MANAGEMENT MANDATES LOT 3 – 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)

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

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

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

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

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

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

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

- Amundi Asset Management
- BNP Paribas Asset Management

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

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

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

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

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

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

- BNP Paribas Asset Management
- Kleinwort Benson Investors

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

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

2012FRR03
TRANSITION OPERATIONS MANAGEMENT

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

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

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

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

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

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

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

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

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

2013FRR05
ACTIVE MANAGEMENT MANDATES - JAPANESE EQUITIES

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

2014FRR03
OVERLAY MANAGEMENT MANDATES

- Russell Implementation Services (UK) Limited
- State Street Global (France) Advisors

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

- Allianz Global Investors GmbH
- AXA Investment Managers
- HSBC Global Asset Managament
- Insight Investment Management (Global) Limited
- Kempen Capital Management N.V.
- La Banque Postale Asset Management

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

- AXA Investment Managers (AXA Investment Managers Inc. – USA)
- BFT Investment Managers (MacKayShields LLC, USA)
- BlackRock Investment Management (UK) Limited (BlackRock Financial Management Limited – USA)
- Morgan Stanley Investment Management Limited (Morgan Stanley Investment Management Inc. – USA)
- Wells Fargo Securities International Limited (Wells Capital Management, Inc. – USA)

Requests for proposals in progress at 31 May 2016

2015FRR02
OPTIMISED MANAGMENT MANDATES - EQUITIES - WITH AN ESG APPROACH

2016FRR02
DEDICATED FUND MANDATES FRENCH CORPORATE PRIVATE DEBT

2016FRR01
BEST EXECUTION ANALYSIS SERVICE

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