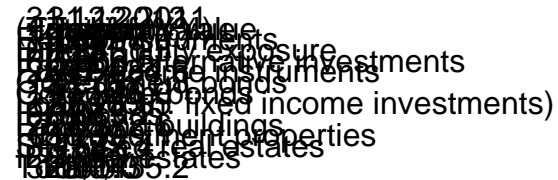


Printer-friendly PDF Investment risk

Financial Risks

The analysis of market risks indicated within the IFRS 7 framework, in relation to price changes of financial instruments. Financial risks include equity risk, interest rate risk, foreign exchange risk, real estate and concentration risk. Unexpected movements of interest rates, equities, real estate and exchange rates can negatively impact the economic performance of the Group. Assets subject to market movements are invested to profitably employ the capital subscribed by shareholders and to generate value. Within the processes of investment management, Group companies are required to apply the Group Risk Guidelines. At year-end 2012 the investments whose market risk affects the Group were of € 320 billion at market value.



The exposure to fixed income instruments, expressed as percentage of investments bearing market risks, as detailed in the table above. As mentioned above, the economic impact of changes in interest rate, equity values and the related volatilities is absorbed in life business this absorption is generally based on the level and structure of minimum return guarantees and on the use of hedging strategies. In order to control the Group exposure towards the financial markets, while maintaining a perspective of risk/return, credit and tactical asset allocation guidelines are being updated to the changing market conditions and matching strategies, at net cash flow level or duration matching strategies, for the management of the hedging strategies with approaches of dynamic hedging or through the use of derivatives instruments portfolio and pricing management rules, coherent with sustainable guarantee level.

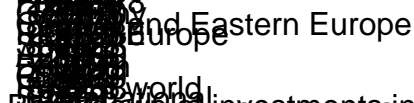
The Group uses a data warehouse to collect and consolidate the financial investments, which guarantees a homogeneous data set. The currency risk arising from the recent issuance of subordinated debts in British pound sterling has been mitigated.

Credit Risk

Financial Instruments Credit Risk

Default risk is the risk of loss arising from a counterparty's failure to meet its obligations under a derivative contract. Within the Group Risk Guidelines, investment in high credit quality securities (investment grade) is preferred and the Group uses a data warehouse to collect and consolidate the financial investments, which guarantees a homogeneous data set. For the internal rating assessment of an issue or issuer, rating of the main agency ratings are used. In the case of a downgrade, the manager of the central financial risk control department reports periodically to the Group Risk Committee on the impact of the downgrade. The portfolio of fixed income investments of the Group is prudently built. The distribution by rating class shows that the absolute majority of the fixed income investments is of high rating. In order to mitigate the counterparty risk, related to market risk hedging strategies, the following measures have been implemented. Note that the same considerations on market risk regard also the financial instruments backing life insurance policies. Amongst the financial assets not impaired, there are no significant positions of debt past due, whereas the main exposure is to government bonds. Group's exposures to investments in government bonds - detailed by country of risk and rating - are reported in the following tables.

Breakdown of investments in government bonds by country



Breakdown of investments in government bonds by rating

Rating	Fair Value (€ million)	Impact (%)	Fair Value (€ million)	Impact (%)
AAA	100,000	12.9	100,000	12.9
AA	40,000	50.2	40,000	50.2
BBB	10,000	0.1	10,000	0.1
Not Rated	150	0.1	150	0.1

The government bonds portfolio amounted to € 138,760 million at the end of the period, with the 62% of the portfolio being in France. With reference to ratings, the AA class included the French debt instruments following their downgrade by both agencies. Group's exposures to investments in corporate bonds - detailed by sector and rating - are reported in the following tables.

Breakdown of direct investments in corporate bonds by sector

Sector	Fair Value (€ million)	Impact (%)
Corporate bonds	110,108	1.3
Asset backed	10,000	0.1
Other	10,000	0.1

Breakdown of direct investments in corporate bonds by rating

Rating	Fair Value (€ million)
Investment grade	110,108
Not Rated	0

The investments in corporate bonds totalled € 110,108 million at the end of the period. The portfolio was composed of investment grade securities. Investments whose market risk affects the Group are total investments excluding investments back to policies with

