

Extract from the 2015 annual report  
Vaudoise Insurance Group



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**Statement concerning information relating to the future**

This extract from annual report contains information relating to the future which entails uncertainties and risks. Readers need to be aware of this and should bear in mind that this information merely represents projections which may differ from actual future events. All information is based on data available at the time when the annual report was prepared.

The full annual report is also available in French and German.  
The authoritative text is the French version.

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# Commentary on the 2015 fiscal year

## Message from the Chairman and the CEO



**Philippe Hebeisen,**  
Chief Executive Officer

**Paul-André Sanglard,**  
Chairman of the Board of Directors

Dear members, shareholders, customers, colleagues and partners,

2015 began with the Swiss National Bank's decision to abandon its exchange rate floor of CHF 1.20 against the euro – a move which instantly triggered a roughly 20% rise in the value of the Swiss currency. At the same time, the SNB also announced the introduction of a historic negative interest rate. The main impact of this decision of 15 January on private insurers was twofold. Firstly, negative interest rates pose a real challenge for life insurance companies wishing to offer their customers sufficient security in the context of their pension plans. Secondly, claims tend to increase during periods of more difficult economic conditions. This is because companies face more difficult staff management and operational problems than usual and have more frequent recourse to their insurers.

Despite this uncertain environment, the Vaudoise Group posted its second-best result ever (excluding the divestment of Intrax in 2008 and Valorlife in 2014), with a consolidated profit of CHF 128.8 million in 2015, as against CHF 153.6 million the previous year. This further good result was due to strong growth in non-life business and favourable investment results.

Our mutualist ethos means that the Board of Directors and the Management Board endeavour to ensure a healthy balance in the distribution of the Group's profits among members, customers, shareholders and equity resources. Since 2014, we have opted to redistribute our non-life profits on a two-yearly schedule, alternating between allocating a share of our profits to motor insurance

customers one year and to third-party liability/property insurance customers the next. To this end, the profit-sharing fund was endowed with CHF 25 million. The Group's positive results also prompted the Board to maintain the dividend paid on the shares of Vaudoise Insurance Holding Ltd. At the same time, they enable us to deliver an excellent return on investment for our members. In addition, we are continuing with our policy of strengthening our equity, which reached CHF 1.5 billion in 2015 (up 5.1 % from 2014). In the Swiss financial sector, a solid equity base is a competitive criterion recognized for insurance companies and banks alike, all the more so in an environment of persistently low interest rates and an international context which remains unstable.

Overall, premiums on direct non-life insurance grew by 5.1% compared with 2014, reaching CHF 822.7 million. All customer segments and all insurance sectors contributed to the increase. Our combined ratio (ratio of claims and operating expenses to premiums) stands at 95.6%, up 6.4 points on 2014. After several years of exceptional profitability, this rate reflects a return to a normal for property insurance claims and persisting high claims on personal lines.

In life insurance, direct premiums written fell 6.9% to CHF 261.1 million. Vaudoise Life experienced a 1.7% increase in its portfolio of pension products based on instalment premiums. Meanwhile, single premium products declined by 24.2%. This decrease is explained by the brake on traditional products and the lack of opportunities to supply «new generation» products that meet customers' yield expectations in this sector. The launch of RythmoInvest in 2016 should make it possible to combine a coherent response to our customers' needs with profitability. In this connection, the company's good investment results have made it possible to strengthen the provision for interest rate guarantees at the required level.

This long-term strategy is also reflected in a more concerted corporate social responsibility (CSR) policy. Based on three pillars – employees, the business dealings of Vaudoise Insurance and the community – our CSR charter sets out the main theme of our commitment to society: social and professional reintegration. After a pilot project conducted for employees at our head office in 2014, corporate volunteer days on this theme were organized nationwide in 2015, with more than 200 people involved in the realization of 23 association projects.

From an operational perspective, Vaudoise Insurance is backing innovation and is rethinking the position of its e-business strategy. In future, we need to be connected while at the same time preserving the face-to-face relationship that is at the heart of our business. We need to be an agile business, but one which stays close to its customers. The insurance business has not (yet) fallen prey to «uberization», but our economic sector needs to rethink its role so as to be where customers want it to be: on the Internet, on the telephone or at the agency, depending on their needs and the time of day. The future is omnichannel marketing. We have understood the challenge and are working toward meeting it!

The outlook for our Group in 2016 is positive. In our asset and non-life personal lines, we expect our portfolio performance to be well above that of the Swiss market as a whole. At the same time, we will pay close attention to maintaining the quality of our underwriting and to our claims development.

In the life sector, the stakes are high, and we will continue to focus on shifting the flow of new business production towards

more dynamic insurance products with the benefit of guarantees geared to market conditions.

We shall also stand by our principles in our investment strategy. The performance of the financial markets has persuaded us to further increase the quality of our bond investments, while maintaining high levels of hedging on equities and currencies.

Finally, we shall closely monitor the development of the regulatory framework which is being increasingly strengthened, resulting in ever more complex processes for us and therefore higher administration costs. In this context, the solidity of the Vaudoise Insurance Group's results and balance sheet enables us to look to the future with confidence.

On behalf of the Board of Directors and the Management Board, we would like to thank you, our valued members, shareholders, customers, colleagues and partners, for the confidence you have placed in us and for your loyalty.

Paul-André Sanglard  
Chairman of the Board  
of Directors

Philippe Hebeisen  
Chief Executive Officer

# Key figures (in CHF million)

<b>Vaudoise Insurance Group</b> (for consolidated figures see pages 26-31)	2015	2014 <sup>1)</sup>	%
<b>Gross premiums written</b>			
Non-life insurance	829.5	790.7	4.9
Life insurance	262.7	416.7	-37.0
<b>Non-life and life insurance</b>	<b>1'092.2</b>	<b>1'207.4</b>	<b>-9.5</b>
General expenses	238.2	237.5	0.3
Profit for the year	128.8	153.6	-16.1
Technical reserves	5'377.1	5'292.7	1.6
Investments	7'094.2	6'874.7	3.2
Equity (before appropriation of profit)	1'539.1	1'464.1	5.1
Non-life combined ratio	95,6%	89,2%	6,4 pts
Return on investments reported in income statement	3,5%	3,2%	0,3 pt
Equity per registered B share	CHF 513.05	CHF 488.05	5.1
Return on equity	8,6%	11,1%	-2,5 pts
Allowance to the fund of non-contractual redistribution of surplus to policyholders	25.0	30.0	-16.7
Headcount (FTE)	1'315.0	1'258.0	4.5
<b>Vaudoise Insurance Holding Ltd</b>			
Dividend per registered A share <sup>2)</sup>	CHF 0.20	CHF 0.20	
Dividend per registered B share <sup>2)</sup>	CHF 12.00	CHF 12.00	

1) The 2014 figures including those of Valorlife, Life Insurance Company Ltd (Liechtenstein) until the deconsolidation date.

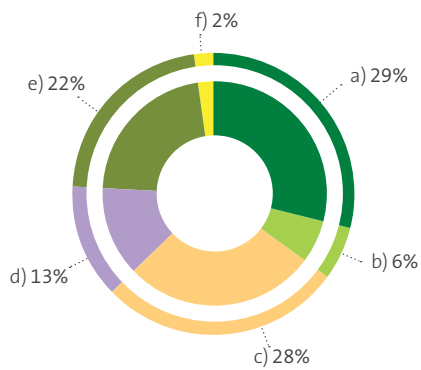
2) Proposals by the Board of Directors



# Segment information

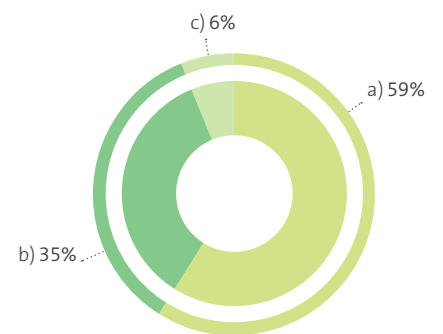
## Premiums by sector in %

- a) Accident/health
- b) Third-party liability
- c) Motor vehicles
- d) Fire/miscellaneous
- e) Life business
- f) Unit-linked



## Premiums on Swiss market

- a) French-speaking Switzerland
- b) German-speaking Switzerland
- c) Italian-speaking Switzerland



## Agencies Network

- ☆ General agencies
- Principal agencies
- Local agencies



# Insurance business

**2015 saw Vaudoise post a good operating result, albeit with a deterioration in claims experience.**

Non-life premiums showed steady growth (5.1% in a Swiss market that grew by just 0.5%). All segments contributed to this positive trend. Thus, in the personal lines segment, motor vehicle insurance – the most important line for Vaudoise Insurance in terms of volume – advanced by 4.1%. Non-life personal lines in the corporate clients segment also performed well, with a 10.6% increase in group health loss of income insurance and a 5.1% rise in accident insurance.

After a very favourable result in 2014, the claims burden deteriorated slightly (combined ratio of 95.6% as against 89.2% in 2014). A consolidation programme for unprofitable contracts in the personal lines segments has been in place since 2014 and should bear fruit in 2016.

Life insurance, which is evolving in a complicated context of extremely low interest rates, posted an overall decrease of 6.9%\*. Single premiums were down 24.2%\* (Swiss market: -11.7%), while periodic premiums experienced controlled growth of 1.7%\* (Swiss market: 1%).

\* Excluding Valorlife

	Gross premiums written in CHF 1000			Gross benefits paid out in CHF 1000		
	2015	2014 <sup>1)</sup>	+/- %	2015	2014 <sup>1)</sup>	+/- %
<b>Total business</b>						
Direct business	1'083'802	1'063'359	1.9	780'078	721'097	8.2
Indirect business	8'420	9'536	-11.7	6'480	7'554	-14.2
<b>Total</b>	<b>1'092'221</b>	<b>1'072'895</b>	<b>1.8</b>	<b>786'559</b>	<b>728'651</b>	<b>7.9</b>
<b>Direct business</b>						
Non-life insurance	822'693	782'926	5.1	559'866	526'058	6.4
Life insurance	261'108	280'433	-6.9	220'212	195'039	12.9
<b>Total</b>	<b>1'083'802</b>	<b>1'063'359</b>	<b>1.9</b>	<b>780'078</b>	<b>721'097</b>	<b>8.2</b>
<b>Indirect business</b>						
Non-life insurance	6'780	7'752	-12.5	3'399	4'404	-22.8
Life insurance	1'640	1'784	-8.1	3'081	3'150	-2.2
<b>Total</b>	<b>8'420</b>	<b>9'536</b>	<b>-11.7</b>	<b>6'480</b>	<b>7'554</b>	<b>-14.2</b>

1) The above figures are not including those of Valorlife, Life Insurance Company Ltd (Liechtenstein).

# Non-life insurance

Despite strong market pressure on prices, our results confirm that our current positioning is correct and that we can cope with the enormous volatility that exists in this sector. Objective risk selection and proactive monitoring of portfolio quality remain the best guarantees of our strategic objective of long-term profitable growth. Local claims management and a high level of professionalism in dealing with cases involving serious physical injuries are also crucial success factors.

## Asset insurance

Our asset business made pleasing headway in 2015. With growth of around 3.6%, the volume of premiums written came to nearly CHF 520 million and accounts for more than 60% of Vaudoise General's premiums. This growth was not consistent across all segments. While the motor vehicle and property sectors made steady progress, growth was weaker in the corporate clients sector, particularly in the general third-party liability segment. This was mainly due to strong pressure on prices.

Despite some major claims and localized hail events, the 2015 claims burden remains at a favourable level. The rising trend was confirmed in some areas and customer segments, particularly large accounts. This development is being closely monitored and measures are being put in place.

## Motor vehicle insurance

For 2015, the motor vehicle insurance segment posted very good growth of around 4.0% year-on-year. This result is particularly positive in comparison with the Swiss market as a whole, which grew by only 1.2%. The amount of premiums written was around CHF 330 million and represented some 40% of Vaudoise General's revenue. The annual claims burden is at a satisfactory level. Weather conditions were generally mild in 2015, with only a few localized hail events.

Our specialists closely monitor the market trend and the emergence of new technologies with a view to identifying motorists' current and future needs and to regularly adapting our range of products and services, including for the «Assistance» component. The modular nature of our cover, which makes it possible to include astute options, is greatly appreciated by our policyholders. We are also working on a permanent simplification of the processes involved in taking out a policy. This favours the autonomy of advisors working in the field and supports growth while at the same time meeting our profitability criteria.

The surveys and results posted in 2015 place us among the leading motor insurers and therefore confirm the validity of our strategy – prioritizing advice, rapid processing of claims and innovative products and services, while at the same time ensuring that our products continue to offer a good price/quality ratio.

## General liability insurance

The premium volume of general liability insurance increased overall by 0.8% year-on-year. In a highly competitive market, especially in the corporate clients segment, this result can be described as satisfactory. The private clients segment performed even more creditably than in 2014, with a pleasing increase of around 2.5%. 2015 saw the launch of new private/household liability products designed in partnership with and on behalf of Groupe Mutuel. These products are distributed and managed by our partner. Our role is to act as insurers and bear the risk, focusing in particular on claims management. The initial results are positive.

The claims burden in the general liability sector deteriorated slightly during the year under review owing to a number of major claims, but nevertheless remains at an acceptable level.

## Property insurance

Property insurance (fire, natural hazards and other damage to property) made very clear progress, with growth of more than 3.6%.

This remarkable result is mainly due to our buildings insurance solution. Marketed under the name «Building», this product is not only well positioned in terms of price, but also offers a very full range of guarantees. It is enabling us to post good results in a very competitive market.

Our bundled product «Home in One» for private clients is also well positioned. The results are all the more gratifying in that, as in previous years, we had to compensate for a reduction in sums insured triggered by a 1.5% fall in the household price index (which serves as a benchmark for determining insurance values) from 201 to 198. As in the case of the general liability sector, the first sales results for our Household product, launched in partnership with Groupe Mutuel, are also encouraging.

In the corporate clients segment, we are facing tougher market conditions and remain vigilant in underwriting this business in order to maintain the right balance between growth and profitability.

With no major adverse weather events, fires or large claims, the claims burden for 2015 is at an excellent level.

## Non-life personal lines

Income from premiums in non-life personal lines grew for the seventh year in succession, exceeding the symbolic threshold of CHF 300 million. The 7.8% increase is down slightly on previous years, but is better than the performance of the Swiss market as a whole. This is a result of the addition of new business and the restructuring of structurally unprofitable contracts.

The sector that saw the strongest growth was once again group health loss of income insurance which for the first time accounts for more than half of receipts in the non-life personal insurance

portfolio. It is followed by group mandatory (LAA) and voluntary (CLAA) accident insurance, which recorded growth on a similar scale. Claims burdens improved in the accidents segment, but the combined ratio remains high for the health loss of income sector. The state of the economy in the context of the strong franc put pressure on some professions and undoubtedly impacted the number of cases of psychiatric disorders (burnout for example).

As a result of strong growth in German-speaking Switzerland, both for the brokerage channel and for advisors, this region now accounts for more than a quarter of the nationwide portfolio.

In 2015, we made a revised health loss of income product for the self-employed available to advisors, along with a new platform for preparing quotes for this sector. An overhaul of supplementary accident insurance (CLAA) and the related quotation software will follow. We are also continuing to improve and modernize the IT tools available to our clients.

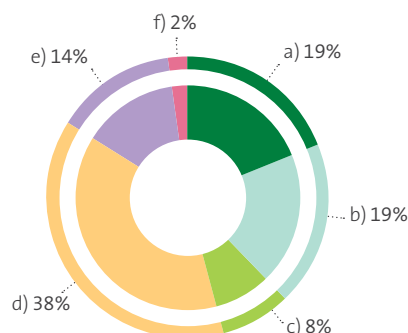
In terms of the market, some trends which began in 2015 should continue. In the group health loss of income sector both private insurers and health insurers took some drastic consolidation measures in 2015. We expect a similar policy in 2016. Like Vaudoise, other Swiss insurers reduced their risk appetite for public markets for non-life personal insurance. We should also reiterate that the revision of the Accident Insurance Act (LAA), which was passed by both Chambers of the Swiss Parliament in 2015, should enter into force on 1 January 2017. This should already start to have an impact on the work of accident insurers in 2016.

### Trend of direct non-life business

	Gross premiums written in CHF 1000			Gross benefits paid out in CHF 1000		
	2015	2014	+/- %	2015	2014	+/- %
<b>Insurance business</b>						
Accident	158'322	150'612	5.1	105'983	103'056	2.8
Health	154'852	139'950	10.6	145'184	123'016	18.0
Third-party liability	65'906	65'375	0.8	37'364	33'468	11.6
Motor vehicles	312'047	299'751	4.1	202'709	194'617	4.2
Fire and other property insurance	112'814	108'802	3.7	58'155	60'421	-3.8
Miscellaneous	18'752	18'436	1.7	10'471	11'480	-8.8
<b>Total</b>	<b>822'693</b>	<b>782'927</b>	<b>5.1</b>	<b>559'866</b>	<b>526'057</b>	<b>6.4</b>

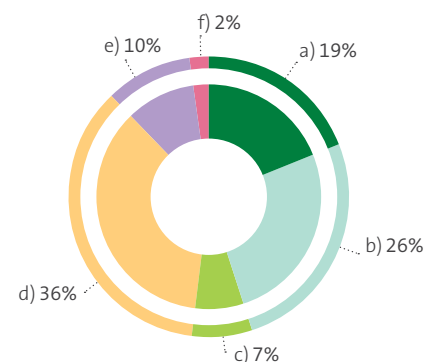
#### Breakdown of premiums in %

- a) Accident
- b) Health
- c) Third-party liability
- d) Motor vehicles
- e) Fire and other property insurance
- f) Miscellaneous



#### Breakdown of benefits in %

- a) Accident
- b) Health
- c) Third-party liability
- d) Motor vehicles
- e) Fire and other property insurance
- f) Miscellaneous



# Life insurance

In the private pensions sector, our periodic premium business continued to grow at the same rate as in 2014, while the decrease in the single premium sector was in line with our forecasts.

At a time of mixed trends in the global economy (robust US economy, continuing collapse in oil prices, contraction of Chinese growth and a sluggish recovery in the euro area), Switzerland experienced an eventful start to the year following the Swiss National Bank's decision to abandon its exchange rate floor against the euro. Beyond the shock wave triggered by the SNB, the real challenge for the life insurance business is the persisting historic low level of interest rates. It is becoming increasingly difficult to generate returns on capital in the traditional areas of business and the problems are being further compounded by ever stricter regulations.

In this context, Vaudoise Life has seen its premium receipts fall by 6.9% to CHF 262.7 million. This result is mainly due to single premium business.

While customers opt chiefly for classic solutions, traditional mixed insurance products with periodic premiums and guaranteed capital in the event of survival on expiry are following divergent trends. Restricted retirement solutions grew at a gratifying pace (+5%), as the tax benefits on offer outweigh the low yield. By contrast, unrestricted pension solutions have been treading water. Ultimately, production of periodic premium life business increased by 1.7% to CHF 192 million.

Vaudoise Life saw single-premium business decrease by 24.2% to CHF 71 million. However, it has not changed its policy and still regards traditional single-premium products as non-strategic. The appropriateness of this position will naturally be reassessed in the event of a positive change in interest rates.

In the current environment, the profitability of life insurance products with guaranteed savings components is receiving special attention. With this in mind, Vaudoise Life has once again adjusted its interest rate risk reserve. The company also takes advantage of every opportunity to market new generation products not exposed to interest rate risk.

In this context, it began by launching two new tranches of Trend-Valor, a product with a financial component, for CHF 12 million and USD 7 million. In addition, at the end of the year it developed a periodic premium product linked to investment funds with progressive collateralization. However, the effects will not be felt until the following financial year.

On the claims paid front, death benefits decreased by 8%, while disability benefits increased slightly by 2.1%.

### Trend of direct life business

	Gross premiums written in CHF 1000			Gross benefits paid out in CHF 1000		
	2015	2014 <sup>1)</sup>	+/- %	2015	2014 <sup>1)</sup>	+/- %
<b>Individual insurance</b>						
Endowment	229'994	212'931	8.0	102'780	96'910	6.1
Annuities	27'821	64'081	-56.6	54'716	53'566	2.1
Disability	3'294	3'421	-3.7	1'637	1'539	6.4
<b>Total</b>	<b>261'108</b>	<b>280'432</b>	<b>-6.9</b>	<b>159'133</b>	<b>152'015</b>	<b>4.7</b>

	Redemptions in CHF 1000		
Individual insurance	61'079	43'023	42.0
<b>Total benefits and surrender</b>	<b>220'212</b>	<b>195'039</b>	<b>12.9</b>

	Production in CHF 1000			Insurance portfolio in CHF 1000		
	2015	2014 <sup>1)</sup>	+/- %	2015	2014 <sup>1)</sup>	+/- %
<b>Individual insurance</b>						
Endowment	435'225	412'423	5.5	6'452'501	6'489'022	-0.6
Annuities	14'141	34'753	-59.3	639'064	657'158	-2.8
Disability	26'970	32'061	-15.9	672'991	702'739	-4.2
<b>Total</b>	<b>476'337</b>	<b>479'237</b>	<b>-0.6</b>	<b>7'764'556</b>	<b>7'848'919</b>	<b>-1.1</b>

<sup>1)</sup> The above figures are not including those of Valorld, Life Insurance Company Ltd (Lichtenstein)

# Financial investments

## Very positive investment results

**2015 saw the Group continue to follow its strategy, based essentially on investment categories generating regular income. The main focus is on broadly diversified investments with a long duration. In 2015, good returns on fixed and variable-income securities led to favourable financial results.**

### Investment policy and operations

#### Monetary policies start to diverge

In line with previous years, 2015 was dominated by the actions of central banks and their impact on the foreign exchange markets.

The most prominent player was the European Central Bank (ECB), which embarked on an ultra-expansive policy involving asset purchases of EUR 60 billion per month.

On 15 January, the Swiss National Bank responded to the ECB's decision by abandoning its exchange rate floor of CHF 1.20 against the euro – a move which came as an unexpected bombshell and instantly triggered a roughly 20% jump in the value of the Swiss currency. At the same time, the SNB also announced the introduction of a historic negative interest rate of -0.75% on all sight deposit accounts denominated in Swiss francs.

Then in August, China's central bank (PBoC) took the unexpected decision to modify the yuan's fluctuation bands against the US dollar, prompting investor fears of a currency war and a slowdown in the world's second-largest economy. Commodities bore the brunt of the collateral damage, with oil prices in particular continuing to fall.

The year finally ended with a new and long anticipated event in the form of the US Federal Reserve's decision to raise its key interest rate by 25 basis points – the Fed's first such move since June 2006.

These various actions naturally had an impact on the markets. They were positive for the European and Japanese stockmarkets, which benefited from their central banks' expansive policies. However, the US stockmarkets were penalized by the Fed's policy move in the opposite direction.

In terms of exchange rates, the abandonment of the Swiss franc's exchange rate floor against the euro ultimately resulted in a 9.7% rise in the value of the Swiss currency over the year.

Bond yields remained at all-time low levels, with yields on ten-year Confederation bonds even descending into negative territory. At the end of 2014, Swiss, European and American ten-year yields stood at 0.36%, 0.54% and 2.17% respectively, as against -0.05%, 0.63% and 2.27% at the end of 2015.

After two more subdued years, 2015 saw an improvement in sentiment on the Swiss real estate markets. Despite analysts' predictions of an economic downturn, the retail price index finally made some headway. The underlying causes of this situation stem from the SNB's action at the beginning of the year, referred to above. This new situation triggered a revival of real estate investment, which once again came to be seen as highly attractive both in terms of quality and in terms of generating regular returns.

In this type of economic context, marked by central bank monetary policies tantamount to currency wars, heightened market volatility and mounting uncertainty over global economic growth prospects, we continued to reduce our exposure to credit, interest rate and equity risks and expanded our real estate allocation.

#### Top quality bond portfolio

To reduce the credit risk of our fixed-income portfolio, comprising bonds and municipal loans, we increased the weighting of high-quality securities such that 38% now have «AAA» ratings (2014: 19%), while 30% are rated «AA» (2014: 33%) and 22% «A» (2014: 35%).

During the course of the year, we also initiated a movement to increase the duration of our investments to match the requirements of our insurance commitments, which are also long term.

Ultimately, the trend of our allocation to this asset class was stable compared to 2014, at 52.9%.

Our geographical exposure is focused mainly on the Swiss market, followed by the US and European markets. These portfolios also benefit from quality sectoral and geographical diversification.



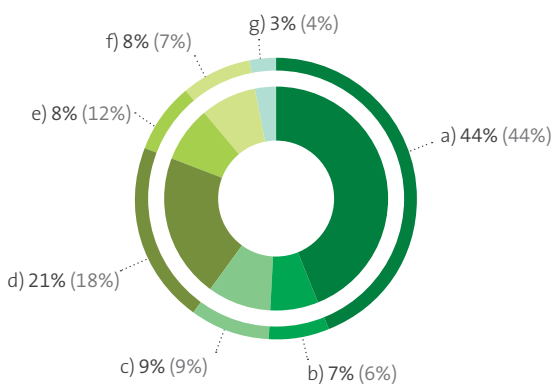
a view to achieving our target returns. Thus, out of 260 dossiers received for analysis in 2015, we finalized purchases of four operations. These purchases totalling CHF 83 million in the cantons of Vaud, Solothurn and Aargau mainly relate to residential properties, but also include buildings incorporating retail premises and offices. In addition, we completed 73 apartments in 2015 and started work on a new construction site in Lausanne which will ultimately place 60 homes on the market.

Our active management of property holdings enabled us to launch the implementation of an initial renovation/densification project in Lausanne.

We also started feasibility studies for three sites in Lausanne, Bern and Zurich with a view to densification and major renovation of properties judged to occupy excellent macro- and micro-locations.

Finally, our external experts reduced the risk-free real estate rate, resulting in a reassessment of our portfolio, bringing the value to CHF 1.4 billion (CHF 1.2 billion in 2014). Our real estate quota therefore stands at 20.5% as of the end of 2015 (18.3% in 2014).

### Allocation of asset classes in % as at 31 December 2015 (2014)



- a) Bonds and other fixed-income securities
- b) Mortgage loans
- c) Loans to local authorities
- d) Real estate
- e) Equities
- f) Alternative products
- g) Other variable-income securities

### Real estate: scarcity of supply and increased competition from pension funds

The abandonment of the exchange rate floor against the euro and the low level of interest rates fuelled strong upward pressure on prices in 2015, particularly in the rental investment segment. The availability of properties matching our purchase objectives remained unchanged compared with the previous year.

However, the market for real estate investments saw strong growth in the number of players and qualified investors. The entry of these new investors in this segment – drawn by the attractiveness of real estate investments – resulted in strong competition which pushed up prices.

In this context, we maintained our disciplined selection of real estate projects and purchases. Our analyses have strengthened our commitment to our approach and to our long-term investment strategy, focused firstly on the location and quality of the properties in question and secondly on the rents available with

### Mortgage loans continue to grow

We see our mortgage loans as an asset class which offers us a means of diversifying our fixed-income investments. They also form an integral part of our comprehensive customer advice strategy.

This year saw steady growth in loans granted which meet our acceptance criteria, increasing their share of our overall asset allocation to 6.7%, as against 5.5% at end of 2014 and 4.6% at the end of 2013.

### Decrease in variable-income securities

This investment category consists mainly of equities and alternative investments. During the year, we reduced our equity allocation from 12.2% to 8.2% and increased our alternative investment allocation with the introduction of a new hedge fund portfolio manager.

Our equity portfolio consists of 40% Swiss shares and 60% foreign shares and is mainly based on passive management (index tracking) to minimize management costs.

Given the size of our equity portfolio and our desire to generally control risks, we followed a derivative-based hedging strategy on a large proportion of this portfolio to guard against major losses.

Some years ago, we established our own fund of hedge funds, with a customized portfolio consisting of diversified alternative investments. The management of this fund of funds is delegated to two companies which specialize in this area, with monitoring of its activities by our in-house experts. A Luxembourg SICAV was created in 2014 to increase the quality of the management and governance of our alternative investments. The share of these hedge fund and private equity investments grew from 6.7% in 2014 to 7.7% in 2015.

Taking account, too, of other variable-income securities held for the long term, along with shareholdings and derivative financial instruments, our variable-income investments represented a total of 19.8% of all investments at the end of 2015, as against 23.2% a year earlier.

### Exchange rate risk under control

We regard the returns on exchange-rate risks as inadequate and therefore voluntarily maintained a high level of exchange-rate hedging during the financial year under review, covering more than 80% of our exposure to foreign currencies. This hedging enabled us to absorb the shock of 15 January 2015 without any significant impact on our investments. However, the introduction of negative interest rates in Switzerland had the effect of pushing up hedging costs for the Swiss currency.

### Investment results

Fiscal 2015 saw the volume of our investments increase by CHF 219.6 million to CHF 7,094.2 million. Excluding investments for the account and at the risk of policyholders, the volume increased by CHF 225.9 million to CHF 6,883.3 million.

In 2015, our current income on investments decreased by CHF 12.9 million to CHF 168.3 million as a result of lower fixed-income revenues in connection with the low interest rate environment. However, the return on our investments<sup>1</sup> reported in our income statement came to 3.5% in 2015 as against 3.2% in 2014. This positive development is mainly due to higher realized gains on fixed and variable income investments than the previous year.

The net performance of our investments in terms of market value<sup>2</sup> came to 2.0% (7.8% in 2014). This decline in performance is linked to a much smaller decline in interest rates than in 2014, a stockmarket which was virtually stable in 2015 and foreign exchange losses on the unhedged portion of our exchange-rate risks. However, this is still a respectable performance in comparison with the market, mainly thanks to the revaluation of our real estate portfolio and the foreign exchange hedging in place.

<sup>1</sup>) Net return according to income statement based on average investment, including exchange rate gains and losses, excluding results for the account and at the risk of policyholders and excluding unrealized capital gains and losses on securities (equities, alternative investments, bonds, real estate).

<sup>2</sup>) Net performance at market value based on average investment, including variation in unrealized capital gains and exchange rate differences, but excluding results for the account and at the risk of policyholders.

### Capital adequacy and solvency

#### More than 5.1% growth in equity capital and a comfortable SST result

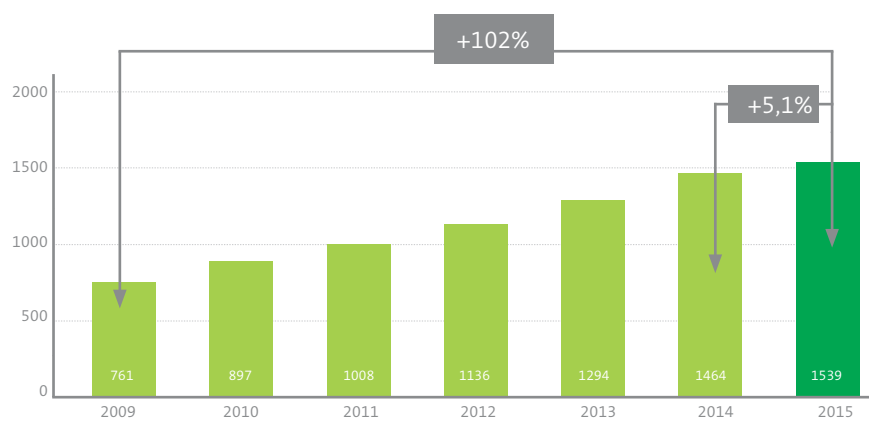
Compared with 2014, our equity before appropriation of profit increased by CHF 75.0 million to CHF 1,539.1 million. Our return on equity came to 8.6%, as against 11.1% in 2014.

The structure of our Group calls for a very high capital adequacy ratio.

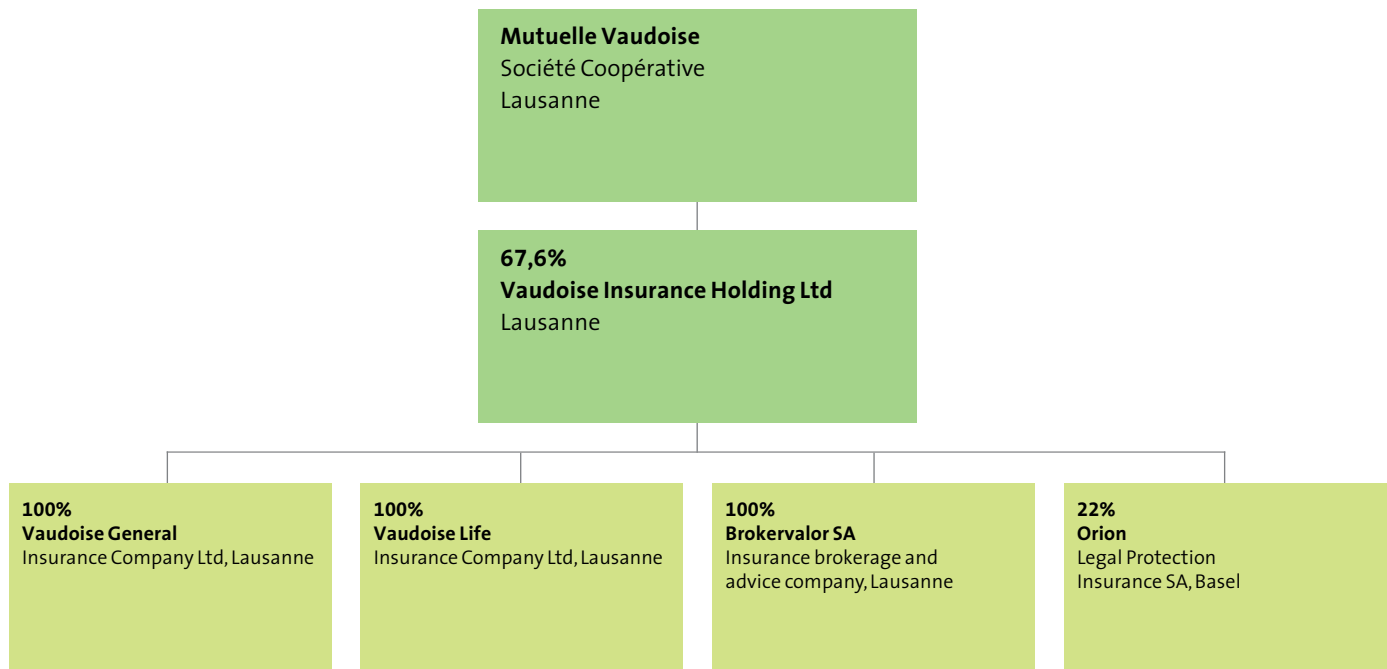
Our Group's risk capacity, as measured by the Swiss Solvency Test (SST), is also well above the required level of cover.

This ample room for manoeuvre means that we can face the future with confidence and take advantage of opportunities on the financial and insurance markets.

**Consolidated equity**  
(in CHF million)



# Corporate governance



Vaudoise Insurance Holding Ltd has its head office in Lausanne and is listed on SIX Swiss Exchange (symbol VAHN - Swiss security no.: 2154566 - ISIN: CH0021545667). Its share capital amounts to CHF 75 million.

### Group structure

Vaudoise Insurance Holding Ltd is a holding company. Its main operating companies are Vaudoise General, Insurance Company Ltd and Vaudoise Life, Insurance Company Ltd, both of which are established in Switzerland. Vaudoise Insurance Holding Ltd holds all the capital of the two companies:

CHF 60 million for Vaudoise General and  
CHF 100 million for Vaudoise Life.

Valorlife, Life Insurance Company Ltd (Liechtenstein) was sold to Wealth Assurance in November 2014. Under the agreement between the parties, the 2014 result was fully retroceded to Wealth Assurance with retroactive effect to 1 January 2014.

### Major shareholder

Mutuelle Vaudoise, Société Coopérative, controls Vaudoise Insurance Holding Ltd and is the majority shareholder with 67.6% of the capital and 91.2% of voting rights. There are no cross-shareholdings which exceed 5% of voting rights or 5% of capital.

### Capital structure

The fully paid-up share capital of Vaudoise Insurance Holding Ltd amounts to CHF 75 million. It consists of 10 million registered A shares with a nominal value of CHF 5 and 1 million registered B shares with a nominal value of CHF 25.

Vaudoise Insurance Holding Ltd has not issued any authorized or conditional capital and has not made any changes to its capital during the last three fiscal years.

### Shares and participation certificates

The registered B shares are listed on SIX Swiss Exchange (Mid & Small Caps Swiss Shares). The registered A shares, all of which are held by Mutuelle Vaudoise, have privileged voting rights. Despite the difference in their nominal value, both types of shares confer entitlement to one vote.

Vaudoise Insurance Holding Ltd has not issued any participation certificates.

# Members of the Board of Directors as at 31 December 2015

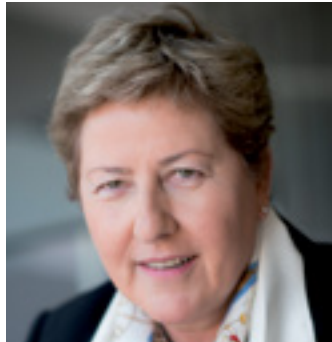
The seven-member Board of Directors is chaired by Mr. Paul-André Sanglard

The members, whose powers and authority complement each other, are divided between three committees:

► Audit and risk ► Appointments and remuneration ► Investment



**Paul-André Sanglard**  
Chairman,  
non-executive member  
Dr. ès sc. eco  
Swiss citizen,  
born 8 October 1950



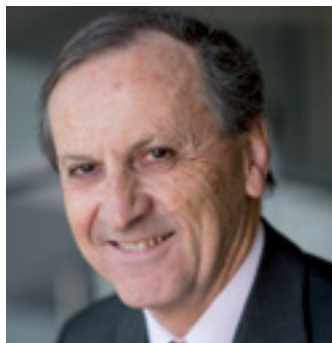
**Chantal Balet Emery**  
Vice-President,  
non-executive member  
Attorney at law and notary public  
Swiss citizen,  
born 7 June 1952



**Peter Kofmel**  
Director,  
non-executive member  
Attorney at law and notary public  
Swiss citizen,  
born 16 September 1956



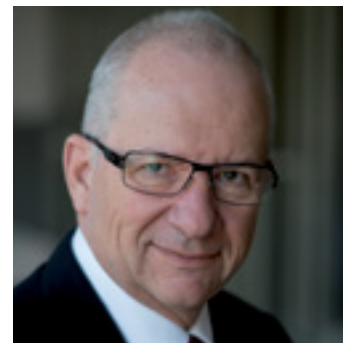
**Jean-Philippe Rochat**  
Director,  
non-executive member  
Attorney at law  
Swiss citizen,  
born 11 November 1957



**Jean-Pierre Steiner**  
Director,  
non-executive member  
MSc. in actuarial theory  
Swiss citizen,  
born 27 June 1948



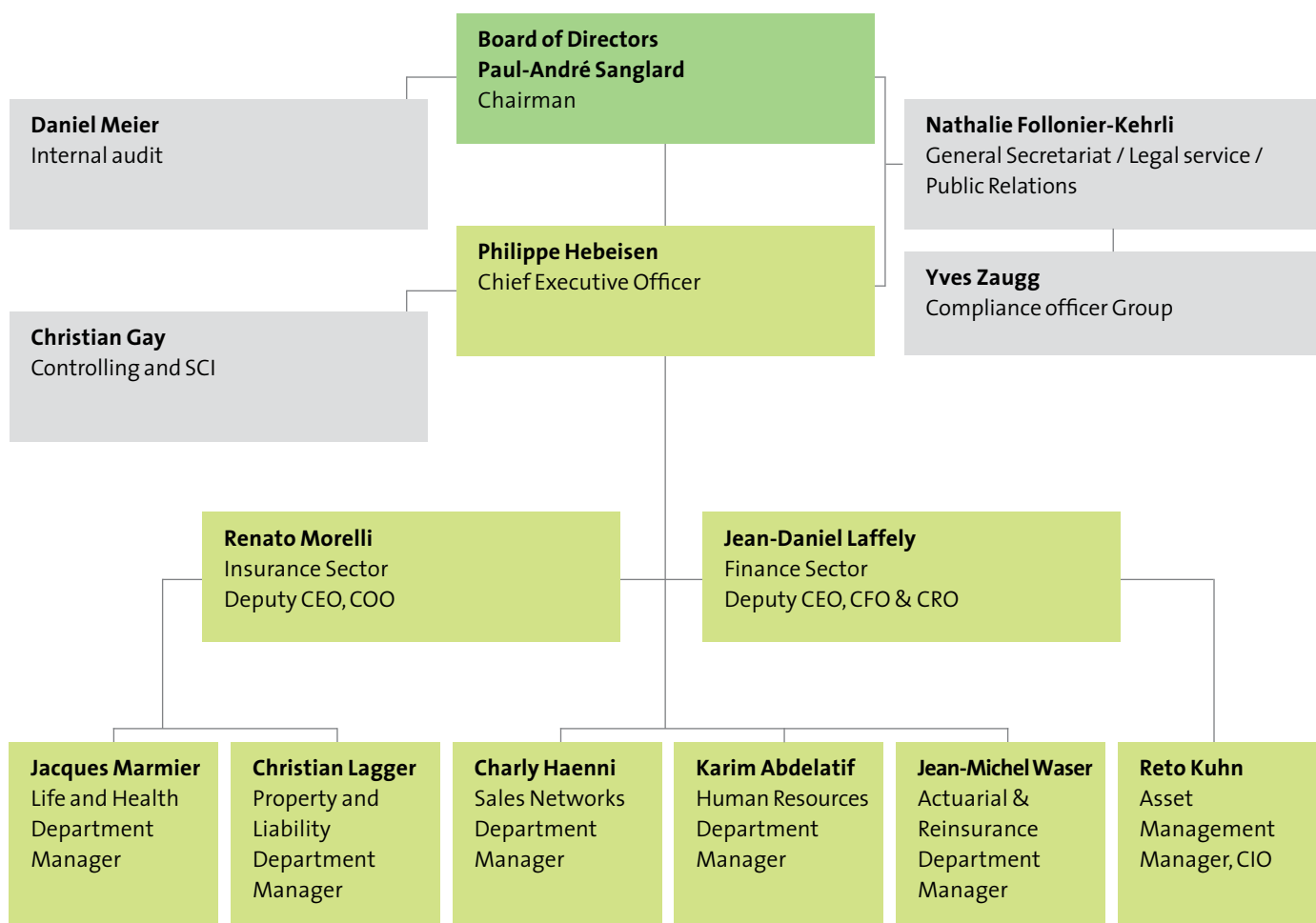
**Javier Fernandez-Cid**  
Director,  
non-executive member  
MA in law  
Spanish citizen,  
born 10 January 1956



**Etienne Jornod**  
Director,  
non-executive member  
Lic. HEC  
Swiss citizen  
born 6 January 1953

# Functional organization chart as at 31 December 2015

The Management Committee consists of nine members



Management Committee



# Members of the Management Committee as at 31 December 2015



**Jacques Marmier**  
Head of Life and  
Health Department

**Reto Kuhn**  
Head of Asset  
Management, CIO

**Nathalie Follonier-  
Kehrli\***  
General Secretary

**Jean-Michel Waser**  
Head of Actuarial & Rein-  
surance Department

**Philippe Hebeisen**  
Chief Executive Officer





**Jean-Daniel Laffely**  
Deputy CEO, CFO & CRO  
Head of Finance Sector

**Christian Lager**  
Head of Property and  
Liability Department

**Charly Haenni**  
Head of Sales  
Networks Department

**Renato Morelli**  
Deputy CEO, COO  
Head of Insurance Sector

**Karim Abdelatif**  
Head of Human  
Resources Department

# Group consolidated accounts

## Consolidated income statement (in CHF 1000)

	Gross	Reinsurance ceded	2015 net	2014 net
<b>Technical income statement non-life insurance business</b>				
Premiums written	829'473	38'398	791'076	754'430
Change in unearned premium reserves	12'380	-146	12'527	19'329
Premiums earned	841'854	38'252	803'602	773'759
Financial result transferred from non-technical income statement			39'839	57'574
Other technical income			190	176
<b>Total income</b>			<b>843'632</b>	<b>831'509</b>
Claims paid	563'266	16'920	546'345	505'140
Change in claims reserves	25'062	-1'366	26'428	12'486
Claims expenses	588'328	15'554	572'773	517'626
Change in other technical provisions	8'270	0	8'270	-17'823
Policy-holder bonuses	14'744	178	14'566	15'730
Operating and acquisition costs	207'994	6'127	201'867	192'890
Other technical costs			1'811	2'039
<b>Total costs</b>			<b>799'288</b>	<b>710'462</b>
<b>Technical result non-life insurances business</b>			<b>44'344</b>	<b>121'047</b>
<b>Technical income statement life insurance business</b>				
Premiums written	262'748	2'765	259'983	413'789
Change in unearned premium reserves	247	6	241	-44
Premiums earned	262'995	2'771	260'224	413'745
Financial result transferred from non-technical income statement			157'697	288'903
<b>Total income</b>			<b>417'921</b>	<b>702'648</b>
Claims and benefits paid	223'293	1'183	222'110	473'611
Change in claim reserves	-384	-172	-211	-625
Change in actuarial reserves	71'761	-585	72'346	167'042
Claims and benefits expenses	294'670	426	294'244	640'028
Policy-holder bonuses	7'831	2'492	5'339	6'495
Operating and acquisition costs	36'291	0	36'291	44'580
<b>Total costs</b>			<b>335'875</b>	<b>691'103</b>
<b>Technical result life insurance business</b>			<b>82'046</b>	<b>11'545</b>

For more information, please refer to pages 52 to 67 of the original French version of the 2015 Annual Report

<b>Financial (non-technical) income statement</b>	2015 net	2014 net
Investment income	452'421	468'142
Investment expenses	-218'209	-88'480
<b>Investment result</b>	<b>234'212</b>	<b>379'662</b>
Financial results allocated to technical income statement	-197'536	-346'477
Other financial income	189'088	267'298
Other financial costs	-201'738	-257'777
<b>Financial (non-technical) result</b>	<b>24'026</b>	<b>42'705</b>
<hr/>		
<b>Comprehensive income statement</b>		
Technical result - non life insurance business	44'344	121'047
Technical result - life insurance business	82'046	11'545
Financial (non-technical) result	24'026	42'705
Allocation to (-)/withdrawal from provision for future policy-holder participation	244	6'493
Share of profits of associate Orion	858	1'140
<b>Profit before tax</b>	<b>151'519</b>	<b>182'930</b>
Current income taxes	-22'667	-28'170
Deferred income taxes	-85	-1'197
<b>Profit for the year</b>	<b>128'767</b>	<b>153'563</b>
<hr/>		
<b>Earnings per share (in CHF)</b>	31.12.2015	31.12.2014
Earnings per registered A share (10 million shares with a par value of CHF 5.-)	8.60	10.25
Earnings per listed registered B share (1 million shares with a par value of CHF 25.-)	42.90	51.20



# Consolidated balance sheet

## at 31 December 2015 (in CHF 1000)

<b>Assets</b>	2015	2014
<b>Investments</b>		
Real estate	1'411'365	1'223'236
Participation in Orion, an affiliated company	5'195	4'887
Other non-current securities	21'439	14'021
Equities	565'227	812'966
Alternative products	532'916	446'439
Other variable-income securities	219'740	250'173
Derivate financial instruments	21'488	16'291
Bonds and other fixed-income investments	3'040'170	2'940'225
Mortgages	463'030	361'578
Loans to corporations	597'849	580'931
Policy loans	4'927	6'734
	<b>6'883'345</b>	<b>6'657'481</b>
<b>Investments for unit-linked contracts</b>	<b>210'888</b>	<b>217'199</b>
<b>Excess employer contributions to pension scheme</b>	<b>3'917</b>	<b>3'917</b>
<b>Tangible assets</b>	<b>87'266</b>	<b>74'459</b>
<b>Intangible assets</b>	<b>12'338</b>	<b>12'809</b>
<b>Reinsurance deposit receivables</b>	<b>31'354</b>	<b>32'504</b>
<b>Receivables from insurance operations</b>		
Receivables from insurance policy-holders	6'817	7'445
Receivables from agents and brokers	1'963	1'579
Receivables from insurance and reinsurance companies	7'583	6'584
	<b>16'363</b>	<b>15'608</b>
<b>Receivables from related parties</b>	<b>936</b>	<b>813</b>
<b>Other receivables</b>	<b>66'811</b>	<b>79'755</b>
<b>Cash and cash equivalents</b>	<b>246'689</b>	<b>281'621</b>
<b>Prepayments and accrued income</b>		
Investment income	36'544	41'717
Other	19'058	5'744
	<b>55'602</b>	<b>47'461</b>
<b>Total assets</b>	<b>7'615'508</b>	<b>7'423'626</b>

For more information, please refer to pages 52 to 67 of the original French version of the 2015 Annual Report

<b>Liabilities and equity</b>	2015	2014
<b>Equity</b>		
Share capital	75'000	75'000
Treasury shares	-6'248	-6'248
Capital reserves	27'842	27'842
Retained earnings	1'002'384	893'291
Revaluation reserve	311'372	320'667
Profit for the year	128'767	153'563
	<b>1'539'117</b>	<b>1'464'115</b>
<b>Technical reserves</b>		
Unearned premium reserve	98'411	111'214
Actuarial reserves	3'296'949	3'235'876
Claims reserves	1'632'318	1'599'755
Provision for policy-holder participation	85'200	83'902
Other technical provisions	57'233	48'963
	<b>5'170'111</b>	<b>5'079'710</b>
<b>Technical reserves for unit-linked contracts</b>	<b>207'007</b>	<b>213'027</b>
<b>Financial provisions</b>		
Provisions for current taxes	18'574	13'559
Provisions for deferred taxes	107'974	109'728
Provisions for restructuring costs	5'015	959
	<b>131'563</b>	<b>124'247</b>
<b>Liabilities from reinsurance contracts</b>	<b>15'261</b>	<b>16'521</b>
<b>Liabilities from insurance operations</b>		
Payables to insurance and reinsurance companies	4'606	3'443
Payables to brokers, policy-holders or other beneficiaries	69'094	62'857
Deposit liabilities for credited policy-holder profit participation	119'472	124'693
	<b>193'172</b>	<b>190'993</b>
<b>Non-current liabilities</b>		
Payables to related parties	22'000	32'000
	<b>22'000</b>	<b>32'000</b>
<b>Current liabilities</b>		
Payables to related parties	10'399	414
Derivate financial instruments (negative position)	107	4'570
Other	32'984	20'992
	<b>43'490</b>	<b>25'976</b>
<b>Accrued expenses and deferred income</b>		
Prepaid premiums	242'413	220'663
Other	51'374	56'375
	<b>293'787</b>	<b>277'038</b>
<b>Total liabilities and equity</b>	<b>7'615'508</b>	<b>7'423'626</b>

# Cash flow statement

## as at 31 December 2015 (in CHF 1000)

	2015	2014
<b>Cash flow from operating activities</b>		
<b>Profit for the year</b>	<b>128'767</b>	<b>153'563</b>
Share of profit of associate Orion	-858	-1'140
<b>Realized / unrealized gains (-) / losses (+) on</b>		
• Real estate	-11'613	-15'967
• Securities and other investments	-94'561	-189'749
• Other non-current securities	805	165
<b>Depreciations and impairments on</b>		
• Real estate	-7'604	1'065
• Securities and other investments	53'525	37'349
• Other non-current securities	220	249
• Tangible assets	5'506	4'625
• Intangible assets	4'135	3'977
<b>Change in operating assets and liabilities</b>		
• Technical reserves	88'218	-4'403'029
• Bonuses credited to policy-holders in the life business	-863	-8'377
• Provisions for future policy-holder participation	2'161	3'944
• Financial provisions	9'155	5'509
• Receivables from insurance operations	-755	-241
• Liabilities from insurance operations	2'180	1'428
• Deposits for accepted reinsurance	1'150	1'135
• Deposits for liabilities from reinsurance contracts	-1'260	-2'483
• Receivables from related parties	-123	-20
• Payables to related parties	-15	-2
• Other receivables	-530	-55'343
• Other liabilities	11'993	-1'660
• Prepayments and accrued income	-8'141	47'536
• Accrued expenses and deferred income	16'750	-40'397
<b>Total</b>	<b>198'239</b>	<b>-4'457'861</b>
<b>Cash flow from investing activities</b>		
• Real estate	-86'803	-659
• Securities and other investments	-85'503	4'586'188
• Other non-current securities	-8'443	0
• Tangible assets	-4'839	-7'847
• Intangible assets	-3'663	-6'186
• Deconsolidation of the Valorlife participation	0	-26'348
<b>Total</b>	<b>-189'252</b>	<b>4'545'148</b>
<b>Cash flow from financing activities</b>		
• Dividends and other distributions from previous year	-43'919	-40'976
<b>Total</b>	<b>-43'919</b>	<b>-40'976</b>
<b>Net increase/decrease (-) in cash and cash equivalents</b>	<b>-34'932</b>	<b>46'312</b>

# Consolidated statement of equity

## as at 31 December 2015 (in CHF 1000)

	Share capital	Treasury shares <sup>1)</sup>	Capital reserves	Retained earnings <sup>2)</sup>	Revaluation reserve	Total
<b>Equity as at 1 January 2014</b>	<b>75'000</b>	<b>-6'248</b>	<b>27'842</b>	<b>961'495</b>	<b>235'688</b>	<b>1'293'777</b>
Dividends and other distributions (previous fiscal year)				-40'976		-40'976
Dividends Orion, by reduction of their equity				-880		-880
Deconsolidation of the Valorlife participation				-26'348		-26'348
Profit of the year				153'563		153'563
Revaluation of						
• real estate					12'774	12'774
• securities					95'978	95'978
• deferred taxes					-23'773	-23'773
<b>Equity as at 31 December 2014</b>	<b>75'000</b>	<b>-6'248</b>	<b>27'842</b>	<b>1'046'853</b>	<b>320'667</b>	<b>1'464'115</b>
Dividends and other distributions (previous fiscal year)				-43'919		-43'919
Dividends Orion, company by equity method consolidated				-550		-550
Profit of the year				128'767		128'767
Revaluation of						
• real estate					82'108	82'108
• securities					-93'243	-93'243
• deferred taxes					1'840	1'840
<b>Equity as at 31 December 2015</b>	<b>75'000</b>	<b>-6'248</b>	<b>27'842</b>	<b>1'131'151</b>	<b>311'372</b>	<b>1'539'117</b>

1) Since 31 December 2009, Vaudoise General, Insurance Company Ltd, Lausanne, has further held 56'725 registered B shares in Vaudoise Insurance Holding Ltd amounting to CHF 6'248'175.-. A reserve for an equivalent amount of treasury shares has been set up in the financial statements of the parent company in compliance with legal requirements.

### Treasury shares held by related parties

Mutuelle Vaudoise, Société Coopérative, Lausanne, holds 10 million registered A shares with a nominal value of CHF 5 each and 26,780 registered B shares with a nominal value of CHF 25 each.

The Caisse de pension Vaudoise Assurances, Lausanne, holds 20,000 registered B shares with a nominal value of CHF 25 each.

2) As at 31 December 2015, the non-distributable reserves required by law or under the Articles of Incorporation amount to CHF 101,2 million (CHF 101,2 million as at 31 December 2014).

