

Extract from the 2016 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 2016 fiscal year

Message from the Chairman and the CEO

Dear members, shareholders, customers, colleagues and partners,

Whereas on the political level we are witnessing a return to a form of protectionism, reflected in particular in Brexit or Donald Trump's election victory, paradoxically, economic borders are becoming blurred, or even disappearing. You can hardly open a magazine without reading about traditional businesses going digital, with the spectre of «uberization» looming in the background as pretty much a foregone conclusion. The implications of these new political and economic realities for our business are still unclear, but one thing is for sure: the digital trend is indisputable. For companies like ours that have existed for more than a hundred years, it is time to ask ourselves the right questions so that we can harness the new technologies without losing our soul. And it is time to be faithful to our identity, which is the reason our customers have chosen us. Our mutual roots mean that proximity to our customers and relationships of trust are essential components of our approach to insuring risk.

These principles are also the cornerstones of our new digital and advertising strategies, described in this annual report. «Together, everything becomes possible»: this is the concept of this new campaign based on mutuality. Inspired by various studies, the briefing for this campaign was largely based on an original internal approach called «Our Ambition». An interdisciplinary group of staff met to mull over such concepts as the company's dream, its attitude, its beliefs, its values, its challenge and its focus. The fruits of these deliberations, which were subsequently presented to the Management Board and the Board of Directors, enabled the communications agency to take the pulse of the company, to feel its day-to-day life. «Our Ambition» was also an opportunity to rethink our values which were subsequently put to a vote by all the employees of the Group. As a result, «Close», «Human» and «Trustworthy» found very broad support.

We are convinced that
the face-to-face
human factor
needs to remain at the
heart of our business.

We are convinced that the face-to-face human factor needs to remain at the heart of our business. Machines can facilitate some operations and some calculations, but insurance remains an activity based on the quality of relationships, on being close to customers and on trust.

In this environment, 2016 saw the Vaudoise Group post a result that is very close to the one of 2015, with a consolidated profit of CHF 124.8 million, against CHF 128.8 million the year before. This further good result was due to an improved combined ratio in the non-life business and favourable investment results.

The Group's revenues are also in line with its 2015 result, amounting to CHF 1,077.9 million against 1,092.2 million the previous year.

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 its members, shareholders, customers and equity resources. Since 2011, we have opted to redistribute a proportion of our non-life profits to our customers, 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 31 million for the 2016 financial year. 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 our policy of strengthening our equity capital, which reached CHF 1.6 billion in 2016 (up 6.7% from 2015).

Overall, 2016 saw premiums on direct non-life insurance grow by 5.6% on 2015, reaching CHF 869 million. All customer segments and all insurance sectors contributed to the improvement. Our combined ratio (ratio of claims and operating expenses to premiums) stands at 93.4%, down 2.2 percentage points on 2015. After a sharp increase in our loss ratio in the first half of 2016 owing to some major incidents in June, the second half of the year saw a return to normal and a particularly favourable year-end.

In life insurance, direct premiums written fell 23.4% to CHF 200.1 million. This decrease is explained by our withdrawal of traditional products and the lack of opportunities to supply «new generation» products that meet customers' yield expectations in this sector. The «RythmoInvest» product, marketed in 2016, got off to a promising start. It combines a coherent response to the needs of our customers with profitability for the company. It should be noted that good investment results have made it possible to strengthen the provision for interest rate guarantees at the required level.

The outlook for our Group in 2017 is positive. In the non-life business, we expect our portfolios to perform more moderately than in the previous years, with property and casualty lines posting higher growth than 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.



Paul-André Sanglard, Chairman of the Board of Directors



Philippe Hebeisen, Chief Executive Officer

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 guarantees geared to market conditions. After the sharp drop witnessed over the past two years, we expect premiums to stabilize in 2017.

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.

The solidity of the Vaudoise Insurance Group's results and balance sheet enables us to look to the future with confidence.

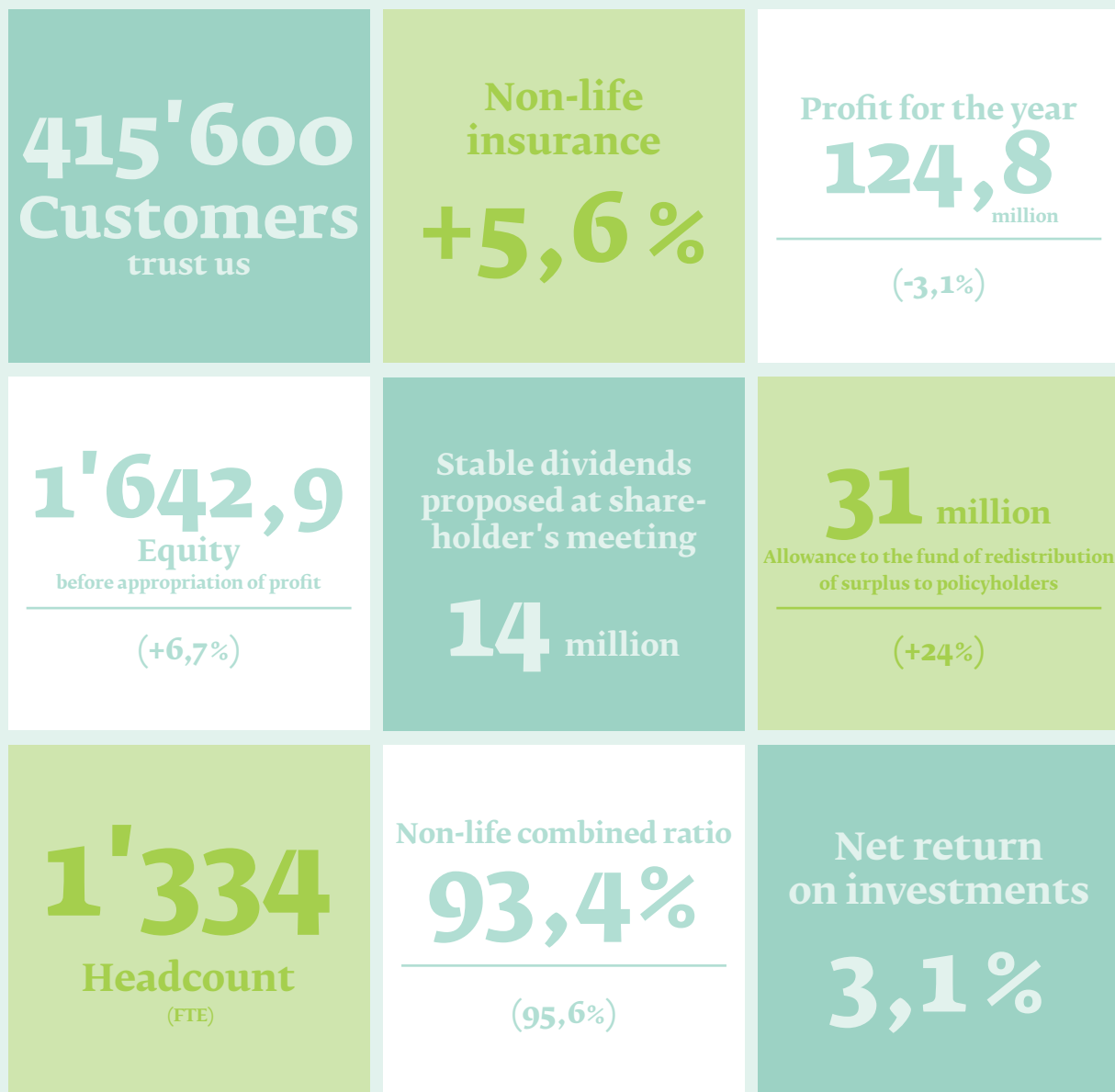
In addition, we shall maintain the guiding principles underpinning our investment strategy. The evolution of the financial markets has persuaded us to further increase the quality of our bond investments, while maintaining high levels of hedging on equities and foreign currencies.

Paul-André Sanglard
Chairman of the Board
of Directors

Philippe Hebeisen
Chief Executive Officer

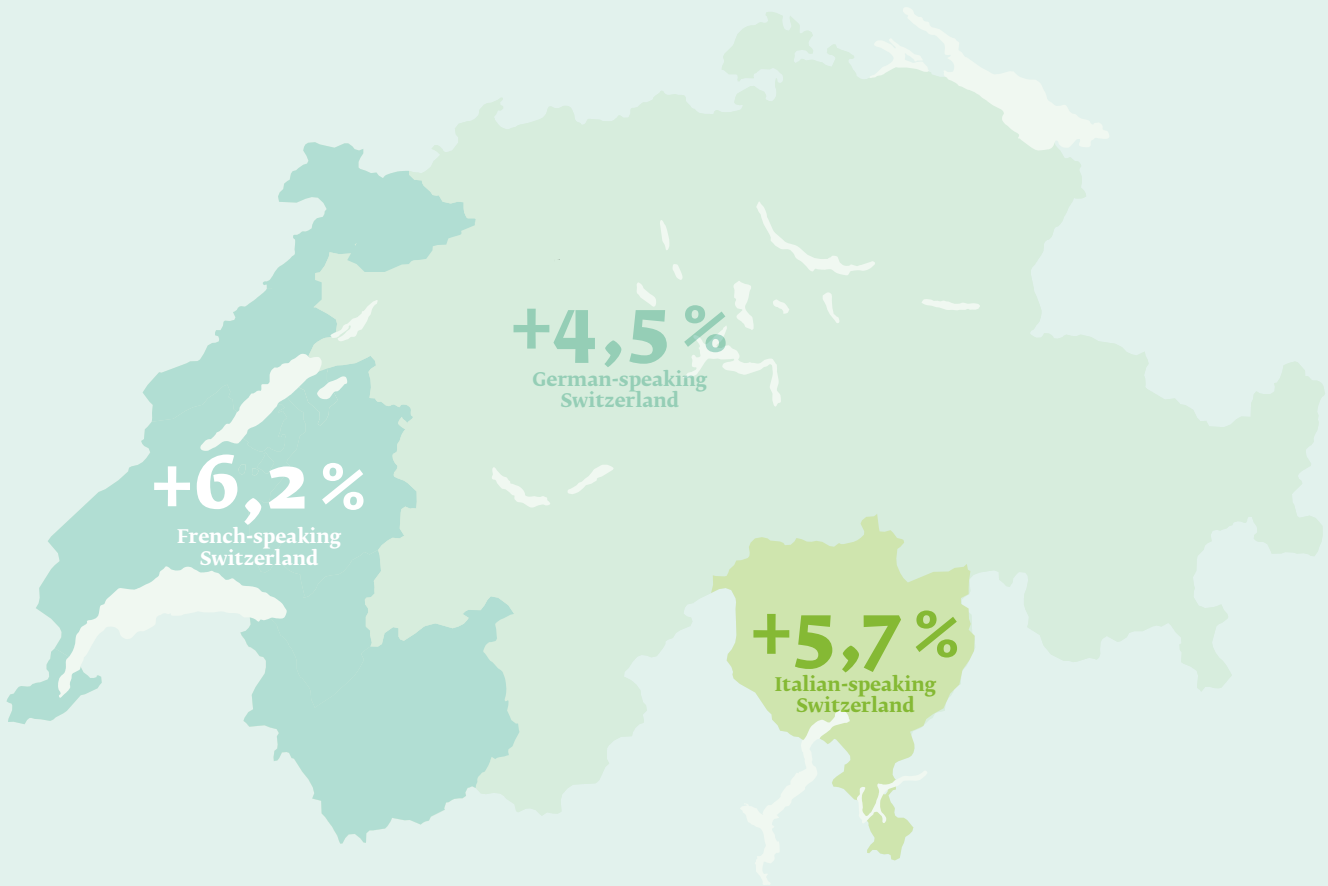
Finally, we shall closely monitor the development of the regulatory framework which is being increasingly strengthened, resulting in ever more complex processes for us and therefore higher administrative costs. In this context, the solidity of the Vaudoise Insurance Group's results and balance sheet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

Key figures



Growth

of Vaudoise General's net premiums written as at 31.12.2016

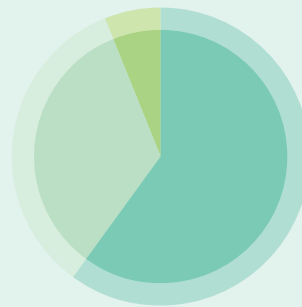
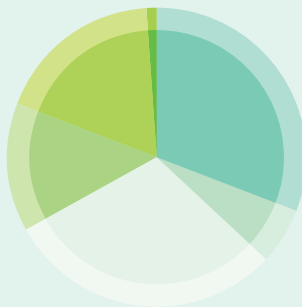


Premiums by sector

- 31% Accident/health
- 6% Third-party liability
- 30% Motor vehicles
- 14% Fire/miscellaneous
- 18% Life business
- 1% Unit-linked

Premiums on Swiss market

- 60% French-speaking Switzerland
- 34% German-speaking Switzerland
- 6% Italian-speaking Switzerland



Insurance business

Non-life premiums
growth of
5,6%

In 2016, Vaudoise posted a satisfying operating result matched by a well-controlled loss ratio. Non-life premiums showed vigorous growth (5.6% in a Swiss market that grew by just 1.1%). All segments contributed to this positive trend. Thus, in the private segment, motor vehicle insurance – the most important line for Vaudoise

Life insurance, which for several years now has been evolving in a difficult context of extremely low interest rates, showed an overall decline of 23.4%. This result is mainly attributable to the single-premium business which declined by 81.3% (Swiss market: -28.4%), in line with the restrictive marketing policy put in place in 2016. While periodic premiums underwent a slight decline of 1.8% (Swiss market: +1.5%), the positive reception given to «RythmolInvest», a new generation product, is very encouraging, as is the development of other solutions for the coming years.

ise in terms of volume – progressed by 2.8%. Acquired in June 2016, Animalia, the insurance company for cats and dogs, also participated in the pleasing growth of the private segment. Non-life personal lines in the corporate clients segment performed well too, with a 14.2% increase in health loss of income insurance and a 1.9% rise in accident insurance. A consolidation programme for unprofitable contracts in the non-life personal lines segments was launched in 2014 is now bearing fruit. After a rather poor first half of the year, the overall claims burden finally improved slightly in 2016 (combined ratio: 93.4% against 95.6% in 2015).

| in CHF 1000 | Gross premiums written | | | Gross benefits paid out | | |
|--------------------------|------------------------|------------------|-------------|-------------------------|----------------|-------------|
| | 2016 | 2015 | +/- % | 2016 | 2015 | +/- % |
| Total business | | | | | | |
| Direct business | 1'069'132 | 1'083'802 | -1.4 | 763'561 | 782'206 | -2.4 |
| Indirect business | 8'770 | 8'420 | 4.2 | 6'314 | 6'480 | -2.6 |
| Total | 1'077'902 | 1'092'221 | -1.3 | 769'875 | 788'687 | -2.4 |
| Direct business | | | | | | |
| Non-life insurance | 869'011 | 822'693 | 5.6 | 570'623 | 559'866 | 1.9 |
| Life insurance | 200'121 | 261'108 | -23.4 | 192'938 | 222'340 | -13.2 |
| Total | 1'069'132 | 1'083'802 | -1.4 | 763'561 | 782'206 | -2.4 |
| Indirect business | | | | | | |
| Non-life insurance | 7'216 | 6'780 | 6.4 | 4'329 | 3'399 | 27.4 |
| Life insurance | 1'554 | 1'640 | -5.2 | 1'985 | 3'081 | -35.6 |
| Total | 8'770 | 8'420 | 4.2 | 6'314 | 6'480 | -2.6 |

Non-life insurance

4,1 %
growth is still
higher than the
national average

P&C Insurance (Property & Casualty Insurance)

The P&C business, comprising Commercial and Personal lines (motor liability, general liability and property), is continuing to develop favourably. The acquisition of Animalia in 2016 has enabled us to strengthen our position and to achieve 4.1% growth, value that exceeds the Swiss market growth rate.

Excluding Animalia, the growth is of the order of 2.8%, which is still higher than the national average. With a volume of more than CHF 541 million, the P&C sector accounts for more than 60% of Vaudoise General's premiums.

The premium growth was not the same in all segments. The property and motor lines of business made good progress, achieving an 8.2% rise (2.7% excluding Animalia) and 2.8% respectively. With an increase of nearly 2.1%, the general liability business is growing at a less significant rate. However, this result can be described as very satisfactory in light of the performance of other players operating in the Swiss market.

After many years of steady growth, there are signs of some levelling off. Corporate and private customers are becoming increasingly price-sensitive, regardless of premium levels. The challenge is to offer customers products tailored to meet their needs and very good value for money while remaining profitable in the long run at company level.

The loss ratio for 2016 is at a very good level. After a first half dominated by some major claims, the second half of the year was very favourable. However, the uptrend in certain segments or areas, particularly key accounts, has been confirmed. This trend is being closely monitored and appropriate measures are being put in place.

To summarize, the P&C lines turned in a good result for 2016. Numerous development projects (innovating products, solutions, services, and partnerships) allow us to continue our growth strategy.

Motor Insurance

The premiums written of CHF 340 million for this line of business represents 40% of Vaudoise General's revenue. The current year loss ratio decreased by five percentage points due to generally mild weather conditions, with only a few localized hail events.

Vaudoise's specialists closely monitor market trends and the emergence of new technologies aiming to identify motorists' current and future needs and to regularly adapt our range of products and services, including for the «Care services» component. The modular nature of the cover, which in particular takes into account integrated vehicle safety enhancements, is finding uptake among policyholders.

Thus, at the beginning of 2016, Vaudoise launched a new product called «Avenue Smart», a solution for young people under 30, which rewards careful driving as measured by a blackbox unit.

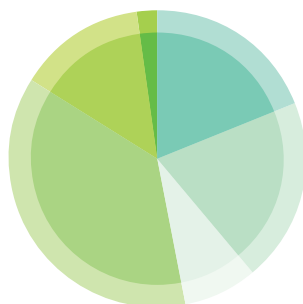
In another innovative move, at the end of 2016, the company introduced a more advantageous rate for vehicles equipped with driving assistance systems (distance control system with automatic braking, warning of unintended lane departure, lane change assistant).

Vaudoise is also working on a permanent simplification of the underwriting processes. 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 2016 place Vaudoise among the leading motor insurers and therefore confirm the validity of its strategy – prioritizing advice, rapid processing of claims and innovative products and services, while at the same time ensuring that its products continue to offer a good price/quality ratio.

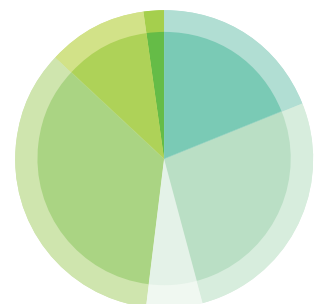
Breakdown of premiums

- 19 % Accident
- 20 % Health
- 8 % Third-party liability
- 37 % Motor vehicles
- 14 % Fire and other property insurance
- 2 % Miscellaneous



Breakdown of benefits

- 19 % Accident
- 27 % Health
- 6 % Third-party liability
- 35 % Motor vehicles
- 11 % Fire and other property insurance
- 2 % Miscellaneous



Despite strong market pressure on prices, the results confirm that the company's current positioning is correct and that it 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 Vaudoise's strategic objective of long-term profitable growth. Rigorous management and a high level of professionalism in dealing with claims involving physical injuries also remain important success factors.

General liability insurance

As stated above, the 2.1% premium growth recorded in the general liability segment is well above that of the Swiss market as a whole. Moreover, the loss ratio in this segment remained very favourable in 2016.

It should be noted that the household and private third-party liability products launched in partnership with Groupe Mutuel in 2015 contributed to the gratifying results of the company's lines of business. These solutions are distributed and managed by Groupe Mutuel, with Vaudoise acting as the insurer that bears the risk and manages claims.

Property insurance

The very good growth of the property insurance segment (fire, natural hazard and other damage to property) is mainly attributable to the solutions «Home in One» for private customers and «Building» for building insurance. The increase in the large losses (fire, adverse weather events, etc.) has a negative impact on the loss ratio.

As in previous years, 2016 saw a reduction in the official private insurers' household contents index (from 198 points to 193 points or -2.5%). This index determines the development of the sum insured after the policy is taken out in order to avoid any overinsurance or underinsurance. This decrease led to a fall in premium income from personal lines («Home in One») in 2016.

Insurance for cats and dogs – acquisition of Animalia

At the beginning of 2016, Vaudoise bought Animalia SA and its portfolio of more than 24,000 risks from the Assura Group. This merger by acquisition enabled Vaudoise to become the Swiss leader in accident and health insurance for cats and dogs. This area is showing strong growth, due in large part to an increase in the costs of veterinary healthcare and market potential (only 5% of cats and dogs are currently insured). Animalia's staff joined Vaudoise in mid-2016 and the process of migrating policies to our computer systems was completed in December of the same year.

Accident and health Insurance (persons' products)

Premiums for persons' lines have risen for the eighth consecutive year. Premium income set a new record of more than CHF 328 million. Vaudoise outperformed the Swiss market with a growth of nearly 8.3%, in line with the 2015 fiscal year. The strongest growth was once again in the group health loss of income sector, mainly thanks to the consolidation of structurally unprofitable policies. The group mandatory (LAA) and voluntary (CLAA) accident insurance segments are also enjoying growth.

In terms of distribution networks and regions, 2016 saw German-speaking Switzerland post higher growth than the portfolio as a whole both for the brokerage channel and for advisors. Ticino brokers also distinguished themselves.

| Trend of direct non-life business in CHF 1000 | Gross premiums written | | | Gross benefits paid out | | |
|--|------------------------|----------------|------------|-------------------------|----------------|------------|
| | 2016 | 2015 | +/- % | 2016 | 2015 | +/- % |
| Insurance business | | | | | | |
| Accident | 161'326 | 158'322 | 1.9 | 111'093 | 105'983 | 4.8 |
| Health | 176'769 | 154'852 | 14.2 | 151'893 | 145'184 | 4.6 |
| Third-party liability | 67'312 | 65'906 | 2.1 | 30'165 | 37'364 | -19.3 |
| Motor vehicles | 320'761 | 312'047 | 2.8 | 201'146 | 202'709 | -0.8 |
| Fire and other property insurance | 123'123 | 112'814 | 9.1 | 64'659 | 58'155 | 11.2 |
| Miscellaneous | 19'721 | 18'752 | 5.2 | 11'667 | 10'471 | 11.4 |
| Total | 869'011 | 822'693 | 5.6 | 570'623 | 559'866 | 1.9 |

Health loss of income

Like most private insurers, Vaudoise pursued a policy of consolidation in the health loss of income segment in 2016. Conversely, some health insurers have adopted an aggressive stance on this segment.

The segment's ratio of claims to premiums has now improved, but Vaudoise will need to continue its risk selection drive in relation to both underwriting and renewals.

Mandatory (LAA) and voluntary (CLAA) accident insurance

Overall, the loss ratios of the accident segments are in line with expectations, with the LAA business posting its best year since 2009.

During the summer of 2016, accident insurers introduced new policy provisions and new tariffs to take into account the amendment of the Accident Insurance Act (LAA) which came into force on January 1st 2017. These changes will lead to a slight overall decline in premium income over the coming years because of the reduced risk.

Vaudoise is continuing to develop its product range. The amended CLAA will come into effect in the first half of 2017, incorporating the impact of the amendment of the LAA. Thus, Vaudoise will have completed the revision of all of its corporate non-life personal lines, which will be available simply and flexibly via a single IT application. The Company will further strengthen its services aiming to optimize prevention, management and customer support in implementing good staff management practices.

Life insurance

In the periodic premiums segment, the new unit-linked savings insurance offering with progressive safeguarding was well received, while the decrease in the single premium sector was once again in line with forecasts. Overall, Vaudoise Life has seen its premium receipts fall by 23.2% to CHF 201.7 million.

The persistently low level of interest rates remains a major challenge for life insurers who are subject to very strict solvency rules. In summer 2015, the Swiss Financial Market Supervisory Authority (FINMA) announced a further reduction in the technical rate for personal pensions from 1.25% to 0.75% for periodic premiums and to 0.5% for single premiums, with effect from 1 January 2016 at the latest. This confirmed the wisdom of Vaudoise Life's decision to switch its traditional product range to periodic premiums. In addition, the maximum guarantee for its flagship product «RythmoCapital» was limited to 15 years and was subsequently lowered for the residual duration. The contract period for the other traditional savings products was limited to 15 years. These two measures produced the desired effect of a decline in premium receipts for products whose guarantee level was becoming incompatible with the market environment.

As a replacement, Vaudoise continued to develop new generation products requiring less capital. Thus, it launched the first version of an innovative offering under the name «RythmoInvest». This product involves investing in Vaudoise investment funds while following the customer's life cycle to finally secure his or her investment in full. As a mutual business, Vaudoise enables its customers to share in its success. From now on, they will have access to the same investments as the company.

This new solution has far exceeded expectations and has practically compensated for the decline in traditional products.

However, the single premium business is showing a significant decline owing to ever lower interest rates. In this context, and given the lack of options in this area for providing so-called new generation products that meet customers' expectations, Vaudoise Life is maintaining its policy of restrictive marketing. 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 very 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.

While conditions in the capital markets are proving particularly difficult, our loss ratio is well under control, with a 29.9% decrease in death benefits and a 4.7% reduction in the disability claims burden.

| Trend of direct life business in CHF 1000 | Gross premiums written | | | Gross benefits paid out | | |
|--|------------------------|----------------|--------------|----------------------------|------------------|--------------|
| | 2016 | 2015 | +/- % | 2016 | 2015 | +/- % |
| Individual insurance | | | | | | |
| Endowment | 186'370 | 229'994 | -19.0 | 97'691 | 104'908 | -6.9 |
| Annuities | 10'550 | 27'821 | -62.1 | 51'047 | 54'716 | -6.7 |
| Disability | 3'201 | 3'294 | -2.8 | 1'577 | 1'637 | -3.7 |
| Total | 200'121 | 261'108 | -23.4 | 150'315 | 161'261 | -6.8 |
| | | | | Redemptions | | |
| Individual insurance | | | | 42'623 | 61'079 | -30.2 |
| Total benefits and surrender | | | | 192'938 | 222'340 | -13.2 |
| | | | | Production | | |
| Individual insurance | | | | | | |
| Endowment | 327'223 | 435'225 | -24.8 | 6'357'865 | 6'452'501 | -1.5 |
| Annuities | 4'152 | 14'141 | -70.6 | 620'598 | 639'064 | -2.9 |
| Disability | 37'666 | 26'970 | 39.7 | 657'429 | 672'991 | -2.3 |
| Total | 369'041 | 476'337 | -22.5 | 7'635'892 | 7'764'556 | -1.7 |
| | | | | Insurance portfolio | | |

Financial investments

2016 saw the Group continue to follow its strategy, based essentially on investment categories generating regular income

Investment policy and operations Monetary policies start to diverge and a year of surprises

2016 was once again dominated by the actions of central banks and their impact on the foreign exchange markets. With the exception of the US Federal Reserve (Fed) which raised its key rate by 0.25 percentage point, central

banks maintained their expansionary monetary policies.

The financial markets began the year on a much more negative note than they ended it. As a result of the rate hike announced by the Fed in December 2015 – its first such move since 2006 – and fears of a hard landing for Chinese growth, the markets headed south with a fall in oil prices, a sharp widening of credit spreads and a sustained fall in share prices. The big political event that caused a stir in mid-2016 was the British people's vote for Brexit. While the decision did not generate any specific market shock, the fact remains that even today its impact is still impossible to assess. What is certain, though, is that Britain's departure will take time and that it will have a lasting effect on the financial markets.

The second half of the year was marked by another major political event: the election of Donald Trump as US President. His reflationist political programme precipitated a rise in bond yields, accompanied by a steepening of yield curves. The issue of inflation resurfaced and strategies such as Treasury Inflation-Protected Securities (TIPS) were mentioned in the speeches of numerous financial players.

These various political events and central bank actions naturally had an impact on the markets. The impact was positive for the US stock markets, which benefited from a more favourable growth environment than the other economic powers. For their part, the European stock markets were penalized by the low resilience of the European economy and the spectre of potential political problems that Brexit could pose for the European Union.

On the foreign exchange front, the major global currencies remained stable, apart from the pound sterling, which plunged sharply on the back of the Brexit vote, and the US dollar, which strengthened as a result of the Fed's rate hike. Bond yields remained at all-time low levels. Yields on ten-year Confederation bonds remained in negative territory throughout the year. At the end of 2015, Swiss, European and American ten-year bond yields stood at -0.09%, 0.63% and 2.27% respectively, against -0.22%, 0.21% and 2.44% at the end of 2016.

For the past decade, a period of constantly rising prices and rents, the Swiss real estate markets have performed very favourably, with strong demand and a very low vacancy rate, all driven by ultra-low interest rates. However, 2016 saw increasing signs of change. A direct yield several percentage points higher than that offered by ten-year Confederation bonds on residential investment properties is pushing growing numbers of investors to turn to real estate investments. The latter are regarded as very attractive both for the quality and the regularity of the returns they generate, despite a tendency toward stagnation of rents. This very strong demand is still putting very considerable upward pressure on prices and is leading to continuous intensive construction activity which is destabilizing the balance in these markets.

In this type of economic and political environment, marked by central bank monetary policies tantamount to currency wars, heightened market volatility and ever-present uncertainty over global economic growth prospects, Vaudoise continued to reduce its exposure to credit and interest rate risks and kept its real estate allocation stable.

Top quality bond portfolio

To reduce the credit risk of its fixed income portfolio, comprising bonds and municipal loans, Vaudoise increased the weighting of high-quality securities such that 45% now have «AAA» ratings (2015: 38%, 2014: 19%), while 29% are rated «AA» (2015: 30%, 2014: 33%) and 11% «A» (2015: 22%, 2014: 35%).

During the course of the year, the Group also continued with moves to increase the duration of its investments to match the similarly long-term requirements of its insurance commitments.

Finally, our allocation to this asset class was expanded slightly, from 52.9% in 2015 to 54.7% in 2016.

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

Real estate: increase in vacant premises and decline in rents

Although Switzerland has been seeing a steady increase in the number of vacant rental homes for several years, the rise observed in 2016 is significant, with the number of vacant apartments up by more than 13%. The situation is even more worrying for commercial premises. Thus, Swiss real estate investors and owners are currently suffering losses owing to the large number of vacant premises, which implies that commercial tenants are once again in a strong position.

The main reasons for this situation are stagnating employment and a smaller increase in population compared to previous years. These factors adversely impact demand for additional rental housing. For the time being, the current situation of increasing property vacancies and downward pressure on rents is not holding back developers from planning new housing projects. Low or even negative interest rates and the resulting shortage of investments leave few alternatives.

In this context, Vaudoise has nevertheless stuck to its disciplined selection of real estate projects and purchases. In its analyses, it has confirmed its approach and long-term investment strategy, focused firstly on the location and quality of the properties in question and secondly on the rents available with a view to achieving our target returns. Thus, out of 200 dossiers received for analysis, the Group did not finalize any purchases in 2016, mainly due to the very high prices of the buildings and projects in relation to their long-term value.

In 2016, Vaudoise completed 135 apartments spread across three projects and is preparing to start work on five new construction sites in 2017, – three in German-speaking Switzerland and two in French-speaking Switzerland, – ultimately placing 301 new homes on the market.

Vaudoise's active management of its real estate portfolio enabled it to complete, in 2016, a renovation and extension project in Lausanne, which, in addition to new office space, also provides eight new penthouse apartments with views of the lake and the Alps.

The Group also began feasibility studies for five sites in Geneva, Fribourg, Lucerne, Territet and Lausanne with a view to potential major renovation and extension of buildings judged to occupy excellent macro- and micro-locations.

The value of Vaudoise's portfolio at the end of December 2016 stood at CHF 1.5 billion (CHF 1.4 billion in 2015) which means that real estate accounted for 20.5% of investments, the same proportion as in 2015.

Mortgage loans continue to grow

Vaudoise sees mortgage loans as an asset class which offers a means of diversifying its fixed-income investments. They also form an integral part of its comprehensive customer advice strategy.

There was steady growth in loans granted which meet its acceptance criteria, increasing their share of its overall asset allocation to 7.7%, against 6.7% at end of 2015 and 5.5% at the end of 2014.

Decrease in variable-income securities

This investment category consists mainly of equities and alternative investments. During the year under review, Vaudoise reduced its alternative investments allocation and left its equity allocation unchanged.

The 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 its equity portfolio and its desire to generally control risks, Vaudoise continued to follow a derivative-based hedging strategy on a large proportion of this portfolio to guard against major losses.

Some years ago, Vaudoise established its own fund of hedge funds and private equity fund, with customized portfolios consisting of diversified alternative investments. The management of these two portfolios is delegated to two companies which specialize in this area, with monitoring of its activities by in-house experts. The share of these hedge fund and private equity investments decreased from 7.7% in 2015 to 5.4% in 2016.

Taking into account other variable-income securities held for the long term, along with shareholdings and derivative financial instruments, variable-income investments represented a total of 17% of Vaudoise's investments at the end of 2016, against 19.8% a year earlier.

Exchange rate risk under control

The Group views 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 its exposure to foreign currencies.

Investment results

Fiscal 2016 saw the volume of Vaudoise's investments increase by CHF 209.4 million to CHF 7,303.7 million. Excluding investments for the account and risk of policyholders, the volume increased by CHF 229.3 million to CHF 7,112.6 million.

In 2016, revenue from investments rose by CHF 3.1 million to CHF 171.4 million. The decline in fixed income revenue as a result of the low interest rate environment was more than offset by the rise in real estate and mortgage revenue. The return on investment¹⁾ reported in the income statement came to 3.2% in 2016 against 3.5% in 2015. This negative development is mainly due to the cost of financing hedging against exchange-rate risk which was higher than the previous year.

The net performance of the investments in terms of market value²⁾ came to 2.6% (1.8% in 2015). This improvement is related to the good performance of equities and bonds denominated in foreign currencies in comparison to 2015. This performance can be regarded as good and in line with the market.

Capital adequacy and solvency

More than 6.7% growth in equity capital and a comfortable SST ratio

Compared to 2015, the Group's equity before appropriation of profit increased by CHF 103.8 million to CHF 1,642.9 million. Our return on equity was 7.8%, against 8.6% in 2015.

The structure of the Group calls for Vaudoise to maintain a very high capital adequacy ratio.

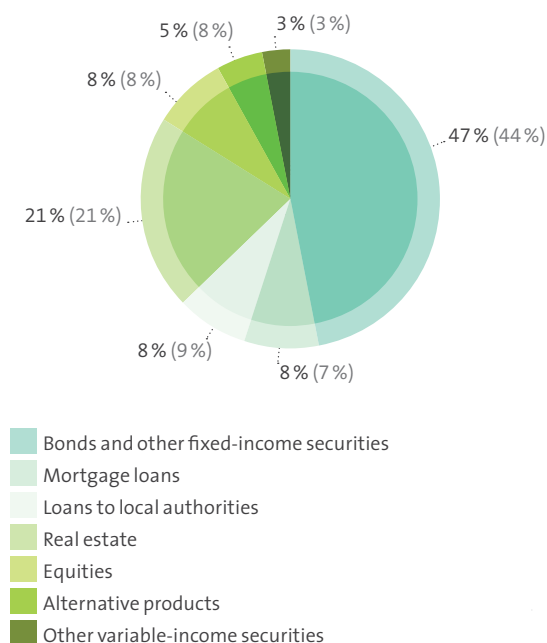
The Group's risk capacity, as measured by the Swiss Solvency Test (SST), is well above the required level of cover.

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

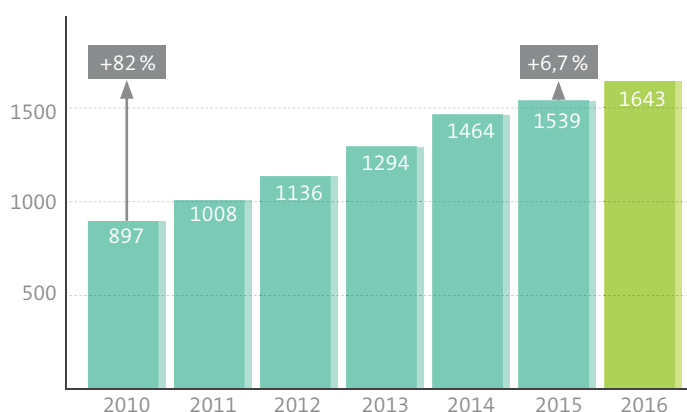
1) Net return according to income statement based on average investment, including exchange rate gains and losses, excluding results for the account and risk of policyholders and excluding unrealized capital gains and losses on securities (equities, alternative investments, bonds, real estate).

2) 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 risk of policyholders.

Allocation of asset classes as at 31 December 2016 (2015)



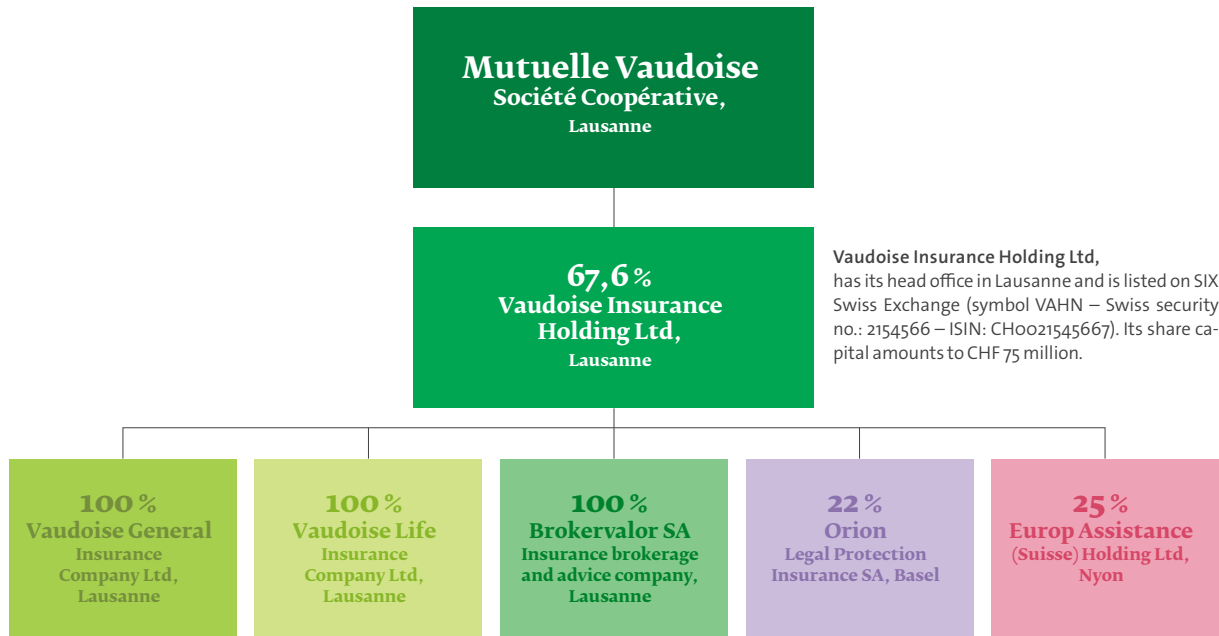
Consolidated equity (in CHF million)





Corporate governance

Corporate governance



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.

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.

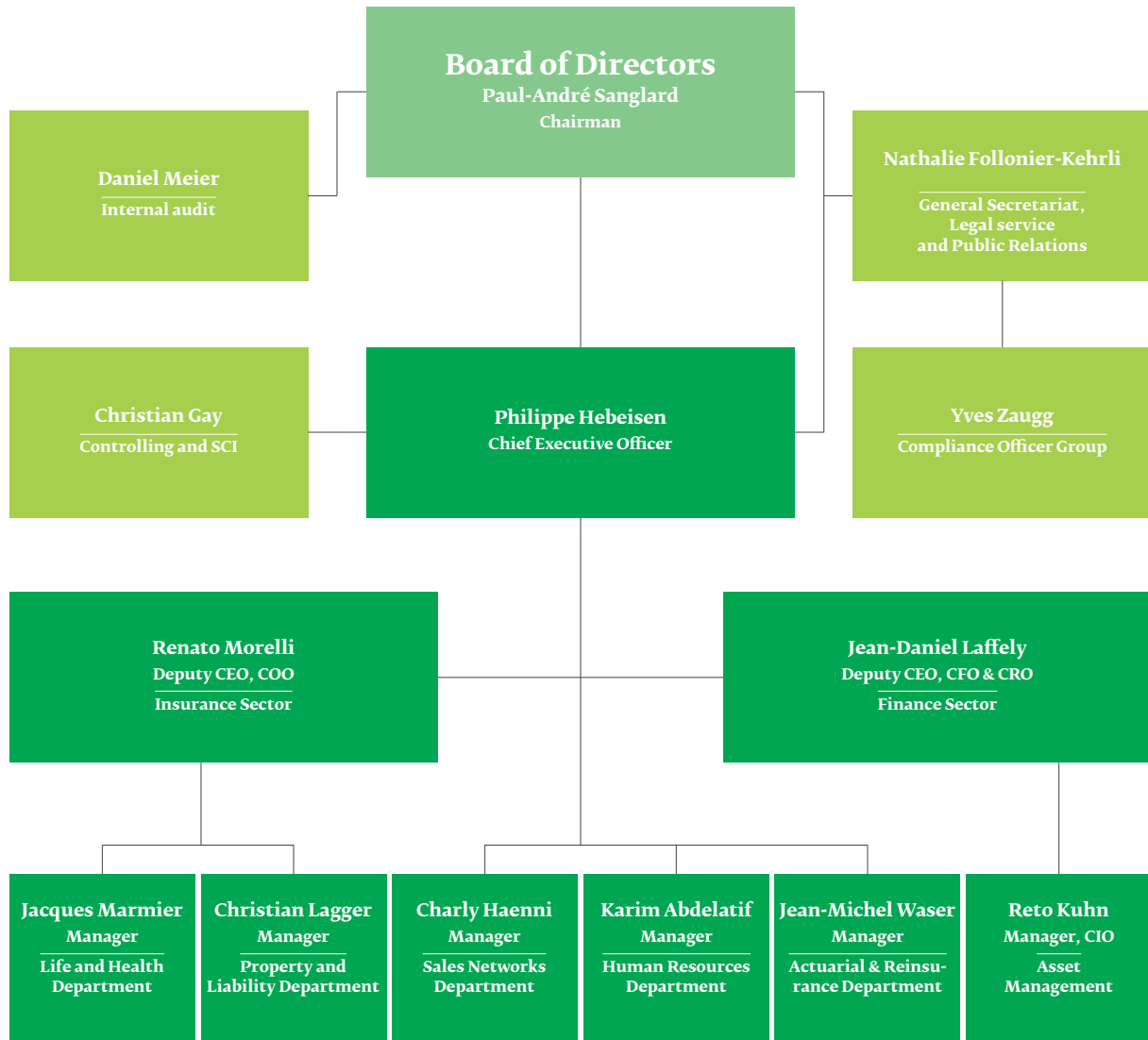
Shares and participation certificates

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.

Functional organization chart

as at 31 December 2016



Management Committee

Members of the Board of Directors as at 31 December 2016

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
PhD in Economics
Swiss citizen
Born 8 October 1950

Chantal Balet Emery

Vice-Chairman
Non-executive member
Attorney at law and notary public
Swiss citizen
Born 7 June 1952

Martin Albers

Director
Non-executive member
M.Sc. in Engineering Sciences, MBA
Swiss citizen
Born 10 July 1960

Javier Fernandez-Cid

Director
Non-executive member
Master of Law
Spanish citizen
Born 10 January 1956



Eftychia Fischer

Director
Non-executive member
B.Sc. in Physics, CFA, FRM
Swiss citizen
Born 17 August 1963



Etienne Jornod

Director
Non-executive member
M.A. in Economics
Swiss citizen
Born 6 January 1953



Peter Kofmel

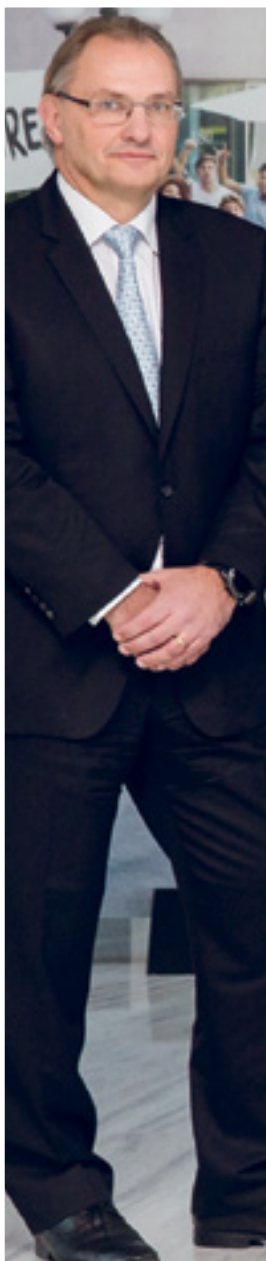
Director
Non-executive member
Attorney at law and notary public
Swiss citizen
Born 16 September 1956



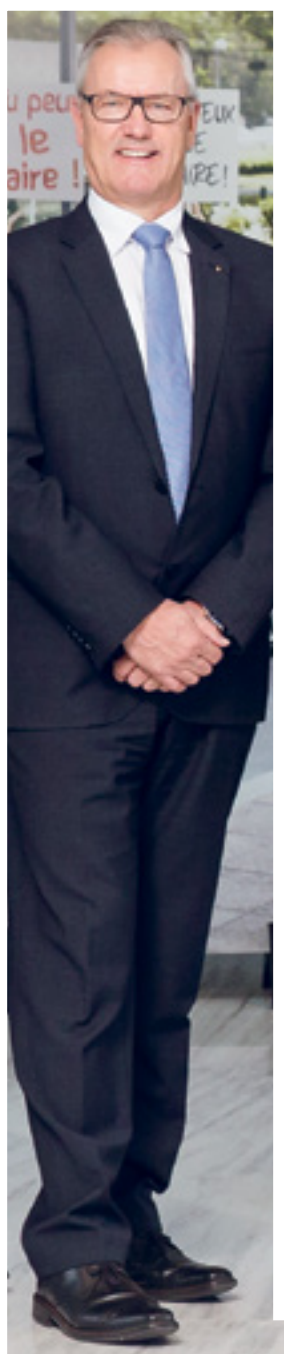
Jean-Philippe Rochat

Director
Non-executive member
Attorney at law
Swiss citizen
Born 11 November 1957

Members of the Management Committee as at 31 December 2016



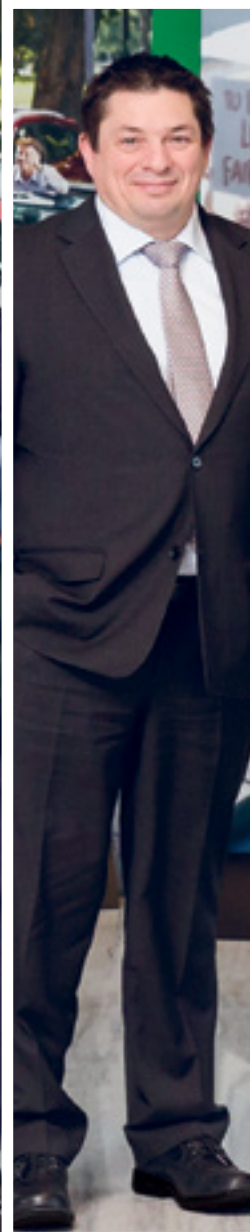
Jacques Marmier
Head of
Life and Health
Department



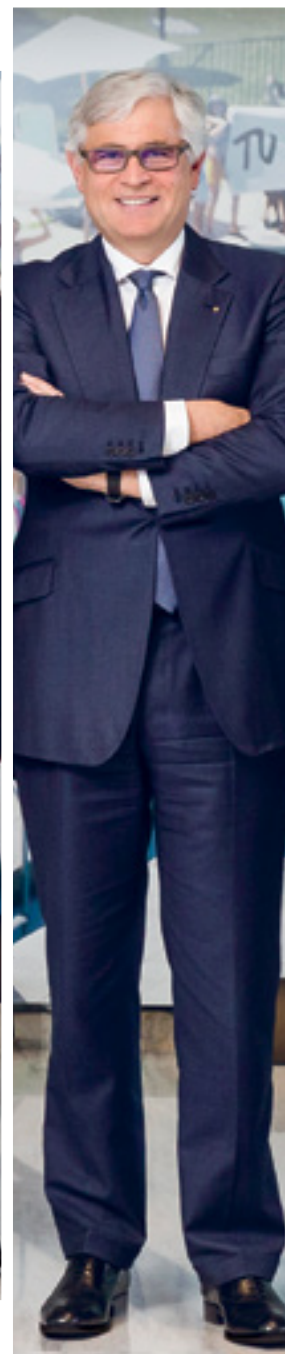
Charly Haenni
Head of
Sales Networks
Department



Christian Lager
Head of
Property and Liability
Department



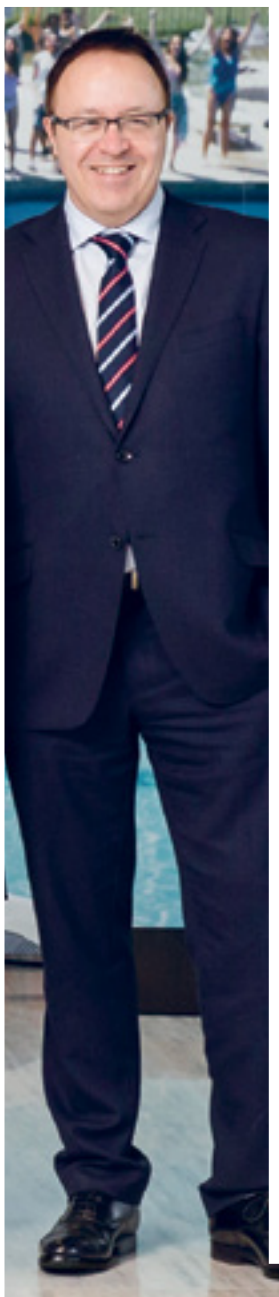
Renato Morelli
Deputy CEO, COO
Head of
Insurance Sector



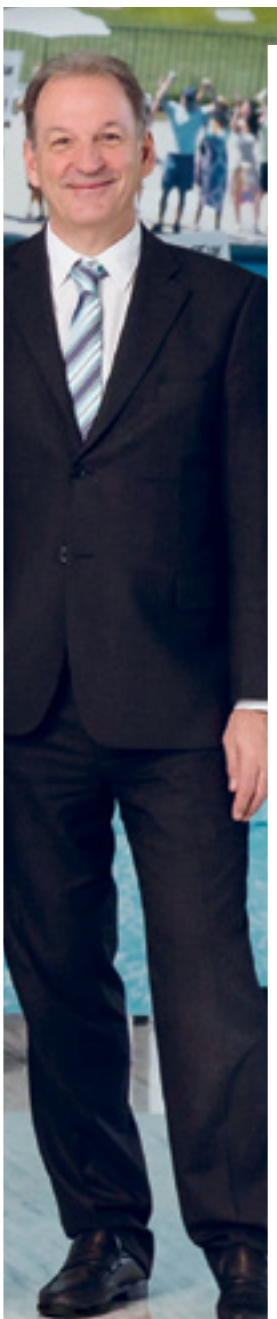
Philippe Hebeisen
Chief Executive
Officer



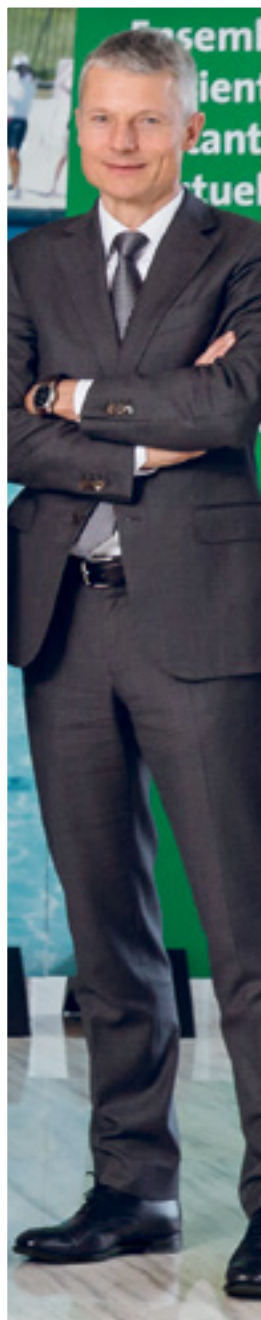
Nathalie Follonier-Kehrli
General Secretary



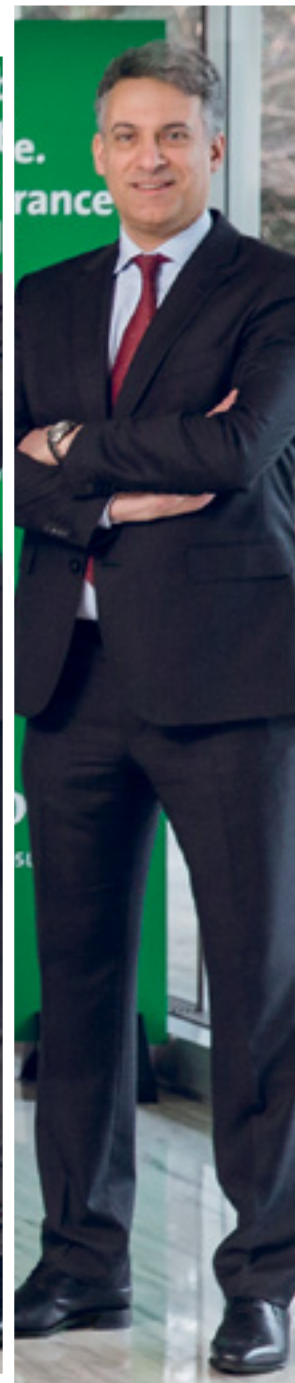
Jean-Daniel Laffely
Deputy CEO, CFO & CRO
Head of
Finance Sector



Jean-Michel Waser
Head of Actuarial
& Reinsurance
Department



Reto Kuhn
Head of
Asset Management,
CIO



Karim Abdelatif
Head of
Human Resources
Department

Consolidated income statement

(in CHF 1000)

| Technical income statement non-life insurance business | Gross | Reinsurance ceded | 2016 net | 2015 net |
|--|----------------|-------------------|----------------|----------------|
| Premiums written | 876'227 | 39'105 | 837'122 | 791'076 |
| Change in unearned premium reserves | -982 | -222 | -760 | 12'527 |
| Premiums earned | 875'246 | 38'883 | 836'362 | 803'603 |
| Financial result transferred from non-technical income statement | | | 76'116 | 39'839 |
| Other technical income | | | 178 | 190 |
| Total income | | | 912'657 | 843'632 |
| Claims paid | 574'952 | 19'425 | 555'527 | 546'345 |
| Change in claims reserves | 9'374 | -2'250 | 11'624 | 26'428 |
| Claims expenses | 584'326 | 17'175 | 567'151 | 572'773 |
| Change in other technical provisions | 5'345 | 0 | 5'345 | 8'270 |
| Policy-holder bonuses | 13'803 | 414 | 13'388 | 14'566 |
| Operating and acquisition costs | 219'288 | 4'840 | 214'447 | 201'867 |
| Other technical costs | | | 1'811 | 1'811 |
| Total costs | | | 802'142 | 799'288 |
| Technical result non-life insurances business | | | 110'515 | 44'344 |
| Technical income statement life insurance business | | | | |
| Premiums written | 201'675 | 2'492 | 199'183 | 259'983 |
| Change in unearned premium reserves | 1'681 | 85 | 1'596 | 241 |
| Premiums earned | 203'356 | 2'577 | 200'779 | 260'224 |
| Financial result transferred from non-technical income statement | | | 118'791 | 157'697 |
| Total income | | | 319'570 | 417'921 |
| Claims and benefits paid | 194'924 | 1'031 | 193'892 | 224'238 |
| Change in claim reserves | 1'951 | 763 | 1'188 | -211 |
| Change in actuarial reserves | 74'065 | -635 | 74'700 | 72'346 |
| Claims and benefits expenses | 270'939 | 1'159 | 269'780 | 296'373 |
| Policy-holder bonuses | 4'306 | 903 | 3'403 | 5'339 |
| Operating and acquisition costs | 33'321 | 0 | 33'321 | 34'163 |
| Total costs | | | 306'504 | 335'875 |
| Technical result life insurance business | | | 13'065 | 82'046 |

For the notes, please refer to pages 59 to 79 of the original French version of the 2016 Annual Report

| Financial (non-technical) income statement | 2016 net | 2015 net |
|--|----------------|----------------|
| Investment income | 389'877 | 452'421 |
| Investment expenses | -144'196 | -218'209 |
| Investment result | 245'681 | 234'212 |
| Financial results allocated to technical income statement | -194'907 | -197'536 |
| Other financial income | 95'378 | 189'088 |
| Other financial costs | -123'397 | -201'738 |
| Financial (non-technical) result | 22'755 | 24'026 |
| Comprehensive income statement | | |
| Technical result - non life insurance business | 110'515 | 44'344 |
| Technical result - life insurance business | 13'065 | 82'046 |
| Financial (non-technical) result | 22'755 | 24'026 |
| Allocation to (-)/withdrawal from provision for future policy-holder participation | 1'704 | 244 |
| Share of profits of associates | 1'504 | 858 |
| Profit before tax | 149'544 | 151'519 |
| Current income taxes | -23'831 | -22'667 |
| Deffered income taxes | -901 | -85 |
| Profit for the year | 124'811 | 128'767 |
| Earnings per share (in CHF) | | |
| | 31.12.2016 | 31.12.2015 |
| Earnings per registered A share (10 million shares with a par value of CHF 5.-) | 8.30 | 8.60 |
| Earnings per listed registered B share (1 million shares with a par value of CHF 25.-) | 41.60 | 42.90 |

Consolidated balance sheet as at 31 December (in CHF 1000)

| Assets | 2016 | 2015 |
|--|------------------|------------------|
| Investments | | |
| Real estate | 1'460'075 | 1'411'365 |
| Participation in affiliated companies | 8'308 | 5'195 |
| Other non-current securities | 21'478 | 21'439 |
| Equities | 543'319 | 565'227 |
| Alternative products | 386'334 | 532'916 |
| Other variable-income securities | 232'697 | 219'740 |
| Derivate financial instruments | 18'286 | 21'488 |
| Bonds and other fixed-income investments | 3'322'042 | 3'040'170 |
| Mortgages | 545'386 | 463'030 |
| Loans to corporations | 569'494 | 597'849 |
| Policy loans | 5'219 | 4'927 |
| | 7'112'638 | 6'883'345 |
| Investments for unit-linked contracts | 191'031 | 210'888 |
| Excess employer contributions to pension scheme | 3'917 | 3'917 |
| Tangible assets | 89'735 | 87'266 |
| Intangible assets | 16'235 | 12'338 |
| Reinsurance deposit receivables | 31'818 | 31'354 |
| Receivables from insurance operations | | |
| Receivables from insurance policy-holders | 8'953 | 6'817 |
| Receivables from agents and brokers | 1'307 | 1'963 |
| Receivables from insurance and reinsurance companies | 10'585 | 7'583 |
| | 20'846 | 16'363 |
| Receivables from related parties | 939 | 936 |
| Other receivables | 57'932 | 66'811 |
| Cash and cash equivalents | 199'726 | 246'689 |
| Prepayments and accrued income | | |
| Investment income | 36'864 | 36'544 |
| Other | 13'260 | 19'058 |
| | 50'124 | 55'602 |
| Total assets | 7'774'941 | 7'615'508 |

For the notes, please refer to pages 59 to 79 of the original French version of the 2016 Annual Report

| Liabilities and equity | 2016 | 2015 |
|---|------------------|------------------|
| Equity | | |
| Share capital | 75'000 | 75'000 |
| Treasury shares | -6'248 | -6'248 |
| Capital reserves | 27'842 | 27'842 |
| Retained earnings | 1'090'962 | 1'002'384 |
| Revaluation reserve | 330'515 | 311'372 |
| Profit for the year | 124'811 | 128'767 |
| | 1'642'882 | 1'539'117 |
| Technical reserves | | |
| Unearned premium reserve | 97'786 | 98'411 |
| Actuarial reserves | 3'387'513 | 3'296'949 |
| Claims reserves | 1'647'934 | 1'632'318 |
| Provision for policy-holder participation | 86'234 | 85'200 |
| Other technical provisions | 62'578 | 57'233 |
| | 5'282'045 | 5'170'111 |
| Technical reserves for unit-linked contracts | 188'985 | 207'007 |
| Financial provisions | | |
| Provisions for current taxes | 17'476 | 18'574 |
| Provisions for deferred taxes | 101'101 | 107'974 |
| Provisions for restructuring costs | 4'881 | 5'015 |
| | 123'458 | 131'563 |
| Liabilities from reinsurance contracts | 16'372 | 15'261 |
| Liabilities from insurance operations | | |
| Payables to insurance and reinsurance companies | 2'775 | 4'606 |
| Payables to brokers, policy-holders or other beneficiaries | 75'924 | 69'094 |
| Deposit liabilities for credited policy-holder profit participation | 113'972 | 119'472 |
| | 192'670 | 193'172 |
| Non-current liabilities | | |
| Payables to related parties | 22'000 | 22'000 |
| | 22'000 | 22'000 |
| Current liabilities | | |
| Payables to related parties | 10'350 | 10'399 |
| Derivate financial instruments (negative position) | 563 | 107 |
| Other | 23'570 | 32'984 |
| | 34'484 | 43'490 |
| Accrued expenses and deferred income | | |
| Prepaid premiums | 224'274 | 242'413 |
| Other | 47'771 | 51'374 |
| | 272'045 | 293'787 |
| Total liabilities and equity | 7'774'941 | 7'615'508 |

Cash flow statement as at 31 December (in CHF 1000)

| Cash flow from operating activities | 2016 | 2015 |
|---|-----------------|-----------------|
| Profit for the year | 124'811 | 128'767 |
| Share of profit of associates | -1'504 | -858 |
| Realized / unrealized gains (-) / losses (+) on | | |
| • Real estate | -4'154 | -11'613 |
| • Securities and other investments | -103'956 | -94'561 |
| • Other non-current securities | 229 | 805 |
| Depreciations and impairments on | | |
| • Real estate | 1'283 | -7'604 |
| • Securities and other investments | 21'427 | 53'525 |
| • Other non-current securities | -469 | 220 |
| • Tangible assets | 7'199 | 5'506 |
| • Intangible assets | 5'401 | 4'135 |
| Change in operating assets and liabilities | | |
| • Technical reserves | 96'790 | 88'218 |
| • Bonuses credited to policy-holders in the life business | -4'305 | -863 |
| • Provisions for future policy-holder participation | 5'339 | 2'161 |
| • Financial provisions | -331 | 9'155 |
| • Receivables from insurance operations | -4'483 | -755 |
| • Liabilities from insurance operations | -502 | 2'180 |
| • Deposits for accepted reinsurance | -463 | 1'150 |
| • Deposits for liabilities from reinsurance contracts | 1'111 | -1'260 |
| • Receivables from related parties | -3 | -123 |
| • Payables to related parties | -49 | -15 |
| • Other receivables | 8'878 | -530 |
| • Other liabilities | -9'414 | 11'993 |
| • Prepayments and accrued income | 5'478 | -8'141 |
| • Accrued expenses and deferred income | -21'742 | 16'750 |
| Total | 126'572 | 198'239 |
| Cash flow from investing activities | | |
| • Real estate | -16'742 | -86'803 |
| • Participation in affiliated companies | -2'879 | - |
| • Securities and other investments | -96'228 | -85'503 |
| • Other non-current securities | 200 | -8'443 |
| • Tangible assets | -9'669 | -4'839 |
| • Intangible assets | -9'298 | -3'663 |
| Total | -134'616 | -189'252 |
| Cash flow from financing activities | | |
| • Dividends and other distributions from previous year | -38'919 | -43'919 |
| Total | -38'919 | -43'919 |
| Net increase/decrease (-) in cash and cash equivalents | -46'963 | -34'932 |

Consolidated statement of equity as at 31 December (in CHF 1000)

| | Share capital | Treasury shares ¹⁾ | Capital reserves | Retained earnings ²⁾ | Revaluation reserve | Total |
|---|------------------|----------------------------------|---------------------|------------------------------------|------------------------|------------------|
| Equity as at 1 January 2015 | 75'000 | -6'248 | 27'842 | 1'046'853 | 320'667 | 1'464'115 |
| 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 |
| Equity as at 31 December 2015 | 75'000 | -6'248 | 27'842 | 1'131'151 | 311'372 | 1'539'117 |
| Dividends and other distributions (previous fiscal year) | | | | -38'919 | | -38'919 |
| Dividends Orion, company by equity method consolidated | | | | -440 | | -440 |
| Integration of Europ Assistance in the scope of consolidation | | | | -1'100 | | -1'100 |
| Profit of the year | | | | 124'811 | | 124'811 |
| Revaluation of | | | | | | |
| • real estate | | | | | 29'096 | 29'096 |
| • securities | | | | | -17'727 | -17'727 |
| • other investments | | | | 270 | | 270 |
| • deferred taxes | | | | | 7'774 | 7'774 |
| Equity as at 31 December 2016 | 75'000 | -6'248 | 27'842 | 1'215'773 | 330'515 | 1'642'882 |

1) Since 31 December 2009, Vaudoise Général, Insurance Company Ltd, Lausanne, has further held 56'725 registered B shares in Vaudoise Assurances Holding SA 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.

2) As at 31 December 2016, 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 2015).

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.

