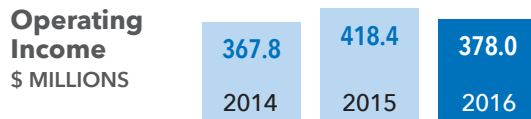
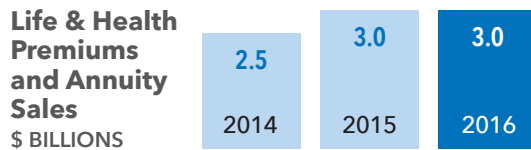
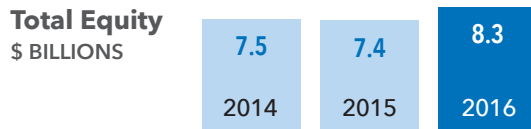
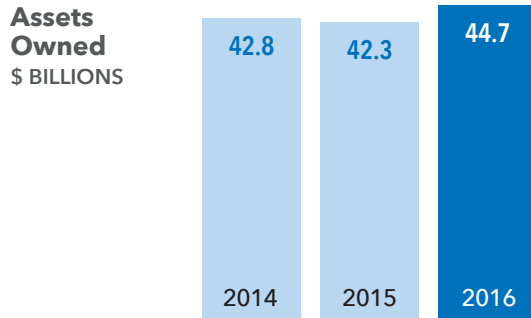


2016 Financial Highlights

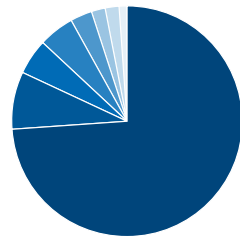


(In thousands)

Insurance and annuity benefits paid	\$ 3,185,515
Dividends paid to policyholders	\$ 126,020
Insurance in force	\$76,982,928

GAAP INVESTED ASSET COMPOSITION

Bonds	74%
Other invested assets	8%
Equities	5%
Mortgage loans	5%
Separate accounts	3%
Cash	2%
Policy loans	2%
Real estate	1%



Our strength secures your future.



Western & Southern
Financial Group

400 Broadway
Cincinnati, Ohio 45202
(877) FOR-WSFG
westernsouthern.com



Western & Southern
Financial Group

Chairman's Letter

To Our Clients, Business Partners and Colleagues,

We are pleased to report that the Western & Southern Financial Group completed its 128th year in its best financial condition ever. For the second consecutive year, combined life and health premiums and annuity sales exceeded \$3 billion. For the full year, we earned \$387.7 million of GAAP* net income on total revenue of \$3.3 billion.

At year end, the balance sheet was the largest and strongest in our history, as we reached a number of all-time highs. Our owned assets grew 6 percent to a record \$44.7 billion, while total assets under management reached nearly \$67 billion. Our company's net worth of \$8.3 billion was a record high and a 12 percent increase over 2015. With an 18.5 percent capital-to-asset ratio, one of the absolute highest in the industry, our ability to meet our obligations is bolstered by a rock-solid balance sheet.

As 2017 progresses, we are on course to grow our investment management businesses. In early 2017, we reached an agreement with Sentinel Asset Management, Inc., to acquire certain assets of its investment advisory and management businesses, which will add \$5.5 billion in assets under management to Touchstone Investments, of which approximately \$4.8 billion will be subadvised by Fort Washington Investment Advisors.

Technological advancements continue to rapidly change when and how prospective financial services customers obtain their information and make decisions. In response, Western & Southern continues to invest heavily in new technologies and talent to meet our customers' needs, increase efficiencies and expand our capacity to grow and serve.

Newly formed internal groups are working to enhance the digital experience for our policyholders and other clients across multiple distribution channels. Greater data and analytics capabilities will expand our ability to provide better solutions from Western & Southern member companies to even more customers and business partners nationwide. Executive leadership changes made in early 2016 allow us to more fully leverage the strength of our distribution organizations while streamlining the

* Generally Accepted Accounting Principles



internal workings of our company. The results have been, to date, very promising.

Earlier this year, I celebrated my 30th anniversary with the company. And what a 30 years it has been. We are on an incredible run, and it is exhilarating to be a part of it. Over the last 30 years, our total assets have grown from \$3.7 billion to \$45 billion owned. At the same time, our net worth has jumped from \$500 million to \$8.4 billion as of March 31, 2017. Along the way, we started three money management businesses, which are now \$23 billion strong and growing, and we started or acquired four other insurance and annuity businesses and sold two companies.

Our enterprise has transformed itself tremendously from an old-line life insurance company into a diversified financial services organization that is providing true leadership in a world that desperately needs it.

We greatly appreciate your confidence in our company, and we will continue to put our strength to work for you. ■

Sincerely,


John F. Barrett

CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Consolidated and Condensed GAAP Income Statement

AMOUNTS IN THOUSANDS

Year Ended
12/31/2016

Revenue

Insurance premiums and product charges	\$1,414,990
Net investment income	1,633,432
Commissions, fees, other income	253,725
Total revenue	<u>\$3,302,147</u>

Benefits and Expenses

Policy benefits	\$1,388,628
Interest credited to policyholder account balances	699,731
Other operating expenses	835,821
Total benefits and expenses	<u>\$2,924,180</u>

Operating income*	377,967
Investment gains and nonoperating charges	180,509
Income tax expense	170,775
Net income	<u>\$ 387,701</u>

Consolidated and Condensed GAAP Balance Sheet

AMOUNTS IN THOUSANDS

12/31/2016

Assets

Debt securities	\$30,594,475
Equity securities	1,992,259
Other invested assets	7,848,135
Other general account assets	2,114,934
Assets held in separate accounts	2,199,766
Total assets	<u>\$44,749,569</u>

Liabilities and Equity

Future policy benefits and claims	\$31,333,977
Long-term debt	496,762
Other general account liabilities	2,454,606
Liabilities related to separate accounts	2,199,766
Total liabilities	<u>\$36,485,111</u>
Total equity	8,264,458
Total liabilities and equity	<u>\$44,749,569</u>

* Operating income is defined as net income excluding income tax, net realized investment gains or losses, noncontrolling interest related to capital gains, one-time restructuring charges and discontinued operations.