



Western & Southern
Financial Group

2013 ANNUAL REPORT

PROUD OF OUR HISTORY > EXCITED

Western & Southern Financial Group's heritage dates back to Feb. 23, 1888, with the founding of The Western and Southern Life Insurance Company by William John Williams and 12 like-minded businessmen in Cincinnati. For the past 125 years, Western & Southern has diversified its products,



1888

The Western and Southern Life Insurance Company is incorporated on Feb. 23 and issues its first policy on May 7. Dr. Frank Caldwell becomes president.



1914

Cincinnati headquarters groundbreaking.



1921

Company publishes first edition of field agent newsletter, *Field News*.

1922

Company introduces associate recognition program, Legion.



1942

Crib of Nativity holiday display, a gift to Cincinnati in 1939, welcomes WWII soldiers at Union Terminal. Later moves to Krohn Conservatory.

1950

Charles M. Williams becomes president.



1953-1959

Company acquires seven insurance companies. William C. Safford becomes president in 1957.



1966-1970

Company acquires five banks/insurance companies.

1973

Dr. Charles M. Barrett becomes president. Company reach grows to 42 states and the District of Columbia.



1980

Western-Southern Life Assurance Company is incorporated to offer annuities.

Assets owned and managed: \$3 billion.

1888-1913



1910

Company founder William John Williams becomes president.

Assets owned and managed: \$5.6 million.

1913

Company celebrates its 25th anniversary with its first acquisition of a life insurance company.

1914-1938

1931

Charles F. Williams becomes president after the passing of founder William John Williams.



1938

Company celebrates Golden Jubilee.

1939-1963

1960

Assets owned and managed: \$1 billion.

1963

"75 Years of Growth"



1964-1987

1982

Columbus Mutual Life Insurance Company is acquired to serve independent agents.

1984

William Joseph Williams becomes chairman and CEO.

1987

John F. Barrett joins company as chief financial officer and is named president in 1989.



ABOUT OUR FUTURE

services and solutions — life and health insurance, annuities, mutual funds, and real estate and investment management services—delivered through a wide range of member companies and subsidiaries sharing the goal of helping more Americans ensure their financial security.

1988

Company celebrates its centennial year. Charitable foundation (now Western & Southern Financial Fund) is established to support community nonprofits.

Eagle Realty forms to offer real estate investment and property management.



1990

Fort Washington Investment Advisors forms to offer investment management.

Assets owned and managed: \$6 billion.

1994

John F. Barrett leads company as president and chief executive officer. Chairman is added to his title in 2002.



1996

Company opens Guilford Institute as learning and fitness center for associates.

1999-2000

Company acquires Integrity Companies and three others to expand product reach and serve New York state.

2005

The Lafayette Life Insurance Company joins Western & Southern.

Insurance Profitment Solutions forms to support fulfillment needs of company.



2006-2011

Company completes three Cincinnati development projects.



1988-1993



1990

IFS Financial Services forms to offer annuities through banks and broker-dealers.

1993-1994

Touchstone Advisors and Touchstone Securities (Touchstone Investments) form to offer mutual funds.

1994-2004



2002

Company becomes title sponsor of Cincinnati's international tennis tournament, later renamed Western & Southern Open.

W&S Brokerage Services, Inc., forms to support Western & Southern Life field agents licensed to sell securities.

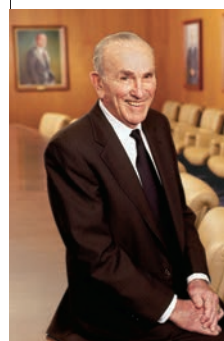
2004

Company makes *Fortune* 500 list for first time.

2005-2013

2007

Shortly before his passing, former chairman and president William Joseph Williams completes 70 years of service to Western & Southern.



2013

Assets owned and managed: \$67.5 billion.





CHAIRMAN'S LETTER

JOHN F. BARRETT

To Our Valued Friends and Colleagues,

The 125th anniversary since our founding as The Western and Southern Life Insurance Company was indeed a remarkable year. Western & Southern Financial Group achieved record results on nearly every financial performance measure in 2013 and is in an outstanding position to deliver very strong results going forward.

In 1888, our founders shared a vision to create a "human institution serving human needs." Over the years, our culture has evolved based on the principles of hard work, dedication, teamwork and sensible decision-making. These principles have endured and, combined with our financial strength and the continuous upgrading of our businesses and competencies, continue to be the foundation of our success.

In 1988, our centennial year, our company was a strong but relatively small regional life insurance company. Since that time, we have worked hard to create a highly diversified financial services company with a broad range of products and solutions serving multiple markets across a wide range of distribution channels. We are many brands but one company.

For the year ended Dec. 31, 2013, we are pleased to report that our GAAP* net income jumped 38 percent to \$409 million from \$295.5 million in 2012. This was the highest ever earned and our company's fifth consecutive year of increased net income. These results were driven by strong returns from our investment portfolios, higher levels of fee income and continued excellent expense control (expenses were held to a 0.7 percent increase). All in all, it was a wonderful year for the income statement.

Sales of life insurance products also reached a record high. Sales of fixed annuities, however,

continued at very moderate levels and less than half what they were in the higher interest rate environment of several years ago. We made a conscious choice in 2013 not to aggressively pursue this business at these rates.

On the other hand, our company took full advantage of the favorable investment climate to end the year with our strongest balance sheet ever and quite possibly the best in our business. Assets owned reached a record \$41.3 billion, while total assets owned and managed topped \$67.5 billion, also a record.

Net worth of \$7.1 billion (a record) was up from \$6.7 billion at year-end 2012. Our capital-to-asset ratio, a true measure of a company's financial strength, was 17.2 percent. More than double the average of the 15 largest publicly traded U.S. life companies, it translates to financial strength and security for our clients and colleagues.

We continue to build the finest financial services company in America by taking the long-term strategic view that has sustained our success for over 125 years. This success translates to long-term solutions and peace of mind for our policyholders, business partners and associates. We greatly appreciate your interest and look forward to doing even more for you in the years ahead.

Sincerely,

A stylized, handwritten signature in blue ink that reads 'John F. Barrett'.

JOHN F. BARRETT

Chairman, President and
Chief Executive Officer



"Over the years, our culture has evolved based on the principles of hard work, dedication, teamwork and sensible decision-making—the foundation of our success."

2013 ACROSS THE COMPANY

- > **W&S AGENCY GROUP** implemented its national **financial translator™** marketing initiative introduced by Cris Collinsworth, former All-Pro and All-American wide receiver and current lead analyst on the highly rated *NBC Sunday Night Football*, who signed a multi-year agreement as the company's first national spokesperson.
- > **COLUMBUS LIFE INSURANCE COMPANY** launched our company's first mobile applications while experiencing one of its strongest sales years with new life business premium up 74 percent and annuity premium up 15 percent.
- > **THE LAFAYETTE LIFE INSURANCE COMPANY** introduced an online application system, iGO e-App®, while marking its best year ever since moving its operations to Cincinnati.
- > **W&S FINANCIAL GROUP DISTRIBUTORS** diversified its business with banks, increasing life insurance sales by 32 percent and variable annuity sales by 48 percent and earning a national ranking among providers of bank-sold annuities.
- > **FORT WASHINGTON INVESTMENT ADVISORS** was named one of the best places to work in money management by *Pensions & Investments* for employers with 100 to 499 employees.
- > **TOUCHSTONE INVESTMENTS** achieved record asset growth (41 percent) to \$20.1 billion on record sales of \$6.8 billion. At year end it had 39 mutual fund offerings.
- > **EAGLE REALTY GROUP**'s yield on its mortgage loan portfolio continued to outperform its peers in the U.S. life insurance industry.

2013: DIVERGING MARKETS

"Western & Southern's public equity portfolio rose in value to \$2.3 billion from \$1.7 billion, an increase of 35 percent overall since January 2013."

NICHOLAS P. SARGEN

Chief Investment Officer



Western & Southern Financial Group's investment portfolios fared very well in 2013 amid marked divergence in the U.S. stock and bond markets.

In 2013, the stock market posted a total return of 32 percent, its strongest showing since the 1990s, while the bond market posted a negative return of 2 percent as 10-year Treasury bond yields rose by approximately 1.25 percentage points.

The catalysts for the surge in bond yields were shifting perceptions about the U.S. economy and monetary policy. Yields declined initially as the economy started slowly in response to tax increases and budget sequestration but then gained traction in the second half, posting annualized growth of more than 3 percent. Yields spiked in May and June, when the Federal Reserve announced it was contemplating phasing down its program of bond purchases, before closing 2013 near their highs.

Amid these developments, investors shifted funds out of bonds and into stocks for the first time since the financial crisis. The run-up in stocks continued even as profit growth moderated.

STRONG, STEADY INVESTMENT RESULTS. Western & Southern's investment portfolios fared very well. We pursued a defensive strategy in fixed income to provide protection against rising interest rates. This included implementation of a hedging program for a portion of our long-dated bonds. Our portfolio managers also restructured our bond holdings to boost the yield on the overall portfolio.

At the same time, Western & Southern's public equity portfolio rose in value to \$2.3 billion from \$1.7 billion, an increase of 35 percent overall since January 2013. This mirrored strong performance in several of our investment strategies that exceeded their respective benchmarks by considerable margins. As a result, Western & Southern's GAAP net worth was \$7.1 billion, a record, while our capital-to-asset ratio of 17.2 percent was among the highest in the industry ■

As chief investment officer of Western & Southern and its investment management member company, Fort Washington Investment Advisors, Inc., Sargen oversees all Western & Southern investment activity and frequently authors research articles on global investing. Sargen appears regularly on national TV and radio business programs, including Bloomberg TV, Fox Business Network and the "Insana Quotient with Ron Insana." He has appeared on "WealthTrack with Consuelo Mack" and was a regular panelist on "Louis Rukeyser's Wall Street Week."

FINANCIAL HIGHLIGHTS

CONSOLIDATED AND CONDENSED GAAP BALANCE SHEET

Amounts in thousands

	DECEMBER 31, 2013	DECEMBER 31, 2012
Assets		
Debt securities	\$28,717,018	\$29,231,429
Equity securities	2,329,438	1,721,933
Other invested assets	6,192,576	5,682,249
Other general account assets	1,916,707	1,582,333
Assets held in separate accounts	2,103,913	1,814,581
Total assets	<u>\$41,259,652</u>	<u>\$40,032,525</u>
Liabilities and equity		
Future policy benefits and claims	\$29,065,751	\$28,686,273
Long-term debt	502,688	510,571
Other general account liabilities	2,503,537	2,294,471
Liabilities related to separate accounts	2,103,913	1,814,581
Total liabilities	<u>34,175,889</u>	<u>33,305,896</u>
Total equity	<u>7,083,763</u>	<u>6,726,629</u>
Total liabilities and equity	<u>\$41,259,652</u>	<u>\$40,032,525</u>

CONSOLIDATED AND CONDENSED GAAP INCOME STATEMENT

Amounts in thousands

	YEAR ENDED DECEMBER 31, 2013	YEAR ENDED DECEMBER 31, 2012
Revenue		
Insurance premiums and product charges	\$1,060,102	\$1,093,966
Net investment income	1,635,413	1,648,970
Commissions, fees and other income	284,758	220,931
Total revenue	<u>\$2,980,273</u>	<u>\$2,963,867</u>
Benefits and expenses		
Policyholder benefits	\$1,047,705	\$1,050,660
Interest credited to policyholder account balances	749,650	813,839
Other operating expenses	862,020	802,922
Total benefits and expenses	<u>\$2,659,375</u>	<u>\$2,667,421</u>
Operating income*	320,898	296,446
Investment gains and nonoperating charges	275,642	124,742
Income tax expense	187,509	125,724
Net income	<u>\$ 409,031</u>	<u>\$ 295,464</u>

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

STRENGTH

"Robust life and health sales, strong mutual fund sales and excellent customer persistency, along with stellar investment performance, drove Western & Southern's assets owned and managed to new record highs."

ROBERT L. WALKER

Senior Vice President and
Chief Financial Officer

FINANCIAL HIGHLIGHTS

Western & Southern Financial Group capitalized on a moderately improving economy to continue its tradition of delivering outstanding financial results.

Western & Southern achieved records in several key financial measures in 2013, including GAAP operating income, total revenue, GAAP net income, life and health premiums written, mutual fund sales, assets owned and managed, and total equity.

DISCIPLINE BOLSTERS INCOME. GAAP operating income, a primary measure in managing the company's businesses, was \$320.9 million in 2013 compared to \$296.4 million for 2012, an 8 percent increase. This comes on the heels of record total revenue of \$3 billion largely attributable to strong performance from investment portfolios and fee income generated by the company's asset management businesses.



Disciplined expense management was also a major contributor to the increase in GAAP operating income over last year. Western & Southern was truly firing on all cylinders as its investment management and mutual fund member companies each achieved record GAAP operating income. GAAP net income for 2013 grew to \$409 million, a 38 percent increase over 2012. Helping it was a year-over-year increase in net realized gains. Not only is this the fifth year in a row for increasing net income, it also marks the highest ever earned in a given year.

RECORD PREMIUMS, STRONG SALES. Life and health premiums reached a record \$1.07 billion in 2013 while mutual fund sales increased 14 percent to \$6.8 billion. Total mutual fund assets under management grew 41 percent to a record \$20.1 billion. As interest rates began to rise during the second half of the year, annuity premiums increased 3 percent to close the year at \$1.4 billion.

Robust life and health sales, strong mutual fund sales and excellent customer persistency, along with stellar investment performance, drove Western & Southern's assets owned and managed to new record highs. Assets owned reached \$41.3 billion, a \$1.3 billion increase over the prior year; and total assets owned and managed ended the year at \$67.5 billion, an increase of \$7.2 billion or 12 percent over last year.

Western & Southern ended the year with a record \$7.1 billion in total equity, a 5 percent increase over the prior year. Its capital-to-asset ratio, an industrywide measure of capital adequacy, reached 17.2 percent, more than double the average capital-to-asset ratio of the 15 largest publicly traded U.S. life companies.

PRUDENT EXPENSE CONTROL. Western & Southern continued its tradition of strong expense management. Relying on its culture of eliminating operational inefficiencies, total expenses for the company grew only 0.7 percent on a year-over-year basis, a remarkable achievement given that assets owned and managed grew 12 percent over the same period.

A year such as 2013 places Western & Southern in the ideal position to use its financial strength to help protect the security and financial needs of its customers, clients and other stakeholders while maintaining the capital to seize opportunities as they emerge. ■

ROBERT L. WALKER (center), Senior Vice President and Chief Financial Officer, with (from left) **BRADLEY J. HUNKLER**, Vice President and Chief Accounting Officer; **JAMES J. VANCE**, Vice President and Treasurer; **DANIEL R. LARSEN**, Vice President, Tax; and **DAVID T. HENDERSON**, Vice President and Chief Risk Officer.

Operating Income

\$ MILLIONS



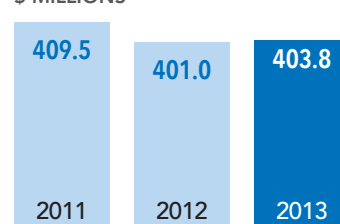
GAAP Net Income

\$ MILLIONS

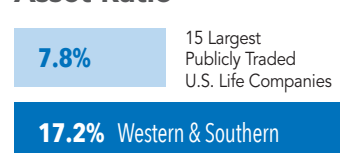


Total Expenses

\$ MILLIONS

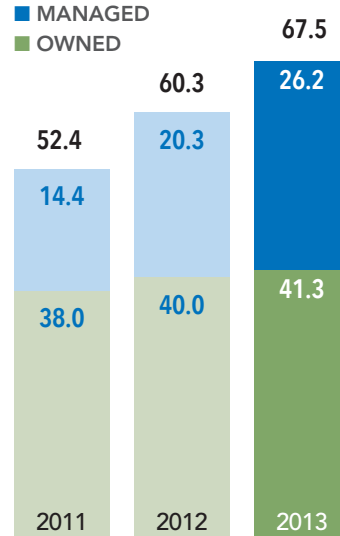


GAAP Capital-to-Asset Ratio



Assets Owned and Managed

\$ BILLIONS





"Western & Southern Life is positioned for growth by continuing to focus on the financial solutions offered by its employee-agents to America's middle market."

TROY D. BRODIE

Interim President,
W&S Agency Group and
W&S Brokerage Services, Inc.

■ **WESTERN & SOUTHERN LIFE**

Drawing on a heritage of more than 125 years, Western & Southern Life remains as dedicated as ever to ensuring that Americans utilize life insurance in their pursuit of financial stability.

The Western and Southern Life Insurance Company (Western & Southern Life) continued to differentiate itself in 2013 as the provider of choice for middle-income Americans' protection, retirement and investment needs.

Validating its focus on providing the right financial solutions for its clients, Western & Southern Life experienced an improvement in policy persistency, or policies remaining in force, for the third consecutive year. Lapse rates for its total recurring life and health insurance business improved 12 percent over this three-year period.

INSURER OF CHOICE. Western & Southern Life launched its national **financial translator™** branding and marketing initiative in 2013 to position its financial representatives as approachable, knowledgeable professionals who help middle-income Americans understand confusing industry jargon and implement sensible financial solutions.

The campaign introduced the company's first national spokesperson, Cris Collinsworth,¹ and includes local and national touch points using a variety of media, leading with a **We speak finance.®** tagline.

The company also launched a new, competitively priced SimpleChoice Term life insurance product as a cost-effective alternative for middle-market individuals seeking non-permanent coverage. Total term life insurance protection (total death benefit coverage) delivered since the product's introduction in July 2013 has improved 23 percent over term life insurance sales for the same period in 2012.

According to a recent study, 53 percent of nearly 60 million small business employees nationwide are not offered benefits.² Recognizing the



Cris Collinsworth,
Western & Southern
spokesperson¹

opportunity to provide financial solutions to this underserved market, Western & Southern Life launched a comprehensive small business marketing initiative, including field training, competitive unisex premium rates, and new marketing materials. The initiative generated favorable results as placed policies increased 33 percent over 2012.

Western & Southern Life's efforts to serve and employ women earned it a Communicator Award in 2013 for its W!N website, which is dedicated to health, wellness, and financial needs topics for women across all life stages.

RESULTS-DRIVEN. Western & Southern Life continues to recognize and support the middle market's need for investment products. For the fourth straight year, W&S Brokerage Services, Inc.,³ the company's registered broker-dealer for selling mutual funds, variable and indexed annuities, and variable universal life, achieved record results with more than \$62.6 million in sales.

TOP-TIER PROFESSIONAL TALENT. Continuing its focus on hiring and developing top-tier talent for its field sales force, the company launched a sales academy to accelerate learning and support the development of new and tenured sales associates. The sales academy includes curriculum developed and delivered by leading industry specialists.

Additionally, the company announced a new financial representative development program to better position its new representatives for success. The program includes a standardized curriculum focusing on prospecting and needs-based selling with benchmarks to gauge progress.

The company also partnered with a best-in-class provider to launch a new lead management system to help its sales associates more efficiently manage their interactions with clients and prospects.

Western & Southern Life also received national recognition for its continued commitment to helping America's heroes create successful post-military careers. For the second consecutive year, Western & Southern Life was named a Military Friendly Employer by *GI Jobs* magazine.

Looking forward, Western & Southern Life is positioned for growth by continuing to deliver on the Western & Southern **financial translator™** concept with financial solutions increasingly vital to America's middle market. ■



HISTORIC HIGHLIGHTS

Western & Southern Life

- **1888:** First policy sells for a weekly premium of 31 cents.
- **1922:** Legion established to recognize long and loyal associate service.
- **1941:** Insurance in force surpasses \$1 billion.
- **1960:** Assets owned and managed exceed \$1 billion.
- **1980:** Western-Southern Life Assurance Company forms to offer non-participating policies and annuities; insurance in force exceeds \$14 billion.
- **1983:** Universal life insurance introduced.
- **2002:** WSLife.com launches; earns high marks from DALBAR⁴ and the Customer Respect Group.⁵
- **2013:** Company introduces national **financial translator™** campaign.

\$62.6
MILLION
REGISTERED
PRODUCT SALES

1 Compensated endorser.

2 "No Small Matter: Small Businesses and Employee Benefits," LIMRA, 2013.

3 Member FINRA/SIPC.

4 DALBAR develops standards for, and provides research, ratings, and rankings of, intangible factors to the mutual fund, broker-dealer, discount brokerage, life insurance, and banking industries.

5 The Customer Respect Group is an international research and consulting firm that rates how corporations treat and respect their online customers, and it provides benchmark data and online strategy for major companies in the insurance, telecommunications, education, government, and retail industries.



“Sales success in 2013 directly reflects Columbus Life’s caring and commitment. The company values its producers, along with the benefits and services they provide to their clients.”

J. J. MILLER

President and Chief Executive Officer, Columbus Life Insurance Company

■ COLUMBUS LIFE INSURANCE COMPANY

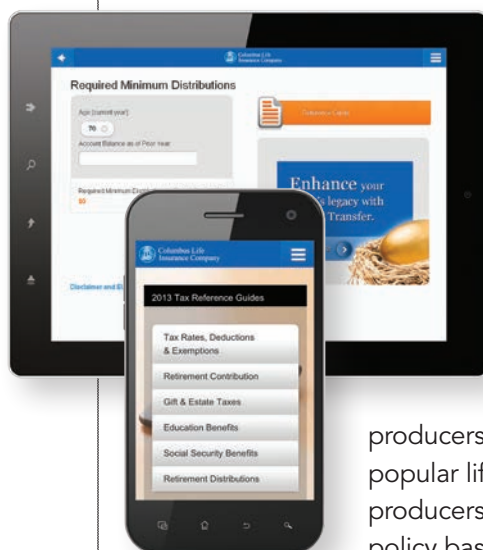
Columbus Life enjoyed a very successful year as a result of its long tradition of financial stability and exemplary support to independent producers.

Life insurance provided Columbus Life its most visible spike in 2013. It proved to be a near record year as the number of new life insurance policies written jumped 31 percent over 2012. Almost every product line saw growth in sales, and this growth was experienced across differing regions of Columbus Life’s nationwide geographic footprint.

- New life business premium up 74 percent
- New indexed universal life premium up 127 percent
- Annuity premium up 15 percent
- New guaranteed universal life premium up 110 percent

IMPORTANCE OF TECHNOLOGY. Technology continues to play a key role in supporting existing producers and attracting new ones to Columbus Life. The company continued to leverage podcasts for subjects ranging from advanced markets topics—such as the benefits of creating a trust and Social Security—to how to use the new electronic app.

Additionally, Columbus Life conducted the first virtual version of its new producer orientation, Voyage of Discovery. The training team also conducted the most webinars in the company’s history.



LEVERAGING MOBILE APPS.

With a steadily increasing number of producers relying on mobile devices such as smartphones and tablets, Columbus Life rolled out its first mobile apps in 2013. Among them was the Tax Reference app, which provides calculators and tax tables, including current tax brackets, standard deductions, and pension plan limits.

The CLIC Quote app allows producers to quickly quote Columbus Life’s most popular life insurance policies for their clients. It allows producers anywhere to estimate the premiums for a policy based on the information entered without the need for online access.

74% 
INCREASE IN NEW
LIFE PREMIUM

127%
INCREASE IN NEW
INDEXED UL PREMIUM

BUSINESS MADE EASY. Columbus Life continued to work toward its vision of a seamless digital sales platform that leverages technology to streamline business from the initial client conversation to the submission of an application. Columbus Life introduced the iGO e-App® electronic application in late 2012. By the end of 2013, one out of every four new applications submitted to Columbus Life was via iGO e-App.

COMPETITIVE PRODUCTS. Columbus Life's careful and consistent approach to product design and pricing proved a strategic advantage for the company and its producer partners in 2013. Changes to actuarial guidelines for guaranteed universal life (UL) insurance products with secondary guarantees presented a challenge for many companies. Columbus Life's sustainable product designs enabled its guaranteed UL products to maintain competitive pricing while other insurers either increased their premiums or discontinued selling guaranteed UL altogether.

HIGH-TOUCH RELATIONSHIPS. Sales success in 2013 directly reflects Columbus Life's caring and commitment. The company values its producers, along with the benefits and services they provide to their clients. By giving them the best personal attention and technical support, producers can, in turn, give their clients the best service and products. ■



HISTORIC HIGHLIGHTS

Columbus Life

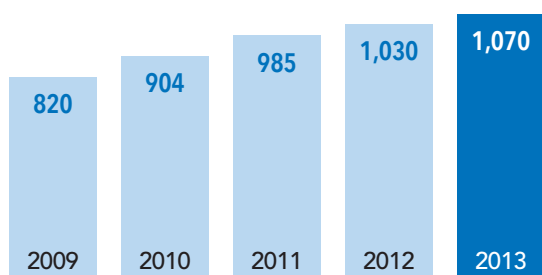
- **1906:** The Columbus Mutual Life Insurance Company incorporates to serve independent producers.
- **1910:** Life insurance in force reaches \$1.75 million.
- **1970:** First individual life policy issued by computer.
- **1980:** Life insurance in force grows to \$4 billion.
- **1982:** Columbus Mutual (now Columbus Life) joins Western & Southern Financial Group.
- **1996:** ColumbusLife.com launches.
- **2006:** Marks centennial represented by more than 3,000 independent financial professionals.
- **2013:** New life policies written jumps 31 percent.

WESTERN & SOUTHERN FINANCIAL GROUP

2013 LIFE & HEALTH HIGHLIGHTS

Total Life & Health Premiums

\$ MILLIONS | 5.3% FIVE-YEAR CAGR*



Total Life & Health Assets

\$ BILLIONS | 3.7% FIVE-YEAR CAGR*



* Compound Annual Growth Rate



"Lafayette Life continues to build on its hallmark of strength and stability... while providing high-touch personal relationships, competitive products and proven sales support."

BRYAN C. DUNN

President and Chief Executive Officer, The Lafayette Life Insurance Company

■ **THE LAFAYETTE LIFE INSURANCE COMPANY**

Lafayette Life extended its solid track record of financial strength and stability as the economic market took a positive turn in 2013.

Lafayette Life had its most successful year since relocating from Lafayette, Ind., to the corporate headquarters of its parent company, Western & Southern Financial Group, in Cincinnati.

SUSTAINED GROWTH. The success of 2013 can be attributed to a number of factors, beginning with the company's strong offering of life insurance, annuities and pension products. It was a strong sales year as total life premium reached more than \$435 million. Total annuity premium increased 11 percent over 2012 to \$194.4 million. As a result, strong sales and good persistency powered the growth of Lafayette Life's GAAP assets by 11 percent to \$4.2 billion, a new company high.

PRODUCT OFFERINGS. Clients desiring income protection and growth continued to choose Lafayette Life for whole life insurance products featuring guaranteed death benefit protection, guaranteed cash value accumulation and guaranteed level premiums over a lifetime. In 2013, the company paid a \$43.8 million dividend allocation to its participating policyholders, its highest ever.

The company also saw a rise in demand for products that help clients protect and grow their assets to ensure a sufficient retirement income. Lafayette Life continued to meet that need with indexed annuities featuring tax-deferred growth, safety of principal, access to funds, lifetime income and beneficiary protection.

Another key client segment for Lafayette Life is business owners looking to enhance their benefits packages with innovative retirement plans. The company's retirement services team delivered a high level of service to these clients in 2013 by creating customized plans to meet

**30%
INCREASE**
RETIREMENT
PLAN SALES



**\$435
MILLION**
TOTAL LIFE
PREMIUM

employee needs for retirement income and distribution planning, while offering attractive tax advantages to the employer. Sales of Lafayette Life retirement plans were up 30 percent—the highest in five years.

ENHANCING PRODUCER PARTNERSHIPS. Lafayette Life values its partnerships and continues to cultivate strong service-oriented relationships with its independent advisors and their clients. In 2013, the company expanded its support system through the reorganization of its regional territories. As a result, the company achieved another excellent recruiting year with 78 new general agencies signing on to sell Lafayette Life products.

As part of its ongoing commitment to providing exceptional service and support, the company offered several opportunities to help new and veteran producers selling Lafayette Life products build their businesses.

- **Value-Added Webinars:** Informational webinars provided in-depth training on products, advanced sales concepts and retirement services.
- **Retirement Services Pension Schools:** Eight pension schools nationwide provided the necessary tools for establishing proficiency in the pension market and helping small businesses develop attractive company-sponsored retirement plans.
- **Sales Support Materials:** New Lafayette Life sales support materials included additional Strategic Insights publications for producers, a new Small Business Planning Kit detailing valuable business planning strategies for both agents and potential clients, and newly redesigned retirement services materials to deliver advisors and business owners a fresh look at how Lafayette Life's products and services can help enhance their benefits packages.

LEVERAGING TECHNOLOGY. Technology continued to play a key role for Lafayette Life in 2013. The company introduced a new electronic life insurance application system, iGO e-App®, to streamline application and new business processes by allowing producers to complete, sign and submit applications online. Commencing with a late-year launch, it resulted in a marked improvement in eligible life applications received and quicker processing as compared with traditional paper applications.

Looking forward, Lafayette Life will continue to build on its hallmark of strength and stability, while continuing to support its producers by leveraging technology and providing high-touch personal relationships, competitive products and proven sales support. ■



HISTORIC HIGHLIGHTS

Lafayette Life

- **1905:** Lafayette Life incorporates as a mutual insurer.
- **1915:** Company reaches \$10 million of insurance in force.
- **1956:** Company sells insurance in 22 states and the District of Columbia.
- **1973:** Insurance in force tops \$1 billion, and assets surpass \$100 million.
- **1995:** Marks 90th anniversary with \$10 billion of insurance in force and \$700 million in assets.
- **2002:** \$1 billion of individual life insurance written; total insurance in force reaches \$20 billion.
- **2005:** Celebrates 100th anniversary; joins Western & Southern Financial Group.
- **2013:** Assets surpass \$4.2 billion; insurance premium reaches \$629 million.



"Our broadened sales profile demonstrates both progress serving a wider range of customer needs and success navigating a dynamic environment of continued interest rate pressure and market volatility."

JILL T. McGRUDER

President and Chief Executive Officer, Integrity Life Insurance Company and National Integrity Life Insurance Company;
Chief Executive Officer, W&S Financial Group Distributors and Touchstone Investments

- **INTEGRITY LIFE INSURANCE COMPANY**
- **NATIONAL INTEGRITY LIFE INSURANCE COMPANY**
- **W&S FINANCIAL GROUP DISTRIBUTORS, INC.**
- **WESTERN-SOUTHERN LIFE ASSURANCE COMPANY**

Amid continued challenges to retirement confidence, Americans increasingly value the certainty of annuities issued by Western & Southern Financial Group member companies recognized for time-proven strength and stability.

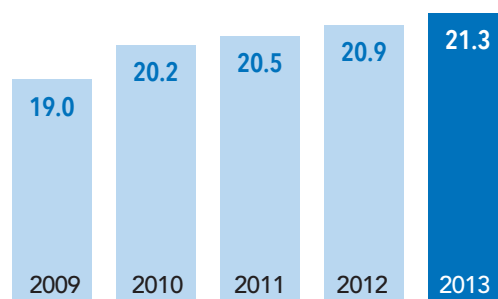
W&S Financial Group Distributors, Inc., Western & Southern's wholesale distribution subsidiary, helps Americans prepare for and live in retirement by connecting them with annuities and life insurance.

Through broker-dealers, banks and independent advisors working with Western & Southern member companies, individuals, families and businesses pursue wealth accumulation, protection and distribution solutions from Integrity Life Insurance Company, National Integrity Life Insurance Company and Western-Southern Life Assurance Company.

DIVERSE PRODUCT LINE. W&S Financial Group Distributors has diversified its offerings in recent years, nimbly responding to the demands of an evolving demographic and competitive landscape. As a result, variable annuity and life insurance production comprised 18 percent of new premium in 2013, up from just 4 percent in 2009. The broadened sales profile demonstrates both progress serving a wider range of customer needs and success navigating a dynamic environment of continued interest rate pressure and market volatility.

Annuity Reserves

\$ BILLIONS | 3.8% FIVE-YEAR CAGR



BANK CHANNEL LEADERSHIP. While growing its variable annuity and life insurance business, W&S Financial Group Distributors remains a formidable market presence for bank-sold fixed annuities.

For the 15th consecutive year, Western & Southern ranked among the top providers nationally of fixed annuities purchased in banks, savings and loans and credit unions. That sustained presence attests to a record of reliability in serving critical customer needs and advancing valued business partnerships.

To further expand its offerings, the company launched SmartStep in the bank channel in 2013. The single premium deferred annuity, issued by Western-Southern Life Assurance Company and National Integrity Life Insurance Company, provides guaranteed annual interest rate increases in its second through fourth contract years.

EQUIPPING PRODUCERS. Innovative technology is essential to enhancing the company's consultative relationships with its business partners. W&S Financial Group Distributors deployed new resources in 2013. A mobile-friendly website is empowering financial professionals with 24/7 access to information on demand. Marketing materials, videos and product facts that frame planning solutions are also delivering increased value.

Retirement Picture debuted as an interactive online experience where consumers visualize retirement lifestyle scenarios and gauge their readiness for each. The resulting report provides a custom snapshot of retirement ambitions to be pursued with the assistance of a financial professional.

Even as innovations open new avenues for annuity sales growth, Western & Southern sustains its greatest competitive advantage—its commitment to advancing the strength and certainty that have made it an indispensable financial partner for 125 years and counting. ■

"Innovative technology is essential to enhancing our consultative relationships with our business partners."

MARK E. CANER

President, W&S Financial Group Distributors



HISTORIC HIGHLIGHTS

W&S Financial

- **1990:** IFS Financial Services forms as wholesale distributor to banks and broker-dealers.
- **1991:** Begins selling fixed annuities. Adds variable annuities in 1994.
- **1998:** Ranks in Top 10 for bank-sold fixed annuities.
- **2000:** Western & Southern acquires Integrity Life Insurance Company and National Integrity Life Insurance Company to support independent advisors and enter New York state.
- **2002:** Annual sales exceed \$1 billion.
- **2003:** Adopts W&S Financial Group Distributors name to leverage brand recognition.
- **2006:** Annual sales exceed \$2 billion.
- **2010:** Introduces life insurance in banks.
- **2011:** Introduces industry-first variable annuity with individual exchange-traded fund options.
- **2013:** Ranks nationally for bank-sold fixed annuities.

15 YEARS
AMONG TOP
PROVIDERS OF
BANK-SOLD
FIXED ANNUITIES



ENTERPRISE AT A GLANCE

Company Information	Products and Services
Western & Southern Mutual Holding Company	Mutual insurance holding company; sole shareholder of Western & Southern Financial Group.
Western & Southern Financial Group, Inc.	Holding company; sole shareholder of The Western and Southern Life Insurance Company and The Lafayette Life Insurance Company.
The Western and Southern Life Insurance Company (Western & Southern Life)	Whole life, juvenile term life, critical illness, accident insurance and personalized needs analysis.
Western-Southern Life Assurance Company (Western & Southern Life)	Universal life, fixed annuities, term life, single premium life, retirement strategies and personalized needs analysis.
W&S Agency Group (Western & Southern Life)	Life insurance, annuities, mutual funds, retirement strategies and health insurance products.
Insurance Profillment Solutions, LLC	Comprehensive fulfillment services for banks and insurance direct marketers.
W&S Brokerage Services, Inc.¹	Registered broker-dealer for Western & Southern Life field agents selling mutual funds, variable and indexed annuity products, and variable universal life.
Columbus Life Insurance Company	Universal life, variable universal life, survivorship universal life, indexed universal life, term life, fixed and immediate annuities, and retirement and business planning.
Eagle Realty Group, LLC	Real estate investment management (asset management, real estate investment advisory services, mortgage loans, equity investments, co-investments and real estate development); and property management services.
Fort Washington Investment Advisors, Inc.²	Investment management capabilities, including fixed income, public equities, private equity and multi-strategy portfolios.
IFS Financial Services, Inc.	Fixed, variable and income annuities; mutual funds; life insurance; and wealth preservation programs.
Integrity Life Insurance Company	Fixed, variable and income annuities.
National Integrity Life Insurance Company	Fixed, variable and income annuities and life insurance.
Touchstone Investments	Mutual funds subadvised by seasoned institutional asset managers.
W&S Financial Group Distributors, Inc.	Fixed, variable and income annuities and life insurance.
The Lafayette Life Insurance Company	Whole life, term life, fixed and indexed annuity products, indexed universal life, and pension products and services.

Markets Served and Distribution Channels	Contact Information
	westernsouthern.com (877) FOR-WSFG
Approximately 40,000 individuals nationwide are licensed to sell products and services from Western & Southern member companies.	westernsouthern.com (877) FOR-WSFG
Individuals, families and businesses in the middle-income market. 177 field offices nationwide, plus WSLife.com and Client Relationship Center. Licensed in the District of Columbia and all states except AK, CT, ME, MA, NH, NY and VT.	wslife.com (800) 936-1212
Individuals, families and businesses in the middle-income market. 177 field offices nationwide, plus WSLife.com and Client Relationship Center. Licensed in the District of Columbia and all states except AK, ME, NH, NY and RI.	wslife.com (800) 936-1212
Individuals, families and businesses in the middle-income market. 177 field offices nationwide, plus WSLife.com and Client Relationship Center.	wslife.com (800) 936-1212
Insurance brokers selling life insurance through bank branches, the Internet or direct marketing channels.	iprofillment.com (866) 590-0161
Middle-income market through Western & Southern Life's field agent sales team, W&S Agency Group.	wslife.com (513) 629-1055
Individuals, families and businesses in the mass affluent and affluent markets through a nationwide network of independent producers. Licensed in the District of Columbia and all states except NY.	columbuslife.com (800) 677-9696
Corporations, financial institutions, pension funds, real estate investment trusts, investment funds, individual real estate investors and not-for-profit organizations.	eaglerealtygroup.com (800) 361-7040
Public and corporate pension plans, corporate operating and development funds, insurance companies, mutual fund subadvisory, religious orders, universities, Taft Hartley plans, foundations and endowments, and high-net-worth individuals and their families.	fortwashington.com (888) 244-8167
Broker-dealers, financial planners, independent agents and banks.	(513) 362-8000
Broker-dealers, independent agents and banks. Licensed in the District of Columbia and all states except ME, NH, NY and VT.	wsfinancialpartners.com (800) 325-8583
Broker-dealers, independent agents and banks. Licensed in ME, NH, NY and VT.	wsfinancialpartners.com (800) 433-1778
Broker-dealers, financial planners, registered investment advisors, consultants, retirement plan sponsors, institutions, wealth managers and private banks.	touchstoneinvestments.com (800) 638-8194
Broker-dealers, independent agents and banks.	wsfinancialpartners.com (800) 926-1702
Middle- and upper-middle income individuals, and small- and medium-size businesses. Licensed in the District of Columbia and all states except AK and NY.	lafayettelife.com (800) 243-6631

1 Member FINRA and SIPC. 2 Registered Investment Advisor.



"Success has been cultivated at Fort Washington by adhering to a culture of quality and excellence. This helps to distinguish the firm from its peers and earned it a Best Places to Work in Money Management designation by *Pensions & Investments*."⁵

MARIBETH S. RAHE

President and Chief Executive Officer, Fort Washington Investment Advisors, Inc.

■ **FORT WASHINGTON INVESTMENT ADVISORS, INC.**

As the primary investment arm of Western & Southern Financial Group, Fort Washington marked its parent company's 125th anniversary with its best year in firm history.

Fort Washington Investment Advisors serves institutional clients and their consultants, private equity investors, and individuals and their families, with an investment-centered culture oriented to a long-term perspective. The firm has experienced tremendous growth since its inception and now is one of the 500 largest money managers in the world¹ and the largest money manager of institutional assets in the Cincinnati region.²

2013: THE BEST YEAR EVER. Fort Washington navigated a difficult environment for the fixed income market and capitalized on a remarkable stock market in 2013. The firm realized new assets and commitments from non-affiliated clients of approximately \$1.5 billion, bringing its total affiliated and non-affiliated assets under management to a new record high of \$46.4 billion, up from \$44.7 billion in 2012.³

CAPITALIZING ON OPPORTUNITIES. Fort Washington's evolution from startup to nationally recognized money manager has yielded many highlights. 2013 proved to be a continuation of that success.

Fort Washington's private equity division, Fort Washington Capital Partners Group, obtained over \$400 million in new commitments to its fund of funds and secondary funds.

The High Yield Fixed Income strategy had another prolific year, garnering over \$600 million in net new non-affiliated assets. The firm's Focused Equity strategy outpaced 97 percent of its peers in 2013 and now ranks among the top 2 percent in its peer group since inception of the strategy in 2007.⁴

**\$46.4
BILLION**
TOTAL ASSETS
UNDER MANAGEMENT³



\$1.5 BILLION
IN NEW ASSETS AND
COMMITMENTS FROM
NON-AFFILIATED CLIENTS



"Fort Washington's evolution from startup to nationally recognized money manager has yielded many highlights. 2013 proved to be a continuation of that success."

NICHOLAS P. SARGEN

Chief Investment Officer,
Western & Southern Financial
Group and Fort Washington
Investment Advisors, Inc.

Fort Washington's Total Return Fixed Income strategy, Active Fixed Income, now ranks in the top decile of its peer group over the trailing five-year period ending

Dec. 31, 2013.⁴ The firm enhanced its offerings by introducing two new strategies: Large Cap Focused Equity and Emerging Markets Fixed Income.

CULTURE OF QUALITY. Success has been cultivated at Fort Washington by adhering to a culture of quality and excellence. This helps to distinguish the firm from its peers and earned it a Best Places to Work in Money Management designation from *Pensions & Investments* in 2013 for employers with 100 to 499 employees.⁵

Fort Washington is proud of this acknowledgment and remains focused on exceeding clients' expectations while working to remain a top performer and a great place to work. ■



HISTORIC HIGHLIGHTS

Fort Washington

- **1990:** Fort Washington forms to manage internal and external assets.
- **1994:** Introduces High Yield Fixed Income strategy.
- **1999:** Forms institutional private equity division, Fort Washington Capital Partners Group.
- **2008:** Acquires Peppertree Partners, LLC, private equity fund-of-funds business.
- **2010:** Marks 20th anniversary; grows total assets under management to \$32 billion with acquisition of certain assets of a Cincinnati-based wealth management advisory firm.
- **2012:** Total non-affiliated assets exceed \$10 billion.
- **2013:** Ranks as a Best Place to Work in Money Management by *Pensions & Investments*.⁵



¹ P&I Towers Watson World 500, Nov. 11, 2013.

² *Cincinnati Business Courier*, 2014 Book of Lists.

³ Assets as of Dec. 31, 2013. Includes assets under management by Fort Washington Investment Advisors, Inc., of \$43.7 billion and \$2.7 billion in commitments managed by Fort Washington Capital Partners Group, a division, and Peppertree Partners, LLC, a subsidiary.

⁴ As of Dec. 31, 2013, eVestment Alliance LLC Peer Group Analysis by Fort Washington. Past performance is not indicative of future results. For a complete list of composite disclosures, contact Fort Washington.

⁵ *Pensions & Investments*' annual ranking is done in conjunction with a third-party survey and requires firms to complete both an employer and employee survey.



"A testament to our rigorous subadvisor approach is the strong performance of our funds in 2013. Nearly half of all Touchstone Funds ranked in the top third of their respective asset class on a one-year and/or three-year basis."

STEVEN M. GRAZIANO

President, Touchstone Investments

**\$20.1
BILLION**
TOTAL ASSETS UNDER
MANAGEMENT



■ **TOUCHSTONE INVESTMENTS**

Organic growth and strategic initiatives propelled Touchstone Investments to another year of outstanding results in 2013.

Touchstone Investments' mission is to provide investors with results-oriented investment expertise from institutional money managers to whom the company outsources management of its family of mutual funds.

TREMENDOUS GROWTH. Touchstone's assets under management achieved outstanding growth in 2013, increasing 41 percent from \$14.3 billion in 2012 to \$20.1 billion.¹ Gross sales increased nearly 15 percent, from \$5.9 billion to \$6.8 billion.

In October, Touchstone launched its newest alternative investment fund, the Touchstone Arbitrage Fund, subadvised by Longfellow Investment Management Company. This fund is designed for investors seeking low-correlated returns to traditional stocks and bonds.

STRONG PERFORMANCE. Touchstone's tremendous growth and the solid performance of its funds are a testament to the firm's rigorous subadvisor approach to fund management. During 2013, nearly half of the Touchstone Funds, excluding asset allocation and money market funds, ranked in the top third of their respective asset class on a one-year and/or three-year basis. The majority of those funds ranked in the top third for both time periods. Additionally, 11 Touchstone Funds were rated four or five stars overall by Morningstar.²

FEATURED FUNDS. The December issue of *Investment News* ranked Touchstone Focused Fund third among the top 10 best-performing large cap value funds on a one-year basis.

The best-performing Touchstone Fund, Small Cap Value Opportunities, ranked sixth among small cap value funds. Touchstone's Sands Capital Institutional Growth Fund ranked in the eighth percentile among large cap growth funds.

For the five-year period through Dec. 31, 2013, Crane Data's *Money Fund Intelligence* newsletter noted that Touchstone Institutional Money Market Fund "... again took top honors for the best-performing money fund ..." This fund is subadvised by Fort Washington Investment Advisors, Western & Southern's investment management subsidiary.

ACCESS TO EXPERIENCE. The institutional asset managers managing the Touchstone Funds are known and respected for proficiency in their specific areas of investment expertise. Typically, the average investor does not have access to this level of investment experience.

The Touchstone Funds encompass a variety of asset classes, including U.S. equity, global/international equity, U.S. fixed income, international fixed income, and alternative investments as well as asset allocation funds.

The firm distributes its funds through national, regional and independent broker-dealers; registered investment advisors; private banks; and consultants. It serves as a partner to financial professionals by delivering product solutions, programs and tools to help them cultivate, build and manage their businesses.

Touchstone's team of investment professionals is responsible for the selection and monitoring of independent subadvisors using a rigorous due diligence process commensurate with the standards and guidelines typically employed by sophisticated institutional investors. Touchstone believes high conviction, portfolio concentration and active management are fundamental to this approach.

Through varying economic climates, Touchstone remains committed to its goal of building a results-oriented company that strives to deliver investors solid performance over time. ■

1 Includes asset allocation funds.

2 Morningstar Direct.



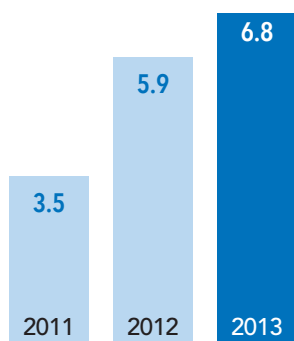
HISTORIC HIGHLIGHTS

Touchstone Investments

- **1994:** Touchstone Investments forms to offer mutual funds.
- **2000:** Acquires Countrywide Funds to augment products and dramatically expand retail broker-dealer distribution.
- **2006:** Acquires funds from Constellation Investment Management Company to expand fund distribution into institutional markets.
- **2009:** Increases product breadth with introduction of 11 new funds amid economic recession.
- **2010:** Greatly expands retail and institutional distribution by focusing on partner firms.
- **2012:** Acquires select fund assets from Old Mutual Asset Management, as well as 16 funds from Fifth Third Asset Management, Inc., to grow assets to over \$14 billion.
- **2013:** Assets under management top \$20 billion.

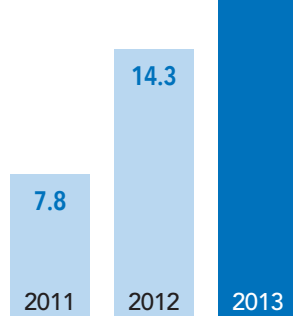
Touchstone Mutual Fund Sales

\$ BILLIONS



Touchstone Mutual Fund Assets Under Management

\$ BILLIONS



 **\$6.8 BILLION**
GROSS MUTUAL FUND SALES



"Eagle led its U.S. life insurance industry peers in mortgage performance once again, a competitive advantage for Western & Southern by enhancing its product pricing options and bolstering its financial capacity to help back its insurance products."

MARIO SAN MARCO

President, Eagle Realty Group, LLC

- **EAGLE REALTY GROUP, LLC**
- **INSURANCE PROFILLMENT SOLUTIONS, LLC**

Western & Southern Financial Group continues to enhance its growth by delivering excellence to clients in the real estate investment, property management and banking industries.

EAGLE REALTY GROUP, LLC, has entrenched itself as a prominent, full-service real estate investment and property management company serving Western & Southern, its affiliates and third-party real estate investors across the United States.

In 2013, Eagle managed approximately \$3.5 billion in assets. Its joint venture development and construction activity nationwide increased 78 percent over 2012. The firm committed to or closed 12 new equity and mezzanine loan investments with total acquisition and development costs of \$499 million and expected returns of 14.6 percent.

Eagle led its U.S. life insurance industry peers in mortgage performance once again, with a yield of 6.19 percent on a \$1.4 billion portfolio. This delivers Western & Southern a competitive advantage by enhancing its product pricing options and bolstering its financial capacity to help back its insurance products. The firm processed \$308 million in new mortgage loans through 23 transactions with an average bond equivalent yield of 4.55 percent.

Eagle continued to support Western & Southern's member companies by providing efficient, productive and cost-effective office space and facilities services. It completed 85 real estate transactions for offices occupied by Western & Southern Life's field sales force throughout the United States, a 75 percent increase over a typical year.

In Greater Cincinnati, Eagle continued delivering property management and facilities services to Western & Southern's home office campus and Queen City Square, which it developed as Cincinnati's premier downtown office tower complex featuring the city's tallest office building, Great American Tower. With Eagle's continued leasing activities, overall

occupancy of the tower stands at 92 percent, with additional office tenants and a new full-service restaurant expected to be announced in 2014.

78%
INCREASE
DEVELOPMENT
AND CONSTRUCTION





"IPS provides its bank partners unmatched expertise and the unique ability to offer all their customers a multi-carrier insurance solution."

ROBERT J. DALSANTO
President, Insurance Profillment Solutions, LLC

INSURANCE PROFILLMENT SOLUTIONS, LLC (IPS), Western & Southern's provider of call center insurance sales, application processing, and placement services for banks and Internet direct marketers of life insurance, experienced outstanding growth in 2013.

Established in 2005 at the request of several national clients, IPS helped them sell and place policies using its call center sales and fulfillment capabilities, which have grown to be among the nation's best.

Over the past three years, IPS has focused on prospecting, sales and fulfillment for banks nationwide that offer Western & Southern products. This includes designing direct mail solicitations, email offers, online banner ads and statement messaging. The results have generated significant growth in bank customer referrals and leads and increased bank-placed life insurance policies by 167 percent over 2012.

IPS also provides its bank partners unmatched expertise and the unique ability to offer all their customers a multi-carrier insurance solution through a no-obligation insurance checkup that assesses customer needs and insurance coverage and makes recommendations as appropriate.

One key to IPS's success continues to be its ability to sell, submit and place insurance business using technology that puts it at the forefront of its industry, including automated paramedical scheduling, electronic submission of policy applications, and electronic status feeds to shorten the time needed to complete an insurance purchase.

IPS continues to meet the insurance needs of bank clients to ensure their long-term ability to sell more bank customers life insurance and other products from Western & Southern. ■



HISTORIC HIGHLIGHTS

Eagle Realty Group

- **1988:** Eagle Properties Inc. (now Eagle Realty Group, LLC) forms to manage all real estate activities, expand investments, optimize income, and manage properties and facilities for Western & Southern.
- **2006:** Expands investment management services to non-affiliated clients.
- **2011:** Completes Queen City Square, its largest project, with a value of approximately \$400 million.
- **2013:** Serves clients in 41 states.

IPS

- **2005:** Introduces an independent call center to support life insurance sales by online marketing firms.
- **2009:** Expands focus to sell life insurance through branch offices of partner banks.
- **2013:** Expands bank life insurance sales and fulfillment to reach customers nationwide through multiple bank channels.



167%
INCREASE
BANK-PLACED
LIFE POLICIES

SHARED SERVICES

- ACTUARIAL
- CORPORATE FINANCIAL PLANNING
- HUMAN RESOURCES
- INFORMATION SERVICES
- INSURANCE OPERATIONS
- INTERNAL AUDIT
- LAW
- PUBLIC RELATIONS AND CORPORATE COMMUNICATIONS

Western & Southern Financial Group employs a high-impact Shared Services model for expertise commonly required across its family of companies.

This approach not only helps the company effectively employ valuable resources, but it also helps hold expenses steady while the company continues to grow. The Shared Services teams continued to help Western & Southern and its member companies avoid redundant operating expenses during 2013 while leveraging expertise and innovations to enhance operating efficiencies. Highlights from 2013 include:

IMPROVED BUSINESS PROCESSES

- Saved nearly \$600,000 by enhancing the company's business recovery capabilities in the event of an unplanned incident or a natural disaster.
- Commenced work on a new Enterprise Content Management strategic initiative to further enhance back-office efficiency and services company-wide. The initiative will further optimize organizational workflow, reduce operating cost and efficiently support Western & Southern's growth strategy.



NORA E. MOUSHEY retired in 2014 as Senior Vice President and Chief Actuary after 43 years of service to Western & Southern. **DANIEL W. HARRIS**, Vice President and Chief Actuary, was named her successor.



KIM R. CHIOLDI, Senior Vice President, Human Resources and Education; **NOREEN J. HAYES**, Senior Vice President, Benefits and Compensation.

PROCESS SIMPLIFICATION

- Achieved an 85 percent annual reduction in the number of hours needed to execute regulatory reporting requirements for qualified individual retirement accounts.
- Trimmed \$250,000 annually through process simplification and cost reductions from the elimination of an annuity administration system and increased support of variable products.

PRODUCT EFFICIENCIES

- Implemented process changes that enabled the calculation of variable annuity product performance to be completed internally versus using a third-party provider, resulting in a \$175,000 annual cost savings for the company.

EFFECTIVE EXPENSE MANAGEMENT

- Saved approximately \$1.25 million in outside print expenditures through effective utilization of the company's in-house printing division.
- Saved \$1 million annually in expenses related to dispute resolution. ■

Business Expands, Spending Nearly Level

- ASSETS OWNED
- ABSOLUTE SPENDING



Western & Southern has limited total expense growth to a compound annual growth rate of 0.7 percent over the past five years while growing assets owned at a 5.8 percent CAGR.



CONSTANCE M. MACCARONE, Senior Vice President, Insurance Operations; **KAREN A. CHAMBERLAIN**, Senior Vice President and Chief Information Officer; **PHILLIP E. KING**, Vice President and Auditor.



JONATHAN D. NIEMEYER, Senior Vice President and General Counsel; **MICHAEL J. LAATSCH**, Vice President, Public Relations and Corporate Communications.

PARTNERSHIPS

**\$1.3
MILLION**
IN UNITED WAY
PLEDGES



**\$48.7
MILLION**
IN ANNUAL
ECONOMIC IMPACT

40 
**COLLEGES AND
UNIVERSITIES**
SUPPORTED

From left: Rafael Nadal, 2013 W&S Open men's singles champion; Bruce Flory, W&S Open tournament director emeritus; Cris Collinsworth, NBC Sports commentator and Western & Southern spokesperson; Western & Southern Chairman, President and Chief Executive Officer John F. Barrett; and John Isner, 2013 W&S Open men's singles runner-up.

CORPORATE CITIZENSHIP

Western & Southern has been an energetic corporate citizen of Greater Cincinnati for more than a century. Today, the impact of that giving continues to expand.

In 2013, the company, its associates and its corporate foundation gave \$8.5 million in donations and community sponsorships. Most of these dollars stayed in Greater Cincinnati, where Western & Southern associates volunteer for nonprofit agencies and support civic projects vital to the community's well-being.

HEALTH & HUMAN SERVICES.

Keeping Greater Cincinnati's medical infrastructure and nonprofit safety net strong continues as a focus. The cornerstone is the annual United Way campaign. In 2013, Western & Southern delivered Greater Cincinnati's sixth largest corporate campaign, pledging more than \$1.3 million.





GREAT COMPANY, GREAT TIME

Never has there been a better time to be a client, business partner or associate of Western & Southern.

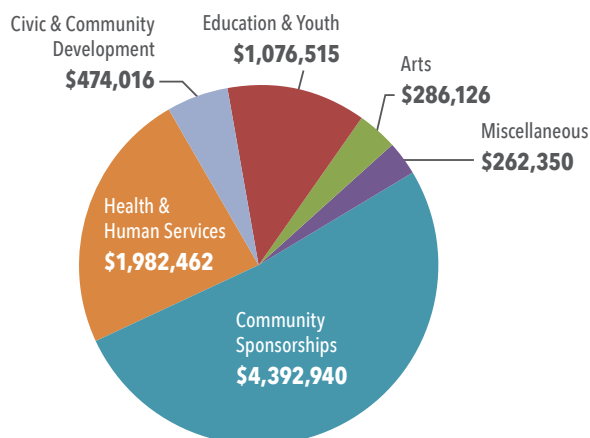
At the close of 2013, our team is nearly 4,000 associates strong with 40,000 independent financial services professionals and firms contracted to sell and service our products across the country. Our member companies continue to provide millions of individuals, businesses and institutions with life and health insurance, annuities, mutual funds, and real estate and investment management services.

A *Fortune* 500 company since 2004, the Western & Southern family of companies is united by our commitment to capitalize on our position of unmatched financial strength to deliver world-class financial services and outstanding value to all stakeholders, every single day.

The company continued to support the National Multiple Sclerosis Society as title sponsor of the Southwest Ohio and Northern Kentucky Walk MS events for the 21st consecutive year. The company's corporate foundation and Willie's Walkers team, the nation's largest, contributed more than \$56,250 in 2013.

EDUCATION & YOUTH. The seventh annual Dr. Lawrence C. Hawkins Educator of the Year Award program, with a \$10,000 award to an outstanding Cincinnati Public Schools (CPS) educator, exemplifies the company's approach to supporting education and youth. Its partnership with CPS's Evanston Academy and Withrow University High School has created successful support and mentorship programs.

In addition to support for more than 40 colleges and universities, the company funded a public service fellowship program at the Union Institute & University in memory of the late Eugene P. Ruehlmann, former Western & Southern board member and Cincinnati mayor. The company also supported nearly 50 other youth programs citywide.



\$8.5 MILLION IN DONATIONS AND CORPORATE SPONSORSHIPS IN 2013

Categories of causes and needs supported in 2013 by Western & Southern's corporate foundation, associates, corporate charitable fundraising campaigns and community sponsorships.

OUR CULTURE

Western & Southern Financial Group's strong and distinct culture helps make our company an outstanding place to work and a great financial partner — especially now. Our culture continues to endure because it is authentic. It truly reflects who we are.

It flows from the core values our associates demonstrate the day they join our team — integrity, a strong work ethic, customer focus, respect for others and a commitment to quality. We treasure these qualities, and we seek dedicated professionals who do as well.

Once an individual joins our organization, those values form the foundation of a fulfilling career, supported by company development, recognition and rewards.

- Associates across all levels of our company join together to achieve success through outstanding performance and dedicated customer focus.
- Our company demonstrates the importance of commitment by maintaining the financial strength that is so crucial to our clients, business partners and the community.
- We value enduring, long-term relationships, including those with our clients, providers and associates.
- Our associates strive to be the best at everything they do while actively working together to accomplish common goals.

CORPORATE CITIZENSHIP

Western & Southern's support for UC Health's Barrett Cancer Center includes this mobile diagnostic unit.



ARTS & CULTURE.

The company's corporate foundation partnered with associates to contribute more than \$252,000 to Greater Cincinnati's 2013 ArtsWave campaign, ranking it among the city's top six campaigns. The company also made several significant contributions to Cincinnati Ballet, Cincinnati Symphony Orchestra and Taft Museum of Art.

COMMUNITY & SPORTS. Western & Southern's support of Cincinnati sports fuels the action and helps make the city a great place to work, live and play. In 2013, Western & Southern funded the Jack Twyman Multi-Sports Court in honor of the late Jack Twyman, a former Western & Southern board member and a professional basketball legend. This facility is used by disabled and nondisabled athletes for a variety of sports.

Title sponsorship of the 104th annual Western & Southern Thanksgiving Day Race encourages health and fitness while benefiting several area nonprofits. Support also grew for the Barrett Cancer Center through title sponsorship of Ride Cincinnati, an annual bike ride to benefit breast cancer research, and Tackle Cancer, a partnership with UC Bearcat football.

The largest of the company's sponsorships remains the Western & Southern Open, a U.S. Open Series tennis tournament that draws more than 187,000 attendees, attracts more than 60 million television viewers from 160 countries and generates an estimated \$48.7 million in regional economic impact each year. ■



The 2013 Western & Southern Thanksgiving Day Race begins in downtown Cincinnati.

SENIOR MANAGEMENT

Western & Southern Financial Group

John F. Barrett, Chairman, President & Chief Executive Officer

Senior Vice Presidents

Karen A. Chamberlain, Chief Information Officer

Kim R. Chiodi, Human Resources & Education

Noreen J. Hayes, Benefits & Compensation

Constance M. Maccarone, Insurance Operations

Jonathan D. Niemeyer, General Counsel

Nicholas P. Sargen, Chief Investment Officer

Robert L. Walker, Chief Financial Officer

Vice Presidents

Keith T. Clark, M.D., Medical Director

Daniel W. Harris, Chief Actuary*

David T. Henderson, Chief Risk Officer

Bradley J. Hunkler, Chief Accounting Officer

Phillip E. King, Auditor

Michael J. Laatsch, Public Relations

Daniel R. Larsen, Chief Tax Officer

Douglas Ross, Chief Technology Officer

Larry R. Silverstein, Chief Underwriter

James J. Vance, Treasurer

W&S Agency Group

Troy D. Brodie, Interim President**

Insurance Profitment Solutions, LLC

Robert J. DalSanto, President

W&S Brokerage Services, Inc.

Troy D. Brodie, Interim President**

Columbus Life Insurance Company

J. J. Miller, President & Chief Executive Officer

Steven J. Sanders, Chief Marketing Officer***

Eagle Realty Group, LLC

Mario San Marco, President

Fort Washington Investment Advisors, Inc.

Maribeth S. Rahe, President & Chief Executive Officer

Nicholas P. Sargen, Chief Investment Officer

IFS Financial Services, Inc.

Jill T. McGruder, President & Chief Executive Officer

Touchstone Investments

Steven M. Graziano, President

W&S Financial Group Distributors, Inc.

Mark E. Caner, President

Integrity Life Insurance Company

National Integrity Life Insurance Company

Jill T. McGruder, President & Chief Executive Officer

The Lafayette Life Insurance Company

Bryan C. Dunn, President & Chief Executive Officer

Lawrence J. O'Brien, Chief Marketing Officer

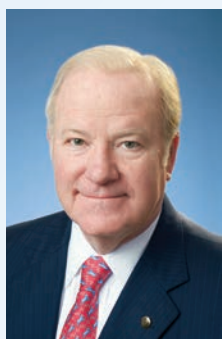
Senior officers may serve within one or more member companies.

* Nora E. Moushey retired April 1, 2014.

** Anthony M. Garcia departed April 11, 2014.

*** Charles W. Wood, Jr., retired March 4, 2014.

BOARD OF DIRECTORS



JOHN F. BARRETT

Chairman of the Board, President and Chief Executive Officer, Western & Southern Financial Group



DONALD A. BLISS

Former Vice President, U.S. West Communications; Former Chief Executive Officer, Northwestern Bell



HERBERT R. BROWN

Former Senior Vice President, Western & Southern Financial Group



JAMES N. CLARK

Former Secretary, Executive Vice President and Chief Financial Officer, Western & Southern Financial Group



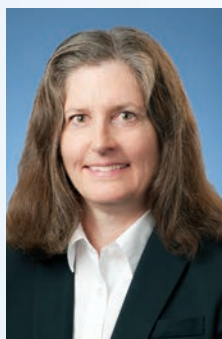
JO ANN DAVIDSON

Former Speaker, Ohio House of Representatives



JAMES K. RISK, III

Chairman and Chief Executive Officer, Kirby Risk Corporation



ELIZABETH A. SMITH, ESQ.

Former Director of Philanthropy, The Nature Conservancy (Indiana); Former Partner, Ice, Miller (Indianapolis)



THE HONORABLE GEORGE V. VOINOVICH

Former United States Senator and Ohio Governor



THE HONORABLE GEORGE H. WALKER, III

Former U.S. Ambassador to Hungary; Former Chairman, President and Chief Executive Officer, Stifel Financial Corp. and Stifel Nicolaus and Co., Inc. (St. Louis)



THOMAS L. WILLIAMS, ESQ.

President, North American Properties



JOHN P. ZANOTTI

Chairman, Integrated Media Technologies, Inc.

Donald J. Wuebbeling serves as Secretary and Counsel. All board members serve on one or more of the boards of Western & Southern Mutual Holding Company, Western & Southern Financial Group, Inc., and The Western and Southern Life Insurance Company.

IN MEMORIAM



Eugene P. Ruehlmann was a former Cincinnati mayor, a founder of the Strauss, Troy and Ruehlmann law firm and, later, a partner with Vorys, Sater, Seymour and Pease. A Western & Southern board member from 1968 until his passing on June 8, 2013, he served in the U.S. Marine Corps during World War II. He graduated from the University of Cincinnati and received a combined law and business degree from Harvard University. The Urban League honored Mr. Ruehlmann in 1970 with a special award for Outstanding Achievement in Public Service for his work on poverty, housing and improving race relations. He was named a Great Living Cincinnati in 1998 by the Cincinnati USA Regional Chamber.



Clinton D. Gibling, Western & Southern's senior vice president and chief information officer, passed away on Oct. 26, 2013, after a long and brave battle with cancer. Clint joined Western & Southern in 1996 after spending his early career at AT&T Bell Labs following receipt of a Ph.D. at Northwestern University and bachelor's and master's degrees from the University of Notre Dame.

A dedicated leader and wonderful friend, Clint showed all those around him not only how to live, but how to handle tremendous adversity with strength, dignity and courage.

DISCLOSURES

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Guarantees are based on the claims-paying ability of the insurer.

iGO e-App® is a registered trademark owned and used with permission from iPipeline.

"Best places to work: Fort Washington Investment Advisors," *Pensions & Investments*, Dec. 9, 2013. *Pensions & Investments'* annual ranking is done in conjunction with a third-party survey and requires firms to complete both an employer and employee survey.

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Investment return and principal value of an investment in a fund will fluctuate so that investor's shares, when redeemed, may be worth more or less than their original cost.

For each U.S.-domiciled fund with at least a 3-year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. Within each asset class, the top 10% of funds in each category receive five stars, the next 22.5% receive four stars, the next 35% receive three stars, the next 22.5% receive two stars and the bottom 10% receive one star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.) The Overall Morningstar Rating for a fund is derived from a weighted-average of the performance figures associated with its 3-, 5- and 10-year (if applicable) Morningstar Rating metrics. Funds offer multiple classes of shares which are invested in a common portfolio. Each share class may have a different combination of sales charges and fees and, therefore, may have different performance characteristics.

RATINGS

Industry ratings from the four major rating agencies — A.M. Best, Standard & Poor's, Fitch and Moody's — are solid indicators of a company's financial strength and stability. Following are the ratings for Western & Southern life insurance subsidiaries at the time this report was printed.

A.M. Best

Superior ability to meet ongoing insurance obligations (second highest of 16 ratings; rating held since June 2009)

A+
SUPERIOR

Standard & Poor's

Very strong financial security characteristics (third highest of 21 ratings; rating held since July 2013)

AA
VERY STRONG

Fitch

Very strong capacity to meet policyholder and contract obligations on a timely basis (third highest of 21 ratings; rating held since June 2009)

AA
VERY STRONG

Moody's

Excellent financial security (fourth highest of 21 ratings; rating held since February 2009)*

Aa3
EXCELLENT

Comdex Ranking

The Comdex Ranking is a composite of all the ratings a company has received from the major rating agencies. It ranks insurers on a scale of 1 to 100 (where 1 is the lowest) in an effort to reduce confusion over ratings because each rating agency uses a different scale.*

96
OUT OF
100

The ratings are correct as of May 1, 2014, and are subject to change. Ratings refer to the claims-paying ability of the insurance company and do not reflect the performance or safety of any investment product. The rating agencies listed above are independent of each other and use proprietary evaluation criteria and rating scales.

* The Lafayette Life Insurance Company is not rated by Moody's and has a Comdex Ranking of 97.



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