

A large, white, three-dimensional AIG logo is mounted on the dark facade of a modern building. The building has a curved entrance with glass doors and a revolving door. The entire image is overlaid with a semi-transparent blue filter.

AIG



Conference Call Presentation

Second Quarter 2017

AUGUST 3, 2017

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This document and the remarks made within this presentation may include, and officers and representatives of American International Group, Inc. (AIG) may from time to time make, projections, goals, assumptions and statements that may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These projections, goals, assumptions and statements are not historical facts but instead represent only AIG’s belief regarding future events, many of which, by their nature, are inherently uncertain and outside AIG’s control. These projections, goals, assumptions and statements include statements preceded by, followed by or including words such as “will,” “believe,” “anticipate,” “expect,” “intend,” “plan,” “focused on achieving,” “view,” “target,” “goal,” or “estimate.” These projections, goals, assumptions and statements may address, among other things, AIG’s: exposures to subprime mortgages, monoline insurers, the residential and commercial real estate markets, state and municipal bond issuers, sovereign bond issuers, the energy sector and currency exchange rates; exposure to European governments and European financial institutions; strategy for risk management; actual and anticipated sales of businesses or asset divestitures or monetizations; restructuring of business operations, including anticipated restructuring charges and annual cost savings; generation of deployable capital; strategies to increase return on equity and earnings per common share; strategies to grow net investment income, efficiently manage capital, grow book value per share, and reduce expenses; anticipated organizational and business changes; strategies for customer retention, growth, product development, market position, financial results and reserves; management of the impact that innovation and technology changes may have on customer preferences, the frequency or severity of losses and/or the way AIG distributes and underwrites its products; segments’ revenues and combined ratios; and management retention plans. It is possible that AIG’s actual results and financial condition will differ, possibly materially, from the results and financial condition indicated in these projections, goals, assumptions and statements. Factors that could cause AIG’s actual results to differ, possibly materially, from those in the specific projections, goals, assumptions and statements include: changes in market conditions; negative impacts on customers, business partners and other stakeholders; the occurrence of catastrophic events, both natural and man-made; significant legal proceedings; the timing and applicable requirements of any new regulatory framework to which AIG is subject as a nonbank systemically important financial institution and as a global systemically important insurer; concentrations in AIG’s investment portfolios; actions by credit rating agencies; judgments concerning casualty insurance underwriting and insurance liabilities; AIG’s ability to successfully manage Legacy portfolios; AIG’s ability to successfully reduce costs and expenses and make business and organizational changes without negatively impacting client relationships or AIG’s competitive position; AIG’s ability to successfully dispose of, or monetize, businesses or assets; judgments concerning the recognition of deferred tax assets; judgments concerning estimated restructuring charges and estimated cost savings; and such other factors discussed in Part I, Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) in AIG’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2017 (which will be filed with the Securities and Exchange Commission), Part I, Item 2. MD&A in AIG’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017 and Part II, Item 7. MD&A and Part I, Item 1A. Risk Factors in AIG’s Annual Report on Form 10-K for the year ended December 31, 2016.

AIG is not under any obligation (and expressly disclaims any obligation) to update or alter any projections, goals, assumptions or other statements, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise. This document and the remarks made orally may also contain certain non-GAAP financial measures. The reconciliation of such measures to the most comparable GAAP measures in accordance with Regulation G is included in the Second Quarter 2017 Financial Supplement available in the Investor Information section of AIG’s corporate website, www.aig.com, as well as in the Appendix to this presentation.

Note: Amounts presented may not foot due to rounding.



Pursuing Profitable Growth

Balance and Diversification	Culture and Talent	Technology and Innovation	Capital and Growth
<ul style="list-style-type: none">▪ Mix of products, geographies and client segments▪ Optimize international footprint	<ul style="list-style-type: none">▪ Underwriting discipline▪ Empowering field	<ul style="list-style-type: none">▪ Technology and data analytics▪ Transform delivery of insurance	<ul style="list-style-type: none">▪ Strong free cash flow and balance sheet▪ Targeting organic and inorganic growth opportunities

2Q17 Key Themes

Consolidated

After-tax operating income of \$1.4B (\$1.53 per diluted share)

- Consolidated Adjusted AIG ROE of 10.5% (10.0% YTD)
- Core Normalized ROE of 9.9% (9.2% YTD)
- Book Value Per Share (ex. AOCI) growth of 4% YTD

Commercial

Continuing our emphasis on the use of tools and improving our business mix

- NPW decreased 9%¹ reflecting continued execution on our strategic portfolio actions
- Catastrophe losses of \$178 million were below expectations
- Higher loss experience in Global Property
- Continued expense management

Consumer

PTOI improvement led by strong results in Personal Insurance

- Personal Insurance reflects improved operating efficiency and lower-than-expected loss activity
- Stable earnings in both the Individual and Group Retirement businesses; positive impact on Assets Under Administration and fee income from equity market tailwinds
- Continued pressure on Individual Retirement and Group Retirement net flows
- Ongoing expense control and portfolio optimization in both Personal Insurance and Life Insurance

Legacy & Capital

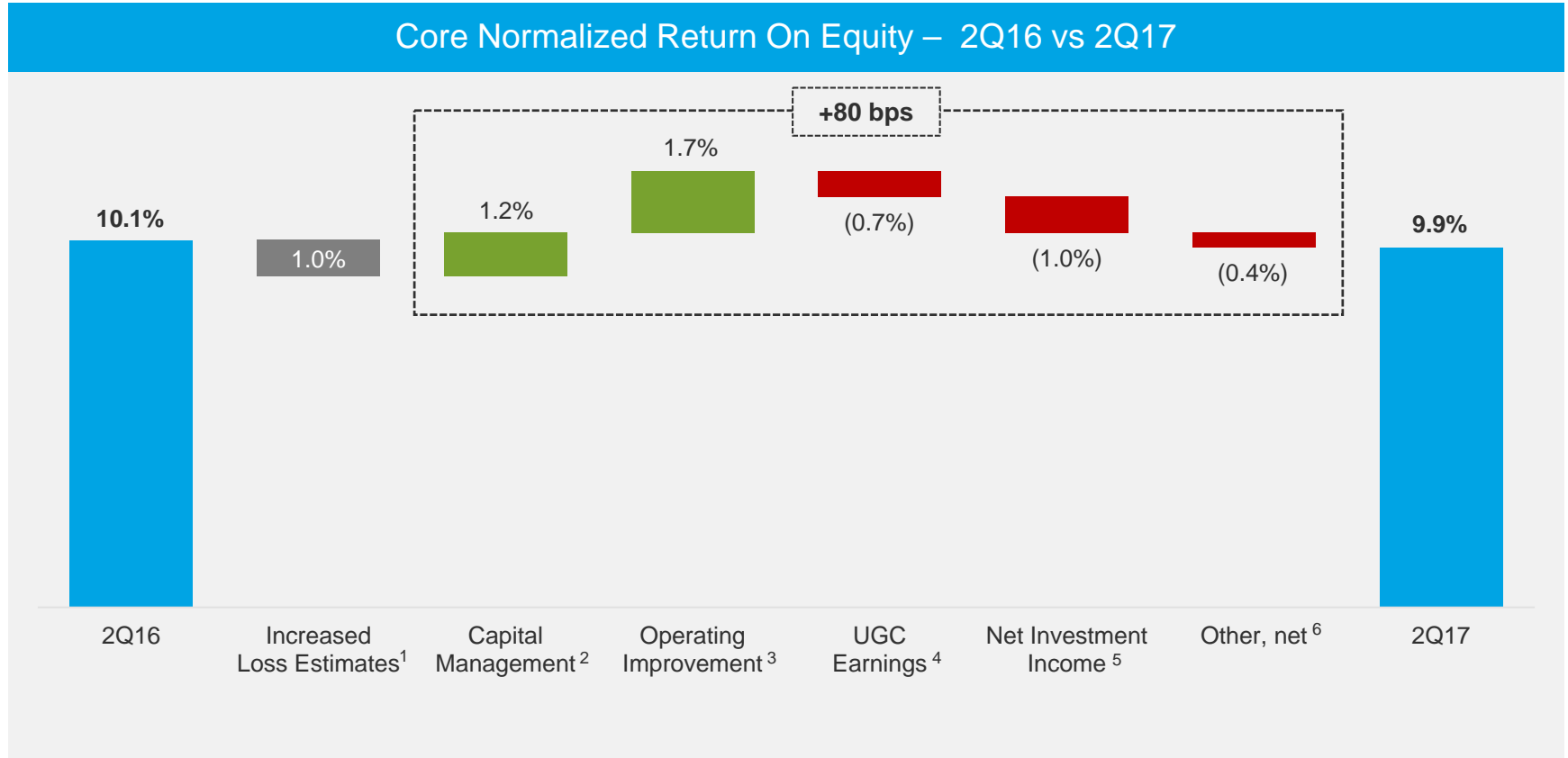
Balance sheet strength and capital management

- Total capital returned to shareholders of \$2.7B in 2Q17
- Legacy capital release of \$0.8B (\$7.9B since 4Q15)
- Continue to maintain strong capital ratios and Parent liquidity
- AIG Parent liquidity of \$7.8B at June 30, 2017



1) On a constant dollar basis and excluding divestitures.

Change in Core Normalized ROE



1) The change in Core Normalized ROE includes a ~100 bps adverse impact from an increase in second half 2016 loss estimates, primarily related to U.S. Casualty.

2) Largely driven by share repurchases and dividends.

3) Mainly driven by improvement in Consumer Insurance, including a reduction in Operating GOE.

4) Represents lost earnings related to the sale of UGC, which closed in December 2016.

5) Mainly driven by reduction in alternative investments, the impact of ADC and tightening of investment grade and high yield spreads.

6) Other, net mainly driven by change in Core effective tax rate

Consolidated Operating Financial Highlights

(\$ in millions, except per share amounts)	2Q16	2Q17
Pre-tax operating income (loss):		
<i>Commercial Insurance</i>		
Liability and Financial Lines	\$815	\$586
Property and Special Risks	126	130
Total Commercial Insurance	941	716
<i>Consumer Insurance</i>		
Individual Retirement	505	558
Group Retirement	265	266
Life Insurance	26	106
Personal Insurance	152	330
Total Consumer Insurance	948	1,260
Other Operations	(176)	(274)
Total Core	1,713	1,702
Legacy Portfolio	207	431
Total pre-tax operating income	\$1,920	\$2,133
After-tax operating income attributable to AIG	\$1,313	\$1,449
After-tax operating income attributable to AIG per diluted share	\$1.15	\$1.53
Normalized Return On Equity:		
Consolidated	8.3%	9.1%
Core	10.1%	9.9%
Legacy Portfolio	2.4%	5.6%
Book Value Per Common Share (BVPS):	Dec. 31, 2016	June 30, 2017
BVPS	\$76.66	\$81.62
BVPS – Ex. AOCI	\$73.41	\$76.12
Adjusted BVPS ¹	\$58.57	\$60.31



1) Book value per common share, ex. AOCI & DTA.

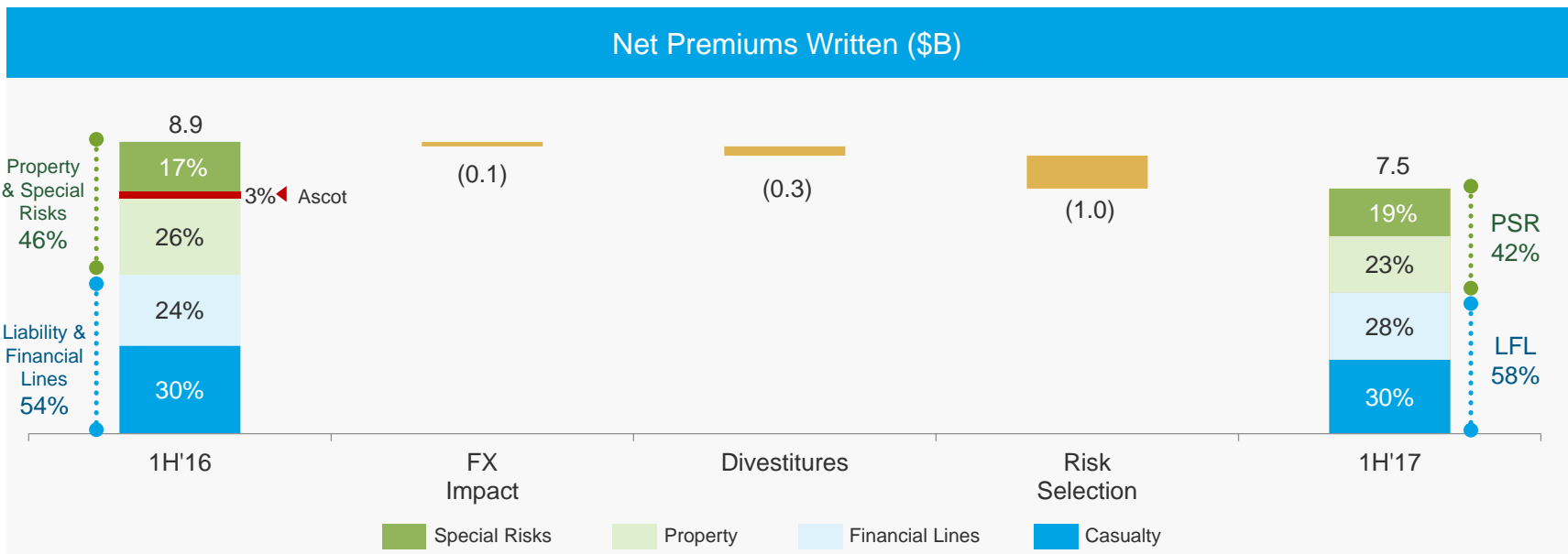
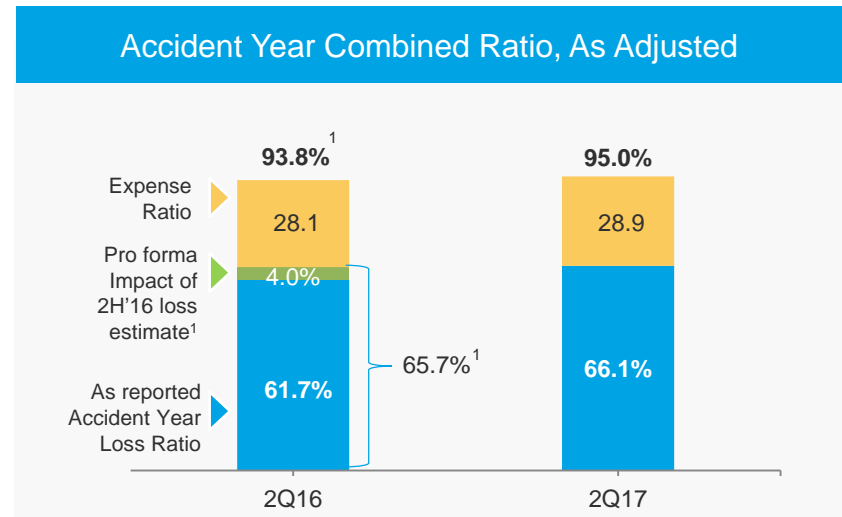
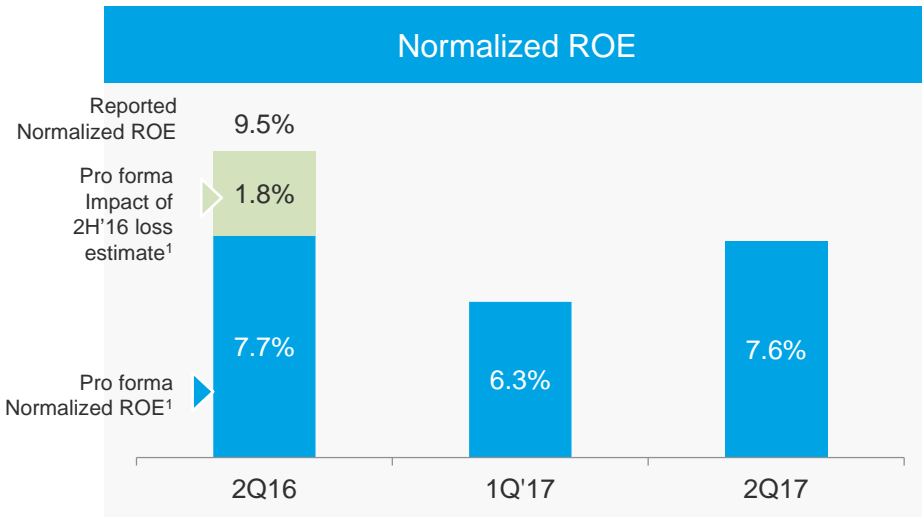


Commercial Insurance

Robert S. Schimek

*Executive Vice President &
Chief Executive Officer of Commercial*

Commercial Insurance – Select Metrics



1) Pro forma amounts are inclusive of the impact of 2H'16 loss estimates.

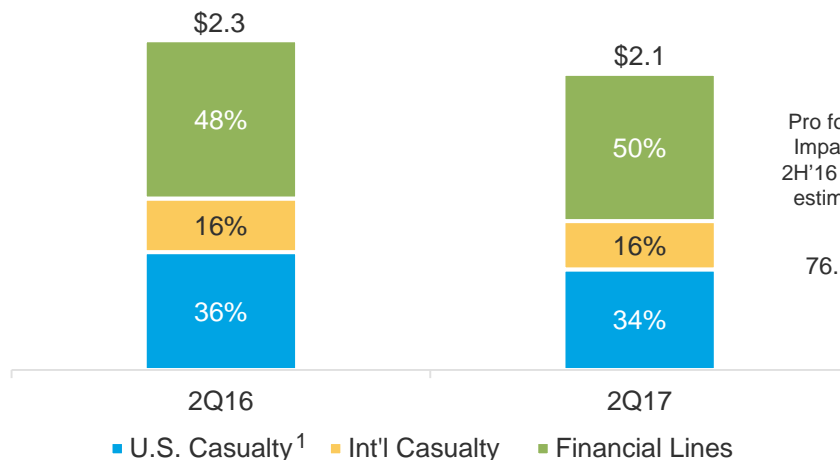
Commercial Insurance – Liability and Financial Lines

(\$ in millions)	2Q16	2Q17
Net premiums written	\$2,321	\$2,085
Net premiums earned	2,726	2,110
Underwriting income (loss)	113	(51)
Net investment income	702	637
Pre-tax operating income	\$815	\$586
Normalized After-tax operating income	\$622	\$407
Avg. attributed equity	\$20,005	\$14,357
Normalized ROE	12.4%	11.3%

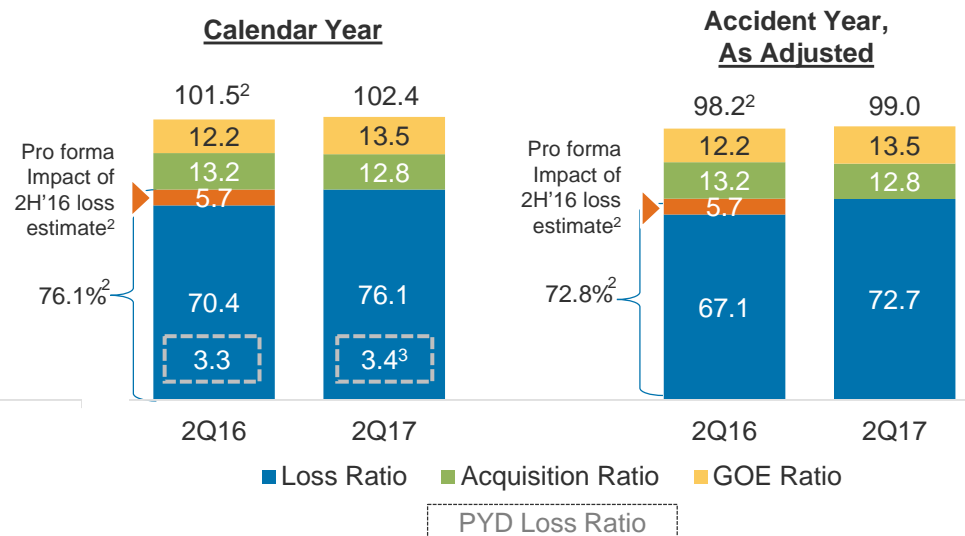
Key Takeaways

- Normalized ROE expansion from 10.2% in 2Q16 after adjusting 2Q16 for the increase in loss estimates recorded in 2H'16.
- NPW decline reflects continuing portfolio optimization.
- AYLR essentially unchanged after adjusting 2Q16 for the increase in loss estimates recorded in 2H16.
- Expense Ratio increase driven by earned premium decline outpacing expense reduction.
- PYD primarily relates to construction defect and wrap business in older accident years, partially offset by amortization of deferred gain related to ADC.

Net Premiums Written (\$B)



Combined Ratios



1) Includes reinsurance assumptions from International Casualty related to non-US casualty exposures.
 2) Pro forma amounts are inclusive of the impact of 2H'16 loss estimates.
 3) Includes adjustment for ceded premiums under reinsurance contracts related to prior accident years.

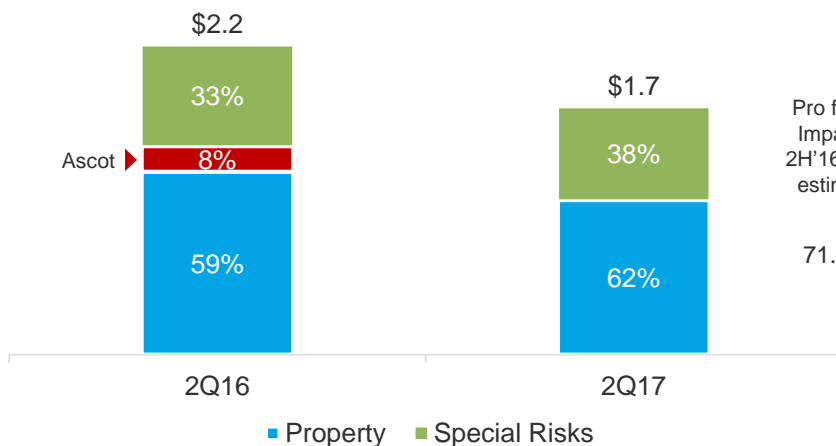
Commercial Insurance – Property and Special Risks

(\$ in millions)	2Q16	2Q17
Net premiums written	\$2,176	\$1,741
Net premiums earned	1,962	1,609
Underwriting income	(28)	(47)
Net investment income	154	177
Pre-tax operating income	\$126	\$130
AAL¹	\$317	\$266
Normalized After-tax operating income	\$65	\$24
Avg. attributed equity	\$8,930	\$8,179
Normalized ROE	2.9%	1.2%

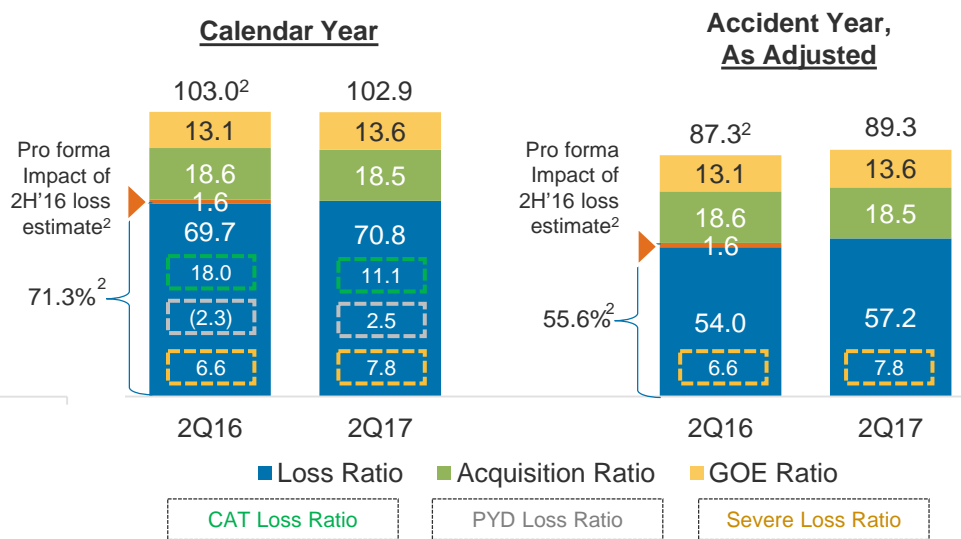
Key Takeaways

- Normalized ROE driven by higher non-CAT Property losses, partially offset by improved performance in Special Risks. The Normalized ROE reflects the full AAL of \$266 million, while actual CAT losses of \$178 million were better than expectation.
- NPW decline reflects portfolio optimization, primarily in Property and Programs, and divestitures.
- Higher AYLR driven by higher losses in Property, offset by improvement in Special Risks.
- PYD driven by two large claims in Aviation.

Net Premiums Written (\$B)



Combined Ratios



1) Represents one quarter of the average annual loss expectation.
 2) Pro forma amounts are inclusive of the impact of 2H'16 loss estimates.

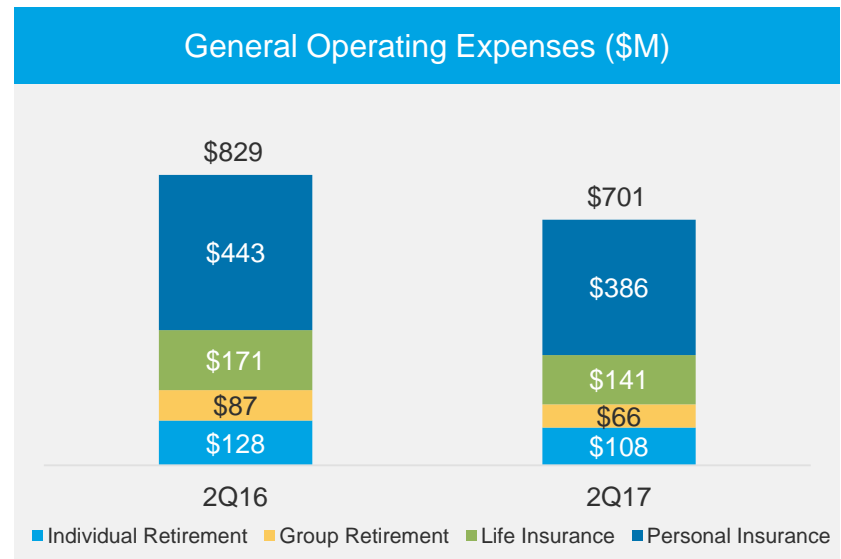
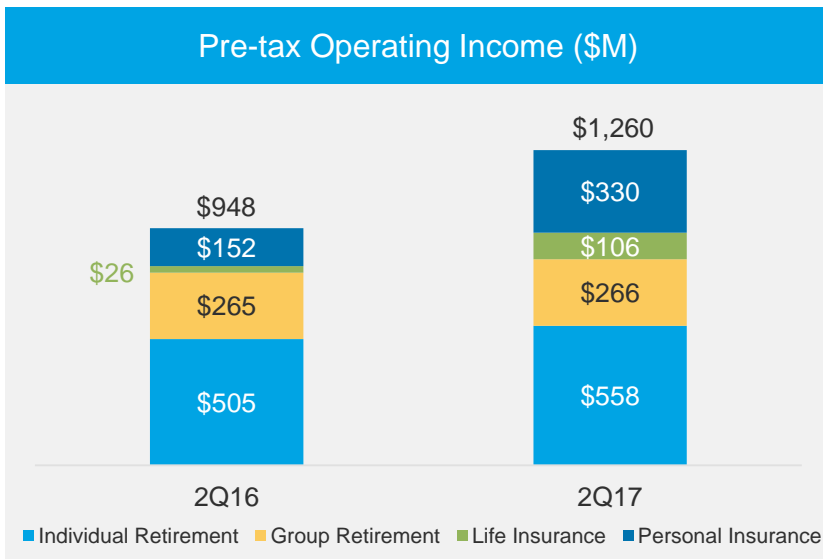
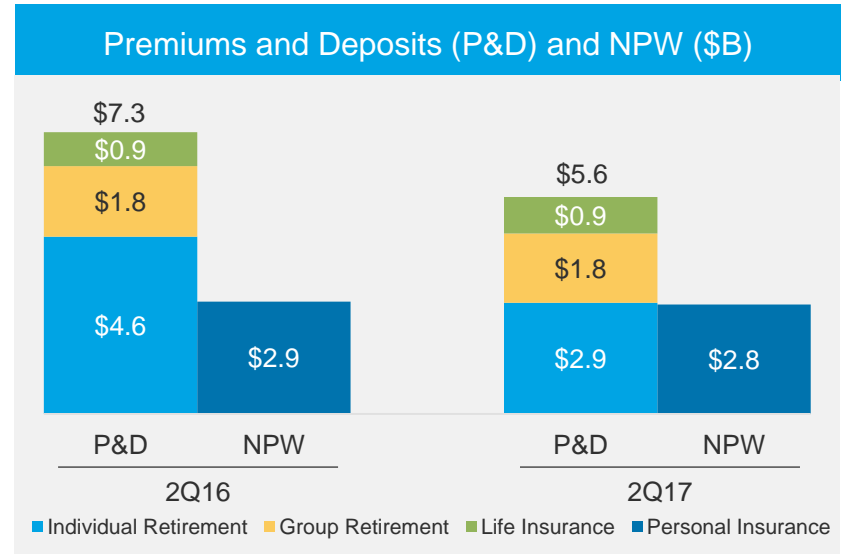
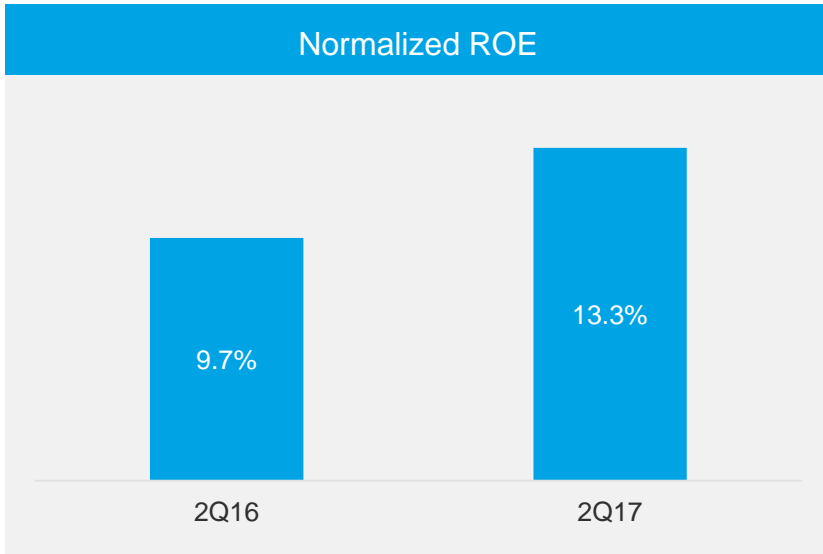


Consumer Insurance

Kevin Hogan

*Executive Vice President &
Chief Executive Officer of Consumer*

Consumer Insurance – Select Metrics



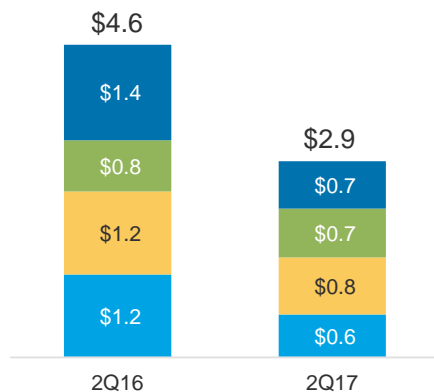
Consumer Insurance – Individual Retirement

(\$ in millions)	2Q16	2Q17
Premiums and deposits	\$4,611	\$2,892
Premiums	45	31
Policy fees	178	192
Net investment income	1,020	1,003
Advisory fee and other income	266	157
Total operating revenues	1,509	1,383
Benefits and expenses	1,004	825
Pre-tax operating income	\$505	\$558
Normalized after-tax operating income	\$311	\$359
Avg. attributed equity	\$11,397	\$11,046
Normalized ROE	10.9%	13.0%

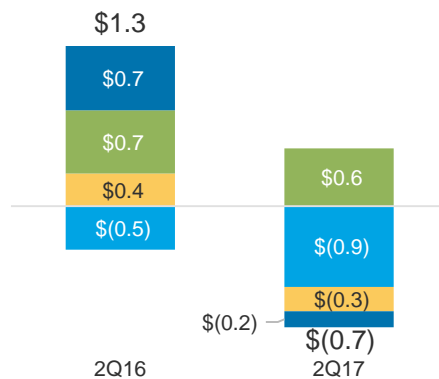
Key Takeaways

- Focus on diversified product portfolio and disciplined pricing
- Continued active spread management
- Equity market having positive impact on Assets Under Administration, fee income and DAC amortization
- Sales and net flows reflect slowdown of annuity industry sales

Premiums and Deposits (\$B)



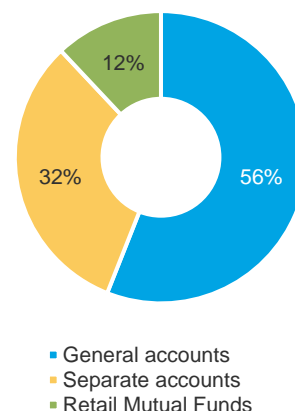
Net Flows (\$B)



■ Fixed Annuities ■ Variable Annuities ■ Index Annuities ■ Retail Mutual Funds

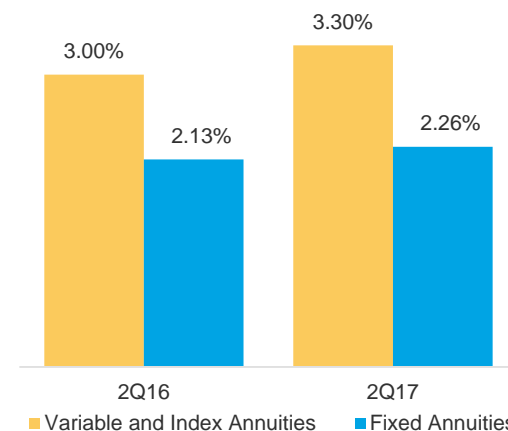
Assets Under Administration

As of June 30, 2017 = \$144.8B



■ General accounts
■ Separate accounts
■ Retail Mutual Funds

Base Net Investment Spread



■ Variable and Index Annuities ■ Fixed Annuities



Consumer Insurance – Group Retirement

(\$ in millions)	2Q16	2Q17
Premiums and deposits	\$1,837	\$1,802
Premiums	5	4
Policy fees	95	101
Net investment income	555	535
Advisory fee and other income	52	56
Total operating revenues	707	696
Benefits and expenses	442	430
Pre-tax operating income	\$265	\$266
Normalized after-tax operating income	\$170	\$178
Avg. attributed equity	\$6,210	\$6,057
Normalized ROE	11.0%	11.8%

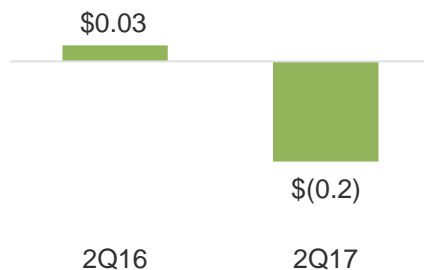
Key Takeaways

- Strong position in target markets driven by trusted advisor service model
- Equity market having positive impact on Assets Under Administration and fee income
- Spread compression from the run-off of higher yielding assets and reinvestment in the low yield environment

Premiums and Deposits (\$B)

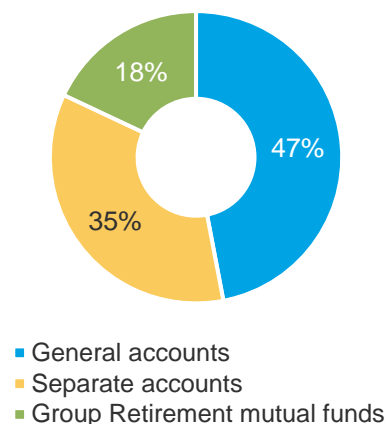


Net Flows (\$B)

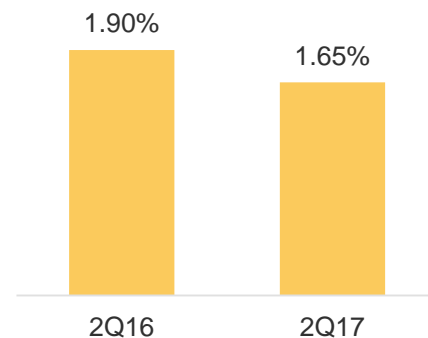


Assets Under Administration

As of June 30, 2017 = \$99.2B



Base Net Investment Spread



Consumer Insurance – Life Insurance

(\$ in millions)	2Q16	2Q17
Premiums and deposits	\$879	\$947
Premiums	360	400
Policy fees	343	357
Net investment income	271	261
Other income ¹	14	12
Total operating revenues	988	1,030
Benefits and expenses	962	924
Pre-tax operating income	\$26	\$106
Normalized after-tax operating income	\$7	\$62
Avg. attributed equity	\$2,733	\$2,563
Normalized ROE	1.0%	9.7%

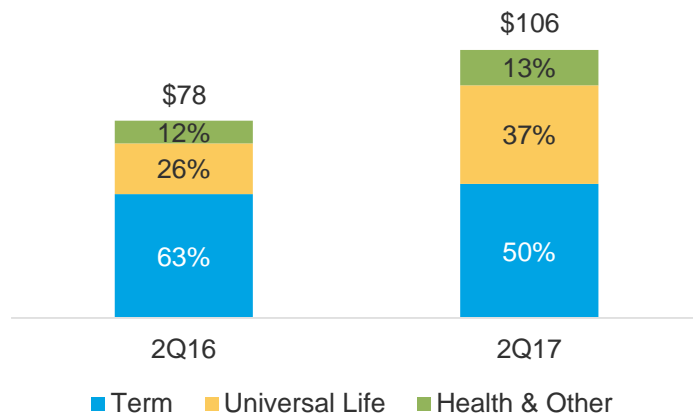
Key Takeaways

- Multi-year restructuring underway including administrative platform consolidation, distribution simplification, and narrowed product focus
- Strong growth in new business sales for both term and universal life insurance
- Reduction in domestic GOE due to staff reductions and exit of certain group benefit channels
- Mortality experience comparable to 2Q16 and within pricing expectations

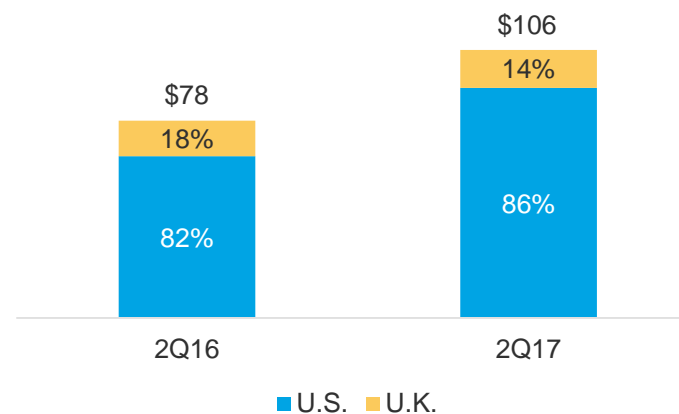
New Business Sales

(\$ in millions)

By Product



By Geography



1) Other income primarily related to commission and profit sharing revenues received by Laya Healthcare from the distribution of insurance products.

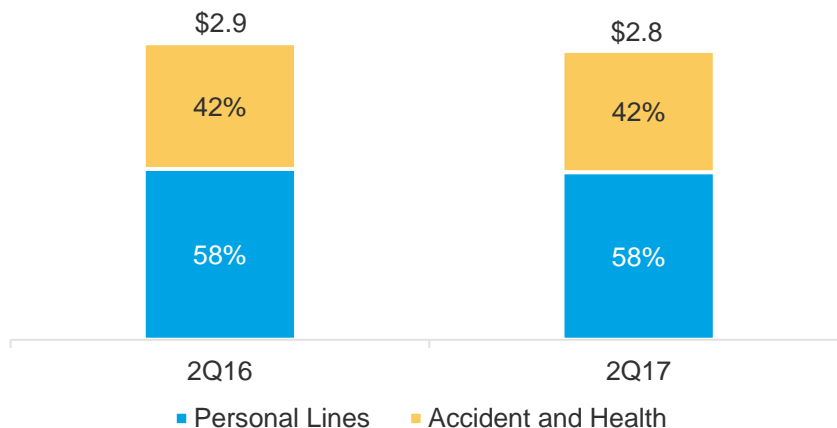
Consumer Insurance – Personal Insurance

(\$ in millions)	2Q16	2Q17
Net premiums written	\$2,924	\$2,846
Net premiums earned	2,862	2,788
Underwriting income	86	247
Net investment income	66	83
Pre-tax operating income	\$152	\$330
Normalized After-tax operating income	\$76	\$157
Avg. attributed equity	\$2,889	\$3,156
Normalized ROE	10.5%	19.9%

Key Takeaways

- Operating performance benefiting from strategic repositioning and focus on target markets
- AY Combined Ratio improvement driven primarily by favorable loss experience and continued GOE efficiency
- Minimal catastrophe losses in the quarter

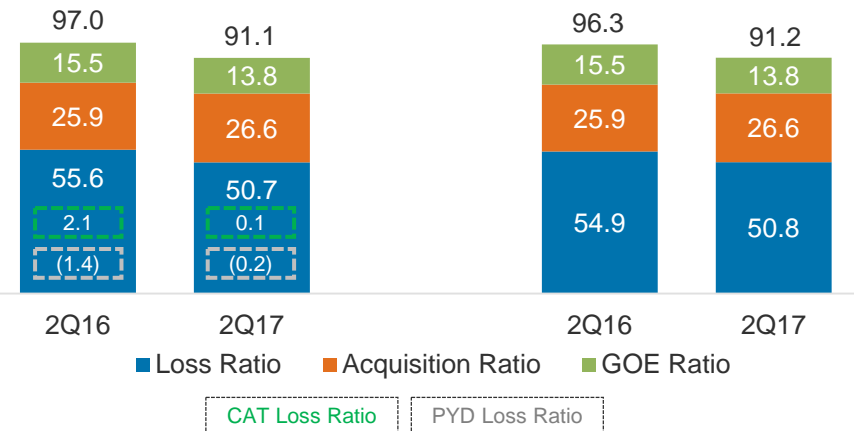
Net Premiums Written (\$B)



Combined Ratios

Calendar Year

Accident Year, As Adjusted





Q&A and Closing Remarks



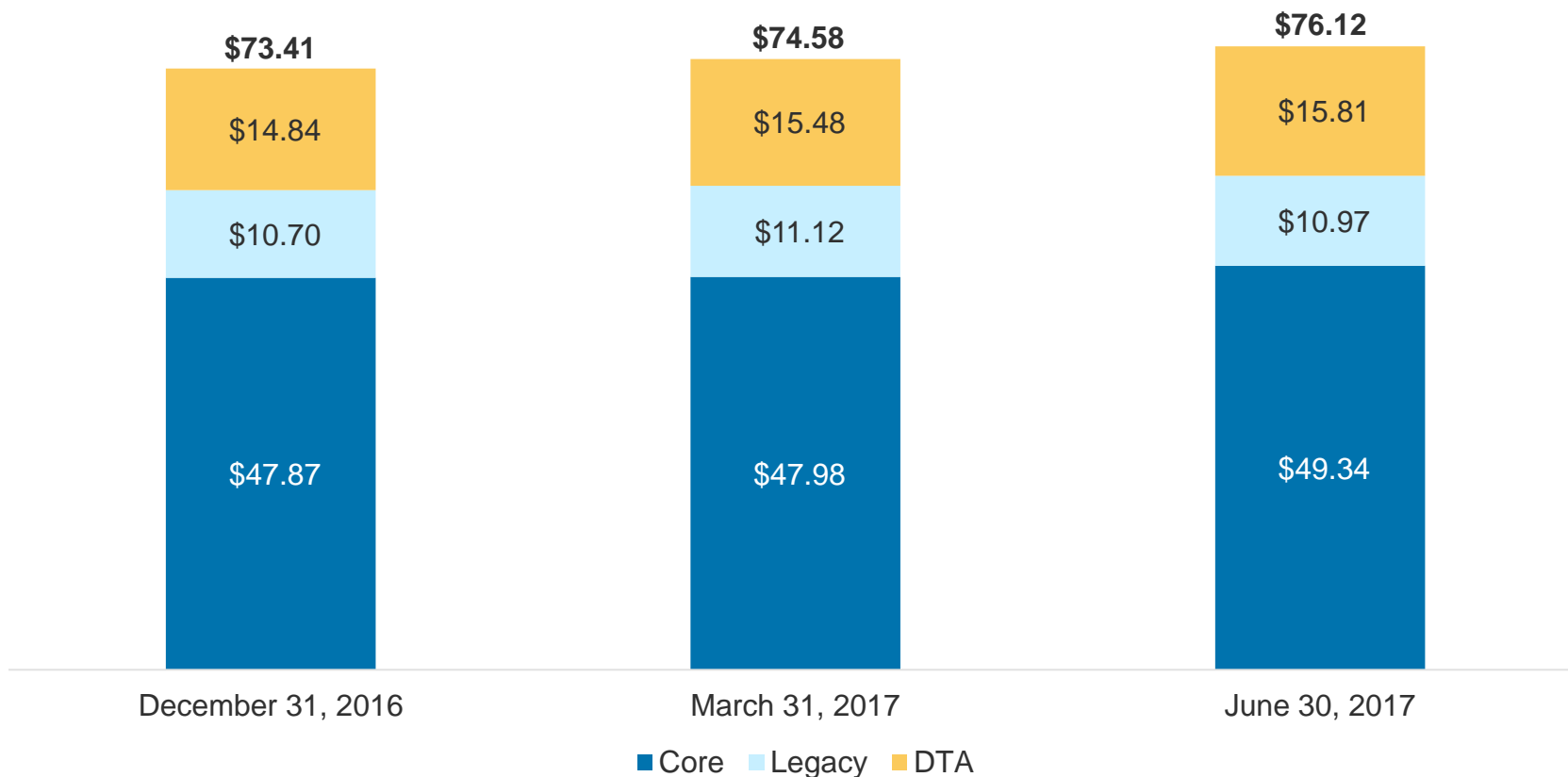


Appendix



Book Value Per Common Share (Ex. AOCI) Composition

Growth of 4% year-to-date



Maintaining Discipline and Focus on Expenses

GOE reductions were primarily driven by staff reductions and overall expense discipline around non-headcount related expenses.

(\$ in millions)

General Operating Expenses, Operating Basis – 2Q16 vs 2Q17



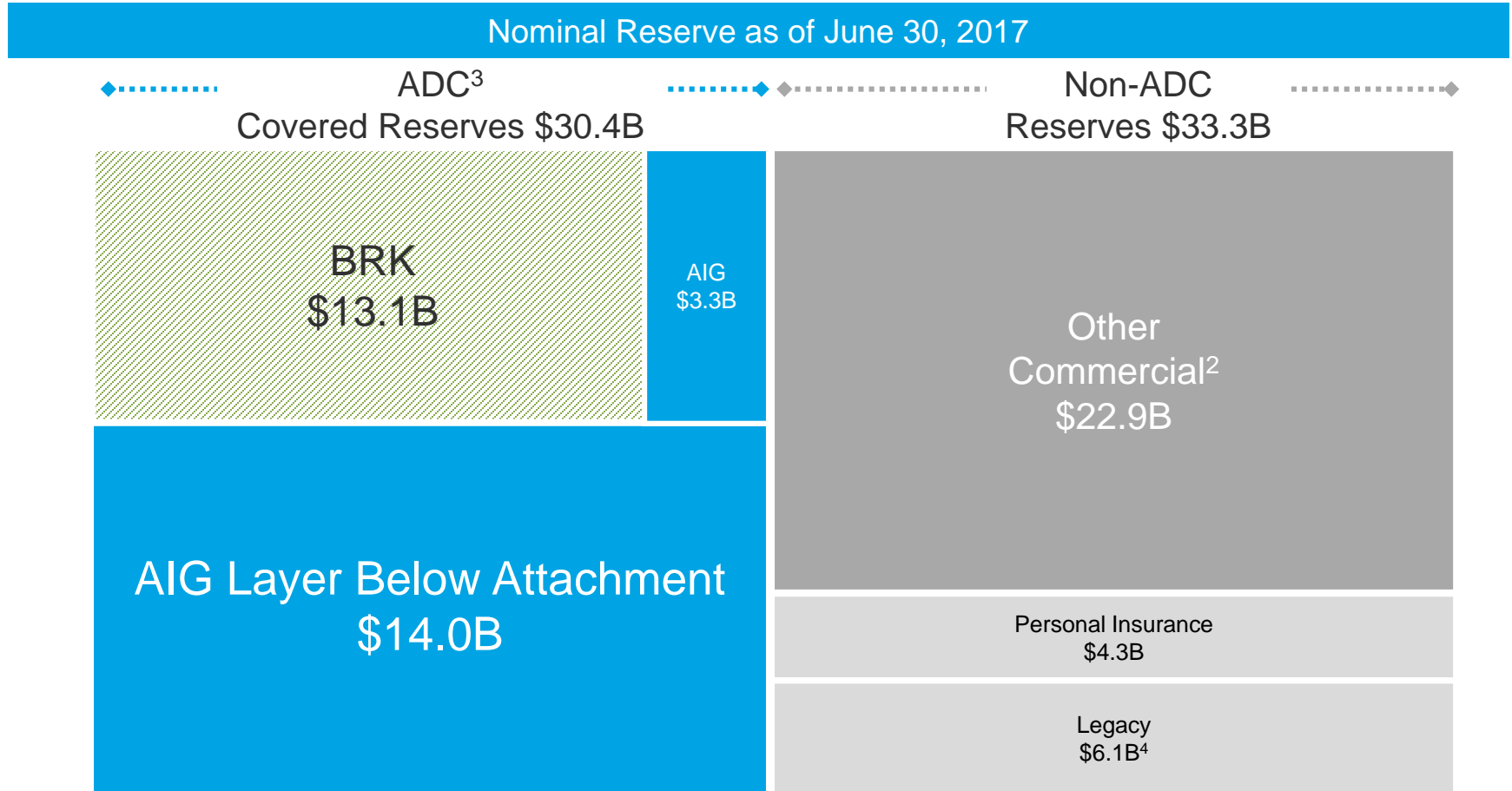
General Operating Expenses, Operating Basis – 1H'16 vs 1H'17



1) Represents a reduction in GOE of Advisor Group (\$25 million) and UGC (\$55 million), which were divested, and by \$12 million of foreign exchange impact.
 2) Represents a reduction in GOE of Advisor Group (\$70 million) and UGC (\$105 million), which were divested. Foreign exchange impact is minimal.

Transformation of Reserve Risk

ADC fundamentally transforms AIG's reserve risk profile by economically eliminating 80% of the reserve risk from some of the most volatile components of our Commercial reserves up to the limit specified in the ADC Agreement¹.



Note: Total reserves are presented on a nominal basis before Workers' Compensation discount.

1) The gain at inception and in any subsequent period is deferred and amortized over the estimated reinsurance recovery period of paid losses using an effective interest rate method. All reserve charges arising from the covered reserves will continue to reduce AIG's net income dollar-for-dollar.

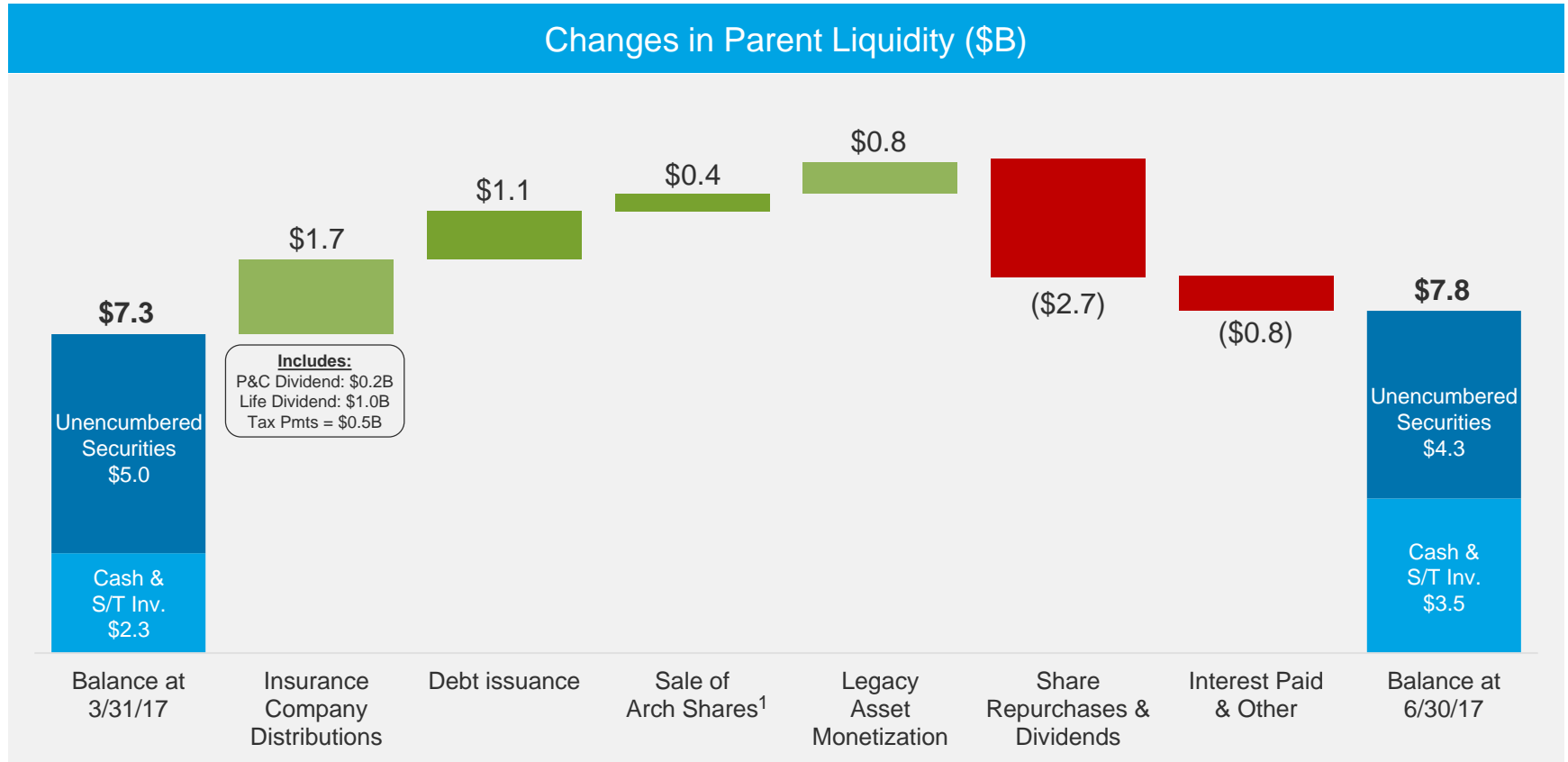
2) Other commercial lines consist of Property & Special Risks and International Liability & Financial Lines, as well as U.S. Liability & Financial Lines for Accident Years 2016 and after.

3) U.S. Liability & Financial Lines for Accident Years 2015 and prior, including the Casualty component of the Program business.

4) Excludes a portion of reserves related to certain long-duration business in Japan, which is recorded in Other policyholder funds on the Consolidated Balance Sheet.



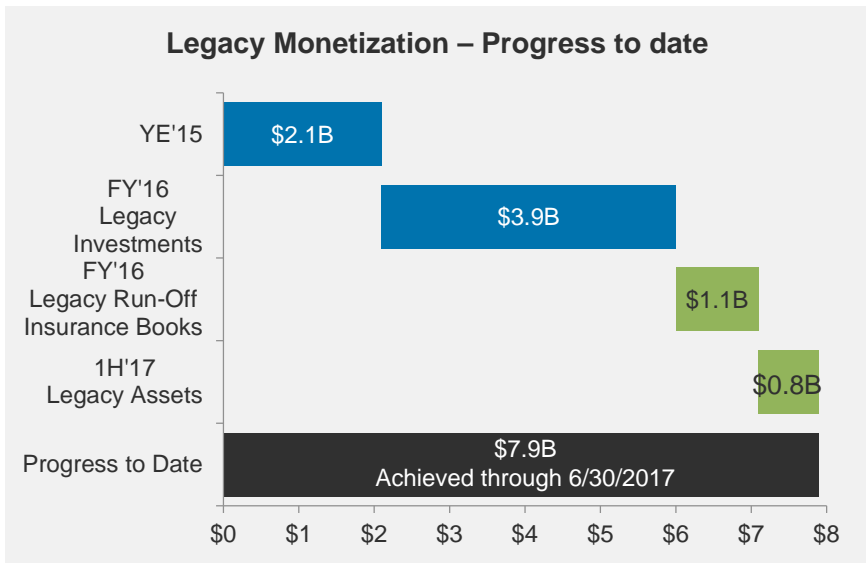
Parent Liquidity



1) Total proceeds from the sale of Arch shares was \$652 million, of which \$391 million was received by AIG Parent.

Legacy

(\$ in billions)



Key Takeaways

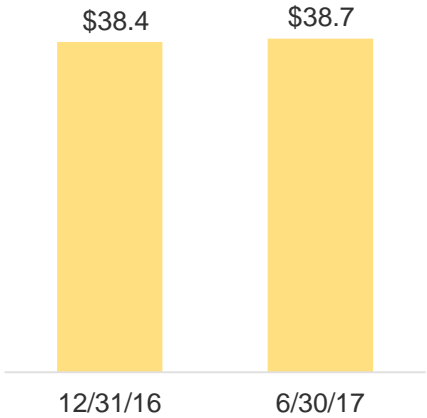
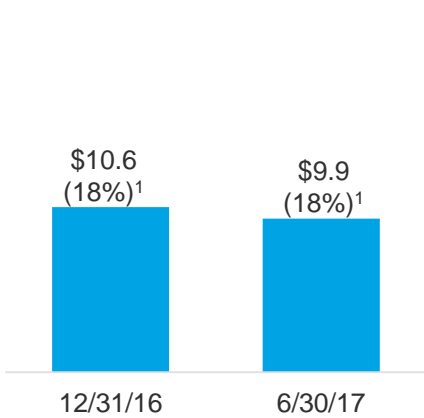
- \$0.8B of asset monetizations in 1H'17.

Attributed Equity

Legacy Investments

Legacy P&C Run-off Reserves

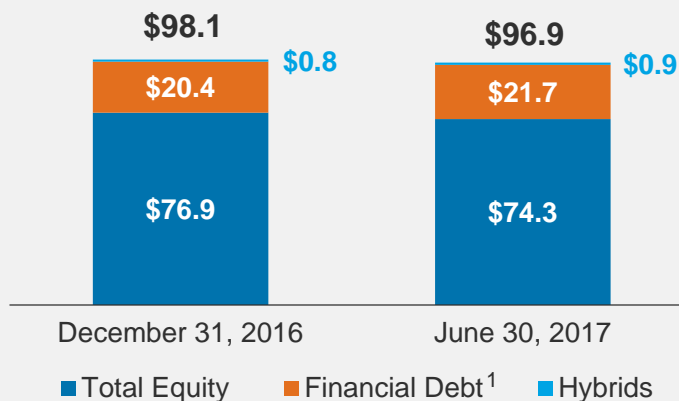
Legacy Life Insurance Run-off Reserves



1) Legacy Attributed equity as a percentage of AIG adjusted shareholders' equity.

Strong Capital Position

Capital Structure (\$ in Billions)



Capital Return (\$ in Millions)

	1H'17	2Q17
Share repurchases	\$6,000	\$2,415
Warrant repurchases	-	-
Dividends declared	597	290
Total	\$6,597	\$2,705

Risk Based Capital Ratios²

Year-end	Domestic Life Insurance Companies	Domestic Property Casualty Insurance Companies
2015	502% (CAL)	403% (ACL)
2016	509% (CAL)	411% (ACL)

Ratios:

	Dec. 31, 2016	June 30, 2017
Hybrids / Total capital	0.9%	0.9%
Financial debt / Total capital	20.8%	22.4%
Total Hybrids & Financial debt / Total capital	21.7%	23.3%

Credit Ratings³

	S&P	Moody's	Fitch	A.M. Best
AIG – Senior Debt	BBB+	Baa1	BBB+	NR
AIG Property Casualty – FSR	A+	A2	A	A
AIG Life – FSR	A+	A2	A+	A

1) Includes AIG notes, bonds, loans and mortgages payable, and AIG Life Holdings, Inc. (AIGLH) notes and bonds payable, and junior subordinated debt.

2) The inclusion of RBC measures is intended solely for the information of investors and is not intended for the purpose of ranking any insurance company or for use in connection with any marketing, advertising or promotional activities. ACL is defined as Authorized Control Level and CAL is defined as Company Action Level. RBC ratio for Domestic Life Insurance Companies excludes holding company, AGC Life Insurance Company.

3) As of the date of this presentation, Moody's and A.M. Best have Stable outlooks; S&P and Fitch have Negative outlooks. For property Casualty Insurance Companies FSR and Life Insurance Companies FSR, ratings only reflect those of the core insurance companies.



Acronyms & Definitions, Glossary of Non-GAAP Financial Measures, and Non-GAAP Reconciliations

A large, three-dimensional, light blue sign with the letters "AIG" in a bold, sans-serif font, mounted on the exterior of a modern building. The sign is viewed from a low angle, looking up at the building's facade. The background is a blurred view of the building's architecture, including windows and structural elements, all in a light blue color scheme.

Acronyms & Definitions

Acronyms

- **AAL** - Average annual loss expectation
- **YTD** – Year-to-date
- **YoY** – Year-over-year
- **NPW** – Net premiums written
- **FX** – Foreign exchange

Glossary of Non-GAAP Financial Measures

Glossary of Non-GAAP

Throughout this presentation, we present our financial condition and results of operations in the way we believe will be most meaningful and representative of our business results. Some of the measurements we use are “non-GAAP financial measures” under Securities and Exchange Commission rules and regulations. GAAP is the acronym for “generally accepted accounting principles” in the United States. The non-GAAP financial measures we present may not be comparable to similarly-named measures reported by other companies. The reconciliations of such measures to the most comparable GAAP measures in accordance with Regulation G are included within the relevant tables or in the Second Quarter 2017 Financial Supplement available in the Investor Information section of AIG’s website, www.aig.com.

We use certain of our operating performance measures, as discussed beginning in the next paragraph below, to define our forward-looking financial targets. Our financial targets are provided based on management’s estimates. The most directly comparable GAAP financial targets would be heavily dependent upon results that are beyond management’s control and the outcome of these items could be significantly different than management’s estimates. Therefore, we do not provide quantitative reconciliations for these financial targets as we cannot predict with accuracy future actual events (e.g., catastrophe losses) and impacts from changes in macro economic market conditions, including the interest rate environment (e.g. estimate for DIB & GCM returns, fair value changes on PICC Investments, net reserve discount change and returns on alternative investments).

- **Book Value per Common Share, Excluding Accumulated Other Comprehensive Income (AOCI) and Book Value per Common Share, Excluding AOCI and Deferred Tax Assets (DTA) (Adjusted Book Value per Common Share)** are used to show the amount of our net worth on a per-share basis. We believe these measures are useful to investors because they eliminate items that can fluctuate significantly from period to period, including changes in fair value of our available for sale securities portfolio, foreign currency translation adjustments and U.S. tax attribute deferred tax assets. These measures also eliminate the asymmetrical impact resulting from changes in fair value of our available for sale securities portfolio wherein there is largely no offsetting impact for certain related insurance liabilities. We exclude deferred tax assets representing U.S. tax attributes related to net operating loss carryforwards and foreign tax credits as they have not yet been utilized. Amounts for interim periods are estimates based on projections of full-year attribute utilization. As net operating loss carryforwards and foreign tax credits are utilized, the portion of the DTA utilized is included in these book value per common share metrics. Book value per common share, excluding AOCI, is derived by dividing Total AIG Shareholders’ equity, excluding AOCI, by total common shares outstanding. Adjusted Book Value per Common Share, is derived by dividing Total AIG shareholders’ equity, excluding AOCI and DTA (**Adjusted Shareholders’ Equity**), by total common shares outstanding.
- **AIG Return on Equity – After-tax Operating Income Excluding AOCI and DTA (Adjusted Return on Equity)** is used to show the rate of return on shareholders’ equity. We believe this measure is useful to investors because it eliminates items that can fluctuate significantly from period to period, including changes in fair value of our available for sale securities portfolio, foreign currency translation adjustments and U.S. tax attribute deferred tax assets. This measure also eliminates the asymmetrical impact resulting from changes in fair value of our available for sale securities portfolio wherein there is largely no offsetting impact for certain related insurance liabilities. We exclude deferred tax assets representing U.S. tax attributes related to net operating loss carryforwards and foreign tax credits as they have not yet been utilized. Amounts for interim periods are estimates based on projections of full-year attribute utilization. As net operating loss carryforwards and foreign tax credits are utilized, the portion of the DTA utilized is included in Adjusted Return on Equity. Adjusted Return on Equity is derived by dividing actual or annualized after-tax operating income attributable to AIG by average Adjusted Shareholders’ Equity.
- **AIG Normalized Return on Equity** further adjusts Adjusted Return on Equity for the effects of certain volatile or market related items. We believe this measure is useful to investors because it presents the trends in our consolidated return on equity without the impact of certain items that can experience volatility in our short-term results. Normalized Return on Equity is derived by excluding the following tax adjusted effects from Adjusted Return on Equity: the difference between actual and expected (i) catastrophe losses, (ii) alternative investment returns, and (iii) Direct Investment book (DIB) and Global Capital Markets (GCM) returns; fair value changes on PICC investments; update of actuarial assumptions; Life insurance incurred but not reported (IBNR) death claim charge; and prior year loss reserve development.
- **Core and Legacy Portfolio Attributed Equity** – is an attribution of total AIG Adjusted Shareholders’ Equity to each of our modules within Core and Legacy Portfolio based on our internal capital model, which incorporates the respective risk profiles. Attributed equity represents our best estimates based on current facts and circumstances and will change over time.
- **Core and Legacy Portfolio Return on Equity – After-tax Operating Income (Adjusted Return on Attributed Equity)** is used to show the rate of return on attributed equity. Return on Attributed Equity is derived by dividing actual or annualized After-tax Operating Income by Average Attributed Equity.
- **Core and Legacy Portfolio Normalized Return on Attributed Equity (Normalized Return on Attributed Equity)** further adjusts Adjusted Return on Attributed Equity for the effects of certain volatile or market-related items. We believe this measure is useful to investors because it presents the trends in our Return on Attributed Equity without the impact of certain items that can experience volatility in our short-term results. Normalized Return on Attributed Equity is derived by excluding the following tax adjusted effects from Return on Attributed Equity: the difference between actual and expected (i) catastrophe losses, (ii) alternative investment returns, and (iii) DIB and GCM returns; fair value changes on PICC investments; update of actuarial assumptions; Life insurance IBNR death claim charge; and prior year loss reserve development.
- **Normalized return on attributed equity adjusted for loss estimates** is derived by excluding updates to loss estimates in the second half of 2016 from Normalized After-tax Operating Income. We believe this measure is useful to investors because it provides for normalized return on attributed equity on a comparable basis.

Glossary of Non-GAAP Financial Measures

Glossary of Non-GAAP

- **After-tax Operating Income Attributable to Core and Legacy Portfolio** is derived by subtracting attributed interest expense and income tax expense from pre-tax operating income. Attributed debt and the related interest expense is calculated based on our internal capital model. Tax expense or benefit is calculated based on an internal attribution methodology that considers among other things the taxing jurisdiction in which the operating segments and geographies conduct business, as well as the deductibility of expenses in those jurisdictions.
- **Normalized After-tax Operating Income Attributable to Core and Legacy Portfolio** further adjusts After-tax Operating Income attributable to Core and Legacy Portfolio for the effects of certain volatile or market related items. We believe this measure is useful to investors because it presents the trends in after tax operating income without the impact of certain items that can experience volatility in our short-term results. Normalized After-tax Operating Income attributable to Core and Legacy Portfolio is derived by excluding the following tax adjusted effects from After-tax Operating Income: the difference between actual and expected (i) catastrophe losses, (ii) alternative investment returns, and (iii) DIB and GCM returns; fair value changes on PICC investments; update of actuarial assumptions; Life insurance IBNR death claim charge; and prior year loss reserve development (PYD), net of reinsurance premium adjustments.
- **Normalized after-tax operating income (loss) per share** is derived by dividing normalized after-tax operating income(loss) by diluted weighted average shares outstanding. We believe that the use of this measure is useful to investors because it presents our after-tax operating income on a per share basis without the impact of certain items that can experience volatility in our short-term results.
- **Operating Revenues** exclude Net realized capital gains (losses), income from non-operating litigation settlements (included in Other income for GAAP purposes) and changes in fair value of securities used to hedge guaranteed living benefits (included in Net investment income for GAAP purposes). Operating revenues is a GAAP measure for our operating segments.
- **General Operating Expenses, Operating Basis (Operating GOE)**, is derived by making the following adjustments to general operating and other expenses: include (i) certain loss adjustment expenses, reported as policyholder benefits and losses incurred and (ii) certain investment and other expenses reported as net investment income, and exclude (i) advisory fee expenses, (ii) non-deferrable insurance commissions, (iii) direct marketing and acquisition expenses, net of deferrals, (iv) non-operating litigation reserves and (v) other expense related to an asbestos retroactive reinsurance agreement. We use General operating expenses, operating basis, because we believe it provides a more meaningful indication of our ordinary course of business operating costs, regardless of within which financial statement line item these expenses are reported externally within our segment results. The majority of these expenses are employee-related costs. For example, Other acquisition expenses and losses and loss adjustment expenses primarily represent employee-related costs in the underwriting and claims functions, respectively. Excluded from this measure are non-operating expenses (such as restructuring costs and litigation reserves), direct marketing expenses, insurance company assessments and non-deferrable commissions. We also exclude the impact of foreign exchange and the expenses of AIG Advisor Group and UGC, which have been divested, when measuring period-over-period fluctuations in General operating expenses, Operating basis.

We use the following operating performance measures because we believe they enhance the understanding of the underlying profitability of continuing operations and trends of our business segments. We believe they also allow for more meaningful comparisons with our insurance competitors. When we use these measures, reconciliations to the most comparable GAAP measure are provided on a consolidated basis.

- **Pre-tax Operating Income (PTOI)** is derived by excluding the following items from income from continuing operations before income tax. This definition is consistent across our modules (including geography). These items generally fall into one or more of the following broad categories: legacy matters having no relevance to our current businesses or operating performance; adjustments to enhance transparency to the underlying economics of transactions; and measures that we believe to be common to the industry. PTOI is a GAAP measure for our operating segments.
 - changes in fair value of securities used to hedge guaranteed living benefits;
 - changes in benefit reserves and deferred policy acquisition costs (DAC), value of business acquired (VOBA), and sales inducement assets (SIA) related to net realized capital gains and losses;
 - loss (gain) on extinguishment of debt;
 - net realized capital gains and losses;
 - non-qualifying derivative hedging activities, excluding net realized capital gains and losses;
 - income or loss from discontinued operations;
 - net loss reserve discount benefit (charge);
 - pension expense related to a one-time lump sum payment to former employees;
 - income and loss from divested businesses;
 - non-operating litigation reserves and settlements;
 - reserve development related to non-operating run-off insurance business;
 - restructuring and other costs related to initiatives designed to reduce operating expenses, improve efficiency and simplify our organization; and
 - the portion of favorable or unfavorable prior year reserve development for which we have ceded the risk under retroactive reinsurance agreements and related changes in amortization of the deferred gain.

Glossary of Non-GAAP Financial Measures

Glossary of Non-GAAP

- **After-tax Operating Income Attributable to AIG (ATOI)** is derived by excluding the tax effected PTOI adjustments described above and the following tax items from net income attributable to AIG:
 - deferred income tax valuation allowance releases and charges; and
 - uncertain tax positions and other tax items related to legacy matters having no relevance to our current businesses or operating performance.
- **Ratios:** We, along with most property and casualty insurance companies, use the loss ratio, the expense ratio and the combined ratio as measures of underwriting performance. These ratios are relative measurements that describe, for every \$100 of net premiums earned, the amount of losses and loss adjustment expenses (which for Commercial Insurance excludes net loss reserve discount), and the amount of other underwriting expenses that would be incurred. A combined ratio of less than 100 indicates underwriting income and a combined ratio of over 100 indicates an underwriting loss. Our ratios are calculated using the relevant segment information calculated under GAAP, and thus may not be comparable to similar ratios calculated for regulatory reporting purposes. The underwriting environment varies across countries and products, as does the degree of litigation activity, all of which affect such ratios. In addition, investment returns, local taxes, cost of capital, regulation, product type and competition can have an effect on pricing and consequently on profitability as reflected in underwriting income and associated ratios.
- **Accident year loss and combined ratios, as adjusted:** both the accident year loss and combined ratios, as adjusted, exclude catastrophe losses and related reinstatement premiums, prior year development, net of premium adjustments, and the impact of reserve discounting. Natural catastrophe losses are generally weather or seismic events having a net impact on AIG in excess of \$10 million each. Catastrophes also include certain man-made events, such as terrorism and civil disorders that meet the \$10 million threshold. We believe the as adjusted ratios are meaningful measures of our underwriting results on an ongoing basis as they exclude catastrophes and the impact of reserve discounting which are outside of management's control. We also exclude prior year development to provide transparency related to current accident year results.

Underwriting ratios are computed as follows:

 - a) Loss ratio = Loss and loss adjustment expenses incurred ÷ Net premiums earned (NPE)
 - b) Acquisition ratio = Total acquisition expenses ÷ NPE
 - c) General operating expense ratio = General operating expenses ÷ NPE
 - d) Expense ratio = Acquisition ratio + General operating expense ratio
 - e) Combined ratio = Loss ratio + Expense ratio
 - f) Accident year loss ratio, as adjusted (AYLR) = [Loss and loss adjustment expenses incurred – CATs – PYD] ÷ [NPE +/- Reinstatement premiums (RIPs) related to catastrophes +/- RIPs related to prior year catastrophes + (Additional) returned premium related to PYD on loss sensitive business + Adjustment for ceded premiums under reinsurance contracts related to prior accident years]
 - g) Accident year combined ratio = AYLR + Expense ratio
 - h) Catastrophe losses (CATs) and reinstatement premiums = [Loss and loss adjustment expenses incurred – (CATs)] ÷ [NPE +/- RIPs related to catastrophes] – Loss ratio
 - i) Prior year development net of (additional) return premium related to PYD on loss sensitive business = [Loss and loss adjustment expenses incurred – Prior year loss reserve development unfavorable (favorable) (PYD), net of reinsurance] ÷ [NPE +/- RIPs related to prior year catastrophes + (Additional) returned premium related to PYD on loss sensitive business] – Loss ratio
- **Premiums and deposits:** includes direct and assumed amounts received and earned on traditional life insurance policies, group benefit policies and life-contingent payout annuities, as well as deposits received on universal life, investment-type annuity contracts and mutual funds.

Results from discontinued operations are excluded from all of these measures.

Non-GAAP Reconciliations

Book Value Per Share and Return on Equity

(in millions, except per share data)

Book Value Per Share

	<u>4Q16</u>	<u>1Q17</u>	<u>2Q17</u>
Total AIG shareholders' equity (a)	\$ 76,300	\$ 74,069	\$ 73,732
Less: Accumulated other comprehensive income (AOCI)	3,230	3,781	4,962
Total AIG shareholders' equity, excluding AOCI (b)	73,070	70,288	68,770
Less: Deferred tax assets (DTA)	14,770	14,585	14,287
Total adjusted shareholders' equity (c)	\$ 58,300	\$ 55,703	\$ 54,483
Total common shares outstanding (d)	995.3	942.5	903.4
Book value per common share (a÷d)	\$ 76.66	\$ 78.59	\$ 81.62
Book value per common share, excluding AOCI (b÷d)	73.41	74.58	76.12
Adjusted book value per common share (c÷d)	58.57	59.10	60.31

(in millions, except per share data)

Return On Equity (ROE) Computations

Actual or Annualized net income (loss) attributable to AIG (a)
 Actual or Annualized after-tax operating income (loss) attributable to AIG (b)
 Average AIG Shareholders' equity (c)
 Less: Average AOCI
 Less: Average DTA
Average adjusted shareholders' equity (d)
 ROE (a÷c)

	Six Months Ended June 30,			
	<u>2Q16</u>	<u>2Q17</u>	<u>2016</u>	<u>2017</u>
Actual or Annualized net income (loss) attributable to AIG (a)	\$ 7,652	\$ 4,520	\$ 3,460	\$ 4,630
Actual or Annualized after-tax operating income (loss) attributable to AIG (b)	\$ 5,252	\$ 5,796	\$ 4,156	\$ 5,632
Average AIG Shareholders' equity (c)	\$ 89,232	\$ 73,901	\$ 89,374	\$ 74,700
Less: Average AOCI	6,892	4,372	5,440	3,991
Less: Average DTA	16,220	14,436	16,397	14,547
Average adjusted shareholders' equity (d)	66,120	55,093	67,537	56,162
ROE (a÷c)	8.6%	6.1%	3.9%	6.2%
After-tax operating income (loss) as reported (e)	\$ 1,313	\$ 1,449	\$ 2,078	\$ 2,816
Adjustments to arrive at Normalized after-tax operating income (loss):				
Catastrophe losses above (below) expectations	17	(101)	(72)	(173)
(Better) worse than expected alternative returns (1)	4	(73)	468	(192)
(Better) worse than expected DIB & GCM returns	(28)	(93)	229	(122)
Fair value changes on PICC investments	55	(4)	122	(18)
Life Insurance - IBNR death claims	-	-	(16)	-
Unfavorable (favorable) prior year loss reserve development	19	82	(20)	103
Normalized after-tax operating income (loss) (f)	\$ 1,380	\$ 1,260	\$ 2,789	\$ 2,414
Adjusted return on equity (b÷d)	7.9%	10.5%	6.2%	10.0%
Normalized return on equity (f÷d) (2)	8.3%	9.1%	8.3%	8.6%
Normalized after-tax operating income(loss) per share:				
Weighted average shares outstanding - diluted	1,140.0	948.2	1,163.1	976.6
Normalized after-tax operating income (loss) per share	\$ 1.21	\$ 1.33	\$ 2.40	\$ 2.47



(1) The expected rate of return on alternative investments used was 8% for all periods presented.

(2) Normalizing adjustments are tax effected using a 35% tax rate and computed based on average attributed equity for the respective periods.

Non-GAAP Reconciliations

Pre-tax and After-tax Operating Income - Consolidated

(in millions)

	2Q16	2Q17
Pre-tax income (loss) from continuing operations	\$ 2,858	\$ 1,667
Adjustments to arrive at Pre-tax operating income (loss)		
Changes in fair value of securities used to hedge guaranteed living benefits	(120)	(80)
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses)	64	(58)
Loss (gain) on extinguishment of debt	7	(4)
Net realized capital (gains) losses	(1,042)	69
(Income) loss from divested businesses	(225)	60
Non-operating litigation reserves and settlements	(7)	(80)
Unfavorable (favorable) prior year development and related amortization changes ceded under retroactive reinsurance agreements	(5)	251
Net loss reserve discount (benefit) charge	300	260
Pension expense related to a one-time lump sum payment to former employees	-	1
Restructuring and other costs	90	47
Pre-tax operating income (loss)	\$ 1,920	\$ 2,133
Net income (loss) attributable to AIG	\$ 1,913	\$ 1,130
Adjustments to arrive at After-tax operating income (loss)		
(amounts net of tax, at a rate of 35%, except where noted):		
Uncertain tax positions and other tax adjustments (a)	(63)	66
Deferred income tax valuation allowance (releases) charges (a)	35	(8)
Changes in fair value of securities used to hedge guaranteed living benefits	(78)	(52)
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses)	42	(38)
Loss (gain) on extinguishment of debt	5	(2)
Net realized capital (gains) losses (b)	(655)	31
(Income) loss from discontinued operations (a)	10	(8)
(Income) loss from divested businesses (c)	(146)	20
Non-operating litigation reserves and settlements	(5)	(52)
Unfavorable (favorable) prior year development and related amortization changes ceded under retroactive reinsurance agreements	(3)	162
Net loss reserve discount (benefit) charge	200	170
Pension expense related to a one-time lump sum payment to former employees	-	-
Restructuring and other costs	58	30
After-tax operating income (loss)	\$ 1,313	\$ 1,449
Weighted average diluted shares outstanding	1,140.0	948.2
Income (loss) per common share attributable to AIG (diluted)	\$ 1.68	\$ 1.19
After-tax operating income (loss) per common share attributable to AIG (diluted)	\$ 1.15	\$ 1.53

(a) Includes impact of tax only adjustments.

(b) The tax effect includes the impact of non-U.S. tax rates lower than 35% applied to foreign exchange (gains) or losses attributable to those jurisdictions where foreign earnings are considered to be indefinitely reinvested.

(c) The tax effect included the impact of non-U.S. tax rates lower than 35% applied to (income) or losses on dispositions by foreign affiliates whose tax bases in divested subsidiaries differed from U.S. GAAP carrying values.



Non-GAAP Reconciliations

General Operating and Other Expenses

(in millions)

	Six Months Ended June 30,			
	2Q16	2Q17	2016	2017
General operating and other expenses, GAAP basis	\$ 2,586	\$ 2,182	\$ 5,589	\$ 4,625
Restructuring and other costs	(90)	(47)	(278)	(228)
Other expense related to retroactive reinsurance agreement	5	-	12	-
Pension expense related to a one-time lump sum payment to former employees	-	(1)	-	(1)
Non-operating litigation reserves	-	74	(3)	70
Total general operating and other expenses included in pre-tax operating income	2,501	2,208	5,320	4,466
Loss adjustment expenses, reported as policyholder benefits and losses incurred	350	296	691	600
Advisory fee expenses	(173)	(77)	(490)	(154)
Non-deferrable insurance commissions and other	(121)	(130)	(243)	(262)
Direct marketing and acquisition expenses, net of deferrals, and other	(133)	(58)	(277)	(170)
Investment expenses reported as net investment income and other	15	9	30	17
Total general operating expenses, operating basis	\$ 2,439	\$ 2,248	\$ 5,031	\$ 4,497
Less: FX Impact	12	-	-	-
Less: GOE of Advisor Group	25	-	70	-
Less: GOE of UGC	55	-	105	-
Total general operating expenses, operating basis, Ex. FX & GOE of AIG Advisor Group and UGC	\$ 2,347	\$ 2,248	\$ 4,856	\$ 4,497

Non-GAAP Reconciliations

PTOI, ATOI and Normalized ATOI

Commercial Insurance - Liability and Financial Lines (in millions)

	2Q16	2Q17
Pre-tax operating income (loss)	\$ 815	\$ 586
Interest expense on attributed financial debt	50	73
Operating income (loss) before taxes:	765	513
Income tax expense (benefit)	237	141
After-tax operating income (loss) (a)	\$ 528	\$ 372
Adjustments to arrive at normalized after-tax operating income (loss):		
Catastrophe losses above (below) expectations (Better) worse than expected alternative returns*	(2)	(1)
Fair value changes on PICC investments	14	(23)
Unfavorable (favorable) prior year loss reserve development	18	-
	64	59
Normalized after-tax operating income (b)	622	\$ 407
Loss estimates recorded in 2H'16	(109)	
Normalized after-tax operating income adjusted for loss estimates	\$ 513	
Ending attributed equity	20,094	14,376
Average attributed equity (c)	20,005	14,357
Adjusted return on attributed equity (a÷c)	10.6 %	10.4 %
Normalized return on attributed equity** (b÷c)	12.4 %	11.3 %
Normalized return on attributed equity adjusted for loss estimates	10.2 %	

Commercial Insurance - Property and Special Risks (in millions)

	2Q16	2Q17
Pre-tax operating income (loss)	\$ 126	\$ 130
Interest expense on attributed financial debt	34	34
Operating income (loss) before taxes:	92	96
Income tax expense (benefit)	28	35
After-tax operating income (loss) (a)	\$ 64	\$ 61
Adjustments to arrive at normalized after-tax operating income (loss):		
Catastrophe losses above (below) expectations (Better) worse than expected alternative returns*	20	(59)
Fair value changes on PICC investments	-	(10)
Unfavorable (favorable) prior year loss reserve development	7	-
	(26)	32
Normalized after-tax operating income (b)	\$ 65	\$ 24
Ending attributed equity	8,976	\$ 8,190
Average attributed equity (c)	8,930	8,179
Adjusted return on attributed equity (a÷c)	2.9 %	3.0 %
Normalized return on attributed equity** (b÷c)	2.9 %	1.2 %

Total Commercial Insurance (in millions)

	2Q16	1Q17	2Q17
Pre-tax operating income (loss)	\$ 941	\$ 849	\$ 716
Interest expense on attributed financial debt	84	105	107
Operating income (loss) before taxes:	857	744	609
Income tax expense (benefit)	265	270	176
After-tax operating income (loss) (a)	\$ 592	\$ 474	\$ 433
Adjustments to arrive at normalized after-tax operating income (loss):			
Catastrophe losses above (below) expectations (Better) worse than expected alternative returns*	18	(42)	(60)
Fair value changes on PICC investments	14	(70)	(33)
Unfavorable (favorable) prior year loss reserve development	25	-	-
	38	30	91
Normalized after-tax operating income (b)	\$ 687	\$ 392	\$ 431
Ending attributed equity	29,070	22,506	22,566
Average attributed equity (c)	28,935	24,927	22,536
Adjusted return on attributed equity (a÷c)	8.2 %	7.6 %	7.7 %
Normalized return on attributed equity** (b÷c)	9.5 %	6.3 %	7.6 %



* The expected rate of return on alternative investments used was 8% for all periods presented.

** Normalizing adjustments are tax effected including the impact of non-U.S. tax rates (25% for Europe and 30% for Japan) applied to the normalizing adjustments attributable to the respective geography. Normalized return on attributed equity is computed based on normalized after-tax operating income divided by average attributed equity for the respective periods. 33

Non-GAAP Reconciliations

PTOI, ATOI and Normalized ATOI

Consumer Insurance - Individual Retirement

(in millions)

	2Q16	2Q17
Pre-tax operating income	\$ 505	\$ 558
Interest expense on attributed financial debt	15	-
Operating income (loss) before taxes:	490	558
Income tax expense (benefit)	162	188
After-tax operating income (a)	\$ 328	\$ 370
Adjustments to arrive at normalized after-tax operating income (loss):		
(Better) worse than expected alternative returns*	(17)	(11)
Normalized after-tax operating income (b)	\$ 311	\$ 359
Ending attributed equity	11,455	11,085
Average attributed equity (c)	11,397	11,046
Adjusted return on attributed equity (a÷c)	11.5 %	13.4 %
Normalized return on attributed equity** (b÷c)	10.9 %	13.0 %

Consumer Insurance - Life Insurance

(in millions)

	2Q16	2Q17
Pre-tax operating income (loss)	\$ 26	\$ 106
Interest expense on attributed financial debt	8	6
Operating income (loss) before taxes:	18	100
Income tax expense (benefit)	6	35
After-tax operating income (loss) (a)	\$ 12	\$ 65
Adjustments to arrive at normalized after-tax operating income (loss):		
(Better) worse than expected alternative returns*	(5)	(3)
Normalized after-tax operating income (b)	\$ 7	\$ 62
Ending attributed equity	2,741	2,581
Average Attributed equity (c)	2,733	2,563
Adjusted return on attributed equity (a÷c)	1.8 %	10.1 %
Normalized return on attributed equity** (b÷c)	1.0 %	9.7 %

Consumer Insurance - Group Retirement

(in millions)

	2Q16	2Q17
Pre-tax operating income (loss)	\$ 265	\$ 266
Interest expense on attributed financial debt	8	-
Operating income (loss) before taxes:	257	266
Income tax expense (benefit)	78	82
After-tax operating income (a)	\$ 179	\$ 184
Adjustments to arrive at normalized after-tax operating income (loss):		
(Better) worse than expected alternative returns*	(9)	(6)
Normalized after-tax operating income (b)	\$ 170	\$ 178
Ending attributed equity	6,242	6,079
Average attributed equity (c)	6,210	6,057
Adjusted return on attributed equity (a÷c)	11.5 %	12.2 %
Normalized return on attributed equity** (b÷c)	11.0 %	11.8 %

Consumer Insurance - Personal Insurance

(in millions)

	2Q16	2Q17
Pre-tax operating income (loss)	\$ 152	\$ 330
Interest expense on attributed financial debt	23	25
Operating income (loss) before taxes:	129	305
Income tax expense (benefit)	46	105
After-tax operating income (loss) (a)	\$ 83	\$ 200
Adjustments to arrive at normalized after-tax operating income (loss):		
Catastrophe losses above (below) expectations	-	(43)
(Better) worse than expected alternative returns*	16	-
Fair value changes on PICC investments	2	-
Unfavorable (favorable) prior year loss reserve development	(25)	-
Normalized after-tax operating income (b)	\$ 76	\$ 157
Ending attributed equity	2,919	3,301
Average attributed equity (c)	2,889	3,156
Adjusted return on attributed equity (a÷c)	11.5 %	25.3 %
Normalized return on attributed equity** (b÷c)	10.5 %	19.9 %

* The expected rate of return on alternative investments used was 8% for all periods presented.

** Normalizing adjustments are tax effected including the impact of non-U.S. tax rates (25% for Europe and 30% for Japan) applied to the normalizing adjustments attributable to the respective geography. Normalized return on attributed equity is computed based on normalized after-tax operating income divided by average attributed equity for the respective periods.



Non-GAAP Reconciliations

PTOI, ATOI and Normalized ATOI

Total Consumer Insurance (in millions)

	2Q16	2Q17
Pre-tax operating income (loss)	\$ 948	\$ 1,260
Interest expense on attributed financial debt	54	31
Operating income (loss) before taxes:	894	1,229
Income tax expense (benefit)	292	410
After-tax operating income (loss) (a)	\$ 602	\$ 819
Adjustments to arrive at normalized after-tax operating income (loss):		
(Better) worse than expected alternative returns*	(15)	(20)
Catastrophe losses above (below) expectations	-	(43)
Fair value changes on PICC investments	2	-
Unfavorable (favorable) prior year loss reserve development	(25)	-
Normalized after-tax operating income (b)	\$ 564	\$ 756
Ending attributed equity	23,357	23,046
Average attributed equity (c)	23,229	22,822
Adjusted return on attributed equity (a÷c)	10.4 %	14.4 %
Normalized return on attributed equity** (b÷c)	9.7 %	13.3 %

Other Operations (including consolidations and eliminations) (in millions)

	2Q16	2Q17
Pre-tax operating income (loss)	\$ (176)	\$ (274)
Interest expense (benefit) on attributed financial debt	(160)	(181)
Operating income (loss) before taxes:	(16)	(93)
Income tax expense (benefit)	(50)	(25)
After-tax operating income (loss) (a)	\$ 34	\$ (68)
Adjustments to arrive at normalized after-tax operating income (loss):		
Catastrophe losses above (below) expectations	-	3
(Better) worse than expected alternative returns*	11	(1)
(Better) worse than expected DIB & GCM returns	1	(3)
Fair value changes on PICC investments	7	(4)
Unfavorable (favorable) prior year loss reserve development	(8)	(8)
Normalized after-tax operating income (loss) (b)	\$ 45	\$ (81)
Ending attributed equity	(1,096)	(1,041)
Average attributed equity (c)	(928)	(460)

* The expected rate of return on alternative investments used was 8% for all periods presented.

** Normalizing adjustments are tax effected including the impact of non-U.S. tax rates (25% for Europe and 30% for Japan) applied to the normalizing adjustments attributable to the respective geography. Normalized return on attributed equity is computed based on normalized after-tax operating income divided by average attributed equity for the respective periods.



Non-GAAP Reconciliations

PTOI, ATOI and Normalized ATOI

Total Core

(in millions)

	Six Months Ended			
	June 30,			
	2Q16	2Q17	2016	2017
Pre-tax operating income (loss)	\$ 1,713	\$ 1,702	\$ 2,860	\$ 3,401
Interest expense (benefit) on attributed financial debt	(22)	(43)	(45)	(86)
Operating income (loss) before taxes:	1,735	1,745	2,905	3,487
Income tax expense (benefit)	507	561	786	1,117
After-tax operating income (loss) (a)	\$ 1,228	\$ 1,184	\$ 2,119	\$ 2,370
Adjustments to arrive at normalized after-tax operating income (loss):				
Catastrophe losses above (below) expectations	18	(100)	(69)	(170)
(Better) worse than expected alternative returns*	10	(54)	402	(177)
(Better) worse than expected DIB & GCM returns	1	(3)	3	(4)
Fair value changes on PICC investments	34	(4)	52	(18)
Unfavorable (favorable) prior year loss reserve development	5	83	(36)	114
Normalized after-tax operating income (b)	\$ 1,296	\$ 1,106	\$ 2,471	\$ 2,115
Ending attributed equity	51,331	44,571	51,331	44,571
Average attributed equity (c)	51,236	44,898	51,997	45,816
Adjusted return on attributed equity (a÷c)	9.6 %	10.5 %	8.2 %	10.3 %
Normalized return on attributed equity** (b÷c)	10.1 %	9.9 %	9.5 %	9.2 %

Legacy Portfolio

(in millions)

	2Q16	2Q17
	Pre-tax operating income (loss)	\$ 207
Interest expense on attributed financial debt	22	43
Operating income (loss) before taxes:	185	388
Income tax expense (benefit)	96	135
After-tax operating income (loss) (a)	\$ 89	\$ 253
Adjustments to arrive at normalized after-tax operating income (loss):		
Catastrophe losses above (below) expectations	(1)	(1)
(Better) worse than expected alternative returns*	(6)	(19)
(Better) worse than expected DIB & GCM returns	(29)	(90)
Fair value changes on PICC investments	21	-
Unfavorable (favorable) prior year loss reserve development	14	(1)
Normalized after-tax operating income (b)	\$ 88	\$ 142
Ending attributed equity	14,742	9,912
Average attributed equity (c)	14,884	10,195
Adjusted return on attributed equity (a÷c)	2.4 %	9.9 %
Normalized return on attributed equity** (b÷c)	2.4 %	5.6 %



* The expected rate of return on alternative investments used was 8% for all periods presented.

** Normalizing adjustments are tax effected using a 35% tax rate and computed based on average attributed equity for the respective periods.

Non-GAAP Reconciliations

Accident Year Loss Ratio, as adjusted, and Accident Year Combined Ratio, as adjusted

Commercial Insurance - Liability and Financial Lines

	<u>2Q16</u>	<u>2Q17</u>
Loss ratio	70.4	76.1
Prior year development, net of (additional) return premium on loss sensitive business	(3.3)	(1.8)
Adjustment for ceded premiums under reinsurance contracts related to prior accident years	-	(1.6)
Accident year loss ratio, as adjusted	<u>67.1</u>	<u>72.7</u>
Combined ratio	95.8	102.4
Prior year development, net of (additional) return premium on loss sensitive business	(3.3)	(1.8)
Adjustment for ceded premiums under reinsurance contracts related to prior accident years	-	(1.6)
Accident year combined ratio, as adjusted	<u>92.5</u>	<u>99.0</u>

Commercial Insurance - Property and Special Risks

	<u>2Q16</u>	<u>2Q17</u>
Loss ratio	69.7	70.8
Catastrophe losses and reinstatement premiums	(18.0)	(11.1)
Prior year development	2.3	(2.5)
Accident year loss ratio, as adjusted	<u>54.0</u>	<u>57.2</u>
Combined ratio	101.4	102.9
Catastrophe losses and reinstatement premiums	(18.0)	(11.1)
Prior year development	2.3	(2.5)
Accident year combined ratio, as adjusted	<u>85.7</u>	<u>89.3</u>

Total Commercial Insurance

	<u>2Q16</u>	<u>2Q17</u>
Loss ratio	70.2	73.8
Catastrophe losses and reinstatement premiums	(7.5)	(4.8)
Prior year development, net of (additional) return premium on loss sensitive business	(1.0)	(2.1)
Adjustment for ceded premiums under reinsurance contracts related to prior accident years	-	(0.8)
Accident year loss ratio, as adjusted	<u>61.7</u>	<u>66.1</u>
Combined ratio	98.3	102.7
Catastrophe losses and reinstatement premiums	(7.5)	(4.8)
Prior year development, net of (additional) return premium on loss sensitive business	(1.0)	(2.1)
Adjustment for ceded premiums under reinsurance contracts related to prior accident years	-	(0.8)
Accident year combined ratio, as adjusted	<u>89.8</u>	<u>95.0</u>

Consumer Personal Insurance

	<u>2Q16</u>	<u>2Q17</u>
Loss ratio	55.6	50.7
Catastrophe losses and reinstatement premiums	(2.1)	(0.1)
Prior year development	1.4	0.2
Accident year loss ratio, as adjusted	<u>54.9</u>	<u>50.8</u>
Combined ratio	97.0	91.1
Catastrophe losses and reinstatement premiums	(2.1)	(0.1)
Prior year development	1.4	0.2
Accident year combined ratio, as adjusted	<u>96.3</u>	<u>91.2</u>

Non-GAAP Reconciliations

Premiums

(in millions)

	2Q16	2Q17
Consumer Insurance:		
Premiums and deposits	\$ 7,327	\$ 5,641
Deposits	(6,748)	(5,042)
Other	(169)	(164)
Premiums	\$ 410	\$ 435
Consumer Insurance - Individual Retirement:		
Premiums and deposits	\$ 4,611	\$ 2,892
Deposits	(4,563)	(2,862)
Other	(3)	1
Premiums	\$ 45	\$ 31
Consumer Insurance - Individual Retirement (Fixed Annuities):		
Premiums and deposits	\$ 1,221	\$ 633
Deposits	(1,174)	(604)
Other	-	4
Premiums	\$ 47	\$ 33
Consumer Insurance - Individual Retirement (Variable Annuities):		
Premiums and deposits	\$ 1,225	\$ 841
Deposits	(1,225)	(841)
Other	(2)	(2)
Premiums	\$ (2)	\$ (2)
Consumer Insurance - Individual Retirement (Index Annuities):		
Premiums and deposits	\$ 755	\$ 720
Deposits	(755)	(720)
Other	-	-
Premiums	\$ -	\$ -
Consumer Insurance - Individual Retirement (Retail Mutual Funds):		
Premiums and deposits	\$ 1,410	\$ 698
Deposits	(1,410)	(698)
Other	-	-
Premiums	\$ -	\$ -
Consumer Insurance - Group Retirement:		
Premiums and deposits	\$ 1,837	\$ 1,802
Deposits	(1,832)	(1,798)
Other	-	-
Premiums	\$ 5	\$ 4
Consumer Insurance - Life Insurance:		
Premiums and deposits	\$ 879	\$ 947
Deposits	(353)	(381)
Other	(166)	(166)
Premiums	\$ 360	\$ 400