

The image shows the AIG logo on a building facade. The logo consists of the letters 'AIG' in a bold, sans-serif font, enclosed in a rectangular frame. The background is a blue-tinted photograph of a modern building entrance with glass doors and a revolving door. A person is visible in motion near the revolving door on the right side of the frame.

AIG



Conference Call Presentation

First Quarter 2017

May 4, 2017

Cautionary Statement Regarding Forward Looking Information

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 common share, and reduce expenses; anticipated organizational and business changes; strategies for customer retention, growth, product development, market position, financial results and reserves; segments’ revenues and combined ratios; and Chief Executive Officer succession 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) and Part II, Item 1A. Risk Factors in AIG’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017 (which will be filed with the Securities and Exchange Commission) 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 First 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.



1Q17 Key Themes

Consolidated

After-tax operating income of \$1.4B (\$1.36 per diluted share)

- Normalized ROE of 8.1% (Core Normalized ROE of 8.7%)
- Operating GOE declined 10%, or \$260 million YoY¹
- Actions to date have resulted in \$1.4 billion of annual run-rate savings, achieving 2 year target

Commercial

PTOI growth and continued strategic business mix improvements

- Accident year loss ratio, as adjusted, improved 1.2 points from full year 2016
- Catastrophe losses of \$201 million were below our expectations
- Continued expense management
- Strong alternative investment returns

Consumer

PTOI improvement across all Consumer Insurance modules

- Stable earnings in both the in-force Individual and Group Retirement businesses and Personal Insurance
- Ongoing expense control
- Strong alternative investment returns
- Continued pressure on Life & Retirement net flows, offset by increase in fair value of assets under administration

Capital & Liquidity

Continued active capital management and progress towards capital return target

- Total capital return of \$3.9 billion in 1Q17. Additional \$1.1 billion of share repurchases from April 1, 2017 through May 3, 2017
- Since January 1, 2016, returned \$18.1 billion towards our \$25 billion capital return target
- New share repurchase authorization of \$2.5 billion; total remaining authorization of \$3.8 billion
- Continue to maintain strong capital ratios and Parent liquidity



1) On a constant dollar basis, excluding UGC and AIG Advisor Group, which were sold in 2016.

Consolidated Operating Financial Highlights

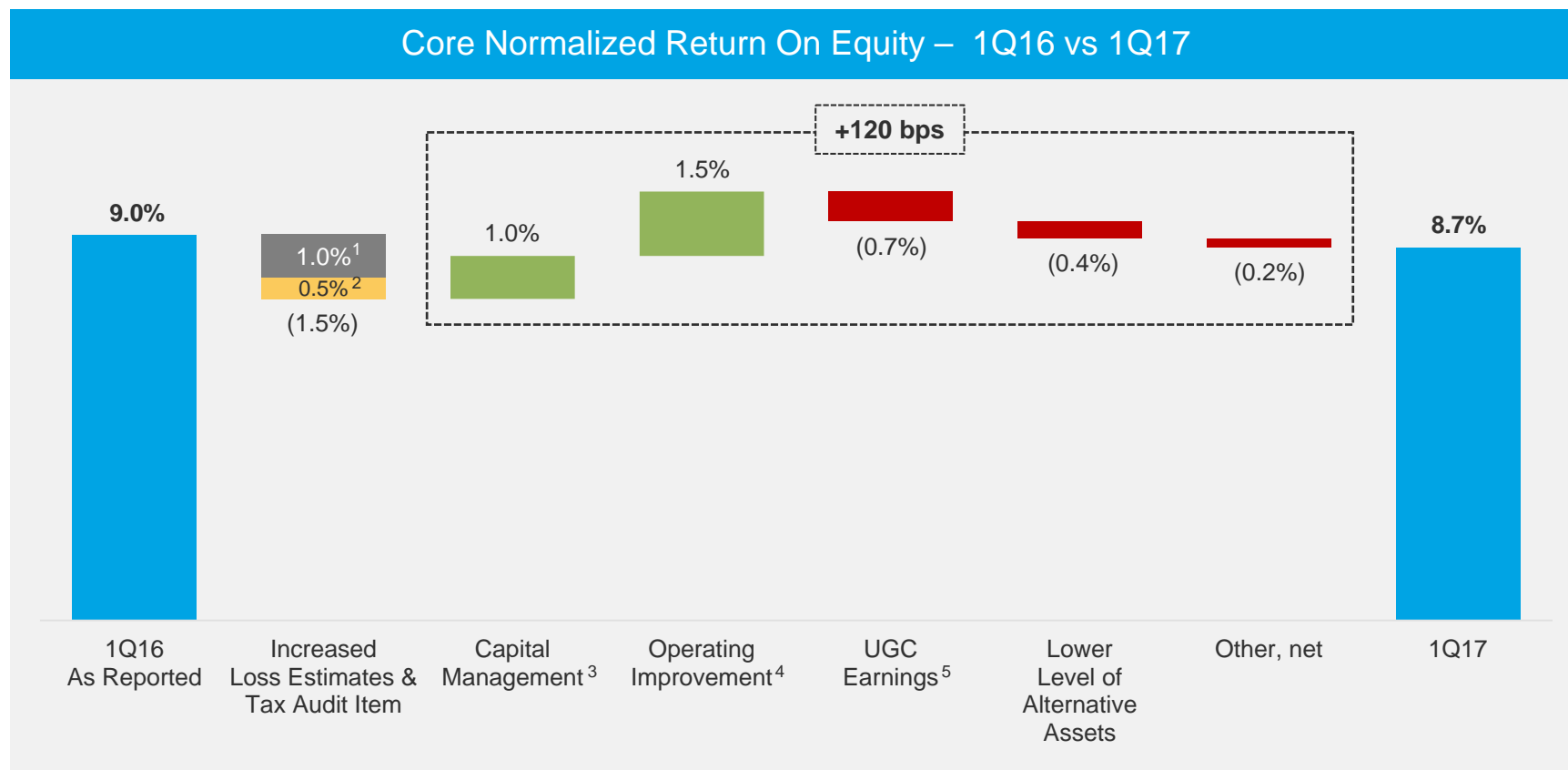
(\$ in millions, except per share amounts)	1Q16	1Q17
Pre-tax operating income (loss):		
<i>Commercial Insurance</i>		
Liability and Financial Lines	\$569	\$574
Property and Special Risks	93	275
Total Commercial Insurance	662	849
<i>Consumer Insurance</i>		
Individual Retirement	302	539
Group Retirement	191	243
Life Insurance	1	54
Personal Insurance	210	212
Total Consumer Insurance	704	1,048
Other Operations	(219)	(198)
Total Core	1,147	1,699
Legacy Portfolio	(202)	342
Total pre-tax operating income	\$945	\$2,041
After-tax operating income attributable to AIG	\$765	\$1,367
After-tax operating income attributable to AIG per diluted share	\$0.64	\$1.36
Normalized Return On Equity:		
Consolidated¹	8.3%	8.1%
Core¹	9.0%	8.7%
Legacy Portfolio	5.8%	6.3%
Book Value Per Common Share (BVPS):	Dec. 31, 2016	March 31, 2017
BVPS	\$76.66	\$78.59
BVPS – Ex. AOCI	\$73.41	\$74.58
Adjusted BVPS²	\$58.57	\$59.10



1) The YoY declines in Consolidated Normalized ROE and Core Normalized ROE are largely due to the increase in second half 2016 U.S. Casualty loss estimates, which contributed 80 bps and 100 bps to the declines, respectively.

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

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) Primarily represents the impact of the favorable resolution of certain tax audit items in 1Q16.

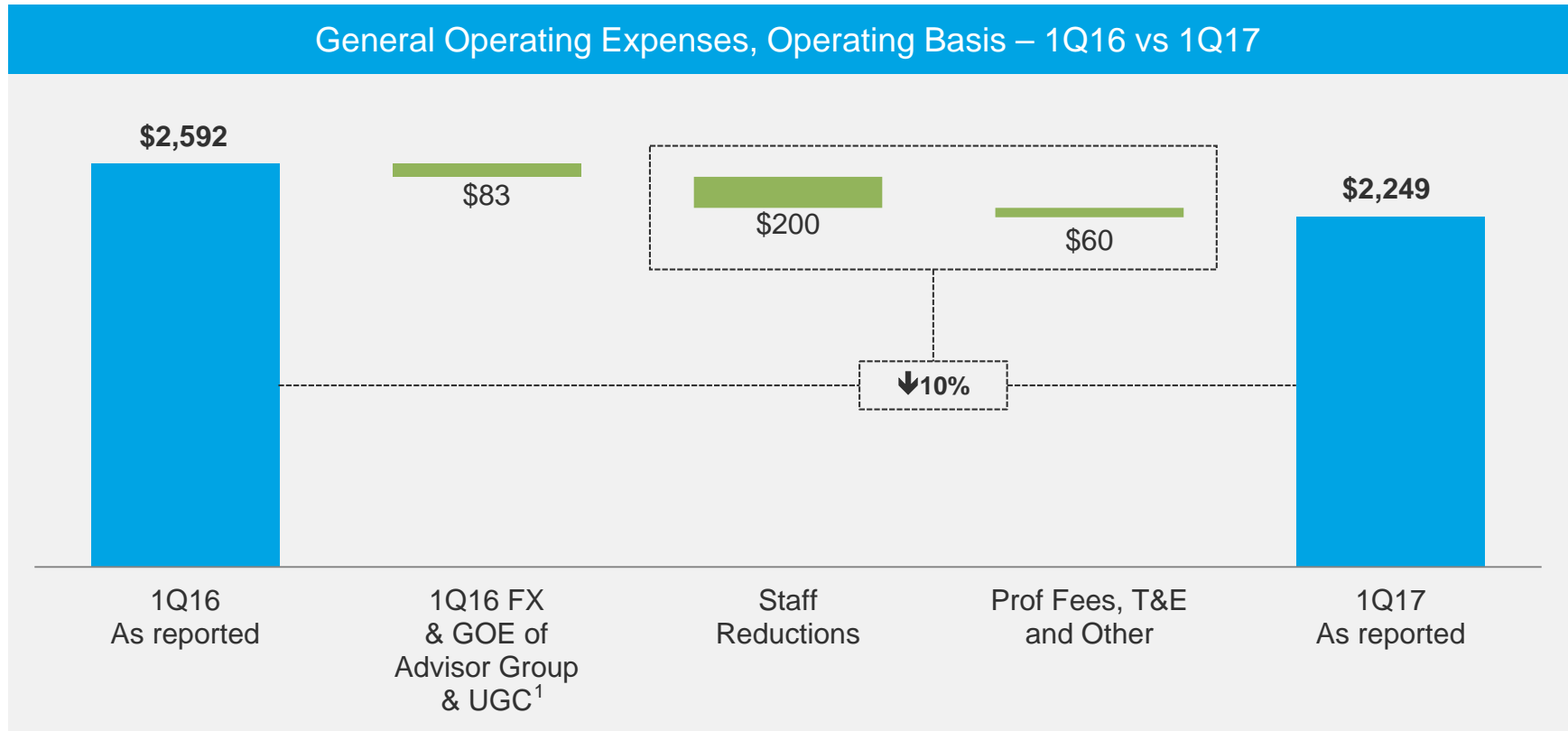
3) Largely driven by share repurchases and dividends.

4) Primarily represents a 160 bps improvement from the reduction in Operating GOE.

5) Represents lost earnings related to the sale of UGC, which closed in December 2016. The use of cash proceeds to repurchase shares would provide a 20 bps benefit to the Core Normalized ROE, assuming shares were repurchased evenly throughout 1Q17, and is reflected in Capital Management. Assuming the share repurchases had taken place by January 1, 2017, the benefit to Core Normalized ROE would be 40 bps. This amount does not assume any benefit in respect of the proceeds from the sale that were received in the form of Arch shares, which have yet to be monetized.

Maintaining Discipline and Focus on Expenses

(\$ in millions)



- GOE reductions in 1Q17 vs 1Q16 were primarily driven by staff reductions and overall expense discipline around non-headcount related expenses.
- Recorded an additional restructuring charge of \$181 million in 1Q17, which primarily related to severance payments.

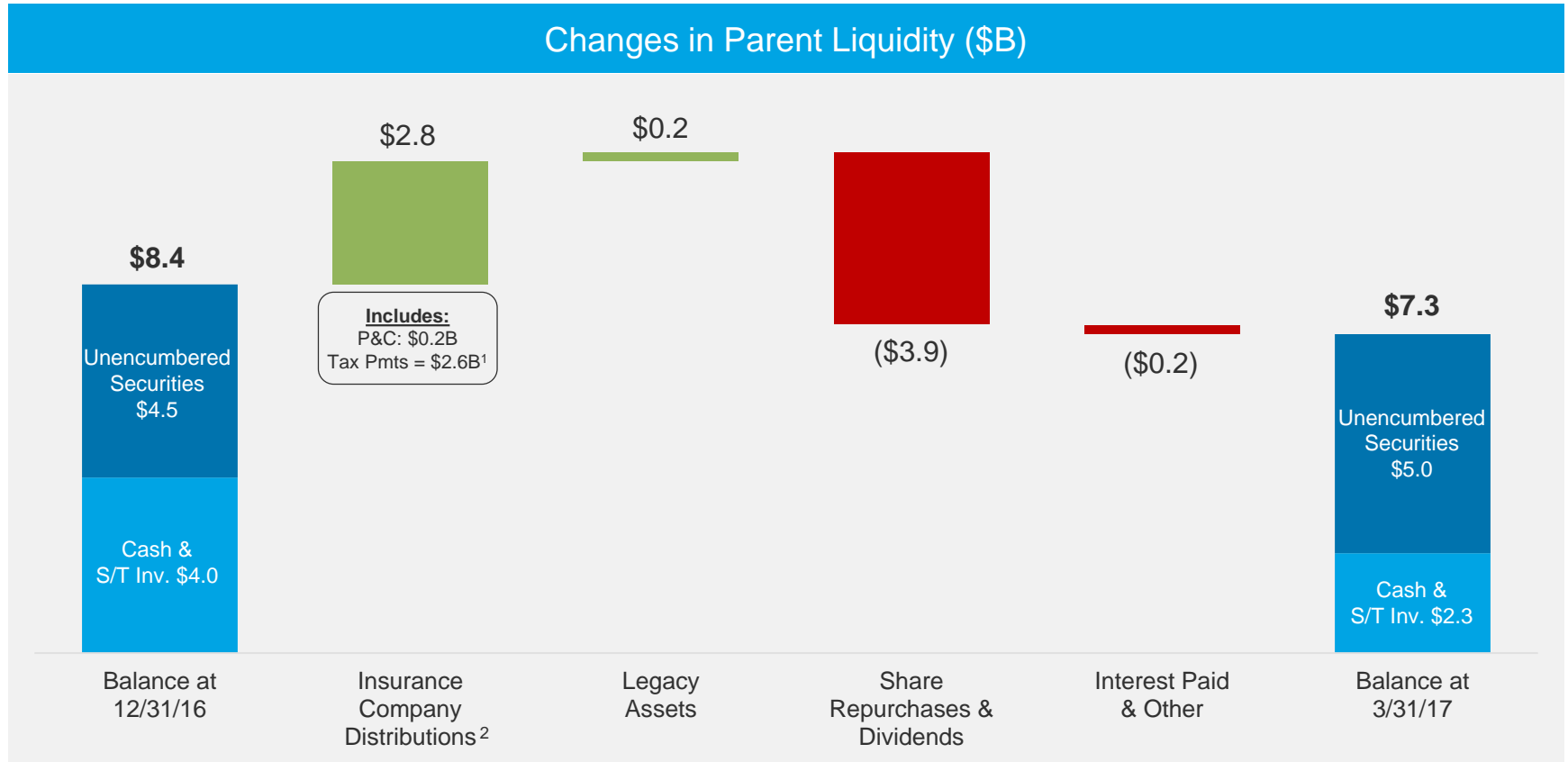


1) Represents a reduction in GOE of Advisor Group (\$45 million) and UGC (\$50 million), which were divested, partially offset by \$12 million of foreign exchange impact.

Reporting of the ADC

Pre-tax Deferred Gain Estimate (\$B)	1Q17 Impact	Future Periods
12/31/16 Ultimate Estimate of Covered Reserve \$41.0	<ul style="list-style-type: none"> ▪ \$12.8B Reinsurance Recoverable established based upon covered losses at year-end 2016. ▪ Pre-tax deferred gain of \$2.6B established. ▪ \$41 million PTOI benefit from a partial quarter of amortization of the deferred gain. ▪ ~\$5B reduction in internal capital for Liability & Financial Lines, largely offset in Other Operations. ▪ Updated ceded discount estimate as of closing of \$1.6 billion. 	<ul style="list-style-type: none"> ▪ Reinsurance recoverable and deferred gain adjusted in future periods based upon 80% of the future development on covered liabilities. ▪ Amortization of original \$2.6B estimate reported in PTOI. ▪ 20% of future development (favorable or adverse) on covered liabilities to be recorded in PTOI as PYD. ▪ 80% of future development (favorable or adverse) on covered liabilities, changes in deferred gain amortization from future development on covered liabilities and the change in discount will all be recorded as PYD in non-operating income. ▪ ~\$2B reduction in required insurance regulatory capital will emerge, subject to rating agency and regulatory considerations.
AIG Attachment Point (25.0)		
Subtotal 16.0		
80% Ceded in Excess of \$25B 12.8		
Less: Consideration Paid 10.2		
Deferred Gain Estimate 2.6		
Less: Discount 1.6		
Net Deferred Gain After Discount \$1.0		

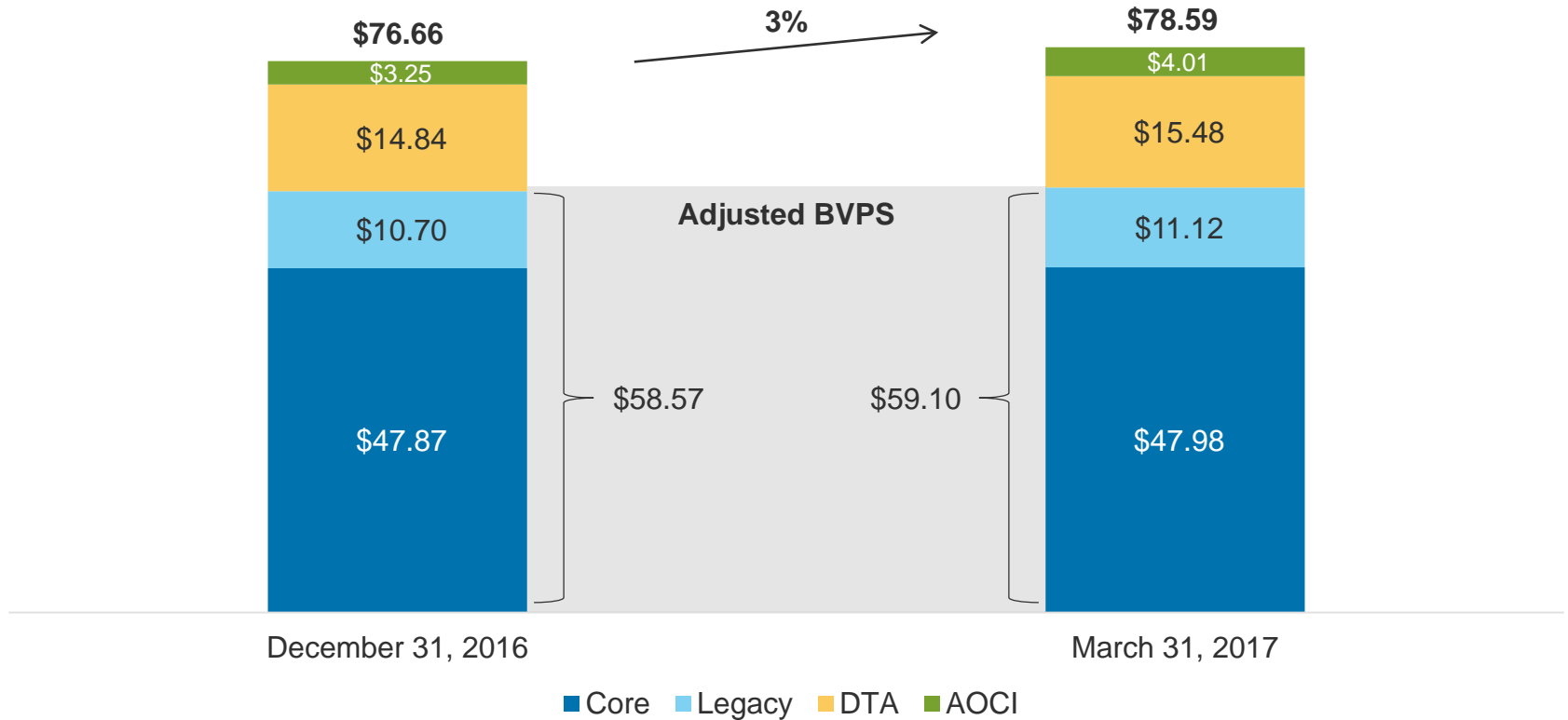
Parent Liquidity



1) Primarily related to a reinsurance agreement entered into by the Life Insurance Companies effective December 31, 2016.

2) Received \$387 million in additional dividends in April 2017 in the form of fixed maturity securities from our Life Insurance Companies. These dividends were declared in 1Q17.

Growth In Book Value Per Common Share





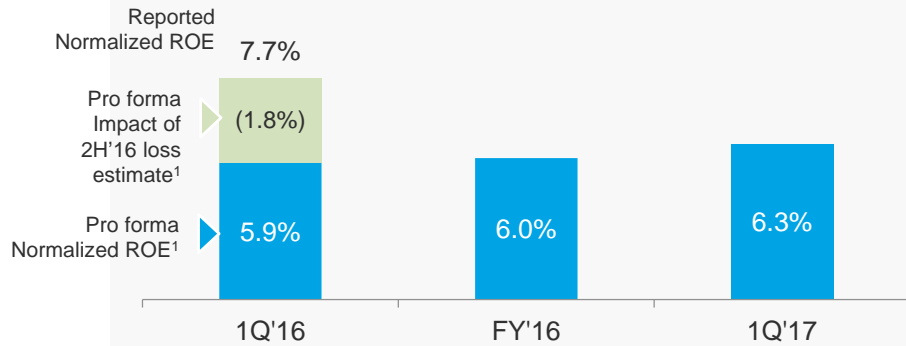
Commercial Insurance

Robert S. Schimek

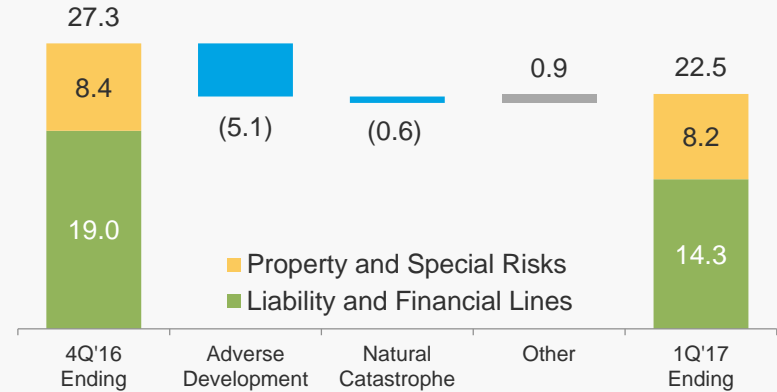
*Executive Vice President &
Chief Executive Officer of Commercial*

Commercial Insurance – Select Metrics

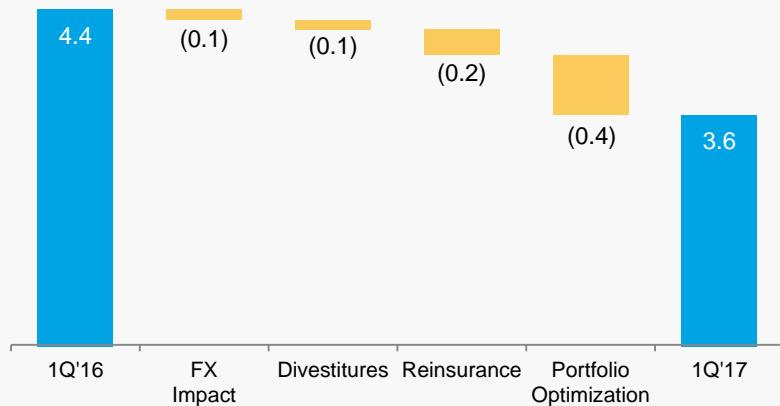
Normalized ROE



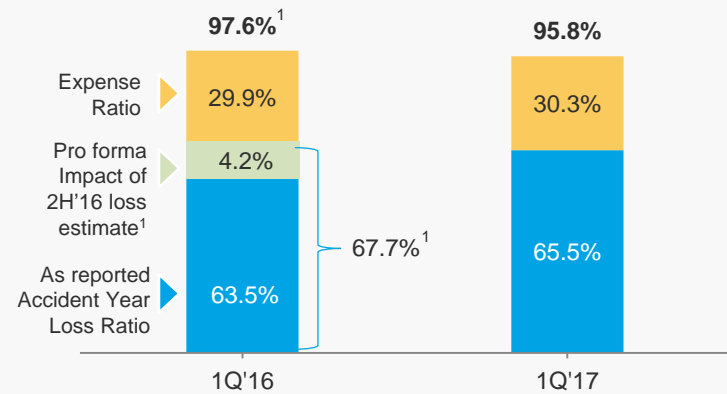
Ending Attributed Equity (\$B)



NPW Walk (\$B)



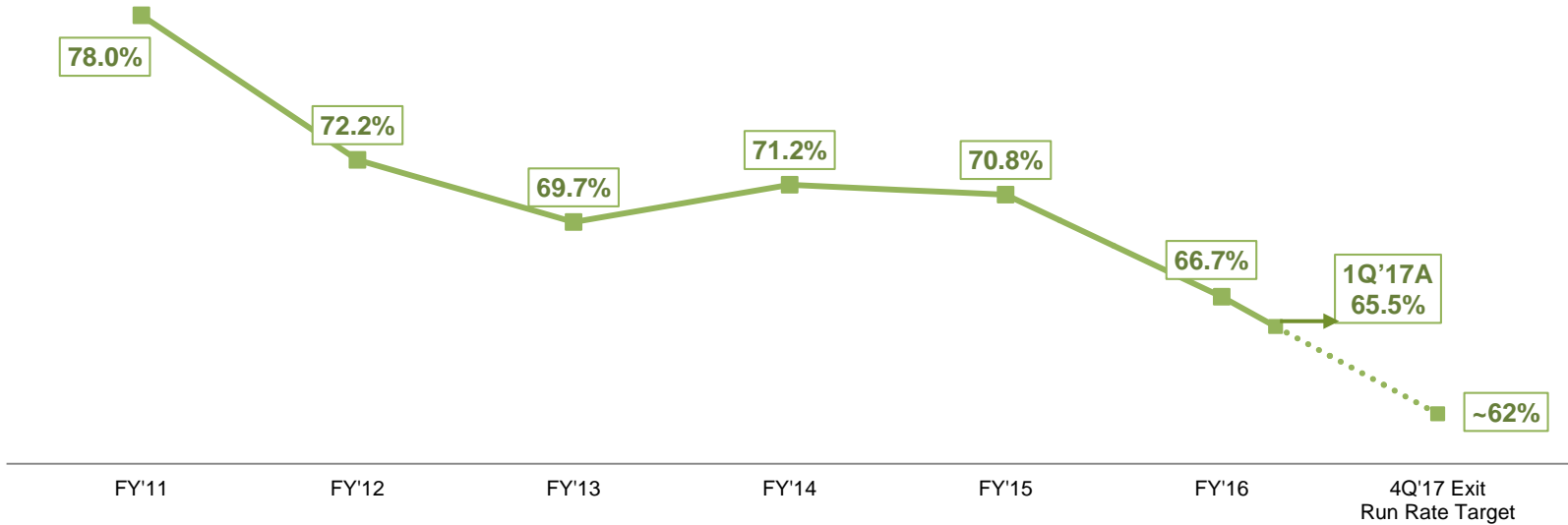
Accident Year Combined Ratio, As Adjusted



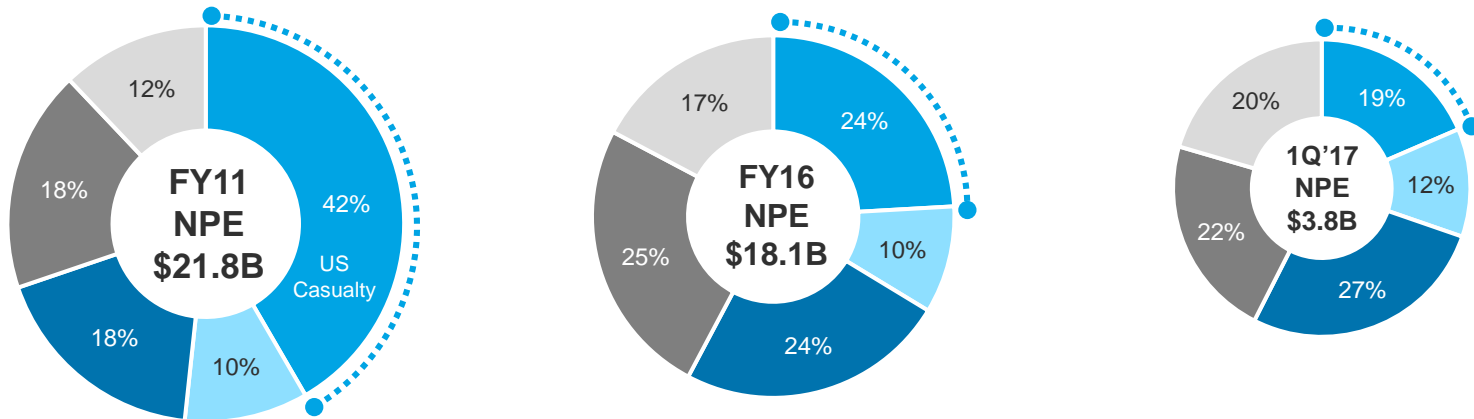
¹) Pro forma amounts are inclusive of the impact of 2H'16 loss estimates.

Commercial Insurance AYLR Trend & Business Mix Change

Accident Year Loss Ratio, As Adjusted ¹



Business Mix Shifts away from U.S. Casualty

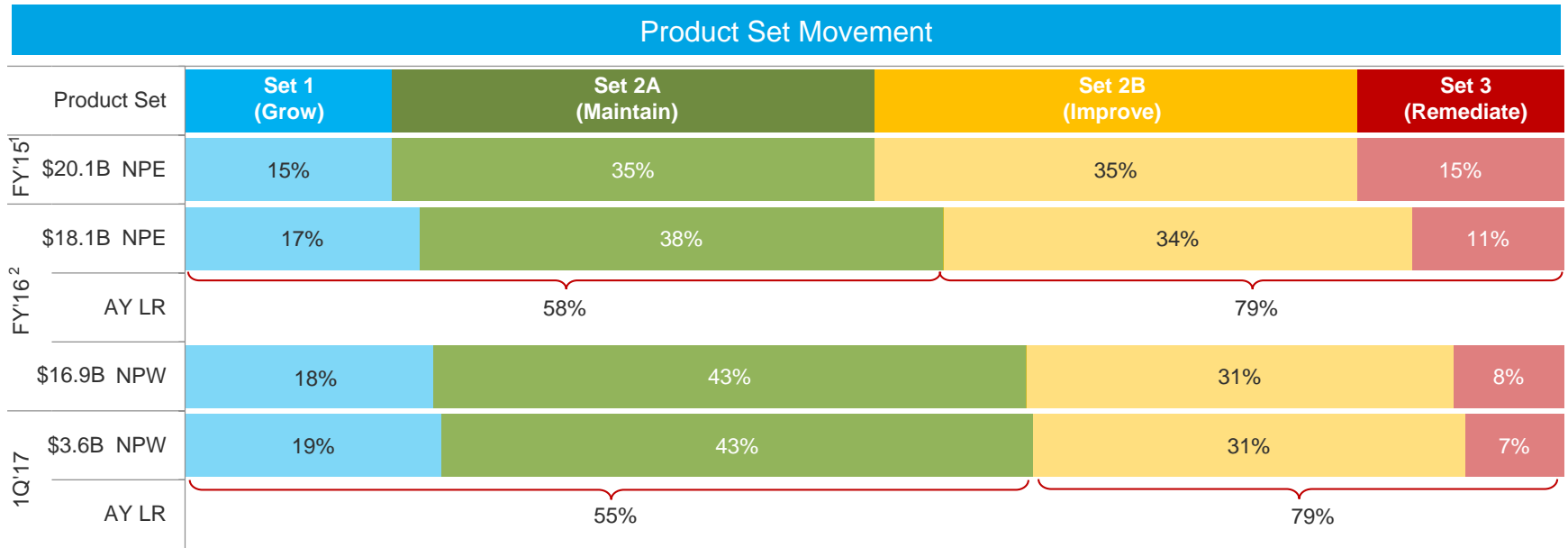


■ US Casualty ■ Intl Casualty ■ Financial Lines ■ Property ■ Specialty Risks

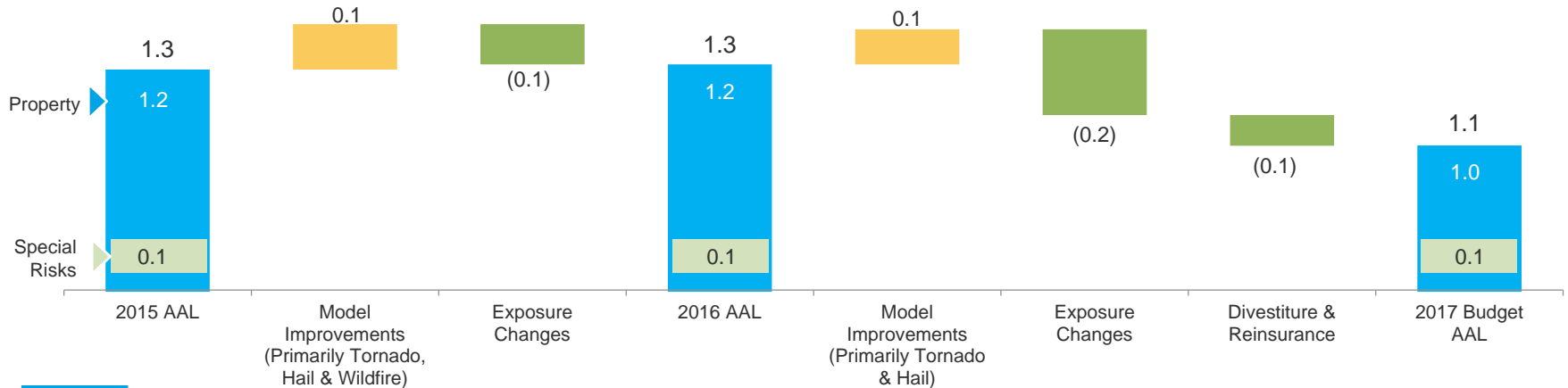
1) Amounts presented reflect the impact of prior year development for 2016 and prior years in each accident year.

Commercial Insurance | Business Mix Shift

Commercial Insurance's mix of business and Adjusted Accident Year Loss Ratio, As Adjusted



Average Annual Losses for Catastrophic Events (\$BN)



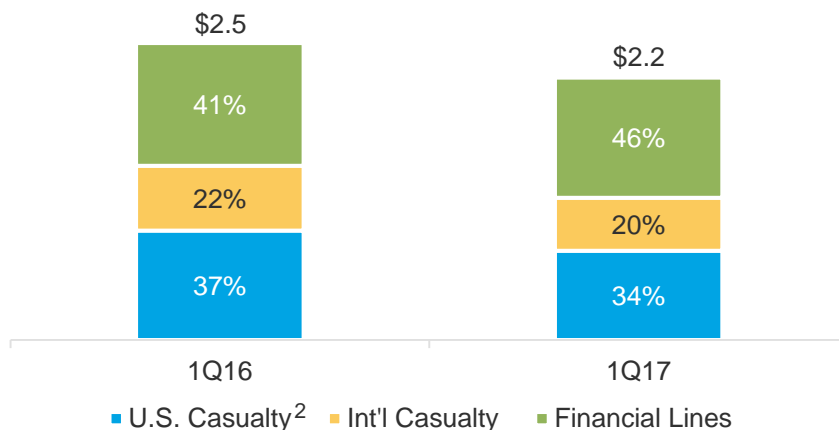
1) As reported in 2015, adjusted to exclude the impact of the UGC Quota Share and include Product/Client Exits in 2016.
 2) For comparability, in 2016 Ascot is reflected on an annualized basis following its sale in November 2016.

Commercial Insurance – Liability and Financial Lines

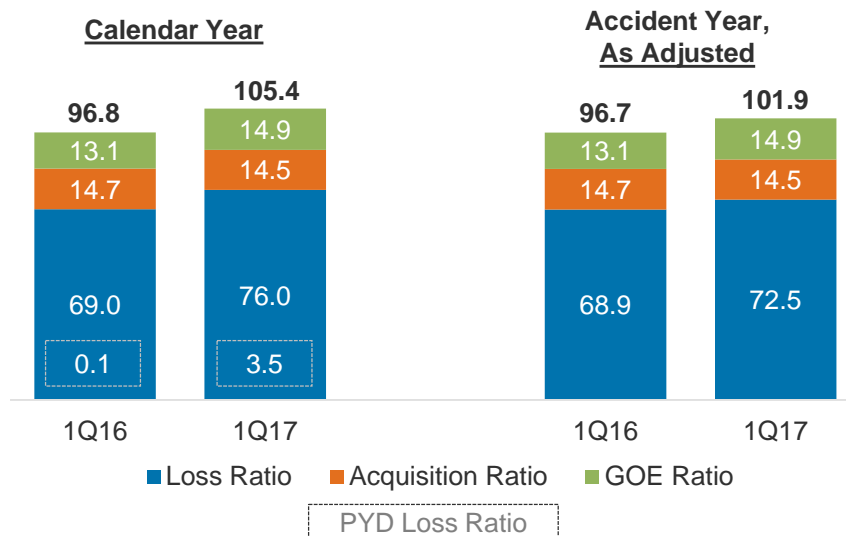
(\$ in millions)	1Q16	1Q17
Net premiums written	\$2,509	\$2,216
Net premiums earned	2,834	2,157
Underwriting income (loss)	92	(117)
Net investment income	477	691
Pre-tax operating income	\$569	\$574
Normalized After-tax operating income	\$527	\$319
Avg. attributed equity	\$19,909	\$16,656¹
Normalized ROE	10.6%	7.7%¹

- NPW decline driven by planned strategic portfolio optimization efforts and the use of pricing tools, partially offset by growth in targeted lines of business such as Cyber.
- The YoY comparisons of PTOI, Normalized ATOI, Loss ratio and Normalized ROE are negatively impacted by increases in 2H'16 U.S. Casualty loss estimates.
- The Loss ratio increase also reflects the Ogden discount rate adjustment of \$102 million and a \$39 million benefit related to a partial quarter of amortization on the deferred gain for the ADC, both of which were recorded in PYD.
- GOE ratio increase is a result of lower net premiums earned due to portfolio optimization efforts in 2016, while expenses continued to decline. The acquisition ratio includes the benefit of ceding commission income from reinsurance agreements.

Net Premiums Written (\$B)



Combined Ratios



1) Average attributed equity and Normalized ROE in 1Q17 do not fully reflect the ~\$5 billion equity benefit in 1Q17 from the ADC since they are each computed as an average of YE16 and March 31, 2017 ending attributed equity.

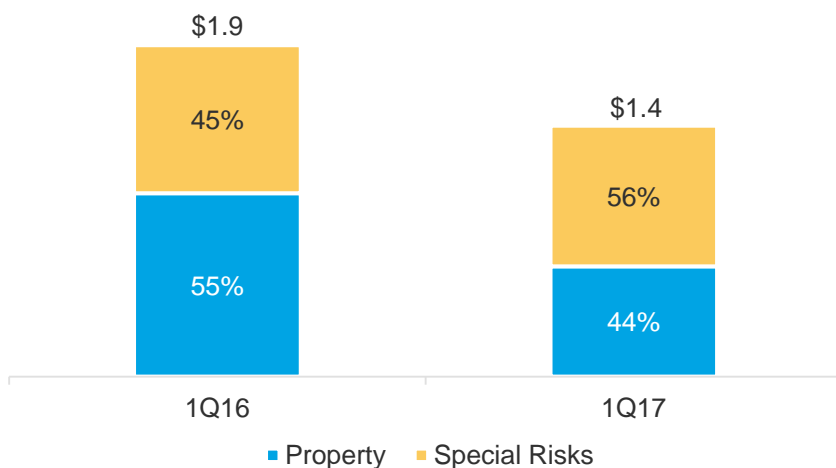
2) Includes reinsurance assumptions from International Casualty related to non-US casualty exposures.

Commercial Insurance – Property and Special Risks

(\$ in millions)	1Q16	1Q17
Net premiums written	\$1,866	\$1,413
Net premiums earned	1,911	1,595
Underwriting income	17	35
Net investment income	76	240
Pre-tax operating income	\$93	\$275
AAL¹	\$317	\$266
Normalized After-tax operating income	\$28	\$73
Avg. attributed equity	\$8,913	\$8,271
Normalized ROE	1.3%	3.5%

- Normalized ROE improvement was primarily driven by lower acquisition expenses and growth in net investment income.
- NPW decline driven by additional use of reinsurance to reduce exposures and planned strategic portfolio optimization efforts to address challenging market conditions, which offset growth in targeted lines of business such as Credit Lines and U.S. Middle Market Property.
- Loss ratio increase reflects higher attritional losses and the increase in loss estimates related to Programs in 2H'16, partially offset by a lower level of severe losses.
- Acquisition ratio decline reflects the sale of Ascot.

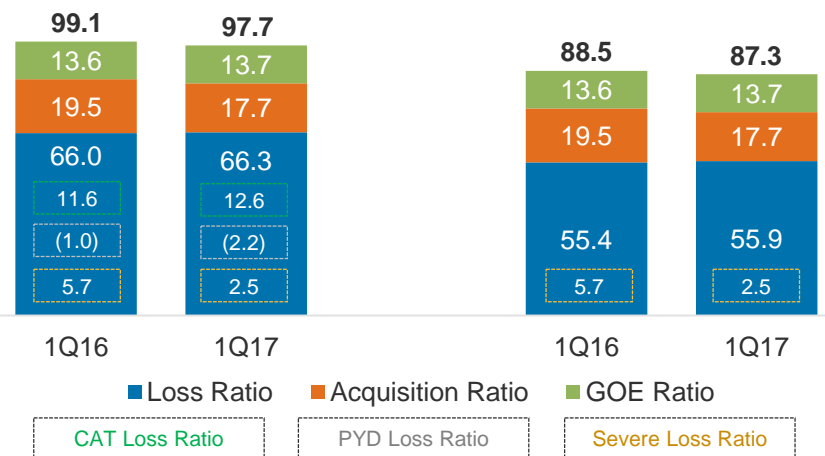
Net Premiums Written (\$B)



Combined Ratios

Calendar Year

Accident Year, As Adjusted



1) Represents one quarter of the average annual loss expectation.

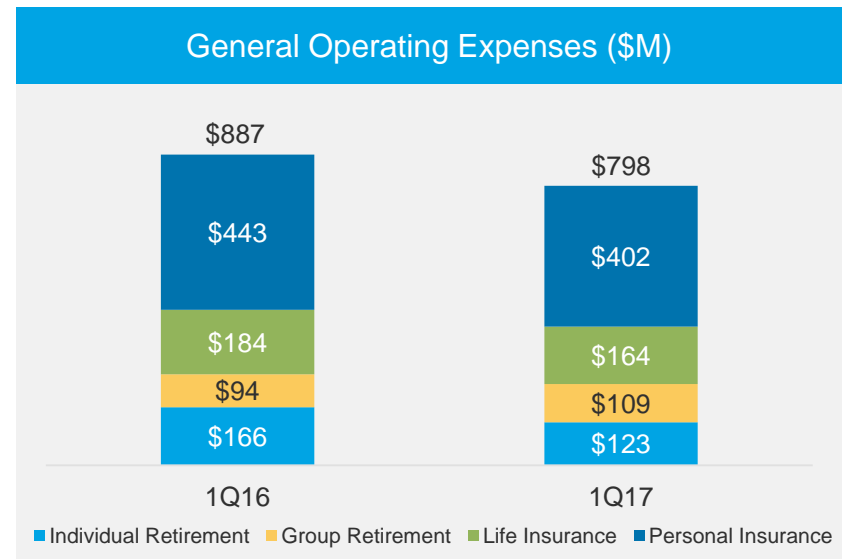
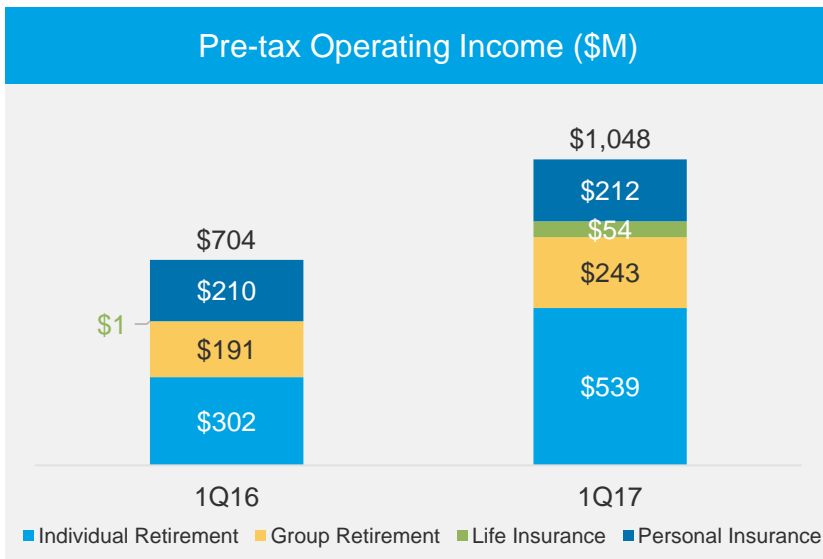
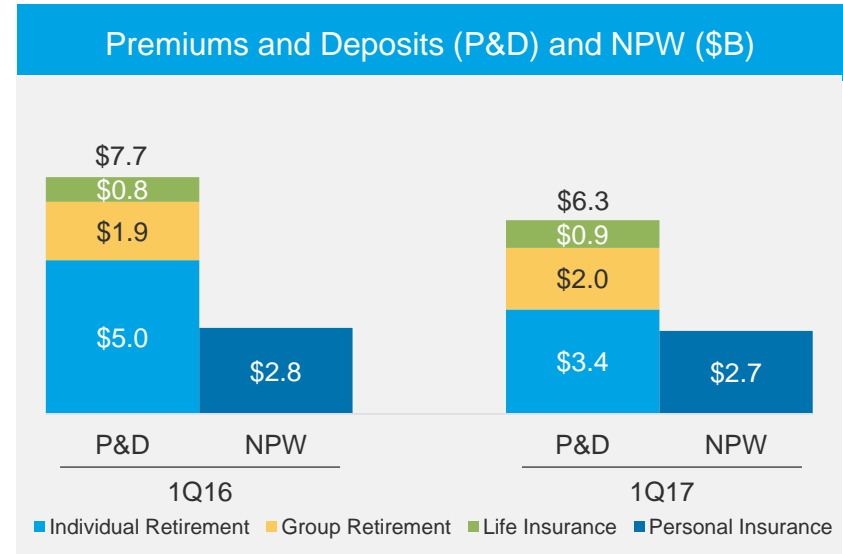
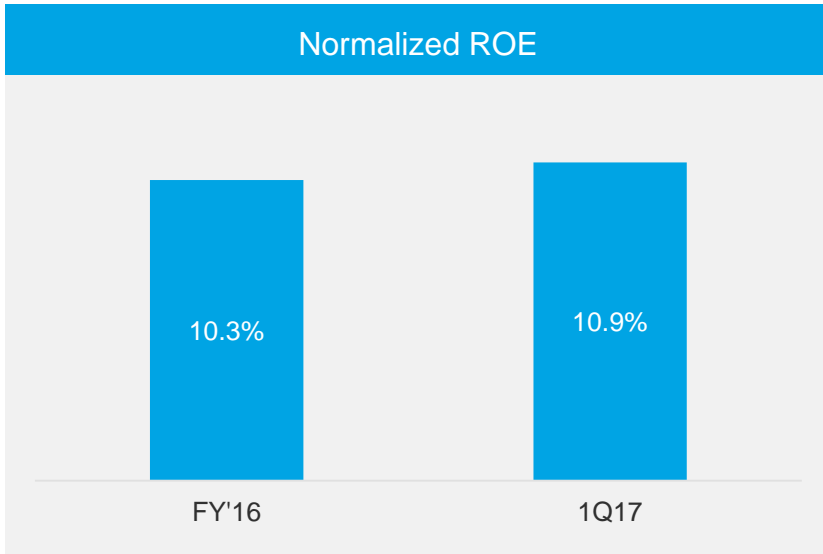


Consumer Insurance

Kevin Hogan

*Executive Vice President &
Chief Executive Officer of Consumer*

Consumer Insurance – Select Metrics

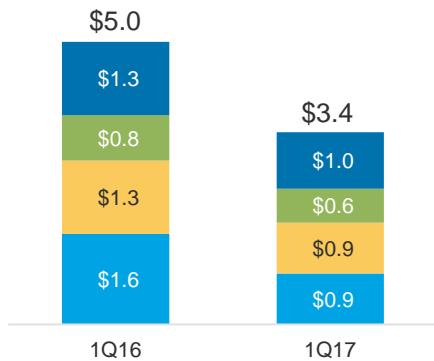


Consumer Insurance – Individual Retirement

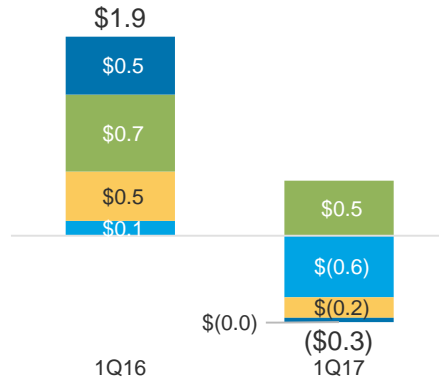
(\$ in millions)	1Q16	1Q17
Premiums and deposits	\$5,010	\$3,382
Premiums	47	28
Policy fees	167	185
Net investment income	839	1,007
Advisory fee and other income	440	153
Total operating revenues	1,493	1,373
Benefits and expenses	1,191	834
Pre-tax operating income	\$302	\$539
Normalized after-tax operating income	\$303	\$343
Avg. attributed equity	\$11,432	\$10,960
Normalized ROE	10.6%	12.5%

- YoY improvement in PTOI reflects:
 - Higher net investment income reflecting improved returns on alternative investments and higher gains on assets for which the fair value option was elected; and
 - Improved equity market performance contributing to lower DAC/SI amortization and benefit expense, as well as higher policy fee income due to growth in account values;
 - Partially offset by the sale of AIG Advisor Group in May 2016.
- Base net investment spread:
 - Fixed Annuities net spread increased, due in part to disciplined rate setting over the past twelve months.
 - Variable and Index Annuities net spread was lower, primarily driven by lower commercial mortgage loan prepayments, partially offset by disciplined pricing.

Premiums and Deposits (\$B)



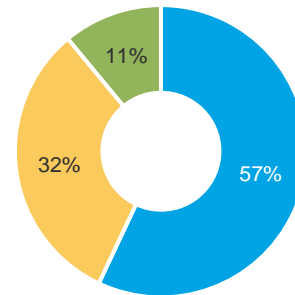
Net Flows (\$B)



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

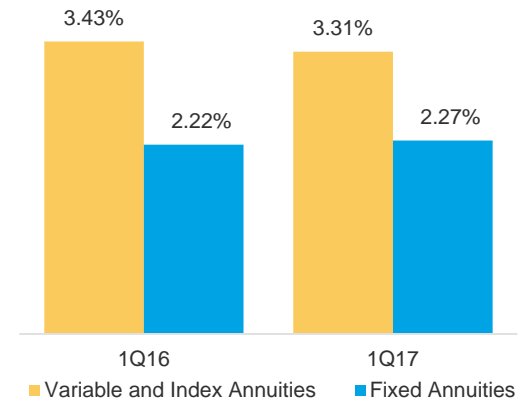
Assets Under Administration

As of March 31, 2017 = \$142.8B



■ General accounts
■ Separate accounts
■ Retail Mutual Funds

Base Net Investment Spread

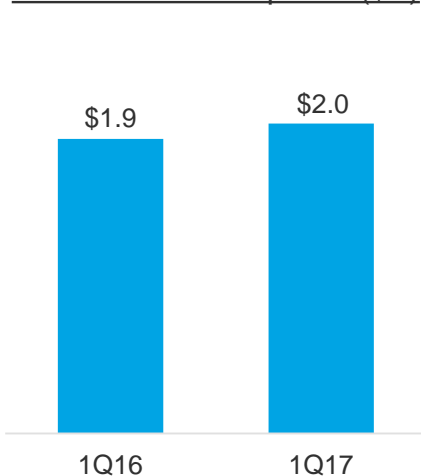


Consumer Insurance – Group Retirement

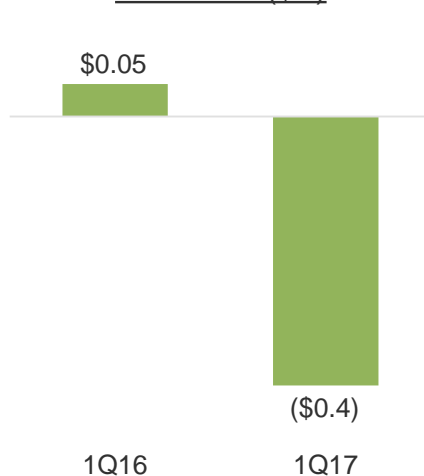
(\$ in millions)	1Q16	1Q17
Premiums and deposits	\$1,856	\$2,040
Premiums	7	9
Policy fees	91	99
Net investment income	479	555
Advisory fee and other income	52	55
Total operating revenues	629	718
Benefits and expenses	438	475
Pre-tax operating income	\$191	\$243
Normalized after-tax operating income	\$195	\$157
Avg. attributed equity	\$6,229	\$6,010
Normalized ROE	12.5%	10.4%

- YoY improvement in PTOI reflects:
 - Higher net investment income, reflecting improved returns on alternative investments, primarily due to better equity market performance and higher gains on assets for which the fair value option was elected; and
 - Higher policy fee income due to growth in account values from improvement in the equity markets; partially offset by
 - Lower base net investment spread driven mainly by lower one-time prepayments on commercial mortgage loans, partially mitigated by effective crediting rate management; and
 - Higher expenses in 1Q17 in preparation for the implementation of the DOL Fiduciary Rule.

Premiums and Deposits (\$B)

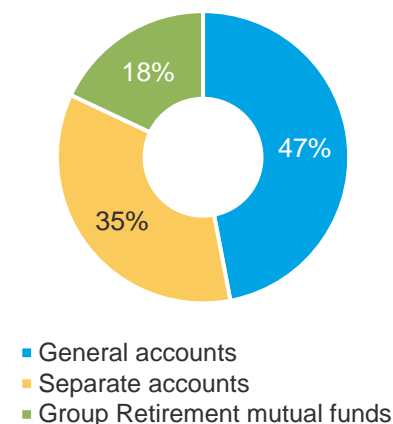


Net Flows (\$B)

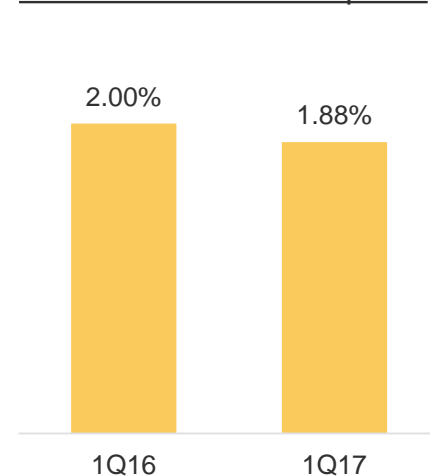


Assets Under Administration

As of March 31, 2017 = \$96.5B



Base Net Investment Spread



Consumer Insurance – Life Insurance

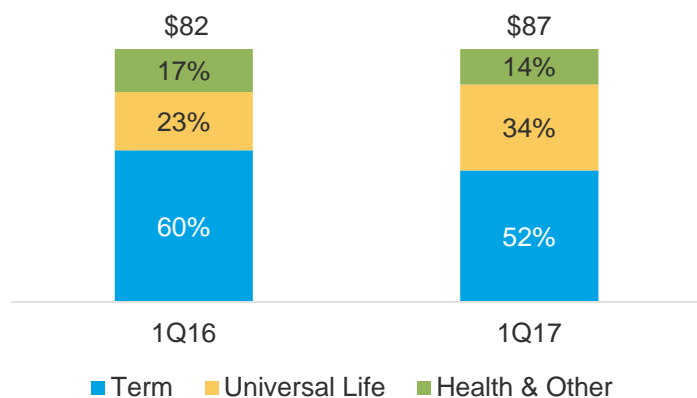
(\$ in millions)	1Q16	1Q17
Premiums and deposits	\$849	\$910
Premiums	359	384
Policy fees	345	360
Net investment income	234	260
Other income ¹	15	9
Total operating revenues	953	1,013
Benefits and expenses	952	959
Pre-tax operating income	\$1	\$54
Normalized after-tax operating income	\$21	\$26
Avg. attributed equity	\$2,696	\$2,537
Normalized ROE	3.1%	4.1%

- YoY improvement in PTOI reflects:
 - Higher net investment income, primarily due to higher returns on alternative investments driven by better equity market performance;
 - Higher policy fee income from growth in universal life; and
 - Lower domestic GOE primarily due to reductions in staffing.

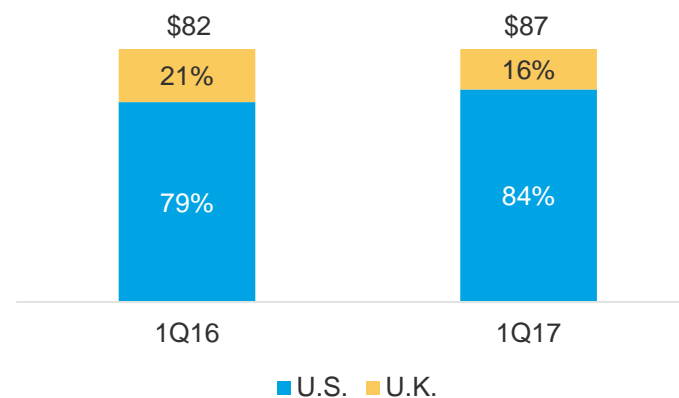
New Business Sales

(\$ 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.

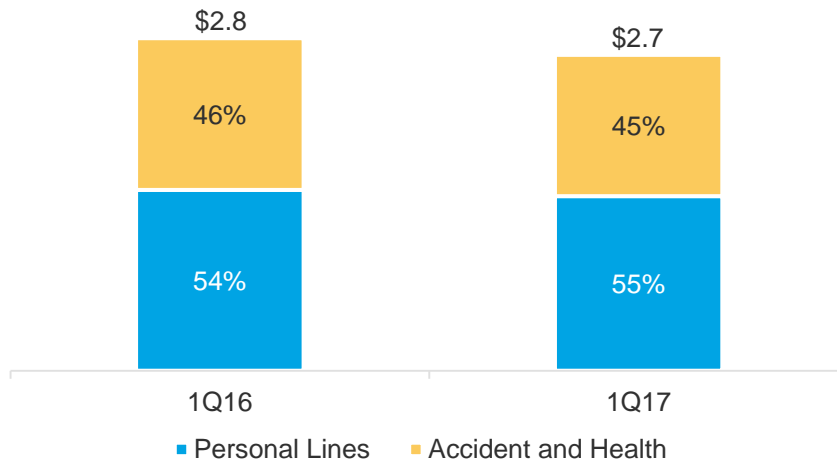
Consumer Insurance – Personal Insurance

(\$ in millions)	1Q16	1Q17
Net premiums written	\$2,809	\$2,668
Net premiums earned	2,756	2,720
Underwriting income	150	94
Net investment income	60	118
Pre-tax operating income	\$210	\$212
Normalized After-tax operating income	\$85	\$85
Avg. attributed equity	\$2,853	\$2,877
Normalized ROE	11.9%	11.8%

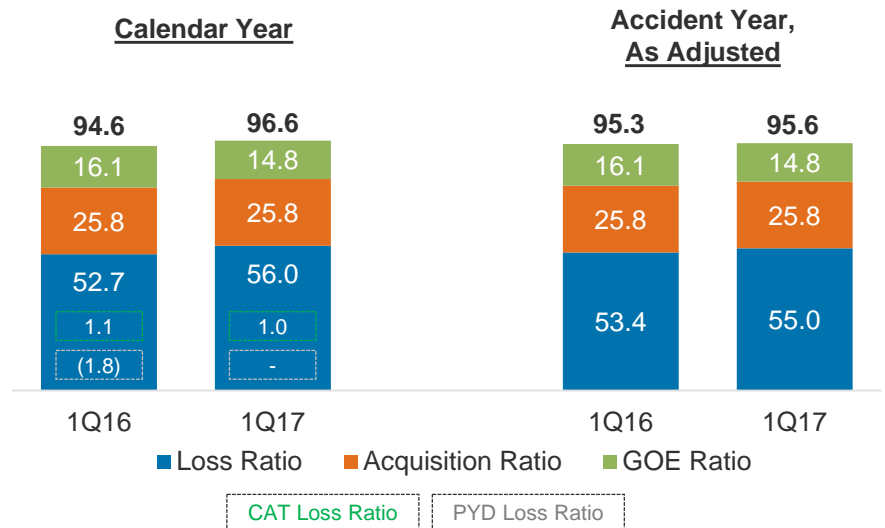
Stable Normalized ROE. Operating results for the quarter reflects:

- Effective execution of strategic and portfolio actions to reduce total expenses, including refocusing direct marketing activities;
- Net investment income growth reflecting improved alternative investment returns;
- Increase in the accident year loss ratio, as adjusted, reflecting a severe loss in 1Q17 combined with a lower level of attritional losses in 1Q16; and
- Favorable prior year loss reserve development in 1Q16, partially offset by slightly lower catastrophe losses than a year ago.

Net Premiums Written (\$B)



Combined Ratios





Q&A and Closing Remarks

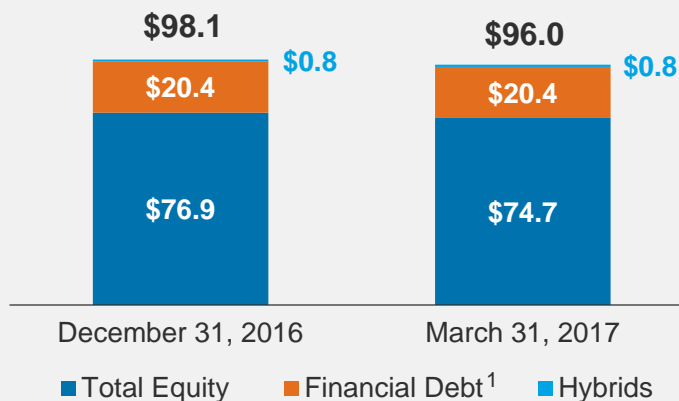


Appendix



Strong Capital Position

Capital Structure (\$ in Billions)



Capital Return (\$ in Millions)

	2016	1Q17
Share repurchases	\$11,460	\$3,585
Warrant repurchases	309	-
Dividends declared	1,372	307
Total	\$13,141	\$3,892

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	Mar. 31, 2017
Hybrids / Total capital	0.9%	0.9%
Financial debt / Total capital	20.8%	21.3%
Total Hybrids & Financial debt / Total capital	21.7%	22.2%

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, all ratings have stable outlooks, except for Fitch which have a negative outlook and A.M. Best ratings which are under review with negative implications. For Property Casualty Insurance Companies FSR and Life Insurance Companies FSR, ratings only reflect those of the core insurance companies.



Glossary of Non-GAAP Financial Measures and Non-GAAP Reconciliations

A photograph of a modern building facade with a large, three-dimensional "AIG" sign mounted on it. The sign is white and stands out against the dark, textured background of the building. The image is overlaid with a semi-transparent blue filter.

AIG

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 First 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) and Adjusted Book Value per Common Share, Including Dividend Growth** 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. Adjusted Book Value per Common Share, including dividend growth is derived by dividing Adjusted Shareholders’ Equity, including growth in quarterly dividends above \$0.125 per share to shareholders, 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.

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.
- **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.
- **Accident year loss and combined ratios, as adjusted (Adjusted for Prior Year Development):** further adjusts the Accident Year Loss and Combined Ratios, as adjusted, to include the impact of the prior year reserve development into each respective accident year.
 - 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]
 - 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 premium adjustments = [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 prior year development] – 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

	4Q16	1Q16	1Q17
Total AIG shareholders' equity (a)	\$ 76,300	\$ 88,518	\$ 74,069
Less: Accumulated other comprehensive income (AOCI)	3,230	5,525	3,781
Total AIG shareholders' equity, excluding AOCI (b)	73,070	82,993	70,288
Less: Deferred tax assets (DTA)	14,770	16,825	14,585
Total adjusted shareholders' equity (c)	58,300	66,168	55,703
Add: Cumulative quarterly common stock dividends above \$0.125 per share	1,216	599	1,405
Total adjusted shareholders' equity, including dividend growth (d)	\$ 59,516	\$ 66,767	\$ 57,108
Total common shares outstanding (e)	995.3	1,130.7	942.5
Book value per common share (a÷e)	\$ 76.66	\$ 78.28	\$ 78.59
Book value per common share, excluding AOCI (b÷e)	73.41	73.40	74.58
Adjusted book value per common share (c÷e)	58.57	58.52	59.10
Adjusted book value per common share, including dividend growth (d÷e)	59.79	59.05	60.59

(in millions, except per share data)

Return On Equity (ROE) Computations

	1Q16	1Q17
Actual or Annualized net income (loss) attributable to AIG (a)	\$ (732)	\$ 4,740
Actual or Annualized after-tax operating income (loss) attributable to AIG (b)	\$ 3,060	\$ 5,468
Average AIG Shareholders' equity (c)	\$ 89,088	\$ 75,185
Less: Average AOCI	4,031	3,506
Less: Average DTA	16,788	14,678
Average adjusted shareholders' equity (d)	68,269	57,001
ROE (a÷c)	(0.8%)	6.3%
After-tax operating income (loss) as reported (e)	\$ 765	\$ 1,367
Adjustments to arrive at Normalized after-tax operating income (loss):		
Catastrophe losses above (below) expectations	(89)	(72)
(Better) worse than expected alternative returns (1)	464	(119)
(Better) worse than expected DIB & GCM returns	257	(29)
Fair value changes on PICC investments	67	(14)
Life Insurance - IBNR death claims	(16)	-
Unfavorable (favorable) prior year loss reserve development	(39)	21
Normalized after-tax operating income (loss) (f)	\$ 1,409	\$ 1,154
Adjusted return on equity (e÷d)	4.5%	9.6%
Normalized return on equity (f÷d)	8.3%	8.1%

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

Non-GAAP Reconciliations

Pre-tax and After-tax Operating Income - Consolidated

(in millions)

	1Q16	1Q17
Pre-tax income (loss) from continuing operations	\$ (214)	\$ 1,727
Adjustments to arrive at Pre-tax operating income (loss)		
Changes in fair value of securities used to hedge guaranteed living benefits	(133)	(11)
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses)	(40)	(53)
Loss (gain) on extinguishment of debt	83	(1)
Net realized capital (gains) losses	1,106	115
(Income) loss from divested businesses	2	100
Non-operating litigation reserves and settlements	(31)	(6)
Unfavorable (favorable) prior year development and related amortization changes ceded under retroactive reinsurance agreements	(7)	14
Net loss reserve discount benefit (charge)	(9)	(25)
Restructuring and other costs	188	181
Pre-tax operating income (loss)	\$ 945	\$ 2,041
Net income (loss) attributable to AIG	\$ (183)	\$ 1,185
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)	205	(50)
Deferred income tax valuation allowance (releases) charges (a)	(37)	(13)
Changes in fair value of securities used to hedge guaranteed living benefits	(86)	(7)
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses)	(26)	(34)
Loss (gain) on extinguishment of debt	54	(1)
Net realized capital (gains) losses (b)	701	73
(Income) loss from discontinued operations (a)	47	-
(Income) loss from divested businesses (c)	1	106
Non-operating litigation reserves and settlements	(20)	(4)
Unfavorable (favorable) prior year development and related amortization changes ceded under retroactive reinsurance agreements	(5)	10
Net loss reserve discount benefit (charge)	(8)	(16)
Restructuring and other costs	122	118
After-tax operating income (loss)	\$ 765	\$ 1,367
Weighted average diluted shares outstanding (d)	1,156.500	1,005.300
Income (loss) per common share attributable to AIG (diluted) (d)	\$ (0.16)	\$ 1.18
After-tax operating income (loss) per common share attributable to AIG (diluted) (d)	\$ 0.64	\$ 1.36

(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.

(d) For the quarter ended March 31, 2016, because we reported a net loss, all common stock equivalents are anti-dilutive and are therefore excluded from the calculation of diluted shares and diluted per share amounts. However, because we reported after-tax operating income, the calculation of after-tax operating income per diluted share includes 29,585,064 dilutive shares.



Non-GAAP Reconciliations

General Operating and Other Expenses

(in millions)

	1Q16	1Q17
General operating and other expenses, GAAP basis	\$ 3,003	\$ 2,443
Restructuring and other costs	(188)	(181)
Other expense related to retroactive reinsurance agreement	7	-
Non-operating litigation reserves	(3)	(4)
Total general operating and other expenses included in pre-tax operating income	2,819	2,258
Loss adjustment expenses, reported as policyholder benefits and losses incurred	341	304
Advisory fee expenses	(317)	(77)
Non-deferrable insurance commissions and other	(122)	(132)
Direct marketing and acquisition expenses, net of deferrals, and other	(144)	(112)
Investment expenses reported as net investment income and other	15	8
Total general operating expenses, operating basis	\$ 2,592	\$ 2,249
Less: FX Impact	(12)	
Less: GOE of Advisor Group	45	
Less: GOE of UGC	50	
Total general operating expenses, operating basis, Ex. FX & GOE of AIG Advisor Group and UGC	\$ 2,509	\$ 2,249

Non-GAAP Reconciliations

PTOI, ATOI and Normalized ATOI*

Commercial Insurance - Liability and Financial Lines

(in millions)

	1Q16	1Q17
Pre-tax operating income (loss)	\$ 569	\$ 574
Interest expense on attributed financial debt	52	71
Operating income (loss) before taxes:	517	503
Income tax expense (benefit)	143	196
After-tax operating income (loss) (a)	\$ 374	\$ 307
Adjustments to arrive at normalized after-tax operating income (loss):		
Catastrophe losses above (below) expectations	(2)	(1)
(Better) worse than expected alternative returns	140	(40)
Fair value changes on PICC investments	12	-
Unfavorable (favorable) prior year loss reserve development	3	53
Normalized after-tax operating income (b)	\$ 527	\$ 319
Ending attributed equity	19,916	14,338
Average attributed equity (c)	19,909	16,656
Adjusted return on attributed equity (a÷c)	7.5 %	7.4 %
Normalized return on attributed equity (b÷c)	10.6 %	7.7 %

Commercial Insurance - Property and Special Risks

(in millions)

	1Q16	1Q17
Pre-tax operating income (loss)	\$ 93	\$ 275
Interest expense on attributed financial debt	36	34
Operating income (loss) before taxes:	57	241
Income tax expense (benefit)	12	74
After-tax operating income (loss) (a)	\$ 45	\$ 167
Adjustments to arrive at normalized after-tax operating income (loss):		
Catastrophe losses above (below) expectations	(65)	(41)
(Better) worse than expected alternative returns	52	(30)
Fair value changes on PICC investments	5	-
Unfavorable (favorable) prior year loss reserve development	(9)	(23)
Normalized after-tax operating income (b)	\$ 28	\$ 73
Ending attributed equity	8,883	8,168
Average attributed equity (c)	8,913	8,271
Adjusted return on attributed equity (a÷c)	2.0 %	8.1 %
Normalized return on attributed equity (b÷c)	1.3 %	3.5 %

Total Commercial Insurance

(in millions)

	1Q16	FY'16	1Q17
Pre-tax operating income (loss)	\$ 662	\$ (2,735)	\$ 849
Interest expense on attributed financial debt	88	363	105
Operating income (loss) before taxes:	574	(3,098)	744
Income tax expense (benefit)	155	(1,020)	270
After-tax operating income (loss) (a)	\$ 419	\$ (2,078)	\$ 474
Adjustments to arrive at normalized after-tax operating income (loss):			
Catastrophe losses above (below) expectations	(67)	(86)	(42)
(Better) worse than expected alternative returns	192	180	(70)
Fair value changes on PICC investments	17	30	-
Unfavorable (favorable) prior year loss reserve development	(6)	3,646	30
Normalized after-tax operating income (b)	\$ 555	\$ 1,692	\$ 392
Ending attributed equity	28,799	27,346	22,506
Average attributed equity (c)	28,822	28,262	24,927
Adjusted return on attributed equity (a÷c)	5.8 %	(7.4) %	7.6 %
Normalized return on attributed equity (b÷c)	7.7 %	6.0 %	6.3 %



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

Non-GAAP Reconciliations

PTOI, ATOI and Normalized ATOI*

Consumer Insurance - Individual Retirement

(in millions)

	1Q16		1Q17
Pre-tax operating income	\$ 302		\$ 539
Interest expense on attributed financial debt	15		-
Operating income (loss) before taxes:	287		539
Income tax expense (benefit)	85		176
After-tax operating income (a)	\$ 202		\$ 363
Adjustments to arrive at normalized after-tax operating income (loss):			
(Better) worse than expected alternative returns	101		(20)
Normalized after-tax operating income (b)	\$ 303		\$ 343
Ending attributed equity	11,338		11,006
Average attributed equity (c)	11,432		10,960
Adjusted return on attributed equity (a÷c)	7.1 %		13.2 %
Normalized return on attributed equity (b÷c)	10.6 %		12.5 %

Consumer Insurance - Life Insurance

(in millions)

	1Q16		1Q17
Pre-tax operating income (loss)	\$ 1		\$ 54
Interest expense on attributed financial debt	9		6
Operating income (loss) before taxes:	(8)		48
Income tax expense (benefit)	(6)		18
After-tax operating income (loss) (a)	\$ (2)		\$ 30
Adjustments to arrive at normalized after-tax operating income (loss):			
(Better) worse than expected alternative returns	23		(4)
Normalized after-tax operating income (b)	\$ 21		\$ 26
Ending attributed equity	2,724		2,544
Average Attributed equity (c)	2,696		2,537
Adjusted return on attributed equity (a÷c)	(0.3) %		4.7 %
Normalized return on attributed equity (b÷c)	3.1 %		4.1 %

Consumer Insurance - Group Retirement

(in millions)

	1Q16		1Q17
Pre-tax operating income (loss)	\$ 191		\$ 243
Interest expense on attributed financial debt	8		-
Operating income (loss) before taxes:	183		243
Income tax expense (benefit)	37		75
After-tax operating income (a)	\$ 146		\$ 168
Adjustments to arrive at normalized after-tax operating income (loss):			
(Better) worse than expected alternative returns	49		(11)
Normalized after-tax operating income (b)	\$ 195		\$ 157
Ending attributed equity	6,178		6,035
Average attributed equity (c)	6,229		6,010
Adjusted return on attributed equity (a÷c)	9.4 %		11.2 %
Normalized return on attributed equity (b÷c)	12.5 %		10.4 %

Consumer Insurance - Personal Insurance

(in millions)

	1Q16		1Q17
Pre-tax operating income (loss)	\$ 210		\$ 212
Interest expense on attributed financial debt	24		23
Operating income (loss) before taxes:	186		189
Income tax expense (benefit)	65		59
After-tax operating income (loss) (a)	\$ 121		\$ 130
Adjustments to arrive at normalized after-tax operating income (loss):			
Catastrophe losses above (below) expectations	(20)		(28)
(Better) worse than expected alternative returns	14		(18)
Fair value changes on PICC investments	1		-
Unfavorable (favorable) prior year loss reserve development	(31)		1
Normalized after-tax operating income (b)	\$ 85		\$ 85
Ending attributed equity	2,859		3,011
Average attributed equity (c)	2,853		2,877
Adjusted return on attributed equity (a÷c)	17.0 %		18.1 %
Normalized return on attributed equity (b÷c)	11.9 %		11.8 %



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

Non-GAAP Reconciliations

PTOI, ATOI and Normalized ATOI*

Total Consumer Insurance

(in millions)

	<u>1Q16</u>	<u>FY'16</u>	<u>1Q17</u>
Pre-tax operating income (loss)	\$ 704	\$ 3,849	\$ 1,048
Interest expense on attributed financial debt	56	182	29
Operating income (loss) before taxes:	<u>648</u>	<u>3,667</u>	<u>1,019</u>
Income tax expense (benefit)	181	1,160	328
After-tax operating income (loss) (a)	\$ 467	\$ 2,507	\$ 691
Adjustments to arrive at normalized after-tax operating income (loss):			
(Better) worse than expected alternative returns	187	133	(53)
Update of actuarial assumptions	-	(150)	-
Catastrophe losses above (below) expectations	(20)	(50)	(28)
Fair value changes on PICC investments	1	2	-
Unfavorable (favorable) prior year loss reserve development	(31)	(88)	1
Normalized after-tax operating income (b)	\$ 604	\$ 2,354	\$ 611
Ending attributed equity	23,100	22,168	22,596
Average attributed equity (c)	23,210	22,928	22,384
Adjusted return on attributed equity (a÷c)	8.0 %	10.9 %	12.3 %
Normalized return on attributed equity (b÷c)	10.4 %	10.3 %	10.9 %

Other Operations (including consolidations and eliminations)

(in millions)

	<u>1Q16</u>	<u>1Q17</u>
Pre-tax operating income (loss)	\$ (219)	\$ (198)
Interest expense (benefit) on attributed financial debt	(167)	(177)
Operating income (loss) before taxes:	<u>(52)</u>	<u>(21)</u>
Income tax expense (benefit)	(57)	(42)
After-tax operating income (loss) (a)	\$ 5	\$ 21
Adjustments to arrive at normalized after-tax operating income (loss):		
(Better) worse than expected alternative returns	13	-
(Better) worse than expected DIB & GCM returns	2	(1)
Fair value changes on PICC investments	-	(14)
Unfavorable (favorable) prior year loss reserve development	(4)	-
Normalized after-tax operating income (loss) (b)	\$ 16	\$ 6
Ending attributed equity	(756)	124
Average attributed equity (c)	298	(873)



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

Non-GAAP Reconciliations

PTOI, ATOI and Normalized ATOI*

Total Core (in millions)

	<u>1Q16</u>	<u>1Q17</u>
Pre-tax operating income (loss)	\$ 1,147	\$ 1,699
Interest expense (benefit) on attributed financial debt	(23)	(43)
Operating income (loss) before taxes:	1,170	1,742
Income tax expense (benefit)	279	556
After-tax operating income (loss) (a)	\$ 891	\$ 1,186
Adjustments to arrive at normalized after-tax operating income (loss):		
Catastrophe losses above (below) expectations	(87)	(70)
(Better) worse than expected alternative returns	392	(123)
(Better) worse than expected DIB & GCM returns	2	(1)
Fair value changes on PICC investments	18	(14)
Unfavorable (favorable) prior year loss reserve development	(41)	31
Normalized after-tax operating income (b)	\$ 1,175	\$ 1,009
Ending attributed equity	51,141	45,226
Average attributed equity (c)	52,330	46,438
Adjusted return on attributed equity (a÷c)	6.8 %	10.2 %
Normalized return on attributed equity (b÷c)	9.0 %	8.7 %

Legacy Portfolio (in millions)

	<u>1Q16</u>	<u>1Q17</u>
Pre-tax operating income (loss)	\$ (202)	\$ 342
Interest expense on attributed financial debt	23	43
Operating income (loss) before taxes:	(225)	299
Income tax expense (benefit)	(97)	97
After-tax operating income (loss) (a)	\$ (128)	\$ 202
Adjustments to arrive at normalized after-tax operating income (loss):		
Catastrophe losses above (below) expectations	(2)	(1)
(Better) worse than expected alternative returns	72	3
(Better) worse than expected DIB & GCM returns	255	(28)
Fair value changes on PICC investments	49	-
Life Insurance - IBNR death claims	(16)	-
Unfavorable (favorable) prior year loss reserve development	2	(10)
Normalized after-tax operating income (b)	\$ 232	\$ 166
Ending attributed equity	15,026	10,477
Average attributed equity (c)	15,939	10,563
Adjusted return on attributed equity (a÷c)	(3.2) %	7.6 %
Normalized return on attributed equity (b÷c)	5.8 %	6.3 %



* 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>1Q16</u>	<u>1Q17</u>
Loss ratio	69.0	76.0
Prior year development net of premium adjustments	(0.1)	(3.5)
Accident year loss ratio, as adjusted	<u>68.9</u>	<u>72.5</u>
Combined ratio	96.8	105.4
Prior year development net of premium adjustments	(0.1)	(3.5)
Accident year combined ratio, as adjusted	<u>96.7</u>	<u>101.9</u>

Commercial Insurance - Property and Special Risks

	<u>1Q16</u>	<u>1Q17</u>
Loss ratio	66.0	66.3
Catastrophe losses and reinstatement premiums	(11.6)	(12.6)
Prior year development net of premium adjustments	1.0	2.2
Accident year loss ratio, as adjusted	<u>55.4</u>	<u>55.9</u>
Combined ratio	99.1	97.7
Catastrophe losses and reinstatement premiums	(11.6)	(12.6)
Prior year development net of premium adjustments	1.0	2.2
Accident year combined ratio, as adjusted	<u>88.5</u>	<u>87.3</u>

Total Commercial Insurance

	<u>1Q16</u>	<u>1Q17</u>
Loss ratio	67.8	71.9
Catastrophe losses and reinstatement premiums	(4.6)	(5.4)
Prior year development net of premium adjustments	0.3	(1.0)
Accident year loss ratio, as adjusted	<u>63.5</u>	<u>65.5</u>
Combined ratio	97.7	102.2
Catastrophe losses and reinstatement premiums	(4.6)	(5.4)
Prior year development net of premium adjustments	0.3	(1.0)
Accident year combined ratio, as adjusted	<u>93.4</u>	<u>95.8</u>

Consumer Personal Insurance

	<u>1Q16</u>	<u>1Q17</u>
Loss ratio	52.7	56.0
Catastrophe losses and reinstatement premiums	(1.1)	(1.0)
Prior year development net of premium adjustments	1.8	-
Accident year loss ratio, as adjusted	<u>53.4</u>	<u>55.0</u>
Combined ratio	94.6	96.6
Catastrophe losses and reinstatement premiums	(1.1)	(1.0)
Prior year development net of premium adjustments	1.8	-
Accident year combined ratio, as adjusted	<u>95.3</u>	<u>95.6</u>

Non-GAAP Reconciliations

Accident Year Loss and Combined Ratios, as adjusted (incl. PYD)

Total Commercial Insurance

	Full Year					
	2011	2012	2013	2014	2015	2016
Loss ratio	84.3	81.0	70.3	69.7	84.5	104.0
Catastrophe losses and reinstatement premiums	(11.9)	(10.9)	(3.4)	(3.0)	(3.0)	(6.5)
Prior year development net of premium adjustments	1.9	(1.2)	(1.5)	(2.1)	(16.8)	(30.8)
Accident year loss ratio, as adjusted	74.3	68.9	65.4	64.6	64.7	66.7
					2015	2016
Combined ratio					114.5	133.1
Catastrophe losses and reinstatement premiums					(3.0)	(6.5)
Prior year development net of premium adjustments					(16.8)	(30.8)
Accident year combined ratio, as adjusted					94.7	95.8
Commercial Insurance Accident Year Loss Ratio, as Adjusted (incl. PYD)	2011	2012	2013	2014	2015	2016
Accident year loss ratio, as adjusted	74.3	68.9	65.4	64.6	64.7	66.7
Effect of 2015 Prior Year Development on 2011 - 2015	2.8	1.2	1.9	2.4		
Accident year loss ratio, as adjusted (incl. 2015 PYD)	77.1	70.1	67.3	67.0	64.7	66.7
Effect of 2016 Prior Year Development on 2011 - 2015	0.9	2.1	2.4	4.2	6.1	
Accident year loss ratio, as adjusted (incl. PYD)	78.0	72.2	69.7	71.2	70.8	66.7
Commercial Insurance Accident Year Combined Ratio, as Adjusted (incl. PYD)					2015	2016
Accident year combined ratio, as adjusted					94.7	95.8
Effect of 2016 Prior Year Development on 2011 - 2015					6.1	
Accident year combined ratio, as adjusted (incl. PYD)					100.8	95.8

Non-GAAP Reconciliations

Premiums

(in millions)

	1Q16	1Q17
Consumer Insurance:		
Premiums and deposits	\$ 7,715	\$ 6,332
Deposits	(7,154)	(5,756)
Other	(148)	(155)
Premiums	\$ 413	\$ 421
Consumer Insurance - Individual Retirement:		
Premiums and deposits	\$ 5,010	\$ 3,382
Deposits	(4,963)	(3,357)
Other	-	3
Premiums	\$ 47	\$ 28
Consumer Insurance - Individual Retirement (Fixed Annuities):		
Premiums and deposits	\$ 1,645	\$ 917
Deposits	(1,599)	(892)
Other	2	4
Premiums	\$ 48	\$ 29
Consumer Insurance - Individual Retirement (Variable Annuities):		
Premiums and deposits	\$ 1,267	\$ 862
Deposits	(1,267)	(862)
Other	(2)	(1)
Premiums	\$ (2)	\$ (1)
Consumer Insurance - Individual Retirement (Index Annuities):		
Premiums and deposits	\$ 773	\$ 606
Deposits	(773)	(606)
Other	-	-
Premiums	\$ -	\$ -
Consumer Insurance - Individual Retirement (Retail Mutual Funds):		
Premiums and deposits	\$ 1,325	\$ 997
Deposits	(1,325)	(997)
Other	-	-
Premiums	\$ -	\$ -
Consumer Insurance - Group Retirement:		
Premiums and deposits	\$ 1,856	\$ 2,040
Deposits	(1,849)	(2,031)
Other	-	-
Premiums	\$ 7	\$ 9
Consumer Insurance - Life Insurance:		
Premiums and deposits	\$ 849	\$ 910
Deposits	(342)	(368)
Other	(148)	(158)
Premiums	\$ 359	\$ 384