When it comes to making health decisions, many seek a different opinion from a specialist.

When choosing supplemental benefits, it’s important to seek a different opinion, too.
Our Colleagues are committed to ensuring all our Customers get the standard of service and expertise they have come to rely on from American Fidelity.

BILL CAMERON
In 1960, my grandfather and father started American Fidelity Assurance Company to meet the financial security needs of hard-working Oklahomans. Their business model was built on making things easier for Customers by specializing in serving specific groups and tailoring products and services for their individual circumstances.

Nearly 60 years later American Fidelity has grown to serve more than 1.5 million policyholders in 49 states. The American Fidelity family of companies also has Customers and business interests in more than 20 countries worldwide. The needs of our Customer groups may have changed in the past six decades, but our unwavering commitment to provide specialized employer benefit solutions has not.

Our Colleagues are committed to ensuring all our Customers get the standard of service and expertise they have come to rely on from American Fidelity. As the employer benefit needs change in our markets, we strive to anticipate those changes and offer specialized solutions for our Customers.

Our strong financial results indicate we’re doing that well. American Fidelity again earned “A+” ratings from A.M. Best, one of the insurance industry’s oldest and most-respected ratings agencies. In addition, Fortune magazine recognized American Fidelity as one of the 100 Best Companies to Work For, an honor we have achieved 11 times since 2004. It shows that we recognize it takes great Colleagues to serve our Customers. We know it’s important to craft an environment that allows them to give their best each day to serve our Customers.

I am proud of the Company my grandfather and father established, along with the success that my family of Colleagues continues to achieve by serving our Customers well. Now that my daughter – the fourth generation of the Cameron family – has joined our ranks, the American Fidelity family of companies stand poised to continue offering a different opinion to our ever-growing Customer base for generations to come.
AMERICAN FIDELITY CORPORATION
Making a Difference

STRENGTH & STABILITY
rated A+ by A.M. Best*

FOUNDED IN
1960*

OUR POLICYHOLDERS
nearly 1.5 million*

POLICIES IN FORCE
nearly 1.9 million*

100 BEST WORKPLACES FOR GIVING BACK

50 BEST WORKPLACES FOR DIVERSITY

100 BEST WORKPLACES FOR WOMEN
AFA/APL/AFIBL 2016 EARNED PREMIUM INCOME (GAAP)
$902.5 MILLION

AFC CONSOLIDATED 2016 TOTAL REVENUE
$1.2 BILLION

COLLEAGUES 1,887

AVERAGE COLLEAGUE TENURE 10 YEARS

LICENSED TO DO BUSINESS IN 49 STATES*
We are different because we truly are all about you.

DAVE CARPENTER
We hear a lot of new phrases these days – old words with new meaning. One phrase that is of particular interest to me is **artificial intelligence**. Other technological terms such as **virtual reality**, **predictive analytics** and **diagnostic testing** are also intriguing.

But with all of our technological progress, we are all real. At American Fidelity, we value you as a real Customer. You are not just a number. You are not artificial. You are real.

We do continue to invest in technology to better serve you, but we also invest in our Colleagues’ understanding of the importance of each and every one of you, our Customers. This investment, in part, is shown by our achievement of once again being named one of Fortune Magazine’s 100 Best Companies to Work For. To me, happy Colleagues make certain that we have cared for and satisfied Customers. Our CEO, Bill Cameron, has said many times, “Bad things happen to good people,” and our over 1,800 Colleagues stand ready to serve you efficiently and empathetically in your time of need. In 2016 we did just that by serving more than 1.6 million of your individual requests.

In 2016 we continued to make excellent progress on systems and products that will enable us to serve you more effectively. Whether it’s filing claims via a mobile app or completing an application for coverage with only a few questions, we continually focus on how we can better serve you.

We expect 2017 to be challenging yet exciting, and we will have even better means and methods in place to serve you. We continue to make excellent progress on our policy administration system, both on schedule and on budget. The end result will be more options for you to interact with us. Whether you’re filing or checking on a claim, checking the status of your coverage or have other needs, we will be able to serve you as you want to be served.

Last year I commented that, “While many companies may be increasing their use of data to sell, we are increasing our use of data to serve. The better we understand your needs, the better we can design products and services to meet those needs.” I repeat this because I believe it is important for you, our employee Customer, to know that our interest is, and always has been, your financial security. For employers, we remain committed to providing you the best benefit administration solutions available in the marketplace.

Our brand is “American Fidelity, a different opinion.” We are different because we truly are all about you – a real person or real employer.

Artificial has its place, but we know its place is second to you and your needs.
WHO WE ARE
American Fidelity Educational Services (AFES) provides supplemental insurance, investment products, vital financial services and administrative solutions to the education community. AFES offers Customers the products and services they need at a value they can appreciate.

2016 ACCOMPLISHMENTS
American Fidelity Educational Services recorded another strong sales year, meeting 112 percent of quota at year-end. Success and growth continued with a strong focus of being a 365-day solutions Company for our Customers.

AFES remained focused on our brand, and making things easier for our Customers. With that in mind, AFES rolled out cancer and disability applications that improved the overall Customer experience.

2017 GOALS
AFES will continue its efforts of being a 365-day solutions Company and projects an eight percent growth in sales regions for the year.

AMERICAN FIDELITY EDUCATIONAL SERVICES offers our Customers the products and services they need at a value they can appreciate.

KEITH JOHNSON
AFES CSO
The division will focus on developing new accounts utilizing new enrollment platforms that support our brand, enhancing the overall Customer experience.

Through the use of data analytics, AFES will search for new opportunities with existing Customers and discover new Customers. The focus will remain on developing a culture where Customers and Colleagues want to hire American Fidelity and retire with American Fidelity.

“"The focus will remain on developing a culture where Customers and Colleagues want to **hire** American Fidelity and **retire** with American Fidelity.""
WHO WE ARE:
We provide a different opinion in employee benefits strategies by offering a top-notch Customer experience. Our account managers are dedicated to ensuring the benefit program fits both the employers’ needs and budget. The Association and Worksite Division’s (AWD) goal is to make things simple by offering strategic voluntary benefits to pair with health insurance, cafeteria plan enrollment support, online enrollment tools and communication and employee benefits education.

2016 ACCOMPLISHMENTS:
AWD exceeded our sales goals in all areas in 2016. The division continues to grow in the municipal market with continued growth in California. Kentucky and Alabama are already strong AFES states and AWD is growing in these municipal markets through name recognition. New groups in the municipal niche is key to success in Oklahoma and Arkansas. Our sales supervisor position allowed AWD to grow in both states in all niches and continues to find ways
to become the strategic advisor for our employers.

2017 GOALS:
Expansion remains a priority for AWD in 2017 along with growing and developing our brokerage block of business. The division plans to grow in existing markets while also selectively expanding into new markets, especially those tied to our municipal market. Municipal growth in California, Texas, Kentucky, Alabama, Oklahoma, Michigan and the Northeast part of the United States is important for AWD. The division is working with key broker partners across the United States to develop strategic partners. Growth into counties along with cities is key to AWD success. Our goal is to offer seamless, cost-efficient administration of benefit programs to employers.

To continue our growth, we will need to recruit new sales talent by promoting our compensation program and hiring candidates who can help the Company achieve success while advancing their own careers.

“DEVELOPING THE ACCOUNT MANAGER OF THE FUTURE WILL BE A KEY GOAL FOR AWD AND OUR SALES SUPERVISORS IN 2017.”
WHO WE ARE:
The Worksite Group (WG) completed its fifth year of growing premium, improving efficiencies in the field and home office while building synergy between our two largest divisions: American Fidelity Educational Services (AFES) and Association and Worksite Division (AWD). The Worksite Group provides strategy for products, services and technology that support both divisions.

2016 ACCOMPLISHMENTS
The Worksite Group continued to add systems, technology and services to make life easier for our Customers. A new system allowed WG to test and report on required Affordable Care Act data for IRS reporting that benefited more than 1,000 employers. In addition, AFenroll was rolled out nationwide to provide employers with easier access to our sales enrollment platform for field applications and reporting purposes.

The Worksite Group worked with AWD to continue expansion with city and county niche employer groups.

GARY TREDWAY
WG Chairman & CEO

THE WORKSITE GROUP continues to add systems, technology and services to make life easier for our Customers.
The team was able to earn endorsements from two Associations of County Governments.

On the AFES side, WG helped strengthen our traditional worksite model to include additional holistic benefit management services. Enhancements included more medical plan interaction with employers, increased participation in Health Savings Accounts, implementation of a strategic partner approach and continuing the focus of being an employer solutions provider. Improvements also were seen throughout our products and services to ensure the Customer experience is as easy as possible. Worksite Group worked to provide useful data analytics and visualization as well as develop and implement a new group application. The dedicated call center for claims and Customer service was expanded while the mobile application for claims and annuity management was improved.

**2017 GOALS**
The Worksite Group will continue to focus on being the strategic adviser of choice through exceptional sales and services to our respective market niches. Our new products will allow for census enrollment capacity to enroll employees on our friendly enrollment platform. Implementing our new digital marketing strategy will drive a robust Customer prospecting and servicing effort.

Finally, we will continue to expand our benefit consulting services to the thousands of employer groups that we have the opportunity and privilege to serve.
A DIFFERENT OPINION
Strategic Alliances

WHO WE ARE:
Strategic Alliances’ primary solutions are medical stop loss and direct first dollar benefits. Employers and health plans use stop loss coverage as a risk management tool to mitigate catastrophic risk. Employers offer direct benefits to full-time and part-time employees as an affordable way to support their individual health insurance needs. In addition to our direct-to-market stop loss model, Strategic Alliances maintains distribution and operating relationships with a variety of excellent insurance marketing and administrative partners. We also participate in the growing market for Medicare Supplement insurance.

2016 ACCOMPLISHMENTS:
In 2016, we saw our production relationships stabilize with the positive result of an increase in earned premium that exceeded our budgeted level by 8.7 percent. The increase can be attributed to continued strengthening of existing relationships and the increased production of stop loss and Medicare Supplement

MARC MARION
Strategic Alliances
COO

STRATEGIC ALLIANCES works to deliver an enhanced product suite that is best-in-class, offering a different opinion to our Customers.
products from new ventures initiated in 2015.

The very soft market for stop loss products did create earnings pressure in 2016. While we did not meet loss ratio targets, we continued to proactively work with our Managing General Underwriters (MGUs) to monitor results and take action to mitigate these challenges. Maintaining the needed underwriting discipline will assure that we meet our future profit projections.

2017 GOALS:
Our 2017 goals include increasing earned premium by 6.9 percent. We anticipate strong growth for Medicare Supplement premiums, a stable outlook for stop loss produced by existing MGU partners and new stop loss premium growth from our entry as a direct distributor of stop loss insurance. An important component of our growth strategy is continued development of opportunities within the American Fidelity enterprise family, working closely with our corporate partners.

As noted, we started a direct distribution stop loss operation in early 2017. This is a significant strategic initiative to insure the continued growth of our stop loss premium on a profitable basis. It also enhances our ability to support the American Fidelity enterprise by providing a competitive benefit risk management option to our established clientele from a trusted partner. Together, working with our partner divisions, we will be able to deliver an enhanced product suite that is best-in-class. Our different opinion is a key competitive advantage.

The 2017 story is not complete without a note on the dynamic legislative and regulatory environment that is emerging from the changes in Washington. Our division Colleagues, with the support of our outstanding corporate resources, stand ready to respond effectively to client needs as they evolve.

“THE CONTINUED EXECUTION OF OUR STRATEGIC PLAN IN 2016 DELIVERED GREAT RESULTS AND POSITIONED US FOR A STRONG FUTURE. AS ALWAYS, OUR GROWING COLLEAGUE TEAM REMAINS COMMITTED AND ENTHUSIASTIC AS WE PURSUE EXCELLENCE IN PROVIDING SOLUTIONS TO OUR CUSTOMERS.”
Our Products and Services

Our Products

More than 56 years ago, C.W. and C.B. Cameron founded American Fidelity Assurance Company based on a fundamental belief: The most important asset anyone has is their ability to work and earn a living. The Camerons wanted to help ensure that workers were able to protect that asset through disability insurance.

As new needs arise, additional products and services are added to the lineup, but the one thing they all have in common is that they are designed to help protect the financial security of our nearly 1.5 million policyholders. Whether it’s providing insurance to sustain a family during a time of loss or critical illness or helping workers save for their retirement years, American Fidelity is dedicated to the employers and Customers we serve.

We offer important products with flexible designs and various riders that can supplement and fit specific needs at the employee level. In 2016, we introduced new underwriting processes that simplified the enrollment process for enrolling in our group and individual products.

LARRY ALKIRE
Worksite Group
Products & Services
Senior VP

American Fidelity offers important products with flexible designs to fit the specific needs of our Customers.
In 2017, we will continue our efforts with product and enrollment simplification. We plan to introduce new platform-friendly plan designs which offer even more efficient enrollments and more time available to educate and consult our Customers and prospects.

DISABILITY INSURANCE
Our disability insurance products provide monthly benefit payments for those who are sick or injured and unable to work. Plans are offered to Customer groups in education, automobile associations, health care, municipalities and more. We offer both long term and short term disability plans with state specific coverage based on each employers benefit structure.

SUPPLEMENTAL HEALTH INSURANCE
We offer a wide range of supplemental health insurance products to provide financial assistance for our Customers and their families in the event of a covered illness or accident. As out-of-pocket medical costs continue to increase through high-deductible medical plans, our supplemental products can help our Customers cover some of the costs that arise from unexpected accidents, hospitalizations or critical illnesses. Our supplemental products provide benefits for cancer, critical illness, accidents, hospitalization and various outpatient treatments.

ANNUITIES
American Fidelity provides fixed and variable annuities for our Customers who want to save for their retirement years. We offer these products on
Our Products and Services

both a tax-qualified and non-tax qualified basis. In addition, we offer our products through a variety of employer sponsored 403(b) and 457 arrangements to help our Customers maximize the value of their hard-earned savings. Our focus this past year was on implementing an online enrollment system specifically designed for our annuity products.

LIFE INSURANCE
Life insurance remains an important part of a family’s financial security plan. Helping to make sure that families are financially protected in the event of a loved one’s death is an important way of caring for their future needs. We offer several types of individual life insurance products, including whole life and several forms of term life. This past year we completed the implementation of a new suite of express issue products while also adding accelerated riders for critical illness and long term illness.

SERVICES
In addition to our products, American Fidelity provides employer administrative services such as...

ALEX BAGBY
Life, Health & Annuity Products
Senior VP

In 2017, we will continue our efforts with product and enrollment simplification.
recordkeeping services for Flexible Spending Accounts and Section 125 plans. Health Saving Accounts, Health Reimbursement Arrangements and 403(b) plan administration round out the offerings. As a service to our Customers, we offer import products through American Fidelity General Agency. We work with many major carriers to provide benefits such as universal life, dental, vision and long-term care coverage. American Fidelity Administrative Services offers consulting services for employers and associations including ACA compliance services, employer health plan assessments and employee time tracking services.

American Fidelity provides administrative services to help make our Customers’ lives easier.
A DIFFERENT OPINION

Our Affiliates

American Fidelity Assurance Company is dedicated to providing unique financial solutions for our Customers, and we are affiliated with a variety of other organizations that have the same goals in mind.

AMERICAN PUBLIC LIFE INSURANCE COMPANY
Offers a variety of supplemental policies such as cancer, critical illness and disability insurance policies through a broker-partner distribution system.

AMERICAN FIDELITY INTERNATIONAL (BERMUDA), LTD.
Delivers high-quality financial protection products to individuals throughout Latin America through a consultant distribution system.

AMERICAN FIDELITY PROPERTY COMPANY
Focuses on real estate and property management services, including office, multi-family units and commercial developments.

INVESTRUST WEALTH AND MANAGEMENT
Includes Asset Management, Trust and Retirement Specialists. Combined, InvesTrust offers corporate trust, investment management and custodial services; defined benefit and contribution plans; and consulting on asset growth strategies for corporations, institutional pension plans and endowments.
AMERICAN FIDELITY GENERAL AGENCY
Acts as an agent for insuring groups and individuals for a variety of insurance products.

THE ALCOTT GROUP
Provides Human Resources support and employer services to small and mid-sized organizations as a Professional Employer Organization (PEO).

AMERICAN FIDELITY HEALTH SERVICES ADMINISTRATION
Handles administration needs while allowing Customers to make medical plan decisions independently with a Health Savings Account solution.

AMERICAN FIDELITY ADMINISTRATIVE SERVICES, LLC
Provides Customers with health and welfare benefit plan consulting, Health Care Reform eligibility software, notices and reporting support services.
A DIFFERENT OPINION
Community Efforts

IT’S WHO WE ARE
American Fidelity’s leaders believe that to have a strong company, you must have a strong community. As a result, the American Fidelity Foundation distributed more than $1 million in 2016 to organizations dedicated to improving the quality of life in Oklahoma City and beyond. The Company also partners directly with other organizations to support education and other important community initiatives.

Our Colleagues get in on the act of giving as well. Each month, they donate nearly $1,000 to a designated charity. Collectively, they also support the United Way, Allied Arts, the Regional Food Bank of Oklahoma and Buchanan Elementary, our partner school. Individual divisions and departments also sponsor volunteer efforts and donation drives to organizations of their choice.

2016 ACCOMPLISHMENTS
Annually, American Fidelity hosts a pair of worksite giving campaigns to support Allied Arts and the United Way. Each spring, Colleagues host a variety of creative fundraisers to support Allied Arts. In 2016,

THE AMERICAN FIDELITY FOUNDATION and the family of companies are committed to building a vibrant community for our Colleagues and our Customers.
Colleagues pledged more than $46,000 to Allied Arts, and the AF Foundation also contributed $60,000. A fall campaign helps set the pace for the United Way of Central Oklahoma’s annual effort. Colleagues pledged to donate more than $320,000 while the Foundation added $220,000 to the mix.

The AF Foundation coupled with corporate donations provided grants totaling nearly $850,000 to more than 150 individual agencies in the local Oklahoma City area as well as around the country in communities where we do business. The Foundation matched $70,956 in donations made by individual Colleagues, doubling the impact of those individual donations to organizations nationwide. The Company continued its partnerships with the NBA’s Oklahoma City Thunder, the WNBA’s Dallas Wings, KFOR’s Weatherschool, the Teacher Feature on Magic 104.1 FM radio, our partner school Buchanan Elementary and others.

AF sponsors the Thunder’s literacy programs including the Rolling Thunder Book Bus, Teacher of the Game, Read to Achieve Reading Timeouts and the Reading Challenge. Since its debut in 2007, the Rolling Thunder Book Bus has distributed more than 133,000 books and visited nearly 1,700 schools and day care groups. In the 2015-16 school year, nearly 400 schools participated in the Reading Challenge, and about 34,000 students logged more than 26.5 million minutes of reading.

The Company’s paid volunteer time program continued to provide time for Colleagues to volunteer for non-profit organizations or schools and match their paid personal time with paid volunteer time. Colleagues used about 645 hours of paid volunteer time, meaning they spent about 1,300 hours working in the community during business hours. Colleagues are allowed up to 20 volunteer hours a year.

This year’s Famboree, an event held each fall for Colleagues and their family members, raised funds and awareness for four local agencies. The Oklahoma City Police Department’s FACT program earned the highest number of Colleague votes and collected $5,000. Teach for America, WINGS and Upward Transitions were awarded $1,000 each in honor of the event.

The American Fidelity Foundation and the family of companies are proud to be strong corporate citizens committed to building a vibrant community for our Colleagues and Customers. *We believe it’s always the right time to do the right thing.*
Over the past several years we have continued to develop our culture to ensure we are making it easy to do business for our Customers. With the launch of our new brand last year, American Fidelity’s emphasis on innovation and Customer-focus didn’t change, but was enhanced as each and every Colleague has a deeper understanding of the role they play in creating a positive and consistent experience for every Customer.

To that end, we remain committed to building a service culture by fostering an environment where Colleagues want to stay and work their entire career with American Fidelity. Results in this year’s Colleague culture survey support this goal with 91 percent of our Colleagues saying they want to work here a long time. We were ranked on Fortune Magazine’s List of the 100 Best Places to Work For in America for the eleventh time and as a testament to our commitment to being an Employer of Choice for our Colleagues, we have received additional workplace accolades including:
“WE REMAIN COMMITTED TO BUILDING A SERVICE CULTURE BY FOSTERING AN ENVIRONMENT WHERE COLLEAGUES WANT TO STAY AND WORK THEIR ENTIRE CAREER WITH AMERICAN FIDELITY.”

- Best Workplaces in Finance and Insurance
- Human Capital 30: Companies That Put Employees Front and Center
- Best Companies for Giving Back
- Best Workplaces for Women
- Best Workplaces for Diversity

Our Customers deserve Colleagues who specialize in understanding their complex needs. In order to be the different opinion our Customers deserve, it takes a culture of empowered Colleagues that show they care and can respond quickly. We are focused on technology and continual improvement that creates a branding experience that will not fall short of exceeding the expectations of our Customers.
Our Results

American Fidelity Corporation and subsidiaries are pleased to report another sound performance for the year ending Dec. 31, 2016. Our consolidated GAAP equity exceeded $1 billion and our assets increased to over $7.9 billion.

Looking back on 2016, I am pleased with the consistency and breadth of our financial performance, including:

• The ability of our core domestic business units to deliver sound financial performance. Our product improvement efforts continue to produce positive results.

• The ability of our investment portfolio to continue to hold up well in these low yielding bond markets. We continue to closely monitor our portfolios and strengthen our asset liability matching program.

American Fidelity continues to advance technologies, enhance our insurance product portfolios and leverage our brand to better meet the needs of our Customers.

BOB BREARTON
CFO
• The further strengthening of our regulatory capital and liquidity positions, which have given us greater financial flexibility and credibility with regulators and rating agencies.

In 2016, we continued to advance technologies, enhance our insurance product portfolios and leverage our brand to better meet the needs of our Customers. These initiatives have and will continue to position us well for the challenges we will face in the upcoming years.

A few additional 2016 highlights are as follows:

• Maintaining strong capital ratios in AFA and APL continues to be one of our top priorities. From a U.S. regulatory standpoint, our risk-based capital (RBC) ratios are 799 percent and 976 percent for AFA and APL, respectively.

• RBC is used by the National Association of Insurance Commissioners (NAIC) to measure the amount of capital needed to operate an insurance company, based on its size and business-risk profile. Our RBC ratio continues to be well above the NAIC’s requirements. Our strong capital ratios reflect the ongoing strength of our balance sheet and commitment to maintaining financial strength for the benefit of our policyholders.

• The financial strength rating of our two insurance companies AFA (A+) and APL (A-) in 2016 were again reaffirmed by A.M. Best. We were also named by the Ward Group as one of their Top 50 U.S. life insurers.

• Consolidated GAAP net income exceeded $103 million.

With the US economy in recovery, we are very optimistic that our conservative approach to financial management, enhancements in technology and the strengthening of our niche markets will continue to provide us with a strong base for consistent ongoing growth and success.
AFC CONSOLIDATED GAAP
Our Results

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<tr>
<th>Total Revenue</th>
<th>Capital &amp; Surplus</th>
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</thead>
<tbody>
<tr>
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<td>2012</td>
</tr>
<tr>
<td>$1,002 MILLION</td>
<td>$782 MILLION</td>
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<tr>
<td>2013</td>
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<tr>
<td>$923 MILLION</td>
<td>$773 MILLION</td>
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<tr>
<td>2014</td>
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<td>$1,104 MILLION</td>
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<tr>
<td>2015</td>
<td>2015</td>
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<tr>
<td>$1,031 MILLION</td>
<td>$1,004 MILLION</td>
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<tr>
<td>2016</td>
<td>2016</td>
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<tr>
<td>$1,210 MILLION</td>
<td>$1,111 MILLION</td>
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<table>
<thead>
<tr>
<th>Accumulated Benefits Paid to Customers</th>
<th>Consolidated Assets</th>
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</thead>
<tbody>
<tr>
<td>2012</td>
<td>2012</td>
</tr>
<tr>
<td>$8.6 BILLION</td>
<td>$6,571 MILLION</td>
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<tr>
<td>2013</td>
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<tr>
<td>2016</td>
<td>2016</td>
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<tr>
<td>$10.6 BILLION</td>
<td>$7,947 MILLION</td>
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## 2016 (CONSOLIDATED GAAP, IN THOUSANDS)

### AFC Financial Statement

### ASSETS

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<tbody>
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<td>CASH</td>
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<td>TRADING INVESTMENTS</td>
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<td>SHORT TERM AND OTHER INVESTMENTS</td>
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<td>MORTGAGE LOANS</td>
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<td>REAL ESTATE AND POLICY LOANS</td>
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<td>DEFERRED POLICY ACQUISITION COSTS</td>
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<td>EQUIPMENT AND OTHER ASSETS</td>
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<td>SEPARATE ACCOUNT ASSETS</td>
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<td><strong>TOTAL ASSETS</strong></td>
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### RESERVES, OBLIGATIONS & SURPLUS

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<th>2015</th>
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<tbody>
<tr>
<td>POLICY AND OTHER CONTRACT RESERVE FUNDS SET ASIDE AND INVESTED TO ASSURE PAYMENT OF FUTURE BENEFITS TO POLICY OWNERS AND BENEFICIARIES</td>
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<td>CAPITAL SURPLUS AND RETAINED EARNINGS FOR THE FUTURE PROTECTION OF POLICY OWNERS AND BENEFICIARIES</td>
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</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY</strong></td>
<td><strong>$7,946,803</strong></td>
<td><strong>$7,517,013</strong></td>
</tr>
</tbody>
</table>

### RECONCILIATION OF CAPITAL, SURPLUS & RETAINED EARNINGS

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAPITAL AND SURPLUS REPORTED ON STATUTORY BASIS</td>
<td>$441,016</td>
<td>$432,090</td>
</tr>
<tr>
<td>NET DEFERRED POLICY ACQUISITION COSTS</td>
<td>$595,739</td>
<td>$560,733</td>
</tr>
<tr>
<td>POLICY LIABILITIES</td>
<td>($11,566)</td>
<td>($22,421)</td>
</tr>
<tr>
<td>DEFERRED FEDERAL INCOME TAXES</td>
<td>($172,940)</td>
<td>($153,148)</td>
</tr>
<tr>
<td>OTHER</td>
<td>$123,078</td>
<td>$86,202</td>
</tr>
<tr>
<td>STOCKHOLDER’S EQUITY OF NONINSURANCE SUBSIDIARIES, NET OF CONSOLIDATING ELIMINATIONS</td>
<td>$136,078</td>
<td>$100,799</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY APPLICABLE TO AFC</strong></td>
<td><strong>$1,111,405</strong></td>
<td><strong>$1,004,255</strong></td>
</tr>
</tbody>
</table>

BALANCE AS DETERMINED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
A DIFFERENT OPINION
Our Board of Directors

Greg Allen  
CEO  
Maine Street Holdings, Inc.

Bill Cameron  
Chairman & CEO  
American Fidelity Corporation

Bill Durrett  
Senior Chairman  
American Fidelity Corporation

Ted Elam  
Attorney  
McAfee & Taft

Tom McDaniel  
President  
American Fidelity Foundation

John Bendheim, Jr.  
President  
Bendheim Enterprises, Inc.

Lynda Cameron  
Director, AFA, AFC VP  
Cameron Associates, Inc.

Charles Eitel  
CEO  
WS Packaging Group, Inc.

Paula Marshall  
CEO  
The Bama Companies, Inc.

Stephen Prescott, MD  
President  
Oklahoma Medical Research Foundation