
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 OR 15(d)
of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): November 1, 2016

AMERICAN FINANCIAL GROUP, INC.

(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction
of incorporation)

1-13653
(Commission
File Number)

31-1544320
(IRS Employer
Identification No.)

301 East Fourth Street, Cincinnati, OH
(Address of principal executive offices)

45202
(Zip Code)

Registrant's telephone number, including area code 513-579-2121

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Section 2 - Financial Information

Item 2.02 Results Of Operations And Financial Condition.

Reference is made to the press release of American Financial Group, Inc. (the "Company") relating to the announcement of the Company's results of operations for the third quarter of 2016 and the availability of the Investor Supplement on the Company's website. The press release was issued on November 1, 2016. A copy of the press release is attached to this Form 8-K as Exhibit 99.1 and a copy of the Investor Supplement is attached as Exhibit 99.2 and are incorporated herein by reference.

The information contained herein shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act.

Section 8 - Other Events

Item 8.01 Other Events.

In the press release issued on November 1, 2015, the Company also announced that it declared a special cash dividend of \$1.00 per share of American Financial Group Common Stock. The dividend is payable on December 7, 2016 to Company shareholders of record on November 23, 2016. The aggregate amount of the payment to be made in connection with this special dividend will be approximately \$87 million. This special dividend is in addition to the Company's regular quarterly cash dividend.

Section 9 - Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits.

- (a) Financial statements of business acquired. Not applicable.
- (b) Pro forma financial information. Not applicable.
- (c) Shell company transactions. Not applicable
- (d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Earnings Release dated November 1, 2016, reporting American Financial Group Inc. results for the quarter ended September 30, 2016 and announcing the declaration of a special dividend.
99.2	Investor Supplement – Third Quarter 2016

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN FINANCIAL GROUP, INC.

Date: November 2, 2016

By: /s/ Karl J. Grafe
Karl J. Grafe
Vice President

FOR IMMEDIATE RELEASE



Press Release

American Financial Group, Inc. Announces Third Quarter Results

- **Net earnings of \$1.23 per share; includes \$0.30 per share A&E reserve strengthening**
- **Core net operating earnings \$1.51 per share**
- **Announced special cash dividend of \$1.00 per share, payable December 7, 2016**
- **Full year 2016 core net operating earnings guidance revised to \$5.55 - \$5.75 per share**

CINCINNATI – November 1, 2016 – American Financial Group, Inc. (NYSE: AFG) today reported 2016 third quarter net earnings attributable to shareholders of \$109 million (\$1.23 per share) compared to \$63 million (\$0.71 per share) for the 2015 third quarter. Net earnings for the quarter include after-tax charges of \$26 million (\$0.30 per share) to strengthen the Company’s asbestos and environmental (“A&E”) reserves and \$1 million (\$0.02 per share) in after-tax realized gains. Comparatively, net earnings in the 2015 third quarter included net after-tax charges of \$60 million (\$0.67 per share). Details may be found in the table below. Book value per share increased by \$1.88 to \$59.45 per share during the third quarter of 2016. Annualized return on equity was 9.9% and 5.9% for the third quarters of 2016 and 2015, respectively.

Core net operating earnings were \$134 million (\$1.51 per share) for the 2016 third quarter, compared to \$123 million (\$1.38 per share) in the 2015 third quarter. The \$1.51 per share established a new high for third quarter core EPS. The improved results were attributable to significantly higher operating earnings in our Annuity Segment and higher net investment income in our Specialty Property and Casualty (“P&C”) insurance operations, which were partially offset by lower Specialty P&C underwriting profit. Book value per share, excluding unrealized gains on fixed maturities, increased by \$1.51 to \$51.73 per share during the third quarter of 2016. Core net operating earnings for the third quarters of 2016 and 2015 generated annualized core returns on equity of 12.2% and 11.6%, respectively.

During the third quarter of 2016, AFG repurchased approximately 358,000 shares of common stock at an average price per share of \$73.98.

The Company also announced today that it declared a special cash dividend of \$1.00 per share of American Financial Group Common Stock. The dividend is payable on December 7, 2016 to shareholders of record on November 23, 2016. The aggregate amount of this special dividend will be approximately \$87 million. This special dividend is in addition to the Company’s regular quarterly cash dividend of \$0.3125 per share, which was increased in August 2016 for the eleventh consecutive year.

AFG’s net earnings attributable to shareholders, determined in accordance with U.S. generally accepted accounting principles (“GAAP”), include certain items that may not be indicative of its ongoing core operations. The table below identifies such items and reconciles net earnings attributable to shareholders to core net operating earnings, a non-GAAP financial measure. AFG believes that its core net operating earnings provides management, financial analysts, rating agencies and investors with an understanding of the results from the ongoing operations of the Company by excluding the impact of net realized investment gains and losses and other special items that are not necessarily indicative of operating trends. AFG’s management uses core net operating earnings to

evaluate financial performance against historical results because it believes this provides a more comparable measure of its continuing business. Core net operating earnings is also used by AFG's management as a basis for strategic planning and forecasting.

In millions, except per share amounts	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Components of net earnings attributable to shareholders:				
Core operating earnings before income taxes	\$ 217	\$ 193	\$ 574	\$ 542
Pretax non-core items:				
Realized gains (losses) on securities	2	(16)	(32)	2
Realized gain (loss) on sale of subsidiaries:				
Long-term care business	—	—	2	(162)
Other	—	5	—	5
Gain on sale of apartment property and hotel	—	—	32	51
Special A&E charges ^(b)	(41)	(79)	(41)	(79)
Neon exited lines charge	—	—	(65)	—
Loss on early retirement of debt	—	(4)	—	(4)
Earnings before income taxes	178	99	470	355
Provision (credit) for income taxes:				
Core operating earnings	79	66	202	180
Non-core items	(14)	(33)	(12)	(65)
Total provision (credit) for income taxes	65	33	190	115
Net earnings, including noncontrolling interests	113	66	280	240
Less net earnings attributable to noncontrolling interests:				
Core operating earnings	4	4	14	12
Non-core items	—	(1)	2	5
Total net earnings attributable to noncontrolling interests	4	3	16	17
Net earnings attributable to shareholders	\$ 109	\$ 63	\$ 264	\$ 223
Net earnings:				
Core net operating earnings ^(a)	\$ 134	\$ 123	\$ 358	\$ 350
Non-core items	(25)	(60)	(94)	(127)
Net earnings attributable to shareholders	\$ 109	\$ 63	\$ 264	\$ 223
Components of Earnings Per Share:				
Core net operating earnings^(a)	\$ 1.51	\$ 1.38	\$ 4.04	\$ 3.92
Non-core Items:				
Realized gains (losses) on securities	0.02	(0.10)	(0.21)	0.03
Realized gain (loss) on sale of subsidiaries:				
Long-term care business	—	—	0.01	(1.18)
Other	—	0.04	—	0.04
Gain on sale of apartment property and hotel	—	—	0.17	0.29
Special A&E charges ^(b)	(0.30)	(0.58)	(0.30)	(0.58)
Neon exited lines charge	—	—	(0.73)	—
Loss on early retirement of debt	—	(0.03)	—	(0.03)
Diluted Earnings Per Share	\$ 1.23	\$ 0.71	\$ 2.98	\$ 2.49

Footnotes (a) and (b) are contained in the accompanying Notes to Financial Schedules at the end of this release.

S. Craig Lindner and Carl H. Lindner III, AFG's Co-Chief Executive Officers, issued this statement: "We are pleased with our core net operating earnings for the quarter, which include record earnings in our Annuity Segment and strong profitability in our P&C operations. We believe these results showcase the solid fundamentals underlying our business and the value within our diversified specialty insurance franchise.

"Returning capital to shareholders in the form of a \$1.00 special cash dividend reflects AFG's strong financial position and our confidence in the Company's financial future. AFG had approximately \$1.1 billion of excess capital (including parent company cash of approximately \$170 million) at September 30, 2016. Our excess capital will be deployed into AFG's core businesses as we identify potential for healthy, profitable organic growth, and opportunities to expand our specialty niche businesses through acquisitions and start-ups that meet our target return thresholds. Our recently announced agreement to purchase the outstanding minority shares of National Interstate, which is subject to approval in a vote of National Interstate shareholders next week, will use approximately \$300 million of AFG's

excess capital. In addition, share repurchases, particularly when executed at attractive valuations, are an important and effective component of our capital management strategy. We will continue to make opportunistic share repurchases and return capital to shareholders through dividends.”

“Based on results for the first nine months of 2016, we now estimate that AFG’s core net operating earnings will be in the range of \$5.55 to \$5.75 per share, revised from the range of \$5.35 to \$5.75 announced previously. Our revised guidance includes the estimated impact of losses from Hurricane Matthew. Our core earnings per share guidance excludes non-core items such as realized gains and losses as well as other significant items that are not able to be estimated with reasonable precision, or that may not be indicative of ongoing operations.”

Specialty Property and Casualty Insurance Operations

The Specialty P&C insurance operations generated an underwriting profit of \$78 million in the 2016 third quarter, compared to \$84 million in the third quarter of 2015. Higher underwriting profitability in our Property and Transportation Group was more than offset by lower underwriting profitability in our Specialty Casualty and Specialty Financial Groups. The third quarter 2016 combined ratio of 93.2% was slightly higher than the 92.9% reported in the comparable prior year period. Results in the third quarter of 2016 include 1.1 points of favorable prior year reserve development, compared to 1.2 points in the comparable prior year period. Third quarter 2016 results include 1.2 points in catastrophe losses, compared to 0.9 points in the 2015 third quarter.

Gross and net written premiums were down 3% and 4%, respectively, for the third quarter of 2016, when compared to the same period in 2015. Pricing across our entire P&C Group was up 1% for the quarter. Further details of AFG’s Specialty P&C operations may be found in the accompanying schedules.

The **Property and Transportation Group** reported an underwriting profit of \$44 million in the third quarter of 2016, compared to \$20 million in the third quarter of 2015. Higher underwriting profits in our crop, transportation and property & inland marine businesses were the drivers of the improved results. Catastrophe losses for this group were \$7 million in the third quarter of 2016, comparable to the prior year period.

Gross and net written premiums for the third quarter of 2016 were 7% and 4% lower, respectively, than the comparable 2015 period. The decrease was largely the result of lower year-over-year premiums in our crop businesses, primarily the result of lower spring commodity pricing and timing differences in the recording of crop premiums. Excluding crop, third quarter 2016 gross and net written premiums were virtually unchanged from the prior year period. Overall renewal rates in this group increased 4% on average for the third quarter of 2016, including a 6% increase in National Interstate’s renewal rates.

The **Specialty Casualty Group** reported 2016 third quarter underwriting profit of \$13 million, compared to \$31 million in the third quarter of 2015. Higher underwriting profitability in our workers’ compensation businesses, primarily the result of higher favorable prior year reserve development, was more than offset by higher adverse prior year reserve development in our excess and surplus lines businesses, lower underwriting profitability in our targeted markets businesses and continued underwriting losses in our Lloyd’s business, Neon.

Gross and net written premiums decreased 2% and 8%, respectively, for the third quarter of 2016 when compared to the same prior year period. Higher premiums in our workers’ compensation businesses were more than offset by Neon’s exit of certain lines of business and implementation of tougher underwriting standards at Neon. In addition, net written premiums were impacted by higher

ceded premiums within Neon. Renewal pricing for this group decreased by 1% in the third quarter, including a decrease of approximately 4% in our workers' compensation businesses. Excluding workers' compensation, renewal pricing in this group was up approximately 1% for the quarter.

The **Specialty Financial Group** reported an underwriting profit of \$19 million in the third quarter of 2016, compared to \$26 million in the third quarter of 2015. The decrease was due primarily to lower underwriting profit in our financial institutions business, primarily the result of August storms and flooding in Louisiana. Nearly all of the businesses in this group continued to achieve excellent underwriting margins.

Gross and net written premiums increased 13% and 9%, respectively, in the 2016 third quarter when compared to the same 2015 period, primarily as a result of higher premiums in our financial institutions business. Renewal pricing in this group was flat for the quarter.

Carl Lindner III stated, "Results in each of our Specialty P&C Groups have been very good through the first nine months of year. Based on these results, we continue to expect an overall 2016 calendar year combined ratio in the range of 92% to 94%, and net written premium growth for the full year of 2016 in the range of 0% to 2%. Our combined ratio guidance includes the estimated impact of losses from Hurricane Matthew."

Further details about AFG's Specialty P&C operations may be found in the accompanying schedules and in our Quarterly Investor Supplement, which is posted on our website.

Annuity Segment

As shown in the following table, AFG's Annuity Segment contributed a record \$107 million in pretax operating earnings in the third quarter of 2016 compared to \$67 million in the third quarter of 2015, an increase of 60%. Earnings before the impact of fair value accounting on fixed-indexed annuities (FIAs) were \$106 million in the third quarter of 2016 compared to \$89 million in the third quarter of 2015, an increase of 19%, as shown in the table that follows:

Components of Annuity Operating Earnings Before Income Taxes

Dollars in millions	Three months ended September 30,		Pct. Change	Nine months ended September 30,		Pct. Change
	2016	2015		2016	2015	
Annuity earnings before fair value accounting for FIAs	\$ 106	\$ 89	19%	\$ 292	\$ 258	13%
Impact of fair value accounting for FIAs	1	(22)	nm	(56)	(28)	nm
Pretax Annuity Operating Earnings	\$ 107	\$ 67	60%	\$ 236	\$ 230	3%

Annuity Earnings Before Fair Value Accounting for FIAs – AFG's third quarter 2016 earnings benefited from favorable investment results, including the positive impact of certain investments required to be marked to market through earnings. In addition, AFG's quarterly average annuity investments and reserves grew 11.3% and 12.7% year-over-year, respectively; however, the benefit of this growth was partially offset by the run-off of higher yielding investments. Furthermore, AFG's third quarter 2016 earnings were favorably impacted by better stock market performance during the quarter, compared to a negative impact from a significant drop in the stock market in the third quarter of 2015.

Impact of Fair Value Accounting for FIAs – Variances from expectations of certain items (such as projected interest rates, option costs and surrenders), as well as changes in the stock market, have an impact on the accounting for FIAs; these accounting adjustments are recognized through AFG's

reported core earnings. Many of these adjustments are not economic in nature, but rather impact the timing of reported results. In the third quarter of 2016, the impact from changes in the stock market and interest rates was moderate. Conversely, in the third quarter of 2015, the significant stock market decrease resulted in a large unfavorable impact on annuity earnings. In addition, interest rates decreased during the 2015 third quarter, compared to the expectation that they would rise, which also had a negative impact on annuity earnings in the prior year period. These impacts are included within the “Impact of fair value accounting for FIAs” amounts shown in the table above.

Annuity Premiums – As expected, AFG’s annuity premiums decreased significantly in the third quarter of 2016 as compared to the third quarter of 2015. Annuity sales of \$941 million in the third quarter of 2016 were down 29% from last year. Medium to longer term market interest rates dropped 80 to 90 basis points in the first nine months of 2016; accordingly, AFG reduced its crediting rates on its annuities several times during 2016 in order to maintain appropriate returns on new business. Management believes these rate decreases had a negative impact on sales, particularly in the retail channel.

Craig Lindner stated, “I’m very pleased with our record pretax annuity operating earnings in the quarter. Our core business fundamentals remain very strong – we continue to achieve appropriate returns on new business and the interest spread on our inforce business continues to exceed our plan by several basis points. We remain committed to disciplined pricing of our products, consumer-friendly product design, careful expense management and growing our business only when we can achieve desired long-term returns. We believe this business model, which we adopted many years ago, positions us well in a changing regulatory environment.

“For earnings before the impact of fair value accounting for FIAs, AFG is increasing its 2016 full year expectations to a range of \$377 to \$387 million, up from the previous estimate of \$370 to \$385 million. This new guidance includes a more normalized run rate of investment income going forward, as compared to the unusually high amount achieved in the second and third quarters of this year.

“Including the impact of fair value accounting for FIAs, we believe that full year 2016 pretax annuity operating earnings will be in the range of \$310 to \$345 million, both up \$5 million from previous guidance. Significant changes in market interest rates and/or the stock market, as compared to our expectations, could lead to significant positive or negative impacts on the Annuity Segment’s results. These earnings expectations do not reflect any potential earnings impact from our annual fourth quarter review (“unlocking”) of the major actuarial assumptions in our fixed annuity business.

“Finally, based on premiums through the first nine months of the year and our recent levels of sales, we now expect that premiums for the full year of 2016 will be in line with or slightly higher than the \$4.1 billion in 2015.”

More information about premiums and the results of operations for our Annuity Segment may be found in AFG’s Quarterly Investor Supplement, which is posted on our website.

Department of Labor Rule – The Company continues to make product and process changes needed to comply with the Department of Labor (DOL) fiduciary rule adopted earlier this year. AFG’s goal is to minimize disruption resulting from the implementation of the rule in April 2017. The Company is proceeding under the premise that the DOL rule will not be impacted by the pending litigation. Most of the Company’s largest independent marketing organizations (IMOs) are making adjustments to their operations to provide a long-term solution to their need to have a Financial Institution sign the Best Interest agreement, and a number of these entities have made application to the DOL to serve as a Financial Institution. AFG believes the biggest impact of the new rule will be on insurance-only licensed agents whose sales represented less than 10% of our third quarter premiums. While AFG management continues to believe the adjustments required of the Company and its distribution partners to comply with the DOL rule will have a negative impact on premiums next year, management does not believe the new rule will have a material impact on AFG’s business.

A&E Reserves

During the third quarter of 2016, AFG completed an in-depth internal review of its asbestos and environmental exposures relating to the run-off operations of its P&C Group and its exposures related to former railroad and manufacturing operations and sites. This year's internal review resulted in non-core after-tax special charges of \$26 million (\$41 million pretax) to increase AFG's A&E reserves.

The P&C Group's asbestos reserves were increased by \$5 million (net of reinsurance) and its environmental reserves were increased by \$31 million (net of reinsurance). At September 30, 2016, the P&C Group's insurance reserves include A&E reserves of \$340 million, net of reinsurance recoverables.

Over the past few years, the focus of AFG's asbestos claims litigation has shifted to smaller companies and companies with ancillary exposures. AFG's insureds with these exposures have been the driver of our P&C asbestos reserve increases in recent years. AFG is seeing modestly increasing estimates for indemnity and defense compared to prior studies. Overall, the rate of new asbestos cases received is down modestly.

The increase in P&C environmental reserves was primarily associated with updated estimates of site investigation costs with respect to existing sites and newly identified sites. AFG is seeing increased legal defense costs in environmental claims generally, as well as a number of claims and sites where the estimated investigation and remediation costs have increased. As in past years, there were no new or emerging broad industry trends that were identified in this review.

In addition, the 2016 internal review encompassed reserves for asbestos and environmental exposures of our former railroad and manufacturing operations. As a result of the review, AFG increased its reserve for these asbestos and environmental exposures by \$5 million, due primarily to relatively small movements across several sites that primarily reflect changes in the scope and costs of investigation.

Investments

AFG recorded third quarter 2016 net realized gains of \$1 million after tax and after deferred acquisition costs (DAC), compared to net realized losses of \$6 million in the comparable prior year period. Unrealized gains on fixed maturities were \$669 million, after tax, after DAC at September 30, 2016, an increase of \$391 million since year-end. Our portfolio continues to be high quality, with 89% of our fixed maturity portfolio rated investment grade and 97% with a National Association of Insurance Commissioners' designation of NAIC 1 or 2, its highest two categories.

For the three months ended September 30, 2016, P&C net investment income was approximately 12% higher than the comparable 2015 period, reflecting the positive impact of certain investments required to be marked to market through earnings.

More information about the components of our investment portfolio may be found in our Quarterly Investor Supplement, which is posted on our website.

National Interstate Merger

A Definitive Proxy Statement has been mailed in connection with a special meeting of the shareholders of National Interstate Corporation, to be held on November 10, 2016. At the special meeting, holders of National Interstate common shares will be asked to consider and vote on a proposal to adopt the Agreement and Plan of Merger. The Merger will become effective upon an affirmative vote of at least a majority of the outstanding common shares owned by shareholders other than AFG and its affiliates. If approved, at completion of the Merger each National Interstate common share issued and outstanding at the effective time of the Merger will be cancelled and converted into the right to receive \$32.00 in cash. In addition, the Merger Agreement provides that National Interstate will declare a special cash dividend of \$0.50 per common share payable immediately prior to the effective time of the merger to all shareholders of record as of such time. The proposed Merger will allow National Interstate and its subsidiaries to become members of the AFG consolidated tax group, which will result in a non-core tax benefit of approximately \$66 million to AFG at the time the transaction is consummated, which is expected to be during the fourth quarter of 2016.

About American Financial Group, Inc.

American Financial Group is an insurance holding company, based in Cincinnati, Ohio with assets over \$50 billion. Through the operations of Great American Insurance Group, AFG is engaged primarily in property and casualty insurance, focusing on specialized commercial products for businesses, and in the sale of fixed and fixed-indexed annuities in the retail, financial institutions and education markets. Great American Insurance Group's roots go back to 1872 with the founding of its flagship company, Great American Insurance Company.

Forward Looking Statements

This press release contains certain statements that may be deemed to be "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements in this press release not dealing with historical results are forward-looking and are based on estimates, assumptions and projections. Examples of such forward-looking statements include statements relating to: the Company's expectations concerning market and other conditions and their effect on future premiums, revenues, earnings, investment activities and the amount and timing of share repurchases; recoverability of asset values; expected losses and the adequacy of reserves for asbestos, environmental pollution and mass tort claims; rate changes; and improved loss experience.

Actual results and/or financial condition could differ materially from those contained in or implied by such forward-looking statements for a variety of reasons including but not limited to: changes in financial, political and economic conditions, including changes in interest and inflation rates, currency fluctuations and extended economic recessions or expansions in the U.S. and/or abroad; performance of securities markets; new legislation or declines in credit quality or credit ratings that could have a material impact on the valuation of securities in AFG's investment portfolio; the availability of capital; the possibility that the proposal to acquire all shares of National Interstate Corporation that are not currently owned by AFG's wholly-owned subsidiary, Great American Insurance Company is not consummated; regulatory actions (including changes in statutory accounting rules); changes in the legal environment affecting AFG or its customers; tax law and accounting changes; levels of natural catastrophes and severe weather, terrorist activities (including any nuclear, biological, chemical or radiological events), incidents of war or losses resulting from civil unrest and other major losses; development of insurance loss reserves and establishment of other reserves, particularly with respect to amounts associated with asbestos and environmental claims; availability of reinsurance and ability of reinsurers to pay their obligations; trends in persistency and mortality; competitive pressures; the

ability to obtain adequate rates and policy terms; changes in AFG's credit ratings or the financial strength ratings assigned by major ratings agencies to our operating subsidiaries; the impact of the conditions in the international financial markets and the global economy (including those associated with the United Kingdom's expected withdrawal from the European Union, or "Brexit") relating to our international operations; and other factors identified in our filings with the Securities and Exchange Commission.

The forward-looking statements herein are made only as of the date of this press release. The Company assumes no obligation to publicly update any forward-looking statements.

Conference Call

The Company will hold a conference call to discuss 2016 third quarter results at 11:30 a.m. (ET) tomorrow, Wednesday, November 2, 2016. Toll-free telephone access will be available by dialing 1-877-459-8719 (international dial-in 424-276-6843). The conference ID for the live call is 94327001. Please dial in five to ten minutes prior to the scheduled start time of the call.

A replay will be available two hours following the completion of the call and will remain available until 11:59 p.m. (ET) on November 9, 2016. To listen to the replay, dial 1-855-859-2056 (international dial-in 404-537-3406) and provide the conference ID 94327001.

The conference call and accompanying webcast slides will also be broadcast live over the Internet. To listen to the call via the Internet, go to the **Investor Relations** page on AFG's website, www.AFGinc.com, and follow the instructions at the **Webcasts and Presentations** link.

The archived webcast will be available immediately after the call via the same link on the **Investor Relations** page until November 9, 2016 at 11:59 p.m. (ET). An archived audio MP3 file will be available within 24 hours of the call.

Contact:

Diane P. Weidner
Asst. Vice President – Investor Relations
(513) 369-5713

Websites:

www.AFGinc.com
www.GreatAmericanInsuranceGroup.com

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(Financial summaries follow)

This earnings release and AFG's Quarterly Investor Supplement are available in the Investor Relations section of AFG's website: www.AFGinc.com.

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AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
SUMMARY OF EARNINGS AND SELECTED BALANCE SHEET DATA
(In Millions, Except Per Share Data)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Revenues				
P&C insurance net earned premiums	\$1,159	\$1,173	\$3,184	\$3,104
Life, accident & health net earned premiums	6	28	18	80
Net investment income	433	425	1,267	1,217
Realized gains (losses) on:				
Securities	2	(16)	(32)	2
Subsidiaries	—	5	2	(157)
Income (loss) of managed investment entities:				
Investment income	48	40	141	112
Gain (loss) on change in fair value of assets/liabilities	11	(11)	9	(16)
Other income	46	43	172	185
Total revenues	1,705	1,687	4,761	4,527
Costs and expenses				
P&C insurance losses & expenses	1,121	1,161	3,071	2,989
Annuity, life, accident & health benefits & expenses	251	288	797	795
Interest charges on borrowed money	19	18	56	58
Expenses of managed investment entities	38	28	109	80
Other expenses	98	93	258	250
Total costs and expenses	1,527	1,588	4,291	4,172
Earnings before income taxes	178	99	470	355
Provision for income taxes(c)	65	33	190	115
Net earnings including noncontrolling interests	113	66	280	240
Less: Net earnings attributable to noncontrolling interests	4	3	16	17
Net earnings attributable to shareholders	<u>\$ 109</u>	<u>\$ 63</u>	<u>\$ 264</u>	<u>\$ 223</u>
Diluted earnings per common share	<u>\$ 1.23</u>	<u>\$ 0.71</u>	<u>\$ 2.98</u>	<u>\$ 2.49</u>
Average number of diluted shares	88.5	89.3	88.4	89.4

Selected Balance Sheet Data:	September 30, 2016	December 31, 2015
Total cash and investments	\$ 41,805	\$ 37,736
Long-term debt(d)	\$ 1,300	\$ 998
Shareholders' equity(e)	\$ 5,161	\$ 4,592
Shareholders' equity (excluding unrealized gains/losses on fixed maturities)(e)	\$ 4,492	\$ 4,314
Book value per share	\$ 59.45	\$ 52.50
Book value per share (excluding unrealized gains/losses on fixed maturities)	\$ 51.73	\$ 49.33
Common Shares Outstanding	86.8	87.5

Footnotes (c), (d) and (e) are contained in the accompanying Notes to Financial Schedules at the end of this release.

AMERICAN FINANCIAL GROUP, INC.
SPECIALTY P&C OPERATIONS
(Dollars in Millions)

	Three months ended September 30,		Pct. Change	Nine months ended September 30,		Pct. Change
	2016	2015		2016	2015	
Gross written premiums	<u>\$1,899</u>	<u>\$1,962</u>	(3%)	<u>\$4,540</u>	<u>\$4,476</u>	1%
Net written premiums	<u>\$1,268</u>	<u>\$1,319</u>	(4%)	<u>\$3,303</u>	<u>\$3,271</u>	1%
Ratios (GAAP):						
Loss & LAE ratio	62.9%	64.5%		61.0%	62.2%	
Underwriting expense ratio	30.3%	28.4%		31.9%	31.5%	
Specialty Combined Ratio	<u>93.2%</u>	<u>92.9%</u>		<u>92.9%</u>	<u>93.7%</u>	
Combined Ratio – P&C Segment	<u>96.3%</u>	<u>98.7%</u>		<u>96.0%</u>	<u>96.0%</u>	
Supplemental Information:^(f)						
Gross Written Premiums:						
Property & Transportation	\$ 991	\$1,064	(7%)	\$1,927	\$1,940	(1%)
Specialty Casualty	722	734	(2%)	2,108	2,078	1%
Specialty Financial	186	164	13%	505	458	10%
	<u>\$1,899</u>	<u>\$1,962</u>	(3%)	<u>\$4,540</u>	<u>\$4,476</u>	1%
Net Written Premiums:						
Property & Transportation	\$ 585	\$ 608	(4%)	\$1,278	\$1,258	2%
Specialty Casualty	504	545	(8%)	1,526	1,549	(1%)
Specialty Financial	149	137	9%	418	388	8%
Other	30	29	3%	81	76	7%
	<u>\$1,268</u>	<u>\$1,319</u>	(4%)	<u>\$3,303</u>	<u>\$3,271</u>	1%
Combined Ratio (GAAP):						
Property & Transportation	91.1%	96.2%		92.4%	98.7%	
Specialty Casualty	97.4%	93.8%		95.7%	93.6%	
Specialty Financial	86.4%	80.6%		84.5%	81.0%	
Aggregate Specialty Group	93.2%	92.9%		92.9%	93.7%	
				Three months ended September 30,	Nine months ended September 30,	
				2016	2015	
Reserve Development (Favorable)/Adverse:						
Property & Transportation				\$ (5)	\$ (2)	\$ (34)
Specialty Casualty				(2)	3	(16)
Specialty Financial				(6)	(8)	(17)
Other				(1)	(7)	(4)
Specialty Group Excluding A&E and Neon Charge				(14)	(14)	(71)
Special A&E Reserve Charge - P&C Run-off				36	67	36
Neon Exited Lines Charge and Other				—	2	57
Total Reserve Development				<u>\$ 22</u>	<u>\$ 55</u>	<u>\$ 22</u>
Points on Combined Ratio:						
Property & Transportation				(1.2)	(0.4)	(2.8)
Specialty Casualty				(0.3)	0.6	(1.1)
Specialty Financial				(3.9)	(5.8)	(4.0)
Aggregate Specialty Group				(1.1)	(1.2)	(2.1)
Total P&C Segment				2.0	4.6	0.7

Footnote (f) is contained in the accompanying Notes to Financial Schedules at the end of this release.

AMERICAN FINANCIAL GROUP, INC.
ANNUITY SEGMENT
(Dollars in Millions)

Components of Statutory Premiums

	Three months ended September 30,		Pct. Change	Nine months ended September 30,		Pct. Change
	2016	2015		2016	2015	
Annuity Premiums:						
Financial Institutions	\$ 532	\$ 625	(15%)	\$1,792	\$1,436	25%
Retail	358	639	(44%)	1,359	1,422	(4%)
Education Market	42	47	(11%)	144	143	1%
Variable Annuities	9	10	(10%)	29	32	(9%)
Total Annuity Premiums	<u>\$ 941</u>	<u>\$ 1,321</u>	(29%)	<u>\$3,324</u>	<u>\$3,033</u>	10%

Components of Operating Earnings Before Income Taxes

	Three months ended September 30,		Pct. Change	Nine months ended September 30,		Pct. Change
	2016	2015		2016	2015	
Revenues:						
Net investment income	\$ 351	\$ 317	11%	\$ 1,010	\$ 915	10%
Other income	26	24	8%	76	75	1%
Total revenues	377	341	11%	1,086	990	10%
Costs and Expenses:						
Annuity benefits	189	208	(9%)	640	543	18%
Acquisition expenses	53	44	20%	127	143	(11%)
Other expenses	28	22	27%	83	74	12%
Total costs and expenses	270	274	(1%)	850	760	12%
Operating earnings before income taxes	<u>\$ 107</u>	<u>\$ 67</u>	60%	<u>\$ 236</u>	<u>\$ 230</u>	3%

Supplemental Fixed Annuity Information

	Three months ended September 30,		Pct. Change	Nine months ended September 30,		Pct. Change
	2016	2015		2016	2015	
Operating earnings before impact of fair value accounting on FIAs	\$ 106	\$ 89	19%	\$ 292	\$ 258	13%
Impact of fair value accounting	1	(22)	nm	(56)	(28)	nm
Operating earnings before income taxes	<u>\$ 107</u>	<u>\$ 67</u>	60%	<u>\$ 236</u>	<u>\$ 230</u>	3%
Average Fixed Annuity Reserves*	\$28,538	\$25,316	13%	\$27,778	\$24,514	13%
Net Interest Spread*	2.85%	2.80%		2.75%	2.75%	
Net Spread Earned Before Impact of Fair Value Accounting*	1.46%	1.37%		1.37%	1.36%	
Net Spread Earned After Impact of Fair Value Accounting*	1.47%	1.02%		1.10%	1.21%	

* Excludes fixed annuity portion of variable annuity business.

AMERICAN FINANCIAL GROUP, INC.
Notes to Financial Schedules

a) Components of core net operating earnings (in millions):

	Three months ended		Nine months ended	
	September 30,	2015	September 30,	2015
	2016	2015	2016	2015
Core Operating Earnings before Income Taxes:				
P&C insurance segment	\$ 153	\$ 153	\$ 450	\$ 403
Annuity segment, before impact of fair value accounting	106	89	292	258
Impact of fair value accounting	1	(22)	(56)	(28)
Run-off long-term care and life segment	1	6	—	14
Interest & other corporate expense	(48)	(37)	(126)	(117)
Core operating earnings before income taxes	213	189	560	530
Related income taxes	79	66	202	180
Core net operating earnings	\$ 134	\$ 123	\$ 358	\$ 350

b) Reflects the following effects of special A&E charges during the third quarter and first nine months of 2016 and 2015 (dollars in millions, except per share amounts):

A&E Charges:	Pretax		After-tax		EPS	
	2016	2015	2016	2015	2016	2015
P&C insurance run-off operations						
Asbestos	\$ 5	\$ 25	\$ 3	\$ 17		
Environmental	31	42	20	27		
	\$ 36	\$ 67	\$ 23	\$ 44	\$0.26	\$0.49
Former railroad & manufacturing operations						
Asbestos	\$—	\$ 1	\$—	\$—		
Environmental	5	11	3	8		
	\$ 5	\$ 12	\$ 3	\$ 8	\$0.04	\$0.09
Total A&E	\$ 41	\$ 79	\$ 26	\$ 52	\$0.30	\$0.58

c) Excluding the impact of the Neon Exited Lines Charge that was reported in the second quarter of 2016, AFG's effective tax rate for the nine months ended September 30, 2016 was 36%. AFG maintains a full valuation allowance against the deferred tax benefits associated with losses related to AFG's specialist Lloyd's insurance business, Neon (formerly known as Marketform).

d) December 2015 and prior periods have been adjusted for adoption of FASB Accounting Standard Update 2015-03, which impacted the presentation of debt issue costs and long-term debt. The impact of this adjustment was to reduce the carrying value of long-term debt on AFG's balance sheet by \$22 million at December 31, 2015, from amounts originally reported. Adjustments to the income statement increased interest charges on borrowed money by \$1 million for the nine months ended September 30, 2015.

e) Shareholders' Equity at September 30, 2016 includes \$669 million (\$7.72 per share) in unrealized after-tax gains on fixed maturities. Shareholders' Equity at December 31, 2015 includes \$278 million (\$3.17 per share) in unrealized after-tax gains on fixed maturities.

f) Supplemental Notes:

- **Property & Transportation** includes primarily physical damage and liability coverage for buses, trucks and recreational vehicles, inland and ocean marine, agricultural-related products and other property coverages.
- **Specialty Casualty** includes primarily excess and surplus, general liability, executive liability, professional liability, umbrella and excess liability, specialty coverages in targeted markets, customized programs for small to mid-sized businesses and workers' compensation insurance.

- **Specialty Financial** includes risk management insurance programs for leasing and financing institutions (including collateral and lender-placed mortgage property insurance), surety and fidelity products and trade credit insurance.
- **Other** includes an internal reinsurance facility.



American Financial Group, Inc.
Investor Supplement - Third Quarter 2016

November 1, 2016

American Financial Group, Inc.
Corporate Headquarters
Great American Insurance Group Tower
301 E Fourth Street
Cincinnati, OH 45202
513 579 6739

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American Financial Group, Inc.
Financial Highlights
(in millions, except per share information)



	Three Months Ended					Nine Months Ended	
	09/30/16	06/30/16	03/31/16	12/31/15	09/30/15	9/30/2016	9/30/2015
Highlights							
Net earnings	\$ 109	\$ 54	\$ 101	\$ 129	\$ 63	\$ 264	\$ 223
Core net operating earnings	134	113	111	136	123	358	350
Total assets	54,845	52,733	51,038	49,837	50,540	54,845	50,540
Adjusted shareholders' equity (a)	4,492	4,361	4,329	4,314	4,279	4,492	4,279
Property and Casualty net written premiums	1,268	1,056	979	1,056	1,319	3,303	3,271
Annuity statutory premiums	941	1,098	1,285	1,107	1,321	3,324	3,033
Per share data							
Diluted earnings per share	\$ 1.23	\$ 0.62	\$ 1.14	\$ 1.45	\$ 0.71	\$ 2.98	\$ 2.49
Core net operating earnings per share	1.51	1.28	1.25	1.52	1.38	4.04	3.92
Adjusted book value per share (a)	51.73	50.22	49.77	49.33	49.01	51.73	49.01
Cash dividends per common share	0.280	0.280	0.280	1.280	0.250	0.840	0.750
Financial ratios							
Annualized return on equity (b)	9.9%	5.1%	9.4%	12.1%	5.9%	8.1%	7.1%
Annualized core operating return on equity (b)	12.2%	10.5%	10.3%	12.7%	11.6%	11.0%	11.1%
Property and Casualty combined ratio - Specialty:							
Loss & LAE ratio	62.9%	61.2%	58.3%	61.8%	64.5%	61.0%	62.2%
Underwriting expense ratio	30.3%	32.7%	33.0%	29.2%	28.4%	31.9%	31.5%
Combined ratio - Specialty	<u>93.2%</u>	<u>93.9%</u>	<u>91.3%</u>	<u>91.0%</u>	<u>92.9%</u>	<u>92.9%</u>	<u>93.7%</u>
Net spread on fixed annuities:							
Net interest spread	2.85%	2.84%	2.54%	2.53%	2.80%	2.75%	2.75%
Net spread earned:							
Before impact of fair value accounting	1.46%	1.45%	1.20%	1.31%	1.37%	1.37%	1.36%
Impact of fair value accounting (c)	0.01%	(0.37%)	(0.46%)	0.08%	(0.35%)	(0.27%)	(0.15%)
After impact of fair value accounting	<u>1.47%</u>	<u>1.08%</u>	<u>0.74%</u>	<u>1.39%</u>	<u>1.02%</u>	<u>1.10%</u>	<u>1.21%</u>

- (a) Excludes unrealized gains related to fixed maturity investments, a reconciliation to the GAAP measure is on page 18.
(b) Excludes accumulated other comprehensive income.
(c) Change in fair value of derivatives offset by the estimated related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs.

American Financial Group, Inc.
Summary of Earnings
(\$ in millions)



	Three Months Ended				Nine Months Ended	
	09/30/16	06/30/16	03/31/16	12/31/15	09/30/15	09/30/15
Property and Casualty Insurance						
Underwriting profit	\$ 78	\$ 62	\$ 87	\$ 100	\$ 82	\$ 227
Net investment income	93	89	83	74	83	265
Other expense	(18)	(12)	(12)	(11)	(12)	(42)
Property and Casualty Insurance operating earnings	153	139	158	163	153	450
Annuity earnings	107	76	53	101	67	236
Run-off Long-Term Care and Life earnings	1	—	(1)	—	6	—
Interest expense of parent holding companies (a)	(19)	(19)	(18)	(16)	(18)	(56)
Other expense (a)	(29)	(19)	(22)	(29)	(19)	(70)
Pre-tax core operating earnings	213	177	170	219	189	560
Income tax expense	79	64	59	83	66	202
Core net operating earnings	134	113	111	136	123	358
Non-core items, net of tax:						
Gain (loss) on sale of subsidiaries	—	1	—	(7)	4	1
Gain on sale of hotel and apartment properties	—	15	—	10	—	15
Realized gains (losses) on securities	1	(10)	(10)	(10)	(10)	(19)
Neon exited lines charge	—	(65)	—	—	—	(65)
Significant A&E charges:						
Property and Casualty Insurance run-off operations	(23)	—	—	—	(44)	(23)
Former Railroad and Manufacturing operations	(3)	—	—	—	(8)	(3)
Other	—	—	—	—	(2)	—
Net earnings	\$ 109	\$ 54	\$ 101	\$ 129	\$ 63	\$ 264

(a) December 2015 and prior periods have been adjusted for adoption of FASB Accounting Standard Update 2015-03, which impacted the presentation of debt issue costs and long-term debt.

American Financial Group, Inc.
Earnings Per Share Summary
(in millions, except per share information)



	Three Months Ended					Nine Months Ended	
	09/30/16	06/30/16	03/31/16	12/31/15	09/30/15	09/30/16	09/30/15
Core net operating earnings	\$ 134	\$ 113	\$ 111	\$ 136	\$ 123	\$ 358	\$ 350
Net earnings	\$ 109	\$ 54	\$ 101	\$ 129	\$ 63	\$ 264	\$ 223
Average number of diluted shares	88.457	88.390	88.495	89.228	89.343	88.447	89.407
Diluted earnings per share:							
Core net operating earnings per share	\$ 1.51	\$ 1.28	\$ 1.25	\$ 1.52	\$ 1.38	\$ 4.04	\$ 3.92
Gain (loss) on sale of subsidiaries	—	0.01	—	(0.03)	0.04	0.01	(1.14)
Gain on sale of hotel and apartment properties	—	0.17	—	0.11	—	0.17	0.29
Realized gains (losses) on securities	0.02	(0.11)	(0.11)	(0.15)	(0.10)	(0.21)	0.03
Neon exited lines charge	—	(0.73)	—	—	—	(0.73)	—
Significant A&E charges:							
Property and Casualty Insurance run-off operations	(0.26)	—	—	—	(0.49)	(0.26)	(0.49)
Former Railroad and Manufacturing operations	(0.04)	—	—	—	(0.09)	(0.04)	(0.09)
Other	—	—	—	—	(0.03)	—	(0.03)
Diluted earnings per share	\$ 1.23	\$ 0.62	\$ 1.14	\$ 1.45	\$ 0.71	\$ 2.98	\$ 2.49

American Financial Group, Inc.
Property and Casualty Insurance - Summary Underwriting Results (GAAP)
(\$ in millions)



	Three Months Ended				Nine Months Ended		
	09/30/16	06/30/16	03/31/16	12/31/15	09/30/15	09/30/15	
Property and Transportation	\$ 44	\$ 15	\$ 32	\$ 34	\$ 20	\$ 91	\$ 14
Specialty Casualty	13	23	29	50	31	65	96
Specialty Financial	19	22	23	15	26	64	72
Other Specialty	2	3	2	1	7	7	13
Underwriting profit - Specialty	78	63	86	100	84	227	195
Other core charges, included in loss and LAE	—	1	(1)	—	2	—	3
Underwriting profit - Core	78	62	87	100	82	227	192
Special A&E charges, included in loss and LAE	(36)	—	—	—	(67)	(36)	(67)
Neon exited lines charge, included in loss and LAE	—	(57)	—	—	—	(57)	—
Neon exited lines charge, included in underwriting expenses	—	(8)	—	—	—	(8)	—
Underwriting profit (loss) - Property and Casualty Insurance	\$ 42	\$ (3)	\$ 87	\$ 100	\$ 15	\$ 126	\$ 125
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	14	21	8	9	10	43	26
Total current accident year catastrophe losses	\$ 14	\$ 21	\$ 8	\$ 9	\$ 10	\$ 43	\$ 26
Prior year loss reserve development (favorable) / adverse	\$ 22	\$ 28	\$ (28)	\$ (5)	\$ 55	\$ 22	\$ 38
Combined ratio:							
Property and Transportation	91.1%	95.9%	90.6%	92.4%	96.2%	92.4%	98.7%
Specialty Casualty	97.4%	95.3%	94.3%	90.2%	93.8%	95.7%	93.6%
Specialty Financial	86.4%	84.4%	82.6%	88.7%	80.6%	84.5%	81.0%
Other Specialty	91.5%	89.2%	89.7%	97.1%	67.3%	90.1%	81.4%
Combined ratio - Specialty	93.2%	93.9%	91.3%	91.0%	92.9%	92.9%	93.7%
Other core charges	0.1%	0.1%	(0.1%)	0.0%	0.1%	0.0%	0.1%
Neon exited lines charge, loss and LAE	0.0%	5.5%	0.0%	0.0%	0.0%	1.8%	0.0%
Neon exited lines charge, underwriting expenses	0.0%	0.8%	0.0%	0.0%	0.0%	0.2%	0.0%
Special A&E charges	3.0%	0.0%	0.0%	0.0%	5.7%	1.1%	2.2%
Combined ratio	96.3%	100.3%	91.2%	91.0%	98.7%	96.0%	96.0%
Combined ratio excl. catastrophe and prior year development	93.1%	94.8%	93.2%	90.6%	93.2%	93.7%	93.9%
Loss and LAE components - property and casualty insurance							
Current accident year, excluding catastrophe loss	62.8%	62.1%	60.2%	61.4%	64.8%	61.8%	62.4%
Prior accident year loss reserve development	2.0%	2.7%	(2.8%)	(0.4%)	4.6%	0.7%	1.3%
Current accident year catastrophe loss	1.2%	2.0%	0.8%	0.8%	0.9%	1.3%	0.8%
Loss and LAE ratio	66.0%	66.8%	58.2%	61.8%	70.3%	63.8%	64.5%

American Financial Group, Inc.
Specialty - Underwriting Results (GAAP)
(\$ in millions)



	Three Months Ended					Nine Months Ended	
	09/30/16	06/30/16	03/31/16	12/31/15	09/30/15	09/30/16	09/30/15
Gross written premiums	\$1,899	\$1,398	\$1,243	\$1,356	\$1,962	\$ 4,540	\$ 4,476
Ceded reinsurance premiums	(631)	(342)	(264)	(300)	(643)	(1,237)	(1,205)
Net written premiums	1,268	1,056	979	1,056	1,319	3,303	3,271
Change in unearned premiums	(109)	(29)	19	64	(146)	(119)	(167)
Net earned premiums	1,159	1,027	998	1,120	1,173	3,184	3,104
Loss and LAE	729	629	582	693	756	1,940	1,932
Underwriting expense	352	335	330	327	333	1,017	977
Underwriting profit	\$ 78	\$ 63	\$ 86	\$ 100	\$ 84	\$ 227	\$ 195
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	14	21	8	9	10	43	26
Total current accident year catastrophe losses	\$ 14	\$ 21	\$ 8	\$ 9	\$ 10	\$ 43	\$ 26
Prior year loss reserve development (favorable) / adverse	\$ (14)	\$ (30)	\$ (27)	\$ (5)	\$ (14)	\$ (71)	\$ (32)
Combined ratio:							
Loss and LAE ratio	62.9%	61.2%	58.3%	61.8%	64.5%	61.0%	62.2%
Underwriting expense ratio	30.3%	32.7%	33.0%	29.2%	28.4%	31.9%	31.5%
Combined ratio	93.2%	93.9%	91.3%	91.0%	92.9%	92.9%	93.7%
Combined ratio excl. catastrophe and prior year development	93.1%	94.8%	93.2%	90.6%	93.2%	93.7%	93.9%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	62.8%	62.1%	60.2%	61.4%	64.8%	61.8%	62.4%
Prior accident year loss reserve development	(1.1%)	(2.9%)	(2.7%)	(0.4%)	(1.2%)	(2.1%)	(1.0%)
Current accident year catastrophe loss	1.2%	2.0%	0.8%	0.8%	0.9%	1.3%	0.8%
Loss and LAE ratio	62.9%	61.2%	58.3%	61.8%	64.5%	61.0%	62.2%

American Financial Group, Inc.
Property and Transportation - Underwriting Results (GAAP)
(\$ in millions)



	Three Months Ended					Nine Months Ended	
	09/30/16	06/30/16	03/31/16	12/31/15	09/30/15	09/30/16	09/30/15
Gross written premiums	\$ 991	\$ 538	\$ 398	\$ 515	\$ 1,064	\$ 1,927	\$ 1,940
Ceded reinsurance premiums	(406)	(156)	(87)	(137)	(456)	(649)	(682)
Net written premiums	585	382	311	378	608	1,278	1,258
Change in unearned premiums	(92)	(17)	28	64	(91)	(81)	(101)
Net earned premiums	493	365	339	442	517	1,197	1,157
Loss and LAE	339	245	211	317	391	795	842
Underwriting expense	110	105	96	91	106	311	301
Underwriting profit	\$ 44	\$ 15	\$ 32	\$ 34	\$ 20	\$ 91	\$ 14
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	7	12	6	3	7	25	18
Total current accident year catastrophe losses	\$ 7	\$ 12	\$ 6	\$ 3	\$ 7	\$ 25	\$ 18
Prior year loss reserve development (favorable) / adverse	\$ (5)	\$ (12)	\$ (17)	\$ 8	\$ (2)	\$ (34)	\$ 7
Combined ratio:							
Loss and LAE ratio	68.8%	67.0%	62.2%	71.7%	75.7%	66.4%	72.7%
Underwriting expense ratio	22.3%	28.9%	28.4%	20.7%	20.5%	26.0%	26.0%
Combined ratio	91.1%	95.9%	90.6%	92.4%	96.2%	92.4%	98.7%
Combined ratio excl. catastrophe and prior year development	90.7%	95.8%	94.1%	89.9%	95.1%	93.1%	96.6%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	68.4%	66.9%	65.7%	69.2%	74.6%	67.1%	70.6%
Prior accident year loss reserve development	(1.2%)	(3.2%)	(5.2%)	1.8%	(0.4%)	(2.8%)	0.5%
Current accident year catastrophe loss	1.6%	3.3%	1.7%	0.7%	1.5%	2.1%	1.6%
Loss and LAE ratio	68.8%	67.0%	62.2%	71.7%	75.7%	66.4%	72.7%

American Financial Group, Inc.
Specialty Casualty - Underwriting Results (GAAP)
(\$ in millions)



	Three Months Ended					Nine Months Ended	
	09/30/16	06/30/16	03/31/16	12/31/15	09/30/15	09/30/16	09/30/15
Gross written premiums	\$ 722	\$ 688	\$ 698	\$ 661	\$ 734	\$2,108	\$2,078
Ceded reinsurance premiums	(218)	(185)	(179)	(158)	(189)	(582)	(529)
Net written premiums	504	503	519	503	545	1,526	1,549
Change in unearned premiums	(7)	(6)	(17)	12	(42)	(30)	(53)
Net earned premiums	497	497	502	515	503	1,496	1,496
Loss and LAE	330	329	313	315	323	972	950
Underwriting expense	154	145	160	150	149	459	450
Underwriting profit	\$ 13	\$ 23	\$ 29	\$ 50	\$ 31	\$ 65	\$ 96
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	2	3	1	1	1	6	3
Total current accident year catastrophe losses	\$ 2	\$ 3	\$ 1	\$ 1	\$ 1	\$ 6	\$ 3
Prior year loss reserve development (favorable) / adverse	\$ (2)	\$ (10)	\$ (4)	\$ (7)	\$ 3	\$ (16)	\$ (4)
Combined ratio:							
Loss and LAE ratio	66.5%	66.1%	62.4%	61.1%	64.2%	65.0%	63.5%
Underwriting expense ratio	30.9%	29.2%	31.9%	29.1%	29.6%	30.7%	30.1%
Combined ratio	97.4%	95.3%	94.3%	90.2%	93.8%	95.7%	93.6%
Combined ratio excl. catastrophe and prior year development	97.4%	96.6%	94.9%	91.4%	92.9%	96.4%	93.6%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	66.5%	67.4%	63.0%	62.3%	63.3%	65.7%	63.5%
Prior accident year loss reserve development	(0.3%)	(2.0%)	(0.7%)	(1.4%)	0.6%	(1.1%)	(0.2%)
Current accident year catastrophe loss	0.3%	0.7%	0.1%	0.2%	0.3%	0.4%	0.2%
Loss and LAE ratio	66.5%	66.1%	62.4%	61.1%	64.2%	65.0%	63.5%

American Financial Group, Inc.
Specialty Financial - Underwriting Results (GAAP)
(\$ in millions)



	Three Months Ended					Nine Months Ended	
	09/30/16	06/30/16	03/31/16	12/31/15	09/30/15	09/30/16	09/30/15
Gross written premiums	\$ 186	\$ 172	\$ 147	\$ 179	\$ 164	\$ 505	\$ 458
Ceded reinsurance premiums	(37)	(28)	(22)	(27)	(27)	(87)	(70)
Net written premiums	149	144	125	152	137	418	388
Change in unearned premiums	(4)	(5)	7	(15)	(6)	(2)	(8)
Net earned premiums	145	139	132	137	131	416	380
Loss and LAE	45	42	45	46	36	132	108
Underwriting expense	81	75	64	76	69	220	200
Underwriting profit	\$ 19	\$ 22	\$ 23	\$ 15	\$ 26	\$ 64	\$ 72
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	5	3	1	5	1	9	4
Total current accident year catastrophe losses	\$ 5	\$ 3	\$ 1	\$ 5	\$ 1	\$ 9	\$ 4
Prior year loss reserve development (favorable) / adverse	\$ (6)	\$ (7)	\$ (4)	\$ (5)	\$ (8)	\$ (17)	\$ (25)
Combined ratio:							
Loss and LAE ratio	31.6%	30.1%	34.0%	32.8%	27.7%	31.8%	28.5%
Underwriting expense ratio	54.8%	54.3%	48.6%	55.9%	52.9%	52.7%	52.5%
Combined ratio	86.4%	84.4%	82.6%	88.7%	80.6%	84.5%	81.0%
Combined ratio excl. catastrophe and prior year development	87.0%	87.0%	84.8%	88.8%	85.8%	86.3%	86.4%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	32.2%	32.7%	36.2%	32.9%	32.9%	33.6%	33.9%
Prior accident year loss reserve development	(3.9%)	(4.6%)	(3.3%)	(3.6%)	(5.8%)	(4.0%)	(6.5%)
Current accident year catastrophe loss	3.3%	2.0%	1.1%	3.5%	0.6%	2.2%	1.1%
Loss and LAE ratio	31.6%	30.1%	34.0%	32.8%	27.7%	31.8%	28.5%

American Financial Group, Inc.
Other Specialty - Underwriting Results (GAAP)
(\$ in millions)



	Three Months Ended				Nine Months Ended	
	09/30/16	06/30/16	03/31/16	12/31/15	09/30/15	09/30/15
Gross written premiums	\$ —	\$ —	\$ —	\$ 1	\$ —	\$ —
Ceded reinsurance premiums	30	27	24	22	29	81
Net written premiums	30	27	24	23	29	81
Change in unearned premiums	(6)	(1)	1	3	(7)	(6)
Net earned premiums	24	26	25	26	22	75
Loss and LAE	15	13	13	15	6	41
Underwriting expense	7	10	10	10	9	27
Underwriting profit	\$ 2	\$ 3	\$ 2	\$ 1	\$ 7	\$ 13
Included in results above:						
Current accident year catastrophe losses:						
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	—	3	—	—	1	3
Total current accident year catastrophe losses	\$ —	\$ 3	\$ —	\$ —	\$ 1	\$ 3
Prior year loss reserve development (favorable) / adverse	\$ (1)	\$ (1)	\$ (2)	\$ (1)	\$ (7)	\$ (4)
Combined ratio:						
Loss and LAE ratio	55.2%	52.5%	52.1%	61.0%	29.4%	53.2%
Underwriting expense ratio	36.3%	36.7%	37.6%	36.1%	37.9%	36.9%
Combined ratio	91.5%	89.2%	89.7%	97.1%	67.3%	90.1%
Combined ratio excl. catastrophe and prior year development	95.1%	86.4%	96.0%	98.1%	97.6%	92.5%

American Financial Group, Inc.
Annuity Earnings (GAAP)
(\$ in millions)



	Three Months Ended					Nine Months Ended	
	09/30/16	06/30/16	03/31/16	12/31/15	09/30/15	09/30/16	09/30/15
Net investment income	\$ 351	\$ 344	\$ 315	\$ 309	\$ 317	\$ 1,010	\$ 915
Guaranteed withdrawal benefit fees	14	13	12	12	11	39	31
Policy charges and other miscellaneous income	12	11	14	11	13	37	44
Total revenues	377	368	341	332	341	1,086	990
Annuity benefits expense	189	223	228	189	208	640	543
Acquisition expenses	53	40	34	20	44	127	143
Other expenses	28	29	26	22	22	83	74
Total costs and expenses	270	292	288	231	274	850	760
Annuity earnings before income taxes	\$ 107	\$ 76	\$ 53	\$ 101	\$ 67	\$ 236	\$ 230

Detail of Annuity earnings before income taxes

Earnings before income taxes and impact of fair value accounting	\$ 106	\$ 102	\$ 84	\$ 96	\$ 89	\$ 292	\$ 258
Impact of fair value accounting (a)	1	(26)	(31)	5	(22)	(56)	(28)
Annuity earnings before income taxes	<u>\$ 107</u>	<u>\$ 76</u>	<u>\$ 53</u>	<u>\$ 101</u>	<u>\$ 67</u>	<u>\$ 236</u>	<u>\$ 230</u>

(a) Change in fair value of derivatives offset by the estimated related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs.

American Financial Group, Inc.
Detail of Annuity Benefits Expense (GAAP)
(\$ in millions)



	Three Months Ended				Nine Months Ended		
	09/30/16	06/30/16	03/31/16	12/31/15	09/30/15	09/30/15	
Detail of annuity benefits expense:							
Interest credited - fixed	\$ 145	\$ 142	\$ 139	\$ 138	\$ 135	\$ 426	\$ 394
Interest credited - fixed component of variable annuities	1	2	1	1	2	4	5
Change in expected death and annuitization reserve	5	4	5	5	5	14	14
Amortization of sales inducements	6	6	5	6	6	17	20
Guaranteed withdrawal benefit reserve	18	15	16	15	20	49	48
Change in other benefit reserves	10	8	5	5	3	23	17
Unlockings (a)	—	—	—	19	—	—	—
Subtotal before impact of fair value accounting	185	177	171	189	171	533	498
Embedded derivative mark-to-market (b)	109	62	17	88	(130)	188	(99)
Equity option mark-to-market	(105)	(16)	40	(88)	167	(81)	144
Subtotal impact of fair value accounting	4	46	57	—	37	107	45
Total annuity benefits expense	\$ 189	\$ 223	\$ 228	\$ 189	\$ 208	\$ 640	\$ 543

- (a) Includes unlockings for fixed indexed annuity embedded derivative reserves, sales inducement asset and other reserves. Does not include unlocking income of \$29 million in 2015 for deferred policy acquisition costs and unearned revenue reserves. These unlockings are included in acquisition expenses. In total, AFG recorded an unlocking expense reduction of \$10 million in 2015.
- (b) Excludes unlocking impact of \$28 million in 2015.

American Financial Group, Inc.
Net Spread on Fixed Annuities (GAAP)
(\$ in millions)



	Three Months Ended					Nine Months Ended	
	09/30/16	06/30/16	03/31/16	12/31/15	09/30/15	09/30/16	09/30/15
Average fixed annuity investments (at amortized cost)	\$28,548	\$27,964	\$27,186	\$26,401	\$25,642	\$27,899	\$24,765
Average annuity benefits accumulated	28,538	27,861	26,935	26,048	25,316	27,778	24,514
Investments in excess of annuity benefits accumulated	\$ 10	\$ 103	\$ 251	\$ 353	\$ 326	\$ 121	\$ 251
As % of average annuity benefits accumulated (except as noted).							
Net investment income (as % of investments)	4.88%	4.88%	4.60%	4.65%	4.92%	4.79%	4.89%
Interest credited	(2.03%)	(2.04%)	(2.06%)	(2.12%)	(2.12%)	(2.04%)	(2.14%)
Net interest spread on fixed annuities	2.85%	2.84%	2.54%	2.53%	2.80%	2.75%	2.75%
Policy charges and other miscellaneous income	0.14%	0.13%	0.16%	0.15%	0.16%	0.14%	0.19%
Other annuity benefit expenses, net	(0.36%)	(0.30%)	(0.27%)	(0.31%)	(0.36%)	(0.31%)	(0.36%)
Acquisition expenses	(0.72%)	(0.55%)	(0.47%)	(0.75%)	(0.65%)	(0.58%)	(0.74%)
Other expenses	(0.39%)	(0.38%)	(0.38%)	(0.32%)	(0.34%)	(0.39%)	(0.38%)
Change in fair value of derivatives	(0.05%)	(0.66%)	(0.84%)	0.02%	(0.59%)	(0.51%)	(0.25%)
Unlockings	0.00%	0.00%	0.00%	0.07%	0.00%	0.00%	0.00%
Net spread earned on fixed annuities	1.47%	1.08%	0.74%	1.39%	1.02%	1.10%	1.21%
Average annuity benefits accumulated	\$28,538	\$27,861	\$26,935	\$26,048	\$25,316	\$27,778	\$24,514
Net spread earned on fixed annuities	1.47%	1.08%	0.74%	1.39%	1.02%	1.10%	1.21%
Earnings on fixed annuity benefits accumulated	\$ 105	\$ 75	\$ 50	\$ 91	\$ 65	\$ 230	\$ 222
Investments in excess of annuity benefits accumulated	\$ 10	\$ 103	\$ 251	\$ 353	\$ 326	\$ 121	\$ 251
Net investment income (as % of investments)	4.88%	4.88%	4.60%	4.65%	4.92%	4.79%	4.89%
Earnings on investments in excess of annuity benefits accumulated	\$ —	\$ 1	\$ 3	\$ 4	\$ 4	\$ 4	\$ 9
Variable annuity earnings	2	—	—	6	(2)	2	(1)
Earnings before income taxes	\$ 107	\$ 76	\$ 53	\$ 101	\$ 67	\$ 236	\$ 230

Detail of net spread earned on fixed annuities

Net spread earned - before impact of fair value accounting	1.46%	1.45%	1.20%	1.31%	1.37%	1.37%	1.36%
Impact of fair value accounting (a)	0.01%	(0.37%)	(0.46%)	0.08%	(0.35%)	(0.27%)	(0.15%)
Net spread earned - after impact of fair value accounting	1.47%	1.08%	0.74%	1.39%	1.02%	1.10%	1.21%

(a) Change in fair value of derivatives offset by the estimated related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs.

American Financial Group
Annuity Premiums (Statutory)
(\$ in millions)



	Three Months Ended					Nine Months Ended	
	<u>09/30/16</u>	<u>06/30/16</u>	<u>03/31/16</u>	<u>12/31/15</u>	<u>09/30/15</u>	<u>09/30/16</u>	<u>09/30/15</u>
Retail single premium annuities - indexed	\$ 340	\$ 413	\$ 546	\$ 494	\$ 617	\$1,299	\$ 1,370
Retail single premium annuities - fixed	18	22	20	18	22	60	52
Financial institutions single premium annuities - indexed	435	507	534	462	554	1,476	1,279
Financial institutions single premium annuities - fixed	97	100	119	72	71	316	157
Education market - fixed and indexed annuities	42	45	57	51	47	144	143
Subtotal fixed annuity premiums	932	1,087	1,276	1,097	1,311	3,295	3,001
Variable annuities	9	11	9	10	10	29	32
Total annuity premiums	\$ 941	\$1,098	\$1,285	\$1,107	\$1,321	\$3,324	\$ 3,033

American Financial Group, Inc.
Fixed Annuity Benefits Accumulated (GAAP)
(\$ in millions)



	Three Months Ended					Nine Months Ended	
	09/30/16	06/30/16	03/31/16	12/31/15	09/30/15	09/30/16	09/30/15
Beginning fixed annuity reserves	\$28,222	\$27,499	\$26,371	\$25,725	\$24,906	\$26,371	\$23,462
Premiums	932	1,087	1,276	1,097	1,311	3,295	3,001
Federal Home Loan Bank advances	—	—	150	45	—	150	300
Surrenders, benefits and other withdrawals	(586)	(596)	(483)	(515)	(526)	(1,665)	(1,417)
Sale of subsidiaries	—	—	—	(261)	—	—	—
Interest and other annuity benefit expenses:							
Interest credited	145	142	139	138	135	426	394
Embedded derivative mark-to-market	109	62	17	88	(130)	188	(99)
Change in other benefit reserves	31	28	29	31	29	88	84
Unlockings	—	—	—	23	—	—	—
Ending fixed annuity reserves	\$28,853	\$28,222	\$27,499	\$26,371	\$25,725	\$28,853	\$25,725
Reconciliation to annuity benefits accumulated:							
Ending fixed annuity reserves	\$28,853	\$28,222	\$27,499	\$26,371	\$25,725	\$28,853	\$25,725
Impact of unrealized investment gains on reserves	180	188	127	64	113	180	113
Fixed component of variable annuities	189	186	186	187	188	189	188
Annuity benefits accumulated per balance sheet	\$29,222	\$28,596	\$27,812	\$26,622	\$26,026	\$29,222	\$26,026
Annualized surrenders and other withdrawals as a % of beginning reserves	8.3%	8.7%	7.3%	8.0%	8.4%	8.4%	8.1%

American Financial Group, Inc.
Consolidated Balance Sheet
(\$ in millions)



	09/30/16	06/30/16	03/31/16	12/31/15	09/30/15	06/30/15
Assets:						
Total cash and investments	\$41,805	\$40,639	\$39,437	\$37,736	\$38,132	\$37,644
Recoverables from reinsurers	2,814	2,576	2,561	2,636	3,151	3,075
Prepaid reinsurance premiums	634	521	475	480	604	499
Agents' balances and premiums receivable	1,029	992	936	937	976	959
Deferred policy acquisition costs	867	881	1,055	1,184	993	965
Assets of managed investment entities	4,312	4,410	3,906	4,047	3,613	3,629
Other receivables	1,391	788	693	820	1,241	660
Variable annuity assets (separate accounts)	606	595	595	608	595	655
Other assets (a)	1,188	1,132	1,181	1,190	1,034	1,116
Goodwill	199	199	199	199	201	201
Total assets	\$54,845	\$52,733	\$51,038	\$49,837	\$50,540	\$49,403
Liabilities and Equity:						
Unpaid losses and loss adjustment expenses	\$ 8,661	\$ 8,203	\$ 8,108	\$ 8,127	\$ 8,061	\$ 7,744
Unearned premiums	2,328	2,109	2,051	2,060	2,238	2,004
Annuity benefits accumulated	29,222	28,596	27,812	26,622	26,026	25,203
Life, accident and health reserves	700	702	708	705	2,159	2,156
Payable to reinsurers	835	588	501	591	724	511
Liabilities of managed investment entities	4,067	4,192	3,656	3,781	3,287	3,309
Long-term debt (a)	1,300	998	998	998	863	1,003
Variable annuity liabilities (separate accounts)	606	595	595	608	595	655
Other liabilities	1,768	1,557	1,672	1,575	1,681	1,834
Total liabilities	\$49,487	\$47,540	\$46,101	\$45,067	\$45,634	\$44,419
Shareholders' equity:						
Common stock	\$ 87	\$ 87	\$ 87	\$ 87	\$ 87	\$ 88
Capital surplus	1,242	1,228	1,218	1,214	1,195	1,183
Unappropriated retained earnings	3,079	3,016	3,002	2,987	2,981	2,968
Unrealized gains - fixed maturities	669	639	426	278	445	457
Unrealized gains - equities	103	45	40	54	44	130
Other comprehensive income, net of tax	(19)	(15)	(18)	(28)	(28)	(24)
Total shareholders' equity	5,161	5,000	4,755	4,592	4,724	4,802
Noncontrolling interests	197	193	182	178	182	182
Total liabilities and equity	\$54,845	\$52,733	\$51,038	\$49,837	\$50,540	\$49,403

(a) December 2015 and prior periods have been adjusted for adoption of FASB Accounting Standard Update 2015-03, which impacted the presentation of debt issue costs and long-term debt.

American Financial Group, Inc.
Book Value Per Share and Price / Book Summary
(in millions, except per share information)



	<u>09/30/16</u>	<u>06/30/16</u>	<u>03/31/16</u>	<u>12/31/15</u>	<u>09/30/15</u>	<u>06/30/15</u>
Shareholders' equity	\$ 5,161	\$ 5,000	\$ 4,755	\$ 4,592	\$ 4,724	\$ 4,802
Unrealized (gains) on fixed maturities	(669)	(639)	(426)	(278)	(445)	(457)
Adjusted shareholders' equity	4,492	4,361	4,329	4,314	4,279	4,345
Goodwill	(199)	(199)	(199)	(199)	(201)	(201)
Intangibles	(44)	(46)	(47)	(49)	(51)	(53)
Tangible adjusted shareholders' equity	\$ 4,249	\$ 4,116	\$ 4,083	\$ 4,066	\$ 4,027	\$ 4,091
Common shares outstanding	86.813	86.850	86.966	87.474	87.327	87.540
<u>Book value per share:</u>						
Book value per share	\$ 59.45	\$ 57.57	\$ 54.67	\$ 52.50	\$ 54.10	\$ 54.86
Adjusted (a)	51.73	50.22	49.77	49.33	49.01	49.63
Tangible, adjusted (b)	48.94	47.41	46.94	46.49	46.12	46.73
<u>Market capitalization</u>						
AFG's closing common share price	\$ 75.00	\$ 73.93	\$ 70.37	\$ 72.08	\$ 68.91	\$ 65.04
Market capitalization	\$ 6,511	\$ 6,421	\$ 6,120	\$ 6,305	\$ 6,018	\$ 5,694
Price / Adjusted book value ratio	1.45	1.47	1.41	1.46	1.41	1.31

(a) Excludes unrealized gains related to fixed maturity investments.

(b) Excludes unrealized gains related to fixed maturity investments, goodwill and intangibles.

American Financial Group, Inc.
Capitalization
(\$ in millions)



	09/30/16	06/30/16	03/31/16	12/31/15	09/30/15	06/30/15
AFG senior obligations (a)	\$ 1,008	\$ 708	\$ 708	\$ 708	\$ 708	\$ 840
Borrowings drawn under credit facility	—	—	—	—	—	—
Obligations of subsidiaries - other	18	12	12	12	12	12
Debt excluding subordinated debt & debt secured by real estate	\$ 1,026	\$ 720	\$ 720	\$ 720	\$ 720	\$ 852
AFG subordinated debentures	300	300	300	300	150	150
Obligations of subsidiaries - secured by real estate	—	—	—	—	10	22
Total principal amount of long-term debt	\$ 1,326	\$ 1,020	\$ 1,020	\$ 1,020	\$ 880	\$ 1,024
Shareholders' equity	5,161	5,000	4,755	4,592	4,724	4,802
Noncontrolling interests	197	193	182	178	182	182
Less:						
Unrealized gains related to fixed maturity investments	(669)	(639)	(426)	(278)	(445)	(457)
Total adjusted capital	\$ 6,015	\$ 5,574	\$ 5,531	\$ 5,512	\$ 5,341	\$ 5,551
Less:						
Obligations of subsidiaries - secured by real estate	—	—	—	—	(10)	(22)
Total adjusted capital excluding obligations secured by real estate	\$ 6,015	\$ 5,574	\$ 5,531	\$ 5,512	\$ 5,331	\$ 5,529
Ratio of debt to total adjusted capital:						
Including subordinated debt & debt secured by real estate	22.0%	18.3%	18.4%	18.5%	16.5%	18.4%
Excluding subordinated debt & debt secured by real estate	17.1%	12.9%	13.0%	13.1%	13.5%	15.4%

(a) December 2015 and prior periods have been adjusted for adoption of FASB Accounting Standard Update 2015-03, which impacted the presentation of debt issue costs and long-term debt.

	<u>Three Months Ended</u>					<u>Nine Months Ended</u>	
	<u>09/30/16</u>	<u>06/30/16</u>	<u>03/31/16</u>	<u>12/31/15</u>	<u>09/30/15</u>	<u>09/30/16</u>	<u>09/30/15</u>
<u>Property and Casualty Insurance</u>							
Paid Losses (GAAP)	\$ 537	\$ 586	\$ 547	\$ 675	\$ 585	\$ 1,670	\$ 1,728
<hr/>							
<u>Statutory Surplus</u>							
Property and Casualty Insurance	\$3,038	\$2,601	\$2,574	\$2,488	\$2,356	\$ 2,399	
AFG's principal annuity subsidiaries (total adjusted capital)	\$2,216	\$2,089	\$2,032	\$1,918	\$1,816	\$ 1,911	
<u>Allowable dividends without regulatory approval</u>							
Property and Casualty Insurance	\$ 434	\$ 434	\$ 434	\$ 434	\$ 315	\$ 315	
Annuity and Run-off	375	375	375	375	358	358	
Total	\$ 809	\$ 809	\$ 809	\$ 809	\$ 673	\$ 673	

American Financial Group, Inc.
Total Cash and Investments
(\$ in millions)



	Carrying Value - September 30, 2016					
	Property and Casualty Insurance	Annuity and Run-off	Parent and Other Non-Insurance	Consolidate CLOs	Total AFG Consolidated	% of Investment Portfolio
Total cash and investments:						
Cash and cash equivalents	\$ 1,281	\$ 175	\$ 183	\$ —	\$ 1,639	4%
Fixed maturities - Available for sale	6,791	28,590	13	—	35,394	85%
Fixed maturities - Trading	222	126	—	—	348	1%
Equity securities	1,110	482	47	—	1,639	4%
Policy loans	—	194	—	—	194	0%
Mortgage loans	280	900	—	—	1,180	3%
Real estate and other investments	472	1,132	51	(244)	1,411	3%
Total cash and investments	\$ 10,156	\$ 31,599	\$ 294	\$ (244)	\$ 41,805	100%
Unrealized gain/(loss) on equity securities	\$ 122	\$ 39	\$ —	\$ —	\$ 161	

	Carrying Value - December 31, 2015					
	Property and Casualty Insurance	Annuity and Run-off	Parent and Other Non-Insurance	Consolidate CLOs	Total AFG Consolidated	% of Investment Portfolio
Total cash and investments:						
Cash and cash equivalents	\$ 708	\$ 282	\$ 230	\$ —	\$ 1,220	3%
Fixed maturities - Available for sale	6,784	25,486	14	—	32,284	85%
Fixed maturities - Trading	140	114	—	—	254	1%
Equity securities	1,182	488	49	—	1,719	5%
Policy loans	—	201	—	—	201	0%
Mortgage loans	191	876	—	—	1,067	3%
Real estate and other investments	457	781	18	(265)	991	3%
Total cash and investments	\$ 9,462	\$ 28,228	\$ 311	\$ (265)	\$ 37,736	100%
Unrealized gain/(loss) on equity securities	\$ 87	\$ (3)	\$ —	\$ —	\$ 84	

	Three Months Ended					Nine Months Ended	
	09/30/16	06/30/16	03/31/16	12/31/15	09/30/15	09/30/16	09/30/15
Property and Casualty Insurance:							
Gross Investment Income							
Fixed maturities - Available for sale	\$ 63	\$ 66	\$ 64	\$ 63	\$ 62	\$ 193	\$ 185
Fixed maturities - Trading	2	1	1	—	—	4	4
Equity securities	13	12	13	14	12	38	34
Equity in investees	7	2	6	(1)	7	15	11
Other investments	10	10	1	—	4	21	17
Gross investment income	95	91	85	76	85	271	251
Investment expenses	(2)	(2)	(2)	(2)	(2)	(6)	(6)
Total net investment income	\$ 93	\$ 89	\$ 83	\$ 74	\$ 83	\$ 265	\$ 245
Average cash and investments (a)	\$ 9,647	\$ 9,465	\$ 9,366	\$ 9,113	\$ 8,984	\$ 9,507	\$ 8,880
Average yield (b)	3.86%	3.76%	3.54%	3.25%	3.70%	3.72%	3.68%
Fixed Annuity:							
Gross Investment Income							
Fixed maturities - Available for sale	\$ 307	\$ 307	\$ 294	\$ 294	\$ 288	\$ 908	\$ 832
Fixed maturities - Trading	—	—	—	—	—	—	—
Equity securities	6	6	5	6	5	17	15
Equity in investees	9	2	5	2	11	16	15
Other investments	27	29	11	7	14	67	54
Gross investment income	349	344	315	309	318	1,008	916
Investment expenses	(1)	(2)	(3)	(2)	(3)	(6)	(8)
Total net investment income	\$ 348	\$ 342	\$ 312	\$ 307	\$ 315	\$ 1,002	\$ 908
Average cash and investments (a)	\$28,548	\$27,964	\$27,186	\$26,401	\$25,642	\$27,899	\$24,765
Average yield (b)	4.88%	4.88%	4.60%	4.65%	4.92%	4.79%	4.89%
AFG consolidated net investment income:							
Property & Casualty	\$ 93	\$ 89	\$ 83	\$ 74	\$ 83	\$ 265	\$ 245
Annuity and Run-off:							
Fixed Annuity	348	342	312	307	315	1,002	908
Variable Annuity	3	2	3	2	2	8	7
Run-off	5	5	5	19	20	15	61
Other	1	4	1	3	2	6	1
Consolidate CLOs	(17)	(19)	7	11	3	(29)	(5)
Total net investment income	\$ 433	\$ 423	\$ 411	\$ 416	\$ 425	\$ 1,267	\$ 1,217

- (a) Average cash and investments is the average of the beginning and ending quarter balances, or the average of the five quarters balances.
(b) Average yield is calculated by dividing investment income for the quarter by the average cash and investment balance over the quarter.

American Financial Group, Inc.
Fixed Maturities - By Security Type - AFG Consolidated
(\$ in millions)



<u>September 30, 2016</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>	<u>% of Fair Value</u>	<u>% of Investment Portfolio</u>
US Government and government agencies	\$ 342	\$ 346	\$ 4	1%	1%
States, municipalities and political subdivisions	6,626	7,076	450	20%	17%
Foreign government	264	271	7	1%	1%
Residential mortgage-backed securities	3,534	3,820	286	11%	9%
Commercial mortgage-backed securities	1,763	1,848	85	5%	4%
Asset-backed securities	5,845	5,890	45	16%	14%
Corporate and other bonds	15,560	16,491	931	46%	40%
Total AFG consolidated	\$ 33,934	\$ 35,742	\$ 1,808	100%	86%

Annualized yield on available for sale fixed maturities:

Excluding investment expense (a)	4.53%
Net of investment expense (a)	4.48%

Approximate average life and duration:

Approximate average life	6.5 years
Approximate duration	5 years

<u>December 31, 2015</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>	<u>% of Fair Value</u>	<u>% of Investment Portfolio</u>
US Government and government agencies	\$ 319	\$ 321	\$ 2	1%	1%
States, municipalities and political subdivisions	6,671	6,885	214	21%	18%
Foreign government	225	232	7	1%	1%
Residential mortgage-backed securities	3,241	3,534	293	11%	9%
Commercial mortgage-backed securities	2,112	2,188	76	7%	6%
Asset-backed securities	4,961	4,934	(27)	15%	13%
Corporate and other bonds	14,290	14,444	154	44%	38%
Total AFG consolidated	\$ 31,819	\$ 32,538	\$ 719	100%	86%

Annualized yield on available for sale fixed maturities:

Excluding investment expense (a)	4.74%
Net of investment expense (a)	4.69%

Approximate average life and duration:

Approximate average life	6.5 years
Approximate duration	5 years

(a) Annualized yield is calculated by dividing investment income for the quarter by the average cost over the quarter.

Average cost is the average of the beginning and ending quarter asset balances.

American Financial Group, Inc.
Fixed Maturities - By Security Type Portfolio
(\$ in millions)



	September 30, 2016				December 31, 2015			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Property and Casualty Insurance:								
US Government and government agencies	\$ 289	\$ 291	\$ 2	4%	\$ 255	\$ 257	\$ 2	4%
States, municipalities and political subdivisions	2,596	2,697	101	38%	2,807	2,891	84	42%
Foreign government	253	258	5	4%	213	219	6	3%
Residential mortgage-backed securities	1,013	1,062	49	15%	893	932	39	13%
Commercial mortgage-backed securities	183	188	5	3%	209	213	4	3%
Asset-backed securities	1,514	1,520	6	22%	1,453	1,442	(11)	21%
Corporate and other bonds	966	997	31	14%	979	970	(9)	14%
Property and Casualty Insurance	\$ 6,814	\$ 7,013	\$ 199	100%	\$ 6,809	\$ 6,924	\$ 115	100%

Annualized yield on available for sale fixed maturities:

Excluding investment expense (a)	3.81%	3.82%
Net of investment expense (a)	3.71%	3.71%
Tax equivalent, net of investment expense (b)	4.24%	4.31%

Approximate average life and duration:

Approximate average life	4.5 years	5 years
Approximate duration	3.5 years	4 years

	September 30, 2016				December 31, 2015			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Annuity and Run-off:								
US Government and government agencies	\$ 52	\$ 54	\$ 2	0%	\$ 62	\$ 62	\$ —	0%
States, municipalities and political subdivisions	4,030	4,379	349	15%	3,864	3,994	130	15%
Foreign government	11	13	2	0%	12	13	1	0%
Residential mortgage-backed securities	2,520	2,746	226	10%	2,347	2,590	243	10%
Commercial mortgage-backed securities	1,580	1,660	80	6%	1,903	1,975	72	8%
Asset-backed securities	4,331	4,370	39	15%	3,508	3,492	(16)	14%
Corporate and other bonds	14,594	15,494	900	54%	13,311	13,474	163	53%
Total Annuity and Run-off	\$ 27,118	\$ 28,716	\$ 1,598	100%	\$ 25,007	\$ 25,600	\$ 593	100%

Annualized yield on available for sale fixed maturities:

Excluding investment expense (a)	4.70%	4.98%
Net of investment expense (a)	4.67%	4.94%

Approximate average life and duration:

Approximate average life	6.5 years	6.5 years
Approximate duration	5 years	5.5 years

- (a) Annualized yield is calculated by dividing investment income for the quarter by the average cost over the quarter. Average cost is the average of the beginning and ending quarter asset balances.
- (b) Adjusts the yield on tax-exempt bonds to the fully taxable equivalent yield.

American Financial Group, Inc.
Fixed Maturities - Credit Rating
(\$ in millions)



By Credit Rating (a)	September 30, 2016			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 6,394	\$ 6,634	\$ 240	19%
AA	7,046	7,454	408	21%
A	8,206	8,643	437	24%
BBB	8,554	9,012	458	25%
Subtotal - Investment grade	30,200	31,743	1,543	89%
BB	717	723	6	2%
B	476	476	—	1%
Other (b)	2,541	2,800	259	8%
Subtotal - Non-Investment grade	3,734	3,999	265	11%
Total	\$ 33,934	\$ 35,742	\$ 1,808	100%

97% of the fixed maturity portfolio is NAIC designated 1 or 2.

By Credit Rating (a)	December 31, 2015			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 6,519	\$ 6,655	\$ 136	20%
AA	6,785	6,954	169	22%
A	7,780	7,969	189	25%
BBB	7,478	7,507	29	23%
Subtotal - Investment grade	28,562	29,085	523	90%
BB	790	765	(25)	2%
B	438	417	(21)	1%
Other (b)	2,029	2,271	242	7%
Subtotal - Non-Investment grade	3,257	3,453	196	10%
Total	\$ 31,819	\$ 32,538	\$ 719	100%

97% of the fixed maturity portfolio is NAIC designated 1 or 2.

- (a) If two agencies rate a security, the rating displayed above is the lower of the two; if three or more agencies rate a security, the rating displayed is the second lowest.
- (b) See page 28 and 29 for more information.

<u>September 30, 2016</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>	<u>% of Fair Value</u>	<u>% of Investment Portfolio</u>
Residential					
Agency	\$ 236	\$ 240	\$ 4	4%	0%
Prime (Non-Agency)	1,475	1,637	162	29%	4%
Alt-A	1,148	1,226	78	21%	3%
Subprime	675	717	42	13%	2%
Commercial	1,763	1,848	85	33%	4%
Total AFG consolidated	\$ 5,297	\$ 5,668	\$ 371	100%	13%

- Substantially all of AFG's MBS securities are either senior tranches of securitizations or collateralized by senior tranches of securitizations.
- The average amortized cost as a percent of par is - Prime 82%; Alt-A 79%; Subprime 85%; CMBS 99%.
- The average FICO score of our residential MBS securities is - Prime 740; Alt-A 710; Subprime 641.
- 96% of our Commercial MBS portfolio is investment-grade rated (81% AAA) and the average subordination for this group of assets is 38%.
- The approximate average life by collateral type is - Residential 4 years; Commercial 4 years.

<u>December 31, 2015</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>	<u>% of Fair Value</u>	<u>% of Investment Portfolio</u>
Residential					
Agency	\$ 260	\$ 269	\$ 9	5%	1%
Prime (Non-Agency)	1,489	1,651	162	29%	4%
Alt-A	794	872	78	15%	2%
Subprime	698	742	44	13%	2%
Commercial	2,112	2,188	76	38%	6%
Total AFG consolidated	\$ 5,353	\$ 5,722	\$ 369	100%	15%

Property and Casualty Insurance:

By Asset Type	September 30, 2016				
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Inv Portfolio
Residential					
Agency	\$ 180	\$ 183	\$ 3	15%	2%
Prime (Non-Agency)	201	216	15	17%	2%
Alt-A	357	375	18	30%	3%
Subprime	275	288	13	23%	3%
Commercial	183	188	5	15%	2%
Total	\$ 1,196	\$ 1,250	\$ 54	100%	12%

By Asset Type	December 31, 2015				
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Inv Portfolio
Residential					
Agency	\$ 151	\$ 153	\$ 2	13%	2%
Prime (Non-Agency)	218	231	13	20%	2%
Alt-A	241	257	16	23%	3%
Subprime	283	291	8	25%	3%
Commercial	209	213	4	19%	2%
Total	\$ 1,102	\$ 1,145	\$ 43	100%	12%

Annuity and Run-off:

By Asset Type	September 30, 2016				
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Inv Portfolio
Residential					
Agency	\$ 56	\$ 57	\$ 1	1%	0%
Prime (Non-Agency)	1,273	1,409	136	32%	5%
Alt-A	791	851	60	19%	3%
Subprime	400	429	29	10%	1%
Commercial	1,580	1,660	80	38%	5%
Total	\$ 4,100	\$ 4,406	\$ 306	100%	14%

By Asset Type	December 31, 2015				
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Inv Portfolio
Residential					
Agency	\$ 109	\$ 116	\$ 7	3%	0%
Prime (Non-Agency)	1,270	1,408	138	31%	5%
Alt-A	553	615	62	13%	2%
Subprime	415	451	36	10%	2%
Commercial	1,903	1,975	72	43%	7%
Total	\$ 4,250	\$ 4,565	\$ 315	100%	16%

By Credit Rating (a)	September 30, 2016			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 1,937	\$ 2,038	\$ 101	36%
AA	197	203	6	4%
A	301	315	14	5%
BBB	264	280	16	5%
Subtotal - investment grade	2,699	2,836	137	50%
BB	237	238	1	4%
B	334	336	2	6%
Other	2,027	2,258	231	40%
Total	\$ 5,297	\$ 5,668	\$ 371	100%

96% of the mortgage-backed security portfolio has an NAIC 1 designation.

By Credit Rating (a)	December 31, 2015			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 2,409	\$ 2,494	\$ 85	43%
AA	255	263	8	5%
A	329	345	16	6%
BBB	272	292	20	5%
Subtotal - investment grade	3,265	3,394	129	59%
BB	253	258	5	5%
B	305	311	6	5%
Other	1,530	1,759	229	31%
Total	\$ 5,353	\$ 5,722	\$ 369	100%

97% of the mortgage-backed security portfolio has an NAIC 1 designation.

- (a) If two agencies rate a security, the rating displayed above is the lower of the two; if three or more agencies rate a security, the rating displayed is the second lowest.

Appendix A
American Financial Group, Inc.
Fixed Maturities - Credit Rating by Type
(\$ in millions)



By Credit Rating (a)	Fair Value - September 30, 2016								
	US Gov	Munis	Frgn gov	RMBS	CMBS	ABS	Corp/Oth	Total	% Total
Investment grade									
AAA	\$ 296	\$1,765	\$ 179	\$ 543	\$1,495	\$2,127	\$ 229	\$ 6,634	19%
AA	42	4,592	31	140	63	1,463	1,123	7,454	21%
A	—	516	57	169	146	1,647	6,108	8,643	24%
BBB	—	76	3	204	76	599	8,054	9,012	25%
Subtotal - Investment grade	338	6,949	270	1,056	1,780	5,836	15,514	31,743	89%
BB	—	7	—	196	42	16	462	723	2%
B	—	9	—	310	26	1	130	476	1%
CCC, CC, C	—	9	—	953	—	4	13	979	3%
D	—	—	—	827	—	—	—	827	2%
Subtotal - Non-Investment grade	—	25	—	2,286	68	21	605	3,005	8%
Not Rated	8	102	1	478	—	33	372	994	3%
Total	\$ 346	\$7,076	\$ 271	\$3,820	\$1,848	\$5,890	\$16,491	\$35,742	100%

By Credit Rating (a)	Fair Value - December 31, 2015								
	US Gov	Munis	Frgn gov	RMBS	CMBS	ABS	Corp/Oth	Total	% Total
Investment grade									
AAA	\$ 262	\$1,607	\$ 138	\$ 640	\$1,854	\$1,986	\$ 168	\$ 6,655	20%
AA	44	4,488	32	151	112	1,239	888	6,954	21%
A	—	569	62	173	172	1,252	5,741	7,969	25%
BBB	—	92	—	248	44	429	6,694	7,507	23%
Subtotal - Investment grade	306	6,756	232	1,212	2,182	4,906	13,491	29,085	88%
BB	—	20	—	258	—	14	473	765	3%
B	—	—	—	306	6	2	103	417	1%
CCC, CC, C	—	9	—	894	—	4	11	918	3%
D	—	—	—	445	—	—	3	448	1%
Subtotal - Non-Investment grade	—	29	—	1,903	6	20	590	2,548	8%
Not Rated	15	100	—	419	—	8	363	905	3%
Total	\$ 321	\$6,885	\$ 232	\$3,534	\$2,188	\$4,934	\$14,444	\$32,538	100%

(a) If two agencies rate a security, the rating displayed above is the lower of the two; if three or more agencies rate a security, the rating displayed is the second lowest.