
**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): May 3, 2017

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

(Former name or former address, if changed since last report.)

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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 first quarter of 2017 and the availability of the Investor Supplement on the Company’s website. The press release was issued on May 3, 2017. 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 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 May 3, 2017, reporting American Financial Group Inc. results for the quarterly period ended March 31, 2017.
99.2	Investor Supplement – First Quarter 2017

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.

Date: May 4, 2017

AMERICAN FINANCIAL GROUP, INC.

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

FOR IMMEDIATE RELEASE



Press Release

American Financial Group, Inc. Announces First Quarter Results

- *Net earnings per share of \$1.72, a first quarter record for AFG and an increase of 51% from the prior year period*
- *Core net operating earnings \$1.69 per share, a first quarter record for AFG and an increase of 35% from the prior year period*
- *First quarter annualized ROE of 13.3%; core operating ROE of 13.1%*
- *Announced special cash dividend of \$1.50 per share, payable May 25, 2017*
- *Full year 2017 core net operating earnings guidance maintained at \$6.20 - \$6.70 per share*

CINCINNATI – May 3, 2017 – American Financial Group, Inc. (NYSE: AFG) today reported 2017 first quarter net earnings attributable to shareholders of \$153 million (\$1.72 per share) compared to \$101 million (\$1.14 per share) for the 2016 first quarter. The \$1.72 per share is a record for AFG’s first quarter. Net earnings for the quarter include \$2 million (\$0.03 per share) in after-tax net realized gains on securities, compared to \$10 million (\$0.11 per share) in after-tax net realized losses on securities in the prior year period. Book value per share increased by \$2.71 to \$59.26 per share during the first quarter of 2017. Annualized return on equity was 13.3% and 9.4% for the first quarters of 2017 and 2016, respectively.

Core net operating earnings were \$151 million (\$1.69 per share) for the 2017 first quarter, compared to \$111 million (\$1.25 per share) in the 2016 first quarter. The \$1.69 represents a record first quarter for AFG core earnings per share. The improved results were attributable to higher operating earnings in our Specialty Property and Casualty (“P&C”) Insurance Segment and significantly higher operating earnings in our Annuity Segment. Book value per share, excluding unrealized gains related to fixed maturities, increased by \$1.87 to \$54.98 per share during the first quarter of 2017. Core net operating earnings for the first quarters of 2017 and 2016 generated annualized returns on equity of 13.1% and 10.3%, respectively.

The Company also announced today that its Board of Directors declared a special cash dividend of \$1.50 per share of American Financial Group Common Stock. The dividend is payable on May 25, 2017 to shareholders of record on May 15, 2017. The aggregate amount of this special dividend will be approximately \$132 million. This special dividend is in addition to the Company’s regular quarterly cash dividend of \$0.3125 per share.

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	
	March 31,	
	2017	2016
Components of net earnings attributable to shareholders:		
Core operating earnings before income taxes	\$ 220	\$ 174
Pretax non-core items:		
Realized gains (losses) on securities	3	(18)
Earnings before income taxes	223	156
Provision (credit) for income taxes:		
Core operating earnings	67	59
Realized gains (losses) on securities	1	(7)
Total provision (credit) for income taxes	68	52
Net earnings, including noncontrolling interests	155	104
Less net earnings (loss) attributable to noncontrolling interests:		
Core operating earnings	2	4
Realized gains (losses) on securities	—	(1)
Total net earnings attributable to noncontrolling interests	2	3
Net earnings attributable to shareholders	\$ 153	\$ 101
Net earnings:		
Core net operating earnings ^(a)	\$ 151	\$ 111
Realized gains (losses) on securities	2	(10)
Net earnings attributable to shareholders	\$ 153	\$ 101
Components of Earnings Per Share:		
Core net operating earnings ^(a)	\$ 1.69	\$ 1.25
Realized gains (losses) on securities	0.03	(0.11)
Diluted Earnings Per Share	\$ 1.72	\$ 1.14

Footnote (a) is 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: "The year is off to a good start, with first quarter earnings per share records for AFG. The diversity within our portfolio of specialty property and casualty insurance and annuity businesses has helped us to deliver consistent, strong core operating earnings and created opportunities for profitable growth despite competitive market conditions. Strong operating profitability, superior investment performance and effective capital management resulted in growth in adjusted book value plus dividends of \$2.18 per share during the quarter, an increase of 4%.

"AFG had approximately \$1.1 billion of excess capital (including parent company cash of approximately \$200 million) at March 31, 2017. Returning capital to shareholders in the form of a \$1.50 special cash dividend reflects AFG's strong financial position and our confidence in the Company's financial future. In addition to returning capital to shareholders through dividends, 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. Share repurchases, particularly when executed at attractive valuations, are also an important and effective component of our capital management strategy; we will make opportunistic share repurchases when it makes sense to do so. We will evaluate our excess capital position again in the second half of 2017.

"Based on results for the first three months of the year, we continue to expect core net operating earnings in 2017 to be between \$6.20 and \$6.70 per share. Our core earnings per share guidance assumes no change in the corporate tax rate of 35%, and 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

Operating earnings in AFG's P&C Insurance Segment were \$169 million in the first quarter of 2017, compared to \$158 million in the prior year period, an increase of \$11 million. Higher P&C investment income and lower other expenses (primarily due to the noncontrolling interests in National Interstate in the first quarter of 2016) and a first quarter 2017 gain on the sale of real estate, more than offset lower Specialty P&C underwriting profit.

The Specialty P&C insurance operations generated an underwriting profit of \$79 million in the 2017 first quarter, compared to \$86 million in the first quarter of 2016, a decrease of 8%. Higher underwriting profit in our Property and Transportation Group was more than offset by lower underwriting profit in our Specialty Casualty and Specialty Financial Groups.

The first quarter 2017 combined ratio of 92.2% increased 0.9% from the prior year period. First quarter 2017 results include 2.8 points of favorable prior year reserve development, compared to 2.7 points of favorable development in the comparable prior year period. Catastrophe losses were 0.7 points of the combined ratio in the first quarter of 2017, primarily due to storms and tornadoes in several regions of the United States. By comparison, catastrophe losses added 0.8 points in the prior year period. Overall renewal pricing was flat during the quarter.

Gross and net written premiums were up 7% and 5%, respectively, in the 2017 first quarter compared to the same quarter a year earlier, with growth reported in each of our Specialty P&C groups. Further details about AFG's Specialty P&C operations may be found in the accompanying schedules.

The **Property and Transportation Group** reported an underwriting profit of \$43 million in the first quarter of 2017 compared to \$32 million in the first quarter of 2016. Higher underwriting profits in our agricultural, property & inland marine and transportation businesses contributed to these results. Catastrophe losses in this group were \$5 million in the first quarter of 2017 compared to \$6 million in the 2016 first quarter.

First quarter 2017 gross and net written premiums in this group were 5% and 4% higher, respectively, than the comparable prior year period. The growth in gross written premiums is primarily attributable to our transportation, property & inland marine and Singapore branch operations. Overall renewal rates in this group increased 3% in the first quarter of 2017.

The **Specialty Casualty Group** reported an underwriting profit of \$15 million in the first quarter of 2017 compared to \$29 million in the comparable 2016 period. Higher profitability in our workers' compensation businesses and slightly improved year-over-year results in Neon were more than offset by lower year-over-year profitability in our targeted markets, executive liability, and excess and surplus lines businesses. Catastrophe losses for this group were \$1 million in both the first quarters of 2017 and 2016.

Gross and net written premiums for the first quarter of 2017 were up 7% and 4%, respectively, compared to the same period in 2016. Higher premiums in our workers' compensation businesses, primarily the result of rate increases in the state of Florida, and higher premiums in our targeted markets businesses were partially offset by lower premiums in our excess and surplus lines operations. The decline in excess and surplus premiums was primarily the result of tougher underwriting standards related to our New York contractors business. Neon net written premiums were lower year-over-year as a result of Neon's 2017 reinsurance placements, which were significantly higher in the 2017 first quarter compared to the year ago quarter, when placements were delayed pending the completion of last year's business restructuring. Renewal pricing for this group was flat during the first quarter.

The **Specialty Financial Group** reported an underwriting profit of \$22 million in the first quarter of 2017, compared to \$23 million in the comparable 2016 period. The decrease was driven primarily by lower underwriting profitability in our financial institutions business, which was partially offset by higher underwriting profits in our fidelity and surety businesses.

First quarter 2017 gross and net written premiums were up 12% and 13%, respectively, when compared to the prior year period, primarily as a result of higher premiums in our financial institutions and surety businesses. Pricing in this group was down approximately 4% for the quarter.

Carl Lindner III noted, “I’m pleased with the strong overall underwriting margins and growth our Specialty P&C Group reported in the first quarter. Based on results during the first three months of the year, we continue to expect an overall 2017 calendar year combined ratio in the range of 92% to 94%. We now estimate net written premium growth to be between 3% and 7%, an increase from our original estimate of 2% to 6%.”

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 reported \$96 million in pretax operating earnings in the first quarter of 2017 compared to \$53 million in the first quarter of 2016. Earnings before the impact of fair value accounting on fixed-indexed annuities (FIAs) were \$98 million in the first quarter of 2017, a 17% increase from the first quarter of 2016.

Components of Annuity Operating Earnings Before Income Taxes

In millions	Three months ended March 31,		Pct. Change
	2017	2016	
Annuity earnings before fair value accounting for FIAs	\$ 98	\$ 84	17%
Impact of fair value accounting for FIAs	(2)	(31)	nm
Pretax annuity operating earnings	<u>\$ 96</u>	<u>\$ 53</u>	81%

Annuity Earnings Before Fair Value Accounting for FIAs – AFG’s first quarter 2017 earnings and spreads benefited from 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 approximately 11% and 12%, respectively, year-over-year; the benefit of this growth was partially offset by the runoff of higher yielding investments.

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. During the first quarter of 2017, the benefit of a higher stock market was offset by slightly lower interest rates, resulting in a \$2 million unfavorable impact to annuity operating earnings. In comparison, during the first quarter of 2016, a significant decrease (40-45 basis points) in interest rates resulted in an unfavorable impact on earnings of \$31 million. These impacts are included within the “Impact of fair value accounting for FIAs” amounts shown in the table above.

Annuity Premiums – AFG’s Annuity Segment reported statutory premiums of \$1.3 billion in the first quarter of 2017, virtually unchanged from the prior year period. Higher premiums in the financial institutions channel more than offset lower premiums in the retail channel. By comparison, premiums reported in the first quarter of 2016 reflected an uptick in sales, which occurred in advance of the effective date of rate decreases announced in early 2016. Management believes AFG’s continued strong premium production in 2017 reflects new products, additional staffing, and increased market share within existing financial institutions, offset in part by uncertainty about the effective date of the Department of Labor (DOL) rule.

Craig Lindner stated, “I am pleased that 2017 is off to a strong start for the Annuity Segment. Our investment skills, coupled with disciplined product pricing and a continued commitment to consumer-friendly products position us especially well in the current market environment. Our original estimate for 2017 pretax annuity operating earnings remains unchanged and is in the range of \$375 to \$395 million. AFG’s original annuity premium guidance of flat to down 10% contemplated an April 2017 implementation of the DOL rule. As a result of the 60 day delay of the Rule’s implementation, and based on the level of premiums sold to date in 2017, we now expect that 2017 full year annuity premiums will be flat to up 10% compared to the \$4.4 billion sold in 2016.

“Fluctuations in the returns on investments that are required to be marked to market, or large changes in 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.”

Department of Labor (DOL) Rule – As noted earlier, on April 4, 2017 the DOL released a rule delaying the April 10, 2017 applicability date of the Fiduciary Rule to June 9, 2017, and further delayed certain requirements until January 1, 2018. As a result, insurance-only agents will be able to continue selling fixed-indexed annuities through the end of 2017, provided the agent acts in the customer’s best interest and receives only reasonable compensation. While AFG’s management continues to believe the adjustments required of the Company and its distribution partners to comply with the rule will impact annuity premiums, management does not believe the new rule will have a material impact on AFG’s results of operations.

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

Investments

AFG recorded first quarter 2017 net realized gains on securities of \$2 million after tax and after deferred acquisition costs (DAC), compared to net realized losses of \$10 million in the comparable 2016 period. Unrealized gains on fixed maturities were \$384 million after tax and after DAC at March 31, 2017, an increase of \$78 million since year end. Our portfolio continues to be high quality, with 89% of our fixed maturity portfolio rated investment grade and 98% with a National Association of Insurance Commissioners’ designation of NAIC 1 or 2, its highest two categories.

For the three months ended March 31, 2017, P&C net investment income was approximately 4% higher than the comparable 2016 period.

In March 2017, AFG sold a hotel property in Cincinnati that was owned and managed by a subsidiary of Great American Insurance Company. AFG recognized an after-tax gain of \$7 million on the sale, which is recorded as “Other Income” and is included in Specialty P&C core operating earnings.

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

About American Financial Group, Inc.

American Financial Group is an insurance holding company, based in Cincinnati, Ohio with assets over \$55 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; 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 AFG’s 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 AFG’s international operations; and other factors identified in AFG’s 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 2017 first quarter results at 11:30 a.m. (ET) tomorrow, Thursday, May 4, 2017. 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 4979991. 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 May 11, 2017. To listen to the replay, dial 1-855-859-2056 (international dial-in 404-537-3406) and provide the conference ID 4979991.

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 May 11, 2017 at 11:59 p.m. (ET). An archived audio MP3 file will be available within 24 hours of the call.

Contact:

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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.

AFG17-07

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

	Three months ended	
	March 31,	
	2017	2016
Revenues		
P&C insurance net earned premiums	\$ 1,022	\$ 998
Life, accident & health net earned premiums	6	6
Net investment income	435	411
Realized gains (losses) on securities	3	(18)
Income (loss) of managed investment entities:		
Investment income	51	45
Loss on change in fair value of assets/liabilities	—	(13)
Other income	59	46
Total revenues	<u>1,576</u>	<u>1,475</u>
Costs and expenses		
P&C insurance losses & expenses	948	915
Annuity, life, accident & health benefits & expenses	258	272
Interest charges on borrowed money	21	18
Expenses of managed investment entities	41	35
Other expenses	85	79
Total costs and expenses	<u>1,353</u>	<u>1,319</u>
Earnings before income taxes	223	156
Provision for income taxes ^(b)	68	52
Net earnings including noncontrolling interests	155	104
Less: Net earnings attributable to noncontrolling interests	2	3
Net earnings attributable to shareholders	<u>\$ 153</u>	<u>\$ 101</u>
Diluted earnings per Common Share	<u>\$ 1.72</u>	<u>\$ 1.14</u>
Average number of diluted shares	89.3	88.5
Selected Balance Sheet Data:		
	March 31,	December 31,
	2017	2016
Total cash and investments	\$43,350	\$ 41,433
Long-term debt	\$ 1,283	\$ 1,283
Shareholders' equity ^(c)	\$ 5,191	\$ 4,916
Shareholders' equity (excluding unrealized gains/losses related to fixed maturities) ^(c)	\$ 4,815	\$ 4,617
Book value per share	\$ 59.26	\$ 56.55
Book value per share (excluding unrealized gains/losses related to fixed maturities)	\$ 54.98	\$ 53.11
Common Shares Outstanding	87.6	86.9

Footnotes (b) and (c) 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 March 31,		Pct. Change
	2017	2016	
Gross written premiums	<u>\$1,324</u>	<u>\$1,243</u>	7%
Net written premiums	<u>\$1,027</u>	<u>\$ 979</u>	5%
Ratios (GAAP):			
Loss & LAE ratio	59.5%	58.3%	
Underwriting expense ratio	<u>32.7%</u>	<u>33.0%</u>	
Specialty Combined Ratio	<u>92.2%</u>	<u>91.3%</u>	
Combined Ratio – P&C Segment	<u>92.3%</u>	<u>91.2%</u>	
Supplemental Information:(d)			
Gross Written Premiums:			
Property & Transportation	\$ 416	\$ 398	5%
Specialty Casualty	744	698	7%
Specialty Financial	<u>164</u>	<u>147</u>	12%
	<u>\$1,324</u>	<u>\$1,243</u>	7%
Net Written Premiums:			
Property & Transportation	\$ 324	\$ 311	4%
Specialty Casualty	540	519	4%
Specialty Financial	141	125	13%
Other	<u>22</u>	<u>24</u>	(8%)
	<u>\$1,027</u>	<u>\$ 979</u>	5%
Combined Ratio (GAAP):			
Property & Transportation	87.3%	90.6%	
Specialty Casualty	97.0%	94.3%	
Specialty Financial	85.0%	82.6%	
Aggregate Specialty Group	92.2%	91.3%	

	Three months ended March 31,	
	2017	2016
Reserve Development (Favorable) / Adverse:		
Property & Transportation	\$ (17)	\$ (17)
Specialty Casualty	(6)	(4)
Specialty Financial	(9)	(4)
Other	<u>3</u>	<u>(2)</u>
	<u>\$ (29)</u>	<u>\$ (27)</u>
Points on Combined Ratio:		
Property & Transportation	(4.8)	(5.2)
Specialty Casualty	(1.1)	(0.7)
Specialty Financial	(6.4)	(3.3)
Aggregate Specialty Group	(2.8)	(2.7)

Footnote (d) 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 March 31,		Pct. Change
	2017	2016	
<u>Annuity Premiums:</u>			
Financial Institutions	\$ 749	\$ 653	15%
Retail	489	566	(14%)
Education Market	45	57	(21%)
Variable Annuities	7	9	(22%)
Total Annuity Premiums	<u>\$1,290</u>	<u>\$ 1,285</u>	— %

Components of Operating Earnings Before Income Taxes

	Three months ended March 31,		Pct. Change
	2017	2016	
Revenues:			
Net investment income	\$ 347	\$ 315	10%
Other income	27	26	4%
Total revenues	<u>374</u>	<u>341</u>	10%
Costs and Expenses:			
Annuity benefits	196	228	(14%)
Acquisition expenses	52	34	53%
Other expenses	30	26	15%
Total costs and expenses	<u>278</u>	<u>288</u>	(3%)
Operating earnings before income taxes	<u>\$ 96</u>	<u>\$ 53</u>	81%

Supplemental Fixed Annuity Information

	Three months ended March 31,		Pct. Change
	2017	2016	
Operating earnings before impact of fair value accounting on FIAs	\$ 98	\$ 84	17%
Impact of fair value accounting	(2)	(31)	nm
Operating earnings before income taxes	<u>\$ 96</u>	<u>\$ 53</u>	81%
Average fixed annuity reserves*	\$30,183	\$26,935	12%
Net interest spread*	2.58%	2.54%	
Net spread earned before impact of fair value accounting*	1.31%	1.20%	
Net spread earned after impact of fair value accounting*	1.28%	0.74%	

* 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	
	March 31,	
	2017	2016
<u>Core Operating Earnings before Income Taxes:</u>		
P&C insurance segment	\$ 169	\$ 158
Annuity segment, before impact of fair value accounting	98	84
Impact of fair value accounting	(2)	(31)
Run-off long-term care and life segment	—	(1)
Interest & other corporate expense	(47)	(40)
Core operating earnings before income taxes	218	170
Related income taxes	67	59
Core net operating earnings	<u>\$ 151</u>	<u>\$ 111</u>

b) Excluding the significant tax benefit related to stock-based compensation in the first quarter of 2017, AFG's effective tax rate was 33%.

c) Shareholders' Equity at March 31, 2017 includes \$384 million (\$4.38 per share) in unrealized after-tax gains on fixed maturities and \$8 million (\$0.10 per share) in unrealized after-tax losses on fixed maturity-related cash flow hedges. Shareholder's Equity at December 31, 2016 includes \$306 million (\$3.52 per share) in unrealized after-tax gains on fixed maturities and \$7 million (\$0.08 per share) in unrealized after-tax losses on fixed maturity-related cash flow hedges.

d) 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 - First Quarter 2017

May 3, 2017

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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	Three Months Ended				Twelve Months Ended		
	03/31/17	12/31/16	09/30/16	06/30/16	03/31/16	12/31/16	12/31/15
Highlights							
Net earnings	\$ 153	\$ 385	\$ 109	\$ 54	\$ 101	\$ 649	\$ 352
Core net operating earnings	151	176	134	113	111	534	486
Total assets	57,464	55,072	54,845	52,733	51,038	55,072	49,837
Adjusted shareholders' equity (a)	4,815	4,617	4,487	4,356	4,325	4,617	4,313
Property and Casualty net written premiums	1,027	1,083	1,268	1,056	979	4,386	4,327
Annuity statutory premiums	1,290	1,111	941	1,098	1,285	4,435	4,140
Per share data							
Diluted earnings per share	\$ 1.72	\$ 4.33	\$ 1.23	\$ 0.62	\$ 1.14	\$ 7.33	\$ 3.94
Core net operating earnings per share	1.69	1.98	1.51	1.28	1.25	6.03	5.44
Adjusted book value per share (a)	54.98	53.11	51.68	50.16	49.72	53.11	49.32
Cash dividends per common share	0.3125	1.3125	0.2800	0.2800	0.2800	2.1525	2.0300
Financial ratios							
Annualized return on equity (b)	13.3%	34.4%	9.9%	5.1%	9.4%	14.8%	8.3%
Annualized core operating return on equity (b)	13.1%	15.7%	12.2%	10.5%	10.3%	12.2%	11.5%
Property and Casualty combined ratio - Specialty:							
Loss & LAE ratio	59.5%	63.7%	62.9%	61.2%	58.3%	61.7%	62.2%
Underwriting expense ratio	32.7%	26.7%	30.3%	32.7%	33.0%	30.6%	30.9%
Combined ratio - Specialty	92.2%	90.4%	93.2%	93.9%	91.3%	92.3%	93.1%
Net spread on fixed annuities:							
Net interest spread	2.58%	2.70%	2.85%	2.84%	2.54%	2.73%	2.69%
Net spread earned:							
Before impact of fair value accounting	1.31%	1.42%	1.46%	1.45%	1.20%	1.39%	1.35%
Impact of fair value accounting (c)	(0.03%)	0.40%	0.01%	(0.37%)	(0.46%)	(0.10%)	(0.09%)
After impact of fair value accounting	1.28%	1.82%	1.47%	1.08%	0.74%	1.29%	1.26%

- (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				Twelve Months Ended		
	03/31/17	12/31/16	09/30/16	06/30/16	03/31/16	12/31/16	12/31/15
Property and Casualty Insurance							
Underwriting profit	\$ 78	\$ 110	\$ 78	\$ 62	\$ 87	\$ 337	\$ 292
Net investment income	86	85	93	89	83	350	319
Other income (expense)	5	(15)	(18)	(12)	(12)	(57)	(45)
Property and Casualty Insurance operating earnings	169	180	153	139	158	630	566
Annuity earnings	96	132	107	76	53	368	331
Run-off Long-Term Care and Life earnings	—	2	1	—	(1)	2	14
Interest expense of parent holding companies (a)	(21)	(21)	(19)	(19)	(18)	(77)	(73)
Other expense (a)	(26)	(29)	(29)	(19)	(22)	(99)	(89)
Pre-tax core operating earnings	218	264	213	177	170	824	749
Income tax expense	67	88	79	64	59	290	263
Core net operating earnings	151	176	134	113	111	534	486
Non-core items, net of tax:							
Realized gains (losses) on securities	2	32	1	(10)	(10)	13	(12)
Realized gain (loss) on sale of subsidiaries	—	—	—	1	—	1	(104)
Gain on sale of hotel and apartment properties	—	—	—	15	—	15	36
Special A&E charges:							
Property and Casualty Insurance run-off operations	—	—	(23)	—	—	(23)	(44)
Former Railroad and Manufacturing operations	—	—	(3)	—	—	(3)	(8)
Neon exited lines charge	—	—	—	(65)	—	(65)	—
Tax benefit related to National Interstate merger	—	66	—	—	—	66	—
Tax benefit related to Neon restructuring	—	111	—	—	—	111	—
Other	—	—	—	—	—	—	(2)
Net earnings	\$ 153	\$ 385	\$ 109	\$ 54	\$ 101	\$ 649	\$ 352

(a) December 2015 has 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					Twelve Months Ended	
	03/31/17	12/31/16	09/30/16	06/30/16	03/31/16	12/31/16	12/31/15
Core net operating earnings	\$ 151	\$ 176	\$ 134	\$ 113	\$ 111	\$ 534	\$ 486
Net earnings	\$ 153	\$ 385	\$ 109	\$ 54	\$ 101	\$ 649	\$ 352
Average number of diluted shares	89,342	88,774	88,461	88,390	88,495	88,530	89,362
<u>Diluted earnings per share:</u>							
Core net operating earnings per share	\$ 1.69	\$ 1.98	\$ 1.51	\$ 1.28	\$ 1.25	\$ 6.03	\$ 5.44
Realized gains (losses) on securities	0.03	0.36	0.02	(0.11)	(0.11)	0.16	(0.12)
Realized gain (loss) on sale of subsidiaries	—	—	—	0.01	—	0.01	(1.17)
Gain on sale of hotel and apartment properties	—	—	—	0.17	—	0.17	0.40
Special A&E charges:							
Property and Casualty Insurance run-off operations	—	—	(0.26)	—	—	(0.26)	(0.49)
Former Railroad and Manufacturing operations	—	—	(0.04)	—	—	(0.04)	(0.09)
Neon exited lines charge	—	—	—	(0.73)	—	(0.73)	—
Tax benefit related to National Interstate merger	—	0.74	—	—	—	0.74	—
Tax benefit related to Neon restructuring	—	1.25	—	—	—	1.25	—
Other	—	—	—	—	—	—	(0.03)
Diluted earnings per share	\$ 1.72	\$ 4.33	\$ 1.23	\$ 0.62	\$ 1.14	\$ 7.33	\$ 3.94

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



	Three Months Ended					Twelve Months Ended	
	03/31/17	12/31/16	09/30/16	06/30/16	03/31/16	12/31/16	12/31/15
Property and Transportation	\$ 43	\$ 75	\$ 44	\$ 15	\$ 32	\$ 166	\$ 48
Specialty Casualty	15	13	13	23	29	78	146
Specialty Financial	22	20	19	22	23	84	87
Other Specialty	(1)	2	2	3	2	9	14
Underwriting profit - Specialty	79	110	78	63	86	337	295
Other core charges, included in loss and LAE	1	—	—	1	(1)	—	3
Underwriting profit - Core	78	110	78	62	87	337	292
Special A&E charges, included in loss and LAE	—	—	(36)	—	—	(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	\$ 78	\$ 110	\$ 42	\$ (3)	\$ 87	\$ 236	\$ 225
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	7	12	14	21	8	55	35
Total current accident year catastrophe losses	\$ 7	\$ 12	\$ 14	\$ 21	\$ 8	\$ 55	\$ 35
Prior year loss reserve development (favorable) / adverse	\$ (28)	\$ 10	\$ 22	\$ 28	\$ (28)	\$ 32	\$ 33
Combined ratio:							
Property and Transportation	87.3%	83.9%	91.1%	95.9%	90.6%	90.0%	96.9%
Specialty Casualty	97.0%	97.4%	97.4%	95.3%	94.3%	96.1%	92.7%
Specialty Financial	85.0%	86.0%	86.4%	84.4%	82.6%	84.9%	83.1%
Other Specialty	105.8%	94.9%	91.5%	89.2%	89.7%	91.4%	85.5%
Combined ratio - Specialty	92.2%	90.4%	93.2%	93.9%	91.3%	92.3%	93.1%
Other core charges	0.1%	0.0%	0.1%	0.1%	(0.1%)	(0.1%)	0.0%
Neon exited lines charge, loss and LAE	0.0%	0.0%	0.0%	5.5%	0.0%	1.3%	0.0%
Neon exited lines charge, underwriting expenses	0.0%	0.0%	0.0%	0.8%	0.0%	0.2%	0.0%
Special A&E charges	0.0%	0.0%	3.0%	0.0%	0.0%	0.8%	1.6%
Combined ratio	92.3%	90.4%	96.3%	100.3%	91.2%	94.5%	94.7%
Combined ratio excl. catastrophe and prior year development	94.3%	88.4%	93.1%	94.8%	93.2%	92.4%	93.1%
Loss and LAE components - property and casualty insurance							
Current accident year, excluding catastrophe loss	61.6%	61.7%	62.8%	62.1%	60.2%	61.8%	62.2%
Prior accident year loss reserve development	(2.7%)	0.9%	2.0%	2.7%	(2.8%)	0.7%	0.8%
Current accident year catastrophe loss	0.7%	1.1%	1.2%	2.0%	0.8%	1.3%	0.8%
Loss and LAE ratio	59.6%	63.7%	66.0%	66.8%	58.2%	63.8%	63.8%

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



	Three Months Ended				Twelve Months Ended		
	03/31/17	12/31/16	09/30/16	06/30/16	03/31/16	12/31/15	
Gross written premiums	\$ 1,324	\$ 1,441	\$ 1,899	\$ 1,398	\$ 1,243	\$ 5,981	\$ 5,832
Ceded reinsurance premiums	(297)	(358)	(631)	(342)	(264)	(1,595)	(1,505)
Net written premiums	1,027	1,083	1,268	1,056	979	4,386	4,327
Change in unearned premiums	(5)	61	(109)	(29)	19	(58)	(103)
Net earned premiums	1,022	1,144	1,159	1,027	998	4,328	4,224
Loss and LAE	608	729	729	629	582	2,669	2,625
Underwriting expense	335	305	352	335	330	1,322	1,304
Underwriting profit	\$ 79	\$ 110	\$ 78	\$ 63	\$ 86	\$ 337	\$ 295
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	7	12	14	21	8	55	35
Total current accident year catastrophe losses	\$ 7	\$ 12	\$ 14	\$ 21	\$ 8	\$ 55	\$ 35
Prior year loss reserve development (favorable) / adverse	\$ (29)	\$ 10	\$ (14)	\$ (30)	\$ (27)	\$ (61)	\$ (37)
Combined ratio:							
Loss and LAE ratio	59.5%	63.7%	62.9%	61.2%	58.3%	61.7%	62.2%
Underwriting expense ratio	32.7%	26.7%	30.3%	32.7%	33.0%	30.6%	30.9%
Combined ratio	92.2%	90.4%	93.2%	93.9%	91.3%	92.3%	93.1%
Combined ratio excl. catastrophe and prior year development	94.3%	88.4%	93.1%	94.8%	93.2%	92.4%	93.1%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	61.6%	61.7%	62.8%	62.1%	60.2%	61.8%	62.2%
Prior accident year loss reserve development	(2.8%)	0.9%	(1.1%)	(2.9%)	(2.7%)	(1.4%)	(0.8%)
Current accident year catastrophe loss	0.7%	1.1%	1.2%	2.0%	0.8%	1.3%	0.8%
Loss and LAE ratio	59.5%	63.7%	62.9%	61.2%	58.3%	61.7%	62.2%

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



	Three Months Ended					Twelve Months Ended	
	03/31/17	12/31/16	09/30/16	06/30/16	03/31/16	12/31/16	12/31/15
Gross written premiums	\$ 416	\$ 577	\$ 991	\$ 538	\$ 398	\$ 2,504	\$ 2,455
Ceded reinsurance premiums	(92)	(183)	(406)	(156)	(87)	(832)	(819)
Net written premiums	324	394	585	382	311	1,672	1,636
Change in unearned premiums	18	71	(92)	(17)	28	(10)	(37)
Net earned premiums	342	465	493	365	339	1,662	1,599
Loss and LAE	208	319	339	245	211	1,114	1,159
Underwriting expense	91	71	110	105	96	382	392
Underwriting profit	\$ 43	\$ 75	\$ 44	\$ 15	\$ 32	\$ 166	\$ 48
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	5	6	7	12	6	31	21
Total current accident year catastrophe losses	\$ 5	\$ 6	\$ 7	\$ 12	\$ 6	\$ 31	\$ 21
Prior year loss reserve development (favorable) / adverse							
	\$ (17)	\$ 13	\$ (5)	\$ (12)	\$ (17)	\$ (21)	\$ 15
Combined ratio:							
Loss and LAE ratio	60.8%	68.6%	68.8%	67.0%	62.2%	67.0%	72.4%
Underwriting expense ratio	26.5%	15.3%	22.3%	28.9%	28.4%	23.0%	24.5%
Combined ratio	87.3%	83.9%	91.1%	95.9%	90.6%	90.0%	96.9%
Combined ratio excl. catastrophe and prior year development	90.7%	79.7%	90.7%	95.8%	94.1%	89.3%	94.7%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	64.2%	64.4%	68.4%	66.9%	65.7%	66.3%	70.2%
Prior accident year loss reserve development	(4.8%)	3.0%	(1.2%)	(3.2%)	(5.2%)	(1.2%)	0.9%
Current accident year catastrophe loss	1.4%	1.2%	1.6%	3.3%	1.7%	1.9%	1.3%
Loss and LAE ratio	60.8%	68.6%	68.8%	67.0%	62.2%	67.0%	72.4%

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



	Three Months Ended					Twelve Months Ended	
	03/31/17	12/31/16	09/30/16	06/30/16	03/31/16	12/31/16	12/31/15
Gross written premiums	\$ 744	\$ 684	\$ 722	\$ 688	\$ 698	\$ 2,792	\$ 2,739
Ceded reinsurance premiums	(204)	(174)	(218)	(185)	(179)	(756)	(687)
Net written premiums	540	510	504	503	519	2,036	2,052
Change in unearned premiums	(32)	—	(7)	(6)	(17)	(30)	(41)
Net earned premiums	508	510	497	497	502	2,006	2,011
Loss and LAE	331	348	330	329	313	1,320	1,265
Underwriting expense	162	149	154	145	160	608	600
Underwriting profit	\$ 15	\$ 13	\$ 13	\$ 23	\$ 29	\$ 78	\$ 146
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	1	4	2	3	1	10	4
Total current accident year catastrophe losses	\$ 1	\$ 4	\$ 2	\$ 3	\$ 1	\$ 10	\$ 4
Prior year loss reserve development (favorable) / adverse	\$ (6)	\$ 3	\$ (2)	\$ (10)	\$ (4)	\$ (13)	\$ (11)
Combined ratio:							
Loss and LAE ratio	65.2%	68.2%	66.5%	66.1%	62.4%	65.8%	62.9%
Underwriting expense ratio	31.8%	29.2%	30.9%	29.2%	31.9%	30.3%	29.8%
Combined ratio	97.0%	97.4%	97.4%	95.3%	94.3%	96.1%	92.7%
Combined ratio excl. catastrophe and prior year development	97.9%	96.1%	97.4%	96.6%	94.9%	96.3%	93.0%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	66.1%	66.9%	66.5%	67.4%	63.0%	66.0%	63.2%
Prior accident year loss reserve development	(1.1%)	0.5%	(0.3%)	(2.0%)	(0.7%)	(0.7%)	(0.5%)
Current accident year catastrophe loss	0.2%	0.8%	0.3%	0.7%	0.1%	0.5%	0.2%
Loss and LAE ratio	65.2%	68.2%	66.5%	66.1%	62.4%	65.8%	62.9%

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



	Three Months Ended					Twelve Months Ended	
	03/31/17	12/31/16	09/30/16	06/30/16	03/31/16	12/31/16	12/31/15
Gross written premiums	\$ 164	\$ 180	\$ 186	\$ 172	\$ 147	\$ 685	\$ 637
Ceded reinsurance premiums	(23)	(26)	(37)	(28)	(22)	(113)	(97)
Net written premiums	141	154	149	144	125	572	540
Change in unearned premiums	6	(13)	(4)	(5)	7	(15)	(23)
Net earned premiums	147	141	145	139	132	557	517
Loss and LAE	52	46	45	42	45	178	154
Underwriting expense	73	75	81	75	64	295	276
Underwriting profit	\$ 22	\$ 20	\$ 19	\$ 22	\$ 23	\$ 84	\$ 87
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	1	2	5	3	1	11	9
Total current accident year catastrophe losses	\$ 1	\$ 2	\$ 5	\$ 3	\$ 1	\$ 11	\$ 9
Prior year loss reserve development (favorable) / adverse	\$ (9)	\$ (6)	\$ (6)	\$ (7)	\$ (4)	\$ (23)	\$ (30)
Combined ratio:							
Loss and LAE ratio	35.6%	32.4%	31.6%	30.1%	34.0%	32.0%	29.7%
Underwriting expense ratio	49.4%	53.6%	54.8%	54.3%	48.6%	52.9%	53.4%
Combined ratio	85.0%	86.0%	86.4%	84.4%	82.6%	84.9%	83.1%
Combined ratio excl. catastrophe and prior year development	90.6%	88.8%	87.0%	87.0%	84.8%	86.9%	87.1%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	41.2%	35.2%	32.2%	32.7%	36.2%	34.0%	33.7%
Prior accident year loss reserve development	(6.4%)	(4.5%)	(3.9%)	(4.6%)	(3.3%)	(4.0%)	(5.7%)
Current accident year catastrophe loss	0.8%	1.7%	3.3%	2.0%	1.1%	2.0%	1.7%
Loss and LAE ratio	35.6%	32.4%	31.6%	30.1%	34.0%	32.0%	29.7%

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



	Three Months Ended					Twelve Months Ended	
	03/31/17	12/31/16	09/30/16	06/30/16	03/31/16	12/31/16	12/31/15
Gross written premiums	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1
Ceded reinsurance premiums	22	25	30	27	24	106	98
Net written premiums	22	25	30	27	24	106	99
Change in unearned premiums	3	3	(6)	(1)	1	(3)	(2)
Net earned premiums	25	28	24	26	25	103	97
Loss and LAE	17	16	15	13	13	57	47
Underwriting expense	9	10	7	10	10	37	36
Underwriting profit	\$ (1)	\$ 2	\$ 2	\$ 3	\$ 2	\$ 9	\$ 14
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	—	—	—	3	—	3	1
Total current accident year catastrophe losses	\$ —	\$ —	\$ —	\$ 3	\$ —	\$ 3	\$ 1
Prior year loss reserve development (favorable) / adverse	\$ 3	\$ —	\$ (1)	\$ (1)	\$ (2)	\$ (4)	\$ (11)
Combined ratio:							
Loss and LAE ratio	68.0%	59.5%	55.2%	52.5%	52.1%	54.9%	49.4%
Underwriting expense ratio	37.8%	35.4%	36.3%	36.7%	37.6%	36.5%	36.1%
Combined ratio	105.8%	94.9%	91.5%	89.2%	89.7%	91.4%	85.5%
Combined ratio excl. catastrophe and prior year development	93.4%	93.7%	95.1%	86.4%	96.0%	92.8%	96.4%

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



	Three Months Ended					Twelve Months Ended	
	03/31/17	12/31/16	09/30/16	06/30/16	03/31/16	12/31/16	12/31/15
Net investment income	\$ 347	\$ 346	\$ 351	\$ 344	\$ 315	\$ 1,356	\$ 1,224
Guaranteed withdrawal benefit fees	14	14	14	13	12	53	43
Policy charges and other miscellaneous income	13	13	12	11	14	50	55
Total revenues	374	373	377	368	341	1,459	1,322
Annuity benefits expense	196	160	189	223	228	800	732
Acquisition expenses	52	54	53	40	34	181	163
Other expenses	30	27	28	29	26	110	96
Total costs and expenses	278	241	270	292	288	1,091	991
Annuity earnings before income taxes	\$ 96	\$ 132	\$ 107	\$ 76	\$ 53	\$ 368	\$ 331
Detail of Annuity earnings before income taxes							
Earnings before income taxes and impact of fair value accounting	\$ 98	\$ 103	\$ 106	\$ 102	\$ 84	\$ 395	\$ 354
Impact of fair value accounting (a)	(2)	29	1	(26)	(31)	(27)	(23)
Annuity earnings before income taxes	\$ 96	\$ 132	\$ 107	\$ 76	\$ 53	\$ 368	\$ 331

(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					Twelve Months Ended	
	03/31/17	12/31/16	09/30/16	06/30/16	03/31/16	12/31/16	12/31/15
Detail of annuity benefits expense:							
Interest credited - fixed	\$ 152	\$ 148	\$ 145	\$ 142	\$ 139	\$ 574	\$ 532
Interest credited - fixed component of variable annuities	1	1	1	2	1	5	6
Change in expected death and annuitization reserve	4	4	5	4	5	18	19
Amortization of sales inducements	6	7	6	6	5	24	26
Guaranteed withdrawal benefit reserve	16	20	18	15	16	69	63
Change in other benefit reserves	11	11	10	8	5	34	22
Unlockings (a)	—	23	—	—	—	23	19
Subtotal before impact of fair value accounting	190	214	185	177	171	747	687
Embedded derivative mark-to-market (b)	147	6	109	62	17	194	(11)
Equity option mark-to-market	(141)	(60)	(105)	(16)	40	(141)	56
Subtotal impact of fair value accounting	6	(54)	4	46	57	53	45
Total annuity benefits expense	\$ 196	\$ 160	\$ 189	\$ 223	\$ 228	\$ 800	\$ 732

- (a) Includes unlockings for fixed indexed annuity embedded derivative reserves, sales inducement asset and other reserves. Does not include unlocking income of \$24 million in 2016 and \$29 million in 2015 for deferred policy acquisition costs and unearned revenue reserves. These unlockings are included in acquisition expenses and other income. In total, AFG recorded an unlocking expense reduction of \$1 million in 2016 and \$10 million in 2015.
- (b) Excludes unlocking impact of \$17 million in 2016 and \$28 million in 2015.

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



	Three Months Ended				Twelve Months Ended		
	03/31/17	12/31/16	09/30/16	06/30/16	03/31/16	12/31/15	
Average fixed annuity investments (at amortized cost)	\$30,055	\$29,192	\$28,548	\$27,964	\$27,186	\$28,223	\$25,174
Average annuity benefits accumulated	30,183	29,250	28,538	27,861	26,935	28,146	24,898
Investments in excess of annuity benefits accumulated	\$ (128)	\$ (58)	\$ 10	\$ 103	\$ 251	\$ 77	\$ 276
As % of average annuity benefits accumulated (except as noted)							
Net investment income (as % of investments)	4.59%	4.72%	4.88%	4.88%	4.60%	4.77%	4.83%
Interest credited	(2.01%)	(2.02%)	(2.03%)	(2.04%)	(2.06%)	(2.04%)	(2.14%)
Net interest spread on fixed annuities	2.58%	2.70%	2.85%	2.84%	2.54%	2.73%	2.69%
Policy charges and other miscellaneous income	0.14%	0.15%	0.14%	0.13%	0.16%	0.15%	0.18%
Other annuity benefit expenses, net	(0.31%)	(0.38%)	(0.36%)	(0.30%)	(0.27%)	(0.33%)	(0.35%)
Acquisition expenses	(0.67%)	(1.06%)	(0.72%)	(0.55%)	(0.47%)	(0.70%)	(0.74%)
Other expenses	(0.38%)	(0.35%)	(0.39%)	(0.38%)	(0.38%)	(0.38%)	(0.36%)
Change in fair value of derivatives	(0.08%)	0.73%	(0.05%)	(0.66%)	(0.84%)	(0.19%)	(0.18%)
Unlockings	0.00%	0.03%	0.00%	0.00%	0.00%	0.01%	0.02%
Net spread earned on fixed annuities	1.28%	1.82%	1.47%	1.08%	0.74%	1.29%	1.26%
Average annuity benefits accumulated	\$30,183	\$29,250	\$28,538	\$27,861	\$26,935	\$28,146	\$24,898
Net spread earned on fixed annuities	1.28%	1.82%	1.47%	1.08%	0.74%	1.29%	1.26%
Earnings on fixed annuity benefits accumulated	\$ 96	\$ 133	\$ 105	\$ 75	\$ 50	\$ 363	\$ 313
Investments in excess of annuity benefits accumulated	\$ (128)	\$ (58)	\$ 10	\$ 103	\$ 251	\$ 77	\$ 276
Net investment income (as % of investments)	4.59%	4.72%	4.88%	4.88%	4.60%	4.77%	4.83%
Earnings on investments in excess of annuity benefits accumulated	\$ (1)	\$ —	\$ —	\$ 1	\$ 3	\$ 4	\$ 13
Variable annuity earnings	1	(1)	2	—	—	1	5
Earnings before income taxes	\$ 96	\$ 132	\$ 107	\$ 76	\$ 53	\$ 368	\$ 331
Detail of net spread earned on fixed annuities - core							
Net spread earned core - before impact of fair value accounting	1.31%	1.42%	1.46%	1.45%	1.20%	1.39%	1.35%
Change in fair value of derivatives	(0.08%)	0.73%	(0.05%)	(0.66%)	(0.84%)	(0.19%)	(0.18%)
Estimated net offsets to deferred sales inducements and deferred policy acquisition costs	0.05%	(0.33%)	0.06%	0.29%	0.38%	0.09%	0.09%
Net spread earned core - after impact of fair value accounting	1.28%	1.82%	1.47%	1.08%	0.74%	1.29%	1.26%

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



	Three Months Ended					Twelve Months Ended	
	<u>03/31/17</u>	<u>12/31/16</u>	<u>09/30/16</u>	<u>06/30/16</u>	<u>03/31/16</u>	<u>12/31/16</u>	<u>12/31/15</u>
Retail single premium annuities - indexed	\$ 469	\$ 415	\$ 340	\$ 413	\$ 546	\$ 1,714	\$ 1,864
Retail single premium annuities - fixed	20	22	18	22	20	82	70
Financial institutions single premium annuities - indexed	487	474	435	507	534	1,950	1,741
Financial institutions single premium annuities - fixed	262	152	97	100	119	468	229
Education market - fixed and indexed annuities	45	40	42	45	57	184	194
Subtotal fixed annuity premiums	1,283	1,103	932	1,087	1,276	4,398	4,098
Variable annuities	7	8	9	11	9	37	42
Total annuity premiums	\$ 1,290	\$ 1,111	\$ 941	\$ 1,098	\$ 1,285	\$ 4,435	\$ 4,140

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



	Three Months Ended					Twelve Months Ended	
	03/31/17	12/31/16	09/30/16	06/30/16	03/31/16	12/31/16	12/31/15
Beginning fixed annuity reserves	\$29,647	\$28,853	\$28,222	\$27,499	\$26,371	\$26,371	\$23,462
Premiums	1,283	1,103	932	1,087	1,276	4,398	4,098
Federal Home Loan Bank advances	—	—	—	—	150	150	345
Surrenders, benefits and other withdrawals	(539)	(524)	(586)	(596)	(483)	(2,189)	(1,932)
Sale of subsidiaries	—	—	—	—	—	—	(261)
Interest and other annuity benefit expenses:							
Interest credited	152	148	145	142	139	574	532
Embedded derivative mark-to-market	147	6	109	62	17	194	(11)
Change in other benefit reserves	29	34	31	28	29	122	115
Unlockings	—	27	—	—	—	27	23
Ending fixed annuity reserves	\$30,719	\$29,647	\$28,853	\$28,222	\$27,499	\$29,647	\$26,371
Reconciliation to annuity benefits accumulated:							
Ending fixed annuity reserves	\$30,719	\$29,647	\$28,853	\$28,222	\$27,499	\$29,647	\$26,371
Impact of unrealized investment gains on reserves	100	76	180	188	127	76	64
Fixed component of variable annuities	183	184	189	186	186	184	187
Annuity benefits accumulated per balance sheet	\$31,002	\$29,907	\$29,222	\$28,596	\$27,812	\$29,907	\$26,622
Annualized surrenders and other withdrawals as a % of beginning reserves	7.3%	7.3%	8.3%	8.7%	7.3%	8.3%	8.2%

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



	03/31/17	12/31/16	09/30/16	06/30/16	03/31/16	12/31/15
Assets:						
Total cash and investments	\$43,350	\$41,433	\$41,805	\$40,639	\$39,437	\$37,736
Recoverables from reinsurers	2,735	2,737	2,814	2,576	2,561	2,636
Prepaid reinsurance premiums	533	539	634	521	475	480
Agents' balances and premiums receivable	989	997	1,029	992	936	937
Deferred policy acquisition costs	1,205	1,239	867	881	1,055	1,184
Assets of managed investment entities	5,331	4,765	4,312	4,410	3,906	4,047
Other receivables	875	908	1,391	788	693	820
Variable annuity assets (separate accounts)	614	600	606	595	595	608
Other assets (a)	1,633	1,655	1,188	1,132	1,181	1,190
Goodwill	199	199	199	199	199	199
Total assets	\$57,464	\$55,072	\$54,845	\$52,733	\$51,038	\$49,837
Liabilities and Equity:						
Unpaid losses and loss adjustment expenses	\$ 8,621	\$ 8,563	\$ 8,661	\$ 8,203	\$ 8,108	\$ 8,127
Unearned premiums	2,174	2,171	2,328	2,109	2,051	2,060
Annuity benefits accumulated	31,002	29,907	29,222	28,596	27,812	26,622
Life, accident and health reserves	687	691	700	702	708	705
Payable to reinsurers	621	634	835	588	501	591
Liabilities of managed investment entities	5,101	4,549	4,067	4,192	3,656	3,781
Long-term debt (a)	1,283	1,283	1,300	998	998	998
Variable annuity liabilities (separate accounts)	614	600	606	595	595	608
Other liabilities	2,166	1,755	1,768	1,557	1,672	1,575
Total liabilities	\$52,269	\$50,153	\$49,487	\$47,540	\$46,101	\$45,067
Shareholders' equity:						
Common stock	\$ 88	\$ 87	\$ 87	\$ 87	\$ 87	\$ 87
Capital surplus	1,138	1,111	1,242	1,228	1,218	1,214
Unappropriated retained earnings	3,466	3,343	3,079	3,016	3,002	2,987
Unrealized gains—equities	145	98	103	46	40	54
Unrealized gains—fixed maturities	384	306	669	639	426	278
Unrealized gains (losses)—fixed maturity-related cash flow hedges	(8)	(7)	5	5	4	1
Other comprehensive income, net of tax	(22)	(22)	(24)	(21)	(22)	(29)
Total shareholders' equity	5,191	4,916	5,161	5,000	4,755	4,592
Noncontrolling interests	4	3	197	193	182	178
Total liabilities and equity	\$57,464	\$55,072	\$54,845	\$52,733	\$51,038	\$49,837

(a) December 2015 has 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>03/31/17</u>	<u>12/31/16</u>	<u>09/30/16</u>	<u>06/30/16</u>	<u>03/31/16</u>	<u>12/31/15</u>
Shareholders' equity	\$ 5,191	\$ 4,916	\$ 5,161	\$ 5,000	\$ 4,755	\$ 4,592
Unrealized (gains) related to fixed maturities	(376)	(299)	(674)	(644)	(430)	(279)
Adjusted shareholders' equity	4,815	4,617	4,487	4,356	4,325	4,313
Goodwill	(199)	(199)	(199)	(199)	(199)	(199)
Intangibles	(32)	(34)	(44)	(46)	(47)	(49)
Tangible adjusted shareholders' equity	\$ 4,584	\$ 4,384	\$ 4,244	\$ 4,111	\$ 4,079	\$ 4,065
Common shares outstanding	87.592	86.924	86.813	86.850	86.966	87.474
Book value per share:						
Book value per share	\$ 59.26	\$ 56.55	\$ 59.45	\$ 57.57	\$ 54.67	\$ 52.50
Adjusted (a)	54.98	53.11	51.68	50.16	49.72	49.32
Tangible, adjusted (b)	52.34	50.43	48.89	47.34	46.90	46.49
Market capitalization						
AFG's closing common share price	\$ 95.42	\$ 88.12	\$ 75.00	\$ 73.93	\$ 70.37	\$ 72.08
Market capitalization	\$ 8,358	\$ 7,660	\$ 6,511	\$ 6,421	\$ 6,120	\$ 6,305
Price / Adjusted book value ratio	1.74	1.66	1.45	1.47	1.42	1.46

(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)



	03/31/17	12/31/16	09/30/16	06/30/16	03/31/16	12/31/15
AFG senior obligations (a)	\$ 1,008	\$ 1,008	\$ 1,008	\$ 708	\$ 708	\$ 708
Borrowings drawn under credit facility	—	—	—	—	—	—
Obligations of subsidiaries—other	—	—	18	12	12	12
Debt excluding subordinated debt & debt secured by real estate	\$ 1,008	\$ 1,008	\$ 1,026	\$ 720	\$ 720	\$ 720
AFG subordinated debentures	300	300	300	300	300	300
Total principal amount of long-term debt	\$ 1,308	\$ 1,308	\$ 1,326	\$ 1,020	\$ 1,020	\$ 1,020
Shareholders' equity	5,191	4,916	5,161	5,000	4,755	4,592
Noncontrolling interests	4	3	197	193	182	178
Less:						
Unrealized (gains)—fixed maturity investments	(384)	(306)	(669)	(639)	(426)	(278)
Total adjusted capital	\$ 6,119	\$ 5,921	\$ 6,015	\$ 5,574	\$ 5,531	\$ 5,512
Ratio of debt to total adjusted capital:						
Including subordinated debt	21.4%	22.1%	22.0%	18.3%	18.4%	18.5%
Excluding subordinated debt	16.5%	17.0%	17.1%	12.9%	13.0%	13.1%

(a) December 2015 has 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>Twelve Months Ended</u>	
	<u>03/31/17</u>	<u>12/31/16</u>	<u>09/30/16</u>	<u>06/30/16</u>	<u>03/31/16</u>	<u>12/31/16</u>	<u>12/31/15</u>
<u>Property and Casualty Insurance</u>							
Paid Losses (GAAP)	\$ 554	\$ 683	\$ 537	\$ 586	\$ 547	\$ 2,353	\$ 2,403
<u>Statutory Surplus</u>							
Property and Casualty Insurance			\$3,013	\$2,939	\$3,038	\$2,601	\$2,574
AFG's principal annuity subsidiaries (total adjusted capital)			\$2,341	\$2,234	\$2,216	\$2,089	\$2,032
<u>Allowable dividends without regulatory approval</u>							
Property and Casualty Insurance	\$ 496	\$ 496	\$ 434	\$ 434	\$ 434	\$ 434	\$ 434
Annuity and Run-off	197	197	375	375	375	375	375
Total	\$ 693	\$ 693	\$ 809	\$ 809	\$ 809	\$ 809	\$ 809

	Carrying Value - March 31, 2017					
	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	\$ 1,106	\$ 562	\$ 222	\$ —	\$ 1,890	4%
Fixed maturities—Available for sale	7,069	29,373	14	—	36,456	84%
Fixed maturities—Trading	242	117	—	—	359	1%
Equity securities	1,061	524	52	—	1,637	4%
Policy loans	—	190	—	—	190	0%
Mortgage loans	260	899	—	—	1,159	3%
Equity index call options	—	573	—	—	573	1%
Real estate and other investments	507	761	47	(229)	1,086	3%
Total cash and investments	\$ 10,245	\$ 32,999	\$ 335	\$ (229)	\$ 43,350	100%
Unrealized gain/(loss) on equity securities	\$ 147	\$ 76	\$ —	\$ —	\$ 223	

	Carrying Value - December 31, 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	\$ 1,383	\$ 511	\$ 213	\$ —	\$ 2,107	5%
Fixed maturities—Available for sale	6,510	28,021	13	—	34,544	83%
Fixed maturities—Trading	242	117	—	—	359	1%
Equity securities	1,013	496	49	—	1,558	4%
Policy loans	—	192	—	—	192	0%
Mortgage loans	261	886	—	—	1,147	3%
Equity index call options	—	492	—	—	492	1%
Real estate and other investments	497	705	48	(216)	1,034	3%
Total cash and investments	\$ 9,906	\$ 31,420	\$ 323	\$ (216)	\$ 41,433	100%
Unrealized gain/(loss) on equity securities	\$ 102	\$ 49	\$ —	\$ —	\$ 151	

	Three Months Ended					Twelve Months Ended	
	03/31/17	12/31/16	09/30/16	06/30/16	03/31/16	12/31/16	12/31/15
Property and Casualty Insurance:							
Gross Investment Income							
Fixed maturities—Available for sale	\$ 63	\$ 64	\$ 63	\$ 66	\$ 64	\$ 257	\$ 248
Fixed maturities—Trading	1	(1)	2	1	1	3	4
Equity securities	14	13	13	12	13	51	48
Equity in investees	4	7	7	2	6	22	11
Other investments	6	6	10	10	1	27	16
Gross investment income	88	89	95	91	85	360	327
Investment expenses	(2)	(4)	(2)	(2)	(2)	(10)	(8)
Total net investment income	\$ 86	\$ 85	\$ 93	\$ 89	\$ 83	\$ 350	\$ 319
Average cash and investments (a)	\$ 9,855	\$ 9,779	\$ 9,647	\$ 9,465	\$ 9,366	\$ 9,550	\$ 8,956
Average yield (b)	3.49%	3.48%	3.86%	3.76%	3.54%	3.66%	3.56%
Fixed Annuity:							
Gross Investment Income							
Fixed maturities—Available for sale	\$ 318	\$ 315	\$ 307	\$ 307	\$ 294	\$ 1,223	\$ 1,126
Fixed maturities—Trading	—	—	—	—	—	—	—
Equity securities	5	7	6	6	5	24	21
Equity in investees	6	6	9	2	5	22	16
Other investments	19	20	27	29	11	87	62
Gross investment income	348	348	349	344	315	1,356	1,225
Investment expenses	(3)	(4)	(1)	(2)	(3)	(10)	(10)
Total net investment income	\$ 345	\$ 344	\$ 348	\$ 342	\$ 312	\$ 1,346	\$ 1,215
Average cash and investments (a)	\$30,055	\$29,192	\$28,548	\$27,964	\$27,186	\$28,223	\$25,174
Average yield (b)	4.59%	4.72%	4.88%	4.88%	4.60%	4.77%	4.83%
AFG consolidated net investment income:							
Property & Casualty	\$ 86	\$ 85	\$ 93	\$ 89	\$ 83	\$ 350	\$ 319
Annuity and Run-off:							
Fixed Annuity	345	344	348	342	312	1,346	1,215
Variable Annuity	2	2	3	2	3	10	9
Run-off	5	6	5	5	5	21	80
Other	3	—	1	4	1	6	4
Consolidate CLOs	(6)	(8)	(17)	(19)	7	(37)	6
Total net investment income	\$ 435	\$ 429	\$ 433	\$ 423	\$ 411	\$ 1,696	\$ 1,633

- (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)



March 31, 2017	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Investment Portfolio
US Government and government agencies	\$ 320	\$ 319	\$ (1)	1%	1%
States, municipalities and political subdivisions	6,762	6,927	165	19%	16%
Foreign government	265	270	5	1%	0%
Residential mortgage-backed securities	3,435	3,719	284	10%	9%
Commercial mortgage-backed securities	1,211	1,253	42	3%	3%
Asset-backed securities	6,549	6,593	44	18%	15%
Corporate and other bonds	17,262	17,734	472	48%	41%
Total AFG consolidated	\$ 35,804	\$ 36,815	\$ 1,011	100%	85%

Annualized yield on available for sale fixed maturities:

Excluding investment expense (a)	4.47%
Net of investment expense (a)	4.42%

Approximate average life and duration:

Approximate average life	6.5 years
Approximate duration	5 years

December 31, 2016	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Investment Portfolio
US Government and government agencies	\$ 348	\$ 348	\$ —	1%	1%
States, municipalities and political subdivisions	6,677	6,808	131	19%	16%
Foreign government	256	261	5	1%	1%
Residential mortgage-backed securities	3,371	3,639	268	11%	9%
Commercial mortgage-backed securities	1,446	1,493	47	4%	3%
Asset-backed securities	5,962	5,959	(3)	17%	14%
Corporate and other bonds	16,034	16,395	361	47%	40%
Total AFG consolidated	\$ 34,094	\$ 34,903	\$ 809	100%	84%

Annualized yield on available for sale fixed maturities:

Excluding investment expense (a)	4.56%
Net of investment expense (a)	4.48%

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)



	March 31, 2017				December 31, 2016			
	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	\$ 269	\$ 269	\$ —	4%	\$ 295	\$ 295	\$ —	4%
States, municipalities and political subdivisions	2,650	2,681	31	37%	2,588	2,605	17	39%
Foreign government	253	257	4	3%	245	249	4	4%
Residential mortgage-backed securities	990	1,041	51	14%	980	1,026	46	15%
Commercial mortgage-backed securities	125	128	3	2%	142	144	2	2%
Asset-backed securities	1,593	1,594	1	22%	1,445	1,440	(5)	21%
Corporate and other bonds	1,320	1,341	21	18%	976	993	17	15%
Property and Casualty Insurance	\$ 7,200	\$ 7,311	\$ 111	100%	\$ 6,671	\$ 6,752	\$ 81	100%

Annualized yield on available for sale fixed maturities:

Excluding investment expense (a)	3.78%	3.88%
Net of investment expense (a)	3.66%	3.67%
Tax equivalent, net of investment expense (b)	4.17%	4.20%

Approximate average life and duration:

Approximate average life	4.5 years	4.5 years
Approximate duration	3.5 years	3.5 years

	March 31, 2017				December 31, 2016			
	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	\$ 50	\$ 49	\$ (1)	0%	\$ 52	\$ 52	\$ —	0%
States, municipalities and political subdivisions	4,112	4,246	134	14%	4,089	4,203	114	15%
Foreign government	12	13	1	0%	11	12	1	0%
Residential mortgage-backed securities	2,444	2,665	221	9%	2,390	2,601	211	9%
Commercial mortgage-backed securities	1,086	1,125	39	4%	1,304	1,349	45	5%
Asset-backed securities	4,956	4,999	43	17%	4,517	4,519	2	16%
Corporate and other bonds	15,942	16,393	451	56%	15,058	15,402	344	55%
Total Annuity and Run-off	\$ 28,602	\$ 29,490	\$ 888	100%	\$ 27,421	\$ 28,138	\$ 717	100%

Annualized yield on available for sale fixed maturities:

Excluding investment expense (a)	4.64%	4.72%
Net of investment expense (a)	4.60%	4.67%

Approximate average life and duration:

Approximate average life	6.5 years	6.5 years
Approximate duration	5 years	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.

By Credit Rating (a)	March 31, 2017			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 6,047	\$ 6,125	\$ 78	17%
AA	7,735	7,918	183	21%
A	8,594	8,799	205	24%
BBB	9,750	10,021	271	27%
Subtotal—Investment grade	32,126	32,863	737	89%
BB	695	706	11	2%
B	424	426	2	1%
Other (b)	2,559	2,820	261	8%
Subtotal—Non-Investment grade	3,678	3,952	274	11%
Total	\$ 35,804	\$ 36,815	\$ 1,011	100%

98% of the fixed maturity portfolio is NAIC designated 1 or 2.

By Credit Rating (a)	December 31, 2016			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 6,117	\$ 6,189	\$ 72	18%
AA	7,123	7,257	134	21%
A	8,323	8,487	164	24%
BBB	8,999	9,193	194	26%
Subtotal—Investment grade	30,562	31,126	564	89%
BB	687	695	8	2%
B	446	445	(1)	1%
Other (b)	2,399	2,637	238	8%
Subtotal—Non-Investment grade	3,532	3,777	245	11%
Total	\$ 34,094	\$ 34,903	\$ 809	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.

American Financial Group, Inc.
Mortgage-Backed Securities - AFG Consolidated
(\$ in millions)



March 31, 2017	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Investment Portfolio
Residential					
Agency	\$ 237	\$ 237	\$ —	5%	0%
Prime (Non-Agency)	1,447	1,601	154	32%	4%
Alt-A	1,108	1,196	88	24%	3%
Subprime	643	685	42	14%	2%
Commercial	1,211	1,253	42	25%	3%
Total AFG consolidated	\$ 4,646	\$ 4,972	\$ 326	100%	12%

- 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 86%; CMBS 99%.
- The average FICO score of our residential MBS securities is—Prime 740; Alt-A 710; Subprime 641.
- 97% of our Commercial MBS portfolio is investment-grade rated (81% AAA) and the average subordination for this group of assets is 37%.
- The approximate average life by collateral type is—Residential 4.5 years; Commercial 4.5 years.

December 31, 2016	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Investment Portfolio
Residential					
Agency	\$ 243	\$ 243	\$ —	5%	0%
Prime (Non-Agency)	1,406	1,557	151	30%	4%
Alt-A	1,093	1,170	77	23%	3%
Subprime	629	669	40	13%	2%
Commercial	1,446	1,493	47	29%	3%
Total AFG consolidated	\$ 4,817	\$ 5,132	\$ 315	100%	11%

American Financial Group, Inc.
Mortgage-Backed Securities Portfolio
(\$ in millions)



Property and Casualty Insurance:

By Asset Type	March 31, 2017				
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Inv Portfolio
Residential					
Agency	\$ 187	\$ 186	\$ (1)	16%	2%
Prime (Non-Agency)	208	223	15	19%	2%
Alt-A	336	359	23	31%	4%
Subprime	259	273	14	23%	3%
Commercial	125	128	3	11%	1%
Total	\$ 1,115	\$ 1,169	\$ 54	100%	12%

By Asset Type	December 31, 2016				
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Inv Portfolio
Residential					
Agency	\$ 192	\$ 191	\$ (1)	17%	2%
Prime (Non-Agency)	187	202	15	17%	2%
Alt-A	342	361	19	31%	4%
Subprime	259	272	13	23%	3%
Commercial	142	144	2	12%	1%
Total	\$ 1,122	\$ 1,170	\$ 48	100%	12%

Annuity and Run-off:

By Asset Type	March 31, 2017				
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Inv Portfolio
Residential					
Agency	\$ 50	\$ 51	\$ 1	1%	0%
Prime (Non-Agency)	1,238	1,365	127	36%	4%
Alt-A	772	837	65	22%	3%
Subprime	384	412	28	11%	1%
Commercial	1,086	1,125	39	30%	3%
Total	\$ 3,530	\$ 3,790	\$ 260	100%	11%

By Asset Type	December 31, 2016				
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Inv Portfolio
Residential					
Agency	\$ 51	\$ 52	\$ 1	1%	0%
Prime (Non-Agency)	1,218	1,343	125	34%	4%
Alt-A	751	809	58	21%	3%
Subprime	370	397	27	10%	1%
Commercial	1,304	1,349	45	34%	5%
Total	\$ 3,694	\$ 3,950	\$ 256	100%	13%

American Financial Group, Inc.
Mortgage-Backed Securities - Credit Rating
(\$ in millions)



By Credit Rating (a)	March 31, 2017			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 1,457	\$ 1,502	\$ 45	30%
AA	139	144	5	3%
A	242	253	11	5%
BBB	318	333	15	7%
Subtotal—investment grade	2,156	2,232	76	45%
BB	219	220	1	5%
B	312	316	4	6%
Other	1,959	2,204	245	44%
Total	\$ 4,646	\$ 4,972	\$ 326	100%

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

By Credit Rating (a)	December 31, 2016			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 1,668	\$1,720	\$ 52	34%
AA	164	169	5	3%
A	256	268	12	5%
BBB	274	288	14	6%
Subtotal—investment grade	2,362	2,445	83	48%
BB	211	212	1	4%
B	330	333	3	6%
Other	1,914	2,142	228	42%
Total	\$ 4,817	\$5,132	\$ 315	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 - March 31, 2017								
	US Gov	Munis	Frgn gov	RMBS	CMBS	ABS	Corp/Oth	Total	% Total
Investment grade									
AAA	\$ 279	\$1,797	\$ 190	\$ 492	\$1,010	\$2,140	\$ 217	\$ 6,125	17%
AA	40	4,484	30	116	28	1,895	1,325	7,918	21%
A	—	462	45	159	94	1,637	6,402	8,799	24%
BBB	—	67	5	253	80	826	8,790	10,021	27%
Subtotal—Investment grade	319	6,810	270	1,020	1,212	6,498	16,734	32,863	89%
BB	—	4	—	204	16	13	469	706	2%
B	—	8	—	291	25	—	102	426	1%
CCC, CC, C	—	10	—	971	—	3	32	1,016	3%
D	—	—	—	714	—	—	—	714	2%
Subtotal—Non-Investment grade	—	22	—	2,180	41	16	603	2,862	8%
Not Rated	—	95	—	519	—	79	397	1,090	3%
Total	\$ 319	\$6,927	\$ 270	\$3,719	\$1,253	\$6,593	\$17,734	\$36,815	100%

By Credit Rating (a)	Fair Value - December 31, 2016								
	US Gov	Munis	Frgn gov	RMBS	CMBS	ABS	Corp/Oth	Total	% Total
Investment grade									
AAA	\$ 299	\$1,727	\$ 171	\$ 508	\$1,213	\$2,053	\$ 218	\$ 6,189	18%
AA	41	4,388	30	127	42	1,480	1,149	7,257	21%
A	—	501	55	170	98	1,593	6,070	8,487	24%
BBB	—	69	5	202	86	813	8,018	9,193	26%
Subtotal—Investment grade	340	6,685	261	1,007	1,439	5,939	15,455	31,126	88%
BB	—	4	—	184	29	16	462	695	2%
B	—	8	—	307	25	1	104	445	1%
CCC, CC, C	—	11	—	963	—	3	32	1,009	3%
D	—	—	—	679	—	—	—	679	2%
Subtotal—Non-Investment grade	—	23	—	2,133	54	20	598	2,828	8%
Not Rated	8	100	—	499	—	—	342	949	3%
Total	\$ 348	\$6,808	\$ 261	\$3,639	\$1,493	\$5,959	\$16,395	\$34,903	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.