
**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 2, 2018

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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

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 2018 and the availability of the Investor Supplement on the Company's website. The press release was issued on May 2, 2018. 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 2, 2018, reporting American Financial Group Inc. results for the quarter ended March 31, 2018.
99.2	Investor Supplement – First Quarter 2018

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: May 3, 2018

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 \$1.60; includes \$0.82 per share in realized losses on securities after adopting new accounting standard related to equity securities previously classified as “available for sale”**
- **Core net operating earnings of \$2.42 per share, an increase of 43% from the prior year period**
- **First quarter annualized ROE of 12.3%; core operating ROE of 18.6%**
- **Announced special cash dividend of \$1.50 per share, payable May 25, 2018**
- **Full year 2018 core net operating earnings guidance maintained at \$7.90 - \$8.40 per share**

CINCINNATI – May 2, 2018 – American Financial Group, Inc. (NYSE: AFG) today reported 2018 first quarter net earnings attributable to shareholders of \$145 million (\$1.60 per share) compared to \$153 million (\$1.72 per share) for the 2017 first quarter. Effective January 1, 2018, AFG adopted Accounting Standards Update (ASU) 2016-01, which requires all equity securities previously classified as “available for sale” to be reported at fair value, with holding gains and losses recognized in net earnings – see *Investments and Recently Adopted Accounting Standards*, below. Net earnings for the quarter include \$74 million (\$0.82 per share) in after-tax net realized losses on securities, including \$71 million (\$0.78 per share) in holding losses to adjust equity securities to fair value. By comparison, after-tax net realized gains on securities were \$2 million (\$0.03 per share) in the prior year period. The change in the federal corporate tax rate from 35% to 21%, enacted by the Tax Cuts and Jobs Act of 2017 and effective January 1, 2018, contributed to a lower effective tax rate in 2018 as compared to 2017. Book value per share was \$58.32 as of March 31, 2018. Annualized return on equity was 12.3% and 13.3% for the first quarters of 2018 and 2017, respectively.

Core net operating earnings were \$219 million (\$2.42 per share) for the 2018 first quarter, compared to \$151 million (\$1.69 per share) in the 2017 first quarter. The improved results were attributable to higher operating earnings in our Specialty Property and Casualty (P&C) Insurance operations and our Annuity Segment and the benefit of the lower corporate income tax rate. Book value per share, excluding unrealized gains related to fixed maturities, was \$54.74 per share at March 31, 2018, up from \$53.51 per share at December 31, 2017. Core net operating earnings for the first quarters of 2018 and 2017 generated annualized returns on equity of 18.6% and 13.1%, respectively.

The Company also announced today that its Board of Directors has declared a special cash dividend of \$1.50 per share of American Financial Group common stock. The dividend is payable on May 25, 2018 to shareholders of record on May 15, 2018. The aggregate amount of this special dividend will be approximately \$133 million. This special dividend is in addition to the Company’s regular quarterly cash dividend of \$0.35 per share most recently paid on April 25, 2018.

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, ratings agencies and investors with an understanding of the results from the ongoing operations of the Company by excluding the impact of net realized 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,	
	2018	2017
Components of net earnings attributable to shareholders:		
Core operating earnings before income taxes	\$ 267	\$ 220
Pretax non-core item:		
Realized gains (losses) on securities	(93)	3
Earnings before income taxes	174	223
Provision (credit) for income taxes:		
Core operating earnings	52	67
Non-core item:		
Realized gains (losses) on securities	(19)	1
Total provision (credit) for income taxes	33	68
Net earnings, including noncontrolling interests	141	155
Less net earnings (losses) attributable to noncontrolling interests:		
Core operating earnings	(4)	2
Realized gains (losses) on securities	—	—
Total net earnings (losses) attributable to noncontrolling interests	(4)	2
Net earnings attributable to shareholders	\$ 145	\$ 153
Net earnings:		
Core net operating earnings ^(a)	\$ 219	\$ 151
Realized gains (losses) on securities	(74)	2
Net earnings attributable to shareholders	\$ 145	\$ 153
Components of Earnings Per Share:		
Core net operating earnings ^(a)	\$ 2.42	\$ 1.69
Realized gains (losses) on securities	(0.82)	0.03
Diluted Earnings Per Share	\$ 1.60	\$ 1.72

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, commented: "The year is off to a very strong start, with core operating earnings establishing an all-time quarterly high for AFG. Our Specialty P&C insurance operations generated excellent underwriting margins, and earnings in our Annuity Segment were outstanding.

"AFG had approximately \$845 million of excess capital (including parent company cash of approximately \$280 million) at March 31, 2018. Where appropriate, 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. In addition, returning capital to shareholders in the form of regular and special cash dividends and opportunistic share repurchases are also an important and effective component of our capital management strategy. The \$1.50 per share special cash dividend announced today reflects AFG's strong financial position and our confidence in the Company's financial future.

"We continue to expect core net operating earnings in 2018 to be between \$7.90 and \$8.40 per share. 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

Core operating earnings in AFG's P&C insurance operations were \$188 million in the first quarter of 2018, compared to \$169 million in the prior year period, an increase of 11%. Higher P&C underwriting profit and higher P&C net investment income were partially offset by lower year-over-year other income.

The Specialty P&C insurance operations generated an underwriting profit of \$92 million in the 2018 first quarter, compared to \$79 million in the first quarter of 2017, an increase of 16%. Higher underwriting profit in our Specialty Casualty Group was partially offset by lower underwriting profit in our Property and Transportation and Specialty Financial Groups.

The first quarter 2018 combined ratio of 91.7% improved 0.5% from the prior year period. First quarter 2018 results include 5.1 points of favorable prior year reserve development, compared to 2.8 points of favorable development in the comparable prior year period. Catastrophe losses were 1.2 points of the combined ratio in the first quarter of 2018; by comparison, catastrophe losses added 0.7 points in the prior year period.

Gross and net written premiums were up 10% and 7%, respectively, in the 2018 first quarter compared to the same quarter a year earlier, with each of our Specialty P&C groups reporting growth during the quarter. Average renewal pricing across our entire P&C Group was up less than 1% for the quarter. Excluding our workers' compensation business, renewal pricing was up approximately 3%. 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 \$33 million in the first quarter of 2018 compared to \$43 million in the first quarter of 2017. Higher underwriting profits in our agricultural businesses were more than offset by lower underwriting profit in our transportation and property & inland marine businesses. Catastrophe losses in this group were \$5 million in both the first quarters of 2018 and 2017.

First quarter 2018 gross written premiums in this group were 2% higher than the comparable prior year period, while net written premiums were flat year-over-year. The growth in gross written premiums is primarily attributable to new business opportunities in our property & inland marine and transportation businesses. Higher cessions of crop insurance impacted net written premiums. Overall renewal rates in this group increased 4% in the first quarter of 2018.

The **Specialty Casualty Group** reported an underwriting profit of \$41 million in the first quarter of 2018 compared to \$15 million in the comparable 2017 period. Higher profitability in our workers' compensation and executive liability businesses, primarily attributed to higher prior year favorable reserve development, as well as higher year-over-year underwriting profit in our excess & liability lines, were the drivers of the improved results. Catastrophe losses for this group were \$5 million in the first quarter of 2018 and \$1 million in the comparable 2017 period.

Gross and net written premiums for the first quarter of 2018 were up 15% and 10%, respectively, compared to the same period in 2017, primarily as a result of growth within Neon. Higher premiums in our executive liability and targeted markets businesses also contributed to growth during the quarter. Neon continues to purchase a significant reinsurance program, which impacted year-over-year growth in net written premium. Renewal pricing for this group was down 1% during the first quarter. Excluding rate decreases in our workers' compensation businesses, renewal rates in this group were up 2%.

The **Specialty Financial Group** reported an underwriting profit of \$15 million in the first quarter of 2018, compared to \$22 million in the comparable 2017 period. The decrease was driven primarily by lower underwriting profitability in our financial institutions business. Catastrophe losses for this group were \$3 million in the first quarter of 2018, compared to a \$1 million in the prior year quarter.

First quarter 2018 gross and net written premiums were up 9% and 5%, respectively, when compared to the prior year period, primarily as a result of higher premiums in our lender services and leasing businesses, which were largely ceded. Renewal pricing in this group was up approximately 2% for the quarter.

Carl Lindner III stated, “Each of our Specialty P&C insurance groups reported strong underwriting margins in the first quarter, and we achieved solid year-over-year growth in net written premiums overall. I’m especially pleased by the performance of our workers’ compensation businesses as we start the year. Based on results during the first quarter, we continue to expect an overall 2018 calendar year combined ratio in the range of 92% to 94% and net written premium growth between 3% and 7%.”

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 \$125 million in pretax earnings in the first quarter of 2018, compared to \$96 million in the first quarter of 2017. Earnings before the impact of fair value accounting for fixed-indexed annuities (FIAs) were \$112 million, a 14% increase from the prior year period.

Components of Annuity Earnings Before Income Taxes

Dollars In millions	Three months ended		Pct. Change
	March 31,		
	2018	2017	
Annuity earnings before fair value accounting for FIAs	\$ 112	\$ 98	14%
Impact of fair value accounting for FIAs:			
Interest accreted on embedded derivative	(7)	(3)	nm
Renewal option costs lower (higher) than expected	(4)	2	nm
Other changes in fair value	24	(1)	nm
Pretax annuity earnings	<u>\$ 125</u>	<u>\$ 96</u>	30%

Annuity Earnings Before Fair Value Accounting for FIAs – Annuity earnings before fair value accounting for FIAs of \$112 million in the first quarter of 2018 established a new all-time high for the Annuity Segment. Quarterly average annuity investments and reserves both grew 10% year-over-year. In addition, the Annuity Segment earned unusually high returns on certain private equity and limited partnership investments, which is not necessarily expected to be recurring. The benefit of these items was partially offset by the runoff of higher-yielding investments.

Impact of Fair Value Accounting for FIAs – Under GAAP, a portion of the reserves for FIAs (\$2.5 billion and \$2.0 billion at March 31, 2018 and March 31, 2017, respectively) is considered an embedded derivative and is recorded at fair value based on the estimated present value of certain expected future cash flows. Assumptions used in calculating this fair value include projected interest rates, option costs, surrenders, withdrawals and mortality. Variances from these assumptions, as well as changes in the stock market, will generally result in a change in fair value. Some of these adjustments are not economic in nature for the current reporting period, but rather impact the timing of reported results.

The impact of fair value accounting for FIAs includes an expense for annuity interest accreted on the FIA embedded derivative reserve. The amount of interest accreted in any period is generally based on the size of the embedded derivative and current short-term interest rates.

“Other Changes in Fair Value” of \$20 million in the first quarter of 2018 reflects the benefit of significantly higher than expected interest rates, partially offset by higher than expected option costs for the Company’s FIA liabilities and the impact of a decrease in the stock market. By comparison, during the first quarter of 2017, the negative impact of lower than expected interest rates was more than offset by the benefit of a higher stock market and certain other items. For an analysis of fair value accounting, see our Quarterly Investor Supplement, which is posted on AFG’s website.

AFG's Annuity Segment reported statutory premiums of \$1.15 billion in the first quarter of 2018, compared to \$1.29 billion in the first quarter of 2017. Higher premiums in the retail channel were more than offset by lower premiums in the financial institutions channel. However, premiums in the first quarter of 2018 represent a 26% increase from sales reported in the fourth quarter of 2017, reflecting growth in all product lines and channels.

Craig Lindner stated, "I am pleased that 2018 is off to a strong start for the Annuity Segment. We remain committed to achieving appropriate returns on new business, and believe that our investment skills and consumer-centric product strategy position us well to respond to changing market conditions and consumer demand. While our 2018 first quarter earnings were outstanding, we do not anticipate a recurrence of certain items that favorably impacted the quarter, including the exceptionally high returns on certain of our investments (which impacted earnings before fair value accounting).

"Furthermore, we expect to continue to see the negative impact of higher FIA option costs, which impact fair value accounting. We will continue to closely monitor these costs, which have been elevated over the last two quarters. If this trend continues, we will likely need to adjust renewal rates on our inforce indexed annuity policies to help mitigate the higher costs. Our original estimate for 2018 pretax annuity earnings remains unchanged and is in the range of \$385 to \$425 million.

"Finally, due to stronger than expected first quarter sales in our Retail channel, we now expect that 2018 full year annuity premiums will be up 6% to 12% when compared to the \$4.3 billion sold in 2017, an increase from our original guidance of 2% to 6%."

Annuity Segment 2018 guidance assumes (i) interest rates and the stock market rise moderately from today's levels, (ii) more normalized income from certain investments required to be marked to market through earnings, and (iii) higher option costs. Fluctuations in the returns on investments, large changes in interest rates and/or the stock market, and higher or lower FIA option costs, as compared to our expectations, could lead to significant positive or negative impacts on the Annuity Segment's results.

More information about premiums and the results of operations for our Annuity Segment may also be found in our Quarterly Investor Supplement.

Investments and Recently Adopted Accounting Standards

Effective January 1, 2018, AFG adopted ASU 2016-01, which requires that all equity securities previously classified as "available for sale" be reported at fair value, with holding gains and losses recognized in net earnings, instead of accumulated other comprehensive income (AOCI). AFG recorded first quarter 2018 net realized losses on securities of \$74 million (\$0.82 per share) after tax and after deferred acquisition costs (DAC), which included \$71 million (\$0.78 per share) in after-tax, after-DAC holding losses to adjust equity securities to fair value. By comparison, AFG recorded net realized gains of \$2 million in the comparable 2017 period. The impact to our income statement will vary depending upon the level of volatility in the performance of the securities held in our equity portfolio and the overall market.

Unrealized gains on fixed maturities were \$342 million after tax and after DAC at March 31, 2018, a decrease of \$277 million since year end. A net unrealized gain on equity securities of \$221 million included in AOCI as of December 31, 2017 was reclassified to retained earnings as the cumulative effect of an accounting change in connection with the adoption of ASU 2016-01, effective January 1, 2018. This reclassification had no impact on net income or overall shareholders' equity.

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, 2018, P&C net investment income was approximately 16% higher than the comparable 2017 period, and included unusually high returns on certain private equity and limited partnership investments.

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 of approximately \$60 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, including FIA option costs; 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 2018 first quarter results at 11:30 a.m. (ET) tomorrow, Thursday, May 3, 2018. 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 4295529. 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 10, 2018. To listen to the replay, dial 1-855-859-2056 (international dial-in 404-537-3406) and provide the conference ID 4295529.

The conference call and accompanying webcast slides will also be broadcast live over the internet. To access the event, click the following link: <https://www.afginc.com/news-and-events/event-calendar>. Alternatively, you can choose **Events** from the Investor Relations page at www.AFGinc.com.

An archived webcast will be available immediately after the call via the same link on our website until May 10, 2018 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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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.

AFG18-07

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,	
	2018	2017
Revenues		
P&C insurance net earned premiums	\$1,107	\$1,022
Life, accident & health net earned premiums	6	6
Net investment income	495	435
Realized gains (losses) on securities	(93)	3
Income (loss) of managed investment entities:		
Investment income	58	51
Loss on change in fair value of assets/liabilities	(3)	—
Other income	49	59
Total revenues	<u>1,619</u>	<u>1,576</u>
Costs and expenses		
P&C insurance losses & expenses	1,022	948
Annuity, life, accident & health benefits & expenses	275	258
Interest charges on borrowed money	15	21
Expenses of managed investment entities	48	41
Other expenses	85	85
Total costs and expenses	<u>1,445</u>	<u>1,353</u>
Earnings before income taxes	174	223
Provision for income taxes(b)	33	68
Net earnings including noncontrolling interests	141	155
Less: Net earnings (losses) attributable to noncontrolling interests	(4)	2
Net earnings attributable to shareholders	<u>\$ 145</u>	<u>\$ 153</u>
Diluted earnings per Common Share	<u>\$ 1.60</u>	<u>\$ 1.72</u>
Average number of diluted shares	90.4	89.3

	March 31, 2018	December 31, 2017
Selected Balance Sheet Data:		
Total cash and investments	\$45,949	\$ 46,048
Long-term debt	\$ 1,301	\$ 1,301
Shareholders' equity(c)	\$ 5,183	\$ 5,330
Shareholders' equity (excluding unrealized gains/losses related to fixed maturities)(c)	\$ 4,865	\$ 4,724
Book value per share	\$ 58.32	\$ 60.38
Book value per share (excluding unrealized gains/losses related to fixed maturities)	\$ 54.74	\$ 53.51
Common Shares Outstanding	88.9	88.3

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
	2018	2017	
Gross written premiums	<u>\$1,458</u>	<u>\$1,324</u>	10%
Net written premiums	<u>\$1,102</u>	<u>\$1,027</u>	7%
Ratios (GAAP):			
Loss & LAE ratio	57.8%	59.5%	
Underwriting expense ratio	<u>33.9%</u>	<u>32.7%</u>	
Specialty Combined Ratio	<u>91.7%</u>	<u>92.2%</u>	
Combined Ratio – P&C Segment	<u>91.8%</u>	<u>92.3%</u>	
Supplemental Information:(d)			
Gross Written Premiums:			
Property & Transportation	\$ 426	\$ 416	2%
Specialty Casualty	853	744	15%
Specialty Financial	<u>179</u>	<u>164</u>	9%
	<u>\$1,458</u>	<u>\$1,324</u>	10%
Net Written Premiums:			
Property & Transportation	\$ 324	\$ 324	— %
Specialty Casualty	594	540	10%
Specialty Financial	148	141	5%
Other	<u>36</u>	<u>22</u>	64%
	<u>\$1,102</u>	<u>\$1,027</u>	7%
Combined Ratio (GAAP):			
Property & Transportation	90.4%	87.3%	
Specialty Casualty	92.9%	97.0%	
Specialty Financial	90.2%	85.0%	
Aggregate Specialty Group	91.7%	92.2%	
Three months ended March 31,			
2018 2017			
Reserve Development (Favorable) / Adverse:			
Property & Transportation		\$ (18)	\$ (17)
Specialty Casualty		(35)	(6)
Specialty Financial		(3)	(9)
Other		<u>(1)</u>	<u>3</u>
		<u>\$ (57)</u>	<u>\$ (29)</u>
Points on Combined Ratio:			
Property & Transportation		(5.1)	(4.8)
Specialty Casualty		(6.0)	(1.1)
Specialty Financial		(1.8)	(6.4)
Aggregate Specialty Group		(5.1)	(2.8)

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
	2018	2017	
<u>Annuity Premiums:</u>			
Financial Institutions	\$ 518	\$ 749	(31%)
Retail	577	489	18%
Education Market	46	45	2%
Variable Annuities	7	7	—
Total Annuity Premiums	<u>\$1,148</u>	<u>\$ 1,290</u>	(11%)

Components of Annuity Earnings Before Income Taxes

	Three months ended March 31,		Pct. Change
	2018	2017	
Revenues:			
Net investment income	\$ 394	\$ 347	14%
Other income	26	27	(4%)
Total revenues	420	374	12%
Costs and Expenses:			
Annuity benefits	182	196	(7%)
Acquisition expenses	81	52	56%
Other expenses	32	30	7%
Total costs and expenses	<u>295</u>	<u>278</u>	6%
Annuity earnings before income taxes	<u>\$ 125</u>	<u>\$ 96</u>	30%

Supplemental Annuity Information

	Three months ended March 31,		Pct. Change
	2018	2017	
Earnings before fair value accounting for FIAs	\$ 112	\$ 98	14%
Impact of fair value accounting for FIAs:			
Interest accreted on embedded derivative	(7)	(3)	nm
Renewal option costs lower (higher) than expected	(4)	2	nm
Other changes in fair value	24	(1)	nm
Earnings before income taxes	<u>\$ 125</u>	<u>\$ 96</u>	30%
Average fixed annuity reserves*	\$33,329	\$30,183	10%
Net interest spread*	2.75%	2.58%	
Net spread earned before fair value accounting for FIAs*	1.38%	1.31%	
Net spread earned after impact of fair value accounting for FIAs*	1.54%	1.28%	

* 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,	
	2018	2017
<u>Core Operating Earnings before Income Taxes:</u>		
P&C insurance segment	\$ 188	\$ 169
Annuity segment, before fair value accounting for FIAs	112	98
Impact of fair value accounting for FIAs	13	(2)
Interest & other corporate expense *	(42)	(47)
Core operating earnings before income taxes	271	218
Related income taxes	52	67
Core net operating earnings	\$ 219	\$ 151

* *Other Corporate Expense* includes income and expenses associated with AFG's run-off businesses.

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, 2018 includes \$342 million (\$3.85 per share) in unrealized after-tax gains on fixed maturities and \$24 million (\$0.27 per share) in unrealized after-tax losses on fixed maturity-related cash flow hedges. Shareholder's Equity at December 31, 2017 includes \$619 million (\$7.01 per share) in unrealized after-tax gains on fixed maturities and \$13 million (\$0.14 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 lending and leasing institutions (including equipment leasing and 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 2018**

May 2, 2018

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	
	3/31/18	12/31/17	09/30/17	06/30/17	03/31/17	12/31/17	12/31/16
Highlights							
Net earnings	\$ 145	\$ 166	\$ 11	\$ 145	\$ 153	\$ 475	\$ 649
Core net operating earnings	219	197	95	145	151	588	534
Total assets	60,656	60,658	60,163	58,618	57,464	60,658	55,072
Adjusted shareholders' equity (a)	4,865	4,724	4,852	4,837	4,815	4,724	4,617
Property and Casualty net written premiums	1,102	1,161	1,433	1,130	1,027	4,751	4,386
Annuity statutory premiums	1,148	909	876	1,266	1,290	4,341	4,435
Per share data							
Diluted earnings per share	\$ 1.60	\$ 1.84	\$ 0.13	\$ 1.61	\$ 1.72	\$ 5.28	\$ 7.33
Core net operating earnings per share	2.42	2.20	1.06	1.61	1.69	6.55	6.03
Adjusted book value per share (a)	54.74	53.51	55.08	54.97	54.98	53.51	53.11
Cash dividends per common share	0.3500	2.3500	0.3125	1.8125	0.3125	4.7875	2.1525
Financial ratios							
Annualized return on equity (b)	12.3%	14.4%	1.0%	12.3%	13.3%	10.3%	14.8%
Annualized core operating return on equity (b)	18.6%	17.2%	8.1%	12.3%	13.1%	12.7%	12.2%
Property and Casualty combined ratio - Specialty:							
Loss & LAE ratio	57.8%	59.8%	71.4%	59.5%	59.5%	62.9%	61.7%
Underwriting expense ratio	33.9%	27.5%	27.9%	33.7%	32.7%	30.2%	30.6%
Combined ratio - Specialty	<u>91.7%</u>	<u>87.3%</u>	<u>99.3%</u>	<u>93.2%</u>	<u>92.2%</u>	<u>93.1%</u>	<u>92.3%</u>
Net spread on fixed annuities:							
Net interest spread	2.75%	2.62%	2.69%	2.61%	2.58%	2.62%	2.73%
Net spread earned:							
Before impact of fair value accounting	1.38%	1.34%	1.36%	1.32%	1.31%	1.33%	1.39%
Impact of fair value accounting (c)	0.16%	(0.13%)	(0.05%)	(0.21%)	(0.03%)	(0.10%)	(0.10%)
After impact of fair value accounting	<u>1.54%</u>	<u>1.21%</u>	<u>1.31%</u>	<u>1.11%</u>	<u>1.28%</u>	<u>1.23%</u>	<u>1.29%</u>

- (a) Excludes unrealized gains related to fixed maturity investments, a reconciliation to the GAAP measure is on page 19.
(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		
	3/31/18	12/31/17	09/30/17	06/30/17	03/31/17	12/31/17	12/31/16
Property and Casualty Insurance							
Underwriting profit	\$ 91	\$ 155	\$ 8	\$ 72	\$ 78	\$ 313	\$ 337
Net investment income	100	86	94	96	86	362	350
Other income (expense)	(3)	(8)	(7)	(5)	5	(15)	(57)
Property and Casualty Insurance operating earnings	188	233	95	163	169	660	630
Annuity earnings	125	97	102	85	96	380	368
Interest expense of parent holding companies	(15)	(20)	(21)	(23)	(21)	(85)	(77)
Other expense	(27)	(27)	(18)	(21)	(26)	(92)	(97)
Pre-tax core operating earnings	271	283	158	204	218	863	824
Income tax expense	52	86	63	59	67	275	290
Core net operating earnings	219	197	95	145	151	588	534
Non-core items, net of tax:							
Realized gains (losses) on securities	(74)	4	(8)	5	2	3	13
Gain on sale of subsidiaries	—	—	—	—	—	—	1
Gain on sale of apartment property	—	—	—	—	—	—	15
Special A&E charges:							
Property and Casualty Insurance run-off operations	—	—	(58)	—	—	(58)	(23)
Former Railroad and Manufacturing operations	—	—	(16)	—	—	(16)	(3)
Neon exited lines charge	—	18	—	—	—	18	(65)
Tax benefit related to National Interstate merger	—	—	—	—	—	—	66
Tax benefit related to Neon restructuring	—	56	—	—	—	56	111
Tax expense related to change in U.S. corporate tax rate	—	(83)	—	—	—	(83)	—
Loss on retirement of debt	—	(26)	(2)	(5)	—	(33)	—
Net earnings	\$ 145	\$ 166	\$ 11	\$ 145	\$ 153	\$ 475	\$ 649

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



	Three Months Ended					Twelve Months Ended	
	3/31/18	12/31/17	09/30/17	06/30/17	03/31/17	12/31/17	12/31/16
Core net operating earnings	<u>\$ 219</u>	<u>\$ 197</u>	<u>\$ 95</u>	<u>\$ 145</u>	<u>\$ 151</u>	<u>\$ 588</u>	<u>\$ 534</u>
Net earnings	<u>\$ 145</u>	<u>\$ 166</u>	<u>\$ 11</u>	<u>\$ 145</u>	<u>\$ 153</u>	<u>\$ 475</u>	<u>\$ 649</u>
Average number of diluted shares	90.431	90.109	89.984	89.799	89.342	89.812	88.530
<u>Diluted earnings per share:</u>							
Core net operating earnings per share	<u>\$ 2.42</u>	<u>\$ 2.20</u>	<u>\$ 1.06</u>	<u>\$ 1.61</u>	<u>\$ 1.69</u>	<u>\$ 6.55</u>	<u>\$ 6.03</u>
Realized gains (losses) on securities	(0.82)	0.04	(0.08)	0.05	0.03	0.03	0.16
Gain on sale of subsidiaries	—	—	—	—	—	—	0.01
Gain on sale of apartment property	—	—	—	—	—	—	0.17
<u>Special A&E charges:</u>							
Property and Casualty Insurance run-off operations	—	—	(0.64)	—	—	(0.64)	(0.26)
Former Railroad and Manufacturing operations	—	—	(0.18)	—	—	(0.18)	(0.04)
Neon exited lines charge	—	0.19	—	—	—	0.19	(0.73)
Tax benefit related to National Interstate merger	—	—	—	—	—	—	0.74
Tax benefit related to Neon restructuring	—	0.62	—	—	—	0.62	1.25
Tax expense related to change in U.S. corporate tax rate	—	(0.92)	—	—	—	(0.92)	—
Loss on retirement of debt	—	(0.29)	(0.03)	(0.05)	—	(0.37)	—
Diluted earnings per share	<u>\$ 1.60</u>	<u>\$ 1.84</u>	<u>\$ 0.13</u>	<u>\$ 1.61</u>	<u>\$ 1.72</u>	<u>\$ 5.28</u>	<u>\$ 7.33</u>

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



	Three Months Ended					Twelve Months Ended	
	3/31/18	12/31/17	09/30/17	06/30/17	03/31/17	12/31/17	12/31/16
Property and Transportation	\$ 33	\$ 84	\$ 6	\$ 21	\$ 43	\$ 154	\$ 166
Specialty Casualty	41	58	2	29	15	104	78
Specialty Financial	15	19	(3)	23	22	61	84
Other Specialty	3	(5)	4	—	(1)	(2)	9
Underwriting profit - Specialty	92	156	9	73	79	317	337
Other core charges, included in loss and LAE	1	1	1	1	1	4	—
Underwriting profit - Core	91	155	8	72	78	313	337
Special A&E charges, included in loss and LAE	—	—	(89)	—	—	(89)	(36)
Neon exited lines charge, included in loss and LAE	—	18	—	—	—	18	(57)
Neon exited lines charge, included in underwriting expenses	—	—	—	—	—	—	(8)
Underwriting profit (loss) - Property and Casualty Insurance	\$ 91	\$ 173	\$ (81)	\$ 72	\$ 78	\$ 242	\$ 236
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ 4	\$ 6	\$ —	\$ —	\$ 10	\$ —
Catastrophe loss	13	8	107	18	7	140	55
Total current accident year catastrophe losses	\$ 13	\$ 12	\$ 113	\$ 18	\$ 7	\$ 150	\$ 55
Prior year loss reserve development (favorable) / adverse	\$ (56)	\$ (66)	\$ 52	\$ (22)	\$ (28)	\$ (64)	\$ 32
Combined ratio:							
Property and Transportation	90.4%	82.6%	98.9%	94.2%	87.3%	91.0%	90.0%
Specialty Casualty	92.9%	90.0%	99.5%	94.7%	97.0%	95.2%	96.1%
Specialty Financial	90.2%	86.2%	102.2%	84.4%	85.0%	89.4%	84.9%
Other Specialty	90.7%	123.0%	85.1%	98.3%	105.8%	102.7%	91.4%
Combined ratio - Specialty	91.7%	87.3%	99.3%	93.2%	92.2%	93.1%	92.3%
Other core charges	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%	(0.1%)
Neon exited lines charge, loss and LAE	0.0%	(1.4%)	0.0%	0.0%	0.0%	(0.4%)	1.3%
Neon exited lines charge, underwriting expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%
Special A&E charges	0.0%	0.0%	7.0%	0.0%	0.0%	1.9%	0.8%
Combined ratio	91.8%	86.0%	106.4%	93.4%	92.3%	94.7%	94.5%
Combined ratio excl. catastrophe and prior year development	95.6%	90.8%	93.8%	93.7%	94.3%	93.1%	92.4%
Loss and LAE components - property and casualty insurance							
Current accident year, excluding catastrophe loss	61.7%	63.3%	65.9%	60.0%	61.6%	62.9%	61.8%
Prior accident year loss reserve development	(5.0%)	(5.4%)	4.2%	(2.0%)	(2.7%)	(1.4%)	0.7%
Current accident year catastrophe loss	1.2%	0.6%	8.4%	1.7%	0.7%	3.0%	1.3%
Loss and LAE ratio	57.9%	58.5%	78.5%	59.7%	59.6%	64.5%	63.8%

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



	Three Months Ended					Twelve Months Ended	
	3/31/18	12/31/17	09/30/17	06/30/17	03/31/17	12/31/17	12/31/16
Gross written premiums	\$1,458	\$1,571	\$2,104	\$1,503	\$1,324	\$ 6,502	\$ 5,981
Ceded reinsurance premiums	(356)	(410)	(671)	(373)	(297)	(1,751)	(1,595)
Net written premiums	1,102	1,161	1,433	1,130	1,027	4,751	4,386
Change in unearned premiums	5	64	(166)	(65)	(5)	(172)	(58)
Net earned premiums	1,107	1,225	1,267	1,065	1,022	4,579	4,328
Loss and LAE	640	733	905	634	608	2,880	2,669
Underwriting expense	375	336	353	358	335	1,382	1,322
Underwriting profit	\$ 92	\$ 156	\$ 9	\$ 73	\$ 79	\$ 317	\$ 337
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ 4	\$ 6	\$ —	\$ —	\$ 10	\$ —
Catastrophe loss	13	8	107	18	7	140	55
Total current accident year catastrophe losses	\$ 13	\$ 12	\$ 113	\$ 18	\$ 7	\$ 150	\$ 55
Prior year loss reserve development (favorable) / adverse	\$ (57)	\$ (49)	\$ (38)	\$ (23)	\$ (29)	\$ (139)	\$ (61)
Combined ratio:							
Loss and LAE ratio	57.8%	59.8%	71.4%	59.5%	59.5%	62.9%	61.7%
Underwriting expense ratio	33.9%	27.5%	27.9%	33.7%	32.7%	30.2%	30.6%
Combined ratio	91.7%	87.3%	99.3%	93.2%	92.2%	93.1%	92.3%
Combined ratio excl. catastrophe and prior year development	95.6%	90.8%	93.8%	93.7%	94.3%	93.1%	92.4%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	61.7%	63.3%	65.9%	60.0%	61.6%	62.9%	61.8%
Prior accident year loss reserve development	(5.1%)	(4.1%)	(2.9%)	(2.2%)	(2.8%)	(3.0%)	(1.4%)
Current accident year catastrophe loss	1.2%	0.6%	8.4%	1.7%	0.7%	3.0%	1.3%
Loss and LAE ratio	57.8%	59.8%	71.4%	59.5%	59.5%	62.9%	61.7%

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



	Three Months Ended					Twelve Months Ended	
	3/31/18	12/31/17	09/30/17	06/30/17	03/31/17	12/31/17	12/31/16
Gross written premiums	\$ 426	\$ 626	\$ 1,073	\$ 573	\$ 416	\$ 2,688	\$ 2,504
Ceded reinsurance premiums	(102)	(202)	(449)	(180)	(92)	(923)	(832)
Net written premiums	324	424	624	393	324	1,765	1,672
Change in unearned premiums	26	61	(97)	(36)	18	(54)	(10)
Net earned premiums	350	485	527	357	342	1,711	1,662
Loss and LAE	220	325	407	232	208	1,172	1,114
Underwriting expense	97	76	114	104	91	385	382
Underwriting profit	\$ 33	\$ 84	\$ 6	\$ 21	\$ 43	\$ 154	\$ 166
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ 2	\$ —	\$ —	\$ 2	\$ —
Catastrophe loss	5	(3)	23	11	5	36	31
Total current accident year catastrophe losses	\$ 5	\$ (3)	\$ 25	\$ 11	\$ 5	\$ 38	\$ 31
Prior year loss reserve development (favorable) / adverse	\$ (18)	\$ (4)	\$ (8)	\$ (11)	\$ (17)	\$ (40)	\$ (21)
Combined ratio:							
Loss and LAE ratio	63.0%	67.1%	77.3%	64.9%	60.8%	68.5%	67.0%
Underwriting expense ratio	27.4%	15.5%	21.6%	29.3%	26.5%	22.5%	23.0%
Combined ratio	90.4%	82.6%	98.9%	94.2%	87.3%	91.0%	90.0%
Combined ratio excl. catastrophe and prior year development	94.1%	84.0%	96.0%	94.3%	90.7%	91.2%	89.3%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	66.7%	68.5%	74.4%	65.0%	64.2%	68.7%	66.3%
Prior accident year loss reserve development	(5.1%)	(0.8%)	(1.5%)	(3.1%)	(4.8%)	(2.3%)	(1.2%)
Current accident year catastrophe loss	1.4%	(0.6%)	4.4%	3.0%	1.4%	2.1%	1.9%
Loss and LAE ratio	63.0%	67.1%	77.3%	64.9%	60.8%	68.5%	67.0%

	Three Months Ended					Twelve Months Ended	
	3/31/18	12/31/17	09/30/17	06/30/17	03/31/17	12/31/17	12/31/16
Gross written premiums	853	\$ 737	\$ 850	\$ 756	\$ 744	\$ 3,087	\$ 2,792
Ceded reinsurance premiums	(259)	(182)	(226)	(195)	(204)	(807)	(756)
Net written premiums	594	555	624	561	540	2,280	2,036
Change in unearned premiums	(15)	18	(56)	(24)	(32)	(94)	(30)
Net earned premiums	579	573	568	537	508	2,186	2,006
Loss and LAE	345	338	402	339	331	1,410	1,320
Underwriting expense	193	177	164	169	162	672	608
Underwriting profit	\$ 41	\$ 58	\$ 2	\$ 29	\$ 15	\$ 104	\$ 78
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ 4	\$ 2	\$ —	\$ —	\$ 6	\$ —
Catastrophe loss	5	14	54	2	1	71	10
Total current accident year catastrophe losses	\$ 5	\$ 18	\$ 56	\$ 2	\$ 1	\$ 77	\$ 10
Prior year loss reserve development (favorable) / adverse	\$ (35)	\$ (52)	\$ (23)	\$ (5)	\$ (6)	\$ (86)	\$ (13)
Combined ratio:							
Loss and LAE ratio	59.5%	59.1%	70.7%	63.1%	65.2%	64.5%	65.8%
Underwriting expense ratio	33.4%	30.9%	28.8%	31.6%	31.8%	30.7%	30.3%
Combined ratio	92.9%	90.0%	99.5%	94.7%	97.0%	95.2%	96.1%
Combined ratio excl. catastrophe and prior year development	97.9%	96.7%	94.0%	95.2%	97.9%	95.9%	96.3%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	64.5%	65.8%	65.2%	63.6%	66.1%	65.2%	66.0%
Prior accident year loss reserve development	(6.0%)	(9.2%)	(4.0%)	(0.9%)	(1.1%)	(4.0%)	(0.7%)
Current accident year catastrophe loss	1.0%	2.5%	9.5%	0.4%	0.2%	3.3%	0.5%
Loss and LAE ratio	59.5%	59.1%	70.7%	63.1%	65.2%	64.5%	65.8%



	Three Months Ended					Twelve Months Ended	
	3/31/18	12/31/17	09/30/17	06/30/17	03/31/17	12/31/17	12/31/16
Gross written premiums	179	\$ 208	\$ 181	\$ 174	\$ 164	\$ 727	\$ 685
Ceded reinsurance premiums	(31)	(52)	(31)	(25)	(23)	(131)	(113)
Net written premiums	148	156	150	149	141	596	572
Change in unearned premiums	1	(15)	(8)	(3)	6	(20)	(15)
Net earned premiums	149	141	142	146	147	576	557
Loss and LAE	60	47	79	49	52	227	178
Underwriting expense	74	75	66	74	73	288	295
Underwriting profit (loss)	\$ 15	\$ 19	\$ (3)	\$ 23	\$ 22	\$ 61	\$ 84
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ 2	\$ —	\$ —	\$ 2	\$ —
Catastrophe loss	3	(5)	29	5	1	30	11
Total current accident year catastrophe losses	\$ 3	\$ (5)	\$ 31	\$ 5	\$ 1	\$ 32	\$ 11
Prior year loss reserve development (favorable) / adverse	\$ (3)	\$ 1	\$ (5)	\$ (8)	\$ (9)	\$ (21)	\$ (23)
Combined ratio:							
Loss and LAE ratio	40.2%	33.1%	56.0%	33.1%	35.6%	39.4%	32.0%
Underwriting expense ratio	50.0%	53.1%	46.2%	51.3%	49.4%	50.0%	52.9%
Combined ratio	90.2%	86.2%	102.2%	84.4%	85.0%	89.4%	84.9%
Combined ratio excl. catastrophe and prior year development	90.2%	89.1%	84.9%	86.5%	90.6%	87.8%	86.9%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	40.2%	36.0%	38.7%	35.2%	41.2%	37.8%	34.0%
Prior accident year loss reserve development	(1.8%)	0.8%	(3.1%)	(5.4%)	(6.4%)	(3.6%)	(4.0%)
Current accident year catastrophe loss	1.8%	(3.7%)	20.4%	3.3%	0.8%	5.2%	2.0%
Loss and LAE ratio	40.2%	33.1%	56.0%	33.1%	35.6%	39.4%	32.0%

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



	Three Months Ended					Twelve Months Ended	
	3/31/18	12/31/17	09/30/17	06/30/17	03/31/17	12/31/17	12/31/16
Gross written premiums	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Ceded reinsurance premiums	36	26	35	27	22	110	106
Net written premiums	36	26	35	27	22	110	106
Change in unearned premiums	(7)	—	(5)	(2)	3	(4)	(3)
Net earned premiums	29	26	30	25	25	106	103
Loss and LAE	15	23	17	14	17	71	57
Underwriting expense	11	8	9	11	9	37	37
Underwriting profit (loss)	\$ 3	\$ (5)	\$ 4	\$ —	\$ (1)	\$ (2)	\$ 9
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	—	2	1	—	—	3	3
Total current accident year catastrophe losses	\$ —	\$ 2	\$ 1	\$ —	\$ —	\$ 3	\$ 3
Prior year loss reserve development (favorable) / adverse	\$ (1)	\$ 6	\$ (2)	\$ 1	\$ 3	\$ 8	\$ (4)
Combined ratio:							
Loss and LAE ratio	51.3%	86.2%	52.6%	62.0%	68.0%	66.9%	54.9%
Underwriting expense ratio	39.4%	36.8%	32.5%	36.3%	37.8%	35.8%	36.5%
Combined ratio	90.7%	123.0%	85.1%	98.3%	105.8%	102.7%	91.4%
Combined ratio excl. catastrophe and prior year development	96.6%	94.5%	90.4%	93.5%	93.4%	93.0%	92.8%

	Three Months Ended					Twelve Months Ended	
	3/31/18	12/31/17	09/30/17	06/30/17	03/31/17	12/31/17	12/31/16
Net investment income	\$ 394	\$ 376	\$ 375	\$ 360	\$ 347	\$ 1,458	\$ 1,356
Guaranteed withdrawal benefit fees	16	17	15	14	14	60	53
Policy charges and other miscellaneous income	10	7	11	12	13	43	50
Total revenues	420	400	401	386	374	1,561	1,459
Annuity benefits	182	257	215	224	196	892	800
Acquisition expenses	81	15	54	47	52	168	181
Other expenses	32	31	30	30	30	121	110
Total costs and expenses	295	303	299	301	278	1,181	1,091
Annuity earnings before income taxes	\$ 125	\$ 97	\$ 102	\$ 85	\$ 96	\$ 380	\$ 368
Detail of Annuity earnings before income taxes							
Earnings before income taxes and impact of fair value accounting	\$ 112	\$ 108	\$ 106	\$ 101	\$ 98	\$ 413	\$ 395
Impact of fair value accounting (a)	13	(11)	(4)	(16)	(2)	(33)	(27)
Earnings before income taxes	\$ 125	\$ 97	\$ 102	\$ 85	\$ 96	\$ 380	\$ 368

(a) Changes in fair value of derivatives, offset by an estimate of the related acceleration/deceleration of the amortization of deferred policy acquisition costs and the deferred sales inducements, were as follows:

Interest on Embedded Derivative liability	\$ (7)	\$ (5)	\$ (4)	\$ (4)	\$ (3)	\$ (16)	\$ (7)
Impact of changes in interest rates higher (lower) than expected	27	(12)	(10)	(17)	(11)	(50)	(29)
Change in markets (1)	(2)	9	6	5	9	29	6
Renewal option purchases lower (higher) than expected	(4)	—	1	1	2	4	5
Other (2)	(1)	(3)	3	(1)	1	—	(2)
Impact of Fair Value accounting, as reported	\$ 13	\$ (11)	\$ (4)	\$ (16)	\$ (2)	\$ (33)	\$ (27)
Embedded Derivative liability balance at end of period	\$2,549	\$2,542	\$2,293	\$2,129	\$1,963	\$ 2,542	\$ 1,759

(1) Reflects impact of changes in stock market, including volatility

(2) Includes impact of actual vs. expected lapse activity

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



	Three Months Ended					Twelve Months Ended	
	3/31/18	12/31/17	09/30/17	06/30/17	03/31/17	12/31/17	12/31/16
Detail of annuity benefits expense:							
Interest credited - fixed	\$ 166	\$ 164	\$ 160	\$ 157	\$ 152	\$ 633	\$ 574
Interest credited - fixed component of variable annuities	1	1	1	2	1	5	5
Change in expected death and annuitization reserve	4	5	5	4	4	18	18
Amortization of sales inducements	5	5	4	4	6	19	24
Guaranteed withdrawal benefit reserve	23	16	18	17	16	67	69
Change in other benefit reserves	8	9	16	9	11	45	34
Unlockings (a)	—	35	—	—	—	35	23
Subtotal before impact of fair value accounting	207	235	204	193	190	822	747
Embedded derivative mark-to-market (b)	(63)	178	127	112	147	564	194
Equity option mark-to-market	38	(156)	(116)	(81)	(141)	(494)	(141)
Subtotal impact of fair value accounting	(25)	22	11	31	6	70	53
Total annuity benefits expense	\$ 182	\$ 257	\$ 215	\$ 224	\$ 196	\$ 892	\$ 800

- (a) Includes unlockings for fixed indexed annuity embedded derivative reserves, sales inducement asset and other reserves. Does not include unlocking income of \$32 million in 2017 and \$24 million in 2016 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 of \$3 million in 2017 and an expense reduction of \$1 million in 2016.
- (b) Excludes unlocking impact of \$25 million in 2017 and \$17 million in 2016.

	Three Months Ended					Twelve Months Ended	
	3/31/18	12/31/17	09/30/17	06/30/17	03/31/17	12/31/17	12/31/16
Average fixed annuity investments (at amortized cost) (a)	\$33,002	\$32,245	\$31,713	\$30,988	\$30,055	\$31,250	\$28,223
Average annuity benefits accumulated	33,329	32,680	32,029	31,212	30,183	31,526	28,146
Annuity benefits accumulated in excess of investments (a)	\$ (327)	\$ (435)	\$ (316)	\$ (224)	\$ (128)	\$ (276)	\$ 77
As % of average annuity benefits accumulated (except as noted)							
Net investment income (as % of investments)	4.74%	4.62%	4.70%	4.62%	4.59%	4.63%	4.77%
Interest credited	(1.99%)	(2.00%)	(2.01%)	(2.01%)	(2.01%)	(2.01%)	(2.04%)
Net interest spread on fixed annuities	2.75%	2.62%	2.69%	2.61%	2.58%	2.62%	2.73%
Policy charges and other miscellaneous income	0.10%	0.10%	0.10%	0.12%	0.14%	0.11%	0.15%
Other annuity benefit expenses, net	(0.29%)	(0.21%)	(0.33%)	(0.27%)	(0.31%)	(0.28%)	(0.33%)
Acquisition expenses	(0.94%)	(0.60%)	(0.65%)	(0.58%)	(0.67%)	(0.62%)	(0.70%)
Other expenses	(0.38%)	(0.37%)	(0.36%)	(0.38%)	(0.38%)	(0.37%)	(0.38%)
Change in fair value of derivatives	0.30%	(0.27%)	(0.14%)	(0.39%)	(0.08%)	(0.22%)	(0.19%)
Unlockings	0.00%	(0.06%)	0.00%	0.00%	0.00%	(0.01%)	0.01%
Net spread earned on fixed annuities	1.54%	1.21%	1.31%	1.11%	1.28%	1.23%	1.29%
Average annuity benefits accumulated	\$33,329	\$32,680	\$32,029	\$31,212	\$30,183	\$31,526	\$28,146
Net spread earned on fixed annuities	1.54%	1.21%	1.31%	1.11%	1.28%	1.23%	1.29%
Earnings on fixed annuity benefits accumulated	\$ 128	\$ 99	\$ 105	\$ 87	\$ 96	\$ 387	\$ 363
Annuity benefits accumulated in excess of investments	\$ (327)	\$ (435)	\$ (316)	\$ (224)	\$ (128)	\$ (276)	\$ 77
Net investment income (as % of investments)	4.74%	4.62%	4.70%	4.62%	4.59%	4.63%	4.77%
Earnings (loss) on annuity benefits accumulated in excess of investments	\$ (4)	\$ (5)	\$ (4)	\$ (3)	\$ (1)	\$ (13)	\$ 4
Variable annuity earnings	1	3	1	1	1	6	1
Earnings before income taxes	\$ 125	\$ 97	\$ 102	\$ 85	\$ 96	\$ 380	\$ 368
Detail of net spread earned on fixed annuities							
Net spread earned - before impact of fair value accounting	1.38%	1.34%	1.36%	1.32%	1.31%	1.33%	1.39%
Change in fair value of derivatives	0.30%	(0.27%)	(0.14%)	(0.39%)	(0.08%)	(0.22%)	(0.19%)
Estimated net offsets to deferred sales inducements and deferred policy acquisition costs	(0.14%)	0.14%	0.09%	0.18%	0.05%	0.12%	0.09%
Net spread earned - after impact of fair value accounting	1.54%	1.21%	1.31%	1.11%	1.28%	1.23%	1.29%

(a) Excludes non-investment assets such as deferred acquisition costs, FIA options, accrued investment income and company owned life insurance.

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



	Three Months Ended					Twelve Months Ended	
	<u>3/31/18</u>	<u>12/31/17</u>	<u>09/30/17</u>	<u>06/30/17</u>	<u>03/31/17</u>	<u>12/31/17</u>	<u>12/31/16</u>
Retail single premium annuities - indexed	\$ 553	\$ 413	\$ 367	\$ 474	\$ 469	\$ 1,723	\$ 1,714
Retail single premium annuities - fixed	24	22	19	22	20	83	82
Financial institutions single premium annuities - indexed	413	364	360	500	487	1,711	1,950
Financial institutions single premium annuities - fixed	105	63	82	215	262	622	468
Education market - fixed and indexed annuities	46	41	41	47	45	174	184
Subtotal fixed annuity premiums	1,141	903	869	1,258	1,283	4,313	4,398
Variable annuities	7	6	7	8	7	28	37
Total annuity premiums	\$1,148	\$ 909	\$ 876	\$1,266	\$1,290	\$ 4,341	\$ 4,435
Summary by Distribution Channel:							
Total retail	\$ 577	\$ 435	\$ 386	\$ 496	\$ 489	\$ 1,806	\$ 1,796
Total financial institutions	\$ 518	\$ 427	\$ 442	\$ 715	\$ 749	\$ 2,333	\$ 2,418
Summary by Product Type:							
Total indexed	\$ 992	\$ 802	\$ 746	\$ 998	\$ 977	\$ 3,523	\$ 3,751
Total fixed	\$ 149	\$ 101	\$ 123	\$ 260	\$ 306	\$ 790	\$ 647

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



	Three Months Ended					Twelve Months Ended	
	3/31/18	12/31/17	09/30/17	06/30/17	03/31/17	12/31/17	12/31/16
Beginning fixed annuity reserves	\$33,005	\$32,354	\$31,704	\$30,719	\$29,647	\$29,647	\$26,371
Premiums	1,141	903	869	1,258	1,283	4,313	4,398
Federal Home Loan Bank ("FHLB") advances (paydowns)	—	(64)	—	—	—	(64)	150
Surrenders, benefits and other withdrawals	(627)	(596)	(540)	(571)	(539)	(2,246)	(2,189)
Interest and other annuity benefit expenses:							
Interest credited	166	164	160	157	152	633	574
Embedded derivative mark-to-market	(63)	178	127	112	147	564	194
Change in other benefit reserves	30	25	34	29	29	117	122
Unlockings	—	41	—	—	—	41	27
Ending fixed annuity reserves	\$33,652	\$33,005	\$32,354	\$31,704	\$30,719	\$33,005	\$29,647
Reconciliation to annuity benefits accumulated:							
Ending fixed annuity reserves	\$33,652	\$33,005	\$32,354	\$31,704	\$30,719	\$33,005	\$29,647
Impact of unrealized investment gains on reserves	71	133	138	128	100	133	76
Fixed component of variable annuities	178	178	179	182	183	178	184
Annuity benefits accumulated per balance sheet	\$33,901	\$33,316	\$32,671	\$32,014	\$31,002	\$33,316	\$29,907
Annualized surrenders and other withdrawals as a % of beginning reserves	7.6%	7.4%	6.8%	7.4%	7.3%	7.6%	8.3%

American Financial Group, Inc.
Guaranteed Minimum Interest Rate (“GMIR”) Analysis
(\$ in millions)



GMIR	3/31/18	12/31/17	9/30/17	6/30/17	3/31/17	12/31/16
1 - 1.99%	77%	76%	75%	75%	73%	72%
2 - 2.99%	5%	5%	5%	5%	6%	6%
3 - 3.99%	9%	10%	10%	10%	11%	12%
4.00% and above	9%	9%	10%	10%	10%	10%
Annuity Benefits Accumulated	\$33,901	\$33,316	\$32,671	\$32,014	\$31,002	\$29,907
Traditional Fixed and FIA Surrender Value (a) (b)	\$25,582	\$25,138	\$24,428	\$23,925	\$23,284	\$22,264
Ability to Lower Average Crediting Rates by (a) (c)	1.00%	0.92%	0.88%	0.86%	0.82%	0.80%
Pretax earnings impact of crediting guaranteed minimums (a) (assumes net DAC impact over time = \$0)	\$ 255	\$ 230	\$ 216	\$ 206	\$ 191	\$ 178

(a) Excludes Annuities with Guaranteed Withdrawal Benefits, FHLB advances, immediate reserves and certain other reserves.

(b) FIA Surrender Value include Host + Embedded Derivatives + Fixed Account values.

(c) Weighted Average Crediting Rate less GMIR

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



	<u>3/31/18</u>	<u>12/31/17</u>	<u>09/30/17</u>	<u>06/30/17</u>	<u>03/31/17</u>	<u>12/31/16</u>
Assets:						
Total cash and investments	\$45,949	\$46,048	\$45,253	\$44,779	\$43,350	\$41,433
Recoverables from reinsurers	3,173	3,369	3,262	2,839	2,735	2,737
Prepaid reinsurance premiums	614	600	691	587	533	539
Agents' balances and premiums receivable	1,113	1,146	1,173	1,124	989	997
Deferred policy acquisition costs	1,417	1,216	1,119	1,156	1,205	1,239
Assets of managed investment entities	5,090	4,902	4,767	4,873	5,331	4,765
Other receivables	918	1,030	1,545	923	875	908
Variable annuity assets (separate accounts)	632	644	628	620	614	600
Other assets	1,551	1,504	1,526	1,518	1,633	1,655
Goodwill	199	199	199	199	199	199
Total assets	\$60,656	\$60,658	\$60,163	\$58,618	\$57,464	\$55,072
Liabilities and Equity:						
Unpaid losses and loss adjustment expenses	\$ 9,193	\$ 9,678	\$ 9,563	\$ 8,730	\$ 8,621	\$ 8,563
Unearned premiums	2,413	2,410	2,567	2,294	2,174	2,171
Annuity benefits accumulated	33,901	33,316	32,671	32,014	31,002	29,907
Life, accident and health reserves	656	658	667	676	687	691
Payable to reinsurers	661	743	906	681	621	634
Liabilities of managed investment entities	4,869	4,687	4,506	4,685	5,101	4,549
Long-term debt	1,301	1,301	1,284	1,405	1,283	1,283
Variable annuity liabilities (separate accounts)	632	644	628	620	614	600
Other liabilities	1,847	1,887	1,992	2,201	2,166	1,755
Total liabilities	\$55,473	\$55,324	\$54,784	\$53,306	\$52,269	\$50,153
Redeemable noncontrolling interests	\$ —	\$ 3	\$ —	\$ —	\$ —	\$ —
Shareholders' equity:						
Common stock	\$ 89	\$ 88	\$ 88	\$ 88	\$ 88	\$ 87
Capital surplus	1,205	1,181	1,167	1,158	1,138	1,111
Retained earnings	3,584	3,248	3,435	3,451	3,466	3,343
Unrealized gains - equities	—	221	173	158	145	98
Unrealized gains - fixed maturities	342	619	533	481	384	306
Unrealized gains (losses) - fixed maturity-related cash flow hedges	(24)	(13)	(6)	(6)	(8)	(7)
Other comprehensive income, net of tax	(13)	(14)	(11)	(18)	(22)	(22)
Total shareholders' equity	5,183	5,330	5,379	5,312	5,191	4,916
Noncontrolling interests	—	1	—	—	4	3
Total liabilities and equity	\$60,656	\$60,658	\$60,163	\$58,618	\$57,464	\$55,072

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



	<u>3/31/18</u>	<u>12/31/17</u>	<u>09/30/17</u>	<u>06/30/17</u>	<u>03/31/17</u>	<u>12/31/16</u>
Shareholders' equity	\$ 5,183	\$ 5,330	\$ 5,379	\$ 5,312	\$ 5,191	\$ 4,916
Unrealized (gains) related to fixed maturities	(318)	(606)	(527)	(475)	(376)	(299)
Adjusted shareholders' equity	4,865	4,724	4,852	4,837	4,815	4,617
Goodwill	(199)	(199)	(199)	(199)	(199)	(199)
Intangibles	(36)	(27)	(29)	(30)	(32)	(34)
Tangible adjusted shareholders' equity	\$ 4,630	\$ 4,498	\$ 4,624	\$ 4,608	\$ 4,584	\$ 4,384
Common shares outstanding	88.881	88.275	88.093	88.007	87.592	86.924

Book value per share:

Book value per share	\$ 58.32	\$ 60.38	\$ 61.06	\$ 60.36	\$ 59.26	\$ 56.55
Adjusted (a)	54.74	53.51	55.08	54.97	54.98	53.11
Tangible, adjusted (b)	52.10	50.95	52.50	52.36	52.34	50.43

Market capitalization

AFG's closing common share price	\$112.22	\$108.54	\$103.45	\$ 99.37	\$ 95.42	\$ 88.12
Market capitalization	\$ 9,974	\$ 9,581	\$ 9,113	\$ 8,745	\$ 8,358	\$ 7,660
Price / Adjusted book value ratio	2.05	2.03	1.88	1.81	1.74	1.66

(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)



	3/31/18	12/31/17	09/30/17	06/30/17	03/31/17	12/31/16
AFG senior obligations	\$1,018	\$1,018	\$1,003	\$1,128	\$1,008	\$1,008
Borrowings drawn under credit facility	—	—	—	—	—	—
Debt excluding subordinated debt	\$1,018	\$1,018	\$1,003	\$1,128	\$1,008	\$1,008
AFG subordinated debentures	300	300	300	300	300	300
Total principal amount of long-term debt	\$1,318	\$1,318	\$1,303	\$1,428	\$1,308	\$1,308
Shareholders' equity	5,183	5,330	5,379	5,312	5,191	4,916
Noncontrolling interests (including redeemable NCI)	—	4	—	—	4	3
Less:						
Unrealized (gains) - fixed maturity investments	(342)	(619)	(533)	(481)	(384)	(306)
Total adjusted capital	\$6,159	\$6,033	\$6,149	\$6,259	\$6,119	\$5,921
Ratio of debt to total adjusted capital:						
Including subordinated debt	21.4%	21.8%	21.2%	22.8%	21.4%	22.1%
Excluding subordinated debt	16.5%	16.9%	16.3%	18.0%	16.5%	17.0%



	Three Months Ended					Twelve Months Ended	
	<u>3/31/18</u>	<u>12/31/17</u>	<u>09/30/17</u>	<u>06/30/17</u>	<u>03/31/17</u>	<u>12/31/17</u>	<u>12/31/16</u>
<u>Property and Casualty Insurance</u>							
Paid Losses (GAAP)	\$ 640	\$ 726	\$ 596	\$ 652	\$ 554	\$ 2,528	\$ 2,353
<u>Statutory Surplus</u>							
Property and Casualty Insurance	\$2,781	\$2,729	\$2,817	\$2,882	\$3,013	\$ 2,939	
AFG's principal annuity subsidiaries (total adjusted capital)	\$2,442	\$2,442	\$2,433	\$2,389	\$2,341	\$ 2,234	
<u>Allowable dividends without regulatory approval</u>							
Property and Casualty Insurance	\$ 563	\$ 563	\$ 496	\$ 496	\$ 496	\$ 496	
Annuity and Run-off	263	263	197	197	197	197	
Total	\$ 826	\$ 826	\$ 693	\$ 693	\$ 693	\$ 693	

	Carrying Value - March 31, 2018					
	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	\$ 973	\$ 392	\$ 294	\$ —	\$ 1,659	4%
Fixed maturities - Available for sale	7,420	31,693	12	—	39,125	85%
Fixed maturities - Trading	104	56	—	—	160	0%
Equity securities	1,051	681	54	—	1,786	4%
Investments accounted for using the equity method	440	657	—	—	1,097	2%
Mortgage loans	307	775	—	—	1,082	2%
Policy loans	—	181	—	—	181	1%
Equity Index Call Options	—	591	—	—	591	1%
Real estate and other investments	146	293	49	(220)	268	1%
Total cash and investments	\$ 10,441	\$ 35,319	\$ 409	\$ (220)	\$ 45,949	100%

	Carrying Value - December 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	\$ 1,398	\$ 625	\$ 315	\$ —	\$ 2,338	5%
Fixed maturities - Available for sale	7,142	31,223	14	—	38,379	83%
Fixed maturities - Trading	232	116	—	—	348	1%
Equity securities	1,012	594	56	—	1,662	4%
Investments accounted for using the equity method	404	595	—	—	999	2%
Mortgage loans	308	817	—	—	1,125	2%
Policy loans	—	184	—	—	184	0%
Equity Index Call Options	—	701	—	—	701	2%
Real estate and other investments	158	311	57	(214)	312	1%
Total cash and investments	\$ 10,654	\$ 35,166	\$ 442	\$ (214)	\$ 46,048	100%
Unrealized gain/(loss) on equity securities	\$ 165	\$ 114	\$ —	\$ —	\$ 279	

Note: On January 1, 2018, AFG adopted Accounting Standards Update (“ASU”) 2016-01, which requires all equity securities other than those accounted for under the equity method to be reported at fair value with holding gains and losses recognized in net earnings.

	Three Months Ended					Twelve Months Ended	
	3/31/18	12/31/17	09/30/17	06/30/17	03/31/17	12/31/17	12/31/16
Property and Casualty Insurance:							
Gross Investment Income							
Fixed maturities - Available for sale	\$ 66	\$ 65	\$ 65	\$ 65	\$ 63	\$ 258	\$ 257
Fixed maturities - Trading	—	—	—	2	1	3	3
Equity securities	13	13	12	12	14	51	51
Equity in investees	17	4	8	11	4	27	22
Other investments	6	8	11	8	6	33	27
Gross investment income	102	90	96	98	88	372	360
Investment expenses	(2)	(4)	(2)	(2)	(2)	(10)	(10)
Total net investment income	\$ 100	\$ 86	\$ 94	\$ 96	\$ 86	\$ 362	\$ 350
Average cash and investments (a)	\$10,422	\$10,062	\$ 9,851	\$ 9,947	\$ 9,855	\$ 9,948	\$ 9,550
Average yield (b)	3.84%	3.42%	3.82%	3.86%	3.49%	3.64%	3.66%
Annuity and Run-off: Fixed Annuity							
Gross Investment Income							
Fixed maturities - Available for sale	\$ 338	\$ 342	\$ 332	\$ 322	\$ 318	\$ 1,314	\$ 1,223
Equity securities	8	7	5	5	5	22	24
Equity in investees	29	9	12	10	6	37	22
Other investments	19	19	26	22	19	86	87
Gross investment income	394	377	375	359	348	1,459	1,356
Investment expenses	(3)	(4)	(2)	(2)	(3)	(11)	(10)
Total net investment income	\$ 391	\$ 373	\$ 373	\$ 357	\$ 345	\$ 1,448	\$ 1,346
Average cash and investments (a)	\$33,002	\$32,245	\$31,713	\$30,988	\$30,055	\$31,250	\$28,223
Average yield (b)	4.74%	4.62%	4.70%	4.62%	4.59%	4.63%	4.77%
AFG consolidated net investment income:							
Property & Casualty	\$ 100	\$ 86	\$ 94	\$ 96	\$ 86	\$ 362	\$ 350
Annuity and Run-off:							
Fixed Annuity	391	373	373	357	345	1,448	1,346
Variable Annuity	3	3	2	3	2	10	10
Run-off	4	4	6	5	5	20	21
Parent & other non-insurance	—	6	1	4	3	14	6
Consolidate CLOs	(3)	(7)	(5)	(5)	(6)	(23)	(37)
Total net investment income	\$ 495	\$ 465	\$ 471	\$ 460	\$ 435	\$ 1,831	\$ 1,696

- (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, 2018	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Investment Portfolio
US Government and government agencies	\$ 306	\$ 303	\$ (3)	1%	0%
States, municipalities and political subdivisions	6,881	7,029	148	18%	15%
Foreign government	153	155	2	0%	0%
Residential mortgage-backed securities	2,734	3,065	331	8%	7%
Commercial mortgage-backed securities	922	940	18	2%	2%
Asset-backed securities	8,546	8,663	117	22%	19%
Corporate and other bonds	19,001	19,130	129	49%	42%
Total AFG consolidated	\$ 38,543	\$ 39,285	\$ 742	100%	85%

Annualized yield on available for sale fixed maturities:

Excluding investment expense (a)	4.36%
Net of investment expense (a)	4.31%

Approximate average life and duration:

Approximate average life	6 years
Approximate duration	5 years

December 31, 2017	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Investment Portfolio
US Government and government agencies	\$ 293	\$ 291	\$ (2)	1%	1%
States, municipalities and political subdivisions	6,912	7,148	236	18%	15%
Foreign government	239	242	3	1%	1%
Residential mortgage-backed securities	2,887	3,230	343	8%	7%
Commercial mortgage-backed securities	928	963	35	2%	2%
Asset-backed securities	7,836	7,962	126	21%	17%
Corporate and other bonds	18,291	18,891	600	49%	41%
Total AFG consolidated	\$ 37,386	\$ 38,727	\$ 1,341	100%	84%

Annualized yield on available for sale fixed maturities:

Excluding investment expense (a)	4.51%
Net of investment expense (a)	4.43%

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, 2018				December 31, 2017			
	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	\$ 258	\$ 256	\$ (2)	3%	\$ 244	\$ 243	\$ (1)	3%
States, municipalities and political subdivisions	2,688	2,706	18	36%	2,740	2,798	58	38%
Foreign government	142	143	1	2%	228	229	1	3%
Residential mortgage-backed securities	803	876	73	12%	843	918	75	13%
Commercial mortgage-backed securities	89	90	1	1%	93	95	2	1%
Asset-backed securities	2,040	2,042	2	27%	1,716	1,724	8	23%
Corporate and other bonds	1,414	1,411	(3)	19%	1,349	1,367	18	19%
Property and Casualty Insurance	\$ 7,434	\$ 7,524	\$ 90	100%	\$ 7,213	\$ 7,374	\$ 161	100%

Annualized yield on available for sale fixed maturities:

Excluding investment expense (a)	3.71%	3.73%
Net of investment expense (a)	3.60%	3.54%
Tax equivalent, net of investment expense (b)	3.82%	4.03%

Approximate average life and duration:

Approximate average life	5 years	5 years
Approximate duration	4 years	4 years

	March 31, 2018				December 31, 2017			
	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	\$ 48	\$ 47	\$ (1)	0%	\$ 48	\$ 47	\$ (1)	0%
States, municipalities and political subdivisions	4,193	4,323	130	13%	4,172	4,350	178	14%
Foreign government	11	12	1	0%	11	13	2	0%
Residential mortgage-backed securities	1,928	2,177	249	7%	2,041	2,299	258	7%
Commercial mortgage-backed securities	833	850	17	3%	835	868	33	3%
Asset-backed securities	6,506	6,621	115	21%	6,120	6,238	118	20%
Corporate and other bonds	17,587	17,719	132	56%	16,942	17,524	582	56%
Total Annuity and Run-off	\$ 31,106	\$ 31,749	\$ 643	100%	\$ 30,169	\$ 31,339	\$ 1,170	100%

Annualized yield on available for sale fixed maturities:

Excluding investment expense (a)	4.51%	4.66%
Net of investment expense (a)	4.47%	4.61%

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.

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



By Credit Rating (a)	March 31, 2018			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 6,558	\$ 6,600	\$ 42	17%
AA	8,326	8,493	167	21%
A	9,261	9,365	104	24%
BBB	10,512	10,628	116	27%
Subtotal - Investment grade	34,657	35,086	429	89%
BB	852	859	7	2%
B	270	272	2	1%
Other (b)	2,764	3,068	304	8%
Subtotal - Non-Investment grade	3,886	4,199	313	11%
Total	\$ 38,543	\$ 39,285	\$ 742	100%

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

By Credit Rating (a)	December 31, 2017			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 6,253	\$ 6,356	\$ 103	16%
AA	8,150	8,411	261	22%
A	9,149	9,447	298	25%
BBB	10,146	10,496	350	27%
Subtotal - Investment grade	33,698	34,710	1,012	90%
BB	725	739	14	2%
B	324	328	4	1%
Other (b)	2,639	2,950	311	7%
Subtotal - Non-Investment grade	3,688	4,017	329	10%
Total	\$ 37,386	\$ 38,727	\$ 1,341	100%

98% 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 30 for more information.



March 31, 2018	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Investment Portfolio
Residential					
Agency	\$ 200	\$ 196	\$ (4)	5%	1%
Prime (Non-Agency)	1,149	1,310	161	33%	3%
Alt-A	945	1,070	125	27%	2%
Subprime	440	489	49	12%	1%
Commercial	922	940	18	23%	2%
Total AFG consolidated	\$ 3,656	\$ 4,005	\$ 349	100%	9%

- 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 83%; CMBS 99%.
- The average FICO score of our residential MBS securities is - Prime 733; Alt-A 702; Subprime 632.
- 95% of our Commercial MBS portfolio is investment-grade rated (82% AAA) and the average subordination for this group of assets is 32%.
- The approximate average life by collateral type is - Residential 4.5 years; Commercial 5 years.

December 31, 2017	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Investment Portfolio
Residential					
Agency	\$ 207	\$ 205	\$ (2)	5%	0%
Prime (Non-Agency)	1,218	1,386	168	33%	3%
Alt-A	994	1,122	128	27%	3%
Subprime	468	517	49	12%	1%
Commercial	928	963	35	23%	2%
Total AFG consolidated	\$ 3,815	\$ 4,193	\$ 378	100%	9%

Property and Casualty Insurance:

By Asset Type	March 31, 2018				
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Inv Portfolio
Residential					
Agency	\$ 160	\$ 155	\$ (5)	16%	1%
Prime (Non-Agency)	164	185	21	19%	2%
Alt-A	288	325	37	34%	3%
Subprime	191	211	20	22%	2%
Commercial	89	90	1	9%	1%
Total	\$ 892	\$ 966	\$ 74	100%	9%

By Asset Type	December 31, 2017				
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Inv Portfolio
Residential					
Agency	\$ 166	\$ 163	\$ (3)	16%	2%
Prime (Non-Agency)	174	195	21	19%	2%
Alt-A	301	339	38	34%	3%
Subprime	202	221	19	22%	2%
Commercial	93	95	2	9%	1%
Total	\$ 936	\$ 1,013	\$ 77	100%	10%

Annuity and Run-off:

By Asset Type	March 31, 2018				
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Inv Portfolio
Residential					
Agency	\$ 40	\$ 41	\$ 1	1%	0%
Prime (Non-Agency)	982	1,113	131	37%	3%
Alt-A	657	745	88	25%	2%
Subprime	249	278	29	9%	1%
Commercial	833	850	17	28%	2%
Total	\$ 2,761	\$ 3,027	\$ 266	100%	8%

By Asset Type	December 31, 2017				
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Inv Portfolio
Residential					
Agency	\$ 41	\$ 42	\$ 1	1%	0%
Prime (Non-Agency)	1,041	1,178	137	37%	4%
Alt-A	693	783	90	25%	2%
Subprime	266	296	30	10%	1%
Commercial	835	868	33	27%	2%
Total	\$ 2,876	\$ 3,167	\$ 291	100%	9%

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



By Credit Rating (a)	March 31, 2018			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 1,183	\$ 1,199	\$ 16	30%
AA	92	94	2	3%
A	196	207	11	5%
BBB	198	211	13	5%
Subtotal - investment grade	1,669	1,711	42	43%
BB	190	195	5	5%
B	177	180	3	4%
Other (b)	1,620	1,919	299	48%
Total	\$ 3,656	\$ 4,005	\$ 349	100%

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

By Credit Rating (a)	December 31, 2017			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 1,209	\$ 1,246	\$ 37	30%
AA	90	93	3	2%
A	225	239	14	6%
BBB	170	182	12	4%
Subtotal - investment grade	1,694	1,760	66	42%
BB	192	197	5	5%
B	224	230	6	5%
Other (b)	1,705	2,006	301	48%
Total	\$ 3,815	\$ 4,193	\$ 378	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.
- (b) See page 31 for more information.

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



By Credit Rating (a)	Fair Value - March 31, 2018								
	US Gov	Munis	Frgn gov	RMBS	CMBS	ABS	Corp/Oth	Total	% Total
Investment grade									
AAA	\$ 265	\$1,837	\$ 94	\$ 425	\$ 774	\$3,028	\$ 177	\$ 6,600	17%
AA	30	4,573	60	76	18	2,443	1,293	8,493	21%
A	—	475	1	184	23	1,811	6,871	9,365	24%
BBB	—	56	—	137	74	785	9,576	10,628	27%
Subtotal - Investment grade	295	6,941	155	822	889	8,067	17,917	35,086	89%
BB	—	4	—	167	28	27	633	859	2%
B	—	7	—	176	4	4	81	272	1%
CCC, CC, C	—	1	—	1,004	6	2	24	1,037	3%
D	—	7	—	257	—	—	—	264	1%
Subtotal - Non-Investment grade	—	19	—	1,604	38	33	738	2,432	7%
Not Rated	8	69	—	639	13	563	475	1,767	4%
Total	\$ 303	\$7,029	\$ 155	\$3,065	\$ 940	\$8,663	\$19,130	\$39,285	100%

By Credit Rating (a)	Fair Value - December 31, 2017								
	US Gov	Munis	Frgn gov	RMBS	CMBS	ABS	Corp/Oth	Total	% Total
Investment grade									
AAA	\$ 250	\$1,848	\$ 168	\$ 444	\$ 802	\$2,649	\$ 195	\$ 6,356	16%
AA	34	4,671	66	74	19	2,242	1,305	8,411	22%
A	—	494	3	216	23	1,835	6,876	9,447	25%
BBB	—	47	—	106	76	800	9,467	10,496	27%
Subtotal - Investment grade	284	7,060	237	840	920	7,526	17,843	34,710	90%
BB	—	4	4	173	24	23	511	739	2%
B	—	7	1	226	4	—	90	328	1%
CCC, CC, C	—	1	—	902	3	3	26	935	2%
D	—	5	—	517	—	—	—	522	1%
Subtotal - Non-Investment grade	—	17	5	1,818	31	26	627	2,524	6%
Not Rated	7	71	—	572	12	410	421	1,493	4%
Total	\$ 291	\$7,148	\$ 242	\$3,230	\$ 963	\$7,962	\$18,891	\$38,727	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.