
**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): January 31, 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 fourth quarter of 2017 and full year ended December 31, 2017 as well and the availability of the Investor Supplement on the Company's website. The press release was issued on January 31, 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 January 31, 2018, reporting American Financial Group Inc. fourth quarter and full year results for the period ended December 31, 2017
99.2	Investor Supplement – Fourth 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.

AMERICAN FINANCIAL GROUP, INC.

Date: February 1, 2018

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

FOR IMMEDIATE RELEASE



Press Release

American Financial Group, Inc. Announces Fourth Quarter and Full Year Results

- **Net earnings of \$1.84 per share in the fourth quarter and \$5.28 per share for the full year**
- **Fourth quarter core net operating earnings per share of \$2.20; up 11% from 2016**
- **Core net operating earnings per share of \$6.55 for the full year; up 9% from 2016**
- **Full year 2017 ROE of 10.3%; 2017 core operating ROE of 12.7%**
- **Full year 2018 core net operating earnings guidance between \$7.90—\$8.40 per share**

CINCINNATI – January 31, 2018 – American Financial Group, Inc. (NYSE: AFG) today reported 2017 fourth quarter net earnings attributable to shareholders of \$166 million (\$1.84 per share) compared to \$385 million (\$4.33 per share) for the 2016 fourth quarter. Results for the fourth quarter of 2017 include an \$83 million (\$0.92 per share) write-down of the company’s net deferred tax asset due to the impact of a lower U.S. corporate tax rate and a previously announced loss on early retirement of debt of \$26 million (\$0.29 per share). These items were partially offset by \$74 million (\$0.81 per share) in non-core income from the reinsurance to close transaction involving Neon’s 2015 and prior years of account and tax benefits from restructuring Neon, as well as net realized gains of \$4 million (\$0.04 per share). Comparatively, net earnings in the 2016 fourth quarter included \$209 million (\$2.35 per share) in non-core items. Details may be found in the accompanying table. Net earnings attributable to shareholders for the year were \$5.28 per share, compared to \$7.33 per share in 2016. Book value per share was \$60.38 per share at December 31, 2017. AFG paid cash dividends of \$2.35 per share during the quarter, which included a \$2.00 per share special dividend. Return on equity was 10.3% and 14.8% for 2017 and 2016, respectively.

Core net operating earnings were \$197 million (\$2.20 per share) for the 2017 fourth quarter, compared to \$176 million (\$1.98 per share) in the 2016 fourth quarter. The \$2.20 per share established an all-time high for AFG’s quarterly core EPS. The improved results were attributable to significantly higher underwriting profit in our Property and Casualty (“P&C”) Insurance Segment, which was partially offset by the impact of fair value accounting in our Annuity Segment. Included within AFG’s core P&C Insurance Segment results was a \$0.28 per share impact of the Neon reinsurance to close transaction. Book value per share, excluding unrealized gains related to fixed maturities, was \$53.51 per share at December 31, 2017. For the twelve months ended December 31, 2017, AFG’s growth in adjusted book value per share plus dividends was 9.8%. Core net operating earnings for the fourth quarters of 2017 and 2016 generated annualized returns on equity of 17.2% and 15.7%, respectively. Core operating return on equity was 12.7% and 12.2% for 2017 and 2016, respectively.

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 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 December 31,		Twelve months ended December 31,	
	2017	2016	2017	2016
Components of net earnings attributable to shareholders:				
Core operating earnings before income taxes	\$ 283	\$ 266	\$ 865	\$ 840
Pretax non-core items:				
Realized gains on securities	6	51	5	19
Realized gain on sale of subsidiaries	—	—	—	2
Gain on sale of apartment property	—	—	—	32
Special A&E charges	—	—	(113)	(41)
Neon exited lines charge	18	—	18	(65)
Loss on early retirement of debt	(40)	—	(51)	—
Earnings before income taxes	267	317	724	787
Provision (credit) for income taxes:				
Core operating earnings	86	88	275	290
Non-core items:				
Tax benefit related to National Interstate merger	—	(66)	—	(66)
Tax benefit related to Neon restructuring	(56)	(111)	(56)	(111)
Tax expense related to change in U.S. corporate tax rate	83	—	83	—
Other	(12)	18	(55)	6
Total provision (credit) for income taxes	101	(71)	247	119
Net earnings, including noncontrolling interests	166	388	477	668
Less net earnings attributable to noncontrolling interests:				
Core operating earnings	—	2	2	16
Non-core items	—	1	—	3
Total net earnings attributable to noncontrolling interests	—	3	2	19
Net earnings attributable to shareholders	\$ 166	\$ 385	\$ 475	\$ 649
Net earnings:				
Core net operating earnings ^(a)	\$ 197	\$ 176	\$ 588	\$ 534
Non-core items	(31)	209	(113)	115
Net earnings attributable to shareholders	\$ 166	\$ 385	\$ 475	\$ 649
Components of Earnings Per Share:				
Core net operating earnings ^(a)	\$ 2.20	\$ 1.98	\$ 6.55	\$ 6.03
Non-core Items:				
Realized gains on securities	0.04	0.36	0.03	0.16
Realized gain on sale of subsidiaries	—	—	—	0.01
Gain on sale of apartment property	—	—	—	0.17
Special A&E charges	—	—	(0.82)	(0.30)
Neon exited lines charge	0.19	—	0.19	(0.73)
Loss on early retirement of debt	(0.29)	—	(0.37)	—
Tax benefit related to National Interstate merger	—	0.74	—	0.74
Tax benefit related to Neon restructuring	0.62	1.25	0.62	1.25
Tax expense related to change in U.S. corporate tax rate	(0.92)	—	(0.92)	—
Diluted Earnings Per Share	\$ 1.84	\$ 4.33	\$ 5.28	\$ 7.33

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

Carl H. Lindner III and S. Craig Lindner, AFG's Co-Chief Executive Officers, commented: "We are pleased to report fourth quarter and full year core net operating earnings that were an all-time high for AFG, with strong results produced by both the P&C and Annuity segments of our business. Our diversified portfolio of specialty P&C and annuity businesses has enabled us to successfully navigate a challenging year for the industry overall.

"AFG had approximately \$885 million of excess capital (including parent company cash of approximately \$300 million) at December 31, 2017. 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, share repurchases, particularly when executed at attractive valuations, and returning capital to shareholders through dividends are an important and effective component of our capital management strategy. Over the past year, we increased our quarterly dividend by 12% and paid special dividends of \$3.50 per share.

“With the benefit of tax reform, we expect core net operating earnings in 2018 to be between \$7.90 and \$8.40 per share. Our core earnings per share guidance assumes an effective tax rate of approximately 20%, 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

Core operating earnings in AFG's P&C insurance operations were \$233 million in the fourth quarter of 2017, compared to \$180 million in the prior year period, an increase of \$53 million, or 29%. Significantly higher P&C underwriting profit and lower other expenses were the drivers of the improved results.

The Specialty P&C insurance operations generated underwriting profit of \$156 million for the 2017 fourth quarter compared to \$110 million in the fourth quarter of 2016, due primarily to higher underwriting profitability in our Specialty Casualty and Property and Transportation Groups. The fourth quarter 2017 combined ratio of 87.3% includes 4.1 points of favorable prior year reserve development, compared to 0.9 points of unfavorable prior year reserve development in the comparable 2016 period.

Fourth quarter results in 2017 include 0.6 points in catastrophe losses, primarily the result of wildfires in California, compared to 1.1 points in the comparable 2016 period. The fourth quarter pretax loss from California wildfires, net of reinsurance and inclusive of reinstatement premiums, was \$33 million. Losses related to third quarter catastrophes, specifically Hurricanes Harvey, Irma and Maria, and two earthquakes in Mexico, developed favorably by \$25 million. Total pretax catastrophe losses, net of reinsurance and inclusive of reinstatement premiums were \$12 million during the fourth quarter.

Gross and net written premiums were up 9% and 7%, respectively, in the 2017 fourth quarter compared to the same period in 2016, with each of our Specialty P&C groups reporting growth during the quarter. Average renewal pricing across our entire P&C Group was up 1% for the quarter, and up 1% overall for the year. Further details of AFG's Specialty P&C operations may be found in the accompanying schedules.

The **Property and Transportation Group** reported an underwriting profit of \$84 million in the fourth quarter of 2017, compared to \$75 million in the comparable prior year period, due primarily to higher underwriting profit in our transportation businesses. These results were partially offset by lower year-over-year underwriting profits in our agricultural operations. Our crop insurance operations reported very strong profitability during the 2017 fourth quarter, albeit at lower levels of profitability than in the prior year fourth quarter. Catastrophe losses for this group had a favorable impact of \$3 million in the fourth quarter of 2017, compared to a \$6 million loss in the 2016 fourth quarter.

Fourth quarter 2017 gross and net written premiums in this group were both 8% higher, respectively, than the comparable prior year period. The increase was primarily attributed to higher crop insurance premiums, as well as higher premiums in our property & inland marine and Singapore operations. This growth was partially offset by lower premiums resulting from an exit from the customs bond business, which was part of our ocean marine operations. Overall renewal rates in this group increased 3% on average in both the 2017 fourth quarter and full year.

The **Specialty Casualty Group** reported an underwriting profit of \$58 million in the 2017 fourth quarter compared to \$13 million in the comparable 2016 period. The higher underwriting profit was primarily attributed to favorable reserve development within Neon, most significantly in connection with the 2015 and prior years reinsurance to close (RITC) transaction attributed to ongoing lines of business, and higher underwriting profit in our workers' compensation and excess and surplus lines businesses. These improved results were partially offset by lower underwriting profits in our targeted markets operations. Catastrophe losses for this group were \$18 million in the fourth quarter of 2017 and \$4 million in the comparable 2016 period.

Gross and net written premiums increased 8% and 9%, respectively, for the fourth quarter of 2017 when compared to the same prior year period. Growth within Neon, resulting from the growth of its portfolio in targeted classes of business, higher premiums in our workers' compensation businesses, primarily the result of rate increases in Florida, and growth in our excess and surplus lines businesses all contributed to the year-over-year growth. Renewal pricing for this group increased by 1% in the fourth quarter, and was flat overall for the year.

The **Specialty Financial Group** reported an underwriting profit of \$19 million in the fourth quarter of 2017, compared to \$20 million in the fourth quarter of 2016, with all businesses in this group achieving excellent underwriting margins. Catastrophe losses for this group had a favorable impact of \$5 million in the fourth quarter of 2017, compared to a \$2 million loss in the 2016 fourth quarter.

Gross and net written premiums increased by 16% and 1%, respectively, in the 2017 fourth quarter when compared to the same 2016 period. Higher premiums in our lending and leasing businesses, which were largely ceded, were the primary driver of the increase. Renewal pricing in this group was flat during the fourth quarter and decreased approximately 2% overall for the full year of 2017.

Carl Lindner III stated: "Our Specialty P&C insurance operations produced very strong core operating earnings and healthy growth during the fourth quarter. Our crop insurance operations exceeded our expectations, we entered into a reinsurance to close transaction agreement for Neon's 2008 to 2015 years of account, which resulted in a significant reserve release, and catastrophe losses in the quarter were below expectations."

Mr. Lindner continued, "We are forecasting an overall calendar year combined ratio in the 92% to 94% range, and we are targeting growth in net written premiums in the range of 3% to 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 \$97 million in pretax earnings in the fourth quarter of 2017, compared to \$132 million in the fourth quarter of 2016. Earnings before the impact of fair value accounting for fixed indexed annuities (FIAs) were \$108 million, up 5% from the prior year period.

Components of Annuity Earnings Before Income Taxes

Dollars in millions	Three months ended December 31,		Pct. Change	Twelve months ended December 31,		Pct. Change
	2017	2016		2017	2016	
Annuity earnings before fair value accounting for FIAs	\$ 108	\$ 103	5%	\$ 413	\$ 395	5%
Impact of fair value accounting for FIAs	(11)	29	nm	(33)	(27)	nm
Pretax annuity earnings	\$ 97	\$ 132	(27%)	\$ 380	\$ 368	3%

Annuity Earnings Before Fair Value Accounting for FIAs – AFG’s Annuity Segment reported quarterly earnings before fair value accounting for FIAs of \$108 million in the fourth quarter of 2017, a 5% increase over the \$103 million reported in the comparable prior year period, and an all-time high for the Annuity Segment. Quarterly average annuity investments and reserves grew approximately 10% and 12%, respectively, year-over-year; however, the benefit of this growth was partially offset by the runoff of higher yielding investments. Both quarterly periods included the positive impact from a strong stock market and higher than expected income from certain investments required to be marked to market though earnings and unplanned investment income resulting from early redemptions and other unusual events.

In the fourth quarters of 2017 and 2016, AFG conducted detailed reviews (“unlocking”) of the major actuarial assumptions underlying its annuity operations. The review resulted in an unlocking charge of \$3 million in the fourth quarter of 2017, compared to a positive unlocking of \$1 million in the fourth quarter of 2016. Unlocking amounts are included in “Annuity earnings before fair value accounting for FIAs” in the table above.

Impact of Fair Value Accounting for FIAs – Under Generally Accepted Accounting Principles (GAAP), a portion of the reserves for FIAs (\$2.5 billion and \$1.8 billion at December 31, 2017 and December 31, 2016, respectively) is considered to be an embedded derivative and is recorded at fair value based on the estimated present value of certain expected future cash flows.

The impact of fair value accounting for FIAs includes annuity interest accreted on this FIA embedded derivative reserve; interest accreted totaled \$3 million in the fourth quarter of 2017 and \$1 million in the fourth quarter of 2016. In addition to this interest, Annuity Segment earnings are also impacted by other changes in the fair value of the embedded derivative. 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. Amounts shown in the table above under “Impact of fair value accounting for FIAs” include the impact of these variances. Many of these adjustments are not economic in nature for the current reporting period, but rather impact the timing of reported results.

In the fourth quarter of 2017, the benefit of a higher stock market was more than offset by lower than expected interest rates, resulting in a net \$11 million unfavorable impact to annuity core operating earnings. By comparison, in the fourth quarter of 2016, a significant increase in interest rates, as well as an increase in the stock market, resulted in a large favorable impact on annuity earnings.

Annuity Premiums – AFG’s Annuity Segment reported statutory premiums of \$909 million in the fourth quarter of 2017, compared to \$1.1 billion in the fourth quarter of 2016. This decrease resulted from AFG’s adherence to pricing discipline in a relatively low interest rate environment.

Craig Lindner stated, “AFG’s Annuity Segment had another record year, achieving pretax earnings of \$380 million. This record result demonstrates our commitment to achieving appropriate returns on new business and our ability to deliver consumer-friendly products that the market finds attractive. Although our annuity sales were down 2% in 2017, I am very satisfied with this result given that industry sales of fixed and indexed annuities are estimated to be down nearly 10% in 2017. We believe we continue to be well-positioned for the future.”

2018 Annuity Outlook – AFG expects that 2018 annuity sales will be up 2% to 6% compared to the \$4.3 billion sold in 2017, resulting in year-over-year average asset and reserve growth of 8% to 10%; the favorable earnings impact of this growth will be partially offset by the expected runoff of higher yielding investments. As a result, AFG anticipates that its pretax annuity earnings will be in the range of \$385 to \$425 million, compared to \$380 million in 2017.

The 2018 guidance assumes (i) interest rates and the stock market rise moderately for the remainder of 2018, (ii) more normalized income from certain investments required to be marked to market through earnings, and (iii) lower impact in 2018 from unusual investment income items such as prepayment of fixed income securities. Fluctuations in the returns on these investments, 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.

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

Investments

AFG recorded fourth quarter 2017 net realized gains of \$4 million after tax and after DAC, compared to net realized gains of \$32 million in the comparable prior year period. Unrealized gains on fixed maturities were \$619 million after tax and after DAC at December 31, 2017, an increase of \$313 million from year-end 2016, including a \$110 million favorable impact from the reduction in the U.S. corporate tax rate. Our portfolio continues to be high quality, with 90% 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 twelve months ended December 31, 2017, P&C net investment income was approximately 3% higher than the comparable 2016 period.

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

Reduction in the U.S. Corporate Tax Rate and Write-down of Deferred Tax Asset

In the fourth quarter of 2017, AFG recorded a one-time non-core charge of \$83 million to write down its deferred tax asset. This write-down was the result of the reduction in the U.S. corporate tax rate from 35 percent to 21 percent effective Jan. 1, 2018. Although the new U.S. tax law reduces the company's net deferred tax asset position, the company expects a net favorable future economic impact from the lower corporate income tax rate.

Tax Benefit Related to Neon Restructuring

On December 29, 2017, AFG entered into agreements under which certain Neon executives acquired an indirect noncontrolling interest in Neon. In connection with the 2016 restructuring of our Neon operations, AFG reported a loss on the liquidation for U.S. tax purposes of the foreign subsidiary that is the parent of the Neon Lloyd's operations. Part of the loss associated with the restructuring transaction was required to be deferred under the U.S. tax laws. The sale of the noncontrolling interest in Neon resulted in the recognition of the deferred loss for U.S. tax purposes. As a result of the restructuring, AFG recognized a non-core tax benefit of \$56 million (\$0.62 per share) in the fourth quarter of 2017.

Loss on Early Retirement of Debt

In November 2017, AFG announced the early redemption of its \$350 million of 9-7/8% Senior Notes. The redemption resulted in after-tax non-core expenses in the fourth quarter of 2017 of approximately \$26 million (\$0.29 per share) related to a make whole premium and other related expenses.

Neon Exited Lines Charge (Reinsurance to Close (RITC) of Neon's 2015 Year of Account)

On December 21, 2017, Neon announced that it had entered into a reinsurance to close transaction agreement for its 2008 to 2015 years of account with StarStone Underwriting Limited, a subsidiary of Enstar Group Limited, effective December 31, 2017. As a result of this transaction, AFG recognized after-tax income of approximately \$42 million. A component of this gain (\$18 million or \$0.19 per share) was classified as non-core as it relates to the Neon Exited Lines, with the remainder reflected as favorable development within the Specialty Casualty Group, and included in AFG's core earnings.

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; 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 fourth quarter and full year results at 11:30 am (ET) tomorrow, Thursday, February 1, 2018. Toll-free telephone access will be available by dialing 877-459-8719 (international dial-in 424-276-6843). The conference ID for the live call is 8583267. 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 pm (ET) on February 8, 2018. To listen to the replay, dial 1-855-859-2056 (international dial-in 404-537-3406) and provide the conference ID 8583267.

The conference 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 under **Webcasts and Presentations**.

The archived webcast will be available immediately after the call via the same link on the **Investor Relations** page until February 8, 2018 at 11:59 pm (ET). An archived audio MP3 file will be available within 24 hours of the call.

Contact:
Diane P. Weidner, IRC
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.

AFG18-04

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

	Three months ended December 31,		Twelve months ended December 31,	
	2017	2016	2017	2016
Revenues				
P&C insurance net earned premiums	\$1,225	\$ 1,144	\$ 4,579	\$ 4,328
Life, accident & health net earned premiums	5	6	22	24
Net investment income	465	429	1,831	1,696
Realized gains on:				
Securities	6	51	5	19
Subsidiaries	—	—	—	2
Income of managed investment entities:				
Investment income	55	49	210	190
Gain on change in fair value of assets/liabilities	—	6	12	15
Other income	52	52	206	224
Total revenues	<u>1,808</u>	<u>1,737</u>	<u>6,865</u>	<u>6,498</u>
Costs and expenses				
P&C insurance losses & expenses	1,061	1,040	4,362	4,111
Annuity, life, accident & health benefits & expenses	279	222	1,091	1,019
Interest charges on borrowed money	20	21	85	77
Expenses of managed investment entities	44	42	181	151
Other expenses	137	95	422	353
Total costs and expenses	<u>1,541</u>	<u>1,420</u>	<u>6,141</u>	<u>5,711</u>
Earnings before income taxes	267	317	724	787
Provision (credit) for income taxes ^(b)	101	(71)	247	119
Net earnings including noncontrolling interests	166	388	477	668
Less: Net earnings attributable to noncontrolling interests	—	3	2	19
Net earnings attributable to shareholders	<u>\$ 166</u>	<u>\$ 385</u>	<u>\$ 475</u>	<u>\$ 649</u>
Diluted earnings per Common Share	<u>\$ 1.84</u>	<u>\$ 4.33</u>	<u>\$ 5.28</u>	<u>\$ 7.33</u>
Average number of diluted shares	90.1	88.8	89.8	88.5
Selected Balance Sheet Data:				
		December 31, 2017	December 31, 2016	
Total cash and investments		\$ 46,048	\$ 41,433	
Long-term debt		\$ 1,301	\$ 1,283	
Shareholders' equity ^(c)		\$ 5,330	\$ 4,916	
Shareholders' equity (excluding unrealized gains/losses related to fixed maturities) ^(c)		\$ 4,724	\$ 4,617	
Book value per share		\$ 60.38	\$ 56.55	
Book value per share (excluding unrealized gains/losses related to fixed maturities)		\$ 53.51	\$ 53.11	
Common Shares Outstanding			88.3	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 December 31,		Pct. Change	Twelve months ended December 31,		Pct. Change
	2017	2016		2017	2016	
Gross written premiums	<u>\$1,571</u>	<u>\$1,441</u>	9%	<u>\$6,502</u>	<u>\$5,981</u>	9%
Net written premiums	<u>\$1,161</u>	<u>\$1,083</u>	7%	<u>\$4,751</u>	<u>\$4,386</u>	8%
Ratios (GAAP):						
Loss & LAE ratio	59.8%	63.7%		62.9%	61.7%	
Underwriting expense ratio	27.5%	26.7%		30.2%	30.6%	
Specialty Combined Ratio	<u>87.3%</u>	<u>90.4%</u>		<u>93.1%</u>	<u>92.3%</u>	
Combined Ratio – P&C Segment	<u>86.0%</u>	<u>90.4%</u>		<u>94.7%</u>	<u>94.5%</u>	
Supplemental Information:(d)						
Gross Written Premiums:						
Property & Transportation	\$ 626	\$ 577	8%	\$2,688	\$2,504	7%
Specialty Casualty	737	684	8%	3,087	2,792	11%
Specialty Financial	208	180	16%	727	685	6%
	<u>\$1,571</u>	<u>\$1,441</u>	9%	<u>\$6,502</u>	<u>\$5,981</u>	9%
Net Written Premiums:						
Property & Transportation	\$ 424	\$ 394	8%	\$1,765	\$1,672	6%
Specialty Casualty	555	510	9%	2,280	2,036	12%
Specialty Financial	156	154	1%	596	572	4%
Other	26	25	4%	110	106	4%
	<u>\$1,161</u>	<u>\$1,083</u>	7%	<u>\$4,751</u>	<u>\$4,386</u>	8%
Combined Ratio (GAAP):						
Property & Transportation	82.6%	83.9%		91.0%	90.0%	
Specialty Casualty	90.0%	97.4%		95.2%	96.1%	
Specialty Financial	86.2%	86.0%		89.4%	84.9%	
Aggregate Specialty Group	87.3%	90.4%		93.1%	92.3%	
Reserve Development (Favorable)/Adverse:						
	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016		2017	2016	
Property & Transportation	\$ (4)	\$ 13		\$ (40)	\$ (21)	
Specialty Casualty	(52)	3		(86)	(13)	
Specialty Financial	1	(6)		(21)	(23)	
Other	6	—		8	(4)	
Specialty Group Excluding A&E and Neon Charge	(49)	10		(139)	(61)	
Special A&E Reserve Charge – P&C Run-off	—	—		89	36	
Neon Exited Lines Charge and Other	(17)	—		(14)	57	
Total Reserve Development	<u>\$ (66)</u>	<u>\$ 10</u>		<u>\$ (64)</u>	<u>\$ 32</u>	
Points on Combined Ratio:						
Property & Transportation	(0.8)	3.0		(2.3)	(1.2)	
Specialty Casualty	(9.2)	0.5		(4.0)	(0.7)	
Specialty Financial	0.8	(4.5)		(3.6)	(4.0)	
Aggregate Specialty Group	(4.1)	0.9		(3.0)	(1.4)	
Total P&C Segment	(5.4)	0.9		(1.4)	0.7	

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 December 31,		Pct. Change	Twelve months ended December 31,		Pct. Change
	2017	2016		2017	2016	
<u>Annuity Premiums:</u>						
Financial Institutions	\$ 427	\$ 626	(32%)	\$ 2,333	\$ 2,418	(4%)
Retail	435	437	—	1,806	1,796	1%
Education Market	41	40	3%	174	184	(5%)
Variable Annuities	6	8	(25%)	28	37	(24%)
Total Annuity Premiums	<u>\$ 909</u>	<u>\$ 1,111</u>	(18%)	<u>\$ 4,341</u>	<u>\$ 4,435</u>	(2%)

Components of Annuity Earnings Before Income Taxes

	Three months ended December 31,		Pct. Change	Twelve months ended December 31,		Pct. Change
	2017	2016		2017	2016	
Revenues:						
Net investment income	\$ 376	\$ 346	9%	\$ 1,458	\$ 1,356	8%
Other income	24	27	(11%)	103	103	—
Total revenues	<u>400</u>	<u>373</u>	7%	<u>1,561</u>	<u>1,459</u>	7%
Costs and Expenses:						
Annuity benefits	257	160	61%	892	800	12%
Acquisition expenses	15	54	(72%)	168	181	(7%)
Other expenses	31	27	15%	121	110	10%
Total costs and expenses	<u>303</u>	<u>241</u>	26%	<u>1,181</u>	<u>1,091</u>	8%
Annuity earnings before income taxes	<u>\$ 97</u>	<u>\$ 132</u>	(27%)	<u>\$ 380</u>	<u>\$ 368</u>	3%

Supplemental Annuity Information

	Three months ended December 31,		Pct. Change	Twelve months ended December 31,		Pct. Change
	2017	2016		2017	2016	
Earnings before fair value accounting for FIAs	\$ 108	\$ 103	5%	\$ 413	\$ 395	5%
Impact of fair value accounting for FIAs	(11)	29	nm	(33)	(27)	nm
Earnings before income taxes	<u>\$ 97</u>	<u>\$ 132</u>	(27%)	<u>\$ 380</u>	<u>\$ 368</u>	3%
Average fixed annuity reserves*	\$32,680	\$29,250	12%	\$31,526	\$28,146	12%
Net interest spread*	2.62%	2.70%		2.62%	2.73%	
Net spread earned before fair value accounting for FIAs*	1.34%	1.42%		1.33%	1.39%	
Net spread earned after impact of fair value accounting for FIAs*	1.21%	1.82%		1.23%	1.29%	

* 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 December 31,		Twelve months ended December 31,	
	2017	2016	2017	2016
<u>Core Operating Earnings before Income Taxes:</u>				
P&C insurance segment	\$ 233	\$ 180	\$ 660	\$ 630
Annuity segment, before fair value accounting for FIAs	108	103	413	395
Impact of fair value accounting for FIAs	(11)	29	(33)	(27)
Run-off long-term care and life segment	2	2	6	2
Interest & other corporate expense	(49)	(50)	(183)	(176)
Core operating earnings before income taxes	283	264	863	824
Related income taxes	86	88	275	290
Core net operating earnings	<u>\$ 197</u>	<u>\$ 176</u>	<u>\$ 588</u>	<u>\$ 534</u>

b) Excluding the impact of the Neon Exited Lines Charge that was reported in the second quarter of 2016, the Tax Benefit related to the National Interstate Merger and the Tax Benefit Related to the Neon Restructuring reported in the fourth quarter of 2016, AFG's effective tax rate for the fourth quarter and twelve months ended December 31, 2016 was 33% and 35%, respectively. AFG maintains a full valuation allowance against the deferred tax benefits associated with losses related to AFG's specialist Lloyd's insurance business, Neon.

c) Shareholders' 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. Shareholders' 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 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 - Fourth Quarter 2017

January 31, 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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American Financial Group, Inc.
Financial Highlights
(in millions, except per share information)



	Three Months Ended					Twelve Months Ended	
	12/31/17	09/30/17	06/30/17	03/31/17	12/31/16	12/31/17	12/31/16
Highlights							
Net earnings	\$ 166	\$ 11	\$ 145	\$ 153	\$ 385	\$ 475	\$ 649
Core net operating earnings	197	95	145	151	176	588	534
Total assets	60,658	60,163	58,618	57,464	55,072	60,658	55,072
Adjusted shareholders' equity (a)	4,724	4,852	4,837	4,815	4,617	4,724	4,617
Property and Casualty net written premiums	1,161	1,433	1,130	1,027	1,083	4,751	4,386
Annuity statutory premiums	909	876	1,266	1,290	1,111	4,341	4,435
Per share data							
Diluted earnings per share	\$ 1.84	\$ 0.13	\$ 1.61	\$ 1.72	\$ 4.33	\$ 5.28	\$ 7.33
Core net operating earnings per share	2.20	1.06	1.61	1.69	1.98	6.55	6.03
Adjusted book value per share (a)	53.51	55.08	54.97	54.98	53.11	53.51	53.11
Cash dividends per common share	2.3500	0.3125	1.8125	0.3125	1.3125	4.7875	2.1525
Financial ratios							
Annualized return on equity (b)	14.4%	1.0%	12.3%	13.3%	34.4%	10.3%	14.8%
Annualized core operating return on equity (b)	17.2%	8.1%	12.3%	13.1%	15.7%	12.7%	12.2%
Property and Casualty combined ratio - Specialty:							
Loss & LAE ratio	59.8%	71.4%	59.5%	59.5%	63.7%	62.9%	61.7%
Underwriting expense ratio	27.5%	27.9%	33.7%	32.7%	26.7%	30.2%	30.6%
Combined ratio - Specialty	<u>87.3%</u>	<u>99.3%</u>	<u>93.2%</u>	<u>92.2%</u>	<u>90.4%</u>	<u>93.1%</u>	<u>92.3%</u>
Net spread on fixed annuities:							
Net interest spread	2.62%	2.69%	2.61%	2.58%	2.70%	2.62%	2.73%
Net spread earned:							
Before impact of fair value accounting	1.34%	1.36%	1.32%	1.31%	1.42%	1.33%	1.39%
Impact of fair value accounting (c)	(0.13%)	(0.05%)	(0.21%)	(0.03%)	0.40%	(0.10%)	(0.10%)
After impact of fair value accounting	<u>1.21%</u>	<u>1.31%</u>	<u>1.11%</u>	<u>1.28%</u>	<u>1.82%</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	
	12/31/17	09/30/17	06/30/17	03/31/17	12/31/16	12/31/17	12/31/16
Property and Casualty Insurance							
Underwriting profit	\$ 155	\$ 8	\$ 72	\$ 78	\$ 110	\$ 313	\$ 337
Net investment income	86	94	96	86	85	362	350
Other income (expense)	(8)	(7)	(5)	5	(15)	(15)	(57)
Property and Casualty Insurance operating earnings	233	95	163	169	180	660	630
Annuity earnings	97	102	85	96	132	380	368
Run-off Long-Term Care and Life earnings	2	2	2	—	2	6	2
Interest expense of parent holding companies	(20)	(21)	(23)	(21)	(21)	(85)	(77)
Other expense	(29)	(20)	(23)	(26)	(29)	(98)	(99)
Pre-tax core operating earnings	283	158	204	218	264	863	824
Income tax expense	86	63	59	67	88	275	290
Core net operating earnings	197	95	145	151	176	588	534
Non-core items, net of tax:							
Realized gains (losses) on securities	4	(8)	5	2	32	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	—	66
Tax benefit related to Neon restructuring	56	—	—	—	111	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	\$ 166	\$ 11	\$ 145	\$ 153	\$ 385	\$ 475	\$ 649

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



	Three Months Ended					Twelve Months Ended	
	12/31/17	09/30/17	06/30/17	03/31/17	12/31/16	12/31/17	12/31/16
Core net operating earnings	<u>\$ 197</u>	<u>\$ 95</u>	<u>\$ 145</u>	<u>\$ 151</u>	<u>\$ 176</u>	<u>\$ 588</u>	<u>\$ 534</u>
Net earnings	<u>\$ 166</u>	<u>\$ 11</u>	<u>\$ 145</u>	<u>\$ 153</u>	<u>\$ 385</u>	<u>\$ 475</u>	<u>\$ 649</u>
Average number of diluted shares	90.109	89.984	89.799	89.342	88.774	89.812	88.530
<u>Diluted earnings per share:</u>							
Core net operating earnings per share	<u>\$ 2.20</u>	<u>\$ 1.06</u>	<u>\$ 1.61</u>	<u>\$ 1.69</u>	<u>\$ 1.98</u>	<u>\$ 6.55</u>	<u>\$ 6.03</u>
Realized gains (losses) on securities	0.04	(0.08)	0.05	0.03	0.36	0.03	0.16
Gain on sale of subsidiaries	—	—	—	—	—	—	0.01
Gain on sale of apartment property	—	—	—	—	—	—	0.17
Special A&E charges:							
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	—	0.74
Tax benefit related to Neon restructuring	0.62	—	—	—	1.25	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>\$ 1.84</u>	<u>\$ 0.13</u>	<u>\$ 1.61</u>	<u>\$ 1.72</u>	<u>\$ 4.33</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	
	12/31/17	09/30/17	06/30/17	03/31/17	12/31/16	12/31/17	12/31/16
Property and Transportation	\$ 84	\$ 6	\$ 21	\$ 43	\$ 75	\$ 154	\$ 166
Specialty Casualty	58	2	29	15	13	104	78
Specialty Financial	19	(3)	23	22	20	61	84
Other Specialty	(5)	4	—	(1)	2	(2)	9
Underwriting profit - Specialty	156	9	73	79	110	317	337
Other core charges, included in loss and LAE	1	1	1	1	—	4	—
Underwriting profit - Core	155	8	72	78	110	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	\$ 173	\$ (81)	\$ 72	\$ 78	\$ 110	\$ 242	\$ 236
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ 4	\$ 6	\$ —	\$ —	\$ —	\$ 10	\$ —
Catastrophe loss	8	107	18	7	12	140	55
Total current accident year catastrophe losses	\$ 12	\$ 113	\$ 18	\$ 7	\$ 12	\$ 150	\$ 55
Prior year loss reserve development (favorable) / adverse	\$ (66)	\$ 52	\$ (22)	\$ (28)	\$ 10	\$ (64)	\$ 32
Combined ratio:							
Property and Transportation	82.6%	98.9%	94.2%	87.3%	83.9%	91.0%	90.0%
Specialty Casualty	90.0%	99.5%	94.7%	97.0%	97.4%	95.2%	96.1%
Specialty Financial	86.2%	102.2%	84.4%	85.0%	86.0%	89.4%	84.9%
Other Specialty	123.0%	85.1%	98.3%	105.8%	94.9%	102.7%	91.4%
Combined ratio - Specialty	87.3%	99.3%	93.2%	92.2%	90.4%	93.1%	92.3%
Other core charges	0.1%	0.1%	0.2%	0.1%	0.0%	0.1%	(0.1%)
Neon exited lines charge, loss and LAE	(1.4%)	0.0%	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%	7.0%	0.0%	0.0%	0.0%	1.9%	0.8%
Combined ratio	86.0%	106.4%	93.4%	92.3%	90.4%	94.7%	94.5%
Combined ratio excl. catastrophe and prior year development	90.8%	93.8%	93.7%	94.3%	88.4%	93.1%	92.4%
Loss and LAE components - property and casualty insurance							
Current accident year, excluding catastrophe loss	63.3%	65.9%	60.0%	61.6%	61.7%	62.9%	61.8%
Prior accident year loss reserve development	(5.4%)	4.2%	(2.0%)	(2.7%)	0.9%	(1.4%)	0.7%
Current accident year catastrophe loss	0.6%	8.4%	1.7%	0.7%	1.1%	3.0%	1.3%
Loss and LAE ratio	58.5%	78.5%	59.7%	59.6%	63.7%	64.5%	63.8%

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



	Three Months Ended					Twelve Months Ended	
	12/31/17	09/30/17	06/30/17	03/31/17	12/31/16	12/31/17	12/31/16
Gross written premiums	\$ 1,571	\$ 2,104	\$ 1,503	\$ 1,324	\$ 1,441	\$ 6,502	\$ 5,981
Ceded reinsurance premiums	(410)	(671)	(373)	(297)	(358)	(1,751)	(1,595)
Net written premiums	1,161	1,433	1,130	1,027	1,083	4,751	4,386
Change in unearned premiums	64	(166)	(65)	(5)	61	(172)	(58)
Net earned premiums	1,225	1,267	1,065	1,022	1,144	4,579	4,328
Loss and LAE	733	905	634	608	729	2,880	2,669
Underwriting expense	336	353	358	335	305	1,382	1,322
Underwriting profit	\$ 156	\$ 9	\$ 73	\$ 79	\$ 110	\$ 317	\$ 337
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ 4	\$ 6	\$ —	\$ —	\$ —	\$ 10	\$ —
Catastrophe loss	8	107	18	7	12	140	55
Total current accident year catastrophe losses	\$ 12	\$ 113	\$ 18	\$ 7	\$ 12	\$ 150	\$ 55
Prior year loss reserve development (favorable) / adverse	\$ (49)	\$ (38)	\$ (23)	\$ (29)	\$ 10	\$ (139)	\$ (61)
Combined ratio:							
Loss and LAE ratio	59.8%	71.4%	59.5%	59.5%	63.7%	62.9%	61.7%
Underwriting expense ratio	27.5%	27.9%	33.7%	32.7%	26.7%	30.2%	30.6%
Combined ratio	87.3%	99.3%	93.2%	92.2%	90.4%	93.1%	92.3%
Combined ratio excl. catastrophe and prior year development	90.8%	93.8%	93.7%	94.3%	88.4%	93.1%	92.4%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	63.3%	65.9%	60.0%	61.6%	61.7%	62.9%	61.8%
Prior accident year loss reserve development	(4.1%)	(2.9%)	(2.2%)	(2.8%)	0.9%	(3.0%)	(1.4%)
Current accident year catastrophe loss	0.6%	8.4%	1.7%	0.7%	1.1%	3.0%	1.3%
Loss and LAE ratio	59.8%	71.4%	59.5%	59.5%	63.7%	62.9%	61.7%

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



	Three Months Ended					Twelve Months Ended	
	12/31/17	09/30/17	06/30/17	03/31/17	12/31/16	12/31/17	12/31/16
Gross written premiums	\$ 626	\$ 1,073	\$ 573	\$ 416	\$ 577	\$ 2,688	\$ 2,504
Ceded reinsurance premiums	(202)	(449)	(180)	(92)	(183)	(923)	(832)
Net written premiums	424	624	393	324	394	1,765	1,672
Change in unearned premiums	61	(97)	(36)	18	71	(54)	(10)
Net earned premiums	485	527	357	342	465	1,711	1,662
Loss and LAE	325	407	232	208	319	1,172	1,114
Underwriting expense	76	114	104	91	71	385	382
Underwriting profit	\$ 84	\$ 6	\$ 21	\$ 43	\$ 75	\$ 154	\$ 166
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ 2	\$ —	\$ —	\$ —	\$ 2	\$ —
Catastrophe loss	(3)	23	11	5	6	36	31
Total current accident year catastrophe losses	\$ (3)	\$ 25	\$ 11	\$ 5	\$ 6	\$ 38	\$ 31
Prior year loss reserve development (favorable) / adverse	\$ (4)	\$ (8)	\$ (11)	\$ (17)	\$ 13	\$ (40)	\$ (21)
Combined ratio:							
Loss and LAE ratio	67.1%	77.3%	64.9%	60.8%	68.6%	68.5%	67.0%
Underwriting expense ratio	15.5%	21.6%	29.3%	26.5%	15.3%	22.5%	23.0%
Combined ratio	82.6%	98.9%	94.2%	87.3%	83.9%	91.0%	90.0%
Combined ratio excl. catastrophe and prior year development	84.0%	96.0%	94.3%	90.7%	79.7%	91.2%	89.3%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	68.5%	74.4%	65.0%	64.2%	64.4%	68.7%	66.3%
Prior accident year loss reserve development	(0.8%)	(1.5%)	(3.1%)	(4.8%)	3.0%	(2.3%)	(1.2%)
Current accident year catastrophe loss	(0.6%)	4.4%	3.0%	1.4%	1.2%	2.1%	1.9%
Loss and LAE ratio	67.1%	77.3%	64.9%	60.8%	68.6%	68.5%	67.0%

	Three Months Ended				Twelve Months Ended		
	12/31/17	09/30/17	06/30/17	03/31/17	12/31/16	12/31/16	
Gross written premiums	\$ 737	\$ 850	\$ 756	\$ 744	\$ 684	\$ 3,087	\$ 2,792
Ceded reinsurance premiums	(182)	(226)	(195)	(204)	(174)	(807)	(756)
Net written premiums	555	624	561	540	510	2,280	2,036
Change in unearned premiums	18	(56)	(24)	(32)	—	(94)	(30)
Net earned premiums	573	568	537	508	510	2,186	2,006
Loss and LAE	338	402	339	331	348	1,410	1,320
Underwriting expense	177	164	169	162	149	672	608
Underwriting profit	\$ 58	\$ 2	\$ 29	\$ 15	\$ 13	\$ 104	\$ 78
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ 4	\$ 2	\$ —	\$ —	\$ —	\$ 6	\$ —
Catastrophe loss	14	54	2	1	4	71	10
Total current accident year catastrophe losses	\$ 18	\$ 56	\$ 2	\$ 1	\$ 4	\$ 77	\$ 10
Prior year loss reserve development (favorable) / adverse	\$ (52)	\$ (23)	\$ (5)	\$ (6)	\$ 3	\$ (86)	\$ (13)
Combined ratio:							
Loss and LAE ratio	59.1%	70.7%	63.1%	65.2%	68.2%	64.5%	65.8%
Underwriting expense ratio	30.9%	28.8%	31.6%	31.8%	29.2%	30.7%	30.3%
Combined ratio	90.0%	99.5%	94.7%	97.0%	97.4%	95.2%	96.1%
Combined ratio excl. catastrophe and prior year development	96.7%	94.0%	95.2%	97.9%	96.1%	95.9%	96.3%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	65.8%	65.2%	63.6%	66.1%	66.9%	65.2%	66.0%
Prior accident year loss reserve development	(9.2%)	(4.0%)	(0.9%)	(1.1%)	0.5%	(4.0%)	(0.7%)
Current accident year catastrophe loss	2.5%	9.5%	0.4%	0.2%	0.8%	3.3%	0.5%
Loss and LAE ratio	59.1%	70.7%	63.1%	65.2%	68.2%	64.5%	65.8%

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



	Three Months Ended				Twelve Months Ended		
	12/31/17	09/30/17	06/30/17	03/31/17	12/31/16	12/31/16	
Gross written premiums	\$ 208	\$ 181	\$ 174	\$ 164	\$ 180	\$ 727	\$ 685
Ceded reinsurance premiums	(52)	(31)	(25)	(23)	(26)	(131)	(113)
Net written premiums	156	150	149	141	154	596	572
Change in unearned premiums	(15)	(8)	(3)	6	(13)	(20)	(15)
Net earned premiums	141	142	146	147	141	576	557
Loss and LAE	47	79	49	52	46	227	178
Underwriting expense	75	66	74	73	75	288	295
Underwriting profit (loss)	\$ 19	\$ (3)	\$ 23	\$ 22	\$ 20	\$ 61	\$ 84
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ 2	\$ —	\$ —	\$ —	\$ 2	\$ —
Catastrophe loss	(5)	29	5	1	2	30	11
Total current accident year catastrophe losses	\$ (5)	\$ 31	\$ 5	\$ 1	\$ 2	\$ 32	\$ 11
Prior year loss reserve development (favorable) / adverse	\$ 1	\$ (5)	\$ (8)	\$ (9)	\$ (6)	\$ (21)	\$ (23)
Combined ratio:							
Loss and LAE ratio	33.1%	56.0%	33.1%	35.6%	32.4%	39.4%	32.0%
Underwriting expense ratio	53.1%	46.2%	51.3%	49.4%	53.6%	50.0%	52.9%
Combined ratio	86.2%	102.2%	84.4%	85.0%	86.0%	89.4%	84.9%
Combined ratio excl. catastrophe and prior year development	89.1%	84.9%	86.5%	90.6%	88.8%	87.8%	86.9%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	36.0%	38.7%	35.2%	41.2%	35.2%	37.8%	34.0%
Prior accident year loss reserve development	0.8%	(3.1%)	(5.4%)	(6.4%)	(4.5%)	(3.6%)	(4.0%)
Current accident year catastrophe loss	(3.7%)	20.4%	3.3%	0.8%	1.7%	5.2%	2.0%
Loss and LAE ratio	33.1%	56.0%	33.1%	35.6%	32.4%	39.4%	32.0%

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



	Three Months Ended					Twelve Months Ended	
	12/31/17	09/30/17	06/30/17	03/31/17	12/31/16	12/31/17	12/31/16
Gross written premiums	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Ceded reinsurance premiums	26	35	27	22	25	110	106
Net written premiums	26	35	27	22	25	110	106
Change in unearned premiums	—	(5)	(2)	3	3	(4)	(3)
Net earned premiums	26	30	25	25	28	106	103
Loss and LAE	23	17	14	17	16	71	57
Underwriting expense	8	9	11	9	10	37	37
Underwriting profit (loss)	\$ (5)	\$ 4	\$ —	\$ (1)	\$ 2	\$ (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	\$ 6	\$ (2)	\$ 1	\$ 3	\$ —	\$ 8	\$ (4)
Combined ratio:							
Loss and LAE ratio	86.2%	52.6%	62.0%	68.0%	59.5%	66.9%	54.9%
Underwriting expense ratio	36.8%	32.5%	36.3%	37.8%	35.4%	35.8%	36.5%
Combined ratio	123.0%	85.1%	98.3%	105.8%	94.9%	102.7%	91.4%
Combined ratio excl. catastrophe and prior year development	94.5%	90.4%	93.5%	93.4%	93.7%	93.0%	92.8%

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



	Three Months Ended				Twelve Months Ended		
	12/31/17	09/30/17	06/30/17	03/31/17	12/31/16	12/31/16	
Net investment income	\$ 376	\$ 375	\$ 360	\$ 347	\$ 346	\$ 1,458	\$ 1,356
Guaranteed withdrawal benefit fees	17	15	14	14	14	60	53
Policy charges and other miscellaneous income	7	11	12	13	13	43	50
Total revenues	400	401	386	374	373	1,561	1,459
Annuity benefits	257	215	224	196	160	892	800
Acquisition expenses	15	54	47	52	54	168	181
Other expenses	31	30	30	30	27	121	110
Total costs and expenses	303	299	301	278	241	1,181	1,091
Annuity earnings before income taxes	\$ 97	\$ 102	\$ 85	\$ 96	\$ 132	\$ 380	\$ 368

Detail of Annuity earnings before income taxes

Earnings before income taxes and impact of fair value accounting	\$ 108	\$ 106	\$ 101	\$ 98	\$ 103	\$ 413	\$ 395
Impact of fair value accounting (a)	(11)	(4)	(16)	(2)	29	(33)	(27)
Earnings before income taxes	<u>\$ 97</u>	<u>\$ 102</u>	<u>\$ 85</u>	<u>\$ 96</u>	<u>\$ 132</u>	<u>\$ 380</u>	<u>\$ 368</u>

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

	Three Months Ended					Twelve Months Ended	
	<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>	<u>12/31/17</u>	<u>12/31/16</u>
Detail of annuity benefits expense:							
Interest credited - fixed	\$ 164	\$ 160	\$ 157	\$ 152	\$ 148	\$ 633	\$ 574
Interest credited - fixed component of variable annuities	1	1	2	1	1	5	5
Change in expected death and annuitization reserve	5	5	4	4	4	18	18
Amortization of sales inducements	5	4	4	6	7	19	24
Guaranteed withdrawal benefit reserve	16	18	17	16	20	67	69
Change in other benefit reserves	9	16	9	11	11	45	34
Unlocks (a)	35	—	—	—	23	35	23
Subtotal before impact of fair value accounting	<u>235</u>	<u>204</u>	<u>193</u>	<u>190</u>	<u>214</u>	<u>822</u>	<u>747</u>
Embedded derivative mark-to-market (b)	178	127	112	147	6	564	194
Equity option mark-to-market	(156)	(116)	(81)	(141)	(60)	(494)	(141)
Subtotal impact of fair value accounting	<u>22</u>	<u>11</u>	<u>31</u>	<u>6</u>	<u>(54)</u>	<u>70</u>	<u>53</u>
Total annuity benefits expense	<u>\$ 257</u>	<u>\$ 215</u>	<u>\$ 224</u>	<u>\$ 196</u>	<u>\$ 160</u>	<u>\$ 892</u>	<u>\$ 800</u>

- (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.

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



	Three Months Ended				Twelve Months Ended		
	12/31/17	09/30/17	06/30/17	03/31/17	12/31/16	12/31/16	
Average fixed annuity investments (at amortized cost) (a)	\$32,245	\$31,713	\$30,988	\$30,055	\$29,192	\$31,250	\$28,223
Average annuity benefits accumulated	32,680	32,029	31,212	30,183	29,250	31,526	28,146
Annuity benefits accumulated in excess of investments (a)	\$ (435)	\$ (316)	\$ (224)	\$ (128)	\$ (58)	\$ (276)	\$ 77
As % of average annuity benefits accumulated (except as noted)							
Net investment income (as % of investments)	4.62%	4.70%	4.62%	4.59%	4.72%	4.63%	4.77%
Interest credited	(2.00%)	(2.01%)	(2.01%)	(2.01%)	(2.02%)	(2.01%)	(2.04%)
Net interest spread on fixed annuities	2.62%	2.69%	2.61%	2.58%	2.70%	2.62%	2.73%
Policy charges and other miscellaneous income	0.10%	0.10%	0.12%	0.14%	0.15%	0.11%	0.15%
Other annuity benefit expenses, net	(0.21%)	(0.33%)	(0.27%)	(0.31%)	(0.38%)	(0.28%)	(0.33%)
Acquisition expenses	(0.60%)	(0.65%)	(0.58%)	(0.67%)	(1.06%)	(0.62%)	(0.70%)
Other expenses	(0.37%)	(0.36%)	(0.38%)	(0.38%)	(0.35%)	(0.37%)	(0.38%)
Change in fair value of derivatives	(0.27%)	(0.14%)	(0.39%)	(0.08%)	0.73%	(0.22%)	(0.19%)
Unlocks	(0.06%)	0.00%	0.00%	0.00%	0.03%	(0.01%)	0.01%
Net spread earned on fixed annuities	1.21%	1.31%	1.11%	1.28%	1.82%	1.23%	1.29%
Average annuity benefits accumulated	\$32,680	\$32,029	\$31,212	\$30,183	\$29,250	\$31,526	\$28,146
Net spread earned on fixed annuities	1.21%	1.31%	1.11%	1.28%	1.82%	1.23%	1.29%
Earnings on fixed annuity benefits accumulated	\$ 99	\$ 105	\$ 87	\$ 96	\$ 133	\$ 387	\$ 363
Annuity benefits accumulated in excess of investments	\$ (435)	\$ (316)	\$ (224)	\$ (128)	\$ (58)	\$ (276)	\$ 77
Net investment income (as % of investments)	4.62%	4.70%	4.62%	4.59%	4.72%	4.63%	4.77%
Earnings (loss) on annuity benefits accumulated in excess of investments	\$ (5)	\$ (4)	\$ (3)	\$ (1)	\$ —	\$ (13)	\$ 4
Variable annuity earnings (loss)	3	1	1	1	(1)	6	1
Earnings before income taxes	\$ 97	\$ 102	\$ 85	\$ 96	\$ 132	\$ 380	\$ 368

Detail of net spread earned on fixed annuities

Net spread earned - before impact of fair value accounting	1.34%	1.36%	1.32%	1.31%	1.42%	1.33%	1.39%
Change in fair value of derivatives	(0.27%)	(0.14%)	(0.39%)	(0.08%)	0.73%	(0.22%)	(0.19%)
Estimated net offsets to deferred sales inducements and deferred policy acquisition costs	0.14%	0.09%	0.18%	0.05%	(0.33%)	0.12%	0.09%
Net spread earned - after impact of fair value accounting	1.21%	1.31%	1.11%	1.28%	1.82%	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	
	12/31/17	09/30/17	06/30/17	03/31/17	12/31/16	12/31/16
Retail single premium annuities - indexed	\$ 413	\$ 367	\$ 474	\$ 469	\$ 415	\$ 1,714
Retail single premium annuities - fixed	22	19	22	20	22	83
Financial institutions single premium annuities - indexed	364	360	500	487	474	1,711
Financial institutions single premium annuities - fixed	63	82	215	262	152	622
Education market - fixed and indexed annuities	41	41	47	45	40	174
Subtotal fixed annuity premiums	903	869	1,258	1,283	1,103	4,398
Variable annuities	6	7	8	7	8	28
Total annuity premiums	\$ 909	\$ 876	\$1,266	\$1,290	\$ 1,111	\$ 4,435

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



	Three Months Ended					Twelve Months Ended	
	12/31/17	09/30/17	06/30/17	03/31/17	12/31/16	12/31/17	12/31/16
Beginning fixed annuity reserves	\$32,354	\$31,704	\$30,719	\$29,647	\$28,853	\$29,647	\$26,371
Premiums	903	869	1,258	1,283	1,103	4,313	4,398
Federal Home Loan Bank advances (paydowns) ("FHLB")	(64)	—	—	—	—	(64)	150
Surrenders, benefits and other withdrawals	(596)	(540)	(571)	(539)	(524)	(2,246)	(2,189)
Interest and other annuity benefit expenses:							
Interest credited	164	160	157	152	148	633	574
Embedded derivative mark-to-market	178	127	112	147	6	564	194
Change in other benefit reserves	25	34	29	29	34	117	122
Unlockings	41	—	—	—	27	41	27
Ending fixed annuity reserves	\$33,005	\$32,354	\$31,704	\$30,719	\$29,647	\$33,005	\$29,647
Reconciliation to annuity benefits accumulated:							
Ending fixed annuity reserves	\$33,005	\$32,354	\$31,704	\$30,719	\$29,647	\$33,005	\$29,647
Impact of unrealized investment gains on reserves	133	138	128	100	76	133	76
Fixed component of variable annuities	178	179	182	183	184	178	184
Annuity benefits accumulated per balance sheet	\$33,316	\$32,671	\$32,014	\$31,002	\$29,907	\$33,316	\$29,907
Annualized surrenders and other withdrawals as a % of beginning reserves	7.4%	6.8%	7.4%	7.3%	7.3%	7.6%	8.3%

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



GMIR	<u>12/31/17</u>	<u>9/30/17</u>	<u>6/30/17</u>	<u>3/31/17</u>	<u>12/31/16</u>
1 - 1.99%	76%	75%	75%	73%	72%
2 - 2.99%	5%	5%	5%	6%	6%
3 - 3.99%	10%	10%	10%	11%	12%
4.00% and above	9%	10%	10%	10%	10%
Annuity Benefits Accumulated	\$33,316	\$32,671	\$32,014	\$31,002	\$29,907
Traditional Fixed and FIA Surrender Value (a) (b)	\$25,138	\$24,428	\$23,925	\$23,284	\$22,264
Ability to Lower Average Crediting Rates by (a) (c)	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)	\$ 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>12/31/17</u>	<u>09/30/17</u>	<u>06/30/17</u>	<u>03/31/17</u>	<u>12/31/16</u>	<u>09/30/16</u>
Assets:						
Total cash and investments	\$46,048	\$45,253	\$44,779	\$43,350	\$41,433	\$41,805
Recoverables from reinsurers	3,369	3,262	2,839	2,735	2,737	2,814
Prepaid reinsurance premiums	600	691	587	533	539	634
Agents' balances and premiums receivable	1,146	1,173	1,124	989	997	1,029
Deferred policy acquisition costs	1,216	1,119	1,156	1,205	1,239	867
Assets of managed investment entities	4,902	4,767	4,873	5,331	4,765	4,312
Other receivables	1,030	1,545	923	875	908	1,391
Variable annuity assets (separate accounts)	644	628	620	614	600	606
Other assets	1,504	1,526	1,518	1,633	1,655	1,188
Goodwill	199	199	199	199	199	199
Total assets	<u>\$60,658</u>	<u>\$60,163</u>	<u>\$58,618</u>	<u>\$57,464</u>	<u>\$55,072</u>	<u>\$54,845</u>
Liabilities and Equity:						
Unpaid losses and loss adjustment expenses	\$ 9,678	\$ 9,563	\$ 8,730	\$ 8,621	\$ 8,563	\$ 8,661
Unearned premiums	2,410	2,567	2,294	2,174	2,171	2,328
Annuity benefits accumulated	33,316	32,671	32,014	31,002	29,907	29,222
Life, accident and health reserves	658	667	676	687	691	700
Payable to reinsurers	743	906	681	621	634	835
Liabilities of managed investment entities	4,687	4,506	4,685	5,101	4,549	4,067
Long-term debt	1,301	1,284	1,405	1,283	1,283	1,300
Variable annuity liabilities (separate accounts)	644	628	620	614	600	606
Other liabilities	1,887	1,992	2,201	2,166	1,755	1,768
Total liabilities	<u>\$55,324</u>	<u>\$54,784</u>	<u>\$53,306</u>	<u>\$52,269</u>	<u>\$50,153</u>	<u>\$49,487</u>
Redeemable noncontrolling interests	\$ 3	\$ —	\$ —	\$ —	\$ —	\$ —
Shareholders' equity (a):						
Common stock	\$ 88	\$ 88	\$ 88	\$ 88	\$ 87	\$ 87
Capital surplus	1,181	1,167	1,158	1,138	1,111	1,242
Unappropriated retained earnings	3,248	3,435	3,451	3,466	3,343	3,079
Unrealized gains - equities	221	173	158	145	98	103
Unrealized gains - fixed maturities	619	533	481	384	306	669
Unrealized gains (losses) - fixed maturity-related cash flow hedges	(13)	(6)	(6)	(8)	(7)	5
Other comprehensive income, net of tax	(14)	(11)	(18)	(22)	(22)	(24)
Total shareholders' equity	<u>5,330</u>	<u>5,379</u>	<u>5,312</u>	<u>5,191</u>	<u>4,916</u>	<u>5,161</u>
Noncontrolling interests	<u>1</u>	<u>—</u>	<u>—</u>	<u>4</u>	<u>3</u>	<u>197</u>
Total liabilities and equity	<u>\$60,658</u>	<u>\$60,163</u>	<u>\$58,618</u>	<u>\$57,464</u>	<u>\$55,072</u>	<u>\$54,845</u>

(a) AFG intends to adopt the pending FASB guidance regarding the reclassification of certain tax effects between accumulated other comprehensive income ("AOCI") and retained earnings effective December 31, 2017. Accordingly, the components of shareholders' equity in this supplement reflect the reclassification of the impact of the change in the U.S. corporate rate on the components of AOCI from retained earnings to the individual components of AOCI.

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



	<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>	<u>09/30/16</u>
Shareholders' equity	\$ 5,330	\$ 5,379	\$ 5,312	\$ 5,191	\$ 4,916	\$ 5,161
Unrealized (gains) related to fixed maturities	(606)	(527)	(475)	(376)	(299)	(674)
Adjusted shareholders' equity	4,724	4,852	4,837	4,815	4,617	4,487
Goodwill	(199)	(199)	(199)	(199)	(199)	(199)
Intangibles	(27)	(29)	(30)	(32)	(34)	(44)
Tangible adjusted shareholders' equity	\$ 4,498	\$ 4,624	\$ 4,608	\$ 4,584	\$ 4,384	\$ 4,244
Common shares outstanding	88.275	88.093	88.007	87.592	86.924	86.813
<u>Book value per share:</u>						
Book value per share	\$ 60.38	\$ 61.06	\$ 60.36	\$ 59.26	\$ 56.55	\$ 59.45
Adjusted (a)	53.51	55.08	54.97	54.98	53.11	51.68
Tangible, adjusted (b)	50.95	52.50	52.36	52.34	50.43	48.89
<u>Market capitalization</u>						
AFG's closing common share price	\$108.54	\$103.45	\$ 99.37	\$ 95.42	\$ 88.12	\$ 75.00
Market capitalization	\$ 9,581	\$ 9,113	\$ 8,745	\$ 8,358	\$ 7,660	\$ 6,511
Price / Adjusted book value ratio	2.03	1.88	1.81	1.74	1.66	1.45

(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)



	<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>	<u>09/30/16</u>
AFG senior obligations	\$1,018	\$1,003	\$1,128	\$1,008	\$1,008	\$1,008
Borrowings drawn under credit facility	—	—	—	—	—	—
Obligations of subsidiaries - other	—	—	—	—	—	18
Debt excluding subordinated debt	\$1,018	\$1,003	\$1,128	\$1,008	\$1,008	\$1,026
AFG subordinated debentures	300	300	300	300	300	300
Total principal amount of long-term debt	\$1,318	\$1,303	\$1,428	\$1,308	\$1,308	\$1,326
Shareholders' equity	5,330	5,379	5,312	5,191	4,916	5,161
Noncontrolling interests (including redeemable NCI)	4	—	—	4	3	197
Less:						
Unrealized (gains) - fixed maturity investments	(619)	(533)	(481)	(384)	(306)	(669)
Total adjusted capital	\$6,033	\$6,149	\$6,259	\$6,119	\$5,921	\$6,015
Ratio of debt to total adjusted capital:						
Including subordinated debt	21.8%	21.2%	22.8%	21.4%	22.1%	22.0%
Excluding subordinated debt	16.9%	16.3%	18.0%	16.5%	17.0%	17.1%



	Three Months Ended					Twelve Months Ended	
	12/31/17	09/30/17	06/30/17	03/31/17	12/31/16	12/31/17	12/31/16
Property and Casualty Insurance							
Paid Losses (GAAP)	\$ 726	\$ 596	\$ 652	\$ 554	\$ 683	\$ 2,528	\$ 2,353
<hr/>							
Statutory Surplus							
		12/31/17	09/30/17	06/30/17	03/31/17	12/31/16	09/30/16
Property and Casualty Insurance		\$2,732	\$2,817	\$2,882	\$3,013	\$2,939	\$3,038
AFG's principal annuity subsidiaries (total adjusted capital)		\$2,442	\$2,433	\$2,389	\$2,341	\$2,234	\$2,216
Allowable dividends without regulatory approval							
Property and Casualty Insurance		\$ 567	\$ 496	\$ 496	\$ 496	\$ 496	\$ 434
Annuity and Run-off		263	197	197	197	197	375
Total		\$ 830	\$ 693	\$ 693	\$ 693	\$ 693	\$ 809

	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%
Policy loans	—	184	—	—	184	0%
Mortgage loans	308	817	—	—	1,125	2%
Equity index call options	—	701	—	—	701	2%
Real estate and other investments	562	906	57	(214)	1,311	3%
Total cash and investments	\$ 10,654	\$ 35,166	\$ 442	\$ (214)	\$ 46,048	100%
Unrealized gain/(loss) on equity securities	\$ 165	\$ 114	\$ —	\$ —	\$ 279	

	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	
	12/31/17	09/30/17	06/30/17	03/31/17	12/31/16	12/31/17	12/31/16
Property and Casualty Insurance:							
Gross Investment Income							
Fixed maturities - Available for sale	\$ 65	\$ 65	\$ 65	\$ 63	\$ 64	\$ 258	\$ 257
Fixed maturities - Trading	—	—	2	1	(1)	3	3
Equity securities	13	12	12	14	13	51	51
Equity in investees	4	8	11	4	7	27	22
Other investments	8	11	8	6	6	33	27
Gross investment income	90	96	98	88	89	372	360
Investment expenses	(4)	(2)	(2)	(2)	(4)	(10)	(10)
Total net investment income	\$ 86	\$ 94	\$ 96	\$ 86	\$ 85	\$ 362	\$ 350
Average cash and investments (a)	\$10,062	\$ 9,851	\$ 9,947	\$ 9,855	\$ 9,779	\$ 9,948	\$ 9,550
Average yield (b)	3.42%	3.82%	3.86%	3.49%	3.48%	3.64%	3.66%
Fixed Annuity:							
Gross Investment Income							
Fixed maturities - Available for sale	\$ 342	\$ 332	\$ 322	\$ 318	\$ 315	\$ 1,314	\$ 1,223
Equity securities	7	5	5	5	7	22	24
Equity in investees	9	12	10	6	6	37	22
Other investments	19	26	22	19	20	86	87
Gross investment income	377	375	359	348	348	1,459	1,356
Investment expenses	(4)	(2)	(2)	(3)	(4)	(11)	(10)
Total net investment income	\$ 373	\$ 373	\$ 357	\$ 345	\$ 344	\$ 1,448	\$ 1,346
Average cash and investments (a)	\$32,245	\$31,713	\$30,988	\$30,055	\$29,192	\$31,250	\$28,223
Average yield (b)	4.62%	4.70%	4.62%	4.59%	4.72%	4.63%	4.77%
AFG consolidated net investment income:							
Property & Casualty	\$ 86	\$ 94	\$ 96	\$ 86	\$ 85	\$ 362	\$ 350
Annuity and Run-off:							
Fixed Annuity	373	373	357	345	344	1,448	1,346
Variable Annuity	3	2	3	2	2	10	10
Run-off	4	6	5	5	6	20	21
Other	6	1	4	3	—	14	6
Consolidate CLOs	(7)	(5)	(5)	(6)	(8)	(23)	(37)
Total net investment income	\$ 465	\$ 471	\$ 460	\$ 435	\$ 429	\$ 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)



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

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)



	December 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	\$ 244	\$ 243	\$ (1)	3%	\$ 295	\$ 295	\$ —	4%
States, municipalities and political subdivisions	2,740	2,798	58	38%	2,588	2,605	17	39%
Foreign government	228	229	1	3%	245	249	4	4%
Residential mortgage-backed securities	843	918	75	13%	980	1,026	46	15%
Commercial mortgage-backed securities	93	95	2	1%	142	144	2	2%
Asset-backed securities	1,716	1,724	8	23%	1,445	1,440	(5)	21%
Corporate and other bonds	1,349	1,367	18	19%	976	993	17	15%
Property and Casualty Insurance	\$ 7,213	\$ 7,374	\$ 161	100%	\$ 6,671	\$ 6,752	\$ 81	100%

Annualized yield on available for sale fixed maturities:

Excluding investment expense (a)	3.73%	3.88%
Net of investment expense (a)	3.54%	3.67%
Tax equivalent, net of investment expense (b)	4.03%	4.20%

Approximate average life and duration:

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

	December 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	\$ 48	\$ 47	\$ (1)	0%	\$ 52	\$ 52	\$ —	0%
States, municipalities and political subdivisions	4,172	4,350	178	14%	4,089	4,203	114	15%
Foreign government	11	13	2	0%	11	12	1	0%
Residential mortgage-backed securities	2,041	2,299	258	7%	2,390	2,601	211	9%
Commercial mortgage-backed securities	835	868	33	3%	1,304	1,349	45	5%
Asset-backed securities	6,120	6,238	118	20%	4,517	4,519	2	16%
Corporate and other bonds	16,942	17,524	582	56%	15,058	15,402	344	55%
Total Annuity and Run-off	\$ 30,169	\$ 31,339	\$ 1,170	100%	\$ 27,421	\$ 28,138	\$ 717	100%

Annualized yield on available for sale fixed maturities:

Excluding investment expense (a)	4.66%	4.72%
Net of investment expense (a)	4.61%	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.

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



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.

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 30 for more information.

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%

- 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 84%; 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 (83% 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 5.5 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%	12%

Property and Casualty Insurance:

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%

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	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%

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)	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.

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 (b)	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.
- (b) See page 30 for more information.

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



By Credit Rating (a)	Fair Value - December 31, 2017							Total	% Total
	US Gov	Munis	Frgn gov	RMBS	CMBS	ABS	Corp/Oth		
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%

By Credit Rating (a)	Fair Value - December 31, 2016							Total	% Total
	US Gov	Munis	Frgn gov	RMBS	CMBS	ABS	Corp/Oth		
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	89%
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.