
**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): August 1, 2017

AMERICAN FINANCIAL GROUP, INC.

(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction
of incorporation)

1-13653
(Commission
File Number)

31-1544320
(IRS Employer
Identification No.)

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

45202
(Zip Code)

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

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

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

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

Emerging growth company

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

Section 2 - Financial Information

Item 2.02 Results Of Operations And Financial Condition.

Reference is made to the press release of American Financial Group, Inc. (the “Company”) relating to the announcement of the Company’s results of operations for the second quarter of 2017 and the availability of the Investor Supplement on the Company’s website. The press release was issued on August 1, 2017. A copy of the press release is attached to this Form 8-K as Exhibit 99.1 and a copy of the Investor Supplement is attached as Exhibit 99.2 and are incorporated herein by reference.

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

Section 9 - Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits.

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

<u>Exhibit No.</u>	<u>Description</u>
99.1	Earnings Release dated August 1, 2017, reporting American Financial Group Inc. results for the quarter ended June 30, 2017.
99.2	Investor Supplement – Second 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: August 2, 2017

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

FOR IMMEDIATE RELEASE



Press Release

American Financial Group, Inc. Announces Second Quarter Results

- *Net earnings per share of \$1.61, a second quarter record for AFG*
- *Core net operating earnings \$1.61 per share, an increase of 26% from the prior year period and a second quarter record for AFG*
- *Second quarter annualized ROE of 12.3%; annualized core operating ROE of 12.3%*
- *Full year 2017 core net operating earnings guidance increased to \$6.40 - \$6.90 per share*

CINCINNATI – August 1, 2017 – American Financial Group, Inc. (NYSE: AFG) today reported 2017 second quarter net earnings attributable to shareholders of \$145 million (\$1.61 per share) compared to \$54 million (\$0.62 per share) for the 2016 second quarter. The \$1.61 per share is a record for AFG’s second quarter. Net earnings for the quarter include \$0.05 per share in after-tax realized gains on securities and expenses of \$0.05 per share related to the redemption of AFG’s 6.375% Senior Notes. Comparatively, net earnings in the 2016 second quarter included a charge of \$65 million (\$0.73 per share) related to the exit of certain lines of business within our Lloyd’s-based insurer Neon, as well as \$6 million (\$0.07 per share) in after-tax earnings related to other non-core items. Details may be found in the table below. Book value per share was \$60.36 per share at June 30, 2017. AFG paid cash dividends of \$1.8125 per share during the quarter, which included a \$1.50 per share special dividend. Annualized return on equity was 12.3% and 5.1% for the second quarters of 2017 and 2016, respectively.

Core net operating earnings were \$145 million (\$1.61 per share) for the 2017 second quarter, compared to \$113 million (\$1.28 per share) in the 2016 second quarter. The \$1.61 represents a second quarter record for AFG core earnings per share. The improved results were attributable to higher operating earnings in our Specialty Property and Casualty (“P&C”) Insurance Segment and our Annuity Segment. Book value per share, excluding unrealized gains related to fixed maturities, was \$54.97 per share at June 30, 2017. Core net operating earnings for the second quarters of 2017 and 2016 generated annualized returns on equity of 12.3% and 10.5%, 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		Six months ended	
	June 30, 2017	2016	June 30, 2017	2016
Components of net earnings attributable to shareholders:				
Core operating earnings before income taxes	\$ 204	\$ 183	\$ 424	\$ 357
Pretax non-core items:				
Realized gains (losses) on securities	8	(16)	11	(34)
Gain on sale of subsidiaries	—	2	—	2
Gain on sale of apartment property	—	32	—	32
Neon exited lines charge	—	(65)	—	(65)
Loss on retirement of debt	(7)	—	(7)	—
Earnings before income taxes	205	136	428	292
Provision (credit) for income taxes:				
Core operating earnings	59	64	126	123
Non-core items	1	9	2	2
Total provision (credit) for income taxes	60	73	128	125
Net earnings, including noncontrolling interests	145	63	300	167
Less net earnings attributable to noncontrolling interests:				
Core operating earnings	—	6	2	10
Non-core items	—	3	—	2
Total net earnings attributable to noncontrolling interests	—	9	2	12
Net earnings attributable to shareholders	\$ 145	\$ 54	\$ 298	\$ 155
Net earnings:				
Core net operating earnings ^(a)	145	113	296	224
Non-core items	—	(59)	2	(69)
Net earnings attributable to shareholders	\$ 145	\$ 54	\$ 298	\$ 155
Components of Earnings Per Share:				
Core net operating earnings^(a)	\$ 1.61	\$ 1.28	\$ 3.29	\$ 2.53
Non-core Items:				
Realized gains (losses) on securities	0.05	(0.11)	0.08	(0.22)
Gain on sale of subsidiaries	—	0.01	—	0.01
Gain on sale of apartment property	—	0.17	—	0.17
Neon exited lines charge	—	(0.73)	—	(0.73)
Loss on retirement of debt	(0.05)	—	(0.05)	—
Diluted Earnings Per Share	\$ 1.61	\$ 0.62	\$ 3.32	\$ 1.76

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, issued this statement: "Strong results in AFG's Specialty P&C and Annuity Segments produced new second quarter earnings per share records for AFG. In addition, we are pleased to report strong investment results and meaningful growth across our portfolio of businesses.

"AFG had approximately \$1.1 billion of excess capital (including parent company cash of approximately \$425 million) at June 30, 2017. This is after our payment of the \$1.50 per share special dividend in May 2017. In addition to returning capital to shareholders through dividends, our excess capital will be deployed into AFG's core businesses as we identify potential for healthy, profitable organic growth, and opportunities to expand our specialty niche businesses through acquisitions and start-ups that meet our target return thresholds. In addition, share repurchases, particularly when executed at attractive valuations, are an important and effective component of our capital management strategy; we will continue to make opportunistic share repurchases when it makes sense to do so. We will evaluate our excess capital position again in the second half of 2017 and note that the special cash dividend paid in May does not preclude our consideration of additional actions with respect to our regular quarterly dividend, additional special dividends and opportunistic share repurchases.

"Based on results for the first six months of 2017, we now expect AFG's core net operating earnings in 2017 to be in the range of \$6.40 to \$6.90 per share, up from our original estimate of \$6.20 to \$6.70 per share. Our core earnings per share guidance assumes no change in the corporate tax rate of 35%, and excludes non-core items such as realized gains and losses, as well as other significant items that are not able to be estimated with reasonable precision, or that may not be indicative of ongoing operations."

Specialty Property and Casualty Insurance Operations

Operating earnings in AFG's P&C Insurance Segment were \$163 million in the second quarter of 2017, compared to \$139 million in the prior year period, an increase of \$24 million, or 17%. Higher P&C underwriting profit, higher net investment income and lower other expenses (primarily due to the impact of the noncontrolling interest in National Interstate in the second quarter of 2016) contributed to the improved results.

The Specialty P&C insurance operations generated an underwriting profit of \$73 million in the 2017 second quarter, compared to \$63 million in the second quarter of 2016, an increase of 16%. Each of our Specialty P&C Groups reported higher year-over-year underwriting profit. The second quarter 2017 combined ratio of 93.2% improved by 0.7 point over the prior year period. Results in the second quarter of 2017 include 2.2 points of favorable prior year reserve development, compared to 2.9 points in the comparable prior year period. Second quarter 2017 results include 1.7 points in catastrophe losses, compared to 2.0 points in the 2016 second quarter.

Gross and net written premiums were up 8% and 7%, respectively, for the second quarter of 2017, when compared to the second quarter of 2016. Pricing across our entire P&C Group was up 1% for the quarter.

The **Property and Transportation Group** reported an underwriting profit of \$21 million in the second quarter of 2017, compared to \$15 million in the second quarter of 2016. Higher underwriting profits in our agricultural and property & inland marine businesses were the drivers of the improved results. Catastrophe losses were \$11 million for this group during the second quarter of 2017, compared to \$12 million in the comparable prior year period.

Gross and net written premiums for the second quarter of 2017 were 7% and 3% higher, respectively, than the comparable 2016 period. The growth is primarily attributable to higher year-over-year premiums in our agricultural and transportation businesses, and growth in our Singapore Branch. 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. Net written premiums were also impacted by lower retentions in National Interstate's captive business. Overall renewal rates in this group increased 2% on average for the second quarter of 2017, including a 4% increase in National Interstate's renewal rates.

The **Specialty Casualty Group** reported an underwriting profit of \$29 million in the second quarter of 2017, compared to \$23 million in the second quarter of 2016. Improved results in our excess and surplus lines businesses and Neon were partially offset by lower year-over-year profitability in our workers' compensation and executive liability businesses, primarily due to lower favorable prior year reserve development. Catastrophe losses for this group were \$2 million and \$3 million in the second quarters of 2017 and 2016, respectively.

Gross and net written premiums for the second quarter of 2017 increased 10% and 12%, respectively, when compared to the second quarter of 2016, with nearly all of the businesses in this group reporting growth. A change in Neon's mix of business to include a greater concentration in property business was a driver of higher premiums in the second quarter, which is typically when this business is written. Higher premiums in our workers' compensation business, primarily the result of rate increases in the state of Florida, and higher premiums in our targeted markets businesses were other drivers of the year-over-year growth. Renewal pricing for this group was flat in the second quarter.

The **Specialty Financial Group** reported underwriting profit of \$23 million in the second quarter of 2017, compared to \$22 million in the second quarter of 2016. Higher underwriting profitability in our surety business was partially offset by lower underwriting profitability in our financial institutions business, primarily the result of higher catastrophe losses. Catastrophe losses for this group were \$5 million and \$3 million in the second quarters of 2017 and 2016, respectively. Nearly all of the businesses in this group continued to achieve excellent underwriting margins.

Gross and net written premiums for the second quarter of 2017 were up 1% and 3%, respectively, when compared to the same 2016 period, primarily as a result of higher premiums in our fidelity and crime business, which were partially offset by lower premiums in our financial institutions business. Pricing in this group was down 2% for the quarter.

Carl Lindner III stated: “Our Specialty P&C Group reported another strong quarter. I am very pleased with overall underwriting margins, solid premium growth, and meaningful improvement reported by several of our businesses. Based on results during the first six months of the year, we continue to estimate growth in net written premium to be between 3% and 7% and continue to expect an overall 2017 calendar year combined ratio in the range of 92% to 94%.”

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

Annuity Segment

As shown in the following table, AFG’s Annuity Segment contributed \$85 million in pretax operating earnings in the second quarter of 2017 compared to \$76 million in the second quarter of 2016. Earnings before the impact of fair value accounting on fixed-indexed annuities (FIAs) were \$101 million in the second quarter of 2017 compared to \$102 million in the second quarter of 2016.

Components of Annuity Operating Earnings Before Income Taxes

In millions	Three months ended		Pct. Change	Six months ended		Pct. Change
	2017	2016		2017	2016	
Annuity earnings before fair value accounting for FIAs	\$ 101	\$ 102	(1%)	\$ 199	\$ 186	7%
Impact of fair value accounting for FIAs	(16)	(26)	nm	(18)	(57)	nm
Pretax annuity operating earnings	<u>\$ 85</u>	<u>\$ 76</u>	12%	<u>\$ 181</u>	<u>\$ 129</u>	40%

Annuity Earnings Before Fair Value Accounting for FIAs – AFG’s quarterly average annuity investments and reserves grew approximately 11% and 12%, respectively, year-over-year; the benefit of this growth was offset by the runoff of higher yielding investments.

Impact of Fair Value Accounting for FIAs – Variances from expectations of certain items (such as projected interest rates, option costs and surrenders), as well as changes in the stock market, have an impact on the accounting for FIAs; these accounting adjustments are recognized through AFG’s reported core earnings. Many of these adjustments are not economic in nature, but rather impact the timing of reported results.

In the second quarter of 2017, the benefit of a higher stock market was more than offset by lower interest rates, resulting in a \$16 million unfavorable impact to annuity operating earnings. In the second quarter of 2016, medium to long-term interest rates decreased more substantially (30 to 40 basis points), compared to our expectation that they would increase slightly, resulting in a \$26 million unfavorable impact on pretax earnings. These impacts are shown in the “Impact of fair value accounting for FIAs” amounts shown in the table above.

Annuity Premiums – AFG’s Annuity Segment reported statutory premiums of \$1.3 billion in the second quarter of 2017, compared to \$1.1 billion in the second quarter of 2016. Although all major channels reported year-over-year growth, the increase was due primarily to growth in traditional fixed annuity sales in the Financial Institutions channel. AFG’s strong premium production in the first six months of 2017 reflects new products, additional staffing, and increased market share within existing financial institutions.

Craig Lindner stated, “I am pleased with the strong operating results achieved by the Annuity Segment during the second quarter. Based on these results, annuity earnings before fair value accounting are now expected to be in the range of \$385 to \$405 million, up from AFG’s previous guidance of \$380 to \$400 million. This is the second increase this year of our pre-fair value guidance. However, due to the decrease in market interest rates to date in 2017, our estimate for 2017 pretax annuity operating earnings (after fair value accounting) is now expected to be in the range of \$370 to \$390 million, compared to our original guidance of \$375 million to \$395 million.

“In response to 2017’s decline in market interest rates, AFG announced decreases in the crediting rates and rider benefits on the majority of its products in the second quarter of 2017. As a result, AFG has seen a recent slowdown in premiums. We now expect our 2017 annuity premiums to be relatively flat compared to the \$4.4 billion reported in 2016.”

Fluctuations in the returns on investments that are required to be marked to market, or large changes in interest rates and/or the stock market, as compared to our expectations, could lead to significant positive or negative impacts on the Annuity Segment’s results.

Department of Labor (DOL) Rule – The DOL Fiduciary Rule became effective on June 9, 2017, although the DOL delayed certain requirements until January 1, 2018. As a result, insurance-only agents are able to continue selling fixed-indexed annuities through the end of 2017, provided the agent acts in the customer’s best interest, makes no misleading statements and receives only reasonable compensation. There is considerable uncertainty as to whether the rule will take effect in its current form on January 1, 2018 or if there will be an additional delay or adjustments to the rule. AFG’s management continues to believe the implementation of the rule in its current form and on the current schedule will impact annuity premiums throughout the remainder of 2017 and into 2018. Nonetheless, management does not believe the new rule will have a material impact on AFG’s results of operations.

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

Investments

AFG recorded second quarter 2017 net realized gains on securities of \$5 million after tax and after deferred acquisition costs (DAC), compared to net realized losses on securities of \$10 million in the comparable 2016 period. Unrealized gains on fixed maturities were \$481 million after tax and after DAC at June 30, 2017, an increase of \$175 million since year-end. 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 six months ended June 30, 2017, P&C net investment income was approximately 6% 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.

Loss on Retirement of Debt

On June 26, 2017, AFG redeemed all \$230 million principal amount of its outstanding 6.375% Senior Notes due June 2042, at 100% of principal plus accrued and unpaid interest. The redemption resulted in after-tax expenses of \$5 million (\$0.05 per share) related to unamortized debt issue costs.

On July 20, 2017, AFG provided notice of redemption of all of the outstanding 5.75% Senior Notes due August 2042. The 5.75% Senior Notes, which have an outstanding principal balance of \$125 million, will be redeemed on August 25, 2017, at 100% of principal plus accrued and unpaid interest, if any, to the redemption date. It is expected that the early redemption of the 5.75% Senior Notes will result in after-tax expenses of \$2 million (\$0.02 per share) related to unamortized debt issue costs during the third quarter of 2017.

The redemptions of the 6.375% and 5.75% Senior Notes are financed, in part, by the \$345 million of net proceeds from the May 2017 offering of \$350 million of 4.50% Senior Notes due June 15, 2047. It is expected that the redemption of the 6.375% and 5.75% Senior Notes and the issuance of the 4.50% Senior Notes will result in annual pretax interest savings to AFG of \$6 million (\$0.04 per share after-tax), beginning in 2018.

About American Financial Group, Inc.

American Financial Group is an insurance holding company, based in Cincinnati, Ohio with assets over \$55 billion. Through the operations of Great American Insurance Group, AFG is engaged primarily in property and casualty insurance, focusing on specialized commercial products for businesses, and in the sale of fixed and fixed-indexed annuities in the retail, financial institutions and education markets. Great American Insurance Group's roots go back to 1872 with the founding of its flagship company, Great American Insurance Company.

Forward Looking Statements

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

Actual results and/or financial condition could differ materially from those contained in or implied by such forward-looking statements for a variety of reasons including, but not limited to: changes in financial, political and economic conditions, including changes in interest and inflation rates, currency fluctuations and extended economic recessions or expansions in the U.S. and/or abroad; performance of securities markets; new legislation or declines in credit quality or credit ratings that could have a material impact on the valuation of securities in AFG's investment portfolio; the availability of capital; regulatory actions (including changes in statutory accounting rules); changes in the legal environment affecting AFG or its customers; tax law and accounting changes; levels of natural catastrophes and severe weather, terrorist activities (including any nuclear, biological, chemical or radiological events), incidents of war or losses resulting from civil unrest and other major losses; development of insurance loss reserves and establishment of other reserves, particularly with respect to amounts associated with asbestos and environmental claims; availability of reinsurance and ability of reinsurers to pay their obligations; trends in persistency and mortality; competitive pressures; the ability to obtain adequate rates and policy terms; changes in AFG's credit ratings or the financial strength ratings assigned by major ratings agencies to AFG's operating subsidiaries; the impact of the conditions in the international financial markets and the global economy (including those associated with the United Kingdom's expected withdrawal from the European Union, or "Brexit") relating to AFG's international operations; and other factors identified in AFG's filings with the Securities and Exchange Commission.

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

Conference Call

The Company will hold a conference call to discuss 2017 second quarter results at 11:30 a.m. (ET) tomorrow, Wednesday, August 2, 2017. Toll-free telephone access will be available by dialing 1-877-459-8719 (international dial-in 424-276-6843). The conference ID for the live call is 51157158. 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 August 9, 2017. To listen to the replay, dial 1-855-859-2056 (international dial-in 404-537-3406) and provide the conference ID 51157158.

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

The archived webcast will be available immediately after the call via the same link on the **Investor Relations** page until August 9, 2017 at 11:59 p.m. (ET). An archived audio MP3 file will be available within 24 hours of the call.

Contact:

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Websites:

www.AFGinc.com
www.GreatAmericanInsuranceGroup.com

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(Financial summaries follow)

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

AFG17-14

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

	Three months ended		Six months ended	
	June 30,	2016	June 30,	2016
	2017		2017	
Revenues				
P&C insurance net earned premiums	\$1,065	\$ 1,027	\$2,087	\$2,025
Life, accident & health net earned premiums	5	6	11	12
Net investment income	460	423	895	834
Realized gains (losses) on:				
Securities	8	(16)	11	(34)
Subsidiaries	—	2	—	2
Income (loss) of managed investment entities:				
Investment income	50	48	101	93
Gain (loss) on change in fair value of assets/liabilities	11	11	11	(2)
Other income	47	80	106	126
Total revenues	<u>1,646</u>	<u>1,581</u>	<u>3,222</u>	<u>3,056</u>
Costs and expenses				
P&C insurance losses & expenses	1,001	1,035	1,949	1,950
Annuity, life, accident & health benefits & expenses	278	274	536	546
Interest charges on borrowed money	23	19	44	37
Expenses of managed investment entities	51	36	92	71
Other expenses	88	81	173	160
Total costs and expenses	<u>1,441</u>	<u>1,445</u>	<u>2,794</u>	<u>2,764</u>
Earnings before income taxes	205	136	428	292
Provision for income taxes(b)	60	73	128	125
Net earnings including noncontrolling interests	145	63	300	167
Less: Net earnings attributable to noncontrolling interests	—	9	2	12
Net earnings attributable to shareholders	<u>\$ 145</u>	<u>\$ 54</u>	<u>\$ 298</u>	<u>\$ 155</u>
Diluted Earnings per Common Share	<u>\$ 1.61</u>	<u>\$ 0.62</u>	<u>\$ 3.32</u>	<u>\$ 1.76</u>
Average number of diluted shares	89.8	88.4	89.6	88.4

	June 30,	December 31,
	2017	2016
Selected Balance Sheet Data:		
Total cash and investments	\$44,779	\$ 41,433
Long-term debt	\$ 1,405	\$ 1,283
Shareholders' equity(c)	\$ 5,312	\$ 4,916
Shareholders' equity (excluding unrealized gains/losses related to fixed maturities)(c)	\$ 4,837	\$ 4,617
Book Value Per Share	\$ 60.36	\$ 56.55
Book Value Per Share (excluding unrealized gains/losses related to fixed maturities)	\$ 54.97	\$ 53.11
Common Shares Outstanding	88.0	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 June 30,		Pct. Change	Six months ended June 30,		Pct. Change									
	2017	2016		2017	2016										
Gross written premiums	<u>\$1,503</u>	<u>\$1,398</u>	8%	<u>\$2,827</u>	<u>\$2,641</u>	7%									
Net written premiums	<u>\$1,130</u>	<u>\$1,056</u>	7%	<u>\$2,157</u>	<u>\$2,035</u>	6%									
Ratios (GAAP):															
Loss & LAE ratio	59.5%	61.2%		59.5%	59.8%										
Underwriting expense ratio	33.7%	32.7%		33.2%	32.9%										
Specialty Combined Ratio	93.2%	93.9%		92.7%	92.7%										
Combined Ratio – P&C Segment	93.4%	100.3%		92.8%	95.9%										
Supplemental Information:(d)															
Gross Written Premiums:															
Property & Transportation	\$ 573	\$ 538	7%	\$ 989	\$ 936	6%									
Specialty Casualty	756	688	10%	1,500	1,386	8%									
Specialty Financial	174	172	1%	338	319	6%									
	<u>\$1,503</u>	<u>\$1,398</u>	8%	<u>\$2,827</u>	<u>\$2,641</u>	7%									
Net Written Premiums:															
Property & Transportation	\$ 393	\$ 382	3%	\$ 717	\$ 693	3%									
Specialty Casualty	561	503	12%	1,101	1,022	8%									
Specialty Financial	149	144	3%	290	269	8%									
Other	27	27	—	49	51	(4%)									
	<u>\$1,130</u>	<u>\$1,056</u>	7%	<u>\$2,157</u>	<u>\$2,035</u>	6%									
Combined Ratio (GAAP):															
Property & Transportation	94.2%	95.9%		90.7%	93.4%										
Specialty Casualty	94.7%	95.3%		95.8%	94.8%										
Specialty Financial	84.4%	84.4%		84.8%	83.5%										
Aggregate Specialty Group	93.2%	93.9%		92.7%	92.7%										
<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"></div> <div style="width: 45%; text-align: center;"> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="2" style="text-align: center;">Three months ended June 30,</th> <th colspan="2" style="text-align: center;">Six months ended June 30,</th> </tr> <tr> <th style="text-align: center;">2017</th> <th style="text-align: center;">2016</th> <th style="text-align: center;">2017</th> <th style="text-align: center;">2016</th> </tr> </thead> </table> </div> </div>								Three months ended June 30,		Six months ended June 30,		2017	2016	2017	2016
	Three months ended June 30,		Six months ended June 30,												
	2017	2016	2017	2016											
Reserve Development (Favorable)/Adverse:															
Property & Transportation			\$ (11)	\$ (12)	\$ (28)	\$ (29)									
Specialty Casualty			(5)	(10)	(11)	(14)									
Specialty Financial			(8)	(7)	(17)	(11)									
Other Specialty			1	(1)	4	(3)									
Specialty Group Excluding Neon Charge			(23)	(30)	(52)	(57)									
Neon Exited Lines Charge and Other			1	58	2	57									
Total Reserve Development			<u>\$ (22)</u>	<u>\$ 28</u>	<u>\$ (50)</u>	<u>\$ —</u>									
Points on Combined Ratio:															
Property & Transportation			(3.1)	(3.2)	(4.0)	(4.1)									
Specialty Casualty			(0.9)	(2.0)	(1.0)	(1.4)									
Specialty Financial			(5.4)	(4.6)	(5.8)	(4.0)									
Aggregate Specialty Group			(2.2)	(2.9)	(2.5)	(2.8)									
Total P&C Segment			(2.0)	2.7	(2.4)	0.1									

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		Pct. Change	Six months ended		Pct. Change
	June 30,			June 30,		
	2017	2016		2017	2016	
<u>Annuity Premiums:</u>						
Financial Institutions	\$ 715	\$ 607	18%	\$1,464	\$1,260	16%
Retail	496	435	14%	985	1,001	(2%)
Education Market	47	45	4%	92	102	(10%)
Variable Annuities	8	11	(27%)	15	20	(25%)
Total Annuity Premiums	<u>\$1,266</u>	<u>\$ 1,098</u>	15%	<u>\$2,556</u>	<u>\$2,383</u>	7%

Components of Operating Earnings Before Income Taxes

	Three months ended		Pct. Change	Six months ended		Pct. Change
	June 30,			June 30,		
	2017	2016		2017	2016	
Revenues:						
Net investment income	\$ 360	\$ 344	5%	\$ 707	\$ 659	7%
Other income	26	24	8%	53	50	6%
Total revenues	<u>386</u>	<u>368</u>	5%	<u>760</u>	<u>709</u>	7%
Costs and Expenses:						
Annuity benefits	224	223	—	420	451	(7%)
Acquisition expenses	47	40	18%	99	74	34%
Other expenses	30	29	3%	60	55	9%
Total costs and expenses	<u>301</u>	<u>292</u>	3%	<u>579</u>	<u>580</u>	—
Operating earnings before income taxes	<u>\$ 85</u>	<u>\$ 76</u>	12%	<u>\$ 181</u>	<u>\$ 129</u>	40%

Supplemental Annuity Information

	Three months ended		Pct. Change	Six months ended		Pct. Change
	June 30,			June 30,		
	2017	2016		2017	2016	
Operating earnings before impact of fair value accounting on FIAs	\$ 101	\$ 102	(1%)	\$ 199	\$ 186	7%
Impact of fair value accounting	(16)	(26)	nm	(18)	(57)	nm
Operating earnings before income taxes	<u>\$ 85</u>	<u>\$ 76</u>	12%	<u>\$ 181</u>	<u>\$ 129</u>	40%
Average fixed annuity reserves*	\$31,212	\$27,861	12%	\$30,698	\$27,398	12%
Net interest spread*	2.61%	2.84%		2.59%	2.69%	
Net spread earned before impact of fair value accounting*	1.32%	1.45%		1.31%	1.33%	
Net spread earned after impact of fair value accounting*	1.11%	1.08%		1.19%	0.91%	

* 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 June 30,		Six months ended June 30,	
	2017	2016	2017	2016
<u>Core Operating Earnings before Income Taxes:</u>				
P&C insurance segment	\$ 163	\$ 139	\$ 332	\$ 297
Annuity segment, before impact of fair value accounting	101	102	199	186
Impact of fair value accounting	(16)	(26)	(18)	(57)
Run-off long-term care and life segment	2	—	2	(1)
Interest and other corporate expenses	(46)	(38)	(93)	(78)
Core operating earnings before income taxes	204	177	422	347
Related income taxes	59	64	126	123
Core net operating earnings	<u>\$ 145</u>	<u>\$ 113</u>	<u>\$ 296</u>	<u>\$ 224</u>

b) Excluding the significant tax benefit related to stock-based compensation, AFG's effective tax rate for the quarter and six months ended June 30, 2017 was 32% and 33%, respectively. Excluding the impact of the Neon Exited Lines Charge that was reported in the second quarter of 2016, AFG's effective tax rate for the quarter and six months ended June 30, 2016 was 36% 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 June 30, 2017 includes \$481 million (\$5.46 per share) in unrealized after-tax gains on fixed maturities and \$6 million (\$0.07 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 - Second Quarter 2017

August 1, 2017

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

American Financial Group, Inc.
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American Financial Group, Inc.

Financial Highlights

(in millions, except per share information)

	Three Months Ended				Six Months Ended		
	06/30/17	03/31/17	12/31/16	09/30/16	06/30/16	06/30/17	06/30/16
Highlights							
Net earnings	\$ 145	\$ 153	\$ 385	\$ 109	\$ 54	\$ 298	\$ 155
Core net operating earnings	145	151	176	134	113	296	224
Total assets	58,618	57,464	55,072	54,845	52,733	58,618	52,733
Adjusted shareholders' equity (a)	4,837	4,815	4,617	4,487	4,356	4,837	4,356
Property and Casualty net written premiums	1,130	1,027	1,083	1,268	1,056	2,157	2,035
Annuity statutory premiums	1,266	1,290	1,111	941	1,098	2,556	2,383
Per share data							
Diluted earnings per share	\$ 1.61	\$ 1.72	\$ 4.33	\$ 1.23	\$ 0.62	\$ 3.32	\$ 1.76
Core net operating earnings per share	1.61	1.69	1.98	1.51	1.28	3.29	2.53
Adjusted book value per share (a)	54.97	54.98	53.11	51.68	50.16	54.97	50.16
Cash dividends per common share	1.8125	0.3125	1.3125	0.2800	0.2800	2.1250	0.5600
Financial ratios							
Annualized return on equity (b)	12.3%	13.3%	34.4%	9.9%	5.1%	12.8%	7.2%
Annualized core operating return on equity (b)	12.3%	13.1%	15.7%	12.2%	10.5%	12.7%	10.4%
Property and Casualty combined ratio - Specialty:							
Loss & LAE ratio	59.5%	59.5%	63.7%	62.9%	61.2%	59.5%	59.8%
Underwriting expense ratio	33.7%	32.7%	26.7%	30.3%	32.7%	33.2%	32.9%
Combined ratio - Specialty	93.2%	92.2%	90.4%	93.2%	93.9%	92.7%	92.7%
Net spread on fixed annuities:							
Net interest spread	2.61%	2.58%	2.70%	2.85%	2.84%	2.59%	2.69%
Net spread earned:							
Before impact of fair value accounting	1.32%	1.31%	1.42%	1.46%	1.45%	1.31%	1.33%
Impact of fair value accounting (c)	(0.21%)	(0.03%)	0.40%	0.01%	(0.37%)	(0.12%)	(0.42%)
After impact of fair value accounting	1.11%	1.28%	1.82%	1.47%	1.08%	1.19%	0.91%

(a) Excludes unrealized gains related to fixed maturity investments, a reconciliation to the GAAP measure is on page 18.

(b) Excludes accumulated other comprehensive income.

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

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

	Three Months Ended					Six Months Ended	
	06/30/17	03/31/17	12/31/16	09/30/16	06/30/16	06/30/17	06/30/16
Property and Casualty Insurance							
Underwriting profit	\$ 72	\$ 78	\$ 110	\$ 78	\$ 62	\$ 150	\$ 149
Net investment income	96	86	85	93	89	182	172
Other income (expense)	(5)	5	(15)	(18)	(12)	—	(24)
Property and Casualty Insurance operating earnings	163	169	180	153	139	332	297
Annuity earnings	85	96	132	107	76	181	129
Run-off Long-Term Care and Life earnings	2	—	2	1	—	2	(1)
Interest expense of parent holding companies	(23)	(21)	(21)	(19)	(19)	(44)	(37)
Other expense	(23)	(26)	(29)	(29)	(19)	(49)	(41)
Pre-tax core operating earnings	204	218	264	213	177	422	347
Income tax expense	59	67	88	79	64	126	123
Core net operating earnings	145	151	176	134	113	296	224
Non-core items, net of tax:							
Realized gains (losses) on securities	5	2	32	1	(10)	7	(20)
Realized gain (loss) on sale of subsidiaries	—	—	—	—	1	—	1
Gain on sale of hotel and apartment properties	—	—	—	—	15	—	15
Special A&E charges:							
Property and Casualty Insurance run-off operations	—	—	—	(23)	—	—	—
Former Railroad and Manufacturing operations	—	—	—	(3)	—	—	—
Neon exited lines charge	—	—	—	—	(65)	—	(65)
Tax benefit related to National Interstate merger	—	—	66	—	—	—	—
Tax benefit related to Neon restructuring	—	—	111	—	—	—	—
Loss on retirement of debt	(5)	—	—	—	—	(5)	—
Net earnings	\$ 145	\$ 153	\$ 385	\$ 109	\$ 54	\$ 298	\$ 155

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

	Three Months Ended					Six Months Ended	
	06/30/17	03/31/17	12/31/16	09/30/16	06/30/16	06/30/17	06/30/16
Core net operating earnings	<u>\$ 145</u>	<u>\$ 151</u>	<u>\$ 176</u>	<u>\$ 134</u>	<u>\$ 113</u>	<u>\$ 296</u>	<u>\$ 224</u>
Net earnings	<u>\$ 145</u>	<u>\$ 153</u>	<u>\$ 385</u>	<u>\$ 109</u>	<u>\$ 54</u>	<u>\$ 298</u>	<u>\$ 155</u>
Average number of diluted shares	89.799	89.342	88.774	88.461	88.390	89.572	88.443
<u>Diluted earnings per share:</u>							
Core net operating earnings per share	<u>\$ 1.61</u>	<u>\$ 1.69</u>	<u>\$ 1.98</u>	<u>\$ 1.51</u>	<u>\$ 1.28</u>	<u>\$ 3.29</u>	<u>\$ 2.53</u>
Realized gains (losses) on securities	0.05	0.03	0.36	0.02	(0.11)	0.08	(0.22)
Realized gain (loss) on sale of subsidiaries	—	—	—	—	0.01	—	0.01
Gain on sale of hotel and apartment properties	—	—	—	—	0.17	—	0.17
<u>Special A&E charges:</u>							
Property and Casualty Insurance run-off operations	—	—	—	(0.26)	—	—	—
Former Railroad and Manufacturing operations	—	—	—	(0.04)	—	—	—
Neon exited lines charge	—	—	—	—	(0.73)	—	(0.73)
Tax benefit related to National Interstate merger	—	—	0.74	—	—	—	—
Tax benefit related to Neon restructuring	—	—	1.25	—	—	—	—
Loss on retirement of debt	(0.05)	—	—	—	—	(0.05)	—
Diluted earnings per share	<u>\$ 1.61</u>	<u>\$ 1.72</u>	<u>\$ 4.33</u>	<u>\$ 1.23</u>	<u>\$ 0.62</u>	<u>\$ 3.32</u>	<u>\$ 1.76</u>

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

	Three Months Ended					Six Months Ended	
	06/30/17	03/31/17	12/31/16	09/30/16	06/30/16	06/30/17	06/30/16
Property and Transportation	\$ 21	\$ 43	\$ 75	\$ 44	\$ 15	\$ 64	\$ 47
Specialty Casualty	29	15	13	13	23	44	52
Specialty Financial	23	22	20	19	22	45	45
Other Specialty	—	(1)	2	2	3	(1)	5
Underwriting profit - Specialty	73	79	110	78	63	152	149
Other core charges, included in loss and LAE	1	1	—	—	1	2	—
Underwriting profit - Core	72	78	110	78	62	150	149
Special A&E charges, included in loss and LAE	—	—	—	(36)	—	—	—
Neon exited lines charge, included in loss and LAE	—	—	—	—	(57)	—	(57)
Neon exited lines charge, included in underwriting expenses	—	—	—	—	(8)	—	(8)
Underwriting profit (loss) - Property and Casualty Insurance	\$ 72	\$ 78	\$ 110	\$ 42	\$ (3)	\$ 150	\$ 84
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	18	7	12	14	21	25	29
Total current accident year catastrophe losses	\$ 18	\$ 7	\$ 12	\$ 14	\$ 21	\$ 25	\$ 29
Prior year loss reserve development (favorable) / adverse	\$ (22)	\$ (28)	\$ 10	\$ 22	\$ 28	\$ (50)	\$ —
Combined ratio:							
Property and Transportation	94.2%	87.3%	83.9%	91.1%	95.9%	90.7%	93.4%
Specialty Casualty	94.7%	97.0%	97.4%	97.4%	95.3%	95.8%	94.8%
Specialty Financial	84.4%	85.0%	86.0%	86.4%	84.4%	84.8%	83.5%
Other Specialty	98.3%	105.8%	94.9%	91.5%	89.2%	102.0%	89.4%
Combined ratio - Specialty	93.2%	92.2%	90.4%	93.2%	93.9%	92.7%	92.7%
Other core charges	0.2%	0.1%	0.0%	0.1%	0.1%	0.1%	0.0%
Neon exited lines charge, loss and LAE	0.0%	0.0%	0.0%	0.0%	5.5%	0.0%	2.8%
Neon exited lines charge, underwriting expenses	0.0%	0.0%	0.0%	0.0%	0.8%	0.0%	0.4%
Special A&E charges	0.0%	0.0%	0.0%	3.0%	0.0%	0.0%	0.0%
Combined ratio	93.4%	92.3%	90.4%	96.3%	100.3%	92.8%	95.9%
Combined ratio excl. catastrophe and prior year development	93.7%	94.3%	88.4%	93.1%	94.8%	94.0%	94.1%
Loss and LAE components - property and casualty insurance							
Current accident year, excluding catastrophe loss	60.0%	61.6%	61.7%	62.8%	62.1%	60.8%	61.2%
Prior accident year loss reserve development	(2.0%)	(2.7%)	0.9%	2.0%	2.7%	(2.4%)	0.1%
Current accident year catastrophe loss	1.7%	0.7%	1.1%	1.2%	2.0%	1.2%	1.4%
Loss and LAE ratio	59.7%	59.6%	63.7%	66.0%	66.8%	59.6%	62.7%

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

	Three Months Ended					Six Months Ended	
	06/30/17	03/31/17	12/31/16	09/30/16	06/30/16	06/30/17	06/30/16
Gross written premiums	\$ 1,503	\$ 1,324	\$ 1,441	\$ 1,899	\$ 1,398	\$ 2,827	\$ 2,641
Ceded reinsurance premiums	(373)	(297)	(358)	(631)	(342)	(670)	(606)
Net written premiums	1,130	1,027	1,083	1,268	1,056	2,157	2,035
Change in unearned premiums	(65)	(5)	61	(109)	(29)	(70)	(10)
Net earned premiums	1,065	1,022	1,144	1,159	1,027	2,087	2,025
Loss and LAE	634	608	729	729	629	1,242	1,211
Underwriting expense	358	335	305	352	335	693	665
Underwriting profit	\$ 73	\$ 79	\$ 110	\$ 78	\$ 63	\$ 152	\$ 149
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	18	7	12	14	21	25	29
Total current accident year catastrophe losses	\$ 18	\$ 7	\$ 12	\$ 14	\$ 21	\$ 25	\$ 29
Prior year loss reserve development (favorable) / adverse	\$ (23)	\$ (29)	\$ 10	\$ (14)	\$ (30)	\$ (52)	\$ (57)
Combined ratio:							
Loss and LAE ratio	59.5%	59.5%	63.7%	62.9%	61.2%	59.5%	59.8%
Underwriting expense ratio	33.7%	32.7%	26.7%	30.3%	32.7%	33.2%	32.9%
Combined ratio	93.2%	92.2%	90.4%	93.2%	93.9%	92.7%	92.7%
Combined ratio excl. catastrophe and prior year development	93.7%	94.3%	88.4%	93.1%	94.8%	94.0%	94.1%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	60.0%	61.6%	61.7%	62.8%	62.1%	60.8%	61.2%
Prior accident year loss reserve development	(2.2%)	(2.8%)	0.9%	(1.1%)	(2.9%)	(2.5%)	(2.8%)
Current accident year catastrophe loss	1.7%	0.7%	1.1%	1.2%	2.0%	1.2%	1.4%
Loss and LAE ratio	59.5%	59.5%	63.7%	62.9%	61.2%	59.5%	59.8%

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

	Three Months Ended					Six Months Ended	
	06/30/17	03/31/17	12/31/16	09/30/16	06/30/16	06/30/17	06/30/16
Gross written premiums	\$ 573	\$ 416	\$ 577	\$ 991	\$ 538	\$ 989	\$ 936
Ceded reinsurance premiums	(180)	(92)	(183)	(406)	(156)	(272)	(243)
Net written premiums	393	324	394	585	382	717	693
Change in unearned premiums	(36)	18	71	(92)	(17)	(18)	11
Net earned premiums	357	342	465	493	365	699	704
Loss and LAE	232	208	319	339	245	440	456
Underwriting expense	104	91	71	110	105	195	201
Underwriting profit	\$ 21	\$ 43	\$ 75	\$ 44	\$ 15	\$ 64	\$ 47
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	11	5	6	7	12	16	18
Total current accident year catastrophe losses	\$ 11	\$ 5	\$ 6	\$ 7	\$ 12	\$ 16	\$ 18
Prior year loss reserve development (favorable) / adverse	\$ (11)	\$ (17)	\$ 13	\$ (5)	\$ (12)	\$ (28)	\$ (29)
Combined ratio:							
Loss and LAE ratio	64.9%	60.8%	68.6%	68.8%	67.0%	62.8%	64.7%
Underwriting expense ratio	29.3%	26.5%	15.3%	22.3%	28.9%	27.9%	28.7%
Combined ratio	94.2%	87.3%	83.9%	91.1%	95.9%	90.7%	93.4%
Combined ratio excl. catastrophe and prior year development	94.3%	90.7%	79.7%	90.7%	95.8%	92.5%	95.0%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	65.0%	64.2%	64.4%	68.4%	66.9%	64.6%	66.3%
Prior accident year loss reserve development	(3.1%)	(4.8%)	3.0%	(1.2%)	(3.2%)	(4.0%)	(4.1%)
Current accident year catastrophe loss	3.0%	1.4%	1.2%	1.6%	3.3%	2.2%	2.5%
Loss and LAE ratio	64.9%	60.8%	68.6%	68.8%	67.0%	62.8%	64.7%

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

	Three Months Ended					Six Months Ended	
	06/30/17	03/31/17	12/31/16	09/30/16	06/30/16	06/30/17	06/30/16
Gross written premiums	\$ 756	\$ 744	\$ 684	\$ 722	\$ 688	\$ 1,500	\$ 1,386
Ceded reinsurance premiums	(195)	(204)	(174)	(218)	(185)	(399)	(364)
Net written premiums	561	540	510	504	503	1,101	1,022
Change in unearned premiums	(24)	(32)	—	(7)	(6)	(56)	(23)
Net earned premiums	537	508	510	497	497	1,045	999
Loss and LAE	339	331	348	330	329	670	642
Underwriting expense	169	162	149	154	145	331	305
Underwriting profit	\$ 29	\$ 15	\$ 13	\$ 13	\$ 23	\$ 44	\$ 52
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	2	1	4	2	3	3	4
Total current accident year catastrophe losses	\$ 2	\$ 1	\$ 4	\$ 2	\$ 3	\$ 3	\$ 4
Prior year loss reserve development (favorable) / adverse	\$ (5)	\$ (6)	\$ 3	\$ (2)	\$ (10)	\$ (11)	\$ (14)
Combined ratio:							
Loss and LAE ratio	63.1%	65.2%	68.2%	66.5%	66.1%	64.1%	64.2%
Underwriting expense ratio	31.6%	31.8%	29.2%	30.9%	29.2%	31.7%	30.6%
Combined ratio	94.7%	97.0%	97.4%	97.4%	95.3%	95.8%	94.8%
Combined ratio excl. catastrophe and prior year development	95.2%	97.9%	96.1%	97.4%	96.6%	96.5%	95.8%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	63.6%	66.1%	66.9%	66.5%	67.4%	64.8%	65.2%
Prior accident year loss reserve development	(0.9%)	(1.1%)	0.5%	(0.3%)	(2.0%)	(1.0%)	(1.4%)
Current accident year catastrophe loss	0.4%	0.2%	0.8%	0.3%	0.7%	0.3%	0.4%
Loss and LAE ratio	63.1%	65.2%	68.2%	66.5%	66.1%	64.1%	64.2%

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

	Three Months Ended					Six Months Ended	
	06/30/17	03/31/17	12/31/16	09/30/16	06/30/16	06/30/17	06/30/16
Gross written premiums	\$ 174	\$ 164	\$ 180	\$ 186	\$ 172	\$ 338	\$ 319
Ceded reinsurance premiums	(25)	(23)	(26)	(37)	(28)	(48)	(50)
Net written premiums	149	141	154	149	144	290	269
Change in unearned premiums	(3)	6	(13)	(4)	(5)	3	2
Net earned premiums	146	147	141	145	139	293	271
Loss and LAE	49	52	46	45	42	101	87
Underwriting expense	74	73	75	81	75	147	139
Underwriting profit	\$ 23	\$ 22	\$ 20	\$ 19	\$ 22	\$ 45	\$ 45
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	5	1	2	5	3	6	4
Total current accident year catastrophe losses	\$ 5	\$ 1	\$ 2	\$ 5	\$ 3	\$ 6	\$ 4
Prior year loss reserve development (favorable) / adverse	\$ (8)	\$ (9)	\$ (6)	\$ (6)	\$ (7)	\$ (17)	\$ (11)
Combined ratio:							
Loss and LAE ratio	33.1%	35.6%	32.4%	31.6%	30.1%	34.4%	32.0%
Underwriting expense ratio	51.3%	49.4%	53.6%	54.8%	54.3%	50.4%	51.5%
Combined ratio	84.4%	85.0%	86.0%	86.4%	84.4%	84.8%	83.5%
Combined ratio excl. catastrophe and prior year development	86.5%	90.6%	88.8%	87.0%	87.0%	88.6%	85.9%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	35.2%	41.2%	35.2%	32.2%	32.7%	38.2%	34.4%
Prior accident year loss reserve development	(5.4%)	(6.4%)	(4.5%)	(3.9%)	(4.6%)	(5.8%)	(4.0%)
Current accident year catastrophe loss	3.3%	0.8%	1.7%	3.3%	2.0%	2.0%	1.6%
Loss and LAE ratio	33.1%	35.6%	32.4%	31.6%	30.1%	34.4%	32.0%

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

	Three Months Ended					Six Months Ended	
	06/30/17	03/31/17	12/31/16	09/30/16	06/30/16	06/30/17	06/30/16
Gross written premiums	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Ceded reinsurance premiums	27	22	25	30	27	49	51
Net written premiums	27	22	25	30	27	49	51
Change in unearned premiums	(2)	3	3	(6)	(1)	1	—
Net earned premiums	25	25	28	24	26	50	51
Loss and LAE	14	17	16	15	13	31	26
Underwriting expense	11	9	10	7	10	20	20
Underwriting profit	\$ —	\$ (1)	\$ 2	\$ 2	\$ 3	\$ (1)	\$ 5
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	—	—	—	—	3	—	3
Total current accident year catastrophe losses	\$ —	\$ —	\$ —	\$ —	\$ 3	\$ —	\$ 3
Prior year loss reserve development (favorable) / adverse	\$ 1	\$ 3	\$ —	\$ (1)	\$ (1)	\$ 4	\$ (3)
Combined ratio:							
Loss and LAE ratio	62.0%	68.0%	59.5%	55.2%	52.5%	64.9%	52.3%
Underwriting expense ratio	36.3%	37.8%	35.4%	36.3%	36.7%	37.1%	37.1%
Combined ratio	98.3%	105.8%	94.9%	91.5%	89.2%	102.0%	89.4%
Combined ratio excl. catastrophe and prior year development	93.5%	93.4%	93.7%	95.1%	86.4%	93.5%	91.1%

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

	Three Months Ended					Six Months Ended	
	06/30/17	03/31/17	12/31/16	09/30/16	06/30/16	06/30/17	06/30/16
Net investment income	\$ 360	\$ 347	\$ 346	\$ 351	\$ 344	\$ 707	\$ 659
Guaranteed withdrawal benefit fees	14	14	14	14	13	28	25
Policy charges and other miscellaneous income	12	13	13	12	11	25	25
Total revenues	386	374	373	377	368	760	709
Annuity benefits expense	224	196	160	189	223	420	451
Acquisition expenses	47	52	54	53	40	99	74
Other expenses	30	30	27	28	29	60	55
Total costs and expenses	301	278	241	270	292	579	580
Annuity earnings before income taxes	\$ 85	\$ 96	\$ 132	\$ 107	\$ 76	\$ 181	\$ 129
Detail of Annuity earnings before income taxes							
Earnings before income taxes and impact of fair value accounting	\$ 101	\$ 98	\$ 103	\$ 106	\$ 102	\$ 199	\$ 186
Impact of fair value accounting (a)	(16)	(2)	29	1	(26)	(18)	(57)
Annuity earnings before income taxes	\$ 85	\$ 96	\$ 132	\$ 107	\$ 76	\$ 181	\$ 129

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

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

	Three Months Ended					Six Months Ended	
	06/30/17	03/31/17	12/31/16	09/30/16	06/30/16	06/30/17	06/30/16
Detail of annuity benefits expense:							
Interest credited - fixed	\$ 157	\$ 152	\$ 148	\$ 145	\$ 142	\$ 309	\$ 281
Interest credited - fixed component of variable annuities	2	1	1	1	2	3	3
Change in expected death and annuitization reserve	4	4	4	5	4	8	9
Amortization of sales inducements	4	6	7	6	6	10	11
Guaranteed withdrawal benefit reserve	17	16	20	18	15	33	31
Change in other benefit reserves	9	11	11	10	8	20	13
Unlockings (a)	—	—	23	—	—	—	—
Subtotal before impact of fair value accounting	193	190	214	185	177	383	348
Embedded derivative mark-to-market (b)	112	147	6	109	62	259	79
Equity option mark-to-market	(81)	(141)	(60)	(105)	(16)	(222)	24
Subtotal impact of fair value accounting	31	6	(54)	4	46	37	103
Total annuity benefits expense	\$ 224	\$ 196	\$ 160	\$ 189	\$ 223	\$ 420	\$ 451

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

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

	Three Months Ended				Six Months Ended		
	06/30/17	03/31/17	12/31/16	09/30/16	06/30/16	06/30/16	
Average fixed annuity investments (at amortized cost)	\$30,988	\$30,055	\$29,192	\$28,548	\$27,964	\$30,522	\$27,575
Average annuity benefits accumulated	31,212	30,183	29,250	28,538	27,861	30,698	27,398
Investments in excess of annuity benefits accumulated	\$ (224)	\$ (128)	\$ (58)	\$ 10	\$ 103	\$ (176)	\$ 177
As % of average annuity benefits accumulated (except as noted)							
Net investment income (as % of investments)	4.62%	4.59%	4.72%	4.88%	4.88%	4.60%	4.74%
Interest credited	(2.01%)	(2.01%)	(2.02%)	(2.03%)	(2.04%)	(2.01%)	(2.05%)
Net interest spread on fixed annuities	2.61%	2.58%	2.70%	2.85%	2.84%	2.59%	2.69%
Policy charges and other miscellaneous income	0.12%	0.14%	0.15%	0.14%	0.13%	0.13%	0.15%
Other annuity benefit expenses, net	(0.27%)	(0.31%)	(0.38%)	(0.36%)	(0.30%)	(0.29%)	(0.28%)
Acquisition expenses	(0.58%)	(0.67%)	(1.06%)	(0.72%)	(0.55%)	(0.62%)	(0.51%)
Other expenses	(0.38%)	(0.38%)	(0.35%)	(0.39%)	(0.38%)	(0.38%)	(0.38%)
Change in fair value of derivatives	(0.39%)	(0.08%)	0.73%	(0.05%)	(0.66%)	(0.24%)	(0.76%)
Unlockings	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%
Net spread earned on fixed annuities	1.11%	1.28%	1.82%	1.47%	1.08%	1.19%	0.91%
Average annuity benefits accumulated	\$31,212	\$30,183	\$29,250	\$28,538	\$27,861	\$30,698	\$27,398
Net spread earned on fixed annuities	1.11%	1.28%	1.82%	1.47%	1.08%	1.19%	0.91%
Earnings on fixed annuity benefits accumulated	\$ 87	\$ 96	\$ 133	\$ 105	\$ 75	\$ 183	\$ 125
Investments in excess of annuity benefits accumulated	\$ (224)	\$ (128)	\$ (58)	\$ 10	\$ 103	\$ (176)	\$ 177
Net investment income (as % of investments)	4.62%	4.59%	4.72%	4.88%	4.88%	4.60%	4.74%
Earnings on investments in excess of annuity benefits accumulated	\$ (3)	\$ (1)	\$ —	\$ —	\$ 1	\$ (4)	\$ 4
Variable annuity earnings	1	1	(1)	2	—	2	—
Earnings before income taxes - core	\$ 85	\$ 96	\$ 132	\$ 107	\$ 76	\$ 181	\$ 129
Detail of net spread earned on fixed annuities - core							
Net spread earned core - before impact of fair value accounting	1.32%	1.31%	1.42%	1.46%	1.45%	1.31%	1.33%
Change in fair value of derivatives	(0.39%)	(0.08%)	0.73%	(0.05%)	(0.66%)	(0.24%)	(0.76%)
Estimated net offsets to deferred sales inducements and deferred policy acquisition costs	0.18%	0.05%	(0.33%)	0.06%	0.29%	0.12%	0.34%
Net spread earned core - after impact of fair value accounting	1.11%	1.28%	1.82%	1.47%	1.08%	1.19%	0.91%

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

	Three Months Ended				Six Months Ended	
	06/30/17	03/31/17	12/31/16	09/30/16	06/30/16	06/30/17
Retail single premium annuities - indexed	\$ 474	\$ 469	\$ 415	\$ 340	\$ 413	\$ 943
Retail single premium annuities - fixed	22	20	22	18	22	42
Financial institutions single premium annuities - indexed	500	487	474	435	507	987
Financial institutions single premium annuities - fixed	215	262	152	97	100	477
Education market - fixed and indexed annuities	47	45	40	42	45	92
Subtotal fixed annuity premiums	1,258	1,283	1,103	932	1,087	2,541
Variable annuities	8	7	8	9	11	15
Total annuity premiums	\$1,266	\$1,290	\$ 1,111	\$ 941	\$1,098	\$2,556

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

	Three Months Ended					Six Months Ended	
	06/30/17	03/31/17	12/31/16	09/30/16	06/30/16	06/30/17	06/30/16
Beginning fixed annuity reserves	\$30,719	\$29,647	\$28,853	\$28,222	\$27,499	\$29,647	\$26,371
Premiums	1,258	1,283	1,103	932	1,087	2,541	2,363
Federal Home Loan Bank advances	—	—	—	—	—	—	150
Surrenders, benefits and other withdrawals	(571)	(539)	(524)	(586)	(596)	(1,110)	(1,079)
Interest and other annuity benefit expenses:							
Interest credited	157	152	148	145	142	309	281
Embedded derivative mark-to-market	112	147	6	109	62	259	79
Change in other benefit reserves	29	29	34	31	28	58	57
Unlockings	—	—	27	—	—	—	—
Ending fixed annuity reserves	\$31,704	\$30,719	\$29,647	\$28,853	\$28,222	\$31,704	\$28,222
Reconciliation to annuity benefits accumulated:							
Ending fixed annuity reserves	\$31,704	\$30,719	\$29,647	\$28,853	\$28,222	\$31,704	\$28,222
Impact of unrealized investment gains on reserves	128	100	76	180	188	128	188
Fixed component of variable annuities	182	183	184	189	186	182	186
Annuity benefits accumulated per balance sheet	\$32,014	\$31,002	\$29,907	\$29,222	\$28,596	\$32,014	\$28,596
Annualized surrenders and other withdrawals as a % of beginning reserves	7.4%	7.3%	7.3%	8.3%	8.7%	7.5%	8.2%

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

	<u>06/30/17</u>	<u>03/31/17</u>	<u>12/31/16</u>	<u>09/30/16</u>	<u>06/30/16</u>	<u>03/31/16</u>
Assets:						
Total cash and investments	\$44,779	\$43,350	\$41,433	\$41,805	\$40,639	\$39,437
Recoverables from reinsurers	2,839	2,735	2,737	2,814	2,576	2,561
Prepaid reinsurance premiums	587	533	539	634	521	475
Agents' balances and premiums receivable	1,124	989	997	1,029	992	936
Deferred policy acquisition costs	1,156	1,205	1,239	867	881	1,055
Assets of managed investment entities	4,873	5,331	4,765	4,312	4,410	3,906
Other receivables	923	875	908	1,391	788	693
Variable annuity assets (separate accounts)	620	614	600	606	595	595
Other assets	1,518	1,633	1,655	1,188	1,132	1,181
Goodwill	199	199	199	199	199	199
Total assets	<u>\$58,618</u>	<u>\$57,464</u>	<u>\$55,072</u>	<u>\$54,845</u>	<u>\$52,733</u>	<u>\$51,038</u>
Liabilities and Equity:						
Unpaid losses and loss adjustment expenses	\$ 8,730	\$ 8,621	\$ 8,563	\$ 8,661	\$ 8,203	\$ 8,108
Unearned premiums	2,294	2,174	2,171	2,328	2,109	2,051
Annuity benefits accumulated	32,014	31,002	29,907	29,222	28,596	27,812
Life, accident and health reserves	676	687	691	700	702	708
Payable to reinsurers	681	621	634	835	588	501
Liabilities of managed investment entities	4,685	5,101	4,549	4,067	4,192	3,656
Long-term debt	1,405	1,283	1,283	1,300	998	998
Variable annuity liabilities (separate accounts)	620	614	600	606	595	595
Other liabilities	2,201	2,166	1,755	1,768	1,557	1,672
Total liabilities	<u>\$53,306</u>	<u>\$52,269</u>	<u>\$50,153</u>	<u>\$49,487</u>	<u>\$47,540</u>	<u>\$46,101</u>
Shareholders' equity:						
Common stock	\$ 88	\$ 88	\$ 87	\$ 87	\$ 87	\$ 87
Capital surplus	1,158	1,138	1,111	1,242	1,228	1,218
Unappropriated retained earnings	3,451	3,466	3,343	3,079	3,016	3,002
Unrealized gains - equities	158	145	98	103	46	40
Unrealized gains - fixed maturities	481	384	306	669	639	426
Unrealized gains (losses) - fixed maturity-related cash flow hedges	(6)	(8)	(7)	5	5	4
Other comprehensive income, net of tax	(18)	(22)	(22)	(24)	(21)	(22)
Total shareholders' equity	<u>5,312</u>	<u>5,191</u>	<u>4,916</u>	<u>5,161</u>	<u>5,000</u>	<u>4,755</u>
Noncontrolling interests	<u>—</u>	<u>4</u>	<u>3</u>	<u>197</u>	<u>193</u>	<u>182</u>
Total liabilities and equity	<u>\$58,618</u>	<u>\$57,464</u>	<u>\$55,072</u>	<u>\$54,845</u>	<u>\$52,733</u>	<u>\$51,038</u>

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

	<u>06/30/17</u>	<u>03/31/17</u>	<u>12/31/16</u>	<u>09/30/16</u>	<u>06/30/16</u>	<u>03/31/16</u>
Shareholders' equity	\$ 5,312	\$ 5,191	\$ 4,916	\$ 5,161	\$ 5,000	\$ 4,755
Unrealized (gains) related to fixed maturities	(475)	(376)	(299)	(674)	(644)	(430)
Adjusted shareholders' equity	4,837	4,815	4,617	4,487	4,356	4,325
Goodwill	(199)	(199)	(199)	(199)	(199)	(199)
Intangibles	(30)	(32)	(34)	(44)	(46)	(47)
Tangible adjusted shareholders' equity	\$ 4,608	\$ 4,584	\$ 4,384	\$ 4,244	\$ 4,111	\$ 4,079
Common shares outstanding	88.007	87.592	86.924	86.813	86.850	86.966
Book value per share:						
Book value per share	\$ 60.36	\$ 59.26	\$ 56.55	\$ 59.45	\$ 57.57	\$ 54.67
Adjusted (a)	54.97	54.98	53.11	51.68	50.16	49.72
Tangible, adjusted (b)	52.36	52.34	50.43	48.89	47.34	46.90
Market capitalization						
AFG's closing common share price	\$ 99.37	\$ 95.42	\$ 88.12	\$ 75.00	\$ 73.93	\$ 70.37
Market capitalization	\$ 8,745	\$ 8,358	\$ 7,660	\$ 6,511	\$ 6,421	\$ 6,120
Price / Adjusted book value ratio	1.81	1.74	1.66	1.45	1.47	1.42

(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>06/30/17</u>	<u>03/31/17</u>	<u>12/31/16</u>	<u>09/30/16</u>	<u>06/30/16</u>	<u>03/31/16</u>
AFG senior obligations	\$ 1,128	\$ 1,008	\$ 1,008	\$ 1,008	\$ 708	\$ 708
Borrowings drawn under credit facility	—	—	—	—	—	—
Obligations of subsidiaries - other	—	—	—	18	12	12
Debt excluding subordinated debt	\$ 1,128	\$ 1,008	\$ 1,008	\$ 1,026	\$ 720	\$ 720
AFG subordinated debentures	300	300	300	300	300	300
Total principal amount of long-term debt	\$ 1,428	\$ 1,308	\$ 1,308	\$ 1,326	\$ 1,020	\$ 1,020
Shareholders' equity	5,312	5,191	4,916	5,161	5,000	4,755
Noncontrolling interests	—	4	3	197	193	182
Less:						
Unrealized (gains) - fixed maturity investments	(481)	(384)	(306)	(669)	(639)	(426)
Total adjusted capital	\$ 6,259	\$ 6,119	\$ 5,921	\$ 6,015	\$ 5,574	\$ 5,531
Ratio of debt to total adjusted capital:						
Including subordinated debt	22.8%	21.4%	22.1%	22.0%	18.3%	18.4%
Excluding subordinated debt	18.0%	16.5%	17.0%	17.1%	12.9%	13.0%

American Financial Group, Inc.
Additional Supplemental Information
(\$ in millions)

	<u>Three Months Ended</u>				<u>Six Months Ended</u>		
	<u>06/30/17</u>	<u>03/31/17</u>	<u>12/31/16</u>	<u>09/30/16</u>	<u>06/30/16</u>	<u>06/30/16</u>	
<u>Property and Casualty Insurance</u>							
Paid Losses (GAAP)	\$ 652	\$ 554	\$ 683	\$ 537	\$ 586	\$ 1,206	\$ 1,133
<u>Statutory Surplus</u>							
Property and Casualty Insurance		\$ 2,882	\$ 3,013	\$ 2,939	\$ 3,038	\$ 2,601	\$ 2,574
AFG's principal annuity subsidiaries (total adjusted capital)		\$ 2,389	\$ 2,341	\$ 2,234	\$ 2,216	\$ 2,089	\$ 2,032
<u>Allowable dividends without regulatory approval</u>							
Property and Casualty Insurance		\$ 496	\$ 496	\$ 496	\$ 434	\$ 434	\$ 434
Annuity and Run-off		197	197	197	375	375	375
Total		\$ 693	\$ 693	\$ 693	\$ 809	\$ 809	\$ 809

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

	Carrying Value - June 30, 2017					% of Investment Portfolio
	Property and Casualty Insurance	Annuity and Run-off	Parent and Other Non-Insurance	Consolidate CLOs	Total AFG Consolidated	
Total cash and investments:						
Cash and cash equivalents	\$ 1,024	\$ 740	\$ 443	\$ —	\$ 2,207	5%
Fixed maturities - Available for sale	7,152	30,338	14	—	37,504	84%
Fixed maturities - Trading	222	117	—	—	339	1%
Equity securities	1,050	537	53	—	1,640	4%
Policy loans	—	188	—	—	188	0%
Mortgage loans	256	928	—	—	1,184	2%
Equity index call options	—	589	—	—	589	1%
Real estate and other investments	504	766	46	(188)	1,128	3%
Total cash and investments	\$ 10,208	\$ 34,203	\$ 556	\$ (188)	\$ 44,779	100%
Unrealized gain/(loss) on equity securities	\$ 155	\$ 88	\$ —	\$ —	\$ 243	

	Carrying Value - December 31, 2016					% of Investment Portfolio
	Property and Casualty Insurance	Annuity and Run-off	Parent and Other Non-Insurance	Consolidate CLOs	Total AFG Consolidated	
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	

American Financial Group, Inc.
Net Investment Income
(\$ in millions)

	Three Months Ended					Six Months Ended	
	06/30/17	03/31/17	12/31/16	09/30/16	06/30/16	06/30/17	06/30/16
Property and Casualty Insurance:							
Gross Investment Income							
Fixed maturities - Available for sale	\$ 65	\$ 63	\$ 64	\$ 63	\$ 66	\$ 128	\$ 130
Fixed maturities - Trading	2	1	(1)	2	1	3	2
Equity securities	12	14	13	13	12	26	25
Equity in investees	11	4	7	7	2	15	8
Other investments	8	6	6	10	10	14	11
Gross investment income	98	88	89	95	91	186	176
Investment expenses	(2)	(2)	(4)	(2)	(2)	(4)	(4)
Total net investment income	\$ 96	\$ 86	\$ 85	\$ 93	\$ 89	\$ 182	\$ 172
Average cash and investments (a)	\$ 9,947	\$ 9,855	\$ 9,779	\$ 9,647	\$ 9,465	\$ 9,872	\$ 9,397
Average yield (b)	3.86%	3.49%	3.48%	3.86%	3.76%	3.69%	3.66%
Fixed Annuity:							
Gross Investment Income							
Fixed maturities - Available for sale	\$ 322	\$ 318	\$ 315	\$ 307	\$ 307	\$ 640	\$ 601
Fixed maturities - Trading	—	—	—	—	—	—	—
Equity securities	5	5	7	6	6	10	11
Equity in investees	10	6	6	9	2	16	7
Other investments	22	19	20	27	29	41	40
Gross investment income	359	348	348	349	344	707	659
Investment expenses	(2)	(3)	(4)	(1)	(2)	(5)	(5)
Total net investment income	\$ 357	\$ 345	\$ 344	\$ 348	\$ 342	\$ 702	\$ 654
Average cash and investments (a)	\$30,988	\$30,055	\$29,192	\$28,548	\$27,964	\$30,522	\$27,575
Average yield (b)	4.62%	4.59%	4.72%	4.88%	4.88%	4.60%	4.74%
AFG consolidated net investment income:							
Property & Casualty	\$ 96	\$ 86	\$ 85	\$ 93	\$ 89	\$ 182	\$ 172
Annuity and Run-off:							
Fixed Annuity	357	345	344	348	342	702	654
Variable Annuity	3	2	2	3	2	5	5
Run-off	5	5	6	5	5	10	10
Other	4	3	—	1	4	7	5
Consolidate CLOs	(5)	(6)	(8)	(17)	(19)	(11)	(12)
Total net investment income	\$ 460	\$ 435	\$ 429	\$ 433	\$ 423	\$ 895	\$ 834

- (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)

June 30, 2017	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Investment Portfolio
US Government and government agencies	\$314	\$ 314	\$ —	1%	1%
States, municipalities and political subdivisions	6,837	7,056	219	19%	16%
Foreign government	256	260	4	1%	1%
Residential mortgage-backed securities	3,254	3,567	313	9%	8%
Commercial mortgage-backed securities	1,041	1,085	44	3%	2%
Asset-backed securities	7,108	7,191	83	19%	16%
Corporate and other bonds	17,760	18,370	610	48%	41%
Total AFG consolidated	\$36,570	\$ 37,843	\$ 1,273	100%	85%

Annualized yield on available for sale fixed maturities:

Excluding investment expense (a)	4.40%
Net of investment expense (a)	4.36%

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)

	June 30, 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 States, municipalities and political subdivisions	\$ 264	\$ 264	\$ —	4%	\$ 295	\$ 295	\$ —	4%
Foreign government	2,677	2,725	48	37%	2,588	2,605	17	39%
Residential mortgage-backed securities	245	247	2	3%	245	249	4	4%
Commercial mortgage-backed securities	943	1,003	60	14%	980	1,026	46	15%
Asset-backed securities	107	110	3	1%	142	144	2	2%
Corporate and other bonds	1,640	1,648	8	22%	1,445	1,440	(5)	21%
	1,351	1,377	26	19%	976	993	17	15%
Property and Casualty Insurance	\$ 7,227	\$7,374	\$ 147	100%	\$ 6,671	\$6,752	\$ 81	100%

Annualized yield on available for sale fixed maturities:

Excluding investment expense (a)	3.75%	3.88%
Net of investment expense (a)	3.65%	3.67%
Tax equivalent, net of investment expense (b)	4.15%	4.20%

Approximate average life and duration:

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

	June 30, 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 States, municipalities and political subdivisions	\$ 49	\$ 49	\$ —	0%	\$ 52	\$ 52	\$ —	0%
Foreign government	4,160	4,331	171	14%	4,089	4,203	114	15%
Residential mortgage-backed securities	11	13	2	0%	11	12	1	0%
Commercial mortgage-backed securities	2,310	2,551	241	9%	2,390	2,601	211	9%
Asset-backed securities	934	975	41	3%	1,304	1,349	45	5%
Corporate and other bonds	5,468	5,543	75	18%	4,517	4,519	2	16%
	16,409	16,993	584	56%	15,058	15,402	344	55%
Total Annuity and Run-off	\$ 29,341	\$ 30,455	\$ 1,114	100%	\$ 27,421	\$ 28,138	\$ 717	100%

Annualized yield on available for sale fixed maturities:

Excluding investment expense (a)	4.54%	4.72%
Net of investment expense (a)	4.52%	4.67%

Approximate average life and duration:

Approximate average life	7 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)	June 30, 2017			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 6,144	\$ 6,250	\$ 106	17%
AA	8,064	8,303	239	22%
A	8,905	9,193	288	24%
BBB	9,939	10,284	345	27%
Subtotal - Investment grade	33,052	34,030	978	90%
BB	652	664	12	2%
B	353	357	4	1%
Other (b)	2,513	2,792	279	7%
Subtotal - Non-Investment grade	3,518	3,813	295	10%
Total	\$ 36,570	\$ 37,843	\$ 1,273	100%

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

By Credit Rating (a)	December 31, 2016			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 6,117	\$ 6,189	\$ 72	18%
AA	7,123	7,257	134	21%
A	8,323	8,487	164	24%
BBB	8,999	9,193	194	26%
Subtotal - Investment grade	30,562	31,126	564	89%
BB	687	695	8	2%
B	446	445	(1)	1%
Other (b)	2,399	2,637	238	8%
Subtotal - Non-Investment grade	3,532	3,777	245	11%
Total	\$ 34,094	\$34,903	\$ 809	100%

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

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

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

June 30, 2017	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Investment Portfolio
Residential					
Agency	\$ 230	\$ 230	\$ —	5%	1%
Prime (Non-Agency)	1,370	1,533	163	33%	3%
Alt-A	1,104	1,209	105	26%	3%
Subprime	550	595	45	13%	1%
Commercial	1,041	1,085	44	23%	2%
Total AFG consolidated	\$ 4,295	\$ 4,652	\$ 357	100%	10%

- Substantially all of AFG's MBS securities are either senior tranches of securitizations or collateralized by senior tranches of securitizations.
- The average amortized cost as a percent of par is - Prime 82%; Alt-A 79%; Subprime 86%; CMBS 99%.
- The average FICO score of our residential MBS securities is - Prime 740; Alt-A 710; Subprime 641.
- 95% of our Commercial MBS portfolio is investment-grade rated (80% 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, 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%

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

Property and Casualty Insurance:

By Asset Type	June 30, 2017				
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Inv Portfolio
Residential					
Agency	\$ 184	\$ 183	\$ (1)	16%	2%
Prime (Non-Agency)	195	212	17	19%	2%
Alt-A	333	362	29	33%	4%
Subprime	231	246	15	22%	2%
Commercial	107	110	3	10%	1%
Total	\$ 1,050	\$ 1,113	\$ 63	100%	11%

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	June 30, 2017				
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Inv Portfolio
Residential					
Agency	\$ 46	\$ 47	\$ 1	1%	0%
Prime (Non-Agency)	1,174	1,308	134	37%	4%
Alt-A	771	847	76	24%	2%
Subprime	319	349	30	10%	1%
Commercial	934	975	41	28%	3%
Total	\$ 3,244	\$ 3,526	\$ 282	100%	10%

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)	June 30, 2017			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 1,320	\$ 1,368	\$ 48	29%
AA	107	111	4	2%
A	253	267	14	6%
BBB	254	269	15	6%
Subtotal - investment grade	1,934	2,015	81	43%
BB	206	209	3	4%
B	271	278	7	6%
Other	1,884	2,150	266	47%
Total	\$ 4,295	\$ 4,652	\$ 357	100%

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

By Credit Rating (a)	December 31, 2016			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 1,668	\$ 1,720	\$ 52	34%
AA	164	169	5	3%
A	256	268	12	5%
BBB	274	288	14	6%
Subtotal - investment grade	2,362	2,445	83	48%
BB	211	212	1	4%
B	330	333	3	6%
Other	1,914	2,142	228	42%
Total	\$ 4,817	\$ 5,132	\$ 315	100%

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

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

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

By Credit Rating (a)	Fair Value - June 30, 2017							Total	% Total
	US Gov	Munis	Frgn gov	RMBS	CMBS	ABS	Corp/Oth		
Investment grade									
AAA	\$ 270	\$1,811	\$ 157	\$ 499	\$ 869	\$2,418	\$ 226	\$ 6,250	17%
AA	36	4,563	85	93	18	2,150	1,358	8,303	22%
A	—	522	14	206	61	1,705	6,685	9,193	24%
BBB	—	51	4	183	86	838	9,122	10,284	27%
Subtotal - Investment grade	306	6,947	260	981	1,034	7,111	17,391	34,030	90%
BB	—	4	—	185	24	1	450	664	2%
B	—	5	—	266	12	—	74	357	1%
CCC, CC, C	—	8	—	989	4	3	25	1,029	3%
D	—	—	—	552	—	—	—	552	1%
Subtotal - Non-Investment grade	—	17	—	1,992	40	4	549	2,602	7%
Not Rated	8	92	—	594	11	76	430	1,211	3%
Total	\$ 314	\$7,056	\$ 260	\$3,567	\$1,085	\$7,191	\$18,370	\$37,843	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.