
**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): February 2, 2015

AMERICAN FINANCIAL GROUP, INC.

(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction
of incorporation)

1-13653
(Commission
File Number)

31-1544320
(IRS Employer
Identification No.)

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

45202
(Zip Code)

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

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

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

Item 2.02 Results Of Operations And Financial Condition.

Reference is made to the press release of American Financial Group, Inc. (the "Company") relating to the announcement of the Company's results of operations for the fourth quarter of 2014 and full year ended December 31, 2014 as well as the availability of the Investor Supplement on the Company's website. The press release was issued on February 2, 2015. 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 February 2, 2015, reporting American Financial Group Inc. fourth quarter and full year results for the period ended December 31, 2014.
99.2	Investor Supplement – Fourth Quarter 2014

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 3, 2015

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

FOR IMMEDIATE RELEASE



Press Release

American Financial Group, Inc. Announces Record 2014 Fourth Quarter and Full Year Core Net Operating Earnings Per Share

- **Record fourth quarter core net operating earnings of \$1.35 per share; up 5% from prior year period**
- **Record core net operating earnings per share of \$4.82 for the full year; up 14% from 2013**
- **Growth in adjusted book value plus dividends of 10% during 2014**
- **Full year 2015 core net operating earnings guidance between \$5.10 - \$5.50 per share**

Cincinnati, Ohio – February 2, 2015 – American Financial Group, Inc. (NYSE/NASDAQ: AFG) today reported 2014 fourth quarter net earnings attributable to shareholders of \$127 million (\$1.41 per share) compared to \$158 million (\$1.73 per share) for the 2013 fourth quarter. Results for the fourth quarter of 2014 include \$5 million (\$0.06 per share) in after-tax realized gains compared to \$41 million (\$0.45 per share) in the prior year period. Book value per share, excluding appropriated retained earnings and unrealized gains on fixed maturities, increased by \$0.17, to \$48.76 per share during the fourth quarter of 2014. Total value creation, measured as growth in adjusted book value plus dividends, was \$4.77 per share, or 10%, for the full year 2014. Net earnings attributable to shareholders for the year were \$4.97 per share, compared to \$5.16 per share in 2013. Return on equity was 11.0% and 12.3% for 2014 and 2013, respectively.

Core net operating earnings were \$122 million (\$1.35 per share) for the 2014 fourth quarter, compared to \$117 million (\$1.28 per share) in the 2013 fourth quarter. Higher underwriting profit and net investment income in our Specialty Property and Casualty (“P&C”) insurance operations were partially offset by lower core operating earnings in our Annuity and Run-off Long-term Care and Life segments. Core net operating earnings for the fourth quarters of 2014 and 2013 generated annualized returns on equity of 11.7% and 11.8%, respectively. Full year 2014 core net operating earnings per share increased by 14% over the prior year.

During the fourth quarter of 2014, AFG repurchased approximately 1.1 million shares of common stock for \$64 million (average price per share of \$58.54).

AFG’s net earnings attributable to shareholders, determined in accordance with generally accepted accounting principles (“GAAP”), include certain items that may not be indicative of its ongoing core operations. The following table identifies such items and reconciles net earnings attributable to shareholders to core net operating earnings, a non-GAAP financial measure that AFG believes is a useful tool for investors and analysts in analyzing ongoing operating trends.

In millions, except per share amounts	Three months ended December 31,		Twelve months ended December 31,	
	2014	2013	2014	2013
Components of net earnings attributable to shareholders:				
Core net operating earnings^(a)	\$ 122	\$ 117	\$ 439	\$ 385
Non-Core Items:				
Realized gains	5	41	32	138
Special A&E charges ^(b)	—	—	(19)	(49)
Other	—	—	—	(3)
Net earnings attributable to shareholders	\$ 127	\$ 158	\$ 452	\$ 471
	Three months ended December 31,		Twelve months ended December 31,	
	2014	2013	2014	2013
Components of Earnings per Share:				
Core net operating earnings^(a)	\$ 1.35	\$ 1.28	\$ 4.82	\$ 4.22
Non-Core Items:				
Realized gains	0.06	0.45	0.36	1.52
Special A&E charges ^(b)	—	—	(0.21)	(0.54)
Other	—	—	—	(0.04)
Diluted earnings per share	\$ 1.41	\$ 1.73	\$ 4.97	\$ 5.16

Footnotes (a) and (b) are 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: "Strong specialty P&C underwriting profitability and excellent annuity core operating earnings produced a 14% increase in AFG's core net operating earnings per share for the year, establishing a new record for us. Our operating performance, superior investment execution and intelligent deployment of capital have helped us to achieve five year compounded growth in adjusted book value plus dividends of 12%. We thank God and our management team and employees for helping to achieve these results.

"AFG had approximately \$810 million of excess capital (including parent company cash of approximately \$290 million) at December 31, 2014. During 2014, we increased our quarterly dividend by 14% and in the fourth quarter of 2014 we paid a special dividend of \$1.00 per share. Our strong financial position provides the flexibility to act on strategic business opportunities with the potential to produce desired long-term returns. We will continue to invest excess capital when we see potential for healthy, profitable organic growth and return value to our shareholders through opportunistic share repurchases and dividends.

"Based on current information, we expect core net operating earnings in 2015 to be between \$5.10 and \$5.50 per share. Our core earnings per share guidance excludes non-core items such as realized gains and losses, as well as other significant items that may not be indicative of ongoing operations."

Specialty Property and Casualty Insurance Operations

The P&C specialty insurance operations generated underwriting profit of \$79 million for the 2014 fourth quarter compared to \$75 million in the fourth quarter of 2013, with each of our Specialty P&C sub-segments achieving higher underwriting profitability. The fourth quarter 2014 combined ratio of 92.6% includes 1.0 point of adverse prior year reserve development, compared to 0.5 points of favorable development in the comparable prior year period. Fourth quarter results in 2014 include \$3 million (0.2 points on the combined ratio) in catastrophe losses, compared to \$1 million (0.1 points on the combined ratio) in the comparable 2013 period.

Gross and net written premiums were up 22% and 25%, respectively, in the 2014 fourth quarter compared to the prior year period. The 2014 results include premiums from Summit, AFG's specialty workers' compensation subsidiary, from the date of acquisition on April 1, 2014. Excluding Summit premiums, gross and net written premiums for the fourth quarter grew by 8% and 7%, respectively, year-over-year. Full year 2014 net written premiums were up 20%; excluding Summit, full year net written premiums grew by 8%. 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 \$22 million in the fourth quarter of 2014, compared to \$17 million in the comparable prior year period. Higher accident year profitability in our property and inland marine operations was partially offset by lower underwriting profits in our transportation operations. Catastrophe losses for this group were \$2 million in the fourth quarter of 2014 and negligible in the comparable 2013 period.

Fourth quarter 2014 gross and net written premiums in this group were 8% and 7% higher, respectively, than the comparable prior year period, and reflect growth in most business units within this group. Net written premiums for the full year of 2014 were up approximately 1%. Overall renewal rates in this group increased 4% in the fourth quarter of 2014. The average rate increase for this group during 2014 was approximately 5%.

The **Specialty Casualty Group** reported an underwriting profit of \$36 million in the 2014 fourth quarter compared to \$32 million in the comparable 2013 period. This increase reflects higher accident year profitability in our workers' compensation businesses, which was partially offset by \$14 million of adverse prior year reserve development, primarily attributable to our international operations. The majority of businesses in this group produced strong underwriting profit margins during 2014.

Gross and net written premiums grew by 44% and 55%, respectively, in the fourth quarter of 2014 compared to the same period in 2013 and include Summit's results since April 1, 2014. Excluding premiums from Summit, gross and net written premiums grew by 12% and 11%, respectively during the quarter. Broad-based growth across this group was primarily the result of growth in our workers' compensation operations and excess and surplus lines businesses. New business opportunities and increased exposures on existing accounts have driven the growth in our workers' compensation businesses. Organic growth opportunities have contributed to higher premiums in our excess and surplus businesses. Net written premiums were up 52% for the full year. Excluding Summit, net written premiums for the full year increased by 19%. Renewal pricing in this group was up 1% for the quarter. The average rate increase for this group during 2014 was 2%.

The **Specialty Financial Group** reported an underwriting profit of \$18 million for the fourth quarter of 2014, compared to \$17 million for the same period a year ago. Higher underwriting profits in our surety and fidelity and financial institutions businesses were partially offset by lower underwriting profitability in our trade credit business. Nearly all businesses in this group continued to achieve excellent underwriting margins during 2014, with an overall combined operating ratio of 85.6% for the fourth quarter of 2014.

Gross written premiums were down 2% and net written premiums were down 1% in the 2014 fourth quarter when compared to the 2013 fourth quarter, primarily due to the October 2013 sale of a service contract business, which ceded all of its premiums under reinsurance contracts. Full year net written premiums were flat when compared to amounts reported in 2013. Pricing in this group was flat for the quarter and down about 1% on average for the full year of 2014.

Carl Lindner III stated: "I'm pleased with our strong underwriting results for the fourth quarter and full year of 2014. The overall performance of our specialty casualty businesses and consistently superior underwriting profitability of the businesses within our specialty financial group have contributed to these results. Although focused efforts to improve profitability in some of our property and

transportation businesses have been effective, we still have work to do to strengthen results in our transportation and international businesses. With the exception of the impact of commodity prices on our crop business, we reported growth in net written premiums in nearly all of our specialty P&C businesses during 2014. Over two-thirds of these businesses were successful in achieving pricing increases during year, with an average overall renewal rate increase of approximately 2% for the quarter and 3% for the year.

“Looking ahead to 2015, we are forecasting an overall calendar year combined ratio in the 92% to 94% range. Although we have experienced pricing deceleration in many of our business units, we will keep our focus on maintaining adequate rates. We are targeting growth in net written premium in the range of 4% to 8% for 2015.”

Annuity Segment

AFG’s Annuity segment contributed \$85 million in core pretax operating earnings in the fourth quarter of 2014 compared to \$92 million in the fourth quarter of 2013, a decrease of 8%. The decrease was largely the result of the impact of fair value accounting for fixed-indexed annuities (FIAs) on fourth quarter annuity earnings, which is detailed in the table below:

Components of Core Annuity Operating Earnings Before Income Taxes

In millions	Three months ended December 31,		Pct. Change
	2014	2013	
Annuity earnings before fair value accounting for FIAs	\$ 93	\$ 86	8%
Impact of Fair Value Accounting for FIAs	(8)	6	nm
Core Pretax Annuity Operating Earnings	\$ 85	\$ 92	(8%)

Annuity Earnings Before Fair Value Accounting for FIAs

AFG’s 2014 earnings continued to benefit from growth in annuity assets and the favorable impact of lower than expected surrenders. AFG’s quarterly average annuity investments and reserves grew approximately 14% and 15%, respectively, year-over-year; however, the impact of this growth was partially offset by the runoff of higher yielding investments. In addition, fourth quarter earnings in both years benefitted from unanticipated investment and other income. In the fourth quarters of 2014 and 2013, AFG conducted a detailed review (“unlocking”) of the major actuarial assumptions underlying its annuity operations; the results of the unlocking review were immaterial in both the fourth quarters of 2014 and 2013.

Impact of Fair Value Accounting for FIAs

Interest rate and stock market fluctuations have an impact on the accounting for FIAs; these accounting adjustments are recognized through AFG’s reported core earnings. In the fourth quarter of 2014, the combination of an increase in the stock market but a decrease in longer-term interest rates (as measured by the Corporate A2 rate) resulted in an unfavorable impact on earnings. Conversely, in the fourth quarter of 2013, the combination of a much larger increase in the stock market and a moderate increase in longer-term interest rates resulted in a favorable impact on earnings.

The Annuity segment reported statutory premiums of \$971 million in the fourth quarter of 2014. While this represents a 30% decrease from the fourth quarter of 2013 – which established a record level of annuity premiums for AFG and occurred in a favorable interest rate environment – it also reflects a 20% increase in premiums over the third quarter of 2014. Furthermore, despite the low interest rate environment, AFG’s \$3.7 billion of annuity premiums in 2014 represents the second highest level of annuity premiums in the Company’s history.

Craig Lindner stated, "I am pleased with our strong core annuity earnings in the fourth quarter and full year 2014. Looking ahead to 2015, we believe that the decrease in interest rates is likely to put downward pressure on core annuity earnings in the first quarter due to fair value accounting for FIAs. For the full year, we expect reported core pretax annuity operating earnings to be about the same in 2015 when compared to 2014. While we expect average annuity assets and reserves to grow around 10% in 2015, this growth will be largely offset by the impact that low interest rates are expected to have on the Company's investment portfolio. Significant changes in interest rates and/or the stock market from today's level could lead to additional positive or negative impacts on the Annuity segment's results.

"We remain committed to our disciplined product pricing strategy, which means that our focus is on growing our business when we can achieve desired long-term returns. The interest rate environment in 2015 is expected to slow the pace of our annuity sales. As a result, based on information currently available, we now expect that premiums for the full year of 2015 will be relatively flat or down slightly compared to 2014."

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.

Run-off Long-Term Care and Life Segment

AFG's Run-off Long-term Care and Life segment reported a core pretax operating loss of \$7 million in the fourth quarter of 2014 compared to a core pretax operating loss of \$3 million in the comparable prior year period. Included in the results for the fourth quarter of 2014 is a \$5 million loss on the commutation of a long-term care reinsurance agreement.

In the fourth quarter of 2014, with the assistance of an external actuarial consulting firm, AFG completed its review of the major actuarial assumptions for its run-off long-term care business, which resulted in no charge to earnings and an updated net loss recognition margin of \$11 million. The \$53 million decrease in AFG's long-term care loss recognition margin since year end 2013 is due primarily to the drop in interest rates in 2014.

Investments

AFG recorded fourth quarter 2014 net realized gains on securities of \$5 million after tax and after deferred acquisition costs (DAC), compared to \$41 million in the fourth quarter of 2013. Unrealized gains on fixed maturities were \$604 million after tax and after DAC at December 31, 2014, an increase of \$2 million from September 30, 2014, and \$163 million from year-end 2013. Our portfolio continues to be high quality, with 87% of our fixed maturity portfolio rated investment grade and 97% with a National Association of Insurance Commissioners' designation of NAIC 1 or 2, its highest two categories.

For the year ended December 31, 2014, P&C net investment income was approximately 12% higher than the prior year, reflecting the investment of cash received in connection with the Summit acquisition.

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

About American Financial Group, Inc.

American Financial Group is an insurance holding company, based in Cincinnati, Ohio with assets of over \$45 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 and investment activities; recoverability of asset values; expected losses and the adequacy of reserves for long-term care, 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; AFG's ability to estimate accurately the likelihood, magnitude and timing of any losses in connection with investments in the non-agency residential mortgage market; 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 and AFG's run-off long-term care business; availability of reinsurance and ability of reinsurers to pay their obligations; trends in persistency, mortality and morbidity; competitive pressures, including those in the annuity distribution channels, the ability to obtain adequate rates and policy terms; changes in AFG's credit ratings or the financial strength ratings assigned by major ratings agencies to our operating subsidiaries; and other factors identified in our filings with the Securities and Exchange Commission.

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

Conference Call

The company will hold a conference call to discuss 2014 fourth quarter and full year results at 11:30 am (ET) tomorrow, Tuesday, February 3, 2015. 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 63019020. 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 10, 2015. To listen to the replay, dial 1-855-859-2056 (international dial-in 404-537-3406) and provide the conference ID 63019020.

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 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 February 10, 2015 at 11:59 pm (ET). An archived audio MP3 file will be available within 24 hours of the call.

Contact:
Diane P. Weidner
Asst. Vice President - Investor Relations
513-369-5713

Websites:
www.AFGinc.com
www.GreatAmericanInsuranceGroup.com

(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.

AFG15-03

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,	
	2014	2013	2014	2013
Revenues				
P&C insurance net earned premiums	\$1,061	\$ 859	\$ 3,878	\$ 3,204
Life, accident & health net earned premiums	26	27	108	114
Net investment income	384	350	1,501	1,346
Realized gains	8	63	52	217
Income (loss) of managed investment entities:				
Investment income	32	30	116	128
Gain (loss) on change in fair value of assets/liabilities	(9)	7	(44)	(14)
Other income	27	26	102	97
Total revenues	<u>1,529</u>	<u>1,362</u>	<u>5,713</u>	<u>5,092</u>
Costs and expenses				
P&C insurance losses & expenses	982	784	3,666	3,059
Annuity, life, accident & health benefits & expenses	253	216	985	858
Interest charges on borrowed money	20	17	73	71
Expenses of managed investment entities	22	21	82	89
Other expenses	62	78	281	326
Total costs and expenses	<u>1,339</u>	<u>1,116</u>	<u>5,087</u>	<u>4,403</u>
Earnings before income taxes	190	246	626	689
Provision for income taxes(c)	65	81	220	236
Net earnings including noncontrolling interests	125	165	406	453
Less: Net earnings (loss) attributable to noncontrolling interests	(2)	7	(46)	(18)
Net earnings attributable to shareholders	<u>\$ 127</u>	<u>\$ 158</u>	<u>\$ 452</u>	<u>\$ 471</u>
Diluted Earnings per Common Share	<u>\$ 1.41</u>	<u>\$ 1.73</u>	<u>\$ 4.97</u>	<u>\$ 5.16</u>
Average number of diluted shares	89.8	91.4	91.0	91.2
			December 31, 2014	December 31, 2013
Selected Balance Sheet Data:				
Total cash and investments			\$ 36,210	\$ 31,313
Long-term debt			\$ 1,061	\$ 913
Shareholders' equity(d)			\$ 4,879	\$ 4,599
Shareholders' equity (excluding appropriated retained earnings and unrealized gains/losses on fixed maturities)(d)			\$ 4,277	\$ 4,109
Book Value Per Share:				
Excluding appropriated retained earnings			\$ 55.65	\$ 50.83
Excluding appropriated retained earnings and unrealized gains/losses on fixed maturities			\$ 48.76	\$ 45.90
Common Shares Outstanding			87.7	89.5

Footnotes (c) and (d) 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
	2014	2013		2014	2013	
Gross written premiums	<u>\$1,303</u>	<u>\$1,071</u>	22%	<u>\$5,477</u>	<u>\$4,805</u>	14%
Net written premiums	<u>\$1,025</u>	<u>\$ 821</u>	25%	<u>\$4,020</u>	<u>\$3,341</u>	20%
Ratios (GAAP):						
Loss & LAE ratio	64.0%	62.4%		63.7%	61.7%	
Underwriting expense ratio	28.6%	28.9%		30.2%	31.8%	
Specialty Combined Ratio	<u>92.6%</u>	<u>91.3%</u>		<u>93.9%</u>	<u>93.5%</u>	
Combined Ratio (Including A&E)	<u>92.6%</u>	<u>91.4%</u>		<u>94.5%</u>	<u>95.5%</u>	
Supplemental Information:(e)						
Gross Written Premiums:						
Property & Transportation	\$ 482	\$ 447	8%	\$2,342	\$2,392	(2%)
Specialty Casualty	660	459	44%	2,529	1,790	41%
Specialty Financial	160	164	(2%)	605	622	(3%)
Other	<u>1</u>	<u>1</u>	—	<u>1</u>	<u>1</u>	—
	<u>\$1,303</u>	<u>\$1,071</u>	22%	<u>\$5,477</u>	<u>\$4,805</u>	14%
Net Written Premiums:						
Property & Transportation	\$ 373	\$ 349	7%	\$1,566	\$1,547	1%
Specialty Casualty	498	321	55%	1,864	1,224	52%
Specialty Financial	131	132	(1%)	488	486	—
Other	<u>23</u>	<u>19</u>	21%	<u>102</u>	<u>84</u>	21%
	<u>\$1,025</u>	<u>\$ 821</u>	25%	<u>\$4,020</u>	<u>\$3,341</u>	20%
Combined Ratio (GAAP):						
Property & Transportation	94.6%	95.8%		98.7%	99.2%	
Specialty Casualty	92.9%	89.7%		92.3%	90.9%	
Specialty Financial	85.6%	85.2%		86.5%	85.6%	
Aggregate Specialty Group	92.6%	91.3%		93.9%	93.5%	
				Three months ended December 31,	Twelve months ended December 31,	
				2014	2013	
Reserve Development (Favorable)/Adverse:						
Property & Transportation			\$ 3	\$ 3	\$ 16	\$ (1)
Specialty Casualty			14	2	(7)	(40)
Specialty Financial			(4)	(4)	(17)	(14)
Other			<u>(3)</u>	<u>(6)</u>	<u>(11)</u>	<u>(20)</u>
Aggregate Specialty Group Excluding A&E			10	(5)	(19)	(75)
Special A&E Reserve Charge – P&C Run-off			—	—	24	54
Other			—	—	1	6
Total Reserve Development Including A&E			<u>\$ 10</u>	<u>\$ (5)</u>	<u>\$ 6</u>	<u>\$ (15)</u>
Points on Combined Ratio:						
Property & Transportation			0.6	0.8	1.0	(0.1)
Specialty Casualty			2.9	0.5	(0.4)	(3.6)
Specialty Financial			(3.3)	(3.2)	(3.7)	(3.0)
Aggregate Specialty Group			1.0	(0.5)	(0.5)	(2.4)

Footnote (e) 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
	2014	2013		2014	2013	
<u>Annuity Premiums:</u>						
Retail Single Premium	\$ 424	\$ 618	(31%)	\$ 1,634	\$ 2,044	(20%)
Financial Institutions Single Premium	487	699	(30%)	1,821	1,730	5%
Education Market	49	51	(4%)	194	207	(6%)
Variable Annuities	11	13	(15%)	47	52	(10%)
Total Annuity Premiums	<u>\$ 971</u>	<u>\$ 1,381</u>	(30%)	<u>\$ 3,696</u>	<u>\$ 4,033</u>	(8%)

Components of Core Operating Earnings Before Income Taxes

	Three months ended December 31,		Pct. Change	Twelve months ended December 31,		Pct. Change
	2014	2013		2014	2013	
Revenues:						
Net investment income	\$ 285	\$ 270	6%	\$ 1,136	\$ 1,034	10%
Other income	21	21	—	78	67	16%
Total revenues	306	291	5%	1,214	1,101	10%
Costs and Expenses:						
Annuity benefits	157	137	15%	648	531	22%
Acquisition expenses	47	35	34%	156	149	5%
Other expenses	17	27	(37%)	82	93	(12%)
Total costs and expenses	221	199	11%	886	773	15%
Core operating earnings before income taxes	<u>\$ 85</u>	<u>\$ 92</u>	(8%)	<u>\$ 328</u>	<u>\$ 328</u>	—

Supplemental Fixed Annuity Information

	Three months ended December 31,		Pct. Change	Twelve months ended December 31,		Pct. Change
	2014	2013		2014	2013	
Core Operating Earnings Before impact of fair value accounting on FIAs	\$ 93	\$ 86	8%	\$ 362	\$ 313	16%
Impact of Fair Value Accounting	(8)	6	nm	(34)	15	nm
Core operating earnings before income taxes	<u>\$ 85</u>	<u>\$ 92</u>	(8%)	<u>\$ 328</u>	<u>\$ 328</u>	—
Average Fixed Annuity Reserves*	\$23,104	\$20,092	15%	\$22,119	\$18,696	18%
Net Interest Spread	2.64%	2.86%		2.78%	2.94%	
Net Spread Earned Before Impact of Fair Value Accounting*	1.54%	1.55%		1.56%	1.52%	
Net Spread Earned After Impact of Fair Value Accounting	1.40%	1.67%		1.41%	1.60%	

* 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,	
	2014	2013	2014	2013
Core Operating Earnings before Income Taxes:				
P&C insurance segment	\$ 141	\$ 131	\$ 476	\$ 422
Annuity segment	85	92	328	328
Run-off long-term care and life segment	(7)	(3)	(10)	(10)
Interest & other corporate expense	(35)	(45)	(143)	(168)
Core operating earnings before income taxes	184	175	651	572
Related income taxes	62	58	212	187
Core net operating earnings	<u>\$ 122</u>	<u>\$ 117</u>	<u>\$ 439</u>	<u>\$ 385</u>

b) Reflects the following effects of special A&E charges during the twelve months ended December 31, 2014 and 2013 (dollars in millions, except per share amounts):

	Pretax		After-tax		EPS	
	2014	2013	2014	2013	2014	2013
A&E Charge:						
P&C insurance run-off operations						
Asbestos	\$ 4	\$ 16	\$ 3	\$ 10		
Environmental	20	38	12	25		
	\$ 24	\$ 54	\$ 15	\$ 35	\$ 0.17	\$ 0.39
Former railroad & manufacturing operations						
Asbestos	\$—	\$ 2	\$—	\$ 1		
Environmental	6	20	4	13		
	\$ 6	\$ 22	\$ 4	\$ 14	\$ 0.04	\$ 0.15
Total A&E	\$ 30	\$ 76	\$ 19	\$ 49	\$ 0.21	\$ 0.54

c) Earnings before income taxes include \$4 million and \$51 million in non-deductible losses attributable to noncontrolling interests related to managed investment entities in the fourth quarter and full year of 2014, respectively, and \$4 million of non-taxable income and \$26 million in non-deductible losses in the fourth quarter and full year of 2013, respectively.

d) Shareholders' Equity at December 31, 2014 includes \$604 million (\$6.89 per share) in unrealized after-tax gains on fixed maturities and (\$2) million (\$0.03 per share) of retained earnings appropriated to managed investment entities. Shareholders' Equity at December 31, 2013 includes \$441 million (\$4.93 per share) in unrealized after-tax gains on fixed maturities and \$49 million (\$0.55 per share) of retained earnings appropriated to managed investment entities. The appropriated retained earnings will ultimately inure to the benefit of the debt holders of the investment entities managed by AFG.

e) Supplemental Notes:

- **Property & Transportation** includes primarily physical damage and liability coverage for buses, trucks and recreational vehicles, inland and ocean marine, agricultural-related products and other property coverages.
- **Specialty Casualty** includes primarily excess and surplus, general liability, executive liability, professional liability, umbrella and excess liability, specialty coverages in targeted markets, customized programs for small to mid-sized businesses and workers' compensation insurance.
- **Specialty Financial** includes risk management insurance programs for leasing and financing institutions (including collateral and lender-placed mortgage property insurance), surety and fidelity products and trade credit insurance.
- **Other** includes an internal reinsurance facility.



American Financial Group, Inc.

Investor Supplement - Fourth Quarter 2014

February 2, 2015

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	
	12/31/14	09/30/14	06/30/14	03/31/14	12/31/13	12/31/14	12/31/13
Highlights							
Core net operating earnings	\$ 122	\$ 127	\$ 99	\$ 91	\$ 117	\$ 439	\$ 385
Net earnings	127	116	106	103	158	452	471
Total assets	47,535	46,552	45,355	42,770	42,087	47,535	42,087
Adjusted shareholders' equity (a)	4,277	4,300	4,298	4,191	4,109	4,277	4,109
Property and Casualty net written premiums	1,025	1,242	998	755	821	4,020	3,341
Annuity statutory premiums	971	809	949	967	1,381	3,696	4,033
Per share data							
Core net operating earnings per share	\$ 1.35	\$ 1.40	\$ 1.07	\$ 1.00	\$ 1.28	\$ 4.82	\$ 4.22
Diluted earnings per share	1.41	1.28	1.15	1.13	1.73	4.97	5.16
Adjusted book value per share (a)	48.76	48.59	47.95	46.79	45.90	48.76	45.90
Cash dividends per common share	1.250	0.220	0.220	0.220	1.220	1.910	1.805
Financial ratios							
Annualized core operating return on equity (b)	11.7%	12.3%	9.6%	9.1%	11.8%	10.7%	10.0%
Annualized return on equity (b)	12.1%	11.1%	10.3%	10.3%	16.0%	11.0%	12.3%
Property and Casualty combined ratio - Specialty:							
Loss & LAE ratio	64.0%	67.1%	64.6%	56.9%	62.4%	63.7%	61.7%
Underwriting expense ratio	28.6%	26.7%	32.3%	35.3%	28.9%	30.2%	31.8%
Combined ratio - Specialty	92.6%	93.8%	96.9%	92.2%	91.3%	93.9%	93.5%
Net spread on fixed annuities:							
Net interest spread	2.64%	2.77%	2.92%	2.81%	2.86%	2.78%	2.94%
Net spread earned:							
Before impact of fair value accounting	1.54%	1.50%	1.64%	1.58%	1.55%	1.56%	1.52%
Impact of fair value accounting (c)	(0.14%)	(0.02%)	(0.18%)	(0.28%)	0.12%	(0.15%)	0.08%
After impact of fair value accounting	1.40%	1.48%	1.46%	1.30%	1.67%	1.41%	1.60%

- (a) Excludes appropriated retained earnings and unrealized gains related to fixed maturity investments.
(b) Excludes appropriated retained earnings and 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	
	12/31/14	09/30/14	06/30/14	03/31/14	12/31/13	12/31/14	12/31/13
Property and Casualty Insurance							
Underwriting profit	\$ 79	\$ 70	\$ 29	\$ 58	\$ 75	\$ 236	\$ 199
Net investment income	75	76	76	67	67	294	263
Other expense	(13)	(16)	(8)	(17)	(11)	(54)	(40)
Property and Casualty Insurance operating earnings	141	130	97	108	131	476	422
Annuity earnings	85	86	84	73	92	328	328
Run-off Long-Term Care and Life (losses)/earnings	(7)	1	(2)	(2)	(3)	(10)	(10)
Interest expense of parent holding companies	(19)	(17)	(16)	(17)	(17)	(69)	(68)
Other expense	(16)	(13)	(21)	(24)	(28)	(74)	(100)
Pre-tax core operating earnings	184	187	142	138	175	651	572
Income tax expense	62	60	43	47	58	212	187
Core net operating earnings	122	127	99	91	117	439	385
Non-core items, net of tax:							
Realized gains	5	8	7	12	41	32	138
Significant A&E charges:							
Property and Casualty Insurance run-off operations	—	(15)	—	—	—	(15)	(35)
Former Railroad and Manufacturing operations	—	(4)	—	—	—	(4)	(14)
ELNY guaranty fund assessments charge (a)	—	—	—	—	—	—	(3)
Net earnings	\$ 127	\$ 116	\$ 106	\$ 103	\$ 158	\$ 452	\$ 471

(a) The ELNY guaranty fund assessments charge represent guaranty fund assessments in connection with the insolvency and liquidation of Executive Life Insurance Company of New York, an unaffiliated life insurance company.

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



	Three Months Ended					Twelve Months Ended	
	12/31/14	09/30/14	06/30/14	03/31/14	12/31/13	12/31/14	12/31/13
Core net operating earnings	<u>\$ 122</u>	<u>\$ 127</u>	<u>\$ 99</u>	<u>\$ 91</u>	<u>\$ 117</u>	<u>\$ 439</u>	<u>\$ 385</u>
Net earnings	<u>\$ 127</u>	<u>\$ 116</u>	<u>\$ 106</u>	<u>\$ 103</u>	<u>\$ 158</u>	<u>\$ 452</u>	<u>\$ 471</u>
Average number of diluted shares	89.772	90.873	91.593	91.621	91.438	90.960	91.242
<u>Diluted earnings per share:</u>							
Core net operating earnings per share	<u>\$ 1.35</u>	<u>\$ 1.40</u>	<u>\$ 1.07</u>	<u>\$ 1.00</u>	<u>\$ 1.28</u>	<u>\$ 4.82</u>	<u>\$ 4.22</u>
Realized gains	0.06	0.09	0.08	0.13	0.45	0.36	1.52
<u>Significant A&E charges:</u>							
Property and Casualty Insurance run-off operations	—	(0.17)	—	—	—	(0.17)	(0.39)
Former Railroad and Manufacturing operations	—	(0.04)	—	—	—	(0.04)	(0.15)
ELNY guaranty fund assessments charge (a)	—	—	—	—	—	—	(0.04)
Diluted earnings per share	<u>\$ 1.41</u>	<u>\$ 1.28</u>	<u>\$ 1.15</u>	<u>\$ 1.13</u>	<u>\$ 1.73</u>	<u>\$ 4.97</u>	<u>\$ 5.16</u>

(a) The ELNY guaranty fund assessments charge represent guaranty fund assessments in connection with the insolvency and liquidation of Executive Life Insurance Company of New York, an unaffiliated life insurance company.

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



	Three Months Ended					Twelve Months Ended	
	12/31/14	09/30/14	06/30/14	03/31/14	12/31/13	12/31/14	12/31/13
Property and Transportation	\$ 22	\$ 11	\$ (18)	\$ 6	\$ 17	\$ 21	\$ 12
Specialty Casualty	36	32	30	38	32	136	102
Specialty Financial	18	21	15	10	17	64	67
Other Specialty	3	6	2	5	9	16	25
Underwriting profit - Specialty	79	70	29	59	75	237	206
Other charges, included in loss and LAE	—	—	—	1	—	1	7
Underwriting profit - Core	79	70	29	58	75	236	199
Special A&E charges, included in loss and LAE	—	(24)	—	—	—	(24)	(54)
Underwriting profit - Property and Casualty Insurance	\$ 79	\$ 46	\$ 29	\$ 58	\$ 75	\$ 212	\$ 145
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	3	3	10	12	1	28	31
Total current accident year catastrophe losses	\$ 3	\$ 3	\$ 10	\$ 12	\$ 1	\$ 28	\$ 31
Prior year loss reserve development (favorable) / adverse	\$ 10	\$ 13	\$ 14	\$ (31)	\$ (5)	\$ 6	\$ (15)
Combined ratio:							
Property and Transportation	94.6%	97.8%	105.5%	98.1%	95.8%	98.7%	99.2%
Specialty Casualty	92.9%	93.3%	93.6%	87.8%	89.7%	92.3%	90.9%
Specialty Financial	85.6%	81.6%	87.6%	91.0%	85.2%	86.5%	85.6%
Other Specialty	86.9%	78.0%	89.0%	79.9%	60.4%	83.4%	68.8%
Combined ratio - Specialty	92.6%	93.8%	96.9%	92.2%	91.3%	93.9%	93.5%
Other core charges	0.0%	0.1%	0.0%	0.0%	0.1%	0.0%	0.3%
Special A&E charges	0.0%	2.1%	0.0%	0.0%	0.0%	0.6%	1.7%
Combined ratio	92.6%	96.0%	96.9%	92.2%	91.4%	94.5%	95.5%
Combined ratio excl. catastrophe and prior year development	91.4%	94.5%	94.4%	94.8%	91.7%	93.7%	94.9%
Loss and LAE components - property and casualty insurance							
Current accident year, excluding catastrophe loss	62.8%	67.8%	62.1%	59.4%	62.8%	63.5%	63.1%
Prior accident year loss reserve development	1.0%	1.2%	1.4%	(4.1%)	(0.4%)	0.1%	(0.4%)
Current accident year catastrophe loss	0.2%	0.3%	1.1%	1.6%	0.1%	0.7%	1.0%
Loss and LAE ratio	64.0%	69.3%	64.6%	56.9%	62.5%	64.3%	63.7%

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



	Three Months Ended					Twelve Months Ended	
	12/31/14	09/30/14	06/30/14	03/31/14	12/31/13	12/31/14	12/31/13
Gross written premiums	\$ 1,303	\$ 1,859	\$ 1,291	\$ 1,024	\$ 1,071	\$ 5,477	\$ 4,805
Ceded reinsurance premiums	(278)	(617)	(293)	(269)	(250)	(1,457)	(1,464)
Net written premiums	1,025	1,242	998	755	821	4,020	3,341
Change in unearned premiums	36	(110)	(67)	(1)	38	(142)	(137)
Net earned premiums	1,061	1,132	931	754	859	3,878	3,204
Loss and LAE	679	760	602	428	537	2,469	1,979
Underwriting expense	303	302	300	267	247	1,172	1,019
Underwriting profit	\$ 79	\$ 70	\$ 29	\$ 59	\$ 75	\$ 237	\$ 206
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	3	3	10	12	1	28	31
Total current accident year catastrophe losses	\$ 3	\$ 3	\$ 10	\$ 12	\$ 1	\$ 28	\$ 31
Prior year loss reserve development (favorable) / adverse	\$ 10	\$ (11)	\$ 14	\$ (32)	\$ (5)	\$ (19)	\$ (75)
Combined ratio:							
Loss and LAE ratio	64.0%	67.1%	64.6%	56.9%	62.4%	63.7%	61.7%
Underwriting expense ratio	28.6%	26.7%	32.3%	35.3%	28.9%	30.2%	31.8%
Combined ratio	92.6%	93.8%	96.9%	92.2%	91.3%	93.9%	93.5%
Combined ratio excl. catastrophe and prior year development	91.4%	94.5%	94.4%	94.8%	91.7%	93.7%	94.9%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	62.8%	67.8%	62.1%	59.5%	62.8%	63.5%	63.1%
Prior accident year loss reserve development	1.0%	(1.0%)	1.4%	(4.2%)	(0.5%)	(0.5%)	(2.4%)
Current accident year catastrophe loss	0.2%	0.3%	1.1%	1.6%	0.1%	0.7%	1.0%
Loss and LAE ratio	64.0%	67.1%	64.6%	56.9%	62.4%	63.7%	61.7%

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



	Three Months Ended					Twelve Months Ended	
	12/31/14	09/30/14	06/30/14	03/31/14	12/31/13	12/31/14	12/31/13
Gross written premiums	\$ 482	\$ 995	\$ 489	\$ 376	\$ 447	\$ 2,342	\$ 2,392
Ceded reinsurance premiums	(109)	(439)	(136)	(92)	(98)	(776)	(845)
Net written premiums	373	556	353	284	349	1,566	1,547
Change in unearned premiums	42	(52)	(29)	17	61	(22)	(26)
Net earned premiums	415	504	324	301	410	1,544	1,521
Loss and LAE	299	407	248	201	307	1,155	1,142
Underwriting expense	94	86	94	94	86	368	367
Underwriting profit (loss)	\$ 22	\$ 11	\$ (18)	\$ 6	\$ 17	\$ 21	\$ 12
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	2	1	8	9	—	20	27
Total current accident year catastrophe losses	\$ 2	\$ 1	\$ 8	\$ 9	\$ —	\$ 20	\$ 27
Prior year loss reserve development (favorable) / adverse	\$ 3	\$ (5)	\$ 22	\$ (4)	\$ 3	\$ 16	\$ (1)
Combined ratio:							
Loss and LAE ratio	72.2%	80.7%	76.4%	67.0%	74.9%	74.9%	75.1%
Underwriting expense ratio	22.4%	17.1%	29.1%	31.1%	20.9%	23.8%	24.1%
Combined ratio	94.6%	97.8%	105.5%	98.1%	95.8%	98.7%	99.2%
Combined ratio excl. catastrophe and prior year development	93.7%	98.5%	96.2%	96.4%	95.0%	96.4%	97.5%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	71.3%	81.4%	67.1%	65.3%	74.1%	72.6%	73.4%
Prior accident year loss reserve development	0.6%	(0.9%)	6.6%	(1.1%)	0.8%	1.0%	(0.1%)
Current accident year catastrophe loss	0.3%	0.2%	2.7%	2.8%	0.0%	1.3%	1.8%
Loss and LAE ratio	72.2%	80.7%	76.4%	67.0%	74.9%	74.9%	75.1%

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



	Three Months Ended					Twelve Months Ended	
	12/31/14	09/30/14	06/30/14	03/31/14	12/31/13	12/31/14	12/31/13
Gross written premiums	\$ 660	\$ 707	\$ 655	\$ 507	\$ 459	\$ 2,529	\$ 1,790
Ceded reinsurance premiums	(162)	(171)	(156)	(176)	(138)	(665)	(566)
Net written premiums	498	536	499	331	321	1,864	1,224
Change in unearned premiums	1	(50)	(32)	(18)	(11)	(99)	(89)
Net earned premiums	499	486	467	313	310	1,765	1,135
Loss and LAE	325	310	300	172	183	1,107	653
Underwriting expense	138	144	137	103	95	522	380
Underwriting profit	\$ 36	\$ 32	\$ 30	\$ 38	\$ 32	\$ 136	\$ 102
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	1	1	1	1	—	4	1
Total current accident year catastrophe losses	\$ 1	\$ 1	\$ 1	\$ 1	\$ —	\$ 4	\$ 1
Prior year loss reserve development (favorable) / adverse	\$ 14	\$ 7	\$ (4)	\$ (24)	\$ 2	\$ (7)	\$ (40)
Combined ratio:							
Loss and LAE ratio	65.1%	63.7%	64.3%	55.0%	59.0%	62.7%	57.5%
Underwriting expense ratio	27.8%	29.6%	29.3%	32.8%	30.7%	29.6%	33.4%
Combined ratio	92.9%	93.3%	93.6%	87.8%	89.7%	92.3%	90.9%
Combined ratio excl. catastrophe and prior year development	89.9%	91.6%	94.3%	95.1%	89.2%	92.5%	94.4%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	62.1%	62.0%	65.0%	62.3%	58.5%	62.9%	61.0%
Prior accident year loss reserve development	2.9%	1.3%	(0.8%)	(7.7%)	0.5%	(0.4%)	(3.6%)
Current accident year catastrophe loss	0.1%	0.4%	0.1%	0.4%	0.0%	0.2%	0.1%
Loss and LAE ratio	65.1%	63.7%	64.3%	55.0%	59.0%	62.7%	57.5%

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



	Three Months Ended					Twelve Months Ended	
	12/31/14	09/30/14	06/30/14	03/31/14	12/31/13	12/31/14	12/31/13
Gross written premiums	\$ 160	\$ 157	\$ 147	\$ 141	\$ 164	\$ 605	\$ 622
Ceded reinsurance premiums	(29)	(36)	(27)	(25)	(32)	(117)	(136)
Net written premiums	131	121	120	116	132	488	486
Change in unearned premiums	(10)	(6)	(4)	1	(13)	(19)	(17)
Net earned premiums	121	115	116	117	119	469	469
Loss and LAE	42	32	40	45	42	159	158
Underwriting expense	61	62	61	62	60	246	244
Underwriting profit	\$ 18	\$ 21	\$ 15	\$ 10	\$ 17	\$ 64	\$ 67
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	—	—	1	2	1	3	3
Total current accident year catastrophe losses	\$ —	\$ —	\$ 1	\$ 2	\$ 1	\$ 3	\$ 3
Prior year loss reserve development (favorable) / adverse	\$ (4)	\$ (10)	\$ (2)	\$ (1)	\$ (4)	\$ (17)	\$ (14)
Combined ratio:							
Loss and LAE ratio	34.5%	27.7%	35.3%	37.9%	34.2%	33.9%	33.5%
Underwriting expense ratio	51.1%	53.9%	52.3%	53.1%	51.0%	52.6%	52.1%
Combined ratio	85.6%	81.6%	87.6%	91.0%	85.2%	86.5%	85.6%
Combined ratio excl. catastrophe and prior year development	88.8%	90.3%	88.6%	90.2%	87.7%	89.5%	88.0%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	37.7%	36.4%	36.3%	37.1%	36.7%	36.9%	35.9%
Prior accident year loss reserve development	(3.3%)	(9.0%)	(1.8%)	(0.7%)	(3.2%)	(3.7%)	(3.0%)
Current accident year catastrophe loss	0.1%	0.3%	0.8%	1.5%	0.7%	0.7%	0.6%
Loss and LAE ratio	34.5%	27.7%	35.3%	37.9%	34.2%	33.9%	33.5%

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



	Three Months Ended					Twelve Months Ended	
	12/31/14	09/30/14	06/30/14	03/31/14	12/31/13	12/31/14	12/31/13
Gross written premiums	\$ 1	\$ —	\$ —	\$ —	\$ 1	\$ 1	\$ 1
Ceded reinsurance premiums	22	29	26	24	18	101	83
Net written premiums	23	29	26	24	19	102	84
Change in unearned premiums	3	(2)	(2)	(1)	1	(2)	(5)
Net earned premiums	26	27	24	23	20	100	79
Loss and LAE	13	11	14	10	5	48	26
Underwriting expense	10	10	8	8	6	36	28
Underwriting profit	\$ 3	\$ 6	\$ 2	\$ 5	\$ 9	\$ 16	\$ 25
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	—	1	—	—	—	1	—
Total current accident year catastrophe losses	\$ —	\$ 1	\$ —	\$ —	\$ —	\$ 1	\$ —
Prior year loss reserve development (favorable) / adverse	\$ (3)	\$ (3)	\$ (2)	\$ (3)	\$ (6)	\$ (11)	\$ (20)
Combined ratio:							
Loss and LAE ratio	49.6%	43.4%	53.2%	45.8%	28.3%	47.9%	32.9%
Underwriting expense ratio	37.3%	34.6%	35.8%	34.1%	32.1%	35.5%	35.9%
Combined ratio	86.9%	78.0%	89.0%	79.9%	60.4%	83.4%	68.8%
Combined ratio excl. catastrophe and prior year development	97.4%	85.6%	97.1%	91.4%	87.5%	92.8%	93.6%

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



	Three Months Ended					Twelve Months Ended	
	12/31/14	09/30/14	06/30/14	03/31/14	12/31/13	12/31/14	12/31/13
Net investment income	\$ 285	\$ 287	\$ 289	\$ 275	\$ 270	\$ 1,136	\$ 1,034
Guaranteed withdrawal benefit fees	9	9	8	8	7	34	25
Policy charges and other miscellaneous income	12	11	11	10	14	44	42
Total revenues	306	307	308	293	291	1,214	1,101
Annuity benefits expense	157	157	166	168	137	648	531
Acquisition expenses	47	41	37	31	35	156	149
Other expenses	17	23	21	21	27	82	93
Total costs and expenses	221	221	224	220	199	886	773
Core Annuity earnings before income taxes	85	86	84	73	92	328	328
ELNY guaranty fund assessments charge before income tax (a)	—	—	—	—	—	—	(5)
Annuity earnings before income taxes	\$ 85	\$ 86	\$ 84	\$ 73	\$ 92	\$ 328	\$ 323
Detail of core Annuity earnings before income taxes							
Core earnings before income taxes and impact of fair value accounting	\$ 93	\$ 87	\$ 94	\$ 88	\$ 86	\$ 362	\$ 313
Impact of fair value accounting (b)	(8)	(1)	(10)	(15)	6	(34)	15
Core Annuity earnings before income taxes	<u>\$ 85</u>	<u>\$ 86</u>	<u>\$ 84</u>	<u>\$ 73</u>	<u>\$ 92</u>	<u>\$ 328</u>	<u>\$ 328</u>

- (a) The ELNY guaranty fund assessments charge represent guaranty fund assessments in connection with the insolvency and liquidation of Executive Life Insurance Company of New York, an unaffiliated life insurance company.
- (b) Change in fair value of derivatives offset by the estimated related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs.

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



	Three Months Ended				Twelve Months Ended		
	12/31/14	09/30/14	06/30/14	03/31/14	12/31/13	12/31/13	
Detail of annuity benefits expense:							
Interest credited - fixed	\$ 127	\$ 126	\$ 123	\$ 121	\$ 118	\$ 497	\$ 451
Interest credited - fixed component of variable annuities	1	2	2	1	1	6	6
Change in expected death and annuitization reserve	4	5	5	4	5	18	19
Amortization of sales inducements	6	7	6	7	7	26	30
Guaranteed withdrawal benefit reserve	11	12	10	8	10	41	38
Change in other benefit reserves	1	3	5	3	1	12	7
Unlockings (a)	(11)	—	—	—	6	(11)	6
Subtotal before impact of fair value accounting	139	155	151	144	148	589	557
Embedded derivative mark-to-market (b)	87	21	78	54	74	240	184
Equity option mark-to-market	(69)	(19)	(63)	(30)	(85)	(181)	(210)
Subtotal impact of fair value accounting	18	2	15	24	(11)	59	(26)
Total annuity benefits expense	\$ 157	\$ 157	\$ 166	\$ 168	\$ 137	\$ 648	\$ 531

- (a) Includes unlockings for fixed indexed annuity embedded derivative reserves, sales inducement asset and other reserves. Does not include unlocking charge of \$10mm in 2014 and income of \$4mm in 2013 for deferred policy acquisition costs and unearned revenue reserves. These unlockings are included in acquisition expenses. In total AFG recorded an unlocking expense reduction of \$1mm in 2014 and an unlocking charge of \$2mm in 2013.
- (b) Excludes unlocking impact of (\$58) million in 2014 and (\$2) million in 2013.

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



	Three Months Ended				Twelve Months Ended		
	12/31/14	09/30/14	06/30/14	03/31/14	12/31/13	12/31/14	12/31/13
Average fixed annuity investments (at amortized cost)	\$23,334	\$22,730	\$22,098	\$21,402	\$20,524	\$22,391	\$19,151
Average annuity benefits accumulated	23,104	22,475	21,829	21,066	20,092	22,119	18,696
Investments in excess of annuity benefits accumulated	\$ 230	\$ 255	\$ 269	\$ 336	\$ 432	\$ 272	\$ 455
As % of average annuity benefits accumulated (except as noted)							
Net investment income (as % of investments)	4.85%	5.01%	5.18%	5.10%	5.21%	5.03%	5.35%
Interest credited	(2.21%)	(2.24%)	(2.26%)	(2.29%)	(2.35%)	(2.25%)	(2.41%)
Net interest spread on fixed annuities	2.64%	2.77%	2.92%	2.81%	2.86%	2.78%	2.94%
Policy charges and other miscellaneous income	0.14%	0.14%	0.14%	0.13%	0.22%	0.14%	0.16%
Other annuity benefit expenses, net	(0.20%)	(0.33%)	(0.33%)	(0.27%)	(0.31%)	(0.28%)	(0.37%)
Acquisition expenses	(0.61%)	(0.69%)	(0.64%)	(0.55%)	(0.75%)	(0.63%)	(0.79%)
Other expenses	(0.28%)	(0.37%)	(0.36%)	(0.37%)	(0.53%)	(0.34%)	(0.46%)
Change in fair value of derivatives	(0.31%)	(0.04%)	(0.27%)	(0.45%)	0.22%	(0.27%)	0.13%
Unlockings	0.02%	0.00%	0.00%	0.00%	(0.04%)	0.01%	(0.01%)
Net spread earned on fixed annuities - core	1.40%	1.48%	1.46%	1.30%	1.67%	1.41%	1.60%
Average annuity benefits accumulated	\$23,104	\$22,475	\$21,829	\$21,066	\$20,092	\$22,119	\$18,696
Net spread earned on fixed annuities	1.40%	1.48%	1.46%	1.30%	1.67%	1.41%	1.60%
Earnings on fixed annuity benefits accumulated	\$ 81	\$ 83	\$ 80	\$ 68	\$ 84	\$ 312	\$ 300
Investments in excess of annuity benefits accumulated	\$ 230	\$ 255	\$ 269	\$ 336	\$ 432	\$ 272	\$ 455
Net investment income (as % of investments)	4.85%	5.01%	5.18%	5.10%	5.21%	5.03%	5.35%
Earnings on investments in excess of annuity benefits accumulated	\$ 3	\$ 3	\$ 3	\$ 5	\$ 6	\$ 14	24
Variable annuity earnings	1	—	1	—	2	2	4
Earnings before income taxes - core	\$ 85	\$ 86	\$ 84	\$ 73	\$ 92	\$ 328	\$ 328
Detail of net spread earned on fixed annuities - core							
Net spread earned core - before impact of fair value accounting	1.54%	1.50%	1.64%	1.58%	1.55%	1.56%	1.52%
Impact of fair value accounting (a)	(0.14%)	(0.02%)	(0.18%)	(0.28%)	0.12%	(0.15%)	0.08%
Net spread earned core - after impact of fair value accounting	1.40%	1.48%	1.46%	1.30%	1.67%	1.41%	1.60%

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

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



	Three Months Ended					Twelve Months Ended	
	12/31/14	09/30/14	06/30/14	03/31/14	12/31/13	12/31/14	12/31/13
Retail single premium annuities - indexed	\$ 405	\$ 339	\$ 403	\$ 386	\$ 565	\$ 1,533	\$ 1,879
Retail single premium annuities - fixed	19	18	25	39	53	101	165
Financial institutions single premium annuities - indexed	426	333	364	366	498	1,489	1,102
Financial institutions single premium annuities - fixed	61	62	95	114	201	332	628
Education market - fixed and indexed annuities	49	46	49	50	51	194	207
Subtotal fixed annuity premiums	960	798	936	955	1,368	3,649	3,981
Variable annuities	11	11	13	12	13	47	52
Total annuity premiums	\$ 971	\$ 809	\$ 949	\$ 967	\$ 1,381	\$ 3,696	\$ 4,033

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



	Three Months Ended					Twelve Months Ended	
	12/31/14	09/30/14	06/30/14	03/31/14	12/31/13	12/31/14	12/31/13
Beginning fixed annuity reserves	\$22,745	\$22,205	\$21,453	\$20,679	\$19,505	\$20,679	\$17,274
Premiums	960	798	936	955	1,368	3,649	3,981
Federal Home Loan Bank advances	—	—	—	—	—	—	200
Surrenders, benefits and other withdrawals	(464)	(426)	(408)	(375)	(408)	(1,673)	(1,493)
Interest and other annuity benefit expenses:							
Interest credited	127	126	123	121	118	497	451
Embedded derivative mark-to-market	87	21	78	54	74	240	184
Change in other benefit reserves	18	21	23	19	18	81	78
Unlockings	(11)	—	—	—	4	(11)	4
Ending fixed annuity reserves	\$23,462	\$22,745	\$22,205	\$21,453	\$20,679	\$23,462	\$20,679
Reconciliation to annuity benefits accumulated:							
Ending fixed annuity reserves	\$23,462	\$22,745	\$22,205	\$21,453	\$20,679	\$23,462	\$20,679
Impact of unrealized investment gains on reserves	111	107	117	97	71	111	71
Fixed component of variable annuities	191	192	194	194	194	191	194
Annuity benefits accumulated per balance sheet	\$23,764	\$23,044	\$22,516	\$21,744	\$20,944	\$23,764	\$20,944
Annualized surrenders and other withdrawals as a % of beginning reserves	8.2%	7.7%	7.6%	7.3%	8.4%	8.1%	8.6%

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



	12/31/14	09/30/14	06/30/14	03/31/14	12/31/13	09/30/13
Assets:						
Total cash and investments	\$36,210	\$35,151	\$34,843	\$32,727	\$31,313	\$29,921
Recoverables from reinsurers	3,238	3,134	3,107	2,969	3,157	3,138
Prepaid reinsurance premiums	469	587	489	438	408	662
Agents' balances and premiums receivable	889	901	902	735	739	801
Deferred policy acquisition costs	821	858	806	890	975	867
Assets of managed investment entities	3,108	2,946	2,799	2,723	2,888	2,779
Other receivables	910	1,140	527	524	854	1,078
Variable annuity assets (separate accounts)	662	649	681	666	665	629
Other assets	1,027	985	1,001	913	903	887
Goodwill	201	201	200	185	185	185
Total assets	\$47,535	\$46,552	\$45,355	\$42,770	\$42,087	\$40,947
Liabilities and Equity:						
Unpaid losses and loss adjustment expenses	\$ 7,872	\$ 7,645	\$ 7,370	\$ 6,134	\$ 6,410	\$ 6,441
Unearned premiums	1,956	2,114	1,911	1,788	1,757	2,047
Annuity benefits accumulated	23,764	23,044	22,516	21,744	20,944	19,785
Life, accident and health reserves	2,175	2,098	2,082	2,039	2,008	2,011
Payable to reinsurers	645	673	445	400	508	601
Liabilities of managed investment entities	2,819	2,625	2,499	2,413	2,567	2,429
Long-term debt	1,061	1,062	912	913	913	913
Variable annuity liabilities (separate accounts)	662	649	681	666	665	629
Other liabilities	1,527	1,564	1,781	1,700	1,546	1,381
Total liabilities	\$42,481	\$41,474	\$40,197	\$37,797	\$37,318	\$36,237
Shareholders' equity:						
Common stock	\$ 88	\$ 88	\$ 90	\$ 90	\$ 90	\$ 89
Capital surplus	1,152	1,150	1,152	1,138	1,123	1,109
Appropriated retained earnings	(2)	2	31	49	49	45
Unappropriated retained earnings	2,914	2,946	2,913	2,842	2,777	2,729
Unrealized gains - fixed maturities	604	602	656	556	441	449
Unrealized gains - equities	139	124	149	129	121	119
Other comprehensive income, net of tax	(16)	(8)	(6)	(8)	(2)	2
Total shareholders' equity	4,879	4,904	4,985	4,796	4,599	4,542
Noncontrolling interests	175	174	173	177	170	168
Total liabilities and equity	\$47,535	\$46,552	\$45,355	\$42,770	\$42,087	\$40,947

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



	12/31/14	09/30/14	06/30/14	03/31/14	12/31/13	09/30/13
Shareholders' equity	\$ 4,879	\$ 4,904	\$ 4,985	\$ 4,796	\$ 4,599	\$ 4,542
Appropriated retained earnings	2	(2)	(31)	(49)	(49)	(45)
Shareholders' equity, excluding appropriated retained earnings	4,881	4,902	4,954	4,747	4,550	4,497
Unrealized (gains) on fixed maturities	(604)	(602)	(656)	(556)	(441)	(449)
Adjusted shareholders' equity	4,277	4,300	4,298	4,191	4,109	4,048
Goodwill	(201)	(201)	(200)	(185)	(185)	(185)
Intangibles	(57)	(63)	(66)	(27)	(22)	(26)
Tangible adjusted shareholders' equity	\$ 4,019	\$ 4,036	\$ 4,032	\$ 3,979	\$ 3,902	\$ 3,837
Common shares outstanding	87.709	88.491	89.618	89.589	89.513	89.224

Book value per share:

Excluding appropriated retained earnings (a)	\$ 55.65	\$ 55.39	\$ 55.27	\$ 52.99	\$ 50.83	\$ 50.40
Adjusted (b)	48.76	48.59	47.95	46.79	45.90	45.36
Tangible, adjusted (c)	45.82	45.61	44.99	44.42	43.59	43.00

Market capitalization

AFG's closing common share price	\$ 60.72	\$ 57.89	\$ 59.56	\$ 57.71	\$ 57.72	\$ 54.06
Market capitalization	\$ 5,326	\$ 5,123	\$ 5,338	\$ 5,170	\$ 5,167	\$ 4,823
Price / Adjusted book value ratio	1.25	1.19	1.24	1.23	1.26	1.19

- (a) Excludes appropriated retained earnings.
(b) Excludes appropriated retained earnings and unrealized gains related to fixed maturity investments.
(c) Excludes appropriated retained earnings, unrealized gains related to fixed maturity investments, goodwill and intangibles.

American Financial Group, Inc.
Capitalization

(\$ in millions)



	12/31/14	09/30/14	06/30/14	03/31/14	12/31/13	09/30/13
AFG senior obligations	\$ 840	\$ 840	\$ 840	\$ 840	\$ 840	\$ 840
Borrowings drawn under credit facility	—	—	—	—	—	—
Obligations of subsidiaries - other	12	12	12	12	12	12
Debt excluding subordinated debt & debt secured by real estate	\$ 852	\$ 852	\$ 852	\$ 852	\$ 852	\$ 852
AFG subordinated debentures	150	150	—	—	—	—
Obligations of subsidiaries - secured by real estate	59	60	60	61	61	61
Payable to subsidiary trusts - subordinated	—	—	—	—	—	—
Total Long-term debt	\$1,061	\$1,062	\$ 912	\$ 913	\$ 913	\$ 913
Shareholders' equity	4,879	4,904	4,985	4,796	4,599	4,542
Noncontrolling interests	175	174	173	177	170	168
Less:						
Appropriated retained earnings	2	(2)	(31)	(49)	(49)	(45)
Unrealized gains related to fixed maturity investments	(604)	(602)	(656)	(556)	(441)	(449)
Total adjusted capital	\$5,513	\$5,536	\$5,383	\$5,281	\$5,192	\$5,129
Less:						
Obligations of subsidiaries - secured by real estate	(59)	(60)	(60)	(61)	(61)	(61)
Total adjusted capital excluding obligations secured by real estate	\$5,454	\$5,476	\$5,323	\$5,220	\$5,131	\$5,068
Ratio of debt to total adjusted capital:						
Including subordinated debt & debt secured by real estate	19.2%	19.2%	16.9%	17.3%	17.6%	17.8%
Excluding subordinated debt & debt secured by real estate	15.6%	15.6%	16.0%	16.3%	16.6%	16.8%

	Three Months Ended					Twelve Months Ended	
	<u>12/31/14</u>	<u>09/30/14</u>	<u>06/30/14</u>	<u>03/31/14</u>	<u>12/31/13</u>	<u>12/31/14</u>	<u>12/31/13</u>
<u>Property and Casualty Insurance</u>							
Paid Losses (GAAP)	\$ 562	\$ 528	\$ 530	\$ 510	\$ 577	\$ 2,130	\$ 1,871
<u>Statutory Surplus</u>							
Property and Casualty Insurance	\$2,286	\$2,206	\$2,227	\$1,981	\$1,896	\$ 2,133	
AFG's principal annuity subsidiaries (total adjusted capital)	\$1,822	\$1,818	\$1,751	\$1,688	\$1,661	\$ 1,590	
<u>Allowable dividends without regulatory approval</u>							
Property and Casualty Insurance	\$ 315	\$ 335	\$ 335	\$ 335	\$ 335	\$ 237	
Annuity and Run-off	359	275	275	275	275	158	
Total	\$ 674	\$ 610	\$ 610	\$ 610	\$ 610	\$ 395	

American Financial Group, Inc.
Total Cash and Investments and Quarterly Net Investment Income
December 31, 2014
(\$ in millions)



	Carrying Value					% of Investment Portfolio
	Property and Casualty Insurance	Annuity and Run-off	Other	Consolidate CLOs	Total AFG Consolidated	
Total cash and investments:						
Cash and cash equivalents	\$ 693	\$ 320	\$ 330	\$ —	\$ 1,343	4%
Fixed maturities - Available for sale	6,409	24,313	12	—	30,734	85%
Fixed maturities - Trading	138	128	—	—	266	1%
Equity securities	1,190	460	46	—	1,696	4%
Policy loans	—	228	—	—	228	1%
Mortgage loans	229	888	—	—	1,117	3%
Real estate and other investments	358	747	10	(289)	826	2%
Total cash and investments	\$ 9,017	\$ 27,084	\$ 398	\$ (289)	\$ 36,210	100%

	Property and Casualty Insurance	Annuity and Run-off	Other	Consolidate CLOs	Total AFG Consolidated
	Total quarterly net investment income:				
Fixed maturities - Available for sale	\$ 58	\$ 283	\$—	\$ —	\$ 341
Fixed maturities - Trading	2	1	—	—	3
Equity securities	11	5	3	—	19
Equity in investees	1	2	—	—	3
Other investments	5	15	—	1	21
Gross investment income	77	306	3	1	387
Investment expenses	(2)	(1)	—	—	(3)
Total net investment income	\$ 75	\$ 305	\$ 3	\$ 1	\$ 384

	Equity Securities		
	Cost	Fair Value	Unrealized Gain (Loss)
Annuity and Run-off	\$ 411	\$ 460	\$ 49
Property and Casualty Insurance	1,021	1,190	169
Other	46	46	—
Total AFG consolidated	\$1,478	\$ 1,696	\$ 218

American Financial Group, Inc.
Fixed Maturities - By Security Type - AFG Consolidated
December 31, 2014
(\$ in millions)



	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>	<u>% of Fair Value</u>	<u>% of Investment Portfolio</u>
US Government and government agencies	\$ 361	\$ 367	\$ 6	1%	1%
States, municipalities and political subdivisions	6,423	6,777	354	22%	19%
Foreign government	267	277	10	1%	1%
Residential mortgage-backed securities	4,053	4,449	396	14%	12%
Commercial mortgage-backed securities	2,300	2,457	157	8%	7%
Asset-backed securities	3,874	3,889	15	13%	11%
Corporate bonds					
Manufacturing	2,281	2,415	134	8%	7%
Banks, lending and credit institutions	2,607	2,743	136	9%	7%
Gas and electric services	1,284	1,403	119	4%	4%
Insurance and insurance related	910	975	65	3%	3%
Other corporate	4,980	5,248	268	17%	14%
Total AFG consolidated	<u>\$ 29,340</u>	<u>\$ 31,000</u>	<u>\$ 1,660</u>	<u>100%</u>	<u>86%</u>
Annuity and Run-off	\$ 22,998	\$ 24,441	1,443	79%	68%
Property and Casualty Insurance	6,341	6,547	206	21%	18%
Other	1	12	11	0%	0%
Total AFG consolidated	<u>\$ 29,340</u>	<u>\$ 31,000</u>	<u>\$ 1,660</u>	<u>100%</u>	<u>86%</u>

Annualized yield on available for sale fixed maturities:

Excluding investment expense (a)	4.75%
Net of investment expense (a)	4.71%

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
December 31, 2014
(\$ in millions)



	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>	<u>% of Fair Value</u>
Annuity and Run-off:				
US Government and government agencies	\$ 85	\$ 87	\$ 2	0%
States, municipalities and political subdivisions	3,799	4,051	252	17%
Foreign government	17	20	3	0%
Residential mortgage-backed securities	3,079	3,405	326	14%
Commercial mortgage-backed securities	2,057	2,205	148	9%
Asset-backed securities	2,815	2,832	17	12%
Corporate debt	11,146	11,841	695	48%
Total Annuity and Run-off	\$ 22,998	\$ 24,441	\$ 1,443	100%

Annualized yield on available for sale fixed maturities:

Excluding investment expense (a)	5.00%
Net of investment expense (a)	4.98%

Approximate average life and duration:

Approximate average life	7 years
Approximate duration	5 years

	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>	<u>% of Fair Value</u>
Property and Casualty Insurance:				
US Government and government agencies	\$ 276	\$ 280	\$ 4	4%
States, municipalities and political subdivisions	2,624	2,726	102	42%
Foreign government	250	257	7	4%
Residential mortgage-backed securities	973	1,032	59	16%
Commercial mortgage-backed securities	243	252	9	4%
Asset-backed securities	1,059	1,057	(2)	16%
Corporate debt	916	943	27	14%
Property and Casualty Insurance	\$ 6,341	\$ 6,547	\$ 206	100%

Annualized yield on available for sale fixed maturities:

Excluding investment expense (a)	3.81%
Net of investment expense (a)	3.71%
Tax equivalent, net of investment expense (b)	4.33%

Approximate average life and duration:

Approximate average life	4.5 years
Approximate duration	3.5 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 and NAIC Designation
December 31, 2014
(\$ in millions)



By Credit Rating	GAAP Data			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 6,680	\$ 6,936	\$ 256	22%
AA	6,053	6,342	289	21%
A	7,526	7,966	440	26%
BBB	5,289	5,603	314	18%
Subtotal - Investment grade	25,548	26,847	1,299	87%
BB	807	834	27	3%
B	428	440	12	1%
Other	2,557	2,879	322	9%
Total	\$ 29,340	\$ 31,000	\$ 1,660	100%

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.

By NAIC Designation	Statutory Data				
	Carrying Value	% of Carrying Value	Amortized Cost	Fair Value	Unrealized Gain (Loss)
NAIC 1	\$22,829	78%	\$ 22,830	\$ 24,166	\$ 1,336
NAIC 2	5,389	19%	5,389	5,695	306
	28,218	97%	28,219	29,861	1,642
NAIC 3	638	2%	638	657	19
NAIC 4	142	1%	144	146	2
NAIC 5	46	0%	46	58	12
NAIC 6	37	0%	40	59	19
Total	\$29,081	100%	\$ 29,087	\$ 30,781	\$ 1,694

American Financial Group, Inc.
Mortgage-Backed Securities - AFG Consolidated
December 31, 2014
(\$ in millions)



<u>By Asset Type</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>	<u>% of Fair Value</u>	<u>% of Investment Portfolio</u>
Residential					
Agency	\$ 315	\$ 327	\$ 12	5%	1%
Prime (Non-Agency)	1,923	2,135	212	31%	6%
Alt-A	948	1,054	106	15%	3%
Subprime	867	933	66	13%	2%
Subtotal - Residential	4,053	4,449	396	64%	12%
Commercial	2,300	2,457	157	36%	7%
Total AFG consolidated	\$ 6,353	\$ 6,906	\$ 553	100%	19%
Annuity and Run-off	\$ 5,136	\$ 5,610	\$ 474	81%	15%
Property and Casualty Insurance	1,216	1,284	68	19%	4%
Other	1	12	11	0%	0%
Total AFG consolidated	\$ 6,353	\$ 6,906	\$ 553	100%	19%

- 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 83%; Alt-A 78%; Subprime 86%; CMBS 99%.
- The average FICO score of our residential MBS securities is - Prime 741; Alt-A 712; Subprime 639.
- 99.7% of our Commercial MBS portfolio is investment-grade rated (85% AAA) and the average subordination for this group assets is 38%.
- The approximate average life by collateral type is - Residential 5 years; Commercial 4 years.

Annuity and Run-off:

<u>By Asset Type</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>	<u>% of Fair Value</u>	<u>% of Investment Portfolio</u>
Residential					
Agency	\$ 130	\$ 138	\$ 8	3%	1%
Prime (Non-Agency)	1,684	1,868	184	33%	7%
Alt-A	698	782	84	14%	3%
Subprime	567	617	50	11%	2%
Subtotal - Residential	3,079	3,405	326	61%	13%
Commercial	2,057	2,205	148	39%	8%
Total Annuity and Run-off	\$ 5,136	\$ 5,610	\$ 474	100%	21%

Property and Casualty Insurance:

<u>By Asset Type</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>	<u>% of Fair Value</u>	<u>% of Investment Portfolio</u>
Residential					
Agency	\$ 185	\$ 189	\$ 4	15%	2%
Prime (Non-Agency)	238	255	17	20%	3%
Alt-A	250	272	22	21%	3%
Subprime	300	316	16	24%	3%
Subtotal - Residential	973	1,032	59	80%	11%
Commercial	243	252	9	20%	3%
Total Property and Casualty Insurance	\$ 1,216	\$ 1,284	\$ 68	100%	14%

American Financial Group, Inc.
Mortgage-Backed Securities - Credit Rating and NAIC Designation
December 31, 2014
(\$ in millions)



By Credit Rating	GAAP data			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 2,764	\$2,932	\$ 168	43%
AA	346	362	16	5%
A	484	512	28	7%
BBB	216	235	19	3%
Subtotal - investment grade	3,810	4,041	231	58%
BB	334	347	13	5%
B	368	380	12	6%
Other	1,841	2,138	297	31%
Total	\$ 6,353	\$6,906	\$ 553	100%

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.

By NAIC Designation	Statutory data				
	Carrying Value	% of Carrying Value	Amortized Cost	Fair Value	Unrealized Gain (Loss)
NAIC 1	\$ 6,056	97%	\$ 6,057	\$6,634	\$ 577
NAIC 2	88	1%	88	90	2
	6,144	98%	6,145	6,724	579
NAIC 3	51	1%	51	52	1
NAIC 4	55	1%	55	59	4
NAIC 5	16	0%	16	27	11
NAIC 6	2	0%	2	18	16
Total	\$ 6,268	100%	\$ 6,269	\$6,880	\$ 611

Appendix:
American Financial Group, Inc.
Attribution of Changes in Long-Term Care Net Loss Recognition Margin
(\$ in millions)

Net Loss Recognition Margin at 12/31/13	\$ 64
Changes in margin attributed to each updated assumption:	
Claim costs	\$(50)
Rate increases	40
Reinvestment rates	(34)
Expenses	(11)
Other	2
Net Loss Recognition Margin at 12/31/14	<u>\$ 11</u>

The following table illustrates the impact of changes in key assumptions on AFG's net loss recognition margin as of December 31, 2014. Assumption changes could have either a favorable or unfavorable impact on the margin depending on the nature of the change.

<u>Assumptions Change</u>	<u>Impact on Net Loss Recognition Margin (pretax)</u>
5% morbidity change in all future years	\$55 - \$65
5% lapse and mortality rate change in all future years	\$35 - \$40
0.25% reinvestment rate change in all future years	\$20 - \$25
0.25% initial reinvestment rate change; no change to ultimate reinvestment rate	\$8 - \$10
1% change in expected rate increase approvals	\$15 - \$20

Once the loss recognition margin is reduced to zero, the impact of adverse changes in assumptions, unless offset by other favorable assumption changes, would be recorded as an increase in long-term care reserves through a charge to earnings. Each item reflects a change to a single assumption without changes to other assumptions. For example, assuming increased claim payments did not change the assumption on future rate increases and persistency, nor did it change projected investment yields resulting from cash flow differences. These amounts are valid for a point in time, and will change in future periods as the in-force block ages, and as actual performance deviates from the assumptions used at December 31, 2014.

Appendix:
American Financial Group, Inc.
Reinvestment Rates Used in Loss Recognition Testing and Annuity Unlocking
(\$ in millions)

<u>Segments</u>	<u>Initial Net Reinvestment Rate</u>	<u>Ultimate Net Reinvestment Rate</u>	<u>Years to Reach Ultimate</u>
Run-off Long-Term Care	4.52%	6.25%	7 years
Annuity	3.57%	5.54%	7 years

Differences in reinvestment rates between segments reflect differences in expected durations of liabilities, as well as different assumed investment allocations.