
**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 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))
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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 2016 and full year ended December 31, 2016 as well as the availability of the Investor Supplement on the Company's website. The press release was issued on February 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 February 1, 2017, reporting American Financial Group Inc. fourth quarter and full year results for the period ended December 31, 2016.
99.2	Investor Supplement – Fourth Quarter 2016

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: February 2, 2017

AMERICAN FINANCIAL GROUP, INC.

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

FOR IMMEDIATE RELEASE



Press Release

American Financial Group, Inc. Announces Record 2016 Fourth Quarter and Full Year Results

- **Record net earnings of \$4.33 per share in the fourth quarter and \$7.33 per share for the full year**
- **Record fourth quarter core net operating earnings of \$1.98 per share; up 30% from 2015**
- **Record core net operating earnings per share of \$6.03 for the full year; up 11% from 2015**
- **Full year 2016 ROE of 14.8%; 2016 core operating ROE of 12.2%**
- **Full year 2017 core net operating earnings guidance between \$6.20 - \$6.70 per share**

CINCINNATI – February 1, 2017 – American Financial Group, Inc. (NYSE: AFG) today reported record 2016 fourth quarter net earnings attributable to shareholders of \$385 million (\$4.33 per share) compared to \$129 million (\$1.45 per share) for the 2015 fourth quarter. Results for the fourth quarter of 2016 include non-core tax benefits of \$111 million (\$1.25 per share) as a result of the restructuring of Neon, our Lloyd’s insurer, and \$66 million (\$0.74 per share) related to the merger with National Interstate, as well as \$32 million (\$0.36 per share) in after-tax realized gains. Comparatively, net earnings in the 2015 fourth quarter included non-core losses of \$7 million (\$0.07 per share). Details may be found in the table below. Net earnings attributable to shareholders for the year were \$7.33 per share, compared to \$3.94 per share in 2015. Due to the impact of rising interest rates on our fixed maturity portfolio, book value per share decreased by \$2.90 to \$56.55 per share during the fourth quarter of 2016. Return on equity was 14.8% and 8.3% for 2016 and 2015, respectively.

Core net operating earnings were \$176 million (\$1.98 per share) for the 2016 fourth quarter, compared to \$136 million (\$1.52 per share) in the 2015 fourth quarter. The \$1.98 per share established an all-time high for AFG’s quarterly core EPS. The improved results were attributable to higher underwriting profit in our Specialty Property and Casualty (“P&C”) insurance segment and significantly higher operating earnings in our Annuity Segment. Book value per share, excluding unrealized gains related to fixed maturities, increased by \$1.43 to \$53.11 per share during the fourth quarter of 2016. Core net operating earnings for the fourth quarters of 2016 and 2015 generated annualized returns on equity of 15.7% and 12.7%, respectively. Core operating return on equity was 12.2% and 11.5% for 2016 and 2015, respectively.

During the fourth quarter of 2016, AFG repurchased approximately 116,000 shares of common stock at an average price per share of \$75.09. During 2016, AFG repurchased 1.9 million shares for \$133 million, at an average price per share of \$69.47.

AFG’s net earnings attributable to shareholders, determined in accordance with U.S. generally accepted accounting principles (“GAAP”), include certain items that may not be indicative of its ongoing core operations. The table below identifies such items and reconciles net earnings attributable to shareholders to core net operating earnings, a non-GAAP financial measure. AFG believes that its core net operating earnings provides management, financial analysts, rating agencies and investors with an understanding of the results from the ongoing operations of the Company by excluding the impact of net realized investment gains and losses and other special items that are not necessarily indicative of operating trends. AFG’s management uses core net operating earnings to evaluate financial performance against historical results because it believes this provides a more comparable measure of its continuing business. Core net operating earnings is also used by AFG’s management as a basis for strategic planning and forecasting.

In millions, except per share amounts	Three months ended December 31,		Twelve months ended December 31,	
	2016	2015	2016	2015
Components of net earnings attributable to shareholders:				
Core operating earnings before income taxes	\$ 266	\$ 220	\$ 840	\$ 762
Pretax non-core items:				
Realized gains (losses) on securities	51	(21)	19	(19)
Realized gain (loss) on sale of subsidiaries:				
Long-term care business	—	(4)	2	(166)
Other	—	—	—	5
Gain on sale of apartment properties and hotel	—	15	32	66
Special A&E charges	—	—	(41)	(79)
Neon exited lines charge	—	—	(65)	—
Loss on early retirement of debt	—	—	—	(4)
Earnings before income taxes	<u>317</u>	<u>210</u>	<u>787</u>	<u>565</u>
Provision (credit) for income taxes:				
Core operating earnings	88	83	290	263
Non-core items:				
Tax benefit related to National Interstate merger	(66)	—	(66)	—
Tax benefit related to Neon restructuring	(111)	—	(111)	—
Other	18	(3)	6	(68)
Total provision (credit) for income taxes	<u>(71)</u>	<u>80</u>	<u>119</u>	<u>195</u>
Net earnings, including noncontrolling interests	388	130	668	370
Less net earnings attributable to noncontrolling interests:				
Core operating earnings	2	1	16	13
Non-core items	1	—	3	5
Total net earnings attributable to noncontrolling interests	<u>3</u>	<u>1</u>	<u>19</u>	<u>18</u>
Net earnings attributable to shareholders	<u>\$ 385</u>	<u>\$ 129</u>	<u>\$ 649</u>	<u>\$ 352</u>
Net earnings:				
Core net operating earnings ^(a)	\$ 176	\$ 136	\$ 534	\$ 486
Non-core items	209	(7)	115	(134)
Net earnings attributable to shareholders	<u>\$ 385</u>	<u>\$ 129</u>	<u>\$ 649</u>	<u>\$ 352</u>
Components of Earnings Per Share:				
Core net operating earnings ^(a)	\$ 1.98	\$ 1.52	\$ 6.03	\$ 5.44
Non-core Items:				
Realized gains (losses) on securities	0.36	(0.15)	0.16	(0.12)
Realized gain (loss) on sale of subsidiaries:				
Long-term care business	—	(0.03)	0.01	(1.21)
Other	—	—	—	0.04
Gain on sale of apartment properties and hotel	—	0.11	0.17	0.40
Special A&E charges	—	—	(0.30)	(0.58)
Neon exited lines charge	—	—	(0.73)	—
Loss on early retirement of debt	—	—	—	(0.03)
Tax benefit related to National Interstate merger	0.74	—	0.74	—
Tax benefit related to Neon restructuring	1.25	—	1.25	—
Diluted Earnings Per Share	<u>\$ 4.33</u>	<u>\$ 1.45</u>	<u>\$ 7.33</u>	<u>\$ 3.94</u>

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

Carl H. Lindner III and S. Craig Lindner, AFG's Co-Chief Executive Officers, commented: "AFG's fourth quarter and full year results established new records for earnings. Strong operating profitability in both the P&C and Annuity segments of our business, superior investment performance and effective capital management have enabled us to achieve five-year compounded growth in adjusted book value plus dividends of 10%.

"AFG had approximately \$950 million of excess capital (including parent company cash of approximately \$200 million) at December 31, 2016. Over the past year, we increased our quarterly dividend by 12% and in the fourth quarter of 2016, we paid a special dividend of \$1.00 per share. 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 and return capital to shareholders through dividends.

“Based on current information, we expect core net operating earnings in 2017 to be between \$6.20 and \$6.70 per share. Our core earnings per share guidance assumes no change in the corporate tax rate of 35%, and excludes non-core items such as realized gains and losses, as well as other significant items that are not able to be estimated with reasonable precision, or that may not be indicative of ongoing operations.”

Specialty Property and Casualty Insurance Operations

The Specialty P&C insurance operations generated underwriting profit of \$110 million for the 2016 fourth quarter compared to \$100 million in the fourth quarter of 2015. Higher underwriting profitability in our Property and Transportation Group and Specialty Financial Groups was partially offset by lower underwriting profitability in our Specialty Casualty Group. The fourth quarter 2016 combined ratio of 90.4% includes 0.9 points of adverse prior year reserve development, compared to 0.4 points of favorable prior year reserve development in the comparable 2015 period. Fourth quarter results in 2016 include \$12 million (1.1 points on the combined ratio) in catastrophe losses, compared to \$9 million (0.8 points on the combined ratio) in the comparable 2015 period.

Gross and net written premiums were up 6% and 3%, respectively, in the 2016 fourth quarter compared to the same period in 2015. Each of our Specialty P&C groups reported growth during the quarter. Average renewal pricing across our entire P&C Group was up 1% for the quarter, and was flat for the year. Further details of AFG’s Specialty P&C operations may be found in the accompanying schedules.

The **Property and Transportation Group** reported an underwriting profit of \$75 million in the fourth quarter of 2016, compared to \$34 million in the comparable prior year period, due primarily to higher underwriting profit in our crop insurance business, largely the result of favorable growing conditions and relatively stable commodity pricing. Catastrophe losses for this group were \$6 million in the fourth quarter of 2016 and \$3 million in the comparable 2015 period.

Fourth quarter 2016 gross and net written premiums in this group were 12% and 4% higher, respectively, than the comparable prior year period. The increase was primarily attributed to higher crop insurance premiums, the large majority of which were ceded to the Federal Crop Insurance Program. Excluding crop, fourth quarter 2016 gross and net written premiums in this group were virtually unchanged from the prior year period. Overall renewal rates increased 2% in the fourth quarter of 2016, including a 4% increase in National Interstate’s renewal rates. The average renewal rate increase for this group during 2016 was approximately 3%.

The **Specialty Casualty Group** reported an underwriting profit of \$13 million in the 2016 fourth quarter compared to \$50 million in the comparable 2015 period. Underwriting losses in one of our excess and surplus lines businesses, primarily related to coverage written for New York contractors, and lower profitability in our targeted markets operations were the primary reasons for the lower underwriting profit year-over-year. Catastrophe losses for this group were \$4 million in the fourth quarter of 2016 and \$1 million in the comparable 2015 period.

Gross and net written premiums increased 3% and 1%, respectively, for the fourth quarter of 2016 when compared to the same prior year period. Higher premiums in our targeted markets and executive liability businesses were partially offset by lower premiums in our excess and surplus lines operations, primarily the result of tougher underwriting standards related to New York contractors business, as well as lower

premiums within our workers' compensation businesses. Net written premiums were also impacted by higher ceded premiums within Neon. Renewal pricing for this group was flat during the fourth quarter, and included a decrease of approximately 2% in our workers' compensation businesses. Excluding workers' compensation, renewal pricing in this group was up approximately 1% for the quarter and the full year.

The **Specialty Financial Group** reported an underwriting profit of \$20 million in the fourth quarter of 2016, compared to \$15 million in the fourth quarter of 2015. All businesses in this group reported higher year-over-year underwriting profit. Catastrophe losses for this group were \$2 million in the fourth quarter of 2016 and \$5 million in the comparable prior year period. All businesses in this group continued to achieve excellent underwriting margins during 2016.

Gross and net written premiums both increased by 1% in the 2016 fourth quarter when compared to the same 2015 period. Renewal pricing in this group decreased approximately 1% on average for both the fourth quarter and for the full year of 2016.

Carl Lindner III stated: "I'm very pleased with the overall profitability of our Specialty P&C Group. I am especially pleased that our Property and Transportation Group ended the year with strong underwriting results and returns on equity, driven by excellent results in our crop and inland marine operations, as well as higher profitability in our transportation and equine mortality businesses. In addition, we continued to report outstanding operating results in our Specialty Financial Group, and solid results in our Specialty Casualty Group."

Mr. Lindner continued, "Despite competitive conditions, I'm optimistic about 2017. We are forecasting an overall calendar year combined ratio in the 92% to 94% range, and we are targeting growth in net written premiums in the range of 2% to 6%."

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

Annuity Segment

The Annuity Segment reported a record \$132 million in pretax operating earnings in the fourth quarter of 2016, an increase of 31% from the \$101 million reported in the fourth quarter of 2015. In addition, as shown in the table below, earnings before the impact of fair value accounting on fixed-indexed annuities (FIAs) were \$103 million, up 7% from the prior year period:

Components of Core Annuity Operating Earnings Before Income Taxes
In millions

	Three months ended December 31,		Pct. Change	Twelve months ended December 31,		Pct. Change
	2016	2015		2016	2015	
Annuity earnings before fair value accounting for FIAs	\$ 103	\$ 96	7%	\$ 395	\$ 354	12%
Impact of fair value accounting for FIAs	29	5	nm	(27)	(23)	nm
Pretax Annuity Operating Earnings	<u>\$ 132</u>	<u>\$ 101</u>	31%	<u>\$ 368</u>	<u>\$ 331</u>	11%

Annuity Earnings Before Fair Value Accounting for FIAs – AFG's fourth quarter 2016 earnings continued to benefit from favorable investment results, including the continued significant positive impact of certain investments required to be marked to market through earnings. In addition, AFG's quarterly average annuity investments and reserves grew approximately 11% and 12%, respectively, year-over-year; the benefit of this growth was partially offset by the runoff of higher yielding investments.

In the fourth quarters of 2016 and 2015, AFG conducted detailed reviews (“unlocking”) of the major actuarial assumptions underlying its annuity operations. The review resulted in a positive unlocking of \$1 million in the fourth quarter of 2016; in the fourth quarter of 2015, the positive unlocking amount was \$10 million. Unlocking amounts are included in “Annuity earnings before fair value accounting for FIAs” in the table above.

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 fourth quarter of 2016, a significant increase in interest rates, as well as an increase in the stock market, resulted in a large favorable impact on annuity earnings. This compares to a relatively small favorable impact on annuity earnings in the fourth quarter of 2015, primarily the result of the increase in the stock market.

Annuity Premiums – AFG’s Annuity Segment reported statutory premiums of \$1.1 billion in the fourth quarter of 2016, virtually unchanged from the fourth quarter of 2015.

Craig Lindner stated, “AFG’s Annuity Segment had another record year, achieving pretax operating earnings of \$368 million and annuity premiums of \$4.4 billion. In addition, as a result of its strong statutory results, the Annuity Segment continues to generate significant amounts of excess capital. I am very pleased with these results, which illustrate our investment skills, disciplined product pricing and commitment to consumer-friendly products. We believe that our business model positions us well in a changing regulatory environment.”

Department of Labor (DOL) Rule – The Company continues to implement product and process changes needed to comply with the DOL fiduciary rule and is proceeding under the premise the DOL rule becomes effective in April 2017 in its current form. There is considerable discussion surrounding the possibility of a delay or other action impacting the rule. In addition, there remains pending litigation seeking to invalidate the rule. However, until there is some definitive action impacting the rule, the Company intends to continue to pursue necessary changes.

Assuming the rule is effective in April 2017, AFG believes the biggest impact will be on insurance-only licensed agents whose sales represented less than 10% of our fourth quarter premium. While AFG’s management continues to believe the adjustments required of the Company and its distribution partners to comply with the rule will impact 2017 annuity premiums, management does not believe the new rule will have a material impact on AFG’s results of operations.

2017 Annuity Outlook – AFG expects that 2017 annuity sales will be flat to down 10% compared to the \$4.4 billion sold in 2016, resulting in year-over-year average asset and reserve growth of 8% to 10%; the favorable earnings impact of this growth will be partially offset by the runoff of higher yielding investments. As a result, AFG anticipates that its annuity operating earnings will be in the range of \$375 to \$395 million, an increase from the \$368 million reported in 2016.

This guidance assumes (i) the Department of Labor rule is implemented in April 2017, (ii) interest rates and the stock market rise moderately, and (iii) a more normalized return on investments that are required to be marked to market. Fluctuations in the returns on these investments, or large changes in interest rates and/or the stock market, as compared to our expectations, could lead to significant positive or negative impacts on the Annuity Segment’s results.

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

Investments

AFG recorded fourth quarter 2016 net realized gains of \$32 million after tax and after deferred acquisition costs (DAC), compared to net realized losses of \$14 million in the comparable prior year period. Unrealized gains on fixed maturities were \$306 million after tax and after DAC at December 31, 2016, an increase of \$28 million from year-end 2015. Our portfolio continues to be high quality, with 89% 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 three months ended December 31, 2016, P&C net investment income was approximately 15% higher than the comparable 2015 period, reflecting the positive impact of certain investments required to be marked to market through earnings and higher income from equity in the earnings of limited partnerships and similar investments.

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

Tax Benefit Related to National Interstate Merger

As previously announced, on November 10, 2016 holders of National Interstate common shares voted to approve an Agreement and Plan of Merger. The Merger allowed National Interstate and its subsidiaries to become members of the AFG consolidated tax group, which resulted in a non-core tax benefit of \$66 million to AFG during the fourth quarter of 2016.

Tax Benefit Related to Neon Restructuring

During December 2016, AFG undertook a restructuring that included the liquidation for tax purposes of the foreign subsidiary that is the parent of our Neon operations, resulting in a taxable loss for U.S. tax purposes. AFG reported the tax benefit associated with this loss as a non-core tax benefit of \$111 million in the fourth quarter of 2016.

About American Financial Group, Inc.

American Financial Group is an insurance holding company based in Cincinnati, Ohio with assets over \$50 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 our 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 our international operations; 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 2016 fourth quarter and full year results at 11:30 am (ET) tomorrow, Thursday, February 2, 2017. 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 48169817. Please dial in five to ten minutes prior to the scheduled start time of the call.

A replay will be available approximately two hours following the completion of the call and will remain available until 11:59 pm (ET) on February 9, 2017. To listen to the replay, dial 1-855-859-2056 (international dial-in 404-537-3406) and provide the conference ID 48169817.

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

The archived webcast will be available immediately after the call via the same link on the **Investor Relations** page until February 9, 2017 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

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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.

AFG17-03

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,	
	2016	2015	2016	2015
Revenues				
P&C insurance net earned premiums	\$1,144	\$1,120	\$4,328	\$4,224
Life, accident & health net earned premiums	6	24	24	104
Net investment income	429	416	1,696	1,633
Realized gains (losses) on:				
Securities	51	(21)	19	(19)
Subsidiaries	—	(4)	2	(161)
Income (loss) of managed investment entities:				
Investment income	49	43	190	155
Gain (loss) on change in fair value of assets/liabilities	6	(18)	15	(34)
Other income	52	58	224	243
Total revenues	<u>1,737</u>	<u>1,618</u>	<u>6,498</u>	<u>6,145</u>
Costs and expenses				
P&C insurance losses & expenses	1,040	1,026	4,111	4,015
Annuity, life, accident & health benefits & expenses	222	247	1,019	1,042
Interest charges on borrowed money	21	17	77	75
Expenses of managed investment entities	42	32	151	112
Other expenses	95	86	353	336
Total costs and expenses	<u>1,420</u>	<u>1,408</u>	<u>5,711</u>	<u>5,580</u>
Earnings before income taxes	317	210	787	565
Provision for income taxes(b)	(71)	80	119	195
Net earnings including noncontrolling interests	388	130	668	370
Less: Net earnings (loss) attributable to noncontrolling interests	3	1	19	18
Net earnings attributable to shareholders	<u>\$ 385</u>	<u>\$ 129</u>	<u>\$ 649</u>	<u>\$ 352</u>
Diluted earnings per Common Share	<u>\$ 4.33</u>	<u>\$ 1.45</u>	<u>\$ 7.33</u>	<u>\$ 3.94</u>
Average number of diluted shares	88.8	89.2	88.5	89.4
Selected Balance Sheet Data:				
		December 31,	December 31,	
		2016	2015	
Total cash and investments		\$ 41,433	\$ 37,736	
Long-term debt(c)		\$ 1,283	\$ 998	
Shareholders' equity(d)		\$ 4,916	\$ 4,592	
Shareholders' equity (excluding unrealized gains/losses related to fixed maturities)(d)		\$ 4,617	\$ 4,313	
Book value per share		\$ 56.55	\$ 52.50	
Book value per share (excluding unrealized gains/losses related to fixed maturities)		\$ 53.11	\$ 49.32	
Common Shares Outstanding			86.9	87.5

Footnotes (b), (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
	2016	2015		2016	2015	
Gross written premiums	<u>\$1,441</u>	<u>\$1,356</u>	6%	<u>\$5,981</u>	<u>\$5,832</u>	3%
Net written premiums	<u>\$1,083</u>	<u>\$1,056</u>	3%	<u>\$4,386</u>	<u>\$4,327</u>	1%
Ratios (GAAP):						
Loss & LAE ratio	63.7%	61.8%		61.7%	62.2%	
Underwriting expense ratio	26.7%	29.2%		30.6%	30.9%	
Specialty Combined Ratio	90.4%	91.0%		92.3%	93.1%	
Combined Ratio – P&C Segment	90.4%	91.0%		94.5%	94.7%	
Supplemental Information:(e)						
Gross Written Premiums:						
Property & Transportation	\$ 577	\$ 515	12%	\$2,504	\$2,455	2%
Specialty Casualty	684	661	3%	2,792	2,739	2%
Specialty Financial	180	179	1%	685	637	8%
Other	—	1	na	—	1	na
	<u>\$1,441</u>	<u>\$1,356</u>	6%	<u>\$5,981</u>	<u>\$5,832</u>	3%
Net Written Premiums:						
Property & Transportation	\$ 394	\$ 378	4%	\$1,672	\$1,636	2%
Specialty Casualty	510	503	1%	2,036	2,052	(1)%
Specialty Financial	154	152	1%	572	540	6%
Other	25	23	9%	106	99	7%
	<u>\$1,083</u>	<u>\$1,056</u>	3%	<u>\$4,386</u>	<u>\$4,327</u>	1%
Combined Ratio (GAAP):						
Property & Transportation	83.9%	92.4%		90.0%	96.9%	
Specialty Casualty	97.4%	90.2%		96.1%	92.7%	
Specialty Financial	86.0%	88.7%		84.9%	83.1%	
Aggregate Specialty Group	90.4%	91.0%		92.3%	93.1%	
Reserve Development (Favorable)/Adverse:						
				Three months ended December 31,	Twelve months ended December 31,	
				2016	2015	
Property & Transportation			\$ 13	\$ 8	\$ (21)	\$ 15
Specialty Casualty			3	(7)	(13)	(11)
Specialty Financial			(6)	(5)	(23)	(30)
Other			—	(1)	(4)	(11)
Specialty Group Excluding A&E and Neon Charge			10	(5)	(61)	(37)
Special A&E Reserve Charge – P&C Run-off			—	—	36	67
Neon Exited Lines Charge and Other			—	—	57	3
Total Reserve Development			<u>\$ 10</u>	<u>\$ (5)</u>	<u>\$ 32</u>	<u>\$ 33</u>
Points on Combined Ratio:						
Property & Transportation			3.0	1.8	(1.2)	0.9
Specialty Casualty			0.5	(1.4)	(0.7)	(0.5)
Specialty Financial			(4.5)	(3.6)	(4.0)	(5.7)
Aggregate Specialty Group			0.9	(0.4)	(1.4)	(0.8)
Total P&C Segment			0.9	(0.4)	0.7	0.8

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
	2016	2015		2016	2015	
Annuity Premiums:						
Financial Institutions	\$ 626	\$ 534	17%	\$ 2,418	\$ 1,970	23%
Retail	437	512	(15%)	1,796	1,934	(7%)
Education Market	40	51	(22%)	184	194	(5%)
Variable Annuities	8	10	(20%)	37	42	(12%)
Total Annuity Premiums	<u>\$ 1,111</u>	<u>\$ 1,107</u>	— %	<u>\$ 4,435</u>	<u>\$ 4,140</u>	7%

Components of Operating Earnings Before Income Taxes

	Three months ended December 31,		Pct. Change	Twelve months ended December 31,		Pct. Change
	2016	2015		2016	2015	
Revenues:						
Net investment income	\$ 346	\$ 309	12%	\$ 1,356	\$ 1,224	11%
Other income	27	23	17%	103	98	5%
Total revenues	373	332	12%	1,459	1,322	10%
Costs and Expenses:						
Annuity benefits	160	189	(15%)	800	732	9%
Acquisition expenses	54	20	170%	181	163	11%
Other expenses	27	22	23%	110	96	15%
Total costs and expenses	241	231	4%	1,091	991	10%
Operating earnings before income taxes	<u>\$ 132</u>	<u>\$ 101</u>	31%	<u>\$ 368</u>	<u>\$ 331</u>	11%

Supplemental Annuity Information

	Three months ended December 31,		Pct. Change	Twelve months ended December 31,		Pct. Change
	2016	2015		2016	2015	
Operating earnings before impact of fair value accounting on FIAs	\$ 103	\$ 96	7%	\$ 395	\$ 354	12%
Impact of fair value accounting	29	5	nm	(27)	(23)	nm
Operating earnings before income taxes	<u>\$ 132</u>	<u>\$ 101</u>	31%	<u>\$ 368</u>	<u>\$ 331</u>	11%
Average Fixed Annuity Reserves*	\$29,250	\$26,048	12%	\$28,146	\$24,898	13%
Net Interest Spread*	2.70%	2.53%		2.73%	2.69%	
Net Spread Earned Before Impact of Fair Value Accounting*	1.42%	1.31%		1.39%	1.35%	
Net Spread Earned After Impact of Fair Value Accounting*	1.82%	1.39%		1.29%	1.26%	

* 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		Twelve months ended	
	December 31,	2015	December 31,	2015
<u>Core Operating Earnings before Income Taxes:</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
P&C insurance segment	\$ 180	\$ 163	\$ 630	\$ 566
Annuity segment, before impact of fair value accounting	103	96	395	354
Impact of fair value accounting	29	5	(27)	(23)
Run-off long-term care and life segment	2	—	2	14
Interest & other corporate expense	(50)	(45)	(176)	(162)
Core operating earnings before income taxes	264	219	824	749
Related income taxes	88	83	290	263
Core net operating earnings	<u>\$ 176</u>	<u>\$ 136</u>	<u>\$ 534</u>	<u>\$ 486</u>

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

c) December 2015 and prior periods have been adjusted for adoption of FASB Accounting Standard Update 2015-03, which impacted the presentation of debt issue costs and long-term debt. The impact of this adjustment was to reduce the carrying value of long-term debt on AFG's balance sheet by \$22 million at December 31, 2015, from amounts originally reported. Adjustments to the income statement increased interest charges on borrowed money by \$1 million for the twelve months ended December 31, 2015.

d) Shareholders' Equity at December 31, 2016 includes \$299 million (\$3.44 per share) in unrealized after-tax gains related to fixed maturities. Shareholders' Equity at December 31, 2015 includes \$279 million (\$3.18 per share) in unrealized after-tax gains related to fixed maturities.

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 2016

February 1, 2017

American Financial Group, Inc.

Corporate Headquarters

Great American Insurance Group Tower

301 E Fourth Street

Cincinnati, OH 45202

513 579 6739



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	Three Months Ended					Twelve Months Ended	
	12/31/16	09/30/16	06/30/16	03/31/16	12/31/15	12/31/16	12/31/15
Highlights							
Net earnings	\$ 385	\$ 109	\$ 54	\$ 101	\$ 129	\$ 649	\$ 352
Core net operating earnings	176	134	113	111	136	534	486
Total assets	55,072	54,845	52,733	51,038	49,837	55,072	49,837
Adjusted shareholders' equity (a)	4,617	4,487	4,356	4,325	4,313	4,617	4,313
Property and Casualty net written premiums	1,083	1,268	1,056	979	1,056	4,386	4,327
Annuity statutory premiums	1,111	941	1,098	1,285	1,107	4,435	4,140
Per share data							
Diluted earnings per share	\$ 4.33	\$ 1.23	\$ 0.62	\$ 1.14	\$ 1.45	\$ 7.33	\$ 3.94
Core net operating earnings per share	1.98	1.51	1.28	1.25	1.52	6.03	5.44
Adjusted book value per share (a)	53.11	51.68	50.16	49.72	49.32	53.11	49.32
Cash dividends per common share	1.3125	0.2800	0.2800	0.2800	1.2800	2.1525	2.0300
Financial ratios							
Annualized return on equity (b)	34.4%	9.9%	5.1%	9.4%	12.1%	14.8%	8.3%
Annualized core operating return on equity (b)	15.7%	12.2%	10.5%	10.3%	12.7%	12.2%	11.5%
Property and Casualty combined ratio - Specialty:							
Loss & LAE ratio	63.7%	62.9%	61.2%	58.3%	61.8%	61.7%	62.2%
Underwriting expense ratio	26.7%	30.3%	32.7%	33.0%	29.2%	30.6%	30.9%
Combined ratio - Specialty	90.4%	93.2%	93.9%	91.3%	91.0%	92.3%	93.1%
Net spread on fixed annuities:							
Net interest spread	2.70%	2.85%	2.84%	2.54%	2.53%	2.73%	2.69%
Net spread earned:							
Before impact of fair value accounting	1.42%	1.46%	1.45%	1.20%	1.31%	1.39%	1.35%
Impact of fair value accounting (c)	0.40%	0.01%	(0.37%)	(0.46%)	0.08%	(0.10%)	(0.09%)
After impact of fair value accounting	1.82%	1.47%	1.08%	0.74%	1.39%	1.29%	1.26%

- (a) Excludes unrealized gains related to fixed maturity investments, a reconciliation to the GAAP measure is on page 18.
(b) Excludes accumulated other comprehensive income.
(c) Change in fair value of derivatives offset by the estimated related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs.

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



	Three Months Ended				Twelve Months Ended	
	12/31/16	09/30/16	06/30/16	03/31/16	12/31/15	12/31/15
Property and Casualty Insurance						
Underwriting profit	\$ 110	\$ 78	\$ 62	\$ 87	\$ 100	\$ 292
Net investment income	85	93	89	83	74	319
Other expense	(15)	(18)	(12)	(12)	(11)	(45)
Property and Casualty Insurance operating earnings	180	153	139	158	163	566
Annuity earnings	132	107	76	53	101	331
Run-off Long-Term Care and Life earnings	2	1	—	(1)	—	14
Interest expense of parent holding companies (a)	(21)	(19)	(19)	(18)	(16)	(73)
Other expense (a)	(29)	(29)	(19)	(22)	(29)	(89)
Pre-tax core operating earnings	264	213	177	170	219	749
Income tax expense	88	79	64	59	83	263
Core net operating earnings	176	134	113	111	136	486
Non-core items, net of tax:						
Realized gains (losses) on securities	32	1	(10)	(10)	(14)	(12)
Realized gain (loss) on sale of subsidiaries	—	—	1	—	(3)	(104)
Gain on sale of hotel and apartment properties	—	—	15	—	10	36
Special A&E charges:						
Property and Casualty Insurance run-off operations	—	(23)	—	—	—	(44)
Former Railroad and Manufacturing operations	—	(3)	—	—	—	(8)
Neon exited lines charge	—	—	(65)	—	—	—
Tax benefit related to National Interstate merger	66	—	—	—	—	—
Tax benefit related to Neon restructuring	111	—	—	—	—	—
Other	—	—	—	—	—	(2)
Net earnings	\$ 385	\$ 109	\$ 54	\$ 101	\$ 129	\$ 352

(a) December 2015 has been adjusted for adoption of FASB Accounting Standard Update 2015-03, which impacted the presentation of debt issue costs and long-term debt.

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



	Three Months Ended					Twelve Months Ended	
	12/31/16	09/30/16	06/30/16	03/31/16	12/31/15	12/31/16	12/31/15
Core net operating earnings	\$ 176	\$ 134	\$ 113	\$ 111	\$ 136	\$ 534	\$ 486
Net earnings	\$ 385	\$ 109	\$ 54	\$ 101	\$ 129	\$ 649	\$ 352
Average number of diluted shares	88.774	88.461	88.390	88.495	89.228	88.530	89.362
<u>Diluted earnings per share:</u>							
Core net operating earnings per share	\$ 1.98	\$ 1.51	\$ 1.28	\$ 1.25	\$ 1.52	\$ 6.03	\$ 5.44
Realized gains (losses) on securities	0.36	0.02	(0.11)	(0.11)	(0.15)	0.16	(0.12)
Realized gain (loss) on sale of subsidiaries	—	—	0.01	—	(0.03)	0.01	(1.17)
Gain on sale of hotel and apartment properties	—	—	0.17	—	0.11	0.17	0.40
Special A&E charges:							
Property and Casualty Insurance run-off operations	—	(0.26)	—	—	—	(0.26)	(0.49)
Former Railroad and Manufacturing operations	—	(0.04)	—	—	—	(0.04)	(0.09)
Neon exited lines charge	—	—	(0.73)	—	—	(0.73)	—
Tax benefit related to National Interstate merger	0.74	—	—	—	—	0.74	—
Tax benefit related to Neon restructuring	1.25	—	—	—	—	1.25	—
Other	—	—	—	—	—	—	(0.03)
Diluted earnings per share	\$ 4.33	\$ 1.23	\$ 0.62	\$ 1.14	\$ 1.45	\$ 7.33	\$ 3.94

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



	Three Months Ended				Twelve Months Ended		
	12/31/16	09/30/16	06/30/16	03/31/16	12/31/15	12/31/15	
Property and Transportation	\$ 75	\$ 44	\$ 15	\$ 32	\$ 34	\$ 166	\$ 48
Specialty Casualty	13	13	23	29	50	78	146
Specialty Financial	20	19	22	23	15	84	87
Other Specialty	2	2	3	2	1	9	14
Underwriting profit - Specialty	110	78	63	86	100	337	295
Other core charges, included in loss and LAE	—	—	1	(1)	—	—	3
Underwriting profit - Core	110	78	62	87	100	337	292
Special A&E charges, included in loss and LAE	—	(36)	—	—	—	(36)	(67)
Neon exited lines charge, included in loss and LAE	—	—	(57)	—	—	(57)	—
Neon exited lines charge, included in underwriting expenses	—	—	(8)	—	—	(8)	—
Underwriting profit (loss) - Property and Casualty Insurance	\$ 110	\$ 42	\$ (3)	\$ 87	\$ 100	\$ 236	\$ 225
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	12	14	21	8	9	55	35
Total current accident year catastrophe losses	\$ 12	\$ 14	\$ 21	\$ 8	\$ 9	\$ 55	\$ 35
Prior year loss reserve development (favorable) / adverse	\$ 10	\$ 22	\$ 28	\$ (28)	\$ (5)	\$ 32	\$ 33
Combined ratio:							
Property and Transportation	83.9%	91.1%	95.9%	90.6%	92.4%	90.0%	96.9%
Specialty Casualty	97.4%	97.4%	95.3%	94.3%	90.2%	96.1%	92.7%
Specialty Financial	86.0%	86.4%	84.4%	82.6%	88.7%	84.9%	83.1%
Other Specialty	94.9%	91.5%	89.2%	89.7%	97.1%	91.4%	85.5%
Combined ratio - Specialty	90.4%	93.2%	93.9%	91.3%	91.0%	92.3%	93.1%
Other core charges	0.0%	0.1%	0.1%	(0.1%)	0.0%	(0.1%)	0.0%
Neon exited lines charge, loss and LAE	0.0%	0.0%	5.5%	0.0%	0.0%	1.3%	0.0%
Neon exited lines charge, underwriting expenses	0.0%	0.0%	0.8%	0.0%	0.0%	0.2%	0.0%
Special A&E charges	0.0%	3.0%	0.0%	0.0%	0.0%	0.8%	1.6%
Combined ratio	90.4%	96.3%	100.3%	91.2%	91.0%	94.5%	94.7%
Combined ratio excl. catastrophe and prior year development	88.4%	93.1%	94.8%	93.2%	90.6%	92.4%	93.1%
Loss and LAE components - property and casualty insurance							
Current accident year, excluding catastrophe loss	61.7%	62.8%	62.1%	60.2%	61.4%	61.8%	62.2%
Prior accident year loss reserve development	0.9%	2.0%	2.7%	(2.8%)	(0.4%)	0.7%	0.8%
Current accident year catastrophe loss	1.1%	1.2%	2.0%	0.8%	0.8%	1.3%	0.8%
Loss and LAE ratio	63.7%	66.0%	66.8%	58.2%	61.8%	63.8%	63.8%

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



	Three Months Ended					Twelve Months Ended	
	12/31/16	09/30/16	06/30/16	03/31/16	12/31/15	12/31/16	12/31/15
Gross written premiums	\$ 1,441	\$ 1,899	\$ 1,398	\$ 1,243	\$ 1,356	\$ 5,981	\$ 5,832
Ceded reinsurance premiums	(358)	(631)	(342)	(264)	(300)	(1,595)	(1,505)
Net written premiums	1,083	1,268	1,056	979	1,056	4,386	4,327
Change in unearned premiums	61	(109)	(29)	19	64	(58)	(103)
Net earned premiums	1,144	1,159	1,027	998	1,120	4,328	4,224
Loss and LAE	729	729	629	582	693	2,669	2,625
Underwriting expense	305	352	335	330	327	1,322	1,304
Underwriting profit	\$ 110	\$ 78	\$ 63	\$ 86	\$ 100	\$ 337	\$ 295
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	12	14	21	8	9	55	35
Total current accident year catastrophe losses	\$ 12	\$ 14	\$ 21	\$ 8	\$ 9	\$ 55	\$ 35
Prior year loss reserve development (favorable) / adverse	\$ 10	\$ (14)	\$ (30)	\$ (27)	\$ (5)	\$ (61)	\$ (37)
Combined ratio:							
Loss and LAE ratio	63.7%	62.9%	61.2%	58.3%	61.8%	61.7%	62.2%
Underwriting expense ratio	26.7%	30.3%	32.7%	33.0%	29.2%	30.6%	30.9%
Combined ratio	90.4%	93.2%	93.9%	91.3%	91.0%	92.3%	93.1%
Combined ratio excl. catastrophe and prior year development	88.4%	93.1%	94.8%	93.2%	90.6%	92.4%	93.1%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	61.7%	62.8%	62.1%	60.2%	61.4%	61.8%	62.2%
Prior accident year loss reserve development	0.9%	(1.1%)	(2.9%)	(2.7%)	(0.4%)	(1.4%)	(0.8%)
Current accident year catastrophe loss	1.1%	1.2%	2.0%	0.8%	0.8%	1.3%	0.8%
Loss and LAE ratio	63.7%	62.9%	61.2%	58.3%	61.8%	61.7%	62.2%

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



	Three Months Ended				Twelve Months Ended		
	12/31/16	09/30/16	06/30/16	03/31/16	12/31/15	12/31/15	
Gross written premiums	\$ 577	\$ 991	\$ 538	\$ 398	\$ 515	\$ 2,504	\$ 2,455
Ceded reinsurance premiums	(183)	(406)	(156)	(87)	(137)	(832)	(819)
Net written premiums	394	585	382	311	378	1,672	1,636
Change in unearned premiums	71	(92)	(17)	28	64	(10)	(37)
Net earned premiums	465	493	365	339	442	1,662	1,599
Loss and LAE	319	339	245	211	317	1,114	1,159
Underwriting expense	71	110	105	96	91	382	392
Underwriting profit	\$ 75	\$ 44	\$ 15	\$ 32	\$ 34	\$ 166	\$ 48
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	6	7	12	6	3	31	21
Total current accident year catastrophe losses	\$ 6	\$ 7	\$ 12	\$ 6	\$ 3	\$ 31	\$ 21
Prior year loss reserve development (favorable) / adverse	\$ 13	\$ (5)	\$ (12)	\$ (17)	\$ 8	\$ (21)	\$ 15
Combined ratio:							
Loss and LAE ratio	68.6%	68.8%	67.0%	62.2%	71.7%	67.0%	72.4%
Underwriting expense ratio	15.3%	22.3%	28.9%	28.4%	20.7%	23.0%	24.5%
Combined ratio	83.9%	91.1%	95.9%	90.6%	92.4%	90.0%	96.9%
Combined ratio excl. catastrophe and prior year development	79.7%	90.7%	95.8%	94.1%	89.9%	89.3%	94.7%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	64.4%	68.4%	66.9%	65.7%	69.2%	66.3%	70.2%
Prior accident year loss reserve development	3.0%	(1.2%)	(3.2%)	(5.2%)	1.8%	(1.2%)	0.9%
Current accident year catastrophe loss	1.2%	1.6%	3.3%	1.7%	0.7%	1.9%	1.3%
Loss and LAE ratio	68.6%	68.8%	67.0%	62.2%	71.7%	67.0%	72.4%

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



	Three Months Ended					Twelve Months Ended	
	12/31/16	09/30/16	06/30/16	03/31/16	12/31/15	12/31/16	12/31/15
Gross written premiums	\$ 684	\$ 722	\$ 688	\$ 698	\$ 661	\$ 2,792	\$ 2,739
Ceded reinsurance premiums	(174)	(218)	(185)	(179)	(158)	(756)	(687)
Net written premiums	510	504	503	519	503	2,036	2,052
Change in unearned premiums	—	(7)	(6)	(17)	12	(30)	(41)
Net earned premiums	510	497	497	502	515	2,006	2,011
Loss and LAE	348	330	329	313	315	1,320	1,265
Underwriting expense	149	154	145	160	150	608	600
Underwriting profit	\$ 13	\$ 13	\$ 23	\$ 29	\$ 50	\$ 78	\$ 146
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	4	2	3	1	1	10	4
Total current accident year catastrophe losses	\$ 4	\$ 2	\$ 3	\$ 1	\$ 1	\$ 10	\$ 4
Prior year loss reserve development (favorable) / adverse	\$ 3	\$ (2)	\$ (10)	\$ (4)	\$ (7)	\$ (13)	\$ (11)
Combined ratio:							
Loss and LAE ratio	68.2%	66.5%	66.1%	62.4%	61.1%	65.8%	62.9%
Underwriting expense ratio	29.2%	30.9%	29.2%	31.9%	29.1%	30.3%	29.8%
Combined ratio	97.4%	97.4%	95.3%	94.3%	90.2%	96.1%	92.7%
Combined ratio excl. catastrophe and prior year development	96.1%	97.4%	96.6%	94.9%	91.4%	96.3%	93.0%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	66.9%	66.5%	67.4%	63.0%	62.3%	66.0%	63.2%
Prior accident year loss reserve development	0.5%	(0.3%)	(2.0%)	(0.7%)	(1.4%)	(0.7%)	(0.5%)
Current accident year catastrophe loss	0.8%	0.3%	0.7%	0.1%	0.2%	0.5%	0.2%
Loss and LAE ratio	68.2%	66.5%	66.1%	62.4%	61.1%	65.8%	62.9%

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



	Three Months Ended				Twelve Months Ended		
	12/31/16	09/30/16	06/30/16	03/31/16	12/31/15	12/31/15	
Gross written premiums	\$ 180	\$ 186	\$ 172	\$ 147	\$ 179	\$ 685	\$ 637
Ceded reinsurance premiums	(26)	(37)	(28)	(22)	(27)	(113)	(97)
Net written premiums	154	149	144	125	152	572	540
Change in unearned premiums	(13)	(4)	(5)	7	(15)	(15)	(23)
Net earned premiums	141	145	139	132	137	557	517
Loss and LAE	46	45	42	45	46	178	154
Underwriting expense	75	81	75	64	76	295	276
Underwriting profit	\$ 20	\$ 19	\$ 22	\$ 23	\$ 15	\$ 84	\$ 87
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	2	5	3	1	5	11	9
Total current accident year catastrophe losses	\$ 2	\$ 5	\$ 3	\$ 1	\$ 5	\$ 11	\$ 9
Prior year loss reserve development (favorable) / adverse							
	\$ (6)	\$ (6)	\$ (7)	\$ (4)	\$ (5)	\$ (23)	\$ (30)
Combined ratio:							
Loss and LAE ratio	32.4%	31.6%	30.1%	34.0%	32.8%	32.0%	29.7%
Underwriting expense ratio	53.6%	54.8%	54.3%	48.6%	55.9%	52.9%	53.4%
Combined ratio	86.0%	86.4%	84.4%	82.6%	88.7%	84.9%	83.1%
Combined ratio excl. catastrophe and prior year development	88.8%	87.0%	87.0%	84.8%	88.8%	86.9%	87.1%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	35.2%	32.2%	32.7%	36.2%	32.9%	34.0%	33.7%
Prior accident year loss reserve development	(4.5%)	(3.9%)	(4.6%)	(3.3%)	(3.6%)	(4.0%)	(5.7%)
Current accident year catastrophe loss	1.7%	3.3%	2.0%	1.1%	3.5%	2.0%	1.7%
Loss and LAE ratio	32.4%	31.6%	30.1%	34.0%	32.8%	32.0%	29.7%

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



	Three Months Ended					Twelve Months Ended	
	12/31/16	09/30/16	06/30/16	03/31/16	12/31/15	12/31/16	12/31/15
Gross written premiums	\$ —	\$ —	\$ —	\$ —	\$ 1	\$ —	\$ 1
Ceded reinsurance premiums	25	30	27	24	22	106	98
Net written premiums	25	30	27	24	23	106	99
Change in unearned premiums	3	(6)	(1)	1	3	(3)	(2)
Net earned premiums	28	24	26	25	26	103	97
Loss and LAE	16	15	13	13	15	57	47
Underwriting expense	10	7	10	10	10	37	36
Underwriting profit	\$ 2	\$ 2	\$ 3	\$ 2	\$ 1	\$ 9	\$ 14
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	—	—	3	—	—	3	1
Total current accident year catastrophe losses	\$ —	\$ —	\$ 3	\$ —	\$ —	\$ 3	\$ 1
Prior year loss reserve development (favorable) / adverse	\$ —	\$ (1)	\$ (1)	\$ (2)	\$ (1)	\$ (4)	\$ (11)
Combined ratio:							
Loss and LAE ratio	59.5%	55.2%	52.5%	52.1%	61.0%	54.9%	49.4%
Underwriting expense ratio	35.4%	36.3%	36.7%	37.6%	36.1%	36.5%	36.1%
Combined ratio	94.9%	91.5%	89.2%	89.7%	97.1%	91.4%	85.5%
Combined ratio excl. catastrophe and prior year development	93.7%	95.1%	86.4%	96.0%	98.1%	92.8%	96.4%

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



	Three Months Ended					Twelve Months Ended	
	12/31/16	09/30/16	06/30/16	03/31/16	12/31/15	12/31/16	12/31/15
Net investment income	\$ 346	\$ 351	\$ 344	\$ 315	\$ 309	\$ 1,356	\$ 1,224
Guaranteed withdrawal benefit fees	14	14	13	12	12	53	43
Policy charges and other miscellaneous income	13	12	11	14	11	50	55
Total revenues	373	377	368	341	332	1,459	1,322
Annuity benefits expense	160	189	223	228	189	800	732
Acquisition expenses	54	53	40	34	20	181	163
Other expenses	27	28	29	26	22	110	96
Total costs and expenses	241	270	292	288	231	1,091	991
Annuity earnings before income taxes	\$ 132	\$ 107	\$ 76	\$ 53	\$ 101	\$ 368	\$ 331
Detail of Annuity earnings before income taxes							
Earnings before income taxes and impact of fair value accounting	\$ 103	\$ 106	\$ 102	\$ 84	\$ 96	\$ 395	\$ 354
Impact of fair value accounting (a)	29	1	(26)	(31)	5	(27)	(23)
Annuity earnings before income taxes	\$ 132	\$ 107	\$ 76	\$ 53	\$ 101	\$ 368	\$ 331

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

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



	Three Months Ended					Twelve Months Ended	
	12/31/16	09/30/16	06/30/16	03/31/16	12/31/15	12/31/16	12/31/15
Detail of annuity benefits expense:							
Interest credited - fixed	\$ 148	\$ 145	\$ 142	\$ 139	\$ 138	\$ 574	\$ 532
Interest credited - fixed component of variable annuities	1	1	2	1	1	5	6
Change in expected death and annuitization reserve	4	5	4	5	5	18	19
Amortization of sales inducements	7	6	6	5	6	24	26
Guaranteed withdrawal benefit reserve	20	18	15	16	15	69	63
Change in other benefit reserves	11	10	8	5	5	34	22
Unlockings (a)	23	—	—	—	19	23	19
Subtotal before impact of fair value accounting	214	185	177	171	189	747	687
Embedded derivative mark-to-market (b)	6	109	62	17	88	194	(11)
Equity option mark-to-market	(60)	(105)	(16)	40	(88)	(141)	56
Subtotal impact of fair value accounting	(54)	4	46	57	—	53	45
Total annuity benefits expense	\$ 160	\$ 189	\$ 223	\$ 228	\$ 189	\$ 800	\$ 732

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

(b) Excludes unlocking impact of \$17 million in 2016 and \$28 million in 2015.

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



	Three Months Ended					Twelve Months Ended	
	12/31/16	09/30/16	06/30/16	03/31/16	12/31/15	12/31/16	12/31/15
Average fixed annuity investments (at amortized cost)	\$29,192	\$28,548	\$27,964	\$27,186	\$26,401	\$28,223	\$25,174
Average annuity benefits accumulated	29,250	28,538	27,861	26,935	26,048	28,146	24,898
Investments in excess of annuity benefits accumulated	\$ (58)	\$ 10	\$ 103	\$ 251	\$ 353	\$ 77	\$ 276
As % of average annuity benefits accumulated (except as noted)							
Net investment income (as % of investments)	4.72%	4.88%	4.88%	4.60%	4.65%	4.77%	4.83%
Interest credited	(2.02%)	(2.03%)	(2.04%)	(2.06%)	(2.12%)	(2.04%)	(2.14%)
Net interest spread on fixed annuities	2.70%	2.85%	2.84%	2.54%	2.53%	2.73%	2.69%
Policy charges and other miscellaneous income	0.15%	0.14%	0.13%	0.16%	0.15%	0.15%	0.18%
Other annuity benefit expenses, net	(0.38%)	(0.36%)	(0.30%)	(0.27%)	(0.31%)	(0.33%)	(0.35%)
Acquisition expenses	(1.06%)	(0.72%)	(0.55%)	(0.47%)	(0.75%)	(0.70%)	(0.74%)
Other expenses	(0.35%)	(0.39%)	(0.38%)	(0.38%)	(0.32%)	(0.38%)	(0.36%)
Change in fair value of derivatives	0.73%	(0.05%)	(0.66%)	(0.84%)	0.02%	(0.19%)	(0.18%)
Unlockings	0.03%	0.00%	0.00%	0.00%	0.07%	0.01%	0.02%
Net spread earned on fixed annuities	1.82%	1.47%	1.08%	0.74%	1.39%	1.29%	1.26%
Average annuity benefits accumulated	\$29,250	\$28,538	\$27,861	\$26,935	\$26,048	\$28,146	\$24,898
Net spread earned on fixed annuities	1.82%	1.47%	1.08%	0.74%	1.39%	1.29%	1.26%
Earnings on fixed annuity benefits accumulated	\$ 133	\$ 105	\$ 75	\$ 50	\$ 91	\$ 363	\$ 313
Investments in excess of annuity benefits accumulated	\$ (58)	\$ 10	\$ 103	\$ 251	\$ 353	\$ 77	\$ 276
Net investment income (as % of investments)	4.72%	4.88%	4.88%	4.60%	4.65%	4.77%	4.83%
Earnings on investments in excess of annuity benefits accumulated	\$ —	\$ —	\$ 1	\$ 3	\$ 4	\$ 4	\$ 13
Variable annuity earnings	(1)	2	—	—	6	1	5
Earnings before income taxes	\$ 132	\$ 107	\$ 76	\$ 53	\$ 101	\$ 368	\$ 331
Detail of net spread earned on fixed annuities - core							
Net spread earned core - before impact of fair value accounting	1.42%	1.46%	1.45%	1.20%	1.31%	1.39%	1.35%
Change in fair value of derivatives	0.73%	(0.05%)	(0.66%)	(0.84%)	0.02%	(0.19%)	(0.18%)
Estimated net offsets to deferred sales inducements and deferred policy acquisition costs	(0.33%)	0.06%	0.29%	0.38%	0.06%	0.09%	0.09%
Net spread earned core - after impact of fair value accounting	1.82%	1.47%	1.08%	0.74%	1.39%	1.29%	1.26%

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



	Three Months Ended					Twelve Months Ended	
	12/31/16	09/30/16	06/30/16	03/31/16	12/31/15	12/31/16	12/31/15
Retail single premium annuities - indexed	\$ 415	\$ 340	\$ 413	\$ 546	\$ 494	\$ 1,714	\$ 1,864
Retail single premium annuities - fixed	22	18	22	20	18	82	70
Financial institutions single premium annuities - indexed	474	435	507	534	462	1,950	1,741
Financial institutions single premium annuities - fixed	152	97	100	119	72	468	229
Education market - fixed and indexed annuities	40	42	45	57	51	184	194
Subtotal fixed annuity premiums	1,103	932	1,087	1,276	1,097	4,398	4,098
Variable annuities	8	9	11	9	10	37	42
Total annuity premiums	\$ 1,111	\$ 941	\$ 1,098	\$ 1,285	\$ 1,107	\$ 4,435	\$ 4,140

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



	Three Months Ended					Twelve Months Ended	
	12/31/16	09/30/16	06/30/16	03/31/16	12/31/15	12/31/16	12/31/15
Beginning fixed annuity reserves	\$28,853	\$28,222	\$27,499	\$26,371	\$25,725	\$26,371	\$23,462
Premiums	1,103	932	1,087	1,276	1,097	4,398	4,098
Federal Home Loan Bank advances	—	—	—	150	45	150	345
Surrenders, benefits and other withdrawals	(524)	(586)	(596)	(483)	(515)	(2,189)	(1,932)
Sale of subsidiaries	—	—	—	—	(261)	—	(261)
Interest and other annuity benefit expenses:							
Interest credited	148	145	142	139	138	574	532
Embedded derivative mark-to-market	6	109	62	17	88	194	(11)
Change in other benefit reserves	34	31	28	29	31	122	115
Unlockings	27	—	—	—	23	27	23
Ending fixed annuity reserves	\$29,647	\$28,853	\$28,222	\$27,499	\$26,371	\$29,647	\$26,371
Reconciliation to annuity benefits accumulated:							
Ending fixed annuity reserves	\$29,647	\$28,853	\$28,222	\$27,499	\$26,371	\$29,647	\$26,371
Impact of unrealized investment gains on reserves	76	180	188	127	64	76	64
Fixed component of variable annuities	184	189	186	186	187	184	187
Annuity benefits accumulated per balance sheet	\$29,907	\$29,222	\$28,596	\$27,812	\$26,622	\$29,907	\$26,622
Annualized surrenders and other withdrawals as a % of beginning reserves	7.3%	8.3%	8.7%	7.3%	8.0%	8.3%	8.2%

	12/31/16	09/30/16	06/30/16	03/31/16	12/31/15	09/30/15
Assets:						
Total cash and investments	\$41,433	\$41,805	\$40,639	\$39,437	\$37,736	\$38,132
Recoverables from reinsurers	2,737	2,814	2,576	2,561	2,636	3,151
Prepaid reinsurance premiums	539	634	521	475	480	604
Agents' balances and premiums receivable	997	1,029	992	936	937	976
Deferred policy acquisition costs	1,239	867	881	1,055	1,184	993
Assets of managed investment entities	4,765	4,312	4,410	3,906	4,047	3,613
Other receivables	908	1,391	788	693	820	1,241
Variable annuity assets (separate accounts)	600	606	595	595	608	595
Other assets (a)	1,655	1,188	1,132	1,181	1,190	1,034
Goodwill	199	199	199	199	199	201
Total assets	\$55,072	\$54,845	\$52,733	\$51,038	\$49,837	\$50,540
Liabilities and Equity:						
Unpaid losses and loss adjustment expenses	\$ 8,563	\$ 8,661	\$ 8,203	\$ 8,108	\$ 8,127	\$ 8,061
Unearned premiums	2,171	2,328	2,109	2,051	2,060	2,238
Annuity benefits accumulated	29,907	29,222	28,596	27,812	26,622	26,026
Life, accident and health reserves	691	700	702	708	705	2,159
Payable to reinsurers	634	835	588	501	591	724
Liabilities of managed investment entities	4,549	4,067	4,192	3,656	3,781	3,287
Long-term debt (a)	1,283	1,300	998	998	998	863
Variable annuity liabilities (separate accounts)	600	606	595	595	608	595
Other liabilities	1,755	1,768	1,557	1,672	1,575	1,681
Total liabilities	\$50,153	\$49,487	\$47,540	\$46,101	\$45,067	\$45,634
Shareholders' equity:						
Common stock	\$ 87	\$ 87	\$ 87	\$ 87	\$ 87	\$ 87
Capital surplus	1,111	1,242	1,228	1,218	1,214	1,195
Unappropriated retained earnings	3,343	3,079	3,016	3,002	2,987	2,981
Unrealized gains - equities	98	103	46	40	54	44
Unrealized gains - fixed maturities	306	669	639	426	278	445
Unrealized gains (losses) - fixed maturity-related cash flow hedges	(7)	5	5	4	1	2
Other comprehensive income, net of tax	(22)	(24)	(21)	(22)	(29)	(30)
Total shareholders' equity	4,916	5,161	5,000	4,755	4,592	4,724
Noncontrolling interests	3	197	193	182	178	182
Total liabilities and equity	\$55,072	\$54,845	\$52,733	\$51,038	\$49,837	\$50,540

(a) December 2015 and prior periods have been adjusted for adoption of FASB Accounting Standard Update 2015-03, which impacted the presentation of debt issue costs and long-term debt.

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



	<u>12/31/16</u>	<u>09/30/16</u>	<u>06/30/16</u>	<u>03/31/16</u>	<u>12/31/15</u>	<u>09/30/15</u>
Shareholders' equity	\$ 4,916	\$ 5,161	\$ 5,000	\$ 4,755	\$ 4,592	\$ 4,724
Unrealized (gains) related to fixed maturities	(299)	(674)	(644)	(430)	(279)	(447)
Adjusted shareholders' equity	4,617	4,487	4,356	4,325	4,313	4,277
Goodwill	(199)	(199)	(199)	(199)	(199)	(201)
Intangibles	(34)	(44)	(46)	(47)	(49)	(51)
Tangible adjusted shareholders' equity	\$ 4,384	\$ 4,244	\$ 4,111	\$ 4,079	\$ 4,065	\$ 4,025
Common shares outstanding	86.924	86.813	86.850	86.966	87.474	87.327
<u>Book value per share:</u>						
Book value per share	\$ 56.55	\$ 59.45	\$ 57.57	\$ 54.67	\$ 52.50	\$ 54.10
Adjusted (a)	53.11	51.68	50.16	49.72	49.32	48.98
Tangible, adjusted (b)	50.43	48.89	47.34	46.90	46.49	46.09
<u>Market capitalization</u>						
AFG's closing common share price	\$ 88.12	\$ 75.00	\$ 73.93	\$ 70.37	\$ 72.08	\$ 68.91
Market capitalization	\$ 7,660	\$ 6,511	\$ 6,421	\$ 6,120	\$ 6,305	\$ 6,018
Price / Adjusted book value ratio	1.66	1.45	1.47	1.42	1.46	1.41

(a) Excludes unrealized gains related to fixed maturity investments.

(b) Excludes unrealized gains related to fixed maturity investments, goodwill and intangibles.

	12/31/16	09/30/16	06/30/16	03/31/16	12/31/15	09/30/15
AFG senior obligations (a)	\$1,008	\$1,008	\$ 708	\$ 708	\$ 708	\$ 708
Borrowings drawn under credit facility	—	—	—	—	—	—
Obligations of subsidiaries - other	—	18	12	12	12	12
Debt excluding subordinated debt & debt secured by real estate	\$1,008	\$1,026	\$ 720	\$ 720	\$ 720	\$ 720
AFG subordinated debentures	300	300	300	300	300	150
Obligations of subsidiaries - secured by real estate	—	—	—	—	—	10
Total principal amount of long-term debt	\$1,308	\$1,326	\$1,020	\$1,020	\$1,020	\$ 880
Shareholders' equity	4,916	5,161	5,000	4,755	4,592	4,724
Noncontrolling interests	3	197	193	182	178	182
Less:						
Unrealized (gains) - fixed maturity investments	(306)	(669)	(639)	(426)	(278)	(445)
Total adjusted capital	\$5,921	\$6,015	\$5,574	\$5,531	\$5,512	\$5,341
Less:						
Obligations of subsidiaries - secured by real estate	—	—	—	—	—	(10)
Total adjusted capital excluding obligations secured by real estate	\$5,921	\$6,015	\$5,574	\$5,531	\$5,512	\$5,331
Ratio of debt to total adjusted capital:						
Including subordinated debt & debt secured by real estate	22.1%	22.0%	18.3%	18.4%	18.5%	16.5%
Excluding subordinated debt & debt secured by real estate	17.0%	17.1%	12.9%	13.0%	13.1%	13.5%

(a) December 2015 and prior periods have been adjusted for adoption of FASB Accounting Standard Update 2015-03, which impacted the presentation of debt issue costs and long-term debt.



	Three Months Ended					Twelved Months Ended	
	12/31/16	09/30/16	06/30/16	03/31/16	12/31/15	12/31/16	12/31/15
Property and Casualty Insurance							
Paid Losses (GAAP)	\$ 683	\$ 537	\$ 586	\$ 547	\$ 675	\$ 2,353	\$ 2,403
Statutory Surplus							
Property and Casualty Insurance	\$2,939	\$3,038	\$2,601	\$2,574	\$2,488	\$ 2,356	
AFG's principal annuity subsidiaries (total adjusted capital)	\$2,234	\$2,216	\$2,089	\$2,032	\$1,918	\$ 1,816	
Allowable dividends without regulatory approval							
Property and Casualty Insurance	\$ 496	\$ 434	\$ 434	\$ 434	\$ 434	\$ 315	
Annuity and Run-off	197	375	375	375	375	358	
Total	\$ 693	\$ 809	\$ 809	\$ 809	\$ 809	\$ 673	

	Carrying Value - December 31, 2016					
	Property and Casualty Insurance	Annuity and Run-off	Parent and Other Non- Insurance	Consolidate CLOs	Total AFG Consolidated	% of Investment Portfolio
Total cash and investments:						
Cash and cash equivalents	\$ 1,383	\$ 511	\$ 213	\$ —	\$ 2,107	5%
Fixed maturities - Available for sale	6,510	28,021	13	—	34,544	83%
Fixed maturities - Trading	242	117	—	—	359	1%
Equity securities	1,013	496	49	—	1,558	4%
Policy loans	—	192	—	—	192	0%
Mortgage loans	261	886	—	—	1,147	3%
Real estate and other investments	497	1,197	48	(216)	1,526	4%
Total cash and investments	\$ 9,906	\$ 31,420	\$ 323	\$ (216)	\$ 41,433	100%
Unrealized gain/(loss) on equity securities	\$ 102	\$ 49	\$ —	\$ —	\$ 151	

	Carrying Value - December 31, 2015					
	Property and Casualty Insurance	Annuity and Run-off	Parent and Other Non- Insurance	Consolidate CLOs	Total AFG Consolidated	% of Investment Portfolio
Total cash and investments:						
Cash and cash equivalents	\$ 708	\$ 282	\$ 230	\$ —	\$ 1,220	3%
Fixed maturities - Available for sale	6,784	25,486	14	—	32,284	85%
Fixed maturities - Trading	140	114	—	—	254	1%
Equity securities	1,182	488	49	—	1,719	5%
Policy loans	—	201	—	—	201	0%
Mortgage loans	191	876	—	—	1,067	3%
Real estate and other investments	457	781	18	(265)	991	3%
Total cash and investments	\$ 9,462	\$ 28,228	\$ 311	\$ (265)	\$ 37,736	100%
Unrealized gain/(loss) on equity securities	\$ 87	\$ (3)	\$ —	\$ —	\$ 84	

	Three Months Ended					Twelve Months Ended	
	12/31/16	09/30/16	06/30/16	03/31/16	12/31/15	12/31/16	12/31/15
Property and Casualty Insurance:							
Gross Investment Income							
Fixed maturities - Available for sale	\$ 64	\$ 63	\$ 66	\$ 64	\$ 63	\$ 257	\$ 248
Fixed maturities - Trading	(1)	2	1	1	—	3	4
Equity securities	13	13	12	13	14	51	48
Equity in investees	7	7	2	6	(1)	22	11
Other investments	6	10	10	1	—	27	16
Gross investment income	89	95	91	85	76	360	327
Investment expenses	(4)	(2)	(2)	(2)	(2)	(10)	(8)
Total net investment income	\$ 85	\$ 93	\$ 89	\$ 83	\$ 74	\$ 350	\$ 319
Average cash and investments (a)	\$ 9,779	\$ 9,647	\$ 9,465	\$ 9,366	\$ 9,113	\$ 9,550	\$ 8,956
Average yield (b)	3.48%	3.86%	3.76%	3.54%	3.25%	3.66%	3.56%
Fixed Annuity:							
Gross Investment Income							
Fixed maturities - Available for sale	\$ 315	\$ 307	\$ 307	\$ 294	\$ 294	\$ 1,223	\$ 1,126
Fixed maturities - Trading	—	—	—	—	—	—	—
Equity securities	7	6	6	5	6	24	21
Equity in investees	6	9	2	5	2	22	16
Other investments	20	27	29	11	7	87	62
Gross investment income	348	349	344	315	309	1,356	1,225
Investment expenses	(4)	(1)	(2)	(3)	(2)	(10)	(10)
Total net investment income	\$ 344	\$ 348	\$ 342	\$ 312	\$ 307	\$ 1,346	\$ 1,215
Average cash and investments (a)	\$29,192	\$28,548	\$27,964	\$27,186	\$26,401	\$28,223	\$25,174
Average yield (b)	4.72%	4.88%	4.88%	4.60%	4.65%	4.77%	4.83%
AFG consolidated net investment income:							
Property & Casualty	\$ 85	\$ 93	\$ 89	\$ 83	\$ 74	\$ 350	\$ 319
Annuity and Run-off:							
Fixed Annuity	344	348	342	312	307	1,346	1,215
Variable Annuity	2	3	2	3	2	10	9
Run-off	6	5	5	5	19	21	80
Other	—	1	4	1	3	6	4
Consolidate CLOs	(8)	(17)	(19)	7	11	(37)	6
Total net investment income	\$ 429	\$ 433	\$ 423	\$ 411	\$ 416	\$ 1,696	\$ 1,633

- (a) Average cash and investments is the average of the beginning and ending quarter balances, or the average of the five quarters balances.
(b) Average yield is calculated by dividing investment income for the quarter by the average cash and investment balance over the quarter.

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



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

December 31, 2015	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Investment Portfolio
US Government and government agencies	\$ 319	\$ 321	\$ 2	1%	1%
States, municipalities and political subdivisions	6,671	6,885	214	21%	18%
Foreign government	225	232	7	1%	1%
Residential mortgage-backed securities	3,241	3,534	293	11%	9%
Commercial mortgage-backed securities	2,112	2,188	76	7%	6%
Asset-backed securities	4,961	4,934	(27)	15%	13%
Corporate and other bonds	14,290	14,444	154	44%	38%
Total AFG consolidated	\$ 31,819	\$ 32,538	\$ 719	100%	86%

Annualized yield on available for sale fixed maturities:

Excluding investment expense (a)	4.74%
Net of investment expense (a)	4.69%

Approximate average life and duration:

Approximate average life	6.5 years
Approximate duration	5 years

(a) Annualized yield is calculated by dividing investment income for the quarter by the average cost over the quarter.

Average cost is the average of the beginning and ending quarter asset balances.

American Financial Group, Inc.
Fixed Maturities - By Security Type Portfolio
(\$ in millions)



	December 31, 2016				December 31, 2015			
	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	\$ 295	\$ 295	\$ —	4%	\$ 255	\$ 257	\$ 2	4%
States, municipalities and political subdivisions	2,588	2,605	17	39%	2,807	2,891	84	42%
Foreign government	245	249	4	4%	213	219	6	3%
Residential mortgage-backed securities	980	1,026	46	15%	893	932	39	13%
Commercial mortgage-backed securities	142	144	2	2%	209	213	4	3%
Asset-backed securities	1,445	1,440	(5)	21%	1,453	1,442	(11)	21%
Corporate and other bonds	976	993	17	15%	979	970	(9)	14%
Property and Casualty Insurance	\$ 6,671	\$ 6,752	\$ 81	100%	\$ 6,809	\$ 6,924	\$ 115	100%
Annualized yield on available for sale fixed maturities:								
Excluding investment expense (a)	3.88%				3.82%			
Net of investment expense (a)	3.67%				3.71%			
Tax equivalent, net of investment expense (b)	4.20%				4.31%			
Approximate average life and duration:								
Approximate average life	4.5 years				5 years			
Approximate duration	3.5 years				4 years			

	December 31, 2016				December 31, 2015			
	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	\$ 52	\$ 52	\$ —	0%	\$ 62	\$ 62	\$ —	0%
States, municipalities and political subdivisions	4,089	4,203	114	15%	3,864	3,994	130	15%
Foreign government	11	12	1	0%	12	13	1	0%
Residential mortgage-backed securities	2,390	2,601	211	9%	2,347	2,590	243	10%
Commercial mortgage-backed securities	1,304	1,349	45	5%	1,903	1,975	72	8%
Asset-backed securities	4,517	4,519	2	16%	3,508	3,492	(16)	14%
Corporate and other bonds	15,058	15,402	344	55%	13,311	13,474	163	53%
Total Annuity and Run-off	\$ 27,421	\$ 28,138	\$ 717	100%	\$ 25,007	\$ 25,600	\$ 593	100%
Annualized yield on available for sale fixed maturities:								
Excluding investment expense (a)	4.72%				4.98%			
Net of investment expense (a)	4.67%				4.94%			
Approximate average life and duration:								
Approximate average life	6.5 years				6.5 years			
Approximate duration	5 years				5.5 years			

- (a) Annualized yield is calculated by dividing investment income for the quarter by the average cost over the quarter. Average cost is the average of the beginning and ending quarter asset balances.
- (b) Adjusts the yield on tax-exempt bonds to the fully taxable equivalent yield.

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



By Credit Rating (a)	December 31, 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.

By Credit Rating (a)	December 31, 2015			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 6,519	\$ 6,655	\$ 136	20%
AA	6,785	6,954	169	22%
A	7,780	7,969	189	25%
BBB	7,478	7,507	29	23%
Subtotal - Investment grade	28,562	29,085	523	90%
BB	790	765	(25)	2%
B	438	417	(21)	1%
Other (b)	2,029	2,271	242	7%
Subtotal - Non-Investment grade	3,257	3,453	196	10%
Total	\$ 31,819	\$32,538	\$ 719	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.



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%

- 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 78%; Subprime 85%; CMBS 99%.
- The average FICO score of our residential MBS securities is - Prime 740; Alt-A 710; Subprime 641.
- 96% of our Commercial MBS portfolio is investment-grade rated (81% AAA) and the average subordination for this group of assets is 37%.
- The approximate average life by collateral type is - Residential 4.5 years; Commercial 4 years.

December 31, 2015	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Investment Portfolio
Residential					
Agency	\$ 260	\$ 269	\$ 9	5%	1%
Prime (Non-Agency)	1,489	1,651	162	29%	4%
Alt-A	794	872	78	15%	2%
Subprime	698	742	44	13%	2%
Commercial	2,112	2,188	76	38%	6%
Total AFG consolidated	\$ 5,353	\$ 5,722	\$ 369	100%	15%

Property and Casualty Insurance:

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%

By Asset Type	December 31, 2015				
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Inv Portfolio
Residential					
Agency	\$ 151	\$ 153	\$ 2	13%	2%
Prime (Non-Agency)	218	231	13	20%	2%
Alt-A	241	257	16	23%	3%
Subprime	283	291	8	25%	3%
Commercial	209	213	4	19%	2%
Total	\$ 1,102	\$ 1,145	\$ 43	100%	12%

Annuity and Run-off:

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%

By Asset Type	December 31, 2015				
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Inv Portfolio
Residential					
Agency	\$ 109	\$ 116	\$ 7	3%	0%
Prime (Non-Agency)	1,270	1,408	138	31%	5%
Alt-A	553	615	62	13%	2%
Subprime	415	451	36	10%	2%
Commercial	1,903	1,975	72	43%	7%
Total	\$ 4,250	\$ 4,565	\$ 315	100%	16%

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



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.

By Credit Rating (a)	December 31, 2015			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 2,409	\$ 2,494	\$ 85	43%
AA	255	263	8	5%
A	329	345	16	6%
BBB	272	292	20	5%
Subtotal - investment grade	3,265	3,394	129	59%
BB	253	258	5	5%
B	305	311	6	5%
Other	1,530	1,759	229	31%
Total	\$ 5,353	\$ 5,722	\$ 369	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 - December 31, 2016								
	US Gov	Munis	Frgn gov	RMBS	CMBS	ABS	Corp/Oth	Total	% Total
Investment grade									
AAA	\$ 299	\$1,727	\$ 171	\$ 508	\$1,213	\$2,053	\$ 218	\$ 6,189	18%
AA	41	4,388	30	127	42	1,480	1,149	7,257	21%
A	—	501	55	170	98	1,593	6,070	8,487	24%
BBB	—	69	5	202	86	813	8,018	9,193	26%
Subtotal - Investment grade	340	6,685	261	1,007	1,439	5,939	15,455	31,126	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%

By Credit Rating (a)	Fair Value - December 31, 2015								
	US Gov	Munis	Frgn gov	RMBS	CMBS	ABS	Corp/Oth	Total	% Total
Investment grade									
AAA	\$ 262	\$1,607	\$ 138	\$ 640	\$1,854	\$1,986	\$ 168	\$ 6,655	20%
AA	44	4,488	32	151	112	1,239	888	6,954	21%
A	—	569	62	173	172	1,252	5,741	7,969	25%
BBB	—	92	—	248	44	429	6,694	7,507	23%
Subtotal - Investment grade	306	6,756	232	1,212	2,182	4,906	13,491	29,085	89%
BB	—	20	—	258	—	14	473	765	3%
B	—	—	—	306	6	2	103	417	1%
CCC, CC, C	—	9	—	894	—	4	11	918	3%
D	—	—	—	445	—	—	3	448	1%
Subtotal - Non-Investment grade	—	29	—	1,903	6	20	590	2,548	8%
Not Rated	15	100	—	419	—	8	363	905	3%
Total	\$ 321	\$6,885	\$ 232	\$3,534	\$2,188	\$4,934	\$14,444	\$32,538	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.