
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 OR 15(d)
of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): January 30, 2019

AMERICAN FINANCIAL GROUP, INC.

(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction
of incorporation)

1-13653
(Commission
File Number)

31-1544320
(IRS Employer
Identification No.)

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

45202
(Zip Code)

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

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

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

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

Emerging growth company

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

Section 2 - Financial Information

Item 2.02 Results Of Operations And Financial Condition.

Reference is made to the press release of American Financial Group, Inc. (the "Company") relating to the announcement of the Company's results of operations for the fourth quarter of 2018 and full year ended December 31, 2018 as well and the availability of the Investor Supplement on the Company's website. The press release was issued on January 30, 2019. 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	<u>Earnings Release dated January 30, 2019, reporting American Financial Group, Inc. fourth quarter and full year results for the period ended December 31, 2018</u>
99.2	<u>Investor Supplement – Fourth Quarter 2018</u>

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: January 31, 2019

AMERICAN FINANCIAL GROUP, INC.

By: /s/ Karl J. Grafe

Karl J. Grafe

Vice President

FOR IMMEDIATE RELEASE



Press Release

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

- **Net earnings of \$5.85 per share for the full year; fourth quarter net loss of \$0.33 per share includes (\$2.08) per share in realized losses on securities**
- **Fourth quarter core net operating earnings per share of \$1.75, compared to \$2.20 per share in the prior year period**
- **Record core net operating earnings per share of \$8.40 for the full year; up 28% from 2017**
- **Full year 2018 ROE of 10.9%; 2018 core operating ROE of 15.6%**
- **Full year 2019 core net operating earnings guidance between \$8.35 - \$8.85 per share**

CINCINNATI – January 30, 2019 – American Financial Group, Inc. (NYSE: AFG) today reported a 2018 fourth quarter net loss attributable to shareholders of \$29 million (\$0.33 per share) compared to earnings of \$166 million (\$1.84 per share) for the 2017 fourth quarter. Results for the fourth quarter of 2018 include \$188 million (\$2.08 per share) in non-core net realized losses on securities; net realized losses included \$179 million (\$2.00 per share) to adjust to fair value equity securities that the Company continued to own at December 31, 2018. For GAAP reporting purposes, all equity securities are required to be reported at fair value, with holding gains and losses recognized in net earnings. Comparatively, net earnings in the 2017 fourth quarter were adversely impacted by \$31 million (\$0.36 per share) in net non-core items. Net earnings attributable to shareholders for the year were \$5.85 per share, compared to \$5.28 per share in 2017. The change in the U.S. corporate tax rate from 35% to 21%, enacted by the Tax Cuts and Jobs Act of 2017 and effective January 1, 2018, contributed to a lower effective tax rate in 2018 as compared to 2017. Other details may be found in the table below. Book value per share was \$55.66 per share at December 31, 2018. AFG paid cash dividends of \$1.90 per share during the quarter, which included a \$1.50 per share special dividend. Return on equity was 10.9% and 10.3% for 2018 and 2017, respectively.

Core net operating earnings were \$159 million (\$1.75 per share) for the 2018 fourth quarter, compared to \$197 million (\$2.20 per share) in the 2017 fourth quarter. Lower fourth quarter 2018 operating profitability was primarily the result of lower year-over-year earnings in our Annuity Segment, largely due to the significant downturn in financial markets during the fourth quarter, and to a lesser extent, lower underwriting profits in our Property and Casualty (“P&C”) Insurance Segment. The benefit of a lower corporate income tax rate partially offset these results. Book value per share, excluding unrealized gains related to fixed maturities, was \$54.86 per share at December 31, 2018. For the twelve months ended December 31, 2018, AFG’s growth in adjusted book value per share plus dividends was 10.8%. Core net operating earnings for the fourth quarters of 2018 and 2017 generated annualized returns on equity of 12.6% and 17.2%, respectively. Core operating return on equity was 15.6% and 12.7% for 2018 and 2017, respectively.

During the fourth quarter of 2018, AFG repurchased approximately 65,600 shares of common stock for \$6 million (average price per share of \$93.38).

AFG’s net earnings attributable to shareholders, determined in accordance with U.S. generally accepted accounting principles (GAAP), include certain items that may not be indicative of its ongoing core operations. The table below identifies such items and reconciles net earnings attributable to

shareholders to core net operating earnings, a non-GAAP financial measure. AFG believes that its core net operating earnings provides management, financial analysts, ratings agencies and investors with an understanding of the results from the ongoing operations of the Company by excluding the impact of net realized gains and losses and other special items that are not necessarily indicative of operating trends. AFG's management uses core net operating earnings to evaluate financial performance against historical results because it believes this provides a more comparable measure of its continuing business. Core net operating earnings is also used by AFG's management as a basis for strategic planning and forecasting.

In millions, except per share amounts	Three months ended December 31,		Twelve months ended December 31,	
	2018	2017	2018	2017
Components of net earnings (loss) attributable to shareholders:				
Core operating earnings before income taxes	\$ 199	\$ 283	\$ 932	\$ 865
Pretax non-core items:				
Realized gains (losses) on securities	(238)	6	(266)	5
Special A&E charges	—	—	(27)	(113)
Neon exited lines charge	—	18	—	18
Loss on early retirement of debt	—	(40)	—	(51)
Earnings (loss) before income taxes	(39)	267	639	724
Provision (credit) for income taxes:				
Core operating earnings	46	86	184	275
Non-core items:				
Realized gains (losses) on securities	(50)	2	(56)	2
Tax benefit related to Neon restructuring	—	(56)	—	(56)
Tax expense related to change in U.S. corporate tax rate	—	83	—	83
Other	—	(14)	(6)	(57)
Total provision (credit) for income taxes	(4)	101	122	247
Net earnings (loss), including noncontrolling interests	(35)	166	517	477
Less net earnings (losses) attributable to noncontrolling interests:				
Core operating earnings	(6)	—	(13)	2
Non-core items	—	—	—	—
Total net earnings (losses) attributable to noncontrolling interests	(6)	—	(13)	2
Net earnings (loss) attributable to shareholders	\$ (29)	\$ 166	\$ 530	\$ 475
Net earnings (loss):				
Core net operating earnings(a)	\$ 159	\$ 197	\$ 761	\$ 588
Non-core items	(188)	(31)	(231)	(113)
Net earnings (loss) attributable to shareholders	\$ (29)	\$ 166	\$ 530	\$ 475
Components of Earnings (Loss) Per Share:				
Core net operating earnings(a, b)	\$ 1.75	\$ 2.20	\$ 8.40	\$ 6.55
Non-core Items:				
Realized gains (losses) on securities(b)	(2.08)	0.04	(2.31)	0.03
Special A&E charges	—	—	(0.24)	(0.82)
Neon exited lines charge	—	0.19	—	0.19
Loss on early retirement of debt	—	(0.29)	—	(0.37)
Tax benefit related to Neon restructuring	—	0.62	—	0.62
Tax expense related to change in U.S. corporate tax rate	—	(0.92)	—	(0.92)
Diluted Earnings (Loss) Per Share	\$ (0.33)	\$ 1.84	\$ 5.85	\$ 5.28

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: "We are pleased to report full year core net operating earnings that were an all-time high for AFG. Our core operating earnings of \$8.40 per share were within our earnings guidance, and at the high end of initial guidance for the year. Our core insurance businesses continue to perform very well, with record annuity sales for the year and year-over-year growth in our P&C businesses. Our diversified portfolio of specialty P&C and annuity businesses has helped us deliver strong results, generating a core operating return on equity in excess of 15% for the year.

"AFG had approximately \$690 million of excess capital (including parent company cash of approximately \$160 million) at December 31, 2018. Our excess capital will be deployed into AFG's core businesses as we identify potential for healthy, profitable organic growth, and opportunities to expand

our specialty niche businesses through acquisitions and start-ups that meet our target return thresholds. In addition, returning capital to shareholders in the form of regular and special cash dividends and opportunistic share repurchases are also an important and effective component of our capital management strategy. Over the past year, we increased our quarterly dividend by 14% and paid special dividends of \$3.00 per share.

“We expect AFG’s core net operating earnings in 2019 to be between \$8.35 and \$8.85 per share. Our core earnings per share guidance excludes non-core items such as realized gains and losses, as well as other significant items that are not able to be estimated with reasonable precision, or that may not be indicative of ongoing operations.”

Specialty Property and Casualty Insurance Operations

Core operating earnings in AFG’s P&C insurance operations were \$214 million in the fourth quarter of 2018, compared to \$233 million in the prior year period, a decrease of \$19 million, or 8%. Lower underwriting profits were partially offset by higher year-over-year P&C net investment income, primarily the result of higher earnings on limited partnerships and similar investments, and lower other expenses. The strong investment performance should not be expected to repeat in future periods.

The Specialty P&C insurance operations generated an underwriting profit of \$102 million for the 2018 fourth quarter compared to \$156 million in the fourth quarter of 2017. Lower underwriting profitability in our Specialty Casualty Group, (primarily due to higher catastrophe losses and the lower year-over-year favorable reserve development within Neon), and lower underwriting profit in our Property and Transportation Group, (primarily the result of lower crop earnings following the exceptionally strong results reported in the 2017 fourth quarter), contributed to these results.

The fourth quarter 2018 combined ratio of 92.0% includes 4.7 points of favorable prior year reserve development, compared to 4.1 points of favorable prior year reserve development in the comparable 2017 period. Catastrophe losses added 3.0 points to the combined ratio in the 2018 fourth quarter, compared to 0.6 points in the comparable prior year period. Pretax catastrophe losses, net of reinsurance and inclusive of reinstatement premiums, were \$38 million during the fourth quarter, and were primarily the result of Hurricane Michael and the Camp and Woolsey wildfires in California. Catastrophe losses in the 2017 fourth quarter were \$12 million.

Gross and net written premiums were up 3% and 4%, respectively, in the 2018 fourth quarter compared to the same period in 2017. Growth in our Property and Transportation and Specialty Casualty Groups was partially offset by lower premiums in our Specialty Financial Group. Excluding the impact of the timing of renewal of two large accounts in our Property and Transportation Group, gross and net written premiums increased approximately 1% and 2%, respectively, in the fourth quarter. Average renewal pricing across our entire P&C Group was up 2% for the quarter. Excluding our workers’ compensation business, renewal pricing was up approximately 4%. 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 \$64 million in the fourth quarter of 2018, compared to \$84 million in the comparable prior year period. Higher underwriting profits in our transportation, property and inland marine and ocean marine businesses were more than offset by lower underwriting profits in our agricultural businesses and our Singapore Branch. Our crop insurance operations reported strong profitability during the 2018 fourth quarter, albeit at lower levels than in the prior year fourth quarter. Catastrophe losses for this group had a favorable impact of \$2 million in the fourth quarter of 2018, compared to a favorable impact of \$3 million in the 2017 fourth quarter, with catastrophe losses reported from the previous quarter developing favorably in the fourth quarters of both years.

Fourth quarter 2018 gross and net written premiums in this group were 4% and 6% higher, respectively, than the comparable prior year period. The increase was largely the result of a change in the timing of renewal of two large accounts in one of our transportation businesses from the third to fourth quarter. Excluding the impact of the timing of these policy renewals, both gross and net written premiums in this group were up approximately 1% year-over-year. Lower year-over-year premiums in our crop insurance business and underwriting actions on under-performing accounts in our Singapore Branch both tempered fourth quarter premiums. Overall renewal rates in this group increased 3% on average in both the 2018 fourth quarter and full year.

The **Specialty Casualty Group** reported an underwriting profit of \$22 million in the 2018 fourth quarter compared to \$58 million in the comparable 2017 period. Lower underwriting profit within Neon, primarily the result of higher 2018 catastrophe losses and lower year-over-year favorable reserve development due to the fourth quarter 2017 Neon reinsurance to close transaction, were the primary drivers of these results; lower profitability in our workers' compensation business contributed to a lesser extent. Higher underwriting profit in our excess and surplus lines and targeted markets partially offset these results. Despite lower year-over-year profits in our workers' compensation operations, these businesses achieved excellent underwriting margins. Catastrophe losses for this group were \$28 million in the fourth quarter of 2018 and \$18 million in the comparable 2017 period.

Gross and net written premiums increased 6% and 5%, respectively, for the fourth quarter of 2018 when compared to the same prior year period. Higher year-over-year premiums within Neon, resulting from the growth of its portfolio in targeted classes of business, along with growth in several other businesses and the addition of ABA Insurance Services, were partially offset by lower premiums in our workers' compensation businesses. Renewal pricing for this group was flat in the fourth quarter, and was down approximately 1% overall for the year. Excluding our workers' compensation businesses, renewal rates in this group were up approximately 4% in the fourth quarter and 3% for the year.

The **Specialty Financial Group** reported an underwriting profit of \$20 million in the fourth quarter of 2018, compared to \$19 million in the fourth quarter of 2017, with all businesses in this group achieving excellent underwriting margins. Catastrophe losses for this group were \$10 million in the fourth quarter of 2018, compared to a favorable impact of \$5 million in the 2017 fourth quarter.

Gross and net written premiums declined by 12% and 9%, respectively, in the 2018 fourth quarter when compared to the same 2017 period, primarily due to the timing of several new accounts in our lending and leasing businesses in the prior year. Renewal pricing in this group was up 5% during the fourth quarter and for the full year of 2018.

Carl Lindner III stated: "I'm very pleased with the strong underwriting margins and superior investment performance reported by our Specialty P&C Group in the fourth quarter. I'm particularly pleased with the excellent underwriting margins in our workers' compensation, crop and excess & surplus lines businesses. Average renewal pricing across our entire P&C Group was up 1.5% for the year, and up 3% excluding our workers' compensation business. These results were in line with our objectives for the year.

Mr. Lindner continued, "Looking forward to 2019, we are forecasting an overall calendar year combined ratio in the range of 92% to 94%, and we expect net written premiums to be flat to up 3% when compared to the \$5 billion reported in 2018."

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

Annuity Segment

As shown in the following table, AFG's Annuity Segment reported \$20 million in pretax earnings in the fourth quarter of 2018, compared to \$97 million in the fourth quarter of 2017.

Components of Annuity Earnings Before Income Taxes

In millions	Three months ended December 31,		Pct. Change	Twelve months ended December 31,		Pct. Change
	2018	2017		2018	2017	
Annuity earnings before fair value accounting for FIAs and unlocking	\$ 71	\$ 111	(36%)	\$ 425	\$ 416	2%
Impact of fair value accounting for FIAs	(47)	(11)	nm	(33)	(33)	nm
Unlocking	(4)	(3)	nm	(31)	(3)	nm
Pretax annuity earnings	<u>\$ 20</u>	<u>\$ 97</u>	(79%)	<u>\$ 361</u>	<u>\$ 380</u>	(5%)

As discussed in more detail below, the 2018 fourth quarter decrease in the S&P 500 had an unfavorable impact of \$57 million (\$0.50 per share) on pretax annuity earnings in the fourth quarter of 2018. This compares to a favorable impact of \$16 million (\$0.12 per share) in the comparable period in 2017.

Annuity Earnings Before Fair Value Accounting for FIAs and Unlocking – AFG's Annuity Segment reported quarterly earnings before fair value accounting for fixed-indexed annuities (FIAs) and unlocking of \$71 million in the fourth quarter of 2018 compared to \$111 million reported in the prior year period.

Additional detail is shown in the table below:

Components of Annuity Earnings Before Fair Value Accounting for FIAs and Unlocking

In millions	Three months ended December 31,		Twelve months ended December 31,	
	2018	2017	2018	2017
Annuity earnings before fair value accounting for FIAs, unlocking and item below	\$ 101	\$ 104	\$ 443	\$ 395
Impact of stock market performance on FIAs	(30)	7	(18)	21
Annuity earnings before fair value accounting for FIAs and unlocking, as reported	<u>\$ 71</u>	<u>\$ 111</u>	<u>\$ 425</u>	<u>\$ 416</u>

The S&P 500 Index decreased 14% in the fourth quarter of 2018; this poor stock market performance adversely impacted pretax Annuity Segment earnings before fair value accounting for FIAs, particularly FIAs with guaranteed benefits, by \$30 million (\$0.26 per share). If the stock market performance reverts back to our long-term expectation over the life of these policies, a substantial portion of this unfavorable impact would be expected to reverse.

Impact of Fair Value Accounting for FIAs – Under GAAP, a portion of the reserves for FIAs (\$2.7 billion and \$2.5 billion at December 31, 2018 and 2017, respectively) is considered an embedded derivative and is recorded at fair value based on the estimated present value of certain expected future cash flows. Assumptions used in calculating this fair value amount include projected interest rates, option costs, surrenders, withdrawals and mortality. Variances from these assumptions, as well as changes in the stock market, will generally result in a change in fair value. Items such as changes in interest rates and the performance of the stock market are not economic in nature for the current reporting period, but rather impact the timing of reported results. The components of this impact were as follows (in millions):

Components of Impact of Fair Value Accounting for FIAs

In millions	Three months ended December 31,		Twelve months ended December 31,	
	2018	2017	2018	2017
Interest accreted on embedded derivative	\$ (11)	\$ (5)	\$ (36)	\$ (16)
Increase (decrease) in stock market	(27)	9	(11)	29
Higher (lower) than expected change in interest rates	(4)	(12)	33	(50)
Renewal option costs lower (higher) than expected	1	—	(6)	4
Other changes in fair value	(6)	(3)	(13)	—
Total impact of FV accounting for FIAs	<u>\$ (47)</u>	<u>\$ (11)</u>	<u>\$ (33)</u>	<u>\$ (33)</u>

The impact of fair value accounting for FIAs includes an ongoing expense for annuity interest accreted on the FIA embedded derivative reserve. The amount of interest accreted in any period is generally based on the size of the embedded derivative and current interest rates. We expect both the size of the embedded derivative and interest rates to rise, resulting in continued increases in interest on the embedded derivative liability.

In the fourth quarter of 2018, the 14% decline in the S&P 500 Index contributed to a significant unfavorable fair value accounting impact of \$27 million (\$0.24 per share) for the quarter, as shown in the table above. The majority of this impact is non-economic and is expected to reverse over time, even in the absence of a stock market recovery. By comparison, in the fourth quarter of 2017, the benefit of a higher stock market resulted in a \$9 million favorable impact. The fourth quarter of both years reflected lower than expected changes in interest rates, resulting in negative, non-economic impacts on earnings.

For additional analysis of fair value accounting, see our Quarterly Investor Supplement, which is posted on AFG's website.

Unlocking – AFG monitors the major actuarial assumptions underlying its annuity operations throughout the year and conducts detailed reviews (“unlocking”) of its assumptions in the fourth quarter of each year. If changes in the economic environment or actual experience would cause material revisions to future estimates, AFG will unlock assumptions in an interim quarter, as it did in the second quarter of 2018. In the fourth quarters of 2018 and 2017, AFG's review resulted in unlocking charges of \$4 million and \$3 million, respectively.

Annuity Premiums – AFG's Annuity Segment reported record statutory premiums of \$1.48 billion in the fourth quarter of 2018, compared to \$909 million in the fourth quarter of 2017, an increase of 63%. Significant growth in sales of FIAs in the broker-dealer and retail markets, as well as higher year-over-year sales in our financial institutions channel, contributed to these record results.

Craig Lindner stated, “AFG's Annuity Segment achieved record sales in 2018 while maintaining pricing discipline throughout the year. Production in our retail and broker-dealer markets was particularly strong due to the launch of several new products and our efforts to expand our distribution within each of these channels. In addition, the Annuity Segment earned an after-tax operating return on equity in excess of 12% for the full year, despite the impact of the poor stock market performance in the fourth quarter.”

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

2019 Annuity Outlook – For 2019, AFG expects:

- Annuity sales will be down slightly from its record \$5.4 billion of premiums in 2018, as AFG continues to maintain its pricing discipline,
- Year-over-year average annuity asset and reserve growth of 8% to 10%, and
- Pretax Annuity Earnings of \$365 million to \$425 million, compared to \$361 million in 2018.

The midpoint of the 2019 annuity earnings guidance assumes (i) interest rates and the stock market rise moderately (ii) more normalized income from certain investments required to be marked to market through earnings, and (iii) lower impact in 2019 from unusual investment income items such as prepayment of fixed income securities. Fluctuations in these items could lead to significant positive or negative impacts on the Annuity Segment's results.

Investments

Effective January 1, 2018, AFG adopted ASU 2016-01, which requires that all equity securities previously classified as "available for sale" be reported at fair value, with holding gains and losses recognized in net earnings, instead of accumulated other comprehensive income (AOCI). The impact to our income statement will vary depending upon the level of volatility in the performance of the securities held in our equity portfolio and the overall market. Due to the significant drop in the stock market in the fourth quarter of 2018, AFG recorded fourth quarter 2018 net realized losses on securities of \$188 million (\$2.08 per share) after tax and after deferred acquisition costs (DAC), which included \$179 million (\$2.00 per share) in after-tax, after-DAC net losses to adjust equity securities that the Company continued to own, to fair value. AFG recorded net realized gains on securities of \$4 million in the comparable 2017 period.

Through January 29, 2019, the equity securities held at December 31, 2018 have increased in value by approximately \$100 million, after-tax and after DAC, effectively reversing more than half of the fourth quarter loss.

Unrealized gains on fixed maturities were \$83 million, after tax, after DAC at December 31, 2018, a decrease of \$536 million since year-end 2017. Our portfolio continues to be high quality, with 91% of our fixed maturity portfolio rated investment grade and 98% with a National Association of Insurance Commissioners' designation of NAIC 1 or 2, its highest two categories.

For the twelve months ended December 31, 2018, P&C net investment income was approximately 21% higher than the comparable 2017 period, and included unusually high returns of approximately 14% on certain private equity and limited partnership investments.

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 over \$60 billion. Through the operations of Great American Insurance Group, AFG is engaged primarily in property and casualty insurance, focusing on specialized commercial products for businesses, and in the sale of traditional fixed, fixed-indexed and variable-indexed annuities in the retail, financial institutions, broker-dealer and registered investment advisor markets. Great American Insurance Group's roots go back to 1872 with the founding of its flagship company, Great American Insurance Company.

Forward Looking Statements

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

Actual results and/or financial condition could differ materially from those contained in or implied by such forward-looking statements for a variety of reasons including, but not limited to: changes in financial, political and economic conditions, including changes in interest and inflation rates, currency fluctuations and extended economic recessions or expansions in the U.S. and/or abroad; performance of securities markets, including the cost of equity index options; 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; changes in insurance law or regulation, including changes in statutory accounting rules and changes in regulation of the Lloyd’s market, including modifications to the establishment of capital requirements for and approval of business plans for syndicate participation; changes in the legal environment affecting AFG or its customers; tax law and accounting changes, including the impact of recent changes in U.S. corporate tax law; 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; disruption caused by cyber-attacks or other technology breaches or failures by AFG or its business partners and service providers, which could negatively impact AFG’s business and/or expose AFG to litigation; development of insurance loss reserves and establishment of other reserves, particularly with respect to amounts associated with asbestos and environmental claims; availability of reinsurance and ability of reinsurers to pay their obligations; trends in persistency and mortality; competitive pressures; the ability to obtain adequate rates and policy terms; changes in AFG’s credit ratings or the financial strength ratings assigned by major ratings agencies to AFG’s operating subsidiaries; the impact of the conditions in the international financial markets and the global economy (including those associated with the United Kingdom’s expected withdrawal from the European Union, or “Brexit”) relating to AFG’s international operations; and other factors identified in AFG’s filings with the Securities and Exchange Commission.

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

Conference Call

The company will hold a conference call to discuss 2018 fourth quarter and full year results at 11:30 am (ET) tomorrow, Thursday, January 31, 2019. 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 9360819. 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 7, 2019. To listen to the replay, dial 1-855-859-2056 (international dial-in 404-537-3406) and provide the conference ID 9360819.

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

An archived webcast will be available immediately after the call via the same link on our website until February 7, 2019 at 11:59 p.m. (ET). An archived audio MP3 file will be available within 24 hours of the call.

Contact:

Diane P. Weidner, IRC

Asst. Vice President - Investor Relations

513-369-5713

Websites:

www.AFGinc.com

www.GreatAmericanInsuranceGroup.com

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(Financial summaries follow)

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

AFG19-03

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

	Three months ended		Twelve months ended	
	December 31,		December 31,	
	2018	2017	2018	2017
Revenues				
P&C insurance net earned premiums	\$1,270	\$1,225	\$4,865	\$4,579
Life, accident & health net earned premiums	6	5	24	22
Net investment income	542	465	2,094	1,831
Realized gains (losses) on securities	(238)	6	(266)	5
Income of managed investment entities:				
Investment income	68	55	255	210
Gain (loss) on change in fair value of assets/liabilities	(11)	—	(21)	12
Other income	53	52	199	206
Total revenues	1,690	1,808	7,150	6,865
Costs and expenses				
P&C insurance losses & expenses	1,175	1,061	4,586	4,362
Annuity, life, accident & health benefits & expenses	400	279	1,299	1,091
Interest charges on borrowed money	16	20	62	85
Expenses of managed investment entities	57	44	211	181
Other expenses	81	137	353	422
Total costs and expenses	1,729	1,541	6,511	6,141
Earnings (loss) before income taxes	(39)	267	639	724
Provision (credit) for income taxes	(4)	101	122	247
Net earnings (losses) including noncontrolling interests	(35)	166	517	477
Less: Net earnings (loss) attributable to noncontrolling interests	(6)	—	(13)	2
Net earnings (loss) attributable to shareholders	<u>\$ (29)</u>	<u>\$ 166</u>	<u>\$ 530</u>	<u>\$ 475</u>
Diluted earnings (loss) per Common Share	<u>\$ (0.33)</u>	<u>\$ 1.84</u>	<u>\$ 5.85</u>	<u>\$ 5.28</u>
Average number of diluted shares	89.3	90.1	90.6	89.8

Selected Balance Sheet Data:	December 31, 2018	December 31, 2017
Total cash and investments	\$ 48,498	\$ 46,048
Long-term debt	\$ 1,302	\$ 1,301
Shareholders' equity(c)	\$ 4,970	\$ 5,330
Shareholders' equity (excluding unrealized gains/losses related to fixed maturities)(c)	\$ 4,898	\$ 4,724
Book value per share	\$ 55.66	\$ 60.38
Book value per share (excluding unrealized gains/losses related to fixed maturities)	\$ 54.86	\$ 53.51
Common Shares Outstanding	89.3	88.3

Footnote (c) is 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
	2018	2017		2018	2017	
Gross written premiums	<u>\$1,613</u>	<u>\$1,571</u>	3%	<u>\$6,840</u>	<u>\$6,502</u>	5%
Net written premiums	<u>\$1,208</u>	<u>\$1,161</u>	4%	<u>\$5,023</u>	<u>\$4,751</u>	6%
Ratios (GAAP):						
Loss & LAE ratio	62.7%	59.8%		61.3%	62.9%	
Underwriting expense ratio	29.3%	27.5%		32.1%	30.2%	
Specialty Combined Ratio	<u>92.0%</u>	<u>87.3%</u>		<u>93.4%</u>	<u>93.1%</u>	
Combined Ratio – P&C Segment	<u>92.0%</u>	<u>86.0%</u>		<u>93.8%</u>	<u>94.7%</u>	
Supplemental Information:(d)						
Gross Written Premiums:						
Property & Transportation	\$ 651	\$ 626	4%	\$2,645	\$2,688	(2%)
Specialty Casualty	778	737	6%	3,445	3,087	12%
Specialty Financial	184	208	(12%)	750	727	3%
	<u>\$1,613</u>	<u>\$1,571</u>	3%	<u>\$6,840</u>	<u>\$6,502</u>	5%
Net Written Premiums:						
Property & Transportation	\$ 448	\$ 424	6%	\$1,754	\$1,765	(1%)
Specialty Casualty	581	555	5%	2,509	2,280	10%
Specialty Financial	142	156	(9%)	602	596	1%
Other	37	26	42%	158	110	44%
	<u>\$1,208</u>	<u>\$1,161</u>	4%	<u>\$5,023</u>	<u>\$4,751</u>	6%
Combined Ratio (GAAP):						
Property & Transportation	86.5%	82.6%		93.1%	91.0%	
Specialty Casualty	96.5%	90.0%		94.2%	95.2%	
Specialty Financial	85.5%	86.2%		88.9%	89.4%	
Aggregate Specialty Group	92.0%	87.3%		93.4%	93.1%	

	Three months ended December 31,		Twelve months ended December 31,	
	2018	2017	2018	2017
Reserve Development (Favorable)/Adverse:				
Property & Transportation	\$ (7)	\$ (4)	\$ (50)	\$ (40)
Specialty Casualty	(52)	(52)	(139)	(86)
Specialty Financial	(7)	1	(26)	(21)
Other Specialty	5	6	3	8
Specialty Group Excluding A&E and Neon Charge	(61)	(49)	(212)	(139)
Special A&E Reserve Charge – P&C Run-off	—	—	18	89
Neon Exited Lines Charge and Other	—	(17)	2	(14)
Total Reserve Development	<u>\$ (61)</u>	<u>\$ (66)</u>	<u>\$ (192)</u>	<u>\$ (64)</u>
Points on Combined Ratio:				
Property & Transportation	(1.5)	(0.8)	(2.8)	(2.3)
Specialty Casualty	(8.5)	(9.2)	(5.8)	(4.0)
Specialty Financial	(5.2)	0.8	(4.4)	(3.6)
Aggregate Specialty Group	(4.7)	(4.1)	(4.4)	(3.0)
Total P&C Segment	(4.7)	(5.4)	(4.0)	(1.4)

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

AMERICAN FINANCIAL GROUP, INC.
ANNUITY SEGMENT
(Dollars in Millions)

Components of Statutory Premiums

	Three months ended December 31,		Pct. Change	Twelve months ended December 31,		Pct. Change
	2018	2017		2018	2017	
<u>Annuity Premiums:</u>						
Financial Institutions	\$ 597	\$ 427	40%	\$ 2,268	\$ 2,333	(3%)
Retail	419	254	65%	1,505	1,060	42%
Broker-Dealer	339	175	94%	1,285	740	74%
Pension Risk Transfer (PRT)	75	6	nm	132	6	nm
Education Market	46	41	12%	192	174	10%
Variable Annuities	6	6	—	25	28	(11%)
Total Annuity Premiums	<u>\$ 1,482</u>	<u>\$ 909</u>	63%	<u>\$ 5,407</u>	<u>\$ 4,341</u>	25%

Components of Annuity Earnings Before Income Taxes

	Three months ended December 31,		Pct. Change	Twelve months ended December 31,		Pct. Change
	2018	2017		2018	2017	
Revenues:						
Net investment income	\$ 419	\$ 376	11%	\$ 1,638	\$ 1,458	12%
Other income	27	24	13%	107	103	4%
Total revenues	446	400	12%	1,745	1,561	12%
Costs and Expenses:						
Annuity benefits	334	257	30%	998	892	12%
Acquisition expenses	56	15	273%	255	168	52%
Other expenses	36	31	16%	131	121	8%
Total costs and expenses	426	303	41%	1,384	1,181	17%
Annuity earnings before income taxes	<u>\$ 20</u>	<u>\$ 97</u>	(79%)	<u>\$ 361</u>	<u>\$ 380</u>	(5%)

Supplemental Annuity Information

	Three months ended December 31,		Twelve months ended December 31,	
	2018	2017	2018	2017
Net interest spread*	2.58%	2.62%	2.70%	2.62%
Net spread earned before fair value accounting for FIAs and unlocking*	0.81%	1.40%	1.26%	1.34%
Impact of fair value accounting for FIAs	(0.52%)	(0.13%)	(0.10%)	(0.10%)
Unlocking	(0.04%)	(0.06%)	(0.09%)	(0.01%)
Net spread earned after fair value accounting for FIAs and unlocking*	<u>0.25%</u>	<u>1.21%</u>	<u>1.07%</u>	<u>1.23%</u>

* 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,	
	2018	2017	2018	2017
Core Operating Earnings before Income Taxes:				
P&C insurance segment	\$ 214	\$ 233	\$ 740	\$ 660
Annuity segment, before fair value accounting for FIAs and unlocking	71	111	425	416
Impact of fair value accounting for FIAs	(47)	(11)	(33)	(33)
Annuity unlocking	(4)	(3)	(31)	(3)
Interest & other corporate expenses*	(29)	(47)	(156)	(177)
Core operating earnings before income taxes	205	283	945	863
Related income taxes	46	86	184	275
Core net operating earnings	<u>\$ 159</u>	<u>\$ 197</u>	<u>\$ 761</u>	<u>\$ 588</u>

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

- b) Because AFG had a net loss for the fourth quarter, the impact of potential dilutive options (weighted average of 1.4 million shares) was excluded from AFG's fully diluted earnings per share calculation. However, for the non-GAAP measure of core net operating earnings, the Company believes it is most appropriate to use the fully diluted share data that would have been used if AFG had net earnings for the fourth quarter.
- c) Shareholders' Equity at December 31, 2018 includes \$83 million (\$0.93 per share) in unrealized after-tax gains on fixed maturities and \$11 million (\$0.13 per share) in unrealized after-tax losses on fixed maturity-related cash flow hedges. Shareholders' Equity at December 31, 2017 includes \$619 million (\$7.01 per share) in unrealized after-tax gains on fixed maturities and \$13 million (\$0.14 per share) in unrealized after-tax losses on fixed maturity-related cash flow hedges.
- d) **Supplemental Notes:**
- **Property & Transportation** includes primarily physical damage and liability coverage for buses, trucks and recreational vehicles, inland and ocean marine, agricultural-related products and other property coverages.
 - **Specialty Casualty** includes primarily excess and surplus, general liability, executive liability, professional liability, umbrella and excess liability, specialty coverages in targeted markets, customized programs for small to mid-sized businesses and workers' compensation insurance.
 - **Specialty Financial** includes risk management insurance programs for lending and leasing institutions (including equipment leasing and collateral and lender-placed mortgage property insurance), surety and fidelity products and trade credit insurance.
 - **Other** includes an internal reinsurance facility.



American Financial Group, Inc.
Investor Supplement - Fourth Quarter 2018

January 31, 2019

American Financial Group, Inc.
Corporate Headquarters
Great American Insurance Group Tower
301 E Fourth Street
Cincinnati, OH 45202
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	Three Months Ended					Twelve Months Ended	
	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17	12/31/18	12/31/17
Highlights							
Net earnings (loss)	\$ (29)	\$ 204	\$ 210	\$ 145	\$ 166	\$ 530	\$ 475
Core net operating earnings	159	198	185	219	197	761	588
Total assets	63,456	64,190	61,834	60,656	60,658	63,456	60,658
Adjusted shareholders' equity (a)	4,898	5,103	4,920	4,865	4,724	4,898	4,724
Property and Casualty net written premiums	1,208	1,456	1,257	1,102	1,161	5,023	4,751
Annuity statutory premiums	1,482	1,378	1,399	1,148	909	5,407	4,341
Per share data							
Diluted earnings per share	\$ (0.33)	\$ 2.26	\$ 2.31	\$ 1.60	\$ 1.84	\$ 5.85	\$ 5.28
Core net operating earnings per share	1.75	2.19	2.04	2.42	2.20	8.40	6.55
Adjusted book value per share (a)	54.86	57.22	55.24	54.74	53.51	54.86	53.51
Cash dividends per common share	1.9000	0.3500	1.8500	0.3500	2.3500	4.4500	4.7875
Financial ratios							
Annualized return on equity (b)	(2.3%)	16.3%	17.1%	12.3%	14.4%	10.9%	10.3%
Annualized core operating return on equity (b)	12.6%	15.8%	15.1%	18.6%	17.2%	15.6%	12.7%
Property and Casualty combined ratio - Specialty:							
Loss & LAE ratio	62.7%	64.3%	59.7%	57.8%	59.8%	61.3%	62.9%
Underwriting expense ratio	29.3%	31.4%	34.0%	33.9%	27.5%	32.1%	30.2%
Combined ratio - Specialty	92.0%	95.7%	93.7%	91.7%	87.3%	93.4%	93.1%
Net spread on fixed annuities:							
Net interest spread	2.58%	2.67%	2.81%	2.75%	2.62%	2.70%	2.62%
Net spread earned:							
Before impact of fair value accounting and unlockings	0.81%	1.37%	1.46%	1.38%	1.40%	1.26%	1.34%
Impact of fair value accounting (c)	(0.52%)	(0.02%)	0.04%	0.16%	(0.13%)	(0.10%)	(0.10%)
Unlockings	(0.04%)	0.00%	(0.32%)	0.00%	(0.06%)	(0.09%)	(0.01%)
After impact of fair value accounting and unlockings	0.25%	1.35%	1.18%	1.54%	1.21%	1.07%	1.23%

(a) Excludes unrealized gains related to fixed maturity investments, a reconciliation to the GAAP measure is on page 19.

(b) Excludes accumulated other comprehensive income.

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

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



	Three Months Ended					Twelve Months Ended	
	12/31/18	09/30/18	06/30/18	3/31/18	12/31/17	12/31/18	12/31/17
Property and Casualty Insurance							
Underwriting profit	\$ 101	\$ 56	\$ 72	\$ 91	\$ 155	\$ 320	\$ 313
Net investment income	115	108	115	100	86	438	362
Other income (expense)	(2)	(6)	(7)	(3)	(8)	(18)	(15)
Property and Casualty Insurance operating earnings	214	158	180	188	233	740	660
Annuity earnings	20	117	99	125	97	361	380
Interest expense of parent holding companies	(16)	(15)	(16)	(15)	(20)	(62)	(85)
Other expense	(13)	(22)	(32)	(27)	(27)	(94)	(92)
Pre-tax core operating earnings	205	238	231	271	283	945	863
Income tax expense	46	40	46	52	86	184	275
Core net operating earnings	159	198	185	219	197	761	588
Non-core items, net of tax:							
Realized gains (losses) on securities	(188)	27	25	(74)	4	(210)	3
Special A&E charges:							
Property and Casualty Insurance run-off operations	—	(14)	—	—	—	(14)	(58)
Former Railroad and Manufacturing operations	—	(7)	—	—	—	(7)	(16)
Neon exited lines charge	—	—	—	—	18	—	18
Tax benefit related to Neon restructuring	—	—	—	—	56	—	56
Tax expense related to change in U.S. corporate tax rate	—	—	—	—	(83)	—	(83)
Loss on retirement of debt	—	—	—	—	(26)	—	(33)
Net earnings	\$ (29)	\$ 204	\$ 210	\$ 145	\$ 166	\$ 530	\$ 475

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



	Three Months Ended					Twelve Months Ended	
	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17	12/31/18	12/31/17
Core net operating earnings	\$ 159	\$ 198	\$ 185	\$ 219	\$ 197	\$ 761	\$ 588
Net earnings	\$ (29)	\$ 204	\$ 210	\$ 145	\$ 166	\$ 530	\$ 475
Average number of diluted shares - core	90.668	90.731	90.663	90.431	90.109	90.626	89.812
Average number of diluted shares - net	89.278	90.731	90.663	90.431	90.109	90.626	89.812
Diluted earnings per share:							
Core net operating earnings per share	\$ 1.75	\$ 2.19	\$ 2.04	\$ 2.42	\$ 2.20	\$ 8.40	\$ 6.55
Realized gains (losses) on securities	(2.08)	0.31	0.27	(0.82)	0.04	(2.31)	0.03
Special A&E charges:							
Property and Casualty Insurance run-off operations	—	(0.16)	—	—	—	(0.16)	(0.64)
Former Railroad and Manufacturing operations	—	(0.08)	—	—	—	(0.08)	(0.18)
Neon exited lines charge	—	—	—	—	0.19	—	0.19
Tax benefit related to Neon restructuring	—	—	—	—	0.62	—	0.62
Tax expense related to change in U.S. corporate tax rate	—	—	—	—	(0.92)	—	(0.92)
Loss on retirement of debt	—	—	—	—	(0.29)	—	(0.37)
Diluted earnings per share	\$ (0.33)	\$ 2.26	\$ 2.31	\$ 1.60	\$ 1.84	\$ 5.85	\$ 5.28

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



	Three Months Ended					Twelve Months Ended	
	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17	12/31/18	12/31/17
Property and Transportation	\$ 64	\$ —	\$ 23	\$ 33	\$ 84	\$ 120	\$ 154
Specialty Casualty	22	49	29	41	58	141	104
Specialty Financial	20	9	22	15	19	66	61
Other Specialty	(4)	(3)	(1)	3	(5)	(5)	(2)
Underwriting profit - Specialty	102	55	73	92	156	322	317
Other core charges, included in loss and LAE	1	(1)	1	1	1	2	4
Underwriting profit - Core	101	56	72	91	155	320	313
Special A&E charges, included in loss and LAE	—	(18)	—	—	—	(18)	(89)
Neon exited lines charge, included in loss and LAE	—	—	—	—	18	—	18
Underwriting profit (loss) - Property and Casualty Insurance	\$ 101	\$ 38	\$ 72	\$ 91	\$ 173	\$ 302	\$ 242
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ (1)	\$ 3	\$ —	\$ —	\$ 4	\$ 2	\$ 10
Catastrophe loss	39	35	16	13	8	103	140
Total current accident year catastrophe losses	\$ 38	\$ 38	\$ 16	\$ 13	\$ 12	\$ 105	\$ 150
Prior year loss reserve development (favorable) / adverse	\$ (61)	\$ (31)	\$ (44)	\$ (56)	\$ (66)	\$ (192)	\$ (64)
Combined ratio:							
Property and Transportation	86.5%	100.0%	93.9%	90.4%	82.6%	93.1%	91.0%
Specialty Casualty	96.5%	92.1%	95.1%	92.9%	90.0%	94.2%	95.2%
Specialty Financial	85.5%	94.4%	85.6%	90.2%	86.2%	88.9%	89.4%
Other Specialty	112.3%	103.0%	105.5%	90.7%	123.0%	103.7%	102.7%
Combined ratio - Specialty	92.0%	95.7%	93.7%	91.7%	87.3%	93.4%	93.1%
Other core charges	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.1%
Neon exited lines charge, loss and LAE	0.0%	0.0%	0.0%	0.0%	(1.4%)	0.0%	(0.4%)
Special A&E charges	0.0%	1.5%	0.0%	0.0%	0.0%	0.4%	1.9%
Combined ratio	92.0%	97.2%	93.7%	91.8%	86.0%	93.8%	94.7%
Combined ratio excl. catastrophe and prior year development	93.7%	96.8%	96.2%	95.6%	90.8%	95.7%	93.1%
Loss and LAE components - property and casualty insurance							
Current accident year, excluding catastrophe loss	64.4%	65.4%	62.2%	61.7%	63.3%	63.6%	62.9%
Prior accident year loss reserve development	(4.7%)	(2.2%)	(3.9%)	(5.0%)	(5.4%)	(4.0%)	(1.4%)
Current accident year catastrophe loss	3.0%	2.6%	1.4%	1.2%	0.6%	2.1%	3.0%
Loss and LAE ratio	62.7%	65.8%	59.7%	57.9%	58.5%	61.7%	64.5%

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



	Three Months Ended				Twelve Months Ended		
	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17	12/31/17	
Gross written premiums	\$ 1,613	\$ 2,104	\$ 1,665	\$ 1,458	\$ 1,571	\$ 6,840	\$ 6,502
Ceded reinsurance premiums	(405)	(648)	(408)	(356)	(410)	(1,817)	(1,751)
Net written premiums	1,208	1,456	1,257	1,102	1,161	5,023	4,751
Change in unearned premiums	62	(129)	(96)	5	64	(158)	(172)
Net earned premiums	1,270	1,327	1,161	1,107	1,225	4,865	4,579
Loss and LAE	796	855	692	640	733	2,983	2,880
Underwriting expense	372	417	396	375	336	1,560	1,382
Underwriting profit	\$ 102	\$ 55	\$ 73	\$ 92	\$ 156	\$ 322	\$ 317
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ (1)	\$ 3	\$ —	\$ —	\$ 4	\$ 2	\$ 10
Catastrophe loss	39	35	16	13	8	103	140
Total current accident year catastrophe losses	\$ 38	\$ 38	\$ 16	\$ 13	\$ 12	\$ 105	\$ 150
Prior year loss reserve development (favorable) / adverse	\$ (61)	\$ (49)	\$ (45)	\$ (57)	\$ (49)	\$ (212)	\$ (139)
Combined ratio:							
Loss and LAE ratio	62.7%	64.3%	59.7%	57.8%	59.8%	61.3%	62.9%
Underwriting expense ratio	29.3%	31.4%	34.0%	33.9%	27.5%	32.1%	30.2%
Combined ratio	92.0%	95.7%	93.7%	91.7%	87.3%	93.4%	93.1%
Combined ratio excl. catastrophe and prior year development	93.7%	96.8%	96.2%	95.6%	90.8%	95.7%	93.1%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	64.4%	65.4%	62.2%	61.7%	63.3%	63.6%	62.9%
Prior accident year loss reserve development	(4.7%)	(3.7%)	(3.9%)	(5.1%)	(4.1%)	(4.4%)	(3.0%)
Current accident year catastrophe loss	3.0%	2.6%	1.4%	1.2%	0.6%	2.1%	3.0%
Loss and LAE ratio	62.7%	64.3%	59.7%	57.8%	59.8%	61.3%	62.9%

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



	Three Months Ended					Twelve Months Ended	
	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17	12/31/18	12/31/17
Gross written premiums	\$ 651	\$ 953	\$ 615	\$ 426	\$ 626	\$ 2,645	\$ 2,688
Ceded reinsurance premiums	(203)	(393)	(193)	(102)	(202)	(891)	(923)
Net written premiums	448	560	422	324	424	1,754	1,765
Change in unearned premiums	31	(34)	(48)	26	61	(25)	(54)
Net earned premiums	479	526	374	350	485	1,729	1,711
Loss and LAE	327	406	239	220	325	1,192	1,172
Underwriting expense	88	120	112	97	76	417	385
Underwriting profit	\$ 64	\$ —	\$ 23	\$ 33	\$ 84	\$ 120	\$ 154
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ (1)	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ 2
Catastrophe loss	(1)	12	10	5	(3)	26	36
Total current accident year catastrophe losses	\$ (2)	\$ 13	\$ 10	\$ 5	\$ (3)	\$ 26	\$ 38
Prior year loss reserve development (favorable) / adverse	\$ (7)	\$ (4)	\$ (21)	\$ (18)	\$ (4)	\$ (50)	\$ (40)
Combined ratio:							
Loss and LAE ratio	68.2%	77.1%	63.8%	63.0%	67.1%	69.0%	68.5%
Underwriting expense ratio	18.3%	22.9%	30.1%	27.4%	15.5%	24.1%	22.5%
Combined ratio	86.5%	100.0%	93.9%	90.4%	82.6%	93.1%	91.0%
Combined ratio excl. catastrophe and prior year development	88.2%	98.5%	96.8%	94.1%	84.0%	94.4%	91.2%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	69.9%	75.6%	66.7%	66.7%	68.5%	70.3%	68.7%
Prior accident year loss reserve development	(1.5%)	(0.8%)	(5.6%)	(5.1%)	(0.8%)	(2.8%)	(2.3%)
Current accident year catastrophe loss	(0.2%)	2.3%	2.7%	1.4%	(0.6%)	1.5%	2.1%
Loss and LAE ratio	68.2%	77.1%	63.8%	63.0%	67.1%	69.0%	68.5%

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



	Three Months Ended					Twelve Months Ended	
	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17	12/31/18	12/31/17
Gross written premiums	\$ 778	\$ 956	\$ 858	\$ 853	\$ 737	\$ 3,445	\$ 3,087
Ceded reinsurance premiums	(197)	(261)	(219)	(259)	(182)	(936)	(807)
Net written premiums	581	695	639	594	555	2,509	2,280
Change in unearned premiums	32	(79)	(44)	(15)	18	(106)	(94)
Net earned premiums	613	616	595	579	573	2,403	2,186
Loss and LAE	389	364	378	345	338	1,476	1,410
Underwriting expense	202	203	188	193	177	786	672
Underwriting profit	\$ 22	\$ 49	\$ 29	\$ 41	\$ 58	\$ 141	\$ 104
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ 1	\$ —	\$ —	\$ 4	\$ 1	\$ 6
Catastrophe loss	28	11	1	5	14	45	71
Total current accident year catastrophe losses	\$ 28	\$ 12	\$ 1	\$ 5	\$ 18	\$ 46	\$ 77
Prior year loss reserve development (favorable) / adverse	\$ (52)	\$ (37)	\$ (15)	\$ (35)	\$ (52)	\$ (139)	\$ (86)
Combined ratio:							
Loss and LAE ratio	63.5%	59.2%	63.4%	59.5%	59.1%	61.5%	64.5%
Underwriting expense ratio	33.0%	32.9%	31.7%	33.4%	30.9%	32.7%	30.7%
Combined ratio	96.5%	92.1%	95.1%	92.9%	90.0%	94.2%	95.2%
Combined ratio excl. catastrophe and prior year development	100.3%	96.4%	97.5%	97.9%	96.7%	98.1%	95.9%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	67.3%	63.5%	65.8%	64.5%	65.8%	65.4%	65.2%
Prior accident year loss reserve development	(8.5%)	(6.0%)	(2.5%)	(6.0%)	(9.2%)	(5.8%)	(4.0%)
Current accident year catastrophe loss	4.7%	1.7%	0.1%	1.0%	2.5%	1.9%	3.3%
Loss and LAE ratio	63.5%	59.2%	63.4%	59.5%	59.1%	61.5%	64.5%

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



	Three Months Ended					Twelve Months Ended	
	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17	12/31/18	12/31/17
Gross written premiums	\$ 184	\$ 195	\$ 192	179	\$ 208	\$ 750	\$ 727
Ceded reinsurance premiums	(42)	(42)	(33)	(31)	(52)	(148)	(131)
Net written premiums	142	153	159	148	156	602	596
Change in unearned premiums	(1)	(4)	—	1	(15)	(4)	(20)
Net earned premiums	141	149	159	149	141	598	576
Loss and LAE	51	60	54	60	47	225	227
Underwriting expense	70	80	83	74	75	307	288
Underwriting profit (loss)	\$ 20	\$ 9	\$ 22	\$ 15	\$ 19	\$ 66	\$ 61
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ 1	\$ —	\$ —	\$ —	\$ 1	\$ 2
Catastrophe loss	10	12	3	3	(5)	28	30
Total current accident year catastrophe losses	\$ 10	\$ 13	\$ 3	\$ 3	\$ (5)	\$ 29	\$ 32
Prior year loss reserve development (favorable) / adverse	\$ (7)	\$ (8)	\$ (8)	\$ (3)	\$ 1	\$ (26)	\$ (21)
Combined ratio:							
Loss and LAE ratio	36.4%	40.1%	33.9%	40.2%	33.1%	37.6%	39.4%
Underwriting expense ratio	49.1%	54.3%	51.7%	50.0%	53.1%	51.3%	50.0%
Combined ratio	85.5%	94.4%	85.6%	90.2%	86.2%	88.9%	89.4%
Combined ratio excl. catastrophe and prior year development	83.6%	91.5%	89.0%	90.2%	89.1%	88.6%	87.8%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	34.5%	37.2%	37.3%	40.2%	36.0%	37.3%	37.8%
Prior accident year loss reserve development	(5.2%)	(5.1%)	(5.4%)	(1.8%)	0.8%	(4.4%)	(3.6%)
Current accident year catastrophe loss	7.1%	8.0%	2.0%	1.8%	(3.7%)	4.7%	5.2%
Loss and LAE ratio	36.4%	40.1%	33.9%	40.2%	33.1%	37.6%	39.4%

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



	Three Months Ended					Twelve Months Ended	
	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17	12/31/18	12/31/17
Gross written premiums	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Ceded reinsurance premiums	37	48	37	36	26	158	110
Net written premiums	37	48	37	36	26	158	110
Change in unearned premiums	—	(12)	(4)	(7)	—	(23)	(4)
Net earned premiums	37	36	33	29	26	135	106
Loss and LAE	29	25	21	15	23	90	71
Underwriting expense	12	14	13	11	8	50	37
Underwriting profit (loss)	\$ (4)	\$ (3)	\$ (1)	\$ 3	\$ (5)	\$ (5)	\$ (2)
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	2	—	2	—	2	4	3
Total current accident year catastrophe losses	\$ 2	\$ —	\$ 2	\$ —	\$ 2	\$ 4	\$ 3
Prior year loss reserve development (favorable) / adverse	\$ 5	\$ —	\$ (1)	\$ (1)	\$ 6	\$ 3	\$ 8
Combined ratio:							
Loss and LAE ratio	76.5%	65.5%	68.7%	51.3%	86.2%	66.4%	66.9%
Underwriting expense ratio	35.8%	37.5%	36.8%	39.4%	36.8%	37.3%	35.8%
Combined ratio	112.3%	103.0%	105.5%	90.7%	123.0%	103.7%	102.7%
Combined ratio excl. catastrophe and prior year development	95.6%	103.7%	99.6%	96.6%	94.5%	99.0%	93.0%

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



	Three Months Ended					Twelve Months Ended	
	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17	12/31/18	12/31/17
Net investment income	\$ 419	\$ 413	\$ 412	\$ 394	\$ 376	\$ 1,638	\$ 1,458
Guaranteed withdrawal benefit fees	17	16	16	16	17	65	60
Policy charges and other miscellaneous income	10	11	11	10	7	42	43
Total revenues	446	440	439	420	400	1,745	1,561
Annuity benefits	334	222	260	182	257	998	892
Acquisition expenses	56	69	49	81	15	255	168
Other expenses	36	32	31	32	31	131	121
Total costs and expenses	426	323	340	295	303	1,384	1,181
Annuity earnings before income taxes	\$ 20	\$ 117	\$ 99	\$ 125	\$ 97	\$ 361	\$ 380
Detail of Annuity earnings before income taxes							
Earnings before income taxes, impact of fair value accounting and unlockings	\$ 71	\$ 119	\$ 123	\$ 112	\$ 111	\$ 425	\$ 416
Impact of fair value accounting	(47)	(2)	3	13	(11)	(33)	(33)
Unlockings	(4)	—	(27)	—	(3)	(31)	(3)
Earnings before income taxes	\$ 20	\$ 117	\$ 99	\$ 125	\$ 97	\$ 361	\$ 380

American Financial Group, Inc.
Analysis of Annuity Earnings Before Impact of Fair Value Accounting for FIAs and Unlockings
(\$ in millions)



	Three Months Ended				Twelve Months Ended		
	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17	12/31/17	
Annuity Segment Pretax Earnings:							
Annuity earnings before impact of fair value accounting for							
FIA, unlockings and items below	\$ 85	\$ 83	\$ 87	\$ 84	\$ 91	\$ 339	\$ 346
Investments marked to market through operating earnings:							
Investment income (from page 26)	18	28	37	31	14	114	53
Associated DAC impact	(2)	(2)	(4)	(2)	(1)	(10)	(4)
Total	16	26	33	29	13	104	49
Impact of stock market on (a):							
Annuities with guaranteed benefits (from page 15)	(22)	7	2	(1)	5	(14)	14
DAC associated with FIAs	(8)	3	1	—	2	(4)	7
Total (b)	(30)	10	3	(1)	7	(18)	21
Annuity earnings before impact of fair value accounting							
for FIAs and unlockings, as reported	\$ 71	\$ 119	\$ 123	\$ 112	\$ 111	\$ 425	\$ 416
(a) Change in S&P 500	-14%	+7%	+3%	-1%	+6%	-6%	+19%
(b) Estimated impact (in millions of dollars) of a 1% change in the stock market on FIAs before fair value accounting (i.e. 1% "Rule of Thumb")	\$ 2	\$ 1	\$ 1	\$ 1	\$ 1	n/m	\$ 1

American Financial Group, Inc.
Analysis of Impact of Fair Value Accounting for FIAs
(\$ in millions)



	Three Months Ended					Twelve Months Ended	
	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17	12/31/18	12/31/17
Interest on Embedded Derivative liability	\$ (11)	\$ (10)	\$ (8)	\$ (7)	\$ (5)	\$ (36)	\$ (16)
Impact of changes in interest rates higher (lower) than expected							
(a)	(4)	(2)	12	27	(12)	33	(50)
Impact of change in stock market (b) (c)	(27)	12	6	(2)	9	(11)	29
Renewal option purchases lower (higher) than expected	1	—	(3)	(4)	—	(6)	4
Other, including impact of actual vs. expected lapses	(6)	(2)	(4)	(1)	(3)	(13)	—
Impact of Fair Value accounting, as reported	<u>\$ (47)</u>	<u>\$ (2)</u>	<u>\$ 3</u>	<u>\$ 13</u>	<u>\$ (11)</u>	<u>\$ (33)</u>	<u>\$ (33)</u>
Embedded Derivative liability balance at end of period	<u>\$2,720</u>	<u>\$3,105</u>	<u>\$2,776</u>	<u>\$2,549</u>	<u>\$2,542</u>	<u>\$ 2,720</u>	<u>\$ 2,542</u>

(a) Assuming a parallel shift in rates, AFG's general "Rule of Thumb" for Fair Value earnings impact each month is that a +/-10bps change in the average 5/15 year Corporate A2 rates, as compared to the expected change (as indicated by the forward curve at the end of each month) will equate to a +/- \$7 million impact on Fair Value earnings.

(b) Change in S&P 500 -14% +7% +3% -1% +6% -6% +19%

(c) Estimated impact (in millions of dollars) of a 1% change in the stock market on the fair value accounting for FIAs (i.e. 1% "Rule of Thumb") \$ 2 \$ 2 \$ 2 \$ 2 \$ 2 \$ 2 \$ 2

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



	Three Months Ended					Twelve Months Ended	
	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17	12/31/18	12/31/17
Detail of annuity benefits expense:							
Interest credited - fixed	\$ 186	\$ 179	\$ 173	\$ 166	\$ 164	\$ 704	\$ 633
Interest credited - fixed component of variable annuities	1	1	2	1	1	5	5
Change in expected death and annuitization reserve	4	5	4	4	5	17	18
Amortization of sales inducements	4	5	5	5	5	19	19
Guaranteed withdrawal benefit reserve:							
Impact of change in stock market	22	(7)	(2)	1	(5)	14	(14)
Accretion of benefits and other	24	25	21	22	21	92	81
Change in other benefit reserves	8	10	11	8	9	37	45
Unlockings (a)	5	—	54	—	35	59	35
Subtotal before impact of fair value accounting	254	218	268	207	235	947	822
Embedded derivative mark-to-market (b)	(490)	223	82	(63)	178	(248)	564
Equity option mark-to-market	570	(219)	(90)	38	(156)	299	(494)
Subtotal impact in fair value accounting	80	4	(8)	(25)	22	51	70
Total annuity benefits expense	\$ 334	\$ 222	\$ 260	\$ 182	\$ 257	\$ 998	\$ 892

(a) Includes unlockings for fixed indexed annuity embedded derivative reserves, sales inducement asset and other reserves. Does not include unlocking income of \$28 million in 2018 and \$32 million in 2017 for deferred policy acquisition costs and unearned revenue reserves. These unlockings are included in acquisition expenses and other income. In total, AFG recorded an unlocking expense of \$31 million in 2018 and \$3 million in 2017.

(b) Excludes unlocking impact of \$44 million in 2018 and \$25 million in 2017.

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



	Three Months Ended				Twelve Months Ended		
	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17	12/31/17	
Average fixed annuity investments (at amortized cost) (a)	\$35,993	\$34,955	\$33,935	\$33,002	\$32,245	\$34,471	\$31,250
Average annuity benefits accumulated	36,103	35,226	34,165	33,329	32,680	34,706	31,526
Annuity benefits accumulated in excess of investments (a)	\$ (110)	\$ (271)	\$ (230)	\$ (327)	\$ (435)	\$ (235)	\$ (276)
As % of average annuity benefits accumulated (except as noted).							
Net investment income (as % of investments)	4.64%	4.70%	4.83%	4.74%	4.62%	4.73%	4.63%
Interest credited	(2.06%)	(2.03%)	(2.02%)	(1.99%)	(2.00%)	(2.03%)	(2.01%)
Net interest spread on fixed annuities	2.58%	2.67%	2.81%	2.75%	2.62%	2.70%	2.62%
Policy charges and other miscellaneous income	0.08%	0.09%	0.10%	0.10%	0.10%	0.10%	0.11%
Other annuity benefit expenses, net	(0.51%)	(0.24%)	(0.27%)	(0.29%)	(0.21%)	(0.33%)	(0.28%)
Acquisition expenses	(0.59%)	(0.76%)	(0.89%)	(0.94%)	(0.60%)	(0.79%)	(0.62%)
Other expenses	(0.38%)	(0.36%)	(0.35%)	(0.38%)	(0.37%)	(0.37%)	(0.37%)
Change in fair value of derivatives	(0.89%)	(0.05%)	0.10%	0.30%	(0.27%)	(0.15%)	(0.22%)
Unlockings	(0.04%)	0.00%	(0.32%)	0.00%	(0.06%)	(0.09%)	(0.01%)
Net spread earned on fixed annuities	0.25%	1.35%	1.18%	1.54%	1.21%	1.07%	1.23%
Average annuity benefits accumulated	\$36,103	\$35,226	\$34,165	\$33,329	\$32,680	\$34,706	\$31,526
Net spread earned on fixed annuities	0.25%	1.35%	1.18%	1.54%	1.21%	1.07%	1.23%
Earnings on fixed annuity benefits accumulated	\$ 22	\$ 119	\$ 101	\$ 128	\$ 99	\$ 370	\$ 387
Annuity benefits accumulated in excess of investments	\$ (110)	\$ (271)	\$ (230)	\$ (327)	\$ (435)	\$ (235)	\$ (276)
Net investment income (as % of investments)	4.64%	4.70%	4.83%	4.74%	4.62%	4.73%	4.63%
Earnings (loss) on annuity benefits accumulated in excess of investments	\$ (1)	\$ (3)	\$ (3)	\$ (4)	\$ (5)	\$ (11)	\$ (13)
Variable annuity earnings (includes unlockings)	(1)	1	1	1	3	2	6
Earnings before income taxes	\$ 20	\$ 117	\$ 99	\$ 125	\$ 97	\$ 361	\$ 380
Detail of net spread earned on fixed annuities							
Net spread earned - before impact of fair value accounting and unlockings	0.81%	1.37%	1.46%	1.38%	1.40%	1.26%	1.34%
Change in fair value of derivatives	(0.89%)	(0.05%)	0.10%	0.30%	(0.27%)	(0.15%)	(0.22%)
Estimated net offsets to deferred sales inducements and deferred policy acquisition costs	0.37%	0.03%	(0.06%)	(0.14%)	0.14%	0.05%	0.12%
Unlockings	(0.04%)	0.00%	(0.32%)	0.00%	(0.06%)	(0.09%)	(0.01%)
Net spread earned - after impact of fair value accounting and unlockings	0.25%	1.35%	1.18%	1.54%	1.21%	1.07%	1.23%

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

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



	Three Months Ended					Twelve Months Ended	
	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17	12/31/18	12/31/17
Retail single premium annuities - indexed	\$ 392	\$ 354	\$ 378	\$ 294	\$ 239	\$ 1,418	\$ 990
Retail single premium annuities - fixed	27	17	22	21	15	87	70
Broker dealer single premium annuities - indexed	335	322	355	259	174	1,271	733
Broker dealer single premium annuities - fixed	4	3	4	3	1	14	7
Financial institutions single premium annuities - indexed	455	460	448	413	364	1,776	1,711
Financial institutions single premium annuities - fixed	142	114	131	105	63	492	622
Pension risk transfer (PRT)	75	56	1	—	6	132	6
Education market - fixed and indexed annuities	46	46	54	46	41	192	174
Subtotal fixed annuity premiums	1,476	1,372	1,393	1,141	903	5,382	4,313
Variable annuities	6	6	6	7	6	25	28
Total annuity premiums	\$ 1,482	\$ 1,378	\$ 1,399	\$ 1,148	\$ 909	\$ 5,407	\$ 4,341
Summary by Distribution Channel:							
Retail	\$ 419	\$ 371	\$ 400	\$ 315	\$ 254	\$ 1,505	\$ 1,060
Broker dealer	339	325	359	262	175	1,285	740
Financial institutions	597	574	579	518	427	2,268	2,333
Other	127	108	61	53	53	349	208
Total annuity premiums	\$ 1,482	\$ 1,378	\$ 1,399	\$ 1,148	\$ 909	\$ 5,407	\$ 4,341
Summary by Product Type:							
Total indexed	\$ 1,211	\$ 1,164	\$ 1,213	\$ 992	\$ 802	\$ 4,580	\$ 3,523
Total fixed	265	208	180	149	101	802	790
Variable	6	6	6	7	6	25	28
Total annuity premiums	\$ 1,482	\$ 1,378	\$ 1,399	\$ 1,148	\$ 909	\$ 5,407	\$ 4,341

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



	Three Months Ended					Twelve Months Ended	
	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17	12/31/18	12/31/17
Beginning fixed annuity reserves	\$ 35,774	\$ 34,678	\$ 33,652	\$ 33,005	\$ 32,354	\$ 33,005	\$ 29,647
Premiums	1,476	1,372	1,393	1,141	903	5,382	4,313
Federal Home Loan Bank (“FHLB”) advances (paydowns)	225	—	—	—	(64)	225	(64)
Surrenders, benefits and other withdrawals	(796)	(707)	(706)	(627)	(596)	(2,836)	(2,246)
Interest and other annuity benefit expenses:							
Interest credited	186	179	173	166	164	704	633
Embedded derivative mark-to-market	(490)	223	82	(63)	178	(248)	564
Change in other benefit reserves	52	29	29	30	25	140	117
Unlockings	4	—	55	—	41	59	41
Ending fixed annuity reserves	\$ 36,431	\$ 35,774	\$ 34,678	\$ 33,652	\$ 33,005	\$ 36,431	\$ 33,005
Reconciliation to annuity benefits accumulated:							
Ending fixed annuity reserves	\$ 36,431	\$ 35,774	\$ 34,678	\$ 33,652	\$ 33,005	\$ 36,431	\$ 33,005
Impact of unrealized investment gains on reserves	10	8	32	71	133	10	133
Fixed component of variable annuities	175	176	176	178	178	175	178
Annuity benefits accumulated per balance sheet	\$ 36,616	\$ 35,958	\$ 34,886	\$ 33,901	\$ 33,316	\$ 36,616	\$ 33,316
Annualized surrenders and other withdrawals as a % of beginning reserves	8.9%	8.2%	8.4%	7.6%	7.4%	8.6%	7.6%
Rider reserves included in ending fixed annuity reserves above	\$ 472	\$ 428	\$ 411	\$ 381	\$ 358	\$ 472	\$ 358

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



GMIR	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17	9/30/17
1 - 1.99%	79%	78%	78%	77%	76%	75%
2 - 2.99%	4%	4%	4%	5%	5%	5%
3 - 3.99%	8%	9%	9%	9%	10%	10%
4.00% and above	9%	9%	9%	9%	9%	10%
Annuity Benefits Accumulated	\$36,616	\$35,958	\$34,886	\$33,901	\$33,316	\$32,671
Traditional Fixed and FIA Surrender Value (a) (b)	\$27,842	\$27,434	\$26,502	\$25,582	\$25,138	\$24,428
Ability to Lower Average Crediting Rates by (a) (c)	1.19%	1.16%	1.09%	1.00%	0.92%	0.88%
Pretax earnings impact of crediting guaranteed minimums (a) (assumes net DAC impact over time = \$0)	\$ 331	\$ 317	\$ 288	\$ 255	\$ 230	\$ 216

- (a) Excludes Annuities with Guaranteed Withdrawal Benefits, FHLB advances, immediate reserves and certain other reserves.
- (b) FIA Surrender Value include Host + Embedded Derivatives + Fixed Account values.
- (c) Weighted Average Crediting Rate less GMIR

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



	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17	09/30/17
Assets:						
Total cash and investments	\$ 48,498	\$ 47,841	\$ 46,779	\$ 45,949	\$ 46,048	\$ 45,253
Recoverables from reinsurers	3,349	3,352	3,073	3,173	3,369	3,262
Prepaid reinsurance premiums	610	717	645	614	600	691
Agents' balances and premiums receivable	1,234	1,299	1,266	1,113	1,146	1,173
Deferred policy acquisition costs	1,682	1,669	1,582	1,417	1,216	1,119
Assets of managed investment entities	4,700	4,998	5,032	5,090	4,902	4,767
Other receivables	1,090	1,633	1,048	918	1,030	1,545
Variable annuity assets (separate accounts)	557	650	636	632	644	628
Other assets	1,529	1,832	1,574	1,551	1,504	1,526
Goodwill	207	199	199	199	199	199
Total assets	\$ 63,456	\$ 64,190	\$ 61,834	\$ 60,656	\$ 60,658	\$ 60,163
Liabilities and Equity:						
Unpaid losses and loss adjustment expenses	\$ 9,741	\$ 9,670	\$ 9,093	\$ 9,193	\$ 9,678	\$ 9,563
Unearned premiums	2,595	2,740	2,539	2,413	2,410	2,567
Annuity benefits accumulated	36,616	35,958	34,886	33,901	33,316	32,671
Life, accident and health reserves	635	643	647	656	658	667
Payable to reinsurers	752	932	721	661	743	906
Liabilities of managed investment entities	4,512	4,807	4,840	4,869	4,687	4,506
Long-term debt	1,302	1,302	1,301	1,301	1,301	1,284
Variable annuity liabilities (separate accounts)	557	650	636	632	644	628
Other liabilities	1,774	2,324	2,087	1,847	1,887	1,992
Total liabilities	\$ 58,484	\$ 59,026	\$ 56,750	\$ 55,473	\$ 55,324	\$ 54,784
Redeemable noncontrolling interests	\$ —	\$ —	\$ —	\$ —	\$ 3	\$ —
Shareholders' equity:						
Common stock	\$ 89	\$ 89	\$ 89	\$ 89	\$ 88	\$ 88
Capital surplus	1,245	1,231	1,220	1,205	1,181	1,167
Retained earnings	3,588	3,800	3,628	3,584	3,248	3,435
Unrealized gains - equities	—	—	—	—	221	173
Unrealized gains - fixed maturities	83	93	191	342	619	533
Unrealized gains (losses) - fixed maturity-related cash flow hedges	(11)	(32)	(27)	(24)	(13)	(6)
Other comprehensive income, net of tax	(24)	(17)	(17)	(13)	(14)	(11)
Total shareholders' equity	4,970	5,164	5,084	5,183	5,330	5,379
Noncontrolling interests	2	—	—	—	1	—
Total liabilities and equity	\$ 63,456	\$ 64,190	\$ 61,834	\$ 60,656	\$ 60,658	\$ 60,163

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



	<u>12/31/18</u>	<u>9/30/18</u>	<u>6/30/18</u>	<u>3/31/18</u>	<u>12/31/17</u>	<u>09/30/17</u>
Shareholders' equity	\$ 4,970	\$ 5,164	\$ 5,084	\$ 5,183	\$ 5,330	\$ 5,379
Unrealized (gains) related to fixed maturities	(72)	(61)	(164)	(318)	(606)	(527)
Adjusted shareholders' equity	4,898	5,103	4,920	4,865	4,724	4,852
Goodwill	(207)	(199)	(199)	(199)	(199)	(199)
Intangibles	(54)	(31)	(34)	(36)	(26)	(29)
Tangible adjusted shareholders' equity	\$ 4,637	\$ 4,873	\$ 4,687	\$ 4,630	\$ 4,499	\$ 4,624
Common shares outstanding	89.292	89.189	89.072	88.881	88.275	88.093
Book value per share:						
Book value per share	\$ 55.66	\$ 57.90	\$ 57.08	\$ 58.32	\$ 60.38	\$ 61.06
Adjusted (a)	54.86	57.22	55.24	54.74	53.51	55.08
Tangible, adjusted (b)	51.93	54.64	52.63	52.10	50.95	52.50
Market capitalization						
AFG's closing common share price	\$ 90.53	\$ 110.97	\$ 107.33	\$ 112.22	\$ 108.54	\$ 103.45
Market capitalization	\$ 8,084	\$ 9,897	\$ 9,560	\$ 9,974	\$ 9,581	\$ 9,113
Price / Adjusted book value ratio	1.65	1.94	1.94	2.05	2.03	1.88

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

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

American Financial Group, Inc.
Capitalization
(\$ in millions)



	<u>12/31/18</u>	<u>9/30/18</u>	<u>6/30/18</u>	<u>3/31/18</u>	<u>12/31/17</u>	<u>09/30/17</u>
AFG senior obligations	\$ 1,018	\$ 1,018	\$ 1,018	\$ 1,018	\$ 1,018	\$ 1,003
Borrowings drawn under credit facility	—	—	—	—	—	—
Debt excluding subordinated debt	\$ 1,018	\$ 1,018	\$ 1,018	\$ 1,018	\$ 1,018	\$ 1,003
AFG subordinated debentures	300	300	300	300	300	300
Total principal amount of long-term debt	\$ 1,318	\$ 1,318	\$ 1,318	\$ 1,318	\$ 1,318	\$ 1,303
Shareholders' equity	4,970	5,164	5,084	5,183	5,330	5,379
Noncontrolling interests (including redeemable NCI)	2	—	—	—	4	—
Less:						
Unrealized (gains) related to fixed maturity investments	(72)	(61)	(164)	(318)	(606)	(527)
Total adjusted capital	\$ 6,218	\$ 6,421	\$ 6,238	\$ 6,183	\$ 6,046	\$ 6,155
Ratio of debt to total adjusted capital:						
Including subordinated debt	21.2%	20.5%	21.1%	21.3%	21.8%	21.2%
Excluding subordinated debt	16.4%	15.9%	16.3%	16.5%	16.8%	16.3%



	Three Months Ended					Twelve Months Ended	
	<u>12/31/18</u>	<u>9/30/18</u>	<u>6/30/18</u>	<u>3/31/18</u>	<u>12/31/17</u>	<u>12/31/18</u>	<u>12/31/17</u>
<u>Property and Casualty Insurance</u>							
Paid Losses (GAAP)	\$ 719	\$ 614	\$ 629	\$ 640	\$ 726	\$ 2,602	\$ 2,528
<u>Statutory Surplus</u>							
Property and Casualty Insurance		\$2,867	\$2,885	\$2,797	\$2,781	\$2,729	\$2,817
AFG's principal annuity subsidiaries (total adjusted capital)		\$3,015	\$2,703	\$2,511	\$2,442	\$2,442	\$2,433
<u>Allowable dividends without regulatory approval</u>							
Property and Casualty Insurance		\$ 529	\$ 563	\$ 563	\$ 563	\$ 563	\$ 496
Annuity and Run-off (a)		263	263	263	263	263	197
Total		\$ 792	\$ 826	\$ 826	\$ 826	\$ 826	\$ 693

(a) The amount in the 12/31/18 column represents the 9/30/18 amount. The year-end 2018 amount will be finalized in February 2019.

	Carrying Value - December 31, 2018					
	Property and Casualty Insurance	Annuity and Run-off	Parent and Other Non-Insurance	Consolidate CLOs	Total AFG Consolidated	% of Investment Portfolio
Total cash and investments:						
Cash and cash equivalents	\$ 1,007	\$ 339	\$ 169	\$ —	\$ 1,515	3%
Fixed maturities - Available for sale	7,853	34,132	12	—	41,997	87%
Fixed maturities - Trading	50	55	—	—	105	0%
Equity securities	1,017	744	53	—	1,814	4%
Investments accounted for using the equity method	557	817	—	—	1,374	3%
Mortgage loans	289	779	—	—	1,068	2%
Policy loans	—	174	—	—	174	0%
Equity index call options	—	184	—	—	184	0%
Real estate and other investments	134	276	44	(187)	267	1%
Total cash and investments	\$ 10,907	\$ 37,500	\$ 278	\$ (187)	\$ 48,498	100%

	Carrying Value - December 31, 2017					
	Property and Casualty Insurance	Annuity and Run-off	Parent and Other Non-Insurance	Consolidate CLOs	Total AFG Consolidated	% of Investment Portfolio
Total cash and investments:						
Cash and cash equivalents	\$ 1,398	\$ 625	\$ 315	\$ —	\$ 2,338	5%
Fixed maturities - Available for sale	7,142	31,223	14	—	38,379	83%
Fixed maturities - Trading	232	116	—	—	348	1%
Equity securities	1,012	594	56	—	1,662	4%
Investments accounted for using the equity method	404	595	—	—	999	2%
Mortgage loans	308	817	—	—	1,125	2%
Policy loans	—	184	—	—	184	0%
Equity index call options	—	701	—	—	701	2%
Real estate and other investments	158	311	57	(214)	312	1%
Total cash and investments	\$ 10,654	\$ 35,166	\$ 442	\$ (214)	\$ 46,048	100%
Unrealized gain/(loss) on equity securities	\$ 165	\$ 114	\$ —	\$ —	\$ 279	

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

	Three Months Ended					Twelve Months Ended	
	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17	12/31/18	12/31/17
Property and Casualty Insurance:							
Gross Investment Income							
Fixed maturities - Available for sale	\$ 74	\$ 72	\$ 72	\$ 66	\$ 65	\$ 284	\$ 258
Fixed maturities - Trading	1	—	2	—	—	3	3
Equity securities - dividends	11	13	11	13	13	48	51
Equity securities - MTM	9	(1)	5	—	—	13	—
Equity in investees	14	16	18	17	4	65	27
AFG managed CLOs	(1)	1	1	1	2	2	7
Other investments (a)	10	9	8	5	6	32	26
Gross investment income	118	110	117	102	90	447	372
Investment expenses	(3)	(2)	(2)	(2)	(4)	(9)	(10)
Total net investment income	\$ 115	\$ 108	\$ 115	\$ 100	\$ 86	\$ 438	\$ 362
Average cash and investments (b)	\$ 10,651	\$ 10,388	\$ 10,346	\$ 10,422	\$ 10,062	\$ 10,497	\$ 9,948
Average yield (c)	4.32%	4.16%	4.45%	3.84%	3.42%	4.17%	3.64%
Fixed Annuity							
Gross Investment Income							
Fixed maturities - Available for sale	\$ 376	\$ 361	\$ 350	\$ 338	\$ 342	\$ 1,425	\$ 1,314
Equity securities - dividends	9	6	7	8	7	30	22
Equity securities - MTM	2	—	11	—	—	13	—
Equity in investees	19	25	23	29	9	96	37
AFG managed CLOs	(3)	3	3	2	5	5	16
Other investments (a)	18	19	19	17	14	73	70
Gross investment income	421	414	413	394	377	1,642	1,459
Investment expenses	(4)	(3)	(3)	(3)	(4)	(13)	(11)
Total net investment income	\$ 417	\$ 411	\$ 410	\$ 391	\$ 373	\$ 1,629	\$ 1,448
Average cash and investments (b)	\$ 35,993	\$ 34,955	\$ 33,935	\$ 33,002	\$ 32,245	\$ 34,471	\$ 31,250
Average yield (c)	4.64%	4.70%	4.83%	4.74%	4.62%	4.73%	4.63%
AFG consolidated net investment income:							
Property & Casualty	\$ 115	\$ 108	\$ 115	\$ 100	\$ 86	\$ 438	\$ 362
Annuity:							
Fixed Annuity	417	411	410	391	373	1,629	1,448
Variable Annuity	2	2	2	3	3	9	10
Parent & other	4	10	7	4	10	25	34
Consolidate CLOs	4	(4)	(4)	(3)	(7)	(7)	(23)
Total net investment income	\$ 542	\$ 527	\$ 530	\$ 495	\$ 465	\$ 2,094	\$ 1,831

- (a) Includes income from mortgage loans, real estate, policy loans, short-term investments, and cash equivalents.
(b) Average cash and investments is the average of the beginning and ending quarter balances, or the average of the five quarters balances.
(c) 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.
Investments Marked-to-Market Through Investment Income and Investments Accounted For Using the
Equity Method
(\$ in millions)



	Three Months Ended					Twelve Months Ended	
	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17	12/31/18	12/31/17
Property and Casualty Insurance:							
Net Investment Income							
Equity securities MTM through investment income (a)	\$ 9	\$ (1)	\$ 5	\$ —	\$ —	\$ 13	\$ —
Investments accounted for using the equity method (b)	14	16	18	17	4	65	27
AFG managed CLOs (eliminated in consolidation)	(1)	1	1	1	2	2	7
Total Property & Casualty	\$ 22	\$ 16	\$ 24	\$ 18	\$ 6	\$ 80	\$ 34
Investments							
Equity securities MTM through investment income (a)	\$ 50	\$ 40	\$ 40	\$ 31	\$ 27	\$ 50	\$ 27
Investments accounted for using the equity method (b)	557	520	475	440	402	557	402
AFG managed CLOs (eliminated in consolidation)	56	57	57	66	64	56	64
Total Property & Casualty	\$ 663	\$ 617	\$ 572	\$ 537	\$ 493	\$ 663	\$ 493
Annualized Yield - Property & Casualty	13.8%	10.8%	17.3%	14.0%	4.1%	13.9%	7.9%
Fixed Annuity:							
Net Investment Income							
Equity securities MTM through investment income (a)	\$ 2	\$ —	\$ 11	\$ —	\$ —	\$ 13	\$ —
Investments accounted for using the equity method (b)	19	25	23	29	9	96	37
AFG managed CLOs (eliminated in consolidation)	(3)	3	3	2	5	5	16
Total Fixed Annuity	\$ 18	\$ 28	\$ 37	\$ 31	\$ 14	\$ 114	\$ 53
Investments							
Equity securities MTM through investment income (a)	\$ 84	\$ 79	\$ 79	\$ 57	\$ 49	\$ 84	\$ 49
Investments accounted for using the equity method (b)	817	769	719	657	590	817	590
AFG managed CLOs (eliminated in consolidation)	132	134	135	155	151	132	151
Total Fixed Annuity	\$ 1,033	\$ 982	\$ 933	\$ 869	\$ 790	\$ 1,033	\$ 790
Annualized Yield - Fixed Annuity	7.1%	11.7%	16.4%	14.9%	7.6%	12.4%	8.2%
Combined (includes Parent amounts not shown above):							
Net Investment Income							
Equity securities MTM through investment income (a)	\$ 6	\$ 1	\$ 16	\$ (1)	\$ 2	\$ 22	\$ 7
Investments accounted for using the equity method (b)	33	41	41	46	13	161	64
AFG managed CLOs (eliminated in consolidation)	(4)	4	4	3	7	7	23
Total Combined (including Parent)	\$ 35	\$ 46	\$ 61	\$ 48	\$ 22	\$ 190	\$ 94
Investments							
Equity securities MTM through investment income (a)	\$ 187	\$ 176	\$ 173	\$ 142	\$ 132	\$ 187	\$ 132
Investments accounted for using the equity method (b)	1,374	1,289	1,194	1,097	992	1,374	992
AFG managed CLOs (eliminated in consolidation)	188	191	192	221	215	188	215
Total Combined (including Parent)	\$ 1,749	\$ 1,656	\$ 1,559	\$ 1,460	\$ 1,339	\$ 1,749	\$ 1,339
Annualized Yield - Combined	8.2%	11.4%	16.2%	13.7%	5.7%	12.2%	8.3%

- (a) AFG carries the small portion of its equity securities previously classified as “trading” and investments in limited partnerships and similar investments that aren’t accounted for using the equity method at fair value through net investment income.
- (b) The majority of AFG’s investments accounted for using the equity method mark their underlying assets to market through net income.

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



December 31, 2018	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Investment Portfolio
US Government and government agencies	\$ 245	\$ 243	\$ (2)	1%	1%
States, municipalities and political subdivisions	6,850	6,964	114	17%	14%
Foreign government	166	168	2	0%	0%
Residential mortgage-backed securities	2,478	2,746	268	7%	6%
Commercial mortgage-backed securities	905	920	15	2%	2%
Asset-backed securities	9,781	9,811	30	23%	20%
Corporate and other bonds	21,517	21,250	(267)	50%	44%
Total AFG consolidated	\$ 41,942	\$ 42,102	\$ 160	100%	87%

Annualized yield on available for sale fixed maturities:

Excluding investment expense (a)	4.47%
Net of investment expense (a)	4.42%

Approximate average life and duration:

Approximate average life	6 years
Approximate duration	4.5 years

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

Annualized yield on available for sale fixed maturities:

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

Approximate average life and duration:

Approximate average life	6.5 years
Approximate duration	5 years

(a) Annualized yield is calculated by dividing investment income for the quarter by the average cost over the quarter. Average cost is the average of the beginning and ending quarter asset balances.

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



	December 31, 2018				December 31, 2017			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Property and Casualty Insurance:								
US Government and government agencies	\$ 203	\$ 202	(1)	3%	\$ 244	\$ 243	\$ (1)	3%
States, municipalities and political subdivisions	2,630	2,642	12	33%	2,740	2,798	58	38%
Foreign government	155	156	1	2%	228	229	1	3%
Residential mortgage-backed securities	725	784	59	10%	843	918	75	13%
Commercial mortgage-backed securities	83	84	1	1%	93	95	2	1%
Asset-backed securities	2,275	2,259	(16)	29%	1,716	1,724	8	23%
Corporate and other bonds	1,792	1,776	(16)	22%	1,349	1,367	18	19%
Property and Casualty Insurance	\$ 7,863	\$ 7,903	\$ 40	100%	\$ 7,213	\$ 7,374	\$ 161	100%

Annualized yield on available for sale fixed maturities:	
Excluding investment expense (a)	3.91%
Net of investment expense (a)	3.81%
Tax equivalent, net of investment expense (b)	3.99%

Approximate average life and duration:	
Approximate average life	4.5 years
Approximate duration	3.5 years

	December 31, 2018				December 31, 2017			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Annuity and Run-off:								
US Government and government agencies	\$ 42	\$ 41	\$ (1)	0%	\$ 48	\$ 47	\$ (1)	0%
States, municipalities and political subdivisions	4,220	4,322	102	13%	4,172	4,350	178	14%
Foreign government	11	12	1	0%	11	13	2	0%
Residential mortgage-backed securities	1,750	1,950	200	6%	2,041	2,299	258	7%
Commercial mortgage-backed securities	822	836	14	2%	835	868	33	3%
Asset-backed securities	7,506	7,552	46	22%	6,120	6,238	118	20%
Corporate and other bonds	19,725	19,474	(251)	57%	16,942	17,524	582	56%
Total Annuity and Run-off	\$ 34,076	\$ 34,187	\$ 111	100%	\$ 30,169	\$ 31,339	\$ 1,170	100%

Annualized yield on available for sale fixed maturities:	
Excluding investment expense (a)	4.59%
Net of investment expense (a)	4.55%

Approximate average life and duration:	
Approximate average life	6.5 years
Approximate duration	4.5 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, 2018			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 7,367	\$ 7,359	\$ (8)	17%
AA	8,714	8,831	117	21%
A	10,006	9,989	(17)	24%
BBB	12,206	12,053	(153)	29%
Subtotal - Investment grade	38,293	38,232	(61)	91%
BB	703	685	(18)	2%
B	261	254	(7)	0%
Other (b)	2,685	2,931	246	7%
Subtotal - Non-Investment grade	3,649	3,870	221	9%
Total	\$ 41,942	\$ 42,102	\$ 160	100%

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

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

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

- (a) If two agencies rate a security, the rating displayed above is the lower of the two; if three or more agencies rate a security, the rating displayed is the second lowest.
- (b) See page 32 for more information.

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



<u>December 31, 2018</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	\$ 170	\$ 168	\$ (2)	5%	1%
Prime (Non-Agency)	967	1,098	131	30%	2%
Alt-A	972	1,074	102	29%	2%
Subprime	369	406	37	11%	1%
Commercial	905	920	15	25%	2%
Total AFG consolidated	\$ 3,383	\$ 3,666	\$ 283	100%	8%

- 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 81%; Alt-A 80%; Subprime 83%; CMBS 99%.
- The average FICO score of our residential MBS securities is - Prime 734; Alt-A 698; Subprime 631.
- 94% of our Commercial MBS portfolio is investment-grade rated (82% AAA) and the average subordination for this group of assets is 33.5%.
- The approximate average life by collateral type is - Residential 4.5 years; Commercial 4.5 years.

<u>December 31, 2017</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	\$ 207	\$ 205	\$ (2)	5%	0%
Prime (Non-Agency)	1,218	1,386	168	33%	3%
Alt-A	994	1,122	128	27%	3%
Subprime	468	517	49	12%	1%
Commercial	928	963	35	23%	2%
Total AFG consolidated	\$ 3,815	\$ 4,193	\$ 378	100%	9%

Property and Casualty Insurance:

By Asset Type	December 31, 2018				
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Inv Portfolio
Residential					
Agency	\$ 137	\$ 134	\$ (3)	15%	1%
Prime (Non-Agency)	138	155	17	18%	1%
Alt-A	289	319	30	37%	3%
Subprime	161	176	15	20%	2%
Commercial	83	84	1	10%	1%
Total	\$ 808	\$ 868	\$ 60	100%	8%

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

Annuity and Run-off:

By Asset Type	December 31, 2018				
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Inv Portfolio
Residential					
Agency	\$ 33	\$ 34	\$ 1	1%	0%
Prime (Non-Agency)	826	931	105	34%	2%
Alt-A	683	755	72	27%	2%
Subprime	208	230	22	8%	1%
Commercial	822	836	14	30%	2%
Total	\$ 2,572	\$ 2,786	\$ 214	100%	7%

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

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



By Credit Rating (a)	December 31, 2018			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 1,107	\$ 1,119	\$ 12	31%
AA	143	147	4	4%
A	263	270	7	7%
BBB	232	243	11	7%
Subtotal - investment grade	1,745	1,779	34	49%
BB	128	131	3	3%
B	155	154	(1)	4%
Other (b)	1,355	1,602	247	44%
Total	\$ 3,383	\$ 3,666	\$ 283	100%

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

By Credit Rating (a)	December 31, 2017			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 1,209	\$ 1,246	\$ 37	30%
AA	90	93	3	2%
A	225	239	14	6%
BBB	170	182	12	4%
Subtotal - investment grade	1,694	1,760	66	42%
BB	192	197	5	5%
B	224	230	6	5%
Other (b)	1,705	2,006	301	48%
Total	\$ 3,815	\$ 4,193	\$ 378	100%

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

- (a) If two agencies rate a security, the rating displayed above is the lower of the two; if three or more agencies rate a security, the rating displayed is the second lowest.
- (b) See page 33 for more information.

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



By Credit Rating (a)	Fair Value - December 31, 2018							Total	% Total
	US Gov	Munis	Frgn Gov	RMBS	CMBS	ABS	Corp/Oth		
Investment grade									
AAA	\$ 213	\$1,889	\$ 98	\$ 367	\$ 752	\$3,870	\$ 170	\$ 7,359	17%
AA	22	4,456	53	129	18	2,570	1,583	8,831	21%
A	—	448	—	248	22	2,086	7,185	9,989	24%
BBB	—	110	—	169	74	769	10,931	12,053	29%
Subtotal - Investment grade	235	6,903	151	913	866	9,295	19,869	38,232	91%
BB	—	—	—	97	34	23	531	685	2%
B	—	8	—	151	3	4	88	254	0%
CCC, CC, C	—	—	—	670	5	2	12	689	2%
D	—	3	—	230	—	—	1	234	1%
Subtotal - Non-Investment grade	—	11	—	1,148	42	29	632	1,862	5%
Not Rated	8	50	17	685	12	487	749	2,008	4%
Total	\$ 243	\$6,964	\$ 168	\$2,746	\$ 920	\$9,811	\$21,250	\$42,102	100%

By Credit Rating (a)	Fair Value - December 31, 2017							Total	% Total
	US Gov	Munis	Frgn Gov	RMBS	CMBS	ABS	Corp/Oth		
Investment grade									
AAA	\$ 250	\$1,848	\$ 168	\$ 444	\$ 802	\$2,649	\$ 195	\$ 6,356	16%
AA	34	4,671	66	74	19	2,242	1,305	8,411	22%
A	—	494	3	216	23	1,835	6,876	9,447	25%
BBB	—	47	—	106	76	800	9,467	10,496	27%
Subtotal - Investment grade	284	7,060	237	840	920	7,526	17,843	34,710	90%
BB	—	4	4	173	24	23	511	739	2%
B	—	7	1	226	4	—	90	328	1%
CCC, CC, C	—	1	—	902	3	3	26	935	2%
D	—	5	—	517	—	—	—	522	1%
Subtotal - Non-Investment grade	—	17	5	1,818	31	26	627	2,524	6%
Not Rated	7	71	—	572	12	410	421	1,493	4%
Total	\$ 291	\$7,148	\$ 242	\$3,230	\$ 963	\$7,962	\$18,891	\$38,727	100%

(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.