

**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): October 28, 2014**

**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))

**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 third quarter of 2014 and the availability of the Investor Supplement on the Company's website. The press release was issued on October 28, 2014. A copy of the press release is attached to this Form 8-K as Exhibit 99.1 and a copy of the Investor Supplement is attached as Exhibit 99.2 and are incorporated herein by reference.

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

**Section 9 - Financial Statements and Exhibits**

**Item 9.01 Financial Statements and Exhibits.**

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

<u>Exhibit No.</u>	<u>Description</u>
99.1	Earnings Release dated October 28, 2014, reporting American Financial Group Inc. results for the quarter ended September 30, 2014.
99.2	Investor Supplement – Third Quarter 2014

**SIGNATURES**

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

**AMERICAN FINANCIAL GROUP, INC.**

Date: October 29, 2014

By: /s/ Karl J. Grafe

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Karl J. Grafe

Vice President

FOR IMMEDIATE RELEASE



Press Release

### American Financial Group, Inc. Announces Record Third Quarter Core Net Operating Earnings Per Share

- **Record third quarter core net operating earnings of \$1.40 per share; up 32% from the prior year period**
- **Net earnings of \$1.28 per share include A&E reserve strengthening and realized gains**
- **Adjusted book value per share of \$48.59; up 6% year-to-date**
- **Full year 2014 core net operating earnings guidance unchanged at \$4.50 - \$4.90 per share**

Cincinnati, Ohio – October 28, 2014 – American Financial Group, Inc. (NYSE/NASDAQ: AFG) today reported 2014 third quarter net earnings attributable to shareholders of \$116 million (\$1.28 per share) compared to \$83 million (\$0.92 per share) for the 2013 third quarter. AFG’s 2014 third quarter results include an after-tax charge of \$19 million (\$0.21 per share) to strengthen the Company’s asbestos and environmental (“A&E”) reserves and \$8 million (\$0.09 per share) in after-tax realized gains. Book value per share, excluding appropriated retained earnings and unrealized gains on fixed maturities, increased by \$0.64, or 1%, to \$48.59 per share during the third quarter of 2014. Including AFG’s quarterly dividend, total value creation measured as growth in book value plus dividends was \$3.35 per share, or 7%, for the first nine months of the year. Annualized return on equity was 11.1% and 8.6% for the third quarters of 2014 and 2013, respectively.

Core net operating earnings were \$127 million (\$1.40 per share) for the 2014 third quarter, compared to \$97 million (\$1.06 per share) in the 2013 third quarter. Higher underwriting profit and net investment income in our Specialty Property and Casualty (“P&C”) insurance operations and higher core operating earnings in our Annuity segment contributed to these results. Core net operating earnings for the third quarters of 2014 and 2013 generated annualized core returns on equity of 12.3% and 10.0%, respectively.

During the third quarter of 2014, AFG repurchased approximately 1.4 million shares of common stock for \$83 million (average price per share of \$57.37).

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 following table identifies such items and reconciles net earnings attributable to shareholders to core net operating earnings, a non-GAAP financial measure that AFG believes is a useful tool for investors and analysts in analyzing ongoing operating trends.

In millions, except per share amounts	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
<b>Components of net earnings attributable to shareholders:</b>				
<b>Core net operating earnings<sup>(a)</sup></b>	<b>\$ 127</b>	<b>\$ 97</b>	<b>\$ 317</b>	<b>\$ 268</b>
<b>Non-Core Items:</b>				
Realized gains	8	35	27	97
Special A&E charges <sup>(b)</sup>	(19)	(49)	(19)	(49)
ELNY guaranty fund assessments	—	—	—	(3)
<b>Net earnings attributable to shareholders</b>	<b>\$ 116</b>	<b>\$ 83</b>	<b>\$ 325</b>	<b>\$ 313</b>
<b>Components of Earnings per Share:</b>				
<b>Core net operating earnings<sup>(a)</sup></b>	<b>\$ 1.40</b>	<b>\$ 1.06</b>	<b>\$ 3.47</b>	<b>\$ 2.94</b>
<b>Non-Core Items:</b>				
Realized gains	0.09	0.40	0.30	1.08
Special A&E charges <sup>(b)</sup>	(0.21)	(0.54)	(0.21)	(0.54)
ELNY guaranty fund assessments	—	—	—	(0.04)
<b>Diluted Earnings Per Share</b>	<b>\$ 1.28</b>	<b>\$ 0.92</b>	<b>\$ 3.56</b>	<b>\$ 3.44</b>

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

S. Craig Lindner and Carl H. Lindner III, AFG's Co-Chief Executive Officers, issued this statement: "A 32% increase in third quarter core net operating earnings per share established new AFG records for the third quarter and nine month periods. We are pleased to see higher year-over-year core earnings in both our Specialty P&C Group and our Annuity Segment and strong growth in net written premiums in our Specialty P&C businesses.

"AFG had approximately \$920 million of excess capital (including parent company cash of approximately \$350 million) at September 30, 2014. Our strong financial position provides the flexibility to act on strategic business opportunities. We will continue to invest excess capital when we see potential for profitable organic growth and return value to our shareholders through opportunistic share repurchases and dividends.

"We continue to expect core net operating earnings in 2014 to be between \$4.50 and \$4.90 per share. We are pleased with our results through nine months, which reflect strong performance across most of our business units. Looking ahead to the fourth quarter of 2014, the midpoint of our earnings guidance assumes a break-even result in our crop insurance business. We are also mindful of the recent changes in interest rates and the impact on fair value accounting for fixed-indexed annuities ("FIAs") in our Annuity Segment. Our core earnings per share guidance excludes non-core items such as realized gains and losses, as well as other significant items, that may not be indicative of ongoing operations."

#### **Specialty Property and Casualty Insurance Operations**

The P&C specialty insurance operations generated an underwriting profit of \$70 million in the 2014 third quarter, compared to \$62 million in the third quarter of 2013. Losses from catastrophes were negligible in the 2014 and 2013 third quarters. Results for the 2014 third quarter include \$11 million (1.0 point) in favorable reserve development. By comparison, favorable reserve development in the third quarter of 2013 was \$13 million (1.4 points).

Gross and net written premiums were up 5% and 16%, respectively, for the third quarter of 2014, as compared to the same period in 2013. The 2014 results include premiums from Summit, AFG's specialty workers' compensation subsidiary, from the date of acquisition on April 1, 2014. Excluding Summit premiums, gross written premiums declined by 3% year-over-year and net written premiums increased by 4%. Strong growth in our specialty casualty group was partially offset by premium declines in our property and transportation group that resulted from the timing of premium recognition in our agricultural

operations during the 2013 third quarter. Excluding Summit and crop premiums, gross and net written premiums grew by 14% and 12%, respectively, during the third quarter of 2014. 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 \$11 million in the third quarter of 2014, compared to an underwriting profit of \$16 million in the prior year period. This decrease is primarily attributable to lower profitability in our agricultural operations partially offset by higher profitability in our property and inland marine and transportation businesses. Catastrophe losses for this group were negligible in the third quarters of 2014 and 2013.

Gross and net written premiums for the third quarter of 2014 were 13% and 6% lower, respectively, than the comparable 2013 period. The decreases in gross and net written premiums were due primarily to lower 2014 commodity prices impacting our crop operations, coupled with the higher than average crop premiums reported in the third quarter of 2013 due to delayed acreage reporting from insureds as a result of excess moisture and late planting of corn and soybean crops. These decreases were partially offset by growth in our transportation businesses, primarily the result of rate increases. Excluding our crop insurance business, gross written premiums increased by 6% and net written premiums increased by 4%. Pricing in this group was up approximately 5% on average for the quarter, and includes a 9% increase in National Interstate's renewal rates.

The **Specialty Casualty Group** reported third quarter underwriting profit of \$32 million compared to an underwriting profit of \$19 million in the third quarter of 2013. This increase was due primarily to higher profitability in our workers' compensation and alternative markets businesses, offset by lower profitability in our general liability lines of business, primarily the result of adverse prior year reserve development. Most businesses in this group produced strong underwriting profit margins through the first nine months of 2014.

Gross and net written premiums were up 53% and 65%, respectively, for the third quarter of 2014 when compared to the same prior year period and include Summit's results since April 1, 2014. Excluding premiums from Summit, gross and net premiums each grew by 24%. While all businesses in this group reported growth, the successful renewal of a recently acquired block of public sector business, along with growth in our workers' compensation, excess and surplus lines and non-profit social services businesses were primary drivers of the higher premiums. New business opportunities and increased exposures on existing accounts have driven the growth in our workers' compensation businesses. Organic growth, coupled with the benefit from rate increases over multiple quarters have contributed to higher premiums in our excess and surplus businesses. Pricing in this group was up approximately 1% on average for the quarter.

The **Specialty Financial Group** reported an underwriting profit of \$21 million in the third quarter of 2014, compared to an underwriting profit of \$22 million in the third quarter of 2013. Nearly all of the businesses in this group achieved excellent underwriting margins during the third quarter of 2014.

Gross and net written premiums were both 2% lower in the 2014 third quarter when compared to the same 2013 period. Growth in gross written premiums was tempered by the October 2013 sale of a service contract business, which ceded all of its premiums under reinsurance contracts. Renewal pricing in this group was down approximately 2% for the third quarter.

Carl Lindner III stated: "Underwriting results across most of our 30 specialty P&C businesses were strong during the third quarter. I am especially pleased with the performance of our specialty casualty group; we have successfully grown nearly all of these businesses either organically or through acquisition. In addition, results in our specialty financial group continue to be excellent. We were successful in achieving pricing increases in nearly all of the businesses in our property and transportation group during the third quarter and continue to focus on pricing across our entire P&C group.

“Based on premium growth across our P&C book of business during the first nine months of 2014, we now expect net written premium growth for the full year of 2014 to be between 18% and 21%. This guidance reflects the inclusion of nine months of Summit premiums. Overall renewal pricing was up about 2% during the quarter.”

### **Annuity Segment**

AFG’s annuity operations contributed \$86 million in pretax core earnings in the third quarter of 2014 compared to \$78 million in the third quarter of 2013, an increase of \$8 million or 10%. AFG’s 2014 earnings continue to benefit from growth in annuity assets. AFG’s quarterly average annuity investments have grown 16% year-over-year. The impact of this growth was partially offset by the runoff of higher yielding investments.

Interest rate and stock market fluctuations have an impact on the accounting for FIAs; these accounting adjustments are recognized through AFG’s core earnings. While these fluctuations had a minor impact on operating earnings in the third quarters of both 2014 and 2013, they had a much bigger impact in the year-to-date results of each year. See the accompanying schedules for additional information about spreads for AFG’s fixed annuity operations.

The annuity operations reported quarterly statutory premiums of \$809 million in the third quarter of 2014, a 31% decrease from the comparable prior year period. The Company’s disciplined approach to product pricing in a declining interest rate environment along with increased levels of competition resulted in lower premiums across all single premium product lines during the 2014 third quarter. In contrast, a rising interest rate environment in 2013 resulted in record annuity premium production in the 2013 third quarter. Statutory premiums of \$2.7 billion for the first nine months of 2014 were up 3% from the comparable 2013 period.

Craig Lindner stated, “I am pleased with our strong core annuity earnings in the third quarter and first nine months of this year. Looking ahead, we believe that the decrease in interest rates in October is likely to put downward pressure on core annuity earnings in the fourth quarter due to fair value accounting for FIAs. As a result, we expect that the full year 2014 core pretax annuity operating earnings will be \$315 to \$325 million, compared to the \$328 million reported for the full year of 2013. This estimate does not reflect any positive or negative impact from our annual fourth quarter review (“unlocking”) of the Company’s major actuarial assumptions in its fixed annuity business. Significant changes in interest rates and/or the stock market from today’s level could lead to additional positive or negative impacts on the Annuity segment’s results.

“We remain committed to our disciplined product pricing strategy, which means that our focus is on growing our business when we can achieve desired long-term returns. The decreasing interest rate environment in 2014 has slowed the pace of our annuity sales, especially when compared to the record level of sales we achieved in the second half of 2013. As a result, based on information currently available, we now expect that premiums for the full year of 2014 will be approximately \$3.6 billion, which would be the second highest level of annuity sales in AFG’s history.”

### **Run-off Long-Term Care and Life Segment**

AFG’s run-off long-term care and life segment reported pretax core operating earnings of \$1 million in the third quarter of 2014, compared to a loss of \$4 million in the comparable prior year period. This business incurred a core pretax operating loss of \$3 million for the first nine months of 2014. In the fourth quarter, AFG will complete its periodic review (“loss recognition testing”) of the major actuarial assumptions for its run-off long-term care business. While AFG had a loss recognition margin of \$64 million in its long-term care operations as of December 31, 2013, further continuation of the recent low interest rate environment, including the drop in interest rates during October 2014, will reduce that margin. In addition,

with the assistance of an external actuarial consulting firm, AFG is analyzing other assumptions that could have an impact on its loss recognition margin, including projected long-term care claims and persistency. In the event that the updated loss recognition testing assumptions result in a cumulative adverse impact in excess of \$64 million, AFG would record a loss recognition charge equal to that excess amount.

### **A&E Reserves**

During the third quarter of 2014, AFG completed an internal review of its asbestos and environmental exposures relating to the run-off operations of its P&C group and its exposures related to former railroad and manufacturing operations and sites. The review was undertaken with the aid of a specialty consultant and outside counsel. This year's review resulted in a non-core after-tax special charge of \$19 million (\$30 million pretax) to increase AFG's A&E reserves.

The P&C group's asbestos reserves were increased by \$4 million (net of reinsurance) and its environmental reserves were increased by \$20 million (net of reinsurance). At September 30, 2014, the P&C group's insurance reserves include A&E reserves of \$300 million, net of reinsurance recoverables. At September 30, 2014, AFG's three year survival ratios, excluding amounts associated with the settlements of two large asbestos claims, were 14.4x paid losses for asbestos reserves, 6.1x paid losses for environmental reserves and 9.9x paid losses for the total A&E reserves. These ratios compare favorably with industry statutory data published by SNL Financial LC, which indicate that industry A&E survival ratios were 10.5x paid losses for asbestos reserves, 6.1x paid losses for environmental reserves, and 9.2x paid losses for total A&E reserves at December 31, 2013.

As the overall industry exposure to asbestos has matured, the focus of litigation has shifted to smaller companies and companies with ancillary exposures. AFG's insureds with these exposures have been the driver of our P&C asbestos reserve increases in recent years. The increase in P&C environmental reserves was attributed primarily to AFG's increased defense costs and a number of claims where the estimated costs of remediation have increased. There were no new or emerging broad industry trends that were identified in this review.

In addition, the review encompassed reserves for asbestos and environmental exposures of our former railroad and manufacturing operations. As a result of the review, AFG increased its reserve for environmental exposures by \$6 million due primarily to slightly higher estimated operation and maintenance costs at sites where remediation is underway, coupled with higher estimated cleanup costs at a limited number of sites.

### **Investments**

AFG recorded third quarter 2014 net realized gains on securities of \$8 million after tax and after deferred acquisition costs (DAC), compared to \$35 million in the comparable prior year period. Unrealized gains on fixed maturities were \$602 million, after tax, after DAC at September 30, 2014, an increase of \$161 million since year-end. Our portfolio continues to be high quality, with 86% of our fixed maturity portfolio rated investment grade and 97% with a National Association of Insurance Commissioners' designation of NAIC 1 or 2, its highest two categories.

Third quarter 2014 P&C net investment income was approximately 17% higher than the comparable 2013 period, reflecting the investment of cash received in connection with the Summit acquisition.

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



## **About American Financial Group, Inc.**

American Financial Group is an insurance holding company, based in Cincinnati, Ohio with assets of approximately \$45 billion. Through the operations of Great American Insurance Group, AFG is engaged primarily in property and casualty insurance, focusing on specialized commercial products for businesses, and in the sale of fixed and fixed-indexed annuities in the retail, financial institutions and education markets. Great American Insurance Group's roots go back to 1872 with the founding of its flagship company, Great American Insurance Company.

## **Forward Looking Statements**

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

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

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

## **Conference Call**

The Company will hold a conference call to discuss 2014 third quarter results at 11:30 a.m. (ET) tomorrow, Wednesday, October 29, 2014. Toll-free telephone access will be available by dialing 1-877-459-8719 (international dial-in 424-276-6843). The conference ID for the live call is 11632336. Please dial in five to ten minutes prior to the scheduled start time of the call.

A replay will be available two hours following the completion of the call and will remain available until 11:59 p.m. (ET) on November 5, 2014. To listen to the replay, dial 1-855-859-2056 (international dial-in 404-537-3406) and provide the conference ID 11632336.

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

The archived webcast will be available immediately after the call via the same link on the Investor Relations page until November 5, 2014 at 11:59 p.m. (ET). An archived audio MP3 file will be available within 24 hours of the call.

Contact:

Diane P. Weidner  
Asst. Vice President – Investor Relations  
(513) 369-5713

Websites:

[www.AFGinc.com](http://www.AFGinc.com)  
[www.GreatAmericanInsuranceGroup.com](http://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](http://www.AFGinc.com).

AFG14-21

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

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
<b>Revenues</b>				
P&C insurance net earned premiums	\$1,132	\$ 949	\$2,817	\$2,345
Life, accident & health net earned premiums	27	29	82	87
Net investment income	377	338	1,117	996
Realized gains	13	56	44	154
Income (loss) of managed investment entities:				
Investment income	29	32	84	98
Gain (loss) on change in fair value of assets/liabilities	(25)	15	(35)	(21)
Other income	28	24	75	71
Total revenues	<u>1,581</u>	<u>1,443</u>	<u>4,184</u>	<u>3,730</u>
<b>Costs and expenses</b>				
P&C insurance losses & expenses	1,086	941	2,684	2,275
Annuity, life, accident & health benefits & expenses	240	222	732	642
Interest charges on borrowed money	18	18	53	54
Expenses of managed investment entities	19	22	60	68
Other expenses	73	98	219	248
Total costs and expenses	<u>1,436</u>	<u>1,301</u>	<u>3,748</u>	<u>3,287</u>
Earnings before income taxes	145	142	436	443
Provision for income taxes <sup>(c)</sup>	54	44	155	155
Net earnings including noncontrolling interests	91	98	281	288
Less: Net earnings (loss) attributable to noncontrolling interests	(25)	15	(44)	(25)
Net earnings attributable to shareholders	<u>\$ 116</u>	<u>\$ 83</u>	<u>\$ 325</u>	<u>\$ 313</u>
Diluted Earnings per Common Share	<u>\$ 1.28</u>	<u>\$ 0.92</u>	<u>\$ 3.56</u>	<u>\$ 3.44</u>
Average number of diluted shares	90.9	91.0	91.4	91.2
<b>Selected Balance Sheet Data:</b>				
		September 30, 2014	December 31, 2013	
Total cash and investments		\$ 35,151	\$ 31,313	
Long-term debt		\$ 1,062	\$ 913	
Shareholders' equity <sup>(d)</sup>		\$ 4,904	\$ 4,599	
Shareholders' equity (excluding appropriated retained earnings and unrealized gains/losses on fixed maturities) <sup>(d)</sup>		\$ 4,300	\$ 4,109	
Book Value Per Share:				
Excluding appropriated retained earnings		\$ 55.39	\$ 50.83	
Excluding appropriated retained earnings and unrealized gains/losses on fixed maturities		\$ 48.59	\$ 45.90	
Common Shares Outstanding			88.5	89.5

Footnotes (c) and (d) are contained in the accompanying Notes to Financial Schedules at the end of this release.

**AMERICAN FINANCIAL GROUP, INC.**  
**SPECIALTY P&C OPERATIONS**  
(Dollars in Millions)

	Three months ended Sept 30,		Pct. Change	Nine months ended Sept 30,		Pct. Change																																																																															
	2014	2013		2014	2013																																																																																
<b>Gross written premiums</b>	<u>\$1,859</u>	<u>\$1,768</u>	5%	<u>\$4,174</u>	<u>\$3,734</u>	12%																																																																															
<b>Net written premiums</b>	<u>\$1,242</u>	<u>\$1,067</u>	16%	<u>\$2,995</u>	<u>\$2,520</u>	19%																																																																															
<b>Ratios (GAAP):</b>																																																																																					
Loss & LAE ratio	67.1%	66.1%		63.6%	61.5%																																																																																
Underwriting expense ratio	<u>26.7%</u>	<u>27.4%</u>		<u>30.8%</u>	<u>32.9%</u>																																																																																
Specialty Combined Ratio	<u>93.8%</u>	<u>93.5%</u>		<u>94.4%</u>	<u>94.4%</u>																																																																																
<b>Combined Ratio (Including A&amp;E)</b>	<u>96.0%</u>	<u>99.1%</u>		<u>95.2%</u>	<u>97.0%</u>																																																																																
<b>Supplemental Information:(e)</b>																																																																																					
<b>Gross Written Premiums:</b>																																																																																					
Property & Transportation	\$ 995	\$1,147	(13%)	\$1,860	\$1,945	(4%)																																																																															
Specialty Casualty	707	461	53%	1,869	1,331	40%																																																																															
Specialty Financial	<u>157</u>	<u>160</u>	(2%)	<u>445</u>	<u>458</u>	(3%)																																																																															
	<u>\$1,859</u>	<u>\$1,768</u>	5%	<u>\$4,174</u>	<u>\$3,734</u>	12%																																																																															
<b>Net Written Premiums:</b>																																																																																					
Property & Transportation	\$ 556	\$ 594	(6%)	\$1,193	\$1,198	—																																																																															
Specialty Casualty	536	325	65%	1,366	903	51%																																																																															
Specialty Financial	121	124	(2%)	357	354	1%																																																																															
Other	<u>29</u>	<u>24</u>	21%	<u>79</u>	<u>65</u>	22%																																																																															
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<b>Combined Ratio (GAAP):</b>																																																																																					
Property & Transportation	97.8%	97.1%		100.1%	100.4%																																																																																
Specialty Casualty	93.3%	93.4%		92.1%	91.5%																																																																																
Specialty Financial	81.6%	82.3%		86.7%	85.8%																																																																																
Aggregate Specialty Group	93.8%	93.5%		94.4%	94.4%																																																																																
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Footnote (e) is contained in the accompanying Notes to Financial Schedules at the end of this release.

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

**Components of Statutory Premiums**

	Three months ended		Pct. Change	Nine months ended		Pct. Change
	Sept 30,			Sept 30,		
	2014	2013		2014	2013	
<b>Annuity Premiums:</b>						
Retail Single Premium	\$ 357	\$ 557	(36%)	\$1,210	\$1,426	(15%)
Financial Institutions						
Single Premium	395	550	(28%)	1,334	1,031	29%
Education Market - 403(b)	46	49	(6%)	145	156	(7%)
Variable Annuities	11	11	—	36	39	(8%)
Total Annuity Premiums	<u>\$ 809</u>	<u>\$ 1,167</u>	(31%)	<u>\$2,725</u>	<u>\$2,652</u>	3%

**Components of Core Operating Earnings Before Income Taxes**

	Three months ended		Pct. Change	Nine months ended		Pct. Change
	Sept 30,			Sept 30,		
	2014	2013		2014	2013	
<b>Revenues:</b>						
Net investment income	\$ 287	\$ 259	11%	\$851	\$764	11%
Other income	20	17	18%	57	46	24%
Total revenues	307	276	11%	908	810	12%
<b>Costs and Expenses:</b>						
Annuity benefits	157	140	12%	491	394	25%
Acquisition expenses	41	35	17%	109	114	(4%)
Other expenses	23	23	—	65	66	(2%)
Total costs and expenses	221	198	12%	665	574	16%
Core operating earnings before income taxes	<u>\$ 86</u>	<u>\$ 78</u>	10%	<u>\$243</u>	<u>\$236</u>	3%

**Supplemental Fixed Annuity Information**

	Three months ended		Pct. Change	Nine months ended		Pct. Change
	Sept 30,			Sept 30,		
	2014	2013		2014	2013	
Core Operating Earnings Before impact of fair value accounting on FIAs	\$ 87	\$ 78	12%	\$ 269	\$ 227	19%
Impact of Fair Value Accounting	(1)	—	na	(26)	9	na
Core operating earnings before income taxes	<u>\$ 86</u>	<u>\$ 78</u>	10%	<u>\$ 243</u>	<u>\$ 236</u>	3%
Average Fixed Annuity Reserves*	\$22,475	\$19,035	18%	\$21,790	\$18,231	20%
Net Interest Spread*	2.77%	2.89%		2.83%	2.97%	
Net Spread Earned Before Impact of Fair Value Accounting*	1.50%	1.50%		1.57%	1.51%	
Net Spread Earned After Impact of Fair Value Accounting*	1.48%	1.50%		1.41%	1.58%	

\* 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		Nine months ended	
	2014	2013	2014	2013
<b>Core Operating Earnings before Income Taxes:</b>				
P&C insurance segment	\$ 130	\$ 113	\$ 335	\$ 291
Annuity segment	86	78	243	236
Run-off long-term care and life segment	1	(4)	(3)	(7)
Interest & other corporate expense	(30)	(39)	(108)	(123)
Core operating earnings before income taxes	187	148	467	397
Related income taxes	60	51	150	129
Core net operating earnings	<u>\$ 127</u>	<u>\$ 97</u>	<u>\$ 317</u>	<u>\$ 268</u>

b) Reflects the following effects of special A&E charges during the third quarter and first nine months of 2014 and 2013 (dollars in millions, except per share amounts):

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

c) Earnings before income taxes include \$29 million and \$47 million in non-deductible losses attributable to noncontrolling interests related to managed investment entities in the third quarter and first nine months of 2014, respectively, and \$12 million of non-taxable income and \$30 million in non-deductible losses in the third quarter and first nine months of 2013, respectively.

d) Shareholders' Equity at September 30, 2014 includes \$602 million (\$6.80 per share) in unrealized after-tax gains on fixed maturities and \$2 million (\$0.02 per share) of retained earnings appropriated to managed investment entities. Shareholders' Equity at December 31, 2013 includes \$441 million (\$4.93 per share) in unrealized after-tax gains on fixed maturities and \$49 million (\$0.55 per share) of retained earnings appropriated to managed investment entities. The appropriated retained earnings will ultimately inure to the benefit of the debt holders of the investment entities managed by AFG.

e) Supplemental Notes:

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



**American Financial Group, Inc.**

**Investor Supplement - Third Quarter 2014**

**October 28, 2014**

American Financial Group, Inc.

**Corporate Headquarters**

Great American Insurance Group Tower

301 E Fourth Street

Cincinnati, OH 45202

513 579 6739



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	Three Months Ended					Nine Months Ended	
	09/30/14	06/30/14	03/31/14	12/31/13	09/30/13	09/30/14	09/30/13
<b>Highlights</b>							
Core net operating earnings	\$ 127	\$ 99	\$ 91	\$ 117	\$ 97	\$ 317	\$ 268
Net earnings	116	106	103	158	83	325	313
Total assets	46,552	45,355	42,770	42,087	40,947	46,552	40,947
Adjusted shareholders' equity (a)	4,300	4,298	4,191	4,109	4,048	4,300	4,048
Property and Casualty net written premiums	1,242	998	755	821	1,067	2,995	2,520
Annuity statutory premiums	809	949	967	1,381	1,167	2,725	2,652
<b>Per share data</b>							
Core net operating earnings per share	\$ 1.40	\$ 1.07	\$ 1.00	\$ 1.28	\$ 1.06	\$ 3.47	\$ 2.94
Diluted earnings per share	1.28	1.15	1.13	1.73	0.92	3.56	3.44
Adjusted book value per share (a)	48.59	47.95	46.79	45.90	45.36	48.59	45.36
Cash dividends per common share	0.220	0.220	0.220	1.220	0.195	0.660	0.585
<b>Financial ratios</b>							
Annualized core operating return on equity (b)	12.3%	9.6%	9.1%	11.8%	10.0%	10.3%	9.4%
Annualized return on equity (b)	11.1%	10.3%	10.3%	16.0%	8.6%	10.6%	11.0%
Property and Casualty combined ratio - Specialty:							
Loss & LAE ratio	67.1%	64.6%	56.9%	62.4%	66.1%	63.6%	61.5%
Underwriting expense ratio	26.7%	32.3%	35.3%	28.9%	27.4%	30.8%	32.9%
Combined ratio - Specialty	93.8%	96.9%	92.2%	91.3%	93.5%	94.4%	94.4%
Net spread on fixed annuities:							
Net interest spread	2.77%	2.92%	2.81%	2.86%	2.89%	2.83%	2.97%
Net spread earned:							
Before impact of fair value accounting	1.50%	1.64%	1.58%	1.55%	1.50%	1.57%	1.51%
Impact of fair value accounting (c)	(0.02%)	(0.18%)	(0.28%)	0.12%	0.00%	(0.16%)	0.07%
After impact of fair value accounting	1.48%	1.46%	1.30%	1.67%	1.50%	1.41%	1.58%

(a) Excludes appropriated retained earnings and unrealized gains related to fixed maturity investments.

(b) Excludes appropriated retained earnings and accumulated other comprehensive income.

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

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



	Three Months Ended				Nine Months Ended		
	09/30/14	06/30/14	03/31/14	12/31/13	09/30/13	09/30/13	
<b>Property and Casualty Insurance</b>							
Underwriting profit	\$ 70	\$ 29	\$ 58	\$ 75	\$ 62	\$ 157	\$ 124
Net investment income	76	76	67	67	65	219	196
Other expense	(16)	(8)	(17)	(11)	(14)	(41)	(29)
<b>Property and Casualty Insurance operating earnings</b>	<b>130</b>	<b>97</b>	<b>108</b>	<b>131</b>	<b>113</b>	<b>335</b>	<b>291</b>
Annuity earnings	86	84	73	92	78	243	236
Run-off Long-Term Care and Life losses	1	(2)	(2)	(3)	(4)	(3)	(7)
Interest expense of parent holding companies	(17)	(16)	(17)	(17)	(17)	(50)	(51)
Other expense	(13)	(21)	(24)	(28)	(22)	(58)	(72)
<b>Pre-tax core operating earnings</b>	<b>187</b>	<b>142</b>	<b>138</b>	<b>175</b>	<b>148</b>	<b>467</b>	<b>397</b>
Income tax expense	60	43	47	58	51	150	129
<b>Core net operating earnings</b>	<b>127</b>	<b>99</b>	<b>91</b>	<b>117</b>	<b>97</b>	<b>317</b>	<b>268</b>
<b>Non-core items, net of tax:</b>							
Realized gains	8	7	12	41	35	27	97
Significant A&E charges:							
Property and Casualty Insurance run-off operations	(15)	—	—	—	(35)	(15)	(35)
Former Railroad and Manufacturing operations	(4)	—	—	—	(14)	(4)	(14)
ELNY guaranty fund assessments charge (a)	—	—	—	—	—	—	(3)
<b>Net earnings</b>	<b>\$ 116</b>	<b>\$ 106</b>	<b>\$ 103</b>	<b>\$ 158</b>	<b>\$ 83</b>	<b>\$ 325</b>	<b>\$ 313</b>

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

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



	Three Months Ended					Nine Months Ended	
	09/30/14	06/30/14	03/31/14	12/31/13	09/30/13	09/30/14	09/30/13
<b>Core net operating earnings</b>	<b>\$ 127</b>	<b>\$ 99</b>	<b>\$ 91</b>	<b>\$ 117</b>	<b>\$ 97</b>	<b>\$ 317</b>	<b>\$ 268</b>
<b>Net earnings</b>	<b>\$ 116</b>	<b>\$ 106</b>	<b>\$ 103</b>	<b>\$ 158</b>	<b>\$ 83</b>	<b>\$ 325</b>	<b>\$ 313</b>
Average number of diluted shares	90.873	91.593	91.621	91.438	91.014	91.360	91.176
<u>Diluted earnings per share:</u>							
<b>Core net operating earnings per share</b>	<b>\$ 1.40</b>	<b>\$ 1.07</b>	<b>\$ 1.00</b>	<b>\$ 1.28</b>	<b>\$ 1.06</b>	<b>\$ 3.47</b>	<b>\$ 2.94</b>
Realized gains	0.09	0.08	0.13	0.45	0.40	0.30	1.08
<u>Significant A&amp;E charges:</u>							
Property and Casualty Insurance run-off operations	(0.17)	—	—	—	(0.39)	(0.17)	(0.39)
Former Railroad and Manufacturing operations	(0.04)	—	—	—	(0.15)	(0.04)	(0.15)
ELNY guaranty fund assessments charge (a)	—	—	—	—	—	—	(0.04)
<b>Diluted earnings per share</b>	<b>\$ 1.28</b>	<b>\$ 1.15</b>	<b>\$ 1.13</b>	<b>\$ 1.73</b>	<b>\$ 0.92</b>	<b>\$ 3.56</b>	<b>\$ 3.44</b>

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

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



	Three Months Ended				Nine Months Ended		
	09/30/14	06/30/14	03/31/14	12/31/13	09/30/13	09/30/13	
Property and Transportation	\$ 11	\$ (18)	\$ 6	\$ 17	\$ 16	\$ (1)	\$ (5)
Specialty Casualty	32	30	38	32	19	100	70
Specialty Financial	21	15	10	17	22	46	50
Other Specialty	6	2	5	9	5	13	16
<b>Underwriting profit - Specialty</b>	<b>70</b>	<b>29</b>	<b>59</b>	<b>75</b>	<b>62</b>	<b>158</b>	<b>131</b>
Other charges, included in loss and LAE	—	—	1	—	—	1	7
<b>Underwriting profit - Core</b>	<b>70</b>	<b>29</b>	<b>58</b>	<b>75</b>	<b>62</b>	<b>157</b>	<b>124</b>
Special A&E charges, included in loss and LAE	(24)	—	—	—	(54)	(24)	(54)
<b>Underwriting profit - Property and Casualty Insurance</b>	<b>\$ 46</b>	<b>\$ 29</b>	<b>\$ 58</b>	<b>\$ 75</b>	<b>\$ 8</b>	<b>\$ 133</b>	<b>\$ 70</b>
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ (1)	\$ —	\$ —
Catastrophe loss	3	10	12	1	2	25	30
Total current accident year catastrophe losses	<u>\$ 3</u>	<u>\$ 10</u>	<u>\$ 12</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 25</u>	<u>\$ 30</u>
Prior year loss reserve development (favorable) / adverse	<u>\$ 13</u>	<u>\$ 14</u>	<u>\$ (31)</u>	<u>\$ (5)</u>	<u>\$ 40</u>	<u>\$ (4)</u>	<u>\$ (10)</u>
Combined ratio:							
Property and Transportation	97.8%	105.5%	98.1%	95.8%	97.1%	100.1%	100.4%
Specialty Casualty	93.3%	93.6%	87.8%	89.7%	93.4%	92.1%	91.5%
Specialty Financial	81.6%	87.6%	91.0%	85.2%	82.3%	86.7%	85.8%
Other Specialty	78.0%	89.0%	79.9%	60.4%	70.7%	82.1%	71.9%
<b>Combined ratio - Specialty</b>	<b>93.8%</b>	<b>96.9%</b>	<b>92.2%</b>	<b>91.3%</b>	<b>93.5%</b>	<b>94.4%</b>	<b>94.4%</b>
Other core charges	0.1%	0.0%	0.0%	0.1%	(0.1%)	0.0%	0.3%
Special A&E charges	2.1%	0.0%	0.0%	0.0%	5.7%	0.8%	2.3%
<b>Combined ratio</b>	<b><u>96.0%</u></b>	<b><u>96.9%</u></b>	<b><u>92.2%</u></b>	<b><u>91.4%</u></b>	<b><u>99.1%</u></b>	<b><u>95.2%</u></b>	<b><u>97.0%</u></b>
Combined ratio excl. catastrophe and prior year development	<u>94.5%</u>	<u>94.4%</u>	<u>94.8%</u>	<u>91.7%</u>	<u>94.8%</u>	<u>94.5%</u>	<u>96.2%</u>
Loss and LAE components - property and casualty insurance							
Current accident year, excluding catastrophe loss	67.8%	62.1%	59.4%	62.8%	67.4%	63.7%	63.3%
Prior accident year loss reserve development	1.2%	1.4%	(4.1%)	(0.4%)	4.2%	(0.2%)	(0.5%)
Current accident year catastrophe loss	0.3%	1.1%	1.6%	0.1%	0.1%	0.9%	1.3%
<b>Loss and LAE ratio</b>	<b><u>69.3%</u></b>	<b><u>64.6%</u></b>	<b><u>56.9%</u></b>	<b><u>62.5%</u></b>	<b><u>71.7%</u></b>	<b><u>64.4%</u></b>	<b><u>64.1%</u></b>

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



	Three Months Ended				Nine Months Ended		
	09/30/14	06/30/14	03/31/14	12/31/13	09/30/13	09/30/13	
Gross written premiums	\$ 1,859	\$ 1,291	\$ 1,024	\$ 1,071	\$ 1,768	\$ 4,174	\$ 3,734
Ceded reinsurance premiums	(617)	(293)	(269)	(250)	(701)	(1,179)	(1,214)
Net written premiums	1,242	998	755	821	1,067	2,995	2,520
Change in unearned premiums	(110)	(67)	(1)	38	(118)	(178)	(175)
Net earned premiums	1,132	931	754	859	949	2,817	2,345
Loss and LAE	760	602	428	537	626	1,790	1,442
Underwriting expense	302	300	267	247	261	869	772
<b>Underwriting profit</b>	<b>\$ 70</b>	<b>\$ 29</b>	<b>\$ 59</b>	<b>\$ 75</b>	<b>\$ 62</b>	<b>\$ 158</b>	<b>\$ 131</b>
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ (1)	\$ —	\$ —
Catastrophe loss	3	10	12	1	2	25	30
Total current accident year catastrophe losses	<u>\$ 3</u>	<u>\$ 10</u>	<u>\$ 12</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 25</u>	<u>\$ 30</u>
Prior year loss reserve development (favorable) / adverse	<u>\$ (11)</u>	<u>\$ 14</u>	<u>\$ (32)</u>	<u>\$ (5)</u>	<u>\$ (13)</u>	<u>\$ (29)</u>	<u>\$ (70)</u>
Combined ratio:							
Loss and LAE ratio	67.1%	64.6%	56.9%	62.4%	66.1%	63.6%	61.5%
Underwriting expense ratio	26.7%	32.3%	35.3%	28.9%	27.4%	30.8%	32.9%
<b>Combined ratio</b>	<u><b>93.8%</b></u>	<u><b>96.9%</b></u>	<u><b>92.2%</b></u>	<u><b>91.3%</b></u>	<u><b>93.5%</b></u>	<u><b>94.4%</b></u>	<u><b>94.4%</b></u>
Combined ratio excl. catastrophe and prior year development	<u>94.5%</u>	<u>94.4%</u>	<u>94.8%</u>	<u>91.7%</u>	<u>94.8%</u>	<u>94.5%</u>	<u>96.2%</u>
Loss and LAE components:							
Current accident year, excluding catastrophe loss	67.8%	62.1%	59.5%	62.8%	67.4%	63.7%	63.3%
Prior accident year loss reserve development	(1.0%)	1.4%	(4.2%)	(0.5%)	(1.4%)	(1.0%)	(3.1%)
Current accident year catastrophe loss	0.3%	1.1%	1.6%	0.1%	0.1%	0.9%	1.3%
<b>Loss and LAE ratio</b>	<u><b>67.1%</b></u>	<u><b>64.6%</b></u>	<u><b>56.9%</b></u>	<u><b>62.4%</b></u>	<u><b>66.1%</b></u>	<u><b>63.6%</b></u>	<u><b>61.5%</b></u>

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



	Three Months Ended				Nine Months Ended		
	09/30/14	06/30/14	03/31/14	12/31/13	09/30/13	09/30/13	
Gross written premiums	\$ 995	\$ 489	\$ 376	\$ 447	\$ 1,147	\$ 1,860	\$ 1,945
Ceded reinsurance premiums	(439)	(136)	(92)	(98)	(553)	(667)	(747)
Net written premiums	556	353	284	349	594	1,193	1,198
Change in unearned premiums	(52)	(29)	17	61	(77)	(64)	(87)
Net earned premiums	504	324	301	410	517	1,129	1,111
Loss and LAE	407	248	201	307	407	856	835
Underwriting expense	86	94	94	86	94	274	281
<b>Underwriting profit (loss)</b>	<b>\$ 11</b>	<b>\$ (18)</b>	<b>\$ 6</b>	<b>\$ 17</b>	<b>\$ 16</b>	<b>\$ (1)</b>	<b>\$ (5)</b>
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ (1)	\$ —	\$ —
Catastrophe loss	1	8	9	—	—	18	27
Total current accident year catastrophe losses	\$ 1	\$ 8	\$ 9	\$ —	\$ (1)	\$ 18	\$ 27
Prior year loss reserve development (favorable) / adverse	\$ (5)	\$ 22	\$ (4)	\$ 3	\$ (1)	\$ 13	\$ (4)
Combined ratio:							
Loss and LAE ratio	80.7%	76.4%	67.0%	74.9%	78.8%	75.8%	75.1%
Underwriting expense ratio	17.1%	29.1%	31.1%	20.9%	18.3%	24.3%	25.3%
<b>Combined ratio</b>	<b>97.8%</b>	<b>105.5%</b>	<b>98.1%</b>	<b>95.8%</b>	<b>97.1%</b>	<b>100.1%</b>	<b>100.4%</b>
Combined ratio excl. catastrophe and prior year development	98.5%	96.2%	96.4%	95.0%	97.4%	97.3%	98.4%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	81.4%	67.1%	65.3%	74.1%	79.1%	73.0%	73.1%
Prior accident year loss reserve development	(0.9%)	6.6%	(1.1%)	0.8%	(0.2%)	1.2%	(0.4%)
Current accident year catastrophe loss	0.2%	2.7%	2.8%	0.0%	(0.1%)	1.6%	2.4%
<b>Loss and LAE ratio</b>	<b>80.7%</b>	<b>76.4%</b>	<b>67.0%</b>	<b>74.9%</b>	<b>78.8%</b>	<b>75.8%</b>	<b>75.1%</b>

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



	Three Months Ended				Nine Months Ended		
	09/30/14	06/30/14	03/31/14	12/31/13	09/30/13	09/30/13	
Gross written premiums	\$ 707	\$ 655	\$ 507	\$ 459	\$ 461	\$1,869	\$1,331
Ceded reinsurance premiums	(171)	(156)	(176)	(138)	(136)	(503)	(428)
Net written premiums	536	499	331	321	325	1,366	903
Change in unearned premiums	(50)	(32)	(18)	(11)	(36)	(100)	(78)
Net earned premiums	486	467	313	310	289	1,266	825
Loss and LAE	310	300	172	183	174	782	470
Underwriting expense	144	137	103	95	96	384	285
<b>Underwriting profit</b>	<b>\$ 32</b>	<b>\$ 30</b>	<b>\$ 38</b>	<b>\$ 32</b>	<b>\$ 19</b>	<b>\$ 100</b>	<b>\$ 70</b>
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	1	1	1	—	1	3	1
Total current accident year catastrophe losses	\$ 1	\$ 1	\$ 1	\$ —	\$ 1	\$ 3	\$ 1
Prior year loss reserve development (favorable) / adverse	\$ 7	\$ (4)	\$ (24)	\$ 2	\$ (4)	\$ (21)	\$ (42)
Combined ratio:							
Loss and LAE ratio	63.7%	64.3%	55.0%	59.0%	60.3%	61.8%	57.1%
Underwriting expense ratio	29.6%	29.3%	32.8%	30.7%	33.1%	30.3%	34.4%
<b>Combined ratio</b>	<b>93.3%</b>	<b>93.6%</b>	<b>87.8%</b>	<b>89.7%</b>	<b>93.4%</b>	<b>92.1%</b>	<b>91.5%</b>
Combined ratio excl. catastrophe and prior year development	91.6%	94.3%	95.1%	89.2%	94.5%	93.5%	96.4%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	62.0%	65.0%	62.3%	58.5%	61.4%	63.2%	62.0%
Prior accident year loss reserve development	1.3%	(0.8%)	(7.7%)	0.5%	(1.2%)	(1.7%)	(5.0%)
Current accident year catastrophe loss	0.4%	0.1%	0.4%	0.0%	0.1%	0.3%	0.1%
<b>Loss and LAE ratio</b>	<b>63.7%</b>	<b>64.3%</b>	<b>55.0%</b>	<b>59.0%</b>	<b>60.3%</b>	<b>61.8%</b>	<b>57.1%</b>



	Three Months Ended				Nine Months Ended		
	09/30/14	06/30/14	03/31/14	12/31/13	09/30/13	09/30/13	
Gross written premiums	\$ 157	\$ 147	\$ 141	\$ 164	\$ 160	\$ 445	\$ 458
Ceded reinsurance premiums	(36)	(27)	(25)	(32)	(36)	(88)	(104)
Net written premiums	121	120	116	132	124	357	354
Change in unearned premiums	(6)	(4)	1	(13)	(3)	(9)	(4)
Net earned premiums	115	116	117	119	121	348	350
Loss and LAE	32	40	45	42	37	117	116
Underwriting expense	62	61	62	60	62	185	184
<b>Underwriting profit</b>	<b>\$ 21</b>	<b>\$ 15</b>	<b>\$ 10</b>	<b>\$ 17</b>	<b>\$ 22</b>	<b>\$ 46</b>	<b>\$ 50</b>
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	—	1	2	1	1	3	2
Total current accident year catastrophe losses	\$ —	\$ 1	\$ 2	\$ 1	\$ 1	\$ 3	\$ 2
Prior year loss reserve development (favorable) / adverse	\$ (10)	\$ (2)	\$ (1)	\$ (4)	\$ (4)	\$ (13)	\$ (10)
Combined ratio:							
Loss and LAE ratio	27.7%	35.3%	37.9%	34.2%	31.2%	33.6%	33.3%
Underwriting expense ratio	53.9%	52.3%	53.1%	51.0%	51.1%	53.1%	52.5%
<b>Combined ratio</b>	<b>81.6%</b>	<b>87.6%</b>	<b>91.0%</b>	<b>85.2%</b>	<b>82.3%</b>	<b>86.7%</b>	<b>85.8%</b>
Combined ratio excl. catastrophe and prior year development	90.3%	88.6%	90.2%	87.7%	84.8%	89.7%	88.1%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	36.4%	36.3%	37.1%	36.7%	33.7%	36.6%	35.6%
Prior accident year loss reserve development	(9.0%)	(1.8%)	(0.7%)	(3.2%)	(3.2%)	(3.9%)	(2.9%)
Current accident year catastrophe loss	0.3%	0.8%	1.5%	0.7%	0.7%	0.9%	0.6%
<b>Loss and LAE ratio</b>	<b>27.7%</b>	<b>35.3%</b>	<b>37.9%</b>	<b>34.2%</b>	<b>31.2%</b>	<b>33.6%</b>	<b>33.3%</b>

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



	Three Months Ended					Nine Months Ended	
	09/30/14	06/30/14	03/31/14	12/31/13	09/30/13	09/30/14	09/30/13
Gross written premiums	\$ —	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ —
Ceded reinsurance premiums	29	26	24	18	24	79	65
Net written premiums	29	26	24	19	24	79	65
Change in unearned premiums	(2)	(2)	(1)	1	(2)	(5)	(6)
Net earned premiums	27	24	23	20	22	74	59
Loss and LAE	11	14	10	5	8	35	21
Underwriting expense	10	8	8	6	9	26	22
<b>Underwriting profit</b>	<b>\$ 6</b>	<b>\$ 2</b>	<b>\$ 5</b>	<b>\$ 9</b>	<b>\$ 5</b>	<b>\$ 13</b>	<b>\$ 16</b>
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	1	—	—	—	—	1	—
Total current accident year catastrophe losses	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ 1	\$ —
Prior year loss reserve development (favorable) / adverse	\$ (3)	\$ (2)	\$ (3)	\$ (6)	\$ (4)	\$ (8)	\$ (14)
Combined ratio:							
Loss and LAE ratio	43.4%	53.2%	45.8%	28.3%	35.0%	47.3%	34.6%
Underwriting expense ratio	34.6%	35.8%	34.1%	32.1%	35.7%	34.8%	37.3%
<b>Combined ratio</b>	<b>78.0%</b>	<b>89.0%</b>	<b>79.9%</b>	<b>60.4%</b>	<b>70.7%</b>	<b>82.1%</b>	<b>71.9%</b>
Combined ratio excl. catastrophe and prior year development	85.6%	97.1%	91.4%	87.5%	90.1%	91.1%	95.8%

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



	Three Months Ended				Nine Months Ended		
	09/30/14	06/30/14	03/31/14	12/31/13	09/30/13	09/30/13	
Net investment income	\$ 287	\$ 289	\$ 275	\$ 270	\$ 259	\$ 851	\$ 764
Guaranteed withdrawal benefit fees	9	8	8	7	7	25	18
Policy charges and other miscellaneous income	11	11	10	14	10	32	28
Total revenues	307	308	293	291	276	908	810
Annuity benefits expense	157	166	168	137	140	491	394
Acquisition expenses	41	37	31	35	35	109	114
Other expenses	23	21	21	27	23	65	66
Total costs and expenses	221	224	220	199	198	665	574
<b>Core Annuity earnings before income taxes</b>	<b>86</b>	<b>84</b>	<b>73</b>	<b>92</b>	<b>78</b>	<b>243</b>	<b>236</b>
ELNY guaranty fund assessments charge before income tax (a)	—	—	—	—	—	—	(5)
<b>Annuity earnings before income taxes</b>	<b>\$ 86</b>	<b>\$ 84</b>	<b>\$ 73</b>	<b>\$ 92</b>	<b>\$ 78</b>	<b>\$ 243</b>	<b>\$ 231</b>
<b>Detail of core Annuity earnings before income taxes</b>							
Core earnings before income taxes and impact of fair value accounting	\$ 87	\$ 94	\$ 88	\$ 86	\$ 78	\$ 269	\$ 227
Impact of fair value accounting (b)	(1)	(10)	(15)	6	—	(26)	9
Core Annuity earnings before income taxes	<b>\$ 86</b>	<b>\$ 84</b>	<b>\$ 73</b>	<b>\$ 92</b>	<b>\$ 78</b>	<b>\$ 243</b>	<b>\$ 236</b>

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

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

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



	Three Months Ended					Nine Months Ended	
	09/30/14	06/30/14	03/31/14	12/31/13	09/30/13	09/30/14	09/30/13
<b>Detail of annuity benefits expense:</b>							
Interest credited - fixed	\$ 126	\$ 123	\$ 121	\$ 118	\$ 113	\$ 370	\$ 333
Interest credited - fixed component of variable annuities	2	2	1	1	2	5	5
Change in expected death and annuitization reserve	5	5	4	5	4	14	14
Amortization of sales inducements	7	6	7	7	8	20	23
Guaranteed withdrawal benefit reserve	12	10	8	10	10	30	28
Change in other benefit reserves	3	5	3	1	2	11	6
Unlockings	—	—	—	6	—	—	—
Subtotal before impact of fair value accounting	<u>155</u>	<u>151</u>	<u>144</u>	<u>148</u>	<u>139</u>	<u>450</u>	<u>409</u>
Embedded derivative mark-to-market	21	78	54	74	33	153	110
Equity option mark-to-market	(19)	(63)	(30)	(85)	(32)	(112)	(125)
Subtotal impact of fair value accounting	<u>2</u>	<u>15</u>	<u>24</u>	<u>(11)</u>	<u>1</u>	<u>41</u>	<u>(15)</u>
<b>Total annuity benefits expense</b>	<b><u>\$ 157</u></b>	<b><u>\$ 166</u></b>	<b><u>\$ 168</u></b>	<b><u>\$ 137</u></b>	<b><u>\$ 140</u></b>	<b><u>\$ 491</u></b>	<b><u>\$ 394</u></b>

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



	Three Months Ended					Nine Months Ended	
	09/30/14	06/30/14	03/31/14	12/31/13	09/30/13	09/30/14	09/30/13
Average fixed annuity investments (at amortized cost)	\$22,730	\$22,098	\$21,402	\$20,524	\$19,519	\$22,077	\$18,693
Average annuity benefits accumulated	22,475	21,829	21,066	20,092	19,035	21,790	18,231
Investments in excess of annuity benefits accumulated	\$ 255	\$ 269	\$ 336	\$ 432	\$ 484	\$ 287	\$ 462
<b>As % of average annuity benefits accumulated (except as noted)</b>							
Net investment income (as % of investments)	5.01%	5.18%	5.10%	5.21%	5.27%	5.09%	5.40%
Interest credited	(2.24%)	(2.26%)	(2.29%)	(2.35%)	(2.38%)	(2.26%)	(2.43%)
<b>Net interest spread on fixed annuities</b>	<b>2.77%</b>	<b>2.92%</b>	<b>2.81%</b>	<b>2.86%</b>	<b>2.89%</b>	<b>2.83%</b>	<b>2.97%</b>
Policy charges and other miscellaneous income	0.14%	0.14%	0.13%	0.22%	0.15%	0.13%	0.14%
Other annuity benefit expenses, net	(0.33%)	(0.33%)	(0.27%)	(0.31%)	(0.38%)	(0.30%)	(0.39%)
Acquisition expenses	(0.69%)	(0.64%)	(0.55%)	(0.75%)	(0.72%)	(0.63%)	(0.80%)
Other expenses	(0.37%)	(0.36%)	(0.37%)	(0.53%)	(0.44%)	(0.37%)	(0.45%)
Change in fair value of derivatives	(0.04%)	(0.27%)	(0.45%)	0.22%	0.00%	(0.25%)	0.11%
Unlockings	0.00%	0.00%	0.00%	(0.04%)	0.00%	0.00%	0.00%
<b>Net spread earned on fixed annuities - core</b>	<b>1.48%</b>	<b>1.46%</b>	<b>1.30%</b>	<b>1.67%</b>	<b>1.50%</b>	<b>1.41%</b>	<b>1.58%</b>
Average annuity benefits accumulated	\$22,475	\$21,829	\$21,066	\$20,092	\$19,035	\$21,790	\$18,231
Net spread earned on fixed annuities	1.48%	1.46%	1.30%	1.67%	1.50%	1.41%	1.58%
<b>Earnings on fixed annuity benefits accumulated</b>	<b>\$ 83</b>	<b>\$ 80</b>	<b>\$ 68</b>	<b>\$ 84</b>	<b>\$ 72</b>	<b>\$ 231</b>	<b>\$ 216</b>
Investments in excess of annuity benefits accumulated	\$ 255	\$ 269	\$ 336	\$ 432	\$ 484	\$ 287	\$ 462
Net investment income (as % of investments)	5.01%	5.18%	5.10%	5.21%	5.27%	5.09%	5.40%
<b>Earnings on investments in excess of annuity benefits accumulated</b>	<b>\$ 3</b>	<b>\$ 3</b>	<b>\$ 5</b>	<b>\$ 6</b>	<b>\$ 6</b>	<b>\$ 11</b>	<b>\$ 18</b>
<b>Variable annuity earnings</b>	<b>—</b>	<b>1</b>	<b>—</b>	<b>2</b>	<b>—</b>	<b>1</b>	<b>2</b>
<b>Earnings before income taxes - core</b>	<b>\$ 86</b>	<b>\$ 84</b>	<b>\$ 73</b>	<b>\$ 92</b>	<b>\$ 78</b>	<b>\$ 243</b>	<b>\$ 236</b>
<b>Detail of net spread earned on fixed annuities - core</b>							
Net spread earned core - before impact of fair value accounting	1.50%	1.64%	1.58%	1.55%	1.50%	1.57%	1.51%
Impact of fair value accounting (a)	(0.02%)	(0.18%)	(0.28%)	0.12%	0.00%	(0.16%)	0.07%
Net spread earned core - after impact of fair value accounting	<b>1.48%</b>	<b>1.46%</b>	<b>1.30%</b>	<b>1.67%</b>	<b>1.50%</b>	<b>1.41%</b>	<b>1.58%</b>

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

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



	Three Months Ended					Nine months ended	
	09/30/14	06/30/14	03/31/14	12/31/13	09/30/13	09/30/14	09/30/13
Retail single premium annuities - indexed	\$ 339	\$ 403	\$ 386	\$ 565	\$ 509	\$1,128	\$1,314
Retail single premium annuities - fixed	18	25	39	53	48	82	112
Financial institutions single premium annuities - indexed	333	364	366	498	352	1,063	604
Financial institutions single premium annuities - fixed	62	95	114	201	198	271	427
Education market - 403(b) fixed and indexed annuities	46	49	50	51	49	145	156
<b>Subtotal fixed annuity premiums</b>	<b>798</b>	<b>936</b>	<b>955</b>	<b>1,368</b>	<b>1,156</b>	<b>2,689</b>	<b>2,613</b>
Variable annuities	11	13	12	13	11	36	39
<b>Total annuity premiums</b>	<b>\$ 809</b>	<b>\$ 949</b>	<b>\$ 967</b>	<b>\$1,381</b>	<b>\$1,167</b>	<b>\$2,725</b>	<b>\$2,652</b>

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



	Three Months Ended					Nine Months Ended	
	09/30/14	06/30/14	03/31/14	12/31/13	09/30/13	09/30/14	09/30/13
Beginning fixed annuity reserves	\$22,205	\$21,453	\$20,679	\$19,505	\$18,564	\$20,679	\$17,274
Premiums	798	936	955	1,368	1,156	2,689	2,613
Federal Home Loan Bank advances	—	—	—	—	—	—	200
Surrenders, benefits and other withdrawals	(426)	(408)	(375)	(408)	(381)	(1,209)	(1,085)
Interest and other annuity benefit expenses:							
Interest credited	126	123	121	118	113	370	333
Embedded derivative mark-to-market	21	78	54	74	33	153	110
Change in other benefit reserves	21	23	19	18	20	63	60
Unlockings	—	—	—	4	—	—	—
<b>Ending fixed annuity reserves</b>	<b>\$22,745</b>	<b>\$22,205</b>	<b>\$21,453</b>	<b>\$20,679</b>	<b>\$19,505</b>	<b>\$22,745</b>	<b>\$19,505</b>
Reconciliation to annuity benefits accumulated:							
Ending fixed annuity reserves	\$22,745	\$22,205	\$21,453	\$20,679	\$19,505	\$22,745	\$19,505
Impact of unrealized investment gains on reserves	107	117	97	71	84	107	84
Fixed component of variable annuities	192	194	194	194	196	192	196
<b>Annuity benefits accumulated per balance sheet</b>	<b>\$23,044</b>	<b>\$22,516</b>	<b>\$21,744</b>	<b>\$20,944</b>	<b>\$19,785</b>	<b>\$23,044</b>	<b>\$19,785</b>
Annualized surrenders and other withdrawals as a % of beginning reserves	7.7%	7.6%	7.3%	8.4%	8.2%	7.8%	8.4%

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



	09/30/14	06/30/14	03/31/14	12/31/13	09/30/13	06/30/13
<b>Assets:</b>						
Total cash and investments	\$35,151	\$34,843	\$32,727	\$31,313	\$29,921	\$29,262
Recoverables from reinsurers	3,134	3,107	2,969	3,157	3,138	3,044
Prepaid reinsurance premiums	587	489	438	408	662	520
Agents' balances and premiums receivable	901	902	735	739	801	754
Deferred policy acquisition costs	858	806	890	975	867	818
Assets of managed investment entities	2,946	2,799	2,723	2,888	2,779	2,973
Other receivables	1,140	527	524	854	1,078	422
Variable annuity assets (separate accounts)	649	681	666	665	629	608
Other assets	985	1,001	913	903	887	828
Goodwill	201	200	185	185	185	185
<b>Total assets</b>	<b>\$46,552</b>	<b>\$45,355</b>	<b>\$42,770</b>	<b>\$42,087</b>	<b>\$40,947</b>	<b>\$39,414</b>
<b>Liabilities and Equity:</b>						
Unpaid losses and loss adjustment expenses	\$ 7,645	\$ 7,370	\$ 6,134	\$ 6,410	\$ 6,441	\$ 6,098
Unearned premiums	2,114	1,911	1,788	1,757	2,047	1,789
Annuity benefits accumulated	23,044	22,516	21,744	20,944	19,785	18,848
Life, accident and health reserves	2,098	2,082	2,039	2,008	2,011	2,017
Payable to reinsurers	673	445	400	508	601	367
Liabilities of managed investment entities	2,625	2,499	2,413	2,567	2,429	2,603
Long-term debt	1,062	912	913	913	913	949
Variable annuity liabilities (separate accounts)	649	681	666	665	629	608
Other liabilities	1,564	1,781	1,700	1,546	1,381	1,497
<b>Total liabilities</b>	<b>\$41,474</b>	<b>\$40,197</b>	<b>\$37,797</b>	<b>\$37,318</b>	<b>\$36,237</b>	<b>\$34,776</b>
<b>Shareholders' equity:</b>						
Common stock	\$ 88	\$ 90	\$ 90	\$ 90	\$ 89	\$ 89
Capital surplus	1,150	1,152	1,138	1,123	1,109	1,088
Appropriated retained earnings	2	31	49	49	45	33
Unappropriated retained earnings	2,946	2,913	2,842	2,777	2,729	2,664
Unrealized gains - fixed maturities	602	656	556	441	449	462
Unrealized gains - equities	124	149	129	121	119	138
Other comprehensive income, net of tax	(8)	(6)	(8)	(2)	2	(1)
<b>Total shareholders' equity</b>	<b>4,904</b>	<b>4,985</b>	<b>4,796</b>	<b>4,599</b>	<b>4,542</b>	<b>4,473</b>
<b>Noncontrolling interests</b>	<b>174</b>	<b>173</b>	<b>177</b>	<b>170</b>	<b>168</b>	<b>165</b>
<b>Total liabilities and equity</b>	<b>\$46,552</b>	<b>\$45,355</b>	<b>\$42,770</b>	<b>\$42,087</b>	<b>\$40,947</b>	<b>\$39,414</b>



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



	<u>09/30/14</u>	<u>06/30/14</u>	<u>03/31/14</u>	<u>12/31/13</u>	<u>09/30/13</u>	<u>06/30/13</u>
Shareholders' equity	\$ 4,904	\$ 4,985	\$ 4,796	\$ 4,599	\$ 4,542	\$ 4,473
Appropriated retained earnings	(2)	(31)	(49)	(49)	(45)	(33)
<b>Shareholders' equity, excluding appropriated retained earnings</b>	<b>4,902</b>	<b>4,954</b>	<b>4,747</b>	<b>4,550</b>	<b>4,497</b>	<b>4,440</b>
Unrealized (gains) on fixed maturities	(602)	(656)	(556)	(441)	(449)	(462)
<b>Adjusted shareholders' equity</b>	<b>4,300</b>	<b>4,298</b>	<b>4,191</b>	<b>4,109</b>	<b>4,048</b>	<b>3,978</b>
Goodwill	(201)	(200)	(185)	(185)	(185)	(185)
Intangibles	(63)	(66)	(27)	(22)	(26)	(29)
<b>Tangible adjusted shareholders' equity</b>	<b>\$ 4,036</b>	<b>\$ 4,032</b>	<b>\$ 3,979</b>	<b>\$ 3,902</b>	<b>\$ 3,837</b>	<b>\$ 3,764</b>
Common shares outstanding	88.491	89.618	89.589	89.513	89.224	88.821
<b>Book value per share:</b>						
<b>Excluding appropriated retained earnings (a)</b>	<b>\$ 55.39</b>	<b>\$ 55.27</b>	<b>\$ 52.99</b>	<b>\$ 50.83</b>	<b>\$ 50.40</b>	<b>\$ 49.98</b>
<b>Adjusted (b)</b>	<b>48.59</b>	<b>47.95</b>	<b>46.79</b>	<b>45.90</b>	<b>45.36</b>	<b>44.78</b>
<b>Tangible, adjusted (c)</b>	<b>45.61</b>	<b>44.99</b>	<b>44.42</b>	<b>43.59</b>	<b>43.00</b>	<b>42.38</b>
<b>Market capitalization</b>						
AFG's closing common share price	\$ 57.89	\$ 59.56	\$ 57.71	\$ 57.72	\$ 54.06	\$ 48.91
Market capitalization	\$ 5,123	\$ 5,338	\$ 5,170	\$ 5,167	\$ 4,823	\$ 4,344
Price / Adjusted book value ratio	1.19	1.24	1.23	1.26	1.19	1.09

(a) Excludes appropriated retained earnings.

(b) Excludes appropriated retained earnings and unrealized gains related to fixed maturity investments.

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

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



	<u>09/30/14</u>	<u>06/30/14</u>	<u>03/31/14</u>	<u>12/31/13</u>	<u>09/30/13</u>	<u>06/30/13</u>
AFG senior obligations	\$ 840	\$ 840	\$ 840	\$ 840	\$ 840	\$ 840
Borrowings drawn under credit facility	—	—	—	—	—	—
Obligations of subsidiaries - other	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>27</u>
<b>Debt excluding subordinated debt &amp; debt secured by real estate</b>	<b>\$ 852</b>	<b>\$ 852</b>	<b>\$ 852</b>	<b>\$ 852</b>	<b>\$ 852</b>	<b>\$ 867</b>
AFG subordinated debentures	150	—	—	—	—	—
Obligations of subsidiaries - secured by real estate	60	60	61	61	61	62
Payable to subsidiary trusts - subordinated	—	—	—	—	—	20
<b>Total Long-term debt</b>	<b>\$1,062</b>	<b>\$ 912</b>	<b>\$ 913</b>	<b>\$ 913</b>	<b>\$ 913</b>	<b>\$ 949</b>
Shareholders' equity	4,904	4,985	4,796	4,599	4,542	4,473
Noncontrolling interests	174	173	177	170	168	165
Less:						
Appropriated retained earnings	(2)	(31)	(49)	(49)	(45)	(33)
Unrealized gains related to fixed maturity investments	<u>(602)</u>	<u>(656)</u>	<u>(556)</u>	<u>(441)</u>	<u>(449)</u>	<u>(462)</u>
<b>Total adjusted capital</b>	<b>\$5,536</b>	<b>\$5,383</b>	<b>\$5,281</b>	<b>\$5,192</b>	<b>\$5,129</b>	<b>\$5,092</b>
Less:						
Obligations of subsidiaries - secured by real estate	<u>(60)</u>	<u>(60)</u>	<u>(61)</u>	<u>(61)</u>	<u>(61)</u>	<u>(62)</u>
<b>Total adjusted capital excluding obligations secured by real estate</b>	<b>\$5,476</b>	<b>\$5,323</b>	<b>\$5,220</b>	<b>\$5,131</b>	<b>\$5,068</b>	<b>\$5,030</b>
<b>Ratio of debt to total adjusted capital:</b>						
<b>Including subordinated debt &amp; debt secured by real estate</b>	<b>19.2%</b>	<b>16.9%</b>	<b>17.3%</b>	<b>17.6%</b>	<b>17.8%</b>	<b>18.6%</b>
<b>Excluding subordinated debt &amp; debt secured by real estate</b>	<b>15.6%</b>	<b>16.0%</b>	<b>16.3%</b>	<b>16.6%</b>	<b>16.8%</b>	<b>17.2%</b>



	<b>Three Months Ended</b>					<b>Nine months ended</b>	
	<u>09/30/14</u>	<u>06/30/14</u>	<u>03/31/14</u>	<u>12/31/13</u>	<u>09/30/13</u>	<u>09/30/14</u>	<u>09/30/13</u>
<b><u>Property and Casualty Insurance</u></b>							
Paid Losses (GAAP)	\$ 528	\$ 530	\$ 510	\$ 577	\$ 417	\$ 1,568	\$ 1,294
<b><u>Statutory Surplus</u></b>							
Property and Casualty Insurance		\$ 2,206	\$ 2,227	\$ 1,981	\$ 1,896	\$ 2,133	\$ 2,096
AFG's principal annuity subsidiaries (total adjusted capital)		\$ 1,818	\$ 1,751	\$ 1,688	\$ 1,661	\$ 1,590	\$ 1,517
<b><u>Allowable dividends without regulatory approval</u></b>							
Property and Casualty Insurance	\$ 335	\$ 335	\$ 335	\$ 335	\$ 335	\$ 237	\$ 237
Annuity and Run-off	275	275	275	275	275	158	158
<b>Total</b>	<b>\$ 610</b>	<b>\$ 610</b>	<b>\$ 610</b>	<b>\$ 610</b>	<b>\$ 610</b>	<b>\$ 395</b>	<b>\$ 395</b>

	Carrying Value					% of Investment Portfolio
	Property and Casualty Insurance	Annuity and Run-off	Other	Consolidate CLOs	Total AFG Consolidated	
<b>Total cash and investments:</b>						
Cash and cash equivalents	\$ 657	\$ 260	\$393	\$ —	\$ 1,310	4%
Fixed maturities - Available for sale	6,241	23,712	12	—	29,965	85%
Fixed maturities - Trading	214	128	—	—	342	1%
Equity securities	1,008	423	43	—	1,474	4%
Policy loans	—	230	—	—	230	1%
Mortgage loans	213	851	—	—	1,064	3%
Real estate and other investments	351	723	10	(318)	766	2%
<b>Total cash and investments</b>	<b>\$ 8,684</b>	<b>\$ 26,327</b>	<b>\$458</b>	<b>\$ (318)</b>	<b>\$ 35,151</b>	<b>100%</b>

	Property and Casualty Insurance	Annuity and Run-off	Other	Consolidate CLOs	Total AFG Consolidated
<b>Total quarterly net investment income:</b>					
Fixed maturities - Available for sale	\$ 59	\$ 280	\$—	\$ —	\$ 339
Fixed maturities - Trading	1	2	—	—	3
Equity securities	11	5	—	—	16
Equity in investees	1	1	—	—	2
Other investments	6	20	—	(6)	20
<b>Gross investment income</b>	<b>78</b>	<b>308</b>	<b>—</b>	<b>(6)</b>	<b>380</b>
Investment expenses	(2)	(1)	—	—	(3)
<b>Total net investment income</b>	<b>\$ 76</b>	<b>\$ 307</b>	<b>\$—</b>	<b>\$ (6)</b>	<b>\$ 377</b>

	Equity Securities		
	Cost	Fair Value	Unrealized Gain (Loss)
Annuity and Run-off	\$ 384	\$ 423	\$ 39
Property and Casualty Insurance	852	1,008	156
Other	43	43	—
<b>Total AFG consolidated</b>	<b>\$1,279</b>	<b>\$ 1,474</b>	<b>\$ 195</b>

	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Investment Portfolio
US Government and government agencies	\$ 392	\$ 397	\$ 5	1%	1%
States, municipalities and political subdivisions	6,132	6,399	267	21%	18%
Foreign government	334	343	9	1%	1%
Residential mortgage-backed securities	4,198	4,598	400	15%	13%
Commercial mortgage-backed securities	2,333	2,496	163	8%	7%
Asset-backed securities	3,604	3,621	17	12%	10%
Corporate bonds					
Manufacturing	2,303	2,431	128	8%	7%
Banks, lending and credit institutions	2,516	2,637	121	9%	8%
Gas and electric services	1,308	1,430	122	5%	4%
Insurance and insurance related	839	901	62	3%	3%
Other corporate	4,792	5,054	262	17%	14%
<b>Total AFG consolidated</b>	<b>\$ 28,751</b>	<b>\$ 30,307</b>	<b>\$ 1,556</b>	<b>100%</b>	<b>86%</b>
Annuity and Run-off	\$ 22,496	\$ 23,840	\$ 1,344	79%	68%
Property and Casualty Insurance	6,254	6,455	201	21%	18%
Other	1	12	11	0%	0%
<b>Total AFG consolidated</b>	<b>\$ 28,751</b>	<b>\$ 30,307</b>	<b>\$ 1,556</b>	<b>100%</b>	<b>86%</b>

**Annualized yield on available for sale fixed maturities:**

Excluding investment expense (a)	4.87%
Net of investment expense (a)	4.84%

**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.

	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>	<u>% of Fair Value</u>
<b>Annuity and Run-off:</b>				
US Government and government agencies	\$ 90	\$ 91	\$ 1	0%
States, municipalities and political subdivisions	3,574	3,747	173	17%
Foreign government	17	19	2	0%
Residential mortgage-backed securities	3,234	3,567	333	15%
Commercial mortgage-backed securities	2,088	2,241	153	9%
Asset-backed securities	2,638	2,656	18	11%
Corporate debt	10,855	11,519	664	48%
<b>Total Annuity and Run-off</b>	<b><u>\$ 22,496</u></b>	<b><u>\$ 23,840</u></b>	<b><u>\$ 1,344</u></b>	<b><u>100%</u></b>

**Annualized yield on available for sale fixed maturities:**

Excluding investment expense (a)	5.09%
Net of investment expense (a)	5.07%

**Approximate average life and duration:**

Approximate average life	7 years
Approximate duration	5 years

	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>	<u>% of Fair Value</u>
<b>Property and Casualty Insurance:</b>				
US Government and government agencies	\$ 302	\$ 306	\$ 4	5%
States, municipalities and political subdivisions	2,558	2,652	94	41%
Foreign government	317	324	7	5%
Residential mortgage-backed securities	963	1,019	56	16%
Commercial mortgage-backed securities	245	255	10	4%
Asset-backed securities	966	965	(1)	15%
Corporate debt	903	934	31	14%
<b>Property and Casualty Insurance</b>	<b><u>\$ 6,254</u></b>	<b><u>\$ 6,455</u></b>	<b><u>\$ 201</u></b>	<b><u>100%</u></b>

**Annualized yield on available for sale fixed maturities:**

Excluding investment expense (a)	4.05%
Net of investment expense (a)	3.95%
Tax equivalent, net of investment expense (b)	4.61%

**Approximate average life and duration:**

Approximate average life	4.5 years
Approximate duration	3.5 years

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

By Credit Rating	GAAP Data			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 6,542	\$ 6,766	\$ 224	22%
AA	5,857	6,081	224	20%
A	7,443	7,847	404	26%
BBB	5,153	5,480	327	18%
Subtotal - Investment grade	24,995	26,174	1,179	86%
BB	751	787	36	3%
B	460	477	17	2%
Other	2,545	2,869	324	9%
<b>Total</b>	<b>\$ 28,751</b>	<b>\$ 30,307</b>	<b>\$ 1,556</b>	<b>100%</b>

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

By NAIC Designation	Statutory Data				
	Carrying Value	% of Carrying Value	Amortized Cost	Fair Value	Unrealized Gain (Loss)
NAIC 1	\$22,332	79%	\$ 22,333	\$ 23,561	\$ 1,228
NAIC 2	5,236	18%	5,236	5,558	322
	27,568	97%	27,569	29,119	1,550
NAIC 3	540	2%	540	562	22
NAIC 4	220	1%	220	231	11
NAIC 5	33	0%	33	40	7
NAIC 6	56	0%	60	79	19
<b>Total</b>	<b>\$28,417</b>	<b>100%</b>	<b>\$ 28,422</b>	<b>\$ 30,031</b>	<b>\$ 1,609</b>

By Asset Type	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Investment Portfolio
<b>Residential</b>					
Agency	\$ 326	\$ 334	\$ 8	5%	1%
Prime (Non-Agency)	2,000	2,215	215	31%	6%
Alt-A	972	1,081	109	15%	3%
Subprime	900	968	68	14%	3%
Subtotal - Residential	4,198	4,598	400	65%	13%
Commercial	2,333	2,496	163	35%	7%
<b>Total AFG consolidated</b>	<b>\$ 6,531</b>	<b>\$ 7,094</b>	<b>\$ 563</b>	<b>100%</b>	<b>20%</b>
Annuity and Run-off	\$ 5,322	\$ 5,808	\$ 486	82%	16%
Property and Casualty Insurance	1,208	1,274	66	18%	4%
Other	1	12	11	0%	0%
<b>Total AFG consolidated</b>	<b>\$ 6,531</b>	<b>\$ 7,094</b>	<b>\$ 563</b>	<b>100%</b>	<b>20%</b>

- 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 84%; Alt-A 78%; Subprime 86%; CMBS 99%.
- The average FICO score of our residential MBS securities is - Prime 740; Alt-A 712; Subprime 639.
- 99.7% of our Commercial MBS portfolio is investment-grade rated (85% AAA) and the average subordination for this group assets is 39%.
- The approximate average life by collateral type is - Residential 5 years; Commercial 4 years.



<b>Annuity and Run-off: By Asset Type</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Unrealized Gain (Loss)</b>	<b>% of Fair Value</b>	<b>% of Investment Portfolio</b>
Residential					
Agency	\$ 133	\$ 139	\$ 6	2%	1%
Prime (Non-Agency)	1,772	1,959	187	34%	7%
Alt-A	724	812	88	14%	3%
Subprime	605	657	52	11%	2%
Subtotal - Residential	3,234	3,567	333	61%	13%
Commercial	2,088	2,241	153	39%	9%
<b>Total Annuity and Run-off</b>	<b>\$ 5,322</b>	<b>\$ 5,808</b>	<b>\$ 486</b>	<b>100%</b>	<b>22%</b>

<b>Property and Casualty Insurance: By Asset Type</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Unrealized Gain (Loss)</b>	<b>% of Fair Value</b>	<b>% of Investment Portfolio</b>
Residential					
Agency	\$ 193	\$ 195	\$ 2	15%	2%
Prime (Non-Agency)	227	244	17	19%	3%
Alt-A	248	269	21	21%	3%
Subprime	295	311	16	25%	4%
Subtotal - Residential	963	1,019	56	80%	12%
Commercial	245	255	10	20%	3%
<b>Total Property and Casualty Insurance</b>	<b>\$ 1,208</b>	<b>\$ 1,274</b>	<b>\$ 66</b>	<b>100%</b>	<b>15%</b>

By Credit Rating	GAAP data			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 2,840	\$ 3,004	\$ 164	42%
AA	345	363	18	5%
A	510	539	29	8%
BBB	228	248	20	3%
Subtotal - investment grade	3,923	4,154	231	58%
BB	337	350	13	5%
B	396	411	15	6%
Other	1,875	2,179	304	31%
<b>Total</b>	<b>\$ 6,531</b>	<b>\$ 7,094</b>	<b>\$ 563</b>	<b>100%</b>

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

By NAIC Designation	Statutory data				
	Carrying Value	% of Carrying Value	Amortized Cost	Fair Value	Unrealized Gain (Loss)
NAIC 1	\$ 6,140	95%	\$ 6,141	\$ 6,755	\$ 614
NAIC 2	122	2%	122	124	2
	6,262	97%	6,263	6,879	616
NAIC 3	44	1%	44	47	3
NAIC 4	106	2%	106	114	8
NAIC 5	4	0%	4	11	7
NAIC 6	25	0%	26	42	16
<b>Total</b>	<b>\$ 6,441</b>	<b>100%</b>	<b>\$ 6,443</b>	<b>\$ 7,093</b>	<b>\$ 650</b>