
**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): May 2, 2016

AMERICAN FINANCIAL GROUP, INC.

(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction
of incorporation)

1-13653
(Commission
File Number)

31-1544320
(IRS Employer
Identification No.)

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

45202
(Zip Code)

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

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

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

Item 2.02 Results Of Operations And Financial Condition.

Reference is made to the press release of American Financial Group, Inc. (the "Company") relating to the announcement of the Company's results of operations for the first quarter of 2016 and the availability of the Investor Supplement on the Company's website. The press release was issued on May 2, 2016. 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 May 2, 2016, reporting American Financial Group Inc. results for the quarterly period ended March 31, 2016.
99.2	Investor Supplement – First Quarter 2016

SIGNATURES

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

AMERICAN FINANCIAL GROUP, INC.

Date: May 3, 2016

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

FOR IMMEDIATE RELEASE



Press Release

American Financial Group, Inc. Announces First Quarter Results

- **Net earnings per share of \$1.14**
- **Core net operating earnings \$1.25 per share; matches 2015 first quarter record results**
- **First quarter annualized core operating ROE of 10.3%**
- **Full year 2016 core net operating earnings guidance maintained at \$5.35 - \$5.75 per share**

CINCINNATI – May 2, 2016 – American Financial Group, Inc. (NYSE: AFG) today reported 2016 first quarter net earnings attributable to shareholders of \$101 million (\$1.14 per share) compared to \$19 million (\$0.21 per share) for the 2015 first quarter. Net earnings for the quarter include \$10 million (\$0.11 per share) in after-tax net realized losses on securities, compared to \$12 million (\$0.14 per share) in after-tax net realized gains on securities in the prior year period. AFG’s 2015 first quarter results also included an after-tax loss of \$105 million (\$1.18 per share) related to the sale of its run-off long-term care insurance business. Book value per share, excluding unrealized gains on fixed maturities, increased by \$0.44 to \$49.77 per share during the quarter.

Core net operating earnings were \$111 million (\$1.25 per share) for the 2016 first quarter, compared to \$112 million (\$1.25 per share) in the 2015 first quarter. Higher underwriting profit and higher net investment income in our Specialty Property and Casualty (“P&C”) insurance operations were offset by lower operating earnings in our Annuity and Run-off Long-Term Care and Life segments. Core net operating earnings for the first quarters of 2016 and 2015 generated annualized returns on equity of 10.3% and 10.8%, respectively.

During the first quarter of 2016, AFG repurchased 1.1 million shares of common stock at an average price per share of \$67.78.

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	
	March 31,	
	2016	2015
Components of net earnings attributable to shareholders:		
Core net operating earnings(a)	\$ 111	\$ 112
Non-Core Items:		
Realized gains (losses) on securities	(10)	12
Loss on sale of subsidiaries	—	(105)
Net earnings attributable to shareholders	\$ 101	\$ 19
Components of Earnings Per Share:		
Core net operating earnings(a)	\$ 1.25	\$ 1.25
Non-Core Items:		
Realized gains (losses) on securities	(0.11)	0.14
Loss on sale of subsidiaries	—	(1.18)
Diluted Earnings Per Share	\$ 1.14	\$ 0.21

Footnote (a) is 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: "We are pleased to report first quarter core net operating earnings that are consistent with last year's first quarter record results. The diversity within our portfolio of specialty property and casualty insurance and annuity businesses helps us to deliver consistent, strong core operating earnings, and produce healthy growth across our portfolio of businesses.

"AFG had approximately \$900 million of excess capital (including parent company cash of approximately \$160 million) at March 31, 2016. 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. Share repurchases, particularly when executed at attractive valuations, are an important and effective component of our capital management strategy, as indicated by our buyback activity during the quarter. We will continue to make opportunistic share repurchases when it makes sense to do so and return capital to shareholders through dividends.

"Based on results for the first three months of the year, we continue to expect core net operating earnings in 2016 to be between \$5.35 and \$5.75 per share. Our core earnings per share guidance excludes non-core items such as realized gains and losses, as well as other significant items that may not be indicative of ongoing operations."

Specialty Property and Casualty Insurance Operations

The Specialty P&C insurance operations generated an underwriting profit of \$86 million in the 2016 first quarter, compared to \$60 million in the first quarter of 2015, an increase of 43%. Higher underwriting profit in our Property and Transportation Group was the driver of the improved year-over-year results.

The first quarter 2016 combined ratio of 91.3% represents a 2.3 point improvement over the prior year period. First quarter 2016 results include 2.7 points of favorable prior year reserve development, compared to 0.8 points of favorable development in the comparable prior year period. Catastrophe losses were 0.8 points in the first quarter of 2016, compared to 0.6 points in the prior year period. Overall renewal pricing was flat during the quarter.

Gross and net written premiums were up 4% and 6%, respectively, in the 2016 first quarter compared to the same quarter a year earlier, with growth reported in each of our Specialty P&C groups. Further details about AFG's specialty P&C operations may be found in the accompanying schedules.

The **Property and Transportation Group** reported an underwriting profit of \$32 million in the first quarter of 2016 compared to \$7 million in the first quarter of 2015, primarily the result of higher profitability in our crop insurance business. Underwriting profits in our transportation and inland marine businesses were also higher year-over-year. Although results in our transportation businesses improved in the first quarter of 2016, National Interstate's accident year profitability deteriorated by 2 points year-over-year. Catastrophe losses in this group were \$6 million in the first quarter of 2016, primarily as a result of winter storms in the month of February, compared to \$4 million in the 2015 first quarter.

First quarter 2016 gross and net written premiums in this group were 6% and 8% higher, respectively, than the comparable prior year period. Growth in gross and net written premiums is attributable to our transportation operations and new premium from our Singapore branch, which opened for business in June 2015. Overall renewal rates in this group increased 3% in the first quarter of 2016, including a 5% increase in National Interstate's renewal rates.

The **Specialty Casualty Group** reported an underwriting profit of \$29 million in the first quarter of 2016 compared to \$28 million in the comparable 2015 period. This increase reflects slightly higher profitability

in our excess and surplus lines, executive liability, workers' compensation and general liability businesses. These improved results were partially offset by continued restructuring within our Marketform operations.

Gross and net written premiums for the first quarter of 2016 were up 2% and 4%, respectively, compared to the same period in 2015. Higher premiums in our excess and surplus lines, targeted markets and executive liability businesses were partially offset by lower premiums in our workers' compensation and general liability businesses. Lower premiums in our general liability business were primarily the result of competitive market conditions, re-underwriting efforts within the Florida homebuilders market and the slowdown within the energy sector. Renewal pricing for this group decreased by 1% in the first quarter, including a decrease of approximately 4% in our workers' compensation businesses. Excluding workers' compensation, renewal pricing in this group increased approximately 1% on average for the quarter.

The **Specialty Financial Group** reported an underwriting profit of \$23 million in the first quarter of 2016, compared to \$22 million in the comparable 2015 period. The increase was driven primarily by higher underwriting profitability in our financial institutions business. All of the businesses in this group continued to achieve excellent underwriting margins.

First quarter 2016 gross and net written premiums were up 7% and 9%, respectively, when compared to the prior year period, primarily as a result of higher premiums in our financial institutions and surety businesses. Pricing in this group was flat for the quarter.

Carl Lindner III noted, "We are off to a very good start in 2016 with healthy growth within each of our Specialty P&C groups during the first quarter and an increase in total P&C operating income of 22% year-over-year."

Based on results during the first three months of the year, we continue to expect an overall 2016 calendar year combined ratio in the range of 92% to 94% and estimate net written premium growth to be between 2% and 6%."

Annuity Segment

As shown in the following table, AFG's Annuity Segment contributed \$53 million in core pretax operating earnings in the first quarter of 2016 compared to \$75 million in the first quarter of 2015; earnings before the impact of fair value accounting on fixed-indexed annuities (FIAs) were \$84 million in the first quarter of 2016 compared to \$92 million in the first quarter of 2015.

Components of Core Annuity Operating Earnings Before Income Taxes

In millions	Three months ended		Pct. Change
	2016	March 31, 2015	
Annuity earnings before fair value accounting for FIAs	\$ 84	\$ 92	(9%)
Impact of fair value accounting for FIAs	(31)	(17)	nm
Core Pretax Annuity Operating Earnings	\$ 53	\$ 75	(29%)

Annuity Earnings Before Fair Value Accounting for FIAs – AFG's first quarter 2016 earnings continued to benefit from growth in annuity assets. AFG's quarterly average annuity investments and reserves grew approximately 14% and 13% year-over-year, respectively; however, the benefit of this growth was more than offset by the runoff of higher yielding investments and the negative impact of certain investments required to be marked to market through earnings.

Impact of Fair Value Accounting for FIAs – Variances from expectations of certain items (such as projected interest rates, option costs and surrenders), as well as changes in the stock market, have an impact on the accounting for FIAs; these accounting adjustments are recognized through AFG’s reported core earnings. Many of these adjustments are not economic in nature, but rather impact the timing of reported results. In the first quarter of 2015, a relatively large decrease (15-30 basis points) in interest rates contributed to the \$17 million unfavorable impact on earnings. In the first quarter of 2016, a more significant decrease (40-45 basis points) in interest rates resulted in an even more unfavorable impact on earnings of \$31 million. These impacts are included within the “Impact of fair value accounting for FIAs” amounts shown in the table above.

Annuity Premiums – AFG’s Annuity Segment reported statutory premiums of \$1.3 billion in the first quarter of 2016, compared to \$813 million in the first quarter of 2015, an increase of 58% due primarily to growth in FIA sales in both the Retail and Financial Institutions channels. Management believes AFG’s growth in traditional fixed and FIA sales is consistent with overall growth in the annuity industry, as sales of these annuities have increased while sales of variable annuities have decreased. In addition, AFG’s increase reflects new products, additional staffing, and increased market share within existing financial institutions and national marketing organizations. Furthermore, AFG has reduced the crediting rates on its new annuity sales several times in 2016 due to the decline in interest rates; these reductions, once announced, often lead to a short-term spike in sales in advance of the effective date of the rate decreases.

Craig Lindner stated, “Although the reported earnings are down significantly, it is important to note that we believe the majority of the decrease from last year’s reported earnings is accounting driven and non-economic in nature. Our fundamentals remain very strong, and opportunistic investing in the first quarter enabled us to achieve attractive returns on our near-record level of annuity sales in the first quarter of 2016. Furthermore, net interest spread earned in the first quarter of 2016 was slightly higher than the spread earned in the fourth quarter of 2015, and our balance sheet spread at the end of the first quarter exceeded our plan by several basis points. As a result, our 2016 earnings guidance remains unchanged. If interest rates continue to remain low for an extended period of time, AFG has the ability to reduce the average crediting rate on approximately \$20 billion of traditional fixed and FIA annuities without riders by approximately 75 basis points (on a weighted average basis).

“Finally, even though premiums were extremely strong in the first quarter of 2016, we are not increasing our original guidance of a projected 4% to 8% increase in sales in 2016 as compared to 2015. As previously mentioned, we have made several decreases to crediting rates on new business, and expect those decreases to result in a drop in sales, some of which we have already seen in April. Our strategy continues to include a commitment to disciplined product pricing, as well as consumer-friendly product design and careful expense management.”

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

Department of Labor Rule – On April 6, the Department of Labor (DOL) issued the final version of its fiduciary rule that will impose additional requirements on the sale of certain annuities to retirement accounts, including IRAs. Unlike the draft rule released in April 2015, the final rule made the more stringent fiduciary requirements applicable to the sale of fixed-indexed annuities to these retirement accounts. It is expected that all carriers will experience some impact when the rule takes effect in 2017, including additional compliance costs and temporary sales disruption during a transition period. We are studying the rule and having extensive discussions with our distribution partners to determine appropriate changes to our business model. These changes are likely to include new products and compensation arrangements. Based on our analysis to date, we do not believe the implementation of the final DOL rule will have a material impact on the Company’s results of operations.

Investments

AFG recorded first quarter 2016 net realized losses on securities of \$10 million after tax and after deferred acquisition costs (DAC), compared to net realized gains of \$12 million in the comparable 2015 period. Unrealized gains on fixed maturities were \$426 million after tax and after DAC at March 31, 2016, an increase of \$148 million since year end. Our portfolio continues to be high quality, with 88% of our fixed maturity portfolio rated investment grade and 97% with a National Association of Insurance Commissioners' designation of NAIC 1 or 2, its highest two categories.

For the three months ended March 31, 2016, P&C net investment income was approximately 5% higher than the comparable 2015 period.

In April 2016, AFG sold an apartment property in Pittsburgh that was owned and managed by a subsidiary of Great American Insurance Company. AFG expects to recognize a non-core after-tax gain on the sale of approximately \$15 million in the second quarter of 2016.

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 \$50 billion. Through the operations of Great American Insurance Group, AFG is engaged primarily in property and casualty insurance, focusing on specialized commercial products for businesses, and in the sale of fixed and fixed-indexed annuities in the retail, financial institutions and education markets. Great American Insurance Group's roots go back to 1872 with the founding of its flagship company, Great American Insurance Company.

Forward Looking Statements

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

Actual results and/or financial condition could differ materially from those contained in or implied by such forward-looking statements for a variety of reasons including but not limited to: changes in financial, political and economic conditions, including changes in interest and inflation rates, currency fluctuations and extended economic recessions or expansions in the U.S. and/or abroad; performance of securities markets; 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; availability of reinsurance and ability of reinsurers to pay their obligations; trends in persistency, mortality and morbidity; competitive pressures; the ability to obtain adequate rates and policy terms; changes in AFG's credit ratings or the financial strength ratings assigned by major ratings agencies to our operating subsidiaries; and other factors identified in our filings with the Securities and Exchange Commission.

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

Conference Call

The Company will hold a conference call to discuss 2016 first quarter results at 11:30 a.m. (ET) tomorrow, Tuesday, May 3, 2016. 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 77295288. 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 May 10, 2016. To listen to the replay, dial 1-855-859-2056 (international dial-in 404-537-3406) and provide the conference ID 77295288.

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

The archived webcast will be available immediately after the call via the same link on the **Investor Relations** page until May 10, 2016 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
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.

AFG16-08

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

	Three months ended	
	2016	2015
Revenues		
P&C insurance net earned premiums	\$ 998	\$ 946
Life, accident & health net earned premiums	6	25
Net investment income	411	388
Realized gains (losses) on:		
Securities	(18)	19
Subsidiaries	—	(162)
Income (loss) of managed investment entities:		
Investment income	45	34
Loss on change in fair value of assets/liabilities	(13)	(3)
Other income	46	50
Total revenues	<u>1,475</u>	<u>1,297</u>
Costs and expenses		
P&C insurance losses & expenses	915	889
Annuity, life, accident & health benefits & expenses	272	257
Interest charges on borrowed money	18	20
Expenses of managed investment entities	35	24
Other expenses	79	77
Total costs and expenses	<u>1,319</u>	<u>1,267</u>
Earnings before income taxes	156	30
Provision for income taxes ^(b)	52	5
Net earnings including noncontrolling interests	104	25
Less: Net earnings attributable to noncontrolling interests	3	6
Net earnings attributable to shareholders	<u>\$ 101</u>	<u>\$ 19</u>
Diluted Earnings per Common Share	<u>\$ 1.14</u>	<u>\$ 0.21</u>
Average number of diluted shares	88.5	89.4
	March 31,	December 31,
	2016	2015
Selected Balance Sheet Data:		
Total cash and investments	\$39,437	\$ 37,736
Long-term debt ^(c)	\$ 998	\$ 998
Shareholders' equity ^(d)	\$ 4,755	\$ 4,592
Shareholders' equity (excluding unrealized gains/losses on fixed maturities) ^(d)	\$ 4,329	\$ 4,314
Book Value Per Share	\$ 54.67	\$ 52.50
Book Value Per Share (excluding unrealized gains/losses on fixed maturities)	\$ 49.77	\$ 49.33
Common Shares Outstanding	87.0	87.5

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

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

	Three months ended March 31,		Pct. Change
	2016	2015	
Gross written premiums	<u>\$1,243</u>	<u>\$1,196</u>	4%
Net written premiums	<u>\$ 979</u>	<u>\$ 926</u>	6%
Ratios (GAAP):			
Loss & LAE ratio	58.3%	60.8%	
Underwriting expense ratio	<u>33.0%</u>	<u>32.8%</u>	
Specialty Combined Ratio	<u>91.3%</u>	<u>93.6%</u>	
Supplemental Information:(e)			
Gross Written Premiums:			
Property & Transportation	\$ 398	\$ 376	6%
Specialty Casualty	698	683	2%
Specialty Financial	147	137	7%
	<u>\$1,243</u>	<u>\$1,196</u>	4%
Net Written Premiums:			
Property & Transportation	\$ 311	\$ 288	8%
Specialty Casualty	519	501	4%
Specialty Financial	125	115	9%
Other	24	22	9%
	<u>\$ 979</u>	<u>\$ 926</u>	6%
Combined Ratio (GAAP):			
Property & Transportation	90.6%	97.7%	
Specialty Casualty	94.3%	94.2%	
Specialty Financial	82.6%	81.7%	
Aggregate Specialty Group	91.3%	93.6%	
	Three months ended March 31,		
	2016	2015	
Reserve Development (Favorable)/Adverse:			
Property & Transportation	\$ (17)	\$ 3	
Specialty Casualty	(4)	—	
Specialty Financial	(4)	(9)	
Other	(2)	(1)	
	<u>\$ (27)</u>	<u>\$ (7)</u>	
Points on Combined Ratio:			
Property & Transportation	(5.2)	1.1	
Specialty Casualty	(0.7)	—	
Specialty Financial	(3.3)	(7.3)	
Aggregate Specialty Group	(2.7)	(0.8)	

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

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

Components of Statutory Premiums

	Three months ended March 31,		Pct. Change
	2016	2015	
Annuity Premiums:			
Financial Institutions Single Premium	\$ 653	\$ 394	66%
Retail Single Premium	566	361	57%
Education Market	57	47	21%
Variable Annuities	9	11	(18%)
Total Annuity Premiums	<u>\$ 1,285</u>	<u>\$ 813</u>	58%

Components of Core Operating Earnings Before Income Taxes

	Three months ended March 31,		Pct. Change
	2016	2015	
Revenues:			
Net investment income	\$ 315	\$ 292	8%
Other income	26	27	(4%)
Total revenues	341	319	7%
Costs and Expenses:			
Annuity benefits	228	184	24%
Acquisition expenses	34	37	(8%)
Other expenses	26	23	13%
Total costs and expenses	<u>288</u>	<u>244</u>	18%
Core operating earnings before income taxes	<u>\$ 53</u>	<u>\$ 75</u>	(29%)

Supplemental Fixed Annuity Information

	Three months ended March 31,		Pct. Change
	2016	2015	
Core operating earnings before impact of fair value accounting on FIAs	\$ 84	\$ 92	(9%)
Impact of fair value accounting	<u>(31)</u>	<u>(17)</u>	nm
Core operating earnings before income taxes	<u>\$ 53</u>	<u>\$ 75</u>	(29%)
Average Fixed Annuity Reserves*	\$26,935	\$23,752	13%
Net Interest Spread	2.54%	2.67%	
Net Spread Earned before impact of fair value accounting*	1.20%	1.49%	
Net Spread Earned after impact of fair value accounting	0.74%	1.21%	

* 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 March 31,	
	2016	2015
<u>Core Operating Earnings before Income Taxes:</u>		
P&C insurance segment	\$ 158	\$ 129
Annuity segment, before impact of fair value accounting	84	92
Impact of fair value accounting	(31)	(17)
Run-off long-term care and life segment	(1)	4
Interest & other corporate expense	(40)	(41)
Core operating earnings before income taxes	170	167
Related income taxes	59	55
Core net operating earnings	<u>\$ 111</u>	<u>\$ 112</u>

- b) Excluding the impact of the loss on the sale of the long term care business that was recorded in the first quarter of 2015, AFG's effective tax rate for the three months ended March 31, 2015 was 32%.
- c) December 2015 and prior periods have been adjusted for adoption of FASB Accounting Standard Update 2015-03, which impacted the presentation of debt issue costs and long-term debt. The impact of this adjustment was to reduce the carrying value of long-term debt on AFG's balance sheet by \$22 million at December 31, 2015, from amounts originally reported. Adjustments to the income statement were less than \$1 million for the three months ended March 31, 2015.
- d) Shareholders' Equity at March 31, 2016 includes \$426 million (\$4.90 per share) in unrealized after-tax gains on fixed maturities. Shareholder's Equity at December 31, 2015 includes \$278 million (\$3.17 per share) in unrealized after-tax gains on fixed maturities.
- e) Supplemental Notes:
- **Property & Transportation** includes primarily physical damage and liability coverage for buses, trucks and recreational vehicles, inland and ocean marine, agricultural-related products and other property coverages.
 - **Specialty Casualty** includes primarily excess and surplus, general liability, executive liability, professional liability, umbrella and excess liability, specialty coverages in targeted markets, customized programs for small to mid-sized businesses and workers' compensation insurance.
 - **Specialty Financial** includes risk management insurance programs for leasing and financing institutions (including collateral and lender-placed mortgage property insurance), surety and fidelity products and trade credit insurance.
 - **Other** includes an internal reinsurance facility.



American Financial Group, Inc.

Investor Supplement - First Quarter 2016

May 2, 2016

American Financial Group, Inc.

Corporate Headquarters

Great American Insurance Group Tower

301 E Fourth Street

Cincinnati, OH 45202

513 579 6739

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American Financial Group, Inc.
Financial Highlights
(in millions, except per share information)



	Three Months Ended					Twelve Months Ended	
	03/31/16	12/31/15	09/30/15	06/30/15	03/31/15	12/31/15	12/31/14
Highlights							
Core net operating earnings	\$ 111	\$ 136	\$ 123	\$ 115	\$ 112	\$ 486	\$ 439
Net earnings	101	129	63	141	19	352	452
Total assets	51,038	49,837	50,540	49,403	48,285	49,837	47,513
Adjusted shareholders' equity (a)	4,329	4,314	4,279	4,345	4,267	4,314	4,277
Property and Casualty net written premiums	979	1,056	1,319	1,026	926	4,327	4,020
Annuity statutory premiums	1,285	1,107	1,321	899	813	4,140	3,696
Per share data							
Core net operating earnings per share	\$ 1.25	\$ 1.52	\$ 1.38	\$ 1.28	\$ 1.25	\$ 5.44	\$ 4.82
Diluted earnings per share	1.14	1.45	0.71	1.57	0.21	3.94	4.97
Adjusted book value per share (a)	49.77	49.33	49.01	49.63	48.55	49.33	48.76
Cash dividends per common share	0.280	1.280	0.250	0.250	0.250	2.030	1.910
Financial ratios							
Annualized core operating return on equity (b)	10.3%	12.7%	11.6%	10.9%	10.8%	11.5%	10.7%
Annualized return on equity (b)	9.4%	12.1%	5.9%	13.4%	1.8%	8.3%	11.0%
Property and Casualty combined ratio - Specialty:							
Loss & LAE ratio	58.3%	61.8%	64.5%	61.0%	60.8%	62.2%	63.7%
Underwriting expense ratio	33.0%	29.2%	28.4%	33.9%	32.8%	30.9%	30.2%
Combined ratio - Specialty	<u>91.3%</u>	<u>91.0%</u>	<u>92.9%</u>	<u>94.9%</u>	<u>93.6%</u>	<u>93.1%</u>	<u>93.9%</u>
Net spread on fixed annuities:							
Net interest spread	2.54%	2.53%	2.80%	2.77%	2.67%	2.69%	2.78%
Net spread earned:							
Before impact of fair value accounting	1.20%	1.31%	1.37%	1.21%	1.49%	1.35%	1.56%
Impact of fair value accounting (c)	(0.46%)	0.08%	(0.35%)	0.18%	(0.28%)	(0.09%)	(0.15%)
After impact of fair value accounting	<u>0.74%</u>	<u>1.39%</u>	<u>1.02%</u>	<u>1.39%</u>	<u>1.21%</u>	<u>1.26%</u>	<u>1.41%</u>

- (a) Excludes appropriated retained earnings and unrealized gains related to fixed maturity investments.
(b) Excludes appropriated retained earnings and accumulated other comprehensive income.
(c) Change in fair value of derivatives offset by the estimated related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs.

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



	Three Months Ended				Twelve Months Ended		
	03/31/16	12/31/15	09/30/15	06/30/15	03/31/15	12/31/15	12/31/14
Property and Casualty Insurance							
Underwriting profit	\$ 87	\$ 100	\$ 82	\$ 50	\$ 60	\$ 292	\$ 236
Net investment income	83	74	83	83	79	319	294
Other expense	(12)	(11)	(12)	(12)	(10)	(45)	(54)
Property and Casualty Insurance operating earnings	158	163	153	121	129	566	476
Annuity earnings	53	101	67	88	75	331	328
Run-off Long-Term Care and Life (losses)/earnings	(1)	—	6	4	4	14	(10)
Interest expense of parent holding companies (a)	(18)	(16)	(18)	(20)	(19)	(73)	(70)
Other expense (a)	(22)	(29)	(19)	(19)	(22)	(89)	(73)
Pre-tax core operating earnings	170	219	189	174	167	749	651
Income tax expense	59	83	66	59	55	263	212
Core net operating earnings	111	136	123	115	112	486	439
Non-core items, net of tax:							
Loss on sale of long-term care business	—	(3)	—	—	(105)	(108)	—
Gain on sale of hotel and apartment property	—	10	—	26	—	36	—
Other realized gains (losses)	(10)	(14)	(6)	—	12	(8)	32
Significant A&E charges:							
Property and Casualty Insurance run-off operations	—	—	(44)	—	—	(44)	(15)
Former Railroad and Manufacturing operations	—	—	(8)	—	—	(8)	(4)
Other	—	—	(2)	—	—	(2)	—
Net earnings	\$ 101	\$ 129	\$ 63	\$ 141	\$ 19	\$ 352	\$ 452

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

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



	Three Months Ended					Twelve Months Ended	
	03/31/16	12/31/15	09/30/15	06/30/15	03/31/15	12/31/15	12/31/14
Core net operating earnings	\$ 111	\$ 136	\$ 123	\$ 115	\$ 112	\$ 486	\$ 439
Net earnings	\$ 101	\$ 129	\$ 63	\$ 141	\$ 19	\$ 352	\$ 452
Average number of diluted shares	88.488	89.228	89.343	89.503	89.377	89.362	90.960
Diluted earnings per share:							
Core net operating earnings per share	\$ 1.25	\$ 1.52	\$ 1.38	\$ 1.28	\$ 1.25	\$ 5.44	\$ 4.82
Loss on sale of long-term care business	—	(0.03)	—	—	(1.18)	(1.21)	—
Gain on sale of hotel and apartment property	—	0.11	—	0.29	—	0.40	—
Other realized gains (losses)	(0.11)	(0.15)	(0.06)	—	0.14	(0.08)	0.36
Significant A&E charges:							
Property and Casualty Insurance run-off operations	—	—	(0.49)	—	—	(0.49)	(0.17)
Former Railroad and Manufacturing operations	—	—	(0.09)	—	—	(0.09)	(0.04)
Other	—	—	(0.03)	—	—	(0.03)	—
Diluted earnings per share	\$ 1.14	\$ 1.45	\$ 0.71	\$ 1.57	\$ 0.21	\$ 3.94	\$ 4.97

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



	Three Months Ended				Twelve Months Ended		
	03/31/16	12/31/15	09/30/15	06/30/15	03/31/15	12/31/15	12/31/14
Property and Transportation	\$ 32	\$ 34	\$ 20	\$ (13)	\$ 7	\$ 48	\$ 21
Specialty Casualty	29	50	31	37	28	146	136
Specialty Financial	23	15	26	24	22	87	64
Other Specialty	2	1	7	3	3	14	16
Underwriting profit - Specialty	86	100	84	51	60	295	237
Other core charges, included in loss and LAE	(1)	—	2	1	—	3	1
Underwriting profit - Core	87	100	82	50	60	292	236
Special A&E charges, included in loss and LAE	—	—	(67)	—	—	(67)	(24)
Underwriting profit - Property and Casualty Insurance	\$ 87	\$ 100	\$ 15	\$ 50	\$ 60	\$ 225	\$ 212
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	8	9	10	10	6	35	28
Total current accident year catastrophe losses	\$ 8	\$ 9	\$ 10	\$ 10	\$ 6	\$ 35	\$ 28
Prior year loss reserve development (favorable) / adverse	\$ (28)	\$ (5)	\$ 55	\$ (10)	\$ (7)	\$ 33	\$ 6
Combined ratio:							
Property and Transportation	90.6%	92.4%	96.2%	104.0%	97.7%	96.9%	98.7%
Specialty Casualty	94.3%	90.2%	93.8%	92.7%	94.2%	92.7%	92.3%
Specialty Financial	82.6%	88.7%	80.6%	81.0%	81.7%	83.1%	86.5%
Other Specialty	89.7%	97.1%	67.3%	88.0%	89.3%	85.5%	83.4%
Combined ratio - Specialty	91.3%	91.0%	92.9%	94.9%	93.6%	93.1%	93.9%
Other core charges	(0.1%)	0.0%	0.1%	0.0%	0.1%	0.0%	0.0%
Special A&E charges	0.0%	0.0%	5.7%	0.0%	0.0%	1.6%	0.6%
Combined ratio	91.2%	91.0%	98.7%	94.9%	93.7%	94.7%	94.5%
Combined ratio excl. catastrophe and prior year development	93.2%	90.6%	93.2%	95.0%	93.8%	93.1%	93.7%
Loss and LAE components - property and casualty insurance							
Current accident year, excluding catastrophe loss	60.2%	61.4%	64.8%	61.1%	61.0%	62.2%	63.5%
Prior accident year loss reserve development	(2.8%)	(0.4%)	4.6%	(1.1%)	(0.7%)	0.8%	0.1%
Current accident year catastrophe loss	0.8%	0.8%	0.9%	1.0%	0.6%	0.8%	0.7%
Loss and LAE ratio	58.2%	61.8%	70.3%	61.0%	60.9%	63.8%	64.3%

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



	Three Months Ended					Twelve Months Ended	
	03/31/16	12/31/15	09/30/15	06/30/15	03/31/15	12/31/15	12/31/14
Gross written premiums	\$ 1,243	\$ 1,356	\$ 1,962	\$ 1,318	\$ 1,196	\$ 5,832	\$ 5,477
Ceded reinsurance premiums	(264)	(300)	(643)	(292)	(270)	(1,505)	(1,457)
Net written premiums	979	1,056	1,319	1,026	926	4,327	4,020
Change in unearned premiums	19	64	(146)	(41)	20	(103)	(142)
Net earned premiums	998	1,120	1,173	985	946	4,224	3,878
Loss and LAE	582	693	756	600	576	2,625	2,469
Underwriting expense	330	327	333	334	310	1,304	1,172
Underwriting profit	\$ 86	\$ 100	\$ 84	\$ 51	\$ 60	\$ 295	\$ 237
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	8	9	10	10	6	35	28
Total current accident year catastrophe losses	\$ 8	\$ 9	\$ 10	\$ 10	\$ 6	\$ 35	\$ 28
Prior year loss reserve development (favorable) / adverse	\$ (27)	\$ (5)	\$ (14)	\$ (11)	\$ (7)	\$ (37)	\$ (19)
Combined ratio:							
Loss and LAE ratio	58.3%	61.8%	64.5%	61.0%	60.8%	62.2%	63.7%
Underwriting expense ratio	33.0%	29.2%	28.4%	33.9%	32.8%	30.9%	30.2%
Combined ratio	91.3%	91.0%	92.9%	94.9%	93.6%	93.1%	93.9%
Combined ratio excl. catastrophe and prior year development	93.2%	90.6%	93.2%	95.0%	93.8%	93.1%	93.7%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	60.2%	61.4%	64.8%	61.1%	61.0%	62.2%	63.5%
Prior accident year loss reserve development	(2.7%)	(0.4%)	(1.2%)	(1.1%)	(0.8%)	(0.8%)	(0.5%)
Current accident year catastrophe loss	0.8%	0.8%	0.9%	1.0%	0.6%	0.8%	0.7%
Loss and LAE ratio	58.3%	61.8%	64.5%	61.0%	60.8%	62.2%	63.7%

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



	Three Months Ended				Twelve Months Ended		
	03/31/16	12/31/15	09/30/15	06/30/15	03/31/15	12/31/15	12/31/14
Gross written premiums	\$ 398	\$ 515	\$ 1,064	\$ 500	\$ 376	\$ 2,455	\$ 2,342
Ceded reinsurance premiums	(87)	(137)	(456)	(138)	(88)	(819)	(776)
Net written premiums	311	378	608	362	288	1,636	1,566
Change in unearned premiums	28	64	(91)	(35)	25	(37)	(22)
Net earned premiums	339	442	517	327	313	1,599	1,544
Loss and LAE	211	317	391	240	211	1,159	1,155
Underwriting expense	96	91	106	100	95	392	368
Underwriting profit (loss)	\$ 32	\$ 34	\$ 20	\$ (13)	\$ 7	\$ 48	\$ 21
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	6	3	7	7	4	21	20
Total current accident year catastrophe losses	\$ 6	\$ 3	\$ 7	\$ 7	\$ 4	\$ 21	\$ 20
Prior year loss reserve development (favorable) / adverse	\$ (17)	\$ 8	\$ (2)	\$ 6	\$ 3	\$ 15	\$ 16
Combined ratio:							
Loss and LAE ratio	62.2%	71.7%	75.7%	73.2%	67.5%	72.4%	74.9%
Underwriting expense ratio	28.4%	20.7%	20.5%	30.8%	30.2%	24.5%	23.8%
Combined ratio	90.6%	92.4%	96.2%	104.0%	97.7%	96.9%	98.7%
Combined ratio excl. catastrophe and prior year development	94.1%	89.9%	95.1%	100.2%	95.4%	94.7%	96.4%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	65.7%	69.2%	74.6%	69.4%	65.2%	70.2%	72.6%
Prior accident year loss reserve development	(5.2%)	1.8%	(0.4%)	1.7%	1.1%	0.9%	1.0%
Current accident year catastrophe loss	1.7%	0.7%	1.5%	2.1%	1.2%	1.3%	1.3%
Loss and LAE ratio	62.2%	71.7%	75.7%	73.2%	67.5%	72.4%	74.9%

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



	Three Months Ended				Twelve Months Ended		
	03/31/16	12/31/15	09/30/15	06/30/15	03/31/15	12/31/15	12/31/14
Gross written premiums	\$ 698	\$ 661	\$ 734	\$ 661	\$ 683	\$ 2,739	\$ 2,529
Ceded reinsurance premiums	(179)	(158)	(189)	(158)	(182)	(687)	(665)
Net written premiums	519	503	545	503	501	2,052	1,864
Change in unearned premiums	(17)	12	(42)	—	(11)	(41)	(99)
Net earned premiums	502	515	503	503	490	2,011	1,765
Loss and LAE	313	315	323	311	316	1,265	1,107
Underwriting expense	160	150	149	155	146	600	522
Underwriting profit	\$ 29	\$ 50	\$ 31	\$ 37	\$ 28	\$ 146	\$ 136
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	1	1	1	1	1	4	4
Total current accident year catastrophe losses	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 4	\$ 4
Prior year loss reserve development (favorable) / adverse	\$ (4)	\$ (7)	\$ 3	\$ (7)	\$ —	\$ (11)	\$ (7)
Combined ratio:							
Loss and LAE ratio	62.4%	61.1%	64.2%	61.9%	64.4%	62.9%	62.7%
Underwriting expense ratio	31.9%	29.1%	29.6%	30.8%	29.8%	29.8%	29.6%
Combined ratio	94.3%	90.2%	93.8%	92.7%	94.2%	92.7%	92.3%
Combined ratio excl. catastrophe and prior year development	94.9%	91.4%	92.9%	94.0%	93.9%	93.0%	92.5%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	63.0%	62.3%	63.3%	63.2%	64.1%	63.2%	62.9%
Prior accident year loss reserve development	(0.7%)	(1.4%)	0.6%	(1.4%)	0.0%	(0.5%)	(0.4%)
Current accident year catastrophe loss	0.1%	0.2%	0.3%	0.1%	0.3%	0.2%	0.2%
Loss and LAE ratio	62.4%	61.1%	64.2%	61.9%	64.4%	62.9%	62.7%

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



	Three Months Ended				Twelve Months Ended		
	03/31/16	12/31/15	09/30/15	06/30/15	03/31/15	12/31/15	12/31/14
Gross written premiums	\$ 147	\$ 179	\$ 164	\$ 157	\$ 137	\$ 637	\$ 605
Ceded reinsurance premiums	(22)	(27)	(27)	(21)	(22)	(97)	(117)
Net written premiums	125	152	137	136	115	540	488
Change in unearned premiums	7	(15)	(6)	(7)	5	(23)	(19)
Net earned premiums	132	137	131	129	120	517	469
Loss and LAE	45	46	36	36	36	154	159
Underwriting expense	64	76	69	69	62	276	246
Underwriting profit	\$ 23	\$ 15	\$ 26	\$ 24	\$ 22	\$ 87	\$ 64
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	1	5	1	2	1	9	3
Total current accident year catastrophe losses	\$ 1	\$ 5	\$ 1	\$ 2	\$ 1	\$ 9	\$ 3
Prior year loss reserve development (favorable) / adverse	\$ (4)	\$ (5)	\$ (8)	\$ (8)	\$ (9)	\$ (30)	\$ (17)
Combined ratio:							
Loss and LAE ratio	34.0%	32.8%	27.7%	27.7%	30.4%	29.7%	33.9%
Underwriting expense ratio	48.6%	55.9%	52.9%	53.3%	51.3%	53.4%	52.6%
Combined ratio	82.6%	88.7%	80.6%	81.0%	81.7%	83.1%	86.5%
Combined ratio excl. catastrophe and prior year development	84.8%	88.8%	85.8%	85.2%	88.5%	87.1%	89.5%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	36.2%	32.9%	32.9%	31.9%	37.2%	33.7%	36.9%
Prior accident year loss reserve development	(3.3%)	(3.6%)	(5.8%)	(6.2%)	(7.3%)	(5.7%)	(3.7%)
Current accident year catastrophe loss	1.1%	3.5%	0.6%	2.0%	0.5%	1.7%	0.7%
Loss and LAE ratio	34.0%	32.8%	27.7%	27.7%	30.4%	29.7%	33.9%

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



	Three Months Ended				Twelve Months Ended		
	03/31/16	12/31/15	09/30/15	06/30/15	03/31/15	12/31/15	12/31/14
Gross written premiums	\$ —	\$ 1	\$ —	\$ —	\$ —	\$ 1	\$ 1
Ceded reinsurance premiums	24	22	29	25	22	98	101
Net written premiums	24	23	29	25	22	99	102
Change in unearned premiums	1	3	(7)	1	1	(2)	(2)
Net earned premiums	25	26	22	26	23	97	100
Loss and LAE	13	15	6	13	13	47	48
Underwriting expense	10	10	9	10	7	36	36
Underwriting profit	\$ 2	\$ 1	\$ 7	\$ 3	\$ 3	\$ 14	\$ 16
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe loss	—	—	1	—	—	1	1
Total current accident year catastrophe losses	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ 1	\$ 1
Prior year loss reserve development (favorable) / adverse	\$ (2)	\$ (1)	\$ (7)	\$ (2)	\$ (1)	\$ (11)	\$ (11)
Combined ratio:							
Loss and LAE ratio	52.1%	61.0%	29.4%	52.4%	54.4%	49.4%	47.9%
Underwriting expense ratio	37.6%	36.1%	37.9%	35.6%	34.9%	36.1%	35.5%
Combined ratio	89.7%	97.1%	67.3%	88.0%	89.3%	85.5%	83.4%
Combined ratio excl. catastrophe and prior year development	96.0%	98.1%	97.6%	93.2%	96.6%	96.4%	92.8%

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



	Three Months Ended				Twelve Months Ended		
	03/31/16	12/31/15	09/30/15	06/30/15	03/31/15	12/31/15	12/31/14
Net investment income	\$ 315	\$ 309	\$ 317	\$ 306	\$ 292	\$ 1,224	\$ 1,136
Guaranteed withdrawal benefit fees	12	12	11	10	10	43	34
Policy charges and other miscellaneous income	14	11	13	14	17	55	63
Total revenues	341	332	341	330	319	1,322	1,233
Annuity benefits expense	228	189	208	151	184	732	648
Acquisition expenses	34	20	44	62	37	163	175
Other expenses	26	22	22	29	23	96	82
Total costs and expenses	288	231	274	242	244	991	905
Core Annuity earnings before income taxes	\$ 53	\$ 101	\$ 67	\$ 88	\$ 75	\$ 331	\$ 328
Detail of core Annuity earnings before income taxes							
Core earnings before income taxes and impact of fair value accounting	\$ 84	\$ 96	\$ 89	\$ 77	\$ 92	\$ 354	\$ 362
Impact of fair value accounting (a)	(31)	5	(22)	11	(17)	(23)	(34)
Core Annuity earnings before income taxes	\$ 53	\$ 101	\$ 67	\$ 88	\$ 75	\$ 331	\$ 328

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

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



	Three Months Ended				Twelve Months Ended		
	03/31/16	12/31/15	09/30/15	06/30/15	03/31/15	12/31/15	12/31/14
Detail of annuity benefits expense:							
Interest credited - fixed	\$ 139	\$ 138	\$ 135	\$ 131	\$ 128	\$ 532	\$ 497
Interest credited - fixed component of variable annuities	1	1	2	2	1	6	6
Change in expected death and annuitization reserve	5	5	5	5	4	19	18
Amortization of sales inducements	5	6	6	7	7	26	26
Guaranteed withdrawal benefit reserve (a)	16	15	20	16	12	63	41
Change in other benefit reserves	5	5	3	12	2	22	12
Unlockings (b)	—	19	—	—	—	19	(11)
Subtotal before impact of fair value accounting	171	189	171	173	154	687	589
Embedded derivative mark-to-market (c)	17	88	(130)	(19)	50	(11)	240
Equity option mark-to-market	40	(88)	167	(3)	(20)	56	(181)
Subtotal impact of fair value accounting	57	—	37	(22)	30	45	59
Total annuity benefits expense	\$ 228	\$ 189	\$ 208	\$ 151	\$ 184	\$ 732	\$ 648

- (a) Relates to a significant change in the stock market.
- (b) Includes unlockings for fixed indexed annuity embedded derivative reserves, sales inducement asset and other reserves. Does not include unlocking income of \$29 million in 2015 and charge of \$10 million in 2014 for deferred policy acquisition costs and unearned revenue reserves. These unlockings are included in acquisition expenses. In total, AFG recorded an unlocking expense reduction of \$10 million and \$1 million in 2015 and 2014, respectively.
- (c) Excludes unlocking impact of \$28 million in 2015 and (\$58) million in 2014.

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



	Three Months Ended				Twelve Months Ended		
	03/31/16	12/31/15	09/30/15	06/30/15	03/31/15	12/31/15	12/31/14
Average fixed annuity investments (at amortized cost)	\$27,186	\$26,401	\$25,642	\$24,711	\$23,943	\$25,174	\$22,391
Average annuity benefits accumulated	26,935	26,048	25,316	24,474	23,752	24,898	22,119
Investments in excess of annuity benefits accumulated	\$ 251	\$ 353	\$ 326	\$ 237	\$ 191	\$ 276	\$ 272
As % of average annuity benefits accumulated (except as noted)							
Net investment income (as % of investments)	4.60%	4.65%	4.92%	4.91%	4.83%	4.83%	5.03%
Interest credited	(2.06%)	(2.12%)	(2.12%)	(2.14%)	(2.16%)	(2.14%)	(2.25%)
Net interest spread on fixed annuities	2.54%	2.53%	2.80%	2.77%	2.67%	2.69%	2.78%
Policy charges and other miscellaneous income	0.16%	0.15%	0.16%	0.17%	0.24%	0.18%	0.18%
Other annuity benefit expenses, net	(0.27%)	(0.31%)	(0.36%)	(0.49%)	(0.25%)	(0.35%)	(0.28%)
Acquisition expenses	(0.47%)	(0.75%)	(0.65%)	(0.98%)	(0.59%)	(0.74%)	(0.67%)
Other expenses	(0.38%)	(0.32%)	(0.34%)	(0.43%)	(0.36%)	(0.36%)	(0.34%)
Change in fair value of derivatives	(0.84%)	0.02%	(0.59%)	0.35%	(0.50%)	(0.18%)	(0.27%)
Unlockings	0.00%	0.07%	0.00%	0.00%	0.00%	0.02%	0.01%
Net spread earned on fixed annuities - core	0.74%	1.39%	1.02%	1.39%	1.21%	1.26%	1.41%
Average annuity benefits accumulated	\$26,935	\$26,048	\$25,316	\$24,474	\$23,752	\$24,898	\$22,119
Net spread earned on fixed annuities	0.74%	1.39%	1.02%	1.39%	1.21%	1.26%	1.41%
Earnings on fixed annuity benefits accumulated	\$ 50	\$ 91	\$ 65	\$ 85	\$ 72	\$ 313	\$ 312
Investments in excess of annuity benefits accumulated	\$ 251	\$ 353	\$ 326	\$ 237	\$ 191	\$ 276	\$ 272
Net investment income (as % of investments)	4.60%	4.65%	4.92%	4.91%	4.83%	4.83%	5.03%
Earnings on investments in excess of annuity benefits accumulated	\$ 3	\$ 4	\$ 4	\$ 3	\$ 2	13	14
Variable annuity earnings	—	6	(2)	—	1	5	2
Earnings before income taxes - core	\$ 53	\$ 101	\$ 67	\$ 88	\$ 75	\$ 331	\$ 328
Detail of net spread earned on fixed annuities - core							
Net spread earned core - before impact of fair value accounting	1.20%	1.31%	1.37%	1.21%	1.49%	1.35%	1.56%
Impact of fair value accounting (a)	(0.46%)	0.08%	(0.35%)	0.18%	(0.28%)	(0.09%)	(0.15%)
Net spread earned core - after impact of fair value accounting	0.74%	1.39%	1.02%	1.39%	1.21%	1.26%	1.41%

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

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



	Three Months Ended					Twelve Months Ended	
	03/31/16	12/31/15	09/30/15	06/30/15	03/31/15	12/31/15	12/31/14
Retail single premium annuities - indexed	\$ 546	\$ 494	\$ 617	\$ 404	\$ 349	\$ 1,864	\$ 1,533
Retail single premium annuities - fixed	20	18	22	18	12	70	101
Financial institutions single premium annuities - indexed	534	462	554	369	356	1,741	1,489
Financial institutions single premium annuities - fixed	119	72	71	48	38	229	332
Education market - fixed and indexed annuities	57	51	47	49	47	194	194
Subtotal fixed annuity premiums	1,276	1,097	1,311	888	802	4,098	3,649
Variable annuities	9	10	10	11	11	42	47
Total annuity premiums	\$1,285	\$1,107	\$1,321	\$ 899	\$ 813	\$ 4,140	\$ 3,696

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



	Three Months Ended					Twelve Months Ended	
	03/31/16	12/31/15	09/30/15	06/30/15	03/31/15	12/31/15	12/31/14
Beginning fixed annuity reserves	\$26,371	\$25,725	\$24,906	\$24,042	\$23,462	\$23,462	\$20,679
Premiums	1,276	1,097	1,311	888	802	4,098	3,649
Federal Home Loan Bank advances	150	45	—	300	—	345	—
Surrenders, benefits and other withdrawals	(483)	(515)	(526)	(471)	(420)	(1,932)	(1,673)
Sale of subsidiaries	—	(261)	—	—	—	(261)	—
Interest and other annuity benefit expenses:							
Interest credited	139	138	135	131	128	532	497
Embedded derivative mark-to-market	17	88	(130)	(19)	50	(11)	240
Change in other benefit reserves	29	31	29	35	20	115	81
Unlockings	—	23	—	—	—	23	(11)
Ending fixed annuity reserves	\$27,499	\$26,371	\$25,725	\$24,906	\$24,042	\$26,371	\$23,462
Reconciliation to annuity benefits accumulated:							
Ending fixed annuity reserves	\$27,499	\$26,371	\$25,725	\$24,906	\$24,042	\$26,371	\$23,462
Impact of unrealized investment gains on reserves	127	64	113	107	179	64	111
Fixed component of variable annuities	186	187	188	190	190	187	191
Annuity benefits accumulated per balance sheet	\$27,812	\$26,622	\$26,026	\$25,203	\$24,411	\$26,622	\$23,764
Annualized surrenders and other withdrawals as a % of beginning reserves	7.3%	8.0%	8.4%	7.8%	7.2%	8.2%	8.1%

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



	03/31/16	12/31/15	09/30/15	06/30/15	03/31/15	12/31/14
Assets:						
Total cash and investments	\$39,437	\$37,736	\$38,132	\$37,644	\$37,384	\$36,210
Recoverables from reinsurers	2,561	2,636	3,151	3,075	3,046	3,238
Prepaid reinsurance premiums	475	480	604	499	475	469
Agents' balances and premiums receivable	936	937	976	959	864	889
Deferred policy acquisition costs	1,055	1,184	993	965	756	821
Assets of managed investment entities	3,906	4,047	3,613	3,629	3,279	3,108
Other receivables	693	820	1,241	660	641	910
Variable annuity assets (separate accounts)	595	608	595	655	667	662
Other assets (a)	1,181	1,190	1,034	1,116	972	1,005
Goodwill	199	199	201	201	201	201
Total assets	\$51,038	\$49,837	\$50,540	\$49,403	\$48,285	\$47,513
Liabilities and Equity:						
Unpaid losses and loss adjustment expenses	\$ 8,108	\$ 8,127	\$ 8,061	\$ 7,744	\$ 7,636	\$ 7,872
Unearned premiums	2,051	2,060	2,238	2,004	1,936	1,956
Annuity benefits accumulated	27,812	26,622	26,026	25,203	24,411	23,764
Life, accident and health reserves	708	705	2,159	2,156	2,195	2,175
Payable to reinsurers	501	591	724	511	494	645
Liabilities of managed investment entities	3,656	3,781	3,287	3,309	2,952	2,819
Long-term debt (a)	998	998	863	1,003	1,039	1,039
Variable annuity liabilities (separate accounts)	595	608	595	655	667	662
Other liabilities	1,672	1,575	1,681	1,834	1,855	1,527
Total liabilities	\$46,101	\$45,067	\$45,634	\$44,419	\$43,185	\$42,459
Shareholders' equity:						
Common stock	\$ 87	\$ 87	\$ 87	\$ 88	\$ 88	\$ 88
Capital surplus	1,218	1,214	1,195	1,183	1,173	1,152
Appropriated retained earnings	—	—	—	—	—	(2)
Unappropriated retained earnings	3,002	2,987	2,981	2,968	2,886	2,914
Unrealized gains - fixed maturities	426	278	445	457	656	604
Unrealized gains - equities	40	54	44	130	143	139
Other comprehensive income, net of tax	(18)	(28)	(28)	(24)	(23)	(16)
Total shareholders' equity	4,755	4,592	4,724	4,802	4,923	4,879
Noncontrolling interests	182	178	182	182	177	175
Total liabilities and equity	\$51,038	\$49,837	\$50,540	\$49,403	\$48,285	\$47,513

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

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



	<u>03/31/16</u>	<u>12/31/15</u>	<u>09/30/15</u>	<u>06/30/15</u>	<u>03/31/15</u>	<u>12/31/14</u>
Shareholders' equity	\$ 4,755	\$ 4,592	\$ 4,724	\$ 4,802	\$ 4,923	\$ 4,879
Appropriated retained earnings	—	—	—	—	—	2
Shareholders' equity, excluding appropriated retained earnings	4,755	4,592	4,724	4,802	4,923	4,881
Unrealized (gains) on fixed maturities	(426)	(278)	(445)	(457)	(656)	(604)
Adjusted shareholders' equity	4,329	4,314	4,279	4,345	4,267	4,277
Goodwill	(199)	(199)	(201)	(201)	(201)	(201)
Intangibles	(47)	(49)	(51)	(53)	(55)	(57)
Tangible adjusted shareholders' equity	\$ 4,083	\$ 4,066	\$ 4,027	\$ 4,091	\$ 4,011	\$ 4,019
Common shares outstanding	86.966	87.474	87.327	87.540	87.886	87.709
Book value per share:						
Excluding appropriated retained earnings (a)	\$ 54.67	\$ 52.50	\$ 54.10	\$ 54.86	\$ 56.01	\$ 55.65
Adjusted (b)	49.77	49.33	49.01	49.63	48.55	48.76
Tangible, adjusted (c)	46.94	46.49	46.12	46.73	45.63	45.82
Market capitalization						
AFG's closing common share price	\$ 70.37	\$ 72.08	\$ 68.91	\$ 65.04	\$ 64.15	\$ 60.72
Market capitalization	\$ 6,120	\$ 6,305	\$ 6,018	\$ 5,694	\$ 5,638	\$ 5,326
Price / Adjusted book value ratio	1.41	1.46	1.41	1.31	1.32	1.25

- (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)



	03/31/16	12/31/15	09/30/15	06/30/15	03/31/15	12/31/14
AFG senior obligations (a)	\$ 708	\$ 708	\$ 708	\$ 840	\$ 840	\$ 840
Borrowings drawn under credit facility	—	—	—	—	—	—
Obligations of subsidiaries - other	12	12	12	12	12	12
Debt excluding subordinated debt & debt secured by real estate	\$ 720	\$ 720	\$ 720	\$ 852	\$ 852	\$ 852
AFG subordinated debentures	300	300	150	150	150	150
Obligations of subsidiaries - secured by real estate	—	—	10	22	59	59
Total principal amount of long-term debt	\$1,020	\$1,020	\$ 880	\$1,024	\$1,061	\$1,061
Shareholders' equity	4,755	4,592	4,724	4,802	4,923	4,879
Noncontrolling interests	182	178	182	182	177	175
Less:						
Appropriated retained earnings	—	—	—	—	—	2
Unrealized gains related to fixed maturity investments	(426)	(278)	(445)	(457)	(656)	(604)
Total adjusted capital	\$5,531	\$5,512	\$5,341	\$5,551	\$5,505	\$5,513
Less:						
Obligations of subsidiaries - secured by real estate	—	—	(10)	(22)	(59)	(59)
Total adjusted capital excluding obligations secured by real estate	\$5,531	\$5,512	\$5,331	\$5,529	\$5,446	\$5,454
Ratio of debt to total adjusted capital:						
Including subordinated debt & debt secured by real estate	18.4%	18.5%	16.5%	18.4%	19.3%	19.2%
Excluding subordinated debt & debt secured by real estate	13.0%	13.1%	13.5%	15.4%	15.6%	15.6%

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



	Three Months Ended					Twelve Months Ended	
	03/31/16	12/31/15	09/30/15	06/30/15	03/31/15	12/31/15	12/31/14
Property and Casualty Insurance							
Paid Losses (GAAP)	\$ 547	\$ 675	\$ 585	\$ 526	\$ 617	\$ 2,403	\$ 2,130
Statutory Surplus							
Property and Casualty Insurance		\$2,574	\$2,488	\$2,356	\$2,399	\$2,340	\$ 2,286
AFG's principal annuity subsidiaries (total adjusted capital)		\$2,032	\$1,918	\$1,816	\$1,911	\$1,861	\$ 1,822
Allowable dividends without regulatory approval							
Property and Casualty Insurance	\$ 434	\$ 434	\$ 315	\$ 315	\$ 315	\$ 315	\$ 315
Annuity and Run-off	375	375	358	358	358	358	358
Total	\$ 809	\$ 809	\$ 673	\$ 673	\$ 673	\$ 673	\$ 673

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



	Carrying Value - March 31, 2016					
	Property and Casualty Insurance	Annuity and Run-off	Parent and Other Non-Insurance	Consolidate CLOs	Total AFG Consolidated	% of Investment Portfolio
Total cash and investments:						
Cash and cash equivalents	\$ 727	\$ 305	\$ 199	\$ —	\$ 1,231	3%
Fixed maturities - Available for sale	7,021	26,886	14	—	33,921	85%
Fixed maturities - Trading	134	115	—	—	249	1%
Equity securities	1,107	495	46	—	1,648	4%
Policy loans	—	198	—	—	198	1%
Mortgage loans	198	899	—	—	1,097	3%
Real estate and other investments	479	845	17	(248)	1,093	3%
Total cash and investments	\$ 9,666	\$ 29,743	\$ 276	\$ (248)	\$ 39,437	100%
Unrealized gain/(loss) on equity securities	\$ 56	\$ 5	\$ —		\$ 61	

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

	Three Months Ended					Twelve Months Ended	
	03/31/16	12/31/15	09/30/15	06/30/15	03/31/15	12/31/15	12/31/14
Property and Casualty Insurance:							
Gross Investment Income							
Fixed maturities - Available for sale	\$ 64	\$ 63	\$ 62	\$ 62	\$ 61	\$ 248	\$ 223
Fixed maturities - Trading	1	—	—	—	4	4	8
Equity securities	13	14	12	12	10	48	40
Equity in investees	6	(1)	7	3	1	10	8
Other investments	1	—	4	8	5	17	22
Gross investment income	85	76	85	85	81	327	301
Investment expenses	(2)	(2)	(2)	(2)	(2)	(8)	(7)
Total net investment income	\$ 83	\$ 74	\$ 83	\$ 83	\$ 79	\$ 319	\$ 294
Average cash and investments (a)	\$ 9,366	\$ 9,113	\$ 8,984	\$ 8,956	\$ 8,775	\$ 8,956	\$ 7,849
Average yield (b)	3.54%	3.25%	3.70%	3.71%	3.60%	3.56%	3.75%
Fixed Annuity:							
Gross Investment Income							
Fixed maturities - Available for sale	\$ 294	\$ 294	\$ 288	\$ 277	\$ 267	\$ 1,126	\$ 1,037
Fixed maturities - Trading	—	—	—	—	—	—	—
Equity securities	5	6	5	5	5	21	16
Equity in investees	5	2	11	1	2	16	68
Other investments	11	7	14	23	18	62	9
Gross investment income	315	309	318	306	292	1,225	1,130
Investment expenses	(3)	(2)	(3)	(2)	(3)	(10)	(4)
Total net investment income	\$ 312	\$ 307	\$ 315	\$ 304	\$ 289	\$ 1,215	\$ 1,126
Average cash and investments (a)	\$27,186	\$26,401	\$25,642	\$24,711	\$23,943	\$25,174	\$22,391
Average yield (b)	4.60%	4.65%	4.92%	4.91%	4.83%	4.83%	5.03%
AFG consolidated net investment income:							
Property & Casualty	\$ 83	\$ 74	\$ 83	\$ 83	\$ 79	\$ 319	\$ 294
Annuity and Run-off:							
Fixed Annuity	312	307	315	304	289	1,215	1,126
Variable Annuity	3	2	2	2	3	9	10
Run-off	5	19	20	21	20	80	82
Other	1	3	2	(1)	—	4	6
Consolidate CLOs	7	11	3	(5)	(3)	6	(17)
Total net investment income	\$ 411	\$ 416	\$ 425	\$ 404	\$ 388	\$ 1,633	\$ 1,501

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

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



<u>March 31, 2016</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>	<u>% of Fair Value</u>	<u>% of Investment Portfolio</u>
US Government and government agencies	\$ 345	\$ 350	\$ 5	1%	1%
States, municipalities and political subdivisions	6,720	7,081	361	21%	18%
Foreign government	214	222	8	1%	1%
Residential mortgage-backed securities	3,513	3,777	264	11%	10%
Commercial mortgage-backed securities	2,046	2,136	90	6%	5%
Asset-backed securities	5,172	5,130	(42)	15%	13%
Corporate and other bonds	14,988	15,474	486	45%	38%
Total AFG consolidated	\$ 32,998	\$ 34,170	\$ 1,172	100%	86%

Annualized yield on available for sale fixed maturities:

Excluding investment expense (a)	4.52%
Net of investment expense (a)	4.47%

Approximate average life and duration:

Approximate average life	6.5 years
Approximate duration	5 years

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

Annualized yield on available for sale fixed maturities:

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

Approximate average life and duration:

Approximate average life	6.5 years
Approximate duration	5 years

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

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

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



	March 31, 2016				December 31, 2015			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Property and Casualty Insurance:								
US Government and government agencies	\$ 282	\$ 286	\$ 4	4%	\$ 255	\$ 257	\$ 2	4%
States, municipalities and political subdivisions	2,799	2,901	102	40%	2,807	2,891	84	42%
Foreign government	203	209	6	3%	213	219	6	3%
Residential mortgage-backed securities	1,017	1,050	33	15%	893	932	39	13%
Commercial mortgage-backed securities	205	210	5	3%	209	213	4	3%
Asset-backed securities	1,503	1,488	(15)	21%	1,453	1,442	(11)	21%
Corporate and other bonds	1,007	1,011	4	14%	979	970	(9)	14%
Property and Casualty Insurance	\$ 7,016	\$ 7,155	\$ 139	100%	\$ 6,809	\$ 6,924	\$ 115	100%

Annualized yield on available for sale fixed maturities:

Excluding investment expense (a)	3.76%	3.82%
Net of investment expense (a)	3.66%	3.71%
Tax equivalent, net of investment expense (b)	4.23%	4.31%

Approximate average life and duration:

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

	March 31, 2016				December 31, 2015			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Annuity and Run-off:								
US Government and government agencies	\$ 61	\$ 62	\$ 1	0%	\$ 62	\$ 62	\$ —	0%
States, municipalities and political subdivisions	3,921	4,180	259	16%	3,864	3,994	130	15%
Foreign government	11	13	2	0%	12	13	1	0%
Residential mortgage-backed securities	2,495	2,715	220	10%	2,347	2,590	243	10%
Commercial mortgage-backed securities	1,841	1,926	85	7%	1,903	1,975	72	8%
Asset-backed securities	3,669	3,642	(27)	13%	3,508	3,492	(16)	14%
Corporate and other bonds	13,981	14,463	482	54%	13,311	13,474	163	53%
Total Annuity and Run-off	\$ 25,979	\$ 27,001	\$ 1,022	100%	\$ 25,007	\$ 25,600	\$ 593	100%

Annualized yield on available for sale fixed maturities:

Excluding investment expense (a)	4.73%	4.98%
Net of investment expense (a)	4.69%	4.94%

Approximate average life and duration:

Approximate average life	7 years	6.5 years
Approximate duration	5.5 years	5.5 years

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

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

(b) Adjusts the yield on tax-exempt bonds to the fully taxable equivalent yield.

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



By Credit Rating (a)	March 31, 2016			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 6,577	\$ 6,776	\$ 199	20%
AA	6,893	7,197	304	21%
A	7,954	8,265	311	24%
BBB	7,684	7,886	202	23%
Subtotal - Investment grade	29,108	30,124	1,016	88%
BB	957	919	(38)	3%
B	485	453	(32)	1%
Other (b)	2,448	2,674	226	8%
Subtotal - Non-Investment grade	3,890	4,046	156	12%
Total	\$ 32,998	\$ 34,170	\$ 1,172	100%

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

By Credit Rating (a)	December 31, 2015			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 6,519	\$ 6,655	\$ 136	20%
AA	6,785	6,954	169	22%
A	7,780	7,969	189	25%
BBB	7,478	7,507	29	23%
Subtotal - Investment grade	28,562	29,085	523	90%
BB	790	765	(25)	2%
B	438	417	(21)	1%
Other (b)	2,029	2,271	242	7%
Subtotal - Non-Investment grade	3,257	3,453	196	10%
Total	\$ 31,819	\$ 32,538	\$ 719	100%

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

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

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



March 31, 2016	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Investment Portfolio
Residential					
Agency	\$ 203	\$ 209	\$ 6	4%	1%
Prime (Non-Agency)	1,566	1,721	155	29%	4%
Alt-A	991	1,060	69	18%	3%
Subprime	753	787	34	13%	2%
Commercial	2,046	2,136	90	36%	5%
Total AFG consolidated	\$ 5,559	\$ 5,913	\$ 354	100%	15%

- Substantially all of AFG's MBS securities are either senior tranches of securitizations or collateralized by senior tranches of securitizations.
- The average amortized cost as a percent of par is - Prime 82%; Alt-A 78%; Subprime 85%; CMBS 99%.
- The average FICO score of our residential MBS securities is - Prime 740; Alt-A 712; Subprime 640.
- 99% of our Commercial MBS portfolio is investment-grade rated (84% AAA) and the average subordination for this group of assets is 40%.
- The approximate average life by collateral type is - Residential 5 years; Commercial 3 years.

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

Property and Casualty Insurance:

By Asset Type	March 31, 2016				
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Inv Portfolio
Residential					
Agency	\$ 144	\$ 148	\$ 4	12%	2%
Prime (Non-Agency)	244	255	11	20%	3%
Alt-A	320	333	13	26%	3%
Subprime	309	314	5	25%	3%
Commercial	205	210	5	17%	2%
Total	\$ 1,222	\$ 1,260	\$ 38	100%	13%

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

Annuity and Run-off:

By Asset Type	March 31, 2016				
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Inv Portfolio
Residential					
Agency	\$ 59	\$ 61	\$ 2	1%	0%
Prime (Non-Agency)	1,321	1,454	133	31%	5%
Alt-A	671	727	56	16%	2%
Subprime	444	473	29	10%	2%
Commercial	1,841	1,926	85	42%	6%
Total	\$ 4,336	\$ 4,641	\$ 305	100%	15%

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

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



By Credit Rating (a)	March 31, 2016			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 2,255	\$ 2,357	\$ 102	40%
AA	254	261	7	5%
A	354	372	18	6%
BBB	230	246	16	4%
Subtotal - investment grade	3,093	3,236	143	55%
BB	281	282	1	5%
B	312	311	(1)	5%
Other	1,873	2,084	211	35%
Total	\$ 5,559	\$ 5,913	\$ 354	100%

98% of the mortgage-backed security portfolio has an NAIC 1 designation.

By Credit Rating (a)	December 31, 2015			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value
Investment grade				
AAA	\$ 2,409	\$ 2,494	\$ 85	43%
AA	255	263	8	5%
A	329	345	16	6%
BBB	272	292	20	5%
Subtotal - investment grade	3,265	3,394	129	59%
BB	253	258	5	5%
B	305	311	6	5%
Other	1,530	1,759	229	31%
Total	\$ 5,353	\$ 5,722	\$ 369	100%

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

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

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



By Credit Rating (a)	Fair Value - March 31, 2016								
	US Gov	Munis	Frgn gov	RMBS	CMBS	ABS	Corp/Oth	Total	% Total
Investment grade									
AAA	\$ 301	\$1,698	\$ 140	\$ 561	\$1,796	\$2,086	\$ 194	\$ 6,776	20%
AA	46	4,621	22	168	93	1,283	964	7,197	21%
A	—	546	60	202	170	1,304	5,983	8,265	24%
BBB	—	92	—	197	49	410	7,138	7,886	23%
Subtotal - Investment grade	347	6,957	222	1,128	2,108	5,083	14,279	30,124	88%
BB	—	4	—	260	22	14	619	919	3%
B	—	8	—	305	6	2	132	453	1%
CCC, CC, C	—	8	—	936	—	4	32	980	3%
D	—	—	—	753	—	—	3	756	2%
Subtotal - Non-Investment grade	—	20	—	2,254	28	20	786	3,108	9%
Not Rated	3	104	—	395	—	27	409	938	3%
Total	\$ 350	\$7,081	\$ 222	\$3,777	\$2,136	\$5,130	\$15,474	\$34,170	100%

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

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