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): August 1, 2018

AMERICAN FINANCIAL GROUP, INC.
(Exact name of registrant as specified in its charter)

Ohio	**1-13653**	**31-1544320**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

301 East Fourth Street, Cincinnati, OH	**45202**
(Address of principal executive offices)	**(Zip Code)**

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

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

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Emerging growth company ☐

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

Section 2 - Financial Information

Item 2.02 Results Of Operations And Financial Condition.

Reference is made to the press release of American Financial Group, Inc. (the “Company”) relating to the announcement of the Company’s results of operations for the second quarter of 2018 and the availability of the Investor Supplement on the Company’s website. The press release was issued on August 1, 2018. 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 both are incorporated herein by reference.

The Company has been informed that due to technical issues, it may have been difficult for listeners to hear every word of the Company’s earning’s conference call held on August 2, 2018. As a result, a copy of management’s script for the earnings conference call is also attached as Exhibit 99.3 and 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

Exhibit No.	Description
99.1	Earnings Release dated August 1, 2018, reporting American Financial Group Inc. results for the quarter ended June 30, 2018.
99.2	Investor Supplement – Second Quarter 2018
99.3	Management’s Script for the Earnings Conference Call held August 2, 2018.

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: August 2, 2018

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

FOR IMMEDIATE RELEASE

AMERICAN FINANCIAL GROUP, INC. | Press Release

American Financial Group, Inc. Announces Record Second Quarter Results

- ***Net earnings per share of $2.31, a second quarter record for AFG, includes $0.27 per share in realized gains on securities***
- ***Core net operating earnings $2.04 per share, also a second quarter record and an increase of 27% from the prior year period***
- ***Second quarter annualized ROE of 17.1%; annualized core operating ROE of 15.1%***
- ***Full year 2018 core net operating earnings guidance increased to $8.10 - $8.60 per share***

CINCINNATI – August 1, 2018 – American Financial Group, Inc. (NYSE: AFG) today reported 2018 second quarter net earnings attributable to shareholders of $210 million ($2.31 per share) compared to $145 million ($1.61 per share) for the 2017 second quarter. The $2.31 per share is a record for AFG's second quarter. Net earnings for the quarter include $25 million ($0.27 per share) in after-tax net realized gains on securities. By comparison, net earnings in the 2017 second quarter include $5 million ($0.05 per share) in after-tax net realized gains on securities and expenses of $5 million ($0.05 per share) related to the redemption of AFG's 6.375% Senior Notes. The change in the federal corporate tax rate from 35% to 21%, enacted by the Tax Cuts and Jobs Act of 2017 and effective January 1, 2018, contributed to a lower effective tax rate in 2018 as compared to 2017. Details may be found in the table below. Book value per share was $57.08 per share at June 30, 2018. AFG paid cash dividends of $1.85 per share during the quarter, which included a $1.50 per share special dividend. Annualized return on equity was 17.1% and 12.3% for the second quarters of 2018 and 2017, respectively.

Core net operating earnings were $185 million ($2.04 per share) for the 2018 second quarter, compared to $145 million ($1.61 per share) in the 2017 second quarter. The $2.04 per share represents a 27% increase over the prior year period, and a record second quarter for AFG core earnings per share. The improved results were attributable to higher earnings in our Specialty Property and Casualty ("P&C") Insurance operations and our Annuity Segment, as well as the benefit of the lower corporate income tax rate. Book value per share, excluding unrealized gains related to fixed maturities, was $55.24 per share at June 30, 2018. Core net operating earnings for the second quarters of 2018 and 2017 generated annualized returns on equity of 15.1% and 12.3%, respectively.

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

In millions, except per share amounts	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Components of net earnings attributable to shareholders:				
Core operating earnings before income taxes	$ 229	$ 204	$ 496	$ 424
Pretax non-core items:				
Realized gains (losses) on securities	31	8	(62)	11
Loss on retirement of debt	—	(7)	—	(7)
Earnings before income taxes	260	205	434	428
Provision (credit) for income taxes:				
Core operating earnings	46	59	98	126
Non-core items	6	1	(13)	2
Total provision (credit) for income taxes	52	60	85	128
Net earnings, including noncontrolling interests	208	145	349	300
Less net earnings attributable to noncontrolling interests:				
Core operating earnings	(2)	—	(6)	2
Non-core items	—	—	—	—
Total net earnings attributable to noncontrolling interests	(2)	—	(6)	2
Net earnings attributable to shareholders	**$ 210**	**$ 145**	**$ 355**	**$ 298**
Net earnings:				
Core net operating earnings(a)	$ 185	$ 145	$ 404	$ 296
Non-core items	25	—	(49)	2
Net earnings attributable to shareholders	**$ 210**	**$ 145**	**$ 355**	**$ 298**
Components of Earnings Per Share:				
Core net operating earnings(a)	**$ 2.04**	**$ 1.61**	**$ 4.46**	**$ 3.29**
Non-core Items:				
Realized gains (losses) on securities	0.27	0.05	(0.54)	0.08
Loss on retirement of debt	—	(0.05)	—	(0.05)
Diluted Earnings Per Share	**$ 2.31**	**$ 1.61**	**$ 3.92**	**$ 3.32**

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

Carl H. Lindner III and S. Craig Lindner, AFG's Co-Chief Executive Officers, issued this statement: "We are pleased to report record second quarter earnings per share for AFG and an annualized core ROE that exceeded 15%. In addition to strong operating profitability and investment results in both our Specialty P&C and Annuity Segments, we achieved meaningful growth across our portfolio of businesses.

"AFG had approximately $720 million of excess capital (including parent company cash of approximately $260 million) at June 30, 2018 and following the payment of the special dividend. Where appropriate, our excess capital will be deployed into AFG's core businesses as we identify potential for healthy, profitable organic growth, and opportunities to expand our specialty niche businesses through acquisitions and start-ups that meet our target return thresholds. In addition, returning capital to shareholders in the form of regular and special cash dividends and opportunistic share repurchases are also an important and effective component of our capital management strategy. We will evaluate our excess capital position again in the second half of 2018 and note that the special cash dividend paid in May does not preclude our consideration of additional actions with respect to our regular quarterly dividend, additional special dividends and opportunistic share repurchases.

"Based on results for the first six months of 2018, we now expect AFG's core net operating earnings in 2018 to be in the range of $8.10 to $8.60 per share, up from our original estimate of $7.90 to $8.40 per share. Our core earnings per share guidance excludes non-core items such as realized gains and losses, as well as other significant items that are not able to be estimated with reasonable precision, or that may not be indicative of ongoing operations."

Specialty Property and Casualty Insurance Operations

Core operating earnings before income taxes in AFG's P&C Insurance Segment were $180 million in the second quarter of 2018, compared to $163 million in the prior year period, an increase of $17 million, or 10%. Underwriting profit in the second quarter of 2018 was in line with the strong results reported in the 2017 second quarter; higher P&C net investment income was the primary driver of the improved year-over-year results, primarily the result of higher earnings on certain investments (including limited partnerships and similar investments); these high returns should not necessarily be expected to repeat in future periods.

The Specialty P&C insurance operations generated an underwriting profit of $73 million in both the 2018 and 2017 second quarters. The second quarter 2018 combined ratio of 93.7% was 0.5 points higher than the prior year period. Results in the second quarter of 2018 include 3.9 points of favorable prior year reserve development, compared to 2.2 points in the 2017 second quarter. Catastrophe losses added 1.4 points to the second quarter 2018 results, compared to 1.7 points in the comparable prior year period.

Gross and net written premiums each grew 11% for the second quarter of 2018, when compared to the second quarter of 2017. Average renewal pricing across the entire P&C Group was up approximately 1.4% for the quarter. Excluding our workers' compensation business, renewal pricing was up approximately 3.4%. 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 $23 million in the second quarter of 2018, compared to $21 million in the second quarter of 2017. These results include higher year-over-year underwriting profits in our transportation businesses and improved results in our ocean marine operations and lower underwriting profitability in our property & inland marine and equine mortality businesses. Catastrophe losses were $10 million for this group during the second quarter of 2018, compared to $11 million in the comparable prior year period.

Gross and net written premiums for the second quarter of 2018 were both 7% higher than the comparable 2017 period. The growth is primarily attributable to new business opportunities in our property & inland marine business and higher premiums in our transportation businesses, which included a 5% renewal premium increase in National Interstate's business. Overall renewal rates in this group increased 4% on average for the second quarter of 2018.

The **Specialty Casualty Group** reported an underwriting profit of $29 million in both the second quarters of 2018 and 2017. Higher profitability in our targeted markets businesses was offset by lower year-over-year profitability in our excess and surplus lines. Underwriting profitability in our workers compensation business continues to be very strong. Catastrophe losses for this group were $1 million and $2 million in the second quarters of 2018 and 2017, respectively.

Gross and net written premiums for the second quarter of 2018 increased 13% and 14%, respectively, when compared to the second quarter of 2017. Growth within Neon was the driver of the higher premiums. Our general liability, executive liability and excess and surplus lines businesses also reported higher year-over-year premiums. This growth was partially offset by lower premiums in our workers' compensation businesses. Renewal pricing for this group was flat in the second quarter. Excluding rate decreases in our workers' compensation businesses, renewal rates in this group were up approximately 3%.

The **Specialty Financial Group** reported underwriting profit of $22 million in the second quarter of 2018, compared to $23 million in the second quarter of 2017. Higher underwriting profitability in our financial institutions business was partially offset by lower underwriting profitability in our surety business. Catastrophe losses for this group were $3 million and $5 million in the second quarters of 2018 and 2017, respectively. All of the businesses in this group continued to achieve excellent underwriting margins.

Gross and net written premiums for the second quarter of 2018 were up 10% and 7%, respectively, when compared to the same 2017 period, primarily as a result of higher premiums in our financial institutions business. Renewal pricing in this group was up approximately 5% for the quarter.

Carl Lindner III stated: “I’m pleased with our Specialty P&C results during the second quarter. Each of our Specialty P&C Groups reported strong underwriting margins and we achieved double digit year-over-year growth in net written premiums. Second quarter renewal pricing for our Specialty P&C Group overall was at its highest level in 13 quarters. Based on results during the first six months of the year, we now expect growth in net written premium to be in the range of 4% to 8%, up from our original estimate of 3% to 7%, and we continue to expect an overall 2018 calendar year combined ratio in the range of 92% to 94%.”

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

Annuity Segment

As shown in the following table, AFG’s Annuity Segment reported $99 million in pretax earnings in the second quarter of 2018, a 16% increase over the $85 million reported in the second quarter of 2017.

Components of Annuity Earnings Before Income Taxes

Dollars in millions	Three months ended June 30, 2018	Three months ended June 30, 2017	Pct. Change	Six months ended June 30, 2018	Six months ended June 30, 2017	Pct. Change
Annuity earnings before impact of fair value accounting for FIAs and unlocking	$ 123	$ 101	22%	$ 235	$ 199	18%
Impact of fair value accounting for FIAs	3	(16)	nm	16	(18)	nm
Unlocking	(27)	—	nm	(27)	—	nm
Pretax annuity earnings	$ 99	$ 85	16%	$ 224	$ 181	24%

Annuity Earnings Before Fair Value Accounting for FIAs – Annuity earnings before fair value accounting for fixed-indexed annuities (FIAs) and unlocking were $123 million in the second quarter of 2018, a 22% increase over the $101 million reported in the second quarter of 2017. These earnings represent a quarterly record for the Annuity segment. As shown in AFG’s Quarterly Investor Supplement, these outstanding results were favorably impacted by growth in assets and by exceptionally high returns on certain investments (including very strong earnings from limited partnerships and similar investments); these high returns should not necessarily be expected to repeat in future periods. The benefit of these items was partially offset by the runoff of higher-yielding investments.

Impact of Fair Value Accounting for FIAs – Under GAAP, a portion of the reserves for FIAs ($2.8 billion and $2.1 billion at June 30, 2018 and 2017, respectively) is considered an embedded derivative and is recorded at fair value based on the estimated present value of certain expected future cash flows. Assumptions used in calculating this fair value include projected interest rates, option costs, surrenders, withdrawals and mortality. Variances from these assumptions, as well as changes in the stock market, will generally result in a change in fair value. Some of these adjustments are not economic in nature for the current reporting period, but rather impact the timing of reported results. The components of this impact were as follows (in millions):

Components of Impact of Fair Value Accounting for FIAs

Dollars in millions	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Interest accreted on embedded derivative	$ (8)	$ (4)	$ (15)	$ (7)
Increase in stock market	6	5	4	14
Higher (lower) than expected change in interest rates	12	(17)	39	(28)
Renewal option costs lower (higher) than expected	(3)	1	(7)	3
Other changes in fair value	(4)	(1)	(5)	—
Total impact of FV accounting for FIAs	$ 3	$ (16)	$ 16	$ (18)

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

In the second quarter of 2018, the stock market increased nearly 3% and interest rates rose 20 to 25 basis points; these increases exceeded our expectation of a 1% increase and a 5 basis point increase, respectively. The significant favorable impact from these two items more than offset continued higher FIA option costs.

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

Unlocking – AFG monitors the major actuarial assumptions underlying its annuity operations throughout the year and conducts detailed reviews ("unlocking") of its assumptions in the fourth quarter of each year. If changes in the economic environment or actual experience would cause material revisions to future estimates, AFG will unlock assumptions in an interim quarter. Due to continued higher FIA option costs (resulting primarily from higher than expected risk-free interest rates), AFG unlocked its assumptions for option costs and interest rates in the second quarter of 2018, resulting in a net charge to earnings of $27 million, as shown in the table above. AFG will continue its practice of conducting detailed reviews of its assumptions (including option costs and interest rates) in the fourth quarter each year, including 2018.

Craig Lindner commented, "The unlocking charge reflects the higher FIA option costs that we mentioned last quarter. We now believe these higher costs are not temporary and believe it is appropriate to unlock our assumptions in the second quarter. The unlocking charge takes into account the negative impact of higher option costs, partially offset by higher reinvestment rates. In addition, we have started adjusting FIA renewal caps to help mitigate the higher option costs; these actual and expected cap decreases were used in calculating the unlocking charge."

Annuity Premiums – AFG's Annuity Segment reported statutory premiums of $1.4 billion in the second quarter of 2018, compared to $1.3 billion in the second quarter of 2017. Significantly higher premiums in the Retail and Broker-Dealer channels were partially offset by lower premiums in the Financial Institutions channel.

Craig Lindner stated, "We are pleased with the $1.4 billion of premiums in the second quarter, which represents a quarterly record. We continue to earn our targeted returns despite volatile interest rates. Production in the Retail and Broker-Dealer markets was particularly strong due to the launch of several new products, in addition to an improving interest rate environment in the first half of 2018. Our indirect bank channel premiums have softened due to certain competitors offering significantly higher crediting rates."

Craig Lindner added, "Based on our sales year-to-date, we continue to expect that our 2018 full year annuity premiums will be up 10% to 15% over the $4.3 billion reported in 2017, reflecting expected continued year over year improvement in the Retail and Broker-Dealer channels, as well as the launch of new products in 2018.

"In addition, as a result of the stronger than expected earnings in the first half of 2018, we are raising our estimate for 2018 pretax Annuity earnings. We now expect those earnings (including Fair Value accounting and the second quarter unlocking charge) to be in the range of $395 to $430 million, up from our original guidance of $385 to $425 million.

"These estimates assume (i) stock market increases of 1% per quarter, (ii) an increase in interest rates of 5 to 10 basis points between now and year end, (iii) normalized income on the Annuity Segment's investments, and (iv) FIA option costs remain in line with recent costs. Fluctuations in any of those items, as compared to our expectations, could lead to significant positive or negative impacts on the Annuity Segment's results."

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

Investments

Effective January 1, 2018, AFG adopted ASU 2016-01, which requires that all equity securities previously classified as “available for sale” be reported at fair value, with holding gains and losses recognized in net earnings, instead of accumulated other comprehensive income (AOCI). AFG recorded second quarter 2018 net realized gains on securities of $25 million ($0.27 per share) after tax and after deferred acquisition costs (DAC), which included $15 million ($0.16 per share) in after-tax, after-DAC net gains to adjust equity securities that the Company continued to own, to fair value. By comparison, AFG recorded net realized gains of $5 million in the comparable 2017 period. The impact to our income statement will vary depending upon the level of volatility in the performance of the securities held in our equity portfolio and the overall market.

Unrealized gains on fixed maturities were $191 million after tax and after DAC at June 30, 2018, a decrease of $428 million since year-end. Our portfolio continues to be high quality, with 90% of our fixed maturity portfolio rated investment grade and 98% with a National Association of Insurance Commissioners’ designation of NAIC 1or 2, its highest two categories.

For the six months ended June 30, 2018, P&C net investment income was approximately 18% higher than the comparable 2017 period, and included unusually high returns on certain private equity and limited partnership investments.

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

About American Financial Group, Inc.

American Financial Group is an insurance holding company, based in Cincinnati, Ohio with assets of approximately $60 billion. Through the operations of Great American Insurance Group, AFG is engaged primarily in property and casualty insurance, focusing on specialized commercial products for businesses, and in the sale of traditional fixed, fixed-indexed and variable-indexed annuities in the retail, financial institutions, registered investment advisor 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, including FIA option costs; new legislation or declines in credit quality or credit ratings that could have a material impact on the valuation of securities in AFG's investment portfolio; the availability of capital; regulatory actions (including changes in statutory accounting rules); changes in the legal environment affecting AFG or its customers; tax law and accounting changes; levels of natural catastrophes and severe weather, terrorist activities (including any nuclear, biological, chemical or radiological events), incidents of war or losses resulting from civil unrest and other major losses; development of insurance loss reserves and establishment of other reserves, particularly with respect to amounts associated with asbestos and environmental claims; availability of reinsurance and ability of reinsurers to pay their obligations; trends in persistency and mortality; competitive pressures; the ability to obtain adequate rates and policy terms; changes in AFG's credit ratings or the financial strength ratings assigned by major ratings agencies to AFG's operating subsidiaries; the impact of the conditions in the international financial markets and the global economy (including those associated with the United Kingdom's expected withdrawal from the European Union, or "Brexit") relating to AFG's international operations; and other factors identified in AFG's filings with the Securities and Exchange Commission.

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

Conference Call

The Company will hold a conference call to discuss 2018 second quarter results at 11:30 a.m. (ET) tomorrow, Thursday, August 2, 2018. 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 4674986. 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 August 9, 2018. To listen to the replay, dial 1-855-859-2056 (international dial-in 404-537-3406) and provide the conference ID 4674986.

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

An archived webcast will be available immediately after the call via the same link on our website until August 9, 2018 at 11:59 p.m. (ET). An archived audio MP3 file will be available within 24 hours of the call.

Contact:
Diane P. Weidner, IRC
Assistant 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.

AFG18-11

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Revenues				
P&C insurance net earned premiums	$1,161	$1,065	$2,268	$2,087
Life, accident & health net earned premiums	6	5	12	11
Net investment income	530	460	1,025	895
Realized gains (losses) on securities	31	8	(62)	11
Income (loss) of managed investment entities:				
Investment income	64	50	122	101
Gain (loss) on change in fair value of assets/liabilities	(2)	11	(5)	11
Other income	43	47	92	106
Total revenues	1,833	1,646	3,452	3,222
Costs and expenses				
P&C insurance losses & expenses	1,093	1,001	2,115	1,949
Annuity, life, accident & health benefits & expenses	321	278	596	536
Interest charges on borrowed money	16	23	31	44
Expenses of managed investment entities	54	51	102	92
Other expenses	89	88	174	173
Total costs and expenses	1,573	1,441	3,018	2,794
Earnings before income taxes	260	205	434	428
Provision for income taxes(b)	52	60	85	128
Net earnings including noncontrolling interests	208	145	349	300
Less: Net earnings (losses) attributable to noncontrolling interests	(2)	—	(6)	2
Net earnings attributable to shareholders	$ 210	$ 145	$ 355	$ 298
Diluted Earnings per Common Share	$ 2.31	$ 1.61	$ 3.92	$ 3.32
Average number of diluted shares	90.7	89.8	90.5	89.6

Selected Balance Sheet Data:	June 30, 2018	December 31, 2017
Total cash and investments	$46,779	$ 46,048
Long-term debt	$ 1,301	$ 1,301
Shareholders’ equity(c)	$ 5,084	$ 5,330
Shareholders’ equity (excluding unrealized gains/losses related to fixed maturities)(c)	$ 4,920	$ 4,724
Book value per share	$ 57.08	$ 60.38
Book value per share (excluding unrealized gains/losses related to fixed maturities	$ 55.24	$ 53.51
Common Shares Outstanding	89.1	88.3

Footnotes (b) and (c) 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 June 30, 2018	Three months ended June 30, 2017	Pct. Change	Six months ended June 30, 2018	Six months ended June 30, 2017	Pct. Change
Gross written premiums	$1,665	$1,503	11%	$3,123	$2,827	10%
Net written premiums	$1,257	$1,130	11%	$2,359	$2,157	9%
Ratios (GAAP):						
Loss & LAE ratio	59.7%	59.5%		58.8%	59.5%	
Underwriting expense ratio	34.0%	33.7%		34.0%	33.2%	
Specialty Combined Ratio	93.7%	93.2%		92.8%	92.7%	
Combined Ratio – P&C Segment	93.7%	93.4%		92.8%	92.8%	
Supplemental Information:(d)						
Gross Written Premiums:						
Property & Transportation	$ 615	$ 573	7%	$1,041	$ 989	5%
Specialty Casualty	858	756	13%	1,711	1,500	14%
Specialty Financial	192	174	10%	371	338	10%
	$1,665	$1,503	11%	$3,123	$2,827	10%
Net Written Premiums:						
Property & Transportation	$ 422	$ 393	7%	$ 746	$ 717	4%
Specialty Casualty	639	561	14%	1,233	1,101	12%
Specialty Financial	159	149	7%	307	290	6%
Other	37	27	37%	73	49	49%
	$1,257	$1,130	11%	$2,359	$2,157	9%
Combined Ratio (GAAP):						
Property & Transportation	93.9%	94.2%		92.2%	90.7%	
Specialty Casualty	95.1%	94.7%		94.0%	95.8%	
Specialty Financial	85.6%	84.4%		87.9%	84.8%	
Aggregate Specialty Group	93.7%	93.2%		92.8%	92.7%	

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Reserve Development (Favorable)/Adverse:				
Property & Transportation	$ (21)	$ (11)	$ (39)	$ (28)
Specialty Casualty	(15)	(5)	(50)	(11)
Specialty Financial	(8)	(8)	(11)	(17)
Other Specialty	(1)	1	(2)	4
Total Specialty Reserve Development	$ (45)	$ (23)	$ (102)	$ (52)
Points on Combined Ratio:				
Property & Transportation	(5.6)	(3.1)	(5.4)	(4.0)
Specialty Casualty	(2.5)	(0.9)	(4.2)	(1.0)
Specialty Financial	(5.4)	(5.4)	(3.6)	(5.8)
Aggregate Specialty Group	(3.9)	(2.2)	(4.5)	(2.5)

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

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

Components of Statutory Premiums

	Three months ended June 30, 2018	Three months ended June 30, 2017	Pct. Change	Six months ended June 30, 2018	Six months ended June 30, 2017	Pct. Change
Annuity Premiums:						
Financial Institutions	$ 579	$ 715	(19%)	$1,097	$1,464	(25%)
Retail	401	284	41%	719	569	26%
Broker-Dealer	359	212	69%	621	416	49%
Education Market	54	47	15%	100	92	9%
Variable Annuities	6	8	(25%)	13	15	(13%)
Total Annuity Premiums	$1,399	$ 1,266	11%	$2,547	$2,556	—

Components of Annuity Earnings Before Income Taxes

	Three months ended June 30, 2018	Three months ended June 30, 2017	Pct. Change	Six months ended June 30, 2018	Six months ended June 30, 2017	Pct. Change
Revenues:						
Net investment income	$ 412	$ 360	14%	$ 806	$ 707	14%
Other income	27	26	4%	53	53	—
Total revenues	439	386	14%	859	760	13%
Costs and Expenses:						
Annuity benefits	260	224	16%	442	420	5%
Acquisition expenses	49	47	4%	130	99	31%
Other expenses	31	30	3%	63	60	5%
Total costs and expenses	340	301	13%	635	579	10%
Annuity earnings before income taxes	$ 99	$ 85	16%	$ 224	$ 181	24%

Supplemental Annuity Information

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Net interest spread*	2.81%	2.61%	2.78%	2.59%
Net spread earned before impact of fair value accounting for FIAs and unlocking*	1.46%	1.32%	1.43%	1.31%
Impact of fair value accounting for FIAs	0.04%	(0.21%)	0.09%	(0.12%)
Unlocking	(0.32%)	—	(0.16%)	—
Net spread earned after impact of fair value accounting for FIAs and unlocking*	1.18%	1.11%	1.36%	1.19%

* 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 June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Core Operating Earnings before Income Taxes:				
P&C insurance segment	$ 180	$ 163	$ 368	$ 332
Annuity segment, before fair value accounting for FIAs and unlocking	123	101	235	199
Impact of fair value accounting for FIAs	3	(16)	16	(18)
Annuity Unlocking	(27)	—	(27)	—
Interest and other corporate expenses*	(48)	(44)	(90)	(91)
Core operating earnings before income taxes	231	204	502	422
Related income taxes	46	59	98	126
Core net operating earnings	$ 185	$ 145	$ 404	$ 296

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

b) Excluding the significant tax benefit related to stock-based compensation, AFG's effective tax rate for the quarter and six months ended June 30, 2017 was 32% and 33%, respectively.

c) Shareholders' Equity at June 30, 2018 includes $191 million ($2.14 per share) in unrealized after-tax gains on fixed maturities and $27 million ($0.30 per share) in unrealized after-tax losses on fixed maturity-related cash flow hedges. Shareholders' Equity at December 31, 2017 includes $619 million ($7.01 per share) in unrealized after-tax gains on fixed maturities and $13 million ($0.14 per share) in unrealized after-tax losses on fixed maturity-related cash flow hedges.

d) Supplemental Notes:

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

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

August 1, 2018

American Financial Group, Inc.
Corporate Headquarters
Great American Insurance Group Tower
301 E Fourth Street
Cincinnati, OH 45202
513 579 6739

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

	Three Months Ended					Six Months Ended	
	6/30/18	3/31/18	12/31/17	09/30/17	06/30/17	06/30/18	06/30/17
Highlights							
Net earnings	$ 210	$ 145	$ 166	$ 11	$ 145	$ 355	$ 298
Core net operating earnings	185	219	197	95	145	404	296
Total assets	61,834	60,656	60,658	60,163	58,618	61,834	58,618
Adjusted shareholders' equity (a)	4,920	4,865	4,724	4,852	4,837	4,920	4,837
Property and Casualty net written premiums	1,257	1,102	1,161	1,433	1,130	2,359	2,157
Annuity statutory premiums	1,399	1,148	909	876	1,266	2,547	2,556
Per share data							
Diluted earnings per share	$ 2.31	$ 1.60	$ 1.84	$ 0.13	$ 1.61	$ 3.92	$ 3.32
Core net operating earnings per share	2.04	2.42	2.20	1.06	1.61	4.46	3.29
Adjusted book value per share (a)	55.24	54.74	53.51	55.08	54.97	55.24	54.97
Cash dividends per common share	1.8500	0.3500	2.3500	0.3125	1.8125	2.2000	2.1250
Financial ratios							
Annualized return on equity (b)	17.1%	12.3%	14.4%	1.0%	12.3%	14.8%	12.8%
Annualized core operating return on equity (b)	15.1%	18.6%	17.2%	8.1%	12.3%	16.9%	12.7%
Property and Casualty combined ratio - Specialty:							
Loss & LAE ratio	59.7%	57.8%	59.8%	71.4%	59.5%	58.8%	59.5%
Underwriting expense ratio	34.0%	33.9%	27.5%	27.9%	33.7%	34.0%	33.2%
Combined ratio - Specialty	93.7%	91.7%	87.3%	99.3%	93.2%	92.8%	92.7%
Net spread on fixed annuities:							
Net interest spread	2.81%	2.75%	2.62%	2.69%	2.61%	2.78%	2.59%
Net spread earned:							
Before impact of fair value accounting and unlockings	1.46%	1.38%	1.40%	1.36%	1.32%	1.43%	1.31%
Impact of fair value accounting (c)	0.04%	0.16%	(0.13%)	(0.05%)	(0.21%)	0.09%	(0.12%)
Unlockings	(0.32%)	0.00%	(0.06%)	0.00%	0.00%	(0.16%)	0.00%
After impact of fair value accounting and unlockings	1.18%	1.54%	1.21%	1.31%	1.11%	1.36%	1.19%

(a) Excludes unrealized gains related to fixed maturity investments, a reconciliation to the GAAP measure is on page 19.
(b) Excludes accumulated other comprehensive income.
(c) Change in fair value of derivatives offset by the estimated related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs.

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

	Three Months Ended					Six Months Ended	
	06/30/18	3/31/18	12/31/17	09/30/17	06/30/17	06/30/18	06/30/17
Property and Casualty Insurance							
Underwriting profit	$ 72	$ 91	$ 155	$ 8	$ 72	$ 163	$ 150
Net investment income	115	100	86	94	96	215	182
Other income (expense)	(7)	(3)	(8)	(7)	(5)	(10)	—
Property and Casualty Insurance operating earnings	180	188	233	95	163	368	332
Annuity earnings	99	125	97	102	85	224	181
Interest expense of parent holding companies	(16)	(15)	(20)	(21)	(23)	(31)	(44)
Other expense	(32)	(27)	(27)	(18)	(21)	(59)	(47)
Pre-tax core operating earnings	231	271	283	158	204	502	422
Income tax expense	46	52	86	63	59	98	126
Core net operating earnings	**185**	**219**	**197**	**95**	**145**	**404**	**296**
Non-core items, net of tax:							
Realized gains (losses) on securities	25	(74)	4	(8)	5	(49)	7
Special A&E charges:							
Property and Casualty Insurance run-off operations	—	—	—	(58)	—	—	—
Former Railroad and Manufacturing operations	—	—	—	(16)	—	—	—
Neon exited lines charge	—	—	18	—	—	—	—
Tax benefit related to Neon restructuring	—	—	56	—	—	—	—
Tax expense related to change in U.S. corporate tax rate	—	—	(83)	—	—	—	—
Loss on retirement of debt	—	—	(26)	(2)	(5)	—	(5)
Net earnings	**$ 210**	**$ 145**	**$ 166**	**$ 11**	**$ 145**	**$ 355**	**$ 298**

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

	Three Months Ended					Six Months Ended	
	6/30/18	3/31/18	12/31/17	09/30/17	06/30/17	06/30/18	06/30/17
Core net operating earnings	**$ 185**	**$ 219**	**$ 197**	**$ 95**	**$ 145**	**$ 404**	**$ 296**
Net earnings	**$ 210**	**$ 145**	**$ 166**	**$ 11**	**$ 145**	**$ 355**	**$ 298**
Average number of diluted shares	90.663	90.431	90.109	89.984	89.799	90.549	89.572
Diluted earnings per share:							
Core net operating earnings per share	**$ 2.04**	**$ 2.42**	**$ 2.20**	**$ 1.06**	**$ 1.61**	**$ 4.46**	**$ 3.29**
Realized gains (losses) on securities	0.27	(0.82)	0.04	(0.08)	0.05	(0.54)	0.08
Special A&E charges:							
Property and Casualty Insurance run-off operations	—	—	—	(0.64)	—	—	—
Former Railroad and Manufacturing operations	—	—	—	(0.18)	—	—	—
Neon exited lines charge	—	—	0.19	—	—	—	—
Tax benefit related to Neon restructuring	—	—	0.62	—	—	—	—
Tax expense related to change in U.S. corporate tax rate	—	—	(0.92)	—	—	—	—
Loss on retirement of debt	—	—	(0.29)	(0.03)	(0.05)	—	(0.05)
Diluted earnings per share	**$ 2.31**	**$ 1.60**	**$ 1.84**	**$ 0.13**	**$ 1.61**	**$ 3.92**	**$ 3.32**

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

	Three Months Ended					Six Months Ended	
	6/30/18	3/31/18	12/31/17	09/30/17	06/30/17	06/30/18	06/30/17
Property and Transportation	$ 23	$ 33	$ 84	$ 6	$ 21	$ 56	$ 64
Specialty Casualty	29	41	58	2	29	70	44
Specialty Financial	22	15	19	(3)	23	37	45
Other Specialty	(1)	3	(5)	4	—	2	(1)
Underwriting profit - Specialty	**73**	**92**	**156**	**9**	**73**	**165**	**152**
Other core charges, included in loss and LAE	1	1	1	1	1	2	2
Underwriting profit - Core	**72**	**91**	**155**	**8**	**72**	**163**	**150**
Special A&E charges, included in loss and LAE	—	—	—	(89)	—	—	—
Neon exited lines charge, included in loss and LAE	—	—	18	—	—	—	—
Neon exited lines charge, included in underwriting expenses	—	—	—	—	—	—	—
Underwriting profit (loss) - Property and Casualty Insurance	**$ 72**	**$ 91**	**$ 173**	**$ (81)**	**$ 72**	**$ 163**	**$ 150**
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	$ —	$ —	$ 4	$ 6	$ —	$ —	$ —
Catastrophe loss	16	13	8	107	18	29	25
Total current accident year catastrophe losses	$ 16	$ 13	$ 12	$ 113	$ 18	$ 29	$ 25
Prior year loss reserve development (favorable) / adverse	$ (44)	$ (56)	$ (66)	$ 52	$ (22)	$ (100)	$ (50)
Combined ratio:							
Property and Transportation	93.9%	90.4%	82.6%	98.9%	94.2%	92.2%	90.7%
Specialty Casualty	95.1%	92.9%	90.0%	99.5%	94.7%	94.0%	95.8%
Specialty Financial	85.6%	90.2%	86.2%	102.2%	84.4%	87.9%	84.8%
Other Specialty	105.5%	90.7%	123.0%	85.1%	98.3%	98.7%	102.0%
Combined ratio - Specialty	**93.7%**	**91.7%**	**87.3%**	**99.3%**	**93.2%**	**92.8%**	**92.7%**
Other core charges	0.0%	0.1%	0.1%	0.1%	0.2%	0.0%	0.1%
Neon exited lines charge, loss and LAE	0.0%	0.0%	(1.4%)	0.0%	0.0%	0.0%	0.0%
Neon exited lines charge, underwriting expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Special A&E charges	0.0%	0.0%	0.0%	7.0%	0.0%	0.0%	0.0%
Combined ratio	**93.7%**	**91.8%**	**86.0%**	**106.4%**	**93.4%**	**92.8%**	**92.8%**
Combined ratio excl. catastrophe and prior year development	96.2%	95.6%	90.8%	93.8%	93.7%	96.0%	94.0%
Loss and LAE components - property and casualty insurance							
Current accident year, excluding catastrophe loss	62.2%	61.7%	63.3%	65.9%	60.0%	62.0%	60.8%
Prior accident year loss reserve development	(3.9%)	(5.0%)	(5.4%)	4.2%	(2.0%)	(4.5%)	(2.4%)
Current accident year catastrophe loss	1.4%	1.2%	0.6%	8.4%	1.7%	1.3%	1.2%
Loss and LAE ratio	**59.7%**	**57.9%**	**58.5%**	**78.5%**	**59.7%**	**58.8%**	**59.6%**

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

	Three Months Ended					Six Months Ended	
	6/30/18	3/31/18	12/31/17	09/30/17	06/30/17	06/30/18	06/30/17
Gross written premiums	$1,665	$1,458	$1,571	$2,104	$1,503	$3,123	$2,827
Ceded reinsurance premiums	(408)	(356)	(410)	(671)	(373)	(764)	(670)
Net written premiums	1,257	1,102	1,161	1,433	1,130	2,359	2,157
Change in unearned premiums	(96)	5	64	(166)	(65)	(91)	(70)
Net earned premiums	1,161	1,107	1,225	1,267	1,065	2,268	2,087
Loss and LAE	692	640	733	905	634	1,332	1,242
Underwriting expense	396	375	336	353	358	771	693
Underwriting profit	**$ 73**	**$ 92**	**$ 156**	**$ 9**	**$ 73**	**$ 165**	**$ 152**
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	$ —	$ —	$ 4	$ 6	$ —	$ —	$ —
Catastrophe loss	16	13	8	107	18	29	25
Total current accident year catastrophe losses	$ 16	$ 13	$ 12	$ 113	$ 18	$ 29	$ 25
Prior year loss reserve development (favorable) / adverse	$ (45)	$ (57)	$ (49)	$ (38)	$ (23)	$ (102)	$ (52)
Combined ratio:							
Loss and LAE ratio	59.7%	57.8%	59.8%	71.4%	59.5%	58.8%	59.5%
Underwriting expense ratio	34.0%	33.9%	27.5%	27.9%	33.7%	34.0%	33.2%
Combined ratio	**93.7%**	**91.7%**	**87.3%**	**99.3%**	**93.2%**	**92.8%**	**92.7%**
Combined ratio excl. catastrophe and prior year development	96.2%	95.6%	90.8%	93.8%	93.7%	96.0%	94.0%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	62.2%	61.7%	63.3%	65.9%	60.0%	62.0%	60.8%
Prior accident year loss reserve development	(3.9%)	(5.1%)	(4.1%)	(2.9%)	(2.2%)	(4.5%)	(2.5%)
Current accident year catastrophe loss	1.4%	1.2%	0.6%	8.4%	1.7%	1.3%	1.2%
Loss and LAE ratio	**59.7%**	**57.8%**	**59.8%**	**71.4%**	**59.5%**	**58.8%**	**59.5%**

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

	Three Months Ended					Six Months Ended	
	6/30/18	**3/31/18**	**12/31/17**	**09/30/17**	**06/30/17**	**06/30/18**	**06/30/17**
Gross written premiums	$ 615	$ 426	$ 626	$1,073	$ 573	$1,041	$ 989
Ceded reinsurance premiums	(193)	(102)	(202)	(449)	(180)	(295)	(272)
Net written premiums	422	324	424	624	393	746	717
Change in unearned premiums	(48)	26	61	(97)	(36)	(22)	(18)
Net earned premiums	374	350	485	527	357	724	699
Loss and LAE	239	220	325	407	232	459	440
Underwriting expense	112	97	76	114	104	209	195
Underwriting profit	**$ 23**	**$ 33**	**$ 84**	**$ 6**	**$ 21**	**$ 56**	**$ 64**
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	$ —	$ —	$ —	$ 2	$ —	$ —	$ —
Catastrophe loss	10	5	(3)	23	11	15	16
Total current accident year catastrophe losses	$ 10	$ 5	$ (3)	$ 25	$ 11	$ 15	$ 16
Prior year loss reserve development (favorable) / adverse	$ (21)	$ (18)	$ (4)	$ (8)	$ (11)	$ (39)	$ (28)
Combined ratio:							
Loss and LAE ratio	63.8%	63.0%	67.1%	77.3%	64.9%	63.4%	62.8%
Underwriting expense ratio	30.1%	27.4%	15.5%	21.6%	29.3%	28.8%	27.9%
Combined ratio	**93.9%**	**90.4%**	**82.6%**	**98.9%**	**94.2%**	**92.2%**	**90.7%**
Combined ratio excl. catastrophe and prior year development	96.8%	94.1%	84.0%	96.0%	94.3%	95.5%	92.5%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	66.7%	66.7%	68.5%	74.4%	65.0%	66.7%	64.6%
Prior accident year loss reserve development	(5.6%)	(5.1%)	(0.8%)	(1.5%)	(3.1%)	(5.4%)	(4.0%)
Current accident year catastrophe loss	2.7%	1.4%	(0.6%)	4.4%	3.0%	2.1%	2.2%
Loss and LAE ratio	**63.8%**	**63.0%**	**67.1%**	**77.3%**	**64.9%**	**63.4%**	**62.8%**

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

	Three Months Ended					Six Months Ended	
	6/30/18	3/31/18	12/31/17	09/30/17	06/30/17	06/30/18	06/30/17
Gross written premiums	$ 858	853	$ 737	$ 850	$ 756	$ 1,711	$ 1,500
Ceded reinsurance premiums	(219)	(259)	(182)	(226)	(195)	(478)	(399)
Net written premiums	639	594	555	624	561	1,233	1,101
Change in unearned premiums	(44)	(15)	18	(56)	(24)	(59)	(56)
Net earned premiums	595	579	573	568	537	1,174	1,045
Loss and LAE	378	345	338	402	339	723	670
Underwriting expense	188	193	177	164	169	381	331
Underwriting profit	**$ 29**	**$ 41**	**$ 58**	**$ 2**	**$ 29**	**$ 70**	**$ 44**
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	$ —	$ —	$ 4	$ 2	$ —	$ —	$ —
Catastrophe loss	1	5	14	54	2	6	3
Total current accident year catastrophe losses	$ 1	$ 5	$ 18	$ 56	$ 2	$ 6	$ 3
Prior year loss reserve development (favorable) / adverse	$ (15)	$ (35)	$ (52)	$ (23)	$ (5)	$ (50)	$ (11)
Combined ratio:							
Loss and LAE ratio	63.4%	59.5%	59.1%	70.7%	63.1%	61.5%	64.1%
Underwriting expense ratio	31.7%	33.4%	30.9%	28.8%	31.6%	32.5%	31.7%
Combined ratio	**95.1%**	**92.9%**	**90.0%**	**99.5%**	**94.7%**	**94.0%**	**95.8%**
Combined ratio excl. catastrophe and prior year development	97.5%	97.9%	96.7%	94.0%	95.2%	97.7%	96.5%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	65.8%	64.5%	65.8%	65.2%	63.6%	65.2%	64.8%
Prior accident year loss reserve development	(2.5%)	(6.0%)	(9.2%)	(4.0%)	(0.9%)	(4.2%)	(1.0%)
Current accident year catastrophe loss	0.1%	1.0%	2.5%	9.5%	0.4%	0.5%	0.3%
Loss and LAE ratio	**63.4%**	**59.5%**	**59.1%**	**70.7%**	**63.1%**	**61.5%**	**64.1%**

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

	Three Months Ended					Six Months Ended	
	6/30/18	3/31/18	12/31/17	09/30/17	06/30/17	06/30/18	06/30/17
Gross written premiums	$ 192	179	$ 208	$ 181	$ 174	$ 371	$ 338
Ceded reinsurance premiums	(33)	(31)	(52)	(31)	(25)	(64)	(48)
Net written premiums	159	148	156	150	149	307	290
Change in unearned premiums	—	1	(15)	(8)	(3)	1	3
Net earned premiums	159	149	141	142	146	308	293
Loss and LAE	54	60	47	79	49	114	101
Underwriting expense	83	74	75	66	74	157	147
Underwriting profit (loss)	**$ 22**	**$ 15**	**$ 19**	**$ (3)**	**$ 23**	**$ 37**	**$ 45**
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	$ —	$ —	$ —	$ 2	$ —	$ —	$ —
Catastrophe loss	3	3	(5)	29	5	6	6
Total current accident year catastrophe losses	$ 3	$ 3	$ (5)	$ 31	$ 5	$ 6	$ 6
Prior year loss reserve development (favorable) / adverse	$ (8)	$ (3)	$ 1	$ (5)	$ (8)	$ (11)	$ (17)
Combined ratio:							
Loss and LAE ratio	33.9%	40.2%	33.1%	56.0%	33.1%	37.0%	34.4%
Underwriting expense ratio	51.7%	50.0%	53.1%	46.2%	51.3%	50.9%	50.4%
Combined ratio	**85.6%**	**90.2%**	**86.2%**	**102.2%**	**84.4%**	**87.9%**	**84.8%**
Combined ratio excl. catastrophe and prior year development	89.0%	90.2%	89.1%	84.9%	86.5%	89.6%	88.6%
Loss and LAE components:							
Current accident year, excluding catastrophe loss	37.3%	40.2%	36.0%	38.7%	35.2%	38.7%	38.2%
Prior accident year loss reserve development	(5.4%)	(1.8%)	0.8%	(3.1%)	(5.4%)	(3.6%)	(5.8%)
Current accident year catastrophe loss	2.0%	1.8%	(3.7%)	20.4%	3.3%	1.9%	2.0%
Loss and LAE ratio	**33.9%**	**40.2%**	**33.1%**	**56.0%**	**33.1%**	**37.0%**	**34.4%**

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

	Three Months Ended					Six Months Ended	
	6/30/18	3/31/18	12/31/17	09/30/17	06/30/17	06/30/18	06/30/17
Gross written premiums	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Ceded reinsurance premiums	37	36	26	35	27	73	49
Net written premiums	37	36	26	35	27	73	49
Change in unearned premiums	(4)	(7)	—	(5)	(2)	(11)	1
Net earned premiums	33	29	26	30	25	62	50
Loss and LAE	21	15	23	17	14	36	31
Underwriting expense	13	11	8	9	11	24	20
Underwriting profit (loss)	**$ (1)**	**$ 3**	**$ (5)**	**$ 4**	**$ —**	**$ 2**	**$ (1)**
Included in results above:							
Current accident year catastrophe losses:							
Catastrophe reinstatement premium	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Catastrophe loss	2	—	2	1	—	2	—
Total current accident year catastrophe losses	$ 2	$ —	$ 2	$ 1	$ —	$ 2	$ —
Prior year loss reserve development (favorable) / adverse	$ (1)	$ (1)	$ 6	$ (2)	$ 1	$ (2)	$ 4
Combined ratio:							
Loss and LAE ratio	68.7%	51.3%	86.2%	52.6%	62.0%	60.7%	64.9%
Underwriting expense ratio	36.8%	39.4%	36.8%	32.5%	36.3%	38.0%	37.1%
Combined ratio	**105.5%**	**90.7%**	**123.0%**	**85.1%**	**98.3%**	**98.7%**	**102.0%**
Combined ratio excl. catastrophe and prior year development	99.6%	96.6%	94.5%	90.4%	93.5%	98.2%	93.5%

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

	Three Months Ended					Six Months Ended	
	6/30/18	**3/31/18**	**12/31/17**	**09/30/17**	**06/30/17**	**06/30/18**	**06/30/17**
Net investment income	$ 412	$ 394	$ 376	$ 375	$ 360	$ 806	$ 707
Guaranteed withdrawal benefit fees	16	16	17	15	14	32	28
Policy charges and other miscellaneous income	11	10	7	11	12	21	25
Total revenues	439	420	400	401	386	859	760
Annuity benefits	260	182	257	215	224	442	420
Acquisition expenses	49	81	15	54	47	130	99
Other expenses	31	32	31	30	30	63	60
Total costs and expenses	340	295	303	299	301	635	579
Annuity earnings before income taxes	**$ 99**	**$ 125**	**$ 97**	**$ 102**	**$ 85**	**$ 224**	**$ 181**
Detail of Annuity earnings before income taxes							
Earnings before income taxes, impact of fair value accounting and unlockings	$ 123	$ 112	$ 111	$ 106	$ 101	$ 235	$ 199
Impact of fair value accounting (a)	3	13	(11)	(4)	(16)	16	(18)
Unlockings	(27)	—	(3)	—	—	(27)	—
Earnings before income taxes	**$ 99**	**$ 125**	**$ 97**	**$ 102**	**$ 85**	**$ 224**	**$ 181**

(a) Changes in fair value of derivatives, offset by an estimate of the related acceleration/deceleration of the amortization of deferred policy acquistion costs and the deferred
sales inducements, were as follows:

Interest on Embedded Derivative liability	$ (8)	$ (7)	$ (5)	$ (4)	$ (4)	$ (15)	$ (7)
Impact of changes in interest rates higher (lower) than expected	12	27	(12)	(10)	(17)	39	(28)
Change in markets (1)	6	(2)	9	6	5	4	14
Renewal option purchases lower (higher) than expected	(3)	(4)	—	1	1	(7)	3
Other (2)	(4)	(1)	(3)	3	(1)	(5)	—
Impact of Fair Value accounting, as reported	**$ 3**	**$ 13**	**$ (11)**	**$ (4)**	**$ (16)**	**$ 16**	**$ (18)**
Embedded Derivative liability balance at end of period	$2,776	$2,549	$2,542	$2,293	$2,129	$2,776	$2,129

(1) Reflects impact of changes in stock market, incuding volatility
(2) Includes impact of actual vs. expected lapse activity

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

	Three Months Ended					Six Months Ended	
	6/30/18	3/31/18	12/31/17	09/30/17	06/30/17	06/30/18	06/30/17
Detail of annuity benefits expense:							
Interest credited - fixed	$ 173	$ 166	$ 164	$ 160	$ 157	$ 339	$ 309
Interest credited - fixed component of variable annuities	2	1	1	1	2	3	3
Change in expected death and annuitization reserve	4	4	5	5	4	8	8
Amortization of sales inducements	5	5	5	4	4	10	10
Guaranteed withdrawal benefit reserve	19	23	16	18	17	42	33
Change in other benefit reserves	11	8	9	16	9	19	20
Unlockings (a)	54	—	35	—	—	54	—
Subtotal before impact of fair value accounting	268	207	235	204	193	475	383
Embedded derivative mark-to-market (b)	82	(63)	178	127	112	19	259
Equity option mark-to-market	(90)	38	(156)	(116)	(81)	(52)	(222)
Subtotal impact of fair value accounting	(8)	(25)	22	11	31	(33)	37
Total annuity benefits expense	**$ 260**	**$ 182**	**$ 257**	**$ 215**	**$ 224**	**$ 442**	**$ 420**

(a) Includes unlockings for fixed indexed annuity embedded derivative reserves, sales inducement asset and other reserves. Does not include unlocking income of $27 million in 2018 and $32 million in 2017 for deferred policy acquisition costs and unearned revenue reserves. These unlockings are included in acquisition expenses and other income. In total, AFG recorded an unlocking expense of $27 million in Q2 2018 and $3 million in Q4 2017.

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

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

	Three Months Ended					Six Months Ended	
	6/30/18	**3/31/18**	**12/31/17**	**09/30/17**	**06/30/17**	**06/30/18**	**06/30/17**
Average fixed annuity investments (at amortized cost) (a)	$33,935	$33,002	$32,245	$31,713	$30,988	$33,469	$30,522
Average annuity benefits accumulated	34,165	33,329	32,680	32,029	31,212	33,747	30,698
Annuity benefits accumulated in excess of investments (a)	$ (230)	$ (327)	$ (435)	$ (316)	$ (224)	$ (278)	$ (176)
As % of average annuity benefits accumulated (except as noted)							
Net investment income (as % of investments)	4.83%	4.74%	4.62%	4.70%	4.62%	4.79%	4.60%
Interest credited	(2.02%)	(1.99%)	(2.00%)	(2.01%)	(2.01%)	(2.01%)	(2.01%)
Net interest spread on fixed annuities	**2.81%**	**2.75%**	**2.62%**	**2.69%**	**2.61%**	**2.78%**	**2.59%**
Policy charges and other miscellaneous income	0.10%	0.10%	0.10%	0.10%	0.12%	0.10%	0.13%
Other annuity benefit expenses, net	(0.27%)	(0.29%)	(0.21%)	(0.33%)	(0.27%)	(0.28%)	(0.29%)
Acquisition expenses	(0.89%)	(0.94%)	(0.60%)	(0.65%)	(0.58%)	(0.91%)	(0.62%)
Other expenses	(0.35%)	(0.38%)	(0.37%)	(0.36%)	(0.38%)	(0.36%)	(0.38%)
Change in fair value of derivatives	0.10%	0.30%	(0.27%)	(0.14%)	(0.39%)	0.19%	(0.24%)
Unlockings	(0.32%)	0.00%	(0.06%)	0.00%	0.00%	(0.16%)	0.00%
Net spread earned on fixed annuities	**1.18%**	**1.54%**	**1.21%**	**1.31%**	**1.11%**	**1.36%**	**1.19%**
Average annuity benefits accumulated	$34,165	$33,329	$32,680	$32,029	$31,212	$33,747	$30,698
Net spread earned on fixed annuities	1.18%	1.54%	1.21%	1.31%	1.11%	1.36%	1.19%
Earnings on fixed annuity benefits accumulated	**$ 101**	**$ 128**	**$ 99**	**$ 105**	**$ 87**	**$ 229**	**$ 183**
Annuity benefits accumulated in excess of investments	$ (230)	$ (327)	$ (435)	$ (316)	$ (224)	$ (278)	$ (176)
Net investment income (as % of investments)	4.83%	4.74%	4.62%	4.70%	4.62%	4.79%	4.60%
Earnings (loss) on annuity benefits accumulated in excess of investments	**$ (3)**	**$ (4)**	**$ (5)**	**$ (4)**	**$ (3)**	**$ (7)**	**$ (4)**
Variable annuity earnings	**1**	**1**	**3**	**1**	**1**	**2**	**2**
Earnings before income taxes	**$ 99**	**$ 125**	**$ 97**	**$ 102**	**$ 85**	**$ 224**	**$ 181**
Detail of net spread earned on fixed annuities							
Net spread earned - before impact of fair value accounting and unlockings	1.46%	1.38%	1.40%	1.36%	1.32%	1.43%	1.31%
Change in fair value of derivatives	0.10%	0.30%	(0.27%)	(0.14%)	(0.39%)	0.19%	(0.24%)
Estimated net offsets to deferred sales inducements and deferred policy acquisition costs	(0.06%)	(0.14%)	0.14%	0.09%	0.18%	(0.10%)	0.12%
Unlockings	(0.32%)	0.00%	(0.06%)	0.00%	0.00%	(0.16%)	0.00%
Net spread earned - after impact of fair value accounting and unlockings	**1.18%**	**1.54%**	**1.21%**	**1.31%**	**1.11%**	**1.36%**	**1.19%**

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

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

	Three Months Ended					Six Months Ended	
	6/30/18	3/31/18	12/31/17	09/30/17	06/30/17	06/30/18	06/30/17
Retail single premium annuities - indexed	$ 378	$ 294	$ 239	$ 219	$ 265	$ 672	$ 532
Retail single premium annuities - fixed	23	21	21	18	19	44	37
Broker dealer single premium annuities - indexed	355	259	174	148	209	614	411
Broker dealer single premium annuities - fixed	4	3	1	1	3	7	5
Financial institutions single premium annuities - indexed	448	413	364	360	500	861	987
Financial institutions single premium annuities - fixed	131	105	63	82	215	236	477
Education market - fixed and indexed annuities	54	46	41	41	47	100	92
Subtotal fixed annuity premiums	**1,393**	**1,141**	**903**	**869**	**1,258**	**2,534**	**2,541**
Variable annuities	6	7	6	7	8	13	15
Total annuity premiums	**$1,399**	**$1,148**	**$ 909**	**$ 876**	**$1,266**	**$2,547**	**$2,556**
Summary by Distribution Channel:							
Total retail	$ 401	$ 315	$ 260	$ 237	$ 284	$ 716	$ 569
Total broker dealer	$ 359	$ 262	$ 175	$ 149	$ 212	$ 621	$ 416
Total financial institutions	$ 579	$ 518	$ 427	$ 442	$ 715	$1,097	$1,464
Summary by Product Type:							
Total indexed	$1,213	$ 992	$ 802	$ 746	$ 998	$2,205	$1,975
Total fixed	$ 180	$ 149	$ 101	$ 123	$ 260	$ 329	$ 566

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

	Three Months Ended					Six Months Ended	
	6/30/18	**3/31/18**	**12/31/17**	**09/30/17**	**06/30/17**	**06/30/18**	**06/30/17**
Beginning fixed annuity reserves	$33,652	$33,005	$32,354	$31,704	$30,719	$33,005	$29,647
Premiums	1,393	1,141	903	869	1,258	2,534	2,541
Federal Home Loan Bank (“FHLB”) advances (paydowns)	—	—	(64)	—	—	—	—
Surrenders, benefits and other withdrawals	(706)	(627)	(596)	(540)	(571)	(1,333)	(1,110)
Interest and other annuity benefit expenses:							
Interest credited	173	166	164	160	157	339	309
Embedded derivative mark-to-market	82	(63)	178	127	112	19	259
Change in other benefit reserves	29	30	25	34	29	59	58
Unlockings	55	—	41	—	—	55	—
Ending fixed annuity reserves	**$34,678**	**$33,652**	**$33,005**	**$32,354**	**$31,704**	**$34,678**	**$31,704**
Reconciliation to annuity benefits accumulated:							
Ending fixed annuity reserves	$34,678	$33,652	$33,005	$32,354	$31,704	$34,678	$31,704
Impact of unrealized investment gains on reserves	32	71	133	138	128	32	128
Fixed component of variable annuities	176	178	178	179	182	176	182
Annuity benefits accumulated per balance sheet	**$34,886**	**$33,901**	**$33,316**	**$32,671**	**$32,014**	**$34,886**	**$32,014**
Annualized surrenders and other withdrawals as a % of beginning reserves	8.4%	7.6%	7.4%	6.8%	7.4%	8.1%	7.5%

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

GMIR	6/30/18	3/31/18	12/31/17	9/30/17	6/30/17	3/31/17
1 - 1.99%	78%	77%	76%	75%	75%	73%
2 - 2.99%	4%	5%	5%	5%	5%	6%
3 - 3.99%	9%	9%	10%	10%	10%	11%
4.00% and above	9%	9%	9%	10%	10%	10%
Annuity Benefits Accumulated	$34,886	$33,901	$33,316	$32,671	$32,014	$31,002
Traditional Fixed and FIA Surrender Value (a) (b)	$26,502	$25,582	$25,138	$24,428	$23,925	$23,284
Ability to Lower Average Crediting Rates by (a) (c)	1.09%	1.00%	0.92%	0.88%	0.86%	0.82%
Pretax earnings impact of crediting guaranteed minimums (a) (assumes net DAC impact over time = $0)	$ 288	$ 255	$ 230	$ 216	$ 206	$ 191

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

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

	6/30/18	3/31/18	12/31/17	09/30/17	06/30/17	03/31/17
Assets:						
Total cash and investments	$46,779	$45,949	$46,048	$45,253	$44,779	$43,350
Recoverables from reinsurers	3,073	3,173	3,369	3,262	2,839	2,735
Prepaid reinsurance premiums	645	614	600	691	587	533
Agents' balances and premiums receivable	1,266	1,113	1,146	1,173	1,124	989
Deferred policy acquisition costs	1,582	1,417	1,216	1,119	1,156	1,205
Assets of managed investment entities	5,032	5,090	4,902	4,767	4,873	5,331
Other receivables	1,048	918	1,030	1,545	923	875
Variable annuity assets (separate accounts)	636	632	644	628	620	614
Other assets	1,574	1,551	1,504	1,526	1,518	1,633
Goodwill	199	199	199	199	199	199
Total assets	**$61,834**	**$60,656**	**$60,658**	**$60,163**	**$58,618**	**$57,464**
Liabilities and Equity:						
Unpaid losses and loss adjustment expenses	$ 9,093	$ 9,193	$ 9,678	$ 9,563	$ 8,730	$ 8,621
Unearned premiums	2,539	2,413	2,410	2,567	2,294	2,174
Annuity benefits accumulated	34,886	33,901	33,316	32,671	32,014	31,002
Life, accident and health reserves	647	656	658	667	676	687
Payable to reinsurers	721	661	743	906	681	621
Liabilities of managed investment entities	4,840	4,869	4,687	4,506	4,685	5,101
Long-term debt	1,301	1,301	1,301	1,284	1,405	1,283
Variable annuity liabilities (separate accounts)	636	632	644	628	620	614
Other liabilities	2,087	1,847	1,887	1,992	2,201	2,166
Total liabilities	**$56,750**	**$55,473**	**$55,324**	**$54,784**	**$53,306**	**$52,269**
Redeemable noncontrolling interests	$ —	$ —	$ 3	$ —	$ —	$ —
Shareholders' equity:						
Common stock	$ 89	$ 89	$ 88	$ 88	$ 88	$ 88
Capital surplus	1,220	1,205	1,181	1,167	1,158	1,138
Retained earnings	3,628	3,584	3,248	3,435	3,451	3,466
Unrealized gains - equities	—	—	221	173	158	145
Unrealized gains - fixed maturities	191	342	619	533	481	384
Unrealized gains (losses) - fixed maturity-related cash flow hedges	(27)	(24)	(13)	(6)	(6)	(8)
Other comprehensive income, net of tax	(17)	(13)	(14)	(11)	(18)	(22)
Total shareholders' equity	**5,084**	**5,183**	**5,330**	**5,379**	**5,312**	**5,191**
Noncontrolling interests	**—**	**—**	**1**	**—**	**—**	**4**
Total liabilities and equity	**$61,834**	**$60,656**	**$60,658**	**$60,163**	**$58,618**	**$57,464**

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

	6/30/18	3/31/18	12/31/17	09/30/17	06/30/17	03/31/17
Shareholders' equity	**$ 5,084**	**$ 5,183**	**$ 5,330**	**$ 5,379**	**$ 5,312**	**$ 5,191**
Unrealized (gains) related to fixed maturities	(164)	(318)	(606)	(527)	(475)	(376)
Adjusted shareholders' equity	**4,920**	**4,865**	**4,724**	**4,852**	**4,837**	**4,815**
Goodwill	(199)	(199)	(199)	(199)	(199)	(199)
Intangibles	(34)	(36)	(26)	(29)	(30)	(32)
Tangible adjusted shareholders' equity	**$ 4,687**	**$ 4,630**	**$ 4,499**	**$ 4,624**	**$ 4,608**	**$ 4,584**
Common shares outstanding	89.072	88.881	88.275	88.093	88.007	87.592
Book value per share:						
Book value per share	**$ 57.08**	**$ 58.32**	**$ 60.38**	**$ 61.06**	**$ 60.36**	**$ 59.26**
Adjusted (a)	**55.24**	**54.74**	**53.51**	**55.08**	**54.97**	**54.98**
Tangible, adjusted (b)	**52.63**	**52.10**	**50.95**	**52.50**	**52.36**	**52.34**
Market capitalization						
AFG's closing common share price	$107.33	$112.22	$108.54	$103.45	$ 99.37	$ 95.42
Market capitalization	$ 9,560	$ 9,974	$ 9,581	$ 9,113	$ 8,745	$ 8,358
Price / Adjusted book value ratio	1.94	2.05	2.03	1.88	1.81	1.74

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

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

	6/30/18	3/31/18	12/31/17	09/30/17	06/30/17	03/31/17
AFG senior obligations	$1,018	$1,018	$1,018	$1,003	$1,128	$1,008
Borrowings drawn under credit facility	—	—	—	—	—	—
Debt excluding subordinated debt	**$1,018**	**$1,018**	**$1,018**	**$1,003**	**$1,128**	**$1,008**
AFG subordinated debentures	300	300	300	300	300	300
Total principal amount of long-term debt	**$1,318**	**$1,318**	**$1,318**	**$1,303**	**$1,428**	**$1,308**
Shareholders' equity	5,084	5,183	5,330	5,379	5,312	5,191
Noncontrolling interests (including redeemable NCI)	—	—	4	—	—	4
Less:						
Unrealized (gains) - fixed maturity investments	(191)	(342)	(619)	(533)	(481)	(384)
Total adjusted capital	**$6,211**	**$6,159**	**$6,033**	**$6,149**	**$6,259**	**$6,119**
Ratio of debt to total adjusted capital:						
Including subordinated debt	**21.2%**	**21.4%**	**21.8%**	**21.2%**	**22.8%**	**21.4%**
Excluding subordinated debt	**16.4%**	**16.5%**	**16.9%**	**16.3%**	**18.0%**	**16.5%**

American Financial Group, Inc.
Additional Supplemental Information
($ in millions)

	Three Months Ended					Six Months Ended	
	6/30/18	3/31/18	12/31/17	09/30/17	06/30/17	06/30/18	06/30/17
Property and Casualty Insurance							
Paid Losses (GAAP)	$ 629	$ 640	$ 726	$ 596	$ 652	$1,269	$1,206

	6/30/18	3/31/18	12/31/17	09/30/17	06/30/17	03/31/17
Statutory Surplus						
Property and Casualty Insurance	$2,797	$2,781	$2,729	$2,817	$2,882	$3,013
AFG's principal annuity subsidiaries (total adjusted capital)	$2,511	$2,442	$2,442	$2,433	$2,389	$2,341
Allowable dividends without regulatory approval						
Property and Casualty Insurance	$ 563	$ 563	$ 563	$ 496	$ 496	$ 496
Annuity and Run-off	263	263	263	197	197	197
Total	**$ 826**	**$ 826**	**$ 826**	**$ 693**	**$ 693**	**$ 693**

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

	Carrying Value - June 30, 2018					
	Property and Casualty Insurance	Annuity and Run-off	Parent and Other Non-Insurance	Consolidate CLOs	Total AFG Consolidated	% of Investment Portfolio
Total cash and investments:						
Cash and cash equivalents	$ 862	$ 674	$ 274	$ —	$ 1,810	4%
Fixed maturities - Available for sale	7,506	32,130	12	—	39,648	85%
Fixed maturities - Trading	81	56	—	—	137	0%
Equity securities	1,036	687	54	—	1,777	4%
Investments accounted for using the equity method	475	719	—	—	1,194	3%
Mortgage loans	307	840	—	—	1,147	2%
Policy loans	—	179	—	—	179	0%
Equity index call options	—	615	—	—	615	1%
Real estate and other investments	138	272	53	(191)	272	1%
Total cash and investments	**$ 10,405**	**$ 36,172**	**$ 393**	**$ (191)**	**$ 46,779**	**100%**

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

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

American Financial Group, Inc.
Net Investment Income
($ in millions)

	Three Months Ended					Six Months Ended	
	6/30/18	3/31/18	12/31/17	09/30/17	06/30/17	06/30/18	06/30/17
Property and Casualty Insurance:							
Gross Investment Income							
Fixed maturities - Available for sale	$ 72	$ 66	$ 65	$ 65	$ 65	$ 138	$ 128
Fixed maturities - Trading	2	—	—	—	2	2	3
Equity securities	16	13	13	12	12	29	26
Equity in investees	18	17	4	8	11	35	15
Other investments	9	6	8	11	8	15	14
Gross investment income	**117**	**102**	**90**	**96**	**98**	**219**	**186**
Investment expenses	(2)	(2)	(4)	(2)	(2)	(4)	(4)
Total net investment income	**$ 115**	**$ 100**	**$ 86**	**$ 94**	**$ 96**	**$ 215**	**$ 182**
Average cash and investments (a)	**$10,346**	**$10,422**	**$10,062**	**$ 9,851**	**$ 9,947**	**$10,395**	**$ 9,872**
Average yield (b)	**4.45%**	**3.84%**	**3.42%**	**3.82%**	**3.86%**	**4.14%**	**3.69%**
Fixed Annuity							
Gross Investment Income							
Fixed maturities - Available for sale	$ 350	$ 338	$ 342	$ 332	$ 322	$ 688	$ 640
Equity securities	18	8	7	5	5	26	10
Equity in investees	23	29	9	12	10	52	16
Other investments	22	19	19	26	22	41	41
Gross investment income	**413**	**394**	**377**	**375**	**359**	**807**	**707**
Investment expenses	(3)	(3)	(4)	(2)	(2)	(6)	(5)
Total net investment income	**$ 410**	**$ 391**	**$ 373**	**$ 373**	**$ 357**	**$ 801**	**$ 702**
Average cash and investments (a)	**$33,935**	**$33,002**	**$32,245**	**$31,713**	**$30,988**	**$33,469**	**$30,522**
Average yield (b)	**4.83%**	**4.74%**	**4.62%**	**4.70%**	**4.62%**	**4.79%**	**4.60%**
AFG consolidated net investment income:							
Property & Casualty	$ 115	$ 100	$ 86	$ 94	$ 96	$ 215	$ 182
Annuity:							
Fixed Annuity	410	391	373	373	357	801	702
Variable Annuity	2	3	3	2	3	5	5
Parent & other	7	4	10	7	9	11	17
Consolidate CLOs	(4)	(3)	(7)	(5)	(5)	(7)	(11)
Total net investment income	**$ 530**	**$ 495**	**$ 465**	**$ 471**	**$ 460**	**$ 1,025**	**$ 895**

(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)

June 30, 2018	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Investment Portfolio
US Government and government agencies	$ 278	$ 275	$ (3)	1%	1%
States, municipalities and political subdivisions	6,829	6,938	109	17%	15%
Foreign government	149	151	2	0%	0%
Residential mortgage-backed securities	2,566	2,888	322	7%	6%
Commercial mortgage-backed securities	920	934	14	2%	2%
Asset-backed securities	8,849	8,935	86	23%	19%
Corporate and other bonds	19,790	19,664	(126)	50%	42%
Total AFG consolidated	**$ 39,381**	**$ 39,785**	**$ 404**	**100%**	**85%**
Annualized yield on available for sale fixed maturities:					
Excluding investment expense (a)	4.42%				
Net of investment expense (a)	4.37%				
Approximate average life and duration:					
Approximate average life	6 years				
Approximate duration	4.5 years				

December 31, 2017	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Investment Portfolio
US Government and government agencies	$ 293	$ 291	$ (2)	1%	1%
States, municipalities and political subdivisions	6,912	7,148	236	18%	15%
Foreign government	239	242	3	1%	1%
Residential mortgage-backed securities	2,887	3,230	343	8%	7%
Commercial mortgage-backed securities	928	963	35	2%	2%
Asset-backed securities	7,836	7,962	126	21%	17%
Corporate and other bonds	18,291	18,891	600	49%	41%
Total AFG consolidated	**$ 37,386**	**$ 38,727**	**$ 1,341**	**100%**	**84%**
Annualized yield on available for sale fixed maturities:					
Excluding investment expense (a)	4.51%				
Net of investment expense (a)	4.43%				
Approximate average life and duration:					
Approximate average life	6.5 years				
Approximate duration	5 years				

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

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

	June 30, 2018 Amortized Cost	June 30, 2018 Fair Value	June 30, 2018 Unrealized Gain (Loss)	June 30, 2018 % of Fair Value	December 31, 2017 Amortized Cost	December 31, 2017 Fair Value	December 31, 2017 Unrealized Gain (Loss)	December 31, 2017 % of Fair Value
Property and Casualty Insurance:								
US Government and government agencies	$ 232	$ 230	$ (2)	3%	$ 244	$ 243	$ (1)	3%
States, municipalities and political subdivisions	2,658	2,669	11	35%	2,740	2,798	58	38%
Foreign government	138	138	—	2%	228	229	1	3%
Residential mortgage-backed securities	759	831	72	11%	843	918	75	13%
Commercial mortgage-backed securities	86	87	1	1%	93	95	2	1%
Asset-backed securities	2,193	2,187	(6)	29%	1,716	1,724	8	23%
Corporate and other bonds	1,457	1,445	(12)	19%	1,349	1,367	18	19%
Property and Casualty Insurance	**$ 7,523**	**$ 7,587**	**$ 64**	**100%**	**$ 7,213**	**$ 7,374**	**$ 161**	**100%**
Annualized yield on available for sale fixed maturities:								
Excluding investment expense (a)	3.89%				3.73%			
Net of investment expense (a)	3.79%				3.54%			
Tax equivalent, net of investment expense (b)	4.00%				4.03%			
Approximate average life and duration:								
Approximate average life	5 years				5 years			
Approximate duration	4 years				4 years			

	June 30, 2018 Amortized Cost	June 30, 2018 Fair Value	June 30, 2018 Unrealized Gain (Loss)	June 30, 2018 % of Fair Value	December 31, 2017 Amortized Cost	December 31, 2017 Fair Value	December 31, 2017 Unrealized Gain (Loss)	December 31, 2017 % of Fair Value
Annuity and Run-off:								
US Government and government agencies	$ 46	$ 45	$ (1)	0%	$ 48	$ 47	$ (1)	0%
States, municipalities and political subdivisions	4,171	4,269	98	13%	4,172	4,350	178	14%
Foreign government	11	13	2	0%	11	13	2	0%
Residential mortgage-backed securities	1,804	2,045	241	6%	2,041	2,299	258	7%
Commercial mortgage-backed securities	834	847	13	3%	835	868	33	3%
Asset-backed securities	6,656	6,748	92	21%	6,120	6,238	118	20%
Corporate and other bonds	18,333	18,219	(114)	57%	16,942	17,524	582	56%
Total Annuity and Run-off	**$ 31,855**	**$ 32,186**	**$ 331**	**100%**	**$ 30,169**	**$ 31,339**	**$ 1,170**	**100%**
Annualized yield on available for sale fixed maturities:								
Excluding investment expense (a)	4.53%				4.66%			
Net of investment expense (a)	4.49%				4.61%			
Approximate average life and duration:								
Approximate average life	6.5 years				6.5 years			
Approximate duration	5 years				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)

	June 30, 2018			
By Credit Rating (a)	**Amortized Cost**	**Fair Value**	**Unrealized Gain (Loss)**	**% of Fair Value**
Investment grade				
AAA	$ 6,691	$ 6,706	$ 15	17%
AA	8,360	8,487	127	21%
A	9,574	9,581	7	24%
BBB	11,075	11,041	(34)	28%
Subtotal - Investment grade	35,700	35,815	115	90%
BB	784	779	(5)	2%
B	279	280	1	1%
Other (b)	2,618	2,911	293	7%
Subtotal - Non-Investment grade	3,681	3,970	289	10%
Total	**$ 39,381**	**$ 39,785**	**$ 404**	**100%**

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

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

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

(a) If two agencies rate a security, the rating displayed above is the lower of the two; if three or more agencies rate a security, the rating displayed is the second lowest.
(b) See page 30 for more information.

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

June 30, 2018	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Investment Portfolio
Residential					
Agency	$ 189	$ 185	$ (4)	5%	0%
Prime (Non-Agency)	1,076	1,231	155	32%	3%
Alt-A	891	1,015	124	27%	2%
Subprime	410	457	47	12%	1%
Commercial	920	934	14	24%	2%
Total AFG consolidated	**$ 3,486**	**$ 3,822**	**$ 336**	**100%**	**8%**

- Substantially all of AFG's MBS securities are either senior tranches of securitizations or collateralized by senior tranches of securitizations.
- The average amortized cost as a percent of par is - Prime 82%; Alt-A 78%; Subprime 83%; CMBS 99%.
- The average FICO score of our residential MBS securities is - Prime 733; Alt-A 702; Subprime 631.
- 94% of our Commercial MBS portfolio is investment-grade rated (82% AAA) and the average subordination for this group of assets is 32%.
- The approximate average life by collateral type is - Residential 4.5 years; Commercial 5 years.

December 31, 2017	Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Investment Portfolio
Residential					
Agency	$ 207	$ 205	$ (2)	5%	0%
Prime (Non-Agency)	1,218	1,386	168	33%	3%
Alt-A	994	1,122	128	27%	3%
Subprime	468	517	49	12%	1%
Commercial	928	963	35	23%	2%
Total AFG consolidated	**$ 3,815**	**$ 4,193**	**$ 378**	**100%**	**9%**

American Financial Group, Inc.
Mortgage-Backed Securities Portfolio
($ in millions)

Property and Casualty Insurance:

By Asset Type	June 30, 2018 Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Inv Portfolio
Residential					
Agency	$ 151	$ 147	$ (4)	16%	1%
Prime (Non-Agency)	155	175	20	19%	2%
Alt-A	275	312	37	34%	3%
Subprime	178	197	19	21%	2%
Commercial	86	87	1	10%	1%
Total	**$ 845**	**$ 918**	**$ 73**	**100%**	**9%**

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

Annuity and Run-off:

By Asset Type	June 30, 2018 Amortized Cost	Fair Value	Unrealized Gain (Loss)	% of Fair Value	% of Inv Portfolio
Residential					
Agency	$ 38	$ 38	$ —	1%	0%
Prime (Non-Agency)	918	1,044	126	36%	3%
Alt-A	616	703	87	25%	2%
Subprime	232	260	28	9%	1%
Commercial	834	847	13	29%	2%
Total	**$ 2,638**	**$ 2,892**	**$ 254**	**100%**	**8%**

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

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

	June 30, 2018			
By Credit Rating (a)	**Amortized Cost**	**Fair Value**	**Unrealized Gain (Loss)**	**% of Fair Value**
Investment grade				
AAA	$ 1,153	$ 1,165	$ 12	30%
AA	132	137	5	4%
A	150	157	7	4%
BBB	205	219	14	6%
Subtotal - investment grade	1,640	1,678	38	44%
BB	183	186	3	5%
B	187	191	4	5%
Other (b)	1,476	1,767	291	46%
Total	**$ 3,486**	**$ 3,822**	**$ 336**	**100%**

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

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

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

(a) If two agencies rate a security, the rating displayed above is the lower of the two; if three or more agencies rate a security, the rating displayed is the second lowest.
(b) See page 30 for more information.

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

	Fair Value - June 30, 2018								
By Credit Rating (a)	**US Gov**	**Munis**	**Frgn gov**	**RMBS**	**CMBS**	**ABS**	**Corp/Oth**	**Total**	**% Total**
Investment grade									
AAA	$ 238	$1,847	$ 88	$ 403	$ 762	$3,173	$ 195	$ 6,706	17%
AA	29	4,445	56	119	18	2,405	1,415	8,487	21%
A	—	508	1	135	22	1,976	6,939	9,581	24%
BBB	—	61	—	145	74	764	9,997	11,041	28%
Subtotal - Investment grade	267	6,861	145	802	876	8,318	18,546	35,815	90%
BB	—	—	—	150	36	25	568	779	2%
B	—	8	—	187	4	4	77	280	1%
CCC, CC, C	—	—	—	881	6	3	20	910	2%
D	—	3	—	262	—	—	—	265	1%
Subtotal - Non-Investment grade	—	11	—	1,480	46	32	665	2,234	6%
Not Rated	8	66	6	606	12	585	453	1,736	4%
Total	**$ 275**	**$6,938**	**$ 151**	**$2,888**	**$ 934**	**$8,935**	**$19,664**	**$39,785**	**100%**

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

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

AMERICAN FINANCIAL GROUP
Second Quarter 2018 Conference Call
Thursday, August 2, 2018
11:30 a.m. ET

Speaker: Diane Weidner, Assistant Vice President, Investor Relations

Introduction (Webcast Slide 2)

Good morning and welcome to American Financial Group's second quarter 2018 earnings results conference call. I am joined this morning by Carl Lindner III and Craig Lindner, Co-CEOs of American Financial Group, and Jeff Consolino, AFG's CFO. Our press release, investor supplement and webcast presentation are posted on AFG's website. These materials will be referenced during portions of the call.

Before I turn the discussion over to Carl, I would like to draw your attention to the notes on **slide 2** of our webcast. Certain statements made during this call may be considered forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance. Investors should consider the risks and uncertainties that could cause actual results and/or financial condition to differ materially from these statements. A detailed description of these risks and uncertainties can be found in AFG's filings with the Securities and Exchange Commission, which are also available on our website.

We may include references to core net operating earnings, a non-GAAP financial measure, in our remarks or responses to questions. A reconciliation of net earnings attributable to shareholders to core net operating earnings is included in our earnings release.

If you are reading a transcript of this call, please note that it may not be authorized or reviewed for accuracy, thus it may contain factual or transcription errors that could materially alter the intent or meaning of our statements.

Now, I am pleased to turn the call over to Carl Lindner III to discuss our results.

Speaker: Carl Lindner III, Co-President and Co-CEO

2018 Second Quarter Highlights (Webcast Slide 3)

Good morning. We released our 2018 second quarter results yesterday afternoon. Please turn to **slide 3** of the webcast slides for an overview.

- Craig and I were pleased to report a new second quarter record for AFG's core operating earnings of $2.04 per share, up 27% from last year's second quarter. These results include excellent profitability in our P&C operations and outstanding results in our Annuity Segment. Second quarter annualized core operating return on equity was a strong 15.1%.
- Net earnings per diluted share were $2.31, and included $0.27 per share in realized gains on securities.
- Craig and I thank God, our talented management team and our great employees for helping to achieve these results.
- Based on results through the first six months of the year, we are increasing our 2018 core operating earnings guidance for AFG to be in the range of $8.10 to $8.60 per share, which is a twenty-cent increase from our previous estimate of $7.90 to $8.40 per share. As with our initial guidance, we continue to assume an average crop year and a normalized level of catastrophe losses. We expect to have more clarity on these items when we report our third quarter results.
- Craig and I will discuss our guidance for each segment of our business in more detail later in the call.

Specialty P&C Group (Webcast Slides 4 and 5)

Now, I'd like to turn our focus to our Property & Casualty operations. Please turn to **slides 4 and 5** of the webcast, which include an overview of second quarter results.

As you'll see on **slide 4**, our Specialty P&C insurance operations produced very strong core operating earnings and healthy growth during the second quarter.

Gross and net written premiums both increased 11% in the second quarter of 2018, when compared to the same quarter a year earlier.

P&C operating earnings were 10% higher year-over-year. Higher net investment income was the driver of the improved results, which Jeff will discuss later in the call. Specialty P&C underwriting profit was in line with the strong results reported in the 2017 second quarter.

The Specialty P&C combined ratio of 93.7% was a half of a point higher than the year-ago second quarter, and included 3.9 points in favorable prior year reserve development. Catastrophe losses added 1.4 points.

- Overall renewal pricing in our Specialty P&C Group was up 1.4% during the second quarter, the highest we've seen in 13 quarters, and in line with our overall loss ratio trend, which is just below one and a half percent. Loss cost trends remain stable and we are keeping our eye on inflation and interest rates. Excluding our workers' compensation business, overall renewal pricing was up approximately 3.4% during the quarter, the highest it's been in 16 quarters.
    - I am pleased that we are seeing broader price movement, and achieving renewal rate increases in the majority of our Specialty P&C businesses.

- In our workers' compensation businesses, we continue to see pricing pressure associated with strong industry profitability. Despite the rate decreases, we believe we are making appropriate returns in these businesses in the current policy year.

Now, I'd like to turn to **slide 5** to review a few highlights from each of our specialty property and casualty business groups.

- Our **Property and Transportation Group** reported a second quarter underwriting profit of $23 million, compared to $21 million in the prior year period.
  - These results include higher year-over-year underwriting profits in our transportation businesses and improved results in our ocean marine operations, as well as lower underwriting profitability in our property & inland marine and equine mortality businesses.
  - While the calendar year combined ratio improved to just under 94%, the underlying accident year combined ratio x-cats increased 2.5 points year over year, primarily as a result of losses in our aviation and equine mortality books.
  - Catastrophe losses were $10 million for this group during the second quarter of 2018, compared to $11 million in the comparable prior year period.
  - Gross and net written premiums for the second quarter of 2018 were both 7% higher than the comparable 2017 period. The growth is primarily attributable to new business opportunities in our property & inland marine business and continued rate increases in our transportation businesses.
  - Overall renewal rates in this group increased 4% on average for the second quarter of 2018. Renewal rate increases within National Interstate's book continue to be strong, at 5% overall. We are achieving rate increases of approximately 8% in commercial auto liability, which were tempered a bit by increases of approximately 3% in auto physical damage.

  - The crop year is shaping up nicely. Commodity futures for corn and soybeans are approximately 4% and 11% lower, respectively, than spring discovery prices. Growing conditions are favorable at this point in the season, with industry reports of 72% of corn crops and 70% of soybean crops in good to excellent condition, with current yield projections for both to be slightly above their respective yield trends. Moisture levels in the soil and continued favorable weather through September are important.
  - We continue to be encouraged by progress on the Farm Bill, which expires on September 30. Both the Senate and House have passed bills, and the legislation is moving to conference. At this point, there is no measurable impact to crop insurance.
- The **Specialty Casualty Group** reported second quarter underwriting profitability of $29 million, which is unchanged from last year's second quarter.
  - Higher profitability in our targeted markets businesses was offset by lower year-over-year profitability in our excess and surplus lines.
  - Catastrophe losses for this group were $1 million and $2 million in the second quarters of 2018 and 2017, respectively.
  - Underwriting profitability in our workers compensation business was very strong, and we continued to experience favorable prior period reserve development in this line of business. We are pleased with the geographic diversity and mix of business we have within this line.

- Gross and net written premiums for the second quarter of 2018 increased 13% and 14%, respectively, when compared to the second quarter of 2017. Growth within Neon was the driver of the higher premiums. Our general liability, executive liability and excess and surplus lines businesses also reported higher year-over-year premiums. This growth was partially offset by lower premiums in our workers' compensation businesses, as noted earlier.
- Although renewal pricing within Specialty Casualty was flat in the second quarter, I'm pleased with pricing momentum I am seeing in several of the businesses in this group, including excess liability and D&O. Excluding rate decreases in our workers' compensation businesses, renewal rates in this group were up approximately 3%, the highest they have been in 16 quarters.

- Our **Specialty Financial Group** reported an underwriting profit of $22 million in the second quarter, compared to an underwriting profit of $23 million in the second quarter last year.
  - Higher underwriting profitability in our financial institutions business was partially offset by lower underwriting profitability in our surety business.
  - Catastrophe losses for this group were $3 million and $5 million in the second quarters of 2018 and 2017, respectively.
  - All of the businesses in this group continued to achieve excellent underwriting margins, with an overall combined ratio of 85.6% reported for the 2018 second quarter.
  - Gross and net written premiums for the second quarter of 2018 were up 10% and 7%, respectively, when compared to the same 2017 period, primarily as a result of higher premiums in our financial institutions business.

  - Renewal pricing in this group was up approximately 5% for the quarter. Higher renewal rates in our lender services businesses, primarily in response to catastrophe-exposed property accounts or accounts with prior year cat losses, contributed to these results.

2018 P&C Outlook (Webcast Slide 6)

- Please turn to **slide 6** for a summary view of our 2018 outlook for the Specialty Property and Casualty operations.
- We continue to expect a combined ratio for the P&C Specialty Group overall between 92% and 94%. We have increased our guidance for growth in net written premiums to be in the range of 4% to 8%, which is up from our previous estimate of growth between 3% and 7%. Looking at each segment:
  - We now estimate a combined ratio in the range of 91% to 95% in our Property and Transportation group, a slight improvement from range of 92% to 96% estimated previously. We continue to expect net written premiums to be flat to up 4% during 2018 in this group.
  - We continue to expect our Specialty Casualty Group to produce a combined ratio in the range of 92% to 96%. We have increased our estimate for growth in net written premiums to be between 6% and 10%, up from our previous estimate of growth of 3% to 7%, primarily as a result of the growth within Neon during the first half of the year. We do not expect the growth rate at Neon in the second half of the year to match the growth reported during first half of the year.

    - We have revised our expectations for the combined ratio for the Specialty Financial Group to be in the range of 86% to 90%, up slightly from the range of 85% to 89% estimated previously. We have raised our projection for growth in net written premiums to be in the range of 3% to 7%, which is up from our previous estimate of growth between 2% and 6%.

- We continue to expect overall P&C renewal pricing in 2018 to be up 1% to 2%.
- Given the strong performance of certain investments, including limited partnerships and similar investments, during the first six months of the year, net investment income is now expected to grow between 10% and 13% year-over-year, a change from the 4% to 6% growth previously estimated.

I will now turn the discussion over to Craig to review the results in our Annuity Segment and AFG’s investment performance.

Speaker: Craig Lindner, Co-President and Co-CEO

Annuity Segment Results (Webcast Slides 7 and 8)

Thank you, Carl.

I’ll start with a review of our annuity results for the second quarter, beginning on **slide 7**.

- Statutory annuity premiums were $1.4 billion in the second quarter of 2018, compared to $1.3 billion in the second quarter of 2017, a new quarterly record for the Annuity Segment. Significantly higher premiums in the Retail and Broker-Dealer channels were partially offset by lower premiums in the Financial Institutions channel.

  - Production in the Retail and Broker-Dealer markets was particularly strong due to the launch of several new products, in addition to an improving interest rate environment in the first half of 2018. Our indirect bank channel premiums have softened due to certain competitors offering significantly higher crediting rates.

- Pretax annuity earnings were $99 million in the second quarter of 2018, compared to $85 million in the second quarter of 2017, an increase of 16%.

  - As you can see on the slide, included in these results is a $27 million unlocking charge. We monitor the major actuarial assumptions underlying our annuity operations throughout the year and conduct detailed reviews, or unlocking, of assumptions in the fourth quarter of each year. If changes in the economic environment or actual experience would cause material revisions to future estimates, AFG will unlock assumptions in an interim quarter.

  - Due to continued higher FIA option costs, resulting primarily from higher than expected risk-free interest rates, we unlocked assumptions for option costs and interest rates in the second quarter of 2018, resulting in the net charge to earnings of $27 million.

  - The unlocking charge takes into account the negative impact of higher option costs, partially offset by higher reinvestment rates. In addition, we have started adjusting FIA renewal caps to help mitigate the higher option costs; these actual and expected cap decreases were used in calculating the unlocking charge.

  - We will continue our practice of conducting detailed reviews of its assumptions, including option costs and interest rates, in the fourth quarter each year, including in the fourth quarter of 2018.

  - Turning to Fair Value Accounting, under GAAP rules, a portion of the reserves for fixed indexed annuities is considered to be an embedded derivative and is recorded at fair value, based on the estimated present value of certain expected future cash flows.

- Assumptions used in calculating this fair value include projected interest rates, option costs, surrenders, withdrawals and mortality. Variances from these assumptions, as well as changes in the stock market, will generally result in a change in fair value. Some of these adjustments, are not economic in nature for the current reporting period, but rather impact the timing of reported results.
- The impact of fair value accounting for fixed indexed annuities includes an ongoing expense for annuity interest accreted on the FIA embedded derivative reserve. The amount of interest accreted in any period is generally based on the size of the embedded derivative and current interest rates. We expect both the size of the embedded derivative and interest rates to rise, resulting in continued increases in interest on the embedded derivative liability.
- In the second quarter of 2018, interest rates rose 20 to 25 basis points, compared to our estimate of a five basis point increase, and the stock market increased nearly 3% compared to our expectation of a 1% increase. The significant favorable impact from these two items relative to our expectations more than offset continued higher FIA option costs.
- By comparison, during the second quarter of 2017, the benefit of a higher stock market was more than offset by lower interest rates, resulting in an unfavorable impact to annuity operating earnings.
- For an analysis of fair value accounting, see our Quarterly Investor Supplement, which is posted on AFG’s website.

- Annuity earnings before the impact of unlocking and fair value accounting on fixed-indexed annuities were $123 million in the second quarter of 2018, up 22% from the prior year period, establishing a new all-time quarterly high for the Annuity Segment.
    - Turning to slide 8, you'll see that quarterly average annuity investments and reserves grew 10% and 9%, respectively, year-over-year. As shown in our Quarterly Investor Supplement, these results also include exceptionally high returns on certain investments, including very strong earnings from limited partnerships and similar investments, which is not necessarily expected to be recurring.
    - The benefit of these items was partially offset by the runoff of higher-yielding investments.

2018 Annuity Outlook (Webcast Slide 9)

Please turn to **slide 9** for a summary of the 2018 outlook for the Annuity Segment.

- Based on stronger than expected earnings in the first half of 2018, we now expect full year 2018 earnings before the impact of fair value accounting on fixed-indexed annuities to be in a range of $430 to $450 million, up from our previous guidance of $410 to $435 million.
- Similarly, we now expect pretax annuity earnings for the full year, which include the impact of fair value accounting for FIAs and the second quarter unlocking charge, to be higher … and in the range of $395 million to $430 million. This is up from our original guidance of $385 million to $425 million.
- Included in this guidance are several assumptions, including the expectation that Corporate A2 interest rates rise 5 to 10 basis points, depending on duration, between now and the end of the year, increases in the S&P 500 of 1% each quarter, normalized investment income, and FIA option costs in line with recent experience. Fluctuations in any of these items, as compared to our expectations, could lead to significant positive or negative impacts on the Annuity Segment's results.

- Finally, we continue to emphasize earning the appropriate returns on our new sales, regardless of the competitive environment. Based on our strong sales year-to-date, we continue to expect that our 2018 full year annuity premiums will be up 10% to 15% over the $4.3 billion reported in 2017. There are a few factors that influence our guidance:
  - The resolution of the Department of Labor Fiduciary Rule has provided lift for the Retail market, and a current demand for shorter surrender charge period products fits well with our product strategy.
  - Furthermore, our guidance reflects the introduction of new products in 2018 and opportunities to grow our business in the registered investment advisor and broker/dealer markets.
- Please note that fluctuations in the returns on investments, large changes in interest rates and/or the stock market, and higher or lower FIA option costs, as compared to our expectations, could lead to significant positive or negative impacts on the Annuity Segment's results.
- Additional information on the Annuity Segment's earnings, premiums, investments and reserves can be found in AFG's Quarterly Investor Supplement, posted on our website.

Investments (Webcast Slides 10 and 11)

Please turn to **slide 10** for a few highlights regarding our $47 billion investment portfolio.

- AFG reported second quarter 2018 net realized gains on securities of $25 million after tax and after deferred acquisition costs. This compares to net realized gains on securities of $5 million in the second quarter of 2017.
- As of June 30, 2018, unrealized gains on fixed maturities were $191 million, after tax, after DAC.
- As you'll see on **slide 11**, our portfolio continues to be high quality, with 90% of our fixed maturity portfolio rated investment grade and 98% with an NAIC designation of 1 or 2, its highest two categories.

We have provided additional detailed information on the various segments of our investment portfolio in the Quarterly Investor Supplement on our website.

I will now turn the discussion over to Jeff, who will wrap up our comments with an overview of our consolidated second quarter 2018 results and share a few comments about capital and liquidity.

Speaker: Jeff Consolino, Executive Vice President and CFO

Consolidated Second Quarter 2018 Results (Webcast Slides 12 and 13)

- Thank you, Craig.
- **Slide 12** summarizes AFG's Core Operating Earnings on a consolidated basis.

- The $2.04 Core EPS is based on core net operating earnings in the quarter of $185 million dollars.
    - The increase in core earnings in the second quarter was primarily the result of very strong operating earnings in our insurance businesses, bolstered by a lower effective tax rate of 20% in the quarter, as compared to 29% in the year ago quarter.
- Property and Casualty pretax operating earnings were 10% higher year-over-year.
    - P&C underwriting profit was virtually unchanged from the very strong results in the year-ago second quarter.
    - P&C net investment income grew $19 million dollars or 20% year-over-year, primarily the result of unusually high returns on certain investments including limited partnerships and similar investments.
    - A sale of real estate in the 2017 second quarter partially offset other expenses in that period, making the second quarter 2018 P&C other expenses higher by comparison.
- Pretax earnings for our Annuity Segment increased 16% year over year.
- Parent company interest expense decreased by $7 million dollars year-over-year as a result of our 2017 debt refinancings.
- Other corporate expenses increased by $11 million dollars. Starting with Q1 this year, this includes income and expenses related to AFG's previously reported run-off lines of business.

Consolidated Results, Continued (Webcast Slide 13)

- **Slide 13** provides a reconciliation of Core Net Operating Earnings to Net Earnings.
- As noted last quarter, AFG adopted ASU 2016-01, effective January 1, 2018, which requires holding gains or losses on equity securities to be recognized through earnings.
- The impact to our income statement will vary each quarter depending on the level of volatility in the performance of the securities held in our equity portfolio and the overall market.
- In the second quarter of 2018, AFG recognized $25 million dollars, or $0.27 per share in net after-tax realized gains.

Book Value and Liquidity (Webcast Slide 14)

- As indicated on slide 14. AFG's adjusted book value per share was $55.24 as of June 30, 2018.
- Annualized growth in book value per share plus dividends was a very strong 17.2% this quarter.
- We returned $165 million dollars to our shareholders with the payment of our regular quarterly dividend and a $1.50 per share special dividend during the quarter.
- Parent cash was $260 million dollars at the end of the second quarter.
- We maintain sufficient capital in our insurance businesses to meet our commitments to the ratings agencies.

- Our excess capital stood at approximately $720 million dollars at June 30, 2018.
- This already reflects the upcoming negative impact of tax reform on the NAIC capital model and RBC ratio even though this change doesn't get formally implemented until the end of 2018.
- Remember we plan to hold approximately $200 million to $300 million dollars as "dry powder" to maintain flexibility for opportunities as they arise.
- Our management team reviews all opportunities for deployment of capital on a regular basis.

Recap – 2018 Outlook – AFG Overall (Webcast Slide 15)

- Wrapping up **page 15** shows a single page presentation of our updated 2018 Core Earnings guidance which has moved up by $0.20 per share.
- Our guidance assumes an effective tax rate of approximately 20% on Core Pretax Operating Earnings.
- AFG's expected 2018 Core operating results exclude non-core items such as realized gains and losses and other significant items that may not be indicative of ongoing operations.
- Now we would like to open the lines for any questions.