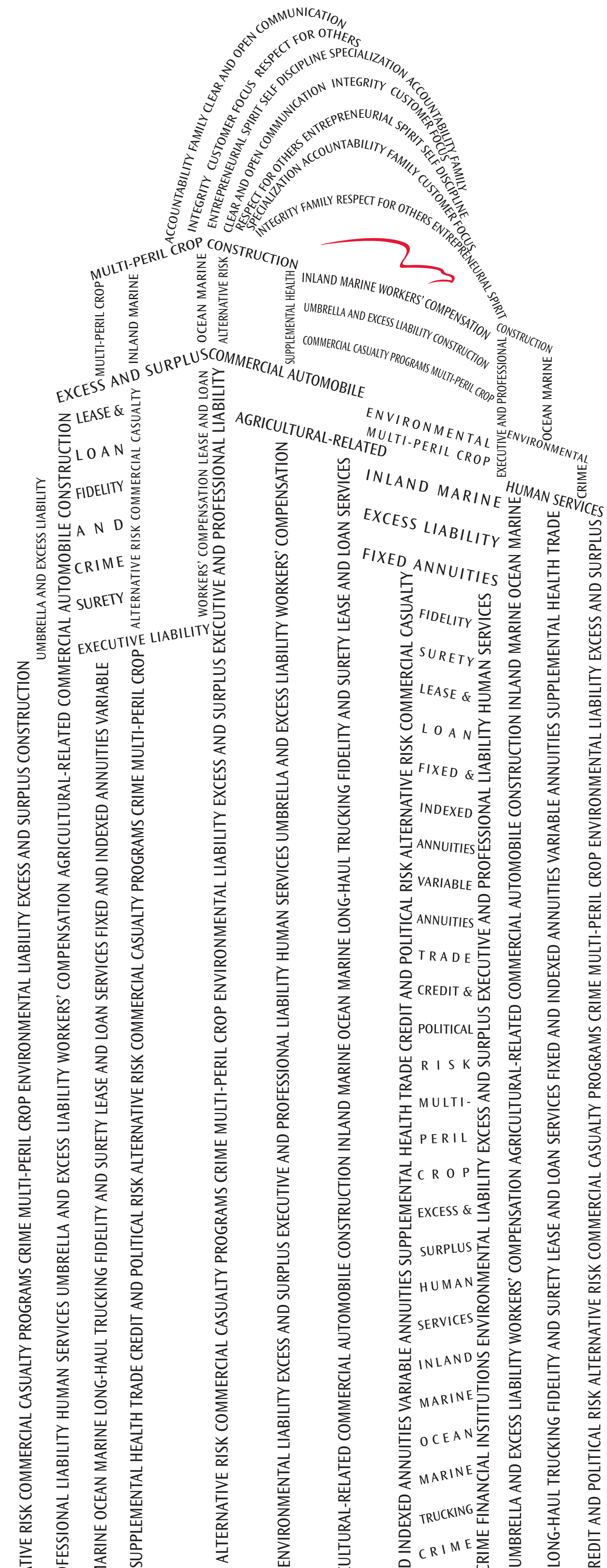
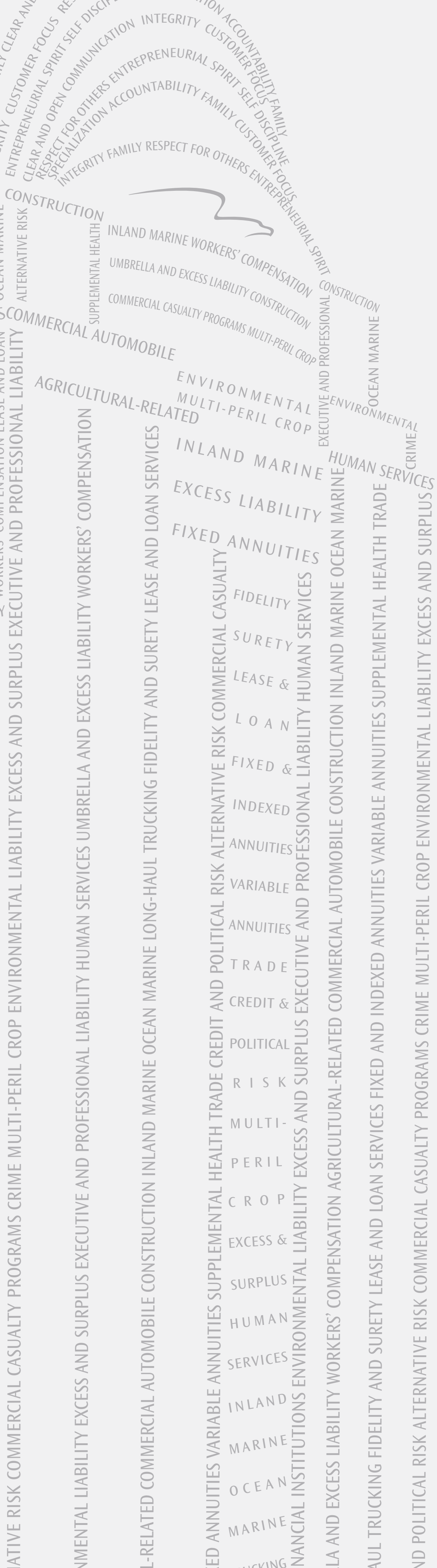
AMERICAN FINANCIAL GROUP, INC.



2010 Annual Report

Property and Casualty Specialty Commercial Insurance

Annuities and Supplemental Insurance



About the Cover

A rendering of AFG's new corporate headquarters building, the Great American Insurance Group Tower, appears on the cover of AFG's 2010 Annual Report to Shareholders. During 2010, we concluded the planning phase of a multi-year effort to co-locate our insurance and corporate functions into one new corporate headquarters building. In January 2011, AFG became the anchor tenant in this building, which will serve as the home for most Cincinnati-based employees in Great American's specialty property and casualty and annuity and supplemental health insurance operations. In conjunction with this move, we are also co-locating our information technology and business support functions. The people, products and services that comprise our portfolio of specialty businesses are what make our move to the new building so exciting. We are eager to settle in and benefit from the environmentally-responsible design and enhanced technology capabilities that this new building has to offer. This new building is a spectacular addition to the Cincinnati skyline, a symbol of our commitment to our greater Cincinnati community and a fitting tribute to the Great American Insurance Group brand.

TO OUR SHAREHOLDERS

Carl H. Lindner III (left) and S. Craig Lindner (right), Co-Chief Executive Officers

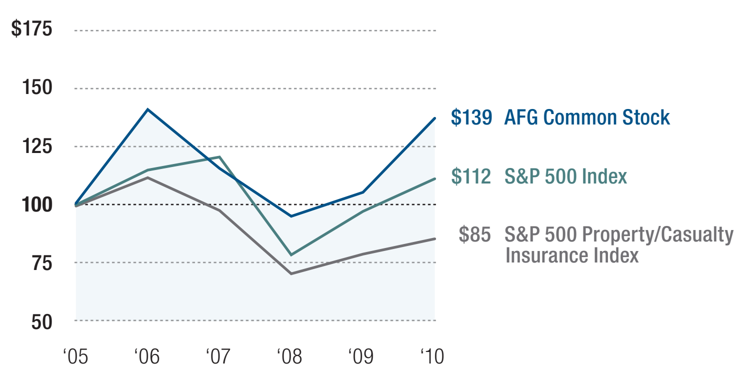
2010 was a good year for American Financial Group ("AFG"). Although economic uncertainty continues and the labor market slowly heals, our teams of insurance specialists have successfully managed their operations with the discipline and the expertise that serve as the foundation of our business model. The segmentation of our business and our specialization strategy have been instrumental in allowing us to identify and act upon opportunities and to scale business growth at a healthy and profitable level. As a result, AFG produced strong growth in book value per share and returned over $350 million in capital to shareholders through share buybacks and dividends during 2010.

Capital management remains a priority for us. AFG's financial condition is strong, with $850 million in excess capital and financial leverage of less than 20%. We are positioned to expand our businesses through strategic acquisitions and organic growth. We are also positioned to make opportunistic purchases of our shares and to maintain a prudent cushion against the unexpected.

During the past year, we have added or grown specialty businesses where it made sense to do so. Examples include the acquisition of the Vanliner Insurance Group in the third quarter of 2010 by our 52%-owned subsidiary, National Interstate, higher retentions of profitable business in our crop and executive liability operations, and premium expansion in our annuity business through bank channels. In addition to these strategic business opportunities, we purchased about $300 million of our own shares at an average price that was approximately 80% of year-end tangible book value. This was an effective means of increasing shareholder value. We expect to continue to generate excess capital during 2011. We will evaluate business opportunities that have the potential to produce desired long-term returns and align well with our specialty insurance businesses. In addition, our earnings guidance assumes share repurchases at about the same level as in the past year.

A History of Value Creation

5 Year Cumulative Total Shareholder Return
on AFG Common Stock vs. S&P Indices



This graph assumes $100 invested on December 31, 2005 in AFG's common stock, the Standard & Poor's ("S&P") 500 Index and the S&P 500 Property/Casualty Insurance Index, including reinvestment of dividends.

We're proud of our track record of book value growth. Since the end of 2005 and through the latest economic cycle, we've achieved growth of 80% in AFG's book value per share, excluding unrealized gains and losses on fixed maturity investments. Additionally, over this same period, the annual compounded growth rate of AFG's common stock plus dividends was approximately 7% compared to a decline of 3% in the S&P Property and Casualty Insurance Index and growth of only 2% in the S&P 500 Index.

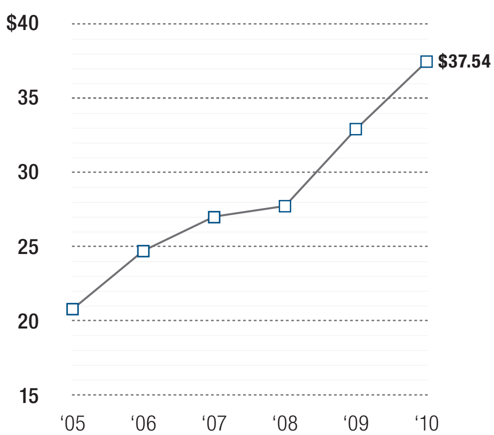
Our overriding goal is to increase long-term shareholder value. We believe that the considerable ownership of AFG's stock by our management team and employees aligns our interests with those of our public shareholders. During the past year:

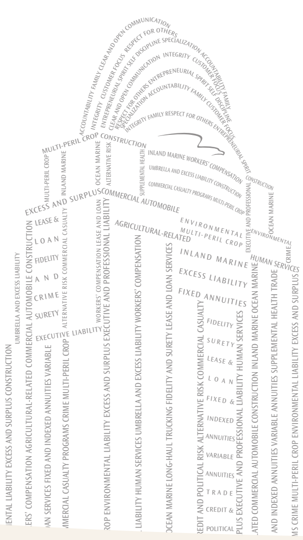
- AFG's book value per share, excluding appropriated retained earnings and unrealized gains and losses on fixed maturity investments, increased to $37.54. This represents an increase of 14% over the end of 2009.
- We repurchased 10.3 million shares of AFG Common Stock at an average price of $28.46 per share. We believe that repurchasing shares below book value is an effective use of our excess capital, producing a favorable effect on our earnings per share and book value per share.
- We announced an increase in AFG's annual dividend to $0.65 per share, first paid in October of 2010. This was the sixth consecutive annual dividend increase for the Company. Five year compounded growth in dividends paid to our shareholders is approximately 12%. This underscores the confidence of the Board and management in the Company's business and long-term financial outlook.

AFG's 2010 net earnings generated a core operating return on equity of 11%, and over the last five years it has averaged 14%.

Book Value Per Share

As of December 31 (excluding appropriated retained earnings and unrealized gains and losses on fixed maturities)





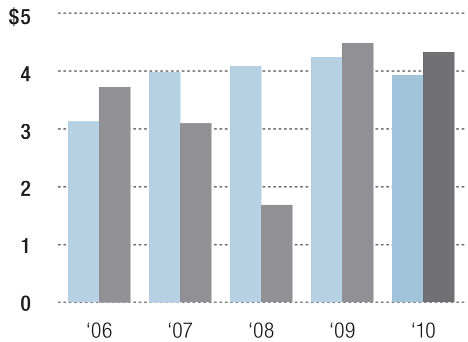
WE WERE PLEASED THAT STANDARD & POOR'S RAISED ITS FINANCIAL STRENGTH

Capital and Liquidity

The capital in our insurance businesses is at levels that support our operations and is consistent with amounts required for our rating levels. In August 2010, we renewed our $500 million bank line and in September we completed an offering of $132 million of 7% Senior Notes due in 2050. These transactions provided us with a reliable source of liquidity as well as reasonably priced long-term funding.

We were pleased that Standard & Poor's raised its financial strength ratings for AFG's core insurance subsidiaries from an 'A' to an 'A+' in October 2010. We believe this action reflects the strong operating performance of our businesses and our solid capital adequacy and appropriate financial leverage.

Earnings Per Share
For the year ended December 31



Core Net Operating Earnings Per Share (Non-GAAP)

Diluted Net Earnings Per Share (GAAP)

American Financial Group

American Financial Group, Inc. is engaged in property and casualty insurance, focusing on specialized commercial products for businesses, and in the sale of traditional fixed and indexed annuities and a variety of supplemental insurance products such as Medicare supplement.

Our Vision

To deliver financial solutions that fulfill today's needs and tomorrow's dreams — to be a trusted partner delivering long-term value to our customers, employees and investors.

Our Purpose

To enable individuals and businesses to manage financial risk. We provide insurance products and services tailored to meet the specific and ever-changing financial risk exposures facing our customers. We build value for our investors through the strength of our customers' satisfaction and by consistently producing superior operating results.

RATINGS FOR AFG'S CORE INSURANCE SUBSIDIARIES FROM AN 'A' TO AN 'A+'.

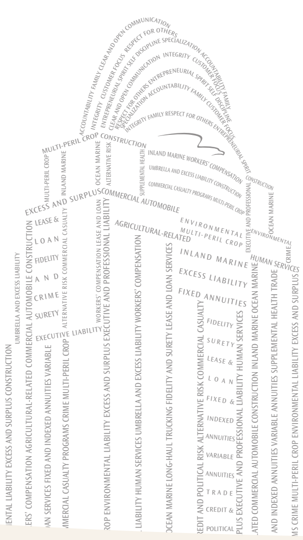
Our Business Model

AFG is a premier specialty insurer, focused on niche specialty commercial property and casualty markets and on the sale of annuities and supplemental insurance products for targeted customer groups. Our business model is focused on those markets where we can offer our policyholders valuable expertise, capable distribution relationships and excellent policyholder service.

The following aspects of our strategic focus will help us increase shareholder value over the long run:

- Operate in specialty niches where we have significant expertise.
- Improve the position of existing specialty operations through strategic acquisitions and organic growth of new products or services that leverage our expertise. Maintain our strong underwriting culture through astute risk selection and pricing discipline which will preserve pricing integrity and adequate underwriting profits. We will reduce business volume in select lines, if needed, to achieve appropriate returns.
- Maintain strong risk management practices through appropriate reinsurance arrangements and minimize exposure to catastrophe risks.
- Maintain financial leverage and capital adequacy that are prudent for our business and are consistent with our commitments to rating agencies.
- Nurture relationship-based distribution networks that result in vibrant, mutually beneficial partnerships and contribute to business retention and continuity.
- Focus on achieving investment returns over the long-term that outperform market indices while effectively managing our portfolio risk.
- Identify, develop and appropriately reward business leaders who will enhance the Company's intellectual capital.
- Enhance our technology capability to make our businesses more efficient and enhance the services we provide to our policyholders.

Our long-term financial objectives are to achieve returns on equity in excess of 12%, grow book value at a similar rate, and maintain a strong balance sheet and adequate liquidity to provide financial flexibility.



AFG'S COMBINED RATIO HAS BEEN BETTER THAN THE INDUSTRY

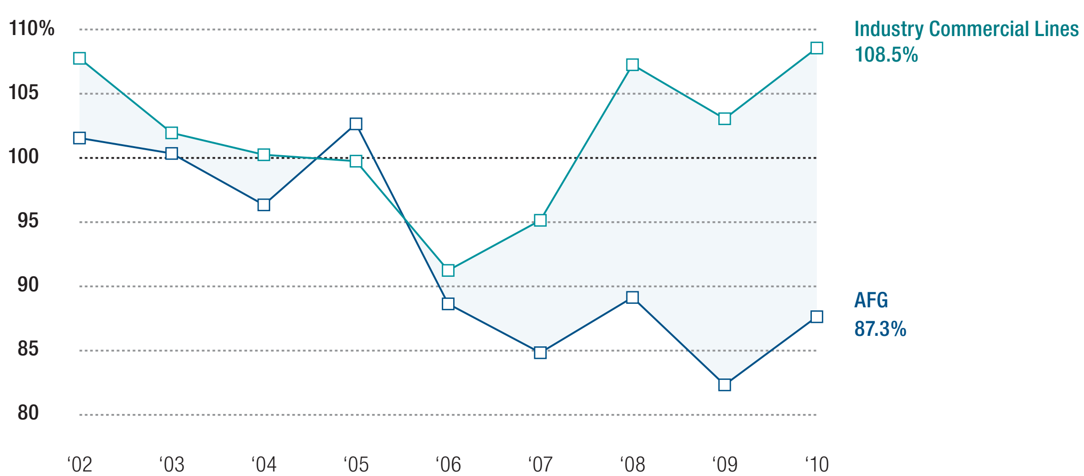
2010 Results

Net income was $479 million, or $4.33 per share for the year, and included after-tax realized gains of $46 million, or $0.41 per share. Our 2010 core net operating earnings of $3.92 per share decreased 7% from the record results we reported in 2009. Improved results in our Annuity and Supplemental (A&S) operations were more than offset by lower Property and Casualty (P&C) underwriting profits and lower P&C investment income.

P&C investment income was down approximately 19% primarily as the result of the run-off of our residential mortgage-backed securities portfolio and generally lower reinvestment rates. Our insurance operations are faced with some of the most competitive market conditions we can recall. These conditions, coupled with decreased commercial demand as a result of a depressed economy, create an environment where disciplined underwriting is more important than ever.

The combined ratio of 88% in our P&C group during 2010 was six points higher than the previous year. Lower favorable reserve development, particularly in our run-off automobile residual value insurance (RVI) operations, strong results in our crop insurance operations (albeit at lower levels than our record 2009 results) and higher catastrophe losses, primarily from storms in the Midwestern United States, contributed to these results. We are pleased that almost all of our P&C business units produced profitable underwriting margins and adequate returns.

Statutory Combined Ratio (COR)



Industry Commercial Lines based on data from A.M. Best.

AVERAGE FOR TWENTY-THREE OF THE LAST TWENTY-FIVE YEARS.

2010 Results, continued

Additionally, we are satisfied that overall pricing in our specialty P&C operations remained flat for 2010. Competitive pressures and lower 2010 spring agricultural commodity prices contributed to lower gross written premiums, which were offset by additional premiums from the Vanliner acquisition, premium growth from our non-U.S. based lines offered through Marketform and higher fall agricultural commodity prices. Net written premiums for the full year increased primarily as a result of a return to historically lower levels of cessions under our crop quota share agreement.

The A&S Group's 2010 statutory premiums increased to a record $2.7 billion, primarily as a result of increased sales of single premium annuities through our bank channels as well as higher sales of single premium indexed annuities. This growth, coupled with improved spreads in our fixed annuity businesses, contributed to pre-tax operating earnings of $196 million, an increase of 21% over the prior year.

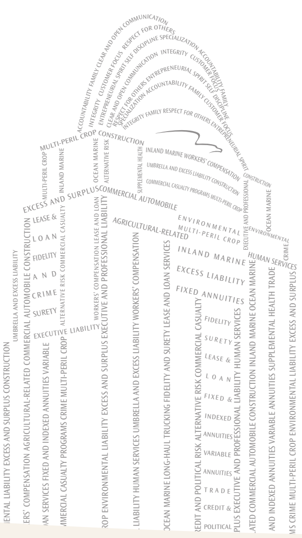
Investments

Our investment portfolio is primarily comprised of investment grade securities providing a predictable, steady stream of income. Our primary investment objective is to maximize total return from a long-term perspective. In fact, we view our investment management activities as a core competency. An in-house team of investment professionals manages our $23 billion investment portfolio and has had a consistent strategy executed over many years and diverse economic cycles that has delivered results exceeding comparable indices.

For the three years ended December 31, 2010, we achieved an annualized total return in our fixed income portfolio that was approximately 200 basis points higher than a composite estimate for the insurance industry during that same time period. These excess returns were driven by opportunistic purchases of non-agency residential mortgage-backed securities. This portfolio achieved an annual return of 15% over this period. These returns significantly surpassed those of other fixed income indices over that same time period. Importantly, 96% of this portfolio was rated NAIC 1 at December 31, 2010.

At the end of 2010, the unrealized gain on AFG's investments, net of tax and net of deferred acquisition costs, was $475 million, an improvement of more than $300 million during the year, reflecting market trends as well as the quality of our portfolio and prudent investment management.

During 2010, AFG recorded realized gains of $0.41 per share, which included $0.15 per share on the sale of a portion of our holdings in Verisk Analytics during the third quarter. We are very pleased with our returns on this investment, which had a carrying value of approximately $185 million (on a cost basis of approximately $24 million) at December 31, 2010.



DESPITE CONTINUED ECONOMIC UNCERTAINTY, WE BELIEVE THAT OUR BUSINESS MODEL

Looking Ahead

As we look towards 2011, we remain committed to the core aspects of our strategic focus that have enabled us to increase shareholder value over the long run. We expect our 2011 core net operating earnings to be in the range of $3.30 - $3.70 per share. This guidance is lower than our 2010 results due to the level of favorable reserve development recorded in 2010 (especially in our run-off RVI business) and expected lower accident year underwriting profits and lower investment income in our P&C operations during 2011. Higher operating earnings in our A&S insurance operations and the impact of continued share repurchases are expected to offset these declines somewhat.

Despite continued economic uncertainty, we believe that our business model positions us well to produce solid results that can continue to outperform the industry. We recognize the importance of patience and discipline as we navigate through every phase of the cycle. We remain committed to pricing our business in a manner that produces appropriate returns. Therefore, we know that we must be positioned to grow our businesses when and where it makes sense, while resisting the temptation to grow through inadequate pricing. To do this well is a delicate balancing act, as we recognize the importance of providing high caliber service to policyholders and agents, maintaining a world-class claims team and keeping expenses in line with premium volume. The Company's financial strength, diversified business model and investing, underwriting and risk management skills provide a foundation for success. This foundation is also instrumental in creating long-term shareholder value.

We thank God for His abundant blessings. With the help of a very talented management team and our dedicated employees, we have achieved the financial strength which allows us to make plans for our organization that best serve our policyholders, agents and brokers over the long-term. We thank them and you, our shareholders, for your investment and confidence.

S. Craig Lindner

Co-Chief Executive Officer

Carl H. Lindner III

Co-Chief Executive Officer

POSITIONS US WELL TO PRODUCE SOLID RESULTS THAT CAN CONTINUE TO OUTPERFORM THE INDUSTRY.

FINANCIAL HIGHLIGHTS (IN MILLIONS, EXCEPT PER SHARE DATA)

BALANCE SHEET DATA	2010	2009	2008
Cash and investments	**$22,670**	$19,791	$16,871
Total assets	**32,454**	27,683	26,428
Long-term debt	**952**	828	1,030
Shareholders' equity	**4,470**	3,781	2,490
Book value per share	**$40.64**	$33.35	$21.54
Shareholders' equity[A]	**3,948**	3,733	3,210
Book value per share[A]	**$37.54**	$32.92	$27.77
Cash dividends per share[B]	**$0.575**	$0.52	$0.50
Ratio of debt to total capital[C]	**19%**	18%	24%
Shares outstanding	**105.2**	113.4	115.6

SUMMARY OF OPERATIONS	2010	2009	2008
Total revenues	**$4,497**	$4,320	$4,293
Components of net earnings:			
Core net operating earnings[D]	**$433**	$493	$476
Major A&E reserve increases	–	–	(10)
Realized gains (losses)	**46**	26	(270)
Net earnings attributable to shareholders – GAAP	**$479**	$519	$196
Return on Shareholders' Equity:			
Core net operating earnings[A]	**11%**	14%	15%
Net earnings[A]	**12%**	15%	6%
Components of diluted earnings per share:			
Core net operating earnings[D]	**$3.92**	$4.23	$4.07
Major A&E reserve increases	**–**	–	(.09)
Realized gains (losses)	**.41**	.22	(2.31)
Diluted earnings per share – GAAP	**$4.33**	$4.45	$1.67

A Excludes appropriated retained earnings and unrealized gains and losses on fixed maturity investments.

B 2010 reflects quarterly cash dividends of $0.1375 per share in January, April and July of 2010 and $0.1625 per share in October 2010.

C For this calculation, capital includes long-term debt, noncontrolling interests and shareholders' equity (excluding appropriated retained earnings and unrealized gains and losses on fixed maturity investments).

D Certain significant items that may not be indicative of ongoing core operations are excluded in deriving our core net operating earnings, a non-GAAP measure used for discussion and analytical purposes. Though it is not a generally accepted accounting principles ("GAAP") measure, it is a key performance measure used by analysts and rating agencies.

AFG AT A GLANCE

FINANCIAL STRENGTH RATINGS

Specialty Property & Casualty Insurance Group	A.M. Best	Standard & Poor's
Great American Insurance Company	A (Excellent)	A+ (Strong)
American Empire Surplus Lines Insurance Company	A+ (Superior)	A+ (Strong)
Mid-Continent Casualty Company	A (Excellent)	A+ (Strong)
National Interstate Insurance Company	A (Excellent)	Not Rated
Republic Indemnity Company of America	A (Excellent)	A+ (Strong)
Vanliner Insurance Company	A (Excellent)	Not Rated
Marketform/Lloyd's Syndicate	A (Excellent)	A+ (Strong)

Annuity & Supplemental Insurance Group	A.M. Best	Standard & Poor's
Great American Life Insurance Company	A (Excellent)	A+ (Strong)
Annuity Investors Life Insurance Company	A (Excellent)	A+ (Strong)
United Teacher Associates Insurance Company	B++ (Good)	Not Rated
Loyal American Life Insurance Company	A– (Excellent)	Not Rated

GROUP COMPONENTS

Specialty Property & Casualty Insurance Group

Property and Transportation

Inland and Ocean Marine
Builders' risk, contractors' equipment, property, motor truck cargo, marine cargo, boat dealers, marina operators/dealers and excursion vessels.

Agricultural-related
Federally reinsured multi-peril crop insurance covering most perils as well as crop-hail, equine mortality and other coverages for full-time operating farms/ranches and agribusiness operations on a nationwide basis.

Commercial Automobile
Coverage for vehicles in a broad range of businesses and customized insurance programs for various transportation operations (buses, trucks and moving and storage) and a specialized physical damage product for the trucking industry.

Specialty Casualty

Executive and Professional Liability
Liability coverage for directors and officers of businesses and non-profit organizations; errors and omissions; and non-U.S. medical malpractice insurance.

Umbrella and Excess Liability
Higher layer liability coverage in excess of primary layers.

Excess and Surplus
Liability, umbrella and excess coverage for unique, volatile or hard-to-place risks, using rates and forms that generally do not have to be approved by state insurance regulators.

General Liability
Contractor-related businesses, energy development and production risks, and environmental liability risks.

Targeted Programs
Coverage (primarily liability and property) for social service agencies, leisure, entertainment and non-profit organizations, customized solutions for other targeted markets and alternative risk programs using agency captives.

Workers' Compensation
Coverage for prescribed benefits payable to employees (principally in California) who are injured on the job.

Specialty Financial

Fidelity and Surety
Fidelity and crime coverage for government, mercantile and financial institutions and surety coverage for various types of contractors and public and private corporations.

Lease & Loan Services
Coverage for insurance risk management programs for lending and leasing institutions, including equipment leasing and collateral and mortgage protection.

Annuity & Supplemental Insurance Group

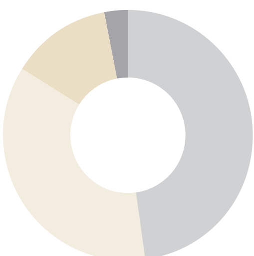
Fixed, Indexed and Variable Annuities
Sold primarily to teachers and public school employees and non-profit organizations.

Fixed and Indexed Annuities
Sold primarily in the bank and single premium markets.

Specified Disease, Medicare Supplement and Other Supplemental Health Products
Sold primarily in the individual, senior and worksite markets.

OPERATIONAL OVERVIEW

Specialty Property and Casualty Insurance Operations 2010 Net Written Premium



- 48% Property & Transportation
- 36% Specialty Casualty
- 13% Specialty Financial
- 3% Other

A Commitment to Excellence

American Financial Group is committed to providing insurance products that meet the unique risk management needs of businesses and financial planning needs of individuals. Today's operations consist of approximately 30 niche insurance businesses that are part of the Great American Insurance Group. Each of these operations is focused on serving the markets we know best. We are proud of the market leadership of our products. Approximately half of the gross written premium in our Property and Casualty (P&C) operations is generated by businesses that have "top ten" market rankings. Our 403(b) fixed annuity business is in the top five in sales through independent agents for the teachers' K-12 market. In addition, we are in the top five in fixed annuity sales through banks and other depository institutions.

Our roots go back to 1872 with the founding of Great American Insurance Company. Our insurance professionals understand the business of managing risk – whether it is inherent in business operations or in planning for our policyholders' retirement. A commitment to disciplined underwriting, world-class claims handling and prudent expense management have enabled us to outperform the commercial property and casualty insurance industry by an average of nine points on the combined ratio over a ten year period.

Our business model is founded on an entrepreneurial approach that allows "local" decision-making for underwriting, claims and policy servicing in each of our niches. These businesses are managed by experienced professionals in specialized lines of business or customer groups. This decentralized approach allows each unit the autonomy necessary to respond to local and specialty market conditions while capitalizing on the efficiencies of centralized investment and support functions. Incentive-based compensation programs reward business unit leaders for results that align with our corporate goals and objectives over both a short and long-term horizon.

Each business designs products, creates distribution strategies and builds relationships in the markets they know and serve. We know that positive customer experiences happen when knowledgeable professionals provide high quality, reliable service. Furthermore, we understand that a strong brand evolves from repeated positive experiences. Our products are marketed and sold under the Great American Insurance Group brand as well as other brand names that are part of this group. We are proud of the commitment to excellence represented by each of these brands.

Our 6,700 employees in over 100 locations throughout North America and Western Europe are the foundation to the success of our business. Management development programs and succession planning have been instrumental in building and protecting our intellectual capital as we expand our knowledge and expertise in the specialty insurance marketplace.

Specialty Property and Casualty Insurance Operations

The underwriting results of our Specialty P&C operations have consistently outperformed the industry. We are proud that Great American Insurance Company, our flagship insurer, is one of only four property and casualty insurers maintaining a financial strength rating of "A" Excellent from A. M. Best Company for over 100 years. The thousands of agents and brokers who write business on behalf of our P&C insurance group rely on the financial strength that is signified by this rating.

AFG manages its exposure to catastrophes through individual risk selection, including minimizing coastal and known fault-line exposures, and the purchase of reinsurance. AFG's property exposure to a catastrophic earthquake that industry models indicate could occur once in every 500 years is less than 2% of AFG's shareholders' equity. Similarly, AFG has minimal California workers' compensation earthquake exposure and minimal windstorm exposure to a 500-year event.

AFG continually evaluates expansion in existing markets and opportunities in new specialty markets that meet its profitability objectives. For example, in July 2010, National Interstate, our majority-owned subsidiary, acquired Vanliner Group, Inc., a market leader in providing insurance for the moving and storage industry. Likewise, AFG has withdrawn from markets that do not meet its profit objectives or business strategy, such as the withdrawal from certain automotive-related products in 2009 and 2010. We also continue to grow existing specialty niches. Expansion of our ocean marine, inland marine, political risk, equine mortality/bloodstock and specie lines through our Lloyd's-based Marketform platform serve as good examples.

Specialty Property and Casualty Insurance Operations
Year Ended December 31 (in millions)

	2010	2009	2008
Gross Written Premiums	**$3,589**	$3,762	$4,266
Net Written Premiums	**$2,408**	$2,311	$2,886
GAAP Combined Ratio	**88%**	82%	87%

Great American Plan Administrators
Marketform
Mid-Continent Group
Republic Indemnity
Annuity Investors Life Insurance Company
United Teacher Associates Insurance Company
National Interstate
American Empire Group

We posted strong underwriting profits in 2010 but lower than our record 2009 results. Disciplined underwriting processes and established pricing objectives remained priorities over top-line growth. Gross premiums were down 5% from 2009 due primarily to lower crop commodity prices, general economic conditions and a competitive market. These declines were in line with our expectations and further demonstrate our commitment to walk away from business that does not produce appropriate returns.

OUR PROPERTY AND TRANSPORTATION GROUP is comprised of several specialty insurance niche operations that are leaders in the markets they serve. Our crop insurance operations rank fourth in terms of gross written premium. Our National Interstate subsidiary ranks first in passenger transportation. Our equine mortality business is regarded as the number one provider of coverage in the equine community. Our commercial inland marine and trucking coverage for independent owner/operators also rank in the top ten of their respective markets.

This group reported strong underwriting results in 2010. Favorable crop yields contributed to strong results in our crop operations for the year; however, these results were lower than the record profitability of these operations in 2009. Sustained competitive market conditions and lower favorable reserve development also contributed to the year over year decline in underwriting profit. Catastrophe losses were $30 million higher than the previous year, primarily as a result of storms in the Midwestern region of the United States. Almost all of our property and transportation businesses reported strong underwriting profits.

Gross written premiums in this group decreased 2% from 2009 levels, primarily as a result of lower spring commodity prices and competitive market conditions, which were offset somewhat by additional premiums from the Vanliner acquisition. Net written premiums increased 33% as we returned to historical levels of cessions under our crop quota share agreement.

For 2011, we expect this group to produce a combined ratio in the 87% to 91% range. We expect net written premiums to increase by 9% to 13%, primarily as a result of higher spring commodity prices and additional premiums from the Vanliner acquisition.

OUR SPECIALTY CASUALTY GROUP includes our operations that serve the non-profit social services sectors, which are ranked third in terms of market share. Our Specialty Casualty Group reported underwriting profits for 2010 that were 25% lower than 2009. This decrease was due to lower profitability in our general liability operations that serve the homebuilders market and in our California workers' compensation business. These decreases were offset somewhat by improved results

Property and Transportation Group
Year Ended December 31 (in millions)

	2010	2009	2008
Gross Written Premiums	**$1,778**	$1,816	$2,160
Net Written Premiums	**$1,159**	$872	$1,292
GAAP Combined Ratio	**88%**	74%	88%

Specialty Casualty Group
Year Ended December 31 (in millions)

	2010	2009	2008
Gross Written Premiums	**$1,295**	$1,394	$1,512
Net Written Premiums	**$864**	$923	$1,029
GAAP Combined Ratio	**95%**	93%	76%

Specialty Financial Group
Year Ended December 31 (in millions)

	2010	2009	2008
Gross Written Premiums	**$514**	$557	$596
Net Written Premiums	**$323**	$448	$492
GAAP Combined Ratio	**75%**	74%	109%

Approximately half of the gross written premium in our P&C operations is generated by businesses that have "top ten" market rankings.

in our executive liability, targeted markets and excess and surplus lines operations. Results for 2010 included underwriting losses in Marketform, primarily the result of deterioration in the Italian medical malpractice reserves. The majority of businesses in this group produced strong underwriting profit margins.

Declines in gross and net written premiums during 2010 are primarily attributable to competitive market conditions in the excess and surplus markets and California workers' compensation businesses, as well as volume reductions resulting from decreased demand for general liability coverages in the homebuilders market. Growth in gross written premiums in our Marketform and environmental operations partially offset these declines. Increased retentions in our executive liability operations helped to offset decreases in net written premium for this group.

For 2011, we expect this group to generate a combined ratio in the 92% to 96% range and a decrease in net written premiums of 1% to 5%, primarily as a result of an anticipated sustained competitive environment.

OUR SPECIALTY FINANCIAL GROUP includes our fidelity and crime and surety operations, which are ranked fifth and tenth, respectively, in terms of market share. The Specialty Financial Group reported excellent underwriting margins during 2010 on lower underwriting profits. These results were impacted by lower favorable reserve development, particularly in our run-off automobile residual value insurance (RVI) operations, that was $50 million less than the prior year. All businesses in this group produced excellent underwriting profit margins. Gross written premiums were down primarily as a result of our decision to exit certain automotive-related lines of business earlier in the year. Net written premiums for the 2010 full year were impacted by a 2010 reinsurance transaction related to the sale of unearned premium associated with certain automotive-related lines of business.

We project the Specialty Financial Group's 2011 net written premiums to increase by 28% to 32% as a result of the 2010 reinsurance transaction involving the sale of unearned premium. We project the combined ratio to be between 84% and 88%.

Annuity and Supplemental Insurance Operations

OUR A&S INSURANCE GROUP markets traditional fixed and indexed annuities and supplemental health insurance. Our annuity and supplemental insurance operations help us to fulfill our specialization strategy and produce results that do not correlate directly with the overall property and casualty insurance market cycles.

This segment of our business has its roots in the 403(b) fixed annuity business and has been a market leader in serving teachers in the K-12 market, employees of not-for-profit organizations and other qualified markets since the early 1980's. Retirement annuities account for approximately 84% of this group's premium revenue, with tax-qualified annuities representing about half of all annuity premiums. Most of the growth in this segment can be attributed to increased sales of single premium annuities through our bank channels as well as higher sales of innovative single premium indexed annuities in the senior market. AFG sells its fixed rate annuities through several banks and a network of approximately 200 national marketing organizations and managing general agents who, in turn, direct over 2,000 actively producing agents.

Annuity and Supplemental Insurance Operations
Year Ended December 31 (in millions)

Statutory Net Premiums		2010	2009	2008
Annuities -	Fixed	$624	$494	$513
	Indexed	846	539	727
	Bank	737	314	345
	Variable	73	87	91
Total Annuities		$2,280	$1,434	$1,676
Supplemental Health & Life Premiums		441	$434	$413
Total Premiums		$2,721	$1,868	$2,089

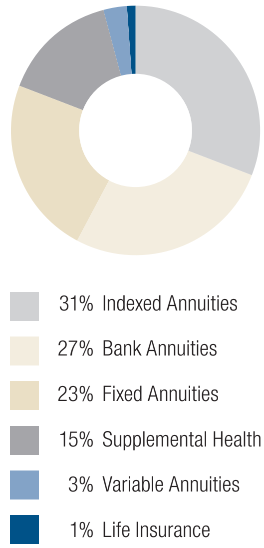
AFG offers a variety of supplemental insurance products primarily to individuals age 55 and older. Principal products include coverage for Medicare supplement, cancer and accidental injury. These products are sold primarily through independent agents.

Core operating earnings in this group were 21% higher in 2010 as a result of expense savings and improved results in our fixed annuity and supplemental businesses. The improvements were driven by growth and wider spreads in the fixed annuity business, which were offset somewhat by lower earnings in our variable annuity business. Results in 2010 included a $25 million pre-tax charge related primarily to the write-off of deferred acquisition costs (DAC) in our fixed annuity business. This charge was recorded in connection with our review of major actuarial assumptions and included management's expectations of future interest rates and changes in future annuitization assumptions. Results in 2009 included a $13 million DAC write-off that was also related to the fixed annuity business.

Statutory premiums increased considerably during 2010 due to higher sales of innovative single premium annuities sold through banks and indexed annuities. We continue to experience strong persistency in our annuity businesses and remain committed to product designs that reward policyholders and agents for long-term persistency.

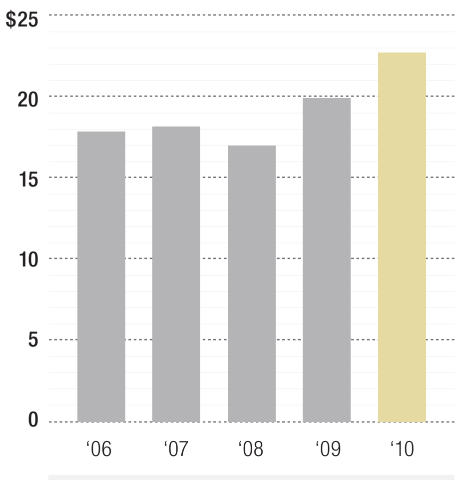
We expect the 2011 core pre-tax operating earnings of this group to be 15% to 20% higher than in 2010.

Annuity and Supplemental Insurance Operations 2010 Statutory Premium Distribution

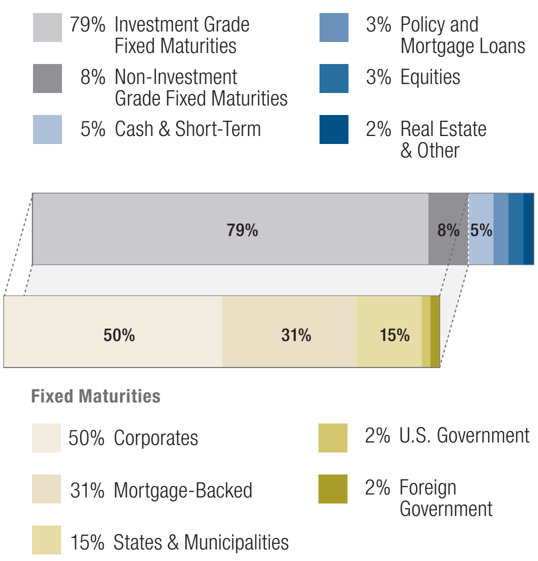


INVESTMENTS

Invested Assets
As of December 31 (in billions)



Investment Portfolio
As of December 31, 2010



Our investment philosophy is to focus on high-quality, diversified, liquid investments and to maximize return on a long-term basis, rather than focusing on short-term performance. Fixed income securities, primarily investment grade bonds and mortgage-backed securities, account for approximately 95% of our total investments. Approximately 91% of our fixed maturity investments are rated investment grade, and 96% have an NAIC designation of 1 or 2, its highest two levels. During 2010, our unrealized after-tax, after DAC gain on investments improved by over $300 million to $475 million.

Stocks, real estate and other investments make up the remaining 5% of our portfolio. AFG continues to own approximately 5.7 million shares of Verisk Analytics with a carrying value of approximately $185 million (cost basis of approximately $24 million).

Our real estate investments include a group of hotels, marinas and a resort in various parts of the United States as well as apartment and retail commercial developments. Our real estate investment strategy is based upon our history of buying underperforming or out-of-favor assets, developing and managing them "in house", and selling them when we believe value has been maximized. Over the past 10 years, we have realized net pre-tax gains of $312 million on sales of real estate properties.

Our investment strategy for municipal securities has been consistent for many years. Our municipal bond portfolio is high quality, with approximately 95% rated NAIC 1. The portfolio is well diversified across the states of issuance and individual issuers. Our holdings of state general obligation securities of California, Illinois, New Jersey and New York represent only 2% of our municipal bond portfolio. Approximately 70% of the municipal portfolio is held in revenue bonds, while the remaining 30% is in general obligation bonds.

For 2011, we expect the investment returns in our property and casualty business to be approximately 10% lower than 2009 results, primarily due to the sale and run-off of higher yielding non-agency residential mortgage-backed securities and generally lower reinvestment rates. We continue to look for attractive investment opportunities and will capitalize on our strong internal investment capabilities that we believe give us a competitive advantage. We believe that our investment returns will continue to be a major contributor to our earnings and book value growth.

BOARD OF DIRECTORS

Carl H. Lindner
Chairman of the Board

Carl H. Lindner III
Co-Chief Executive Officer, American Financial Group, Inc.
Chairman, Great American Insurance Company

S. Craig Lindner
Co-Chief Executive Officer, American Financial Group, Inc.
President and Chief Executive Officer, Great American Financial Resources, Inc.
Chairman, American Money Management Corporation

Kenneth C. Ambrecht [2, 3]
Principal, KCA Associates, LLC, an investment banking firm

Theodore H. Emmerich [1*]
Retired Managing Partner, Ernst & Young LLP, certified public accountants

James E. Evans
Senior Vice President and General Counsel, American Financial Group, Inc.

Terry S. Jacobs [1, 2*]
Chairman and Chief Executive officer, JFP Group, LLC, a real estate development company, and Chairman Emeritus, Jamos Capital, LLC, a private equity firm specializing in alternative investment strategies

Gregory G. Joseph [1, 3]
Executive Vice President and Principal, Joseph Automotive Group, an automobile dealership and real estate management company

William W. Verity [2, 3*]
President, Verity & Verity, LLC, an investment management company

John I. Von Lehman [1, 3]
Retired Executive Vice President, Chief Financial Officer and Secretary, The Midland Company, an Ohio-based provider of specialty insurance products

Board of Directors Committees:
1 Audit Committee
2 Compensation Committee
3 Corporate Governance Committee
* Chairman of Committee

CORPORATE MANAGEMENT

Carl H. Lindner III
Co-Chief Executive Officer

S. Craig Lindner
Co-Chief Executive Officer

James E. Evans
Senior Vice President and General Counsel

Keith A. Jensen
Senior Vice President

Thomas E. Mischell
Senior Vice President

H. Kim Baird
Vice President - Taxes

Kathleen J. Brown
Vice President – Taxes

Robert E. Dobbs
Vice President – Internal Audit

Michelle A. Gillis
Vice President

Karl J. Grafe
Vice President, Assistant General Counsel and Secretary

Sandra W. Heimann
Vice President

Karen Holley Horrell
Vice President

Robert H. Ruffing
Vice President and Controller

Piyush K. Singh
Vice President

David J. Witzgall
Vice President and Treasurer

ANNUAL SHAREHOLDERS' MEETING

The Annual Shareholders' Meeting will be held at The Cincinnatian Hotel in Cincinnati on May 11, 2011. Notices will be mailed to all holders of the Company's common stock.

COMMON STOCK MARKET INFORMATION

American Financial Group's Common Stock is traded on both the New York Stock Exchange and the Nasdaq Global Select Market under the symbol AFG. On February 1, 2011, approximately 7,500 holders of record own our shares.

DIVIDEND REINVESTMENT PLAN

This plan allows registered shareholders to automatically reinvest the dividends on their AFG Common Stock towards the purchase of additional shares of AFG Common Stock, at a 4% discount to the current market price. Dividend Reinvestment Plan information and enrollment forms may be obtained from the Company's Transfer Agent.

TRANSFER AGENT

American Stock Transfer & Trust Company
59 Maiden Lane
New York, NY 10038
Toll-Free: (866) 662-3946
www.amstock.com

ADDITIONAL INFORMATION

Investors or analysts requesting additional information, including copies of the American Financial Group, Inc. Form 10-K as filed with the Securities and Exchange Commission, may contact:

Investor Relations
American Financial Group, Inc.
Great American Insurance Group Tower
301 E Fourth Street
Cincinnati, Ohio 45202
(513) 579-6739
AFGInvestorRelations@gaic.com

SEC filings, news releases, and other information may also be accessed on American Financial Group's website at www.AFGinc.com.

FORWARD-LOOKING STATEMENTS

This document 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 document not dealing with historical results are forward-looking and are based on estimates, assumptions and projections. Examples of such forward-looking statements include statements relating to: the Company's expectations concerning market and other conditions and their effect on future premiums, revenues, earnings and investment activities; recoverability of asset values; expected losses and the adequacy of reserves for 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;
- performance of securities markets;
- our ability to estimate accurately the likelihood, magnitude and timing of any losses in connection with investments in the non-agency residential mortgage market;
- new legislation or declines in credit quality or credit ratings that could have a material impact on the valuation of securities in AFG's investment portfolio;
- the availability of capital;
- regulatory actions (including changes in statutory accounting rules);
- changes in the legal environment affecting AFG or its customers;
- tax law and accounting changes;
- levels of natural catastrophes and severe weather, terrorist activities (including any nuclear, biological, chemical or radiological events), incidents of war 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;
- the unpredictability of possible future litigation if certain settlements of current litigation do not become effective;
- trends in persistency, mortality and morbidity;
- competitive pressures, including 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; and
- other factors identified in our filings with the Securities and Exchange Commission.

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

The paper used in the 2010 AFG Annual Report is an FSC certified product and comes from sustainable managed forests.

AMERICAN FINANCIAL GROUP, INC.

2010 Annual Report

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