



Review of Third Quarter 2018

October 31, 2018

Forward Looking Statements

Certain statements made during this call, as well as included in this document, are not historical facts and may be considered “forward-looking statements” and are based on estimates, assumptions and projections which management believes are reasonable, but by their nature subject to risks and uncertainties. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements.

The reasons which could cause actual results and/or financial condition to differ materially from those suggested by such forward-looking statements include, but are not limited to, those discussed or identified from time-to-time in AFG’s filings with the Securities and Exchange Commission, including the annual report on Form 10-K and the quarterly reports on Form 10-Q. We do not promise to update such forward-looking statements to reflect actual results or changes in assumptions or other factors that could affect these statements.

Core net operating earnings is a non-GAAP financial measure which sets aside items that are generally not considered to be part of ongoing operations, such as net realized gains and losses, discontinued operations, and certain nonrecurring items. AFG believes that this non-GAAP measure is a useful tool for investors and analysts in analyzing ongoing operating trends of AFG.

2018 Third Quarter Highlights and 2018 Expectations

- Core net operating earnings per share of \$2.19; up 107% over 2017
 - establishes a new high for AFG third quarter core net operating EPS
 - solid profitability in our specialty P&C Insurance operations
 - outstanding Annuity segment earnings
 - third quarter annualized core ROE of 15.8%
- Net earnings of \$2.26 per diluted share includes after-tax amounts:
 - \$0.31 per share in net realized gains on securities
 - (\$0.24) per share A&E reserve adjustment
- Annualized growth in adjusted BVPS plus dividends of 15.6%
- AFG 2018 core earnings guidance increased to \$8.35 to \$8.65 per share
 - incorporates current expectations for Hurricane Michael and the estimated impact of fourth quarter to date stock market declines on Annuity Segment earnings

Property & Casualty Results

Dollars in millions

| | Three Months Ended September 30, | | Change ¹ |
|-----------------------------------|-------------------------------------|----------|---------------------|
| | 2018 | 2017 | |
| Gross Written Premiums | \$ 2,104 | \$ 2,104 | -% |
| Net Written Premiums | \$ 1,456 | \$ 1,433 | 2% |
| P&C Insurance Operating Earnings | \$ 158 | \$ 95 | 66% |
| Specialty P&C Underwriting Profit | \$ 55 | \$ 9 | 511% |
| Specialty P&C Combined Ratio | 95.7% | 99.3% | (3.6%) |
| Adverse (Favorable) Impact of: | | | |
| Catastrophe Losses | 2.6% | 8.4% | (5.8%) |
| Prior Year Development | (3.7%) | (2.9%) | (0.8%) |

¹ Calculated as a percentage change for dollars and an arithmetic difference for percentages.

Specialty P&C Groups

Dollars in millions

| | Net Written Premiums Three Months Ended September 30, | | | Combined Ratio Three Months Ended September 30, | |
|---------------------------|---|-------------|---------------|---|-------------|
| | <u>2018</u> | <u>2017</u> | <u>Change</u> | <u>2018</u> | <u>2017</u> |
| Property & Transportation | \$ 560 | \$ 624 | (10%) | 100.0% | 98.9% |
| Specialty Casualty | \$ 695 | \$ 624 | 11% | 92.1% | 99.5% |
| Specialty Financial | \$ 153 | \$ 150 | 2% | 94.4% | 102.2% |

2018 Outlook – Specialty P&C

| | Updated Guidance | | Previous Guidance | |
|-----------------------------|------------------|----------------|-------------------|----------------|
| | NWP Growth | Combined Ratio | NWP Growth | Combined Ratio |
| Specialty P&C Group Overall | 5% – 7% | 93% – 94% | 4% – 8% | 92% – 94% |
| Business Groups: | | | | |
| Property & Transportation | (1%) – 2% | 94% – 96% | 0% – 4% | 91% – 95% |
| Specialty Casualty | 9% – 12% | 93% – 95% | 6% – 10% | 92% – 96% |
| Specialty Financial | 3% – 6% | 89% – 91% | 3% – 7% | 86% – 90% |
| P&C average renewal rates | + 1% to 2% | | + 1% to 2% | |
| P&C investment income | + 15% to 18% | | + 10% to 13% | |

Annuity Segment

Dollars in millions

Three Months Ended
September 30,

| | 2018 | 2017 | Change |
|--|------|------|--------|
|--|------|------|--------|

Annuity Premiums

| | | | |
|--|----------|--------|-----|
| | \$ 1,378 | \$ 876 | 57% |
|--|----------|--------|-----|

Components of Pretax Annuity Earnings

Pretax Earnings Before Fair Value Accounting for FIAs

| | | | |
|--|--------|--------|-----|
| | \$ 119 | \$ 106 | 12% |
|--|--------|--------|-----|

Impact of Fair Value Accounting^(a)

| | | | |
|--|-----|-----|----|
| | (2) | (4) | nm |
|--|-----|-----|----|

Pretax Annuity Earnings

| | | | |
|--|--------|--------|-----|
| | \$ 117 | \$ 102 | 15% |
|--|--------|--------|-----|

(a) Components of Fair Value Accounting for FIAs

Interest accreted on embedded derivative

| | | |
|--|---------|--------|
| | \$ (10) | \$ (4) |
|--|---------|--------|

Higher (lower) than expected change in interest rates

| | | |
|--|-----|------|
| | (2) | (10) |
|--|-----|------|

Increase in stock market

| | | |
|--|----|---|
| | 12 | 6 |
|--|----|---|

Renewal option costs lower (higher) than expected

| | | |
|--|---|---|
| | - | 1 |
|--|---|---|

Other

| | | |
|--|-----|---|
| | (2) | 3 |
|--|-----|---|

Impact of fair value accounting

| | | |
|--|--------|--------|
| | \$ (2) | \$ (4) |
|--|--------|--------|

Fixed Annuities

Dollars in millions

Three Months Ended
September 30,

2018

2017

Change¹

Average Fixed Annuity Investments

\$ 34,955

\$ 31,713

10%

Average Fixed Annuity Reserves

\$ 35,226

\$ 32,029

10%

Net Interest Spread

2.67%

2.69%

(0.02%)

Net Spread Earned (before fair value
accounting for FIAs)²

1.37%

1.36%

0.01%

Impact of Fair Value Accounting

(0.02%)

(0.05%)

0.03%

Net Spread Earned

1.35%

1.31%

0.04%

¹ Calculated as a percentage change for dollars and an arithmetic difference for percentages.

² Calculated as Net Spread Earned excluding unlocking and the change in the fair value of derivatives, offset by the estimated related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs.

2018 Outlook – Annuity Segment

| | <u>Updated Guidance</u> | <u>Previous Guidance</u> |
|--|---|-------------------------------|
| Pretax Annuity Earnings (before unlocking and fair value accounting for FIAs) | \$440 to \$450 million | \$430 to \$450 million |
| Pretax Annuity Earnings, as reported¹ | \$385 to \$425 million² | \$395 to \$430 million |
| Average Fixed Annuity Investments | + 10% | + 9% to 10% |
| Average Fixed Annuity Reserves | + 10% | + 9% to 10% |
| Annuity Premiums | + 17% to 20% | + 10% to 15% |
| Net Spread Earned (before unlocking and fair value accounting for FIAs) | 1.30% to 1.33% | 1.27% to 1.33% |
| Net Spread Earned¹ | 1.14% to 1.26%² | 1.17% to 1.27% |

¹ After the impact of fair value accounting for FIAs and second quarter unlocking.

² Decrease in guidance reflects the impact on fair value accounting of the 9% decrease in the S&P 500 in the fourth quarter to date.

Annuity Earnings Guidance Detail

Dollars in millions

| | 2018 Actual | | | Implied 4 th Qtr Guidance | Updated 2018 Guidance |
|---|---------------------|---------------------|---------------------|--|-----------------------------|
| | 1 st Qtr | 2 nd Qtr | 3 rd Qtr | | |
| Earnings before FV Accounting and Unlocking ^{1,2} | \$ 112 | \$ 123 | \$ 119 | \$86 to \$96 ^{1,2} | \$440 to \$450 |
| Unlocking | - | (27) | - | - | (27) to (27) |
| Impact of FV Accounting ^{2,3} | 13 | 3 | (2) | (42) to (12) ^{2,3} | (28) to 2 |
| Reported Operating Earnings | <u>\$ 125</u> | <u>\$ 99</u> | <u>\$ 117</u> | <u>\$44 to \$84</u> | <u>\$385 to \$425</u> |
| Change in S&P 500 | (1%) | +3% | +7% | (12%) to (5%) | (4%) to +3% |
| Change in average 5-year and 15-year Corporate A2 rates | +43bps | +25bps | +7bps | +5bps to +15bps | +80bps to +90bps |

¹ In the first nine months of 2018, the Annuity Segment's investments in investees earned an annualized return of nearly 15% (see Page 23 of AFG's Investor Supplement for additional detail). Our updated 2018 guidance assumes a more normalized return on these investments in the 4th quarter of 2018.

² The guidance above reflects market conditions as of 10/30/18, including a 9% decrease in the S&P 500 in the 4th quarter to date.

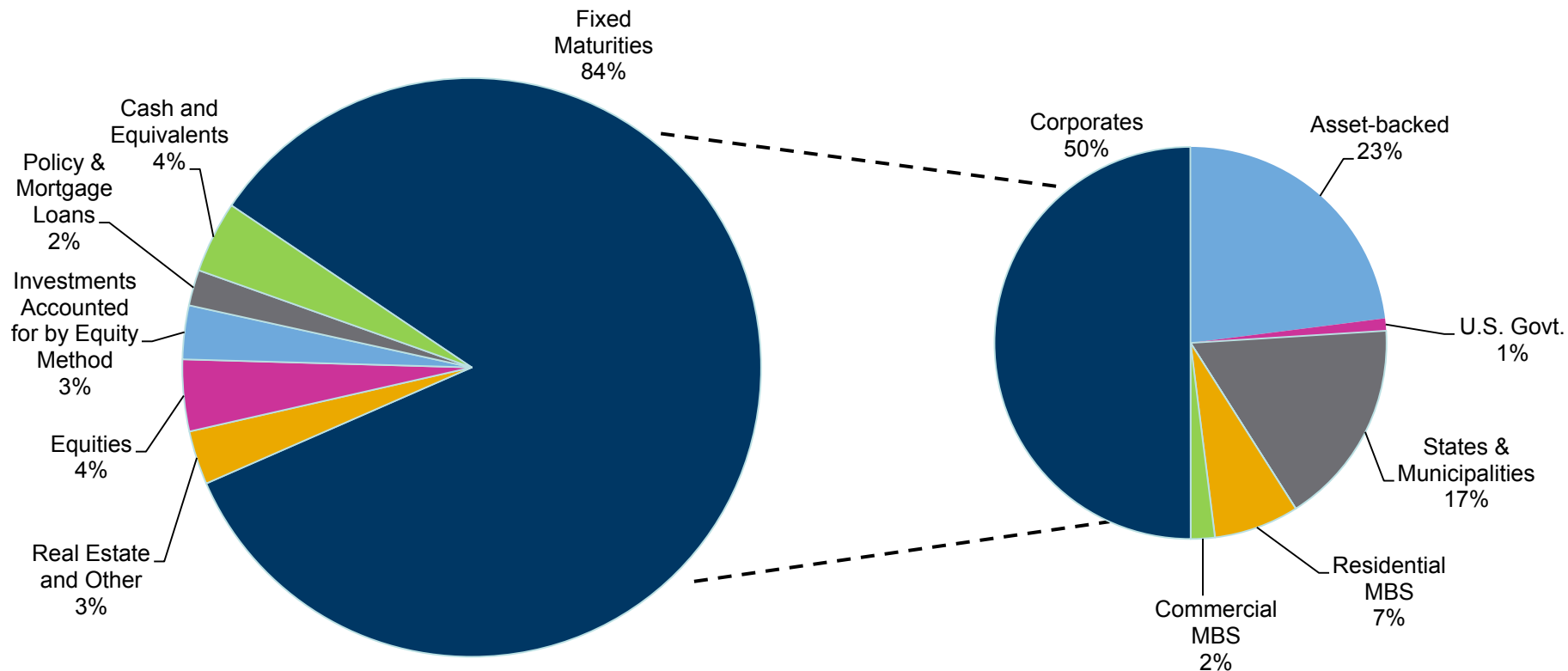
³ In a period where (i) interest rates follow the forward curve and (ii) the stock market does not increase or decrease, the impact of FV accounting is expected to be approximately (\$10) million to (\$12) million per quarter; this negative amount reflects primarily interest accreted on AFG's embedded derivative liability, and is expected to grow over time as AFG's FIA block grows.

Investments – September 30, 2018

- Total carrying value of investment portfolio = \$47.8 billion
- Third quarter after-tax, after-DAC net realized gains on securities of \$27 million
 - includes \$20 million in after-tax, after-DAC net realized gains to adjust equity securities the company continues to own to fair value through earnings
- After-tax, after-DAC net unrealized gains on fixed maturities of \$93 million

Investment Portfolio – September 30, 2018

Fixed Maturities Portfolio – 90% investment grade; 98% NAIC 1 & 2



Carrying Value – \$47.8 Billion

Consolidated Results

Dollars in millions, except per share data

| | Three Months Ended September 30, | |
|---|-------------------------------------|--------------|
| | 2018 | 2017 |
| P&C Insurance Segment | \$ 158 | \$ 95 |
| Annuity Segment (before fair value accounting for FIAs) | 119 | 106 |
| Impact of Fair Value Accounting for FIAs | (2) | (4) |
| Interest & Other Corporate Expenses ¹ | (37) | (39) |
| Core Pretax Operating Earnings | 238 | 158 |
| Related Income Taxes | 40 | 63 |
| Core Net Operating Earnings | <u>\$ 198</u> | <u>\$ 95</u> |
| Average Number of Diluted Shares | 90.7 | 90.0 |
| Core Net Operating Earnings per Share | \$ 2.19 | \$ 1.06 |
| Annualized Core Return on Equity | 15.8% | 8.1% |

¹ Other Corporate Expenses includes income and expenses associated with AFG's run-off businesses.

Consolidated Results (continued)

Dollars in millions, except per share data

| | <u>Three Months Ended September 30, 2018</u> | |
|---|--|----------------|
| | | (Per Share) |
| Core Net Operating Earnings | \$ 198 | \$ 2.19 |
| <u>Non-core Items</u> | | |
| After-tax Realized Gains on Securities ¹ | 27 | 0.31 |
| Special A&E Charges | <u>(21)</u> | <u>(0.24)</u> |
| Net Earnings Attributable to Shareholders | <u>\$ 204</u> | <u>\$ 2.26</u> |

¹ Effective January 1, 2018 AFG adopted Accounting Standards Update (“ASU”) 2016-01, which requires all equity securities previously classified as “available for sale” to be reported at fair value, with holding gains and losses recognized in net earnings.

Book Value and Liquidity

| | | |
|---|----------------|-----------------|
| • Book Value per Share: | <u>9/30/18</u> | <u>12/31/17</u> |
| Excluding unrealized gains (losses) related to fixed maturities | \$ 57.22 | \$ 53.51 |
| Tangible, excluding unrealized gains (losses) related to fixed maturities, goodwill and intangibles | \$ 54.64 | \$ 50.95 |

| |
|--|
| • Capital Adequacy, Financial Condition and Liquidity: |
| – maintained capital at levels that support operations and rating agency commitments |
| – excess capital of approximately \$865 million, including parent cash of approximately \$250 million as of September 30, 2018 |

2018 Outlook – AFG

AFG Core Earnings Guidance \$8.35 – \$8.65 per share

| | <u>NWP Growth</u> | <u>Combined Ratio</u> |
|-----------------------------|-----------------------|---------------------------|
| Specialty P&C Group Overall | 5% – 7% | 93% – 94% |
| <u>Business Groups:</u> | | |
| Property & Transportation | (1%) – 2% | 94% – 96% |
| Specialty Casualty | 9% – 12% | 93% – 95% |
| Specialty Financial | 3% – 6% | 89% – 91% |

P&C average renewal rates up 1% to 2%

P&C investment income 15% to 18% higher than 2017

Annuity Segment:

- Full year pretax annuity earnings (before fair value accounting for FIAs and unlocking) \$440 million to \$450 million
- Full year pretax annuity earnings, as reported \$385 million to \$425 million
- Full year annuity premiums up 17% to 20% from the \$4.3 billion reported in 2017



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