



Review of Second Quarter 2018

August 2, 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 Second Quarter Highlights and 2018 Expectations

- Core net operating earnings per share of \$2.04; up 27% over 2017 and a second quarter record for AFG's quarterly core EPS
 - excellent profitability in our specialty P&C Insurance operations
 - outstanding Annuity segment earnings
 - second quarter annualized core ROE of 15.1%
- Net earnings of \$2.31 per diluted share include \$0.27 in after-tax net realized gains on securities
- AFG 2018 core earnings guidance increased to \$8.10 - \$8.60 per share

Property & Casualty Results

Dollars in millions

	Three Months Ended		Change ¹
	June 30,		
	2018	2017	
Gross Written Premiums	\$ 1,665	\$ 1,503	11%
Net Written Premiums	\$ 1,257	\$ 1,130	11%
P&C Insurance Operating Earnings	\$ 180	\$ 163	10%
Specialty P&C Underwriting Profit	\$ 73	\$ 73	-
Specialty P&C Combined Ratio	93.7%	93.2%	0.5%
Adverse (Favorable) Impact of:			
Catastrophe Losses	1.4%	1.7%	(0.3%)
Prior Year Development	(3.9%)	(2.2%)	(1.7%)

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 June 30,			Combined Ratio Three Months Ended June 30,	
	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>2018</u>	<u>2017</u>
Property & Transportation	\$ 422	\$ 393	7%	93.9%	94.2%
Specialty Casualty	\$ 639	\$ 561	14%	95.1%	94.7%
Specialty Financial	\$ 159	\$ 149	7%	85.6%	84.4%

2018 Outlook – Specialty P&C

	Updated Guidance		Previous Guidance	
	NWP Growth	Combined Ratio	NWP Growth	Combined Ratio
Specialty P&C Group Overall	4% – 8%	92% – 94%	3% – 7%	92% – 94%
Business Groups:				
Property & Transportation	0% – 4%	91% – 95%	0% – 4%	92% – 96%
Specialty Casualty	6% – 10%	92% – 96%	3% – 7%	92% – 96%
Specialty Financial	3% – 7%	86% – 90%	2% – 6%	85% – 89%
P&C average renewal rates	+ 1% to 2%		+ 1% to 2%	
P&C investment income	+ 10% to 13%		+ 4% to 6%	

Annuity Segment

Dollars in millions

	Three Months Ended June 30,		<u>Change</u>
	<u>2018</u>	<u>2017</u>	
Annuity Premiums	<u>\$ 1,399</u>	<u>\$ 1,266</u>	11%
<u>Components of Pretax Annuity Earnings</u>			
Pretax Earnings Before Unlocking Charge and Fair Value Accounting for FIAs	\$ 123	\$ 101	22%
Unlocking Impact of Fair Value Accounting ^(a)	(27) 3	- (16)	
Pretax Annuity Earnings	<u>\$ 99</u>	<u>\$ 85</u>	16%
<u>(a) Components of Fair Value Accounting for FIAs</u>			
Interest on embedded derivative liability	\$ (8)	\$ (4)	
Higher (lower) than expected change in interest rates	12	(17)	
Change in markets	6	5	
Renewal option costs lower (higher) than expected	(3)	1	
Other	(4)	(1)	
Impact of fair value accounting	<u>\$ 3</u>	<u>\$ (16)</u>	

Fixed Annuities

Dollars in millions

Three Months Ended
June 30,

	<u>2018</u>	<u>2017</u>	<u>Change¹</u>
Average Fixed Annuity Investments	\$ 33,935	\$ 30,988	10%
Average Fixed Annuity Reserves	\$ 34,165	\$ 31,212	9%
Net Interest Spread	2.81%	2.61%	0.20%
Net Spread Earned (before unlocking and fair value accounting for FIAs)²	1.46%	1.32%	0.14%
Unlocking	(0.32%)	-	(0.32%)
Impact of Fair Value Accounting	<u>0.04%</u>	<u>(0.21%)</u>	<u>0.25%</u>
Net Spread Earned	<u><u>1.18%</u></u>	<u><u>1.11%</u></u>	<u><u>0.07%</u></u>

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)	\$430 to \$450 million	\$410 to \$435 million
Pretax Annuity Earnings, as reported ¹	\$395 to \$430 million	\$385 to \$425 million
<hr/>		
Average Fixed Annuity Investments	+ 9% to 10%	+ 8% to 10%
Average Fixed Annuity Reserves	+ 9% to 10%	+ 8% to 10%
Annuity Premiums	+ 10% to 15%	+ 10% to 15%
<hr/>		
Net Spread Earned (before unlocking and fair value accounting for FIAs)	1.27% to 1.33%	1.23% to 1.31%
Net Spread Earned ¹	1.17% to 1.27%	1.17% to 1.29%

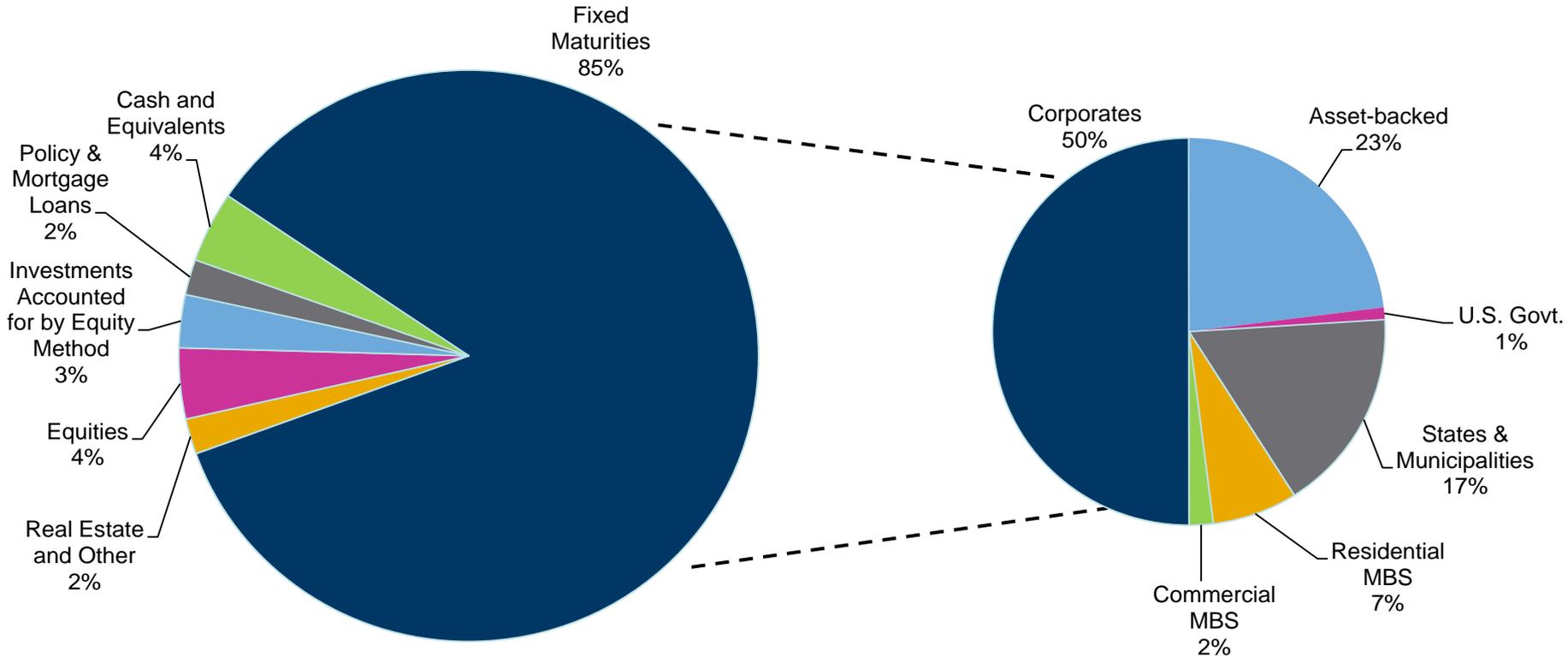
¹ After the impact of fair value accounting for FIAs and second quarter unlocking.

Investments – June 30, 2018

- Total carrying value of investment portfolio = \$46.8 billion
- Second quarter after-tax, after-DAC net realized gains on securities of \$25 million
 - includes \$15 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 \$191 million

Investment Portfolio – June 30, 2018

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



Carrying Value – \$46.8 Billion

Consolidated Results

Dollars in millions, except per share data

	Three Months Ended June 30,	
	2018	2017
P&C Insurance Segment	\$ 180	\$ 163
Annuity Segment (before unlocking and fair value accounting for FIAs)	123	101
Unlocking	(27)	-
Impact of Fair Value Accounting for FIAs	3	(16)
Interest & Other Corporate Expenses ¹	<u>(48)</u>	<u>(44)</u>
Core Pretax Operating Earnings	231	204
Related Income Taxes	<u>46</u>	<u>59</u>
Core Net Operating Earnings	<u>\$ 185</u>	<u>\$ 145</u>
Average Number of Diluted Shares	90.7	89.8
Core Net Operating Earnings per Share	\$ 2.04	\$ 1.61
Annualized Core Return on Equity	15.1%	12.3%

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

	Three Months Ended June 30, 2018	
		(Per Share)
Core Net Operating Earnings	\$ 185	\$ 2.04
<u>Non-core Items</u>		
After-tax Realized Gains on Securities:		
Holding Gains on Equity Securities ¹	15	0.16
All Other	10	0.11
	<u>25</u>	<u>0.27</u>
Total After-tax Realized Gains on Securities		
	<u>25</u>	<u>0.27</u>
Net Earnings Attributable to Shareholders	<u>\$ 210</u>	<u>\$ 2.31</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>6/30/18</u> | <u>12/31/17</u> |
|---|-----------------------|------------------------|
| Excluding unrealized gains (losses) related to fixed maturities | \$ 55.24 | \$ 53.51 |
| Tangible, excluding unrealized gains (losses) related to fixed maturities, goodwill and intangibles | \$ 52.63 | \$ 50.95 |
- **Capital Adequacy, Financial Condition and Liquidity:**
 - maintained capital at levels that support operations; in excess of amounts required for rating levels
 - excess capital of approximately \$720 million, including parent cash of approximately \$260 million as of June 30, 2018

2018 Outlook – AFG

AFG Core Earnings Guidance \$8.10 – \$8.60 per share

	<u>NWP Growth</u>	<u>Combined Ratio</u>
Specialty P&C Group Overall	4% – 8%	92% – 94%
<u>Business Groups:</u>		
Property & Transportation	0% – 4%	91% – 95%
Specialty Casualty	6% – 10%	92% – 96%
Specialty Financial	3% – 7%	86% – 90%

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

P&C investment income 10% to 13% higher than 2017

Annuity Segment:

- Full year pretax annuity earnings (before fair value accounting for FIAs and unlocking) \$430 million to \$450 million
- Full year pretax annuity earnings, as reported \$395 million to \$430 million
- Full year annuity premiums up 10% to 15% from the \$4.3 billion reported in 2017



Review of Second Quarter 2018

August 2, 2018
