



Review of First Quarter 2019

May 2, 2019

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.

2019 First Quarter Highlights and 2019 Expectations

- Core net operating earnings per share of \$2.02; compared to \$2.42 in the 2018 first quarter
 - lower year-over-year earnings in our Annuity Segment as a result of the impact of fair value accounting for fixed-indexed annuities (FIAs)
 - however, new quarterly all-time high for the Annuity segment earnings before impact of fair value accounting for FIAs
 - strong P&C profitability
- Net earnings of \$3.63 per diluted share include \$1.61 in after-tax net realized gains on securities
- Announced special cash dividend of \$1.50 per share, payable May 28, 2019
- AFG 2019 core earnings guidance maintained at \$8.35 - \$8.85 per share

Property & Casualty Results

Dollars in millions

	Three Months Ended		Change ¹
	March 31,		
	2019	2018	
Gross Written Premiums	\$ 1,535	\$ 1,458	5%
Net Written Premiums	\$ 1,147	\$ 1,102	4%
P&C Insurance Operating Earnings	\$ 185	\$ 188	(2%)
Specialty P&C Underwriting Profit	\$ 88	\$ 92	(4%)
Specialty P&C Combined Ratio	92.5%	91.7%	0.8%
Adverse (Favorable) Impact of:			
Catastrophe Losses	1.1%	1.2%	(0.1%)
Prior Year Development	(4.0%)	(5.1%)	1.1%

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 March 31,			Combined Ratio Three Months Ended March 31,	
	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>2019</u>	<u>2018</u>
Property & Transportation	\$ 344	\$ 324	6%	89.0%	90.4%
Specialty Casualty	\$ 626	\$ 594	5%	94.2%	92.9%
Specialty Financial	\$ 145	\$ 148	(2%)	91.4%	90.2%

2019 Outlook – Specialty P&C

	<u>NWP Growth</u>	<u>Combined Ratio</u>
Specialty P&C Group Overall	0% – 3%	92% – 94%
Business Groups:		
Property & Transportation	3% – 7%	92% – 96%
Specialty Casualty	(2%) – 2%	91% – 95%
Specialty Financial	3% – 7%	88% – 92%

P&C investment income flat to up 4% when compared to 2018

P&C average renewal rates up between 1% and 3% when compared to 2018

Annuity Segment

Dollars in millions

	Three Months Ended March 31,		<u>Change</u>
	<u>2019</u>	<u>2018</u>	
Annuity Premiums	<u>\$ 1,395</u>	<u>\$ 1,148</u>	22%

Components of Pretax Annuity Earnings

Pretax Earnings Before Fair Value Accounting

for FIAs – *see slide 8*

\$ 134 \$ 112 20%

Impact of Fair Value Accounting for FIAs – *see slide 9*

(44) 13 nm

Pretax Annuity Earnings

\$ 90 \$ 125 (28%)

Annuity Segment

Dollars in millions

Components of “Earnings Before Fair Value Accounting for FIAs”	Three Months Ended March 31,	
	2019	2018
Pretax Earnings Before Items Below:	\$ 89	\$ 84
Investments marked to market through core operating earnings	26	29
Impact of stock market on liability for guaranteed benefits ¹	14	(1)
Impact of stock market on DAC and sales inducements ²	5	-
Pretax Annuity Earnings Before Fair Value Accounting	\$ 134	\$ 112
<i>Yield on investments marked to market through core operating earnings</i>	<i>10.9%</i>	<i>14.9%</i>
<i>Increase (decrease) in S&P 500</i>	<i>13%</i>	<i>(1%)</i>
<i>Year over year growth in quarterly average invested assets</i>	<i>12%</i>	<i>10%</i>

¹ Reflects the impact of changes in the stock market on AFG’s liability for fixed-indexed annuities with guaranteed benefits. Increases in the stock market will generally have a favorable earnings impact on this liability; decreases in the stock market will generally have an unfavorable impact.

² Reflects the impact of changes in the stock market on the current and projected lifetime profitability of AFG’s annuity business. Increases in the stock market will generally have a favorable earnings impact; decreases in the stock market will generally have an unfavorable impact.

Annuity Segment

Dollars in millions

	Three Months Ended March 31,	
	<u>2019</u>	<u>2018</u>
<u>Components of “Impact of Fair Value Accounting for FIAs”</u>		
Interest accreted on embedded derivative	\$ (10)	\$ (7)
Increase (decrease) in stock market	15	(2)
Higher (lower) than expected changes in interest rates	(45)	27
Other	<u>(4)</u>	<u>(5)</u>
Impact of fair value accounting, as reported	<u>\$ (44)</u>	<u>\$ 13</u>
<i>Change in average of 5 yr and 15 yr Corporate A2 rates</i> ¹	<i>(49) bps</i>	<i>44 bps</i>
<i>Increase (decrease) in S&P 500</i> ²	<i>13%</i>	<i>(1%)</i>

¹ Increases in Corporate A2 rates, as compared to what was expected, will generally have a favorable earnings impact on FV accounting; decreases in Corporate A2 rates will generally have an unfavorable impact.

² Increases in the stock market will generally have a favorable earnings impact on FV accounting; decreases in the stock market will generally have an unfavorable impact.

Fixed Annuities

Dollars in millions

	Three Months Ended March 31,		Change ¹
	2019	2018	
Average Fixed Annuity Investments	\$ 36,991	\$ 33,002	12%
Average Fixed Annuity Reserves	\$ 37,078	\$ 33,329	11%
<hr/>			
Net Interest Spread	2.59%	2.75%	(0.16%)
Net Spread Earned (before fair value accounting for FIAs) ²	1.43%	1.38%	0.05%
Impact of Fair Value Accounting	<u>(0.47%)</u>	<u>0.16%</u>	<u>(0.63%)</u>
Net Spread Earned	<u>0.96%</u>	<u>1.54%</u>	<u>(0.58%)</u>

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

² Calculated as Net Spread Earned excluding 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.

2019 Outlook – Annuity Segment

	<u>2019 Forecast</u>
Pretax Annuity Earnings (before fair value Accounting for FIAs and unlocking)	\$445 to \$475 million
Pretax Annuity Earnings, as reported ¹	\$365 to \$425 million
<hr/>	
Average Fixed Annuity Investments	8% to 10% growth
Average Fixed Annuity Reserves	8% to 10% growth
Annuity Premiums	Flat to down slightly
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Net Spread Earned (before fair value accounting for FIAs and unlocking)	1.17% to 1.27%
Net Spread Earned ¹	0.95% to 1.15%

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

2019 Annuity Earnings Guidance

Dollars in millions

Earnings Sensitivities (Incremental Changes Are Versus Amounts Assumed in Guidance)

	Guidance Per Slide 11 ^{1,2}	Midpoint of Guidance	Incremental +/- 1% S&P 500 ^{1,2}	Incremental +/- 10bps change in Interest Rates ^{2,3}	Incremental +/- 1% Yield on Partnerships, Private Equities, Mark-to-Market Investments ¹
Pretax Annuity Earnings (before fair value accounting for FIAs) ¹	\$445 to \$475	\$460	~ +/- \$1mm to \$2mm		~ +/- \$8mm
Implied Fair Value Accounting Impact ²	(80) to (50)	(65)	~ +/- \$1mm to \$2mm	~ +/- \$8mm to \$10mm	
Pretax Annuity Earnings, as Reported	<u>\$365</u> to <u>\$425</u>	<u>\$395</u>	<u>~ +/- \$2mm to \$4mm</u>	<u>~ +/- \$8mm to \$10mm</u>	<u>~ +/- \$8mm</u>

¹ Current guidance assumptions related to Pretax Annuity Earnings (before fair value accounting for FIAs)
 - Assumes 20% increase in stock market in 2019
 - Assumes 8% to 9% yield on partnerships, private equities and investments marked to market in last 3 quarters of 2019
 - See additional information included in AFG 's Investor Supplement

² Current guidance assumptions related to Impact of Fair Value Accounting for FIAs
 - Assumes 20% increase in stock market in 2019
 - Assumes 10 to 20 bp increase in average of 5 year and 15 year Corporate A2 rates in last 3 quarters of 2019
 - See additional information included in AFG 's Investor Supplement

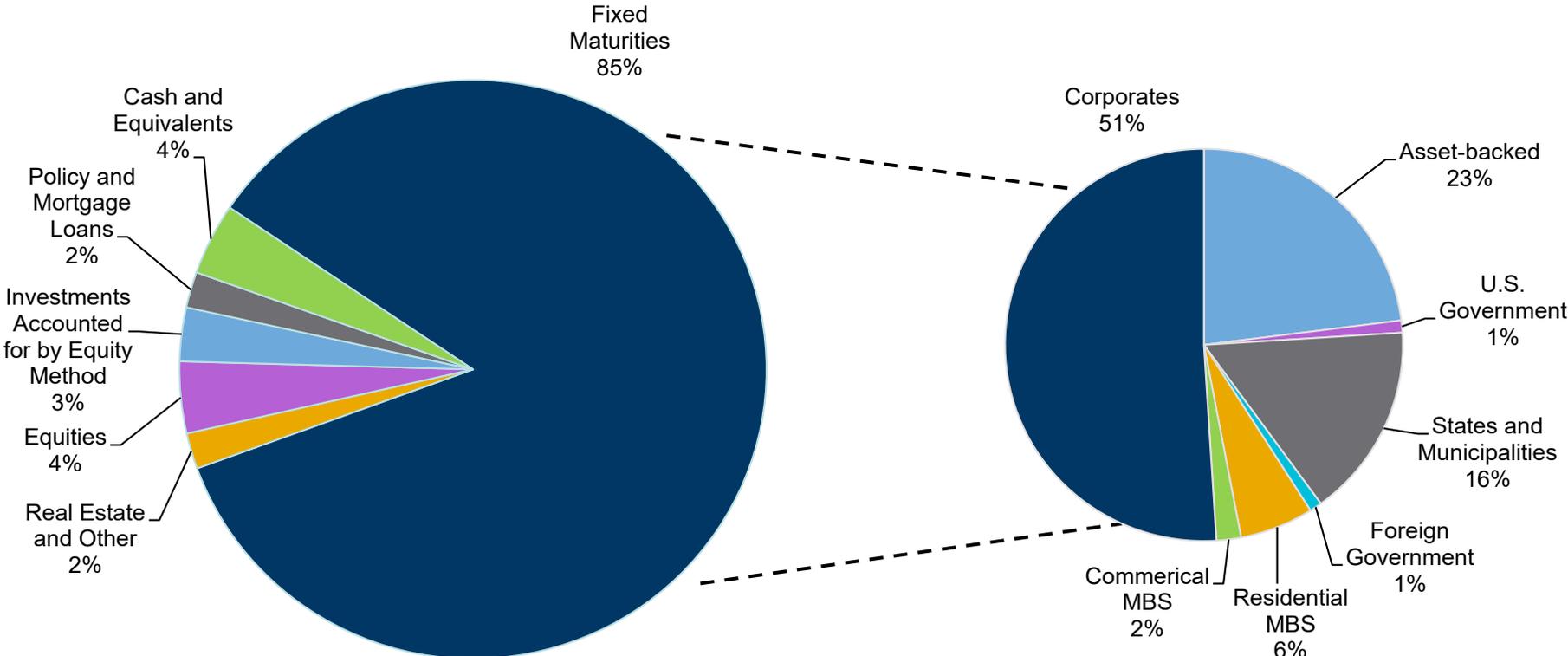
³ Assumes parallel shift in rates (primarily Corporate A2 rates)

Investments – March 31, 2019

- Total carrying value of investment portfolio = \$51.0 billion
- First quarter after-tax, after-DAC net realized gains on securities of \$145 million
 - includes \$127 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 \$464 million

Investment Portfolio – March 31, 2019

Fixed Maturities Portfolio – 91% investment grade; 98% NAIC 1 & 2



Carrying Value – \$51.0 Billion

Consolidated Results

Dollars in millions, except per share data

	Three Months Ended March 31,	
	<u>2019</u>	<u>2018</u>
P&C Insurance Segment	\$ 185	\$ 188
Annuity Segment (before fair value accounting for FIAs)	134	112
Impact of Fair Value Accounting for FIAs	(44)	13
Interest & Other Corporate Expenses ¹	<u>(43)</u>	<u>(42)</u>
Core Pretax Operating Earnings	232	271
Related Income Taxes	<u>48</u>	<u>52</u>
Core Net Operating Earnings	<u>\$ 184</u>	<u>\$ 219</u>
Average Number of Diluted Shares	90.7	90.4
Core Net Operating Earnings per Share	\$ 2.02	\$ 2.42
Annualized Core Return on Equity	14.5%	18.6%

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

Consolidated Results (continued)

Dollars in millions, except per share data

	Three Months Ended March 31, 2019	
		(Per Share)
Core Net Operating Earnings	\$ 184	\$ 2.02
<u>Non-core Items</u>		
After-tax Realized Gains on Securities	<u>145</u>	<u>1.61</u>
Net Earnings Attributable to Shareholders	<u><u>\$ 329</u></u>	<u><u>\$ 3.63</u></u>

Book Value and Liquidity

- | Book Value per Share: | <u>3/31/19</u> | <u>12/31/18</u> |
|---|-----------------------|------------------------|
| Excluding unrealized gains (losses) related to fixed maturities | \$ 58.02 | \$ 54.86 |
| Tangible, excluding unrealized gains (losses) related to fixed maturities, goodwill and intangibles | \$ 55.14 | \$ 51.93 |
- **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 \$1.1 billion, including parent cash of approximately \$215 million as of March 31, 2019

2019 Outlook – AFG

AFG Core Earnings Guidance \$8.35 – \$8.85 per share

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P&C investment income flat to 4% higher than 2018

P&C average renewal rates up between 1% and 3%

Annuity Segment:

- Pretax Annuity Earnings (before fair value accounting for FIAs and unlocking)
\$445 million to \$475 million
- Pretax Annuity Earnings, as reported \$365 million to \$425 million
- Annuity premiums flat to down slightly from the \$5.4 billion reported in 2018



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