



Review of First Quarter 2017
May 4, 2017

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.

2017 First Quarter Highlights and 2017 Expectations

- Record first quarter core net operating earnings of \$1.69 per share, an increase of 35% from 1Q16
 - annualized core operating ROE 13.1%
- Record first quarter net earnings of \$1.72 per diluted share, an increase of 51% from 1Q16
 - includes \$0.03 per share in after-tax net realized gains on securities
- Announced special cash dividend of \$1.50 per share, payable 5/25/17
- Growth in adjusted book value per share + dividends of \$2.18 per share during the quarter, or 4%
- AFG 2017 Core Earnings Guidance maintained at \$6.20 – \$6.70 per share

Property & Casualty Results

Dollars in millions



	Three Months Ended March 31,		Change ¹
	<u>2017</u>	<u>2016</u>	
Gross Written Premiums	\$ 1,324	\$ 1,243	7%
Net Written Premiums	\$ 1,027	\$ 979	5%
P&C Segment Operating Earnings	\$ 169	\$ 158	7%
Specialty P&C Underwriting Profit	\$ 79	\$ 86	(8%)
Specialty P&C Combined Ratio	92.2%	91.3%	0.9%
<u>Adverse (Favorable) Impact of:</u>			
Catastrophe Losses	0.7%	0.8%	(0.1%)
Prior Year Development	(2.8%)	(2.7%)	(0.1%)

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>2017</u>	<u>2016</u>	<u>Change</u>	<u>2017</u>	<u>2016</u>
Property & Transportation	\$ 324	\$ 311	4%	87.3%	90.6%
Specialty Casualty	\$ 540	\$ 519	4%	97.0%	94.3%
Specialty Financial	\$ 141	\$ 125	13%	85.0%	82.6%

2017 Outlook – Specialty P&C

	<u>NWP Growth</u>	<u>Combined Ratio</u>
Specialty P&C Group Overall	3% – 7%	92% – 94%
Business Groups:		
Property & Transportation	2% – 6%	91% – 95%
Specialty Casualty	5% – 9%	94% – 96%
Specialty Financial	2% – 6%	84% – 88%

P&C average renewal rates flat to up 1%

P&C investment income approximately 2% higher than 2016

Annuity Segment

Dollars in millions



	Three Months Ended March 31,		<u>Change</u>
	<u>2017</u>	<u>2016</u>	
Pretax Operating Earnings Before Impact of Fair Value Accounting on FIAs	\$ 98	\$ 84	17%
Impact of Fair Value Accounting ¹	<u>(2)</u>	<u>(31)</u>	nm
Pretax Operating Earnings	<u>\$ 96</u>	<u>\$ 53</u>	81%
 Annuity Premiums	 \$ 1,290	 \$ 1,285	 -%

¹ Includes (\$9) million and (\$23) million fair value impact of lower than expected interest rates in the first quarter of 2017 and 2016, respectively.

Fixed Annuities

Dollars in millions

	Three Months Ended March 31,		Change ¹
	2017	2016	
Average Fixed Annuity Investments	\$ 30,055	\$ 27,186	11%
Average Fixed Annuity Reserves	\$ 30,183	\$ 26,935	12%
Net Interest Spread	2.58%	2.54%	0.04%
Net Spread Earned (before impact of fair value accounting) ²	1.31%	1.20%	0.11%
Impact of Fair Value Accounting ³	(0.03%)	(0.46%)	0.43%
Net Spread Earned	1.28%	0.74%	0.54%

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.

³ Includes (0.12%) and (0.34%) fair value impact of lower than expected interest rates in the first quarter of 2017 and 2016, respectively.

2017 Outlook – Annuity Segment

	2017 Forecast
Pretax Operating Earnings (before impact of fair value accounting)	\$380 to \$400 million
Pretax Operating Earnings, as reported ¹	\$375 to \$395 million
Average Fixed Annuity Investments	10% to 11% growth
Average Fixed Annuity Reserves	11% to 12% growth
Annuity Premiums	Flat to up 10%
Net Spread Earned (before impact of fair value accounting)	1.25% to 1.30%
Net Spread Earned ¹	1.22% to 1.28%

¹ After the impact of changes in the fair value accounting related to FIAs.

Department of Labor (DOL) Rule

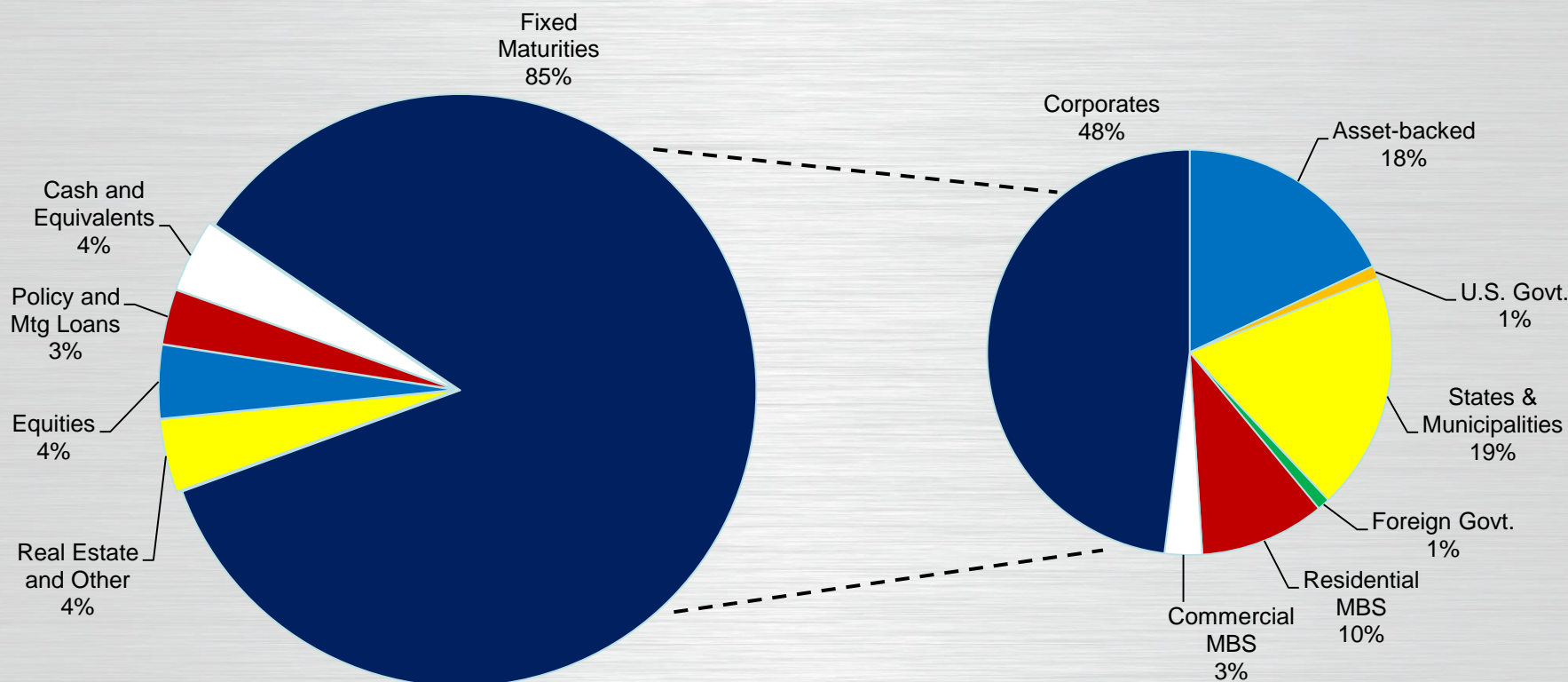
- On April 4, 2017 the DOL released a rule delaying the April 10, 2017 applicability date of the Fiduciary Rule to June 9, 2017, and further delayed certain requirements until January 1, 2018.
- As a result, insurance-only agents will be able to continue selling fixed-indexed annuities through the end of 2017, provided the agent acts in the customer's best interest and receives only reasonable compensation.
- While AFG's management continues to believe the adjustments required of the Company and its distribution partners to comply with the rule will impact annuity premiums, management does not believe the new rule will have a material impact on AFG's results of operations.

Investments – March 31, 2017

- Total carrying value of investment portfolio = \$43.4 billion
- First quarter after-tax, after-DAC realized gains of \$2 million (\$0.03 per share)
- After-tax, after-DAC net unrealized gains on fixed maturities of \$384 million
- After-tax net unrealized gains on equities of \$145 million
- In March 2017, AFG sold a hotel property, recognizing an after-tax gain of \$7 million on the sale
 - recorded as “Other Income” and included in Specialty P&C core operating earnings

Investment Portfolio – March 31, 2017

Fixed Maturities Portfolio – 89% investment grade; 98% NAIC 1 & 2



Carrying Value – \$43.4 Billion

Consolidated Results

Dollars in millions, except per share data



	Three Months Ended March 31,	
	2017	2016
P&C Insurance Segment	\$ 169	\$ 158
Annuity Segment	96	53
Run-off Long-Term Care and Life Segment	-	(1)
Interest Expense of Parent Holding Companies	(21)	(18)
Other Expense	(26)	(22)
Core Pretax Operating Earnings	218	170
Related Income Taxes	67	59
Core Net Operating Earnings	<u>\$ 151</u>	<u>\$ 111</u>
Average Number of Diluted Shares	89.3	88.5
Core Net Operating Earnings per Share	\$ 1.69	\$ 1.25
Annualized Core Return on Equity	13.1%	10.3%

Consolidated Results (continued)

Dollars in millions, except per share data



	Three Months Ended March 31, 2017	
		(Per Share)
Core Net Operating Earnings	\$ 151	\$ 1.69
Non-core Items:		
After-tax Realized Gains on Securities	<u>2</u>	<u>0.03</u>
Net Earnings Attributable to Shareholders	<u>\$ 153</u>	<u>\$ 1.72</u>

Book Value and Liquidity

- | Book Value per Share | <u>3/31/17</u> | <u>12/31/16</u> |
|---|-----------------------|------------------------|
| Excluding unrealized gains (losses) related to fixed maturities | \$ 54.98 | \$ 53.11 |
| Tangible, excluding unrealized gains (losses) related to fixed maturities | \$ 52.34 | \$ 50.43 |
- **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 \$200 million as of March 31, 2017
 - Special Dividend payable on May 25, 2017 will deploy \$132 million

2017 Outlook – AFG

AFG Core Earnings Guidance \$6.20 – \$6.70 per share

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P&C investment income approximately 2% higher than 2016

Annuity Segment:

- Full year pretax operating earnings (before impact of fair value accounting), \$380 to \$400 million
- Full year pretax operating earnings, as reported, \$375 to \$395 million
- Full year annuity premiums flat to up 10% from the \$4.4 billion reported in 2016



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