



---

**Review of Fourth Quarter and Full Year 2016**  
**February 2, 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.**

# 2016 Full Year Highlights

- **Full Year Results set new records for AFG earnings**
  - record net earnings of \$7.33 per share
  - record core net operating earnings per share of \$6.03, up 11% from 2015
  - ROE of 14.8% for 2016
- **Returned \$320 million of capital to shareholders in 2016:**
  - \$100 million in regular common stock dividends paid
  - 12% increase in ordinary dividend in October 2016
  - \$87 million special dividend paid in December 2016
  - \$133 million in share repurchases (average price per share = \$69.47)
- **Completed merger with National Interstate in November 2016, deploying approximately \$320 million in excess capital**
- **AFG 5-year total annualized shareholder return through 2016 = 22.6%**
  - **By Comparison:**
    - S&P 500 = 14.6%
    - S&P Property and Casualty Index = 19.5%
    - S&P Life & Health Insurance Index = 17.4%

# 2016 Fourth Quarter Highlights and 2017 Expectations

- **Record core net operating earnings per share of \$1.98; up 30% over 4Q 2015**
  - higher underwriting profit in our Specialty P&C segment
  - record operating earnings in our Annuity segment
  - annualized fourth quarter core operating ROE of 15.7%
- **Net earnings of \$4.33 per diluted share includes:**
  - \$0.36 realized gains on securities
  - \$0.74 tax benefit related to National Interstate merger
  - \$1.25 tax benefit related to Neon restructuring
- **AFG 2017 core earnings guidance established at \$6.20 - \$6.70 per share**

# Specialty P&C Results

Dollars in millions



	Three Months Ended December 31,		<u>Change<sup>1</sup></u>
	<u>2016</u>	<u>2015</u>	
Gross Written Premiums	\$ 1,441	\$ 1,356	6%
Net Written Premiums	\$ 1,083	\$ 1,056	3%
Underwriting Profit	\$ 110	\$ 100	10%
Combined Ratio	90.4%	91.0%	(0.6%)
Adverse (Favorable) Impact of:			
Catastrophe Losses	1.1%	0.8%	0.3%
Prior Year Development	0.9%	(0.4%)	1.3%

<sup>1</sup> 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 December 31,			Combined Ratio Three Months Ended December 31,	
	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>2016</u>	<u>2015</u>
Property & Transportation	\$ 394	\$ 378	4%	83.9%	92.4%
Specialty Casualty	\$ 510	\$ 503	1%	97.4%	90.2%
Specialty Financial	\$ 154	\$ 152	1%	86.0%	88.7%

# 2017 Outlook – Specialty P&C

	2016 Combined Ratio	2017 Outlook	
		NWP Growth	Combined Ratio
Specialty P&C Group Overall	92.3%	2% – 6%	92% – 94%
Business Groups:			
Property & Transportation	90.0%	0% – 3%	91% – 95%
Specialty Casualty	96.1%	5% – 9%	94% – 96%
Specialty Financial	84.9%	0% – 4%	84% – 88%

P&C average renewal rates up 0% to 1%

P&C investment income approximately 4% higher than 2016

# Annuity Segment

Dollars in millions



	<b>Three Months Ended December 31,</b>		<b><u>Change</u></b>
	<b><u>2016</u></b>	<b><u>2015</u></b>	
<b>Pretax Operating Earnings Before Impact of Fair Value Accounting on FIAs</b>	<b>\$ 103</b>	<b>\$ 96</b>	<b>7%</b>
<b>Impact of Fair Value Accounting</b>	<b><u>29</u></b>	<b><u>5</u></b>	<b>nm</b>
<b>Pretax Operating Earnings</b>	<b><u>\$ 132</u></b>	<b><u>\$ 101</u></b>	<b>31%</b>
<b>Annuity Premiums</b>	<b>\$ 1,111</b>	<b>\$ 1,107</b>	<b>-%</b>

# Fixed Annuities

Dollars in millions

	Three Months Ended December 31,		Change <sup>1</sup>
	2016	2015	
Average Fixed Annuity Investments	\$ 29,192	\$ 26,401	11%
Average Fixed Annuity Reserves	\$ 29,250	\$ 26,048	12%
Net Interest Spread	2.70%	2.53%	0.17%
Net Spread Earned (before impact of fair value accounting) <sup>2</sup>	1.42%	1.31%	0.11%
Impact of Fair Value Accounting	0.40%	0.08%	0.32%
Net Spread Earned	1.82%	1.39%	0.43%

<sup>1</sup> Calculated as a percentage change for dollars and an arithmetic difference for percentages.

<sup>2</sup> 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.

# 2017 Outlook – Annuity Segment

	<u>2016 Full Year</u>	<u>2017 Outlook</u>
<b>Average Fixed Annuity Investments</b>	<b>12% growth</b>	<b>8% to 9% growth</b>
<b>Average Fixed Annuity Reserves</b>	<b>13% growth</b>	<b>9% to 10% growth</b>
<b>Annuity Premiums</b>	<b>\$4.4 billion</b>	<b>Flat to down 10%<sup>1</sup></b>
<hr/>		
<b>Net Spread Earned (before impact of fair value accounting)</b>	<b>1.39%</b>	<b>1.23% to 1.29%</b>
<b>Net Spread Earned<sup>2</sup></b>	<b>1.29%</b>	<b>1.23% to 1.29%</b>
<hr/>		
<b>Pretax Operating Earnings (before impact of fair value accounting)</b>	<b>\$395 million</b>	<b>\$375 to \$395 million<sup>3</sup></b>
<b>Pretax Operating Earnings, as reported</b>	<b>\$368 million</b>	<b>\$375 to \$395 million<sup>3</sup></b>

<sup>1</sup> Assumes no delay in implementation of the DOL Rule.

<sup>2</sup> After the impact of changes in the fair value accounting related to FIAs.

<sup>3</sup> Assumes interest rates and the stock market rise moderately. Also assumes a more normalized return on certain investments that are required to be marked to market through earnings.

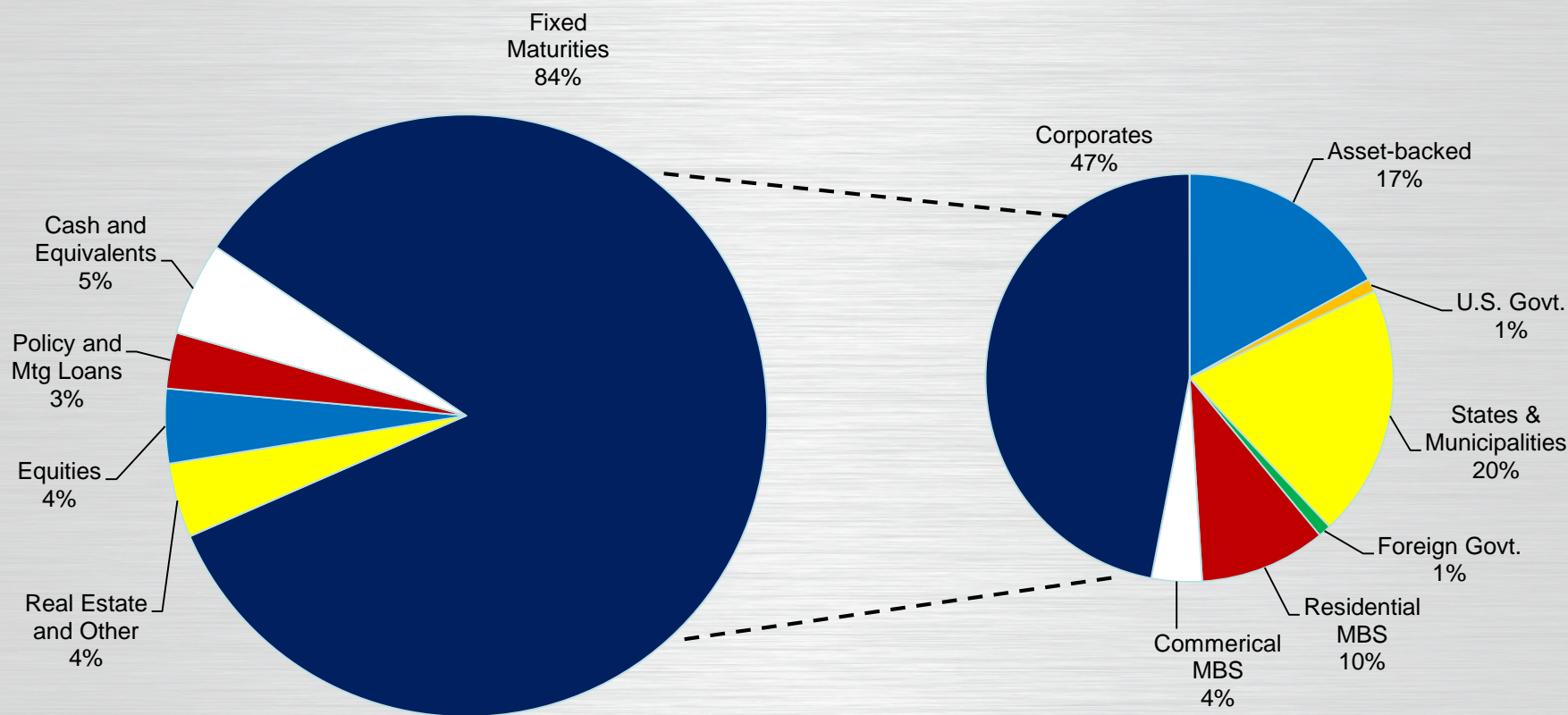
# Department of Labor (DOL) Rule

- **There is considerable discussion surrounding the possibility of a delay or other action impacting the rule, and there remains pending litigation seeking to invalidate the rule.**
- **Until there is some definitive action impacting the rule, the Company intends to continue implementing product and process changes needed to comply with the DOL fiduciary rule, and is proceeding under the premise the DOL rule becomes effective in April 2017 in its current form.**
- **Assuming the rule is effective in April 2017, AFG believes the biggest impact will be on insurance-only licensed agents whose sales represented less than 10% of our fourth quarter premium.**
- **While AFG management continues to believe the adjustments required of the Company and its distribution partners to comply with the rule will impact 2017 premiums, management does not believe the new rule will have a material impact on AFG's results of operations.**

- **Total carrying value of investment portfolio as of December 31, 2016 = \$41.4 billion**
- **Fourth quarter after-tax, after-DAC net realized gains of \$32 million (\$0.36 per share)**
- **After-tax, after-DAC net unrealized gains on fixed maturities of \$306 million at December 31, 2016**
- **After-tax net unrealized gains on equities of \$98 million at December 31, 2016**

# Investment Portfolio – December 31, 2016

## Fixed Maturities Portfolio – 89% investment grade; 97% NAIC 1 & 2



Carrying Value – \$41.4 Billion

# Consolidated Results

Dollars in millions, except per share data



	Three Months Ended December 31,	
	<u>2016</u>	<u>2015</u>
P&C Insurance Segment	\$ 180	\$ 163
Annuity Segment, before impact of fair value accounting	103	96
Impact of Fair Value Accounting	29	5
Run-off Long-term Care and Life Segment	2	-
Interest Expense of Parent Holding Companies	(21)	(16)
Other Expense	<u>(29)</u>	<u>(29)</u>
Core Pretax Operating Earnings	264	219
Related Income Taxes	<u>88</u>	<u>83</u>
Core Net Operating Earnings	<u>\$ 176</u>	<u>\$ 136</u>
Average Number of Diluted Shares	88.8	89.2
Core Net Operating Earnings per Share	\$ 1.98	\$ 1.52
Annualized Core Return on Equity	15.7%	12.7%

# Consolidated Results (continued)

Dollars in millions, except per share data



	<b>Three Months Ended December 31, 2016</b>	
		<b>(Per Share)</b>
<b>Core Net Operating Earnings</b>	<b>\$ 176</b>	<b>\$ 1.98</b>
<b>Non-core Items:</b>		
<b>After-tax Realized Gains on Securities</b>	<b>32</b>	<b>0.36</b>
<b>Tax Benefit Related to National Interstate Merger</b>	<b>66</b>	<b>0.74</b>
<b>Tax Benefit Related to Neon Restructuring</b>	<b><u>111</u></b>	<b><u>1.25</u></b>
<b>Net Earnings Attributable to Shareholders</b>	<b><u>\$ 385</u></b>	<b><u>\$ 4.33</u></b>

# Book Value and Liquidity

- | <b>Book Value per Share:</b>  | <b><u>12/31/16</u></b> | <b><u>12/31/15</u></b> |
|---|------------------------|------------------------|
| Excluding unrealized gains (losses) related to fixed maturities           | \$ 53.11               | \$ 49.32               |
| Tangible, excluding unrealized gains (losses) related to fixed maturities | \$ 50.43               | \$ 46.49               |
- **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 \$950 million, including parent cash of approximately \$200 million

# 2017 Outlook - AFG

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

	<u>NWP Growth</u>	<u>Combined Ratio</u>
Specialty P&C Group Overall	2% – 6%	92% – 94%
<u>Business Groups:</u>		
Property & Transportation	0% – 3%	91% – 95%
Specialty Casualty	5% – 9%	94% – 96%
Specialty Financial	0% – 4%	84% – 88%

P&C average renewal rates up 0% to 1%

P&C investment income approximately 4% higher than 2016

### Annuity Segment:

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



---

**Review of Fourth Quarter and Full Year 2016**  
**February 2, 2017**

---