



Review of Third Quarter 2016
November 2, 2016

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 realized gains and losses, discontinued operations, as well as other significant items that are not able to be estimated with reasonable precision, or that may not be indicative of ongoing operations. AFG believes that this non-GAAP measure is a useful tool for investors and analysts in analyzing ongoing operating trends of AFG.

2016 Third Quarter Highlights

- Core net operating earnings of \$1.51 per share
- Annualized core operating ROE 12.2%
- Net earnings of \$1.23 per diluted share include:
 - (\$0.30) per share A&E reserve strengthening
 - \$0.02 per share realized gains on securities
- Capital Deployment:
 - Repurchased \$26 million of AFG's common shares at an average price per share of \$73.98
 - Announced a special cash dividend of \$1.00 per share, payable December 7, 2016 to shareholders of record on November 23, 2016
 - Special Meeting of NATL shareholders scheduled for November 10, 2016 to consider and vote on merger
- 2016 core earnings guidance revised to \$5.55 to \$5.75 per share, from \$5.35 to \$5.75 announced previously; includes estimated impact of Hurricane Matthew

Specialty P&C Results

Dollars in millions



	Three Months Ended		
	September 30,		
	2016	2015	Change ¹
Gross Written Premiums	\$ 1,899	\$ 1,962	(3%)
Net Written Premiums	\$ 1,268	\$ 1,319	(4%)
Underwriting Profit	\$ 78	\$ 84	(7%)
Combined Ratio	93.2%	92.9%	0.3%
Adverse (Favorable) Impact of:			
Catastrophe Losses	1.2%	0.9%	0.3%
Prior Year Development	(1.1%)	(1.2%)	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 September 30,			Combined Ratio Three Months Ended September 30,	
	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>2016</u>	<u>2015</u>
Property & Transportation	\$ 585	\$ 608	(4%)	91.1%	96.2%
Specialty Casualty	\$ 504	\$ 545	(8%)	97.4%	93.8%
Specialty Financial	\$ 149	\$ 137	9%	86.4%	80.6%

2016 Outlook – Specialty P&C

		2016 Outlook	
	2016 YTD	NWP Growth	Combined Ratio
Specialty P&C Group Overall	92.9%	0% – 2%	92% – 94%
Business Groups:			
Property & Transportation	92.4%	0% – 3%	90% – 92%
Specialty Casualty	95.7%	(3%) – 0%	95% – 97%
Specialty Financial	84.5%	5% – 8%	84% – 86%

P&C average renewal rates flat to up 1%

P&C investment income approximately 9% higher than 2015

Annuity Segment

Dollars in millions



	Three Months Ended September 30,		<u>Change</u>
	<u>2016</u>	<u>2015</u>	
Pretax Operating Earnings Before Impact of Fair Value Accounting on FIAs	\$ 106	\$ 89	19%
Impact of Fair Value Accounting ¹	<u>1</u>	<u>(22)</u>	nm
Pretax Operating Earnings	<u>\$ 107</u>	<u>\$ 67</u>	60%
Annuity Premiums	\$ 941	\$ 1,321	(29%)

¹ Primarily related to an increase in the stock market in 2016 compared to a decrease in the stock market in 2015.

Fixed Annuities

Dollars in millions

	Three Months Ended September 30,		Change ¹
	2016	2015	
Average Fixed Annuity Investments	\$ 28,548	\$ 25,642	11%
Average Fixed Annuity Reserves	\$ 28,538	\$ 25,316	13%
Net Interest Spread	2.85%	2.80%	0.05%
Net Spread Earned (before impact of fair value accounting) ²	1.46%	1.37%	0.09%
Impact of Fair Value Accounting ³	0.01%	(0.35%)	0.36%
Net Spread Earned	1.47%	1.02%	0.45%

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 Primarily related to an increase in the stock market in 2016 compared to a decrease in the stock market in 2015.

2016 Outlook – Annuity Segment

	<u>2016 YTD</u>	<u>2016 Outlook</u>
Average Fixed Annuity Investments	13% growth ¹	12% growth
Average Fixed Annuity Reserves	13% growth ¹	13% growth
Annuity Premiums	\$3.3 billion	\$4.1 to \$4.2 billion
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Net Spread Earned (before impact of fair value accounting)	1.37%	1.32% to 1.35%
Net Spread Earned ²	1.10%	1.08% to 1.20%
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Pretax Operating Earnings (before impact of fair value accounting)	\$292 million	\$377 to \$387 million
Pretax Operating Earnings, as reported ²	\$236 million	\$310 to \$345 million

¹ Year-over-year change in average fixed annuity investments and average fixed annuity reserves for the nine months ended 9/30/16.

² After the impact of changes in the fair value accounting related to FIAs.

Department of Labor Rule

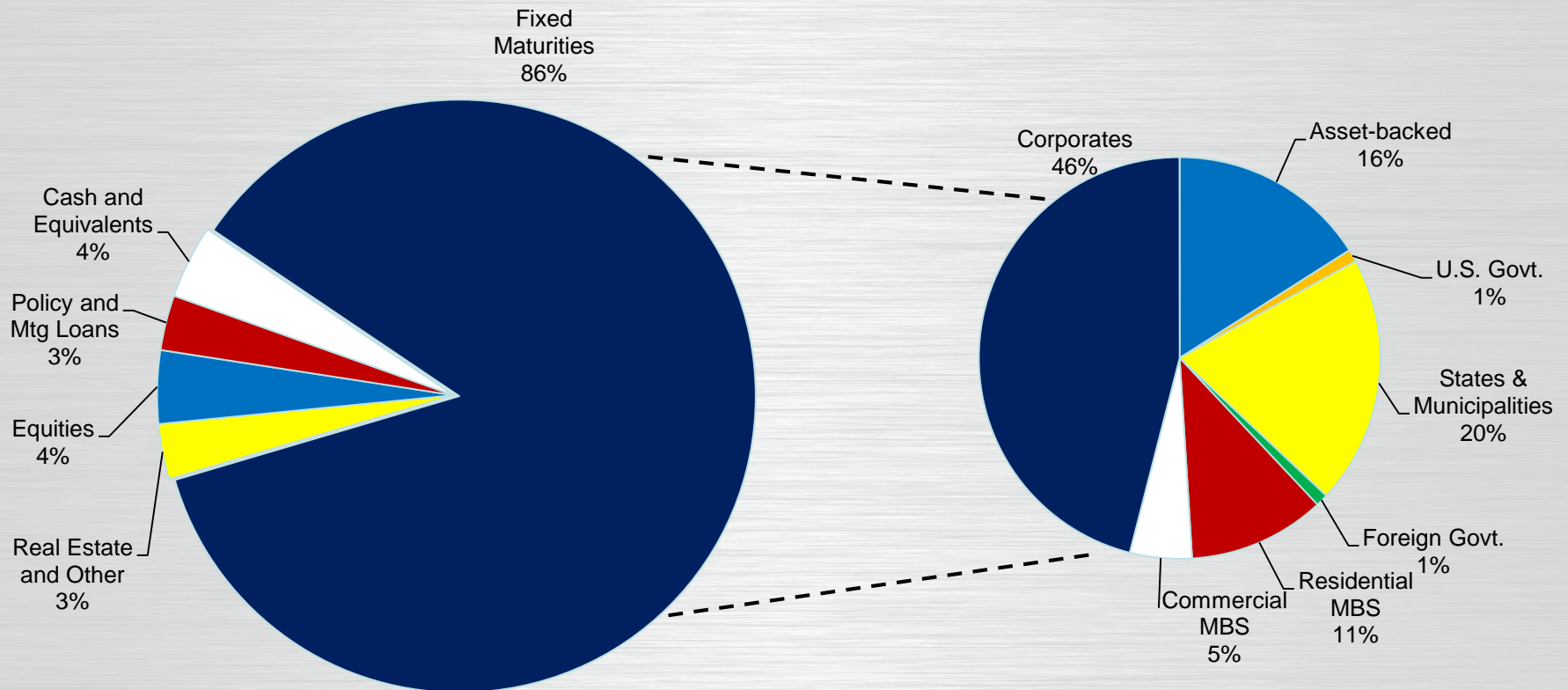
- **The Company continues to make product and process changes needed to comply with the Department of Labor (DOL) fiduciary rule adopted earlier this year.**
 - **Our goal is to minimize disruption resulting from the implementation of the rule in April 2017.**
 - **The Company is proceeding under the premise that the DOL rule will not be impacted by the pending litigation.**
 - **Most of our largest independent marketing organizations are making adjustments to their operations to provide a long-term solution to their need to have a Financial Institution sign the Best Interest agreement; a number of these entities have made application to the DOL to serve as a Financial Institution.**
- **AFG believes the biggest impact of the new rule will be on insurance-only licensed agents whose sales represented less than 10% of our third quarter premiums.**
- **While we continue to believe the adjustments required of us and our distribution partners to comply with the new DOL rule will have a negative impact on premiums next year, we do not believe the implementation of the rule will have a material impact on AFG.**

Investments – As of September 30, 2016

- **Total carrying value of investment portfolio = \$41.8 billion**
- **Third quarter after-tax, after-DAC net realized gains on securities of \$1 million**
- **After-tax, after-DAC net unrealized gains on fixed maturities of \$669 million**
- **After-tax net unrealized gains on equities of \$103 million**

Investment Portfolio – September 30, 2016

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



Carrying Value – \$41.8 Billion

Consolidated Results

Dollars in millions, except per share data



	Three Months Ended September 30,	
	<u>2016</u>	<u>2015</u>
P&C Insurance Segment	\$ 153	\$ 153
Annuity Segment (before impact of fair value accounting)	106	89
Impact of Fair Value Accounting	1	(22)
Run-off Long-Term Care and Life Segment	1	6
Interest Expense of Parent Holding Company	(19)	(18)
Other Expense	<u>(29)</u>	<u>(19)</u>
Core Pretax Operating Earnings	213	189
Related Income Taxes	<u>79</u>	<u>66</u>
Core Net Operating Earnings	<u>\$ 134</u>	<u>\$ 123</u>
Average Number of Diluted Shares	88.5	89.3
Core Net Operating Earnings per Share	\$ 1.51	\$ 1.38
Annualized Core Return on Equity	12.2%	11.6%

Consolidated Results (continued)

Dollars in millions, except per share data



	Three Months Ended September 30, 2016	
	(Per Share)	
Core Net Operating Earnings	\$ 134	\$ 1.51
Non-core Items:		
Realized Gains on Securities	1	0.02
Special A&E Charges	<u>(26)</u>	<u>(0.30)</u>
Net Earnings	<u>\$ 109</u>	<u>\$ 1.23</u>

Special A&E Charges Detail

Pretax P&C Insurance Run-off Operations	\$ (36)	
Pretax Former Railroad & Manufacturing Operations	<u>(5)</u>	
Total Pretax	(41)	
Tax Benefit	<u>(15)</u>	
After-tax Special A&E Charges	<u>\$ (26)</u>	<u>(\$ 0.30)</u>

Book Value and Liquidity

- | • Book Value per Share: | <u>9/30/16</u> | <u>12/31/15</u> |
|---|-----------------------|------------------------|
| Excluding unrealized gains (losses) on fixed maturities | \$ 51.73 | \$ 49.33 |
| Tangible, excluding unrealized gains (losses) on fixed maturities, goodwill and intangibles | \$ 48.94 | \$ 46.49 |
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- **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 \$170 million
 - repurchased \$26 million of common stock at an average price per share of \$73.98

2016 Outlook – AFG

AFG Core Earnings Guidance \$5.55 – \$5.75 per share

	<u>NWP Growth</u>	<u>Combined Ratio</u>
Specialty P&C Group Overall	0% – 2%	92% – 94%
<u>Business Groups:</u>		
Property & Transportation	0% – 3%	90% – 92%
Specialty Casualty	(3%) – 0%	95% – 97%
Specialty Financial	5% – 8%	84% – 86%

P&C average renewal rates flat to up 1%

P&C investment income approximately 9% higher than 2015

Annuity Segment:

- Full year pretax operating earnings (before impact of fair value accounting), \$377 to \$387 million
- Full year pretax operating earnings, as reported, \$310 million to \$345 million
- Full year annuity premiums \$4.1 billion to \$4.2 billion



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