



Review of Fourth Quarter and Full Year 2018

January 31, 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.

2018 Full Year Highlights

- Full year results set a new all-time high for AFG core net operating earnings
 - record core net operating earnings per share of \$8.40, up 28% from 2017
 - core ROE 15.6% for 2018
 - net earnings of \$5.85 per share; ROE 10.9%
- Returned \$403 million of capital to shareholders
 - \$130 million in regular common stock dividends
 - \$267 million special dividends paid in May and November 2018
 - 14% increase in ordinary dividend in October 2018
 - \$6 million in share repurchases (average price per share = \$93.38)
- Growth in adjusted BVPS plus dividends of 10.8%
- AFG 5-year total shareholder return through 2018 = 87.8%
 - By comparison:
 - S&P 500 = 50.3%
 - S&P Property and Casualty Index = 71.1%
 - S&P Life & Health Insurance Index = 10.0%

2018 Fourth Quarter Highlights and 2019 Expectations

- Core net operating earnings per share of \$1.75; compared to \$2.20 in the 2017 fourth quarter
 - lower Annuity earnings, after significant downturn in financial markets during the fourth quarter of 2018
 - lower profit in our P&C Insurance Segment
 - partially offset by a lower corporate tax rate
- Annualized fourth quarter core operating ROE of 12.6%
- Net loss of (\$0.33) per share includes (\$2.08) in realized losses on securities
 - realized losses on securities includes (\$2.00) per share related to securities that AFG continued to own at December 31, 2018
 - 2019 YTD market recovery reduces (\$2.00) per share impact by approximately \$1.10 per share.
- AFG 2019 core earnings guidance established at \$8.35 - \$8.85 per share

Property & Casualty Results

Dollars in millions

| | Three Months Ended December 31, | | Change ¹ |
|-----------------------------------|------------------------------------|----------|---------------------|
| | 2018 | 2017 | |
| Gross Written Premiums | \$ 1,613 | \$ 1,571 | 3% |
| Net Written Premiums | \$ 1,208 | \$ 1,161 | 4% |
| P&C Insurance Operating Earnings | \$ 214 | \$ 233 | (8%) |
| Specialty P&C Underwriting Profit | \$ 102 | \$ 156 | (35%) |
| Specialty P&C Combined Ratio | 92.0% | 87.3% | 4.7% |
| Adverse (Favorable) Impact of: | | | |
| Catastrophe Losses | 3.0% | 0.6% | 2.4% |
| Prior Year Development | (4.7%) | (4.1%) | (0.6%) |

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 December 31, | | | Combined Ratio Three Months Ended December 31, | |
|---------------------------|--|-------------|---------------|--|-------------|
| | <u>2018</u> | <u>2017</u> | <u>Change</u> | <u>2018</u> | <u>2017</u> |
| Property & Transportation | \$ 448 | \$ 424 | 6% | 86.5% | 82.6% |
| Specialty Casualty | \$ 581 | \$ 555 | 5% | 96.5% | 90.0% |
| Specialty Financial | \$ 142 | \$ 156 | (9%) | 85.5% | 86.2% |

2019 Outlook – Specialty P&C

| | 2018 Combined Ratio | 2019 Outlook | |
|-----------------------------|---------------------------|---------------|-------------------|
| | | NWP Growth | Combined Ratio |
| Specialty P&C Group Overall | 93.4% | 0% – 3% | 92% – 94% |
| Business Groups: | | | |
| Property & Transportation | 93.1% | 3% – 7% | 92% – 96% |
| Specialty Casualty | 94.2% | (2%) – 2% | 91% – 95% |
| Specialty Financial | 88.9% | 3% – 7% | 86% – 90% |

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

P&C average renewal rates flat to up 2% when compared to 2018

Annuity Segment

Dollars in millions

Three Months Ended
December 31,

2018

2017

Change

Annuity Premiums

\$ 1,482

\$ 909

63%

Components of Pretax Annuity Earnings

Pretax Earnings Before Fair Value Accounting

for FIAs and Unlocking – *see slide 9*

\$ 71

\$ 111

(36%)

Impact of Fair Value Accounting – *see slide 10*

(47)

(11)

nm

Unlocking

(4)

(3)

nm

Pretax Annuity Earnings

\$ 20

\$ 97

(79%)

Annuity Segment

Dollars in millions

| Components of “Pretax Annuity Earnings Before Fair Value Accounting for FIAs and Unlocking” | Three Months Ended December 31, | |
|--|------------------------------------|---------------|
| | 2018 | 2017 |
| Pretax Earnings Before Fair Value Accounting for FIAs, Unlocking and Item Below | \$ 101 | \$ 104 |
| Impact of stock market performance on FIAs | <u>(30)</u> | <u>7</u> |
| Annuity Earnings Before Fair Value Accounting for FIAs and Unlocking, as Reported | <u>\$ 71</u> | <u>\$ 111</u> |
| Change in S&P 500 | (14%) | 6% |

Annuity Segment

Dollars in millions

| | Three Months Ended December 31, | |
|---|------------------------------------|----------------|
| | <u>2018</u> | <u>2017</u> |
| <u>Components of “Fair Value Accounting for FIAs”</u> | | |
| Interest accreted on embedded derivative | \$ (11) | \$ (5) |
| Lower than expected change in interest rates | (4) | (12) |
| Change in stock market | (27) | 9 |
| Other, including impact of actual vs. expected lapses | (5) | (3) |
| Impact of fair value accounting, as reported | <u>\$ (47)</u> | <u>\$ (11)</u> |
| | | |
| Change in average 5 yr / 15 yr Corporate A2 rates | (7) bps | 4 bps |
| Change in S&P 500 | (14%) | 6% |

Fixed Annuities

Dollars in millions

Three Months Ended
December 31,

2018

2017

Change¹

Average Fixed Annuity Investments

\$ 35,993

\$ 32,245

12%

Average Fixed Annuity Reserves

\$ 36,103

\$ 32,680

10%

Net Interest Spread

2.58%

2.62%

(0.04%)

Net Spread Earned:

Before fair value accounting

for FIAs and unlocking²

0.81%

1.40%

(0.59%)

Impact of Fair Value Accounting

(0.52%)

(0.13%)

(0.39%)

Unlocking

(0.04%)

(0.06%)

0.02%

After fair value accounting

for FIAs and unlocking

0.25%

1.21%

(0.96%)

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.

2019 Outlook – Annuity Segment

| | 2018 Results | 2019 Outlook |
|---|-----------------|------------------------|
| Pretax Annuity Earnings (before fair value Accounting for FIAs and unlocking) | \$425 million | \$435 to \$465 million |
| Pretax Annuity Earnings, as reported ¹ | \$361 million | \$365 to \$425 million |
| Average Fixed Annuity Investments | + 10% | + 8% to 10% |
| Average Fixed Annuity Reserves | + 10% | + 8% to 10% |
| Annuity Premiums | \$5.4 billion | down slightly |
| Net Spread Earned (before fair value accounting for FIAs and unlocking) | 1.26% | 1.15% to 1.25% |
| Net Spread Earned ¹ | 1.07% | 0.95% to 1.15% |

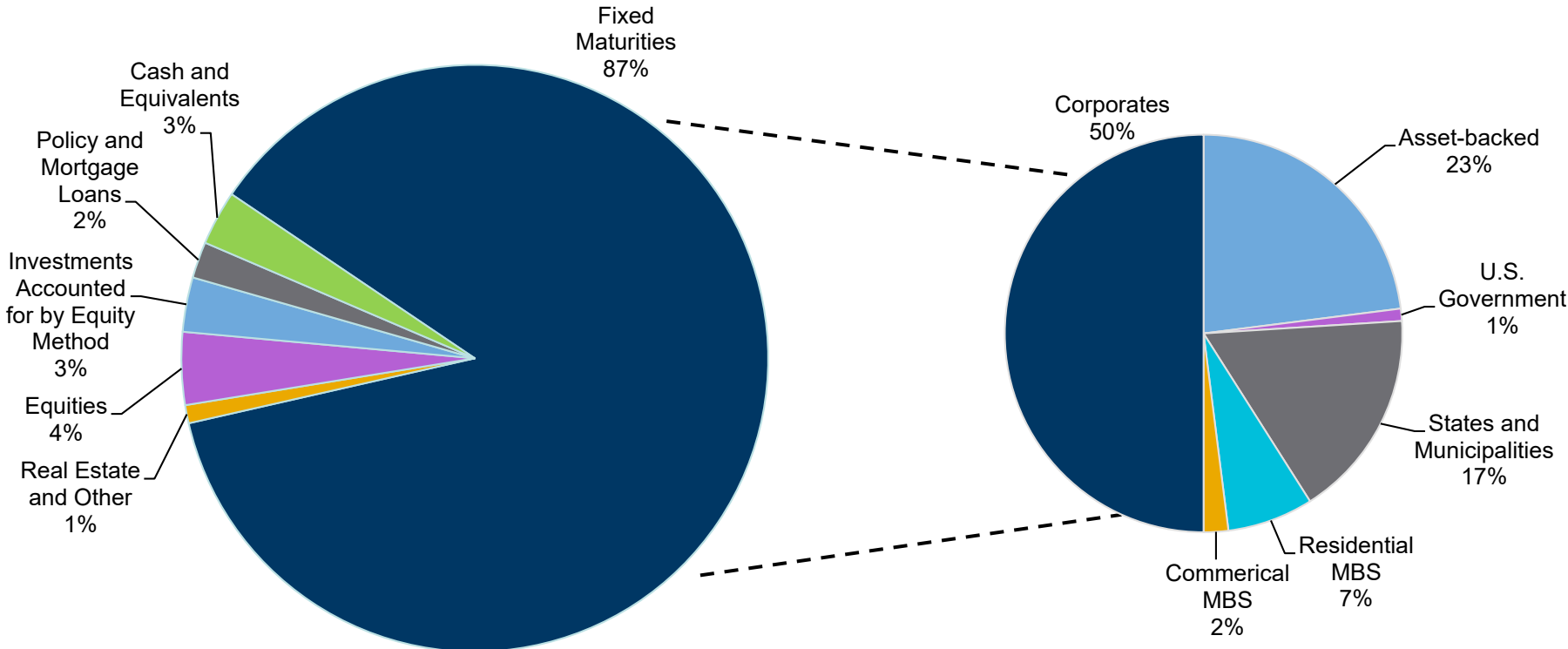
¹ After the impact of fair value accounting for FIAs and unlocking.

Investments – December 31, 2018

- Total carrying value of investment portfolio = \$48.5 billion
- Fourth quarter after-tax, after-DAC net realized losses on securities of \$188 million
 - includes \$179 million in after-tax, after-DAC net losses to adjust equity securities that the company continued to own, to fair value
- After-tax, after-DAC net unrealized gains on fixed maturities of \$83 million

Investment Portfolio – December 31, 2018

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



Carrying Value – \$48.5 Billion

Consolidated Results

Dollars in millions, except per share data

| | Three Months Ended December 31, | |
|--|------------------------------------|---------------|
| | <u>2018</u> | <u>2017</u> |
| P&C Insurance Segment | \$ 214 | \$ 233 |
| Annuity Segment (before fair value accounting for FIAs and unlocking) | 71 | 111 |
| Impact of Fair Value Accounting for FIAs | (47) | (11) |
| Annuity Unlocking | (4) | (3) |
| Interest & Other Corporate Expenses ¹ | <u>(29)</u> | <u>(47)</u> |
| Core Pretax Operating Earnings | 205 | 283 |
| Related Income Taxes | <u>46</u> | <u>86</u> |
| Core Net Operating Earnings | <u>\$ 159</u> | <u>\$ 197</u> |
| | | |
| Average Number of Diluted Shares | 90.7 | 90.1 |
| | | |
| Core Net Operating Earnings per Share | \$ 1.75 | \$ 2.20 |
| | | |
| Annualized Core Return on Equity | 12.6% | 17.2% |

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 December 31, 2018 | | |
|--|---|------------------|----------------------|
| | | (Per Share) | (Weighted Shares) |
| Core Net Operating Earnings | \$ 159 | \$ 1.75 | 90.7 |
| <u>Non-core Items</u> | | | |
| After-tax Realized Losses on Securities: | | | |
| Holding Losses on Equity Securities ¹ | (179) | (2.00) | |
| All Other | <u>(9)</u> | <u>(0.08)</u> | |
| Total After-tax Realized Losses on Securities | <u>\$ (188)</u> | <u>\$ (2.08)</u> | |
| Net Earnings (Loss) Attributable to Shareholders | <u>\$ (29)</u> | <u>\$ (0.33)</u> | 89.3 |

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>12/31/18</u> | <u>12/31/17</u> |
|---|-----------------|-----------------|
| Excluding unrealized gains (losses) related to fixed maturities | \$ 54.86 | \$ 53.51 |
| Tangible, excluding unrealized gains (losses) related to fixed maturities, goodwill and intangibles | \$ 51.93 | \$ 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 \$690 million, including parent cash of approximately \$160 million as of December 31, 2018

2019 Outlook – AFG

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

| | <u>NWP Growth</u> | <u>Combined Ratio</u> |
|-----------------------------|-----------------------|---------------------------|
| Specialty P&C Group Overall | 0% – 3% | 92% – 94% |
| <u>Business Groups:</u> | | |
| Property & Transportation | 3% – 7% | 92% – 96% |
| Specialty Casualty | (2%) – 2% | 91% – 95% |
| Specialty Financial | 3% – 7% | 86% – 90% |

P&C investment income 0% to 4% higher than 2018

P&C average renewal rates flat to up 2%

Annuity Segment:

- Pretax Annuity Earnings (before fair value accounting for FIAs and unlocking)
\$435 million to \$465 million
- Pretax Annuity Earnings, as reported \$365 million to \$425 million
- Annuity premiums down slightly from the \$5.4 billion reported in 2018



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