



Review of Second Quarter 2017
August 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.

2017 Second Quarter Highlights

- Record second quarter core net operating earnings of \$1.61 per share, an increase of 26% from 2Q16
 - annualized core operating ROE 12.3%
- Record second quarter net earnings of \$1.61 per diluted share, includes after-tax amounts:
 - \$0.05 per share in realized gains on securities
 - (\$0.05) per share related to the early retirement of debt
- Adjusted book value per share \$54.97
 - paid special cash dividend of \$1.50 per share during the quarter, in addition to regular quarterly cash dividend of \$0.3125 per share
- 2017 core earnings guidance increased to \$6.40 to \$6.90, from previous estimate of \$6.20 to \$6.70 per share

Property & Casualty Results

Dollars in millions



	Three Months Ended June 30,		Change ¹
	2017	2016	
Gross Written Premiums	\$ 1,503	\$ 1,398	8%
Net Written Premiums	\$ 1,130	\$ 1,056	7%
P&C Segment Operating Earnings	\$ 163	\$ 139	17%
Specialty P&C Underwriting Profit	\$ 73	\$ 63	16%
Specialty P&C Combined Ratio	93.2%	93.9%	(0.7%)
Adverse (Favorable) Impact of:			
Catastrophe Losses	1.7%	2.0%	(0.3%)
Prior Year Development	(2.2%)	(2.9%)	0.7%

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 June 30,			Combined Ratio Three Months Ended June 30,	
	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>2017</u>	<u>2016</u>
Property & Transportation	\$ 393	\$ 382	3%	94.2%	95.9%
Specialty Casualty	\$ 561	\$ 503	12%	94.7%	95.3%
Specialty Financial	\$ 149	\$ 144	3%	84.4%	84.4%

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	7% – 11%	94% – 96%
Specialty Financial	0% – 4%	84% – 88%

P&C average renewal rates flat to up 1%

P&C investment income 4% to 6% higher than 2016

Annuity Segment

Dollars in millions



	Three Months Ended June 30,		<u>Change</u>
	<u>2017</u>	<u>2016</u>	
Pretax Operating Earnings Before Impact of Fair Value Accounting on FIAs	\$ 101	\$ 102	(1%)
Impact of Fair Value Accounting¹	<u>(16)</u>	<u>(26)</u>	nm
Pretax Operating Earnings	<u>\$ 85</u>	<u>\$ 76</u>	12%
Annuity Premiums	\$ 1,266	\$ 1,098	15%

¹ Includes (\$16) million unfavorable impact of lower than expected interest rates in 2017 compared to (\$23) million in 2016.

Fixed Annuities

Dollars in millions

	Three Months Ended June 30,		Change ¹
	2017	2016	
Average Fixed Annuity Investments	\$ 30,988	\$ 27,964	11%
Average Fixed Annuity Reserves	\$ 31,212	\$ 27,861	12%
Net Interest Spread	2.61%	2.84%	(0.23%)
Net Spread Earned (before impact of fair value accounting) ²	1.32%	1.45%	(0.13%)
Impact of Fair Value Accounting ³	(0.21%)	(0.37%)	0.16%
Net Spread Earned	1.11%	1.08%	0.03%

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 (0.21%) impact of lower than expected interest rates in 2017 compared to (0.33%) in 2016.

2017 Outlook – Annuity Segment

	2017 Forecast
Pretax Operating Earnings (before impact of fair value accounting)	\$385 to \$405 million
Pretax Operating Earnings, as reported ¹	\$370 to \$390 million
Average Fixed Annuity Investments	10% to 11% growth
Average Fixed Annuity Reserves	11% to 12% growth
Annuity Premiums	Relatively unchanged from 2016
Net Spread Earned (before impact of fair value accounting)	1.27% to 1.32%
Net Spread Earned ¹	1.20% to 1.25%

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

Department of Labor (DOL) Rule

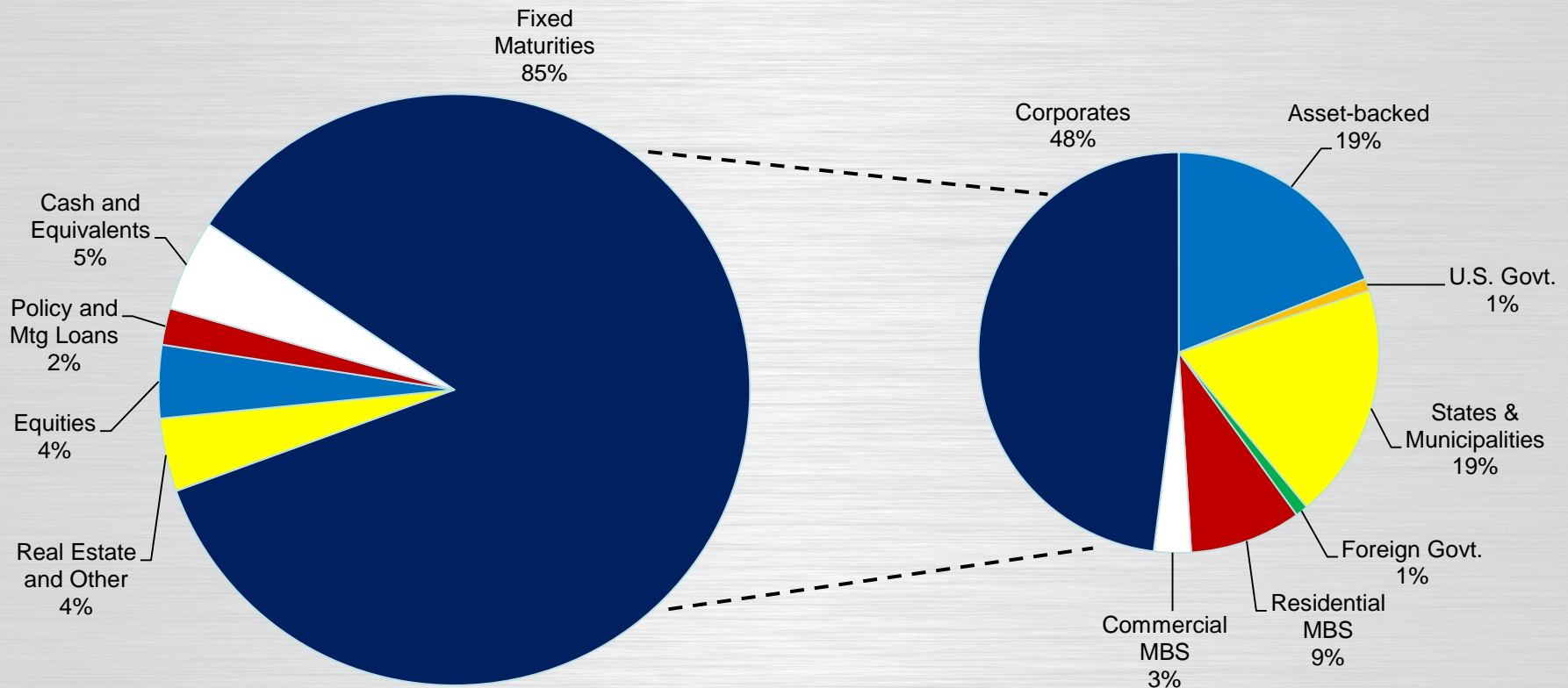
- The DOL Fiduciary Rule became effective on June 9, 2017, although the DOL delayed certain requirements until January 1, 2018.
- Insurance-only agents are able to continue selling fixed-indexed annuities through the end of 2017, provided the agent acts in the customer's best interest, makes no misleading statements and receives only reasonable compensation.
- There is considerable uncertainty as to whether the rule will take effect in its current form on January 1, 2018 or if there will be an additional delay or adjustments to the rule.
- AFG's management continues to believe the implementation of the rule in its current form and on the current schedule will impact annuity premiums throughout the remainder of 2017 and into 2018.
- AFG's management does not believe the new rule will have a material impact on AFG's results of operations.

Investments – June 30, 2017

- **Total carrying value of investment portfolio = \$44.8 billion**
- **Second quarter after-tax, after-DAC net realized gains on securities of \$5 million**
- **After-tax, after-DAC net unrealized gains on fixed maturities of \$481 million**
- **After-tax net unrealized gains on equities of \$158 million**

Investment Portfolio – June 30, 2017

Fixed Maturities Portfolio – 90% investment grade; 98% NAIC 1 & 2



Carrying Value – \$44.8 Billion

Consolidated Results

Dollars in millions, except per share data



	Three Months Ended June 30,	
	2017	2016
P&C Insurance Segment	\$ 163	\$ 139
Annuity Segment (before impact of fair value accounting)	101	102
Impact of Fair Value Accounting	(16)	(26)
Run-off Long-Term Care and Life Segment	2	-
Interest Expense of Parent Holding Company	(23)	(19)
Other Expense	(23)	(19)
Core Pretax Operating Earnings	204	177
Related Income Taxes	59	64
Core Net Operating Earnings	<u>\$ 145</u>	<u>\$ 113</u>
Average Number of Diluted Shares	89.8	88.4
Core Net Operating Earnings per Share	\$ 1.61	\$ 1.28
Annualized Core Return on Equity	12.3%	10.5%

Consolidated Results (continued)

Dollars in millions, except per share data



	Three Months Ended June 30, 2017	
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		(Per Share)
Core Net Operating Earnings	\$ 145	\$ 1.61
Non-core Items (after-tax):		
Realized Gains on Securities	5	0.05
Loss on Retirement of Debt	<u>(5)</u>	<u>(0.05)</u>
Net Earnings Attributable to Shareholders	<u>\$ 145</u>	<u>\$ 1.61</u>

Book Value and Liquidity

- | • Book Value per Share: | <u>6/30/17</u> | <u>12/31/16</u> |
|---|-----------------------|------------------------|
| Excluding unrealized gains (losses) related to fixed maturities | \$ 54.97 | \$ 53.11 |
| Tangible, excluding unrealized gains (losses) related to fixed maturities, goodwill and intangibles | \$ 52.36 | \$ 50.43 |
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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 \$425 million as of June 30, 2017

2017 Outlook – AFG

AFG Core Earnings Guidance \$6.40 – \$6.90 per share

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Annuity Segment:

- Full year pretax operating earnings (before impact of fair value accounting), \$385 to \$405 million
- Full year pretax operating earnings, as reported, \$370 million to \$390 million
- Full year annuity premiums relatively unchanged from the \$4.4 billion reported in 2016.



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