



Review of First Quarter 2018

May 3, 2018

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 First Quarter Highlights and 2018 Expectations

- Core net operating earnings per share of \$2.42; up 43% over 2017 and an all-time high for AFG's quarterly core EPS
 - excellent profitability in our specialty P&C Insurance operations
 - outstanding Annuity segment earnings
 - benefit of a lower corporate income tax rate
- Net earnings of \$1.60 per diluted share include (\$0.82) in after-tax net realized losses on securities
 - adopted ASU 2016-01, effective January 1, 2018, requiring all equity securities previously classified as *available for sale* to be reported at fair value, and holding gains and losses recognized through earnings
 - realized gains/(losses) include (\$0.78) per share in holding losses to adjust equity securities to fair value
- Announced special cash dividend of \$1.50 per share, payable May 25, 2018
- AFG 2018 core earnings guidance maintained at \$7.90 - \$8.40 per share

Property & Casualty Results

Dollars in millions

	Three Months Ended March 31,		Change ¹
	2018	2017	
Gross Written Premiums	\$ 1,458	\$ 1,324	10%
Net Written Premiums	\$ 1,102	\$ 1,027	7%
P&C Insurance Operating Earnings	\$ 188	\$ 169	11%
Specialty P&C Underwriting Profit	\$ 92	\$ 79	16%
Specialty P&C Combined Ratio	91.7%	92.2%	(0.5%)
Adverse (Favorable) Impact of:			
Catastrophe Losses	1.2%	0.7%	0.5%
Prior Year Development	(5.1%)	(2.8%)	(2.3%)

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>2018</u>	<u>2017</u>	<u>Change</u>	<u>2018</u>	<u>2017</u>
Property & Transportation	\$ 324	\$ 324	–	90.4%	87.3%
Specialty Casualty	\$ 594	\$ 540	10%	92.9%	97.0%
Specialty Financial	\$ 148	\$ 141	5%	90.2%	85.0%

2018 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	0% – 4%	92% – 96%
Specialty Casualty	3% – 7%	92% – 96%
Specialty Financial	2% – 6%	85% – 89%

P&C average renewal rates up 1% to 2%

P&C investment income approximately 4% to 6% higher than 2017

Annuity Segment

Dollars in millions

	Three Months Ended March 31,		<u>Change</u>
	<u>2018</u>	<u>2017</u>	
Pretax Earnings Before Fair Value Accounting for FIAs	\$ 112	\$ 98	14%
Impact of Fair Value Accounting for FIAs:			
Interest accreted on embedded derivative	(7)	(3)	nm
Renewal option costs lower (higher) than expected	(4)	2	nm
Other changes in fair value	<u>24</u>	<u>(1)</u>	nm
Pretax Annuity Earnings	<u>\$ 125</u>	<u>\$ 96</u>	30%
Annuity Premiums	\$ 1,148	\$ 1,290	(11%)

Fixed Annuities

Dollars in millions

Three Months Ended
March 31,

	<u>2018</u>	<u>2017</u>	<u>Change¹</u>
Average Fixed Annuity Investments	\$ 33,002	\$ 30,055	10%
Average Fixed Annuity Reserves	\$ 33,329	\$ 30,183	10%
Net Interest Spread	2.75%	2.58%	0.17%
Net Spread Earned (before fair value accounting for FIAs) ²	1.38%	1.31%	0.07%
Impact of Fair Value Accounting	<u>0.16%</u>	<u>(0.03%)</u>	<u>0.19%</u>
Net Spread Earned	<u><u>1.54%</u></u>	<u><u>1.28%</u></u>	<u><u>0.26%</u></u>

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.

2018 Outlook – Annuity Segment

	2018 Forecast
Pretax Annuity Earnings (before fair value accounting for FIAs) ¹	\$410 to \$435 million
Pretax Annuity Earnings, as reported ²	\$385 to \$425 million
Average Fixed Annuity Investments	8% to 10% growth
Average Fixed Annuity Reserves	8% to 10% growth
Annuity Premiums	up 6% to 12%
Net Spread Earned (before fair value accounting for FIAs) ¹	1.23% to 1.31%
Net Spread Earned ²	1.17% to 1.29%

¹ Before any impact from our annual review (“unlocking”) of major actuarial assumptions.

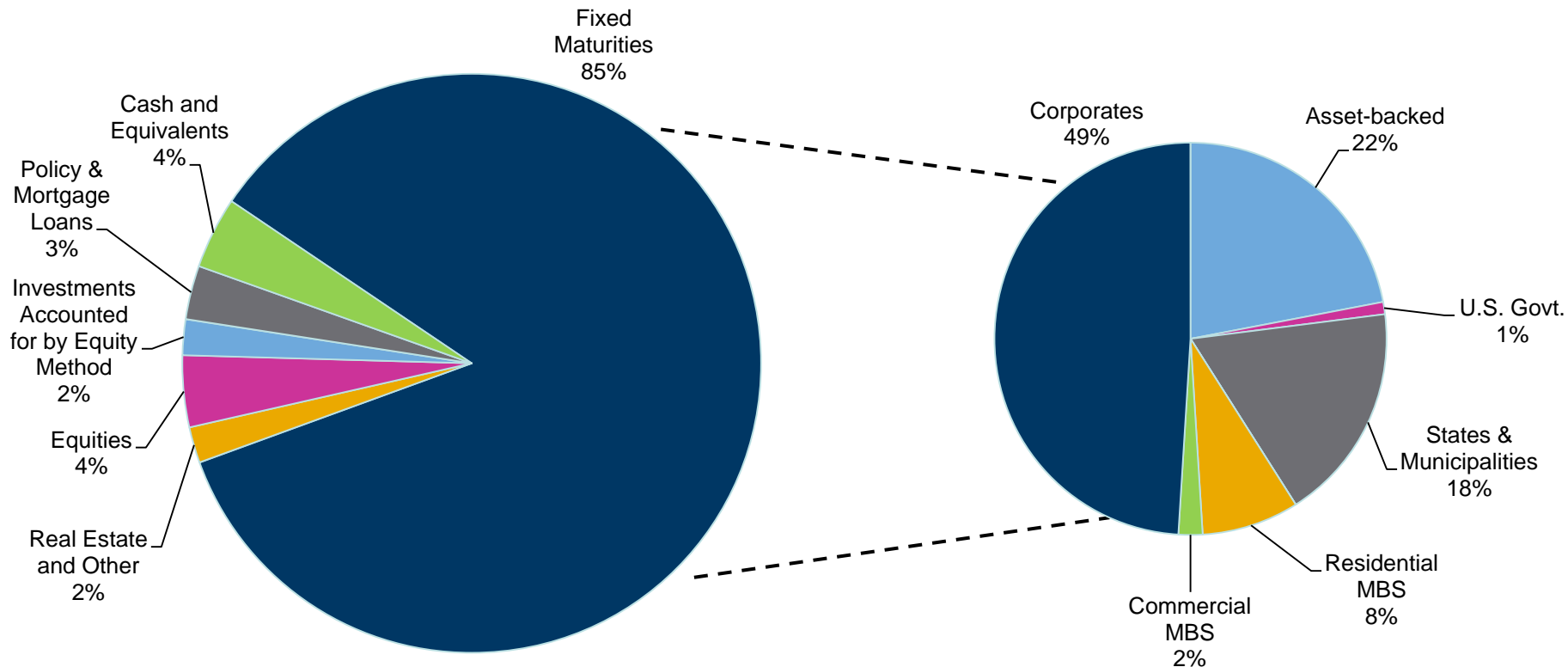
² After the impact of fair value accounting for FIAs; includes impact of continued higher option costs.

Investments – March 31, 2018

- Total carrying value of investment portfolio = \$45.9 billion
- First quarter after-tax, after-DAC net realized losses on securities of \$74 million
 - includes \$71 million in after-tax, after-DAC holding losses to adjust equity securities to fair value through earnings
- After-tax net unrealized gains on equities of \$221 million at December 31, 2017 were reclassified to retained earnings from accumulated other comprehensive income (AOCI) at January 1, 2018
- After-tax, after-DAC net unrealized gains on fixed maturities of \$342 million

Investment Portfolio – March 31, 2018

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



Carrying Value – \$45.9 Billion

Consolidated Results

Dollars in millions, except per share data

	Three Months Ended March 31,	
	<u>2018</u>	<u>2017</u>
P&C Insurance Segment	\$ 188	\$ 169
Annuity Segment (before fair value accounting for FIAs)	112	98
Impact of Fair Value Accounting for FIAs	13	(2)
Interest & Other Corporate Expense ¹	<u>(42)</u>	<u>(47)</u>
Core Pretax Operating Earnings	271	218
Related Income Taxes	<u>52</u>	<u>67</u>
Core Net Operating Earnings	<u>\$ 219</u>	<u>\$ 151</u>
Average Number of Diluted Shares	90.4	89.3
Core Net Operating Earnings per Share	\$ 2.42	\$ 1.69
Annualized Core Return on Equity	18.6%	13.1%

¹ Other Corporate Expense includes income and expenses associated with AFG's run-off businesses.

Consolidated Results (continued)

Dollars in millions, except per share data

	Three Months Ended March 31, 2018	
		(Per Share)
Core Net Operating Earnings	\$ 219	\$ 2.42
<u>Non-core Items</u>		
After-tax Realized Losses on Securities:		
Holding Losses on Equity Securities ¹	(71)	(0.78)
All Other	(3)	(0.04)
	<u>(74)</u>	<u>(0.82)</u>
Total After-tax Realized Losses on Securities		
	<u>(74)</u>	<u>(0.82)</u>
Net Earnings Attributable to Shareholders	<u>\$ 145</u>	<u>\$ 1.60</u>

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>3/31/18</u> | <u>12/31/17</u> |
|---|----------------|-----------------|
| Excluding unrealized gains (losses) related to fixed maturities | \$ 54.74 | \$ 53.51 |
| Tangible, excluding unrealized gains (losses) related to fixed maturities, goodwill and intangibles | \$ 52.10 | \$ 50.95 |
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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 \$845 million, including parent cash of approximately \$280 million as of March 31, 2018

2018 Outlook – AFG

AFG Core Earnings Guidance \$7.90 – \$8.40 per share

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P&C average renewal rates up 1% to 2%

P&C investment income 4% to 6% higher than 2017

Annuity Segment:

- Full year pretax annuity earnings (before fair value accounting for FIAs and unlocking) \$410 million to \$435 million
- Full year pretax annuity earnings, as reported \$385 million to \$425 million
- Full year annuity premiums up 6% to 12% from the \$4.3 billion reported in 2017



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