



Review of First Quarter 2016
May 3, 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 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 First Quarter Highlights

- **Core net operating earnings of \$1.25 per share**
 - **annualized core operating ROE 10.3%**
- **Net earnings of \$1.14 per diluted share**
 - **(\$0.11) per share in after-tax net realized losses on securities**
- **Repurchased \$76 million of AFG's common shares at an average price per share of \$67.78**
- **AFG 2016 Core Earnings Guidance maintained at \$5.35 – \$5.75 per share**

Specialty P&C Results

Dollars in millions



	Three Months Ended March 31,		Change ¹
	2016	2015	
Gross Written Premiums	\$ 1,243	\$ 1,196	4%
Net Written Premiums	\$ 979	\$ 926	6%
Underwriting Profit	\$ 86	\$ 60	43%
Combined Ratio	91.3%	93.6%	(2.3%)
Adverse (Favorable) Impact of:			
Catastrophe Losses	0.8%	0.6%	0.2%
Prior Year Development	(2.7%)	(0.8%)	(1.9%)

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>2016</u>	<u>2015</u>	<u>Change</u>	<u>2016</u>	<u>2015</u>
Property & Transportation	\$ 311	\$ 288	8%	90.6%	97.7%
Specialty Casualty	\$ 519	\$ 501	4%	94.3%	94.2%
Specialty Financial	\$ 125	\$ 115	9%	82.6%	81.7%

2016 Outlook – Specialty P&C

	NWP Growth	Combined Ratio
Specialty P&C Group Overall	2% – 6%	92% – 94%
Business Groups:		
Property & Transportation	4% – 8%	93% – 97%
Specialty Casualty	1% – 5%	92% – 94%
Specialty Financial	3% – 7%	84% – 88%

P&C average renewal rates flat to up 1%

P&C investment income approximately 4% higher than 2015

Annuity Segment

Dollars in millions



	Three Months Ended March 31,		<u>Change</u>
	<u>2016</u>	<u>2015</u>	
Core Pretax Operating Earnings Before Impact of Fair Value Accounting on FIAs	\$ 84	\$ 92	(9%)
Impact of Fair Value Accounting ¹	<u>(31)</u>	<u>(17)</u>	nm
Core Pretax Operating Earnings	<u>\$ 53</u>	<u>\$ 75</u>	(29%)
Annuity Premiums	\$ 1,285	\$ 813	58%

¹ Includes \$23 million and \$13 million fair value impact of lower than expected interest rates in the first quarter of 2016 and 2015, respectively.

Fixed Annuities

Dollars in millions



	Three Months Ended March 31,		
	<u>2016</u>	<u>2015</u>	<u>Change</u> ¹
Average Fixed Annuity Investments	\$ 27,186	\$ 23,943	14%
Average Fixed Annuity Reserves	\$ 26,935	\$ 23,752	13%
Net Interest Spread	2.54%	2.67%	(0.13%)
Net Spread Earned (before impact of fair value accounting)²	1.20%	1.49%	(0.29%)
Impact of Fair Value Accounting³	<u>(0.46%)</u>	<u>(0.28%)</u>	<u>(0.18%)</u>
Net Spread Earned	<u>0.74%</u>	<u>1.21%</u>	<u>(0.47%)</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.

³ Includes (0.34%) and (0.22%) fair value impact of lower than expected interest rates in the first quarter of 2016 and 2015, respectively.

2016 Outlook – Annuity Segment

	<u>2016 Forecast</u>
Average Fixed Annuity Investments	10% to 12% growth
Average Fixed Annuity Reserves	10% to 12% growth
Annuity Premiums	\$4.3 to \$4.5 billion
<hr/>	
Net Spread Earned (before impact of fair value accounting)	1.20% to 1.30%
Net Spread Earned ¹	1.10% to 1.25%
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Core Pretax Operating Earnings (before impact of fair value accounting)	\$350 to \$370 million
Core Pretax Operating Earnings, as reported ¹	\$315 to \$360 million

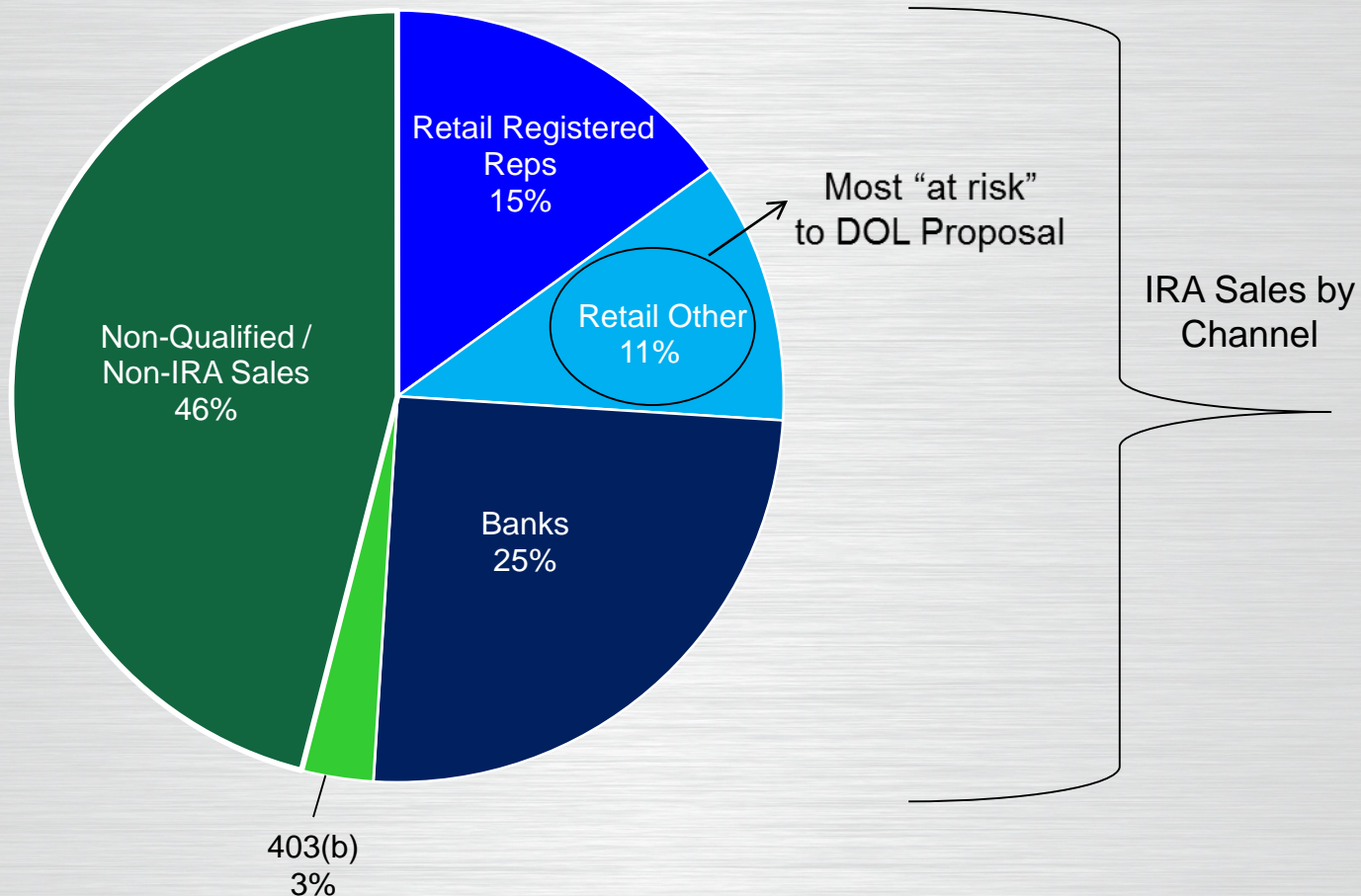
¹ After the impact of changes in the fair value accounting related to FIAs.

Department of Labor Rule

- On April 6, 2016 the Department of Labor (DOL) issued the final version of its fiduciary rule that, beginning in 2017, will impose additional requirements on the sale of certain annuities, including FIAs, to individual retirement accounts (IRAs).
- Unlike the draft rule released in April 2015, the final rule requires the sale of FIAs to IRAs to be made in accordance with the best interest of customer (BIC) exemption.
- The BIC exemption requires, among other things, a written agreement that acknowledges the fiduciary relationship the agent and its supervising entity have with the client and that all investment advice provided will be in the client's best interests.
- All carriers will likely experience some impact when the rule takes effect in 2017, including additional costs and temporary sales disruption during a transition period.
- We are studying the rule and having extensive discussions with our distribution partners to determine the appropriate changes to our business model. These changes are likely to include new products and compensation arrangements.
- Based on preliminary work, we do not anticipate that the implementation of the final DOL rule will have a material impact on the Company's results of operations.

Department of Labor Rule (continued)

Annuity Sales by Type – Three Months Ended March 31, 2016

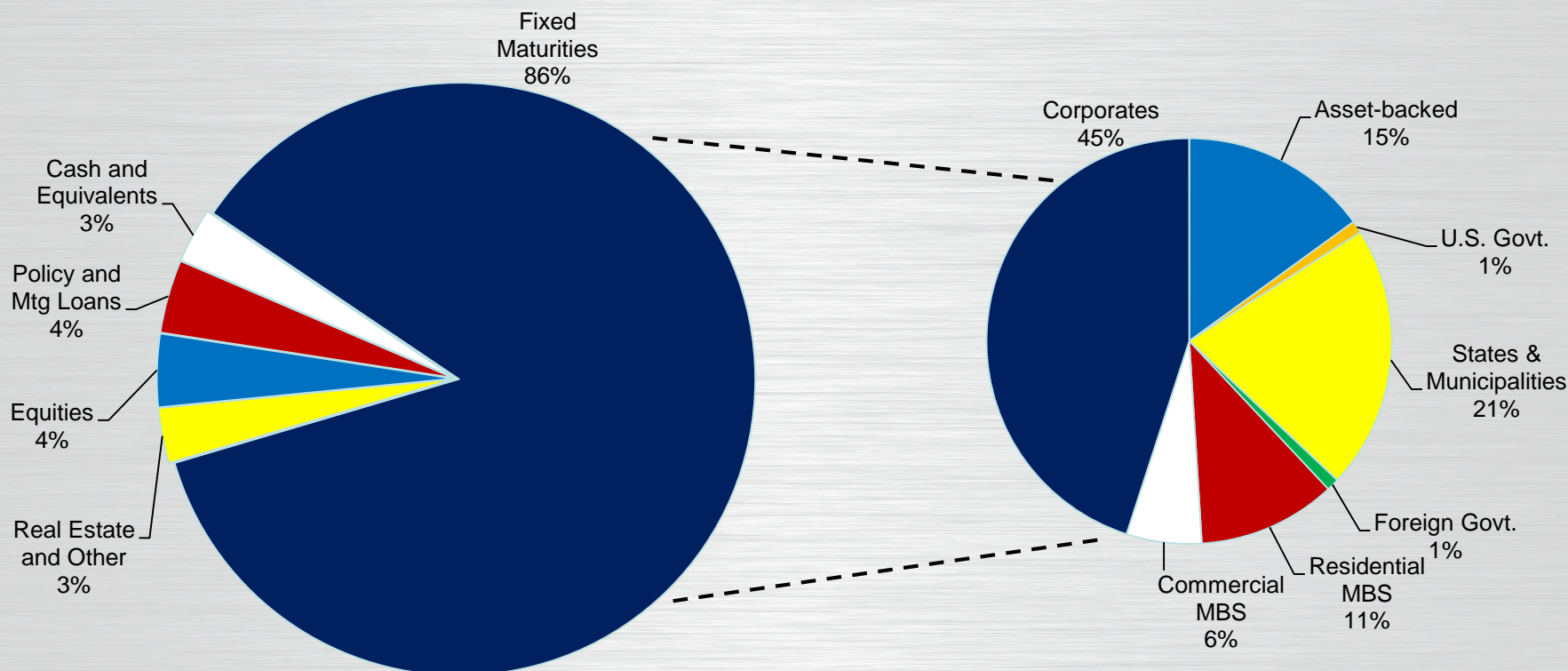


Investments – March 31, 2016

- **Total carrying value of investment portfolio = \$39.4 billion**
- **First quarter after-tax, after-DAC realized losses of \$10 million (\$0.11 per share)**
- **After-tax, after-DAC net unrealized gains on fixed maturities of \$426 million**
- **After-tax net unrealized gains on equities of \$40 million**
- **In April 2016, AFG sold an apartment property that resulted in a non-core after-tax gain on the sale of approximately \$15 million. This gain will be recognized in AFG's 2016 second quarter results.**

Investment Portfolio – March 31, 2016

Fixed Maturities Portfolio – 88% investment grade; 97% NAIC 1 & 2



Carrying Value – \$39.4 Billion

Consolidated Results

Dollars in millions, except per share data



	Three Months Ended March 31,	
	2016	2015
P&C Insurance Segment	\$ 158	\$ 129
Annuity Segment	53	75
Run-off Long-Term Care and Life Segment	(1)	4
Interest Expense of Parent Holding Companies	(18)	(19)
Other Expense	(22)	(22)
Core Pretax Operating Earnings	170	167
Related Income Taxes	59	55
Core Net Operating Earnings	<u>\$ 111</u>	<u>\$ 112</u>
Average Number of Diluted Shares	88.5	89.4
Core Net Operating Earnings per Share	\$ 1.25	\$ 1.25
Annualized Core Return on Equity	10.3%	10.8%

Book Value and Liquidity

- **Book Value per Share:**

	<u>3/31/16</u>	<u>12/31/15</u>
Excluding unrealized gains (losses) on fixed maturities	\$ 49.77	\$ 49.33
Tangible, excluding unrealized gains (losses) on fixed maturities	\$ 46.94	\$ 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 \$900 million, including parent cash of approximately \$160 million as of March 31, 2016
 - repurchased \$76 million of common stock at an average price per share of \$67.78 during the first three months of 2016

2016 Outlook – AFG

AFG Core Earnings Guidance \$5.35 – \$5.75 per share

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Specialty P&C Group Overall	2% – 6%	92% – 94%
<u>Business Groups:</u>		
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P&C average renewal rates flat to up 1%

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Annuity Segment:

- Full year core pretax operating earnings (before impact of fair value accounting), \$350 to \$370 million
- Full year core pretax operating earnings, as reported, \$315 to \$360 million
- Full year annuity premiums \$4.3 to \$4.5 billion



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