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**Review of Third Quarter 2017**  
**November 1, 2017**

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# 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 Third Quarter Highlights

- **Core net operating earnings of \$1.06 per share**
  - includes (\$0.95) related to catastrophe losses
  - annualized core operating ROE 8.1%
- **Net earnings of \$0.13 per diluted share, includes after-tax amounts:**
  - (\$0.82) per share in after-tax A&E reserve strengthening
  - (\$0.08) per share in net realized losses on securities
  - (\$0.03) per share related to the early retirement of debt
- **Adjusted book value per share \$55.08**
- **2017 core earnings guidance revised to \$5.90 to \$6.20 per share, from previous estimate of \$6.40 to \$6.90 per share**
  - includes expectations for fourth quarter catastrophe losses, including California wildfires
  - assumes no change to corporate tax rate of 35%

# Property & Casualty Results

Dollars in millions



	Three Months Ended		
	September 30,		
	2017	2016	Change <sup>1</sup>
Gross Written Premiums	\$ 2,104	\$ 1,899	11%
Net Written Premiums	\$ 1,433	\$ 1,268	13%
P&C Insurance Operating Earnings	\$ 95	\$ 153	(38%)
Specialty P&C Underwriting Profit	\$ 9	\$ 78	(88%)
Specialty P&C Combined Ratio	99.3%	93.2%	6.1%
Adverse (Favorable) Impact of:			
Catastrophe Losses	8.4%	1.2%	7.2%
Prior Year Development	(2.9%)	(1.1%)	(1.8%)

<sup>1</sup> 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>2017</u>	<u>2016</u>	<u>Change</u>	<u>2017</u>	<u>2016</u>
Property & Transportation	\$ 624	\$ 585	7%	98.9%	91.1%
Specialty Casualty	\$ 624	\$ 504	24%	99.5%	97.4%
Specialty Financial	\$ 150	\$ 149	1%	102.2%	86.4%

# 2017 Outlook – Specialty P&C

	<u>NWP Growth</u>	<u>Combined Ratio</u>
<b>Specialty P&amp;C Group Overall</b>	<b>6% – 9%</b>	<b>94% – 95%</b>
<b>Business Groups:</b>		
<b>Property &amp; Transportation</b>	<b>3% – 6%</b>	<b>92% – 94%</b>
<b>Specialty Casualty</b>	<b>10% – 13%</b>	<b>96% – 98%</b>
<b>Specialty Financial</b>	<b>2% – 5%</b>	<b>88% – 90%</b>

**P&C average renewal rates flat to up 1%**

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



# Annuity Segment

Dollars in millions



	<b>Three Months Ended September 30,</b>		<b><u>Change</u></b>
	<b><u>2017</u></b>	<b><u>2016</u></b>	
<b>Pretax Operating Earnings Before Impact of Fair Value Accounting on FIAs</b>	<b>\$ 106</b>	<b>\$ 106</b>	<b>-</b>
<b>Impact of Fair Value Accounting</b>	<b><u>(4)</u></b>	<b><u>1</u></b>	<b>nm</b>
<b>Pretax Operating Earnings</b>	<b><u>\$ 102</u></b>	<b><u>\$ 107</u></b>	<b>(5%)</b>
<b>Annuity Premiums</b>	<b>\$ 876</b>	<b>\$ 941</b>	<b>(7%)</b>

# Fixed Annuities

Dollars in millions

	Three Months Ended September 30,		Change <sup>1</sup>
	2017	2016	
Average Fixed Annuity Investments	\$ 31,713	\$ 28,548	11%
Average Fixed Annuity Reserves	\$ 32,029	\$ 28,538	12%
Net Interest Spread	2.69%	2.85%	(0.16%)
Net Spread Earned (before impact of fair value accounting) <sup>2</sup>	1.36%	1.46%	(0.10%)
Impact of Fair Value Accounting	(0.05%)	0.01%	(0.06%)
Net Spread Earned	1.31%	1.47%	(0.16%)

<sup>1</sup> Calculated as a percentage change for dollars and an arithmetic difference for percentages.

<sup>2</sup> 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.



# 2017 Outlook – Annuity Segment

## 2017 Forecast

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<b>Pretax Operating Earnings (before impact of fair value accounting)</b>	<b>\$395 to \$410 million</b>
<b>Pretax Operating Earnings, as reported<sup>1</sup></b>	<b>\$370 to \$390 million</b>
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<b>Average Fixed Annuity Investments</b>	<b>10% to 11% growth</b>
<b>Average Fixed Annuity Reserves</b>	<b>11% to 12% growth</b>
<b>Annuity Premiums</b>	<b>Slightly lower than the \$4.4 billion reported in 2016</b>
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<b>Net Spread Earned (before impact of fair value accounting)</b>	<b>1.28% to 1.32%</b>
<b>Net Spread Earned<sup>1</sup></b>	<b>1.21% to 1.26%</b>

<sup>1</sup> 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.
- The DOL recently released a proposal to delay full implementation until July 1, 2019. There is uncertainty as to whether the rule will take effect in its current form on that date.
- AFG's management continues to believe that full implementation is likely to cause some short-term disruption in annuity premiums.
- AFG's management does not believe the new rule will have a material impact on AFG's results of operations.

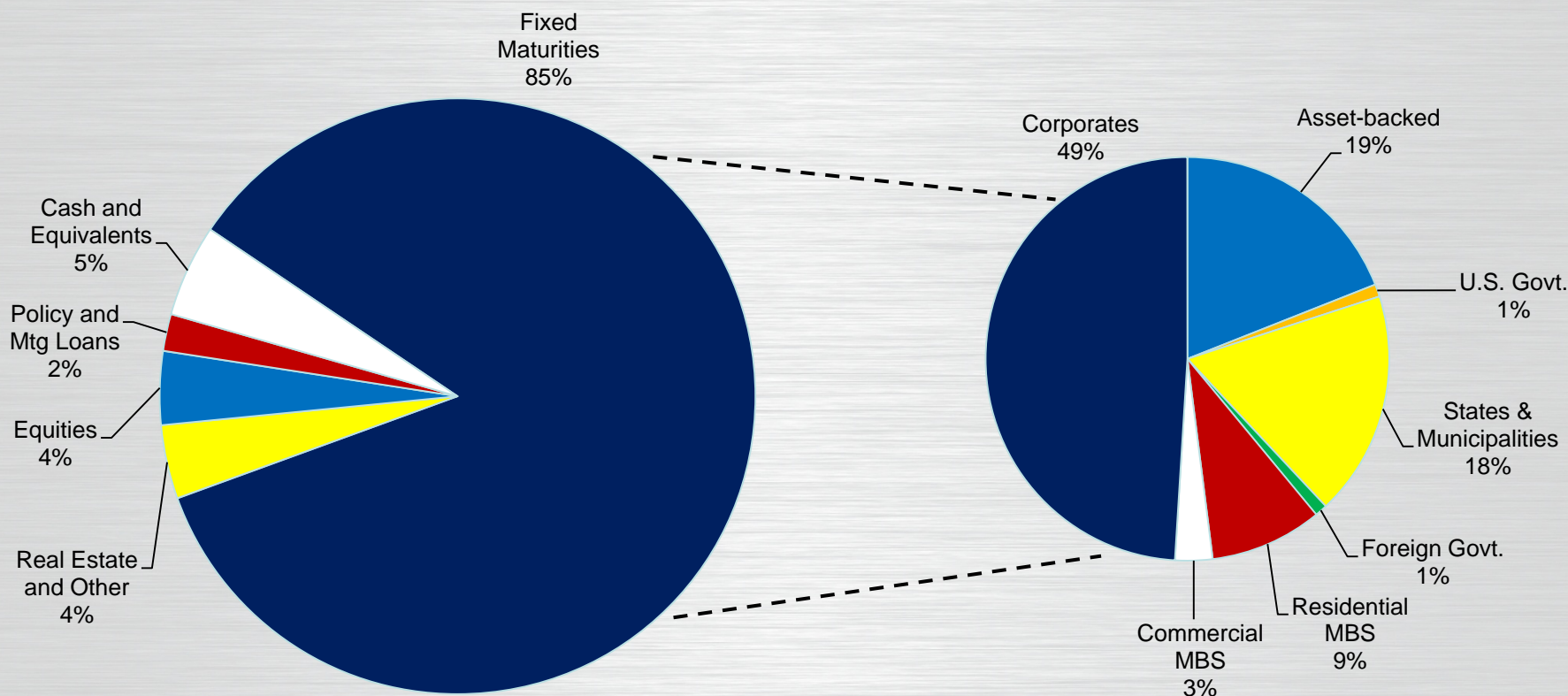


# Investments – September 30, 2017

- **Total carrying value of investment portfolio = \$45.3 billion**
- **Third quarter after-tax, after-DAC net realized losses on securities of \$8 million**
- **After-tax, after-DAC net unrealized gains on fixed maturities of \$533 million**
- **After-tax net unrealized gains on equities of \$173 million**

# Investment Portfolio – September 30, 2017

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



**Carrying Value – \$45.3 Billion**



# Consolidated Results

Dollars in millions, except per share data



	<b>Three Months Ended September 30,</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
<b>P&amp;C Insurance Segment</b>	<b>\$ 95</b>	<b>\$ 153</b>
<b>Annuity Segment (before impact of fair value accounting)</b>	<b>106</b>	<b>106</b>
<b>Impact of Fair Value Accounting</b>	<b>(4)</b>	<b>1</b>
<b>Run-off Long-Term Care and Life Segment</b>	<b>2</b>	<b>1</b>
<b>Interest Expense of Parent Holding Company</b>	<b>(21)</b>	<b>(19)</b>
<b>Other Expense</b>	<b><u>(20)</u></b>	<b><u>(29)</u></b>
<b>Core Pretax Operating Earnings</b>	<b>158</b>	<b>213</b>
<b>Related Income Taxes</b>	<b><u>63</u></b>	<b><u>79</u></b>
<b>Core Net Operating Earnings</b>	<b><u>\$ 95</u></b>	<b><u>\$ 134</u></b>
<b>Average Number of Diluted Shares</b>	<b>90.0</b>	<b>88.5</b>
<b>Core Net Operating Earnings per Share</b>	<b>\$ 1.06</b>	<b>\$ 1.51</b>
<b>Annualized Core Return on Equity</b>	<b>8.1%</b>	<b>12.2%</b>

# Consolidated Results (continued)

Dollars in millions, except per share data



	<b>Three Months Ended September 30, 2017</b>	
	<b>(Per Share)</b>	
<b>Core Net Operating Earnings</b>	<b>\$ 95</b>	<b>\$ 1.06</b>
<b>Non-core Items:</b>		
<b>Realized Losses on Securities</b>	<b>(8)</b>	<b>(0.08)</b>
<b>Special A&amp;E Charges</b>	<b>(74)</b>	<b>(0.82)</b>
<b>Loss on Retirement of Debt</b>	<b>(2)</b>	<b>(0.03)</b>
<b>Net Earnings</b>	<b><u>\$ 11</u></b>	<b><u>\$ 0.13</u></b>

## Special A&E Charges Detail

<b>Pretax P&amp;C Insurance Run-off Operations</b>	<b>\$ (89)</b>	
<b>Pretax Former Railroad &amp; Manufacturing Operations</b>	<b><u>(24)</u></b>	
<b>Total Pretax</b>	<b>(113)</b>	
<b>Tax Benefit</b>	<b><u>(39)</u></b>	
<b>After-tax Special A&amp;E Charges</b>	<b><u>\$ (74)</u></b>	<b><u>(\$ 0.82)</u></b>



# Book Value and Liquidity

- | • <b>Book Value per Share:</b>  | <u><b>9/30/17</b></u> | <u><b>12/31/16</b></u> |
|---|-----------------------|------------------------|
| Excluding unrealized gains (losses) related to fixed maturities                                     | \$ 55.08              | \$ 53.11               |
| Tangible, excluding unrealized gains (losses) related to fixed maturities, goodwill and intangibles | \$ 52.50              | \$ 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 \$435 million as of September 30, 2017

# 2017 Outlook – AFG

## AFG Core Earnings Guidance \$5.90 – \$6.20 per share

	<b>NWP Growth</b>	<b>Combined Ratio</b>
<b>Specialty P&amp;C Group Overall</b>	<b>6% – 9%</b>	<b>94% – 95%</b>
<b><u>Business Groups:</u></b>		
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Specialty Casualty	10% – 13%	96% – 98%
Specialty Financial	2% – 5%	88% – 90%

P&C average renewal rates flat to up 1%

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

### **Annuity Segment:**

- Full year pretax operating earnings (before impact of fair value accounting), \$395 million to \$410 million
- Full year pretax operating earnings, as reported, \$370 million to \$390 million
- Full year annuity premiums slightly lower than the \$4.4 billion reported in 2016





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