



Review of Second Quarter 2016
August 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 realized gains and losses, discontinued operations, as well as other significant items that are not able to be estimated with reasonable precision, or that may not be indicative of ongoing operations. AFG believes that this non-GAAP measure is a useful tool for investors and analysts in analyzing ongoing operating trends of AFG.

2016 Second Quarter Highlights

- Core net operating earnings of \$1.28 per share
- Annualized core operating ROE 10.5%
- Net earnings of \$0.62 per diluted share include:
 - (\$0.73) per share charge related to Neon's exited lines of business
 - \$0.17 per share realized gain on sale of apartment property
 - (\$0.11) per share in realized losses on securities
 - \$0.01 per share realized gain on sale of subsidiaries (adjustment related to the sale of AFG's long-term care business)
- Announced merger agreement with NATL on July 25, 2016
 - transaction valued at approximately \$320 million
- Repurchased \$21 million of AFG's common shares at an average price per share of \$68.31
- 2016 core earnings guidance unchanged at \$5.35 to \$5.75 per share

Specialty P&C Results

Dollars in millions



	Three Months Ended		<u>Change</u> ¹
	June 30,		
	<u>2016</u>	<u>2015</u>	
Gross Written Premiums	\$ 1,398	\$ 1,318	6%
Net Written Premiums	\$ 1,056	\$ 1,026	3%
Underwriting Profit	\$ 63	\$ 51	24%
Combined Ratio	93.9%	94.9%	(1.0%)
Adverse (Favorable) Impact of:			
Catastrophe Losses	2.0%	1.0%	1.0%
Prior Year Development	(2.9%)	(1.1%)	(1.8%)

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>2016</u>	<u>2015</u>	<u>Change</u>	<u>2016</u>	<u>2015</u>
Property & Transportation	\$ 382	\$ 362	6%	95.9%	104.0%
Specialty Casualty	\$ 503	\$ 503	-	95.3%	92.7%
Specialty Financial	\$ 144	\$ 136	6%	84.4%	81.0%

2016 Outlook – Specialty P&C

	<u>2016 YTD</u>	<u>2016 Outlook</u>	
		<u>NWP Growth</u>	<u>Combined Ratio</u>
Specialty P&C Group Overall	92.7%	1% – 5%	92% – 94%
Business Groups:			
Property & Transportation	93.4%	1% – 5%	93% – 96%
Specialty Casualty	94.8%	0% – 4%	93% – 95%
Specialty Financial	83.5%	5% – 9%	83% – 86%

P&C average renewal rates flat to up 1%

P&C investment income approximately 6% higher than 2015

Annuity Segment

Dollars in millions



	Three Months Ended June 30,		<u>Change</u>
	<u>2016</u>	<u>2015</u>	
Pretax Operating Earnings Before Impact of Fair Value Accounting on FIAs	\$102	\$ 77	32%
Impact of Fair Value Accounting ¹	<u>(26)</u>	<u>11</u>	nm
Pretax Operating Earnings	<u>\$ 76</u>	<u>\$ 88</u>	(14%)
Annuity Premiums	\$ 1,098	\$ 899	22%

¹ Includes (\$23) million unfavorable impact of lower than expected interest rates in 2016 compared to \$16 million favorable impact of higher than expected interest rates in 2015.

Fixed Annuities

Dollars in millions



	Three Months Ended June 30,		Change ¹
	2016	2015	
Average Fixed Annuity Investments	\$ 27,964	\$ 24,711	13%
Average Fixed Annuity Reserves	\$ 27,861	\$ 24,474	14%
<hr/>			
Net Interest Spread	2.84%	2.77%	0.07%
Net Spread Earned (before impact of fair value accounting) ²	1.45%	1.21%	0.24%
Impact of Fair Value Accounting ³	<u>(0.37%)</u>	<u>0.18%</u>	<u>(0.55%)</u>
Net Spread Earned	<u>1.08%</u>	<u>1.39%</u>	<u>(0.31%)</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 (0.33%) impact of lower than expected interest rates in 2016 compared to 0.26% impact of higher than expected interest rates in 2015.

2016 Outlook – Annuity Segment

	<u>2016 YTD</u>	<u>2016 Outlook</u>
Average Fixed Annuity Investments	13% growth ¹	12% to 13% growth
Average Fixed Annuity Reserves	14% growth ¹	12% to 13% growth
Annuity Premiums	\$2.4 billion	\$4.0 to \$4.2 billion
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Net Spread Earned (before impact of fair value accounting)	1.33%	1.30% to 1.35%
Net Spread Earned ²	0.91%	1.05% to 1.20%
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Pretax Operating Earnings (before impact of fair value accounting)	\$186 million	\$370 to \$385 million
Pretax Operating Earnings, as reported ²	\$129 million	\$305 to \$340 million

¹ Year-over-year change in average fixed annuity investments and average fixed annuity reserves for the six months ended 6/30/16.

² After the impact of changes in the fair value accounting related to FIAs.

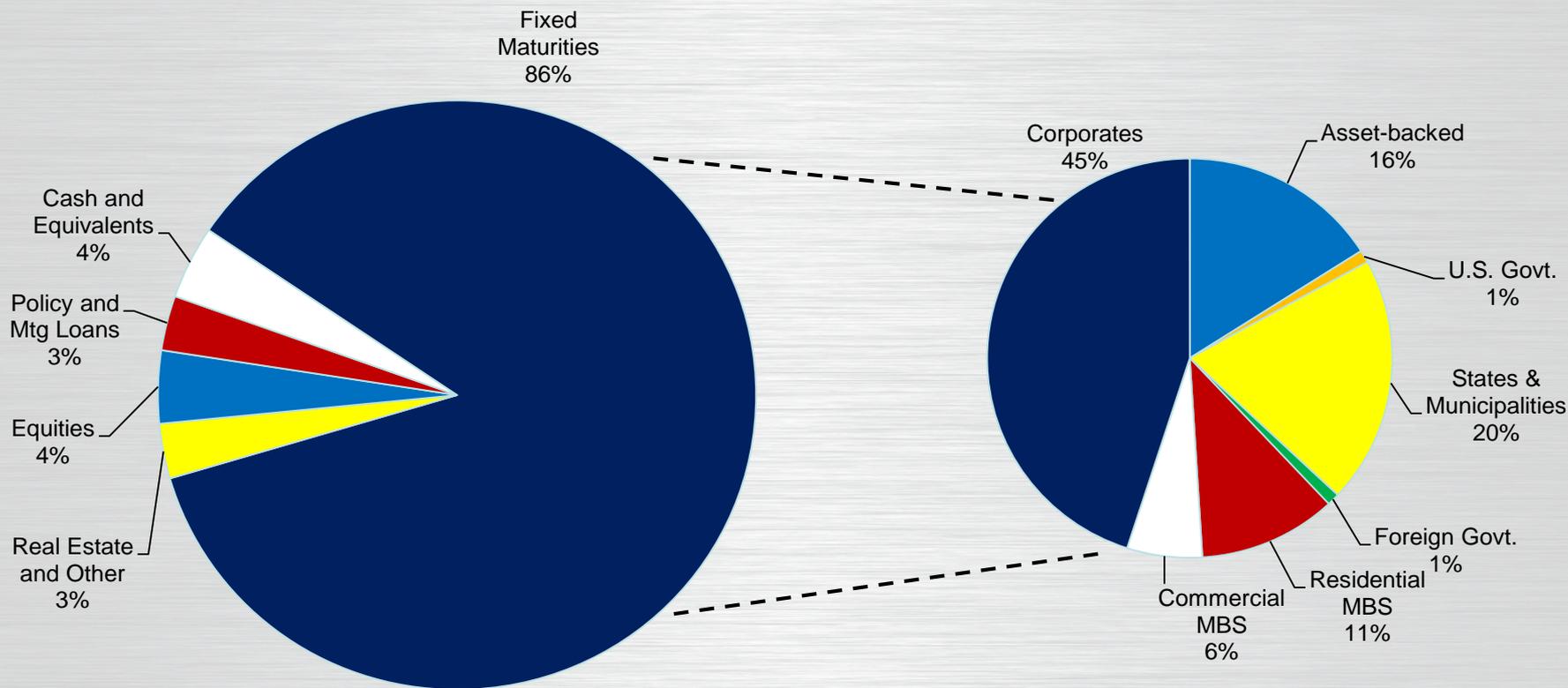
- In April 2016 the Department of Labor (DOL) issued the final version of its fiduciary rule that will impose additional requirements on the sale of certain annuities, including FIAs, to individual retirement accounts (IRAs).
- It is expected that all carriers will experience some impact when the rule takes effect in 2017, including temporary sales disruption during a transition period.
- Based on our analysis of the rule and discussions with our distribution partners:
 - We are planning for certain changes to our business model, including new products and compensation arrangements.
 - We believe these changes should allow most of our current distribution partners to continue to sell our traditional fixed and FIA annuities.
- About half of our sales are qualified and subject to the new rules.
 - We believe the biggest impact will be to non-registered reps in our Retail Channel (approximately 10% of our sales in Q2 2016).
 - We continue to believe that our business model makes us less vulnerable to the rule than many of our competitors.
- Based on our analysis, we do not believe the implementation of the final DOL rule will have a material impact on the Company's results of operations.

Investments – As of June 30, 2016

- **Total carrying value of investment portfolio = \$40.6 billion**
- **Second quarter after-tax, after-DAC net realized losses on securities of \$10 million**
- **After-tax, after-DAC net unrealized gains on fixed maturities of \$639 million**
- **After-tax net unrealized gains on equities of \$46 million**
- **After-tax gain on sale of apartment property of \$15 million**

Investment Portfolio – June 30, 2016

Fixed Maturities Portfolio – 89% investment grade; 97% NAIC 1 & 2



Carrying Value – \$40.6 Billion

Consolidated Results

Dollars in millions, except per share data



	Three Months Ended June 30,	
	<u>2016</u>	<u>2015</u>
P&C Insurance Segment	\$ 139	\$ 121
Annuity Segment (before impact of fair value accounting)	102	77
Impact of Fair Value Accounting	(26)	11
Run-off Long-Term Care and Life Segment	-	4
Interest Expense of Parent Holding Company	(19)	(20)
Other Expense	(19)	(19)
	<hr/>	<hr/>
Core Pretax Operating Earnings	177	174
Related Income Taxes	64	59
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Core Net Operating Earnings	\$ 113	\$ 115
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Average Number of Diluted Shares	88.4	89.5
Core Net Operating Earnings per Share	\$ 1.28	\$ 1.28
Annualized Core Return on Equity	10.5%	10.9%

Consolidated Results (continued)

Dollars in millions, except per share data



	Three Months Ended June 30, 2016	
		(Per Share)
Core Net Operating Earnings	\$ 113	\$ 1.28
<u>Non-core Items:</u>		
Realized Losses on Securities	(10)	(0.11)
Gain on Sale of Apartment Property	15	0.17
Neon Exited Lines Charge	(65)	(0.73)
Gain on Sale of Subsidiary	1	0.01
Net Earnings Attributable to Shareholders	<u>\$ 54</u>	<u>\$ 0.62</u>

Book Value and Liquidity

• Book Value per Share:	<u>6/30/16</u>	<u>12/31/15</u>
Excluding unrealized gains (losses) on fixed maturities	\$ 50.22	\$ 49.33
Tangible, excluding unrealized gains (losses) on fixed maturities, goodwill and intangibles	\$ 47.41	\$ 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 \$950 million, including parent cash of approximately \$200 million		
– repurchased \$21 million of common stock at an average price per share of \$68.31		

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

	NWP Growth	Combined Ratio
Specialty P&C Group Overall	1% – 5%	92% – 94%
<u>Business Groups:</u>		
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P&C average renewal rates flat to up 1%

P&C investment income approximately 6% higher than 2015

Annuity Segment:

- Full year core pretax operating earnings (before impact of fair value accounting), \$370 to \$385 million
- Full year core pretax operating earnings, as reported, \$305 million to \$340 million
- Full year annuity premiums \$4.0 billion to \$4.2 billion



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