



Review of Fourth Quarter and Full Year 2017

February 1, 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.

2017 Full Year Highlights

- Full year results set a new all-time high for AFG core net operating earnings
 - record core net operating earnings per share of \$6.55, up 9% from 2016
 - core ROE of 12.7% for 2017
 - net earnings of \$5.28 per share; ROE 10.3%
- Returned \$421 million of capital to shareholders in 2017
 - \$113 million in regular common stock dividends paid
 - \$308 million special dividends paid in May and November 2017
 - 12% increase in ordinary dividend in October 2017
- AFG 5-year total annualized shareholder return through 2017 = 26.6%
 - By comparison:
 - S&P 500 = 15.8%
 - S&P Property and Casualty Index = 19.9%
 - S&P Life & Health Insurance Index = 17.8%

2017 Fourth Quarter Highlights and 2018 Expectations

- Core net operating earnings per share of \$2.20; up 11% over 2016 and an all-time high for AFG
 - significantly higher underwriting profit in our P&C Insurance Segment
 - record Annuity earnings before fair value accounting for FIAs
 - annualized fourth quarter core operating ROE of 17.2%
- Net earnings of \$1.84 per diluted share include the following non-core items:
 - (\$0.92) write-down of deferred tax asset due to change in U.S. corporate rate
 - (\$0.29) loss on early retirement of debt
 - \$0.81 from RITC to close Neon's 2015 and prior years of account and tax benefits from Neon restructuring
 - \$0.04 realized gains on securities
- AFG 2018 core earnings guidance established at \$7.90 - \$8.40 per share

Property & Casualty Results

Dollars in millions

	Three Months Ended December 31,		Change ¹
	2017	2016	
Gross Written Premiums	\$ 1,571	\$ 1,441	9%
Net Written Premiums	\$ 1,161	\$ 1,083	7%
P&C Insurance Operating Earnings	\$ 233	\$ 180	29%
Specialty P&C Underwriting Profit	\$ 156	\$ 110	42%
Specialty P&C Combined Ratio	87.3%	90.4%	(3.1%)
Adverse (Favorable) Impact of:			
Catastrophe Losses	0.6%	1.1%	(0.5%)
Prior Year Development	(4.1%)	0.9%	(5.0%)

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 December 31,			Combined Ratio Three Months Ended December 31,	
	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>2017</u>	<u>2016</u>
Property & Transportation	\$ 424	\$ 394	8%	82.6%	83.9%
Specialty Casualty	\$ 555	\$ 510	9%	90.0%	97.4%
Specialty Financial	\$ 156	\$ 154	1%	86.2%	86.0%

2018 Outlook – Specialty P&C

	2017 Combined Ratio	2018 Outlook	
		NWP Growth	Combined Ratio
Specialty P&C Group Overall	93.1%	3% – 7%	92% – 94%
Business Groups:			
Property & Transportation	91.0%	2% – 6%	92% – 96%
Specialty Casualty	95.2%	3% – 7%	92% – 96%
Specialty Financial	89.4%	2% – 6%	85% – 89%

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

P&C average renewal rates up 1% to 3%

Annuity Segment

Dollars in millions

	Three Months Ended December 31,		<u>Change</u>
	<u>2017</u>	<u>2016</u>	
Pretax Earnings Before Fair Value Accounting for FIAs	\$ 108	\$ 103	5%
Fair Value Accounting for FIAs ¹	<u>(11)</u>	<u>29</u>	nm
Pretax Annuity Earnings	<u>\$ 97</u>	<u>\$ 132</u>	(27%)
Annuity Premiums	\$ 909	\$ 1,111	(18%)

¹ Includes (\$3) million and (\$1) million of annuity interest accreted on AFG's FIA embedded derivative reserve in the fourth quarters of 2017 and 216, respectively.

Fixed Annuities

Dollars in millions

Three Months Ended
December 31,

	2017	2016	Change ¹
Average Fixed Annuity Investments	\$ 32,245	\$ 29,192	10%
Average Fixed Annuity Reserves	\$ 32,680	\$ 29,250	12%
<hr/>			
Net Interest Spread	2.62%	2.70%	(0.08%)
Net Spread Earned (before fair value accounting for FIAs) ²	1.34%	1.42%	(0.08%)
Impact of Fair Value Accounting	(0.13%)	0.40%	(0.53%)
Net Spread Earned	1.21%	1.82%	(0.61%)

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

	<u>2017 Full Year</u>	<u>2018 Outlook</u>
Pretax Annuity Earnings (before fair value accounting for FIAs)	\$413 million	\$400 to \$430 million
Pretax Annuity Earnings, as reported ¹	\$380 million	\$385 to \$425 million
Average Fixed Annuity Investments	11% growth	8% to 10% growth
Average Fixed Annuity Reserves	12% growth	8% to 10% growth
Annuity Premiums	\$4.3 billion	up 2% to 6%
Net Spread Earned (before fair value accounting for FIAs)	1.33%	1.20% to 1.30%
Net Spread Earned	1.23%	1.17% to 1.29%

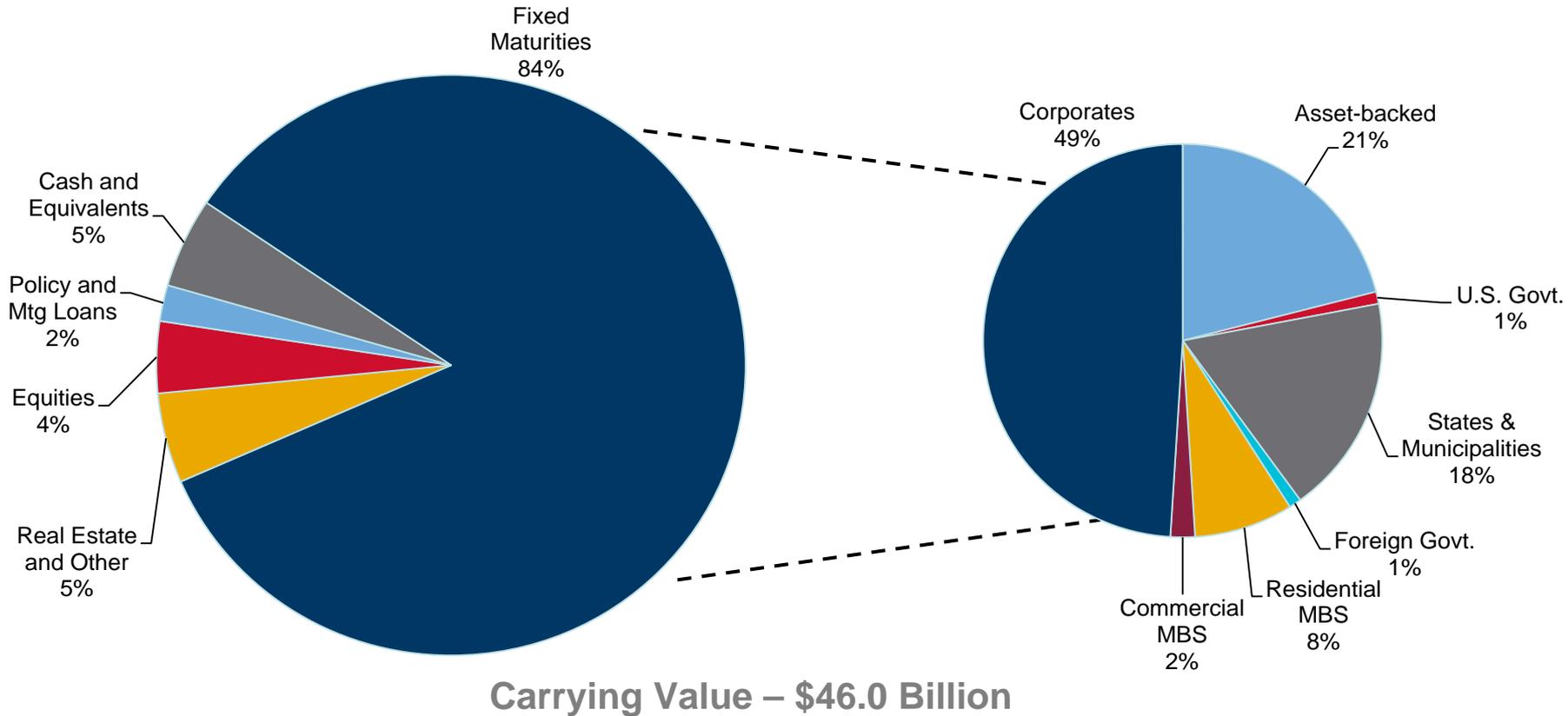
¹ After the impact of fair value accounting for FIAs.

Investments – December 31, 2017

- Total carrying value of investment portfolio = \$46.0 billion
- Fourth quarter after-tax, after-DAC net realized gains on securities of \$4 million
- After-tax, after-DAC net unrealized gains on fixed maturities of \$619 million
- After-tax net unrealized gains on equities of \$221 million

Investment Portfolio – December 31, 2017

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



Consolidated Results

Dollars in millions, except per share data

	Three Months Ended December 31,	
	<u>2017</u>	<u>2016</u>
P&C Insurance Segment	\$ 233	\$ 180
Annuity Segment (before fair value accounting for FIAs)	108	103
Impact of Fair Value Accounting for FIAs	(11)	29
Run-off Long-Term Care and Life Segment	2	2
Interest Expense of Parent Holding Company	(20)	(21)
Other Expenses	<u>(29)</u>	<u>(29)</u>
Core Pretax Operating Earnings	283	264
Related Income Taxes	86	88
Core Net Operating Earnings	<u>\$ 197</u>	<u>\$ 176</u>
Average Number of Diluted Shares	90.1	88.8
Core Net Operating Earnings per Share	\$ 2.20	\$ 1.98
Annualized Core Return on Equity	17.2%	15.7%

Consolidated Results (continued)

Dollars in millions, except per share data

	Three Months Ended December 31, 2017	
		(Per Share)
Core Net Operating Earnings	\$ 197	\$ 2.20
Non-core Items:		
After-tax Realized Gains on Securities	4	0.04
After-tax Loss on Early Retirement of Debt	(26)	(0.29)
Write-down of Deferred Tax Asset	(83)	(0.92)
Tax Benefit Related to Neon Restructuring	56	0.62
Neon Exited Lines Charge (RITC Transaction)	<u>18</u>	<u>0.19</u>
Net Earnings Attributable to Shareholders	<u>\$ 166</u>	<u>\$ 1.84</u>

Book Value and Liquidity

- | Book Value per Share: | <u>12/31/17</u> | <u>12/31/16</u> |
|---|-----------------|-----------------|
| Excluding unrealized gains (losses) related to fixed maturities | \$ 53.51 | \$ 53.11 |
| Tangible, excluding unrealized gains (losses) related to fixed maturities, goodwill and intangibles | \$ 50.95 | \$ 50.43 |
- **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 \$885 million, including parent cash of approximately \$300 million as of December 31, 2017

2018 Outlook – AFG

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

	<u>NWP Growth</u>	<u>Combined Ratio</u>
Specialty P&C Group Overall	3% – 7%	92% – 94%
<u>Business Groups:</u>		
Property & Transportation	2% – 6%	92% – 96%
Specialty Casualty	3% – 7%	92% – 96%
Specialty Financial	2% – 6%	85% – 89%

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

P&C average renewal rates up 1% to 3%

Annuity Segment:

- Full year pretax annuity earnings (before fair value accounting for FIAs) \$400 million to \$430 million
- Full year pretax annuity earnings, as reported, \$385 million to \$425 million
- Full year annuity premiums up 2% to 6% from the \$4.3 billion reported in 2017



Review of Fourth Quarter and Full Year 2017

February 1, 2018
