



# Annual Meeting of Shareholders

May 22, 2019

# Building Long-Term Value for AFG Shareholders



Culture • Entrepreneurial Business Model • Incentives

# Our Corporate Values

| <b>Our Foundation</b>                             | <b>Our Priorities</b>       | <b>Our Expectations</b> |
|---|-----------------------------|-------------------------|
| Specialization                                    | Customer Focus              | Integrity               |
| Entrepreneurial Spirit                            | Clear & Open Communications | Self-Discipline         |
| Accountability                                    | Work / Family Balance       | Respect for Others      |
| <i>8,500 employees in 120 locations worldwide</i> |                             |                         |



*We provide financial solutions that fulfill today's needs and tomorrow's dreams; a trusted partner in delivering long-term value to our customers, employees and investors.*

## Specialty P&C Insurance

### Property & Transportation



- Inland and Ocean Marine
- Agricultural-Related
- Aviation
- Commercial Automobile (buses, trucks)

### Specialty Casualty



- Executive and Professional Liability
- Umbrella and Excess Liability
- Excess and Surplus
- General Liability
- M&A Liability
- Targeted Programs
- Workers' Compensation

### Specialty Financial



- Fidelity / Crime
- Surety
- Lease and Loan Services
- Financial Institution Services

## Annuity



- Traditional Fixed, Fixed-Indexed and Variable-Indexed Annuities
- Sold in retail, financial institutions, broker-dealer and registered investment advisor markets

\$51.0 Billion Investment Portfolio Managed In-House



A history dating back **145+** years

**Specialists** in providing insurance products that **help businesses** manage their **unique financial risks** and exposures and **individuals save** for their **financial futures**.

Approximately **55%** of Specialty P&C Group gross written premium produced by businesses with “top 10” market rankings

**Top 10** Fixed Annuity provider

**#1** in sales of FIAs through financial institutions

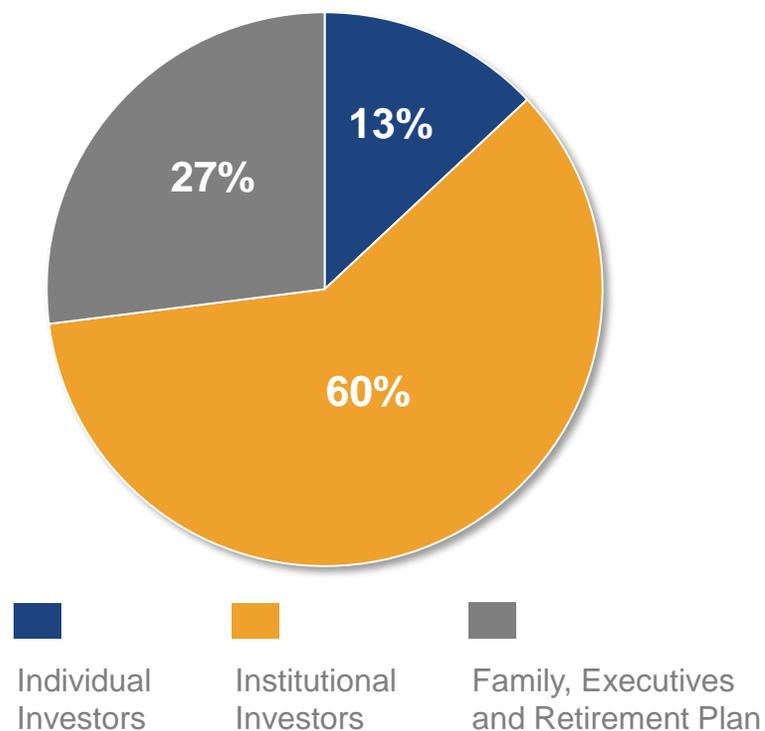


Great American Insurance Group **1** of only **5** companies rated **“A” (Excellent)** or better by A.M. Best for **100+ years**



# Significant Insider Ownership

AFG Shareholder Base



Significant ownership by management creates strong alignment of interests with shareholders over the long term

The Lindner Family formed AFG in 1959 and continue to be significant shareholders.

## Ownership Details

- Co-CEOs / family = 23%
- Executives and Retirement Plan = 4%

# 2018 Highlights

- Full year results set a new all-time high for AFG core net operating earnings
  - record core net operating earnings per share of \$8.40, up 28% from 2017
  - core ROE 15.6% for 2018
  - net earnings of \$5.85 per share; ROE 10.9%
- Returned \$403 million of capital to shareholders
  - \$130 million in regular common stock dividends
  - \$267 million special dividends paid in May and November 2018
  - 14% increase in ordinary dividend in October 2018
  - \$6 million in share repurchases (average price per share = \$93.38)
- Growth in adjusted book value per share plus dividends of 10.8%

## Fixed Income Annualized Total Return 11 Years Ended 12/31/18 <sup>1</sup>

|   |                    |
|---|--------------------|
| <b>AFG</b>  | <b>5.9%</b>        |
| Benchmark:<br>Blended Insurance Industry <sup>2</sup> | <u>4.9%</u>        |
| Outperformance  | <u><u>1.0%</u></u> |

**≈ \$2 Billion Total Return  
Outperformance**

<sup>1</sup> 2008-2018 time period captures the beginning of the global financial crisis.

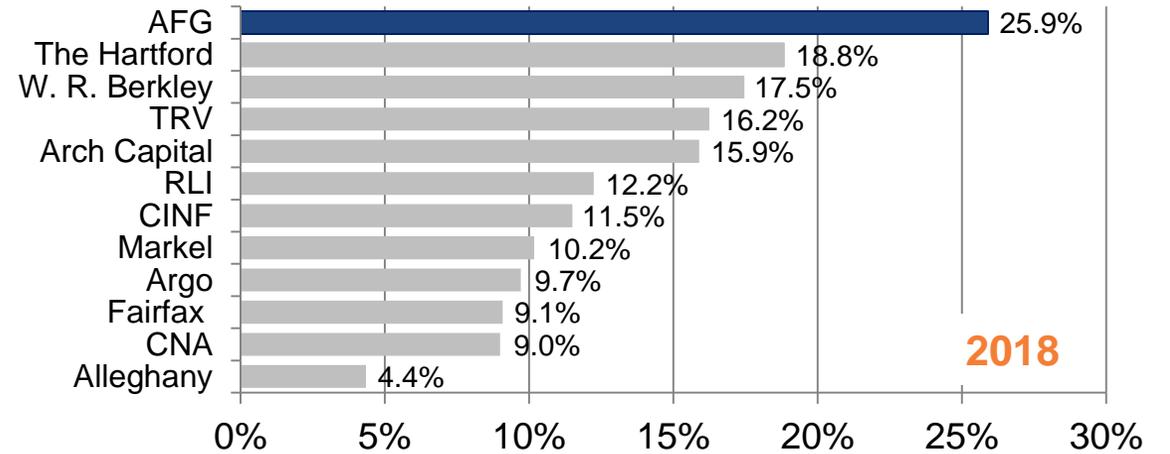
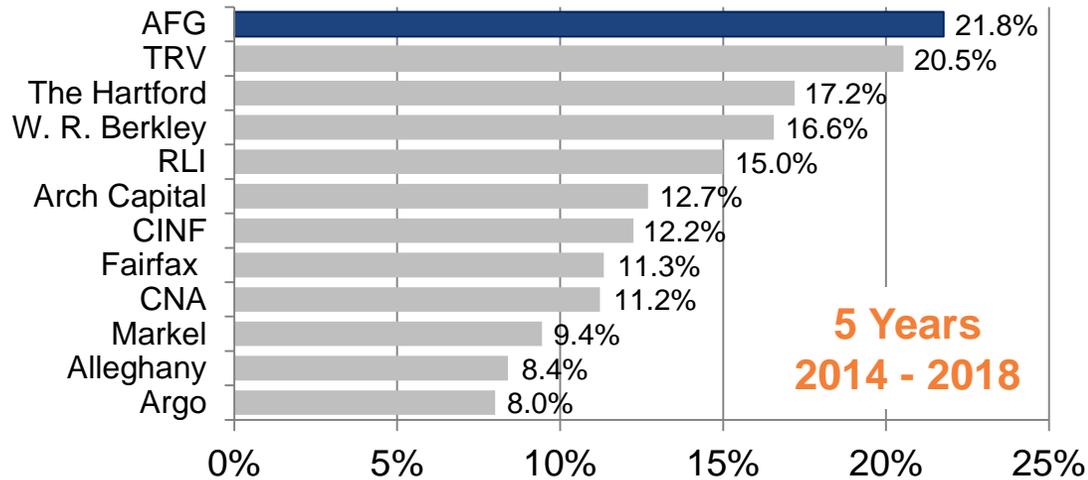
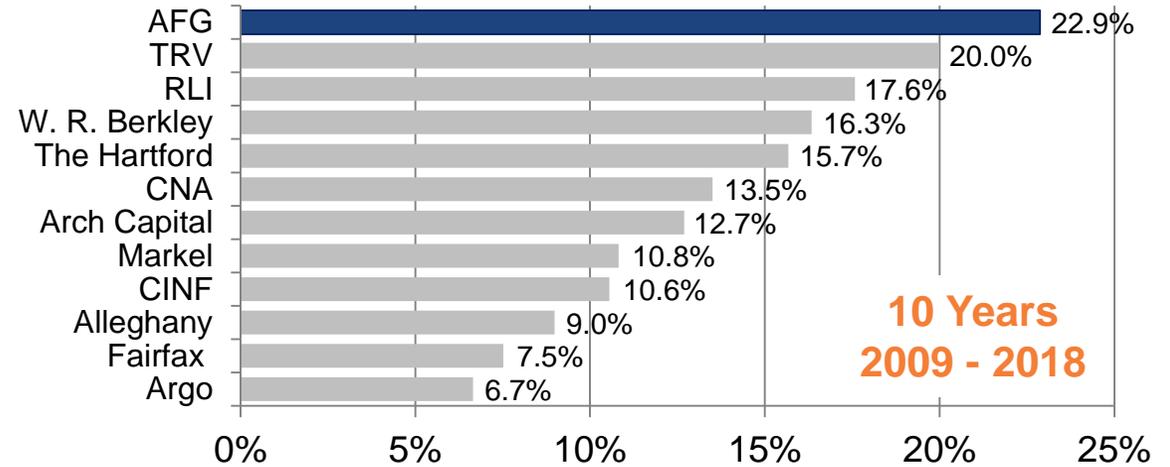
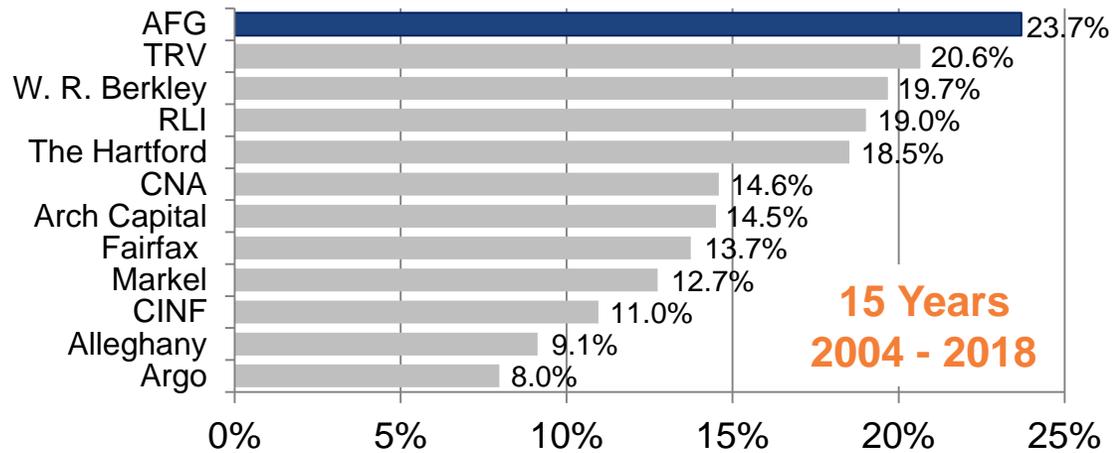
<sup>2</sup> Source: S&P Global Market Intelligence. Blended Insurance Industry returns reflect actual Life & Annuity and Property & Casualty industry returns weighted by AFG's Annuity and P&C Groups' relative assets.

# 2019 First Quarter Highlights

- Core net operating earnings per share of \$2.02
  - annualized core ROE 14.5%
  - strong P&C profitability
  - new quarterly all-time high for the Annuity segment earnings before impact of fair value accounting
- Net earnings of \$3.63 per diluted share include \$1.61 in after-tax net realized gains on securities
- Announced special cash dividend of \$1.50 per share, payable May 28, 2019
- Annualized growth in adjusted book value per share plus dividends was 25.9%

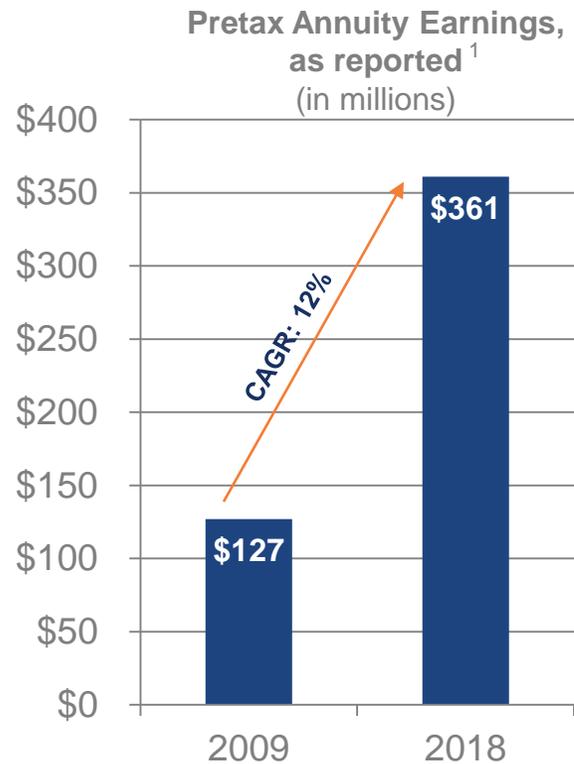


# Pretax Property & Casualty Returns



Source: Dowling & Partners

# Growth in Annuity Earnings, Premiums and Assets



## ***Annuity Transformation***

- Focus on core competency of fixed and fixed-indexed annuities; focus where we have critical mass and competitive advantage
- Significantly improved ROEs
  - appropriate pricing
  - expense discipline
- Ratings
  - no downgrades during recession
  - upgrades by S&P and Moody's since recession

<sup>1</sup> After the impact of fair value accounting for FIAs and unlocking.

# Intelligent Use of Excess Capital

## 2018 Capital Management

- Returned \$403 million of capital to shareholders
- 14% increase in ordinary annual dividend
  - 13<sup>th</sup> consecutive annual dividend increase
  - five year CAGR in dividends ~12.5%
- Two special dividends in 2018
  - \$1.50 per share paid in May 2018
  - \$1.50 per share paid in November 2018
- \$6 million in share repurchases (\$93.38 per share average)

## 2019 Capital Management

- Excess capital at 3/31/2019 – \$1.1 billion
- \$1.50 per share special dividend payable in May 2019
- 5.0 million shares remaining in repurchase authorization as of 3/31/2019

## Capital Returned to Shareholders Five Years Ended 12/31/2018 (in millions)

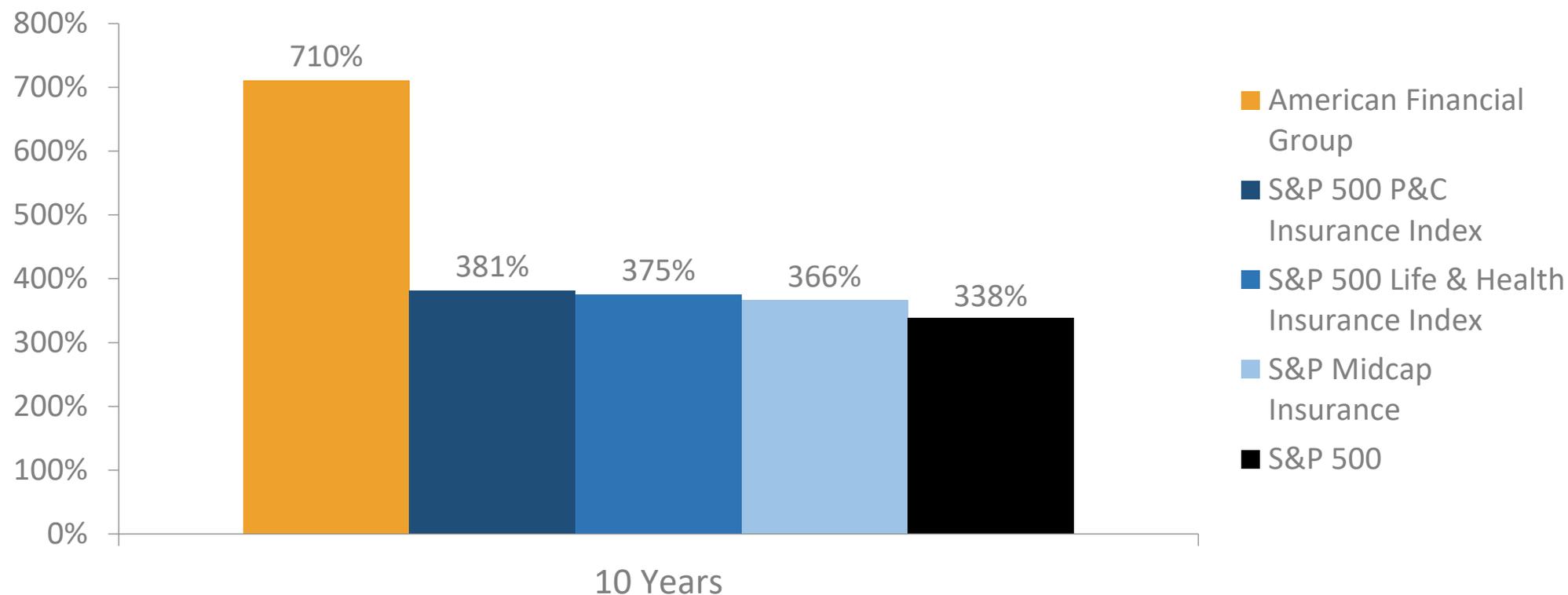
|                |                 |
|----------------|-----------------|
| Dividends Paid | \$ 1,352        |
| Repurchases    | <u>456</u>      |
| Total          | <u>\$ 1,808</u> |



***\$1.8 Billion Returned to Shareholders***

# AFG Shareholder Return vs. Indices

As of March 31, 2019



# 2019 Outlook – AFG

AFG Core Earnings Guidance \$8.35 – \$8.85 per share

|                                | <u>NWP Growth</u> | <u>Combined Ratio</u> |
|--------------------------------|-------------------|-----------------------|
| Specialty P&C Group Overall    | 0% – 3%           | 92% – 94%             |
| <b><u>Business Groups:</u></b> |                   |                       |
| Property & Transportation      | 3% – 7%           | 92% – 96%             |
| Specialty Casualty             | (2%) – 2%         | 91% – 95%             |
| Specialty Financial            | 3% – 7%           | 88% – 92%             |

P&C investment income flat to 4% higher than 2018

P&C average renewal rates up between 1% and 3%; (up 4% to 6%, excluding workers' compensation)

## **Annuity Segment:**

- Pretax Annuity Earnings (before fair value accounting for FIAs and unlocking) \$445 million to \$475 million
- Pretax Annuity Earnings, as reported \$365 million to \$425 million
- Annuity premiums flat to down slightly from the \$5.4 billion reported in 2018

# Forward Looking Statements

Certain statements made during this presentation, 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, 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.



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