



# Review of Second Quarter 2023

*August 3, 2023*

# 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 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.

# 2023 Second Quarter Consolidated Results

Dollars in millions, except per share data

	Three Months Ended June 30,	
	<u>2023</u>	<u>2022</u>
P&C Insurance Segment	\$ 299	\$ 345
Interest & other corporate expenses	<u>(41)</u>	<u>(37)</u>
Pretax Core Operating Earnings	258	308
Related income taxes	<u>56</u>	<u>65</u>
Core Net Operating Earnings	<u>\$ 202</u>	<u>\$ 243</u>
Average number of diluted shares	85.2	85.3
Core Net Operating Earnings per Share	\$ 2.38	\$ 2.85
Annualized Core Operating Return on Equity	18.2%	20.7%

# 2023 Second Quarter Consolidated Results (continued)

Dollars in millions, except per share data

	Three Months Ended June 30, 2023	
		(Per Share)
Core Net Operating Earnings	\$ 202	\$ 2.38
<u>Non-core Items</u>		
After-tax net realized losses on securities <sup>1</sup>	(1)	(0.02)
Loss on retirement of debt	(1)	(0.02)
Net Earnings	<u>\$ 200</u>	<u>\$ 2.34</u>



<sup>1</sup> Included in this amount is \$2 million (\$0.02 per share) in after-tax net gains to adjust equity securities that the Company continued to own at June 30, 2023, to fair value.

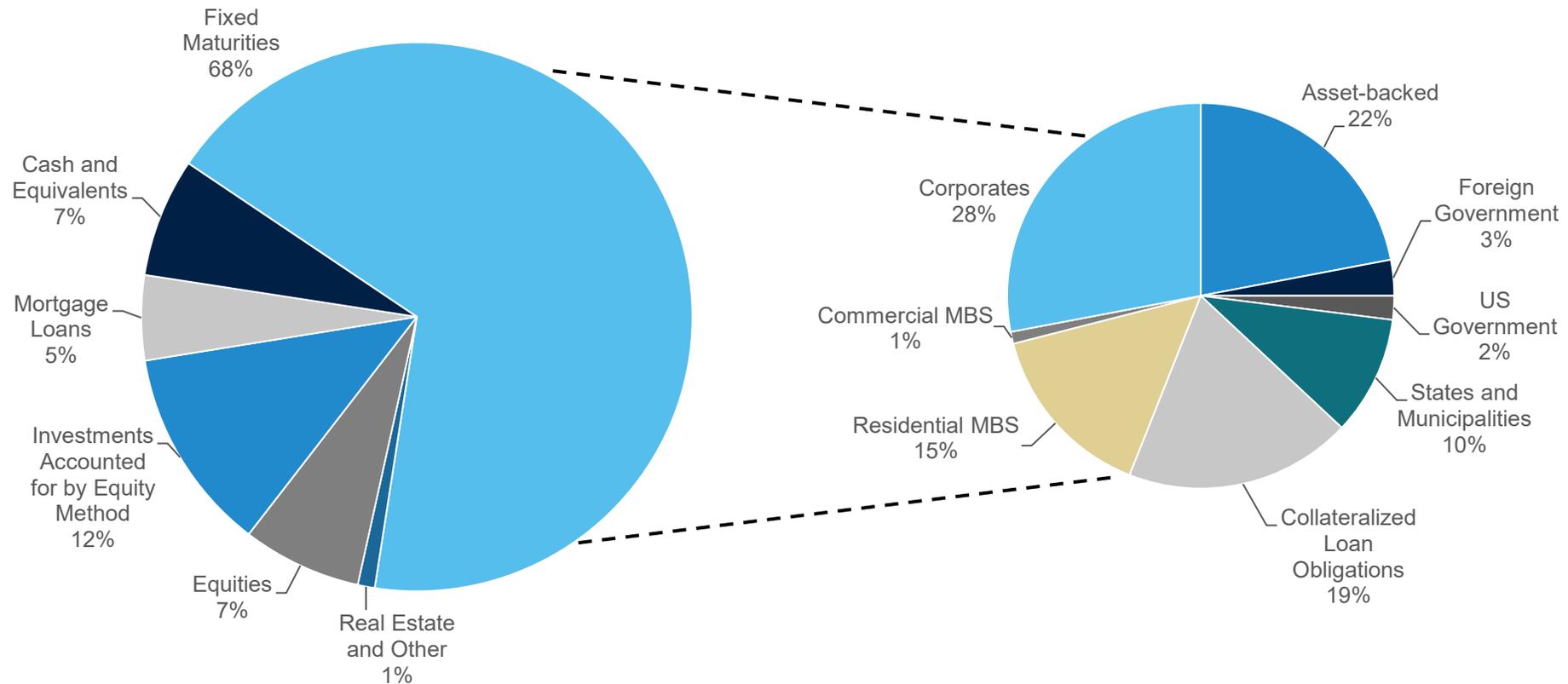
# Investments

- Total carrying value of AFG's investment portfolio at June 30, 2023 = \$14.5 billion
- Second quarter after-tax net realized losses on securities of \$1 million
  - includes \$2 million in after-tax net realized gains to adjust equity securities that the company continued to own at June 30, 2023 to fair value through earnings
- Pretax unrealized losses on fixed maturities were \$587 million at June 30, 2023
- Second quarter 2023 annualized return of 9.6% on AFG's \$2.3 billion of alternative investments

# AFG Investment Portfolio

As of June 30, 2023

Fixed Maturities Portfolio – 93% investment grade  
P&C Fixed Maturities Portfolio – 96% NAIC 1 & 2



Carrying Value – \$14.5 Billion

# Strong Financial Position

Dollars in millions, except per share data

## Capital Management

- Above target levels for all rating agencies
- Excess capital approximately \$700 million at June 30, 2023<sup>4</sup>
- Second quarter regular dividends = \$54 million
- Repurchased 374,958 shares for approximately \$43 million during the second quarter

## Long-Term Debt

- No debt maturities until 2030
- No borrowings under \$450 million credit line
- Repurchased approximately \$4 million of Senior Notes during the second quarter

## Financial Strength Ratings - U.S. Based P&C Insurers (where rated)

- A.M. Best: All companies = A+
- Standard & Poor's: All companies = A+
- Moody's: All companies = A1

	<u>June 30, 2023</u>	<u>Dec 31, 2022</u>
Principal amount of long-term debt	\$ 1,498	\$ 1,521
Adjusted shareholders' equity <sup>1</sup>	4,490	4,578
Total adjusted capital	\$ 5,988	\$ 6,099
Ratio of debt to total adjusted capital <sup>2</sup>		
Including subordinated debt	25.0%	24.9%
Excluding subordinated debt	13.7%	13.9%
Common shares outstanding (millions)	84.859	85.204
<u>Book value per share:</u>		
Book value per share	\$ 47.06	\$ 47.56
Adjusted <sup>1</sup>	52.90	53.73
Tangible, adjusted <sup>3</sup>	48.80	49.58
Parent company cash and investments <sup>4</sup>	\$ 551	\$ 876

<sup>1</sup> Excludes net unrealized gains (losses) related to fixed maturity investments.

<sup>2</sup> The ratio is calculated by dividing the principal amount of AFG's long-term debt by its total capital, which includes long-term debt and shareholders' equity, excluding unrealized gains (losses) related to fixed maturity investments.

<sup>3</sup> Excludes net unrealized gains (losses) related to fixed maturity investments, goodwill and intangibles.

<sup>4</sup> Excess capital and parent company cash and investments as of June 30, 2023, are shown net of \$235 million in cash deployed to fund the CRS acquisition, which closed on July 3, 2023.

# Property & Casualty Results

Dollars in millions

	Three Months Ended June 30,		
	2023	2022	Change <sup>1</sup>
Specialty Gross Written Premiums	\$ 2,369	\$ 2,123	12%
Specialty Net Written Premiums	\$ 1,667	\$ 1,516	10%
P&C Insurance Operating Earnings	\$ 299	\$ 345	(13%)
Specialty P&C Underwriting Profit	\$ 123	\$ 197	(38%)
Specialty P&C Combined Ratio	91.9%	85.8%	6.1%
Adverse (Favorable) Impact of:			
Catastrophe Losses	3.5%	1.5%	2.0%
Prior Year Development	(4.0%)	(6.2%)	2.2%

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

# Specialty P&C Group

Dollars in millions

	Net Written Premiums Three Months Ended June 30,			Combined Ratio Three Months Ended June 30,	
	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>2023</u>	<u>2022</u>
<b>Property &amp; Transportation</b>	<b>\$ 668</b>	<b>\$ 632</b>	<b>6%</b>	<b>94.2%</b>	<b>92.4%</b>
<b>Specialty Casualty</b>	<b>\$ 693</b>	<b>\$ 646</b>	<b>7%</b>	<b>86.6%</b>	<b>80.1%</b>
Specialty Casualty Excluding Workers' Compensation	\$ 432	\$ 407	6%		
<b>Specialty Financial</b>	<b>\$ 240</b>	<b>\$ 177</b>	<b>36%</b>	<b>95.0%</b>	<b>78.4%</b>

# 2023 Outlook

**AFG's 2023 core net operating earnings guidance of \$10.15 - \$11.15 per share, producing a core return on equity of approximately 20%<sup>1</sup>**

	Updated Guidance <sup>1</sup>		May Guidance		2022 Actual
	NWP Growth	Combined Ratio	NWP Growth	Combined Ratio	
<b>Specialty P&amp;C Group Overall</b>	<b>5% – 8%</b>	<b>89% – 91%</b>	3% – 6%	87% – 89%	87.2%
<b>Business Groups:</b>					
Property & Transportation	0% – 2%	90% – 93%	0% – 2%	90% – 93%	91.7%
Specialty Casualty	5% – 9%	85% – 88%	5% – 9%	82% – 86%	81.2%
<i>Excluding Workers' Comp</i>	<i>5% – 9%</i>		<i>7% – 11%</i>		
Specialty Financial	23% – 27%	89% – 93%	6% – 10%	85% – 89%	83.7%

**P&C average renewal rates up 3% to 5% when compared to 2022**



<sup>1</sup> Reflects an assumed return on alternative investments of 9%, an increase from the 8% return included in AFG's May guidance. This compares to 13.2% earned in 2022. This guidance also assumes an average crop year.



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