



Review of First Quarter 2020

May 12, 2020



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, annuity non-core earnings 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.

COVID-19 Considerations

Health and Safety of our Employees and Service to Insureds and Producers

Direct COVID-19 Impact

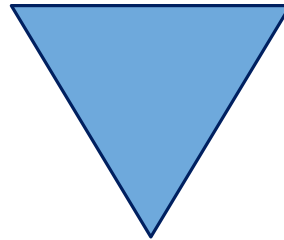
P&C Exposures
Investment Considerations
Impact to Premiums / Sales

Indirect Implications

Effects of Economic Downturn
Volatility in Financial Markets

Merits of Each Claim

Regulatory and Legislative Considerations



We believe AFG is financially strong and well-positioned to respond to the challenges presented by COVID-19

2020 First Quarter Highlights

Core net operating earnings per share of \$1.88; compared to \$2.02 in the 2019 first quarter

- annualized core operating ROE of 13.2%
- first quarter results at upper end of guidance provided in AFG's April 15th pre-release
- results adversely impacted by negative adjustments to investments marked-to-market through core earnings, as noted below:

Components of Pretax Core Operating Earnings	Three Months Ended March 31,					
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<i>In millions, except per share amounts</i>	Before Impact of Marked-to-Market Investments		Marked-to-Market Investments, net of DAC		Core Net Operating Earnings, as reported	
P&C Pretax Core Operating Earnings	\$ 178	\$ 177	\$ 3	\$ 8	\$ 181	\$ 185
Annuity Pretax Core Operating Earnings	79	64	(12)	26	67	90
Other Expenses	(20)	(27)	-	-	(20)	(27)
Holding Company Interest Expense	(17)	(16)	-	-	(17)	(16)
Pretax Core Operating Earnings	220	198	(9)	34	211	232
Related Income Taxes	42	41	(2)	7	40	48
Core Net Operating Earnings	\$ 178	\$ 157	\$ (7)	\$ 27	\$ 171	\$ 184
Core Operating Earnings (Loss) Per Share	\$1.96	\$1.73	(\$0.08)	\$0.29	\$1.88	\$2.02
Weighted Avg Diluted Shares Outstanding	91.1	90.7			91.1	90.7

2020 First Quarter Results and 2020 Expectations

- Net loss of \$3.34 per diluted share includes after-tax per share amounts:
 - (\$4.81) net realized losses on securities
 - (\$0.34) Annuity non-core losses
 - (\$0.07) Neon exited lines
- AFG expects 2020 core net operating earnings per share excluding marked to market investments to be in the range of \$6.45 to \$7.25.

Property & Casualty Results

Dollars in millions

	Three Months Ended March 31,		Change ¹
	2020	2019	
Specialty Gross Written Premiums	\$ 1,526	\$ 1,535	(1%)
Specialty Net Written Premiums	\$ 1,165	\$ 1,147	2%
P&C Insurance Operating Earnings	\$ 181	\$ 185	(2%)
Specialty P&C Underwriting Profit	\$ 89	\$ 88	1%
Specialty P&C Combined Ratio	92.2%	92.5%	(0.3%)
Adverse (Favorable) Impact of:			
Catastrophe Losses	0.8%	1.1%	(0.3%)
Prior Year Development	(4.2%)	(4.0%)	(0.2%)

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 March 31,			Combined Ratio Three Months Ended March 31,	
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>2020</u>	<u>2019</u>
Property & Transportation	\$ 386	\$ 344	12%	92.9%	89.0%
Specialty Casualty	\$ 586	\$ 626	(6%)	90.7%	94.2%
Specialty Financial	\$ 149	\$ 145	3%	89.1%	91.4%

2020 Outlook – Specialty P&C

Dollars in millions

	Updated Guidance		February Guidance		2019 Actual
	NWP Growth	Combined Ratio	NWP Growth	Combined Ratio	
Specialty P&C Group Overall	(14%) – (8%) ¹	92% – 94%	(5%) – (1%)	92% – 94%	93.7%
Business Groups:					
Property & Transportation	(5%) – 1%	92% – 96%	6% – 10%	92% – 96%	95.7%
Specialty Casualty	(23%) – (17%)	90% – 94%	(14%) – (10%)	90% – 94%	93.3%
Excluding Neon	(8%) – (2%)		1% – 5%		
Excluding Neon & Workers' Comp	(3%) – 3%		6% – 10%		
Specialty Financial	(12%) – (6%)	87% – 91%	4% – 8%	86% – 90%	85.0%
P&C average renewal rates	+ 5% to 8%		+ 3% to 5%		+3%
Pretax P&C Core Operating Earnings²	\$630 to \$690		NA		\$679

¹ Excluding the impact of the run-off of Neon, the change in Net Written Premiums is expected to be in the range of (7%) to (1%). Excluding workers' compensation and the impact of the run-off of Neon, the change in Net Written Premiums is expected to be in the range of (4%) to +2%.

² Excluding the impact of investments marked-to-market through core net operating earnings.

Statutory Annuity Premiums

Dollars in millions

	Three Months Ended March 31,		
	<u>2020</u>	<u>2019</u>	<u>Change</u>
<u>Summary by Distribution Channel</u>			
Financial Institutions	\$ 711	\$ 768	(7%)
Retail	197	330	(40%)
Broker Dealer	155	233	(33%)
Other	147	64	130%
Total Annuity Premiums	<u>\$ 1,210</u>	<u>\$ 1,395</u>	(13%)

Summary by Product Type

Indexed	\$ 753	\$ 980	(23%)
Fixed	452	410	10%
Variable	5	5	-
Total Annuity Premiums	<u>\$ 1,210</u>	<u>\$ 1,395</u>	(13%)

Annuity Segment

Dollars in millions

	Three Months Ended March 31,		
	2020	2019	Change
<u>Pretax Annuity Core Operating Earnings:</u>			
Pretax earnings before certain items below	\$ 79	\$ 75	5%
Other amounts previously reported as operating, net	-	(11)	
Pretax Annuity core operating earnings before MTM investments	79	64	23%
 MTM Investments, net of DAC	 (12)	 26	
Pretax Annuity core operating earnings – as reported	<u>\$ 67</u>	<u>\$ 90</u>	(26%)
 <i>Year over year growth in quarterly average invested assets</i>	 8%	 12%	
 <i>Annualized yield on investments marked to market through core operating earnings</i>	 (1.9%)	 10.9%	

Fixed Annuities

Dollars in millions

	Three Months Ended March 31,		
	<u>2020</u>	<u>2019</u>	<u>Change¹</u>
Average Fixed Annuity Investments	\$ 40,073	\$ 36,991	8%
Average Fixed Annuity Reserves	\$ 40,139	\$ 37,078	8%
<hr/>			
Net Interest Spread Before MTM Investments	1.59%	1.69%	(0.10%)
Investments MTM	<u>(0.06%)</u>	<u>0.31%</u>	<u>(0.37%)</u>
Net Interest Spread	<u>1.53%</u>	<u>2.00%</u>	<u>(0.47%)</u>
 <u>Net Spread Earned:</u>			
Core Operating - Before MTM investments	0.81%	0.80%	0.01%
Investments MTM, net of DAC	<u>(0.12%)</u>	<u>0.28%</u>	<u>(0.40%)</u>
Core Operating Net Spread Earned	<u>0.69%</u>	<u>1.08%</u>	<u>(0.39%)</u>

¹ Calculated as a percentage change for dollars and an arithmetic difference for percentages.

2020 Outlook – Annuity Segment

	<u>Updated Guidance¹</u>	<u>February Guidance</u>	<u>2019 Actual</u>
Pretax Annuity Core Earnings, excl. MTM Investments	\$280 to \$310 million	NA	\$298 million
Pretax Annuity Core Earnings, as reported	NA	\$395 to \$425 million	\$398 million
<hr/>			
Average Fixed Annuity Investments	+5% to 7%	+ 7% to 9%	+11%
Average Fixed Annuity Reserves	+5% to 7%	+ 7% to 9%	+11%
Annuity Premiums	\$3.3 to \$4.0 billion	\$4.5 to \$5.2 billion	\$5.0 billion
<hr/>			
Core Net Spread Earned, excl. MTM Investments	0.68% to 0.74%	NA	0.82%
Core Net Spread Earned, as reported	NA	0.96% to 1.04%	1.08%

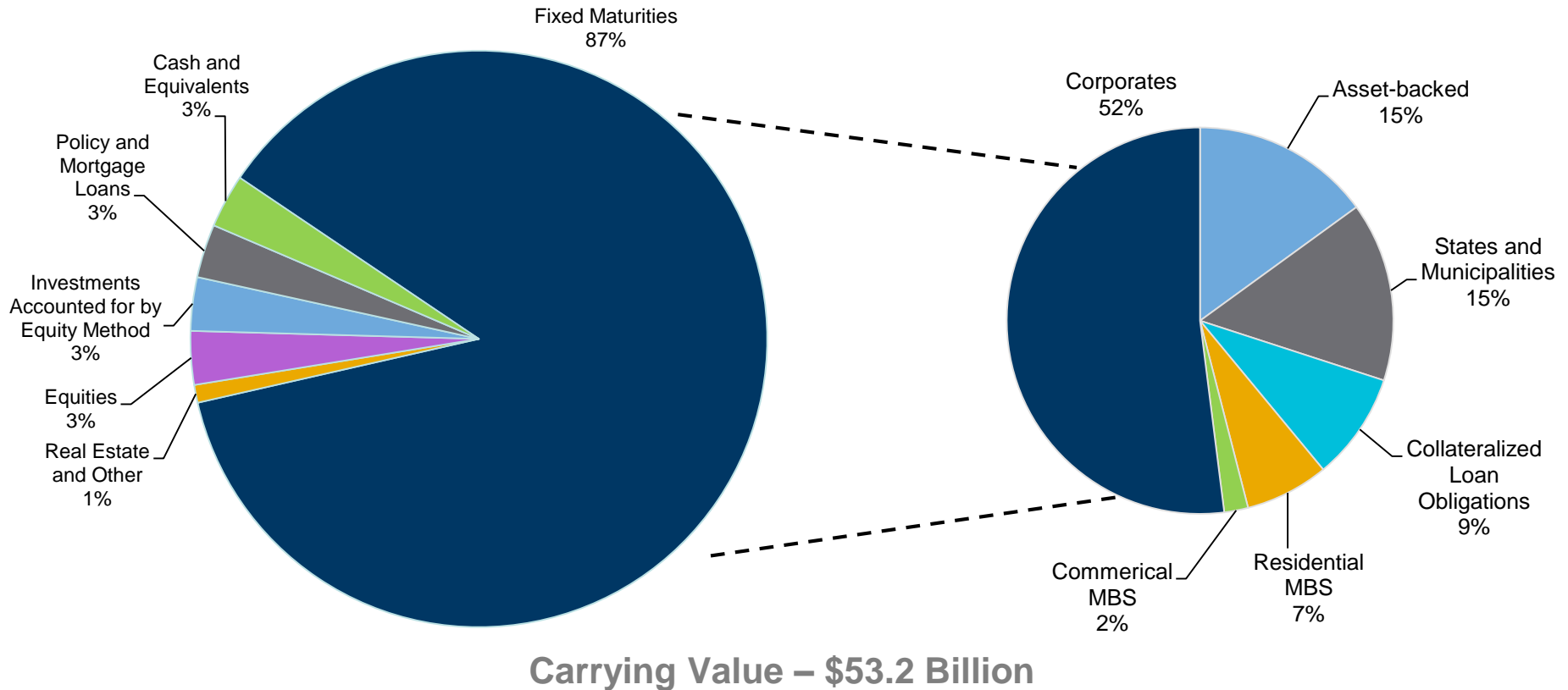
¹ Updated guidance reflects the impacts of (i) lower short-term interest rates, which will have a negative impact on the Annuity Segment's approximately \$4.1 billion net investment in cash and floating rate securities, (ii) recent opportunistic purchases of fixed income securities, which will have a positive impact on core operating earnings and (iii) the impact of more aggressive renewal rate actions recently initiated on annuity policies near or after the end of their surrender charge period, which will also have a positive impact on core operating earnings.

Investments

- Total carrying value of investment portfolio at March 31, 2020 = \$53.2 billion
- AFG was well positioned entering the COVID-19 crisis:
 - record levels of cash and cash equivalents at February month end
 - non-investment grade corporate bond exposure is near the lowest in AFG's history
- First quarter after-tax, after-DAC net realized losses on securities of \$435 million
 - includes \$423 million in after-tax, after-DAC net realized losses to adjust equity securities the company continues to own to fair value through earnings
 - primarily as a result of the improvement in equity markets, AFG recognized net realized gains on securities of approximately \$100 million after-tax and after-DAC during the month of April.
- After-tax, after-DAC net unrealized gains on fixed maturities of \$16 million at March 31, 2020, a decrease of \$846 million since December 31, 2019.
 - net unrealized gains on our fixed maturity portfolio were nearly \$400 million, after tax, after DAC at April 30, 2020.

Investment Portfolio – March 31, 2020

Fixed Maturities Portfolio – 91% investment grade; 97% NAIC 1 & 2



Consolidated Results

Dollars in millions, except per share data

	Three Months Ended March 31,	
	2020	2019
P&C Insurance Segment	\$ 181	\$ 185
Annuity Segment	67	101
Annuity Results Previously Reported as Operating Earnings	-	(11)
Interest & Other Corporate Expenses	(37)	(43)
 Core Pretax Operating Earnings	 211	 232
Related Income Taxes	40	48
Core Net Operating Earnings	<u>\$ 171</u>	<u>\$ 184</u>
 Average Number of Diluted Shares ¹	 91.1	 90.7
 Core Net Operating Earnings per Share	 \$ 1.88	 \$ 2.02
 Annualized Core Operating Return on Equity	 13.2%	 14.5%

¹ Because AFG had a net loss for the first quarter of 2020, the impact of potential dilutive options (weighted average of 0.84 million shares) was excluded from AFG's fully diluted earnings per share calculation. However, for the non-GAAP measure of core net operating earnings, the Company believes it is most appropriate to use the fully diluted share data that would have been used if AFG had net earnings for the first quarter.

Consolidated Results (continued)

Dollars in millions, except per share data

	Three Months Ended March 31, 2020	
		(Per Share)
Core Net Operating Earnings	\$ 171	\$ 1.88
<u>Non-core Items</u>		
After-tax Realized Losses on Securities	(435)	(4.81)
Annuity Non-Core Losses	(30)	(0.34)
Neon Exited Lines	(7)	(0.07)
Net Earnings Attributable to Shareholders	<u>\$ (301)</u>	<u>\$ (3.34)</u>

Strong Financial Position

Dollars in millions, except per share data

	<u>Mar 31, 2020</u>	<u>Dec 31, 2019</u>
Principal Amount of Long-Term Debt	\$ 1,493	\$ 1,493
Adjusted shareholders' equity ^(a)	<u>4,987</u>	<u>5,390</u>
Total adjusted capital	<u>\$ 6,480</u>	<u>\$ 6,883</u>
Ratio of debt to total adjusted capital ^(b)		
Including subordinated debt	23.0%	21.7%
Excluding subordinated debt	15.7%	14.8%
Common shares outstanding	89.827	90.304
<u>Book value per share:</u>		
Book value per share	\$ 56.18	\$ 69.43
Adjusted ^(c)	55.52	59.70
Tangible, adjusted ^(d)	52.77	56.93
Parent Company Cash	\$ 190	\$ 165

Capital

- At or above target levels for all rating agencies
- Excess capital = \$610 million
- Repurchased 826,283 shares during 1Q20 for \$61 million (avg. price per share \$74.28)
- Dividends in the first quarter were \$40 million

April 2020 Debt Offering

- Pro-forma debt (excluding subordinated debt) to total adjusted capital ratio of 19.4%, comfortably within target range
- Pro-forma parent cash = \$485 million
- No debt maturities until 2026

High Quality Investment Portfolio

- 91% of our fixed maturity portfolio rated investment grade
- 97% with an NAIC designation of 1 or 2, its highest two categories

Financial Strength Ratings

- A.M. Best: A+, one of four companies rated "A" or better for over 110 years.
- S&P: A+
- Moody's: P&C A1, Annuity A2

(a) Excludes net unrealized gains (losses) related to fixed maturity securities.

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

(c) Excludes unrealized gains related to fixed maturity investments.

(d) Excludes unrealized gains related to fixed maturity investments, goodwill and intangibles.

2020 Outlook – AFG

AFG Core Operating Earnings Guidance \$6.45 - \$7.25 per share*

*excluding the impact of investments marked-to-market through core operating earnings (MTM Investments)

	NWP Growth	Combined Ratio
Specialty P&C Group Overall	(14%) – (8%) ¹	92% – 94%
<u>Business Groups:</u>		
Property & Transportation	(5%) – 1%	92% – 96%
Specialty Casualty	(23%) – (17%)	90% – 94%
<i>Specialty Casualty Excluding Neon</i>	(8%) – (2%)	
<i>Specialty Casualty Excluding Neon & Workers' Comp</i>	(3%) – 3%	
Specialty Financial	(12%) – (6%)	87% – 91%

P&C average renewal rates up 5% to 8%

Pretax P&C Core Operating Earnings, excluding MTM investments, in the range of \$630 million to \$690 million

Annuity Segment:

- Pretax Annuity Core Operating Earnings, excluding MTM investments, in the range of \$280 million to \$310 million
- Annuity premiums in the range of \$3.3 billion to \$4.0 billion

¹ Excluding the impact of the run-off of Neon, growth in Net Written Premiums is expected to be in the range of (7%) to (1%).
Excluding workers' compensation and the impact of the run-off of Neon, the change in Net Written Premiums is expected to be in the range of (4%) to +2%.



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