



Review of Third Quarter 2019

October 30, 2019

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.

2019 Third Quarter Highlights and 2019 Expectations

- Core net operating earnings per share of \$2.25
 - strong operating profitability and investment results in our Specialty P&C insurance and Annuity operations
 - third quarter annualized core operating ROE of 15.3%
- Net earnings of \$1.62 per diluted share includes after-tax amounts:
 - (\$0.15) per share in net realized losses on securities
 - (\$0.23) per share related to Annuity non-core items
 - (\$0.25) per share A&E reserve adjustment
- AFG 2019 core earnings guidance revised to a narrowed range of \$8.50 to \$8.70 per share, from previous range of \$8.40 - \$8.80 per share

Property & Casualty Results

Dollars in millions

	Three Months Ended		Change ¹
	September 30,		
	2019	2018	
Gross Written Premiums	\$ 2,351	\$ 2,104	12%
Net Written Premiums	\$ 1,618	\$ 1,456	11%
P&C Insurance Operating Earnings	\$ 194	\$ 158	23%
Specialty P&C Underwriting Profit	\$ 88	\$ 55	60%
Specialty P&C Combined Ratio	94.0%	95.7%	(1.7%)
Adverse (Favorable) Impact of:			
Catastrophe Losses	1.6%	2.6%	(1.0%)
Prior Year Development	(3.1%)	(3.7%)	0.6%

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 September 30,			Combined Ratio Three Months Ended September 30,	
	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>2019</u>	<u>2018</u>
Property & Transportation	\$ 661	\$ 560	18%	93.5%	100.0%
Specialty Casualty	\$ 744	\$ 695	7%	96.5%	92.1%
Specialty Financial	\$ 167	\$ 153	9%	83.7%	94.4%

2019 Outlook – Specialty P&C

	Updated Guidance		Previous Guidance	
	NWP Growth	Combined Ratio	NWP Growth	Combined Ratio
Specialty P&C Group Overall	4% – 7%	93% – 94%	2% – 5%	92% – 94%
Business Groups:				
Property & Transportation	5% – 8%	93% – 96%	4% – 8%	93% – 97%
Specialty Casualty	4% – 7%	92% – 95%	2% – 6%	90% – 94%
Specialty Financial	0% – 3%	86% – 89%	(4%) – 0%	87% – 91%
P&C investment income	+ 4% to 7%		+ 2% to 6%	
P&C average renewal rates	+ approximately 3%		+ 2% to 4%	

Annuity Segment

Dollars in millions

	Three Months Ended September 30,		<u>Change</u>
	<u>2019</u>	<u>2018</u>	
Annuity Premiums	<u>\$ 1,077</u>	<u>\$ 1,378</u>	(22%)

Pretax Annuity Core Operating Earnings – see slide 8

Annuity Core Operating Earnings – New Method	\$ 100	\$ 100
Amounts Previously Reported as Operating Earnings	<u>n/a</u>	<u>17</u>
Pretax Annuity Core Operating Earnings – as reported	<u>\$ 100</u>	<u>\$ 117</u>

Annuity Segment

Dollars in millions

	Three Months Ended September 30,	
	2019	2018
<u>Pretax Annuity Core Operating Earnings:</u>		
Pretax earnings before certain items below	\$ 150	\$ 139
Investments marked to market through core operating earnings – net of DAC	25	26
Amortization of option costs – net of DAC	<u>(75)</u>	<u>(65)</u>
Pretax Annuity core operating earnings – new method	100	100
Other amounts previously reported as operating, net ¹	<u>n/a</u>	<u>17</u>
Pretax Annuity core operating earnings – as reported	<u>\$ 100</u>	<u>\$ 117</u>
<i>Year over year growth in quarterly average invested assets</i>	11%	10%
<i>Annualized yield on investments marked to market through core operating earnings</i>	9.5%	11.7%

¹ “Other” primarily reflects: (i) the impact of fair value accounting and (ii) the impact of changes in the stock market on the liability for guaranteed benefits and DAC.

Fixed Annuities

Dollars in millions

Three Months Ended
September 30,

	<u>2019</u>	<u>2018</u>	<u>Change¹</u>
Average Fixed Annuity Investments	\$ 38,650	\$ 34,955	11%
Average Fixed Annuity Reserves	\$ 38,946	\$ 35,226	11%
Core Net Interest Spread – New Method	1.97%	2.08%	(0.11%)²
<u>Net Spread Earned:</u>			
Core Net Spread Earned – New Method	1.06%	1.16%	(0.10%)²
Items Previously Reported as Operating	<u>n/a</u>	<u>0.19%</u>	<u>nm</u>
Core Net Spread Earned, As Reported ³	<u>1.06%</u>	<u>1.35%</u>	<u>(0.29%)</u>

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

² The decrease in spreads reflects higher FIA renewal option costs and lower returns on investments required to be marked to market through operating earnings.

³ Amounts for 2019 are calculated using the new definition of core operating earnings. Amounts for 2018 are shown as originally reported.

2019 Outlook – Annuity Segment

	<u>Updated Guidance¹</u>	<u>Previous Guidance</u>
Pretax Annuity Core Earnings, as reported	\$380 to \$400 million	\$375 to \$405 million
Average Fixed Annuity Investments	+ 10% to 11%	+ 9% to 11%
Average Fixed Annuity Reserves	+ 10% to 11%	+ 9% to 11%
Annuity Premiums	(9%) to (10%)	(5%) to (10%)
Core Net Spread Earned, as reported	1.00% to 1.06%	1.00% to 1.10%

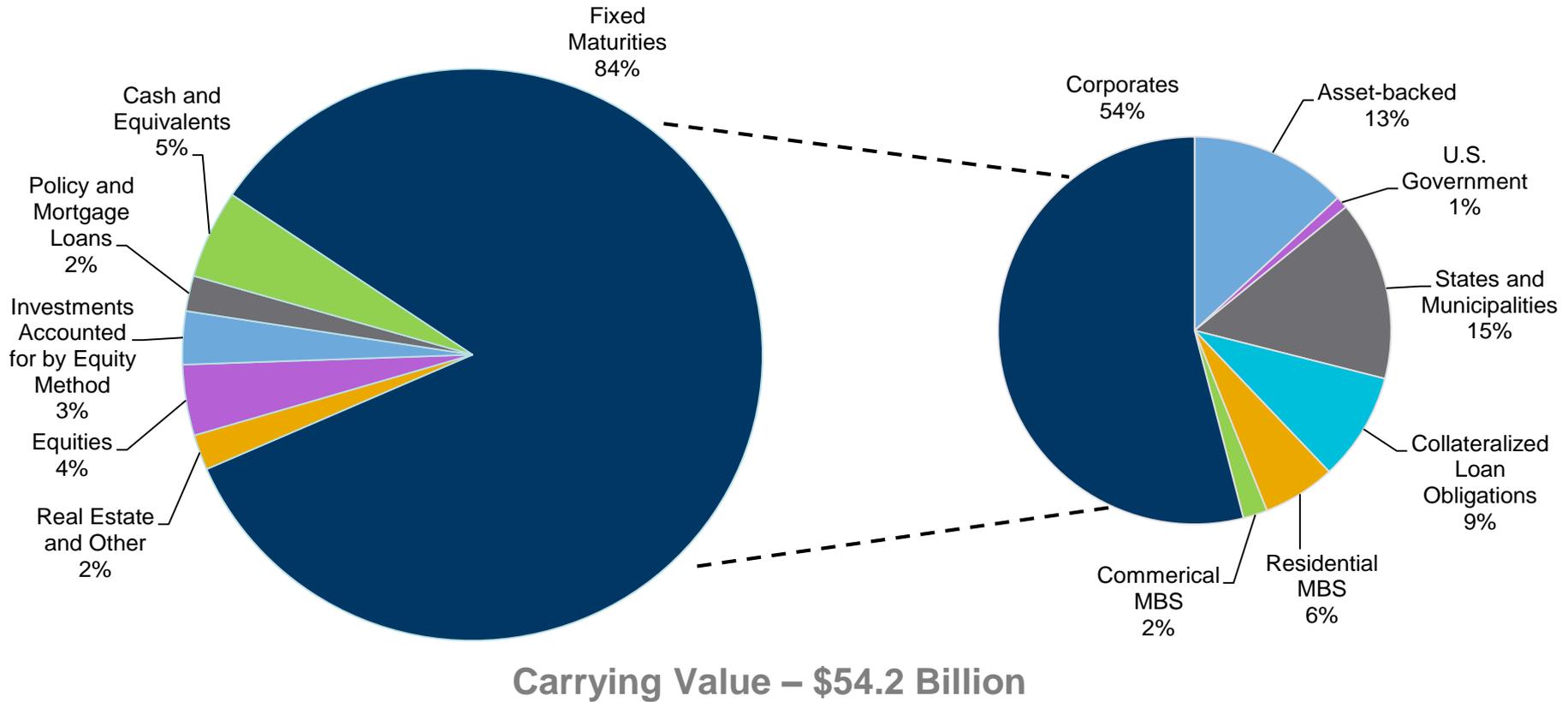
¹ This updated guidance reflects: (i) an assumed annualized return of 8% in the fourth quarter on investments required to be marked to market through operating earnings, in contrast to the 10.5% earned on an annualized basis in the first nine months of 2019 and (ii) the impact of lower interest rates – in particular, the impact of lower short term rates, which will have a negative impact on the Annuity Segment’s approximately \$3 billion net investment in floating rate securities. Fluctuations in these items could lead to significant positive or negative impacts on the Annuity Segment’s results.

Investments – September 30, 2019

- Total carrying value of investment portfolio = \$54.2 billion
- Third quarter after-tax, after-DAC net realized losses on securities of \$14 million
 - includes \$20 million in after-tax, after-DAC net realized losses to adjust equity securities the company continues to own to fair value through earnings
- After-tax, after-DAC net unrealized gains on fixed maturities of \$920 million

Investment Portfolio – September 30, 2019

Fixed Maturities Portfolio – 91% investment grade; 98% NAIC 1 & 2



Consolidated Results

Dollars in millions, except per share data

	Three Months Ended September 30,	
	<u>2019</u>	<u>2018</u>
P&C Insurance Segment	\$ 194	\$ 158
Annuity Segment – new method	100	100
Annuity Results Previously Reported as Operating Earnings	-	17
Interest & Other Corporate Expenses ¹	<u>(39)</u>	<u>(37)</u>
Core Pretax Operating Earnings	255	238
Related Income Taxes	50	40
Core Net Operating Earnings	<u>\$ 205</u>	<u>\$ 198</u>
Average Number of Diluted Shares	91.1	90.7
Core Net Operating Earnings per Share	\$ 2.25	\$ 2.19
Annualized Core Operating Return on Equity	15.3%	15.8%

¹ Other Corporate Expense includes income and expenses associated with AFG's run-off businesses.

Consolidated Results (continued)

Dollars in millions, except per share data

	Three Months Ended September 30, 2019	
		(Per Share)
Core Net Operating Earnings	\$ 205	\$ 2.25
<u>Non-core Items</u>		
After-tax Realized Losses on Securities	(14)	(0.15)
Annuity Non-Core Loss	(21)	(0.23)
Special A&E Charges	(23)	(0.25)
Net Earnings Attributable to Shareholders	<u>\$ 147</u>	<u>\$ 1.62</u>

Book Value and Liquidity

- | Book Value per Share: | <u>9/30/19</u> | <u>12/31/18</u> |
|---|----------------|-----------------|
| Excluding unrealized gains (losses) related to fixed maturities | \$ 59.65 | \$ 54.86 |
| Tangible, excluding unrealized gains (losses) related to fixed maturities, goodwill and intangibles | \$ 56.84 | \$ 51.93 |
- **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 \$865 million, including parent cash of approximately \$270 million as of September 30, 2019

2019 Outlook – AFG

AFG Core Earnings Guidance \$8.50 – \$8.70 per share

	<u>NWP Growth</u>	<u>Combined Ratio</u>
Specialty P&C Group Overall	4% – 7%	93% – 94%
<u>Business Groups:</u>		
Property & Transportation	5% – 8%	93% – 96%
Specialty Casualty	4% – 7%	92% – 95%
Specialty Financial	0% – 3%	86% – 89%

P&C investment income between 4% and 7% higher than 2018

P&C average renewal rates up approximately 3%

Annuity Segment:

- Pretax Annuity Core Operating Earnings \$380 million to \$400 million
- Annuity premiums down 9% to 10% from the \$5.4 billion reported in 2018



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