



Review of Fourth Quarter and Full Year 2019

February 4, 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.

2019 Full Year Highlights

- Core net operating earnings per share of \$8.62, up 3% from 2018's record results
 - core ROE 14.9% for 2019
 - net earnings of \$9.85 per share; ROE 17.1%
- Returned \$446 million of capital to shareholders
 - \$149 million in regular common stock dividends
 - \$297 million special dividends paid in May and November 2019
 - 12.5% increase in ordinary dividend in October 2019
- Growth in adjusted BVPS plus dividends of 17.8%
- AFG 5-year total shareholder return through 2019 = 119.6%
 - By comparison:
 - S&P 500 = 73.8%
 - S&P Property and Casualty Index = 86.1%
 - S&P Life & Health Insurance Index = 32.9%

2019 Fourth Quarter Highlights and 2020 Expectations

- Core net operating earnings per share of \$2.22
 - strong operating profitability and investment results in our Specialty P&C insurance and Annuity operations
- Annualized fourth quarter core operating ROE of 15.0%
- Net earnings of \$2.31 per diluted share include the following items:
 - (\$0.64) Neon exited lines charge
 - \$0.56 net realized gains on securities
 - \$0.21 Annuity non-core earnings
 - (\$0.04) loss on early retirement of debt
- AFG 2020 core earnings guidance established at \$8.75 - \$9.25 per share

Property & Casualty Results

Dollars in millions

	Three Months Ended December 31,		Change ¹
	2019	2018	
Gross Written Premiums	\$ 1,749	\$ 1,613	8%
Net Written Premiums	\$ 1,313	\$ 1,208	9%
P&C Insurance Operating Earnings	\$ 199	\$ 214	(7%)
Specialty P&C Underwriting Profit	\$ 89	\$ 102	(13%)
Specialty P&C Combined Ratio	93.5%	92.0 %	1.5%
Adverse (Favorable) Impact of:			
Catastrophe Losses	1.0%	3.0%	(2.0%)
Prior Year Development	(3.8%)	(4.7%)	0.9%

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,	
	2019	2018	Change	2019	2018
Property & Transportation	\$ 449	\$ 448	-%	100.4%	86.5%
Specialty Casualty	\$ 669	\$ 581	15%	89.7%	96.5%
Specialty Financial	\$ 156	\$ 142	10%	79.6%	85.5%

2020 Outlook – Specialty P&C

	2019 Combined Ratio	2020 Outlook	
		NWP Growth	Combined Ratio
Specialty P&C Group Overall	93.7%	(5%) – (1%) ¹	92% – 94%
Business Groups:			
Property & Transportation	95.7%	6% – 10%	92% – 96%
Specialty Casualty	93.3%	(14%) – (10%)	90% – 94%
<i>Specialty Casualty Excluding Neon</i>		1% – 5%	
Specialty Financial	85.0%	4% – 8%	86% – 90%

P&C average renewal rates up 3% to 5% when compared to 2019

P&C investment income flat to up 4% when compared to 2019²

¹ Excluding the impact of the run-off of Neon, growth in Net Written Premiums is expected to be in the range of 3% to 7%.

² This guidance reflects an assumed annualized return of 10% on investments required to be marked to market through operating earnings, approximating the return earned in 2019.

Annuity Segment

Dollars in millions

	Three Months Ended December 31,		<u>Change</u>
	<u>2019</u>	<u>2018</u>	
Annuity Premiums	<u>\$ 1,139</u>	<u>\$ 1,482</u>	(23%)

Pretax Annuity Core Operating Earnings – see slide 9

Annuity Core Operating Earnings – New Method	\$ 104	\$ 86
Amounts Previously Reported as Operating Earnings	<u>n/a</u>	<u>(66)</u>
Pretax Annuity Core Operating Earnings – as reported	<u>\$ 104</u>	<u>\$ 20</u>

Annuity Segment

Dollars in millions

	Three Months Ended December 31,	
<u>Pretax Annuity Core Operating Earnings:</u>	<u>2019</u>	<u>2018</u>
Pretax earnings before certain items below	\$ 157	\$ 139
Investments marked to market through core operating earnings – net of DAC	20	16
Amortization of option costs – net of DAC	<u>(73)</u>	<u>(69)</u>
Pretax Annuity core operating earnings – new method	104	86
Other amounts previously reported as operating, net ¹	<u>n/a</u>	<u>(66)</u>
Pretax Annuity core operating earnings – as reported	<u>\$ 104</u>	<u>\$ 20</u>
 <i>Year over year growth in quarterly average invested assets</i>	 9%	 12%
 <i>Annualized yield on investments marked to market through core operating earnings</i>	 7.7%	 7.1%

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

Fixed Annuities

Dollars in millions

Three Months Ended
December 31,

2019 2018 Change¹

Average Fixed Annuity Investments

\$ 39,316

\$ 35,993

9%

Average Fixed Annuity Reserves

\$ 39,615

\$ 36,103

10%

Core Net Interest Spread – New Method

1.98%

1.94%

0.04%²

Net Spread Earned:

Core Net Spread Earned – New Method

1.07%

0.98%

0.09%²

Items Previously Reported as Operating

n/a

(0.73%)

nm

Core Net Spread Earned, As Reported³

1.07%

0.25%

0.82%

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

² The change in spreads reflects an unusually high amount of investment income in the fourth quarter of 2019 that is not expected to recur.

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

Annuity Segment

Net Earnings Compared to After-tax Core Operating Earnings

Dollars in millions

	<u>10 Years 2010 - 2019</u>
After-tax Core Operating Earnings	\$ 2,143
Net Earnings	\$ 2,248
<i>Net Earnings as a Percentage of Core Operating Earnings</i>	<i>105%</i>

2020 Outlook – Annuity Segment

	<u>2019 Results</u>	<u>2020 Outlook¹</u>
Pretax Annuity Core Earnings, as reported	\$398 million	\$395 to \$425 million
Average Fixed Annuity Investments	+ 11%	+ 7% to 9%
Average Fixed Annuity Reserves	+ 11%	+ 7% to 9%
Annuity Premiums	\$5.0 billion	\$4.5 to \$5.2 billion
Core Net Spread Earned, as reported	1.05%	0.96% to 1.04%

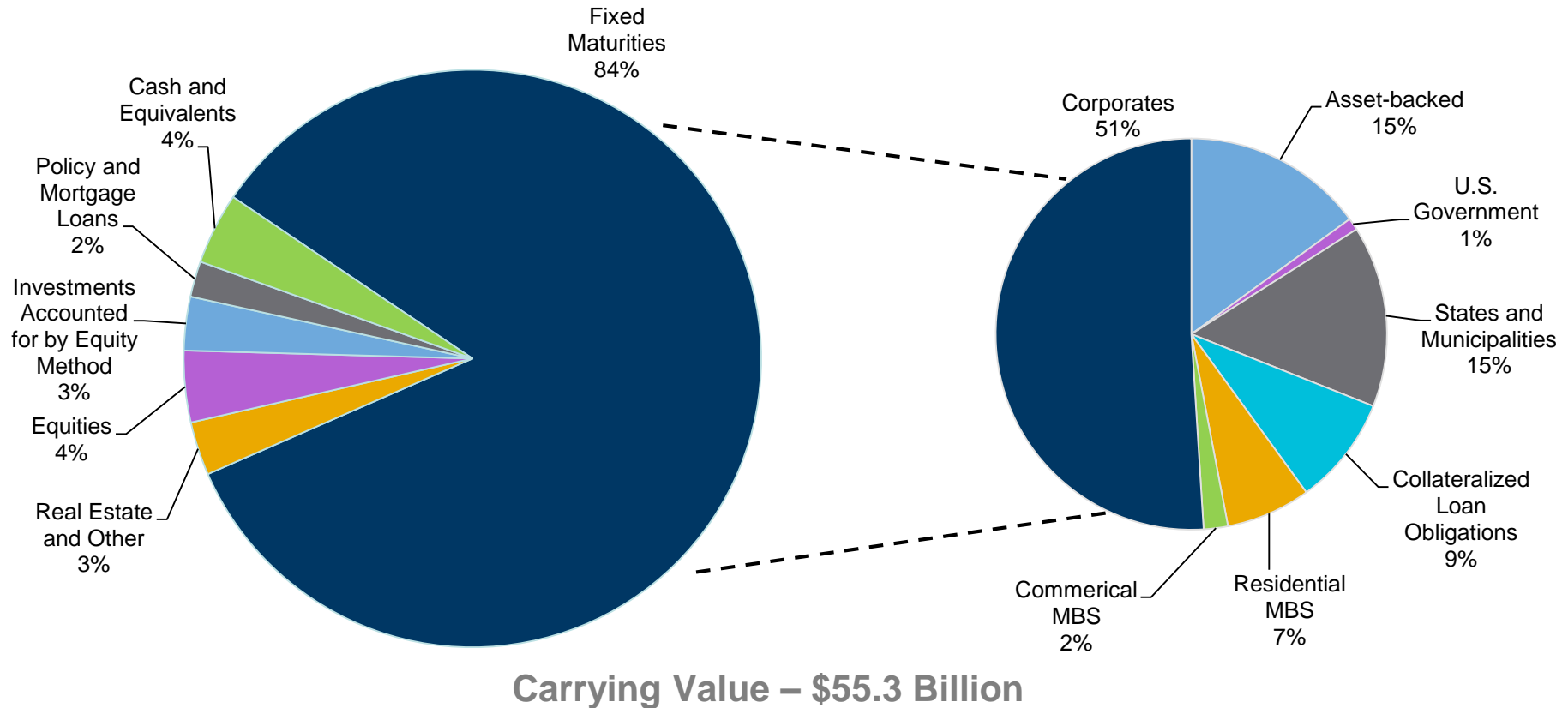
¹ This guidance reflects: (i) an assumed annualized return of 10% on investments required to be marked to market through operating earnings, approximating the return earned in 2019 and (ii) the impact of lower interest rates – in particular, the impact of lower short term rates, which will have a negative impact on the Annuity Segment's approximately \$4 billion net investment in cash and floating rate securities. Fluctuations in these items could lead to positive or negative impacts on the Annuity Segment's results.

Investments – December 31, 2019

- Total carrying value of investment portfolio = \$55.3 billion
- Fourth quarter after-tax, after-DAC net realized gains on securities of \$51 million
 - includes \$43 million in after tax, after DAC net realized gains 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 \$862 million

Investment Portfolio – December 31, 2019

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



Consolidated Results

Dollars in millions, except per share data

	Three Months Ended December 31,	
	2019	2018
P&C Insurance Segment	\$ 199	\$ 214
Annuity Segment – new method	104	86
Annuity Results Previously Reported as Operating Earnings	-	(66)
Interest & Other Corporate Expenses	(50)	(29)
Core Pretax Operating Earnings	253	205
Related Income Taxes	50	46
Core Net Operating Earnings	<u>\$ 203</u>	<u>\$ 159</u>
Average Number of Diluted Shares	91.3	90.7
Core Net Operating Earnings per Share	\$ 2.22	\$ 1.75
Annualized Core Operating Return on Equity	15.0%	12.6%

Consolidated Results (continued)

Dollars in millions, except per share data

	Three Months Ended December 31, 2019	
		(Per Share)
Core Net Operating Earnings	\$ 203	\$ 2.22
<u>Non-core Items</u>		
After-tax Realized Gains on Securities	51	0.56
Annuity Non-Core Earnings	19	0.21
Neon Exited Lines Charge	(58)	(0.64)
After-tax Loss on Early Retirement of Debt	<u>(4)</u>	<u>(0.04)</u>
Net Earnings Attributable to Shareholders	<u>\$ 211</u>	<u>\$ 2.31</u>

Book Value and Liquidity

• Book Value per Share:	<u>12/31/19</u>	<u>12/31/18</u>
Excluding unrealized gains (losses) related to fixed maturities	\$ 59.70	\$ 54.86
Tangible, excluding unrealized gains (losses) related to fixed maturities, goodwill and intangibles	\$ 56.93	\$ 51.93

• Capital Adequacy, Financial Condition and Liquidity:
– capital at levels that support operations; in excess of amounts required for rating levels
– excess capital of approximately \$1.1 billion, including parent cash of approximately \$165 million as of December 31, 2019

2020 Outlook – AFG

AFG Core Earnings Guidance \$8.75 - \$9.25 per share

	<u>NWP Growth</u>	<u>Combined Ratio</u>
Specialty P&C Group Overall	(5%) – (1%) ¹	92% – 94%
<u>Business Groups:</u>		
Property & Transportation	6% – 10%	92% – 96%
Specialty Casualty	(14%) – (10%)	90% – 94%
<i>Specialty Casualty Excluding Neon</i>	1% – 5%	
Specialty Financial	4% – 8%	86% – 90%

P&C average renewal rates up 3% to 5%

P&C investment income flat to + 4% higher than 2019²

Annuity Segment:

- Pretax Annuity Core Operating Earnings in the range of \$395 million to \$425 million
- Annuity premiums in the range of \$4.5 billion to \$5.2 billion

¹ Excluding the impact of the run-off of Neon, growth in Net Written Premiums is expected to be in the range of 3% to 7%.

² This guidance reflects an assumed annualized return of 10% on investments required to be marked to market through operating earnings, approximating the return earned in 2019.



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