



Review of First Quarter 2021

May 5, 2021

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 discontinued operations, 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.

Consolidated Results

Dollars in millions, except per share data

Three Months Ended
March 31,

2021 2020¹

\$ 288 \$ 181

28 6

(58) (34)

258 153

52 28

\$ 206 \$ 125

86.6 91.1

\$ 2.38 \$ 1.36

14.7% 9.6%

P&C Insurance Segment
Real estate entities and other to be acquired from
Annuity Operations
Interest & Other Corporate Expenses

Core Pretax Operating Earnings
Related Income Taxes

Core Net Operating Earnings

Average Number of Diluted Shares²

Core Net Operating Earnings per Share

Annualized Core Operating Return on Equity

¹ On January 27, 2021 AFG announced that it entered into a definitive agreement to sell its Annuity business to MassMutual. The results of AFG's Annuity operations are reported as discontinued operations beginning with the first quarter of 2021, in accordance with GAAP, which included adjusting prior period results to reflect these operations as discontinued.

² 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 of 2020.

Consolidated Results (continued)

Dollars in millions, except per share data

	Three Months Ended March 31, 2021	
		(Per Share)
Core Net Operating Earnings	\$ 206	\$ 2.38
<u>Non-core Items</u>		
After-tax Net Realized Gains on Securities ¹	<u>61</u>	<u>0.70</u>
Net Earnings from Continuing Operations	\$ 267	\$ 3.08
Discontinued Annuity Operations	<u>152</u>	<u>1.76</u>
Net Earnings Attributable to Shareholders	<u>\$ 419</u>	<u>\$ 4.84</u>

¹ Included in this amount is \$53 million (\$0.61 per share) in after-tax net gains to adjust equity securities that the Company continued to own at March 31, 2021, to fair value.

2021 Expectations

AFG's 2021 core net operating earnings guidance \$7.00 to \$8.00 per share, an increase from original guidance of \$6.25 to \$7.25 per share

- Excludes earnings from the annuity subsidiaries that will be sold to MassMutual, and which are classified as discontinued operations effective January 1, 2021.
- Assumes zero earnings on the cash proceeds from the sale of the annuity operations. Accordingly, AFG's ultimate results for 2021 will be impacted by the deployment of this capital.
- AFG parent is expected to have approximately \$45.00 per share in cash immediately following the closing of the sale of the annuity business.

Property & Casualty Results

Dollars in millions

	Three Months Ended March 31,		Change ¹
	2021	2020	
Specialty Gross Written Premiums	\$ 1,616	\$ 1,526	6%
Specialty Net Written Premiums	\$ 1,205	\$ 1,165	3%
P&C Insurance Operating Earnings	\$ 288	\$ 181	59%
Specialty P&C Underwriting Profit	\$ 134	\$ 89	51%
Specialty P&C Combined Ratio	88.5%	92.2%	(3.7%)
Adverse (Favorable) Impact of:			
Catastrophe Losses	1.7%	0.8%	0.9
COVID-19 Losses ²	0.8%	0.9%	(0.1%)
Prior Year Development	(5.2%)	(4.2%)	(1.0%)

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

² Approximately 69% of AFG's \$98 million in COVID-19 related reserves were held as IBNR at March 31, 2021.

Specialty P&C Group

Dollars in millions

	Net Written Premiums Three Months Ended March 31,			Combined Ratio Three Months Ended March 31,	
	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>2021</u>	<u>2020</u>
Property & Transportation	\$ 403	\$ 386	4%	85.6%	92.9%
Specialty Casualty	\$ 588	\$ 586	-	90.2%	90.7%
Specialty Casualty Excluding Workers' Compensation	\$ 357	\$ 331	8%		
Specialty Financial	\$ 161	\$ 149	8%	84.1%	89.1%

2021 Outlook – Specialty P&C

	Updated Guidance		February Guidance		2020 Actual
	NWP Growth	Combined Ratio	NWP Growth	Combined Ratio	
Specialty P&C Group Overall	7% – 10%	89% – 91%	5% – 9%	89% – 91%	91.3%
Business Groups:					
Property & Transportation	13% – 17%	88% – 92%	9% – 13%	88% – 92%	90.4%
Specialty Casualty	2% – 5%	87% – 91%	3% – 7%	87% – 91%	90.0%
<i>Excluding Workers' Comp</i>	5% – 9%		5% – 9%		
Specialty Financial	7% – 11%	86% – 90%	4% – 8%	88% – 92%	91.8%

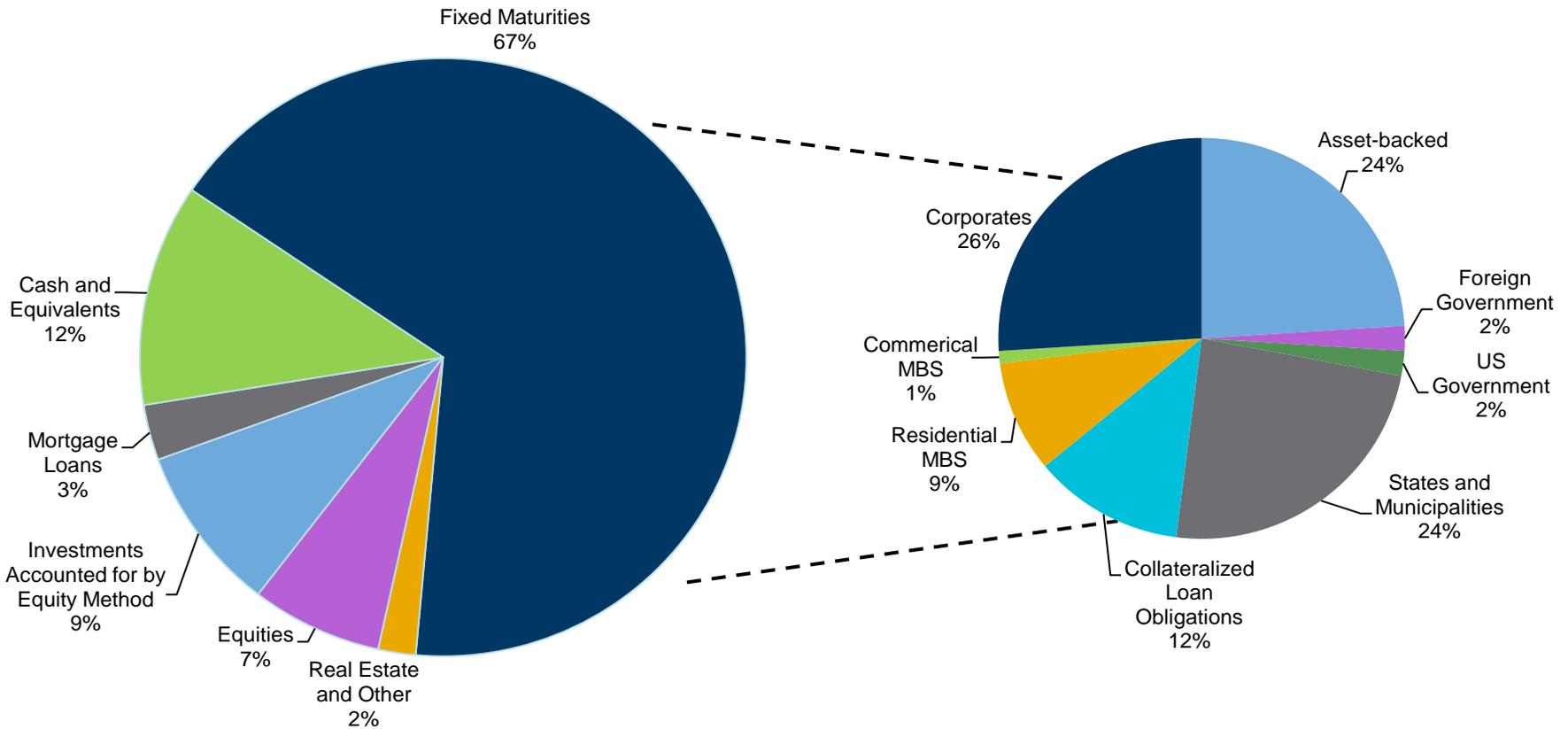
P&C average renewal rates up 8% to 10% when compared to 2020

Investments

- Total carrying value of AFG's investment portfolio for continuing operations at March 31, 2021 = \$13.9 billion
 - available for sale fixed maturities included in assets of discontinued annuity operations at March 31, 2021 were \$34.8 billion
- First quarter after-tax net realized gains on securities of \$61 million
 - includes \$53 million in after-tax net realized gains to adjust equity securities the company continued to own at March 31, 2021 to fair value through earnings
- Pretax unrealized gains on fixed maturities in AFG's continuing operations were \$240 million at March 31, 2021
- First quarter 2021 annualized return of 28.6% on AFG's \$1.5 billion of alternative investments

Investment Portfolio – March 31, 2021

Fixed Maturities Portfolio – 87% investment grade; 98% NAIC 1 & 2



Sale of Annuity Business to MassMutual

- On January 27, 2021, AFG announced that it had entered into a definitive agreement to sell its Annuity business to MassMutual
- MassMutual will acquire Great American Life Insurance Company (GALIC) and its two insurance subsidiaries, Annuity Investors Life Insurance Company and Manhattan National Life Insurance Company
- Transaction will result in AFG's exit from the fixed and indexed annuity market



Transaction Summary

- **Purchase Price = \$3.5 billion in cash, subject to final closing adjustments. Closing expected in the second quarter of 2021**
- **Proceeds will be adjusted to the extent that GAAP shareholders' equity excluding AOCI of the entities sold varies from \$2.8 billion**
 - *GAAP shareholders' equity excluding AOCI of the entities to be sold was \$3.0 billion at March 31, 2021*
- **Estimated after-tax gain on the sale of \$680 million to \$700 million (\$7.85 to \$8.10 per AFG share) to be recognized at closing**
- **Prior to completion of the transaction, AFG Parent will acquire approximately \$100 million in directly owned real estate from GALIC and the P&C Group will acquire \$460 million in real-estate related investments from GALIC**



AFG Pro Forma Financial Information

Sale of Annuity Business to MassMutual

	March 31, 2021 Actual	March 31, 2021 Pro Forma
Parent Cash	\$200 million	\$3.8 billion
Excess Capital	\$1.2 billion	\$4.5 billion
Debt to Capital – Incl Subordinated Debt	25.9%	23.8%
Debt to Capital – Excl Subordinated Debt	17.1%	15.7%

The pro forma information above is shown “as if” the transaction closed on March 31, 2021, and assumes an after-tax gain on the sale of the annuity business of \$690 million (midpoint of estimated range).

These numbers have been adjusted for the cash proceeds expected to be received at closing, as well as other impacts of the sale, including AFG Parent acquiring approximately \$100 million in directly owned real estate from GALIC.

Strong Financial Position

In millions, except per share data

	<u>Mar 31, 2021</u>	<u>Dec 31, 2020</u>
Principal Amount of Long-Term Debt	\$ 1,993	\$ 1,993
Adjusted shareholders' equity ¹	<u>5,695</u>	<u>5,493</u>
Total adjusted capital	<u>\$ 7,688</u>	<u>\$ 7,486</u>
Ratio of debt to total adjusted capital ²		
Including subordinated debt	25.9%	26.6%
Excluding subordinated debt	17.1%	17.6%
Common shares outstanding	85.126	86.345
<u>Book value per share:</u>		
Book value per share	\$ 78.53	\$ 78.62
Adjusted ¹	66.89	63.61
Tangible, adjusted ³	64.10	60.82
Parent Company Cash	\$ 200	\$ 215

Capital

- Above target levels for all rating agencies
- Excess capital approximately \$1.2 billion
- Repurchased 1.76 million shares during 1Q 2021 for \$192 million (avg. price per share \$108.98)
- First quarter regular dividends = \$43 million

Long-Term Debt at March 31, 2021

- No debt maturities until 2026
- No borrowings under \$500 million credit line

Financial Strength Ratings – U.S. Based P&C Insurers

- A.M. Best: GAI, Mid-Continent, National Interstate, Republic = A+
- Standard & Poor's: GAI, Mid-Continent, Republic = A+
- Moody's: GAI = A1, Republic = A3

¹ Excludes net unrealized gains related to fixed maturity investments.

² 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 related to fixed maturity investments).

³ Excludes net unrealized gains related to fixed maturity investments, goodwill and intangibles.



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