SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the Fiscal Year Ended December 31, 1997	Commission File No. 1-13653

AMERICAN FINANCIAL GROUP, INC.

Incorporated under the Laws of Ohio	IRS Employer I.D. No. 31-1544320

One East Fourth Street, Cincinnati, Ohio 45202
(513) 579-2121

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which Registered
American Financial Group, Inc.:	
Common Stock	New York Stock Exchange
American Financial Capital Trust I (Guaranteed by Registrant):	
9-1/8% Trust Originated Preferred Securities	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Other securities for which reports are submitted pursuant to Section 15(d) of the Act:
7-1/8% Senior Debentures due December 15, 2007

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and need not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

As of March 1, 1998, there were 61,078,720 shares of the Registrant's Common Stock outstanding, excluding 18,666,614 shares owned by subsidiaries. The aggregate market value of the Common Stock held by non-affiliates at that date, was approximately $1.4 billion (based upon non-affiliate holdings of 35,211,772 shares and a market price of $40.4375 per share.)

Documents Incorporated by Reference:

Proxy Statement for the 1998 Annual Meeting of Shareholders (portions of which are incorporated by reference into Part III hereof).

AMERICAN FINANCIAL GROUP, INC.

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(a) Not required - market capitalization on January 28, 1997 was less than $2.5 billion.
(b)The response to this Item is "none".

Forward-Looking Statements The Private Securities Litigation Reform Act of 1995 encourages corporations to provide investors with information about the company's anticipated performance and provides protection from liability if future results are not the same as management's expectations. This document contains certain forward-looking statements that are based on assumptions which management believes are reasonable, but by their nature, inherently uncertain. Future results could differ materially from those projected. Factors that could cause such differences include, but are not limited to: changes in economic conditions, regulatory actions, level of catastrophe losses, and competitive pressures. AFG undertakes no obligation to update any forward-looking statements.

PART I

ITEM 1

Business

Introduction

American Financial Group, Inc. ("AFG") was incorporated as an Ohio corporation in July 1997. Its address is One East Fourth Street, Cincinnati, Ohio 45202; its phone number is (513) 579-2121. AFG is a holding company which, through its subsidiaries, is engaged primarily in specialty and multi-line property and casualty insurance businesses and in the sale of tax-deferred annuities and certain life and health insurance products. AFG's property and casualty operations originated in 1872 and were the 20th largest property and casualty group in the United States based on 1996 statutory net premiums written of $2.8 billion.

On December 2, 1997, AFG completed several transactions in furtherance of a plan to reduce corporate expenses and simplify the public company structure of certain subsidiaries (the "AFG Reorganization"). In one of these transactions, the shareholders of AFC Holding Company (formerly known as American Financial Group, Inc.) approved a plan of reorganization whereby AFG became the public parent corporation of AFC Holding and all of its subsidiaries. Shares of AFC Holding common stock were converted to AFG common stock on a share-for-share basis. No material change in AFG's financial condition or in the rights of AFG securityholders occurred as a result of the reorganization. AFC Holding itself had been formed for the purpose of acquiring American Financial Corporation ("AFC") and American Premier Underwriters, Inc. ("American Premier" or "APU") in merger transactions completed in April 1995 (the "1995 Mergers").

For financial reporting purposes, because the former shareholders of AFC owned more than 50% of AFG following the Mergers, the financial statements of AFG for periods prior to the Mergers are those of AFC. The operations of APU are included in AFG's financial statements from the effective date of the Mergers.

At December 31, 1997, Carl H. Lindner, members of his immediate family and trusts for their benefit (collectively the "Lindner Family") beneficially owned approximately 44% of AFG's outstanding voting common stock.

General

Generally, companies have been included in AFG's consolidated financial statements when the ownership of voting securities has exceeded 50%; for investments below that level but above 20%, AFG has accounted for the investments as investees. (See Note F to AFG's financial statements.) The following table shows AFG's percentage ownership of voting securities of its significant affiliates over the past several years:

	Voting Ownership at December 31,				
	1997	1996	1995	1994	1993
American Financial Corporation	79%	76%	79%	n/a	n/a
American Premier Underwriters	100%	100%	100%	42%	41%
Great American Insurance Group	100%	100%	100%	100%	100%
American Annuity Group	81%	81%	81%	80%	80%
American Financial Enterprises	100%	83%	83%	83%	83%
Chiquita Brands International	39%	43%	44%	46%	46%
Citicasters	-	(a)	38%	37%	20%

(a) Sold in September 1996.

The following summarizes the more significant changes in ownership percentages shown in the above table.

American Financial Corporation For financial reporting purposes, AFC is the predecessor to AFG. In April 1995, AFC became a subsidiary of AFG as a result of the Mergers. Holders of AFC Series F and G Preferred Stock were granted voting rights equal to approximately 21% of the total voting power of AFC shareholders immediately prior to the Mergers.

American Premier Underwriters In April 1995, APU became a subsidiary of AFG as a result of the Mergers.

American Financial Enterprises In December 1997, AFEI became a wholly-owned subsidiary of AFG as a result of a transaction whereby AFG purchased all publicly-held shares of AFEI for cash and AFG Common Stock.

Chiquita Brands International During the second half of 1997, Chiquita issued an aggregate of 4.6 million shares of its common stock in connection with the purchase of new businesses.

Citicasters In 1994, AFEI purchased approximately 10% of Citicasters common stock. In the second half of 1994, Citicasters repurchased and retired approximately 21% of its common stock. In September 1996, the investments in Citicasters were sold to an unaffiliated company.

Property and Casualty Insurance Operations

AFG manages and operates its property and casualty business in three major business segments: Nonstandard Automobile Insurance, Specialty Lines and Commercial and Personal Lines. Each segment is comprised of multiple business units which operate autonomously but with strong central financial controls and full accountability. Decentralized control allows each unit the autonomy necessary to respond to local and specialty market conditions while capitalizing on the efficiencies of centralized investment, actuarial, financial and legal support functions. AFG's property and casualty insurance operations employ approximately 8,100 persons.

AFG operates in a highly competitive industry that is affected by many factors which can cause significant fluctuations in their results of operations. The property and casualty insurance industry has historically been subject to pricing cycles characterized by periods of intense competition and lower premium rates (a "downcycle") followed by periods of reduced competition, reduced underwriting capacity due to lower policyholders' surplus and higher premium rates (an "upcycle"). The property and casualty insurance industry is currently in an extended downcycle, which has lasted nearly a decade. AFG's premiums have been adversely affected by this downcycle, particularly in the extremely competitive pricing environment in certain standard commercial lines of business.

The primary objective of AFG's property and casualty insurance operations is to achieve underwriting profitability. Underwriting profitability is measured by the combined ratio which is a sum of the ratios of underwriting losses, loss adjustment expenses ("LAE"), underwriting expenses and policyholder dividends to premiums. When the combined ratio is under 100%, underwriting results are generally considered profitable; when the ratio is over 100%, underwriting results are generally considered unprofitable. The combined ratio does not reflect investment income, other income or federal income taxes.

Management's focus on underwriting performance has resulted in a statutory combined ratio averaging 101.3% for the period 1993 to 1997, as compared to 105.8% for the property and casualty industry over the same period (Source: "Best's Review/Preview - Property/Casualty" - January 1998 Edition). AFG believes that its product line diversification and underwriting discipline have contributed to the Company's ability to consistently outperform the industry's underwriting results. Management's philosophy is to refrain from writing business that is not expected to produce an underwriting profit even if it is necessary to limit premium growth to do so.

Generally, while financial data is reported on a statutory basis for insurance regulatory purposes, it is reported in accordance with generally accepted accounting principles ("GAAP") for shareholder and other investment purposes. In general, statutory accounting results in lower capital surplus and net earnings than result from application of GAAP. Major differences include charging policy acquisition costs to expense as incurred rather than spreading the costs over the periods covered by the policies; recording bonds and redeemable preferred stocks primarily at amortized cost; netting of reinsurance recoverables and prepaid reinsurance premiums against the corresponding liability; requiring additional loss reserves; and charging to surplus certain assets, such as furniture and fixtures and agents' balances over 90 days old. Unless indicated otherwise, the financial information presented for the property and casualty insurance operations herein is presented based on GAAP and includes the insurance operations of AFC and American Premier for all periods.

The following table shows (in millions) certain information of AFG's property and casualty insurance operations.

	1997	1996	1995
Statutory Basis			
Premiums Earned	$2,802	$2,821	$3,006
Admitted Assets	6,983	6,603	6,753
Unearned Premiums	1,133	1,104	1,160
Loss and LAE Reserves	3,475	3,397	3,394
Capital and Surplus	1,916	1,659	1,595
GAAP Basis			
Premiums Earned	$2,824	$2,845	$3,031
Total Assets	9,212	8,623	9,002
Unearned Premiums	1,329	1,248	1,294
Loss and LAE Reserves	4,225	4,124	4,097
Shareholder's Equity	3,019	2,695	2,893

The following table shows the size (in millions), segment and A.M. Best rating of AFG's major property and casualty insurance subsidiaries. AFG continues to focus on growth opportunities in what it believes to be more profitable specialty lines and nonstandard auto businesses which represented the bulk of 1997 net written premiums.

	1997 Net Written Premiums		
Company (A.M. Best Rating)	NSA Group	Specialty	Commercial and Personal
Great American (A)	$ -	$ 724	$507
Republic Indemnity (A)	-	224	-
Mid-Continent (A)	-	104	-
American Empire Surplus Lines (A+)	-	23	-
Atlanta Casualty (A)	399	-	-
Windsor (A)	339	-	-
Infinity (A)	331	-	-
Leader National (A-)	59	-	-
Transport (A)	93	-	-
Other	27	28	-
	$1,248	$1,103	$507

The following table shows the performance of AFG's property and casualty insurance operations (dollars in millions):

	1997	1996	1995
Net written premiums	$2,858	$2,788	$3,092
Net earned premiums	$2,824	$2,845	$3,031
Loss and LAE	2,076	2,132	2,265
Underwriting expenses	783	780	792
Policyholder dividends	7	14	8
Underwriting loss	($ 42)	($ 81)	($ 34)
GAAP ratios:			
Loss and LAE ratio	73.5%	75.0%	74.8%
Underwriting expense ratio	27.7	27.4	26.1
Policyholder dividend ratio	.2	.5	.3
Combined ratio (a)	101.4%	102.9%	101.2%
Statutory ratios:			
Loss and LAE ratio	73.4%	74.8%	74.8%
Underwriting expense ratio	27.3	27.2	25.9
Policyholder dividend ratio	.7	.4	1.7
Combined ratio (a)	101.4%	102.4%	102.4%
Industry statutory combined ratio (b)	101.6%	105.8%	106.5%

(a) The 1996 combined ratios include an increase of 2.8 percentage points attributable to the strengthening of insurance reserves relating to asbestos and other environmental matters ("A&E").

(b) Ratios are derived from "BestWeek" (March 16, 1998 Edition).

As with other property and casualty insurers, AFG's operating results can be adversely affected by unpredictable catastrophe losses. Certain natural disasters (hurricanes, tornadoes, floods, forest fires, etc.) and other incidents of major loss (explosions, civil disorder, fires, etc.) are classified as catastrophes by industry associations. Losses from these incidents are usually tracked separately from other business of insurers because of their sizable effects on overall operations. AFG generally seeks to reduce its exposure to such events through individual risk selection and the purchase of reinsurance. Major catastrophes in recent years included Hurricane Fran in 1996 and the Texas hailstorms in 1995. Total net losses to AFG's insurance operations from catastrophes were $20 million in 1997; $85 million in 1996; and $70 million in 1995. These amounts are included in the tables herein.

Nonstandard Automobile Insurance

General The Nonstandard Automobile Insurance segment ("NSA Group") underwrites primarily private passenger automobile liability and physical damage insurance policies for "nonstandard" risks. Nonstandard insureds are those individuals who are unable to obtain insurance through standard market carriers due to factors such as age, record of prior accidents, driving violations, particular occupation or type of vehicle. Premium rates for nonstandard risks are generally higher than for standard risks. Total private passenger automobile insurance net premiums written by insurance carriers in the United States in 1997 have been estimated by A.M. Best to be approximately $115 billion. Because it can be viewed as a residual market, the size of the nonstandard private passenger automobile insurance market changes with the insurance environment and grows when standard coverage becomes more restrictive. When this occurs, the criteria which differentiate standard from nonstandard insurance risks change. The size of the voluntary nonstandard market is also affected by rate levels adopted by state administered involuntary plans. According to A.M. Best, the voluntary nonstandard market has accounted for about one-sixth of total private passenger automobile insurance premiums written in recent years.

While the NSA Group's implementation of significant rate increases during 1995 and early 1996 led to a reduction of premiums written in 1996, it also led to improved underwriting profitability in 1996 and 1997. Premium growth resumed in 1997 as a result of more moderate rate activity and California's stronger enforcement of its mandatory insurance law.

The NSA Group writes business in 42 states and holds licenses to write policies in 49 states and the District of Columbia. The U.S. geographic distribution of the NSA Group's statutory direct written premiums in 1997 compared to 1993, was as follows:

	1997	1993		1997	1993
California	15.2%	6.9%	Mississippi	2.3%	3.1%
Florida	11.1	13.2	Arizona	2.1	5.8
Georgia	10.2	12.0	Kentucky	2.1	2.0
Pennsylvania	8.3	*	Ohio	*	4.0
Texas	5.9	5.6	Alabama	*	3.7
Connecticut	5.2	3.6	Washington	*	3.3
New York	4.3	*	Oregon	*	3.1
Indiana	3.3	3.7	Utah	*	2.7
Tennessee	2.7	4.5	Arkansas	*	2.5
Missouri	2.6	3.7	Virginia	*	2.4
Oklahoma	2.6	3.0	Other	22.1	11.2
				100.0%	100.0%

(*) less than 2%

In addition, the NSA Group has written approximately 4% of its net premiums annually in the United Kingdom.

Management believes that the NSA Group's underwriting success has been due, in part, to the refinement of various risk profiles, thereby dividing the consumer market into more defined segments which can be underwritten or priced properly. The NSA Group also generally writes policies of short duration which allow more frequent rating evaluations of individual risks, providing management greater flexibility in the ongoing assessment of the business. In addition, the NSA Group has implemented cost control measures both in the underwriting and claims handling areas.

The following table shows the performance of AFG's NSA Group insurance operations (dollars in millions):

	1997	1996	1995
Net written premiums	$1,248	$1,135	$1,277
Net earned premiums	$1,205	$1,183	$1,246
Loss and LAE	898	904	1,036
Underwriting expenses	274	278	273
Underwriting profit (loss)	$ 33	$ 1	($ 63)
GAAP ratios:			
Loss and LAE ratio	74.5%	76.4%	83.2%
Underwriting expense ratio	22.7	23.5	22.0
Combined ratio	97.2%	99.9%	105.2%
Statutory ratios:			
Loss and LAE ratio	74.1%	75.8%	83.1%
Underwriting expense ratio	21.9	22.5	21.6
Combined ratio	96.0%	98.3%	104.7%
Industry statutory combined ratio (a)	98.0%	101.0%	101.3%

(a) Represents the private passenger automobile industry statutory combined ratio derived from "Best's Review/Preview - Property/Casualty" (January 1998 Edition). Although AFG believes that there is no reliable regularly published combined ratio data for the nonstandard automobile insurance industry, AFG believes that such a combined ratio would be lower than the private passenger automobile industry average shown above.

Marketing Each of the principal units in the NSA Group is responsible for its own marketing, sales, underwriting and claims processing. Sales efforts are directed primarily toward independent agents. These units each write policies through several thousand independent agents.

The NSA Group had approximately one million policies in force at December 31, 1997, just under 90% of which had policy limits of $50,000 or less per occurrence. Most NSA Group policies are written for policy periods of six months or less.

Competition A large number of national, regional and local insurers write nonstandard private passenger automobile insurance coverage. Insurers in this market generally compete on the basis of price (including differentiation on liability limits, variety of coverages offered and deductibles), geographic availability and ease of enrollment and, to a lesser extent, reputation for claims handling, financial stability and customer service. NSA Group management believes that sophisticated data analysis for refinement of risk profiles has helped the NSA Group to compete successfully. The NSA Group attempts to provide selected pricing for a wider spectrum of risks and with a greater variety of payment options, deductibles and limits of liability than are offered by many of its competitors.

Specialty Lines

General The Specialty Lines segment emphasizes the writing of specialized insurance coverage where AFG personnel are experts in particular lines of business or customer groups. The following are examples of such Specialty Lines and the businesses which they operate:

Workers' Compensation	Writes coverage for prescribed benefits payable to employees (principally in California) who are injured on the job.
Executive Liability	Markets liability coverage for attorneys and corporate directors and officers.
Inland and Ocean Marine	Provides coverage primarily for marine cargo, boat dealers, marina operators/dealers, excursion vessels, builder's risk, contractor's equipment, excess property and transportation cargo.
Japanese division	Provides coverage primarily for workers' compensation, commercial auto, umbrella, and general liability of Japanese businesses operating in the U.S.
Agricultural-related	Provides multi-peril crop insurance covering weather (allied lines) and disease perils as well as coverage for full-time operating farms/ranches and agribusiness operations on a nationwide basis.
Non-profit Liability	Provides property, general/professional liability, automobile, trustee liability, umbrella and crime coverage for a wide range of non-profit organizations.
General Aviation	Provides coverage for corporate and private aircraft and airports.

Fidelity and Surety Bonds	Provides surety coverage for various types of contractors and public and private corporations and fidelity and crime coverage for government, mercantile and financial institutions.
Umbrella and Excess	Provides large capacity coverage in excess of primary layers.

Specialization is the key element to the underwriting success of these business units. Each unit has independent management with significant operating autonomy to oversee the important operational functions of its business such as underwriting, pricing, marketing, policy processing and claims service. These specialty lines are opportunistic and their premium volume will vary based on current market conditions. AFG continually evaluates expansion in existing markets and opportunities in new specialty markets.

The U.S. geographic distribution of the Specialty Lines statutory direct written premiums in 1997 compared to 1993, was as follows:

	1997	1993		1997	1993
California	29.5%	46.7%	Oklahoma	3.5%	4.2%
Texas	8.4	5.0	New Jersey	2.2	2.5
Massachusetts	4.7	3.2	Pennsylvania	2.0	*
New York	4.6	5.2	Ohio	2.0	*
Florida	4.5	2.6	Michigan	*	2.0
Illinois	3.7	2.9	Other	34.9	25.7
				100.0%	100.0%

(*) less than 2%

The following table sets forth a distribution of statutory net written premiums for AFG's Specialty Lines by NAIC annual statement line for 1997 compared to 1993:

	1997	1993
Workers' compensation	23.5%	47.2%
Other liability	20.3	16.9
Inland marine	9.2	6.5
Commercial multi-peril	8.4	4.7
Auto physical damage	7.5	2.0
General aviation	7.2	0.1
Allied lines	5.8	4.5
Fidelity and surety	4.1	2.8
Auto liability	3.9	5.7
Ocean marine	3.6	4.2
Other	6.5	5.4
	100.0%	100.0%

The following table shows the performance of AFG's Specialty Lines insurance operations (dollars in millions):

	1997	1996	1995
Net written premiums	$1,103	$993	$1,097
Net earned premiums	$1,056	$976	$1,085
Loss and LAE	706	527	730
Underwriting expenses	344	295	302
Policyholder dividends	(5)	-	(3)
Underwriting profit	$ 11	$154	$ 56
GAAP ratios:			
Loss and LAE ratio	66.8%	53.9%	67.2%
Underwriting expense ratio	32.6	30.2	27.9
Policyholder dividend ratio	(.4)	-	(.3)
Combined ratio (a)	99.0%	84.1%	94.8%
Statutory ratios:			
Loss and LAE ratio	66.7%	54.1%	67.5%
Underwriting expense ratio	31.9	30.3	28.1
Policyholder dividend ratio	1.0	.5	4.2
Combined ratio (a)	99.6%	84.9%	99.8%
Industry statutory combined ratio (b)	103.7%	108.9%	109.9%

(a) The 1996 combined ratios reflect a reduction of 4.1 percentage points attributable to a reallocation of loss reserves in connection with the strengthening of A&E reserves.

(b) Represents the commercial industry statutory combined ratio derived from "BestWeek" (March 16, 1998 Edition).

Marketing The Specialty Lines operations direct their sales efforts primarily toward independent property and casualty insurance agents and brokers. These businesses write insurance through several thousand agents and brokers and have nearly 290,000 policies in force.

Competition These businesses compete with other individual insurers, state funds and insurance groups of varying sizes, some of which are mutual insurance companies possessing competitive advantages in that all their profits inure to their policyholders. Because of the specialty nature of these coverages, competition is based primarily on service to policyholders and agents, specific characteristics of products offered and reputation for claims handling. Price, commissions and profit sharing terms are also important factors. Management believes that sophisticated data analysis for refinement of risk profiles, extensive specialized knowledge and loss prevention service have helped AFG's specialty lines compete successfully.

Commercial and Personal Lines

General Major commercial lines of business are workers' compensation, commercial multi-peril, umbrella (including primary and excess layers) and commercial auto. The workers' compensation business has experienced solid growth and profitability due to adequate rate structures and favorable trends in medical care costs and the success of its Drug-Free Workplace and SafetyWorks programs.

AFG's Drug-Free Workplace and SafetyWorks programs for workers' compensation customers assist insureds in setting up drug testing programs (as permitted by law), drug and alcohol education programs and work safety programs. In 1997, there were more than 1,400 insureds in 23 states with such programs producing approximately $83 million in annual net written premiums.

Commercial business is written in 26 states where management believes adequate rates can be obtained and where assigned risk costs are not excessive. AFG's approach focuses on specific customer groups, such as fine restaurants, light manufacturers, hotels/motels, workers' compensation safety groups and insureds with large umbrella coverages. The approach also emphasizes site visits at prospective customers to ensure underwriter familiarity with risk factors relating to each insured and to avoid those risks which have unacceptable exposures.

Personal lines business consists primarily of preferred/standard private passenger automobile and homeowners' insurance and is currently being marketed in 25 states. AFG's approach is to develop tailored rates for its personal automobile customers based on a variety of factors, including the driving record of the insureds. The approach to homeowners business is to limit exposure in locations which are likely to be unprofitable and those which have significant catastrophic potential (such as windstorms, earthquakes and hurricanes). During 1997, AFG had a reinsurance agreement under which 80% of its homeowners' business was reinsured.

The U.S. geographic distribution of the Commercial and Personal Lines statutory direct written premiums in 1997 compared to 1993, was as follows:

	1997	1993		1997	1993
Connecticut	13.1%	14.5%	Florida	2.7%	4.3%
New Jersey	13.0	8.4	Texas	2.5	3.3
New York	11.8	9.8	Illinois	2.3	2.8
North Carolina	10.5	9.4	Kentucky	2.3	*
Pennsylvania	5.6	6.0	Utah	2.1	*
Maryland	3.9	3.9	Tennessee	2.0	*
Ohio	3.7	4.3	California	*	3.9
Massachusetts	3.4	*	Washington	*	2.4
Michigan	3.4	3.5	Oregon	*	2.4
			Other	17.7	21.1
				100.0%	100.0%

(*) less than 2%

The following table sets forth a distribution of statutory net written premiums for AFG's Commercial and Personal Lines by NAIC annual statement line for 1997 compared to 1993:

	1997	1993
Auto liability	34.6%	32.0%
Workers' compensation	27.5	12.3
Commercial multi-peril	19.4	19.6
Other liability	8.1	6.2
Auto physical damage	4.5	12.3
Homeowners	2.5	12.1
Other	3.4	5.5
	100.0%	100.0%

The following table shows the performance of AFG's Commercial and Personal Lines insurance operations (dollars in millions):

	1997	1996	1995
Net written premiums	$ 507	$ 660	$ 717
Net earned premiums	$ 563	$ 685	$ 698
Loss and LAE	421	538	468
Underwriting expenses	165	206	214
Policyholder dividends	11	14	11
Underwriting profit (loss)	($ 34)	($ 73)	$ 5
GAAP ratios:			
Loss and LAE ratio	74.8%	78.5%	66.9%
Underwriting expense ratio	29.2	30.0	30.6
Policyholder dividend ratio	2.0	2.1	1.6
Combined ratio (a)	106.0%	110.6%	99.1%
Statutory ratios:			
Loss and LAE ratio	74.6%	78.8%	67.2%
Underwriting expense ratio	30.2	30.4	29.9
Policyholder dividend ratio	1.6	1.0	.6
Combined ratio (a)	106.4%	110.2%	97.7%
Industry statutory combined ratio (b)	101.6%	105.8%	106.5%

(a) The 1996 combined ratios include 3.9 percentage points (GAAP) and 3.8 percentage points (statutory) due to losses from Hurricane Fran.

(b) Ratios are derived from "BestWeek" (March 16, 1998 Edition).

Marketing The Commercial and Personal Lines business units direct their sales efforts primarily toward independent agents and brokers. These businesses write insurance through more than 5,000 agents and have approximately 350,000 policies in force.

Competition These businesses compete with other insurers, primarily on the basis of price (including differentiation on policy limits, coverages offered and deductibles), agent commissions and profit sharing terms. Customer service, loss prevention and reputation for claims handling are also important factors. Competitors include individual insurers and insurance groups of varying sizes, some of which are mutual insurance companies possessing competitive advantages in that all their profits inure to their policyholders. Management believes that sophisticated data analysis for refinement of risk profiles, disciplined underwriting practices and aggressive loss prevention procedures have enabled these businesses to compete on the basis of price without negatively affecting underwriting profitability.

Reinsurance

Consistent with standard practice of most insurance companies, AFG reinsures a portion of its business with other reinsurance companies and assumes a relatively small amount of business from other insurers. Ceding reinsurance permits diversification of risks and limits the maximum loss arising from large or unusually hazardous risks or catastrophic events. The availability and cost of reinsurance are subject to prevailing market conditions which may affect the volume and profitability of business that is written. AFG is subject to credit risk with respect to its reinsurers, as the ceding of risk to reinsurers does not relieve AFG of its liability to its insureds.

Reinsurance is provided on one of two bases, facultative or treaty. Facultative reinsurance is generally provided on a risk by risk basis. Individual risks are ceded and assumed based on an offer and acceptance of risk by each party to the transaction. Treaty reinsurance provides for risks meeting prescribed criteria to be automatically ceded and assumed according to contract provisions.

In order to limit the maximum loss arising out of any one occurrence, AFG's insurance companies reinsure a portion of their exposure under treaty and facultative reinsurance programs. The following table presents (by type of coverage) the amount of each loss above the specified retention maximum generally covered by treaty reinsurance programs (in millions):

Coverage	Retention Maximum	Reinsurance Coverage(a)
California Workers' Compensation	$ 1.5	$150.0
Other Workers' Compensation	1.0	49.0
Commercial Umbrella	1.0	49.0
Other Casualty	5.0	15.0
Property - General	5.0	25.0(b)
Property - Catastrophe	20.0	130.0

(a) Reinsurance covers substantial portions of losses in excess of retention.
(b) In 1997, AFG ceded 80% of its homeowners insurance coverage through a reinsurance agreement; beginning in 1998, it will cede 90%.

AFG purchases facultative reinsurance providing coverage on a risk by risk basis, both pro rata and excess of loss, depending on the risk and available reinsurance markets. Due in part to the limited exposure on individual policies, the NSA Group is not materially involved in reinsuring risks with third party insurance companies.

Included in the balance sheet caption "recoverables from reinsurers and prepaid reinsurance premiums" were $82 million on paid losses and LAE and $736 million on unpaid losses and LAE at December 31, 1997. The collectibility of a reinsurance balance is based upon the financial condition of a reinsurer as well as individual claim considerations. Market conditions over the past few years have forced many reinsurers into financial difficulties or liquidation proceedings. At December 31, 1997, AFG's insurance subsidiaries had allowances of approximately $78 million for doubtful collection of reinsurance recoverables, substantially all related to unpaid losses. AFG regularly monitors the financial strength of its reinsurers. This process periodically results in the transfer of risks to more financially secure reinsurers. Substantially all reinsurance is ceded to reinsurers having more than $100 million in capital and A.M. Best ratings of "A-" or better. AFG's major reinsurers include American Re-Insurance Company, Employers Reinsurance Corporation, NAC Reinsurance Corporation, Mitsui Marine and Fire Insurance Company, Continental Casualty Company, Transatlantic Reinsurance Company, General Reinsurance Corporation and Vesta Fire Insurance Corporation. These companies have assumed nearly half of AFG's ceded reinsurance.

Premiums written for reinsurance ceded and assumed are presented in the following table (in millions):

	1997	1996	1995
Reinsurance ceded	$614	$518	$482
Reinsurance assumed - including involuntary pools and associations	89	58	98

Loss and Loss Adjustment Expense Reserves

The consolidated financial statements include the estimated liability for unpaid losses and LAE of AFG's insurance subsidiaries. This liability represents estimates of the ultimate net cost of all unpaid losses and LAE and is determined by using case-basis evaluations and actuarial projections. These estimates are subject to the effects of changes in claim amounts and frequency and are periodically reviewed and adjusted as additional information becomes known. In accordance with industry practices, such adjustments are reflected in current year operations.

Future costs of claims are projected based on historical trends adjusted for changes in underwriting standards, policy provisions, product mix and other factors. Estimating the liability for unpaid losses and LAE is inherently judgmental and is influenced by factors which are subject to significant variation. Through the use of analytical reserve development techniques, management monitors items such as the effect of inflation on medical, hospitalization, material, repair and replacement costs, general economic trends and the legal environment. Although management believes that the reserves currently established reflect a reasonable provision for the ultimate cost of all losses and claims, actual development may vary materially.

AFG recognizes underwriting profit only when realization is reasonably determinable and assured. In certain specialty lines, where experience is limited or where there is potential for volatile results, AFG holds reasonable "incurred but not reported" reserves and does not recognize underwriting profit until the experience matures.

Generally, reserves for reinsurance and involuntary pools and associations are reflected in AFG's results at the amounts reported by those entities.

Unless otherwise indicated, the following discussion of insurance reserves includes the reserves of American Premier's subsidiaries for only those periods following the Mergers. See Note P to the Financial Statements for an analysis of changes in AFG's estimated liability for losses and LAE, net and gross of reinsurance, over the past three years on a GAAP basis.

The following table presents the development of AFG's liability for losses and LAE, net of reinsurance, on a GAAP basis for the last ten years, excluding reserves of American Premier subsidiaries prior to the Mergers. The top line of the table shows the estimated liability (in millions) for unpaid losses and LAE recorded at the balance sheet date for the indicated years. The second line shows the re-estimated liability as of December 31, 1997. The remainder of the table presents development as percentages of the estimated liability. The development results from additional information and experience in subsequent years. The middle line shows a cumulative deficiency (redundancy) which represents the aggregate percentage increase (decrease) in the liability initially estimated. The lower portion of the table indicates the cumulative amounts paid as of successive periods as a percentage of the original loss reserve liability.

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Liability for unpaid losses and loss adjustment expenses:											
As originally estimated	$2,024	$2,209	$2,246	$2,137	$2,129	$2,123	$2,113	$2,187	$3,393	$3,404	$3,489
As re-estimated at December 31, 1997	2,482	2,531	2,520	2,337	2,247	2,178	2,089	2,185	3,342	3,435	N/A
Liability re-estimated (*):											
One year later	102.5%	99.8%	100.4%	98.6%	99.3%	99.9%	98.2%	95.8%	98.7%	100.9%	
Two years later	103.6%	100.0%	99.3%	97.7%	98.7%	98.3%	94.0%	99.3%	98.5%		
Three years later	103.1%	99.7%	98.4%	97.4%	98.0%	95.2%	97.4%	99.9%			
Four years later	102.5%	98.7%	98.2%	99.2%	97.3%	100.3%	98.9%				
Five years later	102.6%	99.1%	101.1%	100.0%	103.0%	102.6%					
Six years later	103.5%	103.0%	102.7%	106.3%	105.6%						
Seven years later	109.4%	104.7%	109.2%	109.4%							
Eight years later	111.7%	111.4%	112.2%								
Nine years later	119.2%	114.5%									
Ten years later	122.6%										
Cumulative deficiency (redundancy)	22.6%	14.5%	12.2%	9.4%	5.6%	2.6%	(1.1%)	(0.1%)	(1.5%)	0.9%	N/A
Cumulative paid as of:											
One year later	29.2%	29.4%	32.3%	26.1%	26.4%	26.7%	25.2%	26.8%	33.1%	33.8%	
Two years later	49.0%	48.6%	48.2%	43.2%	43.0%	43.7%	40.6%	42.5%	51.6%		
Three years later	63.5%	59.8%	59.2%	55.3%	55.4%	54.2%	50.9%	54.4%			
Four years later	72.2%	67.9%	67.6%	64.8%	63.3%	60.8%	59.1%				
Five years later	78.5%	74.0%	74.3%	71.1%	67.8%	67.0%					
Six years later	83.6%	79.5%	78.8%	74.5%	72.7%						
Seven years later	87.7%	83.2%	81.2%	78.6%							
Eight years later	91.1%	85.2%	84.8%								
Nine years later	92.7%	88.5%									
Ten years later	96.2%										

(*) Reflects significant A&E charges and reallocations in 1994 and 1996 for prior years losses.

The following is a reconciliation of the net liability to the gross liability for unpaid losses and LAE.

	1993	1994	1995	1996	1997
As originally estimated:					
Net liability shown above	$2,113	$2,187	$3,393	$3,404	$3,489
Add reinsurance recoverables	611	730	704	720	736
Gross liability	$2,724	$2,917	$4,097	$4,124	$4,225
As re-estimated at December 31, 1997:					
Net liability shown above	$2,089	$2,185	$3,342	$3,435	
Add reinsurance recoverables	791	782	790	748	
Gross liability	$2,880	$2,967	$4,132	$4,183	N/A
Gross cumulative deficiency (redundancy)	5.7%	1.8%	.9%	1.5%	N/A

The following table presents certain data from the table above, adjusted to include reserves of American Premier's subsidiaries for periods subsequent to their entry into the insurance business in 1989 and prior to the Mergers in 1995.

	1989	1990	1991	1992	1993	1994
Liability for unpaid losses and loss adjustment expenses:						
As originally estimated	$2,616	$2,739	$2,793	$2,886	$3,029	$3,267
As re-estimated at December 31, 1997	2,831	2,873	2,848	2,824	2,871	3,138
Cumulative deficiency (redundancy)	8.2%	4.9%	2.0%	(2.1%)	(5.2%)	(3.9%)
Reconciliation of net liability to gross liability:						
As originally estimated:						
Net liability shown above					$3,029	$3,267
Add reinsurance recoverables					617	742
Gross liability					$3,646	$4,009
As re-estimated at December 31, 1997:						
Net liability shown above					$2,871	$3,138
Add reinsurance recoverables					800	766
Gross liability					$3,671	$3,904
Gross cumulative deficiency (redundancy)					.6%	(2.6%)

These tables do not present accident or policy year development data. Furthermore, in evaluating the re-estimated liability and cumulative deficiency (redundancy), it should be noted that each percentage includes the effects of changes in amounts for prior periods. For example, AFG's $80 million charge for A&E claims related to losses recorded in 1996, but incurred before 1987, is included in the re-estimated liability and cumulative deficiency (redundancy) percentage for each of the previous years shown. Conditions and trends that have affected development of the liability in the past may not necessarily exist in the future. Accordingly, it may not be appropriate to extrapolate future redundancies or deficiencies based on this table.

The adverse development in the tables is due primarily to A&E exposures for which AFG has been held liable under general liability policies written years ago where environmental coverage was not intended. Other factors affecting development included higher than projected inflation on medical, hospitalization, material, repair and replacement costs. Additionally, changes in the legal environment have influenced the development patterns over the past ten years. For example, changes in the California workers' compensation law in 1993 and subsequent court decisions, primarily in late 1996, greatly limited the ability of insurers to challenge medical assessments and treatments. These limitations, together with changes in work force characteristics and medical delivery costs, are contributing to an increase in claims severity. Two changes influencing development patterns in the 1980s were the trend towards an adverse litigious climate and the change from contributory to comparative negligence.

The differences between the liability for losses and LAE reported in the annual statements filed with the state insurance departments in accordance with statutory accounting principles ("SAP") and that reported in the accompanying consolidated financial statements in accordance with GAAP at December 31, 1997, are as follows (in millions):

Liability reported on a SAP basis	$3,475
Additional discounting of GAAP reserves in excess of the statutory limitation for SAP reserves	(22)
Reserves of foreign operations	37
Estimated salvage and subrogation recoveries based on a cash basis for SAP and on an accrual basis for GAAP	(1)
Reinsurance recoverables	736
Liability reported on a GAAP basis	$4,225

Asbestos and Environmental Reserves ("A&E") In defining environmental exposures, the insurance industry typically includes claims relating to polluted waste sites and asbestos as well as other mass tort claims such as those relating to breast implants, repetitive stress on keyboards, DES (a drug used in pregnancies years ago alleged to cause cancer and birth defects) and other latent injuries.

Establishing reserves for A&E claims is subject to uncertainties that are greater than those presented by other types of claims. Factors contributing to those uncertainties include a lack of sufficiently detailed historical data, long reporting delays, uncertainty as to the number and identity of insureds with potential exposure, unresolved legal issues regarding policy coverage, and the extent and timing of any such contractual liability. Courts have reached different and sometimes inconsistent conclusions as to when a loss is deemed to have occurred, what policies provide coverage, what claims are covered, whether there is an insured obligation to defend, how policy limits are determined and other policy provisions. Management believes these issues are not likely to be resolved in the near future.

Significant industrywide information concerning A&E reserves first became broadly available in mid-1996 following the publication of new data relating to that subject in the 1995 Annual Statements of insurance companies. During 1995 and 1996, a number of insurers recorded large reserve increases for A&E exposures. By the end of 1995, the industry's survival ratio (reserves divided by annual paid losses) had increased from a multiple of six times in the early 1990's to more than nine times. The following table compares AFG's three-year survival ratio for A&E claims with that of the industry.

	December 31,			
Survival Ratio:	1997	1996	1995	1994
AFG	10.0	10.5	6.5	7.0
Industry (a)	7.6	8.2	9.4	7.9

(a) Source: 1996-1994 "BestWeek - Property and Casualty Supplement" (September 15, 1997 Edition); 1997 is an estimate.

Industry actions and statistics in 1995 caused AFG to re-evaluate its position in relation to its peers as part of the continuing process of obtaining additional information and revising accounting estimates. This process led management to conclude that the A&E reserves should be increased sufficiently to bring AFG's three-year survival ratio in line with those of the top 50 companies. In the third quarter of 1996, AFG strengthened its A&E reserve to approximately 10.5 times average annual paid losses based upon these revised industry standards for reserving such claims. AFG recorded a non-cash, pretax charge of $80 million and reallocated $40 million in reserves from its Specialty Operations. Based on known facts, current law, and current industry practices, management believes that its reserves for such claims are appropriate.

The following table (in millions) is a progression of A&E reserves.

	1997	1996	1995
Reserves at beginning of year	$343.4	$225.7	$224.9
Incurred losses and LAE	43.2	149.0	35.2
Paid losses and LAE	(38.7)	(31.3)	(34.4)
Reserves at end of year, net of reinsurance recoverable	347.9	343.4	225.7
Reinsurance recoverable	173.2	162.7	164.2
Gross reserves at end of year	$521.1	$506.1	$389.9

Since the mid-1980's, AFG has also written certain environmental coverages (asbestos abatement and underground storage tank liability) in which the premium charged is intended to provide coverage for the specific environmental exposures inherent in these policies. The business has been profitable since its inception. To date, approximately $182 million of premiums has been written, $23 million in losses and LAE have been paid and reserves for unpaid losses and LAE aggregated $29 million at December 31, 1997 (not included in the above table).

Annuity and Life Operations

General

AFG's annuity operations are conducted through American Annuity Group ("AAG"), a holding company whose primary subsidiary is Great American Life Insurance Company ("GALIC") which it acquired from Great American in 1992. GALIC sells (i) flexible premium and single premium annuities in the qualified (not-for-profit) market and (ii) single premium annuities in the non-qualified market. AAG and its subsidiaries employ approximately 1,700 persons.

Acquisitions in recent years have supplemented AAG's internal growth as the company's assets increased from $4.5 billion at year end 1992 to over $7.7 billion at year end 1997. In addition, these acquisitions have expanded AAG's focus from primarily traditional fixed annuity products to three areas: (i) retirement products (fixed and variable annuities); (ii) pre-need funding products (life insurance and fixed annuities) and (iii) other life, accident and health insurance. Premiums over the last three years were as follows (in millions):

	Premiums*		
Insurance Product	1997	1996	1995
Retirement	$489	$540	$457
Pre-need Funding	111	97	-
Other Life, Accident and Health	42	43	2
	$642	$680	$459

(*) The table does not include premiums of subsidiaries until their first full year following acquisition.

Retirement Products

Annuities AAG's retirement products consist primarily of annuities, which are long-term retirement saving instruments that benefit from income accruing on a tax-deferred basis. The issuer of the annuity collects premiums, credits interest on the policy and pays out a benefit upon death, surrender or annuitization.

Annuity contracts are generally classified as either fixed rate or variable. With a fixed rate annuity, the interest crediting rate is initially set by the issuer and thereafter may be changed from time to time by the issuer subject to any guaranteed minimum interest crediting rates in the policy. With a variable annuity, the value of the policy is tied to an underlying securities portfolio or underlying mutual funds.

Employees of qualified not-for-profit organizations are eligible to save for retirement through contributions made on a before-tax basis. Contributions are made at the discretion of the participants through payroll deductions or through tax-free "rollovers" of funds. Federal income taxes are not payable on contributions or earnings until amounts are withdrawn.

GALIC entered the tax-deferred annuity business in 1976 and currently sells fixed rate annuities - both traditional and equity-indexed. The following table (in millions) presents financial information concerning GALIC.

	1997	1996	1995
Statutory Basis			
Total Assets	$5,917	$5,752	$5,414
Annuity Reserves	5,446	5,298	4,974
Capital and Surplus	317	285	273
Asset Valuation Reserve (a)	65	91	90
Interest Maintenance Reserve (a)	24	25	32
Annuity Receipts:			
Flexible Premium:			
First Year	$ 32	$ 35	$ 42
Renewal	160	182	196
	192	217	238
Single Premium	241	319	219
Total Annuity Receipts	$ 433	$ 536	$ 457

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(a) Allocation of surplus.

GAAP Basis			
Total Assets	$6,223	$5,934	$5,608
Annuity Benefits Accumulated	5,330	5,205	4,917
Stockholder's Equity	770	658	623

GALIC's principal products are Flexible Premium Deferred Annuities ("FPDAs") and Single Premium Deferred Annuities ("SPDAs"). FPDAs are characterized by premium payments that are flexible in both amount and timing as determined by the policyholder. SPDAs are issued in exchange for a one-time lump-sum premium payment.

At December 31, 1997, all of GALIC's annuity reserves consisted of fixed rate annuities which offered a minimum interest rate guarantee of 3% or 4%. The majority of GALIC's annuity policies are traditional fixed rate annuities which permit GALIC to change the crediting rate at any time (subject to the minimum guaranteed interest rate). In determining the frequency and extent of changes in the crediting rate, GALIC takes into account the economic environment and the relative competitive position of its products.

Over the last few years, traditional fixed rate annuities have met substantial competition from mutual funds and other equity-based investments. In response, GALIC developed an equity-indexed annuity which provides policyholders with a crediting rate tied, in part, to the performance of an existing stock market index while protecting them against the related downside risk through a guarantee of principal. AAG hedges the equity-based risk component of this product through the purchase of call options on the appropriate index. These options are designed to offset substantially all of the increases in the fair values of the equity-indexed annuities. Sales of equity-indexed annuities accounted for 9% of GALIC's premiums in 1997.

GALIC seeks to maintain a desired spread between the yield on its investment portfolio and the rate it credits to its policies. GALIC accomplishes this by: (i) offering crediting rates which it has the option to change; (ii) designing annuity products that encourage persistency and (iii) maintaining an appropriate matching of assets and liabilities. GALIC designs its products with certain surrender penalties to discourage policyholders from surrendering or withdrawing funds during the first five to ten years after issuance of a policy. Partly due to these features, GALIC's annuity surrenders have averaged approximately 7% of statutory reserves over the past five years.

Marketing and Distribution Sales of fixed rate annuities are affected by many factors, including: (i) competitive annuity products and rates; (ii) the general level of interest rates; (iii) the favorable tax treatment of annuities; (iv) commissions paid to agents; (v) services offered; (vi) ratings from independent insurance rating agencies; (vii) other alternative investments and (viii) general economic conditions. At December 31, 1997, GALIC had more than 265,000 annuity policies in force.

GALIC markets its FPDAs principally to employees of educational institutions in the kindergarten through high school segment. Written premiums from this market segment represented the majority of GALIC's total tax-qualified premiums in 1997.

GALIC distributes its annuity products through approximately 80 managing general agents ("MGAs") who, in turn, direct over 1,000 actively producing independent agents. GALIC has developed its business on the basis of its relationships with MGAs and independent agents primarily through a consistent marketing approach and responsive service.

GALIC is licensed to sell its products in all states (except New York) and in the District of Columbia. The following table reflects the geographical distribution of GALIC's annuity premiums in 1997 compared to 1993.

	1997	1993		1997	1993
California	21.9%	21.8%	New Jersey	3.8%	5.5%
Texas	8.0	3.3	Michigan	3.4	8.5
Washington	7.6	2.4	Indiana	2.9	*
Ohio	6.4	5.5	Connecticut	2.8	5.2
Florida	5.4	9.8	Iowa	2.5	*
Massachusetts	5.0	8.0	Illinois	2.2	3.3
North Carolina	4.4	3.3	Rhode Island	*	2.2
Minnesota	3.9	*	Other	19.8	21.2
				100.0%	100.0%

(*) less than 2%

AAG began marketing variable annuities in the fourth quarter of 1995 through Annuity Investors Life Insurance Company ("AILIC"). With a variable annuity, the earnings credited to the policy vary based on the investment results of the underlying investment options chosen by the policyholder. Policyholders may also choose to direct all or a portion of their premiums to various fixed rate options. For these annuity products, all premiums directed to the variable options are placed in funds managed by third party investment advisers. AILIC had variable annuity sales of $43 million in 1997.

Pre-need Funding Products

Through American Memorial Life Insurance Company, AAG offers a variety of life insurance and annuity products to finance pre-arranged funerals. In 1997, American Memorial sold its products through over 1,200 funeral homes nationwide. In addition to a general agency force of approximately 200 agents, American Memorial has approximately 800 actively-producing corporate and individual funeral home operators who sell its products. Rapid consolidation is making large chains an important segment of the funeral home industry. American Memorial is a leader in this segment, working with several of the major corporations. In 1997, about one-half of American Memorial's premiums were generated by the largest owner of funeral homes in the world. The remaining one-half was split between other funeral homes and the general agency force. As the funeral home industry continues to consolidate, increased reliance on large funeral home operators may be required.

In 1997, American Memorial collected $111 million in life and annuity premiums. At December 31, 1997, American Memorial had total statutory assets of approximately $468 million; reserves for future policy benefits of approximately $424 million; and capital and surplus of approximately $26 million.

In March 1998, AAG acquired Arkansas National Life Insurance Company, which also specializes in pre-arranged funeral insurance products. Arkansas National had statutory assets of approximately $74 million at December 31, 1997 and 1997 premiums of $5 million.

Life, Accident and Health Products

AAG offers a variety of life, accident and health products through Loyal American Life Insurance Company, General Accident Life Assurance Company of Puerto Rico, Inc. and GALIC's life division, which began offering certain term, universal and whole life insurance products in December 1997. Also in 1997, Loyal relocated its home office from Mobile, Alabama to Cincinnati, Ohio to more closely coordinate its efforts with those of other AAG operations.

Loyal offers a variety of supplemental life and health insurance products through payroll deduction plans and credit unions. Loyal's products are marketed with the endorsement or consent of the employer or the credit union management. The products currently being offered include traditional whole life, universal life, term life, hospital indemnity, cancer and short-term disability.

In 1997, Loyal collected $40 million in life and accident and health premiums. At December 31, 1997, Loyal had total statutory assets of approximately $258 million; reserves for future policy benefits of approximately $197 million; and capital and surplus of approximately $39 million.

In December 1997, AAG acquired General Accident which specializes in home service life and supplemental health products as well as credit and ordinary life products, including those utilized in the funeral industry. General Accident had statutory assets of $110 million at December 31, 1997 and 1997 premiums of $46 million (excluding premiums of certain operations sold prior to its acquisition by AAG). General Accident sells its in-home service life and supplemental health products through a network of company agents. Its ordinary life and cancer products are sold through independent agents.

Independent Ratings

AAG's principal insurance subsidiaries are currently rated by A.M. Best and Duff & Phelps. Such ratings are generally based on items of concern to policyholders and agents and are not directed toward the protection of investors.

	A.M. Best	Duff & Phelps
GALIC	A (Excellent)	AA- (Very high claims paying ability)
American Memorial	A- (Excellent)	AA- (Very high claims paying ability)
Loyal	A (Excellent)	AA- (Very high claims paying ability)
AILIC	A (Excellent)	Not currently rated
General Accident	A (Excellent)	Not currently rated

In 1997, A.M. Best increased its ratings of American Memorial (up two levels) and Loyal (up one level); none of the insurance companies received a downgrade from either agency.

AAG believes that the ratings assigned by independent insurance rating agencies are important because potential policyholders often use a company's rating as an initial screening device in considering annuity products. AAG believes that a rating in the "A" category by at least one rating agency is necessary for GALIC to successfully market tax-deferred annuities to public education employees and other not-for-profit groups.

Although AAG believes that its insurance companies' ratings are very stable, those companies' operations could be materially adversely affected by a downgrade in ratings.

Competition

AAG's insurance companies operate in highly competitive markets. They compete with other insurers and financial institutions based on many factors, including: (i) ratings; (ii) financial strength; (iii) reputation; (iv) service to policyholders; (v) product design (including interest rates credited and premium rates charged); (vi) commissions; and (vii) service to agents. Since policies are marketed and distributed primarily through independent agents (except at General Accident), the insurance companies must also compete for agents. AAG believes that consistently targeting the same market and emphasizing service to agents and policyholders provides a competitive advantage.

No single insurer dominates the annuity marketplace. Competitors include (i) individual insurers and insurance groups, (ii) mutual funds and (iii) other financial institutions of varying sizes. In a broader sense, AAG's insurance companies compete for retirement savings with a variety of financial institutions offering a full range of financial services. Financial institutions have demonstrated a growing interest in marketing investment and savings products other than traditional deposit accounts. In addition, recent judicial and regulatory decisions have expanded powers of financial institutions in this regard. It is too early to predict what impact, if any, these developments will have on the insurance companies.

Other Companies

Through subsidiaries, AFG is engaged in a variety of other businesses, including The Golf Center at Kings Island (golf and tennis facility) in the Greater Cincinnati area; commercial real estate operations in Cincinnati (office buildings and The Cincinnatian Hotel), Louisiana (Le Pavillon Hotel), Massachusetts (Chatham Bars Inn), Texas (Driskill Hotel) and apartments in Florida, Kentucky, Louisiana, Minnesota, Pennsylvania, Texas and Wisconsin. These operations employ approximately 700 full-time employees.

In December 1997, AFG sold the assets of its software solutions and consulting services subsidiary, Millennium Dynamics, Inc., to a subsidiary of Peritus Software Services, Inc. for $30 million in cash and 2,175,000 shares of Peritus common stock.

Investment Portfolio

General

A breakdown of AFG's December 31, 1997, investment portfolio by business segment follows (excluding investment in equity securities of investee corporations) (in millions).

	Carrying Value P&C	Annuity	Other	Total	Total Market Value	
Cash and short-term investments	$ 145	$ 51	$ 61	$ 257	$ 257	
Bonds and redeemable preferred stocks	4,362	6,262	29	10,653	10,735	
Other stocks, options and warrants	321	78	47	446	446	
Loans receivable	101	407	6	514	514	(a)
Real estate and other investments	132	58	29	219	219	(a)
	$5,061	$6,856	$172	$12,089	$12,171	

(a) Carrying value used since market values are not readily available.

The following tables present the percentage distribution and yields of AFG's investment portfolio (excluding investment in equity securities of investee corporations) as reflected in its financial statements.

	1997	1996	1995	1994	1993
Cash and Short-term Investments	2.1%	3.9%	4.9%	2.2%	2.3%
Bonds and Redeemable Preferred Stocks:					
U.S. Government and Agencies	5.0	4.1	3.7	4.0	2.8
State and Municipal	1.3	1.0	.7	.8	.8
Public Utilities	6.8	8.2	9.7	9.1	9.3
Mortgage-Backed Securities	21.4	22.2	20.7	21.8	24.7
Corporate and Other	50.6	49.3	46.8	48.6	42.0
Redeemable Preferred Stocks	0.6	0.5	1.0	1.4	1.3
	85.7	85.3	82.6	85.7	80.9
Net Unrealized Gains (Losses) on Bonds and Redeemable Preferred Stocks held Available for Sale	2.5	1.1	2.7	(1.0)	1.8
	88.2	86.4	85.3	84.7	82.7
Other Stocks, Options and Warrants	3.7	2.8	2.3	2.7	4.6
Loans Receivable	4.3	4.9	5.6	8.4	8.5
Real Estate and Other Investments	1.7	2.0	1.9	2.0	1.9
	100.0%	100.0%	100.0%	100.0%	100.0%
Yield on Fixed Income Securities:					
Excluding realized gains and losses	7.8%	7.9%	7.9%	8.1%	8.0%
Including realized gains and losses	7.9%	7.7%	8.8%	8.1%	8.7%
Yield on Stocks:					
Excluding realized gains and losses	5.6%	5.8%	3.9%	5.1%	4.4%
Including realized gains and losses	30.2%	15.1%	8.4%	35.4%	16.9%
Yield on Investments (*):					
Excluding realized gains and losses	7.8%	7.8%	7.9%	8.1%	7.9%
Including realized gains and losses	8.2%	7.8%	8.8%	8.8%	9.0%

(*) Excludes "Real Estate and Other Investments".

Fixed Maturity Investments

Unlike many insurance groups which have portfolios that are invested heavily in tax-exempt bonds, AFG's bond portfolio is invested primarily in taxable bonds. The NAIC assigns quality ratings which range from Class 1 (highest quality) to Class 6 (lowest quality). The following table shows AFG's bonds and redeemable preferred stocks, by NAIC designation (and comparable Standard & Poor's Corporation rating) as of December 31, 1997 (dollars in millions).

NAIC Rating	Comparable S&P Rating	Amortized Cost	Market Value Amount	Market Value %
1	AAA, AA, A	$ 6,970	$ 7,223	68%
2	BBB	2,624	2,714	25
	Total investment grade	9,594	9,937	93
3	BB	400	417	4
4	B	330	347	3
5	CCC, CC, C	22	34	*
6	D	-	-	-
	Total non-investment grade	752	798	7
	Total	$10,346	$10,735	100%

(*) Less than 1%

Risks inherent in connection with fixed income securities include loss upon default and market price volatility. Factors which can affect the market price of securities include: creditworthiness, changes in interest rates, the number of market makers and investors and defaults by major issuers of securities.

AFG's primary investment objective for bonds and redeemable preferred stocks is to earn interest and dividend income rather than to realize capital gains. AFG invests in bonds and redeemable preferred stocks that have primarily short-term and intermediate-term maturities. This practice allows flexibility in reacting to fluctuations of interest rates.

Equity Investments

AFG's equity investment practice permits concentration of attention on a relatively limited number of companies. Some of the equity investments, because of their size, may not be as readily marketable as the typical small investment position. Alternatively, a large equity position may be attractive to persons seeking to control or influence the policies of a company and AFG's concentration in a relatively small number of companies may permit it to identify investments with above average potential to increase in value.

Chiquita At December 31, 1997, AFG owned 24 million shares of Chiquita common stock representing 39% of its outstanding shares. The carrying value and market value of AFG's investment in Chiquita were approximately $201 million and $391 million, respectively, at December 31, 1997. Chiquita is a leading international marketer, producer and distributor of bananas and other quality fresh and processed food products. In addition to bananas, these products include other tropical fruit and fresh produce; fruit and vegetable juices and beverages; processed fruits and vegetables; salads; and edible oil-based consumer products.

Citicasters In September 1996, AFG sold its investment in Citicasters to Jacor Communications for approximately $220 million in cash plus warrants to purchase Jacor common stock. Citicasters owned radio and television stations in major markets throughout the country.

Regulation

AFG's insurance company subsidiaries are subject to regulation in the jurisdictions where they do business. In general, the insurance laws of the various states establish regulatory agencies with broad administrative powers governing, among other things, premium rates, solvency standards, licensing of insurers, agents and brokers, trade practices, forms of policies, maintenance of specified reserves and capital for the protection of policyholders, deposits of securities for the benefit of policyholders, investment activities and relationships between insurance subsidiaries and their parents and affiliates. Material transactions between insurance subsidiaries and their parents and affiliates generally must be disclosed and prior approval of the applicable insurance regulatory authorities generally is required for any such transaction which may be deemed to be material or extraordinary. In addition, while differing from state to state, these regulations typically restrict the maximum amount of dividends that may be paid by an insurer to its shareholders in any twelve-month period without advance regulatory approval. Such limitations are generally based on net earnings or statutory surplus. Under applicable restrictions, the maximum amount of dividends available to AFG in 1998 from its insurance subsidiaries without seeking regulatory clearance is approximately $221 million.

Changes in state insurance laws and regulations have the potential to materially affect the revenues and expenses of the insurance operations. The Company is unable to predict whether or when laws or regulations may be adopted or enacted in such states or what the impact of such developments would be on the future operations and revenues of its insurance businesses in such states.

Prior to 1995, minimum premium rates for California workers' compensation insurance were determined by the California Commissioner based in part upon recommendations of the Workers' Compensation Insurance Rating Bureau of California. In July 1993, California enacted legislation (the "Reform Legislation") effecting an immediate overall 7% reduction in workers' compensation insurance premium rates and replaced the workers' compensation insurance minimum rate law, effective January 1, 1995, with a procedure permitting insurers to use any rate within 30 days after its filing with the California Commissioner unless the rate is disapproved by the California Commissioner. Between December 1, 1993 and January 1, 1995, when the "open rating" policy went into effect, the California Commissioner ordered additional rate decreases totaling more than 25%.

Most states have created insurance guarantee associations to provide for the payment of claims of insurance companies that become insolvent. Annual assessments for AFG's insurance companies have not been material. In addition, many states have created "assigned risk" plans or similar arrangements to provide state mandated minimum levels of automobile liability coverage to drivers whose driving records or other relevant characteristics make it difficult for them to obtain insurance otherwise. Automobile insurers in those states are required to provide such coverage to a proportionate number of those drivers applying as assigned risks. Premium rates for assigned risk business are established by the regulators of the particular state plan and are frequently inadequate in relation to the risks insured, resulting in underwriting losses. Assigned risks accounted for approximately one percent of AFG's net written premiums in 1997.

The NAIC is an organization which is comprised of the chief insurance regulator for each of the 50 states and the District of Columbia. In 1990, the NAIC began an accreditation program to ensure that states have adequate procedures in place for effective insurance regulation, especially with respect to financial solvency. The accreditation program requires that a state meet specific minimum standards in over 15 regulatory areas to be considered for accreditation. The accreditation program is an ongoing process and once accredited, a state must enact any new or modified standards approved by the NAIC within two years following adoption. As of December 31, 1997, the District of Columbia and 48 states were accredited including states which regulate AFG's largest insurance subsidiaries.

The NAIC model law for Risk Based Capital applies to both life and property and casualty companies. The risk-based capital formulas determine the amount of capital that an insurance company needs to ensure that it has an acceptably low expectation of becoming financially impaired. The model law provides for increasing levels of regulatory intervention as the ratio of an insurer's total adjusted capital and surplus decreases relative to its risk-based capital, culminating with mandatory control of the operations of the insurer by the domiciliary insurance department at the so-called "mandatory control level". At December 31, 1997, the capital ratios of all AFG insurance companies substantially exceeded the risk-based capital requirements.

ITEM 2

Properties

Subsidiaries of AFG own several buildings in downtown Cincinnati. AFG and its affiliates occupy about three-fifths of the aggregate 650,000 square feet of commercial and office space.

AFG's insurance subsidiaries lease the majority of their office and storage facilities in numerous cities throughout the United States, including GAI's and AAG's home offices in Cincinnati. Two AAG subsidiaries own office buildings in Rapid City, South Dakota and Mobile, Alabama. The office building in Rapid City contains about 52,000 square feet, approximately three-fourths of which is utilized for company purposes. The building in Mobile is being marketed for sale or lease; one-fifth of its 82,000 square feet is company occupied.

AFG subsidiaries own transferable rights to develop approximately one million square feet of floor space in the Grand Central Terminal area in New York City. The development rights were derived from ownership of the land upon which the terminal is constructed.

ITEM 3

Legal Proceedings

AFG and its subsidiaries are involved in various litigation, most of which arose in the ordinary course of business. Except for the following, management believes that none of the litigation meets the threshold for disclosure under this Item.

In May 1994, lawsuits were filed against American Premier by USX Corporation ("USX") and its former subsidiary, Bessemer and Lake Erie Railroad Company ("B&LE"), seeking contribution by American Premier, as the successor to the railroad business conducted by Penn Central Transportation Company ("PCTC") prior to 1976, for all or a portion of the approximately $600 million that USX paid in satisfaction of a judgment against B&LE for its participation in an unlawful antitrust conspiracy among certain railroads commencing in the 1950's and continuing through the 1970's. The lawsuits argue that USX's liability for that payment was attributable to PCTC's alleged activities in furtherance of the conspiracy. On October 13, 1994, the U.S. District Court for the Eastern district of Pennsylvania enjoined USX and B&LE from continuing their lawsuits against American Premier, ruling that their claims are barred by the 1978 Consummation Order issued by that Court in PCTC's bankruptcy reorganization proceedings. USX and B&LE appealed the District Court's ruling to the U.S. Court of Appeals for the Third Circuit. On December 13, 1995, the Court of Appeals reversed the U.S. District Court decision. In its opinion, the Court of Appeals only addressed American Premier's procedural argument that the claims of USX could not proceed because they are barred by the Consummation Order. The Third Circuit expressly recognized in its opinion that it was not deciding any of American Premier's defenses on the merits.

In January 1996, American Premier filed a petition for rehearing en banc, which requests all of the judges of the Third Circuit to review the three-judge panel's decision. That petition was denied in February 1996. In May 1996, the U.S. Supreme Court declined to hear American Premier's petition with respect to the bankruptcy bar issue, thereby permitting USX's lawsuits to proceed. American Premier and its outside counsel believe that American Premier has substantial defenses to these lawsuits, besides the bankruptcy bar issue, and should not suffer a material loss as a result of this litigation.

American Premier is a party or named as a potentially responsible party in a number of proceedings and claims by regulatory agencies and private parties under various environmental protection laws, including the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), seeking to impose responsibility on American Premier for hazardous waste remediation costs at certain railroad sites formerly owned by PCTC and at certain other sites where hazardous waste allegedly generated by PCTC's railroad operations is present. It is difficult to estimate American Premier's liability for remediation costs at these sites for a number of reasons, including the number and financial resources of other potentially responsible parties involved at a given site, the varying availability of evidence by which to allocate responsibility among such parties, the wide range of costs for possible remediation alternatives, changing technology and the period of time over which these matters develop. Nevertheless, American Premier believes that its previously established loss accruals for potential pre-reorganization environmental liabilities at such sites are adequate to cover the probable amount of such liabilities, based on American Premier's estimates of remediation costs and related expenses at such sites and its estimates of the portions of such costs that will be borne by other parties. Such estimates are based on information currently available to American Premier and are subject to future change as additional information becomes available. American Premier intends to seek reimbursement from certain insurers for portions of whatever remediation costs it incurs.

In terms of potential liability to American Premier, the company believes that the most significant such site is the railyard at Paoli, Pennsylvania ("Paoli Yard") which PCTC transferred to Consolidated Rail Corporation ("Conrail") in 1976. A Record of Decision issued by the U.S. Environmental Protection Agency in 1992 presented a final selected remedial action for clean-up of polychlorinated biphenyls ("PCB's") at Paoli Yard having an estimated cost of approximately $28 million. American Premier has accrued its portion of such estimated clean-up costs in its financial statements (in addition to other expenses) but has not accrued the entire amount because it believes it is probable that other parties, including Conrail, will be responsible for substantial percentages of the clean-up costs by virtue of their operation of electrified railroad cars at Paoli Yard that discharged PCB's at higher levels than discharged by cars operated by PCTC.

In management's opinion, the outcome of the foregoing environmental claims and contingencies will not, individually or in the aggregate, have a material adverse effect on the financial condition of American Premier. In making this assessment, management has taken into account previously established loss accruals in its financial statements and probable recoveries from third parties.

ITEM 4

Submission of Matters to a Vote of Security Holders

AFG's predecessor held a Special Meeting of Shareholders on December 2, 1997, to vote upon a Plan of Reorganization pursuant to which it would become a wholly-owned subsidiary of a newly formed holding company (the new AFG) and each share of its common stock would be converted into one share of the new holding company's common stock. The votes cast for the proposal were as follows: for - 43,086,324; against - 111,175; and abstain - 206,447.

PART II

ITEM 5

Market for Registrant's Common Equity and Related Stockholder Matters

AFG (and its predecessor's) Common Stock has been listed and traded on the New York Stock Exchange under the symbol AFG. The information presented in the table below represents the high and low sales prices per share reported on the NYSE Composite Tape.

	1997		1996	
	High	Low	High	Low
First Quarter	$38 3/8	$34 7/8	$34 1/2	$29 3/4
Second Quarter	42 3/4	32 3/8	32	28 1/2
Third Quarter	49 1/4	42 3/16	33 1/4	28 5/8
Fourth Quarter	46 11/16	34 9/16	38 7/8	31 1/4

There were approximately 17,100 shareholders of record of AFG Common Stock at March 1, 1998. AFG's policy is to pay quarterly dividends on its Common Stock in amounts determined by its Board of Directors. In 1997 and 1996, AFG declared and paid quarterly dividends of $.25 per share. The ability of AFG to pay dividends will be dependent upon, among other things, the availability of dividends and payments under intercompany tax allocation agreements from its insurance company subsidiaries.

ITEM 6

Selected Financial Data

The following table sets forth certain data for the periods indicated (dollars in millions, except per share data).

	1997	1996	1995	1994	1993
Earnings Statement Data:					
Total Revenues	$4,021	$4,115	$3,630	$2,104	$2,721
Earnings Before Income Taxes and Extraordinary Items	320	353	247	44	262
Earnings Before Extraordinary Items	199	262	190	19	225
Extraordinary Items	(7)	(29)	1	(17)	(5)
Net Earnings	192	233	191	2	220
Basic Earnings (Loss) Per Common Share (a):					
Earnings (Loss) before Extraordinary Items and Premium on Redemption of Preferred Stock	$3.34	$4.31	$3.87	($.24)	$7.01
Net Earnings (Loss) Available to Common Shares	.65	3.84	3.88	(.83)	6.85
Diluted Earnings (Loss) Per Common Share (a):					
Earnings (Loss) before Extraordinary Items and Premium on Redemption of Preferred Stock	$3.28	$4.26	$3.83	($.24)	$7.01
Net Earnings (Loss) Available to Common Shares	.64	3.79	3.85	(.83)	6.85
Cash Dividends Paid Per Share of Common Stock	$1.00	$1.00	$.75	(b)	(b)
Ratio of Earnings to Fixed Charges (c)	3.98	4.22	2.60	1.69	2.62
Balance Sheet Data:					
Total Assets	$15,755	$15,051	$14,954	$10,593	$10,077
Long-term Debt:					
Holding Companies	387	340	648	849	771
Subsidiaries	194	178	234	258	283
Minority Interest (d)	513	494	314	106	109
Capital Subject to Mandatory Redemption	-	-	-	3	49
Other Capital	1,663	1,554	1,440	396	537

(a) Earnings per share amounts prior to 1997 have been restated to comply with Statement of Financial Accounting Standards No. 128 - "Earnings Per Share." Net earnings available to common shares for 1997 is calculated after deducting a premium over stated value on redemption of a subsidiary's preferred stock of $153.3 million. The number of shares used for periods prior to April 1995, is the 28.3 million shares issued in exchange for AFC shares in the Mergers discussed in Note A.

(b) Prior to the Mergers, AFC's common stock was privately held by members of the Lindner family. In 1995, American Premier declared and paid cash dividends per share of $.25 prior to the Mergers; it also declared cash dividends of $.91 in 1994 and $.85 in 1993. AFG declared two quarterly $.25 per share dividends subsequent to the Mergers in 1995.

(c) Fixed charges are computed on a "total enterprise" basis. For purposes of calculating the ratios, "earnings" have been computed by adding to pretax earnings the fixed charges and the minority interest in earnings of subsidiaries having fixed charges and deducting (adding) the undistributed equity in earnings (losses) of investees. Fixed charges include interest (excluding interest on annuity benefits), amortization of debt premium/discount and expense, preferred dividend and distribution requirements of subsidiaries and a portion of rental expense deemed to be representative of the interest factor.

(d) Includes AFC preferred stock following the Mergers and trust preferred securities of subsidiaries issued in 1996 and 1997.

ITEM 7

Management's Discussion and Analysis of Financial Condition and Results of Operations

GENERAL

Following is a discussion and analysis of the financial statements and other statistical data that management believes will enhance the understanding of AFG's financial condition and results of operations. This discussion should be read in conjunction with the financial statements beginning on page F-1.

As discussed in Note A to the financial statements, financial statements for periods prior to the 1995 Mergers are those of AFC. The operations of American Premier are included in AFG's financial statements from the date of acquisition.

LIQUIDITY AND CAPITAL RESOURCES

Ratios From the date of the 1995 Mergers to the end of 1997, approximately $1.4 billion of AFC and American Premier debt and preferred stock was retired or replaced with lower cost financing; aggregate debt and preferred securities were reduced by approximately two-thirds. AFG's debt to total capital ratio at the parent holding company level improved from nearly 60% at the date of the 1995 Mergers to approximately 17% at December 31, 1997. These reductions and replacements reduce AFG's interest expense and preferred dividend requirements by over $110 million annually.

AFG's ratio of earnings to fixed charges on a total enterprise basis was 3.98, 4.22 and 2.60 for the years ended December 31, 1997, 1996 and 1995, respectively.

The National Association of Insurance Commissioners' model law for risk based capital ("RBC") applies to both life and property and casualty companies. RBC formulas determine the amount of capital that an insurance company needs to ensure that it has an acceptable expectation of not becoming financially impaired. At December 31, 1997, the capital ratios of all AFG insurance companies substantially exceeded the RBC requirements (the lowest capital ratio of any AFG subsidiary was 3.5 times its authorized control level RBC; weighted average of all AFG subsidiaries was 5.2 times).

Sources of Funds AFG and its subsidiaries, AFC Holding, AFC and American Premier, are organized as holding companies with almost all of their operations being conducted by subsidiaries. These parent corporations, however, have continuing cash needs for administrative expenses, the payment of principal and interest on borrowings, and shareholder dividends. Funds to meet these obligations come primarily from dividend and tax payments from their subsidiaries.

Management believes these parent holding companies have sufficient resources to meet their liquidity requirements through operations in the short-term and long-term future. If funds generated from operations, including dividends from subsidiaries, are insufficient to meet fixed charges in any period, these companies would be required to generate cash through borrowings, sales of securities or other assets, or similar transactions.

Prior to the 1995 Mergers, American Premier had substantial cash and short-term investments at the parent company level. Subsequent to the Mergers, AFC and two of its subsidiaries entered into separate credit agreements with American Premier. Funds borrowed from American Premier under these agreements were used for debt retirements, capital contributions to subsidiaries, and other corporate purposes. In December 1997, the parent holding companies entered into a reciprocal Master Credit Agreement under which these companies make funds available to each other for general corporate purposes.

In December 1996, American Premier paid a dividend to AFG in the form of a $675 million note receivable from AFC under its credit agreement plus $18.7 million of related accrued interest. AFG then contributed $450 million of the note (without accrued interest) to the capital of AFC. At the close of business on December 31, 1996, AFG contributed to AFC 81% of the common stock of American Premier.

In 1996, three nationally recognized rating agencies issued or upgraded ratings on AFC, American Premier and AAG public debentures. All of the AFC and AAG senior debentures are now rated investment grade; the APU and AAG subordinated debentures are rated investment grade by two of the agencies. Generally, the upgrades reflect the expectation that AFG's consolidated debt to total capital will remain conservative and that coverage ratios will benefit from higher subsidiary earnings and a lower level of fixed charges at AFG's subsidiaries.

A new five-year, $300 million bank credit line was established by AFC in February 1998 replacing two subsidiary holding company lines. The new credit line provides ample liquidity and can be used to obtain funds for operating subsidiaries or, if necessary, for the parent companies. At December 31, 1997, there was $45 million borrowed under the two holding company lines.

In the past, funds have been borrowed under bank facilities and used for working capital, capital infusions into subsidiaries, and to retire other issues of short-term or high-rate debt and preferred stock. Also, AFG believes it may be prudent and advisable to utilize portions of the bank debt in the normal course over the next year or two.

In 1996 and 1997, wholly-owned trust subsidiaries of AFC Holding and AAG sold preferred securities for cash proceeds totaling $100 million and $225 million, respectively. Proceeds were used to retire outstanding debt and preferred stock of subsidiaries and for general corporate purposes, including a capital contribution to a subsidiary.

In February 1997, AFG filed a shelf registration statement for the future issuance of up to an aggregate of $500 million in common stock, debt or trust securities, with no more than $200 million of any one security being issued. The filing provides AFG with greater flexibility to access the capital markets from time to time as market and other conditions permit. In December 1997, AFG issued $100 million of 7-1/8% Senior Debentures due 2007 under this shelf registration statement. AFG used the proceeds to retire outstanding preferred stock of AFC and minority shares of a subsidiary.

Dividend payments from subsidiaries have been very important to the liquidity and cash flow of the individual holding companies in the past. However, the reliance on such dividend payments has been lessened by the combination of (i) strong capital at AFG's insurance subsidiaries (and the related decreased likelihood of a need for investment in those companies), (ii) the reductions of debt at the holding companies (and the related decrease in ongoing cash needs for interest and principal payments), (iii) AFG's ability to obtain financing in capital markets, as well as (iv) the sales of non-core investments.

For statutory accounting purposes, equity securities are generally carried at market value. At December 31, 1997, AFG's insurance companies owned publicly traded equity securities with a market value of $1.5 billion, including equity securities of AFG affiliates (including subsidiaries) of $1.1 billion. Since significant amounts of these are concentrated in a relatively small number of companies, decreases in the market prices could adversely affect the insurance group's capital, potentially impacting the amount of dividends available or necessitating a capital contribution. Conversely, increases in the market prices could have a favorable impact on the group's dividend-paying capability.

Beginning with the 1997 federal tax return, American Premier will join AFC's consolidated return. Under tax allocation agreements with AFC, its 80%-owned U.S. subsidiaries generally compute tax provisions as if filing separate returns based on book taxable income computed in accordance with generally accepted accounting principles. The resulting provision (or credit) is currently payable to (or receivable from) AFC.

Uncertainties Two lawsuits were filed in 1994 against American Premier by USX Corporation ("USX") and a former USX subsidiary. The lawsuits seek contribution from American Premier for all or a portion of a $600 million final antitrust judgment entered against a USX subsidiary in 1994. The lawsuits argue that USX's liability for that judgment is attributable to the alleged activities of American Premier's predecessor in an unlawful antitrust conspiracy among certain railroad companies. American Premier and its outside counsel believe that American Premier has substantial defenses and should not suffer a material loss as a result of this litigation.

Great American's liability for unpaid losses and loss adjustment expenses includes amounts for various liability coverages related to environmental, hazardous product and other mass tort claims. At December 31, 1997, Great American had recorded $348 million (net of reinsurance recoverables of $173 million) for such claims on policies written many years ago where, in most cases, coverage was never intended. Due to inconsistent court decisions on many coverage issues and the difficulty in determining standards acceptable for cleaning up pollution sites, significant uncertainties exist which are not likely to be resolved in the near future.

AFG's subsidiaries are parties in a number of proceedings relating to former operations. See Note N to the financial statements.

Most businesses utilizing computing technology are facing a problem with the year 2000. The Year 2000 problem is caused by the widespread use of computer programs that lack the ability to properly interpret two-digit codes representing the year 2000 and beyond. This program flaw can cause computation errors, faulty information processing and reporting and, in some instances, complete shutdown of critical applications.

During the early 1990's Great American designed and developed software to automate the Year 2000 conversion process. In 1995 Great American formed Millennium Dynamics, Inc. ("MDI") to publicly market its software and consultative services worldwide. In connection with the sale of MDI in the fourth quarter of 1997, AFG retained licenses to utilize MDI's software internally.

Each segment of AFG's operations is comprised of multiple business units most of which utilize stand-alone computer programs. These businesses are in the process of either (i) modifying their programs utilizing the MDI software along with other internal and external resources or (ii) replacing programs with new software that is Year 2000 compliant. AFG's goal is to have program modifications and new software installations substantially completed by the end of 1998. A significant portion of AFG's Year 2000 project will be completed using internal staff. Incremental Year 2000 costs are not expected to have a material effect on AFG's financial statements.

Projected Year 2000 costs and completion dates are based on management's best estimate. However, there can be no assurance that these estimates will be achieved. Factors such as the availability of trained personnel could affect the successful completion of the project. Should software modifications and new software installation not be completed on a timely basis, the resulting disruptions could have a material adverse impact on operations.

AFG's operations could also be affected by the inability of third parties such as agents and vendors to successfully become Year 2000 compliant. In addition, AFG's property and casualty insurance operations are reviewing policy forms and amendatory endorsements and examining coverage issues for Year 2000 exposures. Management believes that these issues will not have a material impact on AFG's financial statements.

While the results of all such uncertainties cannot be predicted, based upon its knowledge of the facts, circumstances and applicable laws, management believes that sufficient reserves have been provided.

Investments   Approximately 70% of AFG's consolidated assets are invested in marketable securities. A diverse portfolio of primarily publicly traded bonds and notes accounts for nearly 95% of these securities. AFG attempts to optimize investment income while building the value of its portfolio, placing emphasis upon long-term performance. AFG's goal is to maximize return on an ongoing basis rather than focusing on short-term performance.

Fixed income investment funds are generally invested in securities with short-term and intermediate-term maturities with an objective of optimizing total return while allowing flexibility to react to changes in market conditions. At December 31, 1997, the average life of AFG's bonds and redeemable preferred stocks was just over 6 years.

Approximately 93% of the bonds and redeemable preferred stocks held by AFG were rated "investment grade" (credit rating of AAA to BBB) by nationally recognized rating agencies at December 31, 1997. Investment grade securities generally bear lower yields and lower degrees of risk than those that are unrated and non-investment grade. Management believes that the high quality investment portfolio should generate a stable and predictable investment return.

Investments in mortgage-backed securities ("MBSs") represented approximately one-fourth of AFG's bonds and redeemable preferred stocks at December 31, 1997. AFG invests primarily in MBSs which have a reduced risk of prepayment. In addition, the majority of MBSs held by AFG were purchased at a discount. Management believes that the structure and discounted nature of the MBSs will mitigate the effect of prepayments on earnings over the anticipated life of the MBS portfolio. More than 90% of AFG's MBSs are rated "AAA" with substantially all being of investment grade quality. The market in which these securities trade is highly liquid. Aside from interest rate risk, AFG does not believe a material risk (relative to earnings or liquidity) is inherent in holding such investments.

Because most income of the property and casualty insurance subsidiaries has been sheltered from income taxes through 1997, non-taxable municipal bonds represent only a small portion (less than 1%) of the portfolio.

AFG's equity securities are concentrated in a relatively limited number of major positions. This approach allows management to more closely monitor the companies and industries in which they operate.

Prior to the 1995 Mergers, the realization of capital gains, primarily through sales of equity securities, was an integral part of AFG's investment program. Individual securities are sold creating gains or losses as market opportunities exist. Pretax capital gains recognized upon disposition of securities, including investees, during the past five years have been: 1997 - $57 million; 1996 - $166 million; 1995 - $84 million; 1994 - - $50 million and 1993 - $165 million. At December 31, 1997, the net unrealized gain on AFG's bonds and redeemable preferred stocks was $389 million; the net unrealized gain on equity securities was $293 million.

RESULTS OF OPERATIONS - THREE YEARS ENDED DECEMBER 31, 1997

General As previously noted, financial statements for periods prior to the April 1995 Mergers are those of AFC. The operations of American Premier are included in AFG's financial statements from the date of acquisition. AFC had accounted for American Premier as an investee from the second quarter of 1993 through the first quarter of 1995. Accordingly, income statement components for 1997 and 1996 are not comparable to prior years.

Pretax earnings before extraordinary items were $320 million in 1997, $353 million in 1996 and $247 million in 1995.

Results for 1997 include $91 million in pretax gains, primarily on the sales of affiliates and other securities, and reflect declines of $41 million in underwriting results in AFG's property and casualty insurance business and $24 million in interest expense.

Results for 1996 include $203 million in pretax gains primarily on the sales of Citicasters and Buckeye, reduced by a charge of $80 million resulting from a decision to strengthen insurance reserves relating to asbestos and other environmental matters ("A&E").

In addition to the earnings contribution resulting from the Mergers, results for 1995 include $84 million in pretax gains on the sale of securities.

Property and Casualty Insurance - Underwriting AFG manages and operates its property and casualty business as three major sectors. The nonstandard automobile insurance companies (the "NSA Group") insure risks not typically accepted for standard automobile coverage because of the applicant's driving record, type of vehicle, age or other criteria. The specialty lines are a diversified group of over twenty-five business lines that offer a wide variety of specialty insurance products. Some of the more significant areas are California workers' compensation, executive liability, inland and ocean marine, U.S.-based operations of Japanese companies, agricultural-related coverages, non-profit liability, general aviation coverages, fidelity and surety bonds, and umbrella and excess. The commercial and personal lines provide coverages in workers' compensation, commercial multi-peril, umbrella and commercial automobile, standard private passenger automobile and homeowners insurance.

To understand the overall profitability of particular lines, the timing of claims payments and the related impact of investment income must be considered. Certain "short-tail" lines of business (primarily property coverages) have quick loss payouts which reduce the time funds are held, thereby limiting investment income earned thereon. On the other hand, "long-tail" lines of business (primarily liability coverages and workers' compensation) have payouts that are either structured over many years or take many years to settle, thereby significantly increasing investment income earned on related premiums received.

Underwriting profitability is measured by the combined ratio which is a sum of the ratios of underwriting losses, loss adjustment expenses, underwriting expenses and policyholder dividends to premiums. When the combined ratio is under 100%, underwriting results are generally considered profitable; when the ratio is over 100%, underwriting results are generally considered unprofitable. The combined ratio does not reflect investment income, other income or federal income taxes.

For certain lines of business and products where the credibility of the range of loss projections is less certain (primarily the various specialty lines listed above), management believes that it is prudent and appropriate to use conservative assumptions until such time as the data, experience and projections have more credibility, as evidenced by data volume, consistency and maturity of the data. While this practice mitigates the risk of adverse development on this business, it does not eliminate it.

While AFG desires and seeks to earn an underwriting profit on all of its business, it is not always possible to do so. As a result, AFG attempts to expand in the most profitable areas and control growth or even reduce its involvement in the least profitable ones.

In 1997, underwriting results of AFG's insurance operations outperformed the industry average for the twelfth consecutive year. AFG's insurance operations have been able to exceed the industry's results by focusing on growth opportunities in the more profitable areas of the specialty lines and nonstandard auto businesses.

Comparisons made in the following discussion of AFG's insurance operations include American Premier's insurance operations even though they were not consolidated in the financial statements prior to the 1995 Mergers.

Net written premiums and combined ratios for AFG's property and casualty insurance subsidiaries were as follows (dollars in millions):

	1997	1996	1995
Net Written Premiums (GAAP)			
NSA Group	$1,248	$1,135	$1,277
Specialty Operations	1,103	993	1,097
Commercial and Personal Operations	507	660	717
Other Lines	-	-	1
	$2,858	$2,788	$3,092
Combined Ratios (GAAP)			
NSA Group	97.2%	99.9%	105.2%
Specialty Operations	99.0	84.1	94.8
Commercial and Personal Operations	106.0	110.6	99.1
Aggregate (including A&E and other lines)	101.4	102.9	101.2

Operating results for 1996 were adversely impacted by two unusual items: (i) higher than normal catastrophe losses including approximately $30 million in losses due to Hurricane Fran and (ii) increases in A&E reserves (exposures for which AFG may be liable under general liability policies written years ago). A standard insurance measure used in analyzing the adequacy of A&E reserves is the "survival ratio" (reserves divided by three-year average annual paid losses). Due in part to the greater uncertainties inherent in estimating A&E claims, management evaluates its survival ratio in relation to those published for the industry. Based primarily on industry survival ratios published in mid-1996, AFG increased A&E reserves of its discontinued insurance lines by $120 million by recording a third quarter, non-cash pretax charge of $80 million and reallocating $40 million, or approximately 2%, of reserves from its Specialty Operations. Reserves for unpaid losses and loss adjustment expenses of the Specialty Lines were approximately $2.0 billion, $2.1 billion and $2.2 billion at December 31, 1997, 1996 and 1995, respectively. A&E reserves at December 31, 1997, were approximately $348 million, an amount equal to approximately 10 times the preceding three years' average claim payments.

NSA Group The NSA Group's 10% increase in net written premiums during 1997 is due primarily to volume increases in California resulting from enactment of legislation which requires drivers to provide proof of insurance in order to obtain a valid permit. During 1995 and early 1996, the NSA Group implemented premium rate increases in various states. In 1996, the higher rate levels along with competitive pressures in the nonstandard automobile insurance industry resulted in an 11% decline in net written premiums. These rate increases contributed to the improvement in the combined ratio in 1997 and 1996.

Specialty Operations Net written premiums for the specialty operations increased 11% in 1997 due primarily to premiums recorded by a newly acquired aviation division and the return of premiums in 1996 related to the withdrawal from a voluntary pool. The specialty operations had profitable underwriting results for 1997 despite a significant decline in the results of AFG's California workers' compensation business relating to (i) deteriorating underwriting margins on business written in 1996 and 1997 and (ii) reserve reductions in 1996 primarily for business written prior to 1995 in response to fundamental change in the California workers' compensation market and actuarial evaluations. The specialty lines combined ratio was unusually low in 1996 due primarily to the reallocation of $40 million in reserves to A&E reserves (a combined ratio impact of 4.1 percentage points) and the 1996 reductions in California workers' compensation reserves mentioned above.

Net written premiums for the specialty operations declined 9% during 1996 due primarily to a decrease in the California workers' compensation business and withdrawal from an unprofitable pool at the end of 1995, partially offset by increases in other specialty niche lines. The decline in California workers' compensation premiums reflects (i) extremely competitive pricing in the marketplace as a result of the repeal of the California workers' compensation minimum rate law effective January 1, 1995 and (ii) the impact of mandatory premium rate reductions which took effect a year earlier.

Excluding the impact of the decreases in the California workers' compensation business and the withdrawal from the voluntary pool, specialty net written premiums increased $16 million (2%) in 1996. The increase is due in part to increases in specialized coverages for fidelity and surety bonds, executive liability, animal mortality and collateral protection exposures.

Commercial and Personal Operations Net written premiums for the commercial and personal operations decreased 23% in 1997 due primarily to a reinsurance agreement, effective January 1, 1997, under which 80% of all AFG's homeowners' business was reinsured, and reduced writings of personal automobile coverages in certain states. Excluding the impact of the reinsurance agreement, premiums decreased 10%. Even though underwriting results for 1997 were impacted by several current year commercial casualty losses as well as adverse development in certain prior year claims, improvements in personal lines contributed to a lower combined ratio.

Net written premiums for the commercial and personal operations decreased 8% in 1996. The decrease is due primarily to significant reductions in homeowners coverages in certain states as well as competitive pricing conditions in the commercial casualty market, partially offset by increases in writings of workers' compensation coverages. The profitability of the commercial and personal operations declined in 1996 due primarily to deterioration in personal lines operations as well as weather-related losses, including losses from Hurricane Fran.

Life, Accident and Health Premiums and Benefits Life, accident and health premiums and benefits increased in 1997 due primarily to an increase in pre-need life insurance sales through the largest owner of funeral homes in the world. The increase in life, accident and health premiums and expenses in 1996 reflects AAG's acquisition of American Memorial and Loyal.

Investment Income Changes in investment income reflect fluctuations in market rates and changes in average invested assets.

1997 compared to 1996 Investment income increased $22.5 million (3%) from 1996 due primarily to an increase in the average amount of investments held partially offset by lower interest rates available in the marketplace.

1996 compared to 1995 Investment income increased $96 million (13%) from 1995; adjusting for the effects of the 1995 Mergers retroactively to January 1, 1995, investment income increased $55 million (7%) from 1995 due primarily to an increase in the average amount of investments held.

Investee Corporations Equity in net earnings of investee corporations (companies in which AFG owns a significant portion of the voting stock) represents AFG's proportionate share of the investees' earnings and losses.

1997 compared to 1996 AFG recorded equity in net losses of investee corporations of $5.6 million in 1997 and $17 million in 1996. Chiquita's loss attributable to common shareholders was $17 million for 1997; results were adversely affected by a stronger dollar in relation to major European currencies (mitigated in part by the company's foreign currency hedging program) and by increased banana production costs resulting primarily from widespread flooding in 1996. These factors more than offset the benefit of higher local currency banana pricing in Europe during the second half of the year. For 1996, the loss attributable to common shareholders was $63 million and included pretax writedowns and costs of $70 million resulting from (i) industry-wide flooding in Costa Rica, Guatemala and Honduras, (ii) certain strategic undertakings designed to achieve further long-term reductions in the delivered product cost of Chiquita bananas and (iii) certain claims relating to prior European Union quota restructuring actions.

1996 compared to 1995 AFG's equity in net earnings of investee corporations decreased $32 million in 1996 compared to 1995. Chiquita reported a decrease in earnings attributable to common shareholders of $63 million in 1996 due primarily to the pretax writedowns and costs of $70 million mentioned above. Earnings attributable to common shareholders for 1995 were $946,000 and included a pretax gain of $19 million primarily resulting from divestitures of operations and other actions taken as part of the company's ongoing program to improve shareholder value. These divestitures and other actions included sales of older ships, the sale of Chiquita's Costa Rican edible oils operations, the shut-down of a portion of Chiquita's juice operations and the reconfiguration of banana production assets.

Gains on Sales of Investees The gain on sale of investee in 1997 represents a pretax gain to AFG as a result of Chiquita's public issuance of 4.6 million shares of its common stock. The gain on sale of investee in 1996 represents a pretax gain, before $6.5 million of minority interest, on the sale of Citicasters common stock.

Gains on Sales of Subsidiaries The gains on sales of subsidiaries in 1997 include (i) a pretax gain of $49.9 million on the sale of MDI and (ii) a charge of $17 million relating to operations expected to be sold or otherwise disposed of in 1998. The gains on sales of subsidiaries in 1996 include a pretax gain of $33.9 million on the sale of Buckeye Management Company and the settlement of litigation related to a subsidiary sold in 1993.

Other Income Other income decreased $14.9 million (11%) in 1997 compared to 1996 due primarily to the absence of revenues from a non-insurance subsidiary which was sold in the first quarter of 1997.

Annuity Benefits For GAAP financial reporting purposes, annuity receipts are accounted for as interest-bearing deposits ("annuity benefits accumulated") rather than as revenues. Under these contracts, policyholders' funds are credited with interest on a tax-deferred basis until withdrawn by the policyholder. Annuity benefits represent primarily interest related to annuity policyholders' funds held. The rate at which AAG credits interest on most of its annuity policyholders' funds is subject to change based on management's judgment of market conditions.

Fixed annuity receipts totaled approximately $490 million in 1997, $570 million in 1996 and $460 million in 1995. Annuity receipts increased each year from 1993 through 1996 due primarily to sales of newly introduced single premium products and, in 1995, the development of new distribution channels. Annuity receipts in 1997 reflect the decrease of business written by a single agency from $99 million in 1996 to $23 million in 1997. AAG is no longer writing business through this agency.

Annuity benefits increased $7 million (3%) in 1997 and $17.2 million (7%) in 1996 due primarily to an increase in average annuity benefits accumulated partially offset by decreases in crediting rates on AAG's fixed rate annuities.

Interest on Borrowed Money Changes in interest expense result from fluctuations in market rates as well as changes in borrowings. AFG has generally financed its borrowings on a long-term basis which has resulted in higher current costs.

1997 compared to 1996 Interest expense decreased $23.7 million (31%) from 1996. The decrease reflects significant debt reductions in 1996.

1996 compared to 1995 Interest expense for 1996 was $76.1 million and interest expense for 1995, adjusted to reflect the effect of the 1995 Mergers retroactively to January 1, 1995, was $116.3 million. The $40 million (35%) decrease reflects significant debt retirements during both 1995 and 1996.

Minority Interest Expense Minority interest expense for 1996 includes $6.5 million related to the sale of Citicasters shares held by AFEI. Dividends paid by subsidiaries on their preferred securities have varied as the securities were issued and retired over the past three years. Prior to the Mergers in 1995, AFC (AFG's predecessor) preferred dividends of $6.3 million were not recorded as minority interest.

Other Operating and General Expenses Operating and general expenses in 1997 include third quarter charges of $5.5 million relating to an arbitration settlement and $4.0 million relating to relocating a subsidiary's operations to Cincinnati. These charges were more than offset by a reduction caused by the absence of expenses from a non-insurance subsidiary which was sold in the first quarter of 1997.

Income Taxes See Note K to the Financial Statements for an analysis of items affecting AFG's effective tax rate.

New Accounting Standards to be Implemented During 1997, the Financial Accounting Standards Board issued the following Statement of Financial Accounting Standards ("SFAS"); the implementation of these standards will not have a significant effect on AFG's financial position or results of operations.

SFAS #	Subject of Standard	Period to be Implemented
130	Comprehensive Income	1st quarter of 1998
131	Segment Information	4th quarter of 1998

SFAS No. 130 establishes standards for the reporting of a company's change in equity during the period from non-owner sources. For AFG, comprehensive income will principally consist of net income and the change in net unrealized gains on marketable securities. SFAS No. 131 establishes standards for the way companies report information about operating segments, products and services, geographic areas and major customers. Implementation of these standards will not have a significant effect on AFG's financial position, net income or reported segments.

ITEM 8

Financial Statements and Supplementary Data

"Selected Quarterly Financial Data" has been included in Note O to the Consolidated Financial Statements.

PART III

The information required by the following Items will be included in AFG's definitive Proxy Statement for the 1998 Annual Meeting of Shareholders which will be filed with the Securities and Exchange Commission within 120 days after the end of Registrant's fiscal year and is incorporated herein by reference.

ITEM 10 Directors and Executive Officers of the Registrant

ITEM 11 Executive Compensation

ITEM 12 Security Ownership of Certain Beneficial Owners and Management

ITEM 13 Certain Relationships and Related Transactions

REPORT OF INDEPENDENT AUDITORS

Board of Directors
American Financial Group, Inc.

We have audited the accompanying consolidated balance sheet of American Financial Group, Inc. and subsidiaries as of December 31, 1997 and 1996, and the related consolidated statements of earnings and cash flows for each of the three years in the period ended December 31, 1997. Our audits also included the financial statement schedules listed in the Index at Item 14(a). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Financial Group, Inc. and subsidiaries at December 31, 1997 and 1996, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

ERNST & YOUNG LLP

Cincinnati, Ohio
March 6, 1998

AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Dollars In Thousands)

	December 31, 1997	December 31, 1996
Assets:		
Cash and short-term investments	$ 257,117	$ 448,296
Investments:		
Bonds and redeemable preferred stocks:		
Held to maturity - at amortized cost (market - $3,202,300 and $3,528,100)	3,120,106	3,491,126
Available for sale - at market (amortized cost - $7,225,736 and $6,362,597)	7,532,836	6,494,597
Other stocks - principally at market (cost - $153,322 and $142,364)	446,222	327,664
Investment in investee corporations	200,714	199,651
Loans receivable	513,694	568,765
Real estate and other investments	219,216	208,765
Total investments	12,032,788	11,290,568
Recoverables from reinsurers and prepaid reinsurance premiums	998,743	942,450
Agents' balances and premiums receivable	691,005	609,403
Deferred acquisition costs	521,898	452,041
Other receivables	243,330	272,595
Deferred tax asset	41,413	137,284
Assets held in separate accounts	300,491	247,579
Prepaid expenses, deferred charges and other assets	369,156	372,321
Cost in excess of net assets acquired	299,408	278,581
	$15,755,349	$15,051,118

Liabilities and Capital:		
Unpaid losses and loss adjustment expenses	$ 4,225,336	$ 4,123,701
Unearned premiums	1,328,910	1,247,806
Annuity benefits accumulated	5,528,111	5,365,612
Life, accident and health reserves	709,899	575,380
Long-term debt:		
Holding companies	386,661	339,504
Subsidiaries	194,084	178,415
Liabilities related to separate accounts	300,491	247,579
Accounts payable, accrued expenses and other liabilities	906,151	924,244
Total liabilities	13,579,643	13,002,241
Minority interest	512,997	494,440
Shareholders' Equity:		
Common Stock, no par value - 200,000,000 shares authorized - 61,048,904 and 61,071,626 shares outstanding	61,049	61,072
Capital surplus	775,689	745,649
Retained earnings	477,071	559,716
Net unrealized gain on marketable securities, net of deferred income taxes	348,900	188,000
Total shareholders' equity	1,662,709	1,554,437
	$15,755,349	$15,051,118

See notes to consolidated financial statements.

AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EARNINGS
(In Thousands, Except Per Share Data)

	Year ended December 31, 1997	1996	1995
Income:			
Property and casualty insurance premiums	$2,824,381	$2,844,512	$2,648,703
Life, accident and health premiums	121,506	103,552	15,691
Investment income	868,946	846,428	750,640
Equity in net earnings (losses) of investees	(5,564)	(16,955)	15,237
Realized gains (losses) on sales of securities	46,006	(3,470)	84,028
Gains on sales of investees	11,428	169,138	335
Gains on sales of subsidiaries	33,602	36,837	-
Other income	120,418	135,355	114,975
	4,020,723	4,115,397	3,629,609
Costs and Expenses:			
Property and casualty insurance:			
Losses and loss adjustment expenses	2,075,616	2,131,421	1,977,395
Commissions and other underwriting expenses	790,324	793,800	707,340
Annuity benefits	278,829	271,821	254,650
Life, accident and health benefits	110,082	92,315	13,202
Interest charges on borrowed money	52,331	76,052	122,568
Minority interest expense	54,456	47,821	33,264
Other operating and general expenses	339,475	348,923	274,271
	3,701,113	3,762,153	3,382,690
Earnings before income taxes and extraordinary items	319,610	353,244	246,919
Provision for income taxes	120,127	91,277	56,489
Earnings before extraordinary items	199,483	261,967	190,430
Extraordinary items - gain (loss) on prepayment of debt	(7,233)	(28,667)	817
Net Earnings	$ 192,250	$ 233,300	$ 191,247
Preferred dividend requirement of predecessor	-	-	(6,349)
Premium over stated value paid on redemption of preferred stock	(153,333)	-	-
Net earnings available to Common Shares	$ 38,917	$ 233,300	$ 184,898

Basic earnings (loss) per Common Share:			
Before extraordinary items	$3.34	$4.31	$3.87
Gain (loss) on prepayment of debt	(.12)	(.47)	.01
Premium on redemption of preferred stock	(2.57)	-	-
Net earnings available to Common Shares	$ .65	$3.84	$3.88
Diluted earnings (loss) per Common Share:			
Before extraordinary items	$3.28	$4.26	$3.83
Gain (loss) on prepayment of debt	(.12)	(.47)	.02
Premium on redemption of preferred stock	(2.52)	-	-
Net earnings available to Common Shares	$ .64	$3.79	$3.85
Average number of Common Shares:			
Basic	59,660	60,801	47,606
Diluted	60,748	61,494	48,050

See notes to consolidated financial statements.

AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(In Thousands)

	Year ended December 31, 1997	1996	1995
Operating Activities:			
Net earnings	$ 192,250	$ 233,300	$ 191,247
Adjustments:			
Extraordinary items	7,233	28,667	(817)
Depreciation and amortization	76,434	79,425	47,760
Annuity benefits	278,829	271,821	254,650
Equity in net (earnings) losses of investee corporations	5,564	16,955	(15,237)
Changes in reserves on assets	7,610	5,656	2,302
Realized gains on investing activities	(103,157)	(198,676)	(84,995)
Decrease (increase) in reinsurance and other receivables	(171,690)	96,387	23,192
Decrease (increase) in other assets	(48,871)	23,541	(11,503)
Increase in insurance claims and reserves	206,900	9,171	137,180
Decrease in other liabilities	(28,003)	(212,720)	(247,938)
Increase in minority interest	22,654	18,206	7,877
Dividends from investees	4,799	4,799	9,568
Other, net	(24,549)	(3,552)	(673)
	426,003	372,980	312,613
Investing Activities:			
Purchases of and additional investments in:			
Fixed maturity investments	(2,555,060)	(2,128,553)	(2,378,427)
Equity securities	(37,107)	(10,528)	(1,034)
Investees and subsidiaries	(118,713)	-	(68,591)
Real estate, property and equipment	(64,917)	(38,035)	(42,579)
Maturities and redemptions of fixed maturity investments	897,786	617,272	309,581
Sales of:			
Fixed maturity investments	1,407,598	881,114	2,310,837
Equity securities	104,960	53,195	17,379
Investees and subsidiaries	32,500	284,277	-
Real estate, property and equipment	23,289	7,981	27,759
Cash and short-term investments of acquired (former) subsidiaries	2,714	(4,589)	392,100
Decrease (increase) in other investments	(12,892)	315	(11,466)
	(319,842)	(337,551)	555,559

Financing Activities:			
Fixed annuity receipts	493,708	573,741	457,525
Annuity surrenders, benefits and withdrawals	(607,174)	(517,881)	(412,854)
Additional long-term borrowings	284,150	288,775	337,076
Reductions of long-term debt	(230,688)	(582,288)	(1,061,187)
Issuances of Common Stock	13,845	26,296	211,557
Repurchases of Common Stock	(97,320)	(8,563)	(17)
Issuances of trust preferred securities	149,353	168,876	-
Issuances of subsidiary preferred stock	-	16,800	-
Repurchases of subsidiary preferred stock	(243,939)	(36,912)	-
Cash dividends paid	(59,275)	(60,385)	(27,199)
	(297,340)	(131,541)	(495,099)
Net Increase (Decrease) in Cash and Short-term Investments	(191,179)	(96,112)	373,073
Cash and short-term investments at beginning of period	448,296	544,408	171,335
Cash and short-term investments at end of period	$ 257,117	$ 448,296	$ 544,408

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

INDEX TO NOTES

A. Mergers and Reorganization

American Financial Group, Inc. ("AFG") was formed through the combination of American Financial Corporation ("AFC") and American Premier Underwriters, Inc. ("American Premier" or "APU") in merger transactions completed in April 1995 (the "1995 Mergers"). For financial reporting purposes, because the former shareholders of AFC owned more than 50% of AFG following the Mergers, the Mergers were accounted for as a reverse acquisition whereby AFC was deemed to have acquired American Premier. Financial statements for periods prior to the Mergers are those of AFC. The operations of American Premier are included in AFG's financial statements from the date of the Mergers.

The valuation of American Premier's net assets was determined based on the fair market value of the AFG shares issued to shareholders other than AFC and was allocated to American Premier's assets and liabilities based on their fair values at the date of acquisition.

On December 2, 1997, AFG completed several transactions in furtherance of a plan to reduce corporate expenses and simplify the public company structure of certain subsidiaries (the "AFG Reorganization").

To facilitate the AFG Reorganization, AFG became a wholly-owned subsidiary of a newly formed holding company ("AFG Holdings") and shareholders of AFG received AFG Holdings common stock on a one-for-one basis. Upon consummation of the AFG Reorganization, AFG Holdings changed its name to American Financial Group, Inc. and AFG changed its name to AFC Holding Company. As a result, shareholders of AFG immediately prior to the AFG Reorganization became shareholders of a new parent company having the same name. No material change in AFG's financial condition or in the rights of AFG security holders occurred as a result of the AFG Reorganization.

B. Accounting Policies

Basis of Presentation The consolidated financial statements include the accounts of AFG and its subsidiaries. Mergers and changes in ownership levels of subsidiaries and investees have resulted in certain differences in the financial statements and have affected comparability between years. Certain reclassifications have been made to prior years to conform to the current year's presentation. All significant intercompany balances and transactions have been eliminated. All acquisitions have been treated as purchases. The results of operations of companies since their formation or acquisition are included in the consolidated financial statements.

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

Changes in circumstances could cause actual results to differ materially from those estimates.

AFG's voting ownership of subsidiaries and significant investees with publicly traded common shares at December 31, was as follows:

	1997	1996	1995
American Annuity Group, Inc. ("AAG")	81%	81%	81%
American Financial Enterprises, Inc. ("AFEI")	(a)	83%	83%
Chiquita Brands International, Inc.	39%	43%	44%
Citicasters Inc.	-	(b)	38%

(a) Became a 100%-owned subsidiary in December 1997.
(b) Sold in September 1996.

Investments Debt securities are classified as "held to maturity" and reported at amortized cost if AFG has the positive intent and ability to hold them to maturity. Debt and equity securities are classified as "available for sale" and reported at fair value with unrealized gains and losses reported as a separate component of shareholders' equity if the securities are not classified as held to maturity or bought and held principally for selling in the near term. Only in certain limited circumstances, such as significant issuer credit deterioration or if required by insurance or other regulators, may a company change its intent to hold a certain security to maturity without calling into question its intent to hold other debt securities to maturity in the future.

Premiums and discounts on mortgage-backed securities are amortized over their expected average lives using the interest method. Gains or losses on sales of securities are recognized at the time of disposition with the amount of gain or loss determined on the specific identification basis. When a decline in the value of a specific investment is considered to be other than temporary, a provision for impairment is charged to earnings and the carrying value of that investment is reduced.

Short-term investments are carried at cost; loans receivable are stated primarily at the aggregate unpaid balance.

Investment in Investee Corporations Investments in securities of 20%- to 50%-owned companies are generally carried at cost, adjusted for AFG's proportionate share of their undistributed earnings or losses.

Cost in Excess of Net Assets Acquired The excess of cost of subsidiaries and investees over AFG's equity in the underlying net assets ("goodwill") is being amortized over 40 years.

Insurance As discussed under "Reinsurance" below, unpaid losses and loss adjustment expenses and unearned premiums have not been reduced for reinsurance recoverable.

Reinsurance In the normal course of business, AFG's insurance subsidiaries cede reinsurance to other companies to diversify risk and limit maximum loss arising from large claims. To the extent that any reinsuring companies are unable to meet obligations under the agreements covering reinsurance ceded, AFG's insurance subsidiaries would remain liable. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsurance policies. AFG's insurance subsidiaries report as assets (a) the estimated reinsurance recoverable on unpaid losses, including an estimate for losses incurred but not reported, and (b) amounts paid to reinsurers applicable to the unexpired terms of policies in force. AFG's insurance subsidiaries also assume reinsurance from other companies. Income on reinsurance assumed is recognized based on reports received from ceding reinsurers.

Deferred Acquisition Costs Policy acquisition costs (principally commissions, premium taxes and other underwriting expenses) related to the production of new business are deferred ("DPAC"). For the property and casualty companies, the deferral of acquisition costs is limited based upon their recoverability without any consideration for anticipated investment income. DPAC is charged against income ratably over the terms of the related policies. For the annuity companies, DPAC is amortized, with interest, in relation to the present value of expected gross profits on the policies.

Unpaid Losses and Loss Adjustment Expenses The net liabilities stated for unpaid claims and for expenses of investigation and adjustment of unpaid claims are based upon (a) the accumulation of case estimates for losses reported prior to the close of the accounting period on the direct business written; (b) estimates received from ceding reinsurers and insurance pools and associations; (c) estimates of unreported losses based on past experience; (d) estimates based on experience of expenses for investigating and adjusting claims and (e) the current state of the law and coverage litigation. These liabilities are subject to the impact of changes in claim amounts and frequency and other factors. In spite of the variability inherent in such estimates, management believes that the liabilities for unpaid losses and loss adjustment expenses are adequate. Changes in estimates of the liabilities for losses and loss adjustment expenses are reflected in the Statement of Earnings in the period in which determined.

Annuity Benefits Accumulated Annuity receipts and benefit payments are recorded as increases or decreases in "annuity benefits accumulated" rather than as revenue and expense. Increases in this liability for interest credited are charged to expense and decreases for surrender charges are credited to other income.

Life, Accident and Health Reserves Liabilities for future policy benefits under traditional ordinary life, accident and health policies are computed using a net level premium method. Computations are based on anticipated investment yield (primarily 7%), mortality, morbidity and surrenders and include provisions for unfavorable deviations. Reserves are modified as necessary to reflect actual experience and developing trends.

Assets Held In and Liabilities Related to Separate Accounts Investment annuity deposits and related liabilities represent primarily deposits maintained by several banks under a previously offered tax-deferred annuity program. AAG receives an annual fee from each bank for sponsoring the program; if depositors elect to purchase an annuity from AAG, funds are transferred to AAG.

Premium Recognition Property and casualty premiums are earned over the terms of the policies on a pro rata basis. Unearned premiums represent that portion of premiums written which is applicable to the unexpired terms of policies in force. On reinsurance assumed from other insurance companies or written through various underwriting organizations, unearned premiums are based on reports received from such companies and organizations. For traditional life, accident and health products, premiums are recognized as revenue when legally collectible from policyholders. For interest-sensitive life and universal life products, premiums are recorded in a policyholder account which is reflected as a liability. Revenue is recognized as amounts are assessed against the policyholder account for mortality coverage and contract expenses.

Policyholder Dividends Dividends payable to policyholders are included in "Accounts payable, accrued expenses and other liabilities" and represent estimates of amounts payable on participating policies which share in favorable underwriting results. The estimate is accrued during the period in which the related premium is earned. Changes in estimates are included in income in the period determined. Policyholder dividends do not become legal liabilities unless and until declared by the boards of directors of the insurance companies.

Income Taxes AFC and American Premier have each filed consolidated federal income tax returns which include all 80%-owned U.S. subsidiaries, except for certain life insurance subsidiaries and their subsidiaries. AFG (parent) was included in American Premier's consolidated return for 1996. At the close of business on December 31, 1996, AFG contributed 81% of the common stock of American Premier to AFC. Accordingly, AFC and American Premier will file a consolidated return for 1997. Because holders of AFC Preferred Stock hold in excess of 20% of AFC's voting rights, AFG (parent) and AFC Holding own less than 80% of AFC, and therefore, will file separate returns.

Deferred income taxes are calculated using the liability method. Under this method, deferred income tax assets and liabilities are determined based on differences between financial reporting and tax bases and are measured using enacted tax rates. Deferred tax assets are recognized if it is more likely than not that a benefit will be realized.

Stock-Based Compensation As permitted under Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation", AFG accounts for stock options and other stock-based compensation plans using the intrinsic value based method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees."

Benefit Plans AFG provides retirement benefits to qualified employees of participating companies through contributory and noncontributory defined contribution plans. Contributions to benefit plans are charged against earnings in the year for which they are declared. Prior to 1997, both AFC and American Premier had contributory employee savings plans and noncontributory Employee Stock Ownership Retirement Plans ("ESORP"). Effective January 1, 1997, these ESORP plans were combined into a new retirement and savings plan. Under the retirement portion of the plan, company contributions (approximately 6% of covered compensation in 1997) are invested primarily in securities of AFG and affiliates. Under the savings portion of the plan, AFG matches a specific portion of employee contributions.

AFG and many of its subsidiaries provide health care and life insurance benefits to eligible retirees. AFG also provides postemployment benefits to former or inactive employees (primarily those on disability) who were not deemed retired under other company plans. The projected future cost of providing these benefits is expensed over the period the employees earn such benefits.

Under AFG's stock option plan, options are granted to officers, directors and key employees at exercise prices equal to the fair value of the shares at the dates of grant. No compensation expense is recognized for stock option grants.

Minority Interest For balance sheet purposes, minority interest represents the interests of non-controlling shareholders in AFG subsidiaries, including AFC preferred stock and preferred securities issued by trust subsidiaries of AFG. For income statement purposes, minority interest expense represents those shareholders' interest in the earnings of AFG subsidiaries as well as AFC preferred dividends following the 1995 Mergers and accrued distributions on the trust preferred securities.

Earnings Per Share In 1997, AFG implemented SFAS No. 128, "Earnings Per Share". This standard requires the presentation of basic and diluted earnings per share. Basic earnings per share are calculated using the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share are adjusted to include the dilutive effect of potentially dilutive securities. Per share amounts for prior periods have been restated to conform to the current presentation.

Statement of Cash Flows For cash flow purposes, "investing activities" are defined as making and collecting loans and acquiring and disposing of debt or equity instruments and property and equipment. "Financing activities" include obtaining resources from owners and providing them with a return on their investments, borrowing money and repaying amounts borrowed. Annuity receipts, benefits and withdrawals are also reflected as financing activities. All other activities are considered "operating". Short-term investments having original maturities of three months or less when purchased are considered to be cash equivalents for purposes of the financial statements.

Issuances of Stock by Subsidiaries and Investees Changes in AFG's equity in a subsidiary or an investee caused by issuances of the subsidiary's or investee's stock are accounted for as gains or losses where such issuance is not a part of a broader reorganization.

Fair Value of Financial Instruments Methods and assumptions used in estimating fair values are described in Note Q to the financial statements. These fair values represent point-in-time estimates of value that might not be particularly relevant in predicting AFG's future earnings or cash flows.

C. Acquisitions and Sales of Subsidiaries and Investees

Millennium Dynamics, Inc. In December 1997, AFG completed the sale of the assets of its software solutions and consulting services subsidiary, Millennium Dynamics, Inc. ("MDI"), to a subsidiary of Peritus Software Services, Inc. for $30 million in cash and 2,175,000 shares of Peritus common stock. AFG recognized a pretax gain of approximately $50 million on the sale.

AFEI In December 1997, AFG and AFEI engaged in a merger transaction whereby the shares of AFEI not held by AFG were exchanged either for shares of AFG common stock on a 1-for-1 basis or for $37.00 per share in cash. AFG paid approximately $23 million in cash and issued approximately 2.1 million shares of its common stock in this transaction.

Chiquita During the second half of 1997, Chiquita issued 4.6 million shares of its common stock in acquisitions of operating businesses. AFG recorded a pretax gain in the fourth quarter of 1997 of approximately $11 million representing the excess of AFG's equity in Chiquita following the issuances of its common stock over AFG's previously recorded carrying value.

Citicasters In September 1996, AFG sold its investment in Citicasters to Jacor Communications for approximately $220 million in cash plus warrants to purchase Jacor common stock. AFG realized a pretax gain of approximately $169 million, before minority interest of $6.5 million, on the sale.

Buckeye In March 1996, AFG sold Buckeye Management Company to Buckeye's management (including an AFG director who resigned in March 1996) and employees for $60 million in cash, net of transaction costs. AFG recognized a $33.9 million pretax gain on the sale. In connection with the sale, the AFG director converted his AFG convertible preferred stock into 446,799 shares of AFG Common Stock and sold such shares in the open market.

D. Segments of Operations AFG operates its property and casualty insurance business in three major segments: nonstandard automobile, specialty lines, and commercial and personal lines. AFG's annuity and life business primarily sells tax-deferred annuities to employees of primary and secondary educational institutions and hospitals. These insurance businesses operate throughout the United States. In addition, AFG has owned significant portions of the voting equity securities of certain companies (investee corporations - see Note F).

The Financial Accounting Standards Board issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", which is scheduled to become effective during the fourth quarter of 1998. The implementation of SFAS No. 131 is not expected to have a material effect on the segments currently disclosed by AFG.

The following tables (in thousands) show AFG's assets, revenues and operating profit (loss) by significant business segment. Capital expenditures, depreciation and amortization are not significant. Operating profit (loss) represents total revenues less operating expenses. Goodwill and its amortization have been allocated to the various segments to which they apply. General corporate assets and expenses have not been identified or allocated by segment.

Assets	1997	1996	1995
Property and casualty insurance (a)	$ 7,517,856	$ 7,116,088	$ 7,443,115
Annuities and life	7,693,463	7,009,127	6,600,377
Other	343,316	726,252	603,833
	15,554,635	14,851,467	14,647,325
Investment in investees	200,714	199,651	306,545
	$15,755,349	$15,051,118	$14,953,870
Revenues (b)			
Property and casualty insurance:			
Premiums earned:			
Nonstandard automobile	$ 1,205,200	$ 1,183,098	$ 954,210
Specialty lines	1,055,935	976,150	995,528
Commercial and personal lines	563,217	684,776	697,512
Other lines	29	488	1,453
	2,824,381	2,844,512	2,648,703
Investment and other income	448,849	500,897	465,998
	3,273,230	3,345,409	3,114,701
Annuities and life (c)	638,348	585,079	444,082
Other	114,709	201,864	55,589
	4,026,287	4,132,352	3,614,372
Equity in net earnings (losses) of investees	(5,564)	(16,955)	15,237
	$ 4,020,723	$ 4,115,397	$ 3,629,609

Operating Profit (Loss)			
Property and casualty insurance:			
Underwriting:			
Nonstandard automobile	$ 33,456	$ 1,015	($ 60,316)
Specialty lines	10,888	154,329	50,690
Commercial and personal lines	(33,882)	(72,513)	5,315
Other lines (d)	(52,021)	(163,540)	(31,721)
	(41,559)	(80,709)	(36,032)
Investment and other income	318,613	392,250	370,579
	277,054	311,541	334,547
Annuities and life	93,794	77,119	79,579
Other (e)	(45,674)	(18,461)	(182,444)
	325,174	370,199	231,682
Equity in net earnings (losses) of investees	(5,564)	(16,955)	15,237
	$ 319,610	$ 353,244	$ 246,919

(a) Not allocable to segments.
(b) Revenues include sales of products and services as well as other income earned by the respective segments.
(c) Represents primarily investment income.
(d) Represents primarily losses related to asbestos and other environmental matters ("A&E").
(e) Includes holding company expenses.

E. Investments Bonds, redeemable preferred stocks and other stocks at December 31, consisted of the following (in millions):

1997

	Held to Maturity				Available for Sale			
	Amortized Cost	Market Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost	Market Value	Gross Unrealized Gains	Gross Unrealized Losses
Bonds and redeemable preferred stocks:								
United States Government and government agencies and authorities	$ -	$ -	$ -	$ -	$ 600.8	$ 618.6	$ 18.1	($ .3)
States, municipalities and political subdivisions	72.0	73.6	1.8	(.2)	86.7	89.3	2.6	-
Foreign government	8.3	8.9	.6	-	55.9	57.9	2.1	(.1)
Public utilities	459.7	466.7	8.3	(1.3)	359.3	374.7	15.7	(.3)
Mortgage-backed securities	868.9	899.4	30.6	(.1)	1,715.7	1,779.4	65.5	(1.8)
All other corporate	1,711.2	1,753.7	43.6	(1.1)	4,336.9	4,536.9	200.0	-
Redeemable preferred stocks	-	-	-	-	70.4	76.0	5.9	(.3)
	$3,120.1	$3,202.3	$84.9	($2.7)	$7,225.7	$7,532.8	$309.9	($2.8)
Other stocks					$ 153.3	$ 446.2	$293.7	($ .8)

1996

	Held to Maturity				Available for Sale			
	Amortized Cost	Market Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost	Market Value	Gross Unrealized Gains	Gross Unrealized Losses
Bonds and redeemable preferred stocks:								
United States Government and government agencies and authorities	$ -	$ -	$ -	$ -	$ 472.2	$ 475.7	$ 7.3	($ 3.8)
States, municipalities and political subdivisions	80.0	79.9	1.1	(1.2)	39.6	39.7	.5	(.4)
Foreign government	8.5	9.0	.5	-	94.5	94.3	.8	(1.0)
Public utilities	501.4	501.4	6.4	(6.4)	443.8	453.6	13.1	(3.3)
Mortgage-backed securities	935.9	949.0	18.8	(5.7)	1,626.3	1,637.9	28.1	(16.5)
All other corporate	1,965.3	1,988.8	34.8	(11.3)	3,624.4	3,733.0	122.2	(13.6)
Redeemable preferred stocks	-	-	-	-	61.8	60.4	1.5	(2.9)
	$3,491.1	$3,528.1	$61.6	($24.6)	$6,362.6	$6,494.6	$173.5	($41.5)
Other stocks					$ 142.4	$ 327.7	$191.6	($ 6.3)

The table below sets forth the scheduled maturities of bonds and redeemable preferred stocks based on carrying value as of December 31, 1997. Data based on market value is generally the same. Mortgage-backed securities had an average life of approximately 6.5 years at December 31, 1997.

Maturity	Held to Maturity	Available for Sale
One year or less	6%	3%
After one year through five years	32	18
After five years through ten years	30	37
After ten years	4	18
	72	76
Mortgage-backed securities	28	24
	100%	100%

Certain risks are inherent in connection with fixed maturity securities, including loss upon default, price volatility in reaction to changes in interest rates, and general market factors and risks associated with reinvestment of proceeds due to prepayments or redemptions in a period of declining interest rates.

Included in equity securities at December 31, 1997 and 1996, are $313 million and $220 million, respectively, of securities of Provident Financial Group, Inc. which exceeded 10% of Shareholders' Equity.

Realized gains (losses) and changes in unrealized appreciation (depreciation) on fixed maturity and equity security investments are summarized as follows (in thousands):

	Fixed Maturities	Equity Securities	Tax Effects	Total
1997				
Realized	$ 11,542	$ 34,464	($ 16,102)	$ 29,904
Change in Unrealized	220,320	107,600	(114,772)	213,148
1996				
Realized	(16,545)	13,075	8,199	4,729
Change in Unrealized	(272,583)	70,000	70,904	(131,679)
1995				
Realized	77,963	6,065	(13,915)	70,113
Change in Unrealized	810,690	43,700	(288,001)	566,389

Transactions in fixed maturity investments included in the Statement of Cash Flows consisted of the following (in millions):

	Purchases	Maturities and Redemptions	Sales	Gross Gains	Gross Losses
1997					
Held to Maturity	$ 5.6	$422.3	$ 8.0	$ .5	($ 1.0)
Available for Sale	2,549.5	475.5	1,399.6	37.7	(25.7)
Total	$2,555.1	$897.8	$1,407.6	$38.2	($26.7)
1996					
Held to Maturity	$ 202.8	$332.5	$ 9.3	$ 2.4	($ 1.2)
Available for Sale	1,925.8	284.8	871.8	29.6	(47.3)
Total	$2,128.6	$617.3	$ 881.1	$32.0	($48.5)
1995					
Held to Maturity	$ 774.8	$176.3	$ 12.9	$ 1.9	($ 2.3)
Available for Sale	1,603.6	133.3	2,297.9	88.0	(9.6)
Total	$2,378.4	$309.6	$2,310.8	$89.9	($11.9)

Securities classified as "held to maturity" having an amortized cost of $8.2 million, $9.5 million and $14.7 million were sold for a loss of $170,000, $159,000 and $1.8 million in 1997, 1996 and 1995, respectively, due to significant deterioration in the issuers' creditworthiness.

F. Investment in Investee Corporations All of the companies named in the following table have been subject to the rules and regulations of the SEC. The market value of AFG's investment in Chiquita was $391 million and $306 million at December 31, 1997 and 1996, respectively. AFG's investment (and common stock ownership percentage) and equity in net earnings and losses of investees are stated below (dollars in thousands):

	Investment (Ownership %)		Equity in Net Earnings (Losses)		
	12/31/97	12/31/96	1997	1996	1995
Chiquita (a)	$200,714 (39%)	$199,651 (43%)	($5,564)	($18,415)	$ 3,628
Citicasters (b)	-	-	-	1,460	4,702
American Premier(c)	-	-	-	-	6,907
	$200,714	$199,651	($5,564)	($16,955)	$15,237

(a) Equity in net earnings (losses) excludes AFG's share of amounts included in extraordinary items.
(b) Sold in September 1996.
(c) Became a 100%-owned subsidiary on April 3, 1995.

Chiquita is a leading international marketer, producer and distributor of bananas and other quality fresh and processed food products. Summarized financial information for Chiquita at December 31, is shown below (in millions).

	1997	1996	1995
Current Assets	$ 783	$ 844	
Non-current Assets	1,618	1,623	
Current Liabilities	483	464	
Non-current Liabilities	1,138	1,279	
Shareholders' Equity	780	724	
Net Sales of Continuing Operations	$2,434	$2,435	$2,566
Operating Income	100	84	176
Income (Loss) from Continuing Operations	-	(28)	28
Discontinued Operations	-	-	(11)
Extraordinary Loss from Debt Refinancings	-	(23)	(8)
Net Income (Loss)	-	(51)	9
Net Income (Loss) Attributable to Common Shares	(17)	(63)	1

G. Cost in Excess of Net Assets Acquired At December 31, 1997 and 1996, accumulated amortization of the excess of cost over net assets of purchased subsidiaries amounted to approximately $133 million and $121 million, respectively. Amortization expense was $11.6 million in 1997, $10.8 million in 1996 and $9.2 million in 1995.

H. Long-Term Debt Long-term debt consisted of the following at December 31, (in thousands):

	1997	1996
Holding Companies:		
AFG 7-1/8% Senior Debentures due December 2007	$100,000	$ -
AFC 9-3/4% Debentures due April 2004, less discount of $737 and $1,146 (imputed rate - 9.8%)	79,792	164,368
APU 9-3/4% Subordinated Notes due August 1999, including premium of $1,224 and $1,912 (imputed rate - 8.8%)	92,127	93,604
APU 10-5/8% Subordinated Notes due April 2000, including premium of $1,559 and $2,629 (imputed rate - 8.8%)	43,889	54,595
APU 10-7/8% Subordinated Notes due May 2011, including premium of $1,584 and $1,642 (imputed rate - 9.6%)	17,586	18,496
GAHC notes payable under bank line	45,000	-
Other	8,267	8,441
	$386,661	$339,504
Subsidiaries:		
AAG notes payable under bank lines	$107,000	$ 44,700
AAG 11-1/8% Senior Subordinated Notes due February 2003	24,080	24,080
AAG 9-1/2% Senior Notes	-	40,845
Notes payable secured by real estate	49,525	52,543
Other	13,479	16,247
	$194,084	$178,415

At December 31, 1997, sinking fund and other scheduled principal payments on debt for the subsequent five years, adjusted to reflect financing transactions through February 1998, were as follows (in thousands):

	Holding Companies	Subsidiaries	Total
1998	$ -	$ 1,983	$ 1,983
1999	90,903	2,087	92,990
2000	42,330	8,803	51,133
2001	-	38,509	38,509
2002	50,399	61,440	111,839

Debentures purchased in excess of scheduled payments may be applied to satisfy any sinking fund requirement. The scheduled principal payments shown above assume that debentures previously purchased are applied to the earliest scheduled retirements.

At December 31, 1997, the weighted average interest rate on amounts borrowed under Great American Holding Corporation's ("GAHC") bank credit line was 6.81%. In February 1998, AFC entered into a new unsecured credit agreement with a group of banks and the GAHC and APU agreements were terminated. Under the terms of the new agreement, AFC can borrow up to $300 million through December 2002. Borrowings bear interest at floating rates based on prime or LIBOR.

At December 31, 1997 and 1996, the weighted average interest rate on amounts borrowed under AAG's bank credit lines was 6.80% and 6.68%, respectively. In January 1998, AAG replaced its existing bank lines with a new $200 million unsecured credit agreement. Loans under the credit agreement mature from 2000 to 2003 and bear interest at floating rates based on prime or LIBOR. In

February 1998, AAG borrowed $50 million under the line and retired its 11-1/8% Notes (including $24.3 million principal amount held by AAG entities).

Significant retirements of long-term debt since January 1, 1996, have been as follows (in millions):

	Year	Principal	Cost
AFC Debentures	1996	$138.2	$147.9
	1997	85.0	96.7
American Premier Notes	1996	160.1	177.2
	1997	11.3	12.5
AAG Notes	1996	78.0	84.2
	1997	40.8	42.5
	1998 (2 mos)	24.1	24.8

Cash interest payments of $50 million, $75 million and $137 million were made on long-term debt in 1997, 1996 and 1995, respectively.

I. Minority Interest Minority interest in AFG's balance sheet is comprised of the following (in thousands):

	1997	1996
Interest of non-controlling shareholders in subsidiaries' common stock	$115,843	$156,680
Preferred securities issued by subsidiary trusts	325,000	175,000
AFC preferred stock	72,154	162,760
	$512,997	$494,440

Preferred Securities Wholly-owned subsidiary trusts of AFC Holding and AAG have issued $325 million of preferred securities and, in turn, purchased $325 million of newly-authorized AFC Holding and AAG subordinated debt issues which provide interest and principal payments to fund the respective trusts' obligations. The preferred securities are mandatorily redeemable upon maturity or redemption of the subordinated debt.

The preferred securities are summarized as follows:

Date of Issuance	Issue (Maturity Date)	Amount	Optional Redemption Dates
October 1996	9-1/8% TOPrS (2026)	$100,000,000	On or after 10/22/2001
November 1996	9-1/4% TOPrS (2026)	75,000,000	On or after 11/7/2001
March 1997	8-7/8% Pfd (2027)	75,000,000	On or after 3/1/2007
May 1997	7-1/4% ROPES (2041)	75,000,000	Prior to 9/28/2000 and after 9/28/2001

AFG, AFC Holding and AAG effectively provide unconditional guarantees of their respective trusts' obligations.

AFC Preferred Stock At December 31, 1997, AFC's Preferred Stock was voting, cumulative, and consisted of the following:

Series J, no par value; $25.00 liquidating value per share; annual dividends per share $2.00; redeemable at $25.75 per share beginning December 2005 declining to $25.00 at December 2007; 2,886,161 shares (stated value $72.2 million) outstanding at December 31, 1997.

At December 31, 1996, AFC's outstanding 11,900,725 shares of Series F Preferred Stock had a stated value of $145.4 million; its 1,964,158 shares of Series G Preferred Stock had a stated value of $17.4 million.

In December 1997, AFC retired all shares of its Series F and G Preferred Stock in exchange for approximately $244 million in cash and 2,886,161 million shares of the Series J Preferred Stock. AFG recognized a charge to retained earnings of $153.3 million representing the excess of total consideration paid over the stated value of the preferred stock retired.

In December 1996, AFC redeemed 1.6 million shares of its Series F Preferred Stock for $31.9 million and, in October, AFC purchased 250,000 shares of Series F from its ESORP for $5.0 million. In December 1996, AFC issued 1.6 million shares of its Series G Preferred Stock to its ESORP for $16.8 million. During 1995, AFC retired its mandatory redeemable preferred stock for an aggregate of $2.9 million.

Minority Interest Expense Minority interest expense is comprised of (in thousands):

	1997	1996	1995
Interest of non-controlling shareholders in earnings of subsidiaries	$16,142	$19,851	$14,238
Accrued distributions by subsidiaries on preferred securities:			
Trust issued securities	24,599	2,780	-
AFC preferred stock	13,715	25,190	19,026
	$54,456	$47,821	$33,264

J. Capital Stock In connection with the 1995 Mergers discussed in Note A, AFG issued 51.3 million shares (net of 18.7 million shares held by AFC and its subsidiaries, which are shown herein as retired) of Common Stock on April 3, 1995. At December 31, 1997, there were 61,048,904 shares of AFG Common Stock outstanding, including 1,369,239 shares held by American Premier for distribution to certain creditors and other claimants pursuant to a plan of reorganization relating to American Premier's predecessor.

AFG is authorized to issue 12.5 million shares of Voting Preferred Stock and 12.5 million shares of Nonvoting Preferred Stock, each without par value. At December 31, 1995, AFG had 212,698 shares of convertible preferred stock outstanding with a stated value of $469,000 (included in Capital Surplus, net of related notes receivable). These shares were converted into 446,799 shares of AFG Common Stock in March 1996.

A progression of AFG's Shareholders' Equity is as follows (dollars in thousands):

	Common Shares(*)	Common Stock and Capital Surplus	Retained Earnings	Unrealized Gain (Loss)
Balance at December 31, 1994	18,971,217	$ 904	$223,095	$ 3,500
Dividends on AFC Preferred Stock	-	-	(191)	-
Exercise of AFC stock options	762,500	8,721	-	-
Restatement of AFC equity in terms of AFG Common Stock	8,590,159	-	-	-
Shares issued in Mergers to holders of APU Common Stock	24,376,667	588,492	-	-
Net earnings	-	-	191,247	-
Change in unrealized	-	-	-	248,000
Dividends on Common Stock	-	-	(27,008)	-
Shares issued:				
Exercise of stock options	883,974	18,875	-	-
Dividend reinvestment plan	200,381	5,859	-	-
Employee stock purchase plan	32,972	918	-	-
Public offering	4,600,000	127,180	-	-
Sale to AFC ESORP	1,703,000	50,004	-	-
Employee gift shares	19,050	494	-	-
Shares repurchased	(617)	(17)	-	-
Change in foreign currency translation	-	64	-	-
Balance at December 31, 1995	60,139,303	801,494	387,143	251,500
Net earnings	-	-	233,300	-
Change in unrealized	-	-	-	(63,500)
Dividends on Common Stock	-	-	(60,727)	-
Shares issued:				
Exercise of stock options	664,639	14,837	-	-
Dividend reinvestment plan	10,491	342	-	-
Employee stock purchase plan	81,041	2,551	-	-
Portion of bonuses paid in stock	4,300	131	-	-
Directors fees paid in stock	1,299	46	-	-
Conversion of Preferred Stock	446,799	8,908	-	-
Shares repurchased	(276,246)	(8,563)	-	-
Retirement of AFC Preferred Stock	-	(14,388)	-	-
Change in foreign currency translation	-	1,363	-	-
Balance at December 31, 1996	61,071,626	806,721	559,716	188,000

Net earnings	-	-	192,250	-
Change in unrealized	-	-	-	160,900
Dividends on Common Stock	-	-	(59,589)	-
Shares issued:				
Exercise of stock options	413,312	11,292	-	-
Dividend reinvestment plan	8,207	314	-	-
Employee stock purchase plan	65,692	2,553	-	-
Portion of bonuses paid in stock	40,500	1,521	-	-
Directors fees paid in stock	1,662	68	-	-
AFEI merger	2,122,548	51,926	-	-
Shares repurchased	(2,674,643)	(35,347)	(61,973)	-
Retirement of AFC Preferred Stock	-	-	(153,333)	-
Capital transactions of subsidiaries	-	(1,960)	-	-
Change in foreign currency translation	-	(350)	-	-
Balance at December 31, 1997	61,048,904	$836,738	$477,071	$348,900

(*) Prior to the 1995 Mergers, Carl H. Lindner and certain members of the Lindner family owned all of the outstanding common stock of AFC.

Stock Options At December 31, 1997, there were 5.0 million shares of AFG Common Stock reserved for issuance under AFG's Stock Option Plan. Under the Stock Option Plan, the exercise price of each option equals the market price of AFG Common Stock at the date of grant. Options become exercisable at the rate of 20% per year commencing one year after grant; those granted to non-employee directors of AFG are generally fully exercisable upon grant. All options expire ten years after the date of grant. No compensation cost has been recognized for stock option grants. Had compensation cost been determined for stock option awards based on the fair values at grant dates consistent with the method prescribed by Statement of Financial Accounting Standards No. 123, AFG's net income and earnings per share would not have been materially different from amounts reported. For Statement No. 123 purposes, calculations were determined using the Black-Scholes option pricing model and the following assumptions: dividend yield of 2%; expected volatility of 21% for 1997 and 20% for 1996 and 1995; risk-free interest rate of 5.8% for 1997 and 6.2% for 1996 and 1995; and expected life of 6.7 years for 1997 and 7.5 years for 1996 and 1995. Data for AFG's Stock Option Plan is presented below:

	1997		1996	
	Shares	Average Exercise Price	Shares	Average Exercise Price
Outstanding at beginning of year	3,331,947	$26.53	3,939,986	$25.72
Granted	770,500	$37.54	75,000	$32.47
Exercised	(413,312)	$27.32	(664,639)	$22.33
Forfeited	(1,500)	$37.88	(18,400)	$30.06
Outstanding at end of year	3,687,635	$28.73	3,331,947	$26.53
Options exercisable at year-end	1,774,280	$26.03	1,379,182	$24.60

The following table summarizes information about stock options outstanding at December 31, 1997:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares	Average Exercise Price	Average Remaining Life	Shares	Average Exercise Price
$17.24 - $20.00	141,723	$18.52	3.0 years	141,723	$18.52
$20.00 - $25.00	1,335,548	$23.82	5.8	854,639	$23.73
$25.00 - $30.00	314,864	$27.32	6.0	213,118	$27.45
$30.00 - $35.00	1,152,500	$30.30	8.1	511,800	$30.14
$35.00 - $44.75	743,000	$37.67	9.3	53,000	$37.87
	3,687,635	$28.73	7.1	1,774,280	$26.03

K. Income Taxes The following is a reconciliation of income taxes at the statutory rate of 35% and income taxes as shown in the Statement of Earnings (in thousands):

	1997	1996	1995
Earnings before income taxes and extraordinary items	$319,610	$353,244	$246,919
Extraordinary items before income taxes	(11,287)	(35,670)	536
Adjusted earnings before income taxes	$308,323	$317,574	$247,455
Income taxes at statutory rate	$107,912	$111,151	$ 86,609
Effect of:			
Minority interest	10,058	15,112	11,673
Losses utilized	(3,164)	(43,302)	(40,292)
Amortization of intangibles	3,362	3,065	3,015
Foreign income taxes	2,954	3,474	359
State income taxes	(2,739)	4,140	81
Dividends received deduction	(2,002)	(7,450)	(7,823)
Tax exempt interest	(384)	(597)	(897)
Other	76	(1,319)	3,483
Total provision	116,073	84,274	56,208
Amounts applicable to extraordinary items	4,054	7,003	281
Provision for income taxes as shown on the Statement of Earnings	$120,127	$ 91,277	$ 56,489

Adjusted earnings before income taxes consisted of the following (in thousands):

	1997	1996	1995
Subject to tax in:			
United States	$317,615	$331,842	$250,423
Foreign jurisdictions	(9,292)	(14,268)	(2,968)
	$308,323	$317,574	$247,455

The total income tax provision consists of (in thousands):

	1997	1996	1995
Current taxes (credits):			
Federal	$ 35,495	$22,450	$38,512
Foreign	-	(1,735)	(1,213)
State	(2,544)	6,369	124
Deferred taxes:			
Federal	83,581	56,869	18,233
Foreign	(459)	321	552
	$116,073	$84,274	$56,208

For income tax purposes, certain members of the AFC consolidated tax group had the following carryforwards available at December 31, 1997 (in millions):

	Expiring	Amount
Operating Loss	1998 - 2002	$35
Operating Loss	2003 - 2007	95
Operating Loss	2008 - 2012	60
Capital Loss	1999	91
Other - Tax Credits		23

Deferred income tax assets and liabilities reflect temporary differences between the carrying amounts of assets and liabilities recognized for financial reporting purposes and the amounts recognized for tax purposes. The significant components of deferred tax assets and liabilities included in the Balance Sheet at December 31, were as follows (in millions):

	1997	1996
Deferred tax assets:		
Net operating loss carryforwards	$ 66.6	$ 83.7
Capital loss carryforwards	32.0	68.2
Insurance claims and reserves	287.5	289.8
Other, net	148.8	142.2
	534.9	583.9
Valuation allowance for deferred tax assets	(97.9)	(131.9)
	437.0	452.0
Deferred tax liabilities:		
Deferred acquisition costs	(127.4)	(124.9)
Investment securities	(268.2)	(189.8)
	(395.6)	(314.7)
Net deferred tax asset	$ 41.4	$137.3

The gross deferred tax asset has been reduced by a valuation allowance based on an analysis of the likelihood of realization. Factors considered in assessing the need for a valuation allowance include: (i) recent tax returns, which show neither a history of large amounts of taxable income nor cumulative losses in recent years, (ii) opportunities to generate taxable income from sales of appreciated assets, and (iii) the likelihood of generating larger amounts of taxable income in the future. The likelihood of realizing this asset will be reviewed periodically; any adjustments required to the valuation allowance will be made in the period in which the developments on which they are based become known. The aggregate valuation allowance decreased by $34 million in 1997 due primarily to the expiration of American Premier's loss carryforwards.

Cash payments for income taxes, net of refunds, were $51.6 million, $40.2 million and $14.8 million for 1997, 1996 and 1995, respectively.

L. Extraordinary Items Extraordinary items represent AFG's proportionate share of gains and losses related to debt retirements by the following companies. Amounts shown are net of minority interest and income tax benefits (in thousands):

	1997	1996	1995
Holding Companies:			
AFC (parent)	($5,395)	($ 9,672)	($1,713)
APU (parent)	(588)	(3,254)	6,137
GAHC	-	-	(611)
Subsidiaries:			
AAG	(1,250)	(7,159)	(201)
Other	-	57	-
Investee:			
Chiquita	-	(8,639)	(2,795)
	($7,233)	($28,667)	$ 817

M. Earnings Per Share Weighted average shares outstanding were adjusted for the following dilutive effects of stock options in calculating diluted per share amounts: 1997 - 1.1 million shares; 1996 - .7 million shares; and 1995 - .4 million shares.

N. Commitments and Contingencies Loss accruals have been recorded for various environmental and occupational injury and disease claims and other contingencies arising out of the railroad operations disposed of by American Premier's predecessor, Penn Central Transportation Company ("PCTC"), prior to its bankruptcy reorganization in 1978. Any ultimate liability arising therefrom in excess of previously established loss accruals would normally be attributable to pre-reorganization events and circumstances and accounted for as a reduction in capital surplus. However, under purchase accounting in connection with the 1995 Mergers, any such excess liability will be charged to earnings in AFG's financial statements.

American Premier's liability for environmental claims ($39.5 million at December 31, 1997) consists of a number of proceedings and claims seeking to impose responsibility for hazardous waste remediation costs at certain railroad sites formerly owned by PCTC and certain other sites where hazardous waste was allegedly generated by PCTC's railroad operation. It is difficult to estimate remediation costs for a number of reasons, including the number and financial resources of other potentially responsible parties, the range of costs for remediation alternatives, changing technology and the time period over which these matters develop. American Premier's liability is based on information currently available and is subject to change as additional information becomes available.

American Premier's liability for occupational injury and disease claims of $58.1 million (included in other liabilities) at December 31, 1997, includes pending and expected claims by former employees of PCTC for injury or disease allegedly caused by exposure to excessive noise, asbestos or other substances in the railroad workplace. Anticipated recoveries of $35.2 million on these liabilities are included in other assets. Recorded amounts are based on the accumulation of estimates of reported and unreported claims and related expenses and estimates of probable recoveries from insurance carriers.

AFG has accrued approximately $14.2 million at December 31, 1997, for environmental costs and certain other matters associated with the sales of former operations.

In management's opinion, the outcome of the items discussed under "Uncertainties" in Management's Discussion and Analysis and the above claims and contingencies will not, individually or in the aggregate, have a material adverse effect on AFG's financial condition or results of operations.

O. Quarterly Operating Results (Unaudited) The operations of certain of AFG's business segments are seasonal in nature. While insurance premiums are recognized on a relatively level basis, claim losses related to adverse weather (snow, hail, hurricanes, tornadoes, etc.) may be seasonal. Historically, Chiquita's operations are significantly stronger in the first and second quarters than in the third and fourth quarters. Quarterly results necessarily rely heavily on estimates. These estimates and certain other factors, such as the nature of investees' operations and discretionary sales of assets, cause the quarterly results not to be necessarily indicative of results for longer periods of time. The following are quarterly results of consolidated operations for the two years ended December 31, 1997 (in millions, except per share amounts).

1997	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total Year
Revenues	$945.8	$987.6	$1,034.8	$1,052.5	$4,020.7
Earnings before extraordinary items	63.2	61.2	33.7	41.4	199.5
Extraordinary items	(.1)	-	(7.0)	(.1)	(7.2)
Net earnings	63.1	61.2	26.7	41.3	192.3
Basic earnings per common share:					
Before extraordinary items	$1.03	$1.03	$.57	$ .69	$3.34
Loss on prepayment of debt	-	-	(.12)	-	(.12)
Premium on redemption of preferred stock	-	-	-	(2.58)	(2.57)
Net earnings (loss) available to Common Shares	1.03	1.03	.45	(1.89)	.65
Diluted earnings per common share:					
Before extraordinary items	$1.02	$1.02	$.56	$ .68	$3.28
Loss on prepayment of debt	-	-	(.12)	-	(.12)
Premium on redemption of preferred stock	-	-	-	(2.54)	(2.52)
Net earnings (loss) available to Common Shares	1.02	1.02	.44	(1.86)	.64
Average number of Common Shares:					
Basic	61.1	59.2	58.9	59.4	59.7
Diluted	62.0	60.2	60.3	60.4	60.7

1996					
Revenues	$1,030.9	$1,032.8	$1,163.5	$888.2	$4,115.4
Earnings before extraordinary items	81.2	58.3	121.6	.9	262.0
Extraordinary items	(7.6)	(9.9)	(8.4)	(2.8)	(28.7)
Net earnings (loss)	73.6	48.4	113.2	(1.9)	233.3
Basic earnings per common share:					
Before extraordinary items	$1.35	$.96	$2.00	$.02	$4.31
Loss on prepayment of debt	(.13)	(.16)	(.14)	(.05)	(.47)
Net earnings (loss) available to Common Shares	1.22	.80	1.86	(.03)	3.84
Diluted earnings per common share:					
Before extraordinary items	$1.33	$.95	$1.98	$.02	$4.26
Loss on prepayment of debt	(.13)	(.16)	(.14)	(.05)	(.47)
Net earnings (loss) available to Common Shares	1.20	.79	1.84	(.03)	3.79
Average number of Common Shares:					
Basic	60.3	60.9	61.0	61.0	60.8
Diluted	61.2	61.4	61.4	61.9	61.5

Quarterly earnings per share do not add to year-to-date amounts due to changes in shares outstanding.

In the fourth quarter of 1997, AFG increased California workers' compensation reserves by approximately $25 million due to increased claims severity related to business written in 1996 and 1997. The fourth quarter of 1997 also includes income of $13.8 million (included in "other income") from the sale of development rights in New York City partially offset by a $9.0 million charge related to insurance recoverables of American Premier's prior railroad business. In the third quarter of 1996, AFG increased A&E reserves by recording a non-cash pretax charge of $80 million and recorded losses due to Hurricane Fran of approximately $30 million.

During the past two years, AFG has continued a strategy of disposing of non-core investments. Sales of significant affiliates have included the following: MDI (December 1997); Citicasters (September 1996); and Buckeye (March 1996). See Note C for a more detailed description of these and other transactions. Sales of subsidiaries in 1997 also includes a fourth quarter pretax charge of $17 million relating to operations expected to be sold or otherwise disposed of in 1998. Realized gains (losses) on sales of securities and affiliates amounted to (in millions):

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total Year
1997	$ 2.5	$4.2	$ 29.7	$54.6	$ 91.0
1996	52.6	5.7	172.5	(28.3)	202.5

P. Insurance Securities owned by insurance subsidiaries having a carrying value of approximately $1.4 billion at December 31, 1997, were on deposit as required by regulatory authorities.

Insurance Reserves The liability for losses and loss adjustment expenses for certain long-term scheduled payments under workers' compensation, auto liability and other liability insurance has been discounted at rates ranging from 4% to 8%. As a result, the total liability for losses and loss adjustment expenses at December 31, 1997, has been reduced by $60 million.

The following table provides an analysis of changes in the liability for losses and loss adjustment expenses, net of reinsurance (and grossed up), over the past three years on a GAAP basis (in millions):

	1997	1996	1995
Balance at beginning of period	$3,404	$3,393	$2,187
Reserves of American Premier at date of the Mergers	-	-	1,090
Provision for losses and loss adjustment expenses occurring in the current year	2,045	2,179	2,116
Net increase (decrease) in provision for claims occurring in prior years	31	(48)	(139)
	2,076	2,131	1,977
Payments for losses and loss adjustment expenses occurring during:			
Current year	(840)	(999)	(987)
Prior years	(1,151)	(1,121)	(874)
	(1,991)	(2,120)	(1,861)
Balance at end of period	$3,489	$3,404	$3,393
Add back reinsurance recoverables	736	720	704
Unpaid losses and loss adjustment expenses included in Balance Sheet, gross of reinsurance	$4,225	$4,124	$4,097

Net Investment Income The following table shows (in millions) investment income earned and investment expenses incurred by AFG's insurance companies.

	1997	1996	1995
Insurance group investment income:			
Fixed maturities	$830.6	$817.8	$727.3
Equity securities	6.4	8.2	5.3
Other	10.6	13.5	7.9
	847.6	839.5	740.5
Insurance group investment expenses (*)	(37.3)	(38.5)	(33.8)
	$810.3	$801.0	$706.7

(*) Included primarily in "Other operating and general expenses" in the Statement of Earnings.

Statutory Information AFG's insurance subsidiaries are required to file financial statements with state insurance regulatory authorities prepared on an accounting basis prescribed or permitted by such authorities (statutory basis). Net earnings and policyholders' surplus on a statutory basis for the insurance subsidiaries were as follows (in millions):

	Net Earnings			Policyholders' Surplus	
	1997	1996	1995	1997	1996
Property and casualty companies	$159	$276	$200	$1,916	$1,659
Life insurance companies	74	67	76	324	287

Reinsurance In the normal course of business, AFG's insurance subsidiaries assume and cede reinsurance with other insurance companies. The following table shows (in millions) (i) amounts deducted from property and casualty premiums in connection with reinsurance ceded, (ii) amounts included in income for reinsurance assumed and (iii) reinsurance recoveries deducted from losses and loss adjustment expenses.

	1997	1996	1995
Reinsurance ceded to:			
Non-affiliates	$614	$518	$476
Affiliates	-	-	33
Reinsurance assumed - including involuntary pools and associations	89	58	93
Reinsurance recoveries	296	306	304

Q. Additional Information Total rental expense for various leases of office space, data processing equipment and railroad rolling stock was $36 million, $34 million and $35 million for 1997, 1996 and 1995, respectively. Sublease rental income related to these leases totaled $5.4 million in 1997, $6.1 million in 1996 and $6.2 million in 1995.

Future minimum rentals, related principally to office space and railroad rolling stock, required under operating leases having initial or remaining noncancelable lease terms in excess of one year at December 31, 1997, were as follows: 1998 - $37 million; 1999 - $31 million; 2000 - $22 million; 2001 - $18 million; 2002 - $13 million; and $30 million thereafter. At December 31, 1997, minimum sublease rentals to be received through the expiration of the leases aggregated $14 million.

Other operating and general expenses included charges for possible losses on agents' balances, reinsurance recoverables and other receivables in the following amounts: 1997 - $7.6 million; 1996 - $0; and 1995 - $0. The aggregate allowance for such losses amounted to approximately $131 million and $123 million at December 31, 1997 and 1996, respectively.

Summary Financial Information of AFC Holding AFG has guaranteed the obligations of AFC Holding relating to the preferred securities issued by a wholly-owned subsidiary trust. Summarized consolidated financial information for AFC Holding is as follows (in millions):

	1997	1996*	1995*
Cash and Investments	$12,290	$11,739	
Other Assets	3,482	3,312	
Insurance Claims and Reserves	11,792	11,312	
Debt	481	518	
Minority Interest	590	494	
Shareholders' Equity	1,607	1,554	
Revenues	$ 4,021	$ 4,115	$3,630
Income before Extraordinary Items	199	262	190
Extraordinary Item - (Loss) Gain on Prepayment of Debt	(7)	(29)	1
Net Income	192	233	191

(*) AFC Holding is the predecessor of AFG; data for these periods represents that of AFG.

Fair Value of Financial Instruments The following table presents (in millions) the carrying value and estimated fair value of AFG's financial instruments at December 31.

	1997		1996	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Bonds and redeemable preferred stocks	$10,653	$10,735	$9,986	$10,023
Other stocks	446	446	328	328
Investment in investee corporations	201	391	200	306
Liabilities:				
Annuity benefits accumulated	$ 5,528	$ 5,319	$5,366	$ 5,180
Long-term debt:				
Holding companies	387	401	340	362
Subsidiaries	194	195	178	183
Minority Interest:				
Trust preferred securities	$ 325	$ 339	$ 175	$ 179
AFC preferred stock	72	74	163	264
Shareholders' Equity	$ 1,663	$ 2,461	$1,554	$ 2,305

When available, fair values are based on prices quoted in the most active market for each security. If quoted prices are not available, fair value is estimated based on present values, discounted cash flows, fair value of comparable securities, or similar methods. The fair value of the liability for annuities in the payout phase is assumed to be the present value of the anticipated cash flows, discounted at current interest rates. Fair value of annuities in the accumulation phase is assumed to be the policyholders' cash surrender amount.

Financial Instruments with Off-Balance-Sheet Risk On occasion, AFG and its subsidiaries have entered into financial instrument transactions which may present off-balance-sheet risks of both a credit and market risk nature. These transactions include commitments to fund loans, loan guarantees and commitments to purchase and sell securities or loans. At December 31, 1997, AFG and its subsidiaries had commitments to fund credit facilities and contribute limited partnership capital totaling $29 million.

Restrictions on Transfer of Funds and Assets of Subsidiaries Payments of dividends, loans and advances by AFG's subsidiaries are subject to various state laws, federal regulations and debt covenants which limit the amount of dividends, loans and advances that can be paid. Under applicable restrictions, the maximum amount of dividends available to AFG in 1998 from its insurance subsidiaries without seeking regulatory clearance is approximately $221 million. Total "restrictions" on intercompany transfers from AFG's subsidiaries cannot be quantified due to the discretionary nature of the restrictions.

Benefit Plans AFG expensed approximately $21 million in 1997, $17 million in 1996 and $16 million in 1995 for contributions to its retirement and employee savings plans.

Transactions With Affiliates In 1995, a subsidiary of AFC sold a house to its Chairman for its appraised value of $1.8 million.

PART IV

ITEM 14

Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Documents filed as part of this Report:

1. Financial Statements are included in Part II, Item 8.

2. Financial Statement Schedules:

   A. Selected Quarterly Financial Data is included in Note O to the Consolidated Financial Statements.

   B. Schedules filed herewith for 1997, 1996 and 1995:

	Page
I - Condensed Financial Information of Registrant	S-2
V - Supplemental Information Concerning Property-Casualty Insurance Operations	S-4

   All other schedules for which provisions are made in the applicable regulation of the Securities and Exchange Commission have been omitted as they are not applicable, not required, or the information required thereby is set forth in the Financial Statements or the notes thereto.

3. Exhibits - see Exhibit Index on page E-1.

(b) Reports on Form 8-K:

Date of Report	Item Reported
December 3, 1997	Holding company mergers.
December 12, 1997	Filing of exhibits relating to the issuance of 7-1/8% Senior Debentures due 2007.

AMERICAN FINANCIAL GROUP, INC. - PARENT ONLY (*)
SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
(In Thousands)

Condensed Balance Sheet

	December 31, 1997	December 31, 1996
Assets:		
Cash and short-term investments	$ 25,890	$ 43,465
Receivables from affiliates	352,766	422,015
Investment in subsidiaries	1,473,261	1,192,239
Other assets	41,690	8,735
	$1,893,607	$1,666,454
Liabilities and Shareholders' Equity:		
Accounts payable, accrued expenses and other liabilities	$ 8,131	$ 7,121
Long-term debt	100,000	-
Payables to affiliates	122,767	104,896
Shareholders' equity	1,662,709	1,554,437
	$1,893,607	$1,666,454

Condensed Statement of Earnings

	Year Ended December 31, 1997	1996	1995
Income:			
Dividends from:			
Subsidiaries	$ 281	$693,758	$ 37,044
Investees	-	-	879
	281	693,758	37,923
Equity in undistributed earnings of subsidiaries and investees	301,385	(345,484)	224,921
Investment and other income	35,470	11,723	9,131
	337,136	359,997	271,975
Costs and Expenses:			
Interest charges on borrowed money	9,702	1,805	13,997
Other operating and general expenses	7,824	4,948	11,059
	17,526	6,753	25,056
Earnings before income taxes and extraordinary items	319,610	353,244	246,919
Provision for income taxes	120,127	91,277	56,489
Earnings before extraordinary items	199,483	261,967	190,430
Extraordinary items - gain (loss) on prepayment of debt	(7,233)	(28,667)	817
Net Earnings	$192,250	$233,300	$191,247

(*) See Note A to the Consolidated Financial Statements. The Parent Only Financial Statements include the accounts of AFG and its predecessor, AFC Holding Company, a wholly-owned subsidiary. Financial Statements for 1995 include earnings of AFC (parent only) for the period prior to AFC's merger with APU in April 1995.

AMERICAN FINANCIAL GROUP, INC. - PARENT ONLY (*)
SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT - CONTINUED
(In Thousands)

Condensed Statement of Cash Flows

	Year Ended December 31, 1997	1996	1995
Operating Activities:			
Net earnings	$192,250	$233,300	$191,247
Adjustments:			
Equity in earnings of subsidiaries	(180,581)	(230,019)	(194,023)
Equity in net earnings of investees	-	-	(4,462)
Change in balances with affiliates	54,620	(91,453)	(100,225)
Increase (decrease) in payables	881	(958)	(10,861)
Dividends from subsidiaries and investees	281	-	36,649
Other	2,275	1,311	7,537
	69,726	(87,819)	(74,138)
Investing Activities:			
Purchases of subsidiaries and other investments	(24,872)	(69)	(30)
Other	-	-	255
	(24,872)	(69)	225
Financing Activities:			
Additional long-term borrowings	98,987	-	70
Reductions of long-term debt	-	-	(325)
Issuance of subordinated notes to subsidiary trust	-	96,464	-
Issuances of common stock	13,845	26,296	211,557
Repurchases of common stock	(97,320)	(8,563)	(17)
Cash dividends paid	(77,941)	(79,051)	(36,532)
Cash of predecessor company at date of merger	-	-	(9,529)
	(62,429)	35,146	165,224
Net Increase (Decrease) in Cash and Short-term Investments	(17,575)	(52,742)	91,311
Cash and short-term investments at beginning of period	43,465	96,207	4,896
Cash and short-term investments at end of period	$ 25,890	$ 43,465	$ 96,207

(*) See Note A to the Consolidated Financial Statements. The Parent Only Financial Statements include the accounts of AFG and its predecessor, AFC Holding Company, a wholly-owned subsidiary. Financial Statements for 1995 include earnings of AFC (parent only) for the period prior to AFC's merger with APU in April 1995.

AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
SCHEDULE V - SUPPLEMENTAL INFORMATION CONCERNING
PROPERTY-CASUALTY INSURANCE OPERATIONS
THREE YEARS ENDED DECEMBER 31, 1997
(IN MILLIONS)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
AFFILIATION WITH REGISTRANT	DEFERRED POLICY ACQUISITION COSTS	(a) RESERVES FOR UNPAID CLAIMS AND CLAIMS ADJSUTMENT EXPENSES	(b) DISCOUNT DEDUCTED IN COLUMN C	(c) UNEARNED PREMIUMS
CONSOLIDATED PROPERTY-CASUALTY ENTITIES (d)				
1997	$260	$4,225	$60	$1,329
1996	$257	$4,124	$64	$1,248
1995				

	COLUMN F	COLUMN G	COLUMN H		COLUMN I	COLUMN J	COLUMN K
			CLAIMS AND CLAIM ADJUSTMENT EXPENSES INCURRED RELATED TO				
	EARNED PREMIUMS	NET INVESTMENT INCOME	CURRENT YEARS	PRIOR YEARS	AMORTIZATION OF DEFERRED POLICY ACQUISITION COSTS	PAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES	PREMIUMS WRITTEN
1997	$2,824	$316	$2,045	$ 31	$620	$1,991	$2,858
1996	$2,845	$335	$2,179	($ 48)	$628	$2,120	$2,788
1995	$2,649	$303	$2,116	($139)	$577	$1,861	$2,688

(a) Grossed up for reinsurance recoverables of $736 and $720 at December 31, 1997 and 1996, respectively.
(b) Discounted at rates ranging from 4% to 8%.
(c) Grossed up for prepaid reinsurance premiums of $189 and $153 at December 31, 1997 and 1996, respectively.
(d) Includes American Premier's Insurance Group after April 1, 1995.

Signatures

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, American Financial Group, Inc. has duly caused this Report to be signed on its behalf by the undersigned, duly authorized.

American Financial Group, Inc.

Signed: March 26, 1998

BY:s/CARL H. LINDNER
Carl H. Lindner
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Capacity	Date
s/CARL H. LINDNER Carl H. Lindner	Chairman of the Board of Directors	March 26, 1998
s/THEODORE H. EMMERICH Theodore H. Emmerich	Director*	March 26, 1998
s/JAMES E. EVANS James E. Evans	Director	March 26, 1998
s/S. CRAIG LINDNER S. Craig Lindner	Director	March 26, 1998
s/WILLIAM R. MARTIN William R. Martin	Director*	March 26, 1998
s/FRED J. RUNK Fred J. Runk	Senior Vice President and Treasurer (principal financial and accounting officer)	March 26, 1998

* Member of the Audit Committee

INDEX TO EXHIBITS

AMERICAN FINANCIAL GROUP, INC.

Number	Exhibit Description	
3(a)	Amended and Restated Articles of Incorporation.	_____
3(b)	Code of Regulations.	_____
4	Instruments defining the rights of security holders.	Registrant has no outstanding debt issues exceeding 10% of the assets of Registrant and consolidated subsidiaries.
	Management Contracts:	
10(a)	Stock Option Plan, filed as Exhibit (10)(iii)(a)(i) to AFG's Registration Statement on Form 8-B filed on April 17, 1995.	(*)
10(b)	Form of stock option agreement, filed as Exhibit 10(b) to AFG's Form 10-K for 1995.	(*)
10(c)	Stock Option Loan Program, filed as Exhibit 10(c) to AFG's Form 10-K for 1995.	(*)
10(d)	1997 Bonus Plan.	_____
10(e)	Retirement program for outside directors, filed as Exhibit 10(e) to AFG's Form 10-K for 1995.	(*)
10(f)	Directors' Compensation Plan, filed as Exhibit 10(f) to AFG's Form 10-K for 1995.	(*)
10(g)	Nonqualified Auxiliary RASP	_____
12	Computation of ratios of earnings to fixed charges.	_____
21	Subsidiaries of the Registrant.	_____
23	Consent of independent auditors.	_____
27	Financial data schedule.	(**)

(*) Incorporated herein by reference.
(**) Copy included in Report filed electronically with the Securities and Exchange Commission.

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
AMERICAN FINANCIAL GROUP, INC.

FIRST. The name of the corporation is AMERICAN FINANCIAL GROUP, INC. (the "Corporation").

SECOND. The place in the State of Ohio where the Corporation's principal office is to be located is the City of Cincinnati in Hamilton County, Ohio.

THIRD. The purpose for which the Corporation is organized shall be to engage in any lawful act or activity for which corporations may be formed under the Ohio General Corporation Law, Ohio Revised Code 1701.01 et seq..

FOURTH. The aggregate number of shares of stock which the Corporation shall have authority to issue is Two Hundred Twenty Five Million (225,000,000) shares, which shall be divided into two classes, consisting of:

(a) Twenty Five Million (25,000,000) shares of preferred stock ("Preferred Stock") without par value; and,

(b) Two Hundred Million (200,000,000) shares of common stock ("Common Stock") without par value.

PART ONE: PREFERRED STOCK

(a) Except as otherwise provided by this Article FOURTH or by the amendment or amendments adopted by the Board of Directors providing for the issue of any series of Preferred Stock, the Preferred Stock may be issued at any time or from time to time in any amount, not exceeding in the aggregate, including all shares of any and all series thereof theretofore issued, the Twenty Five Million (25,000,000) shares of Preferred Stock hereinabove authorized, as Preferred Stock of one or more series, as hereinafter provided, and for such lawful consideration as shall be fixed from time to time by the Board of Directors.

Twelve Million Five Hundred Thousand (12,500,000) shares of Preferred Stock shall have voting rights as provided in clause (b) of this Part One of Article FOURTH (collectively, "Voting Preferred Stock").

Twelve Million Five Hundred Thousand (12,500,000) shares of Preferred Stock shall have no voting power whatsoever, except as may be otherwise provided by law or except as may arise upon a default, failure or other contingency (collectively, "Non-Voting Preferred Stock").

All shares of any one series of Preferred Stock shall be alike in every particular, each series thereof shall be distinctively designated by letter or descriptive words, and all series of

Preferred Stock shall rank equally and be identical in all respects except as provided above with respect to Voting Preferred Stock and Non-Voting Preferred Stock or as permitted by the provisions of Clause (b) of this Part One of Article FOURTH.

(a) Authority is hereby expressly granted to the Board of Directors from time to time to adopt amendments to these Articles of Incorporation providing for the issue in one or more series of any unissued or treasury shares of Preferred Stock, and providing, to the fullest extent now or hereafter permitted by the laws of the State of Ohio and notwithstanding the provisions of any other Article of these Articles of Incorporation of the Corporation, in respect of the matters set forth in the following subdivisions (i) to (x), inclusive, as well as any other rights or matters pertaining to such series:

(i) The designation and number of shares of such series;

(ii) With respect to the Voting Preferred Stock only, voting rights (to the fullest extent now or hereafter permitted by the laws of the State of Ohio);

(iii) With respect to the Non-Voting Preferred Stock only, voting rights upon a default, failure or other contingency;

(iv) The dividend rate or rates of such series (which may be a variable rate or adjustable rate and which may be cumulative);

(v) The dividend payment date or dates of such series;

(vi) The price or prices at which shares of such series may be redeemed;

(vii) The amount of the sinking fund, if any, to be applied to the purchase or redemption of shares of such series and the manner of its application;

(viii) The liquidation price or prices of such series;

(ix) Whether or not the shares of such series shall be made convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same class of stock of the Corporation or any other property, and if made so convertible or exchangeable, the conversion price or prices, or the rates of exchange at which such conversion or exchange may be made and the adjustments thereto, if any; and,

(x) Whether or not the issue of any additional shares of such series or any future series in addition to such series shall be subject to any restrictions and, if so, the nature of such restrictions.

Any of the voting rights (with respect to the Voting Preferred Stock only), voting rights upon a default, failure or other contingency (with respect to the Non-Voting Preferred Stock only), dividend rate or rates, dividend payment date or dates, redemption rights and price or prices, sinking fund requirements, liquidation price or prices, conversion or exchange rights and restrictions on issuance of shares of any such series of Preferred Stock may, to the fullest extent now or hereafter permitted by the laws of the State of Ohio, be made dependent upon facts ascertainable outside these Articles of Incorporation or outside the amendment or amendments providing for the issue of such Preferred Stock adopted by the Board of Directors pursuant to authority expressly vested in it by this Article FOURTH. Any of the terms of any series may be established as senior to or having preference over the terms of any other series, whether or not outstanding at the time of adoption of the amendment creating such series of Preferred Stock by the Board of Directors. If the then-applicable laws of the State of Ohio do not permit the Board of Directors to fix, by the amendment creating a series of Voting Preferred Stock, the voting rights of shares of such series, each holder of a share of such series of Voting Preferred Stock shall, except as may be otherwise provided by law, be entitled to one (1) vote for each share of Voting Preferred Stock of such series held by such holder.

FIFTH. Amendment to Articles of Incorporation. The Corporation shall have the right to amend, alter, change or repeal any provision contained in these Articles of Incorporation or any provision that may be added or inserted in these Articles of Incorporation, provided that:

(a) Such amendment, alteration, change, repeal, addition or insertion is consistent with law and is accomplished in the manner now or hereafter prescribed by statute or these Articles of Incorporation;

(b) Any provision of these Articles of Incorporation which requires, or the change of which requires, the vote or consent of all or a specific number or percentage of the holders of shares of any class or series shall not be amended, altered, changed or repealed by any lesser amount, number or percentage of votes or consents of such class or series; and,

(c) No amendment to these Articles of Incorporation pursuant to Ohio Revised Code 1701.69(B)(10) or any successor provision may be adopted without the affirmative vote or consent of the holders of an aggregate of two-thirds of the total voting power of the Corporation.

Any rights at any time conferred upon the shareholders of the Corporation are granted subject to the provisions of this Article.

SIXTH. No holder of any shares of this Corporation shall have any preemptive rights to subscribe for or to purchase any shares of this Corporation of any class, whether such shares or such class be now or hereafter authorized, or to purchase or subscribe for any security convertible into, or exchangeable for, shares of any class or to which shall be attached or appertained any warrants or rights entitling the holder thereof to purchase or subscribe for shares of any class.

SEVENTH. This Corporation, through its Board of Directors, shall have the right and power to purchase any of its outstanding shares at such price and upon such terms as may be agreed upon between the Corporation and any selling shareholder.

EIGHTH. Subject to the provisions of Article FIFTH hereof, the affirmative vote of shareholders entitled to exercise a majority of the voting power of this Corporation shall be required to amend these Articles of Incorporation, approve mergers and to take any other action which by law must be approved by a specified percentage of the voting power of the Corporation or of all outstanding shares entitled to vote.

NINTH. The provisions of Ohio Revised Code Chapter 1704 or any successor provisions relating to transactions involving interested shareholders shall not be applicable to the Corporation.

TENTH. The provisions of Ohio Revised Code 1701.831 or any successor provisions relating to control share acquisitions shall not be applicable to the Corporation.

ELEVENTH. These Amended and Restated Articles of Incorporation take the place of and supersede the existing Articles of Incorporation of the Corporation as heretofore amended and/or restated.

CODE OF REGULATIONS

OF

AMERICAN FINANCIAL GROUP, INC. (the "Corporation")

ARTICLE I

Shareholders

Section 1. Annual Meetings. The Annual Meeting of the Shareholders of this Corporation, for the election of the Board of Directors and the transaction of such other business as may properly be brought before such meeting, shall be held at the time, date and place designated by the Board of Directors or, if it shall so determine, by the Chairman of the Board or the President. If the Annual Meeting is not held or if Directors are not elected thereat, a Special Meeting may be called and held for that purpose.

Section 2. Special Meetings. Special meetings of the Shareholders may be held on any business day when called by the Chairman of the Board, the President, a majority of Directors, or persons holding twenty percent of all voting power of the Corporation and entitled to vote at such meeting.

Section 3. Place of Meetings. Any meeting of Shareholders may be held at such place within or without the State of Ohio as may be designated in the Notice of said meeting.

Section 4. Notice of Meeting and Waiver of Notice

4.1 Notice. Written notice of the time, place and purposes of any meeting of Shareholders shall be given to each Shareholder entitled thereto not less than seven (7)days nor more than sixty (60) days before the date fixed for the meeting and as prescribed by law. Such notice shall be given by personal delivery, mail or facsimile transmission to the Shareholders at their respective addresses as they appear on the records of the Corporation. Notice shall be deemed to have been given on the day mailed. If any meeting is adjourned to another time or place, no notice as to such adjourned meeting need be given other than by announcement at the meeting at which such an adjournment is taken. No business shall be transacted at any such adjourned meeting except as might have been lawfully transacted at the meeting at which such adjournment was taken.

4.2 Notice to Joint Owners. All notices with respect to any shares to which persons are entitled by joint or common ownership may be given to that one of such persons who is named first upon the books of this Corporation, and notice so given shall be sufficient notice to all the holders of such shares.

4.3 Waiver. Notice of any meeting may be waived in writing by any Shareholder either before or after any meeting, or by attendance at such meeting without protest to its commencement.

Section 5. Shareholders Entitled to Notice and to Vote. If a record date shall not be fixed, the record date for the determination of Shareholders entitled to notice of or to vote at any meeting of Shareholders shall be the close of business on the twentieth day prior to the date of the meeting and only Shareholders of record at such record date shall be entitled to notice of and to vote at such meeting.

Section 6. Quorum. The holders of shares entitling them to exercise a majority of the voting power of the Corporation, present in person or by proxy, shall constitute a quorum for any meeting. The Shareholders present in person or by proxy, whether or not a quorum be present, may adjourn the meeting from time to time without notice other than by announcement at the meeting.

Section 7. Voting. Except as provided by statute or in the Articles of Incorporation (the "Articles"), every Shareholder entitled to vote shall be entitled to cast one vote on each proposal submitted to the meeting for each share held of record on the record date for the determination of the Shareholders entitled to vote at the meeting. At any meeting at which a quorum is present, all questions and business which may come before the meeting shall be determined by a majority of votes cast, except when a greater proportion is required by law, the Articles or these Regulations; provided, however, that no action required by law, the Articles, or these Regulations to be authorized or taken by the holders of a designated proportion of the shares of the Corporation may be authorized or taken by a lesser proportion.

Section 8. Organization of Meetings.

8.1 Presiding Officer. The Chairman of the Board, or in his absence, the President, or the person designated by the Board of Directors, shall call all meetings of the Shareholders to order and shall act as Chairman thereof; if all are absent, the Shareholders shall elect a Chairman.

8.2 Minutes. The Secretary of the Corporation, or in his absence, an Assistant Secretary, or, in the absence of both, a person appointed by the Chairman of the meeting, shall act as Secretary of the meeting and shall keep and make a record of the proceedings thereat.

Section 9. Proxies. A person who is entitled to attend a Shareholders' meeting, to vote thereat, or to execute consents, waivers and releases, may be represented at such meeting or vote thereat, and execute consents, waivers and releases and exercise any of his rights, by proxy or proxies appointed by a writing signed by such person, or by his duly authorized attorney which may be transmitted physically, by facsimile or by other electronic medium.

Section 10. List of Shareholders. At any meeting of Shareholders a list of Shareholders, alphabetically arranged, showing the number and classes of shares held by each on the record date applicable to such meeting, shall be produced on the request of any Shareholder.

ARTICLE II

Directors

Section 1. General Powers.

The authority of this Corporation shall be exercised by or under the direction of the Board of Directors, except where the law, the Articles or these Regulations require action to be authorized or taken by the Shareholders.

Section 2. Election, Number and Qualification of Directors.

2.1 Election. The Directors shall be elected at the annual meeting of the Shareholders, or if not so elected, at a special meeting of Shareholders called for that purpose. The only candidates who shall be eligible for election at such meeting shall be those who have been nominated by or at the direction of the Board of Directors (which nominations shall be either made at such meeting or disclosed in a proxy statement, or supplement thereto, distributed to Shareholders for such meeting at the direction of the Board of Directors) and those who have been nominated at such meeting by a Shareholder who has complied with the procedures set forth in this Section 2. A Shareholder may make a nomination for the office of Director only if such Shareholder has first delivered or sent by certified mail, return receipt requested, to the Secretary of the Corporation notice in writing at least fifteen and no more than thirty days prior to such meeting of Shareholders, which notice shall set forth or be accompanied by (a) the name and residence of such Shareholder; (b) a representation that such Shareholder is a holder of record of voting stock of the Corporation and intends to appear in person or by proxy at such meeting to nominate the person or persons specified in the notice; (c) the name and residence of each such nominee; and (d) the consent of such nominee to serve as director if so elected.

2.2 Number. The number of Directors, which shall not be less than the lesser of three or the number of Shareholders of record, may be fixed or changed at a meeting of the Shareholders called for the purpose of electing Directors at which a quorum is present, by a majority of the votes cast at the meeting. In addition, the number of Directors may be fixed or changed by action of the Directors at any meeting at which a quorum is present by a majority vote of the Directors present at the meeting. The Directors then in office may fill any Director's office that is created by an increase in the number of Directors. The number of Directors elected shall be deemed to be the number of Directors fixed unless otherwise fixed by resolution adopted at the meeting at which such Directors are elected.

2.3 Qualifications. Directors need not be Shareholders of the Corporation.

Section 3. Term of Office of Directors.

3.1 Term. Each Director shall hold office until the next annual meeting of the Shareholders and until his successor has been elected or until his earlier resignation, removal from office or death. Directors shall be subject to removal as provided by statute or by other lawful procedures and nothing herein shall be construed to prevent the removal of any or all Directors in accordance therewith.

3.2 Resignation. A resignation from the Board of Directors shall be deemed to take effect immediately upon its being received by any incumbent corporate officer other than an officer who is also the resigning Director, unless some other time is specified therein.

3.3 Vacancy. In the event of any vacancy in the Board of Directors for any reason, the remaining Directors, though less than a majority of the whole Board, may fill any such vacancy for the unexpired term.

Section 4. Meetings of Directors.

4.1 Regular Meetings. Regular meetings of the Board of Directors shall be held at such times and places as may be fixed by the Directors.

4.2 Special Meetings. Special Meetings of the Board of Directors may be held at any time upon call of the Chairman of the Board, the President, any Vice President, or any two Directors.

4.3 Place of Meeting. Any meeting of Directors may be held at such place within or without the State of Ohio as may be designated in the notice of said meeting.

4.4 Notice of Meeting and Waiver of Notice. Notice of the time and place of any regular or special meeting of the Board of Directors shall be given to each Director by personal delivery, telephone, facsimile transmission or mail at least forty-eight hours before the meeting, which notice need not specify the purpose of the meeting.

Section 5. Quorum and Voting.

At any meeting of Directors, not less than one-half of the whole authorized number of Directors is necessary to constitute a quorum for such meeting, except that a majority of the remaining Directors in office shall constitute a quorum for filling a vacancy in the Board. At any meeting at which a quorum is present, all acts, questions, and business which may come before the meeting shall be determined by a majority of votes cast by the Directors present at such meeting, unless the vote of a greater number is required by the Articles or these Regulations.

Section 6. Committees.

6.1 Appointment. The Board of Directors may from time to time appoint certain of its members to act as a committee or committees in the intervals between meetings of the Board and may delegate to such committee or committees power to be exercised under the control and direction of the Board. Each committee shall be composed of at least three directors unless a lesser number is allowed by law. Each such committee and each member thereof shall serve at the pleasure of the Board.

6.2 Executive Committee. In particular, the Board of Directors may create from its membership and define the powers and duties of an Executive Committee. During the intervals between meetings of the Board of Directors, the Executive Committee shall possess and may exercise all of the powers of the Board of Directors in the management and control and the business of the Corporation to the extent permitted by law.

6.3 Committee Action. Unless otherwise provided by the Board of Directors, a majority of the members of any committee appointed by the Board of Directors pursuant to this Section shall constitute a quorum at any meeting thereof and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of such committee. Any such committee shall prescribe its own rules for calling and holding meetings and its method of procedure, subject to any rules prescribed by the Board of Directors, and shall keep a written record of all action taken by it.

Section 7. Action of Directors Without a Meeting.

Any action which may be taken at a meeting of Directors or any committee thereof may be taken without a meeting if authorized by a writing or writings signed by all the Directors or all of the members of the particular committee, which writing or writings shall be filed or entered upon the records of the Corporation.

Section 8. Compensation of Directors.

The Board of Directors may allow compensation to Directors for performance of their duties and for attendance at meetings or for any special services, may allow compensation to members of any committee, and may reimburse any Director for his expenses in connection with attending any Board or committee meeting.

Section 9. Relationship with Corporation.

Directors shall not be barred from providing professional or other services to the Corporation. No contract, action or transaction shall be void or voidable with respect to the Corporation for the reason that it is between or affects the Corporation and one or more of its Directors, or between or affects the Corporation and any other person in which one or more of its Directors are directors, trustees or officers or have a financial or personal interest, or for the reason that one or more interested Directors participate in or vote at the meeting of the Directors or committee thereof that authorizes such contract, action or transaction, if, in any such case, any of the following apply:

9.1 the material facts as to the Director's relationship or interest and as to the contract, action or transaction are disclosed or are known to the Directors or the committee and the Directors or committee, in good faith, reasonably justified by such facts, authorize the contract, action or transaction by the affirmative vote of a majority of the disinterested Directors, even though the disinterested Directors constitute less than a quorum;

9.2 the material facts as to the Director's relationship or interest and as to the contract, action or transaction are disclosed or are known to the shareholders entitled to vote thereon and the contract, action or transaction is specifically approved at a meeting of the Shareholders held for such purpose by the affirmative vote of the holders of shares entitling them to exercise a majority of the voting power of the Corporation held by persons not interested in the contract, action or transaction; or

9.3 the contract, action or transaction is fair as to the Corporation as of the time it is authorized or approved by the Directors, a committee thereof or the Shareholders.

Section 10. Attendance at Meetings of Persons Who Are Not Directors

Unless waived by the Chairman, any Director who desires the presence at any regular or special meeting of the Board of Directors of a person who is not a Director, shall so notify all other Directors, not less than 24 hours before such meeting, request the presence of such person and state the reason in writing. Such person will not be permitted to attend the Directors' meeting unless a majority of the Directors in attendance vote to admit such person to the meeting. Such vote shall constitute the first order of business for any such meeting of the Board of Directors. Such right to attend, whether granted by waiver or vote, may be revoked at any time during any such meeting by the vote of a majority of the Directors in attendance.

ARTICLE III

Officers

Section 1. General Provisions.

The Board of Directors shall elect a President, a Secretary and a Treasurer, and may elect a Chairman of the Board, a Chief Executive Officer, one or more Vice Presidents, and such other officers and assistant officers as the Board may from time to time deem necessary. The Chairman of the Board, if any, shall be a Director, but none of the other officers need be a Director. Any two or more offices may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity if such instrument is required to be executed, acknowledged or verified by two or more officers.

Section 2. Powers and Duties.

All officers, as between themselves and the Corporation, shall respectively have such authority and perform such duties as are customarily incident to their respective offices, and as may be specified from time to time by the Board of Directors, regardless of whether such authority and duties are customarily incident to such office. The Chief Executive Officer shall also serve either as Chairman of the Board or President and shall have plenary power over the business and activities of the Corporation and over its officers and employees, subject, however, to the control of the Board of Directors and any limitations thereon contained in these Regulations. In the absence of any officer of the Corporation, or for any other reason the Board of Directors may deem sufficient, the powers or duties of such officer, or any of them may be delegated to any other officer or to any Director. The Board of Directors may from time to time delegate to any officer authority to appoint and remove subordinate officers and to prescribe their authority and duties.

Section 3. Term of Office and Removal.

3.1 Term. Each officer of the Corporation shall hold office at the pleasure of the Board of Directors.

3.2 Removal. The Board of Directors may remove any officer at any time with or without cause by the affirmative vote of a majority of Directors in office.

Section 4. Compensation of Officers.

The Directors shall establish the compensation of officers and employees or may, to the extent not prohibited by law, delegate such authority to a committee of Directors, the President or a Chief Executive Officer, as they determine.

ARTICLE IV

Indemnification

Section 1. Right to Indemnification.

Each person who was or is made a party or is threatened to be made a party to or is otherwise involved (including, without limitation, as a witness) in any actual or threatened action, suit or proceeding, whether civil, criminal, administrative, or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director or officer of the Corporation or that, being or having been such a director or officer of the Corporation, he or she is or was serving at the request of an executive officer of the Corporation as a director, officer, partner, employee or agent of another corporation or of a partnership, joint venture, trust, limited liability company or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnitee"), whenever the basis of such proceeding is alleged action in an official capacity as such a director, officer, partner, employee, or agent, shall be indemnified and held harmless by the Corporation to the fullest extent permitted by the General Corporation Law of Ohio, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior thereto), or by other applicable law as then in effect, against all expense, liability and loss (including, without limitation, attorneys' fees, costs of investigation, judgments, fines, excise taxes or penalties arising under the Employee Retirement Income Security Act of 1974 ("ERISA") or other federal or state acts) actually incurred or suffered by such indemnitee in connection therewith and such indemnification shall continue as to an indemnitee who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the indemnitee's heirs, executors, and administrators. Except as provided in Section 2 with respect to proceedings seeking to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized or ratified by the Board of Directors of the Corporation.

The right to indemnification conferred in this Section 1 shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"). An advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such indemnitee, to repay all amounts so advanced if it is proved by clear and convincing evidence in a court of competent jurisdiction that his omission or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the Corporation or undertaken with reckless disregard for the best interests of the Corporation. An advancement of expenses shall not be made if the Corporation's Board of Directors makes a good faith determination that such payment would violate applicable law.

Section 2. Right of Indemnitee to Bring Suit.

If a claim under Section 1 is not paid in full by the Corporation within thirty days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall also be entitled to be paid the expense of prosecuting or defending such suit. The indemnitee shall be presumed to be entitled to indemnification under this Article IV upon submission of a written claim (and, in an action brought to enforce a claim for an advancement of expenses, where the required undertaking has been tendered to the Corporation), and thereafter the Corporation shall have the burden of proof to overcome the presumption that the indemnitee is so entitled. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel or its Shareholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel or its Shareholders) that the indemnitee is not entitled to indemnification shall be a defense to the suit or create a presumption that the indemnitee is not so entitled.

Section 3. Nonexclusivity and Survival of Rights.

The rights to indemnification and to the advancement of expenses conferred in this Article IV shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provisions of the Articles of Incorporation, Code of Regulations, agreement, vote of Shareholders or disinterested Directors, or otherwise.

Notwithstanding any amendment to or repeal of this Article IV, or of any of the procedures established by the Board of Directors pursuant to Section 6, any indemnitee shall be entitled to indemnification in accordance with the provisions hereof and thereof with respect to any acts or omissions of such indemnitee occurring prior to such amendment or repeal.

Without limiting the generality of the foregoing paragraph, the rights to indemnification and to the advancement of expenses conferred in this Article IV shall, notwithstanding any amendment to or repeal of this Article IV, inure to the benefit of any person who otherwise may be entitled to be indemnified pursuant to this Article IV (or the estate or personal representative of such person) for a period of six years after the date such person's service to or in behalf of the Corporation shall have terminated or for such longer period as may be required in the event of a lengthening in the applicable statute of limitations.

Section 4. Insurance, Contracts, and Funding.

The Corporation may maintain insurance, at its expense, to protect itself and any Director, officer, employee, or agent of the Corporation or another corporation, partnership, joint venture, trust, or other enterprise against any expense, liability, or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of Ohio. The Corporation may enter into contracts with any indemnitee in furtherance of the provisions of this Article IV and may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Article IV.

Section 5. Indemnification of Employees and Agents of the Corporation.

The Corporation may, by action of its Board of Directors, authorize one or more executive officers to grant rights to advancement of expenses to employees or agents of the Corporation on such terms and conditions no less stringent than provided in Section 1 hereof as such officer or officers deem appropriate under the circumstances. The Corporation may, by action of its Board of Directors, grant rights to indemnification and advancement of expenses to employees or agents or groups of employees or agents of the Corporation with the same scope and effect as the provisions of this Article IV with respect to the indemnification and advancement of expenses of directors and officers of the Corporation; provided, however, that an undertaking shall be made by an employee or agent only if required by the Board of Directors.

Section 6. Procedures for the Submission of Claims.

The Board of Directors may establish reasonable procedures for the submission of claims for indemnification pursuant to this Article IV, determination of the entitlement of any person thereto, and review of any such determination. Such procedures shall be set forth in an appendix to these Code of Regulations and shall be deemed for all purposes to be a part hereof.

ARTICLE V

Amendments

This Code of Regulations may be amended by the affirmative vote or the written consent of the Shareholders entitled to exercise a majority of the voting power on such proposal. If an amendment is adopted by written consent the Secretary shall mail a copy of such amendment to each Shareholder who would be entitled to vote thereon and did not participate in the adoption thereof. This Code of Regulations may also be amended by the affirmative vote of a majority of the directors to the extent permitted by Ohio law at the time of such amendment.

AMERICAN FINANCIAL GROUP, INC.

1997 ANNUAL BONUS PLAN

Adopted on March 11, 1997

AMERICAN FINANCIAL GROUP, INC.

ANNUAL BONUS PLAN

1. PURPOSE

The purpose of the Annual Bonus Plan (the "Plan") is to further the profitability of American Financial Group, Inc. (the "Company") to the benefit of the shareholders of the Company by providing incentive to the Plan participants.

2. ADMINISTRATION

Except as otherwise expressly provided herein, the Plan shall be administered by the Compensation Committee or a successor committee or subcommittee (the "Committee") of the Board of Directors of the Company (the "Board") composed solely of two or more "outside directors" as defined pursuant to Section 162(m) of the Internal Revenue Code. No member of the Committee while serving as such shall be eligible to be granted a bonus under the Plan. Subject to the provisions of the Plan (and to the approval of the Board where specified in the Plan), the Committee shall have exclusive power to determine the conditions (including performance requirements) to which the payment of the bonuses may be subject and to certify that performance goals are attained. Subject to the provisions of the Plan, the Committee shall have the authority to interpret the Plan and establish, adopt or revise such rules and regulations and to make all determinations relating to the Plan as it may deem necessary or advisable for the administration of the Plan. The Committee's interpretation of the Plan and all of its actions and decisions with respect to the Plan shall be final, binding and conclusive on all parties.

3. PLAN TERM AND BONUS YEARS

The term of the Plan is one year, commencing January 1, 1997, which term shall be renewed from year to year unless and until the Plan shall be terminated or suspended as provided in Section 9. As used in the Plan the term "Bonus Year" shall mean a calendar year.

4. PARTICIPATION

Subject to the approval of the Committee and the Board of Directors (based on the recommendation of the Committee), management of the Company shall suggest those persons who are deemed to be key employees of the Company for participation in the Plan (the "Participants").

5. ESTABLISHMENT OF INDIVIDUAL BONUS TARGETS AND PERFORMANCE CRITERIA

The Committee shall establish the individual target amount of bonus (the "Bonus Target") that may be awarded to each Participant and recommend that the Board adopt such action. In no event shall the establishment of any Participant's Bonus Target give a Participant any right to be paid all or any part of such amount unless and until a bonus is actually awarded pursuant to Section 6.

The Committee shall establish the performance criteria (the "Performance Criteria") that will apply to the determination of each Participant's bonus for that Bonus Year and recommend that the Board adopt such action. The individuals, their Bonus Targets and Performance Criteria set forth on Schedules I and II have been recommended by the Committee and approved by the Board.

6. DETERMINATION OF BONUSES AND TIME OF PAYMENT

As soon as practicable after the end of 1997, the Committee shall certify whether or not the performance criteria of each Participant has been attained and shall recommend to the Board, and the Board shall determine, the amount of the bonus, if any, to be awarded to each Participant for 1997 according to the terms of this Plan. Such bonus determinations shall be based on achievement of the Performance Criteria for 1997.

Once the bonus is so determined for a Participant, it shall be paid seventy-five percent in cash and twenty-five percent in Company Common Stock to the Participant (less any applicable withholding and employment taxes) as soon as practicable. The number of shares of Company Common Stock to be issued to a Participant shall be determined by dividing twenty-five percent of the bonus payable (before applicable taxes and deductions) by the average of the per share Fair Market Value of the Common Stock for the last twenty trading days of 1997; the resulting number shall then be rounded to the nearest hundred.

"Fair Market Value" means the last sale price reported on any stock exchange or over-the-counter trading system on which Company Common Stock is trading on the last trading day prior to a specified date or, if no last sales price is reported, the average of the closing bid and asked prices for a share of Common Stock on a specified date. If no sale has been made on any date, then prices on the last preceding day on which any such sale shall have been made be used in determining Fair Market Value under either method prescribed in the previous sentence.

7. TERMINATION OF EMPLOYMENT

If a Participant's employment with the Company or a subsidiary, as the case may be, is terminated for any reason other than discharge for cause, he may be entitled to such bonus, if any, as the Committee, in its sole discretion, may determine.

In the event of a Participant's discharge for cause from the employ of the Company or a Subsidiary, as the case may be, he shall not be entitled to any amount of bonus unless the Committee, in its sole discretion, determines otherwise.

8. MISCELLANEOUS

A. Government and Other Regulations. The obligation of the Company to make payment of bonuses shall be subject to all applicable laws, rules and regulations and to such approvals by governmental agencies as may be required.

B. Tax Withholding. The Company or a Subsidiary, as appropriate, shall have the right to deduct from all bonuses paid in cash any federal, state or local taxes required by law to be withheld with respect to such cash payments.

C. Claim to Bonuses and Employment Rights. The designation of persons to participate in the Plan shall be wholly at the discretion of the Board. Neither this Plan nor any action taken hereunder shall be construed as giving any Participant any right to be retained in the employ of the Company or a Subsidiary.

D. Beneficiaries. Any bonuses awarded under this Plan to a Participant who dies prior to payment shall be paid to the beneficiary designated by the Participant on a form filed with the Company. If no such beneficiary has been designated or survives the Participant, payment shall be made to the Participant's legal representative. A beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Company.

E. Nontransferability. A person's rights and interests under the Plan may not be assigned, pledged or transferred except, in the event of a Participant's death, to his designated beneficiary as provided in the Plan or, in the absence of such designation, by will or the laws of descent and distribution.

F. Indemnification. Each person who is or shall have been a member of the Committee or of the Board shall be indemnified and held harmless by the Company (to the extent permitted by the Articles of Incorporation and Code of Regulations of the Company and applicable law) against and from any loss, cost, liability or expense that may be imposed upon or reasonably incurred by him in connection with or resulting from any claim, action, suit or proceeding to which he may be a party or in which they may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him in settlement thereof, with the Company's approval, or paid by him, in satisfaction of judgment in any such action, suit or proceeding against him. He shall give the Company an opportunity, at its own expense, to handle and defend the same before he undertakes to handle and defend it on his own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such person may be entitled under the Company's Articles of Incorporation or Code of Regulations, as a matter of law or otherwise or of any power that the Company may have to indemnify him or hold him harmless.

G. Reliance on Reports. Each member of the Committee and each member of the Board shall be fully justified in relying or acting in good faith upon any report made by the independent certified public accountants of the Company or of its Subsidiaries or upon any other information furnished in connection with the Plan by any officer or director of the Company or any of its Subsidiaries. In no event shall any person who is or shall have been a member of the Committee or of the Board be liable for any determination made or other action taken or any omission to act in reliance upon any such report or information or for any action taken, including the furnishing of information, or failure to act, if in good faith.

H. Expenses. The expenses of administering the Plan shall be borne by the Company and its Subsidiaries in such proportions as shall be agreed upon by them from time to time.

I. Pronouns. Masculine pronouns and other words of masculine gender shall refer to both men and women.

J. Titles and Headings. The titles and headings of the sections in the Plan are for convenience of reference only, and, in the event of any conflict between any such title or heading and the text of the Plan, such text shall control.

9. AMENDMENT AND TERMINATION

The Board may at any time terminate the Plan. The Board may at any time, or from time to time, amend or suspend and, if suspended, reinstate the Plan in whole or in part. Notwithstanding the foregoing, the Plan shall continue in effect to the extent necessary to settle all matters relating to the payment of bonuses awarded prior to any such termination or suspension.

AMERICAN FINANCIAL GROUP, INC.

AUXILIARY RASP PLAN

AS OF JANUARY 1, 1997

AMERICAN FINANCIAL GROUP, INC.
AUXILIARY RASP PLAN
As of January 1, 1997

AMERICAN FINANCIAL GROUP, INC.

AUXILIARY RASP PLAN
As of January 1, 1997

ARTICLE 1. ESTABLISHMENT AND PURPOSE

The American Financial Group, Inc. Auxiliary RASP Plan ("Plan") is established as of January 1, 1997. The purpose of the Plan is to enable eligible Employees of American Financial Group, Inc. ("AFG"), and certain of its subsidiaries and affiliates (collectively "Employers" and singularly "Employer"), who are eligible to participate in the Retirement Contribution portion of the American Financial Group Retirement and Savings Plan (the "RASP") or any other defined contribution plan sponsored by an AFG subsidiary to have an alternative to the RASP or such other plan.

The Plan is being established by AFG and the other Employers for the benefit of their respective eligible Employees who are not eligible for another nonqualified Plan of AFG or any other Employer. With respect to Employees not directly employed by AFG, such Employers shall annually forward the amount necessary to fund the contributions for the Account of each eligible Employee as determined pursuant to Section 4.2 and thereafter the Account (the investment performance as determined pursuant to Section 4.4) of each Employee is the obligation of AFG.

ARTICLE 2. DEFINITIONS

2.1 "Account" means the account established by the Administrator pursuant to Section 3.1.

2.2 "Administrator" means the person or committee appointed by the President of AFG responsible for the administration of the Plan.

2.3 "AFG" means American Financial Group.

2.4 "AFG RASP" means the American Financial Group Retirement and Savings Plan.

2.5 "Agreement" means the written election of a Participant to participate in the Plan in the form attached hereto as Appendix I.

2.6 "American Financial Group" means American Financial Group, Inc., its successors and assigns.

2.7 "Code"means the Internal Revenue Code of 1986, as amended.

2.8 "Employee" means all common law employees of an Employer as further described in the AFG RASP.

2.9 "Employer" means AFG and certain of its subsidiaries and affiliates who have adopted the Plan.

2.10 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

2.11 "Expiration Date" means the date in which a Participant incurs five consecutive One Year Periods of Severance.

2.12 "Hour of Service" means each hour an Employee is entitled to payment by an Employer as further described in the AFG RASP.

2.13 "One Year Period of Severance" means any 12-month period during which a Participant does not complete a month of service pursuant to the terms of the RASP.

2.14 "Participant" means an Employee who becomes eligible pursuant to Article 3.

2.15 "Plan Year" means the twelve month period beginning each January 1 and ending December 31 on which the records of the Plan are kept.

2.16 "RASP" means the AFG RASP.

2.17 "Retirement Contribution" means the employer retirement contribution made by an Employer pursuant to the terms of the AFG RASP.

2.18 "Year of Service" means each 12-month period beginning on the Employee's employment commencement date during which a Participant completes at least one Hour of Service, as determined pursuant to the RASP.

ARTICLE 3. PARTICIPATION

3.1 Eligibility. The Employees who are eligible to become a Participant in the Plan are those officers and other key employees of an Employer who are authorized by the Board of Directors of AFG to participate in the Plan or have been specifically authorized to participate in the Plan by an employment agreement between an Employer and a person employed by an Employer.

3.2 Participation in the Plan. A Participant elects, subject to the provisions of the Plan, to participate in the Plan by delivering before March 15, or such earlier time as may be directed by the Plan Administrator, of the first Plan Year the Participant is eligible to participate, a properly executed Agreement to the Administrator. The Agreement shall conform to the terms and conditions of the Plan and shall include an election not to participate in the Retirement Contribution of the AFG RASP or any other defined contribution plan sponsored by an AFG subsidiary. An Employee's election to participate in the Plan may not be revoked during the Plan Year. An employee may only revoke this election by notifying the Plan Administrator in writing by December 1 of the Plan Year for the termination to be effective in the next following Plan Year. All Employees who were participants of the AFC Auxiliary ESORP shall automatically be participants in this Plan subject to the elections made under such plan without executing a new Agreement.

3.3 Vesting.

(a) A Participant's interest in his Account shall become vested and nonforfeitable to the extent of the following percentages based upon full Years of Service with an Employer:

Year of Service	Percentage Vested	Percentage Forfeited
Fewer than five years	0%	100%
At least five years	100%	0%

An Employee forfeits all non-vested rights to an Account after the Plan Year after five consecutive One Year Periods of Severance have occurred.

(b) For purposes of vesting, a Year of Service shall be credited for each 12-month period beginning on the Employee's employment commencement date during which an Employee completes a month of service. In addition, each Employee participating in the Plan shall be credited, for Service purposes, for his employment with any subsidiary or affiliate of AFG.

(c) In computing full Years of Service hereunder, any Employee who has a One Year Period of Severance shall not receive credit for Years of Service prior to such break until one full Year of Service has been completed after return to service. In addition, Years of Service by any Employee after any five consecutive One Year Periods of Severance shall not be taken into account for purposes of determining the nonforfeitable percentage of an Employee's interest derived from compensation deferred by the Employee which accrued before such five consecutive One Year Periods of Severance.

Further, when computing full Years of Service hereunder, the Employer shall establish and maintain a separate Account for each Employee who has incurred a One Year Period of Severance and has subsequently returned to the employment of an Employer. The purpose of maintaining such separate Accounts will be to insure that allocations to any Employee are properly made to determine the nonforfeitable percentage of accrued interest in accordance with the above.

(d) Participation in the Plan will continue until an Employee terminates his employment as provided for in Section or for as long as he has an interest in the Plan that has not been distributed to him or for his benefit.

ARTICLE 4. COMPENSATION ALLOCATED

4.1 AFG Auxiliary RASP Account. An Account will be established for each Employee who elects to participate in the Plan. The Account will be maintained by the Administrator. All allocations on behalf of an Employee shall be deferred and all increases or decreases in the Account due to investment performance of the Retirement Contributions in the AFG RASP (see Section), all distributions to the Employee or beneficiary or estate, and any other interest earned on the balance thereof, shall be reflected in the Account.

4.2 Amount of Allocation.

(a) The amount allocated to an Employee's Account shall be deferred and shall be the same percentage of an Employee's gross income (as defined in Section 61(a) of the Code) paid by any Employer as would have been allocated to an Employee's Retirement Contributions account in the AFG RASP (or any other defined contribution plan sponsored by an AFG subsidiary) up to a maximum of $30,000, which amount shall be increased (but not decreased) with respect to adjustments allowed by Section 415 of the Code.

Provided, however, that the initial amount of compensation allocated and deferred shall include an amount equivalent to the amount that would have been allocated in an Employee's Retirement Contributions account or predecessor defined contribution plan account for the Plan Year prior to participation in this Plan but for limitations and rules existing in the Code as of the date hereof.

(b) Allocations under this Plan for any Plan Year shall be credited to an Employee's Account as of December 31 of such Plan Year.

(c) A Participant's Accounts shall also include amounts previously credited under the AFC Auxiliary ESORP, if any.

4.3 Term of Deferral. The Agreement shall provide that all amounts posted to the Account shall be paid upon the earlier of (1) retirement or termination of employment at age 60 or over, (2) death, (3) Total Disability or (4) the Expiration Date. Commencing in the first quarter of the year following an Expiration Date, payments from the Account shall be made in accordance with the provisions specified in Section hereof.

4.4 Investment Performance. The Participant's Account shall be credited (or charged) with interest at a rate determined by the Treasurer of AFG to be the same rate as earned on the Retirement Contributions accounts under the RASP (investment income plus or minus "investment performance" under the Retirement Contributions account of the RASP) as of each December 31 prior to the Expiration Date. Such determination shall be final, binding and conclusive on all parties.

4.5 Statement of Account. A statement of Account for the preceding calendar year will be sent to each Participant annually no later than February 28 until the complete distribution of the Participant's Account.

ARTICLE 5. PAYMENT OF ACCOUNT

5.1 Payment After the Expiration Date, Death, Retirement or Disability.

(a) Within 90 days following the end of the year in which Expiration Date occurs, termination of employment after age 60, death or disability, the Participant, or in the event of death, the Beneficiary, shall choose payment or distribution of the Account under one of the following payment options:

(1) The Account may be applied to the purchase of an immediate or deferred life annuity contract, on the sole life of the Participant, or jointly on the lives of the Participant and a beneficiary named by the Participant. The annuity contract shall be purchased from an insurance company to be determined at the sole discretion of AFG provided that such insurance company shall have a current rating of A (Excellent) or better from Bests' Insurance Reports.

(2) The Account may be paid out as if the Participant purchased an immediate or deferred life annuity contract, on the sole life of the Participant, or jointly on the lives of the Participant and the beneficiary named by the Participant. Such payment of the Account shall be as if AFG purchased an annuity contract from an insurance company to be determined at the sole discretion of AFG provided that such insurance company shall have a rating of A (Excellent) or better from Bests' Insurance Reports and using as the interest rate assumption, the same interest rate as such insurance company would provide.

(3) The Account may be paid in a lump sum in cash.

The Employer may take into consideration, but is not bound by, the Employee's preference as to the payment options.

The annuity contract provided for in paragraph 5.l(a)(l) shall provide for, and payments provided for in paragraph 5.l(a)(2) shall be made, in equal installments over the expected life span of Participant which shall be determined by standard actuarial tables then in existence.

(b) Within 30 days of AFG's choice of payment option, AFG will purchase such annuity, begin to make payments or make the lump sum payment.

(c) Notwithstanding the payment option chosen by AFG, after the commencement of payments from the Account, the Administrator, at his sole discretion, may accelerate payment of any amount remaining in the Account to the extent that the amounts being paid are not sufficiently large to warrant the administrative expense then being incurred to administer such payments.

(d) Any applicable federal, state and local taxes will be withheld from the gross amounts paid. Neither the Participant nor any designated beneficiary shall have any right, directly or indirectly, to alienate, assign, pledge or in any way encumber any amount that is payable from the Account.

5.2 Hardship Distribution. Distribution of payments from a Participant's Account prior to the Expiration Date shall be made only if the Administrator, after consideration of an application by the Participant, determines that the Participant has sustained financial hardship caused by events beyond the Participant's control. In such event, the Administrator may, at his sole discretion, direct that all or a portion of the Account be paid to the Participant in such manner, and at such times as determined by the Administrator.

5.3 Beneficiary Designation and Payment.

(a) The Participant shall have the right to designate a beneficiary hereunder and to change any beneficiary previously designated. Such designation shall be made by the Participant delivering to the Administrator a writing setting forth the name and address of the person or persons so designated with a statement by the Participant of the intention that the person or persons so designated be the beneficiary or beneficiaries hereunder. The last-dated and filed beneficiary designation shall cancel all earlier filed designations. (Appendix II provides the acceptable form of beneficiary designation.)

(b) In the event of the Participant's death before or after the commencement of payments from the Account, then the amount otherwise payable to the Participant shall be paid to the designated beneficiary or, if none, to the estate, which beneficiary or estate shall have all the rights conferred by Section above.

ARTICLE 6. GENERAL PROVISIONS

6.1 Employee's Rights Unsecured. The right of any Employee to receive payments under the provisions of the Plan shall be an unsecured claim against the general assets of the Employers. It is not required or intended that the amounts credited to the Employee's Account be segregated on the books of AFG or be held by the Employers in trust for the Employee. All credits to the Account are for bookkeeping purposes only.

6.2 Non-Assignability. The right to receive payments hereunder shall not be transferable or assignable by an Employee, except by will or by the laws of descent and distribution. Any other attempted assignment or alienation of payments hereunder shall be void and of no force or effect.

6.3 Administration. The Administrator shall have the authority to adopt rules, regulations and interpret, construe and implement the provisions of the Plan according to the laws of the State of Ohio, to the extent not preempted by ERISA.

6.4 Amendment and Termination. The Plan may at any time or from time to time be amended or terminated by AFG. No amendment, modification or termination shall adversely affect the Employee's accrued rights under the Plan. Any such amendment, modification or termination shall be in a writing signed by an officer of AFG and approved by the Board of Directors of AFG.

6.5 Construction. The masculine gender, where appearing in this Plan, shall be deemed to also include the feminine and neuter genders. The singular shall also include the plural, and the plural, the singular, where appropriate.

6.6 Limitations. The Plan does not constitute a contract of employment, and participation in the Plan will not give any Employee the right to be retained in the employ of an Employer or any right or claim to any benefit under the terms of the Plan, unless such right or claim has specifically accrued pursuant to the provisions of his Agreement with the Employer. This Plan does not confer the right for an Employee to receive a bonus.

6.7 Subsidiaries. Each subsidiary of AFG who employs an Employee shall be obligated to make payments to AFG to fund each eligible Employee's Account. The amount paid to AFG shall be in the proportion that such subsidiary's compensation paid to an Employee bears to an Employee's gross income determined under Section .

AMERICAN FINANCIAL GROUP, INC.

BY:

Its:

APPENDIX I

PARTICIPATION AGREEMENT

American Financial Group, Inc.
One East Fourth Street
Cincinnati, Ohio 45202

Attention: Secretary

Gentlemen:

I am in receipt of the American Financial Group, Inc. Auxiliary RASP Plan (the "Plan"), as adopted by the Board of Directors of American Financial Group, Inc.. I have read and reviewed the Plan, and I hereby elect to participate in the Plan and agree to be bound by and fully comply with the terms and conditions of the Plan. I acknowledge that my election to participate in the Plan means that I am not going to participate, beginning _________________ and forward, in the [American Financial Group Retirement and Savings Plan] or [subsidiary defined contribution plan].

I acknowledge that it is my obligation to notify the Administrator of the Plan in writing by December 1 of any year in the event I wish to terminate participation in the Plan for the following Plan Year and re-activate participation in the American Financial Group Retirement and Savings Plan or [subsidiary defined contribution plan].

I hereby acknowledge that I am not relying on any tax advice given to me by American Financial Group, Inc. or by any affiliate, employee, contractee, agent, director or officer thereof regarding federal or state income or estate tax consequences arising to me or my estate, heirs or devisees as a result of my participation in the Plan. I further hereby acknowledge that I have been advised to consult with my own tax advisors regarding any such tax consequences to me.

Very truly yours, Employee

____
Signature

____
Name typed or printed

S.S. No.________________________

Date:__________________________

APPENDIX II
AMERICAN FINANCIAL GROUP, INC.
AUXILIARY RASP

DESIGNATION OF BENEFICIARY

TO: The Board of Directors
American Financial Group, Inc.

I hereby direct that upon my death all or any payments to be made or remaining to be paid in accordance with rights granted to me under the Auxiliary RASP Plan shall be paid as follows:

(A) Primary Beneficiary
Name or Names of Persons or Trust:
Address:

Date of Birth or of Trust:
Name of Trustee if applicable:
Telephone Number:
Social Security Number or T.I.N.:

(B) Alternative Beneficiary (in the event of the death or non-existence of the Primary Beneficiary listed above):
Name:
Address:

Date of Birth or of Trust:
Name of Trustee if applicable:
Telephone Number:
Social Security Number or T.I.N.:

The undersigned hereby reserves the right to change the beneficiary or beneficiaries designated herein at any time by filing in writing a new Designation of Beneficiary form with the Plan Administrator.

WITNESS:

EMPLOYEE:
Date:

ACKNOWLEDGMENT

AMERICAN FINANCIAL GROUP, INC.

Date: By:

AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES

EXHIBIT 12 - COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
(Dollars in Thousands)

	Year Ended December 31, 1997	1996	1995	1994	1993
Pretax income	$308,323	$317,574	$247,455	$ 26,376	$257,426
Minority interest in subsidiaries having fixed charges (*)	54,163	46,689	33,190	8,565	34,800
Less undistributed equity in (earnings) losses of investees	10,363	31,353	(1,559)	49,010	(25,067)
Fixed charges:					
Interest expense	53,578	78,048	124,633	114,803	153,836
Debt discount (premium) and expense	(701)	(1,174)	(1,023)	1,240	5,273
One-third of rentals	10,152	9,279	9,471	5,119	5,801
EARNINGS	$435,878	$481,769	$412,167	$205,113	$432,069
Fixed charges:					
Interest expense	$ 53,578	$ 78,048	$124,633	$114,803	$153,836
Debt discount (premium) and expense	(701)	(1,174)	(1,023)	1,240	5,273
One-third of rentals	10,152	9,279	9,471	5,119	5,801
Pretax preferred dividend requirements of subsidiaries	46,578	27,970	25,376	-	-
FIXED CHARGES	$109,607	$114,123	$158,457	$121,162	$164,910
Ratio of Earnings to Fixed Charges	3.98	4.22	2.60	1.69	2.62
Earnings in Excess of Fixed Charges	$326,271	$367,646	$253,710	$ 83,951	$267,159

(*) Amounts include subsidiary preferred dividends and accrued distributions on trust preferred securities.

AMERICAN FINANCIAL GROUP, INC.

EXHIBIT 21 - SUBSIDIARIES OF THE REGISTRANT

The following is a list of subsidiaries of AFG at December 31, 1997. All corporations are subsidiaries of AFG and, if indented, subsidiaries of the company under which they are listed.

Name of Company	State of Incorporation	Percentage of Common Equity Ownership
AFC Holding Company	Ohio	100
American Financial Capital Trust I	Delaware	100
American Financial Corporation	Ohio	100
American Premier Underwriters, Inc.	Pennsylvania	100
Pennsylvania Company	Delaware	100
Atlanta Casualty Company	Illinois	100
Infinity Insurance Company	Indiana	100
Leader National Insurance Company	Ohio	100
Republic Indemnity Company of America	California	100
Windsor Insurance Company	Indiana	100
Great American Holding Corporation	Ohio	100
Great American Insurance Company	Ohio	100
American Annuity Group, Inc.	Delaware	81
AAG Holding Company, Inc.	Ohio	100
Great American Life Insurance Company	Ohio	100
Loyal American Life Insurance Company	Alabama	100
Prairie National Life Insurance Company	South Dakota	100
American Memorial Life Insurance Company	South Dakota	100
American Annuity Group Capital Trust I	Delaware	100
American Annuity Group Capital Trust II	Delaware	100
American Annuity Group Capital Trust III	Delaware	100
American Empire Surplus Lines Insurance Company	Delaware	100
American National Fire Insurance Company	New York	100
Brothers Property Corporation	Ohio	80
Mid-Continent Casualty Company	Oklahoma	100
Stonewall Insurance Company	Alabama	100
Transport Insurance Company	Ohio	100

The names of certain subsidiaries are omitted, as such subsidiaries in the aggregate would not constitute a significant subsidiary.

See Part I, Item 1 of this Report for a description of certain companies in which AFG owns a significant portion and accounts for under the equity method.

AMERICAN FINANCIAL GROUP, INC.

EXHIBIT 23 - CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the following Registration Statements: (i) No. 33-58825 on Form S-8 pertaining to the Stock Option Plan, (ii) No. 33-58827 on Form S-8 pertaining to the Employee Stock Purchase Plan, (iii) No. 33-62459 on Form S-3 pertaining to the Dividend Reinvestment Plan, (iv) No. 333-10853 on Form S-8 pertaining to the Non-Employee Directors' Compensation Plan, (v) No. 333-14935 on Form S-8 pertaining to the Retirement and Savings Plan and (vi) No. 333-21995 on Form S-3 pertaining to the Registration of $500,000,000 of Debt Securities, Common Stock and Trust Securities of our report dated March 6, 1998, with respect to the consolidated financial statements and schedules of American Financial Group, Inc. included in the Annual Report on Form 10-K for the year ended December 31, 1997.

ERNST & YOUNG LLP

Cincinnati, Ohio
March 26, 1998

This schedule contains summary financial information extracted from the American
Financial Group, Inc. Form 10-K for December 31, 1997 and is qualified in its
entirety by reference to such financial statements.

1,000

YEAR
DEC-31-1997
DEC-31-1997
$257,117
11,299,878
691,005
0
0
0
0
0
15,755,349
0
580,745
0
0
61,049
1,601,660
15,755,349
0
4,020,723
0
0
339,475
0
52,331
319,610
120,127
199,483
0
(7,233)
0
$192,250
.65
.64

Includes an investment in investees of $201 million.
Calculated after deducting a premium over stated value on retirement of a
subsidiary's preferred stock of $153.3 million.