SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 1998	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

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 ___

As of May 1, 1998, there were 61,349,558 shares of the Registrant's Common Stock outstanding, excluding 18,666,614 shares owned by subsidiaries.

PART I
FINANCIAL INFORMATION

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

	March 31, 1998	December 31, 1997
Assets:		
Cash and short-term investments	$ 215,118	$ 257,117
Investments:		
Bonds and redeemable preferred stocks:		
Held to maturity - at amortized cost (market - $3,044,700 and $3,202,300)	2,964,973	3,120,106
Available for sale - at market (amortized cost - $7,653,679 and $7,225,736)	7,960,179	7,532,836
Other stocks - principally at market (cost - $174,538 and $153,322)	478,338	446,222
Investment in investee corporation	221,138	200,714
Loans receivable	476,568	513,694
Real estate and other investments	213,651	219,216
Total investments	12,314,847	12,032,788
Recoverables from reinsurers and prepaid reinsurance premiums	1,029,672	998,743
Agents' balances and premiums receivable	714,286	691,005
Deferred acquisition costs	537,986	521,898
Other receivables	244,491	243,330
Deferred tax asset	17,686	41,413

Assets held in separate accounts	315,918	300,491
Prepaid expenses, deferred charges and other assets	332,408	369,156
Cost in excess of net assets acquired	300,907	299,408
	$16,023,319	$15,755,349

Liabilities and Capital:		
Unpaid losses and loss adjustment expenses	$ 4,230,907	$ 4,225,336
Unearned premiums	1,348,557	1,328,910
Annuity benefits accumulated	5,540,268	5,528,111
Life, accident and health reserves	778,056	709,899
Long-term debt:		
Holding companies	385,514	386,661
Subsidiaries	214,472	194,084
Liabilities related to separate accounts	315,918	300,491
Accounts payable, accrued expenses and other liabilities	964,047	906,151
Total liabilities	13,777,739	13,579,643
Minority interest	516,642	512,997
Shareholders' Equity:		
Common Stock, no par value - 200,000,000 shares authorized - 61,316,468 and 61,048,904 shares outstanding	61,316	61,049
Capital surplus	784,017	775,689
Retained earnings	528,005	477,071
Net unrealized gain on marketable securities, net of deferred income taxes	355,600	348,900
Total shareholders' equity	1,728,938	1,662,709
	$16,023,319	$15,755,349

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

	Three months ended March 31, 1998	1997
Income:		
Property and casualty insurance premiums	$ 676,172	$663,762
Life, accident and health premiums	46,816	25,365
Investment income	220,328	212,872
Equity in net earnings of investee	13,918	14,780
Realized gains on sales of:		
Securities	7,446	1,813
Investee and subsidiary	7,704	731
Other investments	6,843	-
Other income	37,551	26,447
	1,016,778	945,770
Costs and Expenses:		
Property and casualty insurance:		
Losses and loss adjustment expenses	499,825	469,324
Commissions and other underwriting expenses	193,605	184,301
Annuity benefits	71,110	68,830
Life, accident and health benefits	38,106	24,163
Interest charges on borrowed money	13,951	13,710
Minority interest expense	14,259	14,405
Other operating and general expenses	77,193	69,541
	908,049	844,274
Earnings before income taxes and extraordinary items	108,729	101,496
Provision for income taxes	41,842	38,281
Earnings before extraordinary items	66,887	63,215
Extraordinary items - loss on prepayment of debt	(687)	(55)
Net Earnings	$ 66,200	$ 63,160
Basic earnings (loss) per Common Share:		
Before extraordinary items	$1.09	$1.03
Loss on prepayment of debt	(.01)	-
Net earnings available to Common Shares	$1.08	$1.03
Diluted earnings (loss) per Common Share:		
Before extraordinary items	$1.08	$1.02
Loss on prepayment of debt	(.01)	-
Net earnings available to Common Shares	$1.07	$1.02
Average number of Common Shares:		
Basic	61,103	61,109
Diluted	62,147	62,029

AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(dollars in thousands)

	Common Shares	Common Stock and Capital Surplus	Retained Earnings	Unrealized Gain on Securities	Comprehensive Income
Balance at January 1, 1998	61,048,904	$836,738	$477,071	$348,900	
Net earnings	-	-	66,200	-	$66,200
Dividends on Common Stock	-	-	(15,266)	-	-
Shares issued:					
Exercise of stock options	201,627	6,321	-	-	-
Dividend reinvestment plan	1,960	78	-	-	-
Employee stock purchase plan	19,383	769	-	-	-
401-K plan company match	44,035	1,783	-	-	-
Directors fees paid in stock	576	23	-	-	-
Shares repurchased	(17)	-	-	-	-
Capital transactions of subsidiaries	-	(490)	-	-	-
Change in unrealized	-	-	-	6,700	6,700
Other	-	111	-	-	-
Balance at March 31, 1998	61,316,468	$845,333	$528,005	$355,600	$72,900
Balance at January 1, 1997	61,071,626	$806,721	$559,716	$188,000	
Net earnings	-	-	63,160	-	$63,160
Dividends on Common Stock	-	-	(15,269)	-	-
Shares issued:					
Exercise of stock options	84,593	1,890	-	-	-
Dividend reinvestment plan	1,781	66	-	-	-
Employee stock purchase plan	18,854	695	-	-	-
Portion of bonuses paid in stock	40,500	1,521	-	-	-
Shares repurchased	(1,700,034)	(22,458)	(39,168)	-	-
Capital transactions of subsidiaries	-	(490)	-	-	-
Change in unrealized	-	-	-	(68,600)	(68,600)
Other	-	(473)	-	-	-
Balance at March 31, 1997	59,517,320	$787,472	$568,439	$119,400	($ 5,440)

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

	Three months ended March 31, 1998	1997
Operating Activities:		
Net earnings	$ 66,200	$ 63,160
Adjustments:		
Extraordinary items	687	55
Depreciation and amortization	24,582	17,979
Annuity benefits	71,110	68,830
Equity in net earnings of investee	(13,918)	(14,780)
Changes in reserves on assets	110	418
Realized gains on investing activities	(35,299)	(2,544)
Increase in reinsurance and other receivables	(46,690)	(24,451)
Decrease (increase) in other assets	30,330	(48,885)
Increase (decrease) in insurance claims and reserves	41,375	(25,573)
Increase (decrease) in other liabilities	16,901	(8,524)
Increase in minority interest	3,497	3,162
Dividends from investee	1,200	1,200
Other, net	(4,428)	622
	155,657	30,669
Investing Activities:		
Purchases of and additional investments in:		
Fixed maturity investments	(631,793)	(616,982)
Equity securities	(19,297)	(9,408)
Subsidiaries	(31,000)	-
Real estate, property and equipment	(16,621)	(8,764)
Maturities and redemptions of fixed maturity investments	284,666	155,184
Sales of:		
Fixed maturity investments	206,843	332,008
Equity securities	2,781	7,943
Subsidiary	-	2,500
Real estate, property and equipment	30,043	396
Cash and short-term investments of acquired (former) subsidiaries	21,678	(70)
Decrease (increase) in other investments	1,281	(1,119)
	(151,419)	(138,312)

Financing Activities:		
Fixed annuity receipts	107,832	133,402
Annuity surrenders, benefits and withdrawals	(164,034)	(134,699)
Additional long-term borrowings	50,248	7,053
Reductions of long-term debt	(32,185)	(1,718)
Issuances of Common Stock	7,090	2,585
Issuances of trust preferred securities	-	74,687
Cash dividends paid	(15,188)	(15,203)
	(46,237)	66,107
Net Decrease in Cash and Short-term Investments	(41,999)	(41,536)
Cash and short-term investments at beginning of period	257,117	448,296
Cash and short-term investments at end of period	$215,118	$406,760

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. Accounting Policies

Basis of Presentation The accompanying consolidated financial statements for American Financial Group, Inc. ("AFG") and subsidiaries are unaudited; however, management believes that all adjustments (consisting only of normal recurring accruals unless otherwise disclosed herein) necessary for fair presentation have been made. The results of operations for interim periods are not necessarily indicative of results to be expected for the year. The financial statements have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes necessary to be in conformity with generally accepted accounting principles.

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 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 ownership of subsidiaries and significant investees with publicly traded common shares was as follows:

	March 31, 1998	December 31, 1997	December 31, 1996
American Annuity Group, Inc. ("AAG")	81%	81%	81%
American Financial Enterprises, Inc. ("AFEI")	-	(*)	83%
Chiquita Brands International, Inc.	37%	39%	43%

(*) Became a 100%-owned subsidiary in December 1997.

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 Corporation 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, mortality, morbidity and surrenders and include provisions for unfavorable deviations. Reserves are modified as necessary to reflect actual experience and developing trends.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Assets Held In and Liabilities Related to Separate Accounts Separate account assets and related liabilities represent deposits maintained by several banks under a previously offered tax-deferred annuity program and, to a lesser extent, variable annuity deposits. 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.

Minority Interest For balance sheet purposes, minority interest represents the interests of noncontrolling shareholders in AFG subsidiaries, including American Financial Corporation ("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 and accrued distributions on the trust preferred securities.

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 part of a broader reorganization.

Income Taxes AFC and American Premier Underwriters, Inc. ("American Premier" or "APU") 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 Company 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 contained in AFG's 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. Contributions to benefit plans are charged against earnings in the year for which they are declared.

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.

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 include the effect of the assumed exercise of dilutive common stock options. Per share amounts for prior periods have been restated to conform to the current presentation.

Comprehensive Income Effective January 1, 1998, AFG implemented SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 uses the term "comprehensive income" to describe the total of net earnings plus other comprehensive income. For AFG, other comprehensive income represents the change in net unrealized gain on marketable securities net of deferred taxes and a reclassification adjustment for gains and losses included in net earnings. Implementation of this statement had no impact on net earnings or shareholders' equity. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

B. 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. In addition, AFG has owned significant portions of the voting equity securities of certain companies (investee corporation - see Note C).

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 table (in thousands) shows AFG's revenues by significant business segment.

	Three months ended March 31, 1998	1997
Property and casualty insurance:		
Premiums earned:		
Nonstandard automobile	$ 287,364	$279,031
Specialty lines	244,972	232,590
Commercial and personal lines	132,545	142,485
Other lines (a)	11,291	9,656
	676,172	663,762
Investment and other income	132,301	110,150
	808,473	773,912
Annuities and life (b)	188,557	148,706
Other	5,830	8,372
	1,002,860	930,990
Equity in net earnings of investee	13,918	14,780
	$1,016,778	$945,770

(a) NSA operations in the United Kingdom have been reclassified to other lines.
(b) Represents primarily investment income.

C. Investment in Investee Corporation Investment in investee corporation reflects AFG's ownership of 24 million shares of Chiquita common stock. The market value of this investment was $328 million and $391 million at March 31, 1998 and December 31, 1997, respectively. Chiquita is a leading international marketer, producer and distributor of bananas and other quality fresh and processed food products.

Summarized financial information for Chiquita follows (in millions):

	Three months ended March 31, 1998	1997
Net Sales	$717	$631
Operating Income	70	71
Net Income	41	43

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

D. Long-Term Debt The carrying value of long-term debt consisted of the following (in thousands):

	March 31, 1998	December 31, 1997
Holding Companies:		
AFG 7-1/8% Senior Debentures due December 2007	$100,000	$100,000
AFC 9-3/4% Debentures due April 2004	79,396	79,792
AFC notes payable to banks due December 2002	45,000	45,000
APU 9-3/4% Subordinated Notes due August 1999	91,623	92,127
APU 10-5/8% Subordinated Notes due April 2000	43,638	43,889
APU 10-7/8% Subordinated Notes due May 2011	17,572	17,586
Other	8,285	8,267
	$385,514	$386,661
Subsidiaries:		
AAG notes payable to banks due in installments to December 2003	$157,000	$107,000
AAG 11-1/8% Senior Subordinated Notes	-	24,080
Notes payable secured by real estate	44,268	49,525
Other	13,204	13,479
	$214,472	$194,084

At March 31, 1998, sinking fund and other scheduled principal payments on debt for the balance of 1998 and the subsequent five years were as follows (in thousands):

	Holding Companies	Subsidiaries	Total
1998	$ -	$ 1,450	$ 1,450
1999	90,571	2,039	92,610
2000	42,230	8,751	50,981
2001	-	38,474	38,474
2002	50,407	61,367	111,774
2003	-	61,402	61,402

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.

In February 1998, AFC entered into a new unsecured credit agreement with a group of banks under which AFC can borrow up to $300 million through December 2002. Borrowings bear interest at floating rates based on prime or LIBOR.

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 and its subsidiaries).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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

	March 31, 1998	December 31, 1997
Interest of noncontrolling shareholders in subsidiaries' common stock	$119,488	$115,843
Preferred securities issued by subsidiary trusts	325,000	325,000
AFC preferred stock	72,154	72,154
	$516,642	$512,997

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 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 March 31, 1998 and December 31, 1997.

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

	Three months ended March 31, 1998	1997
Interest of noncontrolling shareholders in earnings of subsidiaries	$ 5,751	$ 4,168
Accrued distributions by subsidiaries on preferred securities:		
Trust issued securities	7,065	4,366
AFC preferred stock	1,443	5,871
	$14,259	$14,405

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

F. Shareholders' Equity At March 31, 1998, there were 61,316,468 shares of AFG Common Stock outstanding, including 1,368,965 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 March 31, 1998, there were 4.8 million shares of AFG Common Stock reserved for issuance upon exercise of stock options. As of that date, AFG had options for 3.9 million shares outstanding. 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.

The change in net unrealized gain on marketable securities for the three months ended March 31 included the following (in millions):

	Pretax	Taxes	Minority Interest	Net
1998				
Unrealized holding gains (losses) on securities arising during the period	$ 14.8	($ 5.0)	($ .5)	$ 9.3
Less reclassification adjustment for realized gains included in net income	(4.3)	1.5	.2	(2.6)
Change in net unrealized gain on marketable securities	$ 10.5	($ 3.5)	($ .3)	$ 6.7
1997				
Unrealized holding gains (losses) on securities arising during the period	($115.8)	$40.5	$7.6	($67.7)
Less reclassification adjustment for realized gains included in net income	(1.3)	.4	-	(.9)
Change in net unrealized gain on marketable securities	($117.1)	$40.9	$7.6	($68.6)

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

	Three months ended March 31, 1998	1997
Holding Companies:		
AFC (parent)	($22)	($17)
APU (parent)	(16)	(38)
Subsidiaries:		
AAG	(649)	-
	($687)	($55)

H. Earnings Per Share Weighted average shares outstanding for the three months ended were adjusted for the following dilutive effects of stock options in calculating diluted per share amounts: 1998 - 1.0 million shares and 1997 - .9 million shares.

I. Cash Flows - Fixed Maturity Investments "Investing activities" related to fixed maturity investments in AFG's Statement of Cash Flows consisted of the following (in thousands):

	Held to Maturity	Available For Sale	Total
1998			
Purchases	$ 76	$631,717	$631,793
Maturities and redemptions	170,711	113,955	284,666
Sales	23,960 (*)	182,883	206,843
1997			
Purchases	$ 1,314	$615,668	$616,982
Maturities and redemptions	81,185	73,999	155,184
Sales	-	332,008	332,008

(*) Sold (at a gain of $.5 million) due to significant deterioration in the issuers' creditworthiness.

J. Commitments and Contingencies There have been no significant changes to the matters discussed and referred to in Note N "Commitments and Contingencies" in AFG's Annual Report on Form 10-K for 1997.

ITEM 2

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

GENERAL

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, shareholder dividends, and taxes. Therefore, certain analyses are best done on a parent only basis while others are best done on a total enterprise basis. In addition, since most of its businesses are financial in nature, AFG does not prepare its consolidated financial statements using a current-noncurrent format. Consequently, certain traditional ratios and financial analysis tests are not meaningful.

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.

LIQUIDITY AND CAPITAL RESOURCES

Ratios AFG's debt to total capital ratio at the parent holding company level was approximately 17% at March 31, 1998 and December 31, 1997. AFG's ratio of earnings to fixed charges on a total enterprise basis was 4.87 for the first three months of 1998 and 3.98 for the entire year of 1997.

Sources of Funds Management believes the 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 and tax payments 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.

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 March 31, 1998, there was $45 million borrowed under the credit line.

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.

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.

Investments Approximately 91% 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 March 31, 1998. 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.

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 the industries in which they operate.

RESULTS OF OPERATIONS

General Pretax earnings before extraordinary items were $109 million for the first quarter of 1998 and $101 million for the first quarter of 1997. The increase in the 1998 period was due primarily to higher realized gains on sales of certain investments, income from the sale of real estate properties, and growth in investment income. These improvements were partially offset by a decrease in underwriting results in the property and casualty operations.

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 coverages. The commercial and personal lines provide coverages in workers' compensation, commercial multi-peril, umbrella, commercial automobile, standard private passenger automobile and homeowners insurance.

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.

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

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

	Three months ended March 31, 1998	1997
Net Written Premiums (GAAP)		
NSA Group	$322.4	$321.2
Specialty Operations	246.9	264.4
Commercial and Personal Operations	117.9	94.8
Other Lines (*)	7.7	8.5
	$694.9	$688.9
Combined Ratios (GAAP)		
NSA Group	95.9%	96.8%
Specialty Operations	101.4	92.7
Commercial and Personal Operations	104.2	102.9
Aggregate (including other lines)	102.6	98.5

(*) NSA operations in the United Kingdom have been reclassified to other lines.

NSA Group The NSA Group's net written premiums for the first three months of 1998 were substantially the same as compared to the 1997 period; underwriting profit increased $2.6 million due primarily to a reduction in underwriting expenses resulting from cost efficiencies during the same period.

Specialty Operations For the first three months of 1998, net written premiums for the specialty operations decreased 7% from the comparable 1997 period. The 1997 premiums included certain in-force amounts related to general aviation policies obtained under a reinsurance agreement at the beginning of that year. Excluding this impact, premiums were essentially the same as a year ago. Underwriting results for the first three months of 1998 declined due primarily to a continuation of the adverse claims environment in the California workers' compensation business. The other specialty businesses reported a solid underwriting profit.

Commercial and Personal Operations Net written premiums for the commercial and personal operations increased 24% during the first three months of 1998 from the comparable 1997 period. Net written premiums in the 1997 period had been unusually low due to the initial impact of a reinsurance agreement for AFG's homeowners' business. This reinsurance agreement became effective at the beginning of 1997 and is still in effect. Excluding this impact, premiums declined approximately 7% due primarily to a decrease in personal automobile coverages in certain states. Underwriting results declined slightly during the first three months of 1998 from the comparable 1997 period as improved performance in personal lines was offset by higher loss and loss adjustment costs in commercial lines.

Life, Accident and Health Premiums and Benefits The increase in life, accident and health premiums and benefits reflects AAG's acquisition of General Accident Life Assurance Company in December 1997 and increases in pre-need life insurance sales.

Investment Income Investment income increased approximately $7.5 million (4%) for the first quarter of 1998 compared to 1997 due primarily to an increase in the average amount of investments held.

Investee Corporations Equity in net earnings of investee corporations represents AFG's proportionate share of Chiquita's earnings. Chiquita reported first quarter net earnings of $41 million in 1998 and $43 million in 1997.

Realized Gains Realized capital gains have been an important part of the return on investments in marketable securities. Individual securities are sold creating gains and losses as market opportunities exist.

Gain on Sale of Investee and Subsidiary Chiquita's public issuance of 3.1 million shares of its common stock in 1998 resulted in a pretax gain to AFG of $7.7 million.

Other Income Other income increased $11.1 million (42%) in the first three months of 1998 compared to 1997 due primarily to income of $10.4 million from the sale of operating real estate assets.

Annuity Benefits Annuity benefits reflect interest credited to annuity policyholders' funds accumulated. The majority of AAG's fixed rate annuity products permit AAG to change the crediting rate at any time (subject to minimum interest rate guarantees of 3% or 4% per annum). As a result, management has been able to react to changes in market interest rates and maintain a desired interest rate spread without a substantial effect on persistency. Annuity benefits increased 3% in the first three months of 1998 due primarily to an increase in average annuity benefits accumulated.

Other Operating and General Expenses Other operating and general expenses increased $7.7 million (11%) during the first quarter of 1998 compared to 1997 due primarily to the operations of General Accident which recorded $5.3 million of expenses in 1998.

PART II
OTHER INFORMATION

Item 6

Exhibits and Reports on Form 8-K

(a) Exhibit 27.1 - Financial Data Schedule for the three months ended March 31, 1998(*)
    Exhibit 27.2 - Restated Financial Data Schedule for 1996 and 1995(*)
    Exhibit 27.3 - Restated Financial Data Schedule for the first three quarters of 1996(*)
    Exhibit 27.4 - Restated Financial Data Schedule for the first three quarters of 1997(*)

(b) Reports on Form 8-K: None.

- -----------------------
(*) Included in Report filed electronically with the Securities and Exchange Commission.

Signature

Pursuant to the requirements 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.

May 14, 1998

BY: Fred J. Runk
Fred J. Runk
Senior Vice President and Treasurer

5

This schedule contains summary financial information extracted from American Financial Group, Inc.'s 10-Q for the three months ended March 31, 1998 and is qualified in its entirety by reference to such financial statements.

1,000

3-MOS
DEC-31-1998
MAR-31-1998
$215,118
11,624,628
714,286
0
0
0
0
0
16,023,319
0
599,986
0
0
61,316
1,667,622
16,023,319
0
1,016,778
0
0
77,193
0
13,951
108,729
41,842
66,887
0
(687)
0
$66,200
1.08
1.07

Includes an investment in investee corporation of $221 million.

This schedule contains summary financial information extracted from American Financial Group, Inc.'s 10-K for December 31, 1996 and is qualified in its entirety by reference to such financial statements.

1,000

YEAR	YEAR
DEC-31-1995	DEC-31-1996
DEC-31-1995	DEC-31-1996
$544,408	$448,296
10,096,992	10,513,038
703,274	609,403
0	0
0	0
0	0
0	0
0	0
14,953,870	15,051,118
0	0
882,063	517,919
0	0
0	0
60,139	61,072
1,379,998	1,493,365
14,953,870	15,051,118
0	0
3,629,609	4,115,397
0	0
0	0
274,271	348,923
0	0
122,568	76,052
246,919	353,244
56,489	91,277
190,430	261,967
0	0
817	(28,667)
0	0
$191,247	$233,300
3.88	3.84
3.85	3.79

Includes an investment in investee.

5

This schedule contains summary financial information extracted from American Financial Group, Inc.'s 10-Qs for the three months ended March 31, 1996, the six months ended June 30, 1996 and the nine months ended September 30, 1996 and is qualified in its entirety by reference to such financial statements.

1,000

3-MOS	6-MOS	9-MOS
DEC-31-1996	DEC-31-1996	DEC-31-1996
MAR-31-1996	JUN-30-1996	SEP-30-1996
$249,052	$228,384	$402,491
10,292,593	10,237,253	10,388,983
678,019	680,978	642,673
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
14,855,589	14,820,923	14,954,650
0	0	0
803,448	677,975	663,812
0	0	0
0	0	0
60,825	60,940	60,978
1,345,845	1,334,573	1,470,333
14,855,589	14,820,923	14,954,650
0	0	0
1,030,922	2,063,679	3,227,192
0	0	0
0	0	0
76,826	161,513	244,351
0	0	0
21,866	43,400	61,243
122,823	204,829	355,601
41,625	65,288	94,484
81,198	139,541	261,117
0	0	0
(7,633)	(17,501)	(25,912)
0	0	0
$73,565	$122,040	$235,205
1.22	2.01	3.87
1.20	1.99	3.84

Includes an investment in investee.

This schedule contains summary financial information extracted from American Financial Group, Inc.'s 10-Qs for the three months ended March 31, 1997, the six months ended June 30, 1997 and the nine months ended September 30, 1997 and is qualified in its entirety by reference to such financial statements.

1,000

	3-MOS	6-MOS	9-MOS
	DEC-31-1997	DEC-31-1997	DEC-31-1997
	MAR-31-1997	JUN-30-1997	SEP-30-1997
	$406,760	$361,567	$353,951
	10,668,133	10,874,080	11,177,859
	638,718	676,671	709,882
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	15,183,949	15,358,075	15,683,106
	0	0	0
	523,062	470,066	390,853
	0	0	0
	0	0	0
	59,517	58,914	58,974
	1,415,794	1,559,961	1,652,301
	15,183,949	15,358,075	15,683,106
	0	0	0
	945,770	1,933,369	2,968,175
	0	0	0
	0	0	0
	69,541	147,225	238,882
	0	0	0
	13,710	27,554	40,433
	101,496	196,992	254,460
	38,281	72,595	96,396
	63,215	124,397	158,064
	0	0	0
	(55)	(78)	(7,051)
	0	0	0
	$63,160	$124,319	$151,013
	1.03	2.07	2.53
	1.02	2.04	2.48

Includes an investment in investee.