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 June 30, 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 August 1, 1998, there were 61,427,374 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)

	June 30, 1998	December 31, 1997
Assets:		
Cash and short-term investments	$ 283,256	$ 257,117
Investments:		
Bonds and redeemable preferred stocks:		
Held to maturity - at amortized cost (market - $2,910,700 and $3,202,300)	2,822,029	3,120,106
Available for sale - at market (amortized cost - $7,819,968 and $7,225,736)	8,149,168	7,532,836
Other stocks - principally at market (cost - $182,109 and $153,322)	437,309	446,222
Investment in investee corporation	239,649	200,714
Loans receivable	409,584	513,694
Real estate and other investments	222,635	219,216

Total investments	12,280,374	12,032,788
Recoverables from reinsurers and prepaid reinsurance premiums	1,076,346	998,743
Agents' balances and premiums receivable	729,577	691,005
Deferred acquisition costs	558,029	521,898
Other receivables	266,776	243,330
Deferred tax asset	17,141	41,413
Assets held in separate accounts	343,590	300,491
Prepaid expenses, deferred charges and other assets	341,101	369,156
Cost in excess of net assets acquired	298,327	299,408
	$16,194,517	$15,755,349

Liabilities and Capital:		
Unpaid losses and loss adjustment expenses	$ 4,368,302	$ 4,225,336
Unearned premiums	1,323,952	1,328,910
Annuity benefits accumulated	5,589,107	5,528,111
Life, accident and health reserves	752,671	709,899
Long-term debt:		
Holding companies	435,877	386,661
Subsidiaries	213,980	194,084
Liabilities related to separate accounts	343,590	300,491
Accounts payable, accrued expenses and other liabilities	907,680	906,151
Total liabilities	13,935,159	13,579,643
Minority interest	521,875	512,997
Shareholders' Equity:		
Common Stock, no par value - 200,000,000 shares authorized - 61,388,349 and 61,048,904 shares outstanding	61,388	61,049
Capital surplus	785,903	775,689
Retained earnings	553,192	477,071
Net unrealized gain on marketable securities, net of deferred income taxes	337,000	348,900
Total shareholders' equity	1,737,483	1,662,709
	$16,194,517	$15,755,349

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

	Three months ended June 30, 1998	Three months ended June 30, 1997	Six months ended June 30, 1998	Six months ended June 30, 1997
Income:				
Property and casualty insurance premiums	$ 707,294	$698,381	$1,383,466	$1,362,143
Life, accident and health premiums	48,460	27,331	95,276	52,696
Investment income	228,912	214,622	449,240	427,494
Equity in net earnings of investee	17,996	17,228	31,914	32,008
Realized gains on sales of:				
Securities	7,142	4,198	14,588	6,011
Investee and subsidiary	1,716	-	9,420	731
Other investments	-	-	6,843	-
Other income	26,326	25,839	63,877	52,286
	1,037,846	987,599	2,054,624	1,933,369
Costs and Expenses:				
Property and casualty insurance:				
Losses and loss adjustment expenses	564,078	495,187	1,063,903	964,511
Commissions and other underwriting expenses	191,027	193,304	384,632	377,605
Annuity benefits	69,111	70,607	140,221	139,437
Life, accident and health benefits	36,555	25,825	74,661	49,988
Interest charges on borrowed money	13,995	13,844	27,946	27,554
Minority interest expense	12,908	15,652	27,167	30,057
Other operating and general expenses	83,607	77,684	160,800	147,225
	971,281	892,103	1,879,330	1,736,377
Earnings before income taxes and extraordinary items	66,565	95,496	175,294	196,992
Provision for income taxes	26,000	34,314	67,842	72,595
Earnings before extraordinary items	40,565	61,182	107,452	124,397
Extraordinary items - loss on prepayment of debt	(40)	(23)	(727)	(78)
Net Earnings	$ 40,525	$ 61,159	$ 106,725	$ 124,319

Basic earnings (loss) per Common Share:				
Before extraordinary items	$.66	$1.03	$1.75	$2.07
Loss on prepayment of debt	-	-	(.01)	-
Net earnings available to Common Shares	$.66	$1.03	$1.74	$2.07
Diluted earnings (loss) per Common Share:				
Before extraordinary items	$.65	$1.02	$1.72	$2.04
Loss on prepayment of debt	-	-	(.01)	-
Net earnings available to Common Shares	$.65	$1.02	$1.71	$2.04
Average number of Common Shares:				
Basic	61,353	59,217	61,229	60,158
Diluted	62,595	60,151	62,376	61,085

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	-	-	106,725	-	$106,725
Dividends on Common Stock	-	-	(30,604)	-	-
Shares issued:					
Exercise of stock options	235,190	7,012	-	-	-
Dividend reinvestment plan	5,030	211	-	-	-
Employee stock purchase plan	33,830	1,408	-	-	-
401-K plan company match	44,035	1,783	-	-	-
Portion of bonuses paid in stock	20,300	816	-	-	-
Directors fees paid in stock	1,099	45	-	-	-
Shares repurchased	(39)	-	-	-	-
Capital transactions of subsidiaries	-	(980)	-	-	-
Change in unrealized	-	-	-	(11,900)	(11,900)
Other	-	258	-	-	-
Balance at June 30, 1998	61,388,349	$847,291	$553,192	$337,000	$ 94,825
Balance at January 1, 1997	61,071,626	$806,721	$559,716	$188,000	
Net earnings	-	-	124,319	-	$124,319
Dividends on Common Stock	-	-	(30,112)	-	-
Shares issued:					
Exercise of stock options	88,557	1,985	-	-	-
Dividend reinvestment plan	5,143	187	-	-	-
Employee stock purchase plan	35,793	1,309	-	-	-
Portion of bonuses paid in stock	40,500	1,521	-	-	-
Directors fees paid in stock	613	22	-	-	-
Shares repurchased	(2,327,927)	(30,774)	(53,452)	-	-
Capital transactions of subsidiaries	-	(980)	-	-	-
Change in unrealized	-	-	-	50,600	50,600
Other	-	(187)	-	-	-
Balance at June 30, 1997	58,914,305	$779,804	$600,471	$238,600	$174,919

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

	Six months ended June 30, 1998	Six months ended June 30, 1997
Operating Activities:		
Net earnings	$ 106,725	$ 124,319
Adjustments:		
Extraordinary items	727	78
Depreciation and amortization	51,233	36,057
Annuity benefits	140,221	139,437
Equity in net earnings of investee	(31,914)	(32,008)
Changes in reserves on assets	1,083	506
Realized gains on investing activities	(44,411)	(6,742)
Increase in reinsurance and other receivables	(138,770)	(77,372)
Increase in other assets	(56,446)	(18,523)
Increase in insurance claims and reserves	167,165	65,484
Increase (decrease) in other liabilities	51,508	(110,026)
Increase in minority interest	8,030	9,158
Dividends from investee	2,400	2,400
Other, net	(8,897)	(2,372)
	248,654	130,396
Investing Activities:		
Purchases of and additional investments in:		
Fixed maturity investments	(1,243,852)	(1,206,131)
Equity securities	(33,137)	(16,555)
Subsidiaries	(30,325)	(4,900)
Real estate, property and equipment	(34,932)	(22,872)
Maturities and redemptions of fixed maturity investments	772,645	360,774
Sales of:		
Fixed maturity investments	358,597	698,990
Equity securities	12,194	9,552
Subsidiary	-	2,500
Real estate, property and equipment	30,989	1,914
Cash and short-term investments of acquired (former) subsidiaries	20,841	(70)
Increase in other investments	(4,843)	(2,233)
	(151,823)	(179,031)

Financing Activities:		
Fixed annuity receipts	238,198	259,708
Annuity surrenders, benefits and withdrawals	(354,790)	(288,531)
Additional long-term borrowings	202,248	7,053
Reductions of long-term debt	(134,164)	(54,820)
Issuances of Common Stock	8,209	3,294
Repurchases of Common Stock	-	(84,226)
Issuances of trust preferred securities	-	149,353
Cash dividends paid	(30,393)	(29,925)
	(70,692)	(38,094)
Net Increase (Decrease) in Cash and Short-term Investments	26,139	(86,729)
Cash and short-term investments at beginning of period	257,117	448,296
Cash and short-term investments at end of period	$ 283,256	$ 361,567

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:

	June 30, 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.

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 AmericanPremier 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.

Start-up Costs Costs associated with introducing new products and distribution channels are deferred by AAG until normal operations are reached. These deferred costs are amortized on a straight-line basis over 5 years. See Management's Discussion and Analysis - "New Accounting Standard to be Implemented."

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.

	Six months ended June 30, 1998	1997
Property and casualty insurance:		
Premiums earned:		
Nonstandard automobile	$ 580,565	$ 574,604
Specialty lines	517,875	482,711
Commercial and personal lines	263,332	286,647
Other lines (a)	21,694	18,181
	1,383,466	1,362,143
Investment and other income	253,556	216,274
	1,637,022	1,578,417
Annuities and life (b)	373,992	302,426
Other	11,696	20,518
	2,022,710	1,901,361
Equity in net earnings of investee	31,914	32,008
	$2,054,624	$1,933,369

(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 $337 million and $391 million at June 30, 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):

	Six months ended June 30,	
	1998	1997
Net Sales	$1,461	$1,278
Operating Income	144	139
Net Income	94	84

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

	June 30, 1998	December 31, 1997
Holding Companies:		
AFG 7-1/8% Senior Debentures due December 2007	$100,000	$100,000
AFC notes payable to banks due December 2002	97,000	45,000
AFC 9-3/4% Debentures due April 2004	79,049	79,792
APU 9-3/4% Subordinated Notes due August 1999	90,733	92,127
APU 10-5/8% Subordinated Notes due April 2000	43,299	43,889
APU 10-7/8% Subordinated Notes due May 2011	17,558	17,586
Other	8,238	8,267
	$435,877	$386,661
Subsidiaries:		
AAG 6-7/8% Senior Notes due June 2008	$100,000	$ -
AAG notes payable to banks due in installments to December 2003	57,000	107,000
AAG 11-1/8% Senior Subordinated Notes	-	24,080
Notes payable secured by real estate	44,114	49,525
Other	12,866	13,479
	$213,980	$194,084

At June 30, 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	$ -	$ 967	$ 967
1999	89,853	2,039	91,892
2000	42,042	8,751	50,793
2001	-	1,473	1,473
2002	102,349	1,364	103,713
2003	-	58,402	58,402

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 Eurodollar rates.

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 Eurodollar rates. 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). In June 1998, AAG sold $100 million principal amount of 6-7/8% Senior Notes due 2008 to the public and used the net proceeds to reduce outstanding indebtedness under the credit agreement.

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

	June 30, 1998	December 31, 1997
Interest of noncontrolling shareholders in subsidiaries' common stock	$124,721	$115,843
Preferred securities issued by subsidiary trusts	325,000	325,000
AFC preferred stock	72,154	72,154
	$521,875	$512,997

Preferred Securities Wholly-owned subsidiary trusts of AFC Holding ("AFCH") 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. X

The preferred securities are summarized as follows:

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

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

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 June 30, 1998 and December 31, 1997.

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

	Six months ended June 30, 1998	1997
Interest of noncontrolling shareholders in earnings of subsidiaries	$10,177	$ 7,743
Accrued distributions by subsidiaries on preferred securities:		
Trust issued securities	14,104	10,571
AFC preferred stock	2,886	11,743
	$27,167	$30,057

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

F. Shareholders' Equity At June 30, 1998, there were 61,388,349 shares of AFG Common Stock outstanding, including 1,368,346 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 June 30, 1998, there were 4.7 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 six months ended June 30 included the following (in millions):

	Pretax	Taxes	Minority Interest	Net
1998				
Unrealized holding gains (losses) on securities arising during the period	($ 6.8)	$ 2.5	($1.3)	($ 5.6)
Less reclassification adjustment for realized gains included in net income	(10.1)	3.5	.3	(6.3)
Change in net unrealized gain on marketable securities	($16.9)	$ 6.0	($1.0)	($11.9)
1997				
Unrealized holding gains (losses) on securities arising during the period	$87.2	($30.6)	($2.5)	$54.1
Less reclassification adjustment for realized gains included in net income	(5.4)	1.9	-	(3.5)
Change in net unrealized gain on marketable securities	$81.8	($28.7)	($2.5)	$50.6

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):

	Six months ended June 30, 1998	1997
Holding Companies:		
AFC (parent)	($ 35)	($36)
APU (parent)	(43)	(42)
Subsidiaries:		
AAG	(649)	-
	($727)	($78)

H. 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	$ 826	$1,243,026	$1,243,852
Maturities and redemptions	374,774	397,871	772,645
Sales	31,940(*)	326,657	358,597
1997			
Purchases	$ 2,018	$1,204,113	$1,206,131
Maturities and redemptions	197,546	163,228	360,774
Sales	-	698,990	698,990

(*) Sold (at a gain of $.2 million) due to significant deterioration in the issuers' creditworthiness.

I. Commitments and Contingencies Other than as disclosed in "Legal Proceedings" in Part II of this report, 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.

J. Subsequent Event In July 1998, AAG reached a definitive agreement to sell its funeral services division for $164 million in cash. At June 30, 1998, the carrying value of the funeral services division was approximately $125 million. Completion of the sale, which is expected to occur in the fourth quarter of 1998, is subject to certain conditions, including receipt of regulatory approval.

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 19% at June 30, 1998 and 17% at December 31, 1997. AFG's ratio of earnings to fixed charges (on a total enterprise basis) was 3.93 for the first six 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 June 30, 1998, there was $97 million borrowed under the credit line.

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.

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

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 June 30, 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 for the three months and six months ended June 30, 1998 were $66.6 million and $175.3 million, respectively, compared to $95.5 million and $197.0 million in the comparable 1997 periods. The decrease reflects a deterioration in underwriting results in the property and casualty operations due primarily to severe storms in the midwestern part of the country during the 1998 second quarter and a continuation of the adverse claims environment in the California workers' compensation business. These items were partially offset by growth in investment income, higher realized gains on sales of certain investments and income from the sale of real estate properties (primarily in the first quarter).

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 June 30, 1998	Three months ended June 30, 1997	Six months ended June 30, 1998	Six months ended June 30, 1997
Net Written Premiums (GAAP)				
NSA Group	$284.3	$320.9	$ 606.7	$ 642.1
Specialty Operations	272.6	257.6	519.5	522.0
Commercial and Personal Operations	121.3	135.8	239.2	230.6
Other Lines	7.9	7.3	15.6	15.8
	$686.1	$721.6	$1,381.0	$1,410.5
Combined Ratios (GAAP)				
NSA Group	97.0%	96.9%	96.4%	96.8%
Specialty Operations	110.0	88.0	105.9	90.3
Commercial and Personal Operations	116.7	102.7	110.4	102.9
Aggregate (including other lines)	106.8	98.6	104.7	98.5

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

NSA Group The NSA Group's net written premiums decreased 11% in the second quarter and 5.5% in the first six months of the year compared to the same 1997 periods. The decline is due primarily to stronger price competition in the industry. Underwriting results for the second quarter and the first six months of the year were comparable to the previous periods.

Specialty Operations The Specialty Operations' net written premiums increased 6% during the second quarter from the comparable 1997 period due primarily to the acquisition of a general aviation division during 1997. Net written premiums for the first six months of 1998 were down slightly from 1997 due to the inclusion in 1997 of certain in-force amounts obtained under a reinsurance agreement at the beginning of that year. Underwriting results for the second quarter and first six months of 1998 worsened from the comparable periods in 1997 due to (i) losses from the midwestern storms in the second quarter of 1998, (ii) the continuation of the adverse claims environment in the California workers' compensation business, (iii) weak results in the general aviation business and (iv) unusually good results in 1997 in the executive liability and non-profit organization lines.

Commercial and Personal Operations The Commercial and Personal Operations' net written premiums declined 11% in the second quarter from the comparable period in 1997 primarily due to a decrease in personal automobile coverages in certain states and intense price competition in the commercial casualty markets. Net written premiums were 4% higher in the first six months of 1998 due to the initial impact of a reinsurance agreement for AFG's homeowners' business (which is still in effect) which made first quarter 1997 premiums unusually low. Excluding this impact, premiums declined approximately 9% during the first six months of 1998. The combined ratio for the second quarter of 1998 includes 17 percentage points due to losses from the midwestern storms.

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

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

Investment Income Investment income increased approximately $14.3 million (7%) for the second quarter of 1998 and $21.7 million (5%) in the first six months of 1998 compared to 1997 due primarily to an increase in the average amount of investments held partially offset by decreasing market interest rates.

Investee Corporations Equity in net earnings of investee corporations represents AFG's proportionate share of Chiquita's earnings. Chiquita reported net income for the second quarter and first six months of 1998 of $53 million and $94 million, respectively, compared to $41 million and $84 million for the same periods 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 shares of its common stock in the first and second quarters of 1998 resulted in pretax gains to AFG of $7.7 million and $1.7 million in those periods.

Other Income Other income increased $11.6 million (22%) in the first six months of 1998 compared to 1997 due primarily to income of $10.4 million from the sale of operating real estate assets in the first quarter of 1998.

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.

Other Operating and General Expenses Other operating and general expenses increased $5.9 million (8%) during the second quarter and $13.6 million (9%) in the first six months of 1998 compared to 1997 due primarily to inclusion of the operations of General Accident following its acquisition in late 1997.

New Accounting Standard to be Implemented Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities," was issued during the second quarter of 1998. The SOP is effective for fiscal years beginning after December 15, 1998, and requires that costs of start-up activities be expensed as incurred. The SOP requires that unamortized balances of previously deferred costs be expensed no later than the first quarter of 1999 and reported as the cumulative effect of a change in accounting principle. AAG had $11 million in capitalized start-up costs at June 30, 1998.

PART II
OTHER INFORMATION

Item 1

Legal Precedings

Since 1994, AFG and its subsidiary, American Premier, have disclosed the existence of lawsuits which had been filed by USX Corporation and one of its former subsidiaries seeking $600 million. The disclosures stated that the companies believed they had sufficient defenses and did not expect to suffer any material loss from the litigation.

On May 29, 1998, AFG's subsidiary, American Premier, received notice that the largest and last of the lawsuits had been dismissed in state court. This decision is similar to one issued earlier in the year by the United States District Court for the Northern District of Ohio granting American Premier's Motion for Summary Judgment in separate cases based on the same facts. All of USX's claims against American Premier have now been dismissed with prejudice. Although USX has appealed the earlier District Court decision and will likely appeal the May 1998 state court decision, AFG and American Premier continue to believe that they will not suffer a material loss from this litigation.

Item 4

Submission of Matters to a Vote of Security Holders

AFG's Annual Meeting of Shareholders was held on May 28, 1998; the only issue voted upon was the election of a Board of Directors. All of the eight nominees were elected. The votes cast for and those withheld are set forth below:

Name	For	Against	Withheld	Abstain
Theodore H. Emmerich	55,334,146	N/A	305,799	N/A
James E. Evans	55,336,602	N/A	303,343	N/A
Thomas M. Hunt	55,329,047	N/A	310,898	N/A
Carl H. Lindner	55,283,556	N/A	356,389	N/A
Carl H. Lindner III	55,322,851	N/A	317,094	N/A
Keith E. Lindner	55,325,197	N/A	314,748	N/A
S. Craig Lindner	55,322,413	N/A	317,532	N/A
William R. Martin	55,334,832	N/A	305,113	N/A

N/A - Not Applicable

Item 5

Other Information

Shareholder Proposals

The Proxy Form used by the Company for its Annual Meeting of Shareholders typically grants authority to management's proxies to vote in their discretion on any matters that come before the Meeting as to which adequate notice has not been received. In order for a notice to be deemed adequate for the 1999 Annual Meeting, it must be received by March 7, 1999. In order for a proposal to be considered for inclusion in the Company's proxy statement for that Meeting, it must be received by December 31, 1998.

Item 6

Exhibits and Reports on Form 8-K

(a) Exhibit 27.1 - Financial Data Schedule as of June 30, 1998.
For submission in electronic filing only.

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

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.

August 12, 1998 BY: Fred J. Runk
Fred J. Runk
Senior Vice President and Treasurer

This schedule contains summary financial information extracted from American Financial Group, Inc. 10-Q for the six months ended June 30, 1998 and is qualified in its entirety by reference to such financial statements.

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6-MOS
DEC-31-1998
JUN-30-1998
$283,256
11,648,155
729,577
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0
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16,194,517
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649,857
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61,388
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16,194,517
0
2,054,624
0
0
160,800
0
27,946
175,294
67,842
107,452
0
(727)
0
$106,725
1.74
1.71

Includes an investment in investee corporation of $240 million.