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, 2003	**Commission File No. 1-7361**

AMERICAN FINANCIAL CORPORATION

Incorporated under the Laws of Ohio	**IRS Employer I.D. No. 31-0624874**

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 ___

Indicate by check mark whether the Registrant is an accelerated filer. Yes ___ No _X_

As of May 1, 2003, there were 10,593,000 shares of the Registrant's Common Stock outstanding, all of which were owned by American Financial Group, Inc.

PART I
FINANCIAL INFORMATION

AMERICAN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Dollars In Thousands)

	March 31, 2003	December 31, 2002
Assets:		
Cash and short-term investments	$ 728,868	$ 870,797
Investments:		
Fixed maturities - at market		
(amortized cost - $10,990,657 and $11,549,710)	11,445,257	12,006,910
Other stocks - at market		
(cost - $161,045 and $173,933)	251,245	299,133
Investment in investee corporations	211,163	-
Policy loans	213,462	214,852
Real estate and other investments	248,957	257,731
Total investments	12,370,084	12,778,626
Recoverables from reinsurers and prepaid reinsurance premiums	2,915,464	2,866,780
Agents' balances and premiums receivable	484,185	708,327
Deferred acquisition costs	815,469	842,070
Other receivables	264,701	306,904
Variable annuity assets (separate accounts)	431,134	455,142
Prepaid expenses, deferred charges and other assets	348,071	425,127
Goodwill	173,408	248,683
	$18,531,384	$19,502,456
Liabilities and Capital:		
Unpaid losses and loss adjustment expenses	$ 4,601,287	$ 5,203,831
Unearned premiums	1,543,347	1,847,924
Annuity benefits accumulated	6,610,445	6,453,881
Life, accident and health reserves	934,274	902,393
Payable to reinsurers	438,406	508,718
Payable to American Financial Group, Inc.	295,800	310,010
Long-term debt:		
Holding companies	114,723	267,512
Subsidiaries	296,369	296,771
Variable annuity liabilities (separate accounts)	431,134	455,142
Accounts payable, accrued expenses and other liabilities	1,038,415	1,032,079
Total liabilities	16,304,200	17,278,261
Minority interest	491,551	494,472
Shareholders' Equity:		
Preferred Stock - at liquidation value	72,154	72,154
Common Stock, no par value		
- 20,000,000 shares authorized		
- 10,593,000 shares outstanding	9,625	9,625
Capital surplus	987,899	987,539
Retained earnings	377,155	343,705
Unrealized gain on marketable securities, net	288,800	316,700
Total shareholders' equity	1,735,633	1,729,723
	$18,531,384	$19,502,456

AMERICAN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EARNINGS
(In Thousands)

	Three months ended March 31, 2003	Three months ended March 31, 2002
Income:		
Property and casualty insurance premiums	$542,785	$603,908
Life, accident and health premiums	74,110	70,935
Investment income	203,005	220,959
Realized gains (losses) on:		
Securities	2,239	(17,800)
Subsidiary	(39,386)	-
Other income	57,438	47,612
	840,191	925,614
Costs and Expenses:		
Property and casualty insurance:		
Losses and loss adjustment expenses	371,970	442,913
Commissions and other underwriting expenses	156,437	170,266
Annuity benefits	74,847	75,525
Life, accident and health benefits	59,596	55,920
Annuity and life acquisition expenses	27,298	24,779
Interest charges on borrowed money	9,146	11,094
Other operating and general expenses	95,597	88,532
	794,891	869,029
Operating earnings before income taxes	45,300	56,585
Provision for income taxes	8,389	2,703
Net operating earnings	36,911	53,882
Minority interest expense, net of tax	(4,018)	(5,068)
Equity in net earnings (losses) of investees, net of tax	557	(2,734)
Earnings before cumulative effect of accounting change	33,450	46,080
Cumulative effect of accounting change	-	(40,360)
Net Earnings	$ 33,450	$ 5,720

AMERICAN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Dollars in Thousands)

	Preferred Stock	Common Stock and Capital Surplus	Retained Earnings	Unrealized Gain on Securities	Total
Balance at January 1, 2003	$72,154	$997,164	$343,705	$316,700	$1,729,723
Net earnings	-	-	33,450	-	33,450
Change in unrealized	-	-	-	(27,900)	(27,900)
Comprehensive income					5,550
Capital contribution from parent	-	2,333	-	-	2,333
Other	-	(1,973)	-	-	(1,973)
Balance at March 31, 2003	$72,154	$997,524	$377,155	$288,800	$1,735,633
Balance at January 1, 2002	$72,154	$993,750	$255,127	$156,900	$1,477,931
Net earnings	-	-	5,720	-	5,720
Change in unrealized	-	-	-	(60,900)	(60,900)
Comprehensive income (loss)					(55,180)
Capital contribution from parent	-	1,533	-	-	1,533
Other	-	210	-	-	210
Balance at March 31, 2002	$72,154	$995,493	$260,847	$ 96,000	$1,424,494

AMERICAN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(In Thousands)

	Three months ended March 31, 2003	Three months ended March 31, 2002
Operating Activities:		
Net earnings	$ 33,450	$ 5,720
Adjustments:		
Cumulative effect of accounting change	-	40,360
Equity in net (earnings) losses of investees	(557)	2,734
Depreciation and amortization	41,177	37,888
Annuity benefits	74,847	75,525
Realized losses on investing activities	37,130	17,605
Deferred annuity and life policy acquisition costs	(44,748)	(38,600)
Increase in reinsurance and other receivables	(195,979)	(119,921)
Decrease (increase) in other assets	30,106	(1,590)
Increase in insurance claims and reserves	235,949	152,361
Increase in payable to reinsurers	8,490	30,348
Increase (decrease) in other liabilities	46,129	(34,655)
Increase (decrease) in minority interest	(821)	3,284
Other, net	631	321
	265,804	171,380
Investing Activities:		
Purchases of and additional investments in:		
Fixed maturity investments	(1,817,002)	(1,499,179)
Equity securities	(8,168)	-
Real estate, property and equipment	(5,124)	(4,518)
Maturities and redemptions of fixed maturity investments	522,366	408,962
Sales of:		
Fixed maturity investments	873,948	597,159
Equity securities	1,820	5,164
Subsidiary	186,269	-
Real estate, property and equipment	386	1,669
Cash and short-term investments of former subsidiary	(86,781)	-
Decrease in other investments	4,656	3,368
	(327,630)	(487,375)
Financing Activities:		
Fixed annuity receipts	214,519	169,872
Annuity surrenders, benefits and withdrawals	(140,294)	(135,912)
Net transfers from (to) variable annuity assets	8,629	(5,570)
Additional long-term borrowings	18,311	41,000
Reductions of long-term debt	(171,601)	(20,240)
Borrowings from AFG	1,500	4,400
Payments to AFG	(13,500)	(12,000)
Capital contribution	2,333	2,333
	(80,103)	43,883
Net Decrease in Cash and Short-term Investments	(141,929)	(272,112)
Cash and short-term investments at beginning of period	870,797	543,644
Cash and short-term investments at end of period	$ 728,868	$ 271,532

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. Accounting Policies

Basis of Presentation The accompanying consolidated financial statements for American Financial Corporation ("AFC") 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.

Investments All fixed maturity securities are considered "available for sale" and reported at fair value with unrealized gains and losses reported as a separate component of shareholders' equity. Short-term investments are carried at cost; loans receivable are carried primarily at the aggregate unpaid balance. Premiums and discounts on mortgage-backed securities are amortized over a period based on estimated future principal payments, including prepayments. Prepayment assumptions are reviewed periodically and adjusted to reflect actual prepayments and changes in expectations. The most significant determinants of prepayments are the difference between interest rates on the underlying mortgages and current mortgage loan rates and the structure of the security. Other factors affecting prepayments include the size, type and age of underlying mortgages, the geographic location of the mortgaged properties and the credit worthiness of the borrowers. Variations from anticipated prepayments will affect the life and yield of these securities.

Gains or losses on securities are 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 cost basis of that investment is reduced.

Interest income on non-investment grade asset-backed investments is recorded at a yield based on projected cash flows. The yield is adjusted prospectively to reflect actual cash flows and changes in projected amounts. Impairment losses on these investments must be recognized when (i) the fair value of the security is less than its cost basis and (ii) there has been an adverse change in the expected cash flows. These impairment losses are included in realized gains and losses.

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

Goodwill Goodwill represents the excess of cost of subsidiaries over AFC's equity in their underlying net assets. Effective January 1, 2002, AFC implemented Statement of Financial Accounting Standards ("SFAS") No. 142, under which goodwill is no longer amortized but is subject to an impairment test at least annually. As required under SFAS No. 142, AFC completed the transitional test for goodwill impairment (as of January 1, 2002) in the fourth quarter of 2002. The resulting write-down was reported by restating first quarter 2002 results for the cumulative effect of a change in accounting principle.

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

Reinsurance Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policies. AFC'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. Payable to reinsurers includes ceded premiums retained by AFC's insurance subsidiaries under contracts to fund ceded losses as they become due. AFC's insurance subsidiaries also assume reinsurance from other companies. Income on reinsurance assumed is recognized based on reports received from ceding companies.

Deferred Policy Acquisition Costs ("DPAC") Policy acquisition costs (principally commissions, premium taxes and other marketing and underwriting expenses) related to the production of new business are deferred. For the property and casualty companies, DPAC is limited based upon recoverability without any consideration for anticipated investment income and is charged against income ratably over the terms of the related policies.

DPAC related to annuities and universal life insurance products is deferred to the extent deemed recoverable and amortized, with interest, in relation to the present value of expected gross profits on the policies. To the extent that realized gains and losses result in adjustments to the amortization of DPAC related to annuities, such adjustments are reflected as components of realized gains. DPAC related to annuities is also adjusted, net of tax, for the change in amortization that would have been recorded if the unrealized gains (losses) from securities had actually been realized. This adjustment is included in "Unrealized gain on marketable securities, net" in the shareholders' equity section of the Balance Sheet.

DPAC related to traditional life and health insurance is amortized over the expected premium paying period of the related policies, in proportion to the ratio of annual premium revenues to total anticipated premium revenues.

Annuity and Life Acquisition Expenses Annuity and life acquisition expenses on the Statement of Earnings consists primarily of amortization of DPAC related to the annuity and life, accident and health businesses. This line item also includes certain marketing and commission costs that are expensed as paid.

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 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. Establishing reserves for asbestos and environmental claims involves considerably more judgment than other types of claims due to, among other things, inconsistent court decisions, an increase in bankruptcy filings as a result of asbestos-related liabilities, novel theories of coverage, and judicial interpretations that often expand theories of recovery and broaden the scope of coverage.

Loss reserve liabilities are subject to the impact of changes in claim amounts and frequency and other factors. 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. In spite of the variability inherent in such estimates, management believes that the liabilities for unpaid losses and loss adjustment expenses are adequate.

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 life, accident and health policies are computed using the net level premium method. Computations are based on the original projections of investment yields, mortality, morbidity and surrenders and include provisions for unfavorable deviations. Reserves established for accident and health claims are modified as necessary to reflect actual experience and developing trends.

Variable Annuity Assets and Liabilities Separate accounts related to variable annuities represent deposits invested in underlying investment funds on which Great American Financial Resources, Inc. ("GAFRI"), an 83%-owned subsidiary at March 31, 2003, earns a fee. Investment funds are selected and may be changed only by the policyholder, who retains all investment risk.

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. Estimates are accrued during the period in which premiums are 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 (i) the interests of noncontrolling shareholders in AFC subsidiaries, including preferred securities issued by trust subsidiaries of GAFRI and (ii) American Financial Group, Inc.'s ("AFG") direct ownership interest in American Premier Underwriters, Inc. ("American Premier" or "APU") and American Financial Enterprises, Inc. For income statement purposes, minority interest expense represents those shareholders' interest in the earnings of AFC subsidiaries as well as AFC preferred dividends and accrued distributions on the trust preferred securities.

Income Taxes AFC files consolidated federal income tax returns which include all 80%-owned U.S. subsidiaries, except for certain life insurance subsidiaries and their subsidiaries. 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.

Benefit Plans AFC provides retirement benefits to qualified employees of participating companies through the AFG Retirement and Savings Plan, a defined contribution plan. AFC makes all contributions to the retirement fund portion of the plan and matches a percentage of employee contributions to the savings fund. Employees have been permitted to direct the investment of their contributions to independently managed investment funds, while Company contributions have been invested primarily in securities of AFG and affiliates. Employees may direct the investment of a portion of their vested retirement fund account balances (increasing from 12.5% in July 2002 to 100% in April 2004) from securities of AFG and its affiliates to independently managed investment funds. As of March 31, 2003, the Plan owned 12% of AFG's outstanding common stock. Company contributions are expensed in the year for which they are declared.

AFC and many of its subsidiaries provide health care and life insurance benefits to eligible retirees. AFC 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 employees earn such benefits.

Derivatives Derivatives included in AFC's Balance Sheet consist primarily of investments in common stock warrants (valued at $8.4 million at March 31, 2003; included in other stocks), the equity-based component of certain annuity products (included in annuity benefits accumulated) and related call options (included in other investments) designed to be consistent with the characteristics of the liabilities and used to mitigate the risk embedded in those annuity products. Changes in the fair value of derivatives are included in current earnings.

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.

B. Acquisitions and Sales of Subsidiaries

Infinity Property and Casualty Corporation On December 31, 2002, AFC transferred to Infinity Property and Casualty Corporation ("Infinity", a newly formed subsidiary) the following subsidiaries involved primarily in the issuance of nonstandard auto policies: Atlanta Casualty Company, Infinity Insurance Company, Leader Insurance Company and Windsor Insurance Company. Effective January 1, 2003, Great American Insurance Company, an AFC subsidiary, transferred to Infinity its personal insurance business written through independent agents. In February 2003, AFC sold 61% of Infinity in a public offering. AFC realized a pretax loss of $39.4 million on the sale. In addition, AFC realized a $5.5 million tax benefit related to its basis in Infinity stock. The businesses transferred generated aggregate net written premiums of approximately $690 million in 2002.

Direct automobile insurance business In January 2003, AFC reached an agreement to sell two of its subsidiaries that market automobile insurance directly to customers. The transaction was completed on April 25, 2003, and included the transfer of Great American Insurance's right to renew certain of its personal automobile insurance business written on a direct basis in selected markets. Premiums generated by the businesses sold were approximately $79 million in 2002. AFC does not expect to report a significant gain or loss on the sale.

New Jersey private passenger automobile insurance business In September 2002, an AFC subsidiary entered into an agreement under which Palisades Safety and Insurance Association and Palisades Insurance Company will assume the subsidiary's obligations to renew its private passenger automobile insurance business written in New Jersey. As of September 9, 2002, AFC no longer accepts any new private passenger automobile insurance in that state.

Manhattan National Life Insurance On June 28, 2002, GAFRI acquired Manhattan National Life Insurance Company ("MNL") from Conseco, Inc. for $48.5 million in cash. At December 31, 2002, MNL reinsured 90% of its in-force business.

C. **Segments of Operations** AFC's property and casualty group writes primarily specialized commercial products for businesses through a highly diversified group of specialty business units. Some of the more significant areas are inland and ocean marine, California workers' compensation, agricultural-related coverages, executive and professional liability, fidelity and surety bonds, collateral protection, and umbrella and excess coverages. In February 2003, AFC sold a substantial portion of its Personal segment; see Note B - "Acquisitions and Sales of Subsidiaries." The Personal group wrote nonstandard and preferred/standard private passenger auto and other personal insurance coverage. AFC's annuity, life and health business markets primarily retirement products as well as life and supplemental health insurance.

The following table (in thousands) shows AFC's revenues and operating profit (loss) by significant business segment. Operating profit (loss) represents total revenues less operating expenses.

	Three months ended March 31,	
Revenues (a)	2003	2002
Property and casualty insurance:		
Premiums earned:		
Specialty	$427,848	$356,415
Personal	114,938	247,203
Other lines	(1)	290
	542,785	603,908
Investment and other income	120,050	100,259
	662,835	704,167
Annuities, life and health (b)	218,446	217,422
Other	(41,090)	4,025
	$840,191	$925,614
Operating Profit (Loss)		
Property and casualty insurance:		
Underwriting:		
Specialty	$ 9,521	$ 5,294
Personal	5,212	(5,239)
Other lines (c)	(355)	(9,326)
	14,378	(9,271)
Investment and other income	71,290	63,251
	85,668	53,980
Annuities, life and health	15,563	21,981
Other (d)	(55,931)	(19,376)
	$ 45,300	$ 56,585

(a) Revenues include sales of products and services as well as other income earned by the respective segments.
(b) Represents primarily investment income.
(c) Represents development of lines in "run-off"; AFC has ceased underwriting new business in these operations.
(d) Includes holding company expenses.

D. Investment in Investees Investment in investee corporations reflects AFC's ownership of 7.9 million shares (38%) of Infinity common stock and a $55 million 8.5% note receivable from Infinity. The market value of the investment in Infinity stock was $143 million at March 31, 2003 and $165 million at May 1, 2003. Prior to AFC's sale of 12.5 million shares of Infinity in February 2003, an AFC subsidiary owned 100% of Infinity (see Note B). Infinity is a national provider of personal automobile insurance with an emphasis on the nonstandard market.

Summarized financial information for Infinity is shown below for the three months ended March 31, 2003 (in millions).

Earned premiums	$165.5
Total revenues	181.0
Net earnings	11.5

Equity in net earnings (losses) of investees for the first quarter of 2002 represents AFC's share of the losses from two start-up manufacturing businesses that were formerly subsidiaries. One of these businesses was sold in the fourth quarter of 2002; equity in the net loss of the remaining business for the first quarter of 2003 was $865,000.

E. Goodwill Effective January 1, 2002, goodwill is no longer amortized but is subject to annual impairment testing under a two step process. Under the first step, an entity's net assets are classified by reporting units and compared to their fair value. Fair value is estimated based primarily on the present value of expected future cash flows. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the initial impairment test, measuring the amount of impairment loss, was completed in the fourth quarter with a resulting $40.4 million impairment charge, net of tax, reported by restating first quarter 2002 results for the cumulative effect of a change in accounting principle. The impairment charge included $21.2 million (pretax) for the annuities and life insurance segment related to a decrease in estimated future earnings based upon lower forecasted new business sales over the next few years and $39.6 million (pretax) for the personal lines segment related primarily to planned future reductions in new business volume written through the direct channel.

The change in goodwill during the first quarter of 2003 reflects $75.3 million in goodwill related to Infinity, which was sold in February 2003.

Included in deferred acquisition costs in AFC's Balance Sheet are $68.4 million and $66.8 million at March 31, 2003, and December 31, 2002, respectively, representing the present value of future profits ("PVFP") related to acquisitions by AFC's annuity and life business. The PVFP amounts are net of $59.5 million and $57.3 million of accumulated amortization. Amortization of the PVFP was $2.2 million and $1.7 million during the first three months of 2003 and 2002. During each of the next five years, the PVFP is expected to decrease at a rate of approximately 13% of the balance at the beginning of each respective year.

F. Payable to American Financial Group Payable to AFG represents the net amount owed by AFC to AFG under a reciprocal Master Credit Agreement between various AFG holding companies under which these companies make funds available to each other for general corporate purposes. Amounts borrowed under the Master Credit Agreement generally bear interest at 1% over LIBOR. In January 2003, AFC agreed to guarantee the obligations of AFG with respect to $382 million principal amount of AFG senior debentures, in consideration of a payment of approximately $350,000 and an increase in the interest rate which AFG pays AFC under the Master Credit Agreement to 1.125% over LIBOR.

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

	March 31, 2003	December 31, 2002
Holding Companies:		
AFC notes payable under bank line	$ 95,000	$248,000
APU 10-7/8% Subordinated Notes due May 2011	11,482	11,498
Other	8,241	8,014
	$114,723	$267,512
Subsidiaries:		
GAFRI 6-7/8% Senior Notes due June 2008	$100,000	$100,000
GAFRI notes payable under bank line	148,600	148,600
Notes payable secured by real estate	35,457	35,610
Other	12,312	12,561
	$296,369	$296,771

At March 31, 2003, scheduled principal payments on debt for the balance of 2003 and the subsequent five years were as follows (in millions):

	Holding Companies	Subsidiaries	Total
2003	$ -	$ 9.5	$ 9.5
2004	-	150.6	150.6
2005	95.0	11.2	106.2
2006	-	19.4	19.4
2007	5.3	.1	5.4
2008	-	100.1	100.1

AFC may borrow up to $280 million under its credit agreement; the line may be expanded to $300 million through the end of 2003. The new line consists of two facilities: a 364-day revolving facility, extendable annually, for one-third of the total line and a three-year revolving facility for the remaining two-thirds. Amounts borrowed bear interest at rates ranging from 1.25% to 2.25% over LIBOR based on AFG's credit rating. In addition, GAFRI has an unsecured credit agreement under which it can borrow up to $155 million at floating rates based on prime or Eurodollar rates through December 2004.

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

	March 31, 2003	December 31, 2002
Interest of AFG (parent) and noncontrolling shareholders in subsidiaries' common stock	$348,638	$351,559
Preferred securities issued by subsidiary trusts	142,913	142,913
	$491,551	$494,472

Subsidiary Preferred Securities Wholly-owned subsidiary trusts of GAFRI have issued preferred securities and, in turn, purchased a like amount of subordinated debt which provides interest and principal payments to fund the respective trusts' obligations. The preferred securities must be redeemed upon maturity or redemption of the subordinated debt. GAFRI effectively provides unconditional guarantees of its trusts' obligations.

The preferred securities consisted of the following (in thousands):

Date of Issuance	Issue (Maturity Date)	Amount Outstanding 3/31/03	12/31/02	Optional Redemption Dates
November 1996	GAFRI 9-1/4% TOPrS (2026)	$72,913	$72,913	Currently redeemable
March 1997	GAFRI 8-7/8% Pfd (2027)	70,000	70,000	On or after 3/1/2007

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

	Three months ended March 31, 2003	2002
Interest of AFG (parent) and noncontrolling shareholders in earnings of subsidiaries	$1,912	$2,962
Accrued distributions by subsidiaries on preferred securities, net of tax	2,106	2,106
	$4,018	$5,068

I. **Shareholders' Equity** At March 31, 2003, and December 31, 2002, American Financial Group beneficially owned all of the outstanding shares of AFC's Common Stock.

Preferred Stock See Note K - "Subsequent Event." Under provisions of both the Nonvoting (4.0 million shares authorized) and Voting (4.0 million shares authorized) Cumulative Preferred Stock, the Board of Directors may divide the authorized stock into series and set specific terms and conditions of each series. At March 31, 2003, and December 31, 2002, the outstanding voting shares of AFC's Preferred Stock consisted of the following:

Series J, no par value; $25.00 liquidating value per share; annual dividends per share $2.00; redeemable at AFC's option at $25.75 per share beginning December 2005 declining to $25.00 at December 2007 and thereafter; 2,886,161 shares (stated value $72.2 million) outstanding at March 31, 2003, and December 31, 2002.

J. **Commitments and Contingencies** There have been no significant changes to the matters discussed and referred to in Note L "Commitments and Contingencies" of AFC's Annual Report on Form 10-K for 2002.

K. **Subsequent Event** On April 17, 2003, AFG announced a proposal to merge with AFC. Under the proposal, AFC Series J Preferred shareholders would receive $22.00 in AFG common stock in exchange for each share of Series J Preferred Stock. This transaction is subject to (i) the negotiation of specific terms and final documentation, (ii) the approval of the Board of Directors of each of AFG, AFC, and a special committee of independent directors of AFC, and (iii) the receipt of all required shareholder, stock exchange listing and regulatory approvals. In addition, the merger would eliminate the deferred tax liabilities associated with AFC's holding of AFG stock. Assuming that the proposed transaction is completed, these changes are expected to result in a 12% to 15% increase in AFG's shareholders' equity. AFG and AFC hope to complete the merger in the third quarter of 2003.

ITEM 2

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

GENERAL

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, AFC 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 provides a safe harbor for forward-looking statements. Some of the forward-looking statements can be identified by the use of forward-looking words such as "anticipates", "believes", "expects", "estimates", "intends", "plans", "seeks", "could", "may", "should", "will" or the negative version of those words or other comparable terminology. Examples of such forward-looking statements include statements relating to: expectations concerning market and other conditions and their effect on future premiums, revenues, earnings and investment activities; recoverability of asset values; expected losses and the adequacy of reserves for asbestos, environmental pollution and mass tort claims; rate increases, improved loss experience and expected expense savings resulting from recent initiatives.

Actual results could differ materially from those contained in or implied by such forward-looking statements for a variety of factors including:

- changes in economic conditions, including interest rates, performance of securities markets, and the availability of capital;
- regulatory actions;
- changes in legal environment;
- tax law changes;
- levels of natural catastrophes, terrorist events, incidents of war and other major losses;
- the ultimate amount of liabilities associated with certain asbestos and environmental-related claims;
- the unpredictability of possible future litigation if certain settlements do not become effective;
- adequacy of insurance reserves;
- trends in mortality and morbidity;
- availability of reinsurance and ability of reinsurers to pay their obligations;
- competitive pressures, including the ability to obtain rate increases; and
- changes in debt and claims paying ratings.

The forward-looking statements herein are made only as of the date of this report. AFC assumes no obligation to publicly update any forward-looking statements.

CRITICAL ACCOUNTING POLICIES

Significant accounting policies are summarized in Note A to the financial statements. The preparation of financial statements requires management to make estimates and assumptions that can have a significant effect on amounts reported in the financial statements. As more information becomes known, these estimates and assumptions could change and thus impact amounts reported in the future. Management believes that the establishment of insurance reserves, especially asbestos and environmental-related reserves, and the determination of "other than temporary" impairment on investments are the two areas where the degree of judgment required to determine amounts recorded in the financial statements make the accounting policies critical. For further discussion of these policies, see *"Liquidity and Capital Resources - Investments"* and *"Liquidity and Capital Resources - Uncertainties."*

LIQUIDITY AND CAPITAL RESOURCES

Ratios AFG's debt to total capital ratio at the parent holding company level (excluding amounts due AFG) was approximately 6% at March 31, 2003, and 13% at December 31, 2002. Including amounts due AFG, the ratio was 19% at March 31, 2003, and 25% at December 31, 2002.

Sources of Funds Management believes the parent holding companies have sufficient resources to meet their liquidity requirements, primarily through funds generated by their subsidiaries' operations. If funds provided by subsidiaries through dividends and tax payments are insufficient to meet fixed charges in any period, the holding companies would be required to generate cash through borrowings, sales of securities or other assets, or similar transactions.

AFC may borrow up to $280 million under the bank credit line; the line may be expanded to $300 million through the end of 2003. The line consists of two facilities: a 364-day revolving facility, extendable annually, for one-third of the total line and a three-year revolving facility for the remaining two-thirds. Amounts borrowed bear interest at rates ranging from 1.25% to 2.25% over LIBOR based on AFG's credit rating. This credit agreement provides ample liquidity and can be used to obtain funds for operating subsidiaries or, if necessary, for the parent companies. At March 31, 2003, there was $95 million borrowed under the line.

Investments AFC's investment portfolio at March 31, 2003, contained $11.4 billion in "Fixed maturities" and $251.2 million in "Other stocks", all carried at market value with unrealized gains and losses reported as a separate component of shareholders' equity on an after-tax basis. At March 31, 2003, AFC had pretax net unrealized gains of $454.6 million on fixed maturities and $90.2 million on other stocks.

Approximately 93% of the fixed maturities held by AFC at March 31, 2003, were rated "investment grade" (credit rating of AAA to BBB) by nationally recognized rating agencies. Investment grade securities generally bear lower yields and lower degrees of risk than those that are unrated and noninvestment grade. Management believes that a high quality investment portfolio is more likely to generate a stable and predictable investment return.

Individual portfolio securities are sold creating gains or losses as market opportunities exist. Since all of these securities are carried at market value in the balance sheet, there is virtually no effect on liquidity or financial condition upon the sale and ultimate realization of unrealized gains and losses.

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

Summarized information for the unrealized gains and losses recorded in AFC's balance sheet at March 31, 2003, is shown in the following table (dollars in millions). Approximately $133 million of "Fixed maturities" and $16 million of "Other stocks" had no unrealized gains or losses at March 31, 2003.

	Securities With Unrealized Gains	Securities With Unrealized Losses
Fixed Maturities		
Market value of securities	$10,232	$1,080
Amortized cost of securities	$ 9,692	$1,165
Gross unrealized gain (loss)	$ 540	($ 85)
Market value as % of amortized cost	106%	93%
Number of security positions	1,742	316
Number individually exceeding $2 million gain or loss	15	8
Concentration of gains (losses) by type or industry (exceeding 5% of unrealized):		
Mortgage-backed securities	$ 120.7	($ 7.7)
Banks and savings institutions	43.9	(.5)
U.S. government and government agencies	41.2	-
Electric services	38.8	(3.0)
State and municipal	33.6	(5.5)
Asset-backed securities	15.0	(9.7)
Air transportation (generally collateralized)	4.3	(34.0)
Percentage rated investment grade	96%	67%
Other Stocks		
Market value of securities	$ 208	$ 28
Cost of securities	$ 115	$ 31
Gross unrealized gain (loss)	$ 93	($ 3)
Market value as % of cost	181%	90%
Number individually exceeding $2 million gain or loss	2	-

AFC's investment in equity securities of Provident Financial Group, a Cincinnati-based commercial banking and financial services company, represents $83 million of the $93 million in unrealized gains on other stocks at March 31, 2003.

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

The table below sets forth the scheduled maturities of fixed maturity securities at March 31, 2003, based on their market values. Asset backed securities and other securities with sinking funds are reported at average maturity. Actual maturities may differ from contractual maturities because certain securities may be called or prepaid by the issuers.

Maturity	Securities With Unrealized Gains	Securities With Unrealized Losses
One year or less	4%	2%
After one year through five years	21	24
After five years through ten years	33	38
After ten years	9	23
	67	87
Mortgage-backed securities	33	13
	100%	100%

AFC realized aggregate losses of $1.9 million during the first quarter of 2003 on $12.7 million in sales of fixed maturity securities (3 issues/issuers) that had individual unrealized losses greater than $500,000 at December 31, 2002. Market values of two of the issues increased an aggregate of $3 million from December 31 to date of sale. The market value of the remaining security decreased $263,000 from December 31 to the sale date.

Although AFC had the ability to continue holding these investments, its intent to hold them changed due primarily to deterioration in the issuers' creditworthiness, decisions to lessen exposure to a particular credit or industry, or to modify asset allocation within the portfolio.

The table below (dollars in millions) summarizes the length of time securities have been in an unrealized gain or loss position at March 31, 2003.

	Aggregate Market Value	Aggregate Unrealized Gain (Loss)	Market Value as % of Cost Basis
Fixed Maturities			
Securities with unrealized gains:			
Exceeding $500,000 at 3/31/03 and for:			
Less than one year (333 issues)	$ 4,770	$305	106.8%
More than one year (48 issues)	563	57	111.3
Less than $500,000 at 3/31/03 (1,361 issues)	4,899	178	103.8
	$10,232	$540	105.6%
Securities with unrealized losses:			
Exceeding $500,000 at 3/31/03 and for:			
Less than one year (30 issues)	$ 190	($ 36)	84.1%
More than one year (17 issues)	102	(31)	76.7
Less than $500,000 at 3/31/03 (269 issues)	788	(18)	97.8
	$ 1,080	($ 85)	92.7%
Other Stocks			
Securities with unrealized gains:			
Exceeding $500,000 at 3/31/03 and for:			
Less than one year (3 issues)	$ 17	$ 5	141.7%
More than one year (3 issues)	159	85	214.9
Less than $500,000 at 3/31/03 (71 issues)	32	3	110.3
	$ 208	$ 93	180.9%
Securities with unrealized losses:			
Exceeding $500,000 at 3/31/03 and for:			
Less than one year (none)	$ -	$ -	- %
More than one year (none)	-	-	-
Less than $500,000 at 3/31/03 (75 issues)	28	(3)	90.3
	$ 28	($ 3)	90.3%

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 (accounted for as a realized loss) and the cost basis of that investment is reduced. The determination of whether unrealized losses are "other than temporary" requires judgment based on subjective as well as objective factors. A listing of factors considered and resources used is contained in the discussion of "Investments" under Management's Discussion and Analysis in AFC's 2002 Form 10-K.

Based on its analysis, management believes (i) AFC will recover its cost basis in the securities with unrealized losses and (ii) that AFC has the ability and intent to hold the securities until they mature or recover in value. Should either of these beliefs change with regard to a particular security, a charge for impairment would likely be required. While it is not possible to accurately predict if or when a specific security will become impaired, charges for other than temporary impairment could be material to results of operations in a future period. Management believes it is not likely that future impairment charges will have a significant effect on AFC's liquidity.

Uncertainties As more fully explained in the following paragraphs, management believes that the areas posing the greatest risk of material loss are the adequacy of its insurance reserves and American Premier's contingencies arising out of its former operations.

Property and Casualty Insurance Reserves The liabilities 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 periods on 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 expense for investigating and adjusting claims; and (e) the current state of law and coverage litigation. Using these items as well as historical trends adjusted for changes in underwriting standards, policy provisions, product mix and other factors, company actuaries determine a single or "point" estimate which management utilizes in recording its best estimate of the liabilities. Ranges of loss reserves are not developed by company actuaries.

Estimating the liability for unpaid losses and LAE is inherently judgmental and is influenced by factors which are subject to significant variation. Through the use of analytical reserve development techniques, management utilizes items such as the effect of inflation on medical, hospitalization, material, repair and replacement costs, general economic trends and the legal environment.

Quarterly reviews of unpaid loss and LAE reserves are prepared using standard actuarial techniques. These may include: Case Incurred Development Method; Paid Development Method; Bornhuetter-Ferguson Method; and Incremental Paid LAE to Paid Loss Methods. Generally, data is segmented by major product or coverage within product using countrywide data; however, in some situations data may be reviewed by state for large volume states.

Asbestos and Environmental-related ("A&E") Reserves Establishing reserves for A&E claims relating to policies and participations in reinsurance treaties and former operations is subject to uncertainties that are significantly greater than those presented by other types of claims. For this group of claims, traditional actuarial techniques that rely on historical loss development trends cannot be used. Case reserves and expense reserves are established by the claims department as specific policies are identified. In addition to the case reserves established for known claims, management establishes additional reserves for claims not yet known or reported and for possible development on known claims. These additional reserves are management's best estimate based on its review of industry trends and other industry information about such claims, with due consideration to individual claim situations like the A.P. Green case discussed below. Estimating ultimate liability for asbestos claims presents a unique and difficult challenge to the insurance industry due to, among other things, inconsistent court decisions, an increase in bankruptcy filings as a result of asbestos-related liabilities, novel theories of coverage, and judicial interpretations that often expand theories of recovery and broaden the scope of coverage. The casualty insurance industry is engaged in extensive litigation over these coverage and liability issues as the volume and severity of claims against asbestos defendants continue to increase.

While management believes that AFC's reserves for A&E claims are a reasonable estimate of ultimate liability for such claims, actual results may vary materially from the amounts currently recorded due to the difficulty in predicting the number of future claims and the impact of recent bankruptcy filings, and unresolved issues such as whether coverage exists, whether policies are subject to aggregate limits on coverage, whether claims are to be allocated among triggered policies and implicated years, and whether claimants who exhibit no signs of illness will be successful in pursuing their claims.

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

In February 2003, Great American Insurance Company entered into an agreement for the settlement of asbestos related coverage litigation under insurance polices issued during the 1970's and 1980's to Bigelow-Liptak Corporation and related companies, subsequently known as A.P. Green Industries, Inc. ("A.P. Green"). Management believes that this settlement will enhance financial certainty and provides resolution to litigation that represents AFC's largest known asbestos-related claim and the only such claim that management believes to be material.

The settlement is for $123.5 million (Great American has the option to pay in cash or over time with 5.25% interest), all of which is covered by reserves established prior to 2003, and anticipated reinsurance recoverables for this matter. The agreement allows up to 10% of the settlement to be paid in AFG common stock.

The settlement is subject to a number of contingencies, including the approval of the bankruptcy court supervising the reorganization of A.P. Green and subsequent confirmation of a plan of reorganization that includes an injunction prohibiting the assertion against Great American of any present or future asbestos personal injury claims under policies issued to A.P. Green and related companies. This process could take a year or more and no assurance can be made that all of these consents and approvals will be obtained; no payments are required until completion of the process. If not obtained, the outcome of this litigation will again be subject to the complexities and uncertainties associated with a Chapter 11 proceeding and asbestos coverage litigation.

RESULTS OF OPERATIONS

General Results of operations as shown in the accompanying financial statements are prepared in accordance with generally accepted accounting principles. Many investors and analysts focus on "core earnings" of companies, setting aside certain items included in net earnings such as realized gains and losses, the cumulative effect of accounting changes and certain other unusual items. Realized gains and losses are excluded from "core earnings" because they are unpredictable and not necessarily indicative of current operating fundamentals. Other items, such as the tax resolution benefits, are excluded to assist investors in analyzing their impact on the trend in operating results. Nonetheless, these items are significant components of AFC's overall financial results.

The following table shows AFC's net earnings as stated in the Statement of Earnings as well as the after-tax effect of certain items included in these GAAP measures that are typically excluded in deriving "core earnings" (in millions):

	Three months ended March 31, 2003	2002
Net earnings	$33.5	$ 5.7
After tax income (expense) items included in net earnings:		
Special tax benefits	5.5	16.0
Net losses from non-insurance investees	(.9)	(2.7)
Realized investment losses	(19.3)	(7.7)
Cumulative effect of accounting changes	-	(40.4)

In addition to the effects of items shown in the table above, net earnings increased in 2003 primarily due to significantly improved underwriting results in the property and casualty operations, partially offset by lower investment income.

Property and Casualty Insurance - Underwriting AFC's property and casualty group has consisted of two major business groups: Specialty and Personal. See Note B, "Acquisitions and Sales of Subsidiaries," to the Financial Statements for a discussion of the sale of nearly all of the Personal group.

The Specialty group includes a highly diversified group of business lines. Some of the more significant areas are inland and ocean marine, California workers' compensation, agricultural-related coverages, executive and professional liability, fidelity and surety bonds, collateral protection, and umbrella and excess coverages.

The Personal group wrote nonstandard and preferred/standard private passenger auto insurance and, to a lesser extent, homeowners' insurance. Nonstandard automobile insurance covers risk not typically accepted for standard automobile coverage because of an applicant's driving record, type of vehicle, age or other criteria.

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.

Premiums and combined ratios for AFC's property and casualty insurance subsidiaries were as follows (dollars in millions):

	Three months ended March 31, 2003	2002
Gross Written Premiums (GAAP)		
Specialty	$676.8	$562.8
Personal (a)	181.1	347.5
Other lines	-	.3
	$857.9	$910.6
Net Written Premiums (GAAP)		
Specialty	$438.8	$386.7
Personal (a)	117.9	256.4
Other lines	-	.3
	$556.7	$643.4
Combined Ratios (GAAP)		
Specialty	97.9%	98.5%
Personal	95.5	102.1
Aggregate (including discontinued lines)	97.4	101.4

(a) Includes the operations of Infinity through the sale date in mid-February 2003.

Specialty The Specialty group's gross written premiums increased 20% for the first quarter of 2003 over the comparable 2002 period, reflecting the impact of continuing rate increases and volume growth in most of its businesses. Specialty rate increases averaged 27% during the first three months of 2003. Net written premiums increased 14% for the first quarter over the comparable 2002 period. Strong growth in gross written premiums was offset by the timing impact of premiums ceded under certain reinsurance agreements.

The Specialty group reported an underwriting profit of $9.5 million for the 2003 first quarter with a combined ratio of 97.9%, an improvement of .6 points over the 2002 first quarter. The group's underwriting results for the 2003 quarter included approximately $5.1 million, or 1.2 points, of losses from severe weather compared to about $2.6 million, or .7 points, in the 2002 period.

Personal The Personal group results represent primarily Infinity's underwriting results through the public offering in mid-February 2003 and the direct-to-consumer auto business, which was sold in April 2003. AFC's ongoing personal lines business is limited to two subsidiaries that generated less than $35 million in net written premiums in 2002 and certain direct-to-consumer business in run-off that had approximately $28 million in net written premiums in 2002. AFC's 38% continuing ownership interest in Infinity is accounted for as an investee corporation. Accordingly, AFC's share of Infinity's earnings following the mid-February public offering is included in equity in net earnings (losses) of investees in the Statement of Earnings.

The Personal group generated an underwriting profit of $5.2 million in the 2003 first quarter. The group's combined ratio of 95.5% improved 6.6 points compared with the 2002 quarter, reflecting Infinity's reduced underwriting in unprofitable states, the continuing positive effects of recent rate increases and recent expense reductions from consolidating business functions.

Investment Income The decrease in investment income for the first quarter of 2003 compared to the 2002 quarter reflects lower average investment balances (due to the mid-February sale of Infinity) as well as lower average yields on fixed maturity investments.

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

Gains (Losses) on Securities Realized gains (losses) on securities include provisions for other than temporary impairment of securities still held of $34.9 million in the first quarter of 2003 and $18.3 million in the first quarter of 2002. Increased impairment charges in recent years reflect a rise in corporate defaults in the marketplace. The increase in impairment charges in 2003 reflects primarily the downturn in the airline industry and writedowns of certain asset-backed securities.

Realized losses on securities include losses of $4.5 million in the first quarter of 2003 and $3 million in the first quarter of 2002 to adjust the carrying value of AFC's investment in warrants to market value.

Loss on Subsidiary In February 2003, AFC recognized a $39.4 million pretax loss on the public offering of 12.5 million shares of Infinity.

Real Estate Operations AFC's subsidiaries are engaged in a variety of real estate operations including hotels, apartments, office buildings and recreational facilities; they also own several parcels of land. Revenues and expenses of these operations, including gains and losses on disposal, are included in AFC's Statement of Earnings as shown below (in millions).

	Three months ended March 31,	
	2003	2002
Other income	$16.0	$15.3
Other operating and general expenses	16.1	14.5
Interest charges on borrowed money	.6	.6

Other Income Other income increased $9.8 million (21%) for the first quarter of 2003 compared to 2002 due primarily to increased revenues earned by the Specialty group's growing warranty business and higher fee income in certain other specialty insurance operations.

Annuity Benefits Annuity benefits reflect amounts accrued on annuity policyholders' funds accumulated. Annuity benefits in the first quarter of 2003 were slightly lower than the 2002 quarter as an increase in average annuity benefits accumulated was offset by a decrease in rates credited to policyholders.

The majority of GAFRI's fixed annuity products permit GAFRI to change the crediting rate at any time subject to minimum interest rate guarantees (as determined by applicable law). Approximately 45% of the annuity benefits accumulated relate to policies that have a minimum guarantee of 3%; the balance have a guarantee of 4%. Virtually all new sales of GAFRI's fixed annuities offer a minimum interest rate of 3%. Historically, management has been able to react to changes in market interest rates and maintain a desired interest rate spread. The recent interest rate environment has resulted in spread compression which could continue at least through the remainder of 2003.

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

On its deferred annuities (annuities in the accumulation phase), GAFRI generally credits interest to policyholders' accounts at their current stated "surrender" interest rates. Furthermore, for "two-tier" deferred annuities (annuities under which a higher interest amount can be earned if a policy is annuitized rather than surrendered), GAFRI accrues an additional liability to provide for expected deaths and annuitizations. Changes in crediting rates, actual surrender, death and annuitization experience or modifications in actuarial assumptions can affect this accrual. Significant changes in projected investment yields could result in charges to earnings in the period such projections are modified.

Annuity and Life Acquisition Expenses Annuity and life acquisition expenses include amortization of annuity and life, accident and health deferred policy acquisition costs ("DPAC") as well as a portion of commissions on sales of insurance products. Annuity and life acquisition expenses also include amortization of the present value of future profits of businesses acquired. The increase in annuity and life acquisition expenses in the first quarter of 2003 compared to 2002 is due primarily to the amortization associated with GAFRI's purchase of MNL in June 2002.

The vast majority of GAFRI's DPAC asset relates to its fixed annuity, variable annuity and life insurance lines of business. Continued spread compression, decreases in the stock market and adverse mortality could lead to writeoffs of DPAC in the future.

Interest on Borrowed Money Changes in interest expense result from fluctuations in market rates as well as changes in borrowings. AFC has generally financed its borrowings on a long-term basis which has resulted in higher current costs. Interest expense decreased in the first quarter of 2003 compared to the first quarter of 2002 as lower average indebtedness (including AFC's payable to AFG) and lower interest charges on amounts due reinsurers were partially offset by higher average rates on the AFC bank line.

Other Operating and General Expenses Other operating and general expenses increased $7.1 million (8%) for the first quarter of 2003 compared to the first quarter of 2002 due primarily to higher expenses in the Specialty group's growing warranty business and higher expenses related to growth in certain other Specialty operations.

Income Taxes The 2003 provision for income taxes reflects $5.5 million in tax benefits related to AFC's basis in Infinity stock. The 2002 provision for income taxes includes a $16 million first quarter tax benefit for the reduction of previously accrued amounts due to the resolution of certain tax matters.

Investee Corporations

Infinity Property and Casualty Corporation Following AFC's sale of 61% of Infinity in the mid-February offering, AFC's proportionate share of Infinity's earnings is included in equity in net earnings (losses) of investees. Infinity reported net earnings for the first quarter of 2003 of $11.5 million, including $5.4 million subsequent to the offering.

Start-up Manufacturing Businesses Equity in earnings (losses) of investees also includes losses of two start-up manufacturing businesses (see Note D). Equity in net earnings (losses) of investees includes $865,000 in 2003 and $859,000 in 2002 in losses of one of these businesses. Investee losses in 2002 include $1.9 million in losses of the other manufacturing business, which sold substantially all of its assets in December 2002.

Cumulative Effect of Accounting Change Effective January 1, 2002, AFC implemented Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets", under which goodwill is no longer amortized, but is subject to an impairment test at least annually. The initial impairment testing resulted in a charge of $40.4 million (net of minority interest and taxes) for the cumulative effect of a change in accounting principle.

Recent Accounting Standards In January 2003, the Financial Accounting Standards Board issued Interpretation No.46, Consolidation of Variable Interest Entities ("FIN 46"). This interpretation will require companies to consolidate entities without sufficient equity based on ownership of expected gains and losses. FIN 46 is effective immediately to variable interest entities acquired after January 31, 2003. For entities acquired before that date, the guidance becomes effective for periods beginning after June 15, 2003.

AFC is currently assessing the application of FIN 46 as it relates to its investments in two collateralized debt obligations ("CDOs"), for which AFC also acts as investment manager. Under the CDOs, securities were issued in various senior and subordinate classes and the proceeds were invested primarily in bank loans, and to a lesser extent, high yield bonds, all of which serve as collateral for the securities issued by the CDOs. None of the collateral was purchased from AFC. The market value of the collateral at March 31, 2003, was approximately $770 million.

AFC's investments in the two CDOs are subordinate to the senior classes (approximately 92% of the total securities) issued by the CDOs. To the extent there are defaults and unrecoverable losses on the underlying collateral resulting in reduced cash flows, AFC's class would bear losses first. Holders of the CDO debt securities have no recourse against AFC for the liabilities of the CDOs; accordingly, AFC's exposure to loss on these investments is limited to its investment. AFC's investments in the CDOs are carried at estimated market value of $10.8 million at March 31, 2003, and are included in fixed maturities in AFC's balance sheet.

Proposed Accounting Standard GAFRI's variable annuity contracts contain a guaranteed minimum death benefit ("GMDB") (which may exceed the value of the policyholder's account) to be paid if the annuityholder dies before the annuity payout period commences. Payment of any difference between the GMDB and the related account balance is borne by GAFRI and expensed when paid. In periods of declining equity markets, the GMDB difference increases as the variable annuity account value decreases. At March 31, 2003, the aggregate GMDB values (assuming every policyholder died on that date) exceeded the market value of the underlying variable annuities by $243 million. Industry practice varies, but GAFRI does not establish GAAP reserves for this mortality risk. If a proposed accounting standard becomes effective, GAFRI would be required to record a liability for the present value of expected GMDB payments. Initial recognition of a GAAP liability (estimated to be less than 4% of the difference between the underlying market value of the variable annuities and GMDB value) would be accounted for as the cumulative effect of a change in accounting principles. Death benefits paid in excess of the variable annuity account balances were about $600,000 in the first quarter of 2003 and $1.1 million in all of 2002.

ITEM 3

Quantitative and Qualitative Disclosure of Market Risk

As of March 31, 2003, there were no material changes to the information provided in AFC's Form 10-K for 2002 under the caption "Exposure to Market Risk" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 4

Controls and Procedures

AFC's chief executive officer and chief financial officer, with assistance from management, have evaluated AFC's disclosure controls and procedures (as defined in Exchange Act Rule 13a-14(c)) as of a date within 90 days prior to filing this report. Based on that evaluation, they concluded that the controls and procedures are effective. There have been no significant changes in AFC's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

PART II
OTHER INFORMATION

ITEM 6

Exhibits and Reports on Form 8-K

(a) Exhibit 10 - 2003 Annual Bonus Plan.

Exhibit 99 – Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K: none

Signature

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

American Financial Corporation

May 14, 2003

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

SARBANES-OXLEY SECTION 302(a) CERTIFICATIONS

I, Carl H. Lindner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Financial Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

May 14, 2003

BY: s/Carl H. Lindner
Carl H. Lindner
Chairman of the Board and
Chief Executive Officer
(principal executive officer)

SARBANES-OXLEY SECTION 302(a) CERTIFICATIONS - CONTINUED

I, Fred J. Runk, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Financial Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

May 14, 2003

BY: s/Fred J. Runk
Fred J. Runk
Senior Vice President and Treasurer
(principal financial officer)

EXHIBIT 99

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002
A signed original of this written statement will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.

In connection with the filing with the Securities and Exchange Commission of the Quarterly Report of American Financial Corporation (the "Company") on Form 10-Q for the period ended March 31, 2003 (the "Report"), the undersigned officers of the Company, certify, pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of their knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 14, 2003
Date

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

May 14, 2003
Date

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