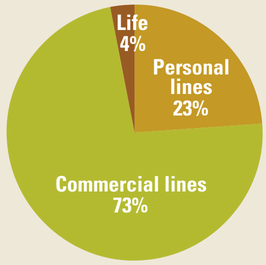
Financial Performance Overview

This is a brief overview of 2006 financial results. We encourage you to read the Management's Discussion and Analysis in our Annual Report on Form 10-K, Page 31, for additional details.

Insurance results for the year were mixed. In the face of growing competition, our local independent agents brought us the highest level of new business and property casualty insurance premiums in our history. Underwriting profits were $181 million, tempered by higher catastrophe losses, increased loss severity and less savings from favorable development of prior period losses as well as higher underwriting expenses.

Investment results were the highlight of the year. Our equity-focused investment strategy led to another record-setting year for investment income and book value.

Premium Mix
Percent of 2006 consolidated net earned premiums
(Percent)



Property Casualty Insurance Operations

Value-oriented policyholders continued in 2006 to respond favorably to their local independent agents' presentation of Cincinnati's advantages. In the second half of the year, agents and personal lines policyholders responded to new pricing for Cincinnati's personal lines products, leading to higher customer retention rates and rising new business.

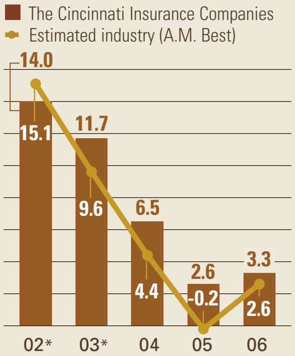
Offsetting those favorable growth trends, nine catastrophe events, primarily storms affecting our policyholders in the Midwest, led to a record level of catastrophe losses. Loss severity crept upward. And expenses rose more rapidly than premiums as we made ongoing investments in our people and our infrastructure, including technology and systems to make it easier for agents to do business with our company.

As anticipated, this year's earnings reflected the adoption of stock option expensing and less savings from favorable development on prior period losses compared with the unusually high level of the past few years.

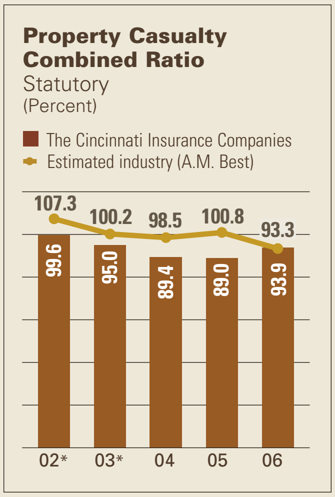
Other highlights of 2006 performance included:

- 3.3 percent increase in property casualty net written premiums, ahead of the estimated industry average growth rate of 2.6 percent.
- 93.9 percent statutory property casualty combined ratio, slightly above the estimated industry average of 93.3 percent. Our combined ratio included 5.5 percentage points due to catastrophe losses compared with 1.7 percentage points estimated for the industry.
- A net increase of 37 reporting agency locations. At year-end 2006, we had 1,066 agency relationships with 1,289 reporting locations marketing our insurance products.
- Full-year 2006 net savings from favorable development improved the combined ratio by 3.7 percentage points. In 2005, savings improved the ratio by 5.2 percentage points.

Property Casualty Net Written Premium Growth
Statutory
(Percent)



* The Definitions of Non-GAAP Information and Reconciliation to Comparable GAAP Measures on Page 22 defines and reconciles measures presented in this report that are not based on GAAP or statutory accounting principles.



Commercial Lines Insurance Highlights

- 6.7 percent growth in commercial lines net written premiums. Business policyholders are continuing to respond favorably to their local independent agents' presentation of the Cincinnati value proposition – customized, multi-year coverage packages, superior claims service, our A++ rating from A.M. Best Co. and a local field force.
- 14.9 percent increase in new commercial lines business to a record $324 million. As competition continues in our regional markets, we believe we can sustain healthy growth by outworking the competition. For Cincinnati, that means maintaining strong relationships with our established agencies, writing a significant portion of each agency's business, giving outstanding claims service to their clients and attracting new agencies.
- $208 million commercial lines GAAP underwriting profit, reflecting 90.8 percent full-year statutory commercial lines combined ratio. The ratio rose 3.7 percentage points on softer pricing, increasing loss severity, less savings from favorable development on prior-period reserves and adoption of stock option expensing.
- Growth for the commercial lines portion of the insurance industry was estimated at 1.0 percent in 2006, with a statutory combined ratio of 94.3 percent.
- 2007 plans include integration with agency management systems for WinCPP®, the company's online, real-time commercial lines rate quoting system used by all agencies. Plans also include roll-out of Businessowner and Dentist's Package Policy capabilities in 12 additional states for e-CLAS®, the company's Web-based policy processing system currently used in seven states representing 44 percent of BOP and DBOP premiums.

Personal Lines Insurance Operations

- 6.4 percent decrease in personal lines net written premiums, in part due to reduced pricing effective July 2006. With pricing reduced to better compete in the current market, agents had more opportunity to sell service and value.
- 17.6 percent increase in new personal lines business written directly by agencies for the second half of 2006, following the mid-2006 pricing changes. Second-half new business growth offset the decline in the first half of 2006, leading to 1.6 percent full-year new business growth.
- 103.6 percent 2006 statutory combined ratio. The 9.3 percentage-point increase reflected a 5.0 percentage point rise in the catastrophe loss ratio. Other factors were lower earned premiums, less savings from favorable development on prior period reserves, a third-quarter 2006 increase in loss severity and higher expenses.
- Growth for the personal lines portion of the insurance industry was estimated at 2.0 percent in 2006, with an estimated combined ratio of 92.0 percent.
- 82 percent of agencies writing personal lines policies now use Diamond, the company's personal lines policy processing system. Approximately 90 percent of total 2006 personal lines earned premium volume was written in the 13 active Diamond states. Agents in Pennsylvania and Virginia began using Diamond early this year, with additional states planned for later in 2007.

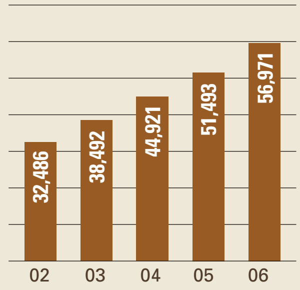
* The Definitions of Non-GAAP Information and Reconciliation to Comparable GAAP Measures on Page 22 defines and reconciles measures presented in this report that are not based on GAAP or statutory accounting principles.

Life Insurance Operations

The Cincinnati Life Insurance Company contributed 19 cents to our company's 2006 operating earnings. Overall, the life operation continues to provide a consistent income stream for our agents and the company, helping to offset some of the inevitable fluctuations in property casualty results.

- $161 million in 2006 total life insurance operations net written premiums, compared with $205 million in 2005. Written premiums for life insurance operations include life insurance, annuity and accident and health premiums. Since late 2005, the company has de-emphasized annuities because of an unfavorable interest rate environment. Written annuity premiums decreased to $30 million in 2006 from $88 million in 2005.
- 27.2 percent rise in 2006 term life insurance net written premiums reflecting competitive advantages of providing competitive, up-to-date products, close personal attention and policies backed by financial strength and stability.
- $19 million increase in full-year 2006 benefits and expenses, principally due to reserve and mortality expense increases associated with growth and aging of life insurance in force. Mortality experience remained within pricing guidelines. Adoption of stock option expensing contributed approximately $1 million to operating expenses.

Cincinnati Life — Gross Life Policy Face Amounts In Force
Excluding annuities, accident and health business
(Dollars in millions)

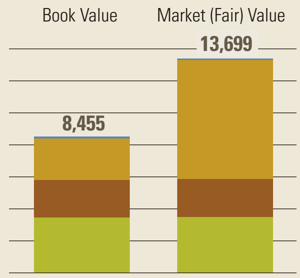


Investment Operations

Our buy-and-hold equity investing strategy is key to the company's long-term growth and stability. In 2007, we anticipate allocating a higher proportion of cash available for investment to equity securities. We continue to identify companies with the potential for revenue, earnings and dividend growth, a strong management team and favorable outlook. These equities offer a steadily increasing flow of dividend income along with the potential for capital appreciation. Highlights of 2006 investment operations included:

- 8.4 percent increase in pretax net investment income. This growth reflected new investments, higher interest income from the growing fixed-maturity portfolio and increased dividend income from the common stock portfolio.
- $16 million annually in additional investment income expected during 2007 from dividend increases announced during 2006 by Fifth Third Bancorp and another 37 of the 50 common stock holdings in the equity portfolio.
- $684 million in full-year 2006 net realized investment gains (pretax), including $647 million from the first-quarter sale of the company's holdings of Alltel common stock.
- 2.6 million shares repurchased in 2006, under the board's current authorization, at a total cost of $118 million.
- Book value of $39.38 at year-end 2006, up $4.50 from year-end 2005 level. Invested assets rose because of new investments and appreciation in the equity portfolio. Our equity holdings outperformed the Standard & Poor's 500 Index in 2006, returning 16.1 percent. While we fell below that benchmark for the five-year period that just ended, total return on the equity portfolio also surpassed the return on the Index over the 10- and 15-year periods that better measure our success as a buy-and-hold investor.

Consolidated Investment Portfolio
As of December 31, 2006
(Dollars in millions)



(In millions)	Book Value	Market (Fair) Value
Taxable fixed maturity	$ 3,357	$ 3,389
Tax-exempt fixed maturity	2,382	2,416
Common equity	2,400	7,564
Preferred equity	221	235
Short-term	95	95
Total	**$ 8,455**	**$13,699**