



CINCINNATI FINANCIAL CORPORATION

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August 2, 2004

TO OUR SHAREHOLDERS, ASSOCIATES AND FRIENDS:

The July 22 news release inside this letter fills you in on the details of Cincinnati Financial Corporation's outstanding profitability so far this year and our outlook for a very satisfying full-year performance. Another release dated June 28 discusses our application to the Securities and Exchange Commission to clarify the holding company's status as a company primarily in the insurance business.

With so much going on, you may be surprised that I've chosen to focus on plans to build a parking garage at CFC Headquarters later this year, and why those plans have sparked strong interest. When we mentioned funding for this project in our public disclosures, we did not expect that the garage—rather than the financial discussions it figured in—would be the chatter in our hallways, agents' offices and Cincinnati newspapers. After all, we relocated in 1985 to our headquarters property in Fairfield, and even then we said that it could eventually accommodate at least four office towers designed specifically for Cincinnati Financial's insurance operations, plus a parking garage and a smaller office building intended to generate lease income.

Currently, your company operates out of two connected towers, with our Information Technology department overflowing into the lease building. And, our business is growing. Work on the next office tower could begin by 2006. The garage would be needed to maintain parking during construction for the headquarters staff, now about 2,800 strong.

It's just a garage—and so much more. The garage is a tangible sign of your company's profitable growth and of our conviction that the best is yet to come. It's an affirmation of our "upside-down" field structure, where headquarters associates work together to support a large force of field associates who work near the customer, available 24/7, empowered to make their own day-to-day business decisions. (The norm in our industry has field staff working out of separate branch offices that support and look to home offices for decisions.)

Cincinnati's unique field structure is high touch. Personal service sets us apart, and that is what you'll see us leveraging in the rest of 2004 and beyond. To help our field representatives spend more time giving even better service to agents, policyholders and claimants, we're making strides in automating our processing and record-keeping functions. We're dividing marketing territories to allow for more attention to our current agencies and more assistance developing their new business. Our marketing representatives also are seizing opportunities to appoint additional, high-caliber agencies in areas where we find opportunities to grow.

We'll all be happy to hear the noise and breathe the dust of construction in the coming months. Our expanding infrastructure here in Cincinnati means we are delivering on our promise to support our representatives and our agents in the field, where the action is and where we truly excel.

Thank you, loyal shareholders, for letting us continue to prove the value of this idea. During the second quarter, you received a 5 percent stock dividend, the 28th stock dividend or split paid over the past 47 years. It's just 5 percent—and so much more. We are working to prove that the best is yet to come.

Respectfully,

/S/ John J. Schiff, Jr.

John J. Schiff, Jr., CPCU

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Cincinnati Financial Corporation Reports Second-Quarter 2004 Results

- Net income at 91 cents per share compared with 50 cents
- Operating income* up 42.9% to 70 cents per share
- Property casualty GAAP combined ratio at 91.9%, including 6.5 percentage points from catastrophe losses, with commercial lines combined ratio at 84.4%
 - Book value at \$36.27 per share

Cincinnati, July 22, 2004—Cincinnati Financial Corporation (Nasdaq: CINF) today reported second-quarter 2004 net income of \$155 million, or 91 cents per diluted share, up 83.9 percent from \$84 million, or 50 cents per share, in the second quarter of 2003. Net income per share included net realized investment gains of 21 cents in 2004 versus a gain of 1 cent in the second quarter of 2003. Per-share amounts have been adjusted for the 5 percent stock dividend paid June 15, 2004, to shareholders of record on April 30, 2004.

Revenues from pretax investment income rose 5.6 percent to \$121 million for the second quarter. Total revenues advanced \$124 million, or 15.6 percent, to \$923 million, reflecting 9.6 percent total earned premium growth and substantially higher realized gains.

Financial Highlights*

(Dollars in millions, except share data)	Second Quarter Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Income Statement Data				
Net income	\$ 155	\$ 84	\$ 301	\$ 141
Net realized investment gains and losses	36	1	40	(39)
Operating income*	\$ 119	\$ 83	\$ 261	\$ 180
Per Share Data (diluted)				
Net income	\$ 0.91	\$ 0.50	\$ 1.77	\$ 0.83
Net realized investment gains and losses	0.21	0.01	0.24	(0.23)
Operating income*	\$ 0.70	\$ 0.49	\$ 1.53	\$ 1.06
Cash dividend declared	0.275	0.238	0.55	0.476
Book value	-	-	36.27	34.83
Average shares outstanding	170,176,122	169,712,585	170,151,367	169,867,580

* The "Reconciliation of non-GAAP financial information" on the Financials & Analysis tab of the Investors page of www.cinfin.com defines and reconciles measures presented in this release that are not based on Generally Accepted Accounting Principles (non-GAAP).

Chairman and Chief Executive Officer John J. Schiff, Jr., CPCU, commented, "The excellent results for the first half of 2004 show the steady progress that is the centerpiece of our long-term strategy. These results put us in good shape to achieve even better full-year results than we previously expected. We are entering a period of heightened competition in the commercial insurance marketplace from a position of strength. As planned, we are steadily advancing toward profitability with year-over-year improvements for our personal lines operations. And, our balance sheet's strength continues to generate both short-term income and the potential for long-term appreciation, supporting the financial flexibility that is so valuable to our policyholders and shareholders."

Six-Month Results

Net income for the first six months was \$301 million, or \$1.77 per diluted share, up 113.6 percent from \$141 million, or 83 cents per share, in the first six months of 2003. Net income per share included net realized investment gains of 24 cents in 2004 versus losses of 23 cents in 2003. Reflecting the Ohio Supreme Court's November 2003 decision to limit its earlier Scott-Pontzer ruling, six-month results include the first-quarter 2004 release of \$32 million pretax (\$21 million, or 12 cents per share, after tax) from reserves for uninsured motorist/underinsured motorist (UM/UIM)

losses. UM/UIM-related reserve changes had minimal effect on second-quarter 2004 results, and the company believes that UM/UIM-related reserve changes will be immaterial in coming quarters.

Revenues from pretax investment income rose 4.7 percent to \$241 million for the first six months of 2004. Total revenues advanced \$288 million, or 19.1 percent, to \$1.793 billion, reflecting 11.6 percent total earned premium growth and substantial realized gains.

With only \$1 million in catastrophe losses in the first quarter of 2004, catastrophe losses for the six months totaled \$47 million, contributing 3.3 percentage points to the six-month property casualty combined ratio. The impact on after-tax earnings per share for the first half of 2004 was 18 cents. For the first half of 2003, catastrophe losses were \$49 million, contributing 3.8 percentage points to the combined ratio, with an effect on earnings per share of 19 cents.

For the first six months of 2004, statutory net written premiums of the property casualty insurance affiliates rose 7.9 percent to \$1.524 billion compared with \$1.413 billion last year. Six-month new business written directly by agencies was \$167 million, up 7.7 percent over the first six months of last year.

Property Casualty Insurance Operations

(Dollars in millions - GAAP)	Second Quarter Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Income Statement Data				
Earned premiums	\$ 717	\$ 656	\$ 1,432	\$ 1,286
Loss and loss expenses excluding catastrophe losses	395	432	806	850
Catastrophe losses	46	47	47	49
Commissions	142	120	296	243
Underwriting expenses	76	46	133	102
Underwriting profit	\$ 58	\$ 11	\$ 150	\$ 42
Ratio Data				
Loss and loss expenses excluding catastrophe losses	55.0%	66.2%	56.2%	66.2%
Catastrophe losses	6.5	7.1	3.3	3.8
Commissions	19.8	18.4	20.7	19.0
Underwriting expenses	10.6	6.7	9.3	7.8
Combined ratio	91.9%	98.4%	89.5%	96.8%

For the second quarter, statutory net written premiums of the property casualty insurance affiliates rose 1.1 percent to \$734 million compared with \$726 million in last year's second quarter. While earned premium growth was not materially affected, the growth rate of statutory net written premiums was slowed by an actuarial adjustment to the estimate of premiums for policies that were in process but not yet booked at quarter-end. On an adjusted basis in both periods, net written premiums rose 7.6 percent to \$761 million compared with \$707 million in last year's second quarter (*see Definitions of Non-GAAP Information and Reconciliation to Comparable GAAP Measures on Page 10 of this news release for reconciliation of this and other measures*). Second-quarter new business written directly by agencies was \$87 million, including \$75 million in commercial lines new business and \$12 million in personal lines new business.

Schiff commented, "With reported year-to-date net written premiums up 7.9 percent and new business rising 7.7 percent, we remain comfortable with our expectation of full-year 2004 net written premium growth in the high single digits. Our confidence in our growth outlook is based on agency-by-agency commentary and production results, feedback from our field marketing representatives and account retention trends, as well as the plans for new agency appointments and staffing of new marketing territories.

"Smaller territories allow our field marketing representatives to stay fully engaged in agency activities, giving us the opportunity to win agency business. So far this year, new marketing territories were staffed in upstate New York, St. Louis, Cleveland and Milwaukee. In addition, imminent staffing of territories in Birmingham, Alabama, and Kansas City, Missouri, will bring the total to 93. Four additional territories have been identified and are waiting for staffing."

Schiff added, "At the end of the second quarter, we determined that our actuarial model to develop estimates of premium for policies in process did not fully reflect recent success in reducing processing time for new and renewal policy applications. This progress in our underwriting, rating and data entry areas occurred even more quickly than we had

anticipated. The reported net written premium growth rate was slowed by a refinement to that estimate in the second quarter, masking the positive underlying business trends.”

The second-quarter 2004 GAAP combined ratio improved 6.5 percentage points to 91.9 percent with the loss and loss expense ratio declining 11.8 percentage points. The commission expense ratio rose by 1.4 percentage points due to higher contingent commissions. The other expense ratio increased by 3.9 percentage points, in part due to higher operating expenses related to improving processing time through investments in technology and staffing. Including a 2.2 percentage-point benefit from the release of the UM/UIM reserves, the first-half 2004 GAAP combined ratio improved 7.3 percentage points to 89.5 percent.

Schiff continued, “Second-quarter underwriting profitability typically is affected by catastrophe losses, and this year was no different. Policyholders across 18 Midwestern and mid-Atlantic states experienced three periods of severe weather in May. As a result, second-quarter catastrophe losses were \$46 million, which contributed approximately 6.5 percentage points to the second-quarter 2004 property casualty combined ratio. The effect on after-tax earnings per share for the second quarter was approximately 18 cents.”

Schiff said, “Teams of experienced claims representatives assisted local staff in several areas with a high concentration of reported claims, including Louisville and Lexington, Kentucky; St. Louis, Missouri; and Canton, Ohio. As in the past, policyholders reported that our local field claims staff and independent agency representatives did an outstanding job, demonstrating our person-to-person approach and the true value of Cincinnati’s insurance coverage and service.”

For the comparable 2003 quarter, \$47 million in catastrophe losses contributed 7.1 percentage points to the combined ratio, with an impact of 18 cents on earnings per share.

Commercial Lines

(Dollars in millions - GAAP)	Second Quarter Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Income Statement Data				
Earned premiums	\$ 520	\$ 472	\$ 1,038	\$ 922
Loss and loss expenses excluding catastrophe losses	265	298	541	585
Catastrophe losses	15	14	16	18
Commissions	103	83	216	173
Underwriting expenses	56	37	94	75
Underwriting profit	\$ 81	40	\$ 171	\$ 71
Ratio Data				
Loss and loss expenses excluding catastrophe losses	50.9%	63.2%	52.1%	63.5%
Catastrophe losses	3.0	2.9	1.6	2.0
Commissions	19.8	17.6	20.8	18.8
Underwriting expenses	10.7	7.7	9.0	8.0
Combined ratio	84.4%	91.4%	83.5%	92.3%

On an adjusted basis in both periods, net written premiums for commercial lines of insurance rose 8.5 percent to \$537 million for the second quarter, compared with \$495 million in last year’s second quarter. Second-quarter commercial lines new business written directly by agencies increased 5.9 percent to \$75 million. The second-quarter 2004 commercial lines GAAP combined ratio was 84.4 percent, including 3.0 percentage points from catastrophe losses.

Schiff commented, “Our commercial lines results clearly demonstrate that agents are bringing us their choice business and working closely with us to ensure that underwriting remains a priority. We are fully staffed with commercial lines underwriters who have acquired the skills to help us balance growth and profitability. As our field marketing representatives focus on new business opportunities, our underwriting team is seeing that we continue to obtain adequate premium at renewal for the risks we cover.

“While competition in the commercial lines market continues to grow, we see our approach providing us with key advantages. Our agents report that renewal pricing increases are in the low single digits, with property lines softening somewhat and modest increases for casualty-driven lines holding steady. Our advantage lies in a field structure that puts us right where the agent needs us, in particular for the mid-size accounts that require negotiation in today’s market.

Our field team can react quickly. They can be in the agent's office and the policyholder's place of business, making decisions on the spot to meet the needs of our agents and their quality accounts.

"As a result, we continue to expect that full-year commercial lines written premiums could grow in the 10 percent range," Schiff added.

For the first six months of 2004, reported net written premiums for commercial lines of insurance rose 8.6 percent to \$1.122 billion, compared with \$1.033 billion last year. Six-month commercial lines new business written directly by agencies increased 14.4 percent to \$142 million. The commercial lines GAAP combined ratio for the first six months of 2004 was 83.5 percent, including a 3.0 percentage-point benefit from the release of UM/UIM reserves.

Personal Lines

(Dollars in millions - GAAP)	Second Quarter Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Income Statement Data				
Earned premiums	\$ 197	\$ 184	\$ 394	\$ 364
Loss and loss expenses excluding catastrophe losses	130	134	265	265
Catastrophe losses	31	33	31	31
Commissions	39	37	80	70
Underwriting expenses	20	9	39	27
Underwriting profit (loss)	\$ (23)	\$ (29)	\$ (21)	\$ (29)
Ratio Data				
Loss and loss expenses excluding catastrophe losses	65.9%	73.1%	67.1%	72.9%
Catastrophe losses	15.7	17.8	7.8	8.4
Commissions	19.8	20.2	20.3	19.4
Underwriting expenses	10.2	5.0	10.0	7.4
Combined ratio	111.6%	116.1%	105.2%	108.1%

On an adjusted basis in both periods, net written premiums for personal lines of insurance rose 5.6 percent to \$224 million for the second quarter, compared with \$212 million in last year's second quarter. Second-quarter personal lines new business written directly by agencies was \$12 million, compared with \$16 million in last year's second quarter. The second-quarter 2004 personal lines GAAP combined ratio was 111.6 percent, including 15.7 percentage points from catastrophe losses. For the comparable 2003 period, the ratio was 116.1 percent, including 17.8 percentage points from catastrophe losses.

Schiff commented, "Again in the second quarter, personal lines premium growth was driven by higher premiums per account on renewal business. In addition to rate increases, deductible changes and modifications in policy terms and conditions, we continue to fine tune our rate structure to accomplish two objectives: profitability in all areas of personal lines and marketable prices to attract our agencies' quality accounts. The personal automobile line continues to perform very well. Our progress in the homeowner line can be seen in the 9.1 percentage-point improvement in the loss and loss expense ratio excluding catastrophes compared with a year ago.

"For the personal lines policyholders who know our agents and our company, retention remains above 90 percent. For new accounts, the agents are guiding us in refinement of our current rate structure while awaiting the introduction of our new personal lines policy processing system in their states. Our focus is to make the rollout of the new Diamond system as smooth as possible. Diamond training for agencies in Michigan and Indiana was completed in the second quarter, with training begun for Ohio agencies in late June. These are three of our largest personal lines states, accounting for 53.1 percent of personal lines premium volume."

For the first six months of 2004, reported net written premiums for personal lines of insurance rose 5.9 percent to \$402 million, compared with \$380 million last year. Personal lines new business written directly by agencies for the first six months of 2004 was \$25 million, compared with \$31 million. Excluding catastrophes, the loss and loss expense ratio for the first six months of 2004 was 67.1 percent, including a 0.2 percentage-point benefit from the release of UM/UIM reserves, compared with 72.9 percent in the first six months of 2003.

Life Insurance Operations

(In millions - GAAP)	Second Quarter Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Earned premiums	\$ 27	\$ 23	\$ 52	\$ 44
Investment income, net of expenses	22	22	44	44
Other income	1	1	2	1
Total revenues excluding realized investment gains and losses	\$ 50	\$ 46	\$ 98	\$ 89
Policyholder benefits	26	23	48	44
Expenses	13	12	26	22
Total benefits and expenses	\$ 39	\$ 35	\$ 74	\$ 66
Income before income tax and realized investment gains and losses	\$ 11	\$ 11	\$ 24	\$ 23
Income tax	4	4	8	8
Income before realized investment gains and losses	\$ 7	\$ 7	\$ 16	\$ 15

The Cincinnati Life Insurance Company's second-quarter 2004 net earned premiums increased 17.4 percent to \$27 million. Income before realized investment gains and losses increased 4.4 percent over the second quarter of 2003. For the second quarter, net income including net realized capital gains and losses - a performance indicator for Cincinnati Life - rose 51.2 percent to \$10 million from \$7 million for the comparable 2003 period.

Cincinnati Life President David H. Popplewell, FALU, LLIF, commented, "Policy face amounts in force grew 8.5 percent since year-end on positive response to our term life insurance product portfolio. Cincinnati Life also experienced strong year-to-date growth in worksite marketing as our property casualty agencies worked to round and protect their commercial lines accounts. The worksite line of life insurance products lets employers offer voluntary benefits to employees."

For the first six months of 2004, Cincinnati Life's net earned premiums increased 16.8 percent to \$52 million. Income before realized investment gains and losses increased 2.9 percent over the first half of 2003. For the six months, net income including net realized capital gains and losses rose to \$19 million from \$6 million for the comparable 2003 period.

Investment Operations

(In millions, pre-tax)	Second Quarter Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Investment income:				
Interest	62	58	\$ 123	\$ 118
Dividends	\$ 59	\$ 55	117	111
Other	1	2	3	3
Investment expenses	(1)	(1)	(2)	(2)
Investment income, net of expenses	\$ 121	\$ 114	\$ 241	\$ 230
Net realized investment gains and losses:				
Other-than-temporary impairment charges	\$ (1)	\$ (17)	\$ (3)	\$ (69)
Realized investment gains and losses	53	8	62	9
Change in valuation of embedded derivatives	3	11	3	1
Net realized investment gains and losses	\$ 55	\$ 2	\$ 62	\$ (59)

Consolidated pretax investment income rose 5.6 percent for the second quarter and 4.7 percent for the first six months of 2004, largely due to dividend increases announced over the last 12 months by companies in the equity portfolio and higher interest income due to cash flow invested in the fixed-income portfolio. Dividend increases announced during the 12 months ended June 30, 2004, by Fifth Third Bancorp and 31 other equity holdings will add \$16 million to investment income on an annualized basis.

Net realized investment gains were \$55 million in this year's second quarter, primarily due to net gains of \$53 million from the sale of securities. In last year's second quarter, net realized investment gains were \$2 million, including \$17 million in other-than-temporary impairment charges.

Schiff noted, "As we discussed last quarter, our board and management acted to adjust modestly the equity exposure of the property casualty company portfolio, along with other actions to support our strong policyholder surplus. Sales of equity securities in the second quarter achieved the planned adjustment, with proceeds being reinvested in fixed-income and convertible securities while generating the high realized gains."

At June 30, 2004, statutory surplus for the property casualty insurance group was \$2.884 billion, up \$101 million from year-end 2003. The ratio of common stock to statutory surplus for the property casualty insurance group portfolio was 93.7 percent at June 30, 2004, compared with 114.7 percent at year-end 2003. The company is evaluating its available options to address the holding company status under the Investment Company Act of 1940, as announced on June 28, 2004. Some actions under consideration could increase the property casualty insurance group's statutory surplus and its ratio of common stock to statutory surplus.

"Our equity approach remains the center of our investing strategy, and, over the longer term, we anticipate continuing to allocate approximately 25 percent to 35 percent of new money to equities on a consolidated basis," Schiff noted.

During the second quarter, strong operating cash flow and \$350 million in net proceeds from security sales led to substantial new investments and a cash balance of \$285 million at June 30, 2004. Net purchases of fixed-income securities totaled \$255 million, bringing the market value of consolidated fixed-maturity investments to \$4.211 billion at June 30, 2004, from \$3.925 billion at year-end 2003. The market value of consolidated equity securities was \$7.871 billion at June 30, 2004, down from \$8.524 billion at year-end 2003, reflecting the equity sales as well as market value fluctuations of the company's equity securities including Fifth Third, the company's largest common stock holding. The company repurchased 25,000 shares of Cincinnati Financial common stock at a total cost of \$1 million, or \$40.99 per share, during the second quarter. Approximately 5 million shares remain authorized by the board of directors for repurchase.

Balance Sheet

(Dollars in millions)	Second Quarter Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Balance Sheet Data				
Total assets	-	-	\$ 15,530	\$ 14,930
Invested assets	-	-	12,117	11,889
Shareholders' equity	-	-	6,103	5,870
Ratio Data				
Return on equity, annualized	10.1%	6.1%	9.8%	4.9%
Return on equity, annualized, based on comprehensive income	(3.3)	55.2	(0.1)	13.7

At June 30, 2004, consolidated assets reached \$15.530 billion compared with \$15.509 billion at year-end 2003. Shareholders' equity was \$6.103 billion, or \$36.27 per share, compared with \$6.204 billion, or \$36.85 per share, at year-end 2003, due to lower unrealized gains in the investment portfolio. Total debt declined to \$512 million, including \$92 million in borrowings on short-term lines of credit, compared with \$603 million, including \$183 million in borrowings on short-term lines, at year-end 2003.

"Prior to the announcement on June 28 of our application for exemptive relief from the Investment Company Act, we paid down one of our short-term credit lines and have paid it off since the end of the second quarter. We are working with our lenders to re-establish the facility, which we would access as needed to fund parent-company activities," Schiff said.

On June 29, Standard & Poor's Rating Service reaffirmed the insurance subsidiaries' AA- (Very Strong) financial strength ratings and counterparty credit ratings as well as the holding company's A credit rating, which it had revised on June 9. Standard & Poor's moved the holding company credit rating closer to its standard notching to reflect the rating firm's guidelines that generally place an insurance holding company's credit rating two or three levels (notches) below the insurer financial strength ratings of the subsidiaries. Notching recognizes that in the event of financial problems, obligations to policyholders would be paid before obligations to creditors.

Outlook Positive for Second Half of 2004

Schiff commented, “With softening commercial lines prices and our modest shorter-term expectations for new personal lines business, we are maintaining our full-year 2004 written premium growth target in the high single digits. In light of the strong first half, we now believe we can achieve a full-year 2004 GAAP combined ratio in the range of 92 percent (91.5 percent on a statutory basis), including a benefit of approximately 1 percentage point from our first-quarter UM/UIM reserve release. We also see the potential for investment income growth ahead of the 3.5 percent to 4.5 percent rate we had initially anticipated.”

Schiff added that the outlook for the year assumes catastrophe losses will total between \$90 million and \$100 million and will affect the combined ratio by approximately 3.0 to 3.5 percentage points over the full year. “Year-to-date catastrophe losses totaled \$47 million. Preliminary estimates indicate that we may incur \$15 million, net of reinsurance, in catastrophe and other weather-related losses for storms in Illinois and Wisconsin in the first weeks of July.

“The predictability of our approach to the insurance marketplace is one of our greatest strengths. While we appreciate quarters such as this one when results are exceptional, we don’t overreact when they are not. Our true objective is to achieve steady growth while performing as an industry profitability leader over the longer term. We believe this balanced approach benefits our relationships with agents and policyholders, shareholders and company associates, generating dependable results year in and year out. We look to the remainder of 2004 with optimism,” Schiff concluded.

Cincinnati Financial Corporation offers property and casualty insurance, its main business, through The Cincinnati Insurance Company, The Cincinnati Indemnity Company and The Cincinnati Casualty Company. The Cincinnati Life Insurance Company markets life and disability income insurance and annuities. CFC Investment Company supports the insurance subsidiaries and their independent agent representatives through commercial leasing and financing activities. CinFin Capital Management Company provides asset management services to institutions, corporations and individuals. For additional information, please visit the company’s Web site at www.cinfin.com.

Cincinnati Financial Corporation
Consolidated Balance Sheets

(Dollars in millions except share data)	June 30, 2004	December 31, 2003
	(unaudited)	
Assets		
Investments		
Fixed maturities, at fair value (amortized cost: 2004—\$4,060; 2003—\$3,669)	\$ 4,211	\$ 3,925
Equity securities, at fair value (cost: 2004—\$2,201; 2003—\$2,487)	7,871	8,524
Other invested assets	35	36
Cash	285	91
Investment income receivable	102	99
Finance receivable	93	81
Premiums receivable	1,149	1,060
Reinsurance receivable	655	617
Prepaid reinsurance premiums	14	13
Deferred policy acquisition costs	397	372
Property and equipment, net, for company use (accumulated depreciation: 2004—\$196; 2003—\$181)	134	136
Other assets	125	92
Separate accounts	459	463
Total assets	\$ 15,530	\$ 15,509
Liabilities		
Insurance reserves		
Losses and loss expense	\$ 3,523	\$ 3,415
Life policy reserves	1,098	1,025
Unearned premiums	1,546	1,446
Other liabilities	432	404
Deferred income tax	1,857	1,949
Notes payable	92	183
6.9% senior debenture due 2028	420	420
Separate accounts	459	463
Total liabilities	9,427	9,305
Shareholders' equity		
Common stock, par value—\$2 per share; authorized 200 million shares; issued: 2004—185 million shares, 2003—176 million shares	370	352
Paid-in capital	651	306
Retained earnings	1,836	1,986
Accumulated other comprehensive income—unrealized gains on investments and derivatives	3,778	4,084
Treasury stock at cost (2004—17 million shares, 2003—16 million shares)	(532)	(524)
Total shareholders' equity	6,103	6,204
Total liabilities and shareholders' equity	\$ 15,530	\$ 15,509

Cincinnati Financial Corporation
Consolidated Statements of Income

(In millions except per share data)	Six Months Ended June 30,	
	2004	2003
	(unaudited)	
Revenues		
Earned premiums		
Property casualty	\$ 1,432	\$ 1,286
Life	52	44
Investment income, net of expenses	241	230
Realized investment gains and losses	62	(59)
Other income	6	4
Total revenues	1,793	1,505
Benefits and expenses		
Insurance losses and policyholder benefits	899	942
Commissions	311	259
Other operating expenses	129	110
Taxes, licenses and fees	40	29
Increase in deferred policy acquisition costs	(24)	(31)
Interest expense	17	17
Other expenses	6	7
Total benefits and expenses	1,378	1,333
Income before income taxes	415	172
Provision (benefit) for income taxes		
Current	42	44
Deferred	72	(13)
Total provision (benefit) for income taxes	114	31
Net income	\$ 301	\$ 141
Per common share		
Net income – basic	\$ 1.79	\$ 0.84
Net income – diluted	\$ 1.77	\$ 0.83

Since 1996, Cincinnati Financial has disclosed the estimated impact of stock options on net income and earnings per share in a Note to the Financial Statements. In the second quarters of 2004 and 2003, net income would have been reduced by less than 2 cents per share, if option expense, calculated using the binomial option-pricing model, were included as an expense.

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Cincinnati Financial Files Application with SEC Requesting Exemption from Investment Company Act of 1940

- *Believes the holding company is outside intended scope of Act*
- *Outcome not expected to affect company's insurance company operations*
 - *Financial statements are accurate, solid and unaffected*
- *Second-quarter insurance operating results healthy; full-year outlook remains positive*

Cincinnati, June 28, 2004—**Cincinnati Financial Corporation (Nasdaq: CINF)**, an insurance holding company, today announced it filed an application with the Securities and Exchange Commission (SEC) formally requesting an exemption for the holding company from the Investment Company Act of 1940. The company strongly believes that Cincinnati Financial is engaged primarily in the business of property casualty and life insurance through its subsidiaries, rather than in the business of an investment company under the Act. As a result, Cincinnati Financial believes the holding company is outside the intended scope of the Investment Company Act and should not be subject to its provisions.

Chairman and Chief Executive Officer John J. Schiff, Jr., CPCU, commented, "The matter that we have asked the SEC to consider is a regulatory one, not an accounting issue. Our fundamentals haven't changed, and our consolidated financial statements are accurate, solid and unaffected by this holding company issue. We are the same strong company that we've always been."

CFC determined there was some uncertainty regarding the status of the holding company under the Investment Company Act as a result of a review made in connection with a recently contemplated senior notes offering. The Investment Company Act is designed primarily to regulate "investment companies," which includes mutual fund organizations, among others.

There are several tests and enumerated exemptions to determine whether a company must register as an investment company under the Investment Company Act, along with defined processes to request exemptions. One such test states that a company is an investment company if it owns investment securities with a value above 40 percent of its total assets (not including assets of its subsidiaries). At December 31, 2003, the investment assets held by Cincinnati Financial at the parent holding company level accounted for 58.5 percent of holding company total assets, above the 40 percent level as has been the case since 1991. However, the Act enumerates a number of exemptions, including an exemption for a company primarily engaged in a business other than that of investing, reinvesting, owning, holding or trading in securities.

The application filed today formally requests an exemption under a provision of the Act that permits the SEC to exempt entities that are primarily operating companies. Alternatively, the application requests an exemption under a separate provision that permits exemptions if necessary or appropriate in the public interest and consistent with the provisions and policy of the Act. Cincinnati Financial simultaneously contacted the SEC's Division of Investment Management to discuss its status under the Investment Company Act.

Schiff noted, "In keeping with our practice of full and fair disclosure, we proactively initiated communications with the SEC and other regulators. We look forward to working with them to determine our status. The company is assessing options and expressing some ideas to the Ohio Department of Insurance that could reduce our ratio (as defined above) below 40 percent in the short term while the SEC considers our application for an exemption from the Investment Company Act. We are working to get this matter resolved as quickly as possible.

"We are committed to preserving our financial flexibility, maintaining our financial strength and protecting the value of our insurance operations over the long term. We do not believe that the question of holding company status under the Investment Company Act, or the process to resolve it, directly affects the company's insurance company operations," Schiff said.

While Cincinnati Financial is working to resolve the situation regarding the Investment Company Act, the board and management feel it is appropriate for all interested parties to be aware of the potential outcomes. At this time, the company cannot be certain the SEC will grant its request for an exemptive order or, if the company is able to obtain such an order, how long the process will take. If the SEC were to take the view that Cincinnati Financial has been, and

continues to be, operating as an unregistered investment company, the company could be subject to remedial actions. Further, in the unlikely event Cincinnati Financial were to voluntarily elect to register as an investment company under the Investment Company Act, it would be subject to restrictive and potentially adverse regulation relating to, among other things, operating methods, management, capital structure, dividends and transactions with affiliates.

Under these potential outcomes, Cincinnati Financial could be restricted as detailed in its Current Report on Form 8-K, which was filed today with the SEC. Cincinnati Financial also may be unable to readily access the debt markets. However, Cincinnati Financial's resources are adequate to meet its anticipated short- and long-term obligations.

The company intends to provide an update on this matter, including the effect, if any, on its outlook for investment income growth, during its second-quarter conference call on July 22, 2004.

Schiff noted, "On the insurance operations level, the first half of 2004 has been excellent. Preliminary underwriting results for the second quarter look very healthy, and we continue to expect record results for the full year. Premium growth in the second quarter has been running at a satisfactory pace, making our full-year target of high single-digit premium growth appear reasonable. On a preliminary basis, we're anticipating the second quarter combined ratio will be in the low 90s, including about seven points from the estimated \$50 million in May storm losses we announced in early June, although we need to keep in mind that policyholders often require a large window of time to discover and report hail damage.

"Our target for the full-year 2004 GAAP combined ratio remains at 94 percent (93.5 percent on a statutory basis). This target anticipates that full-year storm losses will be approximately \$90 million to \$100 million, contributing in the range of 3.0 to 3.5 percentage points to the full-year combined ratio. We will review our target if further severe weather occurs or as adjustments are needed to these early estimates," Schiff said.

Cincinnati Financial Corporation offers property and casualty insurance, its main business, through The Cincinnati Insurance Company, The Cincinnati Indemnity Company and The Cincinnati Casualty Company. The Cincinnati Life Insurance Company markets life and disability income insurance and annuities. CFC Investment Company supports the insurance subsidiaries and their independent agent representatives through commercial leasing and financing activities. CinFin Capital Management Company provides asset management services to institutions, corporations and individuals. For additional information, please visit the company's Web site at www.cinfin.com

Inside Cincinnati

CINFIN CAPITAL MANAGEMENT COMPANY

CinFin Capital is an SEC-registered investment adviser, performing investment management services for institutions, corporations and individuals. As of June 30, 2004, CinFin Capital managed 58 accounts, including 31 individual accounts and 27 institutional accounts with total assets under management of \$779 million. The same experienced portfolio managers who invest Cincinnati Financial Corporation assets manage the individual and institutional accounts. This service is available to individuals, including shareholders, with \$500,000 or more to invest. For information, contact: John G. Halpin III, marketing representative, (513) 603-5386.

PERSONNEL AND PROFESSIONAL DEVELOPMENT

Since the May 2004 *Letter to Shareholders*, the following staff members of The Cincinnati Insurance Companies merited promotions:

Phil Allen—Senior Programmer Analyst
Jen Atkinson, AIM—Underwriting Superintendent
Rich Baldwin, AIM, FRAUD, SCLA—Regional Field Claims Manager
Bertie Beeker, AIC, AIS, CPCU—Senior Claims Specialist
Trina Bishop—Senior Programmer Analyst
Jesse Boehnen—Claims Specialist
Shanda Breen, AIC—Claims Specialist
Kim Brenner—Underwriting Specialist
Nick Burgdorf, ARM, RPLU—Field Director
Tari Clayton—Accounting Manager-P&C
Gary Clymer—Field Director
John Cole—Claims Specialist
Sean Connolly, CPCU, AIM, CIC—Field Director
Kyle Crispin—Senior Claims Specialist
Lynn Dassel, CPCU, AIM—Underwriting Manager
Mona Day—Senior Manager, Life Field Services
Kevin Decker—Senior Machinery & Equipment Representative
Joe Dempsey, AIM—Underwriting Superintendent
Lori Dittman—Underwriting Specialist
Vicki Dreyer—Customer Support Analyst
Mike Drinan, CIC, CPCU—Field Director
Jeff Evans, OHST, ARM, AIM—Senior Loss Control Consultant
Craig Fasold—Requirements Specialist
Anthony Fischetti—Associate Regional Manager
Joe Fisher—Underwriting Specialist
Gary Forney—Systems Engineer
Daniel Frank—Senior Machinery & Equipment Representative
Elizabeth Freeman—Associate Claims Superintendent
Brian Freese—Senior Underwriter
Sean Givler—Regional Director
Douglas Greer—Senior Underwriter
Allison Groneck—Senior Underwriter
Chris Guibord—Underwriting Specialist
Jim Guth, AIC, AIM—Field Claims Manager
Theresa Guy, AIC—Supervising Claims Examiner
Suzanne Havey, AIC, AIM, SCLA—Regional Field Claims Manager

Charlie Heider, AFSB—Supervising Underwriter Field
Doug Helton—Senior Systems Analyst
Don Henes, API—Underwriting Superintendent
Kerri Hinkel, API, AIM—Web Content Coordinator
Al Hoeweler, Jr.—Underwriting Specialist
Melissa Hoover—Senior Requirements Analyst
Dereck Hopkins, AIC—Senior Claims Representative
Rusty Hymer—Underwriting Specialist
Terry Kassnel—Machinery & Equipment Specialist
Philip Keller—Senior Programmer
Nancy King, AIT—Database Engineer
Rob Kirschbaum—Field Director
Tom Klug, CPCU—Senior Systems Coordinator
Rodger Knight, AIC—Senior Claims Representative
Jeff Kohout, CPCU, AIM—Field Claims Manager
Jay Kokena—Machinery & Equipment Specialist
Kim Kramer—Senior Claims Representative
Chris Kron, ACS, AIAA—Senior Underwriter
Shane Krummen—Customer Support Specialist
Eric Kuennemeier—Underwriting Director
Jason Laurianti—Senior Underwriter
Sandi Lautman, CPCU, AIM—Underwriting Director
David Lazarus—Senior Underwriter
Nancy Liebowitz, AU—Senior Underwriter
David Livingston—Underwriting Superintendent
LeAnna Mack—Project Controller
Mike Major—Associate Regional Manager
Mark Massaro, CPCU—Field Director
Craig Matthis—State Agent
Scott McConkey, CLU, LUTCF—Manager, Life Field Services
Dana McKenzie, AIC—Senior Claims Specialist
Don McKewen, CIC, CPCU—Field Director
Carrie McKittrick, AIM—Senior Underwriter
Brad McLaughlin—Senior Underwriter
Marianne McPhillips—Senior Methods Analyst
Brant Merrill, AIC—Senior Claims Representative
Kent Miller, CPCU, AU—State Agent
Mark Montague, AIC—Claims Specialist
Holly Moorhead—Underwriting Specialist
Mike Noe—Senior Underwriter
Donna Offen—Underwriting Superintendent

Chris O'Keefe, AIC—Senior Claims Specialist
Jeffrey Orzechowski, CPCU, AIM—Senior Underwriter
Mike Otis—State Agent
Don Payne—Senior Machinery & Equipment Specialist
Brian Philpot—Claims Specialist
Sonya Pope—Underwriting Superintendent
Ray Price—Senior Programmer
Paul Quarry, CIC—Chief Underwriting Specialist
Phil Reeves, CPCU, AIC—Senior Claims Specialist
Chris Rittenhouse—Bond Regional Director
Britta Ritz, AIC—Senior Claims Specialist
Don Robinson, Jr.—Field Claims Superintendent
Curt Rohrbacker—Senior Programmer
Clinton Rouse—Programmer/Analyst
Kelly Sacks, AIC—Claims Specialist
Cindy Scherman—Programmer
Mike Schirm, AIC, AIM—Regional Field Claims
Manager
Patrick Schmidt—Claims Specialist
Andrew Schnell—Property Casualty Accountant
Robert Schuster—Claims Specialist
Charles Scott—Senior Machinery & Equipment
Specialist
Mia Sears—Senior Underwriter

Brian Shaffer—Senior Underwriter
Bob Sisson, AIC, AIM—Field Claims Manager
Kim Smerchek—Senior Claims Specialist
Chad Smith, AIC—Senior Claims Specialist
Jana Stinchcomb—Senior Employment Specialist
Alice Stone—Manager, Agency Accounting
Ed Strosnider, API, ARM, AIM—Senior Underwriting
Manager
Sheila Sundrla, AIM, AIC—Senior Claims Specialist
Nisha Tandon—Programmer/Analyst
Andy Tebbe, AIM, API—Underwriting Specialist
Keith Tenover, AIM—Underwriting Superintendent
Jill Terry—Manager, Life Policy Services
James Tomlin—Senior Claims Specialist
Doug Tumeo—Senior Project Manager
Duane Wagenknecht, CIC—Field Audit Specialist
Julie Wallace, AIT—Senior Programmer Analyst
Kelly Ward—Claims Specialist
Pais Wicks—Claims Specialist
Jenny Wirsch, AIM—Underwriting Superintendent
Kevin Wisdom, APA—Senior Field Auditor
Jim Wolpert, API, AIM—Underwriting Superintendent
Scott Zemberi—Senior Underwriter
York Zhan—Application Architect

A committee of peers recently granted quarterly *Above and Beyond the Call (ABC) Awards* to three associates: Patricia Scott, Commercial Territory 7; Angie Thomas, IT Project & Request Management; and Pam Fahringer, Investments. The *ABC Award* recognizes exemplary productivity, service and quality.

We encourage and reward associates who continue their professional insurance education, earning credentials by meeting high academic, length-of-experience and ethical standards. Several associates recently qualified for prestigious designations. Congratulations to Michelle Olson, Stephanie Wagner and Mike Wolfer who completed requirements for the Charter Property Casualty Underwriter (CPCU) designation; Tyson Daily who completed the requirements for the Chartered Life Underwriter (CLU) designation; and to Mark Daniel, Martha Firnhaber, Jody Rhude and Lisa Rhude who qualified for the Certified Insurance Counselor (CIC) designation.

PUBLIC RESPONSIBILITY

Please make your voice heard in this year's elections by registering to vote and by requesting an absentee ballot if you'll be unable to get to your polling place on Election Day. The 2004 elections will fill several seats on the state supreme courts in Alabama, Illinois, Michigan and Ohio. We urge shareholders and policyholders to consider those candidates who have an impartial and balanced judicial philosophy and who recognize that the judiciary's role is to strictly interpret the law.

Your company continues to support passage of federal tort reform legislation in the areas of asbestos liability and class-action litigation. On the state level, newly enacted legislation in Ohio applies medical criteria to asbestos liability claims, putting those who are sick ahead of those who are not. Opponents are expected to seek repeal of the Ohio asbestos law through a statewide ballot initiative in November. With approximately 20 percent of asbestos claims nationwide coming from Ohio, we urge Ohio citizens to keep the asbestos law in force.

At the federal level, your company continues to monitor legislative initiatives that encourage modernization of state insurance regulation and strengthen the industry's ability to protect policyholders against large natural disasters. Members of Congress have reintroduced the Policyholder Disaster Protection Act (HR 4186), which would provide incentives for carriers to make coverage available in catastrophe-prone areas. We also are working with the insurance industry and Congress to ensure the continued availability of terrorism insurance by supporting current efforts to extend the Terrorism Risk Insurance Act beyond its 2005 expiration date.

This is a “Safe Harbor” statement under the Private Securities Litigation Reform Act of 1995. Certain forward-looking statements contained throughout this document involve potential risks and uncertainties. The company's future results could differ materially from those discussed. Factors that could cause or contribute to such differences include, but are not limited to:

- unusually high levels of catastrophe losses due to changes in weather patterns, environmental events or other causes
- increased frequency and/or severity of claims
- events or conditions that could weaken or harm the company’s relationships with its independent agencies and hamper opportunities to add new agencies, resulting in limitations on the company’s opportunities for growth, such as:
 - downgrade of the company’s financial strength ratings,
 - concerns that doing business with the company is too difficult or
 - perceptions that the company’s level of service is no longer a distinguishing characteristic in the marketplace
- delays in the development, implementation and benefits of technology enhancements
- amount of reinsurance purchased and financial strength of reinsurers
- inaccurate estimates or assumptions used for critical accounting estimates, including loss reserves
- recession or other economic conditions or regulatory, accounting or tax changes resulting in lower demand for insurance products
- sustained decline in overall stock market values negatively affecting the company’s equity portfolio, in particular a sustained decline in the market value of Fifth Third Bancorp (Fifth Third) shares, a significant equity holding
- events that lead to a significant decline in the market value of a particular security and impairment of the asset
- prolonged low interest rate environment or other factors that limit the company’s ability to generate growth in investment income
- insurance regulatory actions, legislation or court decisions that increase expenses or place the company at a disadvantage in the marketplace
- adverse outcomes from litigation or administrative proceedings
- not receiving an exemptive order pursuant to the Investment Company Act of 1940 from the SEC, and the resultant changes which would be required in our operations

Further, the company’s insurance businesses are subject to the effects of changing social, economic and regulatory environments. Public and regulatory initiatives have included efforts to adversely influence and restrict premium rates, restrict the ability to cancel policies, impose underwriting standards and expand overall regulation. The company also is subject to public and regulatory initiatives that can affect the market value for its common stock, such as recent measures affecting corporate financial reporting and governance. The ultimate changes and eventual effects, if any, of these initiatives are uncertain.

Readers are cautioned that the company undertakes no obligation to review or update the forward-looking statements included in this material.

Electronic Delivery

Cincinnati Financial Corporation is pleased to offer the convenience of electronic delivery of shareholder communication, including annual reports, interim letters to shareholders and proxy statements—even proxy voting online. With your consent and at no cost to you, we can notify you by e-mail when these materials become available on the Internet at www.cinfin.com.

Electronic delivery benefits you and your company:

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Immediate availability of important information—no more waiting for the mail to arrive.

Less clutter

The average consumer is receiving more mail today than ever, making it easy to miss important information.

Cost savings

Electronic delivery saves money for Cincinnati Financial—your company.

Plus, it's better for the environment

You can benefit from electronic delivery whether you directly hold registered shares or hold your investments through a participating brokerage/financial institution. You will need to provide an e-mail address, account number(s) and the last four digits of the Social Security number of the account holder. If you provide this information, you can give your consent for electronic delivery immediately. While you may cancel your consent for electronic delivery at any time, we are confident that you will find this option an efficient and effective way to receive important information about your investment.

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