



CINCINNATI FINANCIAL CORPORATION

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August 7, 2003

TO OUR SHAREHOLDERS, ASSOCIATES AND FRIENDS:

FINANCIAL HIGHLIGHTS

During the first half of 2003, your company benefited from the continued growth of property casualty premium revenues; improved non-catastrophe underwriting, primarily in commercial lines of insurance; and higher investment income.

For the six months ended June 30, 2003, net income rose 28.1 percent to \$141 million, or 87 cents per share. Operating income*, which excludes realized investment gains and losses, rose 47.5 percent to \$180 million, or \$1.11 per share.

Total revenues advanced \$115 million to \$1.505 billion, up 8.3 percent over last year's first half, with strong growth of premiums and investment income offsetting higher realized investment losses. Revenues from pre-tax investment income reached \$230 million, up 5.6 percent from \$218 million in the year-earlier period.

(Dollars in millions, except share data)				
	Second Quarter Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Income Statement Data				
Net income	\$ 84	\$ 35	\$ 141	\$ 110
Net realized investment gains and losses	1	(6)	(39)	(12)
Operating income*	\$ 83	\$ 41	\$ 180	\$ 122
Per Share Data (diluted)				
Net income	\$ 0.52	\$ 0.21	\$ 0.87	\$ 0.67
Net realized investment gains and losses	0.01	(0.04)	(0.24)	(0.07)
Operating income*	\$ 0.51	\$ 0.25	\$ 1.11	\$ 0.74
Cash dividend declared	0.2500	0.2225	0.5000	0.4450
Book value	-	-	36.57	38.03
Average shares outstanding	161,631,033	164,325,619	161,778,648	163,645,919

* Measures used in this letter that are not based on Generally Accepted Accounting Principles (non-GAAP) are defined and reconciled to the most directly comparable GAAP measures and operating measures in "Definitions of Non-GAAP Information and Reconciliation to Comparable GAAP Measures," a document posted on the Operations tab of the Investor page of www.cinfin.com. Statutory data is prepared in accordance with statutory accounting rules as defined by the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual and therefore is not reconciled to GAAP.

The difference between net income and operating income is the inclusion of net realized investment gains and losses. Management utilizes operating income to evaluate underlying performance for a number of reasons. First, quarterly fluctuations in net realized investment gains and losses are unrelated to trends in the company's insurance business. Second, net realized investment gains and losses can include gains related to the sale of investments made at management's discretion. Third, operating income is a measure commonly used by investors to evaluate insurance companies. This measure also is described as net income before realized investment gains and losses.

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. During the first half of 2003, net income would have been reduced by less than 4 cents per share if option expense had been calculated using the Black-Scholes and modified prospective transition methodologies.

PROPERTY CASUALTY INSURANCE OPERATIONS

Your company is achieving its goal of profitable growth. For the fourth consecutive quarter, the combined ratio came in under 100 percent, and we now have maintained double-digit premium growth for seven consecutive quarters. Property casualty underwriting profits for the first six months reached \$42 million versus a loss of \$41 million last year.

While better weather in this year's first quarter helped our six-month results, the real progress occurred in non-catastrophe underwriting. Excluding catastrophes, the combined ratio improved to 93.0 percent in 2003 from 98.2 percent in 2002.

Six-month catastrophe losses, net of reinsurance, totaled \$49 million, contributing 3.8 percentage points to the GAAP combined ratio of 96.8 percent and reducing after-tax earnings by 20 cents per share. For the first half of 2002, catastrophe losses were \$62 million, contributing 5.4 percentage points to the combined ratio of 103.6 percent and reducing after-tax earnings by 24 cents per share.

(Dollars in millions - GAAP)		Second Quarter Ended June 30,		Six Months Ended June 30,	
		2003	2002	2003	2002
Income Statement Data					
Earned premiums		\$ 654	\$ 580	\$ 1,286	\$ 1,141
Loss and loss expenses excluding catastrophe losses		432	428	850	813
Catastrophe losses		47	47	49	62
Expenses		164	152	345	307
Underwriting profit (loss)		\$ 11	\$ (47)	\$ 42	\$ (41)
Ratio Data					
Loss and loss expenses excluding catastrophe losses		66.2%	73.7%	66.2%	71.2%
Catastrophe losses		7.1	8.1	3.8	5.4
Expenses		25.1	26.3	26.8	27.0
Combined ratio		98.4%	108.1%	96.8%	103.6%

Statutory net written premiums of the property casualty insurance affiliates—The Cincinnati Insurance Company, The Cincinnati Indemnity Company and The Cincinnati Casualty Company—rose 13.4 percent to \$1.413 billion, compared with \$1.247 billion in last year's first half. This growth includes \$37 million, or 3.0 percentage points, related to continued effects of refinement to the company's estimation process for matching written premiums to policy effective dates.

Strong renewal pricing drove the premium growth, with average commercial premium increases in the range of 8 percent to 15 percent. New business written directly by our agents during the first six months totaled \$155 million in 2003 versus \$153 million in 2002. Growth of 6.2 percent in the second quarter offset a first-quarter decline caused by our heightened selectivity and decision to avoid large workers' compensation risks. We continue to take a case-by-case approach to competing for new business, maintaining an appropriate balance between growth and profitability.

Commercial Lines

(Dollars in millions - GAAP)		Second Quarter Ended June 30,		Six Months Ended June 30,	
		2003	2002	2003	2002
Income Statement Data					
Earned premiums		\$ 470	\$ 415	\$ 922	\$ 815
Loss and loss expenses excluding catastrophe losses		298	294	585	566
Catastrophe losses		14	23	18	28
Expenses		118	112	248	218
Underwriting profit (loss)		\$ 40	\$ (14)	\$ 71	\$ 3
Ratio Data					
Loss and loss expenses excluding catastrophe losses		63.4%	70.8%	63.5%	69.4%
Catastrophe losses		2.9	5.6	2.0	3.4
Expenses		25.1	26.9	26.8	26.8
Combined ratio		91.4%	103.3%	92.3%	99.6%

Net written premiums for commercial lines of insurance rose to \$1.033 billion, with 3.8 percentage points related to continued effects of refinement to the company's estimation process for matching written premiums to policy effective dates. New commercial business increased 2.7 percent to \$124 million, accelerating during the second quarter after several quarters of controlled or reduced new business. The GAAP combined ratio improved 7.3 percentage points to 92.3 percent. Excluding catastrophe losses, the ratio was 90.3 percent, showing 5.9 percentage points of improvement over last year's first half. Commercial lines accounted for 73.1 percent of the company's total six-month premiums.

In the markets served by our local independent agents, the ability to put together full packages gives Cincinnati an advantage. Commercial auto coverage is key to any business package, and improved profitability in this line should help us continue to be the agents' No. 1 choice, as noted in the *Crittenden's Property/Casualty Ratings* survey results published in June. For the first half, total net written premiums in the commercial auto line rose 8.2 percent to \$221 million. New commercial auto business was flat for the six months and up 11 percent for the second quarter, reflecting our favorable outlook for continued benefits from underwriting and pricing initiatives.

The ability to include workers' compensation coverages also enhances the value of a business package relationship. While we chose to control growth and not to renew some large workers' compensation policies early in the year, improving trends now have boosted our willingness to include this coverage in packages for Main Street accounts. Workers' compensation net written premiums rose 7.5 percent for the first half of the year, with new business off 11.8 percent for the six months and up 9.8 percent for the second quarter.

Personal Lines

(Dollars in millions - GAAP)		Second Quarter Ended June 30,		Six Months Ended June 30,	
		2003	2002	2003	2002
Income Statement Data					
Earned premiums		\$ 184	\$ 165	\$ 364	\$ 326
Loss and loss expenses excluding catastrophe losses		134	134	265	247
Catastrophe losses		33	24	31	34
Expenses		46	40	97	89
Underwriting profit (loss)		\$ (29)	\$ (33)	\$ (29)	\$ (44)
Ratio Data					
Loss and loss expenses excluding catastrophe losses		73.1%	81.2%	72.9%	75.7%
Catastrophe losses		17.8	14.5	8.4	10.3
Expenses		25.2	24.5	26.8	27.3
Combined ratio		116.1%	120.2%	108.1%	113.3%

Net written premiums for the personal lines segment increased to \$380 million, up 13.4 percent. New personal lines business was off 5.1 percent for both the six months and the second quarter. On a GAAP basis, the six-month combined ratio was 108.1 percent versus 113.3 percent in 2002. Excluding catastrophes, the ratio was 99.7 percent compared with 103.0 percent in last year's first half.

In the homeowner line, six-month written premiums rose 11.8 percent due to rate increases, while new business premiums declined 4.1 percent. Loss severity continues, as indicated by the unacceptable loss and loss expense ratio of 99.0 percent, or 76.5 percent excluding catastrophes. We continue to seek regulatory approvals for rate increases, with additional double-digit increases in our largest states already approved for the second half of 2003 and early 2004. Changes in terms and conditions of our homeowner policy, introduced late last year to help control water damage losses, continue to take effect as policies renew.

It will take time for all of these efforts to work through our three-year homeowner policies. In the meantime, we are emphasizing the package approach by writing homeowner accounts that include coverages for personal autos, a line with more positive trends. Personal auto net written premiums rose 12.1 percent over the first half of 2002.

LIFE INSURANCE OPERATIONS

(In millions)	Second Quarter Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Earned premiums	\$ 23	\$ 22	\$ 44	\$ 42
Investment income	22	21	44	42
Other income	1	0	1	0
Total revenues excluding realized investment gains and losses	\$ 46	\$ 43	\$ 89	\$ 84
Policyholder benefits	\$ 23	\$ 20	\$ 44	\$ 39
Expenses	12	14	22	25
Total benefits and expenses	\$ 35	\$ 34	\$ 66	\$ 64
Income before income tax and realized investment gains and losses	\$ 11	\$ 9	\$ 23	\$ 20
Federal tax on operating income	4	3	8	6
Operating income	\$ 7	\$ 6	\$ 15	\$ 14

The Cincinnati Life Insurance Company's six-month operating income increased 12.1 percent to \$15 million, compared with \$14 million last year. Including realized net capital losses, net income was \$6 million in 2003 versus \$8 million in 2002.

Net written life insurance premiums rose 6.4 percent in the first half, with new submitted applications up 10 percent. Strong term policy sales drove the premium growth. To strengthen our portfolio of products, we introduced new LifeHorizons individual disability income riders in July and are planning enhancements to our term and universal life products during the second half of 2003.

FINANCIAL SERVICES

CFC Investment Company, our commercial leasing and finance subsidiary, reported net after-tax income of \$1.2 million for the first half of 2003, up from \$840,000 for the same period last year.

At June 30, 2003, total lease receivables and loans outstanding were \$72 million versus \$68 million at this time last year. Slow economic growth reduced the demand for new leases and loans as many businesses continued to delay major capital expenditures.

CinFin Capital Management Company, our asset management subsidiary, has 48 institutional, corporate and individual clients and \$739 million under management, up from 35 clients and \$677 million under management at this time last year. Net income for the six months reached \$504,000, up 6.9 percent.

INVESTMENT OPERATIONS

(In millions, pre-tax)	Second Quarter Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Investment income, net of expenses	\$ 114	\$ 109	\$ 230	\$ 218
Realized investment gains and losses:				
Valuation of embedded derivatives (SFAS No. 133)	\$ 11	\$ -	\$ 1	\$ 2
Other-than-temporary impairment charges	(17)	(25)	(69)	(29)
Realized investment gains and losses on security sales	8	15	9	9
Total realized investment gains and losses	\$ 2	\$ (10)	\$ (59)	\$ (18)

Consolidated pre-tax investment income rose 5.6 percent for the first half of 2003, benefiting from dividend increases announced over the last year by companies in the equity portfolio. As of June 30, 2003, 14 of the 47 equity holdings in the portfolio have announced 2003 dividend increases that will add \$11 million on an annualized basis to our investment income.

While realized investment losses totaled \$59 million for the first half, a \$2 million gain was realized in the second quarter as the market moved into a recovery phase and fewer securities were impaired. Of the \$69 million impaired during the six-month period, \$38 million was fixed-income securities. Over the past several years, we have increased the average credit quality of the bond portfolio, as rated by Standard & Poor's and Moody's, and have invested in more intermediate maturities.

Year-to-date repurchases of the company's common stock totaled \$45 million. During the first six months, \$315 million was available for new investments. Of that total, 20.9 percent was invested in common stocks, reflecting a lower allocation in the first quarter and a return to our historical range of approximately 25 percent to 40 percent in the second quarter. The remainder was invested in fixed-income securities.

PUBLIC RESPONSIBILITY

Your company continues to work with the National Association of Insurance Commissioners to modernize and improve state insurance regulation. While the U.S. Congress recently held hearings on proposed federal regulation, we believe state regulation is in the best interest of our policyholders. For now, Congress seems unwilling to enact federal chartering of insurers, recognizing that risks and coverage needs vary across our country due to diverse geographic, climatic and economic conditions. State regulators inherently have superior flexibility to respond to state-specific conditions with appropriate regulations and insurance products.

The Terrorism Risk Insurance Act of 2002 provides for the federal government to share a portion of insured commercial losses caused by future acts of terrorism, with insurers repaying the government via policy surcharges. Your company fulfilled all requirements for notifying commercial policyholders about terrorism coverage and pricing in March. Barring further acts as serious as those of September 11, 2001, the Act is unlikely to be renewed when it expires in 2005.

In early July, the Senate Judiciary Committee approved the Fairness in Asbestos Injury Resolution Act of 2003. In its original form, this bill would end asbestos lawsuits by taking them out of the existing tort system and processing them through a federal trust fund. Ideally, such a fund would compensate asbestos claimants on a no-fault basis according to standardized medical criteria. While key stakeholders, including the insurance industry, have yet to reach consensus on the bill, we are hopeful that Congress will pass legislation to resolve all asbestos exposure claims fairly and efficiently for all concerned parties, directing limited resources toward those who are truly sick.

On the subject of tort reform, we support the Ohio Senate's passage of Senate Bill 80 on June 11. It caps punitive damage awards and non-economic damages except in lawsuits brought against certain kinds of criminal defendants. Before becoming law, this bill must also be approved by the Ohio House of Representatives, a process that we will monitor and support over the remainder of the year.

PERSONNEL AND PROFESSIONAL DEVELOPMENT

As your company's chairman and CEO, I am privileged to work with a talented and dedicated team of executives. Members of that team, especially Jim Benoski, performed commendably over the past couple of months as I recovered from bypass surgery in June. I chose to have the procedure after a routine examination revealed potential problems. I continued to participate in your company's decision making and key meetings via teleconferencing for several weeks, and now I am spending more time in the office. My confidence in your company's leaders in all of the key areas is stronger than ever as a result of this experience.

On February 1, 2003, CinFin Capital Management Company's board named as president Kenneth S. Miller, CLU, ChFC. Ken, who has been a director and executive vice president of CinFin Capital since 1998, also serves the insurance subsidiaries as senior vice president and CFC Investment Company as president and chief operating officer. The boards of all four insurance subsidiaries appointed him as a director and member of their investment committees. Additionally, he will serve on The Cincinnati Life Insurance Company's executive committee.

The board of CinFin Capital Management Company appointed Chief Insurance Officer and Senior Vice President James E. Benoski as a director. Jim now serves on the boards of all six subsidiaries.

In July, Heather J. Wietzel was appointed to be your company's first investor relations officer, with the title of assistant vice president of The Cincinnati Insurance Company. This new position and Heather's broad experience places your company in an excellent position to become even more responsive to the information and service needs of our shareholders and the financial community.

Boards of subsidiary companies made the following promotions and new appointments of officers and counsel in February:

Property Casualty Insurance Subsidiaries

Gary J. Kline, CPCU, Vice President—Commercial Lines
 Charles E. Robinson, CPCU, Vice President—Field Claims
 Gary B. Stuart, CIC, Vice President—Sales & Marketing
 Ricky G. Baker, Assistant Vice President—Information Technology
 Michael E. Francois, Assistant Vice President—Sales & Marketing
 Scott A. Gilliam, Assistant Vice President—Government Relations
 David T. Groff, CPCU, FCAS, Assistant Vice President—Staff Underwriting
 Jeffrey J. Grove, CPCU, Assistant Vice President—Machinery & Equipment Specialties
 Kevin D. Oleckniche, ARM, CSP, Assistant Vice President—Loss Control
 Marc C. Phillips, AIM, CPCU, Assistant Vice President—Commercial Lines
 Stephen A. Ventre, CPCU, Assistant Vice President—Commercial Lines
 Rodney M. French, CPCU, AIM, ARe, Secretary—Commercial Lines
 Kevin L. Heflin, AIT, Secretary—Information Technology
 Anthony E. Henn, CPCU, AIM, AIT, ARe, AAM, Secretary—Commercial Lines
 Sharon K. Larrick, CPIW, Secretary—Staff Underwriting
 Jack Morgan, CFE, Secretary—Headquarters Claims
 Matthew A. Zimmerman, Secretary—Research & Development
 C. Duane Cantrell, Assistant Secretary—Machinery & Equipment Specialties
 William M. Clevidence, Assistant Secretary—Sales & Marketing
 David F. Hartkemeier, Assistant Secretary—Bond & Executive Risk

Michael W. Klenk, Assistant Secretary—Data Entry
 Doris J. Kuhling, CPCU, AIM, Assistant Secretary—Headquarters Claims
 Timothy D. Morris, CPCU, APA, Assistant Secretary—Premium Audit
 Janet L. Partin, Assistant Secretary—Premium Audit
 Darren E. Rutledge, AIC, Assistant Secretary—Headquarters Claims
 Franklyn T. Shaut, Assistant Secretary—Staff Underwriting
 Richard J. Taphorn, CPCU, AIM, Assistant Secretary—Staff Underwriting
 Daniel R. Walsh, Assistant Secretary—Headquarters Claims
 Wendy A. Pace, CPA, Assistant Treasurer—Corporate Accounting
 Lisa A. Love, Senior Counsel
 David J. Balzano, Associate Counsel
 James T. Perry, Associate Counsel

The Cincinnati Life Insurance Company

Douglas A. Bogenreif, CLU, Vice President—Life Marketing Administration
 Ricky G. Baker*
 Scott A. Gilliam*
 James B. Stark, CLU, ChFC, Assistant Secretary—Life Marketing Administration

Lisa A. Love*
 David J. Balzano*
 James T. Perry*

CinFin Capital Management Company

Kenneth S. Miller, CLU, ChFC, President

*Title as listed above.

Since the December 2002 *Letter to Shareholders*, the following staff members of The Cincinnati Insurance Companies merited promotions:

Daniel Adams, Underwriting Manager
 Linda Adams, AIS, AU, Senior Underwriter
 Beth Adkins, Director—Corporate Accounting
 Dane Albright, CLU, Life Marketing Director
 Nikki Allen, Senior Programmer/Analyst
 Norman Alms, CLU, Life Marketing Director
 Renee Altimari, AIS, Supervisor—Worksite Marketing
 Joe Ambrosiano, AIM, Underwriting Superintendent
 Jim Ange, Programmer
 Mary Ashley, Systems Analyst
 Jen Atkinson, Underwriting Specialist

Tom Badinghaus, Senior Underwriter
 Ron Bair, ChFC, Life Marketing Director
 Richard Baird, Machinery & Equipment Specialist
 Brian Baker, CPCU, AIC, AIM, Associate Manager
 Mike Baker, Systems Analyst
 Christopher Barger, CPCU, Underwriting Superintendent
 David Beckenhaupt, FLMI, Programmer/Analyst
 Christopher Becker, AIC, Claims Specialist
 Kirsten Becker, Senior Communications Analyst
 Kim Beckman, Division Manager

Brian Begley, CPCU, Underwriting Superintendent
 Gerald Behnen, Life Field Director
 Vicky Bennett, Systems Analyst
 Amber Berends, Senior Underwriter
 Robert Bernard, AIM, Senior Underwriting Manager
 Arnika Bess, Senior Underwriter
 Maggie Biederman, Senior Programmer
 Christopher Biehle, Senior Underwriter
 Michael Bier, Senior Underwriter
 Ann Binzer, ChFC, CLU, FALU, FLMI, Manager
 Nicholas Bogan, Senior Underwriter
 Kristen Bomkamp, Underwriting Superintendent
 Jim Boulware, CLU, Life Marketing Director
 John Boylan, CPCU, APA, Premium Audit Field Manager
 Tiffany Brandabur, Senior Underwriter
 Robert Breving, Underwriting Superintendent
 Carol Bricker, Filing Specialist
 John Brimmer, AIC, Senior Claims Specialist
 Holly Brobst, CPCU, Senior Underwriter
 Laurie Brown, Senior Business Analyst
 Matthew Brown, Claims Specialist
 Stephen Brugger, Senior Underwriter
 Bill Bucha, Senior Machinery & Equipment Representative
 Mark Buckle, Senior Programmer
 Mandy Bullock, Associate Manager—Corporate Accounting
 Angela Burns, Senior Underwriter
 Matt Burns, Senior Underwriter
 Brent Burton, AIC, State Agent
 Timothy Bushman, Underwriting Specialist
 Jason Butler, AIC, Senior Claims Specialist
 Melissa Butler, Senior Filings Analyst
 David Cable, AIM, Underwriting Manager
 Mary Cahill, Programmer
 Anthony Campailla, AIT, Web Site Developer
 Tim Campbell, Claims Specialist
 Jason Campbell, Senior Underwriter
 Anthony Carlisle, Underwriting Specialist
 Dawn Chapel, CPCU, Senior Underwriter
 Christopher Chapin, Senior Claims Specialist
 Douglas Charnley, ChFC, CIC, CLU, CPCU, FLMI, LUTCF,
 Senior Life Regional Director
 Joseph Chay, Machinery & Equipment Specialist
 Brian Clapp, State Agent
 Jennifer Clark, Claims Specialist
 Brendan Classen, Senior Programmer Analyst
 Scott Cole, CPCU, AIC, AIM, Field Claims Superintendent
 Betsy Cook, Senior Programmer/Analyst
 Jason Couch, RPLU, AFSB, Senior Underwriting Manager
 Bob Crouch, ARM, CPCU, Machinery & Equipment Specialist
 John Crow, Associate Manager—Field Claims HQ
 Regina Culley, Senior Underwriter
 Michael Cultrera, AIC, Senior Claims Specialist
 Jon Curtis, Senior Machinery & Equipment Specialist
 Craig Cymbalski, AIC, Claims Specialist
 Nancy Davis, AIC, Senior Claims Specialist
 Sharon Davis, Customer Support Analyst
 Ron Day, AIC, Superintendent
 James Day, Jr., Underwriting Superintendent
 Patty Deaton, Systems Analyst
 Julian Deese, Senior Underwriter
 Dave DeMara, AIC, Senior Claims Representative
 Scott DeYoung, Machinery & Equipment Specialist
 Emilio DiLonardo, Underwriting Specialist
 Stephanie DiLonardo, Underwriting Specialist
 Locke Doty, AIC, Senior Claims Specialist
 Gary Dreyer, Senior Product Manager
 Barb Drook, State Agent
 Brian Druley, Life Regional Director
 Doug Dukes, CIC, State Agent
 Tony Dunn, CPA, Internal Audit Supervisor
 Michael Edgerly, AIC, Senior Claims Specialist
 Candace Edmonston, Senior Programmer Analyst
 Jeremiah Ellis, Programmer
 Dawn Eschenbach, Senior Underwriter
 Kenneth Estes, State Agent
 Peggy Eubanks, Statement Manager
 Roy Faglie, Jr., AIC, Claims Specialist
 Brandy Fait, Senior Underwriter
 Michael Feko, CFP, ChFC, CLU, LUTCF, Life Marketing
 Director
 Ray Feys, Senior Claims Specialist
 James Fishel, SCLA, Field Claims Superintendent
 Timothy Fitz, AIC, Supervisor-Casualty Claims
 Susie Flinchum, Director—Mail Center
 Diane Fluegeman, APA, PMP, Group Manager
 Scott Fredericks, LUTCF, CLU, Senior Life Regional Director
 Heather Fresh, Senior Underwriter
 Mark Fulk, Senior Investigator
 Matt Gardner, AIC, Claims Specialist
 Kim Garner, Senior Regulatory Analyst
 Connie Garrett, AIC, Claims Specialist
 Anita Gaulin, AIC, Claims Specialist
 Brett Gault, Chief Underwriting Specialist
 Jarrod Gay, AIC, Claims Specialist
 Jeffrey Geyer, Senior Underwriter
 Joann Gillming, Programmer
 Jon Golding, AIC, Senior Claims Representative
 Al Goudzwaard, Senior Regional Director
 Bruce Graham, Field Claims Superintendent
 Donald Gray, Senior Underwriter
 Jim Green, CPCU, Chief Underwriting Specialist
 Robert Green, Senior Group Manager
 William Gregory, SCLA, Associate Regional Manager-Property
 Claims
 Steve Gregov, State Agent
 Brent Grimes, CIC, Life Marketing Director

(Continued on page 10.)

Cincinnati Financial Corporation

Consolidated Balance Sheets

(In millions except share data)	June 30, 2003	December 31, 2002
	(unaudited)	
ASSETS		
Investments		
Fixed maturities, at fair value (amortized cost: 2003 – \$3,447; 2002 – \$3,220)	\$ 3,734	\$ 3,305
Equity securities, at fair value (cost: 2003 – \$2,394; 2002 – \$2,375)	8,088	7,884
Other invested assets	67	68
Cash	103	112
Investment income receivable	100	98
Finance receivable	36	33
Premiums receivable	1,062	956
Reinsurance receivable	640	590
Prepaid reinsurance premiums	25	47
Deferred policy acquisition costs	375	343
Property and equipment, net, for company use (accumulated depreciation: 2003 – \$166; 2002 – \$155)	124	128
Other assets	117	131
Separate accounts	459	427
Total assets	<u>\$ 14,930</u>	<u>\$ 14,122</u>
LIABILITIES		
Insurance reserves		
Losses and loss expense	\$ 3,341	\$ 3,176
Life policy reserves	986	917
Unearned premiums	1,422	1,319
Other liabilities	390	345
Deferred income tax	1,859	1,737
Notes payable	183	183
6.9% senior debenture due 2028	420	420
Separate accounts	459	427
Total liabilities	<u>9,060</u>	<u>8,524</u>
SHAREHOLDERS' EQUITY		
Common stock, par value – \$2 per share; authorized 200 million shares; issued: 2003 – 176 million shares, 2002 – 176 million shares	352	352
Paid-in capital	303	300
Retained earnings	1,833	1,772
Accumulated other comprehensive income – unrealized gains on investments and derivatives	3,897	3,643
Treasury stock at cost (2003 – 16 million shares, 2002 – 14 million shares)	(515)	(469)
Total shareholders' equity	<u>5,870</u>	<u>5,598</u>
Total liabilities and shareholders' equity	<u>\$ 14,930</u>	<u>\$ 14,122</u>

Cincinnati Financial Corporation

Consolidated Statements of Income

(unaudited)

(In millions except per share data)	Six Months Ending June 30,	
	2003	2002
REVENUES		
Earned premiums		
Property casualty	\$ 1,285	\$ 1,139
Life	44	42
Investment income, net of expenses	230	218
Realized investment gains and losses	(59)	(18)
Other income	5	9
Total revenues	1,505	1,390
BENEFITS AND EXPENSES		
Insurance losses and policyholder benefits	942	912
Commissions	259	225
Other operating expenses	110	97
Taxes, licenses and fees	29	32
Increase in deferred policy acquisition costs	(31)	(22)
Interest expense	17	17
Other expenses	7	4
Total benefits and expenses	1,333	1,265
INCOME BEFORE INCOME TAXES	172	125
PROVISION (BENEFIT) FOR INCOME TAXES		
Current	44	29
Deferred	(13)	(14)
TOTAL PROVISION (BENEFIT) FOR INCOME TAXES	31	15
NET INCOME	\$ 141	\$ 110
PER COMMON SHARE		
Net income – basic	\$ 0.88	\$ 0.68
Net income – diluted	\$ 0.87	\$ 0.67

George Grossenbaugh, SCLA, Regional Manager
 TingTing Gu, Senior Programmer Analyst
 David Guinn, AIC, Claims Specialist
 Kevin Hagedorn, Senior Underwriter
 Russell Hall, Senior Underwriting Superintendent
 Cindy Hammons, Methods Analyst
 Andrew Hargrave, AIC, Senior Claims Representative
 Michael Harter, AIC, Senior Claims Specialist
 John Harvey, Senior Machinery & Equipment Specialist
 Lee Hatch, Claims Specialist
 Stephanie Haun, Programmer
 Kay Hawes, Associate Superintendent-Claims Administration
 Greg Helton, Programmer
 David Henry, AIC, Claims Specialist
 Joanna Hensley, Underwriting Specialist
 Erick Hill, AIC, Claims Specialist
 Joseph Hingle, Sr., Machinery & Equipment Specialist
 Michael Hingsbergen, PMP, Senior Group Manager
 Terry Hite, APA, ARM, Field Audit Superintendent
 Debbie Hitt, Senior Underwriter
 Laura Hobbs, Senior Communications Analyst
 Darryl Hogue, CPCU, AIM, ARM, AAM, MCP, Senior Systems Coordinator
 Ryan Holliday, Senior Underwriter
 Lynn Hovekamp, Supervisor
 Christine Howard, Senior Programmer Analyst
 Edward Hunter, Claims Specialist
 Linda Hutchinson, APA, CIC, Field Audit Specialist
 Courtney Huwel, Underwriting Superintendent
 Karen Jackson, AIC, Senior Claims Specialist
 John James, AIC, Senior Claims Representative
 Craig Jenkins, AIC, Senior Claims Representative
 Megan Jewell, Senior Underwriter
 Barry Johns, AIC, Senior Claims Specialist
 Kevin Johnson, AIC, Claims Specialist
 Matt Johnson, IT Research & Development Senior Analyst
 Monica Johnson, AIM, Premium Audit Processing Supervisor
 Paul Johnson, CLU, FLMI, ChFC, Senior Life Regional Director
 Sean Jones, Underwriting Specialist
 Michael Kannapel, Senior Machinery & Equipment Specialist
 David Karas, AIM, Senior Personnel Specialist
 Sandra Kears, IDMA, Senior Manager-Statistical Audit & Reporting
 Thomas Keeton, Chief Underwriting Specialist
 Tobey Kelley, Senior Investigator
 Tonya Kelley, Claims Specialist
 Penny Kenny, Supervising Claims Processor
 Ken Kerby, AIC, AIM, Associate Superintendent
 Bob Kerr, ChFC, CLU, Life Marketing Director
 Mark Kinzer, State Agent
 Beverly Kirkpatrick, Senior Manager
 Steve Kistner, AIC, Claims Specialist
 Jeffrey Klopff, Senior Machinery & Equipment Specialist
 Stephen Knipper, Business Analyst
 Jenny Kopec, Network Administrator
 John Kozina, AIC, Senior Claims Specialist
 Mary Kretchmer, AIC, Senior Claims Representative
 Nathan Kroenke, AIC, Senior Claims Specialist
 Angela Kruck, AIS, CPCU, API, Senior Underwriter
 Naomi Kunkel, AIT, Senior Project Analyst
 Peter Kuzma, AIC, Senior Claims Specialist
 Joel LaFrange, Business Analyst
 Cathy Laine, Senior Claims Processor
 Daniel Lambrecht, AIC, Senior Claims Specialist
 Jeff Lancaster, SCLA, Claims Specialist
 Jay Land, Senior Claims Specialist
 Tammy Landers, AIM, AIS, Chief Underwriting Specialist
 Dan Landry, Senior Machinery & Equipment Specialist
 Troy Lary, AIC, Senior Claims Specialist
 Donald Lathrop, SCLA, Filed Claims Superintendent
 Michael Leinhauser, Senior Underwriter
 Jeffrey Leininger, AIM, CPCU, Underwriting Specialist
 Marcia Leininger, Underwriting Specialist
 Carol Levasseur, ACS, AIAA, FLMI, Senior Group Manager
 Jack Linamen, Senior Machinery & Equipment Specialist
 Christopher Long, AIC, Claims Specialist
 Tammy Loss, Senior Claims Specialist
 Jan Lowe, CLU, LUTCF, Senior Life Regional Director
 John Lucas III, AIC, Claims Specialist
 Carolyn MacDonald, Project Analyst
 Melissa Madden, Senior Programmer/Analyst
 Nancy Manhardt, Senior Underwriter
 Amy Matthews, Claims Specialist
 Brian McGinnis, FLMI, Senior Programmer
 Phil McKinney, AIC, Senior Claims Specialist
 Kamilla McKnight, API, Senior Underwriter
 Stephanie McLaughlin, Senior Underwriter
 Douglas McWilliams, AIC, Senior Claims Specialist
 Christopher Medinger, Senior Underwriter
 Scott Meinke, AAI, AIM, CIC, CPCU, Regional Director
 Phil Metzger, Underwriting Superintendent
 Amy Meyer, CPIW, Underwriting Specialist
 Chris Middleton, AAI, CIC, Regional Director
 Dawn Miller, AIC, Claims Specialist
 Matt Miller, AIM, API, Training Superintendent
 Christopher Mills, Senior Claims Specialist
 Randall Mitchell, AIC, Associate Superintendent-Casualty Claims
 Trisha Moorhead, Senior Underwriter
 Eric Morgan, Chief Underwriting Specialist
 Kimberly Morin, Claims Specialist
 Ryan Murphy, State Agent
 Danny Nickleson, Machinery & Equipment Specialist
 Carla Nienhuis, Senior Underwriter
 Rick Nola, ARM, CPCU, Senior Regional Director
 Dave Nutt, AIM, Filings Specialist
 Curtis Nutter, AIC, AIM, CPCU, Associate Superintendent-Casualty Claims
 John O'Hara, Jr., AIC, Superintendent-Claims Administration
 Jan Obert, Claims Specialist
 Tom Oeters, Underwriting Superintendent

James Olney, Machinery & Equipment Specialist
Erica Ostendorf, Programmer
Jeffrey Owens, AIM, CPCU, Underwriting Manager
Patricia Owens, CPCU, AMIM, AU, Filing Specialist
Judge Palmer, Programmer/Analyst
Michelle Parsons, Claims Specialist
Kay Patch, Claims Specialist
Jeff Pater, Senior Financial Consultant
Meg Patrick, Senior Underwriter
Steve Pfile, Machinery & Equipment Specialist
Jeff Pielack, AIC, Claims Specialist
Lynne Piepmeyer, Director—Supply
Randy Pierce, AIC, FCLS, Senior Claims Representative
Stephen Pierce, FCLS, Supervisor—Special Investigations Field
Wayne Pinney, Senior Machinery & Equipment Specialist
Richard Plum, Senior Regional Director
Robert Polinchock, Senior Machinery & Equipment Specialist
Miriam Pope, CPIW, Underwriting Superintendent
Joan Posey, Underwriting Specialist
Patrick Prom, AIC, AIM, SCLA, Senior Claims Representative
Robert Proudfoot, Regional Director
Michael Puno, ACS, FLMI, Programmer/Analyst
Troy Quedens, Programmer/Analyst
Barb Randolph, Underwriting Specialist
Daniel Ratliff, Underwriting Specialist
Lisa Rauch, Programmer/Analyst
Gary Ray, Senior Regional Director
David Reed, Programmer
Brett Ritter, Underwriting Manager
William Rizzo, Senior Underwriter
Gregorio Rodriguez, Senior Underwriter
Tony Rose, Programmer
Eric Ross, Senior Machinery & Equipment Specialist
Brian Rowe, AIM, API, Senior Underwriter
Matt Sarvak, Senior Underwriter
Gary Scavone, Senior Claims Specialist
Aaron Schaefer, Senior Underwriter
Brian Schaffer, Programmer/Analyst
Patrick Scheina, ALCM, Loss Control Consultant
Bob Schneider, Programmer
Ted Schulte, Chief Underwriting Specialist
Sandy Scott, Network Administrator
Julie Selby-Barnes, Senior Claims Representative
Carey Setters, Senior Underwriter
Chris Sewell, Senior Loss Control Special Projects Coordinator
Stacy Shollenbarger, Senior Sales Representative
Robert Siebert, Senior Underwriter
Dan Slaten, CPCU, AIC, Senior Claims Representative
Terri Sloan, Senior Claims Processor
Brian Smith, Claims Specialist
Gerald Smith, PMP, Project Manager
Joy Smith, Senior Programmer/Analyst
Kevin Smith, Director—Life Insurance Accounting
Lynn Smith, Senior Machinery & Equipment Specialist
Rob Smith, Customer Support Analyst
Shelley Smith, Senior Underwriter
Dean Snyder, Machinery & Equipment Specialist
Russ Spicer, AIM, Regional Field Claims Manager
Nick Spradlin, AIT, Programmer
Gina Spradling, AIM, Senior Underwriter
Lynn Stahr, Project Manager
Dave Starr, Machinery & Equipment Specialist
David Steele, Senior Underwriter
John Steele, AU, Senior Machinery & Equipment Specialist
Melissa Stegmaier, AIC, SCLA, Claims Specialist
Steven Steinforth, CIC, Senior Field Auditor
Cathy Story, Senior Underwriter
Chad Summers, Underwriting Specialist
Tore Swanson, AIM, SCLA, Superintendent-Property Claims
Bill Taylor, Chief Underwriting Specialist
Carey Taylor, Underwriting Specialist
Ronald Tebbe, AIM, API, Senior Underwriter
John Tergerson, Senior Systems Engineer
Angie Thomas, Senior Business Analyst
Karen Thompson, Senior Programmer/Analyst
Terry Thompson, CLU, ChFC, Senior Life Regional Director
Spencer Timmel, Senior Underwriter
Joseph Tkatch, Senior Database Administrator
Mike Tracey, Senior Machinery & Equipment Specialist
Voncille Trammell, Senior Analyst
Robert Treinen, Senior Underwriter
Julie Trudel, Underwriting Specialist
Karen Tucker, AIC, Senior Claims Examiner-Recovery
Cheri Tuerck, Senior Underwriter
Celeste VanHoutte, CSP, Loss Control Consultant
Melissa Walker, AIC, Senior Claims Specialist
Todd Walker, AIC, Senior Claims Representative
Matthew Walsh, Senior Underwriter
Tim Warner, Senior Regional Director
Connie Weber, Senior Claims Processor
Dee Welsh, CPIW, Senior Underwriting Manager
Charles Werner, Systems Analyst
Pat Wessler, Senior Claims Processor
William Whalen, Sr., CSP, Senior Machinery & Equipment Specialist
David Whipple, Senior Machinery & Equipment Specialist
Jeff White, AIC, AIM, Senior Claims Specialist
Christopher Whitehill, Senior Programmer
Roger Whitescarver, Regional Director
Ruby Whitescarver, Supervising Claims Processor
Jeannine Williams, Senior Life Systems Coordinator
Tina Williams, Project Controller
Kevin Willis, AIM, Senior Underwriter
Jim Wisniewski, Machinery & Equipment Specialist
Tanya Woodard, AIC, Claims Specialist
Tracy Woyat, Senior Programmer
Lori Zorb, Programmer/Analyst

A committee of peers recently granted quarterly *Above and Beyond the Call* (ABC) awards to associates Anita Phillips, IT e-Business; Michael Puno, IT Life/PeopleSoft/Reporting; Anita Ruoff, Data Entry; Joy Smith, IT e-Business; Loretta Hurley, IT Life/PeopleSoft/Reporting; and D.J. Owens, Information Security Office. The *ABC Award* recognizes exemplary productivity, service and quality.

We encourage and reward associates to 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 Chris Barger, Jeff Bertsch, Dawn Chapel, Sean Connelly, Don Doyle, David Groff, Jeff Grove, Brian Hodgeman, Steve Leibel, Eric Mathews, Jeff Owens, Jeff Roberts, Deb Robinson, Tammy Siler and Todd Smittle on completing requirements for the Chartered Property Casualty Underwriter (CPCU) designation; to Sean McKinley on earning the Chartered Life Underwriter (CLU) designation; to Tari Clayton and Paul Quarry on qualifying for the Certified Insurance Counselor (CIC) designation; and to Tony Dunn on earning the Certified Internal Auditor designation (CIA).

We are continually working to increase the educational opportunities we offer agents and their staff. Over the second half of 2003, we will hold two new workshops developed specifically for agents—advanced commercial property and contractors' risk—and we will offer a new customer service course for agency staff in several field locations.

Online learning reduces the time company associates spend in classrooms and reduces educational travel expenses. We offer 100 Web-based courses as well as Web-based preparation for classroom sessions, resulting in higher retention of information. Beginning this month, all associates will be able to access all online courses from their home computers.

In 2002, company associates enrolled in 20 percent more professional education courses than in 2001, with the number of exams taken through the Insurance Institute of America up almost 30 percent over the prior year.

BALANCE SHEET

(Dollars in millions)		Second Quarter Ended June 30,		Six Months Ended June 30,	
		2003	2002	2003	2002
Balance Sheet Data					
Total assets		-	-	\$ 14,930	\$ 14,591
Invested assets		-	-	11,889	11,939
Shareholders' equity		-	-	5,870	6,170
Ratio Data					
Return on equity, annualized		6.1%	2.2%	4.9%	3.6%
Return on equity, annualized, based on comprehensive income		55.2	(13.2)	13.7	8.0

At June 30, 2003, total assets rose to a record \$14.930 billion, up \$808 million from year-end. Shareholders' equity at the end of the second quarter in 2003 reached \$5.870 billion, up \$272 million from year-end 2002. Accumulated other comprehensive income totaled \$3.897 billion, up \$254 million from year-end 2002. Book value rose to \$36.57, up \$1.92 from year-end 2002.

OUTLOOK

As we underwrite and price new and renewal business, our agents, underwriters and field representatives continue to work together, accurately measuring each risk and applying appropriate premiums, terms and conditions. Year-to-date, these efforts have generated steady net written premium growth and positive underwriting trends. We now have higher expectations for our full-year performance, anticipating a GAAP combined ratio near the six-month ratio of 96.8 percent (95.7 percent on a statutory basis) even if catastrophe losses for the year slightly exceed our normal 3-percentage point estimate. Catastrophe losses stand at \$49 million and 3.8 percentage points on the combined ratio at six months. On a preliminary basis, we are estimating \$21 million in catastrophe losses from two July storms.

We are seeing the results of our commitment to consistent strategies. Shareholders know what to expect from your company: conservative underwriting and reserving, an agent-centered perspective that requires us to manage for market stability and deliver superior claims service, and an investment focus on total return. With industry observers paying more attention to financial strength, we are making Cincinnati Financial and The Cincinnati Insurance Companies a better choice than ever for policyholders and investors.

On September 24-25, your company will host a meeting at CFC Headquarters for investment analysts and portfolio managers, providing the opportunity to meet management and agents. Shareholders may listen to a webcast of the presentations by visiting the Events tab of the Investors page of www.cinfin.com.

Respectfully,

/s/ John J. Schiff, Jr.

John J. Schiff, Jr., CPCU
Chairman and Chief Executive Officer

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, disability income and long-term care 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.

This is a “Safe Harbor” statement under the Private Securities Litigation Reform Act of 1995. Certain forward-looking statements contained herein 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 or other causes; increased frequency and/or severity of claims; environmental events or changes; 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; recession or other economic conditions 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 market value of Fifth Third Bancorp shares; events that lead to a significant decline in the market value of a particular security and impairment of the asset; delays in the development, implementation and benefits of technology enhancements; and decreased ability to generate growth in investment income.

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 impacting corporate financial reporting and governance. The ultimate changes and eventual effects, if any, of these initiatives are uncertain.

Notice to Shareholders

Cincinnati Financial Corporation's Shareholder Investment Plan, formerly administered by Fifth Third Bank, will be administered by Computershare Investor Services, LLC. The Shareholder Investment Plan includes dividend reinvestment as well as optional cash purchases and automatic account deductions to purchase CFC stock.

After August 22, 2003, Computershare will meet the service needs of shareholders enrolled in the plan. Your next regular quarterly dividend reinvestment statement will be prepared and mailed by Computershare. Please watch for your statement.

Your fees will remain the same.

Computershare, the world's largest transfer agent, will provide comprehensive and high-level service to enrolled shareholders. Its experience, expertise, technology and focus set it apart from its competitors.

For service requests affecting your dividend reinvestment account after August 22, 2003, please contact:

Computershare Investor Services, LLC
2 North LaSalle
Attn: Dividend Reinvestment
Chicago, IL 60602

Phone: (888) 294-8217
Fax: (312) 601-4335

For information about enrolling in the Shareholder Investment Plan, which includes dividend reinvestment as well as optional cash purchases and automatic account deductions, you may contact:

Shareholder Services
Cincinnati Financial Corporation
P.O. Box 145496
Cincinnati, Ohio 45250-5496

E-mail: *investor_inquiries@cinfin.com*
Phone: (513) 870-2639
Fax: (513) 870-2066

Dividend Direct Deposit

We encourage our shareholders to enroll for Dividend Direct Deposit of your quarterly cash dividends. Dividend Direct Deposit allows you to have your dividend payments from Cincinnati Financial Corporation delivered directly to your account at the financial institution of your choice. It saves you the time it takes to deposit the payments, provides immediate availability and minimizes the risk of payments being lost or stolen.

How it benefits you!

On payment day, your dividend is deposited automatically into your personal checking or savings account. In lieu of a check, Cincinnati Financial Corporation sends you a notice of the amount deposited. In addition, the deposit appears on your account statement from your financial institution. Because this is part of an automatic payment system, your dividend checks cannot be lost or stolen, and you gain immediate access to your funds.

Sign up today

To participate, please complete the authorization form below and return it (**with your pre-encoded deposit ticket or blank, voided check**) to Shareholder Services. If you require additional information, please call Shareholder Services (513) 870-2639.

Dividend reinvestment

For interested stockholders, Cincinnati Financial Corporation also has a Shareholder Investment Plan, with an option for dividend reinvestment that allows you to invest your cash dividend immediately in Cincinnati Financial stock. If you would prefer dividend reinvestment over Dividend Direct Deposit, do not complete the form below. Instead, send your request to Shareholder Services at the address below, call Shareholder Services at (513) 870-2639 or e-mail investor_inquiries@cinfin.com.

Dividend Direct Deposit Authorization Form

This form may be photocopied. Please send a separate form for each shareholder account to Cincinnati Financial Corporation, Shareholder Services, P.O. Box 145496, Cincinnati, Ohio 45250-5496.

Please indicate the account number and the financial institution to which you would like your dividends deposited.
Please enclose a pre-encoded deposit ticket or blank, voided check to help us identify the account.

- ☐ Checking account number: _____
Financial institution: _____
- ☐ Savings account number: _____
Financial institution: _____
- ☐ Other: _____
Financial institution: _____

Please print name(s) as shown on shareholder records:

First _____ Middle Initial _____ Last _____

First _____ Middle Initial _____ Last _____

Address: _____

City _____ State _____ Zip _____

Telephone Numbers: _____
Home _____ Work _____

Signature(s)*:

Shareholder account number
(this number appears on the dividend check stub):

*All persons shown on shareholder records are required to sign for Dividend Direct Deposit.



www.cinfin.com