



CINCINNATI FINANCIAL CORPORATION

Mailing Address: P.O. BOX 145496
CINCINNATI, OHIO 45250-5496
(513) 870-2000

August 1, 2001

TO OUR SHAREHOLDERS, ASSOCIATES AND FRIENDS:

After the very challenging final six months of 2000, the first half of 2001 brought encouraging signs of progress. Achievements for the first six months of this year included improved pricing and double-digit growth of commercial property casualty insurance premiums, healthy investment income and the second-highest book value for any reporting period in the Company's history. While top-line growth helped keep operating results for the full six-month period in line with expectations, second-quarter wind and hail catastrophes and other large losses reduced earnings, offsetting better first-quarter results.

For the six months ended June 30, 2001, net operating income was \$117.5 million, or 72 cents per share, versus \$142.6 million, or 87 cents per share, last year. Net income for the first half of the year was \$121.6 million, or 74 cents per share, versus \$154.1 million, or 94 cents per share.

Total revenues advanced \$113.2 million to \$1.263 billion, up 9.8 percent over last year's first half. Revenues from pre-tax investment income reached \$212.0 million, up 4.1 percent from \$203.7 million in last year's first half, excluding 2000 interest income from a bank-owned life insurance policy.

Catastrophe losses for the first six months totaled \$41.7 million, mainly from three storms, contributing 4.2 points to the combined ratio of 101.4 percent and impacting earnings by 16 cents per share. Most of the loss—\$35.0 million or 14 cents per share—occurred during the second quarter. This was the second highest quarterly catastrophe total, net of reinsurance, in the history of our property casualty companies. This year's severe spring storms caused more than \$4 billion of insured damage across the property casualty industry.



6200 S. Gilmore Road, Fairfield, Ohio 45014-5141

FINANCIAL HIGHLIGHTS

(In millions, except data per diluted share and percentages)	Second Quarter Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Revenues	\$ 645.4	\$ 578.8	\$ 1,263.3	\$ 1,150.1
Net Operating Income	\$ 47.1	\$ 72.7	\$ 117.5	\$ 142.6
Net Realized Capital Gain	1.9	2.0	4.1	11.5
Net Income	\$ 49.0	\$ 74.7	\$ 121.6	\$ 154.1
Net Operating Income Per Share	\$ 0.29	\$ 0.44	\$ 0.72	\$ 0.87
Net Realized Capital Gain Per Share	0.01	0.01	0.02	0.07
Net Income Per Share	\$ 0.30	\$ 0.45	\$ 0.74	\$ 0.94
Dividends Declared Per Share	\$.21	\$ 0.19	\$ 0.42	0.38
Book Value Per Share	—	—	\$ 37.20	\$ 30.25
Average Weighted Shares Outstanding (diluted)	163.8	165.5	164.4	164.9
Annualized Return on Equity	3.4%	6.2%	4.1%	6.0%
Annualized Return on Equity Including Net Unrealized Gain and Loss*	35.1%	8.0%	2.8%	(17.5%)

*This calculation reflects Cincinnati Financial Corporation's comprehensive net income. It recognizes the Company's equity focus and the resulting appreciation/depreciation not reflected in traditional return calculations that consider income statement-based earnings only.

PROPERTY CASUALTY INSURANCE OPERATIONS: GROWTH

(Dollars in millions)	Second Quarter Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Gross Written Premiums	\$ 585.1	\$ 510.2	\$ 1,161.2	\$ 1,003.0
Net Written Premiums	\$ 549.0	\$ 483.4	\$ 1,087.1	\$ 952.4
Net Earned Premiums	\$ 509.8	\$ 450.1	\$ 1,000.5	\$ 881.4

The Corporation's property casualty insurance affiliates—The Cincinnati Insurance Company, The Cincinnati Indemnity Company and The Cincinnati Casualty Company—reported six-month net written premium of \$1.087 billion, up 14.2 percent or \$134.7 million over the comparable 2000 period. Six-month net written premiums for commercial lines of insurance rose 18.5 percent to \$779.2 million, while personal lines rose 4.4 percent to \$307.9 million.

Improved pricing continues to drive growth. Our agents report that they are able to obtain much needed 15-20 percent price increases on quality commercial accounts. We continue to move toward that level of increase, mainly by reducing or eliminating premium credits, notably in workers' compensation and commercial auto lines. We continue to respond to loss severity that arose in the second half of 2000, inspecting and re-underwriting or not renewing risks that don't measure up to the same good quality as when originally written. In the context of current market conditions, our conservative actions are actually slowing our commercial lines growth from the level we could be achieving with our strong agency relationships. New business from our agents was \$130.8 million versus \$127.4 million in the first half of last year. We remain highly selective and focused on profitability and service.

PROPERTY CASUALTY INSURANCE OPERATIONS: PROFITABILITY

(In percentages)	Second Quarter Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Loss and LAE Ratio Excluding Catastrophes	72.6%	64.4%	70.4%	65.7%
Catastrophe Loss Ratio	6.9	5.2	4.2	3.6
Loss and LAE Ratio	79.5%	69.6%	74.6%	69.3%
Expense Ratio	25.9	26.7	26.1	26.5
Policyholder Dividend Ratio	0.8	1.2	0.7	1.2
Statutory Combined Ratio	106.2%	97.5%	101.4%	97.0%

The improving industry growth rate during the past 12 months has not translated into substantial profitability improvements for the industry as a whole. And while we are in the same boat, our six-month combined ratio of 101.4 percent puts us ahead of the level for the industry, currently estimated at or above 110 percent for the full-year 2001. Catastrophe losses accounted for 4.2 points of our 2001 ratio versus 3.6 points of the 97.0 percent ratio in 2000. As of June 30, only 150 claims remained open out of nearly 6,000 first-half catastrophe claims reported by policyholders. Our storm teams did a tremendous job helping policyholders recover quickly.

Pure loss ratios were 65 percent overall, 60.8 percent for commercial lines of insurance and 74.6 percent for personal lines. Personal lines account for about a third of our written premium volume but more than 60 percent of the first-half catastrophe claims. We are filing rate increases and emphasizing insurance to value to improve results for the homeowner line, where the pure loss ratio rose to 94.0 percent. We are writing personal auto insurance profitably and expect to see additional growth as competitors raise rates. On commercial accounts, new guidelines for umbrella liability underwriting and for property insurance to value were issued during the second quarter, addressing appropriate use of blanket and replacement cost coverages.

LIFE INSURANCE OPERATIONS

(Dollars in millions)	Second Quarter Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Net Written Premiums	\$ 25.9	\$ 24.9	\$ 50.7	\$ 48.1
Net Earned Premiums	21.6	20.8	39.5	38.5
Investment Income	20.8	18.6	39.3	41.8
Total Revenues	42.9	40.3	79.8	81.6
Total Expenses	31.8	26.6	56.5	57.8
Net Operating Income	\$ 7.4	\$ 9.0	\$ 15.6	\$ 15.6
Net Realized Capital Gain	(0.1)	0.1	(0.1)	0.4
Net Income	\$ 7.3	\$ 9.1	\$ 15.5	\$ 16.0

The Cincinnati Life Insurance Company contributed \$15.5 million to net profits for the first six months, with a higher incidence of death claims than the comparable period in 2000, when net profits were \$16.0 million. Total net written premiums for the first half of the year were \$50.7 million this year, up 5.4 percent from \$48.1 million last year.

Last year at this time we were processing the unusual surge of ordinary life applications for policyholders who purchased term insurance before the "Triple X" regulations took effect on January 1, 2000. This backlog inflated last year's first-half life insurance premium growth, making comparisons difficult this year. Looking forward, an expanded portfolio of products will boost our prospects for growth. In the second half of 2001, Cincinnati Life will introduce a new 30-year term insurance policy and a disability income insurance policy. Enhanced back office support will make it much easier to write and service worksite marketing accounts for larger employers.

INVESTMENT OPERATIONS

Six-month investment income rose 1.9 percent to \$207.5 million, excluding \$4.5 million from FAS 133. This new accounting rule requires companies to include in income any changes in the option value of convertible issues.

Fifteen of the 49 common stocks in our portfolio have raised their dividends since January 1. This should add \$7.0 million to gross investment income on an annualized basis. The strong sales, earnings and dividends of Fifth Third Bancorp and other stocks in our portfolio make them excellent vehicles as we go forward with our long-term approach and total return strategy. During the first half of 2001, we have invested \$238.7 million of new money, about two-thirds in bonds, with an emphasis on municipal issues.

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 2001. Total lease/finance receivables ended the first half of 2001 at \$87.9 million. Leasing revenue for the first half of 2001 was \$3.2 million.

During the first quarter of 2001, we began marketing a consumer vehicle lease to the employees of Cincinnati's independent insurance agencies, generating more than \$400,000 in receivables as of June 30. During the second quarter, we subdivided the Ohio territory, placing a leasing representative in the Cleveland market to increase our level of service to Cincinnati's independent insurance agencies and their clients. Also in June, we began offering an automated clearinghouse electronic payment method that eliminates the client's cost of processing and mailing a check each month. In just a few weeks, more than 133 accounts have signed up to take advantage of this new service.

CinFin Capital Management, our asset management subsidiary, is now in its third year of operation. As of June 30, CinFin has 30 institutional, corporate and individual clients and \$583.7 million under management.

PUBLIC RESPONSIBILITY

Thanks in large part to a ground swell of support from Ohio businesses and their insurance agents, both chambers of the Ohio legislature passed Senate Bill 97 during the second quarter. The governor is expected to sign the bill on July 30. It repeals the mandatory offer of uninsured motorist coverage, making the offer voluntary like other auto coverages. While this doesn't affect our liability for past claims, it removes an opportunity for the Ohio Supreme Court to provide coverage where policyholders did not request or pay for it.

On the federal side of government relations, we continue to work with the National Association of Insurance Commissioners to modernize and improve state insurance regulation. Efficient state regulation is in the best interest of our property casualty insurance policyholders. Their risks and coverage needs genuinely vary from one state to another because of diverse geographic, climatic and economic conditions. Proposals for federal chartering of insurers overlook this diversity and its corollary, the superior flexibility of states to respond with regulations and insurance products appropriate to state-specific conditions.

PERSONNEL AND PROFESSIONAL DEVELOPMENT

At the Annual Meeting of Shareholders held in April, members elected John M. Shepherd to a three-year term on Cincinnati Financial's Board of Directors. He fills the seat of William R. Johnson, a director since 1996, who did not stand for reelection. John serves on the Board's audit committee. He is chairman and chief executive officer of The Shepherd Chemical Company and director and secretary of The Shepherd Color Company. In addition, W. Rodney McMullen was elected to a new, 15th seat on the Board for a term of one year. He serves on the investment committee. Rodney is executive vice president of strategy, planning and finance for The Kroger Co.

In February 2001, Cincinnati Financial and subsidiary boards made the following promotions and new appointments of directors, officers and counsel:

Cincinnati Financial Corporation and Subsidiaries

Kenneth W. Stecher was appointed chief financial officer of Cincinnati Financial Corporation, its insurance subsidiaries and CFC Investment Company (CFC-I). Stecher serves as senior vice president and secretary of Cincinnati Financial Corporation, all insurance subsidiaries and CFC-I; treasurer of the corporation, The Cincinnati Life Insurance Company and CinFin Capital Management Company; and director on all subsidiary boards.

Property Casualty Insurance Subsidiaries

Urban G. Neville, Senior Vice President—Strategic Planning

Dawn M. Alcorn, Vice President—Administrative Services

Richard P. Matson, Vice President—Purchasing

Joan O. Shevchik, CPCU, CLU, Vice President—Corporate Communications

Joel W. Davenport, CPCU, AAI, Assistant Vice President—Commercial Lines

Timothy D. Huntington, CPCU, AU, Assistant Vice President—Commercial Lines

Steve W. Leibel, AIM, Assistant Vice President—Personal Lines

Gary B. Stuart, Assistant Vice President—Sales & Marketing

Michael A. Terrell, CPCU, RPLU, Assistant Vice President—Sales & Marketing

Bradley N. DeLaney, CPCU, AIM, Secretary—Education & Training

W. Dane Donham, AIM, Secretary—Commercial Lines

Kenneth P. Grimme, CPCU, AIM, Secretary—Claims

Jerry L. Litton, Secretary—Corporate Accounting

Robyn C. Muhlberg, Secretary—Information Technology

David A. Pierce, Secretary—Education & Training

John P. Ringstrom, Secretary—Claims

Dennis G. Stetz, SCLA, Secretary—Claims

Stephen A. Ventre, Secretary—Commercial Lines

Robert W. Wallace, CPCU, Secretary—Claims

M. Cathleen Cloud, CPCU, AIM, Assistant Secretary—Commercial Lines

Michael K. Dockery, Assistant Secretary—Information Technology

Kevin L. Heflin, Assistant Secretary—Information Technology

James E. Streicher, Jr., CPCU, AIM, Assistant Secretary—Personal Lines

William H. Thomas, AIM, Assistant Secretary—Data Entry

Steven S. Timmel, CPCU, AIM, Assistant Secretary—Claims

Teresa C. Cracas, Associate Counsel

Michael D. Fitzpatrick, Associate Counsel

P. Arlene Rochlin, Associate Counsel

The Cincinnati Life Insurance Company

Urban G. Neville*

Richard P. Matson*

Robyn C. Muhlberg*

Michael K. Dockery*

Kevin L. Heflin*

Teresa C. Cracas*

Michael D. Fitzpatrick*

P. Arlene Rochlin*

CFC Investment Company

Urban G. Neville*

Richard P. Matson*

Jerry L. Litton*

CinFin Capital Management Company

Hollis A. Jones, AIM, Assistant Treasurer—Investments

*Title as listed above.

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Cincinnati Financial Corporation
Consolidated Balance Sheets

(000s omitted except per share data)

	June 30, 2001	December 31, 2000	Change
Assets:			
Cash	\$ 42,894	\$ 60,254	\$ (17,360)
Investments:			
Bonds, at Market Value	2,937,114	2,721,291	215,823
Stocks, at Market Value	8,499,441	8,525,985	(26,544)
Mortgage Loans on Real Estate	16,447	16,844	(397)
Real Estate (Net of Depreciation)	3,902	4,019	(117)
Policy Loans	23,906	23,188	718
Notes Receivable	22,189	24,509	(2,320)
Finance Receivables	29,557	30,718	(1,161)
Premium Receivables	704,157	652,340	51,817
Reinsurance Receivables	271,117	214,576	56,541
Prepaid Reinsurance Premiums	19,082	15,246	3,836
Other Notes and Accounts Receivable	26,899	26,272	627
Investment Income Receivable	91,154	86,234	4,920
Land, Buildings, and Equipment for Company Use (Net of Depreciation)	132,853	122,005	10,848
Deferred Acquisition Costs-Pertaining to			
Unearned Premiums & Life Policies in Force	274,901	258,734	16,167
Other Assets	86,820	147,261	(60,441)
Separate Accounts	375,243	357,615	17,628
Total Assets	\$ 13,557,676	\$ 13,287,091	\$ 270,585
Liabilities:			
Insurance Reserves:			
Unearned Premiums	\$ 1,016,533	\$ 921,872	\$ 94,661
Life Policy Reserves	636,218	605,421	30,797
Losses and Loss Expense	2,534,292	2,424,635	109,657
Notes and Mortgages Payable	175,000	170,000	5,000
Loss Checks Payable	56,567	48,424	8,143
Accrued Commissions	92,891	92,503	388
Taxes Other Than Income	23,644	32,239	(8,595)
Dividends Declared but Unpaid	33,940	30,568	3,372
Federal Income Taxes:			
Current	17,926	0	17,926
Deferred	2,036,892	2,057,641	(20,749)
5.5% Conv. Sr. Deb. due 2002	13,528	29,603	(16,075)
6.9% Sr. Deb. due 2028	419,634	419,631	3
Other Liabilities	113,028	101,944	11,084
Separate Accounts	375,243	357,615	17,628
Total Liabilities	\$ 7,545,336	\$ 7,292,096	\$ 253,240
Shareholders' Equity:			
Common Stock	\$ 348,153	\$ 345,766	\$ 2,387
Paid-In Capital	269,673	254,156	15,517
Retained Earnings	1,673,790	1,619,954	53,836
Accumulated Other Comprehensive Income	4,118,271	4,155,929	(37,658)
Treasury Stock	(397,547)	(380,810)	(16,737)
Total Shareholders' Equity	\$ 6,012,340	\$ 5,994,995	\$ 17,345
Total Liabilities & Shareholders' Equity	\$ 13,557,676	\$ 13,287,091	\$ 270,585
Book Value per Share	\$ 37.20	\$ 37.26	\$ (0.06)
Outstanding Shares	161,628	160,891	737
Treasury Shares	12,449	11,992	457

Cincinnati Financial Corporation
Consolidated Statements of Income

(000s omitted except per share data)	Year-to-Date Ending June 30,			
	2001	2000	Change	% Change
Revenue:				
Premiums Earned:				
Property/Casualty	\$ 1,069,972	\$ 930,876	\$ 139,096	14.94
Life	44,196	43,455	741	1.71
Accident/Health	2,159	1,650	509	30.85
Premiums Ceded	(77,428)	(57,401)	(20,027)	(34.89)
Total Earned Premium	1,038,899	918,580	120,319	13.10
Investment Income	212,032	209,020	3,012	1.44
Realized Gain on Investments	6,240	17,624	(11,384)	(64.59)
Other Income	6,101	4,853	1,248	25.72
Total Revenue	\$ 1,263,272	\$ 1,150,077	\$ 113,195	9.84
Benefits & Expenses:				
Losses & Policy Benefits	\$ 884,172	\$ 706,186	\$ 177,986	25.20
Reinsurance Recoveries	(102,544)	(59,291)	(43,253)	(72.95)
Commissions	196,605	173,312	23,293	13.44
Other Operating Expenses	95,191	83,640	11,551	13.81
Interest Expense	20,134	19,141	993	5.19
Taxes, Licenses & Fees	29,527	27,865	1,662	5.96
Incr Deferred Acq Expense	(16,167)	(12,104)	(4,063)	(33.57)
Other Expenses	8,297	11,160	(2,863)	(25.65)
Total Expenses	\$ 1,115,215	\$ 949,909	\$ 165,306	17.40
Income Before Income Taxes	\$ 148,057	\$ 200,168	\$ (52,111)	(26.03)
Provision (Credit) for Income Taxes:				
Current	\$ 27,485	\$ 41,027	\$ (13,542)	(33.01)
Deferred	(1,009)	5,084	(6,093)	(119.85)
Total Income Tax	\$ 26,476	\$ 46,111	\$ (19,635)	(42.58)
Net Income	\$ 121,581	\$ 154,057	\$ (32,476)	(21.08)
Comprehensive Net Income (Loss)	\$ 83,923	\$ (449,905)	\$ 533,828	118.65
Net Income from Operations	\$ 117,525	\$ 142,601	\$ (25,076)	(17.58)
Net Income from Realized Capital Gains	\$ 4,056	\$ 11,456	\$ (7,400)	(64.59)
Net Income Per Share (diluted):				
Operations	\$ 0.72	\$ 0.87	\$ (0.15)	(17.24)
Realized Capital Gains	0.02	0.07	(0.05)	(71.43)
Total Net Income Per Share	\$ 0.74	\$ 0.94	\$ (0.20)	(21.28)
Total Net Income Per Share (basic)	\$ 0.76	\$ 0.95	\$ (0.19)	(20.00)
Dividends Per Share:				
Paid	\$ 0.40	\$ 0.36	\$ 0.04	11.11
Declared	\$ 0.42	\$ 0.38	\$ 0.04	10.53
Number of Weighted Avg Shares (diluted)	164,395	164,895	(500)	(0.30)
Interest Expense on Debentures	\$ 429	\$ 665	\$ (236)	(35.49)

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Since the December 2000 *Letter to Shareholders*, the following staff members of The Cincinnati Insurance Companies merited promotions:

Gail Adams, Chief Underwriting Specialist	Al Dornon, AIC, Senior Claims Specialist
Nikki Allen, Programmer/Analyst	Todd Dowdy, AIC, Claims Specialist
Rob Allonier, Senior Regional Director	Ron Dunlap, Senior Underwriting Manager
Renee Altimari, Senior Life Worksite Marketing Representative	Chuck Eckert, AIC, CIC, Regional Director
Jen Atkinson, Senior Underwriter	Mike Eddins, Regional Director
Scott Babb, AIC, Claims Specialist	Kimberly Ellison, AU, Underwriting Manager
Lori Bagoly, Senior Underwriter	Tracy Ernst, Chief Underwriting Specialist
Mark A. Baker, Senior Underwriter	Peggy Eubanks, Statement Coordinator
Mike Baker, Senior Programmer/Analyst	Diane Fluegeman, APA, PMP, Project Manager
Terry Barrow, Senior Group Manager	Mike Fox, AIM, Superintendent—Bond Claims
Matt Barton, CPCU, AIM, Senior Underwriting Manager	Drew Gallagher, AIC, Senior Claims Specialist
Joe Beane, Claims Specialist	Jerry George, Regional Director
Kirsten Becker, Managing Editor	Laurie Gerhardt, Senior Customer Support Analyst
Bertie Beeker, CPCU, AIC, Claims Specialist	Kevin Getz, AIM, Underwriting Manager
Mary Beth Brubaker, Claims Specialist	Mike Gingrich, Senior Underwriter
Stephanie Bird, Filings Specialist	Molly Grimm, Senior Underwriter
Ron Bleck, AIC, SCLA, Senior Claims Specialist	James Guth, AIC, AIM, Field Claims Coordinator
Chris Bond, Claims Specialist	Al Hackley, Regional Manager—Special Investigations
Scott Bowen, Field Claims Coordinator	Lisa Hall, CIC, Senior Regional Director
Rob Breving, Underwriting Specialist	Tracy Hamilton, Senior Underwriter
Rick Bridges, AIC, Senior Claims Specialist	Chris Harrison, Assistant Manager—Agency Accounting
Jeff Brock, Senior Group Manager	Ken Heffner, Senior Workers' Compensation Specialist
Jim Brown, Chief Regulatory Specialist	Steve Heizman, Senior Machinery & Equipment Representative
Rob Bruner, AIT, Senior Programming Group Manager	Doug Helton, Systems Analyst
Pat Buchman, Chief Underwriting Specialist	Tom Heming, Underwriting Superintendent
Mandy Bullock, Supervising Accountant	Andrew Henderson, Claims Specialist
Tom Busch, AIC, Senior Claims Specialist	Andrea Hendrix, FLMI, Chief Filing Specialist
Tom Buschelmann, Property Casualty Accountant	C. Jon Hines, CPCU, AIC, AIM, Superintendent
Tim Bushman, Senior Underwriter	Mike Hingsbergen, Group Manager
Melissa Butler, Senior Underwriter	Scott Hintze, CPCU, AIM, Senior Regional Director
Jim Callahan, CPCU, AIC, Regional Field Claims Manager	Lisa Hodges, Software Quality Engineer
Robert Cammack, AIC, Claims Specialist	Terri Holland, Senior Programmer/Analyst
Tim Campbell, Underwriting Superintendent	Sandi Holley, Field Claims Superintendent
Anthony Carlisle, Senior Underwriter	Gary James, Programmer/Analyst
Dave Carroll, CPCU, Regional Director	Duane Johnson, Claims Specialist
Bobby Carver, AIC, SCLA, Field Claims Superintendent	Sean Jones, Senior Underwriter
Dennis Casarcia, AIC, Senior Claims Specialist	Mike Kammeyer, AIC, Senior Claims Specialist
Ken Cassan, Field Claims Superintendent	Mike Kannapel, Machinery & Equipment Specialist
Kim Chagnon, AIC, Claims Specialist	Shawn Kappner, AIM, Underwriting Superintendent
Brian Clapp, Field Representative	Dave Karas, Personnel Specialist
K.C. Clark, Senior Regional Director	Tom Karenbauer, AIC, AIM, Senior Claims Representative
Brendan Classen, Programmer/Analyst	Jim Karkoska, AIC, Senior Claims Specialist
Marc Collins, AIC, Claims Specialist	John Kay, AIC, Senior Claims Specialist
Keith Colton, Underwriting Manager	Ronald Kaylor, Programmer
Jon Cooper, Field Claims Coordinator	Mike King, Chief Underwriting Specialist
Kelly Cordle, AIC, Claims Specialist	Jeff Klopf, Machinery & Equipment Specialist
Mike Cranney, Field Claims Coordinator	Mike Knaub, Senior Claims Specialist
Anita Creasy, Claims Specialist	Brian Knepper, Senior Claims Representative
Lori Crittenden, Claims Specialist	Steve Knipper, Underwriting Specialist
Jon Curtis, Machinery & Equipment Specialist	Paul Kocher, AIC, Senior Claims Specialist
Mark Daniels, Claims Specialist	Jeff Kohout, CPCU, AIC, Field Claims Coordinator
Debbie Davis, Senior Claims Representative	Kimberly Kramer, Senior Claims Specialist
Jim Day, Underwriting Specialist	Mary Kretchmer, AIC, Senior Claims Specialist
Ron Day, AIC, Associate Superintendent, Claims	Ray Krimple, CPCU, Senior Underwriting Manager
Shamal Desai, CPCU, AIM, CLU, Chief Rate Filing Specialist	Doris Kuhling, CPCU, AIM, Associate Manager—Claims Recovery
Randy Deskins, AFSB, Bond Regional Director	Mark Kuntz, Chief Product Manager
Emilio DiLorenzo, Senior Underwriter	Debbie Lanter, Senior Programmer/Analyst

Rick Leete, AIC, Senior Claims Representative	Matt Sanders, FLMI, Programmer
Septa Leslie, Senior Life Worksite Marketing Representative	Gary Scavone, Claims Specialist
Jack Linamen, Machinery & Equipment Specialist	Patrick Scheina, Senior Loss Control Representative
Bob Lucas, CPCU, AIC, AIM, SCLA, Regional Field Claims Manager	Brian Schenk, IIA, Senior Underwriter
Mike Luebbe, CPCU, AIM, Underwriting Manager	Robert Scott, Portfolio Manager
Steve Luehrmann, AIM, Portfolio Manager	Sonny Singleton, Manager—Security
Melissa Madden, Programmer/Analyst	Chad Smith, AIC, Claims Specialist
Shannon Madewell, Senior Systems Analyst	Kevin Smith, Manager—Life Accounting
Pete Magnuson, Senior Claims Specialist	Sherri Smith, Programmer
Matthew Manning, Senior Underwriter	John Steele, AU, Machinery & Equipment Specialist
Stephanie Martin, Senior Underwriter	Gina Stetter, Senior Business Analyst
Dan May, AIC, Senior Claims Specialist	Carolyn Straker, Business Analyst
Teresa McAllister, AIC, SCLA, Claims Specialist	Julie Sullivan, AIC, SCLA, Supervisor—Casualty Claims
Rick McAtee, Coordinator—PC Tech	Mike S. Sullivan, AIC, Senior Claims Representative
Greg McCrary, AIC, Senior Claims Specialist	Bob Summe, AIC, Senior Claims Specialist
Becky Meaney-Mitek, Field Claims Superintendent	Chad Summers, Senior Underwriter
Steve Means, AIC, Claims Specialist	Trey Sutphin, Senior Premium Auditor
Steve Medosch, ACS, AIAA, FLMI, Senior Group Manager	Tore Swanson, AIM, SCLA, Superintendent—Property Claims
Carol Meece, Senior Claims Examiner	Bill Taylor, Underwriting Superintendent
Scott Meisenbach, Information Security Specialist	Carey Taylor, Senior Underwriter
Brant Merrill, AIC, Senior Claims Specialist	Sharon Taylor, Programmer/Analyst
Robert L. Miller, SCLA, Senior Claims Representative	Joy Theuring, Programmer/Analyst
Robert Misztal, AIC, Claims Specialist	Ryan Thomas, Network Analyst
Randall Mitchell, AIC, Supervisor Casualty Claims	Eric Trass, Senior Loss Control Representative
Laura Mize, Senior Programmer/Analyst	Julie Trudel, Senior Underwriter
Marcia Montaine, Senior Underwriter	Charlotte Tungate, AIC, Manager—Environmental Claims
Christine O’Keefe, AIC, Claims Specialist	Celeste VanHoutte, Senior Loss Control Representative
Andrea Oakes, Claims Specialist	Scott Vest, Claims Specialist
Tom Oeters, Underwriting Specialist	Jack Victory, AIC, Senior Claims Representative
Jim Olney, Senior Machinery & Equipment Representative	Marnel Villaver, Senior Accountant—Support
Valerie Owens, Claims Specialist	Paul Voda, AIC, Field Claims Coordinator
Susan Parker, Claims Specialist	Patti Voegele, Assistant Manager
Jeff Pater, Financial Accountant	Jerry Vondrell, CPCU, AIC, Regional Field Claims Manager
Jon Perkins, AIC, Claims Specialist	Todd Wallrauch, Customer Support Analyst
Bob Proudfoot, State Agent	Dan Walsh, Associate Regional Claims Manager
Michael Puno, FLMI, Senior Programmer	Jane Ward, AIC, Claims Specialist
Rex Pynos, AIC, Senior Claims Specialist	Larry Weary, CPCU, AIC, Field Claims Superintendent
Barb Randolph, Senior Underwriter	James M. Wells, AIC, Senior Claims Specialist
Dan Ratliff, Senior Underwriter	Tina Wessels, AIT, Senior Programmer
Lisa Rausch, Senior Claims Representative	Tracy Westfall, AIC, Senior Claims Specialist
Robert Reafler, Senior Premium Auditor	Bill Whalen, CSP, Machinery & Equipment Specialist
Reed Reamsnyder, Field Claims Superintendent	Dave Whipple, Machinery & Equipment Specialist
Keith Reyer, Claims Specialist	Miriam Williams, Senior Underwriter
Jody Rhude, Regional Director	Mike Wolfer, Underwriting Superintendent
Tim Ritzie, Chief Underwriting Specialist	Tracy Woyat, Programmer
Eric Ross, Machinery & Equipment Specialist	Brad Zimmerman, AIC, Senior Underwriter
Karen Sanders, Senior Business Analyst	

A committee of peers granted the quarterly *Above and Beyond the Call (ABC) Award* to associates Stephanie Bird and Connie Petertonjes, AFSB, RPLU, Staff Underwriting; Kathy Halderman, Word Processing; Pat Hale, Information Technology Support Services; Denise Kovac, Commercial Technical Support; Brad Krekeler, Information Technology Support Services; Sue Reckner, Information Technology P&C Administration; and Jeremy Singer, Actuarial. The ABC Award recognizes exemplary productivity, service and quality.

We reward and encourage associates to meet high academic, length-of-experience and ethical standards qualifying them for professional insurance designations. Congratulations to Robert Crouch, Lynn Dassel, Bill Frietsch, Paul Fulmer, Joe Jacques, Sandi Lautman, Robert Lucas, Michael Meece, Tracy Reese, Walter Sauerwein and Steve Ventre, who completed a series of courses to earn the Charter Property Casualty Underwriter (CPCU) designation; to Ron Bair, who earned the Charter Life Underwriter (CLU) designation; to Matt Sanders, who earned the Fellow Life Management Institute (FLMI) designation; to Robert Kerr, who earned the Chartered Financial Consultant (ChFC) designation; and to Lisa Hall, Steve Spray and Mike Terrell, who earned the Certified Insurance Counselor (CIC) designation.

Our Education & Training Department continues to offer opportunities for growth to our agents and associates. More than 215 agents completed training in our commercial and personal lines schools, agency management and executive liability roundtables, a new producer school, worksite marketing seminar, life product seminar and professional selling skills.

We are now poised to develop and deliver learning and information using online tools. Currently, 646 e-Learning courses are available to all associates. Technology now in the test stage allows us to develop our own courses, electronically track participation and update personnel records.

BALANCE SHEET STRENGTH

At June 30, total assets were \$13.558 billion versus \$13.287 billion at year-end 2000. Shareholders' equity was \$6.012 billion, or a book value of \$37.20 per share, versus \$5.995 billion, or a book value of \$37.26, at December 31, 2000. Shareholders' equity includes \$4.118 billion of unrealized gain in the investment portfolio, versus \$4.156 billion at year-end 2000.

During the first half of 2001, the Company repurchased 456,500 shares of Cincinnati Financial common stock at an average price of \$36.68 per share, bringing the total repurchases since the Board's 1996 authorization to 12.5 million shares.

OUTLOOK

Let me highlight Cincinnati Financial's positive achievements for the first half of 2001: strong property casualty premium growth, improving investment performance and strong book value. With these achievements as a foundation, we are on track to rebuild property casualty profitability over the coming quarters. The local agents who represent us are our biggest advantage and our loyal supporters in this ongoing effort, as shown in a survey published in the July issue of *Crittenden's Insurance Markets Property/Casualty Ratings*, where agents rated Cincinnati as the leading provider of commercial package policies.

Respectfully,

/s/ John J. Schiff, Jr.

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

Cincinnati Financial Corporation offers property and casualty insurance, our 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 provides investment management services to institutions, corporations and individuals. For additional information, please visit our Web site at www.cinfin.com.

This is a "Safe Harbor" statement under the Private Securities Litigation Reform Act of 1995. Certain forward-looking statements contained herein involve risks and uncertainties. Many factors could cause future results to differ materially from those discussed. Examples of such factors include: variation in catastrophe losses due to changes in weather patterns or other natural causes; changes in insurance regulations, legislation or court decisions that place the Company at a disadvantage in the marketplace; recession, economic conditions or stock market changes affecting pricing or demand for insurance products or the Company's ability to generate investment income; and the ability of the Company, suppliers and agency representatives to adapt to technology changes. Growth and profitability have been and may be potentially materially affected by these and other factors.

Automatic, Secure, Quick Access to Your Dividends

We are pleased to offer Dividend Direct Deposit for your quarterly cash dividends. This program 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 you with immediate availability of your funds and minimizes the risk of your payments being lost or stolen.

How it works to benefit you!

On dividend 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 statement from your financial institution.

Sign up today

To participate in the Dividend Direct Deposit program, 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

Cincinnati Financial Corporation also offers a Dividend Reinvestment Plan, which would allow you to invest your cash dividend immediately in additional shares of Cincinnati Financial stock. If you would prefer Dividend Reinvestment over Dividend Direct Deposit, do not complete this form. Instead, send your request for enrollment information to Shareholder Services, P.O. Box 145496, Cincinnati, OH 45250-5496; or call 513/870-2639.

Dividend Direct Deposit Authorization Form

Please complete a separate form for each shareholder account. This form may be photocopied.

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. Mail to Shareholder Services, P.O. Box 145496, Cincinnati, OH 45250-5496.

- 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 Number () 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.

AC-1096 (5/97)



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