



Cincinnati Financial Corporation

The Cincinnati Experience

February 2008

In 2008, we are offering shareholders the same types of information about our company as in prior years, but on a different schedule. As each item is published, it appears online in an integrated annual report format. Many items will be available to you earlier than you received them in the past, because you no longer have to wait until all sections of our annual report are printed. Items available now are titled in color, and those coming soon are titled in gray.

About the Company

Cincinnati Financial meets the needs of agencies and policyholders through our insurance group and three complementary subsidiaries:

The Cincinnati Insurance Company leads our A++ A.M. Best-rated standard market property casualty insurance group, which includes **The Cincinnati Casualty Company** and **The Cincinnati Indemnity Company**. This group markets a broad range of business, homeowner and auto policies through our select group of local independent insurance agencies in 34 states. These companies support each agency's ability to provide exceptional value and service to the people and businesses in its community. Our local field representatives work out of their homes, customizing products to meet policyholder needs, responding personally and promptly to claims and strengthening relationships.

Two other subsidiaries of The Cincinnati Insurance Company also market insurance products. **The Cincinnati Life Insurance Company**, rated A+ by A.M. Best, markets life insurance policies, disability income policies and annuities. **The Cincinnati Specialty Underwriters Insurance Company**, rated A by A.M. Best, began offering excess and surplus lines insurance products in 2008.

Three subsidiaries of Cincinnati Financial support our insurance operations. **CSU Producer Resources Inc.**, offers insurance brokerage services to our independent agencies to support their access to Cincinnati Specialty Underwriters. **CFC Investment Company** offers commercial leasing and financing services to our agents and their clients. **CinFin Capital Management Company** provides asset management services to institutions, corporations and individuals.

2007 Fourth-quarter and Full-year Letter to Shareholders – mid-February 2008

This message from our chairman and our president includes recent news releases about financial results announced February 6 and actions taken by the board of directors at its February 1 meeting. *The Cincinnati Experience*, a profile of our operating philosophy, accompanies this letter.

The Cincinnati Experience – mid-February 2008

The Cincinnati Insurance Company, Cincinnati Financial Corporation's lead subsidiary, ranks among the top 25 U.S. property casualty insurer groups based on net written premiums. In *The Cincinnati Experience*, you'll read about how our relationship-based approach creates value and loyalty, supporting premium growth.

2007 Annual Report on Form 10-K – late-February 2008

The *Annual Report on Form 10-K* is a detailed document published by every publicly traded company as required by the U.S. Securities and Exchange Commission. In our report, we describe your company's operations, its results and trends, along with supporting data, discussions, audited financial statements and accompanying notes.

2008 Shareholder Meeting Notice and Proxy Statement – mid-March 2008

This statement informs you of items requiring shareholder action at the 2008 Annual Meeting of Shareholders on May 3, 2008. It identifies board members, detailing director and executive officer compensation and board activities. Notice cards, mailed in March, tell how to easily obtain the *Proxy Statement* and vote.

Chairman and President's Letter – late-March 2008

Accompanying the Proxy Statement are the 2007 condensed balance sheets and income statements, six years of financial data and an annual message from our chairman and our president. Their letter presents management's perspectives on your company's 2007 performance and trends that may affect performance in 2008 and beyond.

First-quarter 2008 Letter to Shareholders – mid-May 2008

This message from our chairman and our president includes recent news releases about financial results announced April 30, results of shareholder votes at the 2008 Annual Meeting of Shareholders and actions of the board at its May meeting. For additional details, see our *Quarterly Report on Form 10-Q*, filed with the SEC by May 12, 2008.

Second-quarter 2008 Letter to Shareholders – mid-August 2008

This message from our chairman and our president includes our August 6 news release with financial results. For additional details, see our *Quarterly Report on Form 10-Q*, filed with the SEC by August 11, 2008.

Third-quarter 2008 Letter to Shareholders – mid-November 2008

This message from our chairman and our president includes our October 29 news release with financial results. For additional details, see our *Quarterly Report on Form 10-Q*, filed with the SEC by November 10, 2008.

To Our Shareholders:

Property casualty insurance is your company's main business. Our distinctive approaches to underwriting and investing have made it a consistently profitable business for Cincinnati Financial Corporation and produced steadily increasing dividends for you, our shareholders.

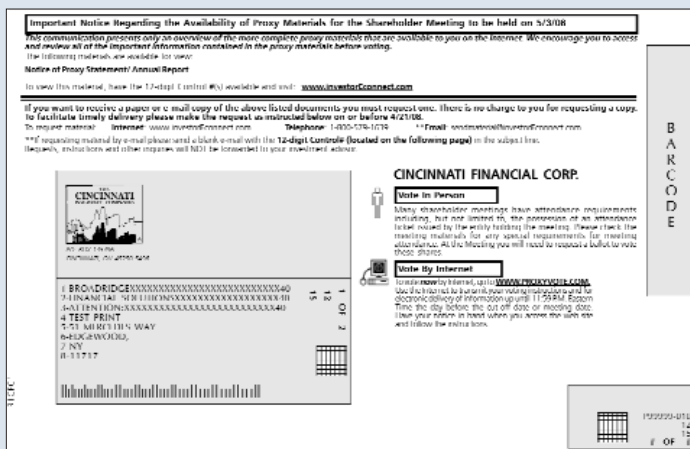
We are one of more than 2,000 U.S. stock and mutual insurer groups that offer individuals and businesses various types of property and casualty coverages. That number makes for a truly competitive marketplace. Competition has been intensifying due to cyclical pressure in our industry, leaving every insurer scrambling for ways to grow in a lower-pricing environment. Broader financial and economic trends also suggest that near-term opportunities may shrink for companies in our industry.

We see the challenges. Yet we believe the operating philosophy your company has in place will continue to be effective now, as in the past. That philosophy determines and

directs the responses and initiatives that help us stand out in any environment or any part of an economic or industry cycle.

Through The Cincinnati Insurance Company and its local independent agent representatives, your company has become one of the 25 largest, based on

Notice Card



Notice cards mailed by March 24 tell how to easily obtain the *Proxy Statement* and vote online, by phone or through the mail. In early April, a second Notice mailing includes a proxy card to simplify voting by mail.

premium volume, among the 2,000 insurer groups. We have successfully responded to our customers' needs, and we have worked to earn their business. By identifying and

deepening the strategic commitments that allowed us to achieve that rank, we can find opportunities to grow and prosper in any environment.

You'll read more about the philosophy behind those commitments in the following pages. In summary, that philosophy leads us to differentiate ourselves by helping agents and policyholders experience relationships based on knowledge and trust – not mere transactions.

The same principle applies to shareholder relationships. We're pleased with new regulations that allow us to post online rather than mail thousands of bulky paper documents, including the full Annual Report on Form 10-K. However, our pleasure goes beyond the potential to reduce costs and environmental impacts. The real benefit is that we can reallocate some effort and savings to mailing several smaller, more digestible messages to you in 2008, giving you an easier way to gain insight into your company and consider how we can prosper together in the future.

Respectfully,

/S/ John J. Schiff, Jr.

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

/S/ James E. Benoski

James E. Benoski
Vice Chairman, President,
Chief Operating Officer
and Chief Insurance Officer

The Cincinnati Experience

Cincinnati Financial Corporation recently reached a new milestone when we began writing excess and surplus lines insurance through two new companies, The Cincinnati Specialty Underwriters Insurance Company and CSU Producer Resources Inc. Donald J. Doyle, Jr., CPCU, AIM, senior vice president leading our new E&S operations, notes, “We tell our independent agents that CSU’s mission is ‘bringing the *Cincinnati experience* to your E&S clients.’ Their response is immediate and positive. Our agents welcome Cincinnati’s relationship-based approach, appropriately applied to aspects of this new venture.”

What is this Cincinnati experience? How does it build the strong relationships that open the door to new opportunities, taking us forward to find new solutions and create more value? Here, some company associates and leaders share their perspectives on how we make the Cincinnati experience special for agents and policyholders:

“Our research and planning activities affirm our shared belief that partnering with independent agencies is the best way to sell insurance. Our company’s founding



principle is to be a primary contributor to the success of each agency, regardless of size, location, ownership or length of time appointed. Our strategic plan keeps that principle at the center of our agents’ experience – past, present and future. We listen and act, adapt and improve, in response to these customers. We’ve grown and will continue to grow by meeting their needs for local field representatives to serve their clients; by helping train their new staff members; by deploying Web-based services to support their agency efficiency; and by improving our own internal efficiency and service standards.”

–Teresa C. Cracas, Counsel and Vice President, Planning & Risk Management

“Our company and each subsidiary emphasize strong capitalization, low debt leverage, adequate reserves and appropriate reinsurance programs. That’s how we build strength, stability and flexibility over the long term. Agents and policyholders experience our strength when they seek an insurer with outstanding ratings from A.M. Best, Fitch, Moody’s and

Standard & Poor's. They experience our stability when we are able to avoid pricing extremes and keep coverage available when the market is disrupted for classes or lines of business. And they experience flexibility when we are able to meet their changing needs by making forward-looking investments in new products, technology or infrastructure."

–David T. Groff, FCAS, MAAA, CPCU, Vice President, Staff Underwriting

“Agencies that receive Cincinnati appointments are the select few – top-notch professional organizations with a strong community presence, sales culture and solid financials. To become and stay their carrier of choice, we structure our field staff to complement the strengths of our agents as knowledgeable, responsive and trusted advisors. Field



team members are local, working out of their homes in the agencies' communities. They bring our company into our agents' offices with local decision-making authority. Agents can quickly enlist their field marketing representative to help present an insurance program to their prospect. They can reach their field claims representative to guide emergency repairs, or call on their loss control or premium audit representatives to provide client services. The team delivers on the promises agents make to their clients, and we grow together."

–William M. Clevidence, CIC, Secretary, Sales & Marketing

“Agents want the Cincinnati claims experience for their valued clients, including the businesses and people who are centers of influence in their communities. Our claims service is different. It starts with the way we assign our multi-line claims representatives – to specific agencies, rather than to types of claims. When a policyholder or claimant reports a loss, the agent knows and trusts the local claims representative who will respond. Our representatives make personal contact in most cases within 24 hours, inspect damage, review the policy to find coverage for the claim and provide service with a human touch. They have the authority and

technology to write most checks on the spot. The result is claims service that sells insurance.”

–Charles P. Stoneburner II, CPCU, AIM, Senior Vice President, Field Claims

“As Cincinnati introduces or improves our automation, we preserve and support the agency’s client relationships, choice and control. Technology tools free our agents and associates to do what they do best – sales and service. Our major systems present options that respect agency differences, so agents can experience efficiency gains while managing their client relationships and interactions the way they prefer. Our priorities mirror those of the agencies: we streamline processing and share data between their systems and ours. We mutually benefit from improved data quality, which supports a deeper understanding of the book of business and ensures the right rates, terms and conditions for our products.”

–Robyn C. Muhlberg, Vice President, Information Technology

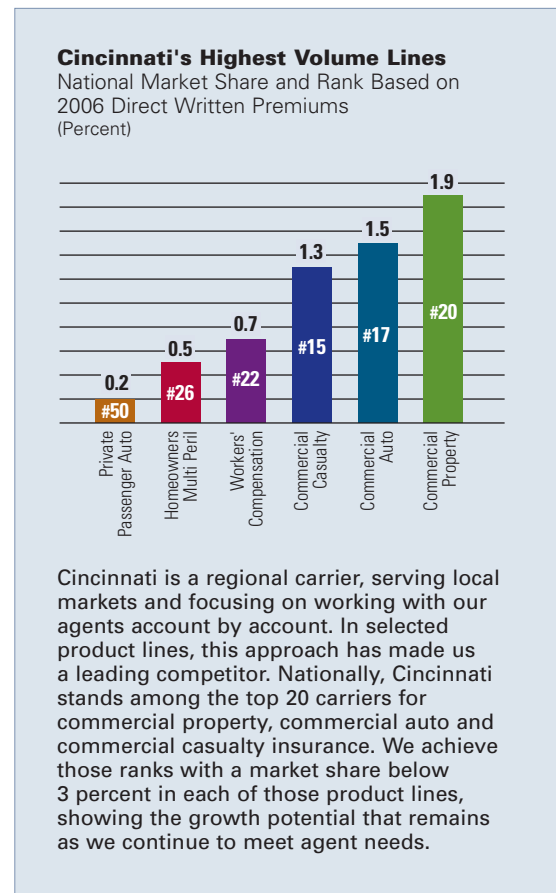
“Policyholders and agents benefit from an underwriting approach that encourages loyalty. They renew more than 90 percent of our expiring policies eligible for renewal. They experience our willingness to write many commercial coverages over a multi-year policy term with pricing that stays the same for the same exposure. In addition to price stability, availability of these



multi-year terms and policy term extensions save everyone from annual paperwork and expenses. We’re also willing to cover our agents’ best-of-class accounts with few exceptions, using versatile products to protect a wide variety of businesses, even as they grow and change. Our underwriters and agents have the skill to tailor comprehensive business insurance packages.

When a loss happens, policyholders are glad their package comes from one agent and one carrier, so it’s clear who will respond.”

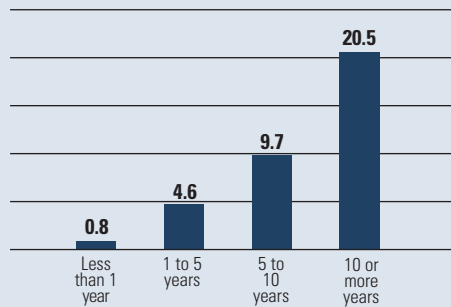
–Stephen A. Ventre, CPCU, Vice President, Commercial Lines



“Our commitment to personal lines grows from a conviction that insurance is first and foremost a people business. We believe our agents’ home and auto insurance clients deserve a Cincinnati experience with comparable value to the experience of business insurance clients. In fact, a policyholder’s experience with our home or auto policy and service often leads to the decision to become our business policyholder, and vice versa. The same Cincinnati claims representative responds to business and personal claims. The same attention applies to service and product quality, tailored insurance packages and processing systems and efficiencies. We also recognize that different trends and events affect the personal and commercial lines marketplaces to different degrees. Marketing both business and personal insurance can help stabilize the overall book of business.”

–John C. DuBois, Assistant Vice President, Personal Lines

Cincinnati Market Share Within Reporting Agency Location
Based on 2006 Direct Written Premiums (Percent)



As agents learn about Cincinnati, they develop an appreciation for our approach and reward us with a steadily increasing share of their business. We rank No. 1 or No. 2, based on premium volume, in 75 percent of the reporting agency locations that we have served for more than five years. Cincinnati has tremendous potential in the 283 reporting agency locations that have marketed our products for less than five years, even as we continue to grow with the 1,044 more established reporting locations.

“Cincinnati’s property casualty agencies have easy access to Cincinnati Life products. Our agents can count on Cincinnati Life to help protect their clients’ families, their businesses and their futures. We are a resource for agents whose valuable business clients may need insurance to fund business perpetuation or key employee replacement or who want to offer voluntary benefits to employees. Our term, whole life, universal life and disability income policies and annuities flexibly meet individual and business policyholders’ needs. With the professional advice of our agents, policyholders can select optional features like the accelerated benefit rider. It provides early benefits to terminally ill policyholders, helping preserve their dignity and choices in the last months of life.”

*–Ann S. Binzer, FLHC, CLU, ChFC, FALU, FLMI, Secretary,
The Cincinnati Life Insurance Company*

“Cincinnati has never had to sell an investment security to pay a claim.

Policyholders, agents, associates and shareholders expect and receive consistent, predictable

performance. We manage insurance operations to achieve a profit, paying all claims and expenses from cash flow. After we buy bonds to cover our insurance

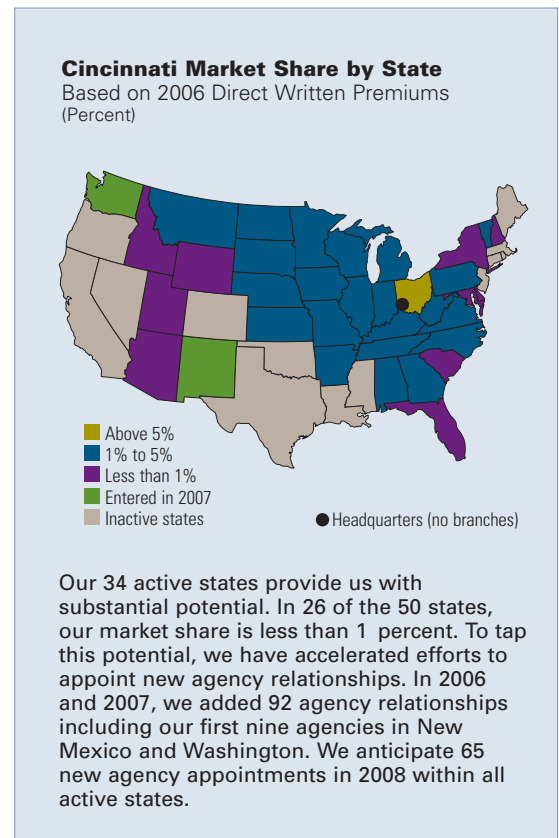


liabilities, we invest in equities. The equities we select and hold offer a current stream of dividends, plus the potential for asset appreciation farther along the horizon. Although financial stocks are a good fit, like any other sector, they periodically fall out of favor. We believe careful selection

and monitoring of well-managed companies, rather than market timing, leads to higher ultimate returns. This strategy helps us pay steadily increasing dividends to our shareholders. At the insurance company level, it protects policyholders by contributing to strong surplus positions.”

–Martin F. Hollenbeck, CFA, CPCU, Vice President, Investments

We make deliberate choices about the quality experience we provide for agents and policyholders. Those experiences create strong relationships that differentiate your company, giving us a superior ability to prosper in any environment. Relationships are the centerpiece of our strategies as we move into 2008 and beyond, finding new solutions and creating long-term value for our shareholders, agents and associates.



Shareholders can experience Cincinnati and support your company's goals by giving us the opportunity to serve your insurance needs. Local independent insurance agencies offer our business policies in 34 states, our personal auto policies in 22 states, homeowner policies in 25 states and life insurance in 49 states. To check availability in your area, please select [Find An Agent](#) on www.cinfin.com or call us at 1-800-769-0548.

Condensed Balance Sheets and Income Statements

Cincinnati Financial Corporation and Subsidiaries

(Dollars in millions)

| | At December 31, | |
|--|---------------------|------------------|
| | 2007 (unaudited) | 2006 |
| Assets | | |
| Investments | \$ 12,261 | \$ 13,759 |
| Cash and cash equivalents | 226 | 202 |
| Premiums receivable | 1,107 | 1,128 |
| Reinsurance receivable | 754 | 683 |
| Other assets | 2,289 | 1,450 |
| Total assets | <u>\$ 16,637</u> | <u>\$ 17,222</u> |
| Liabilities | | |
| Insurance reserves | \$ 5,445 | \$ 5,305 |
| Unearned premiums | 1,564 | 1,579 |
| Deferred income tax | 977 | 1,653 |
| 6.125% senior notes due 2034 | 371 | 371 |
| 6.9% senior debentures due 2028 | 28 | 28 |
| 6.92% senior debentures due 2028 | 392 | 392 |
| Other liabilities | 1,931 | 1,086 |
| Total liabilities | <u>10,708</u> | <u>10,414</u> |
| Shareholders' Equity | | |
| Common stock and paid-in capital | 1,442 | 1,406 |
| Retained earnings | 3,404 | 2,786 |
| Accumulated other comprehensive income | 2,151 | 3,379 |
| Treasury stock | (1,068) | (763) |
| Total shareholders' equity | <u>5,929</u> | <u>6,808</u> |
| Total liabilities and shareholders' equity | <u>\$ 16,637</u> | <u>\$ 17,222</u> |

(Dollars in millions except per share data)

| | Years ended December 31, | | |
|--|--------------------------|---------------|---------------|
| | 2007 (unaudited) | 2006 | 2005 |
| Revenues | | | |
| Earned premiums | \$ 3,250 | \$ 3,270 | \$ 3,153 |
| Investment income, net of expenses | 608 | 570 | 526 |
| Realized investment gains and losses | 382 | 684 | 61 |
| Other income | 19 | 18 | 16 |
| Total revenues | <u>4,259</u> | <u>4,542</u> | <u>3,756</u> |
| Benefits and Expenses | | | |
| Insurance losses and policyholder benefits | 1,963 | 2,128 | 1,911 |
| Commissions | 624 | 622 | 616 |
| Other operating expenses | 480 | 463 | 406 |
| Total benefits and expenses | <u>3,067</u> | <u>3,213</u> | <u>2,933</u> |
| Income Before Income Taxes | 1,192 | 1,329 | 823 |
| Provision for Income Taxes | 337 | 399 | 221 |
| Net Income | <u>\$ 855</u> | <u>\$ 930</u> | <u>\$ 602</u> |
| Per Common Share | | | |
| Net income—basic | \$ 5.01 | \$ 5.36 | \$ 3.44 |
| Net income—diluted | \$ 4.97 | \$ 5.30 | \$ 3.40 |

Safe Harbor

This is our “Safe Harbor” statement under the Private Securities Litigation Reform Act of 1995. Our business is subject to certain risks and uncertainties that may cause actual results to differ materially from those suggested by the forward-looking statements in this report. Some of those risks and uncertainties are discussed in our 2006 Annual Report on Form 10-K, Item 1A, Risk Factors, Page 20. Although we often review or update our forward-looking statements when events warrant, we caution our readers that we undertake no obligation to do so. Factors that could cause or contribute to such differences include, but are not limited to:

- Unusually high levels of catastrophe losses due to risk concentrations, changes in weather patterns, environmental events, terrorism incidents or other causes
 - Increased frequency and/or severity of claims
 - Inaccurate estimates or assumptions used for critical accounting estimates
 - Events or actions, including unauthorized intentional circumvention of controls, that reduce the company's future ability to maintain effective internal control over financial reporting under the Sarbanes-Oxley Act of 2002
 - Changing consumer buying habits and consolidation of independent insurance agencies that could alter our competitive advantages
 - 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, particularly claims service, is no longer a distinguishing characteristic in the marketplace
 - Sustained decline in overall stock market values negatively affecting the company's equity portfolio and book value; in particular a sustained decline in the market value of Fifth Third shares, a significant equity holding
 - Securities laws that could limit the manner and timing of our investment transactions
 - Recession or other economic conditions or regulatory, accounting or tax changes resulting in lower demand for insurance products
 - Events, such as the sub-prime mortgage lending crisis, that lead to a significant decline in the value of a particular security or group of securities, such as our financial sector holdings, and impairment of the asset(s)
 - Prolonged low interest rate environment or other factors that limit the company's ability to generate growth in investment income or interest-rate fluctuations that result in declining values of fixed-maturity investments
 - Delays or inadequacies in the development, implementation, performance and benefits of technology projects and enhancements
 - Ability to obtain adequate reinsurance on acceptable terms, amount of reinsurance purchased, financial strength of reinsurers and the potential for non-payment or delay in payment by reinsurers
 - Increased competition that could result in a significant reduction in the company's premium growth rate
 - Underwriting and pricing methods adopted by competitors that could allow them to identify and flexibly price risks, which could decrease our competitive advantages
 - Personal lines pricing and loss trends that lead management to conclude that this segment could not attain sustainable profitability, which could prevent the capitalization of policy acquisition costs
 - Actions of insurance departments, state attorneys general or other regulatory agencies that:
 - Restrict our ability to exit or reduce writings of unprofitable coverages or lines of business
 - Place the insurance industry under greater regulatory scrutiny or result in new statutes, rules and regulations
 - Increase our expenses
 - Add assessments for guaranty funds, other insurance related assessments or mandatory reinsurance arrangements; or that impair our ability to recover such assessments through future surcharges or other rate changes
 - Limit our ability to set fair, adequate and reasonable rates
 - Place us at a disadvantage in the marketplace or
 - Restrict our ability to execute our business model, including the way we compensate agents
 - Adverse outcomes from litigation or administrative proceedings
 - Investment activities or market value fluctuations that trigger restrictions applicable to the parent company under the Investment Company Act of 1940
 - Events, such as an epidemic, natural catastrophe, terrorism or construction delays, that could hamper our ability to assemble our workforce at our headquarters location
- 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.

Shareholder Information

Cincinnati Financial Corporation had approximately 12,000 shareholders of record and approximately 46,000 beneficial shareholders as of December 31, 2007. Many of the company's independent agent representatives and most of the 4,087 associates of its subsidiaries own the company's common stock.

Common Stock Price and Dividend Data

Common shares are traded under the symbol CINF on the NASDAQ Global Select Market.

| Quarter: | 2007 | | | | 2006 | | | |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 1 st | 2 nd | 3 rd | 4 th | 1 st | 2 nd | 3 rd | 4 th |
| High | \$ 45.92 | \$ 47.62 | \$ 44.79 | \$ 44.84 | \$ 45.56 | \$ 47.01 | \$ 48.44 | \$ 49.07 |
| Low | 42.24 | 42.57 | 36.91 | 38.37 | 42.07 | 41.43 | 45.93 | 44.25 |
| Period-end close | 42.40 | 43.40 | 43.31 | 39.54 | 42.07 | 47.01 | 48.12 | 45.31 |
| Cash dividends declared | 0.355 | 0.355 | 0.355 | 0.355 | 0.335 | 0.335 | 0.335 | 0.335 |

Annual Meeting

Shareholders are invited to attend the Annual Meeting of Shareholders of Cincinnati Financial Corporation at 9:30 a.m. on Saturday, May 3, 2008, at the Cincinnati Art Museum in Eden Park, Cincinnati, Ohio. You may listen to an audio webcast of the event by visiting the Investors section of the company's Web site, www.cinfin.com.

Independent Registered Public Accounting Firm

Deloitte & Touche LLP
250 East Fifth Street
Cincinnati, Ohio 45202-5109

Contact Information

Communications directed to the company's secretary, Kenneth W. Stecher, chief financial officer and executive vice president, are shared with the appropriate individual(s). Or, you may directly access services:

Investors: Investor Relations responds to investor inquiries about Cincinnati Financial Corporation and its performance.

Heather J. Wietzel – Vice President, Investor Relations
513-870-2768 or investor_inquiries@cinfin.com

Shareholders: Shareholder Services provides stock transfer services, fulfills requests for shareholder materials and assists registered shareholders who wish to update account information or enroll in shareholder plans.

Jerry L. Litton – Assistant Vice President, Shareholder Services
513-870-2639 or shareholder_inquiries@cinfin.com

Media: Corporate Communications assists media representatives seeking information or comment from Cincinnati Financial Corporation or its subsidiaries.

Joan O. Shevchik, CPCU, CLU – Senior Vice President, Corporate Communications
513-603-5323 or media_inquiries@cinfin.com

Cincinnati Financial Corporation

The Cincinnati Insurance Company
The Cincinnati Casualty Company
The Cincinnati Indemnity Company
The Cincinnati Specialty Underwriters Insurance Company

The Cincinnati Life Insurance Company
CSU Producer Resources Inc.
CFC Investment Company
CinFin Capital Management Company

Mailing Address:

P.O. Box 145496
Cincinnati, Ohio 45250-5496

Phone: 513-870-2000

Fax: 513-870-2066

www.cinfin.com

Street Address:

6200 South Gilmore Road
Fairfield, Ohio 45014-5141