THE CINCINNATI INSURANCE COMPANIES ®

CINCINNATI FINANCIAL CORPORATION

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August 18, 2005

TO OUR SHAREHOLDERS, ASSOCIATES AND FRIENDS:

Key measures of your company's progress pointed clearly in the right direction for the second quarter and first half of this year. Our August 4 announcement of those results begins on Page 3.

It's a privilege to share the good news about our results with you – but I also want to talk about your company's response to marketplace conditions that are not as positive. Our industry has put underwriting losses behind it over the past couple of years, restoring many carriers' capacity and desire to grow. Price competition has intensified for most commercial lines of business insurance, and we really have to be on our toes to protect good accounts from capable competitors. With commercial lines representing slightly more than 70 percent of your company's premiums, these conditions will make it tough to grow. And in personal lines, our written premiums declined slightly in the first half of 2005, reflecting our focus on improving profitability and rates that were simply too high in some territories.

Yet your company's commercial lines written premiums have risen 4.5 percent this year on an adjusted basis. That's ahead of the commercial lines marketplace, for which some analysts are forecasting a premium decline for full-year 2005. Further, we believe we can maintain industry-leading profitability while continuing to grow our entire property casualty area faster than the industry. What gives us that confidence?

There are tremendous opportunities within our growing agency force. In this market, our dedication to long-term relationships and service gives us a head start, as we redouble efforts to position Cincinnati as the agents' carrier of choice for good business. You'll read in the following pages about our programs to improve service to agencies by subdividing territories. Associates beyond the actual marketing department know that their actions also win or lose accounts, and each Cincinnati associate can contribute to premium growth.

- Professional and responsive claims representatives earn the loyalty of current policyholders and win new ones. These representatives continue to be our best advertising program, referring to our local agents satisfied claimants – including those who are not our policyholders.
- Loss control specialists work with field representatives before and after the sale. While loss control can be strictly an underwriting adjunct, ours works consultatively with businesses to promote safety.
- Underwriters bring in additional premium through their ongoing efforts to accurately measure exposures, verify that the policyholder has appropriate limits and charge premiums reflecting those true values.
- Premium audit associates generate premiums by tracking changes in policyholder payroll and inventory values. These associates have taken their efforts to new levels in response to the healthy economy and strong growth of the high-quality businesses our agents select for Cincinnati policies, recording almost $4 million more in premiums in the first six months of 2005 than in the same period last year.

Responsiveness is a habit, and your company's almost 4,000 associates have patiently cultivated it over years as a business strategy. They are outstanding.

The steadily increasing dividends you enjoy as shareholders reflect our confidence in this strategy. Cincinnati Financial's track record as a Mergent's Dividend Achiever was highlighted in "High Marks," Research magazine (July 2005). We are in the top 3 percent of more than 10,000 dividend paying stocks based on our record of 45 years of consecutive increases in your payout. We take a long-term view in all we do. That's a commitment we make to shareholders, agents, policyholders and associates.

Respectfully,

/S/ John J. Schiff, Jr.

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

Recent News Releases

Delaware Agency Appointed to Represent The Cincinnati Insurance Company

- *32nd state of operations for regional insurer*
- *Additional agencies to be appointed in Maryland/Delaware marketing territory*

Cincinnati, June 2, 2005 – Cincinnati Financial Corporation (Nasdaq: CINF) announced that The Cincinnati Insurance Companies launched operations in Delaware on June 1 with the appointment of the first independent agency from that state. L&W Insurance, Inc. has been selected to bring Cincinnati's property casualty insurance products to business customers in the Dover area. Cincinnati Insurance executives met at the company's headquarters with William J. Strickland, president of L&W Insurance, to initiate the relationship.

Senior Vice President of Sales & Marketing J.F. Scherer commented, "Our Wilmington, Delaware-based field marketing representative, Carla Nienhuis, is working to open the new marketing territory serving Delaware and parts of Maryland. She is screening interested agencies to select those with the highest professional standards, compatible philosophies and formal marketing plans. In Maryland, agency direct written premiums have grown to $34 million in 2004, just 10 years after we appointed the first Maryland agency. By staffing a second Maryland territory that includes Delaware agencies, we can offer outstanding service and new business support."

Fortune (April 18, 2005) ranked Cincinnati among the top 20 publicly traded property and casualty insurers, with total 2004 revenues of $3.614 billion. Operations began in Ohio in 1950 and now extend to 32 states, primarily in the Midwest and South. The company's strong relationship with its 994 agencies generally results in Cincinnati becoming a lead carrier for each new agency within a few years.

Scherer commented, "As we expand geographically, we carefully research regulatory and market conditions. But our consistently strong performance through all kinds of markets is due first and foremost to the depth of our relationship and service commitment to local independent agents. We plan a great partnership with L&W Insurance. Together, we'll expand the choices available to quality-minded business insurance customers in their community."

Cincinnati Financial Subsidiaries Earn A.M. Best's A++ (Superior) Financial Strength Ratings

- *Best affirms top rating of A++ (Superior) for property casualty group*
- *Best affirms A+ (Superior) for Cincinnati Life*
- *Best assigns and affirms corporate debt ratings; assigns issuer credit ratings for corporation and subsidiaries*

Cincinnati, June 15, 2005—Cincinnati Financial Corporation (Nasdaq: CINF) announced that A.M. Best Co. this week affirmed its insurance subsidiaries' financial strength ratings with stable outlooks. Best affirmed its highest A++ (Superior) financial strength rating for The Cincinnati Insurance Companies property casualty group and its A+ (Superior) rating for The Cincinnati Life Insurance Company. About 9 percent of insurer groups receive ratings in the Superior category, and less than 2 percent receive the highest rating, A++.

In other action, Best:

- affirmed Cincinnati Financial's debt rating of "aa-"on the company's 6.125% senior notes due 2034
- assigned a senior debt rating of "aa-" to the company's newly issued 6.92% senior debentures that were offered in exchange for the outstanding 6.90% senior debentures due 2028
- assigned issuer credit ratings of "aa-" to Cincinnati Financial Corporation, "aaa" to The Cincinnati Insurance Companies and "aa-" to The Cincinnati Life Insurance Company

In affirming the property casualty group's insurer financial strength ratings, Best cited superior risk-based capitalization, very strong operating performance and a successful business position developed through building a network of independent agents to market Cincinnati's packaged policies in selected states. Best also noted Cincinnati's very strong overall underwriting results with a 2004 statutory combined ratio of 89.4 percent.

"Independent insurance agents and their quality-conscious clients look for strong insurers to protect their assets. Cincinnati Insurance competes effectively by maintaining superior claims-paying ability and by responding to property casualty claims promptly and in person," said John J. Schiff Jr., CPCU, chairman and chief executive officer of Cincinnati Financial Corporation and The Cincinnati Insurance Companies.

Best said it expects Cincinnati's overall operating results and capitalization will remain strong in the near term.

Cincinnati Financial Net Income Up 1.6% and Operating Income* Gains 25.4% for Second-quarter 2005

Cincinnati, August 4, 2005 – Cincinnati Financial Corporation (Nasdaq: CINF) today reported for the second quarter and first six months of 2005:

Financial Highlights*

(Dollars in millions except share data)	Three months ended June 30,			Six months ended June 30,		
	2005	2004	Change %	**2005**	2004 **	Change %
Revenue Highlights						
Earned premiums	**$ 794**	$ 744	6.7	**$ 1,571**	$ 1,484	5.8
Investment income	**129**	121	7.3	**256**	241	6.5
Total revenues	**940**	923	1.9	**1,856**	1,793	3.5
Income Statement Data						
Net income	**$ 158**	$ 155	1.6	**$ 302**	$ 301	0.2
Net realized investment gains and losses	**8**	36	(77.3)	**14**	40	(65.2)
Operating income*	**$ 150**	$ 119	25.4	**$ 288**	$ 261	10.4
Per Share Data (diluted) * **						
Net income	**$ 0.89**	$ 0.87	2.3	**$ 1.70**	$ 1.69	0.6
Net realized investment gains and losses	**0.05**	0.20	(75.0)	**0.08**	0.23	(65.2)
Operating income*	**$ 0.84**	$ 0.67	25.4	**$ 1.62**	$ 1.46	11.0
Cash dividend declared	**$ 0.305**	$ 0.26	16.4	**$ 0.595**	$ 0.51	16.7
Book value	—	—		**$ 35.08**	$ 34.54	1.6
Average shares outstanding	**177,097,493**	178,684,929	(0.9)	**177,451,366**	178,658,935	(0.7)

Corporate Highlights

- Six-month net income unchanged on lower realized gains; operating income rises 10.4 percent to record six-month high on strong property casualty insurance profitability and higher investment income.
- Pretax investment income growth accelerating, with full-year growth now expected to be in line with 6.5 percent year-to-date increase.
- Book value rises from first quarter but remained below year-end 2004 level on lower unrealized gains.
- Average shares outstanding down 1.2 million for six months. Second-quarter repurchases totaled 850,000 shares at a cost of $34 million.

Insurance Operations Highlights

- Agent-centered business strategy led to 2.6 percent increase in six-month adjusted net written premiums* for the property casualty operations. Commercial lines adjusted net written premiums* rose 4.5 percent.
- 88.2 percent GAAP combined ratio for first six months reflected continued strong commercial lines underwriting results, improved personal lines performance and unusually low catastrophe losses.
- Property casualty underwriting profit reached $179 million compared with $150 million a year ago.
- 2005 outlook remains positive, anticipating low single-digit written premium growth and GAAP combined ratio at or below 93 percent.
- Life insurance segment contributed 13 cents to six-month results, up from 10 cents a year ago.

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** Six-month 2004 income included a benefit of $21 million, or 11 cents per share, after tax, and GAAP combined ratio included a benefit of 2.2 percentage points from the release of reserves for uninsured/underinsured motorist (UM/UIM) losses.

*** Per share amounts for all periods have been adjusted for the 5 percent stock dividend paid April 26, 2005.

Marketplace Position

"An unusually low level of catastrophe losses, continued strong performance from our commercial lines insurance operations, improved personal lines insurance profitability and higher investment income all contributed to the second-quarter and six-month results," commented Chairman and Chief Executive Officer John J. Schiff, Jr., CPCU.

"Across our commercial lines market areas, we are seeing everything from modest increases to modest declines in renewal pricing, before any changes in an account's exposures. Account quality, class of business, size of account, location and the specific local market competition all are affecting pricing levels. Agents indicate that commercial policyholders continue to respond favorably to our value proposition – customized coverage packages, personal claims service and high financial strength ratings – all wrapped up in a convenient three-year commercial policy."

Schiff added, "In June, we appointed our first agency in Delaware, the company's 32nd state of operation and its first new active state since 2000. The expansion was accomplished by staffing a second Maryland territory that includes Delaware agencies. In addition, field territories in Birmingham, Alabama; South Central Indiana; and Chicago were subdivided and staffed in the first half of 2005. Plans to subdivide territories in upstate New York; Chattanooga and Nashville, Tennessee; and Utah will bring us to 100 field marketing territories by year-end 2005.

"The higher level of service provided in subdivided territories helps Cincinnati field representatives earn business from the independent agencies that currently represent the company. Smaller territories also allow the appointment of additional, high-caliber agencies in markets where there may be untapped opportunities to attract new policyholders. In total, we appointed 22 new agencies during the first half of 2005 as part of our program to appoint 100 new agencies in 2005 and 2006. This brought the total number of agencies to 995 across 96 territories at quarter-end."

Schiff commented, "As the improving 2005 personal lines underwriting results indicates, we are making some progress toward returning personal lines to full-year profitability. Still, we remained concerned about the lower business retention and new business activity. We have made territory-by-territory refinements to our rates and premium credits effective September. These changes better position our agents to sell the value of our homeowner-auto package, superior claims service and financial strength."

Looking Ahead

Schiff noted, "Our 2005 outlook remains favorable. We continue to look for property casualty written premium growth in the low single digits based on market intelligence from insurance agents and field marketing representatives, production results for agencies and policy retention trends. We also see the combined ratio at or below 93 percent, assuming catastrophe losses contribute approximately 3.5 percentage points to the combined ratio.

"Through the first six months of 2005, catastrophe losses contributed an unusually low 1.1 percentage points to the overall property casualty combined ratio of 88.2 percent. Typically, the most severe weather-related catastrophe events, particularly hurricanes, occur in the third quarter. We will review our 2005 combined ratio targets when the third quarter is complete and we have more details on actual catastrophe losses. During July 2005, Hurricane Dennis affected our policyholders in Alabama, Florida, Georgia and Mississippi. We currently estimate losses in the range of $11 million from this event, which will be included in results for the third quarter.

"Investment income continues to benefit from the allocation of new investment dollars to fixed-income securities. We now believe growth for the full year will be in line with the 6.5 percent increase in the first half of 2005," Schiff noted. "During the first half, we did not resume allocating a portion of cash flow to equity investing, as we had anticipated. Over the longer term, investing in common stocks helps us achieve our portfolio objectives and we are optimistic we can begin making common stock investments during the second half of 2005. As we decide each period what portion of our investment dollars to allocate to fixed-income investments, we consider various factors, including the ratio of common stock to statutory surplus for the property casualty insurance group."

Property Casualty Insurance Operations

(Dollars in millions)	Three months ended June 30, 2005	Three months ended June 30, 2004	Change %	Six months ended June 30, 2005	Six months ended June 30, 2004	Change %
Written premiums	**$ 791**	$ 734	7.7	**$ 1,588**	$ 1,524	4.2
Earned premiums	**$ 765**	$ 717	6.7	**$ 1,518**	$ 1,432	6.0
Loss and loss expenses excluding catastrophes	**421**	395	6.6	**877**	806	8.8
Catastrophe loss and loss expenses	**15**	46	(67.9)	**17**	47	(63.8)
Commission expenses	**157**	142	10.5	**299**	296	1.1
Underwriting expenses	**75**	73	3.6	**141**	127	11.1
Policyholder dividends	**2**	3	(48.4)	**5**	6	(15.8)
Underwriting profit	**$ 95**	$ 58	64.2	**$ 179**	$ 150	18.8
Combined ratio:						
Loss and loss expenses excluding catastrophes	**55.0 %**	55.0 %		**57.8 %**	56.2 %	
Catastrophe loss and loss expenses	**2.0**	6.5		**1.1**	3.3	
Loss and loss expenses	**57.0 %**	61.5 %		**58.9 %**	59.5 %	
Commission expenses	**20.5**	19.8		**19.7**	20.7	
Underwriting expenses	**9.8**	10.1		**9.3**	8.9	
Policyholder dividends	**0.2**	0.5		**0.3**	0.4	
Combined ratio	**87.5 %**	91.9 %		**88.2 %**	89.5 %	

- Adjusted net written premiums* rose 2.6 percent for both the second quarter and six months ended June 30, 2005.
- New business written directly by agencies was $81 million and $152 million in the three months and six months ended June 30, 2005, compared with $87 million and $167 million in the comparable 2004 periods.
- 4.4 percentage-point improvement in the overall property casualty combined ratio for the three months ended June 30, 2005, was due to the unusually low level of catastrophe losses. Only one period of severe weather in May affected The Cincinnati Insurance Companies' policyholders across 10 Midwestern states.
- Improvement in second-quarter personal lines profitability offset a slightly higher commercial lines loss and loss expense ratio excluding catastrophe losses. The commercial lines loss and loss expense ratio excluding catastrophe losses rose primarily because favorable loss reserve development from prior accident years was below last year's level.
- Overall loss and loss expense ratio for the six months ended June 30, 2005, included a previously announced single large loss. That loss reduced the six-month underwriting profit by $22 million, net of reinsurance, and contributed 1.5 percentage points to the loss and loss expense ratio. The ratio for the comparable 2004 period included a 2.2 percentage-points benefit from the release of UM/UIM reserves.

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Commercial Lines

(Dollars in millions)	Three months ended June 30, 2005	2004	Change %	Six months ended June 30, 2005	2004	Change %
Written premiums	**$ 567**	$ 512	10.6	**$ 1,195**	$ 1,122	6.5
Earned premiums	**$ 563**	$ 520	8.3	**$ 1,114**	$ 1,038	7.3
Loss and loss expenses excluding catastrophes	**306**	265	15.6	**635**	541	17.3
Catastrophe loss and loss expenses	**2**	15	(84.4)	**9**	16	(47.4)
Commission expenses	**111**	103	7.6	**215**	216	(0.5)
Underwriting expenses	**56**	53	6.9	**96**	88	9.4
Policyholder dividends	**2**	3	(48.4)	**5**	6	(15.8)
Underwriting profit	**$ 86**	$ 81	5.9	**$ 154**	$ 171	(9.7)
Combined ratio:						
Loss and loss expenses excluding catastrophes	**54.4 %**	50.9 %		**57.0 %**	52.1 %	
Catastrophe loss and loss expenses	**0.4**	3.0		**0.8**	1.6	
Loss and loss expenses	**54.8 %**	53.9 %		**57.8 %**	53.7 %	
Commission expenses	**19.7**	19.8		**19.3**	20.8	
Underwriting expenses	**10.0**	10.0		**8.6**	8.4	
Policyholder dividends	**0.3**	0.7		**0.4**	0.6	
Combined ratio	**84.8 %**	84.4 %		**86.1 %**	83.5 %	

- Adjusted net written premiums* rose 3.8 percent for the second quarter and 4.5 percent for the six months ended June 30, 2005.
- New commercial lines business was $72 million and $135 million for the three-month and six-month periods compared with $75 million and $142 million last year.
- Growth has slowed because of the more competitive pricing environment and the underwriting discipline maintained for both renewal and new business. The commercial lines written premium growth rate appears to exceed the average for the overall industry, which A.M. Best Company estimated at 1.3 percent for the first three months of 2005.
- Technology programs reached milestones, bringing agencies greater efficiencies and permitting associates to spend more time with people and less with paper. WinCPP™, an online rate quoting system for commercial package, commercial auto and workers' compensation policies, now is available for agencies in all active states except Delaware. Businessowner policy quoting capabilities now have been extended to 25 states. Development of a full-featured commercial lines policy processing system remains on track for delivering a full version of the system for businessowners policies to Ohio, the company's largest premium volume state, by the end of 2005.
- The company continues to enhance its agency education programs at its headquarters, regional locations and online. Courses on products, underwriting, risk management and selling skills give agencies and the company a distinct competitive advantage. During the first half of 2005, the company's new online learning center delivered more than 1,000 courses directly to agency desktops.
- Loss and loss expenses excluding catastrophes rose in the three months and six months ended June 30, 2005, largely because of a lower level of favorable loss reserve development from prior accident years. Loss and loss expenses excluding catastrophes in the six months ended June 30, 2005, was increased 2.0 percentage-points by a single large loss in the first quarter. Loss and loss expenses excluding catastrophes in the six months ended June 30, 2004, included a 3.0 percentage point benefit from the release of UM/UIM reserves.
- Commercial lines profitability remained strong in the three months ended June 30, 2005, benefiting from pricing discipline and the skilled underwriting of our agents and field and headquarters associates, as well as an unusually low level of catastrophe losses.
- For 2005, the company expects commercial lines written premium growth of approximately 3 percent to 5 percent with the combined ratio at or below 90 percent.

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Personal Lines

(Dollars in millions)	Three months ended June 30, 2005	2004	Change %	Six months ended June 30, 2005	2004	Change %
Written premiums	**$ 224**	$ 222	1.1	**$ 393**	$ 402	(2.5)
Earned premiums	**$ 202**	$ 197	2.5	**$ 404**	$ 394	2.4
Loss and loss expenses excluding catastrophes	**115**	130	(11.6)	**242**	265	(8.8)
Catastrophe loss and loss expenses	**13**	31	(59.7)	**8**	31	(72.4)
Commission expenses	**46**	39	18.3	**84**	80	5.4
Underwriting expenses	**19**	20	(5.1)	**45**	39	14.7
Underwriting profit (loss)	**$ 9**	$ (23)	nm	**$ 25**	$ (21)	nm
Combined ratio:						
Loss and loss expenses excluding catastrophes	**56.7 %**	65.9 %		**59.8 %**	67.1 %	
Catastrophe loss and loss expenses	**6.2**	15.7		**2.1**	7.8	
Loss and loss expenses	**62.9 %**	81.6 %		**61.9 %**	74.9 %	
Commission expenses	**22.9**	19.8		**20.9**	20.3	
Underwriting expenses	**9.5**	10.2		**11.2**	10.0	
Combined ratio	**95.3 %**	111.6 %		**94.0 %**	105.2 %	

- Adjusted net written premiums* declined 0.4 percent for the second quarter and declined 2.6 percent for the six months ended June 30, 2005, primarily because the company's homeowner and auto rates in many markets are not competitively priced. During the first and second quarters of 2005, retention rates declined slightly and new business activity was weak.
- New personal lines business was $9 million and $17 million for the three-month and six-month periods compared with $12 million and $25 million last year.
- Personal lines earned premiums for the three months and six months rose slightly, due to growth in homeowner written premiums over the past 12 months following rate increases in 2003 and the first half of 2004.
- Significant rate modifications in selected states and territories are scheduled to take effect in September 2005 to better position the company's homeowner and auto products in the market.
- The slowdown in written premium growth may have been partially due to the introduction of Diamond, our personal lines processing system, in some of our larger states. Diamond gives agents new options that increase their choice and control and will offer significant efficiencies when policies renew. However, the system has an initial learning curve, requires substantial effort on the part of the agencies to convert business to the system and needs enhancements to achieve satisfactory stability and speed. These enhancements are expected to be completed in the next few months.
- Diamond is in use in six states representing approximately 62 percent of total 2004 personal lines earned premium volume. Through June 30, 2005, policies representing approximately $250 million of in-force premium had been issued through Diamond. The introduction of Diamond into Illinois, which represents about 7 percent of total 2004 personal lines earned premium volume, now is scheduled for September. Prior to the Illinois roll-out, improvements to system stability and speed are being implemented. Planned rate changes were released in Diamond in July, as scheduled.
- After agent training is complete in Illinois, training is expected to begin for agents in Georgia, Kentucky and Wisconsin, which represented about 15 percent of total 2004 personal lines earned premium volume. Those states will be followed by Minnesota, Missouri and Tennessee, which represent about 6 percent of volume. The company now believes training in some states may not begin until early 2006.
- Excluding catastrophe losses, the personal lines GAAP combined ratio improved in both the three-month and six-month periods, primarily because of marked improvement in homeowner profitability and modest improvement in personal auto profitability from already healthy levels.
- For 2005, the company expects a mid-single digit decline in personal lines written premiums with the combined ratio at approximately 100 percent.

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Life Insurance Operations

(In millions)	Three months ended June 30,			Six months ended June 30,		
	2005	2004	Change %	**2005**	2004	Change %
Earned premiums	**$ 29**	$ 27	8.3	**$ 53**	$ 52	2.6
Investment income, net of expenses	**24**	22	10.1	**48**	44	9.7
Other income	**1**	1	12.3	**2**	2	7.4
Total revenues, excluding realized investment gains and losses	**54**	50	9.2	**103**	98	5.9
Policyholder benefits	**26**	26	0.5	**50**	48	3.8
Expenses	**14**	13	8.5	**25**	26	(1.4)
Total benefits and expenses	**40**	39	3.2	**75**	74	1.9
Net income before income tax and realized investment gains and losses	**14**	11	30.4	**28**	24	18.3
Income tax	**5**	4	32.4	**10**	8	19.4
Net income before realized investment gains and losses	**$ 9**	$ 7	29.4	**$ 18**	$ 16	17.8

- Higher earned premiums led to revenue growth for the three months and six months ended June 30, 2005.
- Face amount of life policies in force rose 7.5 percent to $48.294 billion at June 30, 2005, from $44.921 billion at year-end 2004. For the first six months of 2005, applications submitted rose 5.5 percent, with an 8.4 percent gain in worksite applications.
- Operating expenses remained relatively level and mortality experience remained within pricing guidelines, resulting in improved results and a higher contribution to earnings per share.
- Nine new term life insurance products were introduced in the second quarter, including a new series with an optional return-of-premium feature, to replace the existing product portfolio.
- In 2005, Cincinnati Life is exploring additional programs to simplify the worksite marketing sales process for independent property casualty agencies, including enrollment software. Plans call for simplifying the worksite product portfolio to make it more competitive.
- Pending product development and introductions include features that customers indicate are important, such as a new universal life product that will offer a secondary guarantee.

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Investment Operations

(In millions)	Three months ended June 30, 2005	2004	Change %	Six months ended June 30, 2005	2004	Change %
Investment income:						
Interest	**$ 70**	$ 62	13.4	**$ 138**	$ 123	12.0
Dividends	**59**	59	0.6	**117**	117	(0.3)
Other	**2**	1	38.4	**4**	3	68.3
Investment expenses	**(2)**	(1)	(34.8)	**(3)**	(2)	(32.3)
Total net investment income	**129**	121	7.3	**256**	241	6.5
Investment interest credited to contract holders	**(13)**	(11)	(13.8)	**(25)**	(22)	(13.4)
Net realized investment gains and losses:						
Other-than-temporary impairment charges	**0**	(1)	22.1	**0**	(3)	84.8
Realized investment gains and losses	**13**	53	(76.4)	**29**	62	(53.7)
Change in valuation of embedded derivatives	**0**	3	(68.3)	**(7)**	3	(331.2)
Net realized investment gains	**13**	55	(76.6)	**22**	62	(64.9)
Investment operations income	**$ 129**	$ 165	(21.3)	**$ 253**	$ 281	(9.8)

Balance Sheet

(Dollars in millions)	June 30, 2005	December 31, 2004	June 30, 2004
Balance Sheet Data			
Total assets	**$ 16,024**	$ 16,107	$ 15,530
Invested assets	**12,600**	12,677	12,117
Shareholders' equity	**6,132**	6,249	6,103
Ratio Data			
Return on equity, annualized	**9.8 %**	9.4 %	9.8 %
Return on equity, annualized, based on comprehensive income	**0.6 %**	4.6 %	(0.1) %

- Higher interest income from fixed-income securities led to the increase in investment income for the three months and six months ended June 30, 2005.
- Dividend income for the three months and six months was essentially unchanged from last year. Dividend increases from common stocks in the portfolio were offset by the loss of income from the sale or call of convertible preferred securities over the past 12 months. Fifth Third Bancorp, the company's largest equity holding, contributed 43.6 percent of total dividend income in the first six months of 2005.
- Realized investment gains primarily were due to routine sales and calls of securities. Last year's gains primarily were due to equity sales undertaken as part of a program to support the company's insurer financial strength ratings. During the three months and six months ended June 30, 2005, only one security was written down as other-than-temporarily impaired for less than $500,000.
- Investment income growth for the year now is expected to be in line with the 6.5 percent growth in the first six months of 2005. This outlook is based on anticipated growth in dividend income, strong cash flow from insurance operations and the higher-than-normal allocation of new cash flow to fixed-income securities over the past 18 months.
- Dividend increases by Fifth Third Bancorp and another 38 of the 51 common stock holdings in the equity portfolio during the 12 months ended June 30, 2005, should add $19 million to annualized investment income.
- At June 30, 2005, statutory surplus for the property casualty insurance group was $4.180 billion compared with $4.191 billion at year-end 2004. The ratio of common stock to statutory surplus for the property casualty insurance group portfolio was 98.4 percent at June 30, 2005, compared with 103.5 percent at year-end 2004.
- The ratio of investment securities held at the holding-company level to total holding-company-only assets was 34.9 percent at June 30, 2005, in line with management's below 40 percent target.
- The company repurchased 965,000 shares at a total cost of $39 million in the first half of 2005, including 850,000 shares in the second quarter.

Cincinnati Financial Corporation
Consolidated Balance Sheets

(Dollars in millions except per share data)	**June 30, 2005**	December 31, 2004
Assets	(unaudited)	
Investments		
Fixed maturities, at fair value (amortized cost: 2005—$5,179; 2004—$4,854)	**$ 5,412**	$ 5,141
Equity securities, at fair value (cost: 2005—$1,982; 2004—$1,945)	**7,148**	7,498
Other invested assets	**40**	38
Cash	**172**	306
Investment income receivable	**113**	107
Finance receivable	**97**	95
Premiums receivable	**1,189**	1,119
Reinsurance receivable	**685**	680
Prepaid reinsurance premiums	**15**	15
Deferred policy acquisition costs	**421**	400
Property and equipment, net, for company use (accumulated depreciation: 2005—$219; 2004—$206)	**164**	156
Other assets	**79**	75
Separate accounts	**489**	477
Total assets	**$ 16,024**	$ 16,107
Liabilities		
Insurance reserves		
Loss and loss expense reserves	**$ 3,608**	$ 3,549
Life policy reserves	**1,286**	1,194
Unearned premiums	**1,610**	1,539
Other liabilities	**424**	474
Deferred income tax	**1,684**	1,834
6.125% senior notes due 2034	**371**	371
6.90% senior debentures due 2028	**28**	420
6.92% senior debentures due 2028	**392**	0
Separate accounts	**489**	477
Total liabilities	**9,892**	9,858
Shareholders' equity		
Common stock, par value—$2 per share; authorized: 2005—500 million shares, 2004—200 million shares; issued: 2005—194 million shares, 2004—185 million shares	**389**	370
Paid-in capital	**964**	618
Retained earnings	**1,894**	2,057
Accumulated other comprehensive income—unrealized gains on investments and derivatives	**3,505**	3,787
Treasury stock at cost (2005—19 million shares, 2004—18 million shares)	**(620)**	(583)
Total shareholders' equity	**6,132**	6,249
Total liabilities and shareholders' equity	**$ 16,024**	$ 16,107

Cincinnati Financial Corporation
Consolidated Statements of Income

(In millions except per share data)	Three months ended June 30, 2005	Three months ended June 30, 2004	Six months ended June 30, 2005	Six months ended June 30, 2004
	(unaudited)		(unaudited)	
Revenues				
Earned premiums				
Property casualty	**$ 765**	$ 717	**$ 1,518**	$ 1,432
Life	**29**	27	**53**	52
Investment income, net of expenses	**129**	121	**256**	241
Realized investment gains and losses	**13**	55	**22**	62
Other income	**4**	3	**7**	6
Total revenues	**940**	923	**1,856**	1,793
Benefits and expenses				
Insurance losses and policyholder benefits	**461**	466	**942**	899
Commissions	**166**	150	**316**	311
Other operating expenses	**72**	67	**139**	129
Taxes, licenses and fees	**18**	20	**35**	40
Increase in deferred policy acquisition costs	**(7)**	(6)	**(18)**	(24)
Interest expense	**13**	9	**26**	17
Other expenses	**2**	3	**6**	6
Total benefits and expenses	**725**	709	**1,446**	1,378
Income before income taxes	**215**	214	**410**	415
Provision (benefit) for income taxes				
Current	**57**	(6)	**107**	42
Deferred	**0**	65	**1**	72
Total provision for income taxes	**57**	59	**108**	114
Net income	**$ 158**	$ 155	**$ 302**	$ 301
Per common share				
Net income—basic	**$ 0.90**	$ 0.88	**$ 1.72**	$ 1.71
Net income—diluted	**$ 0.89**	$ 0.87	**$ 1.70**	$ 1.69

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. For the first and second quarters of 2005 and 2004, diluted net income would have been reduced by approximately 2 cents per share, if option expense, calculated using the binomial option-pricing model, were included as an expense.

Cincinnati Financial Corporation Declares Regular Quarterly Cash Dividend

CINCINNATI, August 15, 2005 -- Cincinnati Financial Corporation (Nasdaq: CINF) today announced that the board of directors has declared a 30½ cents per share regular quarterly cash dividend payable October 14, 2005, to shareholders of record on September 23, 2005. In January, the board raised the 2005 indicated annual cash dividend payout by 15 percent, after taking into account the 5 percent stock dividend distributed in April.

Chairman and Chief Executive Officer John J. Schiff, Jr., CPCU commented, "Strong results for the first half of 2005 illustrated the predictability and consistency that are our long-term objectives. The board believes in rewarding shareholders who support this approach and the results it creates."

Inside Cincinnati

Since the May 2005 Letter to Shareholders, the following staff members of The Cincinnati Insurance Companies merited promotions:

John Amundsen, Actuarial Analyst
Greg Anderson, Claims Specialist
Robert Beamon, Senior Claims Specialist
Chris Beckman, Senior Underwriter
John Beiting, ChFC, CLU, Life Field Director
Tom Bier, AIM, API, Senior Underwriter
Kristen Bomkamp, Chief Underwriting Specialist
Eric Borg, API, Senior Underwriter
Chris Boydston, Senior Claims Specialist
Doug Brockway, State Agent
Steve Brugger, Underwriting Specialist
Joseph Brunner, Associate Programmer
Julie Burck, Senior Underwriter
Tim Bushman, API, Underwriting Superintendent
Dave Cable, AIM, Underwriting Manager
Angie Carpenter, Customer Support Analyst
Mitch Carson, ARM, ALCM, Senior Loss Control Technical Consultant
Jennifer Clark, AIC, Senior Claims Specialist
Paul Colborn, AIM, AIT, AU, Associate Programmer
Jennifer Conklin, AIS, Senior Underwriter
Rahman Corbett, Senior Underwriter
Jeff Crane, AIC, Senior Claims Representative
Charles Cutter, Senior Underwriter
Tyson Dailey, ChFC, CLU, AU, Senior Life Field Services Representative
Mark Daniels, AIC, Senior Claims Specialist
Chris Daniels, AIC, Claims Specialist
Fawn Dillon, AIC, Claims Specialist
Jim Doyle, Senior Programmer
Rebecca Duff, Loss Control Consultant
Rocky Edwards, Claims Specialist
Dawn Eschenbach, CPCU, AU, Underwriting Specialist
Peggy Eubanks, ARA, Administrative Manager
Heather Fresh, Underwriting Specialist
Hope Frost, Claims Specialist
Craig Gandy, Senior Systems Specialist
Matt Gardner, AIC, Senior Claims Specialist
Jerry George, Senior Regional Director
Jeff Geyer, Underwriting Specialist
Joe Gilmer, CPCU, CIC, State Agent
Max Glass, Field Claims Superintendent
Gary Gluck, AIC, Senior Claims Specialist
Don Gray, Underwriting Specialist
TingTing Gu, Systems Analyst
Mark Guanciale, State Agent
Tom Habig, AIC, Senior Claims Specialist
Stacy Hall, Senior Purchasing Manager
Russ Heil, AIM, Senior Underwriting Manager
Tracy Hemmerle, Senior Underwriter
Mike Herron, Regional Director
Ted Hilgeman, CPCU, Internal Auditor
Debbie Hitt, Underwriting Specialist
Brian Hodgeman, CPCU, AU, Senior Life Field Services Representative
Ryan Holliday, Underwriting Specialist
Mary Alice Hounshell, Claims Specialist
Greg Houseknecht, AIM, Claims Specialist
Mark Huelsman, API, Senior Underwriter
Megan Jewell, Underwriting Specialist
Ryan Johnson, Senior Underwriter
Matt Johnson, Information Technology Research Coordinator
Rick Karl, Senior Applications Architect
Dave Kaydo, AIC, Senior Claims Representative
Pieter Kes, AIC, Senior Claims Representative
Amy Kingerski, Senior Underwriter
Mark Kovacs, AIC, Senior Claims Representative
Jeff Kramer, Senior Claims Specialist
Steve Krolicki, Senior Underwriter
Patrick Landis, AIC, Senior Claims Specialist
Molly Lee, Manager, Shareholder Services
Michael Leininger, CPCU, AU, ARM, APA, Senior Underwriter
Shauna Lieberman, AIM, AIT, Customer Support Specialist
Tammy Lutterbie, Business Analyst
Carolyn MacDonald, Senior Project Analyst
Emily Maiwurm, AIC, Senior Claims Representative
Steve Matthew, Underwriting Director
Dan Mattis, API, Senior Underwriter
Jeffrey Maxson, Senior Machinery & Equipment Specialist
Dan Mays, CPCU, CIC, SCLA, AIC, ARM, AIM, Senior Claims Specialist
Brad McCurdy, CIC, Senior Regional Director
Sean McKinley, CLU, Senior Life Regional Director
Kamila McKnight, AIM, API, Underwriting Specialist
Amy Meyer, Underwriting Superintendent

Randy Mitchell, AIC, Superintendent
Trisha Moorhead, Underwriting Specialist
Matt Muckleroy, AIC, AIM, Field Claims Manager
Jim Murphy, Senior Underwriter
Kathy Muse, Chief Underwriting Specialist
Pradeep Nagar, Programmer Analyst
Tom Nelson, Life Marketing Director
Kevin Nilsson, Senior Underwriter
Jacob Northrup, Senior Systems Analyst
Curt Nutter, CPCU, AIC, AIM, Superintendent
Jim Olney, Senior Machinery & Equipment Specialist
Nancy Olson, CPCU, AIC, Senior Claims Specialist
Michelle Olson, CPCU, CIC, APA, Field Audit Specialist
Patty Patrick, Senior Customer Support Analyst
Bill Patterson, Bond Field Director
Lisa Pearce, CPCU, APA, Product Director
Jeff Pielack, AIC, Senior Claims Specialist
Karen Power, API, Senior Requirements Analyst
David Rader, Programmer Analyst
Sylvia Ramsey, Senior Application Architect
Rob Rapp, AIC, Claims Specialist
Lisa Rausch, Field Claims Superintendent
Cathy Ray, Claims Specialist
Brian Roach, Senior Underwriter
Cathy Roberts, CPCU, Senior Underwriter
Kendra Roland, Project Manager
Rebecca Rommel, Senior Underwriter
Christopher Ryan, Unix System Administrator
Meredith Schable, Senior Underwriter
Jenny Schmidt, AIC, Claims Specialist
Bob Schneider, AIT, Senior Programmer
Jamie Schneider, Senior System Analyst
Rhonda Schoultheis, Customer Support Specialist
Jodi Schulten, System Specialist
Tom Scott, Underwriting Director
Sandy Scott, Senior Network Administrator
Steve Selcer, AIC, Senior Claims Specialist
Roger Selm, Senior Accountant—Support
Carey Setters, Underwriting Specialist
Stuart Sheetz, AIC, Senior Claims Specialist
Cathy Shell, Senior Claims Specialist
Jeff Shown, Claims Specialist
Eli Shupe, CPCU, AMIM, Underwriting Director
Debbie Sigmon-Grubb, Senior System Analyst
Mike Slusser, Senior Claims Specialist
Shelley Smith, Underwriting Specialist
Doug Stammler, CLU, Life Marketing Director
Melissa Stegmaier, AIC, SCLA, Senior Claims Specialist
Nancy Tebbe, API, Assistant Manager
Mike Telarico, CPCU, AU, API, State Agent
Brodie Theiss, Senior Underwriter
Paul Thibault, Senior Loss Control Consultant
Rajesh Thurairatnam, Actuarial Analyst
Kevin Tierney, Claims Specialist
Spencer Timmel, Underwriting Specialist
Denise Toth, AIC, Senior Claims Specialist
Cheri Turck, API, Senior System Analyst
James Van Horn, Claims Specialist
Tom Van Pelt, Claims Specialist
Michelle Vaughn, Project Manager
Jim Vermeesch, CFE, Supervisor
Gayathri Vijayasarathy, Senior Programmer
Elizabeth Wagner, Senior Underwriter
Todd Ward, Underwriting Superintendent
Pam Wilson, ACS, Associate Manager
Jeff Wisner, AIC, Senior Claims Specialist
John Woodyard, AIC, Senior Claims Specialist
Brian Wright, AIC, Senior Claims Specialist
Jim Young, AIC, Senior Claims Specialist
Kevin Yuenger, LUTCF, CIC, ChFC, CLU, Senior Life Regional Director

A committee of peers recently granted quarterly Above and Beyond the Call (ABC) Awards to two associates: Dana Hanna, Senior Claims Assistant, Headquarters Claims; and Melissa Ray, Senior Policy Service Coordinator, Commercial North. The ABC Award recognizes exemplary productivity, service and quality.

We encourage and reward associates who continue their professional insurance education, earning credentials by meeting high academic, length-of-experience and ethical standards. Several associates recently qualified for prestigious designations. Congratulations to Ted Hilgeman, Erin Mahon, Kathy Muse, Kevin Oleckniche and Dan Reljac, who earned the Chartered Property Casualty Underwriter (CPCU) designation; and to Gary Clymer who qualified for the Certified Insurance Counselor (CIC) designation.

The newest addition to our training tools is Web conferencing software. With associates located in 32 states, we can now provide timely, interactive programs without incurring the cost of travel.

Other Items of Interest

CinFin Capital Management is your company's subsidiary that offers asset management services to other corporations, institutions and individuals. As of June 30, 2005, CinFin Capital had $835 million under management in 64 accounts.

The Government Relations department monitors proposed legislation on both the national and state levels, participating in dialogue to represent the interests of your company, our independent agents and policyholders. Our stance includes advocacy for renewal of the Terrorism Risk Insurance Act, which expires on December 31, 2005; preservation of state regulation of insurance because we believe insurance must be regulated in the context of local conditions and market needs; establishment of tax-deferred catastrophe reserves to enhance the industry's ability to pay for large-scale natural disasters; and a reasonable approach to database breach notification requirements under consideration at both federal and state levels.

Safe Harbor

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, environmental events, terrorism incidents or other causes
- Ability to obtain adequate reinsurance on acceptable terms, amount of reinsurance purchased and financial strength of reinsurers
- Increased frequency and/or severity of claims
- Events or conditions that could weaken or harm the company's relationships with its independent agencies and hamper opportunities to add new agencies, resulting in limitations on the company's opportunities for growth, such as:
    - Downgrade of the company's financial strength ratings,
    - Concerns that doing business with the company is too difficult or
    - Perceptions that the company's level of service, particularly claims service, is no longer a distinguishing characteristic in the marketplace
- Increased competition that could result in a significant reduction in the company's premium growth rate
- Personal lines pricing methods adopted by others that could allow them more flexibility and greater ability to underwrite individual risks accurately, decreasing our advantage in those areas.
- Insurance regulatory actions, legislation or court decisions or legal actions that increase expenses or place us at a disadvantage in the marketplace
- Delays in the development, implementation, performance and benefits of technology projects and enhancements
- Inaccurate estimates or assumptions used for critical accounting estimates, including loss reserves
- Events that reduce the company's ability to maintain effective internal control over financial reporting under the Sarbanes-Oxley Act of 2002 in the future
- Recession or other economic conditions or regulatory, accounting or tax changes resulting in lower demand for insurance products
- Sustained decline in overall stock market values negatively affecting the company's equity portfolio; in particular a sustained decline in the market value of Fifth Third Bancorp shares, a significant equity holding
- Events that lead to a significant decline in the value of a particular security and impairment of the asset
- Prolonged low interest rate environment or other factors that limit the company's ability to generate growth in investment income
- Adverse outcomes from litigation or administrative proceedings
- Effect on the insurance industry as a whole, and thus on the company's business, of the recent actions undertaken by the Attorney General of the State of New York and other regulators against participants in the insurance industry, as well as any increased regulatory oversight that might result
- Limited flexibility in conducting investment activities if the restrictions imposed by the Investment Company Act of 1940 were to become applicable to the parent company or the application for exemptive relief is not approved

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

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

Cincinnati Financial Corporation offers property and casualty insurance, its main business, through The Cincinnati Insurance Company, The Cincinnati Indemnity Company and The Cincinnati Casualty Company. The Cincinnati Life Insurance Company markets life and disability income insurance and annuities. CFC Investment Company offers commercial leasing and financing services. CinFin Capital Management Company provides asset management services to institutions, corporations and individuals. For additional information about the company, please visit www.cinfin.com.

CINCINNATI FINANCIAL CORPORATION

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

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 works to benefit 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 a blank voided check** to Shareholder Services at the above address. 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, which 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 above address, call Shareholder Services at (513) 870-2639 or e-mail *shareholder_inquiries@cinfin.com.*

Dividend Direct Deposit Authorization Form

Please send a separate form for each shareholder account to Shareholder Services at the above address. 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 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 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 (8/03)

For Further Information:

Shareholder Contact: Jerry L. Litton
(513) 870-2639

Investor Contact: Heather J. Wietzel
(513) 870-2768

Media Contact: Joan O. Shevchik
(513) 603-5323

www.cinfin.com