THE CINCINNATI INSURANCE COMPANIES ®

CINCINNATI FINANCIAL CORPORATION

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June 8, 2007

To Our Shareholders, Associates and Friends:

Your company reported very satisfactory results for the first quarter, helped by strong commercial lines performance, exceptionally low catastrophe losses and higher investment income. At the same time, an increasingly competitive climate is creating challenges for all businesses and, most notably, for our insurance industry. To sustain success, your company's people are working together, focused sharply on our shared goals and achieving strong cooperation among our professional agents, dedicated field marketing associates and experienced headquarters underwriters.

We believe we can grow profitably under these conditions by emphasizing our case-by-case, flexible underwriting approach. We continue to select risks carefully, to gather complete underwriting information, and to price aggressively only when an account deserves favorable treatment on its own merits. We compete by magnifying our efforts to earn our agents' business, rather than by skimping on underwriting efforts.

In these pages you'll find details about many new or heightened activities to help make us the carrier of choice for independent agents and policyholders. We are appointing new agencies, entering new states, offering some new personal lines products, introducing new technology that allows our agents to upload data to our systems from their own agency management systems, and much more.

Each of these initiatives is a commitment, responding to a new opportunity. We are investing in proven strengths and, over time, believe these initiatives will help us achieve our growth and profitability objectives. It's the "proven strength," not the "new" part that gives us confidence our 2007 initiatives can succeed.

Our plan for our most ambitious new project – entering the excess and surplus market next year – calls for making these products available exclusively through our current independent agencies. These agents know and respect Cincinnati philosophies, and they already have experience handling excess and surplus lines risks in their communities. They tell us that they will welcome the opportunity to bring proven, Cincinnati-style service and relationships to these accounts.

Even our investing activities reflect a strong preference for proven relationships. During the first quarter, we sold a block of one of our large holdings, reallocating it mainly to higher dividend-paying companies already represented in our equity portfolio. In our experience, our dividend-focused investment strategy generates steady investment income while raising policyholder surplus and your shareholders' equity.

Respectfully,

/S/ John J. Schiff, Jr. CPCU

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

/S/ James E. Benoski

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

Recent News Releases

Cincinnati Financial Corporation Declares Regular Quarterly Cash Dividend

Cincinnati, May 25, 2007 -- Cincinnati Financial Corporation (Nasdaq: CINF) today announced that the executive committee of its board of directors has declared a 35½ cents per share regular quarterly cash dividend payable July 16, 2007, to shareholders of record on June 22, 2007. The current dividend level reflects the 6.0 percent increase in the quarterly dividend rate announced by the board in February. That action set the stage for the 47th consecutive increase in the indicated annual cash dividend.

Chairman and Chief Executive Officer John J. Schiff, Jr., CPCU commented, "As Mergent noted in its Spring 2007 edition of the Dividend Achiever Handbook, Cincinnati Financial Corporation is ranked No. 11 among the companies with the longest records of consecutive dividend increases. Cincinnati Financial's board of directors believes that shareholders value our consistent dividend-paying policy, which is possible because of the board's confidence in our operating strength. We continue to believe we can achieve above-industry-average growth in written premiums, industry-leading profitability and investment income growth over the long term by building on our proven strategies: strong agency relationships, front-line underwriting, quality claims service, solid reserves, and total return investing."

Washington Agency Appointed to Represent The Cincinnati Insurance Company

- *33rd state of operations for regional carrier*
- *Company enters new market with advantage of newly affirmed A.M. Best ratings*

Cincinnati, May 23, 2007 – Cincinnati Financial Corporation (Nasdaq: CINF) announced that The Cincinnati Insurance Company launched operations in Washington on May 22 with the appointment of its first independent agency in that state.

Payne Financial Group, Inc. has been selected to bring Cincinnati's property casualty insurance products to business customers in the Spokane area. Cincinnati Insurance executives met at the company's headquarters with Gerry Bulger and Eddie Eugenio, vice presidents of Payne Financial, to initiate the relationship with Payne Financial's Spokane office. Other Payne Financial offices also market Cincinnati's products in Montana and Idaho.

J.F. Scherer, Cincinnati's senior vice president of sales and marketing, commented, "Our Montana-based field marketing representative, Angie Delaney, is opening this new marketing territory serving eastern Washington and northern Idaho. She is screening interested agencies to select those with the highest professional standards, compatible philosophies and formal marketing plans."

Cincinnati Financial Chairman and Chief Executive Officer John J. Schiff, Jr., CPCU, said, "We look forward to extending our partnership with Payne Financial to the Spokane area and are proud to bring competitive products, excellent service and superior financial strength to Washington agents and policyholders. We're pleased to begin this relationship with our A.M. Best ratings newly affirmed."

Earlier this week A.M. Best Co., the industry's leading rating organization, affirmed its A++ (Superior) financial strength rating and its aa+ issuer credit rating for the property casualty group. Only the top 2 percent of property casualty insurer groups earn the A++ rating, the highest Best offers. Best also affirmed the A+ (Superior) financial strength rating and aa- issuer credit rating of The Cincinnati Life Insurance Company, as well as the aa- issuer credit and senior debt rating of parent Cincinnati Financial Corporation.

The agency appointment is the first of several the company expects to make in Washington over the coming months. Cincinnati has operated successfully in Idaho since 1999 and has 10 agency locations in the southern part of the state. The company recently began appointing local agencies in northern Idaho to complement those in eastern Washington.

Scherer commented, "As we expand geographically, we carefully research the opportunities in each state, evaluating 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. Our strong relationship with each agency generally results in Cincinnati becoming a lead carrier within a few years. We plan a great partnership with Payne Financial's Spokane office. Together, we'll expand the choices available to quality-minded business insurance clients in their community."

Cincinnati Financial First-quarter 2007 Net Income at $1.11 per Share and Operating Income* at 88 Cents

Cincinnati, May 2, 2007 – Cincinnati Financial Corporation (Nasdaq: CINF) today reported:

- Net income of $1.11 per share, below year-ago level that included high realized gains on investments.
- Operating income up 18.9 percent to 88 cents per share on healthy insurance results and higher investment income.
- Property casualty underwriting profits of $81 million reflect strong commercial lines insurance performance including lower catastrophe losses.

Financial Highlights

(Dollars in millions except share data)	Three months ended March 31,		
	2007	2006	Change %
Revenue Highlights			
Earned premiums	**$ 815**	$ 804	1.3
Investment income	**148**	139	7.1
Total revenues	**1,031**	1,607	(35.9)
Income Statement Data			
Net income	**$ 194**	$ 552	(64.8)
Net realized investment gains and losses	**41**	421	(90.2)
Operating income*	**$ 153**	$ 131	16.4
Per Share Data (diluted)			
Net income	**$ 1.11**	$ 3.13	(64.5)
Net realized investment gains and losses	**0.23**	2.39	(90.4)
Operating income*	**$ 0.88**	$ 0.74	18.9
Book value	**$ 39.08**	$ 35.85	9.0
Cash dividend declared	**$ 0.355**	$ 0.335	6.0
Weighted average shares outstanding	**174,274,157**	176,127,404	(1.1)

Insurance Operations Highlights

- 2.1 percent increase in first-quarter property casualty net written premiums.
- Strong commercial lines growth with first-quarter 2007 net written premiums up 3.8 percent and new business written by our agencies up 2.8 percent to $72 million.
- Decline in personal lines net written premiums slowed to 5.1 percent for first-quarter 2007. New business was up 25.4 percent to $8 million and retention rates remained above 90 percent as pricing changes made July 1, 2006, continue to improve agents' ability to market personal lines.
- 89.6 percent first-quarter 2007 property casualty combined ratio, reflecting low catastrophe losses from first-quarter storms and reduced loss estimates for prior-year storms.
- 7 cents per share contribution from the life insurance operations to first-quarter operating income, up from 4 cents.

Investment and Balance Sheet Highlights

- 7.1 percent growth in first-quarter pretax investment income.
- Book value of $39.08 per share compared with $39.38 at year-end 2006.
- 1.9 million reduction in average shares outstanding. First-quarter repurchases of the company's common stock totaled 1.49 million shares at a cost of $64 million.

Full-year 2007 Outlook**

- Property casualty net written premiums expected to grow at low-single-digit rate in 2007. New agency appointments and new states to help drive long-term growth.
- Combined ratio now expected to be at or below 97 percent in 2007, assuming catastrophe losses contribute approximately 5.0 percentage points.
- Investment income growth target at 6.5 percent to 7.0 percent range for 2007.

* The Definitions of Non-GAAP Information and Reconciliation to Comparable GAAP Measures on *www.cinfin.com* defines and reconciles measures presented in this release that are not based on Generally Accepted Accounting Principles or Statutory Accounting Principles.

** Outlook and related assumptions are subject to the risks outlined in the company's forward-looking information safe-harbor statement (see Page 14).

New States and New Agency Appointments to Support Continued Growth

"The value that local independent insurance agents bring to The Cincinnati Insurance Companies again proved itself in this year's first quarter," said John J. Schiff, Jr., CPCU, chairman and chief executive officer. "Their quality business submissions are helping us achieve profitable commercial lines premium growth. They are again selling the value of our homeowner and personal auto policies, as seen in our improved personal lines new business growth and policy retention.

"With special efforts and teamwork, our agents, field representatives and headquarters associates have maintained positive underwriting momentum in the face of commercial lines competition that is softening pricing and pressuring margins across the industry. For our commercial and personal lines of insurance, loss severity continues to be higher than one year ago, although our severity measures held steady at the same level we saw in the second half of 2006," Schiff noted. "We have faced similarly challenging market conditions in the past, benefiting from agent and policyholder loyalty that grows out of our commitment to offer outstanding service and market stability through all stages of the pricing cycle."

James E. Benoski, vice chairman, chief insurance officer and president, said, "We continue to invest in tools to meet our agents' long-term needs. We plan to increase their ease of doing business with us in 2007, further rolling out our Web-based policy processing systems and other tools. Cincinnati has earned a generous share of each agency's business over the years by offering the products and services they need to protect their local businesses and families. Our agents have indicated their desire to have Cincinnati available as a market for commercial accounts that require the flexibility of excess and surplus lines coverage. We now are taking steps to establish a new subsidiary to tap that opportunity for our agencies and our company. In 2008, we expect to begin seeing some premiums from excess and surplus lines."

Benoski added, "In addition to growing with our current agencies, we also continue to build relationships with selected new agencies, whether by making agency appointments in our active states or by entering new geographic areas. We completed 12 agency appointments in the first three months, a good start toward achieving our target of approximately 55 to 60 for the year. These new appointments and other changes in agency structures brought total reporting agency locations to 1,291, compared with 1,289 at year-end 2006.

"Our preparations to begin actively marketing in New Mexico and eastern Washington are on schedule for the second half of 2007, with agencies in those areas showing great interest in securing Cincinnati appointments."

2007 Property Casualty Outlook Update

Kenneth W. Stecher, chief financial officer and executive vice president commented, "While we expect competition to continue accelerating in most property casualty business lines, we believe that our strong agency relationships will lead to full-year 2007 net written premium growth in the low single-digits. That estimate takes into account an anticipated $22 million increase in the premiums we pay for reinsurance."

Stecher added, "Overall profitability was solid in the first quarter due to strong results from commercial lines, reflecting the benefits of low catastrophe losses and savings from favorable development on prior period reserves. With those benefits as well as a favorable expense comparison, first-quarter personal lines profitability also was acceptable. We remain concerned, however, about personal lines pricing and loss activity.

"In light of our solid first-quarter performance, in mid-April we announced that we believe that the full-year combined ratio could be at or below 97 percent on either a GAAP or statutory basis. We make several assumptions to arrive at this estimate. First, we assume that catastrophe losses will contribute approximately 5.0 percentage points to the full-year ratio, down from 5.5 percentage points in 2006.

"Second, we assume that the loss and loss expense ratio will rise on competitive pricing and higher loss costs. Third, we will benefit from full-year favorable reserve development in line with the 2 percentage points in savings from favorable development on prior period reserves that we averaged between 2000 and 2003.

"Finally, we are assuming a full-year underwriting expense ratio of approximately 31.5 percent, reflecting continued investment in people and technology during a period of slowing premium growth," Stecher said.

Investment Strategy Key to Long-term Growth and Stability

Schiff continued, "After paying from cash flow all current liabilities such as claims, expenses, taxes and interest, we invest the remainder to generate income while increasing policyholder surplus and shareholders' equity. In the first quarter of 2007, we continued to buy fixed income securities to support our insurance liabilities.

"In seeking long-term growth and stability, we also buy and hold common stocks of companies that regularly pay and increase their dividends," Schiff noted. "We are looking for pretax investment income growth in the range of 6.5 percent to 7.0 percent in 2007, and we continue to select and hold securities in our portfolio that give us an opportunity to further build book value, an important measure of our long-term success."

Property Casualty Insurance Operations

(Dollars in millions)	Three months ended March 31, 2007	2006	Change %
Written premiums	**$ 846**	$ 829	2.1
Earned premiums	**$ 785**	$ 778	0.8
Loss and loss expenses excluding catastrophes	**455**	432	5.1
Catastrophe loss and loss expenses	**3**	39	(91.8)
Commission expenses	**161**	157	2.5
Underwriting expenses	**82**	84	(2.8)
Policyholder dividends	**3**	4	(2.1)
Underwriting profit	**$ 81**	$ 62	30.9
Ratios as a percent of earned premiums:			
Loss and loss expenses excluding catastrophes	**57.9 %**	55.6 %	
Catastrophe loss and loss expenses	**0.4**	5.0	
Loss and loss expenses	**58.3**	60.6	
Commission expenses	**20.5**	20.2	
Underwriting expenses	**10.4**	10.8	
Policyholder dividends	**0.4**	0.4	
Combined ratio	**89.6 %**	92.0 %	

- 2.1 percent rise in first-quarter property casualty net written premiums.
- $80 million in first-quarter new business written directly by agencies, up 4.8 percent.
- 1,065 agency relationships with 1,291 reporting locations marketing our insurance products at March 31, 2007, compared with 1,066 agency relationships with 1,289 locations at year-end 2006.
- 89.6 percent first-quarter 2007 property casualty combined ratio. The ratio improved by 2.4 percentage points largely due to lower catastrophe losses and savings from favorable development of prior period reserves.
- $3 million in net first-quarter 2007 catastrophe losses, reflecting $16 million from four weather events during the quarter, mitigated by $13 million in reduced estimates of losses from catastrophes in earlier years, in particular an October 2006 hail storm.

Catastrophe Loss and Loss Expenses Incurred

(In millions, net of reinsurance)			Three months ended March 31,		
Dates	Cause of loss	Region	Commercial lines	Personal lines	Total
2007					
Jan. 12-15	Wind, hail, ice, snow	Midwest	**$ 2**	**$ 1**	**$ 3**
Feb. 14-15	Wind, hail, ice, snow	Mid-Atlantic	**1**	**1**	**2**
Feb. 23-25	Wind, hail, ice, snow	Midwest	**3**	**0**	**3**
Mar. 1-2	Wind, hail, flood	South	**6**	**2**	**8**
Development on 2006 and prior catastrophes			**(2)**	**(11)**	**(13)**
Calendar year incurred total			**$ 10**	**$ (7)**	**$ 3**
2006					
Mar. 11-13	Wind, hail	Midwest, Mid-Atlantic	$ 28	$ 10	$ 38
Development on 2005 and prior catastrophes			1	0	1
Calendar year incurred total			$ 29	$ 10	$ 39

- First-quarter 2007 net savings from favorable development on prior period reserves improved the combined ratio by 4.0 percentage points. Excluding reduced estimates for prior year catastrophe losses, net savings from favorable development improved the combined ratio by 2.3 percentage points. In last year's first quarter, reserve strengthening increased the combined ratio by 2.5 percentage points.

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Commercial Lines Insurance Operations

(Dollars in millions)	Three months ended March 31,		
	2007	2006	Change %
Written premiums	**$ 693**	$ 668	3.8
Earned premiums	**$ 604**	$ 582	3.7
Loss and loss expenses excluding catastrophes	**344**	324	5.8
Catastrophe loss and loss expenses	**10**	29	(63.9)
Commission expenses	**123**	117	5.6
Underwriting expenses	**57**	53	5.9
Policyholder dividends	**3**	4	(2.1)
Underwriting profit	**$ 67**	$ 55	21.3
Ratios as a percent of earned premiums:			
Loss and loss expenses excluding catastrophes	**56.9 %**	55.7 %	
Catastrophe loss and loss expenses	**1.8**	5.1	
Loss and loss expenses	**58.7**	60.8	
Commission expenses	**20.4**	20.0	
Underwriting expenses	**9.3**	9.1	
Policyholder dividends	**0.5**	0.6	
Combined ratio	**88.9 %**	90.5 %	

- 3.8 percent growth in first-quarter commercial lines net written premiums.
- $72 million in new commercial lines business written directly by agencies in first-quarter 2007, up 2.8 percent.
- 88.9 percent first-quarter 2007 commercial lines combined ratio. The ratio improved 1.6 percentage points largely because lower catastrophe losses and savings from favorable development of prior period reserves offset softer pricing and higher loss severity.
- 56.9 percent commercial lines loss and loss expense ratio excluding catastrophe losses. The ratio rose 1.2 percentage points because of softer pricing and higher loss severity mitigated by reserve development. New large losses in the commercial auto and workers' compensation business lines were in line with the third and fourth quarters of 2006.
- First-quarter 2007 commercial lines net savings from favorable development on prior period reserves improved the combined ratio by 2.5 percentage points. Excluding reduced estimates for prior year catastrophe losses, net savings from favorable reserve development improved the ratio by 2.1 percentage points. In last year's first quarter, reserve strengthening raised the combined ratio by 2.7 percentage points.
- 0.4 percentage-point increase in first-quarter 2007 commercial lines commission expense ratio and 0.2 percentage point increase in underwriting expense ratio.
- Commercial casualty, commercial property and workers' compensation – three of the company's four largest commercial business lines – reported net written premium growth in the first quarter of 2007. New business and policy retention continued to offset pricing pressures due to competitive market conditions. In line with recent quarters, the fourth of the largest business lines – commercial auto – saw net written premiums decline slightly due to softer pricing.
- First-quarter rollout of CinciBridge™ integrates agency management systems used by all agencies with WinCPP®, the company's online, real-time commercial lines rate quoting system.
- Upcoming rollout of CinciBridge will integrate agency management systems with e-CLAS®, the company's processing system for Businessowner (BOP) and Dentist's Package (DBOP) Policies. e-CLAS currently is available in 10 states representing 56 percent of BOP and DBOP premiums. 2007 plans for e-CLAS rollout include 10 additional states.

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Personal Lines Insurance Operations

(Dollars in millions)	Three months ended March 31,		
	2007	2006	Change %
Written premiums	**$ 153**	$ 161	(5.1)
Earned premiums	**$ 181**	$ 196	(7.6)
Loss and loss expenses excluding catastrophes	**111**	108	2.8
Catastrophe loss and loss expenses	**(7)**	10	(176.3)
Commission expenses	**38**	40	(6.6)
Underwriting expenses	**25**	31	(18.0)
Underwriting profit	**$ 14**	$ 7	107.1
Ratios as a percent of earned premiums:			
Loss and loss expenses excluding catastrophes	**61.4 %**	55.1 %	
Catastrophe loss and loss expenses	**(4.1)**	5.0	
Loss and loss expenses	**57.3**	60.1	
Commission expenses	**20.9**	20.7	
Underwriting expenses	**13.8**	15.6	
Combined ratio	**92.0 %**	96.4 %	

- 5.1 percent decrease in first-quarter personal lines net written premiums because of higher reinsurance premiums and pricing changes made in mid-2006 that lowered rates while improving policyholder retention and new business.
- First-quarter 2007 personal lines new business rose 25.4 percent to $8 million. Third consecutive quarter of improvement in the new business growth rate following July 2006 introduction of a limited program of policy credits for homeowner and personal auto pricing in most of the states in which the company's personal lines policy processing system is in use. These changes also lowered premiums for some current policyholders.
- 92.0 percent first-quarter 2007 personal lines combined ratio. The 4.4 percentage-point improvement primarily was due to $7 million in net savings from catastrophe losses compared with $10 million in catastrophe losses in the first quarter of 2006, and a favorable 2007 expense comparison.
- 61.4 percent personal lines loss and loss expense ratio excluding catastrophe losses. The ratio rose 6.3 percentage points because of the lower pricing, normal loss cost trends and higher loss severity mitigated by reserve development.
- First-quarter 2007 personal lines net savings from favorable development on prior period reserves improved the combined ratio by 9.1 percentage points. Excluding reduced estimates for prior year catastrophe losses, net savings from favorable development was 3.0 percentage points. In last year's first quarter, reserve strengthening raised the combined ratio by 2.0 percentage points.
- 0.2 percentage point increase in first-quarter personal lines commission expense ratio, primarily due to changes in the mix of personal business compared with the year-ago period.
- 1.8 percentage point improvement in personal lines underwriting expense ratio. In the first three months of 2006, underwriting expenses were high due to normal fluctuations in operating expenses and the timing of expense items.
- Agencies writing personal lines policies in 15 states now use Diamond, the company's personal lines policy processing system, with rollout to two other states planned for later in 2007. Approximately 95 percent of total 2006 personal lines earned premium volume was written in active Diamond states.
- New product offerings for 2007 and 2008 include the rollout of a new coverage endorsement – Replacement Cost Auto. This optional coverage provides for replacement of a totaled auto with a new auto, if the accident occurs in the first three years after the policyholder purchases a new car. An optional endorsement for personal auto policies that includes eight additional coverages will be rolled out in the third quarter of 2007. These coverages will increase towing and rental limits, pay for lock replacement if the policyholder's keys are lost or stolen and pay for accidental deployment of an airbag, among others.
- Personal lines have been added recently in 24 of our commercial lines agencies and with a target of an additional 25 commercial lines agencies during the remainder of the year. Expanding into these agencies would provide additional sources of premiums and help diversify the personal lines portfolio.

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Life Insurance Operations

(In millions)	Three months ended March 31,		
	2007	2006	Change %
Written premiums	**$ 42**	$ 40	5.5
Earned premiums	**$ 30**	$ 26	15.7
Investment income, net of expenses	**28**	26	7.8
Other income	**1**	1	83.1
Total revenues, excluding realized investment gains and losses	**59**	53	12.7
Policyholder benefits	**27**	30	(9.8)
Expenses	**13**	10	28.7
Total benefits and expenses	**40**	40	0.1
Net income before income tax and realized investment gains and losses	**19**	13	53.3
Income tax	**6**	5	31.9
Net income before realized investment gains and losses	**$ 13**	$ 8	67.8

- $42 million in total first-quarter 2007 life insurance segment net written premiums. Written premiums include life insurance, annuity and accident and health premiums.
- 13.0 percent increase to $33 million in statutory written premiums for term and other life insurance products. Since late 2005, the company has de-emphasized annuities because of an unfavorable interest rate environment. Statutory written annuity premiums decreased to $8 million in first-quarter 2007 from $9 million in first-quarter 2006.
- 30.1 percent rise in first-quarter term life insurance written premiums reflecting marketing advantages of competitive, up-to-date products, providing close personal attention and exhibiting financial strength and stability.
- 2.6 percent rise in face amount of life policies in force to $58.450 billion at March 31, 2007, from $56.871 billion at year-end 2006.
- $5 million increase in first-quarter 2007 operating profit due to favorable mortality experience and persistency as well as healthy earned premium growth.
- 2007 plans include continued enhancement of term and other life insurance products, including an expanded worksite product portfolio and introduction of two new universal and whole life products. The priority continues to be expansion within the insurance agencies currently marketing our property casualty insurance products.

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Investment Operations

(In millions)	Three months ended March 31, 2007	2006	Change %
Investment income:			
Interest	**$ 76**	$ 74	2.2
Dividends	**72**	62	16.7
Other	**3**	4	(18.0)
Investment expenses	**(3)**	(1)	(102.0)
Total net investment income	**148**	139	7.1
Investment interest credited to contract holders	**(14)**	(14)	2.8
Net realized investment gains and losses:			
Realized investment gains and losses	**61**	659	(90.7)
Change in valuation of derivatives	**1**	2	(56.2)
Other-than-temporary impairment charges	**0**	(1)	100.0
Net realized investment gains	**62**	660	(90.6)
Investment operations income	**$ 196**	$ 785	(75.0)

- 7.1 percent increase in first-quarter pretax net investment income. Fifth Third Bancorp, the company's largest equity holding, contributed 42.3 percent of first-quarter 2007 dividend income.
- Growth in investment income reflected new investments, higher interest income from the growing fixed-maturity portfolio and increased dividend income from the common stock portfolio.
- $21 million annually in additional investment income expected during 2007 from dividend increases announced during the past 12 months by Fifth Third and another 42 of our 47 publicly traded common stock holdings.
- $62 million in net realized investment gains during the first quarter of 2007 compared with $660 million in the first quarter of 2006, which included $647 million from the sale of the company's holdings of Alltel common stock.

Balance Sheet

(Dollars in millions except share data)	At March 31, 2007	At December 31, 2006
Balance sheet data		
Invested assets	**$ 13,641**	$ 13,759
Total assets	**18,221**	17,222
Short-term debt	**49**	49
Long-term debt	**791**	791
Shareholders' equity	**6,708**	6,808
Book value per share	**39.08**	39.38
Debt-to-capital ratio	**11.1 %**	11.0 %

	Three months ended March 31, 2007	2006
Performance measures		
Comprehensive income	**$ 13**	$ 240
Return on equity	**11.5 %**	35.9 %
Return on equity based on comprehensive income	**0.8**	15.7

- Book value of $39.08 at March 31, 2007, compared with $39.38 at year-end 2006, due to a decline in the market value of our equity portfolio.
- $4.741 billion in statutory surplus for the property casualty insurance group at March 31, 2007, compared with $4.723 billion at year-end 2006. The ratio of common stock to statutory surplus for the property casualty insurance group portfolio was 96.0 percent at March 31, 2007, compared with 97.3 percent at year-end 2006.
- 30.9 percent ratio of investment securities held at the holding-company level to total holding-company-only assets at March 31, 2007, comfortably within management's below-40 percent target.
- 1,491,000 shares repurchased in first quarter at a total cost of $64 million.

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Cincinnati Financial Corporation
Consolidated Balance Sheets

(Dollars in millions except per share data)	March 31, 2007 (unaudited)	December 31, 2006
ASSETS		
Investments		
Fixed maturities, at fair value (amortized cost: 2007—$5,785; 2006—$5,739)	**$ 5,864**	$ 5,805
Equity securities, at fair value (cost: 2007—$2,802; 2006—$2,621)	**7,687**	7,799
Short-term investments, at fair value (amortized cost: 2007—$19; 2006—$95)	**19**	95
Other invested assets	**71**	60
Total investments	**13,641**	13,759
Cash and cash equivalents	**197**	202
Securities lending collateral	**984**	0
Investment income receivable	**117**	121
Finance receivable	**103**	108
Premiums receivable	**1,173**	1,128
Reinsurance receivable	**727**	683
Prepaid reinsurance premiums	**12**	13
Deferred policy acquisition costs	**467**	453
Land, building and equipment, net, for company use (accumulated depreciation: 2007—$268; 2006—$261)	**204**	193
Other assets	**85**	58
Separate accounts	**511**	504
Total assets	**$ 18,221**	$ 17,222
LIABILITIES		
Insurance reserves		
Loss and loss expense reserves	**$ 3,928**	$ 3,896
Life policy reserves	**1,427**	1,409
Unearned premiums	**1,640**	1,579
Securities lending payable	**984**	0
Other liabilities	**652**	533
Deferred income tax	**1,531**	1,653
Note payable	**49**	49
6.125% senior notes due 2034	**371**	371
6.9% senior debentures due 2028	**28**	28
6.92% senior debentures due 2028	**392**	392
Separate accounts	**511**	504
Total liabilities	**11,513**	10,414
SHAREHOLDERS' EQUITY		
Common stock, par value—$2 per share; (authorized: 2007—500 million shares, 2006—500 million shares; issued: 2007—196 million shares, 2006—196 million shares)	**392**	391
Paid-in capital	**1,027**	1,015
Retained earnings	**2,923**	2,786
Accumulated other comprehensive income	**3,193**	3,379
Treasury stock at cost (2007—24 million shares, 2006—23 million shares)	**(827)**	(763)
Total shareholders' equity	**6,708**	6,808
Total liabilities and shareholders' equity	**$ 18,221**	$ 17,222

Cincinnati Financial Corporation
Consolidated Statements of Income

(In millions except per share data)	Three months ended March 31, 2007	2006
	(unaudited)	
REVENUES		
Earned premiums		
Property casualty	**$ 785**	$ 778
Life	**30**	26
Investment income, net of expenses	**148**	139
Realized investment gains and losses	**62**	660
Other income	**6**	4
Total revenues	**1,031**	1,607
BENEFITS AND EXPENSES		
Insurance losses and policyholder benefits	**484**	501
Commissions	**170**	166
Other operating expenses	**88**	83
Taxes, licenses and fees	**20**	24
Increase in deferred policy acquisition costs	**(15)**	(14)
Interest expense	**13**	13
Total benefits and expenses	**760**	773
INCOME BEFORE INCOME TAXES	**271**	834
PROVISION (BENEFIT) FOR INCOME TAXES		
Current	**77**	292
Deferred	**0**	(10)
Total provision for income taxes	**77**	282
NET INCOME	**$ 194**	$ 552
PER COMMON SHARE		
Net income—basic	**$ 1.12**	$ 3.17
Net income—diluted	**$ 1.11**	$ 3.13

Inside Cincinnati

On May 7, 2007, Cincinnati Financial Corporation announced that the board named retiring directors Michael Brown and John M. Shepherd as directors emeriti, recognizing their outstanding long-term contributions to the company. In addition, Director Emeritus Lawrence H. Rogers II, has retired from his position as advisor to the compensation committee.

The board also announced committee assignments for the coming year. Dirk J. Debbink, W. Rodney McMullen and E. Anthony Woods have joined the Executive Committee. Gretchen W. Price and Douglas S. Skidmore have joined the Nominating Committee.

Dan McCurdy, Jr., senior vice president, retired January 5. He began his insurance career in 1958 and joined The Cincinnati Insurance Companies in 1974, serving as manager of the Bond & Executive Risk department for more than 32 years. Vice President Thomas H. Kelly now manages Bond & Executive Risk, reporting to Thomas A. Joseph, CPCU, senior vice president, Commercial Lines.

Since the February 26, 2007, Letter to Shareholders, these associates merited promotions:

Josh Adams, AU – Senior Underwriter
Mandi Adkins – Senior Underwriter
Brian Ante – Senior Programmer Analyst
Rob Anthony, AIC – Senior Claims Representative
Clem Auyeung – Claims Superintendent
Nieata Bailey, ACS, ARA – Superintendent, Reinsurance
Rob Baker – Senior Underwriter
Rich Balestra, CFA – Associate Portfolio Manager
Anne Balfour – Associate Superintendent, Headquarters Claims
Ryan Barker, AIC – Claims Specialist
Christy Bedford – Underwriting Specialist
Paul Beeber – Underwriting Specialist
Bertie Beeker, CPCU, AIC, AIS – Senior Claims Representative
Maggie Biederman – Programmer Analyst
Tom Bier, CPCU, AIM, API – Underwriting Specialist
Andrea Blackmon, AIS – Underwriting Specialist
Scott Boden, AFSB – Underwriting Manager, Bond & Executive Risk
Eric Borg, CPCU, API – Underwriting Specialist
Bradley Boyett – Underwriting Specialist
David Brehm – Senior Underwriter
David Brinker – Underwriting Specialist
Marc Brown – e-Learning Designer
Bill Broxterman – Underwriting Specialist
Darren Brubacher – Senior Claims Specialist
Brian Bunn – Senior Underwriter
Angela Burns – Underwriting Superintendent
Paul Camacho, AIM, AIS, ARM, AU – Underwriting Specialist
Jason Campbell – Senior Rate Analyst
Julie Caplinger – Senior Underwriter
Patty Carson, AIT – Business Analyst
Ben Case, AU – Senior Underwriter
Bruce Countryman, AIC, ARM – Senior Claims Specialist
Chad Cunningham – Senior Underwriter
Joe Cunningham – Superintendent, Special Investigations Field
Jim Day, Jr. – Chief Underwriting Specialist
Shamal Desai, CPCU, AIM, ARC, CLU – Rate Filing Superintendent
Julie Didier, AIC – Senior Claims Specialist
Lori Dixon, AIC – Claims Specialist
Steve Dorr – Underwriting Manager, Bond & Executive Risk
Drew Dunahue – Senior Underwriter
Charles Eddingfield, PMP – Project Manager
Greg Ernst – Underwriting Specialist
Steve Fisher – Underwriting Superintendent
Gary Forney – Senior Systems Engineer
Krista Franchini – Underwriting Specialist
Kyle Fredrick, AIC – Field Claims Coordinator
Jessica French, AIM, AIS – Underwriting Specialist
Jonathan Fritinger, API – Senior Underwriter
Amber Fry – Underwriting Specialist
Connie Garrett – Senior Claims Specialist
Adam Goerges, AIC – Claims Specialist
Amy Gothard – Claims Specialist
Al Goudzwaard – Field Director, Sales
Bruce Graham – Supervisor, Property Claims
Kerry Grever, AU – Underwriting Specialist
Brent Grimes, CIC – Senior Regional Director, Life Sales Field
Karen Groh, CPCU, AIM, AIT, APA, API – Underwriting Specialist
Sam Hacker – Senior Underwriter
Brent Hardesty III, CIA – Manager, Internal Audit
Joseph Harvey – Underwriting Specialist
Stephanie Haun – Programmer Analyst
Jill Heil – Senior Underwriter
Ken Heinzelman – Group Manager, IT Quality Assurance Standards
Josh Hoffman, AIS – Underwriting Specialist
Mark Huelsman, API – Underwriting Specialist
Bob Huntze – Claims Specialist
Michael Huwel, API – Senior Underwriter
Brian Keipert – Supervisor, Environmental Claims
Bob Koch – Systems Analyst
Darin Kolbeck, AIC – Field Claims Superintendent
Kim Kramer – Field Claims Coordinator
Bill Larson, CPCU, AIC – Senior Claims Representative
William Lecky – Underwriting Specialist
Molly Lee – Director, Corporate Accounting
Jason Lewis – Underwriting Specialist
Christina Longbottom – Senior Programmer Analyst
Carolyn MacDonald – Project Manager
Eric Marler – Group Manager, IT Quality Assurance Standards
Sherri McGee – Claims Specialist
Rick McIntosh – Senior Claims Specialist
Chris Medinger, CPCU, AIM – Underwriting Superintendent
Madeleine Merkle – Underwriting Specialist
Christina Meyer, CPCU – Senior Underwriter
Bobby Misztal, AIC, AIM, SCLA – Senior Claims Representative
Charley Monahan, ARM – Senior Loss Control Consultant
Holly Moorhead – Marketing Representative, Personal Lines

David Morel – Actuarial Analyst
Mike Morgan, AIC – Senior Machinery & Equipment Specialist
Ron Morrison – Associate Claims Superintendent
Priscilla Mueller, CPCU, AIM – Chief Underwriting Specialist
Dawn Mussig, API – Senior Underwriter
Greg Myers – Database Engineer
Jesse Neumann, AIS, AU – Underwriting Specialist
Brad Notestein, AIC – Supervisor, Complex Litigation Claims
Chris O'Keefe, AIC – Senior Claims Representative
Kieran O'Rourke, CRM, CIC – Regional Director
Scott Olson, AIC – Senior Claims Representative
Richard Osborn, AIM – Supervisor, Casualty Claims
Jeff Owens, CPCU, AIM – Senior Underwriting Manager
Meg Patrick – Underwriting Superintendent
Shelia Pena – Chief Underwriting Specialist
Joanie Posey – Chief Underwriting Specialist
Dan Ratliff – Chief Underwriting Specialist
Denny Ray, CPCU, AIM, ARM – Senior Loss Control Consultant
Brian Reisert – Senior Underwriter
Jessica Reljac, AIM – Underwriting Specialist
Kelly Retzsch, CPA – Specialist, IT Project & Request Management
Keith Reyer, AIC, SCLA – Senior Claims Representative
Don Rigney III – Senior Underwriter
Britta Ritz, AIC – Senior Claims Representative
Bill Rizzo, AIM, API – Underwriting Superintendent
Greg Rodriguez – Underwriting Specialist
Todd Rodriguez – Specialist, IT Web Services
Clinton Rouse – Senior Programmer Analyst
Kelly Sacks, AIC – Senior Claims Specialist
Mike Sams, AIC – Supervisor, Bond Claims
Brooke Schubert, CPCU, AIC, AIM, ARM – Associate Claims Superintendent
Bob Siebert – Underwriting Superintendent
Steve Selcer, AIC – Senior Claims Representative
Che'ree Sheffield – Group Manager, IT Infrastructure
Ingrid Smith, AIC – Senior Claims Representative
Dan Snyder – Unix Administrator
Todd Solon, AIC – Claims Specialist
Dwayne Stephens – Senior Underwriter
John Stephenson – Field Claims Superintendent
Jeff Stepleton – Claims Specialist
Chris Stufft –Senior Underwriter
Andy Temming, CFA – Associate Portfolio Manager
Cindy Traurig, API – Senior Filings Specialist
Don Traut, Jr., AIM, API – Senior Underwriting Manager
Cheri Tuerck, API – Assistant Manager, Personal Lines
Randal Tuszka – Senior Loss Control Consultant
Alex Wehrum – Underwriting Specialist
Janet Wells – Network Analyst
Tricia Welsh – Underwriting Specialist
Brian White – Investigator, Special Investigations Headquarters
Todd Wing – Associate Actuary
Vicki Wisniewski – Senior Claims Specialist
Carl Wolf, AIC – Claims Specialist
Jeff Wood, AIC – Senior Claims Representative

A committee of associates recently granted quarterly *Above and Beyond the Call* (ABC) awards to Cheryl Barrett, Field Claims-Headquarters and Andrea Sams, Actuarial. 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, ethical and length-of-experience standards. Associates continue to earn prestigious designations. Congratulations to associates who completed a series of courses to earn the *Chartered Property Casualty Underwriter (CPCU)* designation: Chris Beckman, John Benintendi, Bruno Bischoff, Regina Bobie, Tom Busch, Dave Cable, Derek Clark, Scott Courtney, Mark Davidson, Victoria Denham, Tye Fickling, Heather Gabriel, Jim Gron, Chris Harrison, Dawn Hays, Kevin Hedrick, Al Hoeweler, Jr., Megan Jewell, Holly Jones, Ike Kirch, Laura Lewis, Nancy Liebowitz, Jennifer McKinney-Taylor, Kim Meinberg, Christina Meyer, Matt Muckleroy, Shawn Niehaus, David Nutt, Clint Puskarich, Darren Rutledge, Holly Sanders, Kathy Saurber, Tom Schreiber, Tom Scott, Darryl Sheffer, Gina Spradling, Bryan Sturdy, Dan Taylor, Nancy Tebbe, Keith Tenoever, Denise Toth, Dawn Woodrick and Kim Yerigan; and to associates who earned the *Certified Insurance Counselor (CIC)* designation: Brent Burton, Lee Sanders and Jeff Wendlandt; and to Jeremy Singer who earned the *Chartered Life Underwriter (CLU)* designation.

Public Responsibility

Members of Congress again are reviewing the state-based system of regulation that has controlled the insurance industry for more than 60 years, with some saying it would be better for consumers if the federal government regulated the insurance industry. Legislation has been introduced in both the House (H.R. 1081) and Senate (S. 618) to permit the Federal Trade Commission and the Department of Justice, in addition to the states, to regulate the business of insurance, removing the exemption of some anti-trust laws that allow insurance companies to share advisory loss cost data and supplemental rating information.

Your company will urge Congress to reject H.R. 1081 and S. 618. Our experience shows that policyholder risks and coverage needs vary because of diverse geographic and economic conditions. We continue to believe that state regulators are in the best position to respond to these local market conditions and that any change restricting or discouraging the exchange of advisory loss costs and supplementary rating information could place smaller and regional firms at a distinct disadvantage. Moving to federal regulation could actually undermine competition and lead to increased costs and reduced choices for consumers.

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
- 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
- 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
- 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
- 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 Bancorp (NASDAQ:FITB) shares, a significant equity holding
- Recession or other economic conditions or regulatory, accounting or tax changes resulting in lower demand for insurance products
- 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 or interest-rate fluctuations that result in declining values of fixed-maturity investments
- 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 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.

Electronic Delivery

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

Electronic delivery benefits you and your company:

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

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

Cost savings
Electronic delivery saves money for Cincinnati Financial – your company.

Plus, it's better for the environment

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

To enroll, select Electronic Delivery from the Investors page of *www.cinfin.com.* If you hold multiple accounts directly or through a broker, you will need to separately enroll each account – including joint tenant and custodial accounts – to stop paper mailings.

Enroll Today

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.

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