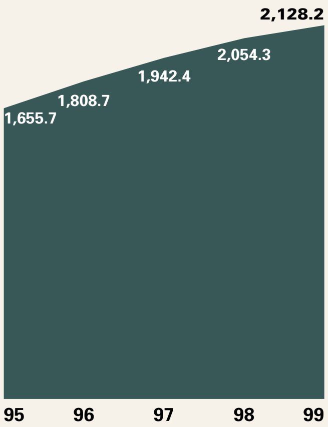
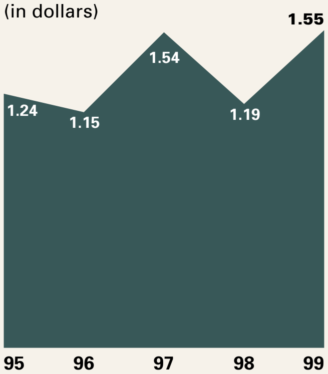
Cincinnati Financial Corporation

Annual Report 1999

Revenues
(in millions of dollars)

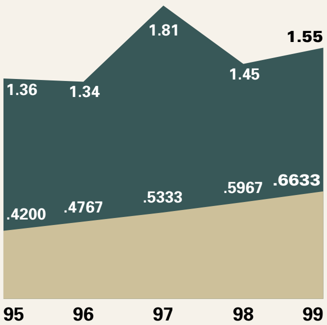


Net Operating Income*
Per Common Share
(in dollars)



*Adjusted to reflect 5% stock dividends paid in April 1995 and 1996 and a 3-for-1 stock split paid in May 1998.

Net Income / Dividends Paid*
Per Common Share (in dollars)



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ABOUT THE COVER: Today's insurance landscape is marked by peaks and valleys, change and consolidation. The rough topography and changing climate contrast with the stability of Cincinnati Financial Corporation. Artist Frank Satogata captured that theme for our cover. Looking through the mountains of industry uncertainty, the viewer sees the steady plain that is Cincinnati Financial.

COMPANY PROFILE: Consistent growth, consistent profitability and consistent innovation are our hallmarks. Guided by a strong customer focus on an elite corps of 977 agencies, the Company stays steady on its path by embracing its mission—to grow profitably and enhance the ability of local independent insurance agents to deliver quality financial protection to the people and businesses they serve. To fulfill this mission, the Company strategically provides market stability through financial strength; produces competitive, up-to-date products and services; and develops associates committed to superior service.

Cincinnati Financial was formed in 1968 as the parent of The Cincinnati Insurance Company, the lead property and casualty insurance subsidiary founded in 1950. Today, five additional subsidiaries round out the group:
The Cincinnati Casualty Company
The Cincinnati Indemnity Company
The Cincinnati Life Insurance Company
CFC Investment Company
CinFin Capital Management Company

Cincinnati Financial's investment portfolio, the primary source of profits, employs a total return philosophy with an equity focus. By selecting investments with potential for both current income and long-term appreciation, the Company has achieved the same record of consistent results that marks its insurance operations. In 1999, this led to record-high consolidated assets and the 39th consecutive year of increased cash dividends paid to shareholders.

Contents

Financial Highlights 1
Letter to Shareholders 2-5
Reports on Subsidiary Companies 6-14
Responsibility for Financial Statements and Selected Quarterly Financial Data 15
Selected Financial Information 16-17
Management Discussion 18-23
Consolidated Financial Statements 24-27
Notes to Consolidated Financial Statements 28-36
Independent Auditors' Report. 36
Subsidiary Officers and Directors 37
Shareholder Information and Price Range of Common Stock 38
Corporate Officers and Directors 39

Financial Highlights

Cincinnati Financial Corporation and Subsidiaries

Comparative results 1999-1998
(000's omitted except per share data and ratios)

	1999	1998	% Change
Operating Performance			
Revenues	**$ 2,128,223**	$ 2,054,289	3.6
Income Before Income Taxes	**321,573**	307,107	4.7
Net Operating Income	**255,089**	199,116	28.1
Net Capital (Losses) Gains (After Tax)	**(367)**	42,451	(100.9)
Net Income	**254,722**	241,567	5.4
Financial Position			
Total Assets	**$11,380,214**	$11,086,503	2.6
Shareholders' Equity	**5,421,284**	5,620,936	(3.6)
Per Share Data			
Net Operating Income	**$ 1.55**	$ 1.19	30.3
Net Capital Gains	**.00**	.26	(100.0)
Net Income	**1.55**	1.45	6.9
Net Income (Diluted)	**1.52**	1.41	7.8
Cash Dividends Declared	**.68**	.61⅓	10.9
Book Value	**33.46**	33.72	(0.8)
Average Shares Outstanding	**164,637**	166,821	(1.3)
Performance Ratios			
Combined Ratio (Statutory Basis)	**100.0%**	103.6%	(3.5)
Return on Equity	**4.6**	4.7	(2.1)
Return on Equity Including Net Unrealized Gains and Losses	**1.9**	19.6	(90.3)

This report contains forward-looking statements that involve potential risks and uncertainties. Please see the Management Discussion, page 18, for factors that could cause results to differ materially from those discussed.

To Our Shareholders:

Cincinnati Financial Corporation reported record-high assets, net operating income, total revenues and pre-tax investment income in 1999. Highlights included improved profitability of property and casualty insurance underwriting, with a 100.0% statutory combined ratio; a 19.0% increase in net income from The Cincinnati Life Insurance Company; and achievement of record consolidated revenue and net operating income with no boost from taxable net capital gains.

These financial results reflected the Company's strong fundamentals and steady performance, achieved by targeting profitable, incremental and sustainable growth. The Cincinnati formula for consistent growth and profits is a strong customer focus on the agent and a willingness to align our entire business system with that focus, innovating to support the market stability, service advantages and financial strength those agents need.

In 1999, this meant walking away from commercial insurance accounts when industry peers priced business with no regard for the amount of risk assumed. It meant repairing autos with manufacturers' factory parts and giving claimants the freedom to select their own body shop or mechanic. It meant offering guaranteed products and rates when other insurers were changing direction and hedging bets. It meant investing for total return, selecting equities that pay increasing dividends and bonds with potential for ratings upgrades.

Innovation: Claims Philosophy

From the Company's agent origins to its local field authority, agent-centered Cincinnati has always stood apart. This was as true in 1999 as in 1950. While foresight and preparation made the century transition uneventful so far for most insurers, Cincinnati's innovative stance showed our commitment to select courses of action consistent with our agents' needs for stable markets and superior claims service. Like other insurers, we repaired or replaced our own non-compliant systems, and we went further by helping agencies assess their readiness. We helped them alert insured businesses of the need to prepare and staffed a hotline for Y2K-related insurance questions. Unlike many insurers, Cincinnati did not attach a Y2K-related exclusion to every policy in our commercial book of business. Instead, we chose to preserve traditional coverages for our policyholders, maintaining our practice of deciding coverage only after looking in each case at the specific loss and policy language.

Cincinnati's golden rule claims philosophy gives agents a competitive advantage. Nearly 700 field claims professionals work out of their homes in agents' communities, available to provide emergency service 24 hours a day and seven days a week. Most policyholders learn to appreciate the value of insurance when they have a claim, so our claims representatives confirm that value by treating them as we would want to be treated.

Some of our most able executives began their careers as staff adjusters, discovering that superior claims service is the most important way Cincinnati differentiates our brand. Senior Vice President James E. Benoski, appointed vice chairman and chief insurance officer of the property and casualty subsidiaries late in 1999, started as a claims representative in Alabama. Retired Cincinnati Casualty Company President Hayden D. Davis, who passed away in January of this year, was the Company's first claims representative.

Innovation: Products and Pricing

Director Emeritus Harry M.Turner, one of the four founding agents, also died in January. He wrote the first Cincinnati Insurance policy in 1951, served as its first president and chairman and Cincinnati Financial's first chairman. He believed an agent-sponsored company that excelled at service and personal relationships would prosper. It did, and in 1999, we wrote the largest policy in our history. In the last days of December, a $302.9 million single-pay life policy on one bank's officers put us over the top of our $2 billion goal for direct written premiums for property casualty and life insurance.

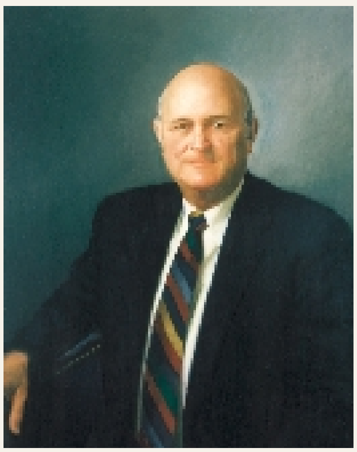
That transaction succeeded because our associates tackled it with ingenuity, diligence and willingness to work across department borders. Selling points included our ability to manage a relationship-based approach; to design flexible, innovative coverage and terms that met the policyholder's needs; and to show a history of service and strength.

Those are formidable selling points to have on our side as we again target $2 billion in direct written premiums by year-end 2000. Although the large life policy discussed earlier helped us exceed that goal in 1999, it was fully paid in 1999 and won't contribute to written premiums in 2000. Excluding it, direct premiums were $1.855 billion in 1999.

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

If positive trends in the final months of 1999 continue, we'll get more adequate pricing for commercial accounts and attract new business with our multi-year rate guarantees, our claims service and our strong brand in agents' eyes. The good economy should benefit businesses, which will need more and better policies to cover their increased insurable exposures. And more property and casualty agents will discover that Cincinnati Life has new products that can make life insurance a profit center for them. Sixty agencies, up from 20 in 1998, earned more than $40,000 in life commissions in 1999.

In Tribute to Robert B. Morgan
Retired April 3, 1999



Bob Morgan joined Cincinnati as an assistant casualty manager in 1966. He quickly rose through the ranks to become president of Cincinnati Insurance and of Cincinnati Financial, then chief executive officer. He guided the Company's progress with skills fine-tuned by his underwriting experience—discipline, decisiveness and the talent to accurately distill complex questions down to simple solutions.

He led the Company from $46.6 million in premium and operations in 10 states in 1972 to $1.6 billion and 29 states in 1998. While other companies strayed from core competencies, Bob consistently chose the path that differentiates us today, judging all proposals against two brilliant truths:

"The agent is our customer." We made decisions at the local level, empowering and supporting—but not controlling—the field marketing and claims people closest to agents and their customers.

"We're in the business of accepting risk." To Bob, this meant looking for ways to flexibly underwrite the business agents brought to us. Instead of specializing, we developed a full range of products responding to most of their clients' needs. It meant looking through policies for reasons to pay claims and treating catastrophe losses not as earnings spoilers, but as opportunities to earn more business from satisfied policyholders.

In a three-room Kentucky schoolhouse, Bob learned to cut through complexity, zeroing in on what's really important. He remains active in retirement, applying his talents to the Company's government relations. His example lights the way as we choose future paths.

Reaching the $2 billion level should position us to increase revenues faster than expenses, achieving new economies of scale. Industry studies by A.M. Best and the Independent Insurance Agents Association showed that Cincinnati's total operating expenses are no more than those of some large direct marketers that advertise their products to the public. The difference is that we keep office and advertising expenses much lower and give consumers the extra value of professional advice and service from commissioned agents. A 1999 major consumer survey by the Insurance Information Institute confirmed that about 80% of the public is most comfortable purchasing insurance from an independent agent. Our business model must continue to demonstrate that these consumers can have quality products and the service of an independent agent without paying substantially more.

Innovation: Shareholder Value

Just as agents and policyholders count on Cincinnati's consistency and stability, you can count on consistently receiving shareholder value. In 1999, we returned more than $327 million to shareholders in cash dividends and stock repurchases. This was the 39th consecutive year of increased cash dividends. Dividends paid per share rose to $0.66⅓ in 1999 from $0.21 in 1989, adjusted for stock dividends and splits. That's a 12.2% compound growth rate for the past ten years.

Further, the Board declared an 11.8% increase in the dividend for the first quarter of 2000, raising the indicated annual dividend to $0.76 per share.

With financial stocks out of favor and the price of Cincinnati Financial common stock below book value, the Board sees it as an attractive investment. During 1999, we acquired 6.1 million shares at a cost of $217.1 million. After purchase of 589,000 more shares in January, 10.3 million shares remain authorized for repurchase.

Rising interest rates in 2000 may contribute to higher investment income, as well as reduced realized and unrealized capital gains in the investment portfolio. We'll stick to our disciplined buy-and-hold equity strategy, confident in the long-term appreciation potential of the well-managed companies we select. This consistency is a prime reason for Cincinnati Financial's financial strength reflected in recent positive rankings and ratings (published in 1999 and generally based on 1998 performance):

- ***Forbes 500***
  #319 Super Rank
  #237 assets
  #299 market value
  #329 profits
- ***Fortune 1000***
  #640 by revenues
  #18 among property and casualty stock insurers, based on consolidated revenues
- ***Moody's Dividend Achievers***
  #92 for 10-year compound growth of cash dividends
  #25 for longest record of consecutive annual cash dividend increases
- ***Standard & Poor's***
  AA- senior debt rating
- ***Moody's Investors Service***
  A2 senior debt rating
- ***Standard & Poor's 500 Index***
  Listed in property casualty insurance group
- ***InformationWeek 500***
  #353 among top innovative corporate technology users
- ***Nasdaq 1000***
  #50 among Nasdaq companies by market value

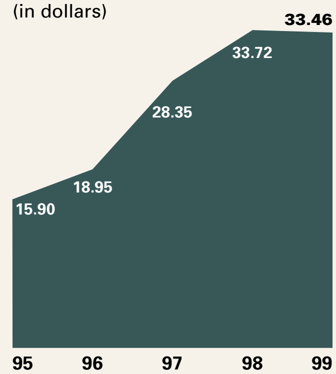
It is a privilege to report on the state of Cincinnati Financial Corporation in 2000, my first year of service as chief executive officer. From our current very strong financial position, your Company will follow our agent-centered business plan, continuing to produce consistent growth and profits over the long term.

/s/ John J. Schiff, Jr.

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

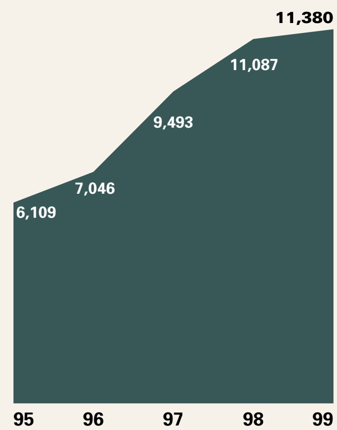
February 5, 2000

Book Value*
Per Common Share
(in dollars)



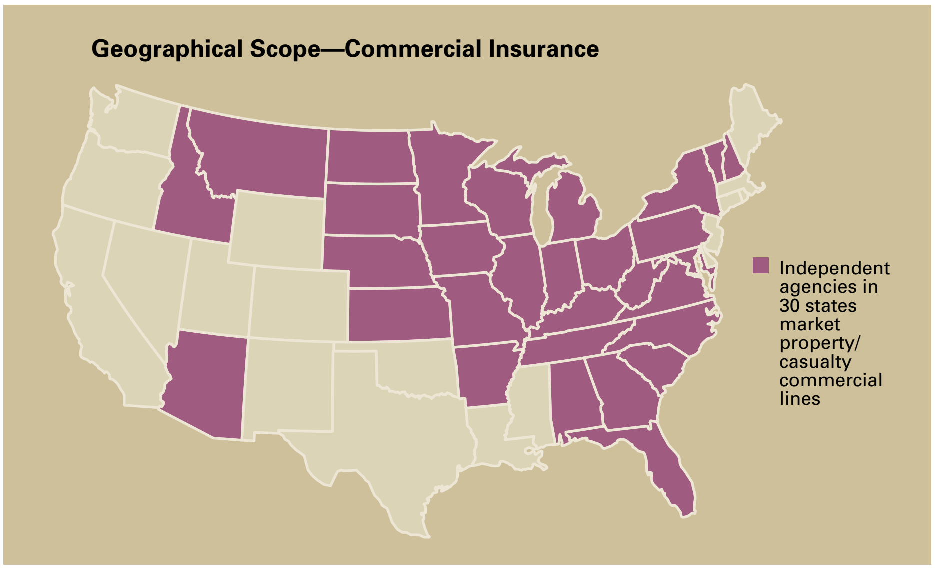
*Adjusted to reflect 5% stock dividends paid in April 1995 and 1996 and a 3-for-1 stock split paid in May 1998.

Assets
(in millions of dollars)



Property and Casualty Insurance Operations

Property and casualty insurance underwriting achieved a combined loss and expense ratio of 100.0% for 1999, on a statutory basis. Several factors converged to improve performance over 1998, when the ratio was 103.6%. Primary among those factors were increased underwriting discipline, reduced catastrophe losses, selective abatement of competitive pressure on commercial pricing and some rate improvements on personal lines.



Net written premiums advanced to $1.681 billion, up 7.9% versus estimated industry growth of 2.3%. New business reached $210.3 million in direct premiums, compared with 1998's $218.4 million. The decrease reflected heightened efforts to balance growth and profitability. Notably, fourth-quarter highlights included new business growth of 11.0% and a $19.0 million gross underwriting profit, the second quarterly underwriting gain in 1999.

Innovation: Partnering With Agents

Our strong desire to remain a stable market for most of our agents' best accounts influences the strategies we employ to underwrite profitably. Where some other insurers tighten up by eliminating whole classes of business or drastically raising prices, we're more likely to search for flexible solutions that allow us to write each account. Sometimes the overall risk can be made more attractive by selling additional, more highly profitable coverages in the package, increasing the total premium while giving the policyholder extra value. Or we may offer to write the same policy at a higher price for a multi-year term. This gives policyholders a guarantee that the rates on most coverages won't increase, reduces their incentive to shop their business every year and lowers processing expenses for agents and for us. Innovative strategies do much more than control our profitability; they give agents new advantages to sell.

To provide individualized solutions for agencies and accounts, we must give them each more personal attention. That's why we choose to keep our agency partnerships under 1,000 instead of taking the approach of appointing every agency that asks to represent us. We commit to having a strong local presence by placing almost a third of our staff in the field, assigning well-trained underwriters and granting easy access to our executives and headquarters staff.

While we've succeeded at keeping the number of partnerships fairly constant, the average size of those agencies is increasing due to mergers and consolidations. Many agencies now have multiple locations, giving them a larger marketing radius and larger volume. We wrote an average of $1.7 million of premiums per agency in 1999, out of more than $9 billion total volume reported for all 977 agencies. There is clearly room to grow by further penetrating these prosperous, top-tier agencies.

Innovation: Creating Opportunities

Cincinnati also has room to grow geographically. We've expanded to seven new states over the past five years and expect to appoint our first Utah agency soon. It takes time to develop our style of relationship and build premium volume. Those seven new states accounted for $58.9 million of direct premiums in 1999, 3.4% of our total volume.

For additional growth, we supplement the new states with expansion of the number of marketing territories in established states. Over the past five years, this strategy led to the creation of 12 additional, smaller territories where we could provide increased support in return for more business. For 2000, we are looking at staffing new territories in established states of Michigan, South Carolina, Tennessee, Pennsylvania and Illinois.

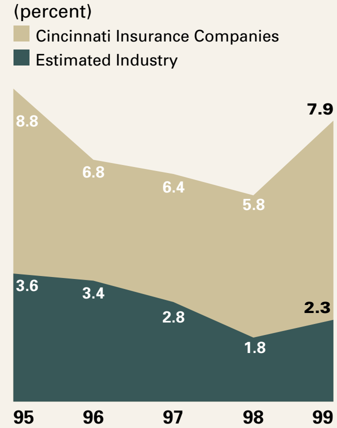
We also grow by expanding the product lines our agents can sell. In 1999, Michigan

The first Idaho agency appointed, Higgins & Rutledge Insurance (Boise) reflects the larger size typical of new appointments. Left to right: Claims Examiner Lynn M. Hovekamp; Chief Underwriting Specialist Michael J. Meese; Rodney A. Higgins, President of the agency; and Michael E. Francois, Secretary—Sales & Marketing.

consistent growth

Cincinnati's net written premiums grow consistently at more than twice the industry rate. Commercial net written premiums, which make up 65% of total volume, grew 7.9% in 1999. Personal net written premiums, accounting for 35% of the total, grew 8.0%.

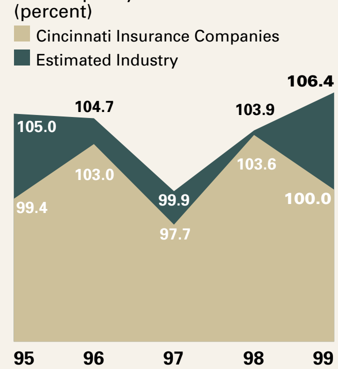
Property Casualty Premium Growth Rate
(percent)



consistent profitability

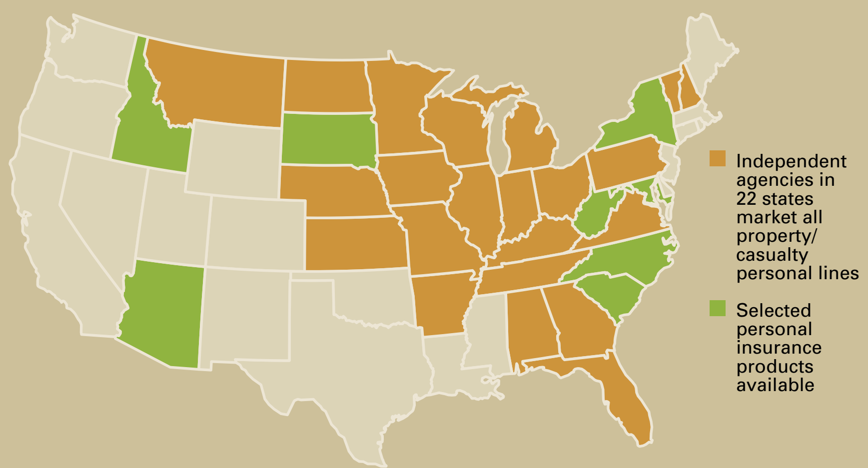
Cincinnati's statutory combined ratio consistently outperforms the estimated industry ratio. Catastrophe losses contributed 2.2 points to Cincinnati's 1999 loss ratio versus 6.1 points in 1998. The 1999 expense ratio of 28.4% improved from 28.9% in 1998.

Property Casualty Combined Loss and Expense Ratio
Statutory basis
Before policyholder dividends
(percent)



moved into fourth place among our largest states, following addition of auto insurance to the products available there. Personal lines filings were approved during 1999 for Montana, a young state with $3 million in 1999 direct premiums; and selected personal lines are available in Idaho, the newest state, activated late in 1999.

Geographical Scope—Personal Insurance



Cincinnati's product portfolio undergoes continuous review and enhancement to make sure agents have up-to-date products with differentiated features. Major 1999 updates included the Homeowner Plus value package of extra coverages, the Residential Business Program and the Businessowners Package Policy. New coverages that are giving agents marketing opportunities include Equipment Breakdown Coverage, Builders' Risk Soft Costs, Actual Loss Sustained Business Income and the Businessowners Package for Cosmetologists and Barbers.

While many insurers pursue their own growth, the innovative Cincinnati approach focuses on the flexible underwriting and deeper relationships that help our agencies grow first. This is a prime reason for our property and casualty insurance group's high rankings and ratings (published in 1999 and generally based on 1998 performance):

- *A.M. Best Company*
  A++ (Superior), awarded to just 3% of insurer groups
- *Standard & Poor's*
  AA+ (Very Strong) Security Circle
- *Ward Financial Group*
  Ward's 50 Benchmark Company, ninth consecutive year, for balancing policyholder safety and shareholder return
- *Arkansas Independent Agents Association*
  Regional Company of the Year
- *Best's Review (July 1999)*
  #33 nationally, net written premiums
- *Best's Review (September 1999)*
  #31 nationally, assets
- *National Underwriter (August 1999)*
  #40 nationally, direct written auto premiums
- *Business Week Global 1000 (July 12, 1999)*
  #327 in United States, based on financial measures
  #661 globally

Innovation: Providing the Resources

A 1999 study by Conning & Co. named Cincinnati as one of the four most prominent middle market insurers. The report singled out effective use of technology and outstanding service as the two most important strategies for future success in this market. Both the commercial and personal lines areas of the Company are dedicating resources to bring the benefits of technology and service to agents.

Multi-year projects now underway are beginning to change business workflow. At this time, the headquarters staff and

Large, multi-state accounts, like the School Sisters of Notre Dame, receive special attention and innovative, customized claims service and reports. Left to right: Jay P. Weir, Vice President, James R. Weir Insurance Agency, Inc. (Mankato, MN); Sister Katherine DuVal, Provincial Leader; Sister Janet Senderak, Provincial Treasurer; and James E. Benoski, Chief Insurance Officer and Senior Vice President—Claims, The Cincinnati Insurance Companies.

field representatives across the country have been connected to a corporate intranet. CFCNet provides a direct communication link between headquarters, field staff and agencies. This spring, when we begin connecting agencies, they will have online access from their offices to property and casualty policy forms and manuals in our Electronic Document Repository. This repository is the infrastructure for automation of paper-based processes.

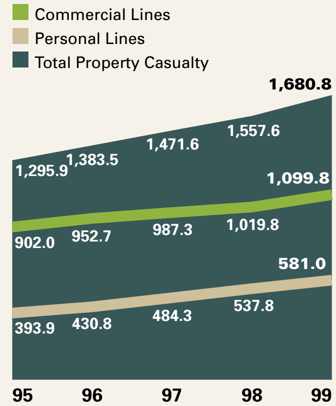
Ongoing software and systems projects contribute to progress in every area. Personal lines agents received software to calculate property values and establish correct policy limits, providing the right level of protection at the right price. Sales and Commercial Lines teamed up to attract $12.7 million of jumbo account new business, averaging over $140,000 per package. The large account unit's underwriters are skilled in quoting and underwriting multi-state accounts supported by appropriate resources—loss control, claims service agreements and loss reports customized to the policyholder's needs. When fully implemented, new large loss reporting software will let policyholders view their reports online via a secure Internet link.

By partnering with good agents and innovating to meet their needs, Cincinnati has

consistent growth

Steady growth in established states fueled a $123.2 million premium increase. Ohio, the largest state with 26.8% of total direct volume, grew $21.6 million or 4.9%. Other top states by total volume: Illinois up $10.5 million or 6.8%; Indiana, up $5.3 million or 3.6%; Michigan, up $7.0 million or 8.1%.

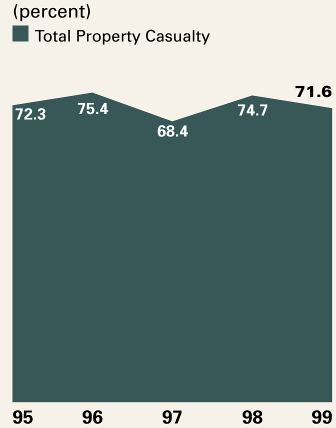
Property Casualty Net Written Premium
(in millions of dollars)



consistent profitability

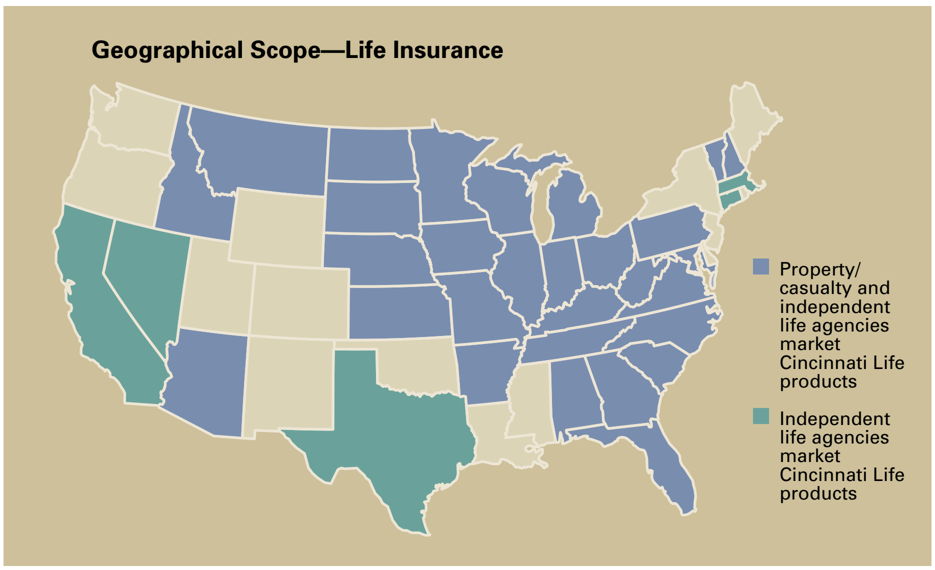
The loss and LAE ratio for 1999 improved 3.1 points on the strength of personal lines profitability. Lower catastrophe losses and an agency re-underwriting program improved the personal lines ratio to 69.1% versus 81.7% in 1998. The commercial lines ratio was 72.9% versus 71.1% in 1998.

Property Casualty Loss and LAE Ratio
(percent)



achieved outstanding commercial and personal insurance rankings and ratings:

- ***Crittenden's Property/Casualty Ratings***
  #1 commercial insurer nationwide for 1999—agent survey covering six service categories (January 4, 2000); fourth year as the agents' top choice
  #1 insurer for commercial umbrellas,



  employment practices liability, multi-peril, commercial inland marine, commercial general liability—product-specific agent surveys
  #2 insurer for commercial auto and business owner policies—product-specific agent surveys
- ***Best's Review (July 1999)***
  #1 insurer in Ohio for commercial auto direct premiums, with an 8% market share
  #14 of Top 250 insurers for commercial multi-peril net written premiums
- ***Standard & Poor's***
  (Business Insurance, October 25, 1999)
  One of the "Top Global Business Insurers Operating in the United States," based on suggestions from market participants and share of commercial risks written in the local market
- ***Best's Review (September 1999)***
  #27 for homeowner direct written premiums
- ***National Underwriter (August 16, 1999)***
  #68 insurer for private passenger auto direct written premiums
- ***Independent Consumer Survey***
  Highest-rated independent agent insurer for auto claims satisfaction

Life Insurance Operations

Innovation: Aligning Product and Distribution

Cincinnati Life contributed $28.1 million of net operating income in 1999, up from $23.6 million in 1998. Gross written premiums were $420.7 million, including the $302.9 million dollar, single-premium Bank Owned Life Insurance policy discussed in the Shareholders' Letter (page 3).

The Company's life insurance operations are in the third year of new leadership. Management's charge is to align product and distribution to achieve corporate objectives, by rounding accounts and improving persistency of business for Cincinnati's property and casualty agencies. Innovations include a new generation of life products, updated agent compensation programs, a larger agency force and expanded geographical presence.

On the product side, a third-party agreement made it possible to add LifeHorizons Long Term Care to the portfolio and hold training seminars for over 1,000 agents who are selling the coverage. Term insurance sales were very strong as consumers locked in long-term rate guarantees before Triple X regulations became effective on January 1, 2000. Term life first-year premiums rose 70% and ordinary life applications, including individual term, whole life and universal products, rose 64%.

Because term insurance is easily cross-sold to property and casualty policyholders, it opens doors to increased life production from those agencies. We will introduce an updated series of LifeHorizons Term in 2000, as well as survival universal life, disability products, a single premium deferred annuity and a flexible premium deferred annuity.

The broader product portfolio gives agents the full range they must have to meet most life insurance needs of their property and casualty clientele. It also makes recruiting agencies in new states easier. During 1999, we appointed our first agents in Massachusetts, Connecticut, Montana and Nevada. As Cincinnati Life enters states or areas where we have no property casualty agents selling life insurance, we are recruiting independent life agencies. This strategy increases our return on product development because these agencies require less support at a lower fixed cost.

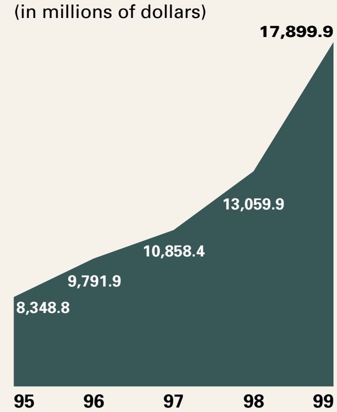
Cincinnati Life will pilot imaging and automated workflow for the Corporation during 2000. Over 325,000 active files will be converted to digital format for online access, with major implications for enhanced service to agencies.

Information Systems teams with user departments to develop technology solutions such as the new Field Audit Management System (FAMS). FAMS improves our ability to track and report policy audits. Left to right: Senior Programmer Kara J. Maguire; Premium Audit Field Supervisor Timothy D. Morris, CPCU, APA; and Associate Project Manager Diane L. Fluegeman.

consistent growth

Face amounts of life insurance policies in force increased 37.2% from 1998 to 1999. Cincinnati Life's total policy count rose to 327,610 versus 318,598 in 1998, including life, annuities, and accident/health policies.

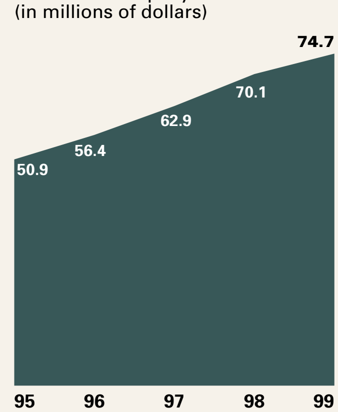
Life Policy Face Amounts in Force
Excluding annuities, accident and health business
(in millions of dollars)



consistent profitability

Cincinnati Life's 1999 net premium income rose $4.6 million, up 6.5%. Earned premiums for life insurance, the main marketing thrust, rose $3.7 million to $65.1 million, up 6.1%.

Net Premium Income
The Cincinnati Life Insurance Company
(in millions of dollars)



Cincinnati Life's solid financial strength qualifies it for the high rankings and ratings that increase the comfort level of property and casualty agencies considering life insurance sales:

- *Best's Review (July 1999)*
  #100 for ordinary life insurance premiums
  #330 for net premiums written
- *Ward Financial Group*
  Ward's 50 Benchmark Company, seventh consecutive year, for policyholder safety and financial strength
- *A.M. Best Company*
  A+ (Superior)
- *Standard & Poor's*
  AA+ (Very Strong), Security Circle

Financial Services

Cincinnati's financial services subsidiaries enhance relationships by increasing service to our agent customers while providing direct availability to other organizations and individuals.

Innovation: Cross-Selling

CFC Investment Company, the commercial lease and finance subsidiary, reported $3.2 million of net income in 1999. Gross receivables rose 19.9% to $92.6 million as of December 31, 1999. In addition to paying finders' fees to agents for referrals, CFC Investment provides agencies with equipment and vehicles through incentive leases. The Sales Department negotiates generous repayment agreements in exchange for higher insurance premium production. During 1999, two new marketing territories were staffed in Georgia and in Kentucky/Tennessee.

1999 was the first full year of operations for the asset management services subsidiary, CinFin Capital Management Company. Although start-up costs exceeded income, the Company ended the year with 14 accounts and more than $450 million under management. This amount includes $302.9 million from the large Cincinnati Life policy discussed in the Shareholders' Letter (page 3). As Cincinnati Life pursues additional sales of this type, CinFin's asset management services should be a sales advantage.

Prospective clientele for CinFin services include corporations, insurance agencies and companies, institutions, pension plans and high net-worth individuals. As Cincinnati executives travel to 28 cities for insurance sales meetings this spring, they will introduce agents to CinFin's disciplined, buy-and-hold approach to investing.

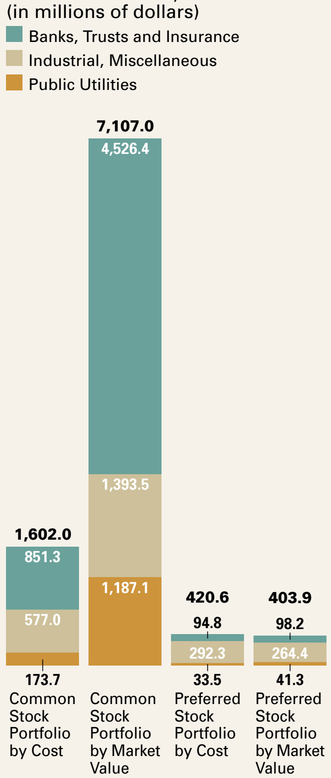
Investment Operations

Innovation: Focusing on the Long Term

Cincinnati's investment style is differentiated by our focus on common stocks of well-managed, high-quality companies with proven success and regular dividend increases. During 1999, 35 of the 45 stocks held in the portfolio announced dividend increases, adding $16.1 million, on an annualized basis, to our investment income. Revenues from investment income advanced $18.8 million, a 5.1% increase.

We achieved this growth with an unusually low level of new investment dollars, due to cash outlays for priority projects of major

Composition of Equity Investments
As of December 31, 1999
(in millions of dollars)



importance to the Company's future. We spent $35.2 million in 1999 to double the size of our offices, bringing headquarters associates back under one roof for increased efficiency; approximately $23 million for ongoing software development; and $217.1 million to repurchase 6.1 million shares of CFC common stock at an average price of $35.66 per share. After a purchase of 589,000 shares in January of 2000, a balance of 10.3 million shares remained authorized for repurchase under the 17 million share program announced in February 1999. The average price of all repurchases since November of 1996 is $32.13.

We recorded a slight realized capital loss in 1999, less than $0.4 million, compared with net realized capital gains of $42.5 million in 1998. Our policy, over the years, has been to offset capital gains during the fourth quarter and minimize taxes.

The Company's exceptionally strong surplus allows us to capture long-term gains by investing more in common stocks than is typical for many insurers. We continued in 1999 to invest over 40% of new money in equities. The cost basis of the common stock portfolio was $1.602 billion or 34.0% of the total portfolio's cost at December 31, 1999. Because of our buy-and-hold philosophy, equities accounted for $7.107 billion or 70.2% of total portfolio value on a market basis, as of December 31, 1999.

Half of our top 10 equity holdings are financial stocks, a sector temporarily out of favor at year-end 1999. We own financial stocks because of their strong fundamentals, including consistent earnings and dividend histories, in contrast to technology stocks that inflated gains in 1999 for the S&P 500. At year-end 1999, unrealized equity gains in our common stock portfolio were $5.485 billion versus $5.455 billion at year-end 1998. For the three-year period 1997-99, annual total return on our portfolio was 28.7% versus 27.5 % for the S&P 500.

Higher interest rates impacted the bond market, reducing its asset value by $194.8 million as of December 31, 1999. Looking forward to 2000, those high interest rates should bring many opportunities to select fixed-income investments with higher current income and the potential for ratings upgrade.

Reflecting the lower unrealized gains in the portfolio, the book value of Cincinnati Financial stock was $33.46 at year-end 1999 versus $33.72 at year-end 1998. Book value over the past three years grew at a 20.9% compound growth rate.

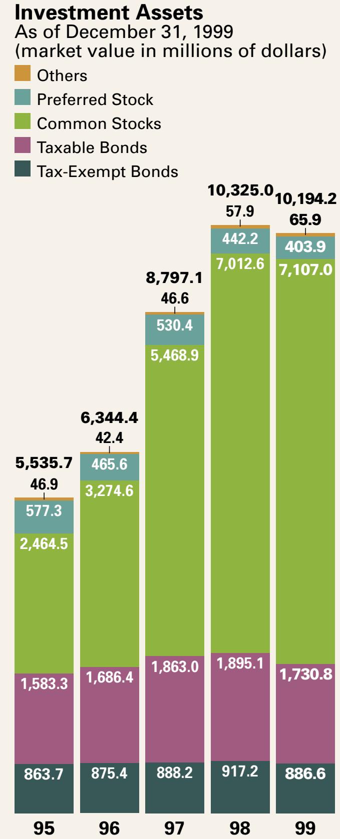
Public Responsibility

Innovation: Speaking Out, Stepping Up

Published rankings peg Cincinnati as the 18th largest insurer in the country for revenues and the 33rd largest for net written premiums—but size alone doesn't determine an insurer's spot as a good corporate citizen and industry leader. We back our commitment to local independent agents and their customers with a tradition of civic involvement and social responsibility. In 1999, this tradition took us to classrooms and to nonprofit boardrooms, to statehouses and to Congress.

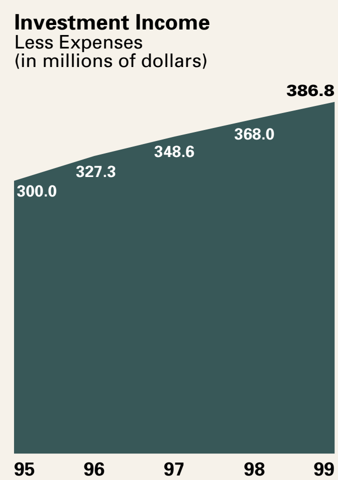
The legislative news of the year was the Gramm-Leach-Bliley Act. The law paves the way for insurers, securities firms and banks to

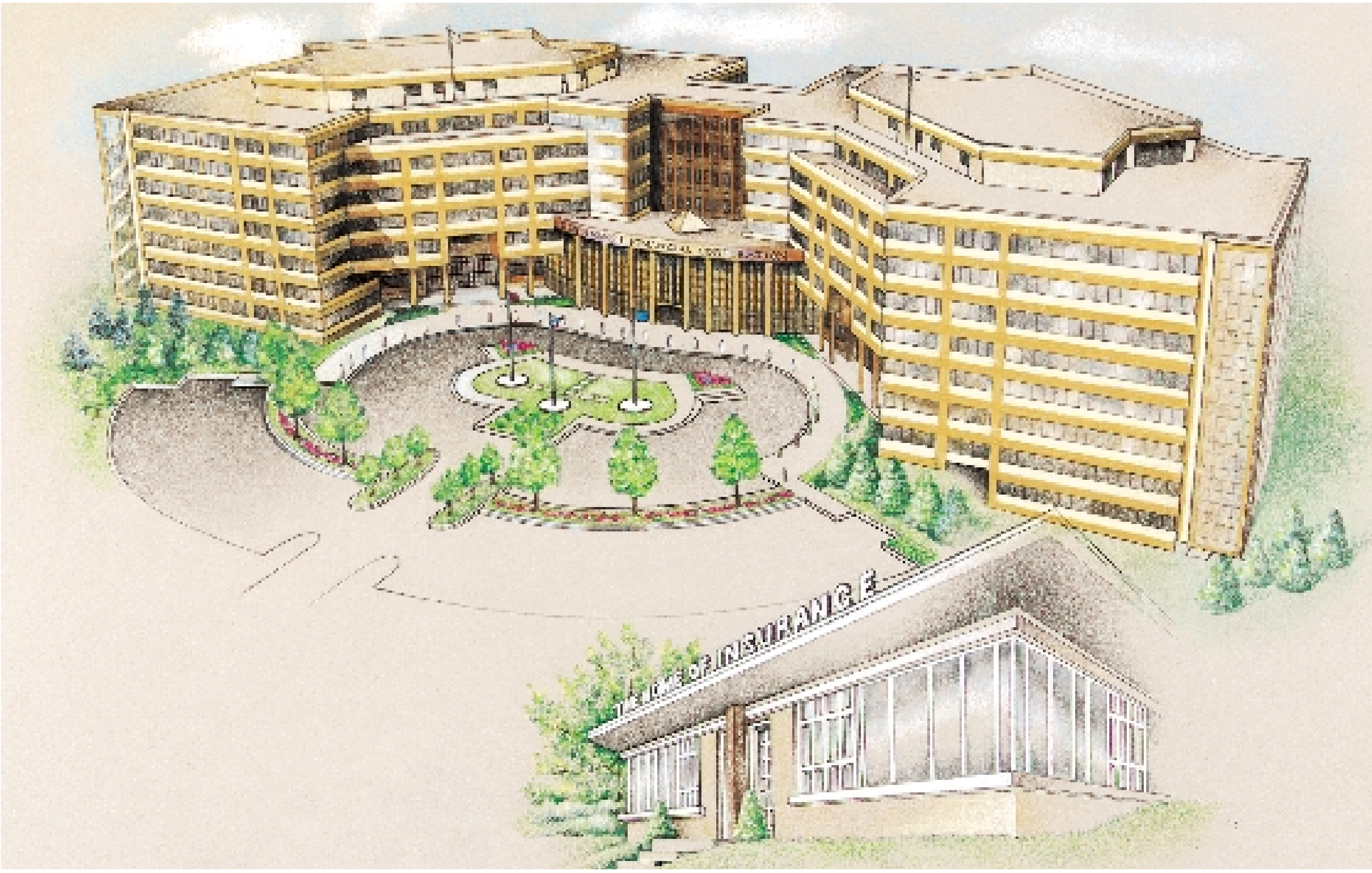
consistent growth



consistent profitability

Pre-tax investment income for 1999 rose 5.1% to an all-time high. Investment income is the primary source of the Corporation's profits. Dividends from equity holdings contributed $165.1 million and interest from fixed-rate holdings contributed $218.7 million, pre-tax.





From 1,200 square feet in 1950, Cincinnati's offices grew to more than 800,000 square feet when the expanded CFC Headquarters was completed in early 2000. It signifies our growth, stability and commitment to serving agents through a strong local field staff reporting to a single headquarters. Approximately two-thirds of the Company's 2,920 associates work from our Fairfield, Ohio headquarters.

enter each other's businesses. Your Company actively presented our industry perspective as legislators crafted provisions. Our goal was to make sure that, in this new landscape, consumers will benefit from consistent regulatory oversight, regardless of the type of financial company providing their insurance. We believe the law, as enacted, sufficiently preserves state regulation of insurance and protects consumer privacy.

During 1999, your Company helped recruit more than 50 Congressional sponsors for the Policyholder Disaster Protection Act (H.R. 2749, S.1914), a proposal to protect insurer solvency and provide mega-disaster recovery funds through restricted, tax-deferred insurer reserves. We continue to help build support for the proposal through a broad coalition of insurance, business and consumer organizations. The Company's representative testified before a Congressional committee to urge consideration of this private-sector solution—and to oppose passage of other disaster insurance legislation (H.R. 21) that unnecessarily involves the federal government. To learn more about this issue, visit *www.pdpc.com.*

Doing what's right for the people we serve is the principle that drives Cincinnati Financial and The Cincinnati Insurance Companies to innovate. Consistent innovation has given us strong agency partnerships, highly-rated claims service, satisfied policyholders…and loyal shareholders who see the opportunity to grow and profit with us over the years. Thank you for your support.

Responsibility for Financial Statements

The accompanying financial statements of Cincinnati Financial Corporation and subsidiaries for the year ended December 31, 1999 were prepared by management in conformity with accounting principles generally accepted in the United States of America.

The management of the Company is responsible for the integrity and objectivity of the financial statements, which are presented on an accrual basis of accounting and include amounts based upon management's best estimates and judgment. Other financial information in the Annual Report is consistent with that in the financial statements. The accounting plan and related system of internal controls are designed to assure that the books and records reflect the transactions of the Company in accordance with established policies and procedures as implemented by qualified personnel.

The Board of Directors has established an Audit Committee composed of outside directors who are believed to be free from any relationships that could interfere with the exercise of independent judgment as Audit Committee members. The Audit Committee meets periodically with management, the independent auditors and the internal auditor to make inquiries as to the manner in which the responsibilities of each are being discharged and reports thereon to the Board of Directors. In addition, the Audit Committee recommends to the Board of Directors the annual appointment of the independent auditors with whom the Audit Committee reviews the scope of the audit assignment, adequacy of internal controls and internal audit procedures.

Deloitte & Touche LLP, independent auditors, have audited the financial statements of Cincinnati Financial Corporation and subsidiaries for the year ended December 31, 1999 and their report is included herein. The auditors meet with members of the Audit Committee of the Board of Directors to discuss the results of their examination and are afforded the opportunity to present their opinions in the absence of management personnel with respect to the adequacy of internal controls and the quality of financial reporting of the Company.

Selected Quarterly Financial Data

(Unaudited)

(000's omitted except per share data)

Financial data for each quarter in the two years ended December 31,

			1999		
Quarter	**1st**	**2nd**	**3rd**	**4th**	**Full Year**
Revenues	**$ 536,659**	**$ 541,321**	**$ 538,301**	**$ 511,942**	**$2,128,223**
Income before income taxes	**82,061**	**116,341**	**69,042**	**54,129**	**321,573**
Net income	**64,477**	**86,254**	**57,046**	**46,945**	**254,722**
Net income per common share	**.39**	**.53**	**.35**	**.29**	**1.55**
Net income per common share (diluted)	**.38**	**.52**	**.34**	**.28**	**1.52**

			1998		
Quarter	1st	2nd	3rd	4th	Full Year
Revenues	$ 512,554	$ 518,578	$ 514,766	$ 508,392	$2,054,289
Income before income taxes	116,333	72,913	64,019	53,841	307,107
Net income	84,178	58,850	52,915	45,623	241,567
Net income per common share	.51	.35	.31	.27	1.45
Net income per common share (diluted)	.49	.35	.30	.27	1.41

Note: The sum of the quarterly reported amounts may not equal the full year as each is computed independently.

Selected Financial Information

(000's omitted except per share data and ratios)

Cincinnati Financial Corporation and Subsidiaries

	Years Ended December 31, 1999	1998	1997	1996
Total Assets	**$11,380,214**	$11,086,503	$9,493,425	$7,045,514
Long-Term Obligations	**$ 456,373**	$ 471,520	$ 58,430	$ 79,847
Shareholders' Equity	**$ 5,421,284**	$ 5,620,936	$4,716,965	$3,162,889
Book Value Per Share	**$ 33.46**	$ 33.72	$ 28.35	$ 18.95
Revenues				
Premium Income	**$ 1,731,950**	$ 1,612,735	$1,516,378	$1,422,897
Investment Income (Less Expense)	**386,773**	367,993	348,597	327,307
Realized Gains on Investments	**(564)**	65,309	69,230	47,946
Other Income	**10,064**	8,252	8,179	10,599
Net Income Before Realized Gains on Investments				
In Total	**$ 255,089**	$ 199,116	$ 254,375	$ 192,595
Per Common Share	**1.55**	1.19	1.54	1.15
Per Common Share (Diluted)	**1.51**	1.16	1.49	1.11
Net Income				
In Total	**$ 254,722**	$ 241,567	$ 299,375	$ 223,760
Per Common Share	**1.55**	1.45	1.81	1.34
Per Common Share (Diluted)	**1.52**	1.41	1.77	1.31
Cash Dividends Per Common Share				
Declared	**$ .68**	$ .61⅓	$ .54⅔	$ .48⅔
Paid	**.66⅓**	.59⅔	.53⅓	.47⅔
Property and Casualty Operations				
Gross Premiums Written	**$ 1,774,633**	$ 1,656,476	$1,566,688	$1,476,011
Net Premiums Written	**1,680,812**	1,557,581	1,471,603	1,383,525
Net Premiums Earned	**1,657,277**	1,542,639	1,453,526	1,366,544
Loss and Expense Ratio (Statutory Basis):				
Loss Ratio	**61.6%**	65.4%	58.3%	61.6%
Loss Expense Ratio	**10.0**	9.3	10.1	13.8
Underwriting Expense Ratio	**28.4**	28.9	29.3	27.6
Combined Ratio	**100.0%**	103.6%	97.7%	103.0%
Investment Income Before Taxes	**$ 207,640**	$ 203,919	$ 199,427	$ 190,318
Property and Casualty Reserves				
Unearned Premiums	**$ 454,844**	$ 432,436	$ 418,465	$ 401,562
Losses	**1,513,134**	1,432,212	1,373,950	1,319,286
Loss Adjustment Expense	**418,634**	408,113	402,698	383,135
Statutory Policyholders' Surplus	**$ 2,851,774**	$ 3,019,828	$2,472,532	$1,608,084

*1993 earnings include a credit for $13,845 ($.08 per share) cumulative effect of a change in the method of accounting for income taxes to conform with SFAS No. 109 and a net charge of $8,641 ($.05 per share) related to the effect of the 1993 increase in income tax rates on deferred taxes recorded for various prior year items.

1995	1994	1993	1992	1991	1990	1989
$6,109,298	$4,734,279	$4,602,288	$4,098,713	$3,513,749	$2,626,156	$2,602,990
$ 80,000	$ 80,000	$ 80,000	$ 80,000	$ 182	$ 202	$ 753
$2,657,971	$1,940,047	$1,947,338	$1,713,776	$1,441,401	$1,006,868	$1,020,253
$ 15.90	$ 11.63	$ 11.70	$ 10.37	$ 8.79	$ 6.18	$ 6.31
$1,314,126	$1,219,033	$1,140,791	$1,038,772	$ 947,576	$ 871,196	$ 813,313
300,015	262,649	239,436	218,942	193,220	167,425	149,285
30,781	19,557	51,529	35,885	7,641	1,488	4,678
10,729	11,267	10,396	10,552	12,698	8,822	7,134
$ 207,342	$ 188,538	$ 182,530*	$ 147,669	$ 141,273	$ 128,052	$ 111,477
1.24	1.13	1.10*	.90	.86	.79	.69
1.20	1.09	1.06*	.87	.86	.78	.69
$ 227,350	$ 201,230	$ 216,024*	$ 171,325	$ 146,280	$ 128,962	$ 114,490
1.36	1.21	1.30*	1.04	.90	.79	.71
1.33	1.18	1.27*	1.03	.89	.79	.70
$ .42⅔	$ .38⅔	$ .34	$ .31	$ .27⅔	$ .24⅓	$ .22
.42	.37⅓	.33⅓	.30	.27	.23⅔	.21
$1,377,426	$1,287,280	$1,216,766	$1,089,901	$ 996,807	$ 896,204	$ 845,346
1,295,852	1,190,824	1,123,780	1,014,971	930,296	838,554	790,971
1,263,257	1,169,940	1,092,135	992,335	903,465	828,046	771,205
57.6%	63.3%	63.5%	63.8%	61.6%	61.6%	61.6%
14.7	9.8	8.7	9.0	9.2	9.0	9.0
27.1	27.5	27.9	29.0	28.9	29.0	29.1
99.4%	100.6%	100.1%	101.8%	99.7%	99.6%	99.7%
$ 180,074	$ 162,260	$ 153,190	$ 141,958	$ 126,332	$ 110,827	$ 97,661
$ 385,418	$ 353,697	$ 333,550	$ 302,473	$ 280,404	$ 254,000	$ 244,011
1,274,180	1,213,383	1,100,051	960,571	825,952	692,081	616,730
306,570	218,642	193,305	177,262	160,260	140,501	124,993
$1,268,597	$ 998,595	$1,011,609	$ 933,529	$ 735,557	$ 477,355	$ 494,460

Per share data adjusted for three-for-one stock splits in 1998 and 1992 and stock dividends of 5 percent in 1996 and 1995.

Management Discussion

Introduction

This Management Discussion is intended to supplement the data contained in the financial statements and related notes of Cincinnati Financial Corporation and subsidiaries.

Cincinnati Financial Corporation (CFC) had six subsidiaries at year-end 1999. The lead property and casualty insurance subsidiary, The Cincinnati Insurance Company, markets a broad range of business and personal policies in 30 states through an elite corps of 977 independent insurance agencies. Also engaged in the property and casualty business are The Cincinnati Casualty Company, which works on a direct billing basis, and The Cincinnati Indemnity Company, which markets nonparticipatory workers' compensation and nonstandard policies for preferred risk accounts. The Cincinnati Life Insurance Company markets life, long term care, health and accident policies and annuities through property and casualty agencies and independent life agencies. CFC Investment Company complements the insurance subsidiaries with commercial leasing, financing and real estate services. The Company's sixth subsidiary, CinFin Capital Management Company, was established in 1998 to provide asset management services to institutions, corporations and individuals with $500,000 minimum accounts. CinFin's assets under management more than tripled to $462 million in 14 accounts by January 2000 from $150 million in two accounts in January 1999.

Investment operations are CFC's primary source of profits. A total return strategy emphasizes investment in fixed-maturity securities as well as equity securities that contribute to current earnings through dividend increases and add to net worth through long-term price appreciation.

The following discussion, related consolidated financial statements and accompanying notes contain certain forward-looking statements that involve potential risks and uncertainties. The Company's future results could differ materially from those discussed. Factors that could cause or contribute to such differences include, but are not limited to: unusually high levels of catastrophe losses due to changes in weather patterns or other natural causes; changes in insurance regulations or legislation that place the Company at a disadvantage in the marketplace; recession or other economic conditions resulting in lower demand for insurance products; sustained decline in overall stock market values negatively affecting the Company's equity portfolio; delays in the planned schedule of development and implementation of technology enhancements; and, decreased ability to generate growth in investment income. Readers are cautioned that the Company undertakes no obligation to review or update the forward-looking statements included in this material. Further, income per share discussions herein relate to basic income per share.

Results of Operation

Overview of Results

Primarily as a result of continued market penetration and entry into new states, CFC revenues have increased at a compound annual rate of 7.1%, reaching $2.128 billion in 1999, with property and casualty net written premiums also growing at a 7.1% rate to $1.681 billion over the past five years. In the same five-year period, total net income, including realized capital gains, grew at a compound rate of 4.8% to $254.7 million, or $1.55 per share, from $201.2 million, or $1.21. Net operating income, which excludes capital gains or losses, increased at a 6.2% rate to $255.1 million, or $1.55 per share, from $188.5 million, or $1.13, in 1994. Book value grew at a 23.5% compound rate over the same period to $33.46 per share in 1999 from $11.63.

A number of factors, including the Company's strong reputation among independent insurance agencies and management's belief that the Company can achieve additional market penetration in states in which it currently operates, led management to target an ambitious $2.0 billion in total direct written premiums by the year 2000. This goal was met in 1999, when the Company wrote $2.158 billion in direct written premiums, largely as the result of a single Bank Owned Life Insurance (BOLI) premium of $302.9 million written by The Cincinnati Life Insurance Company. Management believes the Company could again reach $2.0 billion in total direct written premiums in 2000, without additional BOLI sales. Management balances this goal with the objectives of generating an underwriting profit and maximizing annual growth in investment income.

The following table and discussion analyzes results for the three-year period ending December 31, 1999 and provides insight into management's strategic direction.

(000,000's omitted except per share data and ratios)	1999	Change $	Change %	1998	Change $	Change %	1997	Change $	Change %
Revenue	$2,128.2	$ 73.9	4	$2,054.3	$111.9	6	$1,942.4	$133.7	7
Net Operating Income	255.1	56.0	28	199.1	(55.3)	(22)	254.4	61.8	32
Net Capital (Losses) Gains (after tax)	(.4)	(42.9)	(101)	42.5	(2.5)	(6)	45.0	13.8	44
Net Income	254.7	13.1	5	241.6	(57.8)	(19)	299.4	75.6	34
Net Operating Income Per Share	$ 1.55	$ .36	30	$ 1.19	$ (.35)	(23)	$ 1.54	$ .39	34
Net Capital Gains Per Share	.00	(.26)	(100)	.26	(.01)	(4)	.27	.08	42
Net Income Per Share	$ 1.55	$ .10	7	$ 1.45	$ (.36)	(20)	$ 1.81	$ .47	35
Catastrophe Losses (before tax)	$ 36.8	$(56.7)	(61)	$ 93.5	$ 68.0	267	$ 25.5	$ (39.2)	(60)
Catastrophe Losses Per Share (after tax)	.15	(.21)	(58)	.36	.26	260	.10	(.15)	(60)

The Company's financial results for the three years ending December 31, 1999 reflected growth in new insurance business and retention of renewal customers, offset by highly competitive property and casualty pricing in 1997 through the first half of 1999. Net operating earnings in 1999 were the best for any year in Company history, modestly surpassing the record results of 1997. Relatively low catastrophe losses contributed to the Company's 28% improvement in net operating income in 1999. In 1998, net operating income declined due to catastrophe losses and large property losses.

The Company reported a modest net capital loss after tax of $0.4 million in 1999. Capital gains on sales of equity securities were offset by sales of fixed maturity securities with market value lower than book value, attributable to higher interest rates and sales of a few non-performing investments. In 2000, the Company expects to be able to invest available cash and proceeds from the sales of securities at higher yields. Revenue from investment income rose 5.1% to an all-time high of $386.8 million in 1999. Record investment income was achieved despite reduced cash flow available for investment in 1999, when more cash was spent on the Company's stock repurchase, the construction of a new office tower and ongoing technology initiatives.

Year 2000

The Company's Year 2000 project was successfully completed, with total expenses of $9.7 million over a six-year period ending in 1999. The investment included upgrading and replacement of systems that will generate long-term value for the Company. No material effect on operations or financial results occurred because of the calendar year change. Small isolated technical problems early in January 2000 were resolved quickly. Any future problems are anticipated to be minimal and further reporting of Year 2000 issues will not be made, unless the occurrence is material to the Company.

Property and Casualty Insurance Operations

(000,000's omitted except ratios)	**1999**	**Change $**	**Change %**	1998	Change $	Change %	1997	Change $	Change %
Gross Written Premiums	**$1,774.6**	**$118.1**	**7.1**	$1,656.5	$ 89.8	5.7	$1,566.7	$ 90.7	6.1
Net Written Premiums	**1,680.8**	**123.2**	**7.9**	1,557.6	86.0	5.8	1,471.6	88.1	6.4
Net Earned Premiums	**1,657.3**	**114.7**	**7.4**	1,542.6	89.1	6.1	1,453.5	87.0	6.4
Loss and LAE Ratio	**71.6%**	**n/a**	**(4.1)**	74.7%	n/a	9.2	68.4%	n/a	(9.3)
Expense Ratio (Statutory Basis)	**28.4%**	**n/a**	**(1.7)**	28.9%	n/a	(1.4)	29.3%	n/a	6.2
Combined Ratio (Statutory Basis)	**100.0%**	**n/a**	**(3.5)**	103.6%	n/a	6.0	97.7%	n/a	(5.1)

Premiums — The Company's property and casualty total net written premiums, which advanced 7.9% in 1999, continued to outpace the estimated industry growth rate. The Company's commercial lines growth rate reversed a downward trend to increase 7.9% to $1,099.8 billion in 1999 versus 3.3% in 1998 and 3.6% in 1997. Personal lines net written premiums increased 8.0% to $581.0 million in 1999 compared with 11.0% in 1998 and 12.4% in 1997.

During 1999, the commercial insurance market continued to experience the price competition that began prior to 1996, although some of the Company's field marketing representatives and independent agents reported firmer pricing for selected lines in some market areas. Accelerated growth of new business later in the year brought the 1999 total to $210.3 million versus $218.4 million in 1998. The Company continues to selectively underwrite both new and renewal accounts, carefully assessing profitability.

In addition, the Company completed an agency re-underwriting program that helped restore profitability to its personal lines insurance business. The improved profitability was balanced against slower premium growth, and the Company anticipates that the pace of personal lines growth will continue to reflect heightened underwriting discipline and the need for upcoming technology upgrades.

While improved pricing of some commercial lines of business should contribute to future growth, the Company will be challenged to continue achieving strong personal lines growth. To continue its growth and maximize profitability, the Company is working harder to develop new and retain profitable business by:

- pursuing a marketing strategy that permits field representatives to spend more time assisting the independent insurance agents and
- providing innovative product and service solutions that meet the needs of the Company's independent agents.

Management believes additional market penetration can be achieved by leveraging strong relationships with independent agencies. The Company also can distinguish itself through competitive features of its insurance products such as the availability of three- and five-year policy terms for many types of insurance coverage.

In 1999, approximately 97% of the Company's premium volume was in states in which the Company has had a presence for more than five years. During the past five years, the Company added 12 territories in established states, restructuring so that each field representative has fewer agencies to serve. The Company expects to subdivide as many as five territories in 2000 and 2001 to further strengthen agency relationships.

Entry into new states also has been a source of premium growth. The Company appointed its first agent in Idaho late in 1999 and expects to be active in Utah in 2000. A very successful example of a new market entry is Minnesota, where premium volume reached $23.1 million in 1999, up from $2.9 million in 1995. From 1997 through 1999, the Company began marketing commercial lines in North Dakota, Montana, Idaho and upstate New York and added full personal lines in Minnesota, North Dakota, Montana and Pennsylvania. The Company's criteria for entry into new states include a favorable regulatory climate and no residual market.

The Company's Special Accounts unit enjoyed strong growth in 1999. Formed to underwrite and support large, multi-state accounts, the unit generated $12.7 million in new business in 1999 — up from $8.3 million in 1998. The accounts in this unit are among the largest businesses served by the Company's agents.

Expenses — The Company recorded a $6.2 million statutory gross underwriting loss in 1999, compared with a $59.6 million statutory gross underwriting loss in 1998 and a $28.6 million gross underwriting profit in 1997. The 1999 underwriting loss, reflecting a combined ratio (statutory basis) of 100.0%, was primarily the result of strong premium growth and more favorable loss results, with catastrophe losses accounting for only 2.2 percentage points of the loss and loss adjustment expense ratio. The 1998 underwriting loss, reflecting a combined ratio of 103.6%, was primarily the result of catastrophe losses, which added 6.1 percentage points to the loss and loss adjustment expense ratio, as well as an unusual number of losses greater than $1 million, including several large fire losses. In 1997, catastrophe losses had a 1.8 percentage point impact on a combined ratio of 97.7%.

Due to the nature of catastrophic events, management is unable to predict accurately the frequency or potential cost of such occurrences in the future. However, in an effort to control such catastrophe losses, the Company has continued not to market property and casualty insurance in California, not to write flood insurance, to review exposure to huge disasters and reduce coverage in certain coastal regions. For property catastrophes, the Company retains the first $25 million of losses and is reinsured for 95% of losses from $25 million up to $200 million.

The pure loss ratio for commercial lines increased to 61.4% in 1999 from 61.1% in 1998 and 53.3% in 1997. The 1999 pure loss ratio for commercial lines was increased by 1.3 percentage points due to Ohio uninsured motorist claims that the Company incurred, which resulted in losses of $13.7 million. In 1999, the Ohio Supreme Court ruled that Ohio business automobile policies cover employees or their family members for injuries caused by uninsured and underinsured motorists, even when the injured persons are not in company vehicles or on company business. Effective October 1, 1999, the Company began using new language in Ohio business auto policies to relieve business policyholders of the need to fund this coverage for losses that they did not intend to assume responsibility for. The Company is being very proactive about changing the policy language on renewals, at or before the policy anniversaries, and amending language on policies outside of Ohio to protect business owner policyholders from this type of risk.

The pure loss ratio for personal lines improved to 62.0% for 1999, down from 73.8% in 1998 and 68.9% in 1997. Lower catastrophe losses accounted for 6.3 percentage points of the improvement between 1999 and 1998. The Company's 1998-1999 agency re-underwriting program, designed to help restore profitability, accounted for the remainder.

The expense ratio (statutory basis) continued to decline slightly in 1999, dropping to 28.4% from 28.9% in 1998 and 29.3% in 1997, as the Company maintained a sustainable level of investment in staff and costs associated with upgrading technology and facilities. For the next several years, the Company anticipates the expense ratio will be affected by plans to invest in upgraded or new direct personal lines billing software for the Company's property and casualty subsidiaries, with the phased roll-outs planned for 2000 through 2001.

In January 1999, the Company adopted Statement of Position (SOP) 98-1, "Accounting for Costs of Computer Software Developed or Obtained for Internal Use." This SOP provides guidance on the capitalization of costs related to internal use software and does not require restatement of prior period amounts. The Company capitalized costs of $6.0 million in 1999, which would have been expensed under the Company's prior policy.

As discussed in the Notes to the Consolidated Financial Statements, the Company's liabilities for insurance reserves are estimated by management based upon Company experience. The Company consistently has established property and casualty insurance reserves, including adjustments of estimates, using information from internal analysis and review by external actuaries. Though uncertainty always exists as to the adequacy of established reserves, management believes this uncertainty is less than it otherwise would be, due to the stability of the Company's book of business. Such reserves are related to various lines of business and will be paid out over future periods. Reserves for environmental claims have been reviewed and the Company believes at this time these reserves are adequate. Environmental exposures are minimal as a result of the types of risks the Company has insured in the past. Historically, most commercial accounts are written with post-date coverages that afford clean-up costs and Superfund responses.

Life and Accident and Health

(000,000's omitted except ratios)	1999	Change $	Change %	1998	Change $	Change %	1997	Change $	Change %
Gross Written Premiums	$ 420.7	$306.0	266.8	$ 114.7	$ 17.1	17.5	$ 97.6	$ 7.8	8.7
Net Written Premiums	410.4	301.2	275.8	109.2	16.8	18.2	92.4	7.2	8.5
Net Earned Premiums	74.7	4.6	6.6	70.1	7.2	11.4	62.9	6.5	11.5
Total Assets	1,447.1	236.9	19.6	1,210.2	110.2	10.0	1,100.0	192.7	21.2
Equity	463.2	(61.8)	(11.8)	525.0	48.4	10.2	476.6	101.0	26.9
Net Operating Income	28.1	4.5	19.1	23.6	(1.2)	(4.8)	24.8	4.7	23.4

CFC's life insurance subsidiary had total net earned premium income for 1999 of $74.7 million, up from $70.1 million in 1998 and $62.9 million in 1997. Life insurance premiums were $65.1 million in 1999, $61.7 million in 1998 and $54.7 million in 1997. The life insurance subsidiary contributed 11% of CFC's operating income in 1999, down from 12% in 1998 but above the 10% in 1997.

The growth in life insurance premium came primarily from the sale of term insurance. The LifeHorizons products offered competitive rates and commissions along with guaranteed level premiums for periods up to 30 years. Term insurance sales were strong throughout the industry as policyholders wanted to lock in those level premiums before "Triple X" regulations took effect on January 1, 2000. Term life first-year premiums rose 70% and ordinary life applications, including individual term, whole life and universal products, rose 64%. Worksite marketing applications increased 17% in 1999.

An important part of Cincinnati Life's strategic mission is to round out accounts while improving persistency for the Company. Term and worksite insurance products are well suited to cross selling by the Company's property and casualty agency force. Agents find that offering worksite marketing to employees of their small commercial accounts provides a benefit to the employees at low cost to the employer.

With the success of the term and worksite efforts, the Company intends to enhance and develop new life insurance products that will meet the needs of the property and casualty agent and their customers as well as attract independent life agents to help support overall product volume.

Investment Income and Investments

Though the growth rate for investment income declined slightly to 5.1% in 1999 from 5.6% in 1998, income reached a record level of $386.8 million primarily as a result of investing the cash flows from operating activities and the collection of dividend increases from equity securities in the investment portfolio.

The primary reason for the slower growth in 1999 was the use of $217.1 million of cash flow to fund the repurchase of the Company's common stock, which decreased cash available for the investment portfolio compared with 1998, a year affected by high catastrophe losses, and 1997. The asset value of the equities rose by about $56 million in 1999, offset by the bond portfolio, which declined by about $195 million, in line with the market. In 1999, 35 out of the 45 common stocks in the Company's investment portfolio increased dividends during the year, adding more than $16.1 million to future annualized investment earnings.

The Company's primary investment strategy is to maintain liquidity to meet both immediate and long-range insurance obligations through the purchase and maintenance of medium-risk, fixed maturity and equity securities, while earning optimal returns on the equity portfolio through higher dividends and capital appreciation. The Company's investment decisions on an individual insurance company basis are influenced by insurance regulatory statutory requirements designed to protect policyholders from investment risk. Cash generated from insurance operations is invested almost entirely in corporate, municipal, public utility and other fixed maturity securities or equity securities. Such securities are evaluated prior to purchase based on yield and risk.

Investments in common stocks have emphasized securities with an annual dividend yield of at least 2% to 3% and with annual dividend increases. The Company's portfolio of equity investments had an average dividend yield-to-cost of 8.9% at December 31, 1999. Management's strategy in equity investments includes identifying approximately 10 to 12 companies, for the core of the investment portfolio, in which the Company can accumulate 10% to 20% of their common stock.

Interest and Income Taxes

The Company's income tax expense was $66.9 million, $65.5 million and $95.2 million for 1999, 1998 and 1997, respectively, while the effective tax rate was 20.79%, 21.34% and 24.12%, for the same periods. The higher tax rate in 1997 primarily was due to the strong underwriting profit recorded for the year and higher capital gains. The effective rate remained constant from 1998 to 1999. The Company incurred no additional alternative minimum tax expenses for the three years.

Cash Flow and Liquidity

(000,000's omitted)	**1999**	1998	1997
Net Cash Provided by Operating Activities	**$ 687.8**	$ 273.6	$ 427.0
Net Cash Used in Investing Activities	**(205.3)**	(320.7)	(282.5)
Net Cash (Used in) Provided by Financing Activities	**(201.6)**	25.5	(124.2)
Net Increase (Decrease) in Cash	**280.9**	(21.6)	20.3
Cash at Beginning of Year	**58.6**	80.2	59.9
Cash at End of Year	**339.5**	58.6	80.2
Supplemental			
Interest Paid	**31.6**	36.4	21.8
Income Taxes Paid	**55.0**	91.2	95.5

Cash Flow

In 1999, operating cash flow was 151% higher than in 1998, primarily because of the sale of a $302.9 BOLI policy. Excluding this event, operating cash flow was 41% higher than in 1998 primarily because of lower catastrophe losses. For the years 1999 and 1998, cash flow was sufficient to meet operating needs, but short-term borrowings were utilized for financing and investing activities. In 1997, operating cash flow was sufficient to meet operating needs and provide for financing needs and increased investment. Management expects operating cash flow will continue to be CFC's primary source of funds because no substantial changes are anticipated in the Company's mix of business nor are there plans to reduce protection by ceded reinsurance agreements with financially stable reinsurance companies. Further, the Company has no significant exposure to assumed reinsurance. Assumed reinsurance comprised no more than 3% of gross premiums in each of the last three years.

The change in net cash used in investing activities for 1999 reflected a decline in the amount of fixed maturity investments being called by the issuers, compared with the higher amounts called in 1998 and 1997. This also resulted in lower levels of fixed maturities purchased in 1999, compared with 1998 and 1997. Cash flows used in net purchases of fixed maturity and equity securities, respectively, amounted to $45.1 million and $49.0 million in 1999, $107.8 million and $153.2 million in 1998, and $122.6 million and $134.1 million in 1997. For the years 1999 and 1997, the primary reasons for increases in net cash used for financing activities were for the payment of cash dividends and the purchase of treasury shares. In 1998, net cash was provided in financing activities due to the issuance of a senior debenture, offset by treasury share purchases, cash dividend payments and reduction of short-term debt.

Notes Payable — Notes payable, primarily short-term debt used to enhance liquidity, increased to $118.0 million in 1999 from zero in 1998. Management used short-term debt for purchase of treasury shares, the construction of an additional Cincinnati headquarters building and for other purposes.

Dividends — CFC has increased cash dividends to shareholders for 39 consecutive years and, periodically, the Board of Directors authorizes stock dividends or splits. In February 1998, the CFC Board increased the indicated annual dividend 12.2%, raising the annual dividend five cents to an indicated annual rate of $1.84 (pre split basis). At the same time, the Board of Directors announced its intention to declare a three-for-one split to be distributed on May 15, 1998, to shareholders of record as of April 24, 1998, which was authorized on April 4, 1998, based on shareholder approval of a proposal to increase authorized shares to 200 million from 80 million.

On February 6, 1999, the Board of Directors authorized a 10.9% cash dividend increase, raising the quarterly dividend by one and two-thirds cents to an indicated annual rate of $0.68.

On February 5, 2000, the Board of Directors authorized an 11.8% increase in the regular quarterly dividend to an indicated annual rate of $0.76 per share. Since 1987, the Company's Board has authorized three additional stock splits or stock dividends: a 5% stock dividend in 1996; a 5% stock dividend in 1995 and a three-for-one stock split in 1992. After the stock split in 1998, a shareholder who purchased one Cincinnati Insurance share before 1957 would own 1,946 Cincinnati Financial shares, if all shares from accrued stock dividends and splits were held and cash dividends not reinvested. In the past 10 years, the Company has paid an average of 30-35% of net income as dividends, with the other 65-70% reinvested for future growth. The ability of the Company to continue paying cash dividends is subject to such factors as the Board of Directors may deem relevant.

Financial Condition

Assets

Cash and marketable securities of $10.468 billion make up 92.0% of the Company's $11.380 billion assets; this compares with 93.1% in 1998 and 93.0% in 1997. The Company has only minor investments in real estate and mortgages, which are typically illiquid. At December 31, 1999, the Company's portfolio of fixed maturity securities had an average yield-to-cost of 8.3% and an average maturity of 10 years. For the insurance companies' purposes, strong emphasis has been placed on purchasing current income-producing securities and maintaining such securities as long as they continue to meet the Company's yield and risk criteria. Historically, municipal bonds have been attractive due to their tax-exempt feature. Essential service (e.g., schools, sewer, water, etc.) bonds issued by municipalities are prevalent in this area. Many of these bonds are not rated due to the small size of their offerings.

At year-end 1999 and 1998, investments totaling approximately $888 million and $873 million ($970 million and $883 million at cost) of the Company's $10.194 billion and $10.325 billion investment portfolio related to securities rated as non-investment grade or not rated by Moody's Investors Service or Standard & Poor's. Such investments, which tend to have higher yields, historically have benefited the Company's results of operations. Further, many have been upgraded to investment grade while owned by CFC. Because of alternative minimum tax matters, the Company uses a blend of tax-exempt and taxable fixed maturity securities. Tax-exempt bonds comprise 9% of invested assets as of December 31, 1999, compared with 9% at year-end 1998 and 10% at year-end 1997. Additional information regarding the composition of investments, together with maturity data regarding investments in fixed maturities, is included in the Notes to Consolidated Financial Statements.

The $54.1 million increase in land, building and equipment for Company use includes $35.2 million relating to the addition of a second office tower, which approximately doubled the headquarters space. The new construction and related renovations will be completed in the first half of 2000. The total cost is estimated at $60 million.

Market Risk

The Company could incur losses due to adverse changes in market rates and prices. The Company's primary market risk exposures are changes in price for equity securities and changes in interest rates and credit ratings for fixed maturity securities. The Company could alter the existing investment portfolios or change the character of future investments to manage this exposure to market risk. CFC, with the Board of Directors, administers and oversees investment risk through the Investment Committee, which provides executive oversight of investment activities. The Company has specific investment guidelines and policies that define the overall framework used daily by investment portfolio managers to limit the Company's exposure to market risk.

Liabilities and Shareholders' Equity

At December 31, 1999, long- and short-term debt were 5%, insurance reserves were 26% and total shareholders' equity was 48%, of total assets, with remaining liabilities consisting of unearned premiums, deferred income taxes, declared but unpaid dividends and other liabilities.

Debt — Total long- and short-term debt was less than 6% of total assets at year-end 1999 and 1998. At December 31, 1999 and 1998, long-term debt consisted of $456.4 million and $471.5 million, respectively, of convertible and senior debentures. Short-term debt is used to provide working capital as discussed above.

Equity — Shareholders' equity, as a percentage of total assets, declined in 1999 to 48% compared with 51% for 1998 and 50% for 1997 due to a decrease in accumulated other comprehensive income as a result of a decline in unrealized capital gains, primarily due to the lower market value of the Company's bond portfolio. Statutory risk-based capital requirements became effective for life insurance companies in 1993 and for property casualty companies in 1994. The Company's capital has been well above required amounts in each year since those effective dates.

(000,000's omitted)	**1999**	1998	1997
Shareholders' Equity Excluding Retained Earnings and Accumulated Other Comprehensive Income	**$ 267.3**	$ 462.0	$ 469.5
Retained Earnings	**1,623.9**	1,480.9	1,341.7
Accumulated Other Comprehensive Income	**3,530.1**	3,678.0	2,905.8
Total Shareholders' Equity	**$5,421.3**	$5,620.9	$4,717.0

As a long-term investor, the Company has followed a buy-and-hold strategy for more than 40 years. A significant amount of unrealized appreciation on equity investments has been generated as a result of this policy. Unrealized appreciation on equity investments, before deferred income taxes, was $5.488 billion as of December 31, 1999 and constituted 54% of the total investment portfolio; 73% of the equity investment portfolio; and after deferred income taxes, 66% of total shareholders' equity. Such unrealized appreciation, before deferred income taxes, amounted to $5.512 billion and $4.273 billion, at year-end 1998 and 1997, respectively.

On November 22, 1996, the Board of Directors authorized the repurchase of up to 3 million of the Company's outstanding shares as management deemed appropriate over an unspecified period of time. On August 21, 1998, the Board of Directors adjusted the authorization to reflect the three-for-one split, which resulted in a total of 9 million shares authorized to be repurchased. On February 6, 1999, the CFC Board authorized management to repurchase up to 17 million shares of the Company's 166.7 million shares outstanding at December 31, 1998. They specified their intention to complete the repurchase by December 31, 2000. This authorization superceded the previous authorization of 9 million shares.

As of December 31, 1999, the Company, working under Board repurchase authorizations, had bought back more than 9.6 million shares of its common stock at a cost of $310.2 million. Under the new authority, repurchases in 1999 and the first month of 2000 totaled 6.7 million shares at a cost of $235.1 million. As of February 1, 2000, 10.3 million shares remained authorized for repurchase by the Board of Directors.

Consolidated Balance Sheets

(000's omitted)

Cincinnati Financial Corporation and Subsidiaries

	December 31,	
	1999	1998
Assets		
Investments		
Fixed maturities, at fair value (cost: 1999–$2,692,154; 1998–$2,682,659)	**$ 2,617,412**	$ 2,812,231
Equity securities, at fair value (cost: 1999–$2,022,555; 1998–$1,943,206)	**7,510,918**	7,454,817
Other invested assets	**65,909**	57,902
Cash	**339,554**	58,611
Investment income receivable	**80,128**	76,773
Finance receivables	**32,931**	32,107
Premiums receivable	**166,585**	164,412
Reinsurance receivable	**159,229**	135,991
Prepaid reinsurance premiums	**24,684**	26,435
Deferred acquisition costs pertaining to unearned premiums and to life policies in force	**154,385**	142,896
Land, buildings and equipment for Company use (at cost, less accumulated depreciation: 1999–$123,427; 1998–$108,449)	**107,784**	53,639
Other assets	**120,695**	70,689
Total assets	**$11,380,214**	$11,086,503
Liabilities		
Insurance reserves		
Losses and loss expenses	**$ 2,154,149**	$ 2,054,725
Life policy reserves	**860,561**	533,730
Unearned premiums	**480,453**	459,695
Other liabilities	**169,721**	136,894
Deferred income taxes	**1,719,673**	1,809,003
Notes payable	**118,000**	– 0 –
6.9% senior debentures due 2028	**419,614**	419,601
5.5% convertible senior debentures due 2002	**36,759**	51,919
Total liabilities	**5,958,930**	5,465,567
Shareholders' Equity		
Common stock, par value–$2 per share; authorized 200,000 shares; issued: 1999–171,862; 1998–170,435	**343,725**	340,871
Paid-in capital	**237,859**	218,328
Retained earnings	**1,623,890**	1,480,914
Accumulated other comprehensive income	**3,530,104**	3,678,019
	5,735,578	5,718,132
Less treasury shares at cost (1999–9,841 shares; 1998–3,754 shares)	**(314,294)**	(97,196)
Total shareholders' equity	**5,421,284**	5,620,936
Total liabilities and shareholders' equity	**$11,380,214**	$11,086,503

Accompanying notes are an integral part of this statement.

Consolidated Statements of Income

(000's omitted except per share data)

Cincinnati Financial Corporation and Subsidiaries

	Years Ended December 31,		
	1999	1998	1997
Revenue			
Premium income			
Property and casualty	**$ 1,657,277**	$ 1,542,639	$ 1,453,526
Life	**65,824**	61,704	54,742
Accident and health	**8,849**	8,392	8,110
Net premiums earned	**1,731,950**	1,612,735	1,516,378
Investment income	**386,773**	367,993	348,597
Realized (losses) gains on investments	**(564)**	65,309	69,230
Other income	**10,064**	8,252	8,179
Total revenues	**2,128,223**	2,054,289	1,942,384
Benefits And Expenses			
Insurance losses and policyholder benefits	**1,254,363**	1,221,118	1,054,924
Commissions	**311,979**	290,832	282,690
Other operating expenses	**151,170**	144,849	139,030
Taxes, licenses and fees	**59,796**	60,798	48,573
Increase in deferred acquisition costs pertaining to unearned premiums and to life policies in force	**(11,489)**	(7,583)	(7,725)
Interest expense	**33,043**	28,012	20,821
Other expenses	**7,788**	9,156	9,512
Total benefits and expenses	**1,806,650**	1,747,182	1,547,825
Income Before Income Taxes	**321,573**	307,107	394,559
Provision For Income Taxes			
Current	**76,534**	78,847	107,046
Deferred	**(9,683)**	(13,307)	(11,862)
Total provision for income taxes	**66,851**	65,540	95,184
Net Income	**$ 254,722**	$ 241,567	$ 299,375
Per Common Share			
Net income	**$ 1.55**	$ 1.45	$ 1.81
Net income (diluted)	**$ 1.52**	$ 1.41	$ 1.77
Cash dividends (declared)	**$ .68**	$ .61⅓	$ .54⅔

Per share amounts reflect the effects of a three-for-one stock split effective to shareholders of record on April 24, 1998.
Accompanying notes are an integral part of this statement.

Consolidated Statements of Shareholders' Equity

(000's omitted)

Cincinnati Financial Corporation and Subsidiaries

	Common Stock	Treasury Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 1996	$ 334,972	$ (11,217)	$ 178,547	$ 1,132,880	$ 1,527,707	$ 3,162,889
Net income				299,375		299,375
Change in unrealized gains on investments					2,120,075	2,120,075
Income taxes on unrealized gains					(742,026)	(742,026)
Comprehensive income						1,677,424
Dividends declared				(90,525)		(90,525)
Purchase/issuance of treasury shares		(61,368)	654			(60,714)
Stock options exercised	931		5,543			6,474
Conversion of debentures	2,879		18,538			21,417
Balance, December 31, 1997	338,782	(72,585)	203,282	1,341,730	2,905,756	4,716,965
Net income				241,567		241,567
Change in unrealized gains on investments					1,188,097	1,188,097
Income taxes on unrealized gains					(415,834)	(415,834)
Comprehensive income						1,013,830
Dividends declared				(102,383)		(102,383)
Purchase/issuance of treasury shares		(24,611)	310			(24,301)
Stock options exercised	1,214		9,100			10,314
Conversion of debentures	875		5,636			6,511
Balance, December 31, 1998	340,871	(97,196)	218,328	1,480,914	3,678,019	5,620,936
Net income				**254,722**		**254,722**
Change in unrealized losses on investments					**(227,562)**	**(227,562)**
Income taxes on unrealized losses					**79,647**	**79,647**
Comprehensive income						**106,807**
Dividends declared				**(111,746)**		**(111,746)**
Purchase/issuance of treasury shares		**(217,098)**	**14**			**(217,084)**
Stock options exercised	**816**		**6,396**			**7,212**
Conversion of debentures	**2,038**		**13,121**			**15,159**
Balance, December 31, 1999	**$ 343,725**	**$ (314,294)**	**$ 237,859**	**$ 1,623,890**	**$ 3,530,104**	**$ 5,421,284**

Amounts reflect the effects of a three-for-one stock split effective to shareholders of record on April 24, 1998.

Accompanying notes are an integral part of this statement.

Consolidated Statements of Cash Flows

(000's omitted)

Cincinnati Financial Corporation and Subsidiaries

	Years Ended December 31,		
	1999	1998	1997
Cash flows from operating activities:			
Net income	**$ 254,722**	$ 241,567	$ 299,375
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**16,016**	11,793	11,327
Increase in investment income receivable	**(3,355)**	(2,253)	(4,074)
(Increase) decrease in premiums receivable	**(2,173)**	(5,873)	3,506
(Increase) decrease in reinsurance receivable	**(23,238)**	(26,881)	6,796
Decrease (increase) in prepaid reinsurance premiums	**1,751**	(2,823)	(688)
Increase in deferred acquisition costs	**(11,489)**	(7,583)	(7,725)
Increase in accounts receivable	**(15,277)**	(7,369)	(7,230)
(Increase) decrease in other assets	**(376)**	649	42,084
Increase in loss and loss expense reserves	**99,424**	118,191	55,367
Increase in life policy reserves	**326,831**	51,283	42,166
Increase in unearned premiums	**20,758**	16,641	17,304
Increase (decrease) in other liabilities	**10,030**	(20,330)	38,746
Increase (decrease) in current income taxes	**20,752**	(14,595)	10,926
Decrease in deferred income taxes	**(9,683)**	(13,307)	(11,862)
Realized loss (gains) on investments	**564**	(65,309)	(69,230)
Other	**2,546**	(224)	169
Net cash provided by operating activities	**687,803**	273,577	426,957
Cash flows from investing activities:			
Sale of fixed maturities investments	**61,909**	47,486	138,741
Call or maturity of fixed maturities investments	**316,495**	320,510	376,496
Sale of equity securities investments	**197,141**	321,003	266,296
Collection of finance receivables	**16,133**	14,738	8,588
Purchase of fixed maturities investments	**(423,505)**	(475,751)	(637,858)
Purchase of equity securities investments	**(246,129)**	(474,176)	(400,405)
Investment in land, buildings and equipment	**(102,141)**	(47,750)	(16,485)
Investment in finance receivables	**(16,957)**	(15,131)	(13,439)
Increase in other invested assets	**(8,232)**	(11,589)	(4,471)
Net cash used in investing activities	**(205,286)**	(320,660)	(282,537)
Cash flows from financing activities:			
Proceeds from issue of 6.9% senior debentures	**– 0 –**	419,593	– 0 –
Proceeds from stock options exercised	**7,212**	10,314	6,474
Purchase/issuance of treasury shares	**(217,084)**	(24,301)	(60,714)
Increase in (payoff of) notes payable	**118,000**	(280,558)	18,460
Payment of cash dividends to shareholders	**(109,702)**	(99,522)	(88,405)
Net cash (used in) provided by financing activities	**(201,574)**	25,526	(124,185)
Net increase (decrease) in cash	**280,943**	(21,557)	20,235
Cash at beginning of year	**58,611**	80,168	59,933
Cash at end of year	**$ 339,554**	$ 58,611	$ 80,168
Supplemental disclosures of cash flow information:			
Interest paid	**$ 31,612**	$ 36,419	$ 21,823
Income taxes paid	**$ 55,000**	$ 91,241	$ 95,488

Accompanying notes are an integral part of this statement.

1. Summary of Significant Accounting Policies

Nature of Operations – Cincinnati Financial Corporation (the "Company"), through its subsidiaries, sells insurance primarily in the Midwest and Southeast regions of the United States of America through a network of local independent agents. Insurance products sold include fire, automobile, casualty, bonds and all related forms of property and casualty insurance as well as life insurance and accident and health insurance.

Basis of Presentation – The consolidated financial statements include the accounts of the Company and its subsidiaries, each of which is wholly owned, and are presented in conformity with accounting principles generally accepted in the United States of America. Accounting principles generally accepted in the United States of America differ in certain respects from statutory insurance accounting practices prescribed or permitted for insurance companies by regulatory authorities. All significant inter-company balances and transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. The accompanying consolidated financial statements include estimates for such items as insurance reserves and income taxes. Actual results could differ from those estimates.

Property and Casualty Insurance – Expenses incurred in the issuance of policies are deferred and amortized over the terms of the policies. Anticipated investment income is not considered in determining if a premium deficiency related to insurance contracts exists. Policy premiums are included in income on a pro rata basis over the terms of the policies. Losses and loss expense reserves are based on claims reported prior to the end of the year and estimates of unreported claims.

Life Insurance – Policy acquisition costs are deferred and amortized over the premium paying period of the policies. Life policy reserves are based on anticipated rates of mortality derived primarily from industry experience data, anticipated withdrawal rates based principally on Company experience and estimated future interest earnings using initial interest rates ranging from 3% to $10^1/_2$%. Interest rates on approximately $380,000,000 and $356,000,000 of such reserves at December 31, 1999 and 1998, respectively, are periodically adjusted based upon market conditions.

Payments received for investment, limited pay and universal life-type contracts are recognized as income only to the extent of the current cost of insurance and policy administration, with the remainder recognized as liabilities and included in life policies reserves.

Accident and Health Insurance – Expenses incurred in the issuance of policies are deferred and amortized over a five-year period. Policy premium income, unearned premiums and reserves for unpaid losses are accounted for in substantially the same manner as property and casualty insurance discussed above.

Reinsurance – In the normal course of business, the Company seeks to reduce losses that may arise from catastrophes or other events that cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure with other insurance companies, reinsurers and involuntary state pools. Reinsurance contracts do not relieve the Company from any obligation to policyholders. Although the Company historically has not experienced uncollectible reinsurance, failure of reinsurers to honor their obligations could result in losses to the Company. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy.

The Company also assumes some reinsurance from other insurance companies, reinsurers and involuntary state pools. Such assumed reinsurance activity is recorded principally on the basis of reports received from the ceding companies.

Investments – Fixed maturities (bonds and notes) and equity securities (common and preferred stocks) are classified as available for sale and are stated at fair values.

Unrealized gains and losses on investments, net of income taxes associated therewith, are included in shareholders' equity in accumulated other comprehensive income. Realized gains and losses on sales of investments are recognized in net income on a specific identification basis.

Income Taxes – Deferred tax liabilities and assets are computed using the tax rates in effect for the time when temporary differences in book and taxable income are estimated to reverse. Deferred income taxes are recognized for numerous temporary differences between the Company's taxable income and book-basis income and other changes in shareholders' equity. Such temporary differences relate primarily to unrealized gains on investments and differences in the recognition of deferred acquisition costs and insurance reserves. Deferred taxes associated with unrealized appreciation (except the amounts related to the effect of income tax rate changes) are charged to shareholders' equity, and deferred taxes associated with other differences are charged to income.

Earnings Per Share – Net income per common share is based on the weighted average number of common shares outstanding during each of the respective years. The calculation of net income per common share (diluted) assumes the conversion of convertible senior debentures and the exercise of stock options.

Fair Value Disclosures – Fair values for investments in fixed maturity securities (including redeemable preferred stock) are based on quoted market prices, where available. For such securities not actively traded, fair values are estimated by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investments. Fair values for equity securities are based on quoted market prices.

The fair values for liabilities under investment-type insurance contracts (annuities) are estimated using discounted cash flow calculations, based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. Fair values for short-term notes payable are estimated using interest rates currently available to the Company. Fair values for long-term debentures are based on the quoted market prices for such debentures.

Stock Split – On April 4, 1998, the Company's authorized capital was increased to 200,000,000 shares of common stock and a three-for-one stock split was declared that was effective for shareholders of record as of April 24, 1998. The financial statements, notes and other references to share and per share data have been retroactively restated to reflect the stock split for all periods presented.

Accounting Changes – Effective January 1, 1999, the Company adopted Statement of Position (SOP) 98-1, "Accounting for Costs of Computer Software Developed or Obtained for Internal Use." This SOP does not require restatement of prior period amounts. The adoption of this SOP was not material to the Company's financial statements. Statements of Financial Accounting Standards (SFAS) No. 133 "Accounting for Derivative Instruments and Hedging Activities" is effective for the Company in 2001 and establishes accounting and reporting standards for derivative instruments. The effects of SFAS No. 133 to the Company are not yet known.

Reclassifications – Certain prior year amounts have been reclassified to conform with 1999 classifications.

2. Investments

(000's omitted)

	Years Ended December 31,		
	1999	1998	1997
Investment income summarized by investment category:			
Interest on fixed maturities	**$ 218,688**	$ 217,675	$ 218,065
Dividends on equity securities	**165,137**	145,885	128,403
Other investment income	**8,316**	9,545	6,865
Total	**392,141**	373,105	353,333
Less investment expenses	**5,368**	5,112	4,736
Net investment income	**$ 386,773**	$ 367,993	$ 348,597
Realized (losses) gains on investments summarized by investment category:			
Fixed maturities:			
Gross realized gains	**$ 10,842**	$ 11,591	$ 22,075
Gross realized losses	**(48,518)**	(10,354)	(6,732)
Equity securities:			
Gross realized gains	**57,605**	104,079	62,337
Gross realized losses	**(20,493)**	(40,007)	(8,450)
Realized (losses) gains on investments	**$ (564)**	$ 65,309	$ 69,230
Change in unrealized (losses) gains on investments summarized by investment category:			
Fixed maturities	**$ (204,314)**	$ (50,098)	$ 49,650
Equity securities	**(23,248)**	1,238,195	2,070,425
Change in unrealized (losses) gains on investments	**$ (227,562)**	$1,188,097	$2,120,075

Analysis of cost, gross unrealized gains, gross unrealized losses and fair value as of December 31, 1999 and 1998 (000's omitted):

1999	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturities:				
States, municipalities and political subdivisions	$ 891,319	$ 16,971	$ 21,637	$ 886,653
Convertibles and bonds with warrants attached	83,993	2,221	10,419	75,795
Public utilities	60,978	1,120	690	61,408
United States government and government agencies and authorities	7,038	34	173	6,899
All other corporate bonds	1,648,826	30,886	93,055	1,586,657
Total	$2,692,154	$ 51,232	$ 125,974	$2,617,412
Equity securities	$2,022,555	$5,580,114	$ 91,751	$7,510,918

1998	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturities:				
States, municipalities and political subdivisions	$ 865,600	$ 51,944	$ 341	$ 917,203
Convertibles and bonds with warrants attached	100,360	6,208	4,914	101,654
Public utilities	55,709	4,713	– 0 –	60,422
United States government and government agencies and authorities	9,043	480	– 0 –	9,523
All other corporate bonds	1,651,947	104,849	33,367	1,723,429
Total	$ 2,682,659	$ 168,194	$ 38,622	$ 2,812,231
Equity securities	$ 1,943,206	$ 5,553,489	$ 41,878	$ 7,454,817

Contractual maturity dates for investments in fixed maturity securities as of December 31, 1999 (000's omitted):

	Cost	Fair Value	% of Fair Value
Maturity dates occurring:			
One year or less	$ 110,483	$ 111,754	4.3
After one year through five years	709,912	703,431	26.9
After five years through ten years	827,996	778,814	29.7
After ten years	1,043,763	1,023,413	39.1
Total	$2,692,154	$2,617,412	100.0

Actual maturities may differ from contractual maturities when there exists a right to call or prepay obligations with or without call or prepayment penalties.

At December 31, 1999, investments with a cost of $58,850,000 and fair value of $58,082,000 were on deposit with various states in compliance with certain regulatory requirements.

Investments in companies that exceed 10% of the Company's shareholders' equity include the following as of December 31 (000's omitted):

	1999		1998	
	Cost	Fair Value	Cost	Fair Value
Fifth Third Bancorp common stock	$ 276,799	$3,544,757	$ 276,799	$3,445,118
Alltel Corporation common stock	$ 100,467	$1,060,481	$ 100,467	$ 767,105

3. Deferred Acquisition Costs

Acquisition costs incurred and capitalized during 1999, 1998 and 1997 amounted to $376,154,000, $343,881,000 and $322,117,000, respectively. Amortization of deferred acquisition costs was $364,665,000, $336,298,000 and $314,392,000 for 1999, 1998 and 1997, respectively.

4. Losses and Loss Expenses

Activity in the reserve for losses and loss expenses is summarized as follows (000's omitted):

	Years Ended December 31,		
	1999	1998	1997
Balance at January 1	**$1,978,461**	$1,888,883	$1,824,296
Less reinsurance receivable	**138,138**	112,235	121,881
Net balance at January 1	**1,840,323**	1,776,648	1,702,415
Incurred related to:			
Current year	**1,303,561**	1,306,194	1,115,140
Prior years	**(116,061)**	(153,311)	(119,654)
Total incurred	**1,187,590**	1,152,883	995,486
Paid related to:			
Current year	**574,038**	590,366	467,843
Prior years	**522,108**	498,842	453,410
Total paid	**1,096,146**	1,089,208	921,253
Net balance at December 31	**1,931,767**	1,840,323	1,776,648
Plus reinsurance receivable	**160,809**	138,138	112,235
Balance at December 31	**$2,092,576**	$1,978,461	$1,888,883

As a result of changes in estimates of insured events in prior years, the provision for losses and loss expenses decreased by $116,061,000, $153,311,000 and $119,654,000 in 1999, 1998 and 1997. These decreases are due in part to the effects of settling reported (case) and unreported (IBNR) reserves established in prior years for less than expected.

The reserve for losses and loss expenses in the accompanying balance sheets also includes $61,573,000 and $76,264,000 at December 31, 1999 and 1998, respectively, for certain life/health losses and loss checks payable.

5. Life Policy Reserves

Life policy reserves have been calculated using the account value basis for universal life and annuity policies and primarily the Basic Table (select) mortality basis for ordinary/traditional, industrial and other policies. Following is a summary of such reserves (000's omitted):

	1999	1998
Ordinary/traditional life	**$155,931**	$156,887
Universal life	**236,214**	221,197
Annuities	**144,221**	135,176
Group life	**302,990**	80
Industrial	**15,555**	15,986
Other	**5,650**	4,404
Total	**$860,561**	$533,730

At December 31, 1999 and 1998, the fair value associated with the annuities shown above approximated $158,000,000 and $144,000,000, respectively.

6. Notes Payable

The Company and subsidiaries had no compensating balance requirement on debt for either 1999 or 1998. Notes payable in the accompanying balance sheets are short term, and interest rates charged on such borrowings ranged from 5.22% to 6.69% during 1999, which resulted in an average interest rate of 5.49%. At December 31, 1999, the fair value of the notes payable approximated the carrying value and the weighted average interest rate approximated 6.67%.

7. Senior Debentures

The Company issued $420,000,000 of senior debentures due in 2028 in 1998. The convertible senior debentures due in 2002 are convertible by the debenture holders into shares of common stock at a conversion price of $14.88 (67.23 shares for each $1,000 principal). At December 31, 1999 and 1998, the fair value of the debentures approximated $445,000,000 and $533,000,000, respectively.

8. Shareholders' Equity and Restriction

The insurance subsidiaries paid cash dividends to the Company of approximately $195,000,000, $105,000,000 and $95,500,000 in 1999, 1998 and 1997, respectively. Dividends paid to the Company by insurance subsidiaries are restricted by regulatory requirements of the insurance subsidiaries' domiciliary state. Generally, the maximum dividend that may be paid without prior regulatory approval is limited to the greater of 10% of statutory surplus or 100% of statutory net income for the prior calendar year, up to the amount of statutory unassigned surplus as of the end of the prior calendar year. Dividends exceeding these limitations can be paid only with approval of the insurance department of the subsidiaries' domiciliary state. During 2000, the total dividends that can be paid to the Company without regulatory approval are approximately $285,177,000.

3,401,000 shares of common stock were available for future stock option grants, as of December 31, 1999.

On February 6, 1999, the Board of Directors of the Company authorized the repurchase of up to 17 million of the Company's outstanding shares, with the intent to complete the repurchase by December 31, 2000. This authorization supercedes the previous authorization of nine million shares.

9. Reinsurance

Property and casualty premium income in the accompanying statements of income includes approximately $37,113,000, $38,790,000 and $41,694,000 of earned premiums on assumed business and is net of approximately $95,572,000, $96,073,000 and $94,397,000 of earned premiums on ceded business for 1999, 1998 and 1997, respectively.

Written premiums for 1999, 1998 and 1997 consist of the following (000's omitted):

	1999	1998	1997
Direct business	**$1,737,370**	$1,618,357	$1,523,915
Assumed business	**37,263**	38,119	42,773
Ceded business	**(93,821)**	(98,895)	(95,085)
Net	**$1,680,812**	$1,557,581	$1,471,603

Insurance losses and policyholder benefits in the accompanying statements of income are net of approximately $63,206,000, $59,741,000 and $34,744,000 of reinsurance recoveries for 1999, 1998 and 1997, respectively.

10. Federal Income Taxes

Significant components of the Company's net deferred tax liability as of December 31, 1999 and 1998 are as follows (000's omitted):

	1999	1998
Deferred tax liabilities:		
Unrealized gains on investments	**$1,894,768**	$1,974,414
Deferred acquisition costs	**46,780**	45,205
Other	**22,211**	8,046
Total	**1,963,759**	2,027,665
Deferred tax assets:		
Losses and loss expense reserves	**181,713**	162,311
Unearned premiums	**31,839**	30,270
Life policy reserves	**18,603**	18,637
Other	**11,931**	7,444
Total	**244,086**	218,662
Net deferred tax liability	**$1,719,673**	$1,809,003

The provision for federal income taxes is based upon a consolidated income tax return for the Company and subsidiaries.

The differences between the statutory federal rates and the Company's effective federal income tax rates are as follows:

	1999 Percent	1998 Percent	1997 Percent
Tax at statutory rate	**35.00**	35.00	35.00
Increase (decrease) resulting from:			
Tax-exempt municipal bonds	**(5.13)**	(5.39)	(4.44)
Dividend exclusion	**(9.19)**	(9.29)	(6.54)
Other	**.11**	1.02	.10
Effective rate	**20.79**	21.34	24.12

No provision has been made (at December 31, 1999, 1998 and 1997) for federal income taxes on approximately $14,000,000 of the life insurance subsidiary's retained earnings, since such taxes will become payable only to the extent that such retained earnings are distributed as dividends or exceed limitations prescribed by tax laws. The Company does not contemplate any such dividend.

11. Net Income Per Common Share

(000's omitted except per share data)

1999	Income (Numerator)	Shares (Denominator)	Per Share Amount
Net income per common share	**$254,722**	**164,637**	**$1.55**
Effect of dilutive securities:			
5.5% convertible senior debentures	**1,539**	**2,471**	
Stock options		**1,507**	
Net income per common share (diluted)	**$256,261**	**168,615**	**$1.52**
1998			
Net income per common share	$241,567	166,821	$1.45
Effect of dilutive securities:			
5.5% convertible senior debentures	1,918	3,490	
Stock options		1,767	
Net income per common share (diluted)	$243,485	172,078	$1.41
1997			
Net income per common share	$299,375	165,538	$1.81
Effect of dilutive securities:			
5.5% convertible senior debentures	2,712	3,928	
Stock options		1,329	
Net income per common share (diluted)	$302,087	170,795	$1.77

Options to purchase 918,000, 667,000 and 76,000 shares of common stock were outstanding during 1999, 1998 and 1997, respectively, but were not included in the computation of net income per common share (diluted) because the options' exercise prices were greater than the average market price of the common shares.

12. Pension Plan

The Company and subsidiaries have a defined benefit pension plan covering substantially all employees. Benefits are based on years of credited service and compensation level. Contributions to the plan are based on the frozen entry age actuarial cost method. Pension expense is composed of several components that are determined using the projected unit credit actuarial cost method and based on certain actuarial assumptions. The following table sets forth summarized information on the Company's defined benefit pension plan (000's omitted):

	Years Ended December 31, 1999	1998
Change in benefit obligation:		
Benefit obligation at beginning of year	**$ 76,314**	$ 62,934
Service cost	**5,319**	4,150
Interest cost	**5,147**	4,474
Plan amendments	**11,088**	– 0 –
Actuarial gain	**(18,795)**	7,383
Benefits paid	**(3,152)**	(2,627)
Benefit obligation at end of year	**$ 75,921**	$ 76,314
Change in plan assets:		
Fair value of plan assets at beginning of year	**$151,879**	$133,470
Actual return on plan assets	**(107)**	21,036
Benefits paid	**(3,152)**	(2,627)
Fair value of plan assets at end of year	**$148,620**	$151,879
Funded status:		
Funded status at end of year	**$ 72,699**	$ 75,565
Unrecognized net actuarial gain	**(80,552)**	(72,235)
Unrecognized net transitional asset	**(2,962)**	(3,331)
Unrecognized prior service cost	**10,770**	(357)
Prepaid (accrued) pension cost	**$ (45)**	$ (358)

A 1999 plan amendment increased benefit obligations and unrecognized prior service costs. This plan amendment primarily changed the retirement benefit formula resulting in increased benefit payments to plan participants.

The fair value of the Company's stock comprised $18,164,130 and $21,331,023 of the plan's assets at December 31, 1999 and 1998, respectively.

The following summarizes the assumptions for the plan:

	Years Ended December 31,	
	1999	1998
	Percent	Percent
Discount rate	**7.50**	6.25
Expected return on plan assets	**8.00**	8.00
Rate of compensation increase	**5 to 7**	5 to 7

The components of the net periodic benefit cost for 1999, 1998 and 1997 include the following (000's omitted):

	Years Ended December 31,		
	1999	1998	1997
Service cost	**$ 5,319**	$ 4,150	$ 3,449
Interest cost	**5,147**	4,474	3,938
Expected return on plan assets	**(9,100)**	(7,451)	(6,250)
Amortization of:			
Transition obligation (asset)	**(370)**	(370)	(370)
Prior service cost	**(40)**	(40)	(40)
Actuarial (gain) loss	**(1,269)**	(1,049)	(790)
Net pension expense	**$ (313)**	$ (286)	$ (63)

13. Statutory Accounting Information

Net income and shareholders' equity, as determined in accordance with statutory accounting practices for the Company's insurance subsidiaries, are as follows (000's omitted):

	Years Ended December 31,		
	1999	1998	1997
Net income:			
Property/casualty insurance subsidiaries	**$209,915**	$148,235	$200,830
Life/health insurance subsidiary	**$ 21,381**	$ 7,248	$ 6,261

	December 31,	
	1999	1998
Shareholders' equity:		
Property/casualty insurance subsidiaries	**$2,498,609**	$2,650,503
Life/health insurance subsidiary	**$ 353,165**	$ 369,325

14. Transactions With Affiliated Parties

The Company paid certain officers and directors, or insurance agencies of which they are shareholders, commissions of approximately $12,989,000, $11,654,000 and $11,780,000 on premium volume of approximately $82,707,000, $82,839,000 and $78,727,000 for 1999, 1998 and 1997, respectively.

15. Stock Options

The Company has primarily qualified stock option plans under which options are granted to employees of the Company at prices which are not less than market price at the date of grant and which are exercisable over ten-year periods. The Company applies APB Opinion 25 and related Interpretations in accounting for these plans. Accordingly, no compensation cost has been recognized for the stock option plans. Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant dates for awards under those plans consistent with the method of SFAS No. 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below (000's omitted except per share data):

		1999	1998	1997
Net income	As reported	**$254,722**	$241,567	$299,375
	Pro forma	**246,007**	235,420	296,078
Net income per common share	As reported	**$ 1.55**	$ 1.45	$ 1.81
	Pro forma	**1.49**	1.41	1.79
Net income per common share	As reported	**$ 1.52**	$ 1.41	$ 1.77
(diluted)	Pro forma	**1.47**	1.38	1.75

In determining the pro forma amounts above, the fair value of each option was estimated on the date of grant using the Binomial option-pricing model with the following weighted-average assumptions used for grants in 1999, 1998 and 1997, respectively: dividend yield of 2.36%, 1.79% and 1.22%; expected volatility of 22.89%, 21.79% and 19.67%; risk-free interest rates of 6.81%, 5.02% and 5.89%; and expected lives of ten years for all years. Compensation expense in the pro forma disclosures is not indicative of future amounts as options vest over several years and additional grants are generally made each year.

A summary of options information for the years ended December 31, 1999, 1998 and 1997 follows (000's omitted except per share data):

	1999		1998		1997	
	Shares	**Weighted-Average Exercise Price**	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	**4,940,591**	**$25.11**	3,932,271	$17.88	3,774,492	$15.98
Granted	**1,011,800**	**35.46**	1,664,200	38.00	655,437	20.97
Exercised	**(414,703)**	**16.55**	(615,884)	15.27	(465,429)	11.31
Forfeited/revoked	**(77,548)**	**32.89**	(39,996)	25.48	(32,229)	17.96
Outstanding at end of year	**5,460,140**	**27.57**	4,940,591	25.11	3,932,271	17.88
Options exercisable at end of year	**3,224,461**		2,243,982		2,108,790	
Weighted-average fair value of options granted during the year		**$14.40**		$13.39		$ 7.66

Options outstanding and exercisable at December 31, 1999 consisted of the following:

	Options Outstanding			**Options Exercisable**	
Range of Exercise Prices	**Number**	**Weighted-Average Remaining Contractual Life**	**Weighted-Average Exercise Price**	**Number**	**Weighted-Average Exercise Price**
$ 7.46 to 15.79	**681,606**	**2.96 yrs**	**$13.13**	**681,606**	**$13.13**
15.95 to 20.47	**776,500**	**5.30 yrs**	**18.57**	**776,500**	**18.57**
20.50 to 22.46	**1,085,661**	**6.51 yrs**	**20.96**	**998,961**	**20.83**
23.00 to 33.75	**984,423**	**8.55 yrs**	**31.08**	**217,329**	**25.69**
33.88 to 34.50	**916,250**	**8.76 yrs**	**33.93**	**282,040**	**33.88**
36.63 to 42.00	**414,200**	**9.25 yrs**	**39.43**	**47,104**	**38.07**
42.87 to 45.37	**601,500**	**8.07 yrs**	**43.87**	**220,921**	**43.76**
	5,460,140	**7.02 yrs**	**27.57**	**3,224,461**	**21.95**

16. Segment Information

The Company is organized and operates principally in two industries and has four reportable segments – commercial lines property and casualty insurance, personal lines property and casualty insurance, life insurance and investment operations. The accounting policies of the segments are the same as those described in the basis of presentation. Revenue is primarily from unaffiliated customers. Identifiable assets by segment are those assets, including investment securities, used in the Company's operations in each industry.

Corporate and other identifiable assets are principally cash and marketable securities. Segment information, for which results are regularly reviewed by Company management in making decisions about resources to be allocated to the segments and assess their performance, is summarized as follows (000's omitted):

	Years Ended December 31,		
	1999	1998	1997
Revenues			
Commercial lines insurance	**$ 1,088,039**	$ 1,019,463	$ 983,605
Personal lines insurance	**569,238**	523,176	469,921
Life insurance	**74,673**	70,096	62,852
Investment operations	**386,209**	433,302	417,827
Corporate and other	**10,064**	8,252	8,179
Total revenues	**$ 2,128,223**	$ 2,054,289	$1,942,384
Income before income taxes			
Property and casualty insurance	**$ 3,241**	$ (59,438)	$ 28,955
Life insurance	**(903)**	(1,776)	2,763
Investment operations	**355,643**	403,925	390,850
Corporate and other	**(36,408)**	(35,604)	(28,009)
Total income before income taxes	**$ 321,573**	$ 307,107	$ 394,559
Identifiable assets			
Property and casualty insurance	**$ 5,372,717**	$ 5,483,137	$4,953,259
Life insurance	**1,441,657**	1,203,908	1,094,445
Corporate and other	**4,565,840**	4,399,458	3,445,721
Total identifiable assets	**$11,380,214**	$11,086,503	$9,493,425

Independent Auditors' Report

Deloitte & Touche LLP

To the Shareholders and Board of Directors of Cincinnati Financial Corporation:

We have audited the consolidated balance sheets of Cincinnati Financial Corporation and subsidiaries as of December 31, 1999 and 1998 and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Cincinnati Financial Corporation and subsidiaries at December 31, 1999 and 1998 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche, LLP

Cincinnati, Ohio
February 3, 2000

Subsidiary Officers and Directors

As of December 31, 1999, Listed Alphabetically

The Cincinnati Insurance Company (CIC)
The Cincinnati Casualty Company (CCC)
The Cincinnati Indemnity Company (CID)
The Cincinnati Life Insurance Company (CLIC)
CFC Investment Company (CFC-I)
CinFin Capital Management (CCM)

Executive Officers

James E. Benoski
CIC, CID, CCC Vice Chairman and Chief Insurance Officer
CIC, CID, CCC, CLIC Senior Vice President-Claims
CIC, CID, CCC Director

James G. Miller
CIC, CID, CCC, CLIC, CFC-I Senior Vice President and Chief Investment Officer
CCM President
CFC-I Treasurer
CIC, CID, CFC-I, CCM Director

Urban G. Neville
CIC, CID, CCC, CLIC Senior Vice President-Information Systems
CCC, CCM Director

Larry R. Plum, CPCU
CCC President
CIC, CID Senior Vice President-Personal Lines
CIC, CID, CCC, CLIC Director

David H. Popplewell, FALU, LLIF
CLIC President and Chief Operating Officer; Director

J. F. Scherer
CIC, CID, CCC, CLIC Senior Vice President-Sales & Marketing
CIC, CID, CCC, CLIC, CCM Director

John J. Schiff, Jr., CPCU
CIC, CID, CCC Chairman and Chief Executive Officer
CIC,CID President
CLIC Chief Executive Officer
CCM Chairman
CIC, CID, CCC, CLIC, CFC-I, CCM Director

Kenneth W. Stecher
CIC, CID, CCC, CLIC, CFC-I Senior Vice President-Accounting; Secretary
CLIC, CCM Treasurer; Director

Timothy L. Timmel
CIC, CID, CCC, CLIC, CFC-I Senior Vice President-Operations
CIC, CID, CCC, CLIC, CFC-I, CCM Director

Senior Officers and Directors

Michael R. Abrams
CCM Vice President

Donald R. Adick, FLMI
CLIC Senior Vice President-Administration

Brad E. Behringer
CLIC Vice President-Life Underwriting

Richard W. Cumming, FSA, ChFC
CIC, CID, CCC, CLIC Senior Vice President-Chief Actuary
CLIC Director

James H. Deal, CPCU, CLU
CIC, CID, CCC, CLIC Vice President-Education & Training

J. Michael Dempsey, CLU
CLIC Vice President-Marketing

Dean W. Dicke
CIC, CID, CCC Senior Vice President-Field Claims
CCC Director

Harold L. Eggers, CLU, FLMI, FALU
CLIC Vice President-Life Policy Issue

John E. Field, CPCU
CIC, CID Director

Bruce S. Fisher, CPCU, AIC
CIC, CID, CCC Vice President-Claims

Craig W. Forrester, CLU
CIC, CID, CCC, CLIC Vice President-Information Systems

Cheryl L. Frey
CIC, CID, CCC Vice President-Administrative Services

Michael J. Gagnon
CIC, CID, CCC Vice President-Claims

Kevin E. Guilfoyle
CFC-I Senior Vice President-Leasing

David L. Helmers, CPCU
CIC, CID, CCC Vice President-Personal Lines

Martin F. Hollenbeck
CCM Vice President

Thomas A. Joseph, CPCU
CIC, CID, CCC Senior Vice President-Commercial Lines
CCC Director

Thomas H. Kelly
CIC, CID, CCC Vice President-Bond

Christopher O. Kendall, CPCU, AAM, AIM, ARE
CIC, CID, CCC Vice President-Commercial Lines

Bob R. Kerns
CIC, CID, CCC, CLIC Senior Vice President-Staff Underwriting
CCC Director

Eric N. Mathews, AIAF
CIC, CID, CCC Senior Vice President-Accounting; Treasurer

Daniel T. McCurdy
CIC, CID, CCC Senior Vice President-Bond
CCC Director

Kenneth S. Miller, CLU, ChFC
CIC, CID, CCC, CLIC Vice President-Investments
CCM Executive Vice President; Director

Glenn D. Nicholson, LLIF
CLIC Senior Vice President, Senior Marketing Officer

Robert J. Nieberding, CLU
CIC, CID, CCC, CLIC Vice President-Information Systems

Marc A. O'Dowd, CPA, CPCU
CIC, CID, CCC, CLIC Internal Audit Officer

Thomas J. Scheid
CIC, CID, CCC, CLIC Vice President-Staff Underwriting

Robert C. Schiff
CIC, CID, CCC, CLIC Director

Thomas R. Schiff
CIC, CID, CCC, CLIC Director

Gregory D. Schmidt, CPCU, ARP, CSF
CIC, CID, CCC, CLIC Vice President-Staff Underwriting

Don E. Schricker
CIC, CID, CCC Vice President-Personal Lines

Frank J. Schultheis
CIC, CID Director

Norman R. Settle
CIC, CID, CCC Senior Vice President-Administrative Services/Boiler & Engineering/Loss Control

J. B. Shockey, CPCU, CLU
CIC, CID, CCC Vice President-Sales & Marketing

David W. Sloan
CFC-I Vice President-Leasing

Henry W. Stein, Jr.
CIC, CID, CCC Vice President-Commercial Lines

Duane I. Swanson, CIC
CIC, CID, CCC Vice President-Sales & Marketing

Jody L. Wainscott
CIC, CID, CCC Vice President-Staff Underwriting

Larry R. Webb, CPCU
CIC, CID, CCM Director

Alan R. Weiler, CPCU
CIC, CID, CCM Director

Gregory J. Ziegler
CIC, CID, CCC, CLIC, CFC-I Vice President-Personnel

Mark J. Huller
CIC, CID, CCC, CLIC Senior Counsel

Eugene M. Gelfand
CIC, CID, CCC, CLIC Counsel

G. Gregory Lewis
CIC, CID, CCC, CLIC Counsel

CIC Directors Emeriti

Vincent H. Beckman

Robert J. Driehaus

Richard L. Hildbold, CPCU

William H. Zimmer

Shareholder Information

Cincinnati Financial Corporation had approximately 11,485 direct shareholders of record as of December 31, 1999. Most of our 2,920 associates and many of our independent agent representatives own stock in their Company. Forty-four percent of CFC's outstanding shares are held by registered owners.

Annual Meeting

The Annual Meeting of Shareholders of Cincinnati Financial Corporation will take place at 9:30 a.m. on Saturday, April 1, 2000, at the Cincinnati Art Museum in Eden Park, Cincinnati, Ohio.

Shareholder Service

Please direct inquiries about stock transfer, dividend reinvestment, dividend direct deposit, lost certificates, change of address and elimination of duplicate mailings to Kenneth W. Stecher, Senior Vice President, Secretary & Treasurer, Cincinnati Financial Corporation, P. O. Box 145496, Cincinnati, Ohio 45250-5496, (513) 870-2639 or e-mail to *investor_inquiries@cinfin.com.*

Form 10-K

Shareholders may request a copy of Form 10-K for 1999. Cincinnati Financial Corporation files the Annual Report on Form 10-K with the Securities and Exchange Commission. You may access this document through a link to the SEC's EDGAR database from our Web site, *www.cinfin.com.*

Price Range of Common Stock

Shares are traded nationally over the counter. Closing sale price is quoted under the symbol CINF on the National Market List of Nasdaq (National Association of Securities Dealers Automated Quotation System). Tables below show the price range reported for each quarter based on daily last sale prices.

	1999				1998			
Quarter	**1st**	**2nd**	**3rd**	**4th**	1st	2nd	3rd	4th
High	**$39¼**	**$41 15/32**	**$42¼**	**$37 1/16**	$45⅜	$45 21/64	$39⅛	$40
Low	**30⅞**	**36 5/16**	**36¾**	**30⅛**	41 21/64	36⅝	30¾	31⅝
Dividend paid	**.15⅓**	**.17**	**.17**	**.17**	.13⅔	.15⅓	.15⅓	.15⅓

Insure Where You Invest

Investors can gain first-hand knowledge of the way The Cincinnati Insurance Companies do business while contributing to your Company's success. Consider insuring your home, auto, life or business with Cincinnati through your local independent agent.

Complete, fold, seal and mail the top half of this page and an agent will contact you. If you prefer, you may call 1-800-769-0548 for an agent referral or visit our Agent Locator at *www.cinfin.com/insurance* and link directly to an agency site. Cincinnati is a regional insurer. Maps in this report show where you may find Cincinnati agents and products to meet your business (page 6), personal (page 8) and life insurance (page 10) needs.

Some insurers give you a price quote. Our agents are ready to give you professional advice, guiding your informed insurance decisions. They can tell you about Cincinnati's three-year rate guarantees on most coverages, highly-rated claims service, built-in coverage advantages, optional coverage choices and the rewards you'll receive when you package your policies.

detach card here

fold on this line

detach card here

Cincinnati Financial Corporation

Let An Agent Know How To Contact You

Please provide contact information and check off the product that interests you on the reverse.

Name

Mailing Address

City

State Zip

Phone

E-mail

Preferred Contact By:

Phone (time of day)

E-mail (address)

Current Cincinnati Policyholder? Yes No

Current Agency

detach card here

detach card here

Cincinnati Financial Corporation

Automatic Dividend Reinvestment And Stock Purchase Plan

As registered shareholders,* you may have your dividends automatically reinvested in Cincinnati Financial Corporation stock with a minimal service or brokerage fee. In addition, you may elect to supplement your dividends with cash for additional purchases. Participation is completely voluntary and you may withdraw at any time.

To request more information about our Dividend Reinvestment Plan and Stock Purchase Plan, please fill out, detach and mail this postage-paid reply card.

* Registered shareholders are those to whom we have issued stock certificates in your name. "Street name" shareholders may participate and continue to have your broker hold your certificates after instructing the broker to register certificates in your name.

Name

Address

City

State

Zip

Telephone

Thank You!

detach card here

detach card here

Cincinnati Financial Corporation

Dividend Direct Deposit Plan

As registered shareholders,* you may have your dividend payments from Cincinnati Financial Corporation delivered directly to your account at the financial institution of your choice. This plan saves you the time required to deposit the payments, provides immediate access to your funds and minimizes the risk of payments being lost or stolen.

How it works to benefit you!

On payment day, your dividend will be deposited automatically into your personal checking or savings account. In lieu of a check, Cincinnati Financial Corporation will send you a notice of the amount deposited. In addition, the deposit will appear on the regular statement from your financial institution. Participation is voluntary and you may withdraw at any time.

Sign up today

To participate in the Dividend Direct Deposit Plan, please complete the authorization form on the reverse of this card, **place it in a sealed, stamped envelope and return it (with your pre-encoded deposit ticket or blank, voided check)** to Shareholder Services, Cincinnati Financial Corporation, P. O. Box 145496, Cincinnati, OH 45250-5496.
For additional information, please call (513) 870-2639.

* Registered shareholders are those to whom we have issued stock certificates in your name. "Street name" shareholders may participate and continue to have your broker hold your certificates after instructing the broker to register certificates in your name.

Sample Products Available In Many Areas

Please check products and services that interest you.

- ❑ Executive Homeowner Policy
- ❑ Homeowner Auto Package
- ❑ Personal Umbrella Liability
- ❑ Home-based Business Insurance
- ❑ Condominium Coverage
- ❑ Special Valuables Coverage
- ❑ Watercraft Insurance
- ❑ Cosmetologists & Barbers Package
- ❑ Businessowner Policy
- ❑ Specialty Commercial Packages (for religious or financial institutions, dentists, funeral providers, printers, garage operators, metalworkers, artisan contractors and more)
- ❑ Professional Liability and Errors & Omissions (for teachers, social services, ministers, veterinarians, EMT/paramedics, optometrists, opticians, pharmacists, nurses, printers and real estate or travel agents)
- ❑ Contractor's Errors & Omissions
- ❑ Boiler & Machinery Policy
- ❑ Equipment Breakdown Coverage
- ❑ Surety or Fidelity Bonds
- ❑ Kidnap, Ransom & Extortion Coverage
- ❑ Service Industry Bonds
- ❑ Executive Liability Package
- ❑ Directors & Officers Liability
- ❑ Employment Practices Liability Insurance
- ❑ Commercial Umbrella Liability
- ❑ Worldwide General Liability
- ❑ Business Income/Extra Expense Coverage
- ❑ Term Life Insurance Policy
- ❑ Whole Life Insurance Policy
- ❑ Annuities
- ❑ Disability Policy
- ❑ Long Term Care Insurance
- ❑ Universal Life Policy
- ❑ Survivor Life Policy
- ❑ Employer Payroll Deduction Programs
- ❑ Business Vehicle/Equipment Leases or Financing –call 1-800-242-9680
- ❑ Asset Management Services –call 1-800-327-3950 ($500,000 minimum account)

BUSINESS REPLY MAIL
FIRST CLASS MAIL PERMIT NO 8820 CINCINNATI OH

POSTAGE WILL BE PAID BY ADDRESSEE

THE CINCINNATI INSURANCE COMPANIES
ATTN: SALES & MARKETING DEPARTMENT
PO BOX 145496
CINCINNATI, OH 45250-9922

NO POSTAGE NECESSARY IF MAILED IN THE UNITED STATES

Dividend Direct Deposit Authorization Form

Please complete a separate form for each shareholder account. This form may be photocopied.
Please indicate the account number and the financial institution to which you would like your dividends deposited.

Account number: ________________

Account type: ❑ Checking ❑ Savings ❑ Other

Financial institution: ________________

Please enclose a pre-encoded deposit ticket or blank, voided check to help us identify the account.
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.

To enroll in this plan, place this form with your deposit ticket or voided check in a secure stamped envelope before mailing. Do not fold and mail without an envelope.

BUSINESS REPLY MAIL
FIRST CLASS MAIL PERMIT NO 8820 CINCINNATI OH

POSTAGE WILL BE PAID BY ADDRESSEE

CINCINNATI FINANCIAL CORPORATION
ATTN: SHAREHOLDER SERVICES
PO BOX 145496
CINCINNATI, OH 45250-9922

NO POSTAGE NECESSARY IF MAILED IN THE UNITED STATES

Cincinnati Financial Corporation Officers and Directors


William F. Bahl


Michael Brown


John E. Field


William R. Johnson


Kenneth C. Lichtendahl


James G. Miller


Jackson H. Randolph


John J. Schiff, Jr.


Robert C. Schiff


Thomas R. Schiff


Frank J. Schultheis


Larry R. Webb


Alan R. Weiler


E. Anthony Woods

Directors Emeriti

Vincent H. Beckman
Robert J. Driehaus
David R. Huhn
Lawrence H. Rogers, II
John Sawyer
David B. Sharrock
Thomas J. Smart
Charles I. Westheimer
William H. Zimmer

Officers as of December 31, 1999

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

James G. Miller
Senior Vice President and Chief Investment Officer, Assistant Secretary, Assistant Treasurer

Kenneth W. Stecher
Senior Vice President, Secretary, Treasurer

Kenneth S. Miller, CLU, ChFC
Vice President, Assistant Secretary, Assistant Treasurer

Eric N. Mathews, AIAF
Assistant Secretary, Assistant Treasurer

Directors as of December 31, 1999

William F. Bahl, CFA(2)(4)
President—Bahl & Gaynor, Inc.
(investment advisors)
Director since 1995

Michael Brown(2)(3)(5)
President and General Manager—
Cincinnati Bengals, Inc.
Director since 1980

John E. Field, CPCU(3)
Vice Chairman—Wallace & Turner, Inc.
(insurance agency)
Director since 1995

William R. Johnson
President and Chief Executive Officer—
H. J. Heinz Company
Director since 1996

Kenneth C. Lichtendahl(1)(2)
President and Chief Executive Officer—
Tradewinds Beverage Company
Director since 1988

James G. Miller
Senior Vice President and Chief Investment Officer—Cincinnati Financial Corporation
Director since 1996

Jackson H. Randolph(1)(4)(5)
Chairman—CINergy Corporation
Director since 1986

John J. Schiff, Jr., CPCU(3)(4)(5)
Chairman, President and Chief Executive Officer
Cincinnati Financial Corporation
Director since 1968

Robert C. Schiff
Chairman and Chief Executive Officer—
Schiff, Kreidler-Shell, Inc.
(insurance agency)
Director since 1968

Thomas R. Schiff(4)
Chairman and Chief Executive Officer—
John J. & Thomas R. Schiff & Co., Inc.
(insurance agency)
Director since 1975

Frank J. Schultheis(3)
President—Schultheis Insurance Agency, Inc.
Director since 1995

Larry R. Webb, CPCU
President—Webb Insurance Agency, Inc.
Director since 1979

Alan R. Weiler, CPCU(3)
President and Chief Executive Officer—
Archer-Meek-Weiler Agency, Inc.
(insurance agency)
Director since 1992

E. Anthony Woods(1)
President and Chief Executive Officer—
Deaconess Associations, Inc. (health care)
Director since 1998

(1) Audit Committee
(2) Compensation Committee
also Lawrence H. Rogers, II, advisor
(3) Executive Committee
(4) Investment Committee;
also Richard M. Burridge, CFA, advisor
(5) Nominating Committee

Cincinnati Financial Corporation

The Cincinnati Insurance Company
The Cincinnati Casualty Company
The Cincinnati Indemnity Company
The Cincinnati Life Insurance Company
CFC Investment Company
CinFin Capital Management Company

P. O. Box 145496
Cincinnati, Ohio 45250-5496
(513) 870-2000
www.cinfin.com