

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

X Quarterly Report Under Section 13 or 15 (d) of the Securities Exchange
- ----- Act of 1934

X For the Quarterly Period Ended September 30, 1996
- -----
Transition Report Pursuant to Section 13 or 15 (d) of the Securities
Exchange Act of 1934

Commission File Number 0-4604

CINCINNATI FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

| | |
|---------------------------------|---------------------|
| An Ohio Corporation | 31-0746871 |
| (State or other jurisdiction of | (I.R.S. Employer |
| incorporation or organization) | Identification No.) |

6200 South Gilmore Road
Fairfield, Ohio 45014-5141

(Address of principal executive offices)

Registrant's telephone number, including area code: 513/870-2000

*Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

YES X NO
--- ---

Securities registered pursuant to Section 12(g) of the Act:

\$2.00 Par Common--55,704,822 shares outstanding at September 30, 1996

PART I

ITEM 1. FINANCIAL STATEMENTS

CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| | (Unaudited) September 30, 1996 ---- | December 31, 1995 ---- |
|---|--|------------------------------|
| ASSETS | | |
| Cash | \$ 55,370,552 | \$ 20,019,459 |
| Investments | | |
| Fixed Maturities (Cost: 1996--\$2,430,289,742; 1995--\$2,298,718,542) | 2,523,003,748 | 2,446,995,519 |
| Equity Securities (Cost: 1996--\$1,528,062,288; 1995--\$1,423,671,759) | 3,452,644,298 | 3,041,762,260 |
| Other Invested Assets | 49,865,633 | 46,963,230 |
| Finance Receivables | 24,911,719 | 20,281,562 |
| Premiums Receivable | 154,487,977 | 161,116,592 |
| Reinsurance Receivable | 113,227,109 | 103,682,717 |
| Prepaid Reinsurance Premiums | 22,798,125 | 21,835,186 |
| Investment Income Receivable | 68,019,445 | 65,045,195 |
| Land, Buildings and Equipment for Company Use (at Cost Less Accumulated Depreciation) | 37,681,529 | 33,056,396 |
| Deferred Acquisition Costs Pertaining to Unearned Premiums and to Life Policies in Force | 124,890,279 | 119,589,232 |
| Other Assets | 25,323,581 | 28,950,551 |
| | ----- | ----- |
| Total Assets | \$6,652,223,995 | \$ 6,109,297,899 |
| | ===== | ===== |
| LIABILITIES | | |
| Insurance Reserves: | | |
| Life Policy Reserves | \$ 429,263,406 | \$ 403,263,716 |
| Losses and Loss Expenses | 1,857,548,855 | 1,743,533,951 |
| Unearned Premiums | 422,309,955 | 408,624,414 |
| Notes Payable | 252,775,191 | 221,005,282 |
| | ----- | ----- |
| 5-1/2% Convertible Senior Debentures Due 2002 | 80,000,000 | 80,000,000 |
| Federal Income Taxes | | |
| Current | 14,507,027 | 10,475,088 |
| Deferred | 568,969,296 | 487,840,052 |
| Other Liabilities | 107,069,655 | 96,584,203 |
| | ----- | ----- |
| Total Liabilities | 3,732,443,385 | 3,451,326,706 |
| | ----- | ----- |
| SHAREHOLDERS' EQUITY | | |
| Common Stock, \$2 per Share; Authorized 80,000,000 Shares; Issued 1996--55,812,009; 1995--53,084,081 Shares; Outstanding 1996--55,704,822; 1995--53,056,934 Shares | 111,624,018 | 106,168,162 |
| Paid-In Capital | 401,116,798 | 237,171,509 |
| Retained Earnings | 1,090,497,989 | 1,156,626,751 |
| Unrealized Gain on Investments, Less Taxes | 1,322,491,813 | 1,159,388,263 |
| | ----- | ----- |
| | 2,925,730,618 | 2,659,354,685 |
| | ----- | ----- |
| Less Treasury shares at Cost (1996--107,187 Shares; 1995--27,147 Shares) | (5,950,008) | (1,383,492) |
| | ----- | ----- |
| Total Shareholders' Equity | 2,919,780,610 | 2,657,971,193 |
| | ----- | ----- |

| | | |
|--|-----------------|------------------|
| Total Liabilities and Shareholders' Equity | \$6,652,223,995 | \$ 6,109,297,899 |
| | ===== | ===== |

Accompanying notes are an integral part of these financial statements.

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CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

| | Nine Months Ended Sept. 30, | | Three Months Ended Sept. 30, | |
|--------------------------------------|-----------------------------|----------------|------------------------------|----------------|
| | 1996 | 1995 | 1996 | 1995 |
| | ---- | ---- | ---- | ---- |
| Revenues: | | | | |
| Premiums Earned: | | | | |
| Property and Casualty | \$ 1,014,604,868 | \$ 935,212,076 | \$ 343,761,384 | \$ 316,795,076 |
| Life | 37,527,566 | 32,923,047 | 12,484,097 | 11,246,097 |
| Accident and Health | 5,696,378 | 5,562,013 | 1,938,550 | 1,870,379 |
| | ----- | ----- | ----- | ----- |
| Net Premiums Earned | 1,057,828,812 | 973,697,136 | 358,184,031 | 329,911,552 |
| Investment Income, Less Expenses .. | 242,451,646 | 223,550,773 | 79,929,131 | 76,105,459 |
| Realized Gain on Investments | 40,939,681 | 31,303,394 | 15,050,236 | 7,668,261 |
| Other Income | 8,301,379 | 7,816,844 | 2,517,977 | 2,972,281 |
| | ----- | ----- | ----- | ----- |
| Total Revenues | 1,349,521,518 | 1,236,368,147 | 455,681,375 | 416,657,553 |
| | ----- | ----- | ----- | ----- |
| Benefits & Expenses: | | | | |
| Ins. Losses and Policyholder Ben.. | 825,923,896 | 712,086,070 | 285,994,824 | 241,044,955 |
| Commissions | 191,965,072 | 183,440,100 | 67,755,020 | 61,587,975 |
| Other Operating Expenses | 83,253,361 | 73,025,419 | 28,269,464 | 26,364,563 |
| Taxes, Licenses & Fees | 32,678,364 | 28,281,967 | 10,971,913 | 8,925,878 |
| Increase in Deferred Acquisition | | | | |
| Costs Pertaining to Unearned | | | | |
| Premiums and to Life Policies | | | | |
| in Force | (5,301,048) | (8,615,731) | (2,631,647) | (4,522,789) |
| Interest Expense | 13,885,007 | 12,819,852 | 4,763,461 | 4,837,283 |
| Other Expenses | 4,987,529 | 4,904,822 | 1,899,951 | 1,446,355 |
| | ----- | ----- | ----- | ----- |
| Total Expenses | 1,147,392,181 | 1,005,942,499 | 397,022,986 | 339,684,220 |
| | ----- | ----- | ----- | ----- |
| Income Before Income Taxes | 202,129,337 | 230,425,648 | 58,658,389 | 76,973,333 |
| | ----- | ----- | ----- | ----- |
| Provision (Ben.) for Inc. Taxes: | | | | |
| Current | 48,031,937 | 53,139,686 | 13,999,560 | 14,054,820 |
| Deferred | (6,695,743) | 297,883 | (2,289,871) | 4,315,613 |
| | ----- | ----- | ----- | ----- |
| Total | 41,336,194 | 53,437,569 | 11,709,689 | 18,370,433 |
| | ----- | ----- | ----- | ----- |
| Net Income | \$ 160,793,143 | \$ 176,988,079 | \$ 46,948,700 | \$ 58,602,900 |
| | ===== | ===== | ===== | ===== |
| Weighted Avg. Shares Outstanding ... | 57,807,728 | 57,661,339* | 57,799,697 | 57,691,919* |
| | ===== | ===== | ===== | ===== |
| Per Common Share: | | | | |
| Total Net Income | \$ 2.82 | \$ 3.11* | \$.82 | \$ 1.03* |
| | ===== | ===== | ===== | ===== |
| Cash Dividends Declared | \$ 1.09 | \$.95* | \$.37 | \$.32* |
| | ===== | ===== | ===== | ===== |

*Adjusted to reflect 5% stock dividend effective March 15, 1996.

Accompanying notes are an integral part of these financial statements.

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CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30, 1995 AND 1996

| | | | | |
|--------------|----------|---------|----------|------------|
| Common Stock | Treasury | Paid-In | Retained | Unrealized |
|--------------|----------|---------|----------|------------|

| | Shares ----- | Amount ----- | Stock ----- | Capital ----- | Earnings ----- | Capital Gains ----- |
|--|-----------------|-----------------|----------------|------------------|-------------------|------------------------|
| Bal. Dec. 31, 1994 | 50,435,974 | \$100,871,948 | \$ (913,765) | \$ 105,791,761 | \$1,133,104,811 | \$ 601,192,480 |
| Net Income | | | | | 176,988,079 | |
| Change in Unreal. Gains Net of Inc. Taxes of \$ 176,182,278 | | | | | | 327,195,659 |
| Div. Declared | | | | | (53,224,793) | |
| 5% Stock Div. at Market | 2,521,546 | 5,043,092 | | 127,338,073 | (132,564,883) * | |
| Purchase of Treasury Shares | | | (1,101,236) | 4,436 | | |
| Stock Options Exercised | 110,131 | 220,262 | ----- | 3,264,796 | ----- | ----- |
| Bal. Sept. 30, 1995 | 53,067,651 | \$106,135,302 | \$ (2,015,001) | \$ 236,399,066 | \$1,124,303,214 | \$ 928,388,139 |
| Bal. Dec. 31, 1995 | 53,084,081 | \$106,168,162 | \$ (1,383,492) | \$ 237,171,509 | \$1,156,626,751 | \$1,159,388,263 |
| Net Income | | | | | 160,793,143 | |
| Change in Unreal. Gains Net of Inc. Taxes of \$ 87,824,988 | | | | | | 163,103,550 |
| Div. Declared | | | | | (60,913,179) | |
| 5% Stock Div. at Market | 2,652,110 | 5,304,220 | | 160,452,655 | (166,008,726) * | |
| Purchase of Treasury Shares | | | (4,566,516) | 744,299 | | |
| Stock Options Exercised | 75,818 | 151,636 | ----- | 2,748,335 | ----- | ----- |
| Bal. Sept. 30, 1996 | 55,812,009 | \$111,624,018 | \$ (5,950,008) | \$ 401,116,798 | \$1,090,497,989 | \$1,322,491,813 |

Accompanying notes are an integral part of these financial statements.

*Includes \$183,718 and \$251,851 for fractional shares in March 17, 1995 and March 15, 1996, respectively.

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CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

| | Nine Months Ended Sept. 30, ----- | |
|--|--------------------------------------|----------------|
| | 1996 | 1995 |
| | ---- | ---- |
| Cash flows from operating activities: | | |
| Net income | \$ 160,793,143 | \$ 176,988,079 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation and amortization | 3,079,669 | 6,740,990 |
| Increase in net unearned premiums | 12,722,602 | 25,094,237 |
| Increase in net life policy reserves | 25,999,690 | 25,236,292 |
| Increase in net loss and loss expense reserves | 104,470,512 | 122,631,824 |
| Decrease (Increase) in net premiums receivable | 6,628,615 | (19,846,989) |
| Increase in deferred acquisition costs | (5,301,048) | (8,615,730) |
| Increase in other liabilities | 7,637,661 | 12,450,089 |
| Increase in investment income receivable | (2,974,250) | (7,377,978) |
| Decrease (Increase) in accounts receivable | 490,827 | (3,419,352) |
| Decrease in deferred income taxes | (6,695,743) | (1,553,149) |
| Increase in current income taxes | 4,031,939 | 12,566,440 |

| | | |
|--|---------------|---------------|
| Realized gain on investments | (40,939,681) | (31,303,394) |
| Other | 2,887,619 | (10,205,963) |
| | ----- | ----- |
| Net cash provided by operating activities | 272,831,555 | 299,385,396 |
| | ----- | ----- |
| Cash flows from investing activities: | | |
| Sale of fixed maturities investments | 114,996,810 | 110,330,569 |
| Called and maturity of fixed maturities investments .. | 163,806,962 | 145,656,562 |
| Sale of equity securities investments | 210,796,170 | 221,452,824 |
| Collection of finance receivables | 7,584,116 | 5,992,361 |
| Purchase of fixed maturities investments | (398,394,012) | (492,073,695) |
| Purchase of equity securities investments | (281,615,680) | (299,571,471) |
| Investment in land, buildings and equipment | (12,055,474) | (7,210,591) |
| Investment in finance receivables | (12,214,273) | (9,103,340) |
| Investment in other invested assets | (2,915,505) | (3,645,344) |
| | ----- | ----- |
| Net cash used in investing activities | (210,010,886) | (328,172,125) |
| | ----- | ----- |
| Cash flows from financing activities: | | |
| Proceeds from stock options exercised | 2,899,971 | 3,485,058 |
| Purchase of treasury shares | (3,822,217) | (1,096,800) |
| Increase in notes payable | 31,769,909 | 68,533,660 |
| Payment of cash dividends to shareholders | (58,317,239) | (51,512,452) |
| | ----- | ----- |
| Net cash (used in) provided by financing activities | (27,469,576) | 19,409,466 |
| | ----- | ----- |
| Net increase (decrease) in cash | 35,351,093 | (9,377,263) |
| Cash at beginning of period | 20,019,459 | 48,254,464 |
| | ----- | ----- |
| Cash at end of period | \$ 55,370,552 | \$ 38,877,201 |
| | ===== | ===== |
| Supplemental disclosures of cash flow information | | |
| Interest paid | \$ 12,481,950 | \$ 11,485,922 |
| | ===== | ===== |
| Income taxes paid | \$ 44,000,000 | \$ 46,000,000 |
| | ===== | ===== |

Accompanying notes are an integral part of these financial statements.

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CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE I - ACCOUNTING POLICIES

The consolidated financial statements include the accounts of the Company and all of its subsidiaries, each of which is wholly owned, and are presented in conformity with generally accepted accounting principles. All significant inter-company investments and transactions have been eliminated in consolidation. The December 31, 1995 consolidated balance sheet amounts are derived from the audited financial statements but do not include all disclosures required by generally accepted accounting principles.

INVESTMENTS--Fixed maturities and equity securities have been classified as available for sale and are carried at fair values at September 30, 1996 and December 31, 1995.

UNREALIZED GAINS AND LOSSES--The increases (decreases) in unrealized gains for fixed maturities and equity securities (net of income tax effect) for the nine-month and three-month periods ended September 30 are as follows:

| Fixed Maturities | Equity Securities | Total |
|---------------------|----------------------|-------|
| ----- | ----- | ----- |

| | | | |
|---------------------------|-----------------|---------------|---------------|
| Nine-Month Periods Ended | | | |
| September 30, 1996 | \$ (36,115,931) | \$199,219,481 | \$163,103,550 |
| September 30, 1995 | \$ 94,342,296 | \$232,853,363 | \$327,195,659 |
| Three-Month Periods Ended | | | |
| September 30, 1996 | \$ 11,657,602 | \$ 80,155,359 | \$ 91,812,961 |
| September 30, 1995 | \$ 1,595,539 | \$ 93,963,151 | \$ 95,558,690 |

Such amounts are included as additions to and deductions from shareholders' equity.

REINSURANCE--Premiums earned are net of premiums on ceded business, and insurance losses and policyholder benefits are net of reinsurance recoveries in the accompanying statements of income for the nine-month and three-month periods ended September 30 as follows:

| | Ceded Premiums ----- | Reinsurance Recoveries ----- |
|---------------------------|----------------------------|------------------------------------|
| Nine-Month-Periods Ended | | |
| September 30, 1996 ... | \$70,213,173 | \$30,009,990 |
| September 30, 1995 ... | \$63,858,772 | \$29,849,669 |
| Three-Month Periods Ended | | |
| September 30, 1996 ... | \$24,716,567 | \$11,233,535 |
| September 30, 1995 ... | \$23,252,553 | \$ 1,632,321 |

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NOTE II - 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. On September 30, 1996, outstanding options for Stock Option Plan No. III totalled 92,378 shares with purchase prices ranging from a low of \$11.87 to a high of \$22.03 and outstanding options for Stock Option Plan No. IV totalled 1,175,839 shares with purchase prices ranging from a low of \$22.38 to a high of \$61.50. All outstanding shares have been adjusted for the 5% stock dividend declared February 3, 1996, payable April 30, 1996 to shareholders of record of March 15, 1996. No shares have been granted from Plan V at this time.

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," which will be effective for the Company beginning January 1, 1996. SFAS No. 123 requires expanded disclosures of stock-based compensation arrangements with employees and encourages (but does not require) compensation cost to be measured based on the fair value of the equity instrument awarded. Companies are permitted, however, to continue to apply APB Opinion No. 25, which recognizes compensation cost based on the intrinsic value of the equity instrument awarded. The Company will continue to apply APB Opinion No. 25 to its stock based compensation awards to employees.

NOTE III INTERIM ADJUSTMENTS

The preceding summary of financial information for Cincinnati Financial Corporation and consolidated subsidiaries is unaudited, but the Company believes that all adjustments (consisting only of normal recurring accruals) necessary for fair presentation have been made. The results of operations for this interim period is not necessarily an indication of results to be expected for the remaining three months of the year.

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ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Premiums earned for the nine months ended September 30, 1996 have increased \$84,131,676 (9%) over the nine months ended September 30, 1995. Also, premiums earned have increased \$28,272,479 (9%) for the three months ended September 30, 1996 over the three months ended September 30, 1995. For the nine-month period

ended September 30, 1996, the growth rate of our property and casualty subsidiaries is greater than last year on both a gross written and earned premium basis. For the three-month period ended September 30, 1996, the growth rate is slightly less on a gross written basis and slightly greater on an earned premium basis when compared to the third quarter of 1995. The premium growth is attributable to increases in new business, and some rate increases; however, these increases were somewhat offset by the continued softness of the commercial lines market. The premium volume of our life and health subsidiary has increased 12% for the nine months ended September 30, 1996 and 10% for the three months ended September 30, 1996 compared to the comparable periods of 1995. The premium growth in our life subsidiary is mainly attributable to increased sales of both traditional and interest sensitive products. For the nine-month and three-month periods ended September 30, 1996, investment income, net of expenses, has increased \$18,900,873 (8%) and \$3,823,672 (5%) when compared with the first nine months and third three months of 1995, respectively. This increase is the result of the growth of the investment portfolio because of investing cash flows from operations and dividend increases from equity securities.

Realized gains on investments for the nine months ended September 30, 1996 amounted to \$40,939,681 compared to \$31,303,394 for the nine-month period ended September 30, 1995, and \$15,050,236 for the three-month period ended September 30, 1996 compared to \$7,668,261 for the three-month period ended September 30, 1995. The realized gains are predominantly the result of the sale of equity securities and management's decision to realize the gains and reinvest the proceeds at higher dividend yields to cost.

Insurance losses and policyholder benefits (net of reinsurance recoveries) increased \$113,837,826 (16%) for the first nine months of 1996 over the same period in 1995 and increased \$44,949,869 (19%) for the third quarter when compared to the third quarter of 1995. The losses and benefits of the property and casualty companies have increased \$108,303,458 for the nine-month period and increased \$44,105,874 for the third quarter of 1996 compared to the comparable periods for 1995. The losses for the first nine months and for the third quarter have increased because of the growth of new business and a higher incidence of claims. Catastrophe losses were \$60.1 million and \$9.9 million, respectively, for the first nine months of 1996 and 1995 and were \$22.9 million and \$5.4 million, respectively, for the third quarter of 1996 and 1995. These losses were substantially higher for the first nine months and the third quarter of 1996 compared to the comparable periods of 1995 because of a higher incidence and severity of these weather related claims.

Policyholder benefits of the life insurance subsidiary increased \$5,534,368 for the first nine months of 1996 over the same period of 1995 and increased \$843,995 for the third quarter when compared to the third quarter of 1995. The majority of the nine-month and third quarter increase is the result of a higher incidence of death and accident and health claims and related costs.

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Commission expenses increased \$8,524,972 for the nine-month period ended September 30, 1996 compared to the same period for 1995 and increased \$6,167,045 for the third quarter of 1996 compared to the same period in 1995. The increase is attributable to the increases in new business. Other operating expenses increased \$10,227,942 for the nine-month period ended September 30, 1996 compared to the same period for 1995 and increased \$1,904,901 for the third quarter of 1996 compared to the same period in 1995. The increase is the result of general wage increases, the increase in the number of employees, and the related expenses associated with the production of new business.

Provision for income taxes, current and deferred, have decreased by \$12,101,375 for the first nine months of 1996 compared to the first nine months of 1995 and have decreased \$6,660,744 for the third quarter of 1996 compared to the third quarter of 1995. The decrease in federal taxes reflects a decline in the effective tax rate from 23.2% to 20.5% at September 30, 1995 and 1996, respectively, and a decline in the effective tax rate from 23.9% to 20.0% for the third quarter of 1995 and 1996, respectively.

Notes payable increased \$31,769,909 for the first nine months and increased \$65,847 for the third quarter of 1996. The Company borrowed the additional funds to pay for the increased losses in the property and casualty companies instead of paying the losses from cash flow because the Company decided to take advantage of the investment opportunities that were available at that time.

Unrealized appreciation will fluctuate with changes in the overall fixed maturities and equity securities markets. Changes in unrealized appreciation are discussed in Note 1. The Company's equity investment portfolio continues to be

primarily investments in common stocks of public utility companies and financial institutions.

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PART II
OTHER INFORMATION

ITEM 1. Legal Proceedings

The Company is involved in no material litigation other than routine litigation incident to the nature of the insurance industry.

ITEM 2. Changes in Securities

There have been no material changes in securities during the third quarter.

ITEM 3. Defaults Upon Senior Securities

The Company has not defaulted on any interest or principal payment, and no arrearage in the payment of dividends has occurred.

ITEM 4. Submission of Matters to a Vote of Security Holders

No special matters were voted upon by security holders during the third quarter.

ITEM 5. Other Information

No matters to report.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits included:

Exhibit 11--Statement re Computation of Per Share Earnings.
Exhibit 27--Financial Data Schedule

(b) The Company was not required to file any reports on Form 8-K during the quarter ended September 30, 1996.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CINCINNATI FINANCIAL CORPORATION

(Registrant)

Date November 8, 1996

By/s/ Robert J. Drieaus

R. J. Drieaus
Senior Vice President and Chief
Financial Officer
(Principal Financial Officer)

EXHIBIT 11

CINCINNATI FINANCIAL CORPORATION
 STATEMENT RE COMPUTATION OF PER SHARE EARNINGS
 (in thousands except for per share amounts)

| | Nine Months Ended September 30, | | Three Months Ended September 30, | |
|---|------------------------------------|-----------|-------------------------------------|----------|
| | 1996 | 1995* | 1996 | 1995* |
| Weighted average shares outstanding | 55,753 | 55,660 | 55,769 | 55,686 |
| Equivalent shares assumed to be outstanding for: | | | | |
| Stock options | 263 | 209 | 239 | 214 |
| Convertible debentures | 1,792 | 1,792 | 1,792 | 1,792 |
| | ----- | ----- | ----- | ----- |
| Number of shares for primary computation | 57,808 | 57,661 | 57,800 | 57,692 |
| Other dilutive equivalent shares-- stock options | -0- | 7 | -0- | 7 |
| | ----- | ----- | ----- | ----- |
| Number of shares assuming full dilution | 57,808 | 57,668 | 57,800 | 57,699 |
| | ===== | ===== | ===== | ===== |
| Net income | \$160,793 | \$176,988 | \$46,949 | \$58,603 |
| Interest on convertible debentures-- net of tax | 2,145 | 2,145 | 715 | 715 |
| | ----- | ----- | ----- | ----- |
| Net income for per share computation | \$162,938 | \$179,133 | \$47,664 | \$59,318 |
| | ===== | ===== | ===== | ===== |
| Earnings per share: | | | | |
| Total Primary | \$ 2.82 | \$ 3.11 | \$.82 | \$ 1.03 |
| | ===== | ===== | ===== | ===== |
| Fully Diluted | \$ 2.82 | \$ 3.11 | \$.82 | \$ 1.03 |
| | ===== | ===== | ===== | ===== |

*Common shares and their equivalent have been adjusted to reflect the 5% stock dividend effective March 15, 1996.

<ARTICLE> 7

| | | |
|---|-------|-------------------|
| <PERIOD-TYPE> | 9-MOS | |
| <FISCAL-YEAR-END> | | DEC-31-1996 |
| <PERIOD-START> | | JAN-01-1996 |
| <PERIOD-END> | | SEP-30-1996 |
| <DEBT-HELD-FOR-SALE> | | 2,523,003,748 |
| <DEBT-CARRYING-VALUE> | | 0 |
| <DEBT-MARKET-VALUE> | | 0 |
| <EQUITIES> | | 3,452,644,298 |
| <MORTGAGE> | | 6,702,089 |
| <REAL-ESTATE> | | 15,602,197 |
| <TOTAL-INVEST> | | 6,025,513,679<F1> |
| <CASH> | | 55,370,552 |
| <RECOVER-REINSURE> | | 2,903,793 |
| <DEFERRED-ACQUISITION> | | 124,890,279 |
| <TOTAL-ASSETS> | | 6,652,223,995 |
| <POLICY-LOSSES> | | 2,235,829,815<F2> |
| <UNEARNED-PREMIUMS> | | 422,309,955 |
| <POLICY-OTHER> | | 47,758,987<F2> |
| <POLICY-HOLDER-FUNDS> | | 9,971,055 |
| <NOTES-PAYABLE> | | 332,775,191<F3> |
| <PREFERRED-MANDATORY> | | 0 |
| <PREFERRED> | | 0 |
| <COMMON> | | 105,674,010<F4> |
| <OTHER-SE> | | 2,814,106,600<F4> |
| <TOTAL-LIABILITY-AND-EQUITY> | | 6,652,223,995 |
| <PREMIUMS> | | 1,057,828,812 |
| <INVESTMENT-INCOME> | | 242,451,646 |
| <INVESTMENT-GAINS> | | 40,939,681 |
| <OTHER-INCOME> | | 8,301,379 |
| <BENEFITS> | | 825,923,896 |
| <UNDERWRITING-AMORTIZATION> | | 213,081,939<F5> |
| <UNDERWRITING-OTHER> | | 108,386,346<F5> |
| <INCOME-PRETAX> | | 202,129,337 |
| <INCOME-TAX> | | 41,336,194 |
| <INCOME-CONTINUING> | | 160,793,143 |
| <DISCONTINUED> | | 0 |
| <EXTRAORDINARY> | | 0 |
| <CHANGES> | | 0 |
| <NET-INCOME> | | 160,793,143 |
| <EPS-PRIMARY> | | 2.82 |
| <EPS-DILUTED> | | 2.82 |
| <RESERVE-OPEN> | | 1,580,742,006<F6> |
| <PROVISION-CURRENT> | | 0 |
| <PROVISION-PRIOR> | | 0 |
| <PAYMENTS-CURRENT> | | 0 |
| <PAYMENTS-PRIOR> | | 0 |
| <RESERVE-CLOSE> | | 1,691,105,328<F7> |
| <CUMULATIVE-DEFICIENCY> | | 0 |
| <FN> | | |
| <F1>--Equals the sum of Fixed Maturities, Equity Securities | | |

and other Invested
Assets

<F2>--Equals the sum of Life Policy Reserves and Losses and Loss Expenses less the Life Company liability for Supplementary Contracts without Life Contingencies of \$3,223,459 which is classified as Other Policyholder Funds

<F3>--Equals the sum of Notes Payable and the 5-1/2% Convertible Senior Debenture

<F4>--Equals the Total Shareholders Equity

<F5>--Equals the Sum of Commissions, Other Operating Expenses, Taxes licenses and Fees, Increase in deferred acquisitions costs, Interest expense and other expenses

<F6>--Equals the net reserve for unpaid claims for the property casualty subsidiaries less loss checks payable as of December 31, 1995

<F7>--Equals the net reserve for unpaid claims for the property casualty subsidiaries less loss checks payable as of September 30, 1996

</FN>

