UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the fiscal year ended December 31, 1996 Commission file number 0-4604

CINCINNATI FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

Ohio	31-0746871
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6200 S. Gilmore Road, Fairfield, Ohio	45014-5141
(Address of principal executive offices)	(Zip Code)

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

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

NONE

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

Title of Each Class	Exchange on Which Registered
$2.00 Par, Common	Over The Counter
5-1/2% Convertible Senior Debentures Due 2002	Over The Counter

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

The aggregate market value of voting stock held by nonaffiliates of Cincinnati Financial Corporation was $3,268,181,025 as of March 3, 1997.

As of March 3, 1997, there were 55,323,481 shares of common stock outstanding.

Documents Incorporated by Reference

Annual Report to Shareholders for year ended December 31, 1996 (in part) into Parts I, II and IV and Registrant's Proxy Statement dated March 3, 1997 into Parts I, III and IV.

PART I

ITEM 1. BUSINESS

Cincinnati Financial Corporation ("CFC") was incorporated on September 20, 1968 under the laws of the State of Delaware. On April 4, 1992, the shareholders voted to adopt an Agreement of Merger by means of which the reincorporation of the Corporation from the State of Delaware to the State of Ohio was accomplished. CFC owns 100% of The Cincinnati Insurance Company ("CIC") and 100% of CFC Investment Company ("CFC-I"). The principal purpose of CFC is to be a holding company for CIC and CFC-I and in addition for the purpose of acquiring other companies.

CIC, incorporated in August, 1950, is an insurance carrier presently licensed to conduct multiple line underwriting in accordance with Section 3941.02 of the Revised Code of Ohio. This includes the sale of fire, automobile, casualty, bonds, and all related forms of property and casualty insurance in 50 states, the District of Columbia, and Puerto Rico. CIC is not authorized to write any other forms of insurance. CIC is in a highly competitive industry and competes in varying degrees with a large number of stock and mutual companies. CIC also owns 100% of the stock of the following insurance companies.

1. The Cincinnati Life Insurance Company ("CLIC") incorporated in 1987 under the laws of Ohio for the purpose of acquiring the business of Inter-Ocean and The Life Insurance Company of Cincinnati. CLIC acquired The Life Insurance Company of Cincinnati and Inter-Ocean Insurance Company on February 1, 1988. CLIC is engaged in the sale of life insurance and accident and health insurance in 46 states and the District of Columbia.

2. The Cincinnati Casualty Company ("CCC") (formerly the Queen City Indemnity Company), incorporated in 1972 under the laws of Ohio, is engaged in the fire and casualty insurance business on a direct billing basis in 29 states. The business of CIC and CCC is conducted separately, and there are no plans for combining the business of said companies.

3. The Cincinnati Indemnity Company ("CID"), incorporated in 1988 under the laws of Ohio, is engaged in the writing of nonpreferred personal and casualty lines of insurance in 22 states. The business of CIC and CID is conducted separately, and there are no plans for combining the business of said companies.

CFC-I, organized in 1970, owns certain real estate in the Greater Cincinnati area and is in the business of leasing or financing various items, principally automobiles, trucks, computer equipment, machine tools, construction equipment, and office equipment.

Industry segment information for operating profits and identifiable assets is included on page 30 of the Company's Annual Report to Shareholders and is incorporated herein by reference (see Exhibit 13 to this filing).

As more fully discussed in pages 5 through 11 in the Company's Annual Report to Shareholders, incorporated herein by reference (see Exhibit 13 to this filing), the Company sells insurance primarily in the Midwest and Southeast through a network of a limited number (966 in 26 states at December 31, 1996) of selectively appointed independent agents, most of whom own stock in the Company. Gross written premiums by property/casualty lines increased 7% to $1.476 billion in 1996. The Company's mix of property/casualty business did not change significantly in 1996. Life and accident and health insurance (which constituted only 4% of the Company's premium income for 1996) is also sold primarily through property/casualty agencies and the growth rate of 10.8% was the result of increased sales of both traditional and interest-sensitive products.

The consolidated financial statements include the estimated liability for unpaid losses and loss adjustment expenses ("LAE") of the Company's property/casualty ("P/C") insurance subsidiaries. Property and casualty insurance is written in 50 states, the District of Columbia, and Puerto Rico. The liabilities for losses and LAE are determined using case-basis evaluations and statistical projections and represent estimates of the ultimate net cost of all unpaid losses and LAE incurred through December 31 of each year. These estimates are subject to the effect of trends in future claim severity and frequency. These estimates are continually reviewed; and as experience develops and new information becomes known, the liability is adjusted as necessary. Such adjustments, if any, are reflected in current operations.

The Company does not discount any of its property/casualty liabilities for unpaid losses and unpaid loss adjustment expenses.

There are two tables used to present an analysis of losses and LAE. The first table, providing a reconciliation of beginning and ending liability balances for 1996, 1995, and 1994, is on page 27 in the Company's Annual Report to Shareholders, incorporated herein by reference (see Exhibit 13 to this filing). The second table, showing the development of the estimated liability for the ten years prior to 1996 is presented on the next page.

The reconciliation referred to in the preceding paragraph shows a 1996 recognition of $151,996,000 redundancy in the December 31, 1995 liability. This redundancy is due in part to the effects of settling case reserves established in prior years for less than expected and also in part to the over estimation of the severity of IBNR losses. Average severity continues to increase primarily because of increases in medical costs related to workers' compensation and auto liability insurance. Litigation expenses for recent court cases on pending liability claims continue to be very costly; and judgments continue to be high and difficult to estimate. Reserves for environmental claims have been reviewed and the Company believes that the reserves are adequate. Environmental exposures are minimal as a result of the types of risks we have insured in the past. Historically, most commercial accounts written post-date the coverages which afford clean-up costs and Superfund responses.

The anticipated effect of inflation is implicitly considered when estimating liabilities for losses and LAE. While anticipated price increases due to inflation are considered in estimating the ultimate claim costs, the increase in average severities of claims is caused by a number of factors that vary with the individual type of policy written. Future average severities are projected based on historical trends adjusted for anticipated changes in underwriting standards, policy provisions, and general economic trends. These trends are monitored based on actual development and are modified if necessary.

The limits on risks retained by the Company vary by type of policy, and risks in excess of the retention limits are reinsured. Because of the growth in the Company's capacity to underwrite risks and reinsurance market conditions, in 1987 and 1989, the Company raised its retention limits from $500,000 to $750,000 to $1,000,000, respectively, for casualty and property lines of insurance. In 1995, the casualty and property lines retention limits were further raised to $2,000,000.

There are no differences between the liability reported in the accompanying consolidated financial statements in accordance with generally accepted accounting principles ("GAAP") and that reported in the annual statements filed with state insurance departments in accordance with statutory accounting practices ("SAP").

ANALYSIS OF LOSS AND LOSS ADJUSTMENT EXPENSE DEVELOPMENT (Millions of Dollars)

Year Ended December 31	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Net Liability for Unpaid Losses and Loss Adjustment Expenses	$377	$534	$631	$742	$833	$986	$1,138	$1,293	$1,432	$1,581	$1,702
Net Liability Reestimated as of:											
One Year Later	444	548	671	751	869	956	1,098	1,200	1,306	1,429	
Two Years Later	460	584	634	747	816	928	993	1,116	1,220		
Three Years Later	480	544	622	696	795	823	949	1,067			
Four Years Later	452	535	596	676	723	814	937				
Five Years Later	447	523	580	635	720	824					
Six Years Later	443	508	551	637	732						
Seven Years Later	429	496	502	653							
Eight Years Later	431	505	571								
Nine Years Later	439	519									
Ten Years Later	454										
Net Cumulative Redundancy (Deficiency)	$(77)	$ 15	$ 60	$ 89	$101	$162	$ 201	$ 226	$ 212	$ 152	
Net Cumulative Amount of Liability Paid Through:											
One Year Later	$153	$178	$204	$238	$232	$280	$ 310	$ 343	$ 368	$ 395	
Two Years Later	247	292	321	356	397	440	498	538	578		
Three Years Later	313	362	390	446	493	546	612	663			
Four Years Later	351	398	441	497	552	611	681				
Five Years Later	367	427	467	528	588	647					
Six Years Later	387	441	485	550	610						
Seven Years Later	394	454	496	563							
Eight Years Later	402	461	502								
Nine Years Later	408	465									
Ten Years Later	411										
Gross Liability--End of Year							$1,200	$1,365	$1,510	$1,690	$1,824
Reinsurance Recoverable							62	72	78	109	122
Net Liability--End of Year							$1,138	$1,293	$1,432	$1,581	$1,702
Gross Reestimated Liability--Latest							$1,027	$1,160	$1,330	$1,548	
Reestimated Recoverable--Latest							90	93	110	119	
Net Reestimated Liability--Latest							$ 937	$1,067	$1,220	$1,429	
Gross Cumulative Redundancy							$ 201	$ 226	$ 212	$ 152	

The table above presents the development of balance sheet liabilities for 1986 through 1996. The top line of the table shows the estimated liability for unpaid losses and LAE recorded at the balance sheet date for each of the indicated years. This liability represents the estimated amount of losses and LAE for claims arising in all prior years that are unpaid at the balance sheet date, including losses that had been incurred but not yet reported to the Company. The upper portion of the table shows the reestimated amount of the previously recorded liability based on experience as of the end of each succeeding year. The estimate is increased or decreased as more information becomes known about the frequency and severity of claims for individual years.

The "cumulative redundancy (deficiency)" represents the aggregate change in the estimates over all prior years. For example, the 1987 liability has developed a $15,000,000 redundancy over nine years and has been reflected in income over the nine years. The effects on income of the past three years of changes in estimates of the liabilities for losses and LAE for all accident years is shown in the reconciliation table.

The lower section of the table shows the cumulative amount paid with respect to the previously recorded liability as of the end of each succeeding year. For example, as of December 31, 1996, the Company had paid $465,000,000 of the currently estimated $519,000,000 of losses and LAE that have been incurred as of the end of 1987; thus an estimated $54,000,000 of losses incurred as of the end of 1987 remain unpaid as of the current financial statement date.

In evaluating this information, it should be noted that each amount includes the effects of all changes in amounts for prior periods. For example, the amount of deficiency or redundancy related to losses settled in 1992, but incurred in 1987, will be included in the cumulative deficiency or redundancy amount for 1987 and each subsequent year. This table does not present accident or policy year development data which readers may be more accustomed to analyzing. Conditions and trends that have affected development of the liability in the past may not necessarily occur in the future. Accordingly, it may not be appropriate to extrapolate future redundancies or deficiencies based on this table.

The Company limits the maximum net loss that can arise by large risks or risks concentrated in areas of exposure by reinsuring (ceding) with other insurers or reinsurers. Related thereto, the Company's retention levels were last increased from $1,000,000 to $2,000,000 in 1995. The Company reinsures with only financially sound companies. The composition of its reinsurers has not changed, and the Company has not experienced any uncollectible reinsurance amounts or coverage disputes with its reinsurers in more than ten years.

Information concerning the Company's investment strategy and philosophy is contained on Pages 17 and 18 of the Annual Report to Shareholders, incorporated herein by reference (see Exhibit 13 to this filing). The Company's primary strategy is to maintain liquidity to meet both its immediate and long-range insurance obligations through the purchase and maintenance of medium-risk fixed maturity and equity securities, while earning optimal returns on medium-risk equity securities which offer growing dividends and capital appreciation. The Company usually holds these securities to maturity unless there is a change in credit risk or the securities are called by the issuer. Historically, municipal bonds (with concentrations in the essential services, i.e. schools, sewer, water, etc.) have been attractive to the Company due to their tax exempt features. Because of Alternative Mininum Tax matters, the Company uses a blend of tax-exempt and taxable fixed maturity securities. Investments in common stocks have been made with an emphasis on securities with an annual dividend yield of at least 2 to 3 percent and annual dividend increases. The Company's strategy in equity investments is to identify approximately 10 to 12 companies in which it can accumulate 10 to 20 percent of their common stock. As a long-term investor, a buy and hold strategy has been followed for many years, resulting in an accumulation of a significant amount of unrealized appreciation on equity securities.

On November 22, 1996, the Board authorized repurchase of up to three million of the Company's outstanding shares, as management deems appropriate, over an unspecified period of time.

As of December 31, 1996, CFC employed 2,506 associates.

ITEM 2. PROPERTIES

CFC-I owns a fully leased 85,000 square feet office building in downtown Cincinnati that is currently leased to Procter and Gamble Company, an unaffiliated company, on a net, net, net lease basis. This property is carried in the financial statements at $577,557 as of December 31, 1996.

CFC-I also owns the Home Office building located on 75 acres of land in Fairfield, Ohio. This building contains approximately 380,000 square feet. The John J. and Thomas R. Schiff & Company, an affiliated company, occupies approximately 5,350 square feet, and the balance of the building is occupied by CFC and its subsidiaries. The property is carried in the financial statements at $11,681,657 as of December 31, 1996.

CFC-I also owns the Fairfield Executive Center which is located on the northwest corner of the home office property in Fairfield, Ohio. This is a four-story office building containing approximately 103,000 rentable square feet. CFC and its subsidiaries occupy approximately 72% of the building, unaffiliated tenants occupy approximately 15% of the building, and the balance is available for Company expansion. The property is carried in the financial statements at $10,585,051 as of December 31, 1996.

The CLIC owns a four-story office building in the Tri-County area of Cincinnati containing approximately 127,000 square feet. At the present time, 100% of the building is currently being leased by an unaffiliated tenant. This property is carried in the financial statements at $4,286,722 as of December 31, 1996.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

CFC filed with the commission on February 28, 1997, definitive proxy statements and annual reports pursuant to Regulation 14A. Material filed was the same as that described in Item 4 and is incorporated herein by reference. No matters were submitted during the fourth quarter.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

This information is included in the Annual Report of the Registrant to its shareholders on the inside back cover for the year ended December 31, 1996 and is incorporated herein by reference (see Exhibit 13 to this filing).

ITEM 6. SELECTED FINANCIAL DATA

This information is included in the Annual Report of the Registrant to its shareholders on pages 14 and 15 for the year ended December 31, 1996 and is incorporated herein by reference (see Exhibit 13 to this filing).

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This information is included in the Annual Report of the Registrant to its shareholders on pages 16 through 18 for the year ended December 31, 1996 and is incorporated herein by reference (see Exhibit 13 to this filing).

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

(a) Financial Statements
The following consolidated financial statements of the Registrant and its subsidiaries, included in the Annual Report of the Registrant to its shareholders on pages 19 to 30 for the year ended December 31, 1996, are incorporated herein by reference (see Exhibit 13 to this filing).

Independent Auditors' Report
Consolidated Balance Sheets--December 31, 1996 and 1995
Consolidated Statements of Income--Years ended December 31, 1996, 1995, and 1994
Consolidated Statements of Shareholders' Equity--Years ended December 31, 1996, 1995, and 1994
Consolidated Statements of Cash Flows--Years ended December 31, 1996, 1995, and 1994.

Notes to Consolidated Financial Statements

(b) Supplementary Data
Selected quarterly financial data, included in the Annual Report of the Registrant to its shareholders on Page 30 for the year ended December 31, 1996, is incorporated herein by reference (see Exhibit 13 to this filing).

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no disagreements on accounting and financial disclosure requirements with accountants within the last 24 months prior to December 31, 1996.

PART III

CFC filed with the Commission on February 28, 1997 definitive proxy statements pursuant to regulation 14-A. Material filed was the same as that described in Item 10, Directors and Executive Officers of the Registrant; Item 11, Executive Compensation; Item 12, Security Ownership of Certain Beneficial Owners and Management; Item 13, Certain Relationships and Related Transactions, and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Filed Documents. The following documents are filed as part of this report:

1. Financial Statements--incorporated herein by reference (see Exhibit 13 to this filing) as listed in Part II of this Report.

2. Financial Statement Schedules and Independent Auditors' Report:
   Independent Auditors' Report

Schedule I--	Summary of Investments Other than Investments in Related Parties
Schedule II--	Condensed Financial Information of Registrant
Schedule III--	Supplementary Insurance Information
Schedule IV--	Reinsurance
Schedule VI--	Supplemental Information Concerning Property-Casualty Insurance Operations

   All other schedules are omitted because they are not required, inapplicable or the information is included in the financial statements or notes thereto.

3. Exhibits:
   - Exhibit 11--Statement re computation of per share earnings for years ended December 31, 1996, 1995, and 1994
   - Exhibit 13--Material incorporated by reference from the annual report of the registrant to its shareholders for the year ended December 31, 1996
   - Exhibit 21--Subsidiaries of the registrant--information contained in Part I of this report.
   - Exhibit 22--Notice of Annual Meeting of Shareholders and Proxy Statement dated March 3, 1997 filed with Securities and Exchange Commission, Washington, D.C., 20549
   - Exhibit 23--Independent Auditors' Consent
   - Exhibit 27--Financial Data Schedule

(b) Reports on Form 8-K--NONE

INDEPENDENT AUDITORS' REPORT

To The Shareholders and Board of Directors of
Cincinnati Financial Corporation

We have audited the consolidated financial statements of Cincinnati Financial Corporation and its subsidiaries as of December 31, 1996 and 1995, and for each of the three years in the period ended December 31, 1996, and have issued our report thereon dated February 5, 1997; such consolidated financial statements and report are included in your 1996 Annual Report to Shareholders and are incorporated herein by reference. Our audits also included the consolidated financial statement schedules of Cincinnati Financial Corporation and its subsidiaries, listed in Item 14(a)(2). These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

/S/ Deloitte & Touche LLP

Cincinnati, Ohio
February 5, 1997

SCHEDULE I

CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES
SUMMARY OF INVESTMENTS--OTHER THAN INVESTMENTS IN RELATED PARTIES
DECEMBER 31, 1996

		(000 omitted)	
Type of Investment	Cost	Fair Value	Amount at which shown in balance sheet
Fixed Maturities:			
Bonds:			
United States Government and government agencies and authorities			
The Cincinnati Insurance Company .	$ 2,250	$ 2,301	$ 2,301
The Cincinnati Indemnity Company .	203	211	211
The Cincinnati Casualty Company .	150	158	158
The Cincinnati Life Insurance Company	6,187	6,133	6,133
Total.	8,790	8,803	8,803
States, municipalities and political subdivisions:			
The Cincinnati Insurance Company .	800,821	836,226	836,226
The Cincinnati Indemnity Company .	7,389	7,735	7,735
The Cincinnati Casualty Company .	26,475	28,083	28,083
The Cincinnati Life Insurance Company	3,323	3,329	3,329
Total	838,008	875,373	875,373
Public Utilities:			
The Cincinnati Insurance Company .	40,276	41,270	41,270
The Cincinnati Casualty Company .	6,533	7,230	7,230
The Cincinnati Life Insurance Company	38,329	39,915	39,915
The Cincinnati Financial Corporation	435	506	506
Total	85,573	88,921	88,921
Convertibles and Bonds with warrants attached:			
The Cincinnati Insurance Company .	93,022	96,314	96,314
The Cincinnati Life Insurance Company	22,811	24,662	24,662
Cincinnati Financial Corporation .	9,796	10,649	10,649
Total	125,629	131,625	131,625
All other Corporate Bonds:			
The Cincinnati Insurance Company .	507,862	545,279	545,279
The Cincinnati Indemnity Company .	16,507	17,588	17,588
The Cincinnati Casualty Company .	34,337	38,131	38,131
The Cincinnati Life Insurance Company	404,285	431,871	431,871
Cincinnati Financial Corporation .	410,794	424,214	424,214
Total	1,373,785	1,457,083	1,457,083
TOTAL FIXED MATURITIES	$2,431,785	$2,561,805	$2,561,805

(000 omitted)

Type of Investment	Cost	Fair Value	Amount at which shown in balance sheet
Equity Securities:			
Common Stocks			
Public Utilities			
The Cincinnati Insurance Company. .	$ 93,310	$ 203,798	$ 203,798
The Cincinnati Casualty Company . .	5,011	11,069	11,069
The Cincinnati Life Ins. Company. .	24,409	65,588	65,588
Cincinnati Financial Corp	68,296	273,005	273,005
Total	191,026	553,460	553,460
Banks, trust and insurance companies			
The Cincinnati Insurance Company. .	142,252	515,335	515,335
The Cincinnati Casualty Company . .	18,016	42,353	42,353
The Cincinnati Life Ins. Company. .	35,350	81,695	81,695
Cincinnati Financial Corporation. .	326,028	1,274,234	1,274,234
Total	521,646	1,913,617	1,913,617
Industrial miscellaneous and all other			
The Cincinnati Insurance Company. .	300,320	585,938	585,938
The Cincinnati Indemnity Company. .	7,896	12,056	12,056
The Cincinnati Casualty Company . .	21,723	36,915	36,915
The Cincinnati Life Ins. Company. .	47,338	85,451	85,451
Cincinnati Financial Corporation. .	49,724	87,124	87,124
Total	427,001	807,484	807,484
Nonredeemable preferred stocks			
The Cincinnati Insurance Company. .	351,146	409,986	409,986
The Cincinnati Life Ins. Company. .	39,953	48,704	48,704
Cincinnati Financial Corporation. .	6,417	6,929	6,929
Total	397,516	465,619	465,619
TOTAL EQUITY SECURITIES	$1,537,189	$3,740,180	$3,740,180
Other Invested Assets:			
Mortgage loans on real estate			
The Cincinnati Life Ins. Company. . .	$ 3,594	XXXXXXXXXX	$ 3,594
CFC-I Investment Company	5,613	XXXXXXXXXX	5,613
Total	9,207	XXXXXXXXXX	9,207
Real Estate			
The Cincinnati Life Ins. Company. . .	4,287	XXXXXXXXXX	4,287
CFC-I Investment Company	11,162	XXXXXXXXXX	11,162
Total	15,449	XXXXXXXXXX	15,449
Policy Loans			
The Cincinnati Life Ins. Company. . .	19,178	XXXXXXXXXX	19,178
Notes Receivable			
CFC-I Investment Company	9,170	XXXXXXXXXX	9,170
TOTAL OTHER INVESTED ASSETS	$ 53,004	XXXXXXXXXX	$ 53,004
TOTAL INVESTMENTS	$4,021,978	XXXXXXXXXX	$6,354,989

SCHEDULE II

CINCINNATI FINANCIAL CORPORATION
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
(OOO OMITTED)

Condensed Statements of Income (Parent Company Only)

For the Years ended December 31	1996	1995	1994
Income			
Dividends from Subsidiaries	$ 85,000	$ 149,000	$ 78,000
Investment Income	81,220	65,839	50,276
Realized Gains on Investments	2,232	742	(453)
Total Income	$168,452	$ 215,581	$ 127,823
Expenses			
Interest	$ 20,098	$ 17,229	$ 9,937
Other	6,620	3,071	3,119
Total Expenses	26,718	20,300	13,056
Income Before Taxes and Earnings of Subsidiaries	141,734	195,281	114,767
Applicable Income Taxes	9,760	8,286	5,113
Net Income Before Change in Undistributed Earnings of Subsidiaries	131,974	186,995	109,654
Increase in Undistributed Earnings of Subsidiaries	91,786	40,355	91,576
Net Income	$223,760	$ 227,350	$ 201,230

Condensed Balance Sheets (Parent Company Only)

December 31	1996	1995
Assets		
Cash	$ 5,494	$ 1,354
Fixed Maturities, at Fair Value	435,368	372,776
Equity Securities, at Fair Value	1,641,291	1,335,749
Investment Income Receivable	18,341	15,739
Inter-Company Dividends Receivable	20,500	12,527
Equity in Net Assets of Subsidiaries	1,837,226	1,569,026
Other Assets	10,518	3,590
Total Assets	$3,968,738	$3,310,761
Liabilities		
Notes Payable	$ 262,098	$ 221,005
Dividends Declared but Unpaid	20,584	18,038
Federal Income Tax		
Current	9,422	7,689
Deferred	425,543	321,094
5.5% Convertible Senior Debentures Due 2002	79,847	80,000
Other Liabilities	8,355	4,964
Total Liabilities	$ 805,849	$ 652,790
Stockholders' Equity	3,162,889	2,657,971
Total Liabilities and Stockholders' Equity	$3,968,738	$3,310,761

SCHEDULE II CINCINNATI FINANCIAL CORPORATION
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
(OOO OMITTED)

Condensed Statements of Cash Flows (Parent Company Only) For the Years ended December 31	1996	1995	1994
Operating Activities			
Net Income	$ 223,760	$ 227,350	$ 201,230
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Amortization	(782)	(706)	(188)
Increase in investment income receivable	(2,602)	(4,590)	(2,576)
Increase in Current Federal Income Taxes Payable	1,733	2,236	607
Provision for Deferred Income Taxes	1,116	1,125	0
(Increase) Decrease in Dividends Receivable from Subsidiaries	(7,973)	(4,227)	7,700
(Increase) Decrease in Other Assets	(6,928)	206	1,820
Increase (Decrease) in Other Liabilities	3,391	(1,843)	1,407
Increase in Undistributed Earnings of Subsidiaries	(91,786)	(40,355)	(91,576)
Realized (Gains) Losses on Investments	(2,232)	(742)	453
Net Cash Provided by Operating Activities	117,697	178,454	118,877
Investing Activities			
Sale of Fixed Maturity Invest.	78,701	44,063	17,224
Maturity of Fixed Maturity Invest.	6,807	14,641	2,794
Sale of Equity Security Invest.	36,825	19,830	25,268
Purchase of Fixed Maturity Investments	(139,934)	(203,081)	(86,711)
Purchase of Equity Security Investments	(52,282)	(79,739)	(70,874)
Net Cash Used in Investing Activities	(69,883)	(204,286)	(112,299)
Financing Activities			
Increase in Other Short-Term Borrowings	41,093	91,889	51,050
Payment of Cash Dividends	(79,203)	(69,542)	(62,436)
Purchase/Issuance of Treasury Shares	(8,963)	(287)	(460)
Proceeds from Stock Options Exercised	3,399	4,113	3,745
Net Cash (Used in) Provided by Financing Activities	(43,674)	26,173	(8,101)
Increase (Decrease) in Cash	4,140	341	(1,523)
Cash at Beginning of Year	1,354	1,013	2,536
Cash at End of Year	$ 5,494	$ 1,354	$ 1,013

SCHEDULE III CINCINNATI FINANCIAL CORPORATION & SUBSIDIARIES
SUPPLEMENTARY INSURANCE INFORMATION
FOR YEARS ENDED DECEMBER 31, 1996, 1995, AND 1994
(000 omitted)

Column A Segment	Column B Deferred Policy Acquisition Cost	Column C Future Policy Benefits, Losses, Claims & Expense Losses	Column D Unearned Premiums	Column E Other Policy Claims & Benefits Payable	Column F Premium Revenue
1996					
Property and Liability Insurance	$ 79,914	$1,824,296	$424,487	$35,500	$1,366,544
Life/Health Insurance	47,674	448,969	1,263	12,683	56,353
Total	$127,588	$2,273,265	$425,750	$48,183	$1,422,897
1995					
Property and Liability Insurance	$ 76,365	$1,690,461	$407,254	$32,180	$1,263,257
Life/Health Insurance	43,224	412,552	1,371	11,604	50,869
Total	$119,589	$2,103,013	$408,625	$43,784	$1,314,126
1994					
Property and Liability Insurance	$ 69,169	$1,510,150	$377,764	$24,654	$1,169,940
Life/Health Insurance	40,334	378,432	1,655	11,856	49,093
Total	$109,503	$1,888,582	$379,419	$36,510	$1,219,033

Column A Segment	Column G Net Investment Income	Column H Benefits, Claims Losses & Settlement Expenses	Column I Amortization of Deferred Policy Acquisition Costs	Column J Other Operating Expenses	Column K Premium Written
1996					
Property and Liability Insurance	$190,318	$1,030,157	$287,222	$ 98,844	$1,383,525
Life/Health Insurance	54,687	56,948	7,890	16,879	7,652(4)
Total	$245,005	$1,087,105	$295,112	$115,723	$1,391,177
1995					
Property and Liability Insurance	$180,074	$ 913,139	$264,281	$ 87,420	$1,295,852
Life/Health Insurance	52,440	51,077	8,032	15,289	7,277(4)
Total	$232,514	$ 964,216	$272,313	$102,709	$1,303,129
1994					
Property and Liability Insurance	$162,260	$ 854,804	$244,856	$ 80,205	$1,190,824
Life/Health Insurance	48,339	46,010	8,824	14,579	7,204(4)
Total	$210,599	$ 900,814	$253,680	$ 94,784	$1,198,028

Notes to Schedule III:

(1) The sum of columns C, D, & E is equal to the sum of Losses and loss expense reserves, Life policy reserves, and Unearned premium reserves reported in the Company's consolidated balance sheets.

(2) The sum of columns I & J is equal to the sum of Commissions, Other operating expenses, Taxes, licenses, and fees, Increase in deferred acquisition costs, and Other expenses shown in the consolidated statements of income, less other expenses not applicable to the above insurance segments.

(3) Investment income amounts for the above insurance segments represent investment income on the actual investment securities in each such segment. Investment expenses, which are deducted from investment income, and other operating expenses include both expenses incurred directly in the insurance segments and expenses allocated to and among the insurance segments based on historical usage factors. The life/health segment is conducted totally within one subsidiary that has no other segments.

(4) Amounts represent written premiums on accident and health insurance business only.

SCHEDULE IV

CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES
REINSURANCE
FOR YEARS ENDING DECEMBER 31, 1996, 1995, AND 1994
(000 omitted)

Column A	Column B	Column C	Column D	Column E	Column F
	Gross Amount	Ceded to Other Companies	Assumed from Other Companies	Net Amount	Percentage of Amount Assumed to Net
1996					
Life Insurance in Force	$9,775,948	$1,272,331	$ 15,919	$8,519,536	.2%
Premiums					
Life/Health Insurance	$ 60,994	$ 4,749	$ 108	$ 56,353	.2%
Property/Liability Ins.	1,416,801	91,396	41,139	1,366,544	3.0%
Total Premiums	$1,477,795	$ 96,145	$ 41,247	$1,422,897	2.9%
1995					
Life Insurance in Force	$8,328,764	$ 980,023	$ 20,047	$7,368,788	.3%
Premiums					
Life/Health Insurance	$ 54,437	$ 3,713	$ 145	$ 50,869	.3%
Property/Liability Ins.	1,310,105	83,804	36,956	1,263,257	2.9%
Total Premiums	$1,364,542	$ 87,517	$ 37,101	$1,314,126	2.8%
1994					
Life Insurance in Force	$7,473,906	$ 855,389	$ 23,102	$6,641,619	.3%
Premiums					
Life/Health Insurance	$ 52,251	$ 3,303	$ 145	$ 49,093	.3%
Property/Liability Ins.	1,207,036	100,842	63,746	1,169,940	5.4%
Total Premiums	$1,259,287	$ 104,145	$ 63,891	$1,219,033	5.2%

SCHEDULE VI

CINCINNATI FINANCIAL CORPORATION & SUBSIDIARIES
SUPPLEMENTAL INFORMATION CONCERNING PROPERTY/CASUALTY INSURANCE OPERATIONS
FOR YEARS ENDED DECEMBER 31, 1996, 1995, AND 1994
(000 omitted)

Column A	Column B	Column C	Column D	Column E	Column F
Affiliation with Registrant	Deferred Policy Acquisition Costs	Reserves Unpaid Claims and Claim Adjustment Expenses	Discount, if any, Deducted in Column C	Unearned Premiums	Earned Premiums
Consolidated Property-Casualty Entities					
1996	$79,914	$1,824,296	$-0-	$424,487	$1,366,544
1995	$76,365	$1,690,461	$-0-	$407,254	$1,263,257
1994	$69,169	$1,510,150	$-0-	$377,764	$1,169,940

Column A	Column G	Column H Claims and Claim Adjustment Expenses Incurred Related to (1) Current Year	Column H Claims and Claim Adjustment Expenses Incurred Related to (2) Prior Years	Column I	Column J	Column K
Affiliation with Registrant	Net Investment Income	(1) Current Year	(2) Prior Years	Amortization of Deferred Policy Acquisition Costs	Paid Claims and Claim Adjustment Expenses	Premiums Written
Consolidated Property-Casualty Entities						
1996	$190,318	$1,183,251	$(151,996)	$287,222	$909,582	$1,383,525
1995	$180,074	$1,040,541	$(126,509)	$264,281	$765,315	$1,295,852
1994	$162,260	$ 948,581	$ (92,892)	$244,856	$717,025	$1,190,824

Index of Exhibits

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

Signature	Title	Date
/s/ ROBERT B. MORGAN Robert B. Morgan	Chief Executive Officer, President and Director	March 24, 1997
/s/ ROBERT J. DRIEHAUS Robert J. Driehaus	Senior Vice President Chief Financial Officer and Director (Principal Financial Officer)	March 11, 1997
/s/ THEODORE F. ELCHYNSKI Theodore F. Elchynski	Senior Vice President Treasurer and Secretary (Principal Accounting Officer)	March 11, 1997
/s/ WILLIAM F. BAHL William F. Bahl	Director	March 24, 1997
Michael Brown	Director	March , 1997
Richard M. Burridge	Director	March , 1997
John E. Field	Director	March , 1997
William R. Johnson	Director	March , 1997
/s/ KENNETH C. LICHTENDAHL Kenneth C. Lichtendahl	Director	March 24, 1997
/s/ JAMES G. MILLER James G. Miller	Senior Vice President Chief Investment Officer and Director	March 12, 1997

Signature	Title	Date
/s/ JACKSON H. RANDOLPH - -------------------------------------- Jackson H. Randolph	Director	March 24, 1997
/s/ JOHN J. SCHIFF - -------------------------------------- John J. Schiff	Director	March 11, 1997
/s/ JOHN J. SCHIFF, JR. - -------------------------------------- John J. Schiff, Jr.	Chairman of the Board and Director	March 22, 1997
- -------------------------------------- Robert C. Schiff	Director	March , 1997
/s/ THOMAS R. SCHIFF - -------------------------------------- Thomas R. Schiff	Director	March 24, 1997
- -------------------------------------- Frank J. Schultheis	Director	March , 1997
- -------------------------------------- Larry R. Webb	Director	March , 1997
- -------------------------------------- Alan R. Weiler	Director	March , 1997

EXHIBIT 11

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

	1996	1995	1994
Weighted average shares outstanding	55,736	55,668*	55,522*
Equivalent shares assumed to be outstanding for:			
Stock options:	258	226*	231*
Convertible debentures	1,789	1,792*	1,792*
Number of shares for primary computation	57,783	57,686*	57,545*
Other dilutive equivalent shares--stock options	71	90*	--
Number of shares assuming full dilution	57,854	57,776*	57,545*
Net income	$223,760	$227,350	$201,230
Interest on convertible debentures--net of tax	2,859	2,860	2,860
Net income for per share computation	$226,619	$230,210	$204,090
Earnings per share:			
Total Primary	$ 3.92	$ 3.99*	$ 3.54*
Fully Diluted	$ 3.92	$ 3.98*	$ 3.54*

*Adjusted to reflect a 5% stock dividend paid in April 1996.

EXHIBIT 13

Material incorporated by reference from the annual report of the registrant to the shareholders for the year ended December 31, 1996.

Cinncinnati Financial Corporation and Subsidiaries

Segment information from page 30 (incorporated into Item 1)

15. SEGMENT INFORMATION

The Company operates principally in two industries--property and casualty insurance and life insurance. Information concerning the Company's operations in different industries is presented below (000's omitted). Revenue is primarily from unaffiliated customers. Identifiable assets by industry are those assets that are used in the Company's operations in each industry. Corporate assets are principally cash and marketable securities.

	Income Before Income Taxes		
	1996	1995	1994
Property/casualty insurance	$ (44,449)	$ 2,894	$ (5,703)
Life/health insurance	(2,906)	(2,512)	(1,691)
Investment income (less required interest on life reserves)	305,211	279,346	244,347
Realized gains on investments	47,946	30,781	19,557
Other	3,337	4,979	5,874
General corporate expenses	(26,718)	(20,300)	(13,056)
Total	$ 282,421	$ 295,188	$ 249,328

	Identifiable Assets		
	1996	1995	1994
Property/casualty insurance	$ 3,986,658	$ 3,526,900	$ 2,830,788
Life/health insurance	902,354	809,418	689,838
Other	53,351	44,487	44,006
Corporate assets	2,103,151	1,728,493	1,169,647
Total	$ 7,045,514	$ 6,109,298	$ 4,734,279

Text data from pages 5 through 11 (incorporated into Item 1)

RANKINGS (BASED ON 1995 RESULTS)

FORBES (JANUARY 13, 1997)

Cincinnati Financial Corporation is the 14th most profitable property and casualty company among publicly-traded U.S. stock insurers, based on an average five-year return on equity of 11.3 percent. Our 12-month profit margin (net income divided by sales) of 11.9 percent is third among the top 28 ranked insurers.

FINANCIAL WORLD (AUGUST 12, 1996)

The Cincinnati Insurance Companies rank fifth among the 50 largest property and casualty groups based on growth, profitability and financial strength.

FORTUNE (APRIL 29, 1996)

Based on revenues, Cincinnati Financial Corporation ranks as the 21st largest U.S. publicly-traded property and casualty insurer or reinsurer. Our 14 percent ratio of profits to revenues is the highest of any company ranked in this category.

FORBES (APRIL 22, 1996)

Listed with $103,300 in profits per employee, Cincinnati Financial Corporation is the most productive publicly-traded U.S. property and casualty company excluding reinsurers.

High catastrophe losses such as those experienced this year are a reminder that the best protection for policyholders is exceptionally strong surplus. Our $3.163 billion surplus makes it possible for us to compete aggressively for desirable insurance accounts and invest for both current earnings and long-term appreciation. It has been the source of 36 years of increasing dividends to shareholders.

GROWTH OPPORTUNITIES: COMMERCIAL LINES

Agents placed more than $153 million in new commercial accounts with Cincinnati this year. This willingness to make us their "go-to" company for new business helps offset what most observers are calling the most difficult commercial pricing environment since 1989. Unit growth is part of the answer to declining rates and we are trying to find new ways to pursue it in profitable lines.

In the workers' compensation line, for example, agents wrote $31.1 million in new business. Yet, fierce competition and mandated rate reductions held the increase in premiums written by our agents to less than $1 million. Underwriting considerations take first priority as we select and price these risks.

UPSIZED ACCOUNTS

Our Special Accounts Marketing Program attracts accounts with average initial premiums in the $100,000 range, including package policies, umbrella liability and workers' compensation. More than 200 new large accounts have been written since 1992. Many Main Street businesses we have insured for decades have prospered, growing into multi-state risks that now require sophisticated underwriting and service. By serving the flagship businesses of their communities, our agents acquire powerful centers of influence.

Increased availability of technical expertise is a sales advantage in the large account arena. This year we located loss control representatives in Illinois, Indiana, Michigan and Pennsylvania. Graduates of the first Cincinnati loss control training school will offer services to agents and insured businesses across our operating territories during 1997. Bond representatives also staffed new positions in Georgia and Illinois this year and are slated for the Carolinas during 1997. They assist insured businesses with fidelity and surety bonds and directors and officers liability policies.

LEVERAGED RELATIONSHIPS

Many agencies are successfully targeting increased sales of Cincinnati's Dentist's Package Policy and Funeral Director's Policy, gaining access through new endorsements from professional trade associations. During 1996, for instance, 1,500 funeral directors in Michigan and Ohio learned that they could have state-of-the-art policies serviced by local agents instead of central administrators. During 1997, we will reach out to more associations to spread the word about our exceptional professional liability products and local service.

This trade association program channels a steady stream of referrals to agents. Similarly, a reciprocal arrangement brings our agents referrals from a European insurer who has no U.S. operations and whose policyholders are relocating here. We are alert to opportunities presented, even to a regional insurer like Cincinnati, by the global economy.

INDEPENDENT AGENTS: THE VALUE-ADDED DISTRIBUTION SYSTEM

A SHIFTING PARADIGM

The Independent Insurance Agents of America released a study revealing significant trends. There are now 44,000 agencies, down from 53,000 in 1987. Average premium volume rose from $2.7 million to $4.5 million during this period. Agency staffs grew to 10.1 persons versus nine people.

The majority of agency principals are under age 55. Market share for independent agency companies is 76 percent and growing for commercial lines, 33.5 percent and declining for personal lines of insurance.

Cincinnati's agency census stands at 966 agencies in 65 territories within 26 states. Our agencies report that total volume with all of their carriers is $7 million on average, $1.5 million of which they place with Cincinnati. Our agencies represent 6.9 companies versus the median 7.1 carriers.

AN ELITE CORPS

Today's agencies are fewer, larger and more productive. As a selective insurer with a strong franchise, we appoint agencies with marketing energy, underwriting sense, a commitment to automation, healthy balance sheets and perpetuation plans. Our agencies tend to be the acquirers and the growers, not the acquired or stagnant.

These entrepreneurs run sales organizations. Their operations are increasingly automated. They know we expect to be one of their top two carriers and get most of their preferred business after just a few years. Agencies that don't meet expectations risk losing their appointments or sharing their territory with a competing agent. Our strategy is to have fewer agencies, to know them better and to make sure they know our appetite for preferred business. The people who sell our products don't send a lot of business we don't want to write. This saves time and money for both the agent and Cincinnati.

Lower underwriting expenses allow more latitude for generous profit sharing that differentiates our agency contract. We expect our agents to be high touch, hands-on underwriters who operate high-tech, efficient operations. They earn their pay by providing superior service to policyholders and superior quality and quantity of premium to us. Another expense advantage is our local field staff and decentralized structure. Marketing and claims representatives work out of their homes in the agents' communities. They are vested with power to make decisions and to act without going through a branch office.

CUSTOMER SATISFACTION AND THE FRANCHISE

Our agencies thrive because we focus on them as customers. We continue to thrive because we listen to them. In Maryland, Arkansas and Minnesota, states activated in early 1995, we had 1996 premium volume of $17.4 million. Agents there welcomed us with their commercial business, and now that our regulatory filings are approved, they are preparing to give us personal and life accounts. New states typically have developed to about $25 million after six or seven years. Customer satisfaction that creates demand for our franchise is an extremely valuable resource.

To optimize that resource, we are expanding to new areas. We're also dividing existing territories where more frequent visits to agencies will bring us more business. During 1996, we added territories in eastern Pennsylvania and Columbus, Cleveland and Cincinnati, Ohio. In early 1997, we are opening territories in North Dakota; Springfield, Missouri; and Milwaukee, Wisconsin; northern Michigan; South Dakota; Louisville, Kentucky; and two New York territories. Over the next few years, we plan to appoint 78 agencies in this year's new territories.

GROWTH OPPORTUNITIES: PERSONAL LINES

STABILITY COUNTS

Our message is getting through loud and clear to agents-- writing personal lines is not a sideline for The Cincinnati Insurance Companies. This business constitutes 31.1 percent of total net written premium volume. Relatively stable pricing and high account retention give us steady results and help our agencies weather market swings. This year's new personal lines direct business rose 20 percent to an all-time high of $46 million.

At a time when other carriers are walking away from the personal lines market or experimenting with direct distribution, agents appreciate our rock solid commitment. As they streamline their operations by reducing the number of companies they represent, we find them willing to roll over entire books of seasoned, profitable business.

The welcome mat is out in states where we previously marketed commercial lines only. Agents in states just recently opened for commercial lines are ready to commit and anxious for early introduction of personal lines. During 1996, we initiated personal lines marketing in Vermont and Arkansas and appointed 25 agencies to sell personal auto insurance in Michigan. Slated for 1997 are Maryland (homeowner only), Pennsylvania, Minnesota and North Dakota.

RATES IMPROVING

We anticipate approval in many jurisdictions of 5 percent auto rate increases and 5-10 percent homeowner rate increases. The homeowner pure loss ratio was 89.1 percent in 1996 due to a combination of rate inadequacy and unusually frequent, severe storms. Expected rate increases and more normal weather should return profitability to this line, which grew 11.5 percent during 1996. Auto premiums grew 8.3 percent with a 70.4 percent pure loss ratio.

MEETING OUR CUSTOMER

We're creating more opportunities to listen and respond to agents, our customers. In addition to regular visits from their field marketing representative, most agencies are visited annually by their underwriters. Many agencies send producers or staff members to sales schools in Cincinnati. Personal Lines executives and underwriters escort teams of knowledgeable, empowered associates from Sales, Claims and Information Systems to agencies, "blitzing" them with practical strategies and services designed to overcome any obstacles increasing their Cincinnati personal lines business. Blitz teams offered solutions to 60 agencies this year, gaining commitments of more than $3 million in premium.

OPERATIONAL EFFICIENCY

PLANNING FOR TOMORROW

How can an organization in a growth mode assure that it will continue to exceed customer expectations?

This is our challenge. Operational efficiency is the resource we have drawn upon historically to get our competitive edge. Our associates do more with less, while our departmental structure and internal processes allow us to deliver as promised.

Cincinnati's decentralized field structure, lacking branch offices with their layers of management, is one of the reasons that our noncommission expenses are low. This savings gives us built-in flexibility to weather market volatility and to price risks competitively.

The Long-Range Planning Committee recognizes that what worked when we were a $100 million company may not work when we are a $2 billion company and beyond. During 1996, they took the lead with several forward-looking initiatives designed to reinvent internal processes and enhance growth, profitability and our reputation for unparalleled service:

- In the Commercial Lines Department, volunteers are forming cross-functional teams, taking ownership of their work and finding new ways to improve service. Goals, assignments and rewards are team decisions. People close to the work control its flow and take responsibility for its progress.

- Creative new contingency plans call for flexible staffing with cross-departmental redeployment of associates to avoid service lags during peak processing periods.

- - The Information Systems Department commissioned an appraisal of our technical direction. Recommendations move us toward integrated systems that give everyone access, online and real time with no duplicate entry at headquarters, in the field or in agencies. A new technical blueprint for our future will accommodate policy issue, processing and printing either at CFC Headquaters or an agency.

PAYING CLAIMS IS OUR BUSINESS

One of the secrets to Cincinnati's successful catastrophe claims handling is undoubtedly cross-territorial sharing of responsibility. When a disaster strikes, claims representatives from across the country volunteer to join storm duty teams. Responsibilities shift as the volunteers travel to the disaster site and do whatever it takes to help our policyholders. Of 11,718 catastrophe claims filed during 1996, our worst catastrophe year ever, 96.5 percent are now closed.

An efficient claims operation does more than adjust and pay claims. We work to control recoverable or fraudulent insurance losses. At the end of 1996, a new Subrogation and Salvage Unit was established to concentrate on recovering claims-related costs and property. Another claims unit, Special Investigations, is now staffed with ten investigators who do surveillance in fraudulent claims situations.

The Illinois Department of Insurance placed Cincinnati at the top of a recent list of insurers with the fewest complaints. Other state departments have published such lists from time to time and we have consistently placed very well. Claims handling proficiency is a resource that creates goodwill for your Company among claimants and also among regulators responsible for the oversight of our operations and products in their states.

GROWTH OPPORTUNITIES

THE CINCINNATI LIFE INSURANCE COMPANY

Many property and casualty agencies are becoming interested in ways to mitigate the effects of weak commercial lines pricing. This is increasing our opportunity to do more life insurance business with the 966 agencies representing Cincinnati Insurance. On a statutory basis, 1996 Cincinnati Life premiums written directly by our property and casualty agents rose 13 percent to $78.2 million, accounting for most of the $89.3 million written premium total.

Currently, the top 50 agencies produce 44 percent of total new premium. There is high growth potential as we gain deeper commitments from agencies that are just beginning to market life insurance or just beginning to place it with Cincinnati Life. Our first Life Agents Roundtable was held in February to plan our future with selected agents.

1996 brought a focus on worksite marketing. These payroll deduction programs are marketed as an employee benefit offered at little or no cost to employers. Agents find that many of their commercial property and casualty accounts are appropriate prospects. Payroll deduction premiums rose 11.9 percent in 1996. We are supporting agents by offering meetings and workshops on strategies for worksite marketing and on business and estate planning.

Cooperation with the property and casualty side is developing with regard to their claim settlements. New arrangements have increased opportunities to utilize Cincinnati Life annuities in structured settlements for Cincinnati property and casualty claimants.

During 1996, Cincinnati Life located a marketing representative in Minnesota to establish relationships with agencies. Minnesota was just opened in 1995 by Cincinnati Insurance. We are being aggressive about life business in newer states, where agents are very excited about the Cincinnati franchise. During 1996, we established a life regional director to work with our Arkansas agents.

CFC INVESTMENT COMPANY

CFC Investment Company, our leasing and financing affiliate, increased gross lease, notes and finance receivables by 34 percent to $53.2 million. Net earnings were $1.2 million versus $272,000 in the prior year, which was affected by a one-time accounting adjustment. As with all of the Company's operations, a local presence seems to be a key factor. We placed leasing representatives in our first field positions in 1995. This has been very successful and will continue with new representatives going to Rockford, Illinois and Toledo, Ohio during 1997.

PRODUCT ADVANTAGES

ALL POLICIES ARE NOT ALIKE

Ever since the 1950s, when Cincinnati Insurance pioneered a combination homeowner/auto policy, our product strategy has been to exceed expectations. While some policies and coverages are fairly standard, Cincinnati often adds some unique coverage or feature that agents can sell. An Executive Homeowner Policy that includes earthquake...an Umbrella Liability Policy that has no general aggregate limit...specialty package policies that combine property, general liability and professional liability in one package policy. And, of course, Cincinnati is known for offering multi-year guaranteed rates. This feature gives policyholders rate stability and the convenience of a budgetable expense over three or five years on a wide variety of coverages.

Cincinnati products are developed based on fresh market data. Our agents are our real research and development department. Because we take every opportunity to visit them and invite them to visit us, we receive constant feedback about coverage products their clients need.

We launched improved Builders' Risk Coverage, Contractor's Errors and Omissions and a new Employment Practices Liability Insurance (EPLI) during 1996. The need for and terms of EPLI products are rapidly evolving. We took the lead in the marketplace by making available protection against employment-related discrimination and sexual harassment claims for small and medium-sized employers. The exposure to risk has been growing for most businesses, but coverage previously available primarily from excess and surplus carriers required large minimum premiums inappropriate for small businesses. After less than a year, annualized premiums reached approximately $1 million for this new product.

During 1997 we are rolling out an improved Excess Liability Policy and several new products. Our Special Accounts Marketing area developed a Commercial Output Policy, a property cover for manufacturing risks. The Bond Department will add Notary Public Errors and Omissions Coverage and the Service Industry Bond, the latter designed for service businesses that work on their customers' premises--caterers, carpet cleaners, locksmiths and many others. A new Metalworkers Package Policy offers enhanced coverages to contractors such as machine shops, electrical parts manufacturers, tool manufacturers, sheet metal or engraving operations.

AGENT-FOCUSED AND AGENT APPROVED

Consumer and agent surveys on homeowner, auto and commercial insurance products consistently determine that Cincinnati is the insurer of choice. Property/Casualty Rates & Ratings newsletter publishes results of monthly surveys of 3,000 agents and brokers. Each issue looks at a different line of commercial insurance in performance categories of competitiveness on pricing, speedy responses, flexibility and reasonableness, timeliness of quotes, technical expertise and efficient, fair claims payment.

The August issue summarized results for the previous 12 months. Cincinnati achieved the highest score, taking the top spot for every single criterion in the overall results computed across all surveyed lines. For individual product surveys, Cincinnati earned higher overall scores than any other company for commercial auto, commercial multi-peril and commercial general liability.

GROWTH OPPORTUNITY: INVESTMENTS

INCOME PLUS APPRECIATION

The Company's strong capital position means that, unlike some insurers, we have the opportunity to be total return driven. Equities and equity-linked convertibles provide us with increased cash flow and income through dividends, plus higher net worth through long-term capital appreciation.

Approximately 60 percent of our portfolio is invested in equities. During 1996, the equity portfolio returned 24.4 percent versus the S & P 500's 22.1 percent return. Our return has topped the S & P's four of the past five years.

Eight of our ten largest stocks returned 22 percent or more, with our bank stocks performing especially well. Barnett Bank returned 44 percent. National City increased their cash dividend almost 25 percent and Fifth Third Bancorp raised theirs 11.5 percent. In total, 36 of our 54 common stock holdings increased dividends, adding gross annualized income of $7.3 million.

Selection of stocks with records of steadily increasing dividends has resulted in a growth rate much higher than rates achieved by other insurers for investment income. This year's 9.1 percent growth compares to estimated negative growth for the industry.

MAKING MONEY WITH BONDS

We continue to see opportunities to make money with bonds only when there is potential for upgrades. Our strategy is to acquire securities with credit ratings single-A or lower, which excludes government bonds, in order to get sufficient yield. During 1996, this strategy was rewarded with 84 bond upgrades. As we begin 1997, the market is at a high level so we will continue to purchase convertibles and bonds.

Our investment approach puts a premium on growing surplus. The rate of return on equity including unrealized capital gains was 20.3 percent for 1996.

Loss and loss expenses in notes to Financial Statements from page 27
(incorporated into Item 1)

Cincinnati Financial Corporation and Subsidiaries

5. LOSSES AND LOSS EXPENSES

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

	Years Ended December 31,		
	1996	1995	1994
Balance at January 1	$ 1,690,461	$ 1,510,150	$ 1,365,052
Less reinsurance receivable	109,719	78,125	71,691
Net balance at January 1	1,580,742	1,432,025	1,293,361
Incurred related to:			
Current year	1,183,251	1,040,541	948,581
Prior years	(151,996)	(126,509)	(92,892)
Total incurred	1,031,255	914,032	855,689
Paid related to:			
Current year	514,186	396,856	373,721
Prior years	395,396	368,459	343,304
Total paid	909,582	765,315	717,025
Net balance at December 31 ..	1,702,415	1,580,742	1,432,025
Plus reinsurance receivable	121,881	109,719	78,125
Balance at December 31	$ 1,824,296	$ 1,690,461	$ 1,510,150

As a result of changes in estimates of insured events in prior years, the provision for losses and loss expenses decreased by $151,996,000, $126,509,000 and $92,892,000 in 1996, 1995 and 1994. 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 $56,871,000 and $53,073,000 at December31, 1996 and 1995, respectively, for certain life/health losses and loss checks payable.

"Price range of Common Stock" section from the inside back cover (incorporated into Item 5)

PRICE RANGE OF COMMON STOCK

Cincinnati Financial Corporation had approximately 9,935 shareholders of record as of December 31, 1996. Most of CFC's 2,506 associates own stock in their Company.

CFC shares are traded nationally over the counter. Closing sale price is quoted under the symbol CINF on the National Market List of the 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.

1996

Quarter	1st	2nd	3rd	4th
High	$64 1/4	$63 1/2	$58 13/16	$65 3/16
Low	57 5/8	57 3/8	54	54 1/4
Dividend Paid	.32	.37	.37	.37

1995*

Quarter	1st	2nd	3rd	4th
High	$51 9/16	$55 1/2	$53 9/16	$63 9/16
Low	46 1/16	49 1/2	48 13/16	51 9/16
Dividend Paid	.29	.32	.32	.32

* Adjusted to reflect a 5 percent stock dividend paid in April, 1996.

"Selected Financial Information" from pages 14 and 15 (incorporated into Item 6)

SELECTED FINANCIAL INFORMATION

(000's omitted except per share data)

Cincinnati Financial Corporation and Subsidiaries

	Years Ended December 31, 1996	1995	1994	1993
TOTAL ASSETS	$ 7,045,514	$ 6,109,298	$ 4,734,279	$ 4,602,288
LONG-TERM OBLIGATIONS	$ 79,847	$ 80,000	$ 80,000	$ 80,000
REVENUES				
Premium Income	$ 1,422,897	$ 1,314,126	$ 1,219,033	$ 1,140,791
Investment Income (Less Expense)	327,307	300,015	262,649	239,436
Realized Gains on Investments	47,946	30,781	19,557	51,529
Other Income	10,599	10,729	11,267	10,396
NET INCOME BEFORE REALIZED GAINS ON INVESTMENTS				
In Total	$ 192,595	$ 207,342	$ 188,538	$ 182,530*
Per Common Share	3.38	3.64	3.32	3.23*
NET INCOME				
In Total	$ 223,760	$ 227,350	$ 201,230	$ 216,024*
Per Common Share	3.92	3.99	3.54	3.81*
CASH DIVIDENDS DECLARED				
Per Common Share	$ 1.46	$ 1.28	$ 1.16	$ 1.02
CASH DIVIDENDS PAID				
Per Common Share	$ 1.43	$ 1.26	$ 1.12	$ 1.00
PROPERTY AND CASUALTY OPERATIONS				
Gross Premiums Written	$ 1,476,011	$ 1,377,426	$ 1,287,280	$ 1,216,766
Net Premiums Written	1,383,525	1,295,852	1,190,824	1,123,780
Premiums Earned	1,366,544	1,263,257	1,169,940	1,092,135
Loss Ratio	61.6%	57.6%	63.3%	63.5%
Loss Expense Ratio	13.8%	14.7%	9.8%	8.7%
Underwriting Expense Ratio	27.6%	27.1%	27.5%	27.9%
Combined Ratio	103.0%	99.4%	100.6%	100.1%
Investment Income Before Taxes	$ 190,318	$ 180,074	$ 162,260	$ 153,190
Property and Casualty Reserves				
Unearned Premiums	$ 401,562	$ 385,418	$ 353,697	$ 333,550
Losses	1,319,286	1,274,180	1,213,383	1,100,051
Loss Adjustment Expense	383,135	306,570	218,642	193,305
Statutory Policyholders' Surplus	$ 1,608,084	$ 1,268,597	$ 998,595	$ 1,011,609

* 1993 earnings include a credit for $13,845,000 ($.24 per share) cumulative effect of a change in the method of accounting for income taxes to conform with FASB Statement No. 109 and a net charge of $8,641,000 ($.15 per share) related to the effect of the 1993 increase in income tax rates on deferred taxes recorded for various prior year items.

Cincinnati Financial Corporation and Subsidiaries

1992	1991	1990	1989	1988	1987	1986
$ 4,098,713	$ 3,513,749	$ 2,626,156	$ 2,602,990	$ 2,163,341	$ 1,828,032	$ 1,581,591
$ 80,000	$ 182	$ 202	$ 753	$ 890	$ 3,898	$ 8,468
$ 1,038,772	$ 947,576	$ 871,196	$ 813,313	$ 754,335	$ 747,266	$ 666,892
218,942	193,220	167,425	149,285	130,885	108,915	90,875
35,885	7,641	1,488	4,678	6,423	3,845	13,881
10,552	12,698	8,822	7,134	10,281	7,686	1,932
$ 147,669	$ 141,273	$ 128,052	$ 111,477	$ 124,618	$ 90,714	$ 83,477
2.66	2.57	2.35	2.06	2.33	1.71	1.56
$ 171,325	$ 146,280	$ 128,962	$ 114,490	$ 128,748	$ 93,154	$ 93,471
3.08	2.67	2.37	2.11	2.40	1.76	1.75
$ .93	$ .83	$ .73	$ .66	$ .52	$ .45	$ .38
$ .90	$ .81	$ .71	$ .63	$ .51	$ .43	$ .37
$ 1,089,901	$ 996,807	$ 896,204	$ 845,346	$ 782,143	$ 763,925	$ 686,026
1,014,971	930,296	838,554	790,971	718,853	702,785	639,861
992,335	903,465	828,046	771,205	712,771	687,429	601,472
63.8%	61.6%	61.6%	61.6%	55.1%	61.8%	60.5%
9.0%	9.2%	9.0%	9.0%	10.1%	10.4%	10.1%
29.0%	28.9%	29.0%	29.1%	30.7%	27.5%	25.9%
101.8%	99.7%	99.6%	99.7%	95.9%	99.7%	96.5%
$ 141,958	$ 126,332	$ 110,827	$ 97,661	$ 84,379	$ 67,871	$ 54,791
$ 302,473	$ 280,404	$ 254,000	$ 244,011	$ 224,545	$ 218,840	$ 203,745
960,571	825,952	692,081	616,730	522,162	449,159	321,221
177,262	160,260	140,501	124,993	109,323	84,359	56,147
$ 933,529	$ 735,557	$ 477,355	$ 494,460	$ 422,521	$ 346,623	$ 274,764

Per share data adjusted for three-for-one stock split in 1992 and stock dividends of 5 percent in 1996, 1995 and 1987.

Management Discussion from pages 16 through 18 (incorporated into Item 1 and 7)

MANAGEMENT DISCUSSION

Cincinnati Financial Corporation and Subsidiaries

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

RESULTS OF OPERATIONS

The Company's $223.8million net income for 1996 reflected a $3.6million, 1.6 percent, decrease from 1995. Net income for 1995 and 1994, respectively, reflected a 13percent increase and 6.9percent decrease from the preceding years. Realized gains on investments (net of income taxes) were $31.2million for 1996, compared to $20million in 1995 and $12.7million in 1994. The effect on income per share (adjusted to reflect 5percent stock dividends paid in April,1996 and 1995) of various matters discussed herein is illustrated in the following summary:

	1996	1995	1994
Net income excluding the items below................	$4.11	$3.95	$3.56
Realized gains...................	.54	.35	.22
Catastrophe losses...............	(.73)	(.31)	(.24)
Net income per share.............	$3.92	$3.99	$3.54

The Company has continued in the same lines of property casualty business and has continued not to market in California and not to write flood insurance. The Company continues to review exposure for huge disasters and to reduce coverage in certain coastal areas. Developing newer territories has helped the property and casualty operations increase premium income. Net premium income amounted to $1.367 billion for 1996, an increase of 8.2 percent over 1995. 1995 and 1994 reflected increases of 8 percent and 7.1 percent, respectively. The combined loss and expense ratio for the Company's property and casualty operations was 103 percent for 1996, 99.4 percent for 1995 and 100.6 percent for 1994. The catastrophe losses affected the combined loss and expense ratio by 4.7 percent, 2.1 percent and 1.8 percent for the years 1996, 1995 and 1994, respectively. The expense ratio increased .5 percent for the year 1996, while it had declined by .4 percent for the years 1995 and 1994. The increase in 1996 is attributable to increases in staff and costs associated with the upgrading of our computer systems to handle projected increases in written premium and to make our systems year-2000 compliant.

The Company incurred catastrophe losses of $64.7 million, $27.1 million and $20.7 million in 1996, 1995 and 1994, respectively. For property catastrophes, the Company retains the first $25 million of losses and then has reinsurance to cover 95 percent of the losses from $25 million up to $200 million.

Uncertainty always exists as to the adequacy of established reserves. The Company has consistently established property casualty insurance reserves, including adjustment of estimates as facts become known, using information from internal analysis and review by external actuaries. Because of the stability of the Company's book of business, management believes that uncertainty as to reserves is less than it otherwise would be.

Total life and accident and health premium income was $56.4 million, $50.9 million and $49.1 million for the years 1996, 1995 and 1994, respectively.

The increase of 10.8% for the year 1996 compared to the relatively no-growth years of 1995 and 1994 was the result of increased sales of both traditional and interest-sensitive products. The Company continues to help our independent agents identify, recruit and train life insurance producers for their agencies; and these efforts are resulting in increased life insurance sales.

Investment income increased 9.1 percent to $327.3million in 1996. Investment income was $300 million in 1995 and $262.6 million in 1994, increases of 14.2 percent and 9.7 percent, respectively. Increases in investment income have principally been the result of investing the cash flows from operating activities and dividend increases from equity securities.

The Company's income tax expense was $58.7 million, $67.8 million and $48.1 million for 1996, 1995 and 1994, respectively. The Company's effective tax rate was 20.77%, 22.98% and 19.29% for 1996, 1995 and 1994, respectively. The lower 1996 effective tax rate is partially the result of a higher percentage of net income earned from tax-exempt interest on state, municipal and political subdivision fixed maturities and dividends received on our equity investments. The Company incurred no additional alternative minimum tax expense for 1996, 1995 and 1994. The alternative minimum basis effectively taxes certain income that is exempt from taxation on a regular tax basis.

Statutory risk-based capital requirements became effective for life companies in 1993 and for property casualty companies in 1994. The Company's capital was well above the minimum required amounts.

CASH FLOWS AND LIQUIDITY

Net cash provided by operating activities amounted to $308.3 million, $389.5 million and $328.5 million for 1996, 1995 and 1994, respectively. Operating cash flows have been sufficient to meet operating needs and provide for financing needs and increased investments. Management expects that this situation will continue because of no substantial changes in the Company's mix of business, protection by reinsurance agreements with financially stable companies and no significant exposure to assumed reinsurance. Assumed reinsurance comprised no more than 5 percent of gross premiums in each of the last three years.

The Company used $224.8 million in 1996, $443.9 million in 1995 and $320.2 million in 1994 in investing activities. Cash flows used in net purchases of fixed maturity and equity securities, respectively, amounted to $98 million and $95.4 million in 1996, $309.7 million and $114.9 million in 1995 and $209.1 million and $92.2million in 1994.

Notes payable increased $41.1 million in 1996, $91.9 million in 1995 and $51.1 million in 1994. The growth of the Company required increased cash flows for the operating and investing activities.

Cash and marketable securities of $6.362 billion make up 90.3 percent of the Company's $7.046 billion of assets; this compares to 90.2 percent in 1995. The Company has only minor investments in real estate and mortgages, which are typically illiquid. Information regarding the composition of investments, together with maturity data regarding investments in fixed maturities, is included in the Notes to Consolidated Financial Statements. As discussed in such notes, the Company's insurance reserve liabilities are estimated by management based upon Company experience data. Such reserves are related to various lines of business and will be paid out over various future periods. The Company has continued to utilize some short-term debt.

INVESTMENTS

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 medium-risk equity securities which offer growing dividends and capital appreciation.

The Company's investment decisions on an individual insurance company basis are influenced by insurance statutory requirements, which are designed to protect policyholders from investment risk. Cash generated from insurance operations is almost entirely invested in either corporate, governmental, municipal, public utility and other fixed maturity securities or equity securities. Such securities are evaluated prior to purchase based on yield and risk criteria.

The Company's portfolio of fixed maturity securities at December 31, 1996 has an average yield-to-cost of 8.3 percent and an average maturity of 12years. 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. Concentrations in the essential service (i.e., schools, sewer, water, etc.) bonds issued by municipalities are prevalent in this area. Due to the small size of several of these offerings, many of these bonds are not rated by a rating agency.

At December 31, 1996 and 1995, investments totaling approximately $729 million and $813 million, respectively ($706 million and $789 million at cost), of the Company's $6.355 billion and $5.536 billion investment portfolio relate to securities that are rated noninvestment grade or that are not rated by Moody's Investors Service or Standard& Poor's. Such investments have historically had a beneficial effect on the Company's results of operations.

Because of alternative minimum tax matters, the Company uses a blend of tax-exempt and taxable fixed maturity securities. Tax-exempt bonds comprise 14 percent of invested assets as of December 31, 1996, compared to 16 percent in 1995 and 18 percent in 1994.

Investments in common stocks have been made with emphasis on securities with an annual dividend yield of at least 2 percent to 3 percent and annual dividend increases. The Company's portfolio of equity investments at December 31, 1996 has an average dividend yield to cost of 8 percent. Strategy in equity investments continues to include identifying approximately 10 to 12 companies in which the Company can accumulate 10 percent to 20 percent of their common stock.

As a long-term investor, the Company has followed a buy-and-hold strategy for many years. A significant amount of unrealized appreciation on equity investments has been generated as a result of this policy for over 38 years. Unrealized appreciation, before deferred income taxes, on equity investments was $2.203 billion as of December 31, 1996 and constituted 35 percent of the total investment portfolio; 59 percent of the equities investment portfolio; and, after deferred income taxes, 45 percent of total shareholders' equity. Such unrealized appreciation, before deferred income taxes, amounted to $1.618 billion and $941 million at December 31, 1995 and 1994, respectively.

SHAREHOLDERS' EQUITY AND LONG- AND SHORT-TERM DEBT

At December 31, 1996, shareholders' equity was $3.163 billion. Shareholders' equity was 45 percent of assets in 1996, 44 percent in 1995 and 41 percent in 1994. During 1996, shareholders' equity increased $505 million. This increase included a $368 million increase in unrealized appreciation on investments discussed above, net of income tax effects. During 1995 and 1994, respectively, shareholders' equity increased $718 million and decreased $7 million, of which $558 million increase and $227 million decrease were related to the change in unrealized appreciation on investments discussed above, net of income tax effects. Long-term and short-term debt each amounted to less than 5 percent of total assets at December 31, 1996 and 1995. At December 31, 1996 and 1995, long-term debt consisted of $80 million of convertible debentures. Short-term debt amounted to $262 million, up from $221 million in 1995 and $129 million in 1994. The additional borrowings were used to provide additional working capital as previously discussed in the Cash Flows and Liquidity section of Management Discussion.

Independent Auditor's Report and Financial Statements from pages 19 through 30 (incorporated into Items 8 and 14)

INDEPENDENT AUDITORS' REPORT

[DELOITTE & TOUCHE LLP LOGO]

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 December31, 1996 and 1995 and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December31, 1996. 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 generally accepted auditing standards. 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, 1996 and 1995 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

As discussed in the Notes to Consolidated Financial Statements, the Company changed its method of accounting for fixed maturity investments to conform with Statement of Financial Accounting Standards (SFAS) No.115 effective January 1, 1994.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio
February 5, 1997

CONSOLIDATED BALANCE SHEETS

Cincinnati Financial Corporation and Subsidiaries

	December 31, 1996	1995
ASSETS		
Investments		
Fixed maturities, at fair value (cost: 1996--$2,431,785,000; 1995--$2,298,718,000)	$ 2,561,805,000	$ 2,446,995,000
Equity securities, at fair value (cost: 1996--$1,537,189,000; 1995--$1,423,671,000)	3,740,180,000	3,041,762,000
Other invested assets	53,004,000	46,963,000
Cash	59,933,000	20,019,000
Investment income receivable	70,446,000	65,045,000
Finance receivables	26,864,000	20,282,000
Premiums receivable	162,045,000	161,117,000
Reinsurance receivable	115,906,000	103,683,000
Prepaid reinsurance premiums	22,924,000	21,835,000
Deferred acquisition costs pertaining to unearned premiums and to life policies in force	127,588,000	119,589,000
Land, buildings and equipment for Company use (at cost, less accumulated depreciation: 1996--$82,820,000; 1995--$73,153,000)	39,486,000	33,056,000
Other assets	65,333,000	28,952,000
Total assets	$ 7,045,514,000	$ 6,109,298,000
LIABILITIES		
Insurance reserves		
Losses and loss expenses	$ 1,881,167,000	$ 1,743,534,000
Life policy reserves	440,281,000	403,264,000
Unearned premiums	425,750,000	408,624,000
Other liabilities	116,589,000	107,060,000
Deferred income taxes	676,893,000	487,840,000
Notes payable	262,098,000	221,005,000
5.5% convertible senior debentures due 2002	79,847,000	80,000,000
Total liabilities	3,882,625,000	3,451,327,000
SHAREHOLDERS' EQUITY		
Common stock, par value--$2 per share; authorized 80,000,000 shares; issued, 1996--55,828,615; 1995--53,084,081	111,657,000	106,168,000
Paid-in capital	401,862,000	237,172,000
Retained earnings	1,132,880,000	1,156,627,000
Unrealized gains on investments	1,527,707,000	1,159,388,000
	3,174,106,000	2,659,355,000
Less treasury shares at cost (1996--192,139 shares; 1995--27,147 shares)	(11,217,000)	(1,384,000)
Total shareholders' equity	3,162,889,000	2,657,971,000
Total liabilities and shareholders' equity	$ 7,045,514,000	$ 6,109,298,000

Accompanying notes are an integral part of this statement.

Consolidated Statements of Income

Cincinnati Financial Corporation and Subsidiaries

	Years Ended December 31,		
	1996	1995	1994
REVENUE			
Premium income			
Property and casualty	$ 1,366,544,000	$ 1,263,257,000	$ 1,169,940,000
Life	48,694,000	43,551,000	41,888,000
Accident and health	7,659,000	7,318,000	7,205,000
Net premiums earned	1,422,897,000	1,314,126,000	1,219,033,000
Investment income	327,307,000	300,015,000	262,649,000
Realized gains on investments	47,946,000	30,781,000	19,557,000
Other income	10,599,000	10,729,000	11,267,000
Total revenues	1,808,749,000	1,655,651,000	1,512,506,000
BENEFITS AND EXPENSES			
Insurance losses and policyholder benefits	1,087,105,000	964,216,000	900,814,000
Commissions	259,291,000	244,862,000	230,551,000
Other operating expenses	117,034,000	97,909,000	85,405,000
Taxes, licenses and fees	43,392,000	38,887,000	39,070,000
Increase in deferred acquisition costs pertaining to unearned premiums and to life policies in force	(7,999,000)	(10,086,000)	(5,412,000)
Interest expense	20,102,000	17,231,000	9,961,000
Other expenses	7,403,000	7,444,000	2,789,000
Total benefits and expenses	1,526,328,000	1,360,463,000	1,263,178,000
INCOME BEFORE INCOME TAXES	282,421,000	295,188,000	249,328,000
PROVISION FOR INCOME TAXES			
Current	67,827,000	76,012,000	64,229,000
Deferred	(9,166,000)	(8,174,000)	(16,131,000)
	58,661,000	67,838,000	48,098,000
NET INCOME	$ 223,760,000	$ 227,350,000	$ 201,230,000
PER COMMON SHARE			
Net Income	$ 3.92	$ 3.99*	$ 3.54*
Cash dividends (declared)	$ 1.46	$ 1.28*	$ 1.16*

*Adjusted to reflect a 5 percent stock dividend paid in April, 1996.

Accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Cincinnati Financial Corporation and Subsidiaries

	Common Stock	Treasury Stock	Paid-In Capital
Balance, December 31, 1993	$ 100,626,000	$ (396,000)	$ 102,235,000
Effect of a change in accounting for fixed maturity investments, net of income taxes of $42,722,000			
Net income			
Change in unrealized gains on investments			
Income taxes on unrealized gains			
Dividends declared			
Purchase/issuance of treasury shares		(518,000)	58,000
Stock options exercised	246,000		3,499,000
Balance, December 31, 1994	100,872,000	(914,000)	105,792,000
Net income			
Change in unrealized gains on investments			
Income taxes on unrealized gains			
Dividends declared			
5% stock dividend at market	5,043,000		127,338,000
Purchase/issuance of treasury shares		(470,000)	182,000
Stock options exercised	253,000		3,860,000
Balance, December 31, 1995	106,168,000	(1,384,000)	237,172,000
Net income			
Change in unrealized gains on investments			
Income taxes on unrealized gains			
Dividends declared			
5% stock dividend at market	5,304,000		160,453,000
Purchase/issuance of treasury shares		(9,833,000)	870,000
Stock options exercised	178,000		3,221,000
Conversion of debentures	7,000		146,000
Balance, December 31, 1996	$ 111,657,000	$ (11,217,000)	$ 401,862,000

	Retained Earnings	Unrealized Gains on Investments
Balance, December 31, 1993	$ 996,359,000	$ 748,514,000
Effect of a change in accounting for fixed maturity investments, net of income taxes of $42,722,000		79,340,000
Net income	201,230,000	
Change in unrealized gains on investments		(348,711,000)
Income taxes on unrealized gains		122,049,000
Dividends declared	(64,484,000)	
Purchase/issuance of treasury shares		
Stock options exercised		
Balance, December 31, 1994	1,133,105,000	601,192,000
Net income	227,350,000	
Change in unrealized gains on investments		858,763,000
Income taxes on unrealized gains		(300,567,000)
Dividends declared	(71,262,000)	

5% stock dividend at market...........	(132,566,000)*	
Purchase/issuance of treasury shares..		
Stock options exercised...............		
Balance, December 31, 1995............	1,156,627,000	1,159,388,000
Net income............................	223,760,000	
Change in unrealized gains on investments...............		566,644,000
Income taxes on unrealized gains..............................		(198,325,000)
Dividends declared....................	(81,498,000)	
5% stock dividend at market...........	(166,009,000)*	
Purchase/issuance of treasury shares..		
Stock options exercised...............		
Conversion of debentures..............		
Balance, December 31, 1996............	$ 1,132,880,000	$ 1,527,707,000

*Includes $183,718 and $251,851 for fractional shares paid in April, 1995 and 1996, respectively.

Accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Cincinnati Financial Corporation and Subsidiaries

	Years Ended December 31, 1996	1995	1994
Cash flows from operating activities:			
Net income	$ 223,760,000	$ 227,350,000	$201,230,000
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Depreciation and amortization	7,100,000	9,641,000	9,923,000
Increase in investment income receivable	(5,401,000)	(8,976,000)	(5,949,000)
Increase in premiums receivable	(928,000)	(19,145,000)	(7,611,000)
Increase in reinsurance receivable	(12,223,000)	(36,558,000)	(8,064,000)
(Increase) decrease in prepaid reinsurance premiums	(1,089,000)	2,231,000	(100,000)
Increase in deferred acquisition costs	(7,999,000)	(10,086,000)	(5,412,000)
(Increase) decrease in accounts receivable	(2,080,000)	(3,900,000)	1,209,000
Increase in loss and loss expense reserves	137,633,000	191,237,000	149,790,000
Increase in life policy reserves	37,017,000	33,169,000	24,118,000
Increase in unearned premiums	17,126,000	26,505,000	20,107,000
Increase (decrease) in other liabilities	6,984,000	9,522,000	(7,274,000)
Decrease in deferred income taxes	(9,272,000)	(8,174,000)	(16,131,000)
Realized gains on investments	(47,946,000)	(30,781,000)	(19,557,000)
Other	(34,343,000)	7,472,000	(7,801,000)
Net cash provided by operating activities	308,339,000	389,507,000	328,478,000
Cash flows from investing activities:			
Sale of fixed maturities investments	219,131,000	118,986,000	83,360,000
Call or maturity of fixed maturities investments	247,205,000	187,320,000	207,843,000
Sale of equity securities investments	257,981,000	255,542,000	250,722,000
Collection of finance receivables	10,449,000	8,222,000	6,567,000
Purchase of fixed maturities investments	(564,317,000)	(616,001,000)	(500,283,000)
Purchase of equity securities investments	(353,340,000)	(370,445,000)	(342,949,000)
Investment in land, buildings and equipment	(18,555,000)	(10,806,000)	(11,356,000)
Investment in finance receivables	(17,032,000)	(12,335,000)	(9,725,000)
Increase in other invested assets	(6,273,000)	(4,398,000)	(4,416,000)
Net cash used in investing activities	(224,751,000)	(443,915,000)	(320,237,000)
Cash flows from financing activities:			
Proceeds from stock options exercised	3,399,000	4,113,000	3,745,000
Purchase/issuance of treasury shares	(8,963,000)	(287,000)	(460,000)
Increase in notes payable	41,093,000	91,889,000	51,050,000
Payment of cash dividends to shareholders	(79,203,000)	(69,542,000)	(62,436,000)
Net cash (used) provided in financing activities	(43,674,000)	26,173,000	(8,101,000)
Net increase (decrease) in cash	39,914,000	(28,235,000)	140,000
Cash at beginning of year	20,019,000	48,254,000	48,114,000
Cash at end of year	$ 59,933,000	$ 20,019,000	$ 48,254,000
Supplemental disclosures of cash flow information:			
Interest paid	$ 20,922,000	$ 16,001,000	$ 10,216,000
Income taxes paid	$ 65,000,000	$ 67,000,000	$ 71,192,000

Accompanying notes are an integral part of this statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Cincinnati Financial Corporation and Subsidiaries

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS--Cincinnati Financial Corporation (the "Company") sells insurance primarily in the Midwest and Southeast 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 generally accepted accounting principles. Generally accepted accounting principles 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 generally accepted accounting principles 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 $296,000,000 and $271,000,000 of such reserves at December 31, 1996 and 1995, 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--The Company adopted Statement of Financial Accounting Standards (SFAS) No.115 "Accounting for Certain Investments in Debt and Equity Securities" effective January 1, 1994. With the adoption of SFAS No.115, fixed maturities (bonds and notes) have been classified as available for sale and are stated at fair values. Prior to 1994, fixed maturities were principally stated at amortized cost. Equity securities (common and preferred stocks) are stated at fair values.

Unrealized gains and losses on investments, net of income taxes associated therewith, are included in shareholders' equity. 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 average number of shares and equivalent shares outstanding during each of the respective years. Stock options and convertible debentures are treated as common stock equivalents.

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 convertible debentures are based on the quoted market prices for such debentures.

RECLASSIFICATIONS--Certain prior year amounts have been reclassified to conform with 1996 classifications.

2. INVESTMENTS

	Years Ended December 31,		
	1996	1995	1994
Investment income summarized by investment category (000's omitted):			
Interest on fixed maturities	$ 208,907	$ 186,071	$ 158,015
Dividends on equity securities	118,932	111,458	103,307
Other investment income	5,744	6,480	5,434
Total	333,583	304,009	266,756
Less investment expenses	6,276	3,994	4,107
Net investment income	$ 327,307	$ 300,015	$ 262,649
Realized gains on investments summarized by investment category (000's omitted):			
Fixed maturities:			
Gross realized gains	$ 20,823	$ 14,466	$ 13,570
Gross realized losses	(10,207)	(7,263)	(6,058)
Equity securities:			
Gross realized gains	47,310	38,705	31,785
Gross realized losses	(9,980)	(15,127)	(19,740)
Realized gains on investments	$ 47,946	$ 30,781	$ 19,557
Change in unrealized gains on investments summarized by investment category (000's omitted):			
Fixed maturities	$ (18,257)	$ 181,475	$ (154,883)
Equity securities	584,901	677,288	(193,828)
Change in unrealized gains on investments	$ 566,644	$ 858,763	$ (348,711)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Cincinnati Financial Corporation and Subsidiaries

Analysis of cost, gross unrealized gains, gross unrealized losses and fair value as of December 31, 1996 and 1995 (000's omitted):

1996	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturities:				
States, municipalities and political subdivisions..	$ 838,008	$ 38,457	$ 1,092	$ 875,373
Convertibles and bonds with warrants attached......	125,629	7,626	1,630	131,625
Public utilities..................................	85,573	3,697	349	88,921
United States government and government agencies and authorities........................	8,790	156	143	8,803
All other corporate bonds..........................	1,373,785	88,713	5,415	1,457,083
Total..	$ 2,431,785	$ 138,649	$ 8,629	$ 2,561,805
Equity securities....................................	$ 1,537,189	$ 2,207,805	$ 4,814	$ 3,740,180
1995				
Fixed maturities:				
States, municipalities and political subdivisions..	$ 820,141	$ 47,168	$ 3,563	$ 863,746
Convertibles and bonds with warrants attached......	181,082	8,925	4,226	185,781
Public utilities..................................	82,865	4,135	1,119	85,881
United States government and government agencies and authorities........................	4,355	129	0	4,484
All other corporate bonds..........................	1,210,275	104,806	7,978	1,307,103
Total..	$ 2,298,718	$ 165,163	$ 16,886	$ 2,446,995
Equity securities....................................	$ 1,423,671	$ 1,625,461	$ 7,370	$ 3,041,762

Maturity dates for investments in fixed maturity securities as of December 31, 1996 (000's omitted):

	Cost	Fair Value	% of Fair Value
Maturity dates occurring:			
One year or less..................................	$ 64,453	$ 68,063	2.7
After one year through five years..................	192,039	202,923	7.9
After five years through ten years.................	959,396	1,006,854	39.3
After ten years....................................	1,215,897	1,283,965	50.1
Total..	$ 2,431,785	$ 2,561,805	100.0

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

	1996		1995	
	Cost	Fair Value	Cost	Fair Value
Fifth Third Bancorp common stock......	$ 238,087	$ 1,331,625	$ 185,345	$ 988,417
Alltel Corporation common stock.......	$ 95,720	$ 399,252	$ 95,720	$ 375,392

3. DEFERRED ACQUISITION COSTS

Acquisition costs incurred and capitalized during 1996, 1995 and 1994 amounted to $303,111,000, $282,399,000 and $259,092,000, respectively. Amortization of deferred acquisition costs was $295,112,000, $272,313,000 and $253,680,000 for 1996, 1995 and 1994, respectively.

4. CONVERTIBLE SENIOR DEBENTURES

The convertible senior debentures are convertible by the debenture holders into shares of common stock at a conversion price of $44.63 (22.41 shares for each $1,000 principal). At December 31, 1996 and 1995, the fair value of the debentures approximated $115,000,000 and $112,000,000, respectively.

5. LOSSES AND LOSS EXPENSES

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

	Years Ended December 31,		
	1996	1995	1994
Balance at January 1	$ 1,690,461	$ 1,510,150	$ 1,365,052
Less reinsurance receivable	109,719	78,125	71,691
Net balance at January 1	1,580,742	1,432,025	1,293,361
Incurred related to:			
Current year	1,183,251	1,040,541	948,581
Prior years	(151,996)	(126,509)	(92,892)
Total incurred	1,031,255	914,032	855,689
Paid related to:			
Current year	514,186	396,856	373,721
Prior years	395,396	368,459	343,304
Total paid	909,582	765,315	717,025
Net balance at December 31 ..	1,702,415	1,580,742	1,432,025
Plus reinsurance receivable	121,881	109,719	78,125
Balance at December 31	$ 1,824,296	$ 1,690,461	$ 1,510,150

As a result of changes in estimates of insured events in prior years, the provision for losses and loss expenses decreased by $151,996,000, $126,509,000 and $92,892,000 in 1996, 1995 and 1994. 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 $56,871,000 and $53,073,000 at December 31, 1996 and 1995, respectively, for certain life/health losses and loss checks payable.

6. 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):

	1996	1995
Ordinary/Traditional Life......	$ 123,473	$111,442
Universal Life.................	183,967	166,634
Annuities......................	112,496	104,625
Industrial.....................	16,881	17,411
Other..........................	3,464	3,152
Total........................	$ 440,281	$403,264

At December 31, 1996 and 1995, the fair value associated with the annuities shown above approximated $114,000,000 and $105,000,000, respectively.

7. NOTES PAYABLE

The Company and subsidiaries had no compensating balance requirement on debt for either 1996 or 1995. Notes payable in the accompanying balance sheets are short term, and interest rates charged on such borrowings ranged from 4.75% to 8.50% during 1996 which resulted in an average interest rate of 6.34%. At December 31, 1996 and 1995, the fair value of the notes payable approximated the carrying value and the weighted average interest rate approximated 6.12% and 6.51%, respectively.

8. REINSURANCE

Property and casualty premium income in the accompanying statements of income includes approximately $41,139,000, $36,956,000 and $63,746,000 of earned premiums on assumed business and is net of approximately $91,396,000, $83,805,000 and $100,842,000 of earned premiums on ceded business for 1996, 1995 and 1994, respectively.

Written premiums for 1996, 1995 and 1994 consist of the following (000's omitted):

	1996	1995	1994
Direct business.....	$1,433,340	$1,338,205	$1,233,948
Assumed business....	42,671	39,221	53,332
Ceded business......	(92,486)	(81,574)	(96,456)
Net...............	$1,383,525	$1,295,852	$1,190,824

Insurance losses and policyholder benefits in the accompanying statements of income are net of approximately $44,770,000, $40,316,000 and $33,645,000 of reinsurance recoveries for 1996, 1995 and 1994, respectively.

9. FEDERAL INCOME TAXES

Significant components of the Company's net deferred tax liability as of December 31, 1996 and 1995 are as follows (000's omitted):

	1996	1995
Deferred tax liabilities:		
Unrealized gain on investments...	$ 816,554	$618,229
Deferred acquisition costs.......	38,966	37,981
Other............................	8,447	10,379
Total............................	863,967	666,589
Deferred tax assets:		
Losses and loss expense reserves.	133,692	128,758
Unearned premiums................	28,109	27,008
Life policy reserves.............	15,962	16,844
Other............................	9,311	6,139
Total............................	187,074	178,749
Net deferred tax liability.........	$ 676,893	$487,840

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:

	1996 Percent	1995 Percent	1994 Percent
Tax at statutory rate.............	35.00	35.00	35.00
Increase (decrease) resulting from:			
Tax-exempt municipal bonds.......	(6.41)	(6.10)	(7.40)
Dividend exclusion...............	(8.50)	(8.04)	(8.71)
Other............................	.68	2.12	.40
Effective rate....................	20.77	22.98	19.29

No provision has been made (at December 31, 1996, 1995 and 1994) 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.

10. 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 the plan's funded status and the amounts recognized in the Company's balance sheets as of December 31, 1996 and 1995 (000's omitted):

	1996	1995
Actuarial present value of accumulated benefit obligation (vested benefits: 1996--$29,704; 1995--$27,873)	$ 30,740	$ 28,770
Plan assets at fair value	$ 92,740	$ 79,210
Actuarial present value of projected benefit obligation	54,208	49,425
Plan assets in excess of projected benefit obligation	38,532	29,785
Unrecognized net transition asset at January 1, 1987 ($7,774 amortized over 21 years)	(4,072)	(4,442)
Unrecognized prior service costs ...	(437)	(476)
Unrecognized net gain	(34,730)	(25,138)
Accrued pension cost	$ (707)	$ (271)

Net pension expense for 1996, 1995 and 1994 includes the following components (000's omitted):

	1996	1995	1994
Service cost for current year.	$ 3,306	$ 2,555	$ 2,682
Interest cost.................	3,572	3,014	2,788
Actual return on plan assets..	(15,057)	(20,717)	1,571
Net amortization and deferral.	8,615	14,720	(7,009)
Net pension expense...........	$ 436	$ (428)	$ 32

The weighted average discount rate used in determining the actuarial present value of the projected benefit obligation as of December31 was 7%, 6.75% and 7.25% in 1996, 1995 and 1994, respectively. The rates of increase in future compensation levels were 5% to 7% for each year. The expected long-term rate of return on retirement plan assets, consisting principally of equity securities (including those of the Company), was 8% as of December 31, 1996, 1995 and 1994.

11. SHAREHOLDERS' EQUITY AND RESTRICTION

The insurance subsidiaries paid cash dividends to the Company of approximately $77,027,000, $143,773,000 and $85,700,000 in 1996, 1995 and 1994, 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 1997, the total dividends that can be paid to the Company without regulatory approval are approximately $159,281,000.

521,735 shares of common stock were available for future stock option grants, as of December 31, 1996.

12. 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,		
	1996	1995	1994
Net income:			
Property/casualty insurance subsidiaries.............	$136,041	$152,003	$125,684
Life/health insurance subsidiary...............	$ (1,812)	$ 7,096	$ 13,438

	December 31,	
	1996	1995
Shareholders' equity:		
Property/casualty insurance subsidiaries	$1,378,681	$1,048,343
Life/health insurance subsidiary	$ 214,130	$ 195,100

13. TRANSACTION WITH AFFILIATED PARTIES

The Company paid certain officers and directors, or insurance agencies of which they are shareholders, commissions of approximately $10,874,000, $10,034,000 and $7,824,000 on premium volume of approximately $70,418,000, $60,720,000 and $45,811,000 for 1996, 1995 and 1994, respectively.

14. 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:

		1996	1995
Net income	As reported	$ 223,760,000	$ 227,350,000
	Pro forma	221,683,000	227,106,000
Net income per common share	As reported	$ 3.92	$ 3.99
	Pro forma	3.89	3.98

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 1996 and 1995, respectively: dividend yield of 2.26% for both years; expected volatility of 20.50% and 21.28%; risk-free interest rates of 6.56% and 5.73%; and expected lives of 10 years for both years. Compensation cost comprehended in the above pro forma disclosures is not indicative of future amounts (when the SFAS No.123 methodology will be applied to outstanding nonvested awards).

A summary of options information for the years ended December 31, 1996, 1995 and 1994 follows:

	1996		1995		1994	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	895,249	$ 40.24	892,131	$ 36.19	963,263	$33.71
Granted	512,603	60.76	155,713	53.17	85,995	45.05
Exercised	(90,926)	37.38	(136,291)	29.18	(135,401)	25.19
Forfeited/Revoked	(58,762)	58.68	(16,304)	39.91	(21,726)	38.77
Outstanding at end of year	1,258,164	47.93	895,249	40.24	892,131	35.98
Options exercisable at end of year	652,010		641,655		566,175	
Weighted-average fair value of options granted during the year		$ 20.41		$ 15.80		

Options outstanding at December 31, 1996 consist 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
$ 12 to 16	75,840	1.10 yrs	$ 12.91	75,840	$12.91
23 to 32	57,966	3.58 yrs	25.57	57,966	25.57
35 to 43	295,444	5.11 yrs	36.90	295,444	36.90
45 to 60	451,239	7.93 yrs	52.57	222,760	50.19
63 to 65	377,675	9.35 yrs	61.49	0	0
12 to 65	1,258,164	7.08 yrs	47.93	652,010	37.64

15. SEGMENT INFORMATION

The Company operates principally in two industries--property and casualty insurance and life insurance. Information concerning the Company's operations in different industries is presented below (000's omitted). Revenue is primarily from unaffiliated customers. Identifiable assets by industry are those assets that are used in the Company's operations in each industry. Corporate assets are principally cash and marketable securities.

	Income Before Income Taxes		
	1996	1995	1994
Property/casualty insurance	$ (44,449)	$ 2,894	$ (5,703)
Life/health insurance	(2,906)	(2,512)	(1,691)
Investment income (less required interest on life reserves)	305,211	279,346	244,347
Realized gains on investments	47,946	30,781	19,557
Other	3,337	4,979	5,874
General corporate expenses	(26,718)	(20,300)	(13,056)
Total	$ 282,421	$ 295,188	$ 249,328

	Identifiable Assets		
	1996	1995	1994
Property/casualty insurance	$ 3,986,658	$ 3,526,900	$ 2,830,788
Life/health insurance	902,354	809,418	689,838
Other	53,351	44,487	44,006
Corporate assets	2,103,151	1,728,493	1,169,647
Total	$ 7,045,514	$ 6,109,298	$ 4,734,279

Selected Quarterly Financial Data from page 30 (incorporated into Item 8)

SELECTED QUARTERLY FINANCIAL DATA

Financial data for each quarter in the two years ended December 31 (000's omitted except per share data)

	1996				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Revenues	$ 451,798	$ 442,042	$ 455,681	$ 459,227	$ 1,808,749
Income Before Income Taxes	76,449	67,022	58,658	80,291	282,421
Net Income	59,448	54,396	46,949	62,966	223,760
Net Income Per Share	1.04	.95	.82	1.10	3.92

	1995				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Revenues	$ 414,688	$ 405,023	$ 416,658	$ 419,283	$ 1,655,651
Income Before Income Taxes	83,823	69,629	76,973	64,763	295,188
Net Income	63,245	55,141	58,603	50,362	227,350
Net Income Per Share*	1.11	.97	1.03	.88	3.99

* Adjusted to reflect a 5 percent stock dividend paid in April, 1996.

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

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in the Registration Statement No. 2-71575 (on Form S-8), Registration Statement No. 33-34127 (on Form S-8), and Registration Statement No. 33-48970 (on Form S-4) of Cincinnati Financial Corporation of our reports dated February 5, 1997, appearing in and incorporated by reference in the Annual Report on Form 10-K of Cincinnati Financial Corporation for the year ended December 31, 1996.

DELOITTE & TOUCHE LLP

/s/ Deloitte & Touche LLP

Cincinnati, Ohio
March 18, 1997

YEAR
DEC-31-1996
JAN-1-1996
DEC-31-1996
2,561,805
0
0
3,740,180
9,207
15,449
6,354,989
59,933
6,984
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7,045,514
2,269,993
425,750
48,183
11,216
341,945
100,440
0
0
3,062,449
7,045,514
1,422,897
327,307
47,946
10,599
1,087,105
295,112
144,111
282,421
58,661
223,760
0
0
0
223,760
3.92
3.92
1,580,742
1,183,251
(151,996)
514,186
395,396
1,702,415
(151,996)

EQUALS THE SUM OF FIXED MATURITIES, EQUITY SECURITIES AND OTHER INVESTED ASSETS
EQUALS THE SUM OF LIFE POLICY RESERVES AND LOSSES AND LOSS EXPENSES LESS THE LIFE COMPANY LIABILITY FOR SUPPLEMENTARY CONTRACTS WITHOUT LIFE CONTINGENCIES OF $3,272 WHICH IS CLASSIFIED AS OTHER POLICYHOLDER FUNDS
EQUALS THE SUM OF NOTES PAYABLE AND THE 5 1/2% CONVERTIBLE SENIOR DEBENTURE
EQUALS THE TOTAL SHAREHOLDERS' EQUITY
EQUALS THE SUM OF COMMISSIONS, OTHER OPERATING EXPENSES, TAXES LICENSES AND FEES, INCREASE IN DEFERRED ACQUISITION COSTS, INTEREST EXPENSE AND OTHER EXPENSES