



President's Message to Members

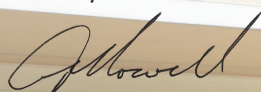
Financial institutions, including your FHLB, have become accustomed to routine reviews and assessments by a variety of regulators, agencies and third-party observers. During the past year we have been the subject of two reviews by the federal Government Accountability Office, at the request of Members of Congress to assess the impact of the Housing and Economic Recovery Act of 2008 (HERA) on FHLBs, particularly through CDFI Membership and Board Governance and Community Lending. Those reports were released in May and June, 2015, respectively:

- **CDFI Membership:** HERA allowed community development financial institutions (CDFIs) to join the FHLB System. FHLB Cincinnati has four CDFI members, including the very first to join the system. As of year-end 2014, 30 CDFIs have joined the FHLB System. The GAO found that although membership requirements are not a barrier to membership, collateral requirements were often challenging. The report recognized the efforts of all the FHLBs in educational outreach to members and prospective CDFIs to help them achieve the most beneficial use of FHLB membership.
- **Board Governance and Community Lending:** A second GAO study looked at the FHLBs commitment to the diversity of its board of directors and lending for community and economic development, all in light of initiatives begun after the passage of HERA. GAO reported that all FHLBank boards of directors had implemented the statutory diversity requirements and were consistent with the broader financial services sector. Additionally, the report found that each board engaged in the six best practices, identified by GAO, when addressing board diversity considerations. Under its review of community lending programs and practices, the report identified the Cincinnati FHLB's Zero Interest Fund as a unique community lending program.

Our board and management agree with the findings in these GAO reports. As a shareholder-owned company with a public mission, the FHLB does not always fit neatly into defined categories.

We serve a variety of financial charter types – banks, thrifts, credit unions, insurance companies, CDFIs and state housing finance agencies – and work diligently to ensure that each member has access to our wide range of products and services, subject to underwriting standards appropriate to the risk presented. We embrace our public mission – to stand as a provider of liquidity to all eligible members, regardless of their size or charter, and support the affordable housing needs of the Fifth District. Our board is committed to best practices in governance and diversity, and supports management in product and service innovation to benefit our members in the communities they serve. We appreciate your business and the strong cooperative partnership you allow us to provide as your FHLB.

Sincerely,



Andrew S. Howell, *President and CEO*

Rep. Stivers, Economist Headline Financial Management Conference



Rep. Steve Stivers and economist Arthur Laffer are the featured speakers for the FHLB's financial management conference, *Navigating the Now: Managing Current Conditions*, August 4-5 in Cincinnati.

The agenda includes:

- Ryan Hayhurst, The Baker Group, on managing your investment portfolio.
- Andy Howell, the FHLB's President and CEO, on our industry in the Fifth District.
- Dr. Laffer, Laffer Associates, on the economic outlook.
- John Sileo, Sileo Group, on cybersecurity.
- Rep. Stivers (R-Ohio), a member of the House Financial Services Committee, on current political and banking issues.
- J. Todd Taylor, Taylor Advisors, on balance sheet positioning.
- Lee Wetherington, Jack Henry & Associates Inc., on banking technology.

Seminar participants are invited to attend the Cardinals-Reds baseball game on August 4 at Great American Ball Park. Members can register at www.fhlbcin.com.

Director Election Process Begins

Nominations for candidates to be elected to the FHLB's Board of Directors are now being accepted. This year members will elect two at-large Independent directors, and Ohio members will elect two Member directors. All directors will serve four-year terms commencing January 1, 2016.

Ohio Member director nomination certificates and Independent director application forms are due at the FHLB on July 24. Ballots will be mailed to members in October, and results will be announced in November.

Dividend Declaration and Payment

At its June 18, 2015, meeting, the FHLB's Board of Directors declared a dividend for the first quarter 2015 at a 4.00 percent annualized rate. We have paid a 4.00 percent dividend for eight consecutive quarters. The dividend payment occurred June 18 in the form of cash.



Regulator Issues Final Rule on Community Support Standards for FHLB Members

The Federal Housing Finance Agency (FHFA) issued its final rule, May 28, 2015, amending the process of review and assessment of FHLB members' compliance with community support standards required to maintain access to long-term FHLB Advances. The FHFA's community support standards assess each applicable member's performance under the Community Reinvestment Act of 1977 and the member's record of lending to first-time homebuyers. Applicable members are required to document their community support activities by submitting a Community Support Statement (CSS) to the FHFA approximately every two years.

The new amendment will replace the current timing and process of selecting one-eighth of all applicable members for eight

quarterly reviews by FHFA over a two-year review cycle. Under the new process, this review will occur for all applicable members at the same time every two years.

As of the June 29, 2015, effective date, any member who would have been selected for the 2014-2015 CSS quarterly rounds 6, 7 or 8, and any remaining members from round 5 who have not yet submitted statements, will now be required to submit a CSS to FHFA before December 31, 2015.

Members selected for the 2014-2015 review cycle received an email in late June with further details about these changes. For more information, contact the Housing and Community Investment department at **888-345-2246**.

Retired FHLB Chairman Carl Wick Honored at Lebanon Regional Meeting



Carl Wick and Andy Howell.

FHLB Cincinnati successfully completed this year's four regional meetings attended by nearly 500 people from 165 member financial institutions. Meetings were held in Nashville, Lexington, Lebanon, Ohio and Akron. Members were brought up to date on the FHLB by CEO Andy Howell and Executive Vice President

At the Lebanon meeting, Mr. Howell honored retired FHLB Chairman Carl Wick. Mr. Wick served on the Board of Directors for 12 years and was Chair for eight years, making him the longest-serving chair in the Bank's 82-year history. He was presented with a commemorative clock and a resolution signed by all the Bank's board members, thanking him for his service on our board.

Members will have more opportunities to get together this year. Still to come are the management conference, *Navigating the Now*, to be held August 4-5 and a Mortgage Purchase Program users group meeting planned for November. Follow www.fhlbcin.com for details.

Kyle Lawler, heard economic forecasts from guest speakers, and enjoyed opportunities to network with peers and FHLB staff.

FHLB Welcomes New Members

The FHLB welcomes these new member stockholders in 2015:

- CYS Insurance Services LLC, Nashville, Tenn.
- Hunt Insurance Company LLC, Nashville, Tenn.
- Provident Life and Accident Insurance Co., Chattanooga, Tenn.
- State Highway Patrol Federal Credit Union, Columbus, Ohio.

Disaster Reconstruction Funds Available

The FHLB stands ready to assist our members in rebuilding their communities following a natural disaster. Through the Disaster Reconstruction Program (DRP), the FHLB provides grants up to \$20,000 to help homeowners and renters in your community repair, replace or purchase a new home following a natural disaster. The FHLB has over \$2 million available to assist with these recovery efforts. There are currently 53 counties in the Fifth District that have experienced recent disasters and are eligible for DRP funds.

For more information, please contact your Member Services Representative or the FHLB's Housing and Community Investment Department at **888-345-2246**.

Calendar 2015

July 31	AHP Applications Due	November 19	AHP awards announced
August 4-5	Financial Management Conference, The Westin Hotel, Cincinnati, Ohio	December 1	Welcome Home Funding Requests Due
November	MPP Users Group meeting, Cincinnati, Ohio (date TBD)	December 1	CMPHF Funding Requests Due