President’s Message to Members

How sound are the Federal Home Loan Banks? Very sound, according to our regulator. The 2015 annual report of the Federal Housing Finance Agency to Congress supports the relative strength and stability of the 11 FHLBs, and Fannie Mae and Freddie Mac. The report is available at www.fhfa.gov. For the FHLBs, the overall picture is very good. There’s much information in the report on our earnings, assets, mix of business, and success of our housing programs, but there are two indicators in particular worth discussing:

- **The market value of the FHLBs’ stock:** As you know, our stock is always set at $100 per share. The FHFA calculates a hypothetical market value for that stock, based on the market value of the System’s assets, less that of the liabilities, “an important indicator of the FHLBanks’ ability to redeem or repurchase stock at par.” The FHFA concludes “the aggregate market value ratios of the FHLBanks were again strong in 2015, highlighting their generally sound financial condition. Market value of equity was 142 percent of the par value of capital stock at year-end 2015.”

- **The results of stress tests:** The “severe” scenario we were required to test included a deep recession, a 25 percent decline in home prices and a rise in unemployment, among other factors. The FHFA found, “All of the FHLBanks maintained compliance with regulatory capital and leverage capital requirements over the nine quarters of the stress test.”

We believe this is important now as global markets look to the United States for signs of economic stability, particularly in light of recent events such as the United Kingdom’s vote to exit the European Union. The FHLR System remains a reliable issuer of debt securities in the global capital markets while continuing to support safe and sound delivery of liquidity and housing finance services to members. Since the 2008 financial crisis, the FHLBs have remained well-capitalized, and your FHLB has been recognized by FHFA as having exceeded a required core mission asset ratio, demonstrating commitment to the FHLB’s Advances and Mortgage Purchase Program core business lines.

We welcome any discussion about our business, confident that throughout global and national economic cycles we are capable of creating value for our members while managing risk and operating in a safe and sound manner. As always, we appreciate your business and the strong cooperative partnership you allow us to provide as your Federal Home Loan Bank of Cincinnati.

Sincerely,

Andrew S. Howell, President and CEO

Register Now for the Financial Management Conference

FHLB Cincinnati will host its annual Financial Management Conference, Go for Gold: Gaining Strategic Edge, on August 3-4 at the Westin Cincinnati Hotel. The agenda includes:

- **Andrew Howell**, FHLB’s President and CEO, on the state of the banking industry in the Fifth District.
- **Ryan Hayhurst**, The Baker Group, on how to prepare for a potential rise in rates as well as strategies appropriate given the current interest rate environment.
- **Steffen Schmidt**, Ph.D., Iowa State University, on what to expect in the upcoming national elections.
- **John Sileo**, CSP, The Sileo Group, on cyber strength for data security.
- **Jack Vonder Heide**, Technology Briefing Centers Inc., on planning for emerging technologies.

Conference participants are invited to attend the St. Louis Cardinals-Cincinnati Reds baseball game on August 3 at Great American Ball Park. Members can register at www.fhlbcin.com.

This Year’s Director Election Includes New Seat on Board

Nominations for candidates to be elected to the FHLB’s Board of Directors are now being accepted. The Federal Housing Finance Agency has designated an additional independent directorship to the FHLB’s board. Therefore, this year members will elect three at-large Independent directors, and Ohio members will elect two Member directors. All directors will serve four-year terms commencing January 1, 2017. Ohio Member director nomination certificates and Independent director application forms are due at the FHLB on July 25. Ballots will be mailed to members in October, and results will be announced in November.
Members Gather at Four FHLB Regional Stockholder Meetings

FHLB Cincinnati successfully completed this year’s four regional stockholder meetings with more than 450 registrants and 150 member financial institutions. Meetings were held in Nashville, Lexington, Lebanon, and Akron. Members were informed of FHLB updates by Andrew Howell, President and CEO, and Kyle Lawler, Executive Vice President and Chief Business Officer. Attendees also heard economic forecasts from various guest speakers and enjoyed opportunities to network with peers and FHLB staff.

Members will have more opportunities for education and networking throughout the year. Still to come are the annual Financial Management Conference, Go for Gold, to be held August 3-4 and the Mortgage Purchase Program User Group Conference planned for November 2. Follow www.fhlbcin.com for details.

Mullineaux Speech Featured at FHLB Directors Conference

Donald J. Mullineaux, Chair, Board of Directors provided a keynote address at the Federal Home Loan Banks Directors Conference at the Mandarin Oriental Hotel in Washington D.C. on May 25. His presentation entitled Cooperative Organizations was well received by event participants.

Disaster Reconstruction Funds Available

The FHLB continues to stand ready to assist our members in rebuilding their communities following a natural disaster. Through the Disaster Reconstruction Program, 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 approximately $2 million available to assist with these recovery efforts. There are currently 36 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.

Dividend Declaration and Payment

At its June 16, 2016, meeting, the FHLB’s Board of Directors declared a dividend for the first quarter 2016 at a 4.00 percent annualized rate. We have paid a 4.00 percent dividend for 11 consecutive quarters. The dividend payment occurred June 16 in the form of cash.

FHLB Welcomes New Members

The FHLB welcomes these new member stockholders in the last quarter:
- BlueCross BlueShield of Tennessee Inc., Chattanooga, Tenn.
- Incenta Federal Credit Union, Englewood, Ohio
- Ohio National Life Assurance Corp., Cincinnati, Ohio

Calendar 3Q 2016

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 1</td>
<td>AHP Applications Due</td>
</tr>
<tr>
<td>August 3-4</td>
<td>Financial Management Conference, The Westin Hotel, Cincinnati, Ohio</td>
</tr>
<tr>
<td>November 2</td>
<td>MPP Users Group Conference, Cincinnati, Ohio</td>
</tr>
<tr>
<td>November 17</td>
<td>AHP awards announced</td>
</tr>
<tr>
<td>December 1</td>
<td>Welcome Home Funding Requests Due</td>
</tr>
<tr>
<td>December 1</td>
<td>CMPHF Funding Requests Due</td>
</tr>
</tbody>
</table>