



President's Message to Members

Melvin L. Watt, Director of the Federal Housing Finance Agency (FHFA), HUD Secretary Ben Carson and U.S. Sen. Mike Crapo (R-Idaho), were among the distinguished presenters to address the annual gathering of directors from the 11 FHLBanks in May. I was joined by 10 of your Cincinnati Directors to hear the speakers' guidance, outlook and perspectives.

Director Watt, the FHLBanks' regulator, acknowledged the strong financial performance of the 11 FHLBanks, noting that the FHLBank System had its most profitable year in history, with net earnings of \$3.4 billion. He further stated the FHLBanks' 2016 net income generated \$392 million in Affordable Housing Program (AHP) funding, bringing the average contribution for the last five years to over \$300 million per year. He also enumerated four areas of focus for the regulators: short-term debt funding; balancing liquidity standards for both normal economic conditions and times of stress; updating risk-based capital regulations to comply with the Dodd-Frank Act; and continued monitoring of the concentration of Advances to members. None of these areas represent imminent threats to safety and soundness, but they have been topics of discussion between your FHLB and the FHFA.

Secretary Carson recognized the AHP as "possibly the greatest source of private funding for housing assistance in this nation. ... It is an amazing example of what the private sector can accomplish when supported, but not controlled, by our government. ... In cities like Detroit, Dallas, Miami, and Columbus, I have seen firsthand the success of public/private partnerships in holistic treatment of housing issues. ... The Federal Home Loan Banks may be a national network – and your stakeholders may be over 7,000 institutions strong – but your success lies in the smallest and most personal arena: the loan that one family gets to finally attain their share of the American dream."

Addressing the future of GSE reform, Sen. Crapo, who chairs the Senate Banking, Housing and Urban Affairs Committee with jurisdiction over the GSEs, was cautiously optimistic that Congress would move forward to reform Fannie Mae and Freddie Mac, while preserving the mission of the FHLBanks. He seeks a bipartisan approach to end the government conservatorship of Fannie and Freddie, protect the taxpayers, and promote the re-entry of private capital into the nation's housing finance system.

Each of these topics addressed at the directors' conference has been a focus of attention by your board as it pertains to the management, operation and performance of your FHLB. Additionally, we discussed many of these issues during our regional shareholders meetings in April and May. Please contact us if you'd like to hear more about these topics. As always, we appreciate your business and our strong partnership together.

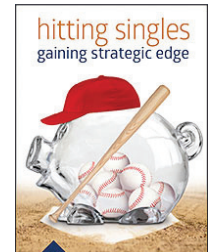
Sincerely,



Andrew S. Howell, President and CEO

Register Today for the Financial Management Conference

FHLB Cincinnati will be hosting its annual Financial Management Conference, *Hitting Singles: Gaining Strategic Edge*, on August 9-10 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.
- **Dave Collins**, former Cincinnati Reds player, on life lessons from the baseball diamond.
- **Craig Dismuke**, Vining Sparks IBG, on navigating today's economic environment.
- **Ryan Hayhurst**, The Baker Group, on asset/liability management in a rising rate environment.
- **Dave Koch**, Farin Financial Risk Management, on using blended funding to manage costs of holding long-term assets.
- **JP Nicols**, FinTech Forge and Next Money, on thriving in an era of digital disruption.
- **Dean Reineking**, FTN Financial Portfolio Advisors, on low interest rates and the risks that won't go away.
- **Joe Sullivan**, Market Insights, on the future of small town banking.
- **Jack Vonder Heide**, Technology Briefing Centers Inc., on technology strategies for 2017 and beyond.

Conference participants are invited to attend the San Diego Padres-Cincinnati Reds baseball game on August 9 at Great American Ball Park. Members can register at www.fhlbcin.com.

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 those in the affected community purchase, construct, or repair a home following a natural disaster. The FHLB has more than \$1.5 million available to assist with these recovery efforts.

There are currently 60 counties in the Fifth District affected by recent declared 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.



Regional Stockholder Meetings Focused on Member Value

FHLB Cincinnati successfully completed this year's four regional stockholder meetings with over 400 registrants from more than 150 member financial institutions. Meetings were held in Nashville, Lexington, Lebanon, Ohio and Akron. Members were informed on how the FHLB delivers membership value by Andrew Howell, President and CEO, and Kyle Lawler, Executive Vice President and Chief Business Officer. Attendees also heard economic forecasts from 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, *Hitting Singles*, to be held August 9-10 and a Mortgage Purchase Program User Group Conference planned for November 2. Follow www.fhlbcin.com for details.



President and CEO Andy Howell addresses the crowd at the Nashville Regional Stockholder Meeting.

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 one public-interest Independent director. Kentucky members will elect two Member directors and Ohio members will elect one Member director. All directors will serve four-year terms commencing January 1, 2018.

Kentucky and Ohio Member director nomination certificates and Independent director application forms are due at the FHLB on July 27. Ballots will be mailed to members in October, and results will be announced in November.

Dividend Declaration and Payment

At its June 15, 2017, meeting, the FHLB's Board of Directors declared a dividend for the first quarter 2017 at a 4.75 percent annualized rate. The dividend payment occurred June 15 in the form of cash.

FHLB Leadership Meets with Sen. Corker at Directors Conference

Cincinnati leadership attended the annual Federal Home Loan Banks Directors Conference in Washington D.C. Board members and senior leadership met with Sen. Bob Corker (R-Tenn.) to discuss issues affecting FHLB and our members.



Updates to FHLB Member Analytics

The FHLB Cincinnati Member Analytics staff will release in the coming month its next white paper entitled *Deposit Trends through the Business Cycle*. The paper examines the mix of time deposits and non-maturity deposits during the last Federal Reserve rate hiking cycle and compares them to trends that began to emerge in the 2008 financial crisis. The paper aims to identify key inflection points during rate cycles when deposit mix shifts and cost of deposits begins to increase. While this paper focuses on national and Fifth District trends during these time periods, members can also use the Core Deposit analysis spreadsheet to graphically review their own deposit trends through recent interest rate cycles. All Member analytics and whitepapers are available on the Members Only website.

We are also pleased to announce the return of the Open House meeting program. The Open House is a mini-seminar for members' key staff. The analytical tools available to members are a primary part of the program. In addition, we examine demographic and financial trends relevant to the member's market footprint. For more information or to schedule an Open House meeting, please contact your marketing representative.

FHLB Welcomes New Member

The FHLB welcomed the following new member stockholder in the last quarter:

- Cardinal Credit Union Inc., Mentor, Ohio

Calendar

August 1	AHP applications due	November 16	AHP awards announced
August 9-10	Financial Management Conference, The Westin Cincinnati	December 1	Welcome Home funding requests due
November 2	MPP User Group Conference, Cincinnati	December 1	CMPHF funding requests due