



## President's Message to Members

We focus on delivering value to our members – with our readiness to deliver liquidity, housing programs, correspondent services, opportunities for education and information, and a competitive dividend on your capital investment in the FHLB. On June 18, our Board of Directors approved a quarterly dividend of 2.50 percent (annualized rate), the same as the prior quarter, and down from an average rate of 5.05 percent paid in 2019. In the modern history of the Federal Home Loan Banks – since the passage of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, which established our broad-based membership and Affordable Housing Program– the dividend had never been less than 4 percent.

The dividend reduction is a reflection of trends set in motion last year and continuing this year, as well as an abundance of caution during the current COVID-19 pandemic. We had record earnings in 2018 as interest rates were steadily increasing and Advance balances were in the \$50-to-\$60 billion range. Both of those factors started to reverse in late 2019 and into 2020 even before the pandemic impact. First quarter earnings of \$80 million provided a strong start to the year, but was heavily influenced by the more recent events, including higher non-interest income primarily due to gains on the sale of certain derivatives during the first quarter to help manage our interest rate risk position. Although net income was higher in the first quarter, net interest income was down due to the declining interest rates, which led to increased principal prepayments in our MPP and MBS portfolios and lowered income from the investment of capital.

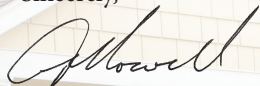
Similar to the rest of the financial industry, falling interest rates have pressured net interest margins in general. This trend is expected to continue throughout 2020 and, combined with the uncertainty of the pandemic impacts, were driving factors in the Board of Directors' decision to lower the dividend rate. In the first quarter we added \$59 million to retained earnings, continuing a trend over the last several years. This bolsters the value of members' ownership and can be used to stabilize dividends going forward. We will release second quarter financial results on July 29.

Throughout the FHLB System, Advances grew as the lockdown began and members sought liquidity. Advances grew to \$807 billion by the end of March, up \$165 billion, or 26 percent, from year-end. Our own Advances grew to \$80 billion at March 31, up from \$47 billion at year-end, an increase of 69 percent. But the Fed's liquidity programs and other stimulus efforts mean our members are flush with liquidity. By May 31, systemwide Advances had dropped to \$625 billion, below year-end levels. Our Advances have also declined.

Historically, your dividend has moved in fairly close correlation with broader economic and financial conditions, with a good level of stability. Over the past 10 years, we returned nearly \$1.8 billion of earnings to our members in dividends. The rate averaged 4.52 percent in that time, well above the average three-month LIBOR rate of 0.86 percent over that same period. Our first quarter dividend was a strong 2.17 percent above average second-quarter short-term interest rates (average 3-month LIBOR and Federal funds effective rate), providing members with a competitive rate of return.

Our dividend is one of many ways we provide value for your membership investment. 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

## A Commitment to Action on Racial Justice

*FHLB Cincinnati issued this statement on June 16.*

The shocking deaths of George Floyd, Breonna Taylor and Ahmaud Arbery have focused the nation's attention on institutional racism. The Federal Home Loan Bank of Cincinnati stands against racism in all its forms and, aligned with our corporate value of inclusiveness, we recognize that we must do more to shape attitudes on equality and affect change in the communities we serve.

The FHLB Cincinnati's cooperative membership of 640 financial institutions support local businesses, mortgage lending, affordable housing and general economic development throughout Kentucky, Ohio and Tennessee. We are proud to be part of a strong network of local lenders, housing providers and civic leaders, and we know that we have an opportunity and an obligation to stand against injustice and systemic racism, now.

We can start by ensuring that we, as an organization, live up to our commitment to diversity and inclusion. There is no room for disparity at FHLB Cincinnati based on race, or any other attribute, and we will do our part to encourage honest, even if uncomfortable, conversations about our differences. We are committed to becoming more engaged champions of social justice, taking a more active role in local organizations and supporting those who stand for justice and the elimination of racism. We cannot solve the problem of racism alone but we can be an agent of change and progress toward a broader solution.

## Director Election Process Begins

Nominations for candidates to be elected to the FHLB's Board of Directors are now being accepted. This year, all members will elect two Independent directors. Ohio members will also elect two Member directors. All directors will serve four-year terms commencing January 1, 2021.

Ohio Member director nomination certificates and Independent director application forms are due on July 24.



Member nominations are submitted electronically using an email platform sent to all eligible voting members on June 22.

Independent Director Applications are accessible on the FHLB's public website and are submitted electronically directly to the FHLB. Ballots will be sent to members electronically on October 9, and results will be ratified by the Board and announced on November 19.

Please direct any questions to Melissa Dallas at [DirectorElection2020@fhlbcin.com](mailto:DirectorElection2020@fhlbcin.com), or to your Marketing Relationship Manager.

## Financial Management Conference Will Be An Online Affair Aug. 12

Save the date for the Annual Financial Management Conference, *Next Steps – Stepping up to the challenge*, which will be brought to members digitally on August 12 at 1 p.m. EDT.

Speakers include:

- Craig Dismuke, Vining Sparks
- Don Musso, FinPro Inc.
- Virginia Grohs, Fiserv

Registration is available at [www.fhlbcin.com](http://www.fhlbcin.com). If you have any questions, contact Leah Schroeder, Marketing Project Lead, or Courtney Doll, Marketing Relations Specialist, at [events@fhlbcin.com](mailto:events@fhlbcin.com) or 877-925-3452.



## A Multifaceted COVID Response

FHLB Cincinnati's priority throughout the pandemic has been to continue to provide excellent service to our members. To do this effectively, we have instituted new programs, made adjustments to existing procedures and asked for additional information from members.

The RISE Program, providing zero-percent interest Advances, is offered by the FHLB Cincinnati in response to the COVID-19 pandemic's impact on small businesses across the country. The RISE Program offers up to \$2 billion in six-month Advances at zero-percent interest through September 30 or until all funds have been exhausted, whichever occurs first. These funds can be used to support COVID-19 related assistance by all Fifth District members.

Additionally, FHLB has made adjustments to our Capital Plan, begun accepting PPP loans as collateral, and asked for more information about loans in forbearance.

To view additional details about these programs and all of our COVID related news in one place, visit [www.fhlbcin.com/covid-resources/](http://www.fhlbcin.com/covid-resources/).

## AHP Accepting Applications

The Affordable Housing Program is open for new applications through July 31. Please visit our website to view newly recorded webinars and other online resources for those looking for more information.

Please keep in mind the Economic Development Program, Community Investment Program, Zero Interest Fund and the Disaster Reconstruction Program are open year round.

Should you have any questions, please contact Housing and Community Investment at 888-345-2246.

## Dividend Declaration and Payment

At its June 18, meeting, the FHLB's Board of Directors declared a dividend for the first quarter 2020 at a 2.50 percent annualized rate. The dividend payment occurred June 18 in the form of cash.

## Disaster Reconstruction Funds Available

Three recent disaster declarations have been issued in the Fifth District, making affected areas eligible for FHLB's Disaster Reconstruction Program (DRP) to aid their recovery.

Eligible events and areas include:

- Households in Bell, Clay, Harlan, Knox, Laurel, Leslie, Letcher, McCreary, Perry, and Whitley in Kentucky and Campbell and Claiborne in Tennessee whose homes were damaged by severe storms and flooding from February 3-29, 2020.
- Households in Coshocton, Delaware, Fairfield, Franklin, Licking, Knox, Muskingum and Perry counties in Ohio whose homes were damaged by severe storms and flooding from March 20-22, 2020.
- Households in Bradley and Hamilton counties in Tennessee whose homes were damaged by severe storms, tornadoes and flooding from April 12-13, 2020.

Homeowners whose homes were damaged or destroyed may be eligible for grants of up to \$20,000. Read additional details about DRP at [www.fhlbcin.com](http://www.fhlbcin.com) or contact Housing and Community Investment at 888-345-2246 to participate.

## Habitat for Humanity of Cleveland, Tenn. Celebrates New Home

FHLB's Todd Berry hands new homeowner Sheila Smith her keys as part of Habitat for Humanity of Cleveland's latest home dedication. Affordable Housing Program funds through member Bank of Cleveland helped to make the home possible.



## Calendar

July 31 AHP Applications Due

August 12 Virtual Financial Management Conference

September 7 Labor Day

October 12 Columbus Day

November 11 Veteran's Day

November 19 AHP awards announced