



Kentucky Bankers Association

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April 9, 2002

Mr. John T. Korsmo
Chairman
Federal Housing Finance Board
1777 F Street, NW
Washington, DC 20006

Dear Chairman Korsmo:

I was pleased to hear the Federal Housing Finance Board scheduled an open hearing on April 11 to seek input regarding the various capital plans submitted by the Federal Home Loan Banks. The issue of the capital structure of the Cincinnati Bank is important to the Kentucky Bankers Association since some 90 percent of our members are shareholders in this financial institution.

The Cincinnati plan was developed by its Board of Directors with substantial input from Kentucky's two elected representatives on that Board, Buckner Woodford and Charles Beach, who serve as Vice Chairman and Chair of the Audit Committees, respectively. The Cincinnati approach involves both a membership and activity stock requirement. However, it also permits the use of excess stock as a means of capitalizing a portion of member activity. We believe it is important to recognize this excess stock was generated by a long-standing Cincinnati policy to pay dividends in the form of additional shares of stock. Kentucky members have been and continue to be willing to hold these shares in part due to the tax deferred nature of this income. Any change to the capital plan that would force redemptions of these shares and accelerate these tax payments cannot be supported by Kentucky institutions.

We believe the Cincinnati plan is consistent with the cooperative structure of the Federal Home Loan Bank System. It will encourage greater usage of funding products offered by the Bank and, at the same time, protect the value of stock dividend payments. We trust the judgement of the Cincinnati Board of Directors in developing this plan and we fully support their efforts.

Thank you for this opportunity to express our support of the Cincinnati Federal Home Loan Bank System and their innovative approach.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Ballard W. Cassady, Jr.', written in a cursive style.

Ballard W. Cassady, Jr.
President & Chief Executive Officer