# Financial Highlights

*(dollars in millions)*

## Selected Items at Year-End

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>$106,640</td>
<td>$103,181</td>
<td>$81,562</td>
<td>$60,397</td>
<td>$71,631</td>
</tr>
<tr>
<td>Advances</td>
<td>70,406</td>
<td>65,270</td>
<td>53,944</td>
<td>28,424</td>
<td>30,181</td>
</tr>
<tr>
<td>Mortgage loans held for portfolio, net</td>
<td>6,984</td>
<td>6,819</td>
<td>7,530</td>
<td>7,850</td>
<td>7,770</td>
</tr>
<tr>
<td>Investments</td>
<td>26,007</td>
<td>22,364</td>
<td>19,950</td>
<td>21,941</td>
<td>33,314</td>
</tr>
<tr>
<td>Deposits</td>
<td>730</td>
<td>914</td>
<td>1,177</td>
<td>1,084</td>
<td>1,452</td>
</tr>
<tr>
<td>Consolidated obligations</td>
<td>100,449</td>
<td>96,373</td>
<td>75,186</td>
<td>54,991</td>
<td>65,700</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>689</td>
<td>621</td>
<td>538</td>
<td>444</td>
<td>438</td>
</tr>
<tr>
<td>Total capital</td>
<td>4,939</td>
<td>5,310</td>
<td>4,537</td>
<td>3,559</td>
<td>3,523</td>
</tr>
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</table>

## Annual Operating Results

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>$244</td>
<td>$261</td>
<td>$235</td>
<td>$138</td>
<td>$164</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>54</td>
<td>51</td>
<td>45</td>
<td>46</td>
<td>49</td>
</tr>
<tr>
<td>Affordable Housing Program assessments</td>
<td>28</td>
<td>30</td>
<td>27</td>
<td>17</td>
<td>20</td>
</tr>
<tr>
<td>Total dividends paid</td>
<td>176</td>
<td>178</td>
<td>141</td>
<td>132</td>
<td>138</td>
</tr>
<tr>
<td>Weighted average dividend rate</td>
<td>4.00%</td>
<td>4.18%</td>
<td>4.44%</td>
<td>4.25%</td>
<td>4.38%</td>
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## Performance Ratios

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on average assets</td>
<td>0.24%</td>
<td>0.28%</td>
<td>0.35%</td>
<td>0.21%</td>
<td>0.24%</td>
</tr>
<tr>
<td>Return on average equity (ROE)</td>
<td>4.93</td>
<td>5.10</td>
<td>6.20</td>
<td>3.89</td>
<td>4.67</td>
</tr>
<tr>
<td>Operating expenses to average assets</td>
<td>0.054</td>
<td>0.055</td>
<td>0.067</td>
<td>0.068</td>
<td>0.070</td>
</tr>
<tr>
<td>Average three-month LIBOR</td>
<td>0.23</td>
<td>0.27</td>
<td>0.43</td>
<td>0.34</td>
<td>0.34</td>
</tr>
<tr>
<td>Average Federal funds effective rate</td>
<td>0.09</td>
<td>0.11</td>
<td>0.14</td>
<td>0.10</td>
<td>0.18</td>
</tr>
<tr>
<td>ROE spread to three-month LIBOR</td>
<td>4.70</td>
<td>4.83</td>
<td>5.77</td>
<td>3.55</td>
<td>4.33</td>
</tr>
<tr>
<td>ROE spread to Federal funds effective rate</td>
<td>4.84</td>
<td>4.99</td>
<td>6.06</td>
<td>3.79</td>
<td>4.49</td>
</tr>
</tbody>
</table>

## Capital Ratios at Year-End

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital-to-assets ratio – GAAP</td>
<td>4.63%</td>
<td>5.15%</td>
<td>5.56%</td>
<td>5.89%</td>
<td>4.92%</td>
</tr>
<tr>
<td>Capital-to-assets ratio – Regulatory</td>
<td>4.71</td>
<td>5.27</td>
<td>5.84</td>
<td>6.37</td>
<td>5.43</td>
</tr>
</tbody>
</table>

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The Federal Home Loan Bank of Cincinnati’s 2014 annual report on Form 10-K, as filed with the Securities and Exchange Commission, is available on the FHLB’s web site, www.fhlbcin.com. For a hard copy, you may email info@fhlbcin.com or call toll-free 1-877-925-3452.
The Federal Home Loan Bank of Cincinnati is a regional wholesale bank providing financial services for residential housing and economic development to 705 member stockholders in the FHLB System’s Fifth District of Kentucky, Ohio and Tennessee.
LEFT TO RIGHT: Andrew S. Howell, President and CEO; Carl F. Wick, Chair, Board of Directors

President and CEO and Board Chair
A Message for Our Members

We are pleased to report that the Federal Home Loan Bank of Cincinnati (FHLB) experienced a successful financial and operating performance year in 2014. We strived to deliver value to our member stockholders through competitively priced services, stable and solid dividend rates, and constructive affordable housing programs. We achieved all of those objectives in 2014. We attribute our performance to the strong partnership between the FHLB and our members, and our collective commitment to help Fifth District members meet the housing finance and economic development needs of their communities.

Financial and Operating Performance

Earnings declined slightly in 2014, in part because lower interest rates reduced our net interest income, but also because of actions we took to reduce risk exposure. Net income in 2014 was $244 million compared to $261 million in 2013, a 6 percent decrease. Our consistent financial performance enabled us to pay an average quarterly dividend rate of 4.00 percent and add $68 million to retained earnings.

Beginning in late 2013 and continuing during 2014, we took advantage of the low interest rate environment and replaced maturing debt with longer-term liabilities to provide protection from the future possibility of rising interest rates. In the short term, however, this interest rate risk protection negatively affected our net interest margin and reduced net income in 2014.

Total assets at year-end were $106.6 billion, rising 3 percent higher than 2013 assets of $103.2 billion. Advances, our principal mission asset, rose 8 percent. Advances grew both in overall balances and in every major charter category of our membership – commercial banks, thrifts, credit unions and insurance companies. As always, we believe the key to the ongoing success of the FHLB is our diverse membership base, aided by favorable housing and economic conditions.

Affordable Housing Program Anniversary

In 2014 we awarded 78 grants totaling $28.0 million to 47 Fifth District members to help create 2,413 units of needed affordable housing. In addition, we disbursed $10.4 million in Welcome Home Program grants to 170 members to help 2,122 households with down payment and closing cost...
The FHLB would like to extend our sincere appreciation to retiring director Carl F. Wick for 12 years of service on our Board, including eight as our Chair. The longest-serving chair in our 82-year history, Carl’s steady hand and collaborative leadership style earned the respect of everyone who came to know him.

Carl’s leadership on the Board was instrumental in working with management to successfully guide the FHLB through the financial crisis, preserving its safety, soundness and profitability while standing firm on the importance of providing quality, competitive services for our members and Fifth District communities. With the many successes of the Cincinnati FHLB on his resume, in 2012 and 2013 Carl was appointed to serve as chair of the Council of Federal Home Loan Banks, where he helped foster and strengthen productive relationships with legislators and our regulator for the benefit of the entire Federal Home Loan Bank System.

Thanks to Carl’s service, our FHLB is anchored on a strong foundation as we prepare for the new challenges that lie ahead. Our company, our members, and all of our partners are grateful for his extraordinary dedication and leadership, and we wish him well.

assistance. In 2015 we will celebrate the 25th anniversary of AHP, and in that time we have awarded or disbursed $526 million toward the creation of 67,500 units of affordable housing. Through the collaborative efforts of our Board, our Advisory Council and our Housing and Community Investment Department, AHP has become an important force for affordable housing in our district, improving and enriching the lives of tens of thousands of residents.

A New Look for Our FHLB

In case you didn’t notice, on the cover and the inside of this report is the FHLB’s new brand, featuring new colors, icons and patterns. We believe this brand projects a more modern and fresh design and is more adaptable to today’s digital and banking technologies. Over the next several months we will gradually roll out the new brand, replacing the old brand in all FHLB reports, forms, materials and signage. We hope you like our new look. What will not change, however, is the value of membership you have come to expect from your FHLB.

Mortgage Purchase Program (MPP)

Member participation in our MPP grew during the year as a record 95 members sold mortgages to us, and we expect MPP participation to continue to grow in 2015. During 2014, we conducted a review of the program, looking for ways to enhance it and make it even more attractive and user friendly for our members. We are currently studying the results of that review, and will announce enhancements to MPP during 2015.

Membership NPR

In September 2014 our regulator, the Federal Housing Finance Agency, issued
a Notice of Proposed Rulemaking that, among other things, would impose ongoing housing-asset tests on all members to maintain their FHLB membership. It would also effectively ban captive insurance companies from membership. We believe this new test is unnecessary, as thresholds and policies are already in place that ensure our members’ commitment to housing. More than 1,300 comment letters were sent to the agency, an unprecedented number. All but a handful of the letters opposed the regulation. We will keep you apprised of any developments.

Newly Elected Board Members

For 2015, we have added one new director and have installed a new chairman. Carl Wick, a director for 12 years and Board chairman for the last eight, has retired after serving the maximum number of terms. His contributions to the FHLB were significant and immeasurable, and we wish him well. Succeeding Carl as chairman is Donald J. Mullineaux, Emeritus duPont Endowed Chair in Banking and Financial Services at the Gatton College of Business and Economics at the University of Kentucky in Lexington. Dr. Mullineaux joined the Board in 2010 as an independent director, where he has contributed expertise in complex financial matters. Remaining as vice chair is director William J. Small, chairman of First Federal Bank of the Midwest in Defiance, Ohio.

Newly elected as an independent director is Nancy E. Uridil of Cleveland, Ohio, a retired business executive with vast experience in information technology and operations. Returning to the Board following the most recent election are Tennessee member directors James A. England, chairman, Decatur County Bank, Decaturville, and William S. “Sammy” Stuard Jr., president and chief executive officer, F&M Bank, Clarksville, as well as Ohio member director James R. DeRoberts, chairman, The Arlington Bank, Upper Arlington, and independent director Charles J. “Bud” Koch, of Bratenahl, Ohio. All five of these directors will serve four-year terms, through 2018.

The Year Ahead

The great changes of the second decade of the 21st century are bringing challenges to our industry. Americans are moving back into cities, and homeownership is shrinking as renting grows. Lenders of all sizes and charter types are under increased regulatory scrutiny and burdens. Smartphones and mobile devices are expanding the horizons of banking at the same time cybercriminals relentlessly exploit weaknesses in computer networks. Amid these challenges we focus on delivering value to members while preserving the safety, soundness and profitability of the FHLB. In addition, through our affordable housing programs and local partners, we aid those less-fortunate households and help members make a real difference in their communities. Though each turn brings new challenges to our industry, your FHLB will steadfastly focus on returning value to you for your membership.

Sincerely,

Carl F. Wick
Chair, Board of Directors

Andrew S. Howell
President and CEO
Federal Home Loan Bank of Cincinnati

Front row, seated left to right:

William J. Small
(Board Vice Chair)
Chairman
First Federal Bank of the Midwest
Defiance, Ohio

Charles J. Ruma
President
Davidson Phillips Inc.
Columbus, Ohio

James R. DeRoberts
Chairman
The Arlington Bank
Upper Arlington, Ohio

Michael R. Melvin
President/Director
Perpetual Federal Savings Bank
Urbana, Ohio

J. Lynn Anderson
President
Nationwide Bank
Columbus, Ohio

William S. “Sammy” Stuard Jr.
President and CEO
F&M Bank
Clarksville, Tennessee

Back row, standing left to right:

Thomas L. Moore
Director
First Federal Bank of Ohio
Galion, Ohio

Mark N. DuHamel
Executive Vice President/
Treasurer
FirstMerit Bank, N.A.
Akron, Ohio

Grady P. Appleton
President/CEO
East Akron Neighborhood Development Corp.
Akron, Ohio

William J. Small
Chairman
First Federal Bank of Ohio
Galion, Ohio

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Urbana, Ohio

J. Lynn Anderson
President
Nationwide Bank
Columbus, Ohio

William S. “Sammy” Stuard Jr.
President and CEO
F&M Bank
Clarksville, Tennessee
2014 Board of Directors

Front row, seated left to right:

Alvin J. Nance
CEO, Development and Property Management Operating Divisions
Lawler Wood Housing Partners, LLC
Knoxville, Tennessee

Carl F. Wick
(Board Chair)
Principal/Owner
Wick and Associates Consulting
Centerville, Ohio

Back row, standing left to right:

Charles J. “Bud” Koch
Principal/Owner
Lakehurst Associates
Bratenahl, Ohio

Greg W. Caudill
President and CEO
Farmers National Bank
Danville, Kentucky

Dr. Donald J. Mullineaux
(2015 Board Chair)
Emeritus duPont Endowed Chair in Banking and Financial Services
University of Kentucky
Lexington, Kentucky

Leslie D. Dunn
Retired Partner
Jones Day
Cleveland, Ohio

James A. England
Chairman
Decatur County Bank
Decaturville, Tennessee

David E. Sartore
Executive Vice President and CFO
Field & Main Bank
Henderson, Kentucky
The scope and diversity of lives touched and improved through AHP is extraordinary. AHP has aided the creation of housing for low-income households in many forms – for the elderly, for the homeless, for those with special needs, for drug treatment centers, for women’s shelters, for Habitat homes, for families and individuals seeking a decent, affordable place to call home.

Over 25 years, AHP has become an important source of funds in the complicated world of affordable housing finance. Often AHP provides gap funding – the last dollars a project needs to break ground. In other instances, however, AHP dollars are the first in, allowing a housing group to leverage those funds to obtain the remainder of needed financing.

Marie Williams, Deputy Commissioner for the Tennessee Department of Mental Health and Substance Abuse Services and a former Advisory Council member, said AHP awards were vital to getting projects off the ground. “What it allowed us to do was leverage more funds than we started out with,” she said. “It enticed other funders to come to the table. It allowed us to create more housing options.” Using AHP money and other FHLB programs, Ms. Williams helped Tennessee secure more than $30 million in funding to create nearly 1,500 units of affordable housing.

AHP was created by the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), which funded the program with 5 percent of each FHLB’s net income, a percentage that was later raised to 10 percent. That same law also allowed for the expansion of the FHLB’s membership to include not only thrifts and insurance companies, but commercial banks and credit unions. The FHLB spent the 1990s recruiting new members, and as membership grew, so did the FHLB’s profits and the funds available for AHP. The first year AHP was administered, in 1990, about $2 million was available. In 2014, AHP grants awarded topped $28 million.

Vital to the growth of AHP was the leadership of Carol M. Peterson, who headed the FHLB’s Housing and Community Investment Department for 25 years. Ms. Peterson’s relentless promotion of AHP took her to every corner of the Fifth District, spreading word of the availability of funds for needed affordable housing.

2015 also marks 25 years that the 15-member Advisory Council has been advising the FHLB on the affordable housing needs of the Fifth District. Discussions were sometimes spirited: Which comes first, affordable housing or economic development? Should the emphasis be on homeownership or rental? Recommendations from the Council have led to emphasis on housing in Appalachia and for special needs households. They also led to creation of the FHLB’s voluntary programs, providing assistance for minority homebuyers, victims of natural disasters, those facing foreclosures, and households needing vital repairs or accessibility modifications.

For instance, in 2005, on the Advisory Council’s recommendation, the Board created a program to help survivors of Hurricane Katrina. Garry Watkins, President of Wabuck Development Co. in Leitchfield, Kentucky, and a former Advisory Council chairman,
said that epitomized the benefit of the voluntary programs. “That program was swift and fast and got money out there for agencies to use,” he said. “Where everybody else was trying to figure out how to get the boat in the water, we were catching fish.”

Grady Appleton, Executive Director of East Akron Neighborhood Development Corp., who is also former chair of the Advisory Council and currently a director of FHLB, said the Board of Directors regards the Council “with a great deal of respect. The Board finds their input very valuable, almost invaluable, on how our housing programs can be structured to meet the need for affordable housing in the district. I can’t think of a time a recommendation from the Council wasn’t approved by the Board.”

In the future, demand for AHP will grow, said Steve Gladman, the current Advisory Council chairman and President of the Affordable Housing Trust for Columbus and Franklin County (Ohio). “Other sources of equity and soft money for affordable housing are starting to become less available. The demand for the funds from the FHLB will be increasing,” he said.

Mr. Appleton says AHP will continue to be an important funding source because the need for affordable housing remains. “We need to preserve what we’ve got and develop more,” he said. “AHP will continue to be a resource, to make projects happen and keep them affordable.”

Education is essential to lifting families out of poverty, but parents of young children – often single parents – have difficulty going to college while balancing work with childcare. In Kentucky, the Scholar House program provides housing and other assistance to families while parents work on college degrees. The FHLB has helped build three Scholar House facilities with AHP grants.

AT A GLANCE

CHRISTIAN AHP WORKSHOP

Carol (Peterson) understood the need and understood the mission of who we were trying to serve, and the need for affordable housing in our communities, and how difficult it was to raise money for such a noble mission. She wanted the FHLB to be a major, major part of changing people’s lives.

Mary Shearer, Executive Director of Kentucky Habitat for Humanity

From more than a half billion dollars invested, these are a few AHP projects that have made a difference:

Scholar House of Paducah

Though it has been open less than three years, the Scholar House in Paducah has seen 20 residents graduate with associate’s degrees, and many have remained in school working on bachelor’s degrees, said director Debbie Patterson. “We’re giving them the resources to go from below the poverty line, get their education, and transition to full-time work,” she said.

The 48-unit complex, which opened in June 2012, provides a computer lab for residents. The daycare facilities prepare children for kindergarten. The Scholar House has partnered with Murray State University, Lindsey Wilson College and West Kentucky Community & Technical College. Ms. Patterson, a retired teacher, said residents must maintain at least a 2.0 grade point average, and can live there as long as they remain in school, up through a master’s degree.

Paducah, Kentucky

Population served: Very low- and low-income adult parents pursuing a higher-education degree


AHP subsidy: $479,000
Former U.S. President Jimmy Carter has spent years helping focus attention on the need for affordable housing solutions, especially in low-income, rural communities. One successful implementation of that goal took place right here in the Fifth District. Hammering in the Hills: the 1997 Habitat for Humanity International Jimmy Carter Work Project (JCWP) was a $7.75 million, one-week “blitz build” endeavor. Through a connection with the Federation of Appalachian Housing Enterprises Partnership Build, the JCWP enabled the construction of 150 Habitat for Humanity homes in Appalachian Kentucky, Tennessee, Virginia and West Virginia for low- to very low-income, first-time homeowners.

FHLB staff and members were on site in both Pikeville, Kentucky, and Robbins, Tennessee, for the week in June 1997, assisting with project planning and home building. Other noteworthy guests joining President Jimmy Carter and First Lady Rosalynn Carter included Habitat for Humanity International founders Millard and Linda Fuller, Kentucky Governor Paul Patton, and First Lady Hillary Clinton.

The creation of the Foothills Academy followed an unusual path: A judge in rural Clinton County, Kentucky, grows tired of seeing the same troubled teens coming through his court, and decides something needs to be done. On land confiscated by federal authorities during the bust of a marijuana-growing operation, the judge in 2003 leads creation of a center for abused and neglected teenage boys, and several years later, a separate campus for teenage girls.

Now retired from the courts, former judge D. Jeff Choate is today president and CEO of Foothills Academy, which runs a school for boys in Albany and the Otter Creek campus for girls in Monticello. The schools take in abused and neglected youth, many of whom have been in and out of foster homes, and provide them with educational opportunities and counseling. In addition, the academy employs 160 people in one of the poorest counties in the state, and has an annual budget of $7 million.

The AHP grants were crucial to the establishment of the facilities, Judge Choate said. “This area owes a big debt to you folks at the Federal Home Loan Bank, not only the lives we impact but the impact on the economy,” he said.
George Washington School Apartments

The George Washington School Apartments project involved the adaptive re-use/rehabilitation of a vacant elementary school built in 1918 into 54 one- and two-bedroom rental units for senior tenants in Appalachian Kingsport. Rents range from $489 to $613 per month. The complex, which opened in fall 2007, features a community room, technology learning center with Internet access, library, laundry room, exercise room and elevator. It is located in downtown Kingsport, near the Kingsport Senior Center. A city park, which features a walking track and seating, is next door.

Current resident Mary J., 71, was one of the first tenants to move into the George Washington School Apartments. A lifelong resident of Kingsport, Mary actually attended the functioning school from second through sixth grade. When she toured the rehabbed space for the first time, she said it “felt like coming home.” One of the school’s original chalkboards is located inside Mary’s unit. “My grandchildren have since drawn on it, so now my chalkboard is like a customized piece of art,” she said. During the renovation, contractors also saved a mural of George Washington that was part of the original structure.

Mary likes that the facility is on the bus line, allowing her to take public transit to shopping centers, grocery stores, health care offices and restaurants. There is a flower garden on the property, so when the weather is warm “that is one of the places you can find me, tinkering around.”

AT A GLANCE

GEORGE WASHINGTON SCHOOL APARTMENTS
Kingsport, Tennessee
Population served: Very-low and low-income senior tenants
FHLB member and nonprofit sponsor: Bank of Tennessee and Greater Kingsport Alliance for Development, both of Kingsport
AHP subsidy: $606,655
Veterans Resource Center

One of the Veterans Resource Center’s current residents is Joe S., 54, a U.S. Army veteran with six years of service. Following an honorable discharge from the military, the lower back issues Joe suffered during active duty worsened. Though he went on to enjoy a decades-long career with the U.S. Postal Service, Joe stopped working due to health issues. Additional life issues led to foreclosure of the home he once owned. He was homeless for more than three years when, while attending rehab, a caseworker there mentioned that the Veterans Resource Center had opened and was looking for tenants. Joe rode the bus for an in-person interview at the facility, and learned he was accepted as a resident. Though he moved out on his own for a spell, Joe is now back at the center with a new appreciation for life. “This place has helped me reconnect with my mental health and physical pain management professionals,” Joe said. “This is also a much safer environment, and I have even started to do some volunteer work at the nearby food pantry.” The $1.9 million facility opened in 2012.

 Commons at Third

Resident Tena M., 58, has called Commons at Third home for three years, since the opening of the facility in 2012. She was homeless, but still worked a cleaning job in the Columbus area. It was at that job that she learned the $10.9 million Commons at Third was almost complete and accepting tenants. After submitting an application, passing a background check and attending an in-person interview on site, Tena learned she was selected to sign a one-year lease. Since moving in, Tena’s life has experienced a complete turnaround. “Having my own place has allowed me to re-establish a relationship with my two daughters,” she said. “When I was on the street, I couldn’t focus on them much. I was really just concerned with figuring out where to sleep, eat, and shower.” Tena also reports that her health is better now, thanks to the nurse practitioner employed at Commons at Third. “I learned I have both high blood pressure and Type 2 diabetes, but I have access to medications that keeps those under control.” Tena describes her apartment as “wonderful” and says she is “so grateful to have this place as well as all of the people here who help me.”
Advisory Council

Front row, seated left to right:

Linda G. Leathers
Executive Director and CEO
The Next Door Inc.
Nashville, Tennessee

Stacey D. Epperson
President and CEO
Next Step Network
Louisville, Kentucky

Douglas A. Garver
Executive Director
Ohio Housing Finance Agency
Columbus, Ohio

Cecil F. Dunn
(Council Vice Chair)
Executive Director
HOPE Center
Lexington, Kentucky

Deborah W. Williams
(Council Chair)
Executive Director
Housing Assistance and Development Services (HANDS) Inc.
Bowling Green, Kentucky

David L. Kreher
Executive Director
People’s Self-Help Housing Inc.
Vanceburg, Kentucky

Not pictured:

Donald R. Ball
Chairman
Ball Homes
Lexington, Kentucky

Mark K. Milligan
Principal/Owner
Passage Management
Columbus, Ohio

Danny Herron
President and CEO
Habitat for Humanity of Greater Nashville
Nashville, Tennessee

Terry W. Cunningham
Executive Director
Kingsport Housing and Redevelopment Authority
Kingsport, Tennessee

Steven D. Gladman
President
The Affordable Housing Trust for Columbus and Franklin County
Columbus, Ohio

Back row, standing left to right:

Don R. Alexander
Executive Director
Crossville Housing Authority
Crossville, Tennessee

Thomas K. Stone
Executive Director
Mt. Pleasant NOW Development Corp.
Cleveland, Ohio

Susan E. Weaver
CEO and Executive Director
Community Housing Network Inc.
Columbus, Ohio

Kenneth “Jay” Kittenbrink
Executive Director
Episcopal Retirement Homes
Cincinnati, Ohio
Performance

Earnings

The FHLB posted earnings of $244 million in 2014, a decline of 6 percent from 2013. Our return on equity (ROE) averaged 4.93 percent, compared to 5.10 percent a year earlier. ROE in 2014 was 470 basis points above the average 3-month London InterBank Offered Rate (LIBOR); this difference is a key measure of the competitiveness of the profitability resulting from our operations. We believe this represents an excellent performance on behalf of our member stockholders in the difficult low interest rate environment.

Operating expenses as a percentage of average assets were steady at 5.4 basis points in 2014 compared to 2013.

While the low interest rate environment was a major factor in the decline of our net income and net interest income, it also provided us the opportunity to extend our debt maturities. This balance sheet restructuring initiative reduced our market risk profile and positions us well for possible rising interest rates. On the asset side of the balance sheet, growth in member Advances and our holdings of mortgage-backed securities contributed positively to earnings. Also, in 2013 we recorded a $7 million reversal of credit losses in our mortgage portfolio. Without a similar gain in 2014, earnings were lower by comparison.
Dividend

In 2014 we paid an average 4.00 percent annualized dividend, compared to the average 3-month LIBOR benchmark rate of 0.23 percent. We paid out $176 million in dividends, a payout ratio of 72 percent.

Members are reminded there is a one-quarter lag in our dividend payments. The dividends we pay in a given quarter are based on the previous quarter’s earnings and members’ average capital stock balances. All 2014 dividends were paid in the form of cash.

Capital and Retained Earnings

We report two measures of capital. GAAP capital, which comprises members’ capital stock, retained earnings and accumulated other comprehensive income, was $4.9 billion at year-end, a decline of $371 million, or 7 percent, compared to year-end 2013. Capital stock declined primarily as a result of the repurchase and redemption of $498 million in member excess stock in February 2014, and that was partially offset by additions to retained earnings and purchases of member activity stock throughout the year.

Regulatory capital is GAAP capital plus mandatorily redeemable capital stock, less accumulated other comprehensive income. Our regulatory capital-to-assets ratio at year-end was 4.71 percent, substantially exceeding the minimum 4.00 percent requirement.

Retained earnings grew by $68 million to end the year at $689 million. We believe the current amount of retained earnings is sufficient to protect our members’ capital stock against the remote risk of impairment and to support future dividend stability.

The FHLB’s investment portfolio grew to $26.0 billion by year-end 2014, up
$3.6 billion from a year earlier. The FHLB maintains adequate liquidity to support our goal of funding Advances on the same day members request them.

Credit Services

Advance balances grew during 2014 to end the year at $70.3 billion in principal balances from $65.1 billion at year-end 2013 – an increase of 8 percent and a record year-end balance. We introduced a new Advance, the Symmetrical Prepayment Advance, during the year, which provides borrowers with added protection against rising interest rates. We will continue to consider other structures that could benefit our members.

The FHLB continued to provide Advance special offerings in 2014. Offerings frequently feature an Advance program specifically requested by members or an Advance that features advantageous pricing and terms due to a particular debt offering. A total of 148 members borrowed nearly $1.5 billion through the 21 specials in 2014.

Average daily Letters of Credit (LOC) balances rose to nearly $15.2 billion in 2014, up 21 percent compared to 2013. Several large members increased their use of LOCs in 2014.

MPP

A competitive alternative to the traditional secondary mortgage market, our Mortgage Purchase Program (MPP) continued to attract substantial member interest in 2014. The number of active sellers reached a record high of 95 members.

MPP principal balances rose 2 percent in 2014 to end the year at $6.8 billion. Principal purchases grew nearly 5 percent to $1.2 billion, while paydowns declined
43 percent to $1.1 billion, amid a slowdown in mortgage refinancing activity. MPP remains an important contributor to the FHLB’s earnings and dividend. In addition, MPP activity increased in the fourth quarter of 2014. Total outstanding commitments at year-end were $451 million, compared to $37 million a year earlier. This activity will be reflected in 2015’s balances.

Housing and Community Investment (HCI)

In 2014, the FHLB continued to provide affordable housing assistance to Fifth District members and their communities. Our flagship program is the Affordable Housing Program (AHP), funded with 10 percent of our annual net income. In 2014, the FHLBank awarded or disbursed

- Total housing funds awarded or disbursed: $90.2 million
- Housing units supported: 4,715
- Members taking part in one or more HCI programs: 222

We partnered with a secondary mortgage market consultant in 2014 to conduct a comprehensive review of our program to identify ways we can enhance the value of the program for participating financial institutions (PFIs). We are carefully evaluating the recommendations for possible implementation in the coming months.
$38.4 million through its members to help 4,535 households secure decent, affordable housing. In 25 years of partnering with our members and housing organizations, we have awarded or disbursed $526 million through AHP to assist 67,500 households. For 2015, the FHLB has accrued $27.6 million for AHP, which reflects earnings in 2014.

There are two components to the AHP. Under the AHP competitive program, in 2014 the FHLB awarded $28.0 million in AHP grants through its members for the creation or preservation of 2,413 units of affordable housing. Under the AHP set-aside program, the Welcome Home Program, $10.4 million was disbursed to members to assist 2,122 very low-, low- and moderate-income households with the purchase of homes, most of them first-time homebuyers.

The Carol M. Peterson Housing Fund is a voluntary program established in 2010 by the Board. The funds were designated to help elderly and special needs households with accessibility rehab and emergency repairs to their homes. Response to the program was enthusiastic. In 2014, the FHLB disbursed more than $861,000 on behalf of 146 households through our members and their affordable housing partners to homeowners in the Fifth District. In addition, three housing nonprofits – one each in Kentucky, Ohio and Tennessee – were awarded grants totaling $140,000 to assist individuals with special needs. For 2015, the Board authorized another $1 million in funding for accessibility rehab projects.

The Disaster Reconstruction Program, another voluntary program, continued to help Fifth District residents whose homes were damaged or destroyed by natural disasters. To date, we have disbursed nearly $2.9 million from this fund to help 172 households re-establish housing. We stand ready to quickly come to the aid of those families affected by natural disasters.

Other FHLB housing programs include the Community Investment Program, Economic Development Program, and Zero-Interest Fund. In 2014, the FHLB disbursed $50.2 million through these low-cost Advance programs for housing and economic development.

Membership and Outreach

The number of member stockholders fell to 705 in 2014 from 727 in 2013 due mainly to merger activity during the year. We also approved two new member stockholders in 2014. The number of member stockholders at year-end was 307 in Ohio, 208 in Kentucky and 190 in Tennessee.

We remain committed to maintaining frequent and timely communications with our members. We held four regional stockholder meetings, a financial management conference, an MPP users group meeting, and several housing
workshops and webinars. Through these outreach efforts we seek to ensure that our members are getting full value for their membership – that our current products and services meet their needs, that members are fully informed about the scope and availability of our broad array of products and services, and that in turn we remain informed about our members’ emerging needs.

<table>
<thead>
<tr>
<th>Member stockholders</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Banks</td>
<td>442</td>
<td>457</td>
</tr>
<tr>
<td>Thrifts and Savings Banks</td>
<td>101</td>
<td>109</td>
</tr>
<tr>
<td>Credit Unions</td>
<td>120</td>
<td>120</td>
</tr>
<tr>
<td>Insurance Companies</td>
<td>38</td>
<td>37</td>
</tr>
<tr>
<td>Community Development Financial Institutions</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>705</td>
<td>727</td>
</tr>
</tbody>
</table>
Senior Staff

Seated, left to right:

Thomas J. Ciresi
Senior Vice President
Member Services

David C. Eastland
Senior Vice President
Chief Credit Officer

Tami L. Hendrickson
Senior Vice President
Treasurer

Stephen J. Sponaugle
Senior Vice President
Chief Risk Officer

J. Christopher Bates
Senior Vice President
Chief Accounting Officer

Standing, left to right:

Roger B. Batsel
Senior Vice President
Chief Information Officer

Damon v. Allen
Senior Vice President
Community Investment Officer

R. Kyle Lawler
Executive Vice President
Chief Business Officer

Andrew S. Howell
President and CEO

Donald R. Able
Executive Vice President
Chief Operating Officer and
Chief Financial Officer

James G. Dooley Sr.
Senior Vice President
Internal Audit
Federal Home Loan Bank of Cincinnati Officers

ANDREW S. HOWELL
President and CEO

DONALD R. ABLE
Executive Vice President
Chief Operating Officer and
Chief Financial Officer

R. KYLE LAWLER
Executive Vice President
Chief Business Officer

DAMON v. ALLEN
Senior Vice President
Community Investment
Officer

J. CHRISTOPHER BATES
Senior Vice President
Chief Accounting Officer

ROGER B. BATES
Senior Vice President
Chief Information Officer

THOMAS J. CIRESI
Senior Vice President
Member Services

JAMES G. DOOLEY SR.
Senior Vice President
Internal Audit

DAVID C. EASTLAND
Senior Vice President
Chief Credit Officer

TAMI L. HENDRICKSON
Senior Vice President
Treasurer

STEPHEN J. SPONAUGLE
Senior Vice President
Chief Risk Officer

JEFFERY S. BERRYMAN
Vice President
Credit Operations

HERMAN BOWLING JR.
Vice President
Housing and Community
Investment

JOSEPH W. CASTLEN
Vice President
Mortgage Purchase Program

MELISSA D. DALLAS
Counsel
Vice President
Public Affairs

DEBBRA M. DEMARIS
Vice President
Assistant Controller

MARY H. ESTELL
Vice President
Correspondent Services

JAMES C. FRONDORF
Vice President
Credit Services

S.G. FRANK HAAS III
Vice President
Enterprise Risk Management

DARREN M. KUNTZ
Vice President
Assistant Treasurer

JAMES J. O’TOOLE
Vice President
Marketing

KARLA M. RUSSO
Vice President
Human Resources

DANIEL A. TULLY
Vice President
Financial and Market
Risk Analysis

NANCY J. BAKER
Assistant Vice President
Marketing

JEROME C. BAUER
Assistant Vice President
Investment Services

TODD W. BERRY
Assistant Vice President
Marketing

JOHN J. BYCZKOWSKI
Assistant Vice President
Public Affairs and
Communications

PAUL J. DOYLE
Assistant Vice President
Systems and Programming

JEFFREY A. FIELDS
Assistant Vice President
Business Development

CHRISTINE A. FLISCHEL
Assistant Vice President
Information Security Officer

C. DAVID HEDRICK JR.
Assistant Vice President
Credit Risk Management

KEVIN M. KENNEDY
Assistant Vice President
Internal Audit

MATTHEW C. MILLER
Assistant Vice President
Financial and Market
Risk Analysis

THOMAS C. MUTH
Assistant Vice President
Marketing

JUDITH M. ROSE
Assistant Vice President
Marketing

MAI D. VUE
Assistant Vice President
Project Management Office

JANICE L. WEBER
Assistant Vice President
Technical Services

JOHN D. ZAZYCKI
Assistant Vice President
Funding and Derivatives

DAVID A. BAILEY
Mortgage Purchase
Program Officer

J. BRADLEY BAKER
Credit Risk Management
Officer

COREY M. BURNS
Credit Analysis Officer

IRINA GIKHMAN
Internal Audit Officer

DAVID M. KOMBEREC
Mortgage Portfolio Officer

BRENDA A. PIERRE
Housing Quality Assurance
Officer

MARK A. RUSSELL
Human Resources
Operations Officer

MICHAEL E. SCHWARZ
Internal Audit Officer

MARK J. TREFZGER
Liquidity Officer

LISA A. WISHART
Credit Operations Officer

CRAIG M. WUEBBEN
Administrative Services
Officer

NOTE: This list reflects FHLB officers as of April 2015.