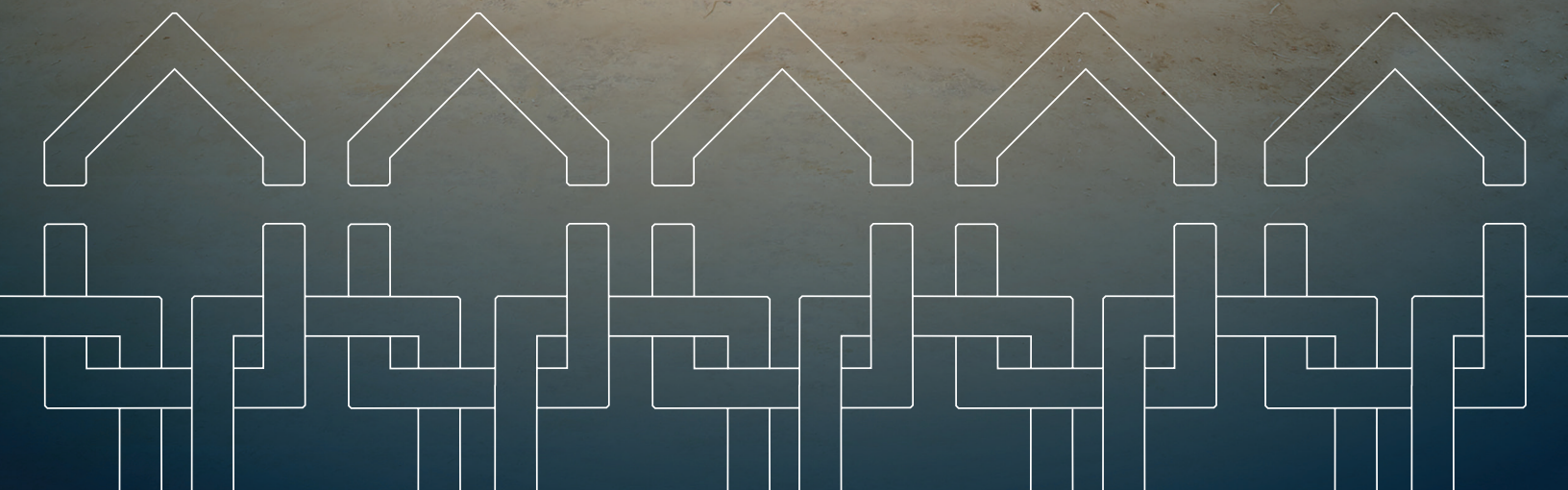


# PARTNERSHIP

2016 ANNUAL REPORT





# FINANCIAL HIGHLIGHTS



(dollars in millions)

Selected Items at Year-End	2016	2015	2014	2013	2012
Total assets	\$104,635	\$118,756	\$106,607	\$103,137	\$81,540
Advances	69,882	73,292	70,406	65,270	53,944
Mortgage loans held for portfolio, net	9,149	7,952	6,951	6,775	7,508
Investments	25,334	37,356	26,007	22,364	19,950
Deposits	766	804	730	914	1,177
Consolidated obligations	97,881	112,291	100,449	96,373	75,186
Retained earnings	834	737	656	578	516
Total capital	4,978	5,153	4,906	5,267	4,515
<b>Annual Operating Results</b>					
Net income	\$ 268	\$ 254	\$ 254	\$ 240	\$ 215
Operating expenses	68	62	54	51	45
Affordable Housing Program assessments	30	28	28	30	27
Total dividends paid	171	172	176	178	141
Weighted average dividend rate	4.00%	4.00%	4.00%	4.18%	4.44%
<b>Performance Ratios</b>					
Return on average assets	0.25%	0.24%	0.25%	0.26%	0.32%
Return on average equity (ROE)	5.35	5.04	5.16	4.72	5.69
Operating expenses to average assets	0.064	0.058	0.054	0.055	0.067
Average three-month LIBOR	0.74	0.32	0.23	0.27	0.43
Average Federal funds effective rate	0.39	0.13	0.09	0.11	0.14
ROE spread to three-month LIBOR	4.61	4.72	4.93	4.45	5.26
ROE spread to Federal funds effective rate	4.96	4.91	5.07	4.61	5.55
<b>Capital Ratios at Year-End</b>					
Capital-to-assets ratio – GAAP	4.76%	4.34%	4.60%	5.11%	5.54%
Capital-to-assets ratio – Regulatory	4.80	4.38	4.68	5.23	5.81

The Federal Home Loan Bank of Cincinnati's 2016 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](http://www.fhlbcin.com). For a hard copy, you may email [info@fhlbcin.com](mailto:info@fhlbcin.com) or call toll-free 1-877-925-3452.



## 2016 ANNUAL REPORT

The Federal Home Loan Bank of Cincinnati is a regional wholesale bank providing financial services for residential housing and economic development to 687 member stockholders in the FHLB System's Fifth District of Kentucky, Ohio and Tennessee.

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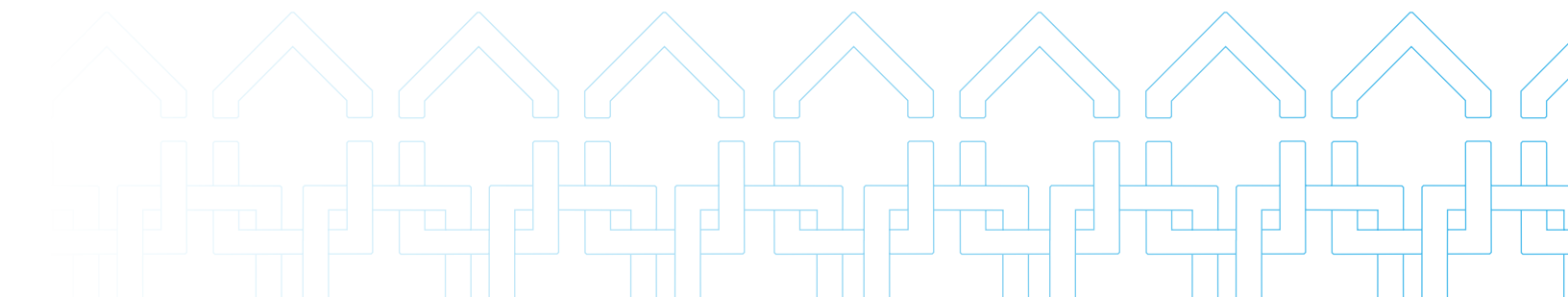
Jimmy & Rosalynn  
Carter Work Project

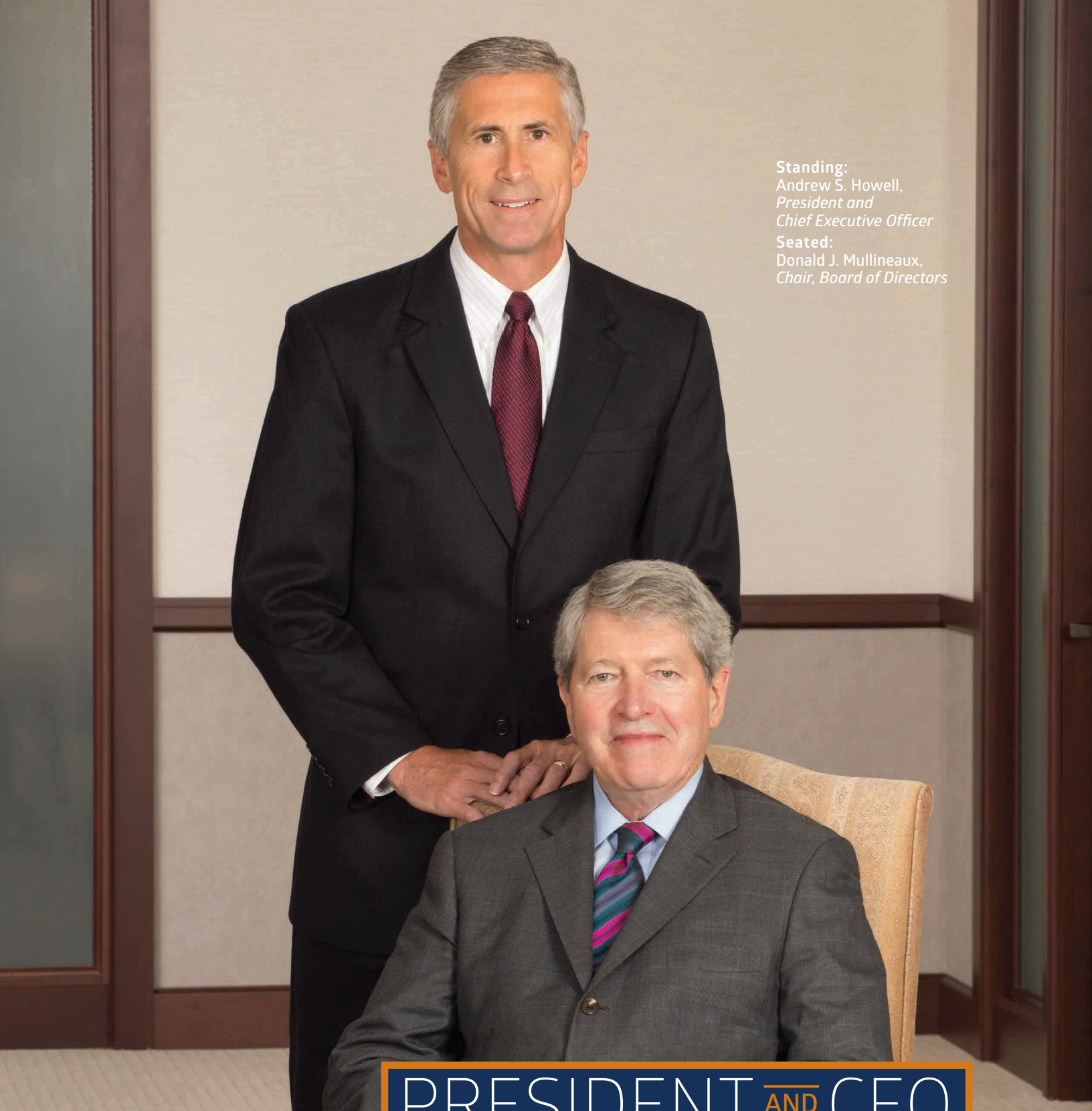
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FHLB Officers

**On the Cover:**  
An illustration of partnership: In August, employees from FHLB Cincinnati and several members participated in the Carter Work Project, hosted by Greater Memphis Habitat for Humanity. FHLB Cincinnati contributed \$100,000 toward the build. On the last day of the build, workers who helped to erect House 13 from FHLB, members, Habitat and others stood for a photograph with the President and Mrs. Carter.

*Credit: Habitat for Humanity International*





**Standing:**  
Andrew S. Howell,  
*President and  
Chief Executive Officer*

**Seated:**  
Donald J. Mullineaux,  
*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) achieved another year of stable and consistent financial and operating performance in 2016. We devote our efforts to delivering membership value to stockholders through competitively priced services consistent with our housing finance mission, reliable dividend rates, and constructive affordable housing programs. We met all of those objectives in 2016.

**W**e attribute our strong performance to our ongoing partnership with members, our public policy mission, and the collective commitment to help meet the housing finance and economic development needs of FHLB Fifth District communities.

and also due to a regulatory action: The Federal Housing Finance Agency determined that captive insurance companies were not eligible for continued membership in the FHLBank System, and those entities were required to pay off more than \$6 billion of Advances during the year. As always, we believe the key to ongoing success is our diverse membership base, aided by favorable housing and economic conditions.

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## 101

### MEMBERS SELLING MORTGAGES

For the first time, the number of members selling mortgages to MPP during the year topped 100 – 101 to be exact.

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### Financial and Operating Performance

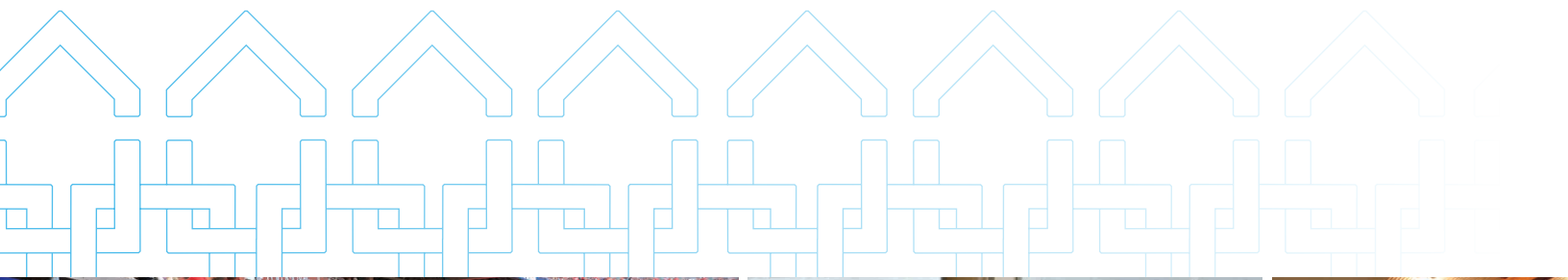
Earnings rose in 2016. This improved financial performance resulted from higher net interest income, the sale of certain mortgage-backed securities, and a conservative approach to risk management. Net income in 2016 was \$268 million compared to \$254 million in 2015, a 5 percent increase. We continued to pay a 4.00 percent annualized dividend rate in each quarter while also adding \$97 million, or 13 percent, to retained earnings.

Total assets at year-end were \$104.6 billion, down 12 percent compared to assets at year-end 2015 of \$118.8 billion. Advances, our principal mission asset, declined by 5 percent, as a result of a reduction in borrowing by a few large-asset members,

### Mortgage Purchase Program

We continue to promote the Mortgage Purchase Program (MPP) because of the value we believe it brings to members as a viable secondary market channel for the sale of their mortgage originations. The program enjoyed another solid year. For the first time, the number of members selling mortgages to MPP during the year topped 100 – 101 to be exact. The mortgage portfolio grew nearly \$1.2 billion to end the year at more than \$8.9 billion in principal balances. This program helps us fulfill our mission of housing finance, and is a strong contributor to earnings and resulting dividends. We expect another solid performance for MPP in 2017, and are working to continue to grow the program's participation.





## Community Investment Programs

With the help of our Advisory Council, we continuously monitor the affordable housing needs of the Fifth District to direct Housing & Community Investment programs for the greatest benefit. We are pleased that there is approximately \$30 million available for the Affordable Housing Programs in 2017. In addition, our voluntary programs continue to play an important role. In 2016, the Board expanded the Carol M. Peterson Housing Program to \$1.5 million. That increase made more funds available for accessibility rehab and other qualifying projects. Included in this year's CMPHF was a \$100,000 contribution from the FHLB that allowed several members and staff to participate in Habitat for Humanity International's Jimmy & Rosalynn Carter Work Project in Memphis in August. During that build, 19 homes were constructed for deserving families. As you'll read later in this report, everyone involved found this to be a rewarding experience, and we are grateful to have been able to participate.

In 2017, we expect that our regulator will propose new regulations for the Affordable Housing Program, the result of several years of study and consultation. Called the "modernization," it is the first major revision of the AHP in its 28-year history. We hope this effort makes AHP easier to use and better aligns AHP funds with other funding sources in bringing more affordable housing to individuals in communities served by our members.

## Improving the Member Experience

We continue to expand the use of technology tools to create a better experience for our members. In 2016 we kicked off a project to update our Members Only website portal – with one of the major goals of making member information more easily accessible. You will begin to see the results of that effort early in 2018. Behind the scenes, we are improving technology systems to bring together information in a more actionable way. One result of this is an expanded effort on analytics, helping provide clarity to your use of our products.

## Changes on the Board

For 2017, the membership added two new Member Directors from Ohio, while one new Independent Director was elected and two Independent Directors were re-elected. Newly elected from Ohio are Brady T. Burt, Chief Financial Officer for Park National Bank of Newark, and James J. Vance, Senior Vice President & Treasurer for Western & Southern Financial Group of Cincinnati.

J. Lynn Anderson of Columbus, Ohio, was elected as an Independent Director. Ms. Anderson, who previously served on the Board as an Ohio Member Director since 2011, retired as Senior Vice President for Nationwide Mutual Insurance Co., and subsequently ran for the Board as an Independent Director. She is chair of the Audit Committee, and also serves on the Housing & Community Development and Risk committees.

Re-elected to the Board are two Independent Directors, Leslie D. Dunn of Cleveland, Ohio, and Alvin J. Nance of Knoxville, Tenn. Ms. Dunn has served on the Board since 2007, is chair of the Governance Committee, and also serves on the Audit and Personnel &



Compensation committees. Mr. Nance has served on the Board since 2009, and serves on two Board committees: Housing & Community Investment and Business & Operations.

In addition, Donald J. Mullineaux of Lexington, Ky., was re-elected to a second term as chairman of the Board. An Independent Director since 2010, he also serves as chair of the Personnel & Compensation Committee.

Retiring from the Board in 2016 was Ohio Member Director Tom Moore, a director of First Federal Bank of Ohio in Galion. Mr. Moore served on the Board's Audit Committee. We are grateful for his four years of service and his many contributions to the Board and Bank.

## The Year Ahead

It appears 2017 will be marked by change. The economy is growing steadily and unemployment is low. The Federal Reserve is signaling higher interest rates, and the new administration in the White House promises a new approach. We remain engaged in discussions about legislative financial reform which may have an impact on the FHLBank System's cooperative business model.

In this environment, being a strong partner is how we can best support our members. Just as you are focused on offering the best value proposition to your customers, we too work to offer a roster of products and services geared to help you expand service to your communities and the value of your companies. We continue to seek new ways to support our members – through Bank-sponsored seminars where we discuss industry best practices, and through better use of technology that saves you time and effort. The dividend you earn on your stock investment in the FHLB remains an important dimension of value to your membership. By focusing on the value we can deliver to our members, we strive for a vital partnership that helps to strengthen our members and Fifth District communities. We appreciate your confidence in us and the opportunity to serve as your Federal Home Loan Bank.

Sincerely,

**Donald J. Mullineaux**  
Chair, Board of Directors

**Andrew S. Howell**  
President and CEO

Images from some of this year's events from left to right:

1. Members enjoy seeing the Cincinnati Reds after a day at the Financial Management Conference.
2. Andrew S. Howell presents his opening remarks at the Financial Management Conference in August.
3. A view of the crowd at the Lebanon Regional Meeting.
4. FHLB attended the ribbon cutting of Parkway Apartments in Cincinnati.
5. This year's Financial Management Conference was attended by more than 220 people from 128 member institutions.





## 2016 BOARD OF DIRECTORS

*Front row, seated left to right:*

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

**Nancy E. Uridil**  
*Director*  
Flexsteel Industries Inc.  
Avon Lake, Ohio

**Greg W. Caudill**  
*CEO*  
Farmers National Bank  
Danville, Ky.

*Back row,  
standing left to right:*  
**Grady P. Appleton**  
*President and CEO*  
East Akron Neighborhood  
Development Corp.  
Akron, Ohio

**David E. Sartore**  
*Executive Vice President  
and CFO*  
Field & Main Bank  
Henderson, Ky.

**Robert T. Lameier**  
*President and CEO*  
Miami Savings Bank  
Miamitown, Ohio

**J. Lynn Anderson**  
*Senior Vice President*  
Nationwide Mutual Insurance Co.  
Columbus, Ohio  
(retired December 2016)

**William S. "Sammy" Stuard Jr.**  
*Chairman, President and CEO*  
F&M Bank  
Clarksville, Tenn.

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





*Front row, seated left to right:*

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

**Alvin J. Nance**  
*CEO, Development and  
 Property Management  
 Operating Divisions*  
 LHP Capital  
 Knoxville, Tenn.

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

*Back row,  
 standing left to right:*

**James A. England**  
*Chairman*  
 Decatur County Bank  
 Decaturville, Tenn.

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

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

**Leslie D. Dunn**  
*Retired Partner*  
 Jones Day  
 Cleveland, Ohio

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



# ADVISORY COUNCIL

*Front row, seated left to right:*

**Debbie Watts Robinson**  
*Chief Executive Officer*  
 Miami Valley Housing  
 Opportunities  
 Dayton, Ohio

**Natalie H. Harris**  
*Executive Director*  
 Coalition for the Homeless  
 Louisville, Ky.

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

**Deborah W. Williams**  
*Executive Director*  
 Housing Assistance aNd  
 Development Services  
 (HANDS) Inc.  
 Bowling Green, Ky.

*Back row, standing left to right:*

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

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

**Don R. Alexander**  
*(Vice Chair)*  
*Executive Director*  
 Crossville Housing Authority  
 Crossville, Tenn.

**Danny Herron**  
*President and CEO*  
 Habitat for Humanity of  
 Greater Nashville  
 Nashville, Tenn.

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

**James E. Harbison**  
*Executive Director*  
 Metropolitan Development  
 and Housing Agency  
 Nashville, Tenn.

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

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

*Not pictured:*

**Cecil F. Dunn**  
*Executive Director*  
 HOPE Center  
 Lexington, Ky.

**Tammy K. Weidinger**  
*President and CEO*  
 Brighton Center Inc.  
 Newport, Ky.

**Jeffrey J. Woda**  
*Principal*  
 The Woda Group Inc.  
 Westerville, Ohio





## SENIOR STAFF

*Seated, left to right:*

**Roger B. Batsel**  
Senior Vice President  
Chief Information Officer

**Tami L. Hendrickson**  
Senior Vice President  
Treasurer

**J. Christopher Bates**  
Senior Vice President  
Chief Accounting Officer

**Stephen J. Sponaugle**  
Executive Vice President  
Chief Risk and  
Compliance Officer

*Standing, left to right:*

**David C. Eastland**  
Senior Vice President  
Chief Credit Officer

**Damon v. Allen**  
Senior Vice President  
Community Investment Officer

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

**Andrew S. Howell**  
President and CEO

**R. Kyle Lawler**  
Executive Vice President  
Chief Business Officer

**James G. Dooley Sr.**  
Senior Vice President  
Internal Audit

# PERFORMANCE



## Earnings

**T**he FHLB posted earnings of \$268 million in 2016, an increase of 5 percent from 2015. Return on equity (ROE) averaged 5.35 percent, compared to 5.04 percent a year earlier. ROE in 2016 was 461 basis points above the average 3-month London InterBank Offered Rate (LIBOR); this spread is a key measure of the competitiveness of the profitability resulting from operations. We believe the spread in 2016 continued to represent an excellent financial performance on behalf of our member stockholders in the current slowly rising interest rate environment.

The financial and economic environment in 2016 contributed positively to net interest income. Growth in mortgages held in the Mortgage Purchase Program also contributed positively to earnings. Partially offsetting the gains in net interest income was an increase in non-interest expense.

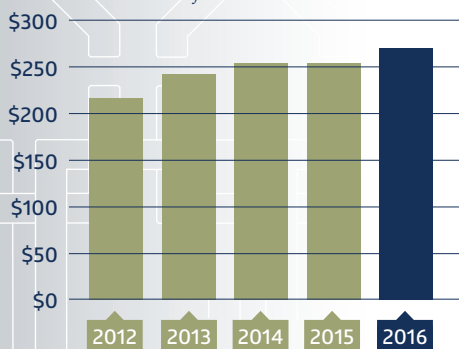
## Dividend

We paid an annualized 4.00 percent dividend rate in each quarter of 2016, compared to the average 3-month LIBOR benchmark rate of 0.74 percent. In doing so, the FHLB returned \$171 million of capital in the form of cash dividends in 2016 for members to reinvest.

Members are reminded there is a one-quarter lag in our dividend payments. The dividends we pay in any given quarter are based on the previous quarter's average capital stock balances.

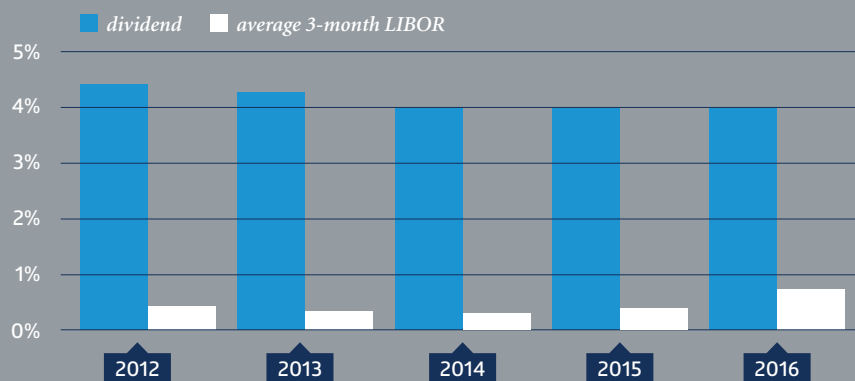
### NET INCOME

*in millions of dollars*

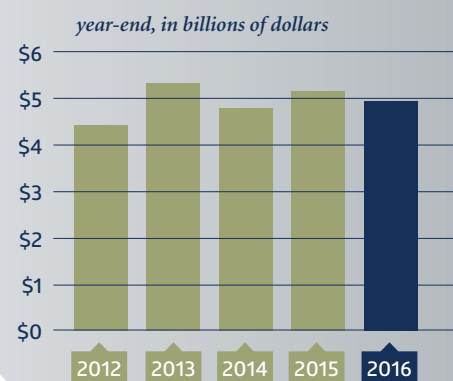




## ANNUAL DIVIDEND



## TOTAL GAAP CAPITAL



## Capital and Retained Earnings

We believe our capital adequacy is robust and aligned with our low risk profile. We report two measures of capital. GAAP capital, which comprises members' capital stock, retained earnings and accumulated other comprehensive income, was \$5 billion at year-end, a decrease of \$175 million, or 3.4 percent, compared to year-end 2015. Capital stock balances declined in 2016 due to repurchases as the result of excess capital stock

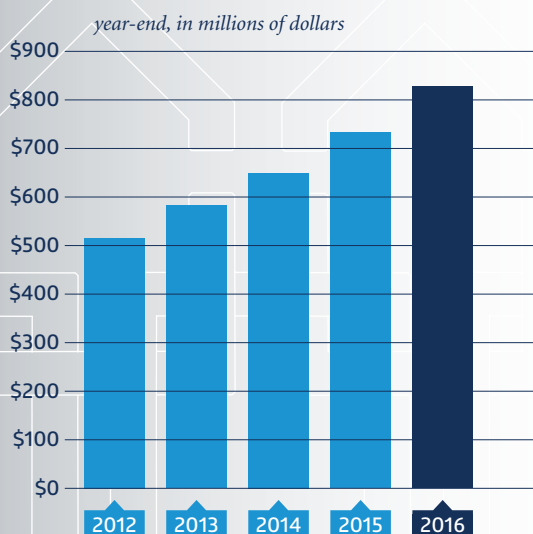
redemption requests from a large-asset member and the repurchase of capital stock from captive insurance company members. This decrease was partially offset by the growth in retained earnings.

Regulatory capital is GAAP capital plus mandatorily redeemable capital stock, less accumulated other comprehensive income. Our regulatory capital-to-assets ratio

averaged 4.85 percent during 2016 and stood at 4.80 percent at year-end, exceeding the minimum 4.00 percent requirement.

Retained earnings grew by \$97 million to end the year at \$834 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 help support future dividend stability.

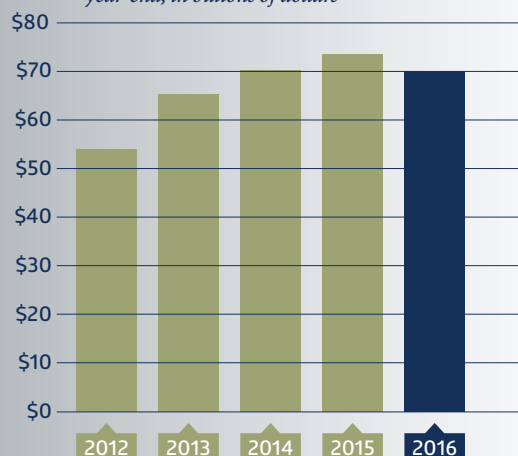
## RETAINED EARNINGS



Retained earnings grew by \$97 million to end the year at \$834 million.

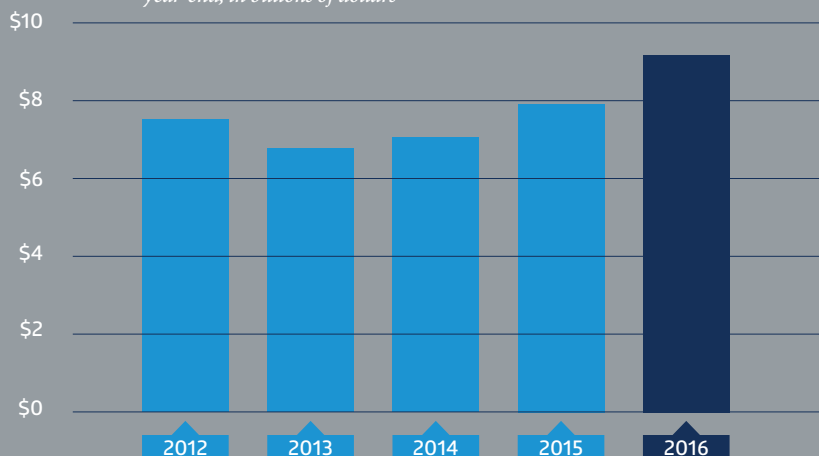
## ADVANCE BALANCES

year-end, in billions of dollars



## MORTGAGES HELD IN PORTFOLIO

year-end, in billions of dollars



## Credit Services

The FHLB offers a wide range of credit programs and services that support our members' funding needs in various interest rate cycles and economic environments.

Advance balances ended the year at \$69.9 billion, down from \$73.3 billion at year-end 2015, a decrease of 5 percent. This decrease was primarily a result of a reduction in borrowings from a few large-asset members along with captive insurance companies, who were required to pay off their Advances due to the 2016 membership ruling issued by the FHFA.

The percentage of members using FHLB credit services was relatively stable at 68 percent. Advance balances as a percent of assets for

each member ended the year at 3.2 percent, a slight decrease from 2015. Aggregate Advances grew for savings associations, credit unions, and traditional insurance companies.

The FHLB continued to provide Advance special offerings in 2016. 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 or funding opportunity. A total of 107 members borrowed nearly \$638 million through the 14 specials in 2016.

Average daily Letters of Credit balances fell to \$17 billion in 2016, down 4 percent compared to 2015. Members continue to use Letters of Credit to support public unit deposits and alternative liquidity strategies.

## MPP

As a competitive alternative to the traditional secondary mortgage market, our Mortgage Purchase Program (MPP) continued to attract substantial member interest in 2016. The number of active sellers reached a record high of 101 members.

MPP principal balances rose 15 percent in 2016 to end the year at \$8.9 billion. Principal purchases rose nearly 21 percent to \$2.8 billion, while paydowns were \$1.6 billion. Members increasingly see FHLB as a viable secondary market alternative. MPP remains an important contributor to the FHLB's earnings and related dividends to member stockholders.

The growth in the MPP product reflected our strategy to increase this investment opportunity. Elevated origination volumes as a result of continued low mortgage rates,





## 2016 HCI

Total housing funds  
awarded or disbursed

\$134.3  
million

Housing units supported

5,157

Members taking part in  
one or more HCI programs

220

generated a substantial amount of new mortgage loans available for purchase from our members as a result of homeowners' refinancing activity.

### Investments

The FHLB's investment portfolio fell to \$25.3 billion by year-end 2016, a decrease of \$12.0 billion from a year earlier. Most of the change was driven by a reduction in short-term investments used for asset liquidity, for which we carried a substantially larger-than-normal balance at the end of 2015. Investment balances averaged \$27.4 billion in 2016, similar to the average balance during 2015. The FHLB maintains adequate liquidity to continue to support our goal of providing same day funding of Advances to members.

### Housing and Community Investment (HCI)

In 2016, the FHLB provided affordable housing assistance to many 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 2016, the FHLB awarded or disbursed \$37.8 million through AHP to its members to help 4,151 households secure decent, affordable housing. In 27 years of partnering with our members and housing organizations, we have awarded or disbursed \$621 million through AHP to assist more than 78,500 households. For 2017, the FHLB has accrued \$30 million for AHP, which reflects earnings in 2016.

There are two components to the Bank's AHP. Under the AHP competitive program, in 2016 the

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MPP principal balances rose 15 percent in 2016 to end the year at \$8.9 billion. Principal purchases rose nearly 21 percent to \$2.8 billion, while paydowns were \$1.6 billion. Members increasingly see FHLB as a viable secondary market alternative.

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# 2,062

## UNITS OF AFFORDABLE HOUSING

In 2016 the FHLB awarded \$27.6 million in AHP grants through its members for the creation or preservation of 2,062 units of affordable housing.

---

Through the Carol M. Peterson Housing Fund in 2016, the FHLB voluntarily committed \$1.5 million on behalf of 224 households in the Fifth District to help elderly and special needs homeowners.

---

FHLB awarded \$27.6 million in AHP grants through its members for the creation or preservation of 2,062 units of affordable housing. Under the AHP set-aside program, defined as the Welcome Home Program, \$10.2 million was disbursed to members to assist 2,089 low- and moderate-income households with the purchase of homes, most recipients are first-time homebuyers.

The Carol M. Peterson Housing Fund is a voluntary program established in 2010 by the Board. The funds were designed to assist elderly and special needs households with accessibility rehab or emergency repairs to their homes. Response to the program has always been enthusiastic and the amount committed to the program was increased by the Board in 2016. In 2016, the FHLB committed \$1.5 million on behalf of 224 households

through our members and their affordable housing partners to homeowners in the Fifth District.

The Disaster Reconstruction Program, another voluntary program, continued to support Fifth District residents whose homes were damaged or destroyed by natural disasters. To date, we have disbursed nearly \$3.2 million from this fund to assist 192 households re-establish housing. We stand ready to come to the aid of those families affected by future natural disasters.

Other FHLB housing programs include the Community Investment Program, Economic Development Program, and Zero-Interest Fund. In 2016, the FHLB disbursed \$94.9 million through these low-cost Advance programs for housing and economic development.



## Membership and Outreach

The number of member stockholders fell to 687 in 2016 from 699 in 2015 due to merger activity during the year and the mandatory withdrawal of captive insurance company members. We also approved 12 new member stockholders in 2016, while losing 16 members to mergers. The number of member stockholders at year-end was 306 in Ohio, 192 in Kentucky and 189 in Tennessee.

We remain committed to maintaining frequent and timely communications with our members. Our outreach efforts focus on deepening our partnership with members by ensuring they are maximizing the value of their membership and giving us opportunities to be informed about our members' emerging needs. We held four regional stockholder meetings and several housing

workshops and webinars. Our annual financial management conference and MPP Users Group meeting continue to grow and offer nationally recognized speakers.

### MEMBER STOCKHOLDERS

BY STATE	2016	2015
KENTUCKY	192	196
OHIO	306	304
TENNESSEE	189	199
TOTAL	687	699
BY TYPE		
COMMERCIAL BANKS	402	418
SAVINGS ASSOCIATIONS	96	99
CREDIT UNIONS	130	124
INSURANCE COMPANIES	55	54
COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS	4	4
TOTAL	687	699

1

FUNDING SOURCE

2

MPP

# PARTNERSHIP

## IN ACTION



“

Our partnership with FHLB Cincinnati is an important one for us. They are a great and constant source of funding to manage our liquidity and funding needs. We could always go with brokered funds, but we find Advances to be very competitive.”

**LINDA BLANCHARD,**  
CFO at Community Financial  
Services Bank in Benton, Ky.

The partnership between FHLB Cincinnati and its members fuels the success of both. Fostering this strong cooperative partnership is the core of our business.

**M**embers benefit from access to competitively priced funding alternatives and a stable dividend. As a strategic business partner, we do this with products, services, and professional and community development that help our members prosper.

### Funding Source

Since our inception, we have worked to provide attractive access to housing finance solutions for our members. As our business has evolved, our commitment to providing member financial institutions with same-day access to liquidity and term funding alternatives remains our top priority. Through a variety of Advances and Letters of Credit, we give our members the ability to tailor their mix of liabilities to address their liquidity and asset/liability management strategies.

Linda Blanchard, CFO at Community Financial Services Bank in Benton, Ky., finds Advances to be a competitive funding source. “Our partnership with FHLB Cincinnati is

an important one for us. They are a great and constant source of funding to manage our liquidity and funding needs,” she said. “We could always go with brokered funds, but we find Advances to be very competitive.”

### MPP

Partnering with our members often means developing programs that give them a competitive advantage. FHLB Cincinnati started the Mortgage Purchase Program in 2001 to offer a competitive secondary market execution for the underserved members in the Fifth District. 2016 proved to be a record year with 101 members selling loans to the program.

While paying a competitive initial price at the time of purchase, MPP also offers additional benefits. Our lender risk accounts reward members based on the performance of the loans sold, which helps add value for MPP sellers. The program also remains an important contributor to our strong dividend to all our member stockholders.



**3 EDUCATION**



**4 COMMUNITY DEVELOPMENT**

## Education

Offering competitive products provides the backbone of our relationship with members, but our educational programs truly help differentiate us as a committed business partner. Through our annual Regional Stockholder Meetings, Financial Management Conference and MPP Users Group Conference, we offer our members opportunities to learn from both their local FHLB Cincinnati staff and world class speakers.

Programming at the events is driven by member feedback and developed to bring the most value to members by offering topics that are both relevant and timely. Experts have presented on the economic environment, asset/liability management, strategic opportunities, and how to overcome regulatory and operational challenges. These educational programs inform our members of important issues and help them achieve future success.

The events bring in more than 700 member registrations per year and the feedback below showcases the value that our members receive:

Images from left to right:

2. More than 150 people from approximately 60 member institutions attended the MPP Users Group Conference in November.
3. Jim Vance, Western & Southern Financial Group, and Tom Petrokubi, North Valley Bank, look on at the Lebanon Regional Meeting.
4. Jennifer Mason of Bank of Bartlett and Damon Allen of FHLB work together at the Jimmy and Rosalynn Carter Work Project in Memphis, Tenn.

**“ This is a real service to members. We will look forward to next year. ”**

**“ This conference is always strong with great content. ”**

**“ I truly appreciate the FHLB hosting such a great event for our benefit. ”**

**“ FHLB hit another ‘Home Run’ this year with a fabulous program! ”**

**“ Our institution has benefitted in so many ways through education by the FHLB. ”**

**“ Continued an excellent program with appropriate topics and speakers! ”**

“Providing national speakers and the opportunity to interact with our knowledgeable staff, we get consistently good feedback on our yearly events. We hope you will consider spending a day with us,” said R. Kyle Lawler, EVP and Chief Business Officer, FHLB Cincinnati.



## MEMBER ANALYTICS

Our commitment to providing an excellent partnership often means refining our services in areas that prove the most valuable to our members. As part of this commitment, we continue to add to and evolve our member analytics offerings to make sure members have the information they need to review and manage their balance sheets.

"I look at the analytics I am provided all the time to see how we compare to our peers and other banks," said Rick Smith, CFO, First Federal Savings and Loan Association of Lakewood. "It allows me to easily see if there is anything we can improve upon and gives me an opportunity to call other institutions to see what they are doing and how their business model works. It's a valuable service."

Over the past 20 years, FHLB Cincinnati has been providing members with various forms of financial modeling and relevant analytics reporting. The latest version, the *Pulse Report*, is designed to provide an overview of a member's funding patterns. Ratios and historical trends are compared to results for both state peer averages and a "high performers" group. It also contains information on interest rate trends and custom analyses using each member's own financial data.

In addition to more traditional analytics reporting, we recently launched a series of whitepapers that take an in-depth look at specific issues affecting the Fifth District. Whitepapers can be viewed on our Members Only website.

All of this information is available from your marketing representative on visits or anytime by request.



Left to right, Kevin Hanrahan, Jeff Fields and Michael Spencer together develop and execute member analytics.

## Community Development

Our Housing and Community Investment programs give members the opportunity to invest in their communities. Rick Smith, CFO of First Federal Savings and Loan Association of Lakewood in Lakewood, Ohio, agrees. "We use the Affordable Housing Program and the Welcome Home Program to connect with our communities," he said. "As an organization, we are committed to providing affordable housing to the communities we serve. By supporting the people in our community in this way, we give them the opportunity to prosper. And as that happens, our community prospers and, ultimately, so do we."

Since 1990, FHLB Cincinnati has awarded grants totaling more than \$621 million in support of affordable housing in Ohio, Kentucky, Tennessee and some additional communities served by our members, supporting creation of more than 78,500 units of housing.

While we offer members the opportunity to connect to their communities through our robust housing programs, we also attend

events throughout our three-state region to ensure members' local communities know the contributions they are making to local housing. Groundbreakings, open houses and ribbon cuttings for AHP projects are important opportunities for FHLB Cincinnati to tell the story of our partnerships. In both large cities and small towns, our participating members are making a difference in the quality and amount of affordable housing available locally.

Leslie England of TN Bank in Oak Ridge, Tenn., has also been pleased with the program. "The difference the TN Bank makes in the community through AHP is important, but it's so much more than that. We're able to make a real difference in the lives of people. It really changes lives."

FHLB Cincinnati continues to evolve our offerings and services based on the needs of members. We do this by remaining agile in an ever-changing business environment. Our commitment to bring value to our partnership with members will continue to fuel our success for years to come.



# JIMMY & ROSALYNN CARTER WORK PROJECT

## PARTNERING ON THE CARTER WORK PROJECT

*Credit: Habitat for  
Humanity International*

FHLB Cincinnati and three member institutions helped build a home for a Memphis family at Habitat for Humanity's Jimmy & Rosalynn Carter Work Project, held August 22-26.

**F**ive FHLB staff were joined by volunteers from member institutions Bank of Bartlett, First Tennessee Bank and Pinnacle Financial Partners on House 13, one of 19 erected that week by some 1,500 volunteers in the Bearwater Park neighborhood of Memphis. FHLB awarded a grant of \$100,000 from the Carol M. Peterson Housing Fund to Habitat for Humanity of Greater Memphis.

This was the first Carter Work Project to take place in the Fifth District since Hammering in the Hills, which built 63 homes in southeastern Kentucky and eastern Tennessee during the summer of 1997. "We sponsored Hammering in the Hills, and we were honored to have the opportunity to sponsor this project in Memphis," said Damon Allen, the FHLB's Senior Vice President and Community Investment Officer.

FHLB Cincinnati has been a strong supporter of Habitat throughout the Fifth District. Memphis Habitat has received grants of more than \$2 million from FHLB toward the construction or rehab of more than 200 homes. "Our contribution to the Carter Work Project exemplifies our long history of support for Habitat projects in our district," Mr. Allen said.

House 13 was built for Ahmed Salamin and his wife Halima Aden, who needed a more comfortable and suitable home for them and their six children. Habitat families put in 300 hours or more of "sweat equity" toward construction of their homes, and donations and fundraising help keep mortgage payments affordable. Memphis Habitat families purchase their homes through zero-interest, 30-year mortgages.



Images from top to bottom:

FHLB staff John Byczkowski, Damon Allen, Don Able and Todd Berry pause for a break.

In total, 19 homes were constructed during the 2016 Carter Work Project.

Volunteers from First Tennessee and Pinnacle Financial after a long day's work.





Left: The crowd of volunteers arrive to begin the day at the Carter Work Project.



Right: FHLB Cincinnati members and staff worked to construct this home.

**“ We could not have served as many families and have had the significant impact without the support of FHLB Cincinnati. We’re just extremely grateful the FHLB exists to do this work.”**

**DWAYNE SPENCER,**  
President and CEO of Memphis Habitat, Memphis, TN

**“ It was great to see the looks on their faces when they realized they were not only going to be stable, but they were going to be in a safe neighborhood. It was quite touching and made me feel good about the work I’d done.**

**ERIN MCNAMARA LARRIVEE,**  
Compliance Officer  
First Tennessee

Volunteers on House 13 performed a variety of work to complete the home. Johnna Field, a volunteer on her first Habitat build and corporate compliance officer for First Tennessee in Memphis, spent much of her workday measuring and sawing baseboards. “I was pretty good at it. It seemed to be matching up pretty well,” she said. She called it a “wonderful” experience. “It just made you feel good that you were giving back to people, helping them improve their lives.”

Erin McNamara Larrivee, also a compliance officer at First Tennessee, said the best part of her day working on the home was giving a tour to Halima, her son Shaeb and her mother. “It was great to see the looks on their faces when they realized they were not only going to be stable, but they were going to be in a safe neighborhood,” Ms. McNamara Larrivee said. “It was quite touching and made me feel good about the work I’d done.”

In the end, the Carter Work Project helped to create a community where residents are now forming a neighborhood association and even installing speed bumps on the street. It also helped raise the profile of Memphis Habitat in its hometown, and that opened doors to talk about the need for affordable housing in the city, said Dwayne Spencer, President and CEO of Memphis Habitat.

“People don’t know the magnitude of the issue,” he said. Providing homeownership not only helps the families involved, but also improves the whole community by creating taxpayers to improve Memphis’s tax base, keeping residents in the center city and helping to reduce crime.

“We have to be the educators in that regard. We take every opportunity to talk to people about that,” Mr. Spencer said. “Our families become champions for a neighborhood, moving their communities forward.”

The Affordable Housing Program grants have helped the Uptown area, where Memphis Habitat has built 54 homes over the years and performed critical repairs on more than 100 homes, particularly for the elderly.

“We could not have served as many families and have had the significant impact without the support of FHLB Cincinnati,” Mr. Spencer said. “We’re just extremely grateful the FHLB exists to do this work.”



# FHLB OFFICERS

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**NOTE:** *This list reflects  
FHLB officers as of  
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