



# Delivering Member Value

2018 ANNUAL REPORT

The logo of the Federal Home Loan Bank of Cincinnati is centered in the upper half of the page. It consists of a stylized house shape formed by five white geometric pieces: a central pentagon, two side triangles, and two bottom triangles. The background is a dark blue field with a repeating pattern of white geometric shapes, including squares and triangles, creating a textured effect.

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Renee "Winnie" Bunch  
Director, Mortgage Administration  
FirstBank  
Lexington, Tenn.



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President  
Unity Financial Life  
Insurance Co.  
Cincinnati, Ohio



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Vice President & CFO  
Standing Stone Bank  
Lancaster, Ohio



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Chief Executive Officer  
Bank of Edmonson County  
Brownsville, Ky.

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President & CEO  
RiverHills Bank  
Milford, Ohio



# For Valued Members

## 2018 ANNUAL REPORT

The Federal Home Loan Bank of Cincinnati is a regional wholesale bank providing financial services for residential housing and economic development to 646 member stockholders in the FHLB System's Fifth District of Kentucky, Ohio and Tennessee.

# Financial Highlights

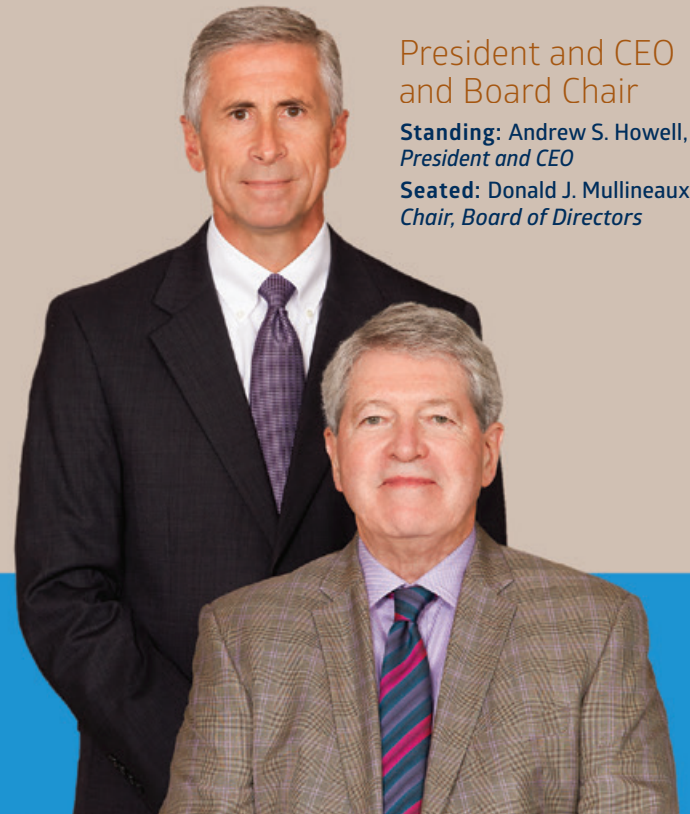
(dollars in millions)

Selected Items at Year-End	2018	2017	2016	2015	2014
Total assets	\$99,203	\$106,895	\$104,635	\$118,756	\$106,607
Advances	54,822	69,918	69,882	73,292	70,406
Mortgage loans held for portfolio, net	10,501	9,681	9,149	7,952	6,951
Investments	33,614	27,058	25,334	37,356	26,007
Deposits	669	651	766	804	730
Consolidated Obligations	92,603	100,374	97,881	112,291	100,449
Retained earnings	1,023	940	834	737	656
Total capital	5,330	5,165	4,978	5,153	4,906
<b>Annual Operating Results</b>					
Net income	\$ 339	\$ 314	\$ 268	\$ 254	\$ 254
Operating expenses	66	61	64	57	51
Affordable Housing Program assessments	38	35	30	28	28
Total dividends paid	256	208	171	172	176
Weighted average dividend rate	5.88 %	5.00 %	4.00 %	4.00 %	4.00 %
<b>Performance Ratios</b>					
Return on average assets	0.32 %	0.31 %	0.25 %	0.24 %	0.25 %
Return on average equity (ROE)	6.29	6.15	5.35	5.04	5.16
Operating expenses to average assets	0.063	0.060	0.061	0.054	0.050
Average three-month LIBOR	2.31	1.26	0.74	0.32	0.23
Average Federal funds effective rate	1.83	1.00	0.39	0.13	0.09
ROE spread to three-month LIBOR	3.98	4.89	4.61	4.72	4.93
ROE spread to Federal funds effective rate	4.46	5.15	4.96	4.91	5.07
<b>Capital Ratios at Year-End</b>					
Capital-to-assets ratio – GAAP	5.37 %	4.83 %	4.76 %	4.34 %	4.60 %
Capital-to-assets ratio – Regulatory	5.41	4.88	4.80	4.38	4.68

The Federal Home Loan Bank of Cincinnati's 2018 annual report on Form 10-K, as filed with the Securities and Exchange Commission, is available on the FHLB's website, [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.

It is an important part of the vision and direction of FHLB Cincinnati that we strive to deliver high-quality, positive member experiences and engage with our members proactively. We appreciate your confidence in us and the opportunity to serve as your Federal Home Loan Bank.

## A Message for Our Members



**President and CEO and Board Chair**

**Standing:** Andrew S. Howell,  
*President and CEO*

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

**W**e are pleased to report that in 2018 the Federal Home Loan Bank of Cincinnati (FHLB) achieved record earnings for the second year in a row, as well as stable and consistent financial and operating performance.

Our mission is to provide our member-stockholders with financial services and a competitive return on their capital investment to help them facilitate and expand housing finance and community investment, and achieve their objectives for liquidity and asset/liability management. Through our ongoing partnership with our members, as well as our collective commitment to help meet the housing finance and economic development needs of FHLB Fifth District communities, we fulfilled that mission in 2018.

### Record Financial and Operating Performance

Earnings rose to a record \$339 million in 2018, from \$314 million in 2017, an increase of 8 percent. This improved financial performance resulted from the positioning of risk to benefit from rising interest rates,

continued growth in our Mortgage Purchase Program portfolio, and higher net interest income due to wider asset spreads.

Our members benefitted from increased earnings in the form of an increase in the dividend paid on your stock. We believe that our dividend is a key component of how we deliver value to our members. We paid an average dividend of 5.88 percent for 2018, up from 5.00 percent in 2017.

Our retained earnings now stand above \$1 billion for the first time, as we added \$83 million in 2018.

Total assets at year-end were \$99.2 billion, down 7 percent compared to assets at year-end 2017 of \$106.9 billion. Advances to members ended 2018 at \$54.8 billion, down from just under \$70.0 billion at year-end 2017. While that year-end figure shows a decline in Advances, business remained brisk. Daily Advance balances averaged \$65.5 billion, down just 3 percent from 2017. We executed 12,845 Advances during the year, providing members with \$2.9 trillion





The crowd enjoys the speaker at the annual Financial Management Conference, which took place in August 2018 in Nashville, Tenn.

CEO Andy Howell takes a photo with the Property Brothers at a build with Nashville Habitat which used Affordable Housing Program funds.



The House of Ruth broke ground on a duplex in Louisville, Ky. which was made possible in part with Affordable Housing Program funds.

in funding. Our ability to quickly facilitate member funding and liquidity needs is a key benefit of membership.

Our Mortgage Purchase Program (MPP) also achieved a record: \$10.5 billion in mortgage loans held in portfolio, a net increase of \$820 million, or 8 percent, from year-end 2017. MPP helps us fulfill our housing finance mission, and is an important contributor to earnings and resulting dividends. By utilizing MPP, members can increase their liquidity and minimize risks associated with holding mortgages in portfolio.

One ongoing strategic focus is our transition away from products linked to the London InterBank Offered Rate, or LIBOR. Regulators and others in the industry were concerned about the manipulation of LIBOR by market actors during the financial crisis, and have sought a more robust and liquid benchmark. In 2017, the Federal Reserve Board endorsed a rate called the Secured Overnight Financing Rate (SOFR), and the FHLBanks have begun adopting it as an additional benchmark for debt issuance. In November 2018, we introduced a SOFR Advance, and we are currently working to implement SOFR throughout our organization.

## Community Investment Programs

Earnings in 2017 resulted in a \$35 million set-aside for our Affordable Housing Program in 2018. Our Housing and Community Investment (HCI) programs again provided a multitude of opportunities for our members to help their communities flourish. Through our competitive Affordable Housing Program, \$29.3 million was awarded in 2018 through 40 members, to help create 2,309 units of affordable housing in the Fifth District and elsewhere. In all, 234 members took part in one or more of our HCI programs.

The Board of Directors moved to strengthen our voluntary programs. In December, the Board approved \$3.6 million to replenish our Disaster Reconstruction Program, bringing that program back to \$5 million, which is available to Fifth District households to repair or replace their homes following natural disasters. The Board also approved \$2.1 million for the Carol M. Peterson Housing Fund, which supports accessibility rehabilitation and emergency repairs for special needs and elderly low-income homeowners.

## The Board and Senior Management

For 2019, the membership re-elected two Member Directors from Tennessee, elected a new Member Director from Ohio, re-elected an Independent

Director and elected a new Independent Director. In the Tennessee Member Director election, incumbent Directors James A. England, Chairman of Decatur County Bank, Decaturville, Tenn., and William S. “Sammy” Stuard Jr., President, CEO and Chairman of the Board of F&M Bank, Clarksville, Tenn., were both re-elected to their third terms on the Board. Newly elected as a Member Director from Ohio was Michael P. Pell, President and CEO of First State Bank in Winchester.

Newly elected as Independent Director was April Miller Boise, resident of Cincinnati. Ms. Boise is Senior Vice President, Chief Legal Officer and Corporate Secretary of Meritor Inc. in Troy, Mich. Re-elected as Independent Director was Nancy E. Uridil, a retired global consumer products senior executive and a director at Flexsteel Industries Inc., Avon Lake, Ohio.

The FHLB Board also re-elected Dr. Donald J. Mullineaux to serve as Chair of the Board. He has served on the Board since 2010 and in the capacity of Chair since 2015.

We bid farewell to two long-serving directors. Charles J. “Bud” Koch, a veteran of savings & loans and banking, has retired after serving the Board for a total of 26 years, as a Member Director, an Independent Director, and in various leadership capacities including Chairman. Bud has forgotten more about banking than most of us know. Among other important contributions, he was instrumental in helping us develop a capital plan, and in launching our Mortgage Purchase Program. Bud has been a guiding force on corporate governance and a strong advocate for the FHLBank System.

James R. DeRoberts has retired after 11 years on the Board. We got to know Jim as our long-time insurance rep for directors & officers liability coverage. It appeared he knew every banker in Ohio and we grew to appreciate his intelligence, insight and good nature. He helped to found The Arlington Bank (later acquired by First Merchants Bank of Indiana) and was elected to the Board

in 2008. We will miss the counsel of both Bud and Jim, and we wish them well.


FHLB Cincinnati welcomed one addition to our senior management team in 2018. Bridget C. Hoffman joined us as Senior Vice President, General Counsel. She comes to us from our long-standing outside counsel, the Cincinnati law firm Taft Stettinius & Hollister LLP, and is well acquainted with our business and our industry. She oversees legal affairs, public affairs and human resources. Also, Roger B. Batsel, who joined FHLB Cincinnati in 2014 as Chief Information Officer, was promoted to Senior Vice President, Chief Information and Operations Officer. In this role, Roger oversees the Information Technology, Correspondent Services and Administrative Services departments.

## Looking Ahead

Our strong financial performance flows from our dedication to delivering member value, by helping members achieve their business goals and serve their communities. Our readiness to deliver liquidity, housing programs, correspondent services, a competitive dividend, and the opportunities for education and information are all key to how we deliver value to members. As part of our continuous improvement efforts, we initiated a survey and a series of conversations with members, to learn how we can better support them and help them grow. We will report what we learned at our Regional Stockholder Meetings and Financial Management Conference.

It is an important part of the vision and direction of FHLB Cincinnati that we strive to deliver high-quality, positive member experiences and engage with our members proactively. Our efforts on SOFR and the member survey are examples of how we actively look for ways to enhance products and deliver services. 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





# 2018 Board of Directors

## FRONT, LEFT TO RIGHT

**Grady P. Appleton**  
*Retired President and CEO*  
 East Akron Neighborhood  
 Development Corp.  
 Akron, Ohio

**James R. DeRoberts**  
*Director*  
 Park National Bank  
 Newark, Ohio

**Brady T. Burt**  
*Chief Financial Officer*  
 Park National Bank  
 Newark, Ohio

## BACK, LEFT TO RIGHT

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

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

**James A. England**  
*(Board Vice Chair)  
 Chairman*  
 Decatur County Bank  
 Decaturville, Tenn.

**J. Lynn Anderson**  
*Retired Banking and  
 Insurance Executive*  
 Nationwide  
 Columbus, Ohio

**Greg W. Caudill**  
*Chief Executive Officer*  
 Farmers National Bank  
 Danville, Ky.

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





**FRONT, LEFT TO RIGHT**

**Charles J. Ruma**

*President  
Davidson Phillips Inc.  
Columbus, Ohio*

**Dr. Donald J. Mullineaux**

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

**James J. Vance**

*Senior Vice President  
and Treasurer  
The Western & Southern  
Financial Group  
Cincinnati, Ohio*

**BACK, LEFT TO RIGHT**

**Mark N. DuHamel**

*Executive Vice President,  
Corporate Treasurer  
Huntington National Bank  
Columbus, Ohio*

**Robert T. Lameier**

*President and CEO  
Miami Savings Bank  
Miamitown, Ohio*

**William S. "Sammy" Stuard Jr.**

*President and CEO  
F&M Bank  
Clarksville, Tenn.*

**Charles J. "Bud" Koch**

*Principal/Owner  
Lakehurst Associates  
Bratenahl, Ohio*

**Leslie D. Dunn**

*Retired Partner  
Jones Day  
Cleveland, Ohio*

**Alvin J. Nance**

*Chief Executive Officer,  
LHP Development  
and LHP Management  
LHP Capital LLC  
Knoxville, Tenn.*





# 2018 Advisory Council

## FRONT, SEATED LEFT TO RIGHT

**Kenneth “Jay” Kittenbrink**  
*(Chair)*  
Executive Director  
Episcopal Retirement  
Services Inc.  
Cincinnati, Ohio

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

**Linda G. Leathers**  
Chief Executive Officer  
The Next Door Inc.  
Nashville, Tenn.

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

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

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

## BACK, STANDING LEFT TO RIGHT

**Marcia E. Lewis**  
Executive Director  
Memphis Housing Authority  
Memphis, Tenn.

**Ralph M. Perrey**  
Executive Director  
Tennessee Housing  
Development Agency  
Nashville, Tenn.

**Danny Herron**  
*(Vice Chair)*  
President and CEO  
Habitat for Humanity of  
Greater Nashville  
Nashville, Tenn.

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

**Samantha A. Shuler**  
Chief Executive Officer  
Community Housing Network  
Columbus, Ohio

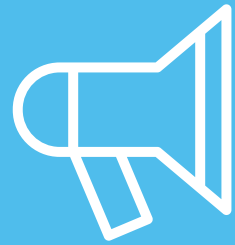
**Tammy K. Weidinger**  
President and CEO  
Brighton Center Inc.  
Newport, Ky.



MISSION ASSET ACTIVITY



SERVICES



COMMUNICATIONS



DIVIDEND



HOUSING

# Delivering Member Value to Valued Members

Delivering value to our members is at the core of every decision we make at FHLB Cincinnati. We work to strike a balance each day between pricing our mission asset activity competitively and returning an attractive dividend. While this equation is the crux of how we operate our business, it is not the only way we provide value to members. Through our communication initiatives, housing programs and other services, we work to dependably exceed our members' expectations in every transaction.

“If we had something that we wanted to try to work through, any kind of problem or issue, they’ve always been readily available and very responsive. It is comforting to know that the Federal Home Loan Bank is there for us as a trusted partner.”



**Renee “Winnie” Bunch**  
Director, Mortgage Administration  
FirstBank  
Lexington, Tenn.



## Mission Asset Activity

Liquidity is as basic to banking as safes, night deposit boxes and chains on the pens. When we ask what benefit they get from membership, members say they view FHLB Cincinnati primarily as a reliable source of contingent liquidity, and as a partner to better address the financial needs of their institutions and customers.

We refer to Advances, Letters of Credit and Mortgage Purchase Program as our “Mission Asset Activities,” those products and services we are chartered to provide to the members of our cooperative. These products are most valuable to members when they are competitively priced, flexibly structured to meet members’ needs, and available on demand from a responsive and helpful staff.

Renee “Winnie” Bunch has been with FirstBank in Tennessee for 25 years, from the days when it was a \$130 million bank in Lexington. Now it is a \$5 billion, publicly traded bank based in Nashville. Ms. Bunch was chief financial officer for 20 years of growth for FirstBank, and today is director of mortgage administration.

In the 1990s, FirstBank’s needs were simple. “We used the Federal Home Loan Bank initially for financing local mortgages, utilizing Mortgage Matched Advances, without taking on interest rate risk,” she said.

As FirstBank grew, its partnership with FHLB Cincinnati expanded. “We use a wide variety of long-term and

short-term Advances,” she said. And in 2018, FirstBank began to take advantage of the Mortgage Purchase Program and regard FHLB Cincinnati as a partner in its mortgage business.

Ms. Bunch said the dependability of FHLB staff is key to the relationship. “If we had something that we wanted to try to work through, any kind of problem or issue, they’ve always been readily available and very responsive.” And when the financial crisis hit in 2008, FHLB Cincinnati remained available to provide contingent liquidity.

“It is comforting to know that the Federal Home Loan Bank is there for us as a trusted partner,” Ms. Bunch said.

## Services

Members took down \$2.9 trillion in Advances over the course of 2018, and every dollar of it passed through FHLB Cincinnati’s Correspondent Services department. The efficient and cost-effective provision of these services is key to our promise to be a trusted, reliable partner for our members. Services include:

- **Deposit programs:** All member financial transactions flow through its interest-bearing Demand Deposit Account, as well as other accounts that vary by maturity, interest rate and deadlines. Members can move funds into and out of these accounts through the FHLB wire transfer service.



“Our membership has exactly met our expectations.”



**Jay Hardy**  
President  
Unity Financial Life Insurance Co.  
Cincinnati, Ohio



- **Securities safekeeping:** We provide members with market information, trade execution, and management reports of the purchase and sale of securities.
- **Settlement service:** Members may designate the FHLB as their settlement agent for transactions with the Federal Reserve Bank and other correspondents.

Unity Financial Life Insurance Co. of Cincinnati joined FHLB Cincinnati in 2017, and President Jay Hardy said his company is more profitable because of its membership. “When talking to people in the industry about why we would use the FHLB, my standard response is that they are charged with providing liquidity and stability to the industry,” he said. “They do it by providing above-market deposit rates and below-market Advance rates, which are in the interest of the insurance companies to use.

“Our membership has exactly met our expectations,” Mr. Hardy said.

## Communication

FHLB’s communication programs help differentiate us as a committed business partner.

One way we communicate with members is through our educational opportunities. Between the annual Regional Stockholder Meetings, Financial Management Conference and MPP User Group Conference, we offer our members opportunities to learn from both their local FHLB Cincinnati staff and world-class speakers.

Martá Brown, Chief Financial Officer of Standing Stone Bank in Lancaster, Ohio, has attended three Financial Management Conferences. “We were able to benefit from the CPE credits that we gained through attending and came back because we enjoyed it and found it valuable,” she said. “The presenters provided relevant and timely information and I was able to make in-person connections with FHLB staff that I usually only speak to on the phone.”

“We were able to benefit from the CPE credits that we gained through attending and came back because we enjoyed it and found it valuable.”



**Martá Brown**  
Vice President & CFO  
Standing Stone Bank  
Lancaster, Ohio



In addition to educational events, FHLB Cincinnati communicates with members in other valuable ways through print and digital publications. Our Member Analytics team produces white papers looking deep into trends affecting the Fifth District, which are posted on Members Only. On a weekly basis, members can find updated interest rate and economic summaries. Publications such as our quarterly newsletter, *Advancements*, this annual report and our regular email updates also connect members with important FHLB information in a timely way.

Additionally, the marketing relationship managers provide members with customized analytical performance reports such as the *Pulse Report* and *Focus Report* during regular visits. We also conduct Open House meetings with our members' management teams that include additional demographic and market-related information.

## Dividend

FHLB's dividend is a key aspect of how we define and deliver the value we provide to our members. We believe the dividend should represent a competitive, stable and reliable return on members' stock investments in the FHLB and should generally exceed what members would expect to earn by investing in a relatively safe asset.

Our approach has been to balance the cost of providing products and services with the management of financial performance and risks so that we are able to meet these membership investment return objectives. We think that these objectives provide members with a degree of certainty in their financial planning, promote the attractiveness of investing in our cooperative for the long term, and meaningfully lower the effective cost of borrowing liquidity from us.

"The Board continuously seeks the best possible balance between low product prices and attractive investment returns and would not favor charging higher product prices as a means of paying a higher dividend, nor would we favor sacrificing the dividend to allow for lower prices," said FHLB Board Chair Donald J. Mullineaux.

Over the FHLB's history, the dividend has been seen to rise and fall with broader economic and financial conditions – sudden, sharp moves are rare. Over the past 10 years, the FHLB has returned more than \$1.7 billion of earnings to members in the form of dividends.

"The FHLB dividend had a wonderful return the last several years and we have been thankful to have such a great earning asset. The fact that this investment also provides so many other opportunities to our bank makes it a winning proposition for any community bank," said Michelle Coleman, Chief Executive Officer, Bank of Edmonson County in Brownsville, Ky.



"The FHLB dividend had a wonderful return the last several years and we have been thankful to have such a great earning asset. The fact that this investment also provides so many other opportunities to our bank makes it a winning proposition for any community bank."



**Michelle Coleman**  
Chief Executive Officer  
Bank of Edmonson County  
Brownsville, Ky.

“We just believe that you can do really good things for people and make money at the same time, that they’re not mutually exclusive.”



**Brian Dunlap**  
President & CEO  
RiverHills Bank  
Milford, Ohio

## Housing Programs

One part of FHLB Cincinnati’s mission is to help members facilitate and expand housing finance and community investment. We work to maintain effective affordable housing and community investment programs, and offer voluntary contributions. Since 1990, FHLB Cincinnati has:

- Awarded grants of more than \$535 million to help construct 55,000 housing units through our competitive Affordable Housing Program.
- Helped 30,000 residents of Kentucky, Ohio and Tennessee purchase homes, with \$146 million in grants from our Welcome Home Program for assistance with down payments and closing costs.
- Distributed \$40 million through voluntary programs to help nearly 8,000 Fifth District households cope with foreclosures, emergency repairs, accessibility and more.
- Helped communities with infrastructure and other economic development projects by providing \$2 billion through our Community Investment Cash Advance programs.

Each dollar from our housing programs finds its way out to Fifth District households through an FHLB Cincinnati member. Each year more than 200 members take part in one or more housing programs.

One of those is RiverHills Bank of Milford, Ohio. “We’re a tiny bank and we’re happy to be a tiny bank,” with about \$150 million in assets, said President Brian Dunlap. But RiverHills is a big user of AHP, having worked to gain nearly \$8.4 million in grants since 2013 to help build 676 units of affordable housing.

RiverHills handles construction and permanent lending for these projects, so it’s a profitable line of business. Participation in AHP makes those projects possible, he said, and it helps RiverHills fulfill a promise to their customers, that the bank will leverage their business to do good things in the community.

“We just believe that you can do really good things for people and make money at the same time, that they’re not mutually exclusive,” Mr. Dunlap said. “It’s a core belief of our ownership group and our board of directors that, again, we can go do these projects and also remain a profitable bank.”



# Performance

## Earnings

The FHLB posted earnings of \$339 million in 2018, an increase of 8 percent from 2017. Return on equity (ROE) averaged 6.29 percent, compared to 6.15 percent a year earlier. ROE in 2018 was 398 basis points above the average three-month London InterBank Offered Rate (LIBOR); this spread is a key benchmark of the competitiveness of the return on members' capital investment. We believe the ROE level and spread in 2018 continued to represent an excellent financial performance on behalf of our member-stockholders in the recent rising interest rate environment.

The financial and economic environment in 2018 contributed positively to net interest income. This was driven by growth in average mortgage asset balances, growth in average liquidity investment balances, and higher spreads on mortgage assets and Advances. Rising interest

rates improved earnings from assets funded with interest-free capital. In addition, we continued to manage overall risk to a low level while accepting a moderate amount of market risk. This enhanced earnings as interest rates rose while effectively mitigating most capital and earnings exposure to large rate movements.

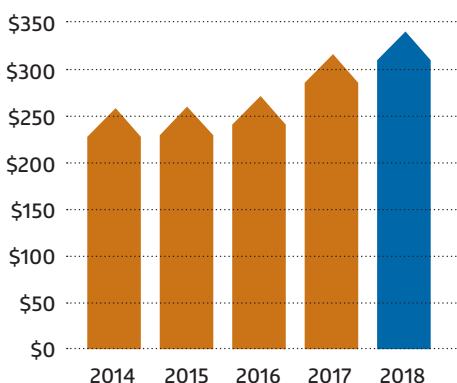
## Dividend

In 2018, we paid an annualized 5.88 percent dividend rate for the year as compared to the average three-month LIBOR benchmark rate of 2.31 percent. In doing so, the FHLB returned \$256 million of capital in the form of cash dividends in 2018 for members to reinvest.

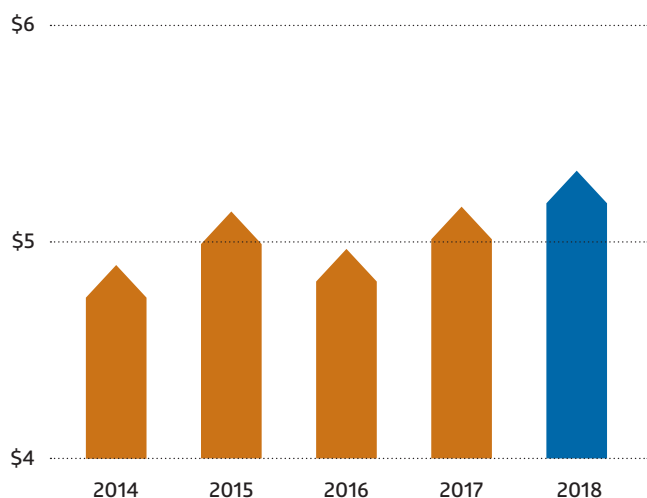
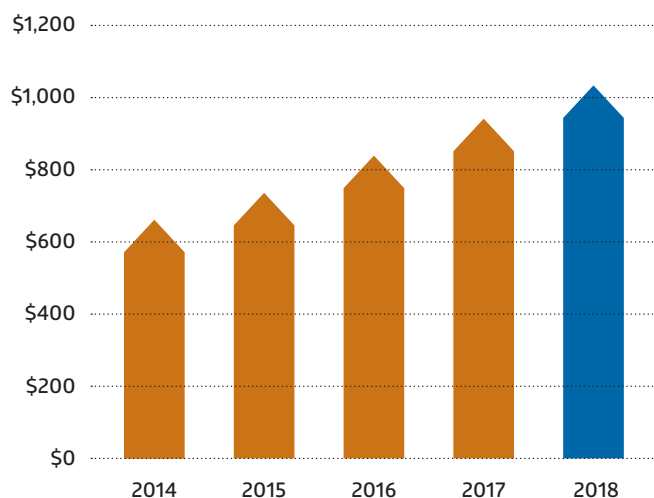
Members are reminded there is a one-quarter lag in our dividend payments. The dividends we pay in any given quarter are based on the previous quarter's average capital stock balances.

### NET INCOME

*in millions of dollars*





**TOTAL GAAP CAPITAL***year-end, in billions of dollars***RETAINED EARNINGS***year-end, in millions of dollars*

## 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 \$5.3 billion at year-end, an increase of \$165 million, or 3 percent, compared to year-end 2017. Capital stock balances increased throughout 2018 due to purchases of capital stock associated with Advances activity. We also repurchased \$297 million in member excess stock in 2018.

Regulatory capital is GAAP capital plus mandatorily redeemable capital stock (stock subject to pending redemption), less accumulated other comprehensive income. Our regulatory capital-to-assets ratio averaged 5.16 percent during 2018 and stood at 5.41 percent at year-end, exceeding the minimum 4.00 percent requirement.

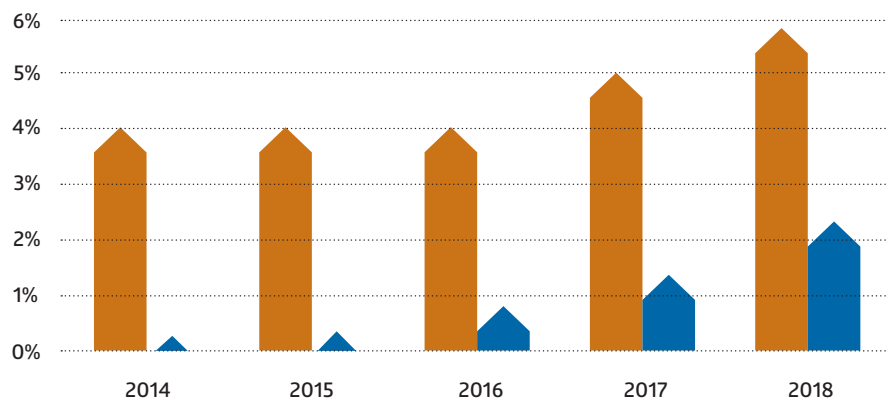
Retained earnings grew by \$83 million to end the year over \$1 billion. We believe the current amount of retained earnings is sufficient to protect members' capital stock against the remote risk of impairment and to help support future dividend stability.

## Investments

We maintain ample asset liquidity to continue to support our goal of providing same-day funding of Advances to members. The FHLB's investment portfolio stood at \$33.6 billion at year-end 2018, up \$6.6 billion from a year earlier. Investment balances averaged \$29.8 billion in 2018, an increase of \$5.2 billion (21 percent) from averages during 2017.

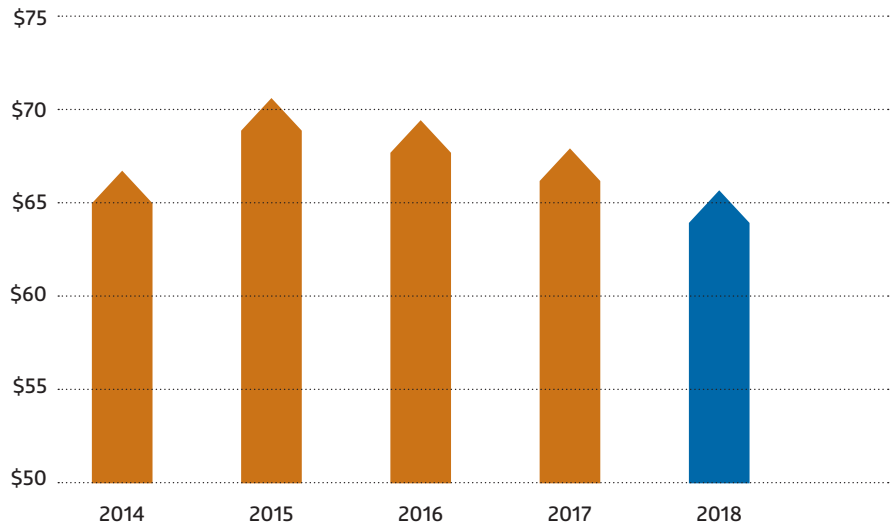
**ANNUAL DIVIDEND**

■ dividend ■ average three-month LIBOR



## ADVANCE BALANCES

*average daily balances, in billions of dollars*



## Credit Services

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

Average Advance principal balances in 2018 came in at \$65.6 billion, down 3 percent from 2017 averages. Members funded an average of 3.2 percent of their assets with Advances. As in recent years, most members continued to have modest demand for Advance borrowings. Demand for Advances is affected by the accessibility and cost of other sources of liquidity and funding, such as deposits, available to members.

The percentage of members using mission asset activity decreased to 70 percent, down slightly from 72 percent in 2017.

The FHLB continued to provide Advance Special offerings in 2018. Specials 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. In 2018, FHLB offered its first SOFR Advance special as part of the organization's commitment to being a leader in the replacement of LIBOR. A total of 85 members borrowed nearly \$8.6 billion through 16 specials in 2018.

Letters of Credit balances ended the year at \$14.8 billion in 2018, up 1 percent compared to 2017. Members continue to use Letters of Credit to support public unit deposits and alternative liquidity strategies.

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.

# 2018 HCI

Total housing funds awarded or disbursed in 2018

\$114.2  
million

Housing units supported

6,138

Members taking part in one or more HCI programs

234

## MPP

Our Mortgage Purchase Program (MPP) remains a competitive alternative to the more traditional secondary mortgage market and continued to attract substantial member interest in 2018.

MPP principal balances rose 9 percent in 2018 to end the year at

\$10.3 billion. Principal purchases totaled \$1.9 billion, with 8,995 loans purchased, and paydowns declined to \$1.1 billion. MPP benefitted from steady growth in the housing market overall, despite less refinancing activity by homeowners as interest rates rose. Members continue to see MPP as a viable secondary market alternative. It 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 mission asset opportunity.

Program (AHP), funded with 10 percent of our annual net income. In 2018, the FHLB awarded or disbursed \$42 million through AHP to members to help 4,862 households secure decent, affordable housing. In 29 years of partnering with our members and housing organizations, we have awarded \$704 million through AHP

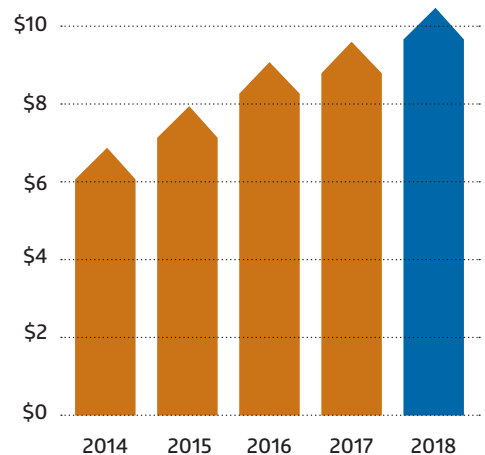
MPP benefitted from steady growth in the housing market overall, despite less refinancing activity by homeowners as interest rates rose.

## Housing and Community Investment (HCI)

In 2018, the FHLB provided affordable housing assistance to many Fifth District members and their communities. Our flagship program is the Affordable Housing

### MORTGAGES HELD IN PORTFOLIO

*year-end, in billions of dollars*





4,862

## UNITS OF AFFORDABLE HOUSING

In 2018, the FHLB awarded or disbursed \$42 million through AHP to its members to help 4,862 households secure decent, affordable housing.

to assist more than 88,000 households. For 2019, the FHLB has accrued nearly \$38 million for AHP, based on earnings in 2018, which reflects an increase of \$3 million from last year.

There are two components to FHLB's AHP. Under the AHP competitive program, in 2018 FHLB awarded \$29.3 million in grants through its members for the creation or preservation of 2,309 units of affordable housing. Under the AHP set-aside program, called the Welcome Home Program, \$12.7 million was disbursed to members to assist 2,553 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. These funds were designated to assist elderly and special needs households with accessibility rehab or emergency repairs to their homes. In 2018, the FHLB disbursed nearly \$1.7 million on behalf of 262 households through members and their affordable housing partners to homeowners in the Fifth District. Response to the program has always been enthusiastic and the amount

committed to the program was increased by the Board to \$2.1 million for use in 2019. Of this total, \$100,000 will support the Jimmy and Rosalynn Carter Work Project which will take place in Nashville, Tenn. in October 2019.

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 \$3.6 million from this fund to assist 220 households re-establish housing. In December 2018, the Board approved an additional \$3.6 million to continue the Disaster Reconstruction Program. When combined with the existing \$1.4 million available under the original authorization, the total disaster funds available were \$5.0 million at year-end. 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. At the end of 2018, balances under these programs were nearly \$400 million.

In 29 years of partnering with our members and housing organizations, we have awarded \$704 million through AHP to assist more than 88,000 households.



## Membership and Outreach

The number of member-stockholders fell to 646 in 2018 from 660 in 2017. We approved 10 new member-stockholders in 2018, but lost 23 members to mergers and one institution was ineligible for continued membership due to a conversion of its charter. The number of member-stockholders at year-end was 298 in Ohio, 178 in Kentucky and 170 in Tennessee. Though the number of members has declined, the dollar value of assets represented by our membership has risen.

We remain committed to maintaining frequent and timely communications with all 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 2018 Financial Management Conference, held in Nashville, and MPP Users

Group Conference continued to offer nationally recognized speakers, and these meetings are well received by our members. The Financial Management Conference will be back in Cincinnati in 2019 and we hope you will join us.

## Member-stockholders

	2018	2017
Commercial Banks	374	385
Thrifts and Savings Institutions	83	92
Credit Unions	134	132
Insurance Companies	48	46
Community Development Financial Institutions	7	5
<b>Total</b>	<b>646</b>	<b>660</b>

## By State

Kentucky	178	184
Ohio	298	302
Tennessee	170	174



# Senior Staff

## FRONT, LEFT TO RIGHT

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

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

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

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

## BACK, LEFT TO RIGHT

**James G. Dooley Sr.**  
Executive Vice President  
Chief Risk and  
Compliance Officer

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

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

**Andrew S. Howell**  
President and CEO

**Stephen J. Sponaugle**  
Executive Vice President  
Chief Financial Officer

**Bridget C. Hoffman**  
Senior Vice President  
General Counsel

# FHLB Cincinnati Officers

**Joseph W. Castlen**  
First Vice President  
Mortgage Purchase Program

**Brian D. Comp**  
First Vice President  
Assistant Chief  
Information Officer

**Melissa D. Dallas**  
First Vice President,  
Corporate Secretary  
and Counsel  
Public Affairs

**James C. Frondorf**  
First Vice President  
Credit Services

**Darren M. Kuntz**  
First Vice President  
Assistant Treasurer

**James J. O'Toole**  
First Vice President  
Marketing

**Karla M. Russo**  
First Vice President  
Human Resources and  
OMWI Officer

**Reema Singh**  
First Vice President  
Internal Audit

**Daniel A. Tully**  
First Vice President  
Assistant Chief Risk and  
Compliance Officer

**Jeffery S. Berryman**  
Vice President  
Credit Operations

**John J. Byczkowski**  
Vice President  
Communications

**Debbra M. DeMaris**  
Vice President  
Assistant Controller

**Christine A. Flischel**  
Vice President  
Information Security  
and Compliance

**Dawn E. Grace**  
Vice President  
Housing and Community  
Investment

**S.G. Frank Haas III**  
Vice President  
Operational Risk  
and Compliance

**C. David Hedrick Jr.**  
Vice President  
Credit Risk Analysis

**Matthew C. Miller**  
Vice President  
Credit and Model Risk

**Mai D. Vue**  
Vice President  
Project Management Office

**Jerome C. Bauer**  
Assistant Vice President  
BRCP and Compliance

**Todd W. Berry**  
Assistant Vice President  
Relationship Manager

**Sarah E. Clark**  
Assistant Vice President  
Enterprise Risk Management

**Jeffrey A. Fields**  
Assistant Vice President  
Business Development

**Kevin T. Hanrahan**  
Assistant Vice President  
Relationship Manager

**Kevin M. Kennedy**  
Assistant Vice President  
Internal Audit

**Allie D. Kieft**  
Assistant Vice President  
Financial Reporting  
and Policy

**Thomas C. Muth**  
Assistant Vice President  
Relationship Manager

**Pavan V. Parikh**  
Assistant Vice President  
Government Relations  
Officer and Legislative Counsel

**Judith M. Rose**  
Assistant Vice President  
Relationship Manager

**Mark A. Russell**  
Assistant Vice President  
Human Resources  
Operations

**Lisa A. Wishart**  
Assistant Vice President  
Credit Operations

**John D. Zazycki**  
Assistant Vice President  
Funding and Derivatives

**David A. Bailey**  
Mortgage Purchase  
Program Officer

**J. Bradley Baker**  
Credit Risk  
Management Officer

**Mark A. Brosey**  
IT Compliance Officer

**Corey M. Burns**  
Credit Analysis Officer

**Vijay M. Chettiar**  
Applications  
Development Officer

**Joel M. Galloway**  
Administrative  
Services Officer

**Timothy D. Green**  
Applications  
Development Officer

**Diane M. Halpin**  
Correspondent  
Services Officer

**Allyson M. Khayo**  
Diversity and Talent  
Management Officer

**Brenda A. Pierre**  
Housing Quality  
Assurance Officer

**Chuck E. Pitz**  
Technical Services Officer

**Sharon R. Sanders**  
Credit Services Officer

**Michael C. Spencer**  
Insurance and Sales Officer

**Jess Tedder**  
Applications  
Development Officer

**Erik J. Van Dootingh**  
Portfolio Strategy Officer


**Tyler J. Walker**  
Mortgage Purchase  
Program Operations Officer

**NOTE** This list reflects FHLB  
Officers as of March 2019



**FEDERAL HOME LOAN BANK OF CINCINNATI**

221 East Fourth Street  
600 Atrium Two  
Cincinnati, Ohio 45202  
**T** (513) 852-7500

 [www.fhlbcin.com](http://www.fhlbcin.com)  
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