2015 ANNUAL REPORT
15 YEARS OF MPP
## Financial Highlights

*(dollars in millions)*

<table>
<thead>
<tr>
<th>Selected Items at Year-End</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>$118,797</td>
<td>$106,640</td>
<td>$103,181</td>
<td>$81,562</td>
<td>$60,397</td>
</tr>
<tr>
<td>Advances</td>
<td>73,292</td>
<td>70,406</td>
<td>65,270</td>
<td>53,944</td>
<td>28,424</td>
</tr>
<tr>
<td>Mortgage loans held for portfolio, net</td>
<td>7,980</td>
<td>6,984</td>
<td>6,819</td>
<td>7,530</td>
<td>7,850</td>
</tr>
<tr>
<td>Investments</td>
<td>37,356</td>
<td>26,007</td>
<td>22,364</td>
<td>19,950</td>
<td>21,941</td>
</tr>
<tr>
<td>Deposits</td>
<td>804</td>
<td>730</td>
<td>914</td>
<td>1,177</td>
<td>1,084</td>
</tr>
<tr>
<td>Consolidated obligations</td>
<td>112,304</td>
<td>100,449</td>
<td>96,373</td>
<td>75,186</td>
<td>54,991</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>765</td>
<td>689</td>
<td>621</td>
<td>538</td>
<td>444</td>
</tr>
<tr>
<td>Total capital</td>
<td>5,181</td>
<td>4,939</td>
<td>5,310</td>
<td>4,537</td>
<td>3,559</td>
</tr>
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<table>
<thead>
<tr>
<th>Annual Operating Results</th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>$ 249</td>
<td>$ 244</td>
<td>$ 261</td>
<td>$ 235</td>
<td>$ 138</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>62</td>
<td>54</td>
<td>51</td>
<td>45</td>
<td>46</td>
</tr>
<tr>
<td>Affordable Housing Program assessments</td>
<td>28</td>
<td>28</td>
<td>30</td>
<td>27</td>
<td>17</td>
</tr>
<tr>
<td>Total dividends paid</td>
<td>172</td>
<td>176</td>
<td>178</td>
<td>141</td>
<td>132</td>
</tr>
<tr>
<td>Weighted average dividend rate</td>
<td>4.00%</td>
<td>4.00%</td>
<td>4.18%</td>
<td>4.44%</td>
<td>4.25%</td>
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<table>
<thead>
<tr>
<th>Performance Ratios</th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Return on average assets</td>
<td>0.24%</td>
<td>0.24%</td>
<td>0.28%</td>
<td>0.35%</td>
<td>0.21%</td>
</tr>
<tr>
<td>Return on average equity (ROE)</td>
<td>4.90</td>
<td>4.93</td>
<td>5.10</td>
<td>6.20</td>
<td>3.89</td>
</tr>
<tr>
<td>Operating expenses to average assets</td>
<td>0.058</td>
<td>0.054</td>
<td>0.055</td>
<td>0.067</td>
<td>0.068</td>
</tr>
<tr>
<td>Average three-month LIBOR</td>
<td>0.32</td>
<td>0.23</td>
<td>0.27</td>
<td>0.43</td>
<td>0.34</td>
</tr>
<tr>
<td>Average Federal funds effective rate</td>
<td>0.13</td>
<td>0.09</td>
<td>0.11</td>
<td>0.14</td>
<td>0.10</td>
</tr>
<tr>
<td>ROE spread to three-month LIBOR</td>
<td>4.58</td>
<td>4.70</td>
<td>4.83</td>
<td>5.77</td>
<td>3.55</td>
</tr>
<tr>
<td>ROE spread to Federal funds effective rate</td>
<td>4.77</td>
<td>4.84</td>
<td>4.99</td>
<td>6.06</td>
<td>3.79</td>
</tr>
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<table>
<thead>
<tr>
<th>Capital Ratios at Year-End</th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Capital-to-assets ratio – GAAP</td>
<td>4.36%</td>
<td>4.63%</td>
<td>5.15%</td>
<td>5.56%</td>
<td>5.89%</td>
</tr>
<tr>
<td>Capital-to-assets ratio – Regulatory</td>
<td>4.40</td>
<td>4.71</td>
<td>5.27</td>
<td>5.84</td>
<td>6.37</td>
</tr>
</tbody>
</table>

The Federal Home Loan Bank of Cincinnati’s 2015 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 699 member stockholders in the FHLB System’s Fifth District of Kentucky, Ohio and Tennessee.

<table>
<thead>
<tr>
<th>Contents</th>
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<tbody>
<tr>
<td>01</td>
</tr>
<tr>
<td>03</td>
</tr>
<tr>
<td>07</td>
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<td>14</td>
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<td>15</td>
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<tr>
<td>21</td>
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<td>22</td>
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2015 ANNUAL REPORT
A Message for Our Members

We are pleased to report that the Federal Home Loan Bank of Cincinnati (FHLB) achieved a successful financial and operating performance year in 2015. We dedicate our efforts to deliver value to our member stockholders through competitively priced services consistent with our housing finance mission, stable and solid dividend rates, and constructive affordable housing programs. We met all of those objectives in 2015. We attribute our performance to our strong partnership with our members and our collective commitment to help meet the housing finance and economic development needs of the FHLB Fifth District communities.

FINANCIAL AND OPERATING PERFORMANCE

Earnings were strong and rose slightly in 2015. This steady performance reflected a stable business and interest rate environment, consistent demand for Advances, and a conservative approach to risk management. Net income in 2015 was $249 million compared to $244 million in 2014, a 2 percent increase. Our reliable financial performance enabled us to pay an average quarterly dividend rate of 4.00 percent and add $76 million to retained earnings.

Total assets at year-end were $118.8 billion, rising 11 percent compared to assets at year-end 2014 of $106.6 billion. Advances, our principal mission asset, rose 4 percent. Advances grew amid a shift by our members to short-term borrowing and borrowing by new insurance company members. 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.

MEMBERSHIP RULE

In September 2014 our regulator, the Federal Housing Finance Agency, proposed a rule that would have imposed an ongoing housing-asset test on all members to maintain their FHLB membership. It would also effectively ban captive insurance companies from membership. By January 2015 more than 1,300 comment letters had been submitted to the Finance Agency, overwhelmingly opposing every section of the proposal, and we concurred with that opposition. Discussions with the Agency
continued through 2015, and the System sought to meet the regulator’s concern of preserving the System’s housing mission, while finding ways to strengthen the mission by adapting to the nation’s evolving housing finance market, which increasingly requires private capital.

The Finance Agency issued its final rule that took effect February 2016. The Agency laudably heeded the concerns of FHLB members, and abandoned an ongoing asset test for membership. We are disappointed, however, that the Agency enacted the ban on captive insurance companies from membership. Current captive insurance members are required to leave the System by February 2017, one year after the rule took effect. We disagree with this determination. We believe captive insurance companies are important members that help deepen and diversify the flow of funds to the mortgage markets. It is possible this decision could be reconsidered through legislation or other means, and we will keep our members informed of any developments.

**MORTGAGE PURCHASE PROGRAM**

Our Mortgage Purchase Program (MPP) enjoyed another strong year. The mortgage portfolio grew by $1.0 billion to $8.0 billion, and the program achieved record participation by members, with 99 active sellers during 2015. As you’ll read later in this report, MPP is celebrating its 15-year anniversary. MPP offers our members a viable secondary market channel for their mortgage assets, as many members attested at the Users Group meeting in Cincinnati last November. The program also helps the FHLB fulfill its mission of housing finance, and is a strong contributor to our earnings and dividend. We expect another strong performance for MPP in 2016, and are working to continue to grow the program.

**CHANGES ON THE BOARD**

For 2016, we added one new director and three directors were re-elected by the membership. Newly elected as an Ohio Member Director is Robert T. Lameier, President and CEO of Miami Savings Bank, Miamitown. Bob is a past chairman of the Ohio Bankers League and a respected community banker. That seat on the FHLB Board opened when Director Mark N. DuHamel, Executive Vice President and Deputy Chief Financial Officer of FirstMerit Bank in Akron, retired from the Board. Mark served the Board with distinction for eight years, and was a strong voice on
the Audit Committee and for all members. We valued his expertise and thank him for his significant contributions to the FHLB.

Returning to the Board following the 2015 election is another Ohio Member Director, Michael R. Melvin, President and CEO of Perpetual Federal Savings Bank, Urbana. Also re-elected were two Independent Directors: our Chairman, Donald J. Mullineaux of Lexington, Ky., and Charles J. Ruma of Columbus, Ohio. All four directors elected last fall will serve four-year terms, through 2019. Additionally, Director William J. Small, who is Chairman of First Federal Bank of the Midwest in Defiance, Ohio, was re-elected as Vice Chairman by the Board, and will serve in that capacity through 2017.

In addition, the Board revised its committee structure, splitting the Financial & Risk Management committee into two committees: Business & Operations and Risk. The Business & Operations Committee will work to ensure FHLB operations are effective, efficient and aligned with fulfilling the FHLB’s mission. The Risk Committee provides a forum for the Board to oversee the FHLB’s comprehensive risk management program.

We bid a fond farewell to Thomas J. Ciresi, Senior Vice President, Member Services, who retired in September after 34 years with the FHLB. Tom was the embodiment of one of FHLB Cincinnati’s core values: the personal attention and responsiveness to members’ needs within our cooperative. His leadership and commitment to the FHLB’s members was instrumental in sustaining the long-term success of the FHLB.

THE YEAR AHEAD
Change is a constant, and it often takes a steadfast resolve to resist impulsive reaction when shifting external forces create uncertainty. From dramatically falling commodity prices to marginally rising interest rates to an unpredictable presidential election, 2016 will most certainly promise more change domestically. Global events are no less volatile and will likewise have an impact on economic markets and consumer behavior.

The FHLB has thrived for more than 80 years, through economic expansion and turmoil, peace and war. We have been sustained by a belief in the validity of our mission – that every community, large or small, deserves vital financial institutions that can help them thrive, that every citizen deserves a decent, safe place to live, and that we are here to help. In support of our mission, we strive to run our FHLB conservatively so that it remains strong, with a focus on returning value to our members so that they remain vital in their communities. Our affordable housing programs help provide direct assistance to communities in need. Global events are no less volatile and will likewise have an impact on economic markets and consumer behavior.

Sincerely,

Donald J. Mullineaux
Chair, Board of Directors

Andrew S. Howell
President and CEO
2015 Board of Directors

Front row, seated left to right:

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

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

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

Back row, standing left to right:

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

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

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

J. Lynn Anderson  
Senior Vice President  
Nationwide Mutual Insurance Company  
Columbus, Ohio

Greg W. Caudill  
President and CEO  
Farmers National Bank  
Danville, Ky.
Front row, seated left to right:

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

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

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

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

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

Leslie D. Dunn  
Retired Partner  
Jones Day  
Cleveland, Ohio

Back row, standing left to right:

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

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

Not pictured:

Mark N. DuHamel  
Executive Vice President and Deputy Chief Financial Officer  
FirstMerit Bank, N.A.  
Akron, Ohio
MPP Celebrates 15 Years

Our Mortgage Purchase Program is celebrating its 15th anniversary – 15 years of service to our housing finance mission and 15 years of helping members serve their communities.

MPP bought its first mortgages from members in 2000. “We started MPP to offer a competitive secondary market execution for the underserved members in the Fifth District,” said R. Kyle Lawler, who joined FHLB Cincinnati in 2000 to launch MPP. “The lion’s share of our membership was practically excluded from the national secondary market.”

Mr. Lawler, who today is the FHLB’s Executive Vice President and Chief Business Officer, said the Bank saw MPP as a way to purchase a good investment and reward members for originating high-credit-quality loans, furthering the Bank’s housing mission.

At the end of 2015, the MPP portfolio stood at $8.0 billion. Regulation limits how quickly FHLB can grow the program, but through 2015, more than $33 billion in mortgages have been purchased.

Through MPP, the FHLB purchases qualifying residential mortgage loans from members. By selling mortgage loans, members can increase their balance sheet liquidity and minimize the risks associated with holding fixed-rate mortgages in portfolio.

Osgood State Bank in Osgood, Ohio, is the kind of member MPP targeted. “We weren’t able to offer fixed rate mortgages because of the interest rate risk.” said Michael Monnier, president and CEO of OSB Bancorp, the holding company. As a small community bank, “We didn’t have a relationship with Freddie or Fannie or any other large secondary market player. We wanted to keep the servicing rights so we still had the contact with the customer.”

An early user of MPP, Osgood State Bank has sold more than $90 million in mortgages to the FHLB. “Overall, we’ve just been very pleased with the Mortgage Purchase Program,” Sandra Hoehne, Chief Financial Officer, OSB Bancorp said. “We’re able to offer lower rates than what we could offer on our own.”

Nearby, St. Henry Bank in St. Henry, Ohio, has turned to the FHLB’s MPP to help manage interest rate risk on fixed-rate mortgages. “We used to
Using MPP has absolutely made us better. It’s allowed us to be much more competitive in the marketplace.

David Romer  
President and CEO  
St. Henry Bank

To be able to use a third-party servicer that’s not trying to compete with us is a good thing.

Spencer Pratt  
Executive Vice President  
Leaders Credit Union

MPP pays five ways:

- **Cash Price:** FHLB Cincinnati pays a competitive price at the time of purchase.
- **Lender Risk Account (LRA):** Members receive future payments based on the performance of the loans.
- **Servicing Released Premium or Servicing Spread:** Members can earn more current income when selling the servicing.
- **Dividend:** As a profitable program for FHLB Cincinnati, MPP assets enhance the dividend paid on member stock.
- **Loan Level Price Adjustments:** MPP has fewer adjustments compared to other secondary market alternatives.

Leaders Credit Union in Jackson, Tenn., prefers to release servicing, and likes the option provided by MPP, said Executive Vice President Spencer Pratt. MPP’s service release servicer, Capital Markets Cooperative, “is a true third-party servicer, not a financial institution,” he said. “To be able to use a third-party servicer that’s not trying to compete with us is a good thing.”

Suzanne Anderson, Assistant Vice President and Loan Officer at Farmers State Bank in Greenville, Ohio, appreciates the personal service she receives. “The people at FHLB are so much more helpful,” she said. She’s worked with other secondary market firms and complained she could never get the same person on the phone. “It’s so much easier to deal with FHLB.”

FHLB’s Mr. Lawler said good customer service has been the keystone of MPP’s success. “We provide a lot of education, from hands-on training to annual meetings of the Users Group, with industry experts who talk about trends and best practices. It’s a great program and there’s no reason you shouldn’t be involved.”
It’s a fine line between homeowner and homeless for some of the most financially vulnerable in Kentucky, Ohio and Tennessee. A leaky roof, a broken furnace, the inability to manage stairs or bathtubs – finding the funds to make these repairs can prove impossible for those living on fixed incomes. These situations can ultimately force homeowners to live in unsafe conditions or abandon their homes. FHLB Cincinnati’s Board created a voluntary fund, the Carol M. Peterson Housing Fund (CMPHF) in 2010 to help keep homes viable for very low- and low-income homeowners.

The fund honors its namesake Carol Mount Peterson, who headed the FHLB's Housing and Community Investment Department for 25 years. Ms. Peterson’s relentless promotion of the Affordable Housing Program took her to every corner of the Fifth District, spreading word of the availability of funds for needed affordable housing. The CMPHF honors Ms. Peterson's passion for the FHLB's ability to change lives through the AHP by addressing the separate problem of how to keep very low- and low-income homeowners in safe and secure homes.

Sponsors are able to request up to $7,500 per homeowner, who meet area income qualifications. With a cap of $75,000 per sponsor organization, the fund provides accessibility repairs, such as ramps, bathroom modifications, lowering of cabinets, or vital emergency repairs, such as roofs, HVACs, or plumbing. All funds must be reserved through an FHLB member institution. The Board of Directors has approved an increase in the funds available for the program for 2016 to a total of $1.5 million, $100,000 of which is designated for the Jimmy and Rosalynn Carter Work Project in Memphis, Tenn. Applications for the 2016 CMPHF offering will be accepted beginning June 1.

As illustrated in the examples that follow, these funds have allowed sponsor organizations to serve more of their local communities in ways that have made a significant impact on quality of life for homeowners.

“The Carol M. Peterson Housing Fund is an important source of funding for sponsor organizations throughout our district. We are able to provide funding that fills a variety of gaps and ultimately keeps homeowners in viable, safe housing,” said Damon v. Allen, Senior Vice President, Community Investment. “We are proud of the impact the fund has had on families within the Fifth District and look forward to continuing the program in 2016.”
Home is the Foundation

James Stapleton, a veteran, and his wife Marguerite, who is disabled, were in need of an accessible restroom, extensive plumbing repairs and ramps in their Eaton, Ohio home. A Carol M. Peterson Housing Fund grant played an important role in Home is the Foundation meeting their extensive list of needs.

The group, based in Eaton, Ohio, began a senior home repair program three years ago as a way to help area seniors remain in their homes in safe living conditions.

Home is the Foundation uses the CMPHF for modifications including accessible restrooms and emergency HVAC repairs. Since its inception, the group has served more than 150 seniors through multiple funding sources, volunteers and trusted, responsible contractors.

Carol Arcuragi understands the need in the area all too well. She received a furnace through CMPHF. “I just couldn’t believe it. Without this kind of help, I don’t know what I would have done,” she said.

“There are cases we would not have been able to address without the help of the Carol M. Peterson Housing Fund, including some where seniors were living in unsafe conditions with few other options,” said Heidi Bortel, Senior Home Repair Program Manager for HIT Foundation.

“\nThe Carol M. Peterson Housing Fund is an important source of funding for sponsor organizations throughout our district. We are able to provide funding that fills a variety of gaps and ultimately keeps homeowners in viable, safe housing. ”

Damon v. Allen  Senior Vice President, Community Investment FHLB Cincinnati
Housing Development Alliance

Serving some of the poorest counties in the state, the Housing Development Alliance of Hazard, Ky., is focused on getting and keeping residents in safe, affordable housing. A big part of this effort rests on the group’s home repair program.

“The housing stock in the region we serve is particularly poor. Without FHLB’s Carol M. Peterson Housing Fund, we just wouldn’t have the funds to address everything that needs to be done,” said Scott McReynolds, Executive Director at Housing Development Alliance.

The CMPHF also allows the Housing Development Alliance to do more for the people they serve.

“Donna Combs had already been helped with a roof, electrical and window work. However, she had a bathroom that was about to collapse. With the help of the Carol M. Peterson Housing Fund, we were able to take care of that for her as well,” Mr. McReynolds said.

Neighborhood Housing Inc.

Neighborhood Housing Inc., the single-family housing development corporation of Knoxville Leadership Foundation, manages Operation Backyard, which helps homeowners like Evelyn get the resources they need to make essential repairs to their homes. The program focuses on assisting homeowners with roofing, accessibility features and weatherization. Operation Backyard maximizes the impact of CMPHF dollars by leveraging trained volunteers to complete as much labor as possible.

“FHLB’s Carol M. Peterson Housing Fund has allowed us to serve more people, serve a broader area and take on bigger projects that are difficult to find funding for,” said Adam Montgomery, Director of Neighborhood Housing Inc.

From left to right:
1. The rot and damage to Evelyn Coates’ roof was clearly visible prior to much needed repairs.
2. The new, flat-style roof was completed with the help of volunteers.

Neighborhood Housing Inc. (part of Knoxville Leadership Foundation)

Evelyn Coates is a staple in her east Knoxville neighborhood. When she needed a new roof, however, finding the funds for the repair was difficult. Fortunately, she was put in touch with Knoxville Leadership Foundation’s minor home repair program, Operation Backyard, which was able to use Carol M. Peterson Housing Fund money to make the repairs to her unique flat-style roof. Without access to CMPHF, Evelyn’s roof would likely still be in need of repair.

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Advisory Council

Front row, seated left to right:

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

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

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

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

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

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

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

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

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

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

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

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

Not pictured:

Donald R. Ball
Chairman
Ball Homes
Lexington, Ky.

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

EARNINGS

The FHLB posted earnings of $249 million in 2015, an increase of 2 percent from 2014. Our return on equity (ROE) averaged 4.90 percent, compared to 4.93 percent a year earlier. ROE in 2015 was 458 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 this represents an excellent performance on behalf of our member stockholders in the current low interest rate environment. Operating expenses as a percentage of average assets rose slightly to 5.8 basis points in 2015, compared to 5.4 basis points in 2014.

The financial and economic environment in 2015 closely resembled that of 2014 – steady overall interest rates, and steady demand for Advances through most of the year. We continued to retire some of our Consolidated Bonds, replacing them with lower-cost Obligations. On the asset side of the balance sheet, growth in mission assets – Advances, mortgages held in the Mortgage Purchase Program and Letters of Credit – contributed positively to earnings.

DIVIDEND

In 2015 we paid an annualized average 4.00 percent dividend in each quarter, compared to the average 3-month LIBOR benchmark rate of 0.32 percent. In doing so, the FHLB returned $172 million in the form of a cash dividend in 2015, while prudently adding $76 million to retained earnings.

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 retained earnings and members’ average capital stock balances. All 2015 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 $5.2 billion at year-end, an increase of $242 million, or 5 percent, compared to year-end 2014. Capital stock rose as Advances grew and we welcomed 21 new members. Of those new members, however, 15 are captive insurance companies, and will be required to relinquish their membership by February 19, 2017.

Regulatory capital is GAAP capital plus mandatorily redeemable capital stock, less accumulated other comprehensive income. Our regulatory capital-to-assets ratio averaged 4.88 percent during 2015 and stood at 4.40 percent at year-end, exceeding the minimum 4.00 percent requirement.

Retained earnings grew by $76 million to end the year at $765 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.

INVESTMENTS

The FHLB’s investment portfolio grew to $37.4 billion by year-end 2015, up $11.3 billion from a year earlier, mainly due to the growth in the liquidity investment portfolio. We grew the liquidity investment portfolio during the fourth quarter in anticipation of volatility in demand for Advances at year-end and any potential capital market instability. The FHLB maintains adequate liquidity to continue to support our goal of providing same day funding of Advances to members.
CREDIT SERVICES

Advance balances grew during 2015 to end the year at $73.2 billion, from $70.3 billion at year-end 2014 – an increase of 4 percent and a record year-end balance. The FHLB offers a wide range of credit programs and services that support our members’ funding needs in various interest rate and economic environments.

The percentage of members using FHLB credit services was 77 percent in 2015, compared to 76 percent in 2014 and 72 percent in 2013.

Advance balances as a percent of assets for each member increased during the year to 3.37 percent. Aggregate Advances grew for our savings bank and insurance company members. The percentage of members that held Advances in 2015 was 65 percent, about flat compared to 2014.

The FHLB continued to provide Advance special offerings in 2015. 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 127 members borrowed nearly $1.5 billion through the 18 specials in 2015.

Average daily Letters of Credit balances rose to nearly $17.7 billion in 2015, up 17 percent compared to 2014. Letters of Credit continue to be used by members to support public unit deposits and alternative liquidity strategies.

MPP balances rose 14 percent in 2015 to end the year at $8.0 billion. Principal purchases nearly doubled to $2.3 billion, and paydowns rose 29 percent to $1.3 billion. Members increasingly see FHLB as a viable secondary market alternative.
MPP

A competitive alternative to the traditional secondary mortgage market, our Mortgage Purchase Program (MPP) continued to attract substantial member interest in 2015. The number of active sellers reached a record high of 99 members.

MPP balances rose 14 percent in 2015 to end the year at $8.0 billion. Principal purchases nearly doubled to $2.3 billion, and paydowns rose 29 percent to $1.3 billion. Members increasingly see FHLB as a viable secondary market alternative. MPP remains an important contributor to the FHLB’s earnings and dividend.

MPP continues to grow, 15 years after we bought our first mortgage. We constantly look for opportunities to enhance MPP. During 2015, for instance, we partnered with BNY Mellon for master servicing responsibilities, and program pricing is now available through Ellie Mae’s Encompass Product and Pricing Service.

HOUSING AND COMMUNITY INVESTMENT (HCI)

In 2015, the FHLB provided 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 2015, the FHLB awarded or disbursed $36.1 million through AHP to its members to help 3,953 households secure decent, affordable housing. In 26 years of partnering with our members and housing organizations, we have awarded or disbursed $562 million through AHP to assist more than 71,000 households. For 2016, the FHLB has accrued $27.9 million for AHP, which reflects earnings in 2015.

3,953 HOUSEHOLDS HELPED

In 2015, the FHLB awarded or disbursed $36.1 million to its members to help 3,953 households secure decent, affordable housing through its Affordable Housing Program.

2015 HCI

| Total housing funds awarded or disbursed | $125.0 million |
| Housing units supported | 4,926 |
| Members taking part in one or more HCI programs | 210 |
There are two components to the AHP. Under the AHP competitive program, in 2015 the FHLB awarded $27.0 million in AHP grants through its members for the creation or preservation of 2,084 units of affordable housing. Under the AHP set-aside program, the Welcome Home Program, $9.1 million was disbursed to members to assist 1,869 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 has always been enthusiastic. In 2015, the FHLB disbursed more than $920,000 on behalf of 151 households through our members and their affordable housing partners to homeowners in the Fifth District.

Through the FHLB’s Community Investment Program, Economic Development Program and the Zero-Interest Fund, $88.0 million was disbursed through low-cost Advance programs for housing and economic development in 2015.

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 more than $2.9 million from this fund to help 177 households re-establish housing. We stand ready to 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 2015, the FHLB disbursed $88.0 million through these low-cost Advance programs for housing and economic development.

In 2015, the FHLB’s Carol M. Peterson Housing Fund disbursed more than $920,000 on behalf of 151 households through our members and their affordable housing partners to homeowners in the Fifth District.

MEMBERSHIP AND OUTREACH

The number of member stockholders fell to 699 in 2015 from 705 in 2014 due mainly to merger activity during the year. We also approved 21 new member stockholders in 2015, while losing 27 members to mergers. The number of member stockholders at year-end was 304 in Ohio, 196 in Kentucky and 199 in Tennessee.
During 2015, we approved 15 members who are captive insurance companies. Our regulator, the Federal Housing Finance Agency, instituted a rule in February 2016 barring captive insurance companies from FHLB membership, and requiring our current member captives to terminate their membership one year after the effective date of the rule.

We remain committed to maintaining frequent and timely communications with our members. We held four regional stockholder meetings and several housing workshops and webinars. Our annual Financial Management Conference and MPP Users Group meeting both drew their best attendance ever. Through these outreach efforts, we seek to ensure that our members are maximizing the value of 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>2015</th>
<th>2014</th>
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<tbody>
<tr>
<td>KENTUCKY</td>
<td>196</td>
<td>208</td>
</tr>
<tr>
<td>OHIO</td>
<td>304</td>
<td>307</td>
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<tr>
<td>TENNESSEE</td>
<td>199</td>
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<table>
<thead>
<tr>
<th>COMMERCIAL BANKS</th>
<th>2015</th>
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<tr>
<td>COMMERCIAL BANKS</td>
<td>418</td>
<td>442</td>
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<tr>
<td>THRIFTS AND SAVINGS BANKS</td>
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<td>101</td>
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<tr>
<td>CREDIT UNIONS</td>
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<td>INSURANCE COMPANIES</td>
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<td>COMMUNITY DEVELOPMENT</td>
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<td>4</td>
</tr>
<tr>
<td>FINANCIAL INSTITUTIONS</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| TOTAL                        | 699  | 705  |
Senior Staff

Seated, left to right:

- Damon v. Allen
  Senior Vice President
  Community Investment Officer

- Roger B. Batsel
  Senior Vice President
  Chief Information Officer

- Tami L. Hendrickson
  Senior Vice President
  Treasurer

Standing, left to right:

- Stephen J. Sponaugle
  Senior Vice President
  Chief Risk and Compliance Officer

- J. Christopher Bates
  Senior Vice President
  Chief Accounting Officer

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

- 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

- David C. Eastland
  Senior Vice President
  Chief Credit Officer
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. BATSEL  
Senior Vice President  
Chief Information Officer

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 and Compliance Officer

JEFFERY S. BERRYMAN  
Vice President  
Credit Operations

HERMAN BOWLING JR.  
Vice President  
Housing and Community Investment

JOHN J. BYCZKOWSKI  
Vice President  
Communications

JOSEPH W. CASTLEN  
Vice President  
Mortgage Purchase Program

BRIAN D. COMP  
Vice President  
Assistant Chief Information Officer

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

C. DAVID HEDRICK JR.  
Vice President  
Credit Risk Management

DARREN M. KUNTZ  
Vice President  
Assistant Treasurer

MATTHEW C. MILLER  
Vice President  
Credit and Model Risk

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  
Correspondent Services

TODD W. BERRY  
Assistant Vice President  
Marketing

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

KEVIN M. KENNEDY  
Assistant Vice President  
Internal Audit

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

SARAH E. CLARK  
Financial Risk Officer

IRINA GIKHMAN  
Internal Audit Officer

ALLISON D. KIEFT  
Accounting Officer

DAVID M. KOMBEREC  
Mortgage Portfolio Officer

PAVAN V. PARikh  
Government Relations Officer

BRENDA A. PIERRE  
Housing Quality Assurance Officer

MARK A. RUSSELL  
Human Resources Operations Officer

MICHAEL E. SCHWARZ  
Internal Audit Officer

LISA A. WISHART  
Credit Operations Officer

CRAIG M. WUEBBEN  
Administrative Services Officer

NOTE: This list reflects FHLB officers as of April 2016.