FHLB CINCINNATI

CONTINUOUS IMPROVEMENT FOR YOU

2017 ANNUAL REPORT

Financial Highlights

(dollars in millions)

Selected Items at Year-End	2017	2016	2015	2014	2013
Total assets	$106,895	$104,635	$118,756	$106,607	$103,137
Advances	69,918	69,882	73,292	70,406	65,270
Mortgage loans held for portfolio, net	9,681	9,149	7,952	6,951	6,775
Investments	27,058	25,334	37,356	26,007	22,364
Deposits	651	766	804	730	914
Consolidated obligations	100,374	97,881	112,291	100,449	96,373
Retained earnings	940	834	737	656	578
Total capital	5,165	4,978	5,153	4,906	5,267
Annual Operating Results					
Net income	$ 314	$ 268	$ 254	$ 254	$ 240
Operating expenses	65	68	62	54	51
Affordable Housing Program assessments	35	30	28	28	30
Total dividends paid	208	171	172	176	178
Weighted average dividend rate	5.00 %	4.00%	4.00 %	4.00 %	4.18 %
Performance Ratios					
Return on average assets	0.31%	0.25%	0.24 %	0.25 %	0.26 %
Return on average equity (ROE)	6.15	5.35	5.04	5.16	4.72
Operating expenses to average assets	0.063	0.064	0.058	0.054	0.055
Average three-month LIBOR	1.26	0.74	0.32	0.23	0.27
Average Federal funds effective rate	1.00	0.39	0.13	0.09	0.11
ROE spread to three-month LIBOR	4.89	4.61	4.72	4.93	4.45
ROE spread to Federal funds effective rate	5.15	4.96	4.91	5.07	4.61
Capital Ratios at Year-End					
Capital-to-assets ratio – GAAP	4.83 %	4.76%	4.34 %	4.60 %	5.11 %
Capital-to-assets ratio – Regulatory	4.88	4.80	4.38	4.68	5.23

The Federal Home Loan Bank of Cincinnati's 2017 annual report on Form 10-K, as filed with the Securities and Exchange Commission, is available on the FHLB's website, www.fhlbcin.com. For a hard copy, you may email info@fhlbcin.com or call toll-free 1-877-925-3452.

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The Federal Home Loan Bank of Cincinnati is a regional wholesale bank providing financial services for residential housing and economic development to 660 member stockholders in the FHLB System's Fifth District of Kentucky, Ohio and Tennessee.

Photo Credits:
Mark Bowen Media
and Daylight Photo
Design and Layout:
Stanard Design Partners

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 record earnings as well as stable and consistent financial and operating performance in 2017. Our mission is to provide our member-stockholders with quality 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, our public policy mission, and our collective commitment to help meet the housing finance and economic development needs of FHLB Fifth District communities, we fulfilled that mission in 2017.

RECORD FINANCIAL AND OPERATING PERFORMANCE

Earnings rose to a record $314 million in 2017, from $268 million in 2016, an increase of 17 percent. This improved financial performance resulted from higher net interest income due to wider asset spreads to funding costs, growth in our Mortgage Purchase Program (MPP) portfolio, and a conservative approach to risk management.

Our members benefitted from increased earnings in the form of an increase in the dividend paid on FHLB stock. We believe that an attractive dividend is a key component of how we deliver value to members. We paid an average dividend of 5.00 percent for 2017, up from 4.00 percent in 2016, and the dividend in the fourth quarter was paid at an annual rate of 5.50 percent. We returned $208 million to members as dividends, a payout ratio of 66.3 percent.

We also added $106 million to retained earnings in 2017. Measured growth in retained earnings is consistent with a core value of your FHLB, and that is to maintain strong capital management practices.

Total assets at year-end were $106.9 billion, up 2 percent compared to assets at year-end 2016 of $104.6 billion.

Advances to members ended 2017 at $69.9 billion, close to where they were at year-end 2016. The numbers belie the fact that our lending desk was very busy in 2017. Overall, members shortened the terms on their borrowing, leading to more frequent Advance renewals and daily volatility. There were seven months during the year where we executed 1,000 or more Advance transactions, compared to just one such month in 2016. The extraordinary efforts of our Credit, Treasury and Correspondent Services departments ensured funding was available to members at all times. The ability to quickly facilitate member funding and liquidity needs is a key benefit of membership.

The Mortgage Purchase Program helps us fulfill our mission of housing finance and is a strong contributor to earnings and resulting dividends. The program enjoyed another solid year. The mortgage portfolio grew $528 million to end the year at nearly $9.5 billion in principal balances. By utilizing MPP, members can increase their balance sheet liquidity and minimize the risks associated with holding fixed-rate mortgages in portfolio. We have made a number of improvements to MPP based on input from members.

COMMUNITY INVESTMENT PROGRAMS

Record earnings in 2017 resulted in a $35 million set-aside for our Affordable Housing Program in 2018. Our Housing and Community Investment programs again provided a multitude of opportunities for our members to help their communities flourish.

Some of this year's events from left to right:

1. CEO Andy Howell addresses the audience at the Financial Management Conference.

2. FHLB Directors and Pinnacle Financial Partners present Habitat for Humanity of Greater Nashville with a check for AHP funding.

3. Young scholars cut the ribbon at the Eastern Kentucky Scholar House in Richmond.

4. More than 220 people attended this year's Financial Management Conference.

5. Community Investment Officer Damon Allen delivers remarks at the opening of the Sheakley Center for Youth in Cincinnati.

6. The group opens Parkman Landing in Warren, Ohio.

Through the competitive Affordable Housing Program, $28.6 million was awarded in 2017 through 35 members to help create 2,396 units of affordable housing in the Fifth District and elsewhere. Also, through the Welcome Home program, $10.5 million was disbursed in 2017 to assist 2,126 homebuyers. In all, 222 members took part in one or more of our HCI programs.

Our voluntary programs continue to play an important role. Through the Carol M. Peterson Housing Fund, $1.4 million was disbursed in 2017 to help 218 households accommodate elderly and special needs residents. The Disaster Reconstruction Program helped 23 households in the Fifth District to rebuild following wildfires and storms. As you will read later in this report, our voluntary programs over the years have been shaped by input from our members to meet the needs of their communities.

LEGISLATIVE AND REGULATORY MATTERS

In March 2018, our regulator published the long-awaited proposed new Affordable Housing Program regulation, the result of several years of study and consultation. It is the second major revision of the AHP in its 28-year history and the purpose of the proposed regulation is to make the AHP easier to use and better aligned with other funding sources. The proposed regulation has not yet been finalized.

The Ohio General Assembly recently passed, and the Gov. John Kasich signed into law, a bill to protect FHLB interests in posted or pledged collateral in the event of insurance company insolvency. The bill creates a new section of the Ohio Revised Code that aligns with collateral practices of regulated FHLB depository members.

In Washington, there continues to be talk of GSE reform, as Fannie and Freddie have spent nearly 10 years in conservatorship. We remain engaged in discussions about legislative financial reform which may have an impact on the FHLBank System's cooperative business model.

THE BOARD AND SENIOR MANAGEMENT

For 2018, the membership re-elected two Member Directors from Kentucky, brought back a former Member Director from Ohio, and re-elected an Independent Director. In the Kentucky Member Director election, incumbent Directors Greg W. Caudill, CEO, Farmers National Bank, Danville, and David E. Sartore, Executive Vice President and CFO, Field & Main Bank, Henderson, were the only candidates nominated to run for the two open Kentucky Member Director seats. In accordance with Federal Housing Finance Agency regulations, no election was required, and Mr. Caudill and Mr. Sartore were each declared re-elected.

In Ohio, members elected Mark N. DuHamel, Executive Vice President and Corporate Treasurer, Huntington National Bank, Columbus. Mr. DuHamel previously served on our Board from 2009 to 2015. Also re-elected was Public Interest Independent Director Grady P. Appleton, who recently retired as President and CEO of East Akron Neighborhood Development Corp., Akron, Ohio.

James A. England, Chairman of Decatur County Bank, Decaturville, Tenn., and a Board member since 2011, was elected to a two-year term as Vice Chair. He succeeds William J. Small, Chairman of First Federal Bank of the Midwest in Defiance, Ohio, who is retiring from the Board after 12 years of service, four of those as our Vice Chair. Bill was active in the industry both statewide and nationally, and also serves on the boards of many community organizations in the Defiance area. His wise guidance, based on the depth of this experience, was invaluable to the Board. His keen sense of humor will be much remembered and sorely missed. We are grateful for his service and wish Bill all the best.

We will also soon bid farewell to Donald R. Able, Executive Vice President and Chief Operating Officer, who is scheduled to retire at the end of June after more than 37 years with FHLB Cincinnati. Don joined the FHLB in 1981 as a co-op student, demonstrating a quick learning curve, hard work and dedication. Combining these qualities with ongoing education, including a CPA license and an MBA, he rose through a series of promotions, serving as head of Accounting, Controller, then Chief Operating Officer and Chief Financial Officer. Don greatly contributed to the FHLB's efficient operations, corporate governance and steady financial performance, softening his direct style with warmth and humor, and always putting the interests of members first. Please join us in thanking Don for his many years of dedicated service.

Following Don's decision to retire, we appointed Stephen J. Sponaugle to be Executive Vice President-Chief Financial Officer. Also, James G. Dooley Sr. was appointed Executive Vice President-Chief Risk and Compliance Officer.

LOOKING AHEAD

FHLB Cincinnati enjoyed an excellent year financially, but a strong performance should not be mistaken for perfection. We are actively looking for ways to better serve our members. The theme of this year's annual report is "Continuous Improvement," and you'll read how we think and act on this. As we look for better ways to connect with our members and the communities we serve, we do that with a focus on maximizing member value for your investment in and activity with our company. 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

2017 Board of Directors

Front row, seated left to right

Grady P. Appleton
President and CEO
(Retired, January 2018)
East Akron Neighborhood
Development Corp.
Akron, Ohio

James R. DeRoberts
Director
Park National Bank
Newark, Ohio

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

Back row, standing left to right

Alvin J. Nance
CEO, LHP Development
and LHP Management
LHP Capital LLC
Knoxville, Tenn.

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

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

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

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

Charles J. "Bud" Koch
Principal and Owner
Lakehurst Associates
Bratenahl, Ohio

Front row, seated left to right

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

James J. Vance
Senior Vice President and Treasurer
The Western & Southern Financial Group
Cincinnati, Ohio

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

Back row, standing left to right

James A. England
Chairman
Decatur County Bank
Decaturville, Tenn.
(2018 Board Vice Chair)

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

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

Leslie D. Dunn
Retired Partner
Jones Day
Cleveland, Ohio

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

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

2017 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
The Coalition for the Homeless Inc.
Louisville, Ky.

J. Kathryn "Kathy" Peters
Executive Director/CEO
Kentucky Housing Corporation
Frankfort, Ky.

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

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

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

Back row, standing left to right

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

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

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

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

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

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

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

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

Continuous Improvement for You

To say improvement ends would be like saying learning ends, or curiosity ends. Improvement is the product of listening and learning. Times change, technology changes, needs change. To say something has been improved should not be an insult to the past. What members need evolves, as do the capabilities of your Federal Home Loan Bank. The FHLB is pushing improvement continuously through the organization, for the betterment of service to our members and the communities in the Fifth District.

Rebuilding Gatlinburg

FHLB's Disaster Reconstruction Program helps make recovery possible

In November 2016, wildfires raged in Gatlinburg and Sevier County, Tennessee. When the flames were finally controlled, 16,000 acres were burned and more than 2,000 buildings – many of them homes – were damaged or destroyed. The region looked towards reconstruction and the Appalachian Service Project (ASP) looked for ways to help.

They found it with FHLB Cincinnati's Disaster Reconstruction Program (DRP). This voluntary program was introduced in 2012 to better meet the needs of members when natural disasters affect their communities. DRP helps affected households with purchasing, constructing or repairing their primary residence. Grants of up to $20,000 are available to homeowners who meet income limitations in declared disaster areas, and renters who meet income limitations can qualify for $5,000 toward the purchase of a home.

THE PATH TO RENEWAL

Having previously used DRP to help survivors of tornadoes in rural Kentucky and those displaced by floods in Johnson City, Tenn., ASP looked at how they could leverage FHLB's disaster funding to help reconstruct Gatlinburg.

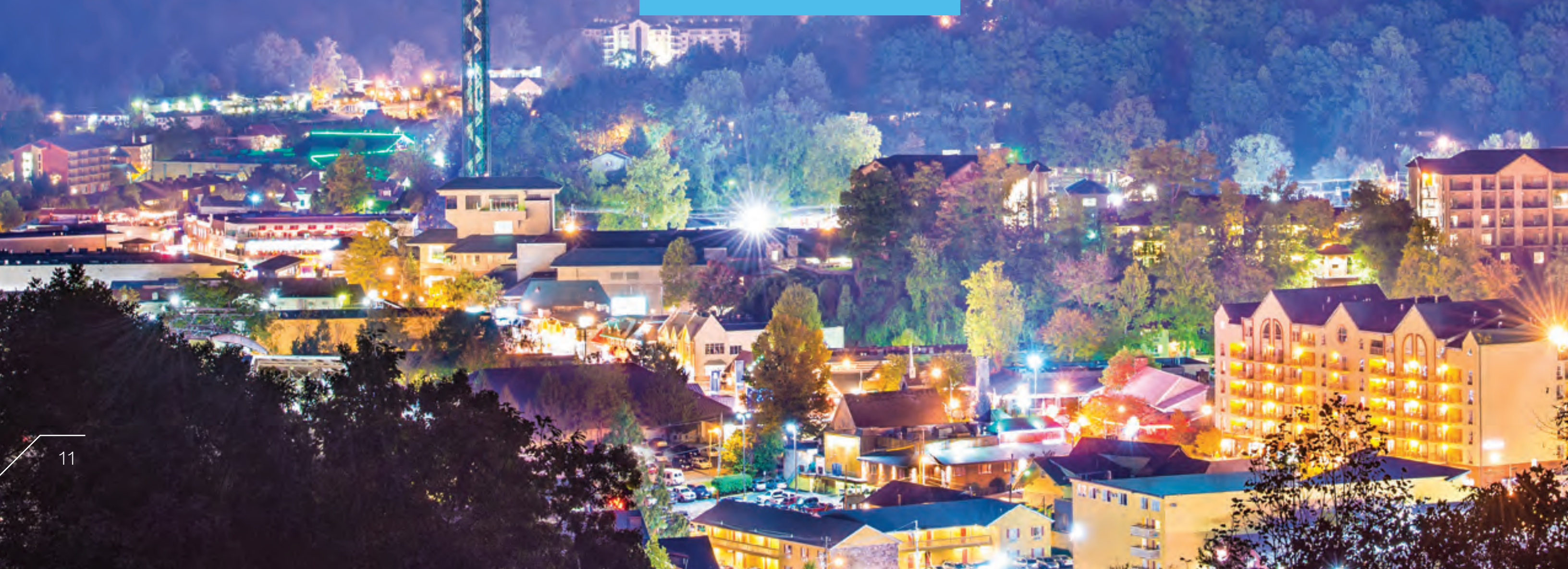
More than 2,000 buildings were damaged or destroyed in Sevier County when wildfires, combined with high winds, spread quickly in November 2016.

"DRP provides the foundation from which we can put together a financial model that makes recovery work," said Walter Crouch, CEO of ASP.

Mr. Crouch and his team started the process by partnering with the Bank of Tennessee and attending a forum on DRP funding put on by FHLB's Housing and Community Investment Department. With the details in hand, ASP looked for additional funding sources to help complete the projects.

"We are thankful to the Board of Directors for establishing this voluntary fund. It allows us to play a part in getting funds to where they are needed most in the time of disaster," Stephen Dixon, Senior Vice President and CRA Officer, Bank of Tennessee.

In total, the organization is committed to building 25 homes in the affected areas. Nineteen homes are currently being



constructed using DRP funds, while two additional homes are being built with FHLB's Affordable Housing Program grants. The process for funding is simple and streamlined with the Bank of Tennessee often receiving funding within 48 hours of initial request.

STEADY PROGRESS

To date, nine homes have been completed with DRP funds in Sevier County. In the coming months, a number more will also reach completion.

While all of those benefitting from the newly constructed homes were affected by the fires in Gatlinburg, Wanda Tippie (pictured above, center) is also a first-time homeowner.

"We would love to turn more renters into homeowners. DRP is one of very few programs that sets aside funding to benefit renters in this way," Mr. Crouch said.

As ASP continues to respond to the disaster reconstruction needs of those in FHLB's district, DRP will remain an important tool in making progress a reality.

> "Knowing that we have the Disaster Reconstruction Program in the midst of the devastation gives us the place to start as we begin to help the communities affected look forward."
>
> **Walter Crouch, CEO of ASP**

Recovery in Estill County

> "Without this program many families would have had to watch their homes fall down around them. The families we worked with had no insurance or not enough, and very limited income or other resources. Therefore, even low-interest loans would have been a financial stretch for them. The DRP program allowed us to make necessary repairs that otherwise wouldn't have happened."
>
> **JIMMY STONE,**
> **Director of Housing at Kentucky River Foothills**

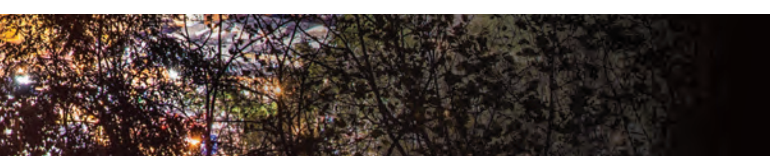
Gatlinburg wasn't the only area rebuilding last year. A severe storm hit Estill County, Ky., with 100 mile-per-hour straight-line winds. In its wake, the community was devastated – 20 homes were destroyed and nearly 200 damaged.

Kentucky River Foothills, a nonprofit focused on providing support to Kentucky residents through a comprehensive range of health and human services, was quickly on the scene looking for ways to get local residents back into their homes.

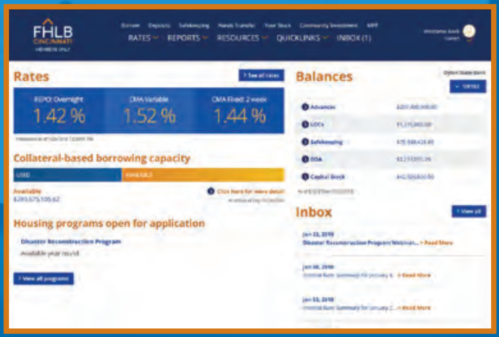
At a disaster relief fair hosted by the Estill County Emergency Management Agency, Kentucky River Foothills connected with Jill Cravens, FHLB's Voluntary Programs Manager. Jill explained how the organization could use Disaster Reconstruction Program funding to help people with rehabilitation and reconstruction of their homes. The Federation of Appalachian Housing Enterprises Inc. (Fahe) immediately stepped in as Foothills' member connection so they could gain access to the program.

In total, Kentucky River Foothills used DRP funds to help five different families in their efforts to repair damage.

While natural disasters are impossible to predict, when the need arises Kentucky River Foothills will continue to look to DRP to help rebuild communities.



A redesigned Members Only website was unveiled to users on January 22, 2018. The new site will serve as a platform to deliver new services in the future.



Members Only Redesign

Members Only is FHLB Cincinnati's portal for delivering data and product information to members. It is the primary point of contact with our membership, with roughly 700 users logging in each day.

The site serves many different constituents at member financial institutions. Accountants come for information on deposits and safekeeping. Cash managers check Advance rates and balances. Mortgage officers who participate in the Mortgage Purchase Program connect to our LAS system to manage mortgages sold to the FHLB.

The former site was in need of updating. During the strategy phase of the redesign, FHLB staff interviewed users, and even visited many to watch how they work.

FHLB Cincinnati will continue to enhance the member portal with features and information to save users' time and make it easier to work with us. A Members Servicing Steering Group has been formed to identify ways to improve the member experience.

> "We've gathered the people who take care of our members on a daily basis – the staff who directly interact with our members – and formed a group to collect what they've learned. We'll use those insights to guide how we improve processes and technology in the coming years."
>
> ROGER BATSEL, FHLB Chief Information Officer and leader of the steering group

SOME OF THE CHANGES WE MADE:

- Since most users come to see Advance rates and a variety of reports, those features were made easier to access.
- Some users come to get a single number from a report. For them, we created dashboards on the home page with balances on major accounts such as Advances and deposits, and a second dashboard on the Borrow page to give a snapshot of each member's credit activity.
- Menus collapse to create more screen room for data. This is helpful for users who have smaller monitors, or even for mobile devices.

Mortgage Purchase Program Updated to Benefit Sellers

Since the Mortgage Purchase Program bought its first mortgage in 2000, the FHLB has been continuously improving our competitive secondary market execution for our membership.

MPP provides access to the secondary market to many members who were otherwise largely excluded prior to its inception. The program has grown in the last 17 years, with mortgage portfolio principal balances ending at nearly $9.5 billion in 2017. In the last year, multiple improvements were announced to better serve our members.

UNDERWRITING GUIDELINES CHANGES

In 2017, several changes to our underwriting guidelines were announced at the Annual MPP Users Group Conference. These changes bring the FHLB more in line with secondary market standards and make MPP a more attractive program for sellers.

"It was great that the MPP program revised the debt ratio guidelines, along with the cash-out guidelines. That will prove to be advantageous to all sellers," said Kathy Swartz, First National Bank of Sycamore (Ohio).

IMPROVING THE ONLINE EXPERIENCE

In 2017, MPP's online system, called LAS, was also improved to help streamline the process of loan acquisition.

"We listened to our members and their needs to ensure we were updating our processes to better match our members' internal controls and ultimately structure our systems to make our users as efficient as possible," said Kyle Lawler, EVP and Chief Business Officer, FHLB.

> **"Being able to pick up the phone and speak with FHLB personally is a huge advantage. We've never experienced a time when our questions couldn't be answered in a timely manner."**
>
> KATHY SWARTZ
> Loan Officer
> First National Bank of Sycamore

USER GROUP CONFERENCE

We will once again offer current sellers and those interested in learning more the opportunity to attend the MPP Users Group Conference. This popular event brings relevant industry speakers, FHLB content experts and current and prospective MPP users together to learn more about issues affecting MPP and the mortgage lending industry as a whole. This year's event will take place in Cincinnati on June 6 with a Reds game and reception the evening of June 5 for participants.

The FHLB will continue to look for ways to improve the experience of MPP users over the coming years, while steadily offering a competitive solution, outstanding customer service and valuable educational opportunities for all users.

Performance

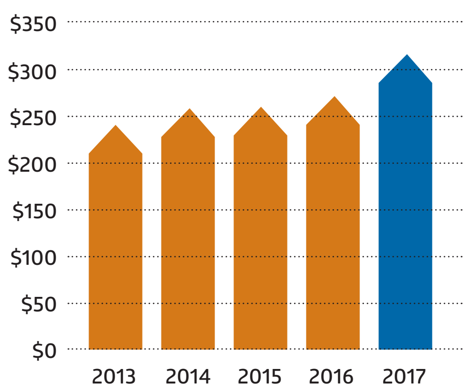
EARNINGS

The FHLB posted earnings of $314 million in 2017, an increase of 17 percent from 2016. Return on equity (ROE) averaged 6.15 percent, compared to 5.35 percent a year earlier. ROE in 2017 was 489 basis points above the average 3-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 2017 continued to represent an excellent financial performance on behalf of our member stockholders in the current rising interest rate environment.

The financial and economic environment in 2017 contributed positively to net interest income. This was driven primarily by lower net amortization of premiums and discounts related to mortgage assets and Consolidated Obligations, higher net spreads earned on short-term and LIBOR-indexed assets, growth in the Mortgage Purchase Program and higher earnings from capital as short-term interest rates rose. In addition, we manage overall risk to a low level while accepting moderate market risk. This enhances earnings as interest rates rise while effectively mitigating most capital and earnings exposure to large rate movements.

NET INCOME

in millions of dollars



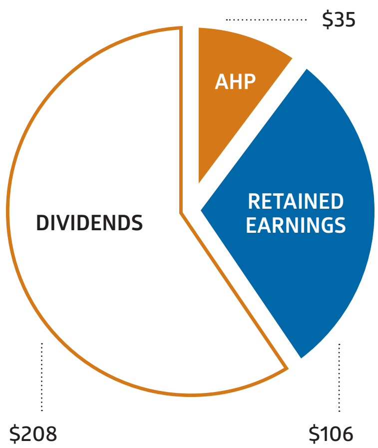
DIVIDEND

In 2017, we paid an annualized 5.00 percent dividend rate for the year as compared to the average 3-month LIBOR benchmark rate of 1.26 percent. In doing so, we returned $208 million of capital in the form of cash dividends in 2017 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.

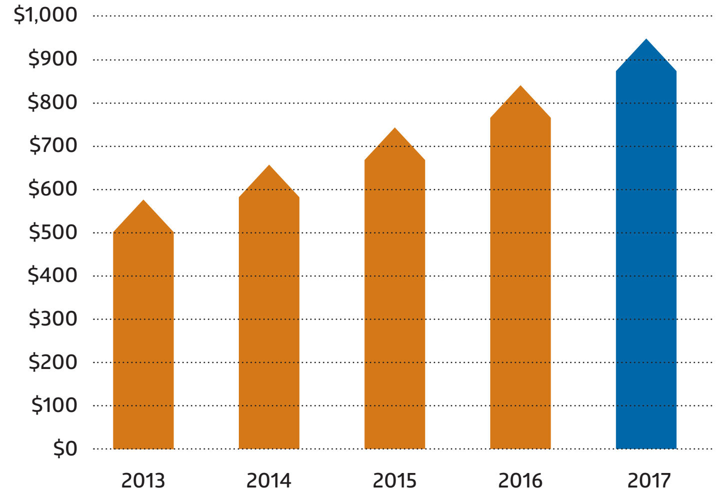
WHERE OUR EARNINGS GO

for 2017, in millions 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 $5.2 billion at year-end, an increase of $187 million, or 4 percent, compared to year-end 2016. Capital balances increased throughout 2017 due to purchases of capital stock associated with Mission Asset Activity as well as additions to retained earnings.

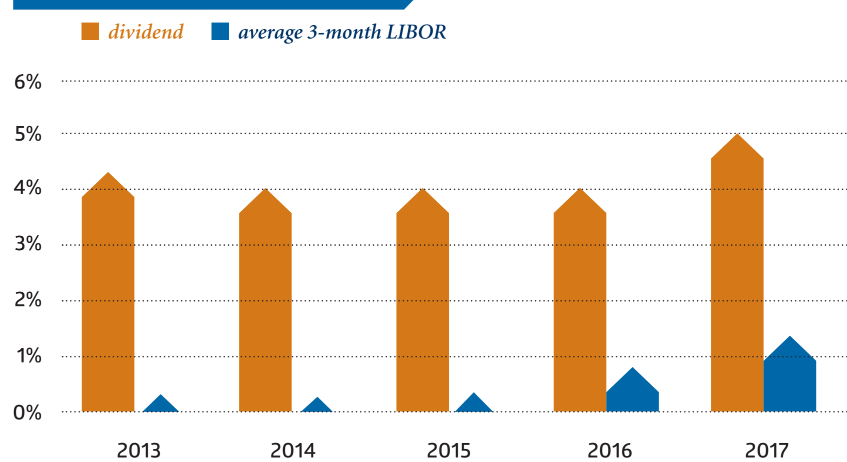
Regulatory capital is GAAP capital plus mandatorily redeemable capital stock (stock subject to pending redemption), less accumulated other comprehensive income. The regulatory capital-to-assets ratio averaged 5.06 percent during 2017 and stood at 4.88 percent at year-end, exceeding the minimum 4.00 percent requirement.

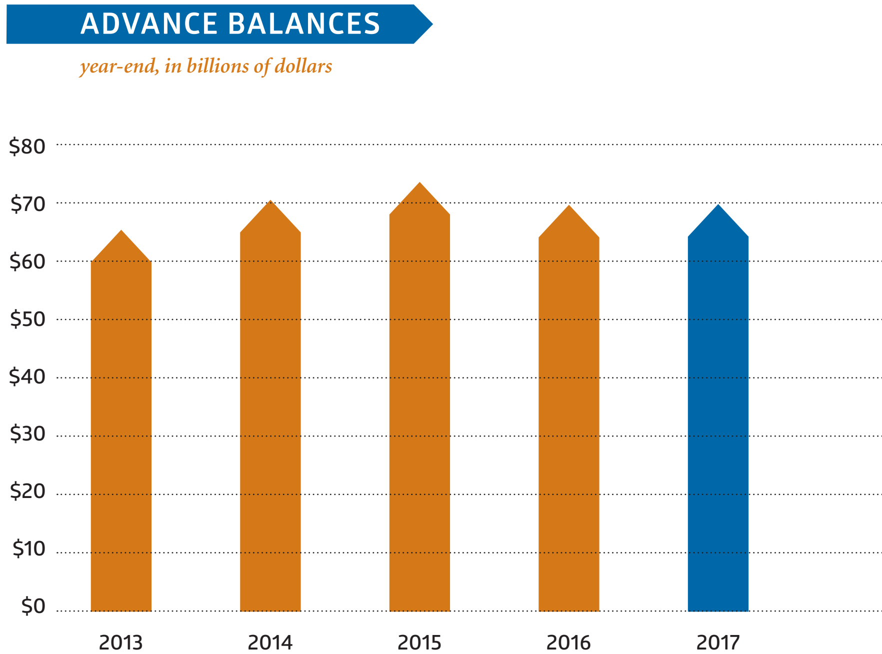
Retained earnings grew by $106 million to end the year at $940 million. We believe the current amount of retained earnings is sufficient to protect our members' capital stock against the remote risk of impairment and to help support future dividend stability.

INVESTMENTS

The FHLB maintains adequate liquidity to continue to support our goal of providing same-day funding of Advances to members. The FHLB's investment portfolio stood at $27.1 billion at year-end 2017, up $1.7 billion from a year earlier. Investment balances averaged $24.6 billion in 2017, slightly lower than averages during 2016.

ANNUAL DIVIDEND





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, flat from year-end 2016. Advance balances as a percent of assets for each member was slightly higher at the end of 2017 compared to year-end 2016, driven by increased demand in Advances from a few large-asset members.

The percentage of members using mission asset activity increased to 72 percent, up from 68 percent in 2016. Aggregate Advances grew for our savings bank, credit union and insurance company members.

The FHLB continued to provide Advance Special offerings in 2017. 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 100 members borrowed $1.08 billion through the 16 Specials in 2017.

Average daily Letters of Credit balances fell to $16.5 billion in 2017, down 3 percent compared to 2016. Members continue to use Letters of Credit to support public unit deposits and alternative liquidity strategies.

Total housing funds awarded or disbursed

$139.8 million

Housing units supported

5,521

Members taking part in one or more HCI programs

222

2017 HCI

MPP

Our Mortgage Purchase Program (MPP) remains a competitive alternative to the traditional secondary mortgage market and continued to attract substantial member interest in 2017. It is also an important contributor to the FHLB's earnings and related dividends to member stockholders.

MPP principal balances rose 6 percent in 2017 to end the year at $9.5 billion. Principal purchases totaled $1.7 billion, and paydowns declined to $1.2 billion. MPP benefitted from steady growth in the housing market overall, despite less refinancing activity by homeowners as interest rates rose.

The growth in the MPP product reflected our strategy to increase this mission asset opportunity. Adjustments to underwriting guidelines were also made in 2017 to increase member satisfaction with the program.

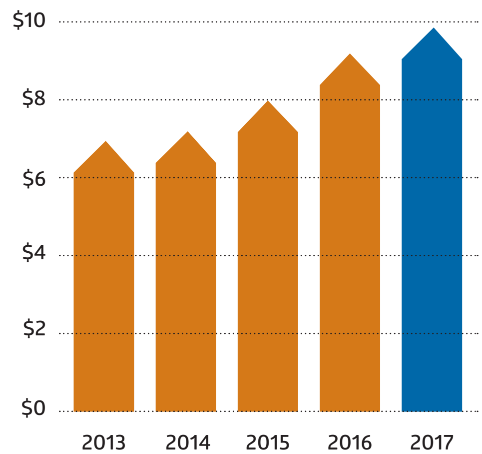
MPP principal balances rose 6 percent in 2017 to end the year at $9.5 billion. Members continue to see FHLB as a viable secondary market alternative.

HOUSING AND COMMUNITY INVESTMENT (HCI)

In 2017, 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.

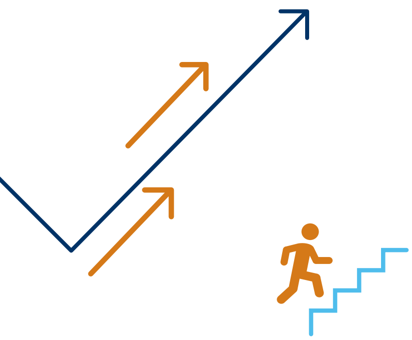
MORTGAGES HELD IN PORTFOLIO

year-end, in billions of dollars



4,522 UNITS OF AFFORDABLE HOUSING

In 2017, the FHLB awarded or disbursed $39.1 million through AHP to its members to help 4,522 households secure decent, affordable housing.



In 28 years of partnering with our members and housing organizations, we have awarded or disbursed nearly $661 million through AHP to assist more than 83,000 households.

In 2017, the FHLB awarded or disbursed $39.1 million through AHP to its members to help 4,522 households secure decent, affordable housing. In 28 years of partnering with our members and housing organizations, we have awarded or disbursed $661 million through AHP to assist more than 83,000 households. For 2018, the FHLB has accrued $35 million for AHP, which reflects earnings in 2017.

There are two components to the FHLB's AHP. Under the AHP competitive program, in 2017 the FHLB awarded $28.6 million in grants through its members for the creation or preservation of 2,396 units of affordable housing. Under the AHP set-aside program, called the Welcome Home Program, $10.5 million was disbursed to members to assist 2,126 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. Response to the program has always been enthusiastic and the amount committed to the program was increased by the Board in 2016. In 2017, the FHLB disbursed $1.4 million on behalf of 218 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 more than $3.4 million from this fund to assist 207 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. Total outstanding AHP and Community Investment Cash Advances as of year-end 2017 totaled $442 million.

MEMBERSHIP AND OUTREACH

The number of member stockholders fell to 660 in 2017 from 687 in 2016. We approved 10 new member stockholders in 2017, lost 25 members to mergers, lost 11 captive insurance company members that were no longer eligible for membership, and one institution withdrew from membership. The number of member stockholders at year-end was 302 in Ohio, 184 in Kentucky and 174 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 offer nationally recognized speakers, and these meetings are well received by our members.

Member Stockholders

	2017	2016
Commercial Banks	385	402
Thrifts and Savings Institutions	92	96
Credit Unions	132	130
Insurance Companies	46	55
Community Development Financial Institutions	5	4
TOTAL	**660**	**687**
By State		
Kentucky	184	192
Ohio	302	306
Tennessee	174	189

Senior Staff

Front row, seated left to right

J. Christopher Bates
Senior Vice President
Chief Accounting Officer

Roger B. Batsel
Senior Vice President
Chief Information Officer

Tami L. Hendrickson
Senior Vice President
Treasurer

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

Back row, standing left to right

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

David C. Eastland
Senior Vice President
Chief Credit Officer

Stephen J. Sponaugle
Executive Vice President
Chief Financial Officer

Andrew S. Howell
President and CEO

Donald R. Able
Executive Vice President
Chief Operating Officer

R. Kyle Lawler
Executive Vice President
Chief Business Officer

FHLB Officers

Joseph W. Castlen
First Vice President
Mortgage Purchase Program

Melissa D. Dallas
First Vice President
Corporate Secretary and Counsel

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
Financial and Market Risk Analysis

Jeffery S. Berryman
Vice President
Credit Operations

John J. Byczkowski
Vice President
Communications

Brian D. Comp
Vice President
Assistant Chief Information Officer

Debbra M. DeMaris
Vice President
Assistant Controller

Christine A. Flischel
Vice President
Information Security and Compliance

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

Nancy J. Baker
Assistant Vice President
Marketing

Jerome C. Bauer
Assistant Vice President
BRCP and Compliance

Todd W. Berry
Assistant Vice President
Marketing

Sarah E. Clark
Assistant Vice President
Enterprise Risk Management

Jeffrey A. Fields
Assistant Vice President
Business Development

Irina Gikhman
Assistant Vice President
Internal Audit

Dawn E. Grace
Assistant Vice President
Housing and Community Investment

Kevin M. Kennedy
Assistant Vice President
Internal Audit

Allison D. Kieft
Assistant Vice President
Financial Reporting and Policy

Thomas C. Muth
Assistant Vice President
Marketing

Judith M. Rose
Assistant Vice President
Marketing

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

Richard F. Baumgart Jr.
Mortgage Portfolio 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

Kevin T. Hanrahan
Marketing Officer

Pavan V. Parikh
Government Relations Officer and Legislative Counsel

Brenda A. Pierre
Housing Quality Assurance Officer

Michael E. Schwarz
Internal Audit Officer

Michael C. Spencer
Insurance and Sales Officer

Jess Tedder
Applications Development Officer

Erik J. Van Dootingh
Financial Risk Officer

Note

This list reflects FHLB officers as of April 2018.

FHLB CINCINNATI

221 East Fourth Street
600 Atrium Two
Cincinnati, Ohio 45202

T (513) 852-7500
www.fhlbcin.com

Facebook.com/FHLBCincinnati
Twitter.com/FHLBCin
LinkedIn: FHLB Cincinnati