

Letter to Stockholders

During the first quarter of 2005, advances at par increased \$687 million from December 31, 2004, to end the quarter at \$25.6 billion, primarily due to increases in fixed-rate bullet advances. After adjustments under SFAS 133, total advances outstanding were \$25.7 billion compared to \$25.2 billion at the end of 2004. Outstanding letters of credit increased to \$292 million at March 31, 2005, from \$271 million at year-end 2004.

Through our onsite collateral audits, we have found that the home equity loans originated by our members are of high quality and have a low risk of default. Therefore, at its March 2005 meeting, our board of directors approved decreased collateral coverage requirements for home equity loans and lines of credit. Also, to better serve the needs of our members that are defined as community financial institutions, our board approved a new collateral type, small farm loans. Acceptance of small farm loans is subject to approval by our regulator, the Federal Housing Finance Board.

Total mortgages outstanding for the Mortgage Purchase Program (MPP) increased \$1.2 billion to end the first quarter at \$9.0 billion. This increase is attributable to the amendment, effective September 7, 2004, of the activity-based stock requirement from 3 percent to 0 percent for the next \$3 billion of mortgages purchased through MPP. At March 31, 2005, \$0.5 billion remains available under this amendment. As of March 31, 2005, 97 members had been approved to participate in MPP, compared to 95 at the end of 2004.

Despite increases in advances and mortgages purchased through the MPP, total assets at March 31, 2005, decreased slightly to \$44.2 billion, down from \$44.3 billion at December 31, 2004, mainly due to a lower level of fed funds sold.

Due to the adoption of SFAS 150 effective January 1, 2004, the FHLBI is reporting mandatorily redeemable capital stock, which consists of capital stock that has been reclassified as a liability pending redemption, of \$34 million at March 31, 2005.

Net interest income for the first quarter of 2005 was \$53.3 million, compared to \$52.9 million for the fourth quarter of

2004. Overall, net income was \$30.5 million for the first quarter of 2005, compared to \$31.3 million for the fourth quarter of 2004, and \$25.0 million for the same period in 2004. Return on average assets for the quarter ended March 31, 2005, was 0.28 percent compared to 0.25 percent for 2004. Return on average equity increased to 5.75 percent at March 31, 2005, compared to 5.40 percent for December 31, 2004.

At its March 2005 meeting, the FHLBI's board of directors approved refinements to our retained earnings policy that reflect the board's commitment to accumulate appropriate levels of retained earnings while paying attractive dividends. Additionally, the FHLBI declared a B-1 stock dividend of 4.25 percent for the first quarter of 2005. During the first quarter, retained earnings increased by \$9.0 million. The FHLBI's regulatory capital-to-assets ratio at the end of the first quarter was 4.98 percent, well above the 4.16 percent required by our risk management policy and the 4.00 percent required by the Federal Housing Finance Board.

For the first round of the Affordable Housing Program (AHP), the community investment staff received 78 applications competing for approximately \$4.2 million in AHP grants, which help increase affordable housing opportunities in our members' local communities. Award recipients will be announced in June.

Beginning in April, the FHLBI will present two conferences and eight workshops designed for current and prospective participants in the MPP. In addition, FHLBI staff are planning our regional member meetings, which begin July 13 at Timberstone Golf Club in Iron Mountain, Mich., and will be offered at seven venues located throughout our district. Further information about these meetings is available in the event calendar on our website at www.fhlbi.com.

Sincerely,

/s/

Martin L. Heger
President and CEO

Statement of Condition¹

In thousands (except par value)

Unaudited

	March 31, 2005	December 31, 2004	March 31, 2004
Assets			
Cash and due from banks	\$ 10,602	\$ 44,628	\$ 90,832
Interest bearing deposits in banks	139,346	510,645	283,611
Federal funds sold	1,920,000	3,280,000	1,383,000
Investments:			
Held-to-maturity securities	6,215,768	6,068,145	5,669,141
Available-for-sale securities	1,016,867	1,149,193	1,199,110
Trading security	79,998	88,532	100,686
Advances	25,650,277	25,230,470	27,261,938
Mortgage loans	8,992,714	7,761,767	7,440,701
Accrued interest receivable	121,956	109,827	119,026
Derivative assets	56,590	1,668	19,174
Other assets	43,966	48,256	36,654
Total Assets	\$44,248,084	\$44,293,131	\$43,603,873
Liabilities and Capital			
Deposits	\$ 997,072	\$ 879,417	\$ 1,392,018
Discount notes	9,835,861	10,631,051	10,914,213
Bonds	30,524,457	29,816,178	27,830,886
Mandatorily redeemable capital stock	33,615	30,259	21,856
Accrued interest payable	290,700	244,295	255,624
Affordable Housing Program	26,234	26,526	28,588
Derivative liabilities	323,358	485,839	1,083,009
Other liabilities	47,220	46,882	39,936
Total liabilities	42,078,517	42,160,447	41,566,130
Commitments and contingent liabilities ²			
Capital stock outstanding (\$100 par)	2,044,127	2,016,931	1,945,738
Retained earnings	125,204	116,187	93,973
Other comprehensive income	236	(434)	(1,968)
Total capital	2,169,567	2,132,684	2,037,743
Total Liabilities and Capital	\$44,248,084	\$44,293,131	\$43,603,873

Notes

¹These financial statements should be read in conjunction with the audited financial statements and the related notes for the year ended December 31, 2004. Certain amounts in the 2004 financial statements have been reclassified to conform with the 2005 presentation.

²At March 31, 2005, the FHLBI had commitments and

contingent liabilities as follows, in thousands: Commitments for member advances, \$89,530; Mandatory MPP commitments, \$28,585; Standby letters of credit, \$291,751.

³MPP volume-driven (variable) costs.

Statement of Income¹

In thousands Unaudited	For the quarters ended			For the years ended	
	March 31, 2005	December 31, 2004	March 31, 2004	December 31, 2004	2003
Interest income					
Advances	\$ 183,322	\$ 162,784	\$ 118,002	\$ 528,375	\$ 512,600
Interest bearing deposits in banks	3,234	2,411	647	5,270	2,558
Federal funds sold	18,913	17,448	2,891	46,443	18,074
Investments:					
Held-to-maturity securities	64,524	61,351	58,907	242,863	215,096
Available-for-sale securities	6,713	5,409	3,038	15,665	15,106
Trading security	1,393	1,525	1,595	6,310	6,379
Mortgage loans	103,857	92,802	90,326	368,019	344,604
Loans to other FHLBanks	36	133	15	278	184
Total interest income	381,992	343,863	275,421	1,213,223	1,114,601
Interest expense					
Consolidated obligations	(322,795)	(286,411)	(228,272)	(1,010,254)	(905,648)
Deposits	(5,565)	(4,759)	(3,093)	(14,164)	(21,667)
Other borrowings	(21)	(14)	(1)	(22)	(53)
Mandatorily redeemable capital stock	(317)	(315)	(144)	(1,011)	
Total interest expense	(328,698)	(291,499)	(231,510)	(1,025,451)	(927,368)
Net interest income before loan loss provision	53,294	52,364	43,911	187,772	187,233
Mortgage loan loss provision	0	574	0	574	(309)
Net Interest Income after Loss Provision	53,294	52,938	43,911	188,346	186,924
Fees and other income	736	758	599	2,699	6,276
Net loss on derivatives and hedging activities	(3,109)	(2,235)	(2,506)	(4,617)	(4,516)
Operating expense	(8,103)	(8,009)	(6,863)	(29,635)	(28,068)
Finance Board and Off. of Finance expense	(784)	(410)	(639)	(2,379)	(2,484)
Other ³	(445)	(442)	(419)	(1,719)	(1,482)
Total net other (expense) income	(11,705)	(10,338)	(9,828)	(35,651)	(30,274)
Income before assessments	41,589	42,600	34,083	152,695	156,650
Affordable Housing Program	(3,428)	(3,510)	(2,798)	(12,569)	(12,788)
REFCORP assessment	(7,632)	(7,818)	(6,244)	(28,012)	(28,772)
Total assessments	(11,060)	(11,328)	(9,042)	(40,581)	(41,560)
Income before cumulative effect of change in accounting principle	30,529	31,272	25,041	112,114	115,090
Cumulative effect of change in accounting principle	0	0	(67)	(67)	0
Net Income	\$ 30,529	\$ 31,272	\$ 24,974	\$ 112,047	\$ 115,090