



Leaders of Yesterday



This picture is a gathering of bankers in Washington, DC. It was taken on the White House lawn in October 1931 as President Herbert Hoover had called together bankers from across the country to attend a meeting at the White House. This meeting is now referred to as President Hoover's Conference on Home Building and Home Ownership.

Two months after the Conference, this group of bankers adopted a resolution endorsing the President's plan to establish a system of home loan discount banks to relieve financial strains on thrift institutions and to promote home ownership. President Hoover signed legislation on July 22, 1932... thus the birth of the Federal Home Loan Banks.

In 2007 the Federal Home Loan Bank System will celebrate 75 years of Service to Members and Communities. The Federal Home Loan Bank of Indianapolis takes great pride in its heritage and looks forward to the celebration. The newly designed System logo recognizes seven and a half decades of helping people and changing lives. Watch for this logo in the coming year; it represents all of us and our success stories.



Leaders of 2006

PRESIDENT AND CEO

Martin L. Heger

SENIOR VICE PRESIDENTS

Michael R. Barker
Vincent A. Cera
Brian K. Fike
Douglas J. Iverson
Milton J. Miller
Paul J. Weaver
Jonathan R. West

1ST VICE PRESIDENT

Mary M. Kleiman
Cindy L. Konich
Gregory J. McKee
Bruce E. Moore
William R. Nicksin
Stephen M. Poynter
Timothy W. Zapf

VICE PRESIDENTS

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Edward S. Bowen
LaVonne C. Cate
Lisa K. Chilcote
David B. Cross
Laura L. DiCioccio
Kristina L. Dulin
James B. Eibel
Patricia A. Gamble-Moore
Jonathan W. Griffin
Dennis M. Haworth
Barbara K. Hembree
Jay L. Kruger
Janice P. Mahorney
Ronald L. Malone
William S. McDowell
Sunil U. Mohandas
Robert A. Ott, Jr.
Charles A. Rainey
Cherie E. Reeves
Jeffrey A. Sanders
William C. Slover
Edward M. Vargas
Daniel C. Weeden
Mary Beth Wott

ASSISTANT VICE PRESIDENTS

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Lana D. Buchman
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Paul J. Carlotto
Karen K. Colville
Betty J. Craven
William F. Davis
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Cathy S. Garrett
Srinivasan Ghiridharan
Evan C. Gibbons
Melvin E. Golder
Michael L. Gossman
David L. Graefnitz
David E. Heithaus
Sara M. Hausermann
Bradly W. Hillebrand
Mark A. Holt
Doreen M. Koning
Miriam J. Lemen
Brian K. McCoy
Brendan W. McGrath
Leon Morgan
Sherry A. Oswalt
Rebecca L. Papalko
Steven B. Ratliff
Del A. Ruesch
Scott M. Schmitt
Susan E. Schreiner
Wanda L. Shelton
Mary Ann K. Singer
Michael D. Urrutia

2006 FHLBI STAFF



Seated left to right: Jonathan R. West, Brian K. Fike, Gregory J. McKee, Vincent A. Cera.
Standing left to right: Michael R. Barker, Martin L. Heger, Douglas J. Iverson, Paul J. Weaver, Milton J. Miller.

2006 BOARD OF DIRECTORS



Seated left to right: Jeffrey A. Poxon, Valde Garcia, Teresa S. Lubbers, Timothy P. Gaylord, Robert F. Fix.

Standing left to right: Charles L. Crow, Gregory F. Ehlinger, Michael H. Price, Ray D. Tooker, Thomas R. Sullivan, Paul C. Clabuesch.



Ron G. Seals

Paul C. Clabuesch

Chairman

Chairman, President & CEO
Thumb National Bank & Trust
Pigeon, Michigan

Charles L. Crow

Vice Chairman

Chairman, President & CEO
Community Bank
Noblesville, Indiana

Gregory F. Ehlinger

Senior Vice President & CFO
Irwin Union Bank and Trust Company
Columbus, Indiana

Robert F. Fix, PhD

President & CEO
Richmond Mutual Bancorporation
Richmond, Indiana

Valde Garcia

Senator
Michigan State Senate
Lansing, Michigan

Timothy P. Gaylord

President & CEO
Mason State Bank
Mason, Michigan

Teresa S. Lubbers

Senator
Indiana State Senate
Indianapolis, Indiana

Jeffrey A. Poxon

Senior Vice President, Investments
& Chief Investment Officer
Lafayette Life Insurance Company
Lafayette, Indiana

Michael H. Price

President & CEO
Mercantile Bank of West Michigan
Grand Rapids, Michigan

Ronald G. Seals

President and CEO
Springs Valley Bank & Trust
French Lick, Indiana

Thomas R. Sullivan

President & CEO
Firstbank Corporation
Alma, Michigan

Ray D. Tooker

Senior Vice President
Macatawa Bank
Holland, Michigan

LETTER TO THE STOCKHOLDERS

2006 was a year of challenge, change, and opportunity for the Federal Home Loan Bank of Indianapolis (FHLBI). In response to difficult market and economic conditions in our district, the Board of Directors and management adjusted our strategies to address many important issues, and we are energized to rise to the challenges the future presents. However, one thing that did not change is our focus on customer service. We remain committed to serving our members to the best of our abilities.



Brian K. Fike
Interim President & CEO



Paul C. Clabuesch
Chairman

On April 14, 2006, our registration statement with the Securities and Exchange Commission (SEC) became effective. But SEC registration was only one challenge the bank faced. A proposal by the Federal Housing Finance Board (FHFB) stirred up quite a debate. Over 1,000 letters, including 73 from our members, opposing the regulation regarding excess stock and retained earnings were sent to the FHFB. In December the FHFB passed a final rule that mandates that if an FHLBank's excess stock exceeds one percent of assets, the FHLBank will be precluded from issuing additional excess stock or paying stock dividends. The FHFB decided to drop the proposed retained earnings restrictions, which would have required a substantial increase to the FHLBI's current retained earnings balance. The FHFB, however, did state that it may revisit the retained earnings issue in the future in conjunction with a new risk-based capital regulation.

challenges
change
opportunity

In October the FHLBI's Board, facing four open public interest director seats and possibly the loss of two more, asked Mark Hoppe to serve as a consultant to the Board. Mark is President and CEO of LaSalle Bank Midwest NA. We were most pleased that in December the FHFB reappointed our remaining two public interest directors to additional one-year terms.

2006 was an economically challenging year for Indiana and Michigan. As the economy in both states suffered, the housing and auto industries took hard hits. For FHLBI the loss of three large customers due to mergers or moving of charters combined with the economic and financial struggles in both states presented a new set of issues.

Your Board of Directors, already fully engaged in the future direction of the bank, began to study several options. A task force that focused on cost-cutting measures presented the Board with a plan to offer an early retirement incentive package to employees that were 50 years of age and older with a minimum service record of 10 years or more. After much study and dialogue, this plan was approved. The departure of retirees would also give the Board and management the opportunity to reengineer the organizational design of the bank to fit the needs of the future while becoming more cost efficient.

Twenty-eight people were offered the early retirement incentive package and ten people accepted the offer including President and CEO Martin Heger, Senior Vice President-CFO Milton Miller, and Senior Vice President-Information Systems and Operations Vincent Cera.

Following Marty Heger's decision to retire, the Board of Directors named Brian Fike, Senior Vice President-Director of Marketing, as the Interim President and CEO effective December 30, 2006. Over the course of his 22 year career at the bank, Brian has at various times been responsible not only for sales and marketing but also credit and collateral operations, strategic planning, risk assessments, and the Mortgage Purchase Program.

The Board, for the interim, named Doug Iverson Senior Vice President-Acting Chief Operating Officer, Paul Weaver Senior Vice President-Acting Chief Accounting Officer and Cindy Konich First Vice President-Acting Chief Capital Markets Officer.

The Board of Directors formed a search committee in December 2006 to begin the process of hiring a permanent president and CEO. In early 2007, a national search firm was engaged to assist the Board in evaluating both internal and external candidates. We anticipate naming a permanent president and CEO by mid-year.

strength
creativity
future

While busy with the registration process, new regulations, and developing cost-reduction initiatives in 2006, FHLBI did not lose focus on its members. The staff worked to create a significant enhancement to our Mortgage Purchase Program (MPP). Members may now choose to participate in MPP individually or under a Pool Aggregation option. Developed in cooperation with FHLBI's supplemental mortgage insurance partners, MGIC and Genworth Financial, the Pool Aggregation option provides a considerable reduction in credit enhancement costs.

2006 saw the initiation of its semi-annual member magazine, a comprehensive update of FHLBI news. This publication combines the efforts of several previous member communications and has a regular distribution. We encourage you to take a look at it when it arrives again in the spring.

Clearly, 2006 was a year that brought about sweeping changes – changes that would bring opportunities for members, employees and ultimately our bank. Each Board member assumed additional responsibilities and made difficult decisions as needed. We believe the legacy of the 2006 Board will be one of a board that took bold and appropriate action to secure the future of a healthy and independent FHLBI; a board that took the meaning of leadership to a new level and successfully reengineered the bank through difficult economic and regulatory times to meet the demands of a new era.

The Board knows the bank is well prepared to take on the challenges ahead. The bank has the people, the skills, and the experience to continue to be successful, and the Board thanks the interim leadership team and the great FHLBI staff for their ongoing hard work and dedication.

In closing, we want to acknowledge the many contributions of Marty Heger in his 26 years of service, including 15 years as president and CEO. Marty led the bank during an unparalleled time in the history of the FHLB System. The bank moved from being a regulator and cooperative bank for thrift institutions to becoming the liquidity provider of choice for the vast majority of Indiana and Michigan thrifts, commercial banks, and credit unions. Under Marty's leadership, we have also recently brought the services of FHLBI to a number of insurance companies in our district. On behalf of the Board, we would like to thank Marty for all of his accomplishments during the past 26 years.



Brian K. Fike
Interim President & CEO



Paul Clabuesch
Chairman

Chairman's note:

It was my honor to have served as chairman during this time. I want to thank my board colleagues. I am most grateful for their support, diligence, and hard work during 2006.

**AUDIT COMMITTEE LETTER
FEDERAL HOME LOAN BANK OF INDIANAPOLIS**

March 28, 2007

The Audit Committee of the Board of Directors of the Federal Home Loan Bank of Indianapolis for 2006 was comprised of 12 Directors, 2 of whom represented the public sector and 10 who represented industry members. The members of the Audit Committee at year-end 2006 were Gregory F. Ehlinger-Chair, Timothy P. Gaylord-Vice Chair, Paul Clabuesch, Charles L. Crow, Robert F. Fix, Valde Garcia, Teresa S. Lubbers, Jeffrey A. Poxon, Michael H. Price, Ronald G. Seals, Thomas R. Sullivan, and Ray D. Tooker.

The 2007 Audit Committee is comprised of 12 Directors, 2 of whom represent the public sector 10 who represent industry members. Both the 2006 and 2007 Audit Committee members are independent, as defined by the Federal Housing Finance Board.

The Audit Committee oversees the Bank's financial reporting process; reviews compliance with laws, regulations, policies and procedures; and evaluates the adequacy of administrative, operating, and internal accounting controls. In fulfilling its responsibilities, the Audit Committee has discussed the audited financial statements with management. The Audit Committee has discussed with the independent auditors the matters required to be discussed by SAS No. 61 and SAS No. 90, Audit Committee Communications. The Audit Committee has also received the written disclosures and the letter from the independent auditors required by ISB Standard No. 1, and has discussed with the auditors the auditors' independence.

Based on the review and discussions referred to above, the Audit Committee recommends to the Board of Directors that the financial statements be included in the Annual Report.

*Gregory F. Ehlinger, Chairman
Timothy P. Gaylord, Vice Chairman
Paul Clabuesch
Charles L. Crow
Robert F. Fix
Valde Garcia
Teresa S. Lubbers
Jeffrey A. Poxon
Michael H. Price
Ronald G. Seals
Thomas R. Sullivan
Ray D. Tooker*

The Federal Home Loan Bank of Indianapolis is one of 12 regional banks that make up the Federal Home Loan Bank System. FHLBanks are government-sponsored enterprises created by Congress to ensure access to low-cost funding for insured financial institutions, such as commercial banks, savings institutions, credit unions and insurance companies. FHLBanks are privately capitalized and funded, and receive no Congressional appropriations.

The FHLBI promotes Building Partnerships, Serving Communities by serving as a wholesale source of funds for chartered financial institutions throughout Indiana and Michigan. For more information about the FHLBI, visit www.fhlbi.com.

It is still hard for me to believe that my 26 years with the bank, 15 years as President and CEO, have come to an end. It has been an incredible career. I am so proud of the bank's accomplishments during my tenure. I will never forget the many contributions of our Boards of Directors over the years and the support they gave me. I value the members that we serve, the people that we have helped, our past and present bank staff, and the wonderful friends that I have made.



I realize that I have much to be thankful for. I'm grateful for every person and every moment I spent at FHLBI. There is no better reward in life than to know that you were a part of something bigger than yourself, something really important, where you made a difference and had a lasting positive impact. What I just described is the daily work of FHLBI...work that I had the good fortune to participate in for 26 years...work that will continue for the years to come.

I want you to know that every life the bank touched, touched mine...and that is why my life in retirement will be so full...I know; I understand that I'm the one who has been blessed...thank you and good-bye.

A parting quote:

**"We make a living by what we get.
We make a life by what we give."**

Sir Winston Churchill

A handwritten signature in black ink, appearing to read "Martin L. Heger". The signature is fluid and cursive, with a large initial "M" and "H".

Martin L. Heger
Service Years 1980 - 2006
15 years as President & CEO



FEDERAL HOME LOAN BANK OF INDIANAPOLIS

Building Partnerships. Serving Communities.

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