

Coming Home



Annual Report 2007



FEDERAL HOME LOAN BANK OF INDIANAPOLIS

Building Partnerships. Serving Communities.

In 2007 the Federal Home Loan Bank of Indianapolis awarded \$9.1 million through its Affordable Housing Program (AHP). Non-profit groups, for-profit developers, and public entities partner with an FHLBI member institution to apply for the competitive AHP grants. Member institutions include commercial banks, savings institutions, credit unions, and insurance companies in Indiana and Michigan.

Grants awarded during 2007 included:

- Habitat for Humanity homes
- Rehabilitation of multifamily housing for low-income families
- Adaptive reuse of former school buildings into housing units for low-income seniors
- Transitional housing for women and children fleeing domestic abuse
- Affordable housing to support independent living for adults with a diagnosed disability
- Renovation of apartment buildings with units set aside as transitional housing for homeless individuals
- Affordable housing units for grandparent-maintained families
- Rental units dedicated to providing supportive housing for the homeless

Since the inception of the AHP in 1990, \$152 million has been awarded to 987 projects in Indiana and Michigan that address the housing needs of low- and moderate-income families and individuals. The projects are created through partnerships among the FHLBI, its members, and sponsoring organizations. It is an honor to help make communities stronger and personal lives better through our AHP.

FEDERAL HOME LOAN BANK OF INDIANAPOLIS

Leaders of 2007

PRESIDENT AND CEO

Milton J. Miller

SENIOR VICE PRESIDENTS

Michael R. Barker
Brian K. Fike
Douglas J. Iverson
Cindy L. Konich
Paul J. Weaver
Jonathan R. West

1ST VICE PRESIDENT

Mary M. Kleiman
Gregory J. McKee
William R. Nicksin
Stephen M. Poynter

VICE PRESIDENTS

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

ASSISTANT VICE PRESIDENTS

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

2007 FHLBI STAFF



Seated left to right:

Milton J. Miller, *President - Chief Executive Officer*
Michael R. Barker, *Senior Vice President - Chief Risk Officer,*
Cindy L. Konich, *Senior Vice President - Chief Financial Officer*
Gregory J. McKee, *First Vice President - Director Internal Audit*

Standing left to right:

Paul J. Weaver, *Senior Vice President - Chief Accounting Officer*
Brian K. Fike, *Senior Vice President - Member Services*
Jonathan R. West, *Senior Vice President - Administration,*
General Counsel and Corporate Secretary

2007 BOARD OF DIRECTORS



Seated left to right: Paul C. Clabuesch, Valde Garcia, Thomas R. Sullivan, Teresa S. Lubbers, Jeffrey A. Poxon, Charles L. Crow
Standing left to right: Timothy P. Gaylord, Robert F. Fix, Jonathan P. Bradford, Michael H. Price, Gregory F. Ehlinger, Ray D. Tooker, Michael J. Hannigan, Robert D. Long



James L. Logue III



Michael F. Petrie

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

Jonathan P. Bradford

President & CEO
Inner City Christian Federation
Grand Rapids, Michigan

Gregory F. Ehlinger

Senior Vice President & CFO
Irwin Financial Corporation
Columbus, Indiana

Robert F. Fix

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

Michael J. Hannigan

President
The Hannigan Company, LLC
Indianapolis, Indiana

James L. Logue III

Senior Vice President & COO
Great Lakes Capital Fund
Lansing, Michigan

Robert D. Long

Retired
KPMG Partner
Indianapolis, Indiana

Teresa S. Lubbers

Senator
Indiana State Senate
Indianapolis, Indiana

Michael F. Petrie

Chairman & CEO
Greensfork Township State Bank
Spartanburg, 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

Thomas R. Sullivan

President & CEO
Firstbank Corporation
Alma, Michigan

Ray D. Tooker

Senior Vice President
Macatawa Bank
Holland, Michigan

LETTER TO THE STOCKHOLDERS

Market volatility in 2007 created the opportunity for members of the FHLBank system to realize the value of membership during financially challenging times. Much of the system's value comes from our AAA rating and prudent underwriting and collateral standards. This rating and these standards provide strength in the financial markets and allow the system to effectively raise debt, making it well positioned to meet an unprecedented demand for liquidity.

responsible

During this period of economic uncertainty, I am grateful that our bank has a staff of caring and committed individuals, who competently conduct the bank's business every day. Collectively they provide excellent service to our members and the people and communities that our members serve. They believe in what

experienced they are doing, they value the responsibilities they are given, and they take pride in their work.



Milton J. Miller
President & CEO

I would echo those same sentiments regarding our Board of Directors. Their guidance assisted management in the restructuring of the organization, while addressing the challenges of the economy in Michigan and Indiana and the subprime mortgage crisis. I would also acknowledge the hard work and dedication of our Affordable Housing Advisory Council. They worked diligently on policy questions to facilitate the creation of

2007 Affordable Housing Advisory Council



Seated left to right: Jacquelyn Dodyk, J. Jacob Sipe, Linda Smith.
Standing left to right: Jack Brummett, Ted Rozeboom, Mark Lindenlaub, Michelle Lajoie, William Taft, Harold Mast. Not pictured: Jane Clingman-Scott

partnerships in Indiana and Michigan to support and promote affordable housing and economic development.

dedicated

The mortgage crisis has hit Indiana and Michigan particularly hard. To help our members address the rising delinquency and foreclosure rates in their communities, the bank approved a new lending initiative in November called HomeRetain. HomeRetain provides \$100 million for our district that may be used to modify or refinance mortgages for homeowners at risk of foreclosure.

Investment Program. Through HomeRetain, FHLBI will make available funding to its member financial institutions at its cost of funds, plus a small administrative markup.

HomeRetain funds are not grants but advances that are available to members through the Community

The increase in home foreclosures and mortgage delinquencies is having a significant effect on many households and neighborhoods. Everyone loses when there's a foreclosure – the homeowner, the lender, the community. I would encourage members to visit www.fhlbi.com to learn more about the ways that HomeRetain can help them help their customers.

Further, the FHLBI understands that our members want to assist their communities in time of natural disasters. It is for this reason that the Board approved the Council's recommendation for more responsive disaster relief under the bank's community investment set-aside programs. This will allow members to better help their communities following tornadoes and floods.

To help address members' funding needs, we introduced three advances programs in 2007. These programs, in addition to a variety of advance specials and expanded collateral options, allowed all members the opportunity to participate in attractive advance structures, regardless of the size of the transaction.

reliable

The FHLBI also serves members by purchasing conforming, fixed-rate, fixed-term mortgage loans through the Mortgage Purchase Program (MPP). Since the inception of MPP in 2001, we have made several improvements that help to make it an attractive choice for secondary market sales, including streamlining the application process and adding servicing options. At December 31, 2007, we held \$9.4 billion in mortgage loans.

opportunity

In closing I would like to thank our departing board members for their assistance and commitment to the bank. We are most grateful to our appointed public interest directors Indiana Senator Teresa Lubbers and Michigan Senator Valde Garcia, Michigan directors Ray Tooker and Michael Price, and board consultant Mark Hoppe. We were deeply saddened by the death of director Ronald Seals last year, and I want to acknowledge his many contributions.

value

In 2007 the FHLBI faced the challenges of the economy but provided its members with solutions, expanded programs, and a stable dividend while building retained earnings. It was an honor to live our mission and provide liquidity to our members. In turn we thank our members for their continued trust in us.



Milton J. Miller
President & CEO

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

March 21, 2008

The Audit Committee of the Board of Directors of the Federal Home Loan Bank of Indianapolis for 2007 was comprised of six Directors, two of whom represented the public sector and four who represented industry members. The members of the Audit Committee at year-end 2007 were Gregory F. Ehlinger-Chair, Timothy P. Gaylord-Vice Chair, Paul Clabuesch, Valde Garcia, Robert D. Long, and Jeffrey A. Poxon.

The 2008 Audit Committee is comprised of seven Directors, one represents the public sector, five represent industry members, and one vacant position anticipated to be filled by a public sector director. Both the 2007 and 2008 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. The Audit Committee has adopted and is governed by a written charter as posted on the FHLBank's Web site at www.fhlbi.com. The Audit Committee met on nine occasions to satisfy its responsibilities during 2007 in compliance with the charter. 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 are included in the Annual Report and in the FHLBank's form 10-K filed with the Securities and Exchange Commission.

Gregory F. Ehlinger, Chairman
Timothy P. Gaylord, Vice Chairman
Paul Clabuesch
Robert D. Long
Jeffrey A. Poxon
John L. Skibski

Building Partnerships. Serving Communities.

The Federal Home Loan Bank of Indianapolis (FHLBI) 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 their member financial institutions. FHLBanks are privately capitalized and funded, and receive no Congressional appropriations. The FHLBI is owned by its financial institution members, which include commercial banks, credit unions, insurance companies, and savings banks headquartered in Indiana and Michigan. For more information about the FHLBI and its Affordable Housing Program, visit www.fhlbi.com.



FEDERAL HOME LOAN BANK OF INDIANAPOLIS

Building Partnerships. Serving Communities.

8150 Woodfield Crossing Blvd. • Indianapolis, Indiana 46240 • 317.465.0200 • www.fhlbi.com