



FEDERAL HOME LOAN BANK OF INDIANAPOLIS

2008 ANNUAL REPORT

2008 FHLBI BOARD OF DIRECTORS



Seated front row left to right: Robert F. Fix, Paul C. Clabuesch, Charles L. Crow, Christine A. Coady
Second row left to right: Elliot A. Spoon, Jeffrey A. Poxon, Robert D. Long, Gregory F. Ehlinger, Thomas R. Sullivan, Jonathan P. Bradford
Third row left to right: James L. Logue III, James D. MacPhee, Michael J. Hannigan, Michael F. Petrie, Timothy P. Gaylord, John L. Skibski
Not pictured: Paul D. Borja.

Paul C. Clabuesch
Chairman
Chairman & CEO
Thumb National Bank & Trust
Pigeon, Michigan

Charles L. Crow
Vice Chairman
Chairman, President & CEO
Community Bank
Noblesville, Indiana

Paul D. Borja
Executive Vice President & CFO
Flagstar Bank, FSB
Troy, Michigan

Jonathan P. Bradford
President & CEO
Inner City Christian Federation
Grand Rapids, Michigan

Christine A. Coady
President & CEO
Michigan Interfaith Trust Fund
Lansing, Michigan

Gregory F. Ehlinger
Senior Vice President & CFO
Irwin Financial Corporation
Columbus, Indiana

Robert F. Fix
President & CEO
Richmond Mutual
Bancorporation
Richmond, Indiana

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
Corporate Director & Audit
Committee Chair
Kenra, Ltd.
Indianapolis, Indiana

James D. MacPhee
CEO/Director
Kalamazoo County State Bank
Schoolcraft, Michigan

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

John L. Skibski
Executive Vice President & CFO
Monroe Bank & Trust
Monroe, Michigan

Elliot A. Spoon
Assistant Dean for Career
Development & Professor
of Law in Residence
Michigan State University
College of Law
East Lansing, Michigan

Thomas R. Sullivan
President & CEO
Firstbank Corporation
Alma, Michigan

Letter to the Stockholders

As I approached the process of writing this year’s letter, I looked through my various communications over the past two years, and an obvious theme emerged – problems in the mortgage markets, the capital markets, and the weakening economy in Indiana and Michigan. Those issues remained troublesome throughout 2008, and it appears we will face these issues in 2009 as we continue to witness unprecedented market events.



Milton J. Miller
President & CEO

While much of the financial news in 2008 was negative, FHLBI had a positive year resulting in some good news to share with our members and the communities they serve. We welcomed 15 new institutions as members, expanded our lending, and increased the number of Mortgage Purchase Program active sellers as well as the amount of mortgages purchased from community financial institutions.

The FHLBI’s mission has always been to provide a stable source of liquidity for our members; 2008 was no different. We looked for ways to customize funding solutions to pump credit into communities. Despite the numerous economic challenges and government interventions, our advances continued to be a critical component of our financial institutions’ funding for new loans during the credit market disruptions. Advances at year-end 2008 totaled \$30 billion, at par, which represents an increase of \$3.6 billion or 13.5% over year-end 2007. As of December 31, 2008, the FHLBI met all regulatory capital requirements, including our risk-based capital requirement. Retained earnings increased to \$282.7 million, up from \$202.1 million at year-end 2007.

Total assets were \$56.9 billion at year-end 2008, representing an increase of \$0.8 billion or 1.4% compared to \$56.1 billion at December 31, 2007. Net income increased to \$184.5 million for the year ended December 31, 2008, compared to \$122.1 million for the same time period in 2007. The increase was primarily due to growth in assets combined with lower funding costs and wider spreads on our invested assets.

This record annual net income is good news for our Affordable Housing Program (AHP) as it will provide \$21.8 million in subsidies for 2009 to help address the critical housing needs in our district. Our Affordable Housing Advisory Council, working with our community investment staff, has made numerous changes and added new programs to further address community housing needs in the coming years.

2008 AFFORDABLE HOUSING ADVISORY COUNCIL



In 2008 our AHP awarded \$16.1 million in subsidies, with \$9.6 million awarded in direct subsidies in two competitive rounds for the AHP, and \$6.5 million disbursed through the set-aside programs. The set-aside programs assist with down payments, closing costs and home repairs that included funding for damaged homes in the aftermath of flooding and tornadoes.

Seated left to right: Jacquelyn Dodyk, James Davis, Michelle LaJoie
Standing left to right: J. Jacob Sipe, Timothy Lemanski, Jack Brummett,
 Mark Lindenlaub – *Chair*, Tahirih Ziegler, Harold Mast – *Vice Chair*, Angela Gaabo,
 Reverend Adrian M. Brooks, Sr.
Not Pictured: Jane Clingman-Scott

2008 FHLBI LEADERSHIP

The FHLBI is grateful to Representative Sander Levin (D-MI) for his leadership in the passage of the Housing and Economic Recovery Act (HERA) enacted late July 2008. HERA amended the IRS tax code to allow our members to use FHLBank letters of credit (LC) to support tax-exempt bond issuances for municipal projects, including bridges, hospitals, fire stations, and, as in the case in Berne, IN, a wellness center. This wellness center was the first use of this type of an LC in the country.



A record 385 individuals representing 186 member institutions participated in our 5 Regional Member Meetings. Feedback from attendees indicates that they value the sessions and look forward to talking with colleagues and FHLBI staff each summer.

Left to right: Gregory Teare – Senior Vice President, Chief Banking Officer; Cindy Konich – Senior Vice President, Chief Financial Officer; Jonathan West – Senior Vice President, Administration, General Counsel & Corporate Secretary; Milton Miller – President & Chief Executive Officer; Paul Weaver – Senior Vice President, Chief Accounting Officer; Gregory McKee – First Vice President, Director Internal Audit

In 2008 a frequently used acronym was OTTI – other-than-temporary impairment. Because of the extensive analysis required of our private-label mortgage-backed securities, the determination and distribution of our fourth quarter dividend was delayed. I appreciated the patience and support of our board and the understanding of our membership while we conducted this thorough analysis. Ultimately, it was determined that no OTTI existed in our portfolio, and we paid a competitive dividend in cash on February 20, 2009.

I would like to acknowledge the years of service of our two 2008 departing board members: Robert Fix and Michael Petrie. These gentlemen, along with their fellow board members, shared their expertise, giving countless hours of their time assisting us in serving the FHLBI's membership. The bank staff joins me in thanking the directors, Chairman Paul Clabuesch, and Vice Chairman Chuck Crow.

As I reflect on the events and challenges of 2008, I applaud the extraordinary work of the bank staff. Their knowledge, talents and commitment to our mission and our members are what make FHLBI such a successful bank. Personally, there is no place I would rather work than right here...I know I'm working with the best.

Sincerely,

Milton J. Miller
President & CEO

AUDIT COMMITTEE LETTER

March 12, 2009

The Audit Committee of the Board of Directors of the Federal Home Loan Bank of Indianapolis for 2008 was comprised of seven Directors, two of whom represented the public sector and five who represented industry members. The members of the Audit Committee at year-end 2008 were Gregory F. Ehlinger – Chair, Timothy P. Gaylord – Vice Chair, Paul Clabuesch, Robert D. Long, Jeffrey A. Poxon, John L. Skibski, and Elliot A. Spoon.

The 2009 Audit Committee is comprised of seven Directors, two who represent the public sector and five who represent industry members. Both the 2008 and 2009 Audit Committee members are independent, as defined by the Federal Housing Finance Agency.

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 eight occasions to satisfy its responsibilities during 2008 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
Robert D. Long, Vice Chairman
Paul Clabuesch
Timothy P. Gaylord
Jeffrey A. Poxon
John L. Skibski
Elliot A. Spoon

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.

FEDERAL HOME LOAN BANK OF INDIANAPOLIS

2008 FHLBI OFFICERS

PRESIDENT & CEO

Milton J. Miller

SENIOR VICE PRESIDENTS

Michael R. Barker

Douglas J. Iverson

Cindy L. Konich

Gregory L. Teare

Paul J. Weaver

Jonathan R. West

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Robert E. Gruwell

Gregory J. McKee

Sunil U. Mohandas

William R. Nicksin

Stephen M. Poynter

VICE PRESIDENTS

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Bradley A. Burnett

LaVonne C. Cate

Lisa K. Chilcote

David B. Cross

Laura L. DiCioccio

Kristina L. Dulin

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Dennis M. Haworth

Barbara K. Hembree

Daniel A. Lane

David D. Lockwood

Janice P. Mahorney

Ronald L. Malone

Brian K. McCoy

William S. McDowell

Charles A. Rainey

Cherie E. Reeves

Jeffrey A. Sanders

Susan E. Schreiner

William C. Slover

Edward M. Vargas

Daniel C. Weeden

MaryBeth Wott

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Lana D. Buchman

John D. Bingham

Paul J. Carlotto

Karen K. Colville

Betty J. Craven

Argun Dasgupta

William F. Davis

Cathy S. Garrett

Srinivasan Ghiridharan

Evan C. Gibbons

Melvin E. Golder

Michael L. Gossman

David L. Graefnitz

Marjorie M. Green

David E. Heithaus

Jeri A. Hill

Bradly W. Hillebrand

Mark A. Holt

Doreen M. Koning

Miriam J. Lemen

Stephanie L. Lesnet

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

Eric R. Villate



**FEDERAL HOME LOAN BANK
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