

FEDERAL HOME LOAN BANK OF INDIANAPOLIS

Building Partnerships. Serving Communities.

2011 Regional Member Meeting

FHLBI Update

presented by

Milton J. Miller
President - CEO

- ▶ **FHLBI Results**
- ▶ **Overview of 12 FHLBanks**
- ▶ **Public Policy Update**

Income



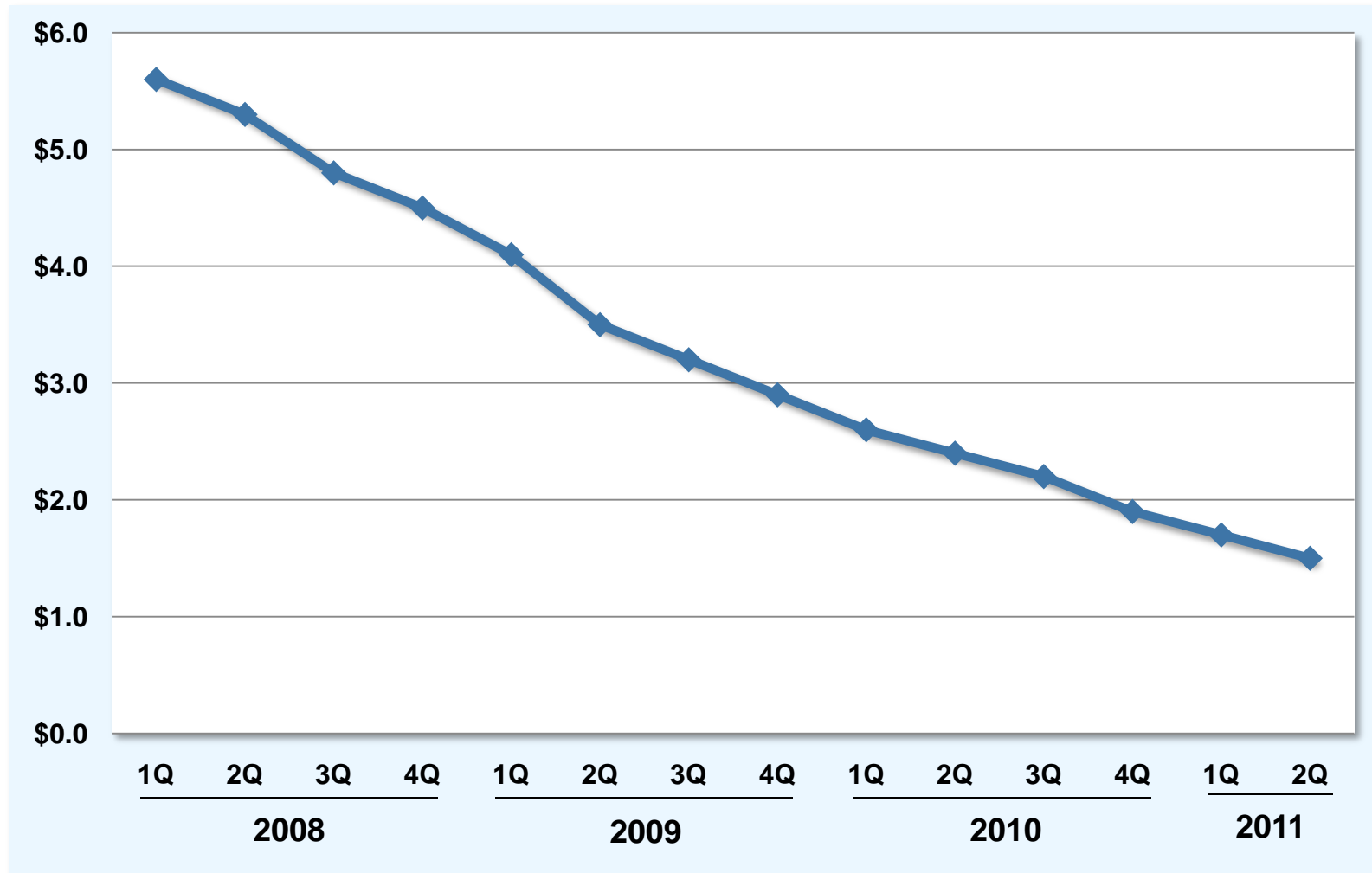
| <i>\$ in millions</i> | Six Months Ended 6/30/2011 | Six Months Ended 6/30/2010 | % Change 2010 to 2011 |
|-----------------------------------|-------------------------------|-------------------------------|--------------------------|
| Net Interest Income* | \$114 | \$118 | -3% |
| Other Income (Loss), Net** | (26) | (68) | 62% |
| Other Expenses | | | |
| OF & FHFA | 3 | 2 | 53% |
| Other | 24 | 21 | 18% |
| Income Before Assessments | 61 | 27 | 125% |
| Assessments | | | |
| AHP | 6 | 3 | 99% |
| REFCORP | 11 | 5 | 125% |
| Total Assessments | 17 | 8 | 115% |
| Net Income | \$44 | \$19 | 129% |

*After provision for credit losses

**Primarily OTTI credit losses

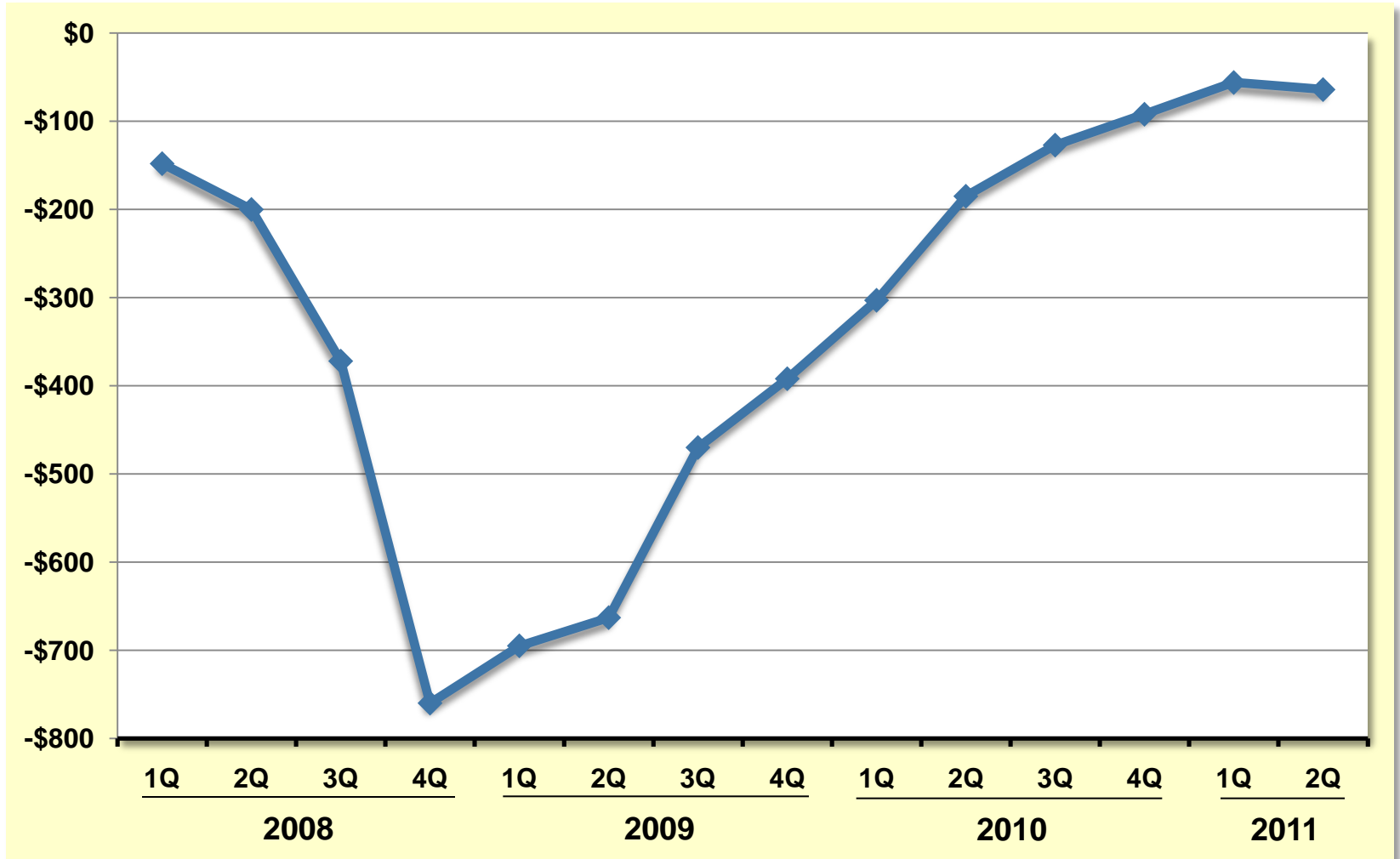
Unpaid Principal Balance

\$ in billions

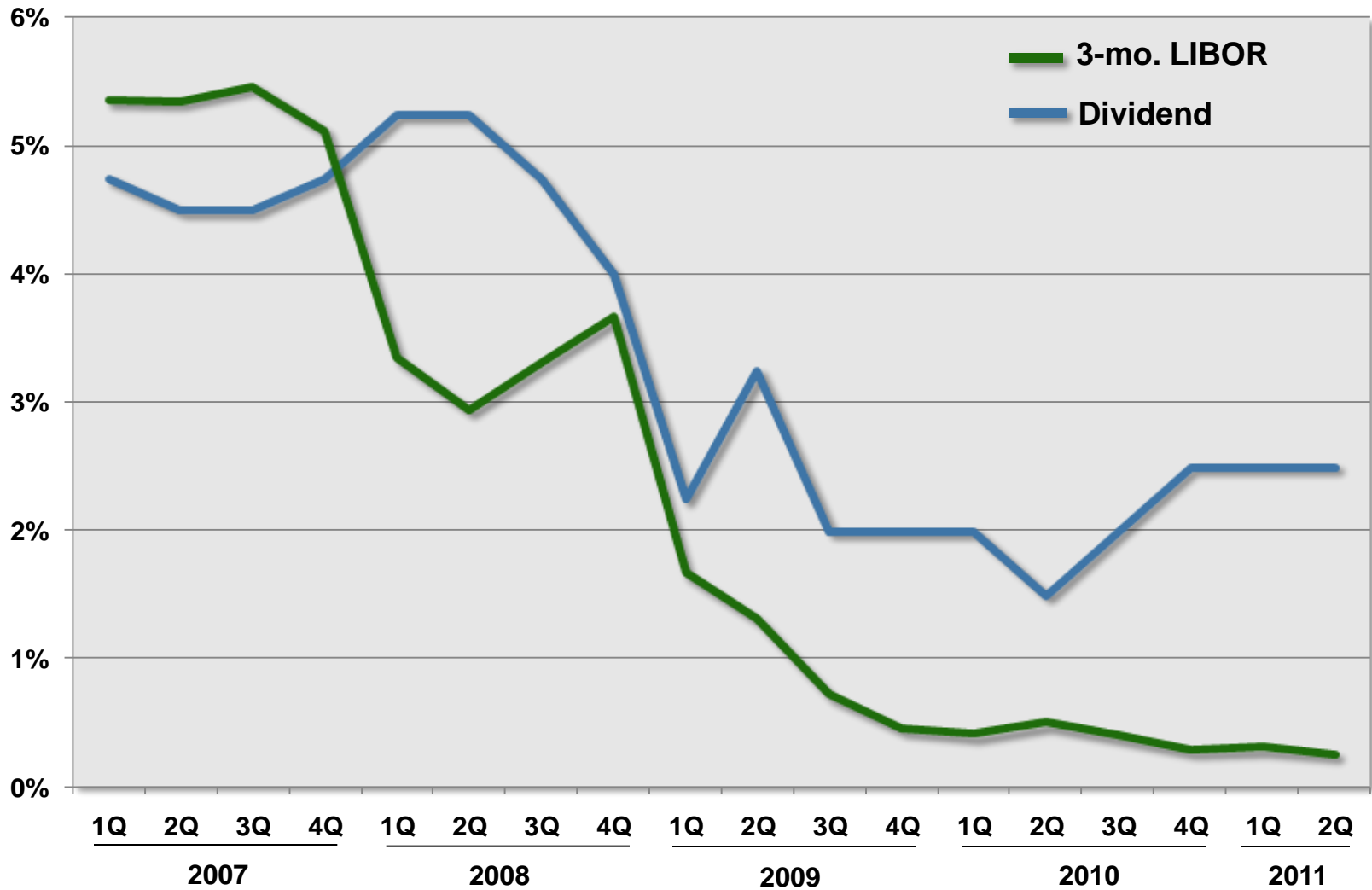


Amortized Cost vs. Fair Value

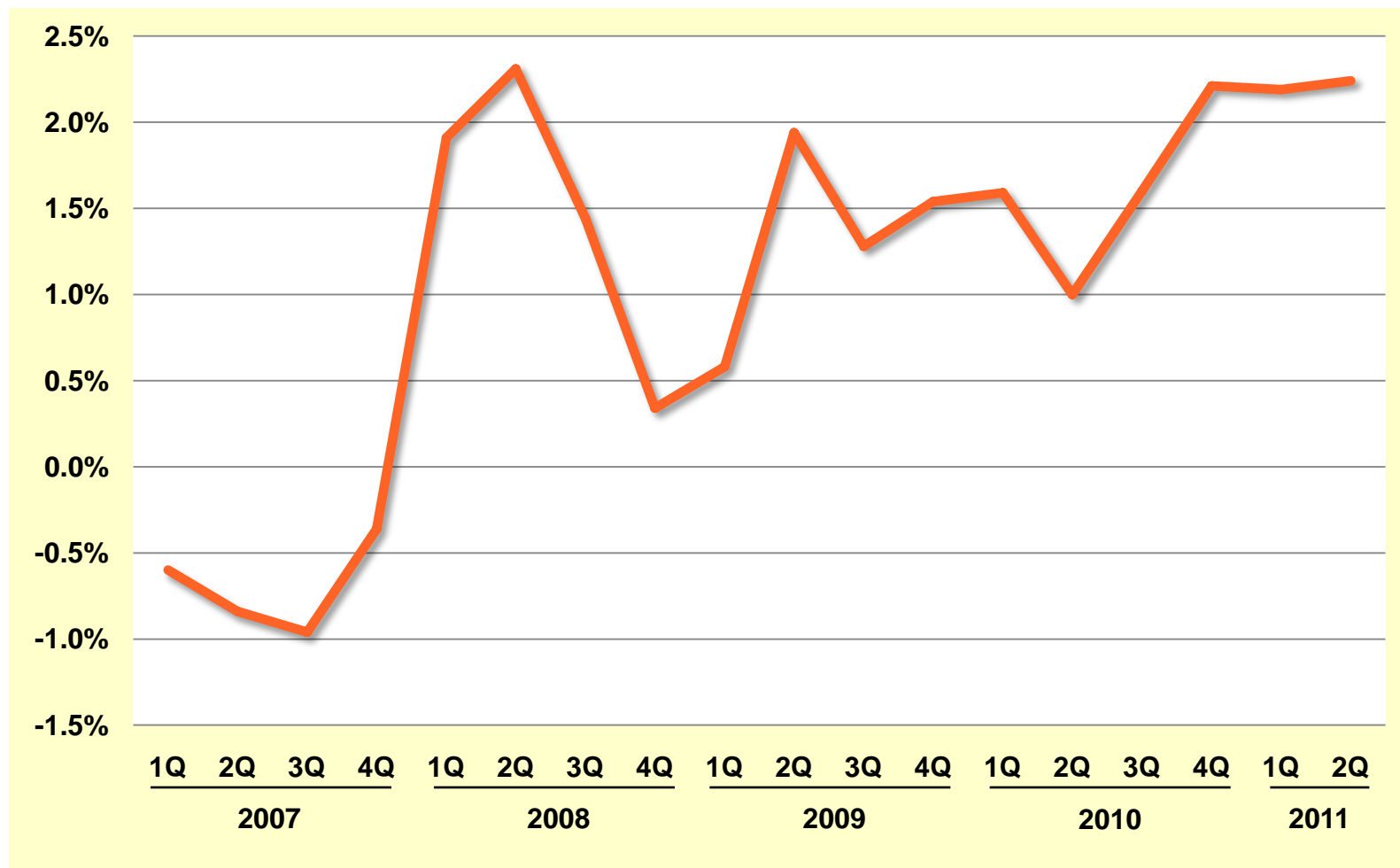
\$ in millions



FHLBI Dividend vs. LIBOR

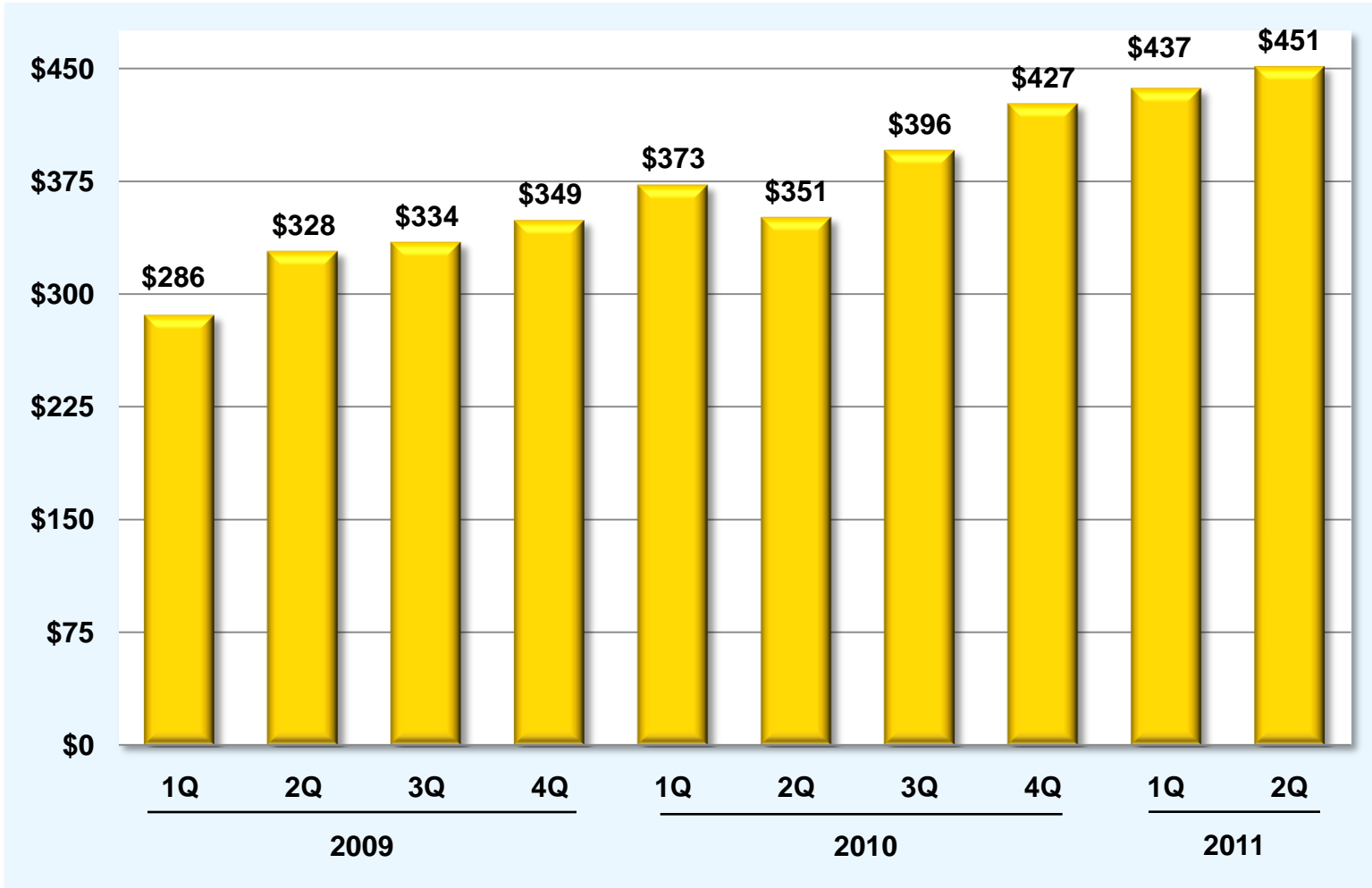


Dividend vs. 3-month LIBOR



Retained Earnings

\$ in millions



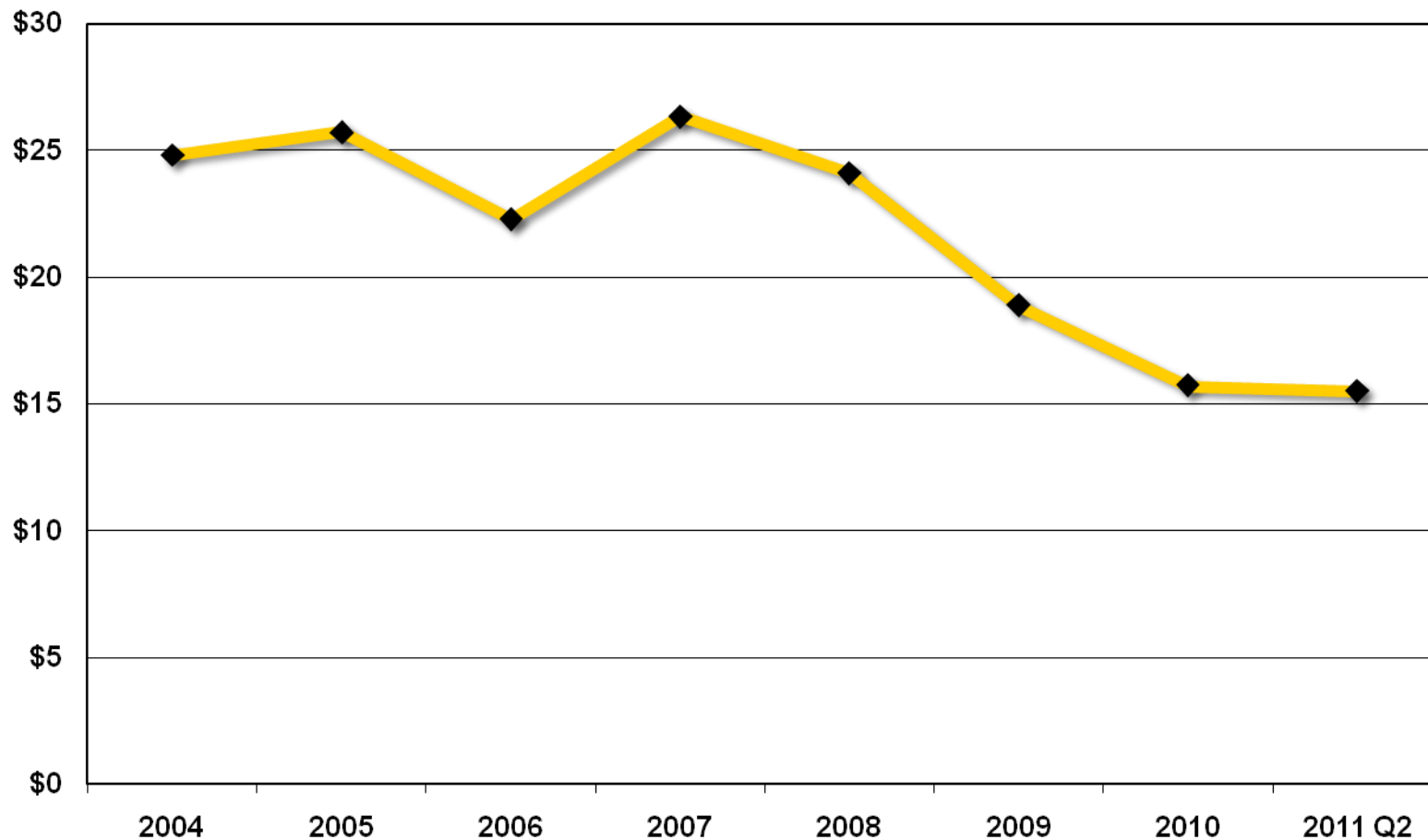
| | |
|---------------|---------------|
| November 2010 | \$249 million |
| June 2011 | \$248 million |

- ▶ **Aligns capital with size of Bank**
- ▶ **Demonstrates confidence**
- ▶ **Allows members to redeploy funds**
- ▶ **Impacts ROE**

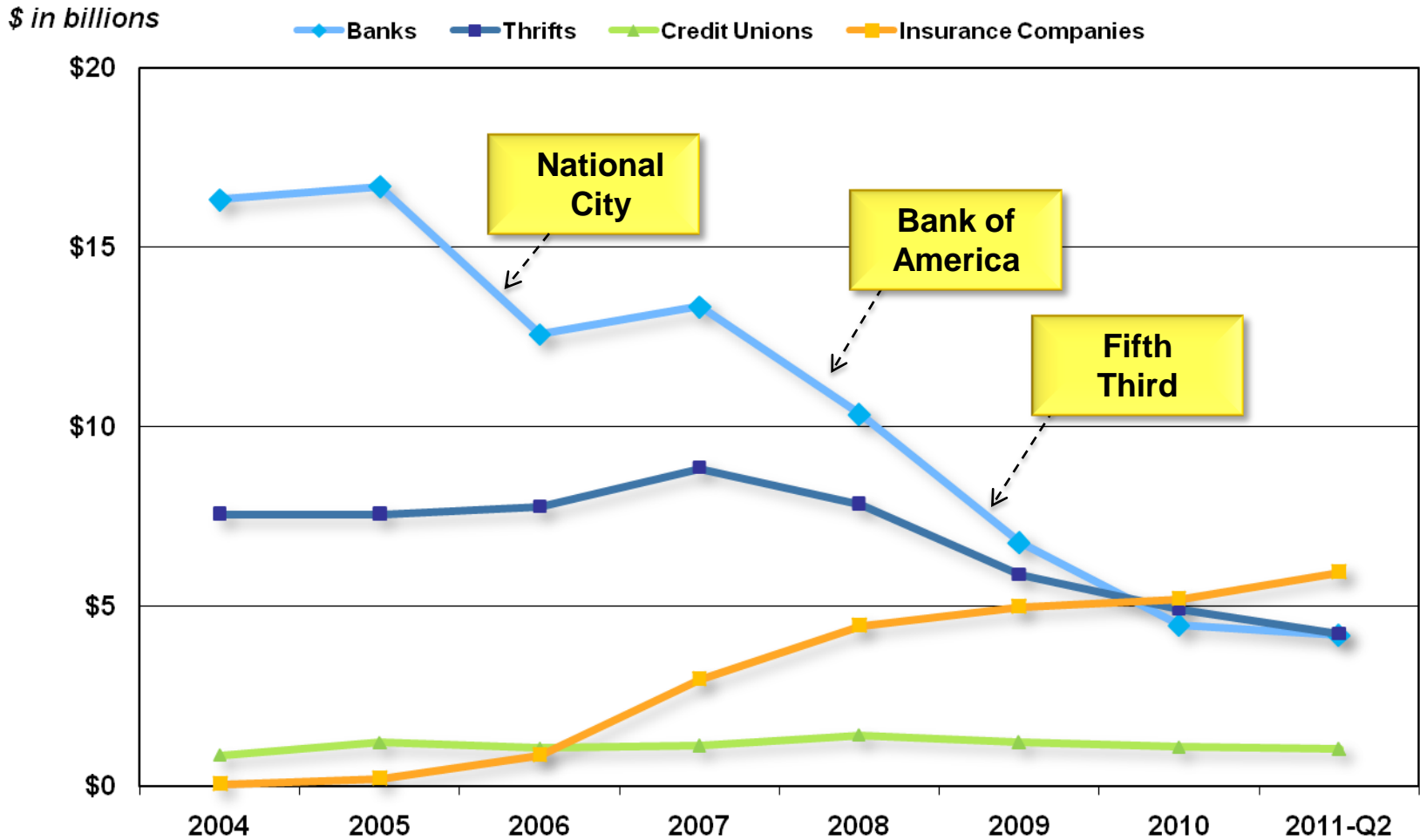
Total FHLBI Member Advances *(at par)*



\$ in billions



Total FHLBI Member Advances by Member Type *(at par)*

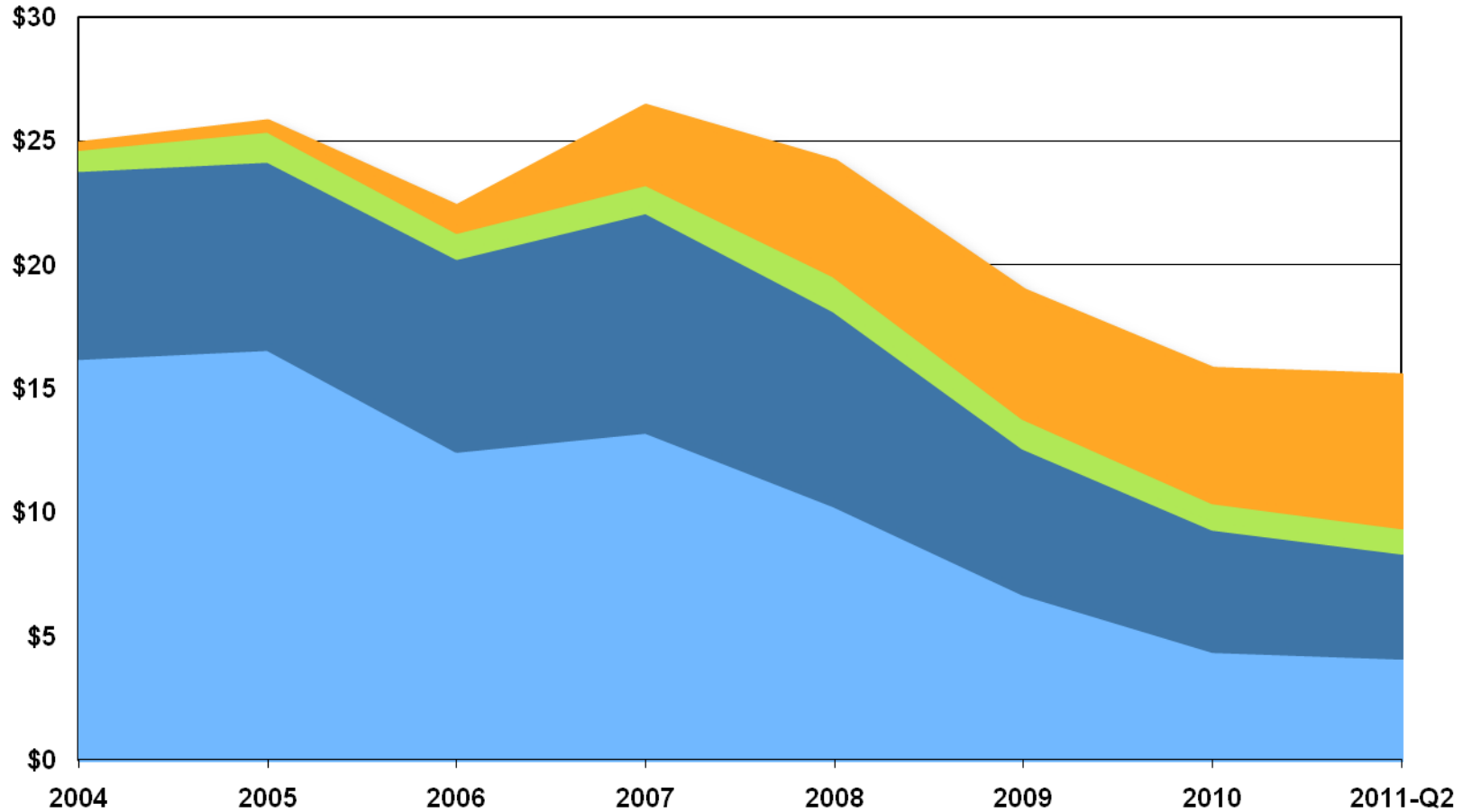


Total FHLBI Member Advances by Member Type *(at par)*



\$ in billions

■ Banks ■ Thrifts ■ Credit Unions ■ Insurance Companies

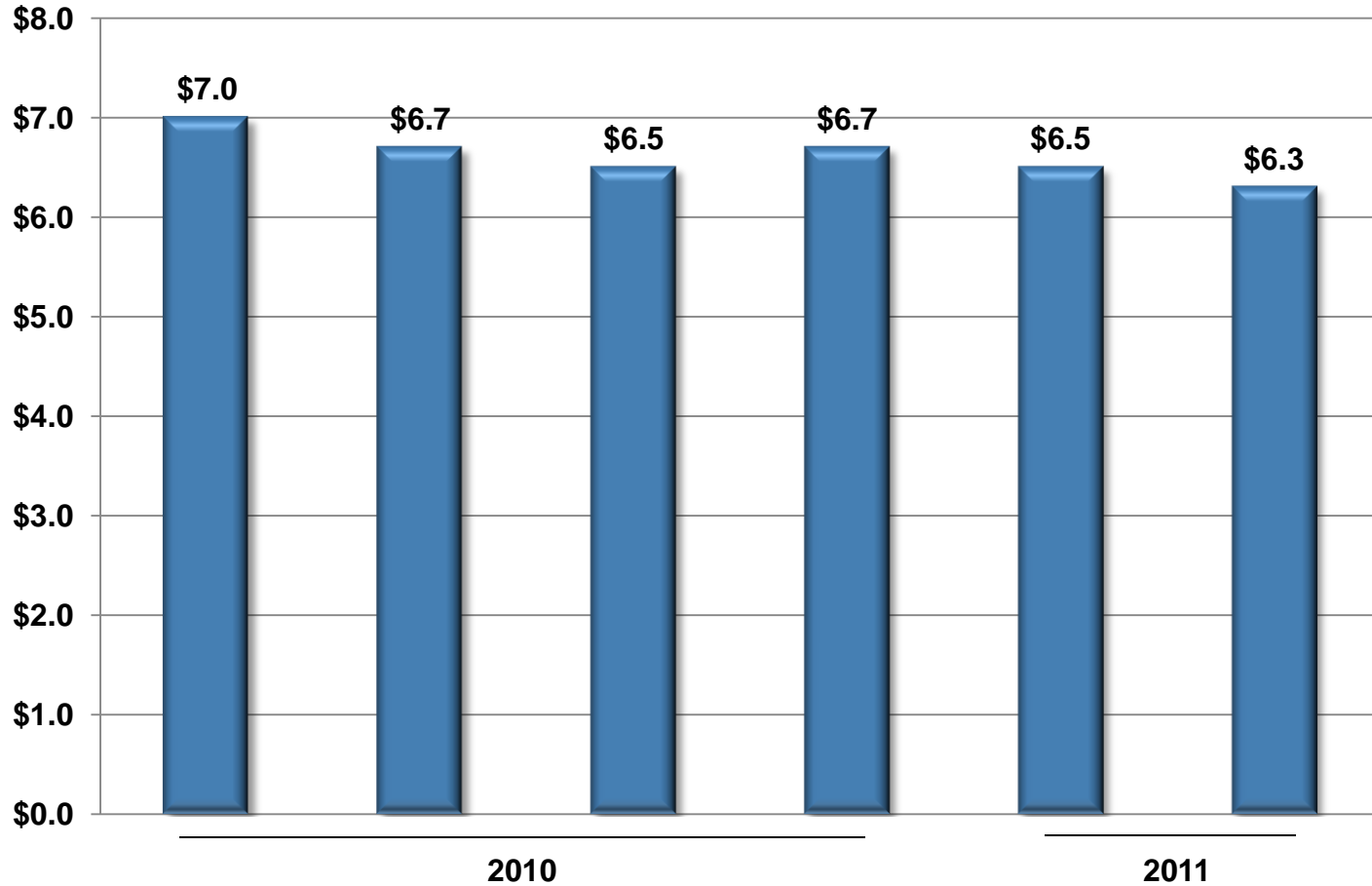


- ▶ **Significant growth prospects for insurance companies**
- ▶ **Reduced exposure to large multidistrict holding companies**
- ▶ **Cyclical transition expected for depositories**
 - Government monetary policy
 - Economic growth and loan demand

MPP Balance



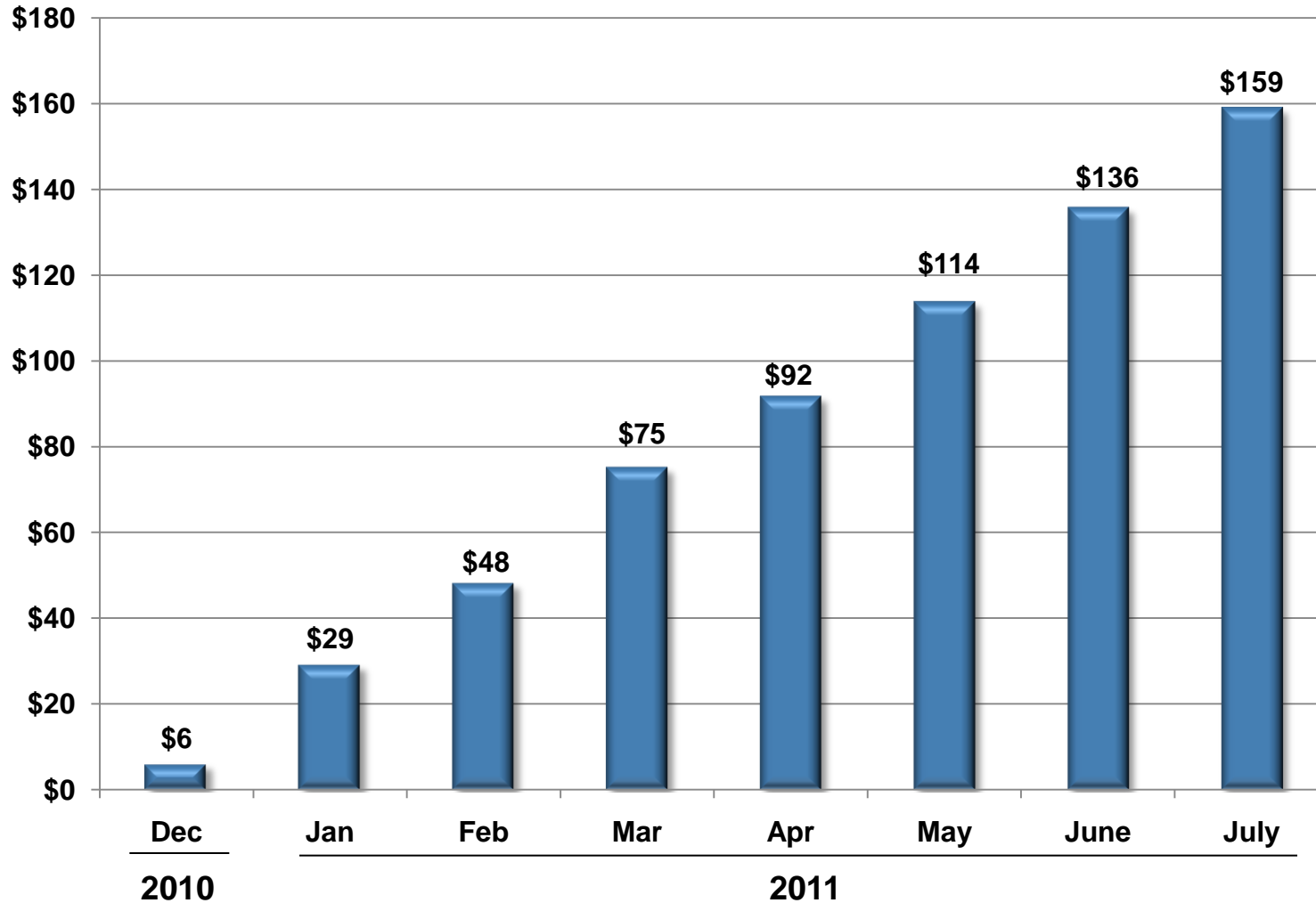
Outstanding \$ in billions



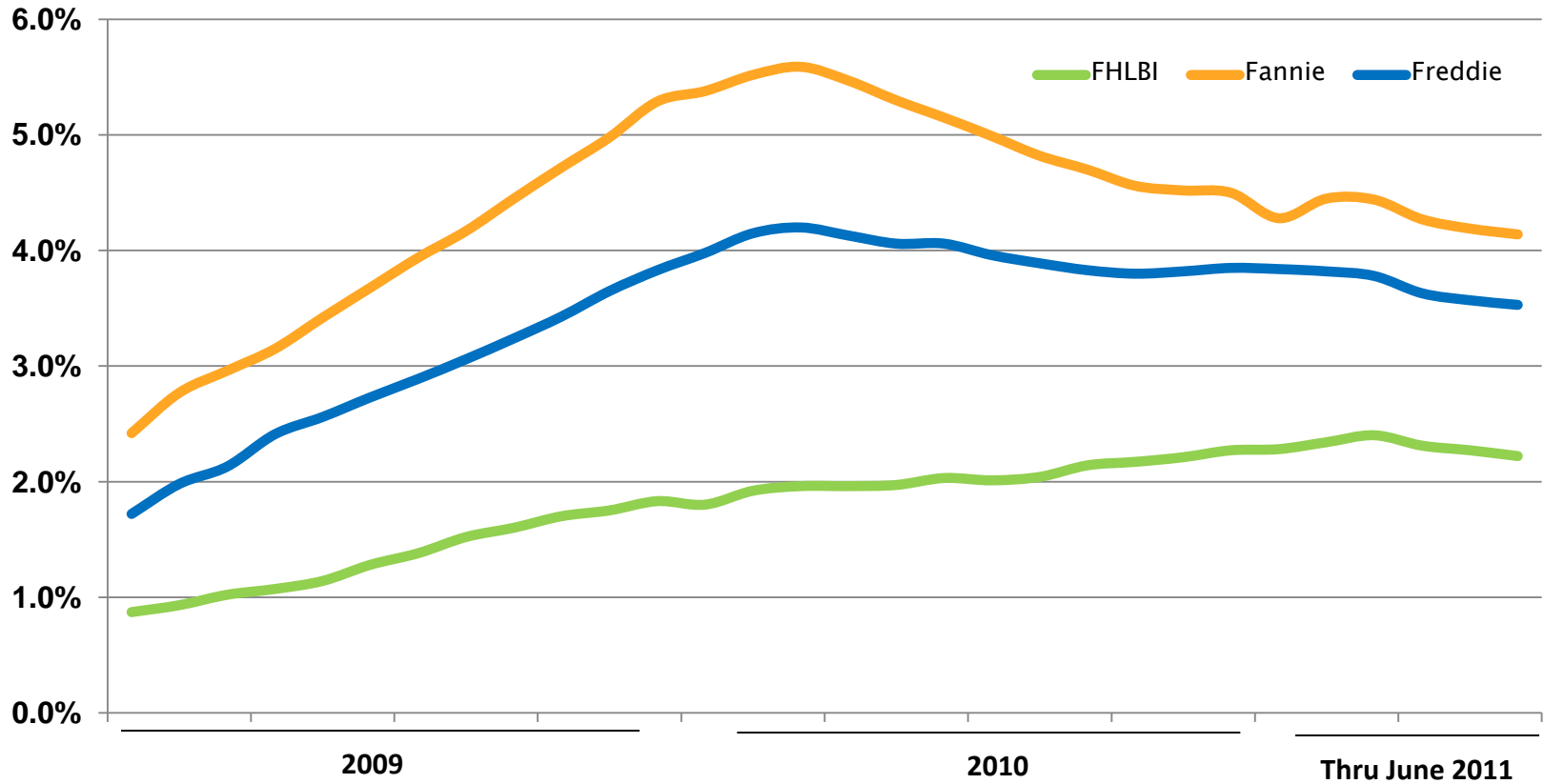
MPP Advantage Outstanding Monthly Balance



\$ in millions



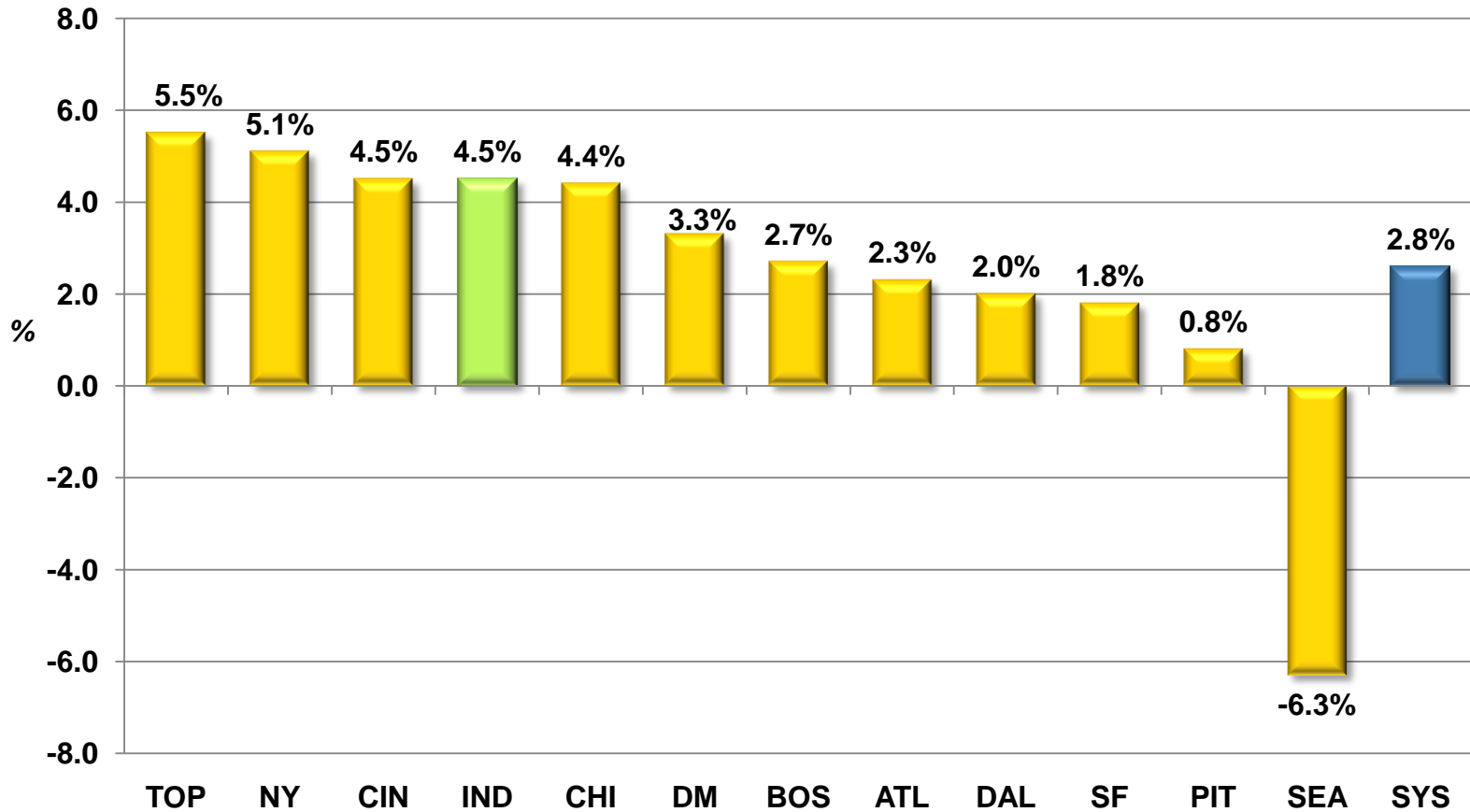
Conventional Mortgages *90+ days including foreclosures*



- ▶ **Active member participation**
- ▶ **Maintaining prudent underwriting standards**
- ▶ **MPP Advantage growing**
- ▶ **Selective bulk purchases**

Return on Average Equity

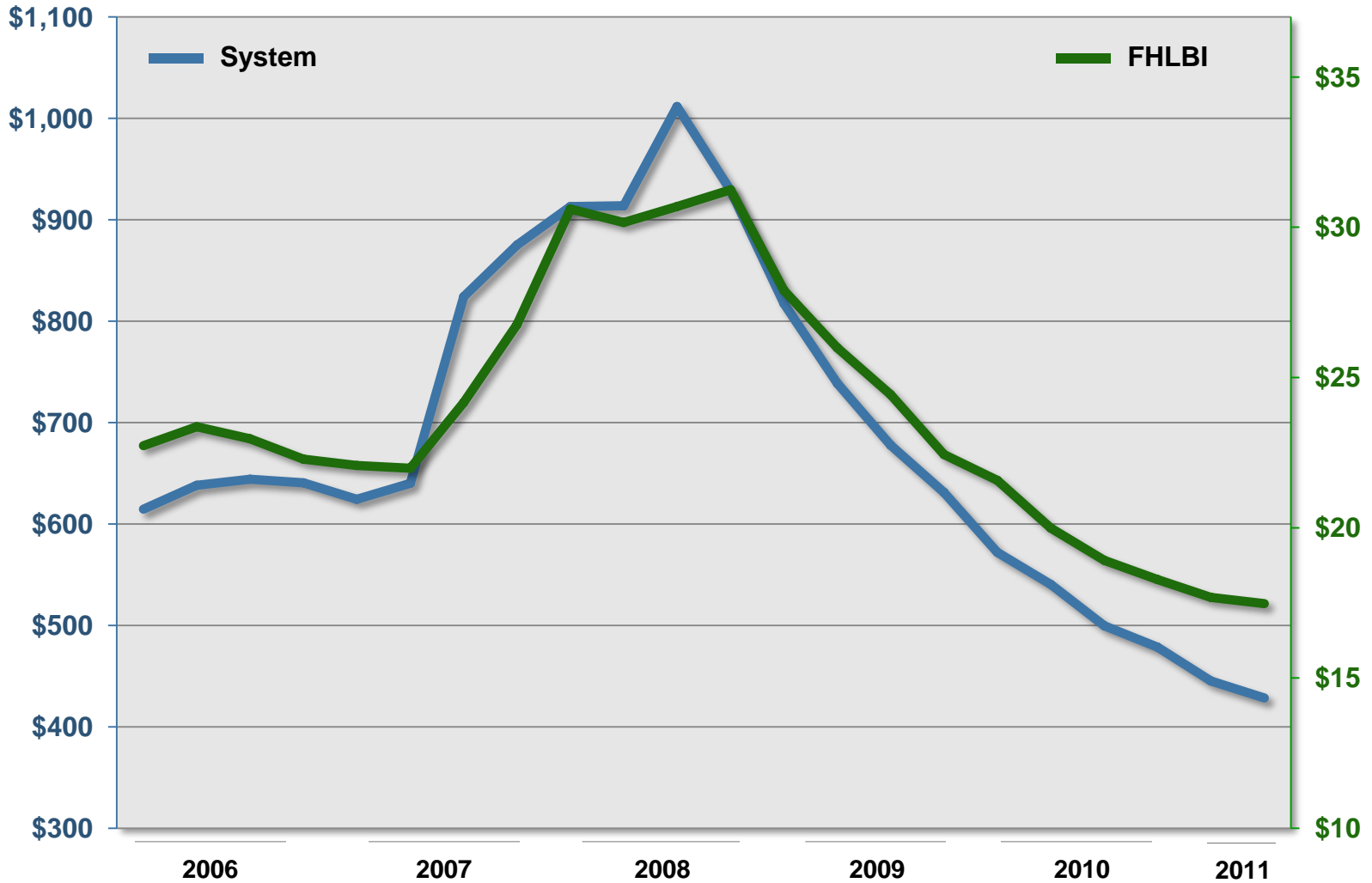
June 30 YTD annualized



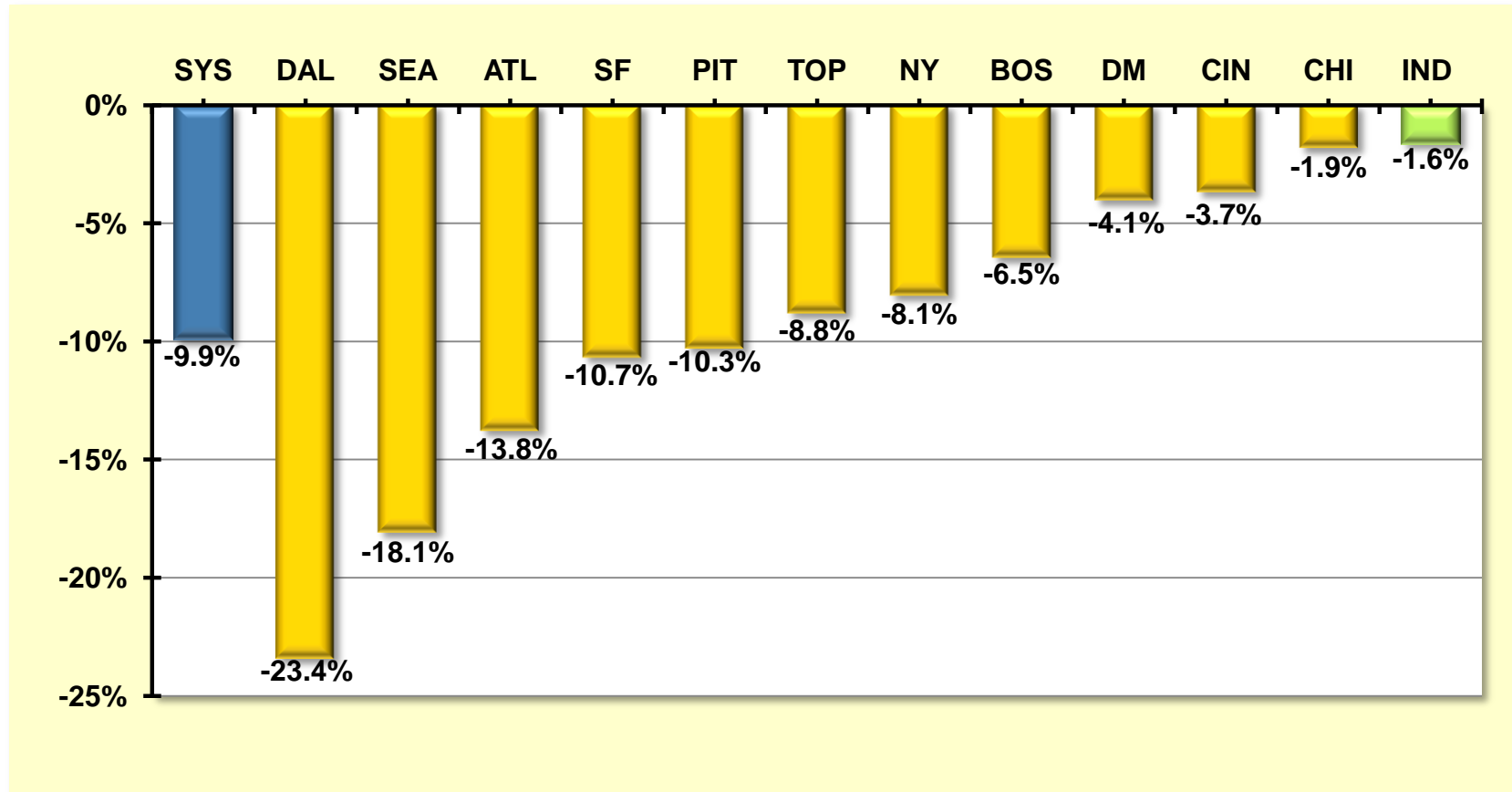
FHLBI & System - Advances Trends



\$ in billions



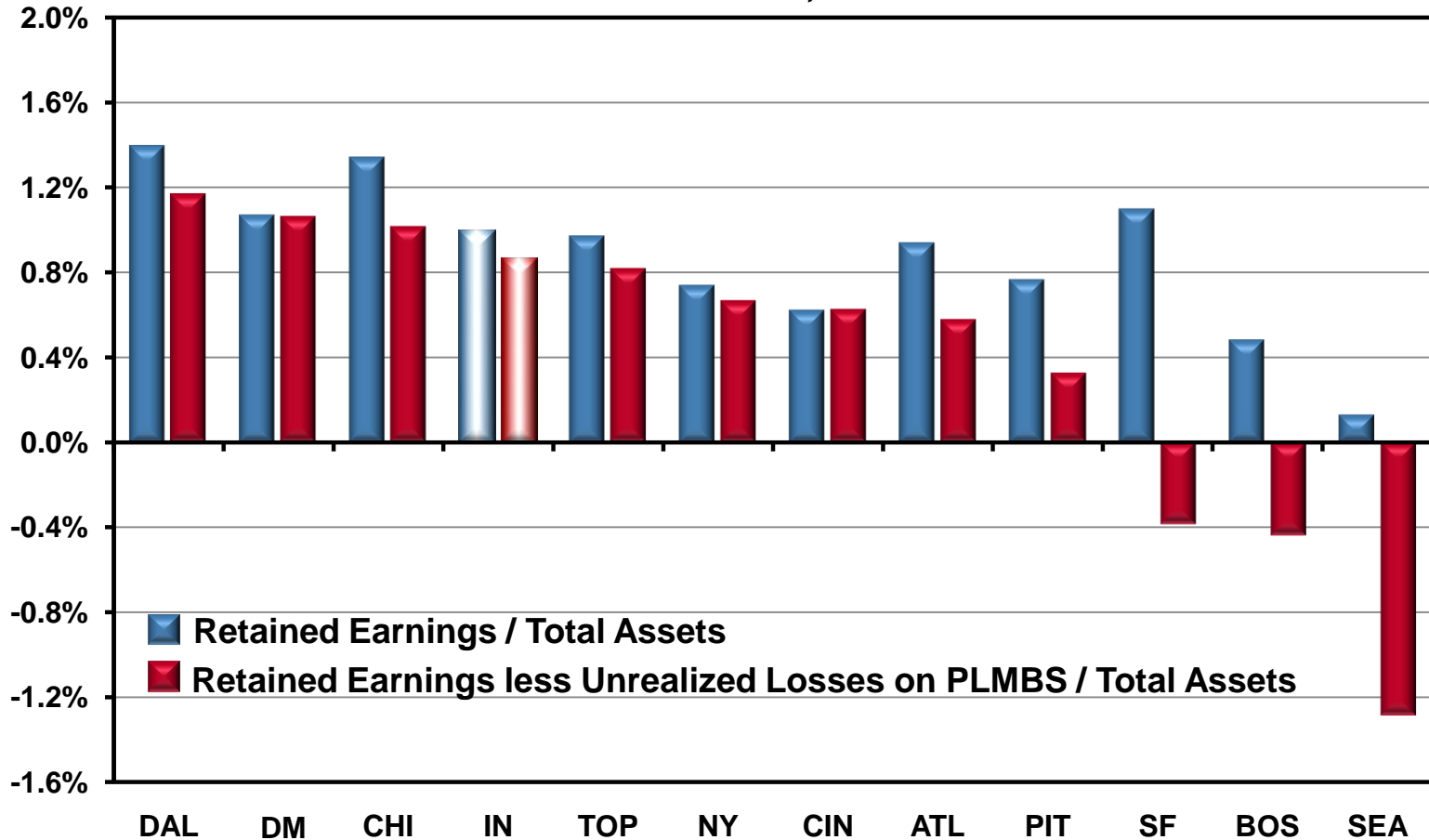
Change in Member Advances



Note: YTD June 2011

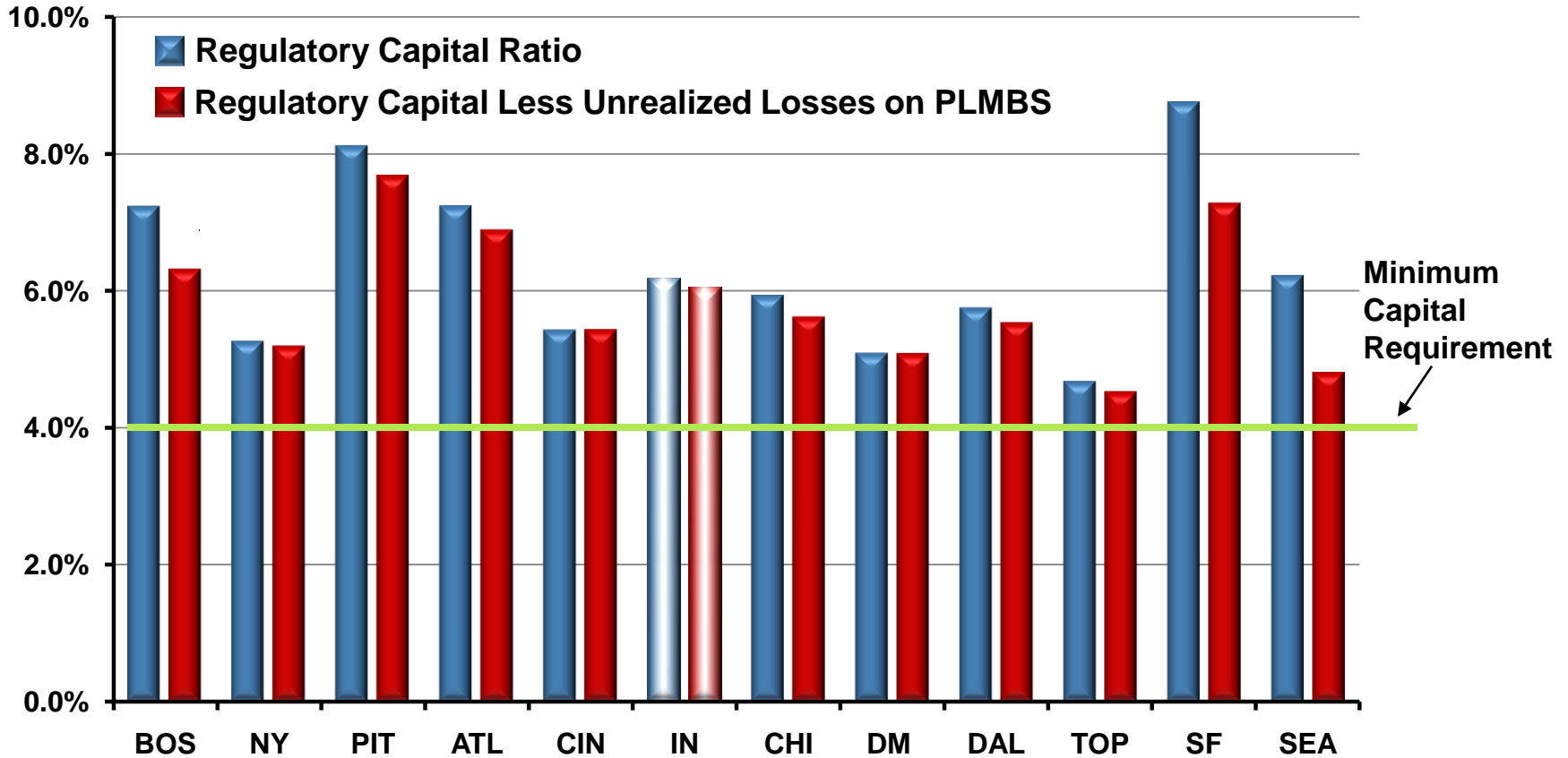
Retained Earnings Less Unrealized Losses on PLMBS

as of March 31, 2011



Regulatory Capital Impact of Unrealized Losses on PLMBS

as of March 31, 2011



*Chicago has not yet adopted Capital Plan per Gramm-Leach-Bliley

- ▶ **PLMBS are declining but remain a concern**
- ▶ **Advance demand is weak**

However,

- ▶ **Capital is strong**
- ▶ **Exceeds regulatory requirements even after any potential reductions for current PLMBS**
- ▶ **System earned \$604M in first half of 2011**

- ▶ **20% of earnings to pay off bonds issued in 1989 to recapitalize deposit insurance fund**
- ▶ **Fulfilled obligation in second quarter 2011**
- ▶ **Joint Capital Enhancement Agreement**
 - Directs 20% of net income to restricted retained earnings account
 - Allocation continues until balance equals 1% of average outstanding consolidated obligations

- ▶ **Builds retained earnings and enhances capital**
- ▶ **Provides additional protection for members' capital stock investment**
- ▶ **Bolsters strength of joint and several**
- ▶ **Increases AHP funding**

- ▶ **Restrictions on insurance company membership and additional depository reporting requirements**
- ▶ **136 comment letters filed**
- ▶ **Demonstrates value of member engagement and advocacy by trades**
- ▶ **Appreciate your support**

- ▶ **U.S. government downgraded to AA+ with negative outlook on Aug. 5**
- ▶ **As GSEs, our rating impacted by U.S. government rating**
- ▶ **10 of 12 FHLBanks and System COs downgraded to AA+ with negative outlook on Aug. 8**
- ▶ **To date, no material adverse impact on funding access or direct costs**

Moody's Investor Services affirmed U.S. government and FHLB ratings at Aaa with negative outlook on Aug. 2nd

▶ **February 2011 Administration white paper**

- Restructure Fannie and Freddie
- Restrict member holding companies to one FHLBank
- Advances to large banks should be limited
- Reduce investment portfolios

- ▶ **Strong regulatory capital position**
- ▶ **Growing retained earnings**
- ▶ **Dividends well above LIBOR**
- ▶ **Fulfilling mission**
- ▶ **Maintaining high level of customer service and product innovation**

Questions?

Safe Harbor Statement

This presentation contains forward-looking statements concerning plans, objectives, goals, strategies, future events or performance, which are not statements of historical fact. The forward-looking statements contained in this release reflect our current beliefs and expectations. Actual results or performance may differ materially from what is expressed in the forward-looking statements. You are referred to the documents filed by us with the SEC, specifically reports on Form 10-K and Form 10-Q including risk factors that could cause actual results to differ from forward-looking statements. These reports are available at www.sec.gov. The financial information contained within this presentation is unaudited.



FHLBI