

**Federal Home Loan Bank
of Indianapolis**

News Release

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February 23, 2004

For Immediate Release

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Federal Home Loan Bank of Indianapolis Reports Solid Performance in 2003

The Federal Home Loan Bank of Indianapolis (FHLBI) saw increased activity in the third and fourth quarters of 2003 to finish the year with a solid performance. The bank realized its best quarterly performance ever at the end of September 30 and sustained growth into the fourth quarter.

“Although historically low interest rates and compressed interest rate margins in the financial services market resulted in a decline in net income for us, our return on equity (ROE) was a relatively strong 6.04%, which placed us second among the nation’s 12 Federal Home Loan Banks,” explained Martin L. Heger, president and CEO of the FHLBI. ROE is a profitability ratio that measures a company’s performance. The average ROE for the FHLBank System was 4.49% in 2003.

Net income was reported to be \$115.1 million for the year, as compared to \$129.0 million for 2002. Total assets at the end of the fourth quarter were up 5% to \$44.9 billion, which was \$2 billion more than was held on December 31, 2002. The FHLBI declared an annual dividend of 5.16% on Class B1 stock, and the bank’s retained earnings position increased from \$48.1 million at the end of 2002, to \$69.0 million after the payment of the fourth quarter 2003 stock dividend.

The FHLBI is a major source of low-cost funds to retail commercial banks, savings institutions and credit unions throughout Indiana and Michigan. It makes its funds available through advances, or loans, to local lenders and by purchasing mortgages from them in the secondary mortgage market.

Advance volume, which represents the bank’s core business activity, remained steady throughout 2003, with the year-end outstanding dipping slightly to \$28.925 billion

from \$28.945 billion at the end of 2002. Mortgages purchased and held in portfolio amounted to \$7.4 billion at the end of the fourth quarter, up from \$5.4 billion at the end of 2002 for a 37% increase.

The gains in the FHLBI Mortgage Purchase Program reflect the vibrancy of the home mortgage market throughout 2003, while the steady level of advances shows that retail lenders still have substantial liquidity to support loans for other consumer needs as well as small business, agriculture and community development.

“We are also committed to helping low-income families enjoy improved housing through our unique Affordable Housing Program,” said Heger. Each year the FHLBI dedicates 10% of its net earnings to fund Affordable Housing Program (AHP) grants presented throughout Indiana and Michigan. “In 2003 we awarded over \$12 million to help over 2000 families improve the quality of their lives. The bank’s 2003 performance will enable us to come close to matching those numbers in 2004.”

The Federal Home Loan Bank System is a government-sponsored enterprise created by Congress to be a source of low-cost funds to state and federally chartered community financial institutions. FHLBanks are privately funded and receive no Congressional appropriations. The System serves over 8000 financial institutions around the nation while the Indianapolis Bank serves 440 institutions throughout Indiana and Michigan.

The bank’s external auditor has not certified the financial figures in this release. For more information about the financial condition and the capital position of the FHLBI, see the information statement on the FHLBI website at www.fhlbi.com.

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*The Federal Home Loan Bank of Indianapolis is one of twelve 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 and credit unions. **FHLBanks are privately capitalized and funded, and receive no Congressional appropriations.** The Indianapolis Bank promotes Partnerships in Building Communities by serving as a wholesale source of funds for 440 chartered financial institutions throughout the states of Indiana and Michigan. It had assets of \$44.9 billion and loans outstanding to financial institutions that amounted to \$28.9 billion as of December 31, 2003.*