



Dedicated to our mission

2013 ANNUAL REPORT



FEDERAL HOME LOAN BANK
OF INDIANAPOLIS

Financial Performance Highlights

Year Ended December 31,

\$ in millions	2013	2012	2011	2010	2009
SELECTED BALANCE SHEET ITEMS:					
Advances	\$ 17,337	\$ 18,130	\$ 18,568	\$ 18,275	\$ 22,443
Mortgage Loans Held for Portfolio, Net	6,190	6,001	5,955	6,702	7,272
Investments	10,780	16,845	15,203	19,785	14,994
Total Assets	37,786	41,228	40,375	44,930	46,599
Consolidated Obligations	34,019	36,332	36,894	40,800	42,158
MRCS	17	451	454	658	756
Capital Stock, Class B Putable	1,610	1,634	1,563	1,610	1,726
Retained Earnings	752	592	498	427	349
Total Capital	2,384	2,216	1,947	1,947	1,746
SELECTED INCOME ITEMS:					
Net Interest Income	\$ 238	\$ 242	\$ 231	\$ 267	\$ 272
Net OTTI Credit Losses	(2)	(4)	(27)	(70)	(60)
Other Income (Loss)	71	(9)	(6)	11	2
Operating Expenses	61	53	51	49	44
Total Assessments	25	18	25	41	45
Net Income	218	143	110	111	120
SELECTED FINANCIAL RATIOS:					
Return on Average Equity	9.40%	6.89%	5.63%	6.13%	5.94%
Return on Average Assets	0.54%	0.35%	0.26%	0.24%	0.23%
Dividend Payout Ratio	26.46%	34.45%	36.29%	29.18%	44.72%
Dividend Rate (weighted average)	3.50%	3.13%	2.50%	1.87%	2.83%
Net Interest Margin	0.60%	0.59%	0.55%	0.57%	0.52%
GAAP Capital Ratio	6.31%	5.37%	4.82%	4.33%	3.75%
Regulatory Capital Ratio	6.30%	6.49%	6.23%	6.00%	6.07%
Average Equity to Average Assets	5.79%	5.05%	4.60%	3.90%	3.87%

The 2013 Financial Performance Highlights should be read in conjunction with *Item 6. Selected Financial Data* in our Form 10-K on file with the SEC.

Letter to the Shareholders



Cindy L. Konich

FHLBI is clearly a mission-focused organization. Our story is not only told by financial benchmarks but in all that we do every day to generate solid financial performance and to meet our members' needs. Dedication to our mission is demonstrated in the three key areas of housing finance, serving our members, and prudently managing our assets with a mission focus.

The FHLB System is a critical part of our nation's housing finance system. FHLBI and the System play a vital role in

keeping capital and credit flowing into local communities. Instrumental in moving monies from Wall Street to Main Street, it is a model that works. As GSE reform is being considered, we are collectively working to be part of the solution and to preserve our structure and ability to provide low-cost funding and liquidity to our members. We have and will continue to provide the housing finance system a reliable source of funding that functions in all economic cycles in all parts of the U.S.



Our core strength is our relationship with you, our members, and our primary mission is to provide you reliable and stable access to liquidity. One way we do this is by being flexible and innovative with the times; when conditions change, we have to change with them. Our district has seen a shift in the proportion and balances of advances to its member sectors. The level of insurance company borrowings over the past five years has increased. We now have over \$10 billion in insurance company advances. At the end of 2013, 61% of advance borrowings, at par, were to the insurance sector. This growth has allowed us to maintain scale in advances at times when the bank and thrift sector borrowings have seen reductions and while credit union



Bill Davis
AVP, Software Analyst-
Developer Manager

Renita Skinner
Software Analyst-
Developer Manager

Anju Bhatrai
Software Analyst-
Developer

Garrett Coble
Software Analyst-
Developer

“Software development may seem far removed from the FHLBI’s mission, but ensuring that employees have the most reliable, up-to-date technology makes business with our members run smoothly.”

BILL DAVIS

borrowings have remained stable. We are proud of the growth in the insurance sector, and we are working hard toward our strategic focus to serve all sectors and asset sizes.

To provide you the types of products and services you need when you need them, we are innovative in our mission asset product offerings through our mortgage purchase program with the very successful MPP Advantage program and in our advance offerings.

As the numbers report, FHLBI had record earnings in 2013. While we are focusing on our mission to meet your needs as members through our products and services, we are also focused on the return on your capital investment. Our strong financial earnings, for which you played a key role in generating through your usage of our products and services, allowed us to pay a consistent B1 dividend of 3.5% in 2013 as well as a supplemental B1 dividend of 2% for the fourth quarter of 2013. We are pleased to have completed another successful year, with strong earnings that allow us to return to our members a solid dividend on your capital investment. The level of earnings generated in 2013 is particularly beneficial to our Affordable Housing Program as \$25 million will be available in 2014 for grants that create or rehabilitate housing that's affordable for low-income families living in our members' communities. This amount is especially fitting since 2014 marks the 25th anniversary of the program's inception.

We strive to generate solid earnings to fulfill our mission. Such profit focus reflects FHLBI's well-controlled, low-risk profile and allows us to reward you for your investment in FHLBI. This is done while also building retained earnings to help protect the value of your stock against any unforeseen economic event. We manage our assets with a mission focus. We continue to

Membership Benefits

AS CUSTOMERS

- + Flexible advance structures & reliability
- + Successful MPP Advantage
- + Grants & funding for housing and economic development
- + Excellent customer service

AS SHAREHOLDERS

- + Strong core earnings
- + Retained earnings growth
- + Dividends consistently above LIBOR
- + Solid regulatory capital position

execute our strategies of capital management, hedging, and portfolio diversification and management to profitably run FHLBI and provide a reasonable dividend all within our well-established risk management culture. Along with these practices, we also must invest in infrastructure to support our solid foundation and remain successful.

I am, along with our board of directors and my entire staff, dedicated to the FHLBI, our mission, our members, and our collective success. We are moving forward on the solid foundation that was built under our former CEO Milton Miller's leadership. We wish him well in his retirement. I want to thank Paul Clabuesch for his dedicated service to our board since 2003 and for serving as Chair since 2005. I am confident in the capable leadership and guidance of Jim MacPhee, who was elected Chair, and of Mike Hannigan, who was elected Vice Chair of our board, beginning January 2014.

As we are immersed in a new year, the FHLBI remains dedicated to our mission and to being a reliable partner to help you reach the financial goals of your organization. Working together, we will continue to enhance the lives of people and communities in Michigan and Indiana.

Sincerely,



Cindy L. Konich
President-CEO



David Lockwood, 1st VP-Director of Investments, and Chris Litzsinger, AVP-Assistant Portfolio Manager, confer with President-CEO Cindy Konich.



Stephen Curnutt
Middle Office
Analyst

Alicia Briggs
Safekeeping
Analyst

Paula Mitchell
Funds Transfer
Analyst

Holly Garrett
Cash Management
Representative

Lisa Chilcote
VP, Cash Manager

Jennel Rainey
Correspondent
Services Representative

Teri Rypel
ACH Analyst

Amy Grant
AVP, Middle Office
Supervisor

“As our way of helping FHLBI achieve its overall mission of being a reliable partner to our over 400 members, cash management is committed to meeting demand for services and providing excellent customer service. Also on the team are the middle office staff who perform verification controls for the bank’s funding activities.”

LISA CHILCOTE

Mission Focused

The employees featured on these two pages are only a few of the over 200 faces at FHLBI who make it their mission every day to find ways to serve our members better and help FHLBI remain strong.



Jon Griffin
1st VP, Chief Credit &
Marketing Officer
Credit Services & Marketing



Todd Hargreaves
VP, Advances Manager
Credit Services



Rob Hovermale
Lending Officer
Credit Services



Rori Chaney
Lending Officer
Credit Services



Scott Stansberry
VP, Credit Risk Director
Credit Services



Doug Houck
AVP, Collateral Operations
Manager
Credit Services



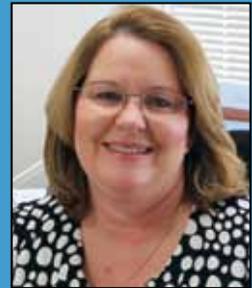
Rebecca Baskerville
Senior Collateral
Operations Analyst
Credit Services



Andy Tomamichel
Securities Collateral Analyst
Credit Services



Laura Compton
Collateral Operations Analyst
Credit Services



Trish Lewis
AVP, AHP Portfolio Manager
Community Investment



Shannon Fountain
AVP, Community Lending
Manager
Community Investment



Nicole Davidson-Schultz
Technical End User
Support Specialist
Shared Services



John Barillo
Technical End User
Support Specialist
Shared Services



Angela Stark
End User Services Manager
Shared Services



Nick Zipparo
Technical End User Support
Specialist
Shared Services



Mark Holt
VP, Operations Manager
MPP



Cathy Garrett
AVP, Mortgage
Acquisitions Manager
MPP



Candace Zuercher
Mortgage Acquisitions
Support Specialist
MPP



Jim Eibel
VP, Business Development
Director
Marketing



Bill McDowell
VP, Sr. Account Manager
Marketing



Chuck Rainey
VP, Sr. Account Manager
Marketing



Doreen Koning
AVP, Sr. Business
Development Strategist
Marketing



Matt Fix
AVP, Account Manager
Marketing



Alan Rieger
Business Development
Analyst
Marketing



Kathy Crumpton
Administrative Assistant
Member Services
Marketing

“I’m proud of all of our employees - the ones on the frontlines with our members and those behind the scenes supporting them. Their experience, expertise and collaborative nature contribute to the FHLBI’s overall success.”

CINDY L. KONICH, PRESIDENT - CEO

Financial Overview

Record Earnings

Net income was a record \$218 million in 2013, exceeding 2012 income by \$75 million. Factors contributing to this increase include net litigation settlements relating to the PLMBS portfolio, gains on the sale of securities in our AFS portfolio, and an increase of net interest income after provision for credit losses.

Balance Sheet Activity

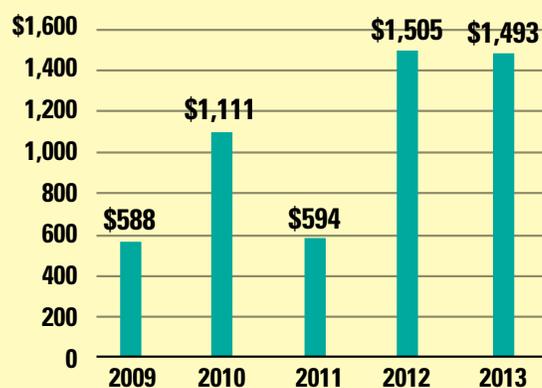
Total assets declined by \$3.4 billion during 2013 to \$37.8 billion, as short-term investments (including cash) declined by \$2.1 billion and the long-term investment portfolio (primarily MBS) balance fell by \$0.7 billion. Part of this managed reduction of investments occurred in conjunction with the repurchases of excess stock during the year. Advances (at par) dipped by \$0.3 billion to end the year at \$17.1 billion. The purchased mortgage portfolio (MPP & MPF) increased \$0.2 billion to \$6.2 billion during 2013. Mission assets, defined as advances plus purchased mortgage loans, as a percentage of total assets, increased to 62% in 2013 from 59% in 2012. Consolidated obligations declined by \$2.3 billion in conjunction with the reduced asset base.

Capital and Retained Earnings

Regulatory capital totaled \$2.4 billion as of December 31, 2013, equaling 6.3% of total assets, well above the required ratio of 4.0%. The balance declined by \$0.3 billion during the year due to the repurchase of excess stock from members and former members. Stock held by former members was reduced to \$17 million through stock redemptions and repurchases during 2013. Retained earnings continue to grow and represented 32% of total capital at year end.

MPP/MPF Production

\$ in millions, at par



MPP Advantage started late 2010.

Member Activity

In 2013, the asset base of our members increased 51% to over \$800 billion with the addition of John Hancock Life, USA in June. John Hancock is the largest insurance company in our district, FHLBI's largest member, and is the third largest insurance member in the FHLB System. While total membership declined slightly to 404 at year end, other new members include Good

Shepherd Credit Union and Metro Community Development, Inc., our first community development financial institution.

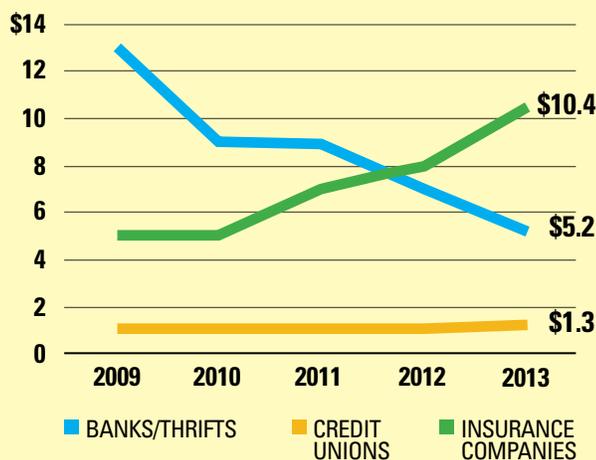
Advances growth through much of the year was offset by late-year prepayments by one of our larger depository members. This member, who had historically held the top borrower slot, moved to the fifth largest borrower. The concentration of advances among our five largest borrowers declined to 42% from 48% during the year.

Member advances growth in the insurance sector has helped to offset declining advances within the depository sector. Several years of active insurance company recruitment has led to this growth as charter consolidations and acquisitions involving some of our larger depository members contributed to the decline of borrowings. A similar dynamic occurred several years ago when our commercial bank recruitment eased the impact of declining membership within the savings and loan sector.

The increase of the purchased mortgage portfolio is the result of our successful MPP Advantage Program and the concerted effort to add new sellers and to bring former sellers back to the table. The MPP has been in a multi-year transition from relying on

Member Advances

\$ in billions, at par



a few large sellers, which are no longer members, to building business with many community-oriented member institutions throughout Indiana and Michigan. The purchase of MPF participations from FHLB Topeka helped to lift the balance and increase our geographic diversity.

Affordable Housing Program

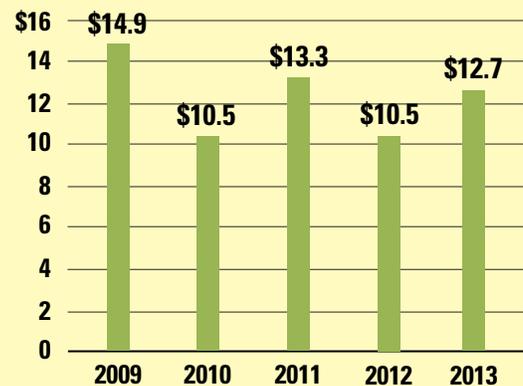
For 2013, \$19.3 million in grants was awarded for affordable housing initiatives, with \$12.7 million awarded through the competitive Affordable Housing Program (AHP) and the remaining portion set aside for the homeownership initiatives that help with the purchase or renovation of a home. Nearly \$152 million of CIP advances and letters of credit were issued to members, who then delivered lower-cost loans to borrowers for projects that will benefit low- or moderate-income families or neighborhoods and strengthen communities. These funds can be used for the development of housing, infrastructure improvements, or assistance to small businesses or businesses that are creating or retaining jobs. Looking forward to 2014, the AHP allocation based on 2013 earnings is approximately \$25 million, setting the tone for celebrating the 25th anniversary of the program's inception.

Safe Harbor Statement

This report 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 report 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.fhlbi.com or www.sec.gov. Certain financial information contained within this report is unaudited.

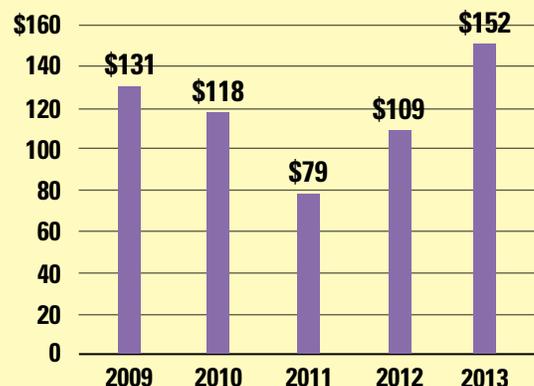
Affordable Housing Program Grants

\$ in millions



Community Investment Program Advances

\$ in millions



2013 FHLBI Board of Directors

REPRESENTING MICHIGAN

FRONT LEFT TO RIGHT:

Elliot A. Spoon
Paul C. Clabuesch
Jonathan P. Bradford
Christine Coady Narayanan
Thomas R. Sullivan

BACK LEFT TO RIGHT:

Carl E. Liedholm
Timothy P. Gaylord
John L. Skibski
James L. Logue, III
James D. MacPhee



REPRESENTING INDIANA

FRONT LEFT TO RIGHT:

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Dan L. Moore
Larry A. Swank
Karen F. Gregerson

BACK LEFT TO RIGHT:

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Maurice F. Winkler, III
Michael J. Hannigan
Robert D. Long



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 Chairman Emeritus
 Thumb National Bank & Trust
 Pigeon, Michigan

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Vice Chairman
 Director - Lafayette Savings Bank
 Lafayette, Indiana

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 Inner City Christian Federation
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 River Valley Financial Bank
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 STAR Financial Bank
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 East Lansing, Michigan

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 Great Lakes Capital Fund
 Lansing, Michigan

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 Kalamazoo County State Bank
 Schoolcraft, Michigan

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 Opportunity Resource Fund
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 Monroe Bank & Trust
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 Development & Professor
 of Law in Residence
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 College of Law
 East Lansing, Michigan

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 Alma, Michigan

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 President & CEO
 The Sterling Group
 Mishawaka, Indiana

Maurice F. Winkler, III
 President & CEO
 Peoples Federal Savings Bank
 of DeKalb County
 Auburn, Indiana

2013 FHLBI Leadership



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Senior Vice President
Chief Banking Officer

Greg McKee
First Vice President
Director of Internal Audit

Robert Gruwell
Senior Vice President
Chief Financial Officer

Cindy Konich
President
Chief Executive Officer

Jonathan West
Executive Vice President
Chief Operating Officer
Business Operations

Lowell Short
Senior Vice President
Chief Accounting Officer

Sunil Mohandas
Senior Vice President
Chief Risk Officer

2013 FHLBI OFFICERS

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Sunil U. Mohandas

K. Lowell Short

Gregory L. Teare

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LaVonne C. Cate

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Jonathan W. Griffin

Daniel A. Lane

David D. Lockwood

Gregory J. McKee

William D. Miller

Jeffrey A. Sanders

Deron J. Streitenberger

MaryBeth Wott

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Gregory R. Beatty

Jeffrey D. Buttars

Lisa K. Chilcote

Karen K. Colville

David B. Cross

Kristina L. Dulin

James B. Eibel

Janet N. Feczko

M. Todd Hargreaves

Dennis M. Haworth

Mark A. Holt

Stephanie L. Lesnet

Janice P. Mahorney

Ronald L. Malone

William S. McDowell

Tracy L. Norris

Charles A. Rainey

Cherie E. Reeves

Susan E. Schreiner

Mary Ann K. Singer

William C. Slover

Michael S. Speas

D. Scott Stansberry

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John D. Bingham

Lana D. Buchman

Matthew C. Carlock

Deborah A. Cowan

William F. Davis

Jacob A. Faulk

Matthew R. Fix

Shannon D. Fountain

Cathy S. Garrett

Srinivasan Ghiridharan

Evan C. Gibbons

Melvin E. Golder

Michael L. Gossman

David L. Graefnitz

Amy J. Grant

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Alex Juarez

Doreen M. Koning

Miriam J. Lemen

Patricia J. Lewis

Christian J. Litzsinger

Benjamin D. Mazzei

Brendan W. McGrath

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Kania D. Warbington



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OF INDIANAPOLIS

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