



## NEWS RELEASE

FOR IMMEDIATE RELEASE

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### **Federal Home Loan Bank of Indianapolis Declares Dividends, Reports Earnings**

Indianapolis, IN... Today the Board of Directors of the Federal Home Loan Bank of Indianapolis ("FHLBank Indianapolis" or "Bank") declared its first quarter 2020 dividends on Class B-1 and Class B-2 capital stock at annualized rates of 4.00% and 3.20%, respectively. The dividends will be paid in cash on April 30, 2020.

#### **Earnings Highlights**

Net income for the first quarter of 2020 was \$30 million, a decrease of \$3 million compared to the corresponding quarter in the prior year, primarily due to higher net losses on economic hedging relationships, accelerated amortization of purchase premium, resulting from higher prepayments on mortgage loans, and concession fees, resulting from called consolidated obligations, and net decreases in the fair values of the investments indirectly funding our supplemental retirement plan. These decreases were substantially offset by lower net losses on qualifying fair-value hedging relationships<sup>1</sup> and higher net gains on trading securities.<sup>2</sup>

Hedging gains (losses) on qualifying fair-value hedging relationships are reported in net interest income. As a result, net interest income<sup>3</sup> after provision for credit losses for the first quarter 2020 included net hedging losses of \$4 million compared to net hedging losses in the corresponding quarter in the prior year of \$14 million. In general, the Bank holds the derivatives and associated hedged items to the maturity, call, or put date. As a result, we expect that nearly all of the net gains and losses on these financial instruments will reverse over the remaining contractual terms of the hedged items.

<sup>1</sup> FHLBank Indianapolis uses interest-rate swaps to hedge the risk of changes in the fair value of certain of its advances, available-for-sale securities and consolidated obligations. These derivatives are designated as fair-value hedges. Changes in the estimated fair value of the derivative and, to the extent these relationships qualify for hedge accounting, changes in the fair value of the hedged item that are attributable to the hedged risk are recorded in earnings.

<sup>2</sup> The Bank uses U.S. Treasury securities as part of its liquidity portfolio. Such securities are classified as trading securities, on which changes in fair value are recorded in earnings. Changes in the estimated fair value of the associated hedging instruments are also recorded in earnings.

<sup>3</sup> FHLBank Indianapolis earns interest income on advances to and mortgage loans purchased from its Michigan and Indiana member financial institutions, as well as on long- and short-term investments. Net interest income is primarily determined by the spread between the interest earned on those assets and the interest cost of funding with consolidated obligations.

### *Affordable Housing Program Allocation*<sup>4</sup>

For the three months ended March 31, 2020, FHLBank Indianapolis allocated \$3 million to its Affordable Housing Program ("AHP"), which provides grant funding to support housing for low- and moderate-income families in Michigan and Indiana. Full year 2020 AHP allocations will be available to the Bank's members in 2021 to help address their communities' affordable housing needs, including construction, rehabilitation, accessibility improvements and homebuyer down-payment assistance.

### **Balance Sheet Highlights**

Total assets at March 31, 2020 were \$78.7 billion, an increase of \$11.2 billion, or 17%, from December 31, 2019, substantially driven by increases in advances to members and additions to our liquidity portfolio.

### *Advances*<sup>5</sup>

Advances outstanding at March 31, 2020 totaled \$38.9 billion, a net increase of \$6.4 billion, or 20%, from December 31, 2019. Such increase included a net increase in short-term advances outstanding of 32% and a net increase in long-term advances outstanding of 10%.

"This notable growth in short-term advances underscores the vital role our members play in supporting their communities in times of uncertainty," Cindy Konich, FHLBank Indianapolis President and CEO said. "Our Michigan and Indiana members know they can rely on us during the COVID-19 pandemic to provide safe and reliable access to liquidity."

The par value of advances to depository institutions - comprising commercial banks, savings institutions and credit unions - and insurance companies increased by 20% and 16%, respectively. Advances to depository institutions, as a percent of total advances outstanding at par value, were 54% at March 31, 2020, while advances to insurance companies were 46%.

### *Mortgage Loans Held for Portfolio*<sup>6</sup>

Purchases of mortgage loans from the Bank's members for the three months ended March 31, 2020 totaled \$360 million. Mortgage loans held for portfolio at March 31, 2020 totaled \$10.6 billion, a net decrease of \$166 million, or 2%, from December 31, 2019, as principal repayments by borrowers outpaced the Bank's purchases in the first quarter of 2020.

### *Liquidity Portfolio*<sup>7</sup>

The liquidity portfolio at March 31, 2020 totaled \$13.9 billion, an increase of \$3.8 billion, or 38%, from December 31, 2019. Included in this portfolio are U.S. Treasury securities classified as trading securities, which increased by \$814 million, or 16%, to \$5.8 billion at March 31, 2020. Cash and short-term investments increased by \$3.0 billion, or 59%, to \$8.1 billion. As a result, cash and short-term investments represented 58% of the liquidity portfolio at March 31, 2020, while U.S. Treasury securities represented 42%.

<sup>4</sup> Each year Federal Home Loan Banks ("FHLBanks") allocate to the AHP 10% of earnings, which is defined as income before assessments, plus interest expense on mandatorily redeemable capital stock.

<sup>5</sup> Advances are secured loans that FHLBank Indianapolis provides to its member institutions.

<sup>6</sup> FHLBank Indianapolis purchases mortgage loans from its members to support its housing mission, provide an additional source of liquidity to its members, and diversify its investments.

<sup>7</sup> The Bank's liquidity portfolio consists of cash, interest-bearing deposits, securities purchased under agreements to resell, federal funds sold and U.S. Treasury securities.

## *Consolidated Obligations*<sup>8</sup>

FHLBank Indianapolis' consolidated obligations outstanding at March 31, 2020 totaled \$71.7 billion, a net increase of \$9.3 billion, or 15%, from December 31, 2019. Such increase supported the Bank's growth in assets.

## *Capital*<sup>9</sup>

Total capital at March 31, 2020 was \$3.1 billion, a net decrease of \$15 million, or 0.5%, from December 31, 2019, due to unrealized losses on available-for-sale securities. This decrease was substantially offset by proceeds from the issuance of capital stock.

The Bank's regulatory capital-to-assets ratio<sup>10</sup> at March 31, 2020 was 4.51%, which exceeds all applicable regulatory capital requirements. The decline in the ratio compared to December 31, 2019 was due solely to the increase in total assets.

All amounts referenced above and in the following table are unaudited. More detailed information about FHLBank Indianapolis' financial results for the three months ended March 31, 2020 will be included in the Bank's Quarterly Report on Form 10-Q, which we intend to file by mid-May.

<sup>8</sup> The primary source of funds for FHLBank Indianapolis, and for the other FHLBanks, is the sale of FHLBanks' consolidated obligations in the capital markets. FHLBank Indianapolis is the primary obligor for the payment of the principal and interest on the consolidated obligations issued on its behalf; additionally, it is jointly and severally liable with each of the other FHLBanks for all of the FHLBanks' consolidated obligations outstanding.

<sup>9</sup> FHLBank Indianapolis is a cooperative whose member financial institutions and former members own all of its capital stock as a condition of membership and to support outstanding credit products.

<sup>10</sup> Total regulatory capital, which consists of capital stock, mandatorily redeemable capital stock and retained earnings, as a percentage of total assets.

**Federal Home Loan Bank of Indianapolis**

Financial Highlights (unaudited)

(\$ amounts in millions, as rounded)

<b>Condensed Statements of Income</b>	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Net interest income after provision for credit losses	\$ 63	\$ 57
Other income (loss)	(4)	3
Other expenses	26	23
AHP assessments	3	4
<b>Net income</b>	<b>\$ 30</b>	<b>\$ 33</b>

<b>Condensed Statements of Condition</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Advances	\$ 38,927	\$ 32,480
Mortgage loans held for portfolio, net	10,649	10,815
Cash and short-term investments	8,085	5,079
Investment securities and other assets <sup>(1)</sup>	21,005	19,137
<b>Total assets</b>	<b>\$ 78,666</b>	<b>\$ 67,511</b>
Consolidated obligations	\$ 71,732	\$ 62,392
MRCS	323	323
Other liabilities	3,470	1,639
<b>Total liabilities</b>	<b>75,525</b>	<b>64,354</b>
Capital stock <sup>(2)</sup>	2,098	1,974
Retained earnings <sup>(3)</sup>	1,124	1,115
Accumulated other comprehensive income (loss)	(81)	68
<b>Total capital</b>	<b>3,141</b>	<b>3,157</b>
<b>Total liabilities and capital</b>	<b>\$ 78,666</b>	<b>\$ 67,511</b>
<b>Total regulatory capital <sup>(4)</sup></b>	<b>\$ 3,545</b>	<b>\$ 3,412</b>
<b>Regulatory capital-to-assets ratio</b>	<b>4.51 %</b>	<b>5.05 %</b>

<sup>(1)</sup> Includes trading, held-to-maturity and available-for-sale securities.

<sup>(2)</sup> Putable by members at par value.

<sup>(3)</sup> Includes restricted retained earnings at March 31, 2020 and December 31, 2019 of \$257 million and \$251 million, respectively.

<sup>(4)</sup> Consists of total capital less accumulated other comprehensive income plus mandatorily redeemable capital stock.

## Safe Harbor Statement

This document may contain forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 concerning plans, objectives, goals, strategies, future events or performance. Forward-looking statements can be identified by words such as "anticipates," "intends," "plans," "seeks," "believes," "estimates," "expects" or the negative of these terms or comparable terminology. Any forward-looking statement contained in this document reflects FHLBank Indianapolis' current beliefs and expectations. Actual results or performance may differ materially from what is expressed in any forward-looking statements.

Any forward-looking statement contained in this document speaks only as of the date on which it was made. FHLBank Indianapolis undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law. Readers are referred to the documents filed by the Bank with the U.S. Securities and Exchange Commission, specifically reports on Form 10-K and Form 10-Q, which include factors that could cause actual results to differ from forward-looking statements. These reports are available at [www.sec.gov](http://www.sec.gov).

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### **Building Partnerships. Serving Communities.**

*FHLBank Indianapolis is a regional bank included in 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, with particular attention paid to providing solutions that support the housing and small business needs of members' customers. FHLBanks are privately capitalized and funded, and receive no Congressional appropriations. FHLBank Indianapolis is owned by its Indiana and Michigan financial institution members, which include commercial banks, credit unions, insurance companies, savings institutions and community development financial institutions. For more information about FHLBank Indianapolis, visit [www.fhlbi.com](http://www.fhlbi.com).*