



## NEWS 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 third quarter 2019 dividends on Class B-1 and Class B-2 capital stock at annualized rates of 4.75% and 3.80%, respectively. The dividends will be paid in cash on October 25, 2019.

"We are pleased to declare yet another strong dividend to our shareholders," FHLBank Indianapolis President and CEO Cindy Konich said. "Despite the lower rate environment, the FHLBank Indianapolis dividend continues to outperform short-term indices."

#### **Earnings Highlights**

Net income for the third quarter of 2019 was \$26 million, a decrease of \$13 million compared to the corresponding quarter in the prior year, substantially due to lower spreads on the Bank's interest-earning assets.

Net income for the nine months ended September 30, 2019 was \$94 million, a decrease of \$62 million compared to the corresponding period in the prior year, primarily due to the non-recurring net realized gain in 2018 on the sale of all of the Bank's private-label mortgage-backed securities and higher net losses resulting from derivatives and hedging activities.

In accordance with an amendment to accounting guidance effective January 1, 2019, hedging gains (losses) on qualifying fair value hedging relationships<sup>1</sup> are reported prospectively in net interest income instead of other income. As a result, net interest income<sup>2</sup> after provision for credit losses for the quarter and nine months ended September 30, 2019 was reduced by \$9 million and \$31 million, respectively. In general, the Bank holds the derivatives and associated hedged items to the maturity, call, or put date. As a result, we expect to recover nearly all of the net losses on these financial instruments 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> 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>3</sup>

As a direct result of its earnings for the nine months ended September 30, 2019, FHLBank Indianapolis allocated \$11 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 2019 AHP allocations will be available to the Bank's members in 2020 to help address their communities' affordable housing needs, including construction, rehabilitation, accessibility improvements and homebuyer down-payment assistance.

### **Balance Sheet Highlights**

Total assets at September 30, 2019 were \$67.3 billion, an increase of \$1.9 billion, or 3%, from December 31, 2018, substantially driven by additions to the Bank's liquidity portfolio.

### *Advances*<sup>4</sup>

Advances outstanding at September 30, 2019 totaled \$32.5 billion, a net decrease of \$241 million, or 1%, from December 31, 2018. Such decline included a net decrease in short-term advances outstanding of 24% and a net increase in long-term advances outstanding of 18%.

The par value of advances to depository institutions - comprising commercial banks, savings institutions and credit unions - and insurance companies each decreased by 2%. Advances to depository institutions, as a percent of total advances outstanding at par value, were 53% at September 30, 2019, while advances to insurance companies were 47%.

### *Mortgage Loans Held for Portfolio*<sup>5</sup>

Mortgage loan purchases from members for the nine months ended September 30, 2019 totaled \$877 million. Mortgage loans held for portfolio at September 30, 2019 totaled \$11.1 billion, a net decrease of \$281 million, or 2%, from December 31, 2018.

### *Liquidity Portfolio*<sup>6</sup>

The liquidity portfolio at September 30, 2019 totaled \$9.9 billion, an increase of \$2.3 billion, or 31%, from December 31, 2018. In 2019, to enhance liquidity, the Bank began purchasing trading securities, consisting solely of U.S. Treasury securities, which totaled \$4.4 billion at September 30, 2019. Cash and short-term investments decreased by \$2.1 billion, or 27%, to \$5.5 billion. As a result, U.S. Treasury securities represented 44% of the liquidity portfolio at September 30, 2019.

<sup>3</sup> Each year FHLBanks allocate to the AHP 10% of earnings, which is defined as income before assessments, plus interest expense on mandatorily redeemable capital stock.

<sup>4</sup> Advances are secured loans that FHLBank Indianapolis provides to its member institutions.

<sup>5</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>6</sup> The Bank's liquidity portfolio consists of cash, interest-bearing deposits, securities purchased under agreements to resell, federal funds sold and trading securities.

### *Consolidated Obligations*<sup>7</sup>

FHLBank Indianapolis' consolidated obligations outstanding at September 30, 2019 totaled \$62.5 billion, a net increase of \$1.3 billion, or 2%, from December 31, 2018. The increase in consolidated obligations supported the Bank's growth in assets.

### *Capital*<sup>8</sup>

Total capital at September 30, 2019 was \$3.1 billion, a net increase of \$35 million, or 1%, from December 31, 2018.

The Bank's regulatory capital<sup>9</sup>-to-assets ratio at September 30, 2019 was 4.99%, which exceeds all applicable regulatory capital requirements.

<sup>7</sup> The primary source of funds for FHLBank Indianapolis, and for the other Federal Home Loan Banks ("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>8</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>9</sup> Total regulatory capital consists of capital stock, mandatorily redeemable capital stock and retained earnings.

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

**Federal Home Loan Bank of Indianapolis**

Financial Highlights (unaudited)  
(\$ amounts in millions, as rounded)

| <b>Condensed Statements of Income</b>                 | <b>Three Months Ended<br/>September 30,</b> |              | <b>Nine Months Ended<br/>September 30,</b> |               |
|---|---|--------------|--|---------------|
|   | <b>2019</b>                                 | <b>2018</b>  | <b>2019</b>                                | <b>2018</b>   |
| Net interest income after provision for credit losses | \$ 50                                       | \$ 73        | \$ 167                                     | \$ 213        |
| Other income (loss)                                   | 3   | (7)          | 9  | 30            |
| Other expenses  | 24  | 23           | 71   | 69            |
| AHP assessments                                       | 3   | 4            | 11   | 18            |
| Net income  | <u>\$ 26</u>                                | <u>\$ 39</u> | <u>\$ 94</u>                               | <u>\$ 156</u> |

| <b>Condensed Statements of Condition</b>              | <b>September 30, 2019</b> | <b>December 31, 2018</b> |
|---|---------------------------|--------------------------|
| Advances  | \$ 32,487                 | \$ 32,728                |
| Mortgage loans held for portfolio, net                | 11,104                    | 11,385                   |
| Cash and short-term investments                       | 5,521                     | 7,610                    |
| Investment securities and other assets <sup>(1)</sup> | 18,150                    | 13,689                   |
| Total assets  | <u>\$ 67,262</u>          | <u>\$ 65,412</u>         |
| Consolidated obligations                              | \$ 62,469                 | \$ 61,161                |
| Mandatorily redeemable capital stock                  | 324                       | 169                      |
| Other liabilities                                     | 1,383                     | 1,031                    |
| Total liabilities                                     | <u>64,176</u>             | <u>62,361</u>            |
| Capital stock <sup>(2)</sup>                          | 1,939                     | 1,931                    |
| Retained earnings <sup>(3)</sup>                      | 1,091                     | 1,078                    |
| Accumulated other comprehensive income                | 56                        | 42                       |
| Total capital   | <u>3,086</u>              | <u>3,051</u>             |
| Total liabilities and capital                         | <u>\$ 67,262</u>          | <u>\$ 65,412</u>         |
| Total regulatory capital <sup>(4)</sup>               | <u>\$ 3,354</u>           | <u>\$ 3,178</u>          |
| Regulatory capital-to-assets ratio                    | <u>4.99%</u>              | <u>4.86%</u>             |

<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 September 30, 2019 and December 31, 2018 of \$242 million and \$222 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).*