



Partnership
that pays

CAPITAL PLAN FAQ

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Updated 10/14/2020



INTRODUCING FHLBANK INDIANAPOLIS' **NEW CAPITAL PLAN**

*More choices, greater flexibility for members.
Your activity delivers greater rewards.*

OFFERINGS	A STOCK <i>Activity stock</i>	B-1 STOCK <i>Membership stock</i>	B-2 STOCK <i>Activity stock</i>
REDEMPTION	 6-month	 5-year	 5-year
KEY FEATURES + BENEFITS	<p>When available, this new stock class will give members additional stock redemption flexibility.</p>	<ul style="list-style-type: none">• Requirement based on total assets. This simplified formula eliminates time-consuming paperwork on mortgage asset calculation.• Converts automatically to B-2 Activity stock to support product usage.• All B stock not required for activity.	<ul style="list-style-type: none">• B-2 stock reflects the stock members are required to own to support an FHLBank advance, line of credit, letter of credit, or MPP sales (for those MPP sellers that opt-in).• Converts automatically to B-1 stock when not required.• Under the new plan, B-2 stock has the potential to pay a higher dividend rate than B-1 or A stock.



OVERVIEW

1. Why did FHLBank Indianapolis implement a new Capital Plan?

A: The prior FHLBank Indianapolis Capital Plan was approved in 2002 and became effective in January 2003. Since that time, FHLBank Indianapolis had made minor amendments to the plan. However, membership composition and product usage has continued to evolve since 2002. FHLBank Indianapolis launched a member survey in 2015, which served as the foundation for many of the updates that took effect on September 26, 2020.

2. Do other FHLBanks have similar plans?

A: Each Federal Home Loan Bank (FHLBank) must establish a Capital Plan in conformity with Federal Housing Finance Agency (FHFA) regulations. As such, FHLBank capital plans are very similar in many regards but may differ concerning establishing membership requirements, activity requirements, and dividend payments. While most FHLBanks only offer Class B stock, several also offer Class A stock. Five other FHLBanks calculate membership stock using total assets, and five others also can pay different dividends for activity stock.

3. Why was the plan implemented on a Saturday?

A: On the Capital Plan's effective date, a member's stock composition between Class B subseries B-1 and B-2 will change. Given the significance of that change, FHLBank Indianapolis felt it was critical to transition to the new plan on a non-business day when there would be no capital stock activity. The Saturday implementation also minimizes any potential operational risks related to such a significant technology change. Additionally, implementing the new plan in the third quarter's final weekend ensured that the new Capital Plan is in effect for the entire fourth quarter.

4. Since the new plan was not enacted at the start of the 4th quarter, how will FHLBank Indianapolis calculate my dividend for the remaining four days of the 3rd quarter?

A: Under the new Capital Plan, the Board has the right to set the same or differing dividend levels for subseries B-1 and subseries B-2 stock for the final four days of the third quarter.

5. Is the process for redeeming excess stock any different than it was under the old plan?

A: There has been no change to the stock redemption process between the original Capital Plan and the updated plan that took effect on September 26. For current members holding Class B stock now and in the future, the redemption period remains five years. If and when FHLBank Indianapolis offers Class A stock, the redemption period is six months. Members can request redemption by notifying FHLBank Indianapolis in writing. Members can also cancel a redemption request before the expiration of the redemption period. FHFA regulations drive redemption terms and conditions for both classes of stock. Only excess stock will be available for redemption upon the expiry of the redemption period.

6. Does the new plan impact FHLBank Indianapolis' ability to repurchase excess stock?

A: Under the new plan, FHLBank Indianapolis retains the ability to repurchase excess stock after providing no less than 15 days' notice to members. Under the new plan, FHLBank Indianapolis can repurchase excess Class A or Class B shares.

The updated Capital Plan also establishes an automatic repurchase of excess stock in cases where FHLBank Indianapolis reaches a month-end regulatory capital ratio of 6.00%, as designated by the Board of Directors. FHLBank Indianapolis would then repurchase sufficient excess stock to reduce the regulatory capital ratio to $\leq 5.75\%$. FHLBank Indianapolis is required to provide five days' notice to members in the event of an automatic repurchase.



7. Can we determine how this new plan will affect our institution based on our historic usage practices?

A: FHLBank Indianapolis has simplified the membership stock requirement calculation so members will have a much better understanding of the stock required to obtain or maintain membership in FHLBank Indianapolis. As is the case under the existing Capital Plan, stock used to satisfy the membership requirement can still be leveraged to meet any activity-based stock requirements. With that in mind, a member can analyze the activity-based stock requirement of historical product usage to get a sense of how their Class B stock will now be classified between subseries B-1 and subseries B-2. See below under "Membership Stock" for additional information.

8. How can we adjust our practices to maximize dividends and maintain financial flexibility?

A: The updated Capital Plan allows FHLBank Indianapolis to establish different dividends for Class B activity stock (stock subseries B-2) and Class B non-activity stock (subseries B-1). Specifically, the new plan allows the Board of Directors to establish a B-2 dividend rate that exceeds the B-1 dividend rate.

Suppose FHLBank Indianapolis elects to pay a higher dividend on subseries B-2 stock in the future. In that case, members should evaluate the marginal benefit of the increased dividend when considering other wholesale funding alternatives or deciding to opt-in to Advantage Mortgage Purchase Program (MPP). FHLBank Indianapolis will have tools available for members to evaluate these opportunities and understand the marginal impact of a higher dividend on the all-in borrowing cost of advances and the all-in price of MPP.

9. For insurance company members, how does the new Capital Plan impact our statutory reporting?

A: Insurance companies are required to disclose in their statutory financial statements the amount of FHLBank Indianapolis capital stock eligible for redemption, as well as the anticipated redemption time frame. Companies are asked to report the amount of Class B stock held since it has a five-year waiting period after submitting written notification to redeem. With the new Capital Plan, Class B-1 and Class B-2 would be added together to report the total amount of Class B stock.

Don't see your question answered here? Reach out to your Account Manager or memberservices@fhlbi.com for more information.





MEMBERSHIP STOCK

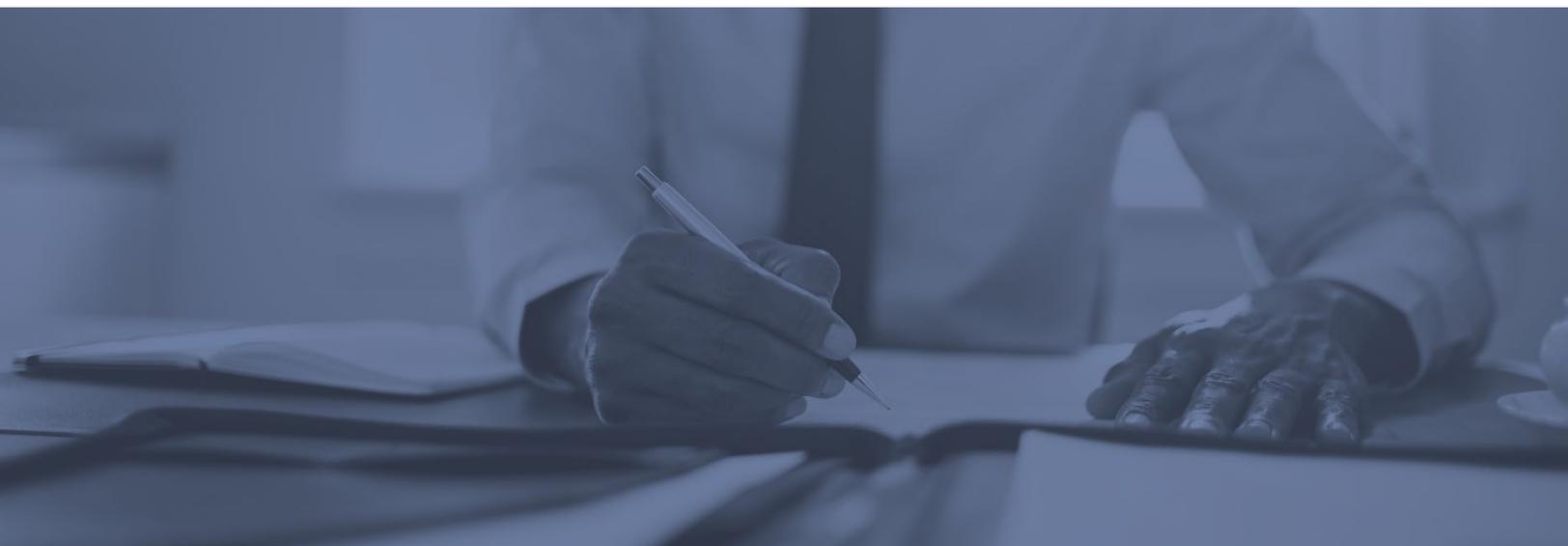
- 1. Will my membership stock requirement under the new Capital Plan change on the implementation date?**

A: For existing members, there will be no immediate impact on the membership stock requirement. The membership stock requirement recalculation for existing members will occur in April 2021. This recalculation corresponds with the annual capital stock verification that is performed by FHLBank Indianapolis each April. The membership stock requirement calculation for financial institutions that join FHLBank Indianapolis after September 26, 2020, will be based upon total assets at the time of membership application.
- 2. When will my membership stock requirement be recalculated under the new Capital Plan?**

A: For existing members, the membership stock requirement recalculation using total assets will occur on April 1, 2021, as part of the annual capital stock verification process.
- 3. How can I find out how much excess stock I have based on the new Capital Plan?**

A: Excess stock is the capital stock owned over each member's maximum stock requirement. If a member's stock requirement is based upon membership stock only and the member does not use FHLBank Indianapolis products, their excess stock calculation will not change until April 1, 2021. In cases where a member's stock requirement is based upon the activity-based stock requirement, excess stock can fluctuate as credit products are originated or repaid or if the member elects to purchase activity stock in support of MPP purchases. Required stock is calculated daily, and any stock held over the total required stock is considered excess stock.

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ACTIVITY STOCK

1. What are the activity requirements under the new Capital Plan?

A: The activity-based stock requirements have not changed with the implementation of the updated Capital Plan except for the introduction of a voluntary MPP stock requirement, wherein a member elects to purchase activity stock in support of MPP purchases (MPP Opt-In). The table below provides the activity-based stock requirements that took effect on September 26, 2020. As a result, the new plan provides members with the ability to opt-in to an activity-based stock purchase requirement of 4.5% on Class B stock for MPP purchases.

Activity-Based Stock Requirements (ABSR) Effective September 26, 2020			
	Range (%)	Class B Requirement (%)	Min/Max Requirements
Advances	1.0-6.0%	4.50%	n/a
Lines of Credit	1.0-6.0%	4.50%	n/a
Letters of Credit	0.1-6.0%	0.10%	n/a
Derivative Contracts	1.0-6.0%	4.50%	n/a
MPP (Mandatory)	0.0-6.0%	0.00%	n/a
MPP (Opt-In)	0.0-6.0%	4.50%	n/a
CIP Advances	1.0-6.0%	4.50%	n/a
AHP Grants and Setasides	n/a	n/a	n/a

2. How often is activity stock calculated?

A: Activity stock is recalculated whenever there is a change to a member's activity-based assets (e.g., origination or payments/balance reductions on advances, lines of credit, and letters of credit; settlements or remittances on a voluntary MPP requirement).

3. How is activity stock purchased?

A: Activity-based stock purchases occur whenever a member is required to purchase stock due to a change to its activity-based assets. As a condition of entering into an activity-based transaction with FHLBank Indianapolis, a member will be required to purchase the additional capital stock if its existing capital holdings are insufficient to meet the activity-based stock requirements. In that event, FHLBank Indianapolis will charge stock purchases to the member's Cash Management Services Account (CMS Account) unless otherwise directed by the member. The Advances Desk facilitates capital stock purchases.



4. If I have multiple activities taking place in a single day, how will that impact my activity stock requirement?

A: All activity-based asset transactions will be aggregated to determine each member's activity-based stock requirement. If a member needs to purchase stock to comply with the activity-based stock requirement, all activity-based asset transactions will be considered when determining the capital stock purchase amount.

5. When will FHLBank Indianapolis begin offering Class A shares?

A: Class A stock is offered at the discretion of the Board of Directors and is currently not offered. If offered, Class A stock will only be available to members who have leveraged existing Class B stock to capitalize on activity-based assets.

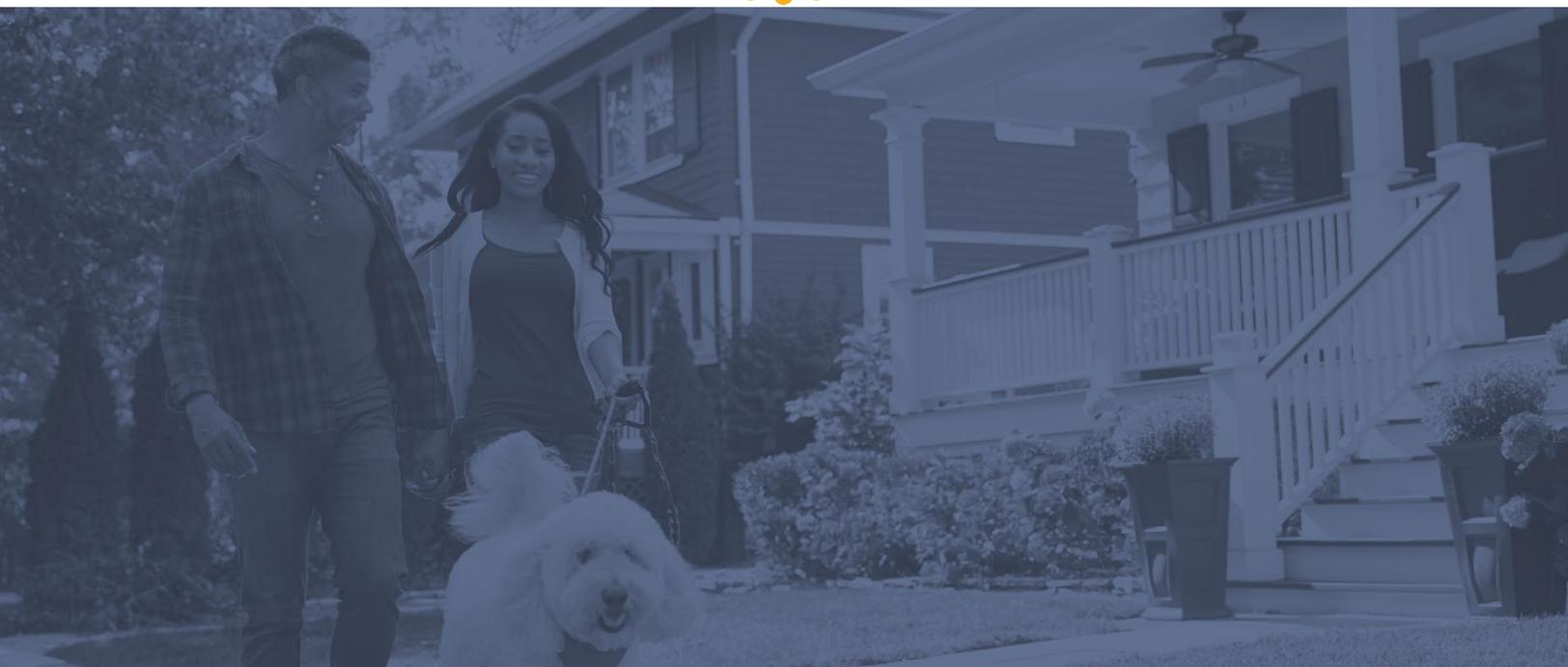
6. How can we integrate Class A stock into our liquidity and risk-management practices?

A: If offered, a member can purchase Class A stock to comply with its activity-based stock requirement only after leveraging all existing Class B stock. Class A stock is more liquid than Class B stock as the redemption period is six months. Under the Capital Plan terms, the dividend on Class A stock cannot exceed the dividend on subseries B-2 capital stock. Class A stock cannot be used to satisfy a member's membership stock requirement. The Board can set the requirement for Class A stock between 1.0% and 6.0%.

7. How often is stock reclassified between B-1 and B-2?

A: Class B stock will be reclassified between subseries B-1 and B-2 whenever there is a change in the balance of activity-based assets (credit products or MPP balances under opt-in). A member's Capital Stock Statement on Member Link will provide detail regarding reclassification as well as subseries B-1 and subseries B-2 balances.

Don't see your question answered here? Reach out to your Account Manager or memberservices@fhlbi.com for more information.





DIVIDENDS

1. How can we adjust our practices to maximize dividends and maintain financial flexibility?

- A:** The updated Capital Plan allows FHLBank Indianapolis to establish different dividends for Class B activity stock (stock subseries B-2) and Class B non-activity stock (subseries B-1). Specifically, the new plan allows the Board of Directors to establish the B-2 dividend rate to exceed the B-1 dividend rate.

Suppose FHLBank Indianapolis elects to pay a higher dividend on subseries B-2 stock in the future. In that case, members should evaluate the marginal benefit of the increased dividend when considering other wholesale funding alternatives or deciding to elect an MPP stock requirement. FHLBank Indianapolis will have tools available for members to evaluate these opportunities and understand the marginal impact of a higher dividend on the all-in borrowing cost of advances and the all-in price of MPP.

2. Can you give us an idea of what the two dividend rate levels will be?

- A:** The FHLBank Indianapolis Board of Directors does not provide forward-looking guidance on dividend levels. The Board evaluates the financial performance from the previous quarter and current market conditions before establishing dividend rates. Once the Board establishes dividend levels, Account Managers will be available to discuss its impact with members further.

3. What do you expect the net difference in the two rates to be?

- A:** The FHLBank Indianapolis Board of Directors does not provide forward-looking guidance on quarterly dividends. To establish the dividend, the Board will evaluate the quarter's financial results and current market conditions, determine the dollars available for dividends, and allocate dividends to B-1 and B-2 stock at its discretion. Notably, the B-1 dividend can never be higher than the B-2 dividend. Other FHLBanks with a similar practice in place had a net difference between the two dividends ranging from 1-5% at the most recent quarter-end.

4. Based upon my stock position and activity today, will total dividends be higher or lower under the new plan?

- A:** If the Board chooses to establish a higher dividend for the activity-based stock, then the more B-2 stock a member owns as a percentage of its total stock ownership, the higher the dividend level. However, we cannot compare future quarter dividends to prior quarter dividends, as each dividend depends on earnings from that quarter and market conditions at the time. Once the Board establishes dividend levels, Account Managers will be available to discuss its impact with members further.

5. What is going to be the FHLBank's policy or practice on buying back stock? Particularly if I end up with more B1 stock after the new membership stock calculation is implemented.

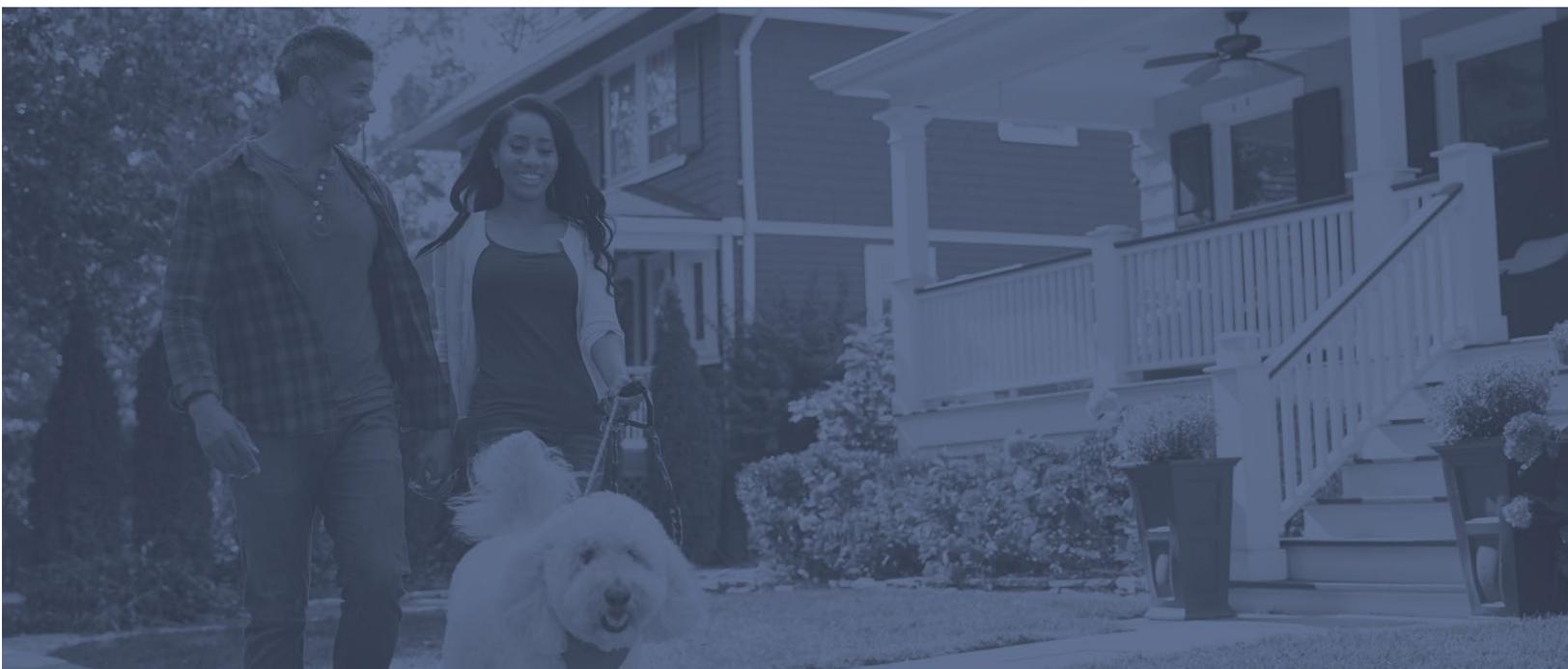
- A:** Under the new plan, FHLBank Indianapolis retains the right to repurchase excess stock after providing no less than 15 days' notice to members. The updated Capital Plan also establishes an automatic repurchase of excess stock in cases where FHLBank Indianapolis reaches a month-end regulatory capital ratio of 6.00%. FHLBank Indianapolis would then repurchase sufficient excess stock to reduce the regulatory capital ratio to $\leq 5.75\%$, as designated by the Board. FHLBank Indianapolis is required to provide five days' notice to members ahead of an automatic repurchase.



6. How do I tie out my dividend at the end of the quarter? Will there be a report that provides my B1 and B2 stock averages for each quarter? For each month?

A. The Capital Stock Statement will continue to be available. Capital Stock Statements were updated on 9/26/2020 to add B-2 stock balances. Your Capital Stock Statement will be updated each time there is capital stock activity. Members will be able to use the Capital Stock Statement to determine stock ownership during each quarter in addition to the B-1 and B-2 allocations.

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ADVANTAGE MORTGAGE PURCHASE PROGRAM (MPP) REQUIREMENTS

1. Is there an MPP requirement under the new Capital Plan?

A: Like the current plan, the new Capital Plan gives the Board of Directors the flexibility to establish an MPP activity stock requirement between 0.0%– 6.0% for loans sold to MPP. Upon implementation, the new Capital Plan requirement for MPP is set at 0.0%, consistent with the current Capital Plan. As with other activity-stock requirements, the Board has the discretion to change the stock requirement for MPP within the range mentioned above.

2. What does it mean to "opt-in" to an MPP stock requirement?

A: The new Capital Plan introduces a feature where members can voluntarily participate in a stock requirement for MPP. Upon implementation, the MPP opt-in stock requirement is 4.5%, consistent with the activity requirement for advances. Therefore, loans sold to MPP under an opt-in would be supported by B-2 activity stock. Under the new plan, the dividend on subseries B-2 (activity stock) may exceed the dividend on subseries B-1 (non-activity stock). Suppose FHLBank Indianapolis elects to pay a higher dividend on subseries B-2 stock in the future. In that case, members should evaluate the marginal benefit of the increased dividend when considering other wholesale funding alternatives or deciding to opt-in to MPP. FHLBank Indianapolis will have tools available for members to evaluate these opportunities and understand the marginal impact of a higher dividend on the all-in borrowing cost of advances and the all-in price of MPP.

3. If our institution elects to opt-in to a stock requirement for MPP, which class of stock would be required?

A: Currently, the Board of Directors has only authorized Class B stock to support an MPP opt-in. If Class A becomes available and utilized, the Board may permit Class A stock to support a stock requirement related to MPP activity.

4. If I elect to hold stock for loans sold into MPP, with what frequency can I opt-in or opt-out?

A: Members will have the ability to opt-in or opt-out at the Mandatory Delivery Contract (MDC) level within a Master Commitment Contract (MCC). If a member elects to opt-in to a stock requirement, it should continue to evaluate the impact on its activity stock requirement and stock ownership levels. Once a member has completed the opt-in stock requirement, it is up to the member to notify FHLBank Indianapolis when it no longer would like to participate in a voluntary MPP stock requirement. The member is responsible for funding any stock purchases related to the activity requirement.

5. How can I opt-in/opt-out of the capital plan for MPP over time?

A: The MPP Voluntary Activity-Based Stock Requirement Opt-In/Opt-Out Form is available [here](#). Notably, opting-in or opting-out of an MPP stock requirement is not a one-time decision. Complete the form as instructed and submit it to mpp@fhlbi.com. Based on your elections, you will be opted-in or opted-out at the MDC level within a Master Commitment Contract (MCC). If a member elects to opt-in to a stock requirement, all MDCs created after electing to opt-in will have a stock requirement within that MCC. The B-2 stock requirement is tied to the balance of the principal amount of the loans sold under the Opt-in MDC and will decrease as the loan balance declines until it reaches \$0. If a member decides it would like to Opt-out of additional stock requirements for an existing election, they will need to submit an updated form.

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