

FEDERAL HOME LOAN BANK OF INDIANAPOLIS

BUILDING PARTNERSHIPS. SERVING COMMUNITIES.



Using FHLBI Advance Structures to Manage Risk & Enhance Profitability

Todd Hargreaves
Advances Manager

Advance Products Topics



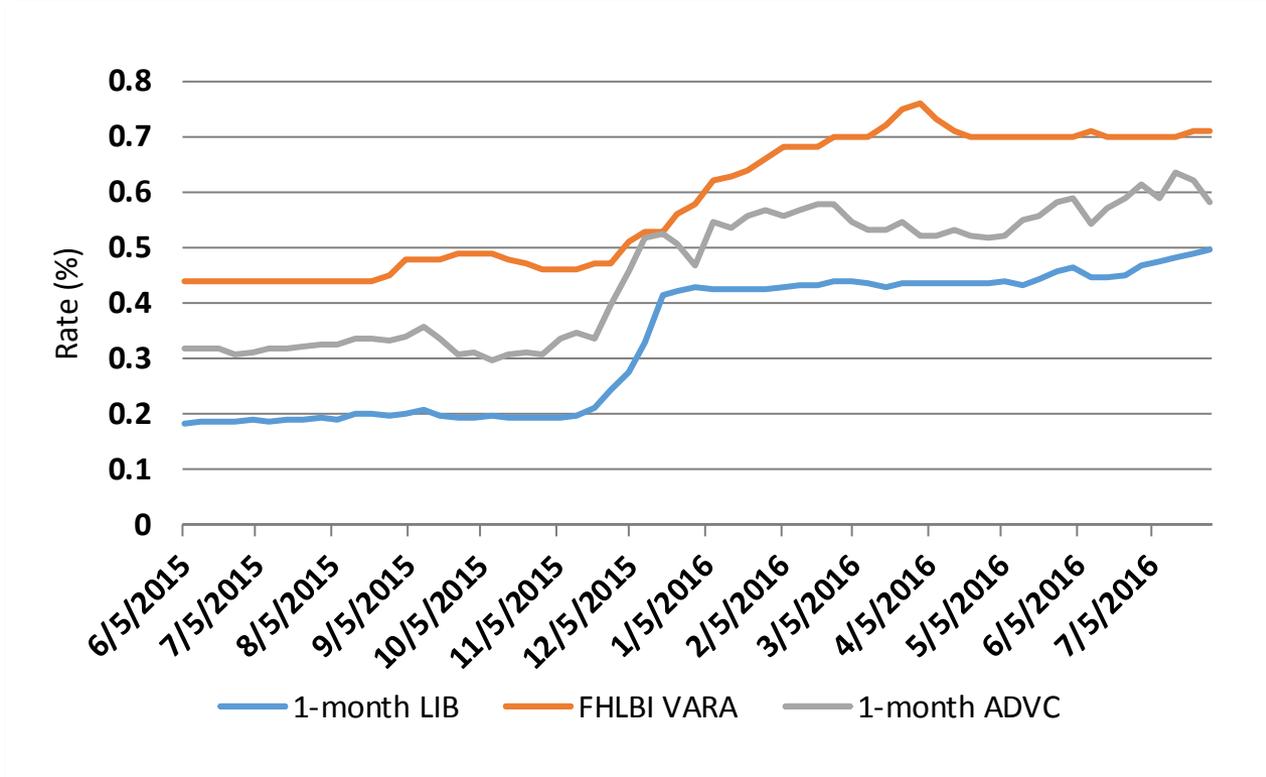
- Short-Term Liquidity
- Interest Rate Risk Management & Balance Sheet Management
 - Fixed rate bullet advance
 - Variations to fixed rate bullet advances
 - Embedded Options
- Specialized Funding Alternatives

Short-Term Liquidity



- Variable Rate Advance
 - Terms as short as 1 night and up to 180 days
 - Rate determined by FHLBI and resets daily
 - Ultimate flexibility – prepayable in whole or in part at any time prior to maturity
- Short-Term Fixed Rate Bullets
 - Stability of fixed rate funding with terms up to 1 year
 - Subject to a prepayment penalty if prepaid prior to maturity

Short-Term Liquidity



Long-Term Fixed Rate Bullet Advance

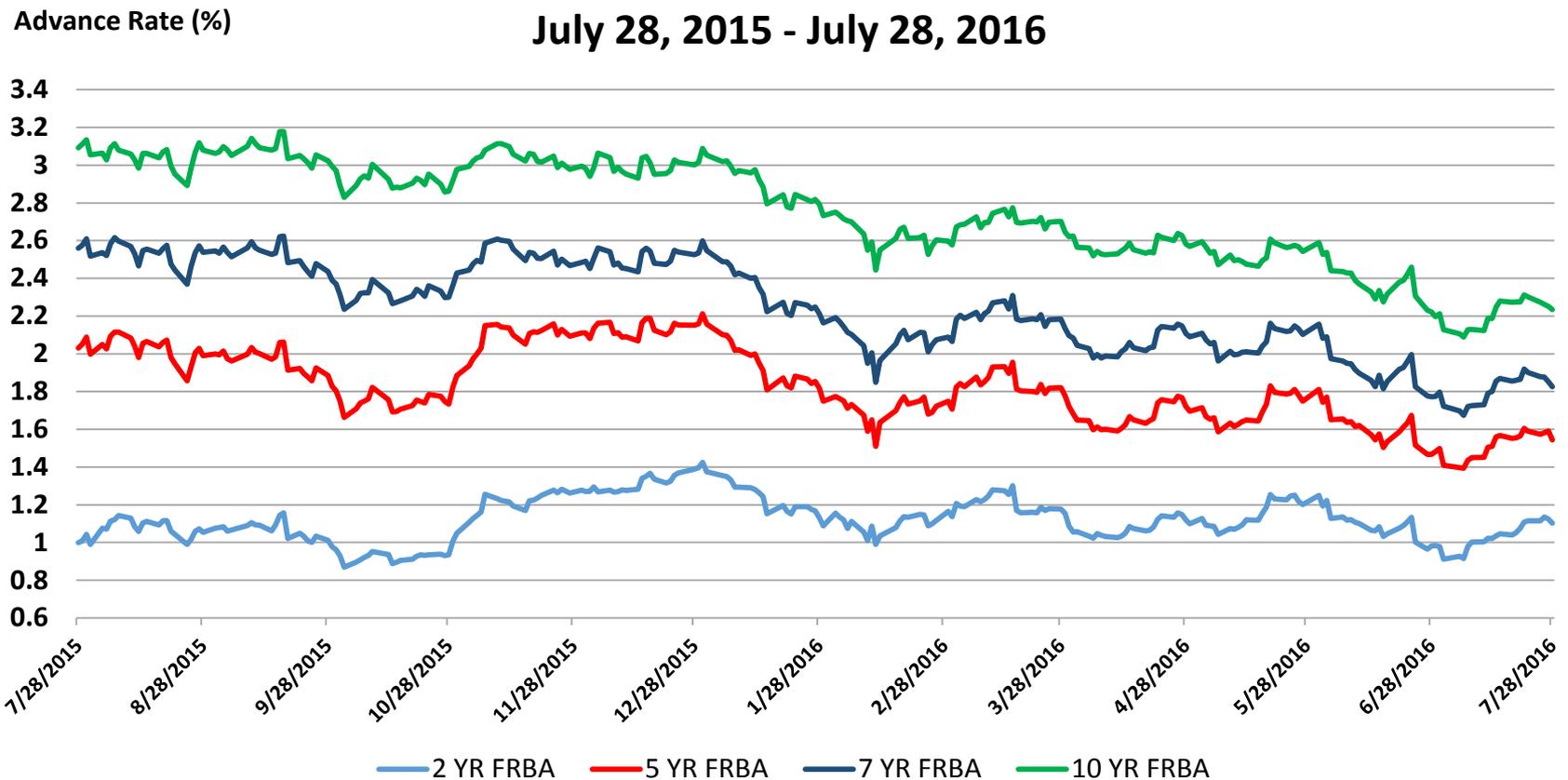


- Simplest FHLBI product
- Fixed-rate, fixed term, non-amortizing
- Always available in exact amount and term needed (up to 10 years)
- FHLBI cannot call the advance or renegotiate the rate
- Subject to a prepayment penalty if prepaid prior to maturity

Long-Term Fixed Rate Bullet Advance



- A very attractive time to consider long-term fixed rate bullets



Symmetrical Fixed Rate Bullet



- Realize a gain from a rise in interest rates upon prepayment
 - Unrealized gain if rates rise and advance not prepaid
- Similar to fixed rate bullet (fixed rate, fixed term, non-amortizing)
- Slight premium over fixed rate bullet advance rates
- \$10 million minimum trade size

↓ Rates decline
Member Pays FHLBI

**Standard FHLBI
Prepayment terms**

↑ Rates rise
FHLBI pays Member

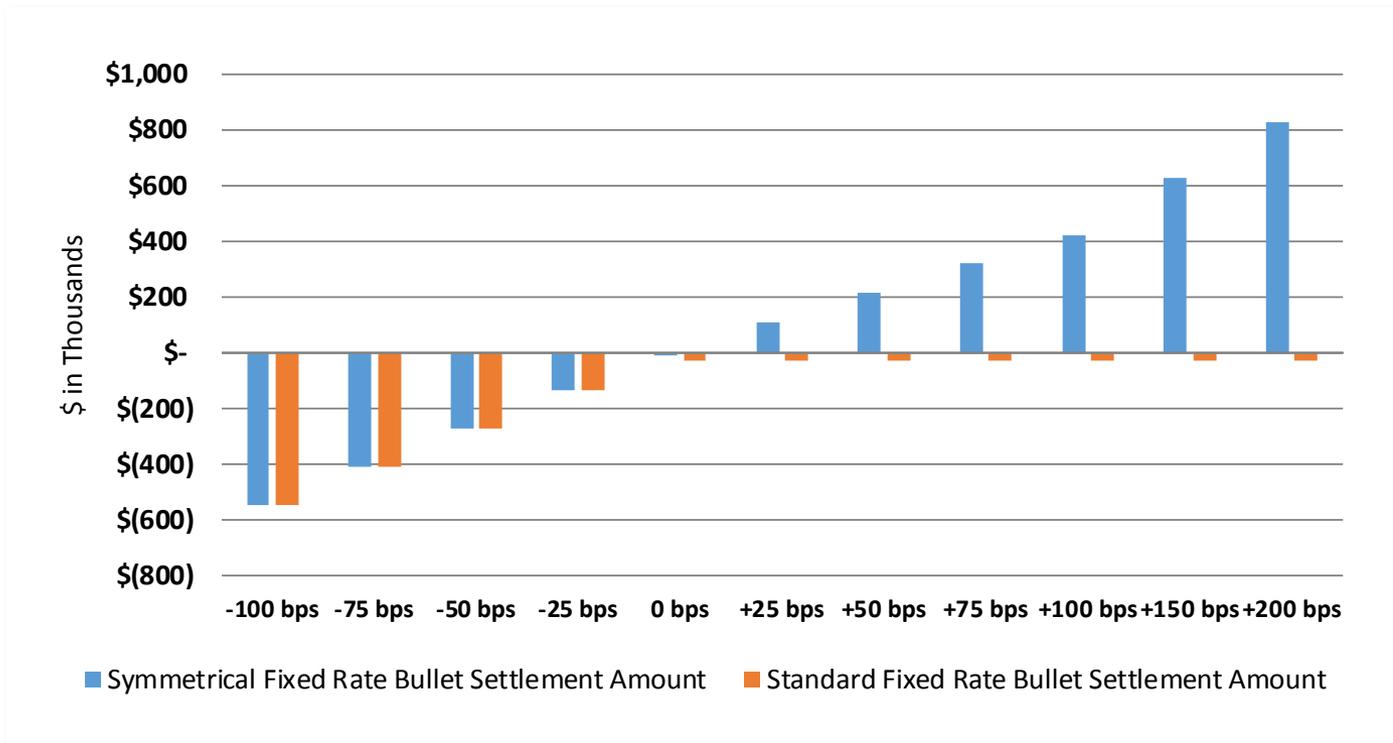
**Mark to market of the advance
less a termination fee**

Capped at 10% of advance par value

Symmetrical Fixed Rate Bullet (Cont.)



- Assume a \$10 million 5-year symmetrical advance at 1.40% (current 5-year fixed rate bullet indication of 1.37%)
- Monetize gains from an increase in interest rates



Mortgage/Amortizing Advance



- Monthly or annual payments of principal (interest always paid monthly) with a fixed rate for term of advance
- Terms from 3 years to 12 years with amortizations up to 20 years
- Can customize advance principal cash flows and even include mortgage prepayment assumptions

Advance Term (Yrs)	12	N/A	N/A	N/A	N/A	2.31%	2.46%	<i>\$5 million monthly mortgage/amortizing advance</i>
	10	N/A	N/A	N/A	1.85%	2.06%	2.13%	
	7	N/A	N/A	1.58%	1.73%	1.81%	1.84%	
	5	N/A	1.36%	1.48%	1.54%	1.58%	1.60%	
	3	1.14%	1.22%	1.24%	1.26%	1.27%	1.27%	
		3	5	7	10	15	20	
		Amortization Term (Yrs)						

Forward Starting Fixed Rate Bullet



- Fixed rate bullet advance that settles on a future date
- Two to five year fixed rate bullet advances with settlement date up to 1-year forward
 - Longer forward settlement dates may be available
- Collateralize 10% of the advance amount during commitment period

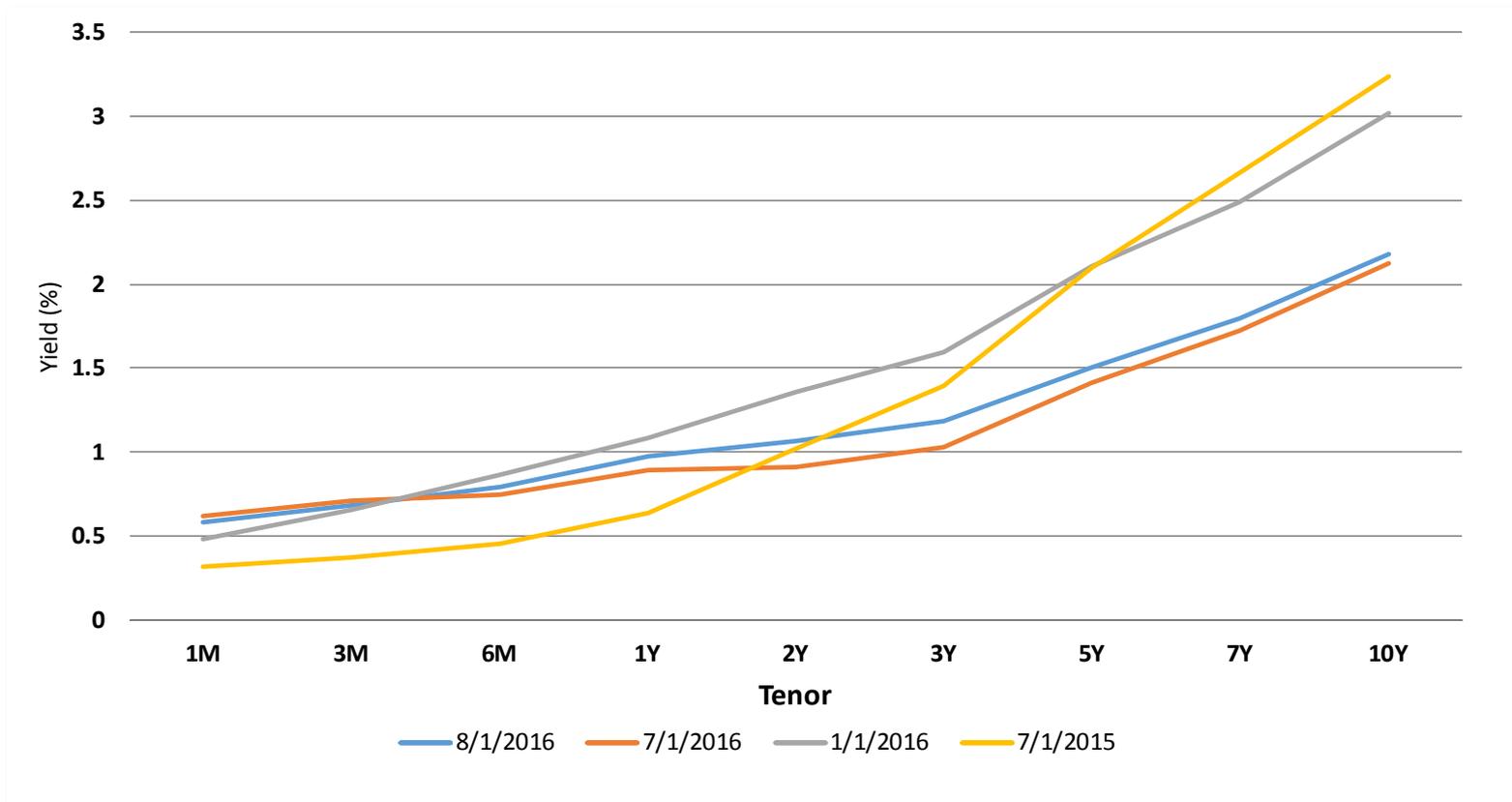
Time table of a four year fixed rate bullet advance starting one year forward:



Forward Starting Fixed Rate Bullet *continued*



- Could be a good time to consider a forward-starting fixed rate bullet given shape of the yield curve
- Advance yield curve has flattened over the last year



Embedded Option Alternatives-Callable

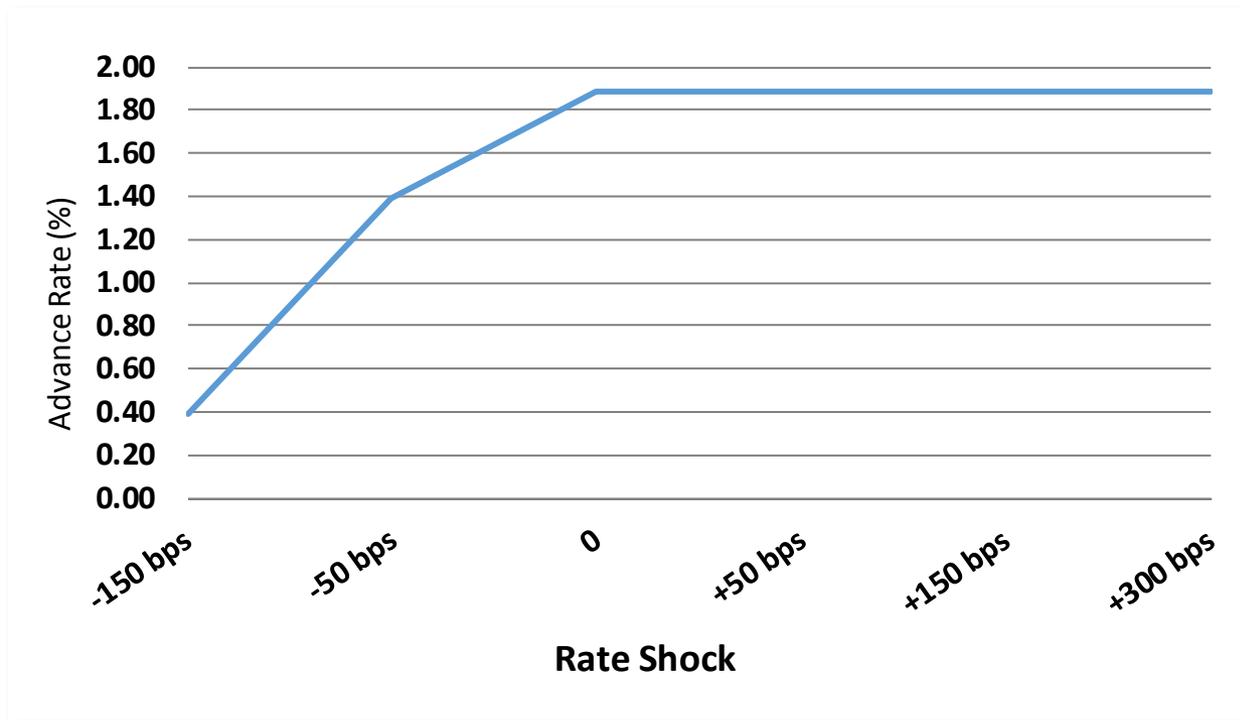


- Embed a call option into a fixed rate bullet advance
- Member owns option to prepay fixed rate advance on certain call dates
- Typically pay a premium over standard fixed rate bullet advance rates for the right to cancel the advance on scheduled dates
- \$5 million minimum trade size

Callable Advance



- \$5 million 5-year no call 1-year Bermudan callable advance at 1.89%
 - Callable quarterly after the 1-year lockout



Embedded Option Alternatives-Putable



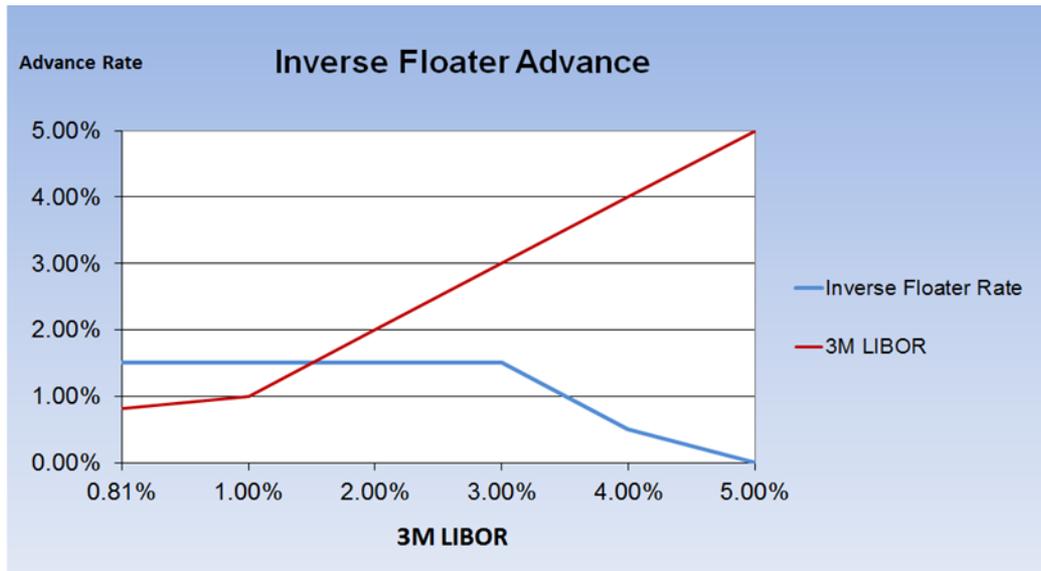
- Member has sold FHLBI the right to cancel the advance on a scheduled date in exchange for a reduced rate on a fixed rate advance
- \$5 million minimum trade size
- E.g. \$5 million 10/5 Euro Putable 1.15%

	Advance Interest <u>Rate</u>
5-year Fixed Rate Bullet	1.37%
10-year Fixed Rate Bullet	1.99%
10-year No Put 5-year Putable Advance	1.15%
Putable Difference v. 5-year Fixed Rate Bullet	-0.22%
Putable Difference v. 10-year Fixed Rate Bullet	-0.84%

Inverse Floater

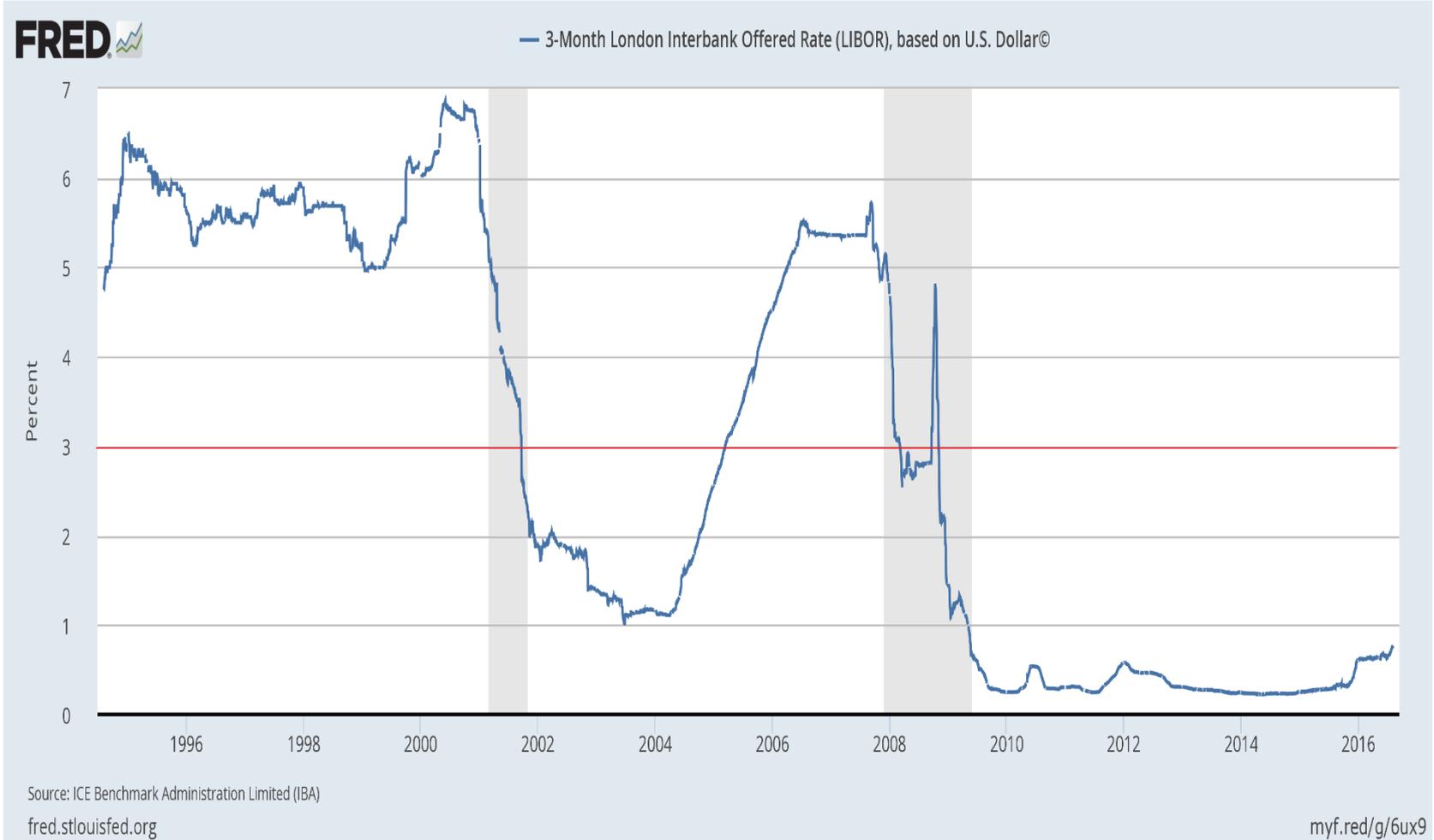


- Combines fixed rate bullet advance with embedded LIBOR-indexed interest rate cap
- Advance rate will decrease basis point for basis point if/when LIBOR index above strike rate on reset date
- Rate never higher than initial advance rate
- 5-year bullet with a 3% 3-month LIBOR cap at 1.50%



<u>3M LIBOR</u>	<u>Advance Rate</u>
0.81%	1.50%
1.00%	1.50%
2.00%	1.50%
3.00%	1.50%
4.00%	0.50%
5.00%	0.00%

Historical LIBOR Rates



Long-term Adjustable Rate Advance



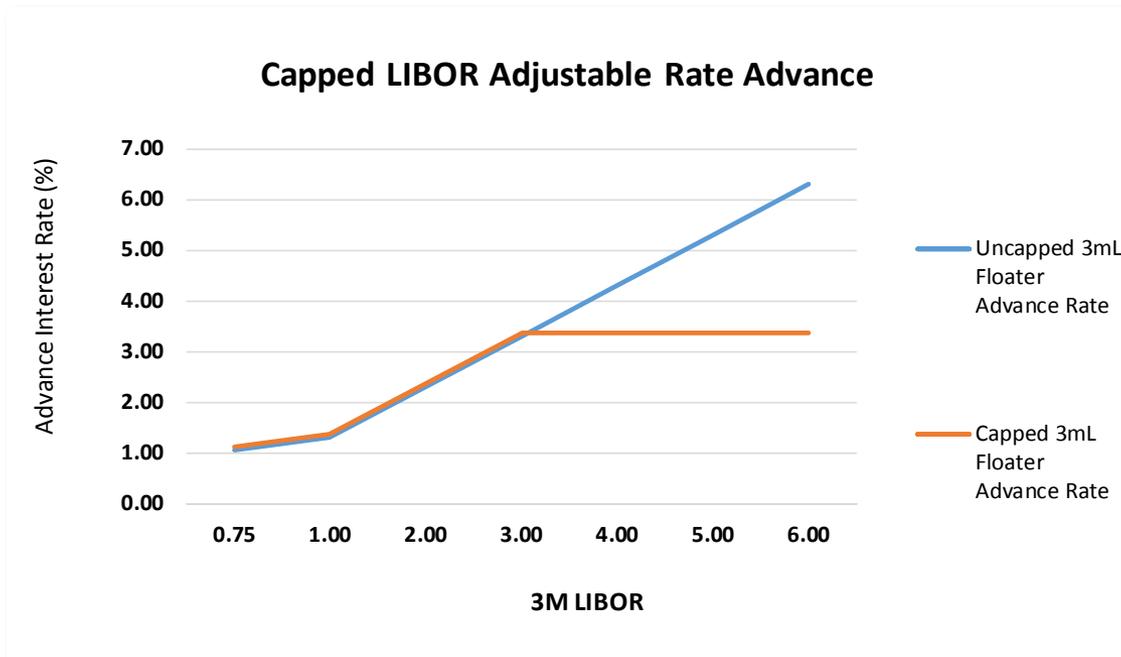
- E.g. LIBOR floater tied to 1-mo, 3-mo, or 6-mo LIBOR
- Terms of 1 to 10 years
- Prepayable on any reset after lockout period
- Can embed a cap or a floor

Maturity	Spread to LIBOR
1 Year	3mL+15
3 Years	3mL+22
5 Years	3mL+30
7 Years	3mL+39
10 Years	3mL+45

Capped LIBOR Adjustable Rate Advance



- \$5 million 5-year 3-month LIBOR-based adjustable rate advance with a 3% 3-month LIBOR cap
 - Not prepayable on a reset date given embedded cap



<u>3M LIBOR</u>	<u>Uncapped 3mL Floater Advance Rate</u>	<u>Capped 3mL Floater Advance Rate</u>
0.75%	1.05%	1.13%
1.00%	1.30%	1.38%
2.00%	2.30%	2.38%
3.00%	3.30%	3.38%
4.00%	4.30%	3.38%
5.00%	5.30%	3.38%
6.00%	6.30%	3.38%

Questions?



Contact the Advances desk at 800.442.2568 or your Account Manager.

Thank you for your time!

Safe Harbor Statement

This presentation 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 release 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.sec.gov. The financial information contained within this presentation is unaudited.