FHLBank INDIANAPOLIS

NEWS RELEASE

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Federal Home Loan Bank of Indianapolis Announces Fourth Quarter 2023 Dividends, Reports Earnings

INDIANAPOLIS — Today the Board of Directors of the Federal Home Loan Bank of Indianapolis ("FHLBank Indianapolis" or "Bank") declared its fourth quarter 2023 dividends on Class B-2 activity-based capital stock and Class B-1 non-activity-based stock at annualized rates of 9.00% and 4.00%, respectively. The higher dividend rate on activity-based stock reflects the Board's discretion under the Bank's capital plan to reward members that use FHLBank Indianapolis in support of their liquidity needs.

The dividends will be paid in cash on February 23, 2024.

"Once again, our members-first focus produced impressive year-end results, including effective partnerships within our cooperative, strong advances activity, safe and sound lending practices, and smart investments in people and processes to support the business," President and CEO Cindy Konich said. "I'm proud to share our continued success translated into another strong dividend to our members."

She added: "Our forward focus promises an exciting, productive year ahead, too, as we look to expand our affordable housing and community development touch through more direct engagements with our members, and telling the story of how and why FHLBank Indianapolis is a critical economic force in our district of Michigan and Indiana."

Earnings Highlights

Net income, for the fourth quarter of 2023, was $104 million, an increase of $35 million compared to the corresponding quarter in the prior year. The increase was substantially due to higher earnings on the portion of the Bank's assets funded by its capital[1], driven substantially by the increase in market interest rates.

Net income, for the year ended December 31, 2023, was $377 million, an increase of $200 million compared to the prior year. The increase was substantially due to higher earnings on the portion of the Bank's assets funded by its capital[1], driven substantially by the increase in market interest rates, and an increase in the average balances outstanding of interest-earning assets, primarily advances. Average advances outstanding increased by $6.2 billion, or 21%.

[1] 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 size of the Bank's balance sheet and the spread between the interest earned on its assets and the interest cost of funding with consolidated obligations. Because of the Bank's inherent relatively low interest-rate spread, it has historically derived a substantial portion of its net interest income from deploying its interest-free capital in floating-rate assets.

Affordable Housing Program Allocation

The Bank's Affordable Housing Program ("AHP") provides grant funding to support housing for low- and moderate-income families in communities served by its Michigan and Indiana members. Full-year 2023 AHP allocations[2] of $44 million will be available to the Bank's members in 2024 to help address their communities' affordable housing needs, including construction, rehabilitation, accessibility improvements and homebuyer down-payment assistance.

In addition, the Bank voluntarily allocated $4 million, reported in other expenses, to further support its AHP and additional affordable housing, small business and community investment programs.

As a result, the Bank's combined required and voluntary allocation in 2023 totaled $48 million, an increase of $22 million, or 83%, compared to the prior year.

Condensed Statements of Income

The following table presents unaudited condensed statements of income ($ amounts in millions):

	Three Months Ended December 31,		Year Ended December 31,	
	2023	**2022**	**2023**	**2022**
Interest income [(a)]	$ 1,013	$ 676	$ 3,755	$ 1,391
Interest expense [(a)]	873	586	3,260	1,100
Provision for credit losses	—	—	—	—
Net interest income after provision	140	90	495	291
Other income [(b)]	7	21	46	19
Other expenses	31	34	120	113
AHP assessments	12	8	44	20
Net income	$ 104	$ 69	$ 377	$ 177

(a) Includes hedging gains (losses) and net interest settlements on fair-value hedge relationships. The Bank uses derivatives, specifically 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 and, therefore, changes in the estimated fair value of the derivative, and changes in the fair value of the hedged item that are attributable to the hedged risk, are recorded in net interest income.

(b) Includes impact of purchase discount (premium) recorded through mark-to-market gains (losses) on trading securities and net interest settlements on derivatives hedging trading securities, while generally offsetting interest income on trading securities is included in interest income.

[2] Each year, Federal Home Loan Banks are required to allocate to the AHP 10% of earnings, defined for this purpose as income before assessments plus interest expense on mandatorily redeemable capital stock.

Balance Sheet Highlights

Total assets, at December 31, 2023, were $76.6 billion, a net increase of $4.3 billion, or 6%, from December 31, 2022, primarily due to purchases of investments.

Advances [3]

Advances outstanding, at December 31, 2023, at carrying value, totaled $35.6 billion, a net decrease of $1.1 billion, or 3%, from December 31, 2022. The par value of advances outstanding decreased by 4% to $35.9 billion, which included a net decrease in short-term advances of 33% and a net increase in long-term advances of 15%. At December 31, 2023, long-term advances composed 73% of advances outstanding, while short-term advances composed 27%.

The par value of advances outstanding to depository institutions — comprising commercial banks, savings institutions and credit unions — decreased by 6%, while advances outstanding to insurance companies increased by 1%. As a percent of total advances outstanding at par value, at December 31, 2023, advances to depository institutions were 62%, while advances to insurance companies were 38%.

Mortgage Loans Held for Portfolio [4]

Mortgage loans held for portfolio, at December 31, 2023, totaled $8.6 billion, a net increase of $927 million, or 12%, from December 31, 2022, as the Bank's purchases exceeded principal repayments by borrowers. Purchases of mortgage loans from the Bank's members, for the year ended December 31, 2023, totaled $1.6 billion.

Liquidity Investments [5]

Liquidity investments, at December 31, 2023, totaled $12.2 billion, a net increase of $1.3 billion, or 12%, from December 31, 2022. Our liquidity remained well above regulatory requirements and continues to enable the Bank to be a reliable liquidity provider to its members.

The portion of U.S. Treasury obligations classified as trading securities decreased by $1.6 billion, or 73%, to $600 million, as substantially all of the Bank's purchases of U.S. Treasury obligations in 2023 were classified as available-for-sale. Cash and short-term investments increased by $3.0 billion, or 35%, to $11.6 billion. As a result of this activity, cash and short-term investments represented 95% of the total liquidity investments at December 31, 2023, while U.S. Treasury obligations represented 5%.

Other Investment Securities

Other investment securities, which consist substantially of mortgage-backed securities and U.S. Treasury obligations classified as held-to-maturity or available-for-sale, at December 31, 2023, totaled $19.5 billion, a net increase of $3.0 billion, or 18%, from December 31, 2022, due to purchases of U.S. Treasury obligations and mortgage-backed securities to continue to support the Bank's financial position.

[3] Advances are secured loans that the Bank provides to its member institutions.
[4] The Bank purchases mortgage loans from its members to support its housing mission, provide an additional source of liquidity to its members, and diversify its investments.
[5] The Bank's liquidity investments consist of cash, interest-bearing deposits, securities purchased under agreements to resell, federal funds sold and U.S. Treasury obligations.

Consolidated Obligations [6]

FHLBank Indianapolis' consolidated obligations outstanding, at December 31, 2023, totaled $71.1 billion, a net increase of $3.8 billion, or 6%, from December 31, 2022, which reflected higher funding needs associated with the net increase in the Bank's total assets.

Capital [7]

Total capital, at December 31, 2023, was $3.7 billion, a net increase of $360 million, or 11%, from December 31, 2022. The net increase primarily resulted from the growth of retained earnings and issuances of capital stock to support advance activity, partially offset by the Bank's voluntary repurchases of its members' excess stock during the third quarter.

The Bank's regulatory capital-to-assets ratio[8], at December 31, 2023, was 5.46%, which exceeds all applicable regulatory capital requirements.

[6] 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.

[7] 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.

[8] Total regulatory capital, which consists of capital stock, mandatorily redeemable capital stock and retained earnings, as a percentage of total assets.

Condensed Statements of Condition

The following table presents unaudited condensed statements of condition ($ amounts in millions):

	December 31, 2023	December 31, 2022
Advances	$ 35,562	$ 36,683
Mortgage loans held for portfolio, net	8,614	7,687
Liquidity investments	12,152	10,805
Other investment securities [(a)]	19,451	16,420
Other assets	829	689
Total assets	$ 76,608	$ 72,284
Consolidated obligations	$ 71,053	$ 67,270
MRCS	369	373
Other liabilities	1,442	1,257
Total liabilities	72,864	68,900
Capital stock [(b)]	2,285	2,123
Retained earnings [(c)]	1,532	1,287
Accumulated other comprehensive income (loss)	(73)	(26)
Total capital	3,744	3,384
Total liabilities and capital	$ 76,608	$ 72,284
Total regulatory capital [(d)]	$ 4,186	$ 3,783
Regulatory capital-to-assets ratio	5.46 %	5.23 %

(a) Includes held-to-maturity and available-for-sale securities.
(b) Putable by members at par value.
(c) Includes restricted retained earnings, at December 31, 2023 and 2022, of $398 million and $323 million, respectively.
(d) Consists of total capital less accumulated other comprehensive income plus mandatorily redeemable capital stock.

All amounts referenced above are unaudited. More detailed information about FHLBank Indianapolis' financial condition as of December 31, 2023, and its results for the year then ended, will be included in Management's Discussion and Analysis of Financial Condition and Results of Operations in the Bank's Annual Report on Form 10-K.

Safe Harbor Statement

This news release includes forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 concerning plans, objectives, goals, strategies, future events and performance. Forward-looking statements can be identified by words such as "will," "believes," "may," "temporary," "estimates," and "expects" or the negative of these words or comparable terminology. Each forward-looking statement contained in this news release 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 news release 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.

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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, including commercial banks, credit unions, insurance companies, savings institutions and community development financial institutions. For more information about FHLBank Indianapolis, visit www.fhlbi.com and follow the Bank on LinkedIn and X (also known as Twitter) and Instagram at @FHLBankIndy.