



NEWS RELEASE

FOR IMMEDIATE RELEASE

July 28, 2022

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Federal Home Loan Bank of Indianapolis Declares Dividends, Reports Earnings

INDIANAPOLIS — Today the Board of Directors of the Federal Home Loan Bank of Indianapolis ("FHLBank Indianapolis" or "Bank") declared its second quarter 2022 dividends on Class B-2 activity-based capital stock and Class B-1 non-activity-based stock at annualized rates of 4.75% and 1.25%, respectively. The higher dividend rate on activity-based stock reflects the Board's discretion under our capital plan to reward members that use FHLBank Indianapolis in support of their liquidity needs.

"Despite the ongoing challenges in the housing market and volatile economic conditions, FHLBank Indianapolis is proud to report the close of another successful quarter," President and CEO Cindy Konich said. "Solid earnings mean solid rewards for our members, which is why we're pleased to raise the dividend rates on their capital stock this quarter. As we celebrate our 90th anniversary, our continued strong performance underscores the vital role we play for our members and the communities they serve."

The dividends will be paid in cash on July 29, 2022.

Earnings Highlights

Net income for the second quarter of 2022 was \$32.3 million, an increase of \$15.2 million compared to the corresponding quarter in the prior year. The increase was primarily due to lower amortization of mortgage purchase premiums, resulting from lower prepayments, and higher earnings on the portion of the Bank's assets funded by its capital, each driven by the increase in market interest rates, partially offset by declines in the fair values of the investments indirectly funding certain employee benefit plans.

Net income for the six months ended June 30, 2022 was \$60.9 million, an increase of \$14.0 million compared to the corresponding period in the prior year. The increase was primarily due to lower amortization of mortgage purchase premiums, resulting from lower prepayments, and higher earnings on the portion of the Bank's assets funded by its capital, each driven by the increase in market interest rates, partially offset by net hedging losses on qualifying fair-value hedging relationships¹ and declines in the fair values of the investments indirectly funding certain employee benefit plans.

¹ The Bank 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.

Hedging gains (losses) on qualifying fair-value hedging relationships are reported in net interest income². As a result, net interest income for the three and six months ended June 30, 2022 included net hedging losses of \$6.9 million and \$4.8 million, respectively, compared to net hedging losses for the three months ended June 30, 2021 of \$5.6 million and gains for the six months ended June 30, 2021 of \$13.0 million, respectively. In general, the Bank holds the derivatives and associated hedged items to the maturity, call, or put date. As a result, nearly all of the gains and losses on these financial instruments are expected to reverse over the remaining contractual terms of the hedged items.

*Affordable Housing Program Allocation*³

For the six months ended June 30, 2022, FHLBank Indianapolis allocated \$6.8 million to its Affordable Housing Program ("AHP"), which provides grant funding to support housing for low- and moderate-income families in communities served by our Michigan and Indiana members. Full-year 2022 AHP allocations will be available to the Bank's members in 2023 to help address their communities' affordable housing needs, including construction, rehabilitation, accessibility improvements and homebuyer down-payment assistance.

Condensed Statements of Income

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

| | <u>Three Months Ended June 30,</u> | | <u>Six Months Ended June 30,</u> | |
|---|------------------------------------|----------------|----------------------------------|----------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Interest income ^(a) | \$ 191.3 | \$ 112.6 | \$ 311.6 | \$ 246.3 |
| Interest expense ^(a) | 127.5 | 55.3 | 183.2 | 114.5 |
| Provision for (reversal of) credit losses | (0.1) | — | (0.1) | 0.1 |
| Net interest income after provision for credit losses | 63.9 | 57.3 | 128.5 | 131.7 |
| Other income (loss) ^(b) | (1.7) | (9.8) | (9.1) | (22.7) |
| Other expenses | 26.3 | 28.4 | 51.7 | 56.6 |
| AHP assessments | 3.6 | 2.0 | 6.8 | 5.5 |
| Net income | \$ 32.3 | \$ 17.1 | \$ 60.9 | \$ 46.9 |

^(a) Includes hedging gains (losses) and net interest settlements on fair-value hedges.

^(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 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. 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.

³ 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.

Adjusted Net Income, a Non-GAAP Financial Measure

The Bank reports its results of operations in accordance with Generally Accepted Accounting Principles ("GAAP"). Management believes that a non-GAAP financial measure may also be useful to shareholders and other stakeholders as a key measure of its operating performance. Such measure can also provide additional insights into period-to-period comparisons of the Bank's operating results beyond its GAAP results, which are impacted by temporary changes in fair value and other factors driven by market volatility that hinder consistent performance measurement. As a result, the Bank is reporting *adjusted net income* as a non-GAAP financial measure.

Adjusted net income represents GAAP net income adjusted to exclude: (i) the mark-to-market adjustments and other transitory effects from derivatives and trading/hedging activities, (ii) interest expense on mandatorily redeemable capital stock ("MRCS"), (iii) realized gains and losses on sales of investment securities, and (iv) at the discretion of management, other eligible non-routine transactions. These adjustments reflect (i) the temporary nature of fair-value and certain other hedging gains (losses) due to the Bank's practice of holding its financial instruments to maturity, (ii) the reclassification of interest on MRCS as dividends, (iii) the sale of investment securities, primarily for liquidity purposes or to reduce exposure to LIBOR-indexed instruments, the gains (losses) on which arise from accelerating the recognition of future income (expense), and (iv) any other eligible non-routine transactions that management determines can provide additional insights into period-to-period comparisons of the Bank's operating results beyond its GAAP results.

Non-GAAP financial measures are not audited. In addition, non-GAAP financial measures have no standardized measurement prescribed by GAAP and may not be comparable to similar non-GAAP financial measures used by other companies. While management believes that adjusted net income is helpful in understanding the Bank's performance, this measure has limitations as an analytical tool and should not be considered in isolation or as a substitute for analyses of earnings reported in accordance with GAAP.

The following table presents unaudited reconciliations of the Bank's GAAP net income to adjusted net income (\$ amounts in millions):

| Reconciliation of Net Income | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|---------|---------------------------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| GAAP net income | \$ 32.3 | \$ 17.1 | \$ 60.9 | \$ 47.0 |
| Adjustments to exclude: | | | | |
| Fair-value hedging (gains) losses ^(a) | 6.8 | 5.6 | 4.8 | (13.0) |
| Amortization/accretion of (gains) losses on ineffective and discontinued fair-value hedging relationships ^(b) | 17.3 | 7.5 | 34.1 | 12.9 |
| Trading (gains) losses, net of economic hedging gains (losses) ^(c) | (0.8) | 10.1 | (0.7) | 19.1 |
| Net unrealized (gains) losses on other economic hedges | (1.5) | 0.1 | 0.3 | 0.5 |
| Interest expense on MRCS | 0.3 | 0.9 | 0.5 | 2.0 |
| Total adjustments | 22.1 | 24.2 | 39.0 | 21.5 |
| AHP assessments on adjustments | (2.2) | (2.3) | (3.8) | (1.9) |
| Adjusted net income (non-GAAP measure) | \$ 52.2 | \$ 39.0 | \$ 96.1 | \$ 66.6 |

^(a) Changes in fair value on hedged items (attributable to the risk being hedged) and associated derivatives in qualifying hedging relationships.

^(b) Gains (losses) resulting from cumulative basis adjustments on hedged items.

^(c) Includes both (i) unrealized (gains) losses on trading securities and (ii) realized (gains) losses on maturities and sales of trading securities.

Adjusted net income for the second quarter of 2022 was \$52.2 million, an increase of \$13.2 million compared to the corresponding quarter in the prior year. The increase was primarily due to lower accelerated amortization of mortgage purchase premiums, resulting from lower prepayments, higher interest spreads, and higher earnings on the portion of the Bank's assets funded by its capital, partially offset by declines in the fair values of the investments indirectly funding certain employee benefit plans.

Adjusted net income for the six months ended June 30, 2022 was \$96.1 million, an increase of \$29.5 million compared to the corresponding period in the prior year. The increase was primarily due to lower accelerated amortization of mortgage purchase premiums, resulting from lower prepayments, and higher interest spreads, partially offset by declines in the fair values of the investments indirectly funding certain employee benefit plans and lower earnings on trading securities.

Balance Sheet Highlights

Total assets at June 30, 2022 were \$64.3 billion, a net increase of \$4.3 billion, or 7%, from December 31, 2021, driven primarily by a net increase in advances outstanding.

*Advances*⁴

Advances outstanding at June 30, 2022, at carrying value, totaled \$30.5 billion, a net increase of \$3.0 billion, or 11%, from December 31, 2021. The par value of advances outstanding increased by 13% to \$30.8 billion, which included a net increase in short-term advances of 71% and a net decrease in long-term advances of 11%.

The par value of advances to depository institutions - comprising commercial banks, savings institutions and credit unions - and insurance companies increased by 16% and 9%, respectively. Advances to depository institutions, as a percent of total advances outstanding at par value, were 55% at June 30, 2022, while advances to insurance companies were 45%.

*Mortgage Loans Held for Portfolio*⁵

Purchases of mortgage loans from the Bank's members for the six months ended June 30, 2022 totaled \$772 million. Mortgage loans held for portfolio at June 30, 2022 totaled \$7.7 billion, a net increase of \$114 million, or 1%, from December 31, 2021, as the Bank's purchases exceeded principal repayments by borrowers.

*Liquidity*⁶

The liquidity portfolio, which consists of cash and short-term investments as well as U.S. Treasury securities, at June 30, 2022 totaled \$11.4 billion, a net increase of \$425 million, or 4%, from December 31, 2021. Cash and short-term investments increased by \$333 million, or 5%, to \$7.4 billion. U.S. Treasury securities, classified as trading securities, increased by \$92 million, or 2%, to \$4.0 billion. As a result, cash and short-term investments represented 65% of the liquidity portfolio at June 30, 2022, while U.S. Treasury securities represented 35%.

*Consolidated Obligations*⁷

FHLBank Indianapolis' consolidated obligations outstanding at June 30, 2022 totaled \$59.0 billion, a net increase of \$4.6 billion, or 8%, from December 31, 2021, which reflected increased funding needs associated with the net increase in the Bank's total assets.

⁴ Advances are secured loans that the Bank provides to its member institutions.

⁵ 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.

⁶ 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. Such portfolio enables the Bank to be a reliable liquidity provider to its members.

⁷ 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.

Capital⁸

Total capital at June 30, 2022 was \$3.5 billion, a net decrease of \$79 million, or 2%, from December 31, 2021, primarily due to other comprehensive losses, which substantially resulted from unrealized losses on investments in MBS driven by the increase in market interest rates.

The Bank's regulatory capital-to-assets ratio⁹ at June 30, 2022 was 5.46%, which exceeds all applicable regulatory capital requirements.

Condensed Statements of Condition

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

| | June 30, 2022 | December 31, 2021 |
|---|----------------------|--------------------------|
| Advances | \$ 30,507 | \$ 27,498 |
| Mortgage loans held for portfolio, net | 7,730 | 7,616 |
| Cash and short-term investments | 7,381 | 7,048 |
| Investment securities and other assets ^(a) | 18,648 | 17,843 |
| Total assets | \$ 64,266 | \$ 60,005 |
| Consolidated obligations | \$ 59,050 | \$ 54,478 |
| MRCS | 46 | 50 |
| Other liabilities | 1,693 | 1,921 |
| Total liabilities | 60,789 | 56,449 |
| Capital stock ^(b) | 2,251 | 2,246 |
| Retained earnings ^(c) | 1,212 | 1,177 |
| Accumulated other comprehensive income | 14 | 133 |
| Total capital | 3,477 | 3,556 |
| Total liabilities and capital | \$ 64,266 | \$ 60,005 |
| Total regulatory capital^(d) | \$ 3,509 | \$ 3,473 |
| Regulatory capital-to-assets ratio | 5.46 % | 5.79 % |

(a) Includes trading, held-to-maturity and available-for-sale securities.

(b) Putable by members at par value.

(c) Includes restricted retained earnings at June 30, 2022 and December 31, 2021 of \$299 million and \$287 million, respectively.

(d) Consists of total capital less accumulated other comprehensive income plus mandatorily redeemable capital stock.

⁸ 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.

⁹ Total regulatory capital, which consists of capital stock, mandatorily redeemable capital stock and retained earnings, as a percentage of total assets.

All amounts referenced above are unaudited. More detailed information about FHLBank Indianapolis' financial condition as of June 30, 2022, and results for the three and six months then ended will be included in Management's Discussion and Analysis of Financial Condition and Results of Operations in the Bank's Quarterly Report on Form 10-Q.

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 Twitter (@FHLBankIndy).