**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2023

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 000-51404

# FEDERAL HOME LOAN BANK OF INDIANAPOLIS

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Federally Chartered Corporation** | **35-6001443** |
| **(State or other jurisdiction of incorporation)** | **(IRS employer identification number)** |
| **8250 Woodfield Crossing Blvd. Indianapolis, IN** | **46240** |
| **(Address of principal executive offices)** | **(Zip code)** |

**(317) 465-0200**
(Registrant's telephone number, including area code)

**Not Applicable**
(Former name or former address, if changed since last report.)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| None | None | None |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | |
|---|---|---|
| ☐ Large accelerated filer | ☐ Accelerated filer | ☐ Emerging growth company |
| ☒ Non-accelerated Filer | ☐ Smaller reporting company | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| | Shares outstanding as of October 31, 2023 |
|---|---|
| Class A Stock, par value $100 | — |
| Class B Stock, par value $100 | 26,042,111 |

**Table of Contents**


| | | Page Number |
|---|---|---|
| | Special Note Regarding Forward-Looking Statements | 3 |
| **PART I.** | **FINANCIAL INFORMATION** | |
| Item 1. | FINANCIAL STATEMENTS (unaudited) | |
| | Statements of Condition as of September 30, 2023 and December 31, 2022 | 4 |
| | Statements of Income for the Three and Nine Months Ended September 30, 2023 and 2022 | 5 |
| | Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2023 and 2022 | 6 |
| | Statements of Capital for the Three and Nine Months Ended September 30, 2023 and 2022 | 7 |
| | Statements of Cash Flows for the Nine Months Ended September 30, 2023 and 2022 | 9 |
| | Notes to Financial Statements: | |
| | Note 1 - Summary of Significant Accounting Policies | 11 |
| | Note 2 - Recently Adopted and Issued Accounting Guidance | 11 |
| | Note 3 - Investments | 12 |
| | Note 4 - Advances | 16 |
| | Note 5 - Mortgage Loans Held for Portfolio | 17 |
| | Note 6 - Derivatives and Hedging Activities | 19 |
| | Note 7 - Consolidated Obligations | 23 |
| | Note 8 - Affordable Housing Program | 24 |
| | Note 9 - Capital | 24 |
| | Note 10 - Accumulated Other Comprehensive Income | 26 |
| | Note 11 - Segment Information | 27 |
| | Note 12 - Estimated Fair Values | 28 |
| | Note 13 - Commitments and Contingencies | 31 |
| | Note 14 - Related Party and Other Transactions | 32 |
| | Defined Terms | 33 |
| Item 2. | MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS | |
| | Presentation | 34 |
| | Executive Summary | 34 |
| | Results of Operations and Changes in Financial Condition | 37 |
| | Operating Segments | 45 |
| | Analysis of Financial Condition | 46 |
| | Liquidity | 54 |
| | Capital Resources | 54 |
| | Critical Accounting Estimates | 56 |
| | Recent Accounting and Regulatory Developments | 56 |
| | Risk Management | 57 |
| Item 3. | QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK | 60 |
| Item 4. | CONTROLS AND PROCEDURES | 61 |
| **PART II.** | **OTHER INFORMATION** | |
| Item 1. | LEGAL PROCEEDINGS | 62 |
| Item 1A. | RISK FACTORS | 62 |
| Item 2. | UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS | 62 |
| Item 3. | DEFAULTS UPON SENIOR SECURITIES | 62 |
| Item 4. | MINE SAFETY DISCLOSURES | 62 |
| Item 5. | OTHER INFORMATION | 62 |
| Item 6. | EXHIBITS | 63 |

As used in this Form 10-Q, unless the context otherwise requires, the terms "we," "us," "our," and "Bank" refer to the Federal Home Loan Bank of Indianapolis or its management. We use acronyms and terms throughout that are defined herein or in the *Defined Terms* in Part I Item 1.

**Special Note Regarding Forward-Looking Statements**

Statements in this Form 10-Q, including statements describing our objectives, projections, estimates or predictions, may be considered to be "forward-looking statements." These statements may use forward-looking terminology, such as "anticipates," "believes," "could," "estimates," "may," "should," "expects," "will," or their negatives or other variations on these terms. We caution that, by their nature, forward-looking statements involve risk or uncertainty and that actual results either could differ materially from those expressed or implied in these forward-looking statements or could affect the extent to which a particular objective, projection, estimate, or prediction is realized. These forward-looking statements involve risks and uncertainties including, but not limited to, the following:

- economic and market conditions, including the timing and volume of market activity, inflation or deflation, changes in the value of global currencies, and changes in the financial condition of market participants;
- volatility of market prices, interest rates, and indices or the availability of suitable interest rate indices, or other factors, resulting from the effects of, and changes in, various monetary or fiscal policies and regulations, including those of the Federal Reserve, the Finance Agency and the Federal Deposit Insurance Corporation, or a decline in liquidity in the financial markets, that could affect the value of investments, or collateral we hold as security for the obligations of our members and counterparties;
- changes in demand for our advances and purchases of mortgage loans resulting from:
    - changes in our members' deposit flows and credit demands;
    - changes in products or services we are able to provide;
    - federal or state regulatory developments impacting suitability or eligibility of membership classes;
    - membership changes, including, but not limited to, mergers, acquisitions and consolidations of charters;
    - changes in the general level of housing activity in the United States and particularly our district states of Michigan and Indiana, the level of refinancing activity and consumer product preferences;
    - competitive forces, including, without limitation, other sources of funding available to our members; and
    - changes in the terms and conditions of ownership of our capital stock;
- changes in mortgage asset prepayment patterns, delinquency rates and housing values or improper or inadequate mortgage originations and mortgage servicing;
- ability to introduce and successfully manage new products and services, including new types of collateral securing advances;
- political events, including federal government shutdowns, administrative, legislative, regulatory, or other developments, changes in international political structures and alliances, and judicial rulings that affect us, our status as a secured creditor, our members (or certain classes of members), prospective members, counterparties, GSEs generally, one or more of the FHLBanks and/or investors in the consolidated obligations of the FHLBanks;
- national or international crises, including a pandemic, war, acts of terrorism or natural disasters, and the effects of such crises on our and our counterparties' operations, member demand, market liquidity, and the global funding markets, and the governmental, regulatory, and fiscal interventions undertaken to stabilize local, national, and global economic conditions;
- ability to access the capital markets and raise capital market funding on acceptable terms;
- changes in our credit ratings or the credit ratings of the other FHLBanks and the FHLBank System;
- changes in the level of government guarantees provided to other United States and international financial institutions;
- dealer commitment to supporting the issuance of our consolidated obligations;
- ability of one or more of the FHLBanks to repay its portion of the consolidated obligations, or otherwise meet its financial obligations;
- ability to attract and retain skilled personnel;
- ability to develop, implement and support technology and information systems sufficient to manage our business effectively;
- nonperformance of counterparties to uncleared and cleared derivative transactions;
- changes in terms of derivative agreements and similar agreements;
- loss arising from natural disasters, acts of war, riots, insurrection or acts of terrorism;
- changes in or differing interpretations of accounting guidance; and
- other risk factors identified in our filings with the SEC.

Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, additional disclosures may be made through reports filed with the SEC in the future, including our reports on Forms 10-K, 10-Q and 8-K.

**PART I. FINANCIAL INFORMATION**
**Item 1. FINANCIAL STATEMENTS**

**Federal Home Loan Bank of Indianapolis**
**Statements of Condition**
(Unaudited, $ amounts in thousands, except par value)

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| **Assets**: | | |
| Cash and due from banks | $ 56,465 | $ 21,161 |
| Interest-bearing deposits (Note 3) | 860,058 | 856,060 |
| Securities purchased under agreements to resell (Note 3) | 3,450,000 | 4,550,000 |
| Federal funds sold (Note 3) | 3,392,000 | 3,148,000 |
| Trading securities (Note 3) | 446,617 | 2,230,248 |
| Available-for-sale securities (Note 3) (amortized cost of $13,626,866 and $12,189,776) | 13,613,403 | 12,179,837 |
| Held-to-maturity securities (Note 3) (estimated fair values of $5,274,222 and $4,156,218) | 5,359,706 | 4,240,201 |
| Advances (Note 4) | 34,781,490 | 36,682,459 |
| Mortgage loans held for portfolio, net (Note 5) | 8,261,434 | 7,686,455 |
| Accrued interest receivable | 183,321 | 152,867 |
| Derivative assets, net (Note 6) | 536,871 | 434,421 |
| Other assets | 99,752 | 102,071 |
| **Total assets** | $ 71,041,117 | $ 72,283,780 |
| **Liabilities**: | | |
| Deposits | $ 602,721 | $ 595,907 |
| Consolidated obligations (Note 7): | | |
| Discount notes | 17,457,879 | 27,387,492 |
| Bonds | 47,895,565 | 39,882,454 |
| Total consolidated obligations, net | 65,353,444 | 67,269,946 |
| Accrued interest payable | 356,061 | 162,584 |
| Affordable Housing Program payable (Note 8) | 58,044 | 38,170 |
| Derivative liabilities, net (Note 6) | 15,326 | 19,209 |
| Mandatorily redeemable capital stock (Note 9) | 367,908 | 372,503 |
| Other liabilities | 618,642 | 441,763 |
| **Total liabilities** | 67,372,146 | 68,900,082 |
| Commitments and contingencies (Note 13) | | |
| **Capital** (Note 9): | | |
| Capital stock (putable at par value of $100 per share): | | |
| Class B issued and outstanding shares: 22,272,460 and 21,231,253 | 2,227,246 | 2,123,125 |
| Retained earnings: | | |
| Unrestricted | 1,091,633 | 963,812 |
| Restricted | 377,314 | 322,552 |
| Total retained earnings | 1,468,947 | 1,286,364 |
| Total accumulated other comprehensive income (loss) (Note 10) | (27,222) | (25,791) |
| **Total capital** | 3,668,971 | 3,383,698 |
| **Total liabilities and capital** | $ 71,041,117 | $ 72,283,780 |

The accompanying notes are an integral part of these financial statements.

**Federal Home Loan Bank of Indianapolis**
**Statements of Income**
(Unaudited, $ amounts in thousands)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Interest Income:** | | | | |
| Advances | $ 502,373 | $ 187,002 | $ 1,428,357 | $ 289,605 |
| Interest-bearing deposits | 33,915 | 10,807 | 91,808 | 13,720 |
| Securities purchased under agreements to resell | 24,140 | 16,486 | 95,807 | 23,457 |
| Federal funds sold | 65,045 | 25,159 | 176,431 | 33,683 |
| Trading securities | 2,412 | 6,397 | 7,780 | 20,189 |
| Available-for-sale securities | 212,408 | 88,443 | 584,634 | 149,451 |
| Held-to-maturity securities | 69,221 | 15,250 | 176,701 | 31,794 |
| Mortgage loans held for portfolio | 64,320 | 52,874 | 181,203 | 152,142 |
| Other interest income | 73 | 98 | 223 | 120 |
| Total interest income | 973,907 | 402,516 | 2,742,944 | 714,161 |
| **Interest Expense:** | | | | |
| Consolidated obligation discount notes | 232,918 | 107,558 | 759,091 | 137,746 |
| Consolidated obligation bonds | 598,526 | 218,109 | 1,588,952 | 369,000 |
| Deposits | 10,159 | 3,866 | 26,672 | 5,512 |
| Mandatorily redeemable capital stock | 4,348 | 408 | 12,828 | 922 |
| Other interest expense | 1 | — | 203 | — |
| Total interest expense | 845,952 | 329,941 | 2,387,746 | 513,180 |
| **Net interest income** | 127,955 | 72,575 | 355,198 | 200,981 |
| Provision for (reversal of) credit losses | (233) | (8) | (234) | (68) |
| **Net interest income after provision for credit losses** | 128,188 | 72,583 | 355,432 | 201,049 |
| **Other Income:** | | | | |
| Net gains (losses) on sales of available-for-sale and held-to-maturity securities | (6,568) | (1,033) | (6,781) | (1,033) |
| Net gains (losses) on trading securities | 2,141 | 382 | 11,213 | (38,033) |
| Net gains on derivatives | 4,883 | 8,984 | 8,490 | 46,181 |
| Net gains on extinguishment of debt | — | — | 19,846 | — |
| Other, net | (359) | (1,133) | 6,627 | (9,015) |
| Total other income (loss) | 97 | 7,200 | 39,395 | (1,900) |
| **Other Expenses:** | | | | |
| Compensation and benefits | 14,215 | 14,681 | 45,928 | 41,048 |
| Other operating expenses | 8,313 | 7,680 | 24,342 | 22,530 |
| Federal Housing Finance Agency | 1,711 | 1,801 | 5,134 | 5,518 |
| Office of Finance | 1,300 | 1,170 | 3,380 | 3,668 |
| Other | 1,412 | 2,681 | 10,385 | 6,846 |
| Total other expenses | 26,951 | 28,013 | 89,169 | 79,610 |
| **Income before assessments** | 101,334 | 51,770 | 305,658 | 119,539 |
| Affordable Housing Program assessments | 10,568 | 5,218 | 31,849 | 12,046 |
| **Net income** | $ 90,766 | $ 46,552 | $ 273,809 | $ 107,493 |

The accompanying notes are an integral part of these financial statements.

**Federal Home Loan Bank of Indianapolis**
**Statements of Comprehensive Income**
(Unaudited, $ amounts in thousands)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Net income** | $ 90,766 | $ 46,552 | $ 273,809 | $ 107,493 |
| **Other Comprehensive Income:** | | | | |
| Net change in unrealized gains (losses) on available-for-sale securities | (17,458) | (16,452) | (3,524) | (136,143) |
| Pension benefits, net | 547 | 609 | 2,093 | 1,398 |
| Total other comprehensive income (loss) | (16,911) | (15,843) | (1,431) | (134,745) |
| **Total comprehensive income (loss)** | $ 73,855 | $ 30,709 | $ 272,378 | $ (27,252) |

The accompanying notes are an integral part of these financial statements.

**Federal Home Loan Bank of Indianapolis**
**Statements of Capital**
**Three Months Ended September 30, 2023 and 2022**
(Unaudited, $ amounts and shares in thousands)

| | Capital Stock | | Retained Earnings | | | Accumulated Other Comprehensive Income (Loss) | Total Capital |
|---|---|---|---|---|---|---|---|
| | Shares | Par Value | Unrestricted | Restricted | Total | | |
| **Balance, June 30, 2023** | 23,805 | $ 2,380,490 | $ 1,054,312 | $ 359,161 | $1,413,473 | $ (10,311) | $ 3,783,652 |
| Total comprehensive income | | | 72,613 | 18,153 | 90,766 | (16,911) | 73,855 |
| Proceeds from issuance of capital stock | 467 | 46,754 | | | | | 46,754 |
| Redemption/repurchase of capital stock | (2,000) | (199,998) | | | | | (199,998) |
| Cash dividends on capital stock (6.07% annualized) | | | (35,292) | — | (35,292) | | (35,292) |
| **Balance, September 30, 2023** | 22,272 | $ 2,227,246 | $ 1,091,633 | $ 377,314 | $1,468,947 | $ (27,222) | $ 3,668,971 |
| **Balance, June 30, 2022** | 22,508 | $ 2,250,835 | $ 912,329 | $ 299,391 | $1,211,720 | $ 14,156 | $ 3,476,711 |
| Total comprehensive income (loss) | | | 37,241 | 9,311 | 46,552 | (15,843) | 30,709 |
| Proceeds from issuance of capital stock | 747 | 74,699 | | | | | 74,699 |
| Cash dividends on capital stock (3.42% annualized) | | | (18,507) | — | (18,507) | | (18,507) |
| **Balance, September 30, 2022** | 23,255 | $ 2,325,534 | $ 931,063 | $ 308,702 | $1,239,765 | $ (1,687) | $ 3,563,612 |

The accompanying notes are an integral part of these financial statements.

**Federal Home Loan Bank of Indianapolis**
**Statements of Capital**
**Nine Months Ended September 30, 2023 and 2022**
(Unaudited, $ amounts and shares in thousands)

| | Capital Stock | | Retained Earnings | | | Accumulated Other Comprehensive Income (Loss) | Total Capital |
|---|---|---|---|---|---|---|---|
| | Shares | Par Value | Unrestricted | Restricted | Total | | |
| **Balance, December 31, 2022** | 21,231 | $ 2,123,125 | $ 963,812 | $ 322,552 | $ 1,286,364 | $ (25,791) | $ 3,383,698 |
| Total comprehensive income | | | 219,047 | 54,762 | 273,809 | (1,431) | 272,378 |
| Proceeds from issuance of capital stock | 3,044 | 304,443 | | | | | 304,443 |
| Redemption/repurchase of capital stock | (2,003) | (200,309) | | | | | (200,309) |
| Shares reclassified to mandatorily redeemable capital stock, net | — | (13) | | | | | (13) |
| Cash dividends on capital stock (5.35% annualized) | | | (91,226) | — | (91,226) | | (91,226) |
| **Balance, September 30, 2023** | 22,272 | $ 2,227,246 | $ 1,091,633 | $ 377,314 | $ 1,468,947 | $ (27,222) | $ 3,668,971 |
| **Balance, December 31, 2021** | 22,462 | $ 2,246,201 | $ 889,869 | $ 287,203 | $ 1,177,072 | $ 133,058 | $ 3,556,331 |
| Total comprehensive income (loss) | | | 85,994 | 21,499 | 107,493 | (134,745) | (27,252) |
| Proceeds from issuance of capital stock | 2,412 | 241,218 | | | | | 241,218 |
| Redemption/repurchase of capital stock | (1,619) | (161,885) | | | | | (161,885) |
| Cash dividends on capital stock (2.73% annualized) | | | (44,800) | — | (44,800) | | (44,800) |
| **Balance, September 30, 2022** | 23,255 | $ 2,325,534 | $ 931,063 | $ 308,702 | $ 1,239,765 | $ (1,687) | $ 3,563,612 |

The accompanying notes are an integral part of these financial statements.

**Federal Home Loan Bank of Indianapolis**
**Statements of Cash Flows**
(Unaudited, $ amounts in thousands)

| | Nine Months Ended September 30, | |
|---|---|---|
| | **2023** | **2022** |
| **Operating Activities**: | | |
| Net income | $ 273,809 | $ 107,493 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Amortization and depreciation | 11,780 | 100,247 |
| Changes in net derivative and hedging activities | 286,685 | 1,123,640 |
| Net (gains) on extinguishment of debt | (19,846) | — |
| Provision for (reversal of) credit losses | (234) | (68) |
| Net (gains) losses on trading securities | (11,213) | 38,033 |
| Other adjustments | 6,781 | 1,033 |
| Changes in: | | |
| Accrued interest receivable | (30,461) | (27,406) |
| Other assets | (1,476) | 8,296 |
| Accrued interest payable | 193,691 | 42,051 |
| Other liabilities | 31,933 | 12,473 |
| Total adjustments, net | 467,640 | 1,298,299 |
| Net cash provided by operating activities | 741,449 | 1,405,792 |
| **Investing Activities**: | | |
| Net change in: | | |
| Interest-bearing deposits | 208,452 | (1,650,018) |
| Securities purchased under agreements to resell | 1,100,000 | 1,000,000 |
| Federal funds sold | (244,000) | (2,027,000) |
| Trading securities: | | |
| Proceeds from maturities | 1,400,000 | 2,525,000 |
| Proceeds from sales | 494,063 | 200,000 |
| Purchases | (99,219) | (1,930,219) |
| Available-for-sale securities: | | |
| Proceeds from paydowns and maturities | 195,419 | 703,730 |
| Proceeds from sales | 592,660 | — |
| Purchases | (2,500,969) | (4,330,214) |
| Held-to-maturity securities: | | |
| Proceeds from paydowns and maturities | 353,651 | 789,190 |
| Proceeds from sales | 9,769 | 63,111 |
| Purchases | (1,362,972) | (384,620) |
| Advances: | | |
| Principal repayments | 231,653,753 | 156,213,544 |
| Disbursements to members | (229,991,274) | (160,746,988) |
| Mortgage loans held for portfolio: | | |
| Principal collections | 524,847 | 824,635 |
| Purchases from members | (1,109,547) | (927,167) |
| Purchases of premises, software, and equipment | (2,968) | (2,768) |
| Loans to other Federal Home Loan Banks: | | |
| Principal repayments | 1,080,000 | 1,040,000 |
| Disbursements | (1,080,000) | (1,040,000) |
| Net cash provided by (used in) investing activities | 1,221,665 | (9,679,784) |

(continued)

The accompanying notes are an integral part of these financial statements.

**Federal Home Loan Bank of Indianapolis**
**Statements of Cash Flows**, continued
(Unaudited, $ amounts in thousands)

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2023 | 2022 |
| **Financing Activities**: | | |
| Net change in deposits | 12,544 | (637,931) |
| Net proceeds (payments) on derivative contracts with financing elements | 6,853 | (592) |
| Net proceeds from issuance of consolidated obligations: | | |
| Discount notes | 586,899,725 | 642,682,864 |
| Bonds | 18,410,888 | 13,648,088 |
| Payments for matured and retired consolidated obligations: | | |
| Discount notes | (596,814,327) | (633,562,007) |
| Bonds | (10,451,793) | (14,729,350) |
| Loans from other Federal Home Loan Banks: | | |
| Proceeds from borrowings | 500,000 | — |
| Principal repayments | (500,000) | — |
| Proceeds from issuance of capital stock | 304,443 | 241,218 |
| Payments for redemption/repurchase of capital stock | (200,309) | (161,885) |
| Payments for redemption/repurchase of mandatorily redeemable capital stock | (4,608) | (7,132) |
| Dividend payments on capital stock | (91,226) | (44,800) |
| Net cash provided by (used in) financing activities | (1,927,810) | 7,428,473 |
| Net increase (decrease) in cash and due from banks | 35,304 | (845,519) |
| Cash and due from banks at beginning of period | 21,161 | 867,880 |
| Cash and due from banks at end of period | $ 56,465 | $ 22,361 |
| **Supplemental Disclosures**: | | |
| Cash activities: | | |
| Interest payments | $ 2,109,305 | $ 334,152 |
| Affordable Housing Program payments | 11,975 | 11,902 |
| Non-cash activities: | | |
| Purchases of investment securities, traded but not yet settled | 233,756 | 136,587 |

The accompanying notes are an integral part of these financial statements.

## Note 1 - Summary of Significant Accounting Policies

Unless the context otherwise requires, the terms "Bank," "we," "us," and "our" refer to the Federal Home Loan Bank of Indianapolis or its management. We use acronyms and terms throughout these Notes to Financial Statements that are defined in the *Defined Terms*.

***Basis of Presentation.*** The accompanying interim financial statements have been prepared in accordance with GAAP and SEC requirements for interim financial information. Accordingly, they do not include all of the information and disclosures required by GAAP for complete financial statements. Certain disclosures that would have substantially duplicated the disclosures in the financial statements, and notes thereto, included in our 2022 Form 10-K have been omitted unless the information contained in those disclosures materially changed. Therefore, these interim financial statements should be read in conjunction with our audited financial statements, and notes thereto, included in our 2022 Form 10-K.

The financial statements contain all adjustments that are, in the opinion of management, necessary for a fair statement of the Bank's financial position, results of operations and cash flows for the interim periods presented. All such adjustments were of a normal recurring nature. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full calendar year or any other interim period.

***Use of Estimates.*** When preparing financial statements in accordance with GAAP, we are required to make subjective assumptions and estimates that may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of income and expense. Although the reported amounts and disclosures reflect our best estimates, actual results could differ significantly from these estimates. The most significant estimates pertain to the fair values of financial instruments.

***Significant Accounting Policies.*** Our significant accounting policies and certain other disclosures are set forth in our 2022 Form 10-K in *Note 1 - Summary of Significant Accounting Policies*. There have been no significant changes to these policies through September 30, 2023 with the exception of the following that resulted from the adoption of ASU 2022-02, *Troubled Debt Restructurings ("TDR") and Vintage Disclosures,* on January 1, 2023.

<u>Mortgage Loan Modifications.</u> Under the new accounting guidance, we are required to evaluate whether the terms of a loan modification made for borrowers experiencing financial difficulty are such that the modified loan should be accounted for as a new loan or a continuation of an existing loan. Prior to January 1, 2023, we evaluated mortgage loan modifications resulting from borrowers experiencing financial difficulty utilizing the troubled debt restructuring ("TDR") guidance. For more information, see *Note 1 - Summary of Significant Accounting Policies* in our 2022 Form 10-K.

<u>Allowance for Credit Losses on Mortgage Loans.</u> Loan modifications resulting from borrowers experiencing financial difficulty are now included in the collective evaluation of credit losses based on a loan's distinct underlying characteristics. Prior to January 1, 2023, TDRs were individually evaluated for purposes of determining the allowance for credit losses.

## Note 2 - Recently Adopted and Issued Accounting Guidance

### *Recently Adopted Accounting Guidance*

<u>*Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting (ASU 2020-04), as amended.*</u> As a part of finalizing the transition of all outstanding LIBOR-indexed instruments to reference SOFR, we adopted certain practical expedients in Topic 848 for qualifying contract modifications related to reference rate reform, including with respect to qualifying hedge relationships. The adoption of this guidance did not have a material impact on the Bank's financial condition, results of operations, or cash flows.

### *Recently Issued Accounting Guidance*

Since the filing of our 2022 Form 10-K, the FASB has not issued any new accounting guidance that is applicable to the Bank.

(Unaudited, $ amounts in thousands unless otherwise indicated)

## Note 3 - Investments

***Short-term Investments.*** We invest in interest-bearing deposits, securities purchased under agreements to resell, and federal funds sold to provide short-term liquidity. These investments are generally transacted with counterparties that maintain a credit rating of triple-B or higher (investment grade) by an NRSRO. At September 30, 2023 and December 31, 2022, none of these investments were with counterparties rated below triple-B, and 5% of these investments, based on amortized cost, were with counterparties that were unrated. The NRSRO ratings may differ from any internal ratings of the investments, if applicable.

*Allowance for Credit Losses.* At September 30, 2023 and December 31, 2022, based on our evaluations, no allowance for credit losses on any of our short-term investments was deemed necessary.

***Investment Securities.***

*Trading Securities.*

*Major Security Types.* The following table presents our trading securities by type of security.

| Security Type | September 30, 2023 | December 31, 2022 |
|---|---|---|
| U.S. Treasury obligations | $ 446,617 | $ 2,230,248 |
| Total trading securities at estimated fair value | $ 446,617 | $ 2,230,248 |

*Net Gains (Losses) on Trading Securities.* The following table presents net gains (losses) on trading securities, excluding any offsetting effect of gains (losses) on the associated derivatives.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Net gains (losses) on trading securities held at period end | $ 2,141 | $ (459) | $ 4,537 | $ (32,361) |
| Net gains (losses) on trading securities that matured/ sold during the period | — | 841 | 6,676 | (5,672) |
| Net gains (losses) on trading securities | $ 2,141 | $ 382 | $ 11,213 | $ (38,033) |

(Unaudited, $ amounts in thousands unless otherwise indicated)

*Available-for-Sale Securities.*

*Major Security Types.* The following table presents our AFS securities by type of security.

| | September 30, 2023 | | | |
|---|---|---|---|---|
| **Security Type** | **Amortized Cost** [1] | **Gross Unrealized Gains** | **Gross Unrealized Losses** | **Estimated Fair Value** |
| U.S. Treasury obligations | $ 5,457,656 | $ 14,687 | $ (1,486) | $ 5,470,857 |
| GSE and TVA debentures | 1,745,997 | 18,756 | — | 1,764,753 |
| GSE multifamily MBS | 6,423,213 | 12,377 | (57,797) | 6,377,793 |
| Total AFS securities | $ 13,626,866 | $ 45,820 | $ (59,283) | $ 13,613,403 |

| | December 31, 2022 | | | |
|---|---|---|---|---|
| **Security Type** | **Amortized Cost** [1] | **Gross Unrealized Gains** | **Gross Unrealized Losses** | **Estimated Fair Value** |
| U.S. Treasury obligations | $ 4,207,974 | $ 3,502 | $ (1,802) | $ 4,209,674 |
| GSE and TVA debentures | 1,882,802 | 20,144 | (243) | 1,902,703 |
| GSE multifamily MBS | 6,099,000 | 20,064 | (51,604) | 6,067,460 |
| Total AFS securities | $ 12,189,776 | $ 43,710 | $ (53,649) | $ 12,179,837 |

(1) Includes adjustments made to the cost basis for purchase discount or premium and related accretion or amortization, and, if applicable, fair-value hedging basis adjustments. At September 30, 2023 and December 31, 2022, net unamortized discounts totaled $(291,143) and $(294,587), respectively, and the applicable fair-value hedging basis adjustments totaled net losses of $(1,393,645) and $(1,099,886), respectively. Excludes accrued interest receivable at September 30, 2023 and December 31, 2022 of $72,474 and $53,358, respectively.

(Unaudited, $ amounts in thousands unless otherwise indicated)

*Unrealized Loss Positions.* The following table presents our impaired AFS securities (i.e., in an unrealized loss position), aggregated by major security type and length of time that individual securities have been in a continuous unrealized loss position.

| | September 30, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or More | | Total | |
| **Security Type** | **Estimated Fair Value** | **Unrealized Losses** | **Estimated Fair Value** | **Unrealized Losses** | **Estimated Fair Value** | **Unrealized Losses** |
| U.S. Treasury obligations | $ 1,115,689 | $ (1,346) | $ 231,738 | $ (140) | $ 1,347,427 | $ (1,486) |
| GSE multifamily MBS | 1,810,455 | (10,429) | 2,743,071 | (47,368) | 4,553,526 | (57,797) |
| Total impaired AFS securities | $ 2,926,144 | $ (11,775) | $ 2,974,809 | $ (47,508) | $ 5,900,953 | $ (59,283) |

| | December 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or More | | Total | |
| **Security Type** | **Estimated Fair Value** | **Unrealized Losses** | **Estimated Fair Value** | **Unrealized Losses** | **Estimated Fair Value** | **Unrealized Losses** |
| U.S. Treasury obligations | $ 1,836,099 | $ (1,802) | $ — | $ — | $ 1,836,099 | $ (1,802) |
| GSE and TVA debentures | 75,024 | (243) | — | — | 75,024 | (243) |
| GSE multifamily MBS | 3,484,309 | (41,046) | 301,339 | (10,558) | 3,785,648 | (51,604) |
| Total impaired AFS securities | $ 5,395,432 | $ (43,091) | $ 301,339 | $ (10,558) | $ 5,696,771 | $ (53,649) |

*Contractual Maturity.* The amortized cost and estimated fair value of our non-MBS AFS securities are presented below by contractual maturity. MBS are not presented by contractual maturity because their actual maturities will likely differ from their contractual maturities as borrowers have the right to prepay their obligations with or without prepayment fees.

| | September 30, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| **Year of Contractual Maturity** | **Amortized Cost** | **Estimated Fair Value** | **Amortized Cost** | **Estimated Fair Value** |
| Non-MBS: | | | | |
| Due in 1 year or less | $ 278,296 | $ 279,554 | $ 131,329 | $ 131,517 |
| Due after 1 through 5 years | 3,740,367 | 3,765,153 | 1,575,581 | 1,594,583 |
| Due after 5 through 10 years | 3,184,990 | 3,190,903 | 4,383,866 | 4,386,277 |
| Total non-MBS | 7,203,653 | 7,235,610 | 6,090,776 | 6,112,377 |
| Total MBS | 6,423,213 | 6,377,793 | 6,099,000 | 6,067,460 |
| Total AFS securities | $ 13,626,866 | $ 13,613,403 | $ 12,189,776 | $ 12,179,837 |

*Realized Gains and Losses.* During the three and nine months ended September 30, 2023, for strategic and economic reasons, we sold a portion of our AFS securities. Proceeds from the sales totaled $507,547 and $592,660, respectively, resulting in net realized losses, excluding swap termination fees received, of $(6,568) and $(6,710), respectively, determined by the specific identification method. There were no sales during the three and nine months ended September 30, 2022.

*Allowance for Credit Losses.* At September 30, 2023 and December 31, 2022, 100% of our AFS securities were rated single-A, or above, by an NRSRO, based on the lowest long-term credit rating for each security. The NRSRO ratings may differ from any internal ratings of the securities, if applicable.

At September 30, 2023 and December 31, 2022, certain of our AFS securities were in an unrealized loss position; however, no allowance for credit losses was deemed necessary because those losses were considered temporary and recovery of the entire amortized cost basis on these securities at maturity was expected.

(Unaudited, $ amounts in thousands unless otherwise indicated)

<u>*Held-to-Maturity Securities.*</u>

*Major Security Types.* The following table presents our HTM securities by type of security.

| | September 30, 2023 | | | |
|---|---|---|---|---|
| **Security Type** | **Amortized Cost [(1)]** | **Gross Unrecognized Holding Gains** | **Gross Unrecognized Holding Losses** | **Estimated Fair Value** |
| MBS: | | | | |
| Other U.S. obligations - guaranteed single-family | $ 4,145,163 | $ 3,226 | $ (37,043) | $ 4,111,346 |
| GSE single-family | 649,833 | 440 | (47,080) | 603,193 |
| GSE multifamily | 564,710 | — | (5,027) | 559,683 |
| Total HTM securities | $ 5,359,706 | $ 3,666 | $ (89,150) | $ 5,274,222 |

| | December 31, 2022 | | | |
|---|---|---|---|---|
| **Security Type** | **Amortized Cost [(1)]** | **Gross Unrecognized Holding Gains** | **Gross Unrecognized Holding Losses** | **Estimated Fair Value** |
| MBS: | | | | |
| Other U.S. obligations - guaranteed single-family | $ 2,991,702 | $ 2,128 | $ (43,106) | $ 2,950,724 |
| GSE single-family | 619,910 | 518 | (39,634) | 580,794 |
| GSE multifamily | 628,589 | — | (3,889) | 624,700 |
| Total HTM securities | $ 4,240,201 | $ 2,646 | $ (86,629) | $ 4,156,218 |

(1) Carrying value equals amortized cost, which includes adjustments made to the cost basis for purchase discount or premium and related accretion or amortization. Net unamortized premium at September 30, 2023 and December 31, 2022 totaled $22,662 and $26,125, respectively.

*Contractual Maturity.* HTM securities are not presented by contractual maturity because they consisted entirely of MBS, whose actual maturities will likely differ from their contractual maturities as borrowers have the right to prepay their obligations with or without prepayment fees.

*Realized Gains and Losses.* During the nine months ended September 30, 2023 and 2022, we sold a portion of our HTM MBS for which we had previously collected at least 85% of the principal outstanding at the time of acquisition. As such, the sales were considered maturities for purposes of security classification. Proceeds from the sales during the nine months ended September 30, 2023 and 2022 totaled $9,769 and $63,111, respectively, resulting in net realized losses of $(71) and $(1,033), respectively, determined by the specific identification method.

*Allowance for Credit Losses.* At September 30, 2023 and December 31, 2022, 100% of our HTM securities were rated single-A, or above, by an NRSRO, based on the lowest long-term credit rating for each security. The NRSRO ratings may differ from any internal ratings of the securities, if applicable.

At September 30, 2023 and December 31, 2022, based on our evaluation, no allowance for credit losses on any of our HTM securities was deemed necessary.

(Unaudited, $ amounts in thousands unless otherwise indicated)

**Note 4 - Advances**

The following table presents our advances outstanding by redemption term.

| | September 30, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| **Redemption Term** | **Amount** | **WAIR %** | **Amount** | **WAIR %** |
| Overdrawn demand and overnight deposit accounts | $ 18 | 7.73 | $ 430 | 6.74 |
| Due in 1 year or less | 9,873,503 | 4.75 | 14,517,059 | 3.77 |
| Due after 1 through 2 years | 3,925,830 | 3.14 | 2,726,023 | 2.82 |
| Due after 2 through 3 years | 2,632,172 | 3.22 | 3,316,683 | 2.73 |
| Due after 3 through 4 years | 3,300,243 | 4.10 | 2,045,370 | 2.70 |
| Due after 4 through 5 years | 6,540,352 | 4.16 | 3,938,017 | 3.96 |
| Thereafter | 9,356,901 | 3.39 | 10,747,880 | 2.70 |
| Total advances, par value | 35,629,019 | 3.93 | 37,291,462 | 3.26 |
| Fair-value hedging basis adjustments, net | (852,723) | | (615,859) | |
| Unamortized swap termination fees associated with modified advances, net of deferred prepayment fees | 5,194 | | 6,856 | |
| Total advances [1] | $ 34,781,490 | | $ 36,682,459 | |

[1] Carrying value equals amortized cost, which excludes accrued interest receivable at September 30, 2023 and December 31, 2022 of $55,800 and $50,446, respectively.

The following table presents our advances outstanding by the earlier of the redemption date or the next call date and next put date.

| | Earlier of Redemption or Next Call Date | | Earlier of Redemption or Next Put Date | |
|---|---|---|---|---|
| **Term** | **September 30, 2023** | **December 31, 2022** | **September 30, 2023** | **December 31, 2022** |
| Overdrawn demand and overnight deposit accounts | $ 18 | $ 430 | $ 18 | $ 430 |
| Due in 1 year or less | 14,832,005 | 19,337,582 | 14,363,003 | 20,226,164 |
| Due after 1 through 2 years | 3,363,030 | 2,299,023 | 4,691,730 | 3,207,023 |
| Due after 2 through 3 years | 2,204,582 | 2,385,483 | 3,345,172 | 4,082,583 |
| Due after 3 through 4 years | 1,957,633 | 1,592,245 | 3,535,343 | 2,045,370 |
| Due after 4 through 5 years | 5,685,099 | 2,773,917 | 5,720,352 | 4,173,117 |
| Thereafter | 7,586,652 | 8,902,782 | 3,973,401 | 3,556,775 |
| Total advances, par value | $ 35,629,019 | $ 37,291,462 | $ 35,629,019 | $ 37,291,462 |

***Advance Concentrations.*** At September 30, 2023 and December 31, 2022, our top five borrowers held 36% and 41%, respectively, of total advances outstanding at par. At September 30, 2023 and December 31, 2022, our top borrower held 12%.

***Allowance for Credit Losses.*** At September 30, 2023 and December 31, 2022, based upon the collateral held as security, our credit extension and collateral policies, our credit analysis and the repayment history on advances, no allowance for credit losses on advances was deemed necessary.

(Unaudited, $ amounts in thousands unless otherwise indicated)

**Note 5 - Mortgage Loans Held for Portfolio**

The following tables present information on our mortgage loans held for portfolio by term and type.

| Term | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Fixed-rate long-term mortgages | $ 7,335,205 | $ 6,676,752 |
| Fixed-rate medium-term [(1)] mortgages | 770,265 | 856,446 |
| Total mortgage loans held for portfolio, UPB | 8,105,470 | 7,533,198 |
| Unamortized premiums | 174,065 | 168,593 |
| Unamortized discounts | (11,418) | (9,466) |
| Hedging basis adjustments, net | (6,558) | (5,670) |
| Total mortgage loans held for portfolio | 8,261,559 | 7,686,655 |
| Allowance for credit losses | (125) | (200) |
| Total mortgage loans held for portfolio, net [(2)] | $ 8,261,434 | $ 7,686,455 |

(1) Defined as a term of 15 years or less at origination.
(2) Excludes accrued interest receivable at September 30, 2023 and December 31, 2022 of $36,654 and $30,396, respectively.

| Type | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Conventional | $ 7,965,829 | $ 7,383,168 |
| Government-guaranteed or -insured | 139,641 | 150,030 |
| Total mortgage loans held for portfolio, UPB | $ 8,105,470 | $ 7,533,198 |

***Credit Quality Indicators for Conventional Mortgage Loans and Other Delinquency Statistics.*** The tables below present the key credit quality indicators and other delinquency statistics for our mortgage loans held for portfolio aggregated by (i) the most recent five origination years and (ii) all other prior origination years. Amounts are based on amortized cost, which excludes accrued interest receivable.

| | September 30, 2023 | | |
|---|---|---|---|
| | Origination Year | | |
| Payment Status | Prior to 2019 | 2019 to 2023 | Total |
| Past due: | | | |
| 30-59 days | $ 19,600 | $ 21,268 | $ 40,868 |
| 60-89 days | 4,268 | 795 | 5,063 |
| 90 days or more | 4,088 | 1,565 | 5,653 |
| Total past due | 27,956 | 23,628 | 51,584 |
| Total current | 2,463,750 | 5,605,111 | 8,068,861 |
| Total conventional mortgage loans, amortized cost | $ 2,491,706 | $ 5,628,739 | $ 8,120,445 |

| | December 31, 2022 | | |
|---|---|---|---|
| | Origination Year | | |
| Payment Status | Prior to 2018 | 2018 to 2022 | Total |
| Past due: | | | |
| 30-59 days | $ 17,892 | $ 13,041 | $ 30,933 |
| 60-89 days | 4,537 | 1,992 | 6,529 |
| 90 days or more | 9,498 | 2,979 | 12,477 |
| Total past due | 31,927 | 18,012 | 49,939 |
| Total current | 2,422,623 | 5,062,416 | 7,485,039 |
| Total conventional mortgage loans, amortized cost | $ 2,454,550 | $ 5,080,428 | $ 7,534,978 |

(Unaudited, $ amounts in thousands unless otherwise indicated)

| | September 30, 2023 | | |
|---|---|---|---|
| **Other Delinquency Statistics** | **Conventional** | **Government** | **Total** |
| In process of foreclosure [1] | $ 675 | $ — | $ 675 |
| Serious delinquency rate [2] | 0.07 % | 0.70 % | 0.08 % |
| Past due 90 days or more still accruing interest [3] | $ 2,261 | $ 992 | $ 3,253 |
| On non-accrual status [4] | $ 8,354 | $ — | $ 8,354 |

| | December 31, 2022 | | |
|---|---|---|---|
| **Other Delinquency Statistics** | **Conventional** | **Government** | **Total** |
| In process of foreclosure [1] | $ 1,655 | $ — | $ 1,655 |
| Serious delinquency rate [2] | 0.16 % | 1.07 % | 0.18 % |
| Past due 90 days or more still accruing interest [3] | $ 6,283 | $ 1,552 | $ 7,835 |
| On non-accrual status [4] | $ 10,984 | $ — | $ 10,984 |

(1) Includes loans for which the decision of foreclosure or similar alternative, such as pursuit of deed-in-lieu of foreclosure, has been reported. Loans in process of foreclosure are included in past due categories depending on their delinquency status, but are not necessarily considered to be on non-accrual status.

(2) Represents loans 90 days or more past due (including loans in process of foreclosure) expressed as a percentage of the respective amount of mortgage loans outstanding. The total rate is a weighted-average rate. The percentage excludes principal and interest amounts previously paid in full by the servicers on conventional loans that are pending resolution of potential loss claims. Our servicers repurchase seriously delinquent government loans, including Federal Housing Administration loans, when certain criteria are met.

(3) Although our past due scheduled/scheduled MPP loans are classified as loans past due 90 days or more based on the loan's delinquency status, we do not consider these loans to be on non-accrual status as they are well-secured and in the process of collection.

(4) As of September 30, 2023 and December 31, 2022, of these conventional mortgage loans on non-accrual status, $970 and $3,160, respectively, of UPB did not have a related allowance for credit losses because these loans were either previously charged off to the expected recoverable value and/or the fair value of the underlying collateral, including any credit enhancements, exceeded the amortized cost of the loans.

***Allowance for Credit Losses.*** The table below presents a rollforward of our allowance for credit losses.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **Rollforward of Allowance** | **2023** | **2022** | **2023** | **2022** |
| Balance, beginning of period | $ 200 | $ 200 | $ 200 | $ 200 |
| (Charge-offs), net of recoveries | 158 | 8 | 159 | 68 |
| Provision for (reversal of) credit losses | (233) | (8) | (234) | (68) |
| Balance, end of period | $ 125 | $ 200 | $ 125 | $ 200 |

(Unaudited, $ amounts in thousands unless otherwise indicated)

## Note 6 - Derivatives and Hedging Activities

***Managing Credit Risk on Derivatives.*** We are subject to credit risk due to the risk of nonperformance by the counterparties to our derivative transactions.

Uncleared Derivatives. We became subject to two-way initial margin regulatory requirements for uncleared derivative transactions executed on or after September 1, 2022 when our aggregate uncleared derivative exposure to a single counterparty exceeded a specified threshold during 2023. However, at September 30, 2023, we did not have any such exposure and therefore none of our securities were pledged as collateral.

There were no uncleared derivative instruments with credit-risk-related contingent features that were in a net liability position (before cash collateral and related accrued interest on cash collateral) at September 30, 2023 or December 31, 2022.

Cleared Derivatives. At September 30, 2023 and December 31, 2022, we were not required by our clearing agents to post any additional margin.

***Financial Statement Effect and Additional Financial Information.***

We record derivative instruments, related cash collateral received or pledged/posted and associated accrued interest on a net basis by clearing agent and/or by counterparty when the netting requirements have been met.

The following table presents the notional amount and estimated fair value of our derivative assets and liabilities.

| | September 30, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| | Notional Amount | Derivative Assets | Derivative Liabilities | Notional Amount | Derivative Assets | Derivative Liabilities |
| Derivatives designated as hedging instruments: | | | | | | |
| Interest-rate swaps | $ 78,478,162 | $ 1,183,118 | $ 2,118,828 | $ 66,103,220 | $ 919,089 | $ 2,178,897 |
| Derivatives not designated as hedging instruments: | | | | | | |
| Economic hedges: | | | | | | |
| Interest-rate swaps | 460,000 | 11 | 184 | 6,200,000 | 599 | 525 |
| Interest-rate caps/floors | 811,000 | 2,622 | — | 611,000 | 1,310 | — |
| Interest-rate forwards | 160,700 | 414 | 146 | 30,200 | 131 | — |
| MDCs | 158,701 | 68 | 500 | 30,855 | 50 | 102 |
| Total derivatives not designated as hedging instruments | 1,590,401 | 3,115 | 830 | 6,872,055 | 2,090 | 627 |
| Total derivatives before adjustments | $ 80,068,563 | 1,186,233 | 2,119,658 | $ 72,975,275 | 921,179 | 2,179,524 |
| Netting adjustments and cash collateral (1) | | (649,362) | (2,104,332) | | (486,758) | (2,160,315) |
| Total derivatives, net, at estimated fair value | | $ 536,871 | $ 15,326 | | $ 434,421 | $ 19,209 |

(1) Represents the application of the netting requirements that allow us to settle (i) positive and negative positions and (ii) cash collateral and related accrued interest held or placed, with the same clearing agent and/or counterparty. Cash collateral pledged to counterparties at September 30, 2023 and December 31, 2022, including accrued interest, totaled $1,642,233 and $1,854,876, respectively. Cash collateral received from counterparties and held at September 30, 2023 and December 31, 2022, including accrued interest, totaled $187,263 and $181,319, respectively.

(Unaudited, $ amounts in thousands unless otherwise indicated)

The following table presents separately the estimated fair value of our derivative instruments meeting and not meeting netting requirements, including the effect of the related collateral.

| | September 30, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | Derivative Assets | Derivative Liabilities | Derivative Assets | Derivative Liabilities |
| Derivative instruments meeting netting requirements: | | | | |
| Gross recognized amount | | | | |
| Uncleared | $ 1,182,615 | $ 2,096,260 | $ 892,313 | $ 2,178,098 |
| Cleared | 3,136 | 22,752 | 28,685 | 1,324 |
| Total gross recognized amount | 1,185,751 | 2,119,012 | 920,998 | 2,179,422 |
| Gross amounts of netting adjustments and cash collateral | | | | |
| Uncleared | (1,144,406) | (2,081,580) | (884,451) | (2,158,991) |
| Cleared | 495,044 | (22,752) | 397,693 | (1,324) |
| Total gross amounts of netting adjustments and cash collateral | (649,362) | (2,104,332) | (486,758) | (2,160,315) |
| Net amounts after netting adjustments and cash collateral | | | | |
| Uncleared | 38,209 | 14,680 | 7,862 | 19,107 |
| Cleared | 498,180 | — | 426,378 | — |
| Total net amounts after netting adjustments and cash collateral | 536,389 | 14,680 | 434,240 | 19,107 |
| Derivative instruments not meeting netting requirements [1] | 482 | 646 | 181 | 102 |
| Total derivatives, net, at estimated fair value | $ 536,871 | $ 15,326 | $ 434,421 | $ 19,209 |

(1) Includes MDCs and certain interest-rate forwards.

(Unaudited, $ amounts in thousands unless otherwise indicated)

The following table presents the impact of our qualifying fair-value hedging relationships on net interest income by hedged item, excluding any offsetting interest income/expense of the associated hedged items.

| | Three Months Ended September 30, 2023 | | | |
|---|---|---|---|---|
| | **Advances** | **AFS Securities** | **CO Bonds** | **Total** |
| Net impact of fair-value hedging relationships on net interest income: | | | | |
| Net interest settlements on derivatives [1] | $ 160,877 | $ 129,012 | $ (253,041) | $ 36,848 |
| Net gains (losses) on derivatives [2] | 119,264 | 143,987 | (37,173) | 226,078 |
| Net gains (losses) on hedged items [3] | (130,274) | (169,185) | 46,695 | (252,764) |
| Net impact on net interest income | $ 149,867 | $ 103,814 | $ (243,519) | $ 10,162 |
| Total interest income (expense) recorded in the statement of income [4] | $ 502,373 | $ 212,408 | $ (598,526) | $ 116,255 |

| | Three Months Ended September 30, 2022 | | | |
|---|---|---|---|---|
| | **Advances** | **AFS Securities** | **CO Bonds** | **Total** |
| Net impact of fair-value hedging relationships on net interest income: | | | | |
| Net interest settlements on derivatives [1] | $ 27,902 | $ 23,579 | $ (58,110) | $ (6,629) |
| Net gains (losses) on derivatives [2] | 253,211 | 172,199 | (716,889) | (291,479) |
| Net gains (losses) on hedged items [3] | (253,803) | (190,174) | 713,132 | 269,155 |
| Net impact on net interest income | $ 27,310 | $ 5,604 | $ (61,867) | $ (28,953) |
| Total interest income (expense) recorded in the statement of income [4] | $ 187,002 | $ 88,443 | $ (218,109) | $ 57,336 |

| | Nine Months Ended September 30, 2023 | | | |
|---|---|---|---|---|
| | **Advances** | **AFS Securities** | **CO Bonds** | **Total** |
| Net impact of fair-value hedging relationships on net interest income: | | | | |
| Net interest settlements on derivatives [1] | $ 427,432 | $ 343,187 | $ (694,942) | $ 75,677 |
| Net gains (losses) on derivatives [2] | 157,566 | 128,284 | 92,024 | 377,874 |
| Net gains (losses) on hedged items [3] | (177,409) | (188,067) | (83,198) | (448,674) |
| Net impact on net interest income | $ 407,589 | $ 283,404 | $ (686,116) | $ 4,877 |
| Total interest income (expense) recorded in the statement of income [4] | $ 1,428,357 | $ 584,634 | $ (1,588,952) | $ 424,039 |

| | Nine Months Ended September 30, 2022 | | | |
|---|---|---|---|---|
| | **Advances** | **AFS Securities** | **CO Bonds** | **Total** |
| Net impact of fair-value hedging relationships on net interest income: | | | | |
| Net interest settlements on derivatives [1] | $ (31,122) | $ (10,549) | $ 24,554 | $ (17,117) |
| Net gains (losses) on derivatives [2] | 751,782 | 456,209 | (2,006,955) | (798,964) |
| Net gains (losses) on hedged items [3] | (754,378) | (504,453) | 1,995,737 | 736,906 |
| Net impact on net interest income | $ (33,718) | $ (58,793) | $ 13,336 | $ (79,175) |
| Total interest income (expense) recorded in the statement of income [4] | $ 289,605 | $ 149,451 | $ (369,000) | $ 70,056 |

(1) Represents interest income/expense on derivatives in qualifying fair-value hedging relationships. Net interest settlements on derivatives that are not in qualifying fair-value hedging relationships are reported in other income.

(2) Includes increases (decreases) in estimated fair value and price alignment interest.

(Unaudited, $ amounts in thousands unless otherwise indicated)

(3) Includes increases (decreases) in estimated fair value and amortization of net losses on ineffective and discontinued fair-value hedging relationships.
(4) For advances, AFS securities and CO bonds only.

The following table presents the components of our net gains (losses) on derivatives reported in other income.

| Type of Hedge | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 |
|---|---|---|---|---|
| Net gains (losses) on derivatives not designated as hedging instruments: | | | | |
| Economic hedges: | | | | |
| Interest-rate swaps | $ 26 | $ (5,903) | $ (8,145) | $ 32,560 |
| Interest-rate caps/floors | 431 | 1,150 | 2 | 1,281 |
| Interest-rate forwards | 794 | 1,428 | 852 | 8,454 |
| Net interest settlements [1] | 4,878 | 14,018 | 17,322 | 12,881 |
| MDCs | (1,246) | (1,709) | (1,541) | (8,995) |
| Net gains (losses) on derivatives in other income | $ 4,883 | $ 8,984 | $ 8,490 | $ 46,181 |

(1) Relates to derivatives that are not in qualifying fair-value hedging relationships. The interest income/expense of the associated hedged items is recorded in net interest income.

The following table presents the amortized cost of, and the related cumulative basis adjustments on, our hedged items in qualifying fair-value hedging relationships.

| | September 30, 2023 | | |
|---|---|---|---|
| | Advances | AFS Securities | CO Bonds |
| Amortized cost of hedged items [1] | $ 22,539,611 | $ 13,626,866 | $ 37,746,065 |
| Cumulative basis adjustments included in amortized cost: | | | |
| For active fair-value hedging relationships [2] | $ (852,723) | $ (1,642,606) | $ (2,034,532) |
| For discontinued fair-value hedging relationships | — | 248,961 | — |
| Total cumulative fair-value hedging basis adjustments on hedged items | $ (852,723) | $ (1,393,645) | $ (2,034,532) |

| | December 31, 2022 | | |
|---|---|---|---|
| | Advances | AFS Securities | CO Bonds |
| Amortized cost of hedged items [1] | $ 20,766,832 | $ 12,189,776 | $ 28,717,246 |
| Cumulative basis adjustments included in amortized cost: | | | |
| For active fair-value hedging relationships [2] | $ (615,898) | $ (1,417,774) | $ (2,147,802) |
| For discontinued fair-value hedging relationships | 39 | 317,888 | — |
| Total cumulative fair-value hedging basis adjustments on hedged items | $ (615,859) | $ (1,099,886) | $ (2,147,802) |

(1) Includes the amortized cost of the hedged items in active or discontinued fair-value hedging relationships.
(2) Includes effective and ineffective fair-value hedging relationships. Excludes any offsetting effect of the net estimated fair value of the associated derivatives.

(Unaudited, $ amounts in thousands unless otherwise indicated)

**Note 7 - Consolidated Obligations**

In addition to being the primary obligor for all consolidated obligations issued on our behalf, we are jointly and severally liable with each of the other FHLBanks for the payment of the principal and interest on all of the FHLBanks' consolidated obligations outstanding. The par values of the FHLBanks' consolidated obligations outstanding at both September 30, 2023 and December 31, 2022 totaled $1.2 trillion. As provided by the Federal Home Loan Bank Act of 1932 and Finance Agency regulations, consolidated obligations are backed only by the financial resources of all FHLBanks.

***Discount Notes.*** The following table presents our discount notes outstanding, all of which are due within one year of issuance.

| **Discount Notes** | **September 30, 2023** | **December 31, 2022** |
|---|---|---|
| Book value | $ 17,457,879 | $ 27,387,492 |
| Par value | 17,557,626 | 27,533,665 |
| | | |
| Weighted average effective interest rate | 5.39 % | 4.16 % |

***CO Bonds.*** The following table presents our CO bonds outstanding by contractual maturity.

| | **September 30, 2023** | | **December 31, 2022** | |
|---|---|---|---|---|
| **Year of Contractual Maturity** | **Amount** | **WAIR%** | **Amount** | **WAIR%** |
| Due in 1 year or less | $ 20,145,400 | 4.27 | $ 10,016,310 | 3.05 |
| Due after 1 through 2 years | 10,361,030 | 1.94 | 8,014,590 | 1.48 |
| Due after 2 through 3 years | 6,616,580 | 1.38 | 6,278,940 | 1.37 |
| Due after 3 through 4 years | 3,435,010 | 1.66 | 7,130,600 | 1.25 |
| Due after 4 through 5 years | 1,807,290 | 2.56 | 2,312,540 | 1.76 |
| Thereafter | 7,545,380 | 2.66 | 8,249,080 | 2.35 |
| Total CO bonds, par value | 49,910,690 | 2.92 | 42,002,060 | 1.99 |
| Unamortized premiums | 36,556 | | 45,535 | |
| Unamortized discounts | (9,269) | | (10,165) | |
| Unamortized concessions | (7,880) | | (7,174) | |
| Fair-value hedging basis adjustments, net | (2,034,532) | | (2,147,802) | |
| Total CO bonds | $ 47,895,565 | | $ 39,882,454 | |

The following tables present the par value of our CO bonds outstanding by redemption feature and the earlier of the year of contractual maturity or next call date.

| **Call Feature** | **September 30, 2023** | **December 31, 2022** |
|---|---|---|
| Non-callable / non-putable | $ 12,629,865 | $ 11,979,560 |
| Callable | 37,280,825 | 30,022,500 |
| Total CO bonds, par value | $ 49,910,690 | $ 42,002,060 |

| **Year of Contractual Maturity or Next Call Date** | **September 30, 2023** | **December 31, 2022** |
|---|---|---|
| Due in 1 year or less | $ 44,977,900 | $ 37,066,810 |
| Due after 1 through 2 years | 2,054,030 | 1,444,590 |
| Due after 2 through 3 years | 865,080 | 770,940 |
| Due after 3 through 4 years | 230,010 | 804,100 |
| Due after 4 through 5 years | 580,290 | 268,540 |
| Thereafter | 1,203,380 | 1,647,080 |
| Total CO bonds, par value | $ 49,910,690 | $ 42,002,060 |

(Unaudited, $ amounts in thousands unless otherwise indicated)

The following table presents the par value of our CO bonds outstanding by interest-rate payment type.

| Interest-Rate Payment Type | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Fixed-rate | $ 46,556,690 | $ 36,957,560 |
| Step-up | 1,418,500 | 2,268,500 |
| Simple variable-rate | 1,935,500 | 2,776,000 |
| Total CO bonds, par value | $ 49,910,690 | $ 42,002,060 |

**Note 8 - Affordable Housing Program**

The following table summarizes the activity in our AHP funding obligation.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **AHP Activity** | **2023** | **2022** | **2023** | **2022** |
| Liability at beginning of period | $ 53,135 | $ 28,953 | $ 38,170 | $ 31,049 |
| Assessments [(1)] | 10,568 | 5,218 | 31,849 | 12,046 |
| Subsidy usage, net [(2)] | (5,659) | (2,978) | (11,975) | (11,902) |
| Liability at end of period | $ 58,044 | $ 31,193 | $ 58,044 | $ 31,193 |

(1) Assessments are reported separately on the Statement of Income as a reduction to income before assessments.
(2) Subsidies disbursed are reported net of returns/recaptures of previously disbursed subsidies.

**Note 9 - Capital**

***Classes of Capital Stock.*** The following table presents our capital stock outstanding by sub-series.

| Capital Stock Sub-Series | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Class B-1 [(1)] | $ 546,166 | $ 535,345 |
| Class B-2 [(2)] | 1,681,080 | 1,587,780 |
| Total Class B | $ 2,227,246 | $ 2,123,125 |

(1) Non-activity-based stock.
(2) Activity-based stock.

***Mandatorily Redeemable Capital Stock.*** The following table presents the activity in our MRCS.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **MRCS Activity** | **2023** | **2022** | **2023** | **2022** |
| Liability at beginning of period | $ 370,622 | $ 45,583 | $ 372,503 | $ 50,422 |
| Reclassification from capital stock | — | — | 13 | — |
| Redemptions/repurchases | (2,714) | (2,293) | (4,608) | (7,132) |
| Liability at end of period | $ 367,908 | $ 43,290 | $ 367,908 | $ 43,290 |

(Unaudited, $ amounts in thousands unless otherwise indicated)

The following table presents our MRCS by contractual year of redemption. The year of redemption is the later of (i) the final year of the five-year redemption period, or (ii) the first year in which a non-member no longer has an activity-based stock requirement.

| **MRCS Contractual Year of Redemption** | **September 30, 2023** | **December 31, 2022** |
|---|---|---|
| Past contractual redemption date [1] | $ 763 | $ 498 |
| Year 1 [2] | 15,047 | 10,048 |
| Year 2 | 3,530 | 9,872 |
| Year 3 | 19,323 | 19,179 |
| Year 4 | — | 3,674 |
| Year 5 | 329,245 | 329,232 |
| Total MRCS | $ 367,908 | $ 372,503 |

(1) Balance represents Class B stock that will not be redeemed until the associated credit products and other obligations are no longer outstanding.

(2) Balance at September 30, 2023 and December 31, 2022 includes $5,175 and $9,585 of Class B stock held by one captive insurance company whose membership was terminated on February 19, 2021. The stock is not past its contractual redemption date, but will be redeemed as soon as the associated credit products and other obligations are no longer outstanding.

The following table presents the distributions related to our MRCS.

| | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| **MRCS Distributions** | **2023** | **2022** | **2023** | **2022** |
| Recorded as interest expense | $ 4,348 | $ 408 | $ 12,828 | $ 922 |
| Recorded as distributions from retained earnings | — | — | 707 | — |
| Total | $ 4,348 | $ 408 | $ 13,535 | $ 922 |

***Capital Requirements.*** We are subject to three capital requirements under our capital plan and Finance Agency regulations as disclosed in *Note 12 - Capital* in our 2022 Form 10-K. As presented in the following table, we were in compliance with these Finance Agency capital requirements at September 30, 2023 and December 31, 2022.

| | **September 30, 2023** | | **December 31, 2022** | |
|---|---|---|---|---|
| **Regulatory Capital Requirements** | **Required** | **Actual** | **Required** | **Actual** |
| Risk-based capital | $ 1,111,684 | $ 4,064,101 | $ 489,240 | $ 3,781,992 |
| | | | | |
| Total regulatory capital | $ 2,841,645 | $ 4,064,101 | $ 2,891,351 | $ 3,781,992 |
| Total regulatory capital-to-assets ratio | 4.00% | 5.72% | 4.00% | 5.23% |
| | | | | |
| Leverage capital | $ 3,552,056 | $ 6,096,151 | $ 3,614,189 | $ 5,672,988 |
| Leverage ratio | 5.00% | 8.58% | 5.00% | 7.85% |

(Unaudited, $ amounts in thousands unless otherwise indicated)

**Note 10 - Accumulated Other Comprehensive Income**

The following table presents a summary of the changes in the components of our AOCI.

| AOCI Rollforward | Unrealized Gains (Losses) on AFS Securities | Pension Benefits | Total AOCI (Loss) |
|---|---|---|---|
| **Balance, June 30, 2023** | $ 3,995 | $ (14,306) | $ (10,311) |
| OCI before reclassifications: | | | |
| Net change in unrealized gains (losses) | (24,026) | — | (24,026) |
| Reclassifications from OCI to net income: | | | |
| Net realized losses from sales of AFS securities | 6,568 | — | 6,568 |
| Pension benefits, net | — | 547 | 547 |
| Total other comprehensive income | (17,458) | 547 | (16,911) |
| **Balance, September 30, 2023** | $ (13,463) | $ (13,759) | $ (27,222) |
| | | | |
| **Balance, June 30, 2022** | $ 32,251 | $ (18,095) | $ 14,156 |
| OCI before reclassifications: | | | |
| Net change in unrealized gains (losses) | (16,452) | — | (16,452) |
| Reclassifications from OCI to net income: | | | |
| Pension benefits, net | — | 609 | 609 |
| Total other comprehensive income (loss) | (16,452) | 609 | (15,843) |
| **Balance, September 30, 2022** | $ 15,799 | $ (17,486) | $ (1,687) |

| AOCI Rollforward | Unrealized Gains (Losses) on AFS Securities | Pension Benefits | Total AOCI (Loss) |
|---|---|---|---|
| **Balance, December 31, 2022** | $ (9,939) | $ (15,852) | $ (25,791) |
| OCI before reclassifications: | | | |
| Net change in unrealized gains (losses) | (10,234) | — | (10,234) |
| Reclassifications from OCI to net income: | | | |
| Net realized losses from sales of AFS securities | 6,710 | — | 6,710 |
| Pension benefits, net | — | 2,093 | 2,093 |
| Total other comprehensive income | (3,524) | 2,093 | (1,431) |
| **Balance, September 30, 2023** | $ (13,463) | $ (13,759) | $ (27,222) |
| | | | |
| **Balance, December 31, 2021** | $ 151,942 | $ (18,884) | $ 133,058 |
| OCI before reclassifications: | | | |
| Net change in unrealized gains (losses) | (136,143) | — | (136,143) |
| Reclassifications from OCI to net income: | | | |
| Pension benefits, net | — | 1,398 | 1,398 |
| Total other comprehensive income (loss) | (136,143) | 1,398 | (134,745) |
| **Balance, September 30, 2022** | $ 15,799 | $ (17,486) | $ (1,687) |

(Unaudited, $ amounts in thousands unless otherwise indicated)

**Note 11 - Segment Information**

The following table presents our financial performance by operating segment.

| | Three Months Ended September 30, 2023 | | | Three Months Ended September 30, 2022 | | |
|---|---|---|---|---|---|---|
| | Traditional | Mortgage Loans | Total | Traditional | Mortgage Loans | Total |
| Net interest income | $ 115,311 | $ 12,644 | $ 127,955 | $ 59,854 | $ 12,721 | $ 72,575 |
| Provision for (reversal of) credit losses | — | (233) | (233) | — | (8) | (8) |
| Other income (loss) | 481 | (384) | 97 | 7,367 | (167) | 7,200 |
| Other expenses | 23,111 | 3,840 | 26,951 | 23,879 | 4,134 | 28,013 |
| Income before assessments | 92,681 | 8,653 | 101,334 | 43,342 | 8,428 | 51,770 |
| Affordable Housing Program assessments | 9,703 | 865 | 10,568 | 4,375 | 843 | 5,218 |
| Net income | $ 82,978 | $ 7,788 | $ 90,766 | $ 38,967 | $ 7,585 | $ 46,552 |

| | Nine Months Ended September 30, 2023 | | | Nine Months Ended September 30, 2022 | | |
|---|---|---|---|---|---|---|
| | Traditional | Mortgage Loans | Total | Traditional | Mortgage Loans | Total |
| Net interest income | $ 318,114 | $ 37,084 | $ 355,198 | $ 163,325 | $ 37,656 | $ 200,981 |
| Provision for (reversal of) credit losses | — | (234) | (234) | — | (68) | (68) |
| Other income (loss) | 39,764 | (369) | 39,395 | (1,575) | (325) | (1,900) |
| Other expenses | 77,383 | 11,786 | 89,169 | 68,081 | 11,529 | 79,610 |
| Income before assessments | 280,495 | 25,163 | 305,658 | 93,669 | 25,870 | 119,539 |
| Affordable Housing Program assessments | 29,333 | 2,516 | 31,849 | 9,459 | 2,587 | 12,046 |
| Net income | $ 251,162 | $ 22,647 | $ 273,809 | $ 84,210 | $ 23,283 | $ 107,493 |

The following table presents our asset balances by operating segment.

| Date | Traditional | Mortgage Loans | Total |
|---|---|---|---|
| September 30, 2023 | $ 62,779,683 | $ 8,261,434 | $ 71,041,117 |
| December 31, 2022 | 64,597,325 | 7,686,455 | 72,283,780 |

(Unaudited, $ amounts in thousands unless otherwise indicated)

## Note 12 - Estimated Fair Values

The following tables present the carrying value and estimated fair value of each of our financial instruments. The total of the estimated fair values does not represent an estimate of our overall market value as a going concern, which would take into account, among other considerations, future business opportunities and the net profitability of assets and liabilities.

| | September 30, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | | Estimated Fair Value | | | | |
| **Financial Instruments** | **Carrying Value** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Netting Adjustments** [(1)] |
| **Assets:** | | | | | | |
| Cash and due from banks | $ 56,465 | $ 56,465 | $ 56,465 | $ — | $ — | $ — |
| Interest-bearing deposits | 860,058 | 860,058 | 860,016 | 42 | — | — |
| Securities purchased under agreements to resell | 3,450,000 | 3,450,000 | — | 3,450,000 | — | — |
| Federal funds sold | 3,392,000 | 3,392,000 | — | 3,392,000 | — | — |
| Trading securities | 446,617 | 446,617 | — | 446,617 | — | — |
| AFS securities | 13,613,403 | 13,613,403 | — | 13,613,403 | — | — |
| HTM securities | 5,359,706 | 5,274,222 | — | 5,274,222 | — | — |
| Advances | 34,781,490 | 34,594,500 | — | 34,594,500 | — | — |
| Mortgage loans held for portfolio, net | 8,261,434 | 7,155,691 | — | 7,152,361 | 3,330 | — |
| Accrued interest receivable | 183,321 | 183,321 | — | 183,321 | — | — |
| Derivative assets, net | 536,871 | 536,871 | — | 1,186,233 | — | (649,362) |
| Grantor trust assets [(2)] | 56,016 | 56,016 | 56,016 | — | — | — |
| **Liabilities:** | | | | | | |
| Deposits | 602,721 | 602,721 | — | 602,721 | — | — |
| Consolidated obligations: | | | | | | |
| Discount notes | 17,457,879 | 17,459,771 | — | 17,459,771 | — | — |
| Bonds | 47,895,565 | 46,732,215 | — | 46,732,215 | — | — |
| Accrued interest payable | 356,061 | 356,061 | — | 356,061 | — | — |
| Derivative liabilities, net | 15,326 | 15,326 | — | 2,119,658 | — | (2,104,332) |
| MRCS | 367,908 | 367,908 | 367,908 | — | — | — |

(Unaudited, $ amounts in thousands unless otherwise indicated)

| | December 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | | Estimated Fair Value | | | | |
| **Financial Instruments** | **Carrying Value** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Netting Adjustments** [1] |
| **Assets:** | | | | | | |
| Cash and due from banks | $ 21,161 | $ 21,161 | $ 21,161 | $ — | $ — | $ — |
| Interest-bearing deposits | 856,060 | 856,060 | 856,019 | 41 | — | — |
| Securities purchased under agreements to resell | 4,550,000 | 4,550,000 | — | 4,550,000 | — | — |
| Federal funds sold | 3,148,000 | 3,148,000 | — | 3,148,000 | — | — |
| Trading securities | 2,230,248 | 2,230,248 | — | 2,230,248 | — | — |
| AFS securities | 12,179,837 | 12,179,837 | — | 12,179,837 | — | — |
| HTM securities | 4,240,201 | 4,156,218 | — | 4,156,218 | — | — |
| Advances | 36,682,459 | 36,468,949 | — | 36,468,949 | — | — |
| Mortgage loans held for portfolio, net | 7,686,455 | 6,867,904 | — | 6,859,956 | 7,948 | — |
| Accrued interest receivable | 152,867 | 152,867 | — | 152,867 | — | — |
| Derivative assets, net | 434,421 | 434,421 | — | 921,179 | — | (486,758) |
| Grantor trust assets [2] | 53,166 | 53,166 | 53,166 | — | — | — |
| **Liabilities:** | | | | | | |
| Deposits | 595,907 | 595,907 | — | 595,907 | — | — |
| Consolidated obligations: | | | | | | |
| Discount notes | 27,387,492 | 27,387,547 | — | 27,387,547 | — | — |
| Bonds | 39,882,454 | 38,690,400 | — | 38,690,400 | — | — |
| Accrued interest payable | 162,584 | 162,584 | — | 162,584 | — | — |
| Derivative liabilities, net | 19,209 | 19,209 | — | 2,179,524 | — | (2,160,315) |
| MRCS | 372,503 | 372,503 | 372,503 | — | — | — |

(1) Represents the application of the netting requirements that allow us to settle (i) positive and negative positions and (ii) cash collateral and related accrued interest held or placed with the same clearing agent and/or counterparty.
(2) Included in other assets on the statement of condition.

***Summary of Valuation Techniques and Significant Inputs.*** A description of the valuation techniques, significant inputs, and levels of fair value hierarchy is disclosed in *Note 16 - Estimated Fair Values* in our 2022 Form 10-K. No significant changes have been made in the current year.

(Unaudited, $ amounts in thousands unless otherwise indicated)

***Estimated Fair Value Measurements.*** The following tables present, by level within the fair value hierarchy, the estimated fair value of our financial assets and liabilities that are recorded at estimated fair value on a recurring or non-recurring basis on our statement of condition.

| | September 30, 2023 | | | | |
|---|---|---|---|---|---|
| **Financial Instruments** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Netting Adjustments** [1] |
| Trading securities: | | | | | |
| U.S. Treasury obligations | $ 446,617 | $ — | $ 446,617 | $ — | $ — |
| Total trading securities | 446,617 | — | 446,617 | — | — |
| AFS securities: | | | | | |
| U.S. Treasury obligations | 5,470,857 | — | 5,470,857 | — | — |
| GSE and TVA debentures | 1,764,753 | — | 1,764,753 | — | — |
| GSE multifamily MBS | 6,377,793 | — | 6,377,793 | — | — |
| Total AFS securities | 13,613,403 | — | 13,613,403 | — | — |
| Derivative assets: | | | | | |
| Interest-rate related | 536,803 | — | 1,186,165 | — | (649,362) |
| MDCs | 68 | — | 68 | — | — |
| Total derivative assets, net | 536,871 | — | 1,186,233 | — | (649,362) |
| Other assets: | | | | | |
| Grantor trust assets | 56,016 | 56,016 | — | — | — |
| Total assets at recurring estimated fair value | $14,652,907 | $ 56,016 | $15,246,253 | $ — | $ (649,362) |
| | | | | | |
| Derivative liabilities: | | | | | |
| Interest-rate related | $ 14,826 | $ — | $ 2,119,158 | $ — | $ (2,104,332) |
| MDCs | 500 | — | 500 | — | — |
| Total derivative liabilities, net | 15,326 | — | 2,119,658 | — | (2,104,332) |
| Total liabilities at recurring estimated fair value | $ 15,326 | $ — | $ 2,119,658 | $ — | $ (2,104,332) |

(Unaudited, $ amounts in thousands unless otherwise indicated)

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| **Financial Instruments** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Netting Adjustments** [1] |
| Trading securities: | | | | | |
| U.S. Treasury obligations | $ 2,230,248 | $ — | $ 2,230,248 | $ — | $ — |
| Total trading securities | 2,230,248 | — | 2,230,248 | — | — |
| AFS securities: | | | | | |
| U.S. Treasury obligations | 4,209,674 | — | 4,209,674 | — | — |
| GSE and TVA debentures | 1,902,703 | — | 1,902,703 | — | — |
| GSE multifamily MBS | 6,067,460 | — | 6,067,460 | — | — |
| Total AFS securities | 12,179,837 | — | 12,179,837 | — | — |
| Derivative assets: | | | | | |
| Interest-rate related | 434,371 | — | 921,129 | — | (486,758) |
| MDCs | 50 | — | 50 | — | — |
| Total derivative assets, net | 434,421 | — | 921,179 | — | (486,758) |
| Other assets: | | | | | |
| Grantor trust assets | 53,166 | 53,166 | — | — | — |
| Total assets at recurring estimated fair value | $14,897,672 | $ 53,166 | $15,331,264 | $ — | $ (486,758) |
| | | | | | |
| Derivative liabilities: | | | | | |
| Interest-rate related | $ 19,107 | $ — | $ 2,179,422 | $ — | $ (2,160,315) |
| MDCs | 102 | — | 102 | — | — |
| Total derivative liabilities, net | 19,209 | — | 2,179,524 | — | (2,160,315) |
| Total liabilities at recurring estimated fair value | $ 19,209 | $ — | $ 2,179,524 | $ — | $ (2,160,315) |

(1) Represents the application of the netting requirements that allow us to settle (i) positive and negative positions and (ii) cash collateral and related accrued interest held or placed with the same clearing agent and/or counterparty.

**Note 13 - Commitments and Contingencies**

The following table presents our off-balance-sheet commitments at their notional amounts.

| | September 30, 2023 | | |
|---|---|---|---|
| **Type of Commitment** | **Expire within one year** | **Expire after one year** | **Total** |
| Standby letters of credit outstanding [1] | $ 826,846 | $ 361,161 | $ 1,188,007 |
| Commitments for standby bond purchases | — | 195,914 | 195,914 |
| Unused lines of credit [2] | 1,162,674 | — | 1,162,674 |
| Commitments to fund additional advances [3] | 13,850 | 4,087 | 17,937 |
| Commitments to purchase mortgage loans, net [4] | 158,701 | — | 158,701 |
| Unsettled discount notes, at par | 302,970 | — | 302,970 |

(1) There were no unconditional commitments to issue standby letters of credit at September 30, 2023.
(2) Maximum line of credit amount per member is $100,000.
(3) Generally for periods up to six months.
(4) Generally for periods up to 91 days.

(Unaudited, $ amounts in thousands unless otherwise indicated)

***Pledged Collateral.*** Cash pledged as collateral to counterparties and clearing agents at September 30, 2023 and December 31, 2022 totaled $1,637,346 and $1,849,797, respectively. No securities were pledged as collateral to counterparties at September 30, 2023 or December 31, 2022.

***Standby Bond Purchase Agreements.*** During the nine months ended September 30, 2023, we entered into multiple agreements with a state housing authority within our district whereby we could be required under the terms of the agreements to purchase and hold the state housing authority's bonds until its designated marketing agent can find a suitable investor or the state housing authority repurchases the bond according to a schedule established by the standby agreements. These standby bond purchase commitments have original expiration periods of up to five years, expiring no later than 2028, although some may be renewable at our option. We had not purchased any bonds under these agreements as of September 30, 2023.

***Legal Proceedings.*** We are subject to legal proceedings arising in the normal course of business. We record an accrual for a loss contingency when it is probable that a loss for which we could be liable has been incurred and the amount can be reasonably estimated. After consultation with legal counsel, management is not aware of any such proceedings where the ultimate liability, if any, could have a material effect on our financial condition, results of operations or cash flows.

Additional discussion of other commitments and contingencies is provided in *Note 4 - Advances; Note 5 - Mortgage Loans Held for Portfolio; Note 6 - Derivatives and Hedging Activities; Note 7 - Consolidated Obligations; Note 9 - Capital;* and *Note 12 - Estimated Fair Values*.

**Note 14 - Related Party and Other Transactions**

***Transactions with Directors Financial Institutions.*** The following table presents our transactions with directors' financial institutions, taking into account the beginning and ending dates of the directors' terms, merger activity and other changes in the composition of directors' financial institutions.

| **Transactions with Directors' Financial Institutions** | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Net capital stock issuances (redemptions and repurchases) | $ 137 | $ 6,839 | $ 3,942 | $ (40,144) |
| Net advances (repayments) | 35,232 | 519,393 | (90,280) | 1,754,096 |
| Mortgage loan purchases | 14,386 | 1,736 | 28,390 | 14,483 |

The following table presents the aggregate balances of capital stock and advances outstanding for our directors' financial institutions and their balances as a percent of the total balances on our statement of condition.

| | **September 30, 2023** | | **December 31, 2022** | |
|---|---|---|---|---|
| **Balances with Directors' Financial Institutions** | **Par Value** | **% of Total** | **Par Value** | **% of Total** |
| Capital stock | $ 56,358 | 2 % | $ 49,869 | 2 % |
| Advances | 773,720 | 2 % | 886,191 | 2 % |

The composition of our directors' financial institutions changed due to changes in board membership on January 1, 2023 resulting from the 2022 board of directors' election and on April 1, 2023 resulting from the election by the board of directors of new directors to fill unexpired terms.

***Transactions with Other FHLBanks.*** Occasionally, we loan or borrow short-term funds to/from other FHLBanks in order to manage FHLB System-wide liquidity. These loans and borrowings are transacted at current market rates when traded. There were no loans to or borrowings from other FHLBanks that remained outstanding at September 30, 2023 or December 31, 2022.

**DEFINED TERMS**

**advance:** Secured loan to member, former member or Housing Associate
**AFS:** Available-for-Sale
**Agency:** GSE and Ginnie Mae
**AHP:** Affordable Housing Program
**AOCI:** Accumulated Other Comprehensive Income (Loss)
**bps:** basis points
**CDFI:** Community Development Financial Institution
**Clearinghouse:** A United States Commodity Futures Trading Commission-registered derivatives clearing organization
**CO bond:** Consolidated Obligation bond
**EFFR:** Effective Federal Funds Rate
**Exchange Act:** Securities Exchange Act of 1934, as amended
**FASB:** Financial Accounting Standards Board
**FHLBank:** A Federal Home Loan Bank
**FHLBanks:** The 11 Federal Home Loan Banks or a subset thereof
**FHLBank System:** The 11 Federal Home Loan Banks and the Office of Finance
**Finance Agency:** Federal Housing Finance Agency
**FOMC:** Federal Open Market Committee
**Form 8-K:** Current Report on Form 8-K as filed with the SEC under the Exchange Act
**Form 10-K:** Annual Report on Form 10-K as filed with the SEC under the Exchange Act
**Form 10-Q:** Quarterly Report on Form 10-Q as filed with the SEC under the Exchange Act
**Freddie Mac:** Federal Home Loan Mortgage Corporation
**GAAP:** Generally Accepted Accounting Principles in the United States of America
**Ginnie Mae:** Government National Mortgage Association
**GSE:** United States Government-Sponsored Enterprise
**Housing Associate:** Approved lender under Title II of the National Housing Act of 1934 that is either a government agency or is chartered under federal or state law with rights and powers similar to those of a corporation
**HTM:** Held-to-Maturity
**LIBOR:** London Interbank Offered Rate
**LRA:** Lender Risk Account
**MBS:** Mortgage-Backed Securities
**MDC:** Mandatory Delivery Commitment
**Moody's:** Moody's Investor Services
**MPP:** Mortgage Purchase Program, including Original and Advantage unless indicated otherwise
**MRCS:** Mandatorily Redeemable Capital Stock
**MVE:** Market Value of Equity
**NRSRO:** Nationally Recognized Statistical Rating Organization
**OCI:** Other Comprehensive Income (Loss)
**S&P:** Standard & Poor's Rating Service
**SEC:** Securities and Exchange Commission
**Securities Act:** Securities Act of 1933, as amended
**SERP:** Collectively, the 2005 FHLBank of Indianapolis Supplemental Executive Retirement Plan, as amended, and the FHLBank of Indianapolis Supplemental Executive Retirement Plan, frozen effective December 31, 2004
**SOFR:** Secured Overnight Financing Rate
**TBA:** To Be Announced, a forward contract for the purchase or sale of MBS at a future agreed-upon date for an established price
**TVA:** Tennessee Valley Authority
**UPB:** Unpaid Principal Balance
**WAIR:** Weighted-Average Interest Rate

**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**Presentation**

This discussion and analysis by management of the Bank's financial condition and results of operations should be read in conjunction with our 2022 Form 10-K and the interim *Financial Statements* and related *Notes to Financial Statements* contained in *Item 1. Financial Statements*.

Unless otherwise stated, amounts disclosed in this Item are rounded to the nearest million; therefore, dollar amounts of less than one million may not be reflected or, due to rounding, may not appear to agree to the amounts presented in thousands in the *Financial Statements* and related *Notes to Financial Statements*. Amounts used to calculate dollar and percentage changes are based on numbers in the thousands. Accordingly, calculations based upon the disclosed amounts (millions) may not produce the same results.

**Executive Summary**

***Overview.*** As an FHLBank*,* we are a regional wholesale bank that serves as a financial intermediary between the capital markets and our members. The Bank is structured as a financial cooperative, which allows our business to be scalable and self-capitalizing without taking undue risks, diminishing capital adequacy or jeopardizing profitability. Therefore, the Bank is generally designed to expand and contract in asset size as the needs of our members and their communities change.

We primarily make secured loans in the form of advances to our members and purchase whole mortgage loans from our members. Additionally, we purchase other investments and provide other financial services to our members.

Our principal source of funding is the proceeds from the sale to the public of FHLBank debt instruments, called consolidated obligations, which are the joint and several obligation of all FHLBanks. We obtain additional funds from deposits, other borrowings, and by issuing capital stock to our members.

Our primary source of revenue is interest earned on advances, mortgage loans, and investments, including MBS.

Our net interest income is primarily determined by the size of our balance sheet and the spread between the interest rate earned on our assets and the interest rate paid on our share of the consolidated obligations. A substantial portion of net interest income may also be derived from deploying our capital which has no associated interest cost, i.e., interest-free capital. We use funding and hedging strategies to manage the related interest-rate risk.

Due to our cooperative ownership structure and wholesale nature, we typically earn a narrow interest spread. Accordingly, our net income is relatively low compared to our total assets and capital.

In addition, as a cooperative, some members utilize our products more heavily and own more capital stock than others. As a result, we must achieve a balance in generating membership value from rates we charge on advances or prices we pay to purchase mortgage loans and paying a competitive dividend rate.

We group our products and services within two operating segments: *traditional* and *mortgage loans*.

***Business Environment.*** The Bank's financial performance is influenced by several key national economic and market factors, including fiscal and monetary policies, the conditions in the housing markets and the level and volatility of market interest rates.

*Economy and Financial Markets.* The U.S. economy surged in the third quarter of 2023, growing at the fastest pace since the fourth quarter of 2021.

Third quarter 2023 U.S. real gross domestic product, according to the U.S. Commerce Department, rose at a seasonally- and inflation-adjusted annual rate of 4.9%, more than double the second quarter annual rate of 2.1%, as consumers spent at a phenomenal rate.

Consumer spending has been boosted by a tight labor market, savings accumulated during the pandemic and higher wages. The labor market remained tight with near historically low jobless claims as the number of job openings exceeded the number of unemployed people looking for work. The U.S. unemployment rate in September, according to the U.S. Bureau of Labor Statistics, remained at a low 3.8%.

Not adjusting for inflation, average hourly wages were up 4.2% in September from a year earlier, according to the U.S. Labor Department. Those gains have eased over the past year but remain strong enough to outpace inflation, with economists estimating that consumer prices were up 3.6% on the year in September.

Inflation continued to moderate and has eased sharply from its recent peak in June 2022 but remained elevated. The personal-consumption expenditures price index, the Federal Reserve's preferred inflation gauge, increased in September 2023 at an annual rate of 3.4%, according to the Commerce Department, down sharply from a four-decade high annual rate of 7% in June 2022. The associated measure of core prices, which excludes volatile food and energy prices, rose in the third quarter at an annual rate of 2.4% compared to a year earlier, down from an annual rate in the second quarter of 3.7%. This is the first time it has been below 3% since the end of 2020, but is high enough to warrant more vigilance by the Federal Reserve because it uses this measure as the benchmark for its 2% inflation target.

The combination of slowing price increases and a resilient economy has sparked hopes that the economy will see a soft landing, where inflation ebbs without causing a recession. But there are warning signs underlying the strong economic results. Business investment stalled. People saved less and their incomes, adjusted for inflation, fell slightly during the quarter. That could mean the pace of consumer spending will ease in the fourth quarter. Rising long-term interest rates, geopolitical instability and the possibility of a government shutdown could have an adverse impact on economic growth.

*Conditions in U.S. Housing Markets.* The actions by the Federal Reserve to curb inflation by raising interest rates have most directly affected consumers through the housing market. Potential home buyers continue to face high mortgage rates and a shortage of available properties, a combination that has made purchases less affordable.

In late September 2023, the average rate for a 30-year fixed-rate mortgage reached an average of 7.31%, the highest level since the year 2000, according to Freddie Mac. Through late October, mortgage rates continued to climb for the seventh week in a row. Rates have risen 2 full percentage points in 2023. Elevated mortgage interest rates have kept many buyers out of the market due to a lack of affordability, which has reduced housing demand. At the same time, high mortgage rates have discouraged homeowners from selling as many are reluctant to give up their existing low mortgage rates, which has limited the supply of homes for sale.

The result of lower demand and lower supply has been declining existing-home sales but stubbornly high prices. Existing-home sales, which comprise most of the housing market, fell in September 2023 to their lowest level since October 2010. September sales fell 15.4% from a year earlier, according to the National Association of Realtors ("NAR"). The national median existing-home price according to the NAR rose 2.8% in September from a year earlier.

Housing affordability, particularly for first-time home buyers, remains an economic burden. The NAR affordability index reached its worst level in August since 1985.

*Interest Rate Levels and Volatility.* The Federal Reserve seeks to achieve maximum employment and inflation at the rate of 2% over the longer run. In support of these goals, at its meeting on July 26, 2023, the FOMC raised the target range for the federal funds rate by another 25 bps to 5.25% to 5.50%. At its meeting on September 20, 2023, the FOMC decided to maintain the target range at 5.25% to 5.50%, indicating that tighter credit conditions for households and businesses are likely to weigh on economic activity, hiring, and inflation.

The following table presents certain key interest rates.

| | **Average for Three Months Ended** | | **Average for Nine Months Ended** | | **Period End** | |
|---|---|---|---|---|---|---|
| | **September 30,** | | **September 30,** | | **September 30,** | **December 31,** |
| | **2023** | **2022** | **2023** | **2022** | **2023** | **2022** |
| Federal Funds Effective | 5.26 % | 2.20 % | 4.93 % | 1.04 % | 5.33 % | 4.33 % |
| SOFR | 5.24 % | 2.15 % | 4.90 % | 0.99 % | 5.31 % | 4.30 % |
| 1-week Overnight-Indexed Swap | 5.28 % | 2.31 % | 4.95 % | 1.10 % | 5.33 % | 4.34 % |
| 3-month U.S. Treasury yield | 5.43 % | 2.67 % | 5.11 % | 1.36 % | 5.45 % | 4.37 % |
| 2-year U.S Treasury yield | 4.94 % | 3.38 % | 4.53 % | 2.53 % | 5.05 % | 4.43 % |
| 10-year U.S. Treasury yield | 4.14 % | 3.10 % | 3.80 % | 2.66 % | 4.57 % | 3.88 % |

Source: Bloomberg

The level and volatility of interest rates, including the shape of the yield curve, were affected by several factors, principally efforts by the Federal Reserve beginning in late March 2022 to raise interest rates and tighten monetary policy to combat high inflation.

As the FOMC has raised short-term rates, portions of the Treasury yield curve have become inverted. Investors use the 10-year Treasury yield as an indicator of investor confidence. In recent periods, the 2-year rate has been consistently higher than the 10-year rate. With the recent rise in the 10-year rate, the yield curve has become significantly less inverted. The rate rose above 5% on October 23, 2023, reaching its July 2007 milestone.

At its meeting on November 1, 2023, the FOMC decided to maintain the target range for the federal funds rate at 5.25% to 5.50%.

The FOMC stated that "Tighter financial and credit conditions for households and businesses are likely to weigh on economic activity, hiring, and inflation. The extent of these effects remains uncertain. The Committee remains highly attentive to inflation risks. The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run."

"The Committee will continue to assess additional information and its implications for monetary policy. In determining the extent of additional policy firming that may be appropriate to return inflation to 2 percent over time, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments."

"In addition, the Committee will continue reducing its holdings of Treasury securities and agency debt and agency MBS, as described in its previously announced plans."

***Impact on Operating Results.*** Market interest rates and trends affect yields and margins on earning assets, including advances, purchased mortgage loans, and our investment portfolio, which contribute to our overall profitability. Additionally, market interest rates drive mortgage origination and prepayment activity, which can lead to net interest margin volatility in our MPP and MBS portfolios. A flat or inverted yield curve, in which the difference between short-term interest rates and long-term interest rates is low, or negative, respectively, may have an unfavorable impact on our net interest margins. A steep yield curve, in which the difference between short-term and long-term interest rates is high, may have a favorable impact on our net interest margins. The level of interest rates also directly affects our earnings on assets funded by our interest-free capital.

Lending and investing activity by our member institutions is a key driver for our balance sheet and income growth. Such activity is a function of both prevailing interest rates and economic activity, including local economic factors, particularly relating to the housing and mortgage markets. Positive economic trends can drive interest rates higher, which can impair growth of the mortgage market. A less active mortgage market can affect demand for advances and activity levels in our Advantage MPP. However, borrowing patterns between our insurance company and depository members can differ during various economic and market conditions, thereby easing the potential magnitude of core business fluctuations during business cycles. Member demand for liquidity during stressed market conditions can lead to advances growth.

## Results of Operations and Changes in Financial Condition

***Results of Operations for the Three and Nine Months Ended September 30, 2023 and 2022.*** The following table presents the comparative highlights of our results of operations ($ amounts in millions).

| Condensed Statements of Comprehensive Income | Three Months Ended September 30, 2023 | 2022 | $ Change | % Change | Nine Months Ended September 30, 2023 | 2022 | $ Change | % Change |
|---|---|---|---|---|---|---|---|---|
| Net interest income | $ 128 | $ 73 | $ 55 | 76 % | $ 355 | $ 201 | $ 154 | 77 % |
| Provision for (reversal of) credit losses | — | — | — | | — | — | — | |
| Net interest income after provision for credit losses | 128 | 73 | 55 | 77 % | 355 | 201 | 154 | 77 % |
| Other income (loss) | — | 7 | (7) | | 39 | (2) | 41 | |
| Other expenses | 27 | 28 | (1) | | 89 | 80 | 9 | |
| Income before assessments | 101 | 52 | 49 | 96 % | 305 | 119 | 186 | 156 % |
| AHP assessments | 10 | 5 | 5 | | 31 | 12 | 19 | |
| Net income | 91 | 47 | 44 | 95 % | 274 | 107 | 167 | 155 % |
| Total other comprehensive income (loss) | (17) | (16) | (1) | | (1) | (135) | 134 | |
| Total comprehensive income (loss) | $ 74 | $ 31 | $ 43 | 141 % | $ 273 | $ (28) | $ 301 | 1,099 % |

The increase in net income for the three months ended September 30, 2023 compared to the corresponding period in the prior year was substantially due to higher earnings on the portion of the Bank's assets funded by its capital, driven substantially by the increase in market interest rates, and an increase in the average balances outstanding of interest-earning assets, primarily advances.

The increase in net income for the nine months ended September 30, 2023 compared to the corresponding period in the prior year was substantially due to higher earnings on the portion of the Bank's assets funded by its capital, driven substantially by the increase in market interest rates, an increase in the average balances outstanding of interest-earning assets, primarily advances, and net gains on the extinguishments of certain consolidated obligations.

The changes in total OCI for the three and nine months ended September 30, 2023 compared to the corresponding periods in the prior year were substantially due to unrealized gains (losses) on AFS securities.

The following table presents the returns on average assets and returns on average equity.

| Ratios | Three Months Ended September 30, 2023 | 2022 | Nine Months Ended September 30, 2023 | 2022 |
|---|---|---|---|---|
| Return on average assets | 0.51 % | 0.28 % | 0.51 % | 0.23 % |
| Return on average equity | 9.70 % | 5.23 % | 10.22 % | 4.07 % |

***Changes in Financial Condition for the Nine Months Ended September 30, 2023.*** The following table presents the comparative highlights of our changes in financial condition ($ amounts in millions).

| **Condensed Statements of Condition** | **September 30, 2023** | **December 31, 2022** | **$ Change** | **% Change** |
|---|---|---|---|---|
| Advances | $ 34,781 | $ 36,683 | $ (1,902) | (5)% |
| Mortgage loans held for portfolio, net | 8,261 | 7,687 | 574 | 7 % |
| Liquidity investments [(1)] | 8,205 | 10,805 | (2,600) | (24)% |
| Other investment securities [(2)] | 18,973 | 16,420 | 2,553 | 16 % |
| Other assets | 821 | 689 | 132 | 19 % |
| Total assets | $ 71,041 | $ 72,284 | $ (1,243) | (2)% |
| | | | | |
| Consolidated obligations | $ 65,353 | $ 67,270 | $ (1,917) | (3)% |
| MRCS | 368 | 373 | (5) | (1)% |
| Other liabilities | 1,651 | 1,257 | 394 | 31 % |
| Total liabilities | 67,372 | 68,900 | (1,528) | (2)% |
| | | | | |
| Capital stock | 2,227 | 2,123 | 104 | 5 % |
| Retained earnings [(3)] | 1,469 | 1,287 | 182 | 14 % |
| AOCI | (27) | (26) | (1) | (6)% |
| Total capital | 3,669 | 3,384 | 285 | 8 % |
| | | | | |
| Total liabilities and capital | $ 71,041 | $ 72,284 | $ (1,243) | (2)% |
| | | | | |
| Total regulatory capital [(4)] | $ 4,064 | $ 3,783 | $ 281 | 7 % |

(1) Includes cash, interest-bearing deposits, securities purchased under agreements to resell, federal funds sold and U.S. Treasury obligations classified as trading securities.
(2) Includes AFS and HTM securities.
(3) Includes restricted retained earnings at September 30, 2023 and December 31, 2022 of $377 million and $323 million, respectively.
(4) Total capital less AOCI plus MRCS.

Total assets at September 30, 2023 were $71.0 billion, a net decrease of $1.2 billion, or 2%, from December 31, 2022.

Advances outstanding at September 30, 2023, at carrying value, totaled $34.8 billion, a net decrease of $1.9 billion, or 5%, from December 31, 2022. The par value of advances outstanding decreased by 4% to $35.6 billion, which included a net decrease in short-term advances of 32% and a net increase in long-term advances of 13%. 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 decreased by 2%.

Purchases of mortgage loans from the Bank's members for the nine months ended September 30, 2023 totaled $1.1 billion. Mortgage loans held for portfolio at September 30, 2023 totaled $8.3 billion, a net increase of $574 million, or 7%, from December 31, 2022, as the Bank's purchases exceeded principal repayments by borrowers.

Liquidity investments at September 30, 2023 totaled $8.2 billion, a net decrease of $2.6 billion, or 24%, from December 31, 2022. The portion of U.S. Treasury obligations classified as trading securities decreased by $1.8 billion, or 80%, to $447 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 decreased by $817 million, or 10%, to $7.8 billion. As a result of this activity, cash and short-term investments represented 95% of the total liquidity investments at September 30, 2023, while U.S. Treasury obligations represented 5%.

Other investment securities, which consist substantially of MBS and U.S. Treasury obligations classified as HTM or AFS, at September 30, 2023 totaled $19.0 billion, a net increase of $2.6 billion, or 16%, from December 31, 2022, due to purchases of U.S. Treasury obligations and MBS to continue to support the Bank's financial position.

The Bank's consolidated obligations outstanding at September 30, 2023 totaled $65.4 billion, a net decrease of $1.9 billion, or 3%, from December 31, 2022, which reflected lower funding needs associated with the net decrease in the Bank's total assets.

Total capital at September 30, 2023 was $3.7 billion, a net increase of $285 million, or 8%, 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 totaling $200 million.

The Bank's regulatory capital-to-assets ratio at September 30, 2023 was 5.72%, which exceeds all applicable regulatory capital requirements.

***Outlook.*** The FHLBanks as a System have voluntarily committed to increasing their allocation to AHP or other affordable housing, small business, and community investment programs by 50% above the statutory minimum. While the Bank supports an increase in its current voluntary allocation from 2.5% of net earnings to 5% of net earnings, the nature and timing of the Bank's commitment have not yet been determined.

***Analysis of Results of Operations for the Three and Nine Months Ended September 30, 2023 and 2022.***

Interest Income. Interest income on advances, mortgage loans held for portfolio, and investment securities is our primary source of revenue. Interest income for the three months ended September 30, 2023 totaled $974 million, an increase of $571 million compared to the corresponding period in the prior year, primarily driven by an increase in yields resulting from the increase in market interest rates and an increase in the average balances outstanding of interest-earning assets, primarily advances.

Interest income for the nine months ended September 30, 2023 totaled $2.7 billion, an increase of $2.0 billion compared to the corresponding period in the prior year, primarily driven by an increase in yields resulting from the increase in market interest rates and an increase in the average balances outstanding of interest-earning assets, primarily advances.

Interest Expense. Interest expense on consolidated obligations is our primary expense. Interest expense for the three months ended September 30, 2023 totaled $846 million, an increase of $516 million compared to the corresponding period in the prior year, primarily driven by an increase in our cost of funds resulting from the increase in market interest rates and an increase in the average balances outstanding of interest-bearing liabilities, substantially consolidated obligations.

Interest expense for the nine months ended September 30, 2023 totaled $2.4 billion, an increase of $1.9 billion compared to the corresponding period in the prior year, primarily driven by an increase in our cost of funds resulting from the increase in market interest rates and an increase in the average balances outstanding of interest-bearing liabilities, substantially consolidated obligations.

Net Interest Income. As a result, net interest income is our primary source of earnings and is generated from the net interest spread on assets funded by liabilities and the yield on assets funded by interest-free capital. The increase in net interest income for the three months ended September 30, 2023 compared to the corresponding period in the prior year was substantially due to higher earnings on the portion of the Bank's assets funded by its capital, driven substantially by the increase in market interest rates, and an increase in the average balances outstanding of interest-earnings assets, primarily advances.

The increase in net interest income for the nine months ended September 30, 2023 compared to the corresponding period in the prior year was substantially due to higher earnings on the portion of the Bank's assets funded by its capital, driven substantially by the increase in market interest rates, and an increase in the average balances outstanding of interest-earnings assets, primarily advances.

For our hedging relationships that qualified for hedge accounting, the differences between the changes in fair value of the hedged items and the associated derivatives (i.e. hedge ineffectiveness) are recorded in net interest income and resulted in net hedging gains of $2.5 million for the three months ended September 30, 2023, compared to net hedging gains of $3.3 million for the corresponding period in the prior year, and net hedging gains of $8.1 million for the nine months ended September 30, 2023, compared to net hedging losses of $(1.5) million for the corresponding period in the prior year.

Our net gains (losses) on derivatives fluctuate due to volatility in the overall interest-rate environment as we hedge our asset or liability risk exposures. In general, we hold derivatives and associated hedged items to the maturity, call, or put date. Therefore, due to timing, nearly all of the cumulative net gains and losses for these financial instruments will generally reverse over the remaining contractual terms of the hedged item. However, there may be instances when we terminate these instruments prior to the maturity, call or put date, which may result in a realized gain or loss. For more information, see *Notes to Financial Statements - Note 8 - Derivatives and Hedging Activities* in our 2022 Form 10-K.

The following table presents average daily balances, interest income/expense, and average yields/cost of funds of our major categories of interest-earning assets and their funding sources ($ amounts in millions).

| | Three Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Average Balance | Interest Income/ Expense (1) | Average Yield/ Cost of Funds (1) (2) | Average Balance | Interest Income/ Expense (1) | Average Yield/ Cost of Funds (1) (2) |
| **Assets:** | | | | | | |
| Securities purchased under agreements to resell | $ 1,801 | $ 24 | 5.32 % | $ 3,043 | $ 17 | 2.15 % |
| Federal funds sold | 4,844 | 65 | 5.33 % | 4,448 | 26 | 2.24 % |
| MBS (3)(4) | 11,618 | 175 | 5.97 % | 9,965 | 71 | 2.86 % |
| Other investment securities (3)(4) | 7,627 | 110 | 5.69 % | 8,400 | 38 | 1.81 % |
| Advances (4) | 35,459 | 502 | 5.62 % | 30,921 | 187 | 2.40 % |
| Mortgage loans held for portfolio (4) (5) | 8,069 | 64 | 3.16 % | 7,676 | 53 | 2.73 % |
| Other assets (interest-earning) (6) | 2,577 | 34 | 5.23 % | 2,022 | 11 | 2.14 % |
| Total interest-earning assets | 71,995 | 974 | 5.37 % | 66,475 | 403 | 2.40 % |
| Other assets, net (7) | (880) | | | (868) | | |
| Total assets | $ 71,115 | | | $ 65,607 | | |
| **Liabilities and Capital:** | | | | | | |
| Interest-bearing deposits | $ 786 | 10 | 5.13 % | $ 806 | 4 | 1.90 % |
| Discount notes | 17,546 | 233 | 5.27 % | 21,159 | 108 | 2.02 % |
| CO bonds (4) | 47,878 | 599 | 4.96 % | 39,393 | 218 | 2.20 % |
| MRCS | 370 | 4 | 4.66 % | 44 | — | 3.69 % |
| Other borrowings | — | — | 5.40 % | — | — | — % |
| Total interest-bearing liabilities | 66,580 | 846 | 5.04 % | 61,402 | 330 | 2.13 % |
| Other liabilities | 821 | | | 676 | | |
| Capital stock | 2,391 | | | 2,293 | | |
| All other components of capital | 1,323 | | | 1,236 | | |
| Total liabilities and capital | $ 71,115 | | | $ 65,607 | | |
| Net interest income | | $ 128 | | | $ 73 | |
| Net spread on interest-earning assets less interest-bearing liabilities (2) | | | 0.33 % | | | 0.27 % |
| Net interest margin (8) | | | 0.71 % | | | 0.43 % |
| Average interest-earning assets to interest-bearing liabilities | 1.08 | | | 1.08 | | |

| | Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Average Balance | Interest Income/ Expense [1] | Average Yield/ Cost of Funds [1][2] | Average Balance | Interest Income/ Expense [1] | Average Yield/ Cost of Funds [1][2] |
| **Assets:** | | | | | | |
| Securities purchased under agreements to resell | $ 2,595 | $ 96 | 4.94 % | $ 3,167 | $ 23 | 0.99 % |
| Federal funds sold | 4,703 | 176 | 5.02 % | 3,758 | 34 | 1.20 % |
| MBS [3][4] | 11,231 | 479 | 5.69 % | 10,035 | 133 | 1.77 % |
| Other investment securities [3][4] | 7,491 | 291 | 5.19 % | 7,973 | 68 | 1.15 % |
| Advances [4] | 36,373 | 1,428 | 5.25 % | 28,296 | 290 | 1.37 % |
| Mortgage loans held for portfolio [4][5] | 7,858 | 181 | 3.08 % | 7,690 | 152 | 2.65 % |
| Other assets (interest-earning) [6] | 2,521 | 92 | 4.88 % | 1,435 | 14 | 1.29 % |
| Total interest-earning assets | 72,772 | 2,743 | 5.04 % | 62,354 | 714 | 1.53 % |
| Other assets, net [7] | (956) | | | (339) | | |
| Total assets | $ 71,816 | | | $ 62,015 | | |
| **Liabilities and Capital:** | | | | | | |
| Interest-bearing deposits | $ 755 | 27 | 4.72 % | $ 1,121 | 5 | 0.66 % |
| Discount notes | 21,025 | 759 | 4.83 % | 17,061 | 138 | 1.08 % |
| CO bonds [4] | 45,321 | 1,589 | 4.69 % | 39,653 | 369 | 1.24 % |
| MRCS | 371 | 13 | 4.62 % | 46 | 1 | 2.68 % |
| Other borrowings | 6 | — | 4.87 % | — | — | 0.51 % |
| Total interest-bearing liabilities | 67,478 | 2,388 | 4.73 % | 57,881 | 513 | 1.18 % |
| Other liabilities | 755 | | | 606 | | |
| Capital stock | 2,300 | | | 2,216 | | |
| All other components of capital | 1,283 | | | 1,312 | | |
| Total liabilities and capital | $ 71,816 | | | $ 62,015 | | |
| Net interest income | | $ 355 | | | $ 201 | |
| Net spread on interest-earning assets less interest-bearing liabilities [2] | | | 0.31 % | | | 0.35 % |
| Net interest margin [8] | | | 0.65 % | | | 0.43 % |
| Average interest-earning assets to interest-bearing liabilities | 1.08 | | | 1.08 | | |

(1) Includes hedging gains (losses) on qualifying fair-value hedging relationships. Excludes impact of purchase discount (premium) recorded through mark-to-market gains (losses) on trading securities and net interest settlements on derivatives hedging trading securities.
(2) Annualized.
(3) The average balances of AFS securities are based on amortized cost; therefore, the resulting yields do not reflect changes in the estimated fair value that are a component of OCI.
(4) Except for AFS securities, interest income/expense and average yield/cost of funds include all components of interest, including the impact of net interest payments or receipts on derivatives in qualifying hedge relationships, amortization of hedge accounting basis adjustments, and prepayment fees on advances. Excludes net interest payments or receipts on derivatives in economic hedging relationships, including those hedging trading securities.
(5) Includes non-accrual loans.
(6) Consists of interest-bearing deposits and loans to other FHLBanks (if applicable). Includes the rights or obligations to cash collateral, except for variation margin payments characterized as daily settled contracts.
(7) Includes cumulative changes in the estimated fair value of AFS securities and grantor trust assets.
(8) Annualized net interest income expressed as a percentage of the average balance of interest-earning assets.


Table of Contents

*Average Balances.* The average balances outstanding of interest-earning assets for the three months ended September 30, 2023 increased by 8% compared to the corresponding period in 2022. The average balances of advances increased by 15%, reflecting higher member utilization of advances, and the average balances of MBS increased by 17%, reflecting our goal to maintain investments in MBS near the 300% regulatory limit. The average balances outstanding of interest-bearing liabilities for the three months ended September 30, 2023 increased by 8% compared to the corresponding period in 2022. The average balances of CO bonds increased by 22%, reflecting a significant change in the mix of funding, due to favorable opportunities to issue callable CO bonds. As a result, the average balances of total interest-earning assets, net of interest-bearing liabilities, increased by 7%. Such net increase contributed to the increase in interest income on the portion of the Bank's assets funded by its interest-free capital.

The average balances outstanding of interest-earning assets for the nine months ended September 30, 2023 increased by 17% compared to the corresponding period in 2022. The average balances of advances increased by 29%, reflecting higher member utilization of advances. The average balances outstanding of interest-bearing liabilities for the nine months ended September 30, 2023 increased by 17% compared to the corresponding period in 2022. The average balances of discount notes increased by 23%. As a result, the average balances of total interest-earning assets, net of interest-bearing liabilities, increased by 18%. Such net increase contributed to the increase in interest income on the portion of the Bank's assets funded by its interest-free capital.

*Yields/Cost of Funds.* The average yield on total interest-earning assets, including the impact of hedging gains/losses but excluding certain impacts of trading securities, for the three months ended September 30, 2023 was 5.37%, an increase of 297 bps compared to the corresponding period in 2022, resulting primarily from increases in market interest rates that led to higher yields on all of our interest-earning assets. Such increase contributed to the increase in interest income on the portion of the Bank's assets funded by its interest-free capital. The average cost of funds of total interest-bearing liabilities, including the impact of hedging gains and losses but excluding certain impacts of trading securities, for the three months ended September 30, 2023 was 5.04%, an increase of 291 bps due to higher funding costs on all of our interest-bearing liabilities. The net effect was an increase in the overall net interest spread of 6 bps compared to the corresponding period in 2022.

The average yield on total interest-earning assets, including the impact of hedging gains/losses but excluding certain impacts of trading securities, for the nine months ended September 30, 2023 was 5.04%, an increase of 351 bps compared to the corresponding period in 2022, resulting primarily from increases in market interest rates that led to higher yields on all of our interest-earning assets. Such increase contributed to the increase in interest income on the portion of the Bank's assets funded by its interest-free capital. The average cost of funds of total interest-bearing liabilities, including the impact of hedging gains and losses but excluding certain impacts of trading securities, for the nine months ended September 30, 2023 was 4.73%, an increase of 355 bps due to higher funding costs on all of our interest-bearing liabilities. The increase in the average balances of the previously lower-costing discount notes and short-term CO bonds resulted in a disproportionate increase in interest expense due to the inverted yield curve. The net effect was a decrease in the overall net interest spread of 4 bps compared to the corresponding period in 2022.

*Other Income.* The following table presents a comparison of the components of other income ($ amounts in millions).

| Components | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 |
|---|---|---|---|---|
| Net realized losses from sales of AFS and HTM securities | $ (7) | $ (1) | $ (7) | $ (1) |
| Net unrealized gains (losses) on trading securities [1] | 2 | 3 | 15 | (16) |
| Net realized gains (losses) on trading securities [2] | — | (2) | (4) | (22) |
| Net gains (losses) on trading securities | 2 | 1 | 11 | (38) |
| Net gains (losses) on derivatives hedging trading securities | (3) | (5) | (15) | 36 |
| Net gains (losses) on other derivatives not designated as hedging instruments [3] | 3 | — | 6 | (3) |
| Net interest settlements on economic derivatives [4] | 5 | 14 | 17 | 13 |
| Net gains on derivatives | 5 | 9 | 8 | 46 |
| Net gains on extinguishment of debt | — | — | 20 | — |
| Change in fair value of investments indirectly funding the liabilities under the SERP | (1) | (2) | 2 | (11) |
| Other, net | 1 | — | 5 | 2 |
| Total other income (loss) | $ — | $ 7 | $ 39 | $ (2) |

(1) Includes impact of purchase discount (premium) recorded through mark-to-market gains (losses). Excludes impact of associated derivatives.
(2) Includes, at maturity, 100% of original discount (premium) as gain (loss). Excludes impact of associated derivatives.
(3) Includes swap termination fees received (paid) associated with sales of AFS securities.
(4) Generally offsetting interest income on trading securities or interest expense on the associated funding is included in net interest income.

The decrease in total other income for the three months ended September 30, 2023 compared to the corresponding period in 2022 was due primarily to a decrease in net interest settlements received, particularly on swaps hedging trading securities, which were generally offset by an increase in net interest income related to those trading securities.

The increase in total other income for the nine months ended September 30, 2023 compared to the corresponding period in 2022 was due primarily to net gains on debt extinguishments and increases in the fair values of SERP-related investments.

In the nine months ended September 30, 2023, we retired two CO bonds prior to their contractual maturity dates and recognized net gains on debt extinguishment of $20 million. Such a significant gain is not expected to be a recurring component of other income or net income.

*Other Expenses.* The following table presents a comparison of the components of other expenses ($ amounts in millions).

| Components | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 |
|---|---|---|---|---|
| Compensation and benefits | $ 14 | $ 15 | $ 46 | $ 41 |
| Other operating expenses | 8 | 7 | 24 | 22 |
| Finance Agency and Office of Finance | 3 | 3 | 8 | 10 |
| Voluntary allocations to AHP and/or related programs | — | 1 | 6 | 3 |
| Other | 2 | 2 | 5 | 4 |
| Total other expenses | $ 27 | $ 28 | $ 89 | $ 80 |

The net decrease in total other expenses for the three months ended September 30, 2023 compared to the corresponding period in 2022 was due to several factors, none of which were significant.

The net increase in total other expenses for the nine months ended September 30, 2023 compared to the corresponding period in 2022 was primarily due to an increase in compensation and benefits and voluntary allocations to AHP and/or related programs. Such increase in compensation and benefits was primarily due to an increase in employee headcount, increases in compensation due to inflation and conditions in the labor market, an increase in post-retirement benefits resulting from changes in market conditions, the impact of which was fully offset by a corresponding change in fair value recorded in other income, and excise tax refunds that were received in 2022 that were not received in 2023, partially offset by lower voluntary contributions to our defined benefit pension plan.

Our voluntary allocations to AHP and/or related programs for the nine months ended September 30, 2023 increased compared to the corresponding period in 2022 as a result of our increase in income before assessments. These voluntary allocations to our AHP or other affordable housing, small business and community investment programs are based on 2.5% of net earnings, but the timing of the recognition of such allocations in other expenses can vary due to applicable accounting requirements.

*AHP Assessments.* For the three and nine months ended September 30, 2023, our required AHP expense was $10 million and $31 million, respectively. Our AHP expense fluctuates in accordance with our net earnings.

*Total Other Comprehensive Income (Loss).* Total OCI for the three and nine months ended September 30, 2023 and 2022 consisted substantially of net unrealized losses on AFS securities. These amounts represent the portion of the changes in fair value that are not attributable to the risks being hedged in fair-value hedge relationships and were primarily impacted by changes in interest rates, credit spreads and volatility.

**Operating Segments**

Our products and services are grouped within two operating segments: traditional and mortgage loans.

***Traditional.*** The following table presents the financial performance of our traditional segment ($ amounts in millions).

| Traditional | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 |
|---|---|---|---|---|
| Net interest income | $ 115 | $ 60 | $ 318 | $ 163 |
| Provision for (reversal of) credit losses | — | — | — | — |
| Other income (loss) | — | 7 | 39 | (2) |
| Other expenses | 23 | 24 | 77 | 68 |
| Income before assessments | 92 | 43 | 280 | 93 |
| AHP assessments | 9 | 4 | 29 | 9 |
| Net income | $ 83 | $ 39 | $ 251 | $ 84 |

The increase in net income for the traditional segment for the three months ended September 30, 2023 compared to the corresponding period in 2022 was primarily due to higher earnings on the portion of the Bank's assets funded by its capital, driven substantially by the increase in market interest rates, and an increase in the average balances outstanding of interest-earning assets, primarily advances.

The increase in net income for the traditional segment for the nine months ended September 30, 2023 compared to the corresponding period in 2022 was primarily due to higher earnings on the portion of the Bank's assets funded by its capital, driven substantially by the increase in market interest rates, an increase in the average balances outstanding of interest-earning assets, primarily advances, and net gains on the extinguishments of certain consolidated obligations.

***Mortgage Loans.*** The following table presents the financial performance of our mortgage loans segment ($ amounts in millions).

| Mortgage Loans | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 |
|---|---|---|---|---|
| Net interest income | $ 13 | $ 13 | $ 37 | $ 38 |
| Provision for (reversal of) credit losses | — | — | — | — |
| Other income (loss) | — | — | — | — |
| Other expenses | 4 | 4 | 12 | 12 |
| Income before assessments | 9 | 9 | 25 | 26 |
| AHP assessments | 1 | 1 | 2 | 3 |
| Net income | $ 8 | $ 8 | $ 23 | $ 23 |

The slight change in net income for the mortgage loans segment for the three and nine months ended September 30, 2023 compared to the corresponding periods in 2022 was substantially due to disproportionately higher funding costs relative to the yields on our fixed-rate loan portfolio resulting from the inverted yield curve.

**Analysis of Financial Condition**

***Total Assets.*** The table below presents the comparative highlights of our major asset categories ($ amounts in millions).

| | September 30, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| **Major Asset Categories** | **Carrying Value** | **% of Total** | **Carrying Value** | **% of Total** |
| Advances | $ 34,781 | 49 % | $ 36,683 | 51 % |
| Mortgage loans held for portfolio, net | 8,261 | 12 % | 7,687 | 11 % |
| Cash and short-term investments | 7,758 | 11 % | 8,575 | 12 % |
| Trading securities | 447 | 1 % | 2,230 | 3 % |
| MBS | 11,737 | 17 % | 10,307 | 14 % |
| Other investment securities | 7,236 | 10 % | 6,113 | 8 % |
| Other assets [(1)] | 821 | — % | 689 | 1 % |
| Total assets | $ 71,041 | 100 % | $ 72,284 | 100 % |

(1) Includes accrued interest receivable, premises, software and equipment, derivative assets and other miscellaneous assets.

Total assets as of September 30, 2023 were $71.0 billion, a net decrease of $1.2 billion, or 2%, compared to December 31, 2022. The mix of our assets at September 30, 2023 changed compared to December 31, 2022 in that substantially all of our purchases of U.S. Treasury obligations in 2023 have been classified as AFS securities, which are included in other investment securities. The resulting decline in trading securities was more than offset by an increase in U.S. Treasury obligations and MBS to continue to support the Bank's financial position.

*Advances.* In general, advances fluctuate in accordance with our members' funding needs, primarily determined by their deposit levels, mortgage pipelines, loan growth, investment opportunities, available collateral, other balance sheet strategies, and the cost of alternative funding options.

Advances at September 30, 2023 at carrying value totaled $34.8 billion, a net decrease of $1.9 billion, or 5%, compared to December 31, 2022. This decrease reflects the maturity of advances to a former depository member that were not eligible for renewal totaling $3.2 billion. Otherwise, advances outstanding to our depository members increased due to higher demand for advances to support their liquidity needs, and the availability of suitable products to assist our members in managing their balance sheets in the current economic environment. Rising market interest rates have had an adverse impact on depository members' ability to liquidate their investment portfolios and maintain or increase their deposit levels.

Our advances portfolio is well-diversified with advances to commercial banks and savings institutions, credit unions, and insurance companies. As a percent of total advances outstanding at par value at September 30, 2023, advances to depository institutions were 63%, while advances to insurance companies were 37%.

The table below presents advances outstanding by type of financial institution ($ amounts in millions).

| | September 30, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| **Borrower Type** | **Par Value** | **% of Total** | **Par Value** | **% of Total** |
| Depository institutions: | | | | |
| Commercial banks and savings institutions | $ 15,341 | 43 % | $ 13,920 | 37 % |
| Credit unions | 5,542 | 16 % | 5,163 | 14 % |
| Former members | 1,618 | 4 % | 4,772 | 13 % |
| Total depository institutions | 22,501 | 63 % | 23,855 | 64 % |
| Insurance companies: | | | | |
| Captive insurance company [(1)] | 115 | — % | 213 | 1 % |
| Other insurance companies | 13,007 | 37 % | 13,217 | 35 % |
| Former members [(2)] | 5 | — % | 5 | — % |
| Total insurance companies | 13,127 | 37 % | 13,435 | 36 % |
| CDFIs | 1 | — % | 1 | — % |
| Total advances outstanding | $ 35,629 | 100 % | $ 37,291 | 100 % |

(1) Captive insurance companies that were admitted as FHLBank members prior to September 12, 2014, and did not meet the definition of "insurance company" or fall within another category of institution that is eligible for FHLBank membership under the Final Rule on FHLBank Membership Rule, had their memberships terminated on February 19, 2021. The outstanding advances to one captive insurer are not required to be repaid prior to their various maturity dates through 2024.

(2) Other than captive insurance companies.

Our advances portfolio includes fixed- and variable-rate advances, as well as callable or prepayable and putable advances. Prepayable advances may be prepaid on specified dates without incurring repayment or termination fees. All other advances may only be prepaid by the borrower paying a fee that is sufficient to make us financially indifferent to the prepayment.

The following table presents the par value of advances outstanding by product type and redemption term, some of which contain call or put options ($ amounts in millions).

| | September 30, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| **Product Type and Redemption Term** | **Par Value** | **% of Total** | **Par Value** | **% of Total** |
| Fixed-rate: | | | | |
| Without call or put options [1] | | | | |
| Due in 1 year or less | $ 9,249 | 26 % | $ 13,592 | 36 % |
| Due after 1 through 5 years | 12,119 | 34 % | 7,559 | 20 % |
| Due after 5 through 15 years | 2,139 | 6 % | 1,696 | 5 % |
| Thereafter | 14 | — % | 15 | — % |
| Total | 23,521 | 66 % | 22,862 | 61 % |
| Callable or prepayable | | | | |
| Due in 1 year or less | — | — % | 2 | — % |
| Due after 1 through 5 years | 50 | — % | — | — % |
| Due after 5 through 15 years | 41 | — % | 41 | — % |
| Total | 91 | — % | 43 | — % |
| Putable | | | | |
| Due in 1 year or less | — | — % | 5 | — % |
| Due after 1 through 5 years | 955 | 3 % | 1,296 | 4 % |
| Due after 5 through 15 years | 5,384 | 15 % | 7,191 | 19 % |
| Total | 6,339 | 18 % | 8,492 | 23 % |
| Total fixed-rate [2] | 29,951 | 84 % | 31,397 | 84 % |
| Variable-rate: | | | | |
| Without call or put options | | | | |
| Due in 1 year or less | 274 | 1 % | 515 | 2 % |
| Due after 1 through 5 years | 100 | — % | 160 | — % |
| Due after 5 through 15 years | 50 | — % | — | — % |
| Total | 424 | 1 % | 675 | 2 % |
| Callable or prepayable | | | | |
| Due in 1 year or less | 350 | 1 % | 403 | 1 % |
| Due after 1 through 5 years | 3,174 | 9 % | 3,011 | 8 % |
| Due after 5 through 15 years | 1,413 | 4 % | 1,450 | 4 % |
| Thereafter | 317 | 1 % | 355 | 1 % |
| Total | 5,254 | 15 % | 5,219 | 14 % |
| Total variable-rate | 5,678 | 16 % | 5,894 | 16 % |
| Total advances | $ 35,629 | 100 % | $ 37,291 | 100 % |

(1) Includes fixed-rate amortizing/mortgage matched advances.
(2) At September 30, 2023 and December 31, 2022, includes $23.4 billion and $21.7 billion, respectively, of fixed-rate advances that are swapped to effectively create variable-rate advances, consistent with our balance sheet strategies to manage interest-rate risk.

During the nine months ended September 30, 2023, the par value of advances due in one year or less decreased by 32%, while advances due after one year increased by 13%. As a result, advances due in one year or less, as a percentage of the total outstanding at par, totaled 28% at September 30, 2023, a decrease from 39% at December 31, 2022. However, based on the earlier of the redemption or next put date, advances due in one year or less, as a percentage of the total outstanding, at par, at September 30, 2023 totaled 40%, a decrease from 54% at December 31, 2022. For additional information, see *Notes to Financial Statements - Note 4 - Advances*.

The following table presents our variable-rate advances outstanding by the associated interest-rate index ($ amounts in millions).

| Variable Interest-Rate Index | September 30, 2023 | December 31, 2022 |
|---|---|---|
| SOFR | $ 2,501 | $ 2,401 |
| FHLBanks cost of funds | 2,970 | 1,870 |
| LIBOR | — | 1,278 |
| Other | 207 | 345 |
| Total variable-rate advances, at par value | $ 5,678 | $ 5,894 |

Through June 30, 2023, the Bank had exposure related to advances with interest rates indexed to LIBOR. However, the USD LIBOR index became fixed at June 30, 2023 and, as a result, the Bank has no further variable-rate exposure to LIBOR. All of the outstanding LIBOR-indexed advances reset to SOFR as scheduled by September 30, 2023. See *Item 3. Quantitative and Qualitative Disclosures About Market Risk - Replacement of the LIBOR Benchmark Interest Rate.*

*Mortgage Loans Held for Portfolio.* Mortgage loans held for portfolio at September 30, 2023, at carrying value, totaled $8.3 billion, a net increase of $574 million, or 7%, from December 31, 2022, as the Bank's purchases exceeded principal repayments.

The following table summarizes the activity in the UPB of mortgage loans held for portfolio ($ amounts in millions).

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| Mortgage Loans Activity | 2023 | 2022 | 2023 | 2022 |
| Balance, beginning of period | $ 7,747 | $ 7,563 | $ 7,533 | $ 7,434 |
| Purchases | 552 | 153 | 1,090 | 916 |
| Principal repayments | (194) | (226) | (518) | (860) |
| Balance, end of period | $ 8,105 | $ 7,490 | $ 8,105 | $ 7,490 |

Rising mortgage interest rates resulted in lower levels of prepayments by our borrowers. However, purchases increased due to strong demand by our members to participate in our Advantage MPP.

*Liquidity and Other Investment Securities.* The following table presents a comparison of the components of our liquidity investments and other investment securities at carrying value ($ amounts in millions).

| | September 30, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| **Components** | **Carrying Value** | **% of Total** | **Carrying Value** | **% of Total** |
| Cash and short-term investments: | | | | |
| Cash and due from banks | $ 56 | — % | $ 21 | — % |
| Interest-bearing deposits | 860 | 3 % | 856 | 3 % |
| Securities purchased under agreements to resell | 3,450 | 13 % | 4,550 | 17 % |
| Federal funds sold | 3,392 | 12 % | 3,148 | 12 % |
| Total cash and short-term investments | 7,758 | 28 % | 8,575 | 32 % |
| Trading securities: | | | | |
| U.S. Treasury obligations | 447 | 2 % | 2,230 | 8 % |
| Total trading securities | 447 | 2 % | 2,230 | 8 % |
| Total liquidity investments | 8,205 | 30 % | 10,805 | 40 % |
| Other investment securities: | | | | |
| AFS securities: | | | | |
| U.S. Treasury obligations | 5,471 | 20 % | 4,210 | 16 % |
| GSE and TVA debentures | 1,765 | 7 % | 1,903 | 7 % |
| GSE multifamily MBS | 6,377 | 24 % | 6,067 | 22 % |
| Total AFS securities | 13,613 | 51 % | 12,180 | 45 % |
| HTM securities: | | | | |
| Other U.S. obligations single-family MBS | 4,145 | 15 % | 2,992 | 11 % |
| GSE single-family MBS | 650 | 2 % | 620 | 2 % |
| GSE multifamily MBS | 565 | 2 % | 628 | 2 % |
| Total HTM securities | 5,360 | 19 % | 4,240 | 15 % |
| Total other investment securities | 18,973 | 70 % | 16,420 | 60 % |
| Total cash and investments, carrying value | $ 27,178 | 100 % | $ 27,225 | 100 % |

*Liquidity Investments.* Our liquidity investments consist of cash, short-term investments and trading securities. Cash and short-term investments at September 30, 2023 totaled $7.8 billion, a decrease of $817 million, or 10%, from December 31, 2022. However, cash and short-term investments as a percent of total assets at September 30, 2023 and December 31, 2022 totaled 11% and 12%, respectively, a decline of only 1 percentage point.

The Bank previously purchased U.S. Treasury obligations as trading securities to enhance its liquidity. Such securities outstanding at September 30, 2023 totaled $447 million, a decrease of $1.8 billion, or 80%, from December 31, 2022, as substantially all of the Bank's purchases of U.S. Treasury obligations in 2023 were classified as AFS.

Liquidity investments at September 30, 2023 totaled $8.2 billion, a decrease of $2.6 billion, or 24%, from December 31, 2022. The total outstanding balance and composition of our liquidity investments are influenced by our liquidity needs, regulatory requirements, actual and anticipated member advance activity, market conditions, and the availability of short-term investments at attractive interest rates, relative to our cost of funds.

*Other Investment Securities.* AFS securities at September 30, 2023 totaled $13.6 billion, a net increase of $1.4 billion, or 12%, from December 31, 2022. The increase resulted substantially from purchases of U.S. Treasury obligations.

Net unrealized losses on AFS securities, excluding the portion of the changes in fair value that are attributable to the risks being hedged in fair-value hedging relationships, at September 30, 2023 totaled $(13) million, compared to net losses of $(10) million at December 31, 2022, primarily due to changes in interest rates, credit spreads and volatility.

HTM securities at September 30, 2023 totaled $5.4 billion, a net increase of $1.1 billion, or 26%, from December 31, 2022. The net increase resulted from purchases of MBS.

Net unrecognized losses on HTM securities at September 30, 2023 totaled $(85) million, an increase in the net losses of $(1) million compared to December 31, 2022, primarily due to changes in interest rates, credit spreads and volatility.

Interest-Rate Payment Terms. Our other investment securities are presented below by interest-rate payment terms ($ amounts in millions).

| | September 30, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| **Interest-Rate Payment Terms** | **Amortized Cost** | **% of Total** | **Amortized Cost** | **% of Total** |
| AFS Securities [(1)]: | | | | |
| Total non-MBS fixed-rate | $ 7,204 | 53 % | $ 6,091 | 50 % |
| Total MBS fixed-rate | 6,423 | 47 % | 6,099 | 50 % |
| Total AFS securities | $ 13,627 | 100 % | $ 12,190 | 100 % |
| HTM Securities: | | | | |
| Total MBS fixed-rate | $ 200 | 4 % | $ 204 | 5 % |
| Total MBS variable-rate | 5,160 | 96 % | 4,036 | 95 % |
| Total HTM securities | $ 5,360 | 100 % | $ 4,240 | 100 % |
| AFS and HTM securities: | | | | |
| Total fixed-rate | $ 13,827 | 73 % | $ 12,394 | 75 % |
| Total variable-rate | 5,160 | 27 % | 4,036 | 25 % |
| Total AFS and HTM securities | $ 18,987 | 100 % | $ 16,430 | 100 % |

(1) Carrying value for AFS is equal to estimated fair value.

The mix of fixed- vs. variable-rate AFS and HTM securities at September 30, 2023 changed slightly from December 31, 2022. However, all of the fixed-rate AFS securities are swapped to effectively create variable-rate securities, consistent with our balance sheet strategies to manage interest-rate risk.

The following table presents our variable-rate MBS outstanding by the associated interest-rate index ($ amounts in millions).

| **Variable Interest-Rate Index** | **September 30, 2023** | **December 31, 2022** |
|---|---|---|
| SOFR | $ 3,422 | $ 1,994 |
| LIBOR | — | 2,018 |
| Total variable-rate MBS, at principal amount | $ 3,422 | $ 4,012 |

Through June 30, 2023, the Bank had exposure related to MBS with interest rates indexed to LIBOR. However, the USD LIBOR index became fixed at June 30, 2023 and, as a result, the Bank has no further variable-rate exposure to LIBOR. At September 30, 2023, the Bank had MBS with fixed interest rates indexed to LIBOR totaling $1.7 billion. However, all of the outstanding LIBOR-indexed MBS reset to SOFR in October 2023. See *Item 3. Quantitative and Qualitative Disclosures About Market Risk - Replacement of the LIBOR Benchmark Interest Rate.*

***Total Liabilities.*** Total liabilities at September 30, 2023 were $67.4 billion, a net decrease of $1.5 billion, or 2%, from December 31, 2022.

*Deposits (Liabilities).* Total deposits at September 30, 2023 were $603 million, a net increase of $7 million, or 1%, from December 31, 2022. At September 30, 2023 and December 31, 2022, these balances included uninsured deposits totaling $31 million and $24 million, respectively. These deposits provide a relatively small portion of our funding. The balances of these accounts can fluctuate from period to period and vary depending upon such factors as the attractiveness of our deposit pricing relative to the rates available on alternative money market instruments, members' preferences with respect to the maturity of their investments, and members' liquidity.

*Consolidated Obligations.* The overall balance of our consolidated obligations fluctuates in relation to our total assets and the availability of alternative sources of funds. The carrying value of consolidated obligations outstanding at September 30, 2023 totaled $65.4 billion, a net decrease of $1.9 billion, or 3%, from December 31, 2022, which reflected lower funding needs associated with the net decrease in the Bank's total assets.

The composition of our consolidated obligations can fluctuate significantly based on comparative changes in their cost levels, supply and demand conditions, demand for various types and maturities of advances, and our overall balance sheet management strategy. Discount notes are issued to provide short-term funds, while CO bonds are generally issued to provide a longer-term mix of funding. Some CO bonds are issued with terms which permit us to repay them when more favorable funding opportunities emerge. We apply a variety of strategies to effectively manage the balance and structure of our consolidated obligations as market conditions and our asset levels change.

The following table presents a breakdown by term of our consolidated obligations outstanding ($ amounts in millions).

| | September 30, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| **Term** | **Par Value** | **% of Total** | **Par Value** | **% of Total** |
| Consolidated obligations due in 1 year or less: | | | | |
| Discount notes | $ 17,558 | 26 % | $ 27,534 | 40 % |
| CO bonds | 20,145 | 30 % | 10,016 | 14 % |
| Total due in 1 year or less | 37,703 | 56 % | 37,550 | 54 % |
| Long-term CO bonds | 29,765 | 44 % | 31,986 | 46 % |
| Total consolidated obligations | $ 67,468 | 100 % | $ 69,536 | 100 % |

The mix of our funding changed from December 31, 2022 as discount notes outstanding decreased and CO bonds outstanding increased, primarily due to more favorable pricing on CO bonds. We continue to seek to maintain a sufficient liquidity and funding balance between our financial assets and financial liabilities.

All of our variable-rate CO bonds outstanding at September 30, 2023 and December 31, 2022 were indexed to SOFR.

*Derivatives.* The volume of derivative hedges is often expressed in terms of notional amounts, which is the amount upon which interest payments are calculated. The following table presents the notional amounts by type of hedged item regardless of whether it is in a qualifying hedge relationship ($ amounts in millions).

| **Hedged Item** | **September 30, 2023** | **December 31, 2022** |
|---|---|---|
| Advances | $ 23,406 | $ 24,038 |
| Investments | 16,564 | 15,936 |
| Mortgage loans MDCs | 319 | 61 |
| CO bonds | 39,780 | 30,940 |
| Discount notes | — | 2,000 |
| Total notional outstanding | $ 80,069 | $ 72,975 |

The increase in the total notional amount outstanding from December 31, 2022 of $7.1 billion, or 10%, was substantially due to an increase in derivatives hedging CO bonds, driven primarily by an increase in callable CO bonds outstanding.

The following table presents the notional amounts of derivatives (cleared and uncleared) indexed to a variable interest rate ($ amounts in millions).

| Variable Interest-Rate Index | September 30, 2023 | December 31, 2022 |
|---|---|---|
| SOFR | $ 66,951 | $ 50,344 |
| EFFR | 12,798 | 14,016 |
| LIBOR | — | 8,554 |
| Total variable rate, at notional | $ 79,749 | $ 72,914 |

Through June 30, 2023, the Bank had exposure related to derivatives with interest rates indexed to LIBOR. However, the USD LIBOR index became fixed at June 30, 2023 and, as a result, the Bank has no further variable-rate exposure to LIBOR. All of the outstanding LIBOR-indexed derivatives reset to SOFR as scheduled by September 30, 2023. See *Item 3. Quantitative and Qualitative Disclosures About Market Risk - Replacement of the LIBOR Benchmark Interest Rate.*

The following table presents the cumulative impact of fair-value hedging basis adjustments on our statement of condition ($ amounts in millions).

| | September 30, 2023 | | | |
|---|---|---|---|---|
| | Advances | AFS Securities | CO Bonds | Total |
| Cumulative fair-value hedging basis adjustments on hedged items | $ (853) | $ (1,394) | $ 2,035 | $ (212) |
| Estimated fair value of associated derivatives, net | 853 | 1,610 | (2,037) | 426 |
| Net cumulative fair-value hedging basis adjustments | $ — | $ 216 | $ (2) | $ 214 |

The cumulative gains on AFS securities resulted from our strategy of terminating certain interest-rate swaps associated with certain MBS and entering into hedging relationships with new interest-rate swaps in connection with our LIBOR transition.

***Total Capital.*** Total capital at September 30, 2023 was $3.7 billion, a net increase of $285 million, or 8%, 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 totaling $200 million.

The following table presents a percentage breakdown of the components of GAAP capital.

| Components | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Capital stock | 61 % | 63 % |
| Retained earnings | 40 % | 38 % |
| AOCI | (1)% | (1)% |
| Total GAAP capital | 100 % | 100 % |

The changes in the components of GAAP capital at September 30, 2023 compared to December 31, 2022 were primarily due to growth of retained earnings and the voluntary repurchases of members' excess stock.

The following table presents a reconciliation of GAAP capital to regulatory capital ($ amounts in millions).

| Reconciliation | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Total GAAP capital | $ 3,669 | $ 3,384 |
| Exclude: AOCI | 27 | 26 |
| Add: MRCS | 368 | 373 |
| Total regulatory capital | $ 4,064 | $ 3,783 |

**Liquidity**

Our primary sources of liquidity are holdings of liquid assets, comprised of cash, short-term investments, and trading securities, as well as the issuance of consolidated obligations.

During the nine months ended September 30, 2023, we maintained sufficient access to funding; our net proceeds from the issuance of consolidated obligations totaled $605.3 billion.

***Changes in Cash Flow.*** Net cash provided by operating activities for the nine months ended September 30, 2023 was $741 million, compared to net cash provided by operating activities for the nine months ended September 30, 2022 of $1.4 billion. The net decrease in cash provided of $(664) million was substantially due to the fluctuation in variation margin payments on cleared derivatives. Such payments are treated by the Clearinghouses as daily settled contracts.

**Capital Resources**

***Total Regulatory Capital.*** The following table provides a breakdown of our outstanding capital stock and MRCS by type of member ($ amounts in millions).

| | September 30, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| **Type of Member** | **Amount** | **% of Total** | **Amount** | **% of Total** |
| Capital Stock: | | | | |
| Depository institutions: | | | | |
| Commercial banks and savings institutions | $ 1,013 | 39 % | $ 889 | 36 % |
| Credit unions | 452 | 18 % | 409 | 16 % |
| Total depository institutions | 1,465 | 57 % | 1,298 | 52 % |
| Insurance companies | 762 | 29 % | 825 | 33 % |
| CDFIs | — | — % | — | — % |
| Total capital stock, putable at par value | 2,227 | 86 % | 2,123 | 85 % |
| | | | | |
| MRCS: | | | | |
| Captive insurance company [(1)] | 5 | — % | 10 | — % |
| Other former members | 363 | 14 % | 363 | 15 % |
| Total MRCS | 368 | 14 % | 373 | 15 % |
| | | | | |
| Total regulatory capital stock | $ 2,595 | 100 % | $ 2,496 | 100 % |

(1) Represents a captive insurance company whose membership was terminated on February 19, 2021. On that date, we repurchased its excess stock of $18 million. The remaining balance will not be fully redeemed until the associated credit products and other obligations are no longer outstanding.

***Required and Excess Capital Stock.*** The following table presents the composition of our regulatory capital stock ($ amounts in millions).

| Components | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Required capital stock: | | |
| Member capital stock | $ 1,780 | $ 1,678 |
| MRCS | 79 | 225 |
| Total required capital stock | 1,859 | 1,903 |
| | | |
| Excess capital stock: | | |
| Member capital stock not subject to outstanding redemption requests | 447 | 445 |
| Member capital stock subject to outstanding redemption requests | — | — |
| MRCS | 289 | 148 |
| Total excess capital stock | 736 | 593 |
| | | |
| Total regulatory capital stock | $ 2,595 | $ 2,496 |
| | | |
| Excess stock as a percentage of regulatory capital stock | 28 % | 24 % |

The increase in required member capital stock from December 31, 2022 resulted from elevated disbursements of short-term advances during the three months ended March 31, 2023. However, for those advances that matured and were not replaced, the associated capital stock was reclassified to excess stock, resulting in an increase in excess stock during the nine months ended September 30, 2023. This increase was substantially offset by the Bank's voluntary repurchases on September 27, 2023 totaling $200 million to reduce the amount of outstanding member excess stock relative to the Bank's assets.

***Capital Distributions.*** The following table summarizes our weighted-average dividend rate and dividend payout ratio.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Weighted-average dividend rate [(1)] | 5.88 % | 3.41 % | 5.40 % | 2.72 % |
| Dividend payout ratio [(2)] | 38.88 % | 39.76 % | 33.32 % | 41.68 % |

(1) Dividends paid in cash during the period (annualized) divided by the average amount of Class B stock eligible for dividends under our capital plan, including MRCS, for that same period.

(2) Dividends paid in cash during the period divided by net income for that same period.

Even though the dividend rates for the three and nine months ended September 30, 2023 were significantly higher than the rates for the corresponding periods in 2022, the dividend payout ratios were lower due to the significant increases in net income, which for the nine-month period was partially due to a non-recurring gain on the extinguishment of CO bonds.

On October 26, 2023, our board of directors declared a cash dividend on Class B-2 activity-based stock at an annualized rate of 8.25% and on Class B-1 non-activity-based stock at an annualized rate of 3.25%, resulting in a spread between the rates of 5.00 percentage points. The overall weighted-average annualized rate paid was 6.47%. The dividends were paid in cash on October 27, 2023.

***Adequacy of Capital.*** We must maintain sufficient permanent capital to meet the combined credit risk, market risk and operational risk components of the risk-based capital requirement. The following table presents our risk-based capital requirement in relation to our permanent capital at September 30, 2023 and December 31, 2022 ($ amounts in millions).

| **Risk-Based Capital Components** | **September 30, 2023** | **December 31, 2022** |
|---|---|---|
| Credit risk | $ 198 | $ 203 |
| Market risk | 657 | 173 |
| Operational risk | 257 | 113 |
| Total risk-based capital requirement | $ 1,112 | $ 489 |
| Permanent capital | $ 4,064 | $ 3,783 |
| Permanent capital as a percentage of required risk-based capital | 366 % | 773 % |

The increase in our total risk-based capital requirement was caused by an increase in the market risk component due substantially to changes in the stress scenarios provided by the Finance Agency combined with the implementation of SOFR volatilities and discounting derivatives with SOFR; changes in the market environment, including changes in interest rates, CO bond-swap basis, volatility, and option-adjusted spreads; and changes in our balance sheet composition. The operational risk component is calculated as 30% of the credit and market risk components. Despite the increase in required capital, our permanent capital at September 30, 2023 remained well in excess of our total risk-based capital requirement.

**Critical Accounting Estimates**

A full discussion of our critical accounting estimates is included in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Estimates* in our 2022 Form 10-K.

**Recent Accounting and Regulatory Developments**

***Accounting Developments.*** For a description of how recent accounting developments may impact our financial condition, results of operations or cash flows, see *Notes to Financial Statements - Note 2 - Recently Adopted and Issued Accounting Guidance*.

***Legislative and Regulatory Developments.***

*Finance Agency's Review and Analysis of the Federal Home Loan Bank System (FHLBank System).* On November 7, 2023, the Finance Agency issued its written report relating to its review and analysis of the FHLBank System. The report is focused on four broad themes: (i) mission of the FHLBank System; (ii) stable and reliable source of liquidity; (iii) housing and community development; and (iv) FHLBank System operational efficiency, structure and governance, and contains a number of recommendations from the Finance Agency, some of which may be enacted by the Finance Agency by way of regulatory guidance or proposed rulemaking, some of which call for further study, and some of which would require legislative action.

According to the report, the Finance Agency seeks to position the FHLBank System to continue serving as a source of stable and reliable liquidity, while increasing support for housing and community development, in a safe and sound manner. The Finance Agency expects its initiative to continue as a multi-year, collaborative effort with stakeholders to address the recommended actions in the report.

We are reviewing the report's recommendations and will engage with the Finance Agency, Congress, our Board, our members, our employees, and other stakeholders to continue delivering on our mission and to ensure we remain well positioned to serve our members and their communities. We are unable at this time to predict what actions will ultimately result from the Finance Agency's recommendations in the report, the extent of any changes to us or the FHLBank System, or the ultimate impact on us or the FHLBank System in the future. For a further discussion of related risks, see Part II. Other Information - *Item 1A. Risk Factors.*

**Risk Management**

We have exposure to a number of risks in pursuing our business objectives. These risks may be broadly classified as market, credit, liquidity, operational, and business. Market risk is discussed in *Item 3. Quantitative and Qualitative Disclosures about Market Risk*. For more information, see *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk Management* in our 2022 Form 10-K.

***Credit Risk Management.*** We face credit risk on advances and other credit products, investments, mortgage loans, derivative financial instruments, and AHP grants.

*Advances and Other Credit Products.*

*Concentration.* Our credit risk is magnified due to the concentration of advances in a few borrowers. As of September 30, 2023, our top borrower held 12% of total advances outstanding, at par, and our top five borrowers held 36% of total advances outstanding, at par. Because of this concentration in advances, we perform frequent credit and collateral reviews on our largest borrowers. In addition, we regularly analyze the implications to our financial management and profitability if we were to lose the business of one or more of these borrowers.

*Investments*. We are also exposed to credit risk through our investment portfolio. Our policies restrict the acquisition of investments to high-quality, short-term money market instruments and high-quality long-term securities.

The following table presents the unsecured investment credit exposure to private counterparties, categorized by the domicile of the counterparty's ultimate parent, based on the lowest of the counterparty's NRSRO long-term credit ratings, stated in terms of the S&P equivalent. The table does not reflect the foreign sovereign government's credit rating ($ amounts in millions).

| | September 30, 2023 | | |
|---|---|---|---|
| **Country** | **AA** | **A** | **Total** |
| Domestic | $ — | $ 2,002 | $ 2,002 |
| Australia | 1,300 | — | 1,300 |
| Netherlands | — | 600 | 600 |
| Norway | 350 | — | 350 |
| Total unsecured credit exposure | $ 1,650 | $ 2,602 | $ 4,252 |

*Other Investment Securities*. Our long-term investments include MBS guaranteed by the housing GSEs (Fannie Mae and Freddie Mac), other U.S. obligations - guaranteed MBS (Ginnie Mae), U.S. Treasury obligations, and debentures issued by Fannie Mae, Freddie Mac, the TVA and the Federal Farm Credit Banks.

A Finance Agency regulation provides that the total amount of our investments in MBS, calculated using amortized historical cost excluding the impact of certain derivatives adjustments, must not exceed 300% of our total regulatory capital, as of the day we purchase the securities, based on the capital amount most recently reported to the Finance Agency. If our outstanding investments in MBS exceed the limitation at any time, but were in compliance at the time we purchased the investments, we would not be considered out of compliance with the regulation, but we would not be permitted to purchase additional investments in MBS until these outstanding investments were within the limitation. Generally, our goal is to maintain investments in MBS near the 300% regulatory limit in order to enhance earnings and capital for our members and diversify our revenue stream. At September 30, 2023, these investments totaled 311% of total regulatory capital. As a result, the opportunity to further enhance our earnings by purchasing MBS will not be available until our ratio falls below 300%, which is not anticipated to occur until the second quarter of 2024.

The following table presents the carrying values of our investments, excluding accrued interest, grouped by credit rating and investment category. Applicable rating levels are determined using the lowest relevant long-term rating from S&P and Moody's, each stated in terms of the S&P equivalent. Rating modifiers are ignored when determining the applicable rating level for a given counterparty. Amounts reported do not reflect any subsequent changes in ratings, outlook, or watch status ($ amounts in millions).

| | September 30, 2023 | | | |
|---|---|---|---|---|
| **Investment** | **AA** | **A** | **Unrated** [1] | **Total** |
| Short-term investments: | | | | |
| Interest-bearing deposits | $ — | $ 860 | $ — | $ 860 |
| Securities purchased under agreements to resell | 1,300 | 1,750 | 400 | 3,450 |
| Federal funds sold | 1,650 | 1,742 | — | 3,392 |
| Total short-term investments | 2,950 | 4,352 | 400 | 7,702 |
| Trading securities: | | | | |
| U.S. Treasury obligations | 447 | — | — | 447 |
| Total trading securities | 447 | — | — | 447 |
| Other investment securities: | | | | |
| U.S. Treasury obligations | 5,471 | — | | 5,471 |
| GSE and TVA debentures | 1,765 | — | — | 1,765 |
| GSE MBS | 7,592 | — | — | 7,592 |
| Other U.S. obligations - guaranteed RMBS | 4,145 | — | — | 4,145 |
| Total other investment securities | 18,973 | — | — | 18,973 |
| Total investments, carrying value | $ 22,370 | $ 4,352 | $ 400 | $ 27,122 |
| Percentage of total | 83 % | 16 % | 1 % | 100 % |

(1) Although the counterparty is unrated, the underlying collateral supporting these investments are U.S. Treasury obligations with a rating of AA.

*Mortgage Loans Held for Portfolio.* The following table presents the changes in the LRA ($ amounts in millions).

| **LRA Activity** | **Three Months Ended September 30, 2023** | **Nine Months Ended September 30, 2023** |
|---|---|---|
| Liability, beginning of period | $ 233 | $ 235 |
| Additions | 7 | 13 |
| Claims paid | — | — |
| Distributions to Participating Financial Institutions | (2) | (10) |
| Liability, end of period | $ 238 | $ 238 |

*Derivatives.* The following table presents key information on derivative positions with counterparties on a settlement date basis using the lower credit rating from S&P and Moody's, stated in terms of the S&P equivalent ($ amounts in millions).

| | September 30, 2023 | | | |
|---|---|---|---|---|
| **Counterparty and Credit Rating** | **Notional Amount** | **Net Estimated Fair Value Before Collateral** | **Cash Collateral Pledged To (From) Counterparties** | **Net Credit Exposure** |
| Non-member counterparties: | | | | |
| Asset positions with credit exposure | | | | |
| Uncleared derivatives - A | $ 10,259 | $ 159 | $ (134) | $ 25 |
| Liability positions with credit exposure | | | | |
| Uncleared derivatives - A | 19,052 | (474) | 488 | 14 |
| Cleared derivatives [(1)] | 29,066 | (20) | 518 | 498 |
| Total derivative positions with credit exposure to non-member counterparties | 58,377 | (335) | 872 | 537 |
| Total derivative positions with credit exposure to member institutions [(2)] | 35 | — | — | — |
| Subtotal - derivative positions with credit exposure | 58,412 | $ (335) | $ 872 | $ 537 |
| Derivative positions without credit exposure | 21,657 | | | |
| Total derivative positions | $ 80,069 | | | |

(1) Represents derivative transactions cleared by two Clearinghouses, each rated AA-.
(2) Includes MDCs from member institutions under our MPP.

## Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Measuring Market Risks

To evaluate market risk, we utilize multiple risk measurements, including Value-at-Risk, duration of equity, convexity, changes in MVE, duration gap, and earnings at risk. Periodically, we conduct stress tests to measure and analyze the effects that extreme movements in the level of interest rates and the shape of the yield curve would have on our risk position.

***Key Metrics.*** The following table presents certain market and interest-rate metrics under different interest-rate scenarios ($ amounts in millions).

| | September 30, 2023 | | | | |
|---|---|---|---|---|---|
| **Key Metric** | **Down 200** | **Down 100** | **Base** | **Up 100** | **Up 200** |
| MVE | $ 3,974 | $ 3,978 | $ 3,967 | $ 3,934 | $ 3,885 |
| Percent change in MVE from base | 0.2 % | 0.3 % | — % | (0.8)% | (2.1)% |
| MVE/book value of equity | 98.5 % | 98.6 % | 98.3 % | 97.4 % | 96.2 % |
| Duration of equity | (0.5) | 0.2 | 0.5 | 1.1 | 1.4 |

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| **Key Metric** | **Down 200** | **Down 100** | **Base** | **Up 100** | **Up 200** |
| MVE | $ 3,416 | $ 3,431 | $ 3,437 | $ 3,441 | $ 3,439 |
| Percent change in MVE from base | (0.6)% | (0.2)% | — % | 0.1 % | 0.1 % |
| MVE/book value of equity | 90.9 % | 91.4 % | 91.5 % | 91.6 % | 91.6 % |
| Duration of equity | (0.6) | (0.3) | (0.1) | (0.1) | 0.2 |

The changes in these key metrics from December 31, 2022 resulted primarily from model enhancements and the change in market value of the Bank's assets and liabilities in response to changes in the market environment, changes in portfolio composition and our hedging strategies.

***Duration Gap.*** The base case duration gap at September 30, 2023 and December 31, 2022 was 0.00% and (0.03)% , respectively.

For information about our use of derivative hedges, see *Item 7A. Quantitative and Qualitative Disclosures About Market Risk - Use of Derivative Hedges* in our 2022 Form 10-K.

### Replacement of the LIBOR Benchmark Interest Rate

The replacement of LIBOR did not have a material impact on the Bank's business, results of operations or financial condition. Through June 30, 2023, the Bank had exposure related to various financial instruments with interest rates indexed to LIBOR. However, the USD LIBOR index became fixed at June 30, 2023 and, as a result, the Bank has no further variable-rate exposure to LIBOR. At September 30, 2023, the Bank had MBS with fixed interest rates indexed to LIBOR, but all of these MBS reset to SOFR in October 2023.

For more information, see *Item 1A. Risk Factors - Changes in Response to the Replacement of the LIBOR Benchmark Interest Rate Could Adversely Affect Our Business, Financial Condition and Results of Operations.* and *Item 7A. Quantitative and Qualitative Disclosures About Market Risk* in our 2022 Form 10-K.

## Item 4. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

We are responsible for establishing and maintaining disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in our reports filed under the Exchange Act is: (a) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and (b) accumulated and communicated to our management, including our principal executive officer, principal financial officer, and principal accounting officer, to allow timely decisions regarding required disclosures.

As of September 30, 2023, we conducted an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (the principal executive officer), Chief Financial Officer (the principal financial officer) and Chief Accounting Officer (the principal accounting officer), of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Exchange Act. In making this assessment, our management used the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer concluded that our disclosure controls and procedures were effective as of September 30, 2023.

### Internal Control Over Financial Reporting

***Changes in Internal Control Over Financial Reporting.*** There were no changes in our internal control over financial reporting, as defined in rules 13a-15(f) and 15(d)-15(f) of the Exchange Act, that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

***Limitations on the Effectiveness of Controls.*** We do not expect that our disclosure controls and procedures and other internal controls will prevent all error and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can only be reasonable assurance that any design will succeed in achieving its stated goals under all potential future conditions. Additionally, over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

## Part II. OTHER INFORMATION

### Item 1. LEGAL PROCEEDINGS

In the ordinary course of business, we may from time to time become a party to lawsuits involving various business matters. We are unaware of any lawsuits presently pending which, individually or in the aggregate, could have a material effect on our financial condition or results of operations.

### Item 1A. RISK FACTORS

The following discussion supplements the discussion of the risk factors, described in *Item 1A. Risk Factors* of our 2022 Form 10-K. The discussion, as supplemented, should not be considered to be a complete set of all potential risks that could affect the Bank.

**Business Risk - Legislative and Regulatory**

***Changes in the Legislative and Regulatory Environment for FHLBanks, Our Members, Our Debt Underwriters and Investors, or Other Housing GSEs May Adversely Affect Our Business, Demand for Products, the Cost of Debt Issuance, and the Value of FHLBank Membership***.

On November 7, 2023, the Finance Agency issued a report following its comprehensive review of the FHLBank System. The report is focused on four broad themes: (i) mission of the FHLBank System; (ii) stable and reliable source of liquidity; (iii) housing and community development; and (iv) FHLBank System operational efficiency, structure and governance, and contains a number of recommendations from the Finance Agency, some of which may be enacted by the Finance Agency by way of regulatory guidance or proposed rulemaking, some of which call for further study, and some of which would require legislative action.

While we are unable to predict which, if any, in what substance or when the report's proposed changes would take effect, any such change could significantly alter one or more aspects of the way we do business, demand for our products and services, and the value of Bank membership. Accordingly, any such change could adversely affect our results of operations, financial condition, or liquidity or capital resources.

### Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

### Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

### Item 4. MINE SAFETY DISCLOSURES

Not applicable.

### Item 5. OTHER INFORMATION

None.

**Item 6. EXHIBITS**

**EXHIBIT INDEX**

| **Exhibit Number** | **Description** |
|---|---|
| 31.1 | Certification of the President - Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of the Executive Vice President - Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.3 | Certification of the Senior Vice President - Chief Accounting Officer pursuant to Section 302 of the Sarbanes - Oxley Act of 2002 |
| 32 | Certification of the President - Chief Executive Officer, Executive Vice President - Chief Financial Officer, and Senior Vice President - Chief Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL) |

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**FEDERAL HOME LOAN BANK OF INDIANAPOLIS**

| | | |
|---|---|---|
| November 9, 2023 | By: | /s/ K. LOWELL SHORT, JR. |
| | Name: | K. Lowell Short, Jr. |
| | Title: | Senior Vice President - Chief Accounting Officer |

**Exhibit 31.1**

**Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Cindy L. Konich, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Federal Home Loan Bank of Indianapolis;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2023

By: /s/ CINDY L. KONICH

Name: Cindy L. Konich

Title: President - Chief Executive Officer

**Exhibit 31.2**

**Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Gregory L. Teare, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Federal Home Loan Bank of Indianapolis;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2023

By: /s/ GREGORY L. TEARE

Name: Gregory L. Teare

Title: Executive Vice President - Chief Financial Officer

**Exhibit 31.3**

**Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, K. Lowell Short, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Federal Home Loan Bank of Indianapolis;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2023

By: /s/ K. LOWELL SHORT, JR.

Name: K. Lowell Short, Jr.

Title: Senior Vice President - Chief Accounting Officer

**Exhibit 32**

**SECTION 1350 CERTIFICATIONS**

In connection with the quarterly report of the Federal Home Loan Bank of Indianapolis ("Bank") on Form 10-Q for the period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof ("Report"), each of the undersigned officers certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Bank.

By: /s/ CINDY L. KONICH
Cindy L. Konich
President - Chief Executive Officer
November 9, 2023

By: /s/ GREGORY L. TEARE
Gregory L. Teare
Executive Vice President - Chief Financial Officer
November 9, 2023

By: /s/ K. LOWELL SHORT, JR.
K. Lowell Short, Jr.
Senior Vice President - Chief Accounting Officer
November 9, 2023