



REPORT FROM THE PRESIDENT

July 31, 2003

TO: All Stockholders
(individually addressed)

SUBJECT: Report for the Month

At the Bank

SECOND QUARTER DIVIDEND DECLARED AT 5.05 PERCENT

At this month's meeting of the Board, the Directors declared a regular quarterly cash dividend at an annualized rate of 5.05 percent. The dividend, based on stock held during the period April 1, 2003, through June 30, 2003, was credited to your demand account on July 31, 2003. This dividend continues the Board's recent practice of including an annualized 20 basis points supplemental distribution of retained earnings to cushion the dividend impact of the Bank's lower advance pricing spreads for members who have not had the opportunity to take advantage of lower-cost advances. Changes in market interest rates, the strong first-half response to attractive advance terms, and subsequent adjustments to pricing have caused the Board to re-assess the need for a dividend supplement in future periods. As well, strong advance growth has increased the Home Loan Bank's currently projected future requirements for retained earnings under the new Capital Plan. We will need to capitalize a higher level of liquidity reserves, triggered by the larger advance book. As a result of these factors, the dividend declaration -- at least in upcoming quarters -- will likely not include a supplement to the dividend.

Be assured that we are committed to generating a return that you will find to be competitive in the current interest rate environment as well as to providing low-cost wholesale funds and related services while maintaining the stand-alone "AAA" rating of the Home Loan Bank.

After a \$1.9 billion increase in average advances during May, customer credit usage was stable in June, averaging \$72.6 billion. Advance demand was concentrated in the short-term advance products. During June, average advances were \$6.7 billion higher than December 2002's level.

For June, annualized net income was \$223.4 million, up \$25.0 million from May. Through our competitive pricing, innovative products, and exceptional service, we look forward to providing you sustained performance and greater value for your investment in the Bank.

HOME LOAN BANK PROVIDES SUPPLEMENT TO CAPITAL INFORMATION STATEMENT

To maintain full disclosure, the Home Loan Bank, on July 28, provided all member lenders with a Supplement to the June 13, 2003, Capital Information Statement. The Supplement provides updated information regarding two topics: credit risk associated with certain housing-related asset-backed securities owned by the Home Loan Bank and a recent joint statement by the Federal Housing Finance Board, the U.S. Department of Treasury and the U.S. Department of Housing and Urban Development concerning voluntary SEC registration by the Home Loan Banks.

As discussed in the June 13 Information Statement and the July 28 Supplement, the Home Loan Bank invests in housing-related securities that are permitted under the Federal Housing Finance Board's Financial Management Policy ("FMP"). The FMP promotes the Federal Home Loan Banks' ability to accomplish their housing finance and community development missions while generating sufficient income to meet their various financial obligations. Investments may include mortgage-backed securities, collateralized mortgage obligations, and REMICs (collectively, "MBS") and asset-backed securities collateralized by manufactured housing loans or home equity loans ("residential ABS"). To be eligible for purchase, these securities must be rated Aaa by Moody's or AAA by Standard & Poor's. In addition, investments in marketable direct obligations of state or local government units or agencies rated at least Aa by Moody's or AA by Standard & Poor's are permitted, helping to generate needed funding for housing and for community development.

Among other housing-related investments, the Bank has purchased AAA-rated residential ABS secured by manufactured housing loans, and at June 30, 2003 held approximately \$1.6 billion of these securities, designated as held-to-maturity. As discussed in the Information Statement, as of March 31, 2003 two issues in this portfolio had been downgraded to AA. These two issues represent 27% of the total manufactured housing securities held by the Bank and have since been further downgraded to BBB- by Standard and Poor's. Two additional issues held by the Bank have been downgraded to AA and A- by S&P since March 31, 2003. These four issues total 44% of the manufactured housing securities held by the Bank.

The downgrades reflect the performance of the underlying loans, weakness in the manufactured housing sector, and in the case of three of the issues, the assignment of senior status to servicing fees on the transactions as part of court-approved plans related to the bankruptcies of related entities.

The majority of the manufactured housing securities held by the Bank continue to be rated AAA, and all continue to carry investment-grade ratings. However, the possibility exists that the remaining credit support in these issues could be insufficient to withstand additional substantial losses in the underlying loan pools should they occur, and additional downgrades may occur in

the future. We have engaged an independent consultant to provide an objective analysis of these investments as part of our assessment of whether an other-than-temporary impairment exists.

The entire portfolio of investment securities, which is designated as held-to-maturity, is reflected on the Bank's balance sheet at historical cost. If we determine that an other-than-temporary impairment exists in any of these securities, we would be required to adjust the carrying value of the impaired security to its estimated fair value rather than historical cost, with the difference recorded as a charge against current income. Such an impairment determination would be based on the use of objective evidence to estimate the outcome of future events, consideration of management's current intent to hold the securities to maturity, and currently impending changes in accounting guidance from the FASB Emerging Issues Task Force. We are consulting with our independent auditors as we continue to analyze the portfolio to determine if any charge is required. While no determination has been made at this time, there can be no assurance that we will not be required to record an impairment charge in the future. Such a charge could result in a material reduction of earnings and a substantial reduction in the dividend or in retained earnings in the period in which the charge occurs. We do not expect that any such charge would have a material adverse effect on our ability to meet all of our financial obligations or on our ability to meet our regulatory capital requirements.

The Information Statement contained a discussion of the risks related to the potential application of Federal securities laws to the Bank and to the Federal Home Loan Bank System. The Statement said that there was uncertainty as to whether the Bank would be required to register its Class B Stock with the Securities and Exchange Commission under the Securities Exchange Act of 1934.

In this regard, on July 25, 2003, Treasury Secretary John W. Snow, Housing and Urban Development Secretary Mel Martinez, and Federal Housing Finance Board Chairman John T. Korsmo issued a joint letter asking that the twelve Federal Home Loan Banks voluntarily comply with Securities and Exchange Commission registration requirements under the Securities Exchange Act of 1934. This request is under consideration. Additional discussions and analysis will be necessary before it can be conclusively determined by the Bank's Board of Directors and management whether to undertake such voluntary registration and what the impact of voluntary registration might be on the operations and structure of the Bank and the services and products offered by the Bank.

Should you have any questions on the Information Statement or Supplement, please call Jim Gilmore, Senior Vice President of Bank Services, at (212) 441-6812.

HOME LOAN BANK OF NEW YORK HAS STRONG DERIVATIVE PRACTICES, REPORTS FIRST MANHATTAN CONSULTING GROUP

First Manhattan Consulting Group (“FMCG”), a well-respected financial services consulting firm, has completed its third in a series of periodic inspections of the Bank’s derivatives activities and practices. FMCG reported to the Board that the Home Loan Bank uses derivatives to hedge market risks arising from the Bank's normal course of business and that our derivative-based strategies are quite standard in the industry. FMCG noted that the risk exposure is quite low versus the rewards derived. FMCG also noted that the Bank's risk measurement and management practices are robust and effective. FMCG suggested a number of practices “to further improve a high quality operation.”

The press headlines over the past few weeks have been dominated by the mis-steps at Freddie Mac in applying FAS 133, the standard that governs accounting for derivatives activities. This is not the case of the Home Loan Bank of New York. FMCG reported that they reviewed all major aspects of the Bank's interpretation of FAS 133 and found them acceptable, and that they viewed the Bank’s response to FAS 133 as conservative. And FMCG pointed out that the Bank's internal and external auditors systematically test to ensure that the policies and procedures that address FAS 133 are followed. The Home Loan Bank will in the coming years will re-engage FMCG to ensure that we continue to maintain our high standard in this most important but nevertheless complicated area of our industry.

In Washington

DISCUSSION OF GSE LEGISLATION CONTINUES

Congressman Ed Royce (R-CA) on July 22 introduced legislation (H.R. 2803, the House Finance Restructuring Act of 2003) that would abolish the regulator of the Home Loan Bank System -- the Federal Housing Finance Board (FHFB) -- as well as the regulator of Fannie Mae and Freddie Mac -- the Office of Federal Housing Enterprise Oversight (OFHEO) -- and replace them with a single new bureau within the Department of Treasury. The introduction of this bill was expected. Congressman Royce at the June 25 Capital Markets Subcommittee hearing on GSE regulatory reform stated that he had no confidence in either OFHEO or the FHFB and indicated at that time that he thought it made sense to fold the two agencies into Treasury. No immediate action is anticipated on the bill.

Congressman Barney Frank (D-MA), the Ranking Member of the House Financial Services Committee, noted in a July 21 speech to the Women in Housing Finance that he did not expect to see any GSE reform bill moving quickly. In the speech he noted that there is no need to change the charters of the two housing entities and that Freddie's accounting mis-steps reflect broader corporate problems. To be clear, as noted earlier in this report, no such accounting problems

exist at the Federal Home Loan Bank of New York. We follow the letter and spirit of FAS 133. Moreover, because of the cooperative structure there is no incentive to manage or manipulate earnings in order to reap the benefit of stock options.

SENATE HOLDS CONFIRMATION HEARING ON FEDERAL HOUSING FINANCE BOARD NOMINEE

On July 22 the Senate Banking Committee held a hearing on the nomination of Alicia R. Castaneda as a member of the FHFBS. Ms. Castaneda's hearing was uneventful. The Ranking Member of the Committee, Senator Paul Sarbanes (D-MD), said he would support her nomination; and Committee Chairman Richard Shelby indicated he hoped to mark it up quickly. Senator Sarbanes noted the rapid growth of the FHLBs, and, referring to the Finance Board's proposal on predatory lending, asked Ms. Castaneda if she would be prepared to address predatory lending matters. Ms. Castaneda replied that predatory lending was unacceptable. Senator Shelby asked what she considered to be her most significant challenges at the Finance Board. Ms. Castaneda said she would be prepared to address all challenges, including multi-district membership. Senator Shelby also asked whether she was committed to expanding homeownership, especially in the African-American and Hispanic communities. She said she was fully committed to the FHLBs Affordable Housing Program efforts.

Ms. Castaneda was nominated by the President in June to assume the Directorship presently held by Director J. Timothy O'Neill, who has been serving on the FHFBS since 1995. Ms. Castaneda is from the District of Columbia and would complete the remainder of a seven-year term expiring February 27, 2004, and serve an additional seven-year term expiring February 27, 2011. Ms. Castaneda was a Senior Vice President of Bank of America where she served as Market Executive in the International Private Bank Division and as Senior Vice President and Manager for the Treasury Division. She is a graduate of Universidad del Valle, in Cali, Columbia.

SEC REGISTRATION ISSUE UPDATE

The Home Loan Banks continue to work with the SEC to investigate the possibility of voluntarily registering with the SEC. As stated in last month's report, there are a number of issues to be thoroughly understood prior to any Board action to authorize voluntary registration.

The complexities of this matter were underscored in recent testimony by Alex J. Pollock, President of the Federal Home Loan Bank of Chicago, before the Senate Subcommittee on Financial Management, the Budget, and National Security on July 21. In his testimony Mr. Pollock noted, "the FHLBs have always, by statute or regulation, been jointly and severally liable for each others' debt. Under SEC registration, it appears that this situation could give rise to the need for each FHLB to create an additional on-balance-sheet liability reflecting the 'fair value' of this joint and several liability for the combined debt of all the other FHLBs. Additionally, FHLB stock would be characterized, under current regulations, as being 'mandatorily redeemable.' As a result, although FHLB stock in my opinion is undoubtedly

Report from the President

July 31, 2003

Page 6

equity capital, there is a substantial risk under evolving FASB rules that it would not qualify for accounting purposes as equity capital. These circumstances create obvious difficulties for management in the exercise of our fiduciary responsibility unless it can be made entirely clear that FHLB stock, as defined by statute and regulation, will be appropriately treated for accounting purposes. Of course, these discussions include many other complex technical details, which we continue to work on."

In closing, I would like to thank you, our members, for using our products and services to help you meet the credit needs of your communities. Through your lending efforts, you give families and individuals the opportunity to achieve their dream of homeownership, and you create safer, stronger, and more prosperous communities.

Sincerely,

Alfred A. DelliBovi
President