



REPORT FROM THE PRESIDENT

December 2, 2002

TO: All Stockholders
(individually addressed)

SUBJECT: Report for the Month

At the Bank

ADVANCE DEMAND CONTINUES STEADY INCREASE

I am pleased to report that advances averaged \$66 billion for the month of October, a \$1.6 billion increase from September and a \$10.5 billion increase from October 2001. We saw increased use in long-term fixed and short-term variable advance products. October's balance was the highest monthly average in our Bank's 70-year history. The period of increasing advance volume has now reached a record length of 10 years. We believe this is due to a number of factors, including solid home mortgage demand, record level refinancing, and member asset growth. In addition, our members have also increased their understanding and appreciation of the value advances can bring to improve balance sheet performance. Our value-priced advance programs and flexible offerings continue to attract member interest.

REFCORP UPDATE

At a recent industry meeting, the CEO of one of our stockholders asked about the status of the REFCORP payments. This was a good question because its answer will have a future impact on our net income. The Gramm-Leach-Bliley Act of 1999 changed the formula by which the 12 Home Loan Banks make payments for the 1989 REFCORP assessment. Prior to the adoption of the GLB Act, the Home Loan Banks paid a fixed amount of \$300 million annually and, under that schedule, the last payment of the REFCORP obligation would occur in April 2030. However, Gramm-Leach-Bliley eliminated the annual flat payment and replaced it with a 20% Federal Home Loan Bank "income tax." Because of the strong growth and accompanying income in the Home Loan Bank System, the Banks have been paying more than \$300 million in each of the past two years. Under the law, payments above \$300 million reduce the out year REFCORP burden and accelerate the date of the last REFCORP payment. The last payment date is now projected to be April 2022. The possible end of this levy has caught the eyes of some observers of the Home Loan Bank System, and I am sure we will hear from them as the final payment date draws closer. Under current law, when the final payment has been made the REFCORP revenue stream would be available for payment as dividends.

THREE INDUSTRY DIRECTORS ELECTED

The votes have been tallied and the results were certified by the members of the FHLBank's Executive Committee for three seats on the Board of the Federal Home Loan Bank of New York. I am pleased to report the following results:

* In New York, G. Thomas Bowers, Chairman, President and CEO of the Savings Bank of the Finger Lakes, and Harry P. Doherty, Chairman and CEO of SI Bank & Trust, have been re-elected to serve on the Board for three-year terms ending December 31, 2005.

* In New Jersey, David W. Lindstrom, President and CEO of Franklin Savings Bank, S.L.A., has been newly elected to serve on the Board for a three-year term ending December 31, 2005. He will replace Dennis James of Sturdy Savings Bank who is completing his third term and not eligible to seek re-election.

I congratulate Tom and Harry on their re-election and Dave on his election to the Board.

In Washington

FHFB TO CONSIDER TWO REGULATIONS ON SEC DISCLOSURES

The Federal Housing Finance Board (FHFB) is moving ahead with the development of two regulations that would require additional financial disclosures from the Federal Home Loan Banks. The first regulation in the development pipeline involves increased debt disclosure requirements in line with the 1933 Securities Act. The second regulation involves additional regulation to deal with the registration of the Banks' capital stock under the Securities Exchange Act of 1934.

The FHFB plans to consider these two regulations sequentially. The FHFB is first planning to hold a meeting on December 20th to consider regulations which would completely align the debt issuance disclosures of the Bank System with SEC requirements under the 1933 Act. Chairman Korsmo has noted that this regulation would likely also cover mortgage-backed securities issued by the Home Loan Banks should the Home Loan Banks seek and receive approval to issue such securities.

The second regulation, dealing with registration of the capital stock, is scheduled to be taken up at the FHFB meeting in January 2003. The FHFB will attempt to make both the new debt rule and new stock rule effective in 2004.

As widely reported in the trade press, both proposed regulations have been flagged by the ICBA and ACB as possibly being overly bureaucratic and counter-productive to the public policy mission of the Federal Home Loan Banks. For your information, the article on this subject which appeared in the Washington Weekly Report of the ICBA is enclosed. I urge you to read it closely.

I will be one of the persons testifying at a December 2nd public hearing that the FHFB is holding on the proposals for increased disclosure. In general, I will express full support for enhanced disclosure by the Federal Home Loan Banks, but strongly emphasize that jurisdiction over

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disclosures must remain with the Federal Housing Finance Board. I will also point out that any new disclosure requirements should be consistent with the unique structure of the Federal Home Loan Bank System as established by the Congress. I will keep you apprised of important developments with regard to these matters as events unfold during the coming months.

We thank each customer and stockholder for their business.

Sincerely,

Alfred A. DelliBovi
President

Enclosure