



REPORT FROM THE PRESIDENT

December 31, 2002

TO: All Stockholders
(Individually Addressed)

SUBJECT: Report for the Month

I would like to extend my personal appreciation to each customer and stockholder for your business during 2002. The Home Loan Bank team has worked hard to provide quality service, and we look forward to maintaining our high performance level in 2003.

At the Bank

AT \$65.6 BILLION, MEMBER DEMAND FOR ADVANCES REMAINS STRONG

Business with our member lenders was strong despite an environment in which members consistently reported a high level of liquidity. In November, advances averaged \$65.6 billion. While the average is down slightly from the October \$66 billion level, demand for advances is well above the 2002 business plan target of \$57 billion, and average advances in November were \$8.4 billion higher than November 2001.

As expected, earnings in November continued to reflect the low interest-rate environment. Annualized net income was \$227.3 million, up \$20.3 million from October's results. We are delighted to produce this reasonable return and offer a broad and ever-increasing range of low-priced products to help our members play a key role in the delivery of housing and community finance.

2003: LOOKING AHEAD

We have just completed a year of growth at the Federal Home Loan Bank of New York. Every employee at the Home Loan Bank takes pride in our accomplishments in 2002 -- accomplishments achieved with speed and purpose in difficult circumstances caused by the loss of our headquarters on September 11. We begin 2003 operating from our new headquarters at 101 Park Avenue under a strategic plan -- Member Value Plus -- that continues to guide the Home Loan Bank. The plan focuses us to deliver value to our members through value pricing, access to liquidity, CRA-related programs, and fair dividends. In addition to these four objectives, in 2003, the Bank will focus on the paramount task of implementing the Bank's risk-based capital plan as mandated by the Gramm-Leach-Bliley Act of 1999. As previously reported, the Board of Directors has approved September 30, 2003 as the transition date to the new capital requirements. To provide detailed

background on the transition, informational meetings for our members will be held in April and May of the coming year. Disclosure materials will be disseminated shortly thereafter.

As the year unfolds, the Board and management will work diligently to make 2003 another year of strong accomplishment for our members as well as for the communities and people we jointly serve.

In Washington

FHFB TEMPORARILY DELAYS ISSUANCE OF SEC DISCLOSURE REGULATIONS

As detailed in last month's report, on December 2, 2002, the Federal Housing Finance Board held a public hearing to consider the 12 Federal Home Loan Banks' views concerning registration of Federal Home Loan Bank stock under the Securities Exchange Act of 1934. Present at the hearing were representatives from the Treasury Department, the SEC, and the FHFB. I was one of the three Home Loan Bank Presidents invited to testify (the other two were Dean Schultz, President of the San Francisco Bank, and Jay Roy, President of the Pittsburgh Bank).

At the hearing, the Home Loan Bank Presidents expressed support for new disclosure regulations consistent with the unique structure of the Federal Home Loan Bank System as established by Congress, but urged that the FHFB remain the sole regulator of the Federal Home Loan Banks.

I pointed out that there are not any identified public policy reasons to transfer jurisdiction over securities issued by the Federal Home Loan Bank System from the Finance Board to the SEC, as has been suggested by Treasury officials. Doing so would provide no added disclosure benefit, while it would impose dual regulatory regimes on FHLBank-related disclosures, creating redundant compliance costs and giving rise to potentially inconsistent regulation and disclosure mandates.

Similar views were echoed in a joint December 2 statement issued by the three major national banking trade groups -- ACB, ABA, and ICBA -- representing members of the Federal Home Loan Bank System. The trade groups expressed serious reservations about the apparent intention of the Finance Board to delegate its regulatory authority to the SEC and urged the Finance Board to not relinquish its responsibilities to the SEC. They stressed that the Bank System currently has a disclosure regime modeled after that of the SEC, but with specific adjustments to accommodate the unique nature of the System. The groups expressed concern that, if the System were subject to disclosures designed for publicly traded companies, "an unintended consequence could result, confusing investors and others who try to compare the System's disclosures with those of other companies." The groups noted that SEC registration is not without cost and raises grave concerns that SEC application of the 1934 Act could have unintended consequences that might significantly increase costs to the FHLBanks and members.

ACB, ABA, and ICBA underscored the point that the "public policy purpose of the FHLBank System dictates that great care be given to ensuring that unnecessary regulatory or other costs do not occur. These increased costs will directly reduce Affordable Housing Program funding, will either increase residential and community development credit costs or decrease credit availability, and will extend the period required to pay off the Resolution Funding Corporation bonds."

In the days following the hearing, there was much discussion among the Home Loan Banks, trade groups, and the legislative and executive branches on how to achieve the Administration's goals while maintaining the efficiency and integrity of the Bank System. During the meetings, many concerns were raised, and the need for additional time became clear. As a result, FHFB Chairman Korsmo has deferred action on a proposed regulation to provide for any changes required to conform disclosures for Federal Home Loan Bank System debt offerings to the latest SEC standards. That regulation was originally set for FHFB action on December 20 but was deferred to allow for discussions on registration of FHLBank capital stock and potential "interlocking" disclosures. Without question, the FHFB will take some type of regulatory action in this area. As Chairman Korsmo said in announcing the delay on December 17, "I remain open to the Banks' suggestions for crafting a '34 Act registration requirement, but I have no intention of allowing the *status quo* to prevail. The driving reason for enhanced disclosure is to maintain the System's obligation, as a GSE, to the nation's taxpayers."

FHFB PLACES MULTI-DISTRICT MEMBERSHIP ISSUE ON FRONT BURNER

The FHFB has again turned its attention to the multi-district membership issue. At a December 20 meeting, the FHFB adopted a resolution to elicit information from the 12 Federal Home Loan Banks regarding the changing financial services industry and its effect on terms of membership in the Bank. The FHFB requested comments from the Home Loan Banks by February 7, 2003. After review of this input and if warranted by safety and soundness and housing finance mission considerations, the FHFB indicated that the Finance Board would consider a proposed multi-district membership regulation for submission to the Home Loan Banks, member lenders, affordable housing advocates, banking trade groups, and the public for comment. The FHFB indicated that, should a multi-district membership regulation be needed, June 2003 would be the target date for a final regulation to modernize membership terms.

We look forward to working on the multi-district membership issue with FHFB Chairman Korsmo and the other Directors to achieve resolutions that preserve our current level of commitment to affordable housing and to implement long-term solutions for the Home Loan Bank System to address the evolution of the financial services industry.

In closing, we value your loyalty to the Home Loan Bank and we respect your commitment to your customers. And we are profoundly grateful for the opportunity to serve you. Finally, all of us at the Home Loan Bank wish you and yours the very best in 2003!

Sincerely,

Alfred A. DelliBovi
President