MOODY'S RATINGS

CREDIT OPINION
2 April 2025

Update

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Contacts

Rian Pressman +1.212.553.3572
VP-Sr Credit Officer
rian.pressman@moodys.com

Unnati Ashar +1.416.216.8285
Ratings Associate
unnati.ashar@moodys.com

Jeffrey S. Berg +1.212.553.3611
Associate Managing Director
jeffrey.berg@moodys.com

Donald Robertson +1.212.553.4762
MD-Financial Institutions
donald.robertson@moodys.com

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
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Federal Home Loan Bank of New York

Update to credit analysis

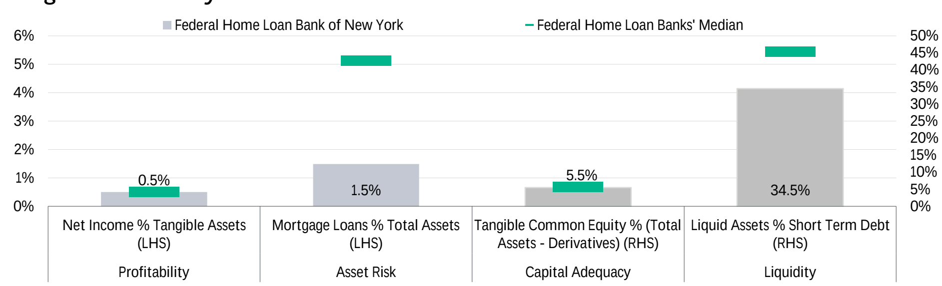
Summary

The Federal Home Loan Bank of New York's (FHLBank New York) Aaa long-term and Prime-1 short-term deposit ratings are in line with the deposit ratings of the other ten regional FHLBanks. These ratings reflect the combination of FHLBank New York's a1 Baseline Credit Assessment (BCA) and our assumption of a very high probability of support from the US government (Aaa negative), corresponding to a 70 – 95% probability under our Banks methodology framework. This comparatively elevated support probability assumption applies specifically to FHLBank New York's deposit obligations and primarily reflects the operational importance of deposit accounts in facilitating the funding of advances to FHLBank members.

FHLBank New York's a1 BCA is based on the excellent asset quality of its advance, investment and mortgage portfolios, along with its consistent, albeit modest, earnings generation. Relative to most of its FHLBank peers, FHLBank New York's advance business is more stable, a reflection of the fact that insurance companies typically account for one-third or more of its outstanding advances. However, insurance companies are regulated differently than banks and FHLBank New York's claims on collateral in the event of an insurance company failure may be less predictable than in a bank failure.

In late 2023, the Federal Housing Finance Agency (FHFA), which supervises and regulates the FHLBanks, published a lengthy report following its year-long review of the System. As discussed later in this research, the report highlighted the FHFA's key priorities and potential areas of change in the months and years ahead, although it is unclear which policies might ultimately be implemented. We think with the biggest immediate impact is the curtailed reliance of members, specifically banks in troubled financial condition, on emergency financing from the FHLBanks. Nonetheless, we expect the FHLBanks will remain a reliable source of liquidity to their members in the ordinary course of business.

Exhibit 1
Rating Scorecard - Key Financial Ratios



All ratios as of 30 September 2024, the most recent date of comprehensive peer data.
Source: Moody's Ratings

Credit strengths

» Excellent credit quality of FHLBank New York's advance portfolio, investment portfolio and mortgage portfolio minimizes asset risks, as does the perfected lien priority

» Although narrowly focused, the FHLBanks, including FHLBank New York, are central liquidity providers to US banks and other members, underscoring their systemic importance

Credit challenges

» Substantial single borrower concentrations, with the five largest accounting for just over half of total advances

» Reliant on confidence-sensitive market funding, but market access is strong because of consolidated issuance and FHLB status as a government-sponsored enterprise (GSE)

Outlook

The negative rating outlook reflects our negative outlook on the ratings for the US government. Any rating actions on the US Government would likely result in all individual FHLBanks' long-term deposit ratings, and the FHLBank System's Aaa long-term bond rating, moving in lock step with any US sovereign rating action.

Factors that could lead to an upgrade

At Aaa, an upgrade of any individual FHLBank's long-term deposit ratings is not possible. A higher BCA could occur if any of the individual FHLBank's advances were at least 70% of assets on a consistent basis, while also displaying: 1) strong profitability, 2) a stable member risk profile focused primarily on depository members, 3) continued strong asset risk management, including modest asset-liability and operational risk, and 4) robust capital and liquidity.

Factors that could lead to a downgrade

Any negative rating action on the US Government would likely result in all individual FHLBanks' long-term deposit ratings moving in lock step with the US Government's rating.

Factors that could lead to a downgrade of any of the individual FHLBank's BCA of a1 include elevated loss expectations on their investment portfolio, deteriorating capital or significant asset-liability mismatches. In addition, a reduced role in US banking system funding and/or an expanded risk profile, could result in a lower standalone BCA. If profitability or liquid resources weakens, that would be another factor leading to a potential downgrade. A lower BCA could result in a lower long-term deposit rating.

Key Indicators

Exhibit 2
Federal Home Loan Bank of New York (Consolidated Financials) [1]

	09-24[2]	12-23[2]	12-22[2]	12-21[2]	12-20[2]	CAGR/Avg.[3]
Total Assets (USD Billion)	155.5	158.3	157.4	105.4	137.0	3.4[4]
Net Income / Tangible Assets (%)	0.5	0.5	0.3	0.3	0.3	0.4[5]
Liquid Assets (GSE) / Short Term Debt (%)	34.5	32.5	28.9	35.0	27.8	31.7[5]
Tangible Common Equity / (Total Assets - Derivatives) (%)	5.5	5.3	5.4	6.1	5.3	5.5[5]
Mortgage Loans / Total Assets (%)	1.5	1.4	1.3	2.2	2.1	1.7[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel I; US GAAP. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime.
Sources: Moody's Ratings and company filings

Profile

Chartered by Congress in 1932 through the Federal Home Loan Bank Act, the 11 FHLBanks are federally chartered, privately capitalized GSEs whose primary mission is to provide their roughly 6,500 member financial institutions with a reliable source of liquidity to support housing finance, community lending and asset-liability management. Each FHLBank is a separately chartered cooperative owned by its respective members, with its own board of directors, management and employees. Members primarily include banks, savings institutions, insurance companies and credit unions.

The 11 FHLBanks together with the Office of Finance, which is the fiscal agent responsible for issuing and servicing the FHLBanks' debt, make up the FHLBank system. The FHLBanks and the Office of Finance operate under the supervisory and regulatory framework of the Federal Housing Finance Agency (FHFA), which was created by Congress in the Housing and Economic Recovery Act of 2008. The FHLBanks are also registered with the Securities and Exchange Commission, which requires them to file public financial statements.

Each FHLBank serves as a financial intermediary, through the Office of Finance, between its members and the capital markets by issuing debt, known as consolidated obligations (bonds and discount notes), and lending those proceeds to its members, primarily in the form of secured loans, known as advances. Advances are generally short-term and over-collateralized, minimizing the credit risk on these loans. In addition, the FHLBanks benefit from their statutory lien priority with respect to certain pledged member assets. The FHLBanks also purchase mortgage loans, principally 15-30 year conventional and government-guaranteed or insured fixed-rate loans. The FHLBanks also invest in securities, principally agency MBS, which are subject to an investment limit of three times regulatory capital without approval by the FHFA. Some FHLBanks offer correspondent services to their member institutions, including wire transfer, security safekeeping, and settlement services.

Although each FHLBank is primarily liable for its portion of consolidated obligations, each FHLBank is also jointly and severally liable with the other FHLBanks for the payment of principal and interest on all consolidated obligations. Despite our expectation of a high likelihood of government support in a default scenario, these obligations are not obligations of the US government and are not guaranteed by either the US or any government agency.

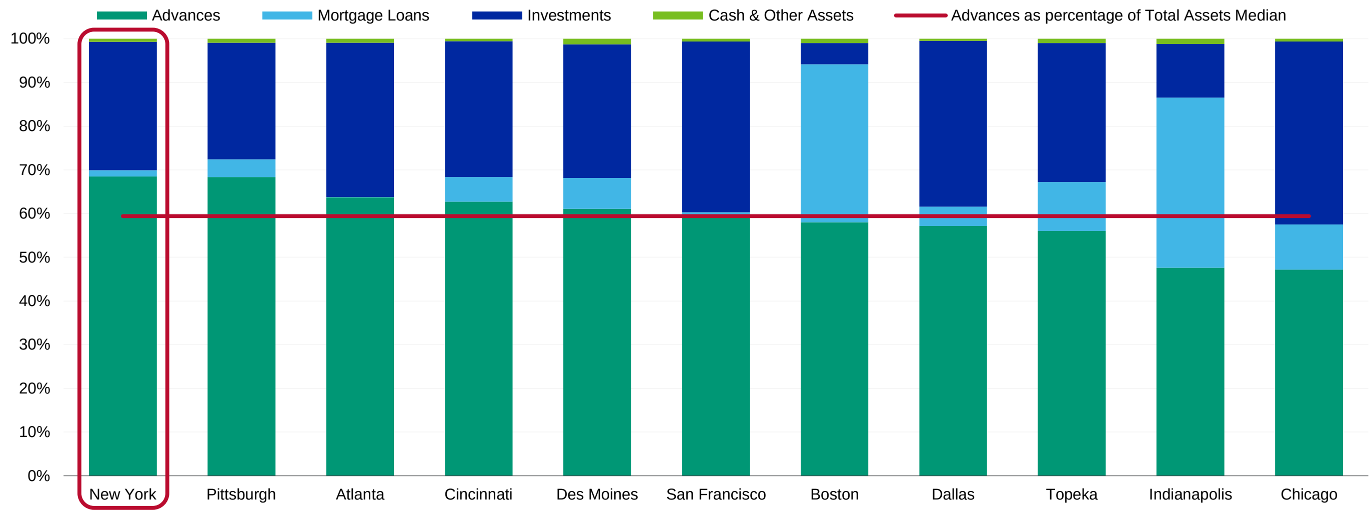
As of 31 December 2024, FHLBank New York reported total assets of $160.3 billion.

Detailed credit considerations

Asset quality and credit risk management

FHLBank New York's asset quality is exceptional, as reflected in the aa1 score for Asset Risk in our scorecard. In particular, advances, which represented about 66% of its total balance sheet at 31 December 2024, are an over-collateralized asset that has never resulted in a loss. In fact, no FHLBank has ever incurred a loss on an advance in the over 90-year history of the system. This pristine record is attributable to the over-collateralization and generally short-term nature of all advances, conservative underwriting standards and strengthened credit monitoring policies in which members' credit strength is actively monitored. Importantly, the FHLBanks routinely obtain a perfected security interest in pledged collateral and can therefore expect to stand ahead of other creditors of failed institutions, and the FDIC, because of those perfected security interests.. Beyond its advance portfolio, investments, which are primarily high quality US government and agency guaranteed securities, comprise most of the balance. The bank's mortgage portfolio accounts for less than 2% of assets, lower than for most FHLBank peers. The exhibit below shows the composition of FHLBank New York's asset mix.

Exhibit 3
FHLBank New York's asset mix compared to those of the other FHLBanks
FHLBank New York has a stronger advance business than most of its peers



As of 30 September 2024
Source: Company Filings and Moody's Ratings

While FHLBank New York's advance business is more stable than its peers, this mainly reflects the fact that insurance companies account for a sizable portion of its outstanding advances, typically around one-third or more. Insurance companies are regulated differently than banks and FHLBank New York's claims on collateral in the event of an insurance company failure may be less predictable than in a bank failure. We recognize that FHLBank New York takes additional precautions in the underwriting and credit monitoring process of its insurance company members, including taking physical possession of all pledged eligible collateral or requiring it to be deposited with a third party custodian or control agent. These steps minimize the possibility of credit losses.

FHLBank New York's single borrower concentrations are significant and a long-term earnings challenge. Its top five advance borrowers accounted for just over 50% of total advances as of 31 December 2024. However, in terms of member numbers, the vast majority of FHLBank New York's 300+ members are relatively small institutions.

Interest rate risk management

FHLBank New York manages its interest rate risk exposures through the use of debt with similar characteristics to its assets, as well as with derivatives. As noted, its core asset is advances, which are offered in a variety of types, including fixed rate, variable rate and callable by the member, as well as putable advances. With a putable advance, the FHLBank purchases a put option from members, which allows the FHLBank to terminate the fixed rate advance on specified dates and offer, subject to certain conditions, replacement funding at prevailing market rates. Prepayment fees, which mitigate interest rate risk, are also a common feature of advances.

FHLBank New York's mortgage portfolio is largely fixed-rate, long-term single family mortgages, which presents some asset-liability management challenges, but the portfolio's small size minimizes the risk. Still, the management of interest rate risk is important for FHLBank New York because its net interest margin (NIM) is relatively narrow, particularly when compared with a typical commercial bank. As such, a significant change in its NIM can result in material earnings volatility. Positively, FHLBank New York's NIM fluctuates minimally. For the year ended 2024, its reported NIM was 59 basis points (bps), moderately lower than the 61 bps it reported for 2023.

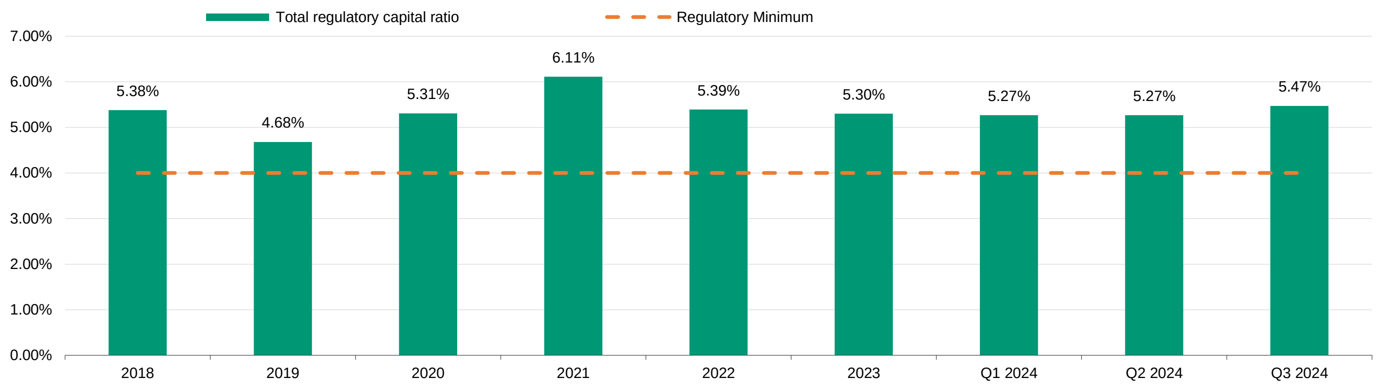
Capital adequacy

FHLBank New York is required by legislation to maintain minimum regulatory capital of 4% of its total assets. As of 31 December 2024, its total regulatory capital ratio was 5.31%, compared to 5.30% at year-end 2023. The aa1 assigned score for Capital in our scorecard incorporates our estimate of FHLBank New York's tangible common equity ratio on a risk-weighted basis, which is very strong.

To become a member of an FHLBank, financial institutions must purchase stock in the bank. All shares have a statutory par value of $100. When a member needs to access advances, it must not only pledge high-quality collateral, but also purchase additional activity-based stock in proportion to their borrowings. As a result, during times of high advance activity, the dollar amount of capital automatically increases.

Exhibit 4

FHLBank New York's capital ratio has fluctuated modestly, but consistently remained above the regulatory minimum



Source: Company Filings and Moody's Ratings

Profitability

FHLBank New York's modest but consistent profitability, as measured by return on average assets (ROAA), reflects the primarily low risk profile of its balance sheet. For 2024, FHLBank New York's reported ROAA was 0.44%, largely consistent with the 0.46% reported for 2023. FHLBanks' profitability measures are generally weaker, but less volatile, than those of rated US commercial banks. The baa1 assigned score for Profitability in our scorecard reflects FHLBank New York's good earnings stability.

Liquidity and Funding

The FHLBanks fund themselves by issuing debt, primarily in the form of consolidated obligations. Despite their high dependence on market funding, the FHLBanks' market access has been reliable because of their importance as providers of liquidity to the financial system as well as their GSE status, despite no formal guarantee from the US government, which is reflected in the baa1 assigned score for Funding Structure in our scorecard. Consequently, the FHLBanks generally maintain lower liquidity than non-GSE entities. As of 31 December 2024, FHLBank New York had liquid assets as a percentage of short-term debt of about 38%. We assign a Liquid Resources score of baa2.

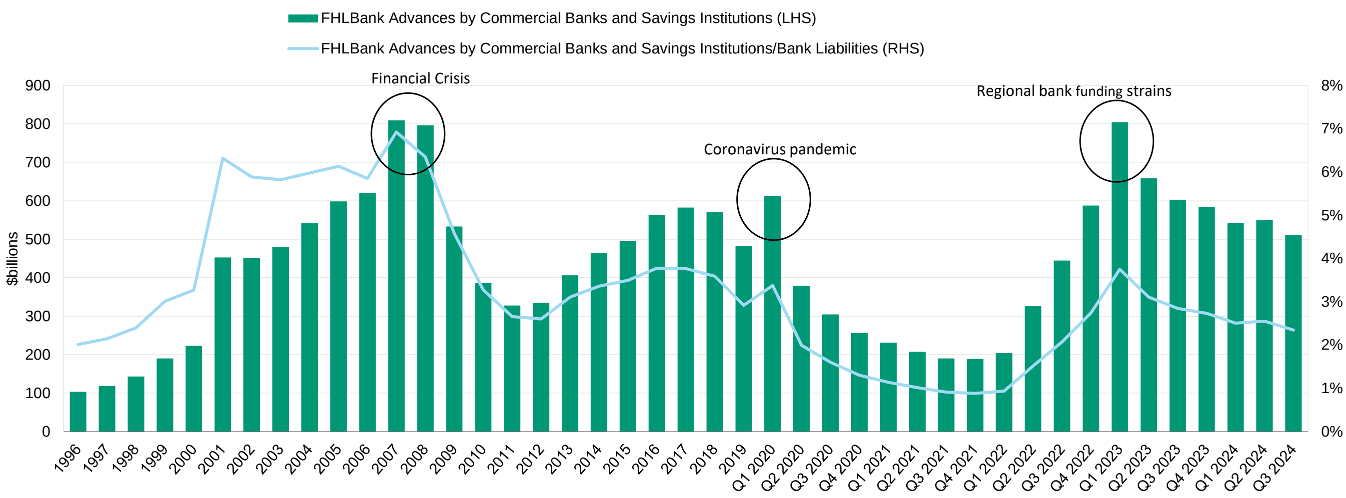
FHLBank New York's liquidity benefits from enhanced risk management that was implemented several years ago in accordance with FHFA guidance. The guidance established requirements for the FHLBanks' base case liquidity and implemented new funding gap metrics for three-month and one-year maturity horizons. In addition, the guidance addressed liquidity stress testing and contingency funding plans. We expect that FHLBank New York will continue to be in compliance with all its liquidity requirements.

Special role as a provider of liquidity to US financial institutions

The FHLBanks' demonstrated ability to access funding throughout the cycle underpins their importance to the financial system. As shown below, advances to regulated depository members spiked several times in recent years: at the height of the global financial crisis in 2008/9, in early 2020 at the beginning of the pandemic, throughout 2022 as banks sought alternative funding given both declines in their deposit balances and rising unrealized losses in their AFS securities portfolios, which increased their reluctance to sell those securities, and most recently, in March 2023 when there was a scramble for liquidity in the wake of multiple regional bank failures and acute deposit outflows at select institutions. Advances have since come down from their highs. All of these episodes are reminders of the FHLBank System's important role as a liquidity provider to the financial system in times of stress.

Exhibit 5

FHLBank advances have proven to be a reliable source of bank funding, especially during times of crisis
Systemwide advances 1996 - Q3 2024



Source: FDIC and Moody's Ratings

FHFA review and report

As noted above, in late 2023, the FHFA published a report that indicated three key priorities for the FHLBank System:

1) strengthening the FHLBanks' focus on housing goals, including affordable housing;

2) shifting the FHLBanks away from providing emergency funding for commercial banks, particularly those in strained financial condition, while also remaining a stable and reliable source of liquidity for members in the ordinary course of business; and

3) increasing the FHLBanks' efficiency and strengthening their governance.

The biggest immediate impact of the FHFA agenda would be to curtail the reliance of members, specifically banks in troubled financial condition, on emergency financing from the FHLBanks. However, we expect the FHLBanks will remain a reliable source of liquidity to their members in the ordinary course of business, just as they are today.

The FHFA's report raised a number of possible areas of change, some of which could be enacted through its ongoing supervision of the FHLBanks, some through more formal rule-making and still others that would require Congressional action in the months and years ahead. A key take-away is that although some of the proposed changes will require rule-making and/or statutory changes, which can be lengthy processes, the FHFA has the ability to implement other changes through its current supervisory process. For example, we believe access to FHLBank funding for banks in a weakened financial condition can, and likely will, be tightened under the existing regulatory oversight regime. That said, we are monitoring official sector statements regarding the FHLBanks' role in liquidity provision to banks and note that they emphasize the discount window for banks' emergency liquidity.

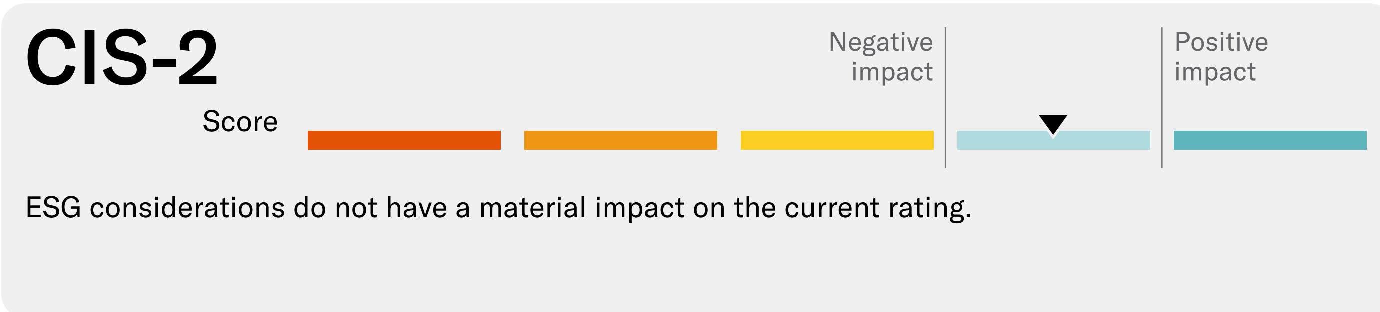
We do not currently expect a material change in the FHLBanks' creditworthiness, either on a standalone basis or of their Aaa-rated consolidated debt obligations. The FHLBanks' special role as providers of funding to US banks underpins our assessment of a 95 – 100% likelihood of government support for their consolidated debt obligations. As long as the FHLBanks' role in US banking system funding remains consequential, we will likely continue to ascribe the same government support assumptions in our rating of the consolidated debt obligations.

ESG considerations

Federal Home Loan Bank of New York's ESG credit impact score is CIS-2

Exhibit 6

ESG credit impact score

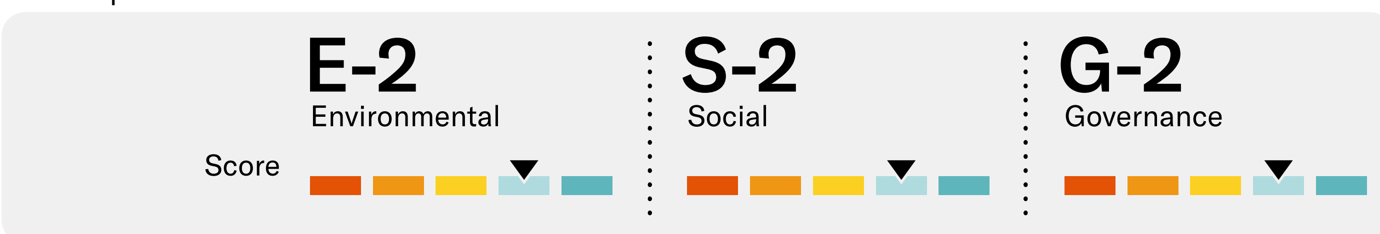


Source: Moody's Ratings

FHLBank New York's **CIS-2** indicates that ESG considerations have no material impact on the current ratings.

Exhibit 7

ESG issuer profile scores



Source: Moody's Ratings

Environmental

FHLBank New York faces low environmental risks. Its loan portfolio consists of wholesale advances to banks, insurance companies and credit unions. Although most of its bank customers face moderate carbon transition risks through their own loan portfolios, and many of its insurance companies face moderate physical climate risks through their client exposures, FHLBank New York is only indirectly exposed to these risks and its advance portfolio is diversified.

Social

FHLBank New York faces low social risks. Its clients are member institutions, such as banks, insurance companies and credit unions, and minimal interaction with retail clients mitigates the risks related to customer relations and demographic and societal trends. While FHLBank New York also faces high cyber risk similar to its banking peers, it faces lower risks of customer relations fallout than a typical bank because of its institutional client base.

Governance

FHLBank New York faces low governance risks. The bank has never reported credit losses on advances, its primary product, highlighting strong financial strategy and risk management, though as noted in the FHFA's report, the FHLBanks could be more focused on member creditworthiness and not rely so heavily on collateral as a risk mitigant. The System's strategy and asset composition is based on its Congressional mission and reinforced by its regulators. Like its FHLBank peers, FHLBank New York is a separately chartered cooperative owned by its respective members, with its own board of directors, management and employees. The System's mandate, regulatory oversight and policies limit the ability of the bank's board members to act against the interest of bondholders, which mitigates the potential conflict of interest resulting from board members being executives of its borrowers.FHLBank New York faces low governance risks. The bank has never reported credit losses on advances, its primary product, highlighting strong financial strategy and risk management, though as noted in the FHFA's report, the FHLBanks could be more focused on member creditworthiness and not rely so heavily on collateral as a risk mitigant. The System's strategy and asset composition is based on its Congressional mission and reinforced by its regulators. Like its FHLBank peers, FHLBank New York is a separately chartered cooperative owned by its respective members, with its own board of directors, management and employees. The System's mandate, regulatory oversight and policies limit the ability of the bank's board members to act against the interest of bondholders, which mitigates the potential conflict of interest resulting from board members being executives of its borrowers.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and Structural Considerations

Loss Given Failure (LGF) Analysis and Government Support Considerations

In the event that FHLBank New York were to require support, we do not believe there is an existing regulatory framework in place that provides a clear understanding of the impact of a resolution on creditors. Therefore, we do not apply the Advanced LGF approach to FHLBank New York as we do for US banks subject to an FDIC resolution, which we consider to be an operational resolution regime. Instead we apply the Basic LGF approach.

Under that approach, the rating on senior unsecured systemwide debt is Aaa, or four notches above the BCA. This reflects our assumptions about the probability of government support for FHLBank systemwide debt where we consider the likelihood of support to be 'Government-Backed', corresponding to a 95 – 100% probability of government support. For the deposit ratings assigned to FHLBank New York and the other regional FHLBanks, we assume a 'Very High' probability of government support, corresponding to a 70 – 95% probability.

Methodology and scorecard

Our BCA scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our BCA scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The BCA scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Exhibit 8

Rating Factors

Macro Factors		
Weighted Macro Profile	**Strong +**	**100%**

Factor	**Historic Ratio**	**Initial Score**	**Expected Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**
Solvency						
Asset Risk						
Problem Loans / Gross Loans	0.0%	aa1	↔	aa1	Long-run loss performance	
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel I)				aa1	Risk-weighted capitalisation	
Profitability						
Net Income / Tangible Assets	0.4%	ba1	↔	baa1	Earnings quality	
Combined Solvency Score				aa2		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	91.9%	caa3	↔	baa1	Market funding quality	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	21.8%	baa1	↔	baa2	Expected trend	
Combined Liquidity Score		b1		baa1		
Financial Profile		--		a1		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				Aaa		
BCA Scorecard-indicated Outcome - Range				aa3 - a2		
Assigned BCA				a1		

Balance Sheet is not applicable

Debt Class	**De Jure waterfall**		**De Facto waterfall**		**Notching**		**LGF Notching Guidance vs. Adjusted BCA**	**Assigned LGF notching**	**Additional Notching**	**Preliminary Rating Assessment**
	Instrument volume + subordination	**Sub-ordination**	**Instrument volume + subordination**	**Sub-ordination**	**De Jure**	**De Facto**				
Deposits					na	na	0	0	0	a1

Instrument Class	**Loss Given Failure notching**	**Additional notching**	**Preliminary Rating Assessment**	**Government Support notching**	**Local Currency Rating**	**Foreign Currency Rating**
Deposits	0	0	a1	4	Aaa	

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Ratings

Ratings

Exhibit 9

Category	Moody's Rating
FEDERAL HOME LOAN BANK OF NEW YORK	
Outlook	Negative
Bank Deposits	Aaa/P-1
Baseline Credit Assessment	a1
PARENT: FEDERAL HOME LOAN BANKS	
Outlook	Negative
Baseline Credit Assessment	a1
Senior Unsecured	Aaa
ST Issuer Rating	P-1

Source: Moody's Ratings

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CLIENT SERVICES

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Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454