

Annual Report

2004



*Federal
Home Loan Bank
of New York*



72nd Annual Report

for the year ended December 31, 2004

The Federal Home Loan Bank of New York ("FHLBNY") is a privately owned wholesale bank serving the financial needs of housing lenders. The FHLBNY is part of the Congressionally chartered, nationwide Federal Home Loan Bank System. The FHLBNY serves to increase the availability of mortgages and home finance to families of all income levels and offers high-value finance, correspondent, and management services to assist its customers in more effectively serving their neighborhoods and meeting their Community Reinvestment Act responsibilities. The FHLBNY supports community lenders in New Jersey, New York, Puerto Rico, and the U.S. Virgin Islands.



Summary Financial Data

Statements of Condition

(dollars in millions, except ratios)

	As of December 31,				
	2004	2003	2002	2001	2000
Investments (1)	\$ 18,363	\$ 14,217	\$ 23,598	\$ 19,200	\$ 22,406
Advances	68,507	63,923	68,926	60,962	52,396
Mortgage loans held for investment, net	1,178	672	435	425	528
Total assets	88,439	79,230	93,606	81,240	76,600
Deposits and other borrowings	2,297	2,100	2,743	2,862	2,162
Consolidated Obligations, net	80,157	70,857	83,512	72,628	69,563
Mandatorily Redeemable Stock	127	-	-	-	-
AHP Liability	82	93	110	105	88
REFCORP Liability	10	-	14	20	19
Capital stock	3,655	3,639	4,051	3,733	3,626
Unrestricted Retained earnings	223	127	244	177	121
Total capital ratio (2)	4.38%	4.75%	4.59%	4.81%	4.89%
Leverage ratio (5)	22.08	21.04	21.79	20.78	20.44

Statements of Condition Averages

(dollars in millions)

	For the years ended December 31,				
	2004	2003	2002	2001	2000
Investments (1)	\$ 17,642	\$ 19,833	\$ 20,677	\$ 22,017	\$ 20,076
Advances	65,289	70,943	64,210	54,295	46,851
Mortgage loans held for investment, net	928	527	400	475	376
Total assets	84,344	92,747	86,682	77,972	68,311
Deposits and other borrowings	1,968	2,952	2,908	2,825	1,814
Consolidated Obligations, net	76,105	81,818	76,907	70,077	62,149
Mandatorily Redeemable Stock	238	-	-	-	-
AHP Liability	83	105	107	97	76
REFCORP Liability	4	5	8	12	9
Capital stock	3,554	4,082	3,768	3,673	3,354
Retained earnings	159	193	204	129	98

Operating Results

(dollars in millions, except percentages)

	For the years ended December 31,				
	2004	2003	2002	2001	2000
Net interest income (3)	\$ 268	\$ 298	\$ 389	\$ 408	\$ 410
Net income	161	46	234	285	277
Dividends paid	65	164	167	229	227
AHP Expense	19	5	26	32	31
Refcorp Expense	40	11	59	71	69
Return on average equity	4.34%	1.08%	5.89%	7.50%	8.02%
Return on average assets	0.19%	0.05%	0.27%	0.37%	0.41%
Operating Expenses	\$ 51	\$ 48	\$ 39	\$ 35	\$ 34
Weighted average dividend rate (4)	1.83 %	5.33 %	4.51 %	6.29%	6.95%
Operating Expenses as a percent of average assets	0.06%	0.05%	0.04%	0.04%	0.05%

(1) Investments include held-to-maturity securities, available-for-sale securities, interest-bearing deposits, Federal funds sold and Loans to other FHLBanks.

(2) Total capital ratio is capital stock plus retained earnings and accumulated other comprehensive income (loss) as a percentage of total assets at period-end.

(3) Net interest income is net interest income before the provision for credit losses on mortgage loans.

(4) Represents cash dividend paid, divided by weighted average capital stock outstanding.

(5) Leverage ratio is the percentage of total assets minus allowance for credit losses divided by total capital.

To Our Members

In the spring of 2004, the Tiede Family opened the door to a new home in Wyoming County, New York. Their dream of homeownership came true thanks to resources provided by the Federal Home Loan Bank of New York ("FHLBNY") and our 302 member lenders. This family moment was repeated in thousands of homes throughout our service area as a result of successful member lending programs made possible with the assistance of the FHLBNY.

The community bank membership with the FHLBNY is a successful marriage of private capital and public sponsorship. Private capital bears the risk, while public sponsorship helps afford access to the financial markets on favorable terms. We create customized advance products for our member lenders to enable them to better serve customers and neighbors. Together we support the most important economic activity for our society: homeownership.

We are pleased to submit the 2004 Annual Report that details a successful year for the FHLBNY. Our solid performance in 2004 reflects the steadfast commitment of our Board of Directors and management to the mission of advancing housing opportunity and local community development by maximizing the capacity of community-based member lenders to serve their markets.

Reinvesting in Communities

Supporting members in meeting their responsibilities under the Community Reinvestment Act is a key measure of our success. To this end, we offer three primary community reinvestment-related credit services: the Affordable Housing Program ("AHP"), the Community Investment Program ("CIP"), and the First Home ClubSM.

Each year, the FHLBNY allocates 10 percent of our earnings to be awarded in the following calendar year to members through the AHP. In 2004, we

awarded nearly \$6.9 million in AHP grants for 21 projects to create 1,212 units of affordable housing. In addition, the CIP and the Rural Development and Urban Development Advance Programs committed \$25.3 million in advances in 2004. Together, all of these programs allow our member lenders to respond to the particular affordable housing finance and other infrastructure needs in the communities they serve.

As of year-end 2004, the FHLBNY had set aside over \$27.7 million for the First Home Club program to cover downpayment and closing costs for first-time, low-income homebuyers. The FHLBNY enrolled 1,196 families through 49 participating member lenders during the year.

2004: Year of Steady Growth

During 2004, our member lenders took advantage of the FHLBNY's range of advance products. Outstanding advances, which are secured by real estate loans, rose by \$4.6 billion to \$68.5 billion by year-end. This growth was experienced despite \$4.3 billion in required payoff of advances caused by acquisitions of our members by banks in other geographic regions.

The FHLBNY's 2004 net income was \$161 million. The total cash dividend paid for 2004 was \$70 million, or an annual dividend rate of 1.83%. The dividend trended higher during the year, culminating in a 3.05% dividend for the fourth quarter, paid in January 2005. Each of the 2004 dividend payments was in compliance with our newly created Retained Earnings and Dividend Policy. The Federal Housing Finance Board, our safety and soundness regulator, required each of the Federal Home Loan Banks to adopt such a retained earnings policy. The FHLBNY embraced the directive. And, at the end of 2004, we had

accumulated a retained earnings level of approximately \$223 million. This dollar amount meets the Optimal level of retained earnings as defined in the Retained Earnings and Dividend Policy. The Optimal level of retained earnings will change from quarter to quarter as risks change in our business. We anticipate a higher payout of Core Earnings (net income excluding the non-economic impact of the derivatives accounting rule referred to as FAS133) in the form of dividends for 2005.

Eight members joined the FHLBNY during the year, bringing the total membership to 302. We made 12,471 advances last year; these were individual borrowings by our members, who employed a full range of our advance products, including Adjustable Rate Credit, Convertible, Long-Term Fixed, Overnight Line of Credit, and Repo Advances.

Also in 2004, the FHLBNY refined its management structure, implemented more robust risk management techniques, and enhanced our monitoring, compliance, and control processes. These actions have produced a lower risk profile and supported conservative financial management practices.

Two Major Issues in 2005

Two challenges on the regulatory/public policy front of the Federal Home Loan Bank System will be the focus of great attention and action in 2005. Both of these issues have the potential of significantly altering the environment in which the Federal Home Loan Banks and the member lenders do business. We are working diligently to ensure that the public policy makers in Washington do their utmost to keep the Federal Home Loan Banks in a position to fully support member lenders in their work of providing home

To Our Members

mortgages and other financial services to the communities we serve jointly.

The first challenge for the Federal Home Loan Banks is their pending registration with the U.S. Securities and Exchange Commission ("SEC"). On June 23, 2004, the Federal Housing Finance Board adopted a final regulation requiring the 12 Federal Home Loan Banks to register with the SEC. On December 30, 2004, the FHLBNY submitted its initial filing with the SEC.

By regulation, each Federal Home Loan Bank is required to formally file with the SEC under the 1934 Securities and Exchange Act no later than June 30, 2005. We have been working closely with the Federal Housing Finance Board and the SEC to complete the registration process as soon as practicable. As we have indicated in past communications, the legal structures of the Federal Home Loan Banks, as unique cooperatives, are very different from the structures of most of the publicly traded companies that are currently registered with the SEC. As a result, there are a number of complex regulatory, accounting, and legal issues that are being addressed with the SEC in completing this process.

The other major challenge is GSE regulatory reform legislation. The 109th Congress and the Bush Administration are continuing the dialogue begun in 2003 as to the need and shape of a new regulator for the three housing Government Sponsored Enterprises: Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. The FHLBNY continues to support Congressional and Administration efforts to create a single, independent, world-class regulator for the housing Government Sponsored Enterprises. We are working with the other 11 Federal Home Loan Banks and other interested stakeholders to achieve a consensus on this major legislation. Our goal is to maintain the regionally-based

cooperative structure and preserve our primary mission of providing funding through our members to effectively address critical housing and community development needs.

A Few Words of Appreciation

We wish to acknowledge and thank the Members of our Board of Directors for providing the guidance and direction that have helped keep the FHLBNY moving forward and adapting to the changing environment.

In particular, we extend our appreciation to the Chairs of our Board Committees: Kenneth J. Abt, First Federal Savings of Middletown, Middletown, New York, Chair, Audit Committee; Harry P. Doherty, Independence Community Bank, Brooklyn, New York, Chair, Compensation and Human Resources Committee; David W. Lindstrom, Franklin Savings Bank, Pilesgrove, New Jersey, Chair, Corporate Governance Committee; Richard S. Mroz, Stradley Ronon Stevens & Young, LLP, Cherry Hill, New Jersey, Chair, External Affairs Committee; and Edward C. Gibney, Boiling Springs Savings Bank, Rutherford, New Jersey, Chair, Housing Committee.

The Board gratefully acknowledges the many contributions of the members of the Affordable Housing Advisory Council. We would like to particularly thank Margaret T. O'Leary, Hudson Valley Housing Development Fund Co., Inc., and Carla L. Lerman, Episcopal Community Development, Inc., for serving as Chair and Vice Chair, respectively.

We would like to express our appreciation and thanks to Atwood Collins III, M & T Bank, Buffalo, New York, for his service as Chair. His leadership and counsel have been exceptional. We would also like to express our gratitude for the dedicated service of and contributions by other

outgoing directors: Edward C. Gibney, Boiling Springs Savings Bank, Rutherford, New Jersey; Michael M. Horn, McCarter & English, LLP, Newark, New Jersey; and Leopold W. Montanaro, Kearny Federal Savings Bank, Kearny, New Jersey.

We welcome three new industry directors who were elected to the Board in November 2004: Joseph R. Ficalora, New York Community Bank, Westbury, New York; Ronald E. Hermance, Jr., Hudson City Savings Bank, Paramus, New Jersey; and Kevin J. Lynch, Oritani Savings Bank, Washington Township, New Jersey.

We thank each of our member lenders for their business and investment in the FHLBNY. Ultimately, the FHLBNY's main purpose is to provide the credit and other financial products needed by our members' customers. This partnership contributes to the vitality and prosperity of New Jersey, New York, Puerto Rico, and the U.S. Virgin Islands.



George L. Engelke, Jr.
Chairman of the Board



Alfred A. DelliBovi
President and CEO



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Middletown, New York
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DeWitt, New York

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Oritani Savings Bank
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Kearny, New Jersey

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Of Counsel
Stradley Ronon Stevens & Young, LLP
Cherry Hill, New Jersey
Chair, External Affairs Committee

Notes:

1 - Term expired December 31, 2004
2 - Resigned July 2004

a - Member of the Executive Committee
b - Member of the Audit Committee
c - Member of the Housing Committee
d - Member of the External Affairs Committee

e - Member of the Compensation and Human
Resources Committee
f - Member of the Corporate Governance
Committee

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Belmont, New York

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Fund Company, Inc.
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and Asset Management
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Executive Director
New York State Rural Housing
Coalition, Inc.
Albany, New York

Notes:

1 - Term expired December 31, 2004

2 - Resigned March 2004

3 - Resigned August 2004

Corporate Officers 2005

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President and Chief Executive Officer

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Sandra Napoleon
Dechu Muthana
Janakinath Rao
Diahann Rothstein
Mildred Tse-Gonzalez

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Michael Desiderio
Wendy Iannone
Shu-Yam Ip
Kenneth Knight
Anthony Merli
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Candice Soldano
Prisco Sulit

Notes:

As of June 30, 2005

Advancing Housing and Community Growth

