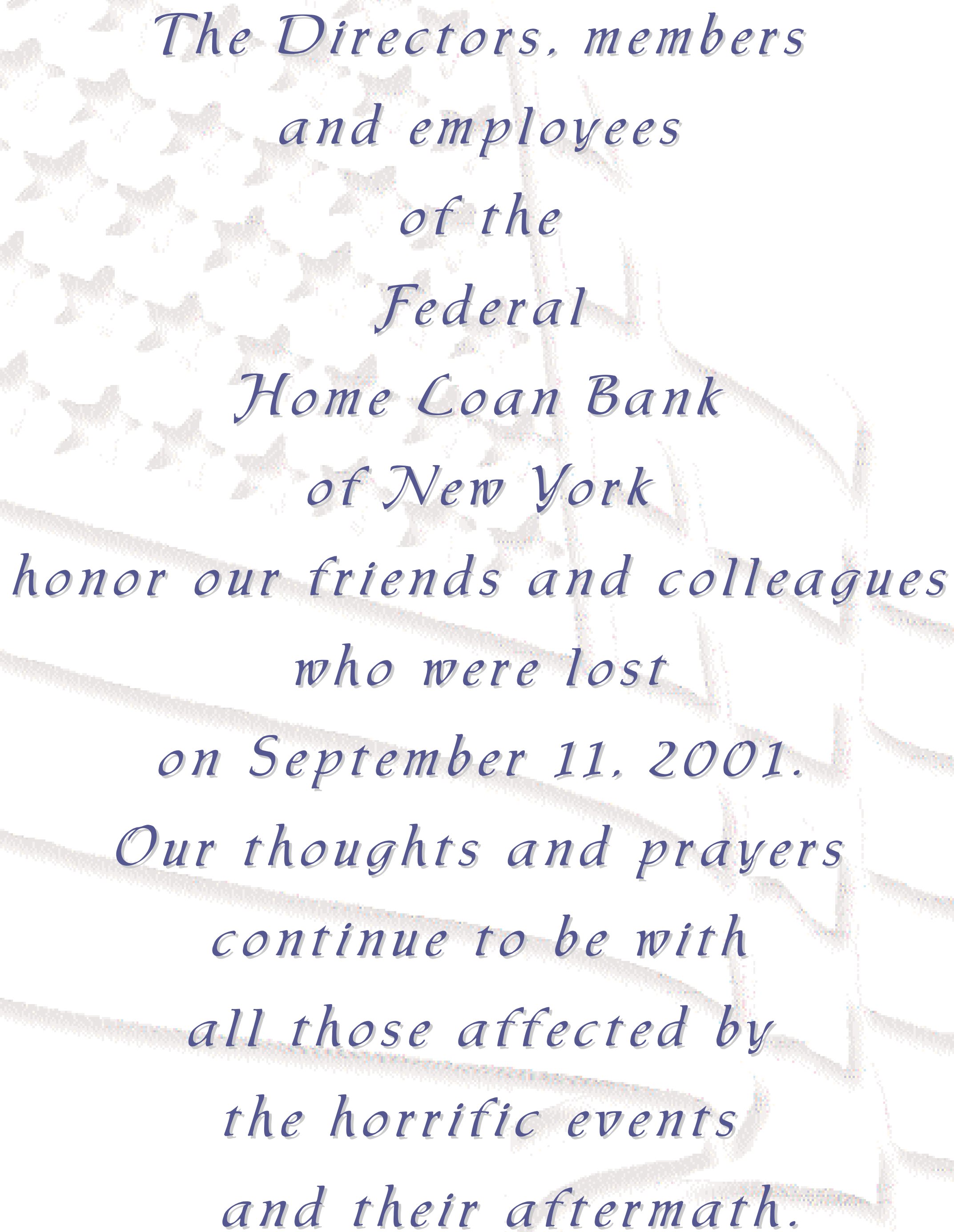
2001 Annual Report

Federal Home Loan Bank of New York



The Directors, members
and employees
of the
Federal
Home Loan Bank
of New York
honor our friends and colleagues
who were lost
on September 11, 2001.
Our thoughts and prayers
continue to be with
all those affected by
the horrific events
and their aftermath.

69th Annual Report

For the Year Ended December 31, 2001

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The Federal Home Loan Bank of New York is a privately owned wholesale bank serving the financial needs of housing lenders. The Home Loan Bank of New York is part of the Congressionally chartered, nationwide Home Loan Bank System. The Bank 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 Home Loan Bank of New York supports community lenders in New Jersey, New York, Puerto Rico and the U.S. Virgin Islands.

To Our Members

Two thousand one was a year of upheaval scorched in our memory. Following the tumultuous conclusion of the Presidential election, the year began with the finale of the Dot Com correction, the official recognition of a recession in March, and a sudden change in control of the U.S. Senate. Then we experienced unprecedented tragedy as our nation's financial and political centers came under attack on September 11. The year closed with successes in the prosecution of the war against al Qaeda and international terrorism. We mourned deeply as we honored those lost and saluted the heroism of so many of our friends and fellow citizens.

We experienced the kinds of events that previously would have brought turmoil to the financial marketplace.

But throughout the year of events that in previous times would have disrupted markets, there was one constant: a strong housing sector. While their emotions were wracked by the violence, Americans looked inward and turned home. In most neighborhoods in the United States, the principal economic activity is the buying and selling of homes. Two thousand one was no exception. We saw strength in the entire housing sector. Once considered a staid sector of our economy, housing had its best year ever in contrast to the general economy that saw a recession for the first time in a decade. This vitality could not have happened without the certainty that funds would be available for housing. A major reason those funds were available was the assured and continuous access to capital markets provided to housing lenders by, among others, the Home Loan Banks. Not even the September 11 attacks at the heart of our nation's financial center could cut off the supply of capital for housing. During the 72 hours after the terrorist attacks and despite the loss of the Bank's headquarters at Seven World Trade Center, the Home Loan Bank of New York issued 108 advances totaling $18.2 billion. Through the remainder of September, 508 additional advances totaling $45 billion were issued to the Bank's member lenders.

At the Home Loan Bank of New York, our successful performance speaks not only to the exemplary professionalism and character of our employees, but also of the value-adding benefits we provide our members in all economic climates. Member lenders can and do rely on the Home Loan Bank to enhance their competitive edge and provide innovative ways to support the communities they serve.

Advances Climbed Throughout the Year

Advances climbed steadily throughout the year and reached the $59 billion level for the first time during the fourth quarter. The Bank finished the year at a par value of $59.7 billion, a $7.3 billion increase over the ending balance for advances in 2000. This record-setting pace generated 11,799 individual advance disbursements to our members. The Bank's flexible credit products, including Adjustable Rate Credit, Overnight Line of Credit, Overnight Special Rate Advances, Convertible Advances and Repo Advances, were well utilized by our members in 2001.

As capital increased with advance demand, so too did the size of the Bank's conservative investment portfolio; at year-end, it was $19.1 billion. Our investment portfolio included $11 billion in AAA-rated mortgage-backed securities ("MBS"). MBS have proved to be a consistently sound investment and an effective means to meet our public policy mandate to support the financing of home mortgages. Adding the MBS holdings to our other activities means that virtually all the assets of the Bank support housing in one form or another.

To keep our balance sheet mission-consistent, we maintained a ratio of housing/mission-related assets to consolidated obligations of at least 80 percent. At year-end, the ratio was 99 percent including MBS.

In 2001, we continued to experience growth in the Mortgage Partnership Finance® ("MPF®") program. With MPF, members create, market, service and credit-enhance single-family mortgage loans - operations they perform best - while the Bank provides the funding and manages the liquidity, interest rate and options risks of the loans. MPF brings more competition to the secondary market, which is beneficial both to our members and to our nation's mortgage finance system. Twenty-eight members have been approved as MPF lenders. The Bank has signed master commitments in excess of $8.5 billion. By the end of 2001, we had funded a total of $711 million of MPF loans to our members since we first began offering the program in 1999.

$284.9 Million in Net Income Produced

Earnings in 2001 reached $284.9 million, an increase of $8.3 million from the previous year. This gain can be attributed to the strong member utilization of our products and services, supplemented by the Bank's prudent investments in home finance supporting mortgage-backed securities. Reflecting the economy and the Bank's performance, our Board paid an average dividend rate of 6.29 percent in 2001.

Strong Membership

Although the Bank was not immune to consolidation with the loss of 15 former members because of their acquisition, new membership growth continued during the year; ten financial institutions joined the Home Loan Bank. This new membership growth helped to counter the trend of consolidation. By the end of the year, the total assets generated by the lending activity of our 295 community lenders increased to $480 billion. Membership at the twelve Federal Home Loan Banks has continued to grow since 1989 when membership was made available to commercial banks and credit unions. At year-end, there were 7,902 community lenders who were members of the Home Loan Bank System.

Community Reinvestment Activity

Supporting members in meeting their responsibilities under the Community Reinvestment Act is a key measure of our success. Every day our principal mission of helping families obtain affordable housing is accomplished as our members transform our innovative, wholesale credit programs into mortgage products that people can afford. We offer three flexible community reinvestment credit services: the Affordable Housing Program ("AHP"), the Community Investment Program ("CIP"), and the First Home Club[sm].

Each year the New York Bank allocates 10 percent of net earnings to be awarded in the following calendar year to members through the AHP. In the first application period of 2001, we awarded over $17.0 million for 43 affordable housing projects to create 2,373 units of affordable housing. Due to the events of September 11, the second application round of 2001 was delayed and approvals were announced before the end of the first quarter of 2002. In combination with the CIP and the new Rural Development and Urban Development Advance Programs (which committed $15.8 million in advances in 2001), the AHP allows member lenders to respond to the particular housing finance and community development needs in the communities we serve.

By year-end 2001, the Bank set aside over $12 million for the First Home Club to reduce the mortgage origination costs for first-time homebuyers. The Bank enrolled 1,258 families through 43 participating community member lenders during the year. By the close of the year, 580 families enjoyed the holiday season in their new homes, funded, in part, by this matching-grant, mortgage-buy-down initiative.

New FHLBNY Capital Plan Submitted for Approval

As required by the Federal Home Loan Bank System Modernization Act of 1999, the Bank completed the development of a new capital plan. The capital plan was submitted for approval to our regulator, the Federal Housing Finance Board ("FHFB"), on October 25, 2001. This submission is a major milestone for the Bank; it culminates a two-year effort to draft a new capital plan that upon approval and implementation will replace the Bank's existing capital stock with a more flexible structure that will provide new member stock investment requirements and comply with new minimum leverage and risk-based capital requirements. We would like to thank our many members and industry representatives who contributed their comments and views during the drafting process.

Recognition of Dedicated Service

We wish to acknowledge and thank our Board of Directors for providing the vision and guidance that have helped keep the Bank moving forward and adapting to the changing environment. Their dedicated support and direction have been invaluable in helping us to develop and refine our products and to better serve the member lenders of the Second District.

In particular, we extend our appreciation to Dennis A. James, Sturdy Savings Bank, Cape May Court House, New Jersey, for serving as Vice Chair of the Home Loan Bank, Chair of the Executive Committee and Chair of the Human Resources Committee. We are also grateful to Atwood Collins III, M&T Bank, Fishkill, New York, Chair, External Affairs and Community Mortgage Asset Committees; William J. Mulrow, Gabelli Asset Management Co., Rye, New York, Chair, Housing Committee; and John R. Garbarino, OceanFirst Bank, Toms River, New Jersey, Chair, Audit 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, Executive Director, Hudson Valley Housing Development Fund Co., Inc., and Carla L. Lerman, Executive Director, Episcopal Community Development, Inc., for serving as Chair and Vice Chair, respectively.

LOOKING AHEAD

One of the most critical challenges facing the Home Loan Bank of New York and the entire Home Loan Bank System is the resolution of the multi-district membership issue. Under the current regulation, a member lender may belong to only one Home Loan Bank. This regulatory membership constraint has, in our opinion, become counterproductive for the regionally connected and community oriented Federal Home Loan Bank System in the consumer financial marketplace today. Housing lenders no longer originate mortgages inside the boundaries of only one of the twelve Home Loan Bank districts.

At the New York Home Loan Bank, the deficiencies of the current regulation came into sharp focus with the acquisition of The Dime Savings Bank of New York by Washington Mutual and Summit Bank by Fleet Bank. Both Dime and Summit Bank were among the top 20 customers of the Home Loan Bank of New York. The acquiring lenders - who are members of other Home Loan Banks - indicated their interest in maintaining the local connection and membership with our Bank. However, current regulatory interpretations prohibit the fulfillment of this intent. In consequence, community resources are now being transferred from New York to Massachusetts and California and the funds in our valuable Affordable Housing Program are being decreased. Moreover, because consolidation is likely to continue in the financial services industry, it is probable that the current regulatory arrangement will have even further negative effects in the future.

The FHFB is now considering the policy issues on whether to proceed with rulemaking processes to provide for multi-district membership. The Home Loan Bank of New York will continue to work closely with the FHFB to allow the Home Loan Banks to maintain strong local relationships and keep in step with the evolving financial services industry.

Atwood Collins III
Chairman of the Board

Alfred A. DelliBovi
President and CEO

Special Post-Script Message from the President

As we were completing the final proofs of this annual report, the Federal Housing Finance Board announced the appointment of three new directors to our Board. They are: Elias Behar-Ybarra, President, Behar-Ybarra and Associates, San Juan, Puerto Rico; Michael M. Horn, Partner, McCarter & English, LLP, Newark, New Jersey; and Richard S. Mroz, Attorney, Stradley Ronon Stevens & Young, LLP, Cherry Hill, New Jersey. I would also like to welcome William E. Swan, Chairman, President and CEO, First Niagara Bank, Lockport, New York to our Board as an industry director.

I would also like to express my appreciation and thanks to James J. Florio, Chairman and CEO, Xspand, Morristown, New Jersey, and of Counsel, Fischbein◆Badillo◆Wagner◆Harding, Newark, New Jersey, for his service as Chair. I would also like to express my gratitude to other outgoing directors: Robert M. Greene, Chief Executive Officer, Phillips, Lytle, Hitchcock, Blaine & Huber LLP, Buffalo, New York; William J. Mulrow, Senior Vice President, Gabelli Asset Management Company, Rye, New York; and Lawrence J. Toal, The Dime Savings Bank of New York, FSB, New York, New York for their dedicated service on the Board and to the Bank. Their many contributions benefited every aspect of the Home Loan Bank.

Finally, I would like to thank Harold J. Fletcher for his over 28 years of service to the Home Loan Bank. During his nearly three decades of contribution to the Bank, he rose from computer operator to become the Bank's Chief Operating Officer. It was particularly during the past nine years that, as my principal lieutenant, Harry helped move the Home Loan Bank ahead and increase its utility for our 295 member lenders.

- Al DelliBovi

New Jersey

1st Bank of Sea Isle City
Sea Isle City
Affinity Federal Credit Union
Bedminister
Amboy National Bank
Old Bridge
American Savings Bank of NJ
Bloomfield
Atlantic Stewardship Bank
Midland Park
Audubon Savings Bank
Audubon
Bergen Commercial Bank
Paramus
Boardwalk Bank
Linwood
Bogota Savings Bank
Bogota
Boiling Springs Savings Bank
Rutherford
Bridge View Bank
Englewood Cliffs
Cape Savings Bank
Cape May Court House
Cenlar FSB
Trenton
Century Savings Bank
Bridgeton
City National Bank of New Jersey
Newark
Clifton Savings Bank, S.L.A.
Clifton
Clover Bank
Pennsauken
Colonial Bank, FSB
Bridgeton
Columbia Bank
Fair Lawn
Commerce Bank, N.A.
Cherry Hill
Commerce Bank, North
Ramsey
Community State Bank
Teaneck
Crest Savings Bank
Wildwood
Crown Bank, NA
Brick
Delanco Federal Savings Bank
Delanco
Dollar Savings Bank
Newark
Equity Bank
Marlton
Farmers and Mechanics Bank
Burlington

First Atlantic Federal Credit Union
West Long Branch
First Bank of Central Jersey
North Brunswick
First Constitution Bank
Cranbury
First Hope Bank
Hope
First Investors Federal Savings Bank
Woodbridge
First Morris Bank
Morristown
First Savings Bank
Woodbridge
First Washington State Bank
Windsor
Franklin Savings Bank, SLA
Pilesgrove
Gibraltar Savings Bank, FSB
Newark
Glen Rock Savings Bank
Glen Rock
Gloucester County Federal Savings Bank
Sewell
Great Falls Bank
Totowa
GSL Savings Bank
Guttenberg
Haddon Savings Bank
Haddon Heights
Hamilton Savings Bank
Union City
Haven Savings Bank
Hoboken
Hudson City Savings Bank
Paramus
Hudson United Bank
Mahwah
Interchange Bank
Saddle Brook
Investors Savings Bank
Millburn
Kearny Federal Savings Bank
Kearny
Lakeland Bank
Oak Ridge
Liberty Bank
Avenel
Lincoln Park Savings and Loan Assn.
Lincoln Park
Llewellyn-Edison Savings Bank, FSB
West Orange
Lusitania Savings Bank, FSB
Newark

Magyar Savings Bank
New Brunswick
Manasquan Savings Bank
Wall Township
Merrill Lynch Trust Company, FSB
Princeton
MetLife Bank, N.A.
Monmouth Junction
Metuchen Savings Bank
Metuchen
MIIX Insurance Company
Lawrenceville
Millington Savings Bank
Millington
Millville Savings and Loan Association
Millville
Minotola National Bank
Vineland
MON-OC Federal Credit Union
Toms River
Monroe Savings Bank, SLA
Williamstown
Morgan Stanley Trust
Jersey City
N.J.M. Bank, FSB
West Trenton
New Community Federal Credit Union
Newark
NJ Housing & Mortgage Finance Agency*
Trenton
NorCrown Bank
Livingston
NVE Savings Bank
Englewood
Ocean City Home Bank
Ocean City
OceanFirst Bank
Toms River
Ocwen Federal Bank FSB
Fort Lee
Oritani Savings Bank
Hackensack
Pamrapo Savings Bank, SLA
Bayonne
Parke Bank
Sewell
Peapack-Gladstone Bank
Gladstone
Penn Federal Savings Bank
West Orange
Peoples Savings Bank
Bordentown
Pinnacle Federal Credit Union
Edison
Pulaski Savings Bank
Springfield

*Housing Associate

Ridgewood Savings Bank of New Jersey
Ridgewood
Roebling Bank
Roebling
Roma Federal Savings Bank
Hamilton Township
Roselle Savings Bank
Roselle
Schuyler Savings Bank
Kearny
Shrewsbury State Bank
Shrewsbury
Skylands Community Bank
Hackettstown
Somerset Savings Bank, SLA
Bound Brook
Somerset Valley Bank
Somerville
Spencer Savings Bank, SLA
Garfield
Sterling Bank
Mount Laurel
Sturdy Savings Bank
Cape May Court House
Summit Bank
Hackensack
Summit Federal Savings and Loan Assn.
Summit
Sun National Bank
Vineland
Sussex Bank
Franklin
Synergy Federal Savings Bank
Cranford
The Bank of Gloucester County
Woodbury
The Bank of the Somerset Hills
Bernardsville
The Community Bank of New Jersey
Freehold
The First National Bank of Elmer
Elmer
The Freehold Savings and Loan Assn.
Freehold
The National Bank of Sussex County
Branchville
The Newton Trust Company
Newton
The NJ Economic Development Authority*
Trenton
The Provident Bank
Jersey City
The Rahway Savings Institution
Rahway
The Trust Company of New Jersey
Jersey City

The Woodstown NB & Trust Company
Woodstown
Union Center National Bank
Union
United Roosevelt Savings Bank
Carteret
UnitedTrust Bank
Bridgewater
Unity Bank
Clinton
Valley National Bank
Wayne
Vista Bank, N.A.
Phillipsburg
Wawel Savings Bank, SLA
Wallington
West Essex Bank, FSB
Caldwell
Yardville National Bank
Yardville

New York

Abacus Federal Savings Bank
New York
Adirondack Bank, National Association
Utica
Alliance Bank, N.A.
Syracuse
Alternatives Federal Credit Union
Ithaca
Amalgamated Bank
New York
American Community Bank
Glen Cove
Astoria Federal Savings and Loan Assn.
Lake Success
Atlantic Bank of New York
New York
Atlantic Liberty Savings, F.A.
Brooklyn
Atlas Savings and Loan Association
Brooklyn
Ballston Spa National Bank
Ballston Spa
Banco Popular North America
New York
Bank Audi (USA)
New York
Bank Leumi USA
New York
Bank of Akron
Akron
Bank of Holland
Holland
Bank of Richmondville
Richmondville
Bank of Smithtown
Smithtown

Bath National Bank
Bath
Beacon Federal
East Syracuse
Brooklyn Federal Savings Bank
Brooklyn
BSB Bank and Trust
Binghamton
Canisteo Savings and Loan Association
Canisteo
Carthage Federal Savings and Loan Assn.
Carthage
Carver Federal Savings Bank
New York
Cattaraugus County Bank
Little Valley
Cayuga Bank
Auburn
CFS Bank
Woodhaven
Champlain National Bank
Willsboro
Charter One Commercial
Albany
Chemung Canal Trust Company
Elmira
Chinatown Federal Savings Bank
New York
Citizens National Bank of Malone
Malone
City and Suburban Federal Savings Bank
Yonkers
City National Bank and Trust Company
Gloversville
Cohoes Savings Bank
Cohoes
Commercial Bank of New York
New York
Community Bank, N.A.
DeWitt
Community Capital Bank
Brooklyn
Community Mutual Savings Bank
White Plains
Cortland Savings Bank
Lockport
Country Bank
New York
Cross County Federal Savings Bank
Middle Village
Doral Bank, FSB
New York
Dormitory Authority of the State of NY*
Albany

*Housing Associate

EastBank, National Association
New York
Ellenville National Bank
Ellenville
Elmira Savings and Loan, F.A.
Elmira
Emigrant Savings Bank
New York
Empire Federal Credit Union
Syracuse
ESL Federal Credit Union
Rochester
European American Bank
Uniondale
Evans National Bank
Angola
Evergreen Bank, N.A.
Glens Falls
FAA Eastern Region FCU
Jamaica
Fairport Savings Bank
Fairport
First American International Bank
Brooklyn
First Central Savings Bank
Whitestone
First Federal Savings of Middletown
Middletown
First National Bank of Jeffersonville
Jeffersonville
First Niagara Bank
Lockport
First State Bank, Canisteo, N.Y.
Canisteo
First Tier Bank & Trust
Salamanca
Flatbush FSLA of Brooklyn
Brooklyn
Flushing Savings Bank, FSB
Flushing
Fourth Federal Savings Bank
New York
Fulton Savings Bank
Fulton
Geddes Federal Savings and Loan Assn.
Syracuse
Glens Falls NB & Trust Company
Glens Falls
Goshen Savings Bank
Goshen
Gouverneur Savings and Loan Association
Gouverneur
Great Eastern Bank
New York

Greater Buffalo Savings Bank
Buffalo
GreenPoint Bank (Savings Bank)
New York
Guardian Trust Company, FSB
New York
Habib American Bank
New York
Highland Falls Federal SLA
Highland Falls
HSBC Bank USA
New York
Hudson River Bank & Trust Company
Hudson
Hudson Valley Bank
Yonkers
Hudson Valley Federal Credit Union
Poughkeepsie
Independence Community Bank
Brooklyn
Interbank of New York
Astoria
Israel Discount Bank of New York
New York
Kraft Foods Federal Credit Union
White Plains
Lake Shore Savings and Loan Association
Dunkirk
Long Island Commercial Bank
Islandia
Manufacturers and Traders Trust Company
Buffalo
Maple City Savings Bank, FSB
Hornell
Marathon National Bank of New York
Astoria
Maspeth Federal Savings and Loan Assn.
Maspeth
Massena Savings and Loan Association
Massena
Medina Savings and Loan Association
Medina
Merchants Bank of New York
New York
Mid-Hudson Valley Federal Credit Union
Kingston
Mohawk Community Bank
Amsterdam
National Bank of Delaware County
Walton
National Bank of New York City
Flushing

NBT Bank, N.A.
Norwich
New York Community Bank
Westbury
New York National Bank
Bronx
New York State Housing Finance Agency*
New York
North Fork Bank
Melville
Northfield Savings Bank
Staten Island
Ogdensburg Federal SLA
Ogdensburg
Ontario National Bank
Clifton Springs
Orange County Trust Company
Middletown
Oswego County Savings Bank
Oswego
PathFinder Bank
Oswego
Pioneer Savings Bank
Troy
Pittsford Federal Credit Union
Pittsford
Ponce de Leon Federal Bank
Bronx
Power Federal Credit Union
Syracuse
Premier National Bank
Lagrangeville
Provident Bank
Montebello
Putnam County Savings Bank
Brewster
Rhinebeck Savings Bank
Rhinebeck
Richmond County Savings Bank
Staten Island
Ridgewood Savings Bank
Ridgewood
Rondout Savings Bank
Kingston
Saratoga National Bank and Trust Company
Saratoga Springs
Savings Bank of the Finger Lakes
Geneva
Sawyer Savings Bank
Saugerties
Seneca Federal Savings and Loan Assn.
Baldwinsville

*Housing Associate

SI Bank & Trust
Staten Island
Sleepy Hollow National Bank
Sleepy Hollow
Solvay Bank
Solvay
Sound Federal Savings and Loan Assn.
Mamaroneck
State Bank of Long Island
New Hyde Park
State Employees Federal Credit Union
Albany
State of New York Mortgage Agency*
New York
Sterling National Bank
New York
Steuben Trust Company
Hornell
Suffolk Federal Credit Union
Medford
Sunnyside FSLA of Irvington
Irvington
The Bank of Castile
Castile
The Bank of Greene County
Catskill
The Berkshire Bank
New York
The Bridgehampton National Bank
Bridgehampton
The Canandaigua NB & Trust Company
Canandaigua
The Central National Bank of Canajoharie
Canajoharie
The Citizens National Bank of Hammond
Hammond
The Delaware National Bank of Delhi
Delhi
The Dime Savings Bank of New York
New York
The Dime Savings Bank of Williamsburgh
Brooklyn
The Elmira Savings Bank, FSB
Elmira
The First National Bank of Dryden
Dryden
The First National Bank of Northern New York
Norfolk

The Lyons National Bank
Lyons
The Mahopac National Bank
Brewster
The Municipal Housing Authority*
Yonkers
The National Bank of Geneva
Geneva
The National Bank of Stamford
Stamford
The National Union Bank of Kinderhook
Kinderhook
The North Country Savings Bank
Canton
The NYC Housing Development Corporation*
New York
The Oneida Savings Bank
Oneida
The Park Avenue Bank, N.A.
New York
The Pavilion State Bank
Pavilion
The Rome Savings Bank
Rome
The Roslyn Savings Bank
Jericho
The Savings Bank of Utica
Utica
The Seneca Falls Savings Bank
Seneca Falls
The Suffolk County NB of Riverhead
Riverhead
The Troy Savings Bank
Troy
The Tupper Lake National Bank
Tupper Lake
The Upstate National Bank
Fayetteville
The Warwick Savings Bank
Warwick
The Yonkers Savings and Loan Assn., FA
Yonkers
Tioga State Bank
Spencer
Tompkins Trust Company
Ithaca
Trustco Bank N.A.
Schenectady
Trustco Savings Bank
Canajoharie
Ulster Savings Bank
Kingston

Union State Bank
Orangeburg
United Orient Bank
New York
United States Trust Company of New York
New York
Visions Federal Credit Union
Endicott
Walden Federal Savings and Loan Assn.
Walden
Walden Savings Bank
Walden
Wallkill Valley FSLA
Wallkill
WCTA Federal Credit Union
Sodus
Wilber National Bank
Oneonta
Wyoming County Bank
Warsaw

Puerto Rico

Banco Bilbao Vizcaya Argentaria P.R.
Hato Rey
Banco Popular de Puerto Rico
Hato Rey
Banco Santander Puerto Rico
Hato Rey
Doral Bank
San Juan
Eurobank
San Juan
FirstBank Puerto Rico
Santurce
Oriental Bank and Trust
San Juan
R-G Premier Bank of Puerto Rico
Hato Rey
The Bank & Trust of Puerto Rico
Hato Rey
WesternBank Puerto Rico
Mayaguez

U. S. Virgin Islands

Bank of St. Croix, Inc.
Christiansted
Virgin Islands Community Bank Corp.
St. Croix

*Housing Associate

The statements contained in this report, including statements describing the objectives, projections, estimates, or predictions of the future of the Federal Home Loan Bank of New York ("Bank"), may be "forward-looking statements." These statements may use forward-looking terms, such as "anticipates," "believes," "could," "estimates," "may," "should," "will" or their negatives or other variations of these terms. The Bank cautions that, by their nature, forward-looking statements involve risk or uncertainty and that actual results could differ materially from those expressed or implied in these forward-looking statements or could affect the extent to which a particular objective, projection, estimate, or prediction is realized. These forward-looking statements involve risks and uncertainties including, but not limited to, the following: economic and market conditions; volatility of market prices, rates, and indices; political, legislative, regulatory or judicial events; competitive forces; changes in investor demand for consolidated obligations and/or terms of interest rate exchange agreements and similar other agreements; timing and volume of market activity; and inflation.

THE YEAR IN REVIEW

Advances to members, before fair value adjustments under Statement of Financial Accounting Standards ("SFAS") No. 133, reached a record high of $59.7 billion at year end 2001. Compared with year end 2000 balances of $52.4 billion, advances increased $7.3 billion or 14 percent.

(in millions)	December 31, 2001
Advance Portfolio	$59,669.2
Fair Value Adjustment	1,292.9
Carrying Value	$60,962.1

Investments in mortgage-backed and housing-related asset-backed securities ("MBS" and "ABS") grew by $0.5 billion during 2001, to $10.9 billion at year end. The dollar amount of the Bank's liquidity and other non-MBS investments ended 2001 at $8.2 billion, a decrease of $3.7 billion from the year-end 2000 balance.

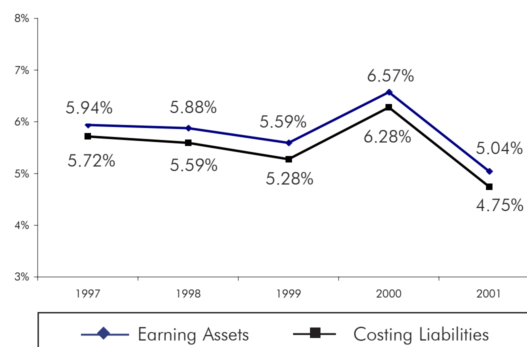
Primarily as a result of the sharp decline in interest rates, net interest income decreased 0.5 percent despite the strong growth in advances and other earning assets. Return on equity was 7.49 percent for the year 2001, down from 8.03 percent in 2000. Before assessments by the Resolution Funding Corp. ("REFCORP"), the Bank's return on equity was 9.36 percent versus 10.03 percent for the comparable measure in 2000. These results enabled the Bank to pay quarterly cash dividends averaging 6.29 percent during the year 2001 while continuing to increase retained earnings.

RESULTS OF OPERATIONS

Net Interest Income

Net interest income remained relatively flat in 2001 at $408.1 million, compared with $410.1 million in 2000. Average interest-earning assets increased 13.9 percent or $9.4 billion, while the net interest spread between earning assets and interest-bearing liabilities remained unchanged at 29 basis points. The average yield on interest-earning assets in 2001 was 5.04 percent, compared with 6.57 percent in 2000, a decrease of 153 basis points. The average cost of interest-bearing liabilities also decreased by 153 basis points, from 6.28 percent in 2000 to 4.75 percent in 2001. The matching declines in asset yields and liability costs reflect the well-matched maturity and repricing characteristics of the Bank's assets and liabilities in 2001.

Interest-Bearing Assets and Liabilities
(Average Annual Rates)



Non-Interest Income

Non-interest income consists primarily of fees from various correspondent services provided to members and other eligible institutions, prepayment fees on advances, fees earned on letters of credit, realized gains and losses on the termination of interest rate swaps, and net gains from derivatives and hedging activities. Non-interest income amounted to $15.8 million in 2001 and $6.4 million in 2000. The increase of $9.4 million, or 147 percent, is primarily attributable to an increase of $9.3 million in prepayment fees associated with the early extinguishment of advances and of $3.4 million in net gains from derivatives and hedging activities. These increases were partially offset by decreases of $3.2 million in correspondent service fees, fees from letters of credit and other income.

Average Balance Sheets

For the years ended December 31, 2001, 2000 and 1999
(in millions)

	2001			2000			1999		
	Average Balance	Interest Inc/Exp	Average Rate	Average Balance	Interest Inc/Exp	Average Rate	Average Balance	Interest Inc/Exp	Average Rate
ASSETS									
Investments	$ 21,882	$ 1,258	5.75%	$ 20,071	$ 1,358	6.77%	$ 13,688	$ 822	6.01%
Advances	54,298	2,574	4.74%	46,841	3,039	6.49%	35,644	1,937	5.43%
A.I.D. and Other Loans	531	37	6.99%	439	30	6.81%	68	4	5.88%
Total Interest-Earning Assets	76,711	3,869	5.04%	67,351	4,427	6.57%	49,400	2,763	5.59%
Other Assets	1,081			997			644		
TOTAL ASSETS	$ 77,792	$ 3,869	4.97%	$ 68,348	$ 4,427	6.48%	$ 50,044	$ 2,763	5.52%
LIABILITIES AND CAPITAL									
Consolidated Obligations-Bonds	$ 42,827	$ 2,186	5.10%	$ 38,514	$ 2,416	6.27%	$ 26,470	$ 1,447	5.47%
Consolidated Obligations-Notes	27,261	1,167	4.28%	23,663	1,490	6.30%	18,025	917	5.09%
Deposits and Borrowings	2,838	107	3.77%	1,837	111	6.05%	2,246	109	4.85%
Total Interest-Bearing Liabilities	72,926	3,460	4.75%	64,014	4,017	6.28%	46,471	2,473	5.29%
Other Liabilities	1,062			888			628		
Total Liabilities	73,988	3,460	4.68%	64,902	4,017		47,369	2,473	5.22%
Total Capital	3,804			3,446			2,675		
TOTAL LIABILITIES & CAPITAL	$ 77,792	$ 3,460	4.45%	$ 68,348	$ 4,017	5.88%	$ 50,044	$ 2,473	4.94%
Net Interest Income		$ 408			$ 410			$ 290	
Net Non-Interest Expense		$ (123)			$ (133)			$ (46)	
Net Income		$ 285			$ 277			$ 244	
Dividends Paid		$ 229			$ 226			$ 177	
Dividend Payout Ratio			82.33%			81.59%			72.54%
Return on Assets			0.37%			0.41%			0.49%
Return on Equity			7.49%			8.03%			9.12%
Gross Margin			0.29%			0.29%			0.30%

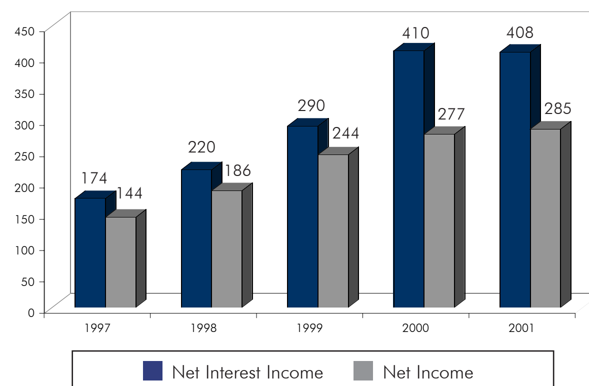
Non-Interest Expense

Non-interest expense increased from $139.8 million in 2000 to $142.1 million in the year 2001. The 1.6 percent increase is mainly due to higher expense payments to REFCORP and the Affordable Housing Program ("AHP").

Operating expenses increased by 0.6 percent during the year, totaling $34.7 million in 2001 and $34.5 million in 2000. The Bank's World Trade Center facility was destroyed on September 11, 2001. As more fully explained in Note 16 to the Bank's Financial Statements, the financial effect of the destruction of the facility, net of insurance proceeds received and the release of deferred rent concessions, was a $362 thousand gain in 2001. The Bank collected an additional $6 million in insurance proceeds subsequent to year end and may file additional claims through September 11, 2003. A restructuring charge of $1 million representing estimated costs associated with staff reductions during 2002 was recorded in 2001.

The Board of Directors of the Bank was compensated during 2001 through fees that are subject to a statutory maximum under the Federal Home Loan Bank Act ("FHLB Act"). During 2001, the Board earned fees of $279 thousand versus $247 thousand in 2000. In addition, the Bank paid $99 thousand for travel and other related expenses incurred in connection with directors' performance of Board duties in 2001, versus $122 thousand in 2000.

Net Interest Income vs. Net Income
(in $ millions)



REFCORP and AHP Assessments

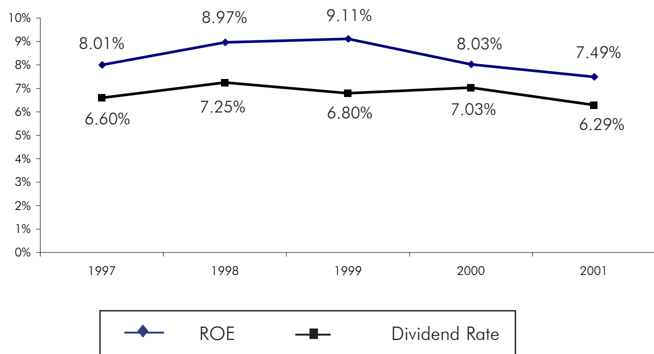
The 12 FHLBanks are required by law to pay certain amounts to REFCORP, providing a source of funds for REFCORP's interest payments on its outstanding debt. As a result of changes in the FHLB Act effected by the Gramm-Leach-Bliley Act ("GLB Act"), payments to REFCORP, accounted for as a distribution of capital in all years through 1999, are accounted for in 2000 and subsequent years as expense. The REFCORP assessment is equal to 20 percent of earnings after contributions to the AHP. For the years 2001 and 2000 the Bank paid $71.2 million and $69.1 million, respectively, to REFCORP.

AHP contributions, assessed at 10 percent of post-REFCORP earnings, increased by $922 thousand in 2001, to $31.7 million from $30.7 million in 2000, as a result of higher Bank earnings. The combined AHP and REFCORP obligations are analogous to a tax on income of about 26.5 percent.

Dividends

As a result of regulatory changes, the Bank was able to modify the timing of dividend payments in 2000 and subsequent years. Dividends are now paid in the month after the close of each calendar quarter, rather than on the final day of the quarter. The Bank paid $229.0 million in dividends during 2001, and $225.7 million in 2000, including a "transition dividend" of $52.4 million on May 31, 2000. The transition dividend, a distribution of previously retained earnings, allowed the Bank to pay four quarterly dividends during calendar year 2000 despite the change in dividend timing.

Return on Equity vs. Dividend Rate



Since the fourth quarter of 1998, dividend rates have reflected a decision by the Bank's Board of Directors to retain a greater portion of the Bank's earnings in order to provide additional financial flexibility with regard to pricing of advances and other member products, and to provide a base of permanent capital in preparation for a new capital structure under the amended FHLB Act. Retained earnings increased to $177.0 million on December 31, 2001 from $121.1 million on December 31, 2000. Dividend payments and earnings retention policies are subject to modification by the Bank's Board of Directors, in its discretion, within the regulatory framework promulgated by the Federal Housing Finance Board ("Finance Board"), the Bank's federal regulator.

FINANCIAL CONDITION

In 2001, average total assets, before fair value adjustments under SFAS No. 133, rose 13.9 percent to $77.8 billion, from $68.3 billion in 2000. Total assets grew 6.8 percent during the year, to $81.8 billion at December 31, 2001, from $76.6 billion at December 31, 2000.

Advances

Member advances outstanding, before fair value adjustments under SFAS No. 133, increased $7.3 billion in 2001 to $59.7 billion at year end, up 13.9 percent from a year-end 2000 balance of $52.4 billion. Relatively steady growth occurred throughout 2001, with monthly average balances in each month 12 percent to 15 percent higher than the corresponding year-earlier month. The Bank's "value pricing" of advances, in which members receive funding rates below the cost of alternative sources, continued to encourage members to increase their funding activities with the Bank. While the Bank's largest members accounted for most of the increase in advances during the year, at year end 109 members had increased their borrowings relative to year end 2000.

To meet the needs of members, the Bank offers convertible advances that provide members with lower nominal coupon rates than fixed-maturity advances but allow the Bank to "convert" or re-fund the advance into a replacement advance of the member’s choice on specified dates. When the Bank transacts such an advance, it enters into an interest rate swap that is cancelable by the counterparty. In these swaps, the Bank receives a floating-rate index, e.g., LIBOR, and pays a fixed rate similar to the fixed rate received from the member on the convertible advance. Cancellation of the swap normally triggers a corresponding conversion of the associated advance. Convertible advances comprised 44 percent of the par value of advances at December 31, 2001.

Investments and Mortgage Loans

The Bank maintains an investment portfolio consisting of U.S. Treasury and government agency securities, privately issued mortgage-backed and housing-related asset-backed securities ("MBS" and “ABS”) rated "Aaa" by Moody's or "AAA" by Standard and Poor's, and mortgage pass-throughs and REMICs issued by the government-sponsored mortgage agencies. In addition, the Bank has invested in primary public and private placements of

taxable obligations of state and local housing finance authorities ("HFAs") that are rated "Aa" by Moody's or "AA" by Standard and Poor's. High-quality, short-term investments such as Federal funds and certificates of deposit are used to maintain the liquidity necessary to meet customer credit needs and provide a reasonable return on the investment of customers' short term deposits. The Bank's investments in longer-term assets, principally MBS, provide a reliable income stream and allow the Bank to achieve the desired maturity structure of the asset portfolio. Investment in MBS also provides an alternative method by which the Bank promotes liquidity in the mortgage finance markets. Investment in HFA issues helps to liquefy mortgages that finance low- and moderate-income housing. Both short- and long-term investments are used by the Bank to employ excess capital when advance demand is insufficient to generate returns on capital that are consistent with the Bank's financial obligations.

Composition of Assets

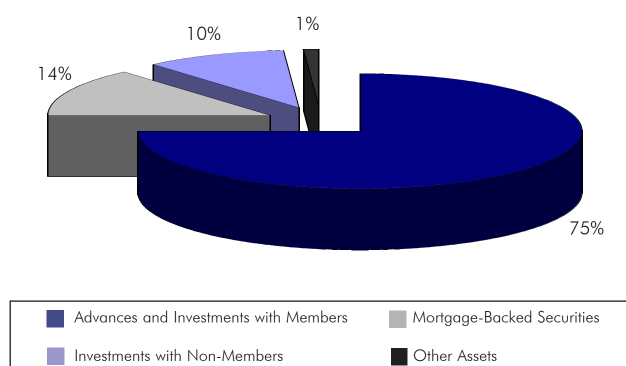
As of December 31, 2001 MBS totaled $10.9 billion compared with $10.5 billion at December 31, 2000. Federal funds sold, interest bearing deposits and other investments totaled $8.2 billion at year end 2001 compared with $11.9 billion at year end 2000.

Mortgage-backed securities averaged $10.8 billion and yielded 6.88 percent, compared with $9.4 billion yielding 7.06 percent in 2000. The Finance Board limits the amount of MBS held to a maximum of three times Bank capital. The increased balances reflect increases in capital and the Bank's preference to maintain this asset near allowable limits. The decrease in the yield on MBS resulted from paydowns of higher yielding securities and their replacement in a lower interest rate environment, as well as re-sets of floating rate MBS coupons in the lower interest rate environment.

Federal funds sold and other investments averaged a total of $10.9 billion in 2001 at a yield of 4.67 percent compared with $10.6 billion and a yield of 6.50 percent in 2000. The small increase in balances reflects the Bank's desire to maintain short-term investments at relatively low levels, preferring to grow assets through advances and mortgage-related assets. The lower yields experienced in 2001 compared with 2000 reflect lower short-term interest rates as exemplified by the Federal funds rate and three-month secondary market CD rates, which averaged 236 basis points lower and 275 basis points lower, respectively, in 2001 than in 2000.

Composition of Assets

as of December 31, 2001



Advances and Investments with Members | Mortgage-Backed Securities | Investments with Non-Members | Other Assets

The Finance Board has authorized a $250 million pilot Community Mortgage Asset program ("CMA") in which the Bank acquires from member institutions participating interest in residential and community development mortgage loans. Under the Finance Board's Financial Management Policy ("FMP"), the Bank has also acquired qualifying assets that support housing and community investment. As of December 31, 2001 the Bank held $137.9 million in participations, down from $206.4 million at year-end 2000. For certain loans, the Bank may also institute shared risk arrangements that include full or partial recourse to lenders for loan losses. The Bank held full recourse to the lender on more than 84 percent of the unpaid principal balance of participations held as of December 31, 2001. An allowance for credit losses of $75 thousand was maintained for CMA participations as of December 31, 2001 and 2000.

Under the Mortgage Partnership Finance® ("MPF®") program, the Bank holds mortgage loans either funded by the Bank through, or purchased from, its participating members. The Bank also holds participations in mortgage loans originated by its own members and by members of the Federal Home Loan Bank of Chicago under the MPF program. Recorded loan amounts of MPF assets were $287.2 million at year-end 2001 and $321.7 million at year-end 2000.

At December 31, 2001 the Bank held no specific loan loss reserves compared with $912 for one MPF loan at year-end 2000. Allowances for credit losses on MPF loans held by the Bank totaled $118 thousand as of December 31, 2001 and $17 thousand as of December 31, 2000.

Management anticipates that additional mortgage loan assets and participations will be acquired from members in future periods, although the pace of these acquisitions is subject to a number of factors, including members' origination of qualifying assets, members' balance sheet management, the level and direction of interest rates, and competitive conditions in the mortgage markets, among others. Acquisitions of participations under the CMA program were suspended indefinitely in November 2001.

Additional information on investments and mortgage loans is presented in the Notes to Financial Statements in the sections entitled "Held-to-Maturity Securities," "Term Federal Funds Sold" and "Mortgage Loans and Participations."

Deposits and Other Borrowings

The Bank accepts demand, overnight and term deposits from eligible entities and borrows secured and unsecured short-term funds in the conduct of its cash management. Deposits and other borrowings at December 31, 2001 totaled $2.9 billion, compared with $2.2 billion at year-end 2000. Average deposits and borrowings in 2001 were $2.8 billion and yielded 3.80 percent compared with $1.8 billion at a yield of 6.05 percent in 2000. The increase in balance reflects the preference of members for short-term assets in the form of FHLBank deposits. The decrease in yield reflects the lower levels of short-term interest rates in 2001 compared with 2000, as described above.

Consolidated Obligations

The Bank funds its assets through the use of FHLBank consolidated obligation bonds and discount notes. These instruments financed 90 percent of average total assets in 2001 and 91 percent of average total assets in 2000. Consolidated obligation bonds are medium- and long-term, while discount notes are short-term instruments.

To fund the Bank's asset growth, total consolidated obligations outstanding before adjustments for fair value under SFAS No. 133 increased from $69.6 billion at December 31, 2000 to $72.3 billion at December 31, 2001, an increase of $2.7 billion. Average consolidated obligations in 2001 were $70.1 billion, 13 percent above the $62.2 billion reported for 2000.

(in millions)	December 31, 2001
Consolidated Obligations	$72,284.7
Fair Value Adjustment	328.7
Carrying Value	$72,613.4

The Bank considers its interest rate risk and liquidity requirements in conjunction with consolidated obligation buyers' preferences and capital market conditions when determining the characteristics of debt to be issued. During 2001 the Bank used fixed-rate callable and non-callable bonds to fund mortgage-related assets and used a variety of instrument types to meet its overall funding objectives.

The Bank executes interest rate exchange agreements to modify the effective interest rate terms of many of its debt offerings and had interest rate exchange agreements associated with 28 percent of its outstanding consolidated obligations at December 31, 2001. Fixed-rate callable bonds in conjunction with interest rate exchange agreements containing a call feature that mirrors the option embedded in the callable bond enable the Bank to meet its funding needs at prices not otherwise directly attainable through the issuance of callable debt. To meet the specific needs of certain investors, fixed- and adjustable-rate consolidated obligation bonds may contain embedded call options or features that result in complex coupon payment or maturity terms (structured bonds). When such consolidated obligations are issued, the Bank simultaneously enters into interest rate exchange agreements with features that offset the structured features of the bonds and, in effect, convert the bonds to conventional adjustable rate instruments tied to an index, such as LIBOR.

Capital and Capital Ratios

Each member is required to purchase Bank stock based upon the amount of its residential mortgage loans, its total assets or its outstanding Bank advances. Total capital was $3.9 billion at December 31, 2001, a five percent increase from the $3.7 billion December 31, 2000 level. Average capital for the year 2001 was $3.8 billion, a 12 percent increase over the 2000 average balance of $3.4 billion.

The Bank's ratio of capital to total assets before adjustments for fair value under SFAS No. 133 averaged 4.89 percent in 2001 and 5.04 percent in 2000. The capital to total assets ratios at December 31, 2001 and 2000 were 4.78 percent and 4.89 percent, respectively. Finance Board regulations generally allow the FHLBanks to hold assets up to 21 times capital. Under certain conditions related to the level of non-mortgage assets (as defined by the Finance Board), assets up to 25 times capital may be held. The Bank's total assets before adjustments for fair value under SFAS No. 133 averaged 20.45 times total capital during 2001 and averaged 19.83 times capital in 2000. The increase in leverage

primarily reflected the Bank's decision to redeem in July 2001 all capital stock held by members in excess of minimum requirements, permitting the Bank to achieve slightly higher leverage and increase returns on the remaining capital.

As described on page 16 under "Recent Legislative and Regulatory Developments" and in Note 12 to the Bank's Financial Statements, the Bank is in the process of gaining regulatory approval of its capital plan as required by the GLB Act.

Off-Balance-Sheet Financial Instruments

In the ordinary course of business, the Bank issues standby letters of credit and enters into various types of transactions that involve derivative products (i.e., interest rate swap agreements, caps and floors) with off-balance-sheet risk. Letters of credit are issued on behalf of members to ensure that their obligations to third parties are fulfilled. The Bank uses derivatives for several purposes, including management of its overall interest rate risk profile through adjustment of the interest rate sensitivity of interest-bearing liabilities to be consistent with the interest rate sensitivity of interest-earning assets.

The Bank also provides a variety of products to meet the specific needs of borrowers. Because the financial characteristics of many of these products may not be consistent with the Bank's desired interest rate risk profile, the Bank uses derivatives to modify the financial characteristics of its products to meet the Bank's specific interest rate risk objectives. These instruments are generally negotiated, with terms tailored to meet the specific needs of the Bank and the customer.

The contractual amounts of letters of credit are not recorded as assets or liabilities on the balance sheet. The fees earned by the Bank in connection with letters of credit are recorded as other income. The notional amounts of derivative products are not recorded as assets or liabilities on the balance sheet; rather, the fair value of derivative products is recorded as an adjustment to the carrying value of the asset or liability hedged by the derivative product. Interest income and expense from interest rate exchange agreements used for hedging are recorded with interest on the instrument being hedged. Interest income and expense in which the Bank acts as intermediary is recorded as other income. In general, gains or losses realized on the termination or redesignation of derivatives where the underlying financial instrument remains outstanding are deferred and amortized over the shorter of the life of the financial instrument that was originally hedged or the period ending on the original maturity date of the interest rate exchange agreement. In general, gains or losses realized on the termination of derivatives where the related underlying financial instrument has been terminated are included with the gain or loss on the termination of the underlying financial instrument. Losses totaling $2.9 million were recorded on the termination of derivatives during 2001 versus similar losses of $1 thousand in 2000.

As of December 31, 2001, the Bank had interest rate exchange agreements totaling $48.8 billion (notional amount). Of this amount $20.6 billion hedged consolidated obligations, $27.9 billion hedged advances and $0.25 billion was intermediated. At December 31, 2000, the Bank had interest rate exchange agreements totaling $39.7 billion of which $21.0 billion hedged consolidated obligations, $18.3 billion hedged advances, and $0.2 billion was intermediated.

RISK MANAGEMENT

Liquidity

The Bank maintains its liquidity position in accordance with the Finance Board's FMP and applicable regulations, as well as with policies established by the Bank's Board of Directors. The Bank requires adequate liquidity to satisfy member demand for short-, medium- and long-term funds and to repay maturing obligations. Because members may look to the Bank to provide standby liquidity, the Bank seeks to be in a position to meet its customers' credit needs without having to maintain excessive holdings of low-yielding liquid investments, creating a funding shortfall, or being forced to incur unnecessary short-term borrowing costs. The Bank monitors and manages its liquidity to appropriate levels based upon actual scheduled and projected needs. The Bank's primary sources of liquidity are consolidated obligation bonds and discount notes, which are the joint and several obligations of the 12 FHLBanks, and short-term investments. Deposits and other borrowings, such as Federal funds purchased, securities sold under agreements to repurchase, and loans from other FHLBanks, provide additional sources of liquidity.

Interest Rate Sensitivity

December 31, 2001

(Par/notional in $millions)

	Interest Rate Senstivity Period				
	6 Months or Less	6 Months to 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
Interest-earning assets:					
Non-MBS Investments	7,450	56	480	79	553
MBS Investments	1,884	1,034	2,619	1,385	4,033
Adjustable-rate loans and advances	11,009	-	-	-	-
Fixed-rate loans and advances	9,571	2,327	12,394	6,176	18,194
Swaps hedging advances	27,022	(260)	(5,198)	(4,127)	(17,438)
Net fixed-rate loans and advances	36,593	2,067	7,196	2,049	756
Interbank loans	-	-	50	-	-
Total interest-earning assets	56,936	3,157	10,345	3,513	5,342
Interest-bearing liabilities:					
Deposits	2,811	6	-	-	-
Discount notes	22,603	188	-	-	-
FHLB bonds	11,375	6,151	19,055	8,243	4,685
Swaps hedging bonds	17,105	(4,108)	(8,512)	(2,756)	(1,729)
Net FHLB bonds	28,480	2,043	10,543	5,487	2,956
Total interest-bearing liabilities	53,894	2,237	10,543	5,487	2,956
Post-hedge gaps:					
Gaps	3,042	920	(198)	(1,974)	2,386
Cumulative gaps	3,042	3,962	3,764	1,790	4,176

Interest Rate Risk

Underlying the Bank's financial performance is a multifaceted asset/liability management strategy. The Bank manages financial risks by monitoring and evaluating the effects of changes in interest rates on earnings and on the market value of equity. Asset/liability strategies are adjusted to manage interest rate risks within prescribed policy limits. The Bank's financial policies establish limits for net interest income sensitivity to interest rate changes, periodic repricing gaps, and the sensitivity of the market value of equity to interest rate changes (the duration of equity). The Bank also complies with the duration of equity limits and other limits set forth in the Finance Board's FMP. In 2001, the Bank also added convexity measures to its set of risk measurement tools. Convexity is a measure of the rate at which the interest rate sensitivity of an instrument or group of instruments changes as interest rates vary. The Bank manages and has established limits on the sensitivity of the market value of equity from the convexity of the balance sheet as a whole.

A measure of interest rate risk is the extent to which the Bank's assets and liabilities reprice at different times. The table on this page shows the interest rate sensitivity of assets and liabilities by repricing or maturity dates. The periodic gaps shown in this table represent the net difference between asset and liability repricing or maturity for a specified time period. For example, the periodic gap for the "six months or less" time period indicates that as of December 31, 2001 $3.0 billion more in assets than liabilities would reprice to market rates during the six-month period beginning on December 31, 2001.

The table on the next page shows the expected percentage change in the net value of all assets, liabilities and off-balance-sheet items (the "market value of equity") that would result from a 100-basis-point change in interest rates under different interest rate scenarios. At December 31, 2001, the percentage change in the Bank's market value of equity for a 100-basis-point change in interest rates was 3.08 percent. If interest rates rose 100 basis points, the Bank's market value of equity would decline approximately 308 basis points, and if interest rates fell 100 basis points, the Bank's market value of equity would increase approximately 308 basis points. If interest rates were 200 basis points higher at December 31, 2001, a 100-basis-point shift in interest rates would either decrease or increase (depending on the direction of the interest rate movement) the Bank's market value of equity by approximately 391 basis points. If interest rates were 200 basis points lower at December 31, 2001, a 100-basis-point shift in interest rates would alter the Bank's market value of equity by about 162 basis points.

Credit Risk

The Bank incurs credit risk - the risk of loss due to default - in its lending, investing and hedging activities and has processes to manage and mitigate this risk. The Bank closely monitors the credit worthiness of the institutions to which it lends funds. The Bank also places great importance on the quality of the assets that are pledged as collateral by its customers and the securities that are purchased under agreements to resell. The Bank emphasizes credit monitoring and collateral asset review and valuation to manage the credit risk associated with its lending activities. It also has procedures to assess the mortgage underwriting, documentation standards and loan administration infrastructure of its borrowing members. In addition, the Bank has collateral policies and lending procedures in place to manage its exposure to those customers experiencing difficulty in meeting their capital requirements or other standards of creditworthiness. The Bank has not experienced any losses on credit extended to any counterparty since its inception. Based upon the collateral held as security and prior repayment history, no allowance for losses is currently deemed necessary by management.

The Bank has adopted credit exposure limits for investments that promote diversification and liquidity. These policies restrict the amounts and terms of the Bank's investment holdings according to the Bank's own capital position as well as the capital and creditworthiness of the counterparty. In addition, the Bank has invested only in AAA-rated non-agency MBS, including both residential and commercial mortgage-backed securities and housing-related ABS, and in MBS that are issued or guaranteed by the government-sponsored housing enterprises (Fannie Mae, Freddie Mac, and Ginnie Mae).

Market Value of Equity Sensitivity
December 31, 2001

	Average Percentage Change in the Market Value of Equity per 100 Basis Point Change in Interest Rates
Actual Rates at December 31, 2000	3.08%
Rates start 200 basis points higher	3.91%
Rates start 200 basis points lower	1.62%

The Bank invests in AA-rated obligations of state and local housing finance agencies, accepting the somewhat higher credit risk associated with these well-secured issues in order to advance the Bank's housing finance and community development mission.

The Bank analyzes the risk profile of the loans on which participations are acquired under the CMA program or under the Finance Board's FMP and mitigates credit risk through rigorous underwriting standards and extensive due diligence review prior to participation. Because the performance of multifamily and community development loans is primarily cash flow dependent, management actively monitors the ongoing performance of individual loans, requiring servicers to submit operating information and property condition reviews. This information, combined with other loan risk characteristics, is used periodically to identify potential problem loans and initiate appropriate loss mitigation activities.

The Bank also manages its credit risk exposure in acquiring mortgage participations through various forms of credit enhancement. For some loans, the Bank may institute shared risk arrangements that include full or partial recourse to lenders for loan losses. On MPF loans purchased by the Bank under the standards established for that program by the FHLBank of Chicago, the Bank's members provide credit enhancement, established as a secondary loss liability. The first loss liability, a predetermined percentage of the unpaid principal balance, is the responsibility of the Bank.

The Bank has also adopted policies and exposure limits for off-balance-sheet credit exposure. Under these policies, the amount of unsecured credit exposure to an individual counterparty is the lower of (i) an amount commensurate with the counterparty's capital and its creditworthiness rating, or (ii) an absolute credit exposure limit. In addition, the Bank has entered into bilateral security agreements with its counterparties. These agreements provide for delivery of collateral to limit credit exposure in excess of specified threshold levels.

Concentration of Risk

The Bank had advances totaling $13.4 billion to two borrowers representing 22 percent of all advances borrowed at December 31, 2001. At December 31, 2000 the largest two borrowers held $12.2 billion, or 23 percent, of all advances. Of the total capital stock outstanding at December 31, 2001 two members owned 7.1 million shares or 18.9 percent of the total amount of capital stock outstanding. At year-end 2000 two members held 6.3 million shares, or 17.4 percent of the total outstanding.

The Dime Savings Bank of New York ("Dime"), the Bank's largest stockholder and borrower, held 14 percent of advances outstanding and 13.6 percent of capital stock outstanding as of December 31, 2001. Dime was acquired in January 2002 by Washington Mutual Bank, FA ("Washington Mutual"). Prior to its acquisition, Dime replaced maturing short-term advances and borrowed new advances, all with maturities between 18 months and 36 months, totaling $7.9 billion. The Bank expects these advances to be repaid by Washington Mutual at maturity and further expects the capital stock outstanding to be redeemed or repurchased, *pro rata*, as advances are repaid. Taken by itself, the extinguishment of these advances and capital stock is expected to have the effect of reducing proportionately the Bank's revenues and net interest income, and consequently its REFCORP payments and AHP contributions. The effect on the Bank's return on equity is not expected to be significant due to the prospective reduction of assets and capital in approximate proportion to the Bank's total assets and total capital over the remaining life of the advances.

Recently Issued Accounting Standards

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*. In June 1999, the FASB issued SFAS 137, *Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133*. SFAS 133 is now effective for all fiscal quarters of all fiscal years beginning after June 15, 2000 (January 1, 2001 for the Bank). SFAS 133 requires that all derivative instruments be recorded in the statement of condition at their fair value. Changes in fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. The gains and losses on the derivative

instruments that are reported in other comprehensive income will be reclassified as earnings in the periods in which earnings are affected by the variability of the cash flows of the hedged item. The ineffective portion of all hedges will be recognized in current period earnings. In June 2000, the FASB issued SFAS 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*, which addressed a limited number of implementation issues arising from SFAS 133.

The Bank adopted SFAS 133, as amended by SFAS 138, on January 1, 2001. The transition provisions contained in SFAS 133, as amended, provide that at the date of initial application, the cumulative effect of adjustments related to fair value hedges and derivative transactions either not designated as hedges under SFAS 133 or not meeting the requirements for fair value or cash flow hedges will be shown as an adjustment to the Bank's results of operations in the first quarter of 2001. This adjustment is reflected as a cumulative effect of a change in accounting principle increasing net income by $3,249,000.

Recent Legislative and Regulatory Developments

The GLB Act, enacted in November 1999, made significant changes to the FHLB Act. In particular, the GLB Act provided for the establishment of new leverage and risk-based capital requirements for the FHLBanks. On January 30, 2001, the Finance Board published in the Federal Register a final version of the capital regulation intended to implement these requirements. (Amendments to the January 20, 2001 capital regulation were published on October 26, 2001; these modifications were the result of comments received by the Finance Board in response to its August 8, 2001 proposal to modify the regulation and an advance notice of proposed rulemaking published on March 9, 2001.)

Each FHLBank was required to submit its own capital plan to the Finance Board for review by October 29, 2001, and all of the FHLBanks met this requirement. The capital plans were required to show how each of the FHLBanks intends to meet the new capital standards within three years after the Finance Board approves the plans. The Finance Board's approval process for the submitted plans is proceeding at this time.

In addition, on October 3, 2001, the Finance Board announced that it was soliciting comments on a number of questions concerning the implications for the FHLBank System raised by various petitions submitted to the Finance Board (including from this Bank) regarding the issue of multi-district membership ("MDM"). The MDM issue essentially involves whether a single depository institution can become a member of two or more Home Loan Banks concurrently and, if so, under what terms and conditions. The comment period on the MDM questions closed on March 4, 2002.

The ultimate effect on the Bank of the regulatory actions and processes described above is not known at this time.

There was no significant legislative activity in 2001 concerning the Bank Act and the FHLBanks.

Comparison of 2000 Results with 1999 Results

Total assets as of December 31, 2000 were $76.6 billion, up $13.7 billion from $62.9 billion at year-end 1999. Net income for the year 2000 was $276.6 million, a $32.8 million or 13 percent increase over the $243.8 million recorded in 1999.

Net interest income increased $120.2 million or 41.5 percent, to $410.1 million in 2000 versus $289.9 million in 1999 as a result of an $18 billion or 36 percent increase in average earning assets over the year. Net interest margins were 29 basis points in 2000 and 30 basis points in 1999. The yield on earning assets for 2000 was 6.57 percent versus an earning asset yield of 5.59 percent for 1999, a 98-basis-point increase. The average cost of interest bearing liabilities was 6.28 percent for 2000 and 5.29 percent for 1999, a 99-basis-point increase over the year.

During 2000 the Bank recorded net non-interest expense of $133.5 million, a $87.4 million increase over recorded expenses of $46.1 million for 1999. The increase is primarily attributable to an accounting change relating to the Bank's expense for a required payment to REFCORP of $69.1 million in 2000. Payment of $34.9 million to REFCORP in 1999 was recorded as a capital distribution. The Bank's contribution to the Affordable Housing Program increased by $7.5 million to $30.7 million in 2000. A decrease in Other Income of $3.9 million is primarily attributable to lower prepayment fees in 2000 compared to 1999.

Other expenses were $39.9 million in 2000 and $33.2 million in 1999. The increase is mainly attributable to a $4.6 million increase in salaries and benefits and a $1.9 million increase representing pension liabilities under the Bank's benefit equalization program. The ratio of earning assets to operating expenses was 5 basis points in 2000 and 5 basis points in 1999.

The Bank paid $225.7 million in dividends during the year 2000, an average rate of 6.95 percent. In 1999, dividends totaled $177.0 million, an average rate of 6.80 percent.

February 21, 2002

The Audit Committee of the Board of Directors of the Federal Home Loan Bank of New York at year-end 2001 was composed of eight Directors, three of whom represent the public interest and five of whom represent industry members. The members of the Audit Committee at year-end 2001 were John R. Garbarino, Chair; Kenneth J. Abt; George L. Engelke, Jr.; Robert M. Greene; Dennis A. James; Leopold W. Montanaro; Derek B. Park and Edwin C. Reed.

The 2002 Audit Committee is composed of eight Directors, three of whom represent the public interest and five of whom represent industry members. Both the 2001 and 2002 Audit Committee members are independent, as defined by the Federal Housing Finance Board.

The Audit Committee oversees the Bank's financial reporting process; reviews compliance with laws, regulations, policies and procedures; and evaluates the adequacy of administrative, operating, and internal accounting controls. The Audit Committee has adopted and is governed by a written charter, which is presented on the following pages, and satisfied its responsibilities during 2001 in compliance with the charter. In fulfilling its responsibilities, the Audit Committee has reviewed and discussed the audited financial statements with management. The Audit Committee has discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards ("SAS") No. 61 and SAS No. 90, Audit Committee Communications. The Audit Committee has also received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1 and has discussed with the auditors their independence.

Based on the review and discussions referred to above, the 2002 Audit Committee recommends to the Board of Directors that the financial statements be included in the 2001 Annual Report.

2002 FHLBNY Audit Committee Members

CHAIR

John R. Garbarino
Chairman, President & CEO
OceanFirst Bank
Toms River, New Jersey

Kenneth J. Abt
President
First Federal Savings of Middletown
Middletown, New York

George L. Engelke, Jr.
Chairman, President & CEO
Astoria Federal Savings
and Loan Association
Lake Success, New York

Michael M. Horn
Partner
McCarter & English, LLP
Newark, New Jersey

Dennis A. James
President & CEO
Sturdy Savings Bank
Cape May Court House, NJ

Leopold W. Montanaro
President & CEO
West Essex Bank, FSB
Caldwell, New Jersey

Derek B. Park, Ph.D.
Managing Director
Cohane Rafferty, LLC/
Lehman Brothers, Inc.
White Plains, New York

Edwin C. Reed
Chief Financial Officer
Allen A.M.E. Church
Jamaica, New York

I. Introduction

The charter of the Federal Home Loan Bank of New York's ("Bank") Audit Committee ("Committee") is derived from the Report and Recommendations of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees and includes the audit committee requirements of the Federal Housing Finance Board ("Finance Board") published regulation entitled "Powers and Responsibilities of Federal Home Loan Bank Boards of Directors and Senior Management."

The Committee's responsibilities will be discharged through reviews of audit reports, activities and discussions with internal and external auditors and Bank management.

The responsibility of the Committee is limited to matters upon which the Board of Directors has the authority to make a final determination.

II. Establishment and Purpose of the Audit Committee

The Board of Directors has established an Audit Committee, the purpose of which is to assist the Board in fulfilling its fiduciary responsibilities by acting in an oversight role over the Bank's financial reports and the systems of internal controls over finance, accounting and legal compliance.

III. Powers of the Audit Committee

The powers of the Committee shall be to:

- Oversee that senior management has maintained the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the Bank.
- Oversee that senior management has established and maintained processes to assure that an adequate system of internal control is functioning within the Bank.
- Oversee that senior management has established and maintained processes to assure compliance by the Bank with all applicable laws, regulations and Bank policies.
- Oversee the internal and external audit functions.

IV. Scope of Powers of the Audit Committee

The Committee shall utilize resources as needed to conduct or authorize investigations into any matters within their duties and responsibilities. The Committee has an open and unrestricted communication channel with all Bank personnel, including internal and external accountants and its own independent outside counsel, which counsel may be engaged by the Committee and will be paid for by the Bank.

V. Duties and Responsibilities of the Audit Committee

To fulfill its duties and responsibilities the Committee shall:

A. With Regard to Documents/Reports Review

- Adopt a formal written Committee Charter. Review, assess the adequacy of and amend, where appropriate, the Committee Charter on an annual basis. Re-adopt the Committee Charter no less often than every three years. Request the Board of Directors to approve the Committee Charter and any amendments, as appropriate.
- Review and approve the Director of Internal Audit's ("DIA") Charter on an annual basis.
- Review and approve the internal audit annual plan.
- Approve the independent accountant's annual engagement letter.

- Review the basis for the Bank's financial statements and the independent accountant's opinion rendered with respect to the financial statements including the nature and extent of any significant changes in accounting principles or the application therein. Ensure receipt and review formal written statement from the independent accountants regarding their independence for consistency with Independent Standards Board Standard 1. Discuss with the independent accountants the requirements of Statement of Auditing Standards 89 and 90 pertaining to uncorrected misstatements and the quality of the Bank's accounting principles and underlying estimates in the financial statements.
- Review with the independent accountant and a management representative interim financial information provided for the Federal Home Loan Bank System's combined financial reports, prior to the Bank's filing of such information. The review will include a discussion of any significant changes to the Bank's accounting principles and standards, significant changes to laws and regulations, and any concerns the independent accountant may have with management's accounting methods, estimates and/or financial statement disclosure. Unless the independent accountant has significant matters to report, it is intended that this review be conducted with the Audit Committee Chair.

B. With Regard to Internal Audit

- Select, evaluate the performance, determine the compensation and, where appropriate, approve the removal of the DIA.
- Provide that the DIA report directly to the Committee on substantive matters and be ultimately accountable to the Committee and the Bank's Board of Directors.
- Provide that the DIA have unrestricted access to the Committee without the need for any prior management knowledge and approval.
- Provide an independent, direct channel of communication between the Bank's Board of Directors and the DIA.
- Review the scope of audit services required.
- Review the Bank's significant accounting policies.
- Review the Bank's significant risks and exposures.
- Review the internal audit activities.
- Review the internal audit findings.
- Review and approve the internal audit annual budget.

C. With Regard to Independent Accountants

- Make recommendations to the Bank's Board of Directors regarding the appointment, renewal or termination of the independent accountant.
- Review the performance of the independent accountant.
- Provide that the independent accountant have unrestricted access to the Committee without the need for any prior management knowledge and approval.
- Provide an independent, direct channel of communication between the Bank's Board of Directors and the independent accountant.

D. With Regard to Senior Management

- Direct senior management to maintain the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the Bank.
- Ensure that senior management has established and is maintaining an adequate internal control system in the Bank.

E. With Regard to Audit Committee Processes

a) Financial Reporting and Governance

- Ensure policies are in place that are reasonably designed to achieve disclosure and transparency regarding the Bank's true financial performance and governance practices.

b) Internal Control

- Review the Bank's internal control system.
- Review the resolution of identified material weaknesses and reportable conditions including the prevention or detection of management override or compromise of the internal control system.
- Review the policies and procedures established by senior management designed to ensure compliance with applicable laws, regulations and policies and monitor the results of these compliance efforts.

c) Strategic Business Plans

- Review the policies and procedures established by senior management to assess and monitor implementation of the Bank's strategic business plan and the operating goals and objectives contained therein.

VI. Audit Committee Structure

The Committee shall consist of at least five directors of the Board. The Committee shall include a balance of representatives from community financial institutions and other members and will also include a balance of appointed and elected directors. In order to provide continuity and experience, Committee members shall serve staggered terms.

VII. Membership Requirements

Members of the Committee shall be independent[1] and at least one member shall have extensive accounting or related financial management experience.

VIII. Audit Committee Meetings

The Committee shall periodically report its findings to the Board of Directors and shall prepare written minutes of each Committee meeting. The Committee shall meet at least four times annually.

Date: May 15, 2002

[1] To be considered independent, a director must not have a disqualifying relationship with the Bank or its management that would interfere with the exercise of that director's independent judgment. This includes being employed by the Bank in the current year or any of the past five years, receiving any compensation (other than for service as a Board director), or serving as a consultant, adviser, promoter, underwriter, or legal counsel of or to the Bank in the past five years. An immediate family member who is, or has been in any of the past five years, employed by the Bank as an executive officer also disqualifies a Committee member from being independent.

Financial Statements and Other Reports
December 31, 2001

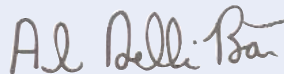
Report of Management Responsibility

To the Shareholders:

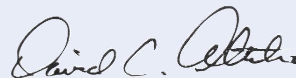
Management is responsible for the preparation of the financial statements included in this Annual Report. The financial statements were prepared in conformity with accounting principles generally accepted in the United States of America and reflect, in all material respects, the substance of events and transactions reported in the statements and management's judgments and estimates with respect to such matters. The other financial information included in the Annual Report is consistent with the financial statements.

Management has established and maintains an internal control structure designed to provide reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets from unauthorized use or disposition, the execution of transactions in accordance with management's authorizations, and the prevention and detection of improper financial reporting. The internal control structure provides for appropriate division of responsibility and is documented by written policies and procedures that are communicated to employees who have significant roles in the financial reporting process and includes an independent internal audit staff which reports to the Audit Committee of the Board of Directors. Management monitors the internal control structure for compliance, adequacy and cost effectiveness. Management believes that the Bank's internal control structure is adequate to accomplish the objectives discussed herein.

The Bank's financial statements are audited by PricewaterhouseCoopers LLP, independent accountants approved by the Federal Housing Finance Board. The Audit Committee of the Board of Directors is responsible for overseeing the Bank's financial reporting and internal control structure. The Audit Committee meets with the independent accountants to discuss the results of audits, evaluations of the internal control structure and the overall quality of the Bank's financial reporting. In addition, the Audit Committee meets with the internal auditors and with management to review the appropriateness and scope of the internal audit program and the performance and findings of the internal audit staff. The Bank's independent accountants and internal auditors regularly meet with the Audit Committee without management being present. The Audit Committee also meets with representatives of the Office of Supervision of the Federal Housing Finance Board during the year.



Alfred A. DelliBovi
President and
Chief Executive Officer



David C. Altilio
Executive Vice President and
Chief Financial Officer

REPORT OF INDEPENDENT ACCOUNTANTS

February 19, 2002

To the Board of Directors of
the Federal Home Loan Bank of New York
and the Federal Housing Finance Board

In our opinion, the accompanying statements of condition and the related statements of income, capital and of cash flows present fairly, in all material respects, the financial position of the Federal Home Loan Bank of New York at December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Bank's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Also, in accordance with those standards and as part of our audit of the Bank's financial statements, we issued a separate report on compliance and on internal control over financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As explained in Note 12, the Federal Home Loan Bank of New York changed their method of accounting for REFCORP payments during the year ended December 31, 2000. For the years ended December 31, 2001 and 2000, the REFCORP payments have been recorded as an expense in the statements of income. During the year ended December 31, 1999 REFCORP payments were recorded as deductions from capital. As discussed in Note 2, the Federal Home Loan Bank of New York adopted Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended by Statement of Financial Accounting Standards No. 138, on January 1, 2001.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
1177 Avenue of the Americas
New York, NY 10036

Statements of Income
Years Ended December 31, 2001, 2000 and 1999
(in thousands)

	NOTES	2001	2000	1999
INTEREST INCOME				
Advances	5	$ 2,574,199	$ 3,039,563	$1,937,138
Interest bearing deposits in banks		266,248	435,334	180,253
Federal funds sold		198,193	202,416	121,540
Held-to-maturity securities	4	793,143	720,441	520,306
Mortgage loan participations, including fees	7	34,129	26,303	878
Loans to other FHLBanks	8	2,969	2,905	2,916
Other		89	106	137
Total interest income		3,868,970	4,427,068	2,763,168
INTEREST EXPENSE				
Consolidated obligations	11	3,353,476	3,905,871	2,363,539
Deposits	9	105,991	104,990	107,290
Other borrowings	10	732	1,445	690
Other interest expense		681	4,630	1,722
Total interest expense		3,460,880	4,016,936	2,473,241
NET INTEREST INCOME		408,090	410,132	289,927
Provision for credit losses on mortgage loans		102	58	34
Net interest income after provision for credit losses		407,988	410,074	289,893
OTHER INCOME				
Prepayment fees, net	5	9,448	195	3,422
Service fees		3,542	6,004	6,587
Net gain(loss) on derivatives and hedging activities		3,428	26	150
Other, net		(649)	133	129
Total other income		15,769	6,358	10,288
OTHER EXPENSES				
Operating		34,663	34,473	30,161
Finance Board and Office of Finance	1	3,922	3,501	3,039
Other		658	1,987	-
Total other expenses		39,243	39,961	33,200
INCOME BEFORE ASSESSMENTS		384,514	376,471	266,981
Affordable Housing Program	6	31,654	30,732	23,221
REFCORP	1,12	71,222	69,148	-
Total assessments		102,876	99,880	23,221
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE		281,638	276,591	243,760
Cumulative effect of change in accounting principle		3,249		
NET INCOME		$ 284,887	$ 276,591	$ 243,760

The accompanying notes are an integral part of these financial statements.

Statements of Condition

December 31, 2001 and 2000
(in thousands, except par value)

	NOTES	2001	2000
ASSETS			
Cash and due from banks	3	$ 13,477	$ 24,706
Interest bearing deposits in banks		5,915,818	8,020,251
Federal funds sold		1,434,000	3,028,000
Held-to-maturity securities	4	11,800,009	11,308,332
Advances	5	60,962,103	52,395,635
Mortgage loans net of allowance for credit losses of $193 in 2001 and $92 in 2000	7	425,155	528,092
Loans to other FHLBanks	8	50,000	50,000
Loans guaranteed by Agency for International Development, net		1,008	1,172
Accrued interest receivable		377,488	600,157
Bank premises and equipment, net		7,779	10,667
Derivative assets		781,943	626,881
Other assets		24,779	6,204
TOTAL ASSETS		$ 81,793,559	$ 76,600,097
LIABILITIES AND CAPITAL			
Liabilities			
Deposits:	9,10		
Demand and overnight		$ 2,724,512	$ 1,990,415
Term		132,253	167,229
Other		5,105	4,739
Total deposits		2,861,870	2,162,383
Consolidated obligations, net:	11		
Bonds		49,823,020	41,131,933
Discount notes		22,790,369	28,430,707
Total consolidated obligations		72,613,389	69,562,640
Accrued interest payable		631,538	679,111
Affordable Housing Program	6	104,674	88,494
Payable to REFCORP	12	20,307	19,120
Derivative liabilities		1,603,370	303,470
Other liabilities		48,423	37,576
Total liabilities		77,883,571	72,852,794
Commitments and Contingencies	6,11,12, 14,16		
Capital			
Capital stock ($100 par value) issued and outstanding shares: 37,329 in 2001 and 36,262 in 2000	12	3,732,980	3,626,166
Retained earnings	12	177,008	121,137
Total capital		3,909,988	3,747,303
TOTAL LIABILITIES AND CAPITAL		$ 81,793,559	$ 76,600,097

The accompanying notes are an integral part of these financial statements.

Statements of Capital
Years Ended December 31, 2001, 2000 and 1999
(in thousands)

	Capital Stock		Retained Earnings		
	Shares	Par Value	Restricted	Unrestricted	Total Retained Earnings
Balance, January 1, 1999	22,877	$ 2,287,738	$ 3,980	$ 34,360	$ 38,340
Proceeds from sale of capital stock	7,883	788,343			-
Redemption of capital stock	(534)	(53,410)			-
Net income				243,760	243,760
Transfers			(1,314)	1,314	-
Cash dividends on capital stock (6.80%)				(176,958)	(176,958)
Capital distributions to REFCORP				(34,936)	(34,936)
Balance, December 31, 1999	30,226	3,022,671	2,666	67,540	70,206
Proceeds from sale of capital stock	7,552	755,192			-
Redemption of capital stock	(1,517)	(151,697)			-
Net income				276,591	276,591
Transfers			(2,666)	2,666	-
Cash dividends on capital stock (6.95%)				(225,660)	(225,660)
Balance, December 31, 2000	36,261	3,626,166	-	121,137	121,137
Proceeds from sale of capital stock	8,424	842,431			-
Redemption of capital stock	(7,356)	(735,617)			-
Net income				284,887	284,887
Cash dividends on capital stock (6.29%)				(229,016)	(229,016)
Balance, December 31, 2001	37,329	$ 3,732,980	-	$ 177,008	$ 177,008

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows
(in thousands)

	For the Years Ended December 31,		
OPERATING ACTIVITIES	2001	2000	1999
Net income	$ 284,887	$ 276,591	$ 243,760
Cumulative effect of change in accounting principle	(3,249)	-	-
Income before cumulative effect of change in accounting principle	281,638	276,591	243,760
Adjustments to reconcile net income before cumulative effect of change in accounting principle to net cash provided by operating activities:			
Depreciation and Amortization:			
Net premiums and discounts on consolidated obligations, investments and interest rate exchange agreements	(480)	(8,468)	(9,336)
Concessions on consolidated obligations	8,275	2,813	2,661
Deferred (gain)loss on interest rate exchange agreements, net	-	(26)	(150)
Bank premises and equipment	2,066	1,283	1,554
Provision for credit losses on mortgage loans	101	58	34
Net realized (gains) losses on Sale of HTM securities	(2,266)	-	
Loss (gain) due to change in net fair value adjustment or derivative and hedging activities	1,197	-	-
Decrease(increase) in accrued interest receivable	229,263	(422,405)	(265,817)
Decrease(increase) in derivative asset-accrued interest	256,798	-	-
Increase(decrease) in derivative liability-accrued interest	(80,792)	-	-
Increase in other assets	(18,818)	(1,122)	(1,236)
Increase in AHP liability and discount on AHP advances	16,179	22,054	12,308
Increase(decrease) in accrued interest payable	(47,573)	271,456	369,656
Increase in REFCORP liability	1,186	11,233	71
Increase(Decrease) in other liabilities	9,145	12,103	(1,272)
Total adjustments	374,281	(111,021)	108,473
Net cash provided by operating activities	655,919	165,570	352,233
INVESTING ACTIVITIES			
Net (increase) decrease in interest-bearing deposits in banks	2,104,643	(3,679,000)	(1,696,000)
Net (increase) decrease in Federal funds sold	1,594,000	(2,133,000)	1,645,000
Proceeds from sale of held-to-maturity securities	80,963	-	-
Purchases of investments	(3,431,567)	(3,585,133)	(4,115,583)
Proceeds from maturities of held-to-maturity securities	2,863,272	1,556,208	1,906,208
Principal collected on advances	1,032,747,339	1,044,956,785	681,876,770
Advances made	(1,040,021,784)	(1,052,943,758)	(694,768,973)
(Increase) decrease in mortgage loans and participations	101,995	(300,041)	(221,948)
Principal collected on other loans made	164	345	386
Net (increase) decrease in deposits to other FHLBanks for mtg progs	(210)	(131)	(120)
Net increase (decrease) in loans to other FHLBanks	-	-	150,155
Net decrease(increase) in bank premises and equipment	821	(4,534)	(2,756)
Net cash used in investing activities	(3,960,364)	(16,132,259)	(15,226,861)
FINANCING ACTIVITIES			
Net increase (decrease) in deposits	699,487	(492,107)	(327,930)
Net proceeds from sale of consolidated obligation bonds	31,219,364	23,429,626	28,153,739
Net proceeds from sale of consolidated obligation discount notes	739,091,874	749,344,158	436,945,668
Payments for maturing/retiring consolidated obligation bonds	(22,863,095)	(18,871,000)	(8,406,000)
Payments for maturing/retiring consolidated obligation discount notes	(744,732,212)	(740,707,621)	(439,138,775)
Proceeds from issuance of capital stock	842,431	755,192	788,343
Payments for redemption of capital stock	(735,617)	(151,697)	(53,410)
Cash dividends paid	(229,016)	(225,660)	(176,958)
Distributions to REFCORP	-	-	(34,936)
Net cash provided by financing activities	3,293,216	13,080,891	17,749,741
Net increase (decrease) in cash and cash equivalents	(11,229)	(2,885,798)	2,875,113
Cash and cash equivalents at beginning of year	$ 24,706	$ 2,910,504	$ 35,391
Cash and cash equivalents at end of year	$ 13,477	$ 24,706	$ 2,910,504
Supplemental disclosures: Interest paid during the year	$ 3,589,791	$ 3,707,204	$ 2,088,335

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

Background Information

The Federal Home Loan Bank of New York ("Bank"), a federally chartered corporation, exempt from all federal, state and local taxation except for real property taxes, is one of 12 district Federal Home Loan Banks ("FHLBanks"). The FHLBanks serve the public by enhancing the availability of credit for residential mortgages and targeted community development. The Bank provides a readily available, low-cost source of funds to its member institutions. The Bank is a cooperative whose member institutions own the capital stock of the Bank and receive dividends on their investment. All insured depository institutions and insurance companies engaged in residential housing finance are eligible to apply for membership. All members are required to purchase stock in the FHLBank.

The Federal Housing Finance Board ("Finance Board"), an independent agency in the executive branch of the United States Government, supervises and regulates the FHLBanks. The Finance Board ensures that the FHLBanks operate in a safe and sound manner, carry out their housing finance mission, remain adequately capitalized, and can raise funds in the capital markets. Also, the Finance Board establishes policies and regulations covering the operations of the FHLBanks. The Bank is operated as a separate entity with its own management, employees, and board of directors.

The FHLBanks' debt instruments (consolidated obligations) are the joint and several obligations of all the FHLBanks and are the primary source of funds for the FHLBanks. Deposits, other borrowings, and the issuance of capital stock, which is owned by the FHLBanks' members, provide other funds. Some FHLBanks also provide member institutions with correspondent services, such as item processing, collection, and settlement.

Note 1—Summary of Significant Accounting Policies

Use of Estimates. The preparation of financial statements requires management to make assumptions and estimates. These assumptions and estimates may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of income and expenses. Actual results could differ from these estimates.

Advances. The Bank presents advances, net of unearned commitment fees and discounts on advances for the Affordable Housing Program ("AHP"), as discussed below. In addition, prior to implementing Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 137, *Accounting for Derivative Instruments and Hedging Activities—Deferral of Effective Date of FASB Statement No. 133*, and as amended by SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities* (herein referred to as "SFAS 133") in 2001, the Bank adjusted the carrying value of advances for the unamortized cost of, and deferred gains and losses from, associated interest-rate exchange agreements. The Bank credits interest on advances to income as earned. Following the requirements of the Federal Home Loan Bank Act of 1932 ("Bank Act"), as amended, the Bank obtains sufficient collateral on advances to protect it from losses. The Bank Act limits eligible collateral to certain investment securities, residential mortgage loans, cash or deposits with the Bank, and other eligible real estate-related assets. As Note 5 more fully describes, community financial institutions (FDIC-insured institutions with assets of $517 million or less) are subject to more liberal statutory collateral rules for small business and agricultural loans. The Bank has not incurred any credit losses on advances since its inception. Because of the collateral held as security on the advances and repayment history, management of the Bank believes that an allowance for losses on advances is unnecessary.

Mortgage Loans and Participations. The Bank is participating in the Mortgage Partnership Finance® ("MPF®") program under which the Bank invests in mortgage loans which are funded by the Bank through or purchased from its participating members. The Bank manages the liquidity, interest rate and options risk of the loans, while the members retain the marketing and servicing activities. The Bank and the members share in the credit risk of the loans with the Bank assuming the first loss obligation limited by the First Loss Account ("FLA") and the members assuming credit losses in excess of the FLA, up to the amount of the credit enhancement obligation as specified in the master agreement.

The Bank defers and amortizes loan origination fees (agent fees) and premiums/discounts paid to and received by the Bank members as interest income over the average life of the related loan. Actual prepayment experience and estimates of future principal prepayments are used in calculating the average lives of the loans. The Bank aggregates the loans by similar characteristics (type, maturity, and acquisition date) in determining prepayment estimates.

The Bank records MPF non-origination fees, such as credit enhancement fees, delivery commitment extension fees and pair-off fees, in other expense and other income, accordingly.

The Bank bases the allowance for MPF credit losses on management's analysis of credit losses inherent in the Bank's mortgage loan portfolio. Actual losses greater than defined levels are offset by the members' credit enhancement up to their respective limits. The analysis includes consideration of various data observations such as past performance, current performance, loan portfolio characteristics, collateral valuations, and prevailing economic conditions.

The Bank developed the pilot Community Mortgage Asset program ("CMA") whereby the Bank's members will service and may credit-enhance their originated or acquired mortgage loans in which the Bank purchased a participation. In addition, the Bank may subparticipate its interest to other Bank members. Because the Bank will only participate in loans acquired through its members, the concentration of credit risk will exist primarily in New York, New Jersey, Puerto Rico and the U.S. Virgin Islands.

The allowance for CMA credit losses is based on management's analysis of credit losses inherent in the type of loan participation and on the amount of credit enhancement pertaining to the loan participations in the Bank's mortgage loan portfolio. The analysis includes consideration of various factors such as past performance, current performance, loan participation portfolio characteristics and prevailing economic conditions.

The Bank classifies CMA loan participations and MPF mortgage loans as held-to-maturity and reports them at their principal amount outstanding, plus deferred fees.

The Bank places a CMA loan participation or MPF mortgage loan on nonaccrual status when the collection of the contractual principal or interest is 90 days or more past due, or when management believes that not all principal and interest will be recovered. When a loan is placed on nonaccrual status, accrued but uncollected interest is reversed against interest income. The Bank records cash interest payments received on nonaccrual loans first as interest income until it recovers all interest and then as principal.

Affordable Housing Program ("AHP"). The Act requires each FHLBank to establish and fund an AHP (see Note 6). The Bank charges the required funding for AHP to earnings and establishes a liability. The AHP funds provide direct subsidies or subsidized-rate advances to members to assist in the purchase, construction, or rehabilitation of housing for very low-, low-, and moderate-income households. The Bank grants AHP advances at interest rates below the customary interest rate for non-subsidized advances. When the Bank makes an AHP advance, the present value of the variation in the cash flow caused by the difference in the interest rate between the AHP advance rate and the Bank's related cost of funds for comparable maturity funding is charged against the AHP liability and recorded as a discount on the AHP advance.

Prepayment Fees. The Bank charges its borrowers a prepayment fee when borrowers prepay certain advances before the original maturity. The Bank credits prepayment fees to earnings.

Commitment Fees. The Bank defers commitment fees for advances and amortizes them to interest income using the straight-line method. It defers refundable fees until the commitment expires or until it makes the advance. The Bank records commitment fees for letters of credit as a deferred credit when it receives the fees and amortizes them over the term of the letter of credit.

Derivatives. All derivatives are recognized on the balance sheet at their fair value and are designated as (1) a hedge of the fair value of (a) a recognized asset or liability or (b) an unrecognized firm commitment (a "fair value" hedge), (2) a hedge of (a) a forecasted transaction or (b) the variability of cash flows that are to be received or paid in connection with a recognized asset or liability (a "cash flow" hedge), or (3) a non-SFAS 133 hedge of an asset or liability (an "economic" or "stand-alone" hedge) for asset-liability management. Changes in the fair value of a derivative that is designated and

qualifies as a fair value hedge, along with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk (including changes that reflect losses or gains on firm commitments), are recorded in current period earnings. Changes in the fair value of a derivative that is designated and qualifies as a cash flow hedge, to the extent that the hedge is effective, are recorded in other comprehensive income, until earnings are affected by the variability of cash flows of the hedged transaction (e.g., until periodic settlements of a variable rate asset or liability are recorded in earnings). Any hedge ineffectiveness (which represents the amount by which the changes in the fair value of the derivative exceed the variability in the cash flows of the forecasted transaction) is recorded in current period earnings. Changes in the fair value of a standalone derivative or economic hedge are recorded in current period earnings. Hedge ineffectiveness and changes in the fair value of standalone derivatives are recorded in other income as "Net gain (loss) on derivatives and hedging activities."

The Bank occasionally purchases financial instruments in which a derivative instrument is "embedded" that is not remeasured at fair value with changes in fair value reported in earnings as they occur. Upon purchasing the financial instrument, the Bank assesses whether the economic characteristics of the embedded derivative are clearly and closely related to the economic characteristics of the remaining component of the financial instrument (i.e., the host contract) and whether a separate, non-embedded instrument with the same terms as the embedded instrument would meet the definition of a derivative instrument. When it is determined that (1) the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract, and (2) a separate, stand-alone instrument with the same terms would qualify as a derivative instrument, the embedded derivative is separated from the host contract, carried at fair value, and designated as either a hedging instrument in a fair value or cash flow hedge, or a stand-alone derivative instrument. However, if the entire contract were to be measured at fair value, with changes in fair value reported in current earnings (e.g., an investment security classified as "trading" under SFAS 115, *Accounting for Certain Investments in Debt and Equity Securities*), or if the Bank could not reliably identify and measure the embedded derivative for purposes of separating that derivative from its host contract, the entire contract would be carried on the balance sheet at fair value and no portion of the contract would be designated as a hedging instrument.

The Bank documents all relationships between derivative hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair value or cash flow hedges to (1) assets and liabilities on the balance sheet, (2) firm commitments or (3) forecasted transactions. The Bank also formally assesses (both at the hedge's inception and at least quarterly on an ongoing basis) whether the derivatives that are used in hedging transactions have been effective in offsetting changes in the fair value or cash flows of hedged items and whether those derivatives may be expected to remain effective in future periods. The Bank uses regression analyses or other statistical analyses to assess the effectiveness of its hedges. When it is determined that a derivative has not been or is not expected to be effective as a hedge, the Bank discontinues hedge accounting prospectively, as discussed below.

The Bank discontinues hedge accounting prospectively when (1) it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item (including hedged items such as firm commitments or forecasted transactions), (2) the derivative and/or the hedged item expires or is sold, terminated, or exercised, (3) it is no longer probable that the forecasted transaction will occur, (4) a hedged firm commitment no longer meets the definition of a firm commitment, or (5) management determines that designating the derivative as a hedging instrument is no longer appropriate.

When hedge accounting is discontinued due to the Bank's determination that the derivative no longer qualifies as an effective fair value hedge, the Bank will continue to carry the derivative on the balance sheet at its fair value, cease to adjust the hedged asset or liability for changes in fair value, and begin amortizing the cumulative basis adjustment on the hedged item into earnings over the remaining life of the hedged item. When hedge accounting is discontinued because the hedged item no longer meets the definition of a firm commitment, the Bank will continue to carry the derivative on the balance sheet at its fair value, removing from the balance sheet any asset or liability that was recorded to recognize the firm commitment and recording it as a gain or loss in current period earnings. When the Bank discontinues hedge accounting because it is no longer probable that the forecasted transaction will occur in the originally expected period, the gain or loss on the derivative remains in accumulated other comprehensive income and is reclassified into earnings when the forecasted transaction affects earnings. However, if it is probable that a forecasted transaction will not occur

by the end of the originally specified time period or within an additional two-month period of time thereafter, the gains and losses that were accumulated in other comprehensive income will be recognized immediately in earnings. When hedge accounting is discontinued due to the Bank's determination that the derivative no longer qualifies as an effective cash flow hedge of an existing hedged item, the Bank will continue to carry the derivative on the balance sheet at its fair value and begin amortizing the cumulative other comprehensive income adjustment to earnings when earnings are affected by the original forecasted transaction. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the Bank will carry the derivative at its fair value on the balance sheet, recognizing changes in the fair value of the derivative in current period earnings.

Hedging Activities.

General - The Bank enters into interest rate swaps, swaptions and interest rate cap and floor agreements (collectively, interest rate exchange agreements) to manage its exposure to changes in interest rates. The Bank may adjust the effective maturity, repricing frequency, or option characteristics of financial instruments to achieve risk management objectives. The Bank uses interest rate exchange agreements in three ways: by designating them as a fair value or cash flow hedge of an underlying financial instrument or a forecasted transaction, by acting as an intermediary, or in asset-liability management (an economic hedge.) For example, the Bank uses interest rate exchange agreements in its overall interest rate risk management to adjust the interest rate sensitivity of consolidated obligations to approximate more closely the interest rate sensitivity of assets (both advances and investments) and/or to adjust the interest rate sensitivity of advances, investments or mortgage loans to approximate more closely the interest rate sensitivity of liabilities. In addition to using interest rate exchange agreements to manage mismatches of interest rates between assets and liabilities, the Bank also uses interest rate exchange agreements to manage embedded options in assets and liabilities, to hedge the market value of existing assets and liabilities and anticipated transactions, to hedge the duration risk of prepayable instruments and to reduce funding costs.

Investments - The Bank carries at cost investments for which it has both the ability and intent to hold to maturity, adjusted for the amortization of premiums and accretion of discounts using a method that approximates the level-yield method.

Consolidated Obligations - The Bank manages the risk arising from changing market prices and volatility of a consolidated obligation by matching the cash inflow on the interest rate exchange agreement with the cash outflow on the consolidated obligation. In addition, the Bank requires collateral agreements on some interest rate exchange agreements. While consolidated obligations are the joint-and-several obligations of the FHLBanks, one or more FHLBanks individually serve as counterparties to interest rate exchange agreements associated with specific debt issues.

In a typical transaction, fixed rate consolidated obligations are issued for one or more FHLBanks, and each of those FHLBanks simultaneously enters into a matching interest rate exchange agreement in which the counterparty pays fixed cash flows to the FHLBank designed to mirror in timing and amount the cash outflows the FHLBank pays on the consolidated obligation. Such transactions are treated as fair value hedges under SFAS 133. In this typical transaction, the Bank pays a variable cash flow that closely matches the interest payments it receives on short-term or variable rate advances. This intermediation between the capital and swap markets permits the FHLBank to raise funds at lower costs than would otherwise be available through the issuance of simple fixed or floating rate consolidated obligations in the capital markets.

Advances - With issuances of convertible advances, the Bank may purchase from the member a put option(s) that enables the Bank to convert an advance from fixed rate to floating rate if interest rates increase or to terminate the advance and extend additional credit on new terms. The Bank may hedge a convertible advance by entering into a cancelable interest rate exchange agreement where the Bank pays fixed and receives variable. This type of hedge is treated as a fair value hedge under SFAS 133. The swap counterparty can cancel the interest rate exchange agreement on the call date, which would normally occur in a rising rate environment, and the Bank can convert the advance to a floating rate.

The optionality embedded in certain financial instruments held by the Bank can create interest rate risk. When a member prepays an advance, the Bank could suffer lower future income if the principal portion of the prepaid advance were invested in lower yielding assets that continue to be funded by higher cost debt. To protect against this risk, the Bank

generally charges a prepayment fee that makes it financially indifferent to a borrower's decision to prepay an advance. When the Bank offers advances (other than short-term advances) that a member may prepay without a prepayment fee, they usually finance such advances with callable debt or otherwise hedge this option.

Mortgage Loans - The Bank invests in mortgage assets. The prepayment options embedded in mortgage assets can result in extensions or contractions in the expected maturities of these investments, depending on changes in interest rates. The Finance Board's Financial Management Policy limits this source of interest rate risk by restricting the types of mortgage assets the Bank may own to those with limited average life changes under certain interest rate shock scenarios. The Bank may manage against prepayment and duration risk by funding some mortgage assets with consolidated obligations that have call features. In addition, the Bank may use interest rate exchange agreements to manage the prepayment and duration variability of mortgage assets. Net income could be reduced if the Bank replaces the mortgages with lower yielding assets and if the Bank's higher funding costs are not reduced concomitantly.

The Bank manages the interest rate and prepayment risk associated with mortgages through a combination of debt issuance and derivatives. The Bank issues both callable and non-callable debt to achieve cash flow patterns and liability durations similar to those expected on the mortgage loans.

The Bank analyzes the risk of the mortgage portfolio on a regular basis and considers the interest rate environment under various rate scenarios and also performs analyses of the duration and convexity of the portfolio.

Anticipated Debt Issuance - The Bank enters into swaps on the anticipated issuance of debt to "lock in" a spread between the earning asset and the cost of funding. The swap is terminated upon issuance of the debt instrument, and amounts reported in accumulated other comprehensive income are reclassified as earnings in the periods in which earnings are affected by the variability of the cash flows of the debt that was issued.

The Bank is not a derivative dealer and thus does not trade derivatives for short-term profit.

The Bank is subject to credit risk due to the risk of nonperformance by counterparties to the derivative agreements and also to operational risks. The degree of counterparty risk on derivative agreements depends on the extent to which master netting arrangements are included in such contracts to mitigate the risk. The Bank manages counterparty credit risk through credit analysis and collateral requirements and by following the requirements set forth in the Finance Board's Financial Management Policy. Based on credit analyses and collateral requirements, the management of the Bank does not anticipate any credit losses on its agreements.

To meet the off-balance-sheet hedging needs of its members, the Bank enters into offsetting interest rate exchange agreements, acting as an intermediary between members and other counterparties. This intermediation allows smaller members indirect access to the swap market. The derivatives used in intermediary activities do not receive SFAS 133 hedge accounting and are separately marked to market through earnings. The net result of the accounting for these derivatives does not significantly affect the operating results of the FHLBank.

Premises and Equipment. The Bank records premises and equipment at cost less accumulated depreciation and amortization of approximately $7,779,000 and $10,667,000 at December 31, 2001 and 2000. The Bank computes depreciation on the straight-line method over the estimated useful lives of assets ranging from three to ten years. It amortizes leasehold improvements on the straight-line basis over the shorter of the estimated useful life of the improvement or the remaining term of the lease. The Bank capitalizes improvements and major renewals but expenses ordinary maintenance and repairs when incurred.

Concessions on Consolidated Obligations. The Bank defers and amortizes, using the straight-line method, the amounts paid to dealers in connection with the sale of consolidated obligation bonds over the term of the bonds. The Office of Finance prorates the amount of the concession to the Bank based upon the percentage of the debt issued that is assumed by the Bank. The Bank charges to expense as incurred the concessions applicable to the sale of consolidated obligation discount notes because of the short maturities of these notes.

Discounts and Premiums on Consolidated Obligations. The Bank expenses the discounts on consolidated obligation discount notes using the straight-line method over the term of the related notes due to their short maturity. It amortizes the discounts and premiums on consolidated bonds to expense using a method that approximates the level yield method over the term to maturity or estimated life of the consolidated obligation bonds.

Resolution Funding Corporation Assessments. Although the Bank is exempt from ordinary federal, state, and local taxation except for local real estate tax, it is required to make payments to the Resolution Funding Corporation ("REFCORP"). For years through 1999, the FHLBanks charged the $300 million annual capital distribution to REFCORP directly to retained earnings (see Note 12). Effective January 1, 2000, each FHLBank is required to pay 20 percent of net earnings after AHP to REFCORP. The Bank will expense such amounts until the aggregate amounts actually paid by all 12 FHLBanks are equivalent to a $300 million annual annuity whose final maturity date is April 15, 2030, at which point the required payment of each FHLBank to REFCORP will be fully satisfied.

Other Expenses. The FHLBanks are assessed the costs of operating the Finance Board and the Office of Finance.

Estimated Fair Values. A number of the Bank's financial instruments lack an available trading market characterized by transactions between a willing buyer and a willing seller engaging in an exchange transaction. Therefore, the Bank uses significant estimates and present value calculations when disclosing estimated fair values. The Bank assumes that book value approximates fair value for financial instruments with three months or less to repricing or maturity. Note 15 details the estimated fair values of the Bank's financial instruments.

Cash Flows. In the statements of cash flows, the Bank considers cash on hand and due from banks as cash and cash equivalents.

Reclassifications. Certain amounts in the 2000 and 1999 financial statements have been reclassified to conform with the 2001 presentation.

Note 2 – Change in Accounting Principle and Recently Issued Accounting Standards

Adoption of SFAS 133. The Bank adopted SFAS 133 on January 1, 2001. SFAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. The gains and losses on derivative instruments that are reported in other comprehensive income will be reclassified as earnings in the periods in which earnings are affected by the variability of the cash flows of the hedged item. The ineffective portion of all hedges will be recognized in current period earnings.

For a derivative designated as a fair value hedge, the transition adjustment for the derivative was reported as a cumulative effect adjustment of net income. Concurrently, any fair value gain or loss on the hedged item was recognized as an adjustment of the hedged item's carrying amount, but only to the extent of the offsetting transition adjustment of the derivative, and was also reported as a cumulative effect adjustment of net income.

In accordance with the transition provisions of SFAS 133, the Bank recorded the cumulative effect adjustment of $3.2 million to earnings as of January 1, 2001.

As a result of SFAS 133, for the year ended December 31, 2001, the Bank recorded net gains (losses) on derivatives and hedging activities of $3.4 million in other income. In addition, the Bank recorded derivative assets of $781.9 million and derivative liabilities of $1,603.4 million at December 31, 2001. For the year ended December 31, 2001, the ineffectiveness of all cash flow hedges recognized in earnings was not material. For fair value hedges and their related hedged items, the Bank recognized a net gain/(loss) of $3.4 million in earnings, of which $3.4 million represents the amount of the hedge's ineffectiveness. No amounts were recognized in earnings due to hedged firm commitments no longer qualifying as fair value hedges. For cash flow hedges and their related hedged items, there was no recognized net gain/(loss) in earnings. Additionally, there were no material amounts for the year ended December 31, 2001, that were reclassified into earnings as a result of the discontinuance of cash flow hedges because it became probable that the original forecasted transactions would not occur by the end of the originally specified time period or within a two-month period thereafter. There was no hedging exposure to variability in future cash flows for forecasted transactions excluding those forecasted transactions related to the payment of variable interest on existing financial instruments.

Certain notes included herein are adjusted to accommodate the effect of SFAS 133. Comparative information for prior years, which is no longer relevant in 2001, is not disclosed in accordance with the transition provisions of SFAS 133. Other disclosures for 2001 resulting from the implementation of SFAS 133 have been added, and comparative information for 2000 may not be relevant and therefore not disclosed.

Recently Issued Accounting Standard. In September 2000, Statement of Financial Accounting Standards No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* (SFAS 140) was issued. SFAS 140 provides accounting and reporting requirements for all transfers and the servicing of financial assets and the extinguishment of liabilities, effective for all transfers and extinguishments beginning after March 31, 2001. SFAS 140 is also effective for the recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. Management of the Bank has evaluated the effect of adopting SFAS 140 and has determined that there is no impact to the Bank with regard to SFAS 140.

Note 3—Cash and Due from Banks

The Bank maintained average required clearing balances with the Federal Reserve Banks of approximately $1,000,000 for each of the years ended December 31, 2001 and 2000. These are required clearing balances and may not be withdrawn; however, the Bank may use earnings credits on these balances to pay for services received from the Federal Reserve Banks.

Pass-Through Deposit Reserves. The Bank acts as a pass-through correspondent for member institutions required to deposit reserves with the Federal Reserve Banks. The amount shown as cash and due from banks includes pass-through reserves deposited with Federal Reserve Banks of approximately $22,999,500 and $20,648,500 as of December 31, 2001 and 2000. The Bank includes member reserve balances in other liabilities on the statements of condition.

Note 4—Held-to-Maturity Securities

Major Security Types. Held-to-maturity securities as of December 31, 2001, were as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury obligations	$ 206,279	$ 8,555	$ -	$ 214,834
U.S. agency obligations	18,652	754	-	19,406
State or local housing agency obligations	617,360	16,856	(5,700)	628,516
	842,291	26,165	(5,700)	862,756
Mortgage-backed securities	10,957,718	274,760	(28,361)	11,204,117
Total	$11,800,009	$ 300,925	$ (34,061)	$12,066,873

Held-to-maturity securities as of December 31, 2000, were as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury obligations	$ 207,005	$ 1,070	$ -	$ 208,075
U.S. agency obligations	18,748	-	(77)	18,671
State or local housing agency obligations	626,667	8,477	(13,826)	621,318
	852,420	9,547	(13,903)	848,064
Mortgage-backed securities	10,455,912	150,432	(44,831)	10,561,513
Total	$11,308,332	$ 159,979	$ (58,734)	$11,409,577

Redemption Terms. The amortized cost and estimated fair value of held-to-maturity securities, excluding associated interest rate exchange agreements, by contractual maturity, are shown below (in thousands). Expected maturities of some securities and mortgage-backed securities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment fees.

	2001		2000	
Year of Maturity	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ -	$ -	$ -	$ -
Due after one year through five years	224,931	234,240	225,753	226,746
Due after five years through ten years	72,726	73,168	-	-
Due after ten years	544,634	555,348	626,667	621,318
	842,291	862,756	852,420	848,064
Mortgage-backed securities	10,957,718	11,204,117	10,455,912	10,561,513
Total	$11,800,009	$12,066,873	$11,308,332	$11,409,577

The amortized cost of the Bank's mortgage-backed securities classified as held-to-maturity includes net (premiums) of ($2,845,026) and ($1,241,000) at December 31, 2001 and 2000.

Interest Rate Payment Terms. The following table details additional interest rate payment terms for investment securities classified as held-to-maturity at December 31, 2001 and 2000, (in thousands):

	2001	2000
Amortized cost of held-to-maturity securities other than mortgage-backed securities:		
Fixed rate	$ 688,726	$ 716,295
Variable rate	153,565	136,125
Total	842,291	852,420
Amortized cost of held-to-maturity mortgage-backed securities		
Pass-through securities:		
Fixed rate	1,937,167	2,804,708
Variable rate	-	-
Collateralized mortgage obligations:		
Fixed rate	8,492,364	6,835,378
Variable rate	528,187	815,826
	10,957,718	10,455,912
Total	$11,800,009	$11,308,332

Note 5—Advances

Redemption Terms. At December 31, 2001 and 2000, the Bank had advances outstanding, including AHP advances (see Note 6), at interest rates ranging from 1.25 percent to 10.51 percent and, as summarized below (in thousands). Advances with a weighted average interest rate of 4.37 percent are AHP subsidized advances.

	2001		2000	
Year of Maturity	Amount	Weighted Average Interest Rate (%)	Amount	Weighted Average Interest Rate (%)
Overdrawn demand deposit accounts	$ 522	7.44	$ 1,648	6.00
2001	-	-	25,153,901	6.52
2002	12,532,536	3.70	3,554,479	6.53
2003	10,319,463	4.63	5,804,841	6.05
2004	9,718,817	3.45	2,673,457	5.48
2005	5,589,631	4.31	2,895,637	6.20
2006	3,170,456	4.63	420,488	6.19
Thereafter	18,339,173	5.25	11,891,965	5.68
Total par value	59,670,598	4.41	52,396,416	6.20
Premiums on Fixed advances	187		-	
Discount on AHP advances	(1,546)		(1,844)	
SFAS 133 hedging adjustments	1,292,864		-	
Associated interest-rate exchange agreements, net	-		1,063	
Total	$60,962,103		$52,395,635	

The Bank may provide reduced-coupon fixed-rate advances in exchange for the right of the Bank to require the borrower to either covert the advances to then-available fixed or variable-rate advances, or to terminate the advances. These conversion options are normally exercised by the Bank when interest rates increase relative to the levels that prevailed when the advance was transacted. At December 31, 2001 and 2000, the FHLBank had convertible advances outstanding totaling of $26,231,977,000 and $17,821,871,000.

The following table summarizes advances at December 31, 2001 and 2000, by year of maturity or next conversion date (in thousands):

Year of Maturity or Next Conversion Date	2001	2000
Overdrawn demand deposit accounts	$ 522	$ 1,648
2001		35,830,609
2002	29,710,356	7,803,839
2003	11,802,100	5,609,078
2004	10,019,117	1,029,857
2005	4,129,386	1,005,394
2006	3,071,412	257,487
Thereafter	937,705	858,504
Total par value	$59,670,598	$52,396,416

Security Terms. The Bank lends to financial institutions involved in housing finance in New York, New Jersey, Puerto Rico and the U.S. Virgin Islands according to Federal statutes, including the Act. The Act requires the Bank to obtain sufficient collateral on advances to protect against losses and to accept only certain U.S. government or government agency securities, residential mortgage loans, cash or deposits in the Bank and other eligible real estate-related assets as collateral on such advances. However, “community financial institutions” are subject to more liberal statutory collateral provisions dealing with loans to small business or agriculture. Borrowing members pledge their capital stock of the Bank as additional collateral for advances. The Bank Act requires that total advances from the Bank to a member not exceed 20 times the member's capital stock in the Bank. At December 31, 2001 and 2000, the Bank had rights to collateral with an estimated value greater than outstanding advances. Based upon the financial condition of the member, the Bank (1) allows a member to retain possession of the collateral assigned to the Bank, if the member executes a written security agreement and agrees to hold such collateral for the benefit of the Bank, or (2) requires the member specifically to assign or place physical possession of such collateral with the Bank or its safekeeping agent.

At December 31, 2001, the Bank had outstanding $21.8 billion in advances for which borrowers were required to place physical possession of the collateral with the Bank or with the Bank’s safekeeping agent. In addition, the Bank had advances of $36.2 billion for which borrowers were required to specifically list assigned collateral, and $1.7 billion for which collateral assigned to the Bank was physically retained by the borrowers but for which the listing requirement had been waived. Collateral pledged to the Bank for advances had aggregate principal balances totaling $107.7 billion, consisting of $83.2 billion in eligible mortgages and $24.5 billion in eligible securities.

Beyond these provisions, Section 10(e) of the Bank Act affords any security interest granted by a member to the Bank priority over the claims or rights of any other party. The only two exceptions are claims that would be entitled to priority under otherwise applicable law or perfected security interests.

Credit Risk. The Bank has experienced no credit losses on advances since it was founded, nor does the management of the Bank anticipate any credit losses on advances currently outstanding. Accordingly, the Bank has not provided an allowance for credit losses on advances.

The Bank's potential credit risk from advances is concentrated in commercial banks and savings institutions. As of December 31, 2001, the Bank had advances of $17.9 billion outstanding to three member institutions, and this represented 30 percent of total advances outstanding. The Bank held sufficient collateral to cover the advances to these institutions, and the Bank does not expect to incur any credit losses on these advances.

Interest Rate Payment Terms. The following table details additional interest rate payment terms for advances at December 31, 2001 and 2000, and the notional amount of interest-rate exchange agreements associated with advances at December 31, 2001 and 2000 (in thousands):

	2001	2000
Par amount of advances:		
Fixed rate	$48,661,652	$ 48,418,279
Variable rate	11,008,424	3,976,489
Total	$59,670,076	$ 52,394,768
Notional principal of interest rate exchange agreements by class type associated with advances:		
Interest rate swaps	$27,074,270	$ 18,221,341
Interest rate caps purchased	754,500	67,500
Other	25,000	25,000
Total	$27,853,770	$ 18,313,841

Prepayment Fees. During 2001, 2000, and 1999, the Bank charged members prepayment fees when they prepaid the principal on certain advances before original maturity. The Bank received prepayment fees of $9,448,000, $195,000, and $3,422,000 during the years ended December 31, 2001, 2000, 1999, respectively. The corresponding principal amount prepaid during these same years was $2,008,208,000, $148,477,000, $354,454,000, respectively.

Note 6—Affordable Housing Program

Section 10(j) of the Bank Act, as amended by the Financial Reform, Recovery and Enforcement Act of 1989, requires each FHLBank to establish an AHP. Each FHLBank provides subsidies in the form of direct grants and below market interest rate advances to members who use the funds to assist the purchase, construction, or rehabilitation of housing for very low-, low-, and moderate-income households. Annually, the FHLBanks must set aside for the AHP the greater of $100 million or 10 percent of the current year's income before charges for AHP, but after the assessment for REFCORP (see Note 12). The Bank charges the amount set aside for AHP to income and recognizes it as a liability. The Bank relieves the AHP liability as members use subsidies. If the result of the aggregate 10 percent calculation described above is less than $100 million for all 12 FHLBanks, then the Bank Act requires the shortfall to be allocated among the FHLBanks based on the ratio of each FHLBank's income before AHP and REFCORP to the sum of the income before AHP and REFCORP of the 12 FHLBanks. There was no shortfall in 2001, 2000 or 1999. The Bank had outstanding principal in AHP-related advances of $14,057,655, $17,628,514 and $18,203,989 at December 31, 2001, 2000 and 1999, respectively.

Note 7—Mortgage Loans and Participations

The Bank’s mortgage loan portfolio principally comprises the pilot CMA program, including certain assets purchased under the Finance Board’s FMP, and the MPF program.

In the CMA program and under the Finance Board’s FMP, the Bank participates in residential, multifamily and community economic development mortgage loans originated by its members. The members retain servicing rights and may credit-enhance the portion of the loans participated to the FHLBank.

The MPF program involves investment by the Bank in mortgage loans which are either funded by the Bank through or purchased from its participating members. The total loans represent held-for-investment loans under the MPF program whereby the Bank's members create, service, and credit-enhance home mortgage loans which are owned by the Bank. The following table presents information as of December 31, 2001, and 2000 on mortgage loans (in thousands):

	2001	2000
Real Estate:		
Fixed 15-year single-family mortgages	$ 33,549	$ 7,258
Fixed 30-year single-family mortgages	253,586	313,935
Multifamily mortgages	134,661	203,045
Nonresidential mortgages	2,891	2,914
Deferred loan costs, net	661	1,032
Total mortgage loans	$ 425,348	$ 528,184

The allowances for credit losses were as follows (in thousands):

	2001	2000	1999
Allowance for Credit Loss:			
Balance, beginning of year	$ 92	$ 34	$ -
Chargeoffs	-	-	-
Recoveries	-	-	-
Net chargeoffs	-	-	-
Provision for credit losses	101	58	34
Balance, end of year	$ 193	$ 92	$ 34

The estimated fair value of the mortgage loans held as of December 31, 2001 and 2000 are reported in Note 15.

The Bank did not have any recorded investments in impaired loan pools at December 31, 2001 and 2000.

Note 8—Loans to Other Federal Home Loan Banks

Long-term uncollateralized loans to other FHLBanks at December 31, 2001 and 2000 are as follows (in thousands):

	2001		2000	
Year of Maturity	Principal Amount	Weighted Average Interest Rate (%)	Principal Amount	Weighted Average Interest Rate (%)
2003	$50,000	5.47	$50,000	5.47

In addition, the Bank maintained a demand deposit with another FHLBank of $461,000 at December 31, 2001 and $251,000 at December 31, 2000.

Note 9—Deposits

The Bank offers demand and overnight deposits for members and qualifying non-members. In addition, the Bank offers short-term deposit programs to members. A member that services mortgage loans may deposit in the Bank funds collected in connection with the mortgage loans pending disbursement of such funds to the owners of the mortgage loans; the Bank classifies these items as other deposits on the statements of condition.

Note 10—Borrowings

Securities Sold Under Agreements to Repurchase. There were no amounts of securities sold under agreements to repurchase during 2001 and 2000

Other Federal Home Loan Banks. The Bank borrows from other FHLBanks, generally for a period of one day. Such borrowings averaged $22,452,000 and $20,826,000 in 2001 and 2000, respectively. There were no such borrowings as of December 31, 2001 and 2000.

Federal Funds Purchased. The Bank purchases overnight Federal funds in the open market. Federal funds purchased averaged $0 during 2001 and $411,000 during 2000. There were no purchases of Federal funds outstanding as of December 31, 2001 and 2000.

Note 11—Consolidated Obligations

Consolidated obligations are the joint and several obligations of the FHLBanks and consist of consolidated bonds and discount notes. Through December 31, 2000, the Finance Board issued consolidated obligations through the Office of Finance. Effective January 1, 2001, and in accordance with final rules adopted by the Finance Board, the Finance Board discontinued issuing consolidated obligations and the FHLBanks began issuing consolidated obligations through the Office of Finance as their agent. Consolidated bonds are issued primarily to raise intermediate and long-term funds for the FHLBanks. Usually, the maturity of consolidated bonds ranges from one year to ten years, but they are not subject to any statutory or regulatory limits on maturity. Consolidated discount notes are issued primarily to raise short-term funds. These notes sell at less than their face amount and are redeemed at par value when they mature.

The par amounts of the FHLBanks' outstanding consolidated obligations, including consolidated obligations held by other FHLBanks, were approximately $637 billion and $614 billion at December 31, 2001 and 2000. Regulations require the FHLBanks to maintain, in the aggregate, unpledged Qualifying Assets equal to the consolidated obligations outstanding. Qualifying Assets are defined as: cash; secured advances; assets with an assessment or rating at least equivalent to the current assessment or rating of the consolidated obligations; obligations, participations, mortgages, or other securities of or issued by the United States or an agency of the United States; and such securities as fiduciary and trust funds may invest in under the laws of the state in which the Bank is located.

On June 2, 2000, the Finance Board adopted a final rule amending the FHLBanks' leverage limit requirements. Effective July 1, 2000, each FHLBank's leverage limit will be based on a ratio of assets to capital, rather than a ratio of liabilities to capital. The Finance Board's former regulations prohibited the issuance of consolidated obligations if such issuance would bring the FHLBanks' outstanding consolidated obligations and other unsecured senior liabilities above 20 times the FHLBanks' total capital. The Finance Board's Financial Management Policy also applied this limit on an FHLBank-by-FHLBank basis. The final rule deletes the FHLBanks' overall leverage limit from the regulations, but limits each FHLBank's assets generally to no more than 21 times its capital. Nevertheless, an FHLBank whose non-mortgage assets, after deducting deposits and capital, do not exceed 11 percent of its assets may have total assets in an amount not greater than 25 times its capital.

To provide the holders of consolidated obligations issued before January 29, 1993 (prior bondholders), the protection equivalent to that provided under the FHLBanks' previous leverage limit of 12 times the FHLBanks' capital stock, prior bondholders have a claim on a certain amount of the Qualifying Assets (Special Asset Account (SAA)) if capital stock is less than 8.33 percent of consolidated obligations. At December 31, 2001 and 2000, the FHLBanks' capital stock was

5.2 percent and 4.96 percent, respectively, of the par value of consolidated obligations outstanding, and the SAA balance was approximately $28.3 million and $37.1 million, respectively. Further, the regulations require each FHLBank to transfer Qualifying Assets in the amount of its allocated share of the FHLBanks' SAA to a trust for the benefit of the prior bondholders if its capital-to-assets ratio falls below two percent.

General Terms. Consolidated obligations are issued with either fixed rate coupon payment terms or variable rate coupon payment terms that use a variety of indices for interest rate resets including the London Interbank Offered Rate (LIBOR), Constant Maturity Treasury (CMT), 11th District Cost of Funds (COFI), and others. In addition, to meet the expected specific needs of certain investors in consolidated obligations, both fixed rate bonds and variable rate bonds may also contain certain features, which may result in complex coupon payment terms and call options. When such consolidated obligations are issued, the Bank enters interest rate exchange agreements containing offsetting features that effectively convert the terms of the bond to those of a simple variable rate bond or a fixed rate bond.

These consolidated obligations, beyond having fixed rate or simple variable rate coupon payment terms, may also have the following broad terms regarding either principal repayment or coupon payment terms:

> *Optional Principal Redemption Bonds* (Callable Bonds) that the Bank may redeem in whole or in part at its discretion on predetermined call dates according to terms of bond offerings.
>
> With respect to interest payments, consolidated bonds may also have the following terms:
>
> *Step-up Bonds* generally pay interest at increasing fixed rates for specified intervals over the life of the bond. These bonds generally contain provisions enabling the Bank to call bonds at its option on the step-up dates;
>
> *Inverse Floating Bonds* have coupons that increase as an index declines and decrease as an index rises;
>
> *Conversion Bonds* have coupons that the Bank may convert from fixed to floating, or floating to fixed, or from one U.S. or other currency index to another, at its discretion;
>
> *Comparative Index Bonds* have coupon rates determined by the difference between two or more market indices, typically Prime, CMT and LIBOR; and
>
> *Zero-Coupon Bonds* are long-term discounted instruments that earn a fixed yield to maturity or the optional principal redemption date. All principal and interest are paid at maturity or on the optional principal redemption date, if exercised prior to maturity.

Redemption Terms. The following is a summary of the Bank's participation in consolidated bonds outstanding at December 31, 2001 and 2000, by year of maturity (in thousands):

Year of Maturity	2001 Amount	2001 Weighted Average Interest Rate (%)	2000 Amount	2000 Weighted Average Interest Rate (%)
2001			$14,905,595	6.01
2002	$12,662,115	5.87	10,647,215	6.51
2003	14,901,200	4.26	6,469,500	6.27
2004	9,004,485	4.87	2,106,000	6.45
2005	3,766,300	5.59	2,198,500	6.82
2006	4,473,800	5.54	1,731,000	6.22
Thereafter	4,787,500	6.03	3,582,500	5.35
Total par value	49,595,400	5.17	41,640,310	6.19
Concessions	(14,164)		(7,841)	
Bond premiums	88,037		31,829	
Bond discounts	(175,272)		(540,032)	
SFAS 133 hedging adjustments	328,712			
Deferred net (losses) gains on terminated interest rate exchange agreements	307		-	
Associated interest rate exchange agreements	-		7,667	
Total	$49,823,020		$ 41,131,933	

Consolidated bonds outstanding at December 31, 2001 and 2000, include Callable Bonds totaling $9,412,600,000 and $9,025,500,000. The Bank uses fixed rate Callable Debt to finance Callable Advances (see Note 5) and mortgage-backed securities. Simultaneous with such a debt issue, the Bank may also enter an interest rate swap (in which the Bank pays variable and receives fixed) with a call feature that mirrors the option embedded in the debt (a sold callable swap). The combined sold callable swap and Callable Debt allows the Bank to provide members attractively priced variable-rate advances, while converting its own payment to a variable rate.

The Bank's consolidated bonds outstanding includes (in thousands):

	2001	2000
Par amount of consolidated bonds:		
Non-callable or non-putable	$ 40,182,800	$ 32,614,810
Callable	9,412,600	9,025,500
Total par value	$ 49,595,400	$ 41,640,310

The following table summarizes consolidated bonds outstanding at December 31, 2001 and 2000, by year of maturity or next call date (in thousands):

Year of Maturity or Next Call Date	2001	2000
2001		$ 20,058,095
2002	$ 19,399,715	10,714,215
2003	14,741,700	5,236,500
2004	7,716,385	1,444,000
2005	1,807,300	1,040,500
2006	3,533,800	1,506,000
Thereafter	2,396,500	1,641,000
Total par value	$ 49,595,400	$ 41,640,310

Interest Rate Payment Terms. The following table details interest rate payment terms for consolidated bonds at December 31, 2001 and 2000, and the notional principal amount of interest rate exchange agreements associated with consolidated bonds at December 31, 2001 and 2000 (in thousands).

	2001	2000
Par amount of consolidated bonds:		
Fixed rate	$ 44,332,400	$ 38,405,310
Simple variable rate	5,063,000	2,535,000
Zero coupon	200,000	700,000
Total par value	$ 49,595,400	$ 41,640,310
Notional principal of interest rate exchange agreements by class type associated with consolidated obligation bonds:		
Interest rate swaps	$ 20,625,226	$ 19,618,255

Discount Notes. The Bank's participation in consolidated discount notes, all of which are due within one year, was as follows (in thousands):

	Book Value	Par Value	Weighted Average Interest Rate
December 31, 2001	$ 22,790,369	$ 22,843,515	2.00%
December 31, 2000	$ 28,430,707	$ 28,694,941	6.43%

	2001	2000
Notional principal of interest rate swaps associated with consolidated obligation discount notes (in thousands)	$ 0	$ 1,393,415

The Bank Act authorizes the Secretary of the Treasury, at his or her discretion, to purchase consolidated obligations of the FHLBanks aggregating not more than $4 billion. The terms, conditions, and interest rates are determined by the Secretary of the Treasury. There were no such purchases by the U.S. Treasury during the two years ended December 31, 2001.

Note 12—Capital

The Gramm-Leach-Bliley Act ("GLB Act") will lead to a number of changes in the capital structure of the Bank. The final Finance Board rule was published on January 30, 2001, and required each FHLBank to submit a capital structure plan

to the Finance Board by October 29, 2001. The Bank submitted its proposed capital plan structure on October 25, 2001. The GLB Act also provides a transition period to the new capital structure of up to three years from the effective date of each FHLBank's capital structure. Until such time as the FHLBanks fully implement the new capital regulations, which may not be for several years, the current capital rules remain in effect. In particular, the FHLB Act, as amended, requires members to purchase capital stock equal to the greater of one percent of their mortgage-related assets or five percent of outstanding FHLBank advances. However, the GLB Act removed the provision that required a non-thrift member to purchase additional stock to borrow from the FHLBank if the non-thrift member's mortgage-related assets were less than 65 percent of total assets. Members may, at the FHLBank's discretion, redeem at par value any capital stock greater than their statutory requirement or sell it to other Bank members at par value.

When the new capital structure plan has been approved by the Finance Board and implemented, the Bank will be subject to risk-based capital rules. The Bank may offer two classes of stock. Members may withdraw from membership and redeem Class A stock six months after giving notice of withdrawal, and members may withdraw from membership and redeem Class B stock five years after giving notice. Only "permanent" capital, defined as retained earnings and Class B stock, can satisfy the risk-based capital requirement. In addition, the GLB Act specifies a five percent minimum leverage ratio based on total capital and a four percent minimum capital ratio that does not include the 1.5 weighting factor applicable to the permanent capital which is used in determining compliance with the five percent leverage ratio.

The GLB Act made membership voluntary for all members. A member must give six months' notice of its intent to withdraw from membership. Members that withdraw from membership may not reapply for membership for five years.

On June 22, 2000, the Finance Board rescinded its dividend policy applicable to the FHLBanks. This action has the effect of no longer requiring an FHLBank to hold as restricted retained earnings that portion of prepayment fee income that, if prorated over the maturity of the advances prepaid, would be allocated to future dividends. The Bank's board of directors may declare and pay in either cash or capital stock dividends only from retained earnings or current net earnings.

Before the GLB Act, the FHLBanks were required to pay $300 million annually through 2030 to fund part of the interest on REFCORP debt. Before paying dividends, each FHLBank was assessed up to 20 percent of its net income after AHP contributions to meet these required payments. If 20 percent of net income was less than the $300 million assessment in any year, the Act allocated the shortfall among all the FHLBanks based on the percentage equal to the ratio of each FHLBank's average advances to insured depository institutions, which are Savings Association Insurance Fund (SAIF) members, to the FHLBanks' total average advances to SAIF-insured members. If the initial 20 percent assessment calculation exceeded the required $300 million, the $300 million was allocated among the FHLBanks based on their net income after their AHP contribution to all FHLBanks' net income after AHP contributions. There was no shortfall in 1999.

The GLB Act changed these required payments in 2000 and thereafter to 20 percent of net earnings for each FHLBank, with the final payment adjusted so that the aggregate payments made by all 12 FHLBanks are equivalent to a $300 million annual annuity whose final maturity date is April 15, 2030. The cumulative amount to be paid to REFCORP by the Bank is not determinable at this time due to the interrelationships of all future FHLBanks' earnings. The FHLBanks' payments through 2001 defease all future benchmark payments after the second quarter of 2023 and $51.29 million of the $75.0 million benchmark payment for the second quarter of 2023.

Note 13—Employee Retirement Plans

The Bank participates in the Financial Institutions Retirement Fund ("FIRF"), a defined-benefit plan. The plan covers substantially all officers and employees of the Bank. The Bank's contributions to FIRF through June 30, 1987, represented the normal cost of the plan. The plan reached the full-funding limitation, as defined by the Employee Retirement Income Security Act, for the plan year beginning July 1, 1987, because of favorable investment and other actuarial experience during previous years. As a result, FIRF suspended employer contributions for all plan years ending after June 30, 1987. Contributions to the plan will resume when the plan is no longer in full-funding status based on annual determinations by FIRF. The FIRF is a multi-employer plan and does not segregate its assets, liabilities, or costs by participating employer. As a result, disclosure of the accumulated benefit obligations, plan assets, and the components of annual pension expense attributable to the Bank is not required.

The Bank also participates in the Financial Institutions Thrift Plan, a defined contribution plan. The Bank's contributions are equal to a percentage of participants' compensation and a matching contribution equal to a percentage of voluntary employee contributions, subject to certain limitations. The Bank contributed $563,000, $701,000, and $621,000 in the years ended December 31, 2001, 2000, and 1999.

In addition, the Bank maintains a deferred compensation plan, available to all employees, which is, in substance, an unfunded supplemental retirement plan. The plan's liability consists of the accumulated compensation deferrals and accrued earnings on the deferrals. The Bank's minimum obligation from these plans at December 31, 2001 was $1,083,000.

The following table reconciles the actuarial present value of the Bank's accumulated post-retirement benefit obligation ("APBO"). There are no funded plan assets that have been designated to provide post-retirement benefits. Assumptions used in determining the accumulated post-retirement benefit obligation included a discount rate of 7.50 percent. The effect of a percentage point increase in the assumed healthcare trend rates would be an increase in post-retirement benefit expense of $86,390 and in APBO of $618,229. Employees over the age of 55 are eligible provided they have completed 10 years of service after age 45.

The actuarial present value of the Bank's APBO at December 31, 2001 and 2000 follows (in thousands):

APBO for:	2001	2000
Retirees	$ 2,828	$ 2,215
Fully eligible active participants	576	685
Other active participants	879	995
Total APBO	4,283	3,895
Unrecognized net gain from past experience different from that assumed and from changes in assumptions	(747)	(955)
Accrued post-retirement benefit cost	$ 3,536	$ 2,940

The components of net periodic post-retirement benefit cost for 2001 and 2000 are (in thousands):

	2001	2000
Service cost (benefits attributed to service during the period)	$ 183	$ 177
Interest cost on accumulated post-retirement benefit obligation	292	262
Amortization of loss	70	66
Net periodic post-retirement benefit cost	$ 545	$ 505

Note 14—Interest-Rate Exchange Agreements

The Bank uses interest rate exchange agreements in the normal course of business to manage exposure to fluctuations in interest rates and support the Bank's risk management objectives. In addition, the Bank may act as an intermediary between members and third parties.

Interest rate exchange transactions involve the contractual exchange of payments that are based on a notional principal amount and determined using different interest rates, as defined in the agreement. Usually, the agreement calls for the exchange of a payment determined using a floating interest rate and a fixed rate or another floating rate, based on the same notional amount. Forward contracts are commitments to buy or sell a financial instrument at a future date and at a contracted price and may be settled in cash or through delivery. Interest rate caps and floors obligate one party to make payment to the other if an interest rate index exceeds the upper "capped" level or if the index falls below a specified "floor" level.

While swaps, forwards, caps and floors usually reduce interest rate risk, they introduce some credit risk. This off balance sheet credit risk arises from the possible nonperformance by the other party to non-exchange-traded agreements. However, based on the Bank's credit analyses and collateral requirements, the Bank does not anticipate any credit losses on these agreements.

The contractual or notional amount of interest rate exchange agreements reflects the involvement of the Bank in the various classes of financial instruments. The notional amount of interest rate exchange agreements does not measure the credit risk exposure of the Bank, and the maximum credit exposure of the Bank is substantially less than the notional amount.

The maximum credit risk is the estimated cost of replacing favorable interest rate swaps, forward agreements, and purchased caps and floors if the counterparty defaults, and the related collateral, if any, is of no value to the Bank. This collateral has not been sold or repledged. At December 31, 2001 and 2000, the Bank's maximum credit risk, as defined above, was approximately $644,753,000 and $263,314,000, respectively. These totals include $234,629,000 and $106,850,000 of net accrued interest receivable, respectively. In determining maximum credit risk, the Bank considers accrued interest receivables and payables and the legal right to offset assets and liabilities by counterparty. The Bank held securities and cash with a fair value of $98,255,000 and $128,523,000 as collateral as of December 31, 2001 and 2000, respectively.

The Bank transacts most of its interest rate exchange agreements with large banks and major broker dealers. Some of these banks and dealers or their affiliates buy, sell, and distribute consolidated obligations.

Asset and Liability Management and Intermediation. Interest rate exchange agreements for overall asset and liability management may arise when (1) the Bank exercises its option for early termination of a financial instrument that has been designated as hedged by a callable interest rate exchange agreement that itself was not called by the counterparty, and (2) when, in order to achieve its overall asset and liability management goals, the Bank executes an interest rate exchange agreement not designed as a hedge of a particular financial instrument. Interest rate exchange agreements in which the Bank is an intermediary may arise when the Bank (1) enters into offsetting interest rate exchange agreements with members and other counterparties to meet the needs of its members, and (2) enters into interest rate exchange agreements to offset the economic effect of other interest rate exchange agreements that are no longer designated to particular financial instruments.

The notional principal of interest rate exchange agreements in which the Bank is an intermediary was $252,000,000 and $172,000,000, respectively, at December 31, 2001 and 2000.

Note 15—Estimated Fair Values

Cash and Due from Banks. The estimated fair value approximates the recorded book balance.

Interest-Bearing Deposits and Investments. The estimated fair value is determined based on quoted prices, excluding accrued interest, as of the last business day of the year. For other investments including mortgage-backed securities, the estimated fair value has been determined by using techniques such as discounted cash flow analysis and comparison to similar instruments.

Federal Funds Sold. The estimated fair value is determined by calculating the present value of the future cash flows for instruments with more than three months to maturity. The discount rates used in these calculations are the rates for Federal funds with similar terms. The estimated fair value approximates the recorded book balance of Federal funds with three months or less to maturity.

Advances to Members and Other Loans. The Bank determines the estimated fair values of advances with fixed rates and more than three months to maturity and advances with complex floating rates by calculating the present value of expected cash flows from the advances and reducing this amount for accrued interest receivable. The discount rates used in these calculations are the replacement advance rates for advances with similar terms. Following the Finance Board's advances regulations, advances with a maturity and repricing period greater than six months require a prepayment fee sufficient to make the Bank financially indifferent to the borrower's decision to prepay the advances. Therefore, the estimated fair value of advances does not assume prepayment risk. The estimated fair value approximates the recorded book balance of advances with floating rates and fixed rates with three months or less to maturity or repricing.

Accrued Interest Receivable and Payable. The estimated fair value approximates the recorded book value.

Derivative Assets and Liabilities. The Bank bases the estimated fair values of interest rate exchange agreements with similar terms on available market prices including accrued interest receivable and payable. However, active markets do not exist for many types of financial instruments. Consequently, fair values for these instruments must be estimated using techniques such as discounted cash flow analysis and comparisons to similar instruments. Estimates developed using these methods are highly subjective and require judgments regarding significant matters such as the amount and timing of future cash flows and the selection of discount rates that appropriately reflect market and credit risks. Changes in these judgments often have a material effect on the fair value estimates. Since these estimates are made as of a specific point in time, they are susceptible to material near-term changes.

Deposits. The Bank determines fair values of deposits with fixed rates and more than three months to maturity by calculating the present value of expected future cash flows from the deposits and reducing this amount for accrued interest payable. The discount rates used in these calculations are the cost of deposits with similar terms. The estimated fair value approximates the recorded book balance for deposits with floating rates and fixed rates with three months or less to maturity or repricing.

Consolidated Obligations. The Bank estimates fair value of consolidated obligations based, where possible, on quoted prices, excluding accrued interest, as of the last business day of the year. In other cases, the Bank estimates fair values based on the cost of raising comparable term debt. The estimated cost of issuing debt is determined based on the secondary market for debt of government-sponsored enterprises and includes non-interest selling costs.

Borrowings. The Bank determines the estimated fair value of borrowings with fixed rates and more than three months to maturity by calculating the present value of expected future cash flows from the borrowings and reducing this amount for accrued interest payable. The discount rates used in these calculations are the cost of borrowings with similar terms. For borrowings with floating rates and fixed rates with three months or less to maturity or repricing, the estimated fair value approximates the recorded book balance.

Commitments. The fair value of standby letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties.

2001 FAIR VALUE SUMMARY TABLE

The carrying value and estimated fair values of the Bank's financial instruments at December 31, 2001, were as follows (in thousands):

Financial Instruments	Carrying Value	Net Unrealized Gains (Losses)	Estimated Fair Value
Assets:			
Cash and due from banks	$ 13,477	$ -	$ 13,477
Interest bearing deposits in banks	5,915,357	1,081	5,916,438
Deposits for mortgage loan programs with other FHLBanks	461	-	461
Federal funds sold	1,434,000	198	1,434,198
Held-to-maturity securities	11,800,009	266,864	12,066,873
Advances to members	60,962,103	418,589	61,380,692
Mortgage loans, net	425,155	13,144	438,299
Other loans	51,008	1,986	52,994
Accrued interest receivable	377,488	-	377,488
Derivative assets	781,943	-	781,943
Liabilities:			
Deposits	2,861,870	(213)	2,862,083
Consolidated obligations:			
Bonds	49,823,020	(584,564)	50,407,584
Discount notes	22,790,369	(4,239)	22,794,608
Accrued interest payable	631,538	-	631,538
Derivative liabilities	1,603,370	-	1,603,370
Other:			
Standby letters of credit	122	937	1,059

2000 FAIR VALUE SUMMARY TABLE

The carrying value and estimated fair values of the Bank's financial instruments at December 31, 2000, were as follows (in thousands):

Financial Instruments	Carrying Value	Net Unrealized Gains (Losses)	Estimated Fair Value
Assets:			
Cash and due from banks	$ 24,706	$ -	$ 24,706
Interest-bearing deposits in banks	8,020,251	2,115	8,022,366
Federal funds sold	3,028,000	914	3,028,914
Held-to-maturity securities	11,308,332	101,245	11,409,577
Advances to members	52,394,572	483,123	52,877,695
Interest-rate exchange agreements associated with advances to members	1,063	(337,186)	(336,123)
Advances to members, net	52,395,635	145,937	52,541,572
Mortgage loans, net	528,092	6,231	534,323
Other loans	51,172	(283)	50,889
Accrued interest receivable	1,226,360	-	1,226,360
Liabilities:			
Deposits	2,162,383	(95)	2,162,478
Consolidated obligations:			
Bonds	41,124,266	(237,191)	41,361,457
Discount notes	28,430,707	129	28,430,578
Interest-rate exchange agreements associated with consolidated obligations	7,666	98,975	(91,309)
Consolidated obligations, net	69,562,639	(138,087)	69,700,726
Accrued interest payable	981,969	-	981,969
Other:			
Interest-rate exchange agreements in which the Bank is an intermediary	36	(6)	30
Standby letters of credit	394	831	1,225

2000 FAIR VALUE SUPPLEMENTAL TABLE

The following table categorizes interest-rate exchange agreements as non-cancelable or cancelable by counterparty as of December 31, 2000 (in thousands):

Total by Class Type of All Interest-Rate Exchange Agreements	Notional Amount	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Interest rate swaps:					
Non-cancelable:					
Bank pays fixed, receives variable	$ 653,670	$ -	$ 10,380	$ (756)	$ 9,624
Bank pays variable, receives fixed	17,760,315	5,404	95,325	(25,249)	75,480
Bank pays variable, receives variable	175,000	-	305	(44)	261
Cancelable by counterparty:					
Bank pays fixed, receives variable	17,498,671	-	24,091	(369,070)	(344,979)
Bank pays variable, receives fixed	3,207,355	2,263	24,829	(3,489)	23,603
Subtotal	39,295,011	7,667	154,930	(398,608)	(236,011)
Interest rate caps purchased	72,500	(1,074)	792	-	(282)
Interest rate collar purchased	25,000	-	-	(112)	(112)
Interest rate floor purchased	50,000	(310)	934	-	624
Interest rate floors sold	50,000	345	-	(934)	(589)
Interest rate caps sold	5,000	13	-	(3)	10
Forward contracts	63,500	-	-	(1,786)	(1,786)
Total	$39,561,011	$ 6,641	$ 156,656	$ (401,443)	$ (238,146)

Note 16—Commitments and Contingencies

As described in Note 11, all the FHLBanks have joint and several liability for the consolidated obligations issued by the Office of Finance. Accordingly, should one or more of the FHLBanks be unable to repay their participation in the consolidated obligations, each of the other FHLBanks could be called upon to repay all or part of such obligations. Notes 6, 12, and 14 discuss other commitments and contingencies.

Commitments for additional advances totaled approximately $9,586,048,538 and $9,170,353,000 at December 31, 2001 and 2000, respectively. Commitments generally are for periods up to 12 months. Extension of credit under these commitments is subject to certain collateral requirements and other financial criteria. Outstanding standby letters of credit were approximately $228,418,830 and $381,466,000 at December 31, 2001 and 2000, respectively. Based on management's credit analyses and collateral requirements, the Bank does not deem it necessary to have any provision for credit losses on these commitments and letters of credit. Letters of credit are fully collateralized at the time of issuance in a manner consistent with advances to members (see Note 5).

Commitments which obligate the Bank to purchase participating interests in mortgage loans totaled $399,970,000 and $7,012,266,000 at December 31, 2001 and 2000, respectively.

The Bank generally executes interest rate exchange agreements with major banks and broker-dealers and generally enters bilateral collateral agreements. As of December 31, 2001, the Bank had $187,598,000 of collateral securities pledged to broker-dealers.

The Bank charged to operating expenses net rental costs of approximately $1,914,692, $2,058,000, and $2,014,000 for the years ending December 31, 2001, 2000, and 1999, respectively. The Bank's lease on the 7 World Trade Center facility terminated in September 2001. Future minimum rentals at December 31, 2001, were as follows (in thousands):

Year	Premises	Equipment	Total
2002	$ 656	$ 58	$ 714
2003	671	46	717
2004	746	19	765
2005	746	-	746
2006	746	-	746
Thereafter	1,305	-	1,305
Total	$ 4,870	$ 123	$ 4,993

Lease agreements for the Bank's premises generally provide for increases in the basic rentals resulting from increases in property taxes and maintenance expenses. Such increases are not expected to have a material effect on the Bank.

Other Developments

The Bank is subject to other pending legal proceedings arising in the normal course of business. After consultation with legal counsel, management does not anticipate that the ultimate liability, if any, arising out of these matters will have a material effect on the Bank's financial condition or results of operations.

On September 11, 2001, the World Trade Center ("WTC") facility of the Bank was destroyed. The loss on the destruction of leasehold improvements, furniture and equipment as well as the costs associated with the resumption of operations are expected to be more than offset by insurance proceeds. For 2001, the loss on the destruction of assets and recovery costs incurred during that period are reported as Other Expenses, net of insurance proceeds received and deferred WTC rent concessions taken into income because of the termination of that lease. The total impact of the loss on destroyed assets and recovery costs, net of insurance proceeds, is not expected to have a material effect on the Bank's financial condition or results of operations.

The following table summarizes Other Expenses:

Related to destruction of WTC facility:	
Book loss on fixed assets destroyed	$ 3,901,000
Expenses to resume operations	1,105,000
Release of deferred rent concessions at WTC	(4,368,000)
Insurance proceeds received through year-end	(1,000,000)
Net of September 11, 2001 items	(362,000)
Restructuring charge	1,020,000
Net Other Expenses	$ 658,000

Subsequent to year-end, the Bank received an additional $6 million of insurance proceeds related to the loss on the destruction of leasehold improvements, furniture and equipment, and costs associated with the resumption of operations. Though they are not expected to be significant, the Bank may file additional claims through September 11, 2003. Insurance proceeds received subsequent to year-end will be included in the results of operations in the year received.

Board of Directors 2001-2002

Chairman

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Executive Vice President
M&T Bank
Fishkill, New York
Past Chairman, External Affairs and CMA Committees

Past Chairman

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Chairman and CEO
Xspand
Morristown, New Jersey
of Counsel
Fischbein◆Badillo◆Wagner◆Harding
Newark, New Jersey

Vice Chairman

Dennis A. James [a,b,f]
President and CEO
Sturdy Savings Bank
Cape May Court House, N.J.
Chairman, Executive Committee
Past Chairman, Human Resources Committee

Elected

Kenneth J. Abt [a,b,f]
President and CEO
First Federal Savings of Middletown
Middletown, New York

G. Thomas Bowers [d,e,f]
Chairman, President and CEO
The Savings Bank of the Finger Lakes
Geneva, New York

Harry P. Doherty [e,f]
Chairman and CEO
SI Bank & Trust
Staten Island, New York
Chairman, Human Resources Committee

George L. Engelke, Jr. [a,b,d]
Chairman, President and CEO
Astoria Federal Savings and Loan Association
Lake Success, New York
Chairman, External Affairs Committee

John R. Garbarino [b]
Chairman, President and CEO
OceanFirst Bank
Toms River, New Jersey
Chairman, Audit Committee

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President and CEO
Boiling Springs Savings Bank
Rutherford, New Jersey

Salomón Levis [c,e,f]
Chairman and CEO
Doral Bank
San Juan, Puerto Rico

Leopold W. Montanaro [b,e,f]
President and CEO
West Essex Bank, FSB
Caldwell, New Jersey

William E. Swan [f]
Chairman, President and CEO
First Niagara Bank
Lockport, New York

Lawrence J. Toal [2 c,d]
Chairman, President and CEO
The Dime Savings Bank of New York, FSB
New York, New York

Appointed

Elias Behar-Ybarra [c]
President
Behar-Ybarra and Associates
San Juan, Puerto Rico

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of Counsel
Colucci & Gallaher, PC
Buffalo, New York
Chairman, Housing Committee

Robert M. Greene, Esq. [1 b,d]
Chief Executive Officer
Phillips, Lytle, Hitchcock, Blaine & Huber LLP
Buffalo, New York

Michael M. Horn [b]
Partner
McCarter & English, LLP
Newark, New Jersey

Richard S. Mroz [d]
Attorney
Stradley Ronon Stevens & Young, LLP
Cherry Hill, New Jersey

William J. Mulrow [1 c,d]
Senior Vice President
Gabelli Asset Management Co.
Rye, New York
Past Chairman, Housing Committee

Derek B. Park, Ph.D. [a,b,c,d,e,f]
Managing Director
Cohane Rafferty, LLC/ Lehman Brothers, Inc.
White Plains, New York

Edwin C. Reed [b,c,e,f]
Chief Financial Officer
Allen A.M.E. Church
Jamaica, New York

Notes:

[1] *Term expired December 31, 2001*
[2] *Resigned January 2002*

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 Community Mortgage Asset Committee
f -Member of the Human Resources Committee

CHAIR

Margaret T. O'Leary
Chief Executive Officer
Hudson Valley Housing Development Fund Co., Inc.
Wappingers Falls, NY (2004)

PAST CHAIR

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President and CEO
Long Island Housing Partnership, Inc.
Hauppauge, New York (2003)

VICE CHAIR

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Executive Director
Episcopal Community Development, Inc.
Newark, New Jersey (2004)

Juan Villanueva [2]
President and CEO
The Greater Rochester Housing Partnership
Rochester, New York (2001)

NEW YORK

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Executive Director
Housing Opportunities, Inc.
Rochester, New York (2003)

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Executive Director
Syracuse NHS, Inc.
Syracuse Model Neighborhood Corporation
Syracuse, New York (2001)

Francine C. Justa, Ph.D.
Executive Director
NHS of New York City, Inc.
New York, New York (2002)

Paul Kerzner
Manager
Con Edison's Renaissance Housing Program
Brooklyn, New York (2004)

Carol Lamberg
Executive Director
Settlement Housing Fund, Incorporated
New York, New York (2002)

Kathleen Maxwell
Executive Director
Rural Ulster Preservation Company
Kingston, New York (2003)

Ralph Porter
President
Mid-Bronx Desperadoes Community Housing Corp.
Bronx, New York (2002)

NEW JERSEY

Mary E. Davey [5]
Assistant Executive Director
Catholic Charities, Diocese of Metuchen
Perth Amboy, New Jersey (2002)

Anne S. Li [3]
Executive Director
New Jersey Community Loan Fund
Trenton, New Jersey (2001)

Marlene Sigman
Director, Housing Development and Asset Management
Catholic Charities, Diocese of Metuchen
Perth Amboy, New Jersey (2002)

Diane Sterner
Executive Director
Housing and Community Development Network of New Jersey
Trenton, New Jersey (2004)

Notes:

Terms expire on December 31 of years indicated.

[1] Resigned as Chair March 2001
[2] Resigned March 2001
[3] Resigned June 2001
[4] Term Expired December 2001
[5] Resigned February 2002

Executive Team

Alfred A. DelliBovi
President & CEO

David C. Altilio
Executive Vice President & CFO

James A. Gilmore
Sr. Vice President & Chair - Business Risk Team

Robert R. Hans
Sr. Vice President & Chair - Operational Risk Team

Paul B. Héroux
Sr. Vice President & Chief Credit Officer

Craig E. Reynolds
Sr. Vice President & Chair - ALCO Risk Team

Marianne R. Totaro
Sr. Vice President & Chair - Credit Risk Team

Donald J. Wolff
Sr. Vice President & Community Investment Officer

Steve S. Christatos
Vice President & Risk Manager

Vice Presidents

Eric P. Amig
Bank Relations

Edwin Artuz
Human Resources

Philip J. Bailey
Correspondent Services Administration

James C. Bernard
Credit Analysis

Raymond D. Blumenfeld
Bank Security Administration

Domenick A. Cama
Sales

Thomas J. Doyle
Member Mortgage Programs

Paul S. Friend
General Counsel

G. Robert Fusco
Information Technology Administration

Joseph Gallo
Community Investment Operations

Adam S. Goldstein
Marketing

Anthony C. Grimmer
Safekeeping Operations

Rebecca A. Logan
Process Management

Walter B. Moran
Corporate Services

Patrick A. Morgan
Accounting

Gregory T. Muller
Collateral Services

Kevin M. Neylan
Strategic Management

Alfred J. O'Connell
Sales

John G. Papas
Capital Markets

David N. Pickens
Technical Support

Facundo J. Saenz de Viteri
Sales

Frank R. Sansarricq
Financial Planning and Analysis

Louis C. Solimine
Treasury Operations

Barbara Sperrazza
Corporate Secretary

John D. Surré
Demand and Disbursement Services

Albert P. Thuma
Credit Monitoring

Barbara E. Way
Assistant General Counsel

Assistant Vice Presidents

Backer Ali
Financial Accounting

Sean N. Borde
Systems Development

Aaron J. Carr
Human Resources

Kimberly A. Dahl
Financial Planning and Analysis

Barbara J. Damon
Collateral Services

John F. Edelen
Capital Markets

Sheharyar Hasan
Financial Planning and Analysis

Robert A. Havanki
Systems Development

Robert J. Hearn
Member Mortgage Programs

Maureen E. Kalena
Sales

Sandra E. Napoleon
Correspondent Services Administration

Aida L. Polanco
Funds Transfer

Grace F. Sit
Management Reporting

Other Officers

Edwin T. Bird
Community Investment Officer

Rose Bonnie-Ryner
EEO/Employee Relations Officer

Sudip K. Chatterjee
Financial Planning and Analysis Officer

Joseph R. Creighton
Mortgage Portfolio Officer

Kungsheng Fan
Treasury Calling Officer

Shu-Yam Ip
Information Technology Officer

Lei Li
Sr. Quantitative Research Officer

Jean D. Randolph
Information Systems Officer

Dianne A. Solomon
Accounting Officer

Prisco G. Sulit
Collateral Operations Officer

Internal Audit

Charles R. Mihulka
Sr. Vice President & Director

Milagros J. Abreu
Vice President

Helen M. Horan
Assistant Vice President

Agnes S. Olah
Assistant Vice President