




70th Anniversary

2002

ANNUAL REPORT

Federal Home Loan Bank of New York℠


70th Annual Report

FOR THE YEAR ENDED DECEMBER 31, 2002

CONTENTS

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 Home Loan Bank of New York serves to increase the availability of mortgages and home finance to families of all income levels and offers high-value financial, 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.

SUMMARY FINANCIAL DATA

	As of December 31				
	1998	**1999**	**2000**	**2001**	**2002**
Statements of Condition ($ in millions) [1]					
Advances	$31,516	$44,409	$52,396	$60,962	$68,926
Held-to-maturity securities [2]	9,687	13,607	19,328	17,480	19,022
Other investments [3]	2,743	945	3,078	1,720	4,576
Mortgage loans	6	228	528	425	435
Total assets	44,517	62,902	76,601	81,240	93,606
Deposits	2,982	2,654	2,162	2,862	2,743
Consolidated obligations	38,778	56,344	69,563	72,628	83,512
Capital stock	2,288	3,023	3,626	3,733	4,051
Retained earnings	38	70	121	177	244

	Year Ended December 31				
	1998	**1999**	**2000**	**2001**	**2002**
Averages ($ in millions) [1]					
Advances	$21,703	$35,617	$46,851	$54,298	$62,408
Held-to-maturity securities [2]	8,817	11,298	16,923	17,379	17,110
Other investments [3]	6,589	2,443	3,201	4,559	3,457
Mortgage loans	3	13	375	474	400
Total assets	37,546	50,044	68,348	77,792	84,413
Deposits	2,536	2,246	1,764	2,811	2,881
Consolidated obligations	32,549	44,496	62,177	70,088	76,467
Capital stock	2,035	2,603	3,354	3,673	3,768
Retained earnings	45	72	92	130	204

	Year Ended December 31				
	1998	**1999**	**2000**	**2001**	**2002**
Operating Results ($ in millions)					
Net Income	$186	$244	$277	$285	$234
Dividends paid	$147	$177	$226	$229	$167
Weighted average dividend rate	7.25%	6.80%	6.95%	6.29%	4.51%
Return on average equity	8.94%	9.12%	8.03%	7.49%	5.89%
Return on average assets	0.50%	0.49%	0.40%	0.37%	0.28%
Net interest margin	0.29%	0.30%	0.29%	0.29%	0.28%

	Year Ended December 31				
	1998	**1999**	**2000**	**2001**	**2002**
Capital					
Total capital ratio [4]	5.24%	4.92%	4.89%	4.81%	4.79%
Leverage ratio	19.1	20.3	20.4	20.8	21.8

Notes:
(1) Certain amounts in 2001 and prior periods have been reclassified to conform with the 2002 presentation.
(2) Held-to-maturity securities include mortgage related securities, certificates of deposit, state and local housing agency obligations, and U.S. Treasury and agency obligations.
(3) Other investments include Federal funds sold, loans to other FHLBanks, and other money market instruments.
(4) The total capital ratio is total capital as a percentage of total assets at the end of the period.

The table above sets forth selected financial data and other statistical information for the Federal Home Loan Bank of New York ("FHLBNY"). The financial data were derived from the FHLBNY's financial statements. This information is qualified in its entirety by reference to, and should be read in conjunction with, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the FHLBNY's financial statements and related notes appearing herein.

To Our Members

Seventy Years of Achievement

Seventy years ago the United States Congress created the Federal Home Loan Bank System to promote homeownership and community growth in our nation. The Nation's housing finance system has evolved tremendously since 1932. Yet, our mission is as vital as ever: to advance housing opportunities and local community development by maximizing the capacity of our community-based member lenders to serve their markets.

Ninety billion dollars in assets plus a "AAA" credit rating enable the Federal Home Loan Bank of New York ("FHLBNY") to bring strength and stability to 296 lenders and their communities. We are a rock-solid source of low-cost, reliable credit programs that are transformed each business day by our members into mortgage products that families can afford.

The Home Loan Banks, through our members, are vital contributors to our Nation's housing sector – a sector that continues to perform as the workhorse of the economy. With mortgage rates at 40-year lows and a sophisticated, competitive, and interlocking credit delivery network, the housing sector produced sustained economic growth throughout 2002.

Without such strength in the housing sector today, America's economy might well be facing many of the Hoover-era conditions that caused the Congress to create the Home Loan Bank System as an antidote to the depression in 1932.

At the FHLBNY, successful performance is the product of a solid group of professionals who create value-adding financial benefits. Our member lenders rely on these benefits not only to meet the requirements of the Community Reinvestment Act ("CRA"), but also to provide innovative financing that puts people in homes. In one example, in the past ten years through the Congressionally mandated Affordable Housing Program, the FHLBNY has provided nearly $157 million in grants to fund 24,235 new, affordable units. This annual contribution, combined with the contributions from the other Home Loan Banks, makes the Home Loan Bank System the largest source of private funding for affordable housing among all the U.S. housing grant organizations.

Advances Climbed 15% During 2002

Advances climbed steadily throughout the year and reached the $66 billion level for the first time during the fourth quarter. For 2002, average advances were $62.4 billion compared to $54.3 billion for 2001, representing a 15 percent increase. The FHLBNY finished the year at $66 billion in advances. This record-setting pace generated 9,105 individual advance disbursements to our members. The FHLBNY's flexible credit products, including Adjustable Rate Credit, Convertible, Long-Term Fixed, Overnight Line of Credit, Overnight Special Rate, and Repo Advance products, were well utilized by our members during 2002.

As advance demand grew, so too did the size of the FHLBNY's conservative investment portfolio; at year-end, it was $23.6 billion. Our investment portfolio included $11.7 billion of high quality 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 FHLBNY support housing for individuals of all income ranges. 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, including MBS, was 96 percent.

During 2002, there were some outstanding examples of how the FHLBNY partners with local governmental agencies or financial intermediaries in support of local housing finance and community development.

The FHLBNY entered into an agreement with the Bank of New York to provide standby bond liquidity for $520 million in New York City Transitional Finance Authority Recovery Bonds. Proceeds from the bond sale are used to offset revenue losses related to the September 11th terrorist attacks on New York City.

The FHLBNY invested $335 million in support of New York City Housing Development Corporation housing finance activity. Funds were used by the Corporation to finance the acquisition of approximately 380 permanent mortgage loans for multi-family housing developments and to finance certain newly constructed or rehabilitated rental housing developments under their new Housing Opportunity Program ("HOP"). The HOP is designed to spur the creation of affordable housing in the City of New York for a range of low-, moderate-, and middle-income households. Our investments tied the cost of the Corporation's financing activity directly to the FHLBNY's short-term cost of funds. The FHLBNY invested $6.24 million in New Jersey Housing & Mortgage Finance Agency debt instruments, enabling the Agency to refinance previously outstanding high-cost debt.

In the low interest rate environment of 2002, members turned to the Mortgage Partnership Finance® ("MPF®") program to sell their mortgage loans and transfer the interest rate and liquidity risks to the FHLBNY. In MPF®, the member markets, underwrites, originates, and services the residential loans, while the FHLBNY provides the funding and manages the liquidity, interest rate, and options risks of the loans. A total of 13 members joined MPF® in 2002, bringing the total members approved by the FHLBNY to 41. The FHLBNY acquired $268 million of mortgage loans under the MPF® program during the year, more than doubling the amount of loans acquired in 2001. The FHLBNY's investment in MPF® loans grew to $378.9 million in 2002, representing a 31.9 percent increase from 2001. We have no need to securitize these assets.

$234.1 Million in Net Income Produced in 2002

Earnings in 2002 reached $234.1 million in net income after REFCORP. This return was $13.2 million above the FHLBNY's business plan and springs from strong member utilization of our products and services, supplemented by prudent investment in home finance-supporting mortgage-backed securities. This year's results were enhanced by non-recurring items, including September 11, 2001-related insurance claim reimbursements. Reflecting the economy and the FHLBNY's performance, our Board approved an annualized dividend rate payment from its 2002 earnings of 4.51 percent.

Stable Membership

Although the FHLBNY was not immune to the effects of industry consolidation, new membership growth continued during 2002 as 14 financial institutions joined the FHLBNY. This growth in membership helped to offset the trend of consolidation. The total assets generated by the lending activity of our 296 community lenders increased to $505 billion. Membership at the 12 Home Loan Banks has continued to grow since 1989 when membership was made available to commercial banks and credit unions. At year-end 2002, there were 8,011 community lenders who were members of the Home Loan Bank System.

Community Reinvestment Activity

Supporting members in meeting their responsibilities under CRA is a key measure of our success. We offer three flexible community reinvestment credit services: the Affordable Housing Program ("AHP"), the Community Investment Program ("CIP"), and the First Home Club℠.

Each year, the FHLBNY allocates 10 percent of earnings to be awarded in the following calendar year to members through the AHP. In 2002, we awarded over $24.8 million for 91 affordable housing projects to create 3,372 units of affordable housing. In combination with the CIP and the new Rural Development and Urban Development Advance Programs (which committed $4.6 million in advances in 2002), the AHP allows member lenders to respond to the particular housing finance needs in the communities we serve.

As of year-end 2002, the FHLBNY had set aside over $20 million for the First Home Club℠ program to reduce the mortgage origination costs for first-time homebuyers. The FHLBNY enrolled 1,826 families through 42 participating community member lenders during the year. By the close of the year, 905 families were able to enjoy the holiday season in their new homes, funded, in part, by this matching-grant, mortgage-buy-down initiative.

All of our credit products, from advances to homeownership grants, assist our members in meeting their CRA responsibilities by promoting housing and community development.

New FHLBNY Capital Plan Approved

The Gramm-Leach-Bliley Act of 1999 required each of the 12 Home Loan Banks to develop a new capital plan structure that provides a more permanent source of capital and facilitates compliance with risk-based capital requirements. At a special meeting in Manhattan on July 18, 2002, the Federal Housing Finance Board ("Finance Board"), the FHLBNY's regulator, approved the FHLBNY's new capital plan. The new plan is scheduled for implementation on October 1, 2003. This plan is designed to meet the goals of compliance with our statutory and regulatory capital requirements, maintaining the FHLBNY's cooperative business model, and providing to our members simplicity and continuity.

New FHLBNY Headquarters Opened

At the close of 2002, the FHLBNY completed its move to new headquarters at 101 Park Avenue, New York City. This move completes the rebuilding and recovery process of the FHLBNY after the losses suffered on September 11, 2001. We would like to thank our members and colleagues who helped us in this rebuilding process. We would particularly like to thank Emigrant Savings Bank for their generosity in allowing us to use their boardroom facilities to conduct our Board of Directors meetings after September 11, 2001 and throughout 2002.

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 FHLBNY 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, NJ, for serving as Vice Chair of the Home Loan Bank and Chair of the Executive Committee. We are also grateful to George L. Engelke, Jr., Astoria Federal Savings and Loan Association, Lake Success, NY, Chair, External Affairs Committee and Board Governance Task Force; Joseph F. Crangle, Colucci & Gallaher, PC, Buffalo, NY, Chair, Housing Committee; John R. Garbarino, OceanFirst Bank, Toms River, NJ, Chair, Audit Committee; and Harry P. Doherty, SI Bank & Trust, Staten Island, NY, Chair, Human Resources 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., Wappingers Falls, NY, and Carla L. Lerman, Executive Director, Episcopal Community Development, Inc., Newark, NJ, for serving as Chair and Vice Chair, respectively.

In January of 2003, three new Directors joined the Board. The Finance Board announced the appointment of two public interest directors: Harold E. Doley, III, President, The Lugano Group, Inc., New York, NY, and the Reverend DeForest B. Soaries, Jr., Senior Pastor, First Baptist Church of Lincoln Gardens, Somerset, NJ. And in that month, industry director David W. Lindstrom, President and CEO, Franklin Savings Bank, Pilesgrove, NJ, was sworn in.

We would also like to express our gratitude to the outgoing directors: Dennis A. James, Joseph F. Crangle, and Derek B. Park, Cohane Rafferty, LLC/Lehman Bros., Inc., White Plains, NY, for their dedicated service on the Board and to the Home Loan Bank. Their many contributions benefited every aspect of the FHLBNY.

LOOKING AHEAD

Multi-District Membership

The Home Loan Bank System has yet to resolve one of the most critical challenges facing us: multi-district membership. At the FHLBNY, the deficiencies of the current regulation came into sharp focus with the acquisition of The Dime Savings Bank of New York by Washington Mutual Bank and of Summit Bank by Fleet Bank. Both The Dime and Summit Bank were top customers of the FHLBNY and vital community lenders. The acquiring lenders – who are members of other Federal Home Loan Banks – indicated their interest in maintaining the local connection and membership with the FHLBNY. However, current regulations prohibit the fulfillment of this intent. As a result, community resources are now being redirected from New York and New Jersey to California and Massachusetts, and an important source of funding for our valuable Affordable Housing Program has been decreased. Moreover, because consolidation will continue in the financial services industry, it is probable that the current regulatory arrangement will have even further negative effects in the future.

On December 20, 2002, the Finance Board solicited comments from the 12 Home Loan Banks regarding the changing financial services industry and its effects on membership, and set a deadline of February 7, 2003. We view this request as a favorable development. We hope that the Finance Board will move quickly to make necessary changes to their regulations that will in turn preserve the current level of our commitment to affordable housing and put in place long-term solutions that will enable the Home Loan Bank System to evolve in-step with our Nation's financial services industry.

FHFB/SEC Disclosure

The Administration has called upon all Government Sponsored Enterprises to register their equity stock with the Securities and Exchange Commission ("SEC") pursuant to the Securities Exchange Act of 1934. The Home Loan Banks are totally committed to achieving the best financial disclosure possible, but the question quickly becomes how the Home Loan Banks can achieve the best disclosure regime while ensuring that the Home Loan Banks can continue to serve you, our stockholders, and through you, your communities. The Home Loan Banks do not fit the average corporate mold. Home Loan Bank stock is not available to the public; its price does not fluctuate; and it is neither traded nor listed on any exchange. In fact, the only reason our 8,011 member housing lenders buy stock in their Home Loan Banks is because we are a cooperative. The stock purchase is a requirement that entitles our members to borrow for housing and community development at rates and terms that lower the cost of housing and community development in every county in the United States. As we go to print with this Annual Report, some serious concerns have been raised pertaining to enhanced disclosure about potential negative impacts on the cost of funds and the structure of the Home Loan Banks. The Home Loan Bank System is studying the issue and is in the process of developing alternatives for the consideration of the Finance Board and the SEC.

Atwood Collins III
Chairman of the Board

Alfred A. DelliBovi
President and CEO

2002 Home Loan Bank Membership

New Jersey

1st Bank of Sea Isle City
Sea Isle City
1st Constitution Bank
Cranbury
Affinity Federal Credit Union
Basking Ridge
Allaire Community Bank
Sea Girt
Amboy National Bank
Old Bridge
American Savings Bank of NJ
Bloomfield
Atlantic Stewardship Bank
Midland Park
Audubon Savings Bank
Audubon
Bayonne Community Bank
Bayonne
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
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
FAA Eastern Region FCU
Clark
Farmers and Mechanics Bank
Burlington
First Atlantic Federal Credit Union
West Long Branch
First Bank of Central Jersey
North Brunswick
First Hope Bank
Hope
First Investors Federal Savings Bank
Woodbridge
First Morris Bank
Morristown
First Savings Bank
Woodbridge
First Washington State Bank
Windsor
Fort Lee Federal Savings Bank, FSB
Fort Lee
Franklin Savings Bank, SLA
Pilesgrove
Gibraltar Savings Bank, FSB
Newark
Glen Rock Savings Bank
Hawthorne
Gloucester County Federal Savings Bank
Sewell
Greater Community 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
Manasquan
Mariner's Bank
Edgewater
Merrill Lynch Trust Company, FSB
Princeton
MetLife Bank, N.A.
Monmouth Junction
Metuchen Savings Bank
Metuchen
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
Panasia Bank, National Association
Fort Lee
Paragon Federal Credit Union
Township of Washington
Parke Bank
Sewell
Peapack-Gladstone Bank
Gladstone
Penn Federal Savings Bank
West Orange
Peoples Savings Bank
Bordentown
Pinnacle Federal Credit Union
Edison

* *Housing Associate*

2002 Home Loan Bank Membership

Pulaski Savings Bank
Springfield
Red Oak Bank
Morristown
Roebling Bank
Roebling
Roma Federal Savings Bank
Hamilton Township
Roselle Savings Bank
Roselle
Schuyler Savings Bank
Kearny
Select Bank
Egg Harbor City
Shrewsbury State Bank
Shrewsbury
Skylands Community Bank
Hackettstown
Somerset Hills Bank
Bernardsville
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 Federal Savings and Loan Assn.
Summit
Sun National Bank
Vineland
Sussex Bank
Franklin
Synergy Federal Savings Bank
Cranford
The Bank
Woodbury
The Community Bank of New Jersey
Freehold
The First National Bank of Elmer
Elmer
The Freehold Savings and Loan Assn.
Freehold
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
Two River Community Bank
Middletown
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
Woodstown National Bank
Woodstown
Yardville National Bank
Yardville

New York

Abacus Federal Savings Bank
New York
Adirondack Bank, National Association
Utica
Alliance Bank, N.A.
Syracuse
Alpine Capital Bank
New York
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
Cobleskill
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
Lockport
Champlain National Bank
Willsboro
Charter One Commercial
Albany
Chemung Canal Trust Company
Elmira
Chinatown Federal Savings Bank
New York
City and Suburban Federal Savings Bank
Yonkers
City National Bank and Trust Company
Gloversville
Community Bank, N.A.
DeWitt
Community Capital Bank
Brooklyn
Community Federal Savings Bank
Woodhaven
Community Mutual Savings Bank
White Plains
CFCU Community Credit Union
Ithaca
Cortland Savings Bank
Lockport
Country Bank
New York
Cross County Federal Savings Bank
Middle Village
Doral Bank, FSB
New York

** Housing Associate*

2002 Home Loan Bank Membership

Dormitory Authority of the
State of NY*
Albany
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
Evans National Bank
Angola
Evergreen Bank, NA
Glens Falls
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
White Plains
Fulton Savings Bank
Fulton
Geddes Federal Savings and
Loan Assn.
Syracuse
Glens Falls NB & Trust Company
Glens Falls
Gouverneur Savings and
Loan Association
Gouverneur
Great Eastern Bank
New York
Greater Buffalo Savings Bank
Buffalo
GreenPoint 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
New York
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
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
NorthEastern Engineers FCU
Richmond Hill
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
Provident Bank
Montebello
Putnam County Savings Bank
Brewster
Rhinebeck Savings Bank
Poughkeepsie
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
SBU Bank
Utica
Seneca Federal Savings and
Loan Assn.
Baldwinsville
SI Bank & Trust
Staten Island
Signature Bank
New York
Sleepy Hollow National Bank
Sleepy Hollow
Solvay Bank
Solvay
Sound Federal Savings and
Loan Assn.
Mamaroneck

* *Housing Associate*

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 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 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 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
Rochester
The Warwick Savings Bank
Warwick
The Yonkers Savings &
Loan Association, 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
Montgomery
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.
San Juan
Banco Popular de Puerto Rico
Hato Rey
Banco Santander Puerto Rico
San Juan
Doral Bank
San Juan
Eurobank
San Juan
FirstBank Puerto Rico
San Juan
Oriental Bank and Trust
San Juan
R-G Premier Bank of Puerto Rico
Hato Rey
The Bank & Trust of Puerto Rico
San Juan
WesternBank Puerto Rico
Mayaguez

U.S. Virgin Islands

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

** Housing Associate*

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

This discussion and analysis of financial condition and results of operations should be read together with the financial statements and notes beginning on page 36 of this Annual Report.

Forward-Looking Information

Statements contained in this report, including statements describing the objectives, projections, estimates, or future predictions of the Federal Home Loan Bank of New York ("FHLBNY") may be "forward-looking statements." These statements may use forward-looking terminology, such as "anticipates," "believes," "could," "estimates," "may," "should," "will," or their negatives or other variations on these terms. The FHLBNY 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; demand for FHLBNY advances resulting from, among other things, changes in FHLBNY members' deposit flows and credit demands; variability of market prices, rates, and indices that could affect the value of collateral held by the FHLBNY as security for the obligations of FHLBNY members and counterparties to interest rate exchange agreements and similar agreements; political events, including legislative, regulatory, judicial, or other developments that affect the FHLBNY, its members, counterparties, and/or investors in the consolidated obligations of the FHLBanks; competitive forces, including without limitation other sources of funding available to FHLBNY members, other entities borrowing funds in the capital markets, and the FHLBNY's ability to attract and retain a staff of skilled individuals; ability to develop and support technology and information systems, including the Internet, sufficient to manage the risks of the FHLBNY's business effectively; changes in investor demand for consolidated obligations and/or the terms of interest rate exchange agreements and similar agreements; the timing and volume of market activity; the FHLBNY's ability to introduce new products and services, and to successfully manage the risks associated with those products and services, including new types of collateral securing advances; risk of loss arising from litigation filed against the FHLBNY or one or more of the other Federal Home Loan Banks ("FHLBanks"); and the rate of inflation.

Business Overview

Historical Perspective. The fundamental business of the FHLBNY is to provide member institutions and housing associates with advances and other credit products in a wide range of maturities to meet member demand. The FHLBNY is one of 12 regional FHLBanks created by Congress in 1932 to improve the availability of funds to support home ownership. Although initially capitalized with government funds, members have provided all the capital of the FHLBNY and the other FHLBanks for almost 50 years.

To accomplish its public purpose, the FHLBNY offers a readily available, low-cost source of funds, called advances, to member institutions and certain housing associates. Congress originally granted access to advances only to those institutions with the potential to make and hold long-term, amortizing home mortgage loans. Such institutions were primarily Federally and State-chartered savings and loan associations, cooperative banks, and State-chartered savings banks (thrift institutions).

The FHLBNY and its member institutions, along with the other FHLBanks and their members, have become an integral part of the home mortgage financing system in the United States. However, a variety of factors, including a severe recession, record-high interest rates, and deregulation, resulted in significant losses for thrift institutions in the 1980s. In reaction to the very significant cost to the American taxpayer of resolving failed thrift institutions, Congress restructured the home mortgage financing system in 1989. While Congress reaffirmed the housing finance mission of the FHLBanks, it expanded membership eligibility in the FHLBanks beyond traditional thrift institutions to include commercial banks and credit unions with a commitment to housing finance.

Financial Performance. As a cooperative, the FHLBNY seeks to maintain a balance between its public policy mission and its obligation to provide adequate returns on the capital supplied by its members. The FHLBNY achieves this balance by delivering low-cost financing to members to help them meet the credit needs of their communities while paying a dividend rate that reflects the interest rate environment and that fairly compensates the member for the use of its capital. Reflecting the FHLBNY's cooperative nature, the FHLBNY's financial strategies are designed to enable the FHLBNY to expand and contract in response to member credit needs. The FHLBNY maintains substantial investments in high quality, short- and intermediate-term financial instruments. This strategy reduces the risk of loss if investments have to be liquidated to redeem excess capital stock as a result of a decline in advances.

2002 Highlights

Financial Highlights. Net income decreased by 17.8 percent to $234.1 million in 2002 from $284.9 million in 2001. Net interest income after mortgage loan loss provision decreased 16.1 percent to $342.3 million in 2002 because of lower interest rates and their impact on invested capital. Average assets of $84.4 billion during 2002 were 8.5 percent higher than during 2001. In addition to the lower level of net interest income, losses on derivatives and hedging activities and a decrease in fee income reduced net income. Decreases in AHP and Resolution Funding Corp. ("REFCORP") assessments, an increase in prepayment fees on advances net of costs of retiring associated debt and/or derivatives, and insurance receipts related to the loss of the FHLBNY's headquarters building on September 11, 2001, partially offset the declines in income noted above. The FHLBNY's operating expenses, which were $39.0 million in 2002, increased 12.6 percent from 2001 operating expenses of $34.7 million.

The FHLBanks adopted 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* (referred to collectively as "SFAS 133") on January 1, 2001. SFAS 133 resulted in net realized and unrealized losses in derivatives and hedging activities of $2.2 million in 2002 and in net realized and unrealized gains of $3.4 million in 2001. The cumulative effect of the change in accounting principle upon adoption of SFAS 133 in 2001 was a gain of $3.2 million.

Net income for the year ended December 31, 2002, includes an expense of $58.5 million relating to the FHLBNY's REFCORP payments. REFCORP payments were charged directly to retained earnings for the years through December 31, 2000. Title VI of the Gramm-Leach-Bliley Act ("GLB Act") made membership in the FHLBanks voluntary, and effective January 1, 2001, changed the REFCORP payment from a fixed $300 million annual amount to 20 percent of net income. As a result of these statutory changes, the REFCORP payment is similar to a tax and is now presented as an expense on the Statement of Income. Because of the change in accounting presentation, neither the return on average equity nor the return on average assets for 2000 is presented on a comparable basis to 2002 and 2001.

The average earning asset yield in 2002 was 3.06 percent, down 198 basis points from the average in 2001, while the average cost of interest bearing liabilities was 2.78 percent, down 196 basis points from 2001. The decline in asset yields and liability costs reflects the repricing and acquisition of financial instruments in the low interest rate environment of 2002. The spread between the yield on earning assets and the cost of interest bearing liabilities in 2002 was 28 basis points, 2 basis points lower than in 2001. The return on average assets was 28 basis points in 2002, 9 basis points lower than in 2001. This decline is due primarily to lower income and higher average assets for 2002. The return on average equity was 5.89 percent in 2002, which is 160 basis points lower than in 2001. The decrease in net income and increase in average equity account for this decrease. The average of dividend rates paid in calendar year 2002 was 4.51 percent, compared with 6.29 percent in 2001.

In 2002, advances increased by 13.1 percent to $68.9 billion, total assets increased by 15.2 percent to $93.6 billion, consolidated obligations outstanding increased by 15.0 percent to $83.5 billion, and total capital increased by 9.9 percent to $4.3 billion.

Investments increased more rapidly than advances in 2002. Advances as a percentage of total assets decreased to 73.6 percent at December 31, 2002, from 75.0 percent at December 31, 2001. Investments, including Federal funds sold and interest bearing deposits in banks, increased as a percentage of total assets, rising to 25.2 percent at December 31, 2002 from 23.6 percent at December 31, 2001. Mortgage loans and participations were nearly unchanged at 0.5 percent of total assets at December 31, 2002 and at December 31, 2001.

The growth in advances at the FHLBNY reflects demand by members for both short-term liquidity and term funding. A significant part of advances growth over the past several years has been attributable to term convertible advances, which entail one or more put options sold by the member to the FHLBNY. These options allow the FHLBNY to convert the advance from the existing fixed rate to a new advance of the member's choice, priced at the then-existing rate. A convertible advance carries an interest rate considerably lower than a comparable-maturity advance that does not have the conversion feature. Convertible advances outstanding were $28.8 billion and $26.2 billion at December 31, 2002 and December 31, 2001, respectively.

Investments including Federal funds sold and interest bearing deposits in banks, but excluding mortgage-backed securities and residential asset-backed securities ("MBS"), increased by 44.4 percent to $11.8 billion. The increase in investments reflects primarily the increase in the FHLBNY's leverage to 21.8 times capital at December 31, 2002 from 20.8 times capital at December 31, 2001. MBS increased by 6.9 percent to $11.7 billion. Finance Board policy limits each FHLBank's investments in MBS to three times its capital, and aggregate MBS investments were 2.73 times the FHLBNY's capital at December 31, 2002, compared with 2.80 times capital one year earlier.

Mortgage loans held for portfolio increased by 2.3 percent to $435.1 million at December 31, 2002 from $425.2 million at December 31, 2001. The growth reflects a net increase in loans held under the Mortgage Partnership Finance® ("MPF®") program, net of a decline in loans held under the Community Mortgage Asset ("CMA") program.

Consolidated obligations, which are the joint and several obligations of the FHLBanks, are the FHLBanks' principal funding source. Consolidated obligations outstanding were $83.5 billion at December 31, 2002, an increase of $10.9 billion from one year earlier.

The 9.9 percent increase in capital to $4.3 billion is attributable to a number of factors. Under the Federal Home Loan Bank Act ("FHLBank Act"), borrowing members must hold capital stock equal to the greater of one percent of mortgage assets, or five percent of their advances outstanding. More than 100 borrowers increased their advances and also purchased additional capital stock in 2002; more than 30 members whose advances did not increase during 2002 increased their capital stock as a result of balance sheet growth or were new members in 2002. The FHLBNY also increased its accumulated retained earnings by 38.1 percent, to $244.4 million at December 31, 2002 from $177.0 million at December 31, 2001. The Board of Directors had determined in 1998 that retained earnings should be increased in order to provide a base of permanent capital in anticipation of a new capital structure. The Board of Directors determined in September 2002 that the level of retained earnings was sufficient and that the dividend payout rate should generally be at 100 percent of net income. The FHLBNY's capital to asset ratio was 4.59 percent at December 31, 2002, compared with 4.81 percent at December 31, 2001.

The FHLBNY operates deposit programs for the benefit of members and non-member depositors eligible under the FHLBank Act. Member deposits at December 31, 2002 decreased to $2.7 billion, down 4.2 percent from December 31, 2001. Deposits are primarily short term in nature, with the majority of deposits maintained in overnight or demand accounts that reprice daily based upon rates prevailing in the overnight Federal funds market. Member demand, primarily driven by liquidity preferences, is the primary determinant of the level of deposits. Members' liquidity preferences may be influenced by factors that include turnover in their investment and loan portfolios, changes in the demand for credit and/or deposit vehicles from the members' customers, and the level of interest rates.

Legislation and Regulatory Developments

Capital Plan. On January 30, 2001, the Federal Housing Finance Board ("Finance Board") published a final rule implementing a new capital structure for the FHLBanks, as required by the GLB Act. The rule establishes risk-based and leverage capital requirements for the FHLBanks, addresses different classes of stock that a FHLBank may issue, and specifies the rights and preferences that may be associated with each class of stock. The rule required each FHLBank to submit a capital plan to the Finance Board for approval by October 29, 2001. On July 18, 2002, the Finance Board approved the capital structure plan of the FHLBNY. The FHLBNY has selected October 1, 2003 as the implementation date for the new capital structure. The FHLBNY's existing capital structure remains in place and the existing Finance Board capital rules will remain in effect until the capital plan is implemented.

Multiple Membership Petitions. On October 3, 2001, the Finance Board published in the Federal Register a solicitation of comments on the implications for the FHLBanks that are raised by structural changes occurring in their memberships. The solicitation was prompted by the submission of several petitions requesting that the Finance Board permit a single depository institution to become a member of two or more FHLBanks concurrently. On January 22, 2002, the Finance Board announced that it intends to defer action on multi-district membership petitions until it decides on a course of action to address broader membership issues. In December of 2002, the Finance Board announced that an independent legal analysis had concluded that the Finance Board had the authority to regulate the terms of membership in the FHLBanks as part of its safety and soundness and housing finance mission mandates and that the Finance Board would consider a proposed regulation during 2003. The Finance Board has requested additional comments from the FHLBanks. Each FHLBank has responded to the Finance Board's solicitation, with a number of FHLBanks expressing support for changes in membership terms and other FHLBanks expressing reservations about such changes.

Discussions of Expanded Financial Disclosures. The staff of the Finance Board has initiated discussions with the staff of the Division of Corporation Finance of the Securities and Exchange Commission ("SEC") and the Department of Treasury about the possible voluntary registration of the equity stock of each of the FHLBanks under the Securities Exchange Act of 1934 ("1934 Act"). The Office of Finance prepares the combined quarterly and annual financial reports of the FHLBanks, which under current Finance Board regulations generally must be consistent with SEC Regulations S-K and S-X, subject to certain exceptions contained in the Finance Board regulations. The FHLBanks fully support expanded financial disclosure and have taken steps to begin discussions with the SEC. The business structure of the FHLBanks as mandated by the FHLB Act (the FHLBanks, as part of a cooperative system, are not publicly traded corporations, and the member financial institutions hold all FHLBank stock) raises particular issues for the FHLBanks. The question of voluntary registration of the equity stock of the FHLBanks has not yet been decided.

Financial Trends

Financial Market Conditions. The financial markets in 2002 exhibited volatility against a backdrop of slow economic growth and a declining equities market despite the fact that the Federal Reserve Board's Federal Open Market Committee had reduced the Federal funds rate by a total of 475 basis points in 11 separate actions beginning in 2001. Other interest rates continued to decline irregularly throughout 2002, and the Federal funds rate was reduced once again, by 50 basis points on November 6, 2002.

The continued low level of interest rates during 2002 has had an impact on the FHLBNY's profitability, due primarily to the short-term structure or short-term repricing characteristics of its earning assets. The majority of investments and advances have maturities or repricing frequency of less than one year. Lower interest rates on earning assets directly reduce the return on invested capital. The decline in short-term interest rates is illustrated by the change in the overnight Federal funds effective rate, which averaged 3.90 percent during 2001 and averaged 1.67 percent in 2002, a decline of 223 basis points. The yield on average earning assets of the FHLBNY was 5.04 percent in 2001 and declined 198 basis points, to 3.06 percent, in 2002.

Lower interest rates also spurred mortgage refinancing in 2002, which resulted in higher prepayments on mortgage-related instruments, including MBS and the mortgage assets acquired from members under the MPF® and CMA programs. The yields on the mortgage-related assets acquired in 2002 to replace prepaid assets reflect the overall level of interest rates in 2002 and are generally lower than the yields on the assets that were prepaid.

The FHLBNY members' deposit flows may impact their demand for FHLBank advances. For the year ended December 31, 2002, the Federal Deposit Insurance Corporation ("FDIC") reported that total assets of all FDIC-insured institutions in New York and New Jersey increased 8.5 percent in 2002, while deposits grew by 5.4 percent and total loans increased only 1.6 percent over 2001. The growth in deposits in recent years has not kept pace with growth in total assets of insured depositories. This differential in growth rates has been seen as a factor contributing to the growth in advances. Periods of relatively strong growth in deposits could be associated with consequently weaker growth in FHLBank advances.

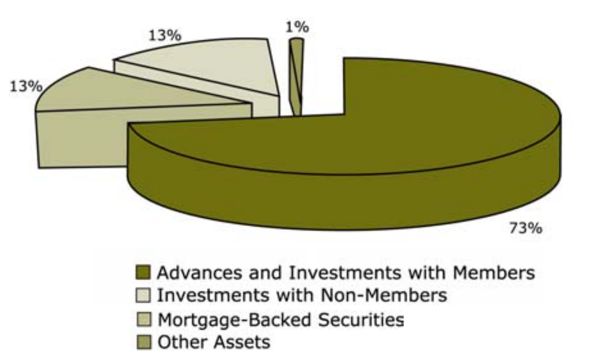
Statement of Condition. SFAS 133 requires that, beginning in 2001, the assets and liabilities hedged with derivative instruments designated under fair value hedging relationships be adjusted for changes in fair value even as assets and liabilities not hedged with derivative instruments continue to be carried on an historical cost basis. In discussing changes in the Statement of Condition for 2002 compared to 2001, the SFAS 133 fair value adjustment information for advances and consolidated obligations has been included. The SFAS 133 fair value adjustment information for advances and consolidated obligations is set forth in the table to the right.

SFAS 133 Fair Value Adjustments
(dollar amounts in millions)

	At December 31	
	2002	**2001**
Advances at book value	$ 66,022	$ 59,669
Fair value adjustments	2,904	1,293
Advances at carrying value...	$ 68,926	$ 60,962
Consolidated obligations at book value..........................	$ 82,875	$ 72,299
Fair value adjustments	637	329
Consolidated obligations at carrying value	$ 83,512	$ 72,628

Advances rose to $68.9 billion at year-end 2002. Advances have been increasing in recent years reflecting the use of advances by members to fund balance sheet growth that exceeds the growth in their deposits. Advances increased by 16.3 percent in 2001 and by 13.1 percent in 2002. Approximately $1.6 billion of the increase in advances in 2002 relates to an increase in the fair value adjustments related to hedging relationships accounted for under SFAS 133. The FHLBNY makes significant use of interest rate exchange agreements to offset interest rate risk and options risk on certain of its advances. (See Notes 2 and 15 to the accompanying financial statements.)

Composition of Assets
December 31, 2002



Advances totaling 70.4 percent of outstandings at December 31, 2002, had a remaining maturity greater than one year, compared with 79.0 percent at December 31, 2001. Advances with a maturity or, in the case of convertible advances, a conversion date beyond one year, totaled 42.1 percent of all advances at December 31, 2002, compared with 50.2 percent at December 31, 2001. Approximately 43.6 percent of the par amount of advances outstanding at December 31, 2002 were convertible advances compared with 44.0 percent at December 31, 2001. Convertible advances contain an option that allows the FHLBNY to convert the advance from its fixed-rate terms to a new advance on new terms based on market conditions at the time of the conversion. (See Note 6 to the accompanying financial statements.)

The FHLBNY invests in securities authorized under the Finance Board's Financial Management Policy ("FMP") and regulations, including mortgage-backed and residential asset-backed securities ("mortgage-related securities"), certificates of deposit, overnight and term Federal funds sold, mortgage revenue securities issued by state and local governments and their housing finance agencies, debt obligations of other Government-Sponsored Enterprises ("GSEs"), and U.S. Government securities as noted below.

In 2002, investments grew by $4.4 billion, or 23.0 percent. Investments declined by $3.2 billion, or 14.3 percent during 2001. The FMP limits the mortgage-backed and residential asset-backed security investments ("MBS") of each FHLBank to 300 percent of that FHLBank's capital. Mortgage-related securities investments of $11.7 billion at December 31, 2002, were 273 percent of total FHLBNY capital, compared with 280 percent of total capital at December 31, 2001.

The FHLBNY utilizes Federal funds and interest bearing deposits in banks to manage balance sheet liquidity to meet member borrowing demands and leverage to meet growth and revenue objectives. Federal funds sold were $2.9 billion (12.5 percent of total investments) at year-end 2002, compared with $1.4 billion (7.5 percent of total investments) at year-end 2001. Interest bearing deposits in banks and certificates of deposit held to maturity were $7.6 billion (32.5 percent of total investments) at year-end 2002, compared with $5.9 billion (30.9 percent of total investments) at year-end 2001.

The Finance Board's FMP and regulations permit investment in housing-related obligations of state and local governments and their housing finance agencies that carry ratings of AA or higher. Investments in mortgage-revenue bonds increased by $411.3 million, or 66.6 percent in 2002, and totaled $1.03 billion at December 31, 2002, compared with $617.4 million at December 31, 2001.

The FHLBNY also maintains investments in debt issued by the U.S. Government and by other GSEs. U.S. Government and GSE obligations were $224.1 million at December 31, 2002, and $224.9 million at December 31, 2001. (See Note 5 to the accompanying financial statements.)

Mortgage loans held in portfolio increased to $435.1 million at December 31, 2002, from $425.2 million at December 31, 2001. The increase in mortgage loans relates to the increased participation by FHLBNY members in the MPF® program, net of amortization of principal balances in the suspended CMA program. New loan production in the MPF® program outpaced the rapid prepayments that were induced by lower interest rates.

At December 31, 2002 the allowance for credit losses on mortgage loans was $428 thousand, an increase of $235 thousand from $193 thousand at December 31, 2001. At December 31, 2002, $7.4 million or 9.0 percent of government-guaranteed loans that the FHLBNY held were past due 90 days or more, and $129 thousand or 0.05 percent of conventional loans were classified as non-accrual. At December 31, 2001, $10.0 million or 6.5 percent of government-guaranteed loans that the FHLBNY held were past due 90 days or more, and $49 thousand or 0.04 percent of conventional loans were classified as non-accrual. The FHLBNY places all conventional mortgage loans that are 90 days or more past due on non-accrual status. Conventional loans in foreclosure were $45 thousand and $41 thousand at December 31, 2002 and 2001. There was no real estate owned at December 31, 2002 or 2001. There were no realized gains or losses related to mortgage loans in 2002 or 2001.

The principal funding source for FHLBNY operations is consolidated obligations, which consist of consolidated bonds and consolidated discount notes. Member deposits, capital, and to a lesser extent borrowings from other FHLBanks are also funding sources. Generally, discount notes are consolidated obligations with maturities up to 360 days, and consolidated bonds have maturities of one year or longer. Discount notes are a significant funding source for advances with short-term maturities or short repricing intervals, for convertible advances, and for money-market investments. The FHLBNY makes significant use of interest rate exchange agreements to restructure interest rates on consolidated obligations to better match its funding needs and to reduce funding costs. Consolidated obligations outstanding increased 15.0 percent between year-end 2001 and year-end 2002, rising to $83.5 billion at year-end 2002. Approximately $0.3 billion of the increase in consolidated obligations in 2002 results from fair value adjustments related to hedging relationships accounted for under SFAS 133.

Consolidated discount notes outstanding decreased 3.4 percent over the same period, reaching $22.0 billion at year-end 2002, and consolidated bonds outstanding increased by 23.4 percent to end 2002 at $61.5 billion. (See Notes 10, 11, and 12 to the accompanying financial statements.)

The FHLBNY's total capital increased by $386 million or 9.9 percent between 2001 and 2002 due to increases in advances, increases in members' mortgage-related assets, and the accumulation of retained earnings. Over the same period, total assets grew faster than total capital, causing the FHLBNY's capital-to-asset ratio to decrease to 4.59 percent at year-end 2002 from 4.81 percent at year-end 2001. Effective July 1, 2000, Finance Board rules generally limit each FHLBank's assets to no more than 21 times capital; however, a FHLBank whose average non-mortgage assets after deducting deposits and capital do not exceed 11 percent of its average total assets may hold assets in an amount up to 25 times its capital. Under the Finance Board rule, the FHLBNY's non-mortgage assets averaged 3.8 percent of total assets in December 2002; therefore, the asset-based leverage limit was 25 to 1. At year-end 2002, the FHLBNY's asset-based leverage was 21.8 to 1, compared with 20.8 to 1 at year-end 2001. (See Note 13 to the accompanying financial statements.)

Debt Financing Activity. Increases in consolidated obligations of $10.9 billion or 15.0 percent in 2002, net of a decline in deposits and borrowings of $0.1 billion or 4.2 percent, financed most of the increase in FHLBNY assets. In 2001, increases in consolidated obligations of $3.0 billion or 4.4 percent and in deposits and borrowings of $0.7 billion or 32.4 percent financed most of the increase in FHLBNY assets. Bonds composed 73.6 percent and 68.6 percent of consolidated obligations at year-end 2002 and 2001, respectively, with the remainder in discount notes. Through December 31, 2000, the Finance Board through the Office of Finance issued consolidated obligations on behalf of the FHLBanks. The Finance Board adopted final rules on June 2, 2000, to govern the issuance of debt directly by the FHLBanks. Since January 2, 2001, the FHLBanks have issued debt jointly through the Office of Finance as their agent. (See Notes 10 and 12 to the accompanying financial statements.)

Composition of Bonds Outstanding
(par amounts in billions)

	At December 31	
	2002	**2001**
Fixed-rate, Non-callable	$ 35.2	$ 34.9
Fixed-rate, Callable	19.1	9.4
Single-index Floating-rate	6.5	5.1
Zero-coupon, Callable	0.0	0.2
Total	$ 60.8	$ 49.6

The issuance of a bond and the execution of an associated interest rate exchange agreement, which effectively converts the consolidated bond into a simple fixed- or floating-rate bond, usually result in a funding vehicle with a lower cost than the FHLBanks could otherwise achieve. The continued attractiveness of such debt depends on price relationships in both the bond and interest rate exchange agreement markets. If conditions in these markets change, then the FHLBNY may alter the types or terms of the bonds issued. (See Notes 12 and 15 to the accompanying financial statements.)

The FHLBNY uses callable debt extensively, with $19.1 billion par amount outstanding or 31.5 percent of the total par amount of bonds. Callable debt is used in the FHLBNY's funding program together with associated interest rate exchange agreements to produce funding for short-term assets and in the FHLBNY's asset and liability management to offset prepayment options in mortgage-related assets. The amount of bonds that will be called in 2003 will depend on the level and volatility of interest rates and on other factors.

Discount notes are a significant funding source for FHLBNY's short-term advances, longer-term advances, and investments with short-term repricing intervals, convertible advances, and money market investments. Discount notes comprised 26.4 percent of outstanding consolidated obligations at year-end 2002 and 31.4 percent of outstanding consolidated obligations at year-end 2001. The relative decline in discount note usage reflects the relatively lower cost available in other forms of debt, especially issuance of callable debt with interest rate exchange agreements as described above.

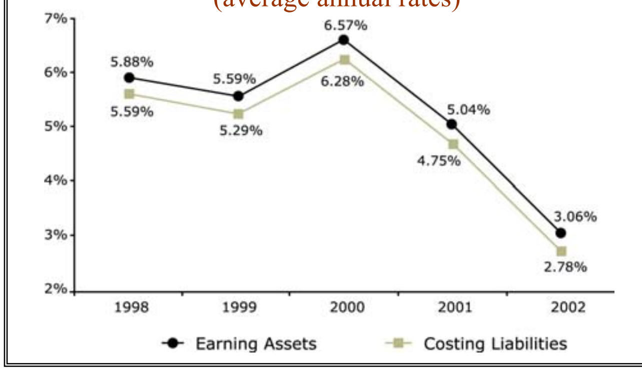
Results of Operations

Net Income. The FHLBNY's net income for 2002 was $234.1 million, $50.8 million or 17.8 percent below 2001 net income. The FHLBanks' net income for 2001 was 3.0 percent above 2000 net income. Reported net income in 2002, 2001, and 2000 are not comparable to net income in years before 2000. In the first quarter of 2000, the FHLBanks' required REFCORP payments were changed from a fixed, annual distribution of earnings charged to retained earnings to a levy of 20 percent of each FHLBank's net earnings. These are reflected on the statement of income for years after 1999. The FHLBNY's REFCORP payments for 2002, 2001, and 2000 were $58.5 million, $71.2 million, and $69.1 million, respectively.

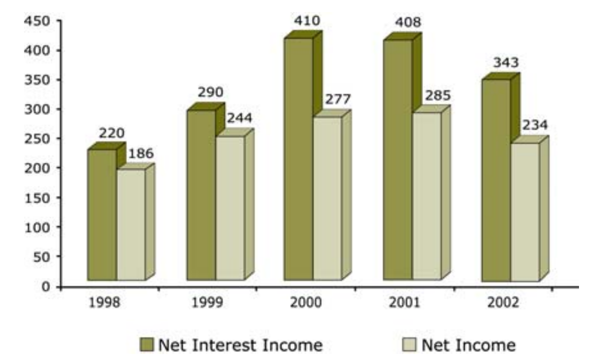
The decrease in net income for 2002 compared with 2001 is primarily attributable to lower yields on earning assets and a decline in the net spread between the yield on earning assets and the cost of interest bearing liabilities, partially offset by growth in earning assets and capital.

The increase in net income for 2001 compared with 2000 is primarily attributable to an increase in prepayment fees and the cumulative effect of a change in accounting principle, partially offset by the effect of a decline in the yield on earning assets.

Interest Bearing Assets and Liabilities
(average annual rates)



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



Net Interest Income. For 2002, the decrease in net interest income before mortgage loan loss provision was $65.5 million, a 16.1 percent decrease from 2001. The decrease is attributable to the lower yields on earning assets that resulted from the pricing and/or repricing of assets during the year in the historically low interest rate environment. A reduction in the net interest margin between the yields on earning assets and the cost of interest bearing liabilities to 0.28 percent in 2002 from 0.30 percent in 2001 also contributed to the decline in net interest income. The effects of lower interest rates and lower net interest margins were partially offset by growth in earning assets and capital.

Net interest income before mortgage loan loss provision for 2001 was $2.0 million or 0.5 percent below 2000. The decrease is attributable to the lower yields on earning assets that resulted from the pricing and/or repricing of assets during the year in the historically low interest rate environment. The effects of lower interest rates were almost entirely offset by growth in earning assets and capital.

The FHLBNY adopted SFAS 133 on January 1, 2001. The FHLBNY recorded net realized and unrealized losses on derivatives and hedging activities of $2.2 million in 2002. In 2001, the FHLBNY recorded net realized and unrealized gains on derivatives and hedging activities of $3.4 million and a $3.2 million increase in net income as the cumulative effect of a change in accounting principle for 2001. Under SFAS 133, all derivatives are recorded at fair value and the FHLBNY is required to recognize unrealized losses or gains on derivative positions regardless of whether offsetting gains or losses on the underlying assets or liabilities being hedged are permitted to be recognized in a symmetrical manner. Therefore,

SFAS 133 Effect on Net Income
(dollar amounts in millions)

	2002	2001
Net realized and unrealized (losses) gains on derivatives and hedging activities	$ (2,196)	$ 3,428
Cumulative effect of change in accounting principle	-	3,249
Net effect, excluding AHP and REFCORP...........	$ (2,196)	$ 6,677

SFAS 133 introduces the potential for timing differences between income recognition from assets or liabilities and the income effects of hedge instruments entered into to mitigate interest rate risk and cash flow variability. Because the FHLBNY manages derivatives positions with primary emphasis on economic cost effectiveness, as opposed to symmetrical accounting results, the adoption of SFAS 133 can lead to more variability in reported earnings due to changes in valuations caused by changes in interest rates.

Earnings Analysis. The following table presents changes in the components of the FHLBNY's earnings for the past three years:

Change in Earnings Components
(dollar amounts in millions)

	2002 vs. 2001	2001 vs. 2000	2000 vs. 1999
Total interest income	$ (1,316.2)	$ (558.1)	$1,663.9
Total interest expense	(1,250.7)	(556.1)	1,543.7
Net interest income before mortgage loan loss provision	(65.5)	(2.0)	120.2
Provision for credit losses on mortgage loans	0.2	-	-
Net interest income after mortgage loan loss provision	(65.7)	(2.0)	120.2
Prepayment fees	29.7	9.3	(3.2)
Net realized & unrealized (losses) gains on derivatives and hedging activities	(5.6)	3.4	(0.1)
Other non-interest income, net	(25.8)	(3.3)	(0.6)
Total non-interest income	(1.7)	9.4	(3.9)
Operating expense	4.3	0.2	4.3
Finance Board and Office of Finance expenses	0.5	0.4	0.5
Other	(6.3)	(1.3)	2.0
Total other expense	(1.5)	(0.7)	6.8
Affordable Housing Program	(5.6)	0.9	7.5
REFCORP	(12.7)	2.1	69.2
Total assessments	(18.3)	3.0	76.7
Cumulative effect of change in accounting principle	(3.2)	3.2	-
Net income	$ (50.8)	$ 8.3	$ 32.8

The $50.8 million change in net income for 2002 versus 2001 is primarily due to the change in net interest income of $65.5 million, offset by the $18.3 million reduction in REFCORP and AHP assessments.

The $8.3 million change in net income from 2000 to 2001 was primarily due to the increase in prepayment fees, the net realized and unrealized gains and losses on derivatives and hedging activities, and the increase in net income resulting from the cumulative effect of the change in accounting principle, offset by an increase in REFCORP and AHP assessments.

The following table presents average balances and yields of major earning asset categories and the sources funding those earning assets. It also presents spreads between yields on total earning assets and the cost of interest bearing liabilities and spreads between yields on total earning assets and the cost of total funding sources (i.e., interest bearing liabilities plus capital plus net other interest free liabilities funding earning assets). The primary source of FHLBNY earnings is net interest income, which is the interest earned on advances, mortgages, investments, and capital less interest paid on consolidated obligations, deposits, and other borrowings. The decrease in spread on total interest bearing liabilities from 2001 to 2002 reflects the reduction in spreads available to the FHLBNY as interest rates trended downward and the effects of compressed spreads because of the less attractive execution in the agency debt markets. The decrease in net interest margin from 2001 to 2002 is largely attributable to the generalized decline in interest rates and the effect of lower interest rates on invested capital.

The increase in spread on total interest bearing liabilities from 2000 to 2001 is largely attributable to the repricing of liabilities somewhat more rapidly than assets in the declining interest rate environment, including the ability to retire and replace callable debt. The decrease in net interest margin from 2001 to 2002 is largely attributable to the generalized decline in interest rates and the effect of lower interest rates on invested capital.

Spread and Yield Analysis
(dollar amounts in millions)

	2002 Average		2001 Average		2000 Average	
	Balance	**Yield**	**Balance**	**Yield**	**Balance**	**Yield**
Earning assets:						
Advances	$62,409	2.62%	$54,298	4.74%	$46,841	6.49%
Investments	20,501	4.32%	21,882	5.75%	20,071	6.77%
Mortgage and other loans and participations, net	467	6.30%	531	7.00%	439	6.68%
Total earning assets	83,377	3.06%	76,711	5.04%	67,351	6.57%
Funded by:						
Consolidated obligations	76,467	2.83%	70,088	4.78%	62,177	6.28%
Interest bearing deposits and other borrowings	2,902	1.48%	2,830	3.80%	1,803	6.16%
Total interest bearing liabilities	79,369	2.78%	72,917	4.75%	63,980	6.28%
Capital and other non-interest bearing funds	4,008		3,794		3,371	
Total funding	$83,377	2.65%	$76,711	4.51%	$67,351	5.96%
Spread on:						
Total interest bearing liabilities		0.28%		0.29%		0.29%
Total funding		0.41%		0.53%		0.61%

A significant portion of net interest income is derived from earnings on assets funded by non-interest bearing capital and other funds. Average total capital for 2002 was $3.97 billion, which was $0.17 billion or 4.4 percent greater than average total capital of $3.80 billion in 2001. Average total capital and non-interest bearing funds also increased from 2000 to 2001, growing 12.5 percent, from $3.37 billion in 2000 to $3.79 billion in 2001. Increased advance levels, growth in members' balance sheets and the accumulation of retained earnings to provide a base of permanent capital other than paid-in stock contributed to the increases in average total capital. The decrease in the spread on total interest bearing liabilities from 2001 to 2002 reflects a compression in spreads between FHLBNY funding costs and earning assets, a large proportion of which are short-term or short-term repricing advances and investments.

Changes in both volume and interest rates influence changes in net interest income and net interest margin. The following table summarizes changes in interest income and interest expense between 2002 and 2001 and between 2001 and 2000. Changes in interest income and interest expense not identifiable as either volume-related or rate-related, but rather equally attributable to both volume and rate changes, have been allocated to the volume and rate categories based upon the proportion of the absolute value of the volume and rate changes.

Rate and Volume Analysis
(dollar amounts in millions)

	2002 vs. 2001 Increase (Decrease) Due to			2001 vs. 2000 Increase (Decrease) Due to		
	Volume	**Rate**	**Total**	**Volume**	**Rate**	**Total**
Interest Income:						
Advances	$ 384.5	$(1,320.6)	$ (936.1)	$ 483.9	$ (949.3)	$ (465.4)
Investments	(79.4)	(293.0)	(372.4)	122.6	(223.2)	(100.6)
Mortgage and other loans and participations, net	(4.4)	(3.3)	(7.8)	6.1	1.7	7.9
Total interest income	300.7	(1,616.9)	(1,316.2)	612.6	(1,170.7)	(558.1)
Interest Expense:						
Consolidated obligations	305.2	(1,491.5)	(1,186.2)	496.9	(1,049.3)	(552.4)
Deposits and other borrowings	2.8	(67.2)	(64.5)	63.3	(66.9)	(3.7)
Total interest expense	308.0	(1,558.7)	(1,250.7)	560.2	(1,116.3)	(556.1)
Changes in net interest income	$ (7.3)	$ (58.2)	$ (65.5)	$ (52.4)	$ (54.5)	$ (2.0)

Other Income. The following table presents other income for each of the last three years:

Other Income
(dollar amounts in millions)

	For the Years Ended December 31		
	2002	**2001**	**2000**
Prepayment fees	$ 39.1	$ 9.5	$ 0.2
Service fees	4.1	3.8	5.7
Net realized and unrealized gains (losses) on derivatives and hedging activities	(2.2)	3.4	-
Other, net	(27.0)	(0.9)	0.4
Total other income	$ 14.0	$ 15.8	$ 6.3

During 2002, total other income was $14.0 million, $1.8 million less than total other income in 2001. The decrease in 2002 is primarily attributable to the net realized and unrealized losses on derivatives and hedging activities of $2.2 million in 2002, versus the net realized and unrealized gains on derivatives and hedging activities of $3.4 million in 2001. In 2002, prepayment fees of $39.1 million were largely offset by $26.1 million in expenses associated with the retirement of debt resulting from advance prepayments. The increase in total other income from 2000 to 2001 is mainly attributable to the $9.3 million increase in prepayment fees in 2001 from 2000, and to the $3.4 million in net realized and unrealized gains on derivatives and hedging activities recorded in 2001.

The FHLBNY charges a prepayment fee when certain advances are prepaid before their contractual maturity dates or their contractual optional prepayment dates. The FHLBNY also charges a fee when advances that are not prepayable are terminated prior to their contractual maturity dates or their contractual optional prepayment dates. Finance Board regulations generally require advances with a maturity or repricing period greater than six months to carry a fee sufficient to make the FHLBNY financially indifferent to the borrower's decision to prepay the advances. Prepayment fees increased $29.7 million from 2001 to 2002 and $9.3 million from 2000 to 2001. These increases are attributable to declining interest rates during 2001 and 2002, which resulted in increases in refinancing activities by borrowers.

Operating Expenses. The following table presents operating expenses for the last three years:

Operating Expenses
(dollar amounts in millions)

	For the Years Ended December 31			Percentage Increase (Decrease)	
	2002	**2001**	**2000**	**2002/2001**	**2001/2000**
Salaries and employee benefits	$ 26.1	$ 24.0	$ 21.4	8.8%	12.1%
Occupancy cost	2.9	2.5	2.5	16.0%	0.0%
Other	10.0	8.2	10.6	22.0%	(22.6%)
Total operating expenses	$ 39.0	$ 34.7	$ 34.5	12.4%	0.6%

Total FHLBNY operating expenses for 2002 were $39.0 million, $4.3 million or 12.4 percent above total operating expenses in 2001. Total FHLBNY operating expenses for 2001 were $34.7 million, $0.2 million or 0.6 percent above total operating expenses in 2000. The increase in salaries and benefits in 2002 and 2001 reflects general pay and benefits increases, higher staffing levels commensurate with the growth and complexity of the balance sheet and volumes of business, and an increase in pension liabilities. Operating expenses as a percent of average earning assets were 4.7 basis points in 2002, and 4.5 basis points in 2001. These expenses include the administrative and operating costs of providing advances, managing the investment portfolios and mortgage programs, and providing correspondent services.

Other. Other expenses were $10.0 million in 2002 compared with $8.2 million in 2001 and with $10.6 million in 2000. The cost associated with the destruction of the facility, net of insurance proceeds received, and the release of deferred rent concessions was $362 thousand in 2001. The FHLBNY collected an additional $6 million in insurance proceeds in 2002 and will file additional claims through September 10, 2003. A restructuring charge of $1 million representing estimated costs associated with staff reductions during 2002 was recorded in 2001.

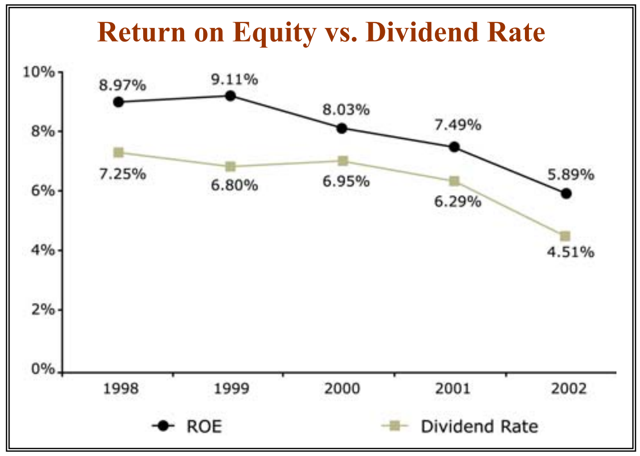
The Board of Directors of the FHLBNY was compensated during 2002 through fees that are subject to a statutory maximum under the Federal Home Loan Bank Act ("FHLBank Act"). During 2002, the Board earned fees of $282 thousand versus $279 thousand in 2001 and $247 thousand in 2000. In addition, the FHLBNY paid $107 thousand for travel and other related expenses incurred in connection with directors' performance of Board duties in 2002, versus $99 thousand in 2001 and $122 thousand in 2000.

Office of Finance and Finance Board Expenses. The FHLBanks fund the costs of the Office of Finance as a joint office that facilitates issuing and servicing the consolidated obligations of the FHLBanks, preparation of the FHLBanks' combined quarterly and annual financial reports, and certain other functions. The Finance Board is the regulator of the FHLBanks and has sole control of its operating expenses. Both the Office of Finance and the Finance Board assess the FHLBanks to cover their operating expenses. The Office of Finance and Finance Board expenses assessed on the FHLBNY totaled $4.4 million in 2002, an increase of 12.8 percent over the $3.9 million expense in 2001. The Office of Finance and Finance Board assessments for 2001 increased by $0.4 million from the 2000 assessments of $3.5 million.

Affordable Housing Program. AHP helps members of the FHLBNY to meet their Community Reinvestment Act responsibilities by providing access to subsidized and other low-cost funding to create affordable rental and home ownership opportunities, including first-time homebuyer programs. Funding is also used for commercial and economic development activities that benefit low- and moderate-income neighborhoods, thus contributing to the revitalization of these neighborhoods. AHP expenses are 10 percent of net income after the required payment to REFCORP. The AHP expense for 2002 was $26.0 million, 18.0 percent less than the 2001 AHP expense of $31.7 million. The AHP expense for 2001 was 3.3 percent higher than the 2000 AHP expense of $30.7 million. As a percentage of net income, the changes in AHP expense for 2002, 2001, and 2000 reflect changes in the level of the FHLBNY net income in those years. (See Note 7 to the accompanying financial statements.)

REFCORP Payment. Each FHLBank must pay 20 percent of its net earnings after AHP expense to REFCORP to support the payment of a portion of the interest on bonds issued by REFCORP and must make these payments to REFCORP until the total amount of payments actually made by the FHLBanks is equivalent to a $300 million annual annuity with a final maturity date of April 15, 2030. The Finance Board will shorten or lengthen the period during which the FHLBanks must make payments to REFCORP depending on actual payments relative to the referenced annuity. In addition, the Finance Board, in consultation with the Secretary of the Treasury, will select the appropriate discounting factors used in this calculation. The FHLBanks' cash payments to REFCORP in 2002 of $452.4 million had the effect of reducing the period during which the FHLBanks must make quarterly payments to October 15, 2021, from April 15, 2023. If future payments to REFCORP are less than $75 million in a quarter, some or all of these payments could be reinstated.

The FHLBNY's REFCORP assessment in 2002 was $58.5 million, a decrease of 17.8 percent from $71.2 million in 2001. The REFCORP assessment for 2001 was $2.1 million higher than in 2000. As a percentage of net income, the changes in REFCORP assessments for 2002, 2001, and 2000 reflect changes in the level of FHLBNY net income in those years. (See Note 2 to the accompanying financial statements.)



Dividends and Retained Earnings. The FHLBNY paid $166.7 million in cash dividends during 2002 and $229.0 million during 2001. Cash dividends were $225.7 million in 2000 and included a "transition dividend" that was paid when the FHLBNY changed the timing of its dividend payments to take place in the month following the close of the calendar quarter. From the fourth quarter of 1998 through the third quarter of 2002, dividend rates reflected a decision by the Board of Directors of the FHLBNY to retain a greater portion of the FHLBNY'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 by $67.4 million or 38.1 percent to $244.4 million on December 31, 2002 from $177.0 million on December 31, 2001 and from $121.1 million on December 31, 2000. In the fourth quarter of 2002, the Board of Directors determined that the FHLBNY had accumulated sufficient retained earnings and that dividends would return to virtually 100 percent of quarterly net income. Dividend payments and earnings retention policies are subject to modification by the Board of Directors of the FHLBNY, in its discretion, within the regulatory framework promulgated by the Finance Board.

Capital Adequacy

The Federal Home Loan Bank Act ("FHLBank Act") prescribes minimum member capital stock requirements. At December 31, 2002, 94.3 percent of the FHLBNY's capital was capital stock and 5.7 percent was retained earnings. At December 31, 2002, the FHLBNY had an aggregate capital-to-asset ratio of 4.59 percent. This compares with a capital-to-asset ratio of 4.81 percent at December 31, 2001. The decline in the capital-to-asset ratio primarily reflected the FHLBNY's decision to redeem all capital stock held in excess of minimum requirements in February, April, August, and October 2002 and to maintain slightly higher leverage in order to accommodate continuing demand for advances from members, while increasing returns on capital.

The Federal Home Loan System Modernization Act of 1999 ("Modernization Act"), enacted in November 1999, made significant changes to the FHLBank Act. In particular, the Modernization Act provided for the establishment of new leverage and risk-based capital requirements for the FHLBanks. The Finance Board published in the Federal Register on January 30, 2001 a final version of the capital regulation intended to implement these requirements.

Each FHLBank was required to submit its own capital plan to the Finance Board for review by October 29, 2001, and the FHLBNY met this requirement. The capital plan was required to show how the FHLBNY intends to meet the new capital standards within three years after the Finance Board approves the plans. The Finance Board approved the FHLBNY's capital plan in July 2002. Prior to the capital plan's taking effect, the FHLBNY must amend its Risk Management Policy to describe the steps that it will take to comply with its capital plan and to include specific target ratios of total capital and permanent capital to total assets. In the summer of 2003, the FHLBNY plans to amend its Risk Management Policy to incorporate these target ratios. The FHLBNY has scheduled the implementation of its capital plan for October 1, 2003. (See Note 13 to the accompanying financial statements.)

Risk Management

Liquidity. The FHLBNY maintains its liquidity position in accordance with the Finance Board's regulations, as well as with policies established by the FHLBNY's Board of Directors. The FHLBNY 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 FHLBNY to provide standby liquidity, the FHLBNY 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 FHLBNY monitors and manages its liquidity to appropriate levels based upon actual scheduled and projected needs. The FHLBNY'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. Consolidated obligations enjoy GSE status; however, they are not obligations of the United States and the United States does not guarantee them. Consolidated obligations are rated Aaa/P-1 by Moody's and AAA/A-1+ by Standard and Poor's. The GSE status and rating have historically provided excellent capital market access. 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.

The FHLBNY manages and maintains contingency liquidity capacity designed to enable it to meet its obligations and the liquidity needs of members in the event of operational disruptions at the FHLBNY or at the Office of Finance, or in the event of short-term capital market disruptions.

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

Interest rate risk is the risk that relative and absolute changes in interest rates may adversely affect an institution's financial condition. The goal of an interest rate risk management strategy is not necessarily to eliminate interest rate risk, but to manage it by setting appropriate limits. The general approach of the FHLBNY toward managing interest rate risk is to acquire and maintain a portfolio of assets and liabilities that, together with their associated interest rate exchange agreements, limit the difference in the interest rate sensitivity (or duration) of assets relative to the interest rate sensitivity (or duration) of liabilities. The smaller the mismatch (or duration gap) between duration of assets and duration of liabilities, the smaller the net interest rate sensitivity of the balance sheet as a whole. The net interest rate sensitivity of the balance sheet as a whole is referred to as the duration of equity.

Under Finance Board regulations, a FHLBank that has not yet converted to its new capital plan must maintain a duration of equity within a range of +5 years to -5 years, assuming current interest rates. A FHLBank must also maintain its duration of equity within a range of +7 to -7 years, assuming an instantaneous parallel increase or decrease in interest rates of 200 basis points. The FHLBNY maintained its duration of equity well within the Finance Board limits throughout 2002. At December 31, 2002, the FHLBNY's duration of equity was 0.84 years. The duration of assets was 0.71 years, the duration of liabilities was 0.70 years, and the duration gap was 0.01 years. Under an assumed increase of 200 basis points in the yield curve, the duration of equity increased to 2.98 years and the duration gap increased to 0.10 years. Under an assumed decrease of 200 basis points in the yield curve (but with no rate below 0.25 percent), the duration of equity was reduced to 0.48 years and the duration gap was reduced to -0.01 years.

The following table shows the durations of assets, liabilities, and equity and the duration gap as of the end of each month during 2002.

2002 Duration Measures
(as of month-end; in years)

	Duration of Assets	Duration of Liabilities	Duration Gap	Duration of Equity
January	0.90	0.80	0.10	2.98
February	0.90	0.80	0.10	2.91
March	0.87	0.73	0.14	3.60
April	0.87	0.79	0.08	2.58
May	0.83	0.75	0.08	2.49
June	0.83	0.75	0.08	2.38
July	0.76	0.74	0.02	1.20
August	0.74	0.73	0.01	0.90
September	0.73	0.75	-0.02	0.35
October	0.70	0.72	-0.02	0.42
November	0.71	0.71	0.00	0.67
December	0.71	0.70	0.01	0.84

Another measure of interest rate risk is the extent to which the FHLBNY's assets and liabilities reprice at different times. The table on the following 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 "6 months or less" time period indicates that as of December 31, 2002, $4.78 billion more in assets than liabilities would reprice to market rates during the six-month period beginning on December 31, 2002.

Interest Rate Sensitivity
As of December 31, 2002
(par/notional amounts in $ millions)

	Interest Rate Sensitivity Period				
	6 Months or Less	More than 6 Months to 1 Year	More than 1 Year to 3 Years	More than 3 Years to 5 Years	More than 5 Years
Interest earning assets:					
Non-MBS Investments	11,303	310	215	78	360
MBS Investments	2,716	1,441	2,768	1,545	3,238
Adjustable-rate loans and advances	12,961	-	-	-	-
Fixed-rate loans and advances	11,776	4,736	10,728	5,028	20,794
Swaps hedging advances	31,800	(1,893)	(5,950)	(3,711)	(20,247)
Net fixed-rate loans and advances	43,576	2,843	4,778	1,317	547
Interbank loans	-	50	-	-	-
Total interest earning assets	**70,556**	**4,644**	**7,761**	**2,940**	**4,145**
Interest bearing liabilities:					
Deposits	2,731	14	-	-	-
Discount notes	21,915	124	-	-	-
Swaps hedging discount notes	-	-	-	-	-
Net discount notes	21,915	124	-	-	-
FHLB bonds	12,976	11,048	24,990	8,726	3,165
Swaps hedging bonds	28,154	(7,585)	(15,342)	(4,183)	(1,044)
Net FHLB bonds	41,130	3,463	9,648	4,543	2,121
Total interest bearing liabilities	**65,776**	**3,601**	**9,648**	**4,543**	**2,121**
Post-hedge gaps:					
Gaps	4,780	1,043	(1,887)	(1,603)	2,024
Cumulative gaps	4,780	5,823	3,936	2,333	4,357

Prepayment of advances can introduce a form of interest rate risk if the proceeds of the prepaid advance are reinvested in lower-yielding assets still funded by higher-cost debt. To protect against this risk, the FHLBNY charges a prepayment fee (or settlement fee in the case of non-prepayable advances) that makes it financially indifferent to a borrower's decision to prepay an advance with an original maturity of one year or more. When the FHLBNY offers advances that a member may prepay without a prepayment fee, the embedded option in the advances is generally offset by the options embedded in callable debt instruments or by hedging with a derivative instrument.

The FHLBNY holds mortgage-related investments, including mortgage-backed securities and mortgage loans. The prepayment options embedded in mortgages can result in extensions or reductions in the expected maturities of these investments, depending on changes in interest rates. In order to limit this source of interest rate risk, Finance Board regulations restrict the types of mortgage-backed securities the FHLBanks may purchase. The FHLBNY hedges against the variability of cash flows on mortgage-related assets by utilizing consolidated obligations that have optional principal reduction, or call, features.

Credit Risk. The FHLBNY incurs credit risk – the risk of loss due to default – in its lending, investing and hedging activities and has instituted processes to manage and mitigate this risk. The FHLBNY closely monitors the credit worthiness of the institutions to which it lends funds. The FHLBNY also places great importance on the quality of both the assets that are pledged as collateral by its customers and the securities that are purchased under agreements to resell. The FHLBNY 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 and documentation standards of its borrowing members. In addition, the FHLBNY has collateral policies and restricted lending procedures in place to manage its exposure to those customers experiencing difficulty in meeting their capital requirements or other standards of creditworthiness. The FHLBNY 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 on advances is currently deemed necessary by management.

The FHLBNY has adopted credit exposure limits for investments that promote diversification and liquidity. These policies restrict the amounts and terms of the FHLBNY's investment holdings according to the FHLBNY's own capital position as well as the capital and creditworthiness of the counterparty.

The FHLBNY's money market investment assets, primarily certificates of deposit and Federal funds, were issued by organizations having short-term ratings of A-1+, A-1, or P-1. The long-term credit ratings of the issuers range from triple-A to single-A. Long-term triple-A issuers accounted for 2.8 percent of the par amount of holdings, double-A issuers accounted for 57.6 percent of the par amount of holdings, and single-A issuers accounted for 39.6 percent of the par amount of holdings.

The FHLBNY has invested in AAA-rated non-agency MBS, including both residential and commercial mortgage-backed securities ("CMBS") as well as housing-related ABS, and in MBS that are issued or guaranteed by the government-sponsored housing enterprises (Fannie Mae, Freddie Mac, and Ginnie Mae). Each of these securities purchased by the FHLBNY was rated AAA at purchase; however, one issue of ABS held by the FHLBNY backed by manufactured housing loans was downgraded to AA during 2002. This issue represented 15.4 percent of the unpaid principal of the FHLBNY's holdings of manufactured housing ABS, which themselves were 15.6 percent of the FHLBNY's principal amount of mortgage-backed and residential asset-backed securities. Subsequent to the end of 2002, a second manufactured housing ABS issue held by the FHLBNY was downgraded to AA, bringing the total principal of AA-rated ABS to 3.9 percent of the total principal of all MBS, CMBS, and residential ABS held in portfolio at March 31, 2003. Based upon analysis of the securities, and in view of the substantial credit support available to the tranches that are held, FHLBNY expects all the issues in the portfolio, including the two downgraded issues, to continue to perform as designed.

The FHLBNY also invests in AA-rated obligations of state and local housing finance agencies, many of which are issued by the FHLBNY's "housing associates," i.e., state and local housing authorities eligible to borrow from the FHLBNY under Section 10b of the FHLBank Act, in order to advance the FHLBNY's housing finance and community development mission.

The FHLBNY analyzes the risk profile of the loans on which participations have been acquired under the now-suspended CMA pilot 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 and requires servicers to submit operating information and property condition reviews. This information, combined with other loan risk characteristics, is reviewed periodically to identify potential problem loans and to initiate appropriate loss mitigation activities.

The FHLBNY also manages its credit risk exposure arising from mortgage loan participations through various forms of credit enhancement. For some loans, the FHLBNY may institute shared risk arrangements that include full or partial recourse to lenders for loan losses. On MPF® loans purchased by the FHLBNY under the standards established for that program by the FHLBank of Chicago, the FHLBNY'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 FHLBNY.

The FHLBNY 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 FHLBNY 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 FHLBNY's potential credit risk from advances is concentrated in commercial banks and savings institutions. As of December 31, 2002, the FHLBNY had advances of $7.9 billion to Washington Mutual Bank, FA, a member of the FHLBank of San Francisco, representing 11.9 percent of the par value of total advances outstanding. These advances were acquired by Washington Mutual Bank, FA, as a result of its acquisition of The Dime Savings Bank of New York, FSB. The FHLBNY also had advances of $17.7 billion outstanding, representing 26.8 percent of total advances, to four member institutions. The interest revenue from advances to these five non-member and member institutions amounted to $696,878,544 during 2002. The FHLBNY held sufficient collateral to secure the advances to these institutions, and the FHLBNY does not expect to incur any credit losses on these advances.

The following table presents information on the five largest borrowers at the FHLBNY at December 31, 2002.

Top Five Advance Holders
As of December 31, 2002

Name	City	State	Advances in Millions	Percent of Total Advances
Washington Mutual Bank, FA	Stockton	CA	$ 7,864	11.9%
GreenPoint Bank	Brooklyn	NY	5,200	7.9%
Astoria Federal Savings and Loan Association*	Long Island City	NY	4,609	7.0%
Manufacturers and Traders Trust Company*	Buffalo	NY	4,175	6.3%
New York Community Bank	Westbury	NY	3,737	5.7%
Total			$ 25,585	38.8%

** An asterisk indicates that an officer of the member was a director of the FHLBNY in 2002.*

Advance amounts are at par value; the total advance amount will not agree to the Statement of Condition due to the difference between the par and book value amounts resulting from fair value adjustments due to hedges under SFAS 133.

Advances of $7,864 million held by Washington Mutual Bank, FA, a member of the FHLBank of San Francisco, were originally made to The Dime Savings Bank of New York, FSB, a former member of the FHLBNY acquired by Washington Mutual Bank, FA.

There were no advances outstanding to seven "housing associates" eligible to borrow under Section 10b of the FHLBank Act.

Derivatives. The FHLBNY 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, adjusting the effective maturity, repricing frequency, or option characteristics of financial instruments to achieve risk-management objectives. The FHLBNY uses interest rate exchange agreements in three ways: either 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 and liability management. For example, FHLBNY 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, or to adjust the interest rate sensitivity of advances to approximate more closely the interest rate sensitivity of liabilities. In addition to using interest rate exchange agreements to manage differences in characteristics between assets and liabilities, the FHLBNY also uses interest rate exchange agreements to offset embedded options in assets and liabilities, to hedge the market value of existing assets, liabilities, and anticipated transactions, and to reduce funding costs. Finance Board regulations prohibit the speculative use of interest rate exchange agreements. The FHLBNY does not speculate in derivatives and does not trade derivatives for short-term profit. The FHLBNY and its counterparties in interest rate exchange agreements have agreed to bilateral collateral arrangements to mitigate the credit risk associated with the transactions. The FHLBNY manages the risk arising from changes in value and from the volatility of market prices of consolidated obligations by matching the interest received on the interest rate exchange agreement with the interest paid on the consolidated obligation. In such a transaction, the FHLBNY pays a variable interest rate, generally indexed to 3-month LIBOR, that corresponds more closely to the interest payments it receives on short-term or variable-rate advances and investments. This intermediation between the capital markets and swap markets permits the FHLBanks 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.

When the FHLBNY makes convertible advances, it purchases one or more put options from the member. These options enable the FHLBNY to convert an advance, i.e., to terminate the advance and, upon request of the member, make replacement advances on new, then-current terms. The FHLBNY typically offsets the put option in a convertible advance by entering into an interest rate exchange agreement cancelable by the counterparty. In such a cancelable agreement, the FHLBNY pays a fixed interest rate related to the interest rate on the convertible advance rate and receives a variable interest rate, generally indexed to LIBOR, and the counterparty has one or more put options that mirror the options in the convertible advance. If the swap counterparty cancels the interest rate exchange agreement on any of its exercise dates, the FHLBNY will exercise its option to convert the advance.

At December 31, 2002, the FHLBNY had $65.0 billion total notional amount of interest rate exchange agreements outstanding compared with $48.7 billion at December 31, 2001. The notional amount serves as a factor in determining periodic interest payments or cash flows received and paid and does not represent actual amounts exchanged or the FHLBNY's exposure to credit and market risk. The amount potentially subject to credit loss is much less. To be measured meaningfully, the risk of derivatives should be viewed on a portfolio basis, taking into account the derivatives, the item being hedged, and any offsets between them. The FHLBNY adopted SFAS 133 on January 1, 2001. SFAS 133 requires that all derivative instruments be recorded on the Statement of Condition at their fair values. At December 31, 2002, the FHLBNY had derivative assets of $142.3 million and derivative liabilities of $2,355.6 million. The $1,319.5 million or 127.4 percent increase in derivative liabilities from December 31, 2001 to December 31, 2002 is the result of valuation changes due to interest rate changes and growth in derivative volumes.

The following table categorizes the estimated fair value of derivative financial instruments excluding accrued interest by hedged instrument and by type of accounting treatment. The category "Fair Value" represents hedges in which hedge accounting is available under SFAS 133. The category "Economic" represents hedge strategies in which hedge accounting is not available.

Derivatives by Category/Accounting
(in thousands)

	As of December 31, 2002		As of December 31, 2001	
	Total Notional Amount	Total Estimated Fair Value (excluding accrued interest)	Total Notional Amount	Total Estimated Fair Value (excluding accrued interest)
Advances - Fair Value Hedges	$ 32,606,103.0	$ (2,897,654.6)	$ 27,802,328.0	$ (1,287,547.1)
Consolidated Obligations - Fair Value Hedges	30,608,842.0	631,374.1	20,625,225.0	319,767.3
Balance Sheet - Economic Hedges	1,664,500.0	(5,412.6)	830,942.0	(1,023.6)
Intermediary Positions – Economic Hedges	162,000.0	38.7	252,000.0	36.1
Total Notional and Fair Value	$ 65,041,445.0	$ (2,271,654.4)	$ 48,730,995.0	$ (968,767.3)
Total Derivatives Excluding Accrued Interest		$ (2,271,654.5)		$ (968,767.3)
Accrued Interest		58,371.8		147,339.5
Net Derivative Balance		$ (2,213,282.7)		$ (821,427.8)
Net Derivative Asset Balance		$ 142,283.9		$ 214,678.0
Net Derivative Liability Balance		(2,355,566.5)		(1,036,105.8)
Net Derivative Balance		$ (2,213,282.6)		$ (821,427.8)

The following tables categorize the 2002 and 2001 earnings impact of hedging activities classified by the category being hedged:

Earnings Impact of Derivatives in 2002
(in thousands)

	Advances	COs	Balance Sheet	Total
Amortization/accretion of hedging activities in net margin	$ -	$ 24,084	$ -	$ 24,084
Net realized and unrealized gains (losses) on derivatives and hedging activities	739	528	(3,463)	(2,196)
Total	$ 739	$ 24,612	$ (3,463)	$ 21,888

Earnings Impact of Derivatives in 2001
(in thousands)

	Advances	COs	Balance Sheet	Total
Amortization/accretion of hedging activities in net margin	$ -	$ 1,785	$ -	$ 1,785
Net realized and unrealized gains (losses) on derivatives and hedging activities	2,459	3,475	(2,506)	3,428
Total	$ 2,459	$ 5,260	$ (2,506)	$ 5,213

Derivative Credit Risk Exposure and Counterparty Ratings. In addition to market risk, the FHLBNY is subject to credit risk because of the risk of potential nonperformance by counterparties to the agreements, as well as operational risks. The degree of counterparty risk on derivatives depends on the extent to which netting procedures are used to mitigate the risk. At December 31, 2002, 15 counterparties represented 100 percent of the total notional amount of outstanding derivative transactions and each had a credit rating of single A or better. The FHLBNY manages counterparty credit risk through credit analysis, collateral management, and other credit enhancements and by following the requirements set forth by Finance Board regulation. The FHLBNY requires collateral agreements on interest rate exchange agreements, and maximum net unsecured credit exposure amounts that may exist before collateral delivery is triggered based upon an analysis of each individual counterparty. For example, a counterparty must deliver collateral to the FHLBNY if the total market value of the FHLBNY's exposure to that counterparty rises above a specific trigger point. As a result of these risk mitigation initiatives, the management of the FHLBNY does not anticipate any credit losses on its interest rate exchange agreements.

The contractual or notional amount of interest rate exchange agreements reflects the involvement of the FHLBNY in the various classes of financial instruments. The notional amount of interest rate exchange agreements does not measure the credit risk exposure of the FHLBNY. The maximum credit exposure of the FHLBNY is much 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, net of the value of related collateral.

At December 31, 2002, the FHLBNY's maximum credit risk, before considering collateral, was approximately $95.8 million. This compares with December 31, 2001 maximum credit risk, before considering collateral, of $116.2 million. In determining maximum credit risk, the FHLBNY considers accrued interest receivable and payable, and the legal right to offset assets and liabilities by counterparty. The FHLBNY's net exposure after collateral was approximately $22.6 million at December 31, 2002, compared with $29.1 million at December 31, 2001.

Derivative Counterparty Credit Exposure
At December 31, 2002
(dollar amounts in millions)

Credit Rating	Number of Counterparties	Notional Amounts	Total Net Exposure at Fair Value	Net Exposure After Collateral
AAA	0	$ -	$ -	$ -
AA	5	20,565	50.5	11.1
A	10	44,395	43.8	11.5
Members	5	81	1.5	-
Total Derivatives	20	$ 65,041	$ 95.8	$ 22.6

Derivative Counterparty Credit Exposure
At December 31, 2001
(dollar amounts in millions)

Credit Rating	Number of Counterparties	Notional Amounts	Total Net Exposure at Fair Value	Net Exposure After Collateral
AAA	0	$ -	$ -	$ -
AA	10	34,856	100.3	23.7
A	5	13,749	15.2	5.4
Members	4	126	0.7	-
Total Derivatives	19	$ 48,731	$ 116.2	$ 29.1

Under the terms of the bilateral collateral arrangements entered into with counterparties, at December 31, 2002 and December 31, 2001 the FHLBNY had pledged as collateral cash and securities with fair values of $1,669.3 million and $423.0 million, respectively, to counterparties with credit risk exposure to the FHLBNY that is related to interest rate exchange agreements.

Operational Risk. Operational risk is the risk of potential loss due to human error, systems malfunctions, man-made or natural disasters, fraud, or circumvention or failure of internal controls. The FHLBNY has established a comprehensive system that includes risk assessments, financial and operating polices and procedures, and appropriate insurance coverage to mitigate the likelihood of, and potential losses from, such occurrences. The FHLBNY's policies and procedures include controls to ensure that system-generated data are reconciled to source documentation on a regular basis. The FHLBNY's Internal Audit Division, which reports directly to the FHLBNY's Audit Committee, regularly monitors the FHLBNY's compliance with established policies and procedures. In addition, the FHLBNY has a disaster recovery plan that is designed to maintain critical business processes and systems in the event of a disaster. Some operational risks are beyond the control of the FHLBNY, and the failure of other parties to address adequately their operational risk could adversely affect the FHLBNY.

Business Risk. Business risk is the risk of an adverse impact on FHLBNY profitability resulting from external factors that may occur in both the short and long term. Business risk includes political, strategic, reputational, and/or regulatory events, some of which may be beyond the control of the FHLBNY. The Board of Directors and management of the FHLBNY seek to mitigate business risk through a formal long-term strategic planning process that includes regular monitoring and assessment of business activity and the external environment and their potential impact on the FHLBNY.

Critical Accounting Policies and Estimates

Accounting for Derivatives. The FHLBNY adopted SFAS 133 on January 1, 2001. SFAS 133 requires that all derivative instruments be recorded on the statement of condition at their fair values. 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 designated as cash flow hedges and 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 instrument 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. Changes in the fair value of a non-SFAS 133 hedge of an asset or liability (an "economic hedge") for asset and liability management will be recorded in current period earnings. SFAS 133 can lead to more variability in the statement of income due to changes in market prices and interest rates. The transition provisions of SFAS 133 also provided that at the date of initial application an entity may transfer any security classified as "held-to-maturity" to either "available-for-sale" or "trading" and to transfer any security classified as "available-for-sale" to "trading". The FHLBNY does not have any securities designated as "available-for-sale" or as "trading".

The adoption of SFAS 133 resulted in the FHLBNY recording an increase in net income of $3.2 million at January 1, 2001, as a cumulative effect of change in accounting principle.

As noted under "Risk Management – Derivatives," under Finance Board regulations, derivative instruments are permitted to be used by the FHLBNY only in order to mitigate identifiable risks. All of the FHLBNY's derivatives are transacted to offset some or all of the risk exposure inherent in its member lending, investment, and funding activities. Under SFAS 133, the FHLBNY is required to recognize unrealized losses or gains on derivative positions regardless of whether offsetting gains or losses on the underlying assets or liabilities being hedged are permitted to be recognized in a symmetrical manner. Therefore, the accounting framework imposed by SFAS 133 introduces the potential for differences in the timing of income and expense recognition from assets or liabilities and the income effects of hedge instruments positioned to mitigate market risk and cash-flow variability. During periods of significant changes in interest rates, the FHLBNY's reported earnings may exhibit greater variability than had been reported in previous years. The FHLBNY has generally continued its practice of utilizing the most cost-efficient hedging techniques available, viewing the resulting accounting consequences to be an important but secondary consideration. The FHLBNY anticipates that this approach could result in increased variability in earnings as reported under the requirements of SFAS 133, but would result in enhanced long-term economic performance.

Fair Values. At December 31, 2002, certain of the FHLBNY's assets and liabilities and all derivatives are presented in the statement of condition at fair value. Under accounting principles generally accepted in the United States ("GAAP"), the fair value of an asset or liability is the amount at which that asset could be bought or sold, or that liability could be incurred or settled in a current transaction between willing parties, other than in liquidation. Fair values play an important role in the valuation of certain of the FHLBNY's assets, liabilities, and hedging transactions. The FHLBNY also estimates the fair value of collateral that members pledge against advance borrowings to confirm that the FHLBNY has sufficient collateral to meet regulatory requirements and to protect it from losses. Fair values are based on market prices when they are available. If market quotes are not available, fair values are based on discounted cash flows using market estimates of interest rates and volatility or on dealer-supplied prices and prices of similar instruments. Pricing models and their underlying assumptions are based on each FHLBNY management's best estimates for discount rates, prepayments, market volatility, and other factors. These assumptions may have a significant effect on the reported fair values of assets and liabilities, including derivatives, and the related income and expense. The use of different assumptions as well as changes in market conditions could result in materially different net income.

Consolidated Obligations. Each FHLBank records a liability for consolidated obligations on its Statement of Condition only for the proceeds it receives from the issuance of those consolidated obligations. In addition, each FHLBank is jointly and severally obligated for the payment of all consolidated obligations of all of the FHLBanks. Consolidated obligations are the joint and several obligations of the FHLBanks and consist of consolidated bonds and discount notes. 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, as determined or approved by the Finance Board. No liability is recorded for the joint and several obligation related to the other FHLBanks' share of the consolidated obligations. Each FHLBank has a credit rating of AAA/A-1+ from Standard & Poor's, and a bank deposits rating of Aaa/P-1 from Moody's, and therefore the possibility that a FHLBank would be unable to repay its participation is considered remote due to the high credit quality of each FHLBank. Although these ratings are subject to change, under current Finance Board regulation, all FHLBanks are required to maintain not less than a double-A rating.

REFCORP Payments. The financial statements do not include a liability for the statutorily mandated payments from the FHLBNY to REFCORP. No liability is recorded because each FHLBank must pay 20 percent of net earnings (after its AHP obligation) to REFCORP to support the payment of part of the interest on the bonds issued by REFCORP. The future payments of FHLBNY are contingent upon future earnings and are not estimable under Statement of Financial Accounting Standard No. 5 (SFAS 5), Accounting for Contingencies. Accordingly, the REFCORP payments are disclosed as a long-term statutory payment requirement and for accounting purposes are treated similarly to taxes.

Provision for Credit Losses – Advances. FHLBNY has never experienced a credit loss on advances since its inception, and FHLBNY management does not anticipate any credit losses on advances. The FHLBNY is required by Finance Board regulation to obtain sufficient collateral on advances to protect against losses and to accept only certain collateral on their advances such as United States government or government agency securities, residential mortgage loans, deposits in the FHLBNY, and other real estate-related assets. At December 31, 2002 and 2001, the FHLBNY had rights to collateral, on a member-by-member basis, with an estimated fair value in excess of outstanding advances. The management of FHLBNY believes that policies and procedures are in place to effectively manage the credit risk.

Provision for Credit Losses – Mortgage Loans: Mortgage Partnership Finance® ("MPF®") and Community Mortgage Asset ("CMA") Programs. The FHLBNY has a provision for credit losses on mortgage loans acquired under the MPF® program. The FHLBNY bases its allowance on management's estimate of probable credit losses inherent in the MPF® mortgage loan portfolio as of the balance sheet date. The estimate is based on the FHLBNY's loan portfolio performance history. The FHLBNY also has a provision for credit losses on mortgage loan participations acquired under the CMA program. The allowance is based on management's estimate of probable credit losses inherent in the CMA portfolio, based upon analysis of the loans underlying the CMA participations. The management of FHLBNY believes that policies and procedures are in place to manage the MPF® and CMA credit risks effectively.

AUDIT COMMITTEE REPORT

February 20, 2003

The Audit Committee of the Board of Directors ("Board") of the Federal Home Loan Bank of New York ("FHLBNY") at year-end 2002 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 2002 were John R. Garbarino, Chair; Kenneth J. Abt; George L. Engelke, Jr.; Michael M. Horn; Dennis A. James; Leopold W. Montanaro; Derek B. Park and Edwin C. Reed.

The 2003 Audit Committee is composed of six Directors, two of whom represent the public interest and four of whom represent industry members. Both the 2002 and 2003 Audit Committee members are independent, as defined by the Federal Housing Finance Board.

The Audit Committee oversees the FHLBNY'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 2002 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 2003 Audit Committee recommends to the Executive Committee of the Board, acting for the Board, that the financial statements be included in the 2002 Annual Report.

2003 FHLBNY AUDIT COMMITTEE MEMBERS

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

Kenneth J. Abt
President & CEO
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

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

Edwin C. Reed
Chief Financial Officer
Greater Allen Cathedral of New York
Jamaica, New York

AUDIT COMMITTEE CHARTER

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 Independence 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, advisor, 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, 2002

ERRATA

1. The first sentence of the last paragraph on page 37 of the Federal Home Loan Bank of New York's 2002 Annual Report incorrectly identifies the Federal Housing Finance Board as the approver of the FHLBNY's independent auditors. The Federal Housing Finance Board no longer approves the FHLBNY's independent auditor selection. The corrected sentence should therefore read as follows:

> **"The FHLBNY's financial statements are audited by PricewaterhouseCoopers LLP, independent accountants approved by the Board of Directors of the FHLBNY."**

2. The last sentence of the last paragraph on page 37 of the Federal Home Loan Bank of New York's 2002 Annual Report suggests that the Audit Committee of the Board of Directors met with representatives of the Office of Supervision of the Federal Housing Finance Board during 2002. **The Audit Committee did not meet with representatives of the Office of Supervision during 2002.**

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 Federal Home Loan Bank of New York's ("FHLBNY") internal control structure is adequate to accomplish the objectives discussed herein.

The FHLBNY'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 FHLBNY'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 FHLBNY'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 FHLBNY'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.

Al DelliBovi

Alfred A. DelliBovi
President
Chief Executive Officer

David C. Altilio

David C. Altilio
Executive Vice President
Chief Financial Officer

REPORT OF INDEPENDENT ACCOUNTANTS

February 17, 2003

To the Board of Directors of
the Federal Home Loan Bank of New York

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 (the "Bank") at December 31, 2002 and 2001, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2002 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 discussed in Note 2, the Bank 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
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Statements of Condition
(in thousands, except par value)

	December 31, 2002	December 31, 2001
Assets		
Cash and due from banks (Note 4)	**$ 65,426**	$ 13,477
Interest bearing deposits in banks	**1,594,020**	235,818
Federal funds sold	**2,932,000**	1,434,000
Held-to-maturity securities includes $75,697 and $187,598 pledged in 2002 and 2001 (Note 5)	**19,021,719**	17,480,009
Advances (Note 6)	**68,926,073**	60,962,103
Mortgage loans net of allowance for credit losses of $428 in 2002 and $193 in 2001 (Note 8)	**435,133**	425,155
Loans to other FHLBanks (Note 9)	**50,000**	50,000
Loans guaranteed by Agency for International Development, net	**847**	1,008
Accrued interest receivable	**377,209**	377,488
Bank premises and equipment, net	**14,646**	7,779
Derivative assets	**142,284**	214,678
Other assets	**46,266.00**	38,943.00
Total assets	**$ 93,605,623**	$ 81,240,458
Liabilities and capital		
Liabilities		
Deposits (Note 10)		
Demand and overnight	**$ 2,479,693**	$ 2,724,512
Term	**254,600**	132,253
Other	**8,384.00**	5,105.00
Total deposits	**2,742,677.00**	2,861,870.00
Consolidated obligations, net (Note 12)		
Bonds	**61,500,768**	49,837,184
Discount notes	**22,011,104.00**	22,790,369.00
Total consolidated obligations	**83,511,872.00**	72,627,553.00
Accrued interest payable	**539,481**	631,538
Affordable Housing Program (Notes 2 and 7)	**109,848**	104,674
Payable to REFCORP (Notes 2 and 7)	**13,846**	20,307
Derivative liabilities	**2,355,567**	1,036,105
Other liabilities	**36,714.00**	48,423.00
Total liabilities	**89,310,005.00**	77,330,470.00
Commitments and contingencies (Notes 7, 12, 13, 15 and 17)		
Capital (Note 13)		
Capital stock ($100 par value) issued and outstanding shares 40,511 in 2002 and 37,329 in 2001	**4,051,182**	3,732,980
Retained earnings	**244,436.00**	177,008.00
Total capital	**4,295,618.00**	3,909,988.00
Total liabilities and capital	**$ 93,605,623**	$ 81,240,458

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

Statements of Income
(in thousands)

	Years ended December 31, 2002	2001	2000
Interest income			
Advances (Note 6)	**$ 1,638,070**	$ 2,574,199	$ 3,039,563
Interest bearing deposits in banks	**11,564**	2,955	45
Federal funds sold	**46,326**	198,193	202,416
Held-to-maturity securities (Note 5)	**827,340**	1,056,436	1,155,730
Mortgage loan participations, including fees (Note 8)	**26,413**	34,129	26,303
Loans to other FHLBanks (Note 9)	**2,995**	2,969	2,905
Other	**17**	89	106
Total interest income	**2,552,725**	3,868,970	4,427,068
Interest expense			
Consolidated obligations (Note 12)	**2,167,227**	3,353,476	3,905,871
Deposits (Note 10)	**42,460**	105,991	104,990
Other borrowings (Note 11)	**103**	732	1,445
Other interest expense	**363.00**	681.00	4,630.00
Total interest expense	**2,210,153**	3,460,880	4,016,936
Net interest income	**342,572**	408,090	410,132
Provision for credit losses on mortgage loans	**235**	102	58
Net interest income after provision for credit losses	**342,337**	407,988	410,074
Other income			
Prepayment fees (Note 2)	**39,130**	9,448	195
Service fees	**4,103**	3,800	5,713
Net realized and unrealized (loss) gain on derivatives and hedging activities	**(2,196)**	3,428	26
Other, net (Note 12)	**(26,994)**	(907)	424
Total other income	**14,043**	15,769	6,358
Other expenses			
Operating	**39,014**	34,663	34,473
Finance Board and Office of Finance (Note 2)	**4,399**	3,922	3,501
Other	**(5,656)**	658	1,987
Total other expenses	**37,757**	39,243	39,961
Income before assessments	**318,623**	384,514	376,471
Affordable Housing Program (Note 7)	**26,010**	31,654	30,732
REFCORP (Note 7)	**58,523**	71,222	69,148
Total assessments	**84,533**	102,876	99,880
Income before cumulative effect of change in accounting principle	**234,090**	281,638	276,591
Cumulative effect of change in accounting principle	**-**	3,249	-
Net income	**$ 234,090**	$ 284,887	$ 276,591

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

Statements of Capital
(in thousands)

	Capital Stock		Retained Earnings			
	Shares	Par Value	Restricted	Unrestricted	Total Retained Earnings	Total Capital
Balance, January 1, 2000	30,226	$ 3,022,671	$ 2,666	$ 67,540	$ 70,206	$ 3,092,877
Proceeds from sale of capital stock	7,552	755,192	-	-	-	755,192
Redemption of capital stock	(1,517)	(151,697)	-	-	-	(151,697)
Net income	-	-	-	276,591	276,591	276,591
Transfers	-	-	(2,666)	2,666	-	-
Cash dividends on capital stock (6.95%)	-	-	-	(225,660)	(225,660)	(225,660)
Balance, December 31, 2000	36,261	3,626,166	-	121,137	121,137	3,747,303
Proceeds from sale of capital stock	8,424	842,431	-	-	-	842,431
Redemption of capital stock	(7,356)	(735,617)	-	-	-	(735,617)
Net income	-	-	-	284,887	284,887	284,887
Cash dividends on capital stock (6.29%)	-	-	-	(229,016)	(229,016)	(229,016)
Balance, December 31, 2001	37,329	3,732,980	-	177,008	177,008	3,909,988
Proceeds from sale of capital stock	9,679	967,926	-	-	-	967,926
Redemption of capital stock	(6,497)	(649,724)	-	-	-	(649,724)
Net income	-	-	-	234,090	234,090	234,090
Cash dividends on capital stock (4.51%)	-	-	-	(166,662)	(166,662)	(166,662)
Balance, December 31, 2002	**$ 40,511**	**$ 4,051,182**	**$ -**	**$ 244,436**	**$ 244,436**	**$ 4,295,618**

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

Statements of Cash Flows
(in thousands)

	For the years ended December 31, 2002	2001	2000
Operating activities			
Net income	**$ 234,090**	$ 284,887	$ 276,591
Cumulative effect of change in accounting principle	**-**	(3,249)	-
Income before cumulative effect of change in accounting principle	**234,090**	281,638	276,591
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, mortgage loans, AHP advances and interest rate exchange agreements	**162,650**	58,167	324,917
Concessions on consolidated obligations	**23,565**	8,275	2,813
Deferred loss (gain) on interest rate exchange agreements, net	**(725)**	-	(26)
Bank premises and equipment	**2,635**	2,066	1,283
Provision for credit losses on mortgage loans	**235**	102	58
Net realized (gains) on Sale of HTM securities	**-**	(2,266)	-
Loss due to change in net fair value adjustment on derivative and and hedging activities	**1,882**	1,197	-
Decrease (increase) in accrued interest receivable	**279**	229,263	(226,631)
Decrease (increase) in derivative asset-accrued interest	**71,000**	167,828	(102,350)
Increase (decrease) in derivative liability-accrued interest	**17,968**	8,178	-
Increase in other assets	**(30,888)**	(18,818)	(1,122)
Increase in AHP liability and discount on AHP advances	**5,174**	16,179	22,054
(Decrease) increase in accrued interest payable	**(92,057)**	(47,573)	178,032
Increase (decrease) in REFCORP liability	**(6,460)**	1,186	11,233
(Decrease) increase in other liabilities	**(11,719)**	9,144	12,103
Total adjustments	**143,539**	432,928	222,364
Net cash provided by operating activities	**377,629**	714,566	498,955
Investing activities			
Net (increase) decrease in interest-bearing deposits in banks	**(1,358,219)**	(235,357)	-
Net (increase) decrease in Federal funds sold	**(1,498,000)**	1,594,000	(2,133,000)
Proceeds from sale of held-to-maturity securities	**-**	80,963	-
Purchases of investments	**(29,519,517)**	(39,921,567)	(29,665,621)
Proceeds from maturities of held-to-maturity securities	**27,980,860**	41,693,272	23,957,696
Principal collected on advances	**820,551,704**	1,032,747,339	1,044,956,785
Advances made	**(826,905,941)**	(1,040,021,784)	(1,052,943,758)
(Increase) decrease in mortgage loans and participations	**(10,984)**	101,995	(300,041)
Principal collected on other loans made	**162**	164	345
Net decrease (increase) in deposits to other FHLBanks for mortgage programs	**18**	(210)	(131)
(Increase) decrease in Bank premises and equipment	**(9,503)**	821	(4,534)
Net cash used in investing activities	**(10,769,420)**	(3,960,364)	(16,132,259)
Financing activities			
Net (decrease) increase in deposits	**(119,185)**	699,487	(492,107)
Net proceeds from sale of consolidated obligation bonds	**44,339,349**	31,219,364	23,429,626
Net proceeds from sale of consolidated obligation discount notes	**533,019,759**	737,921,622	747,860,058
Payments for maturing/retiring consolidated obligation bonds	**(33,107,025)**	(22,863,095)	(18,871,000)
Payments for maturing/retiring consolidated obligation discount notes	**(533,840,698)**	(743,620,607)	(739,556,906)
Proceeds from issuance of capital stock	**967,926**	842,431	755,192
Payments for redemption of capital stock	**(649,724)**	(735,617)	(151,697)
Cash dividends paid	**(166,662)**	(229,016)	(225,660)
Net cash provided by financing activities	**10,443,740**	3,234,569	12,747,506
Net increase (decrease) in cash and cash equivalents	**51,949**	(11,229)	(2,885,798)
Cash and cash equivalents at beginning of year	**13,477**	24,706	2,910,504
Cash and cash equivalents at end of year	**$ 65,426**	$ 13,477	$ 24,706
Supplemental disclosures: Interest paid during the year	**$ 1,936,050**	$ 3,589,791	$ 3,707,204

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

NOTES TO FINANCIAL STATEMENTS

1. Background Information

The Federal Home Loan Bank of New York (FHLBNY), a federally chartered corporation, 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 FHLBNY provides a readily available, low-cost source of funds to its member institutions. The FHLBNY is a cooperative whose member institutions own the capital stock of the FHLBNY and receive dividends on their investment. Regulated financial depositories and insurance companies engaged in residential housing finance can apply for membership. All members must purchase stock in the FHLBNY.

The Federal Housing Finance Board (Finance Board), an independent agency in the executive branch of the United States Government, supervises and regulates the FHLBanks and the Office of Finance. 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. Each FHLBank operates as a separate entity with its own management, employees, and board of directors. The FHLBNY does not have any special purpose entities or any other type of off-balance sheet conduits.

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 capital stock issued to members provide other funds. Some FHLBanks also provide member institutions with correspondent services, such as item processing, collection, and settlement.

2. 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.

Investments

The FHLBNY 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 the level-yield method.

Advances

The FHLBNY presents advances, net of unearned commitment fees and discounts on advances for the Affordable Housing Program (AHP), as discussed below. In addition, prior to the implementation of 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"), the FHLBNY adjusted the carrying value of advances for the unamortized cost of, and deferred gains and losses from, associated interest rate exchange agreements. The FHLBNY credits interest on advances to income as earned. Following the requirements of the Federal Home Loan Bank Act of 1932 (the Act), as amended, the FHLBNY obtains sufficient collateral on advances to protect it from losses. The Act limits eligible collateral to certain investment securities, residential mortgage loans, cash or deposits with the FHLBNY, and other eligible real estate-related assets. As Note 6 more fully describes, community financial institutions (FDIC-insured institutions with assets of $527 million or less during 2002) are subject to more liberal statutory collateral rules for small business and agricultural loans.

The FHLBNY 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 FHLBNY believes that an allowance for credit losses on advances is unnecessary.

Mortgage loans and participations

The FHLBNY is participating in the Mortgage Partnership Finance® (MPF®) program under which the FHLBNY invests in mortgage loans which are funded by the FHLBNY through or purchased from its participating members. The FHLBNY manages the liquidity, interest rate and options risk of the loans, while the members retain the marketing and servicing activities. The FHLBNY and the members share in the credit risk of the loans with the FHLBNY 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 FHLBNY classifies mortgage loans as held for investment and, accordingly, reports them at their principal amount outstanding net of mortgage loan origination fees (agent fees) and premiums and discounts.

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

The FHLBNY includes in interest income from mortgage loans, non-origination fees, such as credit enhancement fees, delivery commitment extension fees and pair-off fees.

The FHLBNY places a mortgage loan on nonaccrual status when the collection of the contractual principal or interest is 90 days or more past due. When a mortgage loan is placed on nonaccrual status, accrued but uncollected interest is reversed against interest income. The FHLBNY records cash payments received on nonaccrual loans as interest income and a reduction of principal.

The FHLBNY bases the allowance for credit losses on management's estimate of credit losses inherent in the FHLBNY's mortgage loan portfolio as of the balance sheet date. Actual losses greater than defined levels are offset by the members' credit enhancement up to their respective limits. The FHLBNY performs periodic reviews of its portfolio to identify the losses inherent within the portfolio and to determine the likelihood of collection of the portfolio. The overall allowance is determined by an analysis that includes consideration of various data observations such as past performance, current performance, loan portfolio characteristics, collateral valuations, industry data, and prevailing economic conditions.

Affordable Housing Program

The Act requires each FHLBank to establish and fund an AHP (see Note 7). The FHLBNY charges the required funding for AHP to earnings and establishes a liability. The AHP funds provide direct subsidies to members to assist in the purchase, construction, or rehabilitation of housing for very low-, low-, and moderate-income households. The FHLBNY grants AHP advances at interest rates below the customary interest rate for non-subsidized advances. When the FHLBNY 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 FHLBNY'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 FHLBNY charges its members a prepayment fee when members prepay certain advances before the original maturity. The FHLBNY credits prepayment fees to other income. The FHLBNY nets gains and losses on interest rate exchange agreements associated with prepaid advances with prepayment fees in other income.

Commitment fees

The FHLBNY defers commitment fees for advances and amortizes them to interest income using the straight-line method. The FHLBNY records commitment fees for letters of credit as a deferred credit when it receives the fees and amortizes them over the term of the letters of credit.

Derivatives

All derivatives are recognized on the statements of condition at their fair value and those not used for intermediary purposes 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 (economic hedge) for asset-liability management purposes. Changes in the fair value of a derivative that is effective as and 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 effective as and 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 change in fair value of the hedged item or the variability in the cash flows of the forecasted transaction) is recorded in current-period earnings. Changes in the fair value of a stand-alone derivative designated as an economic hedge are recorded in current-period earnings with no fair value adjustment to an asset or liability. Hedge ineffectiveness and changes in the fair value of stand-alone derivatives are recorded in other income as net realized and unrealized gain (loss) on derivatives and hedging activities.

The FHLBNY occasionally acquires financial instruments in which a derivative instrument is "embedded" and that are not remeasured at fair value with changes in fair value reported in earnings as they occur. Upon acquiring the financial instrument, the FHLBNY 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 (1) a hedging instrument in a fair-value or cash-flow hedge or (2) a stand-alone derivative instrument pursuant to an economic hedge. However, if the entire instrument 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 FHLBNY 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 instrument would be designated as a hedging instrument.

The FHLBNY formally documents all relationships between derivative hedging instruments and hedged items, as well as its risk-management objectives and strategies for undertaking various hedge transactions and its method of assessing ineffectiveness. 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 FHLBNY 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 FHLBNY typically 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 FHLBNY discontinues hedge accounting prospectively, as discussed below.

The FHLBNY 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 FHLBNY's determination that the derivative no longer qualifies as an effective fair-value hedge, the FHLBNY will continue to carry the derivative on the statements of condition 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, using the straight-line method, which approximates the level yield method. When hedge accounting is discontinued because the hedged item no longer meets the definition of a firm commitment, the FHLBNY will continue to carry the derivative on the statements of condition at its fair value, removing from the statements of condition 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 FHLBNY discontinues hedge accounting because it is no longer probable that a forecasted transaction will occur in the originally expected period, the gain or loss on the derivative will remain in accumulated other comprehensive income and will be 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 FHLBNY's determination that the derivative no longer qualifies as an effective cash-flow hedge of an existing hedged item, the FHLBNY will continue to carry the derivative on the statements of condition at its fair value and amortize 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 FHLBNY will carry the derivative at its fair value on the statements of condition, recognizing changes in the fair value of the derivative in current-period earnings.

Hedging activities

General - The FHLBNY 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 FHLBNY may adjust the effective maturity, repricing frequency, or option characteristics of financial instruments to achieve risk management objectives. The FHLBNY uses interest rate exchange agreements in three ways: either 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 (i.e., a non-SFAS 133 economic hedge). For example, the FHLBNY 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 FHLBNY 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.

Non-SFAS 133 economic hedges ("economic hedge") are defined as interest rate exchange agreement hedges of specific or non-specific underlying assets, liabilities or firm commitments that do not qualify for hedge accounting under the rules of SFAS 133, but are acceptable hedging strategies under the FHLBNY's risk management program. These strategies also comply with Finance Board regulatory requirements. An economic hedge by definition introduces the potential for earnings variability due to the changes in fair value recorded on the interest rate exchange agreement(s) that are not offset by corresponding changes in the value of the economically hedged assets, liabilities or firm commitments.

The FHLBNY, consistent with Finance Board regulation, enters into interest rate exchange agreements only to reduce the market risk exposures inherent in otherwise unhedged assets and funding positions. The FHLBNY management utilizes interest rate exchange agreements in the most cost efficient strategy and may enter into interest rate exchange agreements that do not necessarily qualify for hedge accounting under SFAS 133 accounting rules. As a result, when entering into such non-qualified hedges, the FHLBNY recognizes only the change in fair value of these interest rate exchange agreements in other income as net realized and unrealized gain (loss) on derivatives and hedging activities with no offsetting fair value adjustments for the asset, liability or firm commitment.

Consolidated Obligations - The FHLBNY 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 FHLBNY 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 may individually serve as counterparties to interest rate exchange agreements associated with specific debt issues.

For instance, 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 FHLBank 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 FHLBNY 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 FHLBNY may purchase from the member a put option that enables the FHLBNY to convert an advance from fixed rate to floating rate or to terminate the advance and extend additional credit on new terms. The FHLBNY may hedge a convertible advance by entering into a cancelable interest rate exchange agreement where the FHLBNY 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 FHLBNY can convert the advance to a floating rate or terminate the advance and extend additional credit on new terms.

The optionality embedded in certain financial instruments held by the FHLBNY can create interest rate risk. When a member prepays an advance, the FHLBNY 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 FHLBNY generally charges a prepayment fee that makes it financially indifferent to a borrower's decision to prepay an advance.

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

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

The FHLBNY analyzes the duration, convexity and earnings risk of the mortgage portfolio on a regular basis under various rate scenarios.

Firm Commitment Strategies – The FHLBNY may hedge the market value of purchase commitments on fixed rate mortgage loans by using derivatives that would have similar market value sensitivity characteristics. When the derivative settles, the current market value of the commitments is included with the basis of the mortgage loans and amortized accordingly. This transaction would be treated as a fair value hedge.

The FHLBNY may also hedge a firm commitment for a forward starting advance through the use of an interest rate swap. The basis movement associated with the firm commitment will be rolled into the basis of the advance at the time the commitment is terminated and the advance is issued. The basis adjustment will then be amortized into interest income over the life of the advance.

Investments – The FHLBNY invests in mortgage and residential asset-backed securities (mortgage-related securities), U.S. agency securities and the taxable portion of state or local housing finance agency securities. The interest rate and prepayment risk associated with these investment securities is managed through debt issuance.

Anticipated Debt Issuance - The FHLBNY 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 to earnings in the periods in which earnings are affected by the variability of the cash flows of the debt that was issued.

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

The FHLBNY is subject to credit risk due to the risk of nonperformance by counterparties to the derivative agreements. 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 FHLBNY 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 and Regulations. Based on credit analyses and collateral requirements, the management of the FHLBNY does not anticipate any credit losses on its derivative agreements.

To meet the off-balance-sheet hedging needs of its members, the FHLBNY enters into offsetting interest rate exchange agreements, acting as an intermediary between members and other counterparties. This intermediation allows smaller members 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 FHLBNY.

Premises and equipment

The FHLBNY records premises and equipment at cost less accumulated depreciation and amortization of approximately $14,646,000 and $7,779,000 at December 31, 2002 and 2001, respectively. The FHLBNY computes depreciation on the straight-line method over the estimated useful lives of assets ranging from three to 15 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 FHLBNY capitalizes improvements and major renewals but expenses ordinary maintenance and repairs when incurred. The FHLBNY includes gains and losses on disposal of premises and equipment in other income.

Concessions on consolidated obligations

The FHLBNY 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 FHLBNY based upon the percentage of the debt issued that is assumed by the FHLBNY. Unamortized concessions are included in “Other Assets”. The FHLBNY 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 FHLBNY expenses the discounts on consolidated obligation discount notes using the level-yield method over the term of the related notes and amortizes the discounts and premiums on consolidated bonds also using the level-yield method over the term to maturity of the consolidated obligation bonds.

Resolution Funding Corporation assessments

Although the FHLBNY 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). Each FHLBank is required to pay 20 percent of net earnings after AHP to REFCORP. The FHLBank will expense this amount 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. The Finance Board in consultation with the Secretary of the Treasury will select the appropriate discounting factors to be used in this annuity calculation. The cumulative amount to be paid to REFCORP by the FHLBNY is not determinable at this time due to the interrelationships of all future FHLBanks' earnings. The FHLBanks' payments through 2002 defease all future benchmark payments after the fourth quarter of 2021 and $71 million of the $75 million benchmark payment for the fourth quarter of 2021.

Finance Board and Office of Finance expenses

The FHLBNY is assessed for its proportionate share of the costs of operating the Finance Board's office and the Office of Finance, which manages the sale of consolidated obligations.

Estimated fair values

A number of the FHLBNY'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 FHLBNY uses significant estimates and present-value calculations when disclosing estimated fair values. The FHLBNY assumes that book value approximates fair value for financial instruments with three months or less to repricing or maturity. Note 16 details the estimated fair values of the FHLBNY's financial instruments.

Cash flows

In the statements of cash flows, the FHLBNY considers cash and due from banks as cash and cash equivalents.

Reclassifications

Certain amounts in the 2001 and 2000 financial statements have been reclassified to conform with the 2002 presentation.

3. Change in Accounting Principle and Recently Issued Accounting Standards & Interpretations

Adoption of SFAS 145

The FHLBNY adopted Statement of Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" (herein referred to as "SFAS 145") on June 30, 2002. SFAS 145 rescinds both SFAS 4, "Reporting Gains and Losses from the Extinguishment of Debt" and the amendment to SFAS 4, SFAS 64, "Extinguishment of Debt made to Satisfy Sinking-Fund Requirements," and eliminates the requirement that gains and losses from the extinguishment of debt (except for those considered unusual or infrequent in nature) be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect. See Note 12.

Adoption of FIN 45

FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statements No. 5, 57 and 107 and Rescission of FASB Interpretation No. 34" ("FIN 45") on November 25, 2002. FIN 45 expands existing disclosure requirements at December 31, 2002 for guarantees and provides initial recognition and measurement provisions to be applied on a prospective basis for guarantees issued or modified after December 31, 2002.

Adoption of SFAS 133

The FHLBNY adopted SFAS 133 on January 1, 2001. SFAS 133 requires that all derivative instruments be recorded on 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 derivative instruments that are reported in other comprehensive income will be reclassified to 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 is recognized in current period earnings. Changes in the fair value of a non-SFAS 133 hedge of an asset or liability (economic hedge) for asset/liability management are recorded each period in current 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. The transition provisions of SFAS 133 also provide that at the date of initial implementation an entity may transfer any security classified as "held-to-maturity" to "available-for-sale" or "trading" (herein referred to as securities held at fair value), and any security classified as "available-for-sale" to "trading" (securities held at fair value.) The FHLBNY did not transfer any securities classified as held-to-maturity to securities classified as held at fair value. No such transfers were made by the FHLBNY.

In accordance with the transition provisions of SFAS 133, the FHLBNY recorded the following cumulative effect adjustments to earnings as of January 1, 2001 (in thousands):

Net adjustments related to (1) fair-value hedges, (2) derivative transactions not designated as hedges under SFAS 133, and (3) derivative transactions not meeting the requirements for fair-value or cash-flow hedges	$ 3,249
Total cumulative effect of accounting change on earnings	$ 3,249

As a result of SFAS 133, for the year ended December 31, 2002 and 2001, the FHLBNY recorded net (losses) gains on derivatives and hedging activities of $(2.2) million and $3.4 million, respectively, in other income. Net (losses) gains on derivatives and hedging activities for the years ended December 31, 2002 and 2001 are as follows:

	For the year 2002	For the year 2001
Net (losses) gains on derivatives and hedging activities		
Gains related to fair-value hedge ineffectiveness	$ 1,266,000	$ 5,934,000
Losses on economic hedges	(3,462,000)	(2,506,000)
Net (losses) gains on derivatives and hedging activities	$(2,196,000)	$ 3,428,000

4. Cash and Due from Banks

Compensating balances

The FHLBNY maintained average required clearing balances with various Federal Reserve Banks of approximately $1,000,000 for each of the years ended December 31, 2002 and 2001. These are required clearing balances and may not be withdrawn; however, the FHLBNY may use earnings credits on these balances to pay for services received from the Federal Reserve Banks.

Pass-through deposit reserves

The FHLBNY 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 $35,490,500 and $22,999,500 as of December 31, 2002 and 2001. The FHLBNY includes member reserve balances in other liabilities on the statements of condition.

5. Held-to-Maturity Securities

Major security types

Held-to-maturity securities as of December 31, 2002 were as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury obligations	$ 205,514	$ 5,195	$ -	$ 210,709
U.S. agency obligations	18,553	384	-	18,937
State or local housing agency obligations	1,028,682	51,255	(925)	1,079,012
Certificates of Deposit	6,055,000	118	-	6,055,118
	7,307,749	56,952	(925)	7,363,776
Mortgage-related securities	11,713,970	510,418	(45,337)	12,179,051
Total	$ 19,021,719	$ 567,370	$ (46,262)	$ 19,542,827

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
Certificates of Deposit	5,680,000	1,081	-	5,681,081
	6,522,291	27,246	(5,700)	6,543,837
Mortgage-related securities	10,957,718	274,760	(28,361)	11,204,117
Total	$ 17,480,009	$ 302,006	$ (34,061)	$ 17,747,954

Redemption terms

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

	2002		2001	
Year of Maturity	**Amortized Cost**	**Estimated Fair Value**	**Amortized Cost**	**Estimated Fair Value**
Due in one year or less	$ 6,279,067	$ 6,284,749	$ 5,680,000	$ 5,681,081
Due after one year through five years	-	-	224,931	234,240
Due after five years through ten years	91,770	96,924	72,726	73,168
Due after ten years	936,912	982,103	544,634	555,348
	7,307,749	7,363,776	6,522,291	6,543,837
Mortgage-related securities	11,713,970	12,179,051	10,957,718	11,204,117
Total	$ 19,021,719	$ 19,542,827	$ 17,480,009	$ 17,747,954

The amortized cost of the FHLBNY's mortgage-related securities classified as held-to-maturity includes net (premiums) of $(6,094,113) and $(2,845,026) at December 31, 2002 and 2001.

Interest rate payment terms

The following table details interest rate payment terms for investment securities classified as held-to-maturity at December 31, 2002 and 2001 (in thousands):

	2002	2001
Amortized cost of held-to-maturity securities other than mortgage-related securities		
Fixed-rate	$ 5,745,960	$ 6,368,726
Variable-rate	1,561,789	153,565
	7,307,749	6,522,291
Amortized cost of held-to-maturity mortgage-related securities		
Pass-through securities		
Fixed-rate	1,298,843	1,937,167
Variable-rate	-	-
Collateralized mortgage obligations		
Fixed-rate	9,600,732	8,492,364
Variable-rate	814,395	528,187
	11,713,970	10,957,718
Total	$ 19,021,719	$ 17,480,009

6. Advances

Redemption terms

At December 31, 2002 and 2001, the FHLBNY had advances outstanding, including AHP advances (see Note 7), at interest rates ranging from 1.17 percent to 9.87 percent and 1.25 percent to 10.51 percent, respectively, as summarized below (in thousands).

	2002		2001	
Year of Maturity	**Amount**	**Weighted Average Interest Rate**	**Amount**	**Weighted Average Interest Rate**
Overdrawn demand deposit accounts	$ 6,194	3.70 %	$ 522	7.44 %
2002	-	-	12,532,536	3.70 %
2003	19,506,333	2.95 %	10,319,463	4.63 %
2004	11,329,064	3.07 %	9,718,817	3.45 %
2005	8,197,824	3.65 %	5,589,631	4.31 %
2006	3,446,781	4.32 %	3,170,456	4.63 %
2007	2,385,348	4.35 %	767,261	5.86 %
Thereafter	21,151,508	4.96 %	17,571,912	5.23 %
Total par value	66,023,052	3.82 %	59,670,598	4.41 %
Discount on AHP advances	(1,298)		(1,546)	
Premium on advances	106		187	
SFAS 133 hedging adjustments	2,904,213		1,292,864	
Total	$ 68,926,073.00		$ 60,962,103.00	

The FHLBNY offers convertible advances to members. With a convertible advance, the FHLBNY effectively purchases a put option from the member that allows the FHLBNY to terminate the fixed advance, which is normally exercised when interest rates have increased from those prevailing at the time the advance was made, and convert the advance to a floating rate or terminate the advance and extend additional credit on new terms. At December 31, 2002 and 2001, the FHLBNY had convertible advances outstanding totaling $28,803,337,000 and $26,231,977,000.

The following table summarizes advances at December 31, 2002 and 2001, by year of maturity or next put date (in thousands):

Year of Maturity or Next Put Date	**2002**	**2001**
Overdrawn demand deposit accounts	$ 6,194	$ 522
2002	-	29,710,356
2003	38,198,789	11,802,100
2004	11,636,864	10,019,117
2005	7,466,780	4,129,386
2006	4,453,837	3,071,412
2007	3,150,648	147,561
Thereafter	1,109,940	790,144
Total par value	$ 66,023,052	$ 59,670,598

Security terms

The FHLBNY lends to financial institutions involved in housing finance within its district according to Federal statutes, including the Act. The Act requires the FHLBNY 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 FHLBNY and other eligible real estate-related assets as collateral on such advances. However, community financial institutions (CFIs) are subject to expanded statutory collateral provisions dealing with loans to small business or agriculture. It is the FHLBNY's policy at this time not to accept such collateral for advances. Borrowing members pledge their capital stock of the FHLBNY as additional collateral for advances. The Act requires that total advances from the FHLBNY to a member not exceed 20 times the member's capital stock in the FHLBNY. At December 31, 2002 and 2001, the FHLBNY had rights to collateral with an estimated value greater than outstanding advances. Based upon the financial condition of the member, the FHLBNY:

(1) Allows a member to retain possession of the collateral assigned to the FHLBNY, if the member executes a written security agreement and agrees to hold such collateral for the benefit of the FHLBNY; or

(2) Requires the member specifically to assign or place physical possession of such collateral with the FHLBNY or its safekeeping agent.

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

At December 31, 2002, the FHLBNY had outstanding $25.3 billion in advances for which borrowers were required to place physical possession of the collateral with the FHLBNY or with the FHLBNY's safekeeping agent. In addition, the FHLBNY had advances of $38.6 billion for which borrowers were required to specifically list assigned collateral, and $2.1 billion for which collateral assigned to the FHLBNY was physically retained by the borrowers and for which the listing requirement had been waived. Collateral pledged to the FHLBNY for advances had an aggregate principal value totaling $111.3 billion, consisting of $82.6 billion in eligible mortgages, and $28.7 billion in eligible securities.

Credit risk

While the FHLBNY has never experienced a credit loss on an advance, the expanded eligible collateral for CFIs and nonmember housing associates provides the potential for additional credit risk for the FHLBNY. The management of the FHLBNY has the policies and procedures in place to appropriately manage this credit risk. Accordingly, the FHLBNY has not provided any allowances for losses on advances.

The FHLBNY's potential credit risk from advances is concentrated in commercial banks and savings institutions. As of December 31, 2002, the FHLBNY had advances of $7.9 billion to Washington Mutual Bank, FA, a member of the FHLBank of San Francisco, representing 11.9 percent of total advances outstanding. These advances were acquired by Washington Mutual Bank, FA as a result of its acquisition of The Dime Savings Bank of New York, FSB. The FHLBNY also had advances of $9.8 billion outstanding to two member institutions, representing 14.9 percent of total advances outstanding. The income from advances to these non-member and member institutions amounted to $328,225,000 during 2002. The FHLBNY held sufficient collateral to cover the advances to these institutions, and the FHLBNY 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, 2002 and 2001 (in thousands):

	2002	2001
Par amount of advances		
Fixed-rate	$ 53,061,834	$ 48,661,652
Variable-rate	12,961,218	11,008,946
Total	$ 66,023,052	$ 59,670,598

7. Affordable Housing Program

Section 10(j) of the Act 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 after the assessment for REFCORP (see Note 2). The FHLBNY charges the amount set aside for AHP to income and recognizes it as a liability. The FHLBNY 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 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 either 2002 or 2001. The FHLBNY had outstanding principal in AHP-related advances of $13,065,000 and $14,058,000 at December 31, 2002, and 2001.

8. Mortgage Loans and Participations

The FHLBNY's mortgage loan portfolio comprises the CMA program, including certain assets purchased under the Finance Board's FMP, and the MPF® program.

In the CMA program and the Finance Board's FMP, the FHLBNY participates in residential, multi-family 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 FHLBNY. The FHLBNY did not acquire interests in any loans under the CMA program in 2002.

The MPF® program involves investment by the FHLBNY in mortgage loans which are either funded by the FHLBNY through or purchased from its participating members. The total loans represent loans held for investment under the MPF® program whereby the FHLBNY's members create, service, and credit enhance home mortgage loans which are owned by the FHLBNY. The following table presents information as of December 31, 2002, and 2001 on mortgage loans held for investment (in thousands):

	2002	2001
Real estate		
Fixed medium-term* single-family mortgages	$ 91,101	$ 33,549
Fixed long-term single-family mortgages	285,966	253,586
Multi-family mortgages	53,165	134,661
Nonresidential mortgages	2,864	2,891
Unamortized net premiums (discounts)	2,465	661
Total mortgage loans held for portfolio	$ 435,561	$ 425,348

*Medium-term is defined as a term of 15 years or less.

The par value (in thousands) of mortgage loans held for investment outstanding at December 31, 2002 and December 31, 2001, was comprised of government guaranteed loans totaling $82,518 and $158,423 and conventional and other loans totaling $350,578 and $266,264, respectively.

The allowance for credit losses was as follows (in thousands):

	2002	2001	2000
Allowance for credit losses			
Balance, beginning of year	$ 193	$ 92	$ 34
Chargeoffs	-	-	-
Recoveries	-	-	-
Net chargeoffs	-	-	-
Provision for credit losses	235	101	58
Balance, end of year	$ 428	$ 193	$ 92

The estimated fair value of the mortgage loans held for portfolio as of December 31, 2002 and 2001 are reported in Note 16.

Mortgage loans, other than those included in large groups of smaller-balance homogeneous loans, are considered impaired when, based on current information and events, it is probable that the FHLBNY will be unable to collect all principal and interest amounts due according to the contractual terms of the mortgage loan agreement. At December 31, 2002 and 2001, the FHLBNY had no recorded investments in impaired mortgage loans.

9. Loans to Other FHLBanks

Uncollateralized loans to other FHLBanks at December 31, 2002 and 2001 are as follows (in thousands):

Year of Maturity	2002 Principal Amount	2002 Weighted Average Interest Rate	2001 Principal Amount	2001 Weighted Average Interest Rate
2003	$ 50,000	5.47 %	$ 50,000	5.47 %

10. Deposits

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

11. Borrowings

Securities sold under agreements to repurchase

The FHLBNY had no amounts of securities sold under agreement to repurchase during 2002 and 2001.

Other Federal Home Loan Banks

The FHLBNY borrows from other FHLBanks, generally for a period of one day. Such borrowings averaged $5,805,000 and $22,452,000 in 2002 and 2001, respectively. There were no borrowings outstanding as of December 31, 2002 and 2001.

12. 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 and 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 $680.7 billion and $637.3 billion at December 31, 2002 and 2001. 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 FHLBank 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 has been 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, 2002 and 2001, the FHLBanks' capital stock was 5.17 percent and 5.2 percent of the par value of consolidated obligations outstanding, and the SAA balance was approximately $24 million and $28.3 million. 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 Index (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 FHLBNY 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 FHLBNY may redeem in whole or in part at its discretion on predetermined call dates according to the terms of the 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 FHLBNY 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 FHLBNY 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 FHLBNY's participation in consolidated bonds outstanding at December 31, 2002 and 2001, by year of maturity (in thousands):

	2002		2001	
Year of Maturity	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
2002	$ -	-	$ 12,662,115	5.87 %
2003	22,901,185	3.14 %	14,901,200	4.26 %
2004	13,685,780	4.07 %	9,004,485	4.87 %
2005	10,765,300	4.10 %	3,766,300	5.59 %
2006	5,420,600	4.88 %	4,473,800	5.54 %
2007	4,597,850	4.99 %	1,499,000	6.57 %
Thereafter	3,434,700	5.66 %	3,288,500	5.78 %
Total par value	60,805,415	3.96 %	49,595,400	5.17 %
Bond premiums	86,188		88,037	
Bond discounts	(28,990)		(175,272)	
SFAS 133 hedging adjustments	637,222		328,712	
Deferred net (losses) gains on terminated interest-rate exchange agreements	933		307	
Total	$ 61,500,768		$ 49,837,184	

During the year, the FHLBNY retired $565,330,000 of consolidated obligations at a cost that exceeded book value by $26,093,000. The cost is included in the category Other Income, other net. The debt retired was associated with the prepayment of Advances for which prepayment fees were received. There was no debt retired in 2001 or 2000.

Consolidated bonds outstanding at December 31, 2002 and 2001, include Callable Bonds totaling $19,125,500,000 and $9,412,600,000. The FHLBNY uses fixed-rate Callable Debt to finance Callable Advances (see Note 6) and mortgage-related securities. Simultaneous with such a debt issue, the FHLBNY may also enter an interest rate swap (in which the FHLBNY 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 FHLBNY to provide members attractively priced variable-rate advances, while converting its own payment to a variable rate.

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

	2002	2001
Par amount of consolidated bonds		
Non-callable or non-putable	$ 41,679,915	$ 40,182,800
Callable	19,125,500	9,412,600
Total par value	$ 60,805,415	$ 49,595,400

The following table summarizes consolidated bonds outstanding at December 31, 2002 and 2001, by year of maturity or next call date (in thousands):

Year of Maturity or Next Call Date	2002	2001
2002	$ -	$ 19,399,715
2003	34,286,685	14,741,700
2004	11,725,280	7,716,385
2005	7,924,300	1,807,300
2006	3,496,600	3,533,800
2007	1,481,850	542,000
Thereafter	1,890,700	1,854,500
Total par value	$ 60,805,415	$ 49,595,400

Interest rate payment terms

The following table details interest rate payment terms for consolidated bonds at December 31, 2002 and 2001 (in thousands).

	2002	2001
Par value of consolidated bonds		
Fixed-rate	$ 54,272,415	$ 44,332,400
Simple variable-rate	6,533,000	5,063,000
Zero-coupon	-	200,000
Total par value	$ 60,805,415	$ 49,595,400

Discount notes

The FHLBNY'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, 2002	$ 22,011,104	$ 22,040,021	1.33%
December 31, 2001	$ 22,790,369	$ 22,843,515	2.00%

The Act authorizes the Secretary of the Treasury, at his 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, 2002.

13. Capital

The Gramm-Leach-Bliley Act (GLB Act) will lead to a number of changes in the capital structure of the FHLBanks. 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 Finance Board approved the FHLBNY's capital plan on July 18, 2002. The GLB Act provides a transition period to the new capital structure of up to three years from the effective date of each FHLBank's capital structure. The FHLBNY plans to convert on October 1, 2003. Until such time as the FHLBNY fully implements the new capital regulations, the current capital rules remain in effect. In particular, the Federal Home Loan Bank Act of 1932, as amended, requires members to purchase capital stock equal to the greater of 1 percent of their mortgage-related assets or 5 percent of outstanding FHLBNY advances. However, the GLB Act removed the provision that required a non-thrift member to purchase additional stock to borrow from the FHLBNY if the non-thrift member's mortgage-related assets were less than 65 percent of total assets. Members may, at the FHLBNY's discretion, redeem at par value any capital stock greater than their statutory requirement or sell it to other FHLBNY members at par value.

When the new capital structure plan has been implemented, the FHLBNY will be subject to risk-based capital rules. Each FHLBank may offer two classes of stock. Members can redeem Class A stock by giving six months notice, and members can redeem Class B stock by giving five years 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 5 percent minimum leverage ratio based on total capital and a 4 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 5 percent minimum 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.

The FHLBNY's board of directors may declare and pay dividends in either cash or capital stock only from retained earnings or current net earnings.

14. Employee Retirement Plans

The FHLBNY participates in the Financial Institutions Retirement Fund (FIRF), a defined-benefit plan. The plan covers substantially all officers and employees of the FHLBNY. The FHLBNY'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 through 2001. Contributions to the plan resumed in 2002. A contribution to FIRF was charged to operating expenses in 2002 in the amount of $1,108,070. 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 FHLBNY cannot be made.

The FHLBNY also participates in the Financial Institutions Thrift Plan, a defined contribution plan. The FHLBNY'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 FHLBNY contributed $653,300, $563,000, and $701,000 in the years ended December 31, 2002, 2001, and 2000.

In addition, the FHLBNY 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 FHLBNY's accrued cost for this plan was $3,739,339 and $2,822,874 at December 31, 2002 and 2001.

The FHLBNY also offers a post-retirement health benefit plan to retirees. The following table reconciles the actuarial present value of the FHLBNY'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 7.5 percent. The effect of a percentage point increase in the assumed healthcare trend rates would be an increase in post-retirement benefit expense of $102,646 and in APBO of $712,449. 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 FHLBNY's APBO at December 31, 2002 and 2001 follows (in thousands):

	2002	2001
APBO for		
Retirees	$ 2,870	$ 2,828
Fully eligible active participants	910	576
Other active participants	1,078	879
Total APBO	4,858	4,283
Unrecognized net loss from past experience different from that assumed and from changes in assumptions	(890)	(1,236)
Accrued post-retirement benefit cost	$ 3,968	$ 3,047

The components of net periodic post-retirement benefit cost for 2002 and 2001 are (in thousands):

	2002	2001
Service cost (benefits attributed to service during the period)	$ 228	$ 183
Interest cost on accumulated post-retirement benefit obligation	329	292
Amortization of loss	48	70
Net periodic post-retirement benefit cost	$ 605	$ 545

15. Interest Rate Exchange Agreements

The contractual or notional amount of interest rate exchange agreements reflects the involvement of the FHLBNY in the various classes of financial instruments. The notional amount of interest rate exchange agreements does not measure the credit risk exposure of the FHLBNY, and the maximum credit exposure of the FHLBNY 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 FHLBNY. This collateral has not been sold or repledged.

At December 31, 2002 and 2001, the FHLBNY's maximum credit risk, as defined above, was approximately $95,767,000 and $116,220,000. These totals include $43,365,000 and $61,936,000 of net accrued interest receivable. In determining maximum credit risk, the FHLBNY considers accrued interest receivables and payables, and the legal right to offset assets and liabilities by counterparty. The FHLBNY held securities and cash with a fair value of $74,489,000 and $82,763,013 as collateral as of December 31, 2002 and 2001.

The FHLBNY transacts most of its interest rate exchange agreements with large banks and major broker-dealers. Some of these banks and broker-dealers or their affiliates buy, sell, and distribute consolidated obligations. Note 17 discusses assets pledged by the FHLBNY to these counterparties.

Intermediation

Interest rate exchange agreements in which the FHLBNY is an intermediary may arise when the FHLBNY: (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 either advances, investments, or consolidated obligations.

The notional principal of interest rate exchange agreements in which the FHLBNY was an intermediary was \$162,000,000 and \$252,000,000 at December 31, 2002 and 2001.

16. Estimated Fair Values

Cash and due from banks

The estimated fair value approximates the recorded book balance.

Interest bearing deposits and investment securities

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-related 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 expected 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 and other loans

The FHLBNY determines the estimated fair value 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 future 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 FHLBNY 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.

Mortgage loans and participations

The estimated fair values for mortgage loans have been determined based on quoted prices of similar mortgage loans available in the market. These prices, however, can change rapidly based upon market conditions and are highly dependent upon the prepayment assumptions that are used.

Accrued interest receivable and payable

The estimated fair value approximates the recorded book value.

Derivative assets/liabilities

The FHLBNY bases the estimated fair values of interest rate exchange agreements with similar terms or 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. The fair values are netted by counterparty where such legal right exists. If these netted amounts are positive, they are classified as an asset and if negative, a liability.

Deposits
The FHLBNY 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 FHLBNY estimates fair values based on the cost of raising comparable term debt. The estimated cost of issuing debt includes non-interest selling costs.

Borrowings
The FHLBNY 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 estimated fair values of standby letters of credit, standby bond purchase agreements, and commitments to extend credit are based on discounted cash flows from expected fees through the expiration of the agreements, commitments and letters of credit.

The carrying value and estimated fair values of the FHLBNY's financial instruments at December 31, 2002 were as follows (in thousands):

2002 Fair Value Summary Table

Financial Instruments	Carrying Value	Net Unrealized Gains (Losses)	Estimated Fair Value
Assets			
Cash and due from banks	$ 65,426	$ -	$ 65,426
Interest-bearing deposits in banks	1,593,576	-	1,593,576
Deposits for mortgage loan programs with other FHLBanks	444	-	444
Federal funds sold	2,932,000	15	2,932,015
Held-to-maturity securities	19,021,719	521,108	19,542,827
Advances	68,926,073	578,579	69,504,652
Mortgage loans, net	435,133	19,785	454,918
Other loans	50,847	-	50,847
Accrued interest receivable	377,209	-	377,209
Derivative assets	142,284	-	142,284
Liabilities			
Deposits	2,742,677	(38)	2,742,715
Consolidated obligations			
Discount notes	22,011,104	(1,073)	22,012,177
Bonds	61,500,768	(1,160,745)	62,661,513
Accrued interest payable	539,481	-	539,481
Derivative liabilities	2,355,567	-	2,355,567
Other			
Standby letters of credit, standby bond purchase agreements and commitments to extend credits	141	(2,997)	3,138

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

2001 Fair Value Summary Table

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	235,357	-	235,357
Deposits for mortgage loan programs with other FHLBanks	461	-	461
Federal funds sold	1,434,000	198	1,434,198
Held-to-maturity securities	17,480,009	267,945	17,747,954
Advances	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	214,678	-	214,678
Liabilities			
Deposits	2,861,870	(213)	2,862,083
Consolidated obligations			
Discount notes	22,790,369	(4,239)	22,794,608
Bonds	49,837,184	(570,400)	50,407,584
Accrued interest payable	631,538	-	631,538
Derivative liabilities	1,036,105	-	1,036,105
Other			
Standby letters of credit, standby bond purchase agreements, and commitments to extend credits	122	(937)	1,059

17. Commitments and Contingencies

As described in Note 12, the FHLBanks have joint and several liability for all the consolidated obligations issued on their behalf. 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, as determined or approved by the Finance Board. The FHLBNY does not recognize a liability for its joint and several obligation related to other FHLBanks' consolidated obligations.

Commitments for additional advances totaled approximately $10,247,376,000 and $9,586,048,538 at December 31, 2002 and 2001. 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 at the time the commitment is drawn upon. Standby letters of credit are executed for members for a fee. A standby letter of credit is a financing arrangement between the FHLBNY and its member. If the FHLBNY is required to make payment for a beneficiary's draw, these amounts are converted into collateralized advances to the member. Outstanding standby letters of credit were approximately $202,072,000 and $228,418,830 at December 31, 2002 and 2001 and had original terms of up to 21 years, with a final expiration in 2015. Unearned fees on standby letters of credit are recorded in other liabilities and amounted to $23,000 and $22,000 at December 31, 2002 and 2001. Based on management's credit analyses and collateral requirements, the FHLBNY does not deem it necessary to have any provision for credit losses on these commitments and letters of credit. Standby letters of credit are fully collateralized at the time of issuance. The estimated fair value of commitments and letters of credit as of December 31, 2002 and 2001 is reported in Note 16.

The FHLBNY has entered into standby bond purchase agreements related to securities issued by state housing authorities within its state district whereby the FHLBNY, for a fee, agrees to purchase and hold the authorities' bonds until the designated marketing agent can find a suitable investor or the housing authority repurchases the bond according to a schedule established by the standby agreement. Each standby agreement dictates the specific terms that would require the FHLBNY to purchase the bond. The bond purchase commitments entered into by the FHLBNY expire no later than 2005. Some commitments are renewable at the option of the FHLBNY. Total commitments for bond purchases were $520,000,000 at December 31, 2002, with the New York City Transitional Finance Authority. During 2002, the FHLBNY was not required to purchase any bonds under these agreements. No commitments for bond purchases were in effect prior to 2002. The estimated fair value of standby bond purchase agreements as of December 31, 2002 is reported in Note 16.

Commitments which unconditionally obligate the FHLBNY to fund/purchase mortgage loans under the MPF® program totaled $636,661,000 and $399,970,000 at December 31, 2002 and 2001. Commitments are generally for periods not to exceed 365 days.

The FHLBNY generally executes interest rate exchange agreements with major banks and broker-dealers and generally enters bilateral collateral agreements. As of December 31, 2002, the FHLBNY had pledged, as collateral, cash and securities with a fair value of $1,669,273,000 to broker-dealers who have credit risk exposure to the FHLBNY related to interest rate exchange agreements.

The FHLBNY charged to operating expenses net rental costs of approximately $2,630,692, $1,914,692, and $2,058,071 for the years ending December 31, 2002, 2001, and 2000. Future minimum rentals at December 31, 2002, were as follows (in thousands):

Year	Premises	Equipment	Total
2003	$ 2,639	$ 115	$ 2,754
2004	2,714	96	2,810
2005	2,713	67	2,780
2006	2,714	-	2,714
2007	2,795	-	2,795
Thereafter	22,310	-	22,310
Total	$ 35,885	$ 278	$ 36,163

Lease agreements for FHLBNY 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 FHLBNY.

18. Other Developments

The FHLBNY is subject to 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 FHLBNY's financial condition or results of operations.

On September 11, 2001, the World Trade Center (WTC) facility of the FHLBNY was destroyed. The loss on the destruction of leasehold improvements, furniture and equipment as well as the costs associated with the resumption of operations were more than offset by insurance proceeds. For 2002, the insurance proceeds of $6.5 million are reported as a reduction in Other Expenses. 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. Though not expected to be significant, the FHLBNY may file additional insurance claims through September 10, 2003. Insurance proceeds received subsequent to year-end will be included in the results of operations in the year received.

BOARD OF DIRECTORS 2002-2003

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Executive Vice President
Manufacturers and Traders Trust Company
Buffalo, New York

VICE CHAIRMAN

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

PAST VICE CHAIRMAN

Dennis A. James [1,a,b,e]
President and CEO
Sturdy Savings Bank
Cape May Court House, N.J.
Past Chairman, Executive Committee

ELECTED

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

G. Thomas Bowers [d,e]
Director
First Niagara Bank
Lockport, New York

Harry P. Doherty [e]
Chairman and CEO
SI Bank & Trust
Staten Island, New York
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OceanFirst Bank
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Edward C. Gibney [c]
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Boiling Springs Savings Bank
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West Essex Bank, FSB
Caldwell, New Jersey

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President and CEO
Franklin Savings Bank, SLA
Pilesgrove, New Jersey

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Chairman, President and CEO
First Niagara Bank
Lockport, New York

APPOINTED

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

Joseph F. Crangle [1,a,c,d]
of Counsel
Colucci & Gallaher, PC
Buffalo, New York
Past Chairman, Housing Committee

Harold E. Doley, III [d]
President
The Lugano Group, Inc.
New York, New York

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

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

Derek B. Park, Ph.D. [1,a,b,c,d,e]
Managing Director
Cohane Rafferty, LLC/ Lehman Brothers, Inc.
White Plains, New York

Edwin C. Reed [b,c,e]
Chief Financial Officer
Greater Allen Cathedral of New York
Jamaica, New York
Chairman, Housing Committee

Rev. DeForest B. Soaries, Jr. [c]
Senior Pastor
First Baptist Church of Lincoln Gardens
Somerset, New Jersey

Notes:

[1] Term expired December 31, 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 Human Resources Committee

AFFORDABLE HOUSING ADVISORY COUNCIL 2002-2003

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Chief Executive Officer
Hudson Valley Housing Development Fund Co., Inc.
Wappingers Falls, NY (2004)

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

NEW YORK

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

Francine C. Justa, Ph.D. [5]
Executive Director
NHS of New York City, Inc.
New York, New York (2005)

Charles Kalthoff
Executive Director
ACCORD Corporation
Belmont, New York (2005)

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

Carol Lamberg [5]
Executive Director
Settlement Housing Fund, Incorporated
New York, New York (2005)

Jean Lowe
President
The Greater Rochester Housing Partnership
Rochester, New York (2005)

Kathleen Maxwell [2]
Executive Director
Rural Ulster Preservation Company
Kingston, New York (2003)

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

Ralph Porter [3]
President
Mid-Bronx Desperadoes Community Housing Corp.
Bronx, New York (2002)

NEW JERSEY

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Executive Director
Monarch Housing Associates Preservation Company
Cranford, New Jersey (2005)

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Assistant Executive Director
Catholic Charities, Diocese of Metuchen
Perth Amboy, New Jersey (2002)

Marlene Sigman [4,5]
Director, Housing Development and Asset Management
Catholic Charities, Diocese of Metuchen
Perth Amboy, New Jersey (2005)

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 February 2002*
[2] *Resigned November 2002*
[3] *Term expired December 2002*
[4] *Fulfilled unexpired term for past Council member Mary Davey*
[5] *Reappointed to 2005*

CORPORATE OFFICERS 2003

EXECUTIVE TEAM

Alfred A. DelliBovi
President & Chief Executive Officer

David C. Altilio
EVP & Chief Financial Officer

Steve S. Christatos
SVP & Chief Risk Officer

James A. Gilmore
SVP & Business Risk Team Chair

Robert R. Hans
SVP & Operational Risk Team Chair

Paul B. Héroux
SVP & Chief Credit Officer

Craig E. Reynolds
SVP, Treasurer & ALCO Risk Team Chair

Marianne R. Totaro
SVP & Credit Risk Team Chair

Donald J. Wolff
SVP & Strategic Risk Team Chair
Community Investment Officer

SENIOR VICE PRESIDENTS

Charles R. Mihulka
Chief Audit Officer

Patrick A. Morgan
Controller

VICE PRESIDENTS

Milagros J. Abreu
Internal Audit

Backer Ali
Financial Accounting

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

Sean N. Borde
Systems Development

Domenick A. Cama
Sales

Thomas J. Doyle
Member Mortgage Programs

John F. Edelen
Capital Markets

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

Robert J. Hearn
Member Mortgage Programs

Maureen E. Kalena
Sales

Rebecca A. Logan
Process Management

Walter B. Moran
Corporate Services

Gregory T. Muller
Collateral Services

Kevin M. Neylan
Strategic Risk 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
Deposit Services

Albert P. Thuma
Credit Monitoring

Barbara E. Way
Assistant General Counsel

ASSISTANT VICE PRESIDENTS

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Community Investment Operations

Aaron J. Carr
Human Resources

Kimberly A. Dahl
Financial Planning and Analysis

Barbara J. Damon
Loan Review Analysis

Stuart H. Eichenbaum
Computer Operations

Sheharyar Hasan
Financial Planning and Analysis

Robert A. Havanki
Systems Development

Helen M. Horan
Internal Audit

Carmela A. Marucci
Financial Accounting

Sandra E. Napoleon
Business Systems

Agnes S. Olah
Internal Audit

Aida L. Polanco
Funds Transfer

Diahann P. Rothstein
Capital Markets

Grace F. Sit
Management Reporting

OTHER OFFICERS

Rose M. Bonnie-Ryner
EEO/Employee Relations Officer

Sudip K. Chatterjee
Financial Planning Officer

Joseph R. Creighton
Mortgage Portfolio 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