



REPORT FROM THE PRESIDENT



José R. González
President and CEO

LOOKING BACK WHILE MOVING FORWARD

In June, the Federal Home Loan Bank of New York issued *Strength in Our Cooperative*, our 2017 Annual Report to members. The report captures numerous achievements the FHLB NY delivered in 2017, not only for our members, but also for the communities we serve. There truly is strength in our cooperative. We saw this strength in 2017, in which we posted record and near-record results across the board. We see it today, as the FHLB NY continues to perform at high levels.

And we expect to see it going forward, as we further strengthen our partnerships with our members and support their ability to meet the needs of their communities.

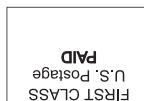
ADVANTAGES OF FHLB NY MEMBERSHIP

Our strong cooperative and membership presently operate in an equally strong economy. We are currently in a historically lengthy economic expansion, marked by full employment, lower taxes, increasing deregulation and a more normalized rate environment. Our members are positioned to thrive in this environment, experiencing strong demand for loans and other financial services. But, as we move forward, we must remain aware of factors that have the potential to challenge this momentum. This is especially evident in factors that can impact your liquidity position, such as outflow of core deposits.

Traditionally, member assets have grown at a faster pace than both deposits and capital, with wholesale borrowings serving to fill in the funding gap. Following the financial crisis, there was a significant flow of deposits into depository institutions, creating an abundance of liquidity; however, as the economy has strengthened, this liquidity has been largely deployed. And with the largest banking institutions in need of deposits to meet BASEL III requirements, there is

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increased liquidity pressure on smaller institutions. In addition to this, heightened loan demand – driven by accelerated consumer spending, low unemployment and corporations’ expanded capital investments – and resulting asset growth can put further pressure on liquidity in an environment in which retail deposit funding is challenged.



Federal Home Loan Bank of New York
101 Park Avenue
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The recent regulatory reform that will increase the Systemically Important Financial Institutions (SIFI) asset threshold to \$250 billion – reducing the number of institutions subject to enhanced supervision and regulation – will likely increase competition for liquidity. For example, as institutions that are currently straddling the former \$50 billion threshold may look to pursue aggressive organic balance sheet growth. Additionally, this increased threshold could spur M&A activity, driven by institutions that want to obtain scale but had previously been concerned with the regulatory burden of becoming a SIFI.

When all of these factors are combined with a rising rate environment, which could result in a substantial outflow of deposits as consumers seek higher yield elsewhere, creating both liquidity and interest rate risk challenges for community banks, it is clear that, despite the many opportunities our current operating

environment provides, there remain challenges on the road ahead.

Our team at the FHLB NY is constantly monitoring the environment to ensure that we are positioned to help our members recognize and plan for these challenges as they appear. And our role as a funding partner to our members becomes even more vital in an environment in which liquidity is harder to secure. We take great pride in helping our members address challenges through the advantage of membership in the FHLB NY, and the access to our liquidity, products and programs that it provides.

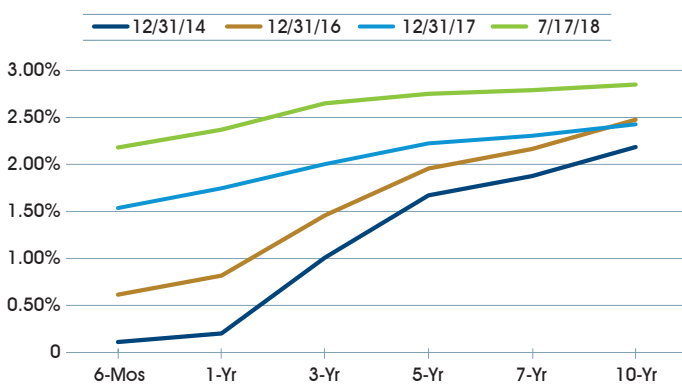
Sincerely,
José R. González
President and Chief Executive Officer

Since our last edition, four members joined our cooperative:

- » Inner Lakes Federal Credit Union
- » Cumberland Mutual Fire Insurance Company
- » Security Mutual Life Insurance Co. of NY
- » Utica Mutual Insurance Company

WHOLESALE FUNDING CONSIDERATIONS

Historical U.S. Treasury Yield Curves



The current U.S. Treasury Curve continues to flatten. In fact, the difference between the 1-year and 10-year Treasury was just 48 basis points on July 17, 2018, compared to almost 200 basis points at year-end 2014. Spread compression has become exacerbated as the U.S. Treasury continues to issue substantially more T-Bills to fund the deficit, driving up the short-end of the curve and increasing

short-term wholesale funding costs. Elevated short-term wholesale funding costs coupled with heightened loan demand and greater capital levels due to tax reform is leading members to become more aggressive in retail deposit gathering with many offering extremely competitive CD rates as of late. As in past years, some members have been rolling their advances short to fend off net interest margin compression. However, we are also seeing members increasingly taking advantage of the flat yield curve by layering in term funding to stabilize funding costs as we continue to confront a “hawkish” Federal Reserve rate posture. Although some concern remains that aggressive rate hikes could potentially lead to another recession, economic indicators point to a strong economy and some feel that the probability of a recession in the near-term is relatively low.

Read further about how the FHLB NY can be your strategic partner, providing stable, low-cost funding, as well as information and funding solutions, that, when utilized, can help contribute to your solid financial performance.

FIVE WAYS TO TAP INTO MEMBERSHIP & COMBAT LIQUIDITY HEADWINDS

Positioning your organization with the appropriate level of strategic and contingent liquidity is imperative. When was the last time your institution conducted a liquidity assessment? This exercise involves stress testing your current liquidity base and determining worst case scenarios where significant funding would be needed, or where your interest rate risk position would be substantially compromised. In this regard, obtaining the greatest possible level of borrowing potential ahead of a problem is crucial to mitigating risk and sustaining growth. Consider the following five questions to see how you can leverage your FHLBNY membership to assist with liquidity planning to help sustain growth, maintain strong bottom-line earnings and mitigate risk.

1) DO YOU HAVE SUFFICIENT COLLATERAL PLEDGED TO THE FHLBNY?

Considering the intense and evolving environment we operate in, it is important to keep your “foot on the gas” and not forgo asset and income growth because of a lack of liquidity. Examine your balance sheet to see if there are opportunities to pledge additional collateral, and reach out to us if you would like assistance in this regard.

2) ARE YOU BOOKING LOANS OR GROWING SECURITIES THAT CAN BE PLEDGED TO THE FHLBNY?

Take a look at your balance sheet composition to ensure your institution is positioned to sustain a trajectory growth and withstand significant liquidity pressure. You may want to grow and maintain assets that are qualified to pledge as collateral to the FHLBNY so you can have the available funding to capitalize on other opportunities should they arise. We often see members lacking liquidity and limiting their asset growth because their lending model and security portfolio strategy has too strong a focus on assets that are illiquid and cannot be pledged to the FHLBNY.

3) WHAT IS YOUR LEVEL OF ON-BALANCE SHEET LIQUIDITY?

Regulators are increasingly looking for a heightened level of on-balance sheet liquidity, in the form of cash and readily marketable securities. FHLBNY funding can enable you to structure a profitable securities portfolio while

mitigating risks. If you accept municipal or public unit deposits, using our **Municipal Letters of Credit (MULOC)** product can enable you to utilize whole loan mortgage collateral instead of encumbering security collateral when securing those deposits. The MULOC is state-approved, cost effective and widely used across our membership base.

4) DO YOUR LIQUIDITY POLICIES INCLUDE FHLBNY ADVANCE FUNDING AT ALL TENURES?

Should your interest-rate risk position change due to core deposit outflow, it is important to be ready to execute term funding with the FHLBNY to address potential hedging needs. Not only should tenures be addressed in your liquidity policies, it is also prudent to address different advance structures so that you can use the appropriate product to address your specific needs. Further, when we review member policies we often find inaccuracies in references to FHLBNY funding terms, and we would be glad help you reconcile.

5) WHEN IS THE LAST TIME YOU TESTED YOUR BORROWING POTENTIAL?

If you are not a regular user of FHLBNY advances, it would be prudent from an operational perspective to conduct a test borrowing at least annually. Although borrowing is relatively simple, the process does involve multiple steps with which you should become familiar prior to experiencing a liquidity demand. Regulators also encourage periodic testing of all of your liquidity sources for process and reliability.

ONLINE GUIDES FOR MEMBERS

[FHLBNY.COM/ COLLATERAL](https://www.fhlbny.com/collateral)

Did you know we accept 1st & 2nd lien home equity lines of credit and expanded lendable value on Private Label CMBS?

» Learn the “ins & outs” of collateral pledging

[FHLBNY.COM/ MULOC](https://www.fhlbny.com/muloc)

» Read more about our MULOCs as an alternate form of collateral for your municipal deposits

Continued »

FEATURE ADVANCES FOR STRATEGIC & CONTINGENT LIQUIDITY

<p>FIXED-RATE ADVANCE <i>Achieve a wide variety of financial management goals</i></p>	<ul style="list-style-type: none"> » Regular "bullet" advance structure (most common advance type) » Preserve spread with longer dated maturities or use short-term for cash management » Forward start dates available 	<ul style="list-style-type: none"> » MATURITIES: Overnight to 30 years » MINIMUM AMOUNT: None » INTEREST PAYMENTS: First business day of each month or at maturity
<p>FIXED-RATE ADVANCE WITH A LIBOR CAP <i>Place an interest-rate cap on a fixed-rate borrowing and the rate can be reduced quarterly if 3-month LIBOR rises above your pre-selected cap</i></p>	<ul style="list-style-type: none"> » Protection against rising interest rates (can lower your institution's cost of funds as rates rise) » Flexible medium- to long-term funding option best used to extend liabilities, potentially enhance spreads, and preserve margins 	<ul style="list-style-type: none"> » MATURITIES: 1 to 10 years » MINIMUM AMOUNT: \$5 million per trade » INTEREST PAYMENTS: Quarterly on the funding date
<p>For added flexibility, Symmetry can be added to both the Fixed-Rate Advance (maturities of one year or greater; minimum advance size of \$3 million) and the Fixed-Rate Advance with a LIBOR Cap (a minimum advance size of \$5 million) for an additional 2 basis points. If the advance becomes "in the money" during its term, you could extinguish and realize a gain.</p>		
<p>CALLABLE ADVANCE <i>Build in a prepayment option to help reduce interest rate and prepayment risk at a minimal added cost</i></p>	<ul style="list-style-type: none"> » Extinguish funding in whole or in part with no prepayment fee after a lock-out period » Closely match fund fixed-rate mortgages and commercial loans » Flexibility to take advantage of different points of the interest rate cycle » Good hedging tool against mortgage loan prepayment risk 	<ul style="list-style-type: none"> » MATURITIES: 3, 5, 7, or 10 Years » MINIMUM AMOUNT: \$5 million per trade » INTEREST PAYMENTS: Quarterly on the funding date
<p>AMORTIZING ADVANCE <i>Complement the amortization characteristics of your fixed-rate mortgage-related assets</i></p>	<ul style="list-style-type: none"> » Enhance match funding of long-term mortgage-related assets » Borrow fixed-rate funds with the option of customizing the amortization schedule to match a selected prepayment profile 	<ul style="list-style-type: none"> » MATURITIES: 1 to 30 years » MINIMUM AMOUNT: None » INTEREST PAYMENTS: First business day of each month
<p>ADJUSTABLE RATE CREDIT "ARC" ADVANCE <i>Match the interest rate characteristics of your adjustable-rate assets</i></p>	<ul style="list-style-type: none"> » Reduce basis risk by funding adjustable rate assets with financing tied to the same repricing index » Link funding to a wide variety of indices: 1-, 3-, and 6-month LIBOR, Treasury bills, notes, bonds and Fed Funds » Limit exposure to rising and falling interest rates by using embedded derivatives 	<ul style="list-style-type: none"> » MATURITIES: 3 months to 30 years » MINIMUM AMOUNT: None » INTEREST PAYMENTS: Monthly or quarterly on the funding date, depending on index

Please note that terms are subject to credit conditions and member types.

INTERESTED IN LEARNING MORE ABOUT OUR ADVANCE PRODUCTS?

Despite the robust economy, liquidity pressures may pose significant challenges for community lending institutions. However, your FHLBNY can help you prepare for your continued growth and success. Being positioned to help our members with funding to achieve growth and mitigate risk in all operating environments has been a hallmark of our franchise since its inception in 1932. We stand ready to assist you, and will gladly conduct a funding strategy session with you to discuss your growth and liquidity plans.

If you have any questions on this article or would like to set up a funding strategy session, contact your Relationship Manager at (212) 441-6700 or our Member Services Desk at (212) 441-6600.

DO YOU RECEIVE OUR DAILY RATES EMAIL?

Members can sign up by sending an email request to fhlbny@fhlbny.com with your full name, title, institution, and email address.

CONNECT WITH US

UPCOMING EVENTS

Visit our website for a full list of events where the FHLBNY and your Relationship Managers will be present.

» 9/24-9/25:
New Jersey Bankers Association - Annual Senior Management Conference

PRESENTING
Atlantic City, NJ

» 9/25-9/27:
Independent Bankers Association of New York State - Annual Convention & Trade Show

EXHIBITING
Albany, NY

» 10/21-10/23:
New Jersey Credit Union League - 2018 Annual Convention

PRESENTING & EXHIBITING
Atlantic City, NJ

» 10/28-10/31:
New York Bankers Association - Financial Services Forum

Key Biscayne, FL

We look forward to connecting with our members, associates and constituents.



FOLLOW US TO SEE HOW WE'RE CONNECTING TO COMMUNITIES

SCHEDULE AN FHLBNY EDUCATION PROGRAM FOR YOUR TEAM OUR FOCUS, YOUR STRATEGIC ADVANTAGE



Member-Director Education Program held in the FHLBNY's Executive Boardroom



FHLBNY Member Stockholders' Meeting hosted at the Yale Club in New York City



Presentation delivered to the Mortgage Bankers Association of New York State



Member Funding Workshop held jointly with a consultant group

HOST YOUR MEETING AT THE FHLBNY

Our corporate headquarters can be used as a resource to host your next business meeting and we can present a customized education segment.

WHY MEET AT THE FHLBNY



Location



Flexible Meeting Spaces



State-of-the-art Technology



FHLBNY Education Programs

We can schedule a tour for your group and share how our new office was built to reinforce our mission and commitment to our cooperative.

In the spirit of the cooperative and our commitment to being a strategic partner for our members, the FHLBNY values opportunities to share our knowledge on key topics. The pace of change and the associated impacts on business can be difficult to monitor and manage. The FHLBNY keeps abreast of the operating landscape of our diverse membership to be ready to help you turn challenges into opportunities. Combined, the executive leaders on our educational team boast more than 200 years of market and industry experience and would be glad to tailor a presentation to suit your needs.

All training topics are custom-tailored to assist your team in achieving your business objectives:



TECHNICAL EDUCATION

- » Asset Liability Management and Interest Rate Risk
- » Deposit Pricing and Marginal Cost of Funds
- » Asset Growth Lending Ideas and Deposit Tiering
- » Balance Sheet Optimization
- » Guidance and Support for Regulatory Matters
- » Liquidity Management
- » Credit Union Secondary Capital Issuances and Alternative Investment Ideas
- » Net Income Optimization Strategies
- » FHLBank Debt Issuance and Rate Environment
- » Benefits of the FHLBNY Membership and How to Leverage Available Resources

Includes sessions and workshops held jointly with trusted consultants.

Contact your Relationship Manager today at (212) 441-6700 to schedule an FHLBNY Education Program.

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FEEDBACK WELCOME:

Have suggestions for a future topic? E-mail your thoughts to fhlbny@fhlbny.com. Visit our Member Resource Center for more funding solutions articles: fhlbny.com/members/resource-center.

The information provided by the Federal Home Loan Bank of New York (FHLBNY) in this communication is set forth for informational purposes only. The information should not be construed as an opinion, recommendation, or solicitation regarding the use of any financial strategy and/or the purchase or sale of any financial instrument. All customers are advised to conduct their own independent due diligence before making any financial decisions. Please note that the past performance of any FHLBNY service or product should not be viewed as a guarantee of future results. Also, the information presented here and/or the services or products provided by the FHLBNY may change at any time without notice.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995
This report may contain forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These statements are based upon our current expectations and speak only as of the date hereof. These statements may use forward-looking terms, such as "projected," "expects," "may," 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, regulatory and accounting rule adjustments or requirements, changes in interest rates, changes in projected business volumes, changes in prepayment speeds on mortgage assets, the cost of our funding, changes in our membership profile, the withdrawal of one or more large members, competitive pressures, shifts in demand for our products, and general economic conditions. We undertake no obligation to revise or update publicly any forward-looking statements for any reason.



PRODUCT, SERVICES & PROGRAM EDUCATION

- » Advances
- » Letters of Credit / Municipal Letters of Credit
- » Housing and Community Lending Programs
- » Secondary Market Outlets, including:
 - » Mortgage Partnership Finance® (MPF®) Program
- » Suite of Correspondent Services



ECONOMIC & INDUSTRY EDUCATION

- » Perspectives from the FHLBNY's Financial Economist
- » Deposit Flight in a Rising Rate Environment
- » Housing, Banking and Overall Industry Trends, Challenges and Opportunities



Member management meeting at the FHLBNY's headquarters



Presentation delivered to a credit union executive trade group

HAVE YOU READ: ECONOMIC PERSPECTIVES?



In response to member interest, we now offer a new FHLBNY newsletter authored by our Financial Economist, Brian Jones — *Economic Perspectives*.

Content featured ranges across national and local indicators impacting housing, employment and economic growth, and is distributed by email and posted to our website on a monthly basis or as timely topics arise.

Brian Jones is part of our educational team. Contact your Relationship Manager if you would like him to present to your institution.

Interested in being added to our distribution list? Send a request to fhlbny@fhlbny.com.