

## New York Community Bancorp

## 4Q loss, FY24 guide and dividend-cut to weigh on stock

Reiterate Rating: BUY | PO: 13.00 USD | Price: 10.38 USD

## Reports 4Q loss of \$0.27 per share; cuts dividend to 5c

NYCB reported adjusted 4Q23 loss per share of \$0.27 vs BofA/consensus +\$0.25/+\$0.29 estimates. The miss to our and consensus forecast was driven by a greater than expected loan loss reserve build with credit provisioning costs of \$552mn vs (\$75mn/\$46mn) as management built reserves tied to the commercial real estate (CRE) loans driven by office CRE. Net charge-offs rose to 22bp vs (7bp/9bp). Moreover, NYCB cut the quarterly common dividend per share to 5c from 17c driven in part by regulator push to boost capital/balance sheet liquidity and loan loss reserve levels as the bank prepares "for the enhanced prudential standards that apply to banks with \$100 billion or more in total assets." TBV per share ended the year at \$10/share.

## Stock to come under pressure, FY24 guide negative

While the credit migration and reserve build were not unexpected, they were significantly worse than we expected. Moreover, the dividend cut was a surprise given NYCB's capital levels, EPS outlook and expectations that credit risk should remain manageable given the lower risk credit characteristics of NYCB's commercial real estate book. Regulatory scrutiny for a \$100bn+ bank (crossed the asset threshold with the Signature bank acquisition) combined with a change in regulators (to the OCC as part of the Flagstar merger) appears to have contributed to some of the actions announced today. Mgmt's FY24 guide implies downside to BofA/consensus EPS outlook driven by a lower net interest margin guidance 2.40-2.50% vs (3.02%/2.99%). We reiterate our Buy rating. We will re-evaluate our EPS outlook following mgmt comments during the 8:30am ET earnings call.

## Exhibit 1: 4Q23 EPS outlook vs BofA/consensus

4Q loss compares to +\$0.29/share consensus forecast

	4Q23	BofAe	Cons	vs BofAe	vs Cons
NII	740.0	787.4	787.8	-6.0%	-6.1%
Provisions	552.0	75.0	46.2	636.0%	1095.2%
Fees	138.0	139.0	142.7	-0.7%	-3.3%
Expenses	593.0	571.9	570.9	3.7%	3.9%
PPNR	285.0	354.5	359.5	-19.6%	-20.7%
Tax rate	N/A	23.0	23.5	N/A	N/A
EPS	(0.27)	0.25	0.29	-208.7%	-193.1%
EOP Loan growth QoQ	-0.1%	-0.3%	0.3%	10bp	-50bp
EOP Deposit growth QoQ	-1.6%	-2.3%	-1.6%	70bp	0bp
NIM	2.82%	3.07%	2.97%	-25bp	-15bp

Source: BofA global research, Bloomberg

BofA GLOBAL RESEARCH

31 January 2024

## Equity

**Ebrahim H. Poonawala**  
Research Analyst  
BofAS  
[ebrahim.poonawala@bofa.com](mailto:ebrahim.poonawala@bofa.com)

**Brandon Berman**  
Research Analyst  
BofAS  
[brandon.berman@bofa.com](mailto:brandon.berman@bofa.com)

**Gabriel Angelini**  
Research Analyst  
BofAS  
[gabriel.angelini@bofa.com](mailto:gabriel.angelini@bofa.com)

**Isiah Austin**  
Research Analyst  
BofAS  
[isiah.austin@bofa.com](mailto:isiah.austin@bofa.com)

**Christian Panebianco**  
Research Analyst  
BofAS  
[christian.panebianco@bofa.com](mailto:christian.panebianco@bofa.com)

## Stock Data

Price	10.38 USD
Price Objective	13.00 USD
Date Established	10-Oct-2023
Investment Opinion	B-1-7
52-Week Range	5.81 USD -14.22 USD
Mrkt Val / Shares Out (mn)	7,499 USD / 722.5
Free Float	97.5%
Average Daily Value	93.71 USD
BofA Ticker / Exchange	NYCB / NYS
Bloomberg / Reuters	NYCB US / NYCB.N
ROE (2023E)	8.8%
ESGMeter™	Medium

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Timestamp: 31 January 2024 09:01AM EST

**Exhibit 2: FY24 guidance vs BofA/consensus**

Lower net interest margin guidance implies potential for negative EPS revisions

	Guidance	2023	Implied 2024	BofAe	Cons	vs BofAe	vs Cons
Fees	595	556.0	595.0	591.3	569.5	0.6%	4.5%
Expenses	2350	2,175.0	2,350.0	2,242.1	2,214.7	4.8%	6.1%
Tax rate	23%	-	23.0%	23.0%	23.2%	-	-
EOP Loan growth QoQ	-4.0%	84,600.0	81,216.0	85,089.4	85,309.2	-4.6%	-4.8%
EOP Deposit growth QoQ	4%	82,400.0	85,696.0	86,991.7	84,025.9	-1.5%	2.0%
NIM	2.45%	2.99%	2.45%	3.02%	2.99%	-57bp	-54bp
CET1	10.0%	9.1%	10.0%	9.7%	9.9%	30bp	6bp
Cash and Securities	7,500.00	20,700.00	28,200.00	21,600.00	10,700.00	30.6%	163.6%

Source: BofA global research, Bloomberg

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## Price objective basis & risk

### New York Community Bancorp (NYCB)

Our \$13 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 11.5x/1.0x multiples, respectively, below the bank's 5 year pre pandemic median of 15.1x/1.7x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop. Upside risks to our price objective are: better than expected growth, steepening in the yield curve, and better than expected deal synergies. Downside risks to our price objective are: worse than expected growth, significantly higher than (market) expected Fed Funds rate, severe downturn in the NYC economy and the NYC commercial real estate market.

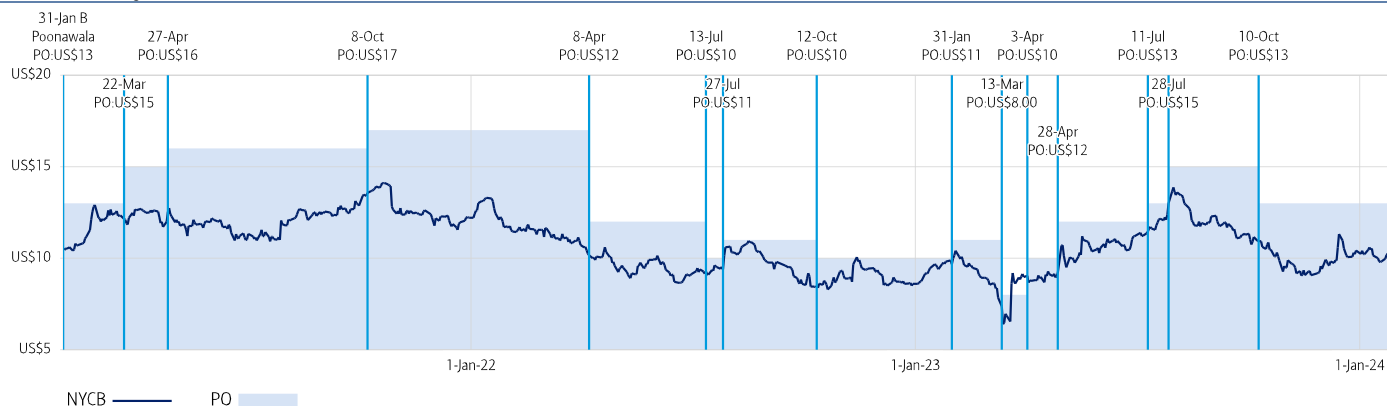
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### New York Community (NYCB) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	100	49.75%	Buy	84	84.00%
Hold	54	26.87%	Hold	41	75.93%
Sell	47	23.38%	Sell	35	74.47%

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Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Neutral	≥ 0%	≤ 30%
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