

New York Community Bancorp

Investor group, capital to afford time for engineering a turnaround

Maintain Rating: NEUTRAL | PO: 5.00 USD | Price: 3.46 USD

Turnaround experts in charge

NYCB shares reversed an approximately 40% intra-day drop on an update that management had secured a \$1bn+ equity injection from an investor consortium led by former US Treasury Secretary Steven Mnuchin. Additionally, former OCC head Joseph Otting was appointed CEO. Both will join NYCB's board. Recall that Mnuchin and Otting worked together on the turnaround of failed bank IndyMac (rebranded as OneWest, eventually sold to CIT) post the GFC (Global Financial Crisis). We calculate a pro-forma TBV per share in the \$5.50-\$6 range to reflect the equity injection (warrant coverage) vs \$10 at YE23.

Our view: Actions provide breathing room

We believe that the capital injection combined with the credibility of the investor base in the financial services and real estate (important given NYCB's CRE exposure) sectors should offer mgmt. the time and flexibility to engineer a turnaround. The actions should alleviate investor concerns about NYCB's ability to navigate the current crisis. The focus is now likely to shift to the core EPS/ROE power of the franchise, mgmt's update on the credit outlook for its NYC rent stabilized multifamily loan book and how it plans to reduce this exposure. Additionally, investors will be looking for an update on deposit pricing / net interest income outlook to assess the impact from the ~50% stock sell-off since 01/31, ratings agency downgrades on depositor behavior. Mgmt will be hosting an investor call at 8am US-ET Thursday, March 7. No change to our Neutral rating; we see risk/reward as balanced and look forward to additional details during tomorrow's call.

Pro-forma TBV ~\$5.50-\$6 per share

Raising \$1.05bn of equity capital in a transaction led by Liberty Strategic Capital (Steven Mnuchin), Reverence Capital Partners, Hudson Bay Capital, and Citadel Global Equities. Under terms of the deal, NYCB will sell and issue common stock (at \$2.00) and a series of convertible preferred stock with a conversion price of \$2.00 for a total investment of \$1.05bn (implies 525mn shares). \$1bn in capital equates to ~100bp to the CET1 capital ratio. In addition, investors would receive 60% warrants coverage to purchase common-equivalent stock with an exercise price of \$2.50 (implies potential dilution of ~250mn shares, unclear when these can be exercised). The transaction is expected to close March 11.

Continued on page 3...

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	1.24	0.79	0.80	1.00	1.05
GAAP EPS	1.27	3.37	0.80	1.00	1.05
EPS Change (YoY)	0.8%	-36.3%	1.3%	25.0%	5.0%
Consensus EPS (Bloomberg)			0.61	0.82	1.03
DPS	0.68	0.56	0.20	0.20	0.20
Valuation (Dec)					
P/E	2.8x	4.4x	4.3x	3.5x	3.3x
GAAP P/E	2.7x	1.0x	4.3x	3.5x	3.3x
Dividend Yield	19.7%	16.2%	5.8%	5.8%	5.8%

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Equity

Ebrahim H. Poonawala
Research Analyst
BofAS
+1 646 743 0490
ebrahim.poonawala@bofa.com

Brandon Berman
Research Analyst
BofAS
+1 646 855 3933
brandon.berman@bofa.com

Christian Panebianco
Research Analyst
BofAS
+1 646 855 3912
christian.panebianco@bofa.com

Isiah Austin
Research Analyst
BofAS
+1 646 855 0472
isiah.austin@bofa.com

Gabriel Angelini
Research Analyst
BofAS
+1 646 855 3081
gabriel.angelini@bofa.com

Stock Data

Price	3.46 USD
Price Objective	5.00 USD
Date Established	7-Feb-2024
Investment Opinion	B-2-8
52-Week Range	1.70 USD -14.22 USD
Mkt Val / Shares Out (mn)	2,498 USD / 722.1
Free Float	97.4%
Average Daily Value	175.87 USD
BofA Ticker / Exchange	NYCB / NYS
Bloomberg / Reuters	NYCB US / NYCB.N
ROE (2024E)	5.4%
ESGMeter™	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

Acronyms

TBV: Tangible book value

ROE: Return on equity

OCC: The Office of the Comptroller of Currency

CET1: Common equity tier 1 capital

iQprofileSM New York Community Bancorp

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Interest Income	1,396	3,077	2,790	2,899	2,989
% change	8.3%	120.4%	-9.3%	3.9%	3.1%
Net Fee Income	90	557	598	626	626
Securities Gains / (Losses)	(2)	(1)	0	0	0
Total Operating Income	1,574	4,190	3,985	4,151	4,241
Operating Expenses	(461)	(2,175)	(2,432)	(2,449)	(2,486)
% change	-10.7%	371.8%	11.8%	0.7%	1.5%
Provisions Expense	(16)	(701)	(160)	(100)	(100)
% change	522.8%	4,281.3%	-77.2%	-37.5%	0%
Operating Pre-Tax Income	864	757	796	975	1,029
Operating Net Income to Comm S/Hold.	602	585	581	719	760
GAAP Net Income	634	617	613	751	792

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Total Assets	90,144	116,322	122,105	125,123	130,655
Average Interest Earning Assets	59,240	102,489	112,690	113,745	118,020
Total Gross Customer Loans	70,116	85,801	82,385	81,824	81,394
% change	53.3%	22.4%	-4.0%	-0.7%	-0.5%
Total Customer Deposits	58,721	81,365	85,057	89,756	94,841
% change	67.5%	38.6%	4.5%	5.5%	5.7%
Tangible Equity	5,608	7,266	8,121	8,781	9,483
Common Shareholders' Equity	8,321	10,317	11,045	11,620	12,236

Key Metrics (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Interest Margin	2.36%	3.00%	2.48%	2.55%	2.53%
Effective Tax Rate	26.6%	18.5%	23.0%	23.0%	23.0%
Loan / Deposit Ratio	119.4%	105.5%	96.9%	91.2%	85.8%
Tangible Common Equity / Assets	6.2%	6.2%	6.7%	7.0%	7.3%
ROA	0.93%	0.51%	0.47%	0.58%	0.59%
ROE	9.1%	5.6%	5.4%	6.4%	6.4%
RoTE	12.4%	8.8%	7.5%	8.5%	8.3%
Dividend Payout Ratio	54.7%	68.4%	24.9%	20.1%	19.0%
Efficiency Ratio (Cost / Income Ratio)	29.3%	51.9%	61.0%	59.0%	58.6%

Quality of Earnings (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Total Non-Interest Inc / Operating Inc	11.3%	26.6%	30.0%	30.2%	29.5%
NPLs plus Foreclosed Real Estate / Loans	0.2%	0.5%	1.3%	1.2%	1.1%
Loan Loss Reserves / NPLs	278.72%	231.78%	100.42%	113.37%	127.94%
Loan Loss Reserves / Total Loans	0.56%	1.16%	1.30%	1.33%	1.37%

Company Sector

Banks-US Regionals

Company Description

New York Community Bancorp, Inc. is the parent company of Flagstar Bank, N.A., one of the largest regional banks in the country. The Company is headquartered in Hicksville, New York with regional headquarters in Troy, Michigan. Proforma, at September 30, 2022, the Company had \$88.4 billion of assets, \$66.0 billion of loans, deposits of \$58.3 billion, and total stockholders' equity of \$9.3 billion.

Investment Rationale

Significant uncertainty stemming from the need for additional credit reserves, potential for an external capital raise, abrupt management changes pose downside risk to the stock. While we see potential downside risks to our forecast, we believe that current valuation is already pricing-in a range of negative outcomes, keeping us at a Neutral rating

Stock Data

Average Daily Volume 50,830,000

Quarterly Earnings Estimates

	2023	2024
Q1	0.23A	0.12E
Q2	0.47A	0.18E
Q3	0.36A	0.23E
Q4	-0.27A	0.27E

Former OCC head becomes CEO

As part of the reorg, former Comptroller of the Currency (worked at the OCC for three years) Joseph Otting (recall that OCC is NYCB's primary regulator) will become the bank's CEO. Mnuchin and Otting will join NYCB's board, which would be reduced to nine members (from 12) if the deal is approved by regulators. Under terms of the deal, former CEO Tom Cangemi will leave the board while Sandro DiNello, Marshall Lux, Peter Schoels, Jennifer Whip, and David Treadwell will remain.

Should inject confidence

In the press release, Secretary Mnuchin commented that: "We decided to make this investment because we believe Sandro, alongside new management, has taken the appropriate actions to stabilize the Company ... We are delighted that former Comptroller Otting will be NYCB's new CEO ... We are confident that NYCB is poised to generate sustainable shareholder value."



Price objective basis & risk

New York Community Bancorp (NYCB)

Our \$5.0 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 5.0x/0.5x 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, faster than expected decline in market interest rates that would provide relief in funding costs and to its CRE borrowers, and better than expected deal synergies. Downside risks to our price objective are: worse than expected credit losses, higher deposit costs, severe downturn in the NYC economy and the NYC commercial real estate market, additional loan loss reserve and external capital raise .

Analyst Certification

I, Ebrahim H. Poonawala, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Ares Capital Corporation	ARCC	ARCC US	Derek Hewett
	Bank of Montreal	BMO	BMO US	Ebrahim H. Poonawala
	Bank of Montreal	YBMO	BMO CN	Ebrahim H. Poonawala
	Barings BDC Inc	BBDC	BBDC US	Derek Hewett
	Blue Owl Capital Corporation	OBDC	OBDC US	Derek Hewett
	Carlyle Secured Lending Inc	CGBD	CGBD US	Derek Hewett
	Citigroup Inc.	C	C US	Ebrahim H. Poonawala
	Compass Diversified Holdings	CODI	CODI US	Derek Hewett
	Crescent Capital BDC	CCAP	CCAP US	Derek Hewett
	Cullen/Frost Bankers Inc	CFR	CFR US	Ebrahim H. Poonawala
	East West Bancorp, Incorporated	EWBC	EWBC US	Ebrahim H. Poonawala
	Fifth Third Bank	FITB	FITB US	Ebrahim H. Poonawala
	First Bancorp Puerto Rico	FBP	FBP US	Brandon Berman
	First Horizon Corporation	FHN	FHN US	Ebrahim H. Poonawala
	FNB Corporation of Pennsylvania	FNB	FNB US	Brandon Berman
	Goldman Sachs	GS	GS US	Ebrahim H. Poonawala
	JPMorgan Chase & Co.	JPM	JPM US	Ebrahim H. Poonawala
	KeyCorp	KEY	KEY US	Ebrahim H. Poonawala
	M&T Bank	MTB	MTB US	Ebrahim H. Poonawala
	Morgan Stanley	MS	MS US	Ebrahim H. Poonawala
	New Mountain Finance Corporation	NMFC	NMFC US	Derek Hewett
	Northern Trust Corporation	NTRS	NTRS US	Ebrahim H. Poonawala
	Nuveen Churchill Direct Lending	NCDL	NCDL US	Derek Hewett
	Royal Bank of Canada	RY	RY US	Ebrahim H. Poonawala
	Royal Bank of Canada	YRY	RY CN	Ebrahim H. Poonawala
	Safehold, Inc	SAFE	SAFE US	Derek Hewett
	Sixth Street Specialty Lending, Inc	TSLX	TSLX US	Derek Hewett
	Synovus Financial Corp.	SNV	SNV US	Ebrahim H. Poonawala
	The Bank of New York Mellon Corporation	BK	BK US	Ebrahim H. Poonawala
	Truist Financial	TFC	TFC US	Ebrahim H. Poonawala
	U.S. Bancorp	USB	USB US	Ebrahim H. Poonawala
	Webster Financial Corp.	WBS	WBS US	Brandon Berman
	Wells Fargo & Company	WFC	WFC US	Ebrahim H. Poonawala
	Western Alliance Bancorp	WAL	WAL US	Ebrahim H. Poonawala
NEUTRAL				
	AGNC Investment Corp	AGNC	AGNC US	Derek Hewett
	Ally Financial	ALLY	ALLY US	Brandon Berman



North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Annaly Capital Management	NLY	NLY US	Derek Hewett
	Associated Banc-Corp	ASB	ASB US	Brandon Berman
	Bain Capital Specialty Finance, Inc.	BCSF	BCSF US	Derek Hewett
	Bank of Nova Scotia	YBNS	BNS CN	Ebrahim H. Poonawala
	Bank of Nova Scotia	BNS	BNS US	Ebrahim H. Poonawala
	Blackstone Mortgage Trust Inc	BXMT	BXMT US	Eric Dray, CFA
	Blackstone Secured Lending Fund	BXSL	BXSL US	Derek Hewett
	Canadian Imperial Bank of Commerce	CM	CM US	Ebrahim H. Poonawala
	Canadian Imperial Bank of Commerce	YCM	CM CN	Ebrahim H. Poonawala
	Citizens Financial Group	CFG	CFG US	Ebrahim H. Poonawala
	Comerica Incorporated	CMA	CMA US	Brandon Berman
	Commerce Bancshares Inc.	CBSH	CBSH US	Brandon Berman
	Goldman Sachs BDC, Inc.	GSBD	GSBD US	Derek Hewett
	Golub Capital BDC, Inc.	GBDC	GBDC US	Derek Hewett
	Huntington Bancshares Inc.	HBAN	HBAN US	Ebrahim H. Poonawala
	Ladder Capital Corp	LADR	LADR US	Eric Dray, CFA
	New York Community Bancorp	NYCB	NYCB US	Ebrahim H. Poonawala
	Palmer Square Capital BDC	PSBD	PSBD US	Derek Hewett
	PennyMac Mortgage Investment Trust	PMT	PMT US	Derek Hewett
	Popular Inc	BPOP	BPOP US	Brandon Berman
	Regions Financial	RF	RF US	Ebrahim H. Poonawala
	Starwood Property Trust	STWD	STWD US	Eric Dray, CFA
	The PNC Financial Services Group, Inc.	PNC	PNC US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	TD	TD US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	YTD	TD CN	Ebrahim H. Poonawala

UNDERPERFORM

	Apollo Commercial Real Estate Finance	ARI	ARI US	Eric Dray, CFA
	Ares Commercial Real Estate Corporation	ACRE	ACRE US	Eric Dray, CFA
	Bank of Hawaii Corp.	BOH	BOH US	Brandon Berman
	BrightSpire Capital Inc.	BRSP	BRSP US	Eric Dray, CFA
	First Hawaiian Inc.	FHB	FHB US	Brandon Berman
	Guild Holdings Company	GHLD	GHLD US	Derek Hewett
	Invesco Mortgage Capital, Inc.	IVR	IVR US	Derek Hewett
	loanDepot Inc	LDI	LDI US	Derek Hewett
	MidCap Financial Investment Co	MFIC	MFIC US	Derek Hewett
	Prosperity Bancshares Inc	PB	PB US	Ebrahim H. Poonawala
	State Street Corporation	STT	STT US	Ebrahim H. Poonawala
	Texas Capital Bancshares Inc.	TCBI	TCBI US	Brandon Berman
	TPG RE Finance Trust, Inc.	TRTX	TRTX US	Eric Dray, CFA
	Zions Bancorp	ZION	ZION US	Brandon Berman

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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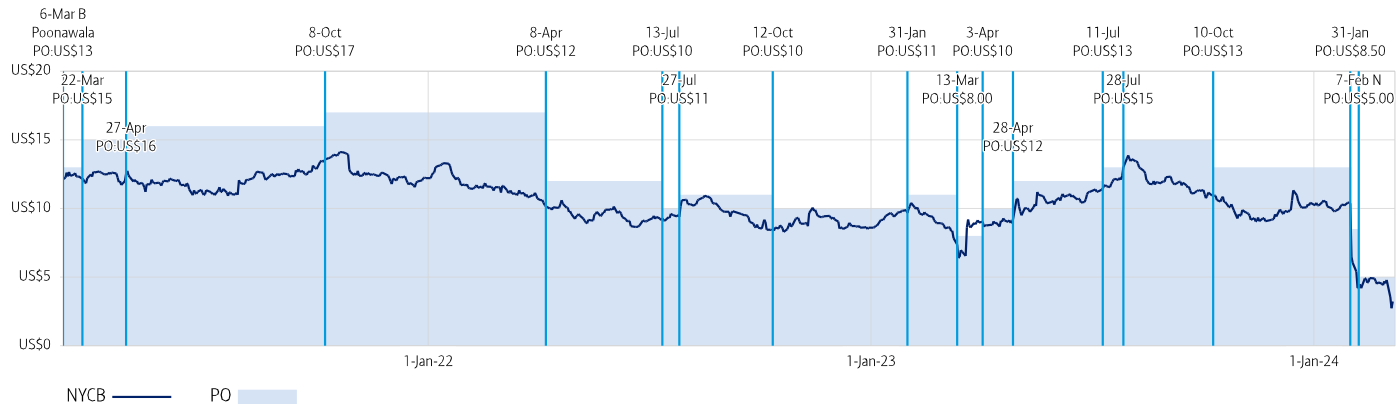
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Disclosures

Important Disclosures

New York Community (NYCB) Price Chart



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

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Banks Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	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%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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