

New York Community Bancorp

Delays 10-K filing as material weakness identified

Reiterate Rating: NEUTRAL | PO: 5.00 USD | Price: 4.79 USD

Material weaknesses identified

After markets closed NYCB disclosed a delay in the filing of its 10-K owing to “material weaknesses in the Company’s internal controls related to internal loan review, resulting from ineffective oversight, risk assessment and monitoring activities. The Company’s remediation plan with respect to such material weaknesses is expected to be described in the 2023 Form 10-K. The Company expects to file its 10-K within the fifteen calendar day grace period. Does not currently anticipate that its statement of operations contained in the 2023 Form 10-K will differ materially from those reported for the full fiscal year ended Dec 31, 2023, in [yesterday’s] the Amendment dated Feb 29, 2024.”

Sandro DiNello assumes CEO role, goodwill written down

Additionally the following announcements were made: 1) Executive Chairman Sandro DiNello appointed President and CEO effective immediately (replacing former CEO Tom Cangemi, remains on the Board). 2) Current Board member Marshall Lux, most recently at Boston Consulting Group (formerly Global Chief Risk Officer at Chase Consumer Bank 2007-2009) was appointed Presiding Director of the Board. 3) NYCB wrote down 100% (or \$2.4bn) of goodwill (no impact to TBV or regulatory capital ratios). 4) Recorded a net decrease of \$19mn to the bargain purchase gain stemming from the acquisition of Signature Bank. 5) Recorded a \$10mn expense related to the Feb 23, 2024 FDIC special assessment letter issued to certain banks to recover Deposit Insurance Fund losses.

Update creates additional uncertainty

While it is plausible that NYCB could file the 10-K within the fifteen calendar days without material changes to today’s amended filing, the material weakness issue will further add to investor concerns (stock -20% in after-market trading). Over the past few weeks mgmt. has stated that it had undertaken a deep dive review of the commercial real estate (CRE) loans. The conclusion of this review combined with mgmt’s assessment of the EPS power will determine the need for additional loan loss reserve build and/or external capital raise. Both these pose downside risks to our EPS/TBV forecast and PO. Moreover, the risk of another sharp sell-off in the stock impacting deposit pricing cannot be ruled-out. However, we note that deposit balances seem to have held up relatively well following the initial 50%+ stock sell-off, highlighting the retail/diversified nature of NYCB’s deposit base. While we see potential downside risks to our forecast, we believe that current valuation at 0.4x P/TBV is already pricing-in a range of negative outcomes, keeping us at a Neutral rating .

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)			0.65	0.87	1.03
DPS	0.68	0.56	0.20	0.20	0.20
Valuation (Dec)					
P/E	3.9x	6.1x	6.0x	4.8x	4.6x
GAAP P/E	3.8x	1.4x	6.0x	4.8x	4.6x
Dividend Yield	14.2%	11.7%	4.2%	4.2%	4.2%

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01 March 2024

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Stock Data

Price	4.79 USD
Price Objective	5.00 USD
Date Established	7-Feb-2024
Investment Opinion	B-2-8
52-Week Range	3.60 USD -14.22 USD
Mkt Val / Shares Out (mn)	3,459 USD / 722.1
Free Float	97.4%
Average Daily Value	192.58 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”.

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 40,204,580

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

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
	Ares Commercial Real Estate Corporation	ACRE	ACRE 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
	Blackstone Mortgage Trust Inc	BXMT	BXMT 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
	Starwood Property Trust	STWD	STWD 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



North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
	Annaly Capital Management	NLY	NLY US	Derek Hewett
	Apollo Commercial Real Estate Finance	ARI	ARI 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 Secured Lending Fund	BXSL	BXSL US	Derek Hewett
	BrightSpire Capital Inc.	BRSP	BRSP 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	Derek Hewett
	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
	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
	TPG RE Finance Trust, Inc.	TRTX	TRTX US	Derek Hewett
UNDERPERFORM				
	Bank of Hawaii Corp.	BOH	BOH US	Brandon Berman
	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
	Zions Bancorp	ZION	ZION US	Brandon Berman
RSTR				
	Sixth Street Specialty Lending, Inc	TSIX	TSIX US	Derek Hewett

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

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

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

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

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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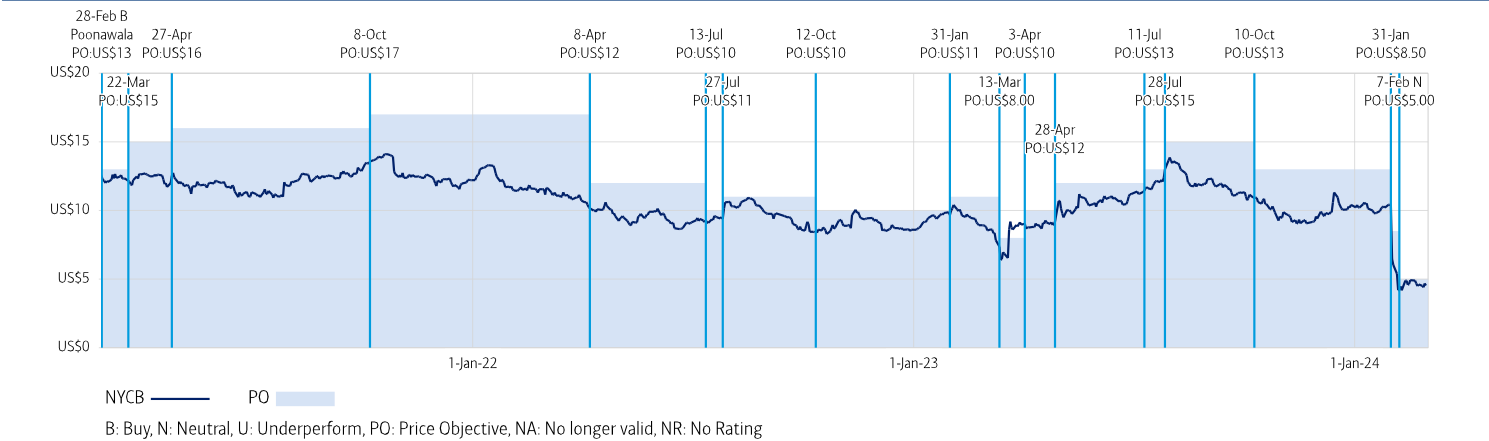
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New York Community (NYCB) Price Chart



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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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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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the report: New York Community B.

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