

MARKETWATCH

NYCB raises more than \$1 billion in equity investment led by former Treasury Secretary Steven Mnuchin's firm



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The troubled bank named yet another new CEO, while its stock remained halted

New York Community Bancorp. has raised more than \$1 billion in an equity investment anchored by former Treasury Secretary Steven Mnuchin's investment firm, the bank announced Wednesday.

Under the terms of the deal, NYCB (NYCB) will offer shares priced at \$2, or a 38% discount to Tuesday's closing price. Investors will also receive convertible preferred stock with a conversion price of \$2, and will receive 60% warrant coverage to buy non-voting, common-equivalent stock with an exercise price of \$2.50 a share, or a 25% premium to the price paid on common stock.

NYCB's stock was rose 9.3% to \$3.52 in recent trading.

Earlier, the stock was halted after falling more than 40% on a report it was seeking to raise equity capital via a stock sale, sinking to \$1.86.

The bank said it is appointing Joseph Otting as its new chief executive and moving Alessandro DiNello to the role of non-executive chairman. Otting was the U.S. Comptroller of the Currency from 2017 to 2020.

DiNello had taken up the CEO role a week ago.

Other investors in the deal include Liberty Strategic Capital, Hudson Bay Capital, Reverence Capital Partners, Citadel Global Equities and other institutional investors and members of the management team.

The move comes less than a year after a group of 11 banks injected \$30 billion in uninsured deposits into First Republic bank following a run on that regional bank, a move that failed to keep it afloat. First Republic was later sold to JPMorgan Chase & Co. (JPM).

There's no guarantee that the \$1 billion will be enough to put all doubts to rest with NYCB as it faces exposure to stressed office and multifamily loans.

Also read: First Republic gets \$30 billion in deposits from 11 major U.S. banks, but stock resumes slide as it suspends dividend

Before the announcement, NYCB's stock had cratered following a report that it was seeking to raise equity capital and had sent bankers to see if investment firms would be willing to buy its stock.

Also read: NYCB's stock plunges 45% after report it's exploring a stock sale, highlighting uncertainty about its future

Executives in the banking business have been expecting New York Community Bancorp to right itself.

The executive and industry analysts agree that the bank needs to raise capital to protect against potential loan losses in its portfolio.

An effort to issue stock to raise capital was one that led to the collapse of Silicon Valley Bank a year ago and contributed to the collapse of Signature Bank and First Republic.

About half of NYCB's loans on multifamily residential properties are subject to rent restrictions. That means landlords can't raise rents to combat the effect of higher interest rates.

"Lower rates are not going to solve this problem, there needs to be changes to the law and unfortunately, the wheels of justice move very slowly," DA Davidson said in a recent note.

NYCB is also adding four new directors to its board, according to the Wednesday release. The four are Mnuchin, Otting, Allen Puwalski from Hudson Bay, and Milton Berlinski, Managing Partner of Reverence Capital.

"In evaluating this investment, we were mindful of the bank's credit risk profile," Mnuchin said in a statement. "With the over \$1 billion of capital invested in the bank, we believe we now have sufficient capital should

reserves need to be increased in the future to be consistent with or above the coverage ratio of NYCB's large bank peers."

Also read: New York Community Bancorp may attract buyers for mortgage-servicing rights

Read on: NYCB's stock continues its slide despite analyst's vote of confidence

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