VOTE OF THE WEEK: NEW YORK COMMUNITY BANCORP

New York Community Bancorp (NYCB), a company with triennial Say on Pay votes, received 46% vote support in 2014 after receiving 83% support in 2011. The decreased support is likely due to:

- Sizable and increasing tax gross-up payments made upon vesting of equity awards
- Lack of clawback or stock-holding policies for executives
- Use of identical performance goals in the annual and long-term incentive plans

	FY2013	FY2012	FY2011	FY2010
OUTCOME	46%	NA	NA	83%
CEO PAY [1]	$9.8MM	$8.8MM	$6.7MM	$5.6MM
1-YR TSR [2]	38%	14%	-30%	38%
3-YR TSR	3%	3%	9%	10%
REVENUE	$1.92B	$2.09B	$2.10B	$2.24B
MARKET VALUE	$7.43B	$5.75B	$5.41B	$8.21B

COMPANY INFORMATION, PERFORMANCE, AND CONTEXT

- New York Community Bancorp provides banking services and produces multi-family loans
- FY 2013 revenue decreased 8%; net income decreased 5%
- During the Company's 2011 annual meeting, stockholders approved a triennial frequency for Say on Pay with 51% of votes cast; at the time, proxy advisors expressed concern with several of the pay practices detailed below
- As a triennial Say on Pay issuer, the Company has not received an advisory vote on executive compensation from shareholders since 2011

EMPLOYMENT AGREEMENTS AND CORPORATE GOVERNANCE

- The Company maintains employment agreements with the CEO and other named executive officers subject to an automatic daily renewal provision that continuously extends the contract term to three years from the then-current date
- Under the agreements, each executive officer receives an annual payment to assist with tax obligations related to equity vesting; such payments have increased in magnitude each year from $255k for the CEO in 2009 (the first year of tax reimbursement) to $1.8MM in 2013
- Shareholders may be concerned that these unusual legacy provisions (which have declined in prevalence based in part on feedback generated during the annual Say on Pay process) are tied to an automatic daily renewal clause
- The agreements additionally provide for full reimbursement of excise tax upon termination without cause or voluntary termination for good reason following a change in control
- The Company does not disclose any policies regarding clawback of incentive awards, stock-holding requirements, or executive ownership guidelines; however each of the named officers currently holds a position equal to more than 10x base salary

PAY PROGRAM

- *Annual and Long-Term Incentives*: While the annual plan is denominated in cash and the long-term plan is denominated in stock, both are subject to identical performance conditions; outcomes are based on the one-year achievement of four measures relative to peers: efficiency ratio, net charge-offs, return on average assets, and tier 1 capital ratio
  - Award payouts are based upon the average of the Company's percentile ranking for each measure relative to peers, with target award payouts corresponding to 50th percentile performance
  - The entirety of incentive compensation (in the case of the CEO, more than 2/3 of total target pay) is tied to achievement of this combined performance metric

ISS PROPOSAL EXCERPT

- "A vote AGAINST this proposal is warranted as the company continues to provide excessive tax gross-up payments to executives related to the vesting of their equity awards. Further, the company utilizes the same goals and performance period for short- and long-term incentives which leads to redundant payouts despite delivering the same set of results."

Source: Semler Brossy data and analysis; Fund Votes LLC; ISS Voting Analytics; FactSet; New York Community Bancorp DEF14A.

[1] As disclosed in the Summary Compensation Table;
[2] Financials as of the four most recently disclosed fiscal year ends (i.e., FYE2013, FYE2012, FYE2011 and FYE2010).