

Hudson City Bancorp, Inc. (HCBK) 12/1/09

HCBK operates as a regional commercial bank as well as offering some individual wealth management and mortgage services. In 2008 the company operates 93 branches in the states of New Jersey, New York, and Connecticut. HCBK was founded in 1868 and is headquartered in Paramus, New Jersey.

Current Price	\$13.16
52 Week High	\$16.50
52 Week Low	\$7.46
One Yr Target	\$15.00
Market Cap (in billions)	\$6.45
P/E (Trailing)	12.59
P/E(1 Yr Forward)	11.15
P/E/G	0.70
ROA	0.93%
ROE	10.24%
EPS	\$1.05
Beta	0.77
Annualized Dividend	\$0.60
Dividend Yield	4.56%
Analyst Consensus	2.80
Debt to Equity	10.20



Annual EPS

2005	\$0.47	
2006	\$0.52	10.36%
2007	\$0.57	10.25%
2008	\$0.85	49.15%
2009E	\$1.05	22.86%

Annual Revenue (in millions)

2005	\$1,178.90	
2006	\$1,614.80	36.98%
2007	\$2,127.50	31.75%
2008	\$2,653.20	24.71%

Annual Net Income (in millions)

2005	\$276.10	
2006	\$288.60	4.53%
2007	\$295.80	2.49%
2008	\$445.60	50.64%

Free Cash Flows (in millions)

2005	\$262.70	
2006	\$298.60	13.67%
2007	\$336.10	12.56%
2008	\$445.80	32.64%

Required Rate of Return

8.87%

Dividend Growth Model

Present Value of 2014 Price	\$5.88
Holding Period Return (5 years)	1.05%

Expected Annualized Return Model

Present Value of 2014 Price	\$29.76
Holding Period Return (5 years)	17.42%

Residual Income Model

Intrinsic Stock Price	\$8.14
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Analysis

Positives

Low PEG ratio coupled with good operating margins suggest stock is a good value

Low Beta and high Dividend Yield suggest stock price will be continually stable

Negatives

Two of the valuation ratios have the current stock price as being overvalued

Financial Statements

Income Statement is ok, Interest Expense is increasing more than desired

Balance Sheet is great, nice increase in Loans and Deposits which leads to Retained Earnings

Retirement of Stock and Debt have slowed of late, but Cash Flows are still decent

Industry Analysis

Certain regional banks may be poised for gains because they lack the problems of their big bros.

Company is one of the largest in a crowded industry, and has some of the best financial ratios

Summary

HCBK is a good bank and seems to be very well run. The current stock price is attractive with such a low PEG ratio and a nice Dividend Yield. Its financial statements are good and show a bank that is responsible and still growing. Analysts project a nice five-year growth rate for the bank; this also helps show why the expected EAR value is so high. HCBK is a responsible bank that hasn't dealt in subprime mortgages and didn't participate in the TARP program, and has lower Loan Loss Charge-offs. Going forward HCBK should reap the benefits of its great operating model and continue to post increasing EPS and Dividend numbers, resulting in an increased stock price. HCBK might not see the growth that some other, more highly-levered banks might but it is almost a sure bet to increase, and thus earns a **buy** rating.