
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2023**

Commission file number **001-33013**

FLUSHING FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

11-3209278
(I.R.S. Employer Identification No.)

220 RXR Plaza, Uniondale, New York 11556
(Address of principal executive offices)

(718) 961-5400
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	FFIC	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒
Non-accelerated filer ☐ Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the exchange act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☒ No

The number of shares of the registrant's Common Stock outstanding as of October 31, 2023 was 28,904,625.

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PART I – FINANCIAL INFORMATION
FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
Consolidated Statements of Financial Condition
(Unaudited)

Item 1. Financial Statements

	September 30, 2023	December 31, 2022
	<i>(Dollars in thousands, except per share data)</i>	
Assets		
Cash and due from banks	\$ 200,926	\$ 151,754
Securities held-to-maturity, net of allowance of \$1,082 and \$1,100, respectively (assets pledged of \$4,319 and \$4,550, respectively; fair value of \$57,665 and \$62,550, respectively)	73,131	73,711
Securities available for sale, at fair value (assets pledged of \$141,852 and \$172,235, respectively; \$12,782 and \$13,023 at fair value pursuant to the fair value option, respectively)	843,663	735,357
Loans, net of fees and costs	6,896,074	6,934,769
Less: Allowance for credit losses	(39,228)	(40,442)
Net loans	6,856,846	6,894,327
Interest and dividends receivable	55,660	45,048
Bank premises and equipment, net	21,302	21,750
Federal Home Loan Bank of New York stock, at cost	43,821	45,842
Bank owned life insurance	214,321	213,131
Goodwill	17,636	17,636
Core deposit intangibles	1,651	2,017
Right of use asset	41,404	43,289
Other assets	206,922	179,084
Total assets	<u>\$ 8,577,283</u>	<u>\$ 8,422,946</u>
Liabilities		
Due to depositors:		
Non-interest bearing	\$ 874,420	\$ 921,238
Interest-bearing	5,735,077	5,515,945
Total Due to depositors	6,609,497	6,437,183
Mortgagors' escrow deposits	72,012	48,159
Borrowed funds:		
Federal Home Loan Bank advances and other borrowings	765,219	815,501
Subordinated debentures	187,462	186,965
Junior subordinated debentures, at fair value	48,329	50,507
Total borrowed funds	1,001,010	1,052,973
Operating lease liability	43,067	46,125
Other liabilities	182,556	161,349
Total liabilities	<u>7,908,142</u>	<u>7,745,789</u>
Stockholders' Equity		
Preferred stock (\$0.01 par value; 5,000,000 shares authorized; none issued)	—	—
Common stock (\$0.01 par value; 100,000,000 shares authorized; 34,087,623 shares issued; 28,904,625 shares and 29,476,391 shares outstanding, respectively)	341	341
Additional paid-in capital	264,486	264,332
Treasury stock, at average cost (5,182,998 shares and 4,611,232 shares, respectively)	(105,433)	(98,535)
Retained earnings	550,678	547,507
Accumulated other comprehensive loss, net of taxes	(40,931)	(36,488)
Total stockholders' equity	<u>669,141</u>	<u>677,157</u>
Total liabilities and stockholders' equity	<u>\$ 8,577,283</u>	<u>\$ 8,422,946</u>

The accompanying notes are an integral part of these consolidated financial statements.

PART I – FINANCIAL INFORMATION
FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
Consolidated Statements of Income
(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
	<i>(In thousands, except per share data)</i>			
Interest and dividend income				
Interest and fees on loans	\$ 91,466	\$ 75,546	\$ 259,732	\$ 212,254
Interest and dividends on securities:				
Interest	10,383	5,676	26,795	14,350
Dividends	33	17	92	36
Other interest income	2,154	506	6,095	716
Total interest and dividend income	104,036	81,745	292,714	227,356
Interest expense				
Deposits	50,066	11,965	135,371	20,059
Other interest expense	9,543	8,574	24,276	17,882
Total interest expense	59,609	20,539	159,647	37,941
Net interest income	44,427	61,206	133,067	189,415
Provision for credit losses	596	2,145	9,520	5,093
Net interest income after provision for credit losses	43,831	59,061	123,547	184,322
Non-interest income				
Banking services fee income	2,636	1,351	5,827	3,891
Net gain on sale of loans	—	—	108	73
Net (loss) gain from fair value adjustments	(1,246)	5,626	1,667	6,350
Federal Home Loan Bank of New York stock dividends	624	538	1,855	1,342
Life insurance proceeds	23	—	584	1,536
Bank owned life insurance	1,157	1,132	3,400	3,361
Other income	282	348	2,065	1,108
Total non-interest income	3,476	8,995	15,506	17,661
Non-interest expense				
Salaries and employee benefits	17,825	21,438	58,205	66,196
Occupancy and equipment	3,371	3,541	10,698	10,905
Professional services	3,042	2,570	8,182	7,077
FDIC deposit insurance	912	738	2,832	1,773
Data processing	1,422	1,367	4,330	4,174
Depreciation and amortization of bank premises and equipment	1,482	1,488	4,474	4,395
Other real estate owned / foreclosure expense	185	143	500	259
Other operating expenses	6,176	4,349	18,176	15,171
Total non-interest expense	34,415	35,634	107,397	109,950
Income before income taxes	12,892	32,422	31,656	92,033
Provision for income taxes				
Federal	2,435	5,783	5,996	16,042
State and local	1,058	3,197	2,475	9,295
Total provision for income taxes	3,493	8,980	8,471	25,337
Net income	\$ 9,399	\$ 23,442	\$ 23,185	\$ 66,696
Basic earnings per common share	\$ 0.32	\$ 0.76	\$ 0.77	\$ 2.15
Diluted earnings per common share	\$ 0.32	\$ 0.76	\$ 0.77	\$ 2.15
Dividends per common share	\$ 0.22	\$ 0.22	\$ 0.66	\$ 0.66

The accompanying notes are an integral part of these consolidated financial statements.

PART I – FINANCIAL INFORMATION
FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
Consolidated Statements of Comprehensive Income
(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
	(In thousands)			
Net income	\$ 9,399	\$ 23,442	\$ 23,185	\$ 66,696
Other comprehensive income (loss), net of tax:				
Amortization of actuarial gains, net of taxes of \$31 and \$2, respectively, and of \$93 and (\$1), respectively.	(69)	(4)	(207)	(19)
Amortization of prior service credits, net of taxes of \$2 and \$ - for the three and nine months ended September 30, 2022.	—	(5)	—	(21)
Change in net unrealized gains on securities, net of taxes of \$2,423 and \$10,266, respectively, and of \$2,516 and \$29,925, respectively.	(5,398)	(22,797)	(5,815)	(66,658)
Net unrealized gains on cashflow hedges, net of taxes of (\$132) and (\$3,668), respectively, and of (\$624) and (\$12,544), respectively.	294	8,190	1,473	27,856
Change in fair value of liabilities related to instrument-specific credit risk, net of taxes of (\$116) and \$184, respectively, and of (\$47) and \$389, respectively.	261	(414)	106	(768)
Other comprehensive loss, net of tax:	<u>(4,912)</u>	<u>(15,030)</u>	<u>(4,443)</u>	<u>(39,610)</u>
Comprehensive net income	<u>\$ 4,487</u>	<u>\$ 8,412</u>	<u>\$ 18,742</u>	<u>\$ 27,086</u>

The accompanying notes are an integral part of these consolidated financial statements.

PART I – FINANCIAL INFORMATION
FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
Consolidated Statements of Cash Flows
(Unaudited)

	For the nine months ended September 30,	
	2023	2022
	<i>(In thousands)</i>	
Operating Activities		
Net income	\$ 23,185	\$ 66,696
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	9,520	5,093
Depreciation and amortization of premises and equipment	4,474	4,395
Net gain on sales of loans	(108)	(73)
Net amortization of premiums and discounts	2,159	309
Deferred income tax provision	2,798	3,914
Net gain from fair value adjustments	(1,667)	(6,350)
Net loss from fair value adjustments of qualifying hedges	112	161
Gain from life insurance proceeds	(584)	(1,536)
Income from bank owned life insurance	(3,400)	(3,361)
Stock-based compensation expense	5,556	6,230
Deferred compensation	(2,957)	(4,870)
Amortization of core deposit intangibles	366	415
(Increase) decrease in other assets	(16,619)	6,998
Decrease in other liabilities	(11,505)	(13,294)
Net cash provided by operating activities	11,330	64,727
Investing Activities		
Purchases of premises and equipment	(4,026)	(3,433)
Purchases of Federal Home Loan Bank - NY shares	(114,436)	(124,309)
Redemptions of Federal Home Loan Bank - NY shares	116,457	97,757
Purchases of securities held-to-maturity	—	(16,475)
Proceeds from prepayments of securities held-to-maturity	593	190
Purchases of securities available for sale	(171,934)	(222,810)
Proceeds from maturities and prepayments of securities available for sale	46,762	80,503
Proceeds from bank owned life insurance	3,075	3,307
Change in cash collateral	25,800	44,015
Net repayments (originations) of loans	134,166	(173,311)
Purchases of loans	(120,720)	(207,546)
Proceeds from sale of loans	9,042	29,247
Net cash used in investing activities	(75,221)	(492,865)

PART I – FINANCIAL INFORMATION
FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
Consolidated Statements of Cash Flows (Contd.)
(Unaudited)

	For the nine months ended September 30,	
	2023	2022
	<i>(In thousands)</i>	
Financing Activities		
Net (decrease) increase in noninterest-bearing deposits	\$ (46,818)	\$ 24,757
Net increase (decrease) in interest-bearing deposits	218,624	(253,478)
Net increase in mortgagors' escrow deposits	23,853	18,631
Net (repayments) proceeds from short-term borrowed funds	(285,750)	750,000
Proceeds from long-term borrowing	274,469	63,710
Repayment of long-term borrowings	(39,001)	(50,000)
Purchase of treasury shares and repurchase of shares to satisfy tax obligations	(12,528)	(22,117)
Cash dividends paid	(19,786)	(20,395)
Net cash provided by financing activities	113,063	511,108
Net increase in cash and cash equivalents, and restricted cash	49,172	82,970
Cash, cash equivalents, and restricted cash, beginning of period	151,754	81,723
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 200,926</u>	<u>\$ 164,693</u>
Supplemental Cash Flow Disclosure		
Interest paid	\$ 154,896	\$ 32,459
Income taxes paid	6,272	24,559
Taxes paid if excess tax benefits on stock-based compensation were not tax deductible	6,274	25,142

The accompanying notes are an integral part of these consolidated financial statements.

PART I – FINANCIAL INFORMATION
FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
Consolidated Statement of Changes in Stockholders' Equity
(Unaudited)

<i>(Dollars in thousands, except per share data)</i>	Shares		Common	Additional	Treasury	Retained	Accumulated Other
	Outstanding	Total	Stock	Paid-in	Stock	Earnings	Comprehensive
				Capital			Income (Loss)
Balance at December 31, 2022	29,476,391	\$ 677,157	\$ 341	\$ 264,332	\$ (98,535)	\$ 547,507	\$ (36,488)
Net income	—	5,158	—	—	—	5,158	—
Vesting of restricted stock unit awards	256,798	—	—	(5,264)	5,484	(220)	—
Purchase of treasury shares	(159,516)	(3,053)	—	—	(3,053)	—	—
Stock-based compensation expense	—	3,808	—	3,808	—	—	—
Repurchase of shares to satisfy tax obligation	(85,217)	(1,656)	—	—	(1,656)	—	—
Dividends on common stock (\$0.22 per share)	—	(6,659)	—	—	—	(6,659)	—
Other comprehensive loss	—	(1,296)	—	—	—	—	(1,296)
Balance at March 31, 2023	29,488,456	\$ 673,459	\$ 341	\$ 262,876	\$ (97,760)	\$ 545,786	\$ (37,784)
Net income	—	8,628	—	—	—	8,628	—
Vesting of restricted stock unit awards	1,690	—	—	(30)	35	(5)	—
Purchase of treasury shares	(528,815)	(6,841)	—	—	(6,841)	—	—
Stock-based compensation expense	—	898	—	898	—	—	—
Repurchase of shares to satisfy tax obligation	(612)	(8)	—	—	(8)	—	—
Dividends on common stock (\$0.22 per share)	—	(6,598)	—	—	—	(6,598)	—
Other comprehensive income	—	1,765	—	—	—	—	1,765
Balance at June 30, 2023	28,960,719	\$ 671,303	\$ 341	\$ 263,744	\$ (104,574)	\$ 547,811	\$ (36,019)
Net income	—	9,399	—	—	—	9,399	—
Vesting of restricted stock unit awards	5,430	—	—	(108)	111	(3)	—
Purchase of treasury shares	(59,352)	(942)	—	—	(942)	—	—
Stock-based compensation expense	—	850	—	850	—	—	—
Repurchase of shares to satisfy tax obligation	(2,172)	(28)	—	—	(28)	—	—
Dividends on common stock (\$0.22 per share)	—	(6,529)	—	—	—	(6,529)	—
Other comprehensive loss	—	(4,912)	—	—	—	—	(4,912)
Balance at September 30, 2023	28,904,625	\$ 669,141	\$ 341	\$ 264,486	\$ (105,433)	\$ 550,678	\$ (40,931)

PART I – FINANCIAL INFORMATION
FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
Consolidated Statement of Changes in Stockholders' Equity (Contd.)
(Unaudited)

<i>(Dollars in thousands, except per share data)</i>	Shares Outstanding	Total	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss
Balance at December 31, 2021	30,526,353	\$ 679,628	\$ 341	\$ 263,375	\$ (75,293)	\$ 497,889	\$ (6,684)
Net income	—	18,219	—	—	—	18,219	—
Award of common shares released from Employee Benefit Trust	—	287	—	287	—	—	—
Vesting of restricted stock unit awards	297,626	—	—	(6,019)	6,304	(285)	—
Purchase of treasury shares	(360,000)	(8,469)	—	—	(8,469)	—	—
Stock-based compensation expense	—	4,194	—	4,194	—	—	—
Repurchase of shares to satisfy tax obligation	(97,435)	(2,376)	—	—	(2,376)	—	—
Dividends on common stock (\$0.22 per share)	—	(6,850)	—	—	—	(6,850)	—
Other comprehensive loss	—	(8,820)	—	—	—	—	(8,820)
Balance at March 31, 2022	30,366,544	\$ 675,813	\$ 341	\$ 261,837	\$ (79,834)	\$ 508,973	\$ (15,504)
Net Income	—	25,035	—	—	—	25,035	—
Vesting of restricted stock unit awards	2,015	—	—	(38)	43	(5)	—
Purchase of treasury shares	(387,689)	(8,534)	—	—	(8,534)	—	—
Stock-based compensation expense	—	1,061	—	1,061	—	—	—
Repurchase of shares to satisfy tax obligation	(766)	(17)	—	—	(17)	—	—
Dividends on common stock (\$0.22 per share)	—	(6,786)	—	—	—	(6,786)	—
Other comprehensive loss	—	(15,760)	—	—	—	—	(15,760)
Balance at June 30, 2022	29,980,104	\$ 670,812	\$ 341	\$ 262,860	\$ (88,342)	\$ 527,217	\$ (31,264)
Net Income	—	23,442	—	—	—	23,442	—
Vesting of restricted stock unit awards	3,995	—	—	(80)	86	(6)	—
Stock-based compensation expense	—	975	—	975	—	—	—
Repurchase of shares to satisfy tax obligation	(1,672)	(36)	—	—	(36)	—	—
Purchase of treasury shares	(131,174)	(2,685)	—	—	(2,685)	—	—
Dividends on common stock (\$0.22 per share)	—	(6,759)	—	—	—	(6,759)	—
Other comprehensive loss	—	(15,030)	—	—	—	—	(15,030)
Balance at September 30, 2022	29,851,253	\$ 670,719	\$ 341	\$ 263,755	\$ (90,977)	\$ 543,894	\$ (46,294)

The accompanying notes are an integral part of these consolidated financial statements.

PART I – FINANCIAL INFORMATION
FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
Notes to Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation

The primary business of Flushing Financial Corporation (the “Holding Company”), a Delaware corporation, is the operation of its wholly owned subsidiary, Flushing Bank (the “Bank”).

The unaudited consolidated financial statements presented in this Quarterly Report on Form 10-Q (“Quarterly Report”) include the collective results of the Holding Company and its direct and indirect wholly owned subsidiaries, including the Bank, Flushing Service Corporation and FSB Properties Inc., which are collectively herein referred to as “we,” “us,” “our” and the “Company.”

The Holding Company also owns Flushing Financial Capital Trust II, Flushing Financial Capital Trust III, and Flushing Financial Capital Trust IV (the “Trusts”), which are special purpose business trusts. The Trusts are not included in the Company’s consolidated financial statements, as the Company would not absorb the losses of the Trusts if any losses were to occur.

The accompanying unaudited consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and general practices within the banking industry. The information furnished in these interim statements reflects all adjustments that are, in the opinion of management, necessary for a fair statement of the results for such presented periods of the Company. Such adjustments are of a normal recurring nature, unless otherwise disclosed in this Quarterly Report. All inter-company balances and transactions have been eliminated in consolidation. The results of operations in the interim statements are not necessarily indicative of the results that may be expected for the full year.

The accompanying unaudited consolidated financial statements have been prepared in conformity with the instructions to Quarterly Report on Form 10-Q and Article 10, Rule 10-01 of Regulation S-X for interim financial statements. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). The unaudited consolidated interim financial information should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2022.

When necessary, certain reclassifications were made to prior-year amounts to conform to the current-year presentation. Such reclassifications had no effect on the prior period net income or shareholders’ equity and were insignificant amounts.

2. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Estimates that are particularly susceptible to change in the near term are used in connection with the determination of the allowance for credit losses, the evaluation of goodwill for impairment, the review of the need for a valuation allowance of the Company’s deferred tax assets, and the fair value of financial instruments. Management performed a qualitative review of goodwill at September 30, 2023, concluding no impairment was indicated.

PART I – FINANCIAL INFORMATION
FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
Notes to Consolidated Financial Statements
(Unaudited)

3. Earnings Per Share

Earnings per common share have been computed based on the following:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
	<i>(Dollars in thousands, except per share data)</i>			
Net income, as reported	\$ 9,399	\$ 23,442	\$ 23,185	\$ 66,696
Divided by:				
Total weighted average common shares outstanding and common stock equivalents ⁽¹⁾	29,703	30,695	30,017	30,960
Basic earnings per common share	\$ 0.32	\$ 0.76	\$ 0.77	\$ 2.15
Diluted earnings per common share	\$ 0.32	\$ 0.76	\$ 0.77	\$ 2.15
Dividend Payout ratio	68.8 %	28.9 %	85.7 %	30.7 %

(1) For the three and nine months ended September 30, 2023, and 2022, there were no common stock equivalents that were anti-dilutive.

4. Securities

The following table summarizes the Company's portfolio of securities held-to-maturity on September 30, 2023:

	Amortized Cost	Fair Value	Gross Unrecognized Gains	Gross Unrecognized Losses
	<i>(In thousands)</i>			
Municipals	\$ 66,353	\$ 51,031	\$ —	\$ 15,322
Total municipals	66,353	51,031	—	15,322
FNMA	7,860	6,634	—	1,226
Total mortgage-backed securities	7,860	6,634	—	1,226
Allowance for credit losses	(1,082)	—	—	—
Total	\$ 73,131	\$ 57,665	\$ —	\$ 16,548

PART I – FINANCIAL INFORMATION
FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
Notes to Consolidated Financial Statements
(Unaudited)

The following table summarizes the Company's portfolio of securities held-to-maturity on December 31, 2022:

	Amortized Cost	Fair Value	Gross Unrecognized Gains	Gross Unrecognized Losses
	<i>(In thousands)</i>			
Municipals	\$ 66,936	\$ 55,561	\$ —	\$ 11,375
Total municipals	66,936	55,561	—	11,375
FNMA	7,875	6,989	—	886
Total mortgage-backed securities	7,875	6,989	—	886
Allowance for credit losses	(1,100)	—	—	—
Total	\$ 73,711	\$ 62,550	\$ —	\$ 12,261

The following table summarizes the Company's portfolio of securities available for sale on September 30, 2023:

	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
	<i>(In thousands)</i>			
U.S. government agencies	\$ 83,037	\$ 81,481	\$ 138	\$ 1,694
Corporate	173,139	152,345	—	20,794
Mutual funds	11,066	11,066	—	—
Collateralized loan obligations	260,727	259,441	411	1,697
Other	1,451	1,451	—	—
Total other securities	529,420	505,784	549	24,185
REMIC and CMO	164,303	131,476	—	32,827
GNMA	8,678	6,542	1	2,137
FNMA	157,897	128,781	—	29,116
FHLMC	90,942	71,080	—	19,862
Total mortgage-backed securities	421,820	337,879	1	83,942
Total Securities excluding portfolio layer adjustments	951,240	843,663	550	108,127
Unallocated portfolio layer basis adjustments ⁽¹⁾	(7,721)	n/a	—	(7,721)
Total securities available for sale	\$ 943,519	\$ 843,663	\$ 550	\$ 100,406

(1) Represents the amount of portfolio layer method basis adjustments related to available for sale ("AFS") securities hedged in a closed portfolio. Under GAAP portfolio layer method basis adjustments are not allocated to individual securities, however, the amounts impact the unrealized gains or losses for the individual securities being hedged. See Note 11 ("Derivative Financial Instruments") of the Notes to the Consolidated Financial Statements.

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The following table summarizes the Company's portfolio of securities available for sale on December 31, 2022:

	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
	<i>(In thousands)</i>			
U.S. government agencies	\$ 83,720	\$ 81,103	\$ 2	\$ 2,619
Corporate	146,430	131,766	—	14,664
Mutual funds	11,211	11,211	—	—
Collateralized loan obligations	129,684	125,478	—	4,206
Other	1,516	1,516	—	—
Total other securities	372,561	351,074	2	21,489
REMIC and CMO	175,712	148,414	—	27,298
GNMA	9,193	7,317	3	1,879
FNMA	172,690	148,265	—	24,425
FHLMC	96,725	80,287	—	16,438
Total mortgage-backed securities	454,320	384,283	3	70,040
Total securities available for sale	<u>\$ 826,881</u>	<u>\$ 735,357</u>	<u>\$ 5</u>	<u>\$ 91,529</u>

The corporate securities held by the Company at September 30, 2023 and December 31, 2022, are issued by U.S. banking institutions. The CMOs held by the Company at September 30, 2023 and December 31, 2022, are either fully guaranteed or issued by a government sponsored enterprise.

The following tables detail the amortized cost and fair value of the Company's securities classified as held-to-maturity and available for sale at September 30, 2023, by contractual maturity. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Securities held-to-maturity:	Amortized Cost	Fair Value
	<i>(In thousands)</i>	
Due after ten years	\$ 66,353	\$ 51,031
Total other securities	66,353	51,031
Mortgage-backed securities	7,860	6,634
	74,213	57,665
Allowance for credit losses	(1,082)	-
Total securities held-to-maturity	<u>\$ 73,131</u>	<u>\$ 57,665</u>

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Securities available for sale ⁽¹⁾ :	Amortized Cost	Fair Value
	<i>(In thousands)</i>	
Due in one year or less	\$ 59,934	\$ 58,951
Due after one year through five years	84,849	79,070
Due after five years through ten years	244,126	227,135
Due after ten years	129,445	129,562
Total other securities	518,354	494,718
Mutual funds	11,066	11,066
Mortgage-backed securities	421,820	337,879
Total securities available for sale	<u>\$ 951,240</u>	<u>\$ 843,663</u>

(1) The table above excludes the unallocated portfolio layer basis adjustments totaling \$7.7 million related to AFS securities hedged in a closed portfolio at September 30, 2023. See Note 11 ("Derivative Financial Instruments") of the Notes to the Consolidated Financial Statements.

The following tables show the Company's securities with gross unrealized losses and their fair value, aggregated by category and length of time that individual securities have been in a continuous unrealized loss position, at the dates indicated:

	At September 30, 2023						
		Total		Less than 12 months		12 months or more	
	Count	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(Dollars in thousands)							
<u>Held-to-maturity securities</u>							
Municipals	3	\$ 51,031	\$ 15,322	\$ —	\$ —	\$ 51,031	\$ 15,322
Total other securities	3	51,031	15,322	—	—	51,031	15,322
FNMA	1	6,634	1,226	—	—	6,634	1,226
Total mortgage-backed securities	1	6,634	1,226	—	—	6,634	1,226
Total	4	\$ 57,665	\$ 16,548	\$ —	\$ —	\$ 57,665	\$ 16,548
<u>Available for sale securities ⁽¹⁾</u>							
U.S. Government Agencies & Treasury	8	\$ 74,192	\$ 1,694	\$ 5,316	\$ 26	\$ 68,876	\$ 1,668
Corporate	26	152,345	20,794	29,023	2,679	123,322	18,115
CLO	20	148,517	1,697	28,056	71	120,461	1,626
Total other securities	54	375,054	24,185	62,395	2,776	312,659	21,409
REMIC and CMO	46	131,210	32,827	—	—	131,210	32,827
GNMA	12	6,458	2,137	113	2	6,345	2,135
FNMA	47	128,781	29,116	2,085	101	126,696	29,015
FHLMC	18	71,080	19,862	—	—	71,080	19,862
Total mortgage-backed securities	123	337,529	83,942	2,198	103	335,331	83,839
Total	177	\$ 712,583	\$ 108,127	\$ 64,593	\$ 2,879	\$ 647,990	\$ 105,248

(1) The table above excludes the unallocated portfolio layer basis adjustments totaling \$7.7 million related to AFS securities hedged in a closed portfolio at September 30, 2023. See Note 11 ("Derivative Financial Instruments") of the Notes to the Consolidated Financial Statements.

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	At December 31, 2022							
		Total		Less than 12 months		12 months or more		
	Count	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	
		(Dollars in thousands)						
<u>Held-to-maturity securities</u>								
Municipals	3	\$ 55,561	\$ 11,375	\$ 55,561	\$ 11,375	\$ —	\$ —	
Total other securities	3	55,561	11,375	55,561	11,375	—	—	
FNMA	1	6,989	886	6,989	886	—	—	
Total mortgage-backed securities	1	6,989	886	6,989	886	—	—	
Total	4	\$ 62,550	\$ 12,261	\$ 62,550	\$ 12,261	\$ —	\$ —	
<u>Available for sale securities</u>								
U.S. government agencies	7	\$ 77,856	\$ 2,619	\$ 77,059	\$ 2,517	\$ 797	\$ 102	
Corporate	20	131,766	14,664	45,447	3,553	86,319	11,111	
CLO	19	125,478	4,206	95,518	2,916	29,960	1,290	
Total other securities	46	335,100	21,489	218,024	8,986	117,076	12,503	
REMIC and CMO	47	148,120	27,298	40,911	3,457	107,209	23,841	
GNMA	8	7,133	1,879	64	—	7,069	1,879	
FNMA	47	148,229	24,425	38,296	3,871	109,933	20,554	
FHLMC	18	80,287	16,438	24,838	2,397	55,449	14,041	
Total mortgage-backed securities	120	383,769	70,040	104,109	9,725	279,660	60,315	
Total	166	\$ 718,869	\$ 91,529	\$ 322,133	\$ 18,711	\$ 396,736	\$ 72,818	

The Company reviewed each available for sale security that had an unrealized loss at September 30, 2023, and December 31, 2022. The Company does not have the intent to sell these securities, and it is more likely than not the Company will not be required to sell the securities before recovery of the securities' amortized cost basis. If the Company identifies any decline in the fair value due to credit loss factors and evaluation indicates that a credit loss exists, then the present value of cash flows that is expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of the cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. All of these securities are rated investment grade or above and have a long history of no credit losses. It is not anticipated that these securities would be settled at a price that is less than the amortized cost of the Company's investment.

In determining the risk of loss for available for sale securities, the Company considered that mortgage-backed securities are either fully guaranteed or issued by a government sponsored enterprise, which has a credit rating and perceived credit risk comparable to the U.S. government, and that issuers of the collateralized loan obligations ("CLO") and the issuer of corporate securities are global systematically important banks. Each of these securities is performing according to its terms and, in the opinion of management, will continue to perform according to its terms. Based on this review, management believes that the unrealized losses have resulted from other factors not deemed credit-related and no allowance for credit loss was recorded.

The Company reviewed each held-to-maturity security at September 30, 2023, and December 31, 2022 as part of its quarterly Current Expected Credit Loss ("CECL") process, resulting in an allowance for credit losses of \$1.1 million at each of September 30, 2023 and December 31, 2022.

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It is the Company's policy to exclude accrued interest receivable from the calculation of the allowance for credit losses on held-to-maturity and the valuation of available for sale securities. Accrued interest receivable on held-to-maturity securities totaled \$0.1 million each at September 30, 2023 and December 31, 2022 and accrued interest receivable on available for sale debt securities totaled \$6.7 million and \$3.7 million at September 30, 2023 and December 31, 2022, respectively.

The following table presents the activity in the allowance for credit losses for debt securities held-to-maturity.

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
	<i>(In thousands)</i>			
Beginning balance	\$ 1,079	\$ 1,085	\$ 1,100	\$ 862
Provision (benefit)	3	11	(18)	234
Allowance for credit losses	<u>\$ 1,082</u>	<u>\$ 1,096</u>	<u>\$ 1,082</u>	<u>\$ 1,096</u>

Realized gains and losses on the sales of securities are determined using the specific identification method. The Company did not sell any securities during the three and nine months ended September 30, 2023 and 2022.

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5. Loans

The following represents the composition of loans as of the dates indicated:

	September 30, 2023	December 31, 2022
	<i>(In thousands)</i>	
Multi-family residential	\$ 2,614,219	\$ 2,601,384
Commercial real estate	1,953,243	1,913,040
One-to-four family — mixed-use property	537,744	554,314
One-to-four family — residential	222,874	241,246
Construction	59,903	70,951
Small Business Administration	21,896	23,275
Commercial business and other	1,487,775	1,521,548
Net unamortized premiums and unearned loan fees	9,059	9,011
Total loans, net of fees and costs excluding portfolio layer basis adjustments	6,906,713	6,934,769
Unallocated portfolio layer basis adjustments ⁽¹⁾	(10,639)	—
Total loans, net of fees and costs	<u>\$ 6,896,074</u>	<u>\$ 6,934,769</u>

(1) This amount represents portfolio layer method basis adjustments related to loans hedged in a closed portfolio. Under GAAP portfolio layer method basis adjustments are not allocated to individual loans, however, the amounts impact the net loan balance. These basis adjustments would be allocated to the amortized cost of specific loans within the pool if the hedge was de-designated. See Note 11 (“Derivative Financial Instruments”) of the Notes to the Consolidated Financial Statements.

Loans are reported at their outstanding principal balance net of any unearned income, charge-offs, deferred loan fees and costs on originated loans and unamortized premiums or discounts on purchased loans. Loan fees and certain loan origination costs are deferred. Net loan origination costs and premiums or discounts on loans purchased are amortized into interest income over the contractual life of the loans using the level-yield method. Prepayment penalties received on loans which pay in full prior to their scheduled maturity are included in interest income in the period they are collected.

Interest on loans is recognized on an accrual basis. Accrued interest receivable totaled \$42.1 million and \$36.8 million at September 30, 2023, and December 31, 2022, respectively, and was reported in “Interest and dividends receivable” on the Consolidated Statements of Financial Condition. The accrual of income on loans is generally discontinued when certain factors, such as contractual delinquency of 90 days or more, indicate reasonable doubt as to the timely collectability of such income. Uncollected interest previously recognized on non-accrual loans is reversed from interest income at the time the loan is placed on non-accrual status. A non-accrual loan can be returned to accrual status when contractual delinquency returns to less than 90 days delinquent. Payments received on non-accrual loans that do not bring the loan to less than 90 days delinquent are recorded on a cash basis. Payments can also be applied first as a reduction of principal until all principal is recovered and then subsequently to interest, if in management’s opinion, it is evident that recovery of all principal due is likely to occur.

Allowance for credit losses

The allowance for credit losses (“ACL”) is an estimate that is deducted from the amortized cost basis of the financial asset to present the net carrying value at the amount expected to be collected on the financial assets. Loans are charged off against that ACL when management believes that a loan balance is uncollectable based on quarterly analysis of credit risk.

The amount of the ACL is based upon a loss rate model that considers multiple factors which reflects management’s assessment of the credit quality of the loan portfolio. Management estimates the allowance balance using relevant information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The factors are both quantitative and qualitative in nature including, but not limited to, historical losses,

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economic conditions, trends in delinquencies, value and adequacy of underlying collateral, volume and portfolio mix, and internal loan processes.

The Company recorded a provision for credit losses on loans totaling \$0.6 million and \$2.1 million for the three months ended September 30, 2023 and 2022, respectively. The provision recorded during the three months ended September 30, 2023, was driven by increasing reserves for the elevated risk presented by the current rate environment to adjustable-rate loan's debt coverage ratios, partially offset by a fully reserved loan paid off during the quarter. The Company recorded a provision for credit losses on loans totaling \$9.5 million and \$4.9 million for the nine months ended September 30, 2023 and 2022, respectively. The provision recorded during the nine months ended September 30, 2023, was driven by fully reserving for two non-accrual business loans that were subsequently charged-off, and increasing reserves for the elevated risk presented by the current rate environment to adjustable-rate loan's debt coverage ratios. During the nine months ended September 30, 2023, the reasonable and supportable forecast period and reversion period were two and four quarters, respectively unchanged, from December 31, 2022. The ACL - loans totaled \$39.2 million on September 30, 2023 compared to \$40.4 million on December 31, 2022. On September 30, 2023, the ACL - loans represented 0.57% of gross loans and 225.4% of non-performing loans. On December 31, 2022, the ACL - loans represented 0.58% of gross loans and 124.9% of non-performing loans.

The Company may modify loans to enable a borrower experiencing financial difficulties to continue making payments when it is deemed to be in the Company's best long-term interest. When modifying a loan, an assessment of whether a borrower is experiencing financial difficulty is made on the date of modification. This modification may include reducing the loan interest rate, extending the loan term, any other-than-insignificant payment delay, principal forgiveness or any combination of these types of modifications. When such modifications are performed, a change to the allowance for credit losses is generally not required as the methodologies used to estimate the allowance already capture the effect of borrowers experiencing financial difficulty. On September 30, 2023, there were no commitments to lend additional funds to borrowers who have received a loan modification as a result of financial difficulty.

On January 1, 2023, the Company adopted ASU No. 2022-02, "Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures" without material impact on the business operations or consolidated financial statements. See Note 14 ("New Authoritative Accounting Pronouncements") of the Notes to the Consolidated Financial Statements.

The following tables show loan modifications made to borrowers experiencing financial difficulty during the periods indicated:

<i>(Dollars in thousands)</i>	For the three months ended, September 30, 2023			
	Term Extension			Financial Effect
Loan Modifications Made to Borrowers Experiencing Financial Difficulty	Number	Amortized Cost Basis	% of Total Class of Financing Receivable	
Commercial business and other	3	\$ 1,638	0.1 %	Extended Maturity to June 2025 (20 months).
Total	3	\$ 1,638		

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For the nine months ended, September 30, 2023				
Term Extension				
<i>(Dollars in thousands)</i>				
Loan Modifications Made to Borrowers Experiencing Financial Difficulty	Number	Amortized Cost Basis	% of Total Class of Financing Receivable	Financial Effect
Commercial business and other	3	\$ 1,638	0.1 %	Extended Maturity to June 2025 (20 months).
Total	3	\$ 1,638		

Other-than-insignificant Payment Delay				
<i>(Dollars in thousands)</i>				
Loan Modifications Made to Borrowers Experiencing Financial Difficulty	Number	Amortized Cost Basis	% of Total Class of Financing Receivable	Financial Effect
Small Business Administration	1	\$ 1,494	6.8 %	Provided twelve month payment deferral to be collected at maturity.
Total	1	\$ 1,494		

The following table shows the payment status of borrowers experiencing financial difficulty and for which a modification has occurred at September 30, 2023:

Payment Status of Borrowers Experiencing Financial Difficulty (Amortized Cost Basis)				
<i>(In thousands)</i>	Current	30-89 Days Past Due	90+ Days Past Due	Total Modified
Small Business Administration	\$ —	\$ 1,494	\$ —	\$ 1,494
Commercial business and other	1,638	—	—	1,638
Total	\$ 1,638	\$ 1,494	\$ —	\$ 3,132

The following table shows loans modified as Troubled Debt Restructured (“TDR”) during the periods indicated:

For the three months ended September 30, 2022			
<i>(Dollars in thousands)</i>	Number	Balance	Modification description
Commercial business and other	1	\$ 2,982	Amortization extension
Total	1	\$ 2,982	

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<i>(Dollars in thousands)</i>	For the nine months ended September 30, 2022		
	Number	Balance	Modification description
Small Business Administration	1	\$ 271	Loan amortization extension.
			One loan received a below market interest rate and four loans had an amortization extension
Commercial business and other	5	8,204	
Total	6	\$ 8,475	

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The following table shows loans classified as TDR at amortized cost that are performing according to their restructured terms at the periods indicated:

	December 31, 2022	
	Number of contracts	Amortized Cost
<i>(Dollars in thousands)</i>		
Multi-family residential	6	\$ 1,673
Commercial real estate	1	7,572
One-to-four family - mixed-use property	4	1,222
One-to-four family - residential	1	253
Small Business Administration	1	242
Commercial business and other	3	855
Total performing	16	\$ 11,817

The following table shows our recorded investment for loans classified as TDR at amortized cost that are not performing according to their restructured terms at the periods indicated.

	December 31, 2022	
	Number of contracts	Amortized Cost
<i>(Dollars in thousands)</i>		
Commercial business and other	2	\$ 3,263
Total troubled debt restructurings that subsequently defaulted	2	\$ 3,263

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The following tables show our non-accrual loans at amortized cost with no related allowance and interest income recognized for loans ninety days or more past due and still accruing for the periods shown below:

	At or for the nine months September 30, 2023				
<i>(In thousands)</i>	Non-accrual amortized cost beginning of the reporting period	Non-accrual amortized cost end of the reporting period	Non- accrual with no related allowance	Interest income recognized	Loans ninety days or more past due and still accruing
Multi-family residential	\$ 3,547	\$ 3,600	\$ 3,600	\$ 2	\$ —
Commercial real estate	254	—	—	—	—
One-to-four family - mixed-use property	1,045	1,090	1,090	2	—
One-to-four family - residential	3,953	3,643	3,643	—	—
Small Business Administration	950	1,265	1,265	—	—
Commercial business and other	20,193	7,680	3,746	16	—
Total	<u>\$ 29,942</u>	<u>\$ 17,278</u>	<u>\$ 13,344</u>	<u>\$ 20</u>	<u>\$ —</u>

	At or for the year ended December 31, 2022				
<i>(In thousands)</i>	Non-accrual amortized cost beginning of the reporting period	Non-accrual amortized cost end of the reporting period	Non- accrual with no related allowance	Interest income recognized	Loans ninety days or more past due and still accruing
Multi-family residential	\$ 2,652	\$ 3,547	\$ 3,547	\$ —	\$ —
Commercial real estate	640	254	254	—	—
One-to-four family - mixed-use property ⁽¹⁾	1,582	1,045	1,045	—	—
One-to-four family - residential	7,483	3,953	3,953	—	—
Small Business Administration	952	950	950	—	—
Construction	—	—	—	—	2,600
Commercial business and other ⁽¹⁾	1,945	20,193	3,291	171	—
Total	<u>\$ 15,254</u>	<u>\$ 29,942</u>	<u>\$ 13,040</u>	<u>\$ 171</u>	<u>\$ 2,600</u>

(1) Included in the above analysis are non-accrual performing TDR one-to-four family – mixed-use property totaling \$0.2 million and Commercial business and other totaling less than \$0.1 million.

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The following is a summary of interest foregone on non-accrual loans for the periods indicated.

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
<i>(In thousands)</i>				
Interest income that would have been recognized had the loans performed in accordance with their original terms	\$ 425	\$ 618	\$ 1,405	\$ 1,578
Less: Interest income included in the results of operations	2	181	20	618
Total foregone interest	<u>\$ 423</u>	<u>\$ 437</u>	<u>\$ 1,385</u>	<u>\$ 960</u>

The following tables show the aging analysis of the amortized cost basis of loans at the period indicated by class of loans:

	At September 30, 2023					
<i>(In thousands)</i>	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans (1)
Multi-family residential	\$ 1,131	\$ 599	\$ 3,600	\$ 5,330	\$ 2,612,299	\$ 2,617,629
Commercial real estate	3,994	—	—	3,994	1,950,468	1,954,462
One-to-four family - mixed-use property	1,537	195	1,090	2,822	537,697	540,519
One-to-four family - residential	3,367	26	3,643	7,036	217,091	224,127
Construction	—	—	—	—	59,775	59,775
Small Business Administration	—	1,494	1,265	2,759	19,077	21,836
Commercial business and other	89	2,237	7,654	9,980	1,478,385	1,488,365
Total	<u>\$ 10,118</u>	<u>\$ 4,551</u>	<u>\$ 17,252</u>	<u>\$ 31,921</u>	<u>\$ 6,874,792</u>	<u>\$ 6,906,713</u>

(1) The table above excludes the unallocated portfolio layer basis adjustments totaling \$10.6 million related to loans hedged in a closed pool at September 30, 2023. See Note 11 ("Derivative Financial Instruments") of the Notes to the Consolidated Financial Statements.

	At December 31, 2022					
<i>(In thousands)</i>	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans
Multi-family residential	\$ 1,475	\$ 1,787	\$ 3,547	\$ 6,809	\$ 2,598,363	\$ 2,605,172
Commercial real estate	2,561	—	254	2,815	1,912,083	1,914,898
One-to-four family - mixed-use property	3,721	—	797	4,518	552,777	557,295
One-to-four family - residential	2,734	—	3,953	6,687	235,793	242,480
Construction	—	—	2,600	2,600	68,224	70,824
Small Business Administration	329	—	950	1,279	21,914	23,193
Commercial business and other	7,636	16	10,324	17,976	1,502,931	1,520,907
Total	<u>\$ 18,456</u>	<u>\$ 1,803</u>	<u>\$ 22,425</u>	<u>\$ 42,684</u>	<u>\$ 6,892,085</u>	<u>\$ 6,934,769</u>

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The following tables show the activity in the ACL on loans for the following three-month periods:

September 30, 2023								
(In thousands)	Multi-family residential	Commercial real estate	One-to-four family - mixed-use property	One-to-four family - residential	Construction loans	Small Business Administration	Commercial business and other	Total
Beginning balance	\$ 9,718	\$ 8,206	\$ 1,615	\$ 654	\$ 132	\$ 2,162	\$ 16,106	\$ 38,593
Charge-offs	—	—	—	—	—	—	(21)	(21)
Recoveries	—	—	—	6	—	48	9	63
Provision (benefit)	917	562	10	57	32	(194)	(791)	593
Ending balance	\$ 10,635	\$ 8,768	\$ 1,625	\$ 717	\$ 164	\$ 2,016	\$ 15,303	\$ 39,228

September 30, 2022								
(In thousands)	Multi-family residential	Commercial real estate	One-to-four family - mixed-use property	One-to-four family - residential	Construction loans	Small Business Administration	Commercial business and other	Total
Beginning balance	\$ 9,405	\$ 8,443	\$ 1,959	\$ 866	\$ 300	\$ 2,118	\$ 16,333	\$ 39,424
Charge-offs	—	—	—	(2)	—	—	(322)	(324)
Recoveries	—	—	—	—	—	12	22	34
Provision (benefit)	355	(29)	3	(59)	(44)	(68)	1,976	2,134
Ending balance	\$ 9,760	\$ 8,414	\$ 1,962	\$ 805	\$ 256	\$ 2,062	\$ 18,009	\$ 41,268

The following tables show the activity in the ACL on loans for the following nine-month periods:

	September 30, 2023							
(In thousands)	Multi-family residential	Commercial real estate	One-to-four family - mixed-use property	One-to-four family - residential	Construction loans	Small Business Administration	Commercial business and other	Total
Beginning balance	\$ 9,552	\$ 8,184	\$ 1,875	\$ 901	\$ 261	\$ 2,198	\$ 17,471	\$ 40,442
Charge-offs	—	(8)	—	(12)	—	(7)	(11,023)	(11,050)
Recoveries	1	—	—	50	—	219	28	298
Provision (benefit)	1,082	592	(250)	(222)	(97)	(394)	8,827	9,538
Ending balance	\$ 10,635	\$ 8,768	\$ 1,625	\$ 717	\$ 164	\$ 2,016	\$ 15,303	\$ 39,228

	September 30, 2022								
(In thousands)	Multi-family residential	Commercial real estate	One-to-four family - mixed-use property	One-to-four family - residential	Construction loans	Small Business Administration	Taxi medallion	Commercial business and other	Total
Beginning balance	\$ 8,185	\$ 7,158	\$ 1,755	\$ 784	\$ 186	\$ 1,209	\$ —	\$ 17,858	\$ 37,135
Charge-offs	—	—	—	(2)	—	(1,054)	—	(354)	(1,410)
Recoveries	1	—	—	4	—	39	447	195	686
Provision (benefit)	1,574	1,256	207	19	70	1,868	(447)	310	4,857
Ending balance	\$ 9,760	\$ 8,414	\$ 1,962	\$ 805	\$ 256	\$ 2,062	\$ —	\$ 18,009	\$ 41,268

In accordance with our policy and the current regulatory guidelines, we designate loans as “Special Mention,” which are considered “Criticized Loans,” and “Substandard,” “Doubtful,” or “Loss,” which are considered “Classified Loans.” If a loan does not fall within one of the previously mentioned categories and management believes weakness is evident then we designate the loan as “Watch;” all other loans would be considered “Pass.” Loans that are non-accrual are designated as Substandard, Doubtful or Loss. These loan designations are updated quarterly. We designate a loan as Substandard when a well-defined weakness is identified that may jeopardize the orderly liquidation of the debt. We designate a loan as Doubtful when it displays the inherent weakness of a Substandard loan with the added provision that collection of the debt in full, on the basis of existing facts, is highly improbable. We designate a loan as Loss if it is deemed the debtor is incapable of repayment. The Company does not hold any loans designated as Loss, as loans that are designated as Loss are charged to the Allowance for Credit Losses. We designate a loan as Special Mention if the asset does not warrant classification within one of the other classifications but does contain a potential weakness that deserves closer attention.

The amortized cost of substandard loans was \$47.1 million at September 30, 2023, an increase of \$21.4 million from \$25.7 million at December 31, 2022. The increase was primarily due to a business relationship that was downgraded to substandard due to declining macroeconomic factors. The loans were individually evaluated for impairment, and it was determined no reserve was deemed necessary at September 30, 2023.

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The following table summarizes the various risk categories of mortgage and non-mortgage loans by loan portfolio segments and by class of loans by year of origination at September 30, 2023:

	For the year ended						Revolving Loans	Revolving Loans	
(In thousands)	2023	2022	2021	2020	2019	Prior	Amortized Cost Basis	converted to term loans	Total
Multi-family Residential									
Pass	\$ 171,298	\$ 468,879	\$ 279,408	\$ 217,501	\$ 306,987	\$ 1,127,156	\$ 4,075	\$ —	\$ 2,575,304
Watch	—	881	—	1,944	—	32,691	—	—	35,516
Special Mention	—	—	—	—	—	1,461	—	—	1,461
Substandard	—	—	—	—	—	5,348	—	—	5,348
Total Multi-family Residential	\$ 171,298	\$ 469,760	\$ 279,408	\$ 219,445	\$ 306,987	\$ 1,166,656	\$ 4,075	\$ —	\$ 2,617,629
Commercial Real Estate									
Pass	\$ 134,977	\$ 326,545	\$ 177,860	\$ 148,835	\$ 218,458	\$ 913,106	\$ —	\$ —	\$ 1,919,781
Watch	—	—	1,443	—	9,570	23,668	—	—	34,681
Total Commercial Real Estate	\$ 134,977	\$ 326,545	\$ 179,303	\$ 148,835	\$ 228,028	\$ 936,774	\$ —	\$ —	\$ 1,954,462
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 8	\$ —	\$ —	\$ 8
1-4 Family Mixed-Use Property									
Pass	\$ 18,557	\$ 43,937	\$ 41,987	\$ 31,274	\$ 61,270	\$ 335,314	\$ —	\$ —	\$ 532,339
Watch	—	—	—	—	724	5,564	—	—	6,288
Special Mention	—	—	—	—	—	636	—	—	636
Substandard	—	—	—	—	—	1,256	—	—	1,256
Total 1-4 Family Mixed-Use Property	\$ 18,557	\$ 43,937	\$ 41,987	\$ 31,274	\$ 61,994	\$ 342,770	\$ —	\$ —	\$ 540,519
1-4 Family Residential									
Pass	\$ 5,108	\$ 23,319	\$ 8,506	\$ 16,857	\$ 38,153	\$ 104,508	\$ 7,475	\$ 10,252	\$ 214,178
Watch	—	510	274	—	740	1,527	—	1,321	4,372
Special Mention	—	—	—	—	—	204	—	197	401
Substandard	—	—	—	—	—	4,733	—	443	5,176
Total 1-4 Family Residential	\$ 5,108	\$ 23,829	\$ 8,780	\$ 16,857	\$ 38,893	\$ 110,972	\$ 7,475	\$ 12,213	\$ 224,127
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 12	\$ —	\$ —	\$ 12
Construction									
Pass	\$ 5,520	\$ 3	\$ 5,793	\$ —	\$ —	—	\$ 48,459	\$ —	\$ 59,775
Total Construction	\$ 5,520	\$ 3	\$ 5,793	\$ —	\$ —	\$ —	\$ 48,459	\$ —	\$ 59,775
Small Business Administration									
Pass	\$ 806	\$ 3,301	\$ 3,166	\$ 3,613	\$ 702	\$ 4,006	\$ —	\$ —	\$ 15,594
Watch	—	—	—	—	48	2,876	—	—	2,924
Special Mention	—	—	1,494	—	—	349	—	—	1,843
Substandard	—	—	318	—	—	1,157	—	—	1,475
Total Small Business Administration	\$ 806	\$ 3,301	\$ 4,978	\$ 3,613	\$ 750	\$ 8,388	\$ —	\$ —	\$ 21,836
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 7	\$ —	\$ —	\$ 7
Commercial Business									
Pass	\$ 64,537	\$ 124,017	\$ 77,139	\$ 33,986	\$ 32,087	\$ 62,001	\$ 285,765	\$ —	\$ 679,532
Watch	266	6,437	4,015	2,433	14,664	20,105	2,747	—	50,667
Special Mention	—	—	3,925	—	27	—	2,000	—	5,952
Substandard	14,935	2,454	—	—	28	12,937	3,475	—	33,829
Doubtful	—	—	—	—	—	—	3,929	—	3,929
Total Commercial Business	\$ 79,738	\$ 132,908	\$ 85,079	\$ 36,419	\$ 46,806	\$ 95,043	\$ 297,916	\$ —	\$ 773,909
Gross charge-offs	\$ —	\$ —	\$ 1,675	\$ —	\$ 14	\$ 11	\$ 9,267	\$ —	\$ 10,967
Commercial Business - Secured by RE									
Pass	\$ 35,585	\$ 178,373	\$ 131,700	\$ 106,902	\$ 40,114	\$ 143,676	\$ —	\$ —	\$ 636,350
Watch	9,776	—	—	—	597	53,025	—	—	63,398
Special Mention	—	—	—	—	14,403	—	—	—	14,403
Total Commercial Business - Secured by RE	\$ 45,361	\$ 178,373	\$ 131,700	\$ 106,902	\$ 55,114	\$ 196,701	\$ —	\$ —	\$ 714,151
Other									
Pass	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 180	\$ 125	\$ —	\$ 305
Total Other	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 180	\$ 125	\$ —	\$ 305
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 56	\$ —	\$ —	\$ 56
Total by Loan Type									
Total Pass	\$ 436,388	\$ 1,168,374	\$ 725,559	\$ 558,968	\$ 697,771	\$ 2,689,947	\$ 345,899	\$ 10,252	\$ 6,633,158
Total Watch	10,042	7,828	5,732	4,377	26,343	139,456	2,747	1,321	197,846
Total Special Mention	—	—	5,419	—	14,430	2,650	2,000	197	24,696
Total Substandard	14,935	2,454	318	—	28	25,431	3,475	443	47,084
Total Doubtful	—	—	—	—	—	—	3,929	—	3,929
Total Loans ⁽¹⁾	\$ 461,365	\$ 1,178,656	\$ 737,028	\$ 563,345	\$ 738,572	\$ 2,857,484	\$ 358,050	\$ 12,213	\$ 6,906,713
Total Gross charge-offs	\$ —	\$ —	\$ 1,675	\$ —	\$ 14	\$ 94	\$ 9,267	\$ —	\$ 11,050

(1) The table above excludes the unallocated portfolio layer basis adjustments totaling \$10.6 million related to loans hedged in a closed pool at September 30, 2023. See Note 11 ("Derivative Financial Instruments") of the Notes to the Consolidated Financial Statements.

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Included within net loans were \$4.7 million and \$5.2 million at September 30, 2023 and December 31, 2022, respectively, of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings were in process according to local requirements of the applicable jurisdiction.

A loan is considered collateral dependent when the borrower is experiencing financial difficulties and repayment is expected to be substantially provided by the operation or sale of the collateral. The following table presents types of collateral-dependent loans by class of loans as of the periods indicated:

<i>(In thousands)</i>	Collateral Type			
	September 30, 2023		December 31, 2022	
	Real Estate	Business Assets	Real Estate	Business Assets
Multi-family residential	\$ 3,600	\$ —	\$ 3,547	\$ —
Commercial real estate	—	—	254	—
One-to-four family - mixed-use property	1,090	—	1,045	—
One-to-four family - residential	3,643	—	3,953	—
Small Business Administration	—	1,265	—	950
Commercial business and other	—	7,680	2,853	17,340
Total	\$ 8,333	\$ 8,945	\$ 11,652	\$ 18,290

Off-Balance Sheet Credit Losses

Also included within scope of the CECL standard are off-balance sheet loan commitments, which includes the unfunded portion of committed lines of credit and commitments “in-process”. Commitments “in-process” reflect loans not in the Company’s books but rather negotiated loan / line of credit terms and rates that the Company has offered to customers and is committed to honoring. In reference to “in-process” credits, the Company defines an unfunded commitment as a credit that has been offered to and accepted by a borrower, which has not closed and by which the obligation is not unconditionally cancellable.

Commitments to extend credit (principally real estate mortgage loans) and lines of credit (principally home equity lines of credit and business lines of credit) totaled \$443.2 million and \$438.5 million on September 30, 2023, and December 31, 2022, respectively.

The following table presents the activity in the allowance for off-balance sheet credit losses for the three and nine months ended September 30, 2023, and 2022.

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	<i>(In thousands)</i>			
Balance at beginning of period	\$ 813	\$ 1,444	\$ 970	\$ 1,209
Provision (benefit) ⁽¹⁾	120	(631)	(37)	(396)
Allowance for Off-Balance Sheet - Credit losses ⁽²⁾	\$ 933	\$ 813	\$ 933	\$ 813

(1) Included in “Other operating expenses” on the Consolidated Statements of Income.

(2) Included in “Other liabilities” on the Consolidated Statements of Financial Condition.

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6. Loans held for sale

Loans held for sale are carried at the lower of cost or estimated fair value. At September 30, 2023 and December 31, 2022, the Bank did not have any loans held for sale.

The following table shows loans sold during the periods indicated:

<i>(Dollars in thousands)</i>	For the three months ended September 30, 2023			
	Loans sold	Proceeds	Net charge-offs	Net gain
<u>Performing loans</u>				
Commercial	2	\$ 2,000	\$ —	\$ —
Total	2	\$ 2,000	\$ —	\$ —

<i>(Dollars in thousands)</i>	For the three months ended September 30, 2022			
	Loans sold	Proceeds	Net charge-offs	Net gain
<u>Performing loans</u>				
Multi-family residential	1	\$ 10,682	\$ —	\$ —
Total	1	\$ 10,682	\$ —	\$ —

<i>(Dollars in thousands)</i>	For the nine months ended September 30, 2023			
	Loans sold	Proceeds	Net charge-offs	Net gain
<u>Performing loans</u>				
Commercial	2	\$ 2,000	\$ —	\$ —
Total	2	\$ 2,000	\$ —	\$ —
<u>Delinquent and non-performing loans</u>				
Multi-family residential	7	\$ 3,622	\$ —	\$ 69
Commercial	3	1,867	(8)	—
One-to-four family - mixed-use property	3	1,553	—	39
Total	13	\$ 7,042	\$ (8)	\$ 108

<i>(Dollars in thousands)</i>	For the nine months ended September 30, 2022			
	Loans sold	Proceeds	Net charge-offs	Net gain
<u>Performing loans</u>				
Multi-family residential	5	\$ 20,818	\$ —	\$ —
Commercial	1	4,312	—	—
Total	6	\$ 25,130	\$ —	\$ —
<u>Delinquent and non-performing loans</u>				
Commercial	1	\$ 3,687	\$ —	\$ 73
One-to-four family - mixed-use property	1	430	—	—
Total	2	\$ 4,117	\$ —	\$ 73

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7. Leases

The Company has 31 operating leases for branches (including headquarters) and office spaces, 9 operating leases for vehicles, and one operating lease for equipment. Our leases have remaining lease terms ranging from one month to approximately 13 years, none of which has a renewal option reasonably certain of exercise, which has been reflected in the Company's calculation of the lease term.

The Company has elected the short-term lease recognition exemption such that the Company will not recognize Right of Use ("ROU") assets or lease liabilities for leases with a term of less than 12 months from the commencement date. The Company has four agreements in 2023 and two agreements in 2022 that qualified as short-term leases.

Certain leases have escalation clauses for operating expenses and real estate taxes. The Company's non-cancelable operating lease agreements expire through 2036.

Supplemental balance sheet information related to leases are as follows:

<i>(Dollars in thousands)</i>	September 30, 2023	December 31, 2022
Operating lease ROU asset	\$ 41,404	\$ 43,289
Operating lease liability	\$ 43,067	\$ 46,125
Weighted-average remaining lease term-operating leases	6.3 years	6.6 years
Weighted average discount rate-operating leases	3.2 %	2.9 %

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The components of lease expense and cash flow information related to leases were as follows:

(In thousands)	Line Item Presented	For the three months ended	
		September 30, 2023	September 30, 2022
Lease Cost			
Operating lease cost	Occupancy and equipment	\$ 2,142	\$ 2,100
Operating lease cost	Other operating expenses	23	23
	Professional services,		
	Occupancy and equipment and		
Short-term lease cost	Other operating expenses	39	36
Variable lease cost	Occupancy and equipment	262	275
Total lease cost		\$ 2,466	\$ 2,434

Other information

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 3,387	\$ 2,342
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 1,757	\$ —

(In thousands)	Line Item Presented	For the nine months ended	
		September 30, 2023	September 30, 2022
Lease Cost			
Operating lease cost	Occupancy and equipment	\$ 6,584	\$ 6,299
Operating lease cost	Other operating expenses	69	71
	Professional Services, Occupancy and equipment and Other operating expenses	177	132
Short-term lease cost			
Variable lease cost	Occupancy and equipment	785	713
Total lease cost		\$ 7,615	\$ 7,215

Other information

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 8,042	\$ 7,111
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 3,801	\$ 47

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The Company's minimum annual rental payments for Bank facilities due under non-cancelable leases are as follows as of September 30, 2023:

	Minimum Rental (In thousands)
Years ended December 31:	
2023	\$ 1,794
2024	9,863
2025	9,244
2026	8,363
2027	4,286
Thereafter	14,143
Total minimum payments required	47,693
Less: implied interest	4,626
Total lease obligations	\$ 43,067

8. Stock-Based Compensation

The Company has a long-term incentive compensation program for certain Company executive officers that includes grants of performance-based restricted stock units ("PRSUs") in addition to time-based restricted stock units ("RSU"). Under the terms of the PRSU Agreement, the number of PRSUs that may be earned depends on the extent to which performance goals for the award are achieved over a three-year performance period, as determined by the Compensation Committee of the Board. As of September 30, 2023, PRSUs granted in 2023 and 2022 are being accrued at target and PRSUs granted in 2021 are being accrued above target. The different levels of accrual are commensurate with the projected performance of the respective grant. As of September 30, 2023, 746,765 shares were available for future issuance under the 2014 Omnibus Plan.

For the three months ended September 30, 2023 and 2022, the Company's net income, as reported, included \$1.0 million and \$0.7 million, respectively, of stock-based compensation costs, including the benefit or expense of phantom stock awards, and \$0.3 million and \$0.2 million of income tax benefit respectively, related to the stock-based compensation plans. For the nine months ended September 30, 2023 and 2022, the Company's net income, as reported, included \$4.6 million and \$5.6 million, respectively, of stock-based compensation costs, including the benefit or expense of phantom stock awards, and \$1.2 million and \$1.5 million of income tax benefit, respectively, related to the stock-based compensation plans.

During the three months ended September 30, 2023 and 2022, the Company did not grant any RSU or PRSUs. During the nine months ended September 30, 2023 and 2022, the Company granted 235,850 and 212,811 of RSU awards and 79,050 and 63,250 of PRSU awards, respectively.

The Company uses the fair value of the common stock on the date of award to measure compensation cost for restricted stock unit awards and performance restricted stock units. Compensation cost is recognized over the vesting period of the award using the straight-line method. Forfeitures are recorded in the period they occur.

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The following table summarizes the Company's RSU and PRSU awards under the 2014 Omnibus Plan for the nine months ended September 30, 2023:

	RSU Awards		PRSU Awards	
	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value
Non-vested awards at December 31, 2022	275,588	\$ 22.30	68,800	\$ 20.90
Granted	235,850	19.84	79,050	19.99
Vested	(222,757)	21.19	(59,870)	20.03
Forfeited	(2,840)	22.14	—	—
Non-vested awards at September 30, 2023	285,841	\$ 21.14	87,980	\$ 20.67
Vested but unissued at September 30, 2023	253,468	\$ 20.78	148,505	\$ 20.80

As of September 30, 2023, there was \$5.0 million of total unrecognized compensation cost related to RSU and PRSU awards granted. That cost is expected to be recognized over a weighted-average period of 2.7 years. The total fair value of awards vested for the three months ended September 30, 2023 and 2022, was \$0.3 million, and \$1,000, respectively. The total fair value of awards vested for the nine months ended September 30, 2023 and 2022 was \$5.5 million and \$7.1 million, respectively. The vested but unissued RSU and PRSU awards consist of awards made to employees and directors who are eligible for retirement. According to the terms of these awards, which provide for vesting upon retirement, these employees and directors have no risk of forfeiture. These shares will be issued at the original contractual vesting and settlement dates.

Phantom Stock Plan: The Company maintains a non-qualified phantom stock plan as a supplement to its profit-sharing plan for officers who have achieved the designated level and completed one year of service. The Company adjusts its liability under this plan to the fair value of the shares at the end of each period.

The following table summarizes the Phantom Stock Plan at or for the nine months ended September 30, 2023:

Phantom Stock Plan	Shares	Fair Value	Weighted-Average Fair Value
Outstanding at December 31, 2022	158,410	\$ 19.38	
Granted	21,346		\$ 17.43
Distributions	(1,132)		\$ 17.27
Outstanding at September 30, 2023	178,624	\$ 13.13	
Vested at September 30, 2023	178,624	\$ 13.13	

The Company recorded stock-based compensation expense (benefit) for the Phantom Stock Plan of \$0.2 million and (\$0.3) million for the three months ended September 30, 2023 and 2022, respectively. The total fair value of the distributions from the Phantom Stock Plan was \$3,000 and \$6,000 for the three months ended September 30, 2023 and 2022, respectively.

The Company recorded stock-based compensation benefit for the Phantom Stock Plan of \$1.0 million and \$0.7 million for the nine months ended September 30, 2023 and 2022, respectively. The total fair value of the distributions from the Phantom Stock Plan was \$20,000 and \$23,000 for the nine months ended September 30, 2023, and 2022, respectively.

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9. Pension and Other Postretirement Benefit Plans

The following table sets forth information regarding the components of net expense for the pension and other postretirement benefit plans.

	Three months ended September 30,		Nine months ended September 30,	
(In thousands)	2023	2022	2023	2022
Employee Pension Plan:				
Interest cost	\$ 203	\$ 138	\$ 609	\$ 414
Amortization of unrecognized loss	—	1	—	3
Expected return on plan assets	(278)	(257)	(832)	(772)
Net employee pension benefit ⁽¹⁾	<u>\$ (75)</u>	<u>\$ (118)</u>	<u>\$ (223)</u>	<u>\$ (355)</u>
Outside Director Pension Plan:				
Service cost	\$ 2	\$ 3	\$ 6	\$ 9
Interest cost	15	11	44	34
Amortization of unrecognized gain	(40)	(7)	(120)	(21)
Net outside director pension (benefit) expense ⁽²⁾	<u>\$ (23)</u>	<u>\$ 7</u>	<u>\$ (70)</u>	<u>\$ 22</u>
Other Postretirement Benefit Plans:				
Service cost	\$ 40	\$ 67	\$ 120	\$ 201
Interest cost	95	70	286	209
Amortization of unrecognized gain	(60)	—	(180)	—
Amortization of past service credit	—	(7)	—	(21)
Net other postretirement expense ⁽¹⁾	<u>\$ 75</u>	<u>\$ 130</u>	<u>\$ 226</u>	<u>\$ 389</u>

(1) Reported in the Consolidated Statements of Income as part of salaries and employee benefits.

(2) Reported in the Consolidated Statements of Income as part of other operating expenses.

The Company previously disclosed in its Consolidated Financial Statements for the year ended December 31, 2022 that it expects to contribute \$0.2 million to the Outside Director Pension Plan (the “Outside Director Pension Plan”) and \$0.3 million to the other postretirement benefit plans (the “Other Postretirement Benefit Plans”), during the year ending December 31, 2023. The Company does not expect to make a contribution to the Employee Pension Plan. As of September 30, 2023, the Company had contributed \$56,000 to the Outside Director Pension Plan and \$81,000 to the Other Postretirement Benefit Plans. As of September 30, 2023, the Company has not revised its expected contributions for the year ending December 31, 2023.

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10. Fair Value of Financial Instruments

The Company carries certain financial assets and financial liabilities at fair value in accordance with GAAP which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP permits entities to choose to measure many financial instruments and certain other items at fair value. At September 30, 2023, the Company carried financial assets and financial liabilities under the fair value option with fair values of \$12.8 million and \$48.3 million, respectively. At December 31, 2022, the Company carried financial assets and financial liabilities under the fair value option with fair values of \$13.0 million and \$50.5 million, respectively. The Company did not elect to carry any additional financial assets or financial liabilities under the fair value option during the three and nine months ended September 30, 2023 and 2022.

The following table presents the financial assets and financial liabilities reported at fair value under the fair value option, and the changes in fair value included in the Consolidated Statement of Income – Net (loss) gain from fair value adjustments, at or for the periods ended as indicated:

Description (In thousands)	Fair Value Measurements at September 30, 2023	Fair Value Measurements at December 31, 2022	Changes in Fair Values For Items Measured at Fair Value Pursuant to Election of the Fair Value Option			
			For the three months ended September 30,		For the nine months ended September 30,	
			2023	2022	2023	2022
Mortgage-backed securities	\$ 266	\$ 295	\$ 1	\$ (6)	\$ 3	\$ (18)
Other securities	12,516	12,728	(338)	(661)	(422)	(1,681)
Borrowed funds	48,329	50,507	(909)	6,293	2,086	8,049
Net (loss) gain from fair value adjustments			<u>\$ (1,246)</u>	<u>\$ 5,626</u>	<u>\$ 1,667</u>	<u>\$ 6,350</u>

Included in the fair value of the financial assets and financial liabilities selected for the fair value option is the accrued interest receivable or payable for the related instrument. The Company reports as interest income or interest expense in the Consolidated Statement of Income, the interest receivable or payable on the financial instruments selected for the fair value option at their respective contractual rates.

The borrowed funds had a contractual principal amount of \$61.9 million at both September 30, 2023 and December 31, 2022. The fair value of borrowed funds includes accrued interest payable of \$0.4 million at both September 30, 2023 and December 31, 2022.

The Company generally holds its earning assets to maturity and settles its liabilities at maturity. However, fair value estimates are made at a specific point in time and are based on relevant market information. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular instrument. Accordingly, as assumptions change, such as interest rates and prepayments, fair value estimates change, and these amounts may not necessarily be realized in an immediate sale.

Disclosure of fair value does not require fair value information for items that do not meet the definition of a financial instrument or certain other financial instruments specifically excluded from its requirements. These items include core deposit intangibles and other customer relationships, premises and equipment, leases, income taxes and equity.

Further, fair value disclosure does not attempt to value future income or business. These items may be material and accordingly, the fair value information presented does not purport to represent, nor should it be construed to represent, the underlying "market" or franchise value of the Company.

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A description of the methods and significant assumptions utilized in estimating the fair value of the Company's financial assets and liabilities that are carried at fair value on a recurring basis are as follows:

Level 1 – when quoted market prices are available in an active market. At September 30, 2023 and December 31, 2022, Level 1 included one mutual fund.

Level 2 – when quoted market prices are not available, fair value is estimated using quoted market prices for similar financial instruments and adjusted for differences between the quoted instrument and the instrument being valued. Fair value can also be estimated by using pricing models, or discounted cash flows. Pricing models primarily use market-based or independently sourced market parameters as inputs, including, but not limited to, yield curves, interest rates, equity or debt prices and credit spreads. In addition to observable market information, models also incorporate maturity and cash flow assumptions. At September 30, 2023 and December 31, 2022, Level 2 included mortgage-backed securities, CLOs, corporate debt, municipals, and interest rate swaps.

Level 3 – when there is limited activity or less transparency around inputs to the valuation, financial instruments are classified as Level 3. At September 30, 2023 and December 31, 2022, Level 3 included trust preferred securities owned, and junior subordinated debentures issued by the Company.

The methods described above may produce fair values that may not be indicative of net realizable value or reflective of future fair values. While the Company believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies, assumptions, and models to determine fair value of certain financial instruments could produce different estimates of fair value at the reporting date.

The following table sets forth the Company's assets and liabilities that are carried at fair value on a recurring basis, including those reported at fair value under the fair value option, and the level that was used to determine their fair value, at September 30, 2023 and December 31, 2022:

	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Other Unobservable Inputs (Level 3)		Total carried at fair value on a recurring basis	
	2023	2022	2023	2022	2023	2022	2023	2022
Assets:	<i>(In thousands)</i>							
Securities available for sale:								
Mortgage-backed securities	\$ —	\$ —	\$ 337,879	\$ 384,283	\$ —	\$ —	\$ 337,879	\$ 384,283
Other securities	11,066	11,211	493,267	338,347	1,451	1,516	505,784	351,074
Interest rate swaps	—	—	104,576	74,586	—	—	104,576	74,586
Total assets	<u>\$ 11,066</u>	<u>\$ 11,211</u>	<u>\$ 935,722</u>	<u>\$ 797,216</u>	<u>\$ 1,451</u>	<u>\$ 1,516</u>	<u>\$ 948,239</u>	<u>\$ 809,943</u>
Liabilities:								
Borrowings	\$ —	\$ —	\$ —	\$ —	\$ 48,329	\$ 50,507	\$ 48,329	\$ 50,507
Interest rate swaps	—	—	22,016	18,407	—	—	22,016	18,407
Total liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 22,016</u>	<u>\$ 18,407</u>	<u>\$ 48,329</u>	<u>\$ 50,507</u>	<u>\$ 70,345</u>	<u>\$ 68,914</u>

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The following tables set forth the Company's assets and liabilities that are carried at fair value on a recurring basis, classified within Level 3 of the valuation hierarchy for the periods indicated:

	For the three months ended			
	September 30, 2023		September 30, 2022	
	Trust preferred securities	Junior subordinated debentures	Trust preferred securities	Junior subordinated debentures
	<i>(In thousands)</i>			
Beginning balance	\$ 1,434	\$ 47,777	\$ 1,662	\$ 55,352
Net (loss) gain from fair value adjustment of financial assets ⁽¹⁾	16	—	(171)	—
Net (gain) loss from fair value adjustment of financial liabilities ⁽¹⁾	—	909	—	(6,293)
Increase (decrease) in accrued interest	1	20	3	95
Change in unrealized (gains) losses included in other comprehensive loss	—	(377)	—	598
Ending balance	\$ 1,451	\$ 48,329	\$ 1,494	\$ 49,752
Changes in unrealized gains held at period end	\$ —	\$ 2,338	\$ —	\$ 2,177

(1) Presented in the Consolidated Statements of Income under net (loss) gain from fair value adjustments.

	For the nine months ended			
	September 30, 2023		September 30, 2022	
	Trust preferred securities	Junior subordinated debentures	Trust preferred securities	Junior subordinated debentures
	<i>(In thousands)</i>			
Beginning balance	\$ 1,516	\$ 50,507	\$ 1,695	\$ 56,472
Net (loss) gain from fair value adjustment of financial assets ⁽¹⁾	(67)	—	(206)	—
Net (gain) loss from fair value adjustment of financial liabilities ⁽¹⁾	—	(2,086)	—	(8,049)
Increase (decrease) in accrued interest	2	60	5	172
Change in unrealized (gains) losses included in other comprehensive loss	—	(152)	—	1,157
Ending balance	\$ 1,451	\$ 48,329	\$ 1,494	\$ 49,752
Changes in unrealized gains held at period end	\$ —	\$ 2,338	\$ —	\$ 2,177

(1) Presented in the Consolidated Statements of Income under net (loss) gain from fair value adjustments.

The following tables present the quantitative information about recurring Level 3 fair value of financial instruments and the fair value measurements at the periods indicated:

	September 30, 2023				
	Fair Value	Valuation Technique	Input Unobservable	Range	Weighted Average
	(Dollars in thousands)				
Assets:					
Trust preferred securities	\$ 1,451	Discounted cash flows	Spread over 3-month SOFR	n/a	4.4 %
Liabilities:					
Junior subordinated debentures	\$ 48.329	Discounted cash flows	Spread over 3-month SOFR	n/a	4.4 %

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			December 31, 2022		
	Fair Value	Valuation Technique	Input Unobservable	Range	Weighted Average
<i>(Dollars in thousands)</i>					
Assets:					
Trust preferred securities	\$ 1,516	Discounted cash flows	Spread over 3-month Libor	n/a	3.6 %
Liabilities:					
Junior subordinated debentures	\$ 50,507	Discounted cash flows	Spread over 3-month Libor	n/a	3.6 %

The significant unobservable inputs used in the fair value measurement of the Company's trust preferred securities and junior subordinated debentures valued under Level 3 at September 30, 2023 and December 31, 2022, are the effective yields used in the cash flow models. Significant increases or decreases in the effective yield in isolation would result in a significantly lower or higher fair value measurement.

The following table sets forth the Company's assets and liabilities that are carried at fair value on a non-recurring basis and the level that was used to determine their fair value at September 30, 2023 and December 31, 2022:

	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Other Unobservable Inputs (Level 3)		Total carried at fair value on a non-recurring basis	
	2023	2022	2023	2022	2023	2022	2023	2022
<i>(In thousands)</i>								
Assets:								
Certain delinquent loans	\$ —	\$ —	\$ —	\$ —	\$ 1,045	\$ 18,330	\$ 1,045	\$ 18,330
Total assets	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,045</u>	<u>\$ 18,330</u>	<u>\$ 1,045</u>	<u>\$ 18,330</u>

The following tables present the qualitative information about non-recurring Level 3 fair value of financial instruments and the fair value measurements at the periods indicated:

			At September 30, 2023		
	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average
<i>(Dollars in thousands)</i>					
Assets:					
Certain delinquent loans	\$ 1,045	Discounted Cashflow	Discount Rate	4.3% to 9.8 %	9.4 %
			Probability of Default	35.0% to 42.0 %	41.6 %

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			At December 31, 2022			
	Fair Value	Valuation Technique	Unobservable Input	Range		Weighted Average
			(Dollars in thousands)			
Assets:						
Certain delinquent loans	\$ 18,189	Sales approach	Adjustment to sales comparison value	-20.0% to 0.0 %		-1.3%
			Reduction for planned expedited disposal	10.0% to 15.0 %		13.6 %
Certain delinquent loans	\$ 141	Discounted Cashflow	Discount Rate	4.3 %		4.3 %
			Probability of Default	35.0 %		35.0 %

The Company did not have any liabilities that were carried at fair value on a non-recurring basis at September 30, 2023 and December 31, 2022.

The methods and assumptions used to estimate fair value at September 30, 2023 and December 31, 2022 are as follows:

Securities:

The fair values of securities are contained in Note 4 (“Securities”) of the Notes to Consolidated Financial Statements. Fair value is based upon quoted market prices, where available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities and adjusted for differences between the quoted instrument and the instrument being valued. When there is limited activity or less transparency around inputs to the valuation, securities are valued using discounted cash flows.

Certain Delinquent Loans:

For certain delinquent loans, fair value is generally estimated by discounting management’s estimate of future cash flows with a discount rate commensurate with the risk associated with such assets or, for collateral dependent loans, 85% of the appraised or internally estimated value of the property. See Note 5 (“Loans”) of the Notes to the Consolidated Financial Statements.

Junior Subordinated Debentures:

The fair value of the junior subordinated debentures was developed using a credit spread based on stated spreads for recently issued subordinated debt instruments for issuers of similar asset size and credit quality of the Company and with similar durations adjusting for differences in the junior subordinated debt’s credit rating, liquidity, and time to maturity. The unrealized net gain/loss attributable to changes in our own credit risk was determined by adjusting the fair value as determined in the proceeding sentence by the average rate of default on debt instruments with a similar debt rating as our junior subordinated debentures, with the difference from the original calculation and this calculation resulting in the instrument-specific unrealized gain/loss.

Interest Rate Swaps:

The fair value of interest rate swaps is based upon broker quotes.

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The following tables set forth the carrying amounts and estimated fair values of selected financial instruments based on the assumptions described above used by the Company in estimating fair value at the periods indicated:

	September 30, 2023				
	Carrying Amount	Fair Value	Level 1 (In thousands)	Level 2	Level 3
Assets:					
Cash and due from banks	\$ 200,926	\$ 200,926	\$ 200,926	\$ —	\$ —
Securities held-to-maturity					
Mortgage-backed securities	7,860	6,634	—	6,634	—
Other securities	65,271	51,031	—	—	51,031
Securities available for sale					
Mortgage-backed securities	337,879	337,879	—	337,879	—
Other securities	505,784	505,784	11,066	493,267	1,451
Loans	6,896,074	6,511,963	—	—	6,511,963
FHLB-NY stock	43,821	43,821	—	43,821	—
Accrued interest receivable	55,660	55,660	—	6,723	48,937
Interest rate swaps	104,576	104,576	—	104,576	—
Liabilities:					
Deposits	\$ 6,681,509	\$ 6,630,112	\$ 4,360,140	\$ 2,269,972	\$ —
Borrowed Funds	1,001,010	950,476	—	902,147	48,329
Accrued interest payable	10,001	10,001	—	10,001	—
Interest rate swaps	22,016	22,016	—	22,016	—
December 31, 2022					
	Carrying Amount	Fair Value	Level 1 (In thousands)	Level 2	Level 3
Assets:					
Cash and due from banks	\$ 151,754	\$ 151,754	\$ 151,754	\$ —	\$ —
Securities held-to-maturity					
Mortgage-backed securities	7,875	6,989	—	6,989	—
Other securities	65,836	55,561	—	—	55,561
Securities available for sale					
Mortgage-backed securities	384,283	384,283	—	384,283	—
Other securities	351,074	351,074	11,211	338,347	1,516
Loans	6,934,769	6,651,795	—	—	6,651,795
FHLB-NY stock	45,842	45,842	—	45,842	—
Accrued interest receivable	45,048	45,048	—	3,819	41,229
Interest rate swaps	74,856	74,856	—	74,856	—
Liabilities:					
Deposits	\$ 6,485,342	\$ 6,453,978	\$ 4,959,004	\$ 1,494,974	\$ —
Borrowed Funds	1,052,973	1,027,370	—	976,863	50,507
Accrued interest payable	10,034	10,034	—	10,034	—
Interest rate swaps	18,407	18,407	—	18,407	—

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11. Derivative Financial Instruments

At September 30, 2023 and December 31, 2022, the Company's derivative financial instruments consisted of interest rate swaps. The Company's interest rate swaps are used for three purposes: 1) to mitigate the Company's exposure to rising interest rates on certain fixed rate loans and securities with \$946.8 million and \$273.6 million of swaps outstanding at September 30, 2023 and December 31, 2022, respectively; 2) to facilitate risk management strategies for our loan customers with \$480.0 million of swaps outstanding, which include \$240.0 million each with customers and bank counterparties at September 30, 2023 and \$221.2 million of swaps outstanding, which include \$110.6 million each with customers and bank counterparties at December 31, 2022; and 3) to mitigate exposure to rising interest rates on certain short-term advances, brokered deposits and municipal deposits with \$826.8 million of swaps outstanding at September 30, 2023, and \$871.5 million of swaps outstanding at December 31, 2022.

The Company adopted ASU No. 2022-01, "Derivatives and Hedging (Topic 815): Fair Value Hedging – Portfolio Layer Method" in the first quarter of 2023. During the nine months ended September 30, 2023, the Company entered into portfolio layer hedges on a closed portfolio of AFS securities with a notional amount of \$200.0 million and a closed portfolio of loans with a notional amount of \$500.0 million. See Note 14 ("New Authoritative Accounting Pronouncements") of the Notes to the Consolidated Financial Statements.

For non-portfolio layer method fair value hedges, the hedge basis (the amount of the change in fair value) is added to (or subtracted from) the carrying amount of the hedged item. For portfolio layer method hedges, the hedge basis does not adjust the carrying value of the hedged item and is instead maintained on a closed portfolio basis. These basis adjustments would be allocated to the amortized cost of specific loans or AFS securities within the pools if either of the hedges were de-designated. The Company did not have any portfolio layer hedges prior to the first quarter of 2023.

At September 30, 2023 and December 31, 2022, we held derivatives designated as cash flow hedges, fair value hedges and certain derivatives not designated as hedges.

The Company's derivative instruments are carried at fair value in the Company's financial statements as part of Other Assets for derivatives with positive fair values and Other Liabilities for derivatives with negative fair values. The accounting for changes in the fair value of a derivative instrument is dependent upon whether or not it qualifies and has been designated as a hedge for accounting purposes, and further, by the type of hedging relationship.

At September 30, 2023 and December 31, 2022, derivatives with a combined notional amount of \$480.9 million and \$221.2 million, respectively, were not designated as hedges. At September 30, 2023 and December 31, 2022, derivatives with a combined notional amount of \$946.8 million and \$273.6 million, respectively, were designated as fair value hedges. At September 30, 2023 and December 31, 2022, derivatives with a combined notional amount of \$825.8 million and \$871.5 million, respectively, were designated as cash flow hedges.

For cash flow hedges, the changes in the fair value of the derivatives are reported in accumulated other comprehensive income (loss), net of tax. Amounts in accumulated other comprehensive loss are reclassified into earnings in the same period during which the hedged forecasted transaction effected earnings. During the three months ended September 30, 2023 and 2022, \$7.1 million in reduced expense and \$1.0 million in additional expense, respectively, was reclassified from accumulated other comprehensive loss to interest expense. During the nine months ended September 30, 2023 and 2022, \$18.2 million in reduced expense and \$6.1 million in additional expense was reclassified from accumulated other comprehensive loss to interest expense. The estimated amount to be reclassified in the next 12 months out of accumulated other comprehensive loss is \$25.0 million in reduced expense.

Changes in the fair value of interest rate swaps not designated as hedges are reflected in "Net (loss) gain from fair value adjustments" in the Consolidated Statements of Income.

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The following table sets forth information regarding the Company’s derivative financial instruments at the periods indicated:

	Assets		Liabilities	
	Notional Amount	Fair Value ⁽¹⁾	Notional Amount	Fair Value ⁽¹⁾
<i>(In thousands)</i>				
September 30, 2023				
Cash flow hedges:				
Interest rate swaps (borrowings and deposits)	\$ 825,750	\$ 37,211	\$ -	\$ -
Fair value hedges:				
Interest rate swaps (loans and securities)	946,825	45,346	-	-
Non hedge:				
Interest rate swaps (loans and deposits)	240,974	22,019	239,974	22,016
Total	<u>\$ 2,013,549</u>	<u>\$ 104,576</u>	<u>\$ 239,974</u>	<u>\$ 22,016</u>
December 31, 2022				
Cash flow hedges:				
Interest rate swaps (borrowings and deposits)	\$ 700,750	\$ 31,716	\$ 170,750	\$ 210
Fair value hedges:				
Interest rate swaps (loans)	273,607	24,673	-	-
Non hedge:				
Interest rate swaps (loans)	110,598	18,197	110,598	18,197
Total	<u>\$ 1,084,955</u>	<u>\$ 74,586</u>	<u>\$ 281,348</u>	<u>\$ 18,407</u>

(1) Derivatives in a positive position are recorded as “Other assets” and derivatives in a negative position are recorded as “Other liabilities” in the Consolidated Statements of Financial Condition.

The following table presents information regarding the Company’s fair value hedged items for the periods indicated:

Line Item in the Consolidated Statement of Financial Condition in Which the Hedged Item Is Included <i>(In thousands)</i>	Carrying Amount of the Hedged Assets/(Liabilities)		Cumulative Amount of the Fair Hedging Adjustment Included in the Carrying Amount of the Hedged Assets/(Liabilities)	
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Loans				
Multi-family residential	\$ 77,216	\$ 82,613	\$ (13,979)	\$ (10,480)
Commercial real estate	143,327	167,353	(14,358)	(15,442)
Total	<u>\$ 220,543</u>	<u>\$ 249,966</u>	<u>\$ (28,337)</u>	<u>\$ (25,922)</u>
Portfolio Layer				
Loans held for Investment ⁽¹⁾	\$ 2,615,651	\$ —	\$ (10,639)	\$ —
Securities available for sale ⁽²⁾	273,313	—	(7,721)	—
Total	<u>\$ 2,888,964</u>	<u>\$ —</u>	<u>\$ (18,360)</u>	<u>\$ —</u>

(1) Carrying amount represents the amortized cost. At September 30, 2023, the amortized cost of the portfolio layer method closed portfolio was \$2.6 billion, of which \$500 million was designated as hedged. The cumulative amount of basis adjustments was \$10.6 million.

(2) Carrying amount represents the fair value. At September 30, 2023, the fair value of the portfolio layer method closed portfolio was \$273 million, of which \$200 million was designated as hedged. The cumulative amount of basis adjustments was \$7.7 million.

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The following table sets forth the effect of derivative instruments on the Consolidated Statements of Income for the periods indicated:

(In thousands)	Affected Line Item in the Statements Where Net Income is Presented	For the three months ended		For the nine months ended	
		September 30,		September 30,	
		2023	2022	2023	2022
Financial Derivatives:					
Interest rate swaps - fair value hedge (loans)	Interest and fees on loans	\$ 5,335	\$ 253	\$ 9,901	\$ (2,068)
Interest rate swaps - fair value hedge (securities)	Interest and dividends on securities	942	—	1,787	—
Interest rate swaps - non hedge (municipal deposits)	Deposits	1	—	4	—
Interest rate swaps - cash flow hedge (short-term advances)	Other interest expense	994	64	4,336	(3,890)
Interest rate swaps - cash flow hedge (brokered deposits)	Deposits	6,060	793	13,886	842
Total net income (expense) from the effects of derivative instruments		\$ 13,332	\$ 1,110	\$ 29,914	\$ (5,116)

The Company's interest rate swaps are subject to master netting arrangements between the Company and its designated counterparties. The Company has not made a policy election to offset its derivative positions.

The following tables present the effect of the master netting arrangements on the presentation of the derivative assets and liabilities in the Consolidated Statements of Financial Condition as of the dates indicated:

<i>(In thousands)</i>	Gross Amounts Recognized	Gross Amount Offset in Statement of Financial Condition	Net Amount Presented in Statement of Financial Condition	Financial Instruments	Cash Collateral	Net Amount
September 30, 2023						
Assets:						
Interest rate swaps	\$ 104,576	\$ —	\$ 104,576	\$ —	\$ (110,755)	\$ (6,179)
Liabilities:						
Interest rate swaps	22,016	—	22,016	—	—	22,016
December 31, 2022						
Assets:						
Interest rate swaps	\$ 74,586	\$ —	\$ 74,586	\$ —	\$ (72,185)	\$ 2,401
Liabilities:						
Interest rate swaps	18,407	—	18,407	—	—	18,407

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12. Accumulated Other Comprehensive Income (Loss):

The following tables set forth the changes in accumulated other comprehensive income (loss) by component for the periods indicated:

	For the three months ended September 30, 2023				
	Unrealized Gains (Losses) on Available for Sale Securities	Unrealized Gains (Losses) on Cash flow Hedges	Defined Benefit Pension Items	Fair Value Option Elected on Liabilities	Total
	<i>(In thousands)</i>				
Beginning balance, net of tax	\$ (63,523)	\$ 26,559	\$ (413)	\$ 1,358	\$ (36,019)
Other comprehensive income before reclassifications, net of tax	(6,928)	5,162	—	261	(1,505)
Amounts reclassified from accumulated other comprehensive income, net of tax	1,530	(4,868)	(69)	—	(3,407)
Net current period other comprehensive income, net of tax	(5,398)	294	(69)	261	(4,912)
Ending balance, net of tax	<u>\$ (68,921)</u>	<u>\$ 26,853</u>	<u>\$ (482)</u>	<u>\$ 1,619</u>	<u>\$ (40,931)</u>

	For the three months ended September 30, 2022				
	Unrealized Gains (Losses) on Available for Sale Securities	Unrealized Gains (Losses) on Cash flow Hedges	Defined Benefit Pension Items	Fair Value Option Elected on Liabilities	Total
	<i>(In thousands)</i>				
Beginning balance, net of tax	\$ (50,133)	\$ 18,260	\$ (1,313)	\$ 1,922	\$ (31,264)
Other comprehensive income before reclassifications, net of tax	(22,797)	7,480	—	(414)	(15,731)
Amounts reclassified from accumulated other comprehensive income, net of tax	—	710	(9)	—	701
Net current period other comprehensive income (loss), net of tax	(22,797)	8,190	(9)	(414)	(15,030)
Ending balance, net of tax	<u>\$ (72,930)</u>	<u>\$ 26,450</u>	<u>\$ (1,322)</u>	<u>\$ 1,508</u>	<u>\$ (46,294)</u>

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	For the nine months ended September 30, 2023				
	Unrealized Gains (Losses) on Available for Sale Securities	Unrealized Gains (Losses) on Cash flow Hedges	Defined Benefit Pension Items	Fair Value Option Elected on Liabilities	Total
	<i>(In thousands)</i>				
Beginning balance, net of tax	\$ (63,106)	\$ 25,380	\$ (275)	\$ 1,513	\$ (36,488)
Other comprehensive income before reclassifications, net of tax	(11,144)	14,050	—	106	3,012
Amounts reclassified from accumulated other comprehensive income, net of tax	5,329	(12,577)	(207)	—	(7,455)
Net current period other comprehensive income (loss), net of tax	(5,815)	1,473	(207)	106	(4,443)
Ending balance, net of tax	<u>\$ (68,921)</u>	<u>\$ 26,853</u>	<u>\$ (482)</u>	<u>\$ 1,619</u>	<u>\$ (40,931)</u>

	For the nine months ended September 30, 2022				
	Unrealized Gains (Losses) on Available for Sale Securities	Unrealized Gains (Losses) on Cash flow Hedges	Defined Benefit Pension Items	Fair Value Option Elected on Liabilities	Total
	<i>(In thousands)</i>				
Beginning balance, net of tax	\$ (6,272)	\$ (1,406)	\$ (1,282)	\$ 2,276	\$ (6,684)
Other comprehensive income before reclassifications, net of tax	(66,658)	23,657	—	(768)	(43,769)
Amounts reclassified from accumulated other comprehensive income, net of tax	—	4,199	(40)	—	4,159
Net current period other comprehensive income (loss), net of tax	(66,658)	27,856	(40)	(768)	(39,610)
Ending balance, net of tax	<u>\$ (72,930)</u>	<u>\$ 26,450</u>	<u>\$ (1,322)</u>	<u>\$ 1,508</u>	<u>\$ (46,294)</u>

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The following tables set forth significant amounts reclassified from accumulated other comprehensive income (loss) by component for the periods indicated:

For the three months ended September 30, 2023		
Details about Accumulated Other Comprehensive Loss Components	Amounts Reclassified from Accumulated Other Comprehensive Loss	Affected Line Item in the Statement Where Net Income is Presented
	(In thousands)	
Fair Value hedges:		
Interest rate swaps benefit (expense)	\$ (2,217)	Interest and dividend income
	687	Provision for income taxes
	<u>\$ (1,530)</u>	
Cash flow hedges:		
Interest rate swaps benefit (expense)	\$ 7,053	Interest expense
	(2,185)	Provision for income taxes
	<u>\$ 4,868</u>	
Amortization of defined benefit pension items:		
Actuarial losses benefit (expense)	\$ 100	(1) Other operating expenses
	(31)	Provision for income taxes
	<u>\$ 69</u>	

For the three months ended September 30, 2022		
Details about Accumulated Other Comprehensive Loss Components	Amounts Reclassified from Accumulated Other Comprehensive Loss	Affected Line Item in the Statement Where Net Income is Presented
	(In thousands)	
Cash flow hedges:		
Interest rate swaps benefit (expense)	\$ (1,030)	Interest expense
	320	Provision for income taxes
	<u>\$ (710)</u>	
Amortization of defined benefit pension items:		
Actuarial losses benefit (expense)	\$ 6	(1) Other operating expenses
Prior service credits benefit (expense)	7	(1) Other operating expenses
	13	Total before tax
	(4)	Provision for income taxes
	<u>\$ 9</u>	

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For the nine months ended September 30, 2023

Details about Accumulated Other Comprehensive Income Components	Amounts Reclassified from Accumulated Other Comprehensive Income <i>(In thousands)</i>	Affected Line Item in the Statement Where Net Income is Presented
Fair Value hedges:		
Interest rate swaps benefit (expense)	\$ (7,721)	Interest and dividend income
	2,392	Provision for income taxes
	<u>\$ (5,329)</u>	
Cash flow hedges:		
Interest rate swaps benefit (expense)	\$ 18,222	Interest expense
	(5,645)	Provision for income taxes
	<u>\$ 12,577</u>	
Amortization of defined benefit pension items:		
Actuarial losses benefit (expense)	\$ 300 ⁽¹⁾	Other operating expense
	(93)	Provision for income taxes
	<u>\$ 207</u>	

For the nine months ended September 30, 2022

Details about Accumulated Other Comprehensive Income Components	Amounts Reclassified from Accumulated Other Comprehensive Income <i>(In thousands)</i>	Affected Line Item in the Statement Where Net Income is Presented
Cash flow hedges:		
Interest rate swaps benefit (expense)	\$ (6,117)	Interest expense
	1,918	Provision for income taxes
	<u>\$ (4,199)</u>	
Amortization of defined benefit pension items:		
Actuarial losses benefit (expense)	\$ 18 ⁽¹⁾	Other operating expense
Prior service credits benefit (expense)	21 ⁽¹⁾	Other operating expense
	39	Total before tax
	1	Provision for income taxes
	<u>\$ 40</u>	

(1) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 9 ("Pension and Other Postretirement Benefit Plans") for additional information

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13. Regulatory Capital

Under current capital regulations, the Bank is required to comply with four separate capital adequacy standards and a Capital Conservation Buffer (“CCB”). As of September 30, 2023, the Bank continues to be categorized as “well-capitalized” under the prompt corrective action regulations and continues to exceed all regulatory capital requirements. The CCB for the Bank was 6.06% and 6.37% at September 30, 2023 and December 31, 2022, respectively.

Set forth below is a summary of the Bank’s compliance with banking regulatory capital standards.

	September 30, 2023		December 31, 2022	
	Amount	Percent of Assets	Amount	Percent of Assets
	<i>(Dollars in thousands)</i>			
Tier I (leverage) capital:				
Capital level	\$ 918,167	10.61 %	\$ 915,628	10.56 %
Requirement to be well-capitalized	432,771	5.00	433,667	5.00
Excess	485,396	5.61	481,961	5.56
Common Equity Tier I risk-based capital:				
Capital level	\$ 918,167	13.49 %	\$ 915,628	13.79 %
Requirement to be well-capitalized	442,255	6.50	431,734	6.50
Excess	475,912	6.99	483,894	7.29
Tier I risk-based capital:				
Capital level	\$ 918,167	13.49 %	\$ 915,628	13.79 %
Requirement to be well-capitalized	544,314	8.00	531,365	8.00
Excess	373,853	5.49	384,263	5.79
Total risk-based capital:				
Capital level	\$ 956,955	14.06 %	\$ 954,457	14.37 %
Requirement to be well-capitalized	680,393	10.00	664,206	10.00
Excess	276,562	4.06	290,251	4.37

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The Holding Company is subject to the same regulatory capital requirements as the Bank. As of September 30, 2023, the Holding Company continues to be categorized as “well-capitalized” under the prompt corrective action regulations and continues to exceed all regulatory capital requirements. The CCB for the Holding Company at September 30, 2023 and December 31, 2022 was 4.87% and 5.25%, respectively.

Set forth below is a summary of the Holding Company’s compliance with banking regulatory capital standards.

	September 30, 2023		December 31, 2022	
	Amount	Percent of Assets	Amount	Percent of Assets
	<i>(Dollars in thousands)</i>			
Tier I (leverage) capital:				
Capital level	\$ 739,364	8.54 %	\$ 746,880	8.61 %
Requirement to be well-capitalized	432,714	5.00	433,607	5.00
Excess	306,650	3.54	313,273	3.61
Common Equity Tier I risk-based capital:				
Capital level	\$ 692,914	10.19 %	\$ 698,258	10.52 %
Requirement to be well-capitalized	442,155	6.50	431,635	6.50
Excess	250,759	3.69	266,623	4.02
Tier I risk-based capital:				
Capital level	\$ 739,364	10.87 %	\$ 746,880	11.25 %
Requirement to be well-capitalized	544,191	8.00	531,243	8.00
Excess	195,173	2.87	215,637	3.25
Total risk-based capital:				
Capital level	\$ 968,152	14.23 %	\$ 975,709	14.69 %
Requirement to be well-capitalized	680,239	10.00	664,054	10.00
Excess	287,913	4.23	311,655	4.69

14. New Authoritative Accounting Pronouncements

Accounting Standards Adopted in 2023:

In March 2022, FASB issued ASU No. 2022-02, “Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures” (Topic 326), which replaces the recognition and measurement guidance related to TDRs for creditors that have adopted ASC Topic 326 (commonly referred to as “CECL”) with the recognition and measurement guidance contained in Accounting Standards Codification (“ASC”) 310-20, to determine whether a modification results in a new loan or a continuation of an existing loan. This ASU also enhances disclosures about loan modifications for borrowers who are experiencing financial difficulty. The guidance also requires public business entities to present gross write-offs by year of origination in their vintage disclosures. ASU 2022-02 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The amendments in this ASU should be applied on a prospective basis; however, institutions have the option to apply a modified retrospective transition method as it relates to the recognition and measurement of TDRs, resulting in a cumulative-effect adjustment to retained earnings in the period of adoption. The ASU was adopted on January 1, 2023 prospectively, without material impact on our business operations or to our consolidated financial statements.

In March 2022, the FASB issued ASU 2022-01, “Derivatives and Hedging (Topic 815): Fair Value Hedging – Portfolio Layer Method”, which expanded the current last-of-layer method to allow multiple hedged layers of a single closed portfolio and allow hedge accounting to be achieved using different types of derivatives and layering techniques, including the use of amortizing swaps with clarification that such a trade would be viewed as being a single layer. Under this expanded scope, both prepayable and nonrepayable financial assets may be included in a single closed portfolio hedge. This update also provides clarifications to breach requirements and disclosures. As a result of these changes, the last-of-

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layer method has been renamed the portfolio layer method. No cumulative-effect adjustment to the opening balance of retained earnings was required upon adoption of these amendments. The Company did not have any portfolio layer or last of layer hedges prior to the first quarter of 2023. The amendments related to disclosures were applied on a prospective basis. The ASU was adopted in the first quarter of 2023 – see Notes 4 (“Securities”), 5 (“Loans”) and 11 (“Derivative Financial Instruments”) of the Notes to the Consolidated Financial Statements for more information regarding the impact to our consolidated financial statements.

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ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report should be read in conjunction with the more detailed and comprehensive disclosures included in our Annual Report on Form 10-K for the year ended December 31, 2022. In addition, please read this section in conjunction with our Consolidated Financial Statements and Notes to Consolidated Financial Statements contained herein.

As used in this Quarterly Report, the words “we,” “us,” “our” and the “Company” are used to refer to Flushing Financial Corporation and its direct and indirect wholly owned subsidiaries, Flushing Bank (the “Bank”), Flushing Service Corporation, and FSB Properties Inc.

Statements contained in this Quarterly Report relating to plans, strategies, objectives, economic performance and trends, projections of results of specific activities or investments and other statements that are not descriptions of historical facts may be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking information is inherently subject to risks and uncertainties and actual results could differ materially from those currently anticipated due to a number of factors, which include, but are not limited to, factors discussed elsewhere in this Quarterly Report and in other documents filed by us with the Securities and Exchange Commission from time to time, including, without limitation, our Annual Report on Form 10-K for the year ended December 31, 2022. Forward-looking statements may be identified by terms such as “may,” “will,” “should,” “could,” “expects,” “plans,” “intends,” “anticipates,” “believes,” “estimates,” “predicts,” “forecasts,” “goals,” “potential” or “continue” or similar terms or the negative of these terms. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We have no obligation to update these forward-looking statements.

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Executive Summary

We are a Delaware corporation organized in May 1994. The Bank was organized in 1929 as a New York State-chartered mutual savings bank. Today the Bank operates as a full-service New York State-chartered commercial bank. The Bank’s primary regulator is the New York State Department of Financial Services, and its primary federal regulator is the Federal Deposit Insurance Corporation (“FDIC”). Deposits are insured to the maximum allowable amount by the FDIC. Additionally, the Bank is a member of the Federal Home Loan Bank system. The primary business of Flushing Financial Corporation has been the operation of the Bank. At September 30, 2023, the Bank owns two subsidiaries: Flushing Service Corporation, and FSB Properties Inc. The Bank also operates an internet branch, which operates under the brands of iGOBanking.com® and BankPurely® (the “Internet Branch”). The activities of Flushing Financial Corporation are primarily funded by dividends, if any, received from the Bank, issuances of subordinated debt, junior subordinated debt, and issuances of equity securities. Flushing Financial Corporation’s common stock is traded on the NASDAQ Global Select Market under the symbol “FFIC.”

Our principal business is attracting retail deposits from the general public and investing those deposits together with funds generated from ongoing operations and borrowings, primarily in (1) originations and purchases of multi-family residential loans, commercial business loans, commercial real estate mortgage loans and, to a lesser extent, one-to-four family loans (focusing on mixed-use properties, which are properties that contain both residential dwelling units and commercial units); (2) Small Business Administration (“SBA”) loans and other small business loans; (3) construction loans; (4) mortgage loan surrogates such as mortgage-backed securities; and (5) U.S. government securities, corporate fixed-income securities and other marketable securities. We also originate certain other consumer loans including overdraft lines of credit. Our results of operations depend primarily on net interest income, which is the difference between the income earned on our interest-earning assets and the cost of our interest-bearing liabilities. Net interest income is the result of our net interest rate margin, which is the difference between the average yield earned on interest-earning assets and the average cost of interest-bearing liabilities, adjusted for the difference in the average balance of interest-earning assets as compared to the average balance of interest-bearing liabilities. We also generate non-interest income primarily from loan fees, service charges on deposit accounts, and other fees, income earned on Bank Owned Life Insurance (“BOLI”), dividends on Federal Home Loan Bank of New York (“FHLB-NY”) stock and net gains and losses on sales of securities and loans. Our operating expenses consist principally of employee compensation and benefits, occupancy and equipment costs, other general and administrative expenses and income tax expense. Our results of operations can also be significantly affected by changes in the fair value of financial assets and financial liabilities for which changes in value are recorded through earnings and our periodic provision for credit losses.

Our investment policy, which is approved by the Board of Directors, is designed primarily to manage the interest rate sensitivity of our overall assets and liabilities, to generate a favorable return without incurring undue interest rate risk and credit risk, to complement our lending activities and to provide and maintain liquidity. In establishing our investment strategies, we consider our business and growth strategies, the economic environment, our interest rate risk exposure, our interest rate sensitivity “gap” position, the types of securities to be held and other factors. We classify our investment securities as available for sale or held-to-maturity.

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We carry a portion of our financial assets and financial liabilities under the fair value option and record changes in their fair value through earnings in non-interest income on our Consolidated Statements of Income and Comprehensive Income. A description of the financial assets and financial liabilities that are carried at fair value through earnings can be found in Note 10 (“Fair Value of Financial Instruments”) of the Notes to the Consolidated Financial Statements.

For the three months ended September 30, 2023 we reported net income of \$9.4 million, or \$0.32 per diluted common share, an increase of \$0.8 million, or 8.9% from net income of \$8.6 million, or \$0.29 per diluted common share earned in the three months ended June 30, 2023. The increase in net income was primarily driven by an increase in net interest income of \$1.0 million and decreases in non-interest expense and provision for credit losses of \$0.9 million and \$0.8 million, respectively. These improvements were partially offset by lower non-interest income of \$1.6 million.

During the three months ended September 30, 2023, the net interest margin increased four basis points to 2.22% from 2.18% for the three months ended June 30, 2023. Excluding net gains (losses) from qualifying hedges and purchase accounting adjustments, the net interest margin decreased three basis points to 2.14% for the three months ended September 30, 2023, from 2.17% for the three months ended June 30, 2023.

Our loan portfolio is greater than 88% collateralized by real estate with an average loan to value of less than 36%. We have a long history and foundation built upon disciplined underwriting, strong credit quality, and a resilient seasoned loan portfolio with solid asset protection. At September 30, 2023, our allowance for credit losses (“ACL”) - loans stood at 57 basis points of gross loans and 225.4% of non-performing loans. Non-performing assets at the end of the quarter were 45 basis points of total assets.

Goodwill is presumed to have an indefinite life and is tested for impairment, rather than amortized, on at least an annual basis. Quoted market prices in active markets are the best evidence of fair value and are to be used as the basis for measurement, when available. If the fair value of the reporting unit exceeds its carrying amount, there is no impairment of goodwill. At September 30, 2023, the market capitalization of our reporting unit did not exceed its carrying value, however the fair value of our reporting unit is not driven solely by the market price of our stock. For goodwill impairment testing, management has concluded that the Company has one reporting unit. We performed our impairment tests of goodwill at June 30, 2023 using a quantitative assessment and concluded that the fair value of the reporting unit exceeded its carrying value. At September 30, 2023 we reviewed goodwill again through a qualitative assessment concluding no impairment was indicated. We monitor goodwill for potential impairment triggers on a quarterly basis. Given the inherent uncertainties resulting from global macroeconomic conditions, actual results may differ from management’s current estimates and could have an adverse impact on one or more of the assumptions used in our quantitative model prepared for the reporting unit, which could result in impairment charges in subsequent periods.

The Bank and Company remain well-capitalized under current capital regulations of the FDIC and the Federal Reserve Board, respectively, and are subject to the similar regulatory capital requirements. See Note 13 (“Regulatory Capital”) of the Notes to the Consolidated Financial Statements.

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The following table presents quarterly operating data highlights for the periods indicated:

	For the three months ended September 30,			
	2023		2022	
	(In thousands except per share data)			
Quarterly operating data:				
Interest income	\$	104,036	\$	81,745
Interest expense		59,609		20,539
Net interest income		44,427		61,206
Provision for credit losses		596		2,145
Noninterest income		3,476		8,995
Noninterest expense		34,415		35,634
Income before income tax expense		12,892		32,422
Income tax expense		3,493		8,980
Net income	\$	9,399	\$	23,442
Basic earnings per common share	\$	0.32	\$	0.76
Dividends per common share		0.32		0.76
Average diluted shares		29,703		30,695

COMPARISON OF OPERATING RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

General. Net income for the three months ended September 30, 2023 was \$9.4 million, a decrease of \$14.0 million, or 59.9%, from \$23.4 million for the three months ended September 30, 2022. Diluted earnings per common share were \$0.32 for the three months ended September 30, 2023, a decrease of \$0.44 or 57.9%, from \$0.76 for the three months ended September 30, 2022. The decrease in net income was primarily due to a decline in the net interest margin which decreased 85 basis points to 2.22% for the three months ended September 30, 2023 from 3.07% for the comparable prior year period. The decline in the net interest margin was driven by the impact Federal Reserve rate increases had on our liability sensitive balance sheet as our interest-bearing liabilities repriced quicker than our interest-earning assets. To mitigate the sensitivity and ease net interest margin compression, the Company opportunistically sought out derivative swaps to align with our strategic business plan, and to move to a more interest rate neutral position.

Return on average equity was 5.57% for the three months ended September 30, 2023 compared to 13.91% for the three months ended September 30, 2022. Return on average assets was 0.44% for the three months ended September 30, 2023 compared to 1.11% for the three months ended September 30, 2022.

Interest Income. Interest and dividend income increased \$22.3 million, or 27.3%, to \$104.0 million for the three months ended September 30, 2023 from \$81.7 million for the three months ended September 30, 2022. The increase in interest income was primarily attributable to the 110 basis point increase in the yield on interest-earning assets to 5.20% for the three months ended September 30, 2023 compared to 4.10% for the three months ended September 30, 2022. In addition, the average balance of total interest-earning assets increased \$38.4 million from the comparable prior year period. Excluding prepayment penalty income from loans, net recoveries/reversals of interest from non-accrual loans, net gains (losses) from fair value adjustments on qualifying hedges, and purchase accounting adjustments, the yield on total interest-earning assets increased 108 basis points to 5.07% for the three months ended September 30, 2023 from 3.99% for the three months ended September 30, 2022.

Interest Expense. Interest expense increased \$39.1 million, or 190.2%, to \$59.6 million for the three months ended September 30, 2023 from \$20.5 million for the three months ended September 30, 2022. The growth in interest expense was primarily due to an increase of 227 basis points in the average cost of interest-bearing liabilities to 3.52% for the three

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months ended September 30, 2023 from 1.25% for the three months ended September 30, 2022 and the increase of \$218.8 million in the average balance of interest-bearing liabilities to \$6,771.9 million for the three months ended September 30, 2023 from \$6,553.1 million for the comparable prior year period. Rising rates have driven the increase in our cost of funds as the Federal Reserve increased rates 225 basis points between September 30, 2022 and September 30, 2023.

Net Interest Income. Net interest income for the three months ended September 30, 2023 was \$44.4 million, a decrease of \$16.8 million, or 27.4%, from \$61.2 million for the three months ended September 30, 2022. The decrease in net interest income was driven by the net interest margin decreasing 85 basis points to 2.22% for the three months ended September 30, 2023 from 3.07% for the three months ended September 30, 2022. In addition, net interest income was negatively impacted by a decline in net interest-earning assets totaling \$180.4 million to \$1,245.6 million for the quarter ended September 30, 2023. The decrease in net interest-earning assets was primarily due to limited demand for lending coupled with the average balance of non-interest-bearing deposits declining \$198.6 million to \$851.7 million for the three months ended September 30, 2023 compared to \$1,050.3 million for the three months ended September 30, 2022. Included in net interest income for the three months ended September 30, 2023 and 2022, was prepayment penalty income totaling \$0.7 million and \$1.3 million, respectively, net reversals and recovered interest from non-accrual loans totaling \$0.2 million and \$0.1 million, respectively, net gains from fair value adjustments on qualifying hedges totaling \$1.3 million and less than \$0.1 million, respectively, and purchase accounting income adjustments of \$0.3 million and \$0.8 million, respectively. Excluding all of these items, the net interest margin for the three months ended September 30, 2023 was 2.09%, a decrease of 87 basis points, from 2.96% for the three months ended September 30, 2022.

Provision for Credit Losses. During the three months ended September 30, 2023, the provision for credit losses was \$0.6 million compared to \$2.1 million for the three months ended September 30, 2022. The provision recorded during the three months ended September 30, 2023, was driven by increasing reserves for the elevated risk presented by the current rate environment to adjustable-rate loan’s debt coverage ratios, partially offset by a fully reserved loan paid off during the quarter. The current average loan-to-value ratio for our non-performing assets collateralized by real estate was 50.0% at September 30, 2023. The Bank continues to maintain conservative underwriting standards.

Non-Interest Income. Non-interest income for the three months ended September 30, 2023 was \$3.5 million, a decrease of \$5.5 million, or 61.4% from \$9.0 million in the prior year comparable period. The decrease was primarily due to net losses from fair value adjustments totaling \$1.2 million in the current period compared to a net gain of \$5.6 million recorded during the prior year period.

Non-Interest Expense. Non-interest expense for the three months ended September 30, 2023 was \$34.4 million, a decrease of \$1.2 million, or 3.4%, from \$35.6 million for the three months ended September 30, 2022. The decrease was primarily due to lower salary related expense accruals, and a \$3.1 million net benefit for Employee Retention Tax Credit refunds partially offset by higher other operating expenses.

Income before Income Taxes. Income before income taxes for the three months ended September 30, 2023 was \$12.9 million, a decrease of \$19.5 million, or 60.2%, from \$32.4 million for the three months ended September 30, 2022 for the reasons discussed above.

Provision for Income Taxes. The provision for income taxes was \$3.5 million for the three months ended September 30, 2023, a decrease of \$5.5 million, or 61.1%, from \$9.0 million for the three months ended September 30, 2022. The decrease was primarily due to the decline in income before income taxes. The effective tax rate for the three months ended September 30, 2023 was 27.1% compared to 27.7% for the three months ended September 30, 2022.

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The following table presents operating data highlights for the periods indicated:

	For the nine months ended September 30,	
	2023	2022
	<i>(In thousands except per share data)</i>	
Operating data:		
Interest income	\$ 292,714	\$ 227,356
Interest expense	159,647	37,941
Net interest income	133,067	189,415
Provision for credit losses	9,520	5,093
Noninterest income	15,506	17,661
Noninterest expense	107,397	109,950
Income before income tax expense	31,656	92,033
Income tax expense	8,471	25,337
Net income	\$ 23,185	\$ 66,696
Basic earnings per common share	\$ 0.77	\$ 2.15
Dividends per common share	0.77	2.15
Average diluted shares	30,017	30,960

COMPARISON OF OPERATING RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

General. Net income for the nine months ended September 30, 2023 was \$23.2 million, a decrease of \$43.5 million, or 65.2%, from \$66.7 million for the nine months ended September 30, 2022. Diluted earnings per common share were \$0.77 for the nine months ended September 30, 2023, a decrease of \$1.38 or 64.2%, from \$2.15 for the nine months ended September 30, 2022. The decrease in net income was primarily due to a decline in the net interest margin which decreased 104 basis points to 2.22% for the nine months ended September 30, 2023 from 3.26% for the comparable prior year period. The decline in the net interest margin was driven by the impact Federal Reserve rate increases had on our liability sensitive balance sheet as our interest-bearing liabilities repriced quicker than our interest-earning assets. To mitigate the sensitivity and ease net interest margin compression, the Company opportunistically sought out derivative swaps to align with our strategic plans.

Return on average equity was 4.56% for the nine months ended September 30, 2023 compared to 13.24% for the nine months ended September 30, 2022. Return on average assets was 0.36% for the nine months ended September 30, 2023 compared to 1.08% for the nine months ended September 30, 2022.

Interest Income. Interest and dividend income increased \$65.4 million, or 28.7%, to \$292.7 million for the nine months ended September 30, 2023 from \$227.4 million for the nine months ended September 30, 2022. The increase in interest income was primarily attributable to the 97 basis point increase in the yield on interest-earning assets to 4.88% for the nine months ended September 30, 2023 compared to 3.91% for the comparable prior year period. In addition, the average balance of interest-earning assets increased \$235.3 million from the comparable prior year period. Excluding prepayment penalty income from loans, net recoveries/reversals of interest from non-accrual loans, net gains (losses) from fair value adjustments on qualifying hedges, and purchase accounting adjustments, the yield on total interest-earning assets, increased 103 basis points to 4.81% for the nine months ended September 30, 2023 from 3.78% for the nine months ended September 30, 2022.

Interest Expense. Interest expense increased \$121.7 million, or 320.8%, to \$159.6 million for the nine months ended September 30, 2023 from \$37.9 million for the nine months ended September 30, 2022. The growth in interest expense was primarily due to an increase of 237 basis points in the average cost of interest-bearing liabilities to 3.16% for the nine months ended September 30, 2023 from 0.79% for the nine months ended September 30, 2022 and an increase of \$372.8

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million in the average balance of interest-bearing liabilities to \$6,744.3 million for the nine months ended September 30, 2023 from \$6,371.5 million for the comparable prior year period. Rising rates have driven the increase in our cost of funds as the Federal Reserve increased rates by 225 basis points between September 30, 2022 and September 30, 2023.

Net Interest Income. Net interest income for the nine months ended September 30, 2023 was \$133.1 million, a decrease of \$56.3 million, or 29.7%, from \$189.4 million for the nine months ended September 30, 2022. The decrease in net interest income was driven by the net interest margin decreasing 104 basis points to 2.22% for the nine months ended September 30, 2023 from 3.26% for the nine months ended September 30, 2022. In addition, net interest income was negatively impacted by a year over year decline in net interest-earning assets totaling \$137.5 million to \$1,255.8 million for the nine months ended September 30, 2023. The decrease in net interest-earning assets was primarily due to limited demand for lending coupled with the average balance of non-interest-bearing deposits declining \$166.5 million to \$865.8 million for the nine months ended September 30, 2023 compared to \$1,032.3 million for the nine months ended September 30, 2022. Included in net interest income for the nine months ended September 30, 2023 and 2022, was prepayment penalty income totaling \$1.6 million and \$5.1 million, respectively, net reversals and recovered interest from non-accrual loans totaling \$0.3 million and \$0.2 million, respectively, net gains (losses) from fair value adjustments on qualifying hedges totaling \$1.2 million and (\$0.2) million, respectively, and purchase accounting income of \$1.0 million and \$2.2 million, respectively. Excluding all of these items, the net interest margin for the nine months ended September 30, 2023 was 2.15%, a decrease of 98 basis points, from 3.13% for the nine months ended September 30, 2022.

Provision for Credit Losses. During the nine months ended September 30, 2023, the provision for credit losses was \$9.5 million compared to \$5.1 million for the nine months ended September 30, 2022. The provision recorded during the nine months ended September 30, 2023, was driven by fully reserving for two non-accrual business loans that were subsequently charged-off, and increasing reserves for the elevated risk presented by the current rate environment to adjustable-rate loan’s debt coverage ratios. The current average loan-to-value ratio for our non-performing assets collateralized by real estate was 50.0% at September 30, 2023. The Bank continues to maintain conservative underwriting standards.

Non-Interest Income. Non-interest income for the nine months ended September 30, 2023 was \$15.5 million, a decrease of \$2.2 million, or 12.2% from \$17.7 million in the prior year comparable period. The decrease was primarily due to net gains from fair value adjustments totaling \$1.7 million in the current period compared to \$6.4 million recorded during the prior year period.

Non-Interest Expense. Non-interest expense for the nine months ended September 30, 2023 was \$107.4 million, a decrease of \$2.6 million, or 2.3%, from \$110.0 million for the nine months ended September 30, 2022. The decrease was primarily due to lower salary related expense accruals, a \$6.6 million net benefit for Employee Retention Tax Credit refunds and the effects of the decreased stock price on the attendant benefits plans.

Income before Income Taxes. Income before income taxes for the nine months ended September 30, 2023 was \$31.7 million, a decrease of \$60.4 million, or 65.6%, from \$92.0 million for the nine months ended September 30, 2022 for the previously discussed reasons.

Provision for Income Taxes. The provision for income taxes was \$8.5 million for the nine months ended September 30, 2023, a decrease of \$16.9 million, or 66.6%, from \$25.3 million for the nine months ended September 30, 2022. The decrease was primarily due to the decline in income before income taxes. The effective tax rate for nine months ended September 30, 2023 was 26.8% compared to 27.5% for the nine months ended September 30, 2022.

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FINANCIAL CONDITION

Assets. Total assets at September 30, 2023 were \$8,577.3 million, an increase of \$154.3 million, or 1.8%, from \$8,422.9 million at December 31, 2022. Total net loans decreased \$37.5 million, or 0.5%, during the nine months ended September 30, 2023, to \$6,856.8 million from \$6,894.3 million at December 31, 2022. Loan originations and purchases were \$573.8 million for the nine months ended September 30, 2023, a decrease of \$723.0 million, or 55.8%, from \$1,296.8 million for the nine months ended September 30, 2022. The decreased loan originations were a result of interest rate increases over the past year as customers adapt to the increased rate environment. We continue to focus on the origination of multi-family residential, commercial real estate and commercial business loans with a full banking relationship. The loan pipeline was \$363.3 million at September 30, 2023, compared to \$252.2 million at December 31, 2022.

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The following table shows loan originations and purchases for the periods indicated:

<i>(In thousands)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Multi-family residential	\$ 75,655	\$ 173,980	\$ 149,720	\$ 409,086
Commercial real estate	70,197	77,777	124,290	287,705
One-to-four family – mixed-use property	6,028	12,383	16,778	33,109
One-to-four family – residential	1,070	4,102	5,429	17,550
Construction ⁽¹⁾	6,971	7,170	26,374	24,291
Small Business Administration	—	46	1,138	2,796
Commercial business and other ⁽²⁾	81,549	188,202	250,067	522,229
Total	\$ 241,470	\$ 463,660	\$ 573,796	\$ 1,296,766

(1) Includes purchases of \$0.7 million for the three months ended September 30, 2022. Includes purchases of \$0.1 million and \$2.3 million for the nine months ended September 30, 2023 and 2022, respectively.

(2) Includes purchases of \$36.7 million and \$109.4 million for the three months ended September 30, 2023 and 2022, respectively. Includes purchases of \$120.6 million and \$205.3 million for the nine months ended September 30, 2023 and 2022, respectively.

The Bank maintains its conservative underwriting standards that include, among other things, a loan-to-value ratio of 75% or less and a debt coverage ratio of at least 125%. Multi-family residential (excluding underlying co-operative mortgages), commercial real estate and one-to-four family mixed-use property mortgage loans originated and purchased during the nine months ended September 30, 2023 had an average loan-to-value ratio of 43.6% and an average debt coverage ratio of 175.0%.

The Bank’s non-performing assets totaled \$38.4 million at September 30, 2023, a decrease of \$15.0 million, or 28.1% from December 31, 2022. Total non-performing assets as a percentage of total assets were 0.45% at September 30, 2023 and 0.63% at December 31, 2022. The ratio of ACL – loans to total non-performing loans was 225.4% at September 30, 2023 and 124.9% at December 31, 2022.

During the nine months ended September 30, 2023 mortgage-backed securities decreased \$46.4 million, or 11.8%, to \$345.7 million from \$392.2 million at December 31, 2022. The decrease in mortgage-backed securities during the nine months ended September 30, 2023 was primarily due to the principal repayment of securities totaling \$31.8 million and a decrease in the fair value totaling \$13.9 million.

During the nine months ended September 30, 2023, other securities increased \$154.1 million, or 37.0%, to \$571.1 million from \$416.9 million at December 31, 2022. The increase in other securities during the nine months ended September 30, 2023, was primarily due to purchases of \$171.7 million at an average rate of 6.55% partially offset by maturities totaling \$10.0 million and a decrease in the fair value totaling \$2.6 million. At September 30, 2023, other securities primarily consisted of securities issued by mutual or bond funds that invest in government and government agency securities, municipal bonds, corporate bonds, and CLOs.

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Liabilities. Total liabilities were \$7,908.1 million at September 30, 2023, an increase of \$162.4 million, or 2.1%, from \$7,745.8 million at December 31, 2022. During the nine months ended September 30, 2023, due to depositors increased \$172.3 million, or 2.7%, to \$6,609.5 million due to an increase of certificates of deposit totaling \$795.0 million partially offset by a net decrease in all other deposit accounts totaling \$622.7 million. The Company has based deposit growth on certificates of deposit as they extend liabilities thus reducing interest rate risk. Included in deposits were brokered deposits totaling \$1,102.6 million, an increase of \$246.3 million from \$856.3 million at December 31, 2022. At September 30, 2023, the Company had uninsured deposits totaling \$1.9 billion, or 29% of deposits with \$0.9 million of that fully collateralized by some other method leaving uninsured and uncollateralized deposits totaling \$1.0 billion or 16% of deposits. Borrowed funds decreased \$52.0 million during the nine months ended September 30, 2023.

Total deposits at September 30, 2023 and December 31, 2022 and the weighted average rate on deposits at September 30, 2023 and December 31, 2022, are as follows:

	September 30, 2023	December 31, 2022	Weighted Average Rate 2023 ⁽¹⁾	Weighted Average Rate 2022 ⁽¹⁾
<i>(Dollars in thousands)</i>				
Interest-bearing deposits:				
Certificate of deposit accounts	\$ 2,321,369	\$ 1,526,338	4.35 %	3.03 %
Savings accounts	112,730	143,641	0.44	0.21
Money market accounts	1,551,176	2,099,776	3.76	2.47
NOW accounts	1,749,802	1,746,190	3.54	2.14
Total interest-bearing deposits	5,735,077	5,515,945		
Non-interest bearing demand deposits	874,420	921,238		
Total due to depositors	6,609,497	6,437,183		
Mortgagors' escrow deposits	72,012	48,159		
Total deposits	\$ 6,681,509	\$ 6,485,342		

(1) The weighted average rate does not reflect the benefit of interest rate swaps.

Equity. Total stockholders' equity decreased \$8.0 million, or 1.2%, to \$669.1 million at September 30, 2023, from \$677.2 million at December 31, 2022. Stockholders' equity decreased due to the declaration and payment of dividends on the Company's common stock of \$0.66 per common share totaling \$19.8 million, the repurchase of 747,683 shares at an average cost of \$14.49 per share totaling \$10.8 million and a decrease of \$4.4 million in accumulated other comprehensive income. These decreases were partially offset by net income of \$23.2 million. Book value per common share increased to \$23.15 at September 30, 2023 compared to \$22.97 at December 31, 2022.

Liquidity. Liquidity is the ability to economically meet current and future financial obligations. The Company's primary objectives in terms of managing liquidity are to maintain the ability to originate and purchase loans, repay borrowings as they mature, satisfy financial obligations that arise in the normal course of business and meet our customer's deposit withdrawal needs. Our primary sources of funds are deposits, borrowings, principal and interest payments on loans, mortgage-backed and other securities, and proceeds from sales of securities and loans. Deposit flows and mortgage prepayments, however, are greatly influenced by general interest rates, economic conditions, and competition. The Company has other sources of liquidity, including unsecured overnight lines of credit, and other types of borrowings. At September 30, 2023, the Company had available liquidity totaling \$3.7 billion.

Liquidity management is both a short and long-term function of business management. During 2023, funds were provided by the Company's operating and financing activities, which were used to fund our investing activities. Our most liquid assets are cash and cash equivalents, which include cash and due from banks, overnight interest-earning deposits and federal funds sold with original maturities of 90 days or less. The level of these assets is dependent on our operating, financing, lending, and investing activities during any given period. At September 30, 2023, cash and cash equivalents

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totalled \$200.9 million, an increase of \$49.2 million, or 32.4% from \$151.8 million, at December 31, 2022. A portion of our cash and cash equivalents is restricted cash held as collateral for interest rate swaps. At September 30, 2023 and December 31, 2022, restricted cash totaled \$92.1 million and \$67.0 million, respectively.

The following table presents the Company’s available liquidity by source at the period indicated below

	At September 30, 2023		
	Total Available	Amount Used	Net Availability
<i>(In millions)</i>			
Internal Sources:			
Free Securities	\$ 728.2	\$ —	\$ 728.2
Interest Earnings Deposits	61.6	—	61.6
External Sources:			
Federal Home Loan Bank	3,791.8	1,883.9	1,907.9
Other Banks	1,028.0	—	1,028.0
Total Liquidity	\$ 5,609.6	\$ 1,883.9	\$ 3,725.7

INTEREST RATE RISK

Economic Value of Equity Analysis. The Consolidated Statements of Financial Condition have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”), which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in fair value of certain investments due to changes in interest rates. Generally, the fair value of financial investments such as loans and securities fluctuate inversely with changes in interest rates. As a result, increases in interest rates could result in decreases in the fair value of the Company’s interest-earning assets which could adversely affect the Company’s results of operations if such assets were sold, or, in the case of securities classified as available for sale, decreases in the Company’s stockholders’ equity, if such securities were retained.

The Company quantifies the net portfolio value should interest rates immediately go up or down 100 or 200 basis points, assuming the yield curves of the rate shocks will be parallel to each other. Net portfolio value is defined as the market value of assets net of the market value of liabilities. The market value of assets and liabilities is determined using a discounted cash flow calculation. The net portfolio value ratio is the ratio of the net portfolio value to the market value of assets. The changes in value are measured as percentage changes from the net portfolio value at the base interest rate scenario. The base interest rate scenario assumes interest rates at September 30, 2023. Various estimates regarding prepayment assumptions are made at each level of rate shock. At September 30, 2023, the Company was within the guidelines set forth by the Board of Directors for each interest rate level.

The following table presents the change in the Company’s net portfolio value and the net portfolio value ratio as of September 30, 2023:

Change in Interest Rate	Projected Percentage Change In		Net Portfolio Value Ratio	
	Net Portfolio Value (NPV)			
-200 Basis points	(3.8)	%	9.8	%
-100 Basis points	(1.4)		10.2	
Base interest rate	-		10.5	
+100 Basis points	(1.9)		10.5	
+200 Basis points	(3.6)		10.4	

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Income Simulation Analysis. The Company manages the mix of interest-earning assets and interest-bearing liabilities on a continuous basis to maximize return and adjust its exposure to interest rate risk. On a quarterly basis, management provides a report for review by the Asset-Liability Investment Committee (“ALCO”) of the Board of Directors. This report quantifies the potential changes in net interest income through various interest rate scenarios.

The starting point for the net interest income simulation is an estimate of the next twelve months’ net interest income assuming that both interest rates and the Company’s interest-sensitive assets and liabilities remain at period-end levels.

The report quantifies the potential changes in net interest income should interest rates go up or down 100 or 200 basis points (shocked), assuming the yield curves of the rate shocks will be parallel to each other. All changes in income are measured as percentage changes from the projected net interest income at the base interest rate scenario. The base interest rate scenario assumes interest rates at September 30, 2023 and 2022. Various estimates regarding prepayment assumptions are made at each level of rate shock. However, prepayment penalty income is excluded from this analysis. Actual results could differ significantly from these estimates.

The following table presents the Company’s interest rate shock as of September 30, 2023 and 2022:

	Projected Percentage Change In Net Interest Income September 30,	
	2023	2022
-200 Basis points	(1.0)%	9.8 %
-100 Basis points	-	5.6
Base interest rate	-	-
+100 Basis points	(3.0)	(8.9)
+200 Basis points	(6.0)	(17.8)

Another net interest income simulation assumes that changes in interest rates change gradually in equal increments over the twelve-month period. Prepayment penalty income is also excluded from this analysis. Based on these assumptions, net interest income would be reduced by 1.7% from a 100 basis point increase in rates over the next twelve months. Actual results could differ significantly from these estimates.

At September 30, 2023, the Company had a derivative portfolio with a notional value totaling \$2.3 billion. This portfolio is designed to move the Company more towards interest rate neutral from changes in interest rates. See Note 11 (“Derivative Financial Instruments”) of the Notes to the Consolidated Financial Statements. The significant improvement in the rate sensitivity over the past year is primarily due to an increase in the use of interest rate hedges.

A portion of this portfolio is comprised of interest rate swaps on certain short-term advances and deposits totaling \$826.8 million. At September 30, 2023, \$776.8 million of the interest rate swaps are effective swaps at a weighted average rate of approximately 2.39% that mature through 2027 and \$50.0 million of the interest rate swaps are forward swaps effective in 2024, at an average rate of 0.80%. The Company also has \$200.0 million of portfolio layer pay fixed fair value swaps as a hedge for securities with a weighted average receive rate of 5.33% and \$500.0 million of pay fixed fair value swaps as a hedge for the loan portfolio with a weighted average receive rate of 5.33%.

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AVERAGE BALANCES

Net interest income represents the difference between income on interest-earning assets and expense on interest-bearing liabilities. Net interest income depends upon the relative amount of interest-earning assets and interest-bearing liabilities and the interest rates earned or paid on them. The following tables set forth certain information relating to the Company's Consolidated Statements of Financial Condition and Consolidated Statements of Income for the three and nine months ended September 30, 2023 and 2022, and reflects the average yield on assets and average cost of liabilities for the periods indicated. Such yields and costs are derived by dividing income or expense by the average balance of assets or liabilities, respectively, for the periods shown. Average balances are derived from average daily balances. The yields include amortization of fees which are considered adjustments to yields.

	For the three months ended September 30,					
	2023			2022		
	Average Balance	Interest	Yield/ Cost	Average Balance	Interest	Yield/ Cost
<i>(Dollars in thousands)</i>						
Assets						
Interest-earning assets:						
Mortgage loans, net	\$ 5,314,215	\$ 68,931	5.19 %	\$ 5,340,694	\$ 58,374	4.37 %
Other loans, net	1,498,804	22,535	6.01	1,520,769	17,172	4.52
Total loans, net ^{(1) (2)}	<u>6,813,019</u>	<u>91,466</u>	<u>5.37</u>	<u>6,861,463</u>	<u>75,546</u>	<u>4.40</u>
Taxable securities:						
Mortgage-backed securities	436,181	3,031	2.78	568,854	2,466	1.73
Other securities	528,091	7,003	5.30	362,629	2,839	3.13
Total taxable securities	<u>964,272</u>	<u>10,034</u>	<u>4.16</u>	<u>931,483</u>	<u>5,305</u>	<u>2.28</u>
Tax-exempt securities: ⁽³⁾						
Other securities	66,438	484	2.91	67,211	492	2.93
Total tax-exempt securities	<u>66,438</u>	<u>484</u>	<u>2.91</u>	<u>67,211</u>	<u>492</u>	<u>2.93</u>
Interest-earning deposits and federal funds sold	173,731	2,154	4.96	118,913	506	1.70
Total interest-earning assets ⁽³⁾	<u>8,017,460</u>	<u>104,138</u>	<u>5.20</u>	<u>7,979,070</u>	<u>81,849</u>	<u>4.10</u>
Other assets	486,904			463,587		
Total assets	<u>\$ 8,504,364</u>			<u>\$ 8,442,657</u>		
Liabilities and Equity						
Interest-bearing liabilities						
Deposits:						
Savings accounts	\$ 115,437	130	0.45	\$ 154,545	53	0.14
NOW accounts	1,907,781	16,843	3.53	1,808,608	3,640	0.81
Money market accounts	1,584,308	14,386	3.63	2,136,829	5,280	0.99
Certificate of deposit accounts	2,290,669	18,639	3.25	1,057,733	2,948	1.11
Total due to depositors	<u>5,898,195</u>	<u>49,998</u>	<u>3.39</u>	<u>5,157,715</u>	<u>11,921</u>	<u>0.92</u>
Mortgagors' escrow accounts	69,525	68	0.39	68,602	44	0.26
Total deposits	<u>5,967,720</u>	<u>50,066</u>	<u>3.36</u>	<u>5,226,317</u>	<u>11,965</u>	<u>0.92</u>
Borrowed funds	804,140	9,543	4.75	1,326,770	8,574	2.58
Total interest-bearing liabilities	<u>6,771,860</u>	<u>59,609</u>	<u>3.52</u>	<u>6,553,087</u>	<u>20,539</u>	<u>1.25</u>
Non-interest-bearing deposits	851,677			1,050,296		
Other liabilities	205,314			164,992		
Total liabilities	<u>7,828,851</u>			<u>7,768,375</u>		
Equity	675,513			674,282		
Total liabilities and equity	<u>\$ 8,504,364</u>			<u>\$ 8,442,657</u>		
Net interest income / net interest rate spread (tax equivalent) ⁽³⁾		<u>\$ 44,529</u>	<u>1.68 %</u>		<u>\$ 61,310</u>	<u>2.85 %</u>
Net interest-earning assets / net interest margin (tax equivalent) ⁽³⁾	<u>\$ 1,245,600</u>		<u>2.22 %</u>	<u>\$ 1,425,983</u>		<u>3.07 %</u>
Ratio of interest-earning assets to interest-bearing liabilities			<u>1.18 X</u>			<u>1.22 X</u>

(1) Loan interest income includes loan fee income (expense) (which includes net amortization of deferred fees and costs, late charges, and prepayment penalties) of approximately \$0.4 million and \$1.6 million for the three months ended September 30, 2023 and 2022, respectively.

(2) Loan interest income includes net gains from fair value adjustments on qualifying hedges of \$1.4 million and \$28,000 for three months ended September 30, 2023 and 2022, respectively.

(3) Interest and yields are calculated on the tax equivalent basis using the statutory federal income tax rate of 21% for the periods presented totaling \$0.1 million each for the three months ended September 30, 2023 and 2022.

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	For the nine months ended September 30,					
	2023			2022		
	Average Balance	Interest	Yield/ Cost	Average Balance	Interest	Yield/ Cost
	<i>(Dollars in thousands)</i>					
Assets						
Interest-earning assets:						
Mortgage loans, net	\$ 5,318,616	\$ 194,673	4.88 %	\$ 5,224,289	\$ 167,119	4.27 %
Other loans, net	1,519,124	65,059	5.71	1,470,239	45,135	4.09
Total loans, net ^{(1) (2)}	<u>6,837,740</u>	<u>259,732</u>	<u>5.06</u>	<u>6,694,528</u>	<u>212,254</u>	<u>4.23</u>
Taxable securities:						
Mortgage-backed securities	447,491	8,288	2.47	581,439	6,989	1.60
Other securities	470,898	17,461	4.94	308,008	6,048	2.62
Total taxable securities	<u>918,389</u>	<u>25,749</u>	<u>3.74</u>	<u>889,447</u>	<u>13,037</u>	<u>1.95</u>
Tax-exempt securities: ⁽³⁾						
Other securities	66,631	1,441	2.88	64,081	1,708	3.55
Total tax-exempt securities	<u>66,631</u>	<u>1,441</u>	<u>2.88</u>	<u>64,081</u>	<u>1,708</u>	<u>3.55</u>
Interest-earning deposits and federal funds sold	177,369	6,095	4.58	116,817	716	0.82
Total interest-earning assets ⁽³⁾	<u>8,000,129</u>	<u>293,017</u>	<u>4.88</u>	<u>7,764,873</u>	<u>227,715</u>	<u>3.91</u>
Other assets	478,170			471,197		
Total assets	<u>\$ 8,478,299</u>			<u>\$ 8,236,070</u>		
Liabilities and Equity						
Interest-bearing liabilities						
Deposits:						
Savings accounts	\$ 124,736	396	0.42	\$ 155,966	152	0.13
NOW accounts	1,968,199	46,780	3.17	1,977,621	5,838	0.39
Money market accounts	1,797,398	43,113	3.20	2,206,973	8,507	0.51
Certificate of deposit accounts	2,007,954	44,927	2.98	923,301	5,510	0.80
Total due to depositors	<u>5,898,287</u>	<u>135,216</u>	<u>3.06</u>	<u>5,263,861</u>	<u>20,007</u>	<u>0.51</u>
Mortgagors' escrow accounts	79,136	155	0.26	79,192	52	0.09
Total deposits	<u>5,977,423</u>	<u>135,371</u>	<u>3.02</u>	<u>5,343,053</u>	<u>20,059</u>	<u>0.50</u>
Borrowed funds	766,919	24,276	4.22	1,028,489	17,882	2.32
Total interest-bearing liabilities	<u>6,744,342</u>	<u>159,647</u>	<u>3.16</u>	<u>6,371,542</u>	<u>37,941</u>	<u>0.79</u>
Non-interest-bearing deposits	865,777			1,032,319		
Other liabilities	190,699			160,621		
Total liabilities	<u>7,800,818</u>			<u>7,564,482</u>		
Equity	677,481			671,588		
Total liabilities and equity	<u>\$ 8,478,299</u>			<u>\$ 8,236,070</u>		
Net interest income / net interest rate spread (tax equivalent) ⁽³⁾		<u>\$ 133,370</u>	<u>1.72 %</u>		<u>\$ 189,774</u>	<u>3.12 %</u>
Net interest-earning assets / net interest margin (tax equivalent) ⁽³⁾	<u>\$ 1,255,787</u>		<u>2.22 %</u>	<u>\$ 1,393,331</u>		<u>3.26 %</u>
Ratio of interest-earning assets to interest-bearing liabilities			<u>1.19 X</u>			<u>1.22 X</u>

(1) Loan interest income includes loan fee income (which includes net amortization of deferred fees and costs, late charges, and prepayment penalties) of approximately \$0.5 million and \$6.8 million for the nine months ended September 30, 2023 and 2022, respectively.

(2) Loan interest income includes net gains (losses) from fair value adjustments on qualifying hedges of \$1.3 million and (\$0.2) million for nine months ended September 30, 2023 and 2022, respectively.

(3) Interest and yields are calculated on the tax equivalent basis using the statutory federal income tax rate of 21% for the periods presented totaling \$0.3 million and \$0.4 million for the nine months ended September 30, 2023 and 2022, respectively.

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LOANS

The following table sets forth the Company's loan originations (including the net effect of refinancing) and the changes in the Company's portfolio of loans, including purchases, sales and principal reductions for the periods indicated.

<i>(In thousands)</i>	For the nine months ended September 30,	
	2023	2022
Mortgage Loans		
At beginning of period	\$ 5,380,935	\$ 5,200,782
Mortgage loans originated:		
Multi-family residential	149,720	409,086
Commercial real estate	124,290	287,705
One-to-four family mixed-use property	16,778	33,109
One-to-four family residential	5,429	17,550
Construction	26,245	21,999
Total mortgage loans originated	<u>322,462</u>	<u>769,449</u>
Mortgage loans purchased:		
Construction	129	2,292
Total mortgage loans purchased	<u>129</u>	<u>2,292</u>
Less:		
Principal reductions	307,017	555,959
Mortgage loan sales	8,506	29,024
Charge-Offs	20	2
At end of period	<u>\$ 5,387,983</u>	<u>\$ 5,387,538</u>
Non-mortgage loans		
At beginning of period	\$ 1,544,823	\$ 1,433,084
Loans originated:		
Small Business Administration	1,138	2,796
Commercial business	126,547	314,315
Other	2,929	2,660
Total other loans originated	<u>130,614</u>	<u>319,771</u>
Non-mortgage loans purchased:		
Commercial business	120,591	205,254
Total non-mortgage loans purchased	<u>120,591</u>	<u>205,254</u>
Less:		
Principal reductions ⁽¹⁾	275,329	397,520
Charge-offs ⁽²⁾	11,028	380
At end of period	<u>\$ 1,509,671</u>	<u>\$ 1,560,209</u>

(1) Includes SBA PPP reductions totaling \$1.3 million and \$67.8 million for the nine months ended September 30, 2023 and 2022, respectively.

(2) Does not include charge-offs totaling \$1.0 million on the guaranteed portion of SBA receivables deemed uncollectible during the nine months ended September 30, 2022.

PART I – FINANCIAL INFORMATION
FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
Management’s Discussions and Analysis of
Financial Condition and Results of Operations

TROUBLED DEBT RESTRUCTURED (“TDR”) AND NON-PERFORMING ASSETS

On January 1, 2023, the Company adopted ASU No. 2022-02, “Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures” without material impact on the business operations or consolidated financial statements. See Note 14 (“New Authoritative Accounting Pronouncements”) of the Notes to the Consolidated Financial Statements.

The following table shows loans classified as TDR at amortized cost that are performing according to their restructured terms at the period indicated:

<i>(In thousands)</i>	December 31, 2022
Accrual Status:	
Multi-family residential	\$ 1,673
Commercial real estate	7,572
One-to-four family - mixed-use property	974
One-to-four family - residential	253
Commercial business and other	1,069
Total	11,541
Non-Accrual Status:	
One-to-four family - mixed-use property	248
Commercial business and other	28
Total	276
Total performing troubled debt restructured	\$ 11,817

PART I – FINANCIAL INFORMATION
FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
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The following table shows our non-performing assets at the periods indicated:

<i>(In thousands)</i>	September 30, 2023	December 31, 2022
Loans 90 days or more past due and still accruing:		
Construction	\$ —	\$ 2,600
Total	—	2,600
Non-accrual loans:		
Multi-family residential	3,206	3,206
Commercial real estate	—	237
One-to-four family - mixed-use property ⁽¹⁾	1,075	790
One-to-four family - residential	4,161	4,425
Small business administration	1,255	937
Commercial Business and other ⁽¹⁾	7,708	20,187
Total	17,405	29,782
Total non-performing loans	17,405	32,382
Other non-performing assets:		
Held-to-maturity securities	20,981	20,981
Total	20,981	20,981
Total non-performing assets	<u>\$ 38,386</u>	<u>\$ 53,363</u>
Non-performing assets to total assets	0.45 %	0.63 %
ACL - loans to non-accrual loans	225.38 %	135.79 %
ACL - loans to non-performing assets	102.19 %	75.79 %

(1) Adopted ASU No. 2022-02 Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures on January 1, 2023; Not included in the above analysis are the following non-accrual TDRs that are performing according to their restructured terms: one-to-four family mixed-use property loans totaling \$0.2 million, and commercial business loans totaling less than \$0.1 million at December 31, 2022.

CRITICIZED AND CLASSIFIED ASSETS

Our policy is to review our assets, focusing primarily on the loan portfolio, other real estate owned, and the investment portfolio, to ensure that credit quality is maintained at the highest levels. See Note 5 (“Loans”) of the Notes to the Consolidated Financial Statements for a description of how loans are determined to be criticized or classified and a table displaying criticized and classified loans at September 30, 2023. The amortized cost of Criticized and Classified assets were \$96.7 million at September 30, 2023, an increase of \$7.8 million from \$88.9 million at December 31, 2022. The Company had one investment security with an amortized cost of \$21.0 million classified as substandard at September 30, 2023 and December 31, 2022.

Included within net loans at September 30, 2023 and December 31, 2022, were \$4.7 million and \$5.2 million respectively, of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings were in process according to local requirements of the applicable jurisdiction.

PART I – FINANCIAL INFORMATION
FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
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ALLOWANCE FOR CREDIT LOSSES

The following table shows allowance for credit losses at the period indicated:

<i>(In thousands)</i>	For the nine months ended September 30,	
	2023	2022
Balance at beginning of period	\$ 40,442	\$ 37,135
Loans- charge-off	(11,050)	(1,410)
Loans- recovery	298	686
Loans- provision	9,538	4,857
Allowance for credit losses - loans	\$ 39,228	\$ 41,268
Balance at beginning of period	\$ 1,100	\$ 862
Held-to-maturity securities- (benefit) provision	(18)	234
Allowance for HTM securities losses	\$ 1,082	\$ 1,096
Balance at beginning of period	\$ 970	\$ 1,209
Off-balance sheet- (benefit) provision	(37)	(396)
Allowance for off-balance sheet losses	\$ 933	\$ 813
Allowance for credit losses	\$ 41,243	\$ 43,177

PART I – FINANCIAL INFORMATION
FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
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The following table sets forth the activity in the Company’s ACL - loans for the periods indicated:

<i>(Dollars in thousands)</i>	For the nine months ended September 30,	
	2023	2022
Balance at beginning of year	\$ 40,442	\$ 37,135
Provision for credit losses	9,538	4,857
Loans charged-off:		
One-to-four family - residential	(12)	(2)
Commercial real estate	(8)	—
One-to-four family - mixed-use property	—	—
SBA	(7)	(1,054)
Commercial business and other loans	(11,023)	(354)
Total loans charged-off	(11,050)	(1,410)
Recoveries:		
Multi-family residential	1	1
One-to-four family - residential	50	4
Small Business Administration	219	39
Taxi medallion	—	447
Commercial business and other	28	195
Total recoveries	298	686
Net charge-offs	(10,752)	(724)
Balance at end of year	\$ 39,228	\$ 41,268
Ratio of net charge-offs to average loans outstanding during the period	0.21 %	0.01 %
Ratio of ACL - loans to gross loans at end of period	0.57 %	0.59 %
Ratio of ACL - loans to non-performing loans at end of period	225.38 %	142.29 %

PART I – FINANCIAL INFORMATION
FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a discussion of the qualitative and quantitative disclosures about market risk, see the information under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations - Interest Rate Risk."

ITEM 4. CONTROLS AND PROCEDURES

The Company carried out, under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this Quarterly Report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2023, the design and operation of these disclosure controls and procedures were effective. During the period covered by this Quarterly Report, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION
FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

ITEM 1. LEGAL PROCEEDINGS

The Company is a defendant in various lawsuits. Management of the Company, after consultation with outside legal counsel, believes that the resolution of these various matters will not result in any material adverse effect on the Company's consolidated financial condition, results of operations and cash flows.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in the Company's annual report on Form 10-K for the year ended December 31, 2022, and quarterly report on Form 10-Q for the quarter ended March 31, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table sets forth information regarding the shares of common stock repurchased by the Company during the three months ended September 30, 2023:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
July 1 to July 31, 2023	—	—	—	906,131
August 1 to August 31, 2023	59,352	15.88	59,352	846,779
September 1 to September 30, 2023	—	—	—	846,779
Total	<u>59,352</u>	<u>\$ 15.88</u>	<u>59,352</u>	

On May 30, 2023, the Board of Directors approved an additional one million shares of common stock for repurchase. During the quarter ended September 30, 2023, the Company repurchased 59,352 shares of the Company's common stock. On September 30, 2023, 846,779 shares remained to be repurchased under the currently authorized stock repurchase programs. Stock will be purchased under the current stock repurchase programs from time to time, in the open market or through private transactions, subject to market conditions. There is no expiration or maximum dollar amount under these authorizations.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

PART II – OTHER INFORMATION
FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

ITEM 6. EXHIBITS

Exhibit No.	Description
3.1 P	Certificate of Incorporation of Flushing Financial Corporation (Incorporated by reference to Exhibits filed with the Registration Statement on Form S-1 filed September 1, 1995, Registration No. 33-96488)
3.2	Certificate of Amendment to Certificate of Incorporation of Flushing Financial Corporation (Incorporated by reference to Exhibit 4.2 filed with Form S-8 filed May 31, 2002)
3.3	Certificate of Amendment to Certificate of Incorporation of Flushing Financial Corporation (Incorporated by reference to Exhibit 3.3 filed with Form 10-K for the year ended December 31, 2011)
3.4	Amended and Restated By-Laws of Flushing Financial Corporation (Incorporated by reference to Exhibit 3.6 filed with Form 10-Q for the quarter ended June 30, 2014)
4.1	Indenture dated November 22, 2021, between Flushing Financial Corporation and Wilmington Trust, National Association, as trustee. (Incorporated by reference to Exhibit 4.1 filed with Form 8-K filed November 22, 2021)
4.2	First Supplemental Indenture, dated November 22, 2021, between Flushing Financial Corporation and Wilmington Trust, National Association, as trustee. (Incorporated by reference to Exhibit 4.2 filed with Form 8-K filed November 22, 2021)
4.3	Second Supplemental Indenture, dated August 24, 2022, between Flushing Financial Corporation and Wilmington Trust, National Association, as trustee (Incorporated by reference to Exhibit 4.2 filed with Form 8-K filed August 24, 2022)
4.4	Flushing Financial Corporation has outstanding certain long-term debt. None of such debt exceeds ten percent of Flushing Financial Corporation's total assets; therefore, copies of constituent instruments defining the rights of the holders of such debt are not included as exhibits. Copies of instruments with respect to such long-term debt will be furnished to the Securities and Exchange Commission upon request.
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer (filed herewith)
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Financial Officer (filed herewith)
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002 by the Chief Executive Officer (furnished herewith)
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002 by the Chief Financial Officer (furnished herewith)
101.INS	Inline XBRL Instance Document -the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document (filed herewith)
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith)
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P Indicates a filing submitted in paper.

**FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
EXHIBIT INDEX**

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FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Flushing Financial Corporation,

Dated: November 7, 2023

By: /s/John R. Buran

John R. Buran

President and Chief Executive Officer

Dated: November 7, 2023

By: /s/Susan K. Cullen

Susan K. Cullen

Senior Executive Vice President, Treasurer and
Chief Financial Officer

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John R. Buran, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Flushing Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2023

By: /s/John R. Buran

John R. Buran
President and Chief Executive Officer

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Susan K. Cullen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Flushing Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2023

By: /s/Susan K. Cullen

Susan K. Cullen

Senior Executive Vice President, Treasurer and Chief
Financial Officer

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Flushing Financial Corporation (the "Corporation") on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John R. Buran, Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

By: /s/John R. Buran

John R. Buran

Chief Executive Officer

November 7, 2023

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Flushing Financial Corporation (the “Corporation”) on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Susan K. Cullen, Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

By: /s/Susan K. Cullen

Susan K. Cullen

Chief Financial Officer

November 7, 2023
