S&P Global
Market Intelligence

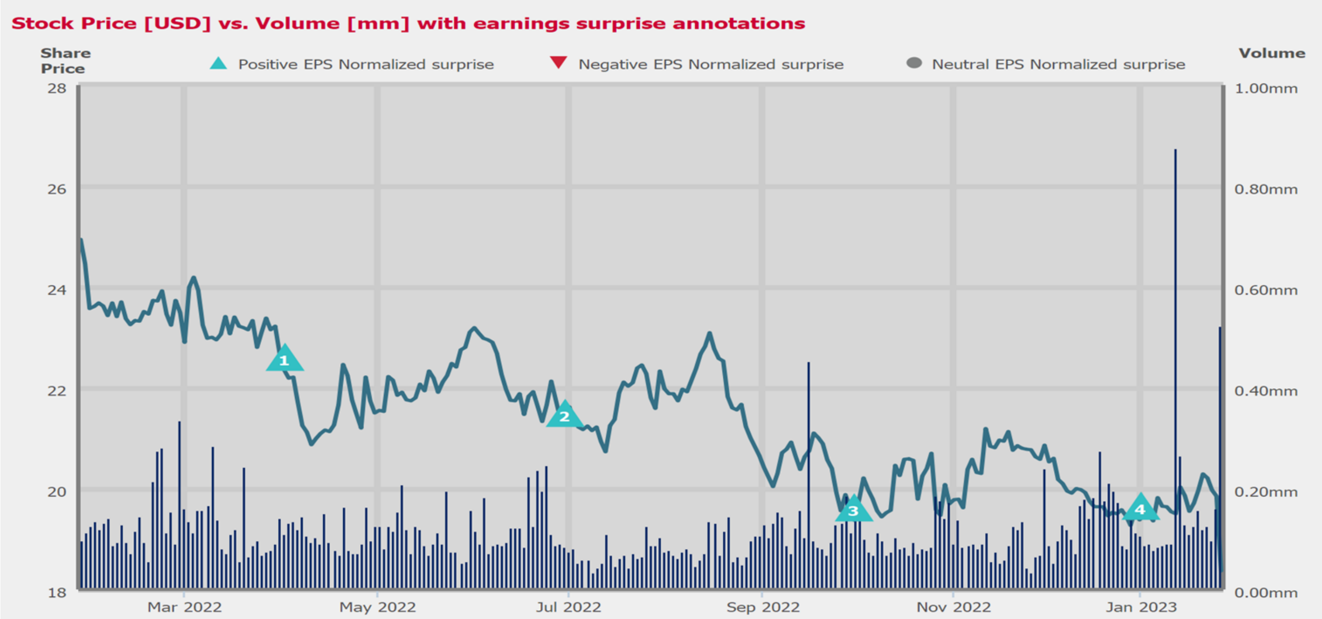
Flushing Financial Corporation NasdaqGS:FFIC FQ4 2022 Earnings Call Transcripts

Friday, January 27, 2023 2:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2022-			-FQ1 2023-	-FY 2022-			-FY 2023-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	0.50	0.57	▲14.00	0.37	2.45	2.49	▲1.63	1.67
Revenue (mm)	60.01	67.65	▲12.73	51.60	261.92	264.37	▲0.94	200.80

Currency: USD
Consensus as of Jan-27-2023 4:21 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2022	0.54	0.61	▲1 12.96 %
FQ2 2022	0.69	0.70	▲2 1.45 %
FQ3 2022	0.60	0.62	▲3 3.33 %
FQ4 2022	0.50	0.57	▲4 14.00 %

Table of Contents

Call Participants

EXECUTIVES

John R. Buran
President, CEO & Director

Susan K. Cullen
Senior EVP, Treasurer & CFO

ANALYSTS

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

Gregory Zingone
Piper Sandler & Co., Research Division

Manuel Antonio Navas
D.A. Davidson & Co., Research Division

Presentation

Operator

Welcome to Flushing Financial Corporation's Fourth Quarter and Full Year 2022 Earnings Conference Call. Hosting the call today are John Buran, President and Chief Executive Officer; and Susan Cullen, Senior Executive Vice President, Chief Financial Officer and Treasurer. [Operator Instructions]

A copy of the earnings press release and slide presentation that the company will be referencing today are available on its Investor Relations website at flushingbank.com. Before we begin, the company would like to remind you that discussions during this call contain forward-looking statements made under the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Such statements are subject to risks, uncertainties and other factors that may cause actual results to differ materially from those contained in any such statements, including as set forth in the company's filings with the U.S. Securities and Exchange Commission to which we refer you.

During this call, references will be made to non-GAAP financial measures and supplemental measures to review and assess operating performance. These non-GAAP financial measures are not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with U.S. GAAP. For information about these non-GAAP measures and for a reconciliation to GAAP, please refer to the earnings release and/or the presentation.

I'd now like to introduce John Buran, President and Chief Executive Officer, who will provide an overview of the strategy and results. You may begin.

John R. Buran
President, CEO & Director

Thank you, operator. Good morning, everyone, and thank you for joining us for our fourth quarter and full year 2022 earnings call. Following my prepared remarks, Susan will review the financial trends, and we will then answer any questions. The company recorded its second-best historical earnings for 2022 behind the record-breaking 2021 earnings in spite of aggressive Fed movements and resulting net interest margin compression.

For the year, GAAP return on assets was 93 basis points, with a return on equity at 11.4%, while core return on assets totaled 92 basis points with return on equity at 11.4%. Returns were within our goals of 1% and 10%, respectively. We executed well on our strategic objectives for the year. Average noninterest-bearing deposits increased 10% year-over-year. Period-end loans expanded by 4% and net charge-offs were only 2 basis points for the year.

We capitalized on the merger disruption in our market by adding 51 people from merged or merging institutions. Trends in the fourth quarter were more challenging given the rate environment. We reported GAAP earnings per share of $0.34 and core EPS of $0.57. This translated to a return on assets of 48 basis points and a return on equity of 6% on a GAAP basis and 82 basis points and 11.4%, respectively, on a core basis.

The primary difference between GAAP and core earnings is the approximate $11 million loss on the sale of securities that yielded approximately 1%. Core loan yields increased 28 basis points quarter-over-quarter, while core deposit yields expanded 87 basis points, resulting in net interest margin compression of 37 basis points on a reported basis and 40 basis points on a core basis. We expect the net interest margin to remain under pressure until the Fed ceases raising rates. Then after a lag, we expect the net interest margin to expand from contractual loan repricing. The yield on the originated loans increased 150 basis points quarter-over-quarter and 259 basis points year-over-year. Loan closings and the loan pipeline have declined from record levels earlier in 2022 due to higher rates, suppressing demand and our greater emphasis on full banking relationships.

For the quarter, average noninterest-bearing deposits increased slightly year-over-year and the overall deposit mix has shifted more to CDs. The loan-to-deposit ratio improved to 107% as of December 31 compared to 114% at the end of the third quarter as deposits grew more quickly than loans. Asset quality remains solid with low charge-offs, nonperforming assets of only 63 basis points, strong debt service coverage ratios and low average loan-to-value ratios. We continue to hire people from institutions within our markets that are or were involved in a merger. Overall, we're managing the balance sheet to deal with a rising rate environment while maintaining our focus on credit quality.

On Slide 4, you can see the annual trends for the past 6 years. We feel looking at annual trends provide a better perspective compared to the quarter-to-quarter volatility. As you can see, we reported record levels of GAAP and core earnings in 2021. Coming off this record level in 2022, we reported the second highest gap in core earnings. As we've said many times, credit quality is important to our company and the trends remain solid as net charge-offs were below 10 basis points for the past 5 years. We continue to prudently manage and have the appropriate levels of capital. Book value intangible, book value per share grew every year, except when we acquired Empire in 2020. However, we recaptured the effects on tangible book value for the Empire purchase in approximately 9 months. We believe this is a good view of our track record and our ability to adapt to different environments.

Slide 5 shows what we believe are the 3 important macro issues facing the banking industry today, credit quality, liquidity and interest rates. Cushion Bank has a long history of sound credit quality over several cycles. Our conservative underwriting standards have served us well in the past and will continue to serve us well in the future. The combination of low average loan-to-values and high debt service coverage ratios means our borrowers have substantial investment in their properties and have the ability to make payments even with the significant increase in rates.

We are also conservative in liquidity management. We have over $3 billion of unused lines of credit available and our liquidity to assets ratio at the bank is 43%. Unlike others, we were able to grow period-end deposits both quarter-over-quarter and year-over-year. Interest rates are pressuring our net interest margin in the short term. After the Fed stops raising rates and the lag, the funding pressure should ease and the benefits from contractual loan repricing should become more evident. In the meantime, we're becoming more disciplined on originations to ensure risk-adjusted returns are achieved. Over time, we expect our interest rate positioning to move towards neutral. Bottom line, while the macro environment is becoming more challenging for the industry, our balance sheet today is well positioned to handle the credit quality and liquidity challenges with the outlook for interest rates expected to move in our favor shortly after the Fed stops raising rates.

Slide 6 depicts the growth in our digital banking platforms. We continue to see high growth rates in monthly mobile deposit active users, users with active online banking status and digital banking enrollment. The numerator platform, which digitally originates small dollar loans as quickly as 48 hours continues to grow. We originated approximately $23 million of commitments in 2022. Most of these commitments have an average rate that is greater than the overall portfolio yield. We continue to explore other fintech product offerings and partnerships.

Fourth quarter had several important events to highlight, as you can see on Slide 7. We signed a lease for a Benson Hurst branch, which expands our Asian banking footprint. This branch is expected to open in 2023. We maintained our investment-grade rating from Kroll Bond Rating Agency. Community support is one of the key pillars of the bank, and we're proud to contribute to transforming Queens into a leading hub of innovation and technology. Lastly, we were very happy to participate in the ribbon-cutting ceremony for the Charles B. Wang Community Health Center as we were a significant participant in the financing.

I'll now turn it over to Susan to provide more detail on our key financial metrics. Susan?

Susan K. Cullen
Senior EVP, Treasurer & CFO

Thank you, John. I'll begin on Slide 8. As John mentioned, deposit growth is a challenge for the industry as the Fed raises rates and liquidity leads the banking system. Our results were contrary to this trend by growing average deposits 3% year-over-year and 6% quarter-over-quarter. While growing noninterest-bearing deposits is a priority for us, it has become more challenging given the higher rate environment. Average noninterest-bearing deposits increased slightly year-over-year and comprised nearly 15% of average deposits.

Our teams continue to open new checking accounts, which were up 41% year-over-year. Our incentive plans place greater emphasis on increasing noninterest-bearing deposits. CDs continue to expand as customers are seeking higher yields. The increase in the deposit base assisted in lowering the loan-to-deposit ratio to 107% from 114% at the end of the third quarter.

Slide 9 shows how our deposit rates change compared to Fed funds. For 2022, our cumulative interest-bearing deposit beta was just over 45%, which has exceeded the previous rising rate cycle. The key difference in this cycle versus the prior one is the magnitude and frequency of rate increases. In this cycle, so far, average Fed floods have increased 357 basis points compared to only 226 basis points in the previous cycle. We expect the cumulative deposit betas to rise as rate increases continues. We expect the majority of deposit pricing will be included in the cost from the Fed stops increasing rates.

Slide 10 outlines our loan portfolio and yields. Net loans increased 4% year-over-year. As expected, loan closings in the loan pipeline have declined from the record levels seen in previous quarters. Core loan yields increased 28 basis points during the quarter and the yield on loan closings exceeded the yields on satisfaction by 47 basis points. Loan repayment speeds also declined year-over-year and quarter-over-quarter as higher rates are impacting refinancing activity. Prepayment pen income declined slightly to $1.2 million in the fourth quarter from $1.5 million in the quarter a year ago.

Slide 11 provides more detail on the contractual pricing of the loan portfolio. A little over $1 billion or 15% reprices with each Fed move, the majority of the loan portfolio reprices over time. Another approximate $1 billion or 14% of loans will be priced in 2023, followed by $758 million or 11% in 2024. As of December 31, 2022, these loans are expected to reprice over 200 basis points higher. This does not consider any future Fed rate moves, which could push the contractual repricing rates up even further. This repricing is what should drive net interest margin expansion once funding costs stabilize.

Slide 12 outlines the net interest income and margin trends. The GAAP net interest margin declined 37 basis points to 2.7% during the fourth quarter. Net interest income decreased 11% quarter-over-quarter to $54 million. Core net interest income, which removes the impact of net gains from fair value adjustments and purchase accounting accretion decreased 12% quarter-over-quarter as the core net interest margin declined 40 basis points to 2.63%. Core deposit yields increased 87 basis points this quarter compared to a 28 basis point increase in core loan yields.

We often get asked when the net interest margin will bottom out and when it will start to expand. On Slide 13, we provide a look at what happened during the last rising rate cycle. The net interest margin bottomed out approximately 2 quarters after the Fed stops raising rates. We are expecting a similar path to the cycle, but there are important differences. First, the Fed raised rates over a longer time in the prior cycle. Second, the amount of Fed increases are greater in this cycle. Thirdly, the magnitude of the rate increases has been greater this cycle versus last. And all of these items will have an impact on when and where the net interest margin will bottom out. Additionally, loan growth in the competitive environment for incremental funding will be important considerations in the margin recovery.

On Slide 14, we outline our funding swap portfolio, which is in place to help mitigate the impact on net interest margin from rising rates. As we have talked about in prior quarters, we had funding swaps that mature and will be replaced with other swaps at lower funding rates. By the end of 2023, $600 million of swaps were priced 65 basis points lower. During the fourth quarter, we terminated certain swaps and locked in a $6.5 million gain that will be amortized into net interest income over the original swap life. This transaction has the effect of locking in gains while pulling some of the benefit forward.

We also have $384 million of swaps converting fixed rate loans into floating. Moving on to asset quality on Slide 15. We have a long history of solid credit quality as a result of our low-risk credit profile and conservative underwriting. Net charge-offs were only 5 basis points for the quarter and 2 basis points for the year. Our low-risk credit profile and conservative underwriting has served us well through many cycles. As you can see, our losses have been well below the industry.

We expect limited loss content in the loan portfolio if there's an economic downturn due to greater than 88% of the loan portfolio is secured by real estate with an average loan-to-value of less than 37% and the weighted average debt service coverage ratio is 1.7x and over 1.15x in a stress scenario for our multifamily and investor commercial real estate portfolios. These factors contribute to our expectation of low loss content within the portfolio.

Slide 16, our allowance for credit losses as presented by loan segment. Overall, the allowance for credit losses to loans ratio decreased 1 basis point to 58 basis points during the quarter. Nonperforming assets increased slightly during the quarter, and the loan to value on these assets is 52%. We Criticized and classified loans decreased to 98 basis points at the end of the quarter compared to 89 basis points for the prior quarter. As you can see, our levels of criticized and classified loans are at lower levels than our peers.

The coverage ratio is 125%, meaning we have approximately $1.25 reserved for each dollar of nonperforming assets. Because all of these factors are allowance differs from peers, largely due to loan mix as we have a higher percentage of real estate collateral at a low average loan to value. We remain very comfortable with our credit risk profile and continue to expect the minimal loss content.

Our capital position is shown on Slide 17. Book value and tangible book value per share increased during the quarter. We took advantage of the attractive stock price and repurchased nearly 375,000 shares during the quarter and returned 71% of annual earnings through dividends and share repurchases. The tangible common equity ratio increased 20 basis points quarter-over-quarter to 7.2%. In the short and medium term, the company will maintain its target of 8% tangible capital ratio while balancing the attractiveness of share repurchases.

Slide 18 outlines the notable pretax effective items for the fourth quarter. First, we sold $84 million of low-yielding mortgage-backed securities for a loss of approximately $11 million. We are currently reinvesting these proceeds and expect to have an earn back period of 3 years or less. Second, we received an employee retention tax credit refund under the CARES Act of approximately $1.4 million, which was partially offset by an increase in professional fees paid to obtain the refund. Third, a lower discount rate was required for certain benefit plans, creating a $2.8 million expense reduction. These 2 expense reduction items are included in core expenses. Absent these 2 items, noninterest expenses would have totaled $37.9 million.

Turning to Slide 19. I'll provide some color on the outlook. As a reminder, we do not provide guidance, so this is meant to provide our thinking in this challenging environment. With higher interest rates and greater emphasis on full banking relationships, loan closings are expected to decline versus 2022. However, we expect prepayment speeds to continue to decrease as well. Overall, loan growth is expected to be tempered in 2023. There will be less need to grow funding with limited loan growth. As we have outlined in the past, we have a liability-sensitive balance sheet and expect the interest rate margin will remain under pressure as well as the Fed continues to raise rates.

While we have a significant benefit from contractual loan repricing over the next several years, there will be a lag from the Fed stops raising and the net interest income bottoms out. Noninterest expense was positively impacted by several benefits in the fourth quarter, but there will be headwinds in 2023 from increased FDIC deposit and medical insurance premiums. Overall, noninterest expense is expected to increase by low double-digit percentage points in 2023 of the reported base of $144 million. As a reminder, we have $3 million to $3.5 million of seasonal expenses in our first quarter compared to the fourth quarter. We expect the tax rate for 2023 to approximate 24% to 25%.

I'll now turn it back over to John.

John R. Buran
President, CEO & Director

Thank you, Susan. Slide 20 shows our strategic objectives for 2023. As Susan just outlined, the environment is challenging, but we will navigate through and focus on what we can control. We're looking to expand our funding sources with a particular emphasis on noninterest-bearing accounts. We will place greater emphasis on full relationships across business units while generating appropriate risk-adjusted returns. We will not change our underwriting model as credit quality is an important metric for us. Lastly, we'll continue to expand our technology platform to drive engagement and upgrade where appropriate.

On Slide 21, I'll wrap up our key messages. While 2022 was an unprecedented year given the pace of Fed rate increases, we had our second highest annual earnings. Strong credit quality is a pillar of the bank and our conservative underwriting should help to protect us from significant losses even during times of stress. We are managing through the higher rate environment and should start to benefit after a lag once the Fed stops raising rates. There's a greater emphasis in full banking relationship lending and achieving proper returns. Our stock has a strong dividend that approximates 4.5%, and we will continue to balance repurchasing shares with a desire to move toward an 8% tangible common equity ratio.
Operator, I'll turn it over to you to open up the lines for questions.

Question and Answer

Operator

[Operator Instructions] Our first question will be from Mark Fitzgibbon from Piper Sandler.

Gregory Zingone
Piper Sandler & Co., Research Division

It's actually Greg stepping in for Mark at the moment. Do you think there are any more security portfolio sales likely in the coming quarters ahead?

Susan K. Cullen
Senior EVP, Treasurer & CFO

We continually evaluate the portfolio in light of the market. And if we see an opportunity that presents itself, I wouldn't say no. But at this point, there's no plans on the table.

Gregory Zingone
Piper Sandler & Co., Research Division

Okay. And how do you think -- how low do you think the NIM goes if this follows a sober curve or a rough ballpark, do you think?

Susan K. Cullen
Senior EVP, Treasurer & CFO

So as we talked about, the NIM has many moving components. It's our loans repricing, the swaps, the local market competition and what the Fed does. So where we bottom out will all depend on where the Fed moves rates and how quickly they stop raising rates, and then we have that slight lag before we start coming back to expanding NIM.

Gregory Zingone
Piper Sandler & Co., Research Division

Okay. And lastly, if growth tapers, how do you think we should think about provisioning over the coming quarters?

Susan K. Cullen
Senior EVP, Treasurer & CFO

If loan growth tapers, we will expect the -- the other allowance always depends on the economic forecast as we do the CECL modeling and the mix of our loans. So if the economy continues on this uncertain path, we may see more provisioning.

Operator

Our next question is from Chris O'Connell with KBW.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

So on the -- just to nail down the operating expense guidance and the seasonality for the first quarter. If you -- well, I guess, first off, how much of the additional FDIC impact for next year?

Susan K. Cullen
Senior EVP, Treasurer & CFO

So the FDIC raised the premium across all banks as the depository insurance fund is underfunded. So all of us will be going -- increasing the insurance premium from 1 basis point to 2 basis points on deposits.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

Got it. And do you know what the dollar impact is?

Susan K. Cullen

Senior EVP, Treasurer & CFO

We won't give that type of guidance, Chris, but it should pretty much double.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. Great. And then just kind of putting it all together with some of the kind of onetime stuff from this quarter, it's like 41 -- like 41.5%, a good expense number for the first quarter with the seasonality?

Susan K. Cullen
Senior EVP, Treasurer & CFO

So yes, that would be about right.

John R. Buran
President, CEO & Director

37 plus 3, 3.5.

Susan K. Cullen
Senior EVP, Treasurer & CFO

So low 40s, yes.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. Got it. And then I appreciate the color on the overall NIM trajectory. Just trying to figure out how big the moves are in the near term. Do you guys have a spot rate or the end of quarter NIM at the end of the fourth quarter?

Susan K. Cullen
Senior EVP, Treasurer & CFO

We have not provided that as we may have in the past because we don't think it's representative necessarily of what our GAAP NIM will be or what are reported even core NIM will be. So we will not be providing that information.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. I mean any color that you can give on kind of the sense of the magnitude of the compression just in the immediate near term.

John R. Buran
President, CEO & Director

I mean you have a move that I look for a while, like it was going to be 25 basis points in February. Now there's even talk of it might be 50%. So you have that uncertainty to begin with. We do have within our market, a couple of crypto-related banks that have upped the ante in terms of looking over -- looking for deposits. I think quite frankly, there's too many factors going on and too many moving parts to give any reasonable guidance. And I think your assessments on these things and these activities are no better, no worse than ours at this point.

So I think the important thing to remember about us, and you can kind of watch it as time goes on is that it's unclear how much and how long the Fed will raise rates. We've got some projections, but those projections run from the Fed to the market. Futures contracts look like the bulk of the rate increases have already happened. So after fully absorbing the December rate increase, the incremental pressure might, in fact, ease as the Fed raises rates by smaller amounts than the 75 basis points that we've seen for the bulk of 2022. So we're kind of looking at the possibility of a declining maybe some declining pressure, although continued pressure, maybe declining magnitude, let's say, or declining incrementals.

So the market believes that the rate and the magnitude of the Fed rate increase should slow. That should help slow the pressure on our funding costs. And we think after the first quarter, a lot of this will be behind us. We may see another quarter or so. Clearly, there's a lot of speculation about that. But one thing is certain, and that's the structure of our balance sheet. And the Fed increases don't last forever. And this one looks like it's coming more to a close than to the beginning. So I think we're in a very, very good position toward the latter half of the year to see some better movement in the margin, whether it's stabilization or increase as a matter of what's happening in the market.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

Yes. Got it. Understood. And as far as the current CD offering rates, where are those at right now?

Susan K. Cullen
Senior EVP, Treasurer & CFO

So we have 13 months at 4.25%, 4.60%.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. And that's the primary product for you guys?

Susan K. Cullen
Senior EVP, Treasurer & CFO

No. Our primary product is probably the money market.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

And where are those at?

Susan K. Cullen
Senior EVP, Treasurer & CFO

Like 3.25%?

John R. Buran
President, CEO & Director

3.35%.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. Great. And then for the securities move this quarter, what's the timing of the reinvestments of what was paid off? And I guess like what's the assumed spread? Or what's the assumed rate that those are coming on at and where they're being funded at?

Susan K. Cullen
Senior EVP, Treasurer & CFO

So we have already purchased about $10 million of floaters with a yield of about 5.5%. The SBA floating bonds. So the expectation is that they will continue to come on in that range or even higher. But again, we are ensuring that we are keeping within the 3-year payback period.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

Got it. And what's the spread or, I guess, the assumed funding for those?

Susan K. Cullen
Senior EVP, Treasurer & CFO

Well, we took off securities that had a yield of 117. So we're bumping up the NIM by that differential, 430 basis points rough and tough.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. Got it. I mean are you guys locking in particular, any type of funding directly tied to those? Or just in general, like the overall new funding costs?

John R. Buran
President, CEO & Director

We have a variety of funding sources that obviously, we have a good deal of flexibility in matching the assets.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. Go ahead.

Susan K. Cullen
Senior EVP, Treasurer & CFO

When we sold these securities, we did pay off any funding, most of the funding -- the proceeds are sitting in the Federal Reserve Bank yielded 4.4 versus the 1 17 that we were getting on the securities.

John R. Buran
President, CEO & Director

Already make it.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

That's helpful. And then any update as the progress towards resolution of the larger NPD that came on a couple of quarters ago?

Susan K. Cullen
Senior EVP, Treasurer & CFO

So, we're still working through those. I'm glad you asked this question, Chris. We did even though some classified criticized picked up 9 basis points. Approximately $7 million of that has resolved itself subsequent to quarter end. So our NPAs, as we're sitting here today, are really down 1% quarter-over-quarter. I'm sorry, our criticized -- I misspoke, our criticized classifieds were down 1% quarter-over-quarter.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

Got it. Is that $7 million related to that particular credit? Or just any update, I guess, on that or relationship?

Susan K. Cullen
Senior EVP, Treasurer & CFO

The $7 million is not related to the big held-to-maturity security that is driving the increase in our NPAs. That is still working its way through the process. We're still very careful with that security/loan, and we don't have any further details on any resolution at this point.

Operator

[Operator Instructions] The next question is from Manuel Navas from D.A. Davidson.

Manuel Antonio Navas
D.A. Davidson & Co., Research Division

I really like Slide 4 and Slide 13, but I just wondered if the scenario is a little different, what happens if the Fed pauses and then holds, basically, do you need the Fed to actually start declining for your NIM to have that kind of inflection? Just kind of talk about that scenario where the Fed holds for a bit.

John R. Buran
President, CEO & Director

So the loans will continue to be coming on. So right now, loans are either being rolled -- they're either rolling off or for example, at a 3 handle because they were been put on for quite a while, and the loans that we're putting on right now this past quarter, we had a 6 handle. So we're talking about a very, very nice increase in the NIM just by stability taking place. And I didn't mean to say an increase in the NIM, but obviously, the positive pressure in the NIM, let's just say that. Because obviously [indiscernible] part of it.

Manuel Antonio Navas
D.A. Davidson & Co., Research Division

Okay. Because it seems like it kind of really took off once the Fed decline. But there's a number of different factors at play. Do you have an update on with the current market offers you have out there, are you seeing success? You talked a little bit about -- you had success this past quarter, were you seeing continued success and you're talking about kind of competition shifting a little bit. You're seeing more players competing for deposits. Can you just kind of talk about those 2 items?

John R. Buran
President, CEO & Director

Sure. So look, it's always a competitive environment in New York. This is -- this one has been heightened due to the Fed activity and the removal of liquidity from the market. So we're looking at other vehicles to compete in maybe areas that might be a little bit less competitive outside of the New York metropolitan area as a means of, let's say, compensating for the intense level of competitiveness in New York. So I think -- it's always a competitive market here. There's a couple of things that I think are probably going to write themselves in a few -- in a couple of quarters in terms of the extreme competitiveness. But at the end of the day, most of the market in New York is controlled by a few very, very large banks. They have a lot to protect in terms of their cost of funds. So that always has a little bit of a dampening effect, although we haven't quite seen it yet. I expect that we will see it going forward.

Operator

Ladies and gentlemen, this concludes our question-and-answer session. I would like to turn the conference back over to John Buran for any closing remarks.

John R. Buran
President, CEO & Director

Well, once again, thank you. Thank you all for your attention and for calling in and for the questions. And just again, I think that our net message is that we've got a very strong balance sheet, very strong credit quality. And this environment doesn't last forever, and we're looking forward to a better opportunity as the Fed starts to reduce some of its aggressive moves. So thank you again for your attention, and look forward to talking to you all soon.

Susan K. Cullen
Senior EVP, Treasurer & CFO

Have a nice weekend. Thank you.

John R. Buran
President, CEO & Director

Bye now.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.