



FFIC FLUSHING

Financial Corporation

Small enough
to know you.

Large enough
to help you.

4Q18 Earnings Conference Call

February 1, 2019

contact: susan.cullen@flushingbank.com | phone: (516) 209-3622 | website: www.flushingbank.com

Safe Harbor Statement

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995: The statements in this presentation relating to plans, strategies, 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 the Private Securities Litigation Reform Act of 1995, 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, risk factors discussed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017, and in other documents filed by the Company with the Securities and Exchange Commission from time to time. The Company has no obligation to update these forward-looking statements.

4Q18 Operating Results and Highlights

	4Q18	3Q18	4Q17
Earnings (\$MM, except EPS data)			
Net Interest Income	\$40.6	\$41.5	\$43.1
Net Income	\$12.4	\$17.3	\$6.0
Core Net Income ¹	\$15.4	\$15.3	\$9.6
EPS	\$0.44	\$0.61	\$0.21
Core EPS ¹	\$0.54	\$0.54	\$0.33
Profitability Ratios			
ROAA	0.74%	1.08%	0.38%
ROAE	9.18%	12.93%	4.44%
Net Interest Margin	2.55%	2.71%	2.90%
Efficiency Ratio ²	58.53%	61.30%	55.35%
Capitalization Ratios			
Tangible Common Equity	7.83%	8.06%	8.22%
Dividend Payout	45.45%	32.79%	85.71%

4Q18 Operating Highlights

- Core ROAE = 11.41%
- Core ROAA = 0.92%
- Loan origination yields increased 41 bps and 75 bps from 3Q18 and 4Q17, respectively
- Repositioned investment portfolio recognizing a \$1.9 million loss

Balance Sheet Highlights

- Loan originations totaled \$344.7MM, the highest quarterly production in 2018 of which 34% were business loans
- Total loans increased 3.2% QoQ
- Total deposits increased 5.5% QoQ

¹ Excludes effects of net gains/losses from fair value adjustments, net gains/losses on sale of securities, net gains/losses from sale of asset, gain from insurance proceeds and accelerated employee benefit upon officer's death. Core earnings presented in 4Q18 press release.

² Calculated by dividing non-interest expense (excl. OREO expense and the net gain/loss from the sale of OREO) by the total of net interest income and non-interest income (excl. net gains/losses from fair value adjustments, net gains/losses on sale of securities, net gains/losses from sale of asset and gain from life insurance proceeds).

2018 Operating Results and Highlights

	2018	2017
Earnings (\$MM, except EPS data)		
Net Interest Income	\$167.4	\$173.1
Net Income	\$55.1	\$41.1
Core Net Income ¹	\$55.6	\$45.8
EPS	\$1.92	\$1.41
Core EPS ¹	\$1.94	\$1.57
Profitability Ratios		
ROAA	0.85%	0.66%
ROAE	10.30%	7.75%
Net Interest Margin	2.70%	2.93%
Efficiency Ratio ²	62.20%	57.90%
Capitalization Ratios		
Tangible Common Equity	7.83%	8.22%
Dividend Payout	41.67%	51.06%

¹ Excludes effects of net gains/losses from fair value adjustments, net gains/losses on sale of securities, net gains/losses from sale of asset, gain from insurance proceeds and accelerated employee benefit upon officer's death. Core earnings presented in 4Q18 press release.

² Calculated by dividing non-interest expense (excl. OREO expense and the net gain/loss from the sale of OREO) by the total of net interest income and non-interest income (excl. net gains/losses from fair value adjustments, net gains/losses on sale of securities, net gains/losses from sale of asset and gain from life insurance proceeds).

2018 Operating Highlights

- Core ROAE = 10.39%
- Core ROAA = 0.85%
- Record loan originations totaled \$1.3B
- Yield on loan originations increased 50 basis points to 4.56% in 2018 from 4.06% in 2017

Balance Sheet Highlights

- Total deposits up 13.3% YoY
- Total net loans up 7.3% YoY
- Asset quality remains pristine
 - Nonaccrual loans of \$16.3MM increased 3.5% YoY
 - Nonperforming assets total \$16.3MM, a decrease of 10.2% YoY
 - Delinquent loans totaled \$23.0MM compared to \$28.8MM at 12/31/2017

Key Messages

Exceeding Customer Expectations

- Committed to being the preeminent community financial services company in our multicultural market area
- Competitive strength as a commercial real estate lender
- Broad array of products and services delivered through customers' preferred channels
- Strong presence in our ethnic communities, particularly the Asian community in Queens
- Staff branches and lending units with seasoned, multi-lingual professionals

Enhancing Earnings Power

- Manage cost of funds
- Increase rate received on loans to drive net interest income
- Improve scalability and efficiency of operating expense base
- Manage yield through loan portfolio mix

Strengthening Our Commercial Bank Balance Sheet

- Focus on the origination of multi-family mortgage, commercial business and commercial real estate loans while remaining nimble and responsive to industry shifts
- Shift funding sources to core deposits from CDs and borrowings
- Continue to add key talent with commercial expertise

Maintaining Our Strong Risk Management Philosophy

- Remain well capitalized at all times
- Maintain sufficient sources of liquid assets and contingency funding
- Strong cyber and physical security measures to safeguard Company and customer assets and information
- Adequate loan loss reserve
- Conservative underwriting standards

Strategic Objectives

Manage Cost of Funds and Continue to Improve Funding Mix

Increase Interest Income by Leveraging Loan Pricing Opportunities and Portfolio Mix

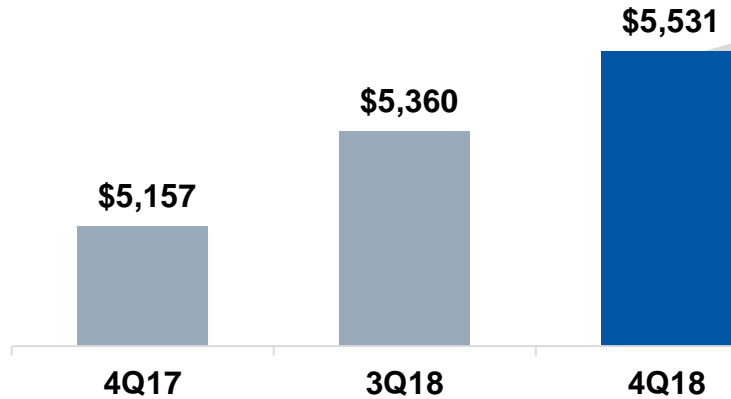
Enhance Core Earnings Power by Improving Scalability and Efficiency

Manage Credit Risk

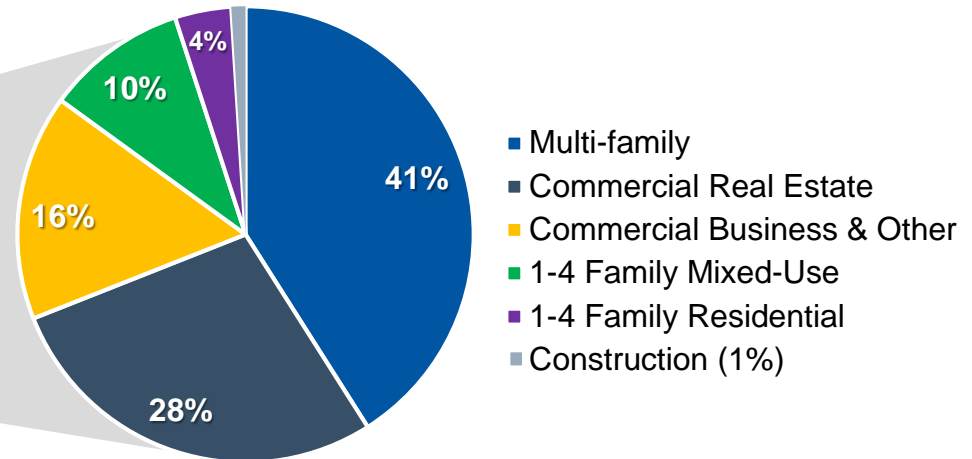
Remain Well Capitalized

Loans

Net Loans (\$MM)



Net Loans as of 12/31/18 | Loan Yield 4.47%

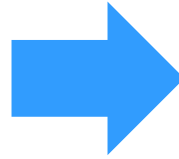
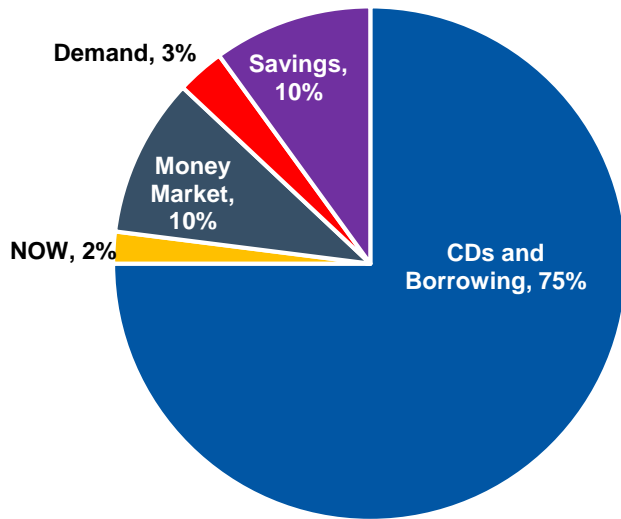


4Q18 Highlights

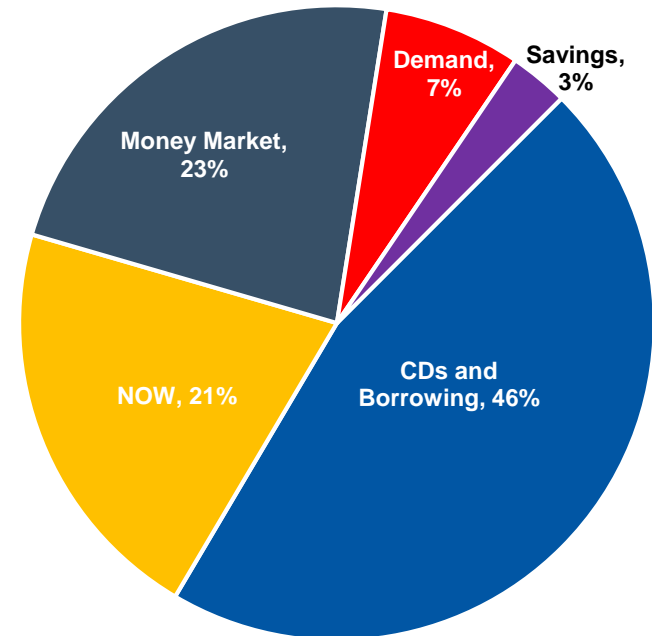
- Total loans were \$5,531MM reflecting an increase of 3.2% QoQ (not annualized) and an increase of 7.3% YoY
 - Record loan originations of \$1.3B at an average yield of 4.56%
 - Loan growth for 2018 was driven mainly by increases in commercial business loans and commercial real estate loans
- Loan production totaled \$344.7MM, at an average rate of 4.90%, an increase of 41bps QoQ, and an increase of 75bps YoY
- Loan originations and purchases of multi-family, commercial real estate and commercial business loans totaled 86.6% of loan production
- Loan pipeline totaled \$196.6MM at December 31, 2018 with an average rate of 5.12% compared to \$355.2MM at 4.68% as of September 30, 2018, and \$359.8MM at 4.10% as of December 31, 2017
- Loan-to-value ratio on real estate dependent loans as of December 31, 2018 totaled 38.8%

Continuing to Improve Funding Mix

As of 12/31/06
\$2.6B



As of 12/31/18
\$6.2B

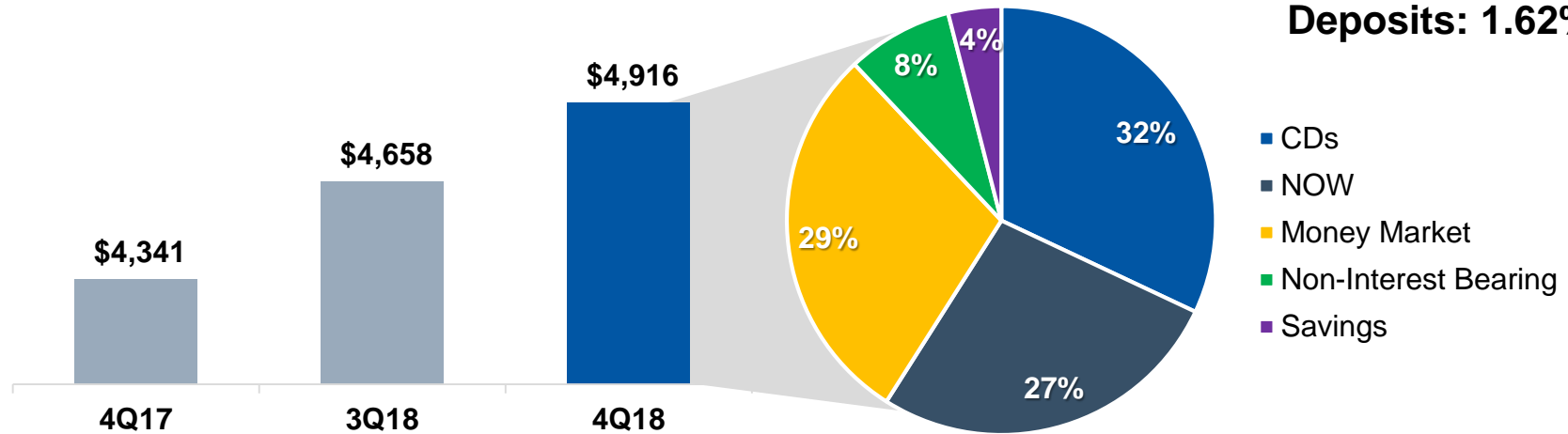


Progress Made...More to Come

Deposits

Deposits (\$MM)

Deposits as of 12/31/18 | Quarterly Cost of Deposits: 1.62%

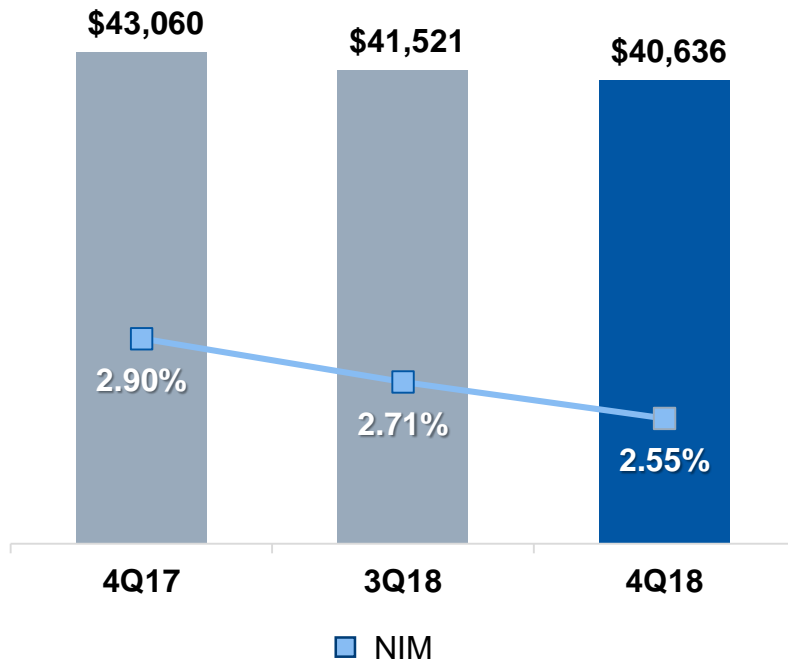


4Q18 Highlights

- Deposits increased 5.5% (not annualized) QoQ and 13.3% YoY
 - QoQ increase due to money market, NOW, and non-interest bearing accounts
 - YoY increase due to money market, CDs, and non-interest bearing accounts
- Core deposits increased 8.3% QoQ and 12.2% YoY
- Loan to deposit ratio totaled 112% compared to 114% at September 30, 2018 and 118% at December 31, 2017

Net Interest Income

Net Interest Income (\$000s)



4Q18 Highlights

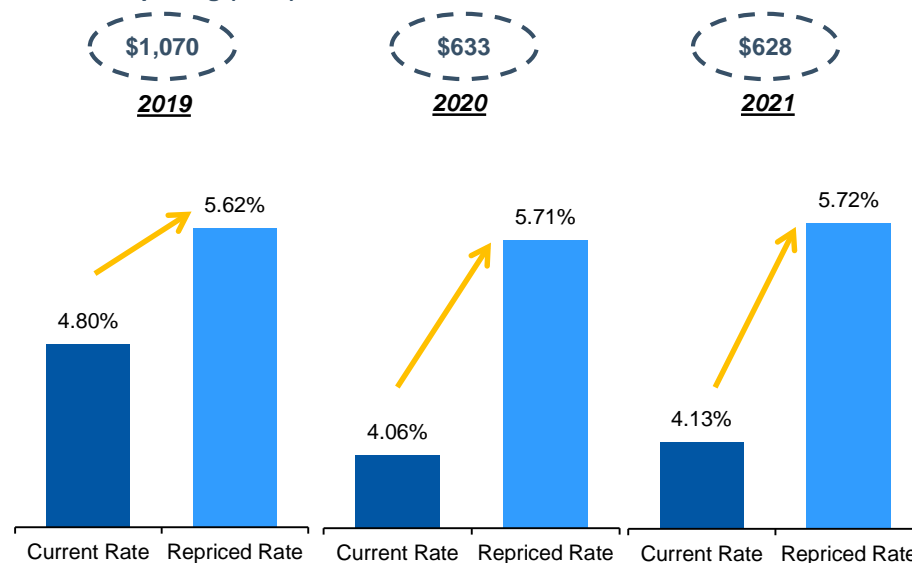
- Net interest income was down 2.1% QoQ and down 5.6% YoY
- NIM decreased 16bps QoQ and 35bps YoY
- Core NIM (NIM net of prepayment penalties, recovered interest on delinquent loans and accretion of discount on called securities) decreased 3bps in 4Q18, smallest quarterly decrease in 2018
- Core NIM totaled 2.48% in 4Q18, 2.51% in 3Q18 and 2.77% in 4Q17
- Cost of funds of 1.75% increased 12bps QoQ and 58bps YoY, driven by an increase in deposits and borrowings rates

Mitigation Strategies for Cost of Funds Increases

- For the six consecutive quarter, the yield on loan originations exceeded the quarterly yield on the portfolio, net of prepayment penalties and recovered interest from delinquent loans
- Forward swaps totaling \$442MM, of which \$346MM have been funded as of December 31, 2018
- Forward swaps provided a benefit of one basis point to the current quarter net interest margin and we project that these swaps will enhance earnings as rates rise
- Loan origination yields have increased 41bps from the third quarter of 2018
- Originations of commercial business loans, which are primarily adjustable rate loans, totaled 34% of the current quarter originations and now comprise 16% of the loan portfolio

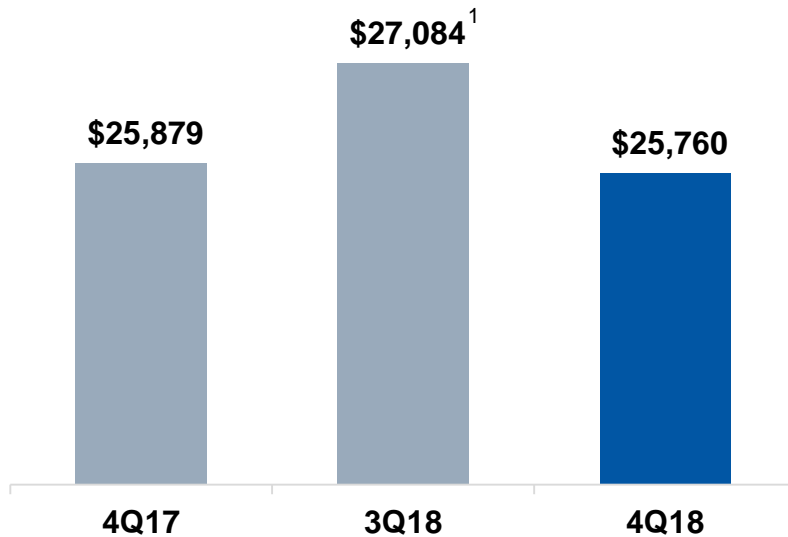
Yield on Loans Repricing through 2021 (~\$2B to Reprice)

Amount Repricing (\$MM):



Controlling Non-Interest Expense

Core Non-Interest Expense (\$000s)



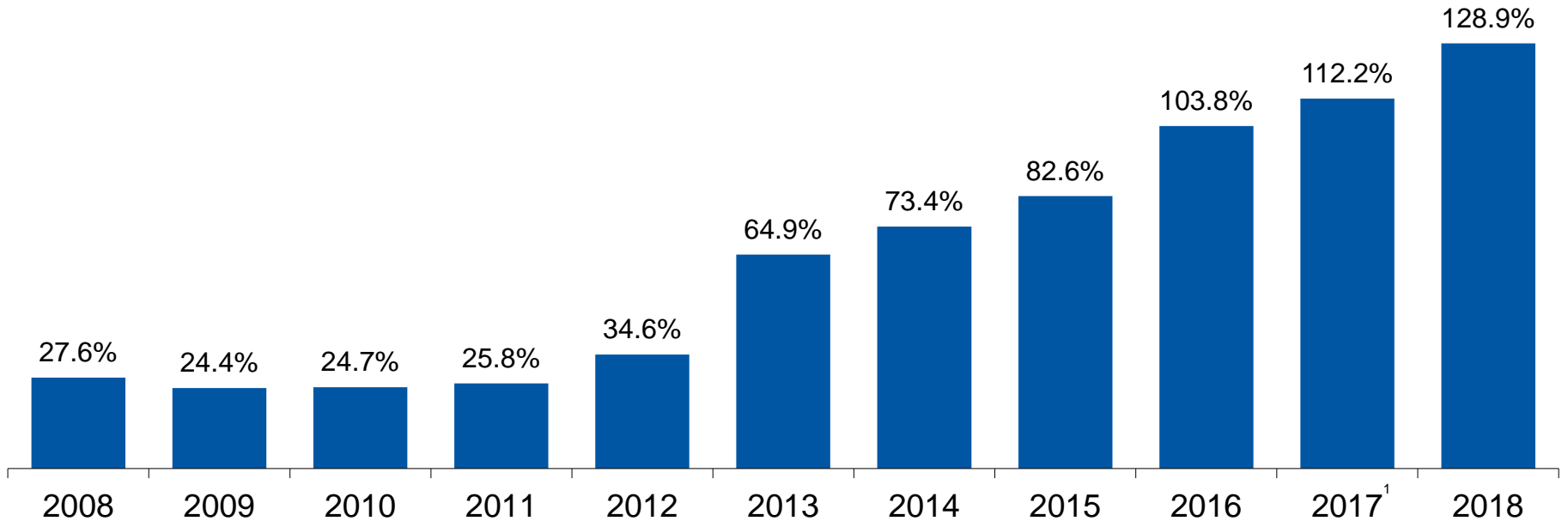
4Q18 Highlights

- Core non-interest expense was \$25.8MM, a decrease of 4.9% QoQ and 0.5% YoY
- QoQ and YOY decreased due to lower BOLI split dollar expense
- YoY increase was driven by increases in salaries and employee benefits and depreciation expense due to growth of the Bank, partially offset by reduction in foreclosure expense and other operating expenses
- The efficiency ratio was 58.5% in 4Q18 compared to 61.0% in 3Q18 and 55.4% in 4Q17

¹ 3Q18 non-interest expense excludes \$0.1mm of compensation expense recognized due to an officer's death

Increasing Coverage Ratio

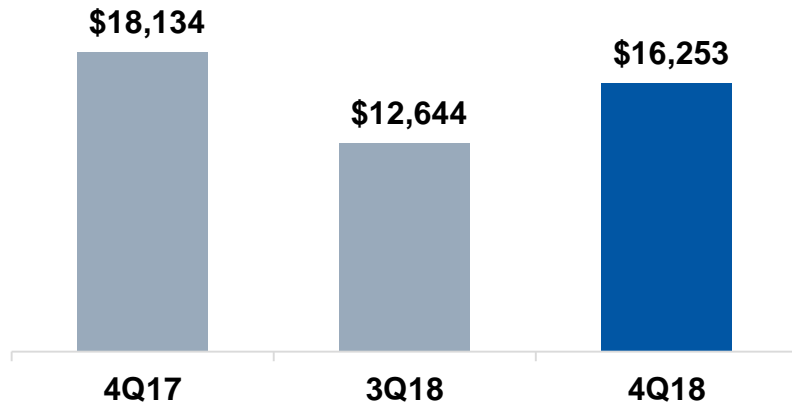
Loan Loss Reserve/NPL



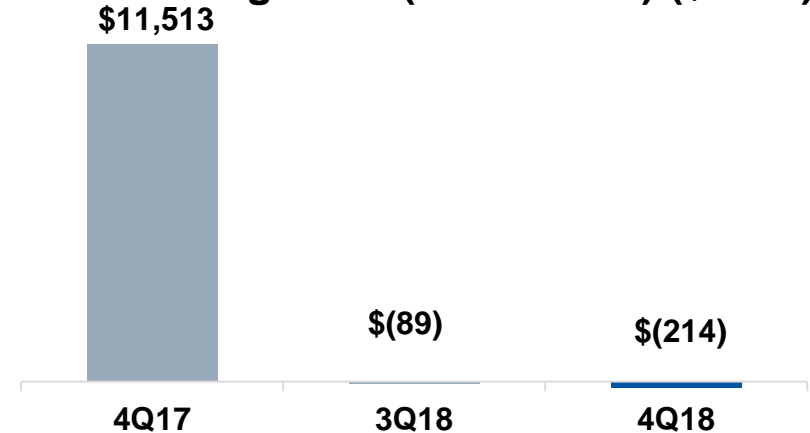
¹ Provision for loan losses of \$6.6MM was recorded during 4Q17, as the estimated fair value of NYC corporate taxi medallions were lowered based on most recent sales data.

Credit Quality

Non-performing Loans (\$000s)



Net Charge-offs (Recoveries) (\$000s)



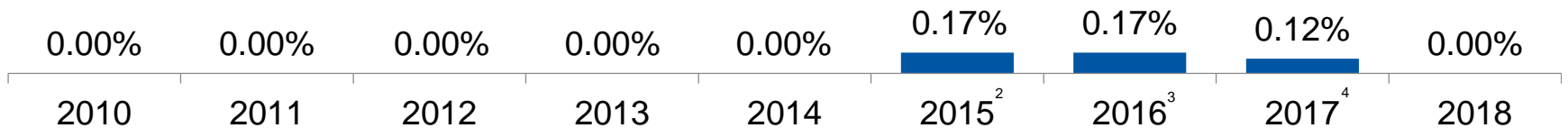
4Q18 Highlights

- Non-performing loans totaled \$16.3MM, an increase of 28.5% QoQ, primarily due to four business banking loans, but a decrease of 10.4% YoY
- Average loan-to-value for non-performing loans collateralized by real estate at December 31, 2018 was only 34.9%
- Net recoveries of \$0.2 million during 4Q18 compared to net charge-offs totaled \$11.5 million for 4Q17
- Net recoveries of \$19,000 for 2018 compared to \$11.7 million net charge-offs in 2017

Minimal Delinquencies on the Total Portfolio

90-Day Delinquencies as % of Loans Originated by Year¹

Six delinquent loans for vintage years covering over nine years of originations



¹ Calculated by dividing current 90-day delinquencies by total loans originated by vintage period.

² Represents one 1-4 family, one multi-family and one small business loan.

³ Represents two small business loans.

⁴ Represents one SBA loan.

Why Flushing Financial

- Long-standing, skilled management team
- Experienced lending in greater New York City markets
- 860% total return since IPO in 1995¹
- Positive earnings through the cycle and every quarter since IPO
- Consistent EPS and dividend growth

*Management
Culture &
Track Record*

*Attractive
Markets &
Customers*

FLUSHING

Commercial ■ Business ■ Consumer

*Executing
Strategic
Objectives*

*Strong
Financial
Performance*

- NIM optimization through loan rate improvement and cost of funds management
- Yield management through strategic loan portfolio mix
- Leverage technology to reduce expense base, while enhancing the customer experience

- Premium location in high growth, high income NYC area markets
- Leading community bank market-share in footprint; competitive strength as a CRE lender
- Growth in commercial business customers
- Strong Asian customer base

- Attractive return profile with low historical return volatility
- Well capitalized balance sheet
- Sufficient liquidity and contingency funding
- Exceptionally well reserved given superior credit and underwriting standards

¹ As of December 31, 2018.



Appendix

Non-GAAP Measures

Core Diluted EPS, Core ROAE, Core ROAA, tangible book value per share and tangible common stockholders' equity are each non-GAAP measures used in this presentation. A reconciliation to the most directly comparable GAAP financial measures appears in tabular form at the end of this presentation. The Company believes that these measures are useful for both investors and management to understand the effects of certain non-interest items and provide an alternative view of the Company's performance over time and in comparison to the Company's competitors. These measures should not be viewed as a substitute for net income. The Company believes that tangible book value per share and tangible common stockholders' equity are useful for both investors and management as these are measures commonly used by financial institutions, regulators and investors to measure the capital adequacy of financial institutions. The Company believes these measures facilitate comparison of the quality and composition of the Company's capital over time and in comparison to its competitors. These measures should not be viewed as a substitute for total shareholders' equity.

These non-GAAP measures have inherent limitations, are not required to be uniformly applied and are not audited. They should not be considered in isolation or as a substitute for analysis of results reported under GAAP. These non-GAAP measures may not be comparable to similarly titled measures reported by other companies.

Non-GAAP to GAAP Reconciliation

	Three Months Ended			Twelve Months Ended	
	December 31, 2018	September 30, 2018	December 31, 2017	December 31, 2018	December 31, 2017
GAAP income before income taxes	\$ 13,468	\$ 19,243	\$ 13,650	\$ 65,485	\$ 66,134
Net loss from fair value adjustments	3,585	170	631	4,122	3,465
Net loss on sale of securities	1,920	-	-	1,920	186
Gain from life insurance proceeds	-	(2,222)	-	(2,998)	(1,405)
Net gain on sale of assets	(1,141)	-	-	(1,141)	-
Accelerated employee benefits upon Officer's death	-	149	-	149	-
Core income before taxes	17,832	17,340	14,281	67,537	68,380
Provision for income taxes for core income	2,395	2,010	4,652	11,960	22,613
Core net income	\$ 15,437	\$ 15,330	\$ 9,629	\$ 55,577	\$ 45,767
GAAP diluted earnings per common share	\$ 0.44	\$ 0.61	\$ 0.21	\$ 1.92	\$ 1.41
Net loss from fair value adjustments, net of tax	0.09	-	0.01	0.10	0.07
Net loss on sale of securities, net of tax	0.05	-	-	0.05	-
Gain from life insurance proceeds	-	(0.08)	-	(0.10)	(0.05)
Federal tax reform 2017	-	-	0.13	-	0.13
Net gain on sale of assets, net of tax	(0.03)	-	-	(0.03)	-
Accelerated employee benefits upon Officer's death, net of tax	-	-	-	-	-
Core diluted earnings per common share ¹	\$ 0.54	\$ 0.54	\$ 0.33	\$ 1.94	\$ 1.57
Core net income, as calculated above	\$ 15,437	\$ 15,330	\$ 9,629	\$ 55,577	\$ 45,767
Average assets	6,681,161	6,446,540	6,243,686	6,504,598	6,217,746
Average equity	541,067	536,416	537,201	534,735	530,300
Core return on average assets ²	0.92%	0.95%	0.62%	0.85%	0.74%
Core return on average equity ²	11.41%	11.43%	7.17%	10.39%	8.63%

(1) Core diluted earnings per common share may not foot due to rounding.

(2) Ratios are calculated on an annualized basis.

Contact Details: Flushing Financial Corporation



Susan Cullen

SEVP, CFO & Treasurer
(516) 209-3622
susan.cullen@flushingbank.com

NASDAQ: FFIC



