S&P Global
Market Intelligence

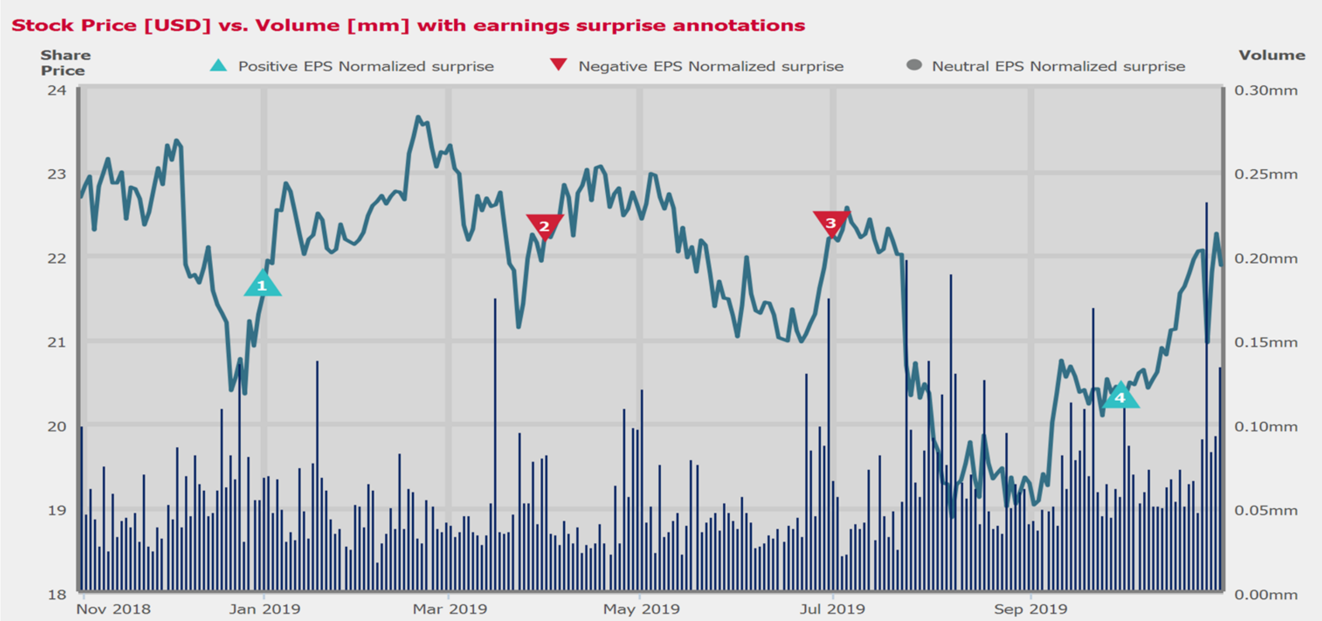
Flushing Financial Corporation
NasdaqGS:FFIC
FQ3 2019 Earnings Call Transcripts

Wednesday, October 30, 2019 1:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2019-			-FQ4 2019-	-FY 2019-	-FY 2020-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.41	0.48	▲17.07	0.42	1.58	1.71
Revenue (mm)	43.47	39.99	▼(8.01 %)	44.33	175.19	193.24

Currency: USD
Consensus as of Oct-29-2019 11:48 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2018	0.48	0.54	▲12.50 %
FQ1 2019	0.39	0.33	▼(15.38 %)
FQ2 2019	0.45	0.42	▼(6.67 %)
FQ3 2019	0.41	0.48	▲17.07 %

Table of Contents

Call Participants

EXECUTIVES

John R. Buran
President, CEO & Director

Susan K. Cullen
Senior EVP, Treasurer & CFO

ANALYSTS

Collyn Bement Gilbert
Keefe, Bruyette, & Woods, Inc., Research Division

Mark Thomas Fitzgibbon
Sandler O'Neill + Partners, L.P., Research Division

Steven Comery
Morgan Group Holding Co.

Presentation

Operator

Welcome to the Flushing Corporation's Third Quarter 2019 Earnings Conference Call hosted by John Buran, President and Chief Executive Officer. Today's call is being recorded. [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 the 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. Such factors are included in the company's filings with the US Securities and Exchange Commission. Flushing Financial Corporation does not undertake any obligation to update any forward-looking statements except as required under the applicable law.

During this call, references will be made to the non-GAAP financial measures as 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 the US GAAP. For information about these non-GAAP measures and for a reconciliation to GAAP, please refer to the earnings release.

I'd now like to introduce John Buran, President and Chief Executive Officer, who will provide an overview of this strategy and results and then discuss this quarter's financial results in greater detail.

John R. Buran
President, CEO & Director

Thank you. Good morning everyone and thank you for joining us for our third quarter 2019 earnings call. I will begin our third quarter highlights and then provide an overview of the strategies, we are executing to continue to generate consistent positive earnings power and drive long-term shareholder value. Then I will review our financial performance in greater detail. Following my prepared remarks, I will take your questions.

Beginning on Slide 3 is a summary of our third quarter 2019 operating results. We're pleased report third quarter diluted EPS increased 14%, while GAAP diluted EPS was unchanged from the prior quarter.

Our slide presentation and press release include a reconciliation of GAAP to core earnings. The primary difference between GAAP and core EPS is a $0.10 per share of non-cash mark-to-market fair value adjustments primarily related to our swaps designated to protect against rising rates. Overall, the interest movement of the swaps is benefiting the core net interest margin. While the fair value adjustments are offsetting the benefit.

On Slide 4, we provide key highlights for the quarter, we achieved record loan closings totaling $398 million for the quarter, driving loan growth to 9% annualized quarter-over-quarter and over 7% year-over-year. This marks our second consecutive quarter of record C&I closings totaling $238 million or 60% of total quarterly production.

The strong C&I production is the continuing diversification of our loan portfolio. As a reminder, these C&I loans are generally floating rate and represent 19% of total loans. At September 30, 2019. The loan pipeline remains strong at $419 million as we continue to grow our loan portfolio. We remain focused on credit quality preserving strong risk management practices, including conservative underwriting standards and improving yields to achieve improved risk-adjusted returns.

Overall, credit quality continues to improve as non-accrual loans decreased 9% and non-performing loans decreased 6% quarter-over-quarter. Overall, our core business remains strong core earnings for the third quarter 2019 included the benefit of the FDIC Small Business assessment credit of $0.03 per diluted share and the true-up of our effective tax rate to 22% from 24% which equated to $0.02 per diluted share.

Even without the benefit of these items. Core earnings improved from the prior quarter due to a reduction in provision expense and our continued focus on managing non-interest expense, partially offset by margin compression of 8 basis points. Loan yields on originations decreased 50 basis points from the second quarter 2019. As we continue to experience pricing pressure due to the inverted yield curve at the pricing point for our loan tenure.

Although the Federal Reserve has recently cut rates, we still experienced margin compression on the liability side as the quarterly cost of deposits increased 4 basis points from the prior quarter primarily driven by pricing pressure on our retail and municipal deposits as competition from traditional and nonbank competitors remain strong.

We remain disciplined in terms of deposit pricing will remain -- remaining competitive within our market. However, late in the quarter, the cost of funds began to improve. At quarter end, our average new cost of CDs was less than 2% with approximately 1 billion of retail CDs maturing before third quarter 20 at an average rate of 2.33%. We expect that this will provide an opportunity in the future.

As previously announced, we are opening a new branch in Hicksville New York, which not only further expands our presence on Long Island would enable us to move into an attractive Asian market outside of New York City. We're also very excited about the signing of our definitive merger agreement to acquire Empire Bancorp as previously reported, the transaction is valued at an estimated $111.6 million based upon our closing price on October 24, 2019.

The combined company at close is expected to have approximately $8 billion in assets, $6 billion in loans and $6 billion in deposits. We expect to close the deal in the second quarter of 2020 and on a combined basis. The transaction is expected to be accretive to EPS by 10% in 2020 and 19% in 2021

The combination of the merger and the new branch opening will provide our customers with an expanded network of 24 branch locations with 16 branches in New York City, three branches in Nassau County, and three branches in Suffolk County

Referring now to Slide 5. We remain focused on these key areas exceeding customer expectations, enhancing earnings power, strengthening our commercial bank balance sheet and maintaining our strong risk management philosophy. Acquiring Empire Bancorp will further enable us to execute on these key focus areas and enhance the execution of our strategic objectives, detailed on Slide 6, increased core deposits and continue to improve the funding mix managed net loan growth and focus on yield and best risk-adjusted returns, enhanced core earnings power by improving scalability and efficiency, profitable growth and expansions new distribution channels and business lines. Managed credit risk and remain well-capitalized under all stress test scenarios.

Moving on to Slide 7 total loans were $5.7 billion, up 2% quarter-over-quarter and 7% year-over-year as we continue to focus on the origination of C&I loans with a full banking relationship these originations totaled 60% of loan production for the quarter and 52% over the past year.

C&I balances have grown to approximately 19% of gross loans as of September 30th of 2019. As you can see since 2010 we have achieved steady and prudent growth in our C&I business. The growth in the C&I portfolio continues to offer several advantages, including continued diversification of our loan portfolio and as these are primarily adjustable-rate loans. The yield offers more stability to the net interest margin.

The composition of the pipeline was 62% adjustable rate product and the remainder of fixed rate. The interest rate on the mortgage loans in the pipeline has an average yield of 416.

The loan to value on our real estate portfolio at quarter-end remains conservative at approximately 38% and the debt coverage ratio opening in current quarter's originations of multifamily commercial real estate and 1-4 family mixed-use loans was 191% we continue to underwrite commercial real estate loans in a prudent manner, which includes interest rate stress test and conservative capitalization rates.

Multifamily commercial real estate and one-to-four family mixed-use mortgage loans originated during the third quarter 2019 had a yield of 4.32%, a decrease of 28 basis points from second quarter 2019 and 6 basis points from third quarter ' 18 as discussed. The decrease in the yield was due to the inverted yield curve positively, we maintained our asset quality. As these loans had an average loan to value ratio of 40% and an average debt coverage ratio of 191%.

We remain committed to our strategy of focusing on C&I loans, commercial real estate loans in multifamily in third quarter ' 19 these loan closings represented 60%, 17% and 15% respectively of all originations while maintaining conservative loan to value and debt coverage ratio.

Slide 8 highlights the evolution of our funding mix as the percentage related to CDs and borrowings has decreased when we need to access the wholesale funding markets we can advantageously ladder out the liabilities for longer terms. Core deposits increased 4% quarter-over-quarter and 10% year-over-year totaling approximately 70% of total deposits at September 30th compared to 37% at December 31, 2006 the loan to deposit ratio for the third quarter of 2019 was 115.6%.

We believe the acquisition of Empire Bancorp will enhance this ratio and improve our funding costs.

On Slide 9, you will see that deposits increased approximately 2% quarter-over-quarter and 6% year-over-year driven by now, money market and noninterest-bearing accounts. Core deposits increased 10% year-over-year and 4% quarter-over-quarter. We continue to focus on the growth of core deposits, with an emphasis on noninterest-bearing deposit accounts, which increased approximately 6% year-over-year.

Noninterest-bearing deposits of -- nearly $422 million represent approximately 9% of total deposits. Additionally, in order to continue to diversified deposit gathering channels, we are improving our digital online and mobile offerings as part of our overall digital strategy, the strategy -- will improve our customers' overall banking experience with us. We expect the new technologies to be fully operational in the first quarter of 2020.

Turning to Slide 10. We continue to develop our ethnic strategy within the Asian market. The China town branch is less than a year old and continues to track to targeted levels in the fourth quarter we'll open a new branch in an attractive Asian market and New York. This will be a further expansion of our successful ethnic strategy that enabled us to grow more than 18% in deposits within the Asian markets.

We continue to have a strong focus in this community where we have over $700 million in deposits at branches that service Asian communities, which as you may recall, have a lower cost of funds, then our total cost of plans as well as over $550 million in loans.We continue to capture strategic growth opportunities within this market aided by our Asian Advisory Board.

Moving on to Slide 11 net interest income for the third quarter of 2019 was $39 million down nearly 3% quarter-over-quarter due to net interest margin decreasing 8 basis points quarter-over-quarter to 237 -- core net interest margin was 233 also down 7 basis points quarter-over-quarter driven by higher cost of funds and loan pricing competition.

On Slide 12, we highlight the strategies we are using to support NIMs stabilization one is related to improving the yield on the loan portfolio. As a reminder, we have over $2 billion of loans scheduled to upwardly repriced through 2021 at an average of 47 basis points. These re-pricings, I mean not repriced to the full contractual rate but we'll repriced between the marketing contract price as loans refinance.

Additionally, as previously covered the second component of the stabilization relates to our swap strategy the interest margin was supported by -- in the third quarter by interest rate swaps totaling $897 million which benefited the core NIM by 3 basis points importantly over the long term will position our balance sheet to be more interest rate neutral, which allows us to seize opportunities as we continue to actively manage funding costs and evaluate strategies to further strengthen our balance sheet in all interest rate environments.

Moving to Slide 13. As you can see at quarter end, our average new CD cost was less than 2% was approximately $1 billion of retail CDs maturing before Q-3, 20 at an average rate of 2.33% even more promising is that we have an opportunity to move some of our maturing CDs in the core deposits, which have an average cost of less than 1.5% our average current cost of all new deposits is 1.56%

Moving to Slide 14 Q-3 expenses decreased by over 4% year-over-year and quarter-over-quarter driven by our continued focus on expenses and the FDIC Small Business assessment credit. The efficiency ratio was 59% in the Q-3 compared to 61% in both the Q-2 of 2019. And the Q-3 of 2018, continuing to manage expenses and improving the NIM will assist us in achieving our long-term goal of an annual efficiency ratio in the low to mid-50s.

Continuing on Slide 15 the ratio of noninterest expense to average assets was 1.49% in the Q-3 compared to 1.58% in the Q-2 and one point 1.69% In the Q-3 of 2018. The company has historically maintained relatively stable ratio of noninterest expense to average assets we remain focused on continuous improvement and look for opportunities in our operations for efficiency gains and expect to share best practices and further gain efficiencies from our pending acquisition of Empire Bancorp. Regarding taxes for 2019, we approximately in an effective rate between 22% and 23%.

On Slide 16 non-performing loans were under $15 million, a $1 million decrease quarter-over-quarter as credit quality remains one of our core strengths. In the Q-3, net charge-offs were under 160,000 and we recorded a provision of $0.7 million driven mainly by growth in the C&I portfolio.

We are a historical seller of non-performing credits and record charge offs early in the delinquency process. Our strong credit quality metrics have resulted in our coverage ratio increasing 150% from 129% as of December 31 2018.

Continuing on Slide 17. The current portfolio loan to value is less than 40% and the equity loan to value of our nonperforming real estate loans was approximately 34% based upon the value of the underlying collateral at origination and we do not adjust the appraised values for increases given the low loan to value associated with the nonperforming real estate loans. We do not foresee an increase in related expenses.

Slide 18 shows 90-day delinquencies. As a percentage of loans originated by year. Overall, our credit quality remains pristine. As you can see the results of our strong underwriting discipline was just 7 loans delinquent greater than 90 days for the past 10 vintage years furthermore, on Slide 19 credit discipline is paramount to our consistent profitable growth and flushing has demonstrated superior credit metrics over 2 decades and multiple credit cycles.

Now turning to credit quality on Slide 20. Our credit re-metrics remain strong this quarter. As you can see we have a strong history of maintaining robust capital levels with low risk balance sheet.

On Slide 21, I would like to conclude by reviewing why we remain well positioned for continued consistent and profitable growth. With the pending acquisition of Empire Bancorp. The pro forma combination of our banking franchise lowers flushing overall cost of deposits as well as improves our loan to deposit ratio, the merger is expected to enhance our core earnings power with significant revenue opportunities and cost synergies with expanded presence on Long Island.

We continue to see positive trends including growth in the C&I portfolio as we move our balance sheet towards more floating-rate C&I business and a continued strong loan pipeline. Our swap strategy continues to be an important component in mitigating NIM compression and reducing the liability sensitivity of our balance sheet.

Our long-term goal is to move towards being interest rate neutral, which allows us to take advantage of all interest rate environments. We've contain non-interest expenses in this low rate environment. The investment in our universal banker models paying dividends, the universal bankers are spending more time with customers. The additional time has resulted in brand sales increasing approximately 30% in total and approximately 45% per branch employee.

Our ongoing focus on developing and maintaining a multi-lingual brand staff to serve our diverse New York City customers is a key advantage. The New York City market with a strong Asian customer base continues to represent a significant opportunity for us. Our credit quality remains pristine. In summary, our vision remains consistent and that is to be the pre-eminent community financial services company

in our multicultural market area by exceeding customer expectations and leveraging our strong banking relationships. Overall, our management culture and track record, attractive markets and customers, strong financial performance and continued execution or our strategic objectives, all positioned the company very well to further deliver consistent profitable growth and long-term value to our shareholders.
We will now open it up for questions, operator. I will turn it over to you.

Question and Answer

Operator

[Operator Instructions] Our first question today comes from Mark Fitzgibbon of Sandler O'Neill & Partners.

Mark Thomas Fitzgibbon
Sandler O'Neill + Partners, L.P., Research Division

A couple of questions related to costs. First I'm curious, the incremental cost associated with the digital transformation strategy, is that kind of in the numbers now or is that something we should look for in terms of incremental cost?

Susan K. Cullen
Senior EVP, Treasurer & CFO

It will be incremental cost beginning of 2020. Since the project won't be live until then, we won't have that expense hitting our P&L until that time frame.

Mark Thomas Fitzgibbon
Sandler O'Neill + Partners, L.P., Research Division

And also Susan. What about the Hicksville branches, is that most of the costs for that location, already in the numbers?

Susan K. Cullen
Senior EVP, Treasurer & CFO

Again, that location won't be live until the fourth quarter. So most of that's going to be additional 2020 expense.

Mark Thomas Fitzgibbon
Sandler O'Neill + Partners, L.P., Research Division

Okay. I'm curious, another local bank had an issue recently with contractor loans. I wonder if you could help us think about your exposure in that area.

John R. Buran
President, CEO & Director

It is minimal to close to nothing.

Mark Thomas Fitzgibbon
Sandler O'Neill + Partners, L.P., Research Division

Okay. And then as you think about the margin and all the moving pieces that you have. Will we see a little bit more margin compression in 4Q and then maybe starting to stabilize in 1Q? Is that a reasonable expectation?

John R. Buran
President, CEO & Director

I think it's going to be. Clearly, we are anticipating some good news on the deposit side of the business based upon some of the comments that we had at the -- during the presentation. So that coupled with what I've said winds up doing this week, we'll -- we expect to see some help on that side. Simultaneously of course, we've got the inverted yield curve that's giving us a little pressure on the loan side, but we expect to see some help into the beginning of the year.

Mark Thomas Fitzgibbon
Sandler O'Neill + Partners, L.P., Research Division

So a little more compression in 4Q. And then starting to benefit in 1Q. Is that?

John R. Buran
President, CEO & Director

Yes, it's probably what's the most reasonable expectation at this point.

Operator

Your next question today comes from Steve Comery of G.Research.

Steven Comery
Morgan Group Holding Co.

So, I appreciate some of the commentary on the new branch in Hicksville. I was just wondering, is it kind of fair to say that sort of the last branch expansion before the expected deal close or is there anything else you guys are due to the branch network in between?

John R. Buran
President, CEO & Director

We're looking at potentially one other site, but we haven't finalized that at this point in time.

Steven Comery
Morgan Group Holding Co.

Okay. So this one, and then maybe one other and then deal close due with the branches on.

Susan K. Cullen
Senior EVP, Treasurer & CFO

That sounds correct to me Steve.

Operator

And the next question today comes from Collyn Gilbert of KBW.

Collyn Bement Gilbert
Keefe, Bruyette, & Woods, Inc., Research Division

Just first on -- question on Slide 12. And John, you referenced this in your opening remarks, just about the repricing rate on some of your loans that are coming due over the next 2 years. Just -- so what you're showing in the deck, that's I presume that repricing rate is purely calculated on the contractual pricing dynamic. Is that how you're assuming what that reprice rate will be?

John R. Buran
President, CEO & Director

Yes, yes, that's the contractual repricing on predominantly our real estate loans.

Collyn Bement Gilbert
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. And -- but how do you balance that with the likelihood that these loans will probably end up refinancing into a lower-yielding product, right? I would assume that if rates are much lower than that, I guess I'm struggling as to why they would refinance into those higher rate products when the market is so much lower and I would assume that's kind of a dynamic maybe that we've been seeing in the loan book as well.

John R. Buran
President, CEO & Director

So there is a couple of dynamics going on here. One, of course, is the mix and so these rates imply a certain mix of the portfolio that is coming due. And as a result, those may not match perfectly with some of the loans that are coming on right at this point in time, just because of the mix change. Obviously multifamily is coming on the books in general lower than these rates. So this is not clearly all multifamily that's moving. So that's the major reason for the difference. The other thing is that remember that many of these loans may have prepayment fees associated with it or they may have fees associated with changes that customers have to -- or Visa customers have to pay, associated with bringing on a new loan. So, that turns out to be some leverage for us as we negotiate rates.

Susan K. Cullen
Senior EVP, Treasurer & CFO

Plus it's expensive for a customer to refinance the new loan, to go to a new bank and have to pay the appraisal, the lawyers and all those costs.

John R. Buran
President, CEO & Director

Mortgage tax, et cetera.

Susan K. Cullen
Senior EVP, Treasurer & CFO

All that is associated with originating alone.

Collyn Bement Gilbert
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. And then also, Susan, just trying to reconcile. So again and that seems like, you guys had indicated that the swaps gave -- provide a 3 basis point NIM benefit, but then if you look at the press release and the offset that it provided in the yield schedule, I think would indicate closer to like an 8 basis point drag. So just trying to connect the dots there on the swaps and how you're thinking about that -- how you're quantifying that 3 basis point benefit.

Susan K. Cullen
Senior EVP, Treasurer & CFO

So the 3 basis points. I'm not sure what you mean how we are quantifying or putting it through the NIM. So if you look strictly at the swap axing out any fair value measurements. It has been beneficial to the NIM by 3 basis points. All the drag-on has been based on the market in the macroeconomic environment that we're operating in, that's pulling it down the other way. So the theory behind the swap was correct.

Collyn Bement Gilbert
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. So I guess -- so you're saying the 3 basis point benefit to the NIM is totally irrespective of the rate environment because now that we overlay the rate environment, the -- there is actually a negative consequence.

Susan K. Cullen
Senior EVP, Treasurer & CFO

Yes, it's irrespective of the fair value adjustment. Obviously the swaps all have rate environment playing into it but that's irrespective of the fair value adjustment that we have to take.

Collyn Bement Gilbert
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. And then, how should we think about the impact of these swaps going forward to the NIM? John, your indication that NIM could compressed in the fourth quarter and then expand in 2020. What is the assumption? Is there at some point when these swaps then become into money and even with the fair value market that we see that drag reversed?

John R. Buran
President, CEO & Director

Sure. So the yield curve is in burden at this point in time as the flattens will pick up something on these valuations. If we get any steepening of the yield curve at all, we'll get significantly more. And so, the movement of the curve is going to have an impact. And the -- also as time goes on, there's a time value implicit in these instruments. So they have less of the -- they tend to have less of an impact, in general.

Collyn Bement Gilbert
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. And then just tying back to the Empire deal and I apologize I wasn't able to dial into your call on Friday, but just -- I think kind of it at first glance, I'm struggling to get anywhere close to that 19% EPS accretion. So just a couple of questions there. Number one is, what were you using or what EPS base were you using for 2020 to assume 19% EPS accretion?

John R. Buran
President, CEO & Director

So they had given us a -- they had given us in their due diligence…

Collyn Bement Gilbert
Keefe, Bruyette, & Woods, Inc., Research Division

Sorry, 2021. If I said 2020, I apologize. I meant 2021. The accretion in 2021 in 19%.

John R. Buran
President, CEO & Director

So they had given in their due diligence, a forecast of their earnings. The basic major movements for us are -- and then of course for us, we used the mean analyst estimate of $1.68 for 2020. Just so we had recognizable -- at least recognizable numbers for us. Then on top of that, we have a 50% reduction in their costs and we look to loan up their excess liquidity up to 100% of -- 100% loan to deposit ratio on the Empire side. So those are the major movers.

Collyn Bement Gilbert
Keefe, Bruyette, & Woods, Inc., Research Division

Okay, sorry. So John, the -- sorry, I'm asking about 2021 accretions, so 19%. So what would be the mean estimate you guys were using for 2021 to then assume 19% increase over that for you guys? You said $1.68.

John R. Buran
President, CEO & Director

I don't have that off the top of my head. But again it would have been the analyst estimates that are the most recent analyst estimates that are out there. And then the differential between the 10% in 2020 in the 19% in 2021 is the phase-in of those cost saves over the first year.

Susan K. Cullen
Senior EVP, Treasurer & CFO

And the ramping up of the -- loading the excess liquidity.

Collyn Bement Gilbert
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. So I guess I will take that kind of in another question. Just sort of what -- sort of balance sheet, NIM assumptions or even NII to get there? So I guess is there anything that you could offer there, I mean, yes. And maybe we could talk offline, but I just didn't know if there is a little -- some other metrics you could offer to either balance that.

John R. Buran
President, CEO & Director

Yes. We assume that we kind of fix this -- kind of a stable environment for interest rates. We weren't going to project -- try and project interest rates.

Collyn Bement Gilbert
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. I guess also, to your point, John, too. So if Empire, I guess maybe what they're assuming net income because I guess they were like the last 12 months has been like $3.5 million. So there are things that are going on within that organization and maybe that's what you're alluding to Susan, that's going to meaningfully increase that $3.5 million net income level by 2021 just for a month standalone.

Susan K. Cullen
Senior EVP, Treasurer & CFO

Right. So if you recall there seems to be that their loan to deposit ratio was around 75% to 80%. So if you take that extra 25 -- 20% to 25% and loan it up and get it out of cash and into loan, that's where -- that's part of the equation -- the big part of the equation.

Collyn Bement Gilbert
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. Okay, got it. And then if you offered this -- I apologize, I missed it. Was there -- is there a CECL estimate that you can provide pro forma with this -- well, for yourselves and then what the impact or be with Empire?

Susan K. Cullen
Senior EVP, Treasurer & CFO

Not at this time. Remember they were a small business. They -- if they had stayed standalone, they were not going have to adapt till 2022 or 2023.

Collyn Bement Gilbert
Keefe, Bruyette, & Woods, Inc., Research Division

And then when -- okay, and then you guys, when will you be prepared to offer a CECL guide?

Susan K. Cullen
Senior EVP, Treasurer & CFO

With our fourth quarter earnings call.

Operator

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, I want to thank everybody for calling in and thank you all for the questions. As you know, Susan and I are always available to answer any follow-up questions you might have. So once again thank you very much.

Susan K. Cullen
Senior EVP, Treasurer & CFO

Thank you.

Operator
This conference is now concluded. Thank you for attending today's presentation. You may now disconnect your lines.