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 **June 30, 2019**

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. X 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). X Yes __ No

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

Large accelerated filer X
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 X No

The number of shares of the registrant's Common Stock outstanding as of July 31, 2019 was 28,187,922.

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PART I – FINANCIAL INFORMATION

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
Consolidated Statements of Financial Condition
(Unaudited)

Item 1. Financial Statements

	June 30, 2019	December 31, 2018
	(Dollars in thousands, except per share data)	
Assets		
Cash and due from banks	$ 56,484	$ 118,561
Securities held-to-maturity:		
Mortgage-backed securities (including assets pledged of $7,447 and $4,796 at June 30, 2019 and December 31, 2018, respectively; fair value of $8,038 and $7,366 at June 30, 2019 and December 31, 2018, respectively)	7,944	7,953
Other securities (none pledged; fair value of $54,131 and $22,508 at June 30, 2019 and December 31, 2018, respectively)	52,242	24,065
Securities available for sale, at fair value:		
Mortgage-backed securities (including assets pledged of $226,071 and $152,670 at June 30, 2019 and December 31, 2018, respectively; $848 and $967 at fair value pursuant to the fair value option at June 30, 2019 and December 31, 2018, respectively)	554,481	557,953
Other securities (including assets pledged of none and $28,871 at June 30, 2019 and December 31, 2018, respectively; $13,346 and $12,843 at fair value pursuant to the fair value option at June 30, 2019 and December 31, 2018, respectively)	254,172	264,702

Loans:				
Multi-family residential		2,263,875		2,269,048
Commercial real estate		1,524,693		1,542,547
One-to-four family — mixed-use property		582,264		577,741
One-to-four family — residential		184,024		190,350
Co-operative apartments		8,137		8,498
Construction		58,503		50,600
Small Business Administration		14,511		15,210
Taxi medallion		3,555		4,539
Commercial business and other		983,573		877,763
Net unamortized premiums and unearned loan fees		15,278		15,188
Allowance for loan losses		(21,510)		(20,945)
Net loans		5,616,903		5,530,539
Interest and dividends receivable		26,552		25,485
Bank premises and equipment, net		28,623		30,418
Federal Home Loan Bank of New York stock, at cost		63,029		57,282
Bank owned life insurance		157,604		131,788
Goodwill		16,127		16,127
Other real estate owned, net		239		-
Right of Use Asset		42,557		-
Other assets		68,677		69,303
Total assets	$	6,945,634	$	6,834,176
Liabilities				
Due to depositors:				
Non-interest bearing	$	413,813	$	413,747
Interest-bearing		4,411,903		4,502,176
Total Deposits		4,825,716		4,915,923
Mortgagors' escrow deposits		52,201		44,861
Borrowed funds:				
Federal Home Loan Bank advances		1,254,318		1,134,993
Subordinated debentures		74,158		74,001
Junior subordinated debentures, at fair value		43,414		41,849
Total borrowed funds		1,371,890		1,250,843
Operating lease liability		50,898		-
Other liabilities		79,539		73,085
Total liabilities		6,380,244		6,284,712
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; 31,530,595 shares issued at June, 30, 2019 and December 31, 2018; 28,187,922 shares and 27,983,637 shares outstanding at June 30, 2019 and December 31, 2018, respectively)		315		315
Additional paid-in capital		224,231		222,720
Treasury stock, at average cost (3,342,673 shares and 3,546,958 shares at June 30, 2019 and December 31, 2018, respectively)		(70,913)		(75,146)
Retained earnings		422,373		414,327
Accumulated other comprehensive loss, net of taxes		(10,616)		(12,752)
Total stockholders' equity		565,390		549,464
Total liabilities and stockholders' equity	$	6,945,634	$	6,834,176

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 June 30,		For the six months ended June 30,	
(Dollars in thousands, except per share data)	2019	2018	2019	2018

Interest and dividend income				
Interest and fees on loans	$ 62,273	$ 57,322	$ 124,603	$ 112,339
Interest and dividends on securities:				
Interest	6,811	5,616	13,720	11,084
Dividends	19	17	38	31
Other interest income	472	338	1,027	625
Total interest and dividend income	69,575	63,293	139,388	124,079
Interest expense				
Deposits	22,827	14,788	44,296	26,898
Other interest expense	6,739	5,865	13,280	11,932
Total interest expense	29,566	20,653	57,576	38,830
Net interest income	40,009	42,640	81,812	85,249
Provision for loan losses	1,474	-	2,446	153
Net interest income after provision for loan losses	38,535	42,640	79,366	85,096
Non-interest income				
Banking services fee income	1,059	1,000	2,032	1,948
Net loss on sale of securities	(15)	-	(15)	-
Net gain on sale of loans	114	421	177	158
Net gain on sale of assets	770	-	770	-
Net loss from fair value adjustments	(1,956)	(267)	(4,036)	(367)
Federal Home Loan Bank of New York stock dividends	826	881	1,729	1,757
Life insurance proceeds	-	-	43	776
Bank owned life insurance	810	776	1,550	1,538
Other income	843	357	1,144	558
Total non-interest income	2,451	3,168	3,394	6,368
Non-interest expense				
Salaries and employee benefits	15,668	15,291	34,834	33,746
Occupancy and equipment	2,742	2,476	5,531	5,053
Professional services	1,806	2,439	4,071	4,624
FDIC deposit insurance	667	547	1,152	1,047
Data processing	1,420	1,426	2,912	2,827
Depreciation and amortization	1,497	1,455	3,015	2,844
Other real estate owned/foreclosure expense	20	40	97	136
Net gain from sales of real estate owned	-	(27)	-	(27)
Other operating expenses	3,338	3,749	7,965	8,440
Total non-interest expense	27,158	27,396	59,577	58,690
Income before income taxes	13,828	18,412	23,183	32,774
Provision for income taxes				
Federal	2,981	3,311	4,924	5,918
State and local	291	1,178	635	1,521
Total taxes	3,272	4,489	5,559	7,439
Net income	$ 10,556	$ 13,923	$ 17,624	$ 25,335
Basic earnings per common share	$ 0.37	$ 0.48	$ 0.61	$ 0.88
Diluted earnings per common share	$ 0.37	$ 0.48	$ 0.61	$ 0.88
Dividends per common share	$ 0.21	$ 0.20	$ 0.42	$ 0.40

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 For the six months ended

(In thousands)	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Net income	$ 10,556	$ 13,923	$ 17,624	$ 25,335
Other comprehensive income (loss), net of tax:				
Amortization of actuarial losses, net of taxes of ($9) and ($43) for the three months ended June 30, 2019 and 2018, respectively and of ($19) and ($84) for the six months ended June 30, 2019 and 2018, respectively.	22	90	44	181
Amortization of prior service credits, net of taxes of $6 and $3 for the three months ended June 30, 2019 and 2018, respectively and of $13 and $6 for the six months ended June 30, 2019 and 2018, respectively.	(14)	(6)	(29)	(13)
Net unrealized gains (losses) on securities, net of taxes of ($2,796) and $1,388 for three months ended June 30, 2019 and 2018, respectively and of ($5,320) and $4,443 for six months ended June 30, 2019 and 2018, respectively.	6,204	(3,014)	11,824	(9,654)
Reclassification adjustment for net losses included in income, net of taxes of ($5) for the three and six months ended June 30, 2019.	10	-	10	-
Net unrealized (losses) gains on cash flow hedges, net of taxes of $2,844 and ($961) for the three months ended June 30, 2019 and 2018, respectively and of $4,419 and ($3,565) for the six months ended June 30, 2019 and 2018, respectively.	(6,331)	2,085	(9,836)	7,746
Change in fair value of liabilities related to instrument-specific credit risk, net of taxes of ($16) and ($6) for the three months ended June 30, 2019 and 2018, respectively and of $(55) and ($6) for six months ended June 30, 2019 and 2018, respectively.	35	13	123	13
Total other comprehensive income (loss), net of tax	(74)	(832)	2,136	(1,727)
Comprehensive income	$ 10,482	$ 13,091	$ 19,760	$ 23,608

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)

(In thousands)	For the six months ended June 30, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 17,624	$ 25,335
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	2,446	153
Depreciation and amortization of bank premises and equipment	3,015	2,844
Amortization of premium, net of accretion of discount	2,831	4,463
Net loss from fair value adjustments	4,036	367
Net loss from fair value adjustments on qualifying hedges	1,455	-
Net gain from sale of loans	(177)	(158)
Net loss from sale of securities	15	-
Net gain from sale of asset	(770)	-
Net gain from sale of OREO	-	(27)
Income from bank owned life insurance	(1,550)	(1,538)
Life insurance proceeds	(43)	(776)

Stock-based compensation expense	5,246	4,680
Deferred compensation	(1,634)	(1,815)
Deferred income tax benefit	(1,390)	(415)
Increase in other liabilities	172	840
Decrease in other assets	1,975	2,747
Net cash provided by operating activities	33,251	36,700
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of bank premises and equipment	(1,220)	(2,666)
Net (purchases) redemptions of Federal Home Loan Bank of New York shares	(5,747)	2,705
Purchases of securities held-to-maturity	(30,030)	(353)
Proceeds from maturities and calls of securities held-to-maturity	1,568	45
Proceeds from prepayments of securities held-to-maturity	290	-
Purchases of securities available for sale	(72,494)	(57,265)
Proceeds from sales and calls of securities available for sale	59,493	10,000
Proceeds from maturities and prepayments of securities available for sale	43,357	40,915
Proceeds from sale of assets	813	-
Proceeds from bank owned life insurance	777	2,741
Purchase of bank owned life insurance	(25,000)	-
Net repayments (originations) of loans	22,741	(81,420)
Purchases of loans	(115,550)	(110,140)
Proceeds from sale of real estate owned	-	665
Proceeds from sale of loans	3,239	10,200
Net cash used in investing activities	(117,763)	(184,573)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in non-interest bearing deposits	66	3,198
Net (decrease) increase in interest-bearing deposits	(90,398)	214,773
Net increase in mortgagors' escrow deposits	7,340	8,175
Net proceeds from short-term borrowed funds	165,750	73,500
Proceeds from long-term borrowings	14,950	25,000
Repayment of long-term borrowings	(61,310)	(160,084)
Purchases of treasury stock	(1,885)	(13,889)
Proceeds from issuance of common stock upon exercise of stock options	3	6
Cash dividends paid	(12,081)	(11,547)
Net cash provided by financing activities	22,435	139,132
Net decrease in cash and cash equivalents	(62,077)	(8,741)
Cash and cash equivalents, beginning of period	118,561	51,546
Cash and cash equivalents, end of period	$ 56,484	$ 42,805
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Interest paid	$ 56,117	$ 36,296
Income taxes paid	2,776	3,103
Taxes paid if excess tax benefits were not tax deductible	2,743	3,739
Non-cash activities:		
Loans transferred to Other Real Estate Owned or Other Assets	239	673
Reclassification of the Income tax effects of Tax Cuts and Jobs Act from AOCI to Retained Earnings	-	2,073

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)

(Dollars in thousands, except per share data)	Total	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)

Balance at December 31, 2018	$ 549,464	$ 315	$ 222,720	$ 414,327	$ (75,146)	$ (12,752)
Impact of adoption of ASC 842 - Leases	2,716	-	-	2,716	-	-
Net income	7,068	-	-	7,068	-	-
Award of common shares released from Employee Benefit Trust (138,775 shares)	2,086	-	2,086	-	-	-
Vesting of restricted stock unit awards (287,155 shares)	-	-	(5,878)	(210)	6,088	-
Exercise of stock options (300 shares)	3	-	-	(3)	6	-
Stock-based compensation expense	3,931	-	3,931	-	-	-
Repurchase of shares to satisfy tax obligation (83,908 shares)	(1,877)	-	-	-	(1,877)	-
Dividends on common stock ($0.21 per share)	(6,042)	-	-	(6,042)	-	-
Other comprehensive income	2,210	-	-	-	-	2,210
Balance at March 31, 2019	559,559	315	222,859	417,856	(70,929)	(10,542)
Net income	10,556	-	-	10,556	-	-
Award of common shares released from Employee Benefit Trust (5,568 shares)	81	-	81	-	-	-
Vesting of restricted stock unit awards (1,120 shares)	-	-	(24)	-	24	-
Stock-based compensation expense	1,315	-	1,315	-	-	-
Repurchase of shares to satisfy tax obligation (382 shares)	(8)	-	-	-	(8)	-
Dividends on common stock ($0.21 per share)	(6,039)	-	-	(6,039)	-	-
Other comprehensive loss	(74)	-	-	-	-	(74)
Balance at June 30, 2019	$ 565,390	$ 315	$ 224,231	$ 422,373	$ (70,913)	$ (10,616)

(Dollars in thousands, except per share data)	Total	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2017	$ 532,608	$ 315	$ 217,906	$ 381,048	$ (57,675)	$ (8,986)
Reclassification of the Income Tax Effects of the Tax Cuts and Jobs Act from Accumulated Other Comprehensive Income (Loss) to Retained Earnings	-	-	-	2,073	-	(2,073)
Impact of adoption of Accounting Standard Update 2016-01	-	-	-	(775)	-	775
Net income	11,412	-	-	11,412	-	-
Award of common shares released from Employee Benefit Trust (116,229 shares)	2,488	-	2,488	-	-	-
Vesting of restricted stock unit awards (248,877 shares)	-	-	(4,731)	(170)	4,901	-
Stock-based compensation expense	3,452	-	3,452	-	-	-
Purchase of treasury shares (217,863 shares)	(5,913)	-	-	-	(5,913)	-
Repurchase of shares to satisfy tax obligation (72,837 shares)	(2,050)	-	-	-	(2,050)	-
Dividends on common stock ($0.20 per share)	(5,795)	-	-	(5,795)	-	-
Other comprehensive loss	(895)	-	-	-	-	(895)
Balance at March 31, 2018	535,307	315	219,115	387,793	(60,737)	(11,179)
Impact of adoption of Accounting Standard Update 2016-01	-	-	-	(4)	-	4
Net income	13,923	-	-	13,923	-	-
Award of common shares released from Employee Benefit Trust (4,455 shares)	90	-	90	-	-	-
Exercise of stock options (600 shares)	6	-	(1)	-	7	-
Stock-based compensation expense	1,228	-	1,228	-	-	-
Purchase of treasury shares (227,581 shares)	(5,925)	-	-	-	(5,925)	-
Repurchase of shares to satisfy tax obligation (32 shares)	(1)	-	-	-	(1)	-
Dividends on common stock ($0.20 per share)	(5,752)	-	-	(5,752)	-	-
Other comprehensive loss	(832)	-	-	-	-	(832)
Balance at June 30, 2018	$ 538,044	$ 315	$ 220,432	$ 395,960	$ (66,656)	$ (12,007)

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

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 Preferred Funding Corporation, 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, 2018.

When necessary, certain reclassifications were made to prior-year amounts to conform to the current-year presentation.

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 loan losses ("ALLL"), the evaluation of goodwill for impairment, the review of the need for a valuation allowance of the Company's deferred tax assets, the fair value of financial instruments and the evaluation of other-than-temporary impairment ("OTTI") on securities. Actual results could differ from these estimates.

3. Earnings Per Share

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

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
	(Dollars in thousands, except per share data)			
Net income, as reported	$ 10,556	$ 13,923	$ 17,624	$ 25,335
Divided by:				
Weighted average common shares outstanding	28,761	28,845	28,691	28,909
Weighted average common stock equivalents	-	1	-	1
Total weighted average common shares outstanding and common stock equivalents	28,761	28,846	28,691	28,910
Basic earnings per common share	$ 0.37	$ 0.48	$ 0.61	$ 0.88
Diluted earnings per common share (1)	$ 0.37	$ 0.48	$ 0.61	$ 0.88
Dividend payout ratio	56.8%	41.7%	68.9%	45.5%

(1) For the three and six months ended June 30, 2019 and 2018, there were no common stock equivalents that were anti-dilutive.

4. Securities

The Company did not hold any trading securities at June 30, 2019 and December 31, 2018. Securities available for sale are recorded at fair value. Securities held-to-maturity are recorded at amortized cost.

The following table summarizes the Company's portfolio of securities held-to-maturity at June 30, 2019:

	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
		(In thousands)		
Securities held-to-maturity:				
Municipals	$ 52,242	$ 54,131	$ 1,889	$ -
Total other securities	52,242	54,131	1,889	-
FNMA	7,944	8,038	94	-
Total mortgage-backed securities	7,944	8,038	94	-
Total	$ 60,186	$ 62,169	$ 1,983	$ -

The following table summarizes the Company's portfolio of securities held-to-maturity at December 31, 2018:

	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
		(In thousands)		
Securities held-to-maturity:				
Municipals	$ 24,065	$ 22,508	$ -	$ 1,557
Total other securities	24,065	22,508	-	1,557
FNMA	7,953	7,366	-	587
Total mortgage-backed securities	7,953	7,366	-	587
Total	$ 32,018	$ 29,874	$ -	$ 2,144

The following table summarizes the Company's portfolio of securities available for sale at June 30, 2019:

	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
		(In thousands)		
Corporate	$ 130,000	$ 122,036	$ -	$ 7,964
Municipals	18,908	19,141	233	-
Mutual funds	12,042	12,042	-	-
Collateralized loan obligations	100,324	99,650	60	734
Other	1,303	1,303	-	-
Total other securities	262,577	254,172	293	8,698
REMIC and CMO	370,689	372,761	3,181	1,109
GNMA	734	790	56	-
FNMA	96,445	96,445	572	572
FHLMC	83,731	84,485	1,012	258
Total mortgage-backed securities	551,599	554,481	4,821	1,939
Total securities available for sale	$ 814,176	$ 808,653	$ 5,114	$ 10,637

The following table summarizes the Company's portfolio of securities available for sale at December 31, 2018:

	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
		(In thousands)		
Corporate	$ 130,000	$ 118,535	$ -	$ 11,465
Municipals	46,231	46,574	343	-
Mutual funds	11,586	11,586	-	-
Collateralized loan obligations	88,396	86,751	-	1,645
Other	1,256	1,256	-	-
Total other securities	277,469	264,702	343	13,110
REMIC and CMO	382,632	376,340	885	7,177
GNMA	785	826	41	-
FNMA	94,069	91,693	72	2,448
FHLMC	90,377	89,094	113	1,396
Total mortgage-backed securities	567,863	557,953	1,111	11,021
Total securities available for sale	$ 845,332	$ 822,655	$ 1,454	$ 24,131

We did not hold any private issue CMO's that are collateralized by commercial real estate mortgages at June 30, 2019 and December 31, 2018.

The corporate securities held by the Company at June 30, 2019 and December 31, 2018 are issued by U.S. banking institutions.

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 June 30, 2019, 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
	(In thousands)	
Due in one year or less	$ 1,180	$ 1,180
Due after ten years	51,062	52,951
Total other securities	52,242	54,131
Mortgage-backed securities	7,944	8,038
Total	$ 60,186	$ 62,169

Securities available for sale:	Amortized Cost	Fair Value
	(In thousands)	
Due after one year through five years	$ 10,000	$ 9,683
Due after five years through ten years	137,910	130,259
Due after ten years	102,625	102,188
Total other securities	250,535	242,130
Mutual funds	12,042	12,042
Mortgage-backed securities	551,599	554,481
Total	$ 814,176	$ 808,653

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 June 30, 2019						
	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)						
Available for sale securities							
Corporate	16	$ 122,036	$ 7,964	$ 19,720	$ 280	$ 102,316	$ 7,684
CLO	10	80,046	734	80,046	734	-	-
Total other securities	26	202,082	8,698	99,766	1,014	102,316	7,684
REMIC and CMO	19	126,261	1,109	38,059	95	88,202	1,014
FNMA	5	60,396	572	-	-	60,396	572
FHLMC	2	40,398	258	-	-	40,398	258
Total mortgage-backed securities	26	227,055	1,939	38,059	95	188,996	1,844
Total	52	$ 429,137	$ 10,637	$ 137,825	$ 1,109	$ 291,312	$ 9,528

	At December 31, 2018						
	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)						
Held-to-maturity securities							
Municipals	1	$ 19,940	$ 1,557	$ -	$ -	$ 19,940	$ 1,557
Total other securities	1	19,940	1,557	-	-	19,940	1,557
FNMA	1	7,366	587	-	-	7,366	587
Total mortgage-backed securities	1	7,366	587	-	-	7,366	587
Total securities held-to-maturity	2	$ 27,306	$ 2,144	$ -	$ -	$ 27,306	$ 2,144
Available for sale securities							
Corporate	16	$ 118,535	$ 11,465	$ 19,113	$ 888	$ 99,422	$ 10,577
Municipals	3	4,220	-	4,220	-	-	-
CLO	11	86,752	1,645	86,752	1,645	-	-
Total other securities	30	209,507	13,110	110,085	2,533	99,422	10,577
REMIC and CMO	39	243,756	7,177	17,308	200	226,448	6,977
GNMA	1	51	-	51	-	-	-
FNMA	14	85,046	2,448	6,372	17	78,674	2,431
FHLMC	3	51,288	1,396	10,116	95	41,172	1,301
Total mortgage-backed securities	57	380,141	11,021	33,847	312	346,294	10,709
Total securities available for sale	87	$ 589,648	$ 24,131	$ 143,932	$ 2,845	$ 445,716	$ 21,286

OTTI losses on impaired securities must be fully recognized in earnings if an investor has the intent to sell the debt security or if it is more likely than not that the investor will be required to sell the debt security before recovery of its amortized cost. However, even if an investor does not expect to sell a debt security in an unrealized loss position, the investor must evaluate the expected cash flows to be received and determine if a credit loss has occurred. In the event that a credit loss has occurred, only the amount of impairment associated with the credit loss is recognized in earnings in the Consolidated Statements of Income. Amounts relating to factors other than credit losses are recorded in accumulated other comprehensive loss (“AOCL”) within Stockholders’ Equity. Unrealized losses on available for sale securities, that are deemed to be temporary, are recorded in AOCL, net of tax.

The Company reviewed each investment that had an unrealized loss at June 30, 2019 and December 31, 2018. The unrealized losses in held-to-maturity municipal securities at December 31, 2018 were caused by illiquidity in the market and movements in interest rates. The unrealized losses in held-to-maturity FNMA securities at December 31, 2018 were caused by movements in interest rates. The unrealized losses in securities available for sale at June 30, 2019 and December 31, 2018 were caused by movements in interest rates.

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. Each of these securities is performing according to its terms and, in the opinion of management, will continue to perform according to its terms. 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. This conclusion is based upon considering the Company’s cash and working capital requirements and contractual and regulatory obligations, none of which the Company believes would cause the sale of the securities. Therefore, the Company did not consider these investments to be other-than-temporarily impaired at June 30, 2019 and December 31, 2018.

Realized gains and losses on the sales of securities are determined using the specific identification method. The Company sold $26.4 million in mortgage-backed securities during the three and six months ended June 30, 2019. The Company did not sell any securities during the three and six months ended June 30, 2018.

The following table represents the gross gains and gross losses realized from the sale of securities available for sale for the periods indicated:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
	(In thousands)			
Gross gains from the sale of securities	$ 423	$ -	$ 423	$ -
Gross losses from the sale of securities	(438)	-	(438)	-
Net losses from the sale of securities	$ (15)	$ -	$ (15)	$ -

5. Loans

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 the accrual basis. 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.

The Company recognizes a loan as non-performing when the borrower has demonstrated the inability to bring the loan current, or due to other circumstances which, in management's opinion, indicate the borrower will be unable to bring the loan current within a reasonable time. All loans classified as non-performing, which includes all loans past due 90 days or more, are classified as non-accrual unless the loan is well secured and there is, in our opinion, compelling evidence the borrower will bring the loan current in the immediate future. Prior to a real estate secured loan becoming 90 days delinquent, an updated appraisal is ordered and/or an internal evaluation is prepared.

A loan is considered impaired when, based upon current information, the Company believes it is probable that it will be unable to collect all amounts due, both principal and interest, in accordance with the original terms of the loan. Impaired loans are measured based on the present value of the expected future cash flows discounted at the loan's effective interest rate or at the loan's observable market price or, as a practical expedient, the fair value of the collateral if the loan is collateral dependent. All non-accrual loans are considered impaired.

The Company maintains an allowance for loan losses at an amount, which, in management's judgment, is adequate to absorb probable estimated losses inherent in the loan portfolio. Management's judgment in determining the adequacy of the allowance is based on evaluations of the collectability of loans. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revisions as more information becomes available. An unallocated component may at times be maintained to cover uncertainties that could affect management's estimate of probable losses. When necessary an unallocated component of the allowance will reflect the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio. The allowance is established through charges to earnings in the form of a provision for loan losses based on management's evaluation of the risk inherent in the various components of the loan portfolio and other factors, including historical loan loss experience (which is updated quarterly), current economic conditions, delinquency and non-accrual trends, classified loan levels, risk in the portfolio and volumes and trends in loan types, recent trends in charge-offs, changes in underwriting standards, experience, ability and depth of the Company's lenders, collection policies and experience, internal loan review function and other external factors. When a loan or a portion of a loan is determined to be uncollectible, the portion deemed uncollectible is charged against the allowance, and subsequent recoveries, if any, are credited to the allowance.

The determination of the amount of the allowance for loan losses includes estimates that are susceptible to significant changes due to changes in appraisal values of collateral, national and local economic conditions and other factors. We review our loan portfolio by separate categories with similar risk and collateral characteristics. During the three months ended June 30, 2019, we changed our methodology for reviewing our loan portfolio, to further segregate the commercial business and other portfolio into two separate categories. The decision to separate was based on the risk characteristics and loss history being different between the two categories. The impact of this change in methodology reduced the ALLL by approximately $0.4 million from what would have been recorded if we did not change our methodology. Impaired loans are segregated and reviewed separately.

The Company reviews each impaired loan on an individual basis to determine if either a charge-off or a valuation allowance needs to be allocated to the loan. The Company does not charge-off or allocate a valuation allowance to loans for which management has concluded the current value of the underlying collateral will allow for recovery of the loan balance through the sale of the loan or by foreclosure and sale of the property.

The Company considers fair value of collateral dependent loans to be 85% of the appraised or internally estimated value of the property. The 85% is based on the actual net proceeds the Bank has received from the sale of other real estate owned ("OREO") as a percentage of OREO's appraised value. For collateral dependent taxi medallion loans, the Company considers fair value to be the value of the underlying medallion based upon the most recently reported arm's length sales transaction. When there is no recent sale activity, the fair value is calculated using capitalization rates. For both collateral dependent mortgage loans and taxi medallion loans, the amount by which the loan's book value exceeds fair value is charged-off.

The Company evaluates the underlying collateral through a third party appraisal, or when a third party appraisal is not available, the Company will use an internal evaluation. The internal evaluations are prepared using an income approach or a sales approach. The income approach is used for income producing properties and uses current revenues less operating expenses to determine the net cash flow of the property. Once the net cash flow is determined, the value of the property is calculated using an appropriate capitalization rate for the property. The sales approach uses comparable sales prices in the market. When an internal evaluation is used, we place greater reliance on the income approach to value the collateral.

The Company may restructure a loan 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. This restructure may include reducing the interest rate or amount of the monthly payment for a specified period of time, after which the interest rate and repayment terms revert to the original terms of the loan. We classify these loans as Troubled Debt Restructured ("TDR").

The Company believes that restructuring these loans in this manner will allow certain borrowers to become and remain current on their loans. All loans classified as TDR are considered impaired, however TDR loans which have been current for six consecutive months at the time they are restructured as TDR remain on accrual status and are not included as part of non-performing loans. Loans which were delinquent at the time they are restructured as a TDR are placed on non-accrual status and reported as non-accrual performing TDR loans until they have made timely payments for six consecutive months. These restructurings have not included a reduction of principal balance.

The allocation of a portion of the allowance for loan losses for a performing TDR loan is based upon the present value of the future expected cash flows discounted at the loan's original effective rate, or for a non-performing TDR loan which is collateral dependent, the fair value of the collateral. At June 30, 2019, there were no commitments to lend additional funds to borrowers whose loans were modified to a TDR. The modification of loans to a TDR did not have a significant effect on our operating results, nor did it require a significant allocation of the allowance for loan losses.

There were no loan modifications as TDR during three and six months ended June 30, 2019 and 2018.

The following table shows our recorded investment for loans classified as TDR that are performing according to their restructured terms at the periods indicated:

	June 30, 2019		December 31, 2018	
(Dollars in thousands)	Number of contracts	Recorded investment	Number of contracts	Recorded investment
Multi-family residential	7	$ 1,894	7	$ 1,916
One-to-four family - mixed-use property	5	1,660	5	1,692
One-to-four family - residential	3	542	3	552
Taxi medallion (1)	8	2,193	15	3,926
Commercial business and other	-	-	1	279
Total performing troubled debt restructured	23	$ 6,289	31	$ 8,365

(1) Taxi medallion loans in the table above continue to pay as agreed, however the company records interest received on a cash basis.

During the three and six months ended June 30, 2019 and 2018, there were no defaults of TDR loans within 12 months of their modification date. During the six months ended June 30, 2018, we sold one commercial real estate TDR loan totaling $1.8 million, for a loss of $0.3 million and foreclosed on one taxi medallion TDR loan of $35,000, which is included in "Other Assets".

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

	June 30, 2019		December 31, 2018	
(Dollars in thousands)	Number of contracts	Recorded investment	Number of contracts	Recorded investment
Multi-family residential	1	$ 391	1	$ 388
Taxi medallion	3	766	-	-
Commercial business and other	2	408	1	1,397
Total troubled debt restructurings that subsequently defaulted	6	$ 1,565	2	$ 1,785

The following table shows our non-performing loans at the periods indicated:

(In thousands)	June 30, 2019	December 31, 2018
Non-accrual mortgage loans:		
Multi-family residential	$ 2,008	$ 2,410
Commercial real estate	1,488	1,379
One-to-four family - mixed-use property	1,752	928
One-to-four family - residential	5,411	6,144
Total	10,659	10,861
Non-accrual non-mortgage loans:		
Small Business Administration	1,224	1,267
Taxi medallion	1,361	613
Commercial business and other	2,458	3,512
Total	5,043	5,392
Total non-accrual loans	15,702	16,253
Total non-performing loans	$ 15,702	$ 16,253

The following is a summary of interest foregone on non-accrual loans and loans classified as TDR for the periods indicated:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
	(In thousands)			
Interest income that would have been recognized had the loans performed in accordance with their original terms	$ 415	$ 390	$ 809	$ 798
Less: Interest income included in the results of operations	123	156	241	315
Total foregone interest	$ 292	$ 234	$ 568	$ 483

The following tables show by delinquency an analysis of our recorded investment in loans at the periods indicated:

	June 30, 2019					
(In thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans
Multi-family residential	$ 1,466	$ 346	$ 2,008	$ 3,820	$ 2,260,055	$ 2,263,875
Commercial real estate	3,341	-	1,488	4,829	1,519,864	1,524,693
One-to-four family - mixed-use property	986	72	1,474	2,532	579,732	582,264
One-to-four family - residential	945	508	5,411	6,864	177,160	184,024
Co-operative apartments	-	-	-	-	8,137	8,137
Construction loans	-	-	-	-	58,503	58,503
Small Business Administration	-	-	1,224	1,224	13,287	14,511
Taxi medallion	-	-	766	766	2,789	3,555
Commercial business and other	3,252	-	2,458	5,710	977,863	983,573
Total	$ 9,990	$ 926	$ 14,829	$ 25,745	$ 5,597,390	$ 5,623,135

	December 31, 2018					
(In thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans
Multi-family residential	$ 1,887	$ 339	$ 2,410	$ 4,636	$ 2,264,412	$ 2,269,048
Commercial real estate	379	-	1,379	1,758	1,540,789	1,542,547
One-to-four family - mixed-use property	1,003	322	928	2,253	575,488	577,741
One-to-four family - residential	1,564	-	6,144	7,708	182,642	190,350
Co-operative apartments	-	-	-	-	8,498	8,498
Construction loans	-	730	-	730	49,870	50,600
Small Business Administration	774	68	1,267	2,109	13,101	15,210
Taxi medallion	-	-	-	-	4,539	4,539
Commercial business and other	1,306	281	2,216	3,803	873,960	877,763
Total	$ 6,913	$ 1,740	$ 14,344	$ 22,997	$ 5,513,299	$ 5,536,296

The following tables show the activity in the allowance for loan losses for the three month periods indicated:

June 30, 2019									
(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
Allowance for credit losses:									
Beginning balance	$ 5,493	$ 4,278	$ 1,791	$ 731	$ 351	$ 409	$ -	$ 7,962	$ 21,015
Charge-off's	(1)	-	-	(113)	-	-	-	(1,000)	(1,114)
Recoveries	11	7	2	3	-	16	50	46	135
Provision (Benefit)	3	(20)	(7)	125	30	(43)	(50)	1,436	1,474
Ending balance	$ 5,506	$ 4,265	$ 1,786	$ 746	$ 381	$ 382	$ -	$ 8,444	$ 21,510

June 30, 2018										
(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	Unallocated	Total
Allowance for credit losses:										
Beginning balance	$ 5,750	$ 4,602	$ 2,470	$ 1,041	$ 191	$ 675	$ -	$ 5,813	$ -	$ 20,542
Charge-off's	(28)	-	-	-	-	(27)	(353)	(8)	-	(416)
Recoveries	-	-	79	4	-	9	-	2	-	94
Provision (Benefit)	(184)	124	(252)	(42)	73	(108)	353	25	11	-
Ending balance	$ 5,538	$ 4,726	$ 2,297	$ 1,003	$ 264	$ 549	$ -	$ 5,832	$ 11	$ 20,220

The following tables show the activity in the allowance for loan losses for the six month periods indicated:

(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
	June 30, 2019								
Allowance for credit losses:									
Beginning balance	$ 5,676	$ 4,315	$ 1,867	$ 749	$ 329	$ 418	$ -	$ 7,591	$ 20,945
Charge-off's	(1)	-	(1)	(113)	-	-	-	(2,137)	(2,252)
Recoveries	24	7	88	7	-	20	134	91	371
Provision (Benefit)	(193)	(57)	(168)	103	52	(56)	(134)	2,899	2,446
Ending balance	$ 5,506	$ 4,265	$ 1,786	$ 746	$ 381	$ 382	$ -	$ 8,444	$ 21,510

(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	Unallocated	Total
	June 30, 2018									
Allowance for credit losses:										
Beginning balance	$ 5,823	$ 4,643	$ 2,545	$ 1,082	$ 68	$ 669	$ -	$ 5,521	$ -	$ 20,351
Charge-off's	(81)	-	-	(1)	-	(52)	(353)	(14)	-	(501)
Recoveries	2	-	79	112	-	15	-	9	-	217
Provision (Benefit)	(206)	83	(327)	(190)	196	(83)	353	316	11	153
Ending balance	$ 5,538	$ 4,726	$ 2,297	$ 1,003	$ 264	$ 549	$ -	$ 5,832	$ 11	$ 20,220

The following tables show the manner in which loans were evaluated for impairment at the periods indicated:

June 30, 2019										
(In thousands)	Multi-family residential	Commercial real estate	One-to-four family - mixed-use property	One-to-four family- residential	Co-operative apartments	Construction loans	Small Business Administration	Taxi medallion	Commercial business and other	Total
Financing Receivables:										
Ending Balance	$2,263,875	$ 1,524,693	$582,264	$ 184,024	$ 8,137	$ 58,503	$ 14,511	$ 3,555	$ 983,573	$5,623,135
Ending balance: individually evaluated for impairment	$ 4,119	$ 1,555	$ 3,430	$ 6,150	$ -	$ -	$ 1,224	$ 3,555	$ 2,458	$ 22,491
Ending balance: collectively evaluated for impairment	$2,259,756	$ 1,523,138	$578,834	$ 177,874	$ 8,137	$ 58,503	$ 13,287	$ -	$ 981,115	$5,600,644
Allowance for credit losses:										
Ending balance: individually evaluated for impairment	$ 96	$ -	$ 49	$ 49	$ -	$ -	$ -	$ -	$ 178	$ 372
Ending balance: collectively evaluated for impairment	$ 5,410	$ 4,265	$ 1,737	$ 697	$ -	$ 381	$ 382	$ -	$ 8,266	$ 21,138

December 31, 2018										
(In thousands)	Multi-family residential	Commercial real estate	One-to-four family - mixed-use property	One-to-four family- residential	Co-operative apartments	Construction loans	Small Business Administration	Taxi medallion	Commercial business and other	Total
Financing Receivables:										
Ending Balance	$2,269,048	$ 1,542,547	$577,741	$ 190,350	$ 8,498	$ 50,600	$ 15,210	$ 4,539	$ 877,763	$5,536,296
Ending balance: individually evaluated for impairment	$ 4,500	$ 1,435	$ 3,098	$ 6,889	$ -	$ -	$ 1,267	$ 4,539	$ 3,791	$ 25,519
Ending balance: collectively evaluated for impairment	$2,264,548	$ 1,541,112	$574,643	$ 183,461	$ 8,498	$ 50,600	$ 13,943	$ -	$ 873,972	$5,510,777
Allowance for credit losses:										
Ending balance: individually evaluated for impairment	$ 100	$ -	$ 143	$ 51	$ -	$ -	$ -	$ -	$ 866	$ 1,160
Ending balance:										

collectively evaluated for impairment	$	5,576	$	4,315	$	1,724	$	698	$	-	$	329	$	418	$	-	$	6,725	$	19,785

The following table shows our recorded investment, unpaid principal balance and allocated allowance for loan losses for impaired loans at the periods indicated:

	June 30, 2019			December 31, 2018		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
			(In thousands)			
With no related allowance recorded:						
Mortgage loans:						
Multi-family residential	$ 2,856	$ 3,199	$ -	$ 3,225	$ 3,568	$ -
Commercial real estate	1,555	1,555	-	1,435	1,435	-
One-to-four family mixed-use property	2,433	2,574	-	1,913	2,113	-
One-to-four family residential	5,759	5,926	-	6,490	6,643	-
Non-mortgage loans:						
Small Business Administration	1,224	1,494	-	1,267	1,609	-
Taxi medallion	3,555	9,772	-	4,539	12,788	-
Commercial business and other	1,804	3,924	-	-	-	-
Total loans with no related allowance recorded	19,186	28,444	-	18,869	28,156	-
With an allowance recorded:						
Mortgage loans:						
Multi-family residential	1,263	1,263	96	1,275	1,275	100
One-to-four family mixed-use property	997	997	49	1,185	1,185	143
One-to-four family residential	391	391	49	399	399	51
Non-mortgage loans:						
Commercial business and other	654	654	178	3,791	3,791	866
Total loans with an allowance recorded	3,305	3,305	372	6,650	6,650	1,160
Total Impaired Loans:						
Total mortgage loans	$ 15,254	$ 15,905	$ 194	$ 15,922	$ 16,618	$ 294
Total non-mortgage loans	$ 7,237	$ 15,844	$ 178	$ 9,597	$ 18,188	$ 866

The following table shows our average recorded investment and interest income recognized for impaired loans for the three months ended:

	June 30, 2019		June 30, 2018	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
		(In thousands)		
With no related allowance recorded:				
Mortgage loans:				
Multi-family residential	$ 2,846	$ 9	$ 4,431	$ 16
Commercial real estate	1,326	15	5,847	52
One-to-four family mixed-use property	2,208	17	4,397	39
One-to-four family residential	5,914	2	8,382	10
Construction	475	-	365	10
Non-mortgage loans:				
Small Business Administration	1,226	-	74	1
Taxi medallion	3,723	48	6,421	86
Commercial business and other	1,513	-	7,954	308
Total loans with no related allowance recorded	19,231	91	37,871	522
With an allowance recorded:				
Mortgage loans:				
Multi-family residential	1,266	18	2,203	30
One-to-four family mixed-use property	1,001	10	1,212	15
One-to-four family residential	393	4	409	4
Non-mortgage loans:				
Commercial business and other	773	-	318	4
Total loans with an allowance recorded	3,433	32	4,142	53
Total Impaired Loans:				
Total mortgage loans	$ 15,429	$ 75	$ 27,246	$ 176
Total non-mortgage loans	$ 7,235	$ 48	$ 14,767	$ 399

The following table shows our average recorded investment and interest income recognized for impaired loans for the six months ended:

	June 30, 2019		June 30, 2018	
	Average Recorded Investment	Interest Income Recognized	` Recorded Investment	Interest Income Recognized
		(In thousands)		
With no related allowance recorded:				
Mortgage loans:				
Multi-family residential	$ 2,972	$ 18	$ 4,651	$ 36
Commercial real estate	1,362	15	6,266	126
One-to-four family mixed-use property	2,110	34	4,337	80
One-to-four family residential	6,106	4	8,678	25
Construction	317	-	243	10
Non-mortgage loans:				
Small Business Administration	1,239	-	95	2
Taxi medallion	3,995	106	6,559	168
Commercial business and other	1,009	-	5,407	310
Total loans with no related allowance recorded	19,110	177	36,236	757
With an allowance recorded:				
Mortgage loans:				
Multi-family residential	1,269	36	2,208	59
Commercial real estate	-	-	662	-
One-to-four family mixed-use property	1,062	20	1,217	24
One-to-four family residential	395	8	411	8
Non-mortgage loans:				
Commercial business and other	1,779	-	328	9
Total loans with an allowance recorded	4,505	64	4,826	100
Total Impaired Loans:				
Total mortgage loans	$ 15,593	$ 135	$ 28,673	$ 368
Total non-mortgage loans	$ 8,022	$ 106	$ 12,389	$ 489

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 previous mentioned categories then the loan 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 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 Loan 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 following table sets forth the recorded investment in loans designated as Criticized or Classified at the periods indicated:

	June 30, 2019				
(In thousands)	Special Mention	Substandard	Doubtful	Loss	Total
Multi-family residential	$ 1,290	$ 2,225	$ -	$ -	$ 3,515
Commercial real estate	371	1,555	-	-	1,926
One-to-four family - mixed-use property	912	2,122	-	-	3,034
One-to-four family - residential	726	5,921	-	-	6,647
Construction	-	-	-	-	-
Small Business Administration	56	114	-	-	170
Taxi medallion	-	3,555	-	-	3,555
Commercial business and other	6,856	15,262	879	-	22,997
Total loans	$ 10,211	$ 30,754	$ 879	$ -	$ 41,844

	December 31, 2018				
(In thousands)	Special Mention	Substandard	Doubtful	Loss	Total
Multi-family residential	$ 2,498	$ 4,166	$ -	$ -	$ 6,664
Commercial real estate	381	4,051	-	-	4,432
One-to-four family - mixed-use property	1,199	2,034	-	-	3,233
One-to-four family - residential	557	6,665	-	-	7,222
Construction	730	-	-	-	730
Small Business Administration	481	139	-	-	620
Taxi medallion	-	4,539	-	-	4,539
Commercial business and other	730	21,348	3,512	-	25,590
Total loans	$ 6,576	$ 42,942	$ 3,512	$ -	$ 53,030

Commitments to extend credit (principally real estate mortgage loans) and lines of credit (principally home equity lines of credit and business lines of credit) amounted to $84.3 million and $233.2 million, respectively, at June 30, 2019.

6. Loans held for sale

Loans held for sale are carried at the lower of cost or estimated fair value. At June 30, 2019 and December 31, 2018, the Bank did not have any loans held for sale.

The Company has implemented a strategy of selling certain delinquent and non-performing loans. Once the Company has decided to sell a loan, the sale usually closes in a short period of time, generally within the same quarter. Loans designated held for sale are reclassified from loans held for investment to loans held for sale. Terms of sale include cash due upon the closing of the sale, no contingencies or recourse to the Company and servicing is released to the buyer. Additionally, at times the Company may sell participating interests in performing loans.

The following tables show loans sold during the period indicated:

	For the three months ended June 30, 2019		
(Dollars in thousands)	Loans sold	Proceeds	Net gain
Performing loans			
Small Business Administration	3	$ 2,069	$ 114
Total	3	$ 2,069	$ 114

	For the three months ended June 30, 2018		
(Dollars in thousands)	Loans sold	Proceeds	Net gain
Delinquent and non-performing loans			
Commercial real estate	2	$ 2,065	$ 28
Total	2	$ 2,065	$ 28
Performing loans			
Small Business Administration	9	$ 5,671	$ 393
Total	9	$ 5,671	$ 393

	For the six months ended June 30, 2019			
(Dollars in thousands)	Loans sold	Proceeds	Net Recoveries (Charge-offs)	Net gain
Delinquent and non-performing loans				
Multi-family residential	2	$ 765	$ -	$ 63
One-to-four family - mixed-use property	1	405	(1)	-
Total	3	$ 1,170	$ (1)	$ 63
Performing loans				
Small Business Administration	3	$ 2,069	$ -	$ 114
Total	3	$ 2,069	$ -	$ 114

	For the six months ended June 30, 2018		
(Dollars in thousands)	Loans sold	Proceeds	Net gain (loss)
Delinquent and non-performing loans			
Multi-family - residential	3	$ 964	$ -
Commercial real estate	3	3,565	(235)
Total	6	$ 4,529	$ (235)
Performing loans			
Small Business Administration	9	$ 5,671	$ 393
Total	9	$ 5,671	$ 393

7. Other Real Estate Owned

OREO are included in other assets on the Company's Consolidated Statements of Financial Condition. The following table shows changes in OREO during the periods indicated:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
	(In thousands)			
Balance at beginning of period	$ -	$ 638	$ -	$ -
Acquisitions	239	-	239	638
Sales	-	(638)	-	(638)
Balance at end of period	$ 239	$ -	$ 239	$ -

The following table shows the gross gains, gross losses and write-downs of OREO reported in the Consolidated Statements of Income during the periods indicated:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
	(In thousands)			
Gross gains	$ -	$ 27	$ -	$ 27

Included within net loans as of June 30, 2019 and December 31, 2018 was a recorded investment of $7.1 million and $7.2 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.

8. Leases

The Company has 19 operating leases for branches and office spaces, nine operating leases for vehicles, and two operating leases for equipment. Our leases have remaining lease terms ranging from 1 month to 13 years, none of which has a renewal option reasonably certain of exercise, which has been reflected in the Company's calculation of lease term.

The Company has elected the short-term lease recognition exemption such that the Company will not recognize right-of-use assets or lease liabilities for leases with a term of less than 12 months from the commencement date. The Company has one agreement that qualifies as a short-term lease with expense totaling $34,000 and $68,000 for the three and six months ended June 30, 2019, respectively, included in Professional services on the Consolidated Statements of Income. The Company has $0.2 million and $0.4 million in variable lease payments, which include insurance and real estate tax expenses for the three and six months ended June 30, 2019, respectively. At June 30, 2019, the weighted-average remaining lease term for our operating leases is 8 years and the weighted average discount rate is 3.8%. At June 30, 2019, there were no significant leases entered into but not yet commenced. Our lease agreements do not contain any residual value guarantees.

(Dollars in thousands)	For the three months ended June 30, 2019	For the six months ended June 30, 2019
Operating lease ROU assets	$ 42,557	$ 42,557
Operating lease liabilities	$ 50,898	$ 50,898
Lease Cost		
Operating lease cost	$ 1,893	$ 3,785
Short-term lease cost	34	68
Variable lease cost	244	423
Total lease cost	$ 2,171	$ 4,276
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 2,025	$ 4,050
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 21	$ 42
Weighted-average remaining lease term-operating leases (in years)	8.0	8.0
Weighted average discount rate-operating leases	3.8%	3.8%

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

	Minimum Rental
	(In thousands)
Years ended December 31:	
2019	$ 3,700
2020	8,259
2021	7,508
2022	7,093
2023	7,229
Thereafter	25,490
Total minimum payments required	59,279
Less: implied interest	8,381
Total lease obligations	$ 50,898

Certain leases have escalation clauses for operating expenses and real estate taxes. The Company's non-cancelable operating lease agreements expire through 2032.

9. Stock-Based Compensation

On January 31, 2019, the Board of Directors approved a 2019 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 3-year performance period, as determined by the Compensation Committee of the Board. The number of PRSUs that may be earned ranges from 0% to 150% of the target award, with no PRSUs earned for below threshold-level performance, 50% of PRSUs earned for threshold-level performance, 100% of PRSUs earned for target-level performance, and 150% of PRSUs earned for maximum-level performance.

For the three months ended June 30, 2019 and 2018, the Company's net income, as reported, included $1.4 million and $1.2 million, respectively, of stock-based compensation costs and $0.3 million and $0.3 million of income tax benefits, respectively, related to the stock-based compensation plans in each of the periods. For the six months ended June 30, 2019 and 2018, the Company's net income, as reported, includes $5.4 million and $4.6 million, respectively, of stock-based compensation costs and $1.3 million and $1.0 million of income tax benefits, respectively, related to the stock-based compensation plans in each of the periods. During the six months ended June 30, 2019, the Company granted 263,574 and 57,870 in RSU awards and PRSU awards, respectively. During the three months ended June 30, 2019, the Company did not grant any RSU or PRSU awards. During the three and six months ended June 30, 2018, the Company granted 5,600 and 280,590 RSU awards, respectively. The Company has not granted stock options since 2009 and at June 30, 2019, had none outstanding.

The Company uses the fair value of the common stock on the date of award to measure compensation cost for restricted stock unit awards. Compensation cost is recognized over the vesting period of the award using the straight-line method.

The following table summarizes the Company's RSU and PRSU awards at or for the six months ended June 30, 2019:

	RSU Awards		PRSU Awards	
	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value
Non-vested at December 31, 2018	502,658	$ 24.93	-	$ -
Granted	263,574	22.38	57,870	22.38
Vested	(259,329)	23.24	(27,110)	22.38
Forfeited	(21,545)	24.81	-	-
Non-vested at June 30, 2019	485,358	$ 24.45	30,760	$ 22.38
Vested but unissued at June 30, 2019	218,778	$ 24.64	21,310	$ 22.38

As of June 30, 2019, there was $10.0 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 3.6 years. The total fair value of awards vested for the three months ended June 30, 2019 and 2018 was $0.2 million and $28,000, respectively. The total fair value of awards vested for the six months ended June 30, 2019 and 2018 was $6.2 million and $6.7 million, respectively. The vested but unissued RSU 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 1 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 six months ended June 30, 2019:

Phantom Stock Plan	Shares	Fair Value
Outstanding at December 31, 2018	99,313	$ 21.53
Granted	9,175	22.15
Distributions	(1,012)	22.00
Outstanding at June 30, 2019	107,476	$ 22.20
Vested at June 30, 2019	106,929	$ 22.20

The Company recorded stock-based compensation expense (benefit) for the Phantom Stock Plan of $0.1 million and ($0.1) for the three months ended June 30, 2019 and 2018, respectively. The total fair value of the distributions from the Phantom Stock Plan was less than $1,000 for each of the three months ended June 30, 2019 and 2018, respectively.

The Company recorded stock-based compensation expense (benefit) for the Phantom Stock Plan of $0.1 million and ($0.1) million for the six months ended June 30, 2019 and 2018, respectively. The total fair value of the distributions from the Phantom Stock Plan was $22,000 and $1,000 for the six months ended June 30, 2019 and 2018, respectively.

10. 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 June 30,		Six months ended June 30,	
(In thousands)	2019	2018	2019	2018
Employee Pension Plan:				
Interest cost	$ 199	$ 195	$ 398	$ 390
Amortization of unrecognized loss	66	156	133	311
Expected return on plan assets	(272)	(363)	(544)	(726)
Net employee pension benefit	$ (7)	$ (12)	$ (13)	$ (25)
Outside Director Pension Plan:				
Service cost	$ 10	$ 11	$ 20	$ 22
Interest cost	21	20	42	40
Amortization of unrecognized gain	(35)	(23)	(70)	(46)
Amortization of past service liability	-	3	-	6
Net outside director pension (benefit) expense	$ (4)	$ 11	$ (8)	$ 22
Other Postretirement Benefit Plans:				
Service cost	$ 70	$ 88	$ 140	$ 176
Interest cost	85	77	170	154
Amortization of past service credit	(20)	(12)	(42)	(25)
Net other postretirement expense	$ 135	$ 153	$ 268	$ 305

The Company previously disclosed in its Consolidated Financial Statements for the year ended December 31, 2018 that it expects to contribute $0.3 million to each of the Outside Director Pension Plan (the “Outside Director Pension Plan”) and the other postretirement benefit plans (the “Other Postretirement Benefit Plans”), during the year ending December 31, 2019. The Company does not expect to make a contribution to the Employee Pension Plan (the “Employee Pension Plan”). As of June 30, 2019, the Company had contributed $72,000 to the Outside Director Pension Plan and $37,000 in contributions were made to the Other Postretirement Benefit Plans. As of June 30, 2019, the Company has not revised its expected contributions for the year ending December 31, 2019.

11. 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 June 30, 2019, the Company carried financial assets and financial liabilities under the fair value option with fair values of $14.2 million and $43.4 million, respectively. At December 31, 2018, the Company carried financial assets and financial liabilities under the fair value option with fair values of $13.8 million and $41.8 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 six months ended June 30, 2019 and 2018.

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 gain (loss) from fair value adjustments, at or for the periods ended as indicated:

	Fair Value Measurements at June 30,	Fair Value Measurements at December 31,	Changes in Fair Values For Items Measured at Fair Value Pursuant to Election of the Fair Value Option			
			Three Months Ended		Six Months Ended	
(In thousands)	2019	2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Mortgage-backed securities	$ 848	$ 967	$ 1	$ -	$ 2	$ (11)
Other securities	13,346	12,843	184	(62)	363	(200)
Borrowed funds	43,414	41,849	(544)	(867)	(1,754)	(2,548)
Net loss from fair value adjustments (1)(2)			$ (359)	$ (929)	$ (1,389)	$ (2,759)

(1) The net loss from fair value adjustments presented in the above table does not include net (losses) gains of ($1.6) million and $0.7 million for the three months ended June 30, 2019 and 2018, respectively, from the change in the fair value of interest rate swaps.

(2) The net loss from fair value adjustments presented in the above table does not include net (losses) gains of ($2.6) million and $2.4 million for the six months ended June 30, 2019 and 2018, respectively, from the change in the fair value of interest rate swaps.

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 June 30, 2019 and December 31, 2018. The fair value of borrowed funds includes accrued interest payable of $0.2 million at both June 30, 2019 and December 31, 2018, respectively.

The Company generally holds its earning assets, other than securities available for sale, 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.

Financial assets and financial liabilities reported at fair value are required to be measured based on either: (1) quoted prices in active markets for identical financial instruments (Level 1); (2) significant other observable inputs (Level 2); or (3) significant unobservable inputs (Level 3).

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

Level 1 – where quoted market prices are available in an active market. At June 30, 2019 and December 31, 2018, 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 June 30, 2019 and December 31, 2018, Level 2 included mortgage related securities, 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 June 30, 2019 and December 31, 2018, 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 assets and liabilities that are carried at fair value on a recurring basis and their respective category in the fair value hierarchy at June 30, 2019 and December 31, 2018:

	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	
	2019	2018	2019	2018	2019	2018	2019	2018
				(In thousands)				
Assets:								
Mortgage-backed Securities	$ -	$ -	$ 554,481	$ 557,953	$ -	$ -	$ 554,481	$ 557,953
Other securities	12,042	11,586	240,827	251,860	1,303	1,256	254,172	264,702
Interest rate swaps	-	-	1,635	15,961	-	-	1,635	15,961
Total assets	$ 12,042	$ 11,586	$ 796,943	$ 825,774	$ 1,303	$ 1,256	$ 810,288	$ 838,616
Liabilities:								
Borrowings	$ -	$ -	$ -	$ -	$ 43,414	$ 41,849	$ 43,414	$ 41,849
Interest rate swaps	-	-	20,147	2,239	-	-	20,147	2,239
Total liabilities	$ -	$ -	$ 20,147	$ 2,239	$ 43,414	$ 41,849	$ 63,561	$ 44,088

The following tables sets 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			
	June 30, 2019		June 30, 2018	
	Trust preferred securities	Junior subordinated debentures	Trust preferred securities	Junior subordinated debentures
		(In thousands)		
Beginning balance	$ 1,289	$ 42,941	$ 1,162	$ 38,692
Net gain from fair value adjustment of financial assets [(1)]	15	-	25	-
Net loss from fair value adjustment of financial liabilities [(1)]	-	543	-	867
Increase (decrease) in accrued interest receivable	(1)	-	1	-
Increase (decrease) in accrued interest payable	-	(21)	-	26
Change in unrealized gains included in other comprehensive income	-	(49)	-	(19)
Ending balance	$ 1,303	$ 43,414	$ 1,188	$ 39,566
Changes in unrealized gains held at period end	$ -	$ 1,425	$ -	$ 1,248

	For the six months ended			
	June 30, 2019		June 30, 2018	
	Trust preferred securities	Junior subordinated debentures	Trust preferred securities	Junior subordinated debentures
	(In thousands)			
Beginning balance	$ 1,256	$ 41,849	$ 1,110	$ 36,986
Net gain from fair value adjustment of financial assets (1)	47	-	77	-
Net loss from fair value adjustment of financial liabilities (1)	-	1,753	-	2,548
Increase in accrued interest receivable	-	-	1	-
Increase (decrease) in accrued interest payable	-	(11)	-	51
Change in unrealized gains included in other comprehensive income	-	(177)	-	(19)
Ending balance	$ 1,303	$ 43,414	$ 1,188	$ 39,566
Changes in unrealized gains held at period end	$ -	$ 1,425	$ -	$ 1,248

(1) Totals in the table above are presented in the Consolidated Statement of Income under net gains (losses) from fair value adjustments.

During the three and six months ended June 30, 2019 and 2018, there were no transfers between Levels 1, 2 and 3.

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:

	June 30, 2019				
	Fair Value	**Valuation Technique**	**Unobservable Input**	**Range**	**Weighted Average**
	(Dollars in thousands)				
Assets:					
Trust preferred securities	$ 1,303	Discounted cash flows	Discount rate	n/a	4.4%
Liabilities:					
Junior subordinated debentures	$ 43,414	Discounted cash flows	Discount rate	n/a	4.4%

	December 31, 2018				
	Fair Value	**Valuation Technique**	**Unobservable Input**	**Range**	**Weighted Average**
	(Dollars in thousands)				
Assets:					
Trust preferred securities	$ 1,256	Discounted cash flows	Discount rate	n/a	4.9%
Liabilities:					
Junior subordinated debentures	$ 41,849	Discounted cash flows	Discount rate	n/a	4.9%

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 June 30, 2019 and December 31, 2018, 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 their respective category in the fair value hierarchy at June 30, 2019 and December 31, 2018:

	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	
	2019	2018	2019	2018	2019	2018	2019	2018
	(In thousands)							
Assets								
Impaired loans	$ -	$ -	$ -	$ -	$ 1,458	$ 4,111	$ 1,458	$ 4,111
Other repossesed assets	-	-	-	-	239	35	239	35
Total assets	$ -	$ -	$ -	$ -	$ 1,697	$ 4,146	$ 1,697	$ 4,146

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:

	June 30, 2019				
	Fair Value	**Valuation Technique**	**Unobservable Input**	**Range**	**Weighted Average**
	(Dollars in thousands)				
Assets:					
Impaired loans	$ 896	Sales approach	Reduction for planned expedited disposal	46.6% to 89.8%	59.2%
Impaired loans	$ 562	Blended income and sales approach	Adjustment to sales comparison value to reconcile differences between comparable sales	-15.0% to 15.0%	-3.2%
			Capitalization rate	9.0% to 9.5%	9.2%
			Reduction for planned expedited disposal	15.0%	15.0%
Other real estate owned	$ 239	Sales approach	Adjustment to sales comparison value to reconcile differences between comparable sales	0.5% to 12.5%	6.5%

	At December 31, 2018				
	Fair Value	**Valuation Technique**	**Unobservable Input**	**Range**	**Weighted Average**
	(Dollars in thousands)				
Assets:					
Impaired loans	$ 204	Income approach	Capitalization rate	8.5%	8.5%
			Reduction for planned expedited disposal	15.0%	15.0%
Impaired loans	$ 2,724	Sales approach	Adjustment to sales comparison value to reconcile differences between comparable sales	0.0%	0.0%
			Reduction for planned expedited disposal	-36.5% to 15.0%	10.4%
Impaired loans	$ 1,183	Blended income and sales approach	Adjustment to sales comparison value to reconcile differences between comparable sales	-30.0% to 10.0%	-7.8%
			Capitalization rate	7.4% to 9.8%	8.7%

			Reduction for planned expedited disposal	15.0%	15.0%
Other repossesed assets	$	35	Sales approach	Reduction for planned expediated disposal	0.0%	0.0%

The Company did not have any liabilities that were carried at fair value on a non-recurring basis at June 30, 2019 and December 31, 2018.

The methods and assumptions used to estimate fair value at June 30, 2019 and December 31, 2018 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.

Impaired Loans:

For non-accruing 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, except for taxi medallion loans. The fair value of the underlying collateral of taxi medallion loans is the most recent reported arm’s length transaction. When there is no recent sale activity, the fair value is calculated using capitalization rates. 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 the subordinated debt issued by the Company 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.

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:

	June 30, 2019				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
			(In thousands)		
Assets:					
Cash and due from banks	$ 56,484	$ 56,484	$ 56,484	$ -	$ -
Securities held-to-maturity					
Mortgage-backed securities	7,944	8,038	-	8,038	-
Other securities	52,242	54,131	-	-	54,131
Securities available for sale					
Mortgage-backed securities	554,481	554,481	-	554,481	-
Other securities	254,172	254,172	12,042	240,827	1,303
Loans	5,638,413	5,625,107	-	-	5,625,107
FHLB-NY stock	63,029	63,029	-	63,029	-
Accrued interest receivable	26,552	26,563	34	3,055	23,474
Interest rate swaps	1,635	1,635	-	1,635	-
Liabilities:					
Deposits	$ 4,877,917	$ 4,882,473	$ 3,333,800	$ 1,548,673	$ -
Borrowings	1,371,890	1,371,479	-	1,328,065	43,414
Accrued interest payable	7,106	7,106	-	7,106	-
Interest rate swaps	20,147	20,147	-	20,147	-

	December 31, 2018				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
			(In thousands)		
Assets:					
Cash and due from banks	$ 118,561	$ 118,561	$ 118,561	$ -	$ -
Securities held-to-maturity					
Mortgage-backed securities	7,953	7,366	-	7,366	-
Other securities	24,065	22,508	-	-	22,508
Securities available for sale					
Mortgage-backed securities	557,953	557,953	-	557,953	-
Other securities	264,702	264,702	11,586	251,860	1,256
Loans	5,551,484	5,496,266	-	-	5,496,266
FHLB-NY stock	57,282	57,282	-	57,282	-
Accrued interest receivable	25,485	25,485	54	2,756	22,675
Interest rate swaps	15,961	15,961	-	15,961	-
Liabilities:					
Deposits	$ 4,960,784	$ 4,955,077	$ 3,397,474	$ 1,557,603	$ -
Borrowings	1,250,843	1,241,745	-	1,199,896	41,849
Accrued interest payable	5,890	5,890	-	5,890	-
Interest rate swaps	2,239	2,239	-	2,239	-

12. Derivative Financial Instruments

At June 30, 2019 and December 31, 2018, the Company’s derivative financial instruments consist 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 a portion ($18.0 million) of its floating rate junior subordinated debentures that have a contractual value of $61.9 million, at June 30, 2019 and December 31, 2018; 2) to mitigate the Company’s exposure to rising interest rates on certain fixed rate loans totaling $282.2 million and $286.1 million at June 30, 2019 and December 31, 2018, respectively; and 3) to mitigate exposure to rising interest rates on certain short-term advances totaling $541.5 million and $441.5 million at June 30, 2019 and December 31, 2018, respectively.

At June 30, 2019 and December 31, 2018, 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 June 30, 2019 and December 31, 2018, derivatives with a combined notional amount of $36.3 million were not designated as hedges. At June 30, 2019 and December 31, 2018, derivatives with a combined notional amount of $263.9 million and $267.8 million, respectively, were designated as fair value hedges. At June 30, 2019 and December 31, 2018, derivatives with a combined notional amount of $541.5 million and $441.5 million, respectively, were designated as cash flow hedges.

For cash flow hedges, the effective portion of changes in the fair value of the derivative is reported in AOCL, net of tax. Amounts in AOCL are reclassified into earnings in the same period during which the hedged forecasted transaction effects earnings. During the three months ended June 30, 2019 and 2018, $0.6 million and $0.3 million, respectively, were reclassified from accumulated other comprehensive loss to interest expense. During the six months ended June 30, 2019 and 2018, $0.8 million and $0.4 million, respectively, were reclassified from accumulated other comprehensive loss to interest expense.

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

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

	June 30, 2019		December 31, 2018	
	Notional Amount	Net Carrying Value (1)	Notional Amount	Net Carrying Value (1)
	(In thousands)			
Interest rate swaps (fair value hedge)	$ 80,835	$ 1,635	$ 248,330	$ 10,593
Interest rate swaps (fair value hedge)	183,034	(6,886)	19,468	(502)
Interest rate swaps (cash flow hedge)	-	-	441,500	5,368
Interest rate swaps (cash flow hedge)	541,500	(8,878)	-	-
Interest rate swaps (non-hedge)	36,321	(4,383)	36,321	(1,737)
Total derivatives	$ 841,690	$ (18,512)	$ 745,619	$ 13,722

(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 sets forth the effect of derivative instruments on the Consolidated Statements of Income for the periods indicated:

	For the three months ended June 30,		For the six months ended June 30,	
(In thousands)	2019	2018	2019	2018
Financial Derivatives:				
Interest rate swaps (non-hedge) (1)	$ (1,597)	$ 438	$ (2,647)	$ 1,714
Interest rate swaps (fair value hedge) (2)	(818)	224	(1,455)	678
Net (loss) gain	$ (2,415)	$ 662	$ (4,102)	$ 2,392

(1) Net gains and losses are recorded as part of "Net gain/loss from fair value adjustments" in the Consolidated Statements of Income.
(2) Net gains and losses recorded during the three and six months ended June 30, 2019, are recorded as part of "Interests and fees on loans" in the Consolidated Statements of Income. Net gains and losses recorded during the three and six months ended June 30, 2018, are recorded as part of "Net gain/loss from fair value adjustments" in the Consolidated Statements of Income.

The Company's interest rate swaps are subject to master netting arrangements between the Company and its two 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 Condition as of the dates indicated:

	June 30, 2019					
				Gross Amounts Not Offset in the Consolidated Statement of Condition		
(In thousands)	Gross Amount of Recognized Assets	Gross Amount Offset in the Statement of Condition	Net Amount of Assets Presented in the Statement of Condition	Financial Instruments	Cash Collateral Received	Net Amount
Interest rate swaps	$ 1,635	$ -	$ 1,635	$ -	$ -	$ 1,635

				Gross Amounts Not Offset in the Consolidated Statement of Condition		
(In thousands)	Gross Amount of Recognized Liabilities	Gross Amount Offset in the Statement of Condition	Net Amount of Liabilities Presented in the Statement of Condition	Financial Instruments	Cash Collateral Pledged	Net Amount
Interest rate swaps	$ 20,147	$ -	$ 20,147	$ 15,607	$ -	$ 4,540

	December 31, 2018					
				Gross Amounts Not Offset in the Consolidated Statement of Condition		
(In thousands)	Gross Amount of Recognized Assets	Gross Amount Offset in the Statement of Condition	Net Amount of Assets Presented in the Statement of Condition	Financial Instruments	Cash Collateral Received	Net Amount
Interest rate swaps	$ 15,961	$ -	$ 15,961	$ -	$ 14,960	$ 1,001

				Gross Amounts Not Offset in the Consolidated Statement of Condition		
(In thousands)	Gross Amount of Recognized Liabilities	Gross Amount Offset in the Statement of Condition	Net Amount of Liabilities Presented in the Statement of Condition	Financial Instruments	Cash Collateral Pledged	Net Amount
Interest rate swaps	$ 2,239	$ -	$ 2,239	$ -	$ -	$ 2,239

13. Income Taxes

Flushing Financial Corporation files consolidated Federal and combined New York State and New York City income tax returns with its subsidiaries, with the exception of the Company's trusts, which file separate Federal income tax returns as trusts, and Flushing Preferred Funding Corporation, which files a separate Federal income tax return as a real estate investment trust. Additionally, the Bank files New Jersey State tax returns. As of June 30, 2019, the Company is undergoing examination for its New York State income tax returns for 2014, 2015 and 2016 and its New York City income tax return for 2014.

Income tax provisions are summarized as follows:

	For the three months ended June 30,		For the six months ended June 30,	
(In thousands)	2019	2018	2019	2018
Federal:				
Current	$ 4,450	$ 3,755	$ 5,776	$ 6,165
Deferred	(1,469)	(444)	(852)	(247)
Total federal tax provision	2,981	3,311	4,924	5,918
State and Local:				
Current	1,017	1,499	1,173	1,689
Deferred	(726)	(321)	(538)	(168)
Total state and local tax provision	291	1,178	635	1,521
Total income tax provision	$ 3,272	$ 4,489	$ 5,559	$ 7,439

14. Accumulated Other Comprehensive Income (Loss):

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

	For the three months ended June 30, 2019				
	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
			(In thousands)		
Beginning balance, net of tax	$ (10,029)	$ 199	$ (1,666)	$ 954	$ (10,542)
Other comprehensive income before reclassifications, net of tax	6,204	(5,884)	-	35	355
Amounts reclassified from accumulated other comprehensive income, net of tax	10	(447)	8	-	(429)
Net current period other comprehensive income (loss), net of tax	6,214	(6,331)	8	35	(74)
Ending balance, net of tax	$ (3,815)	$ (6,132)	$ (1,658)	$ 989	$ (10,616)

	For the three months ended June 30, 2018				
	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
			(In thousands)		
Beginning balance, net of tax	$ (13,487)	$ 5,942	$ (4,409)	$ 779	$ (11,179)
Other comprehensive income before reclassifications, net of tax	(3,014)	1,898	-	13	(1,103)
Amounts reclassified from accumulated other comprehensive income, net of tax	-	187	84	-	271
Net current period other comprehensive income (loss), net of tax	(3,014)	2,085	84	13	(832)
Ending balance, net of tax	$ (16,501)	$ 8,027	$ (4,325)	$ 792	$ (12,007)

	For the six months ended June 30, 2019				
	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
			(In thousands)		
Beginning balance, net of tax	$ (15,649)	$ 3,704	$ (1,673)	$ 866	$ (12,752)
Other comprehensive income before reclassifications, net of tax	11,824	(9,250)	-	123	2,697
Amounts reclassified from accumulated other comprehensive income, net of tax	10	(586)	15	-	(561)
Net current period other comprehensive income (loss), net of tax	11,834	(9,836)	15	123	2,136
Ending balance, net of tax	$ (3,815)	$ (6,132)	$ (1,658)	$ 989	$ (10,616)

	For the six months ended June 30, 2018				
	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
			(In thousands)		
Beginning balance, net of tax	$ (5,522)	$ 231	$ (3,695)	$ -	$ (8,986)
Reclassification of the Income Tax Effects of the Tax Cuts and Jobs Act from AOCL to Retained Earnings	(1,325)	50	(798)	-	(2,073)
Impact of adoption of Accounting Standard Update 2016-01	-	-	-	779	779
Other comprehensive income before reclassifications, net of tax	(9,654)	7,505	-	13	(2,136)
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	-	241	168	-	409
Net current period other comprehensive income, net of tax	(9,654)	7,746	168	13	(1,727)
Ending balance, net of tax	$ (16,501)	$ 8,027	$ (4,325)	$ 792	$ (12,007)

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 June 30, 2019

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)		
Unrealized gains (losses) on available for sale securities	$ (15)		Net loss on sale of securities
	5		Provision for income taxes
	$ (10)		Net of tax
Cash flow hedges:			
Interest rate swaps	$ 647		Other interest expense
	(200)		Provision for income taxes
	$ 447		Net of tax
Amortization of defined benefit pension items:			
Actuarial gain (losses)	$ (31)	(1)	Other operating expense
Prior service credits	20	(1)	Other operating expense
	(11)		Total before tax
	3		Provision for income taxes
	$ (8)		Net of tax

For the three months ended June 30, 2018

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	$ (273)		Other interest expense
	86		Provision for income taxes
	$ (187)		Net of tax
Amortization of defined benefit pension items:			
Actuarial losses	$ (133)	(1)	Other operating expense
Prior service credits	9	(1)	Other operating income
	(124)		Total before tax
	40		Provision for income taxes
	$ (84)		Net of tax

For the six months ended June 30, 2019

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)		
Unrealized gains (losses) on available for sale securities	$ (15)		Net loss on sale of securities
	5		Provision for income taxes
	$ (10)		Net of tax
Cash flow hedges:			
Interest rate swaps	$ 848		Other interest income
	(262)		Provision for income taxes
	$ 586		Net of tax
Amortization of defined benefit pension items:			
Actuarial gain (losses)	$ (63)	(1)	Other operating expense
Prior service credits	42	(1)	Other operating expense
	(21)		Total before tax
	6		Provision for income taxes
	$ (15)		Net of tax

For the six months ended June 30, 2018

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	$ (351)		Interest expense
	110		Provision for income taxes
	$ (241)		Net of tax
Amortization of defined benefit pension items:			
Actuarial losses	$ (265)	(1)	Other operating expense
Prior service credits	19	(1)	Other operating expense
	(246)		Total before tax
	78		Provision for income taxes
	$ (168)		Net of tax

(1) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 10 (“Pension and Other Postretirement Benefit Plans”) for additional information.

15. Regulatory Capital

Under current capital regulations, the Bank is required to comply with four separate capital adequacy standards. As June 30, 2019, the Bank continues to be categorized as “well-capitalized” under the prompt corrective action regulations and continues to exceed all regulatory capital requirements. The Bank is also required to comply with a Capital Conservation Buffer (“CCB”). The CCB is designed to establish a capital range above minimum capital requirements and impose constraints on dividends, share buybacks and discretionary bonus payments when capital levels fall below prescribed levels. The minimum CCB is 2.500%. The CCB for the Bank at June 30, 2019 was 5.07%.

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

	June 30, 2019		December 31, 2018	
	Amount	Percent of Assets	Amount	Percent of Assets
	(Dollars in thousands)			
Tier I (leverage) capital:				
Capital level	$ 667,882	9.69%	$ 660,782	9.85%
Requirement to be well capitalized	344,642	5.00	335,512	5.00
Excess	323,240	4.69	325,270	4.85
Common Equity Tier I risk-based capital:				
Capital level	$ 667,882	12.66%	$ 660,782	13.28%
Requirement to be well capitalized	342,872	6.50	323,386	6.50
Excess	325,010	6.16	337,396	6.78
Tier 1 risk-based capital:				
Capital level	$ 667,882	12.66%	$ 660,782	13.28%
Requirement to be well capitalized	421,997	8.00	398,014	8.00
Excess	245,885	4.66	262,768	5.28
Total risk-based capital:				
Capital level	$ 689,392	13.07%	$ 681,727	13.70%
Requirement to be well capitalized	527,496	10.00	497,517	10.00
Excess	161,896	3.07	184,210	3.70

The Holding Company is subject to the same regulatory capital requirements as the Bank. As of June 30, 2019, 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 June 30, 2019 was 5.22%.

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

	June 30, 2019		December 31, 2018	
	Amount	Percent of Assets	Amount	Percent of Assets
	(Dollars in thousands)			
Tier I (leverage) capital:				
Capital level	$ 600,730	8.72%	$ 586,582	8.74%
Requirement to be well capitalized	344,637	5.00	335,616	5.00
Excess	256,093	3.72	250,966	3.74
Common Equity Tier I risk-based capital:				
Capital level	$ 558,848	10.60%	$ 546,230	10.98%
Requirement to be well capitalized	342,840	6.50	323,382	6.50
Excess	216,008	4.10	222,848	4.48
Tier 1 risk-based capital:				
Capital level	$ 600,730	11.39%	$ 586,582	11.79%
Requirement to be well capitalized	421,957	8.00	398,008	8.00
Excess	178,773	3.39	188,574	3.79
Total risk-based capital:				
Capital level	$ 697,240	13.22%	$ 682,527	13.72%
Requirement to be well capitalized	527,446	10.00	497,511	10.00
Excess	169,794	3.22	185,016	3.72

16. New Authoritative Accounting Pronouncements

Accounting Standards Adopted in 2019:

In February 2016, the FASB established Topic 842, *Leases*, by issuing Accounting Standards Update ("ASU") No. 2016-02, *Leases*, which requires lessees to recognize leases on the balance sheet, makes targeted changes to lessor accounting, and enhances disclosures to include key information about leasing arrangements. An entity may adopt the new guidance by either restating prior periods and recording a cumulative effect adjustment at the beginning of the earliest comparative period presented (the modified retrospective transition approach) or by recording a cumulative adjustment at the beginning of the period of adoption (the additional transition method). The Company adopted this standard using the additional transition method approach and elected to use the effective date, January 1, 2019, as the date of initial application. As part of the Company's adoption of ASC 842, the Company undertook a detailed scoping exercise to identify all leasing arrangements subject to the new leasing guidance and believes that all arrangements that meet the definition of a lease under historic US GAAP will continue to meet the definition of a lease under ASC 842. Upon adoption, the Company recorded right of use assets totaling $45.4 million and operating lease liabilities totaling $54.0 million. Additionally, a deferred gain from the sale of buildings totaling $2.7 million, net of tax, was reclassified to retained earnings.

As the rate implicit in each of the Company's leases is not readily determinable, the Company is required to apply the Company's incremental borrowing rate ("IBR") to calculate the lease liability and right-of-use ("ROU") asset for its leasing arrangements. The Company has used its unsecured Kroll rating as a starting point for calculation of the IBR and will adjust for considerations of collateral (i.e., notch the Company's Kroll rating from an unsecured to a secured rating). The Company will also consider lease renewal options reasonably certain of exercise for purposes of determining the term of the underlying borrowing. The Company has considered various other factors, including, economic environment and determined that these factors do not currently impact the Company's IBR calculation. The Company will continue to assess the appropriateness of the conclusions reached herein with respect to each of the factors discussed above and will determine the appropriate IBR for each new lease arrangement or modification, as required.

The new leasing standard provides a number of optional practical expedients in transition. The Company has elected the "package of practical expedients", which permits the Company not to reassess prior conclusions about lease identification, lease classification and initial direct costs. The Company did not elect the use-of-hindsight or the practical expedient pertaining to land easements; the latter not being applicable to the Company. ASC 842 also provides certain accounting policy elections for an entity's ongoing accounting. For operating leases wherein the Company is the lessee, the Company has elected the practical expedient to not separate lease and non-lease components. See Note 8 ("Leases") for additional information.

In August 2017, the FASB issued ASU No. 2017-12, "Derivatives and Hedging (Topic 815)" providing targeted improvements to the accounting for hedging activities, which is effective January 1, 2019, with early adoption permitted in any interim period or fiscal year before the effective date. The guidance introduces a number of amendments, several of which are optional, that are designed to simplify the application of hedge accounting, improve financial statement transparency and more closely align hedge accounting with an entity's risk management strategies. This ASU eliminates the requirement to separately measure and report hedge ineffectiveness and changes the presentation so that all items that affect earnings are in the same income statement line as the hedged item. The Company adopted this standard January 1, 2019, as the date of initial application. As a result of adoption, fair value adjustments on qualifying fair value hedges were recorded in interest income during the three and six months ended June 30, 2019. These adjustments were recorded in non-interest income in prior periods. See Note 12 ("Derivative Financial Instruments") for additional information.

Accounting Standards Pending Adoption:

In August 2018, the FASB issued ASU No. 2018-14, "Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20)" providing targeted improvements to the disclosures required for Defined Benefit Plans. The amendments in in this Update are effective for fiscal years ended after December 15, 2020. Early adoption is permitted. The amendments are to be applied on a retrospective basis to all periods presented. We are currently evaluating the impact of adopting this new guidance on our disclosures.

In August 2018, the FASB issued ASU No. 2018-13, "Fair Value Measurement (Topic 820)". The amendments in this Update modify the disclosure requirements on fair value measurements in Topic 820. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2019. Early adoption is permitted. The amendments are to be applied on a retrospective basis to all periods presented. We are currently evaluating the impact of adopting this new guidance on our disclosures.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." The ASU simplifies the subsequent measurement of goodwill and eliminates Step 2 from the goodwill impairment test. Under this ASU, the Company should perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value. The impairment charge is limited to the amount of goodwill allocated to that reporting unit. The amendments in this update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for goodwill impairment tests performed on testing dates after January 1, 2017. The guidance is not expected to have a significant impact on the Company's financial positions, results of operations or disclosures.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments – Credit Losses" which sets forth a "current expected credit loss" ("CECL") model which requires the Company to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable supportable forecasts. This replaces the existing incurred loss model and will apply to the measurement of credit losses on financial assets measured at amortized cost and to some off-balance sheet credit exposures. This ASU will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company has been collecting and evaluating data and system requirements to implement this standard. Management has developed inter-departmental steering and working committees to evaluate and implement CECL. We have chosen a vendor solution to model CECL results and are in the middle stages of implementing this solution. The adoption of this update could have a material impact on the Company's consolidated results of operations and financial condition. The extent of the impact is still unknown and will depend on many factors, such as the composition of the Company's loan portfolio and expected loss history at adoption.

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, 2018. 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 Preferred Funding Corporation, 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, 2018. 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.

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 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. The Bank owns three subsidiaries: Flushing Preferred Funding Corporation, 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, mortgage servicing fees, 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 also can be significantly affected by changes in the fair value of financial assets and financial liabilities for which changes in value are recorded through earnings, our periodic provision for loan losses and specific provision for losses on real estate owned.

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

Our strategy is to continue our focus on being an institution serving consumers, businesses, and governmental units in our local markets. In furtherance of this objective, we intend to:

- manage cost of funds and continue to improve funding mix;
- manage interest income by leveraging loan pricing opportunities and portfolio mix;
- enhance earnings power by improving scalability and efficiency;
- manage credit risk;
- remain well capitalized;
- increase our commitment to the multi-cultural marketplace, with a particular focus on the Asian community;
- manage enterprise-wide risk.

There can be no assurance that we will be able to effectively implement this strategy. Our strategy is subject to change by the Board of Directors.

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.

We carry a portion of our financial assets and financial liabilities at fair value 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 11 ("Fair Value of Financial Instruments") of the Notes to the Consolidated Financial Statements.

During the three months ended June 30, 2019, we continued to experience pricing pressure due to the inverted yield curve at the pricing point for our loan tenor, which has slowed the pace of our mortgage loan closings. In the past, we have articulated our strategy of focusing on rate over volume. During the three months ended June 30, 2019, we modified our position due to the market conditions. As a result, the total loan pipeline increased $149.1 million to $423.9 million at June 30, 2019, which is the largest level since 1Q16. Overall loan closings for the three months ended June 30, 2019, totaled $296.4 million, an increase of 49.7% from the three months ended March 31, 2019.

During the three months ended June 30, 2019, the yield on interest-earning assets decreased three basis points, while the cost of interest-bearing liabilities increased 10 basis points from the three months ended March 31, 2019, resulting in net interest margin compression of 12 basis points. The increase in the cost of interest-bearing liabilities was primarily driven by pricing pressure on our retail and municipal deposits, as competition from traditional bank and non-bank competitors remains very strong.

Credit quality remained strong at June 30, 2019, as non-accrual and non-performing loans were essentially unchanged from March 31, 2019. The quarter's $1.0 million in net charge-offs resulted primarily from one commercial business loan relationship that also had a partial charge-off in the first quarter. Additional information became available on this loan, which led to the charge-off recorded this quarter. At June 30, 2019, the relationship has a remaining book value of $0.2 million. The average loan-to-value on our non-performing real estate loans at June 30, 2019 remained conservative at 35.4%.

The Bank and Company are subject to the same regulatory capital requirements. See Note 15 ("Regulatory Capital") of the Notes to the Consolidated Financial Statements.

COMPARISON OF OPERATING RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2019 AND 2018

General. Net income for the three months ended June 30, 2019 was $10.6 million, a decrease of $3.4 million, or 24.2%, compared to $13.9 million for the three months ended June 30, 2018. Diluted earnings per common share were $0.37 for the three months ended June 30, 2019, a decrease of $0.11, or 22.9%, from $0.48 for the three months ended June 30, 2018.

Return on average equity decreased to 7.5% for the three months ended June 30, 2019 from 10.5% for the three months ended June 30, 2018. Return on average assets decreased to 0.6% for the three months ended June 30, 2019 from 0.9% for the three months ended June 30, 2018.

Interest Income. Interest and dividend income increased $6.3 million, or 9.9%, to $69.6 million for the three months ended June 30, 2019 from $63.3 million for the three months ended June 30, 2018. The increase in interest income was primarily attributable to an increase of $358.9 million in the average balance of interest-earning assets to $6,540.1 million for the three months ended June 30, 2019 from $6,181.2 million for the comparable prior year period, combined with an increase of 15 basis points in the yield of interest-earning assets to 4.26% for the three months ended June 30, 2019, from 4.11% in the comparable prior year period. The increase in the yield on interest-earning assets was primarily due to an increase of $249.0 million in the average balance of total loans, net, which have a higher yield than the yield of total interest-earning assets and an improvement of 17 basis points, 16 basis points and 75 basis points in the yields of total loans, net, taxable securities and tax-exempt securities, respectively, for the three months ended June 30, 2019 from the comparable prior year period. Additionally, the yield on interest-earning deposits and federal funds sold increased 50 basis points for the three months ended June 30, 2019, from the comparable prior year period due to increases in the Federal Funds rate. The increase of 17 basis points in the yield on the total loans, net, was primarily due to loans being both originated and repriced at higher rates. The 16 basis points in taxable securities and 75 basis points in tax-exempt securities primarily resulted from the positive effect of the sale of lower yielding securities in fourth quarter of 2018 and purchases of new securities at higher yields than the existing portfolio yield. Excluding prepayment penalty income, recovered interest from loans and net losses from fair value adjustments on qualifying hedges, the yield on total loans, net, would have increased 23 basis points to 4.42% for the three months ended June 30, 2019 from 4.19% for the three months ended June 30, 2018.

Interest Expense. Interest expense increased $8.9 million, or 43.2%, to $29.6 million for the three months ended June 30, 2019, from $20.7 million for the three months ended June 30, 2018. The increase in interest expense was primarily due to an increase of 53 basis points in the average cost of interest-bearing liabilities to 2.03% for the three months ended June 30, 2019, from 1.50% for the three months ended June 30, 2018, combined with an increase of $309.6 million in the average balance of interest-bearing liabilities to $5,825.2 million for the three months ended June 30, 2019, from $5,515.6 million for the comparable prior year period. The 53 basis point increase in the cost of interest-bearing liabilities was primarily due to increases in borrowing costs and in the rates we pay on some of our deposit products to stay competitive within our market.

Net Interest Income. Net interest income for the three months ended June 30, 2019, was $40.0 million, a decrease of $2.6 million, or 6.2%, from $42.6 million for the three months ended June 30, 2018. The decrease in net interest income was primarily due to the 53 basis point increase in the cost of interest-bearing liabilities to 2.03% for the three months ended June 30, 2019, from 1.50% for the comparable prior year period, partially offset by an increase of 15 basis points in the yield of interest-earning assets to 4.26% for the three months ended June 30, 2019, as compared to 4.11% for the three months ended June 30, 2018. The net effect of the above on both the net interest spread and net interest margin were decreases of 38 basis points to 2.23% and 32 basis points to 2.45%, respectively, for the quarter ended June 30, 2019, compared to the quarter ended June 30, 2018. Included in net interest income was prepayment penalty income from loans and securities totaling $1.1 million and $1.6 million for the three months ended June 30, 2019 and 2018, respectively, recovered interest from non-accrual loans totaling $0.5 million and $0.2 million for the three months ended June 30, 2019 and 2018, respectively, and net losses from fair value adjustments on qualifying hedges totaling $0.8 million for three months ended June 30, 2019. Excluding prepayment penalty income, recovered interest, and net losses from fair value adjustment on qualifying hedges, the net interest margin for the three months ended June 30, 2019 was 2.40%, a decrease of 26 basis points, from to 2.66% for the three months ended June 30, 2018.

Provision for Loan Losses. During the three months ended June 30, 2019, a provision for loan losses was recorded for $1.5 million, compared to none for the three months ended June 30, 2018. The provision was primarily the result of one commercial business loan relationship being written down to a remaining book balance of $0.2 million at June 30, 2019 and growth in the loan portfolio. During the three months ended June 30, 2019, the Bank recorded net charge-offs totaling $1.0 million, while non-accrual loans decreased $0.6 million to $15.7 million from $16.3 million at December 31, 2018. The current average loan-to-value ratio for our non-performing loans collateralized by real estate was 35.4% at June 30, 2019. The Bank continues to maintain conservative underwriting standards. See "Allowance for Loan Losses" below and Note 5 ("Loans") of the Notes to the Consolidated Financial Statements.

Non-Interest Income. Non-interest income for the three months ended June 30, 2019 was $2.5 million, a decrease of $0.7 million, or 22.6%, from $3.2 million for the three months ended June 30, 2018. The decrease in non-interest income was primarily due to an increase of $1.7 million in net losses from fair value adjustments, combined with a decrease of $0.3 million from net gains on sale of loans as compared to the three months ended June 30, 2018. These decreases in non-interest income were partially offset by a gain on sale of asset for $0.8 million and the recording of a $0.5 million capital gain from the redemption of $1.2 million in assets held in a rabbi trust during the three months ended June 30, 2019.

Non-Interest Expense. Non-interest expense was $27.2 million for the three months ended June 30, 2019, a decrease of $0.2 million, or 0.9%, from $27.4 million for the three months ended June 30, 2018. The decrease was primarily due to reductions in legal expenses, offset by the growth of the Bank resulting in increases in salaries and benefits, occupancy and equipment and depreciation expenses.

Income before Income Taxes. Income before the provision for income taxes decreased $4.6 million, or 24.9%, to $13.8 million for the three months ended June 30, 2019 from $18.4 million for the three months ended June 30, 2018 for the reasons discussed above.

Provision for Income Taxes. The provision for income taxes was $3.3 million for the three months ended June 30, 2019, a decrease of $1.2 million, or 27.1%, from $4.5 million for the three months ended June 30, 2018. The decrease was primarily due to a reduction in income before income taxes and a decrease in the effective tax rate to 23.7% for the three months ended June 30, 2019 from 24.4% in the comparable prior year period.

COMPARISON OF OPERATING RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

General. Net income for the six months ended June 30, 2019 was $17.6 million, a decrease of $7.7 million, or 30.4%, compared to $25.3 million for the six months ended June 30, 2018. Diluted earnings per common share were $0.61 for the six months ended June 30, 2019, a decrease of $0.27, or 30.7%, from $0.88 for the six months ended June 30, 2018.

Return on average equity decreased to 6.3% for the six months ended June 30, 2019 from 9.5% for the six months ended June 30, 2018. Return on average assets decreased to 0.5% for the six months ended June 30, 2019 from 0.8% for the six months ended June 30, 2018.

Interest Income. Interest and dividend income increased $15.3 million, or 12.3%, to $139.4 million for the six months ended June 30, 2019 from $124.1 million for the six months ended June 30, 2018. The increase in interest income was primarily attributable to an increase of $390.5 million in the average balance of interest-earning assets to $6,530.7 million for the six months ended June 30, 2019 from $6,140.2 million for the comparable prior year period, combined with an increase of 22 basis points in the yield of interest-earning assets to 4.28% for the six months ended June 30, 2019, from 4.06% in the comparable prior year period. The increase in the yield on interest-earning assets was primarily due to an increase of $281.0 million in the average balance of total loans, net, which have a higher yield than the yield of total interest-earning assets and an improvement of 23 basis points, 25 basis points and 67 basis points in the yields of total loans, net, taxable securities and tax-exempt securities, respectively, for the six months ended June 30, 2019 from the comparable prior year period. Additionally, the yield on interest-earning deposits and federal funds sold increased 67 basis points for the six months ended June 30, 2019, from the comparable prior year period due to increases in the Federal Funds rate. The increase of 23 basis points in the yield on the total loans, net, was primarily due to loans being both originated and repriced at higher rates. The 25 basis points in taxable securities and 67 basis points in tax-exempt securities primarily resulted from the positive effect of the sale of lower yielding securities in fourth quarter of 2018 and purchases of new securities at higher yields than the existing portfolio yield. Excluding prepayment penalty income, recovered interest from loans and net losses from fair value adjustments on qualifying hedges, the yield on total loans, net, would have increased 27 basis points to 4.42% for the six months ended June 30, 2019 from 4.15% for the six months ended June 30, 2018.

Interest Expense. Interest expense increased $18.7 million, or 48.3%, to $57.6 million for the six months ended June 30, 2019, from $38.8 million for the six months ended June 30, 2018. The increase in interest expense was primarily due to an increase of 56 basis points in the average cost of interest-bearing liabilities to 1.98% for the six months ended June 30, 2019, from 1.42% for the six months ended June 30, 2018, combined with an increase of $339.0 million in the average balance of interest-bearing liabilities to $5,818.3 million for the six months ended June 30, 2019, from $5,479.3 million for the comparable prior year period. The 56 basis point increase in the cost of interest-bearing liabilities was primarily due to increases in borrowing costs and in the rates we pay on some of our deposit products to stay competitive within our market.

Net Interest Income. For the six months ended June 30, 2019, net interest income was $81.8 million, a decrease of $3.4 million, or 4.0%, from $85.2 million for the six months ended June 30, 2018. The decrease in net interest income was primarily due to the 56 basis point increase in the cost of interest-bearing liabilities to 1.98% for the six months ended June 30, 2019, from 1.42% for the comparable prior year period, partially offset by an increase of 22 basis points in the yield of interest-earning assets to 4.28% for the six months ended June 30, 2019, as compared to 4.06% for the six months ended June 30, 2018. The net effect of the above on both the net interest spread and net interest margin were decreases of 34 basis points to 2.30% and 28 basis points to 2.51%, respectively, for the six months ended June 30, 2019, compared to the six months ended June 30, 2018. Included in net interest income was prepayment penalty income from loans and securities totaling $1.9 million and $2.5 million for the six months ended June 30, 2019 and 2018, respectively, recovered interest from non-accrual loans totaling $1.2 million and $0.4 million for the six months ended June 30, 2019 and 2018, respectively, and net losses from fair value adjustments on qualifying hedges totaling $1.5 million for six months ended June 30, 2019. Excluding prepayment penalty income, recovered interest and net losses from fair value adjustment on qualifying hedges, the net interest margin for the six months ended June 30, 2019 was 2.46%, a decrease of 24 basis points, as compared to 2.70% for the six months ended June 30, 2018.

Provision for Loan Losses. During the six months ended June 30, 2019, a provision for loan losses was recorded for $2.4 million, compared to $0.2 million for the six months ended June 30, 2018. The provision was primarily the result of one commercial business loan relationship written down to a remaining book balance of $0.2 million at June 30, 2019 and growth in the loan portfolio. During the six months ended June 30, 2019, the Bank recorded net charge-offs totaling $1.9 million, while non-accrual loans decreased $0.6 million to $15.7 million from $16.3 million at December 31, 2018. The current average loan-to-value ratio for our non-performing loans collateralized by real estate was 35.4% at June 30, 2019. The Bank continues to maintain conservative underwriting standards. See "Allowance for Loan Losses" below and Note 5 ("Loans") of the Notes to the Consolidated Financial Statements.

Non-Interest Income. Non-interest income for the six months ended June 30, 2019 was $3.4 million, a decrease of $3.0 million, or 46.7%, from $6.4 million for the six months ended June 30, 2018. The decrease in non-interest income was primarily due to an increase of $3.7 million in net losses from fair value adjustments, combined with a decrease of $0.7 million in life insurance proceeds as compared to the six months ended June 30, 2018. These decreases in non-interest income were partially offset by a gain on sale of asset totaling $0.8 million and the recording of a $0.5 million capital gain from the redemption of $1.2 million in assets held in a rabbi trust during the six months ended June 30, 2019.

Non-Interest Expense. Non-interest expense was $59.6 million for the six months ended June 30, 2019, an increase of $0.9 million, or 1.5%, from $58.7 million for the six months ended June 30, 2018. The increase was due to the accelerated vesting of restricted stock awards upon an employees' death totaling $0.5 million, and due to the growth of the Bank increases in salaries and benefits, occupancy and equipment and depreciation expenses, partially offset by a reduction in legal expenses.

Income before Income Taxes. Income before the provision for income taxes decreased $9.6 million, or 29.3%, to $23.2 million for the six months ended June 30, 2019 from $32.8 million for the six months ended June 30, 2018 for the reasons discussed above.

Provision for Income Taxes. The provision for income taxes was $5.6 million for the six months ended June 30, 2019, a decrease of $1.9 million, or 25.3%, from $7.4 million for the six months ended June 30, 2018. The decrease was primarily due to a reduction in income before income taxes partially offset by an increase in the effective tax rate to 24.0% for the six months ended June 30, 2019 from 22.7% in the comparable prior year period.

FINANCIAL CONDITION

Assets. Total assets at June 30, 2019 were $6,945.6 million, an increase of $111.5 million, or 1.6%, from $6,834.2 million at December 31, 2018. Total loans, net increased $86.4 million, or 1.6%, during the six months ended June 30, 2019 to $5,616.9 million from $5,530.5 million at December 31, 2018. Loan originations and purchases were $494.4 million for the six months ended June 30, 2019, a decrease of $102.8 million, or 17.2%, from $597.2 million for the six months ended June 30, 2018. During the six months ended June 30, 2019, we continued to focus on the origination of multi-family residential, commercial real estate and commercial business loans with a full banking relationship. The loan pipeline increased to $423.9 million at June 30, 2019, compared to $196.6 million at December 31, 2018.

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

	For the three months ended June 30,		For the six months ended June 30,	
(In thousands)	2019	2018	2019	2018
Multi-family residential (1)	$ 55,629	$ 70,972	82,843	$ 152,153
Commercial real estate (2)	42,700	64,890	56,641	136,444
One-to-four family – mixed-use property (3)	12,885	12,294	29,308	28,362
One-to-four family – residential (4)	7,884	6,974	11,770	23,942
Co-operative appartments	300	1,500	300	1,500
Construction (5)	18,715	9,940	24,616	24,619
Small Business Administration	2,255	228	2,584	2,195
Commercial business and other (6)	156,029	88,612	286,359	228,019
Total	$ 296,397	$ 255,410	$ 494,421	$ 597,234

(1) Includes purchases of $0.8 million and $14.1 million for the three and six months ended June 30, 2018, respectively.
(2) Includes purchases of $5.8 million for three and six months ended June 30, 2018.
(3) Includes purchases of $0.7 million for three and six months ended June 30, 2019.
(4) Includes purchases of $0.9 million for the six months ended June 30, 2018.
(5) Includes purchases of $13.7 million and $16.0 million for the three and six months ended June 30, 2019, respectively.
(6) Includes purchases of $44.9 million and $34.0 million for the three months ended June 30, 2019 and 2018, respectively. Includes purchases of $99.5 million and $88.7 million for the six months ended June 30, 2019 and 2018, 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 three months ended June 30, 2019 had an average loan-to-value ratio of 37.9% and an average debt coverage ratio of 192%.

The Bank's non-performing assets totaled $16.0 million at June 30, 2019, a decrease of $0.3 million, or 1.9%, from $16.3 million at December 31, 2018. Total non-performing assets as a percentage of total assets were 0.23% at June 30, 2019 compared to 0.24% at December 31, 2018. The ratio of allowance for loan losses to total non-performing loans was 136.99% at June 30, 2019 and 128.87% at December 31, 2018.

During the six months ended June 30, 2019, mortgage-backed securities including held-to-maturity decreased $3.5 million, or 0.6%, to $562.4 million from $565.9 million at December 31, 2018. The decrease in mortgage-backed securities during the six months ended June 30, 2019 was primarily due to sales of securities totaling $26.4 million at an average yield of 3.10% and an increase in the fair value of $12.8 million, partially offset by principal repayments of $43.4 million.

During the six months ended June 30, 2019, other securities, including held-to-maturity, increased $17.6 million, or 6.1%, to $306.4 million from $288.8 million at December 31, 2018. The increase in other securities during the six months ended June 30, 2019, was primarily due to purchases totaling $47.9 million at an average yield of 3.78% and an increase in fair value of $4.4 million, partially offset by calls and maturities of municipals securities totaling $33.1 million and $1.6 million, respectively. At June 30, 2019 other securities primarily consist of securities issued by mutual or bond funds that invest in government and government agency securities, municipal bonds, corporate bonds and CLO's.

Liabilities. Total liabilities were $6,380.2 million at June 30, 2019, an increase of $95.5 million, or 1.5%, from $6,284.7 million at December 31, 2018. During the six months ended June 30, 2019, due to depositors decreased $90.2 million, or 1.8%, to $4,825.7 million due to decreases of $71.0 million in non-maturity deposits, coupled with a decrease of $19.2 million in certificates of deposit. Included in deposits were brokered deposits totaling $199.1 million, a decrease of $102.5 million from $301.7 million at December 31, 2018. The decrease in non-maturity deposits was primarily due to a decrease of $125.8 million in money market accounts resulting from seasonal outflows of municipal deposits, partially offset by an increase of $68.0 million in NOW accounts. Borrowed funds increased $121.0 million during the six months ended June 30, 2019. The increase in borrowed funds was primarily due to an increase in FHLB-NY short-term borrowings to replace the seasonal outflow of government deposits.

Equity. Total stockholders' equity increased $15.9 million, or 2.9%, to $565.4 million at June 30, 2019 from $549.5 million at December 31, 2018. Stockholders' equity increased primarily due to net income of $17.6 million and the net impact of vesting and exercising of shares of employee and director stock plans totaling $5.5 million. Additionally, stockholders' equity was also positively impacted by an improvement of $2.1 million in other comprehensive loss. These increases were partially offset the declaration and payment of dividends on the Company's common stock of $0.42 per common share totaling $12.1 million. Book value per common share was $20.06 at June 30, 2019 compared to $19.64 at December 31, 2018.

Cash flow. During the six months ended June 30, 2019, funds provided by the Company's operating activities amounted to $33.3 million. These funds, combined with $22.4 million from financing activities and $118.6 million available from the beginning of the period were utilized to fund $117.8 million used in investing activities. The Company's primary business objective is the origination and purchase of multi-family residential loans, commercial business loans and commercial real estate mortgage loans and to a lesser extent one-to-four family (including mixed-use properties) and SBA loans. During the six months ended June 30, 2019, the net total of loan originations and purchases less loan repayments and sales was $89.6 million. During the six months ended June 30, 2019, the Company also funded $72.5 million in purchases of securities available for sale, $30.0 million in purchases of securities held-to-maturity and $25.0 million in purchases of BOLI. During the six months ended June 30, 2019, funds were provided by an increase of $165.8 million and $15.0 million in net short-term borrowing and proceeds from long-term borrowings. The funds were used to repay $83.0 million in total deposits and $61.3 million in long-term borrowings. The Company also used funds of $12.1 million for dividend payments during the six months ended June 30, 2019.

INTEREST RATE RISK

The Consolidated Statements of Financial Position 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 fluctuates 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 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 prepares the "Earnings and Economic Exposure to Changes in Interest Rate" report for review by the Asset Liability Committee of the Board of Directors, as summarized below. This report quantifies the potential changes in net interest income and net portfolio value should interest rates go up or down (shocked) 200 basis points, assuming the yield curves of the rate shocks will be parallel to each other. The Company's regulators currently place focus on the net portfolio value, focusing on a rate shock up or down of 200 basis points. 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. All changes in income and value are measured as percentage changes from the projected net interest income and net portfolio value at the base interest rate scenario. The base interest rate scenario assumes interest rates at June 30, 2019. 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. At June 30, 2019, the Company was within the guidelines set forth by the Board of Directors for each interest rate level.

The following table presents the Company's interest rate shock as of June 30, 2019:

Change in Interest Rate	Projected Percentage Change In Net Interest Income	Projected Percentage Change In Net Portfolio Value	Net Portfolio Value Ratio
-200 Basis points	9.48%	32.96%	11.73%
-100 Basis points	4.45	12.14	10.27
Base interest rate	0.00	0.00	9.43
+100 Basis points	-5.27	-8.86	8.82
+200 Basis points	-10.92	-17.80	8.15

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 rate earned or paid on them. The following tables sets forth certain information relating to the Company's Consolidated Statements of Financial Condition and Consolidated Statements of Income for the three and six months ended June 30, 2019 and 2018, 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 June 30,					
	2019			2018		
	Average Balance	Interest	Yield/ Cost	Average Balance	Interest	Yield/ Cost
Assets	*(Dollars in thousands)*					
Interest-earning assets:						
Mortgage loans, net	$ 4,590,429	$ 50,206	4.37%	$ 4,509,778	$ 47,673	4.23%
Other loans, net	974,628	12,067	4.95	806,255	9,649	4.79
Total loans, net (1) (2)	5,565,057	62,273	4.48	5,316,033	57,322	4.31
Taxable securities:						
Mortgage-backed securities	585,892	4,225	2.88	533,088	3,754	2.82
Other securities	242,560	2,135	3.52	122,601	1,023	3.34
Total taxable securities	828,452	6,360	3.07	655,689	4,777	2.91
Tax-exempt securities: (3)						
Other securities	56,064	595	4.25	124,058	1,084	3.50
Total tax-exempt securities	56,064	595	4.25	124,058	1,084	3.50
Interest-earning deposits and federal funds sold	90,561	472	2.08	85,406	338	1.58
Total interest-earning assets	6,540,134	69,700	4.26	6,181,186	63,521	4.11
Other assets	351,407			303,696		
Total assets	$ 6,891,541			$ 6,484,882		
Liabilities and Equity						
Interest-bearing liabilities:						
Deposits:						
Savings accounts	$ 200,349	348	0.69	$ 235,564	285	0.48
NOW accounts	1,541,956	6,641	1.72	1,444,889	3,364	0.93
Money market accounts	1,336,526	6,974	2.09	1,110,690	3,983	1.43
Certificate of deposit accounts	1,516,358	8,802	2.32	1,519,348	7,118	1.87
Total due to depositors	4,595,189	22,765	1.98	4,310,491	14,750	1.37
Mortgagors' escrow accounts	83,799	62	0.30	77,343	38	0.20
Total deposits	4,678,988	22,827	1.95	4,387,834	14,788	1.35
Borrowed funds	1,146,199	6,739	2.35	1,127,746	5,865	2.08
Total interest-bearing liabilities	5,825,187	29,566	2.03	5,515,580	20,653	1.50
Non interest-bearing deposits	394,642			370,790		
Other liabilities	111,088			66,485		
Total liabilities	6,330,917			5,952,855		

Equity	560,624			532,027		
Total liabilities and equity	$ 6,891,541			$ 6,484,882		
Net interest income / net interest rate spread (tax equivalent) (3)		$ 40,134	2.23%		$ 42,868	2.61%
Net interest-earning assets / net interest margin (tax equivalent)	$ 714,947		2.45%	$ 665,606		2.77%
Ratio of interest-earning assets to interest-bearing liabilities			1.12X			1.12X

(1) Loan interest income includes loan fee income (which includes net amortization of deferred fees and costs, late charges, and prepayment penalties) of approximately $0.4 million and $0.3 million for the three months ended June 30, 2019 and 2018.
(2) Loan interest income includes net losses from fair value adjustments on qualifying hedges of $0.8 million and none for three months ended June 30, 2019 and 2018, respectively.
(3) Interest and yields are presented on tax equivalent basis using the statutory federal income tax rate of 21% for the periods presented totaling $125,000 and $228,000, respectively.

	For the six months ended June 30,					
	2019			2018		
	Average Balance	Interest	Yield/ Cost	Average Balance	Interest	Yield/ Cost
Assets			(Dollars in thousands)			
Interest-earning assets:						
Mortgage loans, net	$ 4,604,928	$ 101,051	4.39%	$ 4,476,509	$ 93,785	4.19%
Other loans, net	949,991	23,552	4.96	797,430	18,554	4.65
Total loans, net (1) (2)	5,554,919	124,603	4.49	5,273,939	112,339	4.26
Taxable securities:						
Mortgage-backed securities	579,679	8,473	2.92	528,922	7,261	2.75
Other securities	242,214	4,346	3.59	126,816	2,144	3.38
Total taxable securities	821,893	12,819	3.12	655,738	9,405	2.87
Tax-exempt securities: (3)						
Other securities	57,113	1,189	4.16	124,091	2,165	3.49
Total tax-exempt securities	57,113	1,189	4.16	124,091	2,165	3.49
Interest-earning deposits and federal funds sold	96,767	1,027	2.12	86,405	625	1.45
Total interest-earning assets	6,530,692	139,638	4.28	6,140,173	124,534	4.06
Other assets	349,213			304,191		
Total assets	$ 6,879,905			$ 6,444,364		
Liabilities and Equity						
Interest-bearing liabilities:						
Deposits:						
Savings accounts	$ 203,047	709	0.70	$ 250,646	674	0.54
NOW accounts	1,515,554	12,672	1.67	1,492,413	6,512	0.87
Money market accounts	1,358,228	13,795	2.03	1,068,443	7,058	1.32
Certificate of deposit accounts	1,519,909	17,005	2.24	1,432,342	12,581	1.76
Total due to depositors	4,596,738	44,181	1.92	4,243,844	26,825	1.26
Mortgagors' escrow accounts	73,046	115	0.31	68,202	73	0.21
Total deposits	4,669,784	44,296	1.90	4,312,046	26,898	1.25
Borrowed funds	1,148,479	13,280	2.31	1,167,222	11,932	2.04
Total interest-bearing liabilities	5,818,263	57,576	1.98	5,479,268	38,830	1.42
Non interest-bearing deposits	396,724			367,903		
Other liabilities	108,273			66,531		
Total liabilities	6,323,260			5,913,702		
Equity	556,645			530,662		
Total liabilities and equity	$ 6,879,905			$ 6,444,364		

Net interest income / net interest rate spread (tax equivalent) [3]		$ 82,062	2.30%		$ 85,704	2.64%
Net interest-earning assets / net interest margin (tax equivalent)	$ 712,429		2.51%	$ 660,905		2.79%
Ratio of interest-earning assets to interest-bearing liabilities			1.12X			1.12X

(1) Loan interest income includes loan fee income (which includes net amortization of deferred fees and costs, late charges, and prepayment penalties) of approximately $0.9 million and $0.4 million for the six months ended June 30, 2019 and 2018.
(2) Loan interest income includes net losses from fair value adjustments on qualifying hedges of $1.5 million and none for six months ended June 30, 2019 and 2018, respectively.
(3) Interest and yields are presented on tax equivalent basis using the statutory federal income tax rate of 21% for the periods presented totaling $250,000 and $455,000, respectively.

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.

(In thousands)	For the six months ended June 30, 2019	2018
Mortgage Loans		
At beginning of period	$ 4,638,784	$ 4,401,950
Mortgage loans originated:		
Multi-family residential	82,843	138,064
Commercial real estate	56,641	130,644
One-to-four family – mixed-use property	29,308	27,677
One-to-four family – residential	11,770	23,067
Co-operative apartments	300	1,500
Construction	8,576	24,619
Total mortgage loans originated	189,438	345,571
Mortgage loans purchased:		
Multi-family residential	-	14,089
Commercial real estate	-	5,800
One-to-four family – mixed-use property	-	685
One-to-four family – residential	-	875
Construction	16,040	-
Total mortgage loans purchased	16,040	21,449
Less:		
Principal and other reductions	221,484	249,996
Loans transferred to OREO	239	638
Sales	1,043	4,710
At end of period	$ 4,621,496	$ 4,513,626
Non-Mortgage Loans		
At beginning of period	$ 897,515	$ 758,286
Other loans originated:		
Small Business Administration	2,584	2,195

Commercial business	185,771	138,229
Other	1,078	1,099
Total other loans originated	189,433	141,523
Other loans purchased:		
Commercial business	99,510	88,691
Total other loans purchased	99,510	88,691
Less:		
Principal and other reductions	182,849	178,700
Sales	1,970	5,266
At end of period	$ 1,001,639	$ 804,534

TROUBLED DEBT RESTRUCUTURED ("TDR") AND NON-PERFORMING ASSETS

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

(In thousands)	June 30, 2019	December 31, 2018
Accrual Status:		
Multi-family residential	$ 1,894	$ 1,916
One-to-four family - mixed-use property	1,660	1,692
One-to-four family - residential	542	552
Commercial business and other	-	279
Total	4,096	4,439
Non-Accrual Status:		
Taxi medallion	2,193	3,926
Total	2,193	3,926
Total performing troubled debt restructured	$ 6,289	$ 8,365

The following table shows non-performing assets at the periods indicated:

(In thousands)	June 30, 2019	December 31, 2018
Non-accrual loans:		
Multi-family residential	$ 2,008	$ 2,410
Commercial real estate	1,488	1,379
One-to-four family - mixed-use property	1,752	928
One-to-four family - residential	5,411	6,144
Construction	-	-
Small business administration	1,224	1,267
Taxi medallion (1)	1,361	613

Commercial business and other	2,458	3,512
Total non-performing loans	15,702	16,253
Other non-performing assets:		
Real estate acquired through foreclosure	239	-
Other assets acquired through foreclosure	35	35
Total	274	35
Total non-performing assets	$ 15,976	$ 16,288
Non-performing assets to total assets	0.23%	0.24%
Allowance for loan losses to non-performing loans	136.99%	128.87%

(1) Not included in the above analysis are non-accrual TDR taxi medallion loans totaling $2.2 million and $3.9 million at June 30, 2019 and December 31, 2018, respectively.

Included in non-performing loans were six loans totaling $1.6 million at June 30, 2019 and two loans totaling $1.8 million at December 31, 2018, all of which were restructured as TDR and not performing in accordance with restructured terms.

CRITICIZED AND CLASSIFIED ASSETS

Our policy is to review our assets, focusing primarily on the loan portfolio, OREO and the investment portfolios, 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 June 30, 2019 and December 31, 2018. The Company had classified OREO and other assets acquired through foreclosure totaling $0.2 million and $35,000 at June 30, 2019 and December 31, 2018, respectively. The Company did not hold any criticized or classified investment securities at June 30, 2019 and December 31, 2018. Our total Criticized and Classified assets were $42.1 million at June 30, 2019, a decrease of $10.9 million from $53.1 million at December 31, 2018.

On a quarterly basis, all non-accrual collateral dependent loans that are classified as Substandard or Doubtful are internally reviewed for impairment, based on updated cash flows for income producing properties, or updated independent appraisals. The loan balances of collateral dependent loans reviewed for impairment are then compared to the loans updated fair value. We consider fair value of collateral dependent loans to be 85% of the appraised or internally estimated value of the property, except for taxi medallion loans. The fair value of the underlying collateral of taxi medallion loans is the value of the underlying medallion based upon the most recently reported arm's length transaction. When there is no recent sale activity, the fair value is calculated using the income approach. All taxi medallion loans are classified and impaired. For collateral dependent mortgage loans and taxi medallion loans, the portion of the loan balance which exceeds fair value is generally charged-off. At June 30 2019, the current average loan-to-value ratio on our collateral dependent loans reviewed for impairment was 47.6%.

ALLOWANCE FOR LOAN LOSSES

The Allowance for loan losses ("ALLL") represents the expense charged to earnings based upon management's quarterly analysis of credit risk. The amount of the ALLL is based upon multiple factors that reflect management's assessment of the credit quality of the loan portfolio. The factors are both quantitative and qualitative in nature including, but not limited to, historical losses, economic conditions, trends in delinquencies, value and adequacy of underlying collateral, volume and portfolio mix, and internal loan processes.

Management has developed a comprehensive analytical process to monitor the adequacy of the ALLL. The process and guidelines were developed using, among other factors, the guidance from federal banking regulatory agencies and GAAP. The results of this process, along with the conclusions of our independent loan review officer, support management's assessment as to the adequacy of the ALLL at each balance sheet date. See Note 5 ("Loans") of the Notes to the Consolidated Financial Statements for a detailed explanation of management's methodology and policy.

As a component of the credit risk assessment, the Bank has established an Asset Classification Committee which carefully evaluates loans which are past due 90 days and/or are classified. The Asset Classification Committee thoroughly assesses the condition and circumstances surrounding each loan meeting the criteria. The Bank also has a Delinquency Committee that evaluates loans meeting specific criteria. The Bank's loan policy requires loans to be placed into non-accrual status once the loan becomes 90 days delinquent unless there is, in our opinion, compelling evidence the borrower will bring the loan current in the immediate future.

As described in Note 5 ("Loans") of the Notes to the Consolidated Financial Statements, during the three months ended June 30, 2019, the Company revised its ALLL methodology to further segregate the commercial business and other portfolio into two separate categories. During the six months ended June 30, 2019, the portion of the ALLL related to the loss history increased due to an increase in charge-offs and growth in the loan portfolio and the portion of the ALLL related to qualitative factors increased due to growth in the loan portfolio. The impact from the above resulted in the ALLL totaling $21.5 million, an increase of $0.6 million or 2.7%, from December 31, 2018. Based upon the ALLL methodology and review of the loan portfolio, management concluded a charge to earnings totaling $2.4 million for the six months ended June 30, 2019, to increase the ALLL was warranted. The ALLL represented 0.38% of gross loans outstanding at each of June 30, 2019 and December 31, 2018. The ALLL represented 137.0% of non-performing loans at June 30, 2019 compared to 128.9% at December 31, 2018.

Management recommends to the Board of Directors the amount of the ALLL quarterly. The Board of Directors approves the ALLL.

The following table sets forth the activity in the Company's allowance for loan losses for the periods indicated:

	At or for the six months ended June 30,	
(Dollars in thousands)	2019	2018
Balance at beginning of period	$ 20,945	$ 20,351
Provision for loan losses	2,446	153
Loans charged-off:		
Multi-family residential	(1)	(81)
One-to-four family – residential	(113)	(1)
One-to-four family – mixed-use property	(1)	-
Small Business Administration	-	(52)
Taxi medallion	-	(353)
Commercial business and other	(2,137)	(14)
Total loans charged-off	(2,252)	(501)
Recoveries:		
Multi-family residential	24	2
Commercial real estate	7	-
One-to-four family – mixed-use property	88	79
One-to-four family – residential	7	112
Small Business Administration	20	15
Taxi medallion	134	-
Commercial business and other	91	9
Total recoveries	371	217
Net charge-offs	(1,881)	(284)
Balance at end of period	$ 21,510	$ 20,220
Ratio of net charge-offs during the period to average loans outstanding during the period	0.07%	0.01%
Ratio of allowance for loan losses to gross loans at end of period	0.38%	0.38%
Ratio of allowance for loan losses to non-performing assets at end of period	134.64%	136.40%
Ratio of allowance for loan losses to non-performing loans at end of period	136.99%	136.72%

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 June 30, 2019, 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 – FINANCIAL 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, 2018.

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 June 30, 2019:

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
April 1 to April 30, 2019	-	$ -	-	467,211
May 1 to May 31, 2019	-	-	-	467,211
June 1 to June 30, 2019	-	-	-	467,211
Total	-	-	-	

During the quarter ended June 30, 2019 the Company did not repurchase any shares of the Company's common stock. As of June 30, 2019, 467,211 shares remained to be repurchased under the currently authorized stock repurchase program. 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 – FINANCIAL INFORMATION
FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

ITEM 6. EXHIBITS

Exhibit No.	Description
3.1 P	Certificate of Incorporation of Flushing Financial Corporation (1)
3.2	Certificate of Amendment to Certificate of Incorporation of Flushing Financial Corporation (3)
3.3	Certificate of Amendment to Certificate of Incorporation of Flushing Financial Corporation (5)
3.4	Certificate of Designations of Series A Junior Participating Preferred Stock of Flushing Financial Corporation (4)
3.5	Certificate of Increase of Shares Designated as Series A Junior Participating Preferred Stock of Flushing Financial Corporation (2)
3.6	Amended and Restated By-Laws of Flushing Financial Corporation (6)
4.1	Subordinated Indenture, dated as of December 12, 2016, by and between the Company and Wilmington Trust, National Association, as Trustee. (7)
4.2	First Supplemental Indenture, dated as of December 12, 2016, by and between the Company and Wilmington Trust, National Association, as Trustee, including the form of the Notes attached as Exhibit A thereto. (7)
4.3	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)
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101.SCH	XBRL Taxonomy Extension Schema Document (filed herewith)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (filed herewith)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document (filed herewith)
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(1) Incorporated by reference to Exhibits filed with the Registration Statement on Form S-1 filed September 1, 1995, Registration No. 33-96488. (P: Indicates a filing submitted in paper)
(2) Incorporated by reference to Exhibit filed with Form 8-K filed September 27, 2006.
(3) Incorporated by reference to Exhibits filed with Form S-8 filed May 31, 2002.
(4) Incorporated by reference to Exhibits filed with Form 10-Q for the quarter ended September 30, 2002.
(5) Incorporated by reference to Exhibit filed with Form 10-K for the year ended December 31, 2011.
(6) Incorporated by reference to Exhibit filed with Form 10-Q for the quarter ended June 30, 2014.
(7) Incorporated by reference to Exhibit filed with Form 8-K filed December 12, 2016.

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: August 7, 2019

By: /s/ John R. Buran
John R. Buran
President and Chief Executive Officer

Dated: August 7, 2019

By: /s/ Susan K. Cullen
Susan K. Cullen
Senior Executive Vice President, Treasurer and
Chief Financial Officer

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
EXHIBIT INDEX

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Exhibit 31.1

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: August 7, 2019

By: /s/ John R. Buran
John R. Buran
President and Chief Executive Officer

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

Exhibit 31.2

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: August 7, 2019

By: /s/ Susan K. Cullen
Susan K. Cullen
Senior Executive Vice President, Treasurer and Chief Financial Officer

Exhibit 32.1

**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 June 30, 2019 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
August 7, 2019

Exhibit 32.2

**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 June 30, 2019 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
August 7, 2019