

Flushing Financial Corporation Reports Record Net Interest Income; Net Interest Margin Expansion Driven by Ability to Significantly Reduce Funding Costs

Jul 21, 2020 5:30 PM

SECOND QUARTER 2020¹ HIGHLIGHTS

- GAAP diluted EPS was \$0.63, compared to (\$0.05) in 1Q20 and \$0.37 in 2Q19
- Core diluted EPS was \$0.36 compared to \$0.19 in 1Q20 and \$0.42 in 2Q19
- Net interest margin was 2.87%, up 43bps QoQ and 42bps YoY
- Core net interest margin was 2.85%, up 36bps QoQ and 45bps YoY
- Record GAAP net interest income of \$48.7 million, up 19.3% QoQ and 21.8% YoY
- Record Core net interest income of \$49.1 million, up 14.4% QoQ and 20.2% YoY
- GAAP and core ROAE 13.1% and 7.4%, respectively, compared with (1.0)% and 3.8%, respectively in 1Q20
- GAAP and core ROAA were 1.0% and 0.6%, respectively, compared with (0.1)% and 0.3%, respectively in 1Q20
- Loan pipeline remains strong at \$310.8 million
- Provision for credit losses of \$9.6 million, \$0.25 after-tax per diluted common share, driven mainly by economic conditions arising from COVID-19 pandemic
- Net charge-offs were \$1.0 million, compared to \$1.1 million in 1Q20

UNIONDALE, N.Y., July 21, 2020 (GLOBE NEWSWIRE) -- Flushing Financial Corporation (the “Company”) (Nasdaq-GS: FFIC), the parent holding company for Flushing Bank (the “Bank”), today announced its financial results for the second quarter ended June 30, 2020.

John R. Buran, President and Chief Executive Officer stated, “I want to thank our employees for their outstanding work during these unprecedented times. The health and welfare of our employees and customers remain our highest priority.”

Mr. Buran continued, “We are pleased to announce our second quarter earnings totaled \$18.3 million, or \$0.63 per diluted common share. Our GAAP earnings for the quarter were positively impacted by two items. First, we executed on our strategic objective to manage our cost of funds and improve funding mix. We achieved record net interest income as a result of the Company’s quick response to the Fed decreasing interest rates in late March resulting in cost of funds decreasing 62 basis points from the previous quarter with additional opportunity to further reduce funding costs in the third quarter. Adding to the reduction of cost of funds in the second quarter, core deposits increased 7% while the net interest margin expanded 43 basis points from the previous quarter.”

“The second item positively affecting our GAAP net earnings was the non-cash fair value adjustment on our junior subordinated debt of \$10.3 million, or \$0.27 per diluted common share, after-tax, due to market conditions.”

“Core earnings for the quarter totaled \$10.3 million, or \$0.36 per diluted common share. Pre-provision pre-tax net revenue totaled \$33.7 million, an increase of \$28.1 million from the previous quarter. Non-performing assets at the end of the quarter were 29 basis points of total assets. Our loan portfolio is 88% collateralized by real estate with an average loan to value of less than 40%. Despite the current economic environment due to COVID-19, we have a long history and foundation built upon disciplined underwriting, good credit quality and a resilient seasoned loan portfolio with strong asset protection.”

“We continue to actively assist our customers during these turbulent times. As a result of COVID-19, we granted forbearances to our customers. Originally, we granted forbearances for one to six months. In anticipation of an extended relief period, we have most recently predominately granted forbearance of principal and interest for six months. At the height of the request period, April and May 2020, COVID-19 forbearances peaked at \$1.5 billion. By June 30, 2020, we reduced that number to \$1.3 billion comprised of 82% real estate loans. Through July 10th, 63% of the \$146 million in loans scheduled to return to regularly scheduled payments have done so.”

“Additionally, we have actively participated in the SBA Paycheck Protection Program originating \$93 million of these loans. We are one of nine banks in the State of New York participating in the Main Street Lending Program. We are also a proud participant in the FHLBNY Small Business Recovery Grant Program, helping our customers and communities navigate through the current environment.”

“During this pandemic, our customers have utilized our enhanced technology platform with new mobile banking capabilities that went live in March 2020. Mobile deposits have increased over 13% from April 2020 through June 2020. Similarly, the usage of ATMs has increased with over 75% of all transactions now completed via ATM. The number of accounts enrolling in online banking and opening new accounts online has also grown during the current quarter to 19% of retail account openings.”

“Given the current economic environment at the end of the quarter, we adjusted our economic forecast in our current expected credit loss (“CECL”) model resulting in a provision for credit losses of \$9.6 million, or \$0.25 per diluted share, after-tax. Our allowance for credit losses stands at 61 basis points of gross loans and 182% of non-performing loans. As a reminder, our maximum charge-offs were only 64 basis points in the midst of the Great Recession while industry peak charge-offs were nearly 5x.”

“As we previously disclosed, the pending acquisition of Empire Bancorp was delayed due to the severe instability and volatility in the U.S. financial and stock markets caused by the pandemic. The Company continues to believe that the merger offers benefits to both shareholders and customers of Empire Bancorp and Flushing. We will be refraining from any additional comments at this time.”

Mr. Buran concluded by saying, “Overall, we made good progress in the second quarter to achieve our strategic objectives. Importantly, the Company remains committed to building and fostering an environment of diversity and inclusion in our workforce and the communities we serve. In light of recent events, we have formed a Diversity and Inclusion Committee chaired by the EVP/Director of Human Resources, reporting directly to me. The role of this Committee is to make recommendations ensuring Flushing Financial continues to provide a safe and inclusive environment for all employees and ensure our message of inclusion is supported by our actions and participation in community organizations.”

Summary of Strategic Objectives

- Manage cost of funds and continue to improve funding mix

- Increase interest income by leveraging loan pricing opportunities and portfolio mix
- Enhance core earnings power by improving scalability and efficiency
- Manage credit risk
- Remain well capitalized under all stress test scenarios

Earnings Summary:

Net Interest Income

Net interest income for 2Q20 was \$48.7 million, an increase of \$8.7 million, or 21.8% YoY and \$7.9 million, or 19.3% QoQ.

- Net interest margin of 2.87%, increased 42bps YoY and 43bps QoQ
- Net interest spread of 2.72%, increased 49bps YoY and 48bps QoQ
- Yield on average interest-earning assets of 3.81%, decreased 45bps YoY and 17bps QoQ
- Cost of average interest-bearing liabilities of 1.09%, decreased 94bps YoY and 65bps QoQ
- Cost of funds of 0.99%, decreased 91bps YoY and 62bps QoQ
- Average balance of total interest-earning assets of \$6,809.9 million, increased \$269.7 million, or 4.1%, YoY and \$90.0 million, or 1.3%, QoQ
- Net interest income includes prepayment penalty income from loans totaling \$0.7 million in 2Q20, \$0.8 million in 1Q20 and \$1.1 million in 2Q19; recovered interest from delinquent loans of \$0.1 million in 2Q20, \$0.4 million in 1Q20 and \$0.5 million in 2Q19; net losses from fair value adjustments on qualifying hedges totaling \$0.4 million in 2Q20, \$2.1 million in 1Q20 and \$0.8 million in 2Q19
- Absent all above items noted in the preceding bullet, the net interest margin was 2.85% in 2Q20, an increase of 45bps YoY and 36bps QoQ

Provision for Credit Losses

The Company recorded a provision for credit losses of \$9.6 million in 2Q20 compared to a provision of \$7.2 million in 1Q20 and a provision of \$1.5 million in 2Q19.

- 2Q20 and 1Q20 provision for credit losses were primarily driven by the negative economic forecast resulting from the impact of COVID-19
- Net charge-offs of \$1.0 million in 2Q20, \$1.1 million in 1Q20 and \$1.0 million in 2Q19

Non-interest Income

Non-interest income for 2Q20 was \$13.7 million, an increase of \$11.3 million YoY, and \$16.6 million QoQ.

- Non-interest income included net gains from fair value adjustments of \$10.2 million in 2Q20; net losses from fair value adjustments of \$6.0 million and \$2.0 million in 1Q20 and 2Q19, respectively
- Additionally, non-interest income included life insurance proceeds totaling \$0.7 million in 2Q20, net gain on sale of assets of \$0.8 million and capital gain of \$0.5 million, both in 2Q19
- Absent all above items, non-interest income was \$2.9 million in 2Q20, a decrease of \$0.2 million, or 7.7% YoY, and \$0.3 million, or 8.2% QoQ

Non-interest Expense

Non-interest expense for 2Q20 was \$28.8 million, a decrease of \$3.6 million, or 11.2 % QoQ, and an increase of \$1.6 million or 5.9% YoY.

- Non-interest expense improved QoQ primarily due to 1Q20 including seasonal expenses, and increased YoY primarily due to Company growth
- Additionally, non-interest expense included merger expenses totaling \$0.2 million in 2Q20 and \$0.9 million in 1Q20
- The ratio of non-interest expense to average assets was 1.60% in 2Q20 compared to 1.82% in 1Q20 and 1.58% in 2Q19
- The efficiency ratio improved to 54.9% in 2Q20 compared to 68.2% in 1Q20 and 61.1% in 2Q19

Provision for Income Taxes

The provision for income taxes in 2Q20 was \$5.8 million, compared to benefit of \$0.2 million in 1Q20 and a provision of \$3.3 million in 2Q19.

- Pre-tax income increased by \$10.3 million YoY and \$25.7 million QoQ
- The effective tax rates were 24.1% in 2Q20, 12.9% in 1Q20 and 23.7% in 2Q19

Financial Condition Summary:

Loans:

- Net loans held for investment were \$5,946.6 million reflecting an increase of 3.4% from December 31, 2019, as we continue to focus on the origination of full banking relationship loans through C&I loans, multi-family loans and commercial real estate
- SBA Paycheck Protection Program (“PPP”) closings totaled \$93.2 million in 2Q20
- Loan closings of commercial business loans, multi-family loans and commercial real estate totaled \$126.9 million for 2Q20, or 90.3% of loan production, excluding PPP closings
- Loan pipeline was \$310.8 million at June 30, 2020, compared to \$324.5 million at December 31, 2019

The following table shows the weighted average rate received from loan closings for the periods indicated:

| Loan type | For the three months ended | | | | | |
|---------------------|----------------------------|---|----------------|---|---------------|---|
| | June 30, 2020 | | March 31, 2020 | | June 30, 2019 | |
| Mortgage loans | 3.79 | % | 3.93 | % | 4.75 | % |
| Non-mortgage loans | 1.99 | % | 4.23 | % | 5.01 | % |
| Total loans | 2.62 | % | 4.03 | % | 4.89 | % |
| Excluding PPP loans | 3.71 | % | 4.03 | % | 4.89 | % |

Credit Quality:

- Non-performing loans totaled \$20.2 million, an increase of \$6.9 million, or 52.3%, from \$13.3 million at December 31, 2019
- Non-performing assets totaled \$20.4 million, an increase of \$6.9 million, or 51.0%, from \$13.5 million at December 31, 2019
- Classified assets totaled \$25.1 million, an increase of \$0.5 million, or 2.0%, from \$24.6 million at December 31, 2019
- Loans classified as troubled debt restructured (TDR) totaled \$6.0 million, a decrease of \$0.5 million, or 8.2%, from \$6.5 million at December 31, 2019

- 799 active COVID-19 forbearances outstanding at July 10th for loans with a combined principal balance of \$1.3 billion at the time of forbearance; total combined deferment of \$36.4 million in principal, interest and escrow
- Over 88% of our gross loans are collateralized by real estate
- The loan-to-value ratio on our portfolio of real estate dependent loans as of June 30, 2020 totaled 38.1%
- Net charge-offs totaled \$1.0 million

Capital Management:

- The Company and Bank, at June 30, 2020, were both well capitalized under all applicable regulatory requirements
- Through 2Q20, stockholders' equity decreased \$7.8 million, or 1.3%, from December 31, 2019, to \$571.9 million primarily due to unrealized losses in the fair value of securities and interest rate swaps, coupled with the declaration and payment of dividends on the Company's common stock, partially offset by net income of \$16.9 million
- During 2Q20, the Company did not repurchase any shares; as of June 30, 2020, up to 284,806 shares remained subject to repurchase under the authorized stock repurchase program, which has no expiration or maximum dollar limit
- Book value per common share was \$20.27 at June 30, 2020, compared to \$20.59 at December 31, 2019
- Tangible book value per common share, a non-GAAP measure, was \$19.71 at June 30, 2020, compared to \$20.02 at December 31, 2019

Conference Call Information:

- John R. Buran, President and Chief Executive Officer, and Susan K. Cullen, Senior Executive Vice President and Chief Financial Officer, will host a conference call on Wednesday, July 22, 2020 at 9:30 AM (ET) to discuss the Company's strategy and results for the second quarter
- Dial-in for Live Call: 1-877-509-5836
- Webcast: <https://services.choruscall.com/links/ffic200722.html>
- Dial-in for Replay: 1-877-344-7529
- Replay Access Code: 10138500
- The conference call will be simultaneously webcast and archived through July 22, 2021

About Flushing Financial Corporation

Flushing Financial Corporation (Nasdaq: FFIC) is the holding company for Flushing Bank®, a New York State-chartered commercial bank insured by the Federal Deposit Insurance Corporation. The Bank serves consumers, businesses, professionals, corporate clients, and public entities by offering a full complement of deposit, loan, equipment finance, and cash management services through its banking offices located in Queens, Brooklyn, Manhattan, and on Long Island. As a leader in real estate lending, the Bank's experienced lending team creates mortgage solutions for real estate owners and property managers both within and outside the New York City metropolitan area. Flushing Bank is an Equal Housing Lender. The Bank also operates an online banking division consisting of iGObanking.com®, which offers competitively priced deposit products to consumers nationwide, and BankPurely®, an eco-friendly, healthier lifestyle community brand.

Additional information on Flushing Bank and Flushing Financial Corporation may be obtained by visiting the Company's website at <http://www.flushingbank.com>.

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995: Statements in this Press Release relating to plans, strategies, economic performance and trends, projections of results of specific activities or investments and other statements that are not descriptions of historical facts may be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking information is inherently subject to risks and uncertainties, and actual results could differ materially from those currently anticipated due to a number of factors, which include, but are not limited to, risk factors discussed in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and in other documents filed by the Company with the Securities and Exchange Commission from time to time. 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. The Company has no obligation to update these forward-looking statements.

- Statistical Tables Follow -

**FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME**

(Dollars in thousands, except per share data)

(Unaudited)

| | For the three months ended | | | For the six months ended | |
|--|----------------------------|-------------------|------------------|--------------------------|------------------|
| | June 30, 2020 | March 31, 2020 | June 30, 2019 | June 30, 2020 | June 30, 2019 |
| Interest and Dividend Income | | | | | |
| Interest and fees on loans | \$ 60,557 | \$ 61,109 | \$ 62,273 | \$ 121,666 | \$ 124,603 |
| Interest and dividends on securities: | | | | | |
| Interest | 4,182 | 5,256 | 6,811 | 9,438 | 13,720 |
| Dividends | 11 | 15 | 19 | 26 | 38 |
| Other interest income | 22 | 290 | 472 | 312 | 1,027 |
| Total interest and dividend income | 64,772 | 66,670 | 69,575 | 131,442 | 139,388 |
| Interest Expense | | | | | |
| Deposits | 9,971 | 18,778 | 22,827 | 28,749 | 44,296 |
| Other interest expense | 6,084 | 7,066 | 6,739 | 13,150 | 13,280 |
| Total interest expense | 16,055 | 25,844 | 29,566 | 41,899 | 57,576 |
| Net Interest Income | 48,717 | 40,826 | 40,009 | 89,543 | 81,812 |
| Provision for credit losses | 9,619 | 7,178 | 1,474 | 16,797 | 2,446 |
| Net Interest Income After Provision for Credit Losses | 39,098 | 33,648 | 38,535 | 72,746 | 79,366 |
| Non-interest Income | | | | | |
| Banking services fee income | 944 | 798 | 1,059 | 1,742 | 2,032 |
| Net loss on sale of securities | (54) | (37) | (15) | (91) | (15) |

| | | | | | |
|---|----------|------------|----------|----------|----------|
| Net gain on sale of loans | — | 42 | 114 | 42 | 177 |
| Net gain on sale of assets | — | — | 770 | — | 770 |
| Net gain (loss) from fair value adjustments | 10,205 | (5,993) | (1,956) | 4,212 | (4,036) |
| Federal Home Loan Bank of New York stock dividends | 881 | 964 | 826 | 1,845 | 1,729 |
| Life insurance proceeds | 659 | — | — | 659 | 43 |
| Bank owned life insurance | 932 | 943 | 810 | 1,875 | 1,550 |
| Other income | 170 | 419 | 843 | 589 | 1,144 |
| Total non-interest income (loss) | 13,737 | (2,864) | 2,451 | 10,873 | 3,394 |
| Non-interest Expense | | | | | |
| Salaries and employee benefits | 16,184 | 18,620 | 15,668 | 34,804 | 34,834 |
| Occupancy and equipment | 2,827 | 2,840 | 2,742 | 5,667 | 5,531 |
| Professional services | 1,985 | 2,862 | 1,806 | 4,847 | 4,071 |
| FDIC deposit insurance | 737 | 650 | 667 | 1,387 | 1,152 |
| Data processing | 1,813 | 1,694 | 1,420 | 3,507 | 2,912 |
| Depreciation and amortization | 1,555 | 1,536 | 1,497 | 3,091 | 3,015 |
| Other real estate owned/foreclosure expense (benefit) | 45 | (164) | 20 | (119) | 97 |
| Net loss from sales of real estate owned | — | 31 | — | 31 | — |
| Other operating expenses | 3,609 | 4,311 | 3,338 | 7,920 | 7,965 |
| Total non-interest expense | 28,755 | 32,380 | 27,158 | 61,135 | 59,577 |
| Income (Loss) Before Income Taxes | 24,080 | (1,596) | 13,828 | 22,484 | 23,183 |
| Provision (Benefit) for Income Taxes | | | | | |
| Federal | 4,307 | 989 | 2,981 | 5,296 | 4,924 |
| State and local | 1,501 | (1,195) | 291 | 306 | 635 |
| Total taxes | 5,808 | (206) | 3,272 | 5,602 | 5,559 |
| Net Income (Loss) | \$18,272 | \$(1,390) | \$10,556 | \$16,882 | \$17,624 |
| Basic earnings (loss) per common share | \$0.63 | \$(0.05) | \$0.37 | \$0.58 | \$0.61 |
| Diluted earnings (loss) per common share | \$0.63 | \$(0.05) | \$0.37 | \$0.58 | \$0.61 |
| Dividends per common share | \$0.21 | \$0.21 | \$0.21 | \$0.42 | \$0.42 |

**FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

(Dollars in thousands, except per share data)
(Unaudited)

| | June 30, 2020 | March 31, 2020 | December 31, 2019 |
|---|------------------|-------------------|----------------------|
| ASSETS | | | |
| Cash and due from banks | \$ 84,754 | \$ 157,184 | \$ 49,787 |
| Securities held-to-maturity: | | | |
| Mortgage-backed securities | 7,924 | 7,929 | 7,934 |
| Other securities | 50,078 | 50,225 | 50,954 |
| Securities available for sale: | | | |
| Mortgage-backed securities | 442,507 | 489,556 | 523,849 |
| Other securities | 232,803 | 225,856 | 248,651 |
| Loans: | | | |
| Multi-family residential | 2,285,555 | 2,272,343 | 2,238,591 |
| Commercial real estate | 1,646,085 | 1,664,934 | 1,582,008 |
| One-to-four family — mixed-use property | 591,347 | 592,109 | 592,471 |
| One-to-four family — residential | 184,741 | 189,774 | 188,216 |
| Co-operative apartments | 8,423 | 8,493 | 8,663 |
| Construction | 69,433 | 66,727 | 67,754 |
| Small Business Administration | 106,813 | 14,076 | 14,445 |
| Taxi medallion | 3,269 | 3,281 | 3,309 |
| Commercial business and other | 1,073,623 | 1,104,967 | 1,061,478 |
| Net unamortized premiums and unearned loan fees | 13,986 | 15,384 | 15,271 |
| Allowance for loan losses | (36,710) | (28,098) | (21,751) |
| Net loans | 5,946,565 | 5,903,990 | 5,750,455 |
| Interest and dividends receivable | 30,219 | 25,526 | 25,722 |
| Bank premises and equipment, net | 27,018 | 27,899 | 28,676 |
| Federal Home Loan Bank of New York stock | 56,400 | 74,000 | 56,921 |
| Bank owned life insurance | 157,779 | 158,655 | 157,713 |
| Goodwill | 16,127 | 16,127 | 16,127 |
| Other real estate owned, net | 208 | 208 | 239 |
| Right of use asset | 38,303 | 39,729 | 41,254 |
| Other assets | 71,974 | 68,526 | 59,494 |
| Total assets | \$ 7,162,659 | \$ 7,245,410 | \$ 7,017,776 |
| LIABILITIES | | | |
| Due to depositors: | | | |
| Non-interest bearing | \$ 581,881 | \$ 489,198 | \$ 435,072 |
| Certificate of deposit accounts | 1,135,977 | 1,172,381 | 1,437,890 |
| Savings accounts | 184,895 | 192,192 | 191,485 |
| Money market accounts | 1,474,880 | 1,597,109 | 1,592,011 |
| NOW accounts | 1,672,241 | 1,377,555 | 1,365,591 |
| Total deposits | 5,049,874 | 4,828,435 | 5,022,049 |
| Mortgagors' escrow deposits | 48,525 | 73,051 | 44,375 |
| Borrowed funds | 1,305,187 | 1,617,582 | 1,237,231 |
| Operating lease liability | 45,897 | 47,726 | 49,367 |

| | | | |
|-------------------|-----------|-----------|-----------|
| Other liabilities | 141,255 | 128,933 | 85,082 |
| Total liabilities | 6,590,738 | 6,695,727 | 6,438,104 |

STOCKHOLDERS' EQUITY

| | | | |
|--|-------------|-------------|-------------|
| Preferred stock (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, 2020, March 31, 2020 and December 31, 2019; 28,217,434 shares, 28,213,602 shares and 28,157,206 shares outstanding at June 30, 2020, March 31, 2020 and December 31, 2019, respectively) | 315 | 315 | 315 |
| Additional paid-in capital | 226,901 | 225,893 | 226,691 |
| Treasury stock (3,313,161 shares, 3,316,993 shares and 3,373,389 shares at June 30, 2020, March 31, 2020 and December 31, 2019, respectively) | (69,436) | (69,540) | (71,487) |
| Retained earnings | 437,663 | 425,455 | 433,960 |
| Accumulated other comprehensive loss, net of taxes | (23,522) | (32,440) | (9,807) |
| Total stockholders' equity | 571,921 | 549,683 | 579,672 |
| Total liabilities and stockholders' equity | \$7,162,659 | \$7,245,410 | \$7,017,776 |

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

SELECTED CONSOLIDATED FINANCIAL DATA

(Dollars in thousands, except per share data)

(Unaudited)

| | At or for the three months ended | | | At or for the six months ended | |
|---|----------------------------------|----------------|---------------|--------------------------------|---------------|
| | June 30, 2020 | March 31, 2020 | June 30, 2019 | June 30, 2020 | June 30, 2019 |
| Per Share Data | | | | | |
| Basic earnings (loss) per share | \$0.63 | \$(0.05) | \$0.37 | \$0.58 | \$0.61 |
| Diluted earnings (loss) per share | \$0.63 | \$(0.05) | \$0.37 | \$0.58 | \$0.61 |
| Average number of shares outstanding for: | | | | | |
| Basic earnings per common share computation | 28,866,984 | 28,852,819 | 28,760,816 | 28,859,901 | 28,691,303 |
| Diluted earnings per common share computation | 28,866,984 | 28,852,819 | 28,760,816 | 28,859,901 | 28,691,309 |

| | | | | | |
|---|------------|------------|------------|------------|------------|
| Shares outstanding | 28,217,434 | 28,213,602 | 28,187,922 | 28,217,434 | 28,187,922 |
| Book value per common share ⁽¹⁾ | \$20.27 | \$19.48 | \$20.06 | \$20.27 | \$20.06 |
| Tangible book value per common share ⁽²⁾ | \$19.71 | \$18.92 | \$19.50 | \$19.71 | \$19.50 |

Stockholders' Equity

| | | | | | |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|
| Stockholders' equity | \$571,921 | \$549,683 | \$565,390 | \$571,921 | \$565,390 |
| Tangible stockholders' equity | 556,086 | 533,848 | 549,549 | 556,086 | 549,549 |

Average Balances

| | | | | | |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Total loans, net | \$5,946,412 | \$5,794,866 | \$5,565,057 | \$5,870,640 | \$5,554,919 |
| Total interest-earning assets | 6,809,835 | 6,719,857 | 6,540,134 | 6,764,846 | 6,530,692 |
| Total assets | 7,206,059 | 7,106,998 | 6,891,541 | 7,156,529 | 6,879,905 |
| Total due to depositors | 4,395,228 | 4,578,793 | 4,595,189 | 4,487,011 | 4,596,738 |
| Total interest-bearing liabilities | 5,912,774 | 5,951,925 | 5,825,187 | 5,932,350 | 5,818,263 |
| Stockholders' equity | 557,414 | 576,597 | 560,624 | 567,006 | 556,645 |

Performance Ratios ⁽³⁾

| | | | | | | | | | | | |
|---|-------|---|-------|---|-------|------|-------|------|-------|------|---|
| Return on average assets | 1.01 | % | (0.08 |) | % | 0.61 | % | 0.47 | % | 0.51 | % |
| Return on average equity | 13.11 | | (0.96 |) | | 7.53 | | 5.95 | | 6.33 | |
| Yield on average interest-earning assets ⁽⁴⁾ | 3.81 | | 3.98 | | 4.26 | | 3.89 | | 4.28 | | |
| Cost of average interest-bearing liabilities | 1.09 | | 1.74 | | 2.03 | | 1.41 | | 1.98 | | |
| Cost of funds | 0.99 | | 1.61 | | 1.90 | | 1.30 | | 1.85 | | |
| Net interest rate spread during period ⁽⁴⁾ | 2.72 | | 2.24 | | 2.23 | | 2.48 | | 2.30 | | |
| Net interest margin ⁽⁴⁾ | 2.87 | | 2.44 | | 2.45 | | 2.66 | | 2.51 | | |
| Non-interest expense to average assets | 1.60 | | 1.82 | | 1.58 | | 1.71 | | 1.73 | | |
| Efficiency ratio ⁽⁵⁾ | 54.92 | | 68.21 | | 61.06 | | 61.16 | | 67.36 | | |
| Average interest-earning assets to | 1.15 | X | 1.13 | X | 1.12 | X | 1.14 | X | 1.12 | X | |

average interest-bearing liabilities

(1) Calculated by dividing stockholders' equity by shares outstanding.

(2) Calculated by dividing tangible stockholders' common equity, a non-GAAP measure, by shares outstanding. Tangible stockholders' common equity is stockholders' equity less intangible assets (goodwill, net of deferred taxes). See "Calculation of Tangible Stockholders' Common Equity to Tangible Assets".

(3) Ratios are presented on an annualized basis, where appropriate.

(4) Yields are calculated on the tax equivalent basis using the statutory federal income tax rate of 21% for the periods presented.

(5) Efficiency ratio, a non-GAAP measure, was calculated by dividing non-interest expense (excluding accelerated employee benefits upon officer's death, merger expense, OREO expense and the net gain/loss from the sale of OREO) by the total of net interest income (excluding net gains and losses from fair value adjustments on qualifying hedges) and non-interest income (excluding life insurance proceeds, net gains and losses from the sale of securities and fair value adjustments).

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES SELECTED CONSOLIDATED FINANCIAL DATA

(Dollars in thousands)

(Unaudited)

| | At or for the six months ended June 30, 2020 | At or for the year ended December 31, 2019 | At or for the six months ended June 30, 2019 |
|--|--|--|--|
|--|--|--|--|

Selected Financial Ratios and Other Data

Regulatory capital ratios (for Flushing
Financial Corporation):

| | | | |
|------------------------------|------------|------------|------------|
| Tier 1 capital | \$ 617,620 | \$ 615,500 | \$ 600,730 |
| Common equity Tier 1 capital | 583,238 | 572,651 | 558,848 |
| Total risk-based capital | 726,291 | 712,251 | 697,240 |

| | | | | | | |
|--|-------|---|-------|---|-------|---|
| Tier 1 leverage capital (well capitalized = 5%) | 8.64 | % | 8.73 | % | 8.72 | % |
| Common equity Tier 1 risk-based capital (well capitalized = 6.5%) | 10.79 | | 10.95 | | 10.60 | |
| Tier 1 risk-based capital (well capitalized = 8.0%) | 11.42 | | 11.77 | | 11.39 | |
| Total risk-based capital (well capitalized = 10.0%) | 13.43 | | 13.62 | | 13.22 | |

Regulatory capital ratios (for Flushing
Bank only):

| | | | |
|----------------|------------|------------|------------|
| Tier 1 capital | \$ 683,521 | \$ 680,749 | \$ 667,882 |
|----------------|------------|------------|------------|

| | | | | | | |
|---|-----------|---|-----------|---|-----------|---|
| Common equity Tier 1 capital | 683,521 | | 680,749 | | 667,882 | |
| Total risk-based capital | 717,192 | | 702,500 | | 689,392 | |
| Tier 1 leverage capital (well capitalized = 5%) | 9.56 | % | 9.65 | % | 9.69 | % |
| Common equity Tier 1 risk-based capital (well capitalized = 6.5%) | 12.63 | | 13.02 | | 12.66 | |
| Tier 1 risk-based capital (well capitalized = 8.0%) | 12.63 | | 13.02 | | 12.66 | |
| Total risk-based capital (well capitalized = 10.0%) | 13.25 | | 13.43 | | 13.07 | |
| Capital ratios: | | | | | | |
| Average equity to average assets | 7.92 | % | 8.08 | % | 8.09 | % |
| Equity to total assets | 7.98 | | 8.26 | | 8.14 | |
| Tangible common equity to tangible assets ⁽¹⁾ | 7.78 | | 8.05 | | 7.93 | |
| Asset quality: | | | | | | |
| Non-accrual loans ⁽²⁾ | \$ 20,038 | | \$ 12,813 | | \$ 15,702 | |
| Non-performing loans | 20,188 | | 13,258 | | 15,702 | |
| Non-performing assets | 20,431 | | 13,532 | | 15,976 | |
| Net charge-offs | 2,156 | | 2,005 | | 1,881 | |
| Asset quality ratios: | | | | | | |
| Non-performing loans to gross loans | 0.34 | % | 0.23 | % | 0.28 | % |
| Non-performing assets to total assets | 0.29 | | 0.19 | | 0.23 | |
| Allowance for loan losses to gross loans | 0.61 | | 0.38 | | 0.38 | |
| Allowance for loan losses to non-performing assets | 179.68 | | 160.73 | | 134.64 | |
| Allowance for loan losses to non-performing loans | 181.85 | | 164.05 | | 136.99 | |
| Full-service customer facilities | 20 | | 20 | | 19 | |

(1) See “Calculation of Tangible Stockholders’ Common Equity to Tangible Assets”.

(2) Excludes performing non-accrual TDR loans.

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

NET INTEREST MARGIN

(Dollars in thousands)

(Unaudited)

For the three months ended
June 30, 2020

March 31, 2020

June 30, 2019

| | Average Balance | Interest | Yield/ Cost | | Average Balance | Interest | Yield/ Cost | | Average Balance | Interest | Yield/ Cost | |
|--|--------------------|----------|----------------|---|--------------------|----------|----------------|---|--------------------|----------|----------------|---|
| Interest-earning Assets: | | | | | | | | | | | | |
| Mortgage loans, net | \$4,762,068 | \$49,719 | 4.18 | % | \$4,697,531 | \$49,412 | 4.21 | % | \$4,590,429 | \$50,206 | 4.37 | % |
| Other loans, net | 1,184,344 | 10,838 | 3.66 | | 1,097,335 | 11,697 | 4.26 | | 974,628 | 12,067 | 4.95 | |
| Total loans, net ^{(1) (2)} | 5,946,412 | 60,557 | 4.07 | | 5,794,866 | 61,109 | 4.22 | | 5,565,057 | 62,273 | 4.48 | |
| Taxable securities: | | | | | | | | | | | | |
| Mortgage-backed securities | 465,365 | 2,327 | 2.00 | | 507,912 | 3,040 | 2.39 | | 585,892 | 4,225 | 2.88 | |
| Other securities | 243,867 | 1,358 | 2.23 | | 243,726 | 1,697 | 2.79 | | 242,560 | 2,135 | 3.52 | |
| Total taxable securities | 709,232 | 3,685 | 2.08 | | 751,638 | 4,737 | 2.52 | | 828,452 | 6,360 | 3.07 | |
| Tax-exempt securities: ⁽³⁾ | | | | | | | | | | | | |
| Other securities | 60,280 | 643 | 4.27 | | 63,535 | 676 | 4.26 | | 56,064 | 595 | 4.25 | |
| Total tax-exempt securities | 60,280 | 643 | 4.27 | | 63,535 | 676 | 4.26 | | 56,064 | 595 | 4.25 | |
| Interest-earning deposits and federal funds sold | 93,911 | 22 | 0.09 | | 109,818 | 290 | 1.06 | | 90,561 | 472 | 2.08 | |
| Total interest-earning assets | 6,809,835 | 64,907 | 3.81 | | 6,719,857 | 66,812 | 3.98 | | 6,540,134 | 69,700 | 4.26 | |
| Other assets | 396,224 | | | | 387,141 | | | | 351,407 | | | |
| Total assets | \$7,206,059 | | | | \$7,106,998 | | | | \$6,891,541 | | | |

Interest-bearing Liabilities:
Deposits:

| | | | | | | | | | |
|---|--------------|-----------|--------|--------------|-----------|--------|--------------|-----------|--------|
| Savings accounts | \$ 188,587 | 74 | 0.16 | \$ 194,026 | 281 | 0.58 | \$ 200,349 | 348 | 0.69 |
| NOW accounts | 1,440,147 | 2,099 | 0.58 | 1,419,739 | 4,648 | 1.31 | 1,541,956 | 6,641 | 1.72 |
| Money market accounts | 1,580,652 | 3,208 | 0.81 | 1,697,783 | 7,042 | 1.66 | 1,336,526 | 6,974 | 2.09 |
| Certificate of deposit accounts | 1,185,842 | 4,564 | 1.54 | 1,267,245 | 6,767 | 2.14 | 1,516,358 | 8,802 | 2.32 |
| Total due to depositors | 4,395,228 | 9,945 | 0.91 | 4,578,793 | 18,738 | 1.64 | 4,595,189 | 22,765 | 1.98 |
| Mortgagors' escrow accounts | 87,058 | 26 | 0.12 | 65,503 | 40 | 0.24 | 83,799 | 62 | 0.30 |
| Total interest-bearing deposits | 4,482,286 | 9,971 | 0.89 | 4,644,296 | 18,778 | 1.62 | 4,678,988 | 22,827 | 1.95 |
| Borrowings | 1,430,488 | 6,084 | 1.70 | 1,307,629 | 7,066 | 2.16 | 1,146,199 | 6,739 | 2.35 |
| Total interest-bearing liabilities | 5,912,774 | 16,055 | 1.09 | 5,951,925 | 25,844 | 1.74 | 5,825,187 | 29,566 | 2.03 |
| Non interest-bearing demand deposits | 560,637 | | | 449,761 | | | 394,642 | | |
| Other liabilities | 175,234 | | | 128,715 | | | 111,088 | | |
| Total liabilities | 6,648,645 | | | 6,530,401 | | | 6,330,917 | | |
| Equity | 557,414 | | | 576,597 | | | 560,624 | | |
| Total liabilities and equity | \$ 7,206,059 | | | \$ 7,106,998 | | | \$ 6,891,541 | | |
| Net interest income / net interest rate spread (tax equivalent) (3) | | \$ 48,852 | 2.72 % | | \$ 40,968 | 2.24 % | | \$ 40,134 | 2.23 % |
| Net interest-earning assets / net | \$ 897,061 | | 2.87 % | \$ 767,932 | | 2.44 % | \$ 714,947 | | 2.45 % |

interest
margin (tax
equivalent)

Ratio of
interest-
earning
assets to
interest-
bearing
liabilities

1.15 X

1.13 X

1.12 X

(1) Loan interest income includes loan fee income (which includes net amortization of deferred fees and costs, late charges, and prepayment penalties) of approximately \$0.3 million, \$0.2 million and \$0.4 million for the three months ended June 30, 2020, March 31, 2020 and June 30, 2019, respectively.

(2) Loan interest income includes net losses from fair value adjustments on qualifying hedges of \$0.4 million, \$2.1 million and \$0.8 million for the three months ended June 30, 2020, March 31, 2020 and June 30, 2019, respectively.

(3) Interest and yields are calculated on the tax equivalent basis using the statutory federal income tax rate of 21% for the periods presented totaling \$0.1 million in each period.

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

NET INTEREST MARGIN

(Dollars in thousands)

(Unaudited)

| | For the six months ended | | | | | |
|--|--------------------------|----------|----------------|--------------------|-----------|----------------|
| | June 30, 2020 | | | June 30, 2019 | | |
| | Average Balance | Interest | Yield/ Cost | Average Balance | Interest | Yield/ Cost |
| Interest-earning Assets: | | | | | | |
| Mortgage loans, net | \$4,729,800 | \$99,131 | 4.19 % | \$4,604,928 | \$101,051 | 4.39 % |
| Other loans, net | 1,140,840 | 22,535 | 3.95 | 949,991 | 23,552 | 4.96 |
| Total loans, net ^{(1) (2)} | 5,870,640 | 121,666 | 4.14 | 5,554,919 | 124,603 | 4.49 |
| Taxable securities: | | | | | | |
| Mortgage-backed securities | 486,638 | 5,367 | 2.21 | 579,679 | 8,473 | 2.92 |
| Other securities | 243,796 | 3,055 | 2.51 | 242,214 | 4,346 | 3.59 |
| Total taxable securities | 730,434 | 8,422 | 2.31 | 821,893 | 12,819 | 3.12 |
| Tax-exempt securities: ⁽³⁾ | | | | | | |
| Other securities | 61,908 | 1,319 | 4.26 | 57,113 | 1,189 | 4.16 |
| Total tax-exempt securities | 61,908 | 1,319 | 4.26 | 57,113 | 1,189 | 4.16 |
| Interest-earning deposits and federal funds sold | 101,864 | 312 | 0.61 | 96,767 | 1,027 | 2.12 |
| Total interest-earning assets | 6,764,846 | 131,719 | 3.89 | 6,530,692 | 139,638 | 4.28 |
| Other assets | 391,683 | | | 349,213 | | |

| | | |
|--------------|-------------|-------------|
| Total assets | \$7,156,529 | \$6,879,905 |
|--------------|-------------|-------------|

Interest-bearing Liabilities:

Deposits:

| | | | | | | |
|--------------------------------------|-------------|--------|------|-------------|--------|------|
| Savings accounts | \$ 191,307 | 355 | 0.37 | \$ 203,047 | 709 | 0.70 |
| NOW accounts | 1,429,943 | 6,747 | 0.94 | 1,515,554 | 12,672 | 1.67 |
| Money market accounts | 1,639,217 | 10,250 | 1.25 | 1,358,228 | 13,795 | 2.03 |
| Certificate of deposit accounts | 1,226,544 | 11,331 | 1.85 | 1,519,909 | 17,005 | 2.24 |
| Total due to depositors | 4,487,011 | 28,683 | 1.28 | 4,596,738 | 44,181 | 1.92 |
| Mortgagors' escrow accounts | 76,281 | 66 | 0.17 | 73,046 | 115 | 0.31 |
| Total interest-bearing deposits | 4,563,292 | 28,749 | 1.26 | 4,669,784 | 44,296 | 1.90 |
| Borrowings | 1,369,058 | 13,150 | 1.92 | 1,148,479 | 13,280 | 2.31 |
| Total interest-bearing liabilities | 5,932,350 | 41,899 | 1.41 | 5,818,263 | 57,576 | 1.98 |
| Non interest-bearing demand deposits | 505,199 | | | 396,724 | | |
| Other liabilities | 151,974 | | | 108,273 | | |
| Total liabilities | 6,589,523 | | | 6,323,260 | | |
| Equity | 567,006 | | | 556,645 | | |
| Total liabilities and equity | \$7,156,529 | | | \$6,879,905 | | |

| | | | | | | |
|--|-----------|------|---|-----------|------|---|
| Net interest income / net interest rate spread (tax equivalent) ⁽³⁾ | \$89,820 | 2.48 | % | \$82,062 | 2.30 | % |
| Net interest-earning assets / net interest margin (tax equivalent) | \$832,496 | 2.66 | % | \$712,429 | 2.51 | % |
| Ratio of interest-earning assets to interest-bearing liabilities | | 1.14 | X | | 1.12 | X |

(1) Loan interest income includes loan fee income (which includes net amortization of deferred fees and costs, late charges, and prepayment penalties) of approximately \$0.5 million and \$0.9 million for the six months ended June 30, 2020 and June 30, 2019, respectively.

(2) Loan interest income includes net losses from fair value adjustments on qualifying hedges of \$2.4 million and \$1.5 million for the six months ended June 30, 2020 and June 30, 2019, respectively.

(3) Interest and yields are calculated on the tax equivalent basis using the statutory federal income tax rate of 21% for the periods presented totaling \$0.3 million for each of the six month periods ended June 30, 2020 and 2019.

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
DEPOSIT COMPOSITION
(Unaudited)

| | | | | June 2020 vs. | | | | June 2020 vs. | | |
|---------------------------------|------------------|-------------------|----------------------|---------------------------|-----------------------|------------------|-----------------------|-----------------------|-----------------------|--|
| | June 30, 2020 | March 31, 2020 | December 31, 2019 | December 2019 % Change | September 30, 2019 | June 30, 2019 | June 2019 % Change | June 2019 % Change | June 2019 % Change | |
| <i>(Dollars in thousands)</i> | | | | | | | | | | |
| Deposits | | | | | | | | | | |
| Non-interest bearing | \$ 581,881 | \$ 489,198 | \$ 435,072 | 33.7 % | \$ 421,786 | \$ 413,813 | | 40.6 % | | |
| Interest bearing: | | | | | | | | | | |
| Certificate of deposit accounts | 1,135,977 | 1,172,381 | 1,437,890 | (21.0)% | 1,506,376 | 1,544,117 | | (26.4)% | | |
| Savings accounts | 184,895 | 192,192 | 191,485 | (3.4)% | 193,497 | 196,820 | | (6.1)% | | |
| Money market accounts | 1,474,880 | 1,597,109 | 1,592,011 | (7.4)% | 1,329,156 | 1,302,153 | | 13.3% | | |
| NOW accounts | 1,672,241 | 1,377,555 | 1,365,591 | 22.5% | 1,461,694 | 1,368,813 | | 22.2% | | |
| Total interest-bearing deposits | 4,467,993 | 4,339,237 | 4,586,977 | (2.6)% | 4,490,723 | 4,411,903 | | 1.3% | | |
| Total deposits | \$ 5,049,874 | \$ 4,828,435 | \$ 5,022,049 | 0.6% | \$ 4,912,509 | \$ 4,825,716 | | 4.6% | | |

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

LOANS

(Unaudited)

Loan Closings

| | For the three months ended | | | For the six months ended | |
|---|----------------------------|-------------------|------------------|--------------------------|------------------|
| | June 30, 2020 | March 31, 2020 | June 30, 2019 | June 30, 2020 | June 30, 2019 |
| <i>(In thousands)</i> | | | | | |
| Multi-family residential | \$ 59,654 | \$ 67,318 | \$ 55,629 | \$ 126,972 | \$ 82,843 |
| Commercial real estate | 8,003 | 99,571 | 42,700 | 107,574 | 56,641 |
| One-to-four family – mixed-use property | 8,117 | 13,455 | 12,885 | 21,572 | 29,308 |
| One-to-four family – residential | 2,674 | 8,413 | 7,884 | 11,087 | 11,770 |
| Co-operative apartments | — | 704 | 300 | 704 | 300 |

| | | | | | |
|--|------------|------------|------------|------------|------------|
| Construction | 2,821 | 6,749 | 18,715 | 9,570 | 24,616 |
| Small Business Administration ⁽¹⁾ | 93,241 | 57 | 2,255 | 93,298 | 2,584 |
| Commercial business and other | 59,287 | 102,448 | 156,029 | 161,735 | 286,359 |
| Total | \$ 233,797 | \$ 298,715 | \$ 296,397 | \$ 532,512 | \$ 494,421 |

⁽¹⁾ Includes \$93.2 million of PPP closings for the three and six months ended June 30, 2020.

Loan Composition

| | June 30, 2020 | March 31, 2020 | December 31, 2019 | June 2020 vs. December 2019 | | September 30, 2019 | June 30, 2019 | June 2020 vs. June 2019 | |
|---|------------------|-------------------|-------------------------|--------------------------------------|----|--------------------------|------------------|-------------------------------|----|
| | | | | % Change | | | | % Change | |
| <i>(Dollars in thousands)</i> | | | | | | | | | |
| Loans held for investment: | | | | | | | | | |
| Multi-family residential | \$2,285,555 | \$2,272,343 | \$2,238,591 | 2.1 | % | \$2,232,305 | \$2,263,875 | 1.0 | % |
| Commercial real estate | 1,646,085 | 1,664,934 | 1,582,008 | 4.1 | % | 1,559,581 | 1,524,693 | 8.0 | % |
| One-to-four family — mixed-use property | 591,347 | 592,109 | 592,471 | (0.2) |)% | 587,100 | 582,264 | 1.6 | % |
| One-to-four family — residential | 184,741 | 189,774 | 188,216 | (1.8) |)% | 184,432 | 184,024 | 0.4 | % |
| Co-operative apartments | 8,423 | 8,493 | 8,663 | (2.8) |)% | 9,089 | 8,137 | 3.5 | % |
| Construction | 69,433 | 66,727 | 67,754 | 2.5 | % | 64,234 | 58,503 | 18.7 | % |
| Small Business Administration ⁽¹⁾ | 106,813 | 14,076 | 14,445 | 639.4 | % | 3,982 | 14,511 | 636.1 | % |
| Taxi medallion | 3,269 | 3,281 | 3,309 | (1.2) |)% | 3,513 | 3,555 | (8.0) |)% |
| Commercial business and other | 1,073,623 | 1,104,967 | 1,061,478 | 1.1 | % | 1,096,164 | 983,573 | 9.2 | % |
| Net unamortized premiums and unearned loan fees | 13,986 | 15,384 | 15,271 | (8.4) |)% | 15,363 | 15,278 | (8.5) |)% |
| Allowance for loan losses | (36,710) | (28,098) | (21,751) | 68.8 | % | (22,035) | (21,510) | 70.7 | % |

Net loans \$5,946,565 \$5,903,990 \$5,750,455 3.4 % \$5,743,728 \$5,616,903 5.9 %

(1) Includes \$93.2 million of PPP loans at June 30, 2020.

Net Loans Activity

| | Three Months Ended | | | | |
|---|--------------------|-------------------|-------------------------|--------------------------|------------------|
| | June 30, 2020 | March 31, 2020 | December 31, 2019 | September 30, 2019 | June 30, 2019 |
| <i>(In thousands)</i> | | | | | |
| Loans originated and purchased | \$ 233,797 | \$ 298,715 | \$ 269,736 | \$ 398,143 | \$ 296,397 |
| Principal reductions | (180,182) | (137,189) | (255,977) | (266,894) | (243,263) |
| Loans sold | — | (498) | (7,129) | (3,553) | (1,970) |
| Loan charge-offs | (1,030) | (1,259) | (95) | (431) | (1,114) |
| Foreclosures | — | — | — | — | (239) |
| Net change in deferred fees and costs | (1,398) | 113 | (92) | 85 | (144) |
| Net change in the allowance for loan losses | (8,612) | (6,347) | 284 | (525) | (495) |
| Total loan activity | \$42,575 | \$ 153,535 | \$ 6,727 | \$ 126,825 | \$ 49,172 |

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES NON-PERFORMING ASSETS and NET CHARGE-OFFS (Unaudited)

Non-Performing Assets

| | June 30, 2020 | March 31, 2020 | December 31, 2019 | September 30, 2019 | June 30, 2019 |
|---|------------------|-------------------|-------------------------|--------------------------|------------------|
| <i>(Dollars in thousands)</i> | | | | | |
| Loans 90 Days Or More Past Due and Still Accruing: | | | | | |
| Multi-family residential | \$— | \$— | \$ 445 | \$ 445 | \$— |
| Commercial business and other | 150 | — | — | — | — |
| Total | 150 | — | 445 | 445 | — |

Non-accrual Loans:

| | | | | | |
|---|-------|-------|-------|-------|-------|
| Multi-family residential | 3,688 | 2,741 | 2,296 | 3,132 | 2,008 |
| Commercial real estate | 2,671 | 8 | 367 | 872 | 1,488 |
| One-to-four family - mixed-use property | 2,511 | 607 | 274 | 683 | 1,752 |
| One-to-four family - residential | 6,412 | 5,158 | 5,139 | 5,050 | 5,411 |
| Small Business Administration | 1,321 | 1,518 | 1,151 | 1,151 | 1,224 |
| Taxi medallion ⁽¹⁾ | 1,757 | 1,761 | 1,641 | 1,352 | 1,361 |

| | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|
| Commercial business and other ⁽¹⁾ | 1,678 | 4,959 | 1,945 | 2,020 | 2,458 |
| Total | 20,038 | 16,752 | 12,813 | 14,260 | 15,702 |
| Total Non-performing Loans | 20,188 | 16,752 | 13,258 | 14,705 | 15,702 |
| Other Non-performing Assets: | | | | | |
| Real estate acquired through foreclosure | 208 | 208 | 239 | 239 | 239 |
| Other asset acquired through foreclosure | 35 | 35 | 35 | 35 | 35 |
| Total | 243 | 243 | 274 | 274 | 274 |
| Total Non-performing Assets | \$ 20,431 | \$ 16,995 | \$ 13,532 | \$ 14,979 | \$ 15,976 |
| Non-performing Assets to Total Assets | 0.29 | % 0.23 | % 0.19 | % 0.21 | % 0.23 |
| Allowance For Loan Losses to Non-performing Loans | 181.8 | % 167.7 | % 164.1 | % 149.8 | % 137.0 |

(1) Not included in the above analysis are non-accrual performing TDR taxi medallion loans totaling \$1.5 million in 2Q20, \$1.5 million in 1Q20, \$1.7 million in 4Q19, \$2.2 million in 3Q19, and \$2.2 million in 2Q19 and non-accrual performing TDR commercial business loans totaling \$1.0 million in 1Q20, \$1.0 million in 1Q20, \$0.9 million in 4Q19 and \$1.0 million in 3Q19.

Net Charge-Offs (Recoveries)

| | Three Months Ended | | | | |
|---|--------------------|-------------------|-------------------------|--------------------------|------------------|
| | June 30, 2020 | March 31, 2020 | December 31, 2019 | September 30, 2019 | June 30, 2019 |
| <i>(In thousands)</i> | | | | | |
| Multi-family residential | \$(7) | \$(6) | \$ (14) | \$ 183 | \$(10) |
| Commercial real estate | — | — | (30) | — | (7) |
| One-to-four family – mixed-use property | 3 | (78) | 119 | (140) | (2) |
| One-to-four family – residential | (3) | (5) | (3) | (3) | 110 |
| Small Business Administration | 165 | (7) | (8) | (32) | (16) |
| Taxi medallion | — | — | — | — | (50) |
| Commercial business and other | 849 | 1,245 | (98) | 150 | 954 |
| Total net loan charge-offs (recoveries) | \$1,007 | \$1,149 | \$ (34) | \$ 158 | \$ 979 |

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
FORBEARANCES DETAIL

(Dollars in thousands)

(Unaudited)

| | Balances by Risk Rating ⁽¹⁾ | | | | Forbearances ⁽²⁾ | | Backed by Mortgages ⁽¹⁾ | | |
|--------------------------------|--|---------------------------|-------------|------------------------|-----------------------------|----------------|------------------------------------|---------------|-------|
| | Pass | Criticized/ Classified | Total | % of Total Loans | Balance | % of Sector | Balance | % of Total | LTV |
| Higher Risk Segments | | | | | | | | | |
| Restaurants and Catering Halls | \$67,420 | \$ 2,196 | \$69,616 | 1.2 | % \$24,420 | 35.1 | % \$58,764 | 84.4 | %38.6 |
| Hotels | 172,916 | — | 172,916 | 2.9 | 114,627 | 66.3 | 162,093 | 93.7 | 53.8 |
| Travel and Leisure | 180,138 | — | 180,138 | 3.0 | 37,670 | 20.9 | 74,192 | 41.2 | 48.4 |
| Retail Services | 76,494 | — | 76,494 | 1.3 | 21,168 | 27.7 | 38,760 | 50.7 | 61.9 |
| CRE - Shopping Center | 255,192 | — | 255,192 | 4.3 | 124,958 | 49.0 | 255,192 | 100.0 | 44.4 |
| CRE - Single Tenant | 133,937 | 337 | 134,274 | 2.2 | 44,311 | 33.0 | 134,274 | 100.0 | 41.8 |
| CRE - Strip Mall | 286,131 | 2,050 | 288,181 | 4.8 | 139,344 | 48.4 | 288,181 | 100.0 | 45.1 |
| Transportation Contractors | 107,207 | 7,800 | 115,007 | 1.9 | 14,756 | 12.8 | 26,155 | 22.7 | 53.0 |
| Schools and Child Care | 184,948 | 1,399 | 186,347 | 3.1 | 16,142 | 8.7 | 121,365 | 65.1 | 51.9 |
| | 43,674 | — | 43,674 | 0.7 | 12,441 | 28.5 | 35,193 | 80.6 | 43.4 |
| Subtotal | \$1,508,057 | \$ 13,782 | \$1,521,839 | 25.5 | % \$549,837 | 36.1 | % \$1,194,169 | 78.5 | %46.5 |
| Lower Risk Segments | | | | | | | | | |
| | \$4,412,763 | \$ 34,687 | \$4,447,450 | 74.5 | % \$728,307 | 16.4 | % \$4,059,435 | 91.3 | %36.4 |
| Total | \$5,920,820 | \$ 48,469 | \$5,969,289 | 100.0 | % \$1,278,144 | 21.4 | % \$5,253,604 | 88.0 | %38.1 |

⁽¹⁾ At June 30, 2020

⁽²⁾ Represents dollar amount granted through 07/10/20

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
RECONCILIATION OF GAAP EARNINGS and CORE EARNINGS

Non-cash Fair Value Adjustments to GAAP Earnings

The variance in GAAP and core earnings is primarily due to the impact of non-cash net gains and losses from fair value adjustments. These fair value adjustments relate primarily to swaps designated to protect against rising rates and borrowing carried at fair value under the fair value option. As the swaps get closer to maturity, the volatility in fair value adjustments will dissipate. In a declining interest rate environment, the movement in the curve exaggerates our mark-to-market loss position. In a rising interest rate environment or a steepening of the yield curve, the loss position would experience an improvement.

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

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

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
RECONCILIATION OF GAAP EARNINGS and CORE EARNINGS

(Dollars in thousands, except per share data)
(Unaudited)

| | Three Months Ended | | | Six Months Ended | |
|---|--------------------|-------------------|------------------|------------------|------------------|
| | June 30, 2020 | March 31, 2020 | June 30, 2019 | June 30, 2020 | June 30, 2019 |
| GAAP income (loss) before income taxes | \$ 24,080 | \$ (1,596) | \$ 13,828 | \$ 22,484 | \$ 23,183 |
| Net (gain) loss from fair value adjustments | (10,205) | 5,993 | 1,956 | (4,212) | 4,036 |
| Net loss on sale of securities | 54 | 37 | 15 | 91 | 15 |
| Life insurance proceeds | (659) | — | — | (659) | (43) |

| | | | | | |
|---|-----------|------------|-----------|-----------|-----------|
| Net gain on sale of assets | — | — | (770) | — | (770) |
| Net loss from fair value adjustments on qualifying hedges | 365 | 2,073 | 818 | 2,438 | 1,455 |
| Accelerated employee benefits upon Officer's death | — | — | — | — | 455 |
| Merger expense | 194 | 929 | — | 1,123 | — |
| Core income before taxes | 13,829 | 7,436 | 15,847 | 21,265 | 28,331 |
| Provision for income taxes for core income | 3,532 | 1,936 | 3,771 | 5,468 | 6,804 |
| Core net income | \$ 10,297 | \$ 5,500 | \$ 12,076 | \$ 15,797 | \$ 21,527 |
| GAAP diluted earnings (loss) per common share | \$ 0.63 | \$ (0.05) | \$ 0.37 | \$ 0.58 | \$ 0.61 |
| Net (gain) loss from fair value adjustments, net of tax | (0.27) | 0.15 | 0.05 | (0.11) | 0.10 |
| Net loss on sale of securities, net of tax | — | — | — | — | — |
| Life insurance proceeds | (0.02) | — | — | (0.02) | — |
| Net gain on sale of assets, net of tax | — | — | (0.02) | — | (0.02) |
| Net loss from fair value adjustments on qualifying hedges, net of tax | 0.01 | 0.05 | 0.02 | 0.06 | 0.04 |
| Accelerated employee benefits upon Officer's death, net of tax | — | — | — | — | 0.01 |
| Merger expense, net of tax | 0.01 | 0.02 | — | 0.03 | — |

| | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|
| Core diluted earnings per common share ⁽¹⁾ | \$ 0.36 | \$ 0.19 | \$ 0.42 | \$ 0.55 | \$ 0.75 |
| Core net income, as calculated above | \$ 10,297 | \$ 5,500 | \$ 12,076 | \$ 15,797 | \$ 21,527 |
| Average assets | 7,206,059 | 7,106,998 | 6,891,541 | 7,156,529 | 6,879,905 |
| Average equity | 557,414 | 576,597 | 560,624 | 567,006 | 556,645 |
| Core return on average assets ⁽²⁾ | 0.57 % | 0.31 % | 0.70 % | 0.44 % | 0.63 % |
| Core return on average equity ⁽²⁾ | 7.39 % | 3.82 % | 8.62 % | 5.57 % | 7.73 % |

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

(2) Ratios are calculated on an annualized basis.

**FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
RECONCILIATION OF GAAP REVENUE and PRE-PROVISION
PRE-TAX NET REVENUE**

(Dollars in thousands)

(Unaudited)

| | Three Months Ended | | | Six Months Ended | |
|--|--------------------|-------------------|------------------|------------------|------------------|
| | June 30, 2020 | March 31, 2020 | June 30, 2019 | June 30, 2020 | June 30, 2019 |
| Net interest income | \$48,717 | \$40,826 | \$40,009 | \$89,543 | \$81,812 |
| Non-interest income (loss) | 13,737 | (2,864) | 2,451 | 10,873 | 3,394 |
| Non-interest expense | (28,755) | (32,380) | (27,158) | (61,135) | (59,577) |
| Pre-provision pre-tax net revenue ⁽¹⁾ | \$33,699 | \$5,582 | \$15,302 | \$39,281 | \$25,629 |

(1) Includes non-cash net gains and (losses) from fair value adjustments totaling \$9.8 million, (\$8.1) million and (\$2.8) million for the three months ended June 30, 2020, March 31, 2020 and June 30, 2019, respectively and \$1.8 million and (\$5.5) million for the six months ended June 30, 2020 and 2019, respectively.

**FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
RECONCILIATION OF GAAP NET INTEREST INCOME and NET INTEREST MARGIN**

To CORE NET INTEREST INCOME and NET INTEREST MARGIN

(Dollars in thousands)

(Unaudited)

| | Three Months Ended | | | Six Months Ended | | |
|---|--------------------|-------------------|------------------|------------------|------------------|--|
| | June 30, 2020 | March 31, 2020 | June 30, 2019 | June 30, 2020 | June 30, 2019 | |
| GAAP net interest income | \$ 48,717 | \$ 40,826 | \$ 40,009 | \$ 89,543 | \$ 81,812 | |
| Net loss from fair value adjustments on qualifying hedges | 365 | 2,073 | 818 | 2,438 | 1,455 | |
| Core net interest income | \$ 49,082 | \$ 42,899 | \$ 40,827 | \$ 91,981 | \$ 83,267 | |
| GAAP interest income on total loans, net | \$ 60,557 | \$ 61,109 | \$ 62,273 | \$ 121,666 | \$ 124,603 | |
| Net loss from fair value adjustments on qualifying hedges | 365 | 2,073 | 818 | 2,438 | 1,455 | |
| Prepayment penalties received on loans | (702) | (753) | (1,120) | (1,455) | (1,925) | |
| Net recoveries of interest from non-accrual loans | (74) | (436) | (519) | (510) | (1,233) | |
| Core interest income on total loans, net | \$ 60,146 | \$ 61,993 | \$ 61,452 | \$ 122,139 | \$ 122,900 | |
| Average total loans, net | \$ 5,946,412 | \$ 5,794,866 | \$ 5,565,057 | \$ 5,870,640 | \$ 5,554,919 | |
| Core yield on total loans | 4.05 % | 4.28 % | 4.42 % | 4.16 % | 4.42 % | |
| Net interest income tax equivalent | \$ 48,852 | \$ 40,968 | \$ 40,134 | \$ 89,820 | \$ 82,062 | |
| Net loss from fair value adjustments on qualifying hedges | 365 | 2,073 | 818 | 2,438 | 1,455 | |
| Prepayment penalties received on loans and securities | (702) | (753) | (1,120) | (1,455) | (1,925) | |

| | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| Net recoveries of interest from non-accrual loans | (74) | (436) | (519) | (510) | (1,233) |
| Net interest income used in calculation of Core net interest margin | \$ 48,441 | \$ 41,852 | \$ 39,313 | \$ 90,293 | \$ 80,359 |
| Total average interest-earning assets | \$ 6,809,835 | \$ 6,719,857 | \$ 6,540,134 | \$ 6,764,846 | \$ 6,530,692 |
| Core net interest margin | 2.85 % | 2.49 % | 2.40 % | 2.67 % | 2.46 % |

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
CALCULATION OF TANGIBLE STOCKHOLDERS'
COMMON EQUITY to TANGIBLE ASSETS
(Unaudited)

| | June 30, 2020 | December 31, 2020 | June 30, 2019 |
|---|------------------|----------------------|------------------|
| <i>(Dollars in thousands)</i> | | | |
| Total Equity | \$571,921 | \$579,672 | \$565,390 |
| Less: | | | |
| Goodwill | (16,127) | (16,127) | (16,127) |
| Intangible deferred tax liabilities | 292 | 292 | 286 |
| Tangible Stockholders' Common Equity | \$556,086 | \$563,837 | \$549,549 |
| | | | |
| Total Assets | \$7,162,659 | \$7,017,776 | \$6,945,634 |
| Less: | | | |
| Goodwill | (16,127) | (16,127) | (16,127) |
| Intangible deferred tax liabilities | 292 | 292 | 286 |
| Tangible Assets | \$7,146,824 | \$7,001,941 | \$6,929,793 |
| | | | |
| Tangible Stockholders' Common Equity to Tangible Assets | 7.78 % | 8.05 % | 7.93 % |

¹ See the tables entitled “Reconciliation of GAAP Earnings and Core Earnings” and “Reconciliation of GAAP Net Interest Income and Net Interest Margin to Core Net Interest Income and Net Interest Margin.”

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Source: Flushing Financial Corporation