

Flushing Financial Corporation Reports GAAP Diluted EPS of \$0.37, Unchanged QoQ, and Core Diluted EPS of \$0.48 up 14.3% QoQ; Record Quarterly Loan Closings; Quarter End Loan Pipeline Remains Strong at \$419 Million

Oct 29, 2019 5:30 PM

THIRD QUARTER 2019¹ HIGHLIGHTS

- GAAP diluted EPS was \$0.37, unchanged QoQ and down 39.3% YoY
- Core diluted EPS was \$0.48, up 14.3% QoQ and down 11.1% YoY
- Record quarterly loan originations driven by C&I closings totaling \$237.9 million
- Net interest margin was 2.37%, down 8bps QoQ and 35bps YoY
- Core net interest margin was 2.33%, down 7bps QoQ and 20bps YoY
- GAAP net interest income of \$38.9 million, down 2.6% QoQ and 6.2% YoY
- Core net interest income of \$40.2 million, down 1.5% QoQ and 3.2% YoY
- GAAP and core ROAE were 7.6% and 9.8%, respectively, compared with 7.5% and 8.6%, respectively in 2Q19
- GAAP and core ROAA were 0.6% and 0.8%, respectively, compared with 0.6% and 0.7%, respectively in 2Q19
- Provision for loan losses of \$0.7 million, or \$0.02 after-tax per diluted common share, driven mainly by growth in the C&I portfolio

UNIONDALE, N.Y., Oct. 29, 2019 (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 third quarter ended September 30, 2019.

John R. Buran, President and Chief Executive Officer, stated, "We are pleased to report core diluted earnings per share increased 14%, while GAAP earnings per diluted share was unchanged from 2Q19. The primary difference between GAAP and core earnings is the non-cash net losses from fair value adjustments, or \$0.10 per diluted share, which is discussed in more detail later in this release. Core earnings for 3Q19 included the benefit of the FDIC small business assessment credit of \$0.03, after-tax per diluted common share and the true-up of our effective tax rate to 22% from 24% which equated to \$0.02 per diluted common share. Our core ROAE increased to 9.8% for the quarter compared to 8.6% for the linked quarter and our GAAP ROAE increased seven basis points during the same period to 7.6%. Similarly, the core ROAA increased nine basis points to 0.79% compared to 0.70% for 2Q19 and GAAP ROAA increased one basis point to 0.62%."

"We generated robust loan growth of 9% (annualized) for the quarter, as we booked record quarterly loan closings driven by record C&I production. This marks the second consecutive quarter of record C&I closings. Total loan closings for the quarter amounted to \$398 million, with \$238 million, or 60% from C&I closings. The strong C&I production aids the continuing diversification of our loan portfolio. These C&I loans are generally floating rate and represent 19% of total loans at September

30, 2019, compared to 16% at September 30, 2018. At September 30, 2019, the loan pipeline remains strong at \$419 million.”

“The net interest margin compressed 8bps QoQ. During the quarter, loan yields on originations decreased 50bps from 2Q19, as we continued to experience pricing pressure due to the inverted yield curve at the pricing point for our loan tenor. Although the Federal Reserve has recently cut rates, we still experienced margin compression on the liability side, with the cost of funds increasing 4bps primarily driven by pricing pressure on our retail and municipal deposits, as competition from traditional bank and non-bank competitors remains very strong. We have experienced an increase in the cost of funds throughout the first two quarters of 2019 and into the middle of 3Q19. Starting in late 3Q19, the cost of funds began to improve. The Company has approximately \$1 billion of retail CDs maturing before 3Q20 at an average rate of 2.33%. At quarter-end, our average new CD cost was less than 2.00%. Additionally, in order to continue to diversify deposit gathering channels, we have embarked on a digital transformation strategy. This strategy will enhance our current technological offerings to state of the art digital services. We expect the new technologies to be fully operational in the first quarter of 2020.”

“We remain focused on preserving strong risk management practices, including conservative underwriting standards and improving yields to achieve improved risk-adjusted returns. We continue to focus on increasing the amount of direct loan business, as approximately 65% of 3Q19 loan closings were non-brokered loans.”

- Multi-family (excluding underlying co-operative mortgages), commercial real estate, and one-to-four family mixed-use property mortgage loans originated during 3Q19 had a yield of 4.32%, a decrease of 28bps from 4.60% for 2Q19 and 6bps from 4.38% for 3Q18. As noted, the decrease in the yield of 3Q19 originations was due to the inverted yield curve. We maintained our asset quality as these loans had an average loan-to-value ratio of 40% and an average debt coverage ratio of 191%.
- We remain committed to our strategy of focusing on C&I loans, commercial real estate loans and multi-family. In 3Q19, these loan closings represented 60%, 17%, and 15%, respectively, of all originations, while maintaining conservative loan-to-value and debt coverage ratios.

“Overall, we remain well capitalized and well positioned to deliver profitable growth and long-term value to our shareholders as we continue to execute our strategic objectives.”

“As previously announced we are opening a new branch in Hicksville, NY, which expands our presence on Long Island.”

Mr. Buran continued, “We are excited about the signing of the definitive merger agreement to acquire Empire Bancorp, Inc. As previously reported, the transaction is valued at an estimated \$111.6 million, based on our closing price on October 24, 2019. The combined company at close is expected to have approximately \$8.0 billion in assets, \$6.3 billion in loans and \$5.8 billion in deposits.”

Mr. Buran concluded, “The combination of the new branch opening and merger will provide our customers with an expanded network of 24 branches, with 16 branches in New York City, five branches in Nassau County and three branches in Suffolk County.”

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 3Q19 was \$38.9 million, a decrease of \$2.6 million, or 6.2% YoY (3Q19 compared to 3Q18) and \$1.1 million, or 2.6% QoQ (3Q19 compared to 2Q19).

- Net interest margin of 2.37%, decreased 35bps YoY and 8bps QoQ
- Net interest spread of 2.15%, decreased 38bps YoY and 8bps QoQ
- Yield on average interest-earning assets of 4.22%, decreased 7bps YoY and 4bps QoQ
- Cost of average interest-bearing liabilities of 2.07%, increased 31bps YoY and 4bps QoQ
- Cost of funds of 1.94%, increased 30bps YoY and 4bps QoQ
- Average balance of total interest-earning assets of \$6,589.5 million, increased \$459.1 million, or 7.5%, YoY and \$49.4 million, or 0.8%, QoQ
- Net interest income includes prepayment penalty income from loans totaling \$1.7 million in 3Q19, \$1.1 million in 2Q19 and \$1.9 million in 3Q18; recovered interest from delinquent loans of \$0.3 million in 3Q19, \$0.5 million in 2Q19 and \$1.1 million in 3Q18; and losses from fair value adjustments on qualifying hedges totaling \$1.3 million in 3Q19, \$0.8 million in 2Q19 and none in 3Q18
- Absent all above items noted in the preceding bullet, the yield on interest-earning assets was 4.18% in 3Q19, a decrease of 3bps from 2Q19 but an increase of 9bps from 3Q18 and the net interest margin was 2.33% in 3Q19, which decreased 7bps from 2Q19 and 20bps from 3Q18

Provision for loan losses

The Company recorded a provision of \$0.7 million compared to \$1.5 million in 2Q19 and none in 3Q18.

- 3Q19 provision for loan losses was primarily due to growth in the commercial business loan portfolio
- Recorded net charge-offs (recoveries) of \$0.2 million in 3Q19, \$1.0 million in 2Q19, and (\$0.1) million in 3Q18

Non-interest Income

Non-interest income for 3Q19 was \$1.0 million, a decrease of \$3.9 million YoY, and \$1.4 million QoQ

- Non-interest income included net losses from fair value adjustments of \$2.1 million in 3Q19, \$2.0 million in 2Q19, and \$0.2 million in 3Q18

- Additionally, non-interest income included net gain on sale of loans of \$0.2 million in 3Q19, \$0.1 million in 2Q19 and \$10,000 in 3Q18; capital gain of \$0.5 million in 2Q19, net gain on sale of assets of \$0.8 million in 2Q19 and life insurance proceeds of \$2.2 million in 3Q18
- Absent all above items, non-interest income was \$3.0 million in 3Q19 and 2Q19 compared to \$2.9 million in 3Q18

Non-interest Expense

Non-interest expense for 3Q19 was \$26.0 million, a decrease of \$1.2 million, or 4.4 % YoY, and \$1.1 million, or 4.1% QoQ

- Non-interest expense improved QoQ and YoY, primarily due to a reduction in FDIC insurance expense resulting from the FDIC small business assessment credit
- Absent the benefit of the FDIC small business assessment credit, non-interest expense was \$27.3 million, an increase of \$0.1 million, or 0.2% YoY, and \$0.1 million, or 0.5% QoQ
- The ratio of non-interest expense to average assets improved to 1.49% in 3Q19 compared to 1.58% in 2Q19 and 1.69% in 3Q18
- The efficiency ratio was 58.9% in 3Q19 compared to 61.1% in 2Q19 and 61.0% in 3Q18

Provision for Income Taxes

The provision for income taxes in 3Q19 was \$2.5 million, an increase of \$0.6 million, or 32.8% YoY but a decrease of \$0.7 million, or 22.5% QoQ.

- Pre-tax income decreased by \$6.0 million, or 31.1% YoY, and by \$0.6 million, or 4.1% QoQ
- The effective tax rates were 19.1% in 3Q19, 23.7% in 2Q19 and 9.9% in 3Q18
- The 3Q19 effective tax rate reflects a reduction in the estimated full year tax rate to 22% from 24%

Financial Condition Summary:

Loans:

- Net loans held for investment were \$5,743.7 million reflecting an increase of 2.3% QoQ (not annualized) and 7.2% from September 30, 2018, as we continue to focus on the origination of full banking relationship loans through C&I loans, multi-family loans and commercial real estate
- Loan closings of commercial business loans, multi-family loans and commercial real estate totaled \$364.9 million for 3Q19, or 91.6% of loan production
- Loan pipeline was \$418.9 million at September 30, 2019, compared to \$423.9 million at June 30, 2019 and \$355.2 million at September 30, 2018
- The loan-to-value ratio on our portfolio of real estate dependent loans as of September 30, 2019 totaled 38.4%

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

| Loan type | For the three months ended | | | | | |
|--------------------|----------------------------|---|------------------|---|-----------------------|---|
| | September 30, 2019 | | June 30, 2019 | | September 30, 2018 | |
| Mortgage loans | 4.40 | % | 4.75 | % | 4.48 | % |
| Non-mortgage loans | 4.38 | % | 5.01 | % | 4.50 | % |
| Total loans | 4.39 | % | 4.89 | % | 4.49 | % |

Credit Quality:

- Non-performing loans totaled \$14.7 million, a decrease of \$1.5 million, or 9.5%, from \$16.3 million at December 31, 2018
- Non-performing assets totaled \$15.0 million, a decrease of \$1.3 million, or 8.0%, from \$16.3 million at December 31, 2018
- Classified assets totaled \$31.3 million, a decrease of \$15.2 million, or 32.6%, from \$46.5 million at December 31, 2018
- Loans classified as troubled debt restructured (TDR) totaled \$7.0 million, a decrease of \$1.3 million, or 16.0%, from \$8.4 million at December 31, 2018
- We anticipate continued low loss content in the portfolio, as our strong underwriting standards coupled with our practice of obtaining updated appraisals and recording charge-offs early in the delinquency process has resulted in a 34.5% average loan-to-value for non-performing loans collateralized by real estate
- Net charge-offs totaled \$2.0 million during the nine months ended September 30, 2019 driven mainly by charge-offs of one commercial business loan relationship

Capital Management:

- The Company and Bank, at September 30, 2019, were both well capitalized under all applicable regulatory requirements
- Through 3Q19, stockholders' equity increased \$18.9 million, or 3.4%, to \$568.4 million due to net income of \$28.3 million, partially offset by the declaration and payment of dividends on the Company's common stock
- During 3Q19, the Company repurchased 40,000 shares at an average cost of \$19.28 per share; as of September 30, 2019, up to 427,211 shares remained subject to repurchase under the authorized stock repurchase program, which has no expiration or maximum dollar limit
- Book value per common share increased to \$20.19 at September 30, 2019, from \$19.64 at December 31, 2018 and tangible book value per common share, a non-GAAP measure, increased to \$19.62 at September 30, 2019, from \$19.07 at December 31, 2018

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, October 30, 2019 at 9:30 AM (ET) to discuss the Company’s strategy and results for the third quarter
- Dial-in for Live Call: 1-877-509-5836
- Webcast: <https://services.choruscall.com/links/ffic191030.html>
- Dial-in for Replay: 1-877-344-7529
- Replay Access Code: 10129663
- The conference call will be simultaneously webcast and archived through 5:00 PM (ET) on October 30, 2020

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, 2018 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 nine months ended | |
|--|----------------------------|---------------|--------------------|---------------------------|--------------------|
| | September 30, 2019 | June 30, 2019 | September 30, 2018 | September 30, 2019 | September 30, 2018 |
| Interest and Dividend Income | | | | | |
| Interest and fees on loans | \$ 62,825 | \$ 62,273 | \$ 59,658 | \$ 187,428 | \$ 171,997 |
| Interest and dividends on securities: | | | | | |
| Interest | 6,287 | 6,811 | 5,562 | 20,007 | 16,646 |
| Dividends | 18 | 19 | 18 | 56 | 49 |
| Other interest income | 259 | 472 | 248 | 1,286 | 873 |
| Total interest and dividend income | 69,389 | 69,575 | 65,486 | 208,777 | 189,565 |
| Interest Expense | | | | | |
| Deposits | 22,244 | 22,827 | 17,425 | 66,540 | 44,323 |
| Other interest expense | 8,196 | 6,739 | 6,540 | 21,476 | 18,472 |
| Total interest expense | 30,440 | 29,566 | 23,965 | 88,016 | 62,795 |
| Net Interest Income | 38,949 | 40,009 | 41,521 | 120,761 | 126,770 |
| Provision for loan losses | 683 | 1,474 | - | 3,129 | 153 |
| Net Interest Income After Provision for Loan Losses | 38,266 | 38,535 | 41,521 | 117,632 | 126,617 |
| Non-interest Income | | | | | |
| Banking services fee income | 847 | 1,059 | 1,017 | 2,879 | 2,965 |
| Net loss on sale of securities | - | (15) | - | (15) | - |
| Net gain on sale of loans | 204 | 114 | 10 | 381 | 168 |
| Net gain on sale of assets | - | 770 | - | 770 | - |
| Net loss from fair value adjustments | (2,124) | (1,956) | (170) | (6,160) | (537) |
| Federal Home Loan Bank of New York stock dividends | 834 | 826 | 873 | 2,563 | 2,630 |
| Life insurance proceeds | - | - | 2,222 | 43 | 2,998 |
| Bank owned life insurance | 1,000 | 810 | 782 | 2,550 | 2,320 |
| Other income | 278 | 843 | 221 | 1,422 | 779 |
| Total non-interest income | 1,039 | 2,451 | 4,955 | 4,433 | 11,323 |
| Non-interest Expense | | | | | |
| Salaries and employee benefits | 15,461 | 15,668 | 15,720 | 50,295 | 49,466 |

| | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|
| Occupancy and equipment | 2,847 | 2,742 | 2,475 | 8,378 | 7,528 |
| Professional services | 2,167 | 1,806 | 1,915 | 6,238 | 6,539 |
| FDIC deposit insurance | (589) | 667 | 596 | 563 | 1,643 |
| Data processing | 1,490 | 1,420 | 1,427 | 4,402 | 4,254 |
| Depreciation and amortization | 1,439 | 1,497 | 1,484 | 4,454 | 4,328 |
| Other real estate owned/ foreclosure expense (benefit) | 48 | 20 | (102) | 145 | 34 |
| Net gain from sales of real estate owned | - | - | - | - | (27) |
| Other operating expenses | 3,182 | 3,338 | 3,718 | 11,147 | 12,158 |
| Total non-interest expense | 26,045 | 27,158 | 27,233 | 85,622 | 85,923 |
| Income Before Income Taxes | 13,260 | 13,828 | 19,243 | 36,443 | 52,017 |
| Provision for Income Taxes | | | | | |
| Federal | 2,457 | 2,981 | 2,307 | 7,381 | 8,225 |
| State and local | 79 | 291 | (397) | 714 | 1,124 |
| Total taxes | 2,536 | 3,272 | 1,910 | 8,095 | 9,349 |
| Net Income | \$ 10,724 | \$ 10,556 | \$ 17,333 | \$ 28,348 | \$ 42,668 |
| Basic earnings per common share | \$ 0.37 | \$ 0.37 | \$ 0.61 | \$ 0.99 | \$ 1.48 |
| Diluted earnings per common share | \$ 0.37 | \$ 0.37 | \$ 0.61 | \$ 0.99 | \$ 1.48 |
| Dividends per common share | \$ 0.21 | \$ 0.21 | \$ 0.20 | \$ 0.63 | \$ 0.60 |

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

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

| | September 30, 2019 | June 30, 2019 | December 31, 2018 |
|--------------------------------|-----------------------|------------------|----------------------|
| ASSETS | | | |
| Cash and due from banks | \$ 86,989 | \$ 56,484 | \$ 118,561 |
| Securities held-to-maturity: | | | |
| Mortgage-backed securities | 7,939 | 7,944 | 7,953 |
| Other securities | 52,101 | 52,242 | 24,065 |
| Securities available for sale: | | | |
| Mortgage-backed securities | 579,010 | 554,481 | 557,953 |
| Other securities | 246,465 | 254,172 | 264,702 |
| Loans: | | | |
| Multi-family residential | 2,232,305 | 2,263,875 | 2,269,048 |
| Commercial real estate | 1,559,581 | 1,524,693 | 1,542,547 |

| | | | |
|---|--------------|--------------|--------------|
| One-to-four family — mixed-use property | 587,100 | 582,264 | 577,741 |
| One-to-four family — residential | 184,432 | 184,024 | 190,350 |
| Co-operative apartments | 9,089 | 8,137 | 8,498 |
| Construction | 64,234 | 58,503 | 50,600 |
| Small Business Administration | 13,982 | 14,511 | 15,210 |
| Taxi medallion | 3,513 | 3,555 | 4,539 |
| Commercial business and other | 1,096,164 | 983,573 | 877,763 |
| Net unamortized premiums and unearned loan fees | 15,363 | 15,278 | 15,188 |
| Allowance for loan losses | (22,035) | (21,510) | (20,945) |
| Net loans | 5,743,728 | 5,616,903 | 5,530,539 |
| Interest and dividends receivable | 26,566 | 26,552 | 25,485 |
| Bank premises and equipment, net | 28,146 | 28,623 | 30,418 |
| Federal Home Loan Bank of New York stock | 65,280 | 63,029 | 57,282 |
| Bank owned life insurance | 158,604 | 157,604 | 131,788 |
| Goodwill | 16,127 | 16,127 | 16,127 |
| Other real estate owned, net | 239 | 239 | - |
| Right of use asset | 42,400 | 42,557 | - |
| Other assets | 57,301 | 68,677 | 69,303 |
| Total assets | \$ 7,110,895 | \$ 6,945,634 | \$ 6,834,176 |

LIABILITIES

Due to depositors:

| | | | |
|---------------------------------|------------|------------|------------|
| Non-interest bearing | \$ 421,786 | \$ 413,813 | \$ 413,747 |
| Certificate of deposit accounts | 1,506,376 | 1,544,117 | 1,563,310 |
| Savings accounts | 193,497 | 196,820 | 210,022 |
| Money market accounts | 1,329,156 | 1,302,153 | 1,427,992 |
| NOW accounts | 1,461,694 | 1,368,813 | 1,300,852 |
| Total deposits | 4,912,509 | 4,825,716 | 4,915,923 |
| Mortgagors' escrow deposits | 61,803 | 52,201 | 44,861 |
| Borrowed funds | 1,422,440 | 1,371,890 | 1,250,843 |
| Operating lease liability | 50,626 | 50,898 | - |
| Other liabilities | 95,125 | 79,539 | 73,085 |
| Total liabilities | 6,542,503 | 6,380,244 | 6,284,712 |

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 September 30, 2019, June 30, 2019 and December 31, 2018; 28,157,206 shares, 28,187,922 shares and 27,983,637 shares outstanding at September 30, 2019, June 30, 2019 and December 31, 2018, respectively)

315 315 315

Additional paid-in capital

225,471 224,231 222,720

| | | | |
|---|--------------|--------------|--------------|
| Treasury stock (3,373,389 shares, 3,342,673 shares and 3,546,958 shares at September 30, 2019, June 30, 2019 and December 31, 2018, respectively) | (71,487) | (70,913) | (75,146) |
| Retained earnings | 427,062 | 422,373 | 414,327 |
| Accumulated other comprehensive loss, net of taxes | (12,969) | (10,616) | (12,752) |
| Total stockholders' equity | 568,392 | 565,390 | 549,464 |
| Total liabilities and stockholders' equity | \$ 7,110,895 | \$ 6,945,634 | \$ 6,834,176 |

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 nine months ended | |
|---|----------------------------------|------------------|-----------------------|---------------------------------|-----------------------|
| | September 30, 2019 | June 30, 2019 | September 30, 2018 | September 30, 2019 | September 30, 2018 |
| Per Share Data | | | | | |
| Basic earnings per share | \$ 0.37 | \$ 0.37 | \$ 0.61 | \$ 0.99 | \$ 1.48 |
| Diluted earnings per share | \$ 0.37 | \$ 0.37 | \$ 0.61 | \$ 0.99 | \$ 1.48 |
| Average number of shares outstanding for: | | | | | |
| Basic earnings per common share computation | 28,730,161 | 28,760,816 | 28,603,543 | 28,704,398 | 28,806,152 |
| Diluted earnings per common share computation | 28,730,161 | 28,760,816 | 28,603,948 | 28,704,402 | 28,806,885 |
| Shares outstanding | 28,157,206 | 28,187,922 | 28,025,081 | 28,157,206 | 28,025,081 |
| Book value per common share (1) | \$ 20.19 | \$ 20.06 | \$ 19.33 | \$ 20.19 | \$ 19.33 |
| Tangible book value per common share (2) | \$ 19.62 | \$ 19.50 | \$ 18.77 | \$ 19.62 | \$ 18.77 |

Stockholders' Equity

| | | | | | |
|-------------------------------|------------|------------|------------|------------|------------|
| Stockholders' equity | \$ 568,392 | \$ 565,390 | \$ 541,756 | \$ 568,392 | \$ 541,756 |
| Tangible stockholders' equity | 552,551 | 549,549 | 525,920 | 552,551 | 525,920 |

Average Balances

| | | | | | |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Total loans, net | \$ 5,645,503 | \$ 5,565,057 | \$ 5,280,172 | \$ 5,585,445 | \$ 5,276,039 |
| Total interest-earning assets | 6,589,498 | 6,540,134 | 6,130,422 | 6,550,509 | 6,136,887 |
| Total assets | 6,972,403 | 6,891,541 | 6,446,540 | 6,911,077 | 6,445,097 |
| Total due to depositors | 4,422,050 | 4,595,189 | 4,213,118 | 4,537,869 | 4,233,490 |
| Total interest-bearing liabilities | 5,877,740 | 5,825,187 | 5,455,867 | 5,838,307 | 5,471,382 |
| Stockholders' equity | 564,255 | 560,624 | 536,416 | 559,209 | 532,601 |

Performance Ratios (3)

| | | | | | | | | | | |
|---|-------|---|-------|---|-------|---|-------|---|-------|---|
| Return on average assets | 0.62 | % | 0.61 | % | 1.08 | % | 0.55 | % | 0.88 | % |
| Return on average equity | 7.60 | | 7.53 | | 12.93 | | 6.76 | | 10.68 | |
| Yield on average interest-earning assets (4) | 4.22 | | 4.26 | | 4.29 | | 4.26 | | 4.13 | |
| Cost of average interest-bearing liabilities | 2.07 | | 2.03 | | 1.76 | | 2.01 | | 1.53 | |
| Cost of funds | 1.94 | | 1.90 | | 1.64 | | 1.88 | | 1.44 | |
| Interest rate spread during period (4) | 2.15 | | 2.23 | | 2.53 | | 2.25 | | 2.60 | |
| Net interest margin (4) | 2.37 | | 2.45 | | 2.72 | | 2.47 | | 2.77 | |
| Non-interest expense to average assets | 1.49 | | 1.58 | | 1.69 | | 1.65 | | 1.78 | |
| Efficiency ratio (5) | 58.87 | | 61.06 | | 60.97 | | 63.52 | | 63.28 | |
| Average interest-earning assets to average interest-bearing liabilities | 1.12 | X | 1.12 | X | 1.12 | X | 1.12 | X | 1.12 | X |

- (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 officers death, merger expense, OREO expense and the net gain/loss from the sale of OREO) by the total of net interest income (excluding net losses from fair value adjustments on qualifying hedges) and non-interest income (excluding net gains and losses from the sale of securities, assets and fair value adjustments and life insurance proceeds).

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
SELECTED CONSOLIDATED FINANCIAL DATA

(Dollars in thousands)

(Unaudited)

| | At or for the nine months ended September 30, 2019 | At or for the year ended December 31, 2018 | At or for the nine months ended September 30, 2018 |
|--|--|--|--|
|--|--|--|--|

Selected Financial Ratios and Other Data

Regulatory capital ratios (for Flushing
Financial Corporation):

| | | | |
|------------------------------|------------|------------|------------|
| Tier 1 capital | \$ 606,844 | \$ 586,582 | \$ 578,034 |
| Common equity Tier 1 capital | 564,466 | 546,230 | 539,306 |
| Total risk-based capital | 703,879 | 682,527 | 673,343 |

| | | | | | | |
|---|-------|---|-------|---|-------|---|
| Tier 1 leverage capital (well capitalized = 5%) | 8.71 | % | 8.74 | % | 8.92 | % |
| Common equity Tier 1 risk-based capital (well capitalized = 6.5%) | 10.73 | | 10.98 | | 11.07 | |
| Tier 1 risk-based capital (well capitalized = 8.0%) | 11.53 | | 11.79 | | 11.86 | |
| Total risk-based capital (well capitalized = 10.0%) | 13.37 | | 13.72 | | 13.82 | |

Regulatory capital ratios (for Flushing Bank
only):

| | | | |
|------------------------------|------------|------------|------------|
| Tier 1 capital | \$ 673,084 | \$ 660,782 | \$ 655,965 |
| Common equity Tier 1 capital | 673,084 | 660,782 | 655,965 |
| Total risk-based capital | 695,120 | 681,727 | 676,274 |

| | | | | | | |
|---|-----------|---|-----------|---|-----------|---|
| Tier 1 leverage capital (well capitalized = 5%) | 9.66 | % | 9.85 | % | 10.12 | % |
| Common equity Tier 1 risk-based capital (well capitalized = 6.5%) | 12.79 | | 13.28 | | 13.46 | |
| Tier 1 risk-based capital (well capitalized = 8.0%) | 12.79 | | 13.28 | | 13.46 | |
| Total risk-based capital (well capitalized = 10.0%) | 13.21 | | 13.70 | | 13.88 | |
| Capital ratios: | | | | | | |
| Average equity to average assets | 8.09 | % | 8.22 | % | 8.26 | % |
| Equity to total assets | 7.99 | | 8.04 | | 8.28 | |
| Tangible common equity to tangible assets (1) | 7.79 | | 7.83 | | 8.06 | |
| Asset quality: | | | | | | |
| Non-accrual loans (2) | \$ 14,260 | | \$ 16,253 | | \$ 12,533 | |
| Non-performing loans | 14,705 | | 16,253 | | 12,644 | |
| Non-performing assets | 14,979 | | 16,288 | | 12,679 | |
| Net charge-offs/ (recoveries) | 2,039 | | (19) | | 195 | |
| Asset quality ratios: | | | | | | |
| Non-performing loans to gross loans | 0.26 | % | 0.29 | % | 0.24 | % |
| Non-performing assets to total assets | 0.21 | | 0.24 | | 0.19 | |
| Allowance for loan losses to gross loans | 0.38 | | 0.38 | | 0.38 | |
| Allowance for loan losses to non-performing assets | 147.11 | | 128.60 | | 160.17 | |
| Allowance for loan losses to non-performing loans | 149.85 | | 128.87 | | 160.62 | |
| Full-service customer facilities | 19 | | 19 | | 18 | |

(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 | | | | | | | | |
|----------------------------|----------|-------------|-----------------|----------|-------------|--------------------|----------|-------------|
| September 30, 2019 | | | June 30, 2019 | | | September 30, 2018 | | |
| Average Balance | Interest | Yield/ Cost | Average Balance | Interest | Yield/ Cost | Average Balance | Interest | Yield/ Cost |

(Dollars in thousands)

Interest-earning Assets:

| | | | | | | | | | |
|--|-------------|----------|-------|-------------|----------|-------|-------------|----------|-------|
| Mortgage loans, net | \$4,598,898 | \$50,462 | 4.39% | \$4,590,429 | \$50,206 | 4.37% | \$4,467,349 | \$49,612 | 4.44% |
| Other loans, net | 1,046,605 | 12,363 | 4.72 | 974,628 | 12,067 | 4.95 | 812,823 | 10,046 | 4.94 |
| Total loans, net (1) (2) | 5,645,503 | 62,825 | 4.45 | 5,565,057 | 62,273 | 4.48 | 5,280,172 | 59,658 | 4.52 |
| Taxable securities: | | | | | | | | | |
| Mortgage-backed securities | | | | | | | | | |
| | 574,756 | 3,765 | 2.62 | 585,892 | 4,225 | 2.88 | 542,192 | 3,800 | 2.80 |
| Other securities | | | | | | | | | |
| | 244,757 | 1,982 | 3.24 | 242,560 | 2,135 | 3.52 | 123,174 | 928 | 3.01 |
| Total taxable securities | | | | | | | | | |
| | 819,513 | 5,747 | 2.81 | 828,452 | 6,360 | 3.07 | 665,366 | 4,728 | 2.84 |
| Tax-exempt securities: | | | | | | | | | |
| (3) | | | | | | | | | |
| Other securities | | | | | | | | | |
| | 65,709 | 706 | 4.30 | 56,064 | 595 | 4.25 | 123,472 | 1,078 | 3.49 |
| Total tax-exempt securities | | | | | | | | | |
| | 65,709 | 706 | 4.30 | 56,064 | 595 | 4.25 | 123,472 | 1,078 | 3.49 |
| Interest-earning deposits and federal funds sold | | | | | | | | | |
| | 58,773 | 259 | 1.76 | 90,561 | 472 | 2.08 | 61,412 | 248 | 1.62 |
| Total interest-earning assets | | | | | | | | | |
| | 6,589,498 | 69,537 | 4.22 | 6,540,134 | 69,700 | 4.26 | 6,130,422 | 65,712 | 4.29 |
| Other assets | | | | | | | | | |
| | 382,905 | | | 351,407 | | | 316,118 | | |
| Total assets | | | | | | | | | |
| | \$6,972,403 | | | \$6,891,541 | | | \$6,446,540 | | |

Interest-bearing Liabilities:

| | | | | | | | | | |
|------------------|-----------|-------|------|-----------|-------|------|-----------|-------|------|
| Deposits: | | | | | | | | | |
| Savings accounts | | | | | | | | | |
| | \$194,736 | 344 | 0.71 | \$200,349 | 348 | 0.69 | \$219,749 | 304 | 0.55 |
| NOW accounts | | | | | | | | | |
| | 1,347,145 | 5,654 | 1.68 | 1,541,956 | 6,641 | 1.72 | 1,336,873 | 4,416 | 1.32 |

| | | | | | | | | | |
|---|-------------|----------|-------|-------------|----------|-------|-------------|----------|-------|
| Money market accounts | 1,306,634 | 6,859 | 2.10 | 1,336,526 | 6,974 | 2.09 | 1,169,130 | 5,126 | 1.75 |
| Certificate of deposit accounts | 1,573,535 | 9,321 | 2.37 | 1,516,358 | 8,802 | 2.32 | 1,487,366 | 7,453 | 2.00 |
| Total due to depositors | 4,422,050 | 22,178 | 2.01 | 4,595,189 | 22,765 | 1.98 | 4,213,118 | 17,299 | 1.64 |
| Mortgagors' escrow accounts | 60,084 | 66 | 0.44 | 83,799 | 62 | 0.30 | 57,573 | 126 | 0.88 |
| Total interest-bearing deposits | 4,482,134 | 22,244 | 1.99 | 4,678,988 | 22,827 | 1.95 | 4,270,691 | 17,425 | 1.63 |
| Borrowings | 1,395,606 | 8,196 | 2.35 | 1,146,199 | 6,739 | 2.35 | 1,185,176 | 6,540 | 2.21 |
| Total interest-bearing liabilities | 5,877,740 | 30,440 | 2.07 | 5,825,187 | 29,566 | 2.03 | 5,455,867 | 23,965 | 1.76 |
| Non interest-bearing demand deposits | 400,762 | | | 394,642 | | | 380,825 | | |
| Other liabilities | 129,646 | | | 111,088 | | | 73,432 | | |
| Total liabilities | 6,408,148 | | | 6,330,917 | | | 5,910,124 | | |
| Equity | 564,255 | | | 560,624 | | | 536,416 | | |
| Total liabilities and equity | \$6,972,403 | | | \$6,891,541 | | | \$6,446,540 | | |
| Net interest income / net interest rate spread (tax equivalent) (3) | | \$39,097 | 2.15% | | \$40,134 | 2.23% | | \$41,747 | 2.53% |
| Net interest-earning assets / net interest margin (tax equivalent) | \$711,758 | | 2.37% | \$714,947 | | 2.45% | \$674,555 | | 2.72% |

Ratio of
interest-
earning
assets to
interest-
bearing
liabilities

1.12 X

1.12 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 \$0.9 million, \$0.4 million and \$1.2 million for the three months ended September 30, 2019, June 30, 2019 and September 30, 2018, respectively.

(2) Loan interest income includes net losses from fair value adjustments on qualifying hedges of \$1.3 million, \$0.8 million and none for the three months ended September 30, 2019, June 30, 2019 and September 30, 2018, respectively.

(3) Interest and yields are calculated on the tax equivalent basis using the statutory federal income tax rate of 21% for the three months ended September 30, 2019, June 30, 2019 and September 30, 2018 totaling \$148,000, \$125,000 and \$226,000, respectively.

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

NET INTEREST MARGIN

(Dollars in thousands)

(Unaudited)

| | For the nine months ended | | | | September 30, 2018 | | |
|--|---------------------------|------------|----------------|---|--------------------|------------|----------------|
| | September 30, 2019 | | Yield/ Cost | | September 30, 2018 | | Yield/ Cost |
| | Average Balance | Interest | | | Average Balance | Interest | |
| Interest-earning | | | | | | | |
| Assets: | | | | | | | |
| Mortgage loans, net | \$ 4,602,896 | \$ 151,513 | 4.39 | % | \$ 4,473,422 | \$ 143,397 | 4.27 |
| Other loans, net | 982,549 | 35,915 | 4.87 | | 802,617 | 28,600 | 4.75 |
| Total loans, net (1) (2) | 5,585,445 | 187,428 | 4.47 | | 5,276,039 | 171,997 | 4.35 |
| Taxable securities: | | | | | | | |
| Mortgage-backed securities | 578,020 | 12,238 | 2.82 | | 533,394 | 11,061 | 2.76 |
| Other securities | 243,071 | 6,328 | 3.47 | | 125,589 | 3,072 | 3.26 |
| Total taxable securities | 821,091 | 18,566 | 3.01 | | 658,983 | 14,133 | 2.86 |
| Tax-exempt securities: | | | | | | | |
| (3) | | | | | | | |
| Other securities | 60,010 | 1,895 | 4.21 | | 123,882 | 3,243 | 3.49 |
| Total tax-exempt securities | 60,010 | 1,895 | 4.21 | | 123,882 | 3,243 | 3.49 |
| Interest-earning deposits and federal funds sold | 83,963 | 1,286 | 2.04 | | 77,983 | 873 | 1.49 |

| | | | | | | |
|-------------------------------|--------------|---------|------|--------------|---------|------|
| Total interest-earning assets | 6,550,509 | 209,175 | 4.26 | 6,136,887 | 190,246 | 4.13 |
| Other assets | 360,568 | | | 308,210 | | |
| Total assets | \$ 6,911,077 | | | \$ 6,445,097 | | |

Interest-bearing Liabilities:

Deposits:

| | | | | | | |
|--------------------------------------|--------------|--------|------|--------------|--------|------|
| Savings accounts | \$ 200,246 | 1,053 | 0.70 | \$ 240,234 | 978 | 0.54 |
| NOW accounts | 1,458,801 | 18,326 | 1.67 | 1,439,997 | 10,928 | 1.01 |
| Money market accounts | 1,340,841 | 20,654 | 2.05 | 1,102,374 | 12,184 | 1.47 |
| Certificate of deposit accounts | 1,537,981 | 26,326 | 2.28 | 1,450,885 | 20,034 | 1.84 |
| Total due to depositors | 4,537,869 | 66,359 | 1.95 | 4,233,490 | 44,124 | 1.39 |
| Mortgagors' escrow accounts | 68,678 | 181 | 0.35 | 64,620 | 199 | 0.41 |
| Total interest-bearing deposits | 4,606,547 | 66,540 | 1.93 | 4,298,110 | 44,323 | 1.37 |
| Borrowings | 1,231,760 | 21,476 | 2.32 | 1,173,272 | 18,472 | 2.10 |
| Total interest-bearing liabilities | 5,838,307 | 88,016 | 2.01 | 5,471,382 | 62,795 | 1.53 |
| Non interest-bearing demand deposits | 398,085 | | | 372,257 | | |
| Other liabilities | 115,476 | | | 68,857 | | |
| Total liabilities | 6,351,868 | | | 5,912,496 | | |
| Equity | 559,209 | | | 532,601 | | |
| Total liabilities and equity | \$ 6,911,077 | | | \$ 6,445,097 | | |

| | | | | | | | | |
|---|--|------------|------|---|--|------------|------|---|
| Net interest income / net interest rate spread (tax equivalent) (3) | | \$ 121,159 | 2.25 | % | | \$ 127,451 | 2.60 | % |
|---|--|------------|------|---|--|------------|------|---|

| | | | | | | | | |
|--|------------|--|------|---|------------|--|------|---|
| Net interest-earning assets / net interest margin (tax equivalent) | \$ 712,202 | | 2.47 | % | \$ 665,505 | | 2.77 | % |
|--|------------|--|------|---|------------|--|------|---|

| | | | | | | | | |
|--|--|--|------|---|--|--|------|---|
| Ratio of interest-earning assets to interest-bearing liabilities | | | 1.12 | 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 \$1.7 million and \$1.6 million for the nine months ended September 30, 2019 and 2018, respectively.

(2) Loan interest income includes net losses from fair value adjustments on qualifying hedges of \$2.7 million and none for the nine months ended September 30, 2019 and September 30, 2018, respectively.

(3) Interest and yields are calculated on the tax equivalent basis using the statutory federal income tax rate of 21% for the nine months ended September 30, 2019 and September 30, 2018 totaling \$398,000 and \$681,000, respectively.

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES DEPOSIT COMPOSITION

(Unaudited)

| | September 30, 2019 | June 30, 2019 | March 31, 2019 | December 31, 2018 | September 2019 vs. December 2018 % Change | September 30, 2018 | September 2019 vs. September 2018 % Change |
|---|--------------------------|------------------|-------------------|-------------------------|---|--------------------------|--|
| <i>(Dollars in thousands)</i> | | | | | | | |
| Deposits | | | | | | | |
| Non- interest bearing | \$421,786 | \$413,813 | \$401,064 | \$413,747 | 1.9 % | \$398,606 | 5.8 % |
| Interest bearing: | | | | | | | |
| Certificate of deposit accounts | 1,506,376 | 1,544,117 | 1,511,770 | 1,563,310 | -3.6 % | 1,562,962 | -3.6 % |
| Savings accounts | 193,497 | 196,820 | 201,811 | 210,022 | -7.9 % | 216,976 | -10.8 % |
| Money market accounts | 1,329,156 | 1,302,153 | 1,352,843 | 1,427,992 | -6.9 % | 1,223,640 | 8.6 % |
| NOW accounts | 1,461,694 | 1,368,813 | 1,542,606 | 1,300,852 | 12.4 % | 1,255,464 | 16.4 % |
| Total interest- bearing deposits | 4,490,723 | 4,411,903 | 4,609,030 | 4,502,176 | -0.3 % | 4,259,042 | 5.4 % |
| Total deposits | \$4,912,509 | \$4,825,716 | \$5,010,094 | \$4,915,923 | -0.1 % | \$4,657,648 | 5.5 % |

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

LOANS

(Unaudited)

Loan Closings

| | For the three months ended | | | For the nine months ended | |
|---|----------------------------|---------------|--------------------|---------------------------|--------------------|
| | September 30, 2019 | June 30, 2019 | September 30, 2018 | September 30, 2019 | September 30, 2018 |
| <i>(In thousands)</i> | | | | | |
| Multi-family residential | \$ 60,454 | \$ 55,629 | \$ 102,484 | \$ 143,297 | \$ 254,637 |
| Commercial real estate | 66,648 | 42,700 | 38,569 | 123,289 | 175,013 |
| One-to-four family – mixed-use property | 18,167 | 12,885 | 16,870 | 47,475 | 45,232 |
| One-to-four family – residential | 7,421 | 7,884 | 11,362 | 19,191 | 35,304 |
| Co-operative apartments | 1,817 | 300 | - | 2,117 | 1,500 |
| Construction | 5,761 | 18,715 | 6,008 | 30,377 | 30,627 |
| Small Business Administration | 121 | 2,255 | 344 | 2,705 | 2,539 |
| Commercial business and other | 237,754 | 156,029 | 133,188 | 524,113 | 361,207 |
| Total | \$ 398,143 | \$ 296,397 | \$ 308,825 | \$ 892,564 | \$ 906,059 |

Loan Composition

| | September 30, 2019 | June 30, 2019 | March 31, 2019 | December 31, 2018 | September 2019 vs. December 2018 % Change | September 30, 2018 | September 2019 vs. September 2018 % Change |
|---|--------------------|---------------|----------------|-------------------|---|--------------------|--|
| <i>(Dollars in thousands)</i> | | | | | | | |
| Loans held for investment: | | | | | | | |
| Multi-family residential | \$ 2,232,305 | \$ 2,263,875 | \$ 2,256,447 | \$ 2,269,048 | -1.6 % | \$ 2,235,370 | -0.1 % |
| Commercial real estate | 1,559,581 | 1,524,693 | 1,529,001 | 1,542,547 | 1.1 % | 1,460,555 | 6.8 % |
| One-to-four family — mixed-use property | 587,100 | 582,264 | 582,049 | 577,741 | 1.6 % | 565,302 | 3.9 % |
| One-to-four family — residential | 184,432 | 184,024 | 188,615 | 190,350 | -3.1 % | 188,975 | -2.4 % |

| | | | | | | | |
|---|-------------|-------------|-------------|-------------|---------|-------------|---------|
| Co-operative apartments | 9,089 | 8,137 | 7,903 | 8,498 | 7.0 % | 7,771 | 17.0 % |
| Construction | 64,234 | 58,503 | 54,933 | 50,600 | 26.9 % | 40,239 | 59.6 % |
| Small Business Administration | 13,982 | 14,511 | 15,188 | 15,210 | -8.1 % | 14,322 | -2.4 % |
| Taxi medallion | 3,513 | 3,555 | 3,891 | 4,539 | -22.6 % | 6,078 | -42.2 % |
| Commercial business and other | 1,096,164 | 983,573 | 935,297 | 877,763 | 24.9 % | 846,224 | 29.5 % |
| Net unamortized premiums and unearned loan fees | 15,363 | 15,278 | 15,422 | 15,188 | 1.2 % | 15,226 | 0.9 % |
| Allowance for loan losses | (22,035) | (21,510) | (21,015) | (20,945) | 5.2 % | (20,309) | 8.5 % |
| Net loans | \$5,743,728 | \$5,616,903 | \$5,567,731 | \$5,530,539 | 3.9 % | \$5,359,753 | 7.2 % |

Net Loans Activity

| <i>(In thousands)</i> | Three Months Ended | | | | |
|---|--------------------|---------------|----------------|-------------------|--------------------|
| | September 30, 2019 | June 30, 2019 | March 31, 2019 | December 31, 2018 | September 30, 2018 |
| Loans originated and purchased | \$ 398,143 | \$ 296,397 | \$ 198,024 | \$ 344,732 | \$ 308,825 |
| Principal reductions | (266,894) | (243,263) | (158,815) | (173,061) | (257,902) |
| Loans sold | (3,553) | (1,970) | (1,043) | - | (4,027) |
| Loan charged-offs | (431) | (1,114) | (1,138) | (211) | (220) |
| Foreclosures | - | (239) | - | - | - |
| Net change in deferred fees and costs | 85 | (144) | 234 | (38) | (421) |
| Net change in the allowance for loan losses | (525) | (495) | (70) | (636) | (89) |
| Total loan activity | \$ 126,825 | \$ 49,172 | \$ 37,192 | \$ 170,786 | \$ 46,166 |

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

| <i>(Dollars in thousands)</i> | September 30, 2019 | June 30, 2019 | March 31, 2019 | December 31, 2018 | September 30, 2018 |
|-------------------------------|--------------------|---------------|----------------|-------------------|--------------------|
|-------------------------------|--------------------|---------------|----------------|-------------------|--------------------|

Loans 90 Days Or More Past Due and Still Accruing:

| | | | | | |
|--------------------------|--------|------|------|------|------|
| Multi-family residential | \$ 445 | \$ - | \$ - | \$ - | \$ - |
| Commercial real estate | - | - | - | - | 111 |
| Total | 445 | - | - | - | 111 |

Non-accrual Loans:

| | | | | | |
|---|--------|--------|--------|--------|--------|
| Multi-family residential | 3,132 | 2,008 | 2,009 | 2,410 | 862 |
| Commercial real estate | 872 | 1,488 | 1,050 | 1,379 | 1,398 |
| One-to-four family - mixed-use property | 683 | 1,752 | 1,305 | 928 | 795 |
| One-to-four family - residential | 5,050 | 5,411 | 5,708 | 6,144 | 6,610 |
| Construction | - | - | 950 | - | - |
| Small Business Administration | 1,151 | 1,224 | 1,227 | 1,267 | 1,395 |
| Taxi medallion(1) | 1,352 | 1,361 | 1,372 | 613 | 712 |
| Commercial business and other(1) | 2,020 | 2,458 | 2,114 | 3,512 | 761 |
| Total | 14,260 | 15,702 | 15,735 | 16,253 | 12,533 |

Total Non-performing Loans 14,705 15,702 15,735 16,253 12,644

Other Non-performing Assets:

| | | | | | |
|--|-----|-----|----|----|----|
| Real estate acquired through foreclosure | 239 | 239 | - | - | - |
| Other asset acquired through foreclosure | 35 | 35 | 35 | 35 | 35 |
| Total | 274 | 274 | 35 | 35 | 35 |

Total Non-performing Assets \$ 14,979 \$ 15,976 \$ 15,770 \$ 16,288 \$ 12,679

Non-performing Assets to Total Assets 0.21 % 0.23 % 0.23 % 0.24 % 0.19 %

Allowance For Loan Losses to Non-performing Loans 149.8 % 137.0 % 133.6 % 128.9 % 160.6 %

(1) Not included in the above analysis are non-accrual performing TDR taxi medallion loans totaling \$2.2 million in 3Q19, \$2.2 million in 2Q19, \$2.5 million in 1Q19, \$3.9 million in 4Q18, and \$5.4 million in 3Q18 and non-accrual performing TDR commercial business loans totaling \$1.0 million in 3Q19.

Net Charge-Offs (Recoveries)

| | | | | | |
|--|--------------------|----------|-----------|--------------|---------------|
| | Three Months Ended | | | | |
| | September 30, | June 30, | March 31, | December 31, | September 30, |

| <i>(In thousands)</i> | 2019 | 2019 | 2019 | 2018 | 2018 |
|---|--------|----------|----------|-----------|----------|
| Multi-family residential | \$ 183 | \$ (10) | \$ (13) | \$ (4) | \$ 18 |
| Commercial real estate | - | (7) | - | - | - |
| One-to-four family – mixed-use property | (140) | (2) | (85) | (18) | (36) |
| One-to-four family – residential | (3) | 110 | (4) | (199) | (258) |
| Small Business Administration | (32) | (16) | (4) | 170 | 134 |
| Taxi medallion | ◆◆ - | (50) | (84) | (143) | 40 |
| Commercial business and other | 150 | 954 | 1,092 | (20) | 13 |
| Total net loan charge-offs (recoveries) | \$ 158 | \$ 979 | \$ 902 | \$ (214) | \$ (89) |

Non-cash Fair Value Adjustments to GAAP Earnings

During the current year, core earnings were higher than GAAP earnings primarily due to the impact of non-cash net losses from fair value adjustments. These fair value adjustments relate primarily to swaps designated to protect against rising rates. As the swaps get closer to maturity the volatility in fair value adjustments will dissipate. Overall, the interest movement of the swaps is benefitting the core net interest margin while the fair value adjustments are offsetting the benefit. 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, 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 | | | Nine Months Ended | |
|---|--------------------|---------------|--------------------|--------------------|--------------------|
| | September 30, 2019 | June 30, 2019 | September 30, 2018 | September 30, 2019 | September 30, 2018 |
| GAAP income before income taxes | \$ 13,260 | \$ 13,828 | \$ 19,243 | \$ 36,443 | \$ 52,017 |
| Net loss from fair value adjustments | 2,124 | 1,956 | 170 | 6,160 | 537 |
| Net loss on sale of securities | - | 15 | - | 15 | - |
| Life insurance proceeds | - | - | (2,222) | (43) | (2,998) |
| Net gain on sale of assets | - | (770) | - | (770) | - |
| Net losses from fair value adjustments on qualifying hedges | 1,262 | 818 | - | 2,717 | - |
| Accelerated employee benefits upon Officer's death | - | - | 149 | 455 | 149 |
| Merger expense | 510 | - | - | 510 | - |
| Core income before taxes | 17,156 | 15,847 | 17,340 | 45,487 | 49,705 |
| Provision for income taxes for core income | 3,312 | 3,771 | 2,010 | 10,116 | 9,565 |
| Core net income | \$ 13,844 | \$ 12,076 | \$ 15,330 | \$ 35,371 | \$ 40,140 |
| GAAP diluted earnings per common share | \$ 0.37 | \$ 0.37 | \$ 0.61 | \$ 0.99 | \$ 1.48 |
| Net loss from fair value adjustments, net of tax | 0.06 | 0.05 | - | 0.17 | 0.01 |
| Net loss on sale of securities, net of tax | - | - | - | - | - |
| Life insurance proceeds | - | - | (0.08) | - | (0.10) |
| Net gain on sale of assets, net of tax | - | (0.02) | - | (0.02) | - |
| Net losses from fair value adjustments on qualifying hedges, net of tax | 0.04 | 0.02 | - | 0.07 | - |

| | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|
| Accelerated employee benefits upon Officer's death, net of tax | - | - | - | 0.01 | - |
| Merger expense, net of tax | 0.01 | - | - | 0.01 | - |
| Core diluted earnings per common share ¹ | \$ 0.48 | \$ 0.42 | \$ 0.54 | \$ 1.23 | \$ 1.39 |
| Core net income, as calculated above | \$ 13,844 | \$ 12,076 | \$ 15,330 | \$ 35,371 | \$ 40,140 |
| Average assets | 6,972,403 | 6,891,541 | 6,446,540 | 6,911,077 | 6,445,097 |
| Average equity | 564,255 | 560,624 | 536,416 | 559,209 | 532,601 |
| Core return on average assets ² | 0.79 | % 0.70 | % 0.95 | % 0.68 | % 0.83 |
| Core return on average equity ² | 9.81 | % 8.62 | % 11.43 | % 8.43 | % 10.05 |

(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 NET INTEREST INCOME and NET INTEREST MARGIN
To CORE NET INTEREST INCOME and NET INTEREST MARGIN

(Dollars in thousands)

(Unaudited)

| | Three Months Ended | | | Nine Months Ended | |
|---|--------------------|---------------|--------------------|--------------------|--------------------|
| | September 30, 2019 | June 30, 2019 | September 30, 2018 | September 30, 2019 | September 30, 2018 |
| GAAP net interest income | \$ 38,949 | \$ 40,009 | \$ 41,521 | \$ 120,761 | \$ 126,770 |
| Net losses from fair value adjustments on qualifying hedges | 1,262 | 818 | - | 2,717 | - |
| Core net interest income | \$ 40,211 | \$ 40,827 | \$ 41,521 | \$ 123,478 | \$ 126,770 |
| GAAP interest income on total loans, net | \$ 62,825 | \$ 62,273 | \$ 59,658 | \$ 187,428 | \$ 171,997 |
| Net losses from fair value adjustments on qualifying hedges | 1,262 | 818 | - | 2,717 | - |

| | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| Prepayment penalties received on loans | (1,697) | (1,120) | (1,944) | (3,622) | (4,308) |
| Net recoveries of interest from non-accrual loans | (292) | (519) | (1,066) | (1,525) | (1,480) |
| Core interest income on total loans, net | \$ 62,098 | \$ 61,452 | \$ 56,648 | \$ 184,998 | \$ 166,209 |
| Average total loans, net | \$ 5,645,503 | \$ 5,565,057 | \$ 5,280,172 | \$ 5,585,445 | \$ 5,276,039 |
| Core yield on total loans | 4.40 % | 4.42 % | 4.29 % | 4.42 % | 4.20 % |

| | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| Net interest income tax equivalent | \$ 39,097 | \$ 40,134 | \$ 41,747 | \$ 121,159 | \$ 127,451 |
| Net losses from fair value adjustments on qualifying hedges | 1,262 | 818 | - | 2,717 | - |
| Prepayment penalties received on loans and securities | (1,697) | (1,120) | (1,944) | (3,622) | (4,410) |
| Net recoveries of interest from non-accrual loans | (292) | (519) | (1,066) | (1,525) | (1,480) |
| Net interest income used in calculation of Core net interest margin | \$ 38,370 | \$ 39,313 | \$ 38,737 | \$ 118,729 | \$ 121,561 |
| Total average interest-earning assets | \$ 6,589,498 | \$ 6,540,134 | \$ 6,130,422 | \$ 6,550,509 | \$ 6,136,887 |
| Core net interest margin | 2.33 % | 2.40 % | 2.53 % | 2.42 % | 2.64 % |

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

| <i>(Dollars in thousands)</i> | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|--------------------------------------|-----------------------|----------------------|-----------------------|
| Total Equity | \$ 568,392 | \$ 549,464 | \$ 541,756 |
| Less: | | | |
| Goodwill | (16,127) | (16,127) | (16,127) |
| Intangible deferred tax liabilities | 286 | 290 | 291 |
| Tangible Stockholders' Common Equity | \$ 552,551 | \$ 533,627 | \$ 525,920 |
| | | | |
| Total Assets | \$ 7,110,895 | \$ 6,834,176 | \$ 6,539,543 |
| Less: | | | |
| Goodwill | (16,127) | (16,127) | (16,127) |
| Intangible deferred tax liabilities | 286 | 290 | 291 |
| Tangible Assets | \$ 7,095,054 | \$ 6,818,339 | \$ 6,523,707 |

| | | | | | | |
|---|------|---|------|---|------|---|
| Tangible Stockholders' Common Equity to Tangible Assets | 7.79 | % | 7.83 | % | 8.06 | % |
|---|------|---|------|---|------|---|

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