S&P Global
Market Intelligence

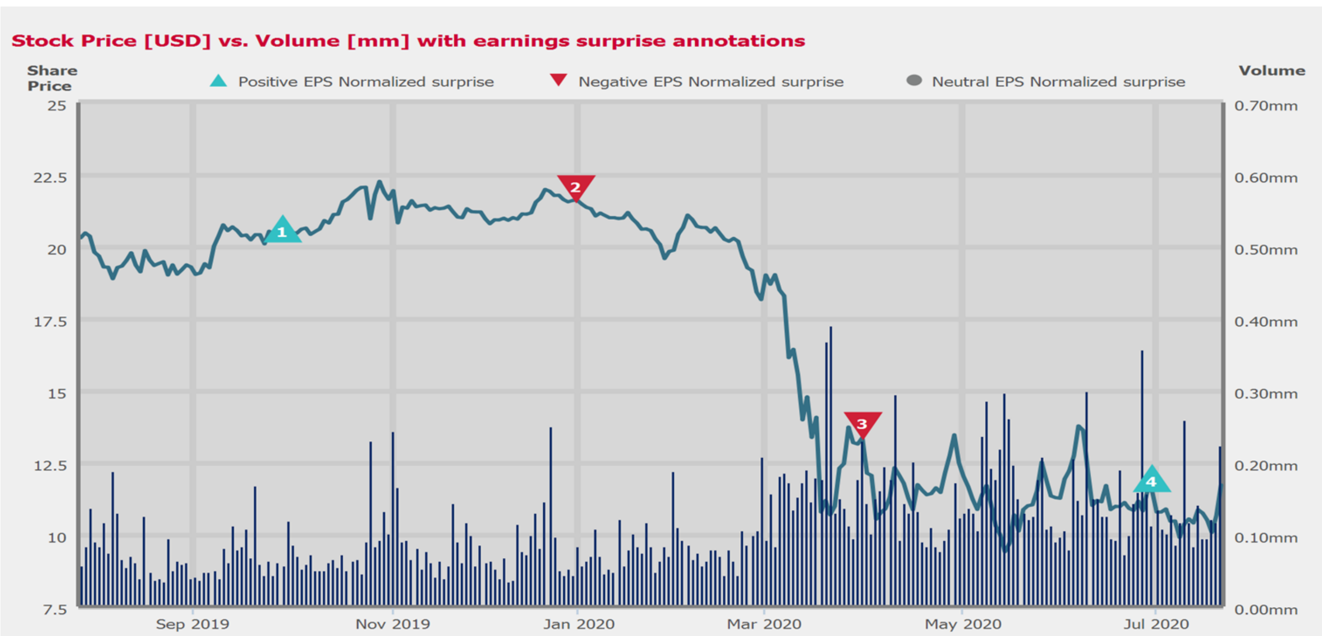
Flushing Financial Corporation NasdaqGS:FFIC
FQ2 2020 Earnings Call Transcripts

Wednesday, July 22, 2020 1:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2020-			-FQ3 2020-	-FY 2020-	-FY 2021-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.34	0.36	5.88	0.39	1.51	1.82
Revenue (mm)	44.74	62.45	39.55	50.20	189.01	213.05

Currency: USD
Consensus as of Jun-30-2020 9:09 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2019	0.41	0.48	17.07 %
FQ4 2019	0.43	0.41	(4.65 %)
FQ1 2020	0.20	0.19	(5.00 %)
FQ2 2020	0.34	0.36	5.88 %

Table of Contents

Call Participants

EXECUTIVES

Francis W. Korzekwinski
Senior EVP & Chief of Real Estate Lending

John R. Buran
President, CEO & Director

Susan K. Cullen
Senior EVP, Treasurer & CFO

ANALYSTS

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

Steven Comery
G. Research, LLC

Presentation

Operator

Welcome to Flushing Financial Corporation Second Quarter 2020 Earnings Conference Call. Hosting the call today are John Buran, President and Chief Executive Officer; Susan Cullen, Senior Executive Vice President, Treasurer and Chief Financial Officer; and Frank Korzekwinski, Senior Executive Vice President and Chief of Real Estate Lending. Today's call is being recorded.

[Operator Instructions]

A copy of the earnings press release and slide presentation that the company will be referencing today are available on its Investor Relations website at flushingbank.com.

Before we begin, the company would like to remind you that discussions during this call contain forward-looking statements made under the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Such statements are risks to -- are subject to risks, uncertainties and other factors that may cause actual results to differ materially from those contained in any such statements. Such factors are included in the company's filings with the U.S. Securities and Exchange Commission. Flushing Financial Corporation does not undertake any obligation to update any forward-looking statements, except as required under applicable law.

During this call, references will be made to non-GAAP financial measures as supplemental measures to review and assess operating performance. These non-GAAP financial measures are not intended to be considered in isolation or a substitute for the financial information prepared and presented in accordance with U.S. GAAP. For information about these non-GAAP measures and for a reconciliation to GAAP, please refer to the earnings release or the presentation.

I'd now like to introduce John Buran, President and Chief Executive Officer, who will provide an overview of the strategy and results. Please go ahead.

John R. Buran
President, CEO & Director

Thank you. Good morning, everyone, and thank you for joining us on our second quarter 2020 earnings call. I will start out by reiterating that our thoughts continue to go out to those most affected by COVID-19, especially the brave health care workers on the front lines of this pandemic. The health and welfare of our employees and customers remain our highest priority. I want to thank our employees, particularly for their outstanding work as we continue to successfully navigate through these unprecedented times.

On today's call, I will discuss our second quarter highlights as well as provide an update on decisive actions that we've taken in response to the COVID-19 pandemic and current economic environment. Then our CFO, Susan Cullen, will provide greater detail on our financial performance and credit quality. Following our prepared remarks, we will address your questions along with our Chief Real Estate Lending Officer, Frank Korzekwinski.

Starting on Slide 3. I'm proud of how our team has responded with adaptability and flexibility since March. We were quick to respond to the pandemic with new health and safety measures, which are still in place today, including appointment banking, and expansion of remote capabilities to nearly all team members. We continue to actively support our customers. At June 30, 2020, as a result of COVID-19, we have acted forbearance on loans with a principal balance of approximately $1.3 billion. We have begun to see loans that have been granted forbearance start to return to making regularly scheduled loan payments as total forbearances are down from our intra-quarter peak.

Through July 10, 63% of the $146 million of loans scheduled to return to regularly scheduled payments have done so. Additionally, we've actively participated in the SBA Paycheck Protection Program, originating $93 million of these loans. We are one of 9 banks in the state of New York, participating in the Main Street Lending Program and also a proud participant in the Federal Home Loan Bank of New York's 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 improved mobile and online banking capabilities that went live in March. Mobile deposits have increased over 13% from April through June. 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 grown during the current quarter to 19% of retail account openings.

With that, let me now turn to Slide 4 to provide a summary of our strong second quarter operating results. Our second quarter GAAP earnings of $0.63 per diluted common share were positively impacted by 2 items. First, we achieved record net interest income as a result of our quick response to the Fed decreasing interest rates in late March, resulting in cost of funds decreasing 62 basis points from the prior 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 net interest margin expanded 43 basis points from the previous quarter. The second item positively affecting our GAAP earnings was the noncash fair value adjustment to our junior subordinated debt of $10 million or $0.27 per diluted common share after tax due to market conditions. Excluding this fair value adjustment, core earnings for the quarter totaled $10 million or $0.36 per diluted common share.

Pre-provision, pretax net revenue totaled $34 million, an increase of $28 million from the previous quarter. Positively, credit quality remains one of our key strengths. Nonperforming assets at the end of the quarter were 29 basis points. Our total 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. At the end of the second quarter, we adjusted our economic forecast in 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 nonperforming loans. Our maximum charge-offs were only 64 basis points in the midst of the Great Recession, while industry peak charge-offs were nearly 5x our experience.

As previously disclosed, our pending acquisition of Empire Bancorp was delayed due to 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 Flushing and Empire. We will not be making any additional comments on this pending acquisition.

Overall, we made good progress in the second quarter to achieve our strategic objectives. We managed our cost of funds and continued to improve the funding mix. We increased net interest income. We enhanced core earnings power. We managed credit risk, and we remain well capitalized under all stress test scenarios. Importantly, we remain 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 formed a diversity and inclusion committee chaired by the Executive Vice President 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 to ensure our message of inclusion is supported by our actions and participation in community organizations.

Turning to Slide 5. Looking at quarter end data, loan growth was 6% year-over-year and 1% quarter-over-quarter as major categories of multifamily and business loans showed improvement. Core yields on loans decreased by 23 basis points quarter-over-quarter. This, however, was more than offset by our improvement in deposit costs, which improved 69 basis points from the prior quarter. Helping to drive that improvement was a 19% increase in our noninterest bearing accounts.

Slide 6 provides detail on the forbearances that we granted due to the pandemic. As of the end of June, these amounted to approximately 21% of the loan portfolio. 97% of these loans are secured by real estate with an average loan-to-value of 45%. Less than half of our forbearances are in more stressed industries like retail or hotels that have been closed down but are just now beginning to open up. The remainder of our forbearances include multifamily, medical offices, other general commercial real estate that we judge more prone to a quicker recovery.

Slide 7 details the impact of COVID-19 on our commercial real estate retail customers. Our portfolio seems to be stabilizing as many tenants were able to operate at some capacity during the lockdown. As we have previously discussed, our portfolio has limited exposure to national chains, as New York entered phases 2 and 3 of reopening, shopping centers and strip malls were opening up. Recently, we inspected 42% of the retail outlet properties across the portfolio, noting that they all appear to be well maintained and the stores appeared to be well stocked.

On Slide 8, we describe our detailed approach to the COVID-19 loan forbearance process. We have a team of independent lenders to monitor the progress of the loans granted forbearance. Early results of our approach are 63% of the $146 million in loans scheduled to return through regularly scheduled payments have done so. And these results also indicate that borrowers are working with their tenants to stabilize operations in the retail sector.

With that, let me now turn the call over to Susan to provide additional details on our financial performance and asset quality.

Susan K. Cullen
Senior EVP, Treasurer & CFO

Thank you, John. I'll begin on Slide 9. Nonperforming loans totaled $20 million, which is 34 basis points of gross loans, and we charged-off $1 million for the quarter. Loan-to-value on real estate dependent loans amounted to 38% as of June 30, and the average loan-to-value for nonperforming loans collateralized by real estate was 30%.

As detailed on Slide 10, we believe the credit outlook for the company is well controlled. The company has a strong credit history and an active forbearance program. Our forbearances have declined 13% from the intra period peak of $1.5 billion. The loan portfolio remains 88% collateralized by real estate and loans delinquent greater than 90 days amount to 32 basis points of gross loans. As John noted, New York is beginning to open up, resulting in a decrease in the forbearance requests.

Slide 11 shows 90-day delinquencies as a percentage of loans originated by year. Our credit discipline has remained consistent for the past 10 years as we've tightened the underwriting criteria back in 2009. As a result, in the last 10 vintage years, we have only 17 loans 90-day plus delinquent.

Continuing on Slide 12. As good as our credit discipline has been, we've recognized continued uncertainty, so we recorded a provision for credit losses of nearly $10 million for the second quarter, primarily driven by deteriorating economic conditions resulting from the impact of COVID-19. The allowance evaluation as of June 30, the forecast showed a tough economy with elevated unemployment and decreasing GDP. We continue to use the Oxford economic forecast model. This model assumes that it will take 3 quarters for our losses to return to the historic norms. Our credit discipline has served us well coming into this environment, and we'll continue to stay close to our customers and manage that carefully, including loan forbearances as appropriate.

As highlighted on Slide 13, our coverage ratio has improved significantly since the 2008 financial crisis. Our solid credit quality metrics have resulted in our coverage ratio increasing to 182% as of June 30, 2020, from 28% at December 31, 2008. The loan-to-value on our real estate portfolio at quarter end totaled a modest 38%. Importantly, we continue to underwrite each loan using a cap rate in excess of 5% and stress test each loan. Additionally, current underwriting requires an interest reserve for a minimum of 6 months for most credits.

On Slide 14, we note our charge-offs during the Great Recession were significantly lower than the industry. We continue to actively manage our loan portfolios to identify and resolve problem loans recording charge-offs early in the delinquency process. We are a historical seller of nonperforming loans. As we continue to strengthen our balance sheet, we are mindful of maintaining asset quality. As shown here, over 2 decades, we have demonstrated superior credit metrics with industry net charge-offs averaging 7x our net charge-offs since 2000. As John noted, our maximum charge-offs were 64 basis points in the midst of the Great Recession, while industry peak charge-offs were nearly 5x then.

Slide 15 shows the trend in the record net interest income recognized this quarter. The net interest margin increased 43 basis points quarter-over-quarter and 42 basis points year-over-year. The increase in the net interest income was primarily due to the decrease in the cost of funds of 62 basis points quarter-over-quarter and 91 basis points year-over-year.

On Slide 16, we provide an update to our balance sheet strategy to reduce funding cost to support our NIM. We have approximately $800 million of retail CDs scheduled to mature through the second quarter of '21 at a weighted average cost of 1.4%. As shown on the right-hand side, current replacement funding costs are significantly lower than maturing CD rates. And we are using wholesale markets to strategically reduce the cost of funds. We believe there's protection to limit the downward pressure on asset yields.

As described on Slide 17, approximately 20% of the real estate portfolio reprices annually and there are floors associated with individual loans. The floating rate loan portfolio totaling $589 million already reflects the downward pricing, absent any additional rate fluctuations.

Moving to Slide 18. Noninterest expense decreased $4 million or 11% quarter-over-quarter, and the efficiency ratio was 55% compared to 68% last quarter. The ratio of noninterest expense to average assets decreased to 1.6% for the second quarter of 2020. The company has historically maintained a relatively stable ratio of noninterest expense to average assets. Included in the noninterest expenses are $0.2 million of legal expenses related to the Empire merger.

Continuing to manage expenses and improve the NIM will assist us in achieving our lower efficiency ratio. As always, we're focused on continuous improvement and look for more opportunities with efficiency gains given our enhanced ability to serve our customers and work remotely.

Regarding taxes for 2020, we approximate an effective tax rate between 23% and 25%.

With that, I'll now turn it back to John for some closing comments.

John R. Buran
President, CEO & Director

Thank you, Susan. On Slide 19, I'll conclude by summarizing how we plan to continue to execute our strategic objectives to come out of this pandemic in an even stronger position. I remain incredibly proud of what all our team members have been able to do since March. We continue to play an essential role in supporting our communities and customers' financial needs. Our balance sheet capital and liquidity going into this environment was strong, and our positive core earnings power provides a good base to absorb future credit losses. Stress testing indicates our ability to sustain material credit costs over a multiyear horizon, if necessary. Our consistent credit discipline has served us well coming into this economic environment, and we'll continue to stay close to our clients and manage our loan portfolio prudently.

Our ongoing focus on developing and maintaining a multilingual branch staff to serve our diverse New York City customers remains a key differentiator. The New York City market and its strong Asian customer base continue to represent a significant opportunity for us over the long term.

We'll continue to provide a safe and inclusive environment for all employees and customers.

The investment in the Universal Banker model in our branches has been critical to our capability to serve our customers in this environment, along with our enhanced digital capabilities. As a result of this current experience as the restrictive economic environment eventually lifts, we will have a workforce that is more capable, flexible and dynamic, coupled with the customer base that is increasingly attuned to our online and mobile banking capabilities.
In conclusion, we will remain focused on maintaining strong capital, liquidity and asset quality, while also controlling the expenses and managing our net interest margin to come out of this pandemic an even stronger and more resilient company. With that, we will now open it up for questions. Operator, I'll turn it over to you.

Question and Answer

Operator

[Operator Instructions]

Our first question comes from Steve Comery with G Research.

Steven Comery
G. Research, LLC

I wanted to start asking about NII and NIM. Obviously, really big improvement sequentially this quarter, really impressive how you guys have kind of offset the cost of funds. Maybe just some thoughts on going forward sort of the magnitude of the opportunity. I would guess, like we're not going to see a repeat at this level. And I think kind of the context I'm looking at is on the Q1 presentation, you have disclosed $390 million of CDs rolling off in Q2. And then on the slide in this quarter, looks like the magnitude is a bit smaller going forward. Is that the right way to think about that?

Susan K. Cullen
Senior EVP, Treasurer & CFO

Yes, Steve, that is the right way to think about it. We had some specials, I believe, runoff. But the magnitude that we'd be looking at, as we've detailed on Slide 16, is we have this $800 million worth of CDs over the next 4 quarters that will be maturing, plus the ability to continue to reprice any non-time deposits. We have the borrowing capabilities, it's around 18 basis points in some of our funding sources. So we believe there's some movement available in the -- on the liability side of the NIM margin -- of the NIM equation, excuse me.

Steven Comery
G. Research, LLC

Okay. So should I read that as the trajectory of NIM should generally be upward going forward then?

John R. Buran
President, CEO & Director

Yes. I think all of the things being equal as long as assets are -- remain consistent with what our projections are. And we do think we've got a fair amount of stability. We don't have an expectation that the Fed is going to make another move downwards. So that's built into our thoughts in this regard. 20% of the loan portfolio reprices annually. We don't really expect much in the way of the floating rate portfolio, which is about 500 -- between $500 million and $600 million to reprice downward unless there's a change in Fed rates. So given that level of, let's say, semi stability on the asset side, and given the opportunity that we have on the funding side, that Susan just outlined, I think we're in good shape to see some expansion of NIM with those qualifications that I just mentioned.

Steven Comery
G. Research, LLC

Okay. Very helpful. And then I think kind of on the same subject. So you mentioned the significant inflows to non-interest-bearing accounts. Kind of wondering what the underlying customer behavior is there? Or like customers looking to keep more liquidity because they're less certain about what's going on. Then if that's the case, what are your expectations for how sticky those accounts will be?

John R. Buran
President, CEO & Director

So some of it is obviously PPP, and the rest of it, I think, is just a general focus on liquidity and also our ability to open up accounts during the pandemic, which, although down from historical levels has been more oriented toward DDA.

Steven Comery
G. Research, LLC

Okay. Okay. Very good. Appreciate the disclosure about ATM usage and online account opening, 75% transactions completed by ATM and 19% of account openings by online banking. So I mean, I guess just maybe like for context, do you have some like indication as to what the levels were like in previous quarters?

John R. Buran
President, CEO & Director

Considerably lower. They really weren't even on -- they really weren't even on the chart. And we've been working this for a while, but it really wasn't until we brought in our new online account opening capabilities that we started to see some activity. And that's been a gradual increase since March. So customers are telling us that our online banking account opening process has been very, very, very good and easy to use. We've had comments from customers about the -- about our deposit-only card being very successful for business customers. There's a lot of good things happening here that I think are just beginning to take place. We also used to have probably -- well, right now, 90% of all of our customers who open accounts with us online do not have any human intervention at all. So those are going right through within minutes. Those account openings are taking place right through in minutes as opposed to having a substantial proportion going through a manual fraud control, which is what we had in the past. So the capabilities that we put in place are significantly upgraded.

Steven Comery
G. Research, LLC

Okay. Okay. Very helpful. I guess kind of just more of a general question. We have the extended unemployment benefits, running out -- PPP funds are obviously going to run out in many cases. I guess just sort of like what areas are you guys like most focused on with -- as we go forward, assuming there isn't like substantial additional stimulus, I guess, like what are the kind of the main credit focus areas?

John R. Buran
President, CEO & Director

I would say, it's managing our forbearance process, the managing people out of the forbearance process and maybe I'll turn that over to Frank Korzekwinski, our Head of Real Estate Lending, to describe the process in a little bit more detail.

Francis W. Korzekwinski
Senior EVP & Chief of Real Estate Lending

Steve, the process requests for assistance started to come back in April, mid-March and early April. We set up -- immediately set up a special team to manage the process of helping with the requests, so that we can streamline the process, provide timely response and try to get the relief that some of our customers had requested or were seeking at that particular time. It was a little bit challenging through early March and April. I mean, that was the peak season for the request for assistance. So our team has been in place since probably early April, and they are communicating with our customers on a regular basis. We have especially e-mail boxes set up that we're receiving interim financial statements, rent rolls, rent collection reports and helping them get back to the payment status that they had prior to COVID-19. So far, the initial response have been rather favorable. It appears as though March and April were the dark periods where requests were made, I guess, under dire circumstances or perceived dire circumstances. And I believe we saw -- now that we're coming off some of these relief plans, we saw that a number of customers probably were borderline scenarios for assistance, but the plans that we provided did enable them to build up cash so that they could return to a normal payment status sooner than later. Our overall assessment in the beginning was -- having to look back is that there was a little bit of a hoarding of cash going on in the marketplace as many property owners really weren't sure how long this shutdown of the economy was going to last.

John R. Buran
President, CEO & Director

I think we're in that process right now. Clearly, what's happened is at New York, where most of our exposure is, is beginning to come back. Stores are opening, and we clearly have a more favorable situation than we had in -- at the end of March and into April.

Steven Comery
G. Research, LLC

Okay. Very good. Maybe just one final one for me. Maybe just some general thoughts on the dividend commitment period and how comfortable you guys are continuing to pay that out under the current circumstances?

John R. Buran
President, CEO & Director

We have no plans at this time to make any change to the dividend.

Operator

[Operator Instructions]

Our next question comes from Collyn Gilbert with KBW.

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

Maybe if we could just start on expenses. I know that seasonally, comp is off and down in the second quarter. But can you just kind of give an outlook for where you sort of see expenses trending from here?

Susan K. Cullen
Senior EVP, Treasurer & CFO

I would expect, Collyn, that our expenses will trend very close to where they were this quarter.

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

Okay. Okay. And any meaningful variation even beyond the third quarter, how you see expenses going? I mean, just, John, given some of your comments on online account opening and mobile usage, is there any other discussion happening within the expense structure that we could see maybe changes longer term?

John R. Buran
President, CEO & Director

So I think over the long term, clearly, we think that we're going to be a much more efficient operation, given the emergence of our online capabilities. I think that is going to grow over time. I can't give you any specifics in that regard. But we do know that things like appointment banking have worked very, very well. We've enhanced our phone service. We've enhanced our video capabilities at the ATM level. So we've had a significant increase in customers who've come in and have basically been serviced not by human being face-to-face, but a human being via our video capabilities off of the ATMs. So while I think it's too early to start to speculate about what the opportunities are, but clearly, they are many and not the least of which is the ability of people to work remotely and -- which has been a real strength of the company. Just every aspect of our business, from audit right through to account opening, has been functioning very, very well in a totally remote environment, and we expect opportunities to come out of that. I think one of them clearly is the ability to get more geographic spread out of our individual branch locations. Clearly, 20 branches is not a lot to have in the New York metropolitan area. But I also think that the number of branches that we want to have over the time -- over the next 5 years or so is down considerably from what we ordinarily would have needed to provide the maximum amount of outreach to customers just because we have this additional capability. So I think there's more to come on that, and -- but I'm very optimistic that we've really made a significant change in our capabilities. We brought in some of the best technology that we could find from MANTL, for example, Q2 and Synechron that is really, really helping us to build out our business. We expect to have an online escrow system towards the end of the year. So there's a lot of additional enhancements that we're making in our product offerings to customers.

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

Okay. Okay. That's helpful. And then shifting to the NIM. So John, you had pointed out, obviously, that part of the noninterest-bearing deposit increase this quarter was related to the PPP loans. Do you have a sense of how those deposits or how you're thinking those deposits are going to trend from here in terms of the borrowers within the PPP program, their desire to use those funds?

John R. Buran

President, CEO & Director

Most of the PPP we did was to customers. So I think whatever we did to noncustomers could probably -- we could probably see that move out over time. But given that most of our PPP was to customers, I don't know that a significant portion of our increase is coming from PPP. I think it's a factor, but I think a lot of what we're seeing is customers' desire to have more liquidity available to them. And I don't see that changing at least in the near future -- well into 2021 until there's some changes in the economic environment.

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

Okay. Okay. Got it. And then in terms of credit and if we think about just the reserve build that came on this quarter and looking at Slide 12, I guess 2 questions there. One is, Susan, you mentioned the Oxford economic forecast. Can you just give us what some of the assumptions you all made within that -- to get to that $8.6 million of reserve build related to COVID?

Susan K. Cullen
Senior EVP, Treasurer & CFO

Sure. The Oxford economic model had an unemployment rate of 11% and GDP contracting about 3.7% going forward. So we did adjust some of the qualitative markers given that unemployment was actually higher than 11%, at 6.30% to build the reserve to what we recorded.

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

Okay. And how about -- is there a recovery assumption within their economic forecast, too?

Susan K. Cullen
Senior EVP, Treasurer & CFO

The recovery -- it's 3 quarters. So we would revert back to our historical losses norms over 3 quarters.

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

Okay. So that -- so the beginning of next year, first quarter of next year, you're assuming. Okay. Okay. Got it. And then -- so great color on sort of how the forbearance loans are behaving and the tranche that's now starting to pay again. Just curious how you're categorizing, I guess, what was it, maybe like $92 million or so that's not paying currently. Where that's showing up and how you're sort of thinking about that grouping of loans?

John R. Buran
President, CEO & Director

Let me just give you some commentary on the loans that you referenced the $92 million. All of the loans that we put on a forbearance plan are making payments. They may not be making the full payment per the contractual arrangement. And in the event that an account may have been extended, they continue to make the agreed-upon payments.

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

Okay. Okay. Got it. Got it. Okay. Okay. And then lastly, just as it relates to Empire, I respect your commentary on that you're not going to comment on it, I guess. But I'm just curious as to why perhaps you're not commenting on the merger?

John R. Buran
President, CEO & Director

There's no material change to comment on at this point in time.

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

Okay. And then just, I guess, a factual question. And hopefully, you can answer it as it relates to the merger. The merger agreement, am I correct in that it expires on July 31?

John R. Buran
President, CEO & Director

It -- yes, sunsets on July 31, but one of us has to affirmatively make a decision to stop the discussion, let's say. So it's kind of 2 steps. It expires, yes, but either Empire or ourselves has to make an affirmative declaration that is not going to go forward, if that's the case.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to John Buran for any closing remarks.

John R. Buran
President, CEO & Director

Thank you. And thank you all for participating in our conference. Once again, we're very, very pleased with the quarter. We think we've got some very strong margin trends coming up. And obviously, we've taken a very comprehensive stance in dealing with our forbearances going forward. Once again, I'd just like to thank our employees for doing a really outstanding job in managing through this crisis. And they clearly are the greatest strength of this company. They came through with us in the Great Recession, and I think they will come through for us as we go through this pandemic and the economic environment. So thank you all again. And stay safe.

Susan K. Cullen
Senior EVP, Treasurer & CFO

Thank you.

Operator
This concludes today's teleconference. You may now disconnect your lines, and we thank you for your participation.