FFIC FLUSHING
Financial Corporation

Small enough
to know you.

Large enough
to help you.

3Q19 Earnings Conference Call

October 30, 2019

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Safe Harbor Statement

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: **The statements in this presentation 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 year ended December 31, 2018, and in other documents filed by the Company with the Securities and Exchange Commission from time to time. The Company has no obligation to update these forward-looking statements.**

3Q19 Operating Results

	3Q19	2Q19	3Q18
Earnings ($MM, except EPS data)			
GAAP Net Interest Income	$38.9	$40.0	$41.5
Net Income	$10.7	$10.6	$17.3
Core Net Income[1]	$13.8	$12.1	$15.3
EPS	$0.37	$0.37	$0.61
Core EPS	$0.48	$0.42	$0.54
Profitability Ratios			
ROAA	0.62%	0.61%	1.08%
ROAE	7.60%	7.53%	12.93%
Net Interest Margin	2.37%	2.45%	2.72%
Efficiency Ratio[2]	58.87%	61.06%	60.97%
Capitalization Ratios			
Tangible Common Equity	7.79%	7.93%	8.06%
Dividend Payout	56.76%	56.76%	32.79%

[1] Excludes effects of net gains/losses from fair value adjustments, net gains/losses on sale of securities, net gains/losses from sale of asset, life insurance proceeds, accelerated employee benefit upon officer's death, merger expense and net gain/ losses from fair value of qualifying hedges. Core earnings presented in 3Q19 press release. [2] 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).

Quarter Ended September 30, 2019 Highlights

- **Record loan closings totaled $398MM, driving loan growth of 9.0% annualized QoQ and 7.2% YoY**
  - Record C&I loan closings totaled $238MM, represents 60% of the quarterly loan closings
  - September 30, 2019 pipeline remains strong at $419MM

- **CORE diluted EPS up 14%, while GAAP EPS was unchanged from 2Q19**
  - Provision expense improved QoQ
  - Continue to manage non-interest expense – excluding FDIC small business assessment credit, core non-interest expense decreased $0.4MM QoQ
  - GAAP EPS includes non-cash fair value adjustment of $0.10, after-tax per diluted common share
  - 3Q19 core EPS includes FDIC assessment credit of $0.03, after-tax per diluted common share and $0.02 per diluted common share from the true-up of the Company's effective tax rate

- **NIM compressed 8bps in 3Q19, starting late in 3Q19 cost of funds show sign of improvement**
  - Over $1B of retail CDs maturing before 3Q20 at an average rate of 2.33%
  - At quarter-end, our average new CD cost was less than 2.0%

- **Credit quality continues to improve**
  - Non-accrual loans decrease by $1.4MM, or 9.2% QoQ
  - Non-performing loans decrease $1.0MM, or 6.3% QoQ

- **Acquisition of Empire Bancorp Inc. (announced October 25, 2019)**
  - Increases our presence on Long Island with three branches in Suffolk County
  - Expected to be accretive to earnings in 2020 by 10% and 2021 by 19%
  - Lowers loan-to-deposit ratio
  - Lowers cost of deposits

Key Messages

Exceeding Customer Expectations

- Committed to being the preeminent community financial services company in our multicultural market area
- Competitive strength as a commercial real estate lender
- Broad array of products and services delivered through customers' preferred channels
- Strong presence in our ethnic communities, particularly the Asian community in Queens
- Staff branches and lending units with seasoned, multi-lingual professionals

Enhancing Earnings Power

- Manage yield through loan portfolio mix
- Manage cost of funds
- Improve scalability and efficiency of operating expense base

Strengthening Our Commercial Bank Balance Sheet

- Focus on the origination of C&I loans which total 60% in this quarter and total 19% of our total portfolio while remaining nimble and responsive to industry shifts
- Shift funding sources to core deposits from CDs and borrowings
- Continue to add key talent with commercial expertise

Maintaining Our Strong Risk Management Philosophy

- Remain well capitalized at all times
- Maintain sufficient sources of liquid assets and contingency funding
- Strong cyber and physical security measures to safeguard Company and customer assets and information
- Adequate loan loss reserve
- Conservative underwriting standards

Summary of Strategic Objectives

Increase Core Deposits, with an Emphasis on Non-Interest Bearing DDA, and Continue to Improve Funding Mix	Manage Net Loan Growth and Focus on Yield with an Emphasis on Assets with the Best Risk-Adjusted Returns	Enhance Core Earnings Power by Improving Scalability and Efficiency Through Executional Excellence
Profitable Growth and Expansion through New Distribution Channels and Business Lines	Manage Credit Risk	Remain Well Capitalized

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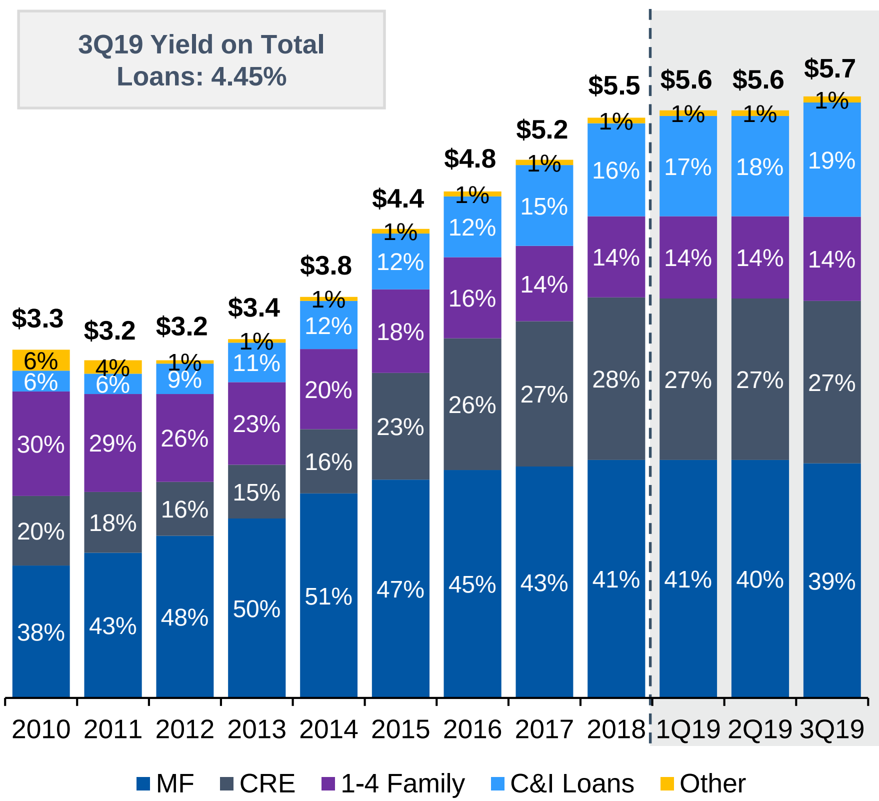
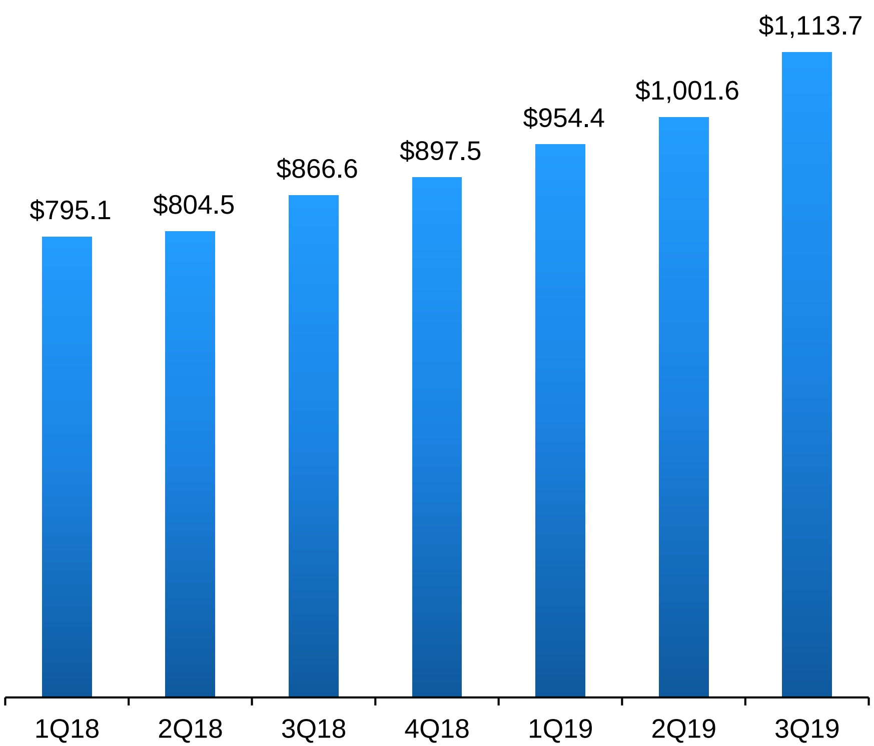
Strong Real Estate Lender with Significant Growth in C&I

- Continued to grow C&I Portfolio
- Record C&I closings totaled $238MM, or 60% of total quarterly originations
- Mortgage loan closings total $160MM, an increase of $22MM from 2Q19
- At September 30, 2019 the pipeline totaled $419MM at an average rate of 4.16%

Loan Composition ($B)



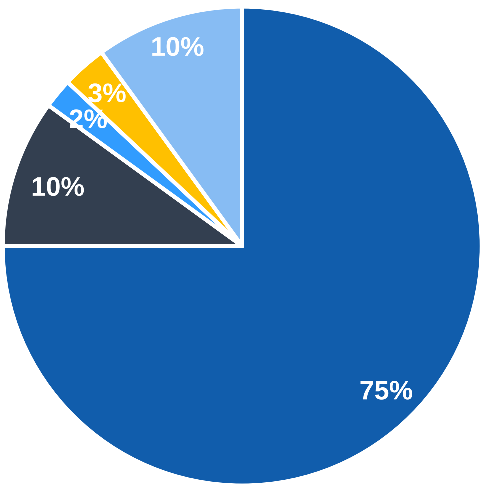
C&I Loan Growth ($MM)



Continuing to Improve Funding Mix

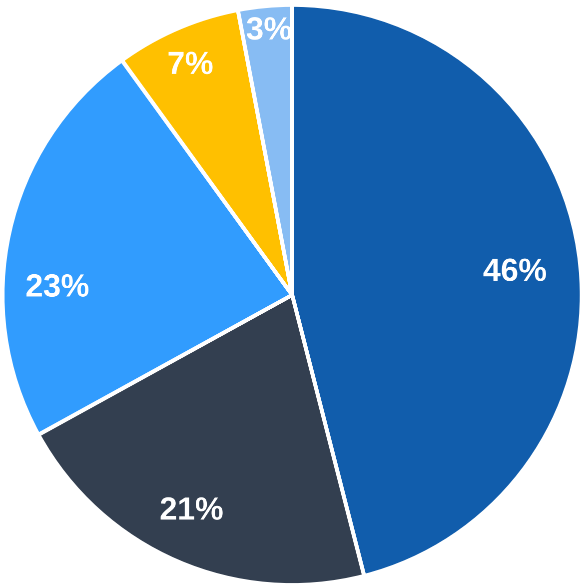
$2.6B

As of 12/31/06



$6.4B

As of 09/30/2019



■ CDs & Borrowings[1] ■ Money Market ■ Now ■ Demand ■ Savings

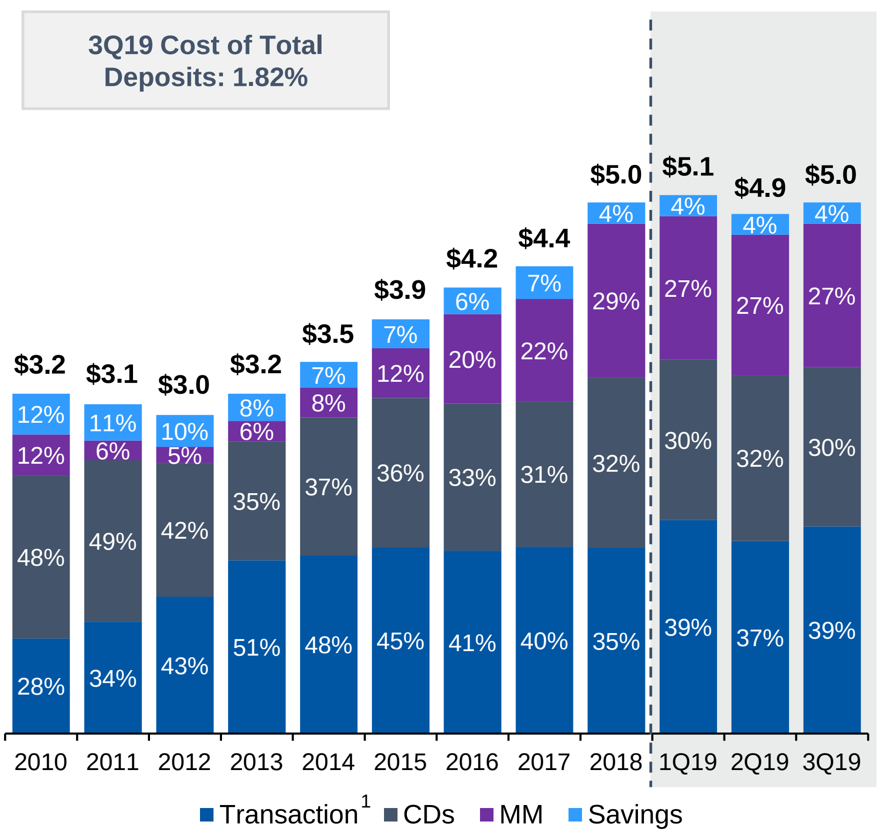
Progress Made…More to Come

[1] Includes Mortgagors' escrow.

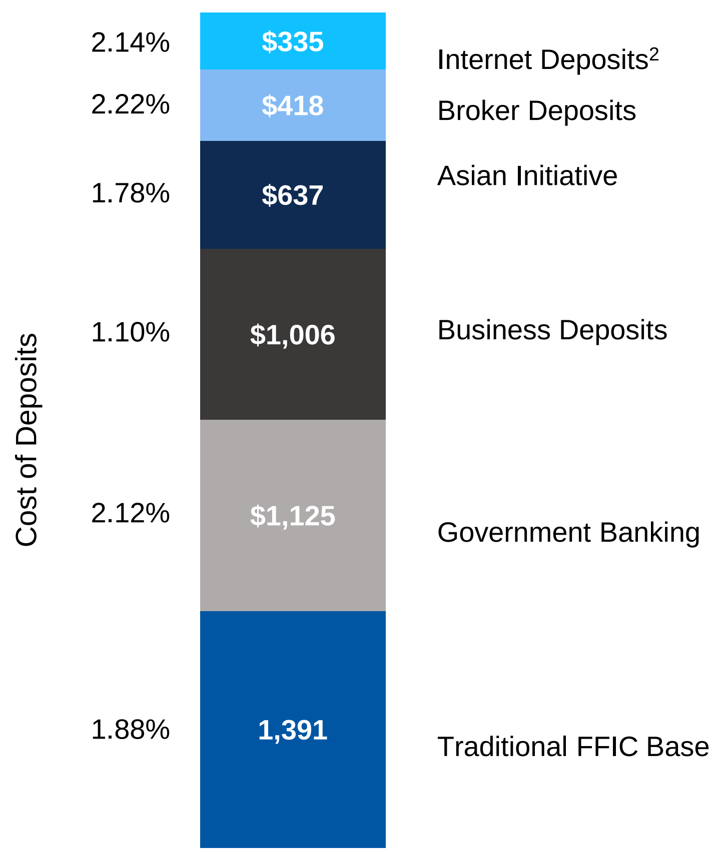
Consistent Growth and Optimization of Deposit Mix

- Core deposits increased 10% YoY and 4% QoQ

Deposit Composition ($B)



Multi-Channel Deposit Gathering ($MM)[3]

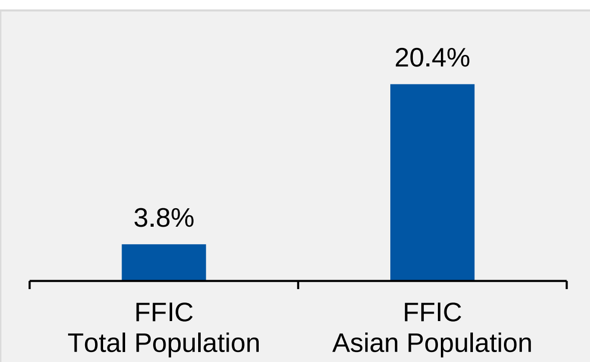


[1] Includes NOW, demand and mortgagors' escrow deposits. [2] Includes deposits of iGobanking.com® and BankPurely®. [3] Excludes mortgagors' escrow deposits.

Strong Asian Banking Market within Flushing

Asian Bank within Flushing Bank

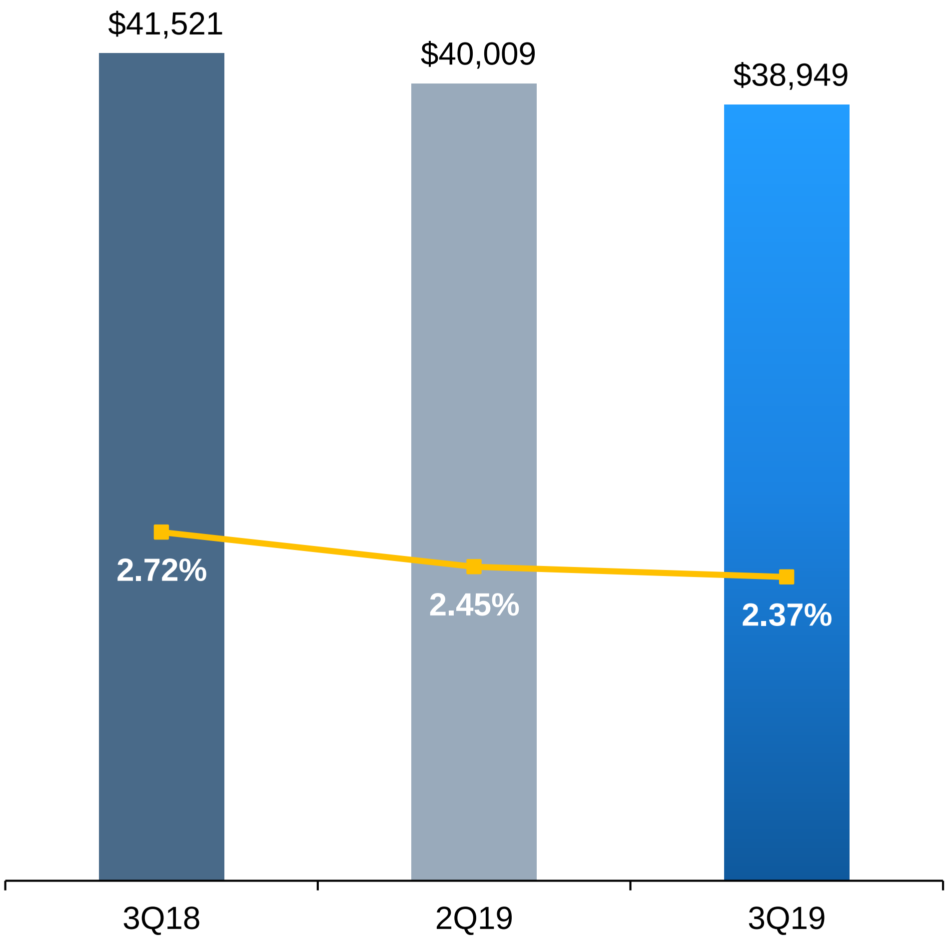
- Planned opening of a new branch to expand our focus on the Asian population in a select Long Island market
- Expanded into Chinatown, Manhattan in December 2018
- Loans in the Asian communities total over $550MM with deposits exceeding $700MM
- Market size of Flushing Asian branch footprint is $22.9B as of June 30, 2019[1], a decrease of 13%[1] from June 30, 2018, while Flushing deposits in these same zip codes increased 18%[1] over the same period
- Asian entrepreneurs own approximately 35% of businesses in Queens, NY[2]
- Growth aided by the Asian Advisory Board
- Asian communities have a population growth of 20%, more than 5 times the total population served by Flushing



[1] FDIC data. [2] 2012 Survey of business owners and self-employed persons.

Net Interest Income

Net Interest Income ($000s)



3Q19 Highlights

- NIM decreased 8bps QoQ and 35bps YoY
- NIM decrease driven by increases in the cost of funds of 4bps QoQ and 30bps YoY
- Cost of funds has begun to improve in late 3Q19
- Core NIM[1] totaled 2.33% in 3Q19, 2.40% in 2Q19 and 2.53% in 3Q18
- Yield on interest-earning assets decreased 4bps QoQ and 7bps YoY

[1] Core NIM excluding prepayment penalties from loans and securities, recovered interest from delinquent loans and losses from fair value adjustments on qualifying hedges.

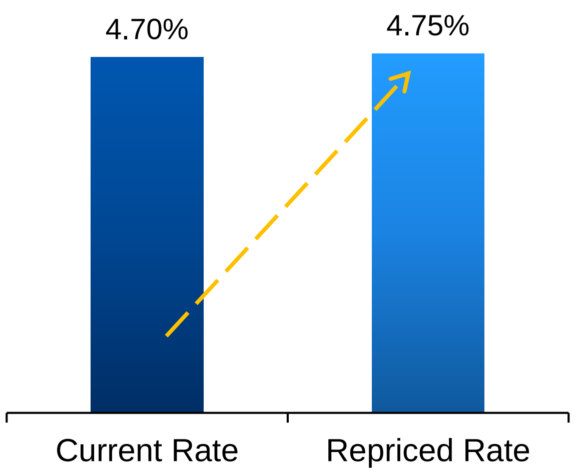
Net Interest Margin Opportunities

- Interest rate swaps totaling $897MM provided 3bps of benefit to core NIM in 3Q19
- C&I loans which are primarily adjustable total 19% of the loan portfolio
- Long-term goal of moving towards being interest rate risk neutral
- Over $1B of retail CDs maturing before 3Q20 at an average rate of 2.33%
- At quarter-end, our average new CD cost was less than 2.0%

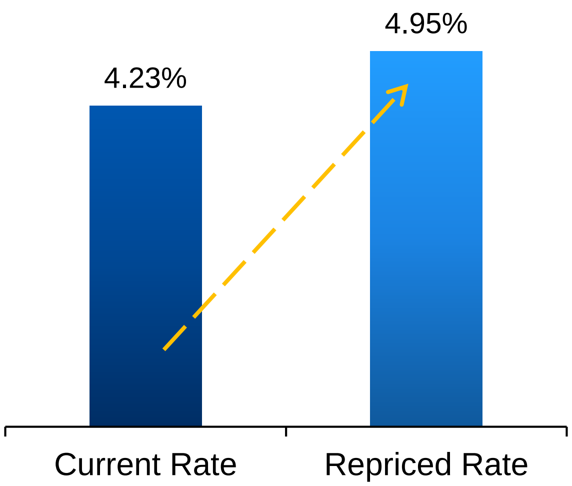
Yield on Loans Repricing Opportunity

(Amount Repricing $MM)

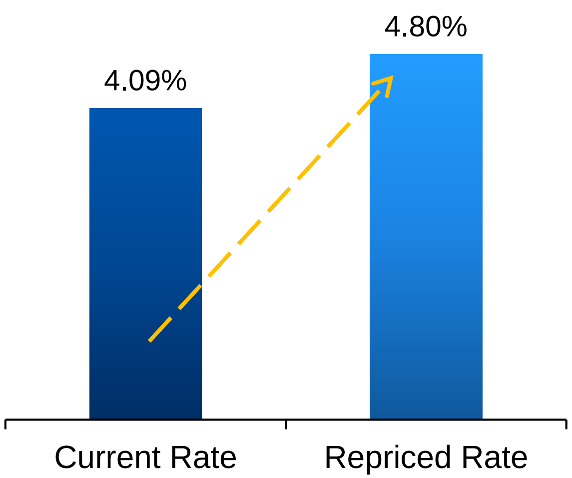
2019: **$743**



2020: **$656**



2021: **$608**



Opportunity to Reduce Funding Costs with Maturing CDs

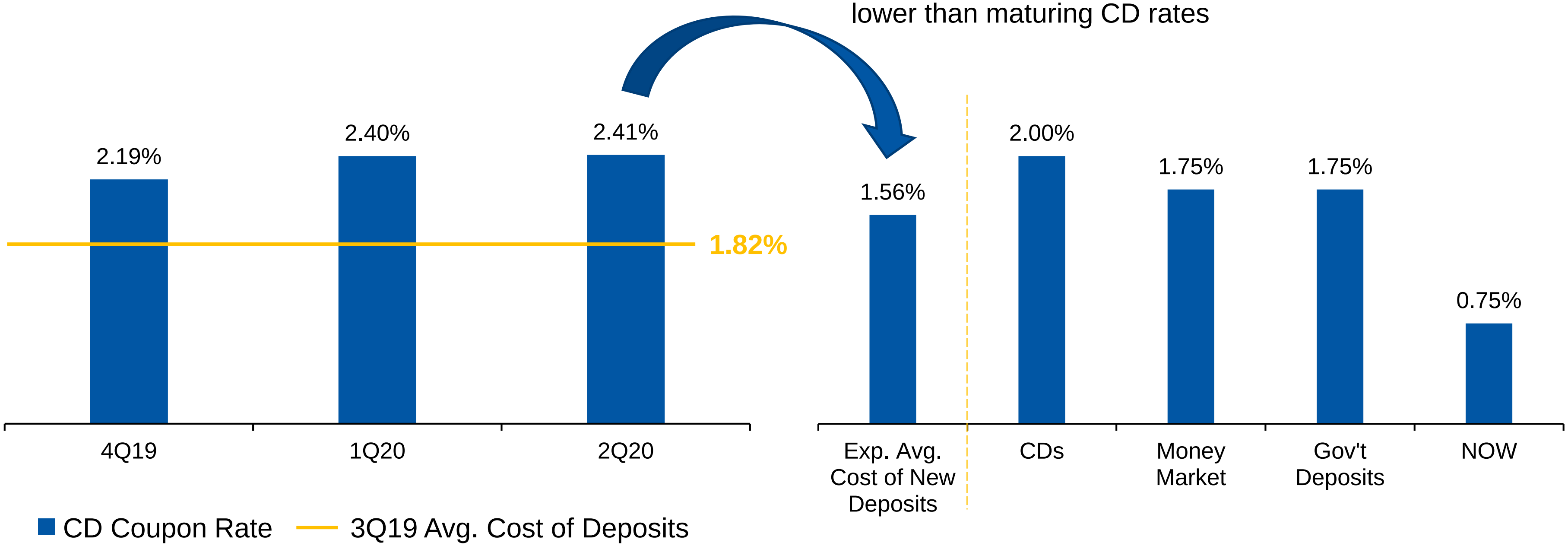
- $1.1B of Retail CDs are scheduled to mature through 2Q20, representing 23% of total deposits as of 3Q19, at a weighted average cost of 2.33%
- Opportunity to re-price non-maturing deposits down

CDs Maturing

- Yields rolling off exceed current market deposit costs

Replacement Funding

- Current deposit costs of replacement products significantly lower than maturing CD rates



Amount Maturing ($MM)		
$385.4	**$507.5**	**$229.9**

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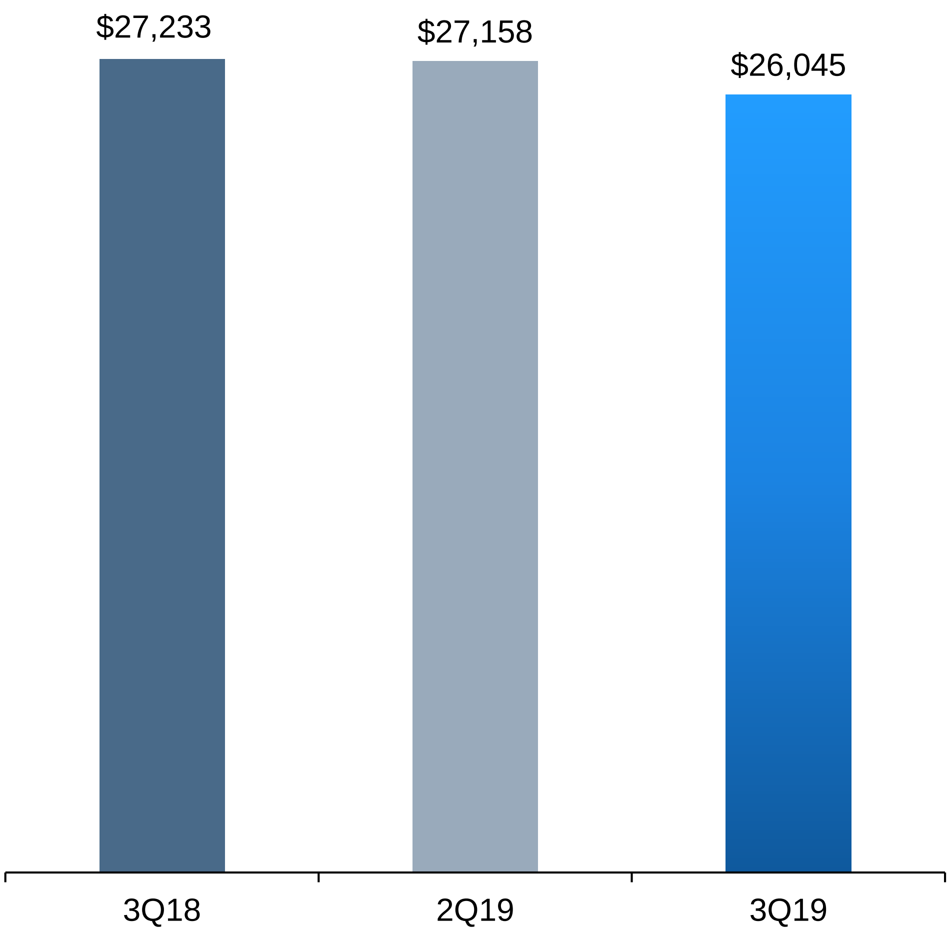
Controlling Non-Interest Expense

Non-Interest Expense ($000s)



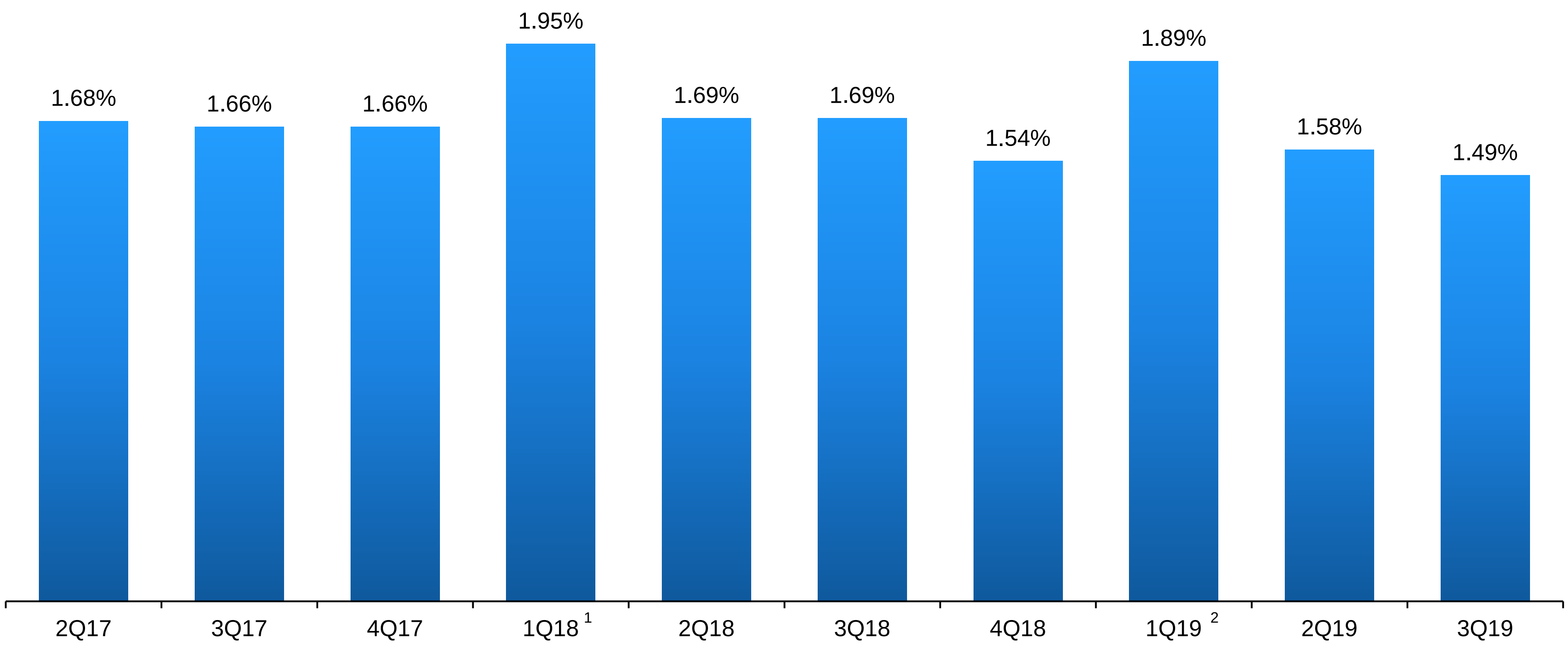
3Q19 Highlights

- Expenses declined 4.4% YoY and 4.1% QoQ
- Decrease due to the FDIC small business assessment credit and our continued focus on expenses
- 3Q19 included $0.5MM from merger expense
- The ratio of non-interest expense to average assets was 1.49% in 3Q19, 1.58% in 2Q19 and 1.69% in 3Q18
- Efficiency ratio 58.9% in 3Q19, 61.1% in 2Q19 and 61.0% in 3Q18

Consistent Expense Control

- Non-interest expenses as a percent of average assets has remained consistent
- Remain disciplined in controlling expenses

Non-Interest Expense / Average Assets



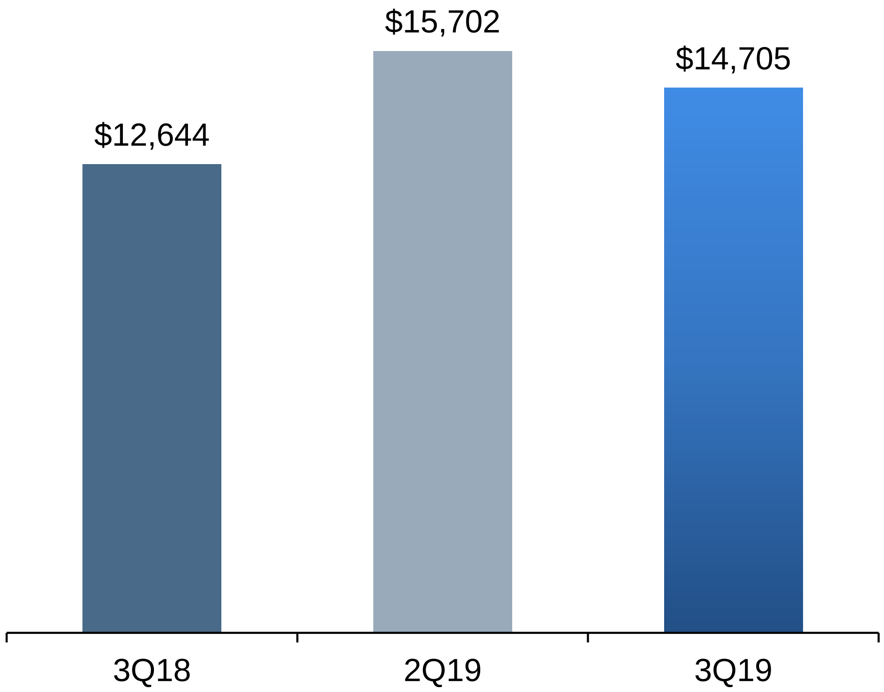
[1] Includes seasonal and one-time expenses totaling $3.5MM. [2] Includes seasonal and one-time expenses totaling $3.6MM.

Credit Quality

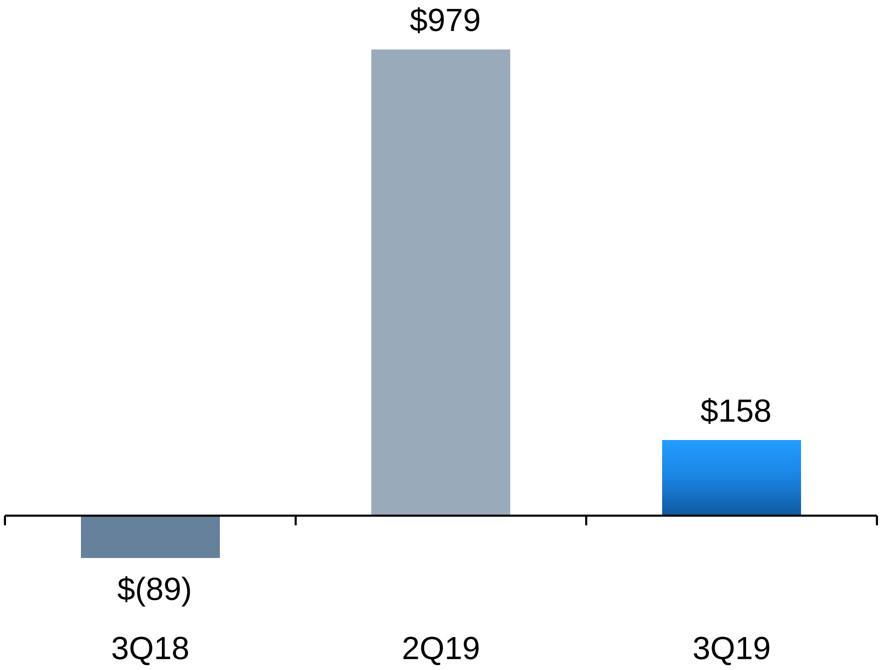
3Q19 Highlights

- Non-performing loans totaled $14.7MM, a decrease of 6.3% QoQ but an increase of 16.3% YoY
- Loan-to-value ratio on real estate dependent loans as of September 30, 2019 totaled 38.4%
- Average loan-to-value for non-performing loans collateralized by real estate at September 30, 2019 was 34.5%

Non-performing Loans ($000s)



Net Charge-offs (Recoveries) ($000s)



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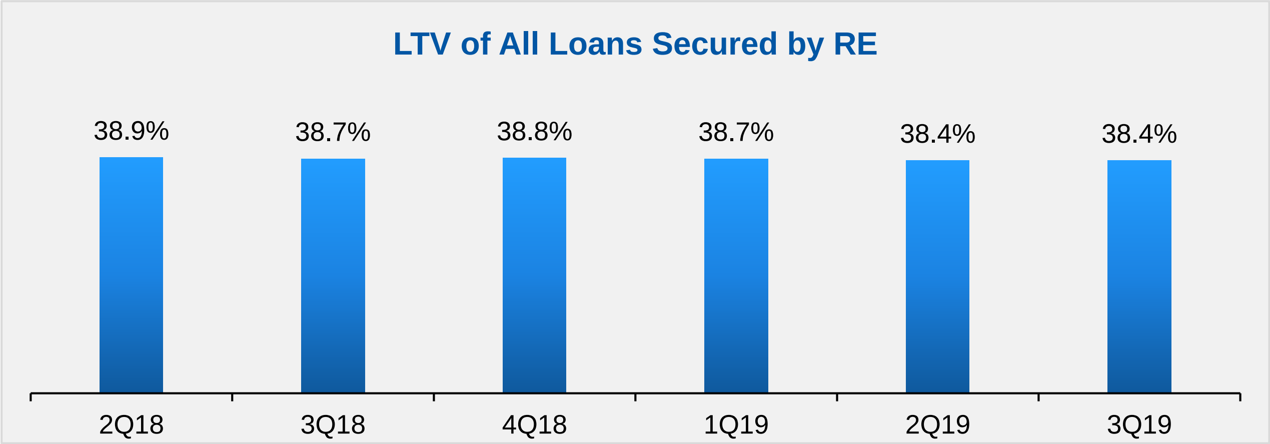
Superior Asset Quality & Conservative Risk Management

- Conservative and thorough credit risk management through the life of a loan

- **Current portfolio LTV ratio is less than 40% of value at origination**

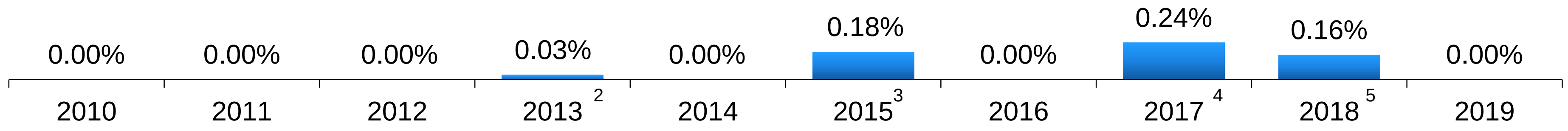


- **Conservative Risk Management**
  - Historical seller of non-performing credits
  - Impaired loans are reviewed quarterly with reserves recorded as appropriate
  - Charge-offs recorded early in the delinquency process
  - Average LTV of non-performing loans secured by real estate at September 30, 2019 totaled 34.5%

Minimal Delinquencies on the Total Portfolio

90-Day Delinquencies as % of Loans Originated by Year[1]

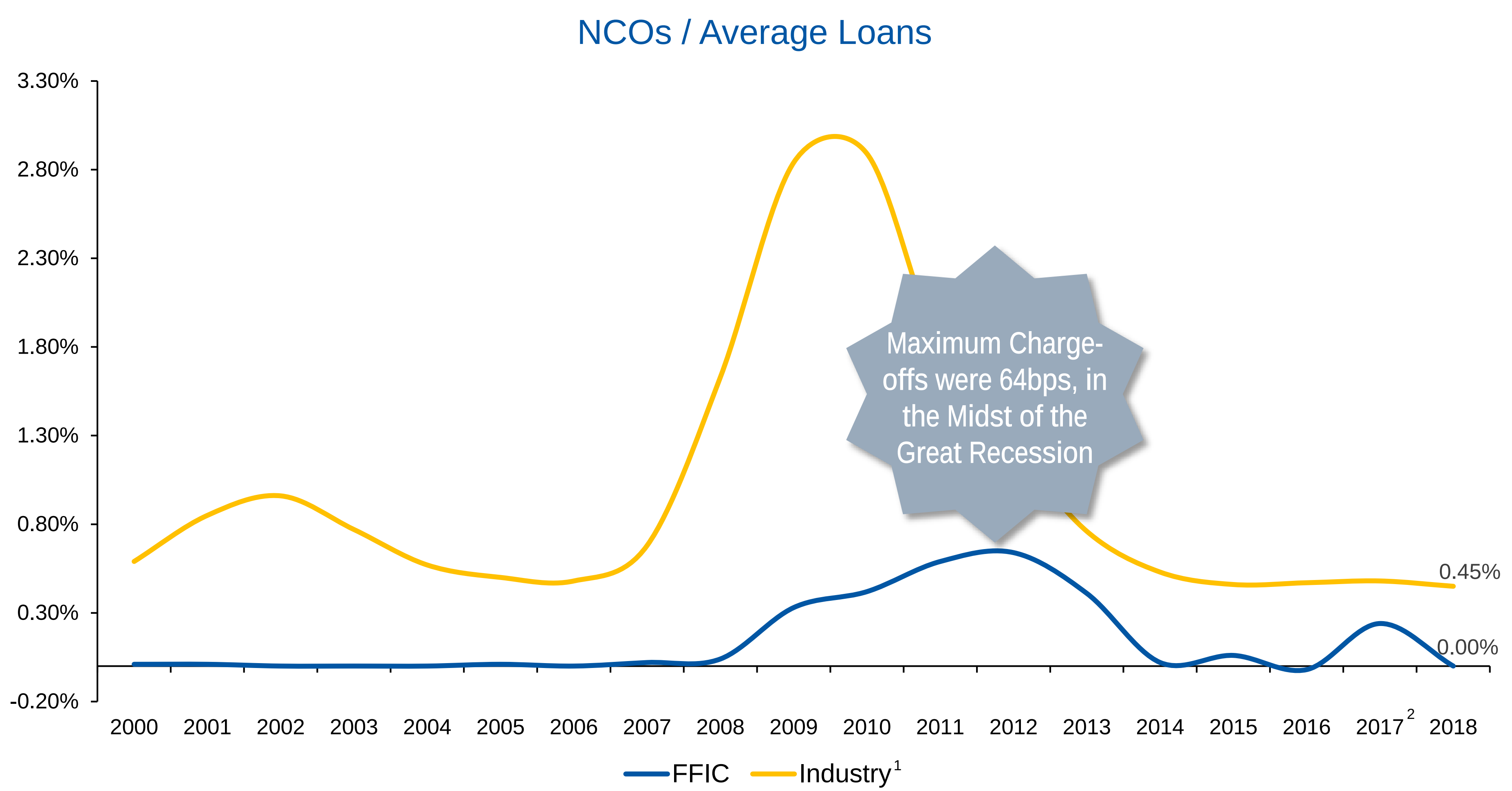
Seven delinquent loans for vintage years covering over nine years of originations



[1] Calculated by dividing current 90-day delinquencies by total loans originated by vintage period. [2] Represents one commercial business Loan. [3] Represents one 1-4 family, one multifamily loan and one commercial business loan. [4] Represents one SBA loan and one commercial business loan. [5] Represents one multi-family real estate loan.

Credit Discipline Paramount

- Over two decades and multiple credit cycles, Flushing has demonstrated superior credit metrics

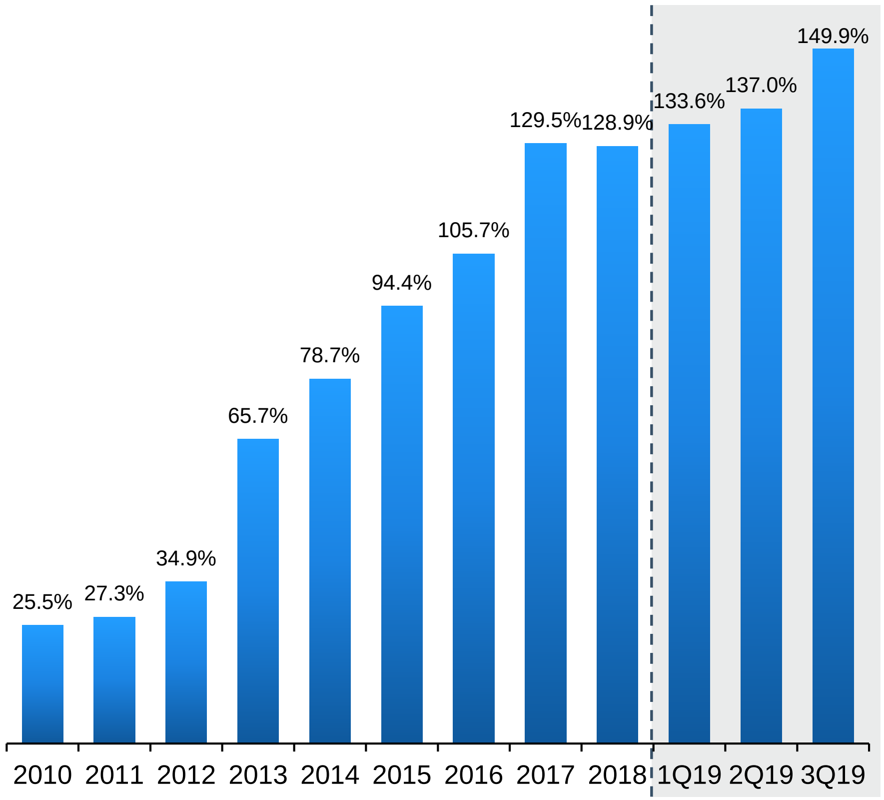


Source: SNL Financial. Financial data as of 4Q18. [1] "Industry" includes the ~400 banks that compose the SNL Bank and Thrift Index. [2] Includes $11.2MM in taxi medallion write-offs.

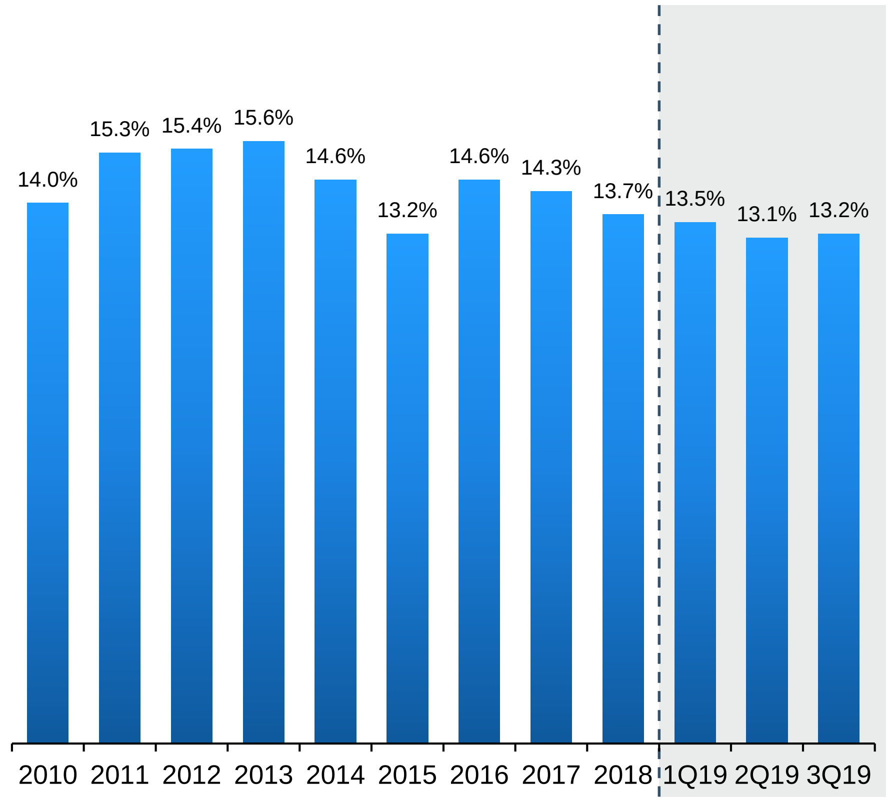
Strong Balance Sheet, Credit Quality & Capital Levels

- Asset quality remains pristine as nonperforming assets and nonperforming loans decreased 8% and 10%, respectively, since 12/31/18
- Conservative underwriting standards with current portfolio LTV ratio less than 50% of value at origination
- Capital levels remain robust, despite low-risk balance sheet

Reserves / Nonaccrual Loans



Total Risk Based Capital Ratio[1]



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[1] Capital ratios based on regulatory financial statements of subsidiary Flushing Bank.

Why Flushing Financial

1

- Long-standing, skilled management team
- Experienced lending in greater New York City markets
- 828% total return since IPO in 1995[1]
- Positive earnings through the cycle and every quarter since IPO
- Consistent EPS and dividend growth

2

- Premium location in high growth, high income NYC area markets
- Leading community bank market-share in footprint; competitive strength as a CRE lender
- Growth in commercial business customers
- Strong Asian customer base

Management Culture & Track Record

Attractive Markets & Customers

FLUSHING
Commercial ▪ Business ▪ Consumer

Executing Strategic Objectives

Strong Financial Performance

4

- NIM optimization through loan rate improvement and cost of funds management
- Yield management through strategic loan portfolio mix
- Leverage technology to reduce expense base, while enhancing the customer experience

3

- Attractive return profile with low historical return volatility
- Well capitalized balance sheet
- Sufficient liquidity and contingency funding
- Exceptionally well reserved given superior credit and underwriting standards

[1] As of September 30, 2019.

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Appendix

Non-GAAP Measures

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 presentation. 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.

Reconciliation of GAAP Earnings and Core Earnings

($000s, except per share data)	Three Months Ended September 30, 2019	Three Months Ended June 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended 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.

<u>Non-cash Fair Value Adjustments to GAAP Earnings</u>

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.

Reconciliation of GAAP NII & NIM to CORE NII & NIM

($000s)	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%

New York City Multi-Family Housing Market

RENT REGULATION REFORM

BACKGROUND

- June 2019 NYS approved sweeping reforms to existing rent regulations
- New rules tighten owner's ability to obtain future rent increases above the annual increases recommended by the Rent Guidelines Board (RGB)
- Affected loan balances total $1.6B

POTENTIAL RISKS

- Declining valuations
- Higher cap rates
- Slower rental growth
- Lower capital re-investments

MITIGANTS

- ✓ Flushing Bank Multifamily loan portfolio is diversified and granular
- ✓ Includes both rent regulated housing (apartment buildings with 5+ units) and free market housing (includes mixed-use residential)
- ✓ Multifamily portfolio remains conservative
  - Avg. LTV less than 50% with strong avg. debt coverage ratio in excess of 1.75
- ✓ Existing properties well maintained with significant capital improvements already completed
- ✓ Loans approved based on current cash flow at underwriting
- ✓ Typical borrower is established multifamily owner/manager with more than one property
- ✓ Little exposure to institutional ownership
- ✓ All debt coverage ratios stress tested up 250 bps

Contact Details | Flushing Financial Corporation

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NASDAQ: FFIC

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