S&P Capital IQ

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Flushing Financial Corporation NasdaqGS:FFIC

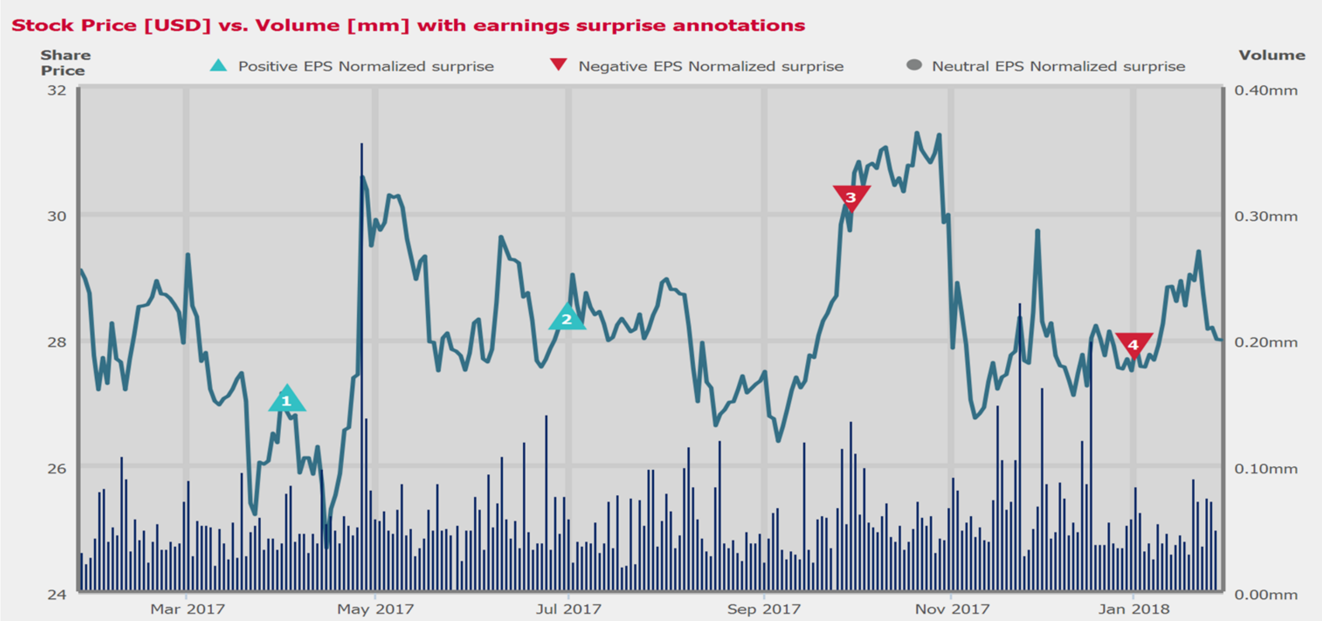
FQ1 2018 Earnings Call Transcripts

Wednesday, April 25, 2018 1:30 PM GMT

S&P Capital IQ Estimates

	-FQ1 2018-			-FQ2 2018-	-FY 2018-	-FY 2019-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.44	0.37	(15.91 %)	0.50	1.97	2.13
Revenue	-	-	1.75	-	-	-
Revenue (mm)	45.02	45.81	-	45.43	184.29	196.38

Currency: USD
Consensus as of Apr-25-2018 1:00 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2017	0.32	0.40	1 21.21 %
FQ2 2017	0.40	0.46	2 12.20 %
FQ3 2017	0.44	0.37	3 (15.91 %)
FQ4 2017	0.42	0.33	4 (21.43 %)

Call Participants

EXECUTIVES

John R. Buran
President & CEO

Susan K. Cullen
Chief Financial Officer, Senior Executive Vice President and Treasurer

ANALYSTS

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

Mark Thomas Fitzgibbon
Sandler O'Neill + Partners, L.P., Research Division

Matthew M. Breese
Piper Jaffray Companies, Research Division

Steven Comery
G. Research, LLC

Presentation

Operator

Welcome to Flushing Financial Corporation's 2018 First Quarter Earnings Conference Call. Hosting the call today are John Buran, President and Chief Executive Officer; and Susan Cullen, Senior Executive Vice President, Treasurer and Chief Financial Officer. Today's call is being recorded. [Operator Instructions] A copy of the first quarter earnings release and slide presentation that the company will be referencing today are available on its Investor Relations website at www.flushingbank.com.

Before beginning, the company would like to remind you that the 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 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 our 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 to several non-GAAP financial measures as supplemental measures to review and assess operating performance will be made. These non-GAAP financial measures are not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with U.S. GAAP. For any information about these non-GAAP measures and reconciliation to GAAP measures, please refer to the earnings release.

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

John R. Buran
President & CEO

Thank you. Good morning, everyone, and welcome to our first quarter 2018 earnings call. Today, we hope to provide you with additional insight into our business strategy, consistent positive earnings power and sustainable competitive advantage as part of our continuing effort to increase financial transparency and investor engagement.

Our brand message on the cover of the earnings deck "Small enough to know you, large enough to help you" encapsulates our vision to be the preeminent community bank in our multicultural market. We create value and attract new customers by delivering a superior and consistent experience through innovative quality service and personalized attention as we continue to execute and deliver profitable growth.

Today, I'll start with our first quarter highlights followed by a brief overview of the strategies that we're successfully executing to create long-term shareholder value. Then Susan Cullen, our CFO, will review our financial performance in greater detail. Susan and I will address your questions at the end of our prepared remarks as time permits.

Starting on Slide 3. As announced in yesterday's press release, first quarter GAAP diluted EPS was $0.39 and core diluted EPS was $0.37. You will recall that our company has seasonally high expenditures in the first quarter of the year due to certain stock compensation plans and the resulting taxes. However, if we normalize these expenses and exclude the loss on sale of 1 loan, core diluted EPS was $0.47. Net interest income was $42.6 million, down quarter-over-quarter and year-over-year due to net interest margin pressure driven by higher funding cost due to the increased competition for deposits in this rising rate environment. While we expect the pressures on deposit pricing to remain a drag, we do see positive trends emerging, specifically in new loan yields, the timely repricing of our growing C&I portfolio, the slower but positive repricing of our commercial real estate portfolio and the increasingly positive impact of hedges that we placed on both sides of the balance sheet.

Importantly, our core business is strong as we saw loan growth of 10.5% annualized and 6.9% year-over-year while holding on to strong underwriting standards. Expansion of loan yields with solid loan growth remains a focus for us. The pipeline remains strong and supports our expectation of high single, low double-digit loan growth in 2018. The pace of growth of deposits outpaced the growth of the loan portfolio reducing the loan-to-deposit ratio to 113%. The government deposits significantly contributed to the deposit growth.

We remain focused on expense control and delivering an efficiency ratio in the low to mid-50s over the long term. We continue to benefit from our strategy of focusing our origination efforts on our higher-yielding loan mix. Loan originations for the quarter totaled $342 million with a yield of 4.27%, 42 basis points higher than the comparable prior year period and 12 basis points greater than the linked quarter.

C&I originations for the quarter were a record $141 million or over 40% of total production. For the third consecutive quarter, the yield on loan originations exceeded the net quarterly yield on our loan portfolio. The combined effect of increases in loan yields and strategic repricing of the portfolio at higher rates continues to partially mitigate net interest margin compression.

We are improving overall expense scalability and efficiency by converting our branches to the Universal Banker model, which provides our customers with cutting-edge technology, including state-of-the-art ATMs and a higher-quality service experience. We remain on track to complete all branch conversions in 2019 and continue to anticipate savings of 20% in compensation cost at the Universal Banker branches.

During the first quarter, we completed renovation and conversion of 2 additional branches to the Universal Banker model, bringing the total number of branches with Video Banker services to 11. The conversion to the Universal Banker model allows our staff to focus on building customer relationships, resulting in improved sales and deposit growth. With Video Banker, customers have the access to a live representative from 7:00 a.m. to 11:00 p.m., 7 days a week via video link.

We commenced a marketing campaign entitled Win Flushing, with the focus on increasing our deposit market share in Flushing, Queens, which is a $16 billion market for deposits. Our goal is to increase our share by 1% or $160 million by the first quarter of 2019. Through the first quarter of 2018, we successfully captured over $50 million in deposit growth. So we're making good progress.

Last week, we announced we leased a new Chinatown branch on the corner of Mott and Canal in New York City. This new full-service location is planned to open in the fall of 2018 and will showcase our Universal Banker model with our unique Video Banker services. We have a long-standing relationship with the Asian community beginning with our roots in Flushing, New York. Our employees speak the Cantonese and Mandarin dialects prevalent in the Chinese markets we serve. This Chinatown location will allow us to build upon our commitment to serve the Asian community living and working in this area.

These efforts among others contributed to controlling expenses. As a reminder, the first quarter includes the impact of annual grants of employees and director restricted stock unit awards. As a result, the efficiency ratio was seasonally elevated as 69% increasing from 55% in the prior quarter.

Credit quality on our portfolio remains pristine. At the end of the first quarter, nonperforming loans were just 31 basis points of gross loans and nonperforming assets were only 27 basis points of total assets. Given the low loan-to-value associated with the nonperforming loans of just 37%, we do not foresee an increase in related expenses.

For those new to our story, Slide 4 provides a summary of our key focus areas which remain consistent: exceeding customer expectations, enhancing earnings power, strengthening our commercial bank balance sheet and maintaining our strong risk management philosophy.

Our sustainable competitive advantages include having a multilingual branch staff to serve our customers in the New York City metro area, one of the most ethnically diverse regions in the country. We have a strong focus on the Asian community, where we have over $550 million in deposits. These deposits have a lower cost of funds than our total cost of funds. As many of you already know, the Asian markets surrounding the Flushing branches have very attractive business dynamics. There is a high degree of savings, available deposits and a significant number of small business owners. Our Win Flushing campaign is focused on further capitalizing on this business environment through market knowledge and understanding of customer needs.

Overall, we remain a preeminent commercial real estate lender focused on the origination of multifamily mortgage, commercial business and commercial real estate loans, which comprised 86% of originations and purchases in the first quarter, while we remain nimble and responsive to industry shifts. Combining our customer focus and competitive strength as a relationship-oriented lender has enabled us to transform formerly transactional-based customers into deeper, long-term, full banking relationships.

Our disciplined risk management philosophy has proven to serve us well throughout all phases of the credit cycle. The loan-to-value on current quarter originations of multifamily commercial real estate and 1-to-4 family mixed-use loans was 48% with a debt coverage ratio of 171%. Our conservative underwriting standards, loan loss reserves, minimal delinquencies and low LTVs give us confidence that net charge-offs will remain below industry averages over the long term.

Our strong balance sheet, liquidity, capital levels, ability to grow core deposits, investments in talent, innovation, technology and cybersecurity as well as our risk management philosophy, all position the company very well to deliver profitable growth and long-term value to our shareholders as we continue to execute on our strategic objectives, which are outlined on Slide 5: increase core deposits and continue to improve funding mix, increase net interest income by leveraging loan pricing opportunities, enhance core earnings power by improving scalability and efficiency, manage credit risk and to remain well capitalized under all stress test scenarios.

We continue to focus on these strategic objectives to achieve profitable growth and maximize shareholder value. As previously announced, we have shared a portion of the tax benefits from the Tax Reform Act with our nonexecutive employees in the form of onetime bonuses and our shareholders in the form of the 11% increase in our quarterly dividend. As you may already know, we have consistently raised our dividend in the first quarter of each year since 2014 and have paid a dividend every quarter since September 1996. We continue to evaluate opportunities to invest additional tax savings into the business to position the company for future growth.

Additionally, the Board of Directors authorized a new share repurchase program of 1 million shares with no dollar or time limitations. We remain well capitalized and positioned to deliver profitable growth and long-term value to our shareholders as we continue to execute our strategic objectives.

At this point, I'll turn the call over to Susan to discuss the quarter's financial results in greater detail.

Susan K. Cullen
Chief Financial Officer, Senior Executive Vice President and Treasurer

Thank you, John. I'll start on Slide 6. Total loans were $5.3 billion, up 2.6% quarter-over-quarter or 10.5% annualized and up 6.9% from the first quarter of 2017, as we continue to focus on the origination of multifamily commercial real estate and commercial business loans with full banking relationships. We continue to diversify our loan portfolio as C&I originations totaling $141 million for the quarter or over 40% of total originations.

Over the last 4 quarters, our C&I origination purchases have averaged approximately 35% of quarterly loan production, resulting in commercial balances growing over 20% during the same period to approximately 15% of the gross loan portfolio at March 31, 2018. The growth in the C&I portfolio offers several advantages to our company, primarily continued diversification of the loan portfolio and as these are primarily adjustable rate loans, the yield offers some protection in a rising rate environment. Overall, the total loan growth is on pace to meet our annual expectations of high single to low double-digit loan growth, while we continue to emphasize rate over volume.

At March 31, our loan pipeline was strong and totaled $326 million, which is down from the last quarter but up from a year ago. The interest rate on the real estate loans in the pipeline increased to 4.41% from an average rate of 4.10% for the linked quarter. The loan-to-value ratio on our real estate portfolio at quarter-end remains a modest 39%.

Slide 7 depicts the composition of our funding mix. As funding has continued to grow, the percentage related to CDs and borrowings has decreased. However, when the need arises to access the wholesale funding markets, there are advantages as we can ladder up the liabilities for longer terms where the consumer does not want to tie up money for much longer than 18 months.

On Slide 8, deposits increased nearly 7% year-over-year, quarter-over-quarter. Year-over-year growth was primarily driven by money market CDs and noninterest-bearing accounts. We continue to increase core deposits as represented by the year-over-year growth with an emphasis on noninterest-bearing deposit accounts which increased 10% year-over-year. Noninterest-bearing deposits of $378 million represent 8% of total deposits. We continue to see rate pressure with increased competition for deposits. The average cost of funds increased 10 basis points during the quarter. We continue to remain disciplined in terms of deposit pricing, while remaining competitive within our market.

Turning to Slide 9. Net interest income for the first quarter of 2018 was $42.6 million, down 1.8% year-over-year and 1% quarter-over-quarter. The net interest margin of 2.79% decreased 16 basis points year-over-year and 11 basis points quarter-over-quarter. Excluding prepayment penalty income and recovered interest from delinquent loans, the net interest margin at 2.72% declined 13 basis points year-over-year and 5 basis points quarter-over-quarter. Our overall cost of funds for the quarter was 1.27%, an increase of 26 basis points year-over-year and 10 basis points quarter-over-quarter, driven by an increase in rates paid on money markets and CDs.

In order to partially mitigate the increase in the cost of funds, we have taken the following steps. Entered into approximately $400 million of forward swaps using Federal Home Loan Bank borrowings which we believe will be beneficial to net income. Loan originations have increased 12 basis points from the linked quarter and 42 basis points from the first quarter of 2017. Originations of commercial business loans, which are primarily adjustable rate loans, totaled over 40% of the current quarter's originations and now comprise 15% of the loan portfolio.

For the third consecutive quarter, the yield on loan originations have exceeded the quarterly yields on the portfolio, net of prepayment penalties and recovered interest from delinquent loans. The loan swaps provided a minimal effect in the net interest margin in the current period, but we believe these swaps will enhance earnings as rates continue to rise.

We actively managed funding costs and continue to evaluate strategies to mitigate our liability-sensitive balance sheet. While net interest margin will likely remain pressured, we will continue to focus on driving net interest income by executing on the outlined steps, coupled with leveraging loan pricing opportunities and the portfolio mix.

On Slide 11, we reported noninterest income for the first quarter of 2018 of $3.2 million but core noninterest income was $2.5 million. The core noninterest income excludes the gains from life insurance proceeds and loss on fair value adjustments. Core noninterest income declined year-over-year was driven partly by net loss of $300,000 on the sale of 1 commercial delinquent loan, which we believe it will continue to deteriorate, so we seized the opportunity to sell and maintain our strong credit quality.

Moving to Slide 12. We have seasonality in our noninterest expense. The first quarter of 2018 included the impact of annual grants of employee and director restricted stock unit awards and the effects of the nonexecutive bonuses granted because of the Tax Reform Act. Restricted stock expense totaled $3.5 million in the first quarter of 2018 compared to $3.3 million in the first quarter of 2017 and approximately $1 million in the fourth quarter of 2017. There are approximately $3.8 million of compensation and other nonrecurring consulting expenses in the first quarter that will not be included in the remainder of the year's run rate.

With lower expected quarterly expense for the remainder of the year, we anticipate 2018 annual expenses to increase approximately 3% to 5% from the 2017. Overall, the efficiency ratio was 69% in the first quarter of 2018 compared to 55% in the fourth quarter of 2017 and 64% in the first quarter of 2017. As John previously mentioned, our long-term goal is to maintain an efficiency ratio in the low to mid-50s. We remain focused on continuous improvement and new opportunities in our operations for efficiency gains. Regarding taxes, we anticipate the effective tax rate to be approximately 22% to 25% for 2018.

Now turning to credit quality on Slide 13. Our credit metrics remained excellent this quarter. As a reminder, we are a historical seller of nonperforming credits and record charge-offs early in the delinquency process. The average loan-to-value of our nonperforming real estate loans is only 37% based upon the value of the underlying collateral at origination, and we do not adjust the appraised values for increases. The loan-to-value should be conservative based upon this methodology. Nonperforming loans totaled $16.6 million, down 10% year-over-year and 8% quarter-over-quarter, as credit quality remains one of our core strengths.

Slide 14 highlights the effects of our strong underwriting discipline with our history of minimal 90-day delinquencies as a percentage of loans originated by year. As you can see, there are only 3 loans delinquent greater than 90 days for the vintage years after 2009.

Moving to Slide 15. Our coverage ratio of over 123% has been increasing year-over-year due to improving credit quality and our reserve build. The allowance to gross loans remains flat at 39 basis points. We recorded provision for the loan losses of $0.2 million in the first quarter of 2018 due to the growth in the loan portfolio. Net recoveries of $38,000 for the first quarter of 2018 offset a portion of the allowance that would have been required given our loan growth. With expected loan growth, we continue to anticipate recording provision for loan losses proportionate with that growth in the future quarters to maintain an adequate ratio. As always, we monitor our credit quality very closely to ensure that we have an appropriate loan loss reserve.

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

John R. Buran
President & CEO

Thank you, Susan. Wrapping up, Slide 16 provides a summary of why we believe we remain well positioned for continued strategic and profitable growth. To reiterate, our vision is to be the preeminent community financial services company in our multicultural market area by exceeding customer expectations and leveraging our strong banking relationships. The New York City market and strong Asian customer base in Flushing continues to represent a significant opportunity for us. We remain focused on providing a superior and consistent experience at every touch point for our customers and maximizing shareholder value. Those of you that have held our stock for over the last 5 years know that our total shareholder return has been 84%. And since our IPO in 1995, total shareholder return has been 1,073%.

In conclusion, we have a strong foundation with attractive markets and customers, a proven track record and a seasoned leadership team to execute our strategy with a commitment to drive continued profitable growth.
We will now take questions as time permits. Operator, I'll turn it over to you.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Mark Fitzgibbon with Sandler O'Neill.

Mark Thomas Fitzgibbon
Sandler O'Neill + Partners, L.P., Research Division

Susan, I wondered if you could share with us your outlook for the net interest margin and whether or not that assumes any rate hikes for the remainder of the year.

Susan K. Cullen
Chief Financial Officer, Senior Executive Vice President and Treasurer

We bottled up the net interest margin for the remainder of the year assuming 4 rate hikes during the year. And we do see continued decline of the net interest margin of somewhere between 5 and 10 basis points.

Mark Thomas Fitzgibbon
Sandler O'Neill + Partners, L.P., Research Division

5 and 10 per quarter?

Susan K. Cullen
Chief Financial Officer, Senior Executive Vice President and Treasurer

No, in total, by the end of the year. I'm sorry.

Mark Thomas Fitzgibbon
Sandler O'Neill + Partners, L.P., Research Division

Got you, okay. No problem. And I'm curious if you think with multifamily rates hitting sort of the 4% level on 5-year product, whether you think that will trigger some more prepayment activity?

John R. Buran
President & CEO

We think we will see a little bit more. Although, frankly, we've been concentrating on diversifying the portfolio more. So we think that there is more -- there are more opportunities, both in commercial real estate and also in the C&I business going forward for us. But -- so while multifamily will continue to be an important area for us, we're -- we'd like to diversify the portfolio even more so.

Mark Thomas Fitzgibbon
Sandler O'Neill + Partners, L.P., Research Division

Okay. And then I wondered if you could share with us your expectations for loans and deposits in that new Chinatown location, maybe over the next year? And what level of loans and deposits it will take to get to sort of breakeven level?

John R. Buran
President & CEO

So we usually think somewhere around $50 million and -- for one of our branches, and I expect we can be there in 2 years. Just one more comment about the loan area. The multifamily and the commercial real estate are obviously all 5-year resets. So on a continuing basis, as rates have risen, we are seeing more and more loans roll over at more favorable rates. So we have that ongoing process taking place within the portfolio.

Operator

The next question comes from Steven Comery with Gabelli & Company.

Steven Comery
G. Research, LLC

Just want to ask about the construction portfolio. Looks like it was up materially in the quarter. I know, before we talked about this, now this is a while ago, you guys kind of said you weren't really thinking you're getting paid for that risk in the portfolio outside of renovations. Has anything changed there that makes you guys more interested in that sector?

John R. Buran
President & CEO

Not really. We still think it's going to be a very small proportion of the overall portfolio. It's like less than 16 basis points of the total portfolio at this point in time. We may see a little bit of growth opportunistically, but it's not a major area of focus for us.

Steven Comery
G. Research, LLC

Okay. I figured as much. And then kind of you guys have talked about efficiency ratio goals of low to mid-50s over the long term. I mean, how should we interpret that? Is that sort of over the next couple of years? And do you have any sort of target for 2018? How should we think about that sort of time line?

John R. Buran
President & CEO

So -- yes, I think a part of what's going on with respect to our efficiency ratio is really happening on the net interest margin side. So as we see these trends, the loan portfolio repricing, the increases taking place in the C&I portfolio consistent with rate increases, we expect to see a leveling out of the NIM pressure. So based upon that and then based upon the actions that we're taking with respect to defraying future costs in our branch network, over time we expect that we'll be able to bring down the efficiency ratio.

Steven Comery
G. Research, LLC

Okay. And then just on the noninterest expense guidance on the slide, it says 3% to 5% above the 2017 levels. I think I was expecting a little less than that based on sort of the Q1 comments -- I mean, the Q4 comments. Has anything changed there in your guys' expectations?

Susan K. Cullen
Chief Financial Officer, Senior Executive Vice President and Treasurer

No. The biggest component of our G&A is salaries, and those raises have been about 3%. So that's what's driving that for the most part.

Steven Comery
G. Research, LLC

Okay. So that's sort of the main delta there is the salary increases you guys had announced.

Susan K. Cullen
Chief Financial Officer, Senior Executive Vice President and Treasurer

Yes.

Operator

The next question comes Gilbert Collyn with KBW.

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

Collyn Gilbert. Just a question on the NIM. So the down 5 to 10, Susan, that you mentioned, that's I'm assuming from this -- from the first quarter level or is that from the fourth?

John R. Buran
President & CEO

Yes.

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

Okay, okay. And then just tying that into NII, is the expectation -- I mean, the narrative around what you've been doing in mix shifting the loan book and better loan yields coming on, I guess I would have thought that the loan yield -- we'd start to see that in fact higher, right? It seems like it's still under pressure. What's just the dynamic there? Maybe it's a mix, I know that, that leads to some of that, but even so what you're describing kind of is the blended yield. So curious about that. And then also to just how you're thinking about just net interest income dollars in general. I know they've been under pressure now for the last few quarters. Do you expect the dollars to inflect higher at some point this year?

John R. Buran
President & CEO

Yes. I think toward the end of the year, we should start to see some movement there. We continue to have -- there's a couple of things going on. First off, the -- we have $200 million -- close to about $300 million of loans that are on swaps. So they provide some protection. A good proportion of our $700 million C&I portfolio provide some protection. And then the loans repricing about -- somewhere around about 20% a year reprice. I think the wildcard for us in this particular quarter was the prepayment penalties. They were significantly lower than they had been in the past. So I think depending upon how they come in, there's this natural progression of increasing yields on the portfolio, and you can see that in the increases that you see in the pipeline and then the year-over-year increases in the origination activity. So again, 3 consecutive quarters we've had the loans exceed -- the origination yields exceed the portfolio yields. So we continue to see that upward pressure on those yields. And I think toward the end of the year, it will accelerate.

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

Okay, okay. And I know, I'm not necessarily asking for guidance in 2019. But John, just given your comments, tying to what you just said and what you said before, I mean, is the expectation that then there really start -- should start to be a higher NIM coming in, in 2019?

John R. Buran
President & CEO

So I think that's going to depend upon the activity at the Fed. We're still liability-sensitive, obviously. But as I said, the underlying trends for us on the loan side will continue to accelerate. So I think it's a matter of the, let's say, the quickness of movement on the Fed versus what we know is pretty well established in terms of movement on the loan portfolio. So I don't know if that's helpful to you.

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

Okay, okay. yes, that's good. And then just on -- as you said, you guys are seeing some really good loan growth, really good loan demand. Where is that coming from? I mean, I presume obviously some of it's been taken from competitors because these are new customers coming into bank. But where are you seeing the opportunity to be able to grow loans at the rate you guys are?

John R. Buran
President & CEO

Well, I think the key focus is our diversification. So it gives us opportunity. So in this particular quarter, we didn't have a large participation in the multifamily but made up for with commercial real estate and C&I. So I think the ability to diversify and to -- there's very, very good economic activity going on in the New York area. And we're still a very, very small proportion of that economic activity. So we're just the beneficiaries of it. We've gotten some new loan officers coming on board in the C&I area. Last year, we mentioned that we went into the equipment -- we went into the commitment finance business. So we picked up a little bit more there. So I think it's -- this continued diversification, continued focus on the C&I portfolio and then leveraging opportunities, both in commercial real estate and in multifamily as they become available to us. So I think what gives us our strength is that we do have the ability to build loan volume in several different product types, which has enabled us to really get good loan growth in just about every quarter. The other area that's starting to come back for us is our mixed-use area, which we had deemphasized for quite some time. Now that is starting to come on board with some additional volumes. And I would emphasize that these products that we're talking about mixed use, C&I and even commercial real estate, all have premiums -- either premiums or interest rate protection versus the multifamily space, which is still priced pretty competitively in general. Although, we're doing our multifamily over with a 4 handle now.

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

Okay, okay. That's helpful. And Susan, I appreciate the guidance you gave on the expenses. Can you give us perhaps some similar outlook or color on where you think noninterest income will go?

Susan K. Cullen
Chief Financial Officer, Senior Executive Vice President and Treasurer

I would think our noninterest income is going to be pretty flat compared to what it was last year, market being equally flowing through our core -- I'm going to talk about core noninterest income because the fair value adjustments and unfortunately if we have gains on life insurance, we can't control that. So we have no new initiatives to pay on any fee income. So we would expect it to be very consistent with what you've seen in the prior years.

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

Okay, okay. That's helpful. And then just one last question on the accelerated premium amortization. I think on CLOs, there was something that you had indicated in the press release. What was that specifically that happened in the quarter?

Susan K. Cullen
Chief Financial Officer, Senior Executive Vice President and Treasurer

It's the comparison of the fourth quarter to the first quarter. In the fourth quarter, we had some CLOs called. They had some premium associated with them. And that was recognized through interest income. And -- so obviously, that's out there.

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

Okay. And I'm sorry, what was the dollar amount tied to that?

Susan K. Cullen
Chief Financial Officer, Senior Executive Vice President and Treasurer

I don't have that in front of me right this minute, Collyn, for that 1 CLO.

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

Okay. Was it -- I mean, I know you've mentioned it both with prepay and this. I presume prepay was the bigger contributor in this.

Susan K. Cullen
Chief Financial Officer, Senior Executive Vice President and Treasurer

Right. And as John mentioned, our prepayments were down year -- from the fourth quarter of '17 by about $0.5 million.

Operator

[Operator Instructions] The next question comes from Matthew Breese with Piper Jaffray.

Matthew M. Breese
Piper Jaffray Companies, Research Division

I was hoping to just get some big picture high-level commentary on deposit competition and deposit betas versus loan yields and loan betas in your market and why there might be some mismatch? And what are the drivers behind that?

John R. Buran
President & CEO

I think the basic is the flat yield curve. So I think that that's the core issue. Now the fact that the 10-year just moved to 3%, that augurs fairly well for us, but let's face it, we're talking about a, I don't know, 50-some-odd basis point differential in the 2 to 10. So I think that, that is driving a lot of what we're seeing in terms of pricing, particularly in the multifamily space. In terms of betas in the market on the deposit side, I think they're heating up a little bit as we've seen some pressure. Although, I think that the -- it's not irrational pricing, but it's clearly more competitive than it was last year on the deposit side. And I think we still see a couple of banks that are out there that are pricing their multifamily with a 3% handle. But I think with this latest move from the Fed, what with the upcoming move from the Fed and the fact that 10-year went to 3%, I think, should really start to give everybody pause in that regard. So my expectation is that we'll see some positive movement in loan yields due to that interest rate movement on the longer end of the curve.

Matthew M. Breese
Piper Jaffray Companies, Research Division

Understood. Do you think any of the lack of movement to date on the multifamily side is due to tax reform benefits being priced away?

John R. Buran
President & CEO

No. I don't really think so. I think it's a flat yield curve. I think it's a flat yield curve. I think it's a lot of relatively new entrants into the market. But I see 2 trends. First of all, the yield trend that I think is positive. And then we have 2 competitors out there: one in which -- one has decided to not grow that particular, the multifamily; and there's one that's trying to stay below the $50 billion mark. So that helps a little bit as well. So that combined with some movement on the longer end of the yield curve might open that market up a little bit, might cause us to be a little bit more -- to do a little bit more in multifamily in the coming quarters. But then, again, we have other opportunities that to date have been better.

Matthew M. Breese
Piper Jaffray Companies, Research Division

Right, okay. And just switching gears to capital management and any sort of desire to continue repurchasing stock, do you think we should start modeling that in a little bit at current levels, more consistent share repurchases?

Susan K. Cullen
Chief Financial Officer, Senior Executive Vice President and Treasurer

We're an opportunistic repurchaser of shares. So we will look at it as the market moves. Again, we look at it in relation to our tangible book value and make decisions from there. Obviously, when it comes to capital, our first choice is to redeploy it into the business and grow our net interest-earning assets.

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

Well, thank you very much. I want to thank everybody for joining us today on our first quarter 2018 earnings call. I appreciate your support of Flushing Financial Corporation. We look forward to talking to you again next quarter. Thank you.

Susan K. Cullen
Chief Financial Officer, Senior Executive Vice President and Treasurer

Thank you.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.