

# **Flushing Financial Corporation NasdaqGS:FFIC Shareholder/Analyst Call**

**Tuesday, May 18, 2021 6:00 PM GMT**

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# Call Participants

## EXECUTIVES

**John R. Buran**

*President, CEO & Director*

**Maria A. Grasso**

*Senior EVP, COO & Corporate Secretary*

# Presentation

## **John R. Buran**

*President, CEO & Director*

Good afternoon, and welcome to the Virtual 2021 Annual Shareholders Meeting of Flushing Financial Corporation. I'm John Buran, President and CEO of Flushing Financial. Thank you for joining us today. We're excited to be hosting our second virtual meeting, which allows us to be more inclusive and reach a greater number of our shareholders.

As is our custom, we will conduct the business portion of our meeting first, followed by some remarks by me, and then I will address some questions submitted by shareholders at the end of the meeting. Though we may not be able to answer every question, we will do our best to provide a response to as many as possible.

In keeping with the digital approach to this year's meeting, it is now shortly after 1:00 p.m. Daylight Savings Time on May 18, and this meeting is officially called to order. And now I'd like to introduce members of the Board and certain senior executives attending today's virtual meeting.

Alfred DelliBovi, Chairman; Michael Azarian, James Bennett, Steven D'Iorio, Louis C. Grassi, Sam Han, Douglas Manditch, John McCabe, Donna O'Brien, Mike Russo; and Caren Yoh.

Now it's my pleasure to introduce Flushing Bank's Senior Executive Vice Presidents. Michael Bingold, Senior Executive Vice President and Chief Retail and Client Development Officer; Tom Buonaiuto, Senior Executive Vice President and Chief of Staff and Deposit Channel Executive; Allen Brewer, Senior Executive Vice President and Chief Information Officer; Susan Cullen, Senior Executive Vice President, Chief Financial Officer and Assistant Corporate Secretary;

Francis Korzekwinski, Senior Executive Vice President and Chief of Real Estate Lending; Lastly, Chief Operating Officer and Corporate Secretary; Ms. Maria Grasso, who will act as Secretary of the meeting. I will turn to her now with some further introductions and to discuss some virtual meeting procedural items. Maria?

## **Maria A. Grasso**

*Senior EVP, COO & Corporate Secretary*

Thank you, John. I'd like to take a moment to recognize a few other virtual meeting attendees. Representatives from our independent auditing firm, BDO USA, including Kim Karwath; Peter W. Descovich from Broadridge, who is serving as our inspector of elections for this meeting. And Gary J. Simon, Partner of Hughes Hubbard & Reed LLP, counsel to the company.

After the formal meeting has adjourned, and following John's remarks, we will provide time for general questions. Only validated shareholders may ask questions in the designated field on the web portal. Out of consideration for others, please limit yourself to one question. Please note that this meeting is being recorded. However, no one attending via the webcast or telephone is permitted to use any audio recording device. The Board of Directors fixed March 23, 2021, as the record date for determining shareholders entitled to vote at this meeting.

I hereby confirm receipt of an affidavit of mailing from the mail coordinator Broadridge, as proof of mailing of the notice of meeting and the proxy statement, a certified list of stockholders of record at the close of business on March 23, 2021, the subscribed oath of Broadridge as inspector of election and the minutes of the annual meeting held on May 26, 2020.

As of the record date, there were 30,954,458 shares of common stock outstanding and entitled to vote at this meeting. We are informed by the inspector of election that a majority of the voting power of all issued and outstanding stock entitled to vote on the record date have voted, thus a quorum is presented for all purposes. Now I will present the matters to be voted upon. Proposal 1, to elect 4 directors for a 3-year term and until their successor are elected and qualified. Upon the recommendation of the nominating Governance Committee, the Board of Directors has approved the following incumbent directors as nominees for reelection as directors of Flushing Financial Corp. as set forth in the proxy statement.

Michael A. Azarian, Steven J. D'Iorio, Louis C. Grassi, Sam S. Han. Proposal 2, to approve an amendment to the 2014 Omnibus Incentive plan; Proposal 3, to approve, on an advisory basis Flushing Financial Corporation's executive compensation; and Proposal 4, to ratify the appointment of BDO USA, LLP by the Audit Committee of the Board of Directors as the company's independent registered public accounting firm for the fiscal year ending December 31, 2021.

Any shareholder who hasn't -- didn't yet voted or wishes to change their vote, may do so by clicking on the voting button on the web portal and following the instructions there.

Shareholders who have sent in proxies or voted via telephone or internet and do not want to change their vote, do not need to take any further action.

[Voting]

**Maria A. Grasso**

*Senior EVP, COO & Corporate Secretary*

Now that everyone has had the opportunity to vote, I now declare the polls for 2021 Flushing Financial Corporation's annual shareholder meeting closed.

**John R. Buran**

*President, CEO & Director*

As I noted earlier, we will continue to count and finalize the voting following the meeting and promptly publicly announce the results. This concludes the official business of the meeting, and the meeting is adjourned. I will now share my remarks about the operations of Flushing Financial Corporation and answer some questions submitted via the web portal.

This page contains 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, including as set forth in the company's filings with the U.S. Securities and Exchange Commission to which we refer you.

During this speech, 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 as a substitute for the financial information prepared and presented in accordance with U.S. GAAP.

For more information about these non-GAAP measures and for reconciliation to GAAP, please refer to the earnings release and/or related presentation that can be found on our website or in our SEC filings.

Good afternoon, and thank you for joining us for our virtual annual shareholder meeting. What a difference a year makes. A year ago, we were dealing with lockdowns, accelerating COVID-19 numbers and protecting the health and safety of our employees and customers. Today, our outlook is brighter with access to vaccines, businesses reopening, workers returning to their offices throughout the New York metro area. We are carefully assessing when to bring our employees back to the office, and if certain functions can continue to be performed away from the office.

Throughout the crisis, we supported our customers and communities by providing access to funds designed to support small businesses impacted by the pandemic such as in the SBA Paycheck protection program. Cumulatively, we funded nearly 1,000 loans, totaling nearly \$235 million. Approximately \$49 million of these loans have been forgiven by the SBA and another \$34 million are in their process.

We also approved forbearances for loans, which peaked at \$1.5 billion in 2020. And at the end of the first quarter 2021 were \$296 million. We believe that the majority of the forbearance loans will return to normal payments by the end of the year. We will continue to support our customers as the economy begins its recovery. Our community support will include donations to local nonprofit organizations that provide needed services to individuals and families and those that stand up to condemn the acts of violence and racism that have become too prevalent in our society.

As I reflect on the last year and the many challenges presented, the secret of our success was our employees. I'm extremely proud of their commitment to our customers and to our communities throughout the COVID crisis. Thanks to their efforts, we manage our operations seamlessly through one of the most significant global events of our lifetime.

As an organization, we embrace diversity and inclusion as a core value and recognize that our differences make us stronger and better equipped to serve our customers and communities. While the underlying business fundamentals in the first quarter 2021 performed well, our GAAP earnings of \$0.60 per share for the first quarter were affected by several notable items that had a net reduction of \$0.06 per share. After tax, resulting in core earnings of \$0.54 per share. We continue to benefit from the low-rate environment as funding costs declined and the net interest margin improved.

Loan growth was less than 1% during the first quarter as we focused on helping our customers navigate the PPP program, both with new originations and forgiveness. We continued to enhance the deposit base as core deposits comprised 83% of average deposits in the first quarter. While the pandemic continues to impact our borrowers, in the first quarter, net charge-offs were only 17 basis points with 16 basis points coming from our decision to write-off the remaining taxi medallion portfolio. Nonperforming assets are only 26 basis points. In 2020, we continued to build upon our solid track record of delivering strong and consistent financial performance.

Since our initial public offering in 1995, we have achieved positive earnings every single year. After a pandemic-related delay, we closed the Empire transaction on October 30, 2020, and completed the conversion shortly thereafter. Empire added \$982 million of assets, \$685 million of loans and \$854 million of deposits, while recording only \$1.5 million of goodwill. We expect to achieve 20% earnings accretion in 2021 from this transaction. We achieved GAAP earnings per diluted share of \$1.18 and for a sixth consecutive year, had over \$1 billion in total loan closings in 2020.

Although GAAP net income declined due to COVID-19 related expenses and other nonrecurring charges, we were able to lower the cost of funds and increase net interest income. Despite the pandemic impact, net loan growth, excluding Empire, was 3.9% in 2020. We were well positioned to handle the new digital environment with an upgrade in mobile and online banking operations in March 2020. We have seen a 64% year-over-year increase in monthly mobile active users in March 2021 and a 120% rise in online banking users. As the New York City area economy opened up and investors understood our credit risk profile, our stock has outperformed in 2021.

Through April 30, our stock is up 40% year-to-date compared to our peer group median of 34%. We will continue to focus on the long term and implement our strategic plan. The strategic plan remains focused on ensuring appropriate risk-adjusted returns while optimizing cost of funds, maintaining strong historical loan growth and a disciplined flexible balance sheet, enhancing core earnings power by improving scalability and efficiency and managing credit risk with consistently disciplined underwriting.

Sound underwriting and exceptional credit quality are a hallmark of our company, and we expect this will continue. The challenges of the past year highlight the enduring relevance of our brand message, small enough to know you, large enough to help you. In the multicultural markets in which we operate, this idea continues to perfectly capture our vision to be the preeminent bank by exceeding customer expectations. We have sufficient scale to facilitate banking and lending solutions offered by larger commercial banks while being nimble enough to offer customized solutions that meet the unique individual needs of our customers.

Our collective goal is to ensure total customer satisfaction by delivering a consistent and superior customer service at every touch point by providing new account access, product choices and delivery channels that enable our customers to bank where, when and how they choose. We expect that a superior level of service will create value and attract new customers. As a community bank, we believe it is important to staff our branches with dedicated employees who understand the culture and speak the language of our communities.

We believe we derive a significant competitive advantage from our exceptional employees who speak over 20 different languages and are the face of our brand and our connection to our neighborhoods. We remain confident that our strong brand, consistent strategy and experienced leadership team will continue to execute and drive positive momentum. We remain well positioned to manage through these uncertain times and believe our ability to execute our strategic objectives will carry the company forward.

We are very proud of our proven track record of delivering solid risk-adjusted returns, consistent profitable growth and long-term value to our shareholders. In closing, we appreciate the dedication and commitment of our employees throughout the challenges of the last year, and we thank our customers for their continued trust. As a community-focused bank, we truly care about our customers and the communities we serve. To our valued shareholders, we are honored to serve you, and we thank you for your continued trust and support.

# Question and Answer

## Operator

Thank you. We are reviewing some shareholder questions that have been submitted on the web portal. Please note, we will attempt to answer many questions as the time allows, but only questions that are germane to the meeting will be addressed.

## John R. Buran

*President, CEO & Director*

Thank you. Thank you, operator. We have a question from a shareholder. What is a niche of Flushing and how is the bank continuing to further the niche as well as attract a younger generation?

So we do have a focus on the Asian markets within our footprint and our continued delivery of service to that group, which includes active involvement in the community. We're very focused on the not-for-profit entities that are within the Asian community. We have a strong branch presence there, and we also have an advisory board that's made up of some of the key business leaders in that subsegment of the market.

I expect that now that the city is opening up, we'll be doing more local in-person events, which has been the hallmark of our success in those markets. As to the new generation, the younger generation, as mentioned in my prior remarks, in March of 2020, we made a significant upgrade to our digital offerings. Now we are able to very, very easily open up customer accounts. This has been very, very successful. Over 20% of our account openings. Initially were opened via that portal, and we're expecting to have that continue to grow as time goes on.

We're very, very pleased with the amount of activity in terms of deposits, in terms of page views. Where -- we think this is exactly what the younger generation looks to utilize in making their banking more simple. So online was upgraded, mobile was upgraded. And we now have what we believe to be a real state-of-the-art web offering to our customer base.

Operator, that concludes the meeting. I turn it over to you to close.

## Operator

Thank you. This concludes today's conference call. Thank you for participating, and you may now disconnect.

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