

FLUSHING FINANCIAL CORP  
Form 10-Q  
May 06, 2016

UNITED STATES

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **March 31, 2016**

Commission file number **001-33013**

**FLUSHING FINANCIAL CORPORATION**

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State or other jurisdiction of incorporation or organization)*

**11-3209278**

*(I.R.S. Employer Identification No.)*

**220 RXR Plaza, Uniondale, New York 11556**

*(Address of principal executive offices)*

**(718) 961-5400**

*(Registrant's telephone number, including area code)*

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).  Yes  No

The number of shares of the registrant's Common Stock outstanding as of April 30, 2016 was 28,969,566.

**TABLE OF CONTENTS**

	PAGE
<b><u>PART I — FINANCIAL INFORMATION</u></b>	
<b><u>ITEM 1. Financial Statements - (Unaudited)</u></b>	
<u>Consolidated Statements of Financial Condition</u>	<u>1</u>
<u>Consolidated Statements of Income</u>	<u>2</u>
<u>Consolidated Statements of Comprehensive Income</u>	<u>3</u>
<u>Consolidated Statements of Cash Flows</u>	<u>4</u>
<u>Consolidated Statements of Changes in Stockholders' Equity</u>	<u>5</u>
<u>Notes to Consolidated Financial Statements</u>	<u>6</u>
<b><u>ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	<b><u>41</u></b>
<b><u>ITEM 3. Quantitative and Qualitative Disclosures About Market Risk</u></b>	<b><u>55</u></b>
<b><u>ITEM 4. Controls and Procedures</u></b>	<b><u>55</u></b>
<b><u>PART II — OTHER INFORMATION</u></b>	
<b><u>ITEM 1. Legal Proceedings</u></b>	<b><u>56</u></b>
<b><u>ITEM 1A. Risk Factors</u></b>	<b><u>56</u></b>
<b><u>ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	<b><u>56</u></b>
<b><u>ITEM 3. Defaults Upon Senior Securities</u></b>	<b><u>56</u></b>
<b><u>ITEM 4. Mine Safety Disclosures</u></b>	<b><u>56</u></b>
<b><u>ITEM 5. Other Information</u></b>	<b><u>56</u></b>
<b><u>ITEM 6. Exhibits</u></b>	<b><u>57</u></b>
<b><u>SIGNATURES</u></b>	<b><u>58</u></b>

**PART I – FINANCIAL INFORMATION****FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES****Consolidated Statements of Financial Condition**

(Unaudited)

**Item 1. Financial Statements**

(Dollars in thousands, except per share data)	March 31, 2016	December 31, 2015
<b>ASSETS</b>		
Cash and due from banks	\$51,417	\$42,363
Securities held-to-maturity:		
Other securities (none pledged) (fair value of \$7,885 and \$6,180 at March 31, 2016 and December 31, 2015, respectively)	7,885	6,180
Securities available for sale:		
Mortgage-backed securities (including assets pledged of \$523,749 and \$496,121 at March 31, 2016 and December 31, 2015, respectively; \$2,403 and \$2,527 at fair value pursuant to the fair value option at March 31, 2016 and December 31, 2015, respectively.)	668,412	668,740
Other securities (including assets pledged of \$74,885 and none at March 31, 2016 and December 31, 2015, respectively; \$28,361 and \$28,205 at fair value pursuant to the fair value option at March 31, 2016 and December 31, 2015, respectively)	372,851	324,657
Loans:		
Multi-family residential	2,039,794	2,055,228
Commercial real estate	1,058,028	1,001,236
One-to-four family mixed-use property	571,846	573,043
One-to-four family residential	191,158	187,838
Co-operative apartments	8,182	8,285
Construction	7,472	7,284
Small Business Administration	14,701	12,194
Taxi medallion	20,757	20,881
Commercial business and other	531,322	506,622
Net unamortized premiums and unearned loan fees	15,281	15,368
Allowance for loan losses	(21,993 )	(21,535 )
Net loans	4,436,548	4,366,444
Interest and dividends receivable	19,369	18,937
Bank premises and equipment, net	25,130	25,622
Federal Home Loan Bank of New York stock	53,368	56,066

Edgar Filing: FLUSHING FINANCIAL CORP - Form 10-Q

Bank owned life insurance	114,405	115,536
Goodwill	16,127	16,127
Other assets	47,555	63,962
Total assets	\$5,813,067	\$5,704,634
<b>LIABILITIES</b>		
Due to depositors:		
Non-interest bearing	\$280,450	\$269,469
Interest-bearing:		
Certificate of deposit accounts	1,362,062	1,403,302
Savings accounts	268,057	261,748
Money market accounts	485,774	472,489
NOW accounts	1,610,932	1,448,695
Total interest-bearing deposits	3,726,825	3,586,234
Mortgagors' escrow deposits	56,612	36,844
Borrowed funds (\$27,977 and \$29,018 at fair value pursuant to the fair value option at March 31, 2016 and December 31, 2015, respectively)	1,074,789	1,155,676
Securities sold under agreements to repurchase	116,000	116,000
Other liabilities	70,612	67,344
Total liabilities	5,325,288	5,231,567
Commitments and contingencies (Note 5)		
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock (\$0.01 par value; 5,000,000 shares authorized; None issued)	-	-
Common stock (\$0.01 par value; 100,000,000 shares authorized; 31,530,595 shares issued at March 31, 2016 and December 31, 2015; 28,986,566 shares and 28,830,558 shares outstanding at March 31, 2016 and December 31, 2015, respectively)	315	315
Additional paid-in capital	211,735	210,652
Treasury stock, at average cost (2,544,029 shares and 2,700,037 shares at March 31, 2016 and December 31, 2015, respectively)	(46,307 )	(48,868 )
Retained earnings	320,725	316,530
Accumulated other comprehensive income (loss), net of taxes	1,311	(5,562 )
Total stockholders' equity	487,779	473,067
Total liabilities and stockholders' equity	\$5,813,067	\$5,704,634

The accompanying notes are an integral part of these consolidated financial statements

**PART I – FINANCIAL INFORMATION****FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES****Consolidated Statements of Income**

(Unaudited)

(Dollars in thousands, except per share data)	For the three months ended March 31,	
	2016	2015
Interest and dividend income		
Interest and fees on loans	\$47,558	\$43,534
Interest and dividends on securities:		
Interest	6,592	5,870
Dividends	119	118
Other interest income	94	21
Total interest and dividend income	54,363	49,543
Interest expense		
Deposits	7,973	7,458
Other interest expense	5,257	4,531
Total interest expense	13,230	11,989
Net interest income	41,133	37,554
Benefit for loan losses	-	(734 )
Net interest income after benefit for loan losses	41,133	38,288
Non-interest income		
Banking services fee income	976	884
Net gain on sale of loans	341	2
Net loss from fair value adjustments	(987 )	(595 )
Federal Home Loan Bank of New York stock dividends	623	518
Gain from life insurance proceeds	411	-
Bank owned life insurance	695	717
Other income	481	404
Total non-interest income	2,540	1,930
Non-interest expense		
Salaries and employee benefits	16,261	14,666
Occupancy and equipment	2,370	2,713
Professional services	2,150	1,779
FDIC deposit insurance	904	749
Data processing	1,091	1,075
Depreciation and amortization	1,032	668
Other real estate owned/foreclosure expense	153	520

Edgar Filing: FLUSHING FINANCIAL CORP - Form 10-Q

Other operating expenses	4,536	3,769
Total non-interest expense	28,497	25,939
Income before income taxes	15,176	14,279
Provision for income taxes		
Federal	4,747	4,252
State and local	868	1,294
Total taxes	5,615	5,546
Net income	\$9,561	\$8,733
Basic earnings per common share	\$0.33	\$0.30
Diluted earnings per common share	\$0.33	\$0.30
Dividends per common share	\$0.17	\$0.16

The accompanying notes are an integral part of these consolidated financial statements.

**PART I – FINANCIAL INFORMATION****FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES****Consolidated Statements of Comprehensive Income**

(Unaudited)

(In thousands)	For the three months ended March 31, 2016      2015	
Net income	\$9,561	\$8,733
Other comprehensive income, net of tax:		
Amortization of actuarial losses, net of taxes of (\$83) and (\$133) for the three months ended March 31, 2016 and 2015, respectively	109	174
Amortization of prior service credits, net of taxes of \$5 and \$5 for the three months ended March 31, 2016 and 2015, respectively	(6 )	(6 )
Net unrealized gains on securities, net of taxes of (\$5,028) and (\$3,293) for the three months ended March 31, 2016 and 2015, respectively	6,770	4,332
Total other comprehensive income, net of tax	6,873	4,500
Comprehensive income	\$16,434	\$13,233

The accompanying notes are an integral part of these consolidated financial statements.



**PART I – FINANCIAL INFORMATION****FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES****Consolidated Statements of Cash Flows**

(Unaudited)

(In thousands)	For the three months ended	
	March 31, 2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 9,561	\$ 8,733
Adjustments to reconcile net income to net cash provided by operating activities:		
Benefit for loan losses	-	(734 )
Depreciation and amortization of bank premises and equipment	1,032	668
Amortization of premium, net of accretion of discount	2,189	2,143
Net loss from fair value adjustments	987	595
Net gain from sale of loans	(341 )	(2 )
Income from bank owned life insurance	(695 )	(717 )
Gain from life insurance proceeds	(411	