FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FLUSHING FINANCIAL CORP

CIK:**923139**| IRS No.: **113209278** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-24272** | Film No.: **1696967**
SIC: **6035** Savings institution, federally chartered

Business Address
144-51 NORTHERN BLVD
FLUSHING NY 11354
7189615400

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 **June 30, 2001**

Commission file number **000-24272**

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.)

144-51 Northern Boulevard, Flushing, New York 11354
(Address of principal executive offices)

(718) 961-5400
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
None.

Securities registered pursuant to Section 12(g) of the Act:
Common Stock $0.01 par value.

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.
__X__Yes ______No

The number of shares of the registrant's Common Stock outstanding as of July 31, 2001 was 9,235,443.

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PART I -- FINANCIAL INFORMATION

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
Consolidated Statements of Financial Condition

(Dollars in thousands, except share data)	June 30, 2001	December 31, 2000
	(Unaudited)	
ASSETS		
Cash and due from banks	$8,416	$10,235
Federal funds sold and overnight interest-earning deposits	10,205	11,758
Securities available for sale:		
Mortgage-backed securities	230,896	238,626
Other securities	20,876	16,594
Loans:		
1-4 Family residential mortgage loans	482,844	467,784
Multi-family mortgage loans	347,823	334,307
Commercial real estate loans	199,984	167,549
Co-operative apartment loans	7,197	8,009
Construction loans	8,640	8,304
Small Business Administration loans	4,010	2,844
Consumer and other loans	3,075	3,704
Net unamortized premiums and unearned loan fees	697	579
Allowance for loan losses	(6,648)	(6,721)
Net loans	1,047,622	986,359
Interest and dividends receivable	7,740	7,724
Real estate owned, net	--	44
Bank premises and equipment, net	5,911	6,311
Federal Home Loan Bank of New York stock	24,932	24,932
Goodwill	4,088	4,272
Other assets	30,307	31,237
Total assets	$1,390,993	$1,338,092
LIABILITIES		
Due to depositors:		
Non-interest bearing	$23,156	$20,913
Interest-bearing	707,390	661,145
Mortgagors' escrow deposits	10,867	7,753
Borrowed funds	506,596	508,839
Other liabilities	11,555	12,705
Total liabilities	1,259,564	1,211,355
STOCKHOLDERS' EQUITY		
Preferred stock ($0.01 par value; 5,000,000 shares authorized)	--	--
Common stock ($0.01 par value; 20,000,000 shares authorized; 11,355,678 shares issued; 9,157,477 and 9,271,921 shares outstanding at June 30, 2001 and December 31, 2000, respectively)	114	114
Additional paid-in capital	77,029	76,396
Treasury stock, at average cost (2,198,201 and 2,083,757 shares at June 30, 2001 and December 31, 2000, respectively)	(34,249)	(31,755)
Unearned compensation	(7,420)	(7,781)
Retained earnings	95,159	89,896
Accumulated other comprehensive income, net of taxes	796	(133)
Total stockholders' equity	131,429	126,737
Total liabilities and stockholders' equity	$1,390,993	$1,338,092

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

PART I -- FINANCIAL INFORMATION

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

Consolidated Statements of Operations and Comprehensive Income

(In thousands, except per share data)	For the three months ended June 30, 2001	For the three months ended June 30, 2000	For the six months ended June 30, 2001	For the six months ended June 30, 2000
	(Unaudited)			
INTEREST AND DIVIDEND INCOME				
Interest and fees on loans	$20,939	$18,883	$41,382	$36,919
Interest and dividends on securities:				
Interest	3,832	5,066	7,878	10,057
Dividends	56	66	112	133
Other interest income	400	138	906	320
Total interest and dividend income	25,227	24,153	50,278	47,429
INTEREST EXPENSE				
Deposits	7,553	6,712	14,917	13,132
Other interest expense	7,526	7,254	15,242	13,954
Total interest expense	15,079	13,966	30,159	27,086
NET INTEREST INCOME	10,148	10,187	20,119	20,343
Provision for loan losses	--	--	--	--
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	10,148	10,187	20,119	20,343
NON-INTEREST INCOME				
Other fee income	623	488	1,184	1,012
Net gain on sales of securities and loans	6	1	218	36
Other income	989	476	1,939	993
Total non-interest income	1,618	965	3,341	2,041
NON-INTEREST EXPENSE				
Salaries and employee benefits	3,159	3,079	6,291	6,033
Occupancy and equipment	575	529	1,152	1,046
Professional services	538	579	1,081	1,171
Data processing	302	310	647	641
Depreciation and amortization	267	266	539	530
Other operating expenses	1,143	1,187	2,241	2,277
Total non-interest expense	5,984	5,950	11,951	11,698
INCOME BEFORE INCOME TAXES	5,782	5,202	11,509	10,686
PROVISION FOR INCOME TAXES				
Federal	1,674	1,578	3,482	3,253
State and local	466	399	776	808
Total taxes	2,140	1,977	4,258	4,061
NET INCOME	$3,642	$3,225	$7,251	$6,625
OTHER COMPREHENSIVE INCOME, NET OF TAX				
Unrealized (losses) gains on securities:				
Unrealized holding (losses) gains arising during period	$(47)	$350	$991	$513
Less: reclassification adjustments for gains included in income	--	--	(62)	--
Net unrealized holding (losses) gains	(47)	350	929	513

Comprehensive net income	$3,595	$3,575	$8,180	$7,138
Basic earnings per share	$0.44	$0.38	$0.88	$0.78
Diluted earnings per share	$0.43	$0.38	$0.85	$0.77

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

(In thousands)	For the six months ended June 30, 2001	2000
	(Unaudited)	
OPERATING ACTIVITIES		
Net income	$7,251	$6,625
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	--	--
Depreciation and amortization of bank premises and equipment	539	530
Amortization of goodwill	183	183
Net gain on sales of securities	(99)	--
Net gain on sales of loans	(119)	(36)
Net gain on sales of real estate owned	(11)	(126)
Amortization of unearned premium, net of accretion of unearned discount	531	663
Amortization of deferred income	(215)	(392)
Deferred income tax provision	144	323
Deferred compensation	235	104
Net decrease in other assets and liabilities	(877)	(808)
Unearned compensation	708	747
Net cash provided by operating activities	8,270	7,813
INVESTING ACTIVITIES		
Purchases of bank premises and equipment	(139)	(817)
Purchases of Federal Home Loan Bank shares	--	(1,842)
Purchases of securities available for sale	(74,756)	(12,274)
Proceeds from sales and calls of securities available for sale	28,583	--
Proceeds from maturities and prepayments of securities available for sale	51,013	17,108
Net originations and repayment of loans	(60,199)	(68,087)
Purchases of loans	(887)	(13,741)
Proceeds from sales of real estate owned	106	494
Net cash used by investing activities	(56,279)	(79,159)
FINANCING ACTIVITIES		
Net increase in non-interest bearing deposits	2,243	3,210
Net increase in interest-bearing deposits	46,245	12,149
Net increase in mortgagors' escrow deposits	3,114	445
Net increase (decrease) in short-term borrowed funds	(14,232)	17,696
Proceeds from long-term borrowed funds	38,000	49,000
Repayment of long-term borrowed funds	(26,011)	(25,158)
Purchases of treasury stock, net	(2,880)	(4,267)
Cash dividends paid	(1,842)	(1,728)
Net cash provided by financing activities	44,637	51,347
Net decrease in cash and cash equivalents	(3,372)	(19,999)
Cash and cash equivalents, beginning of period	21,993	34,934
Cash and cash equivalents, end of period	$18,621	$14,935

SUPPLEMENTAL CASH FLOW DISCLOSURE

Interest paid	$30,227	$26,906
Income taxes paid	4,622	3,929
Non-cash activities:		
Loans transferred through foreclosure of a related mortgage loan to real estate owned	47	182

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

PART I -- FINANCIAL INFORMATION

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
(Unaudited)

(In thousands, except share data)	For the six months ended June 30, 2001
COMMON STOCK	
Balance, beginning of period	$114
No activity	--
Balance, end of period	$114
ADDITIONAL PAID-IN CAPITAL	
Balance, beginning of period	$76,396
Award of shares released from Employee Benefit Trust (1,858 common shares)	23
Restricted stock awards (16,750 common shares)	79
Options exercised (2,700 common shares)	5
Tax benefit of unearned compensation	526
Balance, end of period	$77,029
TREASURY STOCK	
Balance, beginning of period	$(31,755)
Purchases of common shares outstanding (142,200 common shares)	(2,772)
Repurchase of restricted stock awards (22,544 common shares)	(496)
Restricted stock awards (16,750 common shares)	257
Forfeiture of restricted stock awards (750 common shares)	(12)
Options exercised (34,300 common shares)	529
Balance, end of period	$(34,249)
UNEARNED COMPENSATION	
Balance, beginning of period	$(7,781)
Restricted stock award expense	497
Restricted stock awards (16,750 common shares)	(336)
Forfeiture of restricted stock awards (750 common shares)	12
Release of shares from Employee Benefit Trust (24,461 common shares)	188
Balance, end of period	$(7,420)
RETAINED EARNINGS	
Balance, beginning of period	$89,896
Net income	7,251
Options exercised (31,600 common shares)	(146)
Cash dividends declared and paid	(1,842)
Balance, end of period	$95,159
ACCUMULATED OTHER COMPREHENSIVE INCOME	
Balance, beginning of period	$(133)
Change in net unrealized gain, net of taxes of approximately $831 on securities available for sale	991

Less: Reclassification adjustment for gains included in net income, net of taxes of approximately $37	(62)
Balance, end of period	$796

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

PART I -- FINANCIAL INFORMATION

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
Notes to Consolidated Financial Statements

1. Basis of Presentation

The primary business of Flushing Financial Corporation is the operation of its wholly-owned subsidiary, Flushing Savings Bank, FSB (the "Bank"). The consolidated financial statements presented in this Form 10-Q reflect principally the Bank's activities.

The information furnished in these interim statements reflects all adjustments which are, in the opinion of management, necessary for a fair statement of the results for such periods of Flushing Financial Corporation and Subsidiaries (the "Company"). Such adjustments are of a normal recurring nature, unless otherwise disclosed in this Form 10-Q. The results of operations in the interim statements are not necessarily indicative of the results that may be expected for the full year.

Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principals ("GAAP") have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The interim financial information should be read in conjunction with the Company's 2000 Annual Report on Form 10-K.

2. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

3. Earnings Per Share

Basic earnings per share for the three and six month periods ended June 30, 2001 and 2000 was computed by dividing net income by the total weighted average number of common shares outstanding, including only the vested portion of restricted stock awards. Diluted earnings per share includes the additional dilutive effect of stock options outstanding and the unvested portion of restricted stock awards during the period. Earnings per share has been computed based on the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Amounts in thousands, except per share data)	2001	2000	2001	2000
Net income	$3,642	$3,225	$7,251	$6,625
Divided by:				
Weighted average common shares outstanding	8,190	8,390	8,216	8,451
Weighted average common stock equivalents	365	142	321	130
Total weighted average common shares and common stock equivalents	8,555	8,532	8,537	8,581
Basic earnings per share	$0.44	$0.38	$0.88	$0.78
Diluted earnings per share	$0.43	$0.38	$0.85	$0.77
Dividends per share	$0.11	$0.10	$0.22	$0.20
Dividend payout ratio	25.00%	26.32%	25.00%	25.64%

PART I -- FINANCIAL INFORMATION

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
Management's Discussion and Analysis of
Financial Condition and Results of Operations

GENERAL

Flushing Financial Corporation, a Delaware corporation, was organized in May 1994 to serve as the holding company for Flushing Savings Bank, FSB (the "Bank"), a federally chartered, FDIC insured savings institution, originally organized in 1929. The Bank is a consumer-oriented savings institution and conducts its business through ten banking offices located in Queens, Brooklyn, Manhattan, Bronx and Nassau County. Flushing Financial Corporation's common stock is publicly traded on the Nasdaq National Market under the symbol "FFIC". The following discussion of financial condition and results of operations includes the collective results of Flushing Financial Corporation and the Bank (collectively, the "Company"), but reflects principally the Bank's activities.

The Company's principal business is attracting retail deposits from the general public and investing those deposits, together with funds generated from operations and borrowings, primarily in (1) origination and purchases of one-to-four family residential mortgage loans, multi-family income-producing property loans and commercial real estate loans; (2) mortgage loan surrogates such as mortgage-backed securities; and (3) U.S. government and federal agency securities, corporate fixed-income securities and other marketable securities. To a lesser extent, the Company originates certain other loans, including construction loans, Small Business Administration loans and other small business loans.

The Company's results of operations depend primarily on net interest income, which is the difference between the interest income earned on its loan and securities portfolios, and its cost of funds, consisting primarily of interest paid on deposit accounts and borrowed funds. Net interest income is the result of the Company's interest rate margin, which is the difference between the average yield earned on interest-earning assets and the average cost of interest-bearing liabilities, and the average balance of interest-earning assets compared to the average balance of interest-bearing liabilities. The Company also generates non-interest income from loan fees, service charges on deposit accounts, mortgage servicing fees, late charges and other fees and net gains and losses on sales of securities and loans. The Company's operating expenses consist principally of employee compensation and benefits, occupancy and equipment costs, other general and administrative expenses and income tax expense. The Company's results of operations also can be significantly affected by its periodic provision for loan losses and specific provision for losses on real estate owned. Such results also are significantly affected by general economic and competitive conditions, including changes in market interest rates, the strength of the local economy, government policies and actions of regulatory authorities.

Statements contained in this Quarterly Report relating to plans, strategies, objectives, economic performance and trends and other statements that are not descriptions of historical facts may be forward-looking statements within the meaning of 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, the factors set forth in the preceding paragraph and elsewhere in this Quarterly Report, and in other documents filed by the Company with the Securities and Exchange Commission from time to time, including, without limitation, the Company's 2000 Annual Report to Stockholders and its SEC Report on Form 10-K for the year ended December 31, 2000. Forward-looking statements may be identified by terms such as "may", "will", "should", "could", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "forecasts", "potential" or "continue" or similar terms or the negative of these terms. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. The Company has no obligation to update these forward-looking statements.

COMPARISON OF OPERATING RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2001 AND 2000

General. Diluted earnings per share increased 13.2% to $0.43 for the three months ended June 30, 2001 from $0.38 for the three months ended June 30, 2000. Net income increased $0.4 million, or 12.9%, to $3.6 million for the three months ended June 30, 2001 from $3.2 million for the three months ended June 30, 2000. The return on average assets for the three months ended June 30, 2001 increased to 1.05% compared to 1.01% for the three months ended June 30, 2000, while the return on average equity for the three months ended June 30, 2001 increased to 11.37% from 11.07% for the three months ended June 30, 2000.

Interest Income. Total interest and dividend income increased $1.0 million, or 4.4%, to $25.2 million for the three months ended June 30, 2001 from $24.2 million for the three months ended June 30, 2000. This increase was primarily the result of a $68.1 million increase in the average balance of interest-earning assets for the three months ended June 30, 2001 as compared to the three months ended June 30, 2000. The average balance of mortgage loans, net, and interest-earning deposits increased $95.1 million and $28.5 million, respectively, for the three months ended June 30, 2001 as compared to the three months ended June 30, 2000. These increases were partially offset by a $55.3 million decrease in the average balance of mortgage-backed securities for the three months ended June 30, 2001 compared to the three months ended June 30, 2000. The decrease in the average balance of mortgage- backed securities reflects the sale in the third quarter of 2000 of lower-yielding mortgage-backed securities and the reinvestment of $20.0 million in Bank Owned Life Insurance ("BOLI"). The investment in BOLI is included in Other Assets in the Consolidated Statement of Financial Condition. The yield on interest-earning assets declined eight basis points to 7.77% for the three months ended June 30, 2001 from 7.85% for the three months ended June 30, 2000. An increase of five basis points in the yield on mortgage loans was offset by declines in the yield on mortgage-backed and other securities.

Interest Expense. Interest expense increased $1.1 million, or 8.0%, to $15.1 million for the three months ended June 30, 2001 from $14.0 million for the three months ended June 30, 2000, primarily due to an $82.1 million increase in the average balance of interest-bearing liabilities. This was coupled with a three basis point increase in the average cost of interest-bearing liabilities to 4.97% in the three months ended June 30, 2001 from 4.94% in the three months ended June 30, 2000. The increase in the cost of funds is primarily due to an increase in the average balance and rate paid on certificate of deposit accounts. However, the cost of funds in the second quarter of 2001 represents a ten basis point decline from the cost of funds in the first quarter of 2001.

Net Interest Income. For the three months ended June 30, 2001, net interest income decreased $39,000, or 0.4%, to $10.1 million from $10.2 million in the three months ended June 30, 2000. This decrease in net interest income is primarily due to the above mentioned sale of lower-yielding mortgage-backed securities in the third quarter of 2000 and the reinvestment of the proceeds in BOLI. The income on BOLI is included in Other Income, and amounted to $0.3 million for the quarter ended June 30, 2001. The net interest margin declined 19 basis points to 3.12% for the three months ended June 30, 2001 from 3.31% for the three months ended June 30, 2000.

Provision for Loan Losses. There was no provision for loan losses for the three months ended June 30, 2001 or 2000. The level of the allowance for loan losses reflects the Bank's evaluation of current economic conditions, the overall trend of non-performing loans in the loan portfolio (see "Financial Condition - Assets"), its analysis of specific loan situations, and the size and composition of the loan portfolio.

Non-Interest Income. Total non-interest income increased by 67.7% to $1.6 million for the three months ended June 30, 2001 from $1.0 million for the three months ended June 30, 2000. The increase is due to the income earned on BOLI, higher fee income from loan fees and banking services, and an increase in dividends received on FHLB-NY stock.

Non-Interest Expense. Non-interest expense was $6.0 million for the three months ended June 30, 2001 and 2000. Management continues to monitor expenditures resulting in efficiency ratios of 50.2% and 52.7% for the three months ended June 30, 2001 and 2000, respectively.

Income before Income Taxes. Total income before the provision for income taxes increased $0.6 million, or 11.1%, to $5.8 million for the three months ended June 30, 2001 as compared to $5.2 million for the three months ended June 30, 2000, primarily due to the increase in Other Income.

Provision For Income Taxes. Income tax expense was $2.1 million for the three months ended June 30, 2001 compared to $2.0 million for the three months ended June 30, 2000.

COMPARISON OF OPERATING RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2001 AND 2000

General. Diluted earnings per share increased 10.4% to $0.85 for the six months ended June 30, 2001 from $0.77 for the six months ended June 30, 2000. Net income for the six months ended June 30, 2001 increased 9.4% to $7.3 million from the $6.6 million reported for the six months ended June 30, 2000. The return on average assets for the six months ended June 30, 2001 was 1.06% compared to 1.05% for the six months ended June 30, 2000, while the return on average equity for the six months ended June 30, 2001 was 11.38% compared to 11.39% for the six months ended June 30, 2000.

Interest Income. Total interest and dividend income increased $2.9 million, or 6.0%, to $50.3 million for the six months ended June 30, 2001 from $47.4 million for the six months ended June 30, 2000. This increase was primarily the result of a $75.1 million increase in the average balance of interest-earning assets for the six months ended June 30, 2001 as compared to the six months ended June 30, 2000. The average balance of mortgage loans, net, and interest-earning deposits increased $101.7 million and $26.3 million, respectively, for the six months ended June 30, 2001 as compared to the six months ended June 30, 2000. These increases were partially offset by a $52.5 million decrease in the average balance of mortgage-backed securities for the six months ended June 30, 2001 compared to the six months ended June 30, 2000. The decrease in the average balance of mortgage-backed securities reflects the above mentioned sale in the third quarter of 2000 of lower-yielding mortgage-backed securities and the reinvestment of $20.0 million in BOLI. The yield on interest-earning assets declined two basis points to 7.82% for the six months ended June 30, 2001 from 7.84% for the six months ended June 30, 2000. An increase of eight basis points in the yield on mortgage loans was offset by declines in the yield on mortgage-backed and other securities.

Interest Expense. Interest expense increased $3.1 million, or 11.3%, to $30.2 million for the six months ended June 30, 2001 from $27.1 million for the six months ended June 30, 2000. The average balance of interest-bearing liabilities increased $90.2 million to $1.2 billion for the six months ended June 30, 2001 compared to the six months ended June 30, 2000. In addition, the weighted average cost of interest-bearing liabilities increased 14 basis points to 5.02% for the six months ended June 30, 2001 compared to 4.88% for the six months ended June 30, 2000. The increase in the cost of interest-bearing liabilities is primarily due to an increase in the average balance and rate paid on certificate of deposit accounts, along with an increase in the average balance of higher costing borrowed funds to fund asset growth.

Net Interest Income. For the six months ended June 30, 2001, net interest income decreased $0.2 million, or 1.1%, to $20.1 million from $20.3 million in the six months ended June 30, 2000. This decrease in net interest income is primarily due to the above mentioned sale of lower-yielding mortgage-backed securities in the third quarter of 2000 and the reinvestment of the proceeds in BOLI. The income on BOLI is included in Other Income, and amounted to $0.6 million for the six months ended June 30, 2001. The net interest margin declined 23 basis points to 3.13% for the six months ended June 30, 2001 from 3.36% for the six months ended June 30, 2000.

Provision for Loan Losses. There was no provision for loan losses for the six months ended June 30, 2001 or 2000. The level of the allowance for loan losses reflects the Bank's evaluation of current economic conditions, the overall trend of non-performing loans in the loan portfolio (see "Financial Condition - Assets"), its analysis of specific loan situations, and the size and composition of the loan portfolio.

Non-Interest Income. Total non-interest income increased by 63.7% to $3.3 million for the six months ended June 30, 2001 from $2.0 million for the six months ended June 30, 2000. The increase is due to the income earned on BOLI, higher fee income from loan fees and banking services, an increase in dividends received on FHLB-NY stock, and an increase in gains on sales of securities and loans.

Non-Interest Expense. Non-interest expense increased by $0.3 million, or 2.2%, to $12.0 million for the six months ended June 30, 2001 as compared to $11.7 million for the six months ended June 30, 2000. Management continues to monitor expenditures resulting in efficiency ratios of 50.4% and 52.0% for the six months ended June 30, 2001 and 2000, respectively.

Income before Income Taxes. Total income before provision for income taxes increased $0.8 million, or 7.7%, to $11.5 million for the six months ended June 30, 2001 as compared to $10.7 million for the six months ended June 30, 2000 for reasons stated above.

Provision For Income Taxes. Income tax expense increased $0.2 million to $4.3 million for the six months ended June 30, 2001 as compared to $4.1 million for the six months ended June 30, 2000. This is due to the $0.8 million increase in income before taxes.

FINANCIAL CONDITION

Assets. Total assets at June 30, 2001 were $1.39 billion, a $52.9 million increase from December 31, 2000. During the six months ended June 30, 2001, loan originations and purchases were $46.8 million for 1-4 family residential mortgage loans, $28.1 million for multi-family real estate loans, $40.3 million for commercial real estate loans and $3.4 million in construction loans. During the six months ended June 30, 2000, loan originations and purchases were $58.5 million for 1-4 family residential mortgage loans, $37.0 million for multi-family real estate loans, $25.0 million for commercial real estate loans and $2.3 million in construction loans. Total loans, net, increased $61.2 million during the six months ended June 30, 2001 to $1,047.6 million from $986.4 million at December 31, 2000.

As the Company continues to increase its loan portfolio, management continues to adhere to the Bank's strict underwriting standards. As a result, the Company has been able to minimize charge-offs of losses from impaired loans and maintain asset quality. Non-performing assets were $1.8 million at June 30, 2001 compared to $1.7 million at December 31, 2000 and $2.2 million at June 30, 2000. Total non-performing assets as a percentage of total assets were 0.13% at June 30, 2001 compared to 0.12% at December 31, 2000 and 0.17% at June 30, 2000. The ratio of allowance for loan losses to total non-performing loans was 371% at June 30, 2001 compared to 415% at December 31, 2000 and 332% at June 30, 2000.

Liabilities. Total liabilities increased $48.2 million to $1.26 billion at June 30, 2001 from $1.21 billion at December 31, 2000. Due to depositors increased $48.5 million as certificate of deposit accounts increased $12.8 million while lower costing core deposits increased $35.7 million.

Equity. Total stockholders' equity increased $4.7 million to $131.4 million at June 30, 2001 from $126.7 million at December 31, 2000. The increase is primarily due to $7.3 million in net income for the six months ended June 30, 2001 and an improvement of $0.9 million in the net unrealized loss in the market value of securities available for sale, partially offset by $2.8 million in treasury shares purchased through the Company's stock repurchase plans and $1.8 million in cash dividends paid during the six month period. Quarterly dividends per share were increased to $0.11 per share for the first and second quarter of 2001 from $0.10 per share in the fourth quarter of 2000. Book value per share improved to $14.35 per share at June 30, 2001 from $13.67 per share at December 31, 2000 and $12.76 at June 30, 2000.

Under its stock repurchase program, the Company repurchased 142,200 shares for the six months ended June 30, 2001, leaving 236,800 shares to be repurchased under the current stock repurchase program.

Liquidity. The Bank, as a federal savings bank, is subject to Office of Thrift Supervision ("OTS") guidelines regarding liquidity requirements. Pursuant to these requirements, the Bank is required to maintain an average daily balance of liquid assets (cash and certain securities with detailed maturity limitations and marketability requirements) equal to a monthly average of not less than a specified percentage of its net withdrawable deposit accounts plus short-term borrowings. This liquidity requirement may be changed from time to time by the OTS to any amount within the range of 4% to 10% depending upon economic conditions and the savings flows of member institutions, and is currently 4%. Monetary penalties may be imposed by the OTS for failure to meet these liquidity requirements. At June 30, 2001 and December 31, 2000, the Bank's liquidity ratio, computed in accordance with the OTS requirement was 10.19% and 11.14%, respectively. Management anticipates that the Bank will continue to meet OTS liquidity requirements. Unlike the Bank, Flushing Financial Corporation is not subject to OTS regulatory requirements on the maintenance of minimum levels of liquid assets.

Cash flow. During the six months ended June 30, 2001, funds provided by the Company's operating activities amounted to $8.3 million. These funds, together with $44.6 million provided by financing activities and funds available at the beginning of the year, were utilized to fund net investing activities of $56.3 million. The Company's primary business objective is the origination and purchase of 1-4 family residential, multi-family and commercial real estate loans. During the six months ended June 30, 2001, the net total of loan originations less loan repayments was $60.2 million, and the total amount of real estate loans purchased was $0.9 million. The Company also invests in other securities including mortgage loan surrogates such as mortgage-backed securities. During the six months ended June 30, 2001, the Company purchased a total of $74.8 million in securities available for sale. Funds for investment were also provided by $51.0 million in maturities and prepayments of securities available for sale. The Company also used funds of $2.9 million for treasury stock repurchases and $1.8 million in dividend payments during the six months ended June 30, 2001.

INTEREST RATE RISK

The consolidated statements of financial position have been prepared in accordance with generally accepted accounting principles, which requires the measurement of financial position and operating results in terms of historical dollars without considering the changes in fair value of certain investments due to changes in interest rates. Generally, the fair value of financial investments such as loans and securities fluctuates inversely with changes in interest rates. As a result, increases in interest rates could result in decreases in the fair value of the Company's interest-earning assets which could adversely affect the Company's results of operation if such assets were sold, or, in the case of securities classified as available-for-sale, decreases in the Company's stockholders' equity, if such securities were retained.

The Company manages the mix of interest-earning assets and interest-bearing liabilities on a continuous basis to maximize return and adjust its exposure to interest rate risk. On a quarterly basis, management prepares the "Earnings and Economic Exposure to Changes In Interest Rate" report for review by the Board of Directors, as summarized below. This report quantifies the potential changes in net interest income and net portfolio value should interest rates go up or down (shocked) 300 basis points, assuming the yield curves of the rate shocks will be parallel to each other. Net portfolio value is defined as the market value of assets net of the market value of liabilities. The market value of assets and liabilities is determined using a discounted cash flow calculation. The net portfolio value ratio is the ratio of the net portfolio value to the market value of assets. All changes in income and value are measured as percentage changes from the projected net interest income and net portfolio value at the base interest rate scenario. The base interest rate scenario assumes interest rates at June 30, 2001. Various estimates regarding prepayment assumptions are made at each level of rate shock. Actual results could differ significantly from these estimates. The Company is within the guidelines set forth by the Board of Directors for each interest rate level.

	Projected Percentage Change In		
Change in Interest Rate	Net Interest Income	Net Portfolio Value	Net Portfolio Value Ratio
-300 Basis points	0.02%	-1.18%	11.17%
-200 Basis points	-0.51	0.44	11.58
-100 Basis points	-0.22	3.15	12.10
Base interest rate	--	--	11.99
+100 Basis points	-2.65	-12.76	10.80
+200 Basis points	-6.11	-28.42	9.18
+300 Basis points	-10.30	-42.81	7.59

REGULATORY CAPITAL POSITION

Under Office of Thrift Supervision ("OTS") capital regulations, the Bank is required to comply with each of three separate capital adequacy standards. At June 30, 2001, the Bank exceeded each of the three OTS capital requirements and is categorized as "well-capitalized" by the OTS under the prompt corrective action regulations. Set forth below is a summary of the Bank's compliance with OTS capital standards as of June 30, 2001.

(Dollars in thousands)	Amount	Percent of Assets

Tangible Capital:		
Capital level	$114,157	8.29%
Requirement	20,652	1.50
Excess	93,505	6.79
Core Capital:		
Capital level	$114,157	8.29%
Requirement	41,303	3.00
Excess	72,854	5.29
Risk-Based Capital:		
Capital level	$120,805	15.60%
Requirement	61,950	8.00
Excess	58,855	7.60

PART I -- FINANCIAL INFORMATION

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
Management's Discussion and Analysis of
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AVERAGE BALANCES

Net interest income represents the difference between income on interest-earning assets and expense on interest- bearing liabilities. Net interest income depends upon the relative amount of interest-earning assets and interest- bearing liabilities and the interest rate earned or paid on them. The following table set forth certain information relating to the Company's consolidated statements of financial condition and consolidated statements of operations for the three month periods ended June 30, 2001 and 2000, and reflects the average yield on assets and average cost of liabilities for the periods indicated. Such yields and costs are derived by dividing income or expense by the average balance of assets or liabilities, respectively, for the periods shown. Average balances are derived from average daily balances. The yields include amortization of fees which are considered adjustments to yields.

	For the three months ended June 30,					
	2001			2000		
(Dollars in thousands)	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
ASSETS						
Interest-earning assets:						
Mortgage loans, net	$1,019,852	$20,783	8.15%	$924,738	$18,718	8.10%
Other loans	6,110	156	10.21	6,528	165	10.11
Mortgage-backed securities	220,538	3,622	6.57	275,871	4,845	7.03
Other securities	16,571	266	6.42	16,316	287	7.04
Interest-earning deposits and federal funds sold	35,890	400	4.46	7,379	138	7.48
Total interest-earning assets	1,298,961	25,227	7.77	1,230,832	24,153	7.85
Non-interest earning assets	84,662			52,088		
Total assets	$1,383,623			$1,282,920		
LIABILITIES AND EQUITY						
Interest-bearing liabilities:						
Passbook accounts	$186,923	965	2.07	$190,743	980	2.06
NOW accounts	30,472	145	1.90	28,162	134	1.90
Money market accounts	63,975	594	3.71	43,532	366	3.36
Certificate of deposit accounts	414,750	5,837	5.63	380,643	5,206	5.47
Mortgagors' escrow deposits	16,255	12	0.30	16,170	26	0.64
Borrowed funds	501,024	7,526	6.01	472,055	7,254	6.15
Total interest-bearing liabilities	1,213,399	15,079	4.97	1,131,305	13,966	4.94
Other liabilities	42,110			35,102		
Total liabilities	1,255,509			1,166,407		
Equity	128,114			116,513		
Total liabilities and equity	$1,383,623			$1,282,920		

Net interest income/Interest rate spread		$10,148	2.80%		$10,187	2.91%
Net interest-earning assets / Net interest margin	$85,562		3.12%	$99,527		3.31%
Ratio of interest-earning assets to interest-bearing liabilities			1.07X			1.09X

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
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AVERAGE BALANCES (continued)

The following tables set forth certain information relating to the Company's consolidated statements of financial condition and consolidated statements of operations for the six month periods ended June 30, 2001 and 2000, and reflects the average yield on assets and average cost of liabilities for the periods indicated. Such yields and costs are derived by dividing income or expense by the average balance of assets or liabilities, respectively, for the periods shown. Average balances are derived from average daily balances. The yields include amortization of fees which are considered adjustments to yields.

	For the six months ended June 30,					
	2001			2000		
(Dollars in thousands)	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
ASSETS						
Interest-earning assets:						
Mortgage loans, net	$1,005,088	$41,106	8.18%	$903,437	$36,602	8.10%
Other loans	6,027	276	9.16	6,172	317	10.27
Mortgage-backed securities	222,070	7,451	6.71	274,580	9,615	7.00
Other securities	16,120	539	6.69	16,318	575	7.05
Interest-earning deposits and federal funds sold	35,791	906	5.06	9,476	320	6.75
Total interest-earning assets	1,285,096	50,278	7.82	1,209,983	47,429	7.84
Non-interest earning assets	85,870			51,878		
Total assets	$1,370,966			$1,261,861		
LIABILITIES AND EQUITY						
Interest-bearing liabilities:						
Passbook accounts	$186,591	1,915	2.05	$192,230	1,980	2.06
NOW accounts	30,166	285	1.89	27,493	261	1.90
Money market accounts	54,647	962	3.52	42,569	705	3.31
Certificate of deposit accounts	411,217	11,722	5.70	376,045	10,150	5.40
Mortgagors' escrow deposits	13,775	33	0.48	14,376	36	0.50
Borrowed funds	504,863	15,242	6.04	458,305	13,954	6.09
Total interest-bearing liabilities	1,201,259	30,159	5.02	1,111,018	27,086	4.88
Other liabilities	42,305			34,526		
Total liabilities	1,243,564			1,145,544		
Equity	127,402			116,317		
Total liabilities and equity	$1,370,966			$1,261,861		
Net interest income/Interest rate spread		$20,119	2.80%		$20,343	2.96%

Net interest-earning assets / Net interest margin	$83,837	3.13%	$98,965	3.36%
Ratio of interest-earning assets to interest-bearing liabilities		1.07X		1.09X

LOANS

The following table sets forth the Company's loan originations (including the net effect of refinancing) and the changes in the Company's portfolio of loans, including purchases, sales and principal reductions for the periods indicated.

(In thousands)	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
MORTGAGE LOANS		
At beginning of period	$985,953	$876,984
Mortgage loans originated:		
One-to-four family	45,738	44,750
Cooperative	136	65
Multi-family real estate	28,084	36,995
Commercial real estate	40,271	25,002
Construction	3,375	2,325
Total mortgage loans originated	117,604	109,137
Acquired loans:		
Loans purchased	876	13,640
Total acquired loans	876	13,640
Less:		
Principal and other reductions	57,898	42,827
Mortgage loan foreclosures	47	182
At end of period	$1,046,488	$956,752
OTHER LOANS		
At beginning of period	$6,548	$5,748
Other loans originated:		
Small Business Administration	2,115	2,138
Small business loans	336	185
Other loans	1,013	925
Total other loans originated	3,464	3,248
Less:		
Sales	656	--
Principal and other reductions	2,271	1,598
At end of period	$7,085	$7,398

NON-PERFORMING ASSETS

The Company reviews loans in its portfolio on a monthly basis to determine whether any problem loans require classification in accordance with internal policies and applicable regulatory guidelines. The following table sets forth information regarding all non-accrual loans, loans which are 90 days or more delinquent, and real estate owned at the dates indicated.

(Dollars in thousands)	June 30, 2001	December 31, 2000
Non-accrual mortgage loans	$1,675	$1,492
Other non-accrual loans	118	126
Total non-accrual loans	1,793	1,618
Mortgage loans 90 days or more delinquent and still accruing	--	--
Other loans 90 days or more delinquent and still accruing	--	--
Total non-performing loans	1,793	1,618
Real estate owned (foreclosed real estate)	--	44
Total non-performing assets	$1,793	$1,662
Non-performing loans to gross loans	0.17%	0.16%
Non-performing assets to total assets	0.13%	0.12%

ALLOWANCE FOR LOAN LOSSES

The Company has established and maintains on its books an allowance for loan losses that is designed to provide a reserve against estimated losses inherent in the Company's overall loan portfolio. The allowance is established through a provision for loan losses based on management's evaluation of the risk inherent in the various components of its loan portfolio and other factors, including historical loan loss experience, changes in the composition and volume of the portfolio, collection policies and experience, trends in the volume of non-accrual loans and regional and national economic conditions. The determination of the amount of the allowance for loan losses includes estimates that are susceptible to significant changes due to changes in appraisal values of collateral, national and regional economic conditions and other factors. In connection with the determination of the allowance, the market value of collateral ordinarily is evaluated by the Company's staff appraiser; however, the Company may from time to time obtain independent appraisals for significant properties. Current year charge- offs, charge-off trends, new loan production and current balance by particular loan categories are also taken into account in determining the appropriate amount of allowance. The Board of Directors reviews and approves the adequacy of the loan loss reserves on a quarterly basis.

The following table sets forth the activity in the Bank's allowance for loan losses for the periods indicated.

	Six Months Ended	
(Dollars in thousands)	June 30, 2001	June 30, 2000
Balance at beginning of period	$6,721	$6,818
Provision for loan losses	--	--
Loans charged-off:		
One-to-four family	1	3
Co-operative	--	--
Multi-family	2	--
Commercial	--	--
Construction	--	--
Other	82	95
Total loans charged-off	85	98
Recoveries:		
Mortgage loans	5	--
Other loans	7	--
Total recoveries	12	--

Balance at end of period	$6,648	$6,720
Ratio of net charge-offs during the year to average loans outstanding during the period	0.01%	0.01%
Ratio of allowance for loan losses to loans at end of period	0.63%	0.70%
Ratio of allowance for loan losses to non-performing assets at end of period	370.73%	303.04%
Ratio of allowance for loan losses to non-performing loans at end of period	370.73%	331.66%

PART I -- FINANCIAL INFORMATION

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a discussion of the qualitative and quantitative disclosures about market risk, see the information under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations - Interest Rate Risk".

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The Company is a defendant in various lawsuits. Management of the Company, after consultation with outside legal counsel, believes that the resolution of these various matters will not result in any material adverse effect on the Company's consolidated financial condition, results of operations and cash flows.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

At the Company's Annual Meeting of Stockholders held on May 22, 2001, as contemplated by the Company's definitive proxy material for the meeting, certain matters were submitted to a vote of stockholders. The following table summarizes the results of voting with respect to each matter.

	For	Against	Abstain	Broker Non-Votes
Election of Directors (three directors were elected to serve until the 2004 Annual Meeting of Stockholders and until their successors are elected and qualified).				
Gerard P. Tully, Sr.	7,295,326		819,985	
James D. Bennett	7,295,359		819,952	
Vincent F. Nicolosi	7,283,703		831,608	
Approval of certain amendments to the Company's 1996 Restricted Stock Incentive Plan.	6,338,879	1,720,126	56,304	2
Approval of certain amendments to the Company's 1996 Stock Option Incentive Plan.	6,396,662	1,662,231	56,416	2
Ratification of appointment of PricewaterhouseCoopers LLP as the independent auditors of the Company	8,034,777	60,907	19,627	

PART I -- FINANCIAL INFORMATION

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
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ITEM 5. OTHER INFORMATION.

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

a) EXHIBIT.

None

b) REPORTS ON FORM 8-K.

On July 18, 2001, the Company filed Form 8-K to report that the Board of Directors of the Company approved a three-for-two stock split in the form of a 50% stock dividend, payable on August 30, 2001. Stockholders will receive one additional share for every two shares of the Company common stock held on the record date, August 10, 2001. Cash will be paid in lieu of fractional shares.

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Flushing Financial Corporation,

Dated: August 1, 2001 By: /s/ Michael J. Hegarty
Michael J. Hegarty
President and Chief Executive Officer

Dated: August 1, 2001 By: /s/ Monica C. Passick
Monica C. Passick
Senior Vice President, Treasurer and
Chief Financial Officer