

Northfield Bancorp, Inc.  
Form 10-Q  
August 09, 2010

**Table of Contents**

**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, 2010**

**or**

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

**For transition period from            to  
Commission File Number 1-33732**

**NORTHFIELD BANCORP, INC.  
(Exact name of registrant as specified in its charter)**

**United States of America  
(State or other jurisdiction of incorporation)**

**42-1572539  
(I.R.S. Employer Identification No.)**

**1410 St. Georges Avenue, Avenel, New Jersey  
(Address of principal executive offices)**

**07001  
(Zip Code)**

**Registrant's telephone number, including area code: (732) 499-7200**

**Not Applicable**

**(Former name, former address, and former fiscal year, if changed since last report)**

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 during the preceding 12 months (or for shorter period that the registrant was required 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 (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
 (Do not check if smaller reporting company)

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

Edgar Filing: Northfield Bancorp, Inc. - Form 10-Q

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date. 43,540,653 shares of Common Stock, par value \$0.01 per share, were issued and outstanding as of August 5, 2010.

---

**NORTHFIELD BANCORP, INC.**  
Form 10-Q Quarterly Report  
Table of Contents  
PART I FINANCIAL INFORMATION

	Page Number
<u>Item 1. Financial Statements</u>	2
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	19
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	34
<u>Item 4. Controls and Procedures</u>	36
<u>Item 4T. Controls and Procedures</u>	36
 <u>PART II OTHER INFORMATION</u>  	
<u>Item 1. Legal Proceedings</u>	37
<u>Item 1A. Risk Factors</u>	37
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	39
<u>Item 3. Defaults Upon Senior Securities</u>	40
<u>Item 4. [Removed and Reserved]</u>	40
<u>Item 5. Other Information</u>	40
<u>Item 6. Exhibits</u>	40
 <u>Signatures</u>	 41
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32</u>	

**Table of Contents****ITEM 1. FINANCIAL STATEMENTS****NORTHFIELD BANCORP, INC.  
CONSOLIDATED BALANCE SHEETS**June 30, 2010, and December 31, 2009  
(In thousands, except per share amounts)

	<b>June 30, 2010 (Unaudited)</b>	<b>December 31, 2009</b>
<b>ASSETS:</b>		
Cash and due from banks	\$ 10,019	10,183
Interest-bearing deposits in other financial institutions	18,843	32,361
Total cash and cash equivalents	28,862	42,544
Trading securities	3,515	3,403
Securities available-for-sale, at estimated fair value (encumbered \$278,605 in 2010 and \$219,446 in 2009)	1,301,727	1,131,803
Securities held-to-maturity, at amortized cost (estimated fair value of \$6,046 in 2010 and \$6,930 in 2009) (encumbered \$0 in 2010 and 2009)	5,830	6,740
Loans held-for-sale	248	
Loans held-for-investment, net	772,909	729,269
Allowance for loan losses	(19,122)	(15,414)
Net loans held-for-investment	753,787	713,855
Accrued interest receivable	8,001	8,054
Bank owned life insurance	54,688	43,751
Federal Home Loan Bank of New York stock, at cost	8,119	6,421
Premises and equipment, net	13,587	12,676
Goodwill	16,159	16,159
Other real estate owned	1,362	1,938
Other assets	12,280	14,930
<b>Total assets</b>	<b>\$2,208,165</b>	<b>2,002,274</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY:</b>		
<b>LIABILITIES:</b>		
Deposits	\$1,380,695	1,316,885
Borrowings	356,333	279,424
Advance payments by borrowers for taxes and insurance	1,556	757
Accrued expenses and other liabilities	69,842	13,668
<b>Total liabilities</b>	<b>1,808,426</b>	<b>1,610,734</b>
<b>STOCKHOLDERS EQUITY:</b>		

Edgar Filing: Northfield Bancorp, Inc. - Form 10-Q

Preferred stock, \$0.01 par value; 10,000,000 shares authorized, none issued or outstanding		
Common stock, \$0.01 par value: 90,000,000 shares authorized, 45,632,676 and 45,628,211 shares issued at June 30, 2010, and December 31, 2009, respectively, 43,540,653 and 43,912,148 outstanding at June 30, 2010, and December 31, 2009, respectively	456	456
Additional paid-in-capital	204,326	202,479
Unallocated common stock held by employee stock ownership plan	(15,514)	(15,807)
Retained earnings	218,156	212,196
Accumulated other comprehensive income	17,428	12,145
Treasury stock at cost; 2,092,023 and 1,716,063 shares at June 30, 2010, and December 31, 2009, respectively	(25,113)	(19,929)
<b>Total stockholders equity</b>	<b>399,739</b>	<b>391,540</b>
<b>Total liabilities and stockholders equity</b>	<b>\$2,208,165</b>	<b>2,002,274</b>

See accompanying notes to the unaudited consolidated financial statements.

**Table of Contents**

**NORTHFIELD BANCORP, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
 Three and six months ended June 30, 2010, and 2009  
 (Unaudited)  
 (In thousands, except share data)

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Interest income:</b>				
Loans	\$12,098	9,253	\$22,391	17,824
Mortgage-backed securities	8,432	10,924	17,613	22,038
Other securities	1,379	522	2,763	804
Federal Home Loan Bank of New York dividends	63	107	158	187
Deposits in other financial institutions	60	207	114	642
Total interest income	22,032	21,013	43,039	41,495
<b>Interest expense:</b>				
Deposits	3,382	4,586	7,334	9,543
Borrowings	2,733	2,590	5,239	5,354
Total interest expense	6,115	7,176	12,573	14,897
Net interest income	15,917	13,837	30,466	26,598
Provision for loan losses	2,798	3,099	4,728	4,743
Net interest income after provision for loan losses	13,119	10,738	25,738	21,855
<b>Non-interest income:</b>				
Fees and service charges for customer services	629	716	1,289	1,375
Income on bank owned life insurance	514	438	937	871
Gain on securities transactions, net	530	294	1,145	140
Other	193	76	218	107
Total non-interest income	1,866	1,524	3,589	2,493
<b>Non-interest expense:</b>				
Compensation and employee benefits	4,208	4,321	8,999	8,089
Occupancy	1,185	1,073	2,379	2,193
Furniture and equipment	259	269	531	557
Data processing	642	589	1,249	1,433
FDIC insurance	455	1,063	885	1,477
Professional fees	475	476	854	1,002
Other	1,233	1,270	2,681	2,092

Edgar Filing: Northfield Bancorp, Inc. - Form 10-Q

Total non-interest expense	8,457	9,061	17,578	16,843
Income before income tax expense	6,528	3,201	11,749	7,505
<b>Income tax expense</b>	2,342	1,079	4,182	2,648
<b>Net income</b>	\$ 4,186	2,122	\$ 7,567	4,857
<b>Basic and diluted earnings per share</b>	\$ 0.10	0.05	\$ 0.18	0.11

See accompanying notes to the unaudited consolidated financial statements.

3

---



**Table of Contents**

**NORTHFIELD BANCORP, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
Six months ended June 30, 2010, and 2009  
(Unaudited)  
(Dollars in thousands)

	Common Stock		Additional paid-in capital	Unallocated common stock held by the employee stock ownership plan	Accumulated		Total stockholders' equity
	Shares	Par value			Retained earnings	Other comprehensive income (loss)	
Balance at December 31, 2008	44,803,061	\$448	199,453	(16,391)	203,085	(17)	386,578
Comprehensive income:							
Net income					4,857		4,857
Change in accumulated comprehensive income (loss), net of tax of \$5,072						6,751	6,751
Total comprehensive income							11,608
ESOP shares allocated or committed to be released			18	292			310
Stock compensation expense			1,352				1,352
Dividends declared (\$0.08 per share)					(1,528)		(1,528)
Issuance of restricted stock	836,650	8	(8)				
Treasury stock (average cost of						(8,107)	(8,107)

Edgar Filing: Northfield Bancorp, Inc. - Form 10-Q

\$10.50 per share)

Balance at June 30, 2009	45,639,711	456	200,815	(16,099)	206,414	6,734	(8,107)	390,213
Balance at December 31, 2009	45,628,211	456	202,479	(15,807)	212,196	12,145	(19,929)	391,540
Comprehensive income:								
Net income					7,567			7,567
Change in accumulated comprehensive income, net of tax of \$3,274						5,283		5,283
Total comprehensive income								12,850
ESOP shares allocated or committed to be released			117	293				410
Stock compensation expense			1,499					1,499
Additional tax benefit on stock awards			231					231
Exercise of stock options					(26)		163	137
Dividends declared (\$0.09 per share)					(1,581)			(1,581)
Issuance of Restricted Stock	4,400							
Treasury stock (average cost of \$12.00 per share)							(5,347)	(5,347)
Balance at June 30, 2010	45,632,611	\$456	204,326	(15,514)	218,156	17,428	(25,113)	399,739

See accompanying notes to the unaudited consolidated financial statements.

**Table of Contents**

**NORTHFIELD BANCORP, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Six months ended June 30, 2010, and 2009  
(Unaudited) (In thousands)

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2010</b>	<b>2009</b>
Cash flows from operating activities:		
Net income	\$ 7,567	4,857
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	4,728	4,743
ESOP and stock compensation expense	1,909	1,662
Depreciation	852	803
Amortization of premiums, and deferred loan costs, net of (accretion) of discounts, and deferred loan fees	267	(1,961)
Amortization of mortgage servicing rights	76	56
Income on bank owned life insurance	(937)	(871)
Gain on sale of premises and equipment	(197)	
Net gain on sale of loans held-for-sale	(2)	(44)
Proceeds from sale of loans held-for-sale	334	3,641
Origination of loans held-for-sale	(580)	(3,800)
Gain on securities transactions, net	(1,145)	(140)
Net purchases of trading securities	(22)	(302)
Decrease (increase) in accrued interest receivable	53	(774)
Increase in other assets	(200)	(1,303)
Increase (decrease) in accrued expenses and other liabilities	296	(428)
Amortization of core deposit intangible	86	190
Net cash provided by operating activities	13,085	6,329
Cash flows from investing activities:		
Net increase in loans receivable	(45,166)	(68,839)
Purchases of Federal Home Loan Bank of New York stock, net	(1,698)	(431)
Purchases of securities available-for-sale	(435,937)	(232,301)
Principal payments and maturities on securities available-for-sale	235,647	178,782
Principal payments and maturities on securities held-to-maturity	913	2,382
Proceeds from sale of securities available-for-sale	96,082	1,998
Purchases of certificates of deposit in other financial institutions		(63)
Proceeds from maturities of certificates of deposit in other financial institutions		53,716
Purchase of bank owned life insurance	(10,000)	
Proceeds from the sale of premises and equipment	394	
Purchases and improvements of premises and equipment	(1,960)	(2,469)
Net cash used in investing activities	(161,725)	(67,225)

Edgar Filing: Northfield Bancorp, Inc. - Form 10-Q

Cash flows from financing activities:		
Net increase in deposits	63,810	85,715
Dividends paid	(1,581)	(1,528)
Exercise of stock options	137	
Purchase of treasury stock	(5,347)	(8,107)
Additional tax benefit on stock awards	231	
Increase (decrease) in advance payments by borrowers for taxes and insurance	799	(1,616)
Repayments under capital lease obligations	(91)	(78)
Proceeds from borrowings	176,680	92,000
Repayments related to borrowings	(99,680)	(78,500)
Net cash provided by financing activities	134,958	87,886
Net (decrease) increase in cash and cash equivalents	(13,682)	26,990
Cash and cash equivalents at beginning of period	42,544	50,128
Cash and cash equivalents at end of period	\$ 28,862	77,118
Supplemental cash flow information:		
Cash paid during the period for:		
Interest	\$ 12,543	15,360
Income taxes	5,528	4,887
Non-cash transactions:		
Loans charged-off, net	1,020	1,448
Other real estate owned charged-off	146	
See accompanying notes to the unaudited consolidated financial statements.		

**Table of Contents****NORTHFIELD BANCORP, INC.****Notes to Unaudited Consolidated Financial Statements****Note 1 Basis of Presentation**

The consolidated financial statements are comprised of the accounts of Northfield Bancorp, Inc., and its wholly-owned subsidiary, Northfield Bank (the Bank), and the Bank's wholly-owned significant subsidiaries, NSB Services Corp. and NSB Realty Trust (collectively, the Company). All significant intercompany accounts and transactions have been eliminated in consolidation.

In the opinion of management, all adjustments (consisting solely of normal and recurring adjustments) necessary for the fair presentation of the consolidated financial condition and the consolidated results of operations for the unaudited periods presented have been included. The results of operations and other data presented for the three and six month periods ended June 30, 2010, are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2010. Certain prior year amounts have been reclassified to conform to the current year presentation.

Certain information and note disclosures usually included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for the preparation of interim financial statements. The consolidated financial statements presented should be read in conjunction with the audited consolidated financial statements and notes to consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2009, of Northfield Bancorp, Inc. as filed with the SEC.

**Note 2 Securities Available-for-Sale**

The following is a comparative summary of mortgage-backed securities and other securities available-for-sale at June 30, 2010, and December 31, 2009 (in thousands):

		<b>June 30, 2010</b>		
	<b>Amortized cost</b>	<b>Gross unrealized gains</b>	<b>Gross unrealized losses</b>	<b>Estimated fair value</b>
Mortgage-backed securities:				
Pass-through certificates:				
Government sponsored enterprises (GSE)	\$ 336,007	17,698		353,705
Non-GSE	36,194	1,140	1,569	35,765
Real estate mortgage investment conduits (REMICs):				
GSE	541,134	4,880	147	545,867
Non-GSE	92,238	4,807	245	96,800
	1,005,573	28,525	1,961	1,032,137
Other securities:				
Equity investments-mutual funds	33,471	130	20	33,581
GSE bonds	114,490	873		115,363
Corporate bonds	118,639	2,007		120,646
	266,600	3,010	20	269,590
Total securities available-for-sale	\$ 1,272,173	31,535	1,981	1,301,727



**Table of Contents**

		<b>December 31, 2009</b>		
	<b>Amortized cost</b>	<b>Gross unrealized gains</b>	<b>Gross unrealized losses</b>	<b>Estimated fair value</b>
Mortgage-backed securities:				
Pass-through certificates:				
Government sponsored enterprises (GSE)	\$ 404,128	13,932		418,060
Non-GSE	65,363	799	3,696	62,466
Real estate mortgage investment conduits (REMICs):				
GSE	344,150	5,368	430	349,088
Non-GSE	111,756	2,627	189	114,194
	925,397	22,726	4,315	943,808
Other securities:				
Equity investments-mutual funds	21,820	52		21,872
GSE bonds	28,994		11	28,983
Corporate bonds	134,595	2,595	50	137,140
	185,409	2,647	61	187,995
Total securities available-for-sale	\$ 1,110,806	25,373	4,376	1,131,803

The following is a summary of the expected maturity distribution of debt securities available-for-sale, other than mortgage-backed securities, at June 30, 2010 (in thousands):

<b>Available-for-sale</b>	<b>Amortized cost</b>	<b>Estimated fair value</b>
Due in one year or less	\$ 22,388	22,614
Due after one year through five years	210,741	213,395
	\$ 233,129	236,009

Expected maturities on mortgage-backed securities may differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without penalties.

For the three and six months ended June 30, 2010, the Company had gross proceeds of \$80.9 million and \$96.1 million on sales of securities available-for-sale with gross realized gains of approximately \$785,000 and \$1.0 million, and gross realized losses of approximately \$0 and \$0, respectively. For the three and six months ended June 30, 2009, the Company had gross proceeds of \$2.0 million on sales of securities available-for-sale with gross realized gains of approximately \$7,000, and gross realized losses of approximately \$0, respectively. All impairment losses at June 30, 2010 were considered temporary.

Gross unrealized losses on mortgage-backed securities, GSE bonds, and corporate bonds available-for-sale, and the estimated fair value of the related securities, aggregated by security category and length of time that individual securities have been in a continuous unrealized loss position, at June 30, 2010, and December 31, 2009, were as

follows (in thousands):

7

---



**Table of Contents**

	<b>June 30, 2010</b>					
	<b>Less than 12 months</b>		<b>12 months or more</b>		<b>Total</b>	
	<b>Unrealized losses</b>	<b>Estimated fair value</b>	<b>Unrealized losses</b>	<b>Estimated fair value</b>	<b>Unrealized losses</b>	<b>Estimated fair value</b>
Mortgage-backed securities: Pass-through certificates:						
Non-GSE	\$		1,569	13,336	1,569	13,336
REMICs						
GSE	142	15,209	5	5,987	147	21,196
Non-GSE	15	4,370	230	6,209	245	10,579
Equity investments-mutual funds	20	4,980			20	4,980
<b>Total</b>	<b>\$ 177</b>	<b>24,559</b>	<b>1,804</b>	<b>25,532</b>	<b>1,981</b>	<b>50,091</b>

	<b>December 31, 2009</b>					
	<b>Less than 12 months</b>		<b>12 months or more</b>		<b>Total</b>	
	<b>Unrealized losses</b>	<b>Estimated fair value</b>	<b>Unrealized losses</b>	<b>Estimated fair value</b>	<b>Unrealized losses</b>	<b>Estimated fair value</b>
Mortgage-backed securities: Pass-through certificates:						
Non-GSE	\$ 1	1,462	3,695	27,832	3,696	29,294
REMICs						
GSE	429	116,478	1	16,507	430	132,985
Non-GSE	189	6,970			189	6,970
GSE bonds	11	4,019			11	4,019
Corporate bonds	50	16,017			50	16,017
<b>Total</b>	<b>\$ 680</b>	<b>144,946</b>	<b>3,696</b>	<b>44,339</b>	<b>4,376</b>	<b>189,285</b>

Included in the above available-for-sale security amounts at June 30, 2010, were three pass-through, non-GSE mortgage-backed securities, and two non-GSE REMIC mortgage-backed securities, in an unrealized loss position. Three of these securities, with an estimated fair value of \$13.3 million (amortized cost of \$14.9 million), are rated less than AAA at June 30, 2010. Of the three securities, one had an estimated fair value of \$2.5 million (amortized cost of \$2.5 million), was rated A+, and had the following underlying collateral characteristics: 84% originated in 2004, and 16% originated in 2005. The second security had an estimated fair value of \$6.1 million (amortized cost of \$7.2 million), was rated Caa2, and had the following underlying collateral characteristics: 81% originated in 2004, and 19% originated in 2005. The remaining security had an estimated fair value of \$4.8 million (amortized cost of \$5.2 million), was rated CCC (downgraded to a rating of CC subsequent to June 30, 2010), and was supported by collateral entirely originated in 2006. The ratings of the securities detailed above represent the lowest rating for each security received from the rating agencies of Moody's, Standard & Poor's, and Fitch. The Company continues to receive principal and interest payments in accordance with the contractual terms of each of these securities. Management has evaluated, among other things, delinquency status, location of collateral, estimated prepayment speeds, and the estimated default rates and loss severity in liquidating the underlying collateral for each of these three securities. Since management does not have the intent to sell the securities, and it is more likely than not that the Company will not be required to sell the securities, before their anticipated recovery (which may be at maturity), the Company believes that the unrealized losses at June 30, 2010, were temporary, and as such, were recorded as a

component of accumulated other comprehensive income, net of tax.

REMIC mortgage-backed securities issued or guaranteed by GSEs (three securities) are investment grade securities. The declines in value relate to the general interest rate environment and are considered temporary. The securities cannot be prepaid in a manner that would result in the Company not receiving substantially all of its amortized cost. The Company neither has an intent to sell, nor is it more likely than not that the Company will be required to sell, the securities contained in the table above before the recovery of their amortized cost basis or, if necessary, maturity.

The fair values of our securities could decline in the future if the underlying performance of the collateral for the mortgage-backed securities deteriorates and our credit enhancement levels do not provide sufficient protections to our contractual principal and interest. As a result, there is a risk that significant other-than-temporary impairments may occur in the future given the current economic environment.

**Table of Contents****Note 3 Net Loans Held-for-Investment**

Net loans held-for-investment are as follows (in thousands):

	<b>June 30, 2010</b>	<b>December 31, 2009</b>
Real estate loans:		
Commercial mortgage	\$ 339,321	327,802
One- to- four family residential mortgage	85,871	90,898
Construction and land	36,703	44,548
Multifamily	211,388	178,401
Home equity and lines of credit	30,598	26,118
Total real estate loans	703,881	667,767
Commercial and industrial loans	16,884	19,252
Insurance premium loans	49,657	40,382
Other loans	1,716	1,299
Total commercial and industrial, insurance premium, and other loans	68,257	60,933
Total loans held-for-investment	772,138	728,700
Deferred loan cost, net	771	569
Loans held-for-investment, net	772,909	729,269
Allowance for loan losses	(19,122)	(15,414)
Net loans held-for-investment	\$ 753,787	713,855

Loans held-for-sale amounted to \$248,000 and \$0 at June 30, 2010 and December 31, 2009, respectively.

The Company does not have any lending programs commonly referred to as subprime lending. Subprime lending generally targets borrowers with weakened credit histories typically characterized by payment delinquencies, previous charge-offs, judgments, bankruptcies, or borrowers with questionable repayment capacity as evidenced by low credit scores or high debt-burden ratios.

Activity in the allowance for loan losses is as follows (in thousands):

	<b>At or for the six months ended June 30,</b>	
	<b>2010</b>	<b>2009</b>
Beginning balance	\$ 15,414	8,778
Provision for loan losses	4,728	4,743
Charge-offs, net	(1,020)	(1,448)
Ending balance	\$ 19,122	12,073

Included in loans receivable are loans for which the accrual of interest income has been discontinued due to deterioration in the financial condition of the borrowers. The principal amount of these nonaccrual loans was \$51.4 million and \$41.6 million at June 30, 2010, and December 31, 2009, respectively. These amounts included loans deemed to be impaired of \$45.4 million and \$36.8 million at June 30, 2010 and December 31, 2009, respectively. Loans on non-accrual status with principal balances less than \$500,000, and therefore not meeting the Company's definition of an impaired loan, amounted to \$6.0 million and \$4.8 million at June 30, 2010, and December 31, 2009, respectively. At June 30, 2010, the Company is under commitment to lend additional funds totaling \$360,000 to borrowers whose loans are on non-accrual status or who are past due 90 days or more and still accruing interest.

**Table of Contents**

The following table summarizes non-performing loans and loans subject to restructuring agreements and still accruing (in thousands):

	<b>June 30, 2010</b>	<b>December 31, 2009</b>
Non-accruing loans	\$ 34,007	30,914
Non-accruing loans subject to restructuring agreements	17,417	10,717
Total non-accruing loans	51,424	41,631
Loans 90 days or more past maturity and still accruing	77	191
Total non-performing loans	\$ 51,501	41,822
Loans subject to restructuring agreements and still accruing	\$ 10,708	7,250

The following tables summarize impaired loans (in thousands):

	<b>Recorded Investment</b>	<b>June 30, 2010 Allowance for Loan Losses</b>	<b>Net Investment</b>
Non-accruing loans	\$ 27,991	(378)	27,613
Non-accruing loans subject to restructuring agreements	17,417	(1,289)	16,128
Accruing loans subject to restructuring agreements	10,708	(359)	10,349
Total impaired loans	\$ 56,116	(2,026)	54,090

	<b>Recorded Investment</b>	<b>December 31, 2009 Allowance for Loan Losses</b>	<b>Net Investment</b>
Non-accruing loans	\$ 26,113	(1,596)	24,517
Non-accruing loans subject to restructuring agreements	10,717	(409)	10,308
Accruing loans subject to restructuring agreements	7,250	(395)	6,855
Total impaired loans	\$ 44,080	(2,400)	41,680

Included in the table above at June 30, 2010, are loans with carrying balances of \$26.2 million that were not written down either by charge-offs or specific reserves in our allowance for loan losses. Included in the table above at December 31, 2009, are loans with carrying balances of \$12.7 million that were not written down either by charge-offs or specific reserves in our allowance for loan losses.

The average balance of impaired loans was \$47.9 million and \$25.7 million for the six months ended June 30, 2010, and 2009, respectively. The Company recorded \$743,000 and \$1.2 million of interest income on impaired

**Table of Contents**

loans for the three and six months ended June 30, 2010, respectively, compared to \$176,000 and \$186,000 of interest income on impaired loans for the three and six months ended June 30, 2009, respectively.

**Note 4 Deposits**

Deposits are as follows (in thousands):

	<b>June 30, 2010</b>	<b>December 31, 2009</b>
Non-interest-bearing demand	\$ 116,566	110,015
Interest-bearing negotiable orders of withdrawal (NOW)	72,963	62,904
Savings-passbook, statement, tiered, and money market	605,828	564,593
Certificates of deposit	585,338	579,373
	<b>\$ 1,380,695</b>	<b>1,316,885</b>

Interest expense on deposit accounts is summarized for the periods indicated (in thousands):

	<b>Three months ended June 30, 2010</b>		<b>Six months ended June 30, 2009</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Negotiable order of withdrawal, savings-passbook, statement, tiered, and money market	\$ 1,265	1,468	2,685	3,104
Certificates of deposit	2,117	3,118	4,649	6,439
	<b>\$ 3,382</b>	<b>4,586</b>	<b>7,334</b>	<b>9,543</b>

**Note 5 Equity Incentive Plan**

The following table is a summary of the Company's stock options outstanding as of June 30, 2010, and changes therein during the six months then ended:

	Number of Stock Options	Weighted Average Grant Date Fair Value	Weighted Average Exercise Price	Weighted Average Contractual Life (years)
Outstanding- December 31, 2009	2,083,400	\$ 3.22	\$ 9.94	8.58
Granted	3,000	4.66	13.24	9.58
Forfeited				
Exercised	(13,860)	3.22	9.94	
Outstanding- June 30, 2010	2,072,540	\$ 3.22	\$ 9.94	8.59

Exercisable- June 30, 2010	424,020	\$	3.22	\$	9.94	8.58
----------------------------	---------	----	------	----	------	------

Expected future stock option expense related to the non-vested options outstanding as of June 30, 2010, is \$4.9 million over an average period of 3.6 years.

Upon the exercise of stock options, management expects to utilize treasury stock as the source of issuance for these shares. However, subsequent to the conversion of Northfield Bancorp, MHC from a mutual holding company to a fully public company as discussed in Note 8, management will not be able to utilize treasury stock as the source of these shares for one year from the date of the conversion.

**Table of Contents**

The fair value of stock options granted on January 30, 2010, was estimated utilizing the Black-Scholes option pricing model using the following assumptions: an expected life of 6.5 years utilizing the simplified method, risk-free rate of return of 2.90%, volatility of 38.29% and a dividend yield of 1.81%. The Company is expensing the grant date fair value of all employee and director share-based compensation over the requisite service periods on a straight-line basis.

The following is a summary of the status of the Company's restricted share awards as of June 30, 2010, and changes therein during the six months then ended.

	Number of Shares Awarded	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2009	825,150	\$ 9.94
Granted	4,400	13.24
Vested	(175,670)	9.94
Forfeited		
Non-vested at June 30, 2010	653,880	\$ 9.97

Expected future stock award expense related to the non-vested restricted share awards as of June 30, 2010, is \$5.9 million over an average period of 3.6 years. On January 30, 2010, 174,830 of restricted shares vested. In connection with the vesting, the Company repurchased 21,605 shares of common stock from employees (at their request) in satisfaction of minimum payroll taxes. On May 29, 2010, 840 restricted shares vested. In connection with the vesting, the Company repurchased 334 shares of common stock from employees (at their request) in satisfaction of minimum payroll taxes.

During the three and six months ended June 30, 2010, the Company recorded \$723,000 and \$1.5 million of stock-based compensation, respectively. During the three and six months ended June 30, 2009, the Company recorded \$792,000 and \$1.4 million of stock-based compensation, respectively.

**Note 6- Fair Value Measurements**

The following table presents the assets reported on the consolidated balance sheet at their estimated fair value as of June 30, 2010, and December 31, 2009, by level within the fair value hierarchy as required by the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification (ASC). Financial assets and liabilities are classified in their entirety based on the level of input that is significant to the fair value measurement.

The fair value hierarchy is as follows:

**Level 1 Inputs** Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

**Level 2 Inputs** Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (for example, interest rates, volatilities, prepayment speeds, loss severities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlations or other means.

**Level 3 Inputs** Significant unobservable inputs that reflect the Company's own assumptions that market participants would use in pricing the assets or liabilities.



**Table of Contents**

		<b>Fair Value Measurements at Reporting Date</b>		
		<b>Using:</b>		
		<b>Quoted Prices in Active Markets for Identical Assets  (Level 1)</b>	<b>Significant Other Observable Inputs  (Level 2)</b>	<b>Significant Unobservable Inputs  (Level 3)</b>
(in thousands)	<b>June 30, 2010</b>			
Measured on a recurring basis:				
Assets:				
Investment securities:				
Available-for-sale:				
Mortgage-backed securities				
GSE	\$ 899,572		899,572	
Non-GSE	132,565		132,565	
Corporate bonds	120,646		120,646	
GSE bonds	115,363		115,363	
Equities	33,581	33,581		
Total available-for-sale	1,301,727	33,581	1,268,146	
Trading securities	3,515	3,515		
Total	\$ 1,305,242	37,096	1,268,146	
Measured on a non-recurring basis:				
Assets:				
Impaired loans:				
Real estate loans:				
Commercial mortgage (CRE)	\$ 21,694			21,694
One- to- four family residential mortgage	1,391			1,391
Construction and land	3,967			3,967
Multifamily	836			836
Total impaired loans	27,888			27,888
Other real estate owned (CRE)	1,362			1,362
Total	\$ 29,250			29,250

**Fair Value Measurements at Reporting Date**  
**Using:**  
**Quoted**  
**Prices**  
**Significant**

		<b>in Active Markets for Identical Assets  (Level 1)</b>	<b>Other Observable Inputs  (Level 2)</b>	<b>Significant Unobservable Inputs  (Level 3)</b>
	<b>December 31, 2009</b>			
Measured on a recurring basis:				
Assets:				
Investment securities:				
Available-for-sale:				
Mortgage-backed securities				
GSE	\$ 767,148		767,148	
Non-GSE	176,660		176,660	
Corporate bonds	137,140		137,140	
GSE bonds	28,983		28,983	
Equities	21,872	21,872		
Total available-for-sale	1,131,803	21,872	1,109,931	
Trading securities	3,403	3,403		
Total	\$ 1,135,206	25,275	1,109,931	
Measured on a non-recurring basis:				
Assets:				
Impaired loans:				
Real estate loans:				
Commercial mortgage	\$ 21,295			21,295
Construction and land	6,910			6,910
Multifamily	823			823
Total impaired loans	29,028			29,028
Other real estate owned (CRE)	1,938			1,938
Total	\$ 30,966			30,966

**Table of Contents**

**Available -for- Sale Securities:** The estimated fair values for mortgage-backed, GSE and corporate securities are obtained from an independent nationally recognized third-party pricing service. The estimated fair values are derived primarily from cash flow models, which include assumptions for interest rates, credit losses, and prepayment speeds. Broker/dealer quotes are utilized as well when such quotes are available and deemed representative of the market. The significant inputs utilized in the cash flow models are based on market data obtained from sources independent of the Company (Observable Inputs), and are therefore classified as Level 2 within the fair value hierarchy. The estimated fair values of equity securities, classified as Level 1, are derived from quoted market prices in active markets. Equity securities consist primarily of money market mutual funds. There were no transfers of securities between Level 1 and Level 2 during the quarter or six months ended June 30, 2010.

**Trading Securities:** Fair values are derived from quoted market prices in active markets. The assets consist of publicly traded mutual funds.

**Impaired Loans:** At June 30, 2010, and December 31, 2009, the Company had impaired loans with outstanding principal balances of \$29.9 million and \$31.4 million, that were recorded at their estimated fair value of \$27.9 million and \$29.0 million, respectively. The Company recorded impairment charges of \$2.0 million and \$1.3 million for the six months ended June 30, 2010 and 2009, respectively, and charge-offs of \$822,000 and \$1.0 million for the three and six month ended June 30, 2010, respectively, compared to charge-offs of \$853,000 and \$1.4 million for the three and six months ended June 30, 2009, respectively, utilizing Level 3 inputs. Impaired assets are valued utilizing independent appraisals, if the loan is collateral dependent, adjusted downward by management, as necessary, for changes in relevant valuation factors subsequent to the appraisal date, or the present value of expected future cash flows for non-collateral dependent loans and troubled debt restructurings.

**Other Real Estate Owned:** At June 30, 2010, and December 31, 2009, the Company had assets acquired through foreclosure of \$1.4 million and \$1.9 million, respectively, recorded at estimated fair value, less estimated selling costs when acquired, thus establishing a new cost basis. Fair value is generally based on independent appraisals. These appraisals include adjustments to comparable assets based on the appraisers' market knowledge and experience, and are considered Level 3 inputs. When an asset is acquired, the excess of the loan balance over fair value, less estimated selling costs, is charged to the allowance for loan losses. If the estimated fair value of the asset declines, a write-down is recorded through expense. The valuation of foreclosed assets is subjective in nature and may be adjusted in the future because of changes in economic conditions. Subsequent valuation adjustments to other real estate owned totaled \$0 and \$146,000, for the three and six months ended June 30, 2010, respectively, reflecting continued deterioration in estimated fair values. The remaining reduction to REO was a result of sales. There were no subsequent valuation adjustments to other real estate owned for the three and six months ended June 30, 2009. Operating costs after acquisition are expensed.

**Fair Value of Financial Instruments**

The FASB ASC Topic for Financial Instruments requires disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring or non-recurring basis. The methodologies for estimating the fair value of financial assets and financial liabilities that are measured at fair value on a recurring or non-recurring basis are discussed above. The following methods and assumptions were used to estimate the fair value of other financial assets and financial liabilities not already discussed above:

***(a) Cash, Cash Equivalents, and Certificates of Deposit***

Cash and cash equivalents are short-term in nature with original maturities of three months or less; the carrying amount approximates fair value. Certificates of deposit having original terms of six-months or less; carrying value generally approximates fair value. Certificates of deposit with an original maturity of six months or greater, the fair value is derived from discounted cash flows.

***(b) Securities (Held to Maturity)***

The fair values for substantially all of our securities are obtained from an independent nationally recognized pricing service. The independent pricing service utilizes market prices of same or similar securities whenever such prices are available. Prices involving distressed sellers are not utilized in determining fair value. Where necessary, the independent third-party pricing service estimates fair value using models employing techniques such as discounted

cash flow analyses. The assumptions

**Table of Contents**

used in these models typically include assumptions for interest rates, credit losses, and prepayments, utilizing market observable data where available.

***(c) Federal Home Loan Bank of New York Stock***

The fair value for Federal Home Loan Bank of New York stock is its carrying value, since this is the amount for which it could be redeemed and there is no active market for this stock.

***(d) Loans***

Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type such as residential mortgage, construction, land, multifamily, commercial and consumer. Each loan category is further segmented into amortizing and non-amortizing and fixed and adjustable rate interest terms and by performing and nonperforming categories. The fair value of loans is estimated by discounting the future cash flows using current prepayment assumptions and current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. This method of estimating fair value does not incorporate the exit price concept of fair value prescribed by the FASB ASC Topic for Fair Value Measurements and Disclosures.

***(e) Deposits***

The fair value of deposits with no stated maturity, such as non-interest-bearing demand deposits, savings, NOW and money market accounts, is equal to the amount payable on demand. The fair value of certificates of deposit is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities.

***(f) Commitments to Extend Credit and Standby Letters of Credit***

The fair value of commitments to extend credit and standby letters of credit is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of off-balance-sheet commitments is insignificant and therefore not included in the following table.

***(g) Borrowings***

The fair value of borrowings is estimated by discounting future cash flows based on rates currently available for debt with similar terms and remaining maturity.

***(h) Advance Payments by Borrowers***

Advance payments by borrowers for taxes and insurance have no stated maturity; the fair value is equal to the amount currently payable.

**Table of Contents**

The estimated fair values of the Company's significant financial instruments at June 30, 2010, and December 31, 2009, are presented in the following table (in thousands):

	<b>June 30, 2010</b>		<b>December 31, 2009</b>	
	<b>Carrying value</b>	<b>Estimated Fair value</b>	<b>Carrying value</b>	<b>Estimated Fair value</b>
<b>Financial assets:</b>				
Cash and cash equivalents	\$ 28,862	28,862	42,544	42,544
Trading securities	3,515	3,515	3,403	3,403
Securities available-for- sale	1,301,727	1,301,727	1,131,803	1,131,803
Securities held-to- maturity	5,830	6,046	6,740	6,930
Federal Home Loan Bank of New York stock, at cost	8,119	8,119	6,421	6,421
Net loans held-for-investment	753,787	759,652	713,855	726,475
<b>Financial liabilities:</b>				
Deposits	\$ 1,380,695	1,383,349	1,316,885	1,319,612
Borrowings	356,333	370,596	279,424	288,737
Advance payments by borrowers	1,556	1,556	757	757

**Limitations**

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Fair value estimates are based on existing on- and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

**Note 7 Earnings Per Share**

Basic earnings per share is computed by dividing net income available to common stockholders by the weighted average number of shares outstanding during the period. For purposes of calculating basic earnings per share, weighted average common shares outstanding excludes unallocated employee stock ownership plan (ESOP) shares that have not been committed for release and unvested restricted stock.

Diluted earnings per share is computed using the same method as basic earnings per share, but reflects the potential dilution that could occur if stock options and unvested shares of restricted stock were exercised and converted into common stock. These potentially dilutive shares are included in the weighted average number of shares outstanding for the period using the treasury stock method. When applying the treasury stock method, we add: (1) the assumed proceeds from option exercises; (2) the tax benefit, if any, that would have been credited to additional paid-in capital assuming exercise of non-qualified stock options and vesting of shares of restricted stock;

**Table of Contents**

and (3) the average unamortized compensation costs related to unvested shares of restricted stock and stock options. We then divide this sum by our average stock price for the period to calculate assumed shares repurchased. The excess of the number of shares issuable over the number of shares assumed to be repurchased is added to basic weighted average common shares to calculate diluted earnings per share.

The following is a summary of the Company's earnings per share calculations and reconciliation of basic to diluted earnings per share for the periods indicated (dollars in thousands, except share data):

	For the three months ended June 30,		For the six months ended June 30,	
	2010	2009	2010	2009
Net income available to common stockholders	\$ 4,186	2,122	7,567	4,857
Weighted average shares outstanding-basic	41,417,662	42,625,593	41,462,961	42,856,503
Effect of non-vested restricted stock and stock options outstanding	366,068	94,072	340,345	54,575
Weighted average shares outstanding-diluted	41,783,730	42,719,665	41,803,306	42,911,078
Earnings per share-basic	\$ 0.10	0.05	0.18	0.11
Earnings per share-diluted	\$ 0.10	0.05	0.18	0.11

**Note 8 Plan of Conversion and Reorganization**

The Boards of Directors of Northfield Bancorp, MHC ( MHC ) and the Company adopted a Plan of Conversion and Reorganization (the Plan ) on June 4, 2010. Pursuant to the Plan, the MHC will convert from the mutual holding company form of organization to the fully public form. The MHC will be merged into the Company, and the MHC will no longer exist. The Company will merge into a new Delaware corporation named Northfield Bancorp, Inc. As part of the conversion, the MHC's ownership interest in the Company will be offered for sale in a public offering. The existing publicly held shares of the Company, which comprise the remaining ownership interest in the Company, will be exchanged for new shares of common stock of Northfield Bancorp, Inc., the new Delaware corporation. The exchange ratio will ensure that immediately after the conversion and public offering, the public shareholders of the Company will own the same aggregate percentage of Northfield Bancorp., Inc. common stock that they owned immediately prior to that time (excluding shares purchased in the stock offering and cash received in lieu of fractional shares). When the conversion and public offering are completed, all of the capital stock of Northfield Bank will be owned by Northfield Bancorp, Inc., the Delaware corporation. Furthermore, existing treasury stock outstanding will be canceled upon completion of the conversion.

The Plan provides for the establishment, upon the completion of the conversion, of special liquidation accounts for the benefit of certain depositors of Northfield Bank in an amount equal to the greater of the MHC's ownership interest in the retained earnings of the Company as of the date of the latest balance sheet contained in the prospectus or the retained earnings of Northfield Bank at the time it reorganized into the MHC. Following the completion of the conversion, under the rules of the Office of Thrift Supervision, Northfield Bank will not be permitted to pay dividends on its capital stock to Northfield Bancorp, Inc., its sole shareholder, if Northfield Bank's shareholder's equity would be reduced below the amount of the liquidation accounts. The liquidation accounts will be reduced annually to the extent that eligible account holders have reduced their qualifying deposits. Subsequent increases will not restore an eligible account holder's interest in the liquidation accounts.

Direct costs of the conversion and public offering will be deferred and reduce the proceeds from the shares sold in the public offering. If the conversion and public offering are not completed, all costs will be charged to expense in the period in which the public offering is terminated. Through June 30, 2010, we have incurred approximately \$369,000 in costs related to the conversion.

**Note 9 Recent Accounting Pronouncements**

ASC 810, *Consolidation*, replaces the quantitative-based risks and rewards calculation for determining which enterprise, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which enterprise has the power to direct the activities of a variable interest entity that most significantly affect the entity's economic performance and (i) the obligation to absorb losses of the entity or (ii) the right to



**Table of Contents**

receive benefits from the entity. The pronouncement was effective January 1, 2010, and did not have a significant effect on the Company's consolidated financial statements.

ASC 860, *Transfers and Servicing*, improves the information a reporting entity provides in its financial statements about a transfer of financial assets, including the effect of a transfer on an entity's financial position, financial performance and cash flows and the transferor's continuing involvement in the transferred assets. ASC 860 eliminates the concept of a qualifying special-purpose entity and changes the guidance for evaluation for consolidation. This pronouncement was effective January 1, 2010, and did not have a significant effect on the Company's consolidated financial statements.

Accounting Standards Update No. 2010-06 under ASC 820 requires new disclosures and clarifies certain existing disclosure requirements about fair value measurement. Specifically, the update requires an entity to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for such transfers. A reporting entity is required to present separately information about purchases, sales, issuances, and settlements in the reconciliation for fair value measurements using Level 3 inputs. In addition, the update clarifies the following requirements of the existing disclosure: (i) for the purposes of reporting fair value measurement for each class of assets and liabilities, a reporting entity needs to use judgment in determining the appropriate classes of assets; and (ii) a reporting entity is required to include disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. The amendments were effective for interim and annual reporting periods beginning after December 15, 2009, except for the separate disclosures of purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. We adopted these requirements on January 1, 2010, and have provided the applicable disclosures.

Accounting Standards Update No. 2010-20 under ASC 310 requires new disclosures that provide financial statement users with greater transparency about an entity's allowance for credit losses and the credit quality of its financing receivables. The update requires that an entity provide disclosures on a disaggregated basis. This update defines the two levels of disaggregation as portfolio segment and class of financing receivable. A portfolio segment is defined as the level at which an entity develops and documents a systematic method for determining its allowance for credit losses. Classes of financing receivables generally are a disaggregation of a portfolio segment. This update also requires an entity to disclose credit quality indicators, past due information, and modifications of its financing receivables. These disclosures, as of the end of a reporting period and about activity that occurs during a reporting period, are effective for interim and annual reporting periods ending on or after December 15, 2010.

**Table of Contents**

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**Cautionary Statement Regarding Forward-Looking Information**

**Forward Looking Statements**

This Quarterly Report contains forward-looking statements, which can be identified by the use of words such as estimate, project, believe, intend, anticipate, plan, seek, and similar expressions. These forward looking statements include:

statements of our goals, intentions, and expectations;

statements regarding our business plans, prospects, growth, and operating strategies;

statements regarding the asset quality of our loan and investment portfolios; and

estimates of our risks and future costs and benefits.

These forward-looking statements are subject to significant risks, assumptions and uncertainties, including, among other things, the following important factors that could affect the actual outcome of future events:

the effect of the current financial crisis on our loan portfolio, investment portfolio, and deposit and other customers;

significantly increased competition among depository and other financial institutions;

inflation and changes in the interest rate environment or other changes that reduce our interest margins or reduce the fair value of financial instruments;

general economic conditions, either nationally or in our market areas, that are worse than expected;

adverse changes in the securities markets;

legislative or regulatory changes that adversely affect our business;

our ability to enter new markets successfully and take advantage of growth opportunities, and the possible dilutive effect of potential acquisitions or *de novo* branches, if any;

changes in consumer spending, borrowing and savings habits;

changes in accounting policies and practices, as may be adopted by bank regulatory agencies, the Financial Accounting Standards Board, the Public Company Accounting Oversight Board and other promulgating authorities;

inability of borrowers and/or third-party providers to perform their obligations to us;

the effect of recent governmental legislation restructuring the U.S. financial and regulatory system;

the effect of developments in the secondary market affecting our loan pricing;

the level of future deposit insurance premiums; and

changes in our organization, compensation and benefit plans.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements.

**Critical Accounting Policies**

Note 1 to the Company's Audited Consolidated Financial Statements for the year ended December 31, 2009, included in the Company's Annual Report on Form 10-K, as supplemented by this report, contains a summary of significant accounting policies. Various elements of these accounting policies, by their nature, are inherently subject to estimation techniques, valuation assumptions and other subjective assessments. Certain assets are carried in the consolidated Balance Sheets at estimated fair value or the lower of cost or estimated fair value. Policies with respect to the methodologies used to determine the allowance for loan losses and judgments regarding the valuation of intangible assets and securities as well as the valuation allowance against deferred tax assets are the most critical accounting policies because they are important to the presentation of the Company's financial condition and results of operations, involve a higher degree of complexity, and require management to make difficult and subjective judgments which often require assumptions or estimates about highly uncertain matters. The use of different judgments, assumptions, and estimates could result in material differences in the results of operations or financial condition. These critical accounting policies and their application are reviewed periodically and, at least annually,

**Table of Contents**

with the Audit Committee of the Board of Directors. For a further discussion of the critical accounting policies of the Company, see Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K, for the year ended December 31, 2009.

**Overview**

This overview highlights selected information and may not contain all the information that is important to you in understanding our performance during the period. For a more complete understanding of trends, events, commitments, uncertainties, liquidity, capital resources, and critical accounting estimates, you should read this entire document carefully, as well as our Annual Report on Form 10-K for the year ended December 31, 2009.

Net income was \$4.2 million and \$7.6 million for the three and six months ended June 30, 2010, respectively, compared to \$2.1 million and \$4.9 million for the three and six months ended June 30, 2009, respectively. Basic and diluted earnings per share were \$0.10 and \$0.18 for the three and six months ended June 30, 2010, respectively, compared to \$0.05 and \$0.11 per share for the three and six months ended June 30, 2009, respectively.

Return on average assets was 0.80% and 0.74%, respectively, for the three and six months ended June 30, 2010, compared to 0.47% and 0.55% for the three and six months ended June 30, 2009, respectively. Return on average equity was 4.23% and 3.86%, respectively, for the three and six months ended June 30, 2010, compared to 2.18% and 2.52%, respectively, for the three and six months ended June 30, 2009.

Results for the three and six months ended June 30, 2010, were highlighted by the following items:

Total assets increased \$205.9 million to \$2.2 billion at June 30, 2010, from \$2.0 billion at December 31, 2009.

Securities increased \$169.1 million.

Loans held-for-investment, net, increased \$43.6 million.

Bank owned life insurance increased \$10.9 million.

Allowance for loan losses increased to \$19.1 million, or 2.47% of total loans at June 30, 2010, from \$15.4 million, or 2.11% of total loans at December 31, 2009.

Total liabilities increased \$197.7 million to \$1.8 billion at June 30, 2010, from \$1.6 billion at December 31, 2009.

Deposits increased \$63.8 million.

Borrowed funds increased \$76.9 million.

Accrued expenses and other liabilities increased \$56.2 million.

Stockholders' equity increased to \$399.7 million at June 30, 2010, from \$391.5 million at December 31, 2009.

Net interest income increased \$2.1 million, or 15.0%, to \$15.9 million for the three months ended June 30, 2010, compared to \$13.8 million for the three months ended June 30, 2009.

Average interest-earning assets increased \$255.4 million, or 14.8%, to \$2.0 billion for the three months ended June 30, 2010, from \$1.7 billion for the three months ended June 30, 2009.

Cost of interest-bearing liabilities decreased 64 basis points, or 29.1%, to 1.56% for the three months ended June 30, 2010, compared to 2.20% for the three months ended June 30, 2009.

The net interest margin remained flat at 3.23% for the three months ended June 30, 2010, and 2009.

**Table of Contents**

The provision for loan losses was \$2.8 million for the three months ended June 30, 2010, compared to \$3.1 million for the three months ended June 30, 2009. Net charge-offs were \$822,000 and \$853,000 for the three months ended June 30, 2010 and 2009, respectively.

Non-interest income increased \$342,000, or 22.4%, to \$1.9 million for the three months ended June 30, 2010, compared to \$1.5 million for the three months ended June 30, 2009.

Non-interest expense decreased \$604,000, or 6.7%, to \$8.5 million for the three months ended June 30, 2010, compared to \$9.1 million for the three months ended June 30, 2009.

**Comparison of Financial Condition at June 30, 2010, and December 31, 2009**

Total assets increased \$205.9 million, or 10.3%, to \$2.2 billion at June 30, 2010, from \$2.0 billion at December 31, 2009. The increase was primarily attributable to increases in securities of \$169.1 million and loans held for investment, net, of \$43.6 million. In addition, bank owned life insurance increased \$10.9 million, primarily resulting from the purchase of \$10.0 million of insurance policies during the three months ended June 30, 2010, coupled with \$937,000 of income earned on bank owned life insurance for the six months ended June 30, 2010.

Cash and cash equivalents decreased \$13.7 million, or 32.2%, to \$28.9 million at June 30, 2010, from \$42.5 million at December 31, 2009. We have been deploying funds into higher yielding investments such as loans and securities with risk and return characteristics that we deem acceptable.

Securities available-for-sale increased \$169.9 million, or 15.0%, to \$1.3 billion at June 30, 2010, from \$1.1 billion at December 31, 2009. The increase was primarily attributable to purchases of \$491.8 million and an increase of \$8.6 million in net unrealized gains, partially offset by maturities and paydowns of \$235.5 million and sales of \$95.0 million.

Securities held-to-maturity decreased \$910,000, or 13.5%, to \$5.8 million at June 30, 2010, from \$6.7 million at December 31, 2009. The decrease was attributable to maturities and paydowns during the six months ended June 30, 2010.

At June 30, 2010, our securities portfolio totaled \$1.3 billion, as compared to \$1.1 billion at December 31, 2009, which represented an increase of \$169.1 million, or 14.8%. At June 30, 2010, \$905.4 million of the portfolio consisted of residential mortgage-backed securities issued or guaranteed by Fannie Mae, Freddie Mac, or Ginnie Mae. We also held residential mortgage-backed securities not guaranteed by Fannie Mae, Freddie Mac, or Ginnie Mae, referred to as private label securities. These private label securities had an amortized cost of \$128.4 million and an estimated fair value of \$132.6 million at June 30, 2010. These private label securities were in a net unrealized gain position of \$4.1 million at June 30, 2010, consisting of gross unrealized gains of \$5.9 million and gross unrealized losses of \$1.8 million.

Of the \$132.6 million of private label securities, three securities with an estimated fair value of \$13.3 million (amortized cost of \$14.9 million) are rated less than AAA at June 30, 2010. Of the three securities, one had an estimated fair value of \$2.5 million (amortized cost of \$2.5 million) and was rated A+, another had an estimated fair value of \$6.1 million (amortized cost of \$7.2 million) and was rated Caa2, and the remaining security had an estimated fair value of \$4.8 million (amortized cost of \$5.2 million) and was rated CCC (downgraded to a rating of CC subsequent to June 30, 2010). The ratings of the securities detailed above represent the lowest rating for each security received from the rating agencies of Moody's, Standard & Poor's, and Fitch. We continue to receive principal and interest payments in accordance with the contractual terms of each of these securities. Management has evaluated, among other things, delinquency status, location of collateral, estimated prepayment speeds, and the estimated default rates and loss severity in liquidating the underlying collateral for each of these three securities. Since management does not have the intent to sell the securities, and it is more likely than not that we will not be required to sell the securities before their anticipated recovery, we believe that the unrealized losses at June 30, 2010, were temporary, and as such, were recorded as a component of accumulated other comprehensive income, net of tax.

Loans held for investment, net, totaled \$772.9 million at June 30, 2010, as compared to \$729.3 million at December 31, 2009. The increase was primarily in multi-family real estate loans, which increased \$33.0 million, or 18.5%, to \$211.4 million at June 30, 2010, from \$178.4 million at December 31, 2009. Commercial real estate loans increased \$11.5 million, or 3.5%, to \$339.3 million, insurance premium loans increased \$9.3 million, or 23.0%, to

\$49.7 million, and home equity loans increased \$4.5 million, or 17.2%, from \$26.1 million at December 31, 2009.

**Table of Contents**

These increases were partially offset by decreases in residential loans, land and construction loans, and commercial and industrial loans.

Bank owned life insurance increased \$10.9 million, or 25.0%, from December 31, 2009 to June 30, 2010. The increase resulted from the purchase of \$10.0 million of insurance policies during the three months ended June 30, 2010, coupled with \$937,000 of income earned on bank owned life insurance for the six months ended June 30, 2010.

Federal Home Loan Bank of New York stock, at cost, increased \$1.7 million, or 26.4%, from \$6.4 million at December 31, 2009, to \$8.1 million at June 30, 2010. This increase was attributable to an increase in borrowings outstanding with the Federal Home Loan Bank of New York over the same time period.

Other real estate owned decreased \$576,000, or 29.7%, from \$1.9 million at December 31, 2009, to \$1.4 million at June 30, 2010. This decrease was attributable to downward valuation adjustments of \$146,000 recorded against the carrying balances of the properties in the first quarter of 2010, reflecting deterioration in estimated fair values, coupled with the sale of other real estate owned properties. No valuation adjustments were recorded in the three months ended June 30, 2010.

Other assets decreased \$2.7 million, or 17.7%, to \$12.3 million at June 30, 2010, from \$14.9 million at December 31, 2009. The decrease in other assets was attributable to a decrease in net deferred tax assets, which resulted primarily from an increase in net unrealized gains on the available-for-sale securities portfolio from December 31, 2009, to June 30, 2010.

Deposits increased \$63.8 million, or 4.8%, to \$1.4 billion at June 30, 2010, from \$1.3 billion at December 31, 2009. The increase in deposits for the six months ended June 30, 2010, was due in part to an increase of \$31.9 million in short-term certificates of deposit originated through the CDARS<sup>®</sup> Network. We utilize this funding supply as a cost effective alternative to other short-term funding sources. In addition, savings and money market accounts, and transaction accounts, increased \$41.2 million and \$16.6 million, respectively, from December 31, 2009 to June 30, 2010. These increases were partially offset by a decrease of \$25.9 million in certificates of deposit (that we originated) over the same time period. We continue to focus on our marketing and pricing of our products, which we believe promotes longer-term customer relationships.

Borrowings increased \$76.9 million, or 27.5%, to \$356.3 million at June 30, 2010, from \$279.4 million at December 31, 2009. The increase in borrowings resulted primarily from our increasing longer-term borrowings, taking advantage of, and locking in, low interest rates, which was partially offset by maturities during the six months ended June 30, 2010.

Accrued expenses and other liabilities increased \$56.2 million, to \$69.8 million at June 30, 2010, from \$13.7 million at December 31, 2009. The increase was primarily a result of \$55.9 million in due to securities brokers which resulted from securities purchases occurring prior to June 30, 2010, and settling after the quarter end.

Total stockholders' equity increased to \$399.7 million at June 30, 2010, from \$391.5 million at December 31, 2009. The increase was primarily attributable to net income of \$7.6 million for the six months ended June 30, 2010, and an increase in accumulated other comprehensive income of \$5.3 million. A decrease in market interest rates increased the estimated fair value of our securities available for sale. The increase in stockholders' equity also was due to a \$1.9 million increase in additional paid-in capital primarily related to the recognition of compensation expense associated with equity awards. These increases were partially offset by an increase of \$5.2 million in treasury stock, and the payment of approximately \$1.6 million in cash dividends for the six months ended June 30, 2010. On June 4, 2010, in connection with our announcement that we intend to convert to a fully public company, the Board of Directors terminated its previously announced stock repurchase program. Since inception of the program, we have repurchased 2,083,934 shares of common stock at an average cost of \$11.99 per share.

**Comparison of Operating Results for the Three Months Ended June 30, 2010 and 2009**

**Net income.** Net income increased \$2.1 million, or 97.3%, for the three months ended June 30, 2010, compared to the three months ended June 30, 2009. Net interest income increased \$2.1 million, or 15.0%, non-interest income increased \$342,000, or 22.4%, non-interest expense decreased \$604,000, or 6.7%, and the provision for loan losses decreased \$301,000, or 9.7%, which was partially offset by an increase of \$1.3 million in income tax expense over the same time period.





**Table of Contents**

**Interest income.** Interest income increased \$1.0 million, or 4.9%, to \$22.0 million for the three months ended June 30, 2010, from \$21.0 million for the three months ended June 30, 2009. The increase in interest income was primarily the result of an increase in average interest-earning assets of \$255.4 million, or 14.8%. The increase in average interest-earning assets was primarily attributable to an increase in average loans of \$117.4 million, or 18.3%, and an increase in securities (other than mortgage-backed securities) of \$188.1 million, partially offset by a decrease in average mortgage-backed securities of \$25.1 million, or 2.8%, and a decrease in average interest-earning deposits of \$23.4 million, or 25.6%. The effect of the increase in average interest-earning assets was partially offset by a decrease in the yield earned to 4.47% for the three months ended June 30, 2010, from 4.90% for the three months ended June 30, 2009. The rates earned on all asset categories, other than loans, decreased due to the general decline in market interest rates for these asset types. The rate earned on loans increased from 5.80% for the three months ended June 30, 2009, to 6.41% for the three months ended June 30, 2010. The yield earned on loans was positively affected by interest income recorded on non-accrual loans on a cash basis. The loan portfolio has a weighted average coupon rate of approximately 6.16% at June 30, 2010.

**Interest expense.** Interest expense decreased \$1.1 million, or 14.8%, to \$6.1 million for the three months ended June 30, 2010, from \$7.2 million for the three months ended June 30, 2009. The decrease was attributable to a decrease in interest expense on deposits of \$1.2 million, or 26.3%, partially offset by an increase in interest expense on borrowings of \$143,000, or 5.5%. The decrease in interest expense on deposits was attributable to a decrease in the cost of deposits of 74 basis points, or 40.7%, to 1.08% for the quarter ended June 30, 2010, from 1.82% for the quarter ended June 30, 2009, reflecting lower market interest rates for short-term deposits. The decrease in the cost of deposits was partially offset by an increase of \$237.6 million, or 23.5%, in average interest-bearing deposits outstanding between the two quarters. The increase in interest expense on borrowings was primarily attributable to an increase of \$28.3 million, or 9.7%, in average borrowings outstanding for the three months ended June 30, 2010, compared to the three months ended June 30, 2009, partially offset by a decrease in the cost of borrowings of 13 basis points, to 3.42%, from 3.55% for the three months ended June 30, 2009, reflecting lower market interest rates for borrowed funds.

**Net Interest Income.** Net interest income increased \$2.1 million, or 15.0%, due primarily to average interest earning assets increasing \$255.4 million, or 14.8%, with net interest margin remaining flat at 3.23% for the three months ended June 30, 2010 compared to the three months ended June 30, 2009. The average yield earned on interest earning assets decreased 43 basis points, or 8.8%, to 4.47% for the three months ended June 30, 2010, compared to 4.90% for the three months ended June 30, 2009. This change was offset by a 64 basis point decrease in the average rate paid on interest-bearing liabilities over the comparable periods. The average yield earned on interest earning assets and net interest margin were positively affected by interest income recorded on non-accrual loans on a cash basis. The loan portfolio has a weighted average coupon rate of approximately 6.16% at June 30, 2010. The general decline in yields was due to the overall low interest rate environment. The increase in average interest earning assets was due primarily to an increase in average loans outstanding, of \$117.4 million, and other securities of \$188.1 million, partially offset by decreases in mortgage-backed securities and interest-earning assets in other financial institutions. Other securities consist primarily of investment-grade corporate bonds, and government-sponsored enterprise bonds.

**Provision for Loan Losses.** The provision for loan losses was \$2.8 million for the three months ended June 30, 2010; a decrease of \$301,000, or 9.7%, from the \$3.1 million provision recorded in the three months ended June 30, 2009. The decrease in the provision for loan losses in the current quarter was due primarily to the change in the composition of our loan portfolio, partially offset by increases in general loss factors. These increases in the general loss factors utilized in management's estimate of credit losses inherent in the loan portfolio were a result of declines in collateral values supporting our loans and further deterioration of our local economy. During the three months ended June 30, 2010, we continued our emphasis on originating multifamily real estate loans which resulted in less growth in commercial real estate loans as compared to the three months ended June 30, 2009. We believe that our commercial real estate loans generally have greater credit risk than our multifamily real estate loans. Net charge-offs for the three months ended June 30, 2010, were \$822,000, as compared to \$853,000 for the three months ended June 30, 2009. We charged off \$469,000 of commercial real estate loans and \$333,000 of construction and land loans during the quarter

ended June 30, 2010.

**Non-interest Income.** Non-interest income increased \$342,000, or 22.4%, to \$1.9 million for the three months ended June 30, 2010, compared to \$1.5 million for the three months ended June 30, 2009, primarily as a result of an increase of \$236,000 in gain on securities transactions, net. We recognized \$530,000 in gains on securities transactions during the three months ended June 30, 2010, compared to \$294,000 in gains on securities transactions during the three months ended June 30, 2009. Securities gains in the second quarter of 2010 included gross realized gains of \$785,000 on the sale of available-for-sale securities, partially offset by securities losses of \$255,000 related to our trading portfolio. We recognized \$294,000 of securities gains related to our trading portfolio during the three months ended June 30, 2009. The trading portfolio is utilized to fund our deferred

**Table of Contents**

compensation obligation to certain employees and directors of the Company. The participants in this plan, at their election, defer a portion of their compensation. Gains and losses on trading securities have no effect on net income since participants benefit from, and bear the full risk of, changes in the market values of trading securities. Therefore, we record an equal and offsetting amount in non-interest expense, reflecting the change in our obligations under the plan. We do not expect to continue to recognize the level of gains on the sale of available for sale securities that we recognized this quarter. We also recognized approximately \$197,000 of income on the sale of fixed assets during the three months ended June 30, 2010.

**Non-interest Expense.** Non-interest expense decreased \$604,000, or 6.7%, to \$8.5 million for the three months ended June 30, 2010, from \$9.1 million for the three months ended June 30, 2009. This decrease was primarily attributable to a decrease of \$608,000 in Federal Deposit Insurance Corporation insurance expense. Federal Deposit Insurance Corporation insurance expense for the three months ended June 30, 2009 included \$770,000 for a Federal Deposit Insurance Corporation special assessment.

**Income Tax Expense.** We recorded income tax expense of \$2.3 million and \$1.1 million for the three months ended June 30, 2010 and 2009, respectively. The effective tax rate for the three months ended June 30, 2010, was 35.9%, as compared to 33.7% for the three months ended June 30, 2009. The increase in the effective tax rate was the result of a higher level of taxable income in 2010 as compared to 2009.

**Comparison of Operating Results for the Six Months Ended June 30, 2010 and 2009**

**Net Income.** Net income increased \$2.7 million, or 55.8%, for the six months ended June 30, 2010, as compared to the six months ended June 30, 2009, due primarily to an increase of \$3.9 million in net interest income, and an increase of \$1.1 million in non-interest income, partially offset by an increase of \$735,000 in non-interest expense and an increase of \$1.5 million in income tax expense over the same time period.

**Interest income.** Interest income increased \$1.5 million, or 3.7%, to \$43.0 million for the six months ended June 30, 2010, from \$41.5 million for the six months ended June 30, 2009. The increase in interest income was primarily the result of an increase in average interest-earning assets of \$256.9 million, or 15.1%. The increase in average interest-earning assets was primarily attributable to an increase in average loans of \$125.2 million, or 20.2%, and an increase in securities (other than mortgage-backed securities) of \$191.3 million, partially offset by a decrease in average mortgage-backed securities of \$29.9 million, or 3.2%, and a decrease in average interest-earning deposits of \$28.0 million, or 29.5%. The effect of the increase in average interest-earning assets was partially offset by a decrease in the yield earned to 4.43% for the six months ended June 30, 2010, from 4.92% for the six months ended June 30, 2009. The rates earned on all asset categories, other than loans and Federal Home Loan Bank of New York stock, decreased due to the general decline in market interest rates for these asset types. The rate earned on loans increased from 5.79% for the six months ended June 30, 2009, to 6.05% for the six months ended June 30, 2010, and the yield earned on FHLB of NY stock increased to 5.08% from 4.72% over the comparable period.

**Interest expense.** Interest expense decreased \$2.3 million, or 15.6%, to \$12.6 million for the six months ended June 30, 2010, from \$14.9 million for the six months ended June 30, 2009. The decrease was attributable to a decrease in interest expense on deposits of \$2.2 million, or 23.2%, coupled with a decrease in interest expense on borrowings of \$115,000, or 2.2%. The decrease in interest expense on deposits was attributable to a decrease in the cost of deposits of 75 basis points, or 38.7%, to 1.19% for the six months ended June 30, 2010, from 1.94% for the six months ended June 30, 2009, reflecting lower market interest rates for short-term deposits. The decrease in the cost of deposits was partially offset by an increase of \$245.5 million, or 24.7%, in average interest-bearing deposits outstanding over the comparable period. The decrease in interest expense on borrowings was primarily attributable to a decrease of 28 basis points, or 7.7%, in the cost of borrowings, partially offset by an increase of \$17.9 million, or 6.0%, in average borrowings outstanding for the six months ended June 30, 2010, compared to the six months ended June 30, 2009, reflecting lower market interest rates for borrowed funds.

**Net Interest Income.** Net interest income increased \$3.9 million, or 14.5%, for the six months ended June 30, 2010, due primarily to interest earning assets increasing \$256.9 million, or 15.1%, partially offset by a decrease in the net interest margin of one basis point, or 0.3%, over the prior year comparable period. The net interest margin decreased for the six months ended June 30, 2010, as the average yield earned on interest earning assets decreased, and average interest-earning assets to average interest-bearing liabilities decreased, which was only partially offset by

a decrease in the average rate paid on interest-bearing liabilities. The general decline in yields reflected the overall low interest rate environment. The increase in average interest earning assets was due primarily to increases in average loans outstanding of \$125.2 million and other securities of \$191.3 million, which were partially offset by

**Table of Contents**

decreases in mortgage-backed securities, and interest-earning assets in other financial institutions. Other securities consist primarily of investment-grade corporate bonds and government-sponsored enterprise bonds.

**Provision for Loan Losses.** The provision for loan losses remained flat at \$4.7 million for the six months ended June 30, 2010 and 2009. The primary reason for the provision for loan losses remaining flat was due to increases in the general loss factors utilized in management's estimate of credit losses inherent in the loan portfolio, which resulted from declines in collateral values supporting our loans and further deterioration of our local economy, being offset by the effect of lower levels of growth in non-performing loans and a decline in loan growth for the six months ended June 30, 2010, compared to the six months ended June 30, 2009. Furthermore, during the six months ended June 30, 2010, we continued our emphasis on originating multifamily real estate loans which resulted in less growth in commercial real estate loans as compared to the six months ended June 30, 2009. We believe that our commercial real estate loans generally have greater credit risk than our multifamily real estate loans. Net charge-offs for the six months ended June 30, 2010, were \$1.0 million, as compared to \$1.4 million for the six months ended June 30, 2009. We charged off \$469,000 of commercial real estate loans and \$443,000 of construction and land loans during the six months ended June 30, 2010.

**Non-interest Income.** Non-interest income increased \$1.1 million, or 44.0%, primarily as a result of a \$1.0 million increase in gain on securities transactions, net for the six months ended June 30, 2010, compared to the six months ended June 30, 2009. We recognized \$1.1 million in gains on securities transactions during the six months ended June 30, 2010, as compared to \$140,000 in gains on securities transactions during the six months ended June 30, 2009. Securities gains during the six months ended June 30, 2010, included gross realized gains of \$1.0 million on the sale of available-for-sale securities, coupled with securities gains of \$90,000 related to our trading portfolio. During the six months ended June 30, 2009, securities gains included gross realized gains of \$7,000 on the sale of available-for-sale securities, coupled with securities gains of \$133,000 related to our trading portfolio. We also recognized approximately \$197,000 of income on the sale of fixed assets during the six months ended June 30, 2010.

**Non-interest Expense.** Non-interest expense increased \$735,000, or 4.4%, to \$17.6 million for the six months ended June 30, 2010, from \$16.8 million for the six months ended June 30, 2009. The increase in non-interest expense during the six months ended June 30, 2010, was primarily attributable to a \$910,000 increase in compensation and employee benefits expense, which resulted primarily from increases in full time equivalent employees primarily related to our insurance premium finance division that was formed in October 2009, higher health care costs, and to a lesser extent, salary adjustments effective January 1, 2010. In addition, other non-interest expense increased \$589,000, or 28.2%. This increase was primarily attributable to an insurance premium finance division license agreement. These increases in non-interest expense were partially offset by a decrease of \$592,000 in Federal Deposit Insurance Corporation insurance expense over the same time period. Federal Deposit Insurance Corporation insurance expense for the six months ended June 30, 2009, included \$770,000 for the Federal Deposit Insurance Corporation's special assessment.

**Income Tax Expense.** We recorded income tax expense of \$4.2 million and \$2.6 million for the six months ended June 30, 2010 and 2009, respectively. The effective tax rate for the six months ended June 30, 2010, was 35.6%, as compared to 35.3% for the six months ended June 30, 2009. The increase in the effective tax rate was the result of a higher percentage of pre-tax income being subject to taxation in 2010 as compared to 2009.

**Table of Contents**

NORTHFIELD BANCORP, INC.  
ANALYSIS OF NET INTEREST INCOME  
(Dollars in thousands)

	For the Three Months Ended June 30,					
	2010			2009		
	Average Outstanding Balance	Interest	Average Yield/ Rate (1)	Average Outstanding Balance	Interest	Average Yield/ Rate (1)
<b>Interest-earning assets:</b>						
Loans (5)	\$ 757,240	\$ 12,098	6.41%	\$ 639,852	\$ 9,253	5.80%
Mortgage-backed securities	888,469	8,432	3.81	913,595	10,924	4.80
Other securities	255,392	1,379	2.17	67,328	522	3.11
Federal Home Loan Bank of New York stock	6,475	63	3.90	8,046	107	5.33
Interest-earning deposits in financial institutions	68,078	60	0.35	91,442	207	0.91
Total interest-earning assets	1,975,654	22,032	4.47	1,720,263	21,013	4.90
Non-interest-earning assets	112,605			94,215		
Total assets	2,088,259			1,814,478		
<b>Interest-bearing liabilities:</b>						
Savings, NOW, and money market accounts	670,371	1,265	0.76	552,512	1,468	1.07
Certificates of deposit	580,565	2,117	1.46	460,785	3,118	2.71
Total interest-bearing deposits	1,250,936	3,382	1.08	1,013,297	4,586	1.82
Borrowed funds	320,783	2,733	3.42	292,464	2,590	3.55
Total interest-bearing liabilities	1,571,719	6,115	1.56	1,305,761	7,176	2.20
Non-interest bearing deposit accounts	113,011			99,388		
Accrued expenses and other liabilities	6,457			18,300		
Total liabilities	1,691,187			1,423,449		
Stockholders equity	397,072			391,029		

Total liabilities and stockholders equity	2,088,259	1,814,478	
Net interest income	\$ 15,917	\$ 13,837	
Net interest rate spread (2)		2.91	2.70
Net interest-earning assets (3)	\$ 403,935	\$ 414,502	
Net interest margin (4)		3.23	3.23
Average interest-earning assets to interest-bearing liabilities		125.70%	131.74%
(1) Average yields and rates for the three months ended June 30, 2010 and 2009, are annualized.			
(2) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.			
(3) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.			
(4) Net interest margin represents net interest income divided by			

average total  
interest-earning  
assets.

- (5) Loans include  
non-accrual  
loans.



**Table of Contents**

**NORTHFIELD BANCORP, INC.**  
**ANALYSIS OF NET INTEREST INCOME**  
(Dollars in thousands)

	For the Six Months Ended June 30,					
	2010			2009		
	Average Outstanding Balance	Interest	Average Yield/ Rate (1)	Average Outstanding Balance	Interest	Average Yield/ Rate (1)
<b>Interest-earning assets:</b>						
Loans (5)	\$ 745,891	\$ 22,391	6.05%	\$ 620,655	\$ 17,824	5.79%
Mortgage-backed securities	898,788	17,613	3.95	928,689	22,038	4.79
Other securities	241,014	2,763	2.31	49,733	804	3.26
Federal Home Loan Bank of New York stock	6,272	158	5.08	7,982	187	4.72
Interest-earning deposits in financial institutions	66,826	114	0.34	94,817	642	1.37
Total interest-earning assets	1,958,791	43,039	4.43	1,701,876	41,495	4.92
Non-interest-earning assets	111,381			90,538		
Total assets	2,070,172			1,792,414		
<b>Interest-bearing liabilities:</b>						
Savings, NOW, and money market accounts	654,026	2,685	0.83	538,278	3,104	1.16
Certificates of deposit	584,598	4,649	1.60	454,806	6,439	2.86
Total interest-bearing deposits	1,238,624	7,334	1.19	993,084	9,543	1.94
Borrowed funds	316,315	5,239	3.34	298,455	5,354	3.62
Total interest-bearing liabilities	1,554,939	12,573	1.63	1,291,539	14,897	2.33
Non-interest bearing deposit accounts	111,335			96,801		
Accrued expenses and other liabilities	8,278			15,076		
Total liabilities	1,674,552			1,403,416		
Stockholders equity	395,620			388,998		

Total liabilities and stockholders equity	2,070,172	1,792,414	
Net interest income	\$ 30,466	\$ 26,598	
Net interest rate spread (2)		2.80	2.59
Net interest-earning assets (3)	\$ 403,852	\$ 410,337	
Net interest margin (4)		3.14	3.15
Average interest-earning assets to interest-bearing liabilities		125.97%	131.77%
(1) Average yields and rates for the six months ended June 30, 2010 and 2009, are annualized.			
(2) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.			
(3) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.			
(4) Net interest margin represents net interest income divided by			

average total  
interest-earning  
assets.

- (5) Loans include  
non-accrual  
loans.

**Table of Contents****Loan Quality**

The following table details, for the dates indicated, non-accrual loans, troubled debt restructurings (accruing and non-accruing), loans 90 days or more past due and still accruing, non-performing loans, non-performing assets, accruing loans delinquent 30 to 89 days, the ratio of nonperforming loans as a percentage of total loans, and the ratio of non-performing assets to total assets.

	<b>June 30, 2010</b>	<b>March 31, 2010</b>	<b>December 31, 2009</b>	<b>September 30, 2009</b>	<b>June 30, 2009</b>
Non-accruing loans	\$ 34,007	31,248	30,914	19,232	16,016
Non-accruing loans subject to restructuring agreements	17,417	13,090	10,717	11,003	11,494
Total non-accruing loans	51,424	44,338	41,631	30,235	27,510
Loans 90 days or more past due and still accruing	77	5,710	191	5,487	3,483
Total non-performing loans	51,501	50,048	41,822	35,722	30,993
Other real estate owned	1,362	1,533	1,938	933	993
Total non-performing assets	\$ 52,863	51,581	43,760	36,655	31,986
Loans subject to restructuring agreements and still accruing	\$ 10,708	8,817	7,250	7,258	6,838
Accruing loans 30 to 89 days delinquent	\$ 30,619	38,371	28,283	35,466	33,290
Non-performing loans to total loans held for investment, net	6.66%	6.79%	5.73%	5.36%	4.71%
Non-performing assets to total assets	2.39%	2.46%	2.19%	1.84%	1.70%

Total non-accruing loans increased \$7.1 million to \$51.4 million at June 30, 2010, from \$44.3 million at March 31, 2010. This increase was attributable to the following loans being placed on non-accrual status during the quarter ended June 30, 2010: \$7.9 million of commercial real estate loans, \$550,000 of construction and land loans, \$381,000 of commercial and industrial loans, \$202,000 of one- to four-family residential loans, and \$119,000 of home equity loans. The above increases in non-accruing loans during the quarter ended June 30, 2010, are net of charge-offs of \$348,000, and have \$181,000 in specific allowances at June 30, 2010. These increases were partially offset by payoffs of a \$557,000 multifamily loan and a \$262,000 one- to four-family residential loan, coupled with principal paydowns of approximately \$1.2 million. At June 30, 2010, \$22.4 million, or 79.7%, of loans subject to restructuring agreements (accruing and non-accruing) were performing in accordance with their restructured terms.

Loans 90 days or more past due and still accruing interest decreased to \$77,000 from \$5.7 million at March 31, 2010. The majority of the decrease was due to loans being refinanced by us to permanent real estate mortgage loans in accordance with our current underwriting standards.

Generally, loans are placed on non-accrual status when they become 90 days or more delinquent, and remain on non-accrual status until they are brought current, have six months of performance under the loan terms, and factors indicating reasonable doubt about the timely collection of payments no longer exist. Therefore, loans may be current

in accordance with their loan terms, or may be less than 90 days delinquent, and still be on a non-accruing status.

**Table of Contents**

The following tables detail the delinquency status of non-accruing loans at June 30, 2010, and December 31, 2009 (dollars in thousands).

Real estate loans:	June 30, 2010			Total
	0 to 29	Days Past Due 30 to 89	90 or more	
Commercial	\$ 7,592	10,344	22,468	40,404
One -to- four family residential	1,362	255	501	2,118
Construction and land	4,759		873	5,632
Multifamily		516	1,426	1,942
Home equity and lines of credit			181	181
Commercial and industrial loans		281	789	1,070
Insurance premium loans			77	77
<b>Total non-accruing loans</b>	<b>\$ 13,713</b>	<b>11,396</b>	<b>26,315</b>	<b>51,424</b>

Real estate loans:	December 31, 2009			Total
	0 to 29	Days Past Due 30 to 89	90 or more	
Commercial	\$ 2,585	10,480	15,737	28,802
One -to- four family residential		392	1,674	2,066
Construction and land	5,864		979	6,843
Multifamily		530	1,589	2,119
Home equity and lines of credit	62			62
Commercial and industrial loans	1,470		269	1,739
<b>Total non-accruing loans</b>	<b>\$ 9,981</b>	<b>11,402</b>	<b>20,248</b>	<b>41,631</b>

**Table of Contents**

The following table sets forth our total amounts of delinquencies for accruing loans by type and by amount at the dates indicated (in thousands).

	Delinquent Accruing Loans		Total
	30 to 89 Days	90 Days and Over	
At June 30, 2010			
Real estate loans:			
Commercial	\$ 10,931		10,931
One -to- four family residential	4,715		4,715
Construction and land	4,244		4,244
Multifamily	8,100		8,100
Home equity and lines of credit	1,138		1,138
Commercial and industrial loans	841	77	918
Insurance premium loans	538		538
Other loans	112		112
Total	\$ 30,619	77	30,696
At December 31, 2009			
Real estate loans:			
Commercial	\$ 11,573		11,573
One -to- four family residential	4,716		4,716
Construction and land	1,976		1,976
Multifamily	7,086		7,086
Home equity and lines of credit	1,555		1,555
Commercial and industrial loans	427	191	618
Insurance premium loans	917		917
Other loans	33		33
Total	\$ 28,283	191	28,474

Non-accruing loans subject to restructuring agreements totaled \$17.4 million and \$10.7 million at June 30, 2010 and December 31, 2009, respectively. During the six months ended June 30, 2010, we entered into seven troubled debt restructuring agreements totaling \$11.9 million, of which, \$3.5 million and \$8.4 million were classified as accruing and non-accruing, respectively, at June 30, 2010. The following table sets forth the amounts and categories of the troubled debt restructurings as of June 30, 2010 and December 31, 2009 (in thousands).

	At June 30, 2010		At December 31, 2009	
	Non- Accruing	Accruing	Non- Accruing	Accruing
Troubled Debt Restructurings:				
Real Estate Loans:				
Commercial	\$ 12,295	7,381	3,960	5,499
One- to- four family residential		1,750		
Construction and land	4,105		5,726	1,751

Edgar Filing: Northfield Bancorp, Inc. - Form 10-Q

Multifamily	516	1,577	530	
Commercial and industrial	501		501	
Total	\$ 17,417	10,708	10,717	7,250

30

---



**Table of Contents**

The following table sets forth the activity in our allowance for loan losses for the periods indicated.

	At or For the Six Months Ended June 30,	
	2010	2009
	(in thousands)	
Balance at beginning of period	\$ 15,414	8,778
Charge-offs:		
Real estate loans:		
Commercial	(469)	(657)
One- to- four family residential		
Construction and land	(443)	(791)
Multifamily	(32)	
Home equity and lines of credit		
Commercial and industrial loans	(36)	
Insurance premium loans	(40)	
Other loans		
Total charge-offs	(1,020)	(1,448)
Recoveries:		
Other		
Total recoveries		
Net charge-offs	(1,020)	(1,448)
Provisions (benefits) for loan losses:		
Real estate loans:		
Commercial	3,961	2,029
One- to- four family residential	399	26
Construction and land	145	566
Multifamily	781	328
Home equity and lines of credit	53	7
Commercial and industrial loans	(942)	1,631
Insurance premium loans	63	
Other loans	11	20
Unallocated	257	136
Total provisions for loan losses	4,728	4,743
Balance at end of period	\$ 19,122	12,073

**Liquidity and Capital Resources**

**Liquidity.** The overall objective of our liquidity management is to ensure the availability of sufficient funds to meet financial commitments and to take advantage of lending and investment opportunities. We manage liquidity in order to meet deposit withdrawals on demand or at contractual maturity, to repay borrowings as they mature, and to fund new loans and investments as opportunities arise.

Our primary sources of funds are deposits, principal and interest payments on loans and securities, borrowed funds, the proceeds from maturing securities and short-term investments, and to a lesser extent the proceeds from the sales of loans and securities and wholesale borrowings. The scheduled amortizations of loans and securities, as well as proceeds from borrowed funds, are predictable sources of funds. Other funding sources, however, such as deposit inflows and loan prepayments are greatly influenced by market interest rates, economic

**Table of Contents**

conditions, and competition. Northfield Bank is a member of the Federal Home Loan Bank of New York (FHLB), which provides an additional source of short-term and long-term funding. Northfield Bank also has borrowing capabilities with the Federal Reserve on a short-term basis. The Bank's borrowed funds, excluding capitalized lease obligations, were \$354.3 million at June 30, 2010, at a weighted average interest rate of 3.14%. A total of \$83.0 million of these borrowings will mature in less than one year. Borrowed funds, excluding capitalized lease obligations, were \$277.3 million at December 31, 2009. The Company has two lines of credit with the FHLB. Each line has a limit of \$100.0 million. At June 30, 2010, the Company has \$177.0 million available for use, in addition to what is currently outstanding. Additionally, the Company has the ability to obtain additional funding from the FHLB and Federal Reserve Bank discount window utilizing unencumbered securities of approximately \$393.2 million at June 30, 2010. The Company expects to have sufficient funds available to meet current commitments in the normal course of business.

**Capital Resources.** At June 30, 2010, and December 31, 2009, Northfield Bank exceeded all regulatory capital requirements to which it is subject.

	<b>Actual Ratio</b>	<b>Minimum Required for Capital Adequacy Purposes</b>	<b>Minimum Required to Be Well Capitalized under Prompt Corrective Action Provisions</b>
As of June 30, 2010:			
Tangible capital to tangible assets	13.48%	1.50%	NA%
Tier 1 capital (core) (to adjusted assets)	13.48	4.00	5.00
Total capital (to risk-weighted assets)	27.70	8.00	10.00
As of December 31, 2009:			
Tangible capital to tangible assets	14.35%	1.50%	NA%
Tier 1 capital (core) (to adjusted assets)	14.35	4.00	5.00
Total capital (to risk-weighted assets)	28.52	8.00	10.00

**Off-Balance Sheet Arrangements and Contractual Obligations**

In the normal course of operations, the Company engages in a variety of financial transactions that, in accordance with U.S. generally accepted accounting principles, are not recorded in the financial statements. These transactions primarily relate to lending commitments.

The following table shows the contractual obligations of the Company by expected payment period as of June 30, 2010:

<b>Contractual Obligation</b>	<b>Total</b>	<b>Less than</b>	<b>One to less</b>	<b>Three to</b>	<b>Five</b>
		<b>One Year</b>	<b>than Three</b>	<b>less than</b>	<b>Years</b>
		<b>One Year</b>	<b>Years</b>	<b>Five Years</b>	<b>and greater</b>
			<b>(in thousands)</b>		
Debt obligations (excluding capitalized leases)	\$ 354,300	83,000	86,300	185,000	
Commitments to originate loans	\$ 31,122	31,122			

Commitments to fund unused lines of credit	\$ 24,593	24,593
--	-----------	--------

---

32

**Table of Contents**

Commitments to originate loans and commitments to fund unused lines of credit are agreements to lend additional funds to customers as long as there have been no violations of any of the conditions established in the agreements. Commitments generally have a fixed expiration or other termination clauses which may or may not require payment of a fee. Since some of these loan commitments are expected to expire without being drawn upon, total commitments do not necessarily represent future cash requirements.

For further information regarding our off-balance sheet arrangements and contractual obligations, see Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

**Table of Contents****ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

A majority of our assets and liabilities are monetary in nature. Consequently, our most significant form of market risk is interest rate risk. Our assets, consisting primarily of mortgage-related assets and loans, generally have longer maturities than our liabilities, which consist primarily of deposits and wholesale funding. As a result, a principal part of our business strategy involves managing interest rate risk and limiting the exposure of our net interest income to changes in market interest rates. Accordingly, our board of directors has established a management asset liability committee, comprised of our Treasurer, who chairs this Committee, our Chief Executive Officer, our Chief Financial Officer, our Chief Lending Officer, and our Executive Vice President of Operations. This committee is responsible for, among other things, evaluating the interest rate risk inherent in our assets and liabilities, for recommending to the asset liability management committee of our board of directors the level of risk that is appropriate given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the guidelines approved by the board of directors.

We seek to manage our interest rate risk in order to minimize the exposure of our earnings and capital to changes in interest rates. As part of our ongoing asset-liability management, we currently use the following strategies to manage our interest rate risk:

originating commercial real estate loans and multifamily loans that generally tend to have shorter maturities and higher interest rates that generally reset at five years;

investing in shorter term investment grade corporate securities and mortgage-backed securities; and

obtaining general financing through lower-cost deposits and longer-term Federal Home Loan Bank advances and repurchase agreements.

Shortening the average term of our interest-earning assets by increasing our investments in shorter-term assets, as well as loans with variable interest rates, helps to better match the maturities and interest rates of our assets and liabilities, thereby reducing the exposure of our net interest income to changes in market interest rates.

***Net Portfolio Value Analysis.*** We compute amounts by which the net present value of our assets and liabilities (net portfolio value or NPV) would change in the event market interest rates changed over an assumed range of rates. Our simulation model uses a discounted cash flow analysis to measure the interest rate sensitivity of NPV. Depending on current market interest rates we estimate the economic value of these assets and liabilities under the assumption that interest rates experience an instantaneous and sustained increase of 100, 200, or 300 basis points, or a decrease of 100 and 200 basis points, which is based on the current interest rate environment. A basis point equals one-hundredth of one percent, and 100 basis points equals one percent. An increase in interest rates from 3% to 4% would mean, for example, a 100 basis point increase in the *Change in Interest Rates* column below.

***Net Interest Income Analysis.*** In addition to NPV calculations, we analyze our sensitivity to changes in interest rates through our net interest income model. Net interest income is the difference between the interest income we earn on our interest-earning assets, such as loans and securities, and the interest we pay on our interest-bearing liabilities, such as deposits and borrowings. In our model, we estimate what our net interest income would be for a twelve-month period. Depending on current market interest rates we then calculate what the net interest income would be for the same period under the assumption that interest rates experience an instantaneous and sustained increase or decrease of 100, 200, or 300 basis points, or a decrease of 100 and 200 basis points, which is based on the current interest rate environment.

**Table of Contents**

The table below sets forth, as of June 30, 2010, our calculation of the estimated changes in our NPV, NPV ratio, and percent change in net interest income that would result from the designated instantaneous and sustained changes in interest rates. Computations of prospective effects of hypothetical interest rate changes are based on numerous assumptions, including relative levels of market interest rates, loan prepayments and deposit decay, and should not be relied on as indicative of actual results (dollars in thousands).

Change in Interest Rates (basis points)	NPV			Estimated Change In NPV	Estimated NPV/Present Value of Assets Ratio	Net Interest Income Percent Change
	Estimated Present Value of Assets	Estimated Present Value of Liabilities	Estimated NPV			
+300	\$2,096,697	\$1,696,778	\$399,919	\$(33,927)	19.07%	(12.04)%
+200	2,147,119	1,723,721	423,398	(10,448)	19.72	(7.01)
+100	2,180,988	1,751,613	429,375	(4,471)	19.69	(2.42)
0	2,214,345	1,780,499	433,846		19.59	
-100	2,253,126	1,810,575	442,551	8,705	19.64	(0.66)
-200	2,282,172	1,832,076	450,096	16,250	19.72	(3.34)

The table above indicates that at June 30, 2010, in the event of a 300 basis point increase in interest rates, we would experience a 52 basis point decrease in NPV ratio (19.07% less 19.59%), and a 12.04% decrease in net interest income. In the event of a 200 basis point decrease in interest rates, we would experience a 13 basis point increase in NPV ratio (19.72% less 19.59%) and a 3.34% decrease in net interest income. Our internal policies provide that, in the event of a 300 basis point increase in interest rates, our NPV as a percentage of total market assets should decrease by no more than 400 basis points and in the event of a 200 basis point increase/decrease, our projected net interest income should decrease by no more than 20%. Additionally, our internal policy states that our NPV is targeted to be at least 8.5% of estimated present value of assets. As of June 30, 2010, we were in compliance with our Board approved policy limits.

Certain shortcomings are inherent in the methodologies used in determining interest rate risk through changes in NPV and net interest income. Modeling requires making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the NPV and net interest income information presented assume that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and assume that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although interest rate risk calculations provide an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on our net interest income and will differ from actual results.

**Table of Contents**

**ITEM 4. CONTROLS AND PROCEDURES**

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of June 30, 2010. Based on that evaluation, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective.

During the quarter ended June 30, 2010, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**ITEM 4T. CONTROLS AND PROCEDURES**

Not applicable.



**Table of Contents****PART II****ITEM 1. LEGAL PROCEEDINGS**

The Company and subsidiaries are subject to various legal actions arising in the normal course of business. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on the Company's financial condition or results of operations.

**ITEM 1A. RISK FACTORS**

In addition to the other information contained within this Quarterly Report on Form 10-Q, the following risk factors represent material updates and additions to the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2009, as filed with the Securities and Exchange Commission. Additional risks not presently known to us, or that we currently deem immaterial, may also adversely affect our business, financial condition or results of operations. Further, to the extent that any of the information contained in this Quarterly Report on Form 10-Q constitutes forward-looking statements, the risk factor set forth below also is a cautionary statement identifying important factors that could cause our actual results to differ materially from those expressed in any forward-looking statements made by or on behalf of us.

**Government responses to economic conditions may adversely affect our operations, financial condition, and earnings.**

Newly enacted financial reform legislation will change the bank regulatory framework, create an independent consumer protection bureau that will assume the consumer protection responsibilities of the various federal banking agencies, and establish more stringent capital standards for banks and bank holding companies. The legislation will also result in new regulations affecting the lending, funding, trading, and investment activities of banks and bank holding companies. Bank regulatory agencies also have been responding aggressively to concerns and adverse trends identified in examinations. Ongoing uncertainty and adverse developments in the financial services industry and the domestic and international credit markets, and the effect of new legislation and regulatory actions in response to these conditions, may adversely affect our operations by restricting our business activities, including our ability to originate or sell loans, modify loan terms, or foreclose on property securing loans. These measures are likely to increase our costs of doing business and may have a significant adverse effect on our lending activities, financial performance, and operating flexibility. In addition, these risks could affect the performance and value of our loan and investment securities portfolios, which also would negatively affect our financial performance.

Furthermore, the Board of Governors of the Federal Reserve System, in an attempt to help the overall economy, has, among other things, kept interest rates low through its targeted federal funds rate and the purchase of mortgage-backed securities. If the Federal Reserve increases the federal funds rate, overall interest rates will likely rise, which may negatively impact the housing markets and the U.S. economic recovery. In addition, deflationary pressures, while possibly lowering our operating costs, could have a significant negative effect on our borrowers, especially our business borrowers, and the values of underlying collateral securing loans, which could negatively affect our financial performance.

**Financial reform legislation recently enacted by Congress will, among other things, eliminate the Office of Thrift Supervision, tighten capital standards, create a new Consumer Financial Protection Bureau and result in new laws and regulations that are expected to increase our costs of operations.**

The President recently signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) which will significantly change the current bank regulatory structure and affect the lending, investment, trading, and operating activities of financial institutions and their holding companies. The Dodd-Frank Act will eliminate our current primary federal regulator, the Office of Thrift Supervision, and require Northfield Bank to be regulated by the Office of the Comptroller of the Currency (the primary federal regulator for national banks). The Dodd-Frank Act also authorizes the Board of Governors of the Federal Reserve System to supervise and regulate all savings and loan holding companies like Northfield-Delaware, in addition to bank holding companies which it currently regulates. As a result, the Federal Reserve Board's current regulations applicable to bank holding companies, including holding company capital requirements, will apply to savings and loan holding companies like Northfield-Delaware. These capital requirements are substantially similar to the capital requirements currently applicable to Northfield Bank, as described in *Supervision and Regulation* Federal Banking Regulation Capital

Requirements. The Dodd-Frank Act also requires the Federal Reserve Board to set minimum capital levels for bank holding companies that are as stringent as those required for the insured depository

**Table of Contents**

subsidiaries, and the components of Tier 1 capital would be restricted to capital instruments that are currently considered to be Tier 1 capital for insured depository institutions. Bank holding companies with assets of less than \$500 million are exempt from these capital requirements. Under the Dodd-Frank Act, the proceeds of trust preferred securities are excluded from Tier 1 capital unless such securities were issued prior to May 19, 2010 by bank or savings and loan holding companies with less than \$15 billion of assets. The legislation also establishes a floor for capital of insured depository institutions that cannot be lower than the standards in effect today, and directs the federal banking regulators to implement new leverage and capital requirements within 18 months that take into account off-balance sheet activities and other risks, including risks relating to securitized products and derivatives.

The Dodd-Frank Act also creates a new Consumer Financial Protection Bureau with broad powers to supervise and enforce consumer protection laws. The Consumer Financial Protection Bureau has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions such as Northfield Bank, including the authority to prohibit unfair, deceptive, or abusive acts and practices. The Consumer Financial Protection Bureau has examination and enforcement authority over all banks and savings institutions with more than \$10 billion in assets. Banks and savings institutions with \$10 billion or less in assets will be examined by their applicable bank regulators. The new legislation also weakens the federal preemption available for national banks and federal savings associations, and gives state attorneys general the ability to enforce applicable federal consumer protection laws.

Also effective one year after the date of enactment is a provision of the Dodd-Frank Act that eliminates the federal prohibitions on paying interest on demand deposits, thus allowing businesses to have interest bearing checking accounts. Depending on competitive responses, this significant change to existing law could have an adverse effect on our interest expense.

The legislation also broadens the base for Federal Deposit Insurance Corporation insurance assessments. Assessments will now be based on the average consolidated total assets less tangible equity capital of a financial institution. The Dodd-Frank Act also permanently increases the maximum amount of deposit insurance for banks, savings institutions and credit unions to \$250,000 per depositor, retroactive to January 1, 2009, and non-interest bearing transaction accounts have unlimited deposit insurance through December 31, 2013. Lastly, the Dodd-Frank Act will increase stockholder influence over boards of directors by requiring companies to give stockholders a non-binding vote on executive compensation and so-called golden parachute payments, and by authorizing the Securities and Exchange Commission to promulgate rules that would allow stockholders to nominate their own candidates using a company's proxy materials. The legislation also directs the Federal Reserve Board to promulgate rules prohibiting excessive compensation paid to bank holding company executives, regardless of whether the company is publicly traded or not.

It is difficult to predict at this time what effect the new legislation and implementing regulations will have on community banks, including the lending and credit practices of such banks. Moreover, many of the provisions of the Dodd-Frank Act will not take effect for at least a year, and the legislation requires various federal agencies to promulgate numerous and extensive implementing regulations over the next several years. Although the substance and scope of these regulations cannot be determined at this time, it is expected that the legislation and implementing regulations, particularly those relating to the new Consumer Financial Protection Bureau, will increase our operating and compliance costs.

**Recent health care legislation could increase our expenses or require us to pass further costs on to our employees, which could adversely affect our operations, financial condition, and earnings.**

Legislation enacted in 2010 requires companies to provide expanded health care coverage to their employees, such as affordable coverage to part-time employees and coverage to dependent adult children of employees. Companies will also be required to enroll new employees automatically into one of their health plans. Compliance with these and other new requirements of the health care legislation will increase our employee benefits expense, and may require us to pass these costs on to our employees, which could give us a competitive disadvantage in hiring and retaining qualified employees.

**We could record future losses on our securities portfolio.**

During the year ended December 31, 2009, we recognized total other-than-temporary impairment on our securities portfolio of \$1.4 million, of which \$176,000 was considered to be credit-related and, therefore, in accordance with

applicable accounting standards, recorded as a loss through a reduction of non-interest income. A number of factors or combinations of factors could require us to conclude in one or more future reporting periods

**Table of Contents**

that an unrealized loss that exists with respect to our securities portfolio constitutes additional impairment that is other than temporary, which could result in material losses to us. These factors include, but are not limited to, a continued failure by an issuer to make scheduled interest payments, an increase in the severity of the unrealized loss on a particular security, an increase in the continuous duration of the unrealized loss without an improvement in value or changes in market conditions and/or industry or issuer specific factors that would render us unable to forecast a full recovery in value. In addition, the fair values of securities could decline if the overall economy and the financial condition of some of the issuers continues to deteriorate and there remains limited liquidity for these securities.

**We may face risks with respect to future expansion.**

We intend to increase the size of our operations through *de novo* branching, and may continue to seek whole bank or branch acquisitions in the future. Growth strategies involve a number of risks, including:

the potential inability to generate deposits or originate loans in amounts that offset the costs of establishing new branch offices;

the time and costs associated with identifying and evaluating potential acquisitions and merger partners;

time and costs associated with the integration and operation of acquired institutions, and the inability to successfully integrate the operations of an acquired institution, or to achieve financial results comparable to or better than our historical experience;

the incurrence and possible impairment of goodwill associated with an acquisition and possible adverse short-term effects on results of operations; and

the risk of loss of key employees and customers.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

(a) **Unregistered Sale of Equity Securities.** There were no sales of unregistered securities during the period covered by this report.

(b) **Use of Proceeds.** Not applicable

(c) **Repurchases of Our Equity Securities.**

The following table shows the Company's repurchase of its common stock for each calendar month in the three months ended June 30, 2010.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup>	(d) Maximum Number of Shares that May Yet Be Purchased Under Plans or Programs <sup>(1) (2)</sup>
April 1, 2010, through April 30, 2010	22,900	\$ 14.44	22,900	314,909
May 1, 2010, through May 31, 2010	123,234	14.20	122,900	192,009
June 1, 2010, through June 30, 2010	35,800	14.33	35,800	156,209

Total	181,934	\$ 14.26	181,600
-------	---------	----------	---------

- (1) On February 13, 2009, the Board of Directors of the Company authorized a stock repurchase program pursuant to which the Company is authorized to repurchase up to 2,240,153 shares, representing approximately 5% of its outstanding shares. The original program had no expiration date.
- (2) On June 4, 2010, in connection with our announcement that we intend to convert to a fully public company, the Board of Directors terminated its previously announced stock repurchase program. Since inception of

**Table of Contents**

the program through June 4, 2010, we have repurchased 2,083,934 shares of common stock at an average cost of \$11.99 per share.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None

**ITEM 4. [REMOVED AND RESERVED]**

**ITEM 5. OTHER INFORMATION**

None

**ITEM 6. EXHIBITS**

The exhibits required by Item 601 of Regulation S-K are included with this Form 10-Q and are listed on the Index to Exhibits immediately following the Signatures.

**Table of Contents**

**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.

**NORTHFIELD BANCORP, INC.**

(Registrant)

Date: August 9, 2010

/s/ John W. Alexander

John W. Alexander

Chairman, President and Chief Executive Officer

/s/ Steven M. Klein

Steven M. Klein

Executive Vice President and Chief Financial  
Officer

(Principal Financial and Accounting Officer)

41

---



**Table of Contents**

INDEX TO EXHIBITS

Exhibit Number	Description
31.1	Certification of John W. Alexander, Chairman, President and Chief Executive Officer, Pursuant to Rule 13a-14(a) and Rule 15d-14(a).
31.2	Certification of Steven M. Klein, Executive Vice President and Chief Financial Officer, Pursuant to Rule 13a-14(a) and Rule 15d-14(a).
32	Certification of John W. Alexander, Chairman, President and Chief Executive Officer, and Steven M. Klein, Executive Vice President and Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.