

Northfield Bancorp, Inc.  
Form 10-Q  
August 09, 2011

**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, 2011**

**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 to 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. 42,306,478 shares of Common Stock, par value \$0.01 per share, were issued and outstanding as of July 29, 2011.

---

**NORTHFIELD BANCORP, INC.**  
Form 10-Q Quarterly Report  
Table of Contents

	Page Number
<b>PART I FINANCIAL INFORMATION</b>	
<u>Item 1. Financial Statements</u>	2
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	34
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	49
<u>Item 4. Controls and Procedures</u>	51
<b><u>PART II OTHER INFORMATION</u></b>	
<u>Item 1. Legal Proceedings</u>	52
<u>Item 1A. Risk Factors</u>	52
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	52
<u>Item 3. Defaults Upon Senior Securities</u>	53
<u>Item 4. [Removed and Reserved]</u>	53
<u>Item 5. Other Information</u>	53
<u>Item 6. Exhibits</u>	53
<u>Signatures</u>	54
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32</u>	
<u>EX-101 INSTANCE DOCUMENT</u>	
<u>EX-101 SCHEMA DOCUMENT</u>	
<u>EX-101 CALCULATION LINKBASE DOCUMENT</u>	
<u>EX-101 LABELS LINKBASE DOCUMENT</u>	
<u>EX-101 PRESENTATION LINKBASE DOCUMENT</u>	
<u>EX-101 DEFINITION LINKBASE DOCUMENT</u>	

**Table of Contents****ITEM 1. FINANCIAL STATEMENTS****NORTHFIELD BANCORP, INC.  
CONSOLIDATED BALANCE SHEETS**June 30, 2011, and December 31, 2010  
(In thousands, except per share amounts)

	<b>June 30, 2011</b>	<b>December 31, 2010</b>
	<b>(Unaudited)</b>	
<b>ASSETS:</b>		
Cash and due from banks	\$ 10,731	9,862
Interest-bearing deposits in other financial institutions	52,176	33,990
Total cash and cash equivalents	62,907	43,852
Trading securities	4,439	4,095
Securities available-for-sale, at estimated fair value (encumbered \$370,796 in 2011 and \$275,694 in 2010)	1,212,319	1,244,313
Securities held-to-maturity, at amortized cost (estimated fair value of \$4,629 in 2011 and \$5,273 in 2010) (encumbered \$0 in 2011 and 2010)	4,421	5,060
Loans held-for-sale	125	1,170
Loans held-for-investment, net	902,564	827,591
Allowance for loan losses	(23,520)	(21,819)
Net loans held-for-investment	879,044	805,772
Accrued interest receivable	7,568	7,873
Bank owned life insurance	76,292	74,805
Federal Home Loan Bank of New York stock, at cost	8,631	9,784
Premises and equipment, net	17,509	16,057
Goodwill	16,159	16,159
Other real estate owned	118	171
Other assets	18,039	18,056
<b>Total assets</b>	<b>\$2,307,571</b>	<b>2,247,167</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY:</b>		
<b>LIABILITIES:</b>		
Deposits	\$1,448,569	1,372,842
Borrowings	444,522	391,237
Advance payments by borrowers for taxes and insurance	1,869	693
Accrued expenses and other liabilities	14,440	85,678
<b>Total liabilities</b>	<b>1,909,400</b>	<b>1,850,450</b>

**STOCKHOLDERS EQUITY:**

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, 45,632,611 shares issued at June 30, 2011, and December 31, 2010, respectively, 42,370,928 and 43,316,021 outstanding at June 30, 2011, and December 31, 2010, respectively	456	456
Additional paid-in-capital	207,686	205,863
Unallocated common stock held by employee stock ownership plan	(14,896)	(15,188)
Retained earnings	230,125	222,655
Accumulated other comprehensive income	15,611	10,910
Treasury stock at cost; 3,261,683 and 2,316,590 shares at June 30, 2011, and December 31, 2010, respectively	(40,811)	(27,979)
<b>Total stockholders equity</b>	<b>398,171</b>	<b>396,717</b>
<b>Total liabilities and stockholders equity</b>	<b>\$2,307,571</b>	<b>2,247,167</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, 2011, and 2010  
(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>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Interest income:</b>				
Loans	\$12,778	12,098	\$25,252	22,391
Mortgage-backed securities	8,675	8,244	17,092	17,308
Other securities	787	1,567	1,757	3,068
Federal Home Loan Bank of New York dividends	121	63	230	158
Deposits in other financial institutions	77	60	105	114
Total interest income	22,438	22,032	44,436	43,039
<b>Interest expense:</b>				
Deposits	3,270	3,382	6,287	7,334
Borrowings	3,339	2,733	6,549	5,239
Total interest expense	6,609	6,115	12,836	12,573
Net interest income	15,829	15,917	31,600	30,466
Provision for loan losses	1,750	2,798	3,117	4,728
Net interest income after provision for loan losses	14,079	13,119	28,483	25,738
 <b>Non-interest income:</b>				
Fees and service charges for customer services	743	630	1,437	1,289
Income on bank owned life insurance	746	514	1,487	937
Gain on securities transactions, net	839	529	2,644	1,145
Other-than-temporary impairment losses on securities	(991)		(1,152)	
Portion recognized in other comprehensive income (before taxes)	743		743	
Net impairment losses on securities recognized in earnings	(248)		(409)	
Other	110	193	140	218
Total non-interest income	2,190	1,866	5,299	3,589

**Non-interest expense:**

Compensation and employee benefits	5,048	4,208	10,210	8,999
Director compensation	372	372	771	769
Occupancy	1,327	1,185	2,819	2,379
Furniture and equipment	292	259	579	531
Data processing	662	651	1,334	1,268
FDIC insurance	400	455	860	885
Professional fees	628	475	1,068	854
Other	855	852	1,896	1,893
<b>Total non-interest expense</b>	<b>9,584</b>	<b>8,457</b>	<b>19,537</b>	<b>17,578</b>
Income before income tax expense	6,685	6,528	14,245	11,749
<b>Income tax expense</b>	<b>2,338</b>	<b>2,342</b>	<b>4,928</b>	<b>4,182</b>
<b>Net income</b>	<b>\$ 4,347</b>	<b>4,186</b>	<b>\$ 9,317</b>	<b>7,567</b>
<b>Basic and diluted earnings per share</b>	<b>\$ 0.11</b>	<b>0.10</b>	<b>\$ 0.23</b>	<b>0.18</b>

See accompanying notes to the unaudited consolidated financial statements.



**Table of Contents**

**NORTHFIELD BANCORP, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY**  
Six months ended June 30, 2011, and 2010  
(Unaudited)  
(Dollars in thousands)

	Common Stock	Additional	Unallocated common stock held by the employee stock ownership plan	Retained	Accumulated other	Treasury	Total	
	Shares	Par value	paid-in capital	earnings	income	Stock	stockholders equity	
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 stock 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							

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

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
Balance at December 31, 2010	45,632,611	456	205,863	(15,188)	222,655	10,910	(27,979)	396,717
Comprehensive income:								
Net income					9,317			9,317
Change in accumulated comprehensive income, net of tax of \$3,134						4,701		4,701
Total comprehensive income								14,018
ESOP shares allocated or committed to be released			102	292				394
Stock compensation expense			1,535					1,535
Additional tax benefit on equity awards			186					186
Exercise of stock options					(1)		6	5
Dividends declared (\$0.11 per share)					(1,846)			(1,846)
Treasury stock (average cost of \$13.58 per share)							(12,838)	(12,838)
Balance at June 30, 2011	45,632,611	\$ 456	207,686	(14,896)	230,125	15,611	(40,811)	398,171

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, 2011, and 2010

(Unaudited) (In thousands)

	<b>2011</b>	<b>2010</b>
Cash flows from operating activities:		
Net income	\$ 9,317	7,567
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	3,117	4,728
ESOP and stock compensation expense	1,929	1,909
Depreciation	1,008	852
Amortization of premiums, and deferred loan costs, net of (accretion) of discounts, and deferred loan fees	295	267
Amortization of intangible assets	59	162
Income on bank owned life insurance	(1,487)	(937)
Gain on sale of premises and equipment and other real estate owned	(84)	(197)
Net gain on sale of loans held-for-sale	(15)	(2)
Proceeds from sale of loans held-for-sale	5,484	334
Origination of loans held-for-sale	(4,424)	(580)
Gain on securities transactions, net	(2,644)	(1,145)
Net impairment losses on securities recognized in earnings	409	
Net purchases of trading securities	(205)	(22)
Decrease in accrued interest receivable	305	53
Increase in other assets	(2,084)	(200)
(Decrease) increase in accrued expenses and other liabilities	(491)	296
Net cash provided by operating activities	10,489	13,085
Cash flows from investing activities:		
Net increase in loans receivable	(76,940)	(45,166)
Redemptions (purchase) of Federal Home Loan Bank of New York stock, net	1,153	(1,698)
Purchases of securities available-for-sale	(342,901)	(435,937)
Principal payments and maturities on securities available-for-sale	198,444	235,647
Principal payments and maturities on securities held-to-maturity	641	913
Proceeds from sale of securities available-for-sale	114,446	96,082
Purchase of bank owned life insurance		(10,000)
Proceeds from sale of other real estate owned	487	
Proceeds from the sale of premises and equipment		394
Purchases and improvements of premises and equipment	(2,460)	(1,960)
Net cash used in investing activities	(107,130)	(161,725)
Cash flows from financing activities:		
Net increase in deposits	75,728	63,810
Dividends paid	(1,846)	(1,581)
Exercise of stock options	5	137

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

Purchase of treasury stock	(12,838)	(5,347)
Additional tax benefit on equity awards	186	231
Increase in advance payments by borrowers for taxes and insurance	1,176	799
Repayments under capital lease obligations	(102)	(91)
Proceeds from borrowings	412,981	176,680
Repayments related to borrowings	(359,594)	(99,680)
Net cash provided by financing activities	115,696	134,958
Net increase (decrease) in cash and cash equivalents	19,055	(13,682)
Cash and cash equivalents at beginning of period	43,852	42,544
Cash and cash equivalents at end of period	\$ 62,907	28,862
Supplemental cash flow information:		
Cash paid during the period for:		
Interest	\$ 12,586	12,543
Income taxes	6,129	5,528
Other transactions:		
Loans charged-off, net	1,416	1,020
Other real estate owned charged-off	26	146
Transfers to other real estate owned	376	
Decrease in due to broker for purchases of securities available-for-sale	(70,747)	
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 period ended June 30, 2011, are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2011. 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, 2010, 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, 2011, and December 31, 2010 (in thousands):

	<b>June 30, 2011</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)	\$ 549,817	19,543	1	569,359
Non-GSE	9,787		743	9,044
Real estate mortgage investment conduits (REMICs):				
GSE	475,168	4,763	527	479,404
Non-GSE	38,491	2,311	16	40,786
	1,073,263	26,617	1,287	1,098,593
Other securities:				
Equity investments-mutual funds	9,140	50		9,190
Corporate bonds	103,422	1,178	64	104,536
	112,562	1,228	64	113,726
Total securities available-for-sale	\$ 1,185,825	27,845	1,351	1,212,319



**Table of Contents**

		<b>December 31, 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)	\$ 342,316	13,479		355,795
Non-GSE	27,801	814	737	27,878
Real estate mortgage investment conduits (REMICs):				
GSE	622,582	3,020	3,525	622,077
Non-GSE	65,766	3,674	51	69,389
	1,058,465	20,987	4,313	1,075,139
Other securities:				
Equity investments-mutual funds	12,437	31	115	12,353
GSE bonds	34,988	45		35,033
Corporate bonds	119,765	2,146	123	121,788
	167,190	2,222	238	169,174
Total securities available-for-sale	\$ 1,225,655	23,209	4,551	1,244,313

The following is a summary of the expected maturity distribution of debt securities available-for-sale, other than mortgage-backed securities, at June 30, 2011 (in thousands):

<b>Available-for-sale</b>	<b>Amortized cost</b>	<b>Estimated fair value</b>
Due in one year or less	\$ 63,716	64,357
Due after one year through five years	39,706	40,179
	\$ 103,422	104,536

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, 2011, the Company had gross proceeds of \$25.9 million and \$114.4 million on sales of securities available-for-sale with gross realized gains of approximately \$886,000 and \$2.5 million, and gross realized losses of \$0 and \$0, respectively. 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. The Company recognized \$(47,000) in losses and \$139,000 in gains on its trading securities portfolio during the three and six months ended June 30, 2011, respectively. The Company recognized \$(255,000) in losses and \$90,000 in gains on its trading securities portfolio during the three and six months ended June 30, 2010, respectively. The Company recognized other-than-temporary impairment charges of \$248,000 and \$409,000 against earnings

during the three and six months ended June 30, 2011, related to one equity investment in a mutual fund and two private label mortgage-backed securities. The Company recognized the credit component of \$248,000 in earnings and the non-credit component of \$743,000 as a component of accumulated other comprehensive income, net of tax for the three and six months ended June 30, 2011. The Company did not recognize any other-than-temporary impairment charges during the three and six months ended June 30, 2010.

Activity related to the credit component recognized in earnings on debt securities for which a portion of other-than-temporary impairment was recognized in accumulated other comprehensive income for the three and six months ended June 30, 2011 and 2010, is as follows (in thousands):

7

---



**Table of Contents**

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Balance, beginning of period	\$ 330	176	330	176
Additions to the credit component on debt securities in which other-than-temporary impairment was not previously recognized	248		248	
Cumulative pre-tax credit losses, end of period	\$ 578	176	578	176

Gross unrealized losses on mortgage-backed securities, equity investments, 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, 2011, and December 31, 2010, were as follows (in thousands):

	Less than 12 months		June 30, 2011 12 months or more		Total	
	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value
Mortgage-backed securities:						
Pass-through certificates:						
Government sponsored enterprises (GSE)	\$ 1	165			1	165
Non-GSE	289	3,354	454	5,689	743	9,043
Real estate mortgage investment conduits (REMICs)						
GSE	527	53,176			527	53,176
Non-GSE			16	1,031	16	1,031
Corporate bonds	64	13,760			64	13,760
Total	\$ 881	70,455	470	6,720	1,351	77,175

	Less than 12 months		December 31, 2010 12 months or more		Total	
	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value
Mortgage-backed securities:						
Pass-through certificates:						
Non-GSE	\$		737	10,126	737	10,126
REMICs						
GSE	3,525	344,971			3,525	344,971
Non-GSE			51	1,238	51	1,238
Corporate bonds	123	13,880			123	13,880
Equity Investments mutual funds	115	4,884			115	4,884

Total	\$ 3,763	363,735	788	11,364	4,551	375,099
-------	----------	---------	-----	--------	-------	---------

Included in the above available-for-sale security amounts at June 30, 2011, was one pass-through non-GSE mortgage-backed security in a continuous unrealized loss position of greater than twelve months that was rated less than investment grade at June 30, 2011. The security had an estimated fair value of \$5.7 million (amortized cost of \$6.1 million), was rated Caa2, and had the following underlying collateral characteristics: 83% originated in 2004, and 17% originated in 2005. The rating of the security detailed above represents the lowest rating for the 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 this security. 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 this security. As a result of management's evaluation of this security, the Company recognized during the quarter ended June 30, 2011, other than temporary impairment of \$593,000. Since management does not have the intent to sell the security and it is more likely than not that the Company will not be required to sell the security, before its anticipated recovery (which may be maturity), the credit component of \$139,000 was recognized in earnings, and the non credit component of \$454,000 was recorded as a component of accumulated other comprehensive income, net of tax.

In addition to the one pass-through non-GSE mortgage-backed security discussed above, the Company had one additional private label security that was rated less than investment grade at June 30, 2011. The security, had an estimated fair value of \$3.4 million (amortized cost of \$3.6 million), was rated CC, and was supported by collateral which was originated in 2006. The rating of the security detailed above represents the lowest rating for the 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 this security. Management has evaluated, among other things, delinquency status, location of collateral, estimated prepayment speeds, and the

**Table of Contents**

estimated default rates and loss severity in liquidating the underlying collateral for this security. As a result of management's evaluation of this security, the Company recognized during the quarter ended June 30, 2011, other than temporary impairment of \$398,000. Since management does not have the intent to sell the security and it is more likely than not that the Company will not be required to sell the security, before its anticipated recovery (which may be maturity), the credit component of \$109,000 was recognized in earnings, and the non credit component of \$289,000 was recorded as a component of accumulated other comprehensive income, net of tax.

The Company held one REMIC non-GSE mortgage-backed security that was in a continuous unrealized loss position of greater than twelve months, and three corporate bonds, two pass-through GSE mortgage-backed securities, and five REMIC mortgage-backed securities issued or guaranteed by GSEs, that were in an unrealized loss position of less than twelve months, and rated investment grade at June 30, 2011. 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 before the recovery of their amortized cost basis or, if necessary, maturity.

The fair values of our investment securities could decline in the future if the underlying performance of the collateral for the collateralized mortgage obligations or other 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, 2011</b>	<b>December 31, 2010</b>
Real estate loans:		
Commercial mortgage	\$335,485	339,321
One- to- four family residential mortgage	74,825	78,032
Construction and land	28,078	35,054
Multifamily	358,130	283,588
Home equity and lines of credit	30,195	28,125
 Total real estate loans	 826,713	 764,120
Commercial and industrial loans	13,974	17,020
Insurance premium loans	59,037	44,517
Other loans	1,700	1,062
 Total commercial and industrial, insurance premium, and other loans	 74,711	 62,599
 Total loans held-for-investment	 901,424	 826,719
Deferred loan cost, net	1,140	872
 Loans held-for-investment, net	 902,564	 827,591
Allowance for loan losses	(23,520)	(21,819)
 Net loans held-for-investment	 \$879,044	 805,772

Loans held-for-sale amounted to \$125,000 and \$1.2 million at June 30, 2011, and December 31, 2010, respectively. All loans held for sale are one- to four-family residential mortgage loans.

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.

The Company, through its principal subsidiary, the Bank, serviced \$46.9 million and \$52.1 million of loans at June 30, 2011, and December 31, 2010, respectively, for Freddie Mac. These one- to four-family residential mortgage real estate loans were underwritten to Freddie Mac guidelines and to comply with applicable federal, state, and local laws. At the time of the closing of these loans the Company owned the loans and subsequently sold them to Freddie Mac providing normal and customary representations and warranties, including representations and warranties related to compliance with Freddie Mac underwriting standards. At the time of sale, the loans were free from encumbrances except for the mortgages filed for by the Company which, with other underwriting documents, were subsequently assigned and delivered to Freddie Mac. At June 30, 2011, substantially all of the loans serviced for Freddie Mac were performing in accordance with their contractual terms and management believes that it has no material repurchase obligations associated with these loans. Servicing of loans for others does not have a material effect on our financial position or results of operations.

We provide for loan losses based on the consistent application of our documented allowance for loan loss methodology. Loan losses are charged to the allowance for loans losses and recoveries are credited to it. Additions to the allowance for loan losses are provided by charges against income based on various factors which, in our judgment, deserve current recognition in estimating probable losses. Loan losses are charged-off in the period the loans, or

portion thereof, are deemed uncollectible. Generally, the Company will record a loan charge-off (including a partial charge-off) to reduce a loan to the estimated fair value of the underlying collateral, less cost to sell, for collateral dependent loans. We regularly review the loan portfolio and make adjustments for loan losses in order to maintain the allowance for loan losses in accordance with U.S. generally accepted accounting principles ( GAAP ). The allowance for loan losses consists primarily of the following two components:

- (1) Allowances are established for impaired loans (generally defined by the Company as non-accrual loans with an outstanding balance of \$500,000 or greater). The amount of impairment provided for as an allowance is represented by the deficiency, if any, between the present value of expected future cash flows discounted at the original loan s effective interest rate or the underlying collateral value (less estimated costs to sell,) if the loan is collateral dependent, and the carrying value of the loan. Impaired

**Table of Contents**

loans that have no impairment losses are not considered for general valuation allowances described below.

- (2) General allowances are established for loan losses on a portfolio basis for loans that do not meet the definition of impaired. The portfolio is grouped into similar risk characteristics, primarily loan type, loan-to-value, if collateral dependent, and internal credit risk ratings. We apply an estimated loss rate to each loan group. The loss rates applied are based on our cumulative prior two year loss experience adjusted, as appropriate, for the environmental factors discussed below. This evaluation is inherently subjective, as it requires material estimates that may be susceptible to significant revisions based upon changes in economic and real estate market conditions. Actual loan losses may be significantly more than the allowance for loan losses we have established, which could have a material negative effect on our financial results. Within general allowances is an unallocated reserve established to recognize losses related to the inherent subjective nature of the appraisal process and the internal credit risk rating process.

In underwriting a loan secured by real property, we require an appraisal of the property by an independent licensed appraiser approved by the Company's board of directors or an automated valuation model. The appraisal is subject to review by an independent third party hired by the Company. We review and inspect properties before disbursement of funds during the term of a construction loan. Generally, management obtains updated appraisals when a loan is deemed impaired. These appraisals may be more limited than those prepared for the underwriting of a new loan. In addition, when the Company acquires other real estate owned, it generally obtains a current appraisal to substantiate the net carrying value of the asset.

The adjustments to our loss experience are based on our evaluation of several environmental factors, including:  
changes in local, regional, national, and international economic and business conditions and developments that affect the collectibility of our portfolio, including the condition of various market segments;

changes in the nature and volume of our portfolio and in the terms of our loans;

changes in the experience, ability, and depth of lending management and other relevant staff;

changes in the volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified or graded loans;

changes in the quality of our loan review system;

changes in the value of underlying collateral for collateral-dependent loans;

the existence and effect of any concentrations of credit, and changes in the level of such concentrations; and

the effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in our existing portfolio.

In evaluating the estimated loss factors to be utilized for each loan group, management also reviews actual loss history over an extended period of time as reported by the federal regulators for institutions both in our market area and nationally for periods that are believed to have experienced similar economic conditions.

We evaluate the allowance for loan losses based on the combined total of the impaired and general components. Generally when the loan portfolio increases, absent other factors, our allowance for loan loss methodology results in a higher dollar amount of estimated probable losses. Conversely, when the loan portfolio decreases, absent other factors, our allowance for loan loss methodology results in a lower dollar amount of estimated probable losses.

**Table of Contents**

Each quarter we evaluate the allowance for loan losses and adjust the allowance as appropriate through a provision for loan losses. While we use the best information available to make evaluations, future adjustments to the allowance may be necessary if conditions differ substantially from the information used in making the evaluations. In addition, as an integral part of their examination process, the Office of the Comptroller of the Currency, as it relates to the Bank, and the Board of Governors of the Federal Reserve System, as it relates to Northfield Bancorp, Inc, are subject to periodic examination, including review of our allowance for loan losses. Our regulators may require us to adjust the allowance based on their analysis of information available to them at the time of their examination. Our last examination, as of September 30, 2010, of Northfield Bancorp, Inc. and the Bank, were conducted by the Office of Thrift Supervision, our predecessor regulator.

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

	<b>At or for the six months ended June 30,</b>	
	<b>2011</b>	<b>2010</b>
Beginning balance	\$21,819	15,414
Provision for loan losses	3,117	4,728
Charge-offs, net	(1,416)	(1,020)
Ending balance	\$23,520	19,122

**Table of Contents**

The following tables set forth activity in our allowance for loan losses, by loan type, for the six months ended June 30, 2011, and the year ended December 31, 2010, respectively. The following tables also detail the amount of loans held-for-investment, net of deferred loan fees and costs, that are evaluated individually, and collectively, for impairment, and the related portion of allowance for loan losses that is allocated to each loan portfolio segment, as of June 30, 2011 and December 31, 2010.

	June 30, 2011									
	Real Estate				Home Equity and Lines of Credit			Commercial Insurance and Other		Unallocated
	Commercial	One-to-Four Family	Construction Land	Multifamily	Credit	Industrial	Premium			
<b>Allowance for loan losses:</b>										
Beginning Balance, December 31, 2010	\$ 12,654	570	1,855	5,137	242	719	111	28	503	21,819
Charge-offs	(1,198)			(25)		(196)	(26)			(1,445)
Recoveries	6					23				29
Provisions	1,884	161	(734)	702	110	169	63	16	746	3,117
Ending Balance, June 30, 2011	13,346	731	1,121	5,814	352	715	148	44	1,249	23,520
Ending balance, June 30, 2011: individually evaluated for impairment	2,325	369	128	122						2,944
Ending balance, June 30, 2011: collectively evaluated for impairment	11,021	362	993	5,692	352	715	148	44	1,249	20,576
<b>Loans held-for-investment, net:</b>										
Ending Balance, June 30, 2011	335,520	74,915	28,097	358,887	30,431	13,977	59,037	1,700		902,564
Ending Balance, June 30, 2011	52,097	3,618	3,079	3,214		1,455				63,463



individually evaluated  
for impairment

Ending Balance,  
June 30, 2011

collectively evaluated  
for impairment

\$ 283,423	71,297	25,018	355,673	30,431	12,522	59,037	1,700	839,101
------------	--------	--------	---------	--------	--------	--------	-------	---------

**Table of Contents**

	December 31, 2010									
	Real Estate				Home Equity and Lines of Commercial Insurance and			Other		Unallocated
	Commercial	One -to- Four Family	Construction and Land	Multifamily	Credit	Industrial	Premium			
<b>Allowance for loan losses:</b>										
Beginning Balance, December 31, 2009	\$ 8,403	163	2,409	1,866	210	1,877	101	34	351	15,414
Charge-offs	(987)		(443)	(2,132)		(36)	(101)			(3,699)
Recoveries							20			20
Provisions	5,238	407	(111)	5,403	32	(1,122)	91	(6)	152	10,084
Ending Balance, December 31, 2010	12,654	570	1,855	5,137	242	719	111	28	503	21,819
Ending balance, December 31, 2010: individually evaluated for impairment	2,129	369	36	121						2,655
Ending balance, December 31, 2010: collectively evaluated for impairment	10,525	201	1,819	5,016	242	719	111	28	503	19,164
<b>Loans held-for-investment, net:</b>										
Ending balance, December 31, 2010	339,259	78,109	35,077	284,199	28,337	17,032	44,517	1,061		827,591
Ending balance, December 31, 2010: individually evaluated for impairment	51,324	1,750	4,562	5,083		500				63,219
Ending balance, December 31, 2010: collectively evaluated for impairment	\$ 287,935	76,359	30,515	279,116	28,337	16,532	44,517	1,061		764,372

The Company routinely monitors the credit quality of its loans. Credit quality is monitored by reviewing certain key credit quality indicators. Management has determined that loan-to-value ratios (at period end) and internally assigned credit risk ratings by loan type are the key credit quality indicators that best help management monitor the credit quality of the Company's loans. Loan-to-value (LTV) ratios used by management in monitoring credit quality are based on current period loan balances and original values at time of origination (unless a current appraisal has been obtained as a result of the loan being deemed impaired). In calculating the provision for loan losses, management has determined that commercial real estate loans and multifamily loans having loan-to-value ratios of less than 35%, and one- to four-family loans having loan-to-value ratios of less than 60%, require no allowance for loan losses at

each period end. If any such loans were to default, requiring the Company to repossess the collateral, no loss would be expected as the Company would be considered well secured.

The Company also maintains a credit risk rating system as part of the risk assessment of its loan portfolio. The Company's lending officers are required to assign a credit risk rating to each loan in their portfolio at origination. When the lending officer learns of important financial developments, the risk rating is reviewed accordingly, and adjusted if necessary. Monthly, management presents monitored assets to the loan committee. In addition, the Company engages a third party independent loan reviewer that performs semi-annual reviews of a sample of loans, validating the credit risk ratings assigned to such loans. The credit risk ratings play an important role in the establishment of the loan loss provision and in confirming the adequacy of the allowance for loan losses. After determining the general reserve loss factor for each portfolio segment, the portfolio segment balance collectively evaluated for impairment is multiplied by the general reserve loss factor for the respective portfolio segment in order to determine the general reserve. Loans that have an internal credit rating of special mention or substandard are multiplied by a multiple of the general reserve loss factors for each portfolio segment, in order to determine the general reserve.

**Table of Contents**

When assigning a risk rating to a loan, management utilizes the Bank's internal nine-point credit risk rating system.

1. Strong
2. Good
3. Acceptable
4. Adequate
5. Watch
6. Special Mention
7. Substandard
8. Doubtful
9. Loss

Loans rated 1 through 5 are considered pass ratings. An asset is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard assets have well defined weaknesses based on objective evidence, and are characterized by the distinct possibility the Company will sustain some loss if the deficiencies are not corrected. Assets classified as doubtful have all of the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses present make collection or liquidation in full highly questionable and improbable based on current circumstances. Assets classified as loss are those considered uncollectible and of such little value that their continuance as assets is not warranted. Assets which do not currently expose the Company to sufficient risk to warrant classification in one of the aforementioned categories, but possess weaknesses, are required to be designated special mention.

**Table of Contents**

The following tables detail the recorded investment of loans held-for-investment, net of deferred fees and costs, by loan type and credit quality indicator at June 30, 2011, and December 31, 2010 (in thousands).

At June 30, 2011														
Real Estate														
	Commercial						Construction and Land		Home Equity and Commercial Lines of Business			Other	Total	
	< 35% LTV		=> 35% LTV		One- to Four-Family < 60% LTV => 60% LTV		Multifamily < 35% LTV => 35% LTV	Credit	Industrial	Premium				
	< 35% LTV	=> 35% LTV	< 60% LTV	=> 60% LTV	< 35% LTV	=> 35% LTV								
Internal Risk Rating														
Special Mention	\$32,779	229,780	46,516	22,984	21,281	20,795	326,755	30,043	10,368	58,848	1,700	801,844		
Substandard	239	10,102	905	73	73	6,603	6,603	51	67	132		18,177		
Total loans held-for-investment, net	2,010	60,610	834	3,676	6,743	558	4,176	337	3,542	57		82,543		
	\$35,028	300,492	48,255	26,660	28,097	21,353	337,534	30,431	13,977	59,037	1,700	902,566		

At December 31, 2010														
Real Estate														
	Commercial						Construction and Land		Home Equity and Commercial Lines of Business			Other	Total	
	< 35% LTV		=> 35% LTV		One- to Four-Family < 60% LTV => 60% LTV		Multifamily < 35% LTV => 35% LTV	Credit	Industrial	Premium				
	< 35% LTV	=> 35% LTV	< 60% LTV	=> 60% LTV	< 35% LTV	=> 35% LTV								
Internal Risk Rating														
Special Mention	\$24,826	248,759	49,928	22,247	24,767	18,880	256,948	28,042	14,110	44,149	1,061	733,711		
Substandard	1,613	12,108	1,206	1,750	1,128	504	5,233	55	776	239		24,109		
Total loans held-for-investment, net	1,385	50,568	623	2,355	9,182	504	2,634	240	2,146	129		69,764		
	\$27,824	311,435	51,757	26,352	35,077	19,384	264,815	28,337	17,032	44,517	1,061	827,590		

Included in loans held-for-investment, net, are loans for which the accrual of interest income has been discontinued due to deterioration in the financial condition of the borrowers. The recorded investment of these nonaccrual loans was \$56.0 million and \$59.3 million, at June 30, 2011, and December 31, 2010, respectively. Generally, loans are placed on non-accruing 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**

These non-accrual amounts included loans deemed to be impaired of \$47.8 million and \$52.0 million at June 30, 2011, and December 31, 2010, 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 \$8.2 million and \$7.3 million at June 30, 2011, and December 31, 2010, respectively. Loans past due 90 days or more and still accruing interest were \$2.0 million and \$1.6 million at June 30, 2011, and December 31, 2010, respectively, and consisted of loans that are considered well secured and in the process of collection.

**Table of Contents**

The following tables set forth the detail, and delinquency status, of non-performing loans (non-accrual loans and loans past due 90 or more and still accruing), net of deferred fees and costs, at June 30, 2011, and December 31, 2010 (in thousands).

	At June 30, 2011				90 Days or More Past Due and Accruing	Total Non- Performing Loans
	0-29 Days Past Due	30-89 Days Past Due	Non-Accruing Loans 90 Days or More Past Due	Total		
Real estate loans:						
Commercial LTV < 35%						
Special Mention	\$		218	218		218
Substandard			360	360		360
Total			578	578		578
LTV => 35%						
Pass					496	496
Substandard	25,237	3,986	15,069	44,292		44,292
Total	25,237	3,986	15,069	44,292	496	44,788
Total commercial	25,237	3,986	15,647	44,870	496	45,366
One-to-four family residential LTV < 60%						
Special Mention	152	24	328	504		504
Substandard			415	415		415
Total	152	24	743	919		919
LTV => 60%						
Substandard		388	1,343	1,731		1,731
Total		388	1,343	1,731		1,731
Total one-to-four family residential	152	412	2,086	2,650		2,650
Construction and land Special Mention						



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

Substandard	2,456	875	3,331	3,331
Total construction and land	2,456	875	3,331	3,331
Multifamily LTV < 35%				
Substandard		558	558	558
Total		558	558	558
LTV => 35%				
Substandard		2,443	2,443	2,443
Total		2,443	2,443	2,443
Total multifamily		3,001	3,001	3,001
Home equity and lines of credit				
Pass			1,491	1,491
Substandard		337	337	337
Total home equity and lines of credit		337	337	1,828
Commercial and industrial loans				
Special Mention				
Substandard	552	1,232	1,784	1,784
Total commercial and industrial loans	552	1,232	1,784	1,784
Insurance premium loans				
Substandard		57	57	57
Total insurance premium loans		57	57	57
Total non-performing loans, June 30, 2011	\$ 28,397	4,398	23,235	56,030
			1,987	58,017

**Table of Contents**

	At December 31, 2010				90 Days or More Past Due and Accruing	Total Non- Performing Loans
	0-29 Days Past Due	30-89 Days Past Due	Non-Accruing Loans 90 Days or More Past Due	Total		
Real estate loans:						
Commercial LTV < 35%						
Special Mention	\$ 29			29		29
Total	29			29		29
LTV => 35%						
Substandard	13,650	15,050	17,659	46,359		46,359
Total	13,650	15,050	17,659	46,359		46,359
Total commercial	13,679	15,050	17,659	46,388		46,388
One-to-four family residential LTV < 60%						
Special Mention		179	99	278	86	364
Substandard	135		197	332	291	623
Total	135	179	296	610	377	987
LTV => 60%						
Substandard		591	74	665	731	1,396
Total		591	74	665	731	1,396
Total one-to-four family residential	135	770	370	1,275	1,108	2,383
Construction and land						
Special Mention					404	404
Substandard	2,152	1,860	1,110	5,122		5,122
Total construction and land	2,152	1,860	1,110	5,122	404	5,526

Multifamily LTV < 35%						
Substandard		504		504		504
Total		504		504		504
LTV => 35%						
Special Mention	1,824			1,824		1,824
Substandard		423	2,112	2,535		2,535
Total	1,824	423	2,112	4,359		4,359
Total multifamily	1,824	927	2,112	4,863		4,863
Home equity and lines of credit						
Substandard			181	181	59	240
Total home equity and lines of credit			181	181	59	240
Commercial and industrial loans						
Pass					38	38
Special Mention			100	100		100
Substandard		267	956	1,223		1,223
Total commercial and industrial loans		267	1,056	1,323	38	1,361
Insurance premium loans						
Substandard			129	129		129
Total insurance premium loans			129	129		129
Total non-performing loans, December 31, 2010	\$ 17,790	18,874	22,617	59,281	1,609	60,890

**Table of Contents**

The following tables set forth the detail and delinquency status of loans held-for-investment, net of deferred fees and costs, by performing and non-performing loans at June 30, 2011, and December 31, 2010 (in thousands).

	June 30, 2011				Total Loans Receivable, net
	Performing (Accruing) Loans			Non- Performing Loans	
	0-29 Days Past Due	30-89 Days Past Due	Total		
Real estate loans:					
Commercial					
LTV < 35%					
Pass	\$ 32,052	727	32,779		32,779
Special Mention		21	21	218	239
Substandard		1,650	1,650	360	2,010
Total	32,052	2,398	34,450	578	35,028
LTV > 35%					
Pass	226,501	2,783	229,284	496	229,780
Special Mention	10,102		10,102		10,102
Substandard	13,947	2,371	16,318	44,292	60,610
Total	250,550	5,154	255,704	44,788	300,492
Total commercial	282,602	7,552	290,154	45,366	335,520
One-to-four family residential					
LTV < 60%					
Pass	45,830	686	46,516		46,516
Special Mention	401		401	504	905
Substandard	132	287	419	415	834
Total	46,363	973	47,336	919	48,255
LTV > 60%					
Pass	22,371	613	22,984		22,984
Special Mention					
Substandard	1,945		1,945	1,731	3,676
Total	24,316	613	24,929	1,731	26,660
Total one-to-four family residential	70,679	1,586	72,265	2,650	74,915
Construction and land					
Pass	20,781	500	21,281		21,281
Special Mention	73		73		73

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

Substandard	3,412		3,412	3,331	6,743
Total construction and land	24,266	500	24,766	3,331	28,097
Multifamily					
LTV < 35%					
Pass	20,795		20,795		20,795
Substandard				558	558
Total	20,795		20,795	558	21,353
LTV > 35%					
Pass	326,063	692	326,755		326,755
Special Mention	5,152	1,451	6,603		6,603
Substandard	172	1,561	1,733	2,443	4,176
Total	331,387	3,704	335,091	2,443	337,534
Total multifamily	352,182	3,704	355,886	3,001	358,887
Home equity and lines of credit					
Pass	28,458	94	28,552	1,491	30,043
Special Mention	51		51		51
Substandard				337	337
Total home equity and lines of credit	28,509	94	28,603	1,828	30,431
Commercial and industrial loans					
Pass	10,231	137	10,368		10,368
Special Mention	67		67		67
Substandard	1,758		1,758	1,784	3,542
Total commercial and industrial loans	12,056	137	12,193	1,784	13,977
Insurance premium loans					
Pass	58,453	395	58,848		58,848
Special Mention		132	132		132
Substandard				57	57
Total insurance premium loans	58,453	527	58,980	57	59,037
Other loans					
Pass	1,631	69	1,700		1,700
Total other loans	1,631	69	1,700		1,700

\$ 830,378	14,169	844,547	58,017	902,564
------------	--------	---------	--------	---------

20

---

**Table of Contents**

	December 31, 2010				
	Performing (Accruing) Loans			Non-Performing Loans	Total Loans Receivable, net
	0-29 Days Past Due	30-89 Days Past Due	Total		
	Due	Past Due	Total	Loans	
Real estate loans:					
Commercial LTV < 35%					
Pass	\$ 24,823	3	24,826		24,826
Special Mention	1,068	516	1,584	29	1,613
Substandard		1,385	1,385		1,385
Total	25,891	1,904	27,795	29	27,824
LTV > 35%					
Pass	242,131	6,628	248,759		248,759
Special Mention	11,670	438	12,108		12,108
Substandard	4,209		4,209	46,359	50,568
Total	258,010	7,066	265,076	46,359	311,435
Total commercial	283,901	8,970	292,871	46,388	339,259
One-to-four family residential LTV < 60%					
Pass	48,930	998	49,928		49,928
Special Mention	83	759	842	364	1,206
Substandard				623	623
Total	49,013	1,757	50,770	987	51,757
LTV > 60%					
Pass	21,429	818	22,247		22,247
Special Mention	1,750		1,750		1,750
Substandard	959		959	1,396	2,355
Total	24,138	818	24,956	1,396	26,352
Total one-to-four family residential	73,151	2,575	75,726	2,383	78,109
Construction and land					
Pass	24,767		24,767		24,767
Special Mention	225	499	724	404	1,128
Substandard	4,060		4,060	5,122	9,182

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

Total construction and land	29,052	499	29,551	5,526	35,077
Multifamily					
LTV < 35%					
Pass	18,656	224	18,880		18,880
Substandard				504	504
Total	18,656	224	18,880	504	19,384
LTV > 35%					
Pass	251,129	5,819	256,948		256,948
Special Mention	3,258	151	3,409	1,824	5,233
Substandard	99		99	2,535	2,634
Total	254,486	5,970	260,456	4,359	264,815
Total multifamily	273,142	6,194	279,336	4,863	284,199
Home equity and lines of credit					
Pass	27,780	262	28,042		28,042
Special Mention	55		55		55
Substandard				240	240
Total home equity and lines of credit	27,835	262	28,097	240	28,337
Commercial and industrial loans					
Pass	13,626	446	14,072	38	14,110
Special Mention	586	90	676	100	776
Substandard	923		923	1,223	2,146
Total commercial and industrial loans	15,135	536	15,671	1,361	17,032
Insurance premium loans					
Pass	43,728	421	44,149		44,149
Special Mention		239	239		239
Substandard				129	129
Total insurance premium loans	43,728	660	44,388	129	44,517
Other loans					
Pass	959	102	1,061		1,061
Total other loans	959	102	1,061		1,061



**\$ 746,903      19,798      766,701      60,890      827,591**

21

---

**Table of Contents**

The following tables summarize impaired loans as of June 30, 2011, and December 31, 2010 (in thousands):

		At June 30, 2011	
	Recorded Investment	Unpaid Principal Balance	Related Allowance
<b>With No Related Allowance Recorded:</b>			
Real estate loans:			
Commercial			
LTV => 35%			
Special Mention	\$ 1,791	1,791	
Substandard	33,429	34,665	
One-to-four family residential			
LTV < 60%			
Pass	639	639	
Special Mention	152	152	
LTV => 60%			
Substandard	1,077	1,077	
Construction and land			
Substandard	1,146	1,326	
Multifamily			
LTV < 35%			
Substandard	491	491	
LTV => 35%			
Substandard	1,561	1,561	
Commercial and industrial			
Special Mention	42	42	
Substandard	951	951	
<b>With an Allowance Recorded:</b>			
Real estate loans:			
Commercial			
LTV => 35%			
Substandard	17,411	18,749	(2,325)
One-to-four family residential			
LTV => 60%			
Special Mention	1,750	1,750	(369)
Construction and land			
Substandard	1,860	2,529	(128)
Multifamily			
LTV => 35%			

Substandard	1,163	1,632	(122)
<b>Total:</b>			
Real estate loans			
Commercial	52,631	55,205	(2,325)
One-to-four family residential	3,618	3,618	(369)
Construction and land	3,006	3,855	(128)
Multifamily	3,215	3,684	(122)
Commercial and industrial loans	993	993	
	\$ 63,463	67,355	(2,944)

**Table of Contents**

	At December 31, 2010		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
<b>With No Related Allowance Recorded:</b>			
Real estate loans:			
Commercial			
LTV < 35%			
Special Mention	\$ 661	661	
LTV => 35%			
Special Mention	4,807	4,807	
Substandard	25,590	26,870	
Construction and land			
Substandard	2,152	2,416	
Multifamily			
LTV < 35%			
Substandard	504	504	
LTV => 35%			
Special Mention	3,392	5,242	
<b>With an Allowance Recorded:</b>			
Real estate loans:			
Commercial			
LTV => 35%			
Substandard	20,766	21,782	(2,129)
One-to-four family residential			
LTV => 60%			
Special Mention	1,750	1,750	(369)
Construction and land			
Substandard	2,410	3,079	(36)
Multifamily			
LTV => 35%			
Substandard	1,187	1,632	(121)
<b>Total:</b>			
Real estate loans			
Commercial	51,824	54,120	(2,129)
One-to-four family residential	1,750	1,750	(369)
Construction and land	4,562	5,495	(36)
Multifamily	5,083	7,378	(121)

\$ 63,219	68,743	(2,655)
-----------	--------	---------

Included in the table above at June 30, 2011, are loans with carrying balances of \$33.5 million that were not written down by either charge-offs or specific reserves in our allowance for loan losses. Included in the table above at December 31, 2010, are loans with carrying balances of \$24.8 million that were not written down by either charge-offs or specific reserves in our allowance for loan losses. Loans not written down by charge-offs or specific reserves at June 30, 2011, and December 31, 2010, are considered to have sufficient collateral values, less costs to sell, supporting the carrying balances of the loans.

The average recorded balance of impaired loans for the six months ended June 30, 2011 and 2010, was \$62.2 million and \$47.9 million, respectively. The Company recorded \$735,000 and \$1.6 million of interest income on impaired loans for the three and six months ended June 30, 2011, respectively, compared to \$743,000 and \$1.2 million of interest income on impaired loans for the three and six months ended June 30, 2010, respectively.

**Table of Contents**

The following tables summarize loans that were modified in a troubled debt restructuring during the six months ended June 30, 2011.

	Six months ended June 30, 2011		
	Pre-Modification	Post-Modification	
	Number of Relationships	Outstanding Recorded Investment	Outstanding Recorded Investment
			(in thousands)
Troubled Debt Restructurings			
Commercial real estate loans			
Substandard	4	\$ 17,681	16,527
Construction and land			
Substandard	1	405	405
One -to- four Family			
Pass	2	639	639
Substandard	1	152	152
Commercial and industrial loans			
Special Mention	1	43	42
Substandard	2	1,775	1,775
Total Troubled Debt Restructurings	11	\$ 20,695	19,540

One commercial real estate loan amounting to \$3.1 million (pre-modification), which was supported by a retail center, was restructured during the quarter ended March 31, 2011. This loan was charged down by \$1.1 million as part of the restructuring. This loan also received a reduction to its interest rate. The second commercial real estate relationship consisted of five loans amounting to \$8.3 million (post-modification). Three of these five loans, or \$3.1 million (post-modification), were restructured during a prior quarter. The two additional loans, totaling \$5.2 million (post-modification), were restructured during the quarter ended March 31, 2011. This entire relationship included in the table above, received a reduction in rate and certain loan maturities in the relationship were extended. The third commercial real estate loan amounting to \$2.5 million was an owner occupied industrial building modified during the quarter ended June 30, 2011. This loan received a reduction to its interest rate. The fourth relationship amounting to \$3.8 million is supported by two properties which were comprised of an office building and a residential property modified during the quarter ended June 30, 2011. One of the loans received a reduction in the interest rate while the other loan was provided a forbearance agreement to allow the owner to liquidate the property.

The one construction and land loan amounting to \$405,000 received a forbearance agreement allowing the owner to liquidate the collateral was modified during the quarter ended June 30, 2011.

The three one -to- four family loans amounting to \$791,000 each received a temporary reduction in interest rate was modified during the quarter ended June 30, 2011.

The one commercial and industrial loan that was risk rated special mention was an unsecured line of credit in the amount of \$43,000 that matured during the quarter ended March 31, 2011. As the borrower was unable to repay the loan in full, the Company termed out the loan over five years at a reduced interest rate.

One commercial and industrial loan relationship that was risk rated substandard in the table above consisted of two loans amounting to \$1.7 million (pre-modification), which was supported by an office/warehouse, a commercial property, and a personal residence. This relationship was restructured to reduce the monthly payments for a 24-month period. The interest rates were reduced on both loans for a 24-month period, with no forgiveness of principal. The second commercial and industrial loan relationship that was restructured during the quarter ended March 31, 2011, consisted of one loan amounting to \$90,000 (pre-modification), secured by business assets. The Company provided the borrower with six months to pay interest only beginning February 2011, in order to allow the borrower time to sell

the business.

Management classifies all troubled debt restructurings as impaired loans. Impaired loans are individually assessed to determine that the loan's carrying value is not in excess of the estimated fair value of the collateral (less cost to sell), if the loan is collateral dependent, or the present value of the expected future cash flows, if the loan is not collateral dependent. Management performs a detailed evaluation of each impaired loan and generally obtains updated appraisals as part of the evaluation. In addition, management adjusts estimated fair values down to appropriately consider recent market conditions, our willingness to accept a lower sales price to effect a quick sale,

**Table of Contents**

and costs to dispose of any supporting collateral. Determining the estimated fair value of underlying collateral (and related costs to sell) can be difficult in illiquid real estate markets and is subject to significant assumptions and estimates. Management employs an independent third party expert in appraisal preparation and review to ascertain the reasonableness of updated appraisals. Projecting the expected cash flows under troubled debt restructurings is inherently subjective and requires, among other things, an evaluation of the borrower's current and projected financial condition. Actual results may be significantly different than our projections and our established allowance for loan losses on these loans, which could have a material effect on our financial results.

There have not been any loans that were restructured during the last twelve months that have subsequently defaulted during the current quarter ended June 30, 2011.



**Table of Contents****Note 4 Deposits**

Deposits are as follows (in thousands):

	<b>June 30, 2011</b>	<b>December 31, 2010</b>
Non-interest-bearing demand	\$ 118,942	111,413
Interest-bearing negotiable orders of withdrawal (NOW)	87,221	76,251
Savings-passbook, statement, tiered, and money market	626,907	632,143
Certificates of deposit	615,499	553,035
	<b>\$1,448,569</b>	<b>1,372,842</b>

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

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Negotiable order of withdrawal, savings-passbook, statement, tiered, and money market	\$1,164	1,265	2,298	2,685
Certificates of deposit	2,106	2,117	3,989	4,649
	<b>\$3,270</b>	<b>3,382</b>	<b>6,287</b>	<b>7,334</b>

**Note 5 Equity Incentive Plan**

The following table is a summary of the Company's stock options outstanding as of June 30, 2011, and changes therein during the three 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, 2010	2,072,540	\$ 3.22	\$ 9.94	8.09
Granted				
Forfeited				
Exercised	(640)	3.22	9.94	
Outstanding- June 30, 2011	2,071,900	\$ 3.22	\$ 9.95	7.57
Exercisable- June 30, 2011	839,320	\$ 3.22	\$ 9.94	7.53

Expected future stock option expense related to the non-vested options outstanding as of June 30, 2011, is \$3.4 million over an average period of 2.6 years.

**Table of Contents**

The following is a summary of the status of the Company's restricted share awards as of June 30, 2011, and changes therein during the three months then ended.

	Number of Shares Awarded	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2010	653,880	\$ 9.97
Granted		
Vested	(165,050)	9.96
Forfeited		
Non-vested at June 30, 2011	488,830	\$ 9.97

Expected future stock award expense related to the non-vested restricted share awards as of June 30, 2011, is \$4.2 million over an average period of 2.6 years.

During the three and six months ended June 30, 2011, the Company recorded \$775,000 and \$1.5 million of stock-based compensation related to the above plans, respectively. During the three and six months ended June 30, 2010, the Company recorded \$723,000 and \$1.5 million of stock-based compensation related to the above plans, 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, 2011, and December 31, 2010, 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**

	June 30, 2011	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(in thousands)				
Measured on a recurring basis:				
Assets:				
Investment securities:				
Available-for-sale:				
Mortgage-backed securities				
GSE	\$ 1,048,763		1,048,763	
Non-GSE	49,830		49,830	
Corporate bonds	104,536		104,536	
Equities	9,190	9,190		
Total available-for-sale	1,212,319	9,190	1,203,129	
Trading securities	4,439	4,439		
Total	\$ 1,216,758	13,629	1,203,129	
Measured on a non-recurring basis:				
Assets:				
Impaired loans:				
Real estate loans:				
Commercial mortgage (CRE)	\$ 22,152			22,152
One- to- four family residential mortgage	1,381			1,381
Construction and land	2,474			2,474
Multifamily	1,041			1,041
Total impaired loans	27,048			27,048
Other real estate owned (CRE)	118			118
Total	\$ 27,166			27,166

**Fair Value Measurements at Reporting Date  
Using:**

	Quoted Prices in Active	Significant Other	Significant
--	-------------------------------	----------------------	-------------

	December 31, 2010	Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Measured on a recurring basis:				
Assets:				
Investment securities:				
Available-for-sale:				
Mortgage-backed securities				
GSE	\$ 977,872		977,872	
Non-GSE	97,267		97,267	
Corporate bonds	121,788		121,788	
GSE bonds	35,033		35,033	
Equities	12,353	12,353		
Total available-for-sale	1,244,313	12,353	1,231,960	
Trading securities	4,095	4,095		
Total	\$ 1,248,408	16,448	1,231,960	
Measured on a non-recurring basis:				
Assets:				
Impaired loans:				
Real estate loans:				
Commercial mortgage	\$ 26,951			26,951
One- to four-family residential mortgage	1,381			1,381
Construction and land	4,526			4,526
Multifamily	2,890			2,890
Total impaired loans	35,748			35,748
Other real estate owned (CRE)	171			171
Total	\$ 35,919			35,919

**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

**Table of Contents**

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 of mutual funds. There were no transfers of securities between Level 1 and Level 2 during the six months ended June 30, 2011.

**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, 2011, and December 31, 2010, the Company had impaired loans with outstanding principal balances of \$30.0 million and \$38.4 million, which were recorded at their estimated fair value of \$27.0 million and \$35.7 million, respectively. The Company recorded net impairment charges of \$1.7 million and \$646,000 for the six months ended June 30, 2011, and 2010, respectively. For purposes of estimating fair value of impaired loans, management utilizes 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, 2011, and December 31, 2010, the Company had assets acquired through foreclosure, or deed in lieu of foreclosure, of \$118,000 and \$171,000, 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 non-interest expense. The valuation of foreclosed assets is subjective in nature and may be adjusted in the future because of changes in economic conditions. During the three months ended March 31, 2011, the Company transferred a loan with a principal balance of \$422,000 and an estimated fair value, less costs to sell, of \$350,000 to other real estate owned. The Company charged the \$72,000 excess of the loan balance over fair value, less estimated costs to sell, to the allowance for loan losses, utilizing Level 3 inputs during the three months ended March 31, 2011, the property was sold during the three months ended June 30, 2011. Subsequent valuation adjustments to other real estate owned (REO) totaled \$0 and \$146,000, for the three and six months ended June 30, 2010 reflecting continued deterioration in estimated fair values. 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.

30

---



**Table of Contents**

The estimated fair values of the Company's significant financial instruments at June 30, 2011, and December 31, 2010, are presented in the following table (in thousands):

	<b>June 30, 2011</b>		<b>December 31, 2010</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	\$ 62,907	62,907	43,852	43,852
Trading securities	4,439	4,439	4,095	4,095
Securities available-for-sale	1,212,319	1,212,319	1,244,313	1,244,313
Securities held-to-maturity	4,421	4,629	5,060	5,273
Federal Home Loan Bank of New York stock, at cost	8,631	8,631	9,784	9,784
Net loans held-for-investment	879,044	907,248	805,772	818,295
<b>Financial liabilities:</b>				
Deposits	\$ 1,448,569	1,453,785	1,372,842	1,377,068
Borrowings	444,522	461,167	391,237	403,920
Advance payments by borrowers	1,869	1,869	693	693

**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; and (3) the average unamortized compensation costs related to unvested shares of restricted stock and stock options.

**Table of Contents**

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,	
	2011	2010	2011	2010
Net income available to common stockholders	\$ 4,347	4,186	9,317	7,567
Weighted average shares outstanding-basic	40,599,400	41,417,662	40,848,467	41,462,961
Effect of non-vested restricted stock and stock options outstanding	381,291	366,068	411,566	340,345
Weighted average shares outstanding-diluted	40,980,691	41,783,730	41,260,033	41,803,306
Earnings per share-basic	\$ 0.11	0.10	0.23	0.18
Earnings per share-diluted	\$ 0.11	0.10	0.23	0.18

**Note 8 Stock Repurchase Program**

On October 27, 2010, the Board of Directors of the Company authorized a stock repurchase program pursuant to which the Company intends to repurchase up to 2,177,033 shares, representing approximately 5% of its then outstanding shares. The timing of the repurchases will depend on certain factors, including but not limited to, market conditions and prices, the Company's liquidity and capital requirements, and alternative uses of capital. Any repurchased shares will be held as treasury stock and will be available for general corporate purposes. The Company will conduct such repurchases in accordance with a Rule 10b5-1 trading plan. As of June 30, 2011, a total of 1,127,096 shares were purchased under this repurchase plan at a weighted average cost of \$13.44 per share.

**Note 9 Income Taxes**

The Company files income tax returns in the United States federal jurisdiction and in the State of New Jersey. The Company's subsidiary files income tax returns in the State and City of New York, and the State of New Jersey. The State and City of New York are currently examining our subsidiary's tax returns filed for 2007, 2008, and 2009. The Company, and its subsidiary, are no longer subject to federal and local income tax examinations by tax authorities for years prior to 2007.

**Note 10 Recent Accounting Pronouncements**

Accounting Standards Update No. 2011-02 amends Topic 310 and clarifies the guidance on a creditor's evaluation of whether it has granted a concession, and whether a restructuring constitutes a troubled debt restructuring. The amendments in this update are effective for the first interim or annual period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. As a result of applying these amendments, an entity may identify receivables that are newly considered impaired. For purposes of measuring impairment of those receivables, an entity should apply the amendments prospectively for the first interim or annual period beginning on or after June 15, 2011. An entity should disclose the total amount of receivables and the allowance for credit losses as of the end of the period of adoption related to those receivables that are newly considered impaired under Section 310-10-35 for which impairment was previously measured under Subtopic 450-20, Contingencies - Loss Contingencies. An entity should disclose the information required by paragraphs 310-10-50-33 through 50-34, which was deferred by Accounting Standards Update No. 2011-01, *Receivables (Topic 310): Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20*, for interim and

annual periods beginning on or after June 15, 2011. The Company has early adopted the requirements of this Accounting Standard Update as of March 31, 2011, and has provided the applicable disclosures as part of Note 3 to these condensed financial statements. The adoption of this Accounting Standard Update did not result in a material change to the Company's consolidated financial statements.

**Table of Contents**

Accounting Standards Update No. 2011-03, *Reconsideration of Effective Control for Repurchase Agreements*, amends Topic 860 (Transfers and Servicing) where an entity may or may not recognize a sale upon the transfer of financial assets subject to repurchase agreements, based on whether or not the transferor has maintained effective control. In the assessment of effective control, Accounting Standard Update 2011-03 has removed the criteria that requires transferors to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee. Other criteria applicable to the assessment of effective control have not been changed. This guidance is effective for prospective periods beginning on or after December 15, 2011. Early adoption is prohibited. We do not expect the adoption of this Accounting Standard Update to have a material effect on the Company's consolidated financial statements.

In May 2011, the FASB issued ASU No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. ASU No. 2011-04 results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between U.S. GAAP and International Financial Reporting Standards (IFRS). The changes to U.S. GAAP as a result of ASU No. 2011-04 are as follows: (1) The concepts of highest and best use and valuation premise are only relevant when measuring the fair value of nonfinancial assets (that is, it does not apply to financial assets or any liabilities); (2) U.S. GAAP currently prohibits application of a blockage factor in valuing financial instruments with quoted prices in active markets. ASU No. 2011-04 extends that prohibition to all fair value measurements; (3) An exception is provided to the basic fair value measurement principles for an entity that holds a group of financial assets and financial liabilities with offsetting positions in market risk or counterparty credit risk that are managed on the basis of the entity's net exposure to either of those risks. This exception allows the entity, if certain criteria are met, to measure the fair value of the net asset or liability position in a manner consistent with how market participants would price the net risk position; (4) Aligns the fair value measurement of instruments classified within an entity's shareholders' equity with the guidance for liabilities; and (5) Disclosure requirements have been enhanced for recurring Level 3 fair value measurements to disclose quantitative information about unobservable inputs and assumptions used, to describe the valuation processes used by the entity, and to describe the sensitivity of fair value measurements to changes in unobservable inputs and interrelationships between those inputs. In addition, entities must report the level in the fair value hierarchy of items that are not measured at fair value in the statement of condition but whose fair value must be disclosed. The provisions of ASU No. 2011-04 are effective for the Company's interim reporting period beginning on or after December 15, 2011. The adoption of ASU No. 2011-04 is not expected to have a material effect on the Company's consolidated financial statements.

In June 2011, the FASB issued ASU No. 2011-05, *Presentation of Comprehensive Income*. The provisions of ASU No. 2011-05 allow an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. The statement(s) are required to be presented with equal prominence as the other primary financial statements. ASU No. 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in shareholders' equity but does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The provisions of ASU No. 2011-05 are effective for the Company's interim reporting period beginning on or after December 15, 2011, with retrospective application required. The adoption of ASU No. 2011-05 is expected to result in presentation changes to the Company's statements of income and the addition of a statement of comprehensive income. The adoption of ASU No. 2011-05 will have no affect on the Company's balance sheets.

**Note 11 Subsequent Events**

On July 6, 2011, the Company provided notice to the manager of our premium finance division indicating that we are exercising our right to terminate the licensing agreement. We have been and continue to negotiate amendments to the licensing agreement. If we cannot reach an agreement there are two expected outcomes, either our existing premium finance loans will continue to receive contractual amortization until the loans are paid in full or we may sell

the portfolio. At June 30, 2011, these loans had a carrying value of \$59.0 million.

On August 5, 2011, Standard and Poor's lowered the United States of America's long-term sovereign credit rating from AAA to AA+. This downgrade could affect the stability of residential mortgage-backed securities issued or guaranteed by government sponsored enterprises (GSEs). These factors could affect the liquidity or valuation of our current portfolio of residential mortgage-backed securities issued or guaranteed by GSEs, and could result in our counterparties requiring additional collateral for our borrowings. Further, unless and until the current United States political, credit and financial market conditions have been sufficiently resolved, it may increase our future borrowing costs.

**Table of Contents**

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

**Cautionary Statement Regarding 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 economic downturn 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, 2010, 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, with the Audit Committee of the Board of Directors. For a further discussion of the critical accounting policies of

**Table of Contents**

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, 2010.

**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, 2010.

Net income amounted to \$4.3 million and \$9.3 million for the three and six months ended June 30, 2011, as compared to \$4.2 million and \$7.6 million for the three and six months ended June 30, 2010. Basic and diluted earnings per share were \$0.11 and \$0.23 for the three and six months ended June 30, 2011, compared to \$0.10 and \$0.18 for the three and six months ended June 30, 2010. For the three and six months ended June 30, 2011, our return on average assets was 0.75% and 0.82%, as compared to 0.80% and 0.74% for the three and six months ended June 30, 2010. For the three and six months ended June 30, 2011, our return on average shareholders' equity was 4.40% and 4.74%, as compared to 4.23% and 3.86% for the three and six months ended June 30, 2010.

We increased our assets by 2.7% to \$2.31 billion at June 30, 2011, from \$2.25 billion at December 31, 2010. The increase in total assets reflected increases in loans held for investment, net, of \$75.0 million, or 9.1% and interest-bearing deposits in other financial institutions of \$18.2 million, or 53.5% these significant increases were partially offset by decreases in our security portfolio. The increase in our total assets during 2011 was funded primarily by an increase in deposits and borrowings. Deposits increased \$75.7 million to \$1.45 billion at June 30, 2011, from \$1.37 billion at December 31, 2010. The increase in deposits was attributable to growth in transaction accounts and certificates of deposit issued by the Bank. Borrowed funds increased \$53.3 million to \$444.5 million at June 30, 2011, from \$391.2 million at December 31, 2010.

**Comparison of Financial Condition at June 30, 2011, and December 31, 2010**

Total assets increased \$60.4 million, or 2.7%, to \$2.31 billion at June 30, 2011, from \$2.25 billion at December 31, 2010. The increase was primarily attributable to increases in loans held for investment, net, of \$75.0 million, or 9.1% and interest-bearing deposits in other financial institutions of \$18.2 million, or 53.5%.

Cash and cash equivalents increased \$19.1 million, or 43.5%, to \$62.9 million at June 30, 2011, from \$43.9 million at December 31, 2010. The Company routinely maintains liquid assets in interest-bearing accounts in other well-capitalized financial institutions.

Securities available-for-sale decreased \$32.0 million, or 2.6%, to \$1.21 billion at June 30, 2011, from \$1.24 billion at December 31, 2010. The decrease was primarily attributable to maturities and paydowns of \$198.4 million, and sales of \$115.8 million, partially offset by purchases of \$273.4 million and an increase of \$7.9 million in net unrealized gains.

Securities held-to-maturity decreased \$639,000, or 12.6%, to \$4.4 million at June 30, 2011, from \$5.1 million at December 31, 2010. The decrease was attributable to maturities and paydowns during the six months ended June 30, 2011.

The Company's securities portfolio totaled \$1.22 billion at June 30, 2011, compared to \$1.25 billion at December 31, 2010. At June 30, 2011, \$1.05 billion of the portfolio consisted of residential mortgage-backed securities issued or guaranteed by Fannie Mae, Freddie Mac, or Ginnie Mae. The Company also held residential mortgage-backed securities not guaranteed by these three entities, referred to as private label securities. The private label securities had an amortized cost of \$48.3 million and an estimated fair value of \$49.8 million at June 30, 2011. These private label securities were in a net unrealized gain position of \$1.5 million at June 30, 2011, consisting of gross unrealized gains of \$2.3 million and gross unrealized losses of \$759,000. In addition to the above mortgage-backed securities, the Company held \$104.5 million in securities issued by corporate entities which were all rated investment grade at June 30, 2011, and \$9.2 million of equity investments in mutual funds, which focus on investments that qualify under the Community Reinvestment Act and money market mutual funds.

Of the \$48.3 million of private label securities, two securities with an estimated fair value of \$9.0 million (amortized cost of \$9.8 million) were rated less than investment grade at June 30, 2011. One of the two securities was rated CC and the other security was rated Caa2. The ratings of the securities detailed above represent the lowest





**Table of Contents**

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 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 the securities rated below investment grade at June 30, 2011. As a result of management's evaluation of these securities, the Company recognized other-than-temporary impairment of \$991,000 on the securities rated below investment grade for the quarter ended June 30, 2011. Since management does not have the intent to sell the security, and believes it is more likely than not that the Company will not be required to sell the security, before its anticipated recovery, the credit component of \$248,000 was recognized in earnings for the quarter ended June 30, 2011, and the non-credit component of \$743,000 was recorded as a component of accumulated other comprehensive income, net of tax. All other losses within the Company's investment portfolio were deemed to be temporary at June 30, 2011, and as such, were recorded as a component of accumulated other comprehensive income, net of tax.

During the three months ended March 31, 2011, the Company recognized an other-than-temporary impairment charge on an equity investment in a mutual fund. The investment had been in a continuous loss position for approximately ten months, and as a result of management's evaluation of this security, the Company believed that the unrealized loss of \$161,000 was other-than-temporary, and as such, recognized this charge in earnings during the three months ended March 31, 2011. There was no further impairment during the three months ended June 30, 2011.

Loans held for investment, net, totaled \$902.6 million at June 30, 2011, as compared to \$827.6 million at December 31, 2010. The increase was primarily in multi-family real estate loans, which increased \$74.5 million, or 26.3%, to \$358.1 million at June 30, 2011, from \$283.6 million at December 31, 2010. Insurance premium loans increased \$14.5 million, or 32.6%, to \$59.0 million, and home equity loans increased \$2.1 million, or 7.4%, to \$30.2 million at June 30, 2011. These increases were partially offset by decreases in commercial real estate, one-to-four family residential, land and construction, and commercial and industrial loans. Currently, management is focused on originating multi-family loans, with less emphasis on other loan types, considering risk profile, market demand, and related financial returns.

Bank owned life insurance increased \$1.5 million, or 2.0%, from December 31, 2010 to June 30, 2011. The increase resulted from income earned on bank owned life insurance for the six months ended June 30, 2011.

Federal Home Loan Bank of New York stock, at cost, decreased \$1.2 million, or 11.8%, to \$8.6 million at June 30, 2011, from \$9.8 million at December 31, 2010. This decrease was attributable to a decrease in borrowings outstanding with the Federal Home Loan Bank of New York over the same time period.

Premises and equipment, net, increased \$1.5 million, or 9.0%, to \$17.5 million at June 30, 2011, from \$16.1 million at December 31, 2010. This increase is primarily attributable to leasehold improvements made to new branches and the renovation of existing branches.

Other real estate owned decreased \$53,000, or 31.0%, to \$118,000 at June 30, 2011, from \$171,000 at December 31, 2010. This decrease is attributable to the sales of several properties during the six months ended June 30, 2011.

Other assets decreased \$17,000, or 0.1%, to \$18.0 million at June 30, 2011, from \$18.1 million at December 31, 2010. The decrease in other assets was attributable to a decrease in amounts due to us from taxing authorities, and a decrease in prepaid FDIC insurance premiums due to amortization related to the FDIC prepayment of insurance premiums that was made in 2009 partially offset by an increase in prepaid expenses.

The increase in deposits for the six months ended June 30, 2011 was due in part to an increase of certificates of deposit (issued by the Bank) of \$92.7 million, or 19.1% as compared to December 31, 2010. In addition, transaction accounts increased \$18.5 million, or 9.9%, from December 31, 2010 to June 30, 2011. These increases were partially offset by a decrease of \$5.2 million in total savings deposits, and a decrease of \$30.2 million in short-term certificates of deposit originated through the CDARS® Network. Deposits originated through the CDARS® Network totaled \$38.2 million at June 30, 2011, and \$68.4 million at December 31, 2010. The Company utilizes the CDARS® Network as a cost effective alternative to other short-term funding sources.

Borrowings, consisting primarily of Federal Home Loan Bank advances and repurchase agreements, increased \$53.3 million, or 13.6%, to \$444.5 million at June 30, 2011, from \$391.2 million at December 31, 2010.



**Table of Contents**

The increase in borrowings was primarily the result of the Company taking advantage of the current lower interest rate market to reduce interest rate risk, partially offset by maturities during the six months ended June 30, 2011.

Accrued expenses and other liabilities decreased \$71.2 million, to \$14.4 million at June 30, 2011, from \$85.7 million at December 31, 2010. The decrease was primarily a result of a decrease in due to securities brokers.

Total stockholders' equity increased by \$1.5 million to \$398.2 million at June 30, 2011, from \$396.7 million at December 31, 2010. The increase was primarily due to net income of \$9.3 million for the six months ended June 30, 2011, and an increase of \$1.8 million in additional paid-in capital primarily related to the recognition of compensation expense associated with equity awards, and an increase in accumulated other comprehensive income of \$4.7 million for the six months ended June 30, 2011. These increases were partially offset by \$12.8 million in stock repurchases and the payment of approximately \$1.8 million in cash dividends.

On October 27, 2010, the Board of Directors of the Company authorized a stock repurchase program pursuant to which the Company intends to repurchase up to 2,177,033 shares, representing approximately 5% of its then outstanding shares. The timing of the repurchases will depend on certain factors, including but not limited to, market conditions and prices, the Company's liquidity and capital requirements, and alternative uses of capital. Any repurchased shares will be held as treasury stock and will be available for general corporate purposes. The Company is conducting such repurchases in accordance with a Rule 10b5-1 trading plan. As of June 30, 2011, a total of 1,127,096 shares were purchased under this repurchase plan at a weighted average cost of \$13.44 per share.

**Comparison of Operating Results for the Three Months Ended June 30, 2011 and 2010**

**Net income** Net income increased \$161,000, or 3.9%, to \$4.3 million for the quarter ended June 30, 2011, as compared to \$4.2 million for the quarter ended June 30, 2010, due primarily to an increase of \$324,000 in non-interest income, and a \$1.0 million decrease in the provision for loan losses, partially offset by a decrease in net interest income of \$88,000 and an increase of \$1.1 million in non-interest expense.

**Interest income.** Interest income increased \$406,000, or 1.8%, to \$22.4 million for the three months ended June 30, 2011, from \$22.0 million for the three months ended June 30, 2010. The increase was primarily due to an increase in interest income on loans of \$680,000 and an increase in interest income on mortgage backed securities of \$431,000. The increase in interest income of loans and mortgage-backed securities can be attributed to an increase in the average balances of \$119.1 million and \$239.6 million, respectively. These increases in average balances were partially offset by decreases in the yield earned on loans and mortgage-backed securities of fifty-six basis points and sixty-four basis points, respectively. These increases were partially offset by a decrease of \$780,000 in interest income on other securities. The decrease in the interest income earned on other securities was primarily attributable to a decrease in the average balance of \$136.2 million.

**Interest expense.** Interest expense increased \$494,000, or 8.1%, to \$6.6 million for the three months ended June 30, 2011, from \$6.1 million for the three months ended June 30, 2010. The increase was comprised of an increase of \$606,000 in interest expense on borrowings, partially offset by a decrease in interest expense on deposits of \$112,000. The increase in interest expense on borrowings can be attributed to an increase in the average balances of borrowings of \$179.8 million or 56.0% from \$320.8 million for the three months ended June 30, 2010, as compared to \$500.5 million for the three months ended June 30, 2011, partially offset by a decrease in the cost of seventy-four basis points from 3.42% to 2.68%. The decrease in interest expense on deposits can be attributed to a decrease in the cost of deposits of 7 basis points from 1.08% to 1.01%, partially offset by the increase in average balance of interest bearing deposit accounts of \$48.6 million or 3.9% from \$1.25 billion for the three months ended June 30, 2010, to \$1.30 billion for the three months ended June 30, 2011.

**Net Interest Income.** Net interest income decreased \$88,000, or 0.6%, which is primarily attributable to a twenty-six basis point decrease in the net interest rate spread from 2.91% for the three months ended June 30, 2010, to 2.65% the three months ended June 30, 2011. Also the net interest margin decreased thirty-three basis points to 2.90% for the three months ended June 30, 2011, as compared to 3.23% for the three months ended June 30, 2010. The margin compressed due to a decrease in the average earning asset to average cost bearing liability ratio from 125.70% for the three months ended June 30, 2010, to 121.46% for the three months ending June 30, 2011 and the decrease in the net interest rate spread. The general decline in yields was due to the overall low interest rate environment and was driven by decreases in yields earned on mortgage-backed securities and loans, as principal repayments were reinvested

into lower yielding securities and loans.

**Table of Contents**

**Provision for Loan Losses.** The provision for loan losses was \$1.8 million for the quarter ended June 30, 2011; a decrease of \$1.0 million, or 37.5%, from the \$2.8 million provision recorded in the quarter ended June 30, 2010. The decrease in the provision for loan losses in the current quarter was due primarily to a shift in the composition of our loan portfolio to multi-family loans, which generally require lower general reserves than other commercial real estate loans, and decreased levels of delinquencies. During the quarter ended June 30, 2011, the Company recorded net charge-offs of \$245,000 compared to net charge-offs of \$822,000 for the quarter ended June 30, 2010.

**Non-interest Income.** Non-interest income increased \$324,000, or 17.4%, to \$2.2 million for the quarter ended June 30, 2011, as compared to \$1.9 million for the quarter ended June 30, 2010. This increase was primarily a result of a \$101,000 increase in gains on security sales, with \$886,000 in gains on security sales for the current year quarter as compared to \$785,000 for the comparable quarter in 2010, a \$114,000 increase in fees and service charges for customer services, a \$208,000 decrease in trading losses on securities maintained in the Company's deferred compensation plan, and a \$232,000 increase of income earned on bank owned life insurance, generated by increased cash surrender values, primarily resulting from higher levels of bank owned life insurance. The Company routinely sells securities when market pricing presents, in management's assessment, an economic benefit that outweighs holding such securities, and when smaller balance securities become cost prohibitive to carry. These increases were partially offset by a \$248,000 other-than-temporary credit impairment charge recognized on two private label mortgage-backed securities, and a decrease of \$83,000 in other income.

**Non-interest Expense.** Non-interest expense increased \$1.1 million, or 13.3%, for the quarter ended June 30, 2011, as compared to the quarter ended June 30, 2010, due primarily to compensation and employee benefits expense increasing \$840,000 which resulted primarily from increases in employees related to additional branch and operations personnel, and to a lesser extent, salary adjustments effective January 1, 2011. Occupancy expense increased \$142,000, or 12.0%, over the same time period, primarily due to increases in rent and amortization of leasehold improvements relating to new branches and the renovation of existing branches. Professional fees increased \$153,000, over the same time period, primarily due to increased costs related to loan workouts.

**Income Tax Expense.** The Company recorded income tax expense of \$2.3 million for the quarters ended June 30, 2011, and 2010. The effective tax rate for the quarter ended June 30, 2011, was 35.0%, as compared to 35.9% for the quarter ended June 30, 2010. The decrease in the effective tax rate was primarily a result of an increase in bank owned life insurance income.

**Table of Contents**

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

	For the Quarter Ended June 30,					
	2011			2010		
	Average Outstanding Balance	Interest	Average Yield/ Rate (1)	Average Outstanding Balance	Interest	Average Yield/ Rate (1)
<b>Interest-earning assets:</b>						
Loans (5)	\$ 876,389	\$ 12,778	5.85%	\$ 757,240	\$ 12,098	6.41%
Mortgage-backed securities	1,128,099	8,675	3.08	888,469	8,244	3.72
Other securities	119,161	787	2.65	255,392	1,567	2.46
Federal Home Loan Bank of New York stock	10,104	121	4.80	6,475	63	3.90
Interest-earning deposits in financial institutions	52,652	77	0.59	68,078	60	0.35
Total interest-earning assets	2,186,405	22,438	4.12	1,975,654	22,032	4.47
Non-interest-earning assets	141,330			112,605		
Total assets	2,327,735			2,088,259		
<b>Interest-bearing liabilities:</b>						
Savings, NOW, and money market accounts	700,613	1,164	0.67	670,371	1,265	0.76
Certificates of deposit	598,932	2,106	1.41	580,565	2,117	1.46
Total interest-bearing deposits	1,299,545	3,270	1.01	1,250,936	3,382	1.08
Borrowed funds	500,548	3,339	2.68	320,783	2,733	3.42
Total interest-bearing liabilities	1,800,093	6,609	1.47	1,571,719	6,115	1.56
Non-interest bearing deposit accounts	120,352			113,011		
Accrued expenses and other liabilities	10,723			6,457		
Total liabilities	1,931,168			1,691,187		
Stockholders equity	396,567			397,072		
Total liabilities and stockholders equity	2,327,735			2,088,259		

Net interest income	\$ 15,829		\$ 15,917
Net interest rate spread (2)		2.65	2.91
Net interest-earning assets (3)	\$ 386,312		\$ 403,935
Net interest margin (4)		2.90%	3.23%
Average interest-earning assets to interest-bearing liabilities		121.46	125.70

- (1) Average yields and rates for the three months ended June 30, 2011 and 2010, 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****Comparison of Operating Results for the Six Months Ended June 30, 2011 and 2010**

**Net income** Net income increased \$1.8 million, or 23.1%, to \$9.3 million for the six months ended June 30, 2011, as compared to \$7.6 million for the six months ended June 30, 2010, due primarily to an increase of \$1.7 million in non-interest income, an increase in net interest income of \$1.1 million, and a \$1.6 million decrease in the provision for loan losses, partially offset by an increase of \$2.0 million in non-interest expense, and an increase of \$746,000 in income tax expense.

**Interest income.** Interest income increased \$1.4 million, or 3.2%, to \$44.4 million for the six months ended June 30, 2011, from \$43.0 million for the six months ended June 30, 2010. The increase was primarily due to an increase in interest income on loans of \$2.9 million. The increase in interest income of loans can be attributed to an increase in the average balances of \$113.1 million partially offset by a decrease in the yield earned on loans of thirteen basis points. The increase in interest income earned on loans was partially offset by a decrease in interest income on mortgage-backed securities and other securities of \$216,000 and \$1.3 million, respectively. The decrease in interest income earned on mortgage-backed securities was primarily attributable to a decrease in the yield earned by eighty-one basis points partially offset by an increase in the average balance of \$200.6 million. The decrease in interest earned on other securities was primarily attributable to a decrease in the average balances of \$106.2 million partially offset by an increase of thirty-two basis points in the yield earned.

**Interest expense.** Interest expense increased \$263,000, or 2.1%, to \$12.8 million for the six months ended June 30, 2011, from \$16.6 million for the six months ended June 30, 2010. The increase was comprised of an increase of \$1.3 million in interest expense on borrowings, partially offset by a decrease in interest expense on deposits of \$1.0 million. The increase in interest expense on borrowings can be attributed to an increase in the average balances of borrowings of \$180.0 million or 56.9% from \$316.3 million for the six months ended June 30, 2010, as compared to \$496.3 million for the six months ended June 30, 2011, partially offset by a decrease in the cost of sixty-eight basis points from 3.34% to 2.66%. The decrease in interest expense on deposits can be attributed to a decrease in the cost of deposits of nineteen basis points from 1.19% to 1.00%, partially offset by the increase in average balance of interest bearing deposit accounts of \$29.6 million or 2.4% from \$1.24 billion for the six months ended June 30, 2010, to \$1.27 billion for the six months ended June 30, 2011.

**Net Interest Income.** Net interest income increased \$1.1 million or 3.7% from \$30.5 million to \$31.6 million for the six months ended June 30, 2011. This is primarily attributable to the increase in average earning assets of \$192.6 million partially offset by a 10 basis point decrease in net interest rate spread from 2.80% for the six months ended June 30, 2010, to 2.70% the six months ended June 30, 2011. Net interest margin decreased eighteen basis points to 2.96% for the six months ended June 30, 2011, as compared to 3.14% for the six months ended June 30, 2010. The margin compressed slightly due to a decrease in the average earning asset to average cost bearing liability ratio from 125.97% for the six months ended June 30, 2010, to 121.92% for the six months ending June 30, 2011. The general decline in yields was due to the overall low interest rate environment and was driven by decreases in yields earned on mortgage-backed securities and loans, as principal repayments were reinvested into lower yielding securities and loans.

**Provision for Loan Losses.** The provision for loan losses was \$3.1 million for the six months ended June 30, 2011; a decrease of \$1.6 million, or 34.1%, from the \$4.7 million provision recorded in the six months ended June 30, 2010. The decrease in the provision for loan losses in the current six months was due primarily to a shift in the composition of our loan portfolio to multi-family loans, which generally require lower general reserves than other commercial real estate loans, and decreased levels of delinquencies. During the six months ended June 30, 2011, the Company recorded net charge-offs of \$1.4 million compared to net charge-offs of \$1.0 million for the six months ended June 30, 2010.

**Non-interest Income.** Non-interest income increased \$1.7 million, or 47.7%, to \$5.3 million for the six months ended June 30, 2011, as compared to \$3.6 million for the six months ended June 30, 2010. This increase was primarily a result of a \$1.5 million increase in gains on security sales, with \$2.5 million in gains on security sales for the current six months as compared to \$1.1 million for the comparable six months in 2010, a \$148,000 increase in fees and service charges for customer services, and a \$550,000 increase in income earned on bank owned life insurance, generated by increased cash surrender values, primarily resulting from higher levels of bank owned life insurance. The

Company routinely sells securities when market pricing presents, in management's assessment, an economic benefit that outweighs holding such securities, and when smaller balance securities become cost prohibitive to carry. These increases were partially offset by a \$409,000 other-than-temporary credit impairment charge recognized on two private label mortgage backed securities and an equity mutual fund and a decrease of \$78,000 in other income.

**Table of Contents**

***Non-interest Expense.*** Non-interest expense increased \$2.0 million, or 11.1%, for the six months ended June 30, 2011, as compared to the six months ended June 30, 2010, due primarily to compensation and employee benefits expense increasing \$1.2 million which resulted primarily from increases in employees related to additional branch and operations personnel, and to a lesser extent, salary adjustments effective January 1, 2011. Occupancy expense increased \$440,000, or 18.5%, over the same time period, primarily due to increases in rent and amortization of leasehold improvements relating to new branches and the renovation of existing branches. Professional fees increased \$214,000, over the same time period, primarily due to increased costs related to loan workouts.

***Income Tax Expense.*** The Company recorded income tax expense of \$4.9 million and \$4.2 million for the six months ended June 30, 2011, and 2010, respectively. The effective tax rate for the six months ended June 30, 2011, was 34.6%, as compared to 35.6% for the six months ended June 30, 2010. The decrease in the effective tax rate was primarily a result of an increase in bank owned life insurance income, partially offset by an increase in taxable income.

**Table of Contents**

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

	For the Six Months Ended June,					
	2011			2010		
	Average Outstanding Balance	Interest	Average Yield/ Rate (1)	Average Outstanding Balance	Interest	Average Yield/ Rate (1)
<b>Interest-earning assets:</b>						
Loans (5)	\$ 858,991	\$ 25,252	5.93%	\$ 745,891	\$ 22,391	6.05%
Mortgage-backed securities	1,099,390	17,092	3.14	898,788	17,308	3.88
Other securities	134,822	1,757	2.63	241,014	3,068	2.57
Federal Home Loan Bank of New York stock	10,469	230	4.43	6,272	158	5.08
Interest-earning deposits in financial institutions	47,708	105	0.44	66,826	114	0.34
Total interest-earning assets	2,151,380	44,436	4.17	1,958,791	43,039	4.43
Non-interest-earning assets	134,861			111,381		
Total assets	2,286,241			2,070,172		
<b>Interest-bearing liabilities:</b>						
Savings, NOW, and money market accounts	697,955	2,298	0.66	654,026	2,685	0.83
Certificates of deposit	570,312	3,989	1.41	584,598	4,649	1.60
Total interest-bearing deposits	1,268,267	6,287	1.00	1,238,624	7,334	1.19
Borrowed funds	496,276	6,549	2.66	316,315	5,239	3.34
Total interest-bearing liabilities	1,764,543	12,836	1.47	1,554,939	12,573	1.63
Non-interest bearing deposit accounts	115,346			111,335		
Accrued expenses and other liabilities	9,706			8,278		
Total liabilities	1,889,595			1,674,552		
Stockholders equity	396,646			395,620		
Total liabilities and stockholders equity	2,286,241			2,070,172		

Net interest income	\$ 31,600		\$ 30,466
Net interest rate spread (2)		2.70	2.80
Net interest-earning assets (3)	\$ 386,837		\$ 403,852
Net interest margin (4)		2.96%	3.14%
Average interest-earning assets to interest-bearing liabilities		121.92	125.97

- (1) Average yields and rates for the six months ended June 30, 2011 and 2010, 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****Asset Quality**

Nonperforming loans totaled \$58.0 million (6.4% of total loans) as compared to \$56.7 million (6.6% of total loans) at March 31, 2011, \$60.9 million (7.4% of total loans) at December 31, 2010, \$55.4 million (6.9% of total loans) at September 30, 2010, and \$51.5 million (6.7% of total loans) at June 30, 2010. The following table also shows, for the same dates, troubled debt restructurings on which interest is accruing, and accruing loans delinquent 30 to 89 days (dollars in thousands).

	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010
Non-accruing loans	\$ 29,036	31,662	39,303	37,882	34,007
Non-accruing loans subject to restructuring agreements	26,994	24,136	19,978	17,261	17,417
Total non-accruing loans	56,030	55,798	59,281	55,143	51,424
Loans 90 days or more past due and still accruing	1,987	876	1,609	248	77
Total non-performing loans	58,017	56,674	60,890	55,391	51,501
Other real estate owned	118	521	171	171	1,362
Total non-performing assets	\$ 58,135	57,195	61,061	55,562	52,863
Loans subject to restructuring agreements and still accruing	\$ 15,622	12,259	11,198	11,218	10,708
Accruing loans 30 to 89 days delinquent	\$ 14,169	14,551	19,798	35,190	30,619

**Total Non-Accruing Loans**

Total non-accruing loans decreased \$3.3 million, to \$56.0 million at June 30, 2011, from \$59.3 million at December 31, 2010. This decrease was primarily attributable to the following loan types being returned to accrual status during the six months ended June 30, 2011: \$1.8 million of multifamily loans, \$942,000 of commercial real estate loans, and \$332,000 of one-to-four family residential loans. Loans returned to accrual status were current as to principal and interest, and factors indicating doubtful collection no longer existed, including the borrower's performance under the original loan terms for at least six months. Non-accrual loans also decreased as a result of a \$612,000 of pay-offs., the transfer of a \$376,000 commercial real estate loan to other real estate owned, an additional \$1.4 million of charge-offs being recorded on existing and new non-accrual loans, and principal pay-downs of approximately \$2.6 million. The above decreases in non-accruing loans during the six months ended June 30, 2011, were partially offset by the following loan types being placed on non-accrual status during the six months ended June 30, 2011: \$1.9 million of commercial real estate loans, \$676,000 of commercial and industrial loans, \$405,000 of construction and land loans, home equity loans of \$155,000, and \$1.7 million of one-to-four family loans.

**Delinquency Status of Total Non-accruing Loans**

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 a minimum of 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 in a non-accruing status.



**Table of Contents**

The following tables detail the delinquency status of non-accruing loans at June 30, 2011 and December 31, 2010 (dollars in thousands).

	June 30, 2011			Total
	Days Past Due			
	0 to 29	30 to 89	90 or more	
Real estate loans:				
Commercial	\$ 25,237	3,986	15,647	44,870
One -to- four family residential	152	412	2,086	2,650
Construction and land	2,456		875	3,331
Multifamily			3,001	3,001
Home equity and lines of credit			337	337
Commercial and industrial loans	552		1,232	1,784
Insurance premium loans			57	57
Total non-accruing loans	\$ 28,397	4,398	23,235	56,030

	December 31, 2010			Total
	Days Past Due			
	0 to 29	30 to 89	90 or more	
Real estate loans:				
Commercial	\$ 13,679	15,050	17,659	46,388
One -to- four family residential	135	770	370	1,275
Construction and land	2,152	1,860	1,110	5,122
Multifamily	1,824	927	2,112	4,863
Home equity and lines of credit			181	181
Commercial and industrial loans		267	1,056	1,323
Insurance premium loans			129	129
Total non-accruing loans	\$ 17,790	18,874	22,617	59,281

**Loans Subject to Restructuring Agreements**

Included in non-accruing loans are loans subject to restructuring agreements totaling \$27.0 million and \$20.0 million at June 30, 2011, and December 31, 2010, respectively. At June 30, 2011, \$25.5 million, or 94.4% of the \$27.0 million were performing in accordance with their restructured terms.

The Company also holds loans subject to restructuring agreements, and still accruing, which totaled \$15.6 million and \$11.2 million at June 30, 2011 and December 31, 2010, respectively. At June 30, 2011, \$14.1 million, or 90.0% of the \$15.6 million were performing in accordance with their restructured terms.

The following table details the amounts and categories of the loans subject to restructuring agreements by loan type as of June 30, 2011 and December 31, 2010 (dollars in thousands).

	At June 30, 2011		At December 31, 2010	
	Non-Accruing	Accruing	Non-Accruing	Accruing
Troubled debt restructurings:				
Real estate loans:				
Commercial	\$ 22,998	\$ 10,770	\$ 13,138	\$ 7,879
One- to four-family residential	498	2,388		1,750
Construction and land	2,456		4,012	



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

Multifamily	491	1,561	2,327	1,569
Commercial and industrial	551	903	501	
Total	\$ 26,994	\$ 15,622	\$ 19,978	\$ 11,198
Performing in accordance with restructured terms	94.40%	90.00%	61.03%	100.00%

**Table of Contents****Loans 90 Days or More Past Due and Still Accruing and Other Real Estate Owned**

Loans 90 days or more past due and still accruing increased to \$378,000 from \$1.6 million at December 31, 2010 to \$2.0 million at June 30, 2011. Loans 90 days or more past due and still accruing at June 30, 2011, are considered well-secured and in the process of collection. Of the \$2.0 million, \$1.5 million made payments on July, 1, 2011, and \$496,000 was past maturity, paying interest in accordance with original loan terms, and in the process of renewal.

Other real estate owned amounted to \$118,000 at June 30, 2011, as compared to \$171,000 at December 31, 2010.

**Delinquency Status of Accruing Loans 30-89 Days Delinquent**

Loans 30 to 89 days delinquent and on accrual status at June 30, 2011, totaled \$14.2 million, a decrease of \$5.6 million, from the December 31, 2010 balance of \$19.8 million. The following tables set forth delinquencies for accruing loans by type and by amount at June 30, 2011 and December 31, 2010 (dollars in thousands).

	30 to 89 Days	June 30, 2011 90 Days and Over	Total
Real estate loans:			
Commercial	\$ 7,552	\$ 496	\$ 8,048
One- to four-family residential	1,586		1,586
Construction and land	500		500
Multifamily	3,704		3,704
Home equity and lines of credit	94	1,491	1,585
Commercial and industrial loans	137		137
Insurance premium loans	527		527
Other loans	69		69
Total delinquent accruing loans	\$ 14,169	\$ 1,987	\$ 16,156

	30 to 89 Days	December 31, 2010 90 Days and Over	Total
Real estate loans:			
Commercial	\$ 8,970	\$	\$ 8,970
One- to four-family residential	2,575	1,108	3,683
Construction and land	499	404	903
Multifamily	6,194		6,194
Home equity and lines of credit	262	59	321
Commercial and industrial loans	536	38	574
Insurance premium loans	660		660
Other loans	102		102
Total delinquent accruing loans	\$ 19,798	\$ 1,609	\$ 21,407

**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,	
	2011	2010
	(in thousands)	
Balance at beginning of period	\$ 21,819	15,414
Charge-offs:		
Real estate loans:		
Commercial	(1,198)	(469)
One- to- four family residential		(443)
Construction and land		(443)
Multifamily	(25)	(32)
Home equity and lines of credit		
Commercial and industrial loans	(196)	(36)
Insurance premium loans	(26)	(40)
Other loans		
Total charge-offs	(1,445)	(1,020)
Recoveries:		
Commercial real estate loans	6	
Commercial and industrial loans	23	
Total recoveries	29	
Net charge-offs	(1,416)	(1,020)
Provisions (benefits) for loan losses:		
Real estate loans:		
Commercial	1,884	3,961
One- to- four family residential	161	399
Construction and land	(734)	145
Multifamily	702	781
Home equity and lines of credit	110	53
Commercial and industrial loans	169	(942)
Insurance premium loans	63	63
Other loans	16	11
Unallocated	746	257
Total provisions for loan losses	3,117	4,728
Balance at end of period	\$ 23,520	19,122

**Table of Contents****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 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 \$442.3 million at June 30, 2011, at a weighted average interest rate of 2.91%. A total of \$58.0 million of these borrowings will mature in less than one year. Borrowed funds, excluding capitalized lease obligations, were \$389.3 million at December 31, 2010. The Company has the ability to obtain additional funding from the FHLB and Federal Reserve Bank discount window of approximately \$543.7 million, utilizing unencumbered securities of \$604.1 million at June 30, 2011. The Company expects to have sufficient funds available to meet current commitments in the normal course of business.

**Capital Resources.** At June 30, 2011, and December 31, 2010, 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, 2011:			
Tangible capital to tangible assets	13.57%	1.50%	NA%
Tier 1 capital (core) (to adjusted assets)	13.57	4.00	5.00
Total capital (to risk-weighted assets)	27.51	8.00	10.00
As of December 31, 2010:			
Tangible capital to tangible assets	13.43%	1.50%	NA%
Tier 1 capital (core) (to adjusted assets)	13.43	4.00	5.00
Total capital (to risk-weighted assets)	27.39	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.

**Table of Contents**

The following table shows the contractual obligations of the Company by expected payment period as of June 30, 2011:

<b>Contractual Obligation</b>	<b>Total</b>	<b>Less than One Year</b>	<b>One to less than Three Years (in thousands)</b>	<b>Three to less than Five Years</b>	<b>Five Years and greater</b>
Debt obligations (excluding capitalized leases)	\$442,300	58,000	170,800	201,500	12,000
Commitments to originate loans	\$ 52,803	52,803			
Commitments to fund unused lines of credit	\$ 31,085	31,085			

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 (original or restructured). 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.

As of June 30, 2011, we serviced \$46.9 million of loans for Freddie Mac. These one- to four-family residential mortgage real estate loans were underwritten to Freddie Mac guidelines and to comply with applicable federal, state, and local laws. At the time of the closing of these loans the Company owned the loans and subsequently sold them to Freddie Mac providing normal and customary representations and warranties, including representations and warranties related to compliance with Freddie Mac underwriting standards. At the time of sale, the loans were free from encumbrances except for the mortgages filed for by the Company which, with other underwriting documents, were subsequently assigned and delivered to Freddie Mac. At June 30, 2011, substantially all of the loans serviced for Freddie Mac were performing in accordance with their contractual terms and management believes that it has no material repurchase obligations associated with these loans.

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, 2010.

**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 Operating Officer/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, 300, or 400 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, 300, or 400 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, 2011, 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)	Estimated Present Value  of Assets	Estimated Present Value  of Liabilities	NPV		Estimated	Net Interest Income Percent Change
			Estimated NPV	Estimated Change In NPV	NPV/Present Value of Assets Ratio	
+400	\$2,086,473	\$1,768,516	\$317,957	\$(130,400)	15.24%	(19.50)%
+300	2,138,857	1,797,131	341,726	(106,631)	15.98	(14.56)
+200	2,202,234	1,826,703	375,531	(72,826)	17.05	(9.29)
+100	2,268,359	1,857,277	411,082	(37,275)	18.12	(4.31)
0	2,337,255	1,888,898	448,357		19.18	
-100	2,382,808	1,919,852	462,956	14,599	19.43	(0.94)
-200	2,409,315	1,937,627	471,688	23,331	19.58	(4.36)

The table above indicates that at June 30, 2011, in the event of a 300 basis point increase in interest rates, we would experience a 320 basis point decrease in NPV ratio (19.18% versus 15.98%), and a 14.56% decrease in net interest income. In the event of a 200 basis point decrease in interest rates, we would experience a 40 basis point increase in NPV ratio (19.18% versus 19.58%) and a 4.36% decrease in net interest income. Our policies provide that, in the event of a 300 basis point increase/decrease or less in interest rates, our net present value ratio 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 policy states that our net portfolio value should be at least 8.5% of total assets before and after such shock. At June 30, 2011, we were in compliance with all board approved policies with respect to interest rate risk management.

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, 2011. 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, 2011, 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.



**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**

*United States political, credit and financial market conditions may negatively affect or impair the value of our current portfolio of residential mortgage-backed securities issued or guaranteed by Fannie Mae and Freddie Mac (GSEs).*

As a result of the uncertain domestic political, credit and financial market conditions, investments in these types of financial instruments pose increased risks arising from liquidity and credit concerns. Given that future deterioration in the United States credit and financial markets is a possibility, no assurance can be made that losses or significant deterioration in the fair value of our investments will not occur. Currently we have approximately \$1.05 billion invested in residential mortgage-backed securities issued or guaranteed by GSEs. On August 5, 2011, Standard and Poor's lowered the United States of America's long-term sovereign credit rating from AAA to AA+. This downgrade could affect the stability of residential mortgage-backed securities issued or guaranteed by GSEs. These factors could affect the liquidity or valuation of our current portfolio of residential mortgage-backed securities issued or guaranteed by GSEs, and could result in our counterparties requiring additional collateral for our borrowings. Further, unless and until the current United States political, credit and financial market conditions have been sufficiently resolved, it may increase our future borrowing costs.

Except as disclosed above or in documents we have previously filed with the SEC, there have been no material changes to the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2010, as filed with the SEC.

**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, 2011.

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)</sup>
April 1, 2011, through April 30, 2011	274,043	\$ 13.72	274,043	1,321,423
May 1, 2011, through May 31, 2011	121,070	13.70	120,250	1,201,173
June 1, 2011, through June 30, 2011	151,553	13.81	151,236	1,049,937
Total	546,666	\$ 13.74	545,529	

- (1) On October 27, 2010, the Board of Directors of the Company authorized a stock repurchase program pursuant to which the Company intends to repurchase up to 2,177,033 shares, representing approximately 5% of its then outstanding shares. The timing of the repurchases will depend on certain factors, including but not limited to, market conditions and prices, the Company's liquidity and capital requirements, and

**Table of Contents**

alternative uses of capital. Any repurchased shares will be held as treasury stock and will be available for general corporate purposes. The Company is conducting such repurchases in accordance with a Rule 10b5-1 trading plan. As of June 30, 2011, under its current repurchase plan, the Company has repurchased 1,127,096 shares of its stock at an average price of \$13.44 per share. The Company has repurchased a total of 3,211,040 shares of its common stock (under its current and prior repurchase plans) at an average price of \$12.49 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, 2011

/s/ John W. Alexander  
John W. Alexander  
Chairman, President and Chief Executive  
Officer

/s/ Steven M. Klein  
Steven M. Klein  
Chief Operating Officer and Chief  
Financial Officer (Principal Financial and  
Accounting Officer)

**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, Chief Operating Officer 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, Chief Operating Officer 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.