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

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

þ **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

o **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	**42-1572539**
(State or other jurisdiction of incorporation)	**(I.R.S. Employer Identification No.)**
1410 St. Georges Avenue, Avenel, New Jersey	**07001**
(Address of principal executive offices)	**(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 þ No o

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

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 o	Accelerated filer þ	Non-accelerated filer o	Smaller reporting company o
		(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 o No þ

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
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ITEM 1. FINANCIAL STATEMENTS

NORTHFIELD BANCORP, INC.
CONSOLIDATED BALANCE SHEETS
June 30, 2011, and December 31, 2010
(In thousands, except per share amounts)

	June 30, 2011	December 31, 2010
	(Unaudited)	
ASSETS:		
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
Total assets	$2,307,571	2,247,167
LIABILITIES AND STOCKHOLDERS EQUITY:		
LIABILITIES:		
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
Total liabilities	1,909,400	1,850,450

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)
Total stockholders equity	398,171	396,717
Total liabilities and stockholders equity	$2,307,571	2,247,167

See accompanying notes to the unaudited consolidated financial statements.

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NORTHFIELD BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
Three and six months ended June 30, 2011, and 2010
(Unaudited)
(In thousands, except share data)

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Interest income:				
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
Interest expense:				
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
Non-interest income:				
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
Total non-interest expense	9,584	8,457	19,537	17,578
Income before income tax expense	6,685	6,528	14,245	11,749
Income tax expense	2,338	2,342	4,928	4,182
Net income	$ 4,347	4,186	$ 9,317	7,567
Basic and diluted earnings per share	$ 0.11	0.10	$ 0.23	0.18

See accompanying notes to the unaudited consolidated financial statements.

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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		Accumulated other		Total
	Shares	Par value	paid-in capital		Retained earnings	comprehensive income	Treasury 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							

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.

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NORTHFIELD BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Six months ended June 30, 2011, and 2010
(Unaudited) (In thousands)

	2011	2010
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

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.

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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):

	June 30, 2011			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
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

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	December 31, 2010			
	Amortized cost	**Gross unrealized gains**	**Gross unrealized losses**	**Estimated fair value**
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):

Available-for-sale	**Amortized cost**	**Estimated fair value**
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):

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	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):

	June 30, 2011					
	Less than 12 months		**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

	December 31, 2010					
	Less than 12 months		**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

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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.

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Note 3 Net Loans Held-for-Investment

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

	June 30, 2011	December 31, 2010
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

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.

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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):

	At or for the six months ended June 30,	
	2011	**2010**
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

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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									
	Commercial	One-to-Four Family	Construction and Land	Multifamily	Home Equity and Lines of Credit	Commercial and Industrial	Insurance Premium	Other	Unallocated	Total
Allowance for loan losses:										
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
Loans held-for-investment, net:										
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

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	December 31, 2010									
	Real Estate									
	Commercial	One-to-Four Family	Construction and Land	Multifamily	Home Equity and Lines of Credit	Commercial and Industrial	Insurance Premium	Other	Unallocated	Total
llowance for loan losses:										
eginning Balance, December 31, 009	$ 8,403	163	2,409	1,866	210	1,877	101	34	351	15,414
harge-offs	(987)		(443)	(2,132)		(36)	(101)			(3,699
ecoveries							20			20
rovisions	5,238	407	(111)	5,403	32	(1,122)	91	(6)	152	10,084
nding Balance, December 31, 2010	12,654	570	1,855	5,137	242	719	111	28	503	21,819
nding balance, December 31, 2010: ndividually evaluated for impairment	2,129	369	36	121						2,655
nding balance, December 31, 2010: ollectively evaluated for impairment	10,525	201	1,819	5,016	242	719	111	28	503	19,164
oans held-for-investment, net:										
nding balance, December 31, 2010	339,259	78,109	35,077	284,199	28,337	17,032	44,517	1,061		827,591
nding balance, December 31, 2010: ndividually evaluated for impairment	51,324	1,750	4,562	5,083		500				63,219
nding balance, December 31, 2010: ollectively 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.

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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.

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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		One- to Four-Family		Construction and Land	Multifamily		Home Equity and Lines of Credit	Commercial and Industrial	Insurance Premium	Other	Total
	< 35% LTV	=> 35% LTV	< 60% LTV	=> 60% LTV		< 35% LTV	=> 35% LTV					
ernal Risk Rating												
ss	$32,779	229,780	46,516	22,984	21,281	20,795	326,755	30,043	10,368	58,848	1,700	801,84
ecial Mention	239	10,102	905		73		6,603	51	67	132		18,17
bstandard	2,010	60,610	834	3,676	6,743	558	4,176	337	3,542	57		82,54
tal loans ld-for-investment, t	$35,028	300,492	48,255	26,660	28,097	21,353	337,534	30,431	13,977	59,037	1,700	902,56

	At December 31, 2010											
	Real Estate											
	Commercial		One- to Four-Family		Construction and Land	Multifamily		Home Equity and Lines of Credit	Commercial and Industrial	Insurance Premium	Other	Total
	< 35% LTV	=> 35% LTV	< 60% LTV	=> 60% LTV		< 35% LTV	=> 35% LTV					
ernal Risk Rating												
ss	$24,826	248,759	49,928	22,247	24,767	18,880	256,948	28,042	14,110	44,149	1,061	733,71
ecial Mention	1,613	12,108	1,206	1,750	1,128		5,233	55	776	239		24,10
bstandard	1,385	50,568	623	2,355	9,182	504	2,634	240	2,146	129		69,76
tal loans ld-for-investment, t	$27,824	311,435	51,757	26,352	35,077	19,384	264,815	28,337	17,032	44,517	1,061	827,59

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.

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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.

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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					
	Non-Accruing Loans				90 Days or More Past Due and Accruing	Total Non-Performing Loans
	0-29 Days Past Due	30-89 Days Past Due	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						

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	1,491	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

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	At December 31, 2010					
	Non-Accruing Loans				90 Days or More Past Due and Accruing	Total Non-Performing Loans
	0-29 Days Past Due	30-89 Days Past Due	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%						